Volume 20

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Investment Strategies

Credit Suisse now forecast 2017 will be the fastest year global economic growth since 2011. Helping to drive this is Donald Trump in the US and Chinese fiscal expansion. This is expected to lead to accelerated earnings growth, including in Australia. So far higher earnings growth has been concentrated on the resource companies.

Political events are much more front of mind following last year's Brexit vote and US presidential election. Both of these outcomes appear to have had a material impact on their respective economies and equity markets. In the UK we now await the imminent triggering of Article 50 and the evolution of the Brexit negotiations. In the US we caution against excessive euphoria given the checks and balances in the US political machine which can slow and dilute policy implementation.

In addition, there are numerous elections in Europe plus an election in NZ.

Equity Market	29-Mar-17	12-month % Change	12-month % Change in NZ$
NZX50	7,134	2.7%	2.67%
Australia 200	5,874	2.7%	9.04%
UD - DOW	20,659	4.0%	2.84%
NASDAQ	5,898	8.5%	7.78%
SP500	2,361	4.6%	3.75%
London FTSE	7,374	2.8%	2.94%
Germany	12,203	5.8%	7.66%
Japan	19,217	0.5%	4.70%
China	3,241	4.8%	3.56%
Currency			
NZD/AUD	0.9168	0.8920	2.8%
NZD/USD	0.7032	0.6774	3.8%
NZD/GDP	0.5651	0.4683	20.7%
NZD/EUR	0.6530	0.6020	8.5%
NZD/JPY	78.0800	75.0581	4.0%
NZD/CNY	4.8477	4.8155	0.7%

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Statistics NZ Data

NEXT CENSUS DUE: 2018

Population

Estimated population at 31 Dec 2016:	4,746,100
Births June 2016 year (Dec 14: 57,242)	58,992
Deaths June 2016 year (Dec 14: 31,063)	31,389
Net migration January 2017 year	71,305

Employment

Total employed December 2016 quarter:	2,510,000
Change in employed since Sept quarter:	+16,000
Unemployment rate Dec 2016 quarter:	5.2%
Ave weekly earnings Dec 2016 quarter:	$1,129.72
Wage inflation December 2016 quarter:	1.6%
Cost Price Index December 2016 quarter:	0.4%
Intern. Investment Position Dec quarter:	**-$156.5Bn**
Change from last quarter:	**$55m**
GDP per capita year ended Dec 2016	**$55,615**
GDP Growth for 2016 year to Dec 2016	**3.1%**
Visitor arrivals 2016 year to Jan 2017 +11.4%	**3,537,561**

Source: Statistics New Zealand

RRP $5.00

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"Risk comes from not knowing what you are doing."

Warren Buffet, Chair of Berkshire Hathaway Inc

FROM OSLO TO PARIS, 12 MAJOR CITIES HAVE PLANS TO GO CAR-FREE

SOURCE: World Economic Forum

In late 2016, Madrid's Mayor reiterated her plan to kick personal cars out of the city centre. On Spanish radio, she confirmed that Madrid's main avenue, the Gran Vía, will only allow access to bikes, buses, and taxis before she leaves office in May 2019. It's part of a larger effort to ban all diesel cars in Madrid by 2025. This is not the only city getting ready to take the car-free plunge. Urban planners and policy makers around the world have started to brainstorm ways that cities can create more space for pedestrians and lower CO^2 emissions from diesel.

Here are 12 cities leading the car-free movement.

Oslo will implement its car ban by 2019, six years before Norway's country-wide ban would go into effect. The Norwegian capital will invest heavily in public transportation and replace 35 miles of roads previously dominated by cars with bike lanes.

Madrid's planned ban is even more extensive, with plans to ban cars from 500 acres of its city centre by 2020, with urban planners redesigning 24 of the city's busiest streets for walking rather than driving. The initiative aims to reduce daily car usage from 29% to 23%. Drivers who ignore the new regulations will pay a fine of at least $100.

People in the Chinese city of Chengdu will be able to walk anywhere in 15 minutes or less. While Chengdu won't completely ban cars, only half the roads in the 80,000-person city will allow vehicles.

German city Hamburg is making it easier not to drive, with plans to make walking and biking its dominant mode of transport. Within the next two decades, Hamburg will reduce the number of cars by only allowing pedestrians and bikers to enter certain areas. By 2035, the network will cover 40% of Hamburg and will include parks, playgrounds, sports fields, and cemeteries.

Bikes continue to rule the road in Copenhagen. Today, over half of Copenhagen's population bikes to work every day, thanks to the city's effort to introduce pedestrian-only zones starting in the 1960s. The Danish capital now boasts more than 200 miles of bike lanes and has one of the lowest percentages of car ownership in Europe.

Paris will ban diesel cars and double the number of bike lanes. When Paris banned cars with even-numbered plates for a day in 2014, pollution dropped by 30%. Now, the city wants to discourage cars from driving in the city centre at all. As of July 2016, all drivers with cars made before 1997 are not permitted to drive in the city centre on weekdays. If they do, they will be fined, though they can drive there freely on the weekends. The mayor says Paris also plans to double its bike lanes and limit select streets to electric cars by 2020.

Athens is also joining the diesel ban. In December 2016, Athens announced it will ban diesel cars from the city centre by 2025.

London will charge you for congestion. Just like Paris, the mayor says the city will ban diesel cars by 2020. Currently, the city discourages the use of diesel engines in some areas of the city by charging a fee of $12.50 per day for diesel cars that enter during peak hours. They call it a "congestion charge."

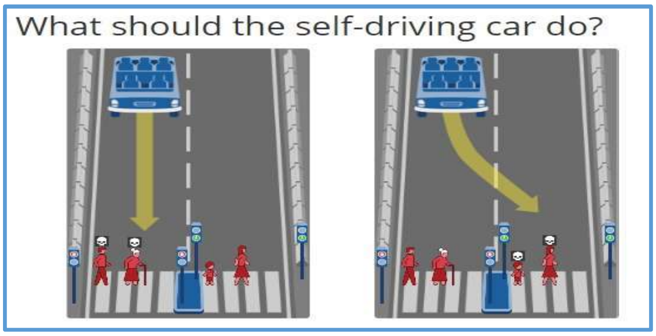
Brussels features the largest car-free area in Europe, with most streets that surround Brussels' city square, stock exchange, and Rue Neuve (a major shopping street) having always been pedestrian-only. The roads make up the second largest car-free zone in Europe, behind Copenhagen. In February 2016, Brussels announced that diesel cars made prior to 1998 will be banned starting in 2018.

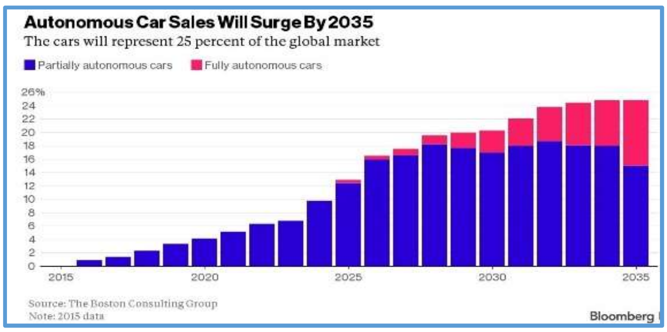
Mexico City hopes to ban about two million cars from the city centre. In April 2016, Mexico City's local government decided to prohibit a portion of cars from driving into the city centre two days every work week and two Saturdays per month. It determines which cars can drive on a given day using a rotating system based on license plate numbers.

Vancouver is giving more street space to bikes and pedestrians. While many of the aforementioned cities have enforced car bans, Vancouver has persuaded an increasing number of residents to commute by public transport. People in Vancouver take half of all trips by foot, bike, bus, or subway as of 2015. This is considerably more than any US city of comparable size, including Seattle (21%) and Philadelphia (27%).

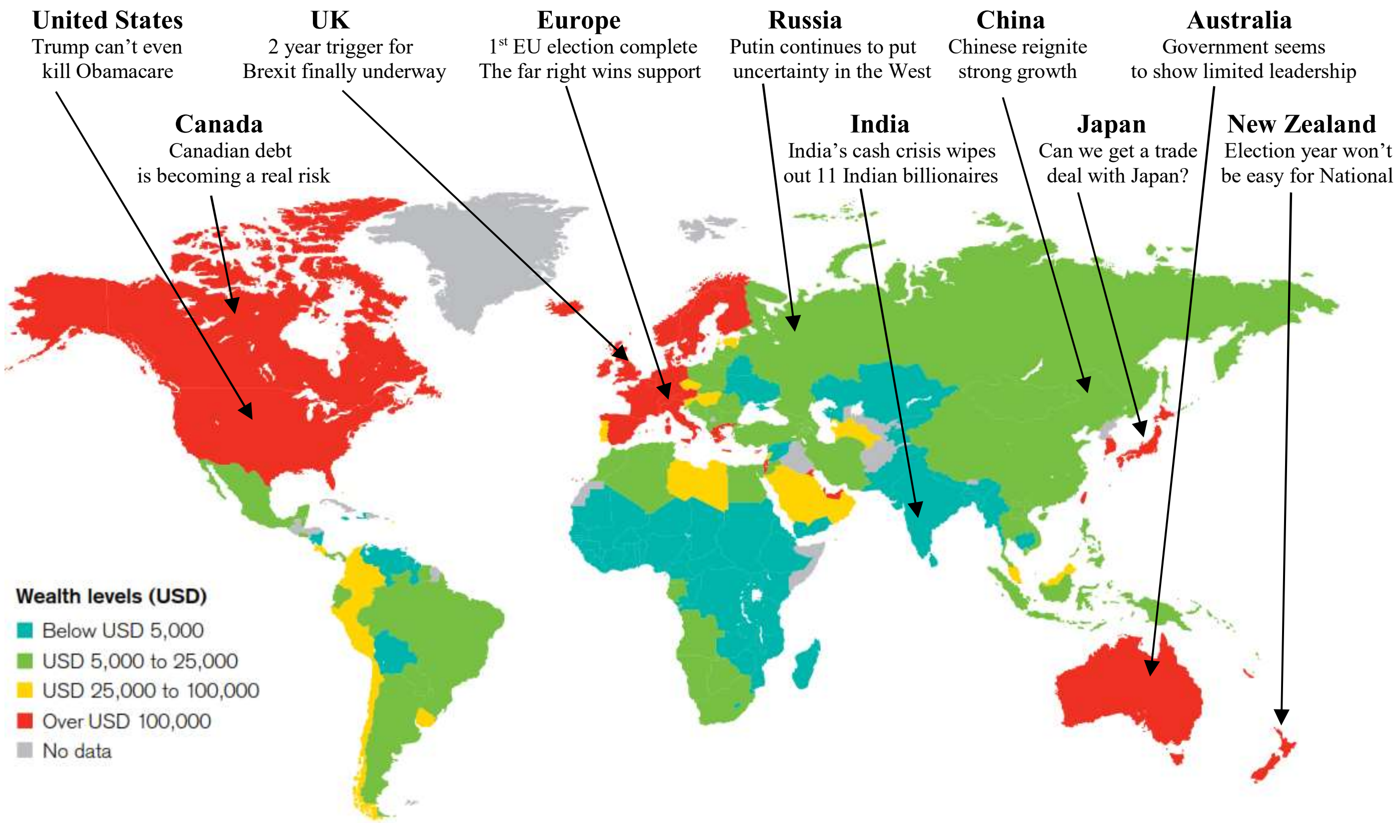
New York City is decreasing car traffic in small doses, and although it isn't planning a car ban anytime soon, it is increasing the number of pedestrian areas, along with bike share, subway, and bus options.

"Cities are coming to the realization that they need to swing the pendulum the other way."

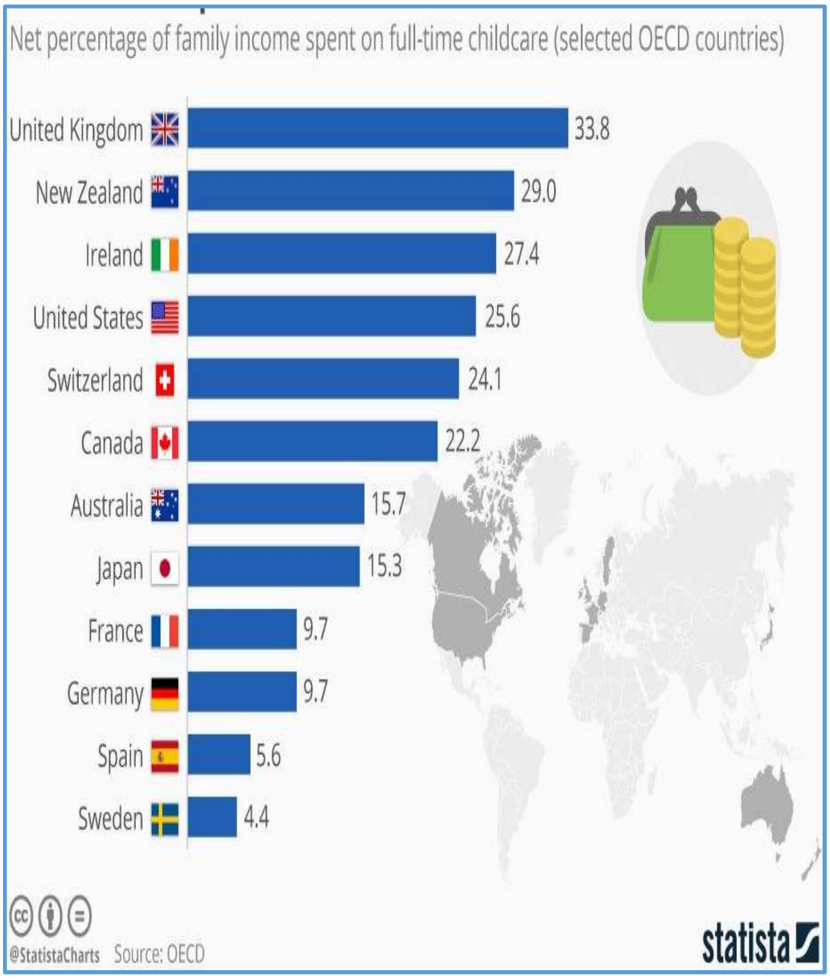


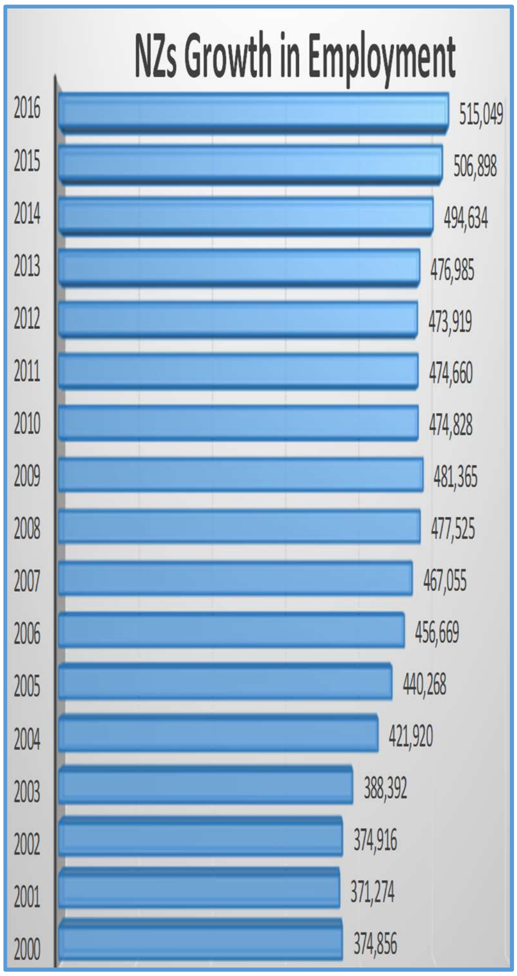


THE WORLD AT A GLANCE – including World wealth levels 2016, Credit Suisse

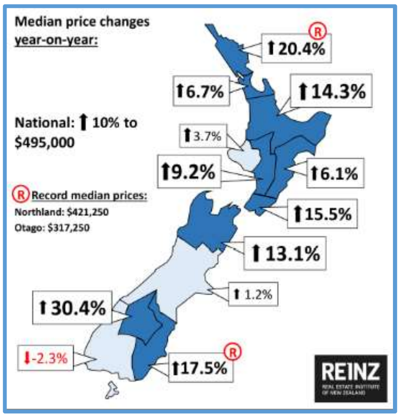


UK & New Zealand spend a third of their income on Childcare





New Zealand House Prices Ease – led by Auckland



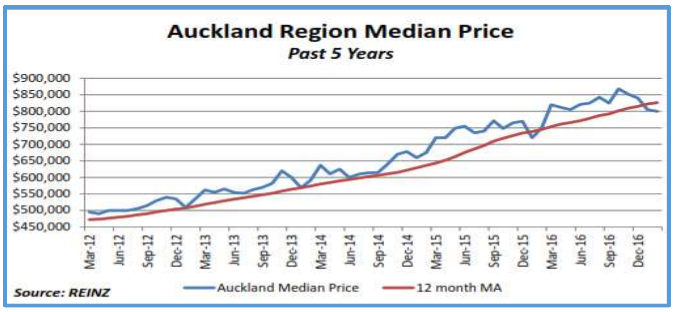
REINZ data shows that in Auckland the February median selling price was $800,000, having declined for four consecutive months since it peaked last October at $868,000. From Oct to Feb, the median price is down in Auckland by $68,000 (7.8%). It is too early to establish a trend, but Auckland, Hamilton and Tauranga all appear to have peaked.

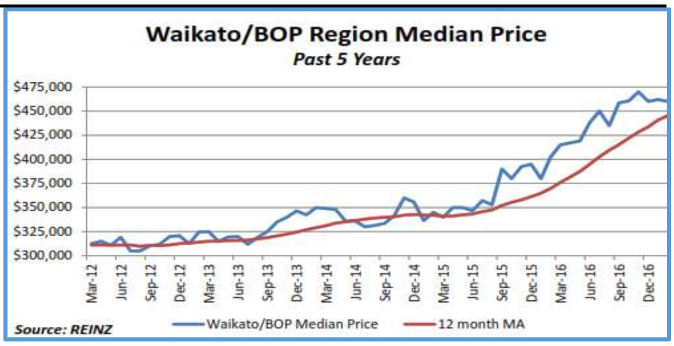
Auckland properties listed for sale by Harcourts have jumped nearly 40% in the past year (1313 last February to 1828 this February), but average sale prices have dropped $10,867. The number of sales in the same period dropped from 503 to 409 and the average Auckland sale price for properties sold by Harcourts dropped from $945,295 to $934,428. Total listing numbers jumped 7.9%, from 689 last February to 744 this February.

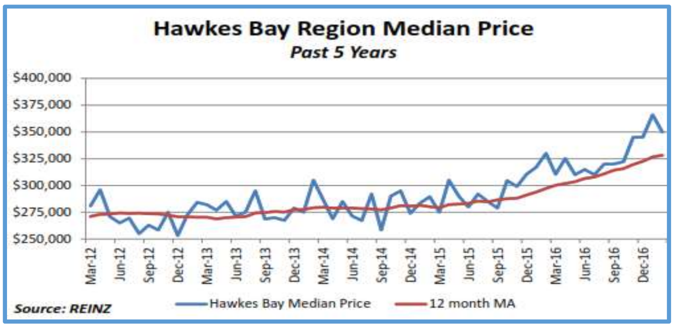
"*The Auckland property market is showing all the signs of having cooled in February*," Harcourts said. "*There are more properties available to buy overall, up nearly 40 per cent on the same time last year. By contrast, sales have dipped by 18.6 per cent and average prices are slightly down by 1.1 per cent to February 2016. The drop in sales can partially be ascribed to a fall-away in the number of property investors, following the tougher loan to value ratios introduced last November*."

