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Investment Strategies

Volume 12

MARCH 2016

Markets – the year so far

• 2016 started negatively for most markets, with commodities leading risky assets down, while government bonds benefited from the flight to safety. Since then markets have begun to recover, but volatility seems to be the new norm for 2016.

• Worries about China's economy, poor numbers from leading manufacturing surveys in the USA and growing geopolitical tensions were the main factors explaining the risk-off environment.

• We continue to prefer equities over bonds, and given recent weakness are becoming more inclined to 'buy the dip' on equities in the current volatile environment.

Local Government Elections

In October 2016 we have the 3 yearly Local Government Elections. It is my intention to once again stand to represent Tauranga City in the Bay of Plenty Regional Council.

In 2013 I never contested the BOPRC elections, because at that time I was a director of the Crown Agency, The Environmental Protection Authority – and as such I felt that it would be a "conflict of interest". I moved from the EPA to become a director of the Crown Research Institute - Plant & Food Research in 2014, so no longer feel conflicted. I remain passionate about protecting our environment, and feel that I can make a difference within our region.

I am concerned that BOPRC has grown into a bureaucratic monster that has lost its reputation for constructive action.

I stand for "Action – Not Words", and believe that environmental decision making needs to be based on good science.

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"A happy person has no past, whilst an unhappy person has nothing else"
Richard Flanagan

RRP $50.00
Annually

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PERFORMANCE IN 2015

Here is a list of New Zealand Share recommendations throughout 2015 from my Newsletters:

Newsletter	Company	Rec Price	31-Dec-15	+/-
Dec-15	Contact Energy	$4.10	$4.74	15.6%
	Pacific Edge Biotech	$0.45	$0.50	11.1%
	Summerset	$4.02	$4.08	1.5%
	Scales Corporation	$2.41	$2.46	2.1%
Oct-15	Argosy Property	$1.07	$1.15	7.5%
	A2 Milk	$0.72	$1.86	158.3%
Sep-15	Contact Energy	$5.28	$4.74	(10.2%)
Jul-15	Port of Tauranga	$17.35	$18.70	7.8%
	Diligent	$5.28	$6.12	15.9%
	Hallenstein Glasson	$3.81	$3.35	(12.1%)
	Heartland	$1.24	$1.31	5.6%
	Airwork Holdings	$3.25	$3.90	20.0%
	Infratil	$3.15	$3.28	4.1%
Jun-15	Opus International	$1.38	$1.27	(8.0%)
	Orion Healthcare	$4.00	$3.20	(20.0%)
	Scales Corporation	$1.74	$2.46	41.4%
Apr-15	Hallenstein Glasson	$3.44	$3.35	(2.6%)
	Pacific Edge Biotech	$0.77	$0.50	(35.1%)
	NZ Refining	$2.59	$3.75	44.8%
	PGG Wrightson	$0.50	$0.41	(18.0%)

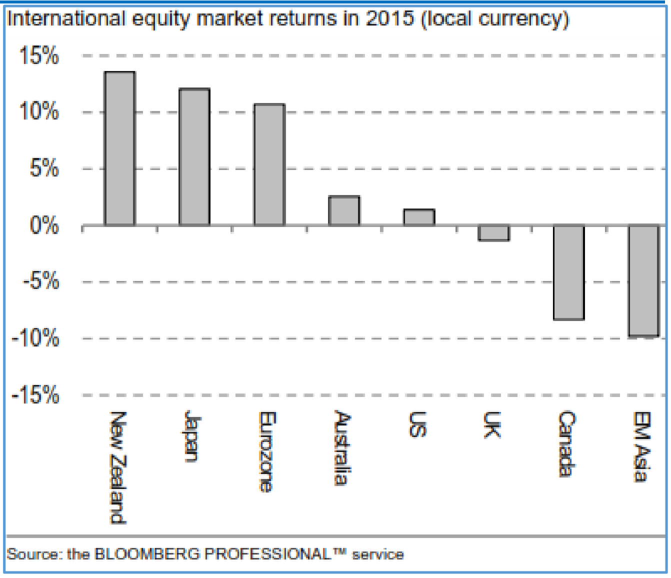
BROKER PICKS FOR 2016

First NZ Capital	JBWere	Craigs Investment Partners
Contact Energy	Contact Energy	Meridian Energy
Metro Performance	Sky TV	Diligent
Infratil	Infratil	Port of Tauranga
F&P Healthcare	Metro Performance	F&P Healthcare
Spark	Fonterra Shareholders	Ryman Healthcare
Macquarie Securities	**Forsyth Barr**	**Hamilton Hindin**
Sky TV	Meridian Energy	Meridian Energy
Restaurant Brands	Michael Hill	Heartland
Intueri Education	Evolve Education	Infratil
F&P Healthcare	Ryman Healthcare	Metlifecare
Chorus	CBL Corp	Chorus
MSL Capital Markets	**OMF**	**Vulcan Capital**
Airwork Holdingd	Airwork Holdingd	Moa Group
Diligent	Diligent	TruScreen
Fletcher Building	TradeMe	Trilogy International
Green Cross Health	Wynyard Group	Serko
VMob	VMob	Briscoe Group

2015 Year Performance		
First NZ Capital	**JBWere**	**Craigs Investment Partners**
33.5%	23.9%	6.9%
Macquarie Securities	**Forsyth Barr**	**Hamilton Hindin**
12.1%	-0.3%	8.7%
MSL Capital Markets	**OMF**	**NZX50 Index**
23.4%	3.3%	10.8%

Note: Vulcan Capital was not included in 2015

"Don't worry about avoiding temptation. As you grow older, it will avoid you"
Winston Churchill



Amongst the global equity indices that our analysts track, the best performing market was New Zealand. It delivered double-digit total returns in local currency. Japan and Continental Europe also provided double-digit gains. No doubt aggressive central bank policy supported risky assets in both economies. The worst returning equity markets were EM Asia and Canada — both lost investor more than 5%. By comparison, Australia performed in the middle of the pack, at least in local currency terms, providing a total return of 3%. It was the fourth consecutive year of positive returns for the Australian market.

Statistics NZ Data

Population

Estimated population at 31 Dec 2015: 4,649,700
Births Dec 2015 year (Dec 14): (57,242) 61,038
Deaths Dec 2015 year (Dec 14): (31,063) 31,608
Net migration Jan 2016 year (Feb 15): (55,121) 65,911

Employment

Total employed Dec 2015 quarter: 2,369,000
Unemployment rate Dec 2015 quarter: 5.3%
Ave weekly earnings Dec 2015 quarter: $1,135.68
Wage inflation Dec 2015 year (Dec 14): (1.8%) 1.5%
Cost Price Index Dec 2015 quarter -0.5%

International Position Sept Quarter: **-$150.96 Billion**
GDP per capita year ended Sept 2015 **$53,277**
Visitor arrivals in January 2016 **343,446**

"If you don't study any companies, you have the same success buying stocks as you do in a poker game if you bet without looking at your cards."
Peter Lynch

Hon Bill English - Speech on the State of the Economy

Economic Outlook

There are positive signs despite international turbulence. The last decade has been challenging for New Zealand businesses. They've weathered the global financial crisis, Canterbury earthquakes, interest rates higher than the rest of the developed world, and a high New Zealand dollar. Initially the response was around resilience. Businesses and households tightened their belts and became more efficient. That was also the case for the Government. Spending was constrained to turn an $18.4 billion deficit in 2011 into a surplus last year.

Now as I visit businesses around the country, I'm seeing that resilience turn into confidence. The Prime Minister puts it well when he says we are an open and confident country that backs itself on the world stage. Exporters who were forced to become more efficient when the exchange rate was around US 88 cents are now able to reap the rewards of a much lower exchange rate. Annual business investment has increased from $31 billion in 2010 to $39 billion last year – and that is expected to grow to $48 billion by 2020.

The Performance of Manufacturing Index shows the manufacturing sector has notched up 40 straight months of expansion. And services – which make up 70 per cent of the economy – have been growing at the fastest level in seven years. Treasury forecasts economic growth over 2016 and 2017 will average over 3 per cent, better than most countries we compare ourselves to. The success of businesses is benefitting New Zealand families.

Wages increased by 3.1 per cent on average in the last year, significantly higher than 0.1 per cent inflation. And unemployment recently fell to 5.3 per cent. In fact, the proportion of New Zealand adults not in work - and this includes retirees and people that choose not to work - is the third lowest in the OECD at 35.5 per cent. This compares to 39 per cent in Australia, 41 per cent in both the UK and the US, and 48 per cent across the European Union.

These relatively strong domestic results come despite some ongoing wobbles in the global economy. Uncertainty remains around the impact of US interest rate hikes, China's rebalancing path looks rocky, and risks around European banks are becoming more apparent. Central banks around the world are grappling with very low inflation. There is a lot of uncertainty about exactly what is keeping inflation so low, and the implications for our economies. Markets are reflecting an anxiety that economies with zero or negative interest rates can't rely on central bank interventions as they have in the past. New Zealand is in a better position than most because the Reserve Bank still has room to move if needed.

Lower prices are also affecting the dairy sector. Some farmers are doing it tough, but we do have to keep this in perspective. Dairy exports make up five per cent of the economy, and the industry has a positive view about its long-term prospects. Other export sectors continue to do very well. Tourism now directly contributes $10.6 billion to the economy, nearly 5 per cent of our GDP. A record 3 million overseas visitors came here in the past year. Annual beef exports have reached $3.3 billion, up a third in the last year. International education is now worth $2.85 billion and supports more than 30,000 Kiwi jobs. Wine exports are now worth $1.5 billion, up 14 per cent in the last year. And the ICT sector has had compound 9 per cent growth per annum since 2008.

China is also a concern, but the direct impact for New Zealand will depend on the changing composition of its economy. Its investment cycle is waning, but China's household income and consumption are growing considerably faster than GDP, at 11 per cent and 9 per cent respectively. The number of affluent and upper middle class Chinese households - those that earn over NZ $24,000 - is expected to increase from 44 million in 2012 to 225 million in 2022. This is a big opportunity for New Zealand, given our main exports like dairy, beef, lamb, wine, horticulture and tourism are typically targeted at the wealthier consumer market.

So while we can expect continued volatility in global markets, the New Zealand longer-term outlook is sound. An uncertain global picture underlines the importance of trade deals like the Trans-Pacific Partnership, which gives us better access to 800 million customers in 11 countries that account for 36 per cent of the global economy. This is a hugely significant deal. On current trade volumes, TPP will provide around $274 million a year in tariff savings, and by 2030 is forecast to add $2.7 billion to the New Zealand economy. Based on previous free trade agreements, we believe this is conservative. Take the China FTA as an example. Since the start of that agreement in 2008, trade between our two countries quickly doubled to $20 billion dollars a year. As a small, open economy trade is pivotal to growth. We are among the smallest of the TPP signatories, so the agreement has even more significance for us than other countries. Free trade agreements are just part of the Government's Business Growth Agenda, in which there are nearly 350 active projects, on top of the 250 already completed.

(… continued on page 4)

These include:

- Reducing ACC levies by around $1.5 billion a year;
- Rolling out ultra-fast broadband as part of an $11.5 billion capital investment programme over the next two years; and
- Launching three new ICT Graduate Schools in the next 12 months to help people obtain the skills needed in this growing industry.

The Government will continue to work actively with businesses to add to these initiatives. The benefits of this programme add up to a positive outlook for the economy.

Treasury prepared its latest forecasts in December, looking out to 2020. They expect the average annual wage to reach over $63,000, $6,000 more than it is today and $17,000 more than in 2008. Unemployment is projected to fall to 4.5 per cent. And an additional 173,000 jobs are expected to be created by 2020. That's just a forecast, we want to do better. But it does show what can be achieved with an ongoing focus on growth.

Fiscal Responsibility

I'd now like to talk about the Government's thinking on two longer-term policy priorities – fiscal control and urban planning.

We have worked hard to establish a track record of fiscal responsibility following the Global Financial Crisis and Canterbury Earthquakes. New Zealand families work hard to pay their taxes. And I know that if those families kept that money they could do a lot with it, so we need to treat it carefully. We need to keep a tight rein on spending in order to pay down debt.

Over the last few years, we've managed spending tightly while improving public services. The Prime Minister set the public service 10 challenging targets in 2012 covering areas like welfare, education, crime and health. Since then:

- There are more than 40,000 fewer children living in a benefit dependent household;
- The proportion of 18-year olds who achieve a NCEA Level 2 qualification has increased from 74 per cent to 81 per cent; and
- Total crime has dropped by 17 per cent, with youth crime down by almost 40 per cent.

These substantial improvements to public services have occurred because of, rather than in spite of, financial constraint. It has forced us to address the drivers of social dysfunction rather than simply servicing misery, which is very expensive. Instead of mindlessly paying a sickness benefit for 40 years, we're taking steps to intervene now to help vulnerable New Zealanders lead a better life, and save the Government money in the long run. We call this approach Social Investment. It's about using data and investment techniques to understand what makes the most difference to someone's life and doing more of that. This approach is long-term. But it is working. Latest figures show the welfare system's future lifetime cost has reduced by $12 billion over the last four years as a result of Government actions. This equates to welfare customers spending 900,000 fewer years on benefits over their working lifetimes, compared to pre-reform expectations. That's the equivalent of 60,000 people each spending 15 years less on a benefit.

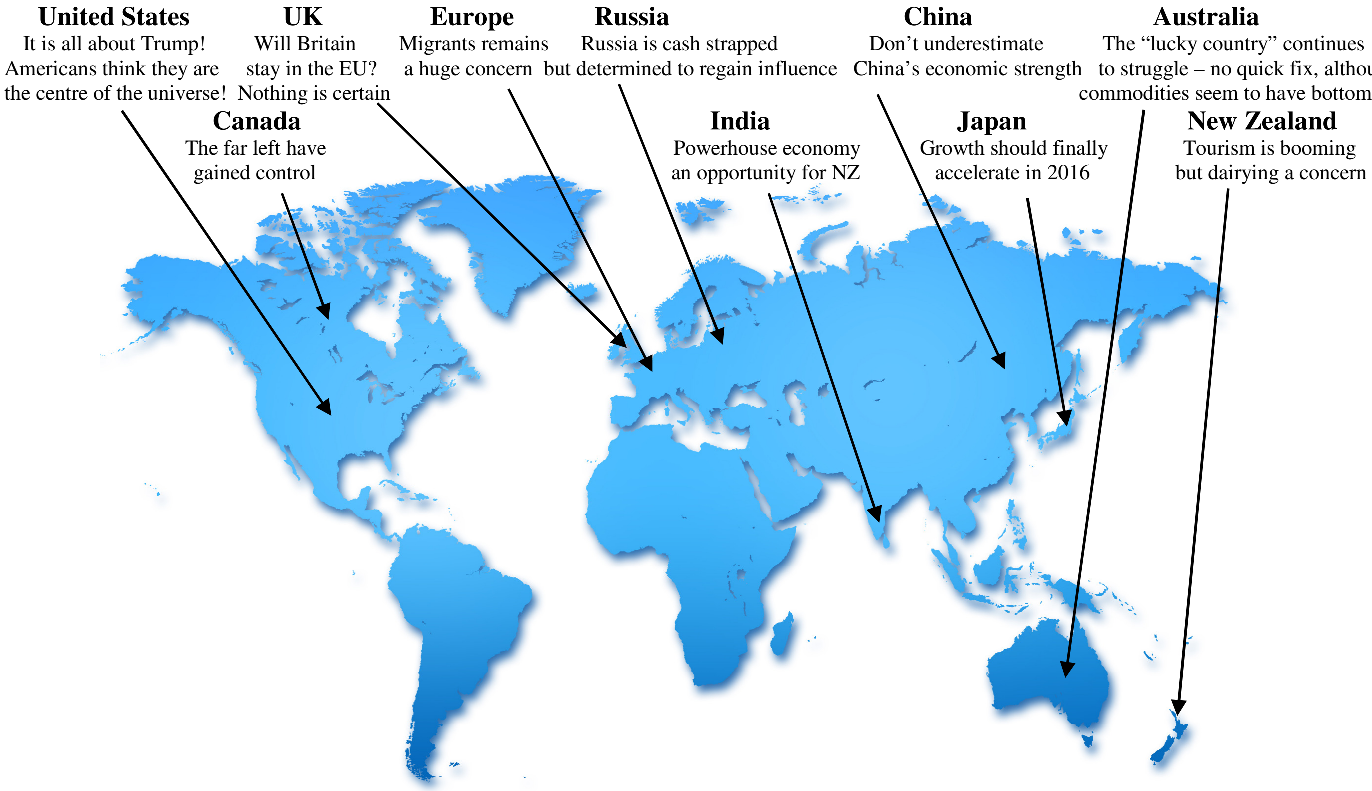
We're also applying rigorous investment practices to the $280 billion of assets we own. As in many other businesses, the Government's operating spending can be is affected by management of its capital. We are working to get much better information about our existing assets, establishing measures of performance where none existed and sharpening our monitoring of new investments. Last year we released the first annual report of the Government's overall investment programme, covering 409 projects such as ICT, schools, Defence and construction with an annual cost of $6 billion. The pressure of publication has helped drive real improvement in the way the projects are managed and makes them more likely to succeed. Just like Social Investment, improved efficiency across a large asset base can deliver significant savings for taxpayers.

