

JMIS EQUITY INCOME FUND

Performance Comments

The asset value of the Fund at 30 September 2016 was \$50.5 million and the base price was \$1.3428, an increase of +6.3% over the quarter, including the 1.5 cent distribution.

There was a +6.7% gain in the NZX50 Portfolio Index and a +5.1% gain in the ASX200 Accumulation Index (in Australian dollar terms, as this Fund hedges its currency risk). Also, the 90-day bank bill rate provided a return of +0.61% in the three months. For the future, we will be using a 75/25 mix of the NZX50 Portfolio Index and the ASX Accumulation Index (in AUD) as a basis for comparison of the performance of the portfolio.

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 in New Zealand but the Fund's holdings are concentrated in medium cap stocks and this served it well.

In New Zealand in this category, there were three holdings that produced returns greater than +30%: these were Hellaby Holdings +34.4% (under a takeover offer), PGG Wrightson +34.4% and Heartland Bank +33.9%. In addition, there were strong performances from Tourism Holdings +20.4%, Metro Performance Glass +20.0% and Air New Zealand +11.6%. The largest detractor in the quarter at -28.8% was Tower, who announced the need for increased insurance provisioning and a legal dispute with one of its reinsurers.

In Australia, the two best performing holdings were Caltex +10.3% and Pact Group Holdings at +9.9%.

The Fund holds nearly 20% of its investments in the Australasian listed property sector and, in both countries, this sector's selections were modestly positive overall in the three months.

Fund Performance

The JMIS Equity Income Fund has performed as follows:

To 30.09.16	3 Months %
Fund net return*	+6.3
Benchmark Index**	(0.9)
Difference	+7.2
* 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.	

The market index annual returns from 5 September 2016 are based on 75% NZX50 Portfolio Index and 25% ASX200 Accumulation Index in Australian dollars. Between 29 October 2013 and 4 September 2016 the NZX90 Day Bank Bill Index was used as the benchmark index.

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.

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