

## Market & Portfolio Update – September 2017

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### New Zealand's Kingmaker and your Portfolio

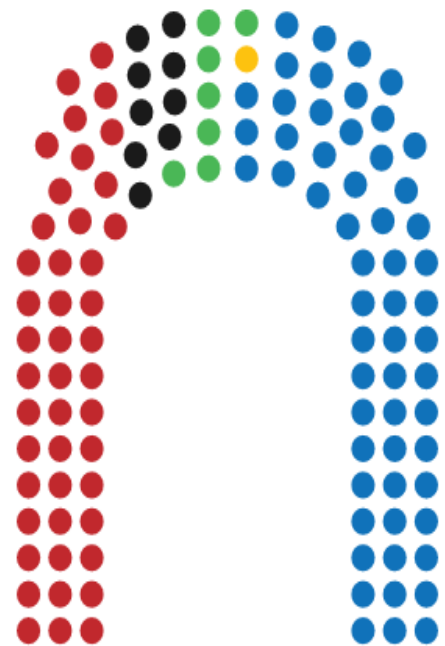
As many predicted, the provisional results of the election see Winston Peters assume the role of king (or queen) maker. It's hard to tell exactly what he's after in his negotiations (we've lost count of the number of "bottom lines" he has). He also poses nine different scenarios on how the new Government could look, so to make any investment decision based on this level of uncertainty would be more like speculation. In saying that, looking back at past elections can help indicate whether this uncertainty is likely to have any significant market impact.

Looking back, the New Zealand dollar can go through a bit of volatility over periods of uncertainty but the New Zealand share market generally isn't too affected by the outcome. Usually it stays on the pre-election path, and this is how it appears to be playing out (it's risen 4% over the last three months). Individual industries can be affected though, depending on the policies. For example, last election, the Labour-Greens policy of establishing a single buyer of electricity saw the share prices for electricity generator companies fall heading into the election.

This time round, National have pledged \$5b to infrastructure, including road and other transport-related projects, which should benefit construction companies. Labour has a heavy focus on housing affordability, which would likely affect companies sensitive to house prices (e.g. the retirement village operators).

So, what about NZ First? As mentioned, Winston has a number of "bottom lines", ranging from reducing immigration and restricting foreign freehold land purchases, to creating a state asset buy-back programme. It's hard to tell what National and Labour may need to agree to in order to form a majority government.

Nonetheless, we remain confident in how your portfolio is positioned, and will watch with interest as the situation unfolds. The outcome may bring some new, exciting opportunities.



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- ❖ Share markets rose further in September, shrugging off the unresolved New Zealand election and war of words between the United States and North Korea. The positive underlying factors driving the world economy have continued to show, supporting investor confidence and fund returns.
- ❖ In a flashback to themes from earlier in the year, Donald Trump launched a much-anticipated new plan to cut taxes for US businesses, adding a potential further positive for share investors. Given the positive economic outlook, Janet Yellen, chair of the US Federal Reserve, also reconfirmed expectations for interest rates to continue to gradually rise, which would be reinforced if Trump's tax plan is implemented.
- ❖ Booster bought shares in horticultural company Scales Corporation within your NZ share investments. The purchase took advantage of a dip in the company's share price, and we expect its earnings to rise over time as it benefits from growing apple sales in its key export markets of Asia and the Middle East.