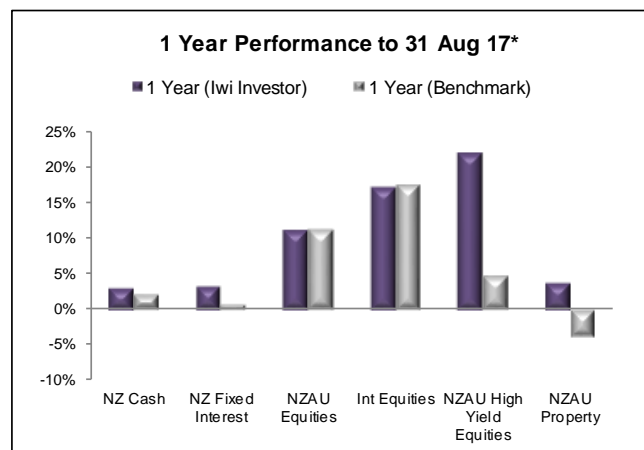
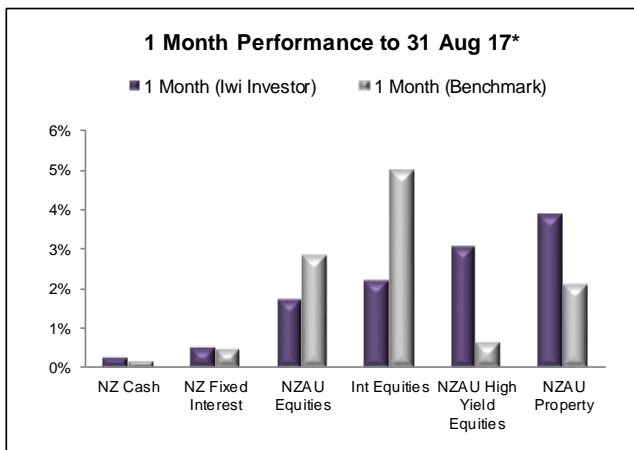


Tirohanga ki te makete mō Here turi kōkā 2017

He moana pukepuke e ekengia e te waka: A choppy sea can be navigated

Market Overview







*Benchmarks; NZX 90D, ANZ Comp A, NZX50 / ASX200(NZD) comp, MSCI World (NZD), ANZ Corp A +2%, NZX/ASX200(NZD) PROP comp

The supportive economic conditions of recent years (low growth, low inflation and low interest rates) led global share markets to new highs in August but the escalating tensions around the Korean peninsula saw the gains evaporate and bond yields ease by month end. While the prospects of military action remains low, its outcome would have serious consequence and the flight to safety was evident.

Domestically, the prospect of a change in Government later this month, was most evident in the currency market as the New Zealand dollar lost 4.7% against the TWI (trade weighted basket of currency).

The outlook for the global financial markets is 'more of the same' but political issues could upset in the short term.

August Benchmark Performance:

-  NZ Fixed Interest up 0.5%
-  NZ Equities: up 1.6%
-  Australian Equities: up 4.0% (NZD), up 0.7% (local currency).
-  International Equities: up 5.0% (NZD), up 0.1% (local currency).

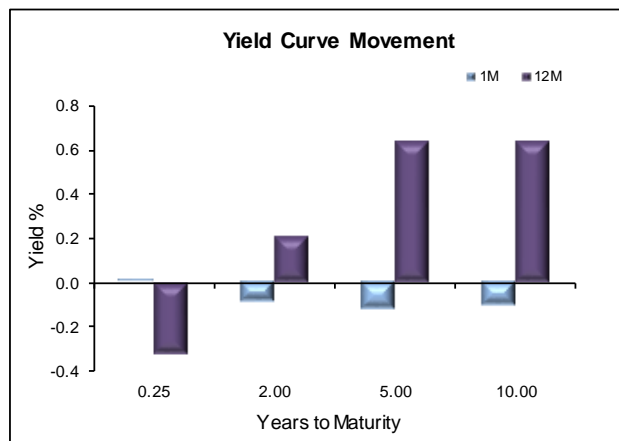
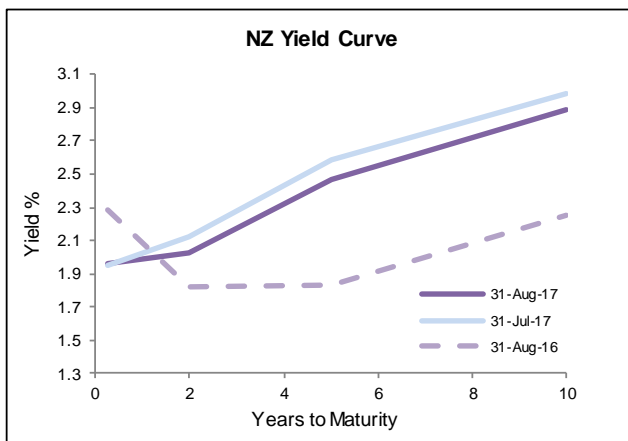
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NZ Cash & Fixed Interest

Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	699	0.2%	0.5%	1.0%	2.1%	2.8%	2.8%	3.7%
NZX Govt Bond Index	1,643	0.5%	0.2%	2.8%	0.0%	5.2%	3.8%	6.1%
NZX Composite A Grade	4,565	0.5%	0.3%	2.8%	0.7%	5.3%	4.1%	6.3%

The cash rate remains low as our Reserve Bank held the OCR steady at 1.75% in line with their commentary for some time. The only change was slight easing in trading banks deposit rates as demand for credit was weaker, given election uncertainty and the seasonal decline in housing market.

Global bond yields eased by month end as the tension around the Korean peninsula escalated. NZ 10 year bond yield was 9 basis points lower at 2.9%. Most central banks meet in September and while most will hold their cash rate, the key will be the US Federal Reserve commentary on the timetable for shrinking its balance sheet (bond selling to reduce its holding).



New Zealand & Australian Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	7,817	1.6%	5.4%	9.1%	5.7%	14.4%	16.3%	6.6%
ASX200 (Local)	56,147	0.7%	0.9%	2.4%	9.8%	5.1%	10.6%	3.6%
ASX200 (NZD)		4.0%	5.8%	5.9%	16.5%	4.6%	7.2%	3.1%

The NZ share market reached an all-time high during the month and was up 1.6% by month end, despite a mixed but slightly favourable reporting season. Companies in the tourism, rural and retirement villages led the gain. In contrast, threats from global competition, saw Sky Network and Trade Me lose ground. The Australian share market was up 0.7% with the resource sector gaining (increasing cash flow and debt reduction) while the financials (low credit growth and more risk of arbitrary state government tax grab) continued their weakness.

Shares that helped our portfolio: Worley Group (+17.5%), Flight Centre (+14.8%)

Shares that hurt our portfolio: Vocus Communications (-31.6%), TruScreen (-12.5%)

International Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
MSCI World (Local)	4,149	0.1%	1.6%	5.3%	15.4%	7.7%	12.7%	4.8%
MSCI World (NZD)		5.0%	1.9%	7.9%	17.4%	11.5%	13.7%	4.3%

The global share markets were mixed during August with Japan down 1.4% (regional tension) and the UK up 0.8% (Pound weakness) while the World MSCI index was marginally higher influenced by a flat US market. The US share market started strongly reaching new highs, however uncertainties in US interest rates (Federal Reserve balance sheet shrinking) and US politics (debt ceiling debate, North Korea and other Trump issues) saw the gains evaporate by month end.

New Zealand investors fared better (with an unhedged portfolio) as our dollar weakened considerably. MSCI World index rose 5% as the 'kiwi' weakened from 75.2c to 71.7c against the US dollar

Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	1,176	0.5%	1.2%	3.2%	-3.1%	10.2%	11.0%	6.7%
ASX200 Property (Local)	3,116	0.4%	-5.6%	-3.3%	-10.2%	5.5%	8.0%	-5.7%
ASX200 Property (NZD)		3.7%	-1.0%	0.0%	-4.7%	5.0%	4.7%	-6.2%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZD / AUD	0.9086	-3.2%	-4.7%	-3.3%	-5.7%	0.5%	3.2%	0.5%
NZD / USD	0.7173	-4.6%	1.0%	-0.1%	-1.1%	-5.0%	-2.2%	0.2%
NZ TWI	75.5	-4.8%	-1.8%	-3.6%	-2.5%	-1.5%	1.0%	1.1%
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	47.23	-6%	-2%	-13%	6%	-21%	-13%	-4%
CRB Index	180.95	-1%	1%	-5%	0%	-15%	-10%	-5%

