

MARKET COMMENTARY

Prime Minister for a Day

While financial markets have been watching political developments overseas with interest, it is just over 140 days to our own election on Saturday 23rd September. There is a high degree of uncertainty with the NZ election with political polls indicating that if an election were held today the result would be too close to call. NZ has been fortunate to have had stable governments over the last 17 years under the leadership of Helen Clark and John Key. However, that could all change this year and any coalition is highly likely to need to rely upon the support of either NZ First or the Greens to get the numbers. Neither Bill English nor Andrew Little have won an election before. So what should Bill English do if he wants to keep his job? We thought it would be interesting to get the debate going on what policies we would like to see implemented. Here's a quick summary of some of our ideas:

- Infrastructure. Interest rates are still close to historic lows and the world is awash with capital looking for long term infrastructure projects. NZ has a significant infrastructure deficit ... [Read More](#)



Devon is delighted to have won the Fund Manager of the Year: Domestic Equities Category, New Zealand 2017.

Thanks to all our clients for your on-going support.

Morningstar Awards 2017©. Morningstar, Inc. All Rights Reserved. Awarded to Devon Funds Management for Morningstar Fund Manager of the Year 2017, Domestic Equities Category, New Zealand. Further details on the Devon Investment Funds can be found in the Devon Product Disclosure Statement available at www.devonfunds.co.nz

MARKET INDICES

Index	Region	Monthly Return	1 Yr. Return
S&P/NZX50G	NZ	2.5%	8.2%
S&P/ASX200G	AUSTRALIA	1.0%	17.8%
MSCI World Index	GLOBAL	1.5%	15.3%
S&P500	USA	1.0%	17.9%
FTSE100	UK	-1.3%	20%
NIKKEI 225	JP	1.5%	17.4%
NZ 90 Day Bank Bill	NZ	0.2%	2.1%



AT A GLANCE

UNIT PRICES

DEVON ALPHA FUND

\$1.5733

DEVON AUSTRALIAN FUND

\$1.4117

DEVON DIVIDEND YIELD FUND

\$1.8847

DEVON DIVERSIFIED INCOME FUND

\$1.5373

DEVON TRANS-TASMAN FUND

\$3.6810

GLOBAL THEMES FUND

\$2.5794

Prices as at 28 April 2017

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DEVON ALPHA FUND

FUND OUTLINE

The Alpha Fund invests in a concentrated portfolio of approximately 10 to 15 select companies predominantly listed on the NZ and Australian share markets.

The Fund does not follow any index, is actively managed and aims to generate capital growth over the long term. Currency exposure is actively managed.

DEVON ALPHA FUND

During the month there were a number of changes made to this portfolio. Most significant amongst these were the purchase of shares in Brambles, Henderson Group and Westfield Corporation. Westfield is a very high quality company and provides investors with exposure to premium retailing assets around the world. The opportunity to acquire this business presented itself in recent months as the market became concerned over a perceived lack of short-term earnings growth. This has arisen because management are looking to sell their lower quality properties around the world and redeploy this capital back into their Flagship assets and development program. Westfield is currently executing on a substantial development pipeline with projects including the World Trade Centre in New York. We believe the company is creating long-term value for shareholders and are excited about this investment. The Alpha strategy continues to have a large allocation to cash.

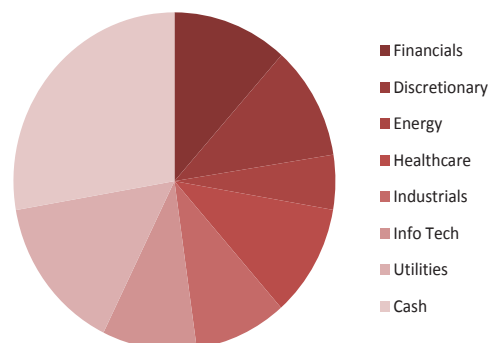
KEY HOLDINGS

Westfield

Brambles



ASSET ALLOCATION



GEOGRAPHIC ALLOCATION

New Zealand Equities	33.2%
Australian Equities	39.1%
Cash	27.7%
Total	100.0%
Currency Hedge	29.3%

PERFORMANCE

As At 30/04/2017

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a
Devon Alpha Fund	0.3%	5.8%	3.4%	7.3%	13.6%
OCR	0.2%	0.5%	2.0%	2.8%	2.7%

Devon Alpha Fund returns are after all fees and expenses, but before tax which varies by investor.

