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Investment Strategies

A growing discontent

Discontent is a global phenomenon, and New Zealand is not immune. The Trump movement is just a sign of the times – globally we have lost trust in our politicians’ ability to both keep us safe, and to tell us the truth.

We are now very much a multicultural society, and you only have to walk down Queen Street in Auckland to see this. We have to be inclusive, but that doesn’t mean that we have to pander to the left to retain power. Maoridom must learn that we are all New Zealanders, and we all care about our environment. We all love this land, and at the end of the day we are all migrants. Let’s embrace our future together.

Fear is growing globally

The world appears to be heading further into an atmosphere of fear and uncertainty. Not only are we seeing continued attacks in Europe (first Nice and then even in Istanbul), but the unprovoked killing of Police Officers in the US, is a sign that the rule of law is breaking down.

Even here in New Zealand we have small children disgracefully abused and then killed, without fear of the consequences. We have developed an “under-class” within our society, and we have to address this, before it bites each of us personally. I strongly support “a hand up” and not “a hand out”, and the reality is that Maoridom is now economically very

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strong (thanks to the Treaty Settlement process), and it is time for them to take some responsibility for their whanau, and support their disaffected youth to step up out of the poverty trap, and build their self-esteem and sense of worth. Too often we see them learning the haka (and glorifying their warrior ancestry), which just encourages increased violence. The world is becoming increasingly unstable, and if we don't address this issue soon, then we risk igniting a powder keg within this wonderful country.

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“Micro-economics is business, Macro-economics is what you put up with”

Charlie Munger (Warren Buffett’s 92 year old business partner)

New Zealand's Mountain of Debt - \$492,500,000

Kiwis are treating their houses like cash machines, piling on the debt as they watch the value of their properties soar. Reserve Bank figures show household debt, excluding investment property, has risen by 23% in the past five years to \$163.4 billion, while incomes have only grown by 11.5%.

Households are now carrying a debt level that is equivalent to 162% of their annual disposable income - a peak higher than the level reached before the global financial crisis. Including property investment the total debt households owed as of April was \$232.9 billion, according to the Reserve Bank.

Housing loan debt has risen 23.4% to \$132.83 billion. Student loans were up 22.9% to \$14.84 billion and consumer loans are up 16.6% to \$15.7 billion.

This all sounds meagre when compared to USA's Public Debt, which currently stands at US\$13.6 Trillion (75% of GDP)...

Are our migration settings right?



With the pressure on housing, originally in Auckland and now moving to the Bay of Plenty, the spotlight goes on to finding solutions. Immigration looks to be an obvious anomaly, but is it? John Key says that it is a sign of this country's success, and while

I agree in part (the reversal of the past exodus to Australia certainly is), I think he needs to look deeper.

Immigration NZ sets points for entry, but we seem to be filling our numbers with too many immigrants who end up as low paid workers. Yes they are filling a gap in our employment because too many of our beneficiaries just aren't prepared to "get their hands dirty". I know that is a generalisation, but you only have to look at our horticulture industries to see that there are plenty of employment opportunities if you are prepared to work. What is interesting however is the difference in work quality between the likes of the Indian labour force, and those from the Pacific Islands (working under the RSE Scheme). Production increases from careful pruning etc in the kiwifruit industry is showing that the RSE workers are doing a better job, and this is translating into better yields for growers. I would think that there would be an even bigger disparity if these workers were entirely replaced with our New Zealand unemployed.

Yes we do need to restrict low end working migrants, because (one) they are competing with our unemployed, and (two) they add pressure to our

housing crisis. But is immigration restriction a single bullet – I don't think so. However it is another "tool in the toolbox". 70,000 migrants (includes returning New Zealanders) a year is not sustainable.

Statistics NZ Data

Next Census due: 2018

Population

Estimated population at 31 March 2016: **4,677,400**

Births March 2016 year (Dec 14: 57,242) **60,468**

Deaths March 2016 year (Dec 14: 31,063) **31,368**

Net migration May 2016 year **68,432**

Employment

Total employed March 2016 quarter: **2,399,000**

Unemployment rate March 2016 quarter: **5.7%**

Ave weekly earnings March 2016 quarter: **\$1,134.90**

Wage inflation March 2016 year **1.6%**

Cost Price Index March 2016 qtr (Dec qtr: -0.5%) **0.2%**

International Position Dec quarter: **-\$157 Billion**

GDP per capita year ended Dec 2015 **\$53,496**

GDP Growth for 2015 (+0.7% for Mar qtr) **2.5%**

Visitor arrivals in February 2016 **373,376**

Equity market	Current	% Change	YTD % Change local currency	YTD % Change in NZD
DOW	18227	0.44%	4.60%	-1.05%
NASDAQ	4989	0.64%	-0.37%	-5.76%
SP500	2137	0.34%	4.56%	-1.09%
Japan	15709	3.98%	-17.47%	-8.61%
Germany	9833	2.12%	-8.47%	-11.83%
UK	6683	1.40%	7.06%	-10.67%
China	2996	0.27%	-15.35%	-22.31%
Australia (ASX200)	5337	1.80%	0.78%	-1.36%
NZ 50 Gross	7062	0.90%	11.67%	11.67%

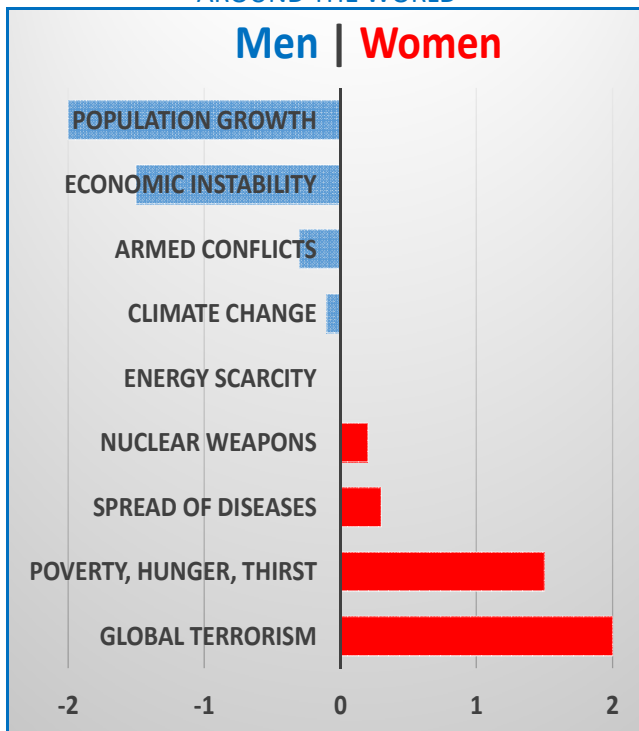
New Zealand Equities continue to perform strongly, especially when currency is taken into account.

"Recognise what you can't do. Only swing at what's in the strike zone."

Warren Buffett, 2016

Public Opinion Poll Average				
Source: Curia	20-Jun-16		15-Dec-15	
	Vote	Seats	Vote	Seats
National	45.8%	56	49.6%	60
Labour	28.8%	35	30.2%	37
Greens	13.0%	16	10.5%	13
NZ First Act	8.9%	11	6.1%	7
Maori	0.4%	1	0.7%	1
United	1.3%	2	1.7%	2
Mana	0.0%	1	0.3%	1
Conservatives	0.4%	0	0.0%	0
Conservatives	0.8%	0	0.3%	0
Total	99.4%	122	99.4%	121

WHAT CONCERNS MEN COMPARED TO WOMEN AROUND THE WORLD



Countries surveyed: Germany, Australia, Finland, Britain, Norway, France, USA, Sweden, Demark, China, Hong Kong, Singapore, Malaysia, Indonesia, Thailand, UAE and Saudi Arabia

PERSONAL STATEMENT: Let me be clear – I am a strong supporter of our current National Government, and have been a National Party activist for over 30 years. That said I don't support Central Government politics getting involved with the Local Government elections. As a Regional Councillor during the last Labour Government I worked closely with their Ministers to ensure that the Bay of Plenty (and Tauranga in particular) benefited from strong Central Government support.

RE-ELECT

Andrew von Dadelszen

TAURANGA'S VOICE ON REGIONAL COUNCIL

- ✓ Action – Not Words
- ✓ Strong Governance
- ✓ Spend Rates where they are collected

RE-ELECT

to Regional Council

Andrew von Dadelszen MBA

"SPEND WESTERN BAY RATES IN THE WESTERN BAY"

Qualified with a Masters of Business Administration, Andrew understands the need for –

STOP WASTEFUL BUREAUCRACY

Andrew was an elected member of your Regional Council for six years. He balances environmental protection with sound economic decision making. For Andrew "Trust is everything". His word is his bond. He will fight to ensure equity and fairness for all ratepayers. He will fight for **"ONE LAW FOR ALL"**. Andrew will fight to ensure Tauranga's voice is heard.

PROTECTING OUR HARBOUR

Andrew is committed to ensuring improved water quality for all our lakes, rivers & harbours. Quality waterways are essential for a better environment for you, your children and your grand children.

BETTER ROADS BETTER BUSES

You should be able to drive around our city without gridlock. Andrew is passionate about good transport solutions. He will ensure...

ACTION NOT WORDS

STRONG GOVERNANCE

Andrew has held diverse governance and leadership roles in business, the public and not-for-profit sectors. Andrew is a current Director on the Board of the Crown Research Institute – Plant & Food Research, and has previously been a Board Director of the Environmental Protection Authority.

You can count on Andrew to ensure effectiveness & efficiency. If you don't measure you can't manage. He will work on the issues that concern you.

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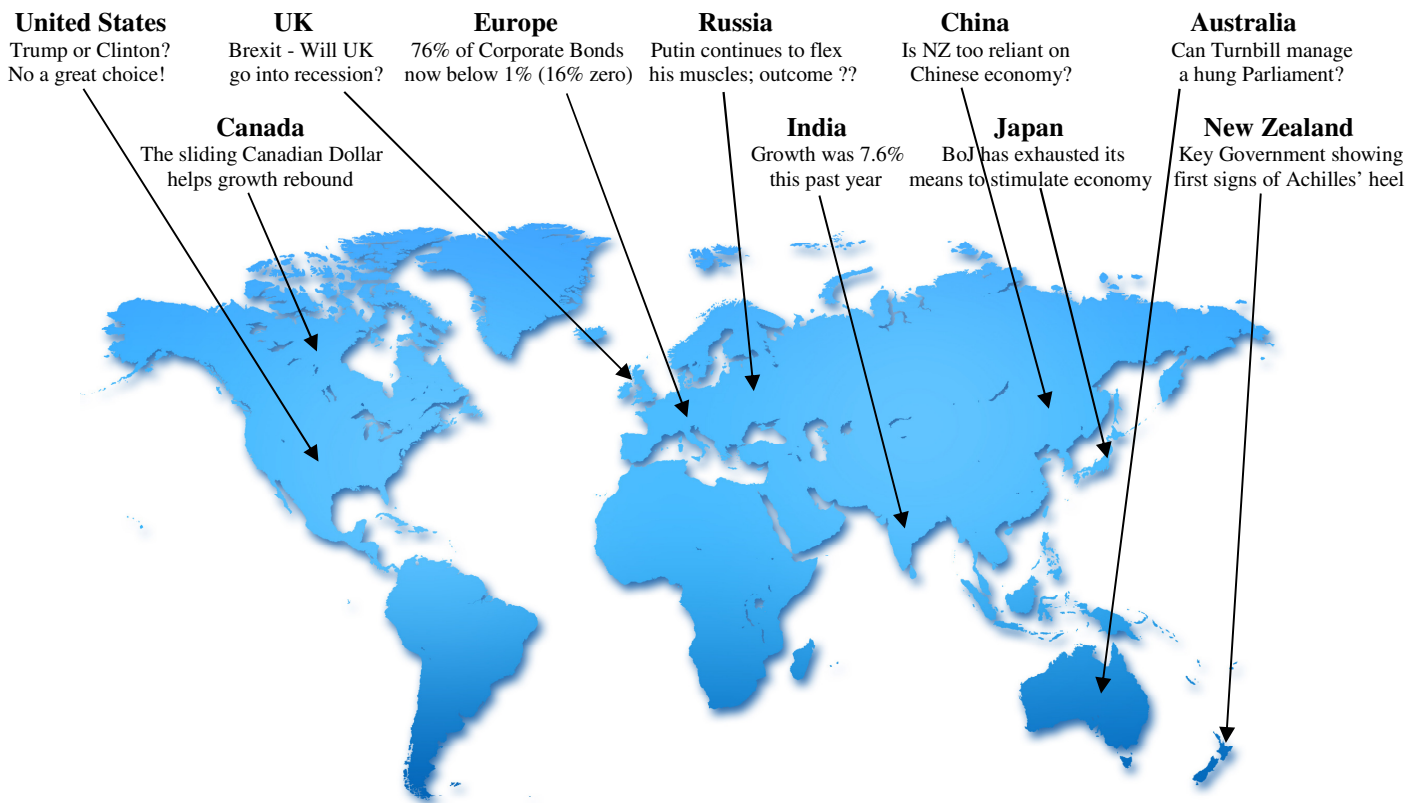
I AM STANDING FOR BAY OF PLENTY REGIONAL COUNCIL

When I was last on the Bay of Plenty Regional Council, under Chief Executive Bill Bayfield, we were finally seeing "Action not Words". Today that leadership is missing, and our Regional Councillors seem to be just cruising. In 2006 we strove to go "From Good to Great" and I ask you to vote for me, and to support me to deliver on a vision of excellence.

Our Regional Council has an exceptionally strong Balance Sheet, thanks to its 54% shareholding in the Port of Tauranga, and we mustn't just rely on the Port dividends to hide mediocracy that has crept back into this council.

Furthermore we have to insist that Western Bay (including Tauranga City) ratepayers don't continue to subsidise Eastern Bay and Rotorua ratepayers. Yes, it was okay as a "one off" to kick start the Lakes Recovery programme, but your current councillors have allowed this to continue year after year. Rotorua sub-region collects \$8m in rates, and yet the BOPRC spend in that sub-region is \$20m – this annual \$12m injections from West to East has to STOP. We need strong, principled leadership and this current bunch of councillors should be ashamed of themselves. They continue to rape Western Bay ratepayers, and enough is enough.