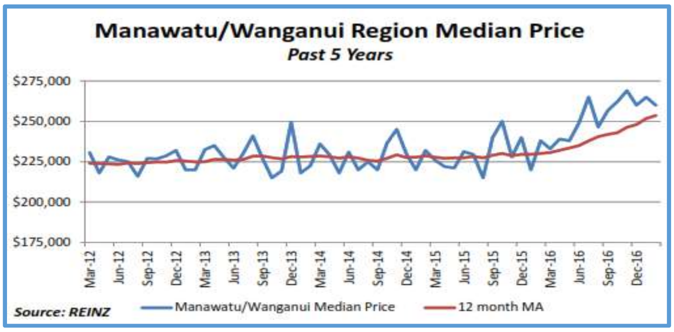
In the 12 months to January, we had a net gain of 71,305 migrants and of those around 65,000 have chosen Auckland as their new home. New builds are not keeping up with our growing population, so existing houses will remain sought after.

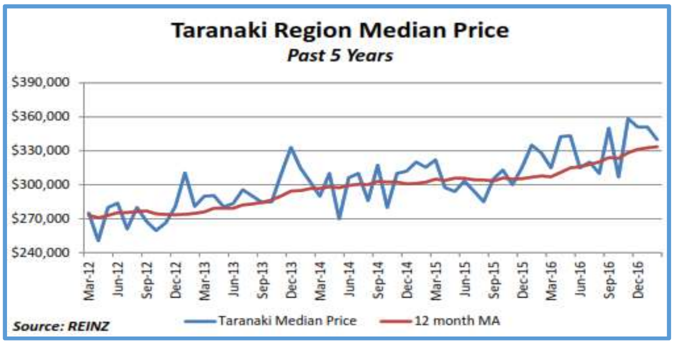
The Harcourts data is in line with data released recently by the Real Estate Institute, also showing an Auckland listings jump and slight price drop. REINZ found Auckland for-sale inventory rose 20 per cent in the past year and 33 per cent in the past month alone. Instead of taking 41 days to sell, places are now taking 43 days to sell. Auckland's median house price dipped from $805,000 in January to $800,000 last month, REINZ said.

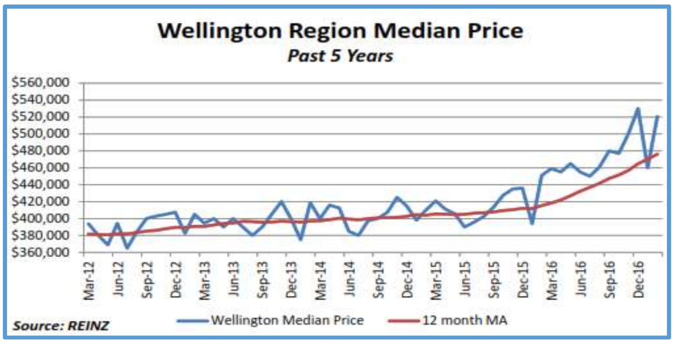


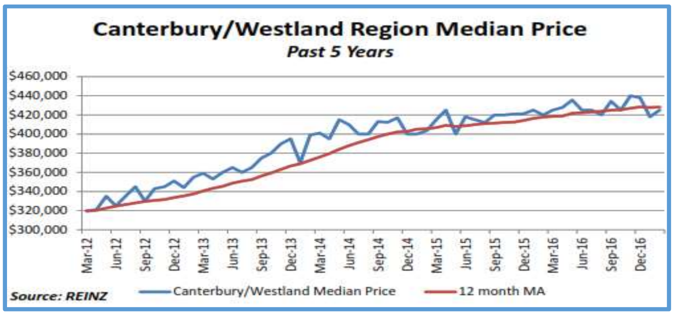












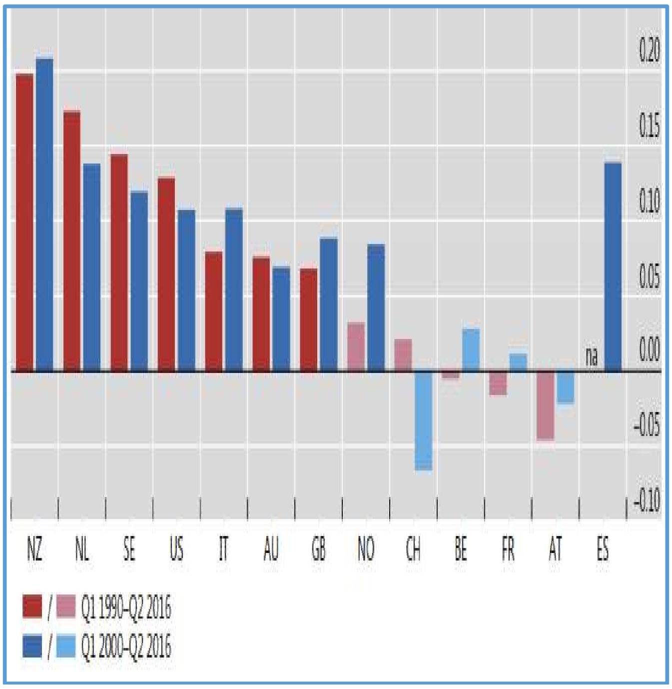
New Zealand leads the world in house price inflation

House prices do not generally have a significant effect on consumption over longer horizons, but this is not always the case in the very short run. As one would expect, the effect of housing market conditions on consumption varies considerably across countries and over time. An analysis of the short-term effect confirms this view. In nine of 13 countries (see the following graph), information on house price changes in a given quarter improves the prediction of consumption growth in the subsequent quarter in a way that is economically and statistically significant (in the post-2000 sample). Estimates suggest that it would take an 8% increase in the respective house price indices (in real terms) to boost consumption by about 1 percentage point in the United States. Estimates also suggest that the short-term sensitivity of consumption to house prices has increased in some countries (eg Norway and the United Kingdom).

On the whole, the above association tends to be stronger in countries where mortgage refinancing and home equity extraction is more prevalent. Rising house prices may enable homeowners to take out larger loans, as the value of homeowners collateral rises.

These loans may take the form of consumption or re-mortgaging lending (from which part of the gains may be consumed). Rising house prices also increase homeowners' net wealth, which may explain higher consumption. This tends to be stronger in the aggregate whenever the share of homeowners in the population is large. Politician's shouldn't assume that home owners want their property prices to fall.

SHORT-TERM EFFECT OF HOUSING MARKET CONDITIONS ON CONSUMPTION[1]

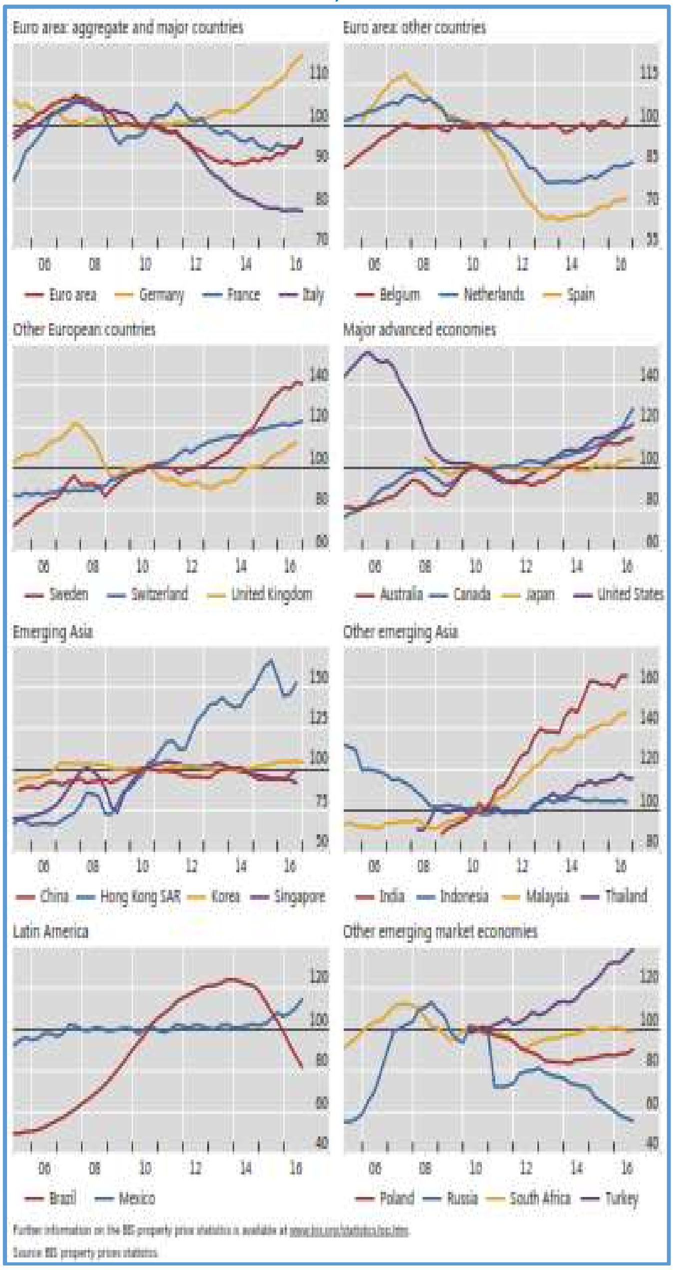


[1] NOTE: The bars refer to the coefficient of quarterly house price growth (defined by CPI), in a quarterly growth equation. The specification includes controls for changes in a proxy for permanent income, a risk indicator and the real interest rate.

SOURCE: BIS QUARTERLY REVIEW, MARCH 2017

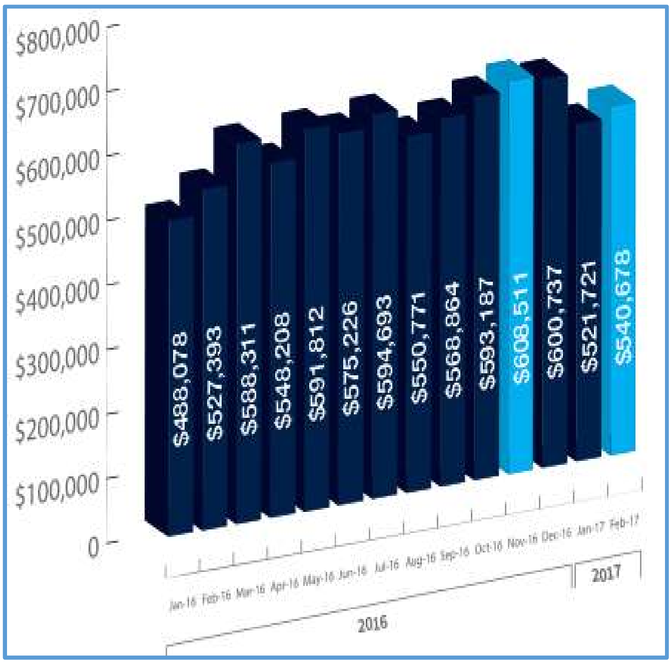
RESIDENTIAL PROPERTY PRICES

CPI-DEFLATED, 2010 = 100



NATIONAL AVERAGE RESIDENTIAL HOME SALE PRICE

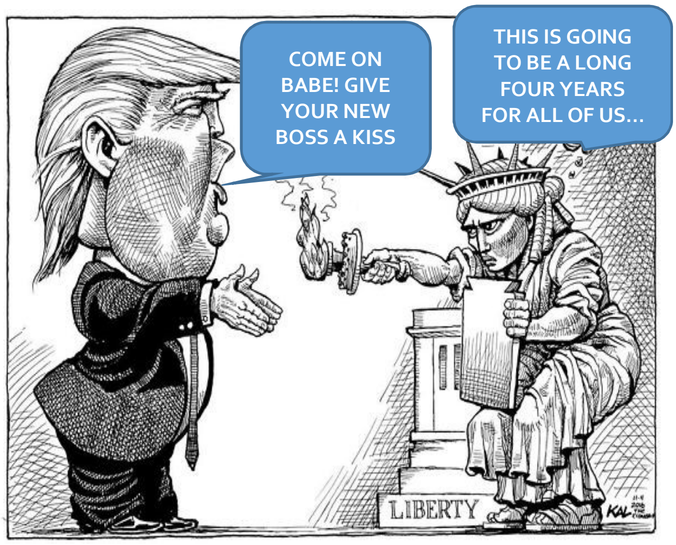
HARCOURT DATA – 2016 & YEAR TO DATE



The Global Economic Outlook

The prospects for the global economy are looking a bit brighter in 2017, although the outlook is marred with uncertainty – especially the path of US fiscal and trade policy. While there are upsides if the Trump administration is successful in promoting growth, this is countered by the risk of potential deterioration in the global trade environment.

UNITED STATES ECONOMY



After Donald Trump's first speech to Congress on 1st March, a CNN/ORC poll found 57 per cent of those who watched the US President's first speech to Congress had a very positive reaction. Nearly 70 per cent said they thought Trump's proposed policies would move the country in the right direction and that they felt more optimistic about the direction of the country. I wonder if this is still the case!

Trade Protectionism – America First

Emerging economies have been the major beneficiaries of trade liberalisation. Therefore, trade protectionism is a particular issue for emerging markets. We note four of the seven countries with the highest trade surpluses with the US are emerging markets. China tops off the list at US$319bn, while Mexico comes in at US$59bn. Expect the US to initially try to negotiate on trade issues, in an attempt to correct unfair trade practices and increase US firm trade access, before introducing trade sanctions or tariffs. While trade protectionism is a big risk we note that Congress appears to be lukewarm on the issue, and President Trump needs Congress on side to make progress with other issues.

Crime Statistics

F.B.I. crime statistics estimate that there were 15,696 murders in the USA in 2015, up 10 percent from 2014. (Last year's figures are not available yet.) The increase was largely driven by street crime in a handful of large cities, like Chicago and Baltimore. But one reason for such a large uptick was that crime had been falling for a generation. In 1991, the F.B.I. estimated that there were 24,703 murders.

How Much Power Does the President Have?

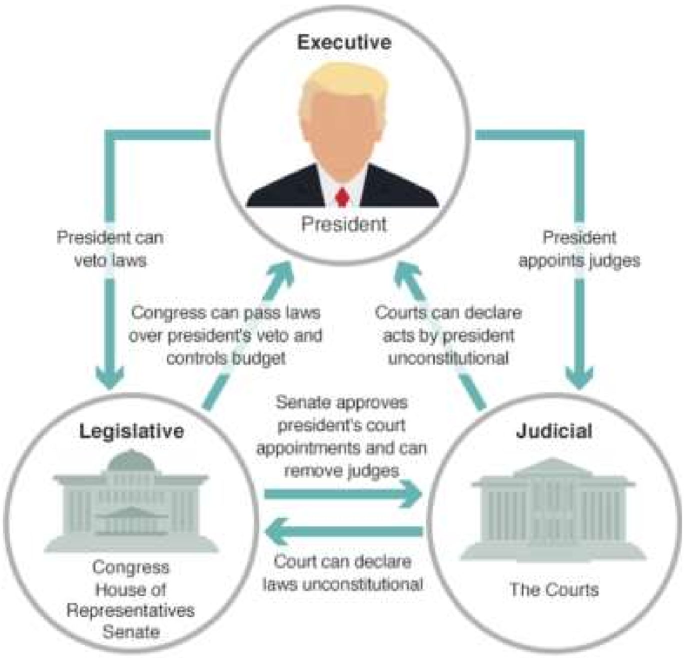
- The US political system is designed to prevent one person from having too much power
- Congress holds the Trump card
- Legislation moves slowly through Washington DC

Separation of Power

In the November US elections, the Republican Party won the Presidency and both houses of Congress. With this victory you may think that President Donald J Trump will be able to do whatever he wants. However, little things can mean a lot. The US Constitution provides a system of checks and balances and separation of powers among three equal branches of government. The Founding fathers designed a system so that no one person could have total control.

The three branches of the US government are the Executive, the Legislative and the Judicial. The Executive branch refers to the President of the United States and his cabinet; Congress, which is made up of the House of Representatives and the Senate, and which administers the Legislative branch; and the Judicial branch is the Supreme Court and lower Courts.

CHECKS AND BALANCES ON THE US GOVERNMENT
SOURCE: BBC



What can the President Do?

Trump, as President, has the authority to implement certain immigration policies. However, the Judicial branch of government can declare executive actions unconstitutional, thereby providing a check on Presidential power. This scenario has recently played out with the court challenging Trump's 'travel ban' affecting people from seven predominantly Muslim countries.

The President can control foreign policy, apply tariffs and negotiate trade agreements. Trump has already pulled out of the proposed Trans Pacific Partnership free trade deal and signalled his intent to renegotiate the North

American Free Trade Agreement (NAFTA). The legislative branch of government has to ratify any agreement.

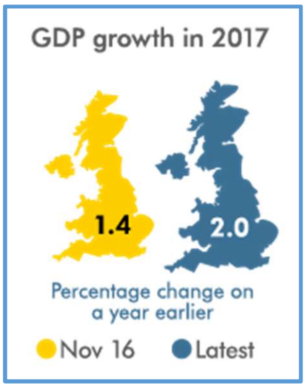
Lastly the President can veto a bill unless two-thirds of the House and the Senate vote to overrule the veto. In this case the bill would then pass into law without the President's signature.

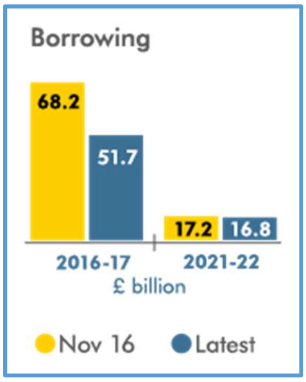
UNITED KINGDOM ECONOMIC OUTLOOK

Scottish First Minister Nicola Sturgeon has announced she will seek permission from Westminster to call a second referendum on Scottish independence. She says Scots should be given a choice on whether to follow the UK into a hard Brexit or become an independent country. She argues that the result of the EU referendum has drastically altered the political landscape. Scotland overwhelmingly voted to remain in the EU, leading Sturgeon to claim the country was being "dragged out of the EU" against its will. She told reporters that the SNP had initially sought to work with Theresa May's government, but that May's determination for a "hard Brexit" – particularly the decision to leave the single market – left them with no choice but to revive the independence question.

British PM Theresa May is adamant that Scotland must remain within the United Kingdom, but if Westminster does give permission for a second referendum on Scottish independence, the vote would be held between autumn 2018 and spring 2019 before Brexit negotiations are finalised. In the fiercely-contested 2014 referendum, 55 per cent of Scots voted to remain a part of the UK.

The UK Economy





The UK economy will confound forecasts for a Brexit-related slowdown through 2017, but will then quickly run out of steam as rising prices hit consumer spending, the Office for Budget Responsibility has predicted. The UK Government's independent forecaster said that since its November outlook, the economy had performed better than expected and it raised its forecast for economic growth this year to 2% from 1.4%. But it predicts growth will be slower than previously thought in 2018, at just 1.6%. The new forecasts still paint a gloomier picture for growth than those published this time last year, when the UK was yet to vote for Brexit.

The deficit is now forecast to come in at £51.7bn this year, down from the £68.2bn as forecast in November. Analysts now expect the deficit to increase by £6.5bn next year rather than shrinking by £7.2bn. Budget policy decisions will also push up public spending next year, whereas government departments appear to be underspending this year by more than expected.