PORTFOLIO MANAGER

Nick Dravitzki

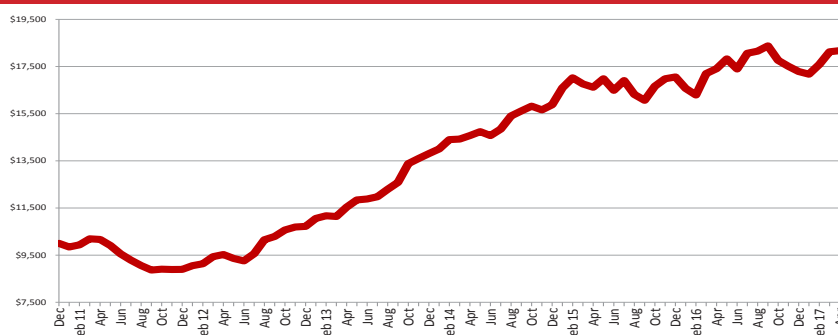


Over the last decade Nick has specialised in investing in high yield equities and is Portfolio manager for the Devon Alpha, Diversified Income and Dividend Yield Funds. At Devon, Nick has responsibility for the analysis of consumer staples, IT, consumer discretionary and property sectors. Nick is also responsible for our quantitative screening process.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2011

Devon Alpha Fund





DEVON AUSTRALIAN FUND

FUND OUTLINE

The Australian Fund is actively managed and invests in a select portfolio of approximately 25 to 35 companies which are primarily Australian listed companies.

The Australian market is much larger than the NZ market and offers exposure to a number of sectors that are not available in NZ. The Australian dollar currency exposure of this Fund is typically unhedged.

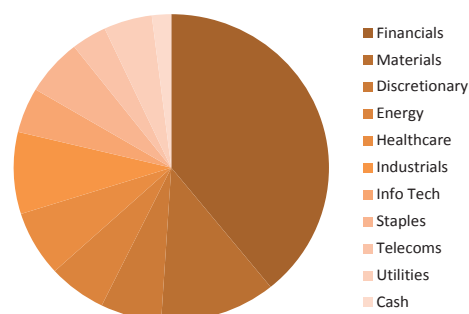
DEVON AUSTRALIAN FUND

During the month we purchased shares in Amcor for this portfolio. Amcor has undergone major transformation in recent years as the company looks to position its self as one of the top 5 global packaging businesses. Currently generating almost \$12bn in revenue this company is successfully leveraging itself to the strong consumer-led growth being experienced across the Emerging Markets. The business continues to execute its acquisition strategy and is enjoying the cash-flow benefits of the restructuring program currently underway in its Flexibles division. There were a number of positive contributors to performance during April including Henderson Group, Macquarie and CSL but unfortunately these investments were offset by weaker returns from Super Retail Group and GTN. Two of our Portfolio Managers travelled to the US during the month to meet with GTN management and believe that the medium-term prospects for this investment remain very positive.

KEY HOLDINGS



ASSET ALLOCATION



GEOGRAPHIC ALLOCATION

Dual Listed	4.7%
Australian Equities	93.3%
Cash	2.0%
Total	100.0%
Currency Hedge	0.0%

PERFORMANCE

As At 30/04/2017

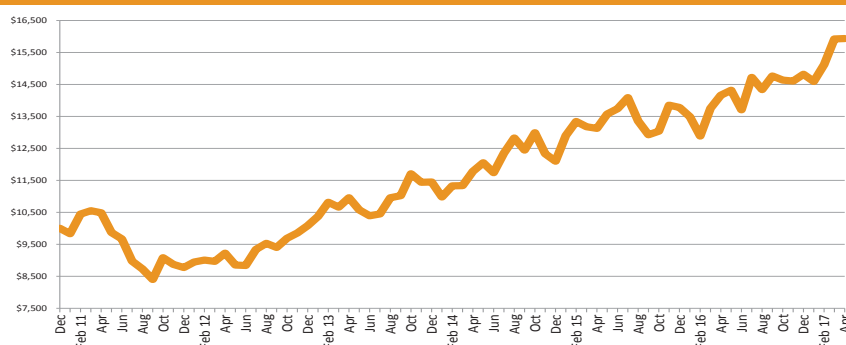
	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a
Devon Australian Fund	0.1%	9.2%	12.5%	10.6%	11.6%
ASX200 Index Gross (NZD)	0.9%	12.3%	17.5%	7.6%	7.6%