Where other countries are seeing deficits and debt, we have fiscal stability. We can make sensible, long-term decisions because we are not rushing around trying to save money. And more importantly, we have a toolkit that can deliver better results for our communities at the same time as saving money for taxpayers. We can choose to invest when the need arises, for example to deal with population growth in Auckland. Keeping a tight rein on spending gives us options. It means we are in a better position to deal with longer-term spending pressures, such as superannuation and health care.

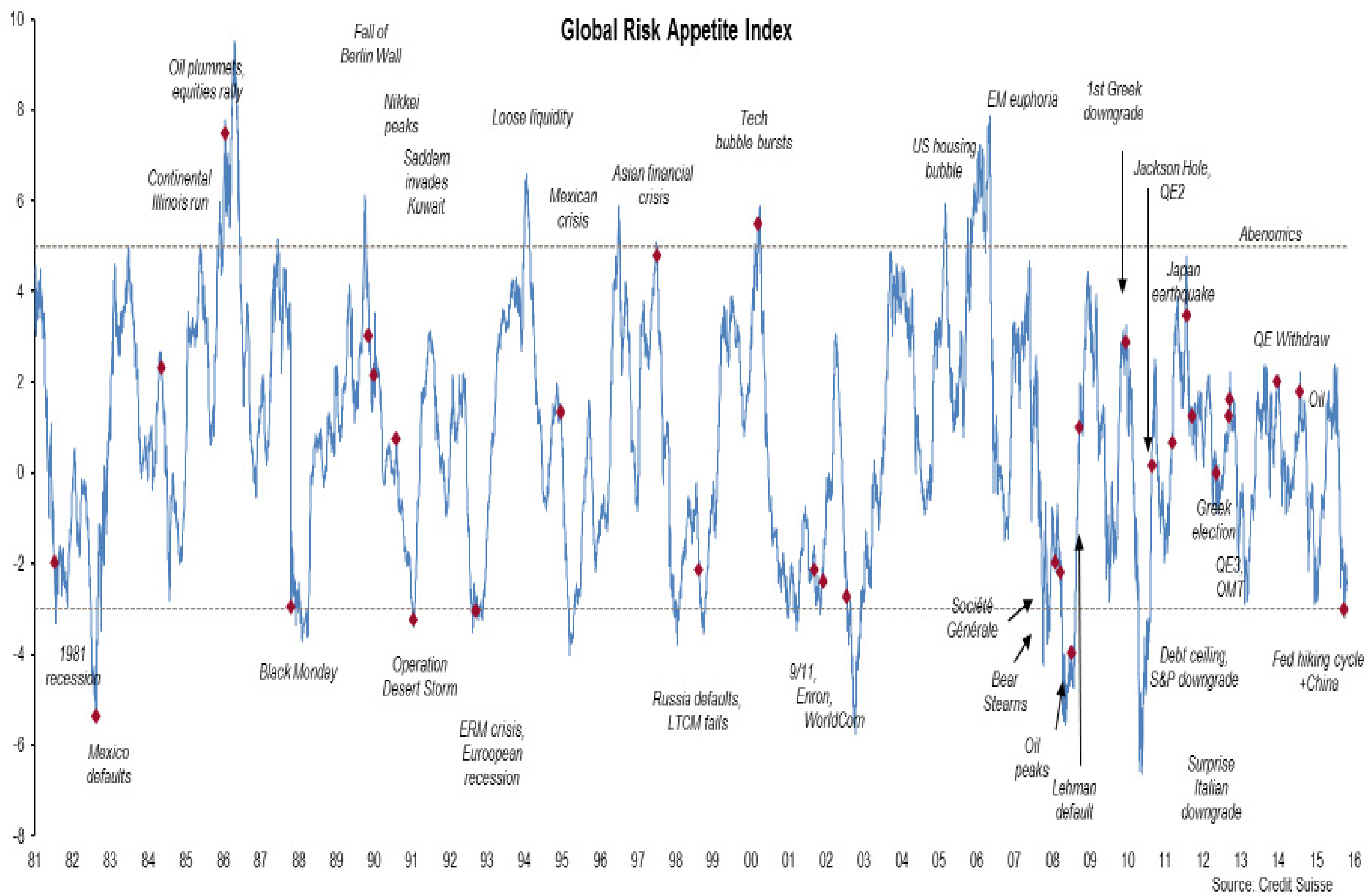
New Zealand's current public pension costs are relatively low, at under 5 per cent of GDP. This compares with an OECD average of over 9 per cent. If we keep current policy settings, Treasury estimates that in 2050 the cost will increase to 8 per cent of GDP, still well under the current OECD average. There is no getting around the fact that a 3 per cent of GDP increase in costs is significant. But to put that in context, in just four years since 2011 we've reduced Government spending as a proportion of GDP by 4 percentage points to around 30 per cent. And that will fall further if we can continue to focus on reducing the long-term costs of welfare and social dysfunction.

(I have not included his section on urban planning)

THE WORLD AT A GLANCE



The graph below has been a useful tool in determining timing. As of today clearly risk aversion is nearing extreme levels!

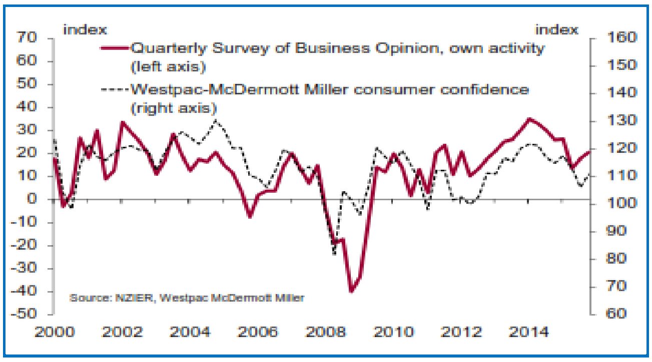


The Global Economy

New Zealand's economic outlook:

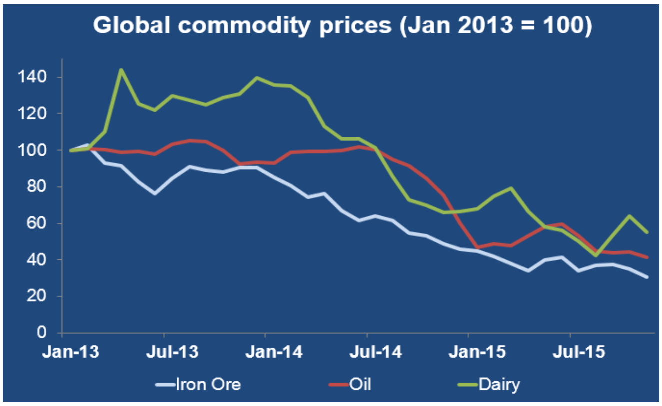
Benign weather, low oil prices, surging tourism and a burgeoning construction pipeline have improved the outlook for the domestic economy over the next year. However, lower dairy earnings and the eventual wind-down of the Canterbury rebuild are likely to cap the pace of growth, which is becoming increasingly dependent on population growth.

BUSINESS & CONSUMER CONFIDENCE

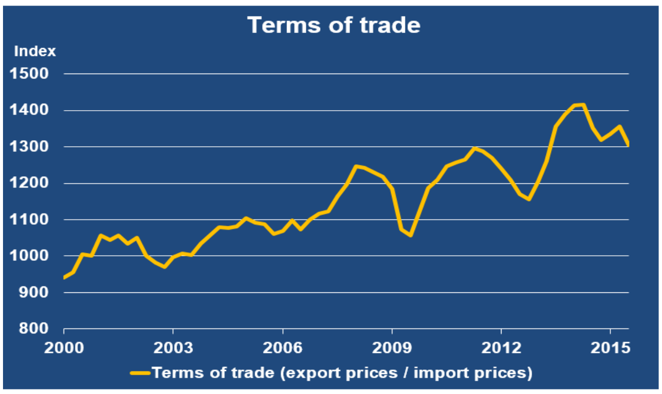


Westpac's Quarterly Economic Overview states that its outlook for 2016 includes: "*Moderately strong growth, albeit a noticeable slowdown from the pace seen in earlier years. But at least this is an improvement on the forecasts we outlined last November*."

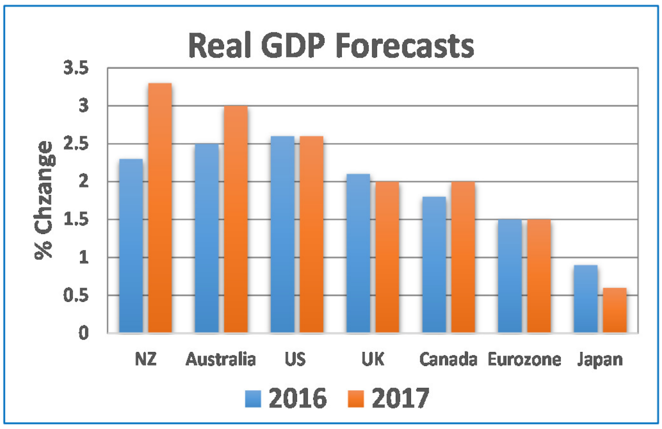
Business confidence remains high, and despite the dairy downturn most of our regions remain positive. However, New Zealand, like the rest of the world, is struggling with the downturn in commodity prices.



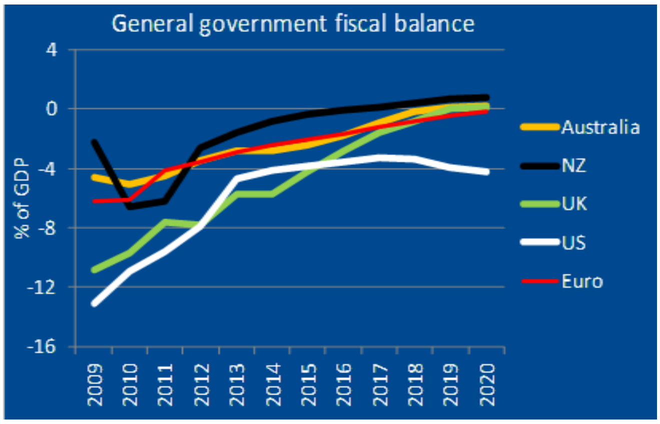
That said there is a new "shining light" and that is tourism. Inbound Tourism has now passed 3.17m people, and this has seen tourism receipts now our biggest industry, surpassing Dairying for the first time.

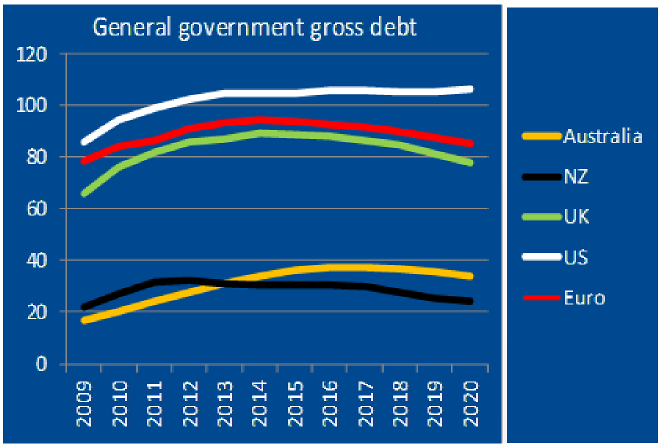


This has contributed to ensuring that New Zealand's outlook is better than most in this uncertain world.



Furthermore New Zealand's fiscals are in a strong position internationally.





Bay of Plenty

Locally, Economic Growth in Tauranga outstripped the national average on almost every indicator throughout 2015, according to a report by Infometrics which was commissioned by Priority One. Overall, Tauranga had a 4.6% increase in GDP compared to the New Zealand average of 3.6%. In addition, we had employment growth of 3.7% compared to the national average of 2.4%, and an increase in business units of 2.6% compared to the New Zealand average of 1.8%. However, we are lagging behind in terms of mean annual earnings for 2014, with Tauranga at $49,780 compared with the national average of $54,230.

Economic

As at 23 February 2016

Country / Region	Fiscal Balance % GDP (1)			GDP Growth %			Inflation %			3 month Libor % (2)			10 Year Government %		
	2015 A	2016 F	2017 F	2015 A	2016 F	2017 F	2015 A	2016 F	2017 F	Spot	3 mth	12 mth	Spot	3 mth	12 mth
New Zealand	0.2	-0.2	0.1	2.4	2.5	2.6	0.3	1.0	1.7	2.6	2.6	2.1	3.1	3.1	3.3
Australia	-1.9	-2.3	-2.0	2.2	2.4	2.6	1.5	2.1	2.5	2.3	2.3	2.3	2.4	2.7	3.1
US	-2.6	-2.7	-2.8	2.5	1.8	2.0	0.1	1.0	2.0	0.6	0.7	1.1	1.7	1.9	2.4
Japan	-6.0	-6.0	-5.0	0.5	0.8	0.5	0.8	0.2	2.0	0.0	-0.2	-0.4	0.0	0.0	0.2
Europe	-2.5	-2.2	-1.8	1.5	1.5	1.5	0.0	0.2	1.4	-0.2	-0.3	-0.3	0.2	0.3	0.6
United Kingdom	-4.2	-3.0	-2.0	2.2	2.2	2.0	0.0	0.7	1.4	0.6	0.6	0.9	1.4	1.7	2.2
China	-2.6	-2.9	-3.0	6.9	6.5	6.0	1.4	1.7	1.8	2.9	n/a	n/a	2.9	2.9	n/a

Source: First NZ Capital, Credit Suisse, Bloomberg 1. New Zealand fiscal balance is 30/6 2. NZ are 90-day bank bill yields

New Zealand continues to have a foot in both hemispheres

For New Zealand, recent global developments have been a very mixed bag. On the downside, softer global demand for commodities is directly weighing on the prices for our exports, and is also affecting us through the drag on activity in Australia (our second largest trading partner). On top of this, recent volatility in global financial markets means that New Zealand banks are facing higher offshore funding costs.

However, on the upside, New Zealand is also an importer of commodities. Falls in global oil prices are providing a significant boost to households' real incomes. The resulting low inflation is also adding to the case for interest rate reductions domestically. Finally, New Zealand is benefiting from the income growth in many economies, which is boosting demand for services such as tourism and accommodation.

New Zealand as an investment destination

While recent economic data has raised the chance of a global economic recession this is still far from being a central scenario. While a recession would likely result in a further material fall in global equity markets, we currently expect moderate investment returns, bolstered by some NZ dollar depreciation.

As an investment destination NZ is hard to fault. However, the exceptionally strong relative performance recently draws attention to the high valuation of the NZ equity market.

In Australia our analysts favour the banks, on valuation grounds, as it appears bank share prices have moved well ahead of any increase in bad debts. They continue to favour stocks exposed to the expected rise in infrastructure spend.

With short term interest rates in NZ likely to fall and the expected rise in long term interest rates stalled, as the US Federal Reserve's expected increase in interest rates is put on hold, they have a more favourable view on securities with longer terms to maturity.

