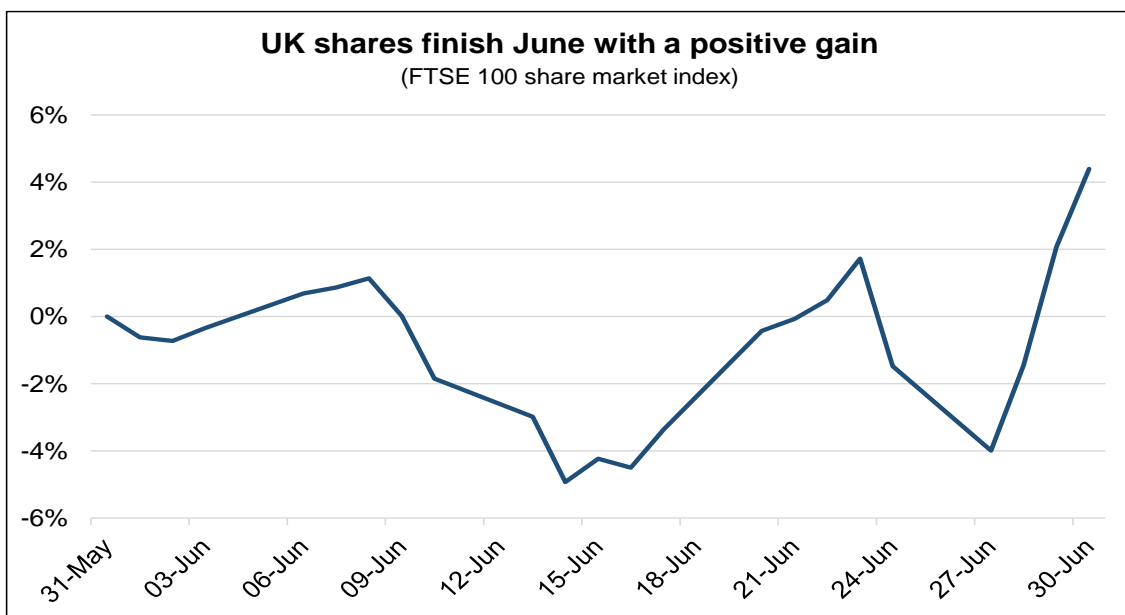


Market & Portfolio Update – June 2016

- Most investment funds were down this month by between 0.2% and 3%*. Share markets were generally lower due to the uncertainties around the historic EU referendum in the UK. Somewhat ironically, the major exception to this was the UK share market itself, which actually finished the month 4% higher! Many large British export companies may actually benefit from the lower UK Pound. European shares on the other hand, fell 6% and the United States market ended the month where it started.
- Interest rates also fell, which led to solid returns from fixed interest investments. Shares in global property companies also benefitted from the lower interest rates. This in turn helped to offset some of the weaker share markets.
- The New Zealand Dollar rose 5% which hurt the returns on overseas shares (in New Zealand Dollar terms). However, around 60% of your overseas share investments are protected (hedged) against such currency moves, so they were only partially affected.

**after fees but before tax*

Chart of the Month



It has been a month of surprise outcomes for the UK. First, the country's vote to leave the European Union was unexpected. Potentially equally surprising was a sharp 8% rise in UK shares over the last 3 days of the month. This more than reversed a 6% fall immediately following the referendum outcome. The rise left UK shares with a positive return for the month – a pleasing outcome all things considered, given some likely headwinds to the UK economy over the next few years.

[There were plenty of negative headlines around the 6% fall, but not as much coverage of the more recent rise.](#) Unfortunately, this is fairly typical, as

bad news tends to attract more attention than good news!

For investors though, this reinforces the value of not getting too caught up in the headlines of the day. The most important thing that most of us can focus on is making sure we are in the right portfolio for our needs. This means having the most appropriate mix of long-term growth investments (such as shares) and more defensive investments (such as fixed interest) to smooth out shorter-term returns. Once a suitable long-term plan is in place, sticking to it and not being spooked by what markets do in the short term is one of the keys to achieving its desired outcomes.

Summary of Key Portfolio Monitoring Decisions

NZ Shares Portfolio

- Reduced the weights of some of the companies with larger exposures to the U.K. and Europe - **Xero** and **Mainfreight**. Both companies earn about 20% of their revenue from this region, where there are now some uncertainties around their revenue growth outlook.

Global Opportunities Portfolio

- Reduced some of the portfolio's **cash**, taking it from 20% to 10%.
- Sold the investment in **commodities**, as the outlook is now less favourable. For example, the oil price is up over 35% this year, well ahead of other alternatives.
- Invested the proceeds in **emerging markets**, where we believe economic growth will be ahead of the main developed economies over the long term.

NZ Fixed Interest Portfolio

- Invested 2.50% in a new **NZ Government Bond** maturing in **2025**. This relatively small change is part of our ongoing fine-tuning.