Devon Australian Fund returns are after all fees and expenses, but before tax which varies by investor.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2011

Devon Australian Fund



PORTFOLIO MANAGER

Tama Willis



After a long period in international investment markets, Tama returned to NZ after a very successful career in London and Singapore to join Devon's investment team and holds responsibility for Devon's Australian and Trans Tasman Funds. Tama is widely regarded as a leading expert on resource and mining stocks.



DEVON DIVERSIFIED INCOME FUND

FUND OUTLINE

The Devon Diversified Income Fund aims to give New Zealanders access to a diverse and good quality portfolio of high yielding investments.

The Fund aims to generate better-than-bank income rates by investing in a carefully selected portfolio of government and corporate bonds, cash, listed property, infrastructure, utility companies, high yielding equities, credit securities and other yielding financial assets.

DEVON DIVERSIFIED INCOME FUND

There was a lot for fixed interest investors to consider during April. With the US flexing its military power in Syria and North Korea, with the French presidential electoral process getting underway and with the Trump Administration announcing their tax reform package, long-term interest rates ended the month lower. This reflected an increase in the level of demand for those assets perceived as being a safe-haven, in a world still struggling with uncertainty. In New Zealand, the most significant economic statistic released was the first-quarter Consumer Price Index which highlighted that inflation is rising at a faster rate than the RBNZ had expected. This has been accompanied by a fall in the value of the New Zealand Dollar, which fell by 2% against the US Dollar during the month. Domestically, liquidity is being restricted by the banks through the implementation of tighter lending criteria.

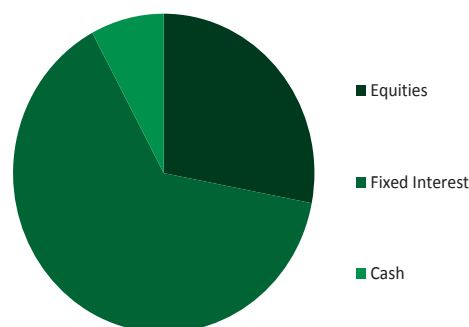
KEY HOLDINGS

Westpac

Contact

National Australia Bank

ASSET ALLOCATION



GROWTH

NZ Equities	14.3%
AU Equities	12.7%

DEFENSIVE

Cash	8.9%
NZ Corporate Bonds	64.1%
NZ Government Bonds	0.0%

PERFORMANCE

As At 30/04/2017

	1 Mth	3 Mth	1 Yr
Devon Diversified Income Fund	1%	2.6%	3.5%
OCR + 1.5%	0.3%	0.8%	3.6%

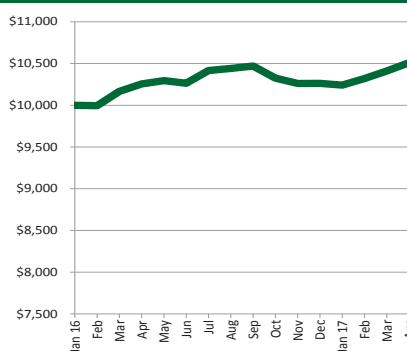
Devon Diversified Income Fund returns are after all fees and expenses, but before tax which varies by investor. Inception date for the Fund is 1 January 2016.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2016

AT A GLANCE

Devon Diversified Income Fund*



*Fund commenced on 1 January 2016

Targeted Portfolio Yield	5%
Commenced	January 2016
Total strategy	\$5.4m
Distributions	Target distributions of 1.5 cents per unit after tax paid quarterly

PORTFOLIO MANAGER

Nick Dravitzki



Over the last decade Nick has specialised in investing in high yield equities and is Portfolio manager for the Devon Alpha, Diversified Income and Dividend Yield Funds. At Devon,

Nick has responsibility for the analysis of consumer staples, IT, consumer discretionary and property sectors. Nick is also responsible



DEVON DIVIDEND YIELD FUND

FUND OUTLINE

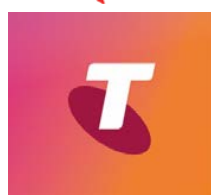
The Devon Dividend Yield Fund consists of a select group of up to 25-35 New Zealand and Australian listed companies.

