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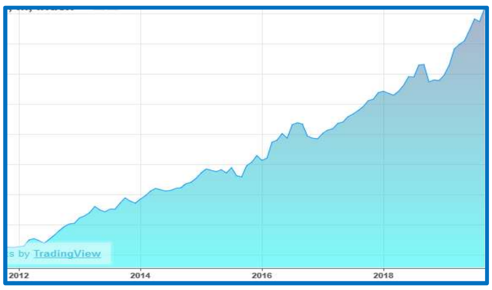
INVESTMENT STRATEGIES

Donald Trump has presided over a strong US economy. Since his election, the S&P 500 index of big American firms has returned 37% and the unemployment rate has repeatedly hit 50-year lows. On 6th September the Labour Department reported that American employers added 130,000 jobs in August, and that the unemployment rate held steady at 3.7%. But in recent weeks, some warning signs have flashed red. Interest rates on long-term bonds have fallen below those of short-term securities, historically a reliable sign that a recession is coming. A model developed by the Federal Reserve Bank of New York puts the odds that a recession might begin within the next 12 months at over 37%.

These are unsettling times. The US president seems to warm to the comparison between himself and Boris Johnson, and these global leaders both seem to have a lot of courage – but will their egos pull the world down around them? Looking at the New Zealand Stock Market, you wouldn't think so!

NZ50 GROSS INDEX – SINCE 2012



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STATISTICS NZ DATA

2018 Census will be released on 23rd September

Estimated population at 10-Sept-2019:	4,930,264
Births March 2019 year:	58,4556
Deaths March 2019 year:	33,147
Total Fertility Rate December 2018 year ↓	1.71
Net long-term migration Apr-19 year:	55,800
- 50,200 in Apr-18 ↑ (5,600) ↑ 11.1%	
Visitor arrivals Annual at Mar 2019 (↓ 0.35%)	**3,864,018**
Employment	
Total employed March-19: (↓0.3% Mar Q)	2,658,000
Unemployment rate Jun-19 quarter:(↓0.3%)	3.9%
Bay of Plenty Unemployment Mar-19 quarter:	**3.5%**
Employment rate Mar-19 quarter: (↑0.2%)	67.7%
Wage rate increase Mar-19 quarter: (↑0.1%)	2.0%
Ave weekly earnings Jun-19 quarter:	$1,193
Average ordinary time hourly earnings: (↑4%)	$32.37
Net Household Wealth (NZ Median)	$340,000
Net Wealth (Top 20%) (↑9.7% pa over last 3 years)	$1.75m
Median Net Wealth – Individual Europeans	$138,000
Median Net Wealth – Individual Maori	$29,000
Consumer Price Index Jun19 year: (↑0.2%)	1.7%
The size of the NZ Economy /Mar-19 year:	**$296 bn**
GDP per person year ended Dec-18:	**$58,778**
GDP per capita year ended Dec-18:	**0.9%**
GDP Growth (volume) Mar-19 year: ↓	**2.5%**

LOCAL BODY POLITICS

MY BOP REGIONAL COUNCIL RE-ELECTION

It is great not having to go through the election process, so I am not complaining - but it doesn't say much about Local Government democracy!

That said, the Tauranga City Council elections look like they are hotting up, with huge numbers of candidates - and what looks like a very nasty Mayoralty campaign.

I am really only interested in what candidates promise to do, and how they think they can achieve their aspirations. It's easy to criticize others, but much harder to articulate genuine actions.

I urge voters to think very carefully:

1. What will the candidate actually do to ensure that we achieve a strong vibrant city where we will all be proud to “live, work and play” together in a sustainable manner.
2. It is easy to knock those who were there before, but we need people who actually understand governance – and that doesn’t include thinking you are a senior manager.
3. Vindictive nastiness and abusing anyone who doesn’t share your view, must not be rewarded.
4. I have had a couple of Facebook comments that I am speaking for Simon Bridges and the National Party. I am not, and state categorically that I don’t bring Central Government politics into Local Government. That said, my values do align with the National Party, and I definitely don’t apologise for that.

OUR POLITICAL CLIMATE

MOMENTUM COUNTS

Simon Bridges is finally getting cut-through on Labour. In a general debate in Parliament recently, Bridges was mentioned no fewer than 12 times by Transport Minister Phil Twyford and 4 times each by the other Labour speakers. This is a sign that Labour is genuinely worried.

The shine has come off Ardern, and Simon is capitalising on it. He is not only getting cut-through, but he seems to have a tailwind. He is picking issues that resonate, and by having concise messages that are reinforced by social media.

No longer are the media constantly bagging Simon. Since the July National Party Conference in Christchurch (where Simon absolutely nailed it) the media have recognised that his leadership is safe, so they have moved to aim their barbs at our part-time Prime Minister, who is increasingly defensive and flaky. Watch this space – momentum counts.

WINSTON HIGHLIGHTS HIS OWN DODGINESS

Winston’s continued attack on National (and Paula Bennett in particular), just reminds us once again about his seemingly blatant abuse of his personal superannuation funding.

Peters is suing Bennett and fellow National MP Anne Tolley over a pre-election leak of his super, which showed he had been overpaid $21,000 over seven years. Peters promptly repaid the full amount (once he was caught), saying he had no idea he was receiving anything extra. That just doesn’t sound credible – you need to be a moron to get your superannuation wrong (and Winston might be a lot of things, but as a trained lawyer, I wouldn’t characterised him as a moron).

The only conclusion that I can make is that his actions look dodgy, at best.

“Crazy ideas are only crazy ideas until they are implemented – then it’s just called vision.”
Peter Beck, Rocket Lab CEO & Founder

GREENS CONTINUE TO UNDERMINE NZ ECONOMY

Associate Transport Minister Julie Anne Genter ordered an investigation into a total ban on petrol car imports by 2035, among a range of options to reduce emissions in the national transport fleet.

An array of documents, including an excerpt from a draft cabinet paper, from April last year, reveal Genter instructed officials to work on the policy, before scrapping the plan.

But the fact the plan was even worked on was "irresponsible." Genter's proposal was never taken to Cabinet – "it was rejected and ruled out." The fact that a cabinet paper was produced shows she was working behind closed doors to change the law.

National's Transport Spokesperson Chris Bishop said "Reducing emissions from our vehicle fleet is an important step in the fight against climate change. But it would be irresponsible to make petrol cars illegal so soon, without a solid plan to help people into electric vehicles."

Genter's far-left ideology is putting a huge handbrake on our New Zealand economy, and both Labour and New Zealand First are compliant by giving her the power.

THE CANNABIS DEBATE IS HEATING UP

As the cannabis debate heats up, New Zealanders seem to be moving back from legalising all cannabis use. Cannabis today is much different to the plant grown in the 1970's. The potency of the THC content has increased dramatically through hybrid development. Within the plant are chemicals called cannabinoids, similar to molecules produced by the human body, known as endocannabinoids. A wide network of receptors in the human brain and body respond to the plant and human versions of these molecules. The body's endocannabinoid system is involved in regulating everything from pain to mood, appetite, stress, sleep and memory. So far, 144 different cannabinoids have been found in *C. sativa*—most of them barely understood—and new properties are being discovered all the time.

The best known are THC, the ingredient that gets you high, and cannabidiol (CBD), which does not and which is increasingly used as a food additive and supplement. Hopefully, the referendum will include options to both an age limit and setting maximum THC levels.

MEDICINAL CANNABIS

Medicinal Cannabis is now legal in New Zealand – and so it should be.

WHERE MEDICAL CANNABIS IS LEGAL

The drug's ambiguous legal status as a medicine will persist for years. A long history of prejudice has thwarted research and deprived millions of patients access to therapies that might help them. The work of creating regulated and approved medicines should be well advanced, but is only just beginning. Ironically, it may be that only when cannabis is legal for recreational use that a fuller picture will jemerge of the benefits it offers and the risks it poses.

2020 CANNABIS REFERENDUM

As part of the "Supply Agreement" with Labour, the Greens will get a referendum on cannabis at election time. Initially it looked like cannabis would win full legalisation, but public opinion has now swung significantly – and time will tell what the outcome will be. I think that conservative New Zealand will win this argument, and the Greens will have lost their opportunity to achieve full cannabis legalisation.

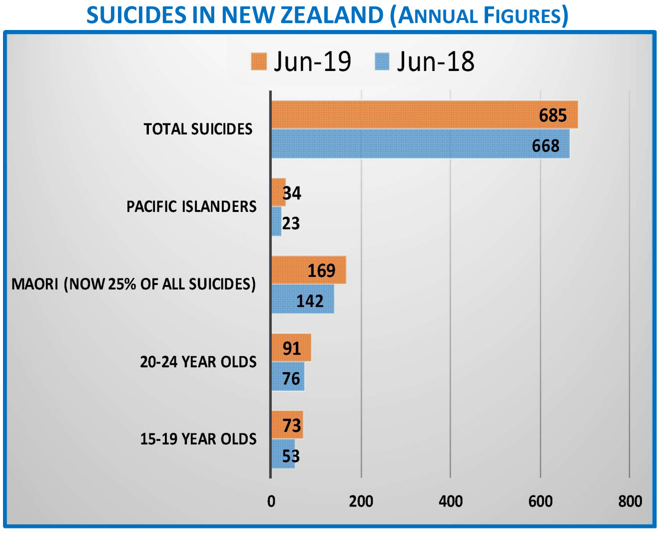
OUR PART-TIME GOVERNMENT

Labour promised so much, but no one believes them. Jacinda had the 'fairy dust', but the glitz is disappearing. The three-headed monster of this coalition government remains paralysed with endless work-groups, and absolutely no outcomes.

It is all very well for Jacinda to talk about 'game-changers' – but it is just words. The latest SUICIDE numbers (released at the end of August by the Coroner's Office) is a case in point. Jacinda said she didn't want to set targets, and I understand why. She has allocated $1.9 billion in the 2019 Budget for Mental Health, and yet she just doesn't know how to spend it.

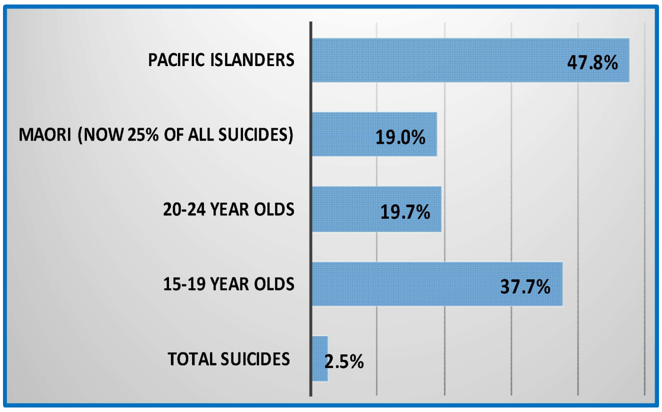
The data tells the story….

SUICIDES IN NEW ZEALAND (ANNUAL FIGURES)



PERCENTAGHE CHANGE IN SUICIDE

ANNUAL CHANGE TO JUNE 2019



The 2019 Budget committed just $40m to suicide prevention – which experts say wasn't nearly enough – but where has that amount even been spent!

The current number of suicides is the highest since records began, 12 years ago. A transitional government – I don't think so.

To be fair, the previous N

Our Part-time Government never did the hard yards in Opposition, and are now bereft of sensible solutions in every aspect of government.

UK POLITICS GETS VERY INTERESTING

Britain's House of Commons returned to work on 3rd September for what started as a politically explosive week with Boris Johnson having 21 of his Party crossing the floor in a move designed to block a no-deal Brexit by forcing the prime minister to request an extension to article 50 if he cannot strike a reworked deal with the EU27.

After his defeat, Johnson said he would never request the delay mandated in the rebels' bill, which he said would "hand control of the negotiations to the EU".

With 21 Conservative MPs crossing the floor to vote with Jeremy Corbyn to stop Brexit, Johnson called for an election on 15th October. Labour abstained an the 2/3rd majority needed was not obtained. Watch this space – that outcome is plainly untenable.

Ruling out a no deal means that the UK Government has no negotiating power to change the deal that has already been rejected by Parliament multiple times. It makes Brexit basically impossible.

Mr Johnson insists that his intention remains to get a new, better agreement before October 31st, and that to do so he needs to threaten the EU with the credible prospect of no-deal.

WHAT AN OCTOBER ELECTION MIGHT LOOK LIKE

At the start of the Tory leadership campaign, then foreign secretary and PM hopeful Jeremy Hunt said: "If we attempt a general election before we have delivered Brexit, we will be annihilated." But is this true?

In the latest UK You Gov poll, the Conservatives have extended their lead over Labour as pro-Brexit voters return to the party, and Labour has dropped 4% to just 21%.

For the first time since March, more than half (53%) of leave voters now intend to vote Conservative. Almost half of all voters (46%) now think the Conservative party has in effect become the Brexit party.

The polling will be used by Johnson's team as evidence that their ruthless strategy to push hard to secure Brexit and hold an election can work. However, the strategy has run aground as opposition parties are blocking an election from taking place.

Opinium said there was a considerable amount of voter churn, with only the Lib Dems retaining an overwhelming proportion of their vote from the last election (83% of 2017 Lib Dems would vote for the party again). Both the Conservatives and Labour are on track to lose votes to the Lib Dems among their remainder wing and lose votes to the Brexit party from their leave wing.

For the first time since the 2017 general election, Opinium said it was recording a direct shift in votes between the two major parties. Just over a fifth (22%) of Labour leave voters are now intending to vote Conservative.

Johnson's personal ratings have been dented after his bruising week in the Commons. Now only just over a third (36%) think he would be the best prime minister, down from 41% last month. However, Jeremy Corbyn is not benefiting from Johnson's troubles. Only 16% say he would be the best prime minister.

Only 37% approve of the way that Johnson is handling the Brexit process, while 43% disapprove. However, that is better than the ratings for Corbyn. Just 17% approve of the Labour leader's response, and 20% approve of Jo Swinson's.