The fiscal outlook

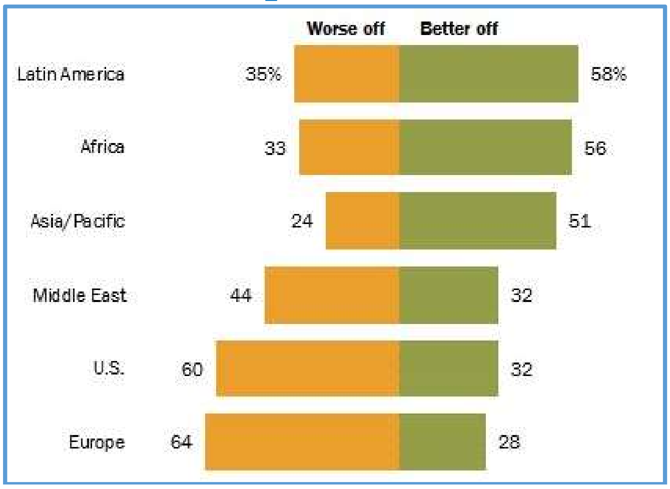
Public sector net borrowing peaked at 9.9% of GDP (£151.6bn) in 2009-10 as the financial crisis and subsequent recession dealt the public finances a major blow. Fiscal consolidation and economic recovery then reduced the deficit to 3.8% of GDP (£71.7bn) by 2015-16. They expect it to have reached 2.6% of GDP (£51.7bn) in 2016-17. With little sign of either spare capacity or overheating in the economy, they judge that the structural deficit (which excludes the effects of the economic cycle) is close to the headline deficit at 2.6% of GDP.

UNITED KINGDOM'S GDP GROWTH RATE

EUROPEAN ECONOMY

Europeans are pessimistic about their economic future. (see graph below)

QUESTION: WHEN CHILDREN TODAY IN OUR COUNTRY GROW UP, DO YOU THINK THEY WILL BE _ FINANCIALLY THAN THEIR PARENTS?



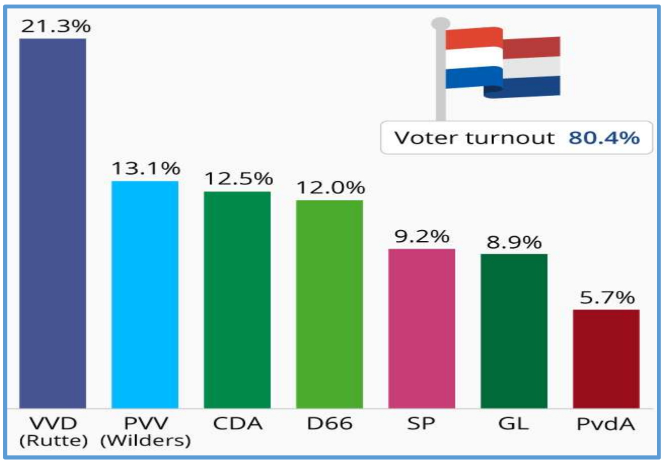
NOTE: Percentages are regional medians. Europe medians of France, Germany, Italy, Poland, Spain and the UK.

The European Election Trifecta

In Europe, elections in the Netherlands, France and Germany could upset financial markets with the prospect of anti-European Union (EU) sentiment. This could upset the improving economic fundamentals currently being enjoyed.

First up was the Netherlands on 15 March 2017. Dutch Prime Minister Mark Rutte's victory over Eurosceptic, anti-Islam Geert Wilders comes as a huge relief to other EU governments facing a wave of nationalism.

The Netherlands' election was widely seen as a litmus test for the strength of anti-establishment populism ahead of upcoming votes in France and Germany later this year. However, it is too soon to applaud a return to political normalcy.



Next up is the **French election on 23 April 2017** (first round) and 7 May 2017 (second round). The National Front candidate, Marine Le Pen, is currently leading opinion polls with 25%. At the centre of her policies are returning to the French franc and renegotiating EU treaties. We expect that she will struggle to win the second round and even if she does, unless she can get an adequate majority in legislative elections (to be held on 11-18 June 2017) she will not be able to easily implement her policies.

Finally, we get to the **German election on 24 September 2017**. In Germany the Social Democratic Party has experienced a surge of support and appears to be a serious challenge to Chancellor Angela Merkel's Christian Democrats coalition. While immigration is the key issue in Germany it is not the only issue. We expect that another grand coalition will be formed to govern Germany postelection, which won't include the right wing anti-euro 'Alternative fur Deutschland' party. The election outcome may lead to easier fiscal policy and some unwinding of structural reforms.

Above all when considering European elections one should note that support for leaving the European Union is currently only 24-26% in Netherlands, France and Germany.

Another Greek Debt Saga?

One perennial problem which has raised its head again is Greek debt. Greece needs to borrow further new debt ahead of large debt redemptions in mid-July. In order for this issue to be resolved, a compromise is needed between the Greek government and European creditors, and potentially the International Monetary Fund (IMF). We suspect that even if a long-term solution is not found, that a temporary solution will be found so as to shift the difficult decision beyond key European elections this year.

Chinese Economy

Our analysts are monitoring Chinese economic growth closely. Concerns include over-investment, debt build up, a wobbly real estate market, an economy that remains over reliant on infrastructure and property investment, and capital outflows (foreign reserves have now fallen to below US$3 trillion which compares with the IMF's estimated minimum reserve adequacy level of US$2.7 trillion).

In addition, their population is aging and the population growth is only 0.5% despite the birth rate increasing by nearly 8% following the relaxation of the one child policy.

There is also the possibility of a trade war with the US. Despite all these issues the Chinese authorities are likely to provide adequate economic stimulus to support economic growth until at least the 19th Communist Party Congress (CPC) in the autumn of 2017.

China's GDP Growth Rate

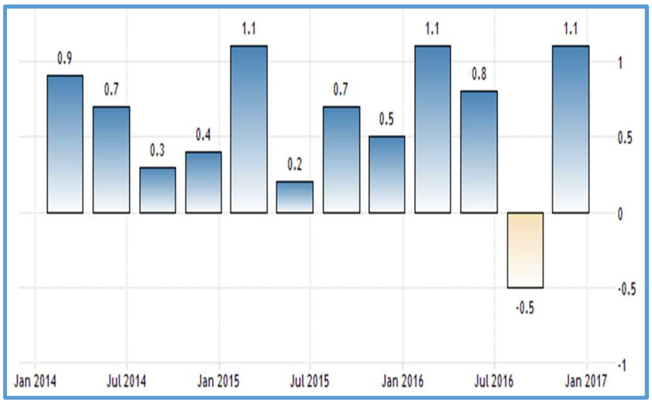
Australian Economic Outlook

Our analysts think that the Reserve Bank of Australia (RBA) is too optimistic about growth and inflation.

- Implicitly, the Bank is forecasting 0.8% quarterly growth in 4Q. This is a strong number considering that our "now-casting" framework is pointing to a number closer to zero. Indeed, even after accounting for uncertainty bands around our "now-cast", 0.8% quarterly growth seems optimistic.
- The RBA believes that the mining capex downturn has largely run its course. We believe that there is room for undershooting, just as there was significant overshooting in the boom period.
- In principle, capacity constraints drive capex—but historical relationships suggest that capex seems to drive movements in capacity utilisation. In our view, capex is first and foremost driven by firms' outlook for demand. In this context, we think the RBA is making an assumption about consumption growth, and its flow on effects.

- The RBA is looking for solid consumption growth. But we are concerned about the tightening cashflow situation of households, especially with mortgage principal payments on the rise and real wage growth anaemic. Also, we are concerned about the downside risks to housing-related spending from weak and weakening housing turnover. Non-labour income factors are weighing on the consumer, even before we consider the direction of labour income growth. And historical relationships suggest that causation tends to run from consumer spending to employment rather than the other way around, because the consumer represents the lion's share of GDP. In this context, the non-labour income squeeze consumers are experiencing takes on additional significance.

Australia's GDP Growth Rate



The RBA seems to take the credible view on global trade and the availability of USD funding by assuming the status quo persists. But this position is only credible insofar as there is significant uncertainty around the path of US policy, and the Bank does not want to be seen pre-empting the unknown. In our view, there are material downside risks to global trade, and the USD shortage could easily flare up again based on regulatory changes or a shift towards protectionist trade policies. The uncertainty in and of itself could be a problem. In the event that the USD shortage manifests, there is downside risk to commodity prices which would jeopardise the Bank's core views about national income gains, inflation and the mining capex cycle. To be sure, the bank is highly cognisant of these risks, as evidenced by its discussion of recent weakness in spot coal prices and cross-currency basis swap spreads.

We are intrigued by Lowe's view that exchange rate and interest rate settings are consistent with 3% per annum real GDP growth. In our view, he could be right—but only beyond 2017. In the interim, the economy has to work through the legacy of tight financial conditions from 2015–16 (such are the leads and lags of monetary policy). If the RBA is right, and 4Q real GDP really did recover by 0.8%, the rolling annualised average of growth would 1.2%. It is clear in our view that there is undershooting in growth momentum. The question though is whether the RBA and government collectively can tolerate this undershooting in the hope of recovery in 2018. We suspect not, because it would be a very long time to wait. But perhaps the Bank is now more stoic. We remain of the view that the RBA will have to downgrade its outlook further, consistent with more rate cuts.

New Zealand's Economic Outlook

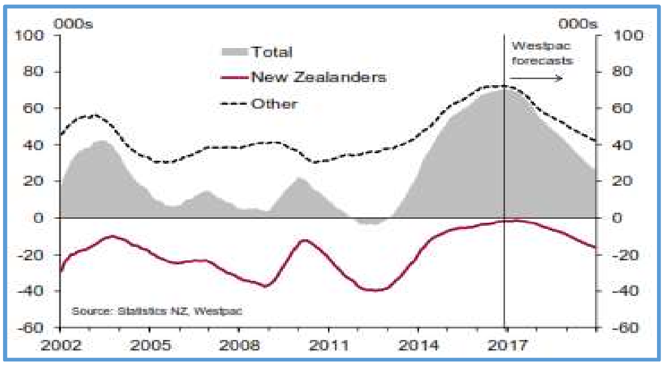
Expect annual GDP growth to top 3% over the next couple of years, as a wave of building work progresses and higher dairy prices provide some relief to rural regions. Population has boosted activity, and is likely to continue to do so as long as job prospects remain favourable here. Higher interest rates are likely to take the edge off house prices and consumer spending.

GDP growth in the December 2016 quarter (just released) was a disappointing 0.4% rise; against an expectation of 0.7%. The 2016 Annual rate totalled 3.1%.

New Zealand GDP Growth Rate

Real GDP % yr	2013	2014	2015	2016e	2017f	2018f
New Zealand	**2.2**	**3.4**	**2.5**	**3.3**	**3.6**	**3.4**
Australia	2	2.7	2.4	2.2	2.1	2.8
China	7.7	7.3	6.9	6.7	6.6	6
United States	1.5	2.4	2.6	1.6	2.1	2.4
Japan	1.4	0	0.5	0.6	0.6	0.7
East Asia ex China	4.2	4.1	3.7	3.7	3.9	3.9
India	6.6	7. 2	7.3	7. 2	7. 2	7.4
Euro zone	-0.3	0.9	1.6	1.6	1.4	1.3
United Kingdom	2.2	2.9	2.2	2.1	1.9	1.5
NZ trading partners	3.5	3.8	3.6	3.2	3.3	3.3
World	3.3	3.4	3.1	3.2	3.5	3.5

Annual Net Migration



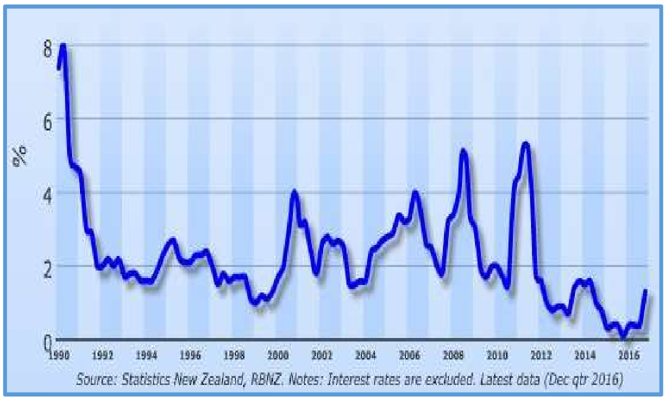
Migration inflows been skewed towards those who are work-ready. The growth in foreign arrivals over the last few years has been dominated by people coming on work visas; students were also a factor for a while, but they have slowed since late 2015 as the eligibility criteria have been more tightly enforced. Meanwhile, record numbers of New Zealanders are returning home from overseas, predominantly from Australia, and far fewer are heading there. TransTasman flows tend to reflect relative job prospects in the two countries, and both the growth in the number of jobs and the types of jobs being created are strongly in New Zealand's favour.

NEW ZEALAND TOURIST ARRIVALS

The number of short-term visitors to New Zealand increased 11 percent year-on-year to 381,068 in January of 2017, setting a new January record. Biggest changes were recorded in arrivals from China (+13,200), United States (+5,200) and Australia (+5,200).

In the year ended in January of 2017, visitor arrivals hit a record 3.54 million, up 11% from a year earlier.

NZ'S INFLATION RATE



Since 2000, New Zealand Consumers Price Index inflation has averaged around 2.7%. This compares with averages of 2.4% in the 1990s, and averages of over 11% for the previous two decades. Since September 2002, the inflation target has been to keep inflation within a range of 1–3% on average over the medium term.

Commodities

King Salman of Saudi Arabia's massive entourage has been stealing the show on his tour of Asia (Salman travels with 1,500 people in tow), but oil, money and geopolitics are driving the Saudi leader's month-long journey. Asia's growing economies are a big deal for Saudi Arabia, which is trying to wean itself off a dependence on oil.

The driver for Saudi's interest is the fact that Asia is two thirds of the world's population, half of its economy - and this will only increase. This kingdom is the world's largest oil exporter, so it's little surprise that energy the key focus of this trip. He's already been to Malaysia, Indonesia and Japan, with economic giant China up next. Saudi Arabia is vying with other Arab states as well as Iran and Russia for a bigger slice of the Asian market.

OIL: WEST TEXAS CRUDE (1 YEAR CHART)

Currency

The Reserve Bank today left the Official Cash Rate (OCR) unchanged at 1.75 percent- RBNZ wording below – the last sentence is interesting…

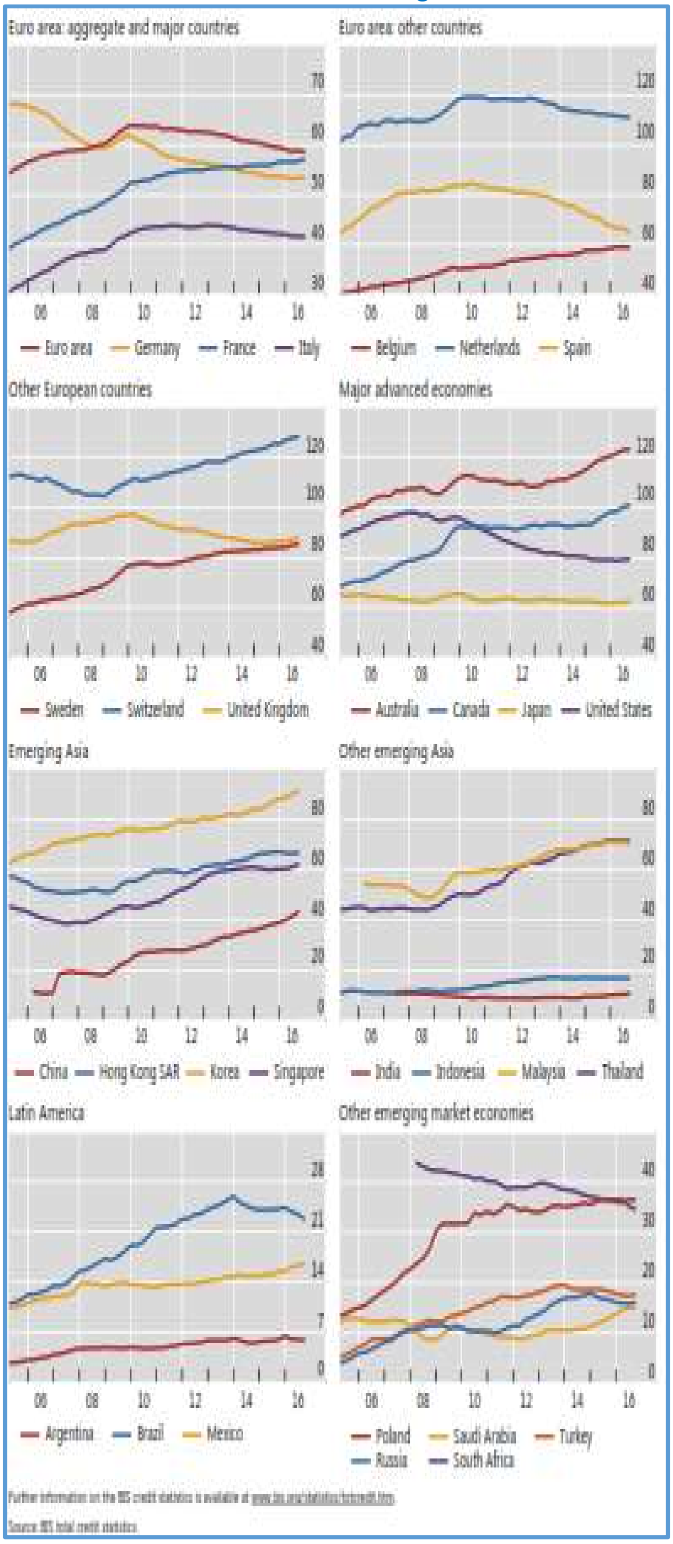
Macroeconomic indicators in advanced economies have been positive over the past two months. However, major challenges remain with on-going surplus capacity in the global economy and extensive geo-political uncertainty. Global headline inflation has increased, partly due to a rise in commodity prices, although oil prices have fallen more recently. Core inflation has been low and stable. Monetary policy is expected to remain stimulatory, but less so going forward, particularly in the US.

Monetary policy will remain accommodative for a considerable period. Numerous uncertainties remain, particularly in respect of the international outlook, and policy may need to adjust accordingly.