THE WORLD AT A GLANCE



The Global Economy

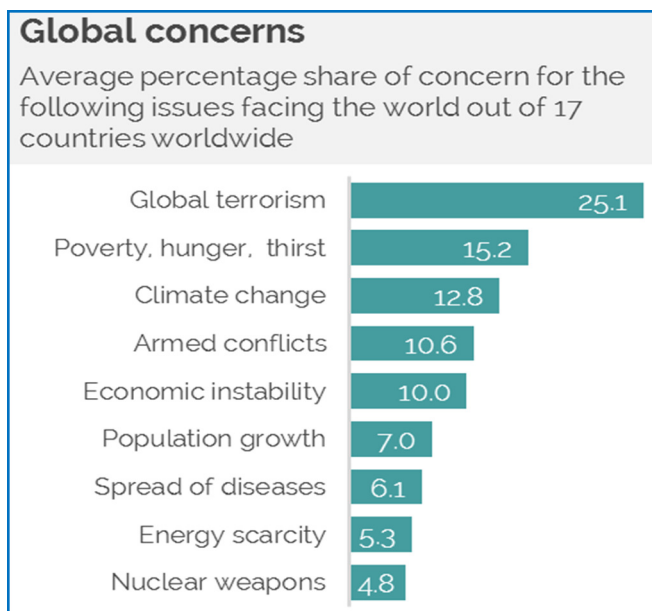
Sources of Uncertainty - Brief Credit Suisse essay on current market conditions

- Considering all the long cycles now seemingly reaching their apogees, it makes sense that so many households and investors around the world seem insecure and uncertain.
- China's economy grew so much from 1990-2011 that its savings financed 25% p.a. fixed asset investment growth, leading the country's share of global IP to move from insignificant levels to 28%, a size from which the extreme growth rates of the past are not possible. **China's long-term investment boom has ended.**
- De-regulation, labour-saving technological innovations, open migration, and the growth of world trade have allowed for massive advances in profits and global output in the past four decades, but these forces have also limited wage growth prospects for millions of developed market workers. Some of those workers are now protesting - and advocating for policies and leaders who may seek to reverse a few drivers of globalization. **The globalization consensus has broken down.**
- Besides these long-term forces, labour markets in developed economies have also been full of cyclical slack in recent years, as high unemployment rates were the residual of the 2008 crisis and structural

changes made it difficult to quickly re-employ displaced workers. However, struggling segments of the US labour force are seeing wage increases of late. **The US labour share of national income has finally turned up.**

- Commodity prices slumped in the 1990s and boomed in the 2000s, but in recent years, as the world's biggest commodity buyers – the Chinese – slowed their investment, prices slumped again. This longer term commodity cycle has triggered a sharp cyclical contraction in mining and energy investment around the world, a major reason for the weak global growth since 2014. This has been felt acutely in resource-centric economics. **A commodity-related global growth slump is underway.**
- Interest rates in developed markets have been falling since the early 1980s, and they continue to make new lows. Many bond buyers are institutions with sticky returns targets because of fixed liabilities, regulations, or simply competitive pressures. The hunt for yield in a mostly yield-less environment has reached a crescendo and many institutional buyers of government or corporate bonds suspend their disbelief when purchasing assets with negative yields or spreads so tight that they scarcely compensate for the embedded risks that logic suggests will never go away. **Interest rates have fallen to zero.**

- Kathleen Casey, the first US baby boomer (born January 1, 1946) just turned 70½. Why is this relevant? Because at that age, Kathleen must begin mandatory withdrawals from her retirement funds. The cycle of savings of a large generation has now swung to dis-saving. And now emerging is the related cycle of difficult fiscal adjustments as the financial flows relating to rising dependency ratios appear. This will surely be a key theme in the next fifteen years (at least), and maybe news of Puerto Rico's bankruptcy (itself driven by various factors of various lengths) is symptomatic of foreseeable problems to come. **The work cycle of the baby boom generation has ended.**
- And meanwhile, technological change from faster and cheaper processing power has reached a culmination point. Moore's Law might be ending, and productivity growth in developed markets might be measured as weak. But machine learning and the sharing economy have advanced so rapidly that stressing about measuring GDP or productivity misses the point. In a recent meeting, we overheard a prediction that the US trucking industry will soon be massively short of workers due to demographic factors, and another prediction that all trucks will soon be self-driving. Can a productivity shortage and massive labour-saving technological advances really happen at the same time? **The robots are here.**
- No wonder there is confusion in the markets.



Postscript – European Bond Rates

Currently 76% of all Corporate Bonds in Europe have an interest rate of less than 1%; and 16% of these 76% have an interest rate returning a negative yield. Where are our financial markets heading?

Global economics

The global economic recovery continues to disappoint. Our analysts have lowered, again, our GDP forecasts for most Developed and Emerging Markets. The notable exception has been China where they have upgraded their outlook. Encouragingly, global central banks seem to be taking a more coordinated approach.

Asian Economies

Growth is expected to be around 5.7% for both 2016 & 2017 from Asian Developing economies. This contrasts with an average 1.8% and 1.9% respectively for 2016 & 2017 from Global Industrialised economies. Expect weak recovery in major industrial economies, and softer growth from China.

India is maintaining a 7.5% growth rate, and is hoping that more favourable monsoons will help their agricultural output – as they recognise the growing significance of this sector. Their right wing government is undertaking structural reforms, which will include very large public investment, and a liberalisation of their foreign direct investment. They see this essential for the welfare of India; an economy that is outgrowing their near neighbour China.



India's Prime Minister is targeting a doubling of GDP by 2035, and will need double digit growth to achieve this. He also reiterated the need for good monsoons to achieve this, noting that 10% will be challenging.

Indonesia is another large Asian economic juggernaut, and the falling 2015-16 commodity cycle has deeply affected this economy.



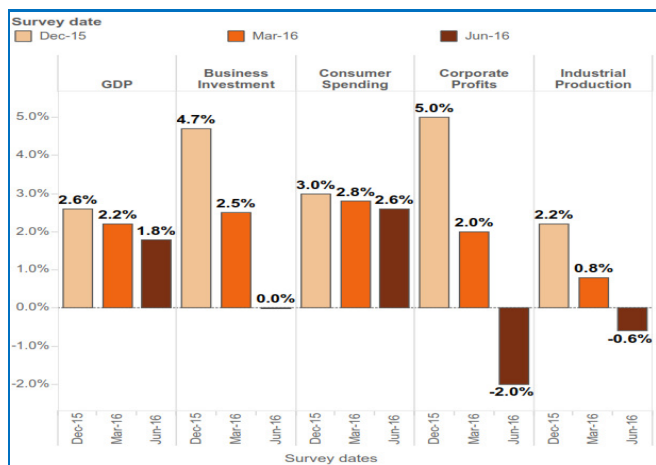
Their Finance Minister recently noted that their target of a 7% GDP Growth rate for 2016 has now slipped and is more likely for 2019.

Pakistan's Finance Minister said that China has agreed to invest US\$46 billion into a direct China/Pakistan transport link new "Silk Road" project, noting that this will open up Chinese trading opportunities not only with Pakistan, but with much of East Asia.



US Economy

The uncertainty around the upcoming Presidential Election (November) has increased, and this is slowing the US economy.



NZ Economic Outlook

SOURCE: BUDGET 2016 – TREASURY PAPER

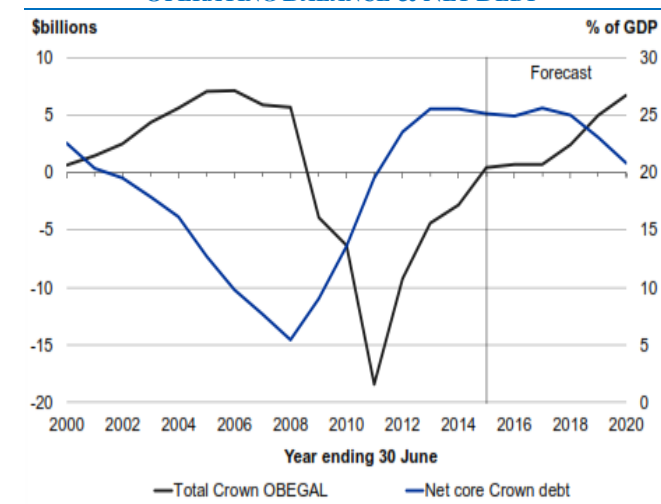
Economic growth is forecast to strengthen from 2.6% in the year ending June 2016 (the 2015/16 fiscal year) to 3.2% in the year ending June 2018 driven by strong population growth, sustained increases in services exports, particularly tourism, and the stimulatory effects of low interest rates.

- The operating balance before gains and losses (OBEGAL) is expected to increase from a position of broad balance in the current year to a surplus of \$6.7 billion (2.2% of gross domestic product (GDP)) in the 2019/20 fiscal year (Figure following).
- As a share of GDP, net core Crown debt is forecast to peak at 25.6% (\$66.3 billion) in the 2016/17 fiscal year and to decline to 20.8% (\$62.3 billion) in the 2019/20 year (Figure following).

Growth among New Zealand's major trading partners eased in 2015, particularly in China and other Asian economies. Global monetary policy remains extremely

accommodating and a modest pick-up in trading partner growth is expected in 2017 and subsequent years.

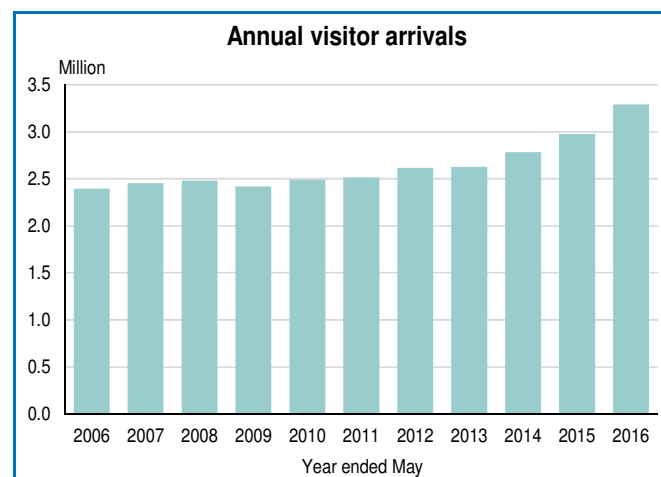
OPERATING BALANCE & NET DEBT



SOURCE: STATISTICS NZ, THE TREASURY

Risks of more pronounced weakness in the global economy remain high, with China's transition towards greater consumption-driven growth and the impacts of reduced monetary policy stimulus in the United States (US) potential sources of further volatility. Other risks, including the United Kingdom's (UK's) European Union membership exit, are adding to uncertainty.

The New Zealand economy is continuing to adjust to the effects of lower commodity prices, particularly for dairy exports. Commodity export values are forecast to weaken over the year ahead leading to a wider current account deficit. International dairy prices are expected to recover gradually over 2017 and 2018, contributing to a narrowing of the current account deficit. Tourism numbers head towards 3.5m, with strong growth since 2012.



Compared with the *Half Year Update*, net migration inflows are significantly higher over the forecast period, which raises the Treasury's estimate of the economy's productive capacity (or potential output), and flows through to higher real GDP. However, a larger proportion of growth is expected to occur in the relatively low productivity sectors of construction and hospitality.

NZ GDP GROWTH RATE



Key risks to the New Zealand Economy

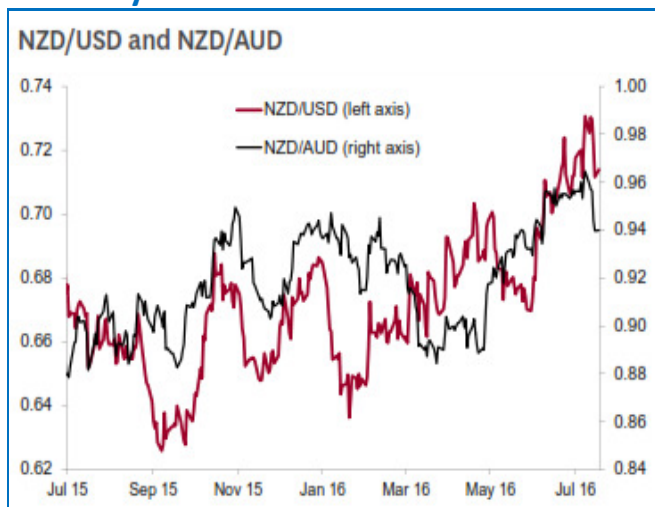
Global risks remain skewed to the downside, including a sharp slowdown in China's growth, persistently low global inflation, a British exit from the European Union and geopolitical risks. Domestic risks are more balanced, relating to inflation dynamics, the current migration cycle and house price growth.

Real GDP % Year	2014	2015	2016F	2017F
New Zealand	3.7	2.5	2.9	2.7
Australia	2.7	2.5	3.0	3.0
United States	2.4	2.4	1.9	1.9
United Kingdom	2.9	2.2	1.1	0.5
Euro Zone	0.9	1.6	1.5	1.2
China	7.3	6.9	6.4	6.2
East Asia (ex China)	4.1	3.7	3.7	3.9
World	3.4	3.1	3.2	3.4

Unemployment %	2014	2015	2016F	2017F
New Zealand	5.8	5.4	5.7	5.0
Australia	6.2	5.8	5.6	5.5
United States	6.2	5.3	4.8	4.6

Source: Westpac Banking

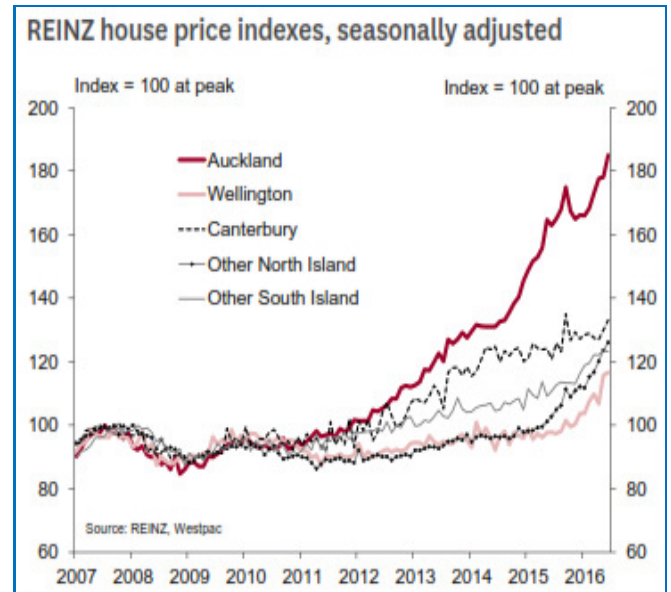
Currency



The past week or two has been characterised by a back-and-forth of views about where the Reserve Bank goes from here. Low inflation and the high exchange rate argue for interest rate cuts, but this would add to concerns about financial instability by stoking the

already-hot housing market. Westpac has the view on how the RBNZ will resolve this tension remains unchanged: interest rates to deal with inflation, and lending restrictions to deal with the housing market.

House Price Inflation



Commodities – Oil

The price of West Texas Crude (at US\$5.24) is close to 50% off its bottom, but is a long way from its 2008 high of US\$140.

OIL: WEST TEXAS CRUDE (ONE YEAR CHART)



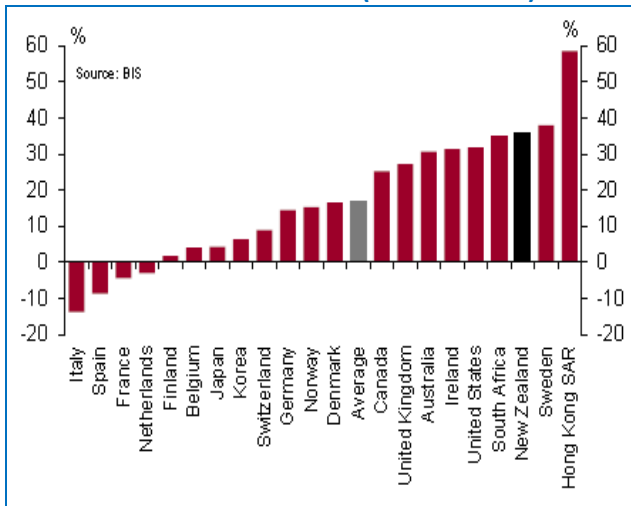
Expect global oil inventory builds to average 0.6 million b/d in the second half of 2016, limiting upward price pressures in the coming months. Brent prices are forecast to average \$48/b during the second half of 2016, which is relatively unchanged from current levels. However, daily and even monthly price variation could be significant as economic and geopolitical events affect market participants' expectations of oil market balances.

Our analysts expect global oil inventory draws to begin in the third quarter of 2017. The expectation of inventory draws contributes to forecast rising prices in the first half of 2017, with price increases accelerating later in 2017.

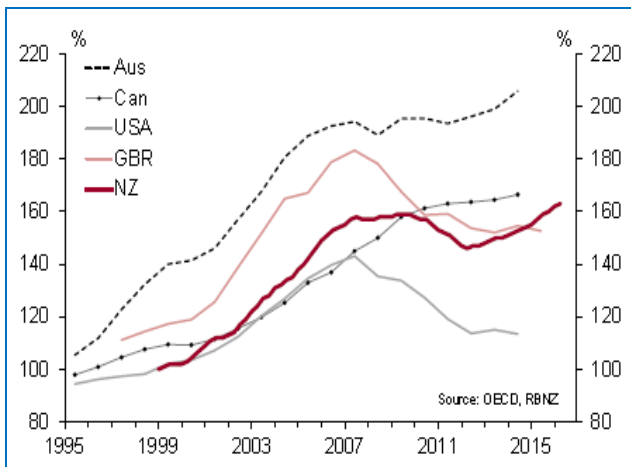
RESIDENTIAL HOUSE PRICES – compared with Germany

Is “Rising House Prices” an Achilles heel for the National Government? Maybe. However it definitely is a big issue, and National needs much better “sound bites” on this issue. Media constantly highlight it, but Aucklanders, in particular, are feeling increased security in the high value of their home. Over the page is the Residential House Prices for New Zealand, as at May 2016. What National has done is fail to “sell” its housing affordability response policy.