Johnson's decision to prorogue parliament has not upset leave voters. The public as a whole is divided on this: 33% support the prime minister's prorogation of parliament, while 36% oppose it. This is split evenly along EU referendum lines: 59% of leavers support the prorogation, while 61% of remainers oppose it.

Remember that the UK still has “First Past the Post”, which would see (according to the Electoral Calculus) the following result:

- Conservatives 404 (+86)
- Labour 148 (-114)
- Lib Dems 42 (+30)
- SNP 34 (-1)
- Others 22 (-1)
- Brexit Party 0

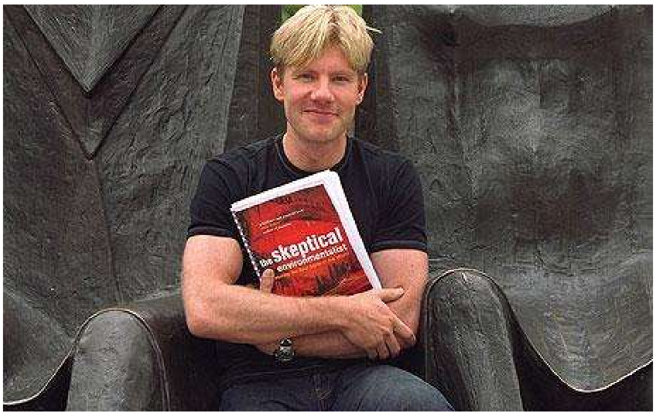
Naturally, the playing field will change during their election campaign, but **on current polling Johnson would have a majority of 158**.

Parliament has now gone into recess (they say prorogued), and won’t resume until 14th October.

Everything remains fluid at present - and it will change - but I wouldn’t write Boris off yet!

THE DANGER OF CLIMATE DOOMSAYERS

Article by renowned Environmentalist Bjørn Lomborg, author of the best selling book “The sceptical environmentalist”



We need to solve climate change, but we also need to make sure that the cure isn’t more painful than the disease. Abandoning fossil fuels as quickly as possible, as many environmental activists demand, would slow the growth that has lifted billions of people out of poverty.

Most people on the planet wake up each day thinking that things are getting worse. It is little wonder, given what they routinely read in the newspaper or see on television. But this gloomy mood is a problem, because it feeds into scare stories about how climate change will end in Armageddon.

The fact is that the world is mostly getting better. For starters, average global life expectancy has more than doubled since 1900 and is now above 70 years. Because the increase has been particularly marked among the poor, health inequality has declined massively. Moreover, the world is more literate, child labour is decreasing, and we are living in one of the most peaceful times in history. In addition, people are better off economically. Over the past 30 years, average global *per capita* income has almost doubled, leading to massive reductions in poverty. In 1990, nearly four in ten of the world’s people were poor; today, less than one in ten are. That has helped to transform the way people live. Between 1990 and 2015, for example, the proportion of the world’s population practicing open defecation halved to 15%. And in the same period, 2.6 billion people gained access to improved water sources, bringing the global share up to 91%. These changes have also improved the environment. Globally, the risk of death from air pollution – by far the biggest environmental killer – has declined substantially; in low-income countries, it has almost halved since 1990. Finally, rich countries are increasingly preserving forests and reforesting, thanks to higher agricultural yields and changing attitudes to the environment.

Of course, many people may hear all of this and still remain convinced that climate change will wipe out the planet. That is understandable, but it says more about the influence of single-minded environmental activists and desperate media than it does about reality.

On a global scale, our pathways are laid bare by work undertaken for the UN studying five different global futures. It turns out that humanity will be much better off – including in Africa – in a scenario of high fossil-fuel use than it would be even if we succeeded in achieving a benign low-CO_2 world. We need to solve climate change, but we also need to make sure that the cure isn’t more painful than the disease. A commensurate response would be to invest much more in researching and developing cheaper carbon-free energy sources that can eventually outcompete fossil fuels. That would ensure a smooth transition that doesn’t slow economies down and hurt the worst-off in society. Doom and gloom distort our worldview and can lead to bad policies. The future is bright, and we need smart decisions to keep it so.

ARE POLITICIANS IN NEW ZEALAND OVERPAID?

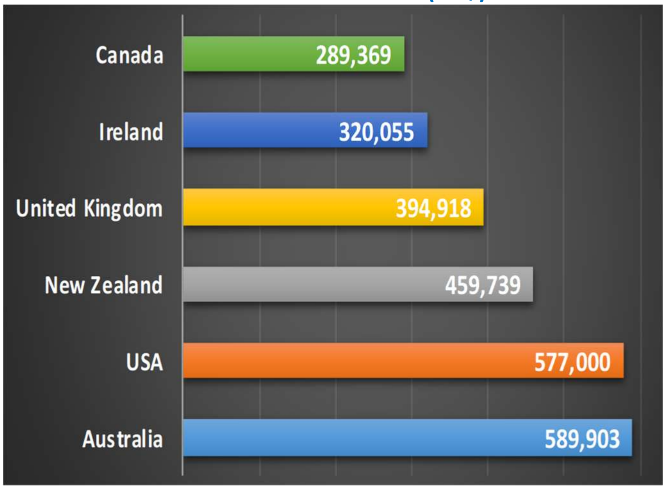
The 2016 decision of the Remuneration Authority saw MPs get a 2.5% pay rise across the board. Prime Minister Jacinda Ardern in 2018 earned $459,739, with Deputy Prime Minister Winston Peters on $326,697, and this doesn’t account for the substantial bonus for expense payments.

Ardern acknowledges she and her colleagues are on a good wicket, and can get by without a pay rise, for a year at least.

Ministers inside Cabinet earn $288,900, with those outside Cabinet earning $243,841. As leader of the Opposition, Simon Bridges is on $288,900, and for other party leaders, a base salary of $175,398 is supplemented with add-ons depending on the size of the party. A backbench member of Parliament with no additional responsibilities earns $160,024, plus expenses.

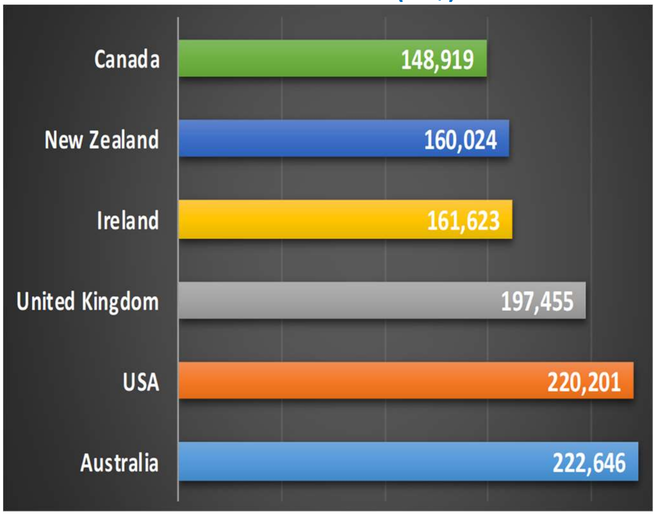
Data released in May 2018 by international consultancy group IG showed Ardern was the fifth highest paid leader in a comparison of 32 members of the Organisation for Economic Cooperation and Development (OECD).

LEADERS BASE SALARY (NZ$)



In a study of the pay gap between world leaders and average citizens, Ardern ranked third, earning 8.63 times the average New Zealand wage.

BASE MP SALARY (NZ$)



UNITED KINGDOM

The basic annual salary for an MP from April 2018 was £77,379 (NZ$148,919). MPs also received expenses to cover the costs of running an office, employing staff, accommodation in London and travelling between Parliament and their constituencies. Britain's Prime Minister earns about NZ$289,369 (£150,402). Cabinet Ministers get an additional supplement of $134,421 (£69,844) on top of their MP's salary, a minister of state $64,454 (£33,490) and a parliamentary under-secretary earns an extra $46,277 (£24,048).

AUSTRALIA

The Australian Prime Minister tops the earning list of world leaders, earning A$538,000 (NZ$589,903), while the country's deputy PM rakes in NZ$456,504. The average cabinet minister in Australia is paid $384,128. Their opposition counterparts earn $278,341 and backbench MPs pull in a hefty $222,646 a year. In comparison, the median salary in Australia is about NZ$87,733 per year.

CANADA

Last year, the base salary for all members of the Canadian Parliament rose 1.4% to C$172,700 (NZ$197,455). On top of that base amount, Prime Minister Justin Trudeau gets another NZ$197,463, plus a $2286 car allowance, for his duties as the leader of the government. Trudeau's total salary works out to be $394,918.

IRELAND

Ireland has gone through a number of changes in this regard with the roll back of the Financial Emergency Measures in the Public Interest Act. That means the basic annual salary of a Teachta Dala (a TD - the equivalent of an MP) is on €93,599 (NZ$161,623).

However, with a quick succession of pay rises, and more in the pipeline, this has been extremely controversial and a number of TDs are handling it differently - either waiving the excess or donating it to charity, or pocketing it gladly.

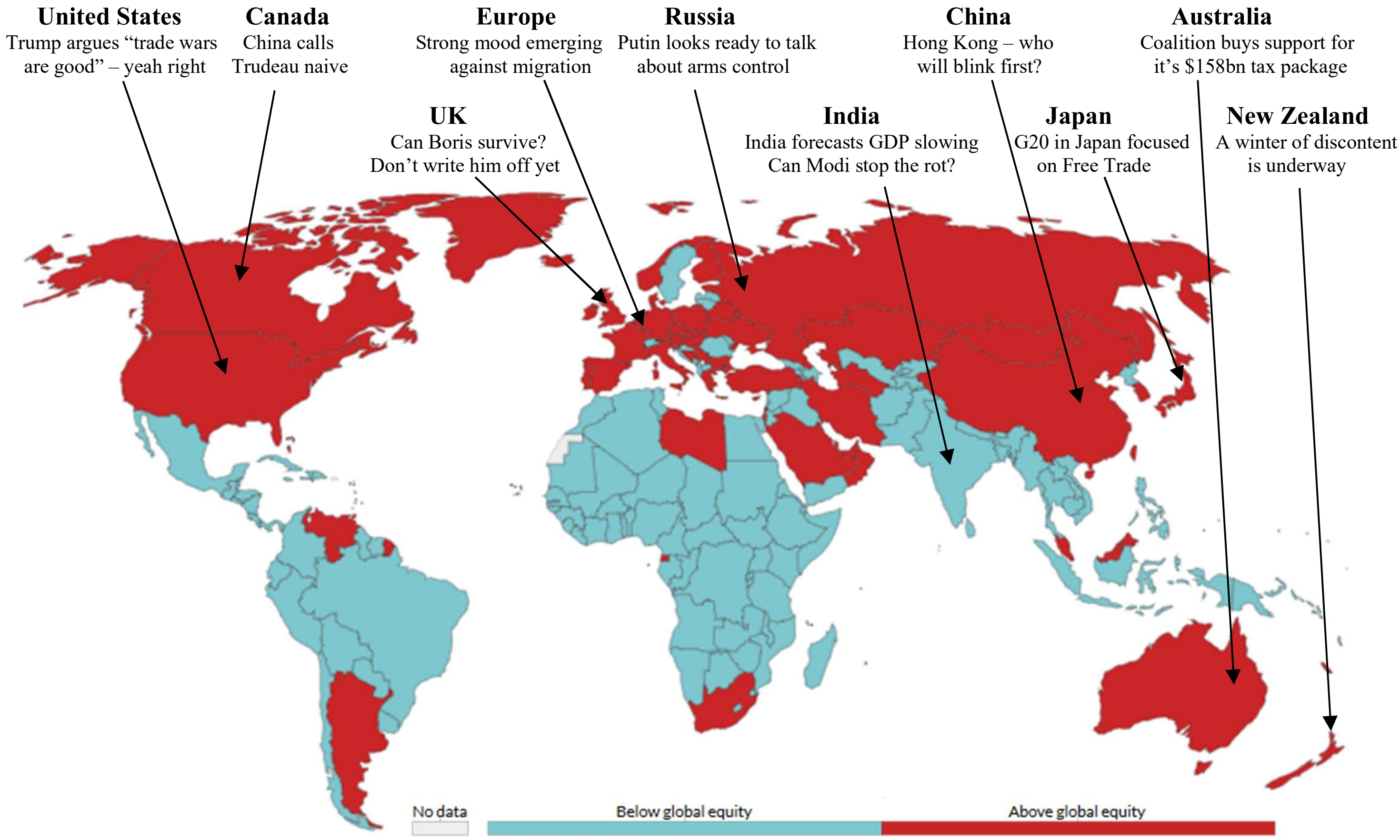
Prime Minister Leo Varadkar has waived his extra pay rises and so his take-home pay is $320,055 (€185,350), while he could be earning $331,961 (€192,233). A Minister earns $281,697 (€163,144).

UNITED STATES:

United States President Donald Trump earns slightly more than Ardern, raking in US$400,000 (NZ$577,000) per year as commander in chief. Meanwhile, the 535 members of Congress earns a base of US$174,000 (NZ$220,201), while there are a number of add-ons for various roles like Speaker and minority or majority leader, making the top packet held by the Speaker of the House a cool NZ$333,221. The base salary for a senator is that same as that of a member of the House of Representatives, at $220,201. Members of Congress haven't had a pay rise since 2012.

I STRONGLY RECOMMEND THAT YOU "GET OFF THE BEATEN TRACK" IN JAPAN (I DID SO IN THE 80'S). TOKYO IS NOT JAPAN. PLEASE SUPPORT JAPAN CUSTOM TOURS – YOU WON'T REGRET IT.

THE WORLD AT A GLANCE – Per capita CO_2 Emissions, 2017



THE GLOBAL ECONOMIC OUTLOOK

World growth is slowing, and uncertainty levels are extremely high. Both developments are the direct result of trade and technology disputes globally. Both developments are self-reinforcing in the minds of many investors. The argument is that high uncertainty contributes to slower growth, as people prefer to sit on their hands, rather than commit to longer-term spending plans.

