Bay Brokers Limited

PO Box 880, Tauranga 3140, New Zealand
Ph: 07-578 7453 Mobile: 021-762 440 Email: andrew@vond.co.nz

Investment Strategies

Volume 6

APRIL 2015

Don't forget to let me know if you no longer want to receive these newsletters. I am not here to annoy you!! Just reply to my email - UNSUBSCRIBE

Where to for the Global Bull Market?

The 2008 Global Financial Crisis (GFC) saw markets around the world head into a tail spin. Fast-forward 7 years and investors are enjoying one of the longest bull markets since the end of World War II. The US's S&P500 Index is up three-fold since it bottomed in March 2009, and New Zealand's NZX50 Index bottomed at just 2,418 (on 3/3/09), and has now more than doubled (up 144%), closing at 5,903 (on 6/3/15). This, in spite of global unrest (Middle East & Ukraine) and the US & European Debt Crises, and the stagnating economies that followed.

Against this backdrop, companies slashed their costs, and increased earnings. Profit margins were boosted, and employment growth resumed. Most economists are forecasting global growth of more than 3% this year.

What will kill this bull market? – typically it is a recession, or the anticipation of one. Another could be rising inflation, or a threat to company earnings. None of these scenarios look evident at present, so it is likely that global equities could run higher for some time yet.

Our New Zealand market looks fully valued, with the average price-to-earnings multiple currently at 19 times, whereas the average multiple since 2001 is just 15 times.

RRP $5.00

My money is to stay invested, but remain cautious, and ensure that you understand the business of the companies that you are invested in.

NZX50 INDEX - 2009 TO 2015

Please remember that investment views are provided for general information purposes only. To the extent that any such information, and views, constitute advice, they do not take into account any person's particular financial situation or goals and, accordingly, do not constitute personalised financial advice under the Financial Advisers Act 2008, nor do they constitute advice of a legal, tax, accounting or other nature to any person. I recommend that recipients seek advice specific to their circumstances from their investment adviser before making any investment decision or taking any action.

"If there isn't a ripple at your bow, you are drifting"

The NZ Economy - March

New Zealand has a "two-speed" economy as strong domestic demand cushions a weaker export sector. GDP data shows New Zealand's economy expanded 0.8 per cent in the fourth quarter of last year, cumulating in an annual growth rate of 3.3%.

Dry weather weighed on exports and production, though the domestic economy continued to tick along.

This supports the view that New Zealand's economy is growing at two speeds, with strong domestic demand offsetting a weak external sector.

Unfavourable weather conditions have hurt dairy producers the past six months, compounding the pain from slowing Chinese demand, while meat exports are being squeezed by lower prices as slaughter counts increase in dry weather. However strong domestic demand is supporting GDP growth, underpinned by a burgeoning retail sector, firm home sales, a resilient labour market, and robust inward migration. The reconstruction of earthquake-devastated Canterbury is providing an additional boost to the local economy.

Uncertainty in the Middle East remains a concern

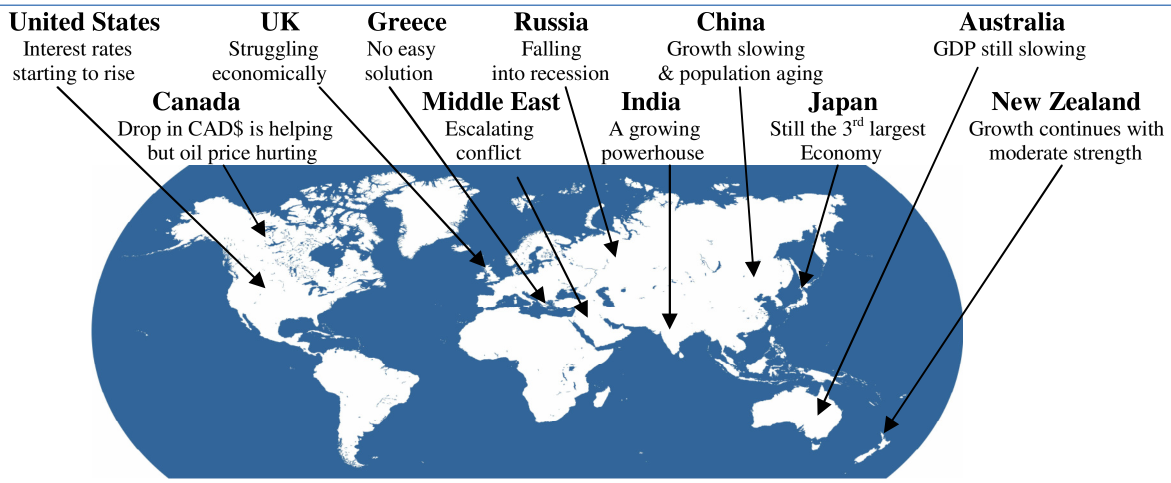
President Obama's inept foreign policy is not helping the stability of the globe. He can't quite decide where to position himself, with his overwhelming desire to be the President that brokered at "normalisation" of the relationship with Iran. The Middle East is in itself a confusing political arena, with Iran clearly supporting opposing factions within this crazy mixed up area. Iran and the US are working together in Iraq, with Iran currently having 30,000 fighters helping the US backed Iraqi government. Iran has another 10,000 fighters supporting the Syrian President, Bashar al-Assad. On top of this, Iran supplies US$15bn in financial aid to Syria. It also supports Hezbollah in Lebanon, and Hezbollah has 4-5,000 fighters in Syria. In the quickly escalating civil war in Yemen, Iran openly supports the Houthi's with aid. This is in total contrast to the US and the Saudi's, who back the deposed government of President Abd Rabbuh Mansur Hadi, who has established his government in Aden.

Iran has just increased its annual Budget to US$312bn (up 6%), including a 30% increase in its Defence spending to US$10bn ($6bn of this to the Revolutionary Guard). Iran's economy has shrunk 8.6% in the last two fiscal years. The fall in the price of oil is costing Iran an estimated US$8bn per month. It is interesting to note that the Iranian Budget is relying on the price of oil increasing to US$76 per barrel – something that is quite uncertain, and 25% above the current pricing.

This is an incredibly complicated situation, and with Saudi Arabia now conducting a concerted bombing campaign in Yemen, this poses the question as to whether they, and other allied Arab nations, can afford to allow Teheran to gain nuclear capability.

Investors don't need to be spooked by this added international tension, but some risk mitigation is sensible.

THE WORLD AT A GLANCE



The Global Economy

United States

The US Fed pushed back the rate rise risk for a few months, but the recent data out of US continues to support an expected rate rise in June. The growth in the US is below trend, but is much broader based and more stable than any other region. The worry is that higher rates will see capital flow out of emerging markets to the US and drive the USD even higher. This move will force emerging markets to raise rates and stifle their growth. The US Fed is likely to ignore global worries, but falling energy prices will produce low inflation and job losses, while the high currency will soften growth outlook.

Euro

The ECB has finally delivered QE1 and many expect there will be a few more stages similar to US. Greece is leading the pack to re-adjust debt payment deals to help recovery plans while Russia is expected to fall into recession in 2015 and remain a drag on the Euro.

China

Chinese leadership continues to manage the transition with measured stimulus while easing the economy out of the credit issues. The older demographic and the lack of innovation will be long term issues for growth in China. The recovery in growth will drive a small recovery in commodity prices, but they will be a much lower equilibrium than what we have seen in the past 2-3 years. China is trending down towards a 5-6% steady growth rate in the next 2-3 years like most developed countries.

Japan

The easy steps in regards to stimulus have driven spending and boosted the share market. The government will have to move on the structural changes after the snap election. Doubts remain if the economy is strong enough to withstand the changes and maintain the recovery path.

India

The sleeping giant seems to be moving with new leadership, but unlike China, every step is slow with a myriad of historical, political and structural impediments. The lower average age compared to China offers huge upside to growth while the historical rate of change suggests this will take time.

Australia

Our analysts maintain a view on the Australian equity market to reach 6500 in 2016. The RBA move to lower interest rates has made equities as the preferred risk/return option for investors wanting more than 3% return in a rising cost environment. However, short term profit taking is a risk after the market hit a post GFC premium valuation level (5900) with yield trade getting squeezed by rising bond yields.

The RBA has now shown its hand and aims to bring currency to low the 70s (against the USD) by cutting interest rates. Expect global investors to come back in substantial amounts when the currency gets down to these levels. The substantial dividend money that has been flowing out of the market will come back and support the next leg up.

However, a tidal wave of unemployment, falling real wages, falling living standards and rising cost of living in the next few years are expected to take a substantial bite out of local consumer sentiment. We see interest rates coming below 2% with falling currency in the back end of 2015 to boost consumer and business sentiment.

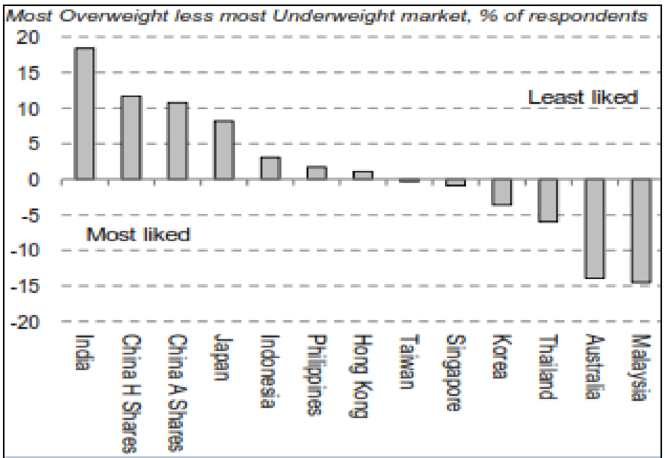
Commodities

Expect Iron Ore to stabilise around the US$65-75 range with China bottoming while energy prices likely to see close to US$40 in the next 3-6 months before recovering to a lower equilibrium. Longer term outlook for the fossil fuel sector is likely to be challenged by improving battery technology supporting alternative clean energy sources in 5-10 year time frame. The next commodity up-cycle will require a large emerging country like India or Indonesia to ramp up substantial building up-phase like China. We struggle to see that in the next five years.

Market Outlook

At the start of the recent Credit Suisse Asian Investment Conference, participant's consensus views were registered. This year, equity investors are most bullish on European markets. 45% of participants believed European equities would provide the best returns (in USD) in 2015. Asian (ex. Japan) was the second-most preferred region, ahead of the US and Japan. Within Asia (ex. Japan), investors were most bullish on India and China, and most bearish on Australia and Malaysia. The two most Underweight sectors were Materials and Energy.

Most Overweight less most Underweight market, % of respondents



Source: Credit Suisse

The effects of the Oil Price Slump

New Zealand's national income is expected to get an annual boost of about $2.4 billion as the fight between new energy producers and the OPEC (Organisation for Petroleum Exporting Countries) for market share keep global oil prices low, according to the Reserve Bank.