Moderate acceleration

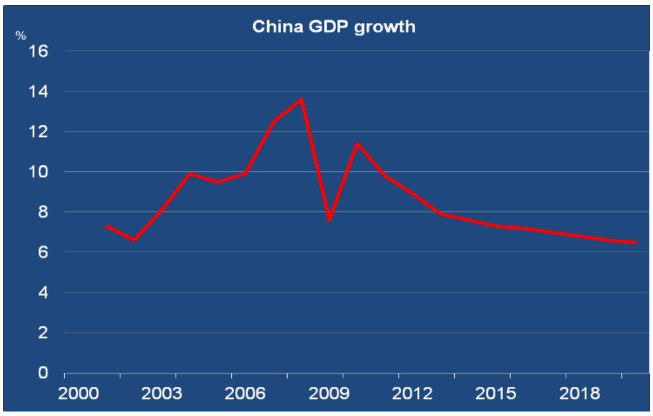
We forecast global GDP growth to accelerate to 2.9% in 2016 from 2.5% this year. The longer-term average has been around 2.6%. The faster growth rate will be driven by a modest acceleration in developed markets combined with more significant gains in Emerging Markets, outside of Asia. A number of large EM economies are contracting in 2015 and are set to expand in 2016. Global industrial production has suffered a growth recession and is set for a rebound as production catches up with consumption, which remains solid.

GDP Growth

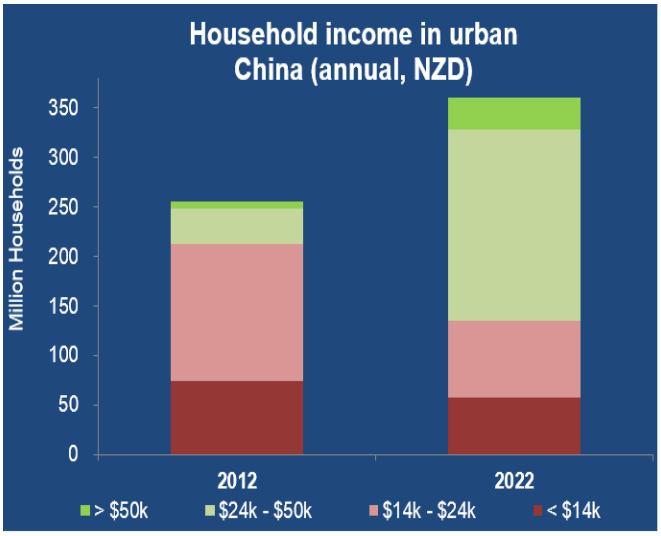
GDP growth is the most prominent indicator of economic performance, however, it usually does not provide a full picture on the economic well-being of people. In most OECD countries, GDP dropped sharply at the beginning of the economic crisis, while the impact on household income was less pronounced.

China

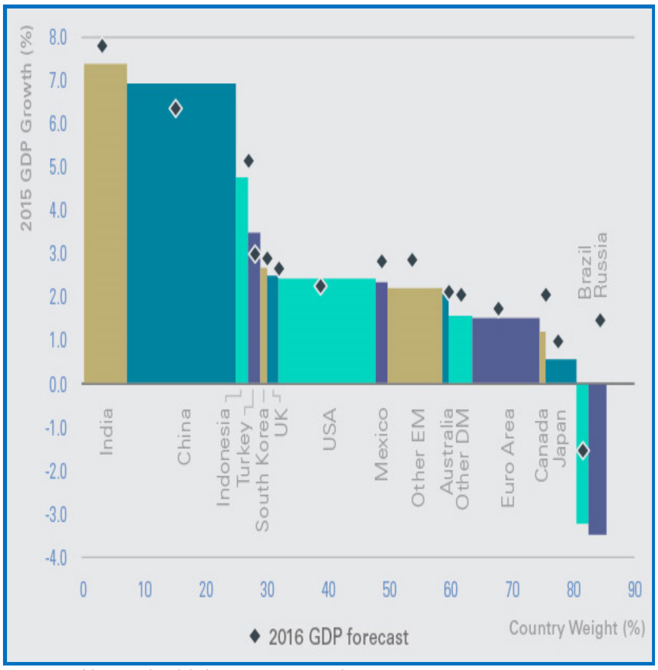
Activity has continued to soften in China and emerging markets, and the related falls in commodity prices have resulted in sharp income falls for commodity exporting nations.



The long term prospects for New Zealand's trade with China remains attractive, with China's bourgeoning middle class (Household income of between NZ$24k and NZ$50k) expected to increase from around 30m in 2012 to around 200m by 2022.



STABILISING ECONOMIES TO DRIVE GLOBAL GROWTH IN 2016



SOURCE: Goldman Sachs Global Investment Research

United States

In contrast, conditions in the US and other higher income economies have firmed. On balance, the result is a very mixed global backdrop from a New Zealand point of view. The United States added a healthy 242,000 jobs in February, far better than its gains of 172,000 in January. Economists had predicted a gain of 190,000 jobs in February. Unemployment stayed at 4.9% last month, the lowest mark since February 2008. It's at a level many experts consider to be "full employment."

The US Election Primaries (and especially the rise and rise of Donald Trump) are dominated US news services, but there's still good reason to be optimistic about the U.S. economy. The job market's momentum is cooling concerns from earlier this year that the U.S. economy would fall into recession in 2016. February's gains are the latest sign of good news: retail sales were solid in January and growth appears to be picking up.

United Kingdom – BREXIT, good or bad?

The British Prime Minister David Cameron has set the date for the referendum on whether the UK should remain in the European Union for June 23rd, and this issue will dominate UK politics for the next four months. While there is a broad consensus that leaving the EU would deliver a shock to the British economy, which is highly integrated in Europe after 43 years of membership, there will be winners as well as losers during both the period of debate and following the ultimate outcome. During the lead-up to the vote, it is likely the British Pound will remain volatile, with a bias to weakening further from its current seven-year lows against the US dollar. A weaker pound should benefit the large-capitalization stocks in the FTSE-100 Index, which are very internationally-focussed and derive 80% of their revenues from outside the UK.

Among sectors, UK pharmaceuticals and consumer staples are potential gainers from BREXIT uncertainty as both have source a large part of their revenues from export markets and are less exposed to any weakness in domestic consumer and business confidence. On the other hand, real estate investment trusts, and homebuilders are expected to be more exposed to investor nervousness. Retailers (which tend to source their products in US dollars) face the risk of a weaker pound increasing their costs.

Eurozone

Our analysts believe Eurozone recovery will transition into expansion this year. To the surprise of many, the Eurozone economy was resilient to various shocks in 2015 - including Greece, China and the auto emissions scandal. We believe low oil prices, stimulative policy and a depreciating currency has helped to reinforce the Eurozone economy, and that these factors should remain in place in 2016. Unlike in the US, corporate earnings and cash-flow are accelerating which may ignite the investment cycle. As has often been the case in Europe, political risks remain, including the threatening fragmentation of major economies.

However, if these risks do not materialize then growth should accelerate modestly in 2016 to around 2% from 1.5% in 2015. We believe the considerable slack in the economy will enable the ECB to remain on hold for all of the year and ease policy further, if required.

Japan

Expect growth to accelerate in Japan in 2016. The Japanese economy has just entered a technical recession, which we expect to be shallow and short. The current downturn has been driven by softer net exports and business investment. Both of which are expected to stabilize going into 2016. Still, there remains room for additional easing, according to our economists and the earliest they expect the Bank of Japan can loosen policy is April.

Japan will continue to see solid returns as improvements in corporate governance and structural reform keep equities positive.

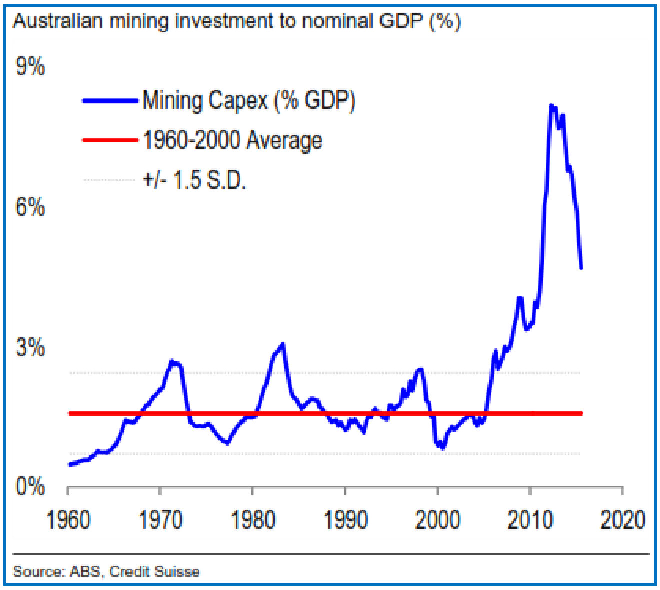
India, Indonesia & the Philippines

Goldman Sachs Research says Asia will remain home to some of the world's most promising growth markets, including India, Indonesia and the Philippines.

Australia

Slowing growth and emerging threats from drought, shifting Chinese capital and the Australian dollar will weigh heavily on the Australian economy. Some leading indicators point to real GDP growth of less than 1%. Official data suggest that growth re-balancing efforts are going well. The labour market is strong, supporting consumption growth. Apparently, there is significant job creation in the new economy, overshadowing any weakness in old economy sectors.

THE AUSTRALIAN ECONOMY IS STILL IN TRANSITION



Commodities

The World Bank is lowering its 2016 forecast for crude oil prices to $37 per barrel in its latest Commodity Markets Outlook report from $51 per barrel in its October projections. The lower forecast reflects a number of supply and demand factors. These include sooner-than-anticipated resumption of exports by the Islamic Republic of Iran, greater resilience in U.S. production due to cost cuts and efficiency gains, a mild winter in the Northern Hemisphere, and weak growth prospects in major emerging market economies, according to the World Bank's latest quarterly report.

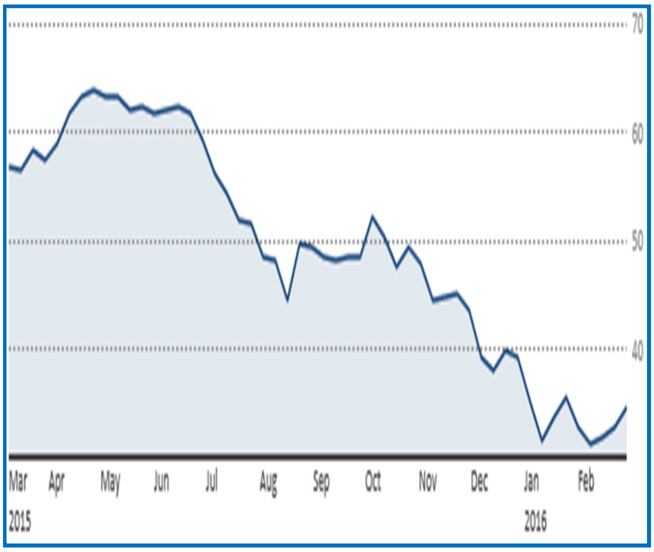
Oil prices fell by 47 percent in 2015 and are expected to decline, on an annual average, by another 27 percent in 2016. However, from their current lows, a gradual recovery in oil prices is expected over the course of the year, for several reasons. First, the sharp oil price drop in early 2016 does not appear fully warranted by fundamental drivers of oil demand and supply, and is likely to partly reverse. Second, high-cost oil producers are expected to sustain persistent losses and increasingly make production cuts that are likely to outweigh any additional capacity coming to the market. Third, demand is expected to strengthen somewhat with a modest pickup in global growth.

The anticipated oil price recovery is forecast to be smaller than the rebounds that followed sharp drops in 2008, 1998, and 1986. The price outlook remains subject to considerable downside risks.

The Importance of Oil

Lower oil prices should translate into higher spending and therefore support global growth. The size of the impact will depend on the under lying drivers of the price decline, the extent of pass-through to households and firms and how much of it they spend, and policy responses.

WEST TEXAS CRUDE OIL – 5 YEAR CHART



Although oil price gains and losses across producers and consumers sum to zero, the net effect on global activity is positive. The reasons are twofold: simply put, the increase in spending by oil importers is likely to exceed the decline in spending by exporters, and lower production costs will stimulate supply in other sectors for which oil is an input.

Intense focus on the North American shale boom, Saudi Arabia, and ISIS obscures an important emerging energy trend - China's oil production is peaking. This has profound implications for the world oil market, because China is not just a massive importer of crude, it is also among the world's five largest oil producers, trailing only the U.S., Russia, and Saudi Arabia, and virtually neck-in-neck with Canada.

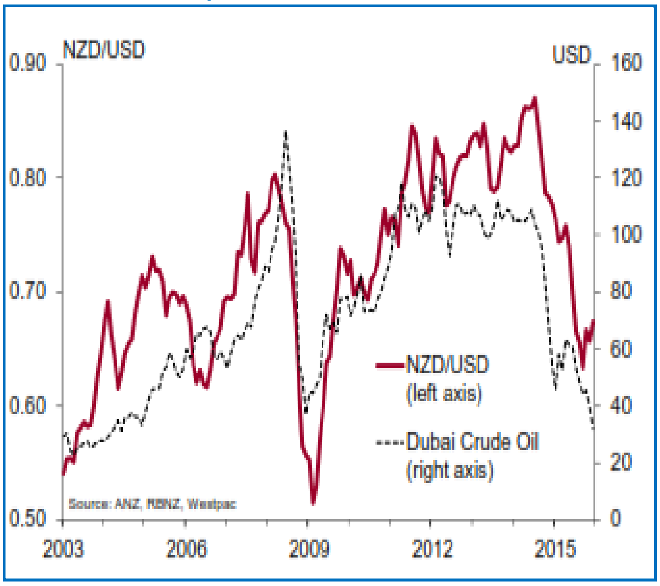
China's oil industry has delivered impressive oil and gas production growth over the past decade. Yet a range of data and historical analogies increasingly suggest that, at global oil prices between $50-to-$100 per barrel, China's oil supply capability is plateauing and may in fact have peaked in 2015. Lower or higher prices would accelerate or extend this timing.

China's crude oil output has stagnated for the past two years despite intense drilling activity on land and offshore. In late 2014, CNPC essentially threw in the towel on its workhorse field, Daqing, announcing that it would allow the field to essentially enter a phase of managed decline over the next five years. Under this new approach, the field's oil production will fall from 800,000 barrels per day in 2014 to 640,000 by 2020: a 20 percent decrease. To highlight the importance of PetroChina's decision, consider that Daqing currently accounts for approximately one in every five barrels of oil currently pumped in China – on par with the role Alaska's massive Prudhoe Bay field has played in U.S. oil production.

New Zealand Dollar

The New Zealand dollar has lost some altitude, and Westpac analysts expect it will fall further in the months ahead due to poor export conditions and falling local interest rates. And there is a looming risk that is not factored into their forecast – the possibility of significant yuan devaluation. In this event the NZ dollar would probably fall against the US dollar, but would rise on a trade-weighted basis.

NZD/USD AND THE PRICE OF OIL



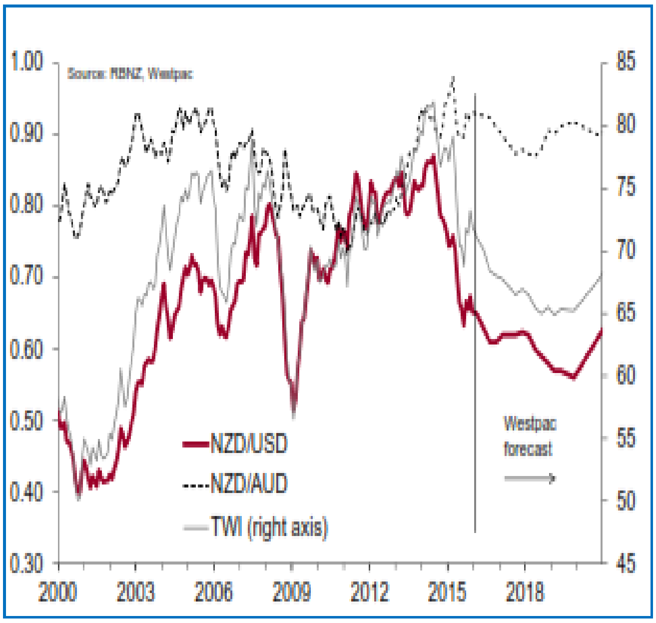
The New Zealand dollar is a classic commodity currency, meaning it tends to wax and wane with global commodity prices. As the world sinks further into a low commodity price environment this year, so further downward pressure will be applied to the New Zealand dollar. Also, expect that the RBNZ to reduce interest rates further than markets anticipate this year, which will dampen investor enthusiasm for New Zealand.