Mean forecasts for growth are being revised down by economists, but not to the point of recession. However, with uncertainty bands around these mean forecasts becoming much wider, and a hard landing falls into the reasonable range of potential outcomes.

The US and China have agreed to reopen trade talks next month, as concerns grow that the tariff war between the world's two largest economies could tip the global economy into recession. Senior negotiators will meet in early October.

Investors welcomed the news, pushing the S&P 500 and the Dow Jones industrial average higher. Germany's trade-sensitive Dax index also responded positively, as did France's Cac 40 index. Investors remain cautious, however, with little sign that Donald Trump has any appetite to back down, despite the negative effects on the US economy ahead of the 2020 presidential election campaign. The president recently hailed his "*very successful trade battle*" with China, and said he did not want the US to be "*servants to the Chinese*".

However, analysts still don't expect a deal to be reached before the 2020 US presidential elections, and their base case is for a prolonged period of trade tensions. China's commerce ministry struck a relatively positive tone, saying "*Both sides agreed that they should work together and take practical actions to create good conditions for consultations*."

Trump raised tariffs in August on imports from China worth US$550bn, escalating tensions and adding a new round of uncertainty. The tariff rate on goods worth another US$250bn will rise from 25% to 30% on 1st October. Trump imposed 15% tariffs on just under half of China's remaining US$300bn in annual imports, including smart speakers and Bluetooth headphones, from 1st September. The remainder will be taxed from 15th December onwards, unless a breakthrough is reached. China has imposed retaliatory tariffs, including levies on goods worth US$75bn last month.

The trade war has raised economists' concerns over a possible recession in the US, with market measures – including the closely followed US government bond yield curve – signalling that a contraction could be on the way.

The tariffs already imposed and the uncertainty over the future of global trade caused by the dispute have prompted weaker economic conditions well beyond the US and China. Factory orders in Germany, the largest economy in Europe, slid by 2.7% month on month in July, according to the country's federal statistical office, almost twice as fast as economists' average expectations.

Demand for global airfreight, another indicator of economic activity, contracted by 3.2% year on year in July, the ninth consecutive decline, according to data published by the International Air Transport Association (IATA), the global lobby group for airlines.

NEW ZEALAND'S ECONOMIC OUTLOOK

Storm clouds have gathered over the global economy, and New Zealand is getting caught in the downdraught. Expect the situation to get worse before it gets better, as the escalating US-China trade war makes its mark on global economic growth. Westpac has slashed their 2020 annual GDP forecast for New Zealand from 3.1% to 2.3%, and they expect unemployment will soon rise.

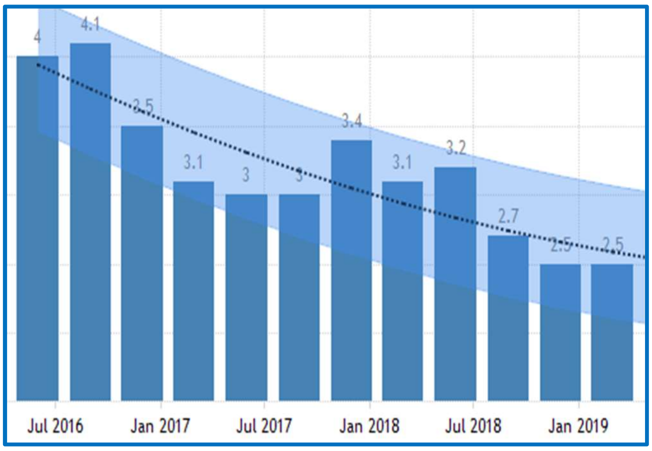
Westpac now expects for only modest GDP growth of 0.5% in the June quarter (GDP data is due for release on 19th September). That leaves us with a picture of an economy where per capita GDP growth has stalled in the first half of this year.

The latest Westpac report makes gloomy reading. They say that much of the recent softness in economic activity has been due to sluggish conditions in the household sector. That's been seen most clearly in the June retail trade report, with the volume of sales up only 0.2% over the quarter (as a comparison, New Zealand's population increased by around 0.4% over the same period). A range of other indicators like house sales and consumer confidence also point to subdued household demand in mid-2019. Adding to this picture of softness, the June quarter also saw a 1.3% fall in construction activity. That was a fairly modest pull-back and was mainly due to a drop off in non-residential work after earlier large gains.

Those developments come atop of other indicators which have signalled a sharp slowdown in the business sector in recent months, with particular weakness in areas like manufacturing. Putting all that together, we're left with a picture of an economy which has had the wind come out of its sails. And all signs point to continued softness through to the close of 2019, with a deepening malaise in the business sector and growing external headwinds.

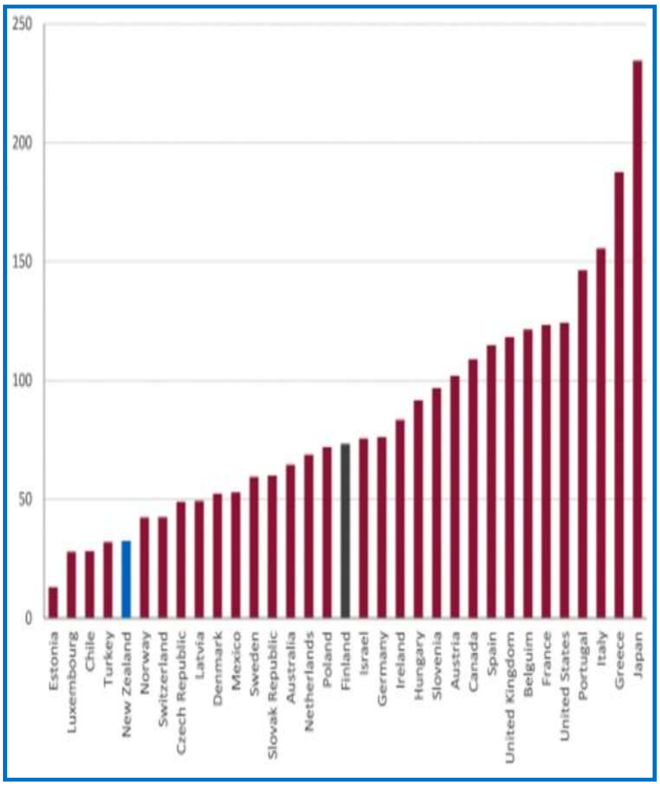
And the problem is that our current Coalition Government is in paralysis. Our Part Time Prime Minister is missing in action, and her Ministers continue to show incompetence.

NEW ZEALAND - ANNUAL GDP GROWTH RATE



Fortunately, Government Debt remains low (see graph below) – although household debt counters this. However, low Government Debt does allow the Government to use debt to stimulate the economy – if it is brave enough. With an election looming, they may not have any other option.

GROSS GOVERNMENT DEBT AS A % OF GDP

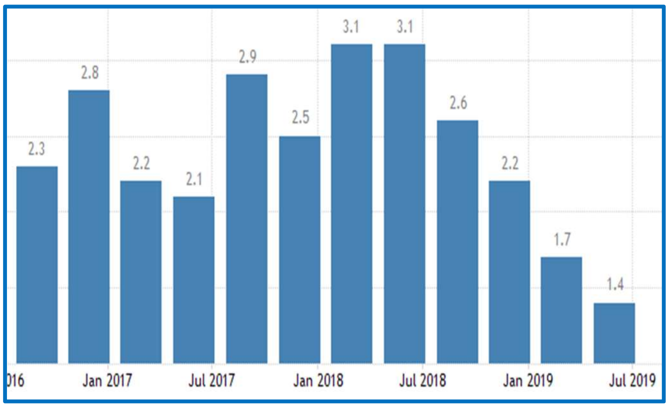


AUSTRALIAN ECONOMIC OUTLOOK

Australia would be thrown into a deep recession and face huge disruption if China's economy crashes, according to a new report that points to the potential loss of billions of dollars in income, half a million jobs and the dream of a federal budget surplus.

The risks to China's economy are growing – among them the US-China trade war, colossal corporate and household debts, and the mounting political crisis in Hong Kong – placing the leadership in Beijing under increasing pressure to sustain the growth that has propelled it to superpower status in the past three decades.

AUSTRALIA - ANNUAL GDP GROWTH RATE



If Australia does experience its first recession or serious downturn of the capitalist era, Australia will not be able to avoid economic disruption.

In the worst-case scenario modelled by Deloitte, if China's economic growth were to shrink from the current 6.5% to 3%, Australia would stand to lose A$140bn in income and more than half a million jobs.

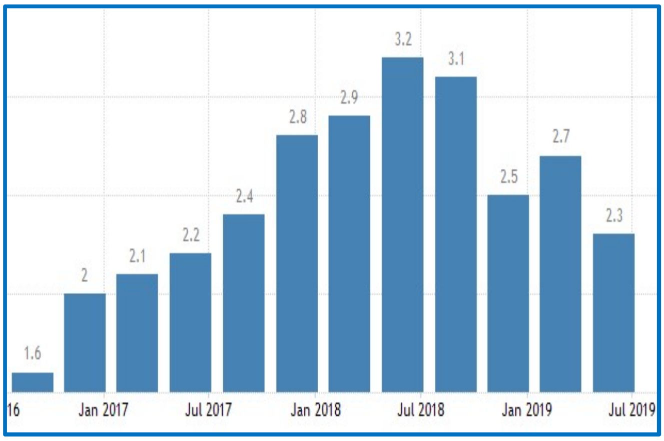
In a less gloomy outcome, the Reserve Bank of Australia has found that a slowdown of 5% in the Chinese economy would see Australia lose 2.5% growth over three years.

UNITED STATES ECONOMIC OUTLOOK

Donald Trump's view is that "*trade wars are good, and easy to win*." What he's actually doing is attributing the economy's troubles to a vast conspiracy of people out to get him. And his recent remarks suggest, if anything, that he's preparing to open a new front in the trade war, this time against the European Union, which he says "*treats us horribly: barriers, tariffs, taxes*." There actually are some aspects of European policy, especially German economic policy, that do hurt the world economy and deserve condemnation.

With an election in 2020, Trump is running out of time with his trade war. The Chinese, by and large, make stuff the world wants and America doesn't. America has always been more interested in domestic production. Look at its cars. They are American and next to none of them make it internationally, because everyone else from the Japanese to the Germans to the Italians to the British make better versions.

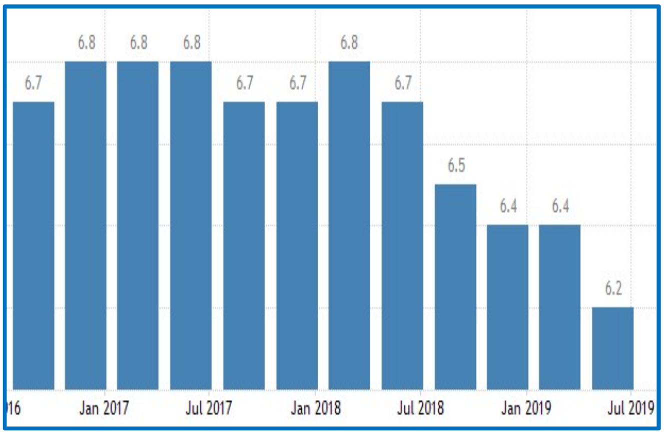
UNITED STATES ANNUAL GDP GROWTH



Chinese Economic Outlook

China's Trade Numbers have signalled more distress. Imports fell for the fourth straight month, as the drop-off in exports to the U.S. steepens. This prolonged trade spat with the U.S. has seen Beijing turning to stimulus measures, including continued depreciation of their currency, as a method of offsetting the biting increase in tariffs from the US. This has resulted in a 4.6% drop in imports over the past 12-months.

CHINA - ANNUAL GDP GROWTH RATE

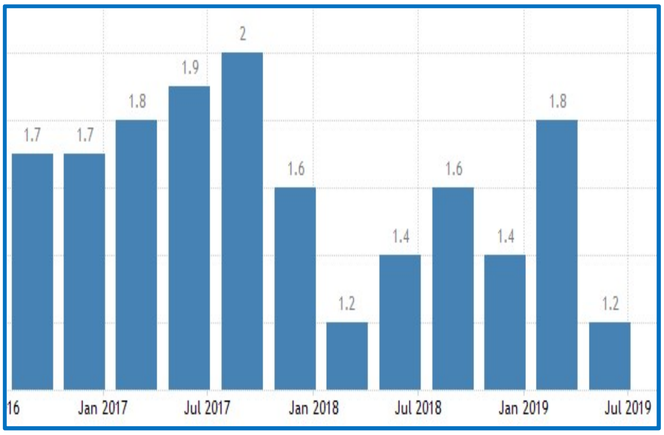


United Kingdom Economic Outlook

Boris Johnson is heading into the crunch period for Brexit negotiations with the UK economy potentially on the brink of recession, and as global economic growth falters. The Prime Minister faces the challenge of breaking the deadlock with Brussels to avoid a no-deal Brexit on Halloween, just as the outlook for the economy deteriorates at home and abroad.

The latest phase of talks came as Britain recorded the first fall in quarterly GDP since 2012, and as Donald Trump engages the US in a trade war with China, dragging down global trade volumes and economic growth. Economists warned that the wider global slump raised the chances of a prolonged downturn in Britain and made it more difficult for the UK to rely on trade with other nations to boost the economy after leaving the EU.

UK Annual GDP Growth Rate



BREXIT

Britain is a net contributor to the EU, which is at least partially why it voted to leave. Britain pumps billions every year into Europe, because Europe is a 28-strong club of basket cases who don't know how to run their economies, so the successful ones pay the bills. It's their version of the US-China trade imbalance. EU Council President Donald Tusk can whine all he wants but he's part of the problem – he is a paper-shuffler who fears conflict, and wants everyone to get along no matter how one-sided the debate, deal or expectation is. At last, in Boris Johnson, Britain has a global player who is prepared to stand up for his country and the UK economy.

