MFL Mutual Fund (MFL)

June 2026

Monthly Report

Investor confidence improved in June as tensions in the Middle East eased and energy prices declined. The reopening of the Strait of Hormuz helped reduce a key source of market concern, supporting lower oil prices and a better tone across financial markets. However, investors remained aware that interest rates are still high and central banks are not yet ready to shift to a less cautious stance.

In New Zealand, the shift in mood was reflected across both shares and bonds. Local equities rose 2.9% over the month, supported by lower energy prices, reduced geopolitical pressure and first-quarter GDP growth of 0.8%, which confirmed the economy is still expanding. Fixed interest markets also performed well, with New Zealand sovereign bonds returning 1.3% as yields moved lower and expectations for further policy tightening became less aggressive.

Overseas shares also delivered positive returns for New Zealand Investors during June. Unhedged overseas shares returned 4.5% with most of this gain reflecting the weaker New Zealand dollar. Excluding this currency effect, global share markets were broadly unchanged. Performance varied across different parts of the market. Healthcare and financial companies performed well, while telecommunications companies lagged. Emerging market shares also delivered positive returns, supported by continued interest in AI-linked growth themes concentrated in Asia.

The near-term market outlook has improved, but not all of the pressure points have disappeared. Lower oil prices should help ease inflation concerns and reduce the need for further rate hikes, but policymakers are unlikely to declare victory too soon. For investors, that still supports a measured approach. Mercer continues to prefer New Zealand sovereign bonds over cash and remains positive on overseas equities, where earnings expectations and balance-sheet strength continue to provide support.

Significant developments include:

June 2026

Global

The United States and Iran reached an agreement to end hostilities and restore shipping through the Strait of Hormuz, helping Brent crude fall to around US$75 a barrel. During the month, the European Central Bank (ECB) and the Bank of Japan (BoJ) lifted rates by 0.25%, while the Fed, BoE and Reserve Bank of Australia (RBA) left policy settings unchanged.

New Zealand

GDP rose 0.8% quarter-on-quarter in the first quarter of 2026, lifting annual growth to 1.5%. New Zealand shares gained 2.9% in June, while sovereign bonds returned 1.3% as bond yields fell and markets reduced expectations for further near-term Official Cash Rate (OCR) increases.

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June 2026

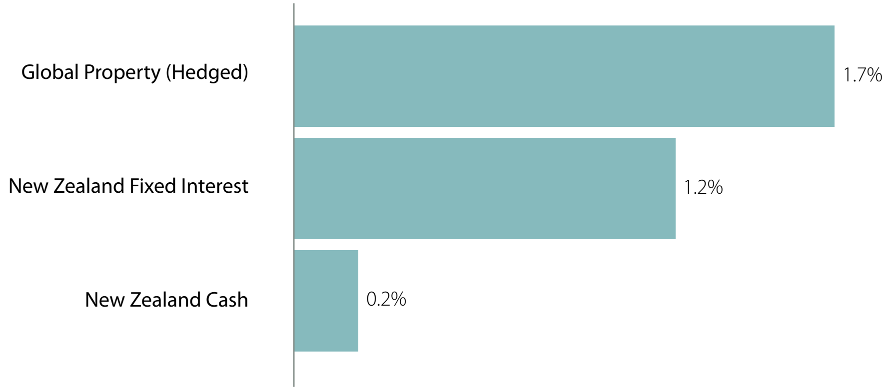
1 month	3 months	1 year	5 years	10 years
1.79%	9.05%	5.62%	0.76%	4.60%

The investment returns shown are after fees and before tax. The investment management fees are charged within unit prices.

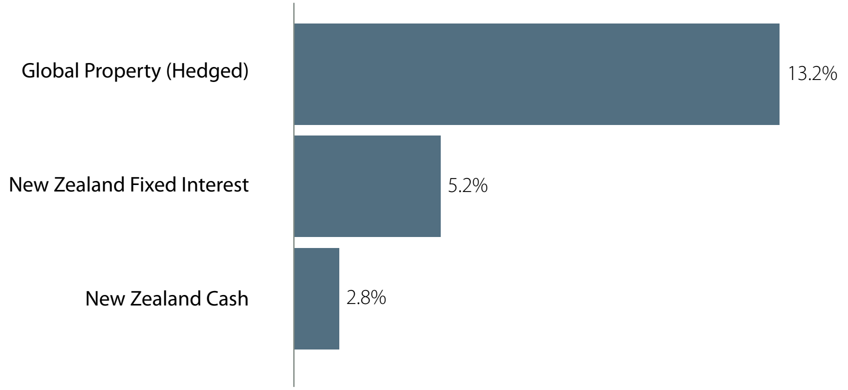
Financial markets

June 2026

1 month



1 year



Key

Global Property (Hedged)	FTSE EPRA NAREIT Developed
New Zealand Fixed Interest	Bloomberg NZ Bond
New Zealand Cash	S&P/NZX 90 Day Bank Bills

Monthly Report – for more information, call 0800 207 207 or visit www.mflmutual.co.nz.