Westpac has less conviction in their forecasts of the New Zealand dollar against the Australian dollar. They are essentially forecasting the cross to move sideways from here. The relative interest rate outlook between the two countries argues for a lower NZD/AUD – expect interest rate reductions in New Zealand but not in Australia. However, the relative fortunes of the two countries' export sectors argue for a stronger NZD/AUD. Australia's key export sectors are enduring even more severe price declines than New Zealand's, as Australia is more bound up with China's economy than New Zealand.

There is one looming risk that is not factored into their forecasts – Chinese yuan devaluation. There is currently a rush of Chinese investors seeking to buy overseas assets, selling yuan in the process. In order to maintain the (more-or-less) fixed exchange rate, the Chinese authorities have been forced to buy up these excess yuan. China finances these yuan purchases by selling its foreign exchange reserves. Obviously, China can only continue on this path for as long as its reserves last. One way out of this situation would be for China to devalue the yuan earlier rather than later. This would discourage imports, encourage exports, and could reduce the outflow of capital, all of which would balance supply and demand for yuan. A pre-emptive devaluation is looking like a more realistic possibility every day.

The New Zealand dollar suffered badly from the global stock market crash but managed to recover. Many thought it was heading towards parity with both the Australian and US Dollar, and it went very close. What's next? The dairy auction and business confidence are the highlights. The NZ Dollar fell heavily, against both the US Dollar (20%) and the British Pound (17%), with the fall in the Dairy Milk Price, but with its recovery so has the NZ Dollar started to re-strengthen.

NZ DOLLAR VERSUS US DOLLAR, AUSTRALIAN DOLLAR & TWI
LAST 16-YEARS & WESTPAC'S FORECAST



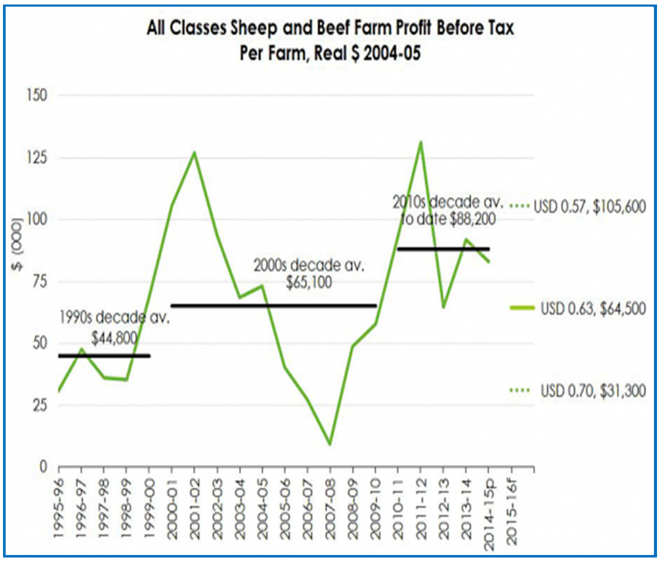
Agribusiness – Looking from the outside in

How serious is the Downturn in the Sheep & Beef Industry?

"The average farm profit before tax for sheep and beef farmers is 21% less than for the 2014-15 season", according to *Beef + Lamb New Zealand economic service chief* economist Andrew Burtt recently. *"High inventories in China and more domestic lamb being available in the United Kingdom, resulting from a lift in UK lamb production and lower UK exports to Europe, depressed NZ frozen lamb export returns this season"*.

"However, increases in wool prices helped offset the decline a little. *B+LNZ had predicted the average farm profit before tax would be about $109,900 for 2015-16. But those predictions were based on better lamb pricing conditions"*, Andrew Burtt said. *"The average farm profit before tax has been adjusted downwards by 25%, to $82,400 per farm, mainly reflecting a drop in sheep revenue. The effect of weak lamb prices was accentuated by an early lamb-processing season so that a large percentage of lamb sales were into a weakening, frozen export market."*

An increase in wool revenue was a small positive. The range of increase a kilogram of greasy wool was forecast to be from 15% for medium wool (698 cents), to 5.2% for fine (963 cents) and strong (428 cents) wools. Overall, sheep revenue dropped 10%, reflecting a decrease in the lamb price and number of lambs sold.



SOURCE: Beef + Lamb NZ Economic Service

In the South Island, the average Marlborough-Canterbury farm profit was expected to fall 51% while Otago/Southland profits were forecast to be 16% less than for 2014-15. Compared with 2013-14, farm profit for these two regions would have reduced by 67% and 40%, respectively. The average North Island farm profit was projected to decrease 12%.

LAMB - AVERAGE FARM-GATE PRICE FORECASTS FOR ALL GRADES

Quarters	Per head	Cents per	Carcase Av Wgt
	$	Kg	Kg
Dec-15	101	557	18.1
Mar-16F	87	492	17.6
Jun-16F	92	519	17.7
Sep-16F	111	566	19.6
2015-16F	**95**	**525**	**18**

The lamb price paid to farmers across the 2015-16 season was forecast to average 525 cents a kilogram carcase weight – or $95 a head, based on an average 18 kilogram carcase.

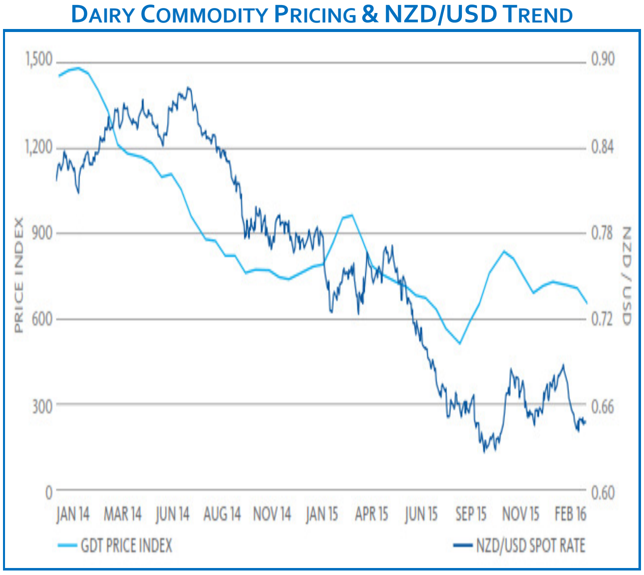
Cattle revenue was forecast to rise 2.1% to $120,400 a farm for 2015-16 on the back of cattle prices remaining relatively high despite a slight decrease on last season and increased stock values. Farm-gate prices were expected to ease by 2.6% – to 499 cents a kilogram carcase weight for steers and heifers and 390 cents for cows – after gaining more than 30% in the previous season. Heavier average carcase weights should partly offset the slight decline in per kilogram pricing.

This season's export cattle production was estimated to decrease 7.3% to 605,000 tonnes carcase weight. That followed record high production, particularly for cows, in 2014-15, driven by high international beef prices and low dairy prices.

After adjusting for inflation, using 2004-05 as the base year, the All Classes Sheep and Beef farm profit before tax per farm for 2015-16 was forecast to be $64,500, which was at the 2000s decade average.

The Dairy Industry

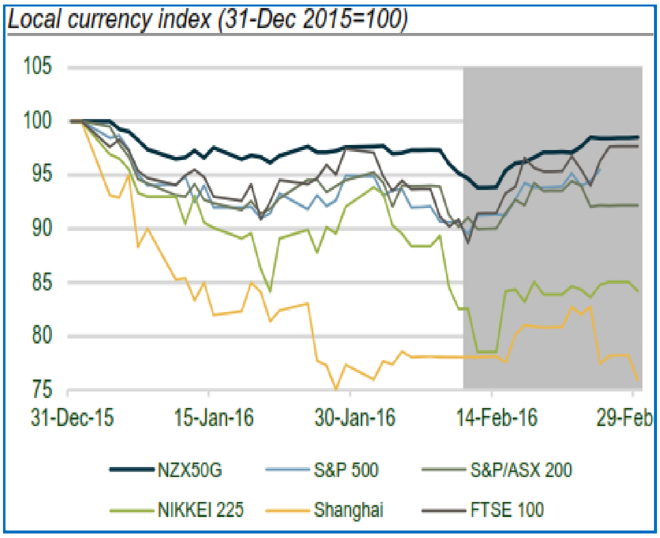
DAIRY COMMODITY PRICING & NZD/USD TREND



New Zealand Equities

Against a backdrop of significant global financial market volatility over the past month, the NZ equity market recorded a sharp rise over the duration of the February reporting season. In particular, the NZX50(G) index has recorded a robust increase of 3.5% since the start of the earnings announcements – although this has followed on from a recent period of global induced weakness.

VOLATILE GLOBAL MARKETS – 2016 TO DATE



SOURCE: IRESS, First NZ Capital

The latest earnings season showed a wider divergence of earnings growth outturns than in recent earnings periods. In particular, of the 32 companies monitored 40% posted double-digit EBIT growth. Nevertheless, at the other end of the spectrum, 34% of the 32 companies reviewed showed a decline in EBIT of more than 3%.

With regards to actual EPS growth relative to our expectations, 34% of companies reporting showed EPS growth above expectations, 41% were in-line, while 25% disappointed. Similarly, using the EBIT metric, around 48% of outcomes were in-line with analyst's expectations, while using NPAT (adjusted) a marginally smaller 47% of companies reported results that were at expectations.

Similar to the previous earnings seasons, one of the more notable features of the February round has been the rise in dividend payments by firms. In particular, of the 32 companies monitored, 63% increased their dividend payment relative to the same period last year. Comparing analysts' pre-reporting season ratings to those post-reporting season for the 32 companies covered indicated a total of four downgrades and only one upgrade.

We assess a generally mixed tone to company outlook statements, with around 30% having a broadly positive tone, approximately 50% largely neutral and with the remaining 20% with a more cautionary or negative tone.

While the majority of companies reiterated earlier earnings guidance and anticipated continued growth, a number of companies noted challenging market conditions - particularly in the dairy sector – together with some signs of a broader softening in activity levels. Moreover, while the domestic construction sector continued to have positive momentum, the outlook for the Australian economy remained mixed.

NZ Equities - Best Buys

Fletcher Building (FBU.NZ)

OUTPERFORM $7.38 Target: $9.36

Based on FBU's expected earnings recovery over the coming years we believe that its current share price offers good value relative to its Australian peers and the broader NZ equity markets. The primary driver of the recovery is NZ house construction (particularly in Auckland) and non-residential construction, which should be supported by government investment on roads. This is expected to more than offset the slowdown in Canterbury's post-quake rebuild. Other positive drivers include a robust Australian detached home building sector (although this has probably peaked), the modest recovery in US non-residential construction sector and further upside from cost out initiatives. The chief concern, is management's ability to execute on all the various earnings levers that contributes to the company's overall profit.

FBU Year to 30 June		2015A	2016F	2017F	2018F
Adjusted Earnings	NZ$m	399	389	485	539
Earnings /share (Adjust)	NZc	58.0	56.3	70.3	78.0
EPS Growth	%	10.1	-2.8	24.7	11.0
Price / Earnings Ratio	x	11.5	11.9	9.5	8.6
Cash Per Share	NZc	87.0	85.2	102	110
Net Div / Share	NZc	37.0	39.0	43.0	46.0
Gross Div Yield	%	6.6	7.0	7.7	8.2

Heartland Bank (HBL.NZ)

OUTPERFORM $1.17 Target: $1.25

In its first half profit announcement management noted solid momentum in the reverse mortgage business in Australia and continuing strong growth in personal and motor vehicle landing. The risk for HBL is its 8% exposure to the dairy sector which we expect to result in higher bad debt charges in FY17 and FY18.

HBL maintains a strong balance sheet but has deferred the decision to issue a $50-75 million of Tier 2 security in order to release excess capital to shareholders. Instead management has indicated they are looking for acquisition opportunities to further diversify their loan book. In line with banks globally HBL's share price has slumped recently. However, we believe HBL's share price should be supported by a forecast 2016 gross dividend yield of 10% which is expected to grow thereafter.

FBU Year to 30 June		2015A	2016F	2017F	2018F
Adjusted Earnings	NZ$m	399	389	485	539
Earnings /share (Adjust)	NZc	58.0	56.3	70.3	78.0
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Gross Div Yield	%	6.6	7.0	7.7	8.2

Pacific Edge Biotechnology (PEB.NZ)

OUTPERFORM $0.48 Target: $0.60

PEB is an investment only for those who are prepared to be patient. This company operates in a negative cash flow environment, with no prospect of paying a dividend within the next three to five years.

PEB has signed a Federal Supply Schedule (FSS) with the US Veterans Administration (VA). This allows PEB to market Cxbladder within the VA system. This is positive news and is one of the key contracts we have been waiting for PEB to secure. The VA has circa 9.1m enrolees for its health-care services, and its Health Care System has 144 Hospitals, 1,211 Outpatient centres, 300 Veteran Centres, and 56 Regional offices.

While getting access is the first step, it still requires PEB to execute its sales strategy and encourage adoption of its products within the VA system. Assessing the size of the possible market is difficult given the age, possible ethnic mix, and environmental factors that may influence bladder cancer incidence in those covered by the VA. We suspect the incidence of new cases of bladder cancer within the VA will be circa 2,000 to 7,000 cases per annum. However, given Cxbladder's functionality, a key value driver will be how often the VA screen for haematuria, or diagnose and monitor bladder cancer at present. As such we look for more information once PEB gets a better understanding of the VA's processes and the various areas it can address once it has talked direct with the clinicians and key decision makers.

Investment case: PEB has developed a suite of molecular diagnostic tests to detect and monitor bladder cancer. It is a leader in this field and is just gaining traction in the key US market. IF PEB can execute and encourage adoption of its offering there should be large operating leverage.

Valuation: Our analyst's valuation range is $0.45 to $1.16 per share based on a range of potential annual tests, sales price and margin. They set their $0.60 target price as they wait to see more evidence of PEB's commercial success and key financial metrics.

PEB Year to 31 March		2015A	2016F	2017F	2018F
Adjusted Earnings	NZ$m	-11.2	-11.5	-10.9	-2.3
Earnings /share (Adjust)	NZc	-3.5	-3.1	-2.9	-0.6
EPS Growth	%	12.8	-12.8	-5.9	-78.5
Price / Earnings Ratio	x	-14.1	-16.1	-17.1	-79.8
Cash Per Share	NZc	-3.4	-3.0	-2.8	-0.5
Net Div / Share	NZc	0	0	0	0

Source: Company data; NZX; First NZ Capital Estimates

Orion Health Group (OHE)

OUTPERFORM $3.11 Target: $4.75

OHE has signed an agreement with Cognizant (NASDQ CTSH) to deploy OHE's open data platform Amadeus and be OHE's preferred systems integrator partner in the US. Cognizant currently is one of the leading providers in the US to Payers (Health Insurers) for their claims administration and management systems.

This should be positive development given: (1) it is a strong endorsement of OHE's platform and its platform as a service offering; (2) It gives OHE access and a presence in the US payer market far greater than it could do by itself; (3) It potentially gives OHE scale; (4) OHE will receive a fee per member Cognizant put on the platform and it is usual for these agreements to have minimum amounts and early targets. It is possible this agreement could deliver US$20m to US$30m of revenue to OHE within a few years. However, unlike a deal direct with a US payer with a clear number of records that OHE may service and we can assess the earnings uplift on, we have to wait for Cognizant to show it can execute and then see evidence of revenue growth in OHE. This announcement fits with our medium-term expectation for US revenue and earnings growth and is the type of big US contract we have been waiting for OHE to secure and that further validates its solutions in the US market.

Investment case: OHE offers investors the opportunity to invest in the growing market for Population Health Management (PHM) solutions. At ~$2.80 the market is assuming OHE can grow EBITDA to ~$100m by year 10 of our analyst's DCF, which they believe is relatively undemanding given the large markets and scale of opportunity OHE has. They retain their $4.75 target price based on their DCF scenario modelling. OHE will next update the market at is FY16 result release in May.