Last year's 50% slump in the price of Dubai crude oil to about US$55 a barrel has sapped inflation expectations across the globe, and for net importers such as New Zealand, that's likely to be a boon to domestic growth.

The Reserve Bank expects that the recent drop in oil prices has already stripped out 0.9% from the annual consumers price index, which was running at a 0.8 per cent pace in December, making input costs for businesses cheaper. "It also boosts demand growth in the economy. At a national level the fall in the price of imported oil raises New Zealand's purchasing power, as measured by the terms of trade.

OPEC nations decided to maintain their level of supply last year in the face of falling prices as US production grew rapidly with technological advances, such as hydraulic fracturing, reducing the cost of extracting oil and gas in the world's biggest economy. The US has traditionally been a net importer of oil, but since the advent of fracking, it's likely to be a net exporter in the foreseeable future.

The price of oil continues to slip, now trading at US$53.35/ bbl, reflecting a dramatic 25% increase in US oil stocks over the past 2 months. US sources recently reported that 70% storage capacity is currently being utilised and there is a risk of running out of storage capacity as US production continues to increase. The issue is that wells drilled in the latter part of last year are still being bought into production. Hence in the short term there is likely to be further pressure on the oil price.

On a medium term view the US rig count continues to fall. Having almost halved from the peak in late 2014 the rig count is now down to levels last seen in early 2011. This is positive for the oil price in the medium term.

Oil company share prices will continue to follow the spot oil price. Hence further share price weakness is possible today.

Our preferred exposure to this sector remains Oil Search (OSH.AX).

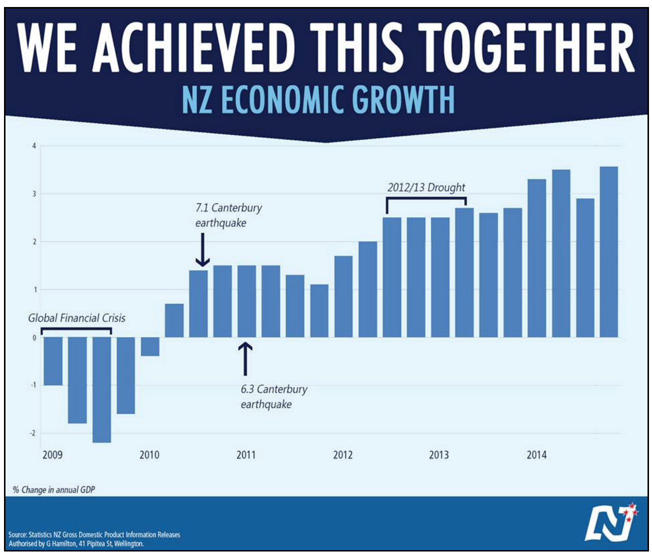
***Oil: West Texas Crude* – 1 year graph**

Political Roundup

One of my readers doesn't consider that I am balanced in my political considerations. I have never shied away from hanging my flag to support of the National Party. I firmly believe that John Key is an outstanding Prime Minister, who has New Zealand's best interest at heart.

That said I have always endeavoured to get multi-partisan support for matters of environmental importance. On these matters I have always maintained that environmental decision-making should always be made on the basis of good-science, and not emotive rhetoric. I make no apology for this.

A Peters win in Northland is a body blow for National, but just puts the balance of Parliament back where it was prior to the 2014 Election. It puts the power back to Peter Dunne and the Maori Party. This is plainly sad for NZ Inc, with the likes of the RMA Reforms now likely to be watered down. Sad, because these reforms are essential to a progressive economy.



Warren Buffett's Letter to Berkshire Hathaway Shareholders

Below is an extract from guru investor Warren Buffett's latest newsletter – December 2014.

"The unconventional, but inescapable, conclusion to be drawn from the past fifty years is that it has been far safer to invest in a diversified collection of American businesses than to invest in securities – Treasuries, for example – whose values have been tied to American currency. That was also true in the preceding half-century, a period including the Great Depression and two world wars. Investors should heed this history. To one degree or another it is almost certain to be repeated during the next century.

"Stock prices will always be far more volatile than cash-equivalent holdings. Over the long term, however, currency-denominated instruments are riskier investments – far riskier investments – than widely-diversified stock portfolios that are bought over time and that are owned in a manner invoking only token fees and commissions. That lesson has not customarily been taught in business schools, where volatility is almost universally used as a proxy for risk. Though this pedagogic assumption makes for easy teaching, it is dead wrong: Volatility is far from synonymous with risk. Popular formulas that equate the two terms lead students, investors and CEOs astray.

"It is true, of course, that owning equities for a day or a week or a year is far riskier (in both nominal and purchasing-power terms) than leaving funds in cash-equivalents. That is relevant to certain investors – say, investment banks – whose viability can be threatened by declines in asset prices and which might be forced to sell securities during depressed markets. Additionally, any party that might have meaningful near-term needs for funds should keep appropriate sums in Treasuries or insured bank deposits.

"For the great majority of investors, however, who can – and should – invest with a multi-decade horizon, quotational declines are unimportant. Their focus should remain fixed on attaining significant gains in purchasing power over their investing lifetime. For them, a diversified equity portfolio, bought over time, will prove far less risky than dollar-based securities.

"If the investor, instead, fears price volatility, erroneously viewing it as a measure of risk, he may, ironically, end up doing some very risky things. Recall, if you will, the pundits who six years ago bemoaned falling stock prices and advised investing in "safe" Treasury bills or bank certificates of deposit. People who heeded this sermon are now earning a pittance on sums they had previously expected would finance a pleasant retirement. (The S&P 500 was then below 700; now it is about 2,100.) If not for their fear of meaningless price volatility, these investors could have assured themselves of a good income for life by simply buying a very low-cost index fund whose dividends would trend upward over the years and whose principal would grow as well (with many ups and downs, to be sure)."

Lesson: Know that volatility and risk are not the same thing.

"Investors, of course, can, by their own behaviour, make stock ownership highly risky. And many do. Active trading, attempts to "time" market movements, inadequate diversification, the payment of high and unnecessary fees to managers and advisors, and the use of borrowed money can destroy the decent returns that a life-long owner of equities would otherwise enjoy. Indeed, borrowed money has no place in the investor's tool kit: Anything can happen anytime in markets. And no advisor, economist, or TV commentator – and definitely not Charlie nor I – can tell you when chaos will occur. Market forecasters will fill your ear but will never fill your wallet.

Further gems from his letter include:

"It is entirely predictable that people will occasionally panic, but not at all predictable when this will happen. Though practically all days are relatively uneventful, tomorrow is always uncertain. If you can't predict what tomorrow will bring, you must be prepared for whatever it does."

Lesson: You may not be able to predict, but you can prepare.

"A business with terrific economics can be a bad investment if it is bought for too high a price."

Lesson: The price you pay matters.

"You can't get rich trading a hundred-dollar bill for eight tens (even if your advisor has handed you an expensive "fairness" opinion endorsing that swap)."

Lesson: Value matters when you are buying.

"At a healthy business, cash is sometimes thought of as something to be minimized – as an unproductive asset that acts as a drag on such markers as return on equity. Cash, though, is to a business as oxygen is to an individual: never thought about when it is present, the only thing in mind when it is absent."

"If horses had controlled investment decisions, there would have been no auto industry"

Warren Buffett

21st Century Technology

The Tech Bubble

When we look at iconic tech stocks, the likes of Apple and Microsoft come to mind. The question is do you follow the crowd or risk missing the next boom stock. Last year Xero (listed on the NZX) was a good example of a "hype" stock. Originally listing at just $1, this stock peaked at $45.95, before settling back into the $15 to $18 range.

Apple is one of those success stories that seem to just keep on going. Investing in 100 Apple shares in 1987 would now be worth US$716,800.

Comparisons over time are not as simple as apples to apples, or oranges to oranges. However the comparison is interesting. In 2000 the 500 American tech stocks were trading on an average of 67 times earnings (PE Ratio). Today the same group are trading on a price to earnings ratio of 17 to 18 times.

Looking at some of the high profile tech stocks:

	Market Cap (US$)		Price to Earnings (x)	
	2000	2015	2000	2015
Microsoft	$526bn	$357b	71	18
Cisco	$467bn	$150bn	233	18
Yahoo	$94bn	$42bn	1781	6

In 2000 these stock had high expectation of huge growth, whereas today these are mature companies. Growth expectations are still there, but much more subdued.

Here is the caveat when making comparisons:
We make comparisons, but the reality is it is hard to tell what company today is the same as the like of Yahoo was back in the day. Is a Twitter, a Facebook, or a GoPro, the Yahoo of yesteryear, today.

It is not an easy comparison to date, and remember that there are pockets of stupidity out there, and the challenge for investors is not to get sucked in…

Is your business ripe for disruption?

Google's driverless car could be one way goods are delivered in the future. Cars without people, energy without electricity and athletes recruited directly by clubs, with no agents involved. Does all this seem unlikely? Technology is not only changing every industry as we know it, it is happening faster than you think.

The car industry

For the automotive and roads industries, driverless cars are no longer a sci-fi pipedream. Companies and governments across the world are investing heavily in resources and technology to prepare for the evolution of the globe's most popular mode of transport. Technological disruption in the automotive industry is happening already. Audi recently tested a driverless concept version of its RS7 sedan in Germany at speeds of up to 150 miles an hour (241km/h).

It's important to note that self-driving technology isn't just in the testing phase like we're seeing with Audi among other automotive brands. There are mines in Western Australia that already utilise heavy-duty driverless trucks as an essential part of their operations. As exciting as it is to ponder what the future will look like. It is a foregone conclusion that we'll have driverless cars on our roads, so Australian ARRB Group is working with the Australian Government to establish what is needed to be done to get future-ready and how it can be done.

"There is much we need to learn and plan before these vehicles become commercially available. For example, as driverless cars use and interact with the road infrastructure they need to be allowed for in infrastructure planning, design and maintenance, which is currently under way," said Dr Charles Karl of ARRB Group of Australia.

Energy market due for change

For around a century, electricity distribution has relied on huge centralised power plants, distributing electricity through miles and miles of power lines. This is incredibly inefficient and, particularly in remote areas, the transporting of this electricity is outrageously expensive.

