

Yovich & Co. Weekly Market Update

23rd June 2024

Investment News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 14th June	11,864.89	7,974.80	3,032.63	8,146.86	38,589.16	17,688.88	0.9283	0.6142	5.50%
Week Close 21st June	11,682.39	8,039.91	2,998.14	8,237.72	39,150.33	17,689.36	0.9213	0.6118	5.50%
Change	-1.54%	0.82%	-1.14%	1.12%	1.45%	0.00%	-0.75%	-0.39%	0.00%

The New Zealand Sharemarket closed the week down by 1.54%, primarily due to investor sentiment surrounding the quarterly rebalancing of the S&P NZX and FTSE Russell indices, which are tracked by passive investment funds. In light of this, the release of the latest GDP data for the March 2024 quarter, revealed 0.2% growth—stronger than economists had anticipated. Key contributors to this growth included rental, hiring, and real estate services, as well as increased electricity generation.

The Australian All Ordinaries Index increased by 0.82%, likely driven by 3 strong performers in the index this week, PYC Therapeutics LTD was up 18.2%, Capitol Health LTD, 20.0%, and Pantoro LTD 18.8%, closing the week at 8,039.91. This rise was primarily supported by gains in the financial and healthcare sectors, offsetting losses in the mining sector.

The Shanghai Composite Index was down by 1.14% for the week, reflecting investor concerns about the strength of the Chinese economy.

In the UK, the FTSE 100 index rebounded strongly, rising by 1.12% to close at 8,237.72. This increase was driven by better-than-expected retail sales and improved consumer confidence data. The Bank of England's decision to keep rates steady at 5.25% has led to an increase in market bets on a quarter-point rate cut in August, rising to 46.5% from 30% before the rate decision.

The NASDAQ remained relatively flat last week, largely due to significant selling of Nvidia shares, which impacted the technology sector. Meanwhile, the Dow Jones edged up by 1.45%, with two-thirds of its securities in the green, achieving four straight days of gains. Optimistic economic indicators contributed to this positive movement.

In the currency markets, the NZD/AUD pair fell by 1.04% to 0.9186, reflecting the Australian dollar's strength amid rising commodity prices. Meanwhile, the NZD/USD pair decreased by 0.29% to 0.6124, influenced by a stronger US dollar and market expectations of US Federal Reserve policy actions.

Weekly Market Movers: Ending 21st June 2024

The biggest movers of the Week ending 21 st June 2024			
Up		Down	
Gentrack Group Limited	6.00%	Vulcan Steel	-7.90%
NZX	3.81%	The a2 Milk Company	-7.21%
Westpac Bank	3.46%	Contact Energy	-6.89%
Auckland International Airport	3.28%	Vista Group International	-6.81%
Arvida Group	3.26%	Port of Tauranga	-6.43%

Top Gainers

1. **Gentrack Group Limited (+6.00%):** Gentrack Group saw a significant rise of 6.00% this week. The increase is largely attributed to the company securing new contracts and expanding its client base, which has boosted investor confidence. Additionally, Gentrack's recent financial results highlighted a robust increase in revenue and net profit, further driving the stock's upward momentum.
2. **NZX (+3.81%):** NZX Limited experienced a 3.81% gain this week. The performance is partly due to the successful launch of NZX Dark, the country's first midpoint order book, which has shown positive trading results and price improvements for investors. Moreover, recent director changes aimed at strengthening governance and strategic oversight have been well received by the market.
3. **Westpac Bank (+3.46%):** Westpac Bank's stock rose by 3.46%, reflecting a broader trend of positive sentiment in the financial sector. The bank's recent efforts to enhance digital banking services and improve customer experience have been acknowledged, contributing to investor optimism. Additionally, stable interest rates and a strong economic outlook have supported the bank's performance.
4. **Auckland International Airport (+3.28%):** Auckland International Airport saw a 3.28% increase, driven by a rebound in passenger numbers and cargo traffic as travel restrictions continue to ease. The airport's strategic investments in infrastructure to accommodate future growth have also been a positive signal to investors, reinforcing confidence in its long-term prospects.
5. **Arvida Group (+3.26%):** Arvida Group's shares climbed by 3.26%, benefitting from strong market performance in the aged care and retirement sector. The company's recent acquisitions and expansions have positioned it well to capture increasing demand for senior living facilities, making it an attractive investment amidst favourable demographic trends.

