

Russell Investments NZ Shares Fund

Report and Update

31 March 2016

Fund Commentary

The Russell Investments NZ Shares Fund returned 9.33% in March, outperforming the Russell New Zealand Domestic Index return of 8.99%. For the quarter, the fund returned 6.84%, trailing the benchmark return of 7.98%.

Both the fund's underlying investment managers, Harbour Asset Management and Devon Funds Management, performed strongly during the month.

For Harbour, key performance drivers included overweight positions in Pacific Edge (+35%), Scales (+32%) and ERoad (+43%) however, positions in Diligent, Delgats and Abano Healthcare detracted. For Devon, key contributors included Fletcher Building (+13%), Sky City (+14%) and Metro Performance Glass (+10%).

Market Commentary

The New Zealand share market returned 8.99% in March (as measured by the Russell New Zealand Domestic Index), outperforming global equity markets, which also performed strongly returning 5.85% in New Zealand dollar hedged terms.

Global share markets rallied strongly in March on the back of supportive central bank policy. In particular, the ECB cut interest rates and expanded its quantitative easing programme while US Federal Reserve commentary was more dovish than expected. This accommodative policy, combined with US dollar weakness, led cyclical sectors and emerging markets to outperform over the month, with defensive sectors underperforming.

In New Zealand, strong offshore fund flows into large capitalisation companies drove share prices higher in March, despite the market being fully priced. The surprise RBNZ cut at the beginning of the month, which reflected continued low inflation expectations, also supported increased investment in yielding companies by New Zealand investors.

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 March 2016 (% gross of tax and fees)					
	Month	Quarter	1 Year	2 Years	3 Years
Fund	9.33%	6.84%	21.14%	16.99%	18.11%
Index*	8.99%	7.98%	19.48%	17.44%	17.45%

*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	

Largest positions	Position to Index	Holding
Diligent	+3.8%	Overweight
Mainfreight	+3.3%	Overweight
Contact Energy	+3.0%	Overweight
Vista Group	+2.4%	Overweight
Fisher & Paykel Healthcare	+1.9%	Overweight
Auckland Airport	-4.1%	Underweight

Top 10 Holdings	Fund	Index*
Fisher & Paykel Healthcare	9.4%	7.5%
Fletcher Building	8.7%	7.8%
Spark	8.2%	9.7%
Auckland Airport	5.6%	9.7%
Contact Energy	5.3%	2.3%
Mainfreight	5.1%	1.8%
Meridian Energy	4.0%	4.5%
Ryman Healthcare	4.0%	5.0%
Diligent	3.8%	0.0%
Summerset	2.9%	1.4%

*Russell New Zealand Domestic Index

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