HOUSE PRICE GROWTH (2011 TO 2015)

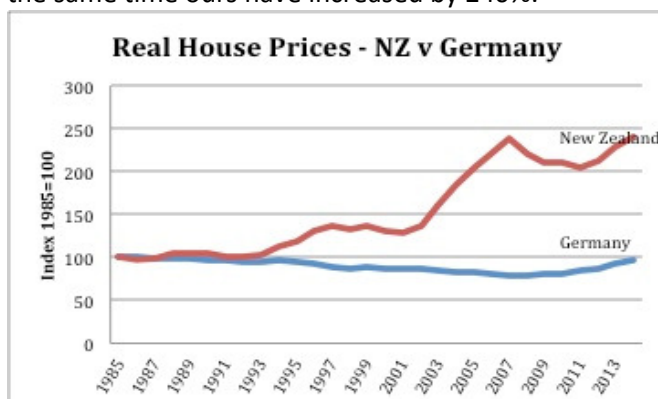


HOUSEHOLD DEBT AS A SHARE OF DISPOSABLE INCOME



Why German House Prices have been flat

The picture below says it all – German house prices have been flat (in real terms) for the past 30 years, while over the same time ours have increased by 240%.



This despite the fact that Germany is the one of the most successful economies in the world and their per capita incomes have risen faster than those of New Zealanders. Why is that - why have we lost the plot regarding house affordability, and what can we learn from both the Germans (and the Swiss)?

History

History plays a big part in all of this. Europe suffered two world wars, which destroyed an awful lot of houses. After WW1 the State generally led the rebuild. After WW2 it was a more mixed picture – State and cooperative led in the East and a mix of private, State and cooperatives in the West. Housing is seen as part of the country’s infrastructure, rather than a sector pretty much solely for private endeavour. That’s a huge difference from our culture, but the German value is that everyone should have a reasonable quality roof over their head. They don’t have to own it, but rents are very much controlled in favour of the tenant.

Housing cooperatives

Housing cooperatives are a bit like Fonterra; they are regulated by the government and owned by members (who own shares). Some of the members are residents and some of which are not; like Fonterra the non-residents get a nominal dividend but can’t vote. They first appeared in the 19th Century, and still play a major role in providing affordable housing for sale or long-term rent across the country. There are over 2,000 cooperatives in play today, owning over 2 million rental units. Some cooperatives offer other services, like kindergartens for families or nursing for the elderly. Various policy settings have played an enormous role in averting speculation too, covering price controls, taxes and planning.

Price Controls

The German government has a history of getting involved in the market whenever the private sector gets too out of control. After the re-unification in 1989/90 there was a law that controlled rapid house price rises to a **maximum of 4%**, and any capital gain had to be the result of investment made in improving the property. This policy effectively killed speculation post re-unification.

Current policies are not quite that heavy handed, but they aren’t far off. There are strong regulations that benefit renters and limit the gains that can be made by investors; there are rent controls, and as long as renters pay the rent it is very difficult to evict them. The downside is that rental controls have removed the incentive to build new properties, so the state or region has sometimes had to offer incentives to build where there are shortages.

German Taxes

They have a tax (also known as a stamp duty) of between 3.5%-6% (depending on the region) of the property value every time it changes hands. If there are any capital gains left after that, they can also be taxed! Now this doesn't mean we should rush out and have a stamp duty and capital gains tax (CGT). In particular transaction taxes such as stamp duty or CGT are less efficient than recurrent taxes.

The Germans also have a tax on property values that is similar to a mix between rates and a land tax. Nowadays the tax is quite low, as property values haven't been updated for inflation for many years. However, its existence is an important deterrent to speculation – the tax isn't needed if price inflation doesn't exist!

House prices have also been very stable in Switzerland, and many regions have similar policy settings to Germany. There is a tax on imputed rent in Switzerland, which again is very similar to the CCIT. These sorts of taxes reduce the tax advantages of owning a home over renting one, which explains why Germany and Switzerland have the lowest home ownership rates in the developed world.

German Culture

These policies and history have given rise to a culture where the Germans are simply not obsessed with owning their own home. They are happy to rent for long periods if not their entire life, and certainly don't see investing in rental properties as a get rich scheme. Property is a place to live, nothing more.

The Germans have the 2nd lowest ownership rate after Switzerland. Since 1999 the Germans have seen some speculation on their property, but generally that has come from overseas, particularly pension funds, rather than locals.

Economic Benefit

Both the Germans and the Swiss rightly see the way to get rich as investing in profitable businesses so that they can export to the world. This culture of non-speculation is quite the opposite of New Zealand where speculation is a national pastime, a culture that is aided and abetted by our tax and policy settings.

We may despair at the low rates of home ownership in Germany. But to summarise – the Germans have policy settings that encourage the population to see housing as providing shelter, and as part of their basic infrastructure, rather than an investment. This is driven by policy. The policymakers have known for a long time that true prosperity comes from investing in business and generating income and employment – not setting policy to encourage people to bid up the prices on the same property year after year.

SOURCE: Morgan Foundation

Residential House Prices	Ave value May-16	Ave value May-15	Change
New Zealand	\$577,829	\$514,232	12.4%
Far North District	\$345,895	\$303,431	14.0%
Whangarei District	\$404,918	\$350,040	15.7%
Kaipara District	\$410,918	\$343,015	19.8%
Rodney District	\$849,107	\$721,948	17.6%
North Shore City	\$1,110,891	\$973,684	14.1%
Waitakere City	\$765,019	\$656,880	16.5%
Auckland City	\$1,121,337	\$992,227	13.0%
Manukau City	\$824,407	\$689,147	19.6%
Papakura District	\$611,026	\$506,213	20.7%
Franklin District	\$599,937	\$512,419	17.1%
Thames-Coromandel	\$570,381	\$521,815	9.3%
Hauraki District	\$305,046	\$256,292	19.0%
Waikato District	\$378,903	\$298,444	27.0%
Matamata-Piako District	\$335,784	\$284,133	18.2%
Hamilton City	\$478,323	\$379,323	26.1%
Waipa District	\$428,919	\$356,895	20.2%
Otorohanga District	\$228,261	\$206,585	10.5%
South Waikato District	\$152,557	\$129,340	18.0%
Waitomo District	\$166,200	\$163,392	1.7%
Taupo District	\$386,366	\$345,052	12.0%
Western Bay of Plenty	\$525,133	\$424,824	23.6%
Tauranga City	\$591,942	\$480,727	23.1%
Rotorua District	\$318,295	\$276,865	15.0%
Whakatane District	\$339,491	\$299,680	13.3%
Kawerau District	\$128,060	\$103,702	23.5%
Opotiki District	\$234,043	\$210,043	11.4%
Gisborne District	\$236,413	\$225,390	4.9%
Wairoa District	\$153,057	\$149,578	2.3%
Hastings District	\$339,439	\$306,993	10.6%
Napier City	\$365,895	\$328,921	11.2%
Central Hawkes Bay District	\$226,025	\$216,750	4.3%
New Plymouth District	\$382,929	\$358,858	6.7%
Stratford District	\$214,122	\$206,053	3.9%
South Taranaki District	\$188,591	\$183,606	2.7%
Ruapehu District	\$139,429	\$135,777	2.7%
Whanganui District	\$193,764	\$182,228	6.3%
Rangitikei District	\$150,895	\$141,856	6.4%
Manawatu District	\$260,980	\$241,514	8.1%
Palmerston North City	\$312,645	\$290,568	7.6%
Taranua District	\$158,037	\$152,892	3.4%
Horowhenua District	\$220,201	\$208,338	5.7%
Kapiti Coast District	\$413,798	\$380,809	8.7%
Porirua City	\$415,133	\$382,368	8.6%
Upper Hutt City	\$359,825	\$337,317	6.7%
Lower Hutt City	\$406,188	\$375,943	8.0%
Wellington City	\$610,102	\$545,132	11.9%
Masterton District	\$245,352	\$243,345	0.8%
Carterton District	\$277,406	\$265,722	4.4%
South Wairarapa District	\$325,739	\$305,942	6.5%
Tasman District	\$450,447	\$421,024	7.0%
Nelson City	\$454,565	\$412,534	10.2%
Marlborough District	\$377,597	\$353,959	6.7%
Kaikoura District	\$389,532	\$356,329	9.3%
Buller District	\$206,557	\$208,731	-1.0%
Grey District	\$215,049	\$215,686	-0.3%
Westland District	\$221,247	\$225,888	-2.1%
Hurunui District	\$357,999	\$348,594	2.7%
Waimakariri District	\$424,529	\$415,972	2.1%
Christchurch City	\$490,137	\$474,403	3.3%
Selwyn District	\$532,936	\$520,532	2.4%
Ashburton District	\$351,758	\$328,340	7.1%
Timaru District	\$324,930	\$300,959	8.0%
MacKenzie District	\$350,217	\$307,216	14.0%
Waimate District	\$226,235	\$208,869	8.3%
Waitaki District	\$236,417	\$227,452	3.9%
Central Otago District	\$374,408	\$326,480	14.7%
Queenstown-Lakes District	\$875,002	\$717,130	22.0%
Dunedin City	\$323,735	\$293,446	10.3%
Clutha District	\$177,180	\$168,391	5.2%
Southland District	\$221,690	\$210,486	5.3%
Gore District	\$191,897	\$181,757	5.6%
Invercargill City	\$218,426	\$208,458	4.8%

The implications of BREXIT



On the decision to leave the EU, Mr Key said: "This was always a decision for voters in the UK and we respect the decision they have made.

"We will continue to have a strong relationship with both the EU and the UK, and to further develop our ties with both. In this respect nothing has changed.

"The UK remains a member of the EU for the moment and it will take some time to work through the implications of their decision to leave," he said.

"In terms of our existing trade arrangements, the immediate effects of the leave vote on New Zealand are likely to be limited and we expect that trade and other business activities will continue smoothly in the interim.

"We remain committed to the launch of formal negotiations on an EU FTA, and will be working with the UK as they go through the process of leaving the EU to put in place new trading arrangements," Mr Key said.

NZ First leader Winston Peters - a Brexit supporter - said New Zealand had nothing to fear from the result. "I think the scaremongering will be exposed for what it is: pure scaremongering."

He said it meant the United Kingdom was now free to deal with New Zealand in areas such as trade and the result would strengthen the relationship immensely.

Mr Peters compared the British voters who voted to leave the EU as showing "the same character they showed when they confronted Hitler".

A Brexit supporter, he said the victory for the Leave campaign in the referendum in Britain was a "massive wakeup call" for the British establishment and democracies everywhere.

"I joined the Leave campaign at the Leave campaign's request and I am delighted the British people exhibited

the same character they showed when they confronted Hitler."

He said the Remain campaign had more money and the advantage of political incumbency, but British voters had stood up to it.

"The people who pay the taxes and face some of the greatest competition for jobs, working conditions and a decent economic and social future simply are not going to go on being ignored or treated as invisible."

Britain gets a new Prime Minister



Theresa May has become the UK's new Prime Minister – replacing David Cameron..... "after she completed a dramatic rout of the rival Conservatives who led the campaign to take Britain out of the EU. Mrs May says she will not hold an early election to seek a new mandate but would continue as Prime Minister until the next scheduled poll in 2020. Boris Johnson, previously a front-runner to replace Cameron, has (surprisingly) been appointed the plumb job as Foreign Secretary.

How the Markets have been affected by BREXIT

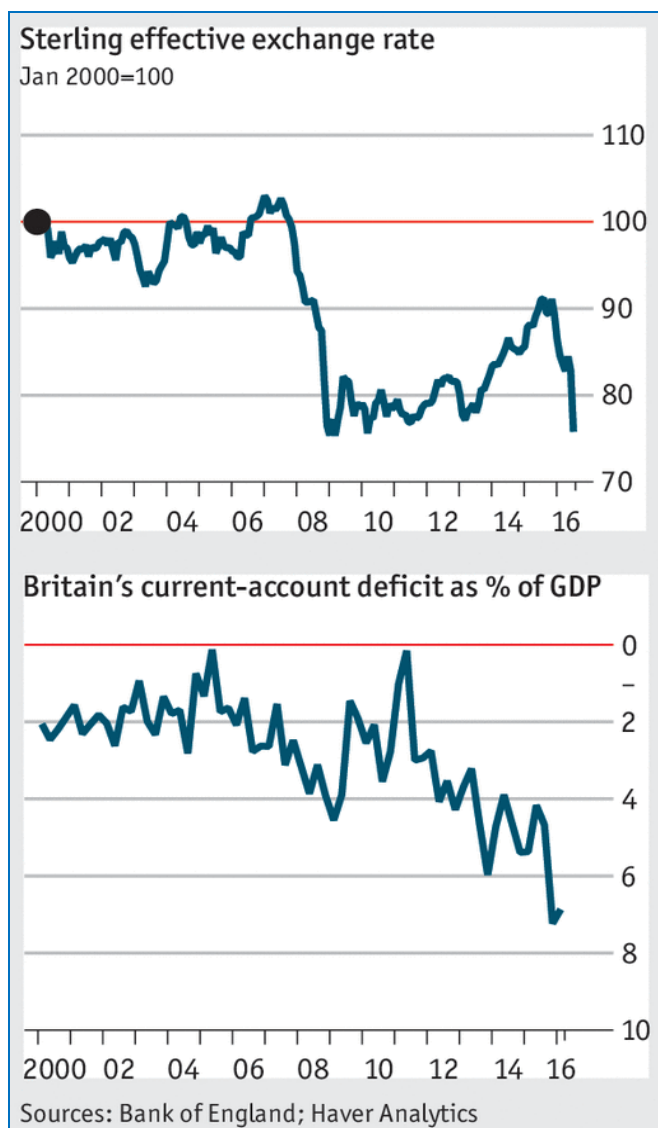
- Since the eventful Brexit vote of three weeks ago, the GBP has encountered heavy selling. Against the USD, the GBP fell nearly 14% from its peak of nearly 1.50 on the day of the Brexit vote to the current level of around 1.29. Against the JPY, the GBP plunged nearly 19% from about 160 to around 130. This dramatic selloff in the GBP has triggered strong buying interest among investors who are keen to pick the bottom. However, Credit Suisse warn that it may be premature to do so.
- The political landscape in the UK is still highly fluid, and it remains unclear what form or route the UK's exit negotiations with the EU will take. The economic impact is likely to remain significantly negative. While the first release of post-Brexit hard economic data will be available only in mid-August, Moody's has already warned that the UK will face a "shock to confidence" and has cut its UK growth forecast for 2017 to 1.2% from 2.1%.
- Outside the EU, the UK currently faces the daunting challenge of funding its large current account deficit.

Potential tax cuts will threaten the process of fiscal consolidation. In the wake of the Brexit vote, leading rating agencies have been quick to downgrade the UK's sovereign credit worthiness. Potential monetary policy easing by the Bank of England (BoE) will further erode the GBP's already weak interest rate support.

- Technically, GBP/USD remains on a downtrend after falling through the ultra-long-term 1.35–1.40 cross rate cluster level that has supported GBP/USD for the past 30 years. In terms of valuation, we noted previously that GBP/USD will become very cheap below a cross rate of 1.30. However, the above-mentioned list of growing negative cyclical drivers now overwhelms the cheap valuation support. Overall, they now view GBP/USD negatively and lower their point forecasts for both 3 months and 12 months to a cross rate of 1.25.

FROM THE ECONOMIST

The immediate impact of the depreciating Pound for British citizens is a cut in their standard of living; it costs more to buy goods from abroad, whether it be imported commodities or foreign holidays.