Top Losers

1. **Vulcan Steel (-7.90%):** Vulcan Steel saw a significant 7.90% drop this week. This decline comes amid concerns over the company's performance and future outlook. Notably, the company announced a reduction in its dividend to NZ\$0.305, which may have contributed to negative investor sentiment. Additionally, Vulcan Steel's fiscal H1 profit halved, indicating potential operational and market challenges. These factors combined to drive down the stock price this week.
2. **The a2 Milk Company (-7.21%):** The a2 Milk Company experienced a 7.21% decline this week. Despite efforts to expand its product range and increase market penetration, the company continues to face hurdles related to market competition and fluctuating demand, particularly in key markets like China. Recent market updates have not provided the reassurance investors were hoping for, leading to a sell-off.
3. **Contact Energy (-6.89%):** Contact Energy's stock dropped by 6.89%, reflecting broader market concerns and sector-specific issues. While the company continues to focus on sustainable energy solutions, recent financial results have shown a mixed performance, with some analysts expressing caution about future growth prospects amidst regulatory and economic uncertainties.

- Vista Group International (-6.81%):** Vista Group International saw a 6.81% decline this week. The company, known for its software solutions for the film industry, has faced investor scepticism due to slower-than-expected recovery in the entertainment sector post-pandemic. Despite strong product offerings, the pace of market recovery and competitive pressures are weighing on its stock price.
- Port of Tauranga (-6.43%):** Port of Tauranga's shares declined by 6.43%. The port has been dealing with a combination of logistical challenges and fluctuating trade volumes. Recent disruptions in global supply chains have also impacted operations, causing concerns over short-term profitability and growth.

Company news

Kingfish Limited (KFL) has issued warrants, with the final date to exercise them being July 26th. A warrant is a financial instrument granting the holder the right, but not the obligation, to buy or sell Kingfish shares at a specified price before expiration. Currently, these warrants are priced below the market value of the shares, so we believe they are not worth exercising.

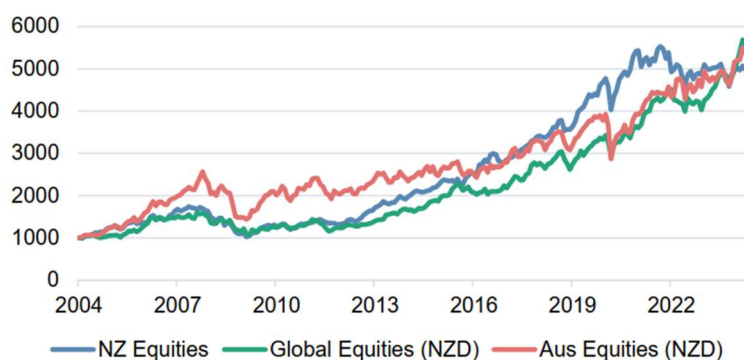
Infratil Limited (IFT) has launched a retail share offer aiming to raise \$150 million. This follows an underwritten placement completed on June 18th, which raised \$1 billion. In total, Infratil intends to raise approximately \$1.15 billion, excluding any oversubscriptions. The proceeds will be used to further invest in the data center operator CDC (Canberra Data Centres) and other assets within Infratil's portfolio, thereby accelerating growth and enhancing flexibility across its global holdings. The market anticipates strong support for this capital raise.

Spotlight: Changes to Strategic Asset Allocation

We are committed to continually assessing and optimising your investment portfolios to capture the best possible returns while managing risk effectively. Based on recent market analysis from our strategic partner Jarden, and evolving economic conditions, we have decided to adjust our asset allocation strategy. Specifically, we will be reducing our exposure to New Zealand Equities and Property, and increase our allocation to International Equities. Additionally, we will be increasing our allocation to International Fixed Interest to mitigate currency risk for our personalised portfolio managed clients.

