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Fund Watch

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Welcome

After a sharp COVID-related decline at the end of the March quarter, the MFL Mutual Fund bounced back up over the June quarter. The recovery in global equity markets resulted from improving sentiment which had dropped in March following the extreme measures taken by governments globally to stem the spread of the virus. In this issue, we look at recent market performance and why continuing contributions in times of market volatility is important.

How has the fund performed?

Performance as at 30 June 2020	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)
MFL Mutual Fund	14.95	-2.93	6.11	6.57	11.02

Performance is after fees and before tax.

Property found itself under pressure as investors worried that rents would not be paid, vacancies would rise and valuations would fall. While rental deferrals and abatements have been given to many tenants, particularly for the hard-hit retail tenants – some of whom were unable to open during lockdown, for the most part these discussions were concluded and calm returned to the sector. In saying this, the property sector did underperform against broader equities, with the New Zealand listed property index rising 6.8%, versus the NZX 50 which gained 16.9%. Of the 11 companies in the index, 8 ended the quarter higher. The fund's best-performing holding was Stride Property (SPG), which returned 31.7% over the quarter following several announcements regarding growth in the company's property funds management business.

The property-related securities were the best performing part of the fund, up nearly 28%. In particular the fund's retirement sector holdings, which gained on improving sentiment towards the sector following the avoidance of widespread community infection in NZ. The best-performing stock in the sector during the quarter was Metlifecare which gained 35.3%, followed by Oceania which gained 30.4% and Ryman Healthcare with 27.0%. All three benefited from a sharp recovery in sentiment following the success of the lockdown in containing the virus and avoiding the experience of many offshore markets where there was significant infection and fatalities in aged care facilities. Apart from two facilities, both of which were not in the listed space, the sector performed admirably in looking after its vulnerable residents through the lockdown.

The Australian property sector also performed well, bouncing over 22% during the quarter following a sharp sell-off in March which saw the sector fall over 40% from its February highs. The biggest detractor to the fund's performance was its holding of cash. As optimism around the economic impact of COVID-19 rose and share markets surged, defensive assets such as cash were out of favour and significantly underperformed benchmarks. However, with ongoing economic uncertainty, this cash balance acts as a defensive play should volatility pickup over the short to medium term.

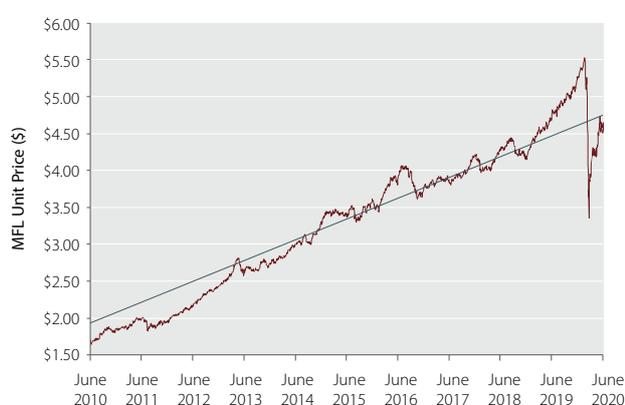
While significant uncertainty remains over the outlook for the domestic and global economy following significant COVID-related damage to employment and demand for many products and services, we remain relatively optimistic about the prospects for the property sector. Vacancy remains near record lows and balance sheets are strong enough to sustain a period of weakness. Our focus remains on investing for the long-term in quality companies with strong management and balance sheets, which should be able to survive a tough economic environment. This investment approach allows us to deliver above-market returns to our investors over the long-term.

Managing the ups and downs of investing

Like any investment, the value of your fund can go both up and down. These fluctuations are a result of movements in financial markets and they are a normal part of investing - although they can be unsettling, they can also present opportunities.

History shows that while investment markets do have challenging periods from time to time, they tend to bounce back. However, no-one can predict exactly when – not even the experts.

The chart on the right shows the change in the MFL unit price over the last 10 years:



Many investors use an approach called “dollar cost averaging” that can benefit from market fluctuations. It simply means making regular contributions, so that when your fund price is lower you get more units in it for every dollar you invest – in other words, you’re buying the same investment at a lower price!

Making regular contributions to your MFL Mutual Fund is easy so if it’s something you might want to consider, you can find out how at mflmutual.co.nz/contributions

It’s now even easier to contribute with ANZ goMoney

If you bank with ANZ, you can now make contributions from your phone, using the ANZ goMoney app. Simply transfer funds from any of your ANZ transactional accounts directly to your MFL Mutual Fund investment via the ANZ goMoney app, wherever and whenever you like. You can make lump sum or regular contributions at any time.

If you don't bank with ANZ, you can still make contributions. To find out how visit mflmutual.co.nz/contributions

Here to help

For financial advice, speak to your financial adviser. ANZ Investments can put you in touch with an adviser in your area if you need one. You can contact ANZ Investments on:

 0800 736 034

 service@anzinvestments.co.nz

 mflmutual.co.nz

Past performance does not indicate future performance, and performance can be negative as well as positive. Investments in any of the funds referred to in this document are subject to investment risk, including possible delays in repayment and loss of income invested. This material is for information purposes only. Its content is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised financial adviser service under the Financial Advisers Act 2008. It is recommended you seek advice from a financial adviser, which takes into account your individual circumstances before you acquire or dispose of a financial product.

Investment and administration manager: ANZ New Zealand Investments Limited 07/2020