Of course, currency depreciation can be a very useful tool for countries when they have become locked in to

an overvalued exchange rate. Many people will recall Britain's departure from the Exchange Rate Mechanism in 1992 when the economy perked up quickly and the inflationary impact was limited. But the circumstances were very different; interest rates were 12% and were brought down rapidly while there was a lot of spare capacity in the economy (unemployment was 10%). Now interest rates are just 0.5% and unemployment is 5%.

The big question is the British current-account deficit. At around 7% of GDP, this deficit is not just a peacetime record, it is bigger than the shortfalls seen in World War One (but not WWII). This means that Britain has to attract foreign capital; it has been very successful in doing so via foreign direct investment (FDI). But that was, in large part, because of Britain's place as part of the EU.

One element of the Brexit campaign argued that Britain could become more open to international investment outside the EU; a kind of Singapore of Europe. However, before the vote, this camp sat uneasily with the more nativist, anti-globalisation and anti-immigration side of the campaign. Until the outcome of the post-Brexit negotiations become clear (and the talks may not even start until next year), investors may hold back.

As with everything in economics, things can get back into balance at the right price. The pound can fall so that British assets are so cheap that they seem attractive. But this may require a prolonged decline to cheap levels (It is estimated that fair value for the pound/US dollar rate is around \$1.42). Eliminating the deficit could require the pound to fall to parity with the dollar. This would, of course, be good for exports. But as the chart shows, Britain has already seen one big depreciation in the pound since 2000. It narrowed the current-account deficit for a while but the effect was short-lived. Recent evidence does not show that currency depreciations lead to a big gain in market share for exporting nations.

The first issue is that world trade is growing fairly sluggishly. The second is that companies may decide not to cut their prices in foreign currency terms but to take the higher foreign currency receipts (in domestic currency terms) as extra profit. A third issue is that globalisation means that business is conducted through "value chains", in which products are assembled or distributed in many markets. These chains take time to assemble and companies are unlikely to unpick them because of currency shifts.

Indeed, it is worth noting that a deficit can fall in two ways; a rise in exports or a decline in imports, thanks to a collapse in domestic demand (as in 2009). That route tends to be more common. But it won't be what voters thought they were getting as they clearly didn't believe the warnings of economists before the Brexit vote.

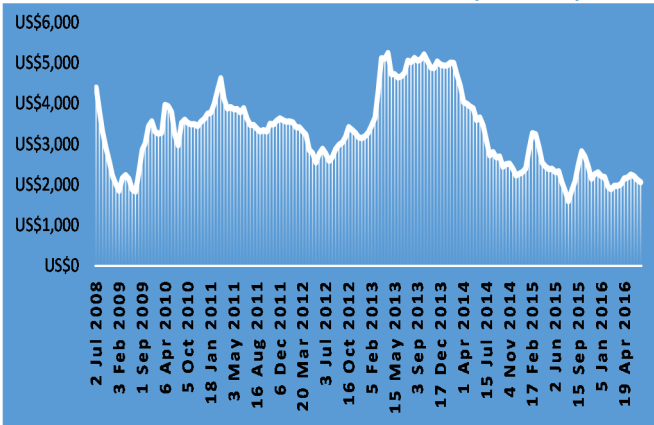
Agribusiness – Looking from the outside in



Doubling Primary Industry Exports by 2025

DAIRY SLUMP CONTINUES: Dairy growth may only resume in 2017, says The Ministry for Primary Industries. Its goal of doubling New Zealand’s primary sector exports by 2025 will require the annual growth in export values to almost triple from this year.

WHOLE MILK POWDER – AVERAGE PRICE (USD/MT)



MPI set the target of reaching \$64 billion in annual exports back in 2012. In its latest Situation and Outlook for Primary Industries report the ministry forecasts primary sector export revenue to rise to \$36.7 billion in the year ending June 30 and to reach \$44 billion in the June 2020 year, “which leaves us more to do” to reach \$64 billion by 2025.

The nominal value of exports rose an average 3.3 percent a year between 2012 and 2016, MPI said. “In order to reach our real export target by 2025, primary sector exports would now need to grow by an average of 9.5 percent per year from 2016 onwards,” the ministry said. “Horticulture and other primary sector exports and foods have shown strong growth since 2012, but we will need contributions from the larger sectors such as dairy, and meat and wool in order to reach that target. Next year’s price outlook reflects expectations that global agricultural markets are expected to turn a corner in 2017 and prices for key commodities should start to recover.”

Horticulture is the star in 2016 with exports forecast to surge 20 percent to \$5.1 billion, the first time the sector has exceeded \$5 billion. Growth is projected to moderate to 6 percent in 2017, with exports reaching \$5.7 billion in 2020.

Dairy faces its second weak year, with exports projected to fall 6 percent to \$13.2 billion, following last year’s 21 percent slump. MPI’s projections are for the value of dairy exports to resume growth in 2017, at 4 percent,

before jumping 20 percent in 2018 and reaching \$17.7 billion in 2020.

After growing 10 percent in 2015, **meat and wool** export growth is forecast to slow to a 1 percent rate in the June 2016 year to about \$9.1 billion, before falling 8 percent in 2017 and remaining below this year’s levels through 2020, when it is projected to be \$8.8 billion.

The value of **forestry exports** likely grew 8 percent to about \$5.1 billion in the year ending June 30, still below its 2014 high, after a 10 percent drop in 2015, heading for \$6.3 billion in 2020.

Demand in the US and China is expected to drive 15 percent growth in the value of **seafood exports** to \$1.79 billion this year on the back of a weaker New Zealand dollar. Exports are forecast to reach \$2.1 billion in 2020. The value of other primary sector exports and foods, which includes honey, some processed foods, vegetable-based dyes and spices, is forecast to grow 14 percent this year to \$2.37 billion, reaching \$2.9 billion in 2020.

Exports of **arable farm products** are expected to grow 14 percent to \$202 million this year and to have climbed to \$243 million in 2020.

Irrigation potential

MPI supports irrigation proposals with matched funding so they can reach the investment-ready stage. Government is a strong supporter of irrigation and water storage and had allocated \$120 million to Crown Irrigation Investments Ltd over the past three years with another \$25 million going towards the accelerator fund in last year’s Budget.



Of the 722,000 hectares of land under irrigation in 2012 about 115,300 hectares had received some form of Crown funding. Government is on track to meet its goal of one million irrigated hectares by 2025, with 276,500 hectares of land with Crown assisted irrigation schemes in progress. Irrigation is estimated to contribute \$2.2 billion to the national economy.

FNZC's New Zealand Income Portfolio

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

	Core	Core Plus	Diversified	Sector
Argosy Property	5.0%	5.0%	10.0%	Financials
Contact Energy	17.5%	15.0%	15.0%	Utilities
Ebos Group	7.5%	7.5%	7.5%	Health Care
Fletcher Building	17.5%	15.0%	10.0%	Industrials
Fonterra Shareholders Fund			5.0%	Consumer Staples
Freightways	12.5%	12.5%	10.0%	Industrials
Goodman Property Trust	15.0%	15.0%	10.0%	Financials
Heartland Bank		10.0%	10.0%	Financials
Infratil			5.0%	Utilities
Metro Performance Glass		7.5%	7.5%	Industrials
Spark	15.0%			Telecommunication Services
Tegel Group		5.0%	5.0%	Consumer Staples
Z Energy	10.0%	7.5%	5.0%	Energy
	100.0%	100.0%	100.0%	

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

Source: FNZC

Company	30-June-16 Price	PE Ratios (x)		Div Yield %*		Gross Returns%		
		Pros	Pros +1	Pros	Pros +1	1-Year	3-Year pa	5-Year pa
Argosy Property	\$1.15	18.5	18.6	7.7	7.9	10.3	11.9	12.2
Contact Energy	\$5.18	22.8	20.5	6.1	6.5	9.1	10.3	7.0
Ebos Group	\$16.36	20.7	18.6	3.6	4.0	65.1	22.9	25.5
Fletcher Building	\$8.58	15.3	12.2	5.4	6.0	11.3	5.4	4.4
Fonterra Shareholders	\$5.47	11.2	9.8	7.3	7.1	23.3	-4.8	n/a
Freightways	\$6.47	19.1	18.0	5.6	6.5	17.6	18.5	19.8
Goodman Property Trust	\$1.30	16.5	15.8	7.6	7.8	16.6	13.9	11.8
Heartland Bank	\$1.18	10.8	10.3	9.6	10.2	10.4	20.5	16.8
Infratil	\$3.11	55.1	23.8	6.7	6.7	7.5	21.8	18.6
Metro Performance Glass	\$1.83	13.6	10.4	6.6	8.7	17.7	n/a	n/a
Spark	\$3.55	18.8	17.8	9.8	9.1	38.7	24.4	20.0
Z Energy	\$8.09	18.4	14.3	5.4	7.8	44.6	n/a	n/a
Tegel Group	\$1.65	13.5	13.0	6.7	7.0	n/a	n/a	n/a

*Dividend yields are gross

Source: FNZC

	Gross Returns %			Div Yield
	1-Yr	3-Yr pa	5-Yr pa	%
Core	24.1	26	21	6.5
Core Plus	19.4	23.5	19.2	6.4
Diversified	18.9	23.2	19.7	6.6
Benchmark	21.9	17.3	16.4	6.1

*Dividend yields are 12-months prospective & gross of tax

Comment: In June, the benchmark S&P/NZX50 Index Gross with Imputation fell by 1.9%. All three portfolios underperformed the benchmark with the Core, Core Plus and Diversified portfolios returning -3.3%, -3.1% and -3.2%, respectively.

The best performing stock in the Index was Auckland Airport which contributed 0.3% to the Index's monthly return, while the worst performer was Spark which subtracted 0.3% from the Index's return.

The best performing stocks in the portfolios during June were: Metro Performance Glass (MPG +2.2%) which reported a disappointing 2016 profit. However, the outlook remains positive following an 11% increase in the value of building work consented, a 50% increase in

its order book and growing demand for its retrofitted double glazing; and Genesis Energy (GNE +0.9%) as high dividend yield companies such as GNE attracted further interest following the BREXIT vote and investors saw an increased chance of further cuts to NZ's official cash rate.

The worst performing portfolio stocks in June were: Heartland Bank (HBL -8.5%) as the surprise UK referendum result caused financial stocks to fall globally as interest rates fell putting pressure on net interest margins; Fonterra Shareholders' Fund (FSF -6.5%) with a number of trans-Tasman milk producers commenting on continued pressure on dairy prices which is unlikely to change any time soon; Fletcher Building (FBU -4.1%) due to weaker sentiment in the Australian building sector and a stronger NZ dollar; and Spark (SPK -4.1%) following the announcement that Sky TV plans to merge with Vodafone NZ to create the country's largest telecommunications and media group. If the merger is approved, SPK will be competing against a well-resourced competitor with a strong content advantage.

New Zealand Equities

New Zealand economy looks like an oasis (and oases can be expensive) Set against events elsewhere, the NZ domestic economy appears an oasis of stability. Positive interest rates, a high-dividend equity market and a decent growth trajectory above 2% stand out, and the combination of these positives have kept the NZ dollar persistently higher than the Reserve Bank would wish.

House prices have reached new records, and while this brings enrichment to cashed-up investors and a positive “wealth effect” to homeowners, political and public calls for some form of intervention to cap prices have been mounting. The Reserve Bank (RBNZ) yesterday indicated a nationwide expansion of loan-to-value ratio limits for investors and flagged an income-related restriction, but neither take immediate effect. These “macro-prudential tools,” if effective, could allow the RBNZ to lower interest rates, weakening the NZ dollar which the bank considers too strong, particularly on a Trade-Weighted (TWI) basis. In anticipation of the NZD peaking later this year and weakening into 2017, NZ export-focussed companies we recommend with internationally-sourced earnings are **Fonterra Shareholders Fund (FSF)**, **Fisher & Paykel Healthcare (FPH)**, and **Mainfreight (MFT)**. Improving NZD profits and defensive sector profiles may justify valuations.

Tegel Group Holdings (TGH.NZ)

OUTPERFORM \$1.64 Target: \$2.10

TGH has been added to the FNZC’s Focus List, and to its New Zealand Income Portfolio. TGH was sold to investors at a price of \$1.55 and is now trading at \$1.66. Since listing on 3 May 2016 it has seen a modest increase in consensus earnings. In these uncertain times investing in a consumer staple company with a strong balance sheet, like TGH, has its attractions. While the recently announced FY16 profit of \$74.9 million was as expected, it included a one-off \$0.8 million provision which was not expected. We believe that TGH is well placed to meet or beat FY17 prospectus forecasts due to potential revenue upside and better cost outcomes.



Upside catalysts in the next 12 months include expansion into new export markets, potential product price increases in October and re-signing a significant supply contract which expires in FY17. In the long term there is potential for TGH to grow its already large poultry market share in NZ and for poultry consumption per capita to increase. While poultry consumption is relatively high in NZ, it does have the attraction of being a cheap meat.

TGH has capacity to increase production without having to make any further immediate investment.

The cost of chicken feed equates to around 24% revenue. Hence the cost of grain, which is priced in US dollars, can have a material impact on TGH’s profit. Management has locked in the exchange rate at US\$0.65 for FY17.

However, with the exchange rate currently over US\$0.72 it could provide a positive tailwind to FY18 earnings. Other key risks to TGH executing its strategy are food safety issues, biosecurity risks and access to overseas markets.



Investors in TGH need to be aware of the impact of a potential listing of Inghams (a trans-Tasman poultry producer which has around five times the revenue of

TGH) in Australia. Historically investors have been cautious purchasing the shares of companies which have been sold by private equity, with the likes of Dick Smith looming large in their minds. However, an analysis of the share price performance of companies listed on the NZ equity market in the year after listing, where the private equity seller has retained an interest, shows that 5 out of 7 such companies listed have outperformed the NZ equity market over the same period.

TGH	Year to 24 April		2015A	2016A	2017F	2018F
Adjusted Earnings	NZ\$m		6.9	36.1	43.4	45.0
Earnings /share (Adjust)	NZc		2.0	10.2	12.2	12.6
EPS Growth	%		65.3	421	20.1	3.6
Price / Earnings Ratio	x		85.6	16.5	13.7	13.2
Cash Per Share	NZc		5.4	13.7	15.7	16.3
Net Div / Share	NZc		0.0	0.0	7.9	8.2
Net Div Yield	%		0.0	0.0	4.7	4.9
Gross Div Yield	%		0.0	0.0	6.6	6.8



