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Investment Strategies

Volume 5

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Welcome to 2015. Don't forget to let me know if you no longer want to receive these newsletters. I am not here to annoy you!! Just reply -UNSUBSCRIBE

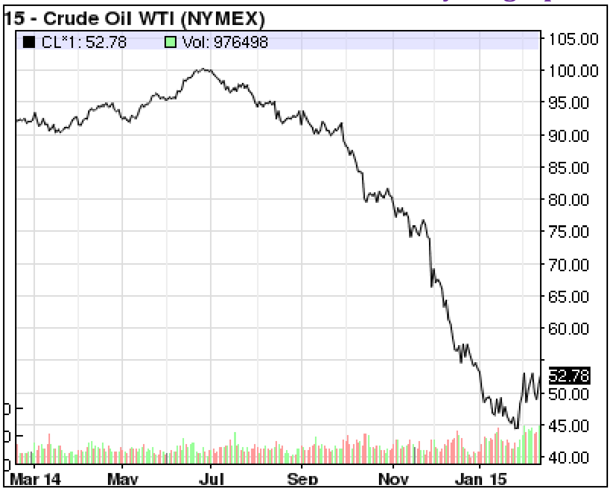
On a personal front – My best read over the summer break was, without doubt *"John Key - Portrait of a Prime Minister"* by John Roughan. I am not a big reader of political biographies, but this read was incredibly easy, informative and captivating. If you haven't already read it, then you should do so. You won't be disappointed.

John's currency trading philosophy - of cutting your losses quickly, and letting your profits run – is always hard to do, but remains the secret to success in any investments. It is just as pertinent for the sharemarket, and for property investment, but the difference is in these markets the majority of winners are those that take the Warren Buffet approach and invest where you see long term value. The key is always to be a patient buyer, and only buy into investments that are understandable.

Like Helen Clark, John Key is a prolific pollster. Through good research he knows the policies that will be acceptable. He is a pragmatist, and steers the National Government in a direction that will both achieve his ambitious agenda, but also allow him to continue as the preferred Prime Minister. Unlike Helen Clark, Key believes in his subordinates within Caucus, and is willing to delegate high level responsibility – just don't make repetitive mistakes, because he is more than willing to give other's an opportunity to impress. The result is a uniquely loyal Caucus, who remain motivated to achieve for New Zealand. This is a man that is confident in his own skin, and truly committed to improving all New Zealander's way of life. Am I convinced – yes, I most certainly am…

RRP $5.00

Oil: West Texas Crude – 1 year graph



With the price of oil continuing to decline globally, the risk of inflationary pressure continues to ease. See Page 6 for implications from oil price crash….

The New Zealand Economy

The New Zealand economy is in its fifth year of expansion, with economic growth expected to average around three per cent over each of the next four years. We are expected to outperform the United States, United Kingdom, Euro zone, Japan, Australia and Canada.

New Zealand is reported as the third freest economy in the world, behind Hong Kong and Singapore. Hong Kong retained the title of the world's freest economy in the Index of Economic Freedom for 2015, published annually by the Heritage Foundation, with rival Singapore second. New Zealand moves from fifth up to third place.

"The investor of today does not profit from yesterday's growth" **Warren Buffett**

NZ Market Summary - January

Muted inflationary pressure are likely to ensure an OCR (at best) on hold for the foreseeable future

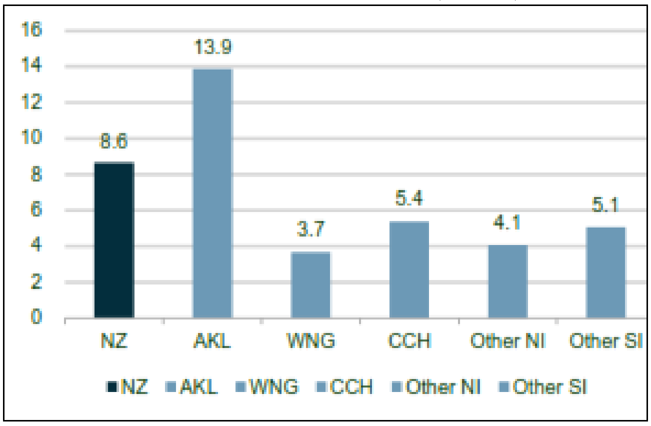
Economic data released over January has continued to suggest that growth in the domestic economy remains above trend. While retail spending has initially been dampened by the impact of falling petrol prices, consumer confidence continued to show strength after its pre-election softening, while business sentiment generally edged higher. With regards to housing market activity, building consents softened modestly over December following robust gains over the two previous months, while the rate of annual house price growth remained unchanged at 6.0% over December. Annual migration numbers reached another historic high of just under 51,000 in December, although the seasonally adjusted monthly increase showed some loss in upward momentum. Less positively, the annual merchandise trade deficit widened further over December, reflecting both a decline in exports and an increase in imports.

The December 2014 quarter CPI outturn showed a decline of 0.2% QoQ and a rise of 0.8% YoY, falling below the bottom of the Bank's 1-3% inflation target band. The downside surprise to the December 2014 quarter CPI outturn – largely reflecting the impact of the sharp fall in petrol prices – further confirms that inflationary pressures remain muted, with the risk of a negative annual outturn for CPI inflation being posted over the March 2015 quarter.

