Jarrod Goodall (FSP 198885)
Nathanael McDonald (FSP 629229)
Rajat Vats (FSP1007270)
Daniel Butzbach (FSP1007407)

Yovich & Co. Weekly Market Update

17th June 2024

Investment News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 7th June	11856.56	8112.82	3051.28	8245.37	38798.99	17133.13	0.9275	0.6103	5.50%
Week Close 14th June	11864.89	7974.80	3032.63	8146.86	38589.16	17688.88	0.9284	0.6142	5.50%
Change	0.07%	-1.70%	-0.61%	-1.19%	-0.54%	3.24%	0.10%	0.64%	0.00%

The New Zealand Sharemarket saw a minor change by market close on Friday, with a light total trading volume of $103 million. The Reserve Bank of New Zealand's annual consumer price inflation update looks positive, indicating that inflation is on track to fall below 3% before year-end. Consequently, economists from ANZ and ASB have adjusted their Official Cash Rate (OCR) forecasts, predicting a potential decrease in February if inflationary pressures continue to recede.

The Australian All Ordinaries Index fell by 1.70%, primarily driven by declines in lithium, battery minerals, base metals, and uranium stocks.

The Shanghai Composite Index closed the week 0.61% lower, mirroring the previous week's decline. The tech-heavy Shanghai Star 50 Index dropped 0.62% for the day, contributing to the overall decrease.

The FTSE 100 declined by 1.19% for the week, marking its fifth consecutive weekly decline. April UK GDP data released on June 12th indicated weaker-than-expected growth, further weighing on the index.

In the United States, the Dow Jones Industrial Average experienced a 0.54% decline, while the NASDAQ rose by 3.24%, driven by the tech sector. Apple's announcement of their new software, 'Apple Intelligence,' led to a 7.3% increase in its stock, significantly contributing to the NASDAQ's rise. The Dow Jones Industrial Index remained relatively flat.

The NZD/AUD currency pair saw a modest increase of 0.10%, while the NZD/USD pair increased by 0.64%, eroding the decrease from the previous week.

Weekly Market Movers: Ending 14th June 2024

The biggest movers of the Week ending 14th June 2024				
Up			**Down**	
Genesis Energy	7.95%		Ebos Group	-3.68%
Tourism Holdings	7.18%		The a2 Milk Company	-3.23%
Stride Property	5.79%		Summerset Group	-3.06%
Vital Healthcare Property Trust	4.84%		Serko	-2.60%
Turners Automotive Group	4.33%		Auckland International Airport	-2.54%

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Top Gainers:

1. **Genesis Energy** (7.95%): Genesis Energy saw a significant 7.95% increase for the week ending June 14th, marking a positive turn after a challenging three months where its share price fell by 8.9%. This surge suggests a shift in market sentiment, indicating that investors are finding value despite recent trends. While market fluctuations can obscure financial health, examining Genesis Energy's Return on Equity (ROE) provides insights into its long-term prospects and stability. Genesis currently has a ROE of 3.6%, aligning with the industry average. Notably, Genesis Energy's net income has grown by 36% over the last five years.

2. **Tourism Holdings** (7.18%): Tourism Holdings experienced a 7.18% increase for the week. This uptick follows the announcement of Debbie Birch retiring from the board of directors on the 10th of June, potentially signalling strategic changes for the company. Moreover, positive market sentiment has been buoyed by recent US data suggesting a potential decrease in interest rates and inflation, fuelling investor optimism and contributing to the stock's rise for the US side of the business. This combination of internal leadership shifts and favourable economic indicators has driven renewed confidence in Tourism Holdings' prospects.

3. **Stride Property** (4.29%): Stride Property saw a 4.29% increase for the week ending 14th June, rebounding from a 5.47% decline the previous week. This volatility reflects typical market fluctuations. Despite recent ups and downs, Stride Property's performance aligns with broader market activity.

4. **Vital Healthcare Property Trust** (4.84%): rose 4.84% for the week ending 14th of June. This uptick reflects increasing investor confidence in the healthcare property sector, driven by the ongoing demand for medical facilities. Additionally, Vital Healthcare's strong portfolio of high-quality healthcare properties and stable rental income contribute to its appeal.

5. **Turners Automative Group** (4.33%): saw a 4.33% increase in its share price by market close on Friday, rebounding from a 4.15% decline the previous week. This suggests renewed investor interest following profit-taking, as the stock had been rallying since their full year FY24 announcement in Mid-May.

Top Losers:

1. **Ebos Group** (-3.68%): Ebos Group declined by 3.68% this week. However, a Discounted Cash Flow (DCF) model estimates its fair value at NZ$46.40, suggesting the stock is undervalued by 29% compared to its current price of NZ$32.80. This discrepancy suggests the current share price may not fully reflect the company's future cash flow potential.

2. **The a2 Milk Company** (-3.23%): The a2 Milk Company (NZSE) saw a 3.23% decline this week. Despite this, the company's earnings have risen, defying broader market trends. Investors appear confident in a2 Milk's ability to continue outperforming, which has increased their willingness to pay a premium for the stock. The decline for the week may be due to some profit taking.

3. **Summerset Group** (-3.06%): Summerset Group saw a 3.06% decline this week. Despite the dip, the company remains a key player in the retirement village sector, with long-term growth potential.

4. **Serko** (-2.60%): experienced a 2.60% decline this week, likely due to anticipation surrounding its Annual General Meeting on June 18th. Shareholders may seek clarity from the board regarding the company's future direction, especially given the negative price return over the past three years.