STOCKS TO WATCH

NEW ZEALAND

Prices as at 18th July 2016

NOTE: THESE ARE ALL ONE YEAR GRAPHS

<p style="text-align: center;">➔</p>	<p>Auckland International Airport</p> <p>The Commission, in its draft decision, reaffirmed that New Zealand airports are free to set their own WACC and target aeronautical returns. However, if a regulated aeronautical return differs from the Commission's mid-point WACC estimate then the airport must provide an explanation and disclose evidence to justify that difference. This flexibility in setting returns will allow for consideration of alternative discount rates for higher risk projects.</p> <p>20016 P/E: 36.9 2017 P/E: 31.4</p>	<p>NZX Code: AIA Share Price: \$6.87 12mth Target: \$5.25 Projected return (%) Capital gain -18.7% Dividend yield (Net) 2.6% Total return -15.9% Rating: NEUTRAL 52-week price range: 4.75-6.90</p>
<p style="text-align: center;">➔</p>	<p>Chorus</p> <p>While acknowledging that future Fixed Wireless Access (FWA) technology improvement will occur, fixed networks continue to improve as well. We expect CNU will look to participate in Rural Broadband Initiative part 2 to secure funding to invest further in its rural copper network and we also expect it to continue to consider the economic case for investing in its rural copper network to compete with FWA where it makes sense. Key risks remain both political/regulatory and capex.</p> <p>20016 P/E: 14.3 2017 P/E: 11.5</p>	<p>NZX Code: CNU Share Price: \$4.29 12mth Target: \$4.22 Projected return (%) Capital gain 4.1% Dividend yield (Net) 5.2% Total return 9.2% Rating: NEUTRAL 52-week price range: 2.45-4.15</p>
<p style="text-align: center;">⬆</p>	<p>Comvita</p> <p>CVT is experiencing an increased demand for its products due to an ageing population and a general consumer focus on health. International markets also account for 80% of sales, which demonstrates CVT's global reach. CVT has invested heavily in the business over the last several years as it looks to grow the brand, secure supply, and expand its processing capacity. We view this revised strategy positively and expect that CVT's margins will climb and be more consistent as it is less exposed to changes in the price of Manuka honey.</p> <p>20016 P/E: 24.8 2017 P/E: 20.6</p>	<p>NZX Code: CVT Share Price: \$11.40 12mth Target: \$14.30 Projected return (%) Capital gain 18.0% Dividend yield (Net) 2.1% Total return 22.8% Rating: OUTPERFORM 52-week price range: 4.35-6.38</p>
<p style="text-align: center;">⬆</p>	<p>Contact Energy</p> <p>CEN's operating statistics continue to track robustly with the June trading update reporting large hydro inflows and netback gains (retail energy revenue minus all costs and allocated overhead, with the energy cost being the only exception). With its five-year multi-billion dollar investment programme completed with Te Mihi, CEN is now generating at least \$150m per annum additional free cash flow (bringing free cash flow per share to sustainably sit around 40 cents per share per annum) which is expected to be returned to shareholders as buybacks and dividends.</p> <p>20016 P/E: 22.9 2017 P/E: 20.6</p>	<p>NZX Code: CEN Share Price: \$5.34 12mth Target: \$6.37 Projected return (%) Capital gain 18.0% Dividend yield (Net) 6.0% Total return 22.8% Rating: OUTPERFORM 52-week price range: 4.35-6.38</p>
<p style="text-align: center;">➔</p>	<p>Ebos Group</p> <p>Despite being a much larger company since the Symbion transaction, EBO has flagged further acquisitions. EBO has a strong balance sheet and existing debt facilities provide capacity for acquisitions. EBO is a well managed business with solid organic growth prospects and reducing regulatory risks. The bulk of regulatory risks look to have abated for now and EBO is well placed to continue delivering organic growth and making bolt-on acquisitions. As more than 80% of EBO's earnings are derived in Australia, EBO is a beneficiary of a weaker New Zealand dollar and is currently unhedged in this regard.</p> <p>2016 P/E: 19.3 2017 P/E: 17.6</p>	<p>NZX Code: EBO Share Price: \$16.37 12mth Target: \$14.45 Projected return (%) Capital gain -16.0% Dividend yield (Net) 3.6% Total return -12.4% Rating: NEUTRAL 52-week price range: 9.26-17.40</p>
<p style="text-align: center;">➔</p>	<p>EROAD</p> <p>A large portion of ERD's current share price can be supported by the earnings of its ANZ business. This implies the market is not paying much for its US growth option, despite the encouraging position in Oregon WMT; the potential from IFTA, ELD and HoS; for ERD to expand revenue with indirect sales partners; and the potential for other markets to look at WMT options (e.g. like the current California trial where ERD is involved as the only supplier to heavy vehicles). Key catalyst is confirmation ERD has a compliant ELD device. There is the potential for ERD to trade sideways until this occurs.</p> <p>2016 P/E: N/A 2017 P/E: 99.2</p>	<p>NZX Code: ERD Share Price: \$2.14 12mth Target: \$2.95 Projected return (%) Capital gain 18.0% Dividend yield (Net) 0% Total return 18.0% Rating: NEUTRAL 52-week price range: 1.70-4.12</p>
<p style="text-align: center;">➔</p>	<p>Fletcher Building</p> <p>New Zealand building work consented in the month of May delivered a positive data point with further YoY growth in both housing and non-residential building activity. New residential consents issued for the 12 months to May have now reached 28,400 compared with 28,000 in April. The 12 months YoY growth rate rose to 13.0% in May compared with 11.8% in April. Also, the combined residential and non-residential value of building work consented for the 12 months to May is 14.2% higher than a year ago.</p> <p>20016 P/E: 15.1 2017 P/E: 12.1</p>	<p>NZX Code: FBU Share Price: \$9.11 12mth Target: \$9.36 Projected return (%) Capital gain 9.7% Dividend yield (Net) 5.0% Total return 14.8% Rating: OUTPERFORM 52-week price range: 6.56-8.95</p>



Fonterra Shareholder Fund

FSF's ability to convert the opportunities its position provides into a sustainable and growing earnings profile has been challenging. A myriad of factors, both in and outside FSF's control likely contribute to this lack of success to date. While FSF has a strategy to increase its exposure to higher margin products its business remains heavily weighted to processing NZ milk into commodities. Because of the way the milk price is set, the margins from this business are low and also volatile. As a co-operative, FSF's access to capital is limited.

2016 P/E: 12.1 2017 P/E: 10.6

NZX Code:	FSF
Share Price:	\$5.52
12mth Target:	\$6.12
Projected return (%)	
Capital gain	5.5%
Dividend yield (Net)	6.6%
Total return	12.1%
Rating:	NEUTRAL
52-week price range: 4.58-6.12	



Freightways

Given the assistance during the period from strategic price initiatives as well as our analysts calculation of a positive benefit from the fuel surcharge lag, they were surprised by the Express Package division's margin decline. In their opinion, 2Q16 highlighted the potential for negative cost leverage within the Express Package division and, because of the dilution impact as volume shifts from higher margin business-to-business (B2B) to lower margin business-to-consumer (B2C), the reality that this scenario can play out even when price and volume growth remains positive. However they note potential value prospects from further acquisitions in the information management division.

2016 P/E: 19.4 2017 P/E: 18.2

NZX Code:	FRE
Share Price:	\$6.59
12mth Target:	\$6.05
Projected return (%)	
Capital gain	-10.6%
Dividend yield (Net)	4.0%
Total return	-6.6%
Rating:	NEUTRAL
52-week price range: 5.20-6.92	



Genesis Energy

GNE has a number of distinct differences from its competitor generator/retailers: it has the largest retail customer base, the only coal-fired power station and also the newest combined cycle gas turbine, and it holds a 31% stake in the producing Kupe oil and gas field. Although uncertainty around the future of Tiwai smelter could again impact GNE's thermal profitability and share price by late 2016 (we ascribe 15% chance of exit between 2018 and 2025). NZ's very competitive retail electricity market means retail margins are unlikely to materially increase, indeed we project a general decline (in real 2015 dollar terms) over the next decade down to a 5% earnings margin.

2016 P/E: 24.5 2017 P/E: 26.2

NZX Code:	GNE
Share Price:	\$2.12
12mth Target:	\$1.78
Projected return (%)	
Capital gain	-9.3%
Dividend yield (Net)	8.4%
Total return	-0.3%
Rating:	UNDERPERFORM
52-week price range: 1.64-2.19	



Hallenstein Glasson

Margin pressure appears to have continued in the current period, and warmer weather in both New Zealand and Australia has also delayed earlier autumn sales activity. Whilst HLG has previously provided relatively consistent earnings and the strong balance sheet remains, earnings visibility has significantly reduced. We expect competitive pressure to increase from here, for both Glassons and Hallensteins, and as a result view the current attractive dividend yield as unsustainable over the long term.

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

NZX Code:	HLG
Share Price:	\$2.66
12mth Target:	\$3.20
Projected return (%)	
Capital gain	0%
Dividend yield (Net)	9.0%
Total return	9.0%
Rating:	UNRATED
52-week price range: 2.64-3.86	

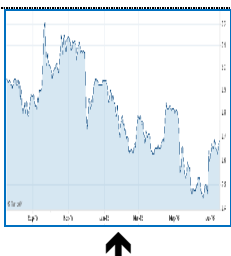


Heartland Bank

We continue to like HBL's longer term investment case with potential to grow from both organic opportunities and the potential for accretive bolt-on acquisitions. The Home Equity Release business should start to contribute to earnings over the next few years which supports the positive earnings per share (EPS) growth story and a continued improvement in HBL's return on equity. From a valuation perspective this should help support the earnings multiples applied to HBL. When combined with balance sheet capacity to support core business growth, we believe HBL can deliver growth in dividend per share (DPS) over time.

2016 P/E: 11.2 2017 P/E: 10.7

NZX Code:	HBL
Share Price:	\$1.29
12mth Target:	\$1.30
Projected return (%)	
Capital gain	10.2%
Dividend yield (Net)	6.9%
Total return	17.8%
Rating:	OUTPERFORM
52-week price range: 1.06-1.35	



Hellaby Holdings

HBY has a conditional agreement to sell its Equipment Group to private equity, Maui Capital Aqua Fund, for \$81m. The sale is expected to settle in a few months once all transaction conditions are met. HBL expects to book a capital gain on sale of circa \$30m after costs and working capital adjustments. This sale focuses HBY as an investor focused in Automotive and Resource Services with the Footwear Division a non-core holding to be sold.

2015 P/E: 14.3 2017 P/E: 10.4

NZX Code:	HBY
Share Price:	\$2.68
12mth Target:	\$3.40
Projected return (%)	
Capital gain	28.3%
Dividend yield (Net)	8.1%
Total return	36.4%
Rating:	NEUTRAL
52-week price range: 2.45-3.25	



Infratil NZ

Expect 2016 to be a year of portfolio re-building, with IFT seeking to secure several large new investments, primarily in retirement or renewable energy sectors. It may also attempt to realise value on some of its older investments still held in the portfolio. It seems possible that IFT could realise gains from its long-standing TPW exposure this year, with a mooted demerger of TPW into two listed vehicles. Expect considerable market speculation about IFT's preference for shareholding in each of these, and how each vehicle might be valued. IFT is likely to retain its stake in TPW Core, whilst IFT will look to invest some of its war chest into new Newco renewables in Australia.

2015 P/E: n/a 2017 P/E: n/a

NZX Code:	IFT
Share Price:	\$3.31
12mth Target:	\$3.36
Projected return (%)	
Capital gain	2.7%
Dividend yield (Net)	4.9%
Total return	7.4%
Rating:	NEUTRAL
52-week price range: 2.93-3.39	



Mainfreight

Increased operational intensity should drive positive operational leverage and a sustained margin expansion profile in key growth markets. With a difficult macro outlook, we believe that MFT may, at least in the short-term, struggle to deliver on that outcome in the increasingly capital intensive Australia market. We believe that MFT must differentiate itself with a superior overall customer offer in Australia or face the prospect of increasingly competing with price to win volume. We are more optimistic in our outlook for the Americas.

2016 P/E: 19.4

2017P/E: 17.0

NZX Code:	MFT
Share Price:	\$16.50
12mth Target:	\$17.10
Projected return (%)	
Capital gain	7.1%
Dividend yield (Net)	2.4%
Total return	9.3%
Rating:	NEUTRAL
52-week price range:14.04-17.65	



Meridian Energy

The latest Transmission Pricing Methodology (TPM) proposal by the Electricity Authority in May 2016 looks sensible and achievable, so now assume permanent transmission cost reductions for MEL between \$50m to \$60m per annum saving, starting from the April 2019 grid pricing period. Like the rest of the electricity generators, the sector's main value driver is long run spot electricity prices. Forward electricity prices currently vary in the \$70/MWh to \$80/MWh range. Base-case discounted cash flow assumes an \$80/MWh real price in the spot market is achieved by 2025, on the assumption that sustained demand growth will continue, driven by gross domestic product (GDP) and population growth.

2016 P/E: 28.0

2017 P/E: 26.6

NZX Code:	MEL
Share Price:	\$2.65
12mth Target:	\$2.44
Projected return (%)	
Capital gain	-13.7%
Dividend yield (Net)	8.4%
Total return	-7.3%
Rating:	UNDERPERFORM
52-week price range: 2.04-2.83	



Metlifecare

As with all NZ retirement village operators, MET is set to benefit from strong demographic drivers over the coming decade. MET has an advantaged portfolio from a long-term geographic perspective, given the majority of its units are in Auckland, where population growth and ageing is supportive. Its portfolio mix towards retirement village, as opposed to aged care gives results in more leverage to the property cycle. This factor is currently supportive, particularly in Auckland. However, this upside/downside risk is mitigated by lower "development intensity" than peers.

2016 P/E: 18.5

2017 P/E: 16.5

NZX Code:	MET
Share Price:	\$5.50
12mth Target:	\$5.90
Projected return (%)	
Capital gain	2.6%
Dividend yield (Net)	0.9%
Total return	3.6%
Rating:	OUTPERFORM
52-week price range: 4.10-6.00	



Mighty River Power

MRP has good fundamentals but new earnings growth opportunities should be limited for some time. It currently focuses on longer term value growth strategies, by promoting electrical vehicles in NZ, growth in Metrix deployment (its metering business) and recent purchase of a small rooftop solar PV company (What Power Crisis). MRP has ceased all offshore geothermal growth intentions. MRP has now become NZ's second 100% renewable generator, after closing its 140MW (formerly 175MW) Southdown gas-fired station in December 2015.

2016 P/E: 27.3

2017 P/E: 27.7

NZX Code:	MRP
Share Price:	\$3.01
12mth Target:	\$2.68
Projected return (%)	
Capital gain	-9.4%
Dividend yield (Net)	5.0%
Total return	-4.6%
Rating:	UNDERPRERFORM
52-week price range: 2.38-3.09	



NZ Refining

Expect NZR refining margins to ease from "stellar" to "robust" levels during 2016. But the transition has happened faster than we expected, and against a backdrop of stronger NZD: Our analysts latest tracker-based forecast now expects US\$6.7/bbl FY16 GRM (previously US\$7.5/bbl) and they forecast 0.68 NZD/USD (previously 0.60). These have had a material adverse impact on NZR's earnings forecasts.

2016 P/E: 17.5

2017 P/E: 15.2

NZX Code:	NZR
Share Price:	\$2.56
12mth Target:	\$3.02
Projected return (%)	
Capital gain	7.9%
Dividend yield (Net)	3.3%
Total return	10.9%
Rating:	NEUTRAL
52-week price range: 2.43-3.89	



Opus International Consultants

Two months after OIC's AGM, the company's trading update has warranted 11-26% negative revisions to FY16F-FY18F EBIT. It appears that the increasing longevity of the downdraft in the Australian and Canadian markets – due to causal factors which could be regarded as structural – is beginning to create some strategic dilemma for management and the Board. The current steep stock price discount to assessed valuation would suggest the market does not currently believe the present loss making position would or could be turned around, or that the company would exit these markets anytime soon. While we see value in the business, we struggle with how this might be crystallised.

2016 P/E: 8.4

2017 P/E: 11.7

NZX Code:	OIC
Share Price:	\$1.13
12mth Target:	\$1.20
Projected return (%)	
Capital gain	0.0%
Dividend yield (Net)	5.8%
Total return	5.8%
Rating:	NEUTRAL
52-week price range: 1.08-1.36	



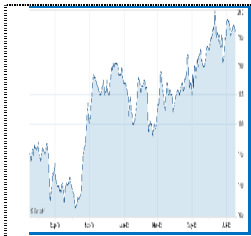
PGG Wrightson

Our analysts continue to like management's growth strategy, which focuses on improving the existing business through share gain in segments where PGW is under-represented and on segments and geographies with structural growth opportunities. Key long-term opportunities for PGW include potential for share gain of rural retail supply into the NZ dairy sector, the irrigation sector, as well as seeds and irrigation solutions in Latin America, especially in Uruguay. The short-term offset is the decline in farm gate returns for the dairying and sheep sectors.

2016 P/E: 8.2

2017 P/E: 8.2

NZX Code:	PGW
Share Price:	\$0.44
12mth Target:	\$0.50
Projected return (%)	
Capital gain	25.0%
Dividend yield (Net)	8.9%
Total return	33.6%
Rating:	NEUTRAL
52-week price range: 0.38-0.48	



Port of Tauranga

FNZC retains a neutral rating for this stock, but I remain very positive. In my opinion the arrival of the first of the “super” container vessels (reported to being as large as 9,500 TEU – which is huge) due in late Spring, will be a game-changer for the port. Rival Auckland Port continues to struggle to compete, and with no obvious solution to its location issues POA must be ruing the decision to spurn POT’s merger suggestions a few years back. I still say – just own this stock. Outperformance is on the way....

