

Russell Investments NZ Shares Fund

Report and Update

30 June 2016

Fund Commentary

The Russell Investments NZ Shares Fund returned -2.30% in June, trailing the Russell New Zealand Domestic Index return which returned -1.95%. For the quarter the Fund turned in a positive return of 2.02%.

Market Commentary

The New Zealand share market returned -1.95% in June (as measured by the Russell New Zealand Domestic Index), which reflected the fall in global equity markets on the back of Brexit.

Markets were choppy in advance of the British European Union (EU) referendum, before collapsing after the shock 'leave' outcome in late June. Markets recovered post Brexit as investor expectations of ongoing easy monetary policy settings increased (more stimulus, US Fed on hold), US Federal Reserve bank stress testing highlighted fewer issues than expected (allowing some to undertake share buybacks), and the realisation that the Brexit process would take some time.

In New Zealand, heightened risk aversion resulted in shares with higher earnings certainty and dividend yield stocks such as Chorus and Mighty River Power outperforming. Auckland Airport outperformed after the Commerce Commission released a draft report on the future input methodologies which was less draconian than some had expected. a2 Milk returned 15.8% over June as Chinese authorities extended the timing of infant formula regulatory changes. The Sky TV stock price jumped after Sky and Vodafone announced a merger proposal. Summerset fell as investors sold it to fund capital raising by NZ property companies and as stock prices of Australian aged care operators dropped. The Reserve Bank of New Zealand's (RBNZ's) June Monetary Policy Statement affirmed rates remain on hold, noting house prices and dairy incomes pose financial stability risks. Markets continue to price in modest further rate cuts.

Investment Performance and Positions

The following information provides investment performance and positions within the underlying portfolio. Please note that this information is indicative only and is provided for general information purposes only.

Returns to 31 May 2016 (% gross of tax and fees)

	Month	Quarter	1 Year	2 Years	3 Years
Fund	-2.30%	2.02%	23.26%	18.02%	18.55%
Index*	-1.95%	2.34%	23.88%	18.65%	18.16%

*Russell New Zealand Domestic Index including imputation credits (previously known as the Russell NZ Tradable Gross Index). Prior to 1 December 2014 the benchmark was the NZX50 Index including imputation credits.



Portfolio Information

	Fund	Index
Number of issuers	53	39
Migrant Investor – Eligibility	Foreign Investment Variable Rate PIE	

Top 10 Holdings

	Fund
Fletcher Building	9.30%
Fisher & Paykel Healthcare	8.86%
Contact Energy	6.93%
Spark	6.86%
Auckland Airport	6.37%
Mainfreight	5.25%
Ryman Healthcare	4.55%
Meridian Energy	4.29%
Summerset	2.99%
Vista	2.99%

Contact Details

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