NZD/USD AND NZD/AUD

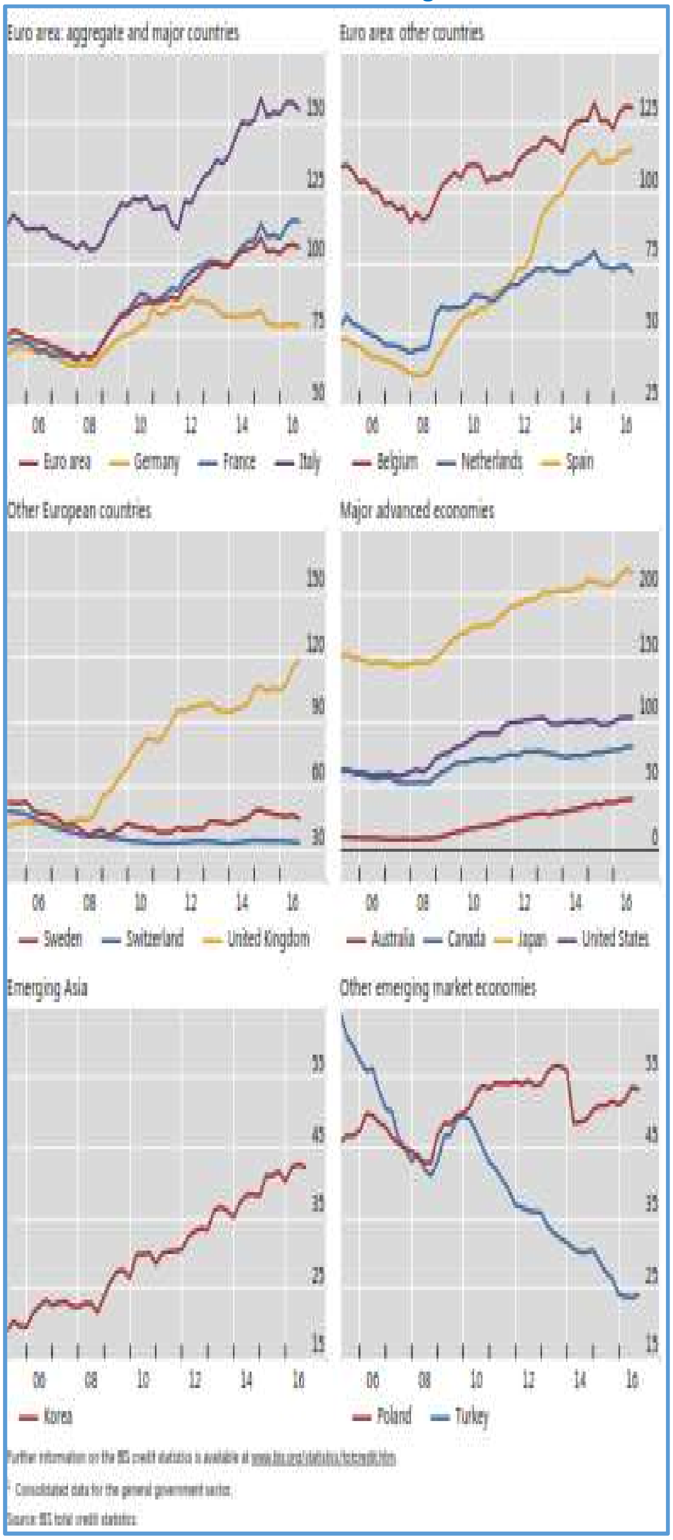
Total credit to households

Core Debt As a Percentage of GDP



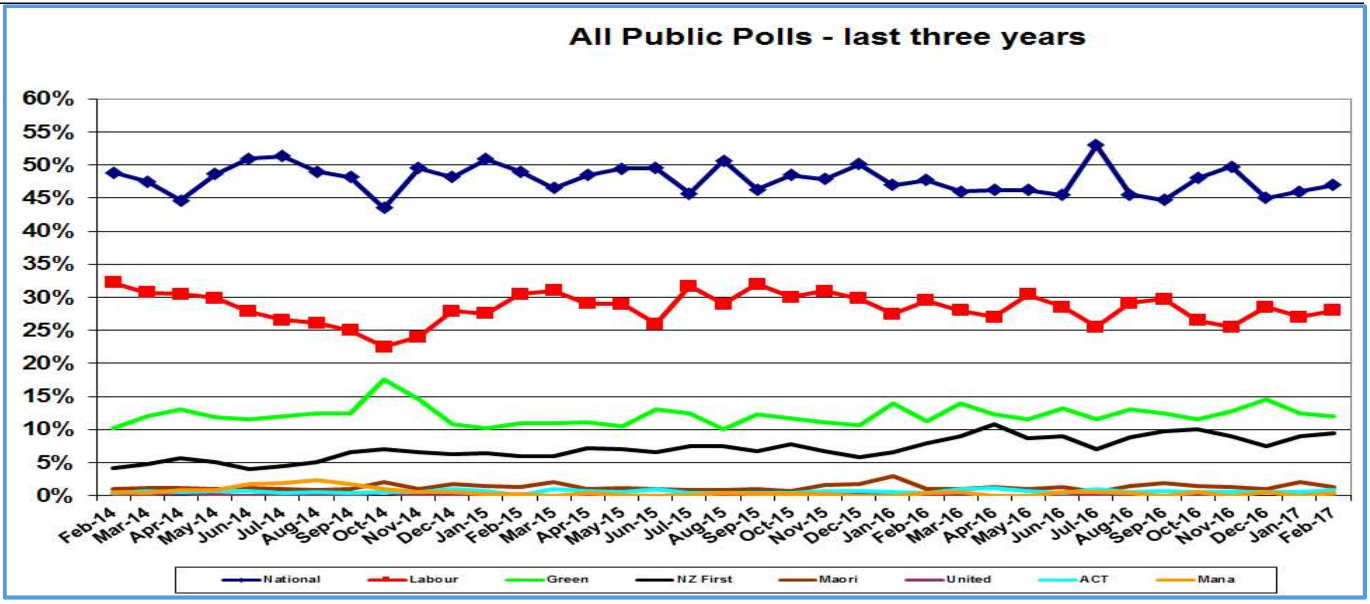
Total credit to the Government Sector

Core Debt As a Percentage of GDP

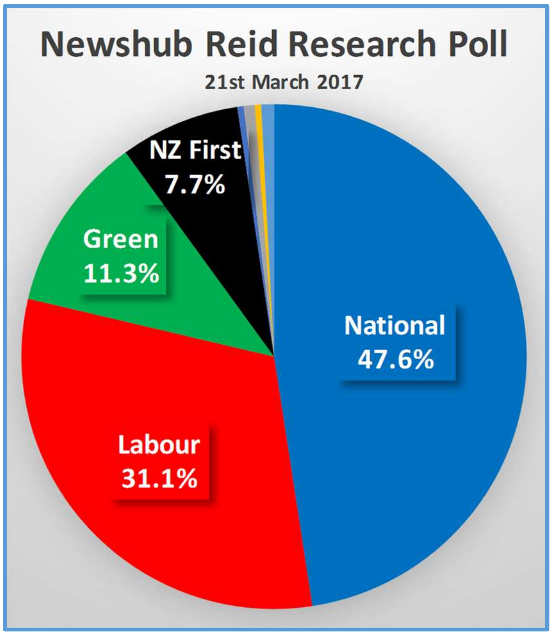


MAYBE IT'S NOT ALWAYS ABOUT TRYING TO FIX SOMETHING BROKEN. MAYBE IT'S ABOUT STARTING OVER AND CREATING SOMETHING BETTER.

Election Year – An Analysis of the Political Playground



SOURCE: Curia Market Research



The 23rd September Election in New Zealand will be no sure thing for National. While it continues to poll above 45%, the problem in New Zealand is that with MMP it is exceedingly difficult to be able to govern alone. In 2014 the John Key Government was able to, until it lost the Northland bi-election to Winston. Since then it has become increasingly difficult for them to pass legislation through the House – RMA reforms are a good example.

The only vote that counts (as to who holds the Government Benches) is the Party Vote, so if you are thinking of splitting your vote, then you should VOTE NATIONAL for your Party Vote, and switch your Candidate Vote. Too much is at stake to tinker with your vote. I don't apologise for wearing my politics on my sleeve regarding national politics – however I see no place for it within Local Government.

OECD Environmental Performance Review – New Zealand 2017

This report gives an insight into however the OECD view New Zealand's environment

New Zealand is one of the most dynamic economies in the OECD and has built an international reputation as a "green" country. It fares well in terms of environmental quality of life; the country's population enjoy easy access to pristine wilderness and good air quality. However, New Zealand's growth model, largely based on exporting primary products, has started to show its environmental limits, with increased greenhouse gas (GHG) emissions, diffuse freshwater pollution and threats to biodiversity.

A long-term vision for the transition towards a low-carbon, greener economy is necessary

There are likely trade-offs between continued reliance on exporting primary products and environmental and climate change mitigation goals. Expansion of dairy farming has led to more intensive use of agricultural inputs and water, nitrogen losses and higher GHG emissions. New Zealand should build on its well-developed knowledge and innovation system for exporting higher value export products and decouple growth from natural resource use. Nearly 10% or government research spending targets environmental research, the highest share in the OECD. This has helped New Zealand acquire a competitive advantage in several environmental technologies. It should continue to lead international research efforts to find solutions that reduce the environmental impacts of agriculture.

With four-fifths of power generation sourced from renewables and nearly half of GHG emissions coming from agriculture, New Zealand faces particular challenges to meet its 2030 climate change mitigation target under the Paris Agreement. The Emissions Trading Scheme, launched in 2008, will remain the cornerstone of the country's climate change policy, but it needs to be strengthened to provide a sufficiently high and stable price signal to influence investment decisions and unlock emission mitigation solutions. Pricing or regulatory measures are needed to curb GHG emissions from agriculture. Reducing transport-related emissions also demands additional efforts: freight and people travel mostly by road; the car ownership rate is the highest in the OECD; and the fleet is relatively old and inefficient. While electric vehicles can contribute to reducing emissions, there is a need for stricter vehicle standards and a coherent system of fuel and vehicle taxes and charges.

New Zealand's advanced natural resource management system could be made more effective

The 1991 Resource Management Act (RMA) is a remarkably comprehensive piece of environmental legislation. However, with more than 20 amendments since its adoption, it has doubled in size and lost some of its coherence. Some newly adopted national environmental standards and policy statements have strengthened the regulatory framework, but significant gaps remain. Local authorities have major environmental management and land-use planning responsibilities, but have implemented the RMA requirements without national guidance in many policy areas. Resulting inconsistencies in the application of the RMA have generated an uneven playing field for economic entities and uncertainty in achieving desired environmental outcomes. New Zealand needs to conduct a comprehensive evaluation of implementation of the RMA by local authorities, establish nationally standardised requirements in several domains and provide better guidance to local authorities on how to carry out their permitting, compliance monitoring and enforcement responsibilities. It also needs to properly align the RMA with legislation on local governments and land transport infrastructure. There are ample opportunities for public participation in land-use planning and drafting environmental legislation, which need to be preserved. New Zealand needs to continue to build capacity of Maori communities to realise their consultation rights.

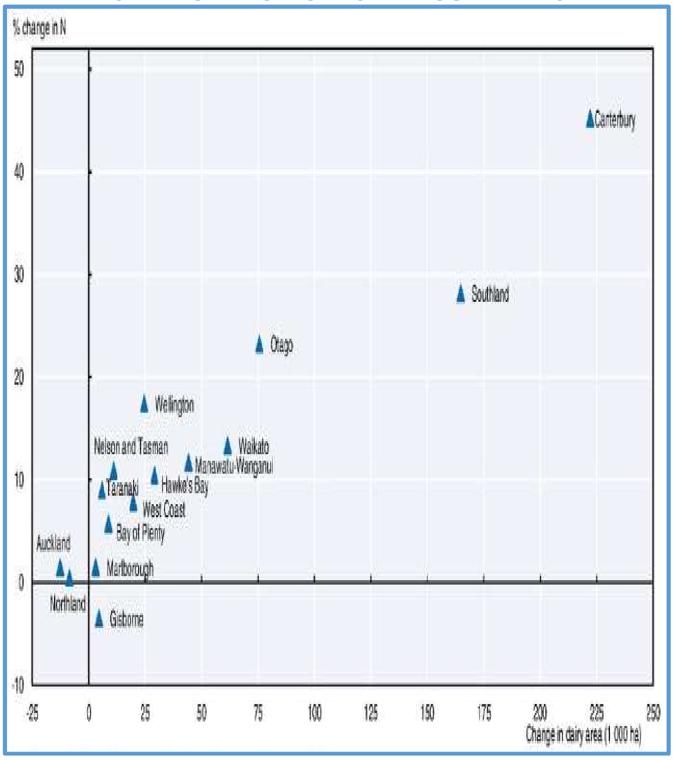
The much welcomed national freshwater policy reform needs to be swiftly and effectively implemented

Agricultural and urban stormwater run-off continues to put pressure on freshwater quality and ecosystems, and increased irrigation water has led to water scarcity in some areas. The adoption of the National Policy Statement for Freshwater Management in 2011 filled a long-standing policy gap; it encourages collaborative governance and stakeholder engagement and is a fundamental step to safeguard water quality and reduce water over-allocation. However, progress with implementation has been slow. Further government support is required to assist regional councils and local communities with setting ambitious goals, and to accelerate implementation of the reform to reduce investment uncertainty and the risk of further pressure on freshwater resources and ecosystems.

Economic instruments would help manage water quantity and quality more cost-effectively

New Zealand has introduced some economic instruments for water management, but there is significant scope for expanding their use. Resource rentals for water abstraction and pollution charges should be explored, as well as the wider use of trading mechanisms such as the Lake Taupo nitrogen market. Resolving Maori rights and interests in water will be necessary to move forward with the introduction of economic instruments and to improve water governance. Government grants and concessional financing for irrigation projects aim to reduce the vulnerability of pasture-based agriculture to variable rainfall patterns and to enhance water-use efficiency. However, they do not systematically consider the environmental and social costs of irrigation, and the benefits largely accrue to the agriculture and processing industries. There is a risk that financial support for irrigation further increases pressures on freshwater resources, especially if more efficient irrigation techniques simply allow an increase in irrigated volume or area. Natural capital accounting could help evaluate the costs and benefits of investment in irrigation projects and assist with resource management decisions.

LARGE-SCALE LAND USE CHANGE TO DAIRY FARMING IS PREDICTED TO INCREASE NITROGEN LEVELS



SOURCE: PCE (2013) Water quality in New Zealand Land use and nutrient pollution.

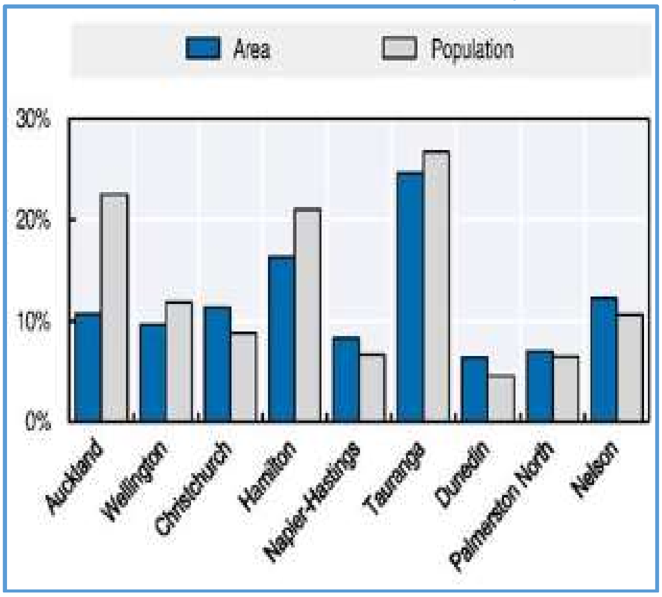
New Zealand's green and livable cities face increasing environmental pressures

New Zealand's cities feature large open green spaces, generally clean air and good water and waste services. However, population growth and urban expansion are posing increasing pressure on housing, land use, and wastewater and transport infrastructure, especially in Auckland. With urban mobility relying heavily on private car use, congestion levels and transport-related GHG emissions are high. Further developing urban public transport systems could provide other options for commuters and improve environmental outcomes. More systematic use of user- and beneficiary-based instruments (e.g. road pricing and development charges) would help local governments finance investment in infrastructure and services, while encouraging more efficient use of resources and land, and containing urban sprawl.

Governance for sustainable urban development remains challenging

Many cities have adopted environmental performance objectives and some aim at a more compact urban development with better public transport accessibility. However, institutional fragmentation, a complex urban planning system, inconsistent local practices, policy misalignment and restrictive land-use regulations frustrate both urban growth and environmental protection objectives. In 2010, a major reform established an integrated metropolitan governance body for Auckland and required spatial planning for the region. This has helped improve institutional co-ordination and advance integrated planning for land use, housing, and transport infrastructure; it is a potential model for other cities.

GROWTH IN POPULATION AND BUILT UP AREA, 2001-13



SOURCE: MZ Productivity Commission, 2016.

Chunky's Punts

If it is the horses that you are interested in, then keep an eye on **JON SNOW**, the latest star from the Soliloquy family. Trained by Murray Baker and Andrew Forsman (Cambridge), this 3-year-old is worth a punt, especially at Rosehill in West Sydney. The comment is that this stable don't bring a horse to Australia unless they are ready to win.

On the sharemarket, Chunky favours the resurging **COMVITA**. For the six-month period ending 31 December 2016, Comvita announced a net loss after tax of $7.1m on sales of $57.7m. This result compares with a reported net profit after tax (NPAT) of $3.0m on sales of $91.1m for the six-month period to 30 September 2015. Chunky is convinced that the company has addressed its China access issues, and the road ahead looks positive.

Why open-plan offices aren't working - and what to do about it

SOURCE: Michael McQueen is an Australian trends forecaster, business strategist and award-winning conference speaker.
https://michaelmcqueen.net/blog/why-open-plan-offices-don-t-work-and-what-to-do-about-it

Recent decades have seen scores of offices embrace an open-plan format - as many as 70% of all workplaces. The rationale for doing away with doors and walls was clear: by bringing down the barriers that divided us, greater collaboration, communication and cohesion would result. In addition, a more flexible and fluid office layout would suit an increasingly mobile and transient workplace. Or so we thought.

While open-plan offices have certainly benefited companies in that they've significantly reduced floor-space requirements and therefore costs, the data is becoming increasingly clear: open-plan offices aren't really working.

Consider the evidence:

- Although designed to increase collaboration, there is little evidence to show this is actually occurring. In contrast, a study tracking over 40,000 employees found that the open-plan format had done little to increase meaningful interaction.
- 53% of office workers today report that noise levels in an open-plan format significantly impact on their capacity to focus and be productive.
- According to wide-scale research examining the impact of workplace distraction, the average open-plan office worker today is interrupted every 3 minutes leading to a productivity-cost of $1 billion per year for the average 50,000-employee company.
- While open-plan offices may not necessarily help in the spread of ideas, they certainly help in the spread of germs with employees twice as likely to get sick when working in open-plan formats.

Despite these drawbacks, the reality is that offices are unlikely to return to their old format any time soon. The simple economics would make such a move very hard to sell. Further still, the nature of workplaces and work has so fundamentally shifted that the door-and-wall formats of old would no longer make sense.

While many organisations are recognising that a hybrid model of open-plan and dedicated-space offices is a good solution, here are 5 keys to focussing and flourishing in even the most distracting open-plan workplace:

1. Get out of the office when working on focussed tasks

If there are specific projects that require concentrated attention, try getting away from your desk and out of the office to a 'third space'. A local cafe is often the best port of call. Find a space that is comfortable and conducive to focus and switch off as many distractions as possible (email, phone, social media). Make a deal with yourself that you won't return to the office till the task is completed.

2. Be proactive in avoiding distraction

Try to set clear boundaries and expectations with colleagues so they know when you are able to be interrupted and when you need to be left alone. A clever proactive technique I came across recently was a Google Chrome PlugIn call Nope. Once installed, Nope shows as a button in your web browser that you can click if you see an distracting conversation about to unfold. Nope will call your mobile phone giving you the ideal 'out' due to the need to urgently answer the fake phone call. Sneaky but effective!

3. Control the soundtrack to your day

For many people in open-plan offices, listening to music during the day is a great way to minimise distraction. Rather than overhearing every conversation around you, your earphones give you ability to somewhat control your environment. Better still, having earphones in your ears may cause colleagues to think twice before interrupting you.

4. Master your inbox

While in-person interruptions can be a significant challenge in open-plan offices, digital interruptions can be just as challenging. In order to control your inbox (rather than it controlling you), try using email curation software like SaneBox. Alternatively, try 'batching' your email so you only check your inbox 4 times a day for 20 minutes at a time. Some of the most productive people I know have done this for years and it works wonders for their productivity.