2016 P/E: 33.4 2017 P/E: 30.4

NZX Code:	POT
Share Price:	\$19.60
12mth Target:	\$17.70
Projected return (%)	
Capital gain	-7.3%
Dividend yield (Net)	3.0%
Total return	-4.3%
Rating: NEUTRAL	
52-week price range: 16.60-20.24	



Restaurant Brands

RBD is one of the largest quick service restaurant owners in New Zealand and also operates 42 KFC stores in NSW, Australia. In our analysts view, RBD’s is executing a sound strategy that should drive robust earnings growth while maintaining a strong balance sheet. They view the acquisition of the Australian KFC stores as an important step-change for the company. This transaction provides meaningful growth options in a much larger market.

2016 P/E: 21.3 2017 P/E: 17.6

NZX Code:	RBD
Share Price:	\$5.40
12mth Target:	\$5.31
Projected return (%)	
Capital gain	0.1%
Dividend yield (Net)	4.5%
Total return	4.6%
Rating: NEUTRAL	
52-week price range: 3.65-5.75	



Ryman Healthcare

Underlying Profit was up 15.7% to \$157.7m, in FY16, line with consensus. RYM reported another high quality result, but this is unlikely to reignite the outperformance of recent years, due to offsetting guidance regarding the ramp-up of AU build. Our analysts identify a risk FY17 might be slightly under med-term 15% guidance due to timing of Brandon Park (Melbourne village #2) slipping, we calculate 12% growth. Offsetting their change to AU ramp up, they note that current trading conditions are buoyant, particularly for North Island resales, and development margins are strong.

2016 P/E: 30.5 2017 P/E: 27.2

NZX Code:	RYM
Share Price:	\$9.40
12mth Target:	\$9.10
Projected return (%)	
Capital gain	-5.5%
Dividend yield (Net)	1.9%
Total return	-3.6%
Rating: NEUTRAL	
52-week price range: 7.05-9.80	

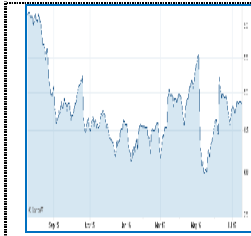


Sky City Entertainment

The performance of Adelaide Casino remains problematic for SKC and the risk attached to the redevelopment project seems to be increasing. Our analysts calculate that for the Adelaide project to have a reasonable probability of being value accretive then SKC must be successful in negotiating more favourable regulatory terms with the South Australia Government. They believe that the political environment in South Australia presents a headwind to this outcome and if more favourable concession terms cannot be negotiated then they back SKC to make the best decision for shareholders and downscale its capital commitment to the project.

2016P/E: 17.4 2017 P/E: 16.6

NZX Code:	SKC
Share Price:	\$4.69
12mth Target:	\$4.20
Projected return (%)	
Capital gain	-8.7%
Dividend yield (Net)	4.8%
Total return	-3.9%
Rating: NEUTRAL	
52-week price range: 3.72-5.24	



Sky Network Television

There are exciting opportunities from the merger which is going to force action in a number of areas SKT has either being unwilling or slow to tackle to date. The move to an IPTV set-top box brings new opportunities and has broader application potential (IoT) but a wider range of issues still need to be navigated in platform/delivery where consumer expectations have moved significantly from what post-upgrade MySky offers. The merger brings opportunity but relatively limited value from simple cost out synergies means successful execution on platform and content bundling, along with customer platform integration, is critical to value.

2016P/E: 12.4 2017 P/E: 13.8

NZX Code:	SKT
Share Price:	\$4.85
12mth Target:	\$4.58
Projected return (%)	
Capital gain	-4.2%
Dividend yield (Net)	6.2%
Total return	2.1%
Rating: NEUTRAL	
52-week price range: 3.91-6.25	



Spark NZ

The rural market is looking like the more obvious opportunity from a size perspective, although there may be certain user profiles it suits in urban as well (competition with VDSL and fibre greater in urban). Even in rural, our analysts still expect Chorus to compete through ongoing investment in the copper network but recognise that copper has limitations also. Industry dynamics following the recently announced Vodafone-Sky TV merger has the potential to shake-up the industry somewhat and this may offer an opportunity for SPK.

2016 P/E: 18.3 2017 P/E: 17.3

NZX Code:	SPK
Share Price:	\$3.73
12mth Target:	\$2.88
Projected return (%)	
Capital gain	-16.8%
Dividend yield (Net)	7.2%
Total return	-9.5%
Rating: UNDERPERFORM	
52-week price range: 2.64-3.83	



Steel & Tube Holdings

Weakness in the broader NZ steel market is offsetting growth in the building and construction sector: NZ building activity is expected to further recover in FY16F and beyond driven by increased activity in Canterbury and Auckland. The rise in the value of non-residential building work consented over the past year suggest demand for steel should further recover. However, at the organic level, forecasts now assume the weakness in pricing, margin and downside risks in dairy-linked sector volumes to substantially offset the ongoing growth in the New Zealand building and construction sector volume in FY16F.

2016 P/E: 10.3 2017 P/E: 9.1

NZX Code:	STU
Share Price:	\$1.97
12mth Target:	\$2.60
Projected return (%)	
Capital gain	20.2%
Dividend yield (Net)	7.8%
Total return	28.4%
Rating: NEUTRAL	
52-week price range: 1.79-2.89	



Summerset Group Holdings

SUM continues to benefit (as with the other 3 listed players) from continuing strength in the housing market. We see little risk of that abating over the near-term. So our analysts consider the macro drivers as being much more important than site purchases this year. The only exception to this for each of the operators would be if site purchases were to materially exceed required replacement rate.

2016 P/E: 20.2 2017 P/E: 15.9

NZX Code:	SUM
Share Price:	\$4.69
12mth Target:	\$4.40
Projected return (%)	
Capital gain	-6.2%
Dividend yield (Net)	1.5%
Total return	5.7%
Rating:	NEUTRAL
52-week price range: 3.50-4.80	

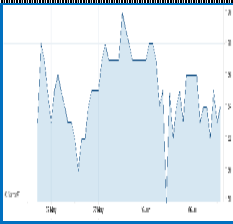


Synlait Milk

SML has good momentum with potential for positive upgrades if finished IF volume growth continues. SML is at an interesting juncture, looking to finalise an investment case for blending/canning capacity expansion (~\$70m investment) on the back of further growth in finished IF volumes. Look for an investment case for expansion supported by confidence in the finished IF volume outlook (mix of customers and nature of customer commitment important), as well as greater visibility on sustainable margins that can be generated as SML scales up to ~60k+ MT total nutritionals volumes. Our analysts take a positive but cautious approach until then.

2016 P/E: 15.9 2017 P/E: 13.3

NZX Code:	SML
Share Price:	\$3.40
12mth Target:	\$3.44
Projected return (%)	
Capital gain	9.2%
Dividend yield (Net)	0%
Total return	9.2%
Rating:	NEUTRAL
52-week price range: 2.04-3.66	



3 month graph



Tegel Group Holdings

TGH is well positioned to enjoy a further rise in poultry's share of the NZ consumer's meat-protein plate over time. TGH's business strategy is also positioning the company to capture potential growth in demand for higher convenience consumer products as well as the opportunities arising from both existing and new export markets that are becoming available for NZ poultry products. Catalysts ahead in the next twelve months include a potential product price increase in 4Q 2016, the expansion into new export markets and the re-signing of a significant supply contract expiring in FY17F.

2016 P/E: 13.7 2017 P/E: 13.2

NZX Code:	TGH
Share Price:	\$1.64
12mth Target:	\$2.10
Projected return (%)	
Capital gain	25.7%
Dividend yield (Net)	4.8%
Total return	30.5%
Rating:	OUTPERFORM
52-week price range: 1.56-1.71	



Trustpower

It's likely we'll see some valuation uncertainty in TPW this year, with a demerger into two listed vehicles having been mooted late in 2015: "NewCo" would be wind-focussed, while "Core" would retain its traditional retail and hydro activities and purchase NZ wind output from the NewCo. From an investor's perspective, we'd expect a reconfigured TPWCore to have similar gearing, cashflow and attractive dividend yield characteristics as its four listed NZ genco peers. Certainly NZ TPW prospects look robust, with its successful rollout of a unique and difficult-to-replicate telco/energy service bundle.

2016 P/E: 24.1 2017 P/E: 23.5

NZX Code:	SML
Share Price:	\$8.10
12mth Target:	\$7.98
Projected return (%)	
Capital gain	1.7%
Dividend yield (Net)	6.0%
Total return	7.0%
Rating:	NEUTRAL
52-week price range: 7.19-8.10	



Xero

XRO's path to profitability has firmed up: Cash burn finally reached a tipping point reducing from \$88m to \$86m. The result confirmed cash burn has now peaked. There remains a disconnect between extreme share price volatility and its improved forecast. For example, a year ago when the stock was trading above \$20/share, FY16 revenue forecast was within 1% of what was now reported, and expectation for net loss was 9% more punitive than what was reported. Margin of error appears low for a high-growth tech company.

2016P/E: -24.7 2017 P/E: -29.0

NZX Code:	XRO
Share Price:	\$18.20
12mth Target:	\$21.00
Projected return (%)	
Capital gain	24.1%
Dividend yield (Net)	0%
Total return	24.1%
Rating:	OUTPERFORM
52-week price range: 12.70-22.40	



Z Energy

ZEL markets petroleum products. With its Chevron acquisition it is now New Zealand's dominant fuel provider. The company offers petrol (37% revenue), diesel (36% revenue), jet fuel (13% revenue) and other products such as LPG, bitumen and lubricants (14% revenue). ZEL serves airlines, trucking companies, mines, shipping companies and vehicle fleet operators through an extensive distribution network throughout New Zealand.

2016P/E: 22.7 2017 P/E: 18.5

NZX Code:	ZEL
Share Price:	\$8.29
12mth Target:	\$8.25
Projected return (%)	
Capital gain	1.5%
Dividend yield (Net)	4.1%
Total return	5.5%
Rating:	NEUTRAL
52-week price range: 5.55-8.45	



NZ LISTED COMPANIES 18th July 2016		Ticker	Mkt Cap	Price	Target	Price Earnings (x)		Gross Yield (%)		
Source: First NZ Capital, CSFB			(NZ\$m)	18-Jul-16	(NZ\$)	FY16	FY17	FY16	FY17	
CONSUMER DISCRETIONARY										
Intuteri Education Group Limited	IQE	39	\$0.39	0.50	3.5	3.1	0.0%	0.0%		
Restaurant Brands New Zealand	RBD	564	\$5.48	3.83	21.3	19.2	3.9%	4.3%		
SKYCITY Entertainment Group	SKC	3,004	\$5.03	Res	18.7	17.1	4.1%	4.1%		
Trade Me Group Ltd	TME	3,676	\$4.64	\$4.03	22.2	19.7	3.5%	4.1%		
Sky Network Television Limited	SKT	1,588	\$4.08	4.28	10.6	11.8	7.4%	7.4%		
The Warehouse Group Limited	WHS	940	\$2.71	\$2.40	16.5	15.7	5.5%	5.9%		
Briscoe Group	BGR	692	3.17	3.05	16.7	15.9	4.6%	4.8%		
Hallenstein Glasson Holdings	HLG	174	\$2.94	\$4.10	9.8	9.6	10.2%	10.4%		
Kathmandu	KMD	306	\$1.52	\$1.90	11.6	10.0	4.9%	5.7%		
Michael Hill International	MHI	429	\$1.12	\$1.40	12.0	10.9	5.8%	6.4%		
Coats Group	COA	887	\$0.63	0.60	14.1	13.2	0.0%	0.0%		
CONSUMER STAPLES										
Delegat Group	DGL	607	\$6.00	5.80	16.7	14.2	2.0%	2.2%		
Fonterra Shareholders' Fund	FSF	617	\$5.78	6.12	11.8	10.4	6.9%	6.7%		
PGG Wrightson	PGW	309	\$0.41	\$0.50	9.4	8.8	8.5%	8.5%		
Sanford	SAN	537	\$5.74	\$5.45	14.4	13.0	4.2%	4.5%		
Scales Corporation	SCL	449	\$3.21	\$2.90	14.5	12.8	4.0%	4.7%		
Synlait Milk Limited	SML	470	\$3.21	\$3.44	16.7	14.0	0.0%	0.0%		
The a2 Milk Company Limited	ATM	1,309	\$1.84	\$1.67	42.0	21.5	0.0%	0.0%		
ENERGY										
NZ Refining	NZR	860	\$2.75	3.02	17.2	15.0	2.9%	3.3%		
Z Energy	ZEL	3,268	\$8.17	\$8.25	22.9	18.7	3.3%	3.9%		
FINANCIALS										
Heartland Bank Ltd	HBL	564	\$1.19	1.25	10.8	10.5	7.1%	7.6%		
NZX	NZX	271	\$1.01	1.05	21.5	16.0	5.9%	5.9%		
PROPERTY										
Argosy Property Ltd	ARG	941	\$1.16	\$1.14	18.5	18.6	5.2%	5.3%		
Augusta Capital Ltd	AUG	98	\$1.12	\$1.04	15.5	18.9	4.5%	4.5%		
Goodman Property Trust	GMT	1,666	\$1.31	\$1.28	16.6	16.5	5.1%	5.1%		
Kiwi Property Group Limited	KPG	1,987	\$1.55	\$1.43	23.3	21.4	4.3%	4.4%		
NPT Limited	NPT	108	\$0.67	\$0.66	17.9	17.1	5.2%	5.4%		
Precinct Properties NZ	PCT	1,502	\$1.24	\$1.23	20.8	20.8	4.4%	4.4%		
Property for Industry Ltd	PFI	732	\$1.63	\$1.46	21.6	21.8	4.6%	4.6%		
Stride Property	STR	729	\$2.00	\$2.05	18.0	17.0	5.3%	5.7%		
Vital Healthcare Property Tr	VHP	926	\$2.19	\$1.52	20.8	20.9	3.7%	3.8%		
HEALTH CARE										
Pacific Edge Ltd	PEB	199	\$0.52	\$0.70	-12.7	-18.5	0.0%	0.0%		
Fisher & Paykel Healthcare	FPH	5,682	\$10.05	\$10.50	39.5	33.3	1.7%	2.0%		
Anvida	ARV	332	\$1.19	\$1.18	19.6	17.9	3.6%	3.9%		
Ebos Group Limited	EBO	2,466	\$16.30	\$12.00	20.9	18.8	3.2%	3.6%		
Metlifecare Limited	MET	1,175	\$5.52	\$5.90	18.3	16.2	0.9%	0.9%		
Ryman Healthcare Ltd	RYM	4,730	\$9.46	\$9.10	30.0	26.8	1.7%	1.9%		
Summerset Group Holdings	SUM	1,028	\$4.67	\$4.40	22.0	17.2	1.4%	2.2%		
Orion Health Limited	OHE	781	\$4.88	\$5.25	-16.1	-36.7	0.0%	0.0%		
AFT Pharmaceuticals	AFT	305	\$3.15	\$3.33	-28.7	-29.4	0.0%	0.0%		
INDUSTRIALS										
Freightways	FRE	1,025	\$6.62	\$6.05	19.4	18.2	4.0%	4.6%		
Mainfreight	MFT	1,669	\$16.57	\$17.10	18.7	16.4	2.2%	2.5%		
Metro Performance Glass L	MPG	344	\$1.86	\$2.20	16.8	13.9	4.1%	4.7%		
Methven	MVN	92	\$1.27	\$1.35	11.5	10.0	7.1%	7.9%		
Opus International Consulta	OIC	167	\$1.11	\$1.20	10.8	8.0	5.4%	6.3%		
Hellaby Holdings	HBV	260	\$2.66	\$3.40	14.3	10.4	8.1%	8.1%		
Skellerup Holdings	SKL	245	\$1.27	\$1.42	11.9	11.9	7.1%	7.1%		
Auckland Airport	AIA	8,073	\$6.78	\$5.25	38.7	33.0	2.5%	2.7%		
INFORMATION TECHNOLOGY										
EROAD	ERD	130	\$2.16	\$2.95	-117.9	85.8	0.0%	0.0%		
Vista Group International Lit	VGL	478	\$5.95	\$5.43	38.6	27.9	1.2%	1.8%		
Xero	XRO	2,479	\$18.09	\$21.00	-30.3	-34.4	0.0%	0.0%		
MATERIALS										
Nuplex Industries	NPX	1,000	\$5.30	\$5.40	13.1	11.2	5.3%	6.2%		
Fletcher Building	FBU	6,302	\$9.10	\$9.36	16.2	12.9	4.3%	4.7%		
Steel & Tube	STU	177	\$1.95	\$2.60	9.3	8.2	8.2%	9.2%		
TELECOMMUNICATIONS SERVICES										
Chorus	CNU	1,743	\$4.35	\$4.22	15.3	12.3	4.6%	4.8%		
Spark NZ	SPK	6,679	\$3.65	\$2.88	19.3	18.2	6.8%	6.8%		
UTILITIES										
Contact Energy	CEN	3,807	\$5.32	\$6.37	23.1	20.8	4.7%	4.8%		
Genesis Energy Limited	GNE	2,100	\$2.10	\$1.78	25.0	26.7	8.0%	8.3%		
Infratil	IFT	1,861	\$3.31	\$3.36	54.2	56.1	4.3%	4.8%		
Mighty River Power	MRP	4,132	\$3.00	\$2.68	27.2	27.6	4.8%	5.0%		
TrustPower	TPW	2,526	\$8.00	\$7.98	24.8	24.2	5.3%	5.3%		
Vector	VCT	3,376	\$3.39	\$2.81	20.6	25.1	4.6%	4.7%		
Meridian Energy	MEL	6,741	\$2.63	\$2.44	28.1	28.0	6.2%	8.3%		
MARKET AVERAGE (excluding AFT, ERD, OHE, PEB & XRO)							19.3	17.4	4.2%	4.6%

