QUAYSTREET
MONTHLY MARKET UPDATE

- AS AT 30 JUNE 2020 -

INTERNATIONAL MARKETS

Poll Position

The benchmark MSCI World Index (NZD) fell 1.3% in June despite most equity markets being up for the month. This was a result of the NZ dollar rallying, primarily against the US dollar and the Yen as it became a beneficiary of global investment flows looking for leverage to a recovery. While the US S&P 500 Index was up 2.0% for the month, there was a sharp rotation back into the tech-heavy Nasdaq Index, which shot up 6.0% as investors sought exposure to technology companies that might benefit from the pandemic. The US continues to lag behind other developed countries with respect to containment of COVID-19. As daily new cases set fresh highs, decisions by some states to defer re-opening plans will remain an obstacle to momentum in the US dollar and equity markets.

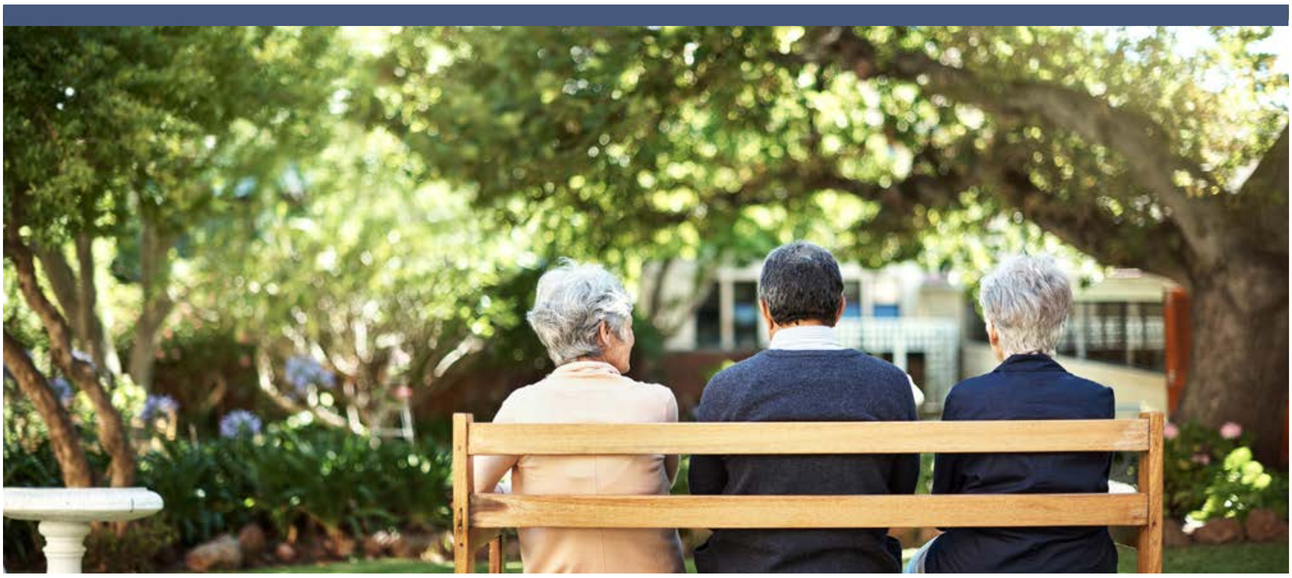
China again posted positive economic data during the month, with the widely followed purchasing managers index for manufacturing (PMI) rising to 50.9 from 50.6 in May. The non-manufacturing PMI also held over the important 50 level, indicating it too was expanding. China was also front-and-centre on geopolitical developments, with the announcement of new security laws in Hong Kong that will further restrict civil rights. The US and many other countries condemned the legislation, and the White House immediately placed restrictions on defence and high-tech exports to Hong Kong.

It now looks increasingly likely that investors in US assets may have to start factoring in a change of President in November. At the end of May, President Trump was seen as having a reasonable lead over Democrat challenger Biden in most polls, however the latest polls show Biden comfortably ahead. A Biden win along with the Democrats taking control of the senate could potentially see a reversal of the pro-business tax and regulatory reforms made in the past four years.