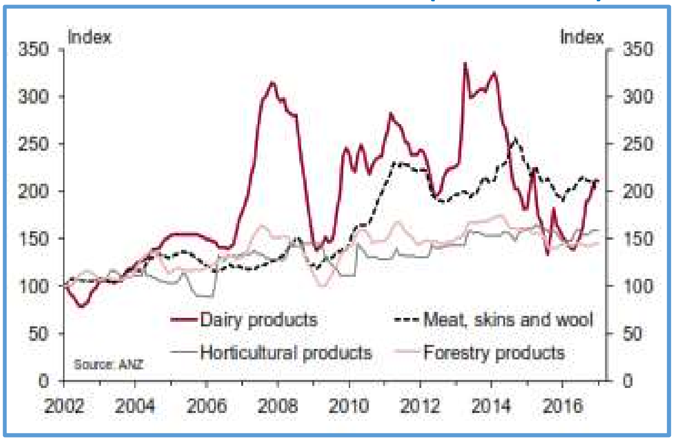
5. Get good at saying no

While many of us struggle to politely decline a request for help/involvement/input, there is no other word that is more important in achieving focus than the word 'no'. Steve Jobs famously noted that "focus is not the ability to say yes to the one, it's saying no to the hundred good things in front of you." What do you need to start saying no to in the workplace in order to avoid distraction? Is it committees that aren't a strategic use of your time? Is it meetings that don't have a purpose or end time? Or is it something as simple as avoiding the idle conversation with a colleague who loves to drop by your desk repeatedly. Saying no can be difficult and needs to be done tactfully.

Agribusiness – Looking from the outside in

Year to 30 June	1994	2002	2004	2006	2008	2010	2012	2013	2014	2015	2016
Total Dairy Cattle	3,839,184	5,161,589	5,152,492	5,169,557	5,578,440	5,915,452	6,445,681	6,483,600	6,698,326	6,485,500	6,497,400
Total Beef Cattle	5,047,848	4,491,281	4,447,400	4,439,136	4,136,872	3,948,520	3,734,412	3,698,522	3,669,862	3,547,200	3,473,500
Total Sheep	49,466,054	39,571,837	39,271,137	40,081,594	34,087,864	32,562,612	31,262,715	30,786,761	29,976,628	29,120,800	27,576,200
Total Deer	1,231,109	1,647,938	1,756,888	1,756,918	1,223,324	1,122,695	1,060,694	1,028,382	958,219	900,100	852,900

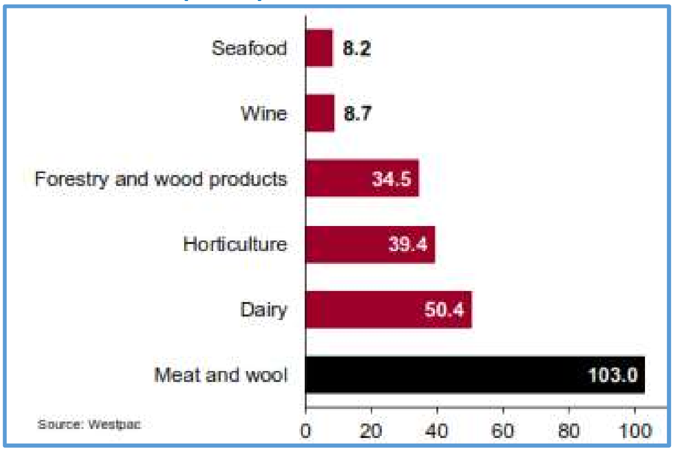
NZ Export Commodity Prices (World Prices)



Meat & Wool Sector

The demand picture remains murky - Although demand from China for some of the cheaper cuts of sheep meat has been more positive recently, the implications of Brexit are already creating challenges in the UK market. The substantially weaker pound has eroded the competitiveness of New Zealand's lamb exports, making our exports more expensive and UK lamb exports to Europe cheaper. Further out, market access is uncertain.

Employment (FTE's) in the Primary Sector (000), 2016

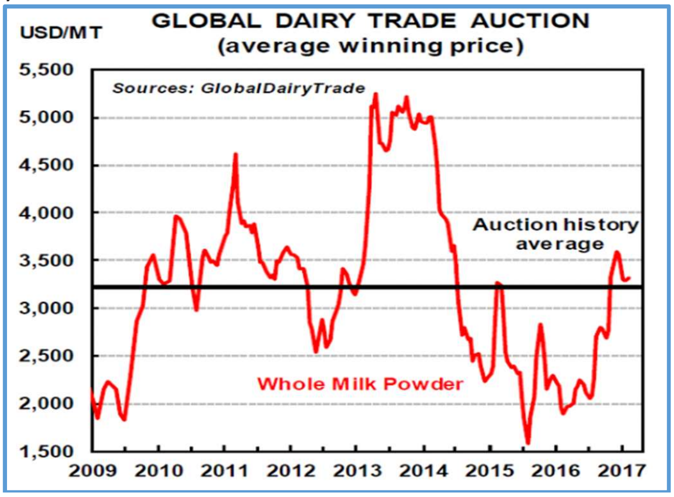


The Meat & Wool sector is by far the largest in terms of employment in New Zealand's primary sector. More than 100,000 full-time equivalent workers (FTEs) are employed in the sector, compared to around 50,000 in dairy, 40,000 in horticulture, and 35,000 in forestry. Each of these estimates include both the production and processing components of the relevant sector.

As of 2015, around 4% of New Zealand's total GDP was generated by the meat and wool sector, or around $9bn in value added. A little over half the total value added was on-farm, at $4.7bn. A further $2.8bn was generated by meat and wool processing, while $1.4bn came from farm support services.

Dairy Sector

It's been a lacklustre start to the year for dairy prices, after last year's remarkable rebound that saw global prices rise more than 50% over the second half of the year.



Forestry

Forestry 2002 - 2016	Exotic planting		Exotic harvesting	
	New area	Replanted		
	(Hectares)			(Cubic metres)
	SAAMZZZ	SAANZZZ	SAAOZZZ	SAAPZZZ
31 Dec 2002	19,000	43,200	49,400	22,812,500
2003	15,900	44,600	49,200	21,555,400
31 Mar 2005	9,700	41,300	40,900	18,362,100
2006	4,200	36,100	42,800	18,376,900
2007	2,600	33,000	42,300	19,107,400
2008	2,700	33,100	42,700	19,204,100
2009	2,400	31,500	40,000	18,887,200
2010	2,900	33,100	43,800	21,153,600
2011	7,200	35,100	47,500	24,028,300
2012	11,300	40,200	48,200	25,201,200
2013	9,700	42,900	50,500	26,744,100
2014	3,900	41,000	50,200	26,400,600
2015	3,100	40,000	48,000	25,375,100
2016	3,600	35,800	45,600	23,503,700

Market update

The NZX50G increased 1.7% over February 2017 and, based on consensus forecasts, FNZC observe that current market pricing of New Zealand equities remains close to cyclical highs. They calculate a 12-month forward P/E multiple of 21.3x as at 28 February 2017. This compares to an average multiple of 16.7x for the historical period from September 2006. They track the NZ market P/E multiple in the graph below.

12-MONTH FORWARD MARKET P/E MULTIPLE

Source: Company data, Reuters, Bloomberg, FNZC estimates

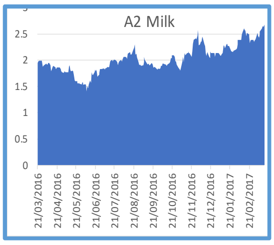
FNZC'S RANKINGS

Underperform			Neutral			Overperform		
SKT	POT	AIA	AIR	AFT	FSF	ARG	ATM	CEN
	SPK	DGL	ARV	AWK	MEL	IFT	ERD	
		MCY	CNU	FBU	NZX	MPG	MHJ	
		TME	GNE	FPH	RBD	NZK	MVN	
			MFT	FRE	ZEL	PEB	PGW	
			NZR	GMT		TNR	SCL	
			OHE	HBL			SML	
			OIC	KMD			TGH	
			SAN	KPG			TLT	
			SKC	PCT			XRO	
			STU	PFI				
			THL	SKL				
				TPW				
				VCT				
				VGL				

SOURCE: FNZC

A2 Milk Company (ATM.NZ)

OUTPERFORM $2.68 **TARGET:** $2.85



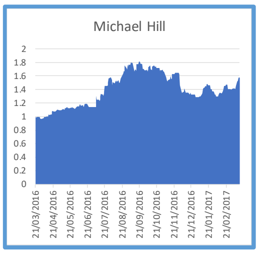
ATM has created a unique set of dairy products based on type A2 milk, which focus on the digestive benefits of such milk. The core part of ATM's business is fresh milk sales in Australia (ATM has around a 10% market share by value) and infant formula sales, which is dominated by Chinese-led demand. Infant formula achieves much higher profit margins than fresh milk and has therefore been a key contributor to the growth in ATM's profit. ATM has additional growth optionality from new markets; the UK which is nearing breakeven and the US which was initially focused on the Californian market and is now expanding elsewhere. ATM has made good progress gaining access to US supermarkets and plans to spend around $30m developing its US business over the next 2-3 years. ATM's 1H17 well and truly exceeded market expectations with earnings growing 225%. This demonstrated management's agility and sound execution which proved extremely challenging to other companies in the sector. ATM's balance sheet strengthened with its net cash position building to $108m (FY16: $69m). This is forecast to grow significantly in coming years raising the potential for ATM to make a capital distribution or start paying a dividend. The risks for ATM include market and regulatory changes in China, the execution of its strategy in China, development of the US and the UK and the legal challenges by Lion relating to the various patents which ATM has. While we like the outlook for ATM we note that it is a high risk stock.

ATM Year to 30 June		2016A	2017F	2018F	2019F
Adjusted Earnings (NPAT)	NZ$m	30.5	66.1	85.1	113
Earnings /share (Adjust)	NZc	4.4	9.2	11.8	15.8
Price / Earnings Ratio	x	53.3	25.7	20.0	15.0
Cash Per Share	NZc	3.2	8.7	10.7	13.9
Dividend per share	NZc	0.0	0.0	0.0	0.0
Net Debt/ EBITDA	x	-1.3	-1.2	-1.6	-1.9
Interest Cover	x	-110	-84.3	-61.6	-50.7

Source: Company data; NZX; First NZ Capital Estimates

Michael Hill International (MHJ.NZ)

OUTPERFORM $1.47 **TARGET:** $1.53



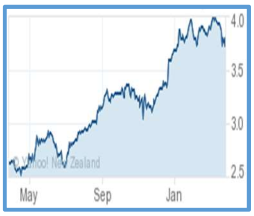
MHJ is one of the largest jewellery retail chains in Australia and NZ. MHJ is made up of a very mature NZ business, a fairly mature Australian business, a growing Canadian business, an early stage but loss making US business and a new concept, Emma & Roe, in Australia. Following a period of share price weakness in December 2016, FNZC believe the current share price better reflects the execution risk associated with the Canadian expansion, Emma & Roe and its struggling US business. MHJ delivered a solid 1H17 result with better than expected earnings of A$40m. The improved operating performance was driven by cost savings in NZ and the benefits of scale being achieved in Canada where earnings grew 26% to C$8.8m. Management intend to open a further eight stores in Canada in 2H17. The US business achieved a reduced loss in 1H17. Management expect that a new marketing and merchandising strategy in the US, as well as a new divisional head should enable an improved result in 2H17. MHJ have now settled a drawn out tax dispute with the NZ Inland Revenue which removes an uncertainty for the stock.

MHJ Year to 30 June		2016A	2017F	2018F	2019F
Adjusted Earnings	NZ$m	143	215	258	279
Earnings /share (Adjust)	NZc	35.7	53.7	64.5	69.9
EPS Growth	%	18.0	50.5	20.0	8.4
Price / Earnings Ratio	x	20.7	13.8	11.5	10.6
Cash Per Share	NZc	31.8	43.3	82.1	87.8
Net Div / Share	NZc	26.6	29.3	32.2	35.5
Imputation	%	100	100	100	100
Gross Div Yield	%	5.0	5.6	6.1	6.7

Source: Company data; NZX; First NZ Capital Estimates

Tourism Holdings (THL.NZ)

NEUTRAL $3.92 **TARGET:** $3.93



FNZC has initiated coverage of THL with a NEUTRAL rating and a target price of $3.93. Over the last five years THL has successfully lifted its return on funds employed (ROFE) and improved its earnings. This has been driven by focusing on improving asset utilisation and real depreciation through fleet management and a supportive market given strong visitor arrivals growth.

FNZC continues to see a positive earnings outlook for THL's ANZ operations on continued robust visitor arrivals and events during FY17 and FY18 (Lions Tour and Masters Games). In the medium term they expect growth in the ANZ rentals business to be lower than overall visitor growth given the strong growth expected from China and SE Asia. Evidence to date is that these travellers have a limited propensity to rent motorhomes.

THL Year to 30 June		2016A	2017F	2018F	2019F
Adjusted Earnings	NZ$m	24	30	35	40
Earnings /share (Adjust)	NZc	20.4	24.4	28.5	32.1
EPS Growth	%	20.0	19.6	16.8	12.8
Price / Earnings Ratio	x	19.2	16.1	13.8	12.2
Cash Per Share	NZc	10.5	12.0	26.0	26.2
Net Div / Share	NZc	17.0	20.0	23.1	26.4
Imputation	%	50	50	50	50
Gross Div Yield	%	5.2	6.1	7.0	8.1

Source: Company data; NZX; First NZ Capital Estimates

Tourism Holdings strategy that has seen a lift in AU Rentals ROFE has resulted in a declining sales base. This is unlikely to be sustainable long term. FNZC believe this will be addressed in the medium term with discounting and/or higher marketing costs to improve the top-line growth.

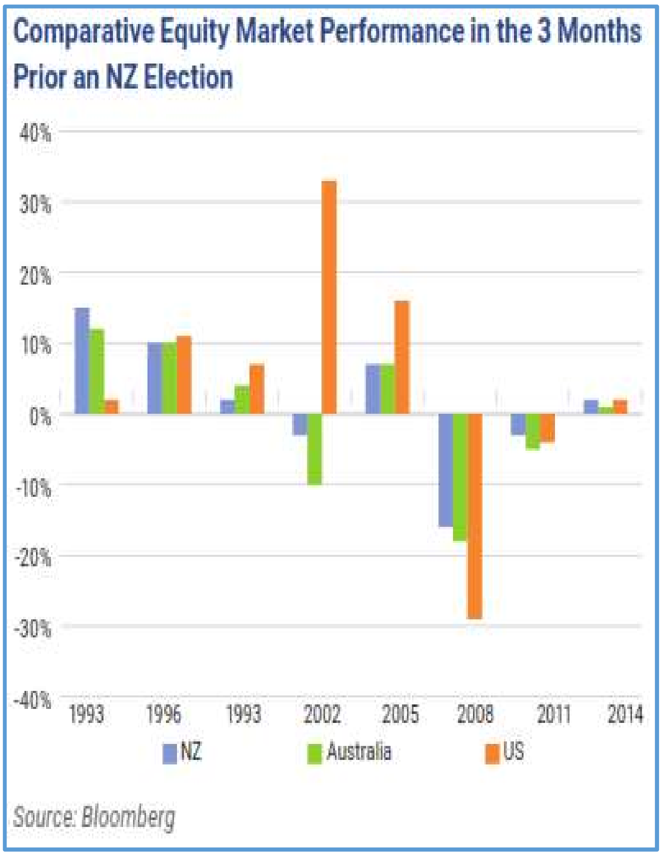
New Zealand – Warming up to Election 2017

SOURCE: FNZC

A quick look at history shows that four of the last five governments in NZ have each lasted nine years. If National can get enough support to govern for another term it will be the first government to last for more than nine years since the second National government of the 1960's. The current Pundit Poll of Polls suggests that National at around 47% and NZ First at around 9% could easily form a government if the vote happened today. This appears a more likely option than the current arrangement with three minor parties.

However, there is just six months until polling day on 23 September 2017. At this stage the three key issues appear to be housing, poverty and immigration. Amongst other issues likely to be thrown into the mix is personal tax cuts. A focus on housing should be supportive for the building industry, while a cap on migration would certainly dampen a key driver of NZ's recent economic growth. Consequently, NZ economic growth is likely to be more mediocre relative to the recent 3% plus growth. So how do elections affect the NZ equity market?

The following charts compare the performance of the NZ, Australian and US equity markets in the 3 months before polling day and the 3 months after polling day.



STOCKS TO WATCH NEW ZEALAND

NOTE: THESE ARE ALL ONE YEAR GRAPHS

Prices as at 23rd March 2017

Auckland International Airport

Retail income was -6.5% below our forecast with increasing skew to lower commission categories driving a 5.4% decline on a per-international PAX basis. Improved expense performance in 1H17 delivered positive operating leverage which offset the weak retail segment result.

2017 P/E: 34.0 2018 P/E: 30.7

NZX Code:	**AIA**
Share Price:	**$6.82**
12mth Target:	**$5.35**
Projected return (%)	
Capital gain	-21.6%
Dividend yield (Net)	3.0%
Total return	**-18.6%**
Rating:	**NEUTRAL**
52-week price range:	6.00-7.75

The a2 Milk Company

Infant Formula revenue was 24.2% ahead of our forecast with an estimated 8,800 tonnes sold in 1H17. EBITDA margin of 25.9% was 500bp ahead of expectations although ATM expects to incrase marketing spend by $15m in 2H17 to maintain and brand momentum in China and the US. ATM's decision to acquire c. 8.2% stake (c. NZ$48m) in Synlait Milk Ltd (SML.NZ) as largely risk mitigation. While strategically important, we acknowledge that this stake does not generate incremental earnings for ATM.

20017 P/E: 25.7 2018 P/E: 20.0

NZX Code:	**ATM**
Share Price:	**$2.84**
12mth Target:	**$2.85**
Projected return (%)	
Capital gain	0.4%
Dividend yield (Net)	0.0%
Total return	**0.4%**
Rating:	**OUTPERFORM**
52-week price range:	1.36-2.88

Chorus

FY17 EBITDA will benefit from a decision to reallocate $23m of operating costs to capex. CNU signalled incremental competitive initiatives investment of up to $15m in 2H17 to support broadband awareness and migration of ADSL customers to fibre or VDSL.

20017 P/E: 12.5 2018 P/E: 14.4

NZX Code:	**CNU**
Share Price:	**$4.22**
12mth Target:	**$4.27**
Projected return (%)	
Capital gain	1.2%
Dividend yield (Net)	5.1%
Total return	**6.3%**
Rating:	**NEUTRAL**
52-week price range:	3.49-4.65

Contact Energy

Capex guidance from FY18 to FY20 was lowered to $70m from $80m, however it was clarified that longer-term capex forecasts would need to increase by $10m p.a. to allow for continual make-up wells at all its geothermal stations, and we allowed another $10m for possible mid-2020s geothermal fluid discharge consent reduction at Waiarakei.

20017 P/E: 21.3 2018 P/E: 19.5

NZX Code:	**CEN**
Share Price:	**$4.93**
12mth Target:	**$6.26**
Projected return (%)	
Capital gain	27.0%
Dividend yield (Net)	5.3%
Total return	**32.3%**
Rating:	**OUTPERFORM**
52-week price range:	4.35-5.49

Ebos Group

On 22nd February EBO announced an interim revenue of $4bn (up 17.2%), and net profit after tax of $68.8m(up 7.2%). EBO now expects full year FY17 earnings to be at the upper end of its range. EBO has recorded a positive start for the first half of the financial year across both its healthcare and animal care divisions.