European Economic Outlook

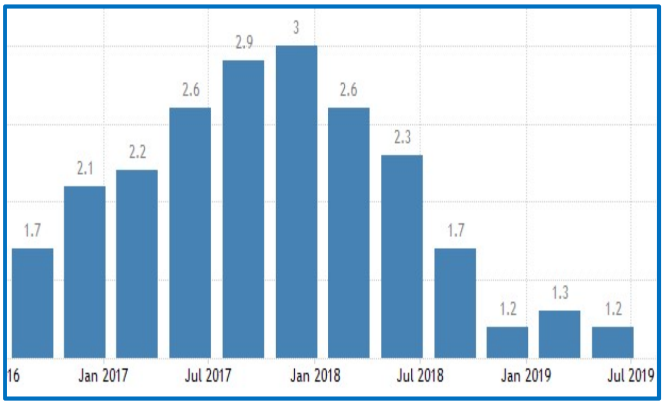
When a debt crisis slammed the eurozone nearly a decade ago, Germany's powerhouse economy helped lift troubled neighbours like Greece, Portugal and Spain above the turmoil. The question that Europe faces now is whether those countries are strong enough to return the favour.

Germany is on the brink of recession after its economy declined in the year's second quarter. Spain, by comparison, is experiencing brisk growth, and even the Portuguese and Greek economies are expanding. Buoyed by tourism, booming construction and steady job growth, the southern European countries are helping to offset Germany's weak performance.

But will it be enough? As the US economy appears to slow, China loses momentum and Brexit looms, can Europe dodge a downturn?

The question may be decisive for Europe and crucial for the United States. The European Union and the United States are each other's biggest trading partners, and a slowdown in Europe would be another drag on America's economy, at a time when bond markets are already flashing warning signs.

EURO AREA - ANNUAL GDP GROWTH RATE



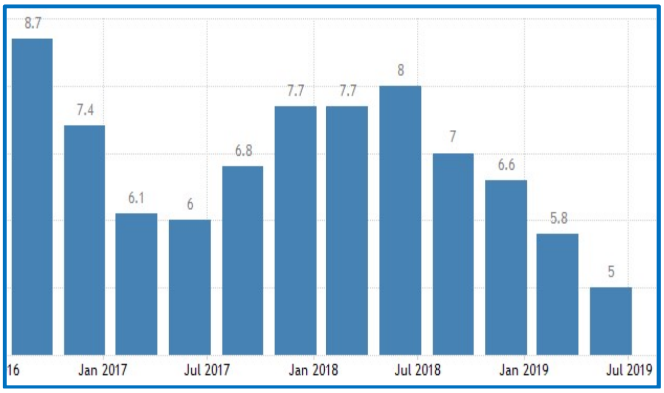
Eurozone growth has already been meagre this year. The 19 countries in the currency bloc collectively grew 0.2% from April through June. The European Union, which includes the eurozone plus nine other countries, recorded the same rate.

Spain was one of the best performers, registering a growth rate of 0.5% compared with the previous quarter that helped to balance out Germany's 0.1% decline in output. But Spain and other fast-growing countries like Denmark and Finland are not big enough to replace Germany as Europe's economic locomotive. Even if Europe manages to avoid two consecutive quarters of declining output, the technical definition of a recession, no one expects growth to be particularly impressive.

INDIAN ECONOMIC OUTLOOK

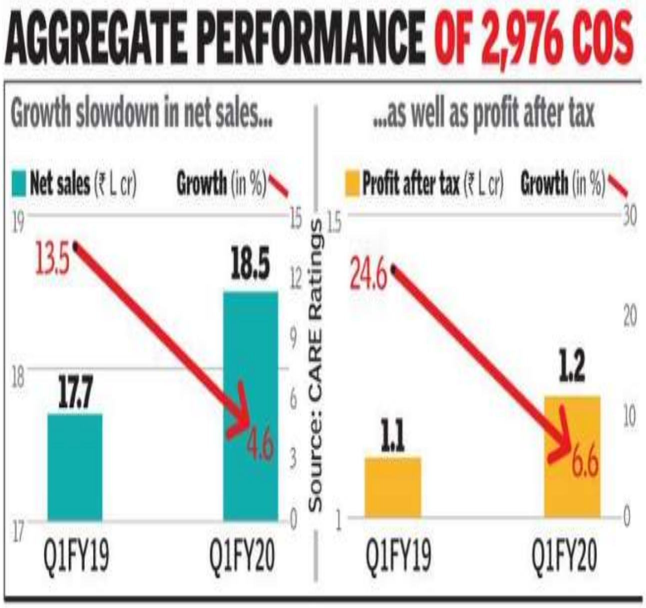
The Indian economy advanced 5% year-on-year in the second quarter of 2019, slowing from a 5.8% expansion in the prior period, and missing market consensus of 5.7%. It was the weakest growth rate since the first quarter of 2013, amid a slowdown in manufacturing and construction sectors.

INDIA - ANNUAL GDP GROWTH RATE



The current economic slowdown can be attributed to a combination of structural and cyclical factors, in addition to global uncertainties. A substantial decline in wage growth (both urban and rural) in recent times has resulted in lower household savings (a result of conscious policy decisions to correct macro imbalances), and has possibly slowed down growth in real per capita income. This is holding back demand.

The first quarter in 2019-20 has been marked by weak corporate earnings, indicative of an overall slowdown in both industries and the economy as a whole. A case study of 2,976 companies gives a clear indication of a slowdown in both net sales and profitability of these companies.



COMMODITIES

Oil prices finish lower as traders bet that the departure of U.S. National Security Adviser John Bolton will ease tensions with Iran, potentially leading to the lifting of sanctions, which could put more oil on the market.

That upbeat tone was tied in large part to remarks by Prince Abdulaziz bin Salman, who has just been named Saudi Arabia's Energy Minister, affirmed a commitment to production cuts by OPEC and its allies, a grouping known as OPEC+. The producers will meet on 12th September in Abu Dhabi to assess production levels, given U.S. production is near 12.4 million barrels per day.

OIL: WEST TEXAS (1 YEAR CHART)

CURRENCIES

The New Zealand dollar has fallen against the US dollar, broadly in line with Westpac forecasts. They have lowered their New Zealand dollar forecasts for the rest of this year and next, based on their expectation of a softer domestic economy in the near term, lower export commodity prices, and a more drawn-out period of low interest rates.

The largest falloff has been in the Japanese yen; followed by the US Dollar. It seems to be getting more expensive by the day, for those lucky enough to be heading off to the Rugby World Cup!

AGRIBUSINESS – LOOKING FROM THE OUTSIDE IN

FRESHWATER SLEDGEHAMMER WIELDED

Our current Coalition Government seems determined to drive farmers to the wall. Who needs the Greens, when you have Minister Parker!

Diary farmers have already fenced off 98% of their waterways in the last decade – at a cost of close to $1 billion. Now they want those same farmers to move their fences back at least 5 metres from their watercourses.

But that is only part of it, because our sheep and beef hill-country farmers will now have to do the same. This will, in many cases, be impossible – and if this is legislated, many of these farmers could be forced to the wall. There is no arguing that we need to clean up our waterways, but we have to manage the process to ensure both sustainability for our environment – but we also need to ensure the survival for our large export earners.

Our urban (city) dwellers are, in fact, some of New Zealand's biggest polluters - and yet they seem secondary to Minister Parker, who seems to want to force another "nuclear moment."

National's Agriculture Spokesperson, Todd Muller has just stated that "The Government's cynical consultation process for their Freshwater proposals is lacking in proper process and downright disrespectful.

"David Parker has claimed he has engaged with the sector but this is misleading. Sector representatives had to sign non-disclosure agreements and couldn't share any pre-announcement detail with any actual farmers. Considering the breadth of the proposals this just doesn't cut it.

"He has left rural New Zealand just six weeks to try and ascertain what the wide-ranging changes will mean for them at the busiest time of the year. It reeks of a predetermined process and heaps further pressure on to our 23,000 farming families.

"The Minister has proposed a new bottom line for nitrogen levels that will require a 27% reduction on average across New Zealand with an over 80% reduction in some catchments.

"These proposals are asking our agricultural sector to reduce their footprint by over a quarter, and when questioned about the potential impact of this, all the Minister could say was 'trust me, I know what I'm doing'. This is an unacceptably cavalier approach to a sector that is responsible for 60% of New Zealand's exports.

"The Minister needs to provide the consultation process with some basic assessment of what these proposals will cost New Zealand. Astonishingly the draft Regulatory Impact Statement simply says 'the modelling to date of the economic impacts on farms has been very limited'.

"How much David Parker's proposal will cost is a basic question that the Minister has to at least attempt to answer during the consultation process.

"Damien O'Connor has been equally cavalier, at one point stating the costs would only equate to 'one or two per cent', while under further questioning he admitted this was simply a 'guesstimate'.

"This Government has shown they are reckless when it comes to business confidence and New Zealand's export sector. New Zealand can't afford this Government," Todd Muller said.

WHERE HAS PARKER BEEN GETTING HIS ADVICE FROM?

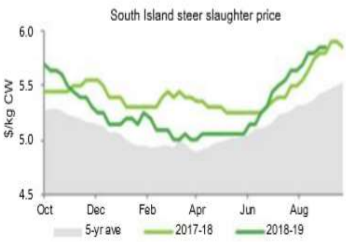
It is incredibly concerning that Minister Parker's science and technical advisory group, that supplied input to his policy initiative *"Action for healthy waterways – A discussion document on national direction for our essential freshwater"* totalled 19, and yet didn't include any representation from Federated Farmers, DairyNZ nor Beef & Lamb. However, it was heavily weighted with renowned "*farming naysayers*" like Dr Mike Joy (Victoria University); Prof. Russell Death (Massey University); and Dr Marc Schallenberg (University of Otago).

The Freshwater Leaders Group, that fed into this group, also had no one from HorticultureNZ, Zespri, the Meat Industry, nor Fonterra.

Parker hand picked his team to get the result he wanted, and now wonders why provincial New Zealand is up in arms. His "*big brother knows best*" attitude is synonymous with our current government! Come on 2020, I say.

Cattle

BEEF			
Slaughter price (NZ$/kg)	Last week	Prior week	Last year
NI Steer (300kg)	6.00	6.00	5.95
NI Bull (300kg)	5.65	5.60	5.50
NI Cow (200kg)	4.50	4.50	4.50
SI Steer (300kg)	5.85	5.85	5.80
SI Bull (300kg)	5.40	5.40	5.30
SI Cow (200kg)	4.30	4.30	4.50
Export markets (NZ$/kg)			
US imported 95CL bull	8.26	8.23	6.63
US domestic 90CL cow	7.84	7.81	6.93



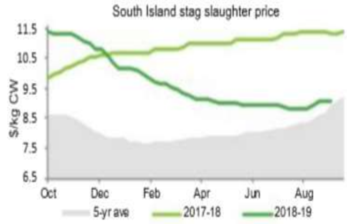
Sheep

SHEEP MEAT			
Slaughter price (NZ$/kg)	Last week	Prior week	Last year
NI lamb (17kg)	8.55	8.45	8.55
NI mutton (20kg)	5.50	5.50	5.30
SI lamb (17kg)	8.30	8.20	8.30
SI mutton (20kg)	5.60	5.50	5.25
Export markets (NZ$/kg)			
UK CKT lamb leg	10.07	10.11	9.11

WOOL			
(NZ$/kg)	Last week	Prior week	Last year
Coarse xbred ind.	-	-	3.29
37 micron ewe	-	-	3.50
30 micron lamb	-	-	-

Deer

VENISON			
Slaughter price (NZ$/kg)	Last week	Prior week	Last year
NI Stag (60kg)	9.20	9.10	11.35
SI Stag (60kg)	9.05	9.05	11.35



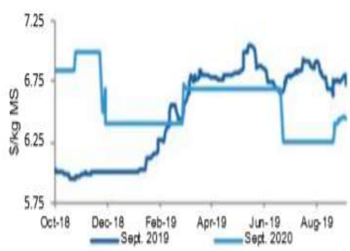
Fertiliser

FERTILISER			
NZ average (NZ$/t)	Last week	Prior week	Last year
Urea	616	616	523
Super	314	314	304
DAP	787	787	753

Dairy

Data provided by NZX

MILK PRICE FUTURES



DAIRY FUTURES (US$/T)			
Nearby contract	Last price*	Prior week	vs 4 weeks ago
WMP	3095	3040	2985
SMP	2425	2455	2530
AMF	5620	5830	5900
Butter	4750	4955	5100
Milk Price	6.73	6.74	6.80

* price as at close of business on Thursday

NEW ZEALAND EQUITIES

Westpac (WBC.NZ / WBC.AX)

OUTPERFORM A$29.12 **TARGET:** A$30.55

Jarden has upgraded WBC to OUTPERFORM (from Neutral) given it is trading at 10-year lows, in terms of sector relative valuation and their expectation that two of three themes weighing on the stock are likely to be resolved in the coming quarter (capital and dividend sustainability).

- Jarden see three key themes weighing on WBC.
  - (1) **Capital:** WBC sits low versus the peer group at a pro-forma CET1 of 10.06% and risks missing the unquestionably strong 10.5% benchmark;
  - (2) **Dividend:** WBC's 1H19 headline payout ratio was 98% with underlying (ex. major items) 80%; and
  - (3) **Costs:** Westpac's costs have remained stubbornly rigid while it has invested in the customer service hub.
- Jarden thinks capital and dividend could be dealt with at the upcoming result with a capital raising of the order A$1.5-2bn adding 35-50bp of CET1 and a 1015cps cut in the semi-annual dividend. While asset sales are possible, timing of completion means more urgent action on capital is required.
  - While Jarden doesn't believe WBC will completely abandon their multi-brand strategy, a consolidation of some of their brands would provide a cost opportunity. Together with efficiencies that should flow from the roll-out of the customer service hub, the cost opportunity for WBC should be closer but may require initial investment. The market would likely applaud this.
- **Earnings changes**: Jarden has incorporated A$2bn of additional capital together with a 10cps per half dividend cut to 84cps. They have not included anything on costs, but an accelerated investment program funded through a slightly higher capital raising (say A$2.5bn) or through proceeds from asset sales is a possibility, and would be supported by the market. With their expectation of at least two of the key overhangs likely to be removed, and given sector relative valuation, Jarden has upgraded WBC to OUTPERFORM with a A$30.55 target price (from A$28.60).

