



Market and Economic Review September 2020

Milford's Funds recorded another strong month of performance driven by higher share prices – most notably in the US. Large technology companies continued their strong trend in August, but Milford's investment team has been looking to identify and invest in companies that might benefit as the global economy starts to recover.

Milford's Global Equity Fund delivered returns of 5.4% in the month, helped by performances of companies such as Visa (up 11.5%) and Mastercard (up 16.1%). Global consumer spending has surged since May, driven by pent up demand for goods. Electronic payment companies capture a significant slice of this spending, even if it is done online. Salesforce.com (up 39.9%), reported good results as corporates continue to embrace digital transformation (i.e. move more of their activities online).

Recent investments in Spanish airport operator Aena were rewarded as the stock rallied 13.4% in August as investors begin to look beyond the current malaise in global travel. Australia saw companies report results in August and investors rewarded the more growth orientated small cap companies, helping the Dynamic Fund return 6.6%. In Australia, investors were looking to buy companies that might benefit from a reopening, Collins Foods Group (owner of KFC franchises) was up 9.3% in the month.

In NZ too, Milford's funds benefitted from exposure to recovery stocks in August. Two examples are Summerset (+11.0%) retirement villages due to their exposure to the strong NZ housing market and Vista Group's (+43.0%) exposure to climbing global cinema attendance. Global government bond markets broadly fell in August reflecting increased inflation expectations from investors. Our bond funds delivered positive returns though due to their larger exposure to corporate bonds, which outperformed government bonds. NZ government bonds outperformed global and Australian bonds due to further accommodative monetary policy from the Reserve Bank of New Zealand.

As we look ahead, there are signs that we are becoming more adept at managing the COVID-19 pandemic. Progress on a vaccine plus more effective testing and management strategies should improve the outlook for some businesses that have struggled over the past six months. Whilst uncertainty remains high, we look for signs of a sustainable economic recovery and companies that will benefit from this.