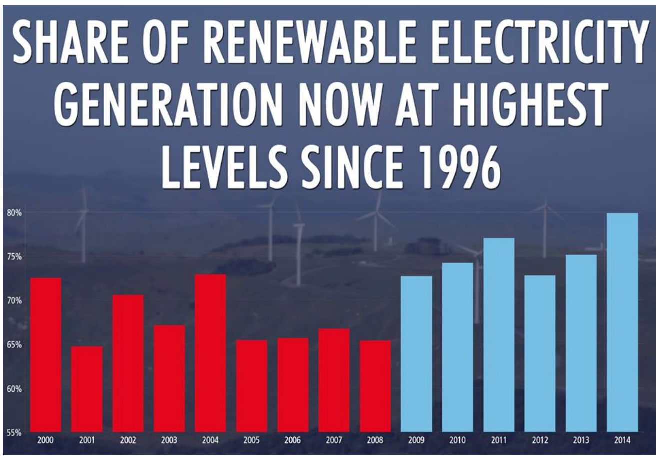
Solar PV has started a revolution in Australia and around the world, moving away from this centralised model to a decentralised, highly local energy distribution model. Solar photovoltaics (solar PV) is a technology that converts sunlight into electricity and more than one million homes worldwide have PV installed.

The problem has been that when the sun doesn't shine, solar doesn't produce and battery technology has been too costly to justify the expense. This is all changing, however, and lithium battery technology could reach grid parity within the next five years.

(continued over page…)

(continued from page 6)

New Zealand is in a much more fortunate position than the likes of Australia, as we now have 80% of our electricity generation coming from renewable energy. Australia, on the other hand, has around 10% renewable energy generation.



Which other industries will be affected?

Michael McQueen, international speaker and trends expert, says all industries are prone to technological disruption if they have a high cost to value ratio, poor efficiency, and where big players control the market. Every one of these factors, either on their own or combined, will lead to change.

"People are looking for simpler ways of doing things - cheaper and without big players dominating," he says.

"I do think that you will see big changes in the immediate future. With transportation, with not only driverless cars hitting our roads as early as 2017, but parking buildings/lots could become a thing of the past. A key feature of driverless cars is their ability to drop us at a destination - such as work, for example - drive home, and then come back and pick us up on demand. There would be no need to pay for parking in costly CBD parking buildings/lots any longer.

"Pay TV is already undergoing a shake-up. The imminent arrival of Netflix into the Australian market ought to be making domestic pay TV providers incredibly nervous. Their recent spate of discounting would indicate that this is the case."

Consumers will be the big winners and sometimes "the only winners" when markets are disrupted, McQueen says.

"These benefits can include lower prices, greater choice or increased convenience, to name a few, but there are two big handbrakes on disruption - legislation and technology access. A government's ability to legislate will determine how quickly a lot of new technology becomes a reality for everyday Australians (and Kiwis)."

Do High Dividends Matter?

A high dividend paid by a company doesn't mean it is a 'no-brainer' investment purchase. You could well be better to settle for a company paying a lesser dividend if there is a greater likelihood its dividend will continue to be paid.

Similarly, if a company pays no dividends it doesn't mean that the company is unprofitable and should be avoided. Many start-ups (young, growing companies) choose to re-invest their profits for future growth rather than paying out cash to shareholders. The things to watch when considering dividends are their consistency and affordability. If a company has regularly paid a dividend but suddenly cuts it, trouble might be looming. A dividend is a public promise and failure to pay one (when you have paid previously) is often interpreted by investors as a failure.

Earnings history is a better indication of company health. A high dividend in a good year where earnings have fallen in prior years, is probably not sustainable. Comparing earnings per share with a company's dividend per share will answer the question of dividend affordability. If the earnings per share are double the dividend per share, then investors can have a higher level of comfort. But a ratio of just one-to-one could well indicate an unsustainable dividend. Conversely if a company is not paying out enough in dividends, then this is a "red flag", and could well indicate a company that could be "flabby", and squandering their retained profits.

A good dividend yield does not absolve you from doing some basic company analysis. A 9% dividend yield

(continued from page 7)
won't seem so flash if the company's share price falls 20 per cent because it fails to meet expectations.

So while dividend investing seems conservative and straightforward on the surface, there is quite a bit that investors should know to maximise long term wealth.

New Zealand companies have tended to pay higher dividends than most of their international peers. This gives greater comfort for local investors, but this is combined with the risk that many New Zealand companies won't maximise their growth potential. There is no right answer, but with care the right investment decision can be made to suit your individual circumstances. Investing in shares that pay good dividends is a great way for investors to ensure a steady stream of income. My word of caution is to consider carefully, to ensure that you are getting the right balance between share price appreciation and dividend earnings. Both (or a combination of the two) are valid investment options.

Problem Solving – clever mathematics

A farmer died leaving his 17 horses to his three sons.
When his sons opened up the Will it read:

- My eldest son should get 1/2 (half) of total horses
- My middle son should be given 1/3rd (one-third) of the total horses
- My youngest son should be given 1/9th (one-ninth) of the total horses

As it's impossible to divide 17 into half or 17 by 3 or 17 by 9, the three sons started to fight with each other. So, they decided to go to a farmer friend who they considered quite smart, to see if he could work it out for them.

The farmer friend read the Will patiently, after giving due thought, he brought one of his own horses over and added it to the 17. That increased the total to 18 horses.

Now, he divided the horses according to their fathers Will.

- Half of 18 = 9 So he gave the eldest son 9 horses
- 1/3rd of 18 = 6 So he gave the middle son 6 horses
- 1/9th of 18 = 2 So he gave the youngest son 2 horses

17

So that makes a total of 17 horses

Now this leaves one horse over, so the farmer friend takes his horse back to his farm. ***Problem Solved!***

Moral:
The attitude of negotiation and problem solving is to find the 18th horse I.e. the common ground. Once a person is able to find the 18th horse the issue is resolved. It is difficult at times. However, to reach a solution, the first step is to believe that there is a solution. If we think that there is no solution, we won't be able to reach any!

That's what I call clever Mathematics.

If you are looking for a sharebroker I can recommend Graham Nelson, who works out of the Wellington office of First NZ Capital. With modern communications I am sure that you won't be disappointed….

Graham Nelson
Director, Wealth Management Adviser AFA

First NZ Capital
D +64 4 496 5318 | **M** +64 21 447 242 | **Email:** graham.nelson@fnzc.co.nz

I have worked with Graham for many years, and he has always provided a thoroughly professional and courteous service, coupled with good advice.

New Zealand Equities

F&P Healthcare (FPH)

UNDERPERFORM $6.52 Target: $5.60

The recent volatility of the NZDUSD puts us in mind as to how FPH's earnings will be impacted by the currency going forward. The fact that FPH has largely hedged its USD exposure in 2016 and 2017 financial years (75% at 0.75, 35% at 0.73), begs the question as to whether the question is relevant. The answer being that long-term derived valuations are dependent on estimates of both underlying growth and currencies over the long run. That said, our analysts have tweaked their valuation slightly from $5.00 to $5.25 (12-month target from $5.35 to $5.60) on the back of some small GP margin-driven earnings upgrades. Their valuation assumes closer to NZDUSD at 0.73 over the medium term, and 0.65 in the long run. FPH looks very expensive from a multiple perspective, but is in good company in the context of an expensive sector. The next known data point is FPH's FY15 result, reported in May. Expectation is for a slightly weaker OSA result in 2H15 when compared to the preceding two interim periods, but for a strong RAC result.

So if they are correct with revenue/margins/earnings assumptions then what currency track is required – By their calculations, if you were to assume a NZDUSD of 0.65 over their discrete cash-flow period, and apply a long-run rate at closer to 0.60, this would result in a valuation range of $5.90 to $7.41 (WACC 8.8% to 7.8%). At the opposite end of the spectrum (0.80 discrete, 0.70 long run), this would yield a low-end value of $4.70.

FPH Year to 31 March		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	97.1	112	126	141
Earnings /share (Adjust)	NZc	17.8	20.0	22.5	25.3
EPS Growth	%	25.6	12.2	12.6	12.4
Price / Earnings Ratio	x	36.6	32.6	29.0	25.8
Cash / Share	NZC	22.7	25.0	27.8	30.8
Net Div / Share	NZc	12.4	13.0	14.0	16.5
Imputation	%	100	100	100	100
Net Yield	%	1.9	2.0	2.2	2.5
Gross Yield	%	2.6	2.8	3.1	3.5

SOURCE: COMPANY DATA; NZX; FIRST NZ CAPITAL ESTIMATES

Hallenstein Glasson (HLG)

OUTPERFORM $3.44 Target price $4.10

The 1H15 result was a good result, with an encouraging outlook. This was clearly a story of earnings turnaround and operating leverage. In summary, revenues increased by 4.2%, and Gross Profit by 8.7%. Margins also increased from 57.9% to 60.4%. EBIT increased by 40.3%, up from $8.3m to $11.7m, with Earnings up 40% to $8.6m (from $6.2m in the previous period.)

Our analysts have upgraded their FY15, FY16 and FY17 earnings by 15.6%, 15.5% and 15.4%, respectively. In the first instance, the FY15 revisions take into account the current momentum seen across the brands. While they are reluctant to refer to HLG's earnings recovery as a step-change, given that realistically the company has only just returned to the profitability levels seen in 1H12, they do believe that it has recovered sufficiently to report earnings at closer to $17-18m level over the medium term.

HLG Year to 31 July		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	14.3	17.2	17.6	18.0
Earnings /share (Adjust)	NZc	24.2	29.2	29.9	30.5
EPS Growth	%	-24.1	20.7	2.4	2.2
Price / Earnings Ratio	x	14.2	11.8	11.5	11.1
Cash / Share	NZC	37.4	41.9	42.4	43.0
Net Div / Share	NZc	24.2	29.2	29.9	30.5
Imputation	%	100	100	100	100
Net Yield	%	7.0	8.5	8.7	8.9
Gross Yield	%	9.8	11.8	12.1	12.3

Source: Company data; NZX; First NZ Capital Estimates

Pacific Edge Biotechnology (PEB)

OUTPERFORM Latest price**:** $0.77

Pacific Edge, the Dunedin-based developer of technology to detect cancer, has just been granted a patent in Japan as part of its targeted stomach cancer detection technology, and this is in addition to similar patents already held in New Zealand, Australia, China and Europe. Mexico has also granted them a patent for technology in the development of one of the company's future products Cxbladder Predict (a bladder cancer test). These patents increase the company's intellectual property, and are key assets which look like a "step change" for the future profitability of PEB. In 2014 PEB produced total revenue of $838,000 (up 62.7%), but made a loss of $9.4m (in line with its budget). This company has exciting prospects, but the road ahead won't be without its challenges. PEB is targeting gross revenues of over $100m after five years of trading, while still retaining very attractive margins. PEB could be worth a punt for those with the necessary risk tolerance.

NZ Refining Company (NZR)

OUTPERFORM $2.59 Target: $2.91

NZR is a cyclical stock, currently trading on an attractive Price/Earnings ratio of just 12.8 times. It has been some time since NZR's earnings outlook looked so positive. Currently, earnings momentum looks set to continue for the next six months, with strong forward product cracks, reduced crude differentials and currency depreciation expected. Even though refining margin is likely to decline US$4/bbl by the end of FY15, the high starting point should carry the year.