2017 P/E: 24.2 2018 P/E: 21.8

NZX Code:	**EBO**
Share Price:	**$18.39**
12mth Target:	**$14.88**
Projected return (%)	
Capital gain	-19.1%
Dividend yield (Net)	3.1%
Total return	**-16.0%**
Rating:	**NEUTRAL**
52-week price range:	15.35-19.40

EROAD

The launch of ERD's electronic logging device in the US. ELDs are mandatory for the circa 3.1m drivers that have to maintain Record of Duty Status from 18 December 2017. Look for any signs of the potential success of this product, including announced distribution partnerships with reputable companies and any early product reviews.

2017 P/E: N/A 2018 P/E: 29.3

NZX Code:	**ERD**
Share Price:	**$2.10**
12mth Target:	**$2.60**
Projected return (%)	
Capital gain	23.8%
Dividend yield (Net)	0%
Total return	**23.8%**
Rating:	**OUTPERFORM**
52-week price range:	1.45-2.95

Fletcher Building

FBU has lowered the company's FY17F EBIT guidance by NZ$110m to a range of $610m – $650m (previously $720m-$760m). According to FBU's statement, approximately $50m of the $110m relates to additional cash losses and provision taken on a major project that it had previously accrued c$30m of losses at the 1HFY17A result. The $60m balance arose from the review of other contracts whereby the majority relates to a project in Auckland. Other FBU divisions, including Higgins & South Pacific within the Construction Division continue track in line with expectations.

2017 P/E: 15.3 2018 P/E: 11.7

NZX Code:	**FBU**
Share Price:	**$7.92**
12mth Target:	**$9.80**
Projected return (%)	
Capital gain	23.7%
Dividend yield (Net)	5.5%
Total return	**29.2%**
Rating:	**OUTPERFORM**
52-week price range:	7.55-11.14

Fisher & Paykel Healthcare

Tailwinds in Obstructive Sleep Apnea (are beginning to fade with mask growth subject to the natural product lifecycle of FPH and its competitors, and weak flow generator performance is a likely fixture for at least the next six months. A major point of interest, will be FPH's ability to rebuff ResMed's new full face and nasal offerings, while at the same time making the Brevida nasal pillow a success. Patent disputes with ResMed also remain an unwelcome distraction.

2017 P/E: 30.4 2018 P/E: 25.9

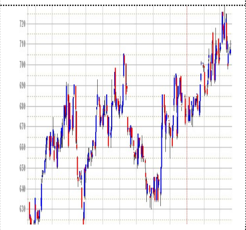
NZX Code:	**FPH**
Share Price:	**$9.45**
12mth Target:	**$9.70**
Projected return (%)	
Capital gain	2.6%
Dividend yield (Net)	2.2%
Total return	**4.8%**
Rating:	**NEUTRAL**
52-week price range:	8.13-10.93

Fonterra Shareholder Fund

A solid but not spectacular 1H17 earnings number from Fonterra which was dominated by the NZ ingredients business which did show some signs of moderating. Elsewhere Greater China continued to be a key highlight, while ingredients gross profit in Oceania in 1H17 continues to remain above the levels observed in 1H14 to 1H16. FSF noted that 2H17 margins will be under pressure. Hence, earnings guidance was lowered from 50-60cps to 45-55cps. While some investors might look at the attractive P/E ~10.8x FY18, FNZC would caution this approach given the volatility in earnings and track record.

2017 P/E: 12.6 2018 P/E: 10.8

NZX Code: **FSF**
Share Price: **$6.17**
12mth Target: **$6.09**
Projected return (%)
Capital gain 2.4%
Dividend yield (Net) 6.5%
Total return **8.9%**
Rating: NEUTRAL
52-week price range: 5.31-6.40

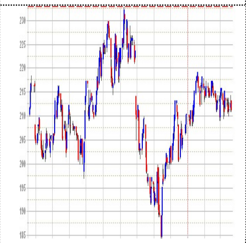


Freightways

Better than expected Express Package volume growth of around 8.5% in 2Q17 was offset disappointing margin decline in Information Management. In-line EBITDA result was supported by small acquisition and re-allocation of non-recurring items. Positive revisions to Group operating earnings are modest, with upgraded short-term volume growth assumptions within Express Package offset by reduced Information Management EBITDA margin forecasts. FNZC's 12-month price target increases from $6.25 to $6.40 per share.

2017 P/E: 18.3 2018 P/E: 16.8

NZX Code: **FRE**
Share Price: **$7.15**
12mth Target: **$6.40**
Projected return (%)
Capital gain -10.5%
Dividend yield (Net) 4.0%
Total return **-6.5%**
Rating: NEUTRAL
52-week price range: 6.19-7.30

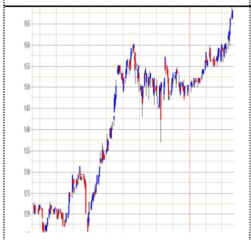


Genesis Energy

Result was slightly weaker than hoped -- $156m EBITDAF was 4% below FNZC's forecast of $163m (pcp $176m). Reported NPAT was $37m (vs FNZC's $39m, pcp $36m). EPS adjusted for derivatives and revaluations fell to 3.6cps (vs 3.9cps, pcp 5.1cps). An interim 8.2cps dividend was announced (80% imputed) in line with expectations, but below an 8.5cps forecast. Due to GNE's many moving parts, no single driver tends to dominate, but cost reductions (disguised behind ~$5m higher carbon trading cost booked at opex line) and below-forecast Kupe opex haven't quite offset flat retail energy price (lines cost increase offset price rises) and greater price discount on surplus legacy gas sales.

2017 P/E: 29.5 2018 P/E: 26.0

NZX Code: **GNE**
Share Price: **$2.09**
12mth Target: **$2.01**
Projected return (%)
Capital gain -3.8%
Dividend yield (Net) 8.2%
Total return **4.4%**
Rating: NEYTRAL
52-week price range: 1.84-2.33



Heartland Bank

Lower growth from Business and Rural receivables saw 2Q17 net receivables only increase 2.8% although HBL noted that rural activity has lifted in early 2H17. Highlights of the result were continued growth in the Australian reverse mortgage book and Household/Consumer receivables. FNZC continue to like HBL's investment case, given its strong organic and market share growth and ability to target market segments and niches that larger peers tend to overlook and/or underservice. HBL's cost management should continue to provide operating leverage to higher net operating income.

2017 P/E: 13.0 2018 P/E: 12.2

NZX Code: **HBL**
Share Price: **$1.61**
12mth Target: **$1.64**
Projected return (%)
Capital gain 1.9%
Dividend yield (Net) 5.7%
Total return **7.6%**
Rating: NEUTRAL
52-week price range: 1.15-1.69

Infratil NZ

There is nearer term upside potential, if market views of the appropriate valuations for higher visibility assets improve, such as TLT re-rating (on a new Australian windfarm build) or Wellington Airport (say, on speculation for any hint of prospective sell down at listed-airport multiples). On FNZC's figures, those might together constitute an IFT upside of 41 cents per share over current sum-of-the-parts estimates. Offsetting this is the potential for NZ Bus to potentially weaken on contract tender outcomes under the new Public Transport Operating Model.

2017 P/E: 48.4 2018 P/E: 24.8

NZX Code: **IFT**
Share Price: **$2.95**
12mth Target: **$3.02**
Projected return (%)
Capital gain 2.4%
Dividend yield (Net) 5.3%
Total return **7.7%**
Rating: OUTPERFORM
52-week price range: 2.57-3.45

Mainfreight

NZ operations delivered a strong performance in 1H17 with revenue growth of 6.1% and EBITDA increasing 28.2%. MFT leveraged off its market leader positioning in NZ to gain share in domestic freight as it successfully targeted key competitor accounts. Australia freight forwarding revenue grew 7% along with logistics utilisation and efficiency improvement were the key drivers of a 22.1% increase in local currency EBITDA. Continued weak performance from Carotrans limited the EBITDA margin.

2017 P/E: 21.4 2018 P/E: 19.1

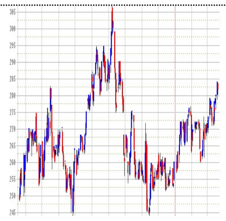
NZX Code: **MFT**
Share Price: **$21.85**
12mth Target: **$18.20**
Projected return (%)
Capital gain -16.7%
Dividend yield (Net) 2.0%
Total return **-14.7%**
Rating: NEUTRAL
52-week price range:15.36-22.20

Mercury

A better-than-expected interim result, shows good management under trying conditions (fierce retail market & ongoing depressed spot prices due to excess hydro inflows). But nothing materially changes FNZC's MCY outlook for the next few years. $270m 1H17 EBITDAF was 6% above FNZC's $254m (pcp $257m) – but included one-off $5m surplus carbon credit sale gain and a $6m maintenance cost phasing benefit which will reverse in 2H17. $94m underlying NPAT was 11.5% above FNZC's $84m.

2017 P/E: 27.5 2018 P/E: 26.2

NZX Code: **MCY**
Share Price: **$3.15**
12mth Target: **$2.85**
Projected return (%)
Capital gain -9.5%
Dividend yield (Net) 5.1%
Total return **-4.4%**
Rating: UNDERPERFORM
52-week price range2.80-3.34



Meridian Energy

MEL is New Zealand's largest electricity generator, generating 33% of the country's electricity, and is the fourth largest retailer, with 13% of market share in terms of customers as of 31 December 2016. MEL operates seven hydroelectric power stations and seven wind farms predominantly across New Zealand but includes two wind farms in South Australia. Australian electricity margin delivered the only surprise of the result with a NZ$15m FNZC assumes $10m sustainable) EBITDAF uplift vs forecasts. NZ electricity margin was in line with expectations.

2017 P/E31.8 2018 P/E: 32.2

NZX Code:	**MEL**
Share Price:	**$2.81**
12mth Target:	**$2.53**
Projected return (%)	
Capital gain	-8.3%
Dividend yield (Net)	6.6%
Total return	**0.7%**
Rating: NEUTRAL	
52-week price range: 2.23-3.07	

Metlifecare

Our analysts like the sector, and MET has benefited from strong unit price growth in recent years. MET is in the early stages of execution of a new strategy. The strategy is more ambitious on development, seeking to utilise MET's funding capacity and growing development capability so that it can participate in the sector opportunity for development led value growth. MET has the least demanding relative valuation in the sector and is FNZC's sector preference ahead of SUM and RYM on risk/reward. MET is positioned as a more defensive sector play, but it is not immune to sector risks.

2017 P/E: 20.5 2018 P/E: 16.9

NZX Code:	**MET**
Share Price:	**$6.06**
12mth Target:	**$7.46**
Projected return (%)	
Capital gain	23.3%
Dividend yield (Net)	1.2%
Total return	**24.5%**
Rating: OUTPERFORM	
52-week price range: 4.94-6.48	

Michael Hill International

Modestly lower operating expenditure and higher non-processing fee income were key drivers of better than expected result. FY17 forecasts slightly downgraded to reflect lower than expected throughput guidance, MHJ is one of the largest jewellery retail chains in Australia and NZ. MHJ is made up of a very mature NZ business, a

fairly mature Australian business, a growing Canadian business, an early stage but loss making US business and a new concept, Emma & Roe, in Australia.

2017 P/E: 17.2 2018 P/E: 15.8

NZX Code:	**MHJ**
Share Price:	**$1.53**
12mth Target:	**$1.53**
Projected return (%)	
Capital gain	0.0%
Dividend yield (Net)	3.4%
Total return	**3.4%**
Rating: OUTPERFORM	
52-week price range: 0.97-1.82	

NZ Refining

NPAT of 47mn was 6% better than expected (pcp $151m). Material increase in distribution revenue to meet jet fuel demand growth in Auckland, and more flagged in years ahead. NZR is continuing Refinery-Auckland-Pipeline capacity expansions, and configuring for imported jet fuel storage terminal assets at the refinery. FY18 major shut capex uncertainty narrowed, but is still expensive. $112m "retain" capex has a high certainty level, but as yet no guidance on the likely shut outage impacts on throughput or margins. As a result, FNZC see some earnings risk to current FY18 forecast.

2017 P/E: 11.1 2018 P/E: 11.8

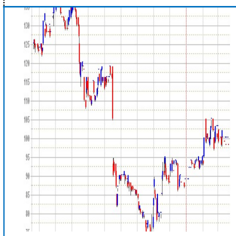
NZX Code:	**NZR**
Share Price:	**$2.36**
12mth Target:	**$2.78**
Projected return (%)	
Capital gain	3.0%
Dividend yield (Net)	5.3%
Total return	**8.3%**
Rating: NEUTRAL	
52-week price range: 2.15-3.25	

NZX

In-line result with modestly better revenue growth offset by higher operating costs. FY17 EBITDA guidance range of $27m to $30m was below our previous forecast of $30.6m. The earnings guidance appears relatively conservative given that the FY16 profit included $7.5-8.5m of costs that are not expected to reoccur (Relaclitigations costs, CEO search, loss making businesses divested). In part, NZX's conservative approach is a reflection of the uncertainty regarding the level of FY17 capital raising activity. We retain a positive view on NZX, albeit with a more subdued earnings growth profile.

2017 P/E: 16.8 2018 P/E: 14.9

NZX Code:	**NZX**
Share Price:	**$1.05**
12mth Target:	**$1.17**
Projected return (%)	
Capital gain	5.4%
Dividend yield (Net)	6.2%
Total return	**11.2%**
Rating: OUTPERFORM	
52-week price range: 0.97-1.15	



Opus International Consultants

A pick-up in Network Operations Centre volume combined with rationalisation of back office operations and higher utilisation of front office staff to deliver significantly improved NZ operations revenue and margin. Double-digit growth in NZ road infrastructure spending will ensure demand for consulting service - which accounts for 35-40% of annual heavy construction expenditure – and should grow in the next three years based on a 16% lift in annual spend budgeted by the NZ Government for the 2015-18 period compared with the 2012-15 period.

2017 P/E: 7.9 2018 P/E: 7.0

NZX Code:	**OIC**
Share Price:	**$0.96**
12mth Target:	**$1.00**
Projected return (%)	
Capital gain	7.5%
Dividend yield (Net)	4.9%
Total return	**11.6%**
Rating: NEUTRAL	
52-week price range: 0.74-1.36	

Orion Health

After a volatile 2016, FNZC believe the vision remains intact and that the business is better equipped for opportunities when they arise. The benefits of R&D are evident in the Amadeus platform which appears unique, subscription billing is bedding-down in North America with limited disruption to earnings and they see big possibilities in the Cognizant partnership. To the downside, progress has been slower than hoped.

2017 P/E: -10.1 2018 P/E: -35.9

NZX Code:	**OHE**
Share Price:	**$1.95**
12mth Target:	**$2.30**
Projected return (%)	
Capital gain	15.0%
Dividend yield (Net)	0.0%
Total return	**15.0%**
Rating: NEUTRAL	
52-week price range: 1.56-5.35	

PGG Wrightson

Despite PGW's 1H17A earnings missing our expectations, the company is poised to enjoy the upside in onfarm spending stemming from the effects of a recovery in dairy farmgate payout after two years of challenging conditions. Additionally, ongoing growth in the NZ horticulture sector, some price stabilisation in the NZ meat Sector and the bounce back in the flood-affected Uruguay region should be positive for PGW's earnings in FY18F and beyond. Also, through strategic appointments and strong execution, PGW has been able to gain share in the dairy sector.

2017 P/E: 12.3 2018 P/E: 10.8

NZX Code:	**PGW**
Share Price:	**$0.54**
12mth Target:	**$0.65**
Projected return (%)	
Capital gain	18.2%
Dividend yield (Net)	7.1%
Total return	**25.3%**

Rating: OUTPERFORM

52-week price range: 0.38-0.55

Last 3 months - My rec

Port of Tauranga

Flat non-log break bulk volume in 1H17 was disappointing however overall Port Operations segment performance was in line with our forecasts. Big ship strategy supported by positive feedback on Maersk's Triple Star service and Hamburg Sud's deployment of 7,500 TEU vessels from March. The interim dividend of 5 cents/share is payable on 24th March. Analysts have not taken account of the proposed further 3 years of "special dividends" (5 cps x3).

2017 P/E: 35.3 2018 P/E: 32.8

NZX Code:	**POT**
Share Price:	**$4.27**
12mth Target:	**~~$3.45~~**
Projected return (%)	
Capital gain	-5.6%
Dividend yield (Net)	2.7%
Total return	**1.8%**

Rating: ~~UNDERPERFORM~~

52-week price range: 3.64-4.52

Ryman Healthcare

RYM has a strong business that others are looking to replicate. RYM's focus has now moved to Australia. The upside from Australia and rolling out a care ORA model in NZ are important opportunities to close the value gap. Notwithstanding RYM remaining the benchmark in the sector from an operating perspective, There is too much development value priced in and this can be seen in RYM's underperformance of the sector over the last three years.

2017 P/E: 49.28 2018 P/E: 40.8

NZX Code:	**RYM**
Share Price:	**$8.35**
12mth Target:	**$7.54**
Projected return (%)	
Capital gain	-15.1%
Dividend yield (Net)	2.1%
Total return	**-13.1%**

Rating: UNDERPERFORM

52-week price range: 8.05-9.86

Scales Corporation

SCL's FY16A earnings performance was strong (year on year) and broadly in line with expectations. While SCL's previously announced FY17 EBITDA guidance is unchanged, management has typically started a financial year with conservative assumptions and then upgrades guidance as the year progresses. In each of the last three years since SCL's listing, this has translated into 3 consecutive years of record earnings. SCL is inherently exposed to agricultural risks but management track record speaks for itself. SCL is a well-run operation under good stewardship.

2017 P/E: 13.6 2018 P/E: 12.8

NZX Code:	**SCL**
Share Price:	**$3.43**
12mth Target:	**$4.00**
Projected return (%)	
Capital gain	22.3%
Dividend yield (Net)	4.9%
Total return	**27.4%**

Rating: NEUTRAL

52-week price range: 2.82-3.65

Sky City Entertainment

A worse than expected 68.6% decrease in International Business EBITDA in 1H17, resulting from inherent volatility of International Business play was evident turnover decline of 38.7% in 1H17 versus a strong 1H16, while SKC Adelaide's main gaming floor once again delivered negative revenue growth. While macro conditions have deteriorated further, it is the local premium play qualification process that continues to present the most significant headwind to SKC's growth aspirations at Adelaide.

2017 P/E: 16.3 2018 P/E: 15.2

NZX Code:	**SKC**
Share Price:	**$3.97**
12mth Target:	**$3.70**
Projected return (%)	
Capital gain	-3.4%
Dividend yield (Net)	5.4%
Total return	**2.0%**

Rating: NEUTRAL

52-week price range: 3.44-5.19

Sky Network Television

Ongoing loss of core pay-TV subs and a lack of OTT traction were key concerns in a 1H17 result that further highlighted negative structural trends of declining revenue and increasing programming costs. SKT's business has been under increasing pressure from the advent of new ways of distributing content based around the internet. Competing services offer greater flexibility, smaller packages of content and a perception of better value for money. Consequently, the recent decision by the Commerce Commission not to approve the proposed $3.4bn merger with Vodafone NZ, was a major disappointment for SKT.