Year	9/18A	9/19E	9/20E	9/21E
Reported Profit (A$ mn)	8,095	6,932	8,108	8,423
Cash Earnings (Adj.) (A$ mn)	8,065	7,032	8,180	8,423
Cash EPS (Adj.) (A$)	2.36	2.03	2.30	2.35
Change from previous EPS (%)	n.a.	(0.4)	(1.7)	(1.7)
Cash EPS growth (Adj.) (%)	(1.4)	(14.1)	13.6	2.2
Cash PE (x)	11.9	13.9	12.2	11.9
Dividend (A$)	1.88	1.78	1.68	1.68
Dividend yield (%)	6.7	6.3	6.0	6.0
Franking (%)	100.0	100.0	100.0	100.0
Book value per share (A$)	18.8	18.9	19.6	20.3
Price/Book (x)	1.5	1.5	1.4	1.4
ROE avg (%)	13.0	10.9	11.7	11.3
Equity Tier 1 ratio (%)	10.6	10.8	11.0	11.1
Tier 1 Ratio (%)	12.8	12.9	13.0	13.0

Source: Company data, Refinitiv, Credit Suisse estimates

a2 Milk Company

An in-line FY19 result, with continued strong top line momentum supported by growing brand awareness, expanding production distribution, and strengthening in-market execution. Leading indicators (market share tracker, distribution footprint in China MBS stores, US supermarkets, etc.) suggest top line momentum is likely to persist in FY20. At the current share price, we perceive risk-reward as relatively balanced (given a strong top line growth outlook but uncertainty about whether operating leverage will re-emerge). **This is one of my annual picks.**

2020 P/E: 31.5 2021 P/E: 25.2

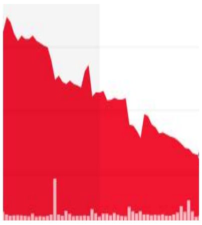
NZX Code:	**ATM**
Share Price:	**$14.60**
12mth Target: ↑	**$14.40**
Projected return (%)	
Capital gain	-1.4%
Dividend yield (Net)	0.2%
Total return	**-21.2%**
Rating: NEUTRAL	
52-week price range: 8.67-18.04	

Auckland International Airport

Normalised NPAT increased +4.4% in FY19 to $274.7m. Further growth in the retail segment was a key driver of EBITDA growth of +9.7% to $553.0m. Retail income increased +18.5% on 32 new retail concepts opened during the year and the full year impact of the expanded departures duty free stores that opened part way through FY18. Growth is forecast to moderate as AIA cycles these new offerings in the coming year. Whilst the International passenger spend rate growth of +6.6% was a solid improvement on the prior year (-1.8% albeit impacted by construction disruption), we believe that AIA remains heavily reliant on minimum annual guarantee arrangements and is likely to see subdued growth in revenue per International PAX in the years ahead. – **I continue to rate AIA as a core portfolio stock**

2020 P/E: 42.7 2021 P/E: 39.8

NZX Code:	**AIA**
Share Price:	**$9.50**
12mth Target: ↑	**$6.11**
Projected return (%)	
Capital gain	-35.7%
Dividend yield (Net)	2.4%
Total return	**-33.3%**
Rating: ~~UNDERPERFORM~~	
My Rating: NEUTRAL	
52-week price range: 6.75-9.90	



Comvita

In recent years execution has been disappointing and a number of challenges remain (pressure on daigou following ecommerce regulations, structural challenges in the apiary business, and high gearing). Coupled with agricultural risk and investment required to reposition for growth, Jarden believes CVT represents a high-risk investment proposition. However, CVT also has a leading market position in manuka honey, retains meaningful brand equity, and possesses a number of sources of unique IP. Personally, I am not convinced, and I won't be investing in CVT any time soon.

2020 P/E: 24.7 2021 P/E: 14.5

NZX Code:	**CVT**
Share Price:	**$2.56**
12mth Target: ↓	**$3.61**
Projected return (%)	
Capital gain	41.0%
Dividend yield (Net)	2.6%
Total return	**43.6%**
Rating: OUTPERFORM	
52-week price range: 2.55-6.70	

Delegat Group

From a valuation perspective, lower margins are offset by higher case sales guidance and DCF roll forward. Jarden's see scale (combined with a focused strategy) as likely to continue to underpin medium-term growth. However, in our view, the current share price does not adequately capture other factors that potentially constrain margins and investment returns (e.g., competitive pricing dynamics, labour cost pressures in a tight seasonal labour market, etc.). Risks include seasonal and climatic factors, the NZD relative to key currencies (USD, CAD, GBP, AUD), changes in consumer varietal preferences, etc.

2020 P/E: 22.1 2021 P/E: 19.4

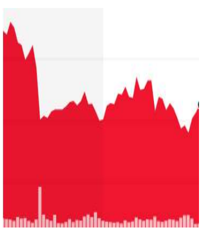
NZX Code:	**DGL**
Share Price:	**$11.41**
12mth Target:	**$9.36**
Projected return (%)	
Capital gain	-18.0%
Dividend yield (Net)	1.6%
Total return	**-16.4%**
Rating: UNDERPERFORM	
52-week price range: 9.03-12.50	

Ebos Group

EBO has distinguished itself as a high-quality operator in wholesale pharmaceutical supply and has executed strongly on M&A. However, a number of factors constrain Jarden's valuation including limited wholesale remuneration growth, competitive pressures, modest organic growth, and challenges maintaining core growth through corporate activity (industry consolidation/CGW dominance, acquisitions relative to a growing earnings base, etc.).

2020 P/E: 23.0 2021 P/E: 21.3

NZX Code:	**EBO**
Share Price:	**$24.55**
12mth Target: ↓	**$21.00**
Projected return (%)	
Capital gain	-14.5%
Dividend yield (Net)	3.2%
Total return	**-11.3%**
Rating: UNDERPERFORM	
52-week price range: 19.85-25.60	



Fletcher Building

Investor confidence in FBU is at a low ebb with a material equity raise (trading below the rights issue price of April 2018) and the divestment of Formica at fair value unable to spur any sustained uplift in investor sentiment to the stock. Confirmation of a $300m buyback is unlikely to be a sustained catalyst either. There was little in the result that is likely to buoy confidence, with FBU reiterating the outlook commentary from June to the word (still healthy NZ outlook; Australia contraction continuing). FBU set the dividend at 23 - at the bottom end of payout range consistent with a cautious approach.

2020 P/E: 13.8 2021 P/E: 12.1

NZX Code:	**FBU**
Share Price:	**$4.97**
12mth Target: ↓	**$4.97**
Projected return (%)	
Capital gain	0.0%
Dividend yield (Net)	5.0%
Total return	**5.0%**
Rating: NEUTRAL	
52-week price range: 4.28-6.60	

Freightways

Normalised EBITDA of $112.2m was up 4.2% on PCP and 1.6% below Jarden's forecasts. While they continue to forecast reasonable near-term earnings growth underpinned by a stronger price environment for Express Package this is somewhat tempered by slowing underlying trends and macro uncertainty. Reflecting this balanced earnings risk profile and modest total return upside, they retain their NEUTRAL rating.

2020 P/E: 19.1 2021 P/E: 17.0

NZX Code:	**FRE**
Share Price:	**$8.21**
12mth Target:	**$7.78**
Projected return (%)	
Capital gain	-4.4%
Dividend yield (Net)	4.6%
Total return	**0.2%**
Rating: NEUTRAL	
52-week price range: 6.70-8.84	

Genesis Energy

GNE's DCF reduction reflects Jarden's revisions for a Kupe production decline until the inlet compression project is complete, and extending legacy gas sale losses until mid-Cal2022. They assume a mid-cycle 8.05% WACC (4.6% rf) for our DCF, as they do for all its sector peers. GNE remains the most sensitive to electricity price outlook in their modelling, and their low WACC, low price scenario still indicates a lower value, if they were to adopt a low bond yield outlook. Its high yield reflects the depleting Kupe gas field contribution, but will remain attractive for dividend focused investors.

2020 P/E: 46.5 2021 P/E: 31.0

NZX Code:	**GNE**
Share Price:	**$3.61**
12mth Target: ↓	**$2.08**
Projected return (%)	
Capital gain	-39.9%
Dividend yield (Net)	4.7%
Total return	**-35.2%**
Rating: UNDERPERFORM	
52-week price range: 2.34-3.77	

Infratil

All IFT's portfolio pieces seem to be in place, with the Vodafone acquisition and sales of Perth Energy and NZ Bus complete: With focus moving from portfolio optimisation to delivery in renewables, data & telco, and retirement platforms. Management intends long-term retention of all three NZ Core cash generating assets (Vodafone, TPW & WIAL) and shows dogged determination to persevere with RetireAustralia. Prospects for value growth still seem tied to further success at CDC, Longroad developments, and possible step-changes at TLT.

2020 P/E: 38.3 2021 P/E: 32.5

NZX Code:	**IFT**
Share Price:	**$4.97**
12mth Target:	**$4.23**
Projected return (%)	
Capital gain	-14.9%
Dividend yield (Net)	3.0%
Total return	**-11.9%**
Rating: NEUTRAL	
52-week price range: 3.35-5.00	

Meridian Energy

Bumper conditions for MEL in FY19 included a fortunate confluence of high electricity spot prices on lack of gas and thermal availability, combined with robust inflows into MEL's southern hydro catchments. Underlying earnings of $333m and Net Debt (book value) is $1,392m. The extra cash flows afforded by these conditions did translate into a higher-than-expected dividend, with a full year 21.3cps declared (including specials). Although no further update was provided about MEL's current $875mn capital return programme, management did steer that the latest ordinary dividend (16.42cps) was a likely level for the next few years.

2020 P/E: 42.1 2021 P/E: 37.9

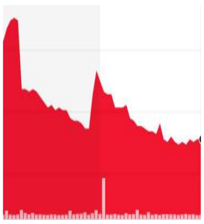
NZX Code:	**MEL**
Share Price:	**$5.35**
12mth Target:	**$3.43**
Projected return (%)	
Capital gain	-35.9%
Dividend yield (Net)	4.0%
Total return	**-32.9%**
Rating: UNDERPERFORM	
52-week price range: 3.05-5.54	

Metlifecare

While MET has delivered a FY19 result modestly ahead of market expectations, Jarden believes that, in the absence of meaningful development deliveries or improving house price dynamics, they see few catalysts for the stock. Despite this, MET continues to have a high embedded resale gain bank, strong operating cash flows and a well-positioned portfolio. While they believe MET offers the most attractive valuation in the sector (0.63x NTA) they also acknowledge it may take time for the valuation gap to be closed.

2020 P/E: 10.5 2021 P/E: 9.5

NZX Code:	**MET**
Share Price:	**$4.51**
12mth Target:	**$6.90**
Projected return (%)	
Capital gain	53.0%
Dividend yield (Net)	2.4%
Total return	**55.4%**
Rating: OUTPERFORM	
52-week price range: 4.20-6.51	



Michael Hill International

MHJ has reported its FY19 result with both adjusted EBIT (A$34.6m) and NPAT (A$22.8m) in line with expectations. While this in-line result is welcome it is important to note that after adjusting for prior year discontinued operations and exceptional items, MHJ delivered an EBIT result ~33% below FY18. Net debt reduced further in the period to A$24.8m (from A$28.0m in pcp) with free cash flow benefitting from improved inventory turnover and lower capex. In addition, the company announced a fully imputed final dividend of A$1.5cps (unfranked for Australian investors).

2020 P/E: 7.2 2021 P/E: 6.6

NZX Code:	**MHJ**
Share Price:	**$0.53**
12mth Target: ↓	**$0.82**
Projected return (%)	
Capital gain	60.4%
Dividend yield (Net)	9.2%
Total return	**69.6%**
Rating: OUTPERFORM	
52-week price range: 0.50-1.01	

NZME

With regards NZM's future, encouraging early signs are evident in the launch of NZ Herald Premium, the digital sub model for the Herald. That said, it is too early to draw conclusions on the eventual size of this market (annualised revenues at August ~$3.5m post April launch is certainly encouraging) and the impact on display advertising. Digital classifieds revenues grew to $1.4m (from $0.7m in 2H18; $0.5m in 4Q18), with early signs of moderating in both audience and revenue (albeit a low base and in a slow property market). Against ~$8m of annual opex in digital classifieds, discipline is going to remain important.

2020 P/E: 5.5 2021 P/E: 5.9

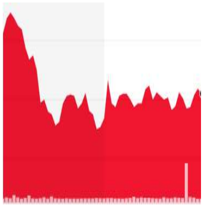
NZX Code:	**NZM**
Share Price:	**$0.45**
12mth Target:	**$0.50**
Projected return (%)	
Capital gain	12.4%
Dividend yield (Net)	0.0%
Total return	**12.4%**
Rating: NEUTRAL	
52-week price range: 0.43-0.70	

Port of Tauranga

Normalised EBITDA before associates increased +11% to $170.4m in FY19 with Port Ops & Property up 10.5% to $165.8m. Normalised NPAT increased 6.2% to $99.4m and was in line with Jarden forecasts. Despite falling log prices at the tail end of FY19, log volumes reached a record level of 7.1m tonnes (up 12.5%). The Board has decided to extend the capital repayment programme through special dividends of 2.5cps (previously 5cps) for another four years, subject to meeting certain conditions. Jarden views POT as a high-quality infrastructure asset that is very well positioned to benefit from structural change as New Zealand container trade progressively moves towards a hub and spoke model. **This should be a core portfolio stock. It does look expensive, but hopefully you already own it!**

2020 P/E: 41.2 2021 P/E: 37.0

NZX Code:	**POT**
Share Price:	**$6.53**
12mth Target: ↑	**$4.40**
Projected return (%)	
Capital gain	-32.6%
Dividend yield (Net)	2.4%
Total return	**-30.2%**
Rating: ~~UNDERPERFORM~~	
My Rating: NEUTRAL	
52-week price range: 4.90-6.70	



Sanford

SAN operates a vertically integrated quota-based wild-catch fishery business in the NZ marine territorial zone and is also a leading NZ aquaculture operator in green-lipped mussel and King Salmon. Led by Volker Kuntzsch and supported by his senior management team, a shift away from a hunter-and-gatherer mind-set to an approach that focuses on improving & sustaining returns through better brand management & optimising the use of SAN's existing aquaculture products and quota-based wildcatch has the potential to double the company's earnings (EBIT) over time.