These stocks are chosen for their attractive dividend yields and growth prospects with the aim of maintaining the dividend yield and capital value in real terms. The Australian dollar currency exposure is typically fully hedged.

DEVON DIVIDEND YIELD FUND

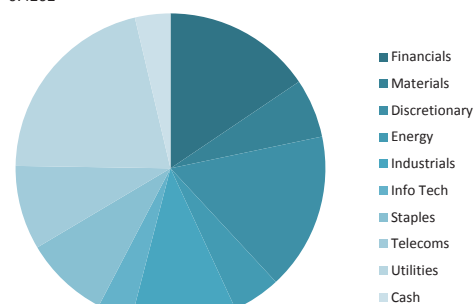
This strategy performed broadly in line with its benchmark during April. There were a number of positive contributors including Metro Performance Glass, Spark Infrastructure and Z Energy whose share price finished the month up over 7%. The most notable detractors included Wesfarmers and GTN Limited. During the month there were also a number of changes made to the portfolio. We purchased shares in Telstra and reduced our stake in Spark. Although the competitive environment remains challenging for Telstra we believe that the valuation gap that has opened up between these two telecommunications providers is compelling and warrants a repositioning of our exposure to this sector. We have also recently increased our exposure to Z Energy. With the company's operating earnings remaining solid and with the integration of Caltex progressing well we believe there is scope for a positive review of dividend policy by management.

KEY HOLDINGS



ASSET ALLOCATION

0.4262



GEOGRAPHIC ALLOCATION

New Zealand Equities	51.0%
Australian Equities	45.3%
Cash	3.7%
Total	100.0%
Currency Hedge	96.3%
Yield	6.3%

PERFORMANCE

As At 30/04/2017

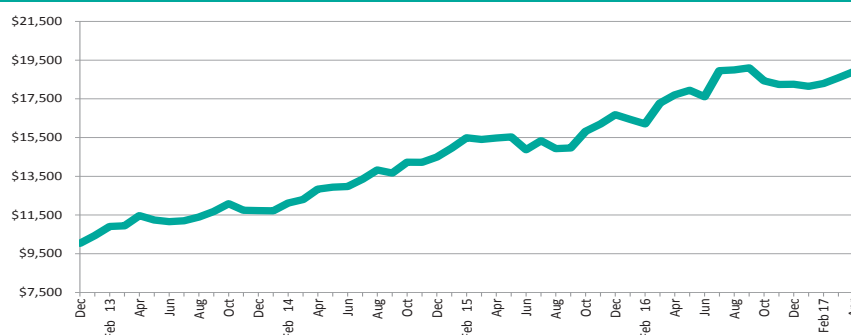
	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a
Devon Dividend Yield Fund	1.7%	4.1%	6.7%	14.2%	-
TT Index (Hedged)	1.8%	5.7%	13.0%	9.7%	-

Devon Dividend Yield Fund returns are after all fees and expenses, but before tax which varies by investor.

NET PERFORMANCE

Based on \$10,000 invested at 20 December 2012

Devon Dividend Yield Fund*



*Fund commenced on 20 December 2012

PORTFOLIO MANAGER

Nick Dravitzki



Over the last decade Nick has specialised in investing in high yield equities and is Portfolio manager for the Devon Alpha, Dividend Yield and Diversified Income Funds. At Devon, Nick has responsibility for the analysis of consumer staples, IT, consumer discretionary and property sectors. Nick is also responsible for our



DEVON TRANS- TASMAN FUND

FUND OUTLINE

The Trans-Tasman Fund provides a broad and actively managed exposure to the NZ and Australian equity markets.

