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Fund Watch

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Welcome

It was a prosperous quarter for investors as market sentiment around the COVID-19 situation improved. In this issue, we look at recent market performance, why continuing contributions in times of market volatility is important and introduce a new way to contribute to your investment.

How has each SIL fund performed?

Performance as at 30 June 2020	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)
SIL Balanced Plus Fund	10.53	3.16	6.82	6.58	9.06
SIL New Zealand Fixed Interest Fund	3.36	5.98	5.66	4.79	4.97
SIL International Share Fund	10.71	6.79	11.25	8.53	11.18
SIL New Zealand Share Fund	16.88	13.13	15.42	14.58	14.78
SIL Cash Plus Fund	0.35	1.44	1.93	2.03	2.33

Performance is after fees and before tax.

International equity markets staged a strong turnaround in the second quarter of 2020 as sentiment around the economic impact of COVID-19 improved with countries slowly beginning to reopen their economies. Government authorities also provided substantial amounts of fiscal and monetary support which helped propel markets higher. The rally saw most indices we track record double-digit gains.

Against this backdrop, the SIL International Share Fund gained 10.71% over the quarter.

New Zealand markets had a strong recovery too, with the benchmark NZX 50 rising back above 10,000 to finish the quarter up 16.9%, which saw the SIL New Zealand Share Fund end the quarter up 16.88%.

It was a more subdued quarter for local bond investors, with interest rates hovering near multi-year lows. The Reserve Bank of New Zealand nearly doubled its quantitative easing programme in May, which saw interest rates move slightly lower. Over the quarter the New Zealand 10-year government bond yield ended 15 basis points lower at 0.93%.

On the back of a relatively quiet quarter, the SIL New Zealand Fixed Interest Fund rose 3.36% and the SIL Cash Plus Fund was up 0.35%.

What happened in Q2?

Here are some key themes from the second quarter of 2020.

The continuing COVID-19 situation: The start of the quarter saw a sharp rise in COVID-19 cases in early hot spots including Italy, Spain and the Northeast of the United States. However, as 'shelter in place' and 'lockdown' measures were implemented, cases in these areas slowed.

Economies contract and head into recession: During the second quarter, economic data showed that major global economies recorded negative growth in the first quarter of 2020, more than likely putting them into recession. In the US, GDP for the first quarter fell 5.0%, the largest quarterly decline since the fourth quarter of 2008. Meanwhile, eurozone growth contracted by 3.6% over the first quarter, its biggest decline since records began in 1995.

Adding to growth concerns, the International Monetary Fund downgraded its global growth forecast to -4.9% for 2020 saying the economic recovery appears to be "more gradual" than it had previously forecasted.

The US records worst-ever monthly job losses: In the US, more than 20 million Americans lost their job in April, and the unemployment rate headed towards 15% - both were post-World War II records. The layoffs came as businesses closed as States enacted 'stay at home' measures, bringing the economy to a near standstill.

However, in May, there was a surprising rebound, with more than 2 million Americans returning to employment, which dropped the unemployment rate back towards 13%.

Central banks and governments unleash record amounts of stimulus: Due to government mandated economic shutdowns, fiscal authorities implemented large economic support packages which saw both businesses and individual tax payers receive transfer payments and tax relief. At the same time, central banks rolled out large quantitative easing programmes in an effort to support markets and promote financial stability.

Managing the ups and downs of investing

Like any investment, the value of your fund can go both up and down. These fluctuations are a result of movements in financial markets and they are a normal part of investing – although they can be unsettling, they can also present opportunities.

History shows that while investment markets do have challenging periods from time to time, they tend to bounce back. However, no-one can predict exactly when – not even the experts.

Many investors use an approach called "dollar cost averaging" that can benefit from market fluctuations. It simply means making regular contributions, so that when your fund price is lower you get more units in it for every dollar you invest – in other words, you're buying the same investment at a lower price!

Making regular contributions to your SIL Mutual Scheme Fund is easy so if it's something you might want to consider, you can find out how at **silfunds.co.nz/contributions**

It's now even easier to contribute with ANZ goMoney

If you bank with ANZ, you can now make contributions from your phone, using the ANZ goMoney app. Simply transfer funds from any of your ANZ transactional accounts directly to your SIL Mutual Scheme investment via the ANZ goMoney app, wherever and whenever you like. You can make lump sum or regular contributions at any time.

If you make a contribution and are invested in more than one fund, we will use the same percentage amount per fund that you chose for your most recent payment.

If you don't bank with ANZ, you can still make contributions. To find out how visit **silfunds.co.nz/contributions**

Here to help

For financial advice, speak to your financial adviser. ANZ Investments can put you in touch with an adviser in your area if you need one. You can contact ANZ Investments on:

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