OHE Year to 31 March		2015A	2016F	2017F	2018F
Adjusted Earnings	NZ$m	-60.8	-32.9	-25.2	-8.4
Earnings /share (Adjust)	NZc	-38.3	-20.7	-15.8	-5.3
EPS Growth	%		-45.9	-23.4	-66.6
Price / Earnings Ratio	x	-7.5	-13.9	-18.1	-54.3
Cash Per Share	NZc	-35.7	-17.5	-12.6	-2.0
Net Div / Share	NZc	0	0	0	0

Source: Company data; NZX; First NZ Capital Estimates

Wynyard Group (WYN)

OUTPERFORM $1.03 Target: $4.75

Wynyard Group is a market leader in high consequence crime fighting and security software, used by law enforcement and national security agencies, critical infrastructure operations and major corporations. Wynyard Advanced Crime Analytics (ACA) is a powerful investigative analytics solution essential for intelligence and investigations teams in law enforcement and government agencies to prevent and solve crime faster by rapidly revealing actionable intelligence hidden in data. Deployed at organisations around the world, Wynyard ACA is powerful in preventing and solving a wide range of crimes including: Organised Crime, Transnational Crime, Violent Crime, Trafficking, New Generation Extremism and Gun Crime.

WYN expects to raise approximately $30m to service the company's working capital needs. It is working with FNZC, and eligible shareholders will be entitled to subscribe for one new share for every four existing shares held on record date at issue price of $0.85.

WYN has previously missed revenue forecasts, and its botched capital raising has once again spooked the market. That said, this company has excellent intellectual property, and once it sorts its management issues it has the potential to be a “five bagger”. This is a stock for those with a speculative bent – buy now while it is cheap.

WYNARD GROUP 2-YEAR GRAPH

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

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Email: graham.nelson@fnzc.co.nz

Xero (XRO)

OUTPERFORM $15.05 Target: $20.50

Following a few volatile months XRO's share price has settled around the $15 mark. We believe XRO’s share price primarily reflects our analyst’s $13.60 valuation of its NZ, Australian and UK business. Hence, the North American option value to shareholders appears to be just $1.60 despite the value proposition having derisked in the last year with growth becoming somewhat more predictable. The uncertainty is centred on XRO’s ability to replicate its Australasian success in North America after a slower than expected start. With two very large competitors, Intuit and Sage, XRO is relying on a refreshed US management team, product development and direct channel strategies to achieve a sustainable following. Therefore customer trajectory is likely to be the key driver of XRO’s share price which should be evident when it reports to shareholders in May 2016, post the US selling season.

Here is another stock that is not suited to the risk averse. However for those with patience the hard yards look to have been done, and XRO has the potential to once again double in value.

XRO Year to 31 March		2015A	2016F	2017F	2018F
Revenue	NZ$m	124	210	316	440
EBITDA	NZ$m	-59	-59	-25	1
NPAT	NZ$m	-70	-80	-59	-38
Net Div / Share	NZc	0	0	0	0

Source: Company data; NZX; First NZ Capital Estimates

XERO 2-YEAR GRAPH

Be prepared for a rough ride!

FNZC's New Zealand Income Portfolio

OBJECTIVE: To provide direct investment in lower risk, high yielding New Zealand equity securities, maximising stock and sector diversification. Performance is measured relative to the S&PNZX50 Index Gross with Imputation.

	Core	Core Plus	Diversified
Argosy Property	5.0%	5.0%	10.0%
Contact Energy	17.5%	15.0%	15.0%
Ebos Group	7.5%	7.5%	7.5%
Fletcher Building	17.5%	15.0%	10.0%
Freightways	12.5%	12.5%	10.0%
Genesis Energy		5.0%	5.0%
Goodman Property Trust	15.0%	15.0%	10.0%
Heartland		10.0%	10.0%
Infratil			5.0%
Metro Performance Glass		7.5%	7.5%
Nuplex Industries			5.0%
Spark	15.0%		
Z Energy	10.0%	7.5%	5.0%
	100.0%	100.0%	100.0%

Note: The Core portfolio is not adequately diversified to be used as a stand-alone portfolio.

	Price ($)	PE Ratios (x)		Div Yield %*		Gross Returns%		
		Pros	Pros +1	Pros	Pros +1	1-Year	3-Year pa	5-Year pa
Argosy Property	1.14	18.3	18.4	7.8	8.0	6.6	12.4	15.2
Contact Energy	4.48	19.8	17.2	7.1	7.7	-9.2	5.5	2.9
Ebos Group	15.62	20.6	18.5	3.6	4.0	56.4	28.8	22.6
Fletcher Building	7.15	12.5	10.0	6.6	7.3	-12.1	-2.7	1.0
Freightways	6.00	17.8	16.8	6.0	6.9	-0.6	15.7	17.9
Genesis Energy	1.95	22.5	24.7	11.5	12.4	-3.0	n/a	n/a
Goodman Property Trust	1.26	16.6	16.4	7.9	8.0	12.1	12.1	12.0
Heartland	1.14	10.9	10.6	9.8	10.4	-7.2	23.9	12.6
Infratil	3.11	29.3	25.9	6.2	6.9	7.7	17.8	16.2
Metro Performance Glass	1.53	13.3	10.8	7.9	9.7	-8.9	n/a	n/a
Nuplex Industries	5.04	13.7	11.8	5.5	5.9	64.4	18.9	12.9
Spark	3.44	18.5	17.5	9.9	9.3	13.7	19.7	22.8
Z Energy	6.27	32.3	17.7	5.3	6.3	39.3	n/a	n/a
*** Price is as at 29-Feb-16**	**Dividend yields are gross**							**Source: FNZC**

	Gross Returns %			Div Yield
	1-Yr	3-Yr pa	5-Yr pa	%
Core	9.2	21.8	18.6	7
Core Plus	5.1	19.5	17.1	7.2
Diversified	7.5	20.2	17.9	7.2
Benchmark	7.4	14.4	14.6	6.5
***Dividend yields are 12-months prospective & gross of tax**				

Comment: In February, the benchmark S&P/NZX50 Index Gross with Imputation gained 1.0%. All three portfolios underperformed the benchmark with the Core, Core Plus and Diversified portfolios returning 0.5%, -0.5% and 0.7%, respectively. The best performing stock in the Index was Auckland Airport which contributed 0.7% to the Index's monthly return, while the worst performer was Z Energy which subtracted 0.3% from the Index's return.

The best performing stocks in the portfolios during February were: Nuplex Industries (NPX +21.4%) after it received a non-binding, conditional takeover offer from Allnex Belgium, a global coating resins producer, for $5.55 per share (a 44% premium at the time); Ebos Group's (EBO +16.0%) share price rerated sharply following a stronger than expected 1H16 profit reflecting strong revenue and margin growth; and Fletcher Building (FBU +3.8%) which reported an underlying 1H16 EBIT of $278 million. Importantly management reiterated 2016 EBIT guidance of $650-690 million which reduces the risk of a FY16 downgrade.

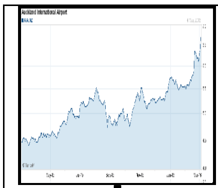
The worst performing stocks in February were: Heartland's (HBL -8.1%) share price fall seems to be influenced to the sharp decline in bank stocks globally. HBL's 1H16 profit result featured solid momentum in the reverse mortgage business in Australia, growth in personal lending and strong motor vehicle lending; Z Energy's (ZEL -6.7%) share price fall mirrored that of NZ Refining which weakened on lower refining margins; and Metro Performance Glass (MPG -6.1%) fell on the back of comments by Fletcher Building the windows and doors joint venture with NALCO could possibly source glass directly thereby creating competition for MPL.

STOCKS TO WATCH

NEW ZEALAND

Prices as at 4th March 2016

NOTE: THESE ARE ALL ONE YR GRAPHS



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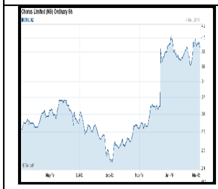
Auckland International Airport

AIA lifted & tightened its guidance for the full year to be between $200m and $206m, which would deliver an increase in underlying EPS of between 13.4% & 16.8%. The company commented that they have continued to see growth across all aspects of their business underpinned by new routes, new airlines and increased passenger numbers.

20016 P/E: 36.6 2017 P/E: 31.8

NZX Code:	**AIA**
Share Price:	**$6.72**
12mth Target:	**$4.60**
Projected return (%)	
Capital gain	-31.56%
Dividend yield (Net)	2.7%
Total return	**-28.9%**
Rating:	**UNDERPERFORM**
52-week price range:4.40-5.75	



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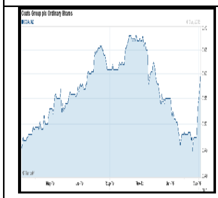
Chorus

CNU reported that ongoing growth in broadband demand and associated increases in bandwidth consumption continued to provide confidence in the outlook for fixed line networks. It received a mostly positive decision regarding the Commerce Commission's determination for copper telephone network pricing through to 2020. CNU has decided not to appeal the decision not to back date, and consequently profits are expected to be more stable and predictable going forward. Good cost control and well controlled capital expenditure will enable CNU to reintroduce dividend payments - expecting modest dividend growth from 20 cps in 2016.

20016 P/E: 13.9 2017 P/E: 11.2

NZX Code:	**CNU**
Share Price:	**$3.87**
12mth Target:	**$4.10**
Projected return (%)	
Capital gain	5.9%
Dividend yield (Net)	5.1%
Total return	**11.0%**
Rating:	**NEUTRAL**
52-week price range: 2.45-4.03	



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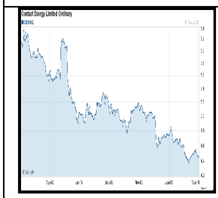
Coats Group Plc

COA's FY15 result was slightly ahead of expectations operationally as a strong 2H performance from Crafts and Industrial weathering the global volatility better than expected with underlying growth in both Apparel and Footwear and Specialty. Operating EBITDA rose 7.6% to US$183.0m and COA said to expect modest growth in operating profit in FY16. Not knowing the amount for COA to resolve its pension obligations makes assessing value difficult. If COA can settle with the scheme Trustees then this would at least provide clarity and a basis for COA to potentially start paying dividends. COA will delist from the NZX on Friday 24th June 2016.

20016 P/E: 10.6 2017 P/E: 9.9

NZX Code:	**COA**
Share Price:	**$0.60**
12mth Target:	**$0.60**
Projected return (%)	
Capital gain	0.0%
Dividend yield (Net)	0.0%
Total return	**0.0%**
Rating:	**NEUTRAL**
52-week price range: 0.45-0.69	



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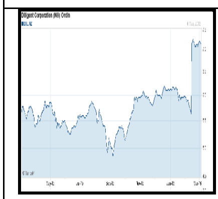
Contact Energy

CEN is fundamentally cheap relative to comparable NZ electricity companies as well as the broader NZ equity market. Despite an earnings downgrade which appears more than factored into the price, CEN is forecast to produce strong cash flows over the medium term. This will be driven by a revamped retail electricity division, and continued cost reduction driven by the Otahuhu B power station shutdown and benefit from recent geothermal electricity generation capital expenditure. CEN is set to continue its $100m share buyback in 2016 with more expected in 2017.

20016 P/E: 19.6 2017 P/E: 17.0

NZX Code:	**CEN**
Share Price:	**$4.47**
12mth Target:	**$6.25**
Projected return (%)	
Capital gain	39.8%
Dividend yield (Net)	5.8%
Total return	**45.6%**
Rating:	**OUTPERFORM**
52-week price range: 4.35-6.39	



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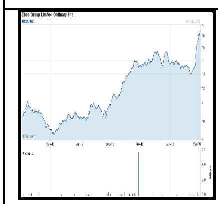
Diligent

On February 12, management entered into a definitive agreement and plan of merger by Insight Venture Management. Those who invested into Diligent are likely to be well rewarded, but it is such a shame to see another New Zealand Start-up company likely to be gobbled up, and taken offshore.

2016 P/E: 38.0 2017P/E: 26.4

NZX Code:	**DIL**
Share Price:	**$7.11**
12mth Target:	**$7.53**
Projected return (%)	
Capital gain	7.0%
Dividend yield (Net)	0.0%
Total return	**7.0%**
Rating:	**NEUTRAL**
52-week price range: 4.82-7.24	



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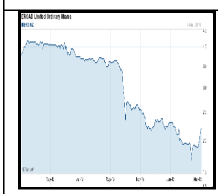
Ebos Group

EBO was FNZC's best performing portfolio stock (in its Australasian Equities Portfolio) during February. EBO share price was up 16% share price following a stronger than expected 1H16 profit reflecting strong revenue and margin growth. Ebos supplies and distributes medical consumable products and equipment to the hospital and primary care sectors in NZ and Australia (representing 78% and 22% of group revenue respectively). EBO also distributes animal care products which represent around 19% of earnings.

2016 P/E: 20.5 2017 P/E: 18.5

NZX Code:	**EBO**
Share Price:	**$16.45**
12mth Target:	**$14.45**
Projected return (%)	
Capital gain	-12.1%
Dividend yield (Net)	3.6%
Total return	**-8.5%**
Rating:	**NEUTRAL**
52-week price range:9.26-16.75	



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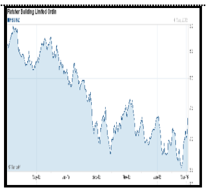
EROAD

ERD provided a market update after a difficult 2015. For the bears, ERD noted it will not meet its FY16 North American TCU target, primarily due to its indirect sales developments being behind its original expectations. However, the commentary was positive and ERD is making progress on its indirect sales channels with pilots underway with prospective partners. The ANZ operation continues to perform well. The net result is minor forecast changes with little impact to our DCF valuation.

2016 P/E: N/A 2017 P/E: 30.0

NZX Code:	**ERD**
Share Price:	**$2.30**
12mth Target:	**$2.70**
Projected return (%)	
Capital gain	17.4%
Dividend yield (Net)	0%
Total return	**17.4%**
Rating:	**OUTPERFORM**
52-week price range: 1.75-4.18	



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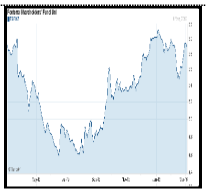
Fletcher Building

FBU noted that strong market conditions in the NZ construction industry are expected to persist through the 2016 financial year, with ongoing demand for new housing particularly in the Auckland region. In Australia the outlook remains more mixed, with residential construction activity remaining strong, but may slow.

2016 P/E: 11.9 2017 P/E: 9.5

NZX Code:	**FBU**
Share Price:	**$7.38**
12mth Target:	**$9.36**
Projected return (%)	
Capital gain	26.8%
Dividend yield (Net)	5.7%
Total return	**32.5%**
Rating:	**OUTPERFORM**
52-week price range: 6.56-9.01	



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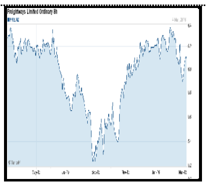
Fonterra Shareholder Fund

Fonterra progresses through its turnaround programme which consists of exiting non-core investments, reducing gearing, improving working capital and further cost reduction. This should result in significant cash flow generation for Fonterra. The FSF units are exhibiting strong earnings momentum which is a reflection of expected improved stream returns driven by a second low milk pay-out year which reduces Fonterra's raw material (milk) cost. Execution risk remains a concern based on management's track record and lack of transparency.

2016 P/E: 11.8 2017 P/E: 12.0

NZX Code:	**FSF**
Share Price:	**$5.87**
12mth Target:	**$6.12**
Projected return (%)	
Capital gain	4.2%
Dividend yield (Net)	6.6%
Total return	**10.8%**
Rating:	**NEUTRAL**
52-week price range: 4.58-6.12	



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Freightways

FRE management outlook comments suggested weakening activity levels with fallout from the dairy sector possibly impacting what has in recent periods been a supportive macro environment.

2016 P/E: 15.6 2017 P/E: 14.5

NZX Code:	**FRE**
Share Price:	**$6.10**
12mth Target:	**$6.20**
Projected return (%)	
Capital gain	1.6%
Dividend yield (Net)	5.7%
Total return	**7.3%**
Rating:	**NEUTRAL**
52-week price range: 5.20-6.40	

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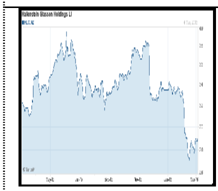
Genesis Energy

Management maintained its guidance to expect a similar FY16 EBITDAF to FY15's $345m. Management commented that the operating environment remained one of intense retail competition, together with one of variable wholesale market conditions.

