

# Media Release

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## Diversification pays off in the June quarter

Investors were rewarded for diversity in the June quarter, despite increasing market volatility, according to results released at AMP Capital's media briefing today. All of AMP Capital's Diversified Funds were in positive territory over the quarter with the AMP Capital Responsible Investment Leaders Growth Fund producing the best result returning 2.3% for the quarter and 12.4% for the year ending 30 June.

Among the more defensive assets, domestic cash and bonds produced positive returns for the quarter but global bond returns were negative as Eurozone deflation risk was priced out of the market and the US Fed reaffirmed it is still on course to raise rates this year. An earlier than expected rate cut from the Reserve Bank of New Zealand meant domestic bond yields didn't follow offshore yields higher.

Returns were also negative in the main Australasian and global equity asset classes but returns remained in positive territory for emerging markets. A higher euro currency, rising euro bond yields and Greece concerns saw Europe drag global shares lower, more than offsetting positive returns from Japan and US shares. In contrast, solid returns from China, Brazil and Russia held up emerging market shares over the quarter.

AMP NZ Chief Economist, Bevan Graham, said that growth in economic activity has underwhelmed in the first half of the year. "It's a theme we have become well-used to since the Great Recession. The weakness was all the more relevant because it centred on the world's two largest economies: the US and China," he said.

But it hasn't all been bad news. Mr Graham said that the Eurozone looked stronger as the year progressed, despite the ongoing debt saga in Greece. "We are expecting a stronger second half of the year, led predominantly by the US as it recovers from the disruptions from the start of the year, along with further improvement in Europe. At the same time we are seeing early signs of macroeconomic stabilisation in China with the recent decline in its share market representing a necessary correction, rather than signalling any new signs of weakness in the economy," he said.

In New Zealand, shares have come under pressure on a number of fronts recently with GDP growth slowing and earnings growth hitting the pause button. Head of Investment Strategy, Keith Poore, said a shakeout in the electricity sector, partly due to higher bond yields weighing on higher dividend paying sectors globally but also on concerns that there could be an electricity supply overhang if the Tiwai aluminium smelter exits the New Zealand market, are also weighing on the market. "In addition it appears the weak New Zealand dollar is leading some foreign investors to sell local shares to limit currency losses," he said.

Mr Poore added with the situation with Greece changing on a daily basis it is easy to get caught up in the ongoing drama and lose sight of fundamentals.

"Valuations are the key determinant of asset returns over the medium term and our view is bonds are still expensive, developed market and New Zealand shares are fully valued, and commodities and emerging markets remain inexpensive relative to longer term trends. We also think the New Zealand dollar is close to fair value at current levels."

	To 30 June Quarter return	To 30 June 1 Year return	To 30 June 3 years return	To 30 June 5 years return
<b>Sector funds – Before tax and fees</b>				
NZ Shares Active	-1.3%	16.4%	21.7%	16.1%
Global Shares - Unhedged	11.6%	32.9%	22.8%	14.5%
Global Shares - Hedged	-3.8%	5.3%	20.0%	17.2%
Listed Infrastructure - Hedged	-1.2%	11.5%	n/a	n/a
Listed NZ Property	1.3%	19.6%	16.7%	17.0%
New Zealand Fixed Interest	0.9%	9.4%	4.8%	6.6%
Global Fixed Interest	-0.5%	5.9%	4.8%	5.7%
Cash	1.1%	4.1%	3.7%	3.8%
Global Property - Hedged	-7.1%	8.9%	16.4%	18.2%
Australian Shares	4.2%	13.8%	12.3%	8.9%
<b>Diversified funds – Before tax and fees</b>				
Responsible Conservative Fund	0.9%	7.6%	7.4%	7.3%
Responsible Balanced Fund	1.5%	11.2%	15.6%	11.6%
Responsible Growth Fund	2.3%	12.4%	15.6%	12.5%
<b>Index performance</b>				
MSCI Gross Index - Unhedged	11.2%	31.3%	21.0%	13.5%
MSCI Gross Index - Hedged	-4.4%	4.2%	18.8%	16.5%
D J Brookfield Global Infrastructure - Hedged	-3.4%	4.3%	n/a	n/a
NZX50 Comp w/IC's	-1.6%	13.0%	20.6%	15.6%
NZX Bills Gross Index	0.9%	3.7%	3.1%	3.0%
NZX Bond Index	0.8%	8.6%	3.5%	5.6%
Barclays Global Treasury GDP - Hedged	-1.5%	6.9%	6.1%	6.3%

Ends

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All returns set out in this media release are before tax and fees. Past returns are not necessarily indicative of future returns. For further information about the Funds described in this media release, and before investing, please read the Investment Statement which can be found at [www.ampcapital.co.nz](http://www.ampcapital.co.nz).