

**Summary of Key Portfolio Monitoring Decisions:  
Six months to 30 September 2016**

April 2016

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**NZ Shares Portfolio**

- During April Comvita Limited and Orion Healthcare Group were added to the portfolio. Comvita sells a range of manuka honey-based health products and is the largest manufacturer of manuka honey in the world. Orion Healthcare operates a suite of software to centralise clinical information for the use of medical providers and funders with an aim to make the medical industry more efficient.
- This was offset mainly by the reduction of Sky Network Television. Sky TV's monopoly position in pay-television is under threat from technological advancements in online subscription television.

May 2016

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**Australian Shares Portfolio**

- During May we reduced Sonic Healthcare from a 2% allocation to 1%. Sonic had outperformed the wider market by over 10% since February, as the Australian Government decided to maintain the current fee structure for collection centres in the pathology sector; last year it was expected that this area could be subject to significant cuts. We still believe the long term outlook for Sonic remains positive with its growing overseas expansion, but the current price already factors in much of this potential.
- The reduction in Sonic has been offset by an increase in Telstra. Telstra continues to provide a very good yield with stable earnings. The sale of non-core businesses gives us confidence that the management is focussing on its core telecommunications business, where they have a good track record.

June 2016

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**NZ Shares Portfolio**

- We have 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**

- We invested some of the portfolio's cash, taking it from 20% to 10%. We also sold the investment in commodities, with a less favourable outlook following a 35% rise in the oil price.
- We have 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**

- We have invested 2.5% in a new NZ government bond maturing in 2025. This relatively small change is part of our ongoing fine-tuning.

### **NZ Shares Portfolio**

- We bought additional shares in Fletcher Building to add to exposure to the booming New Zealand construction industry. It has been well publicised that there is currently a housing shortage in New Zealand, predominantly in Auckland. Fletcher Building, being a building supplies and construction company, should benefit from this over the coming years.
- To offset this, we reduced the holdings in Ryman Healthcare and Michael Hill International. Michael Hill has risen 52% since announcing their intention to list on the Australian Securities Exchange.

### **Australian Shares Portfolio**

- We added to investments in the major Australian Banks. Regulatory risks had weighed heavily on their performance over the past 18 months which led to valuations and yields looking extremely attractive relative to the wider market.
- This positive move has been offset by reducing investments in the listed Real Estate sector. Income hungry investors have driven down the yields available on real estate, and the sector is now trading at a 50% premium to its underlying assets.

### **NZ Shares Portfolio**

- We added a small holding in Tegel to the Portfolio during the month. Tegel is a vertically integrated chicken producer which operate the entire process from breeding through to distribution of raw and cooked chickens. Australia recently announced they would allow the importation of NZ raw chicken which opens a large market for Tegel tap into. The proceeds came from the sale of Michael Hill International which we have been taking profits in over the past couple of months.

### **Global Opportunities Portfolio**

- Aligning with a higher allocation to Emerging Markets, the 10% allocation to the SPDR China ETF has been sold. This diversifies the allocation to Emerging Markets, at the same time as resulting in a cleaner exposure to the sector. Chinese shares also make up 25% of the Vanguard Emerging Markets Fund (and the Chinese economy has flow on effects to much of Asia) so China remains well represented in the fund.

### **NZ Shares Portfolio**

- We added a small holding in Vista Group International to the Portfolio during the month. Vista is a cinema software provider which covers the complete cinema process – from ticketing to loyalty programs and data analytics. Vista are making big inroads right across the world with 38% global market share and growing.

### **NZ Fixed Interest Portfolio**

- We continued to fine-tune NZ Fixed Interest investments, further spreading the range of maturities by adding a new long term bond issued by the NZ government.