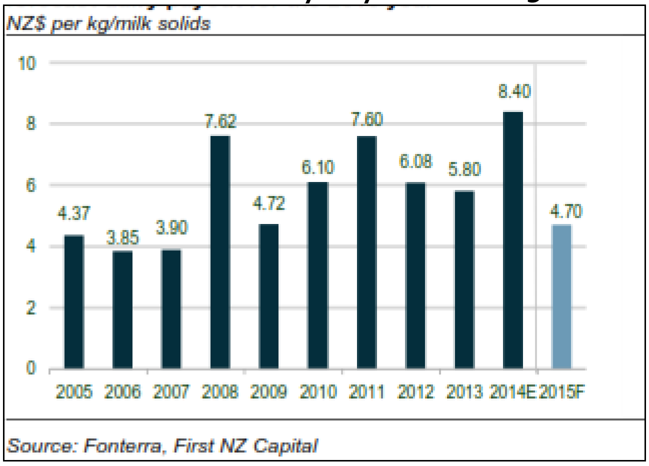
The RBNZ kept the Official Cash Rate (OCR) unchanged at 3.50% at their January OCR Review. The key change was the replacement of their previous explicit tightening bias with a neutral one suggesting that "we expect to keep the OCR on hold for some time". Reflecting the removal of the RBNZ's tightening bias, together with the rising market assessment regarding a potential interest rate cut, the NZD/USD fell by 6.8% over January.

With Australia's Reserve Bank lowering their OCR 0.25% to just 2.25% at the beginning of February, this is likely to put more pressure on the New Zealand Reserve Bank to lower our OCR too.

House Price Inflation (YoY%)

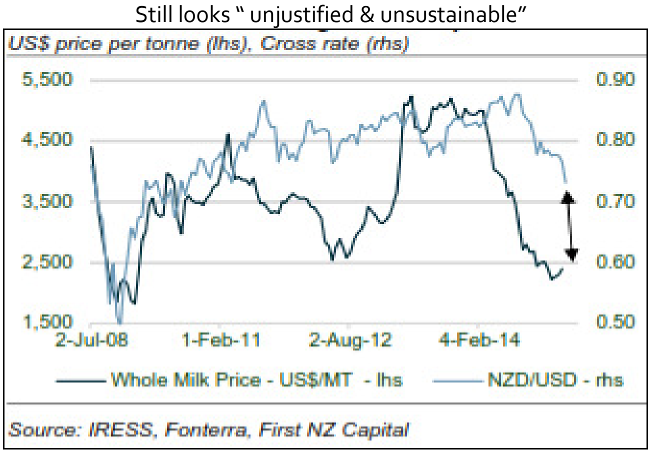


Forecast Dairy Payout for 2015



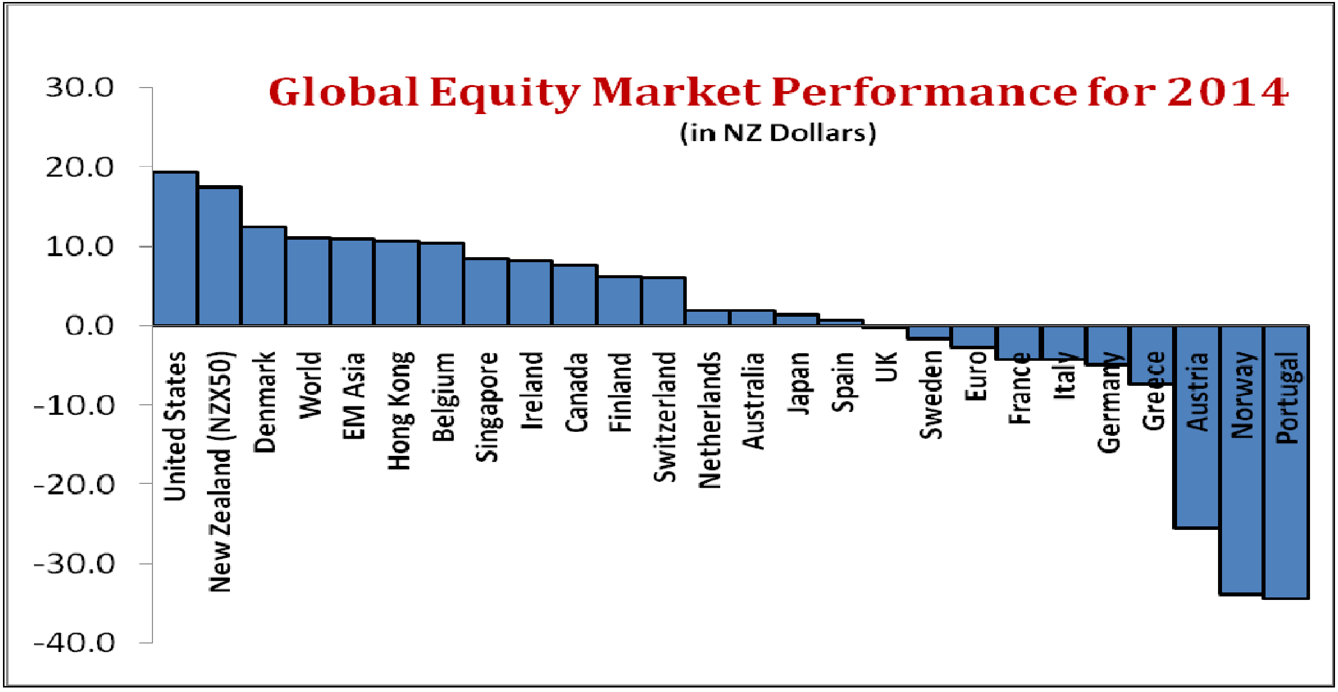
NZD versus Whole Milk Powder

Still looks " unjustified & unsustainable"



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

Global Equity Market Performance for 2014



Global Equity Market Performance for 2014		
Region	**Local Cur**	**NZD**
United States	13.4	19.4
New Zealand (NZX50)	17.5	**17.5**
Denmark	21.3	12.4
World	10.4	11.1
EM Asia	8.1	10.9
Hong Kong	5.1	10.6
Belgium	19.4	10.4
Singapore	8.1	8.5
Ireland	16.9	8.1
Canada	11.4	7.6
Finland	14.8	6.1
Switzerland	12.5	6.0
Netherlands	10.2	1.9
Australia	5.8	1.9
Japan	9.8	1.4
Spain	8.9	0.7
UK	0.5	-0.3
Sweden	13.9	-1.6
Euro	5.0	-2.7
France	3.6	-4.2
Italy	3.6	-4.2
Germany	2.8	-5.0
Greece	0.0	-7.4
Austria	-19.6	-25.6
Norway	-2.6	-33.8
Portugal	-29.1	-34.4

Warren Buffett – Investment Guru

The dangers of timing

Buffett notes it's terribly dangerous to attempt to time the market:

"With a wonderful business, you can figure out what will happen; you can't figure out when it will happen. You don't want to focus on when, you want to focus on what. If you're right about what, you don't have to worry about when"

So often investors are told they must attempt to time the market, and begin investing when the market is on the rise, and sell when the market is falling.