2017 P/E: 12.4 2018 P/E: 12.4

NZX Code:	**SKT**
Share Price:	**$3.78**
12mth Target:	**$3.55**
Projected return (%)	
Capital gain	-4.9%
Dividend yield (Net)	7.9%
Total return	**1.5%**

Rating: UNDERPERFORM

52-week price range: 3.40-5.55

Spark NZ

Strong growth in procurement and other mobile revenue was offset by associated cost growth with overall performance in line with expectations. SPK continues to run hard to stand still, and it is perhaps timely that SPK signalled a refresh of its strategy, which it expects to share with the market in the middle of CY17. There are unlikely to be any obvious solutions to the growth challenge SPK faces but their ongoing desire to invest in an adjacent higher growth market (likely through M&A if the opportunity presents itself) and the potential that SPK will focus further investment in mobile and fixed wireless means that the resetting of the balance sheet may be coming to an end (still ~$250 m headroom) unless SPK decides to review its target credit rating metrics.

2017 P/E: 16.5 2018 P/E: 16.1

NZX Code:	**SPK**
Share Price:	**$3.38**
12mth Target:	**$3.00**
Projected return (%)	
Capital gain	-15.7%
Dividend yield (Net)	7.0%
Total return	**-8.7%**

Rating: UNDERPERFORM

52-week price range: 3.25-4.01

Synlait Milk

FY16 was a watershed year for SML. It completed its recent expansionary capex phase (~$500m) and enjoyed its first year of material success in its nutritionals strategy on the back of A2's infant formula success. This highlighted the profit potential associated with increasing finished infant formula sales (likely ~50% of gross profit attributable to ~15% of total sales volume. However those sales are still largely dominated by one customer with a relatively short track record of its own. With some further success in SML looks set to embark on a further $300m of expansionary capex over FY17 – FY19 associated with additional infant formula capacity and a fourth dryer.

2017 P/E: 15.3 2018 P/E: 11.8

NZX Code:	**SML**
Share Price:	**$3.50**
12mth Target:	**$3.80**
Projected return (%)	
Capital gain	19.9%
Dividend yield (Net)	0%
Total return	**19.9%**

Rating: OUTPERFORM

52-week price range: 2.95-3.87

4 months

Tilt Renewables

The Australian wind build opportunity is unquestionably large. TLT is targeting 900MW build over five years, and fast deployment matters. TLT could secure between $1/sh and $2/sh upside. Expect it to rely on new equity raisings to fund its expansion programme (FNZC model 70% equity-financing via 15% discounted pro-rata equity rights issues). Perhaps surprisingly, their initial analysis suggests the dilution effect may not be as large as might be expected for such large equity raising required, partly due to the value uplift expected from new projects.

2017 P/E: 31.8 2018 P/E: 26.4

NZX Code:	**TLT**
Share Price:	**$2.14**
12mth Target:	**$2.49**
Projected return (%)	
Capital gain	33.9%
Dividend yield (Net)	4.6%
Total return	**38.5%**

Rating: OUTPERFORM

52-week price range: 1.80-2.37

Tourism Holdings

NZ Rentals business delivered its first positive 1H earnings contribution in 5 years with EBIT of $3.7m ahead of FNZC's $1.0m forecast. This performance was offset by disappointing US Rentals EBIT decline of 3%. FNZC's spot DCF ($3.70) puts THL on an FY17F P/E, EV/EBIT, and EBITDA 15.2x, 11.9x and 6.6x, respectively. Risks include execution of the company's multi-brand digital strategy, increased competition, global tourism growth (particularly from Europe), oil price movements, airline capacity changes and AUD and USD translation risk.

2017 P/E: 16.1 2018 P/E: 13.8

NZX Code:	**THL**
Share Price:	**$3.78**
12mth Target:	**$3.93**
Projected return (%)	
Capital gain	0.3%
Dividend yield (Net)	5.6%
Total return	**5.9%**

Rating: NEUTRAL

52-week price range: 2.48-4.01

4 months

Trustpower

It's likely we'll see some valuation uncertainty in TPW this year, following the demerger of TLT. FNZC expects a reconfigured TPW to tend towards similar gearing, cashflow and attractive dividend yield characteristics as its four listed NZ genco peers. TPW has implemented a successful rollout of a unique and difficult-to-replicate telco/energy service bundle, and is continuing to find new customers whilst maintaining market-leading margins. However these margins are showing signs of declining.

2017 P/E: 172 2018 P/E: 12.2

NZX Code:	**TPW**
Share Price:	**$4.53**
12mth Target:	**$4.62**
Projected return (%)	
Capital gain	2.0%
Dividend yield (Net)	7.2%
Total return	**9.2%**

Rating: NEUTRAL

52-week price range: 4.34-4.75

Vector

Expect VCT to deliver relatively flat earnings growth over the next few years as it is impacted by a reset in gas distribution pricing and faces headwinds in its gas trading business. However, electricity should provide incremental growth and FNZC expect the Technology division to deliver over time, albeit dependent on how much VCT invests in new ventures. VCT can sustain a reasonable dividend.

2017 P/E: 22.9a 2018 P/E: 25.4

NZX Code:	**VCT**
Share Price:	**$3.20**
12mth Target:	**$3.44**
Projected return (%)	
Capital gain	7.5%
Dividend yield (Net)	5.1%
Total return	**12.6%**

Rating: NEUTRAL

52-week price range: 3.06-3.55

Xero

XRO continues to demonstrate underlying momentum in Australasia, and the region continues to be a stabilising influence (funding source) for international markets. Evidence the UK may be accelerating is a welcome addition to this, as is the continued easing of cost growth which provides further confidence that cash flow targets will be met. In contrast, uncertainty remains in North America and is somewhat compounded by management changes. Slow growth is not a new revelation, while the size and maturity of the market suggest large opportunities remain to build a profitable business. Moreover, the consequence of slower-than expected growth need not be highly destructive cashflows.

2017 P/E: n/a 2018 P/E: n/a

NZX Code:	**XRO**
Share Price:	**$19.00**
12mth Target:	**$21.00**
Projected return (%)	
Capital gain	10.5%
Dividend yield (Net)	0%
Total return	**10.5%**

Rating: OUTPERFORM

52-week price range: 15.00-20.41

Z Energy

Following the recent share price weakness, ZEL is now trading at its cheapest level on a price-to-earnings basis relative to the broader NZ equity market since listing in 2013. We believe that ZEL has a solid earnings growth profile as it integrates the Chevron NZ acquisition, with the potential for merger synergies to exceed expectations. In the short term ZEL will focus on reducing acquisition related debt to a more sustainable level. This should allow the dividend pay-out ratio to increase resulting in 10% pa dividend growth over the next three years.

2017 P/E: 13.3 2018 P/E: 11.1

NZX Code:	**ZEL**
Share Price:	**$6.97**
12mth Target:	**$8.10**
Projected return (%)	
Capital gain	16.2%
Dividend yield (Net)	4.1%
Total return	**20.3%**

Rating: NEUTRAL

52-week price range: 6.50-8.90

New Zealand Equities - Gross Dividend Yields

16 March 2017

COMPANY	RATING	PRICE (NZ$)	GROSS DIVIDEND YIELD FY-1	FY0	FY1	FY2	DIVIDEND COVER FY-1	FY0	FY1	FY2	NET DEBT/ EQUITY[1]
Steel & Tube	N	$2.52	12.4%	12.4%	13.0%	13.0%	1.0	1.2	1.1	1.1	31.2%
Air New Zealand	N	$2.28	27.4%	12.2%	11.0%	11.0%	1.2	1.5	1.4	1.5	17.3%
Sky Network Television	U	$3.69	11.3%	11.3%	11.3%	10.5%	1.3	1.0	1.0	1.0	15.2%
Genesis Energy	N	$2.11	10.2%	10.7%	11.5%	13.3%	0.6	0.4	0.5	0.4	26.0%
PGG Wrightson	O	$0.53	9.8%	9.8%	10.5%	10.5%	1.4	1.2	1.3	1.3	14.0%
Trustpower	N	$4.43	n.a.	9.5%	11.7%	12.1%	n.a.	0.8	1.0	1.0	27.2%
Argosy Property	O	$0.96	9.4%	9.5%	9.6%	9.8%	1.0	1.1	1.1	1.1	35.8%
Spark	U	$3.60	9.7%	9.0%	9.0%	9.7%	0.8	0.9	0.9	0.9	31.5%
Kathmandu	N	$1.96	7.8%	8.5%	8.5%	8.9%	1.5	1.5	1.7	1.6	8.0%
Goodman Property Trust	N	$1.18	8.4%	8.4%	8.4%	8.4%	1.2	1.2	1.2	1.2	27.6%
Meridian Energy	N	$2.76	7.8%	8.4%	8.5%	8.6%	0.5	0.5	0.4	0.5	14.5%
Skellerup	N	$1.51	8.3%	8.3%	8.3%	8.6%	1.2	1.2	1.3	1.3	11.1%
NZX	N	$1.05	7.9%	8.2%	8.5%	8.8%	0.6	1.0	1.1	1.2	-8.3%
Methven	O	$1.24	9.5%	8.1%	9.6%	10.6%	1.4	1.4	1.3	1.3	21.9%
New Zealand Refining Company	N	$2.51	5.0%	8.0%	7.6%	15.5%	1.7	1.7	1.7	0.8	12.9%
Tegel	O	$1.22	0.0%	8.0%	8.4%	9.4%	0.0	1.5	1.5	1.5	14.1%
Heartland Bank	N	$1.62	7.3%	7.5%	7.7%	7.9%	1.3	1.4	1.4	1.5	82.9%
Infratil	O	$2.91	6.8%	7.4%	7.6%	7.7%	0.5	0.4	0.7	1.1	38.9%
Kiwi Property Group	N	$1.37	7.2%	7.4%	7.8%	8.0%	1.2	1.1	1.1	1.1	32.7%
Precinct Properties	N	$1.15	7.0%	7.3%	7.4%	7.8%	1.1	1.1	1.1	1.1	23.5%
Chorus	N	$4.10	6.8%	7.1%	7.5%	8.1%	1.1	1.6	1.3	1.2	39.6%
Vector	N	$3.22	6.8%	7.0%	7.2%	7.4%	0.7	0.9	0.8	0.7	40.6%
Mercury NZ	U	$3.04	7.8%	6.9%	6.4%	6.8%	0.6	0.7	0.7	0.7	18.0%
Contact Energy	O	$4.88	6.4%	6.8%	7.1%	7.3%	0.9	0.9	1.0	1.0	28.8%
Scales Corporation	O	$3.47	6.8%	6.8%	6.8%	8.2%	1.6	1.5	1.6	1.4	6.7%
Fletcher Building	N	$9.03	5.2%	6.6%	7.1%	7.4%	1.6	1.5	1.6	1.6	22.7%
Tower	N	$1.35	12.0%	6.4%	0.0%	8.1%	-0.2	-1.5		1.3	-41.2%
Fonterra	N	$6.35	6.3%	6.3%	6.9%	7.8%	1.3	1.4	1.4	1.4	32.8%
Opus	N	$1.00	5.6%	6.3%	7.6%	12.5%	1.3	2.6	2.4	1.5	7.0%
Metro Performance Glass	O	$1.46	7.2%	6.2%	8.2%	8.5%	1.6	1.8	1.8	1.8	30.7%
Tourism Holdings	N	$3.94	5.2%	6.0%	6.9%	7.8%	1.2	1.2	1.2	1.2	41.4%
Restaurant Brands	N	$5.49	5.3%	5.8%	7.2%	7.7%	1.2	1.3	1.3	1.3	33.8%
Sky City	N	$4.17	5.0%	5.7%	5.9%	6.2%	1.3	1.2	1.3	1.3	16.0%
Z Energy	N	$7.14	5.2%	5.7%	6.3%	6.9%	1.3	1.8	2.0	2.0	48.7%
Freightways	N	$7.11	5.3%	5.4%	6.4%	7.2%	1.3	1.4	1.3	1.2	29.1%
Turners	U	$3.70	3.5%	5.3%	6.4%	7.1%	1.9	1.8	1.9	1.9	40.6%
Michael Hill International	O	$1.57	4.5%	5.0%	4.7%	4.7%	1.2	1.7	2.0	2.2	14.0%
Trademe	U	$5.41	4.3%	4.7%	6.1%	6.7%	1.2	1.3	1.1	1.1	9.5%
Arvida	N	$1.36	4.2%	4.5%	6.2%	6.9%	1.4	1.4	1.3	1.3	8.7%
Auckland Airport	U	$6.83	3.6%	4.1%	4.5%	4.8%	1.0	1.0	1.0	1.0	32.9%
New Zealand King Salmon	O	$1.26	0.0%	4.0%	4.5%	6.2%	0.0	2.0	2.0	2.0	2.7%
Port of Tauranga	U	$4.30	5.0%	3.6%	3.9%	4.1%	0.7	1.1	1.1	1.1	28.0%
Airwork Holdings	N	$5.00	4.7%	3.3%	8.7%	10.8%	2.9	4.2	1.8	1.5	47.7%
Tilt Renewables	O	$2.18	n.a.	3.0%	4.4%	15.5%	n.a.	0.9	0.7	0.4	41.5%
Fisher & Paykel Healthcare	N	$9.73	2.4%	2.9%	3.6%	4.2%	1.5	1.5	1.4	1.4	3.6%
Mainfreight	N	$22.09	2.3%	2.6%	3.1%	3.6%	2.4	2.4	2.3	2.3	15.2%
Ryman Healthcare	U	$8.54	1.9%	2.0%	2.2%	2.3%	1.2	1.0	1.2	1.3	13.2%
Summerset Group	N	$5.10	1.5%	1.7%	1.9%	2.1%	1.0	1.6	1.6	1.7	15.5%
Metlifecare	O	$6.18	0.9%	1.2%	1.5%	3.2%	3.1	4.1	3.9	2.1	1.7%
Vista Group	N	$5.60	0.0%	1.0%	1.7%	3.1%	0.0	2.2	2.0	1.9	-8.6%
AFT Pharmaceuticals	N	$2.70	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	34.6%
a2 Milk	O	$2.63	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	-46.4%
MEDIAN			**5.9%**	**6.5%**	**7.1%**	**7.8%**	**1.2**	**1.2**	**1.3**	**1.3**	**22.3%**

Source: First NZ Capital, CS Group Estimates

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. Property stock gross yields reflect returns under the PIE regime assuming a 33% unitholder.
3. Ratings: "O" - Outperform, "N" - Neutral, "U" - Underperform, "R" - Restricted.
4. FY0 represents the current financial year.

NZ LISTED COMPANIES	Ticker	Mrkt Cap	Price	Target Price	Price Earnings (x)		Net Yield (%)	
20thMarch 2017			20-Mar-17					
Source: First NZ Capital, CSFB		(NZ$000)	(NZ$)	(NZ$)	FY17	FY18	FY17	FY18
Hotels, Restaurants & Leisure								
Restaurant Brands	RBD	672	5.47	5.73	18.8	15.2	4.2%	5.2%
SKYCITY Entertainment	SKC	2,639	3.99	3.70	16.5	15.4	5.0%	5.0%
Tourism Holdings	THL	467	3.92	3.96	16.5	14.1	5.0%	5.8%
Media								
Sky Network Television	SKT	1,374	3.53	3.55	11.6	11.6	8.5%	8.5%
Trade Me Group	TME	4,168	5.30	4.50	22.9	20.1	3.5%	4.5%
Retailing								
Kathmandu	KMD	397	1.97	1.98	10.9	9.8	6.1%	6.1%
Michael Hill International	MHJ	601	1.55	1.53	17.2	15.8	3.4%	3.2%
Food & Beverage								
a2 Milk Company	ATM	1,911	2.63	2.85	28.6	22.2	0.0%	0.0%
Delegat Group	DGL	632	6.25	6.21	17.5	15.4	1.9%	2.1%
Fonterra Shareholders' Fund	FSF	787	6.31	6.11	11.5	10.1	6.3%	6.9%
New Zealand King Salmon Co	NZK	170	1.23	1.49	16.9	14.8	2.9%	3.3%
PGG Wrightson	PGW	408	0.54	0.65	12	10.6	6.9%	7.4%
Sanford	SAN	698	7.45	6.50	16.7	14.2	3.2%	3.4%
Scales Corporation	SCL	482	3.45	4.00	13.6	12.8	4.9%	4.9%
Synlait Milk Limited	SML	627	3.50	3.80	16.6	12.8	0.0%	3.9%
Tegel	TGH	434	1.22	2.00	11.3	10.8	5.7%	6.0%
ENERGY								
NZ Refining	NZR	753	2.41	2.78	9.9	10.5	6.0%	5.7%
Z Energy	ZEL	2,760	6.90	8.10	12.8	10.7	4.2%	4.7%
FINANCIALS								
NZX	NZX	279	1.04	1.14	16.8	14.9	6.0%	6.2%
Turners	TNR	272	3.65	3.80	14.5	11.5	3.8%	4.7%
HEALTH CARE								
AFT Pharmaceuticals	AFT	271	2.80	3.05	-14.8	-35.4	0.0%	0.0%
Arvida	ARV	451	1.35	1.25	21.0	17.2	3.3%	4.7%
Fisher & Paykel Healthcare	FPH	5,517	9.72	9.70	32.8	27.9	2.1%	2.6%
Orion Health Limited	OHE	320	2.00	2.30	-10.1	-35.9	0.0%	0.0%
Pacific Edge Ltd	PEB	228	0.57	0.70	-18.5	-41.5	0.0%	0.0%
TRANSPORT								
Air New Zealand	AIR	2,566	2.29	2.10	7.7	9.4	8.80%	7.90%
Airwork Holdings	AWK	230	4.40	5.10	8.7	7.8	2.7%	7.1%
Auckland Airport	AIA	8,241	6.92	5.20	34.0	30.7	2.9%	3.2%
Freightways	FRE	1,094	7.06	6.40	18.9	17.1	3.9%	4.6%
Mainfreight	MFT	2,211	21.96	18.20	21.4	19.1	1.90%	2.30%
Port of Tauranga	POT	2,926	4.30	3.45	35.3	32.8	2.6%	2.8%
INDUSTRIALS								
Methven	MVN	87	1.18	1.50	9.6	8.9	7.60%	8.50%
Metro Performance Glass	MPG	269	1.45	1.95	12.4	9.3	4.5%	5.9%
Opus International	OIC	148	1.00	1.00	8.5	7.6	4.50%	5.50%
Skellerup Holdings	SKL	291	1.51	1.55	14.1	13.3	6.0%	6.0%
INFORMATION TECHNOLOGY								
EROAD	ERD	130	2.15	2.60	n.m.	35.0	0.0%	0.0%
Vista Group	VGL	483	5.90	5.90	36.9	20.9	1.3%	2.5%
Xero	XRO	2,673	19.42	21.00	-35.5	-62.7	0.0%	0.0%
MATERIALS								
Fletcher Building	FBU	5,566	8.02	10.10	12.2	11.1	5.4%	5.7%
Steel & Tube	STU	215	2.37	2.25	9.1	9.0	9.5%	9.9%
REAL ESTATE								
Argosy Property Ltd	ARG	800	0.98	1.13	14.5	14.9	6.3%	6.4%
Goodman Property Trust	GMT	1,504	1.18	1.29	14.7	15.1	5.7%	5.7%
Kiwi Property Group	KPG	1,780	1.37	1.46	18.9	17.8	4.9%	5.3%
Precinct Properties NZ	PCT	1,405	1.16	1.28	18.7	18.4	4.8%	4.9%
Property for Industry	PFI	715	1.58	1.64	20.5	19.7	4.7%	4.7%
TELECOMMUNICATION SERVICES								
Chorus	CNU	1,665	4.09	4.24	12.5	14.4	5.1%	5.4%
Spark NZ	SPK	6,313	3.45	3.00	16	15.6	7.3%	7.3%
ELECTRICITY								
Contact Energy	CEN	3,506	4.90	5.88	21.3	19.5	5.3%	5.4%
Meridian Energy	MEL	7,189	2.81	2.78	31.8	32.2	6.6%	6.9%
Genesis Energy	GNE	2,140	2.14	2.01	30.1	26.6	7.8%	8.2%
Infratil	IFT	1,621	2.90	3.02	48.7	24.9	5.4%	5.5%
Mercury NZ	MCY	4,201	3.05	2.83	27.5	27.5	5.1%	5.1%
TILT Renewables	TLT	679	2.17	2.49	37.1	30.8	3.0%	4.4%
TrustPower	TPW	1,408	4.50	4.62	17.5	12.4	7.3%	8.4%
Vector	VCT	3,220	3.22	3.44	22.8	25.3	5.0%	5.2%
MARKET AVERAGE (excluding ATM, ERD, OHE, PEB & XRO)					**18.9**	**16.5**	**4.4%**	**4.8%**

Lend Lease (LLC.AX)

OUTPERFORM

CURRENT: A$15.10

TARGET: A$17.50

52 Week Trading Range			15.35-11.88
Market Cap (mn)			$8,803
	Jun-16	**Jun-17**	**Jun-18**
EPS	120.09	133.46	150.71
Growth (%)		11.14	12.92
Price / Earnings (x)	12.57	11.31	10.02
Dividend Yield (%)	3.97	4.42	5.29

Lend Lease is an integrated, property and infrastructure group with operations in Australia, Asia, Europe and the Americas. Its operations span development, construction, investment management and infrastructure development.