5. **Auckland International Airport** (-2.54%): Auckland International Airport also experience a slight decline. This reflects normal market fluctuations.

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Yovich & Co WEALTH MANAGEMENT

Spotlight: Emerging Economies: Risks, Rewards, and Realities

Emerging markets is a term coined by economists back in the early 1980s to define investing in developing countries. Characteristics of developed markets may include strong economic growth, liquid equity and debt markets, high per capita income, and a dependable regulatory system. As an emerging economy develops, it starts to nurture the above characteristics and integrate further with the global economy.

A prime example of this is China. When Chinese stocks were first included in the MSCI Emerging Markets Index (Morgan Stanley) in 1996, the stocks accounted for just 0.46% of the benchmarks value. Fast-forward to March 2018, Chinese stocks made up 29.9% of the indexes total market cap. China began to refine their economy in 1978, and averaged GDP growth of 9 percent per year, as a result of this strong economic growth, almost 800 million people have lifted themselves out of poverty.

The BRIC Countries (Brazil, Russia, India and China) are all examples of developing economies with explosive growth in the past decade.

Opportunities in Emerging Markets:
Emerging markets present a diverse array of investment opportunities across various sectors. They can make good investments due to their tendency for rapid GDP Growth compared to more mature markets. While these markets can offer higher growth potential compared to developed markets, they are also higher risk due to currency fluctuations, political instability, and regulatory challenges. Including exposure to emerging markets as part of a diversified portfolio in line with your risk appetite and objectives may be something to consider.

Technology and Innovation in Southeast Asia:
Southeast Asia's burgeoning middle class and digital transformation are fuelling investments in e-commerce and fintech, with leading companies like Sea Limited and Grab at the forefront. The Betashares Asia Technology Tigers ETF (ASIA) exemplifies this trend, comprising the largest technology and online retail stocks in Asia. This ETF is on our preferred list.

Renewable energy in Latin America
Latin America presents lucrative opportunities in renewable energy, with countries such as Brazil and Chile making substantial investments in wind, solar, and hydroelectric projects, supported by favourable regulations. The iShares Global Clean Energy ETF (ICLN) has approximately 25% exposure to emerging markets. This ETF is on our preferred list.

Infrastructure Development in Africa
Africa's infrastructure needs present significant investment opportunities in sectors like construction and telecommunications, with countries like Nigeria and Kenya leading large-scale development projects. The VanEck Africa Index ETF (AFK) offers exposure to infrastructure development in Africa, with at least 50% of its revenue or related assets in the continent. However, this ETF is not on our preferred list due to political instability, though investors seeking exposure to this market may find it worth considering.

Consumer Goods in India
India's expanding middle class and urbanization boost demand for consumer goods, benefiting FMCG companies like Hindustan Unilever and retail platforms in a rapidly growing market. An example of this is Betashares India Quality Index (IIND), which aims to track the 30 highest quality Indian companies based on high profitability, low leverage and high earnings stability. This is on our preferred list.

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Types of Emerging Market ETFS

iShares MSCI Emerging Markets ETF (IEMG)

Fund Name	1 Year (%pa)	Return		
		5 Year (%PA)	10 Years (%PA)	Since Launch (%pa)
Total Return	11.73%	2.85%	2.02%	8.38%
Market Price return	12.41%	2.84%	2.04%	8.38%

As of 31st of May 2024*excluding any applicable fees - *Source:* (iShares, 2024) *Link* Aims to provide investment results that correspond to the price and yield performance of publicly traded securities represented by the MSCI Emerging markets Index.

iShares Global Clean Energy ETF (ICLN)

Fund Name	1 Year (%pa)	Return		
		5 Year (%PA)	10 Years (%PA)	Since Launch (%pa)
Total Return	-28.29%	8.69%	4.28%	-6.03%
Market Price return	-28.26%	8.65%	4.26%	-6.03%

As of 31st of May 2024*excluding any applicable fees - *Source:* (iShares, 2024) *Link*

Betashares Asia Technology Tigers ETF (ASIA)

Fund Name	1 Year (%pa)	Return		
		5 Year (%PA)	10 Years (%PA)	Since Launch (%pa)
Total Return	19.95%	10.93%	N/A	7.99%

As of 31st of May 2024* Returns are after fund management costs, assume reinvestment of distributions and excluding tax- *Source:* (Betashares, 2024) *Link*

Betashares India Quality ETF (IIND)

Fund Name	1 Year (%pa)	Return		
		5 Year (%PA)	10 Years (%PA)	Since Launch (%pa)
Total Return	14.55%	N/A	N/A	9.80%

As of 31st of May 2024* Returns are after fund management costs, assume reinvestment of distributions and excluding tax- *Source:* (Betashares, 2024) *Link*

Upcoming Dividends: 18th of June to 18th of July

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	PayDate
AFT Pharm	AFT	19-Jun-24	20-Jun-24	1.6 cps	4-Jul-24
TEMPMARKET	TEM	20-Jun-24	21-Jun-24	6.1901 cps	26-Jul-24
FISHERHEALTH	FPH	26-Jun-24	27-Jun-24	32.6389 cps	10-Jul-24
SCALES	SCL	1-Jul-24	2-Jul-24	5.9028 cps	12-Jul-24
MAINFREIGHT	MFT	11-Jul-24	12-Jul-24	120.83 cps	19-Jul-24
TURNERS	TRA	17-Jul-24	18-Jul-24	10.42 cps	26-Jul-24

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