While there is a good chance for dividends to resume in the 2015 second half, these will probably be at lower levels until gearing falls below 20%. It's unlikely NZR will be catering to yield-investors any time soon.

NZR Year to 31 Dec		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	9.9	107	69.3	67.7
Earnings /share (Adjust)	NZc	3.4	34.4	22.2	21.7
EPS Growth	%	-288	926	-35.5	-2.3
Price / Earnings Ratio	x	76.7	7.5	11.6	11.9
Cash / Share	NZC	27.6	56.8	50.4	49.4
Net Div / Share	NZc	0.0	8.6	11.1	10.8
Imputation	%	100	100	100	100
Net Yield	%	0.0	3.3	4.3	4.2
Gross Yield	%	0.0	4.6	6.0	5.9

PGG Wrightson (PGW)

OUTPERFORM $0.50 Target: $0.59

PGW is likely to deliver on its growth strategy over the next three years. This is based around a recovery in the dairy commodity prices and a more favourable NZDUSD cross rate which should continue to assist farming sector confidence going forward.

We continue to like the management's growth strategy which focuses on improving existing business through share gain in segments where PGW is under-represented and on segments and geographies with structural growth opportunities. In these respects, there are upside risks to our longer term forecasts. Key opportunities for PGW include potential for share gain of rural retail supply into the NZ dairy sector, growth in the irrigation sector, seeds and irrigation solutions in Latin America, especially in Uruguay, and livestock export to Asia.

The Price/Earnings Ratio & Dividend yield remain compelling.

PGW Year to 30 June		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	33.4	37.1	37.2	39.6
Earnings /share (Adjust)	NZc	4.4	4.9	4.9	5.2
EPS Growth	%	26.6	11.1	0.0	6.5
Price / Earnings Ratio	x	11.3	10.2	10.2	9.5
Cash / Share	NZC	6.0	6.0	6.1	6.5
Net Div / Share	NZc	5.5	4.5	4.5	4.5
Imputation	%	100	100	100	100
Net Yield	%	11.0	9.0	9.0	9.0
Gross Yield	%	15.3	12.5	12.5	12.5

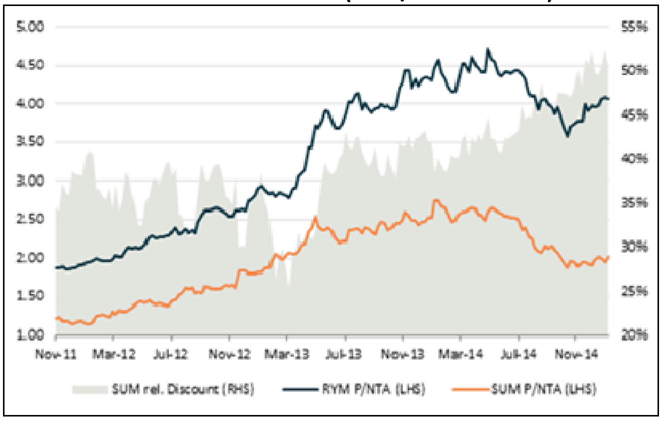
Source: Company data; NZX; First NZ Capital Estimates

Summerset Group (SUM)

NEUTRAL $3.00 Target price $3.70

The NZ market does look expensive but obviously there will be value within the market. Being somewhat selective our analysts would consider Summerset at current prices. SUM seems to be the pick of the bunch in the Health & Aged Care sector with good long term prospects. They continue to improve their development margin and build rate which we think will approach 20% p.a. earnings growth over the next year or two at least. That said the P/E ratio looks high, and without imputation credits, the dividend is a very poor yield (see table below).

SUMMERSET V RYMAN (Price/NTA Discount)



SUM Year to 31 Dec		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	24.4	27.4	31.4	35.7
Earnings /share (Adjust)	NZc	11.2	12.6	14.4	16.4
EPS Growth	%	8.1	12.0	14.6	13.9
Price / Earnings Ratio	x	30.2	26.9	23.5	20.6
Cash / Share	NZC	12.4	13.9	15.9	18.1
Net Div / Share	NZc	4.8	6.5	8.8	10.1
Imputation	%	0	0	0	0
Net Yield	%	1.4	1.9	2.6	3.0
Gross Yield	%	1.4	1.9	2.6	3.0

Source: Company data; NZX; First NZ Capital Estimates

"People do not decide to become extraordinary. They decide to accomplish extraordinary things."
Sir Edmund Hillary

THE JEWEL IN THE CROWN FOR TAURANGA

STOCKS TO WATCH

NEW ZEALAND

Prices as at 30th March 2015

NOTE: THESE ARE ALL ONE YR GRAPHS

→

Chorus

The Local Fibre Companies are into their 4th year of participation in the Crown's UFB project and a review of their progress provides some visibility into build costs and take-up which is accelerating like it is for CNU. Differences in build costs have the potential for flow on impacts when longer-term regulatory pricing is determined for fibre and there is potential downside for CNU if its costs end up being significantly higher than that of the other UFB participants.

20015 P/E: 9.8 2016 P/E: 9.9

NZX Code:	**CNU**
Share Price:	**$2.89**
12mth Target:	**$2.98**
Projected return (%)	
Capital gain	4.2%
Dividend yield (Net)	3.3%
Total return	**7.5%**

Rating: NEUTRAL

52-week price range (NZ$) 1.55-2.95

→

Contact Energy

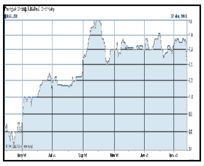
CEN must convince investors on three key factors. These include that it can identify jurisdictions with commercial opportunities, and show how CEN advantages will return above WACC. It must clearly explain how its overseas renewable strategy can be separated from ORG's strategy, and avoid moral hazard. CEN needs to explain how to maintain an international growth plan if NZAS exits (or threatens to exit) and cashflows get "crunched".

20015 P/E: 24.5 2016 P/E: 20.8

NZX Code:	**CEN**
Share Price:	**$5.95**
12mth Target:	**$6.62**
Projected return (%)	
Capital gain	10.1%
Dividend yield (Net)	4.1%
Total return	**14.2%**

Rating: NEUTRAL

52-week price range (NZ$) 5.05-7.30



→

Delegat's Group

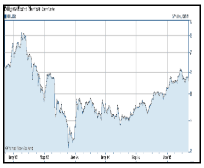
We continue to like the investment case for DGL as it expands production and looks to increase sales by over 50% over the next five years. DGL has a proven track record in execution and a successful business model and brand, which enable to it achieve good margins by industry standards. As an exporter with key markets in North America, Australia and the UK, DGL is exposed to the strength of the NZD.

2015 P/E: 13.6 2016 P/E: 12.1

NZX Code:	**DGL**
Share Price:	**$4.56**
12mth Target:	**$5.20**
Projected return (%)	
Capital gain	12.3%
Dividend yield (Net)	2.7%
Total return	**15.0%**

Rating: NEUTRAL

52-week price range (NZ$) 3.47-5.00



↑

Diligent

DIL $83.1m 2014 revenue (+28% YoY) against guidance of $81.5-82.5m. The key incremental newsflow was the first high-level introduction of DIL's much anticipated New Product. DT is described as "a new SaaS collaboration solution". While the opportunity is huge, product details are currently opaque and adoption risk is high. We understand DIL's competitive secrecy, but this necessitates caution on option value at this juncture.

2015 P/E: 55.7 2016 P/E: 36.0

NZX Code:	**DIL**
Share Price:	**$5.62**
12mth Target:	**$6.35**
Projected return (%)	
Capital gain	11.5%
Dividend yield (Net)	0.0%
Total return	**11.5%**

Rating: OUTPERFORM

52-week price range (NZ$) 3.85-6.17

→

Ebos Group

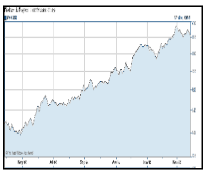
EBO's Australian Healthcare division was a stand-out, reported revenue and operating earnings growth of +6.5% and +13.0% respectively. This included growth in the Pharmacy and Hospital space in excess of sector growth. Pharmacy sales grew at +5%, with outperformance attributable to customer growth and market share. The Symbion Hospitals business grew at 10.6%, due to robust underlying growth, a more branded pharmaceutical skew, and market share trends.

2015 P/E: 14.9 2016 P/E: 13.5

NZX Code:	**EBO**
Share Price:	**$10.49**
12mth Target:	**$10.30**
Projected return (%)	
Capital gain	-1.8%
Dividend yield (Net)	4.7%
Total return	**2.9%**

Rating: NEUTRAL

52-week price range (NZ$) 8.44-10.50



↓

F&P Healthcare

FPH looks very expensive from a multiple perspective, but is in good company in the context of an expensive sector. The next known data point is FPH's FY15 result, reported in May. Expect a slightly weaker OSA result in 2H15 when compared to the preceding two interim periods, but for a strong RAC result.

2015 P/E: 32.6 2016 P/E: 29.0

NZX Code:	**FPH**
Share Price:	**$6.50**
12mth Target:	**$5.60**
Projected return (%)	
Capital gain	-14.1%
Dividend yield (Net)	2.2%
Total return	**-11.9%**

Rating: UNDERPERFORM

52-week price range (NZ$) 3.95-6.85

↑

Fletcher Building

FBU provides an exposure to the ongoing recovery in the NZ building market; and a pick-up in the Australian detached home building sector. Also a projected recovery in the US non-residential sector, and the potential upside in terms of cost savings from FBUnite programme. The tailwinds from a weaker NZDUSD is also adding value. Expect a further earnings recovery for FBU in the next three years.

2015 P/E: 14.9 2016 P/E: 13.5

NZX Code:	**FBU**
Share Price:	**$8.50**
12mth Target:	**$10.80**
Projected return (%)	
Capital gain	21.2%
Dividend yield (Net)	5.1%
Total return	**26.3%**

Rating: OUTPERFORM

52-week price range (NZ$) 7.94-9.90

"One way to get the most out of life is to look upon it as an adventure"

William Feather

Fonterra Shareholder Fund

➔

The recent half yearly report was a big disappointment, stalling a previously anticipated recovery. Fonterra's normalised EBIT of $376m was below forecast ($580m), due to slower-than-forecasted fade in high cost inventory carried over from 2014, higher operating costs and significantly weaker-than-expected contribution from Australia. Fonterra faces a significant structural issue in the Australian dairy market, which currently favours milk suppliers.

2015 P/E: 19.9   2015 P/E: 21.7

NZX Code:	**FSF**
Share Price:	**$5.60**
12mth Target:	**$6.00**
Projected return (%)	
Capital gain	6.7%
Dividend yield (Net)	3.6%
Total return	**10.3%**

Rating: NEUTRAL

52-week price range (NZ$) 5.56-6.39

Freightways

➔

Our analysts have upgraded their forecasts to reflect acquisitions within Information Management and a more positive medium-term growth outlook for Express Package due to the deployment of strategic initiatives including capital investment in a more automated operating platform.