2019 P/E: 14.4 2020 P/E: 13.3

NZX Code:	**SAN**
Share Price:	**$6.88**
12mth Target:	**$7.57**
Projected return (%)	
Capital gain	10.0%
Dividend yield (Net)	3.4%
Total return	**13.4%**
Rating: OUTPERFORM	
52-week price range: 6.35-8.05	

Scales Corporation

Driven by higher-than-expected volumes in Horticulture, Mr Apple export volumes are now expected to be broadly flat on previous year, vs previous guidance for a 6% decline (on orchard redevelopment). Horticulture EBITDA margins declined 280 bp to 25.9% in 1H19 from 28.7% in the pcp. It is understood this was, in part, driven by smaller apples (growing conditions) which had an adverse price impact. SCL has maintained FY19 EBITDA guidance for $49-55m, however, absorbed a $3.0m inventory write-down (underlying upgrade).

2019 P/E: 17.8 2020 P/E: 17.2

NZX Code:	**SCL**
Share Price:	**$4.95**
12mth Target: ↑	**$4.82**
Projected return (%)	
Capital gain	-2.6%
Dividend yield (Net)	4.4%
Total return	**1.8%**
Rating: NEUTRAL	
52-week price range: 4.20-5.13	

Seeka

Zespri's ambitions for growth are likely to present an opportunity for scale post-harvest operators with the ability to invest in capacity, automation, and technology. Risks include horticultural factors, performance by Zespri, and access to key export markets. It is difficult to see how SEK will achieve its target net debt/EBITDA range (1.5-2.5x). SEK is investigating a sale and leaseback programme in Australia. While the basic premise is somewhat optical in nature, the opportunity to crystallise gains is welcome given an increasingly stretched balance sheet. Increased financial discipline would be applauded.

2019 P/E: 33.9 2020 P/E: 18.2

NZX Code:	**SEK**
Share Price:	**$4.94**
12mth Target:	**$5.85**
Projected return (%)	
Capital gain	18.4%
Dividend yield (Net)	4.9%
Total return	**23.3%**
Rating: OUTPERFORM	
52-week price range: 4.20-5.63	

Skellerup

Industrial EBITDA increased 13.0% YoY in 1H19, implying a moderation in growth during the period (2H19 +3.3% YoY). Roofing was down driven by a slowdown in the Australia housing market. Jarden's also understand there was an adverse impact from tariffs imposed on US imports of products from China. In addition, a slowdown is being observed in the Permian Basin (as a transition takes place between North America and offshore/international oil production). While some offsetting factors can be identified for FY20 (increased infrastructure spend in Australia, a recovery in iron ore, new products, etc.), on balance drivers appear to be pointing to low underlying growth. The potential for earnings volatility is high drivers (on balance) appear to be pointing to a more subdued medium-term growth outlook and high potential for earnings volatility. Risks include FX, the dairy sector, anti-trade sentiment, & economic cycles.

2020 P/E: 14.9 2021 P/E: 13.9

NZX Code:	**SKL**
Share Price:	**$2.37**
12mth Target: ↓	**$2.05**
Projected return (%)	
Capital gain	-13.5%
Dividend yield (Net)	5.7%
Total return	**-7.8%**
Rating: UNDERPERFORM	
52-week price range: 1.91-2.49	

Sky Television

SKT reported a result in line with expectations, which was somewhat reassuring given the level of visibility into key drivers and uncertainty on trajectory. On the positive side, there was some sign of a turnaround in momentum—but this is off a low base and a 15.7% reduction in adjusted EBITDA highlights the business continues to have substantial challenges on momentum. SKT has lost 180k premium satellite customers over the last five years which has had a significant toll on the business at a time where rights costs have generally been trending up as well. The suspension of the dividend makes sense (came 12 months earlier than Jarden forecast) as new management goes into rights negotiations for Rugby and Cricket and pursues a strategy in which it is looking to improve the service to satellite subscribers. SKT does not want to be at the mercy of the banks and should be able to pay down debt quite quickly in the absence of the dividend.

2020 P/E 5.5 2021 P/E: 60

NZX Code:	**SKT**
Share Price:	**$1.13**
12mth Target: ↓	**$1.61**
Projected return (%)	
Capital gain	42.5%
Dividend yield (Net)	0.0%
Total return	**42.5%**
Rating: OUTPERFORM	
52-week price range: 1.08-2.52	

Steel & Tube

Contraction in higher margin segments (Stainless) and competitive intensity (Distribution in particular) is creating a headwind for STU's plans which it expects to prevail in FY20. Opex was a positive in the result but STU has offsetting pressures that it has to overcome here too. While Jarden wasn't expecting FY20 guidance, they were looking for STU to update on its $31m - $36m target for FY21 EBIT - but there was no particular reference. STU maintained positive rhetoric on Strive but is emphasizing margin and opex improvement initiatives over the market share gains that are ultimately required to fully realise targets.

2020 P/E 11.9 2021 P/E: 10.2

NZX Code:	**STU**
Share Price:	**$0.85**
12mth Target: ↓	**$1.03**
Projected return (%)	
Capital gain	21.2%
Dividend yield (Net)	7.0%
Total return	**28.2%**
Rating: NEUTRAL	
52-week price range: 0.85-1.73	

	**Summerset Group** SUM has delivered a solid 1H19 result. Underlying NPAT excluding company defined development margin of $20.5m was 11% ahead of Jarden forecast of $18.4m. This beat vs. their expectation was largely driven by better operating cost performance and lower net interest. In addition, the company reported solid NTA / share growth of 7.3% vs. 2H18 achieved on the back of better unit pricing and development deliveries reflecting the diversified nature of SUM's asset base. 2019 P/E 12.8 2020 P/E: 12.1	**NZX Code:** **SUM** **Share Price:** **$6.29** **12mth Target:** ↑ **$6.75** **Projected return (%)** Capital gain 6.5% Dividend yield (Net) 2.3% **Total return** **8.8%** **Rating: OUTPERFORM** 52-week price range: 5.35-7.81
	**The Warehouse Group** Given the company's mixed operating performance, Jarden awaits further evidence of upside from previously guided repositioning before they have any confidence in the near-to-medium term turnaround in this business. With WHS trading at 10x forward earnings, they believe the current share price adequately reflects the risk/reward presented by the company. 2019 P/E 10.5 2020 P/E: 10.3	**NZX Code:** **WHS** **Share Price:** **$2.30** **12mth Target:** **$2.24** **Projected return (%)** Capital gain -2.6% Dividend yield (Net) 7.7% **Total return** **5.1%** **Rating: NEUTRAL** 52-week price range: 1.98-2.30
	**Z Energy** The Commerce Commission released its draft report into the Retail Fuels market, which says sector margins are too high and reflect insufficient competition. Politicians have picked up the scent, and some change to the sector arrangements seems inevitable – Jarden expects them to wield the stick of forced separation of distribution/terminals, to "encourage" sector participants to voluntarily change industry arrangements. They do see risk if the other leg of the ComCom's suggestions gains traction, with reseller contracts altered to allow greater freedom to negotiate between competing suppliers (for example if exclusivity terms are removed). Reseller growth has been a key factor behind retail margin and volume pressure in recent years, and acceleration of that dynamic could result from those changes. But it's hard for now to see how change could be implemented quickly – in the meantime ZEL trading is likely to be supported by its strong dividend yield. 2020 P/E 13.2 2021 P/E: 12.4	**NZX Code:** **ZEL** **Share Price:** **$6.59** **12mth Target:** ↓ **$6.21** **Projected return (%)** Capital gain -5.8% Dividend yield (Net) 7.8% **Total return** **2.0%** **Rating: NEUTRAL** 52-week price range: 5.18-7.44

NZ LISTED COMPANIES 2nd September 2019		Mrkt Cap	Price 02-Sep-19	Target Price	Price Earnings (x)		Net Yield (%)	
Source: Jarden, CSFB Estimates	Ticker	(NZ$m)	(NZ$)	(NZ$)	FY19	FY20	FY19	FY20
COMMUNICATION SERVICES								
Chorus	CNU	2,214	5.04	5.07	42.0	53.3	4.6%	4.8%
Spark NZ	SPK	8,116	4.42	3.42	19.8	19.7	5.7%	5.7%
NZME	NZM	93	0.48	0.50	5.4	5.8	0.0%	0.0%
Sky Network Television	SKT	456	1.10	1.61	4.4	5.1	7.3%	0.0%
CONSUMER DISCRETIONARY								
Restaurant Brands NZ	RBD	1,266	10.15	7.65	29.9	28.6	0.0%	0.0%
SKYCITY Entertainment	SKC	2,564	3.82	3.80	14.8	16.4	5.2%	5.2%
The Warehouse Group	WHS	770	2.22	2.24	10.3	10.1	6.8%	7.9%
Kathmandu	KMD	592	2.61	3.00	10.4	9.9	6.1%	6.5%
Michael Hill International	MHJ	192	0.53	0.82	7.4	7.2	8.1%	9.1%
CONSUMER STAPLES								
Delegat Group	DGL	1,111	10.99	9.36	21.7	20.7	1.5%	1.6%
The a2 Milk Company	ATM	10,622	14.45	14.40	36.6	30.7	0.0%	0.0%
Fonterra Shareholders' Fund	FSF	341	3.31	4.39	19.8	10.8	0.0%	4.5%
New Zealand King Salmon	NZK	298	2.15	2.15	23.1	22.1	2.3%	2.4%
Sanford	SAN	626	6.70	7.57	14.4	13.4	3.4%	3.4%
Seeka	SEK	158	4.93	5.85	33.4	18.0	4.9%	4.9%
Scales Corporation	SCL	664	4.75	4.82	18.8	18.2	4.5%	4.7%
Synlait Milk	SML	1,676	9.35	7.95	19.1	15.7	0.0%	0.0%
Comvita	CVT	136	2.73	3.61	-16.9	24.5	2.2%	2.5%
ENERGY								
NZ Refining	NZR	641	2.05	2.17	43.9	8.8	6.0%	8.9%
Z Energy	ZEL	2,536	6.34	6.21	14.0	13.0	6.8%	8.1%
FINANCIALS								
Heartland Group Holdings	HGH	900	1.58	1.53	11.8	11.2	6.3%	6.6%
NZX	NZX	346	1.26	1.18	22.7	20.4	4.9%	5.0%
HEALTH CARE SUPPLIERS								
AFT Pharmaceuticals	AFT	273	2.81	2.80	-112.6	70.1	0.0%	0.0%
Ebos Group	EBO	3,591	23.72	21.00	23.7	21.5	3.1%	3.3%
Fisher & Paykel Healthcare	FPH	9,556	16.65	13.15	45.6	38.8	1.4%	1.8%
HEALTH CARE PROVIDERS								
Metlifecare	MET	928	4.35	6.90	10.3	10.4	2.5%	2.5%
Oceania Healthcare	OCA	628	1.03	1.08	12.5	11.7	4.6%	4.7%
Ryman Healthcare	RYM	6,510	13.02	9.80	28.7	24.7	1.7%	2.0%
Summerset Group Holdings	SUM	1,364	6.04	6.75	13.2	12.5	2.3%	2.4%
INDUSTRIALS								
Metro Performance Glass	MPG	55	0.30	0.62	3.9	3.6	0.0%	0.0%
Skellerup Holdings	SKL	434	2.23	2.05	14.9	14.1	5.8%	6.0%
TRANSPORT & LOGISTICS								
Air New Zealand	AIR	3,217	2.87	2.67	11.9	11.1	7.7%	8.0%
Auckland Airport	AIA	11,653	9.62	6.11	42.4	42.8	2.3%	2.3%
Freightways	FRE	1,238	7.97	7.78	20.3	18.7	3.8%	4.7%
Mainfreight	MFT	4,144	41.15	30.10	29.4	25.4	1.4%	1.6%
Port of Tauranga	POT	4,353	6.40	4.40	43.8	42.2	2.9%	2.5%
INFORMATION TECHNOLOGY								
EROAD	ERD	198	2.90	3.40	-39.7	116.2	0.0%	0.0%
Gentrack Group	GTK	543	5.50	5.15	35.4	28.1	2.5%	3.0%
Vista Group International	VGL	672	4.04	4.45	43.9	36.9	1.1%	1.4%
CONSTRUCTION MATERIALS								
Fletcher Building	FBU	3,789	4.44	4.97	10.3	12.9	5.2%	5.4%
Steel & Tube	STU	143	0.86	1.03	13.2	11.1	5.8%	7.0%
REAL ESTATE								
Asset Plus	APL	103	0.64	0.69	20.7	17.0	5.7%	5.7%
Argosy Property	ARG	1,212	1.47	1.20	21.1	22.7	4.3%	4.3%
Augusta Capital	AUG	130	1.48	1.23	16.7	21.9	4.1%	4.4%
Goodman Property Trust	GMT	2,839	2.18	1.55	28.4	32.1	3.1%	3.1%
Investore Property	IPL	499	1.92	1.58	24.0	23.7	4.0%	4.0%
Kiwi Property Group	KPG	2,354	1.63	1.52	23.3	22.6	4.3%	4.3%
Precinct Properties NZ	PCT	2,450	1.87	1.65	29.3	27.4	3.2%	3.4%
Property for Industry	PFI	1,174	2.36	1.78	27.0	24.9	3.2%	3.4%
Stride Property Group	SPG	851	2.33	2.05	22.0	22.5	4.3%	4.3%
Vital Healthcare Property Trust	VHP	1,185	2.63	2.38	26.5	24.5	3.3%	3.3%
UTILITIES								
Contact Energy	CEN	6,007	8.38	7.01	34.1	38.4	4.7%	4.7%
Genesis Energy	GNE	3,521	3.44	2.08	52.9	48.1	5.0%	5.0%
Infratil	IFT	3,001	4.55	4.23	24.9	36.1	3.8%	3.3%
Mercury NZ	MCY	7,064	5.19	3.56	43.9	42.0	3.0%	3.0%
TrustPower	TPW	2,426	7.75	5.39	23.6	25.5	9.5%	4.4%
Meridian Energy	MEL	12,764	4.98	3.43	38.3	44.9	4.3%	4.3%
TILT Renewables	TLT	1,201	2.73	2.21	98.5	n.m.	0.6%	0.4%
Vector	VCT	3,560	3.56	3.27	27.2	25.1	4.6%	4.7%
MARKET AVERAGE*					**23.8**	**22.9**	**3.6%**	**3.7%**

