

QUAYSTREET MONTHLY MARKET UPDATE

- AS AT 31 JULY 2018 -

INTERNATIONAL MARKETS

Emerging markets rally led by India

Global sharemarkets pushed higher over the month with the MSCI World Index (NZD) rising 2.6%. Many emerging market indices also managed to rally in July after a long period of underperformance. Within this group, India was a standout with the Sensex 30 Index rising 6.4% in local currency terms. The news flow out of India continues to be good, the government recently cut sales taxes on a wide array of goods and services while Prime Minister Modi survived an opposition led no-confidence vote. This has given investors increased confidence that the pro-growth leader will win next year's federal election.

China looks less rosy for investors although its stock market was slightly higher over the month. An important leading indicator, the manufacturing PMI,

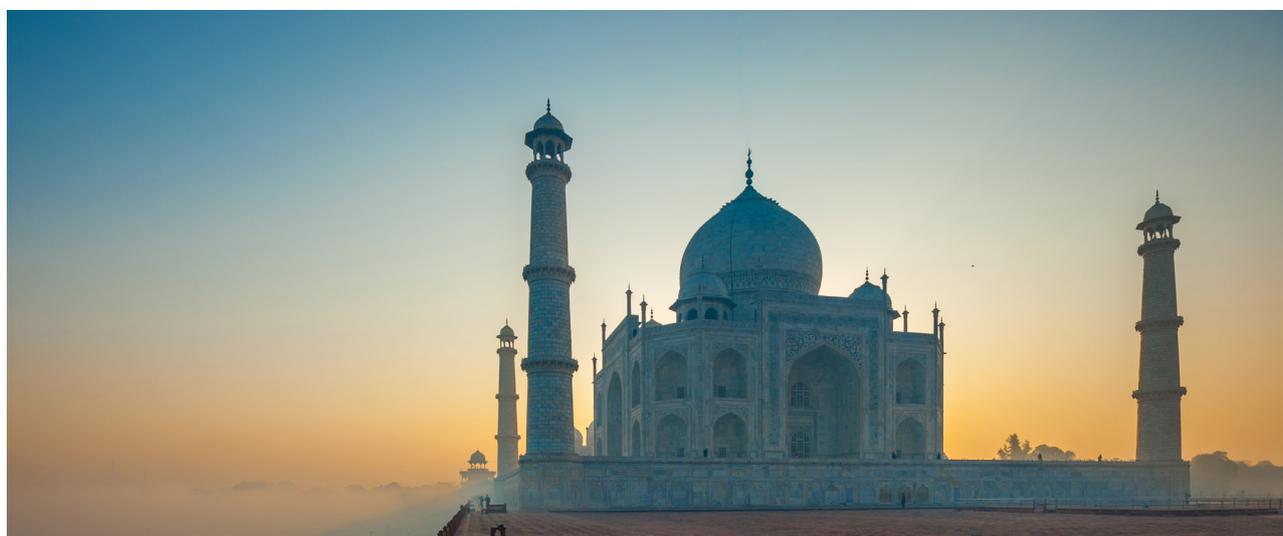
missed expectations in July with both new export orders and imports having contracted. Overall, the data being released still shows the growth momentum in China is slowing where a big contributor of this is a combination of weak credit growth and trade uncertainties with the US.

In the US, second quarter annualised GDP growth was 4.1%, ahead of many forecasts. However, the USD response to this was muted, as it is likely the benefits of recent tax cuts and deregulation have already been priced in. Still to come are the lagged effects of the Federal Reserve's interest rate rises, which we think will inevitably slow the US economy.

