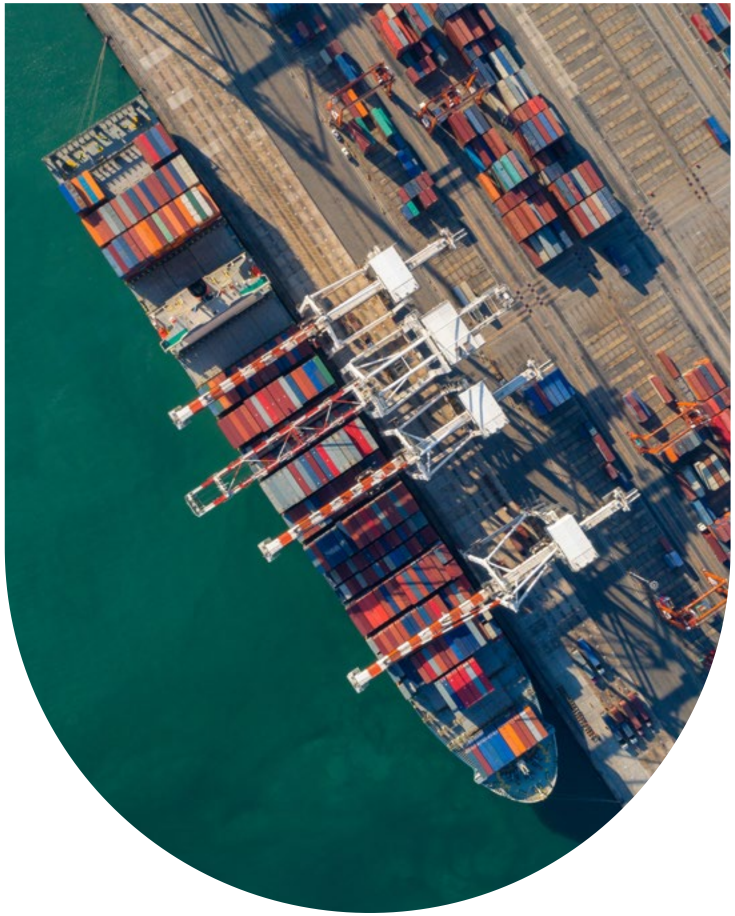
MFL Mutual Fund (MFL)

July 2026

Monthly Report

Investor sentiment was mixed in July as renewed US-Iran tensions, higher oil prices and firmer inflation complicated the market outlook. The disruption in the Strait of Hormuz unsettled markets, while central banks remained cautious, with the Reserve Bank of New Zealand (RBNZ) resuming rate hikes and while other major central banks remained largely on hold. Despite this, equity markets remained relatively resilient, reflecting expectations that growth can continue despite a more challenging backdrop.



Locally, financial markets delivered a mixed performance. New Zealand shares rose 0.6% over the month, outperforming overseas shares in local currency terms, supported by strong gains in the energy and consumer discretionary sectors. This was despite the RBNZ lifting the Official Cash Rate by 25 basis points to 2.50%, its first increase since the previous tightening cycle ended in 2023. Inflation also surprised on the upside, with annual CPI for the June quarter rising to 4.1% above the previous reading and market expectations. New Zealand fixed interest markets were weaker, as bond yields moved higher in response to the more hawkish interest-rate outlook.

Overseas market returns were more subdued. Hedged overseas shares rose 0.2%, although performance varied significantly across sectors. Energy and financial stocks performed well, supported by higher oil prices and resilient earnings expectations, while information technology shares fell as some previously crowded positions came under pressure. Emerging market shares were notably weaker, declining 6.2% on an unhedged basis, reflecting the impact of rising geopolitical risks, higher oil prices and weaker equity performance in parts of Asia. Currency movements also mattered, with the New Zealand dollar strengthening by 3.3% against the US dollar due to the RBNZ rate increase and stronger inflation data.

The near-term outlook remains finely balanced. Improving domestic business surveys suggest New Zealand economy is regaining momentum, although inflation remains above RBNZ target and likely is to keep the central bank cautious. Globally the growth outlook remains broadly constructive, particularly in the US and parts of Asia, where AI related investments continue to support activity. However, higher energy prices and ongoing geopolitical risks may slow the disinflation process and weigh on consumer spending and confidence. Mercer remains positive on New Zealand sovereign bonds relative to cash and modestly positive on global equities.

Significant developments include:

July 2026

Global

US-Iran tensions escalated sharply in July, with renewed attacks in and around the Strait of Hormuz contributing to higher oil prices and greater market uncertainty. The US Federal Reserve, European Central Bank and Bank of England all left rates unchanged, while global equity returns were mixed, with strength in energy and financials offset by weakness in technology and emerging markets.

New Zealand

The RBNZ raised the cash rate by 25 basis points to 2.50% in July, signalling the start of a new tightening phase. Annual CPI for Q2 2026 increased to 4.1%, above the RBNZ's 1-3% target band. New Zealand shares gained 0.6% over the month, while bond markets weakened as yields rose in response to the firmer policy outlook.

MFL Mutual Fund

July 2026

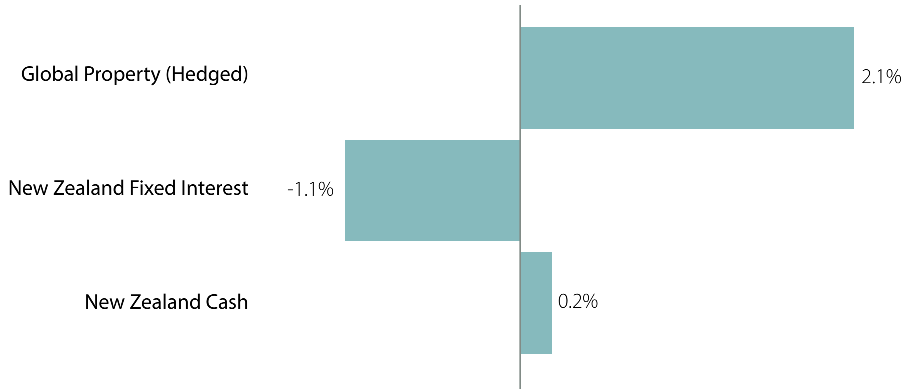
1 month	3 months	1 year	5 years	10 years
-0.62%	3.16%	2.47%	0.32%	4.17%

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

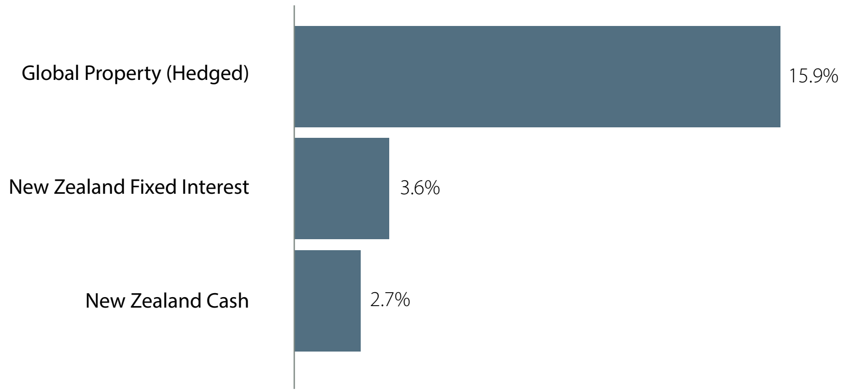
Financial markets

July 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.

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Past performance should not be relied upon as an indicator of future performance.