2016 P/E: 19.8 2017 P/E: 19.9

NZX Code:	**GNE**
Share Price:	**$2.02**
12mth Target:	**$1.70**
Projected return (%)	
Capital gain	-15.8%
Dividend yield (Net)	8.7%
Total return	**-7.1%**
Rating:	**NEUTRAL**
52-week price range: 1.64-2.28	



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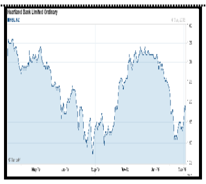
Hallenstein Glasson

HLG warns its half-year net profit after tax will probably be down 20% on the same period last year, due to increased competition and currency headwinds. Group sales for the 6 months to February were $112.4m, an increase of 1.3% over pcp. Sales in December – its key trading month – increased 2% over last year, but gross margin for the period is about 4% below the same period last year.

2016 P/E: 11.7 2017 P/E: 11.5

NZX Code:	**HLG**
Share Price:	**$2.85**
12mth Target:	**$4.10**
Projected return (%)	
Capital gain	43.8%
Dividend yield (Net)	8.9%
Total return	**52.7%**
Rating:	**OUTPERFORM**
52-week price range: 2.70-3.95	



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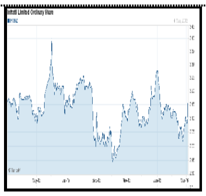
Heartland Bank

Management reaffirmed guidance for its NPAT for the year to 30 June 2016 to be between $51.0m and $55.0m. HBL expects underlying asset growth to continue for the second half of the financial year, with strong household, business and rural volumes projected. HBL remains cautious regarding market conditions for dairying.

2016 P/E: 10.5 2017 P/E: 9.7

NZX Code:	**HNZ**
Share Price:	**$1.17**
12mth Target:	**$1.38**
Projected return (%)	
Capital gain	17.9%
Dividend yield (Net)	7.4%
Total return	**25.3%**
Rating:	**OUTPERFORM**
52-week price range: 1.06-1.36	



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Infratil NZ

Expect 2016 to be a year of portfolio re-building. It seems possible that IFT could realise gains from it's long-standing TPW exposure this year, with a mooted demerger of TPW into two listed vehicles: a wind-focussed "NewCo" entity, and its traditional retail and hydro activities in the remainder "Core" entity. Our first thought is that this presents IFT an opportunity to realise gains by selling down TPW Core, whilst NewCo would be an ideal vehicle to further invest into new renewables.

2015 P/E: 18.3 2017 P/E: 13.9

NZX Code:	**IFT**
Share Price:	**$3.20**
12mth Target:	**$3.37**
Projected return (%)	
Capital gain	5.3%
Dividend yield (Net)	4.4%
Total return	**9.7%**
Rating:	**NEUTRAL**
52-week price range: 2.93-3.41	

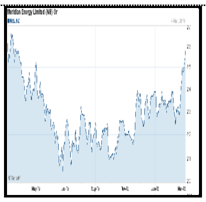
↑

Mainfreight

Weaker-than-expected domestic transport growth and an elevated cost structure have combined to deliver a disappointing 1H16 result and a reminder that the task of aligning operating cost investment to revenue growth can be complex for a growth company. Despite being aware of MFT's increased investment in headcount and reduced utilisation from new facilities, we were surprised by the scale of margin decline in NZ, Australia and The Americas. However, improved cost control and underlying growth in NZ freight volumes can deliver a recovery in performance.

2016 P/E: 15.7 2017P/E: 13.8

NZX Code:	**MFT**
Share Price:	**$15.00**
12mth Target:	**$17.50**
Projected return (%)	
Capital gain	16.6%
Dividend yield (Net)	2.5%
Total return	**20.1%**
Rating:	**OUTPERFORM**
52-week price range:14.04-16.25	



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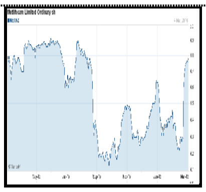
Meridian Energy

No specific earnings guidance given, although they noted that they expect the Electricity Authourity to signal a proposed final TPM decision by 31 March 2016. Management commented that there had been modest demand growth in the last six months with an improved performance underpinned by an increase in NZ retail sales, with both higher corporate, industrial (up 4%), residential and small business volumes (up 6%).

2016 P/E: 25.1 2017 P/E: 23.8

NZX Code:	**MEL**
Share Price:	**$2.58**
12mth Target:	**$2.28**
Projected return (%)	
Capital gain	-11.6%
Dividend yield (Net)	7.3%
Total return	**-4.3%**
Rating: NEUTRAL	
52-week price range: 2.04-2.67	



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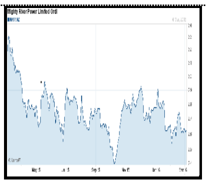
Metlifecare

Management gave underlying profit guidance for FY16 of $62m- $64m, compared with $52.4m for FY15. MET noted strong growth in key profit metrics being driven by the lift in list prices of resale units across the portfolio and increases in new sales of occupation right agreements. IFT also holds a non-controlling 20% in MET, which over the coming years IFT may wish to increase, with its management focus on increasing investment in the retirement sector. This is seen as a positive for MET.

2016 P/E: 16.6 2017 P/E15.5

NZX Code:	**MET**
Share Price:	**$4.78**
12mth Target:	**$5.05**
Projected return (%)	
Capital gain	5.6%
Dividend yield (Net)	1.2%
Total return	**6.8%**
Rating: OUTPERFORM	
52-week price range: 4.10-4.92	



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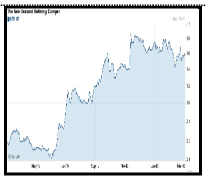
Mighty River Power

Management lowered its FY16 EBITDAF guidance by $10m-NZ$15m to $480m-$500m on below-average anticipated hydro output. MRP noted that pricing and competitive pressures in the electricity sector remained intense, with national electricity demand rising by 1.4% on the prior period.

2016 P/E: 19.2 2017 P/E: 18.1

NZX Code:	**MRP**
Share Price:	**$2.63**
12mth Target:	**$2.98**
Projected return (%)	
Capital gain	11.2%
Dividend yield (Net)	6.8%
Total return	**18.0%**
Rating: NEUTRAL	
52-week price range: 2.38-3.31	



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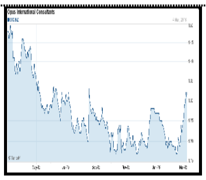
NZ Refining

NZR reported that the sharp performance turnaround from FY14 has largely reflected the significant improvement in the global refining margin, together with the impact of a weakening NZD/USD. Management are planning for a large preventative maintenance shut in FY18, requiring sustaining capital spend between $120m and $150m.

2016 P/E: 8.5 2017 P/E: 11.8

NZX Code:	**NZR**
Share Price:	**$3.58**
12mth Target:	**$3.55**
Projected return (%)	
Capital gain	-0.8%
Dividend yield (Net)	7.3%
Total return	**6.5%**
Rating: NEUTRAL	
52-week price range: 2.38-3.89	



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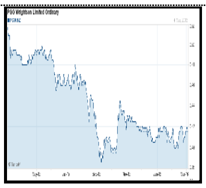
Opus International Consultants

Management noted that they were well advanced on a new corporate strategy to reposition the business for the future, including planned increases in infrastructure spending. It suggested that it was currently a "*challenging environment*", with market conditions "*tight*" in NZ and competitive pricing across all sectors. In addition, the performance of the Australian business had been sharply impacted by the resource sector decline, although more recently business sector activity was showing some signs of improvement.

2016 P/E: 6.8 2017 P/E: 6.2

NZX Code:	**OIC**
Share Price:	**$1.32**
12mth Target:	**$1.95**
Projected return (%)	
Capital gain	47.7%
Dividend yield (Net)	6.8%
Total return	**54.5%**
Rating: OUTPERFORM	
52-week price range: 1.16-1.51	



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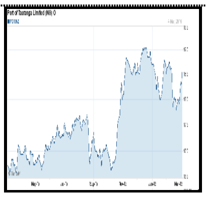
PGG Wrightson

Management noted that the balance of risks were towards the lower end of its $61m-$67m FY16F EBITDA range due to the potential for further dairy weakness. PGW said that while sentiment in the dairy and sheep meat sectors had deteriorated, there was strong confidence in the horticultural based sectors.

2016 P/E: 8.9 2017 P/E: 8.3

NZX Code:	**PGW**
Share Price:	**$0.42**
12mth Target:	**$0.50**
Projected return (%)	
Capital gain	19.0%
Dividend yield (Net)	8.8%
Total return	**27.8%**
Rating: NEUTRAL	
52-week price range: 0.38-0.51	



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Port of Tauranga

The company reaffirmed it's fully year earnings guidance to be in line with last year's underlying after tax profit of $79.0m. Management commented that while a recovery in log volumes is expected in 2H16, the short-term outlook for other sectors including dairy look less certain. Dedging is well underway to enable the new breed of super container ships. Continue to own this stock.

2016 P/E: 30.8 2017 P/E: 28.1

NZX Code:	**POT**
Share Price:	**$18.55**
12mth Target:	**$17.70**
Projected return (%)	
Capital gain	-4.6%
Dividend yield (Net)	3.0%
Total return	**-1.6%**
Rating: NEUTRAL	
52-week price range: 16.60-19.10	

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Ryman Healthcare

RYM is well positioned to benefit from its highly attractive business model, compelling demographic tailwinds and best-of-breed management / operations / assets. Our neutral rating is based on a relatively full valuation balanced against the potential for substantial long-term growth in both assets and earnings. We also see further optionality from RYM's foray into Australia. However, this needs to be weighed against how much future value is currently being priced into the stock.

2016 P/E: 22.7 2017 P/E: 20.1

NZX Code:	**RYM**
Share Price:	**$8.19**
12mth Target:	**$8.25**
Projected return (%)	
Capital gain	0.7%
Dividend yield (Net)	1.9%
Total return	**2.6%**
Rating: NEUTRAL	
52-week price range: 7.05-8.66	

Sky City Entertainment

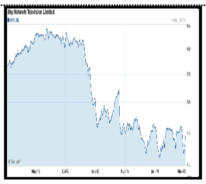
SKC noted continued momentum in the Auckland economy supported by record low interest rates, record high net migration and strong tourist inflows supporting discretionary spending levels. SKC Auckland delivered another period of above-trend growth, with Local Table revenue increasing 13.5% and Hotels & Conventions revenue up 10.1%. SKC's medium-term risk profile is elevated due to significant uncertainty around the earnings leverage that will be generated from both the NZICC and Adelaide redevelopment projects.

2016P/E: 16.3 2017 P/E: 14.8

NZX Code:	**SKC**
Share Price:	**$4.54**
12mth Target:	**$4.00**
Projected return (%)	
Capital gain	-11.8%
Dividend yield (Net)	4.7%
Total return	**-7.2%**

Rating: UNDERPERFORM

52-week price range: 3.72-4.75



Sky Network Television

SKT management guided to the lower half of their October 2015 guidance range (EBITDA $335m-$340m vs $335m-$345m previously). SKT noted that a period of rapid change and considerable competition has placed some pressure on their financial performance. There is a high degree of uncertainty on the outlook and potential for earnings to fall further.

2016P/E: 11.2 2017 P/E: 11.6

NZX Code:	**SKT**
Share Price:	**$4.45**
12mth Target:	**$4.63**
Projected return (%)	
Capital gain	13.3%
Dividend yield (Net)	6.7%
Total return	**18.9%**

Rating: NEUTRAL

52-week price range: 4.11-6.46

Spark NZ

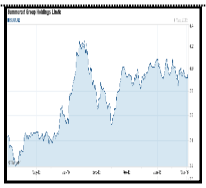
For FY16 management continues to expect to pay annual dividends of 22 cents per share and special dividends of 3 cents per share. SPK commented that they are operating in an environment where demand for digital services and data are increasing exponentially and where markets are rapidly evolving. While the stock may find support on yield, the risks are competitive intensity, and execution on cost/investment.

2016 P/E: 17.3 2017 P/E: 16.4

NZX Code:	**SPK**
Share Price:	**$3.53**
12mth Target:	**$2.88**
Projected return (%)	
Capital gain	-18.4%
Dividend yield (Net)	7.6%
Total return	**-10.8**

Rating: UNDERPERFORM

52-week price range: 2.64-3.56



Summerset Group Holdings

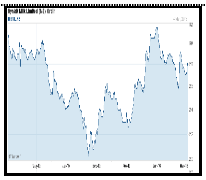
No guidance for the FY16 underlying profit was provided, although management did reiterate build rate guidance of "400 retirement units in 2016 and beyond". SUM commented that they continue to benefit from strong sales across its nationwide network of villages, together with an increase in resales of occupation rights.

2016 P/E: 18.1 2017 P/E: 14.7

NZX Code:	**SUM**
Share Price:	**$3.97**
12mth Target:	**$4.40**
Projected return (%)	
Capital gain	10.4%
Dividend yield (Net)	1.8%
Total return	**12.2%**

Rating: NEUTRAL

52-week price range: 3.20-4.28



Synlait Milk

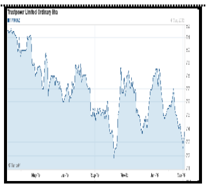
With SML's $500m build phase completing, focus will shift to its execution of a strategy focused on building sales of nutritionals to deliver a growing and more stable earnings profile. SML's efforts over the last five years have been remarkable with it financing a significant build phase, building milk collection over 60m kgMS and developing relationships and sales with target Tier 1 customers and a range of smaller players. SML is well positioned, but there remains a lot of work to do. Signs of positive nutritionals sales volumes in FY16 are encouraging and will bring further capex (wet-mix capacity; canning extension) into focus.

2016 P/E: 15.5 2017 P/E: 13.4

NZX Code:	**SML**
Share Price:	**$2.81**
12mth Target:	**$3.19**
Projected return (%)	
Capital gain	12.5%
Dividend yield (Net)	0%
Total return	**12.5%**

Rating: NEUTRAL

52-week price range: 2.04-3.16



Trustpower

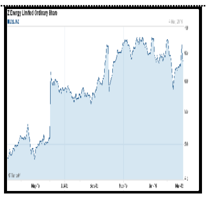
TPW's New Zealand prospects look robust, with its successful rollout of a unique service bundle whilst maintaining market-leading margins. In Australia, TPW's Australian wind expansion ambitions remain strong and 2015 legislation enshrined a reduced but still investment-worthy 33TWh RET target. There are signs that the Australian PPA and "green" credit markets may be returning to levels that could justify new wind investment. Recent moves to demerge the "growth" (NewCo) part of the business from the "defensive core" (TPWCore) part should see some value uplift - i.e. we view the parts as being more attractive to perspective investors.

2016 P/E: 20.9 2017 P/E: 19.7

NZX Code:	**SML**
Share Price:	**$7.40**
12mth Target:	**$7.77**
Projected return (%)	
Capital gain	5.0%
Dividend yield (Net)	5.5%
Total return	**10.5%**

Rating: NEUTRAL

52-week price range: 7.19-8.17



Z Energy

ZEL markets petroleum products. The company offers petrol (37% revenue), diesel (36% revenue), jet fuel (13% revenue) and other products such as LPG, bitumen and lubricants (14% revenue). ZEL serves airlines, trucking companies, mines, shipping companies and vehicle fleet operators through an extensive distribution network throughout New Zealand. ZEL has guided towards an earnings range of $245-$265 m for the 2016 financial year.

2016P/E: 15.7 2017 P/E: 17.9

NZX Code:	**ZEL**
Share Price:	**$6.37**
12mth Target:	**$6.90**
Projected return (%)	
Capital gain	8.3%
Dividend yield (Net)	4.4%
Total return	**12.7%**

Rating: NEUTRAL

52-week price range: 4.73-7.00

"Know what you own, and know why you own it."