MARKET PERFORMANCE

INTERNATIONAL INDICES	1 MONTH RETURN	1 YEAR RETURN
MSCI WORLD (USD)	3.12%	11.88%
MSCI WORLD (NZD)	2.56%	23.21%
S&P 500 (USD)	3.72%	16.24%
STOXX 50 (EUR)	3.93%	4.96%
NIKKEI 225 (JPY)	1.12%	15.38%

CURRENCIES	RATE	MONTHLY % CHANGE
AUD/NZD	0.9164	0.20%
GBP/NZD	0.5192	1.19%
EUR/NZD	0.5822	0.47%
USD/NZD	0.6815	0.69%
JPY/NZD	76.195	1.66%





NEW ZEALAND MARKET

NZX fades after a strong start

The New Zealand sharemarket had a strong start in July as the S&P/NZX 50 Index again hit new record highs early in the month, but trended downward for the rest of the month. The Index returned -0.2% lagging behind global peers who mostly saw strong positive returns in local currency terms.

The best performing company in the index was Ebos Group (EBO). It made a total return of 12.5% after winning the tender to act as the exclusive third party distributor of pharmaceutical products to more than 400 Chemist Warehouse and My Chemist stores in Australia. EBO estimates the revenue impact will be approximately A\$1 billion in the first year of this agreement. Kathmandu had another positive month with a total return of +5.8% after upgrading its full year profit guidance. This was on the back of strong same store sales growth in Australia. A2 Milk was the worst performer in the Index returning -8.7% despite

NZ TOP 5 PERFORMING STOCKS

COMPANY NAME	1 MONTH RETURN	1 YEAR RETURN
EBOS Group	12.5%	16.3%
Kathmandu Holdings	5.8%	45.3%
Vital Healthcare Property Trust	5.2%	-2.4%
Genesis Energy	4.5%	12.7%
Trustpower	4.4%	10.2%

MARKET PERFORMANCE

NEW ZEALAND INDICES	1 MONTH RETURN	1 YEAR RETURN
S&P/NZX50	-0.24%	15.96%
S&P/NZX Mid Cap	1.15%	16.32%

All equity index returns are calculated on a total return basis.

extending its infant formula supply deal with Synlait Milk. In its FY18 trading update, the company flagged increased marketing investment in China and the US, which will have an impact on its margins.

Gentrack Group (GTK) returned -3.3% in July, which was impacted by an entitlement offer that raised \$90 million in equity to pay down debt that was used to fund recent acquisitions. The offer price was \$6.19, an 11.6% discount to the previous share price of \$7.00. Since March 2017, GTK has completed four acquisitions across both its Utilities and Airports divisions, helping it to broaden its product offering.

NZ BOTTOM 5 PERFORMING STOCKS

COMPANY NAME	1 MONTH RETURN	1 YEAR RETURN
a2 Milk Co	-8.7%	137.2%
Tourism Holdings	-8.3%	50.7%
Fonterra Co-op Group	-5.9%	-11.1%
Z Energy	-5.2%	-1.7%
Synlait Milk	-4.9%	145.0%

AUSTRALIAN MARKET

Large caps drive another month of gains

The Australian sharemarket recorded its fourth consecutive positive month as the S&P/ASX200 Index returned 1.4%. However, the distribution of returns was asymmetric given most of the performance was driven by large cap stocks. Small cap stocks actually fell as the S&P/ASX Small Ordinaries Index returned -1.01%.

Across the market, the top contributing sectors were Telecommunications (7.9%) and Industrials (3.5%) where the worst were Utilities (-1.4%) and Information Technology (-1.2%). In terms of individual securities, noteworthy performers were Afterpay Touch (APT) and Sigma Healthcare (SIG). APT surged 51.6% over the month due to the company announcing that it had made a strong start in the United States with its buy now and pay later service platform. For SIG it was the opposite with the stock returning -39.5%. This was on the back of the announcement that it had lost a key pharmacy group contract with Chemist Warehouse,

MARKET PERFORMANCE

AUSTRALIAN INDICES	1 MONTH RETURN	1 YEAR RETURN
S&P/ASX200 (AUD)	1.39%	14.59%
S&P/ASX Small Cap (AUD)	-1.01%	22.58%

All equity index returns are calculated on a total return basis.

which was won by EBO in New Zealand. This was a significant loss for SIG as it represents more than 40% of its FY18 revenues.