Investment thesis

Post several years of capital deployment, LLC has now entered the delivery phase for its major urban regeneration projects in Australia & London. Settlement of LLC's $5.7bn of residential pre-sales should drive significant profit and cash generation over FY17-19 and take LLC to a net cash position by Jun-19 on estimates. LLC's Australian Construction business is well positioned to capitalise on spend associated with upcoming major infrastructure projects. Expect margin expansion over FY17-19 to also be driven by recognition of construction profits embedded in pre-sold LLC residential and commercial development projects. Settlement risk re LLC's A$4.8bn of Apartment pre-sales remains a focus for investors, and is increasing as a result of tightened lending criteria amongst major Australian banks and offshore capital controls. Other key risks include adverse FX moves and cost over-runs for development and construction projects.

Target price risk

Key risks to our Outperform rating, earnings estimates and A$17.50 Target Price include: Development - securing tenants and capital partners on major projects, and a slowdown in Australian residential markets, Construction - falling workbook and margin compression, Investment management - tightening capital markets and falling asset valuations, Infrastructure Development - maturity in the Actus business and inability to win new PPP's within Australia, Europe or the Americas.

Blue Sky: $19.71

Assumes global construction margins (sustainably) at the midpoint of LLC's target range of 3-4% (vs our base-case assumption of 2.9%) and a 5% premium to LLC"s book values for its investment stakes. Implies a forward PE Rel (vs ASX200) of 0.93x, vs LLC's LR average of 0.88x.

Grey Sky: $15.83

Assumes Aust & UK Apartment margins 300bp below our base case assumptions (implying additional defaults and material price declines on re-sales), global construction margins (sustainably) of 2.5%, vs LLC's target range of 3-4%, and a 5% discount to LLC's book values for its investment stakes. Implies a forward PE Rel (vs ASX200) of 0.75x, vs LLC's LR average of 0.88x.

AUSTRALIAN EQUITIES – TOP PICKS

Stock	Idea	Entry Date	MktCap	Last Price	Target Price	Analyst Rating	Growth 12MF	Growth 24MF	PE 12MF	DivYld 12MF	ROE 12MF	1Y EPS 3M Chg	Price 3M Chg	Price 12M Chg
AAD	Long	8/03/2017	779	1.66	2.25	OUTPERFORM	-4.1	54.8	18.5	3.9	7.6	-37.2	-26.5	-17.0
AGL	Long	8/03/2017	16,714	24.97	26.00	OUTPERFORM	16.4	20.0	18.6	4.0	11.0	1.6	19.3	38.5
APN	Long	8/03/2017	821	2.67	3.30	OUTPERFORM	0.4	5.0	12.8	3.9	7.6	-22.6	0.8	-15.7
BLD	Long	8/03/2017	7,046	6.01	6.85	OUTPERFORM	11.3	13.9	16.8	4.2	6.7	-6.5	14.0	7.7
BXB	Short	8/03/2017	14,615	9.20	8.50	UNDERPERFORM	2.9	9.9	17.6	3.2	19.6	-10.2	-22.2	-26.4
CGF	Long	8/03/2017	6,791	11.88	12.00	OUTPERFORM	9.7	8.0	16.6	3.0	14.0	1.4	8.8	46.1
CTX	Long	8/03/2017	7,543	28.92	39.70	OUTPERFORM	11.0	-5.6	12.7	3.9	18.8	1.4	-1.2	-10.9
CYB	Long	8/03/2017	3,147	4.32	5.25	OUTPERFORM	49.2	26.7	12.9	1.1	6.5	-1.2	-9.2	12.5
FXJ	Long	8/03/2017	2,185	0.95	1.10	OUTPERFORM	-1.6	-0.6	15.4	4.2	14.2	7.1	8.6	25.8
ISU	Long	8/03/2017	452	1.97	2.15	OUTPERFORM	31.1	17.5	20.8	2.8	9.6	-6.0	1.0	100.0
LLC	Long	8/03/2017	8,803	15.10	17.50	OUTPERFORM	12.4	7.7	10.4	5.0	15.1	2.8	9.5	7.8
NAB	Long	8/03/2017	87,486	32.70	34.50	OUTPERFORM	2.2	2.6	13.5	6.1	13.2	-1.4	11.5	21.8
NEC	Long	8/03/2017	876	1.00	1.25	OUTPERFORM	-6.4	-1.8	9.3	9.0	7.9	6.8	-0.5	-34.5
QAN	Long	8/03/2017	6,797	3.71	4.80	OUTPERFORM	10.1	-3.8	6.7	4.4	24.0	1.1	9.8	-2.4
RIO	Long	8/03/2017	99,241	61.39	72.00	OUTPERFORM	70.2	-39.7	7.7	6.8	25.3	43.9	-2.1	35.6
SDA	Long	8/03/2017	907	3.82	4.10	OUTPERFORM	40.5	32.4	14.0	2.9	17.1	0.3	23.2	-4.3
SGR	Long	8/03/2017	4,178	5.06	6.45	OUTPERFORM	5.2	15.7	18.4	3.0	6.8	-5.2	-2.7	-4.2
SYD	Short	8/03/2017	13,634	6.06	5.50	UNDERPERFORM	2.9	5.2	40.9	5.6	62.4	-7.0	-5.3	-5.0
TCL	Long	8/03/2017	22,780	11.10	12.60	OUTPERFORM	55.7	44.1	73.0	5.0	7.3	-19.4	10.0	1.8
WPP	Long	8/03/2017	950	1.12	1.25	OUTPERFORM	7.6	8.8	10.8	6.4	10.1	-8.9	12.1	8.8

Source: Company data, Credit Suisse estimates. Prices as of 8 March 2017, unless otherwise stated.

	Underperform			Neutral			Overperform	
NCM	APA	ASX	CCL	AMC	AMP	AGL	CPU	
WPL	BXB	AZJ	IAG	ANZ	CBA	CSL	CTX	
	ORG	DXS	IPL	BHP	CWN	GMG	LLC	
	STO	WOW	MQG	GPT	RHC	JHX	SCG	
	SYD		ORI	MPL		MGR	TCL	
	TLS		SEK	QBE		NAB	WFD	
			WES	SGP		OSH		
				SHL		RIO		
				VCX		S32		
				WBC		SUN		

Global Equities – The US? or look wider…

- A more cautious view on US equities.
- Global equity market preferences include Europe, Japan and Emerging Markets.
- Political risks are generally well known by investors and therefore reflected in equity prices.

US Equities - Running out of Steam

US equities are trading at near record highs following the election of Donald Trump as President and the associated improvement in business and consumer confidence. The US equity market is currently trading on a price/earnings ratio of 18x, which is in the top quintile historically. While the US economy is performing well, one of the ramifications is that it appears to be approaching full employment, at which point we expect wage inflation to pressure company profit margins. While the risk of a recession appears low in the near term, the current bull market, which started from March 9th 2009, is the second longest cyclical bull market in excess of 20 percent in history, without incurring a significant correction and is therefore starting to look a little long in the tooth.

Given the stretched US valuation metrics and the longevity of the bull market we see better potential opportunities outside the US, including Europe, Japan and Emerging Markets (EM).

Better Opportunities Exist in Europe…

In 2017 the European equity market is expected to grow earnings by 14%. In recent year's consensus estimates of profit growth have started anywhere from 5% to 14% and ended the year at 0% or below, as estimates have continuously been reduced.

There are signs that 2017 is shaping up to be different as three headwinds have diminished. The doubling in the oil price from 2016 lows will boost the earnings of energy companies and related industries, generating 25% of the estimated earnings growth in 2017. Inflation is picking up, which should benefit revenue and earnings. Lastly, 25% of European company revenue comes from emerging markets. We note that companies with emerging market exposure have experienced earning upgrades. Importantly the upgrades have been driven by revenue growth not cost cutting. This is in marked contrast to the three years of earnings downgrades experienced up until May 2016. The political risks are well known by investors and are therefore incorporated into prices. For European exposure we currently favour:

WisdomTree Europe Hedged Equity Fund (HEDJ.US).

Emerging Markets…

After the election of Donald Trump in November 2016 EM equities underperformed as the US dollar rallied, putting pressure on commodity prices and raising concerns about the ability of countries within EM to cover the borrowing cost of their US dollar dominated debt. However, more recently the fortunes of EM equities have reversed. This reflects the US dollar looking over extended on purchasing power parity versus history, commodity prices holding up well and the impact of Chinese economic stimulus.

Concurrently there has been a reacceleration of EM economic growth; rising earnings growth expectations; and valuations, which look attractive on an absolute basis and relative to developed countries equity markets. To gain EM exposure, we favour **Vanguard FTSE Emerging Markets Fund (VWO.US)** and **Templeton Emerging Markets Investment Trust (TEM.LN).**

And Japan

Interest in Japan reflects improving domestic demand growth and an easing in deflationary pressures. Company earnings revisions are currently the second best in the world (after EM). Abenomics is working in terms of incentivising Japanese companies to reduce their significant cash holdings resulting in company share buybacks that are up 16% year-to-date. Combined with the Bank of Japan FNZC estimate equity purchases amounting to ~3% of the value of the Japanese equity market, providing good support for the equity market. The Japanese equity market has the highest operational leverage and largest equity weighting in cyclicals of any major region, which makes investment in Japan a play on rising global growth. Their preferred Japanese investment vehicle is **WisdomTree Japan Hedged Equity Fund (DXJ.US)** and **Schroder Japan Growth Fund (SJG.LN).**

SOURCE: FNZC Investment Outlook, March 2017

NZ Daily Fixed Interest Rate Sheet

PRICES AS AT 20TH MARCH 2017 NOTE: Indicative pricing only

Secondary Market	Code	Rating	Type	Maturity/	Coupon	Yield	Margin to SWAP	Price/$100	Accrued Interest	Coupon Frequency
Fletcher Building	FBI110	NR	Cap	15/03/2018	7.15%	**4.25%**	218	$102.87	$0.10	2
Bank of New Zealand	BNZ210	AA-	Snr	28/03/2018	4.68%	**2.57%**	49	$104.35	$2.24	2
Z Energy Ltd	ZEL020	NR	Snr	15/08/2018	7.25%	**3.75%**	158	$105.43	$0.67	4
Trans Power	TRP010	AA-	Snr	30/11/2018	5.14%	**2.70%**	46	$105.57	$1.55	2
Auckland Council	AKC060	AA	Snr	18/12/2018	4.41%	**2.53%**	28	$104.30	$1.11	2
Bank of New Zealand	BNZ170	AA-	Snr	20/12/2018	6.10%	**2.88%**	63	$106.96	$1.51	2
ANZ National Bank	ANB180	AA-	Snr	27/02/2019	5.43%	**3.00%**	70	$104.86	$0.32	2
ANZ National Bank	ANB150	AA-	Snr	13/03/2019	6.25%	**3.01%**	71	$106.29	$0.12	2
Fletcher Building	FBI120	NR	Cap	15/03/2019	5.40%	**4.31%**	200	$102.13	$0.07	2
Fletcher Building	FBI130	NR	Cap	15/03/2019	6.45%	**4.31%**	200	$104.13	$0.09	2
Contact Energy Limited	CEN020	BBB	Snr	15/05/2019	5.80%	**3.35%**	100	$107.05	$1.99	4
Bank of New Zealand	BNZ190	AA-	Snr	25/06/2019	5.57%	**3.11%**	73	$106.63	$1.30	2
Kiwibank	KCF010	BB+	Tier 2	15/07/2019	6.61%	**5.00%**	261	$104.64	$1.17	2
Westpac New Zealand Ltd	WPAC1050	AA-	Snr	12/07/2019	5.61%	**3.13%**	74	$106.52	$1.04	2
Infratil	IFT200	NR	Bnd	15/11/2019	6.75%	**4.60%**	212	$107.65	$2.31	4
Christchurch International Airport	CIA1010	BBB+	Snr	6/12/2019	5.15%	**3.39%**	89	$106.00	$1.47	2
Auckland Intl Airport	AIA120	A-	Snr	13/12/2019	4.73%	**3.14%**	64	$105.38	$1.26	2
University of Canterbury	UOC010	NR	Snr	15/12/2019	5.77%	**4.20%**	170	$105.51	$1.51	2
Infratil	IFT090	NR	Convert	15/02/2020	8.50%	**4.70%**	215	$111.04	$0.79	4
Fletcher Building	FBI140	NR	Cap	15/03/2020	5.80%	**4.30%**	173	$104.24	$0.08	2
Trans Power	TRA010	AA-	Snr	10/06/2020	6.95%	**3.26%**	64	$113.09	$1.91	2
Rabobank Nederland	RBO010	A+	Snr	10/06/2020	4.59%	**3.52%**	90	$104.48	$1.26	2
Bank of New Zealand	BNZ105	AA-	Snr	18/06/2020	4.43%	**3.51%**	88	$103.90	$1.12	2
ANZ National Bank	ANB100	AA-	Snr	25/09/2020	4.03%	**3.63%**	94	$103.26	$1.96	2
Goodman Property Trust	GMB020	BBB+	Snr	16/12/2020	6.20%	**3.90%**	116	$109.51	$1.60	2
Bank of New Zealand	BNZ090	BBB+	Tier 2	17/12/2020	5.31%	**5.00%**	226	$102.43	$1.37	4
Fletcher Building	FBI150	NR	Cap	15/03/2021	4.75%	**4.30%**	150	$101.70	$0.06	2
Sky TV	SKT020	NR	Snr	31/03/2021	6.25%	**4.90%**	209	$107.85	$2.93	4
Westpac New Zealand Ltd	WPAC0421	AA-	Snr	28/04/2021	3.80%	**3.79%**	97	$101.50	$1.49	2
Chorus Limited	CNU010	BBB	Snr	6/05/2021	4.12%	**4.00%**	117	$101.99	$1.53	2
Auckland Intl Airport	AIA130	A-	Snr	28/05/2021	5.52%	**3.65%**	81	$108.91	$1.71	2
ASB Bank	ABB040	AA-	Snr	26/05/2021	4.25%	**3.81%**	97	$103.01	$1.34	2
Fonterra Co-operative Group	FCG030	A-	Snr	20/10/2021	4.33%	**3.95%**	103	$103.39	$1.80	2
Contact Energy Limited	CEN030	BBB	Snr	15/11/2021	4.40%	**3.95%**	102	$103.41	$1.51	4
Precinct Properties Limited	PCT010	NR	Snr	17/12/2021	5.54%	**4.50%**	155	$105.82	$1.42	2
Genesis Power Limited	GNE030	BBB+	Snr	18/03/2022	4.14%	**4.25%**	125	$99.55	$0.02	2
Infratil	IFT190	NR	Bnd	15/06/2022	6.85%	**5.50%**	247	$107.91	$1.81	4
Goodman Property Trust	GMB030	BBB+	Snr	23/06/2022	5.00%	**4.40%**	137	$103.96	$1.20	2
Sky City Bond	SKC040	BBB-	Snr	28/09/2022	4.65%	**4.40%**	133	$103.43	$2.22	4
Air New Zealand Limited	AIR020	NR	Snr	28/10/2022	4.25%	**4.45%**	137	$100.66	$1.67	2
Trustpower	TPW150	NR	Snr	15/12/2022	4.01%	**4.70%**	160	$97.59	$1.06	4
Trans Power	TRA090	AA-	Snr	15/03/2023	5.45%	**4.04%**	90	$107.50	$0.07	2
Fonterra Co-operative Group	FCG040	A-	Snr	7/03/2023	4.42%	**4.21%**	107	$101.27	$0.16	2
Meridian Energy	MEL030	BBB+	Snr	14/03/2023	4.53%	**4.40%**	126	$100.76	$0.07	2
Wellington Intl Airport	WIA030	BBB+	Snr	12/05/2023	4.25%	**4.45%**	129	$100.42	$1.50	2
Bank of New Zealand	BNZ115	AA-	Snr	15/06/2023	4.10%	**4.37%**	119	$99.64	$1.07	2
Infratil	IFT210	NR	Bnd	15/09/2023	5.25%	**5.68%**	247	$97.74	$0.07	4
Infratil	IFT230	NR	Bnd	15/06/2024	5.50%	**6.00%**	269	$98.55	$1.45	4

Floating Rate/Perpetual Bonds	Code	Rating	Type	Reset Date	Coupon	Price /$100	Margin to SWAP	Maturity	Accued Interest	Coupon Frequency
ASB Bank Basel III compliant	ABB031	BBB+	Tier 2	15/06/2019	6.65%	**4.70%**	229	Perpetual	$1.75	4
ANZ National Bank	ANBHA	BBB+	Tier 2	18/04/2018	5.28%	**103.40**	220	Perpetual	$2.22	2
ANZ National Bank	ANBHB	BBB-	Tier 1	25/05/2020	7.20%	**102.80**	360	Perpetual	$2.29	2
ASB Bank	ASBPA	BBB	Tier 1	15/11/2017	3.42%	**0.81**	210	Perpetual	$1.17	4
ASB Bank	ASBPB	BBB	Tier 1	15/05/2017	3.20%	**0.80**	200	Perpetual	$1.10	4
Credit Agricole S.A.	CASHA	BB+	Tier 1	19/12/2017	5.04%	**95.00**	210	Perpetual	$1.27	4
Fonterra Co-operative Group	FCGHA	BBB+	Perp	10/07/2017	4.38%	**90.00**	240	Perpetual	$0.84	4
Genesis Power Limited	GPLFA	BB+	Cap Bond	15/07/2018	6.19%	**102.70**	250	Perpetual	$1.10	4
Infratil	IFTHA	NR	Perp	15/11/2017	3.63%	**66.50**	360	Perpetual	$1.24	4
Quayside Holdings Ltd	QHLHA	NR	Perp Pre	12/03/2017	4.32%	**96.50**	200	Perpetual		4
Rabobank Nederland	RBOHA	BBB-	Tier 1	8/10/2017	2.88%	**97.75**	210	Perpetual	$1.29	4
Rabobank Nederland	RCSHA	BBB-	Tier 1	18/06/2019	8.34%	**105.70**	330	Perpetual	$2.13	4
Works Infrastructure Finance	WKSHA	NR	RPS	15/06/2017	6.29%	**102.70**	380	Perpetual	$1.90	4

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