Quarterly Fund Commentary

30 September 2016

JMIS INVESTMENT MANAGEMENT LIMITED

JMIS A FUND

Performance Comments

The asset value of the Fund at 30 September 2016 was $106.5 million, giving the base price as $2.2502 per unit, an increase of +9.0% over the quarter. This compares with the Fund's composite index return of +5.9%, which was a pleasing out-performance of +3.1%.

In the Fund's 50/50 composite index, there was a +6.0% gain in the NZX50 Portfolio Index and a +5.6% gain in the ASX200 Accumulation Index (in New Zealand dollar terms).

The portfolio's actual mix was 49% in New Zealand shares and 47.8% in Australian shares, with the balance of 3.2% in cash.

The September quarter saw steady price gains for the Fund in all three months. August, in particular, experienced greater market volatility in the larger cap stocks but the Fund's holdings in medium cap stocks served it well.

In New Zealand, the stronger performing holdings in this category were Heartland Bank +33.9%, Metro Performance Glass +20.0%, Metlifecare +13.7% and Scott Technology +11.6%. Furthermore, two large cap stocks – Fletcher Building +28.5% and Air New Zealand +12.0% – assisted the quarter's out-performance.

In Australia, the four best performing holdings in this category were NextDC +21.7%, QANTAS +13.4%, Caltex +10.7% and Pact Group Holdings +8.0%. The large cap stocks in the mining sector had a strong quarter in Australia – BHP Billiton rose +21.1% and Rio Tinto by +14.1% – while the banking sector was mixed i.e. the ANZ Bank provided a strong return of +14.0%, while Westpac at +0.1% and CBA at +1.4% in the three months were below the average index increase. In the property sector, Lend Lease performed well in the three months at +14.9%.

Fund Performance

The JMIS A Fund has performed as follows:

To 30.09.16	3 Months %
Fund net return*	+9.0
Benchmark Index**	+5.9
Difference	+3.1
* These returns are after deductions for charges and before tax ** Reflects no deduction for charges and tax	
Past performance is not necessarily indicative of future performance.	

Outlook

Overall, we find that markets are still pricing in a world of low growth, low interest rates and low inflation without any visible road blocks to "more of the same" in markets. The end of quantitative easing is not apparent yet.

Even after the strong rise in equity values over the last 8 years, we are cautious but not bearish on equities as there is no sign of recession and financial authorities appear prepared to do whatever is required to ensure that the financial markets are well supported.

Politics are becoming increasingly important to investment outlook. Sentiment seems to be moving away from policies that assist assets owned by the wealthy - real estate and shares - towards a greater focus on support for the average person in the electorate. Fiscal stimulus may be coming.

A diversified and balanced approach to investment remains appropriate.

If you have any questions please contact us on +64 09 308 1450 or visit our website **www.jmis.co.nz**