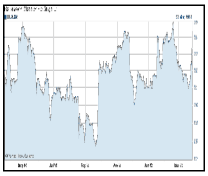
2015 P/E: 18.1   2016 P/E: 16.4

NZX Code:	**FRE**
Share Price:	**$6.23**
12mth Target:	**$6.20**
Projected return (%)	
Capital gain	0.0%
Dividend yield (Net)	4.1%
Total return	**4.1%**

Rating: NEUTRAL

52-week price range (NZ$) 4.70-6.08

Hallenstein Glasson



↑

HLG has returned to its profitability levels last seen in 2012, and this augers well for a company with no interest bearing debt, and cash in the bank. Return on Equity is set to return to the 27+% for 2015. This is a great yield story for those needing sustainable dividends.

2015 P/E: 11.8   2016 P/E: 11.5

NZX Code:	**HLG**
Share Price:	**$3.45**
12mth Target:	**$4.10**
Projected return (%)	
Capital gain	19.2%
Dividend yield (Net)	8.6%
Total return	**27.8%**

Rating: NEUTRAL

52-week price range (NZ$) 2.78-3.50

Heartland New Zealand

➔

We continue to like HNZ's longer-term investment case from both organic growth and the potential for accretive bolt-on acquisitions over time. Assuming some momentum starts to emerge in the home equity release business and momentum continues in its core operation, this implies continued earnings growth for FY16 and FY17, which is supportive for DPS growth.

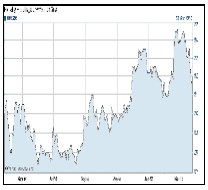
2015 P/E: 13.3   2016 P/E: 12.0

NZX Code:	**HNZ**
Share Price:	**$1.28**
12mth Target:	**$1.40**
Projected return (%)	
Capital gain	8.6%
Dividend yield (Net)	5.4%
Total return	**14.0%**

Rating: NEUTRAL

52-week price range (NZ$) 0.85-1.41

Hellaby Holdings



↑

While we anticipate a slight decrease in margin through 2H15, we remain confident that Contract Resources (CR) can deliver its target of $20m at the EBITDA level. A steady economic environment is expected to remain supportive of small incremental gains with respect to both revenue and margin in Automotive and Equipment. We remain cautious of Automotive on the back of weaker farmer spending and WOF changes. Fundamental valuation metrics remain attractive with strong operating cash flow. The increased payout ratio translates into increased yield, and the balance sheet capacity looks strong.

2015 P/E: 11.1   2016 P/E: 10.5

NZX Code:	**HBY**
Share Price:	**$3.28**
12mth Target:	**$3.65**
Projected return (%)	
Capital gain	9.3%
Dividend yield (Net)	7.1%
Total return	**16.4%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.75-3.40

Infratil NZ

➔

Most of the Lumo proceeds form a war chest for new acquisitions. Unsurprisingly IFT didn't reveal any specific acquisition targets, and may well wait for the end of US quantitative-easing to lift interest rates and reduce infrastructure entry prices. There seems no rush to divest its 20% of ZEL, nor increase its MET stake. Expect the retirement/aged-care sector will feature in future investments. There is still value upside in TPW for IFT, provided Australian politicians reach agreement on a renewable energy target. A real "20% by 2020" target could be worth between 28cps to 56cps for IFT's valuation.

2015 P/E: 24.2   2016 P/E: 17.6

NZX Code:	**IFT**
Share Price:	**$3.18**
12mth Target:	**$3.20**
Projected return (%)	
Capital gain	0.1%
Dividend yield (Net)	6.2%
Total return	**6.3%**

Rating: NEUTRAL

52-week price range (NZ$) 2.18-3.27

Mainfreight

➔

MFT expects 2015 revenue to be just above $2bn, up between 4-6% from the previous year. EBITDA is expected to be in a range of $156m to $160m (up between 4.6% and 7.2%, with NPAT excluding abnormals at $80m to $83m. This company has consistently grown its revenues, so expect no change.

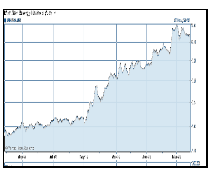
2015 P/E: 19.1   2016 P/E: 16.9

NZX Code:	**MFT**
Share Price:	**$15.63**
12mth Target:	**$17.50**
Projected return (%)	
Capital gain	10.7%
Dividend yield (Net)	2.5%
Total return	**13.2%**

Rating: NEUTRAL

52-week price range 12.90-16.26

Meridian Energy



↓

Capital management strategy unveiled, including a lift in ordinary dividend policy payout ratios, and a (conditional) intention to return up to $625m of capital over five years. MEL will struggle to maintain momentum ahead of its cash requirement from shareholders to meet the 2nd instalment to the cornerstone shareholder, the Crown.

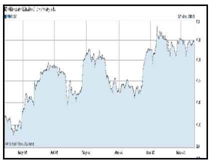
2015 P/E: 29.2   2016 P/E: 28.0

NZX Code:	**MELCA**
Share Price:	**$2.03**
12mth Target:	**$1.84**
Projected return (%)	
Capital gain	-10.3%
Dividend yield (Net)	7.6%
Total return	**-2.7%**

Rating: UNDERPERFORM

52-week price range (NZ$) 1.51-2.49

Metlifecare



↑

MET is the turnaround story of the NZ Aged care sector. Its market price is consistent with its history as a laggard in the industry. However, the company's current operational trajectory appears to offer upside potential on the current share price. MET gives exposure to demographics, Auckland and property cycle. MET also has a specific advantage with a Auckland-centric portfolio (67% of units by value). MET has the highest tilt towards retirement village (as opposed to aged care) which gives it more leverage to the property cycle.

2015 P/E: 19.8 2016 P/E16.7

NZX Code:	**MET**
Share Price:	**$4.76**
12mth Target:	**$5.50**
Projected return (%)	
Capital gain	15.3%
Dividend yield (Net)	1.0%
Total return	**16.3%**

Rating: OUTPERFORM

52-week price range (NZ$) 3.92-4.94

Mighty River Power

↓

MRP has announced it will close its only thermal power station, the gas-fired Southdown plant, from December. The station will be dismantled and any saleable components sold offshore. From 2016 MRP will own solely geothermal and hydro power stations, becoming NZ's second 100% renewable generator.

2015 P/E: 26.2 2016 P/E: 22.5

NZX Code:	**MRP**
Share Price:	**$3.16**
12mth Target:	**$2.97**
Projected return (%)	
Capital gain	-5.7%
Dividend yield (Net)	6.3%
Total return	**0.6%**

Rating: UNDERPERFORM

52-week price range (NZ$) 2.11-3.55

Opus International Consultants

↑

Given OIC's current 9% gearing ratio, a higher payout ratio and a release of capital going forward would be welcomed by minority shareholders. Such a move would be a significant catalyst for OIC stock price, and would reflect positively on management's desire to maintain an optimal capital structure.

2015 P/E: 8.4 2016 P/E: 8.1

NZX Code:	**OIC**
Share Price:	**$1.40**
12mth Target:	**$2.20**
Projected return (%)	
Capital gain	37.9%
Dividend yield (Net)	6.6%
Total return	**44.5%**

Rating: OUTPERFORM

52-week price range (NZ$) 1.35-2.15

PGG Wrightson

↑

We like the management's growth strategy which focuses on improving existing business through share gain in segments where PGW is under-represented and on segments and geographies with structural growth opportunities. In these respects, there are upside risks to our longer term forecasts. Key opportunities for PGW include potential for share gain of rural retail supply into the NZ dairy sector, growth in the irrigation sector, seeds and irrigation solutions in Latin America, especially in Uruguay, and livestock export to Asia.

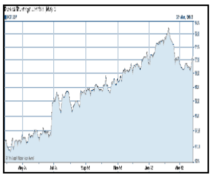
2015 P/E: 10.2 2016P/E: 10.2

NZX Code:	**PGW**
Share Price:	**$0.49**
12mth Target:	**$0.59**
Projected return (%)	
Capital gain	17.0%
Dividend yield (Net)	9.0%
Total return	**26.0%**

Rating: OUTPERFORM

52-week price range (NZ$) 0.38-0.51

Port of Tauranga



→

Forestry Services was the primary driver of a decline in operating earnings on pcp, but Port Operations was where the result disappointed against expectations. Normalised NPAT fell 2.1% to $38.5m in 1H15 with management guiding towards flat underlying NPAT in FY15. The return of Maersk's Southern Star service to Tauranga during 1H15 contributed to container TEUs increasing 12% in the period. This was offset by a 17% decline in log volume to 2,821k tonnes and a 10% fall in overall break bulk volume.

2015 P/E: 29.7 2016 P/E: 28.1

NZX Code:	**POT**
Share Price:	**$17.10**
12mth Target:	**$17.80**
Projected return (%)	
Capital gain	3.9%
Dividend yield (Net)	3.3%
Total return	**7.2%**

Rating: NEUTRAL

52-week price range (NZ$13.67-18.35

Precinct Properties

↓

Half year net profit after tax of $31.6m is down $8.1m, however net operating income increased by $3.3m to $35.3m. PCT says it will raise $174.1m through an accelerated entitlement offer (underwritten at an issue price of $1.15). They expect short term earnings to be affected by reducing debt levels, but say full-year operating earnings after tax is expected to be around 6.1 cents per share. PCT continues to position themselves for their upcoming major redevelopment pipeline of Downtown Auckland CBD, Wynyard Quarter Auckland and Bowen Campus in Wellington.

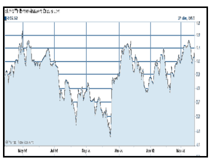
2015P/E: 19.0 2016 P/E: 19.3

NZX Code:	**PCT**
Share Price:	**$1.18**
12mth Target:	**$1.08**
Projected return (%)	
Capital gain	-9.2%
Dividend yield (Net)	5.5%
Total return	**-3.7%**

Rating: UNDERPERFORM

52-week price range (NZ$) 0.99-1.27

Sky City Entertainment



↓

A stronger-than-expected Auckland result was offset by weakness at Adelaide, and a higher-than-expected Corporate & Unallocated expense line. SKC has elected to only frank 25% of the interim dividend in Australia and will only impute 25% of the final dividend in NZ. SKC's short and medium-term earnings and valuation risk profile is elevated due to significant uncertainty around the earnings leverage that will be generated from the Adelaide redevelopment projects. We also identify additional risk around both project timing and capex. Importantly, we presently consider the majority of risk attached to these projects as being skewed to the downside.