Peter Lynch

NZ LISTED COMPANIES 29th February 2016 Source: First NZ Capital, CSFB	Ticker	Mrkt Cap (NZ$)	Price 29/02/2016 (NZ$)	Target Price (NZ$)	Price Earnings (x)		Gross Yield (%)	
					FY15	FY16	FY15	FY16
OIL & GAS & CONSUMABLE FUELS								
The New Zealand Refining Company	NZR	1,100	3.52	3.55	8.5	11.8	10.1%	10.0%
Z Energy	ZEL	2,520	6.30	6.40	30.8	16.9	5.5%	6.6%
INDUSTRIALS								
Capital Goods								
Fletcher Building	FBU	4,910	7.03	R	15.2	13.5	0.1	0.1
Opus International Consultants	OIC	189	1.25	1.80	8.0	7.3	10.0%	10.6%
Methven	MVN	86	1.18	1.35	10.7	9.3	10.6%	11.8%
Metro Performance Glass	MPG	279	1.51	2.20	12.8	10.4	8.1%	10.0%
Steel & Tube Holdings	STU	210	2.32	2.60	10.2	9.1	11.4%	11.7%
Agriculture								
Fonterra Shareholders' Fund	FSF	606	5.83	6.12	11.9	10.5	6.3%	6.7%
PGG Wrightson	PGW	309	0.41	0.50	9.4	8.9	11.9%	11.9%
Scales Corporation	SCL	328	2.35	2.90	10.6	9.4	7.7%	8.9%
Airlines								
Air New Zealand	AIR	3,075	2.74	2.85	4.8	5.2	9.6%	10.4%
Transportation								
Freightways	FRE	916	5.92	6.05	17.3	16.3	6.2%	7.2%
Mainfreight	MFT	1,441	14.47	17.50	16.6	14.2	3.5%	4.0%
Airwork Holdings	AWK	209	4.15	4.30	9.1	8.5	6.0%	7.4%
Transport Infrastructure								
Auckland International Airport	AIA	7,383	6.20	4.60	35.8	31.1	3.8%	4.0%
Port of Tauranga	POT	2,441	17.93	17.70	30.7	27.9	4.2%	4.4%
Infratil	IFT	1,729	3.08	3.37	29.1	25.7	6.2%	6.9%
CONSUMER DISCRETIONARY								
Hotels, Restaurants & Leisure								
Sky City Entertainment Group	SKC	2,675	4.51	4.00	16.8	15.3	4.8%	5.7%
Restaurant Brands New Zealand	RBD	408	4.17	3.83	16.2	14.6	7.1%	7.9%
Media								
Sky Network Television	SKT	1,755	4.51	4.63	11.2	11.6	9.2%	9.2%
Retailing								
The Warehouse Group	WHS	936	2.70	2.40	16.5	15.6	7.7%	8.2%
Briscoe Group	BGR	633	2.91	3.05	15.3	14.6	7.0%	7.3%
Hallenstein Glasson Holdings	HLG	166	2.80	4.10	9.4	9.2	14.8%	15.1%
Kathmandu Holdings	KMD	308	1.53	1.90	11.7	10.1	6.8%	7.9%
Michael Hill International	MHI	383	1.00	1.40	10.7	9.8	6.5%	7.2%
CONSUMER STAPLES								
The a2 Milk Company	ATM	1,251	1.73	1.67	39.4	20.2	0.0%	0.0%
Delegat's Group	DGL	600	5.93	5.80	16.5	14.1	2.8%	3.0%
Sanford	SAN	590	6.30	5.45	15.8	14.3	5.3%	5.7%
Synlait Milk	SML	402	2.75	3.19	14.5	12.6	0.0%	0.0%
HEALTH & AGED CARE								
Ebos Group	EBO	2,315	15.30	12.00	19.6	17.7	3.8%	4.2%
Fisher & Paykel Healthcare Corporati	FPH	4,955	8.79	8.60	35.3	28.9	3.0%	3.4%
Pacific Edge Biotechnology	PEB	151	0.40	0.60	-13.0	-13.8	0.0%	0.0%
Ryman Healthcare	RYM	4,005	8.01	8.25	26.4	22.5	1.9%	2.2%
Summerset Group Holdings	SUM	866	3.93	4.40	17.8	14.4	1.7%	2.6%
Metlifecare	MET	1,007	4.73	5.45	15.9	14.8	1.0%	1.1%
Orion Health Group	OHE	459	2.87	4.75	-13.9	-18.1	0.0%	0.0%
AFT Pharmaceuticals	AFT	237	2.45	3.25	-27.3	-44.3	0.0%	0.0%
FINANCIAL								
Diversified Financials								
NZX	NZX	268	1.00	1.05	21.8	15.9	8.3%	8.3%
Coats Group Plc	COA	718	0.51	0.60	11.4	10.7	0.0%	0.0%
Hellaby Holdings	HBY	264	2.75	3.72	11.2	10.2	9.3%	10.2%
Heartland Bank	HBL	535	1.13	1.25	10.3	10.0	10.4%	11.1%
Property								
Argosy Property	ARG	919	1.14	1.14	18.2	18.3	7.9%	8.1%
Augusta Capital	AUG	84	0.97	1.04	13.3	16.3	7.8%	7.9%
Goodman Property Trust	GMT	1,585	1.25	1.18	16.5	16.4	8.0%	8.0%
Kiwi Property Group	KPG	1,755	1.38	1.35	21.0	19.0	7.2%	7.4%
NPT	NPT	102	0.63	0.66	16.8	16.1	8.3%	8.5%
Precinct Properties New Zealand	PCT	1,484	1.23	1.15	20.5	20.1	6.6%	6.6%
Property For Industry	PFI	721	1.61	1.46	21.4	21.6	6.9%	6.9%
Stride Property	STR	778	2.14	2.05	19.2	18.1	7.5%	7.9%
Vital Healthcare Property Trust	VHP	656	1.90	1.53	17.9	18.0	6.4%	6.5%
INFORMATION TECHNOLOGY								
Diligent Corporation	DIL	620	7.08	7.53	37.7	26.2	0.0%	0.0%
EROAD	ERD	114	1.90	2.70	283.6	29.1	0.0%	0.0%
Trade Me Group	TME	1,748	4.40	3.93	21.1	19.1	5.2%	5.8%
Vista Group International	VGL	392	4.90	5.43	31.8	23.0	1.7%	2.6%
Xero	XRO	2,016	14.75	20.50	-25.5	-34.5	0.0%	0.0%
TELECOMMUNICATION SERVICES								
Chorus	CNU	1,538	3.88	4.10	13.7	11.0	7.2%	7.5%
Spark New Zealand	SPK	6,385	3.49	2.88	18.5	17.5	9.9%	9.3%
UTILITIES								
Contact Energy	CEN	3,287	4.56	6.25	20.2	17.5	7.0%	7.6%
Genesis Energy	GNE	1,890	1.89	1.86	21.6	23.7	11.9%	12.9%
Meridian Energy	MEL	6,408	2.50	2.26	25.0	28.9	8.0%	10.7%
Mighty River Power	MRP	3,594	2.61	2.80	23.1	22.6	7.6%	8.1%
Trustpower	TPW	2,321	7.35	7.77	20.4	19.2	7.5%	7.1%
Vector	VCT	3,256	3.27	2.81	19.9	24.2	6.7%	6.8%
MARKET AVERAGE (excluding ATM & XRO)					**17.9**	**16.0**	**6.4%**	**6.9%**

New Zealand Listed Companies – Gross Dividend Yields 25th February 2016

COMPANY	Rating	PRICE	GROSS DIVIDEND YIELD				DIVIDEND COVER				NET DEBT/
Source: FNZC, CS Group Estimates		25-Feb-16	FY-1	FY0	FY1	FY2	FY-1	FY0	FY1	FY2	EQUITY
Hallenstein Glasson	O	$2.83	12.1%	14.6%	14.9%	15.2%	1	1	1	1	-23.1%
PGG Wrightson	N	$0.41	13.6%	11.9%	11.9%	13.6%	1.2	1.2	1.3	1.3	17.9%
Steel & Tube	N	$2.34	11.5%	11.5%	11.8%	13.0%	1.3	1.2	1.3	1.3	29.4%
Kathmandu	N	$1.54	10.8%	10.8%	6.8%	7.8%	1.7	0.9	1.7	1.7	16.0%
Genesis Energy	N	$1.88	11.8%	10.8%	11.2%	10.7%	0.6	0.5	0.5	0.5	24.4%
Heartland	O	$1.13	9.2%	10.4%	11.1%	11.4%	1.4	1.3	1.3	1.2	83.2%
Spark	U	$3.46	8.0%	10.0%	9.3%	9.3%	1	0.8	0.8	0.9	22.3%
Opus	O	$1.23	12.2%	10.0%	10.6%	11.1%	1.3	1.7	1.8	1.8	7.3%
Tower	N	$1.60	8.9%	9.9%	9.9%	10.3%	0.9	-0.2	1	1.1	-44.5%
Scales Corporation	O	$2.43	5.8%	9.6%	7.6%	8.7%	1.5	1.6	1.6	1.6	8.1%
Hellaby	O	$2.65	11.1%	9.5%	10.4%	11.2%	1.3	1.3	1.3	1.3	14.1%
Methven	N	$1.16	9.4%	9.4%	10.6%	11.1%	1.3	1.2	1.2	1.3	22.6%
Air New Zealand	N	$2.87	7.8%	9.3%	10.1%	8.4%	1.9	3	2.6	2.5	12.1%
Sky Network Television	O	$4.61	9.1%	9.1%	9.1%	9.1%	1.5	1.4	1.3	1	15.1%
NZX	N	$0.99	8.3%	8.3%	8.3%	8.2%	0.8	0.8	1	1.2	-11.7%
NPT	U	$0.63	8.3%	8.3%	8.5%	8.7%	1	1.1	1.1	1	24.6%
Meridian Energy (fully paid)	N	$2.41	10.3%	8.3%	11.1%	7.9%	0.4	0.6	0.4	0.6	13.9%
The Warehouse	U	$2.72	9.8%	8.2%	7.7%	8.2%	0.9	1	1.1	1.1	21.0%
Metro Performance Glass	O	$1.55	3.3%	8.1%	10.0%	12.4%	3	1.3	1.3	1.3	18.6%
Argosy Property	O	$1.14	7.9%	7.9%	8.1%	8.2%	1	1	1	1	38.5%
Goodman Property Trust	N	$1.25	7.7%	7.9%	7.9%	8.0%	1.1	1.1	1.1	1.1	32.4%
Augusta Capital	N	$0.97	7.3%	7.7%	7.8%	8.0%	1.2	1.4	1.2	1.1	20.3%
Mighty River Power	N	$2.62	11.4%	7.6%	8.0%	8.9%	0.5	0.8	0.7	0.7	17.9%
Stride	N	$2.13	7.2%	7.5%	7.9%	7.9%	1	1	1	1	40.6%
Trustpower	N	$7.43	6.6%	7.4%	7.0%	6.6%	1	0.9	0.9	0.9	36.9%
Kiwi Property Group	N	$1.36	7.1%	7.3%	7.5%	7.6%	1.1	1	1.1	1	28.6%
Restaurant Brands	U	$4.15	6.3%	7.1%	7.9%	8.6%	1.2	1.2	1.2	1.2	15.8%
Chorus	N	$3.98	0.0%	7.1%	7.5%	7.8%	0	1.4	1.7	1.5	40.6%
Contact Energy	O	$4.53	22.0%	7.0%	7.6%	7.6%	0.3	0.9	1	1	29.6%
Briscoe Group	N	$2.91	6.7%	7.0%	7.3%	7.5%	1.3	1.3	1.3	1.3	-38.6%
Property For Industry	U	$1.60	6.8%	6.8%	6.9%	7.0%	1	1	1	1	35.4%
Vector	U	$3.20	6.7%	6.8%	6.9%	7.0%	0.9	1	1.1	1.1	48.7%
Fletcher Building	O	$6.90	6.4%	6.7%	7.4%	7.9%	1.6	1.4	1.6	1.7	23.7%
Precinct Properties	N	$1.23	6.6%	6.5%	6.6%	6.6%	1.1	1.1	1.1	1.1	15.4%
Michael Hill	O	$1.00	5.0%	6.5%	7.2%	10.0%	1.5	1.4	1.4	1.4	10.9%
Fonterra	N	$5.70	4.3%	6.4%	6.8%	7.6%	1.2	1.3	1.4	1.4	31.1%
Vital Healthcare Property Trust	U	$1.89	6.3%	6.4%	6.5%	6.7%	1.2	1.3	1.3	1.2	35.7%
Infratil	N	$3.04	15.3%	6.2%	6.9%	6.9%	0.1	0.8	0.8	1	29.5%
Freightways	N	$5.96	5.8%	6.2%	7.2%	8.4%	1.3	1.3	1.2	1.1	30.6%
New Zealand Refining Company	N	$3.68	0.0%	6.0%	11.6%	14.7%	1.9	1.5	0.9	0.9	10.9%
Airwork Holdings	N	$4.20	5.3%	6.0%	7.3%	9.9%	1.9	2.5	2.2	1.8	50.5%
Nuplex	N	$5.02	5.4%	5.6%	6.0%	6.4%	1.4	1.3	1.4	1.4	12.7%
Z Energy	N	$6.25	5.4%	5.6%	6.6%	6.6%	1.3	0.8	1.2	1.3	21.8%
Sanford	N	$6.25	5.1%	5.3%	5.8%	6.4%	1.4	1.7	1.7	1.7	20.9%
Trademe	N	$4.34	5.2%	5.3%	5.9%	7.3%	1.2	1.3	1.3	1.1	11.3%
Sky City	U	$4.51	4.7%	4.8%	5.7%	5.7%	1.1	1.3	1.4	1.5	28.0%
Port of Tauranga	N	$18.00	4.0%	4.2%	4.4%	5.0%	1.1	1.1	1.1	1.1	25.1%
Auckland Airport	U	$6.25	3.3%	3.8%	4.1%	4.8%	1	1	1.1	1	34.7%
EBOS	O	$14.35	3.4%	3.8%	4.2%	4.4%	1.5	1.5	1.5	1.5	10.6%
Mainfreight	O	$14.58	3.3%	3.5%	4.0%	5.0%	2.5	2.4	2.4	2.3	19.8%
Delegat's Group	N	$5.95	2.6%	3.0%	3.5%	4.0%	3.1	3	3.3	3.8	40.4%
Fisher & Paykel Healthcare	N	$9.14	2.1%	2.9%	3.3%	4.1%	1.5	1.3	1.4	1.3	7.7%
Ryman Healthcare	N	$8.05	1.7%	1.9%	2.2%	2.6%	2	2	2	2	11.3%
Summerset	N	$3.99	1.4%	1.6%	2.6%	2.4%	3	3.4	2.7	3.1	18.7%
Metlifecare	O	$4.59	1.0%	0.8%	0.9%	0.9%	5.6	6.8	6.7	6.7	2.7%
AFT Pharmaceuticals	O	$2.45	0.0%	0.0%	0.0%	0.0%	0	0	0	0	-10.2%
a2 Milk	U	$1.81	0.0%	0.0%	0.0%	0.0%	0	0	0	0	-28.9%
Diligent	N	$7.12	0.0%	0.0%	0.0%	0.0%	0	0	0	0	-67.2%
EROAD	O	$1.90	0.0%	0.0%	0.0%	0.0%	0	0	0	0	-33.8%
Coats Group	N	$0.48	0.0%	0.0%	0.0%	0.0%	0	0	0	0	-12.9%
Intueri Education Group	O	$0.30	26.9%	0.0%	0.0%	0.0%	2.4	0	0	0	62.8%
Orion	O	$2.53	0.0%	0.0%	0.0%	0.0%	0	0	0	0	-24.6%
Pacific Edge	O	$0.42	0.0%	0.0%	0.0%	0.0%	0	0	0	0	-81.1%
Synlait Milk	N	$2.76	0.0%	0.0%	0.0%	6.4%	0	0	0	2	38.9%
Vista Group	N	$5.10	0.0%	0.0%	1.7%	2.6%	0	0	2.2	2	-21.1%

1. The Net Debt/Equity ratio is calculated as Gross Debt less cash holdings divided by total shareholder funds. Negative ratios indicate a net cash position.
2. FY0 represents the current financial year
3. Property stock gross yields reflect returns under the PIE regime assuming a 33% unitholder
4. Ratings: "O" - Outperform, "N" - Neutral, "U" - Underperform, "R" – Restricted

Boral (BLD.AX)

OUTPERFORM A$5.85 Target price A$6.30

High levels of residential construction have resulted in a good operating environment for BLD's Australian building materials division. While residential construction is expected to peak soon this division continues to benefit from the brick joint venture with CSR and wall board joint venture with USG. BLD has a number of redundant quarry sites which can be sold for residential development. BLD is currently experiencing strong demand and prices for cement, concrete and aggregate in New South Wales and South East Queensland. This division should benefit from a significant increase in infrastructure spending, largely on roads, by state governments. The US business (bricks, stone and roof tiles) has now reached break even and should continue to see profitability improve as US housing starts increase. BLD's strong balance sheet and strong cash flow provides the flexibility for acquisitions and to increase dividends.