New Zealand Listed Companies – Gross Dividend Yields 14th July 2016

COMPANY <small>Source: FNZC, CS Group Estimates</small>	Rating	PRICE 14-Jul-16	GROSS DIVIDEND YIELD				DIVIDEND COVER				NET DEBT/ EQUITY
			FY-1	FY0	FY1	FY2	FY-1	FY0	FY1	FY2	
Hallenstein Glasson	O	\$2.66	12.6%	15.2%	15.6%	15.9%	1.0	1.0	1.0	1.0	-23.1%
Tower	N	\$1.33	10.9%	12.0%	12.0%	12.0%	0.9	-0.2	0.1	0.9	-44.5%
PGG Wrightson	O	\$0.42	13.4%	11.7%	11.7%	13.4%	1.2	1.4	1.4	1.3	17.6%
Steel & Tube	N	\$1.90	13.9%	11.7%	13.2%	15.4%	1.3	1.3	1.3	1.3	28.9%
Hellaby	O	\$2.64	11.3%	11.3%	11.3%	11.5%	1.3	0.9	1.2	1.4	17.2%
Genesis Energy	U	\$2.11	10.6%	10.7%	11.5%	11.7%	0.6	0.5	0.4	0.4	24.6%
Skellerup	N	\$1.25	10.0%	10.0%	10.0%	10.1%	1.3	1.2	1.2	1.3	0.0%
Methven	O	\$1.27	8.7%	9.8%	10.9%	12.0%	1.1	1.2	1.3	1.2	24.1%
Kathmandu	N	\$1.75	9.5%	9.5%	6.0%	6.9%	1.7	0.9	1.7	1.7	16.0%
Spark	U	\$3.68	7.5%	9.4%	8.8%	8.8%	1.0	0.8	0.8	0.9	22.3%
Heartland	O	\$1.27	8.2%	9.3%	9.8%	10.1%	1.4	1.3	1.3	1.3	83.2%
Sky Network Television	N	\$4.87	8.6%	8.6%	8.6%	8.6%	1.5	1.3	1.2	0.9	16.0%
NZX	N	\$1.01	8.3%	8.3%	8.3%	8.3%	0.8	0.8	1.0	1.2	-11.8%
Stride	N	\$1.99	7.7%	8.0%	8.5%	8.5%	1.0	1.0	1.0	1.0	40.6%
NPT	U	\$0.66	8.0%	8.0%	8.2%	8.4%	1.0	1.1	1.1	1.0	24.6%
The Warehouse	U	\$2.80	9.4%	7.9%	7.4%	7.9%	0.9	1.0	1.1	1.1	21.0%
Argosy Property	O	\$1.16	7.8%	7.7%	7.9%	8.1%	1.0	1.0	1.0	1.0	38.5%
Goodman Property Trust	N	\$1.30	7.6%	7.7%	7.9%	8.0%	1.2	1.2	1.2	1.2	33.2%
Meridian Energy (fully paid)	U	\$2.68	9.3%	7.5%	10.0%	7.7%	0.4	0.6	0.4	0.6	14.3%
Opus	N	\$1.11	13.8%	7.5%	8.8%	10.0%	1.3	1.7	2.0	1.9	6.0%
Fonterra	N	\$5.45	4.6%	7.3%	7.1%	8.0%	1.2	1.2	1.4	1.4	31.2%
Tegel	O	\$1.62	0.0%	6.8%	7.0%	7.5%	0.0	1.5	1.5	1.5	0.0%
Metro Performance Glass	O	\$1.79	5.9%	6.7%	8.8%	9.3%	1.5	1.5	1.5	1.5	15.3%
Property For Industry	U	\$1.63	6.7%	6.7%	6.8%	6.9%	1.0	1.0	1.0	1.0	35.4%
Augusta Capital	N	\$1.12	6.4%	6.7%	6.8%	6.9%	1.2	1.4	1.2	1.1	20.3%
Infratil	N	\$3.29	6.0%	6.7%	6.7%	6.7%	0.4	0.4	0.9	0.9	30.8%
Mighty River Power	U	\$3.01	9.9%	6.6%	6.7%	7.4%	0.5	0.8	0.7	0.7	18.0%
Kiwi Property Group	N	\$1.54	6.4%	6.5%	7.0%	7.1%	1.0	1.1	1.1	1.1	33.5%
Precinct Properties	N	\$1.25	6.4%	6.4%	6.4%	6.7%	1.1	1.1	1.1	1.1	14.3%
Vector	U	\$3.40	6.3%	6.4%	6.5%	6.6%	0.9	1.0	0.8	1.0	38.7%
Chorus	N	\$4.38	0.0%	6.3%	6.7%	7.0%	0.0	1.4	1.7	1.5	40.6%
Restaurant Brands	N	\$5.50	5.3%	6.1%	6.7%	7.3%	1.2	1.2	1.3	1.3	32.0%
Contact Energy	O	\$5.28	18.9%	6.0%	6.5%	6.7%	0.3	0.9	1.0	1.0	29.7%
Scales Corporation	O	\$3.00	7.6%	6.0%	6.9%	7.9%	1.5	1.7	1.7	1.6	3.3%
Freightways	N	\$6.56	5.2%	5.6%	6.5%	7.5%	1.3	1.3	1.2	1.1	30.6%
Airwork Holdings	N	\$4.52	4.9%	5.5%	6.8%	9.2%	1.9	2.5	2.2	1.8	50.5%
Vital Healthcare Property Trust	U	\$2.20	5.4%	5.5%	5.7%	5.8%	1.2	1.3	1.3	1.2	35.7%
Z Energy	N	\$8.18	4.5%	5.4%	7.6%	8.3%	1.3	1.4	1.3	1.2	46.9%
Arvida	N	\$1.19	4.8%	5.3%	5.9%	6.5%	1.4	1.4	1.4	1.4	4.6%
Nuplex	N	\$5.34	5.1%	5.2%	6.2%	6.6%	1.4	1.4	1.4	1.4	9.7%
Fletcher Building	O	\$8.92	5.0%	5.2%	5.8%	6.2%	1.6	1.4	1.6	1.7	23.7%
Trademe	U	\$4.82	4.7%	4.7%	5.4%	6.8%	1.2	1.3	1.2	1.1	11.3%
Sky City	N	\$4.66	4.5%	4.7%	5.8%	6.2%	1.1	1.3	1.3	1.3	18.4%
New Zealand Refining Company	N	\$2.51	13.8%	4.4%	5.1%	7.7%	1.9	2.0	2.0	2.0	15.8%
Port of Tauranga	N	\$19.70	3.7%	3.8%	4.0%	4.5%	1.1	1.1	1.1	1.1	25.1%
EBOS	O	\$16.15	3.2%	3.6%	4.0%	4.2%	1.5	1.5	1.5	1.5	10.6%
Mainfreight	N	\$16.65	3.1%	3.5%	4.1%	4.6%	2.4	2.4	2.3	2.3	14.8%
Auckland Airport	U	\$6.90	2.9%	3.4%	3.7%	4.6%	1.0	1.0	1.1	1.0	34.6%
Fisher & Paykel Healthcare	N	\$10.20	2.3%	2.8%	3.4%	4.0%	1.5	1.5	1.5	1.5	5.1%
Delegat's Group	N	\$6.02	2.5%	2.8%	3.0%	3.5%	3.1	3.0	3.2	3.5	42.5%
Ryman Healthcare	N	\$9.60	1.6%	1.8%	2.1%	2.5%	2.0	2.0	2.0	2.0	13.6%
Summerset	U	\$4.69	1.2%	1.4%	2.2%	2.0%	3.0	3.3	2.7	3.1	18.9%
Vista Group	N	\$6.04	0.0%	1.4%	2.1%	3.2%	0.0	2.3	2.0	1.9	-21.8%
Metlifecare	O	\$5.53	0.8%	0.9%	0.9%	0.9%	5.6	6.4	6.8	7.1	2.2%
AFT Pharmaceuticals	N	\$3.15	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	14.1%
a2 Milk	U	\$1.88	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	-29.5%
EROAD	O	\$2.16	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	1.5%
Intuteri Education Group	O	\$0.34	24.9%	0.0%	0.0%	0.0%	2.4	0.0	0.0	0.0	62.8%
Orion	O	\$4.93	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	-15.1%
Pacific Edge	O	\$0.53	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	-44.2%
Synlait Milk	N	\$3.24	0.0%	0.0%	0.0%	5.7%	0.0	0.0	0.0	2.0	40.1%

1. The Net Debt/Equity ratio is calculated as Gross Debt less cash holdings divided by total shareholder funds. Negative ratios indicate a net cash position.

2. FY0 represents the current financial year

3. Property stock gross yields reflect returns under the PIE regime assuming a 33% unitholder

4. Ratings: "O" - Outperform, "N" - Neutral, "U" - Underperform, "R" - Restricted

Australian Equities

Australian Investment Strategy

Like in New Zealand, Australians are now becoming increasingly focused on dividend yield as a core prerequisite for equities investment. The table below highlights stocks with Non-Brexit exposure, combined with strong dividend yields.

Company	Sector	Mkt Cap (A\$b)	Net DY (12m fwd)	Gross DY (12m fwd)	2yr DPS growth
Southern Cross Media	Media	0.9	6.3%	9.1%	23%
G.U.D.	Hhold Durables	0.7	6.2%	8.9%	27%
Adelaide Brighton	Construction	3.3	5.9%	8.5%	1%
Fairfax Media	Media	2.1	5.0%	7.2%	25%
AGL Energy	Utilities	12.8	4.8%	6.9%	40%
Aurizon	Road & Rail	9.5	6.1%	6.5%	19%
SAI Global	Professional Serv	0.8	4.8%	6.0%	20%
Breville	Hhold Durables	0.9	4.3%	6.0%	18%
Challenger	Div Fins	4.7	4.2%	5.9%	16%
Asaleo Care	Personal Products	1.1	5.4%	5.8%	12%
Navitas Ltd	Consumer Services	2	3.9%	5.6%	23%
Australian Pharma Ind	Health Care	0.8	3.9%	5.5%	24%
Stockland	REITs	11.4	5.5%	5.5%	1%
Boral	Construction	4.4	4.1%	5.5%	29%
Mirvac	REITs	7.5	5.2%	5.2%	13%

Australian Banks – a yield story

Australian banks, while recently under pressure, continue to exhibit high dividend yields (relative to the Australian 10-year bond at 2.05%) - these include ANZ 10.7%; CBA 8.2%; NAB 11.5%; WBC 9.5%. In contrast, NAB's CEO states "We are a fintech company".

Warren Buffett's Berkshire Hathaway

Berkshire Hathaway made its first purchase in Australia just over a year ago. Buffett's 3.7% stake in Insurance Australia Group has provided a total return of 3% over the past 12 months. While the return has been low, IAG has been amongst Buffett's best non-US stocks over the period.

Safest Aussie transport infrastructure play



Transurban (TCL.AX)

OUTPERFORM A\$11.92 Target price A\$12.50

Transurban reported a 17.5% increase in proportional toll revenue for 4th quarter of FY16 to A\$513m, in line with our analysts estimate. For the full year, proportional toll revenue is up 17.7% to A\$1,946m. CityLink and AirportLink surprised to the upside, and Sydney roads continued to have strong traffic growth, but revenue on the US roads was weaker than forecast. Or analysts maintain their OUTPERFORM rating on the stock.

TCLAX Year to 30 June		2015A	2016F	2017F	2018F
Net Income	A\$m	(373)	111	226	317
Earnings /share (Adj)	Ac	(19.55)	5.60	11.13	15.61
EPS Growth	%			98.6	40.2
Price / Earnings Ratio	x	(61)	213	107	76
Net Div / Share	Ac	40.00	45.50	50.50	56.50
Net Yield	%	3.4	3.8	4.2	4.7

AUSTRALIAN FORECASTS 18th July 2016 Source: First NZ Capital, CSFB	Ticker	Mrkt Cap (A\$m)	Price 18-Jul-16 (A\$)	Target Price (A\$)	Price Earnings (x)		Gross Yield (%)	
					FY16	FY17	FY16	FY17
CONSUMER DISCRETIONARY								
Navitas Ltd	NVT	2,110	A\$5.68	A\$5.00	23	22.3	3.5%	3.6%
Aristocrat Leisure	ALL	8,754	A\$13.74	A\$13.20	23.7	22	1.5%	1.6%
Tabcorp Holdings	TAH	3,733	A\$4.49	A\$4.30	20.6	19.7	5.1%	5.3%
Flight Centre	FLT	3,259	A\$32.29	A\$38.61	12.9	12.9	4.8%	4.7%
Tatts Group	TTS	5,800	A\$3.96	A\$3.15	22.3	22.4	4.3%	4.3%
Crown	CWN	9,200	A\$12.63	A\$12.70	22.8	20.8	4.1%	2.9%
Star Entertainment Group	SGR	4,624	A\$5.60	A\$5.60	20.2	19.3	2.2%	2.5%
Fairfax Media	FXJ	2,207	A\$0.96	A\$1.10	16.4	14.7	4.2%	4.7%
REA Group	REA	8,215	A\$62.37	A\$56.50	38.4	30	1.3%	1.7%
Harvey Norman	HVN	4,906	A\$4.41	A\$4.70	15.2	14.3	5.1%	4.5%
JB Hi-Fi	JBH	2,337	A\$23.62	A\$25.95	16.1	12.9	4.1%	5.1%
CONSUMER STAPLES								
Coca-Cola Amatil	CCL	6,842	A\$8.96	A\$9.80	16.6	16.1	5.0%	5.2%
Treasury Wine	TWE	7,101	A\$9.62	A\$9.20	32.8	29.3	2.0%	2.2%
Wesfarmers	WES	46,059	A\$40.90	A\$40.55	19.7	17.3	4.7%	4.3%
Woolworths	WOW	27,532	A\$21.53	A\$24.50	16.3	17.7	4.2%	3.9%
Graincorp	GNC	1,993	A\$8.71	A\$9.00	37.6	18	1.5%	3.1%
ENERGY								
Oil, Gas & Consumable Fuels								
Origin Energy	ORG	10,134	A\$5.78	A\$5.50	19.6	17.9	1.7%	0.0%
Caltex Australia	CTX	8,476	A\$32.50	A\$40.00	15.4	14.3	3.2%	3.5%
Oil Search	OSH	8,068	A\$6.98	Res	162.4	28.5	0.3%	1.5%
Santos Ltd	STO	8,463	A\$4.77	A\$4.10	431.3	17.2	0.6%	2.3%