This type of technical analysis of watching stock movements and buying based on how the prices fluctuate over 200-day moving averages or other seemingly arbitrary fluctuations often receives a lot of media attention, but it has been proved to simply be no better than random chance.

Investing for the long term

Individuals need to see that investing is not like placing a bet on number 32 on the roulette wheel, but instead it's buying a tangible piece of a business.

It is absolutely important to understand the relative price you are paying for that business, but what isn't important is attempting to understand whether you're buying in at the "right time," as that is so often just an arbitrary imagination.

Buffett says *"if you're right about the business, you'll make a lot of money, so don't bother about attempting to buy stocks based on how their stock charts have looked over the past 200 days. Instead always remember that "it's far better to buy a wonderful company at a fair price."*

New Zealand Sharemarket performance over the last 5 years

The NZX50 Index has outperformed the Australian ASX200 Index by a massive 60% over the past 5 years, and has also now surpassed the American Dow Jones Industrial index too. Add to my prime investment rule of only investing in companies that you understand, and you can see the value in maintaining the bulk of your investment portfolio in New Zealand equities. This policy contrasts with most sharebrokers, who are always seeking globally diverse portfolios, that are very light on NZ stocks and heavy on global equities.

New Zealand companies tend to pay much higher dividends than their global peers, and this is an added incentive to invest in what you know. If you want a short term punt then I suggest you bet on a racehorse, but if you are looking for good (albeit sometimes volatile) returns then the New Zealand sharemarket is where you should be investing.

Looking back at my 2014 Picks

The tables below show the stocks that I have recommended in 2014, and their return. This return does not include any dividend payments, which for many New Zealand list companies is substantive.

First Recom	Recommended Stock	Repeated Recom	Recommend Price	Target Price	31-Dec-14 Price	% Gain/Loss
23/12/2013	Contact Energy (CEN)	April	$5.02	$5.75	$6.38	27.10%
28/04/2014	Diligent Board MS (DIL)	August	$4.45	$5.25	$5.26	18.20%
23/12/2013	F&P Healthcare (FPH)	April	$3.90	$4.50	$6.25	60.30%
23/12/2013	Fonterra Shareholder Fund (FSF)	April	$5.68	$7.95	$6.01	5.80%
28/04/2014	Freightways (FRE)		$4.90	$5.50	$5.80	18.40%
28/04/2014	Goodman Property Trust (GMT)		$1.08	$1.10	$1.14	5.60%
28/04/2014	Heartland NZ (HNZ)		$0.85	$0.97	$1.13	32.90%
15/08/2014	Infratil (IFT)		$2.45	$2.70	$3.00	22.40%
23/12/2013	NZ Oil & Gas (NZO)		$0.81	$0.98	$0.63	-22.20%
23/12/2013	Opus International (OIC)		$2.04	$2.30	$1.46	-28.40%
23/12/2013	PGG Wrightson (PGG)	April	$0.40	$0.50	$0.46	15.00%
28/04/2014	Port of Tauranga (POT)	August	$14.10	$17.00	$16.85	19.50%
28/04/2014	Precinct Properties (PCT)		$1.01	$1.08	$1.19	17.80%
15/08/2014	Synlait Milk (SML)		$3.35	$4.40	$3.20	-4.50%
28/04/2014	Spark (SPK)		$2.62	$2.80	$3.12	19.10%
23/12/2013	Xero (XRO)		$33.00	$41.34	$16.15	-51.10%
23/12/2013	Z Energy (ZEL)	April	$3.60	$3.91	$4.63	28.60%

My 2014 Australian Equities Picks

First Recom	Stock		Repeated Recom	Recom Price	Target Price	31-Dec-14	% Gain/Loss
23/12/2013	Anadarko Petroleum (APC)	US		US$79	US$108	US$82.50	4.4%
28/04/2014	BHP Billiton (BHP)	A		A$37.87	A$39.00	A$29.37	-22.4%
23/12/2013	Fortescue Metals (FMG)	A	April/August	A$5.68	A$7.50	A$2.74	-51.8%
23/12/2013	Macquarie Group (MQG)	A		A$55.30	A$56.00	A$58.29	5.4%
23/12/2013	Oil Search (OSH)	A	August	A$8.21	A$10.00	A$7.89	-3.9%
23/12/2013	Rio Tinto (RIO)	A	April	A$66.74	A$75.00	A$58.00	-13.1%

My Christmas 2014 Picks

One month return from Christmas 2014 Newsletter (again not including dividend returns):