**PE ratios exclude: AFT, CVT, ERD, NZR, TLT*

Australian Forecasts 2-September-2019 Source: CSFB estimates	Ticker	Market Cap (A$m)	Price 02-Sep-19 (A$)	Target Price (A$)	Price Earnings (x)		Net Yield (%)	
					FY19	FY20	FY19	FY20
COMMUNICATIONS & MEDIA SERVICES								
carsales.com.au	CAR	3,856	15.78	16.50	29.3	27.8	2.9%	2.9%
Nine Entertainment	NEC	3,394	1.99	2.10	13.4	16.8	5.0%	5.0%
REA Group	REA	13,766	104.51	90.50	46.7	41.0	1.1%	1.3%
Telstra Corporation	TLS	44,243	3.72	3.70	20.6	17.1	4.3%	4.3%
TPG Telecom	TPM	6,179	6.66	5.60	16.7	22.8	0.6%	0.6%
CONSUMER DISCRETIONARY								
Aristocrat Leisure	ALL	18,997	29.75	30.00	22.5	19.8	1.8%	2.0%
Crown	CWN	8,133	12.01	11.30	22.1	23.7	5.0%	5.0%
Domino's Pizza	DMP	3,668	42.77	38.52	25.9	23.5	2.7%	3.0%
Flight Centre	FLT	4,703	46.51	47.76	17.9	17.1	4.5%	4.7%
JB Hi-Fi	JBH	3,780	32.90	26.02	15.3	16.4	4.3%	4.0%
Star Entertainment Group	SGR	3,770	4.11	3.75	16.9	17.0	5.0%	5.0%
Tabcorp Holdings	TAH	9,511	4.71	4.56	23.9	26.3	4.7%	4.5%
Wesfarmers	WES	44,333	39.10	32.16	22.8	22.8	4.6%	3.6%
CONSUMER STAPLES								
Treasury Wine	TWE	13,488	18.74	19.30	31.2	26.4	2.0%	2.5%
Coca-Cola Amatil	CCL	7,870	10.87	9.40	20.6	19.5	4.3%	4.3%
Woolworths	WOW	47,541	37.77	31.68	28.3	25.6	2.7%	2.9%
Coles Group	COL	18,462	13.84	13.23	18.6	21.0	1.7%	4.1%
ENERGY & ENERGY SERVICES								
Beach Energy	BPT	5,583	2.45	2.11	10.0	9.8	0.8%	1.6%
Caltex Australia	CTX	5,983	23.96	26.85	19.4	14.3	3.1%	4.2%
Oil Search	OSH	6,820	6.64	4.09	16.2	13.0	2.8%	3.5%
Origin Energy	ORG	13,438	7.63	8.00	13.1	12.8	3.3%	3.9%
Santos	STO	10,116	7.21	4.54	11.1	10.1	2.1%	1.6%
Whitehaven Coal	WHC	3,519	3.43	4.40	6.2	10.4	14.6%	7.2%
Woodside Petroleum	WPL	20,261	32.13	25.29	16.4	13.7	4.9%	5.8%
WorleyParsons	WOR	6,379	12.29	17.70	21.4	13.5	2.2%	4.4%
FINANCIAL SERVICES								
ASX	ASX	16,709	86.31	60.00	34.0	33.3	2.6%	2.7%
Magellan Financial Group	MFG	9,238	50.74	49.30	24.6	21.6	3.6%	4.1%
Pendal Group	PDL	2,147	6.65	7.65	13.1	11.6	6.6%	7.2%
Macquarie Group	MQG	42,153	123.84	135.00	14.6	14.6	4.6%	4.7%
Challenger	CGF	4,104	6.71	7.20	12.0	13.0	5.3%	5.3%
AMP	AMP	5,683	1.70	2.00	8.5	9.4	0.0%	2.1%
BANKS								
Bendigo and Adelaide Ba	BEN	5,483	11.18	10.00	14.6	15.3	6.3%	6.3%
Commonwealth Bank Aus	CBA	139,937	79.05	77.60	17.2	16.5	5.5%	5.5%
ANZ Banking Group	ANZ	75,797	26.74	27.80	11.5	11.8	6.1%	6.2%
Bank of Queensland	BOQ	3,721	9.17	9.70	12.1	12.3	7.3%	7.2%
Westpac	WBC	98,486	28.22	28.60	14.3	12.5	6.7%	6.7%
National Australia Bank	NAB	78,879	27.36	27.90	13.3	12.0	6.1%	6.1%
INSURANCE SERVICES								
QBE Insurance Group	QBE	11,096	12.53	8.50	15.0	15.0	3.9%	4.3%
Medibank Private	MPL	10,025	3.64	2.90	22.4	22.6	4.3%	3.7%
Suncorp Group	SUN	17,932	13.81	13.90	86.6	16.2	5.6%	5.4%
Insurance Australia Group	IAG	18,627	8.06	7.50	18.1	21.7	4.0%	3.7%
HEALTH CARE								
CSL	CSL	73,541	240.87	168.67	38.4	35.8	1.1%	1.3%
Cochlear	COH	12,600	218.00	211.00	47.4	42.4	1.5%	1.6%
Ansell	ANN	2,428	27.25	18.91	16.7	15.9	2.5%	2.7%
ResMed	RHC	25,834	20.59	13.89	43.5	41.6	1.1%	1.1%
Ramsay Health Care	RMD	13,265	65.64	65.00	23.0	24.1	2.3%	2.4%
Sonic Healthcare	SHL	13,962	29.45	26.80	25.5	24.5	2.9%	3.0%

Australian Forecasts 2-September-2019 Source: CSFB estimates	Ticker	Market Cap (A$m)	Price 02-Sep-19 (A$)	Target Price (A$)	Price Earnings (x)		Net Yield (%)	
					FY19	FY20	FY19	FY20
INDUSTRIALS								
ALS	ALQ	3,700	7.67	8.40	20.7	19.0	2.9%	3.2%
Brambles	BXB	12,093	11.30	7.59	24.0	22.4	2.7%	2.7%
CIMIC Group	CIM	10,052	31.00	35.00	13.2	13.5	4.6%	4.4%
Cleanaway Waste Mgt	CWY	4,233	2.07	1.85	30.2	28.2	1.7%	1.9%
Downer EDI	DOW	4,585	7.71	7.70	17.0	15.9	3.6%	4.1%
Reliance Worldwide	RWC	3,026	3.83	4.25	19.9	18.9	2.3%	2.5%
Seek	SEK	7,156	20.33	19.60	38.7	48.5	2.3%	1.6%
TRANSPORTATION & LOGISTICS								
Atlas Arteria	ALX	5,809	8.50	8.10	-106.2	31.0	3.5%	3.9%
Aurizon	AZJ	11,762	5.91	6.00	24.9	20.8	4.0%	4.8%
Qantas	QAN	9,596	6.11	6.40	11.2	9.0	4.1%	4.1%
Qube Holdings	QUB	5,198	3.21	2.55	41.9	40.0	2.1%	2.1%
Sydney Airport	SYD	19,040	8.43	6.65	48.7	47.4	4.6%	4.7%
Transurban	TCL	40,528	14.95	13.00	235.1	103.0	3.9%	4.1%
INFORMATION TECHNOLOGY								
Link Administration	LNK	2,926	5.48	5.75	14.6	17.8	3.7%	3.1%
Computershare	CPU	5,625	15.38	11.13	14.8	15.6	3.0%	2.9%
Xero	XRO	9,583	63.47	43.25	n.m.	484.5	0.0%	0.0%
MATERIALS								
Amcor	AMC	15,802	14.46	9.96	15.8	15.6	4.7%	4.7%
Boral	BLD	4,982	4.25	4.10	10.3	11.9	6.2%	5.3%
Incitec Pivot	IPL	5,155	3.21	3.78	24.9	12.7	2.2%	4.1%
James Hardie Industries	JHX	6,718	22.55	16.00	22.4	19.2	2.4%	2.8%
Orica	ORI	8,194	21.53	21.22	22.7	21.9	2.4%	3.0%
Orora	ORA	3,367	2.79	2.80	15.6	17.2	4.7%	4.1%
METALS & MINING								
Alumina	AWC	4,210	2.17	1.82	11.2	10.6	5.7%	8.1%
BHP Group	BHP	117,532	36.29	27.10	13.4	9.8	4.4%	5.1%
BlueScope Steel	BSL	6,420	12.49	15.30	7.0	13.8	1.1%	1.1%
Evolution Mining	EVN	8,812	5.18	2.60	40.5	30.5	1.8%	1.9%
Fortescue Metals	FMG	16,592	8.00	5.42	5.2	3.7	15.3%	17.7%
Iluka Resources	ILU	3,021	7.15	8.80	9.6	11.8	2.1%	0.0%
Newcrest Mining	NCM	19,153	37.00	13.76	34.5	27.0	0.9%	0.6%
Northern Star Resources	NST	7,611	11.90	6.30	49.6	24.3	1.1%	1.3%
OZ Minerals	OZL	2,963	9.15	9.50	15.3	17.7	2.5%	2.5%
Rio Tinto	RIO	85,231	87.58	62.55	8.3	8.5	8.5%	7.0%
South 32	S32	8,901	2.64	2.23	9.2	9.2	5.4%	4.3%
REAL ESTATE								
Goodman Group	GMG	26,338	14.52	14.43	27.9	25.4	2.1%	2.1%
GPT Group	GPT	12,447	6.39	5.99	21.5	20.6	4.1%	4.3%
Lend Lease	LLC	9,624	17.06	16.83	20.7	13.0	2.5%	3.9%
Mirvac Group	MGR	12,549	3.19	3.04	20.9	19.8	3.6%	3.8%
Scentre Group	SCG	21,481	4.04	4.19	16.8	16.3	5.6%	5.9%
Stockland Group	SGP	10,777	4.52	4.32	14.2	13.8	6.1%	6.2%
Vicinity Centres	VCX	9,769	2.59	2.51	15.0	15.2	6.1%	6.0%
UTILITIES								
AGL Energy	AGL	12,434	18.96	18.40	12.0	14.6	6.3%	6.3%
APA Group	APA	12,991	11.01	10.20	45.1	37.8	4.3%	4.5%
AusNet Services	AST	6,642	1.80	1.80	25.7	25.3	5.4%	5.6%
Spark Infrastructure Group	SKI	3,869	2.30	2.30	44.2	51.8	6.5%	6.5%
Market Average					**23.1**	**21.2**	**3.9%**	**4.0%**

The Core Plus and Diversified portfolios are to be changed, from 1 September 2019, as follows:

- QBE Insurance (QBE) is to be removed from both portfolios.
- Resmed (RMD) is to be introduced into both portfolios at a weighting of 10.0%.

Ticker	Company Name	Core Plus	Diversified	Sector
ALL.AU	Aristocrat Leisure	10.0%	10.0%	Consumer Discretionary
BXB.AU	Brambles	12.5%	12.5%	Industrials
CPU.AU	Computershare	7.5%	7.5%	Info Tech
CSL.AU	CSL	12.5%	7.5%	Health Care
CWY.AU	Cleanaway Waste Management	5.0%	5.0%	Industrials
LLC.AU	Lend Lease Group		5.0%	Real Estate
ORA.AU	Orora		7.5%	Materials
ORG.AU	Origin Energy	12.5%	12.5%	Energy
RMD.AU	Resmed	10.0%	10.0%	Health Care
S32.AU	South32	7.5%	5.0%	Materials
SCG.AU	Scentre Group	12.5%	7.5%	Real Estate
SYD.AU	Sydney Airport		5.0%	Industrials
TWE.AU	Treasury Wine Estates	10.0%	5.0%	Consumer Staples
		100.0%	100.0%	

Source: Jarden

Resmed (RMD.AX)

OUTPERFORM A$20.59 **TARGET:** A$20.10

The Jarden Committee decided to introduce Resmed (RMD) into both portfolios (see above). RMD is a global healthcare company involved in the development and manufacturing of medical products for the treatment of respiratory disorders with a focus obstructive sleep apnoea. RMD's most recent 4Q19 result released in late July was very impressive with the core business reporting US revenue growth of 11% (7% devices, 16% masks) and rest of world revenue growth of 4% (1% devices, 12% masks).

RMD is still reaping the rewards from its AS10 flow generator which continues to dominate the segment, while also being supported by new product launches (i.e. F30, N30i & P30i). Successful product releases appear to be a key strength of RMD relative to its competitors in recent years.

RMD also appears to be making good progress in growing its digital platform also known as its connected care offering. RMD delivered revenue growth of 113.5% to US$86.3 million, largely driven by contributions from MatrixCare and HEALTHCARE first. The division is showing promising signs with RMD emerging as a leading aggregator in post-acute connected care provision. While still in its infancy, this division is expected to generate a return on invested capital of circa 7% by FY23. Importantly, RMD's gross margin appears sustainable with the company continuing to demonstrate manufacturing and procurement efficiencies as well as a positive product mix change and higher contributions from its high margin digital businesses.