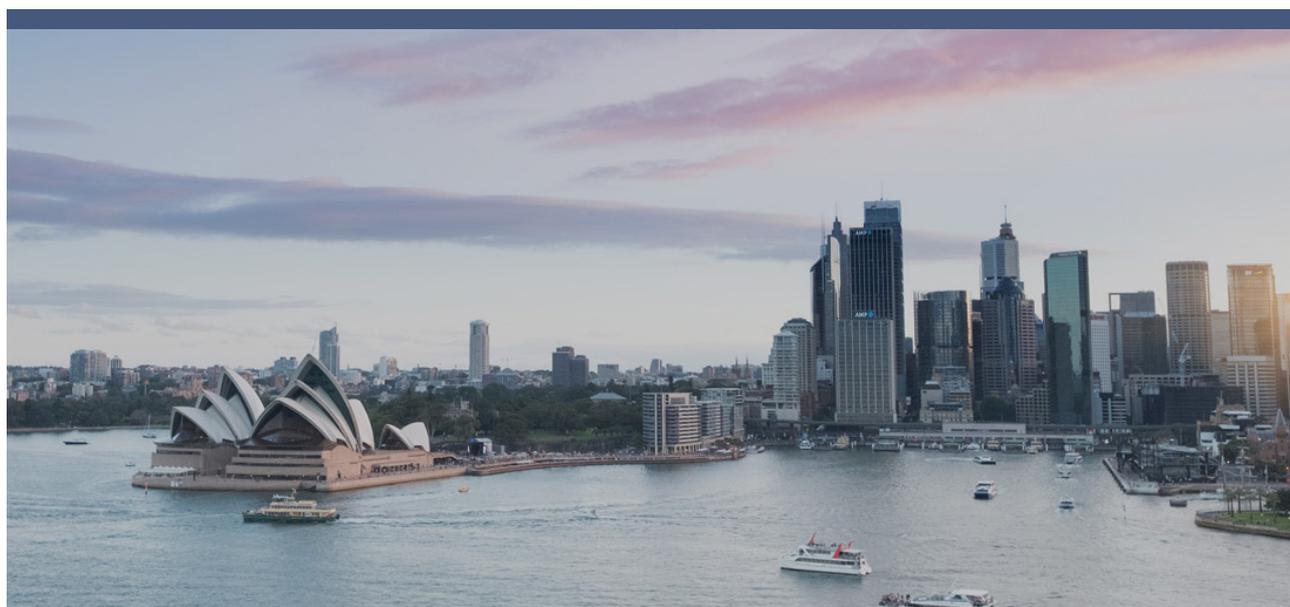
Economic data reporting for the period was somewhat mixed. The housing market is seeing increased pressures as national prices fell for the ninth consecutive month, however year on year house prices are down only 0.8%. Retail sales and employment numbers were positive and exceeded market expectations.

AU TOP 5 PERFORMING SECTORS

SECTOR	1 MONTH	1 YEAR
Telecommunications	7.9%	-22.1%
Industrials	3.5%	14.4%
Consumer Discretionary	2.1%	18.8%
Health Care	2.1%	40.9%
Financials	2.0%	2.4%

AU BOTTOM 5 PERFORMING SECTORS

SECTOR	1 MONTH	1 YEAR
Utilities	-1.4%	3.2%
Information Technology	-1.2%	31.3%
Consumer Staples	-0.5%	27.1%
Materials	-0.1%	25.3%
Energy	0.9%	42.3%



FIXED INTEREST MARKETS

Inflation on the rise

Global bond market returns were mixed in July with most currency hedged global indices delivering flat returns. However, there was a recovery in credit spreads during the month, which led to the outperformance of corporate bonds relative to government bonds. This was a reversal of the trend that we commented about in May and June, and was a result of less market volatility and higher government bond yields in some developed markets. In the US, the Fed left its target rate unchanged and remains committed to gradually increasing interest rates over the remainder of the year. The ECB also made no changes and reaffirmed its intention to not raise interest rates until at least the middle of 2019. The ECB's asset purchasing program continues to be reduced and it remains on track to cease net purchases of bonds by the end of December 2018.