Recommended Stock		Recom Price	Target Price	27-Jan-2015	% Gain/Loss
Argosy Properties (ARG)	NZ	$1.11	$1.03	$1.14	2.7%
Chorus (CNU)	NZ	$2.62	$2.80	$2.50	-4.6%
Diligent (DIL)	NZ	$5.00	$5.80	$5.52	10.4%
EROAD (ERD)	NZ	$3.80	$4.95	$3.80	0.0%
Fletcher Building (FBU)	NZ	$8.25	$10.80	$8.36	1.3%
Freightways	NZ	$5.74	$5.60	$5.87	2.3%
Goodman Property Trust (GMT)	NZ	$1.14	$1.10	$1.18	3.5%
Guinness Peat (GPG)	NZ	$0.41	$0.44	$0.46	12.2%
Hallenstein Glasson (HLG)	NZ	$3.14	$3.60	$3.25	3.5%
Infratil (IFT)	NZ	$2.97	$3.20	$3.09	4.0%
Mainfreight (MFT)	NZ	$16.04	$16.25	$15.80	-1.5%
PGG Wrightson (PGG)	NZ	$0.45	$0.53	$0.47	4.4%
Port of Tauranga	NZ	$16.80	$17.00	$17.73	5.5%
Summerset Group (SUM)	NZ	$2.84	$3.45	$3.16	11.3%
Trustpower (TPW)	NZ	$7.79	$7.75	$8.16	4.7%
Z Energy (ZEL)	NZ	$4.64	$4.45	$4.81	3.7%
James Hardie (JHX.AX)	A	$13.19	$14.60	$12.85	-2.6%
National Australia Bank (NAB)	A	$33.19	$38.00	$35.15	5.9%
Rio Tinto (RIO)	A	$57.73	$68.00	$56.80	-1.6%
Oil Search (OSH)	A	$8.06	$10.00	$7.66	-5.0%
Toll Holdings (TOL)	A	$5.92	$6.70	$6.10	3.0%

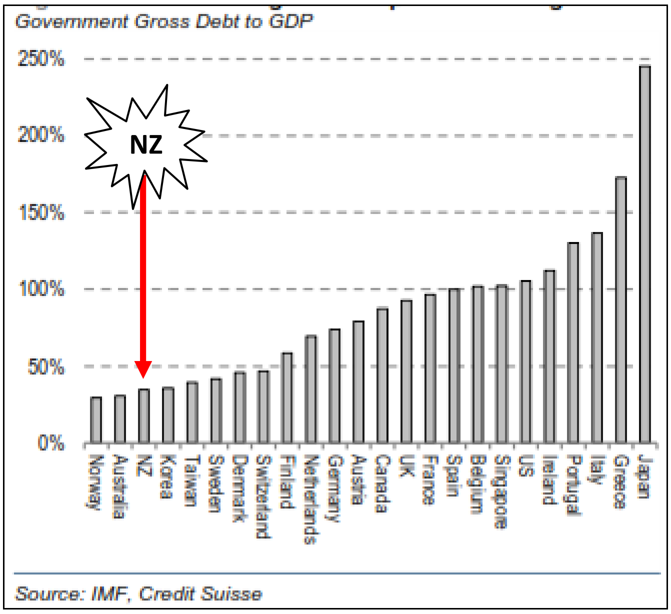
Feedback requested

I am looking for feedback on the content of this newsletter. I hope you won't be offended when I send you a brief survey to find out your opinions on content quality and variety.

This will be a "one-off" survey, so as not to annoy….

Global Economy

FISCAL POSITION AMONGST DEVELOPED MARKETS



Australia and New Zealand have the 2nd and 3rd lowest Government Debt to GDP ratios in the Developed World. This is why these two "Down Under" have faired so well since the 2008 Global Financial Crisis. When you think of the impact that the Christchurch earthquakes caused, this cements the view that the New Zealand economy has been responsibly managed throughout the last six years.

Implications from the oil price decline

The rout in crude oil prices isn't hurting just the U.S. shale drillers that have ramped up production in recent years. It's also punishing one of the world's wealthiest nations - Norway. This said, Norway's sovereign-wealth fund (accumulated from Norway's huge oil reserves), has ensured that Norway has been able to maintain the Developed World's least indebted government.

The small Scandinavian country, known for its picturesque fjords and family-friendly social policies, is a major petro-nation, accounting for more oil exports than any other country in Europe. That means that $45-per-barrel crude has been punishing for Norway, whose central bank said in a recent report that oil at levels below $70 "will have relatively substantial consequences" for its economy.

And that's certainly what the market seems to think. Since oil's plunge began last fall, the Norwegian krone has seen a 12-year low; the country's national oil company, Statoil, has cancelled projects and reported its first loss since going public in 2001; and the government has cut interest rates in order to stimulate the economy, signalling that further monetary easing could also be in the offing.

The anxiety over Norway is such that the noted hedge-fund manager Kyle Bass said at a recent investment conference in Oslo that the nation "trades like an emerging market because of its dependence on crude," sparking additional debate about the impact of cheap oil on both Norway and other crude export-driven economies, including Russia, Iran and Venezuela.

Fears of an economic meltdown in Norway are, however, overblown. *"There's concern about Norway given the oil price decline,"* said Lasse Nielson, Goldman Sachs European economist. *"We think other people are a bit too pessimistic. Compared with some other big oil nations, Norway has the better institutions in place to protect the traditional economy from the extraction of a very large but temporary natural resource."*

One reason for that, Nielsen said, was Norway's unique sovereign-wealth fund, which has accumulated US$830 billion since its inception in 1990, thanks to petrodollars earned from the country's crude sales and returns on its stock, bond and real estate investments. Up to 4 percent per year of the fund's assets can be spent by the government, providing a powerful stabilizing tool in times of turmoil.

Norway's large sovereign wealth fund "represents a "Nest Egg" of approximately US$150,000 for every man, woman and child that happens to be a Norwegian citizen. Norway is one of the very few producers that has miles of runway to effectively wait out the oil decline.

NEW ZEALAND'S OPPORTUNITY

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

US Research - vehicle design at a major contributor to lowering Highway deaths

Just like New Zealand, the US highway death toll has been plunging rapidly in recent years, and safety experts are crediting a number of factors, including improved roadways and a crackdown on drunk driving.

But a new study puts the spotlight on vehicle design and improved technology for both preventing crashes and keeping motorists alive when they do occur.

A record total of nine models sold during the 2011 model-year have had a driver death rate of zero, meaning no one was killed in a crash involving those vehicles during the period studied by the Insurance Institute of Highway Safety.

Significantly, these are not ultra-exotic products. They include mainstream models like the Honda Odyssey minivan and Subaru Legacy sedan, as well as the big Mercedes-Benz GL SUV.

