



Mr John Smith
Flat 1, 64 Smith Avenue
Smithsville
Auckland 1010
New Zealand

Welcome.

The MFL Mutual Fund had a challenging quarter as volatility returned to financial markets. This was mainly due to heightened trade concerns, another rate hike in the US and signs of a slowdown in global growth. A further update is provided below and explained in more depth in our quarterly fund update video. Thank you for investing with MFL.



How has the fund performed?

PERFORMANCE AS AT 31 DECEMBER 2018

	3 mths (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)
MFL Mutual Fund	-5.04	-0.12	5.56	9.43	11.98

Performance is after fees and before tax.

It was a challenging period for investors in the MFL Mutual Fund, which fell 5.04% over the three months to 31 December 2018. Given the tough quarter and having had a weak start to 2018, the fund's one year return was flat over the calendar year. That said, the fund retains its solid long-term track record and, over 10 years, has delivered double-digit annualised returns.

Listed property fell in value, but performed better than broader share markets, which were even weaker. Holding back performance during the quarter was the weak performance of Australian and International listed property. These markets fell 1.9% and 6.2% respectively on the back of heightened trade concerns, rising interest rates and signs of a slowdown in global growth.

New Zealand listed property bucked the trend and rose in value, gaining 2.3% over the quarter, as the local market remains underpinned by strong demand for well-located property, and low vacancy rates.

The fund can invest in the shares of companies that have a large property component to them. In this regard, its long-standing holdings in Ryman Healthcare and Metlifecare were a drag on performance over the quarter. Both fell sharply, as housing market sentiment turned negative. Potential retirement village residents are likely to find it more difficult to sell their homes into a softening housing market, which could have a knock-on impact on the demand for units in the retirement villages that these companies own and operate.



Watch our latest fund performance update

In this video, Craig Tyson, the Investment Manager for the MFL Mutual Fund, discusses the key drivers behind the fund's performance this quarter. He explains why the going has been tough, and discusses some of the companies we invest in.

Simply go to mflmutual.co.nz to view the video.



Craig Tyson, Investment Manager



What's the outlook for property markets in 2019?

Despite the recent falls in global share markets, it's satisfying to see the listed property sector display its defensive characteristics during a period of significant weakness.

As Craig discusses in the video, we expect market volatility to continue given ongoing global trade tensions and the UK's imminent withdrawal from the European Union at the end of March 2019.

While interest rates in the US have moved closer to more 'neutral' levels, interest rates elsewhere are yet to rise. When this happens it has the potential to weigh negatively on the interest-rate sensitive property markets. Having said that, we do expect a pause in further rate increases in the US, which should bring some relief to global financial markets.

While we retain our more cautious stance, we are confident that the listed property sector is in good shape, and we have used the recent weakness to increase our exposure to those companies which we believe now present better value.

Returns from the sector should continue to be underpinned by solid demand from tenants and vacancy rates that are at, or near, record lows. What this means is that rental growth should continue, supported by rent negotiations when it comes to renewing leases.



Make sure you're paying the right tax

Now is a good time to check that your investments are being taxed at the correct rate. Because your prescribed investor rate (PIR) is based on your taxable income in either of the previous two income years, it can change. Visit our website for more information.

 mflmutual.co.nz/pirupdate

The PIR we currently have for you is:

<PIR>%

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 also contact ANZ Investments on:



0800 736 034



service@anzinvestments.co.nz



mflmutual.co.nz

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Investment and administration manager: ANZ New Zealand Investments Limited 01/19