Australian Forecasts - Continued over page

AUSTRALIAN FORECASTS 18th July 2016 Source: First NZ Capital, CSFB	Ticker	Mrkt Cap (A\$m)	Price 18-Jul-16 (A\$)	Target Price (A\$)	Price Earnings (x)		Gross Yield (%)	
					FY16	FY17	FY16	FY17
FINANCIALS								
Perpetual Limited	PPT	1,994	A\$42.81	A\$44.00	15.9	15.4	5.8%	5.8%
IIOF Holdings	IFL	2,590	A\$8.63	A\$9.40	14.8	14.4	6.1%	6.3%
Magellan Financial Group	MFG	3,445	A\$21.37	A\$24.00	19.2	18.4	4.2%	4.3%
Macquarie Group	MQG	24,501	A\$71.99	A\$85.00	12	11.4	5.6%	6.0%
Henderson Group PLC	HGG	1,454	A\$3.91	A\$2.32	14.9	13.3	4.6%	4.8%
Commercial Banks								
ANZ Banking Group	ANZ	72,744	A\$24.85	A\$26.00	12.1	10.6	6.4%	6.6%
Westpac	WBC	100,753	A\$30.11	A\$35.00	12.8	12.2	6.2%	6.3%
Bank of Queensland	BOQ	3,985	A\$10.46	A\$12.00	11	10.3	7.4%	7.6%
Bendigo and Adelaide Bank	BEN	4,598	A\$9.96	A\$9.50	12.1	11.7	6.8%	6.8%
Commonwealth Bank Australia	CBA	130,248	A\$75.94	A\$85.00	13.8	13.4	5.5%	5.6%
National Australia Bank	NAB	68,840	A\$25.91	A\$30.00	10.8	10.4	7.6%	7.6%
Clydesdale Bank	CYB	1,690	A\$4.14	A\$2.98	22.4	11.9	0.0%	0.8%
Diversified Financial Services								
ASX	ASX	9,453	A\$48.83	A\$45.00	22.2	21.7	4.0%	4.1%
AMP	AMP	16,622	A\$5.62	A\$6.05	17.1	15.4	5.1%	5.6%
Challenger Limited	CGF	5,170	A\$9.05	A\$10.20	14.8	13.8	3.5%	3.8%
Insurance								
Suncorp Group Limited	SUN	16,468	A\$12.80	A\$12.50	15.4	13	5.2%	5.7%
QBE Insurance Group	QBE	11,200	A\$10.76	A\$8.28	18.4	14	4.0%	5.1%
Insurance Australia Group	IAG	13,956	A\$5.74	A\$5.65	16.5	16.6	7.5%	5.7%
Medibank Private Limited	MPL	8,455	A\$3.07	A\$2.70	20.5	20.6	3.6%	3.6%
Real Estate								
GPT Group	GPT	9,961	A\$5.54	A\$4.75	18.7	18.2	4.2%	4.5%
Stockland Group	SGP	11,458	A\$4.79	A\$4.68	17.1	15.9	5.2%	5.5%
Mirvac Group	MGR	7,922	A\$2.14	A\$2.06	16.5	15.4	4.6%	4.9%
Investa Office Fund	IOF	2,702	A\$4.40	A\$4.17	15.6	15.3	4.5%	4.6%
Dexus Property Group	DXS	8,876	A\$9.17	A\$7.78	14.5	14.9	4.7%	4.8%
Goodman Group	GMG	12,839	A\$7.22	A\$7.10	18	16.8	3.3%	3.6%
Vicinity Centres	VCX	13,578	A\$3.43	A\$3.08	17.9	17.4	5.1%	5.3%
Westfield Corporation	WFD	17,131	A\$10.86	A\$8.25	23.9	22.1	3.0%	3.1%
Scentre Group	SCG	27,473	A\$5.16	A\$4.76	22.1	21.2	4.1%	4.3%
Lend Lease	LLC	7,145	A\$12.27	A\$17.00	10.2	9.5	4.8%	5.7%
HEALTH CARE								
CSL Ltd	CSL	39,275	A\$113.26	A\$80.05	33.6	27.7	1.4%	1.5%
Cochlear	COH	7,137	A\$124.77	A\$105.00	37.4	31	1.9%	2.3%
Ansell Limited	ANN	2,147	A\$19.15	A\$13.76	14.5	14.6	3.0%	3.1%
ResMed Inc.	RMD	9,068	A\$8.51	A\$6.48	25.1	24.5	1.9%	2.0%
Sonic Healthcare	SHL	9,053	A\$21.81	A\$21.75	20.6	18.8	3.5%	3.9%
Ramsay Health Care	RHC	14,744	A\$72.96	A\$72.00	31.6	28.3	1.7%	1.9%
Primary Health Care	PRY	2,008	A\$3.85	A\$3.65	19.1	19.3	3.0%	2.9%
Healthscope	HSO	4,945	A\$2.85	A\$2.60	25.2	23.9	2.6%	2.7%
INDUSTRIALS								
Qantas	QAN	6,332	A\$3.07	A\$4.80	6	4.8	0.0%	16.3%
Brambles	BBB	15,591	A\$12.95	A\$8.19	23.8	23.5	2.2%	2.3%
Downer EDI	DOW	1,754	A\$4.13	A\$3.35	10.6	10.2	4.8%	4.8%
CONSTRUCTION & ENGINEERING								
ALS Limited	ALQ	2,597	A\$5.15	A\$5.30	23.8	24.2	2.6%	2.2%
Seek	SEK	5,517	A\$15.97	A\$14.35	31.7	27.7	2.5%	2.8%
Aurizon	AZJ	10,464	A\$5.10	A\$4.75	20.1	17.9	5.0%	5.6%
Transurban	TCL	24,264	A\$11.92	A\$12.50	212.7	107.1	3.8%	4.2%
INFORMATION TECHNOLOGY								
carsales.com.au	CAR	2,937	A\$12.18	A\$11.30	26.7	23.9	3.1%	3.3%
Computershare	CPU	3,701	A\$8.90	A\$8.42	12.4	12	3.5%	3.6%
MATERIALS								
Containers & Packaging								
Amcor	AMC	13,732	A\$15.62	A\$11.93	21.3	19.6	3.5%	3.8%
Orora	ORA	3,403	A\$2.82	A\$2.55	22	20.2	3.2%	3.5%
Chemicals								
Orica	ORI	4,792	A\$12.78	A\$13.60	12.1	11	4.4%	5.0%
Incitec Pivot	IPL	4,893	A\$2.90	A\$3.10	16.1	16.9	3.1%	3.0%
Dulux Group	DLX	2,565	A\$6.59	A\$6.00	19.6	19.3	3.5%	3.8%
Construction Materials								
Adelaide Brighton	ABC	3,774	A\$5.81	A\$5.55	19	18.1	5.0%	5.2%
CSR	CSR	1,946	A\$3.85	A\$3.85	11.8	11.1	6.2%	6.2%
Boral	BLD	4,952	A\$6.66	A\$6.75	19.9	18	3.2%	3.6%
James Hardie Industries plc	JHX	7,357	A\$21.75	A\$14.79	30.3	25.8	2.3%	2.7%
Metals & Mining								
BHP Billiton	BHP	77,440	A\$20.37	A\$16.35	45.8	22.9	1.9%	2.2%
Rio Tinto	RIO	61,115	A\$50.55	A\$37.24	20.4	20	2.9%	2.9%
Newcrest Mining	NCM	14,238	A\$24.47	A\$14.60	42.2	14.3	0.3%	0.5%
Alumina Limited	AWC	3,181	A\$1.46	A\$0.99	21.3	31.5	5.4%	5.4%
Iluka Resources	ILU	3,019	A\$7.21	A\$6.00	34.8	22	4.4%	3.5%
Fortescue Metals Group Ltd	FMG	9,998	A\$4.23	A\$3.28	10.7	12.5	1.1%	1.1%
BlueScope Steel	BSL	4,714	A\$8.25	A\$8.30	15.8	9.7	1.8%	3.2%
South 32	S32	7,800	A\$1.93	A\$1.36	118.8	17.9	0.2%	2.2%
TELECOMMUNICATION SERVICES								
Telstra Corporation	TLS	70,298	A\$5.75	A\$5.25	16.7	15.7	5.4%	5.5%
TPG Telecom	TPM	10,165	A\$11.98	A\$9.00	28.9	25.2	1.3%	1.5%
Vocus Communications	VOC	5,341	A\$8.65	Res	28.9	20.9	2.1%	2.4%
UTILITIES								
APA Group	APA	10,385	A\$9.32	A\$8.75	46.3	38.7	4.5%	4.7%
AusNet Services	AST	5,954	A\$1.67	A\$1.60	18	20.8	5.1%	5.2%
Spark Infrastructure Group	SKI	4,205	A\$2.50	A\$2.35	65.9	52.3	5.8%	6.1%
DUET Group	DUE	6,107	A\$2.51	A\$2.25	27.4	40	7.2%	7.4%
AGL Energy	AGL	13,488	A\$19.99	A\$19.40	18.7	16.5	3.6%	4.3%

UK Investment Trusts

Share Price 23-Jun-16 GBP pence	Net Asset Value	(Disc) Premium	*View	Investment Trust Company	Net Yield %	12 Month % Discount			1 Year % Return pa		3 Year % Return pa		5 Year % Return pa	
						Average	High	Low	Price	NAV	Price	NAV	Price	NAV
Global Equity Funds														
585	616	-5.0%	↑	Bankers	2.9	-2.2	-8.7	3.3	-7.1	-5.1	10.1	8.9	11.3	6.8
475	536	-11.4%	↓	British Empire & Securities	2.5	-12.6	-14.8	-7.9	-7.0	-8.2	4.9	2.5	1.7	1.2
2270	2824	-19.6%	→	Caledonia Investments	2.1	-16.9	-24.2	-12.6	5.1	0.8	17.9	12.8	11.0	7.5
200	223	-10.3%	↑	JP Morgan Overseas	1.5	-8.3	-10.6	-4.0	-1.9	-1.9	11.8	11.1	6.8	7.0
429	472	-9.1%	↑	Monks Investment	1.0	-10.6	-13.3	-6.8	-1.2	1.7	11.7	10.3	6.3	5.4
1,635	1549	5.6%	↑	RIT Capital Partners	1.8	1.7	-5.3	9.3	6.8	1.0	17.5	9.9	8.3	6.1
European Funds														
388	374	3.6%	↑	City of London	4.0	1.3	-2.5	3.3	-1.3	-4.8	11.8	7.3	11.1	6.5
647	724	-10.7%	NR	The European Trust	1.9	-7.5	-14.3	-2.0	-18.2	11.7	10.3	6.6	5.9	3.1
273	301	-9.3%	↑	JP Morgan European Smaller	1.2	-9.7	-15.9	-3.6	11.9	16.0	23.7	20.7	11.5	8.8
246	255	-3.7%	NR	BlackRock Greater European	2.0	-3.5	-6.2	0.2	1.9	2.4	11.1	9.2	8.0	5.9
Asia/Pacific Funds (including Japan)														
291	336	-13.3%	↑	JP Morgan Fleming Japan	1.0	-10.9	-16.6	-5.8	4.1	6.7	17.5	16.9	15.3	13.3
280	284	-1.5%	↑	Henderson Far East Income	6.6	-0.5	-5.7	4.2	-10.0	-14.4	2.9	-2.0	5.0	0.1
138	150	-8.2%	↑	Schroder Japan Growth Fund	1.3	-7.7	-16.0	-1.1	-14.5	-9.5	12.3	10.6	12.2	11.0
Global Emerging Markets Funds														
588	658	-10.6%	↑	JPM Fleming Emerging Markets	1.1	-11.8	-14.2	-8.7	-4.1	-3.5	3.7	3.3	1.9	1.7
468	524	-10.8%	↑	Templeton Emerging Markets	1.9	-12.6	-15.5	-9.6	15.0	-6.4	-4.3	2.4	-4.5	1.3
Far East Exc Japan														
252	284	-11.5%	↑	Edinburgh Dragon	1.2	-12.0	-15.3	-9.6	-11.9	0.5	1.0	1.6	2.8	0.8
520	594	-12.5%	NR	JP Morgan India	0.0	-12.0	-15.5	-8.1	1.2	3.0	16.6	16.0	6.6	7.6
263	301	-12.5%	↑	Schroder AsiaPacific	1.0	-11.0	-14.0	-6.3	-6.5	-6.6	5.6	5.2	6.0	5.5
Other Funds														
895	1000	-10.5%	↑	North American Income Trust	3.7	-10.2	-13.7	-5.3	13.8	9.3	9.9	10.7	12.2	9.7
293	290	1.0%	↑	JPMorgan American	1.3	-4.0	-8.1	2.5	1.3	15.6	15.3	13.5	12.7	10.4
246	268	-8.3%	→	BlackRock World Mining	9.0	-11.6	-20.4	-5.8	-17.5	-25.1	-13.1	-18.8	-16.4	-21.7
598	635	-6.0%	→	Polar Capital Technology	0.0	-3.0	-9.1	5.7	0.8	5.9	18.0	19.2	12.4	13.5
550	660	-16.6%	↑	SVG Capital	0.0	-21.1	-30.5	-13.2	7.8	13.3	16.4	19.6	17.4	13.7
307	329	-6.8%	→	TR Property Trust	2.5	-6.4	-13.8	1.3	2.9	10.7	23.1	18.9	14.0	10.8
1,785	1,839	-2.9%	↑	Worldwide Healthcare Trust	0.7	-5.3	-9.2	0.9	-6.5	-6.0	24.9	25.0	22.4	20.5

1yr 3yr & 5yr Performance figures to 31st May 2016 - All in NZ Dollars - Exchange Rate: UKE/NZ\$ 0.5250 US\$/NZ\$ 0.7210

NOTE: *VIEW - First NZ Capital Limited

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

NZ Daily Fixed Interest Rate Sheet

PRICES AS AT 18TH JULY 2016

NOTE: Indicative pricing only

Secondary market 18 th July 2016	Code	Rating	Type	Maturity/ Reset Date	Coupon	Yield	Margin to SWAP	Price /\$100	Coupon Freq
Fletcher Building	FBI110	NR	Cap	15/03/2018	7.15%	3.93%	176	\$107.58	2
Z Energy	ZEL020	NR	Snr	15/08/2018	7.25%	3.70%	154	\$110.17	4
Fletcher Building	FBI120	NR	Cap	15/03/2019	5.40%	3.92%	176	\$108.54	2
Contact Energy Limited	CEN020	BBB	Snr	15/05/2019	5.80%	3.35%	118	\$107.83	4
Kiwibank	KCF010	BB+	Tier 2	15/07/2019	6.61%	4.85%	268	\$104.95	2
Infratil	IFT200	NR	Bnd	15/11/2019	6.75%	4.00%	182	\$109.73	4
University of Canterbury	UOC010	NR	Snr	15/12/2019	5.77%	3.80%	162	\$106.78	2
Infratil	IFT090	NR	Convert	15/02/2020	8.50%	4.19%	200	\$117.88	4
Goodman Property Trust	GMB020	BBB+	Snr	16/12/2020	6.20%	3.50%	127	\$111.54	2
Fletcher Building	FBI150	NR	Cap	15/03/2021	4.75%	4.10%	186	\$104.38	2
Sky TV	SKT020	NR	Snr	31/03/2021	6.25%	3.95%	171	\$111.72	4
Trustpower	TPW120	NR	Snr	15/12/2021	5.63%	3.76%	148	\$109.65	4
Infratil	IFT190	NR	Bnd	15/06/2022	6.85%	4.41%	210	\$113.26	4
Goodman Property Bond	GMB030	BBB+	Bnd	23/06/2022	5.00%	3.73%	142	\$107.06	2
Infratil	IFT210	NR	Bnd	15/09/2023	5.25%	4.60%	221	\$105.78	4

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