MARKET PERFORMANCE

INTERNATIONAL INDICES	1 MONTH RETURN	1 YEAR RETURN
MSCI WORLD (USD)	2.6%	2.8%
MSCI WORLD (NZD)	-1.3%	7.3%
S&P 500 (USD)	2.0%	7.5%
STOXX 600 (EUR)	3.1%	-4.3%
NIKKEI 225 (JPY)	2.0%	7.0%

CURRENCIES	RATE	MONTHLY % CHANGE
AUD/NZD	0.9351	0.48%
GBP/NZD	0.5205	3.54%
EUR/NZD	0.5731	2.54%
USD/NZD	0.6443	3.84%
JPY/NZD	69.475	3.83%



NEW ZEALAND MARKET

High-flow Returns

The New Zealand equity market outperformed most global peers, as the S&P/NZX 50 Index returned 5.2% in June and is now down only 0.4% year to date. Notably, more than half the monthly return was attributable to just one company, Fisher & Paykel Healthcare (FPH). FPH returned 18.7% in June and by the close of the month, it made up over 17% of the Index. FPH reported FY20 net profit above the top end of its guidance and continues to benefit from increased demand for its products due to COVID-19.

The aged care sector was also a standout as Arvida (+6.2%), Summerset (+7.7%), Ryman Healthcare (+9.2%) and Metlifecare (+22.7%) all posted solid returns, with the latter being top performer in the Index. The company's shares received some support early in the month when an independent valuation priced them between $5.80 and $6.90 relative to the withdrawn $7.00 takeover offer by Asia Pacific Village Group (APVG). Metlife has launched legal action to try to force APVG to honour its original agreement, while APVG has in turn made a new offer of $6.00. Metlifecare shares closed the month at $5.14.

The underperformers were a mix of companies still under pressure from COVID-19/lockdown related issues such as weaker out-of-home food and beverage sales (Restaurant Brands: -7.7%, Sanford: -7.4%), travel restrictions (Z Energy: -4.3%, Air New Zealand: -3.6%) and challenging dynamics in the property sector with continuing rent abatements (Goodman Property Trust: -6.9%, Property for Industry: -3.1%).

MARKET PERFORMANCE

NEW ZEALAND INDICES	1 MONTH RETURN	1 YEAR RETURN
S&P/NZX50	5.2%	9.0%
S&P/NZX Mid Cap	1.1%	-6.2%

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

NZ TOP 5 INDEX PERFORMERS

COMPANY NAME	1 MONTH RETURN	1 YEAR RETURN
Metlifecare	22.7%	19.0%
Fisher & Paykel Healthcare	18.7%	132.1%
Pushpay Holdings	14.8%	128.9%
Stride Property Group	12.8%	-14.5%
Tourism Holdings	12.5%	-45.0%

NZ BOTTOM 5 INDEX PERFORMERS

COMPANY NAME	1 MONTH RETURN	1 YEAR RETURN
Restaurant Brands New Zealand	-7.7%	26.3%
Sanford	-7.4%	-5.6%
Goodman Property Trust	-6.9%	8.7%
Z Energy	-4.3%	-55.3%
Air New Zealand	-3.6%	-47.5%

AUSTRALIAN MARKET

Earnings welted, prices wilted

The benchmark S&P/ASX 200 Index continued to recover lost ground, returning 2.6% in June. Over the first half of calendar 2020, the Index has returned -10.0%. Markets are implying earnings disruption will be short lived given forward EPS estimates have declined 25% during the same period.

IT and Consumer Discretionary were the strongest sectors, delivering returns of 6.0% and 5.4% respectively, whilst Energy and Property were weakest with respective returns of -2.0% and -1.4%. Among individual stocks, Afterpay again topped the league tables, returning 28.6% as momentum continued; followed by Healius which returned 25.5% after announcing the sale of its medical centres business. Broadcaster Southern Cross and crop protection group Nufarm were the worst performers, returning -25.5% and -24.3% respectively.

MARKET PERFORMANCE

AUSTRALIAN INDICES	1 MONTH RETURN	1 YEAR RETURN
S&P/ASX200 (AUD)	2.6%	-7.7%
S&P/ASX Small Cap (AUD)	-2.0%	-5.7%

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

Though Australia's equity market continues to benefit from a resurgence in risk sentiment, macroeconomic trends remain ambiguous and focus is shifting to what happens when relief and support measures roll-off around September. With the linchpin of unemployment tracking at 7.1% in May with the benefit of job-retention policy, what happens here over the next few months will be a key determinant of GDP, credit loss, and house price outcomes. As permanent job losses mount from high-profile restructurings such as Qantas and Virgin, and with the outbreak yet to be contained, the government's hand may be forced on prolonging temporary measures.