"We know from our vehicle ratings programme that crash test performance has been getting steadily better. These latest death rates provide new confirmation that real-world outcomes are improving, too," the report author said.

The nine 2011 model vehicles are:

- Audi A4 4WD
- Honday Odyssey
- Kia Sorento 2WD
- Lexus RX 350 4WD
- Mercedes-Benz GL-Class 4WD
- Subaru Legacy 4WD
- Toyota Highlander hybrid 4WD
- Toyota Sequioa 4WD
- Volvo XC90 4WD

On the whole, the insurance industry research group's study shows that today's cars, trucks and SUV's are getting safer.

This US research is "food for thought" for New Zealand policymakers, who have been quick to blame speed and drink as the major contributor to motor vehicle deaths.

Apple devices now top gift among Chinese wealthy

The crackdown on corruption in China has hurt just about every class of luxury product, from French Burgundies and Patek Philippe watches to Lamborghinis and diamond rings. But one luxury product seems immune to the country's new asceticism: Apple products.

Apple's sales in China hit US$16 billion in the fourth quarter, up 70 percent from a year ago. Some might argue that Apple isn't a luxury brand. But in a country where the average wage is still under $5,000, a $1,000 phone clearly counts as a luxury good.

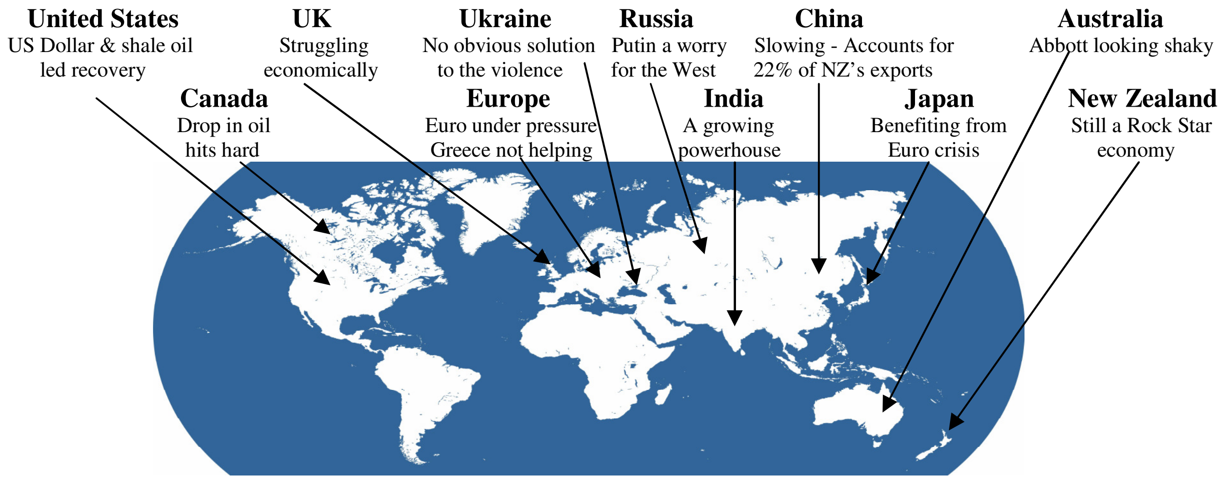
And now comes the news that Apple products have become the top gift choice among the Chinese rich. Apple products have become the gift of choice for both male and female Chinese luxury consumers, surpassing Louis Vuitton and last year's top choice, Hermes.

Apple has tied with Samsung to become the number one smartphone vendor in the world, in a major blow to the South Korean electronics giant. Both companies shipped 74.5 million smartphones in the fourth quarter of 2014, which marked a decline from the previous quarter for Samsung, but a surge in sales for Apple.

Across last year as a whole, Samsung sold 2.6 million fewer smartphones than 2013, while Apple shipped 39.3 million more.

Apple's revenue is equivalent to collecting US$10 from every person in the world. And the tech giant is hanging on to a lot of that cash. Its massive reserves of US$178 billion are enough to pay every American $556, which outpaces the next-biggest player, Microsoft, at only $319 in reserves per US resident.

THE WORLD AT A GLANCE



Harcourts Residential Housing Market Watch

The latest residential housing figures from New Zealand's largest real estate group, Harcourts shows that inventory is down in all regions except Christchurch, where property-on-hand was up a massive 25% compared to last year. Sales activity in the Central Region did not take a breather for the typically quiet January month, with written sales up 22.9%.

Harcourts CEO Hayden Duncan says "New Zealand is in a situation where we have growing population numbers, a stable economy, and growing consumer and business confidence. The only thing preventing those looking to buy property is the lack of affordable housing in the areas it's needed. With building consents lagging behind population growth, particularly in Auckland, that situation won't change without government policy change."

Northern	Jan-15	Jan-14	% Change
Total New Listings	588	565	4.10%
New Auction / Tender Listings	273	247	10.50%
Property on Hand	1666	1744	-4.50%
Written Sales	325	290	12.10%
Average Price	$683,055	$663,298	3.00%

Demand for residential property in Auckland/Northland continues to grow at a faster rate than supply. Property-on-hand is down compared to last year, and the slight increase in new listings is doing little to quell the supply shortage with available stock down 4.5%. Average house prices in January were up 3.0% compared to last year. The supply-demand imbalance will continue to put upward pressure on house prices in 2015, particularly in Auckland where population growth is accelerating.

Central	Jan-15	Jan-14	% Change
Total New Listings	375	420	-10.70%
New Auction/Tender Listings	64	72	-11.10%
Property on Hand	2109	2274	-7.30%
Written Sales	317	258	22.90%
Average Price	$322,892	$350,182	-8.00%

Written sales in the Central Region were up a massive 22.9% compared to January last year with indications being that increased buyer activity will be a feature of 2015. The average house price was down 8.0%. However, January 2014 was a particularly strong month in terms of price, and this result isn't indicative of a wider trend. Supply in the region is tightening so we expect to see prices to follow an upward trend.