In New Zealand there were positive returns from both government and corporate bonds but unlike

global markets, government bonds outperformed. This is a continuation of the trend we saw last month with government bond yields falling in response to weaker domestic economic data. Business confidence remains weak and the ANZ Survey of Business Opinion reached its lowest reading since 2009, with a net 45% of respondents expecting general business conditions to deteriorate in the year ahead. CPI data for the June quarter showed an annual inflation rate of 1.5%, which was slightly below market expectations of 1.6%. This remains below the midpoint of the RBNZ target range of 1-3% but was still a decent increase from the 1.1% recorded in March. The inflation rate is expected to continue to increase over the remainder of the year but only gradually. The pace of change in inflation will be the key driver in determining the next move by the RBNZ.

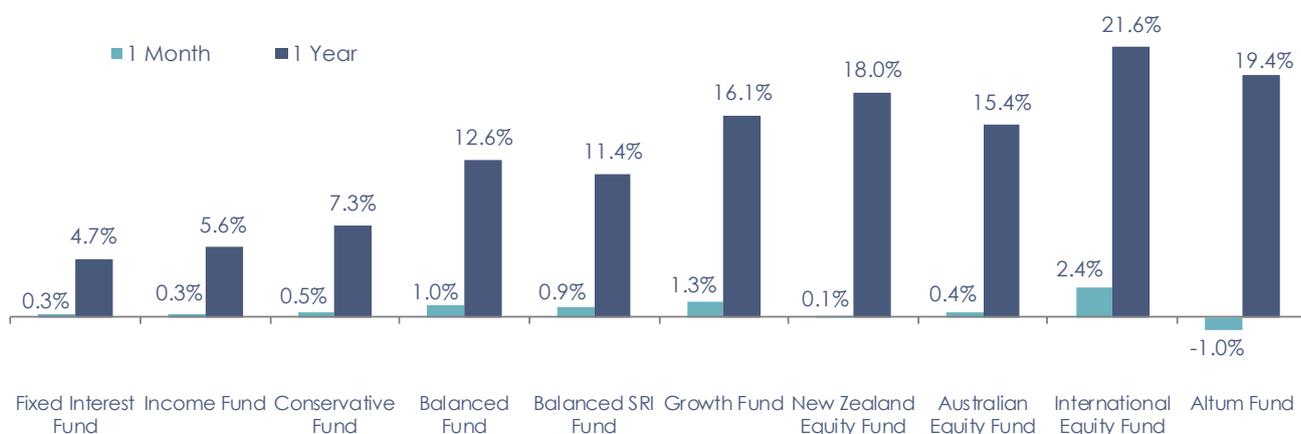
BOND INDICES

INDEX	1 MONTH RETURN	1 YEAR RETURN
Government Bond	0.44%	4.26%
Inv. Grade Bond	0.28%	4.28%
Australian Government Bond	0.12%	2.97%
Australian Corporate Bond	0.21%	3.43%
Barclays Global Agg Hedged (NZD)	0.03%	1.84%

CURRENT INTEREST RATES

INTEREST RATES	RATE	1 YEAR AGO
NZ OCR	1.75%	1.75%
NZ 5yr Swap	2.56%	2.76%
NZ 10yr Gov	3.03%	3.28%
RBA Cash	1.50%	1.50%
AU 10yr Gov	2.65%	2.68%

FUND PERFORMANCE OVERVIEW



For more information, Unit Prices and Fund Updates visit quaystreet.com or contact our Client Services Team
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QUAYSTREET®

ASSET MANAGEMENT

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