2015 P/E: 18.2 2016 P/E: 16.8

NZX Code:	**SKC**
Share Price:	**$4.05**
12mth Target:	**$3.65**
Projected return (%)	
Capital gain	-10.9%
Dividend yield (Net)	5.1%
Total return	**-5.8%**

Rating: UNDERPERFORM

52-week price range (NZ$) 3.47-4.23

→

Sky Network Television

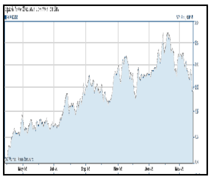
Competition is intensifying, and a number of changes coming for SKT. As the recent results highlight, SKT remains in a very strong position but it has some vulnerability. It has secured key premium rights for the next 3-5 years which put it in a strong position to defend and adapt its business model while a lot of its competition is still some way from proving a sustainable business model. In the meantime though, competition is heating up. These include Lightbox (free to Spark broadband subscribers), Netflix launching, and Fetch TV are looking at a pay-TV light offering for NZ. While SKT's investment case is underpinned by strong incumbency, the nearer-term outlook is challenged by maturity, subdued revenue outlook, increased competition, increased cost of rights and increases in capex.

2015P/E: 12.1   2016 P/E: 12.5

NZX Code:	**SKC**
Share Price:	**$5.88**
12mth Target:	**$5.98**
Projected return (%)	
Capital gain	1.7%
Dividend yield (Net)	5.6%
Total return	**7.3%**

Rating: NEUTRAL

52-week price range (NZ$) 5.69-6.92



↓

Spark NZ

SPK is no longer the incumbent telecommunications provider in New Zealand. Its market share in fixed is now below 50% , and the separation of Chorus, the fixed infrastructure provider in 2012, left SPK as a relatively infrastructure light telco. However SPK retains its mobile network, legacy PSTN network, nationwide backhaul, and data centre assets. SPK remains the largest player in the telco market in New Zealand with number 1 position in retail fixed, number 2 in retail mobile, and a significant presence in the enterprise space where Spark Digital has a substantial telecommunications and IT integration offering.

2015 P/E: 17.1   2016 P/E: 16.0

NZX Code:	**SPK**
Share Price:	**$2.97**
12mth Target:	**$2.97**
Projected return (%)	
Capital gain	0.0%
Dividend yield (Net)	6.1%
Total return	**6.1%**

Rating: UNDERPERFORM

52-week price range (NZ$) 2.38-3.50

↑

Summerset Group Holdings

SUM reported a robust 2014 year result, with underlying profit up 10.2% to a record $24.4m. We expect ongoing sales / margin improvement through 2016, as SUM delivers at multiple sites, whilst benefitting from an organisational base that is now right-sized for its 300+ target rate. After SUM's underperformance versus RYM and MET over the last year, our analysts reiterate their OUTPERFORM rating.

2015 P/E: 26.9   2016 P/E: 23.5

NZX Code:	**SUM**
Share Price:	**$3.32**
12mth Target:	**$3.70**
Projected return (%)	
Capital gain	10.2%
Dividend yield (Net)	2.0%
Total return	**12.2%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.61-3.60

↑

Synlait Milk

SML's earnings miss, whilst disappointing, has created a buying opportunity. This was driven by lower-than-expected sales volume in lactoferrin and nutrition, plus lower profit margin in ingredients. SML has posted a $6.4m net loss after tax for the first six months in the FY15. An unrealised forex loss of $6.8m, plus reduced profit, due to delays in the shipment of infant formula and nutraceutical products, made a perfect storm, but SML is confident that committed contracts are in place to achieve a forecast NPAT of $10-15m for FY15.

2015 P/E: 21.7   2016 P/E: 12.3

NZX Code:	**SML**
Share Price:	**$2.75**
12mth Target:	**$3.85**
Projected return (%)	
Capital gain	60.0%
Dividend yield (Net)	0%
Total return	**60.0%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.84-4.01

→

TrustPower

TPW earnings and value are driven by domestic electricity retail and Australian wind generation. TPW's retail margins are still sector-leading, and its differentiated multi-utility product is showing early promise in a high churn retail environment. In Australia, 270MW Snowtown II windfarm has proved an exemplar for value creation, but further windfarms and any sell-down of Snowtown are on pause, while politicians decide how and if further renewable scheme demand should be mandated.

2015 P/E: 20.1   2016 P/E: 16.9

NZX Code:	**TPW**
Share Price:	**$8.10**
12mth Target:	**$8.21**
Projected return (%)	
Capital gain	-1.3%
Dividend yield (Net)	4.8%
Total return	**3.5%**

Rating: UNDERPERFORM

52-week price range (NZ$) 6.42-8.37

→

Xero

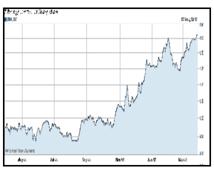
The April customer numbers in the US are likely to be the next critical catalyst. The recent share placement was demonstrably positive. However, ironically, the worse the US customer numbers are in April, the better this deal would prove with the benefit of hindsight. Cleverly, this deal would allow XRO to de-emphasise US growth for now, given they become less wedded on a US listing.

2015 P/E: -60.1   2016 P/E: -49.2

NZX Code:	**XRO**
Share Price:	**$24.60**
12mth Target:	**$26.30**
Projected return (%)	
Capital gain	6.5%
Dividend yield (Net)	0%
Total return	**6.5%**

Rating: NEUTRAL

52-week pr range (NZ$) 15.25-45.98



→

Z Energy

Don't expect ZEL to extract higher underlying margins in FY16, nor rely on favourable oil price trends to underwrite margin growth. Improved product mix, the potential to monetise the refinery optimisation agreement with savings of between $6-8m, continued optimisation of its Commercial Portfolio, and footprint expansion, will all help to maintain earnings growth.

2015P/E: 15.1   2016 P/E: 14.1

NZX Code:	**ZEL**
Share Price:	**$5.05**
12mth Target:	**$5.00**
Projected return (%)	
Capital gain	0.0%
Dividend yield (Net)	5.6%
Total return	**5.6%**

Rating: NEUTRAL

52-week price range (NZ$) 3.66-5.01

NZ LISTED COMPANIES **30th March 2015** Source: First NZ Capital, CSFB	Ticker	Mrkt Cap (NZ$m)	Price 30/3/15 (NZ$)	Price 28/4/14 (NZ$)	Fair Value	Price Earnings (x)		Gross Yield (%)	
						FY15	FY16	FY15	FY16
OIL & GAS & CONSUMABLE FUELS									
Z Energy	ZEL	2,000	5.00	3.92	4.73	15.8	14.7	7.0%	7.6%
INDUSTRIALS									
Capital Goods									
Fletcher Building	FBU	5,847	8.50	9.72	9.65	15.3	13.8	5.5%	6.2%
Opus International Consultants	OIC	210	1.40	1.94	2.05	8.1	7.8	9.4%	9.9%
Methven	MVN	84	1.15	1.24	1.40	11.0	8.9	9.9%	10.6%
Metro Performance Glass	MPG	335	1.81		1.90	15.5	12.7	2.8%	8.2%
Nuplex Industries	NPX	632	3.19	3.49	3.50	11.3	10.1	6.6%	6.9%
Steel & Tube Holdings	STU	252	2.85	3.05	2.95	11.2	10.0	9.3%	11.0%
Agriculture									
Fonterra Shareholders' Fund	FSF	676	5.60	6.17	6.00	20.0	21.9	3.6%	3.6%
PGG Wrightson	PGW	370	0.49	0.40	0.53	10.0	10.0	12.8%	12.8%
Airlines									
Air New Zealand	AIR	3,027	2.70	2.10	2.10	8.4	7.0	7.2%	8.0%
Road Rail & Air									
Freightways	FRE	961	6.22	4.90	5.80	18.5	16.8	5.4%	5.7%
Mainfreight	MFT	1,536	16.63	13.20	16.00	18.8	16.6	3.1%	3.6%
Airwork Holdings	AWK	154	3.07		3.15	10.1	8.7	7.2%	8.0%
Transport Infrastructure									
Auckland International Airport	AIA	5,405	4.54	3.97	3.50	31.1	28.8	4.5%	4.7%
Port of Tauranga	POT	2,328	17.10	14.18	16.00	29.5	27.9	4.3%	4.7%
Infratil	IFT	1,787	3.18	2.27	3.08	24.9	18.1	12.0%	6.1%
CONSUMER DISCRETIONARY									
Hotels, Restaurants & Leisure									
Sky City Entertainment Group	SKC	2,379	4.05	4.08	3.35	18.7	17.2	5.2%	5.2%
Restaurant Brands New Zealand	RBD	394	4.03	3.10	3.05	17.3	15.4	6.9%	7.7%
Media									
Sky Network Television	SKT	2,296	5.90	6.47	5.74	12.6	13.0	7.3%	7.5%
Retailing									
The Warehouse Group	WHS	992	2.86	3.34	2.30	18.5	17.4	7.8%	7.3%
Briscoe Group	BGR	622	2.87	2.49	2.85	15.8	15.1	6.8%	7.1%
Hallenstein Glasson Holdings	HLG	204	3.45	3.39	3.90	11.8	11.6	11.7%	12.0%
Kathmandu Holdings	KMD	280	1.39	3.70	1.70	13.9	11.1	5.7%	7.1%
Michael Hill International	MHI	460	1.20	1.33	1.50	11.2	10.3	5.6%	6.1%
CONSUMER STAPLES									
Delegat's Group	DGL	461	4.56		5.20	13.3	11.8	3.7%	4.0%
Sanford	SAN	361	4.92	4.32	5.20	31.0	24.7	6.5%	6.5%
Synlait Milk	SML	388	2.65	3.64	4.28	19.8	11.2	0.0%	0.0%
HEALTH & AGED CARE									
Ebos Group	EBO	1,571	10.49	8.93	10.20	15.5	14.1	4.9%	5.4%
Fisher & Paykel Healthcare Corporation	FPH	3,627	6.50	4.05	5.25	31.5	28.9	2.9%	3.1%
Ryman Healthcare	RYM	3,920	7.84	8.29	7.89	28.8	25.2	1.7%	2.0%
Summerset Group Holdings	SUM	725	3.31	3.37	3.31	26.3	22.9	2.0%	2.7%
FINANCIAL									
Diversified Financials									
NZX	NZX	293	1.11	1.22	1.23	16.7	16.2	7.5%	7.5%
Coates Plc (x GPG)	COA	690	0.49	0.59	0.45	10.9	9.1	0.0%	0.0%
Hellaby Holdings	HBY	315	3.28	3.18	3.45	10.9	10.3	9.7%	10.2%
Heartland New Zealand	HNZ	598	1.28	0.85	1.40	12.6	11.4	7.3%	8.1%
Property									
Precinct Properties New Zealand	PCT	1,429	1.18	1.01		19.3	19.6	6.8%	6.8%
Argosy Property	ARG	911	1.14	0.91	1.12	19.0	18.3	7.9%	8.1%
DNZ Property Fund	DNZ	575	1.94	1.56	1.71	19.8	19.7	7.3%	7.3%
Goodman Property Trust	GMT	1,475	1.20	0.99	1.08	15.5	15.8	8.0%	8.0%
Kiwi Income Property Trust	KIP	1,469	1.29	1.14	1.18	19.2	20.8	7.5%	7.5%
NPT	NPT	107	0.66	0.62	0.63	19.2	18.7	7.2%	7.3%
Property For Industry	PFI	646	1.57	1.29	1.38	20.8	20.7	6.9%	7.0%
Vital Healthcare Property Trust	VHP	572	1.68	1.33	1.46	17.4	16.8	7.1%	7.4%
INFORMATION TECHNOLOGY									
Diligent Board Member Services	DIL	488	5.62	4.49	5.50	52.6	34.1	0.0%	0.0%
EROAD	ERD	249	4.15		4.95	461.1	43.0	0.0%	0.0%
Trade Me Group	TME	1,496	3.77	3.90	3.31	18.4	17.4	6.0%	6.3%
Xero	XRO	3,330	24.50	31.00	23.90	-64.0	-52.5	0.0%	0.0%
TELECOMMUNICATION SERVICES									
Chorus	CNU	1,146	2.89	1.78	2.98	9.8	10.0	0.0%	6.7%
Spark New Zealand	TEL	5,431	2.96	2.62	2.86	16.1	15.0	8.4%	9.4%
UTILITIES									
Contact Energy	CEN	4,363	595	5.69	6.41	23.2	19.6	6.1%	6.1%
Genesis Energy	GNE	2,320	2.32		2.17	22.8	21.3	9.6%	9.6%
Meridian Energy (full paid)	MEL	6,482	2.53	1.70	2.27	29.8	28.6	7.9%	8.2%
Mighty River Power	MRP	4,344	3.16	2.29	2.86	26.5	22.7	8.4%	8.9%
Trustpower	TPW	2,535	8.10	6.65	7.84	19.5	16.4	6.3%	6.3%
Vector	VCT	3,027	3.04	1.70	2.75	19.4	17.5	7.0%	7.13%
MARKET SUMMARY									
Market Average (excluding XRO)						**26.7**	**17.0**	**6.2%**	**6.6%**