Wellington	Jan-15	Jan-14	% Change
Total New Listings	403	390	3.30%
New Auction/Tender Listings	48	51	-5.90%
Property on Hand	1536	1613	-4.80%
Written Sales	219	245	-10.60%
Average Price	$376,301	$348,928	8.00%

Vendors in Wellington will be buoyed by the latest residential results. The average sale price in January was up 8.0% compared to last year, further evidence that Wellington's property market is on the way to recovery following the after effects of the global financial crisis. Written sales were down significantly on last year; an indication that buyers are shopping around before committing to a purchase. New listings are up 3.3% but with the positive upwards trend in house prices over recent months, we expect listing activity to increase even further compared to last year.

Christchurch Metro	Jan-15	Jan-14	% Change
Total New Listings	438	426	2.70%
New Auction/Tender Listings	145	180	-19.70%
Property on Hand	2010	1608	25.00%
Written Sales	261	266	-1.90%
Average Price	$402,745	$462,581	-13.00%

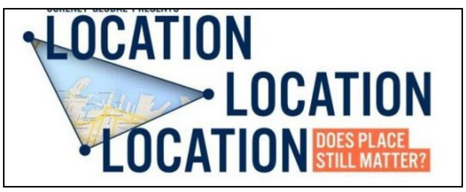
The increasing supply of property-on-hand is an indication that stock is not moving as quickly as it has been in Christchurch. This is further evidenced in the volume of written sales, which was down slightly on last year. Average house prices dropped 13% to $402,752. This is the lowest price Harcourts has reported for Christchurch since January 2013 when the average house price was $384,648.

South Island Provincial	Jan-15	Jan-15	% Change
Total New Listings	276	283	-2.50%
New Auction/Tender Listings	31	23	34.80%
Property on Hand	1652	1804	-8.40%
Written Sales	203	212	-4.20%
Average Price	$322,104	$349,885	-8.00%

It was a slow start to the year for provincial South Island with written sales down 4.2% compared to last year. The average house price remained at around the same level as last month but is down 8.0% compared to last year. With new listings and property-on-hand down, vendors will be hoping the tightening in supply will put upwards pressure on prices. Without any incentive to sell, this market will remain stagnant.

Disclaimer: All Harcourts MarketWatch figures are current to the end of the reported month and are compared to the same month ended for the previous year. 'Written Sales' is defined by all sales brought to contract status, where 'Settled Sales' are the results of contracts completed at the close of the reported month. Written Sales are a snapshot of the markets temperature while Settled Sales show what has happened in the previous month. While every effort has been made to ensure that the information in the publication is accurate we recommend that, before relying on this information, you seek independent specialist advice.

My thanks to Jude Wood (Ph: 027 5982 678) at Harcourts, Tauranga for this data.