Strategic Asset Allocation serves as the baseline for long-term investment performance, typically over a period of 10 years or more. Depending on your investor profile (Growth, Balanced, Conservative), these changes will vary. Growth and Aggressive portfolios are likely to see the most significant shift into global equities.

New Zealand Equities Versus Australian Equities Versus Global Equities



Source: Bloomberg

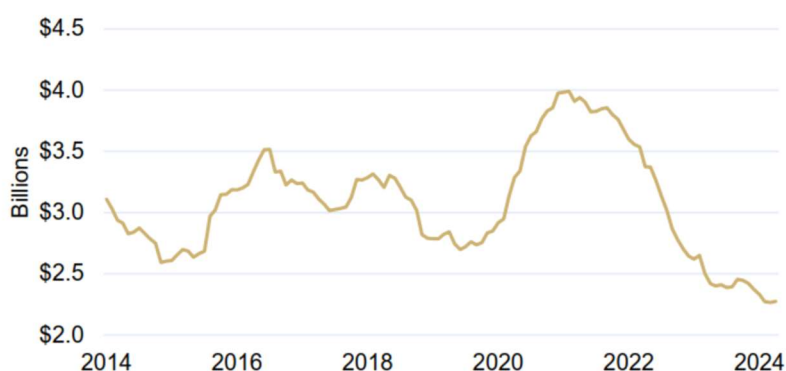
The Global Equity Market has generally outperformed both the Australian and New Zealand Equity Markets over the last two years. Research has highlighted several challenges facing the New Zealand sharemarket, including a lack of new listings and companies choosing to list in Australia instead of New Zealand. This decline in liquidity makes it increasingly difficult to invest in many listed companies, leading to a lack of diversification as specific companies and sectors dominate the New Zealand share market.

Limited liquidity also complicates portfolio rebalancing as company prospects change, making it challenging to build portfolio positions large enough to impact performance. Notably, the top 10 companies in New Zealand represent 68% of the local share market. In contrast, the top 10 Australian companies constitute 48% of the Australian sharemarket, while globally, the top 10 companies account for only 21% of the total share market.

Furthermore, the sectors represented in New Zealand are much more limited compared to those in the Australian and global share markets. This sectoral limitation underscores the benefits of diversifying into global equities.

Given the growth outlook, advancements in AI, and the increasingly technology-driven global market, increasing international allocation is essential for achieving better returns.

Declining rolling annual NZ equity market turnover is a concern



Source: Jarden

Benefits of Investing in International Equity Markets

Global Market Exposure:

Investing in global equities provides access to a diverse range of markets, industries, and economies. This diversification helps mitigate risk, as poor performance in one market can be offset by stronger performance in another. Additionally, you can benefit from stronger foreign currencies compared to a weaker New Zealand dollar. Global markets also offer higher liquidity, leading to more efficient pricing of shares due to higher trading volumes and greater investor participation. Furthermore, there is more readily available information on companies, allowing for more accurate valuation assessments.

Access to Leading Companies:

Many of the world's leading companies, such as Nvidia, Apple, and Microsoft, are listed outside of New Zealand and Australia. The change to our asset allocation means that you are able to increase your allocation to higher performing companies into your portfolio.

High Growth Potential in Emerging Markets:

Global investing allows you to tap into the high growth potential of emerging markets such as India and China, which may offer good returns compared to more developed markets

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Broader Investment Instruments:

Global markets provide access to a wider array of funds and ETFs, including those focused on emerging markets, technology, green energy, consumer trends, and other specific sectors.

Investing globally offers a strategic advantage in terms of risk management, growth potential, and access to a wide array of investment opportunities that are not available in the New Zealand and Australian

Upcoming Dividends: 25th of June to 25th of July

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	PayDate
F&C Invest Trust	FCT	26-Jun-24	27-Jun-24	7.44 cps	1-Aug-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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