The Reserve Bank of Australia (RBA) cut the cash rate target by 0.25% to 2.25%. This reflects economic growth continuing at a below-trend pace, with domestic demand growth overall quiet. The RBA noted a degree of spare capacity and global deflation and hence limited inflation pressure. The RBA gave little guidance as to the future direction of interest rates, although the market is factoring in another 0.5% reduction over the next year.

The Australian share market rose to a 7 year high of 5,937. The best performing stocks were retail, media and oil stocks - the latter driven by a higher oil price. Lower interest rates also pushed the banks up in modesty, due to their relatively attractive dividend yields.

RBA provides equities with a free ride
Expect further RBA rate cuts, as central banks continue to flood the world with liquidity. The RBA has provided equities with a free ride. Previous RBA rate cuts have come after a period of declining earnings/share and lower equity valuations. The most recent rate cut has occurred after a period of moderate EPS growth and higher-than-average valuations. The equity market was not crying out for a rate cut, like it has done in the past, but they got one anyway.

Valuation overshoot
Since the global financial crisis, companies have preferred to return capital back to shareholders rather than use cheap debt to finance capex. Governments have preferred to manage debt instead of spending. The world is awash with central bank liquidity but companies and governments are refusing to invest. The fall in the cost of debt will further support stock prices and we expect valuations will continue to overshoot long term averages. Our analysts are targeting a 6000 ASX200 by December 2015.

BHP Billiton (BHP.AX)

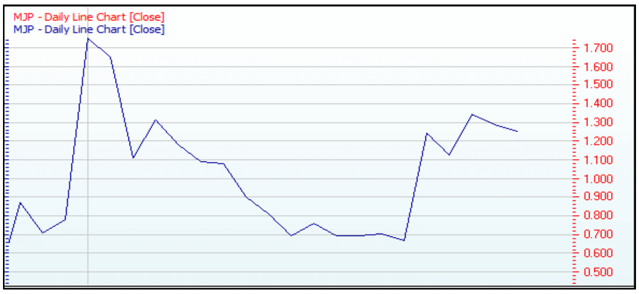
- A$31.03 Target price A$37.60

BHP has confirmed plans for the spin-off of South32 which will include 10 non-core assets and have a value of $19.6 million making it a top 20 stock in Australia. The spin-off is subject to shareholder approval with a vote being held on 6 May 2015. Assuming it is approved BHP shareholders will receive 1 South32 share for every 1 BHP share owned and South32 will list in mid-May. We will be assessing the tax implications for NZ shareholders in due course.

Additionally BHP management announced that they expect to exceed the US$4billion cost and productivity improvement target previously announced.

Martin Aircraft Company (MJP.AX)

- A$1.05 High/Low since listing: A$3.15/A$0.40



Shares in Christchurch based MJP listed on the Australian Stock Exchange at A$0.40 on 25th February 2015, and has traded as high as A$3.15 per share, but has recently settled at around A$1.05.

On Monday 2nd March, the company announced a loss of A$3 million for the half year ended 31st December 2014, after making a significant investment in research and development and on preparations for the share market listing.

MJP is working on delivering its first commercial jetpack in 2016, which it expects could be used for rescue, military and recreational purposes. The US Department of Homeland Security intends to take the product. The company raised A$27m by issuing shares in the company, many of which were taken up by China-based investor KuangChi Science.

This is a highly speculative share, and not suited for the feint-hearted. It is not a stock that I would include in my portfolio.

National Australia Bank (NAB)

- A$38.55 Target price A$38.00

NAB is a restructuring story in full swing, supplemented by macro leverage. Investment positives include:

- Exposure to a lower AUD through its UK assets.
- Improvement in the UK economy and the UK commercial real estate market.
- The highest exposure to business lending which is expected to see increased growth.

This restructuring story is primarily through the sale of Clydesdale Bank in the UK. Also, it is expected to sell the residual of its Great Western (the life insurance business) shareholding, and realisation of its UK commercial real estate loans, and remaining specialised growth assets. This has a significant impact on the extra capital NAB needs to comply with the more stringent capital requirements proposed in the Murray Inquiry. NAB currently offers the best dividend yield of the banks- FY15 forecast **dividend yield of 6.1%.** Post restructuring there is potential for NAB to be re-rated.

Australian Investment Ideas

Code	AGI	BHP	HGG	LLC	SYD	TCL
Name	Ainsworth Game Technology	BHP Billiton	Henderson Group	Lend Lease	Sydney Airport	Transurban Group
Share Price (A$) at 31/3/15	2.89	31.03	5.53	16.64	5.18	9.53
Market Capital (A$m)	903	100,269	4,049	9,496	11,702	18,341
Price Target (A$)	3.46	37.60	5.62	16.83	5.38	9.40
Forecast 12mth return	27.43	25.54	5.88	6.18	6.69	2.28
Rating	BUY	BUY	BUY	BUY	BUY	BUY
EPS FY2015	19.4	199.8	30.8	106.7	8.1	10.3
EPS FY2016	21.1	186.2	35.5	122.1	9.7	16.0
EPS Growth	8.8	-6.8	15.5	14.4	19.8	55.3
P/E 2015	14.4	15.6	17.8	15.3	65.2	93.0
Div (Cents/Share)	10.8	159.9	18.8	54.4	25.1	39.7
Div Net Yield (%)	3.9	5.1	3.4	3.3	4.8	4.1

Selected Australian Listed Companies - Earnings Forecast

30h March 2015 Source: CSFB estimates	Ticker	Market Cap (A$m)	Price 30/3/15 (A$)	Fair Value (A$)	Price Earnings (x)		Net Yield (%)	
					FY15	FY16	FY15	FY16
BANKS								
ANZ Banking Group	ANZ	101,788	36.80	34.50	16.0	14.6	4.5%	4.8%
Commonwealth Bank Australia	CBA	152,955	94.34	96.00	20.1	18.0	3.9%	4.3%
National Australia Bank	NAB	94,012	38.83	2.05	8.1	7.8	9.4%	9.9%
Insurance								
AMP	AMP	19,255	6.51	7.00	25.3	20.1	3.5%	4.1%
QBE Insurance Group	QBE	13,525	12.82	10.33	-47.2	18.2	3.1%	3.4%
Suncorp Group	SUN	17,678	13.74	14.60	34.2	14.5	5.5%	7.6%
MATERIALS								
Chemicals								
Orica	ORI	7,481	20.07	21.70	12.3	12.3	4.7%	5.0%
Materials & Mining								
BHP Billiton	BHP	123,718	30.75	26.79	10.4	9.1	4.9%	5.1%
Newcrest Mining	NCM	10,463	13.65	9.75	23.4	24.2	0.9%	0.0%
Rio Tinto	RIO	78,004	56.55	54.38	7.9	8.7	4.4%	4.9%
ENERGY								
Origin Energy	ORG	12,955	11.71	11.00	16.9	18.2	4.3%	4.3%
Santos	STO	7,546	7.53	7.30	14.5	13.9	4.0%	4.0%
Woodside Petroleum	WPL	22,313	35.04	27.97	13.1	9.2	9.2%	9.4%
HEALTHCARE								
CSL	CSL	33,370	91.85	68.79	29.2	25.6	4.5%	4.6%
Ramsay Health Care	RHC	13,465	66.63	70.75	46.4	39.0	1.1%	1.3%
CONSUMER STAPLES								
Woolworths	WOW	37,415	29.62	32.70	15.6	15.1	3.7%	4.0%
INFORMATION TECHNOLOGY								
Computershare	CPU	5,503	12.80	10.42	18.0	16.4	2.9%	2.7%
TELECOMMUNICATION SERVICES								
Telstra	TLS	78,000	6.38	5.65	21.4	19.8	4.4%	4.6%
UTILITIES								
AGL Energy	AGK	10,307	15.31	16.90	14.4	15.2	4.1%	4.1%
MARKET SUMMARY								
Market Average					**17.1**	**17.9**	**3.8%**	**4.0%**