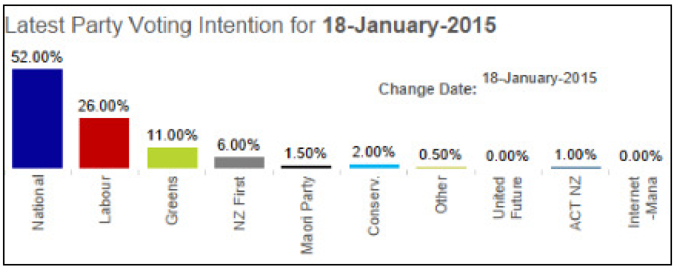
Political Roundup

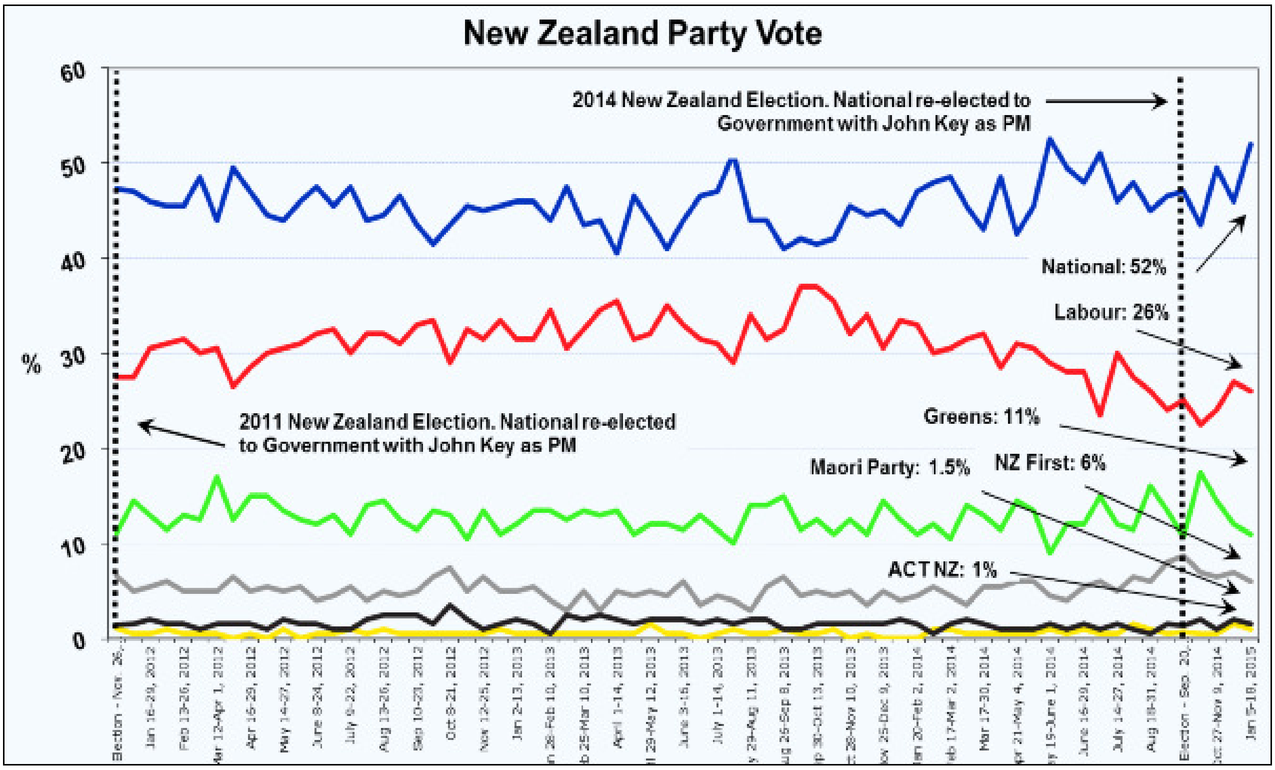
"State of the Nation" speeches

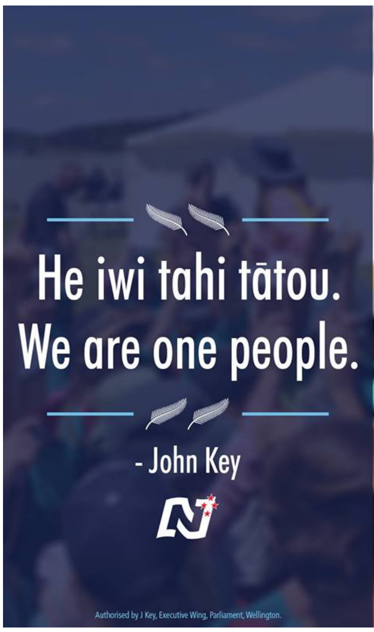
John Key's 28th January "State of the Nation" speech began on a note of promise. His Government has been re-elected "with an even stronger mandate". The election result, he said, "allows New Zealand to experience a different third-term Government than has been the case in the past". It is true that no previous party in power has increased its support at three successive elections.

In contrast, **Andrew Little** offered nothing. Talking about his aim of lowering unemployment (already a huge success under John Key's leadership) was entirely underwhelming. I think that the NZ Herald got it about right – John Key 8/10 and Andrew Little 4/10.

This back's up the recent Roy Morgan Poll that puts National's support up 6% at 52% (see below).







Local Government Reform

Some of my readers will know that I am passionate about Local Government Reform. I am a strong advocate of restructuring our Bay of Plenty Councils, to create a Western Bay of Plenty Unitary Council. We don't need (or want) a "Super City" in the Bay of Plenty, but that said combining both Tauranga City Council with Western Bay of Plenty District Council makes imminent sense. I would go further and integrate the Regional Council functions for the Western Bay into this, to establish a Western Bay of Plenty Unitary Council.

To justify this, one only has to look at the number of local government bureaucrats that are employed in this Sub-Region. Tauranga City alone has around 550 directly employed staff (and this despite a promised restructuring – joke), and then you need to add the CCO (Council Controlled Organisations, like Bay Venues, and the number of staff heads towards 1,000. Add Western Bay District Council, and the portion of Regional Council staff, that are funded by Western Bay of Plenty ratepayers, and it doesn't take long to realize that our Local Government operations are out of control.

Tauranga City Councillors want to reduce the Council's debt – but this is just a red herring. Debt is not the issue – cost escalation is. If they reduce staff, and become more efficient and effective, then the debt will be manageable. Unfortunately our Councillors just aren't listening…. And we need to make changes NOW.

Selloff of Tauranga's Inner City Greenspace

An example of the incompetency of Tauranga City is the proposed selloff of our inner city greenspace. Council is currently looking to sell off the greenspace (parkland) that bounds the Takatimu Drive Motorway.

1. This is the entrance to our City – the first impression visitors get went entering Tauranga.
2. Once sold off it can never be replaced. Our City Councillors are showing NO VISION; No respect for our future generations.
3. This is about existing TCC policy of Work/Live/Play. Their TCC Plans value greenspace, but our current Councillors think they can ride roughshod over the residential community – they can not!

I, along with a passionate group of residents, are taking our fight to TCC – we are fighting back. This is not about view shafts; it is about protecting our greenspace. If you want to help – please sign our petition. Come and see me at 2/115 Fourth Avenue, if you are willing to sign it. We need to make these Councillors accountable to those that elect them…

New Zealand Equities

Heartland Bank (HNZ) $1.38

HNZ has recently upgraded its guidance. HNZ's longer-term investment case from both organic growth and the potential for accretive bolt on acquisitions over time looks attractive. Assuming momentum starts to emerge in the home equity release business and momentum continues in its core operation, this implies continued earnings growth for FY16 and FY17, which is supportive for Dividend per share growth. My thoughts are that HNZ remains a buy for earning and dividend growth.

Year to 30 June		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	36.0	47.4	51.6	55.1
Eearnings /share (Adjust)	NZc	8.8	10.2	11.0	11.6
EPS Growth	%	396	15.7	7.6	5.1
Price / Earnings Ratio	x	14.3	12.3	11.5	10.9
Cash / Share	NZC	9.0	10.4	11.2	11.7
Net Div / Share	NZc	2.7	6.8	7.5	9.8
Imputation	%	100	100	100	100
Net Yield	%	2.2	5.4	6.0	7.8
Gross Yield	%	3.0	7.4	8.3	10.8

Source: Company data; NZX; First NZ Capital Estimates

Infratil (IFT) $3.19

IFT has been added to the First NZ Capital's *NZ Focus List,* having shown up in their quantitative screen. Since the Global Financial Crisis IFT has traded at a discount of around 20% to their assessed net asset value of it's assets, having traded at parity or even a premium in the previous three years. IFT is currently trading at a NAV of around $2.90, which means that it is trading at a 16% discount, and hence trading around fair value.