This Fund typically holds 25 to 35 shares listed on the NZ and Australian stock exchanges which have been carefully selected as offering good value and attractive medium term growth prospects. The Australian dollar currency exposure is typically unhedged.

DEVON TRANS-TASMAN FUND

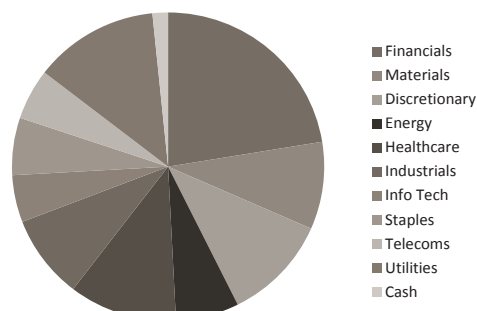
During the month there were a number of notable contributors to this portfolio. Strong positive returns were generated from our investments in Spark Infrastructure, Z Energy and CSL but these stocks were offset by the negative performance of companies including GTN and Metlifecare. There were also a number of changes made to the portfolio during April including the purchase of shares in Brambles. Brambles is a high quality industrial business that is recognised as a global leader in the provision of pallet pooling solutions for Fast Moving Consumable Businesses. Recently this company's share price fell on news that their CEO was stepping down and that earnings from their US business were likely to underperform short-term consensus expectations. In our opinion this resulted in an attractive buying opportunity as we believe that the current challenges facing Brambles in the US are temporary and we believe the long-term prospects for this company remain strong.

KEY HOLDINGS



Brambles

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION

New Zealand Equities	46.3%
Australian Equities	52.1%
Cash	1.6%
Total	100.0%

PERFORMANCE

As At 30/04/2017

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a
Devon Trans-Tasman Fund	1.1%	7.8%	9.5%	11.3%	14.0%
Trans-Tasman Index Gross	1.7%	8.5%	12.9%	9.9%	11.7%

Devon Trans Tasman Fund returns are after all fees and expenses, but before tax which varies by investor.

PORTFOLIO MANAGER

Tama Willis

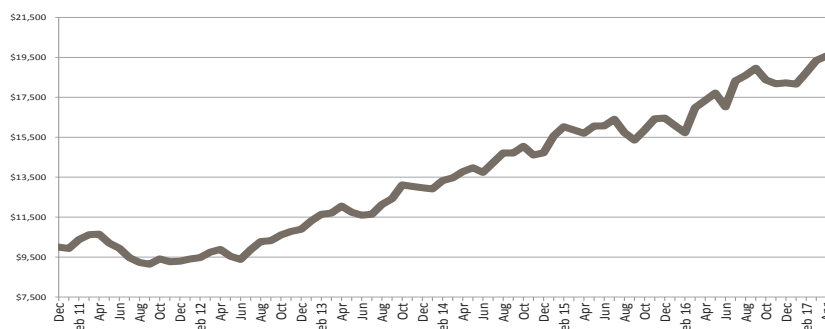


After a long period in international investment markets, Tama returned to NZ after a very successful career in London and Singapore to join Devon's investment team and holds responsibility for Devon's Australian and Trans Tasman Funds. Tama is widely regarded as a leading expert on resource and mining stocks.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2011

Devon Trans-Tasman Fund





GLOBAL THEMES FUND

FUND OUTLINE

The Global Themes Fund invests in Global Financial Assets predominantly Global Exchange Traded Funds (ETF's). We identify macroeconomic or thematic investment ideas with a 2-5 year time horizon, and implement the investment ideas through appropriate high quality assets. Portfolio risk is managed by ensuring broad diversification, ample liquidity and close monitoring of tracking variation versus a passive equity benchmark. The Global Themes strategy has been run by JBWere since March 2005. In October 2014 Devon Funds Management created a NZ PIE Fund to follow the Global Themes strategy and has appointed JBWere as the adviser.

FUND UPDATE

Investors continue to question the true state of the US economy. There is a lively debate as to whether the surge in surveys such as consumer and small business confidence actually mean anything or simply represent post-election pipe dreams. We sympathise with the view that sentiment may have a soft underbelly, but are wary of overplaying this. The ongoing strength of the US labour market, and evidence this is flowing through to wage growth suggest there is a self-reinforcing dynamic underway in the US economy. For this reason we continue to see merit in US Banks.