"Risk comes from not knowing what you're doing." Warren Buffett

UK Investment Trust Performance

PRICES AS AT 20TH MARCH 2015

Share Price GBP pence	Net Asset Value	(Disc) Premium	*View	Investment Trust Company	Net Yield %	12 Month % Discount Average	12 Month % Discount High	12 Month % Discount Low	1 Year % Return pa Price	1 Year % Return pa NAV	3 Year % Return pa Price	3 Year % Return pa NAV	5 Year % Return pa Price	5 Year % Return pa NAV
Global Equity Funds														
629	658	-4.4%	→	Bankers	2.5	-2.2	-5.9	1.4	11.0	13.0	19.8	13.4	12.6	7.1
535	600	-10.8%	↑	British Empire & Securities	2.1	-12.0	-14.6	-8.6	14.0	9.0	11.3	9.7	5.9	4.1
2,312	2,758	-16.2%	↓	Caledonia Investments	2.1	-16.1	-24.8	-9.7	23.0	17.0	20.3	14.7	8.4	6.0
1,105	1,196	-7.6%	↑	JP Morgan Overseas	1.5	-6.5	-8.4	-4.0	21.0	20.0	16.5	15.0	9.3	7.3
429	490	-12.4%	↑	Monks Investment	1.0	-12.4	-15.0	-8.8	7.0	8.0	10.5	9.4	7.0	5.2
1,565	1,566	0.5%	↑	RIT Capital Partners	2.1	-4.3	-7.8	-0.2	23.0	13.0	12.9	11.6	8.3	5.7
1,914	2,050	-6.6%	↑	Worldwide Healthcare Trust	0.8	-3.8	-8.4	2.2	41.0	35.0	40.9	35.0	23.8	19.4
European Funds														
800	855	-6.4%	NR	The European Trust	1.7	-13.4	-16.9	-8.2	7.0	5.0	19.1	13.7	10.0	4.9
238	260	-8.5%	→	JP Morgan European Smaller	1.4	-10.9	-15.0	-3.7	6.0	6.0	21.4	17.4	11.2	7.0
252	258	-2.5%	NR	BlackRock Greater European	2.2	-2.3	-6.3	1.3	0.0	4.0	14.5	4.8	11.6	8.0
Asia/Pacific Funds (including Japan)														
345	336	2.6%	↑	Henderson Far East Income	5.5	2.3	-1.2	6.3	22.0	14.0	12.4	5.7	6.0	1.2
Global Emerging Markets Funds														
632	704	-10.2%	↑	JPM Fleming Emerging Markets	0.9	-10.4	-13.0	-7.7	23.0	22.0	6.6	6.3	3.9	3.7
569	619	-8.0%	↑	Templeton Emerging Markets	1.3	-8.9	-11.0	-6.7	16.0	18.0	1.0	1.6	1.4	1.2
Far East Exc Japan														
290	320	-9.6%	↑	Edinburgh Dragon	0.8	-9.5	-12.2	-6.1	23.0	21.0	8.0	8.0	7.4	6.5
576	655	-12.1%	NR	JP Morgan India	0	-11.8	-15.9	-4.7	73.0	66.0	17.0	17.0	6.7	7.1
299	335	-11.0%	↑	Schroder AsiaPacific	1.0	-9.8	-11.7	-7.2	32.0	27.0	11.9	11.1	10.5	9.2
Other Funds														
885	960	-7.8%	↑	North American Income Trust	3.2	-3.8	-7.6	3.0	15.0	17.0	14.5	11.6	9.3	7.3
288	307	-6.1%	↑	JPMorgan American	0.9	0.0	-2.6	3.7	27.0	27.0	20.0	19.8	13.6	11.7
298	327	-8.9%	↑	BlackRock World Mining	6.8	-2.8	-10.6	8.2	-33.0	-27.0	-19.6	-22.8	-9.4	-13.3
585	627	-6.8%	↑	Polar Capital Technology	0	-2.7	-7.6	3.0	23.0	23.0	17.9	17.9	16.4	13.9
505	593	-14.8%	↑	SVG Capital	0	-19.1	-26.5	-8.4	16.0	13.0	24.9	17.7	27.6	18.5
315	310	1.7%	→	TR Property Trust	2.7	-0.3	-3.4	2.7	34.0	28.0	35.9	25.1	17.9	10.9

1YR 3YR & 5YR PERFORMANCE FIGURES TO 28TH FEBRUARY 2015 - ALL IN NZ DOLLARS - EXCHANGE RATE: UK£/NZ$ 0.5039 US$/NZ$ 0.7442

NOTE: *VIEW – FIRST NZ CAPITAL LIMITED

FNZC's aim is to identify Company's where the share price will outperform the benchmark on a risk adjusted total return basis. This may be through either a narrowing of the discount or outperformance of the underlying portfolio. Through the View we seek to identify buying opportunities for investors in each asset class, on a 12-18 months timeframe. Our view will take into account valuation, but will place a greater emphasis on the quality of management, performance record and risk characteristics (including portfolio diversification, gearing and any outstanding commitments). We will typically focus on the outlook for relative, rather than absolute share price performance.

RIT Capital Partners (RCP.L) BUY

RCP has an exceptional long-term record through an unconstrained investment approach seeking to deliver long-term capital growth, while preserving shareholders' capital. Since inception in 1988, the Company has participated in 70% of the market upside, but only 38% of the downside, with an annualised NAV return of 11.5% pa. The mangers seek to identify key macro themes, and then construct a portfolio through a combination of high conviction stocks (both listed and unquoted), as well as investing alongside specialist third-party managers. There is low currency exposure and market risk (hedging) is active managed. In 2014, the portfolio was focused on the USD and Sterling with short exposure to the Euro. Lord Rothschild continues to oversee the investment committee, but there have been a number of changes to the management team in recent years.

RCP is one of the largest investment trusts, with a market cap of £2.2bn, and is an attractive long term investment, particularly when it can be acquired at a discount.

NZ Daily Fixed Interest Rate Sheet

PRICES AS AT 30TH MARCH 2015

NOTE: Indicative pricing only

Secondary market	Code	Rating	Type	Maturity/ Reset Date	Coupon	Yield	Margin to SWAP	Price /$100	Coupon Freq
Fletcher Building	FBI060	NR	Cap	15/05/2016	9.00%	**4.90%**	133	$107.84	2
Fletcher Building	FBI070	NR	Cap	15/05/2016	7.75%	**4.90%**	133	$106.02	2
Infratil	IFT150	NR	Convert	15/06/2016	8.50%	**4.95%**	138	$104.54	4
Z Energy Ltd	ZEL010	NR	Snr	15/10/2016	7.35%	**4.50%**	90	$107.59	2
Air New Zealand Limited	AIR010	NR	Snr	15/11/2016	6.90%	**4.68%**	112	$106.04	2
Fletcher Building	FBI100	NR	Cap	15/03/2017	7.50%	**5.00%**	144	$104.95	2
Meridian Energy	MEL020	BBB+	Snr	16/03/2017	7.55%	**4.15%**	59	$106.66	2
Vector	VCT070	BB+	Cap	15/06/2017	7.00%	**4.95%**	138	$106.30	2
Auckland Intl Airport	AIA110	A-	Snr	17/10/2017	5.47%	**3.89%**	32	$106.29	2
Trustpower	TPW100	NR	Snr	15/12/2017	7.10%	**4.50%**	92	$106.94	4
Fletcher Building	FBI110	NR	Cap	15/03/2018	7.15%	**5.15%**	157	$105.76	2
Z Energy	ZEL020	NR	Snr	15/08/2018	7.25%	**4.80%**	121	$108.50	4
Fletcher Building	FBI120	NR	Cap	15/03/2019	5.40%	**5.15%**	154	$101.14	2
Fletcher Building	FBI130	NR	Cap	15/03/2019	6.45%	**5.15%**	154	$104.90	2
Contact Energy Limited	CEN020	BBB	Snr	15/05/2019	5.80%	**4.52%**	90	$105.55	4
Kiwibank	KCF010	BB+	Tier 2	15/07/2019	6.61%	**5.25%**	163	$106.55	2
Infratil	IFT200	NR	Bnd	15/11/2019	6.75%	**5.65%**	202	$105.30	4
Christchurch International Airport	CIA1010	BBB+	Snr	6/12/2019	5.15%	**4.51%**	88	$104.30	2
Auckland Intl Airport	AIA120	A-	Snr	13/12/2019	4.73%	**4.12%**	48	$104.02	2
Infratil	IFT090	NR	Convert	15/02/2020	8.50%	**5.70%**	206	$112.92	4
Goodman Property Trust	GMB020	BBB+	Snr	16/12/2020	6.20%	**4.66%**	100	$109.43	2
Sky TV	SKT020	NR	Snr	31/03/2021	6.25%	**5.00%**	133	$106.47	4
Auckland Intl Airport	AIA130	A-	Snr	28/05/2021	5.52%	**4.21%**	53	$108.96	2
Christchurch International Airport	CIA1020	BBB+	Snr	4/10/2021	6.25%	**4.63%**	95	$112.07	2
Trustpower	TPW120	NR	Snr	15/12/2021	5.63%	**4.99%**	130	$103.90	4
Infratil	IFT190	NR	Bnd	15/06/2022	6.85%	**5.85%**	215	$106.17	4

Floating Rate / Perpetual Bonds	Code	Rating	Type	Reset Date	Coupon	Price /$100	Margin to SWAP	Maturity	Coupon Freq
Credit Agricole S.A.	CASHA	BBB-	Tier 1	19/12/2017	5.04%	**74.50**	450	Perpetual	4
Genesis Power Limited	GPLFA	BB-	Cap Bond	15/07/2018	6.19%	**103**	180	Perpetual	4
Infratil	IFTHA	NR	Perp	15/11/2014	4.53%	**75.50**	390	Perpetual	4
Quayside Holdings Ltd	QHLHA	NR	Perp Pref	12/03/2017	5.88%	**101**	177	Perpetual	4
Rabobank Nederland	RBOHA	A-	Tier 1	8/10/2014	3.71%	**94.40**	280	Perpetual	4
Rabobank Nederland	RCSHA	A-	Tier 1	18/06/2019	8.34%	**108**	330	Perpetual	4
Works Infrastructure Finance	WKSHA	NR	RPS	15/06/2015	7.95%	**102**	370	Perpetual	4

Glossary (for NZ Daily Fixed Interest Rate Sheet)

Senior	Snr
Subordinated	Sub
Callable Subordinated Call	Sub
Perpetual Callable Subordinated	Tier 2
Capital Note	Cap
Redeemable Preference Share	RPS
Perpetual	Perp
Perpetual Preference Share	Perp Pref
Convertible	Convert
Government Guarantee	GG

Issuer	Name of issuing entity
Credit	Standard & Poor's ratings, NR = Not Rated
Maturity	Agreed maturity date of fixed interest product
Reset Date	For floating rate bonds this is the date at which the Perpetual Non-Cumulative Callable Subordinated Tier 1 coupon is reset
Coupon	The coupon is fixed from the date the bond is issued, it will not change until maturity or until the next reset date, if applicable
Yield	Yield to maturity, indicates the overall per annum return you will receive for the remaining life of the bond
Price / $100	The price paid per $100 of face value (includes Accrued interest)

Limitations and Disclaimer