Factors which could drive this NAV higher include a re-rating of Trustpower. A strategic review of Infratil Electricity Australia (IEA) may result in this business being divested and its value realized or a merger/acquisition. The value of IEA and TPW's Australian assets have benefited in recent times from a decline in the value of the NZD/AUD exchange rate.

Year to 31 March		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	43.5	70.8	96.5	111.0
Eearnings /share (Adjust)	NZc	7.6	12.8	17.5	20.2
EPS Growth	%	-34.8	68	37.6	15.3
Price / Earnings Ratio	x	40.7	24.2	17.6	15.3
Cash / Share	NZC	26.2	37.4	43.4	46.4
Net Div / Share	NZc	10.8	27.5	14.0	15.5
Imputation	%	100	100	100	100
Net Yield	%	3.5	8.9	4.5	5.0
Gross Yield	%	4.8	12.4	6.3	7.0

SOURCE: COMPANY DATA; NZX; FIRST NZ CAPITAL ESTIMATES

Metro Performance Glass (MPG) $1.90

New listing - Founded 38 years ago in Auckland, Metro Performance Glass (MPG) is the leading value-added float glass processor in NZ with in excess of 50% share of circa $300m pa sector turnover. An ownership restructure in 2011-12 led to a refresh of the senior leadership team. Since then, this team has significantly improved cost efficiency, capitalised on a recovering NZ building cycle and achieved share gain. MPG has become one of the best performing building material companies in Australasia in terms margins and return on invested capital.

Multiple opportunities to deliver earnings growth

We expect MPG to capitalise on the further recovery in the NZ housing and non-residential building cycle. Additionally, there are opportunities for MPG to achieve more growth in the short term from further share gain and cost savings from investment made in the automation of processing facilities. In the medium to long term, the retrofitting of existing homes with double-glazed products offers significant upside. We are expecting double-digit earnings growth for each of the next three years.

Year to 31 March		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	17.2	21.6	26.4	34.3
Earnings /share (Adjust)	NZc	9.3	11.7	14.3	18.6
EPS Growth	%	87.1	25.3	22.5	30
Price / Earnings Ratio	x	20.8	16.6	13.5	10.4
Cash / Share	NZC	11.7	14.0	17.7	22.1
Net Div / Share	NZc	0.0	3.6	10.7	13.9
Imputation	%	100	100	100	100
Net Yield	%	0.0	1.9	5.5	7.2
Gross Yield	%	0.0	2.6	7.7	10.0

Source: Company data; NZX; First NZ Capital Estimates

Synlait Milk (SML) $3.35 Target price $4.28

NZX-listed South Island dairy products manufacturer, Synlait Milk, said it had revised its forecast milk price for the 2014/15 down from $5.00 per kg of milk solids to $4.40/kg, and warned that its first half result would be "substantially lower" than the previous first half. Synlait chairman Graeme Milne said the milk price revision was the result of several factors at play in the global market, which were causing continued downward pressure on prices. "We remain confident in previous guidance around our full year 2015 performance, although there is no doubt that the world continues to be a volatile place," he said.

Synlait should benefit from increased infant formula and nutritional sales in the current financial year, but this would be largely offset by increased operating and funding costs.

Synlait managing director John Penno said over-supply in the global dairy market was unlikely to change in the short term, however prices were expected to strengthen again in the medium term as supply and demand rebalances. Penno acknowledged that "With the low forecast market milk price, it is shaping up to be a tough year for our suppliers and cash flows will be tight. But they are aware of larger market volatility and many of them have been planning accordingly."

Wynyard Group (WYN) $2.20

Wynyard Group, the security software firm, missed 2014 annual revenue forecast due to timing of key contracts. WYN said 2014 revenue lagged its forecast as negotiations on a few key contracts dragged into the next financial year. Revenue was $25.7m in the year ended Dec. 31, ahead of the $21.7m a year earlier but lagging its forecast for $29m to $32m. The latest figures are unaudited and the final results will be detailed 25th Feb.

Wynyard, which decided last year to focus on winning larger government contracts, had warned that it might miss its forecast sales if some of its big contract negotiations extended into 2015.

CEO Craig Richardson said "The key indicators of momentum and sustainable revenue growth were strong, and the lower-than-forecast 2014 revenue is represented by a very small number of large contracts in negotiation at year end that WYN now expects to sign in the first part of 2015, together with contracted revenue for installations in progress that will be recognised on completion during FY15." Annual software license revenue increased 60 percent to $8.1m, with recurring revenue of $13.7m making up 53 percent of total revenue.

Sky Network Television (SKT) $5.95

SKT is another to be added to First NZ Capital's NZ Focus List. While price momentum has been weak there has been a modest improvement in earnings momentum. Furthermore following the share price decline in December SKT appears to offer reasonable value, even after taking into account the much more subdued earnings growth outlook. In addition SKT offers a FY15 forecast gross dividend yield of 7.5%.

They emphasize that in adding SKT to the Focus list they are taking a view on the stock which may turn out to be quite short term. In the medium to long term SKT faces a number of challenges. Top of the list is the advent of high speed internet which although not available to all households will increasingly make the streaming of video content to viewers possible.

Consequently SKT has opened new opportunities for distributing video content and new ways for viewers to view content e.g. on-demand and catch-up television. This has seen new potential competitors arrive on the scene such as Spark's Lightbox and Netflix. This has the potential to push up the cost of programme content as does the weakness in the value of the NZ dollar.

Fortunately SKT has secured the rights to key programme content in NZ for 3 - 5 years. Furthermore SKT's existing revenue stream gives it much greater ability to bid for content and hence hinder the ability of competitors to acquire key content. Over the next five years SKT faces an increase in capital expenditure as it upgrades decoders and launches new Ultra High Definition decoders.

SKT's business has now matured as evidenced by the very low level of subscriber growth over the past two years. The challenge for SKT is how it grows from here. Finally SKT's strong balance sheet is a key advantage as it navigates the changing environment in which it operates.

NZ Electricity Generators

RISK WEIGHTED