We have added to our European holding post the first round of the French election. Notwithstanding the political surprises thrown at us last year, we see a ~20 point polling gap as too large for Le Pen to bridge on May 7. That allows us to focus more on a corporate earnings recovery that we think has further run in Europe. European profits have lagged the US by around 50% since 2007. Even a partial closure of this gap would generate strong returns relative to US equities.

Elsewhere, we have been generally pleased with how earnings results have unfolded for the first quarter, in particular in our Medical Device and Technology names. Medical devices, in particular, are showing good earnings momentum in new products such as robotic

surgery.

Returns

The Global Themes Fund rose 1.6% in April to a unit price of \$2.5794. This compares with a 2.7% rise in our global equity benchmark.

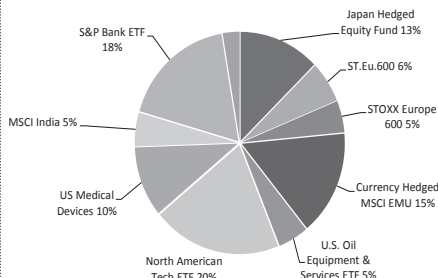
Our fund has risen 10.8% per annum since inception net of fees, versus 10.8% growth in the iShares MSCI All Country World Index Exchange Traded Fund (50% hedged to NZD).

el in the fund at its benchmark weight of 50% throughout the month. New Zealand house sales have yet to show signs of life after posting a ~20% declines off their highs. Until we see a turn here, upside risk to the Kiwi dollar looks limited, as the RBNZ will feel reluctant to tighten policy quickly.

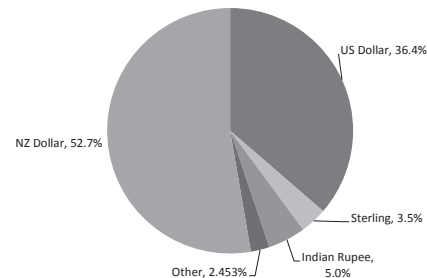
Currency exposures

We maintained the currency hedge lev-

SECTOR ALLOCATION

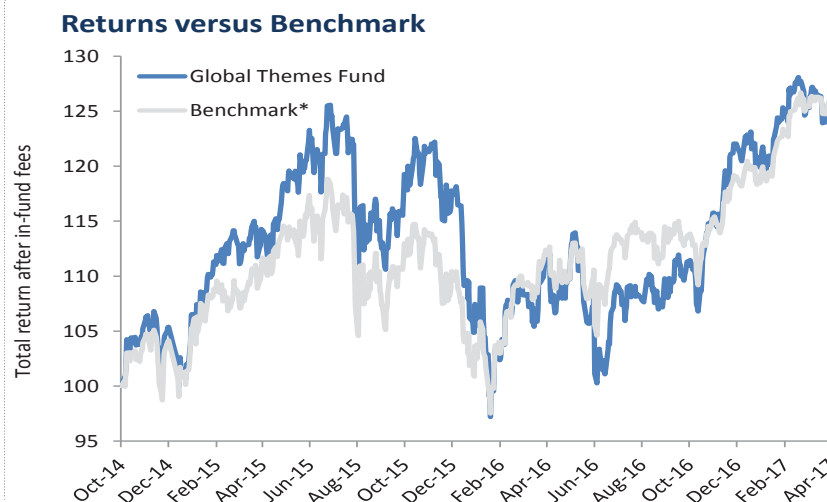


CURRENCY EXPOSURE



NET PERFORMANCE SINCE INCEPTION

Returns versus Benchmark



SENIOR INVESTMENT ADVISER

Bernard Doyle



Bernard oversees equity strategy and global tactical asset allocation for JBWere New Zealand. Prior to this role, Bernard was the New Zealand Equity Strategist for Goldman Sachs and

Partners, where his team was rated #1 for Strategy and Economics by INFIZ for a number of years. Bernard has 18 years experience in financial markets. He graduated in 1993 with Honours in Economics from Victoria University of Wellington.