BLD.AX Year to 30 June		2015A	2016F	2017F	2018F
Revenue	A$m	4,415	4,399	4,751	5,033
Earnings /share (Adj)	Ac	0.32	0.34	0.38	0.42
EPS Growth	%	44.9	6.1	13.0	10.6
Price / Earnings Ratio	x	16.8	15.9	14.0	12.7
Net Div / Share	Ac	018	0.21	0.25	0.27
Net Yield	%	3.4	3.9	4.7	5.1

Lend Lease (LLC.AX)

OUTPERFORM A$13.01 Target price A$17.00

LLC's recent first half profit suggests its growth trajectory remains on track. Importantly concerns that LLC would see a growing proportion of apartment buyers defaulting on their purchase were dispelled. The Development business benefited from encouraging levels of enquiry for new apartments and a lift in apartment pre-sales. The Construction business experienced growth in the backlog of projects and profits are expected to grow as more projects pass the critical 20% completion stage which allows profit to be recognised. With significant cash flow generation expected over the coming years, LLC's debt is expected to fall even further (gearing is currently 12%). This provides scope for potential capital management initiatives. We believe that LLC remains good value, particularly given the high degree of earnings visibility over the medium term despite the moderating Australian residential property market.

LLC.AX Year to 30 June		2015A	2016F	2017F	2018F
Revenue	A$m	1,143	1,224	1,328	1,462
Earnings /share (Adj)	Ac	1.07	1.20	1.30	1.43
EPS Growth	%	-25.2	12.2	8.6	9.9
Price / Earnings Ratio	x	12.0	10.7	9.9	9.0
Net Div / Share	Ac	0.54	0.59	0.70	0.80
Net Yield	%	4.2	4.6	5.4	6.3

South32 (S32.AX)

OUTPERFORM A$1.20 Target price A$1.50

While resource company share prices have taken a towelling over the past year on the back of lower commodity prices, we believe S32 offers compelling value for reasons that differentiate it from comparable companies. This includes having a current free cash flow yield of 5% at current low commodity prices, being almost debt free (we forecast S32 to have a net cash balance of $128 million by the end of 2016) and sound management of it's mine and processing assets. S32's strong balance sheet and cash flow suggest S32 should be able to start paying a dividend in 2016. S32's production costs benefit from the lower currencies of Australia, South Africa and Brazil which are where it has operations. S32 can ride out the storm and with a strong balance sheet – still preferred larger cap play

S32.AX Year to 30 June		2015A	2016F	2017F	2018F
Adjusted Earnings	US$m	8,004	7,193	7,397	7,587
Earnings /share (Adj)	USc	10.77	8.43	10.70	12.92
EPS Growth	%	29.1	-21.7	26.9	20.8
Price / Earnings Ratio	x	9.9	12.6	9.9	8.2
Net Div / Share	USc	0	3.37	4.28	6.46
Net Yield	%	0	3.2	4.0	6.1

Westpac Banking Corporation (WBC.AX)

OUTPERFORM A$29.65 Target price A$37.00

Despite the Australian banking sector facing increasingly challenging trading conditions we believe that current share prices already factor in potentially weaker profits. Within the bank sector WBC is preferred over the other banks. WBC now looks to be as cheap as it did during the worst of the Global Financial Crisis relative to the broader Australian industrial market. The relative advantage for WBC is the higher proportion of its loan book exposed to residential mortgages as opposed to institutional and commercial loans which are facing intense competition. Residential mortgage interest rates have been increased so as to offset the decline in return on equity caused by the need to hold additional equity capital for regulatory purposes. As with the other Australian banks, WBC is expected to have to increase its equity capital ratios again. However, rather than further capital raisings (similar to those of 2015) the increase is likely to be achieved by retaining profit, asset sales and a dividend reinvestment plan.

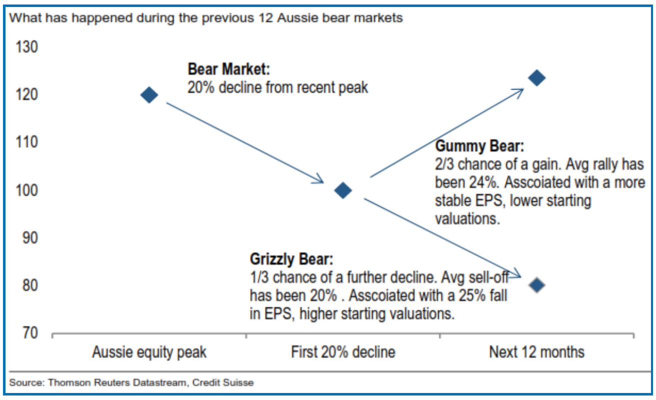
WBC.AX Year to 30 Sept		2015A	2016F	2017F	2018F
Reported Profit	A$m	8,012	8,300	8,612	8,757
Earnings /share (Adj)	Ac	2.50	2.57	2.64	2.68
EPS Growth	%	1.7	3.0	2.6	1.7
Price / Earnings Ratio	x	12.3	11.9	11.6	11.4
Net Div / Share	Ac	1.87	1.91	1.95	1.99
Net Yield	%	6.1	6.2	6.4	6.5

Selected Australian Listed Companies - Earnings Forecast

Australian Forecasts 29th Februray 2016 Source: CSFB estimates	Ticker	Market Cap (A$m)	Price 29/2/15 (A$)	Target Price (A$)	Price Earnings (x)		Net Yield (%)	
					FY15	FY16	FY15	FY16
BANKS								
ANZ Banking Group	ANZ	65,820	22.56	24.50	9.8	8.9	7.3%	7.9%
Commonwealth Bank Australia	CBA	120,758	70.72	85	15.1	13.5	5.1%	5.7%
National Australia Bank	NAB	64,391	24.41	26.2	9.8	10.9	7.8%	8.1%
Westpac	WBC	95,270	28.56	37	12.9	11.9	6.1%	6.4%
INSURANCE								
AMP	AMP	15,883	5.37	6.05	20.9	16.6	4.3%	4.8%
QBE Insurance Group	QBE	10,400	10.64	8.25	-36.1	14	3.8%	4.0%
Suncorp Group	SUN	14,307	11.12	12.5	27.7	11.8	6.70%	9.40%
MATERIALS								
Chemicals								
Incitec Pivot	IPL	4,893	2.90	3.50	15.8	13.4	3.2%	3.7%
Orica	ORI	5,277	14.13	15.3	8.7	9.2	6.7%	6.8%
Nufarm	NUF	1,786	6.72	7.9	25.5	23.9	1.20%	1.20%
Materials & Mining								
BHP Billiton	BHP	56,665	A$15.59	A$14.40	4.9	4.2	10.4%	10.9%
Newcrest Mining	NCM	9,698	17.75	8.13	21.1	24.7	0.9%	0.0%
Rio Tinto	RIO	47,547	40	31.94	5.2	5.7	6.7%	7.5%
ENERGY								
Origin Energy	ORG	7,542	4.31	4.5	6.2	6.7	11.6%	11.6%
Santos	STO	5,686	3.22	4.1	6.2	5.9	9.3%	9.3%
Woodside Petroleum	WPL	15,246	25.96	19.79		6.3		13.8%
HEALTHCARE								
CSL	CSL	33,781	102.39	76.77	30.1	26.3	1.4%	1.5%
Ramsay Health Care	RHC	13,176	65.2	72	48	39.8	1.1%	1.3%
CONSUMER STAPLES								
Woolworths	WOW	28,393	22.34	26.13	11.8	11.4	6.0%	6.1%
INFORMATION TECHNOLOGY								
Computershare	CPU	3,534	9.04		11.7	10.7	4.0%	4.2%
TELECOMMUNICATION SERVICES								
Telstra	TLS	64,429	5.27	5.25	17.7	16.3	5.3%	5.6%
UTILITIES								
AGL Energy	AGK	12,347	18.3	19.4	16.5	17.4	3.4%	3.4%
INDUSTRIALS								
Transurban	TCL	23,042	11.32	11.5	95.4	71.4	2.7%	3.1%
Market Average					**17.9**	**17**	**5.1%**	**5.8%**

Grizzly Bears vs Gummy Bears

When a bear encounters a fork in the road...



■ Bear market:
Global equities have had a grim start to 2016. Many equity markets have now entered a bear market (a 20% decline from peak levels). Aussie equities are down only 19% from April 2015 highs. But further volatility is set to drive us into bear market territory too.

■ Grizzly Bears vs Gummy Bears:
After the initial 20% decline, we find the last 12 Aussie bear markets have evolved into either a Grizzly Bear, when the index fall a further 20% or a Gummy Bear, the index rallies by 20% over the next 12 months. Grizzly Bears are associated with much bigger declines in EPS and more expensive starting valuations.

■ Flat EPS, reasonable valuations:
We forecast flat EPS in Australia, in part because companies are aggressively restructuring. Also, current cyclically adjusted valuations are reasonable. Both suggest the potential upcoming bear market in Australia is likely to be of the Gummy kind.

■ Cash flow diamonds in the dust:
The pull-back provides another opportunity for Aussie investors to buy cash generative and growing companies at a reasonable price. Our analysts highlight AGL Energy, Amcor, Flight Centre and Resmed.

UK Investment Trusts

Share Price 3-Mar-16 GBP pence	Share Price 2-Jul-15 GBP pence	Net Asset Value	(Disc) Premium	*View	Investment Trust Company	Net Yield %	12 Month % Discount Average	High	Low	1 Year % Return pa Price	NAV	3 Year % Return pa Price	NAV	5 Year % Return pa Price	NAV
Global Equity Funds															
571.9	639	608.6	-6.0%	↑	Bankers	2.5	-2.2	-6.6	1.7	-2.9	-3.6	11.3	9.3	8.9	9.3
441.4	506	516.3	-14.5%	↓	British Empire & Securities	2.2	-10.7	-12.2	-7.9	-12.2	-11.5	0.6	1.5	-0.1	-0.9
2,220	2,460	2,810	-21.0%	→	Caledonia Investments	2.1	-15.6	-22.2	-11.2	2.5	3.7	15.4	11.4	7.2	5.2
200	1,068	218	-8.2%	↑	JP Morgan Overseas	1.6	-6.8	-10.6	-4.0	-7.1	-4.9	10.6	9.9	4.1	4.0
403	427	458.4	-12.1%	↑	Monks Investment	1.0	-11.2	-14.9	-7.3	-0.6	-2.9	11.2	9.0	3.4	2.2
1,611	1,575	1,564	3.0%	↑	RIT Capital Partners	1.8	-0.7	-5.6	6.9	5.9	3.8	15.3	12.6	5.6	4.2
European Funds															
666	807	729.4	-8.7%	NR	The European Trust	1.9	-5.4	-9.8	-0.1	-13.1	-12.9	7.3	4.7	4.3	0.6
269.5	244	290.4	-7.2%	↑	JP Morgan European Smaller	1.2	-10.0	-15.0	-4.7	22.2	18.3	22.8	19.7	10.3	6.9
245.5	250	251.9	-2.5%	NR	BlackRock Greater European	2.0	-4.0	-6.3	-0.6	9.3	2.7	11.3	7.9	6.4	3.4
Asia/Pacific Funds (including Japan)															
284.8		321	-11.3%	↑	JP Morgan Fleming Japan	1.0	-10.0	-15.4	-5.6	8.3	22.2	21.3	8.6	7.3	8.3
280	323	285	-1.8%	↑	Henderson Far East Income	6.6	2.3	-3.6	6.2	-11.9	1.6	-2.4	3.0	-1.6	-11.9
Global Emerging Markets Funds															
557	593	625.5	-10.9%	↑	JPM Fleming Emerging Markets	1.1	-10.4	-12.2	-7.7	-11.2	-9.9	-1.1	0.1	-0.8	-0.8
421.2	519	480.9	-12.4%	↑	Templeton Emerging Markets	1.9	-10.4	-13.8	-7.2	-25.5	-24.6	-9.4	-8.6	-7.0	-7.0
Far East Exc Japan															
236.8	272	270.9	-12.6%	↑	Edinburgh Dragon	1.2	-10.7	-15.3	-6.1	-16.0	-13.4	-2.6	-0.8	0.8	0.8
473	518	548.7	-13.8%	NR	JP Morgan India	0.0	-10.5	-14.6	-6.7	-18.7	-14.9	8.5	9.0	1.7	3.3
266	280	299.6	-11.2%	↑	Schroder AsiaPacific	1.0	-9.6	-12.3	-6.0	-8.6	-6.2	4.1	4.3	5.1	4.4
Other Funds															
862.9	811	958.4	-10.0%	↑	North American Income Trust	3.7	-7.6	-11.3	-3.5	6.6	5.6	13.0	11.4	8.4	6.5
283.5	275	294.4	-3.7%	↑	JPMorgan American	1.3	-2.6	-7.2	3.7	1.0	3.0	17.3	17.8	10.7	10.2
217.5	204.5	234	-7.0%	→	BlackRock World Mining	9.0	-7.5	-13.5	2.0	-31.9	-34.1	-25.4	-27.9	11.2	-24.6
560	585	608.4	-8.0%	→	Polar Capital Technology	0.0	-1.8	-6.7	5.0	-2.0	2.9	17.7	18.2	8.6	9.3
487.8	492	656.8	-25.7%	↑	SVG Capital	0.0	-18.7	-28.2	-11.7	1.2	21.7	20.4	22.5	14.3	16.8
282	295	306.3	-7.9%	→	TR Property Trust	2.5	-0.3	-6.0	3.5	-7.2	0.6	24.4	17.6	14.2	8.7
1,752	1,984	1,875	-6.6%	↑	Worldwide Healthcare Trust	0.7	-3.8	-8.5	0.8	-5.1	1.0	29.5	28.3	21.5	19.4

1yr 3yr & 5yr Performance figures to 29th February 2016 - All in NZ Dollars - Exchange Rate: UK£/NZ$ 0.4765 US$/NZ$ 0.6750

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.

NZ Daily Fixed Interest Rate Sheet

PRICES AS AT 25TH FEBRUARY 2016 NOTE: Indicative pricing only

Secondary market	Code	Rating	Type	Maturity/ Reset Date	Coupon	Yield	Margin to SWAP	Price /$100	Coupon Freq
Fletcher Building	FBI110	NR	Cap	15/03/2018	7.15%	4.27%	182	$108.84	2
Z Energy	ZEL020	NR	Snr	15/08/2018	7.25%	3.95%	147	$107.98	4
Fletcher Building	FBI120	NR	Cap	15/03/2019	5.40%	4.30%	179	$105.56	2
Contact Energy Limited	CEN020	BBB	Snr	15/05/2019	5.80%	3.83%	130	$107.60	4
Kiwibank	KCF010	BB+	Tier 2	15/07/2019	6.61%	4.85%	231	$106.21	2
Infratil	IFT200	NR	Bnd	15/11/2019	6.75%	4.33%	176	$110.18	4
Christchurch International Airport	CIA1010	BBB+	Snr	6/12/2019	5.15%	3.58%	100	$106.67	2
Infratil	IFT090	NR	Convert	15/02/2020	8.50%	5.00%	240	$112.83	4
Goodman Property Trust	GMB020	BBB+	Snr	16/12/2020	6.20%	4.00%	132	$110.76	2
Sky TV	SKT020	NR	Snr	31/03/2021	6.25%	4.25%	154	$111.67	4
Trustpower	TPW120	NR	Snr	15/12/2021	5.63%	4.15%	137	$108.74	4
Infratil	IFT190	NR	Bnd	15/06/2022	6.85%	5.00%	217	$111.34	4
Goodman Property Bond	GMB030	BBB+	Bnd	23/06/2022	5.00%	4.20%	137	$105.29	2

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%	83.00	310	Perpetual	4
Genesis Power Limited	GPLFA	BB-	Cap Bond	15/07/2018	6.19%	103.70	220	Perpetual	4
Infratil	IFTHA	NR	Perp	15/11/2014	4.53%	70.00	300	Perpetual	4
Quayside Holdings Ltd	QHLHA	NR	Perp Pref	12/03/2017	5.88%	103.00	170	Perpetual	4
Rabobank Nederland	RBOHA	A-	Tier 1	8/10/2014	3.71%	95.00	460	Perpetual	4
Rabobank Nederland	RCSHA	A-	Tier 1	18/06/2019	8.34%	109.25	360	Perpetual	4
Works Infrastructure Finance	WKSHA	NR	RPS	15/06/2015	7.95%	102.00	340	Perpetual	4

Limitations and Disclaimer