Consequently, RMD gross margin increased by 1.2% to 59.3% in 4Q19. At a higher level, RMD's core business remains underpenetrated with the National Heart Blood and Lung Institute estimating that 12 million people in the US suffer from sleep apnoea, but fewer than 4 million are diagnosed or treated each year. In addition, RMD's masks/accessories re-supply strategy has resonated well with healthcare providers as evidenced by its expanding installed base.

However, there is always a risk that healthcare payers such as Medicare and commercial insurers change their reimbursement methodology for patients. After growing at an average of 10%+ for the last 18 months, RMD's re-supply revenue is expected to grow a 9%pa over the next 3 years.

On a valuation basis, RMD is currently trading on a lofty FY20 price-to-earnings ratio of 34x. However, when its loss-making technology business, Verily, is excluded (expected to lose $28 million in FY20), the ratio falls to 32x.

As a reference point, RMD's competitor Fisher & Paykel Healthcare trades on 39x FY20 earnings and its Australian medical device peer Cochlear trades on 42x. We believe RMD's elevated valuation can be justified by its earnings growth profile (12%pa earnings growth forecast over the next three years), a strong track record in delivering high returns on capital (over 20%), emerging market growth opportunities, and finally a quality business with a large addressable market and market leading products.

JARDEN'S GLOBAL EQUITIES

6TH SEPTEMBER 2019

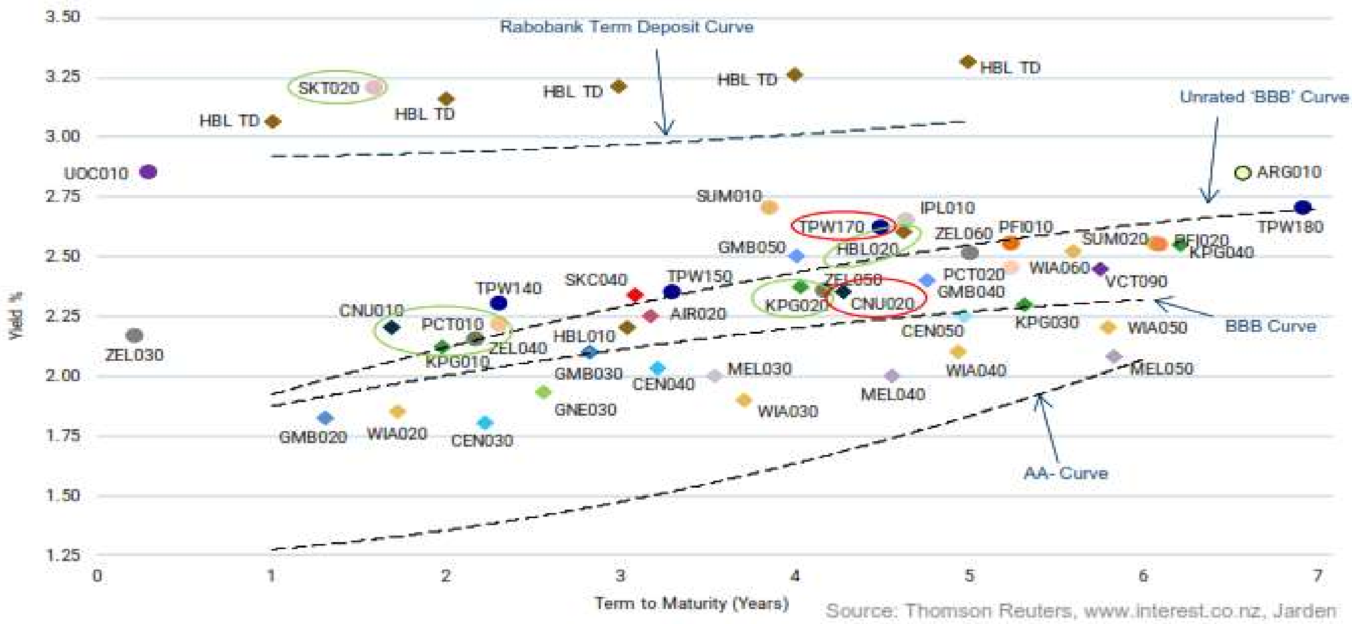
Current Sector Recommendations

Category	Investment Trust	Comment
International	The Bankers ITC	Attractive way for investors to gain a diversified exposure to global markets and companies with an emphasis on dividend growth.
	Monks ITC	A diversified portfolio of growth companies with the "potential to deliver superior operational performance".
America	JP Morgan American	A core holding for investors looking for more than just a benchmarked US play and providing access to enormous research resources.
Japan	Schroder Japan Growth	A well-defined bottom-up investment approach. The Company provides attractive, low beta exposure to quality, reasonably priced companies.
Europe	JPM European (Growth)	A blue-chip product for retail investors offering a diversified portfolio of Continental European growth and value stocks.
Asia	Schroder AsiaPacific	An experienced, well-resourced team and has a good track record generated from a stock-picking approach.
	Edinburgh Dragon	One of the largest, most liquid Far East ex Japan investment trusts with conservative and strong management.
Emerging Markets	JPMorgan Emerging Markets	Performance driven through stock selection rather than macro exposure.
	Templeton Emerging Markets	Less risky diversified exposure to emerging markets.
Special Situations	Worldwide Healthcare	A diversified portfolio of large cap pharmaceutical companies, and large to mid-cap healthcare companies.

JARDEN'S FIXED INTEREST

30TH AUGUST 2019

BBB-, BBB, BBB+ Bonds



NOTES:

1. The credit ratings above are provided by Standard & Poor's or Fitch or are the Jarden expected credit rating if the security was rated by a credit rating agency. Detailed credit analysis has not been undertaken by Jarden on the subject companies.
2. The Heartland NZ (HBL) term deposit interest rates shown above are available to Jarden clients (minimum $20,000 deposit) as at 27/8/2019. HBL term deposits held in custody currently pay out interest on maturity. However, the yields shown above have been adjusted to equivalent semi-annual yields so that they are comparable with the other securities.
3. The following securities are unrated (refer to circle symbols in graph): ZEL030, ZEL040, ZEL050, ZEL060, TPW140, TPW150, TPW170, TPW180, PCT010, PCT020, SKT020, UOC010, PFI010, PFI020, IPL010, SUM010, SUM020 and ARG010.

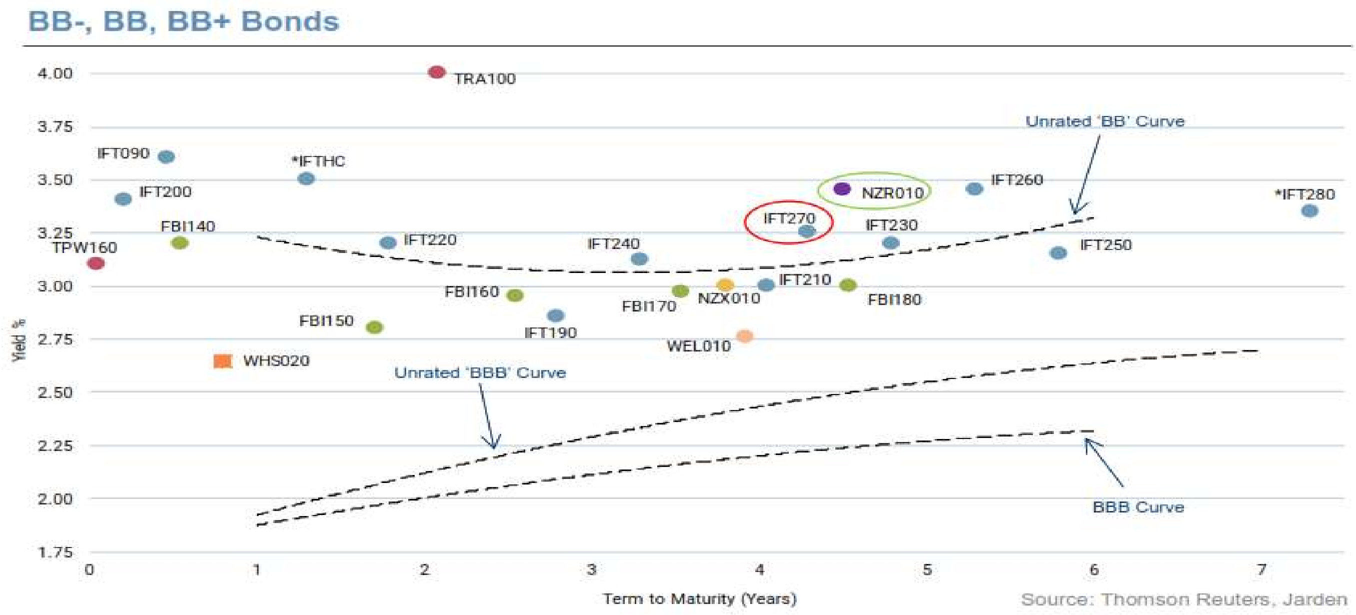
Current Picks: SKT020, CNU010, PCT010, KPG020 and HBL020.

At a yield of 3.20% pa, we believe the SKT020 security provides an attractive investment opportunity. Given Jarden believes Sky TV would probably achieve a BBB- credit rating if it was rated, it appears to offer good value relative to other comparable unrated securities such as the unrated TPW140 and ZEL040 securities, which have similar assessed credit quality.

Other securities that appear to offer reasonable value while exhibiting some liquidity are the CNU010 (rated BBB), KPG010 (rated BBB+), PCT010 (unrated, but assessed as likely to achieve a BBB+ credit rating), KPG020 (rated BBB+) and HBL020 (rated BBB) securities. All of these securities trade on spreads well above where comparable securities of the same rating or same assessed rating are trading, and importantly exhibit liquidity on the secondary market.

Trustpower issued the 7-year TPW180 security last month at a yield of 3.35%pa, which represented a margin of 1.79%pa at the time. One month later, TPW180 is now trading on a yield of 2.70%pa and a spread of 1.61%.

It is worth noting that WIA060 (rated BBB+), CNU020 (rated BBB) and TPW170 (unrated, but assessed as likely to achieve a BBB- credit rating) are all interest rate reset securities. Jarden expects these securities to trade at wider spreads to comparable fixed rate securities to reflect the uncertainties around the interest rate for the post-reset period and the fact that investors are taking on twice (9-11 years) the credit risk than the securities reset date would imply (4-6 years). Consequently, they see the CNU020 and TPW170 securities as appearing relatively expensive.



NOTES:

1. The securities above are all unrated. However, we would expect that they might achieve BB-, BB, or BB+ credit ratings if they were rated. Detailed credit analysis has not been undertaken by Jarden on the subject companies.
2. All securities listed above are subordinated, except for WHS020, which is senior (refer to square symbol in graph).

Current Picks (subject to the highlighted risk factors): NZR010

The NZR010 security appears to offer good value at a yield of 3.45% pa. Jarden believes the NZR010 security would likely achieve a BB credit rating if it were rated, similar to the Infratil securities. Despite the similar credit qualities, NZR010 trades at a 0.25% premium to the IFT230 security and offers ample liquidity.

Infratil has announced the terms of two unsecured, unsubordinated bonds. The first is a fixed rate bond maturing on 15 December 2026 (*IFT280). The interest rate for the *IFT280 bond has been set at 3.35% pa, which would imply a spread over the swap interest rate of 2.28% pa (as at today). *IFT280 appears to represent fair value relative to other IFT securities. However, Jarden remains cautious on unrated 'BB' securities with terms to maturity of longer than five years. This reflects the very flat yield curve that unrated 'BB' securities trade on. Consequently, they do not believe the indicative margin of 2.28% pa is high enough to reflect fair value on a 7-year, sub-investment grade bond issue in the current environment.

The second is a one-year reset security with a maturity date of 15 December 2029 (IFTHC). The interest rate on the IFTHC bond has been set at 3.50% pa for the first 15 months (implying a spread over the swap interest rate of 2.52% pa), and will reset on 15 December 2020 and on 15 December of each subsequent year during the term, at the one-year swap interest rate (base rate) plus a margin of 2.50% pa. While IFTHC appears better value than both the IFTHA (1-year reset but perpetual) and IFT270 (5-year reset and maturing in 2028) securities, the fixed reset margin of 2.50% pa means that bondholders wear the risk if the margin no longer reflects the credit profile of IFT or debt market conditions over the next ten years. Jarden views the fixed reset margin of 2.50% pa as on the low side and not quite compensating investors for the additional 6-7 years of credit risk relative to the IFT190, IFT240 and IFT210 securities which have a 3-4 year term and trade on a spread of 2.10% pa. Furthermore, credit spreads are relatively tight at the moment, which means there is the risk they could widen should the economic environment deteriorate.

Given the IFT270 security is an interest rate reset security, they expect it would trade at a wider spread than comparable Infratil fixed rate securities to reflect the uncertainties around the interest rate reset and the 9-10 year credit risk embedded in the security. Consequently, we believe IFT270 represents relatively poor value.

Hybrid 3 Year Reset Securities

QHLHA – Quayside Holdings Limited Perpetual Preference Shares

- Credit rating: Not rated
- Dividend rate: 4.32% until 12 March 2020
- Dividend reset: 3-year swap + 1.7%.
- Issuer call option: anytime
- Holder put option: if dividends are not paid or if Quayside ceases to be a majority shareholder of Port of Tauranga.

Analytics as at 28 August 2019

- Price: $1.0280
- Running yield: 4.2%pa
- Assumed redemption date: Perpetual
- Estimated yield into perpetuity: 2.8%pa

View: We do not expect the QHLHA security will ever be redeemed and consequently it does not have the redemption upside potential that some other hybrid securities have. At the current price, the QHLHA shares appear to offer poor value when compared to other hybrid securities.

Source: Thomson Reuters, Jarden

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