AU TOP 5 PERFORMING SECTORS

SECTOR	1 MONTH	1 YEAR
Information Technology	6.0%	19.4%
Consumer Discretionary	5.4%	2.8%
Consumer Staples	5.1%	12.7%
Financials	4.4%	-21.4%
Health Care	3.5%	27.4%

AU BOTTOM 5 PERFORMING SECTORS

SECTOR	1 MONTH	1 YEAR
Energy	-2.0%	-28.7%
Property	-1.4%	-21.3%
Industrials	-1.3%	-12.6%
Utilities	-0.4%	-1.9%
Telecommunications	0.1%	-7.6%

FIXED INTEREST MARKETS

Dotty dot plot

It was another positive month for global fixed interest markets with corporate bonds outperforming government bonds as credit spreads continue to tighten. In the US, the Fed kept the target federal funds rate unchanged along with the size of its various asset purchasing programs. The major change was to the Secondary Market Corporate Credit Facility (SMCCF) that now allows the Fed to buy corporate bonds directly, rather than via ETFs. The other notable development was the release of Fed economic forecasts and the 'dot plot' which is a chart showing individual board member forecasts of the federal funds rate over time. There is strong consensus that the rate remains unchanged through 2021 and 2022, but members also concur on a return to normal levels between 2% and 3% in the longer run. Current yields on US government bonds are much lower (10yr at 0.7%, 30yr at 1.4%). This indicates the market is more sceptical on the path to normalisation.

In New Zealand, government bonds also underperformed corporate bonds with the S&P/NZX Corporate Bond Index rising 0.2% compared to a fall of 0.6% for the S&P/NZX Government Bond Index. Government bond yields have been rising since the lows reached in May as the market starts to absorb more bond issuance. The RBNZ has kept the maximum size of its asset purchasing program unchanged at $60 billion, but expects to provide an update on this program and the use of other monetary policy tools with the release of its Monetary Policy Statement in August. The OCR was left unchanged at 0.25% and the RBNZ is still expecting to maintain this rate until March next year.

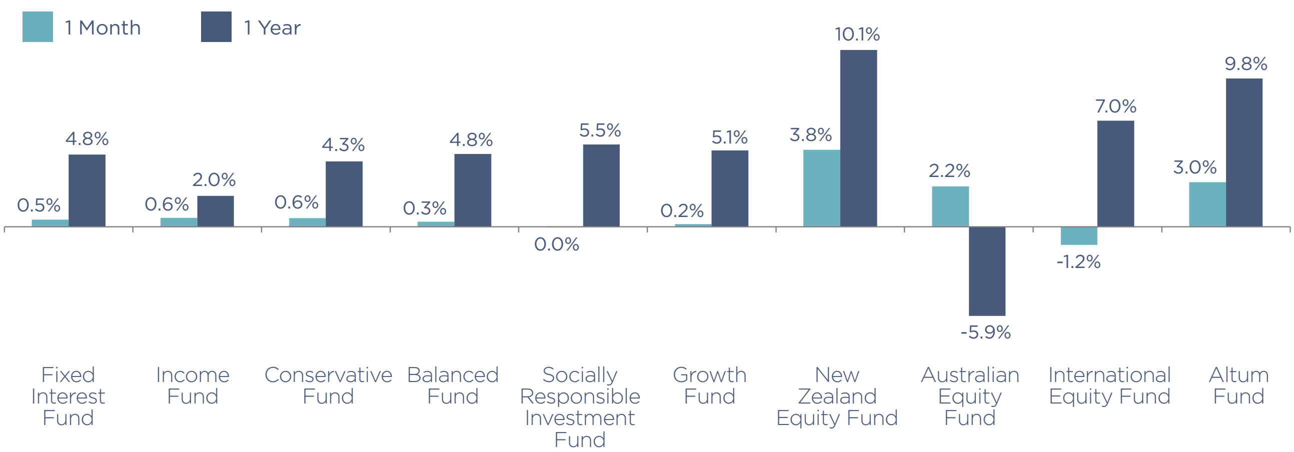
BOND INDICES

INDEX	1 MONTH RETURN	1 YEAR RETURN
Government Bond	-0.64%	5.68%
Inv. Grade Bond	0.20%	5.84%
Australian Government Bond	0.24%	4.56%
Australian Corporate Bond	0.88%	3.98%
Barclays Global Agg Hedged (NZD)	0.50%	5.69%

CURRENT INTEREST RATES

INTEREST RATES	RATE	RATE 1 YEAR AGO
NZ OCR	0.25%	1.50%
NZ 5yr Swap	0.35%	1.44%
NZ 10yr Gov	0.93%	1.57%
RBA Cash	0.25%	1.25%
AU 10yr Gov	0.87%	1.32%

FUND PERFORMANCE OVERVIEW



The above figures are before fees and taxes. See fund fact sheet for returns after fees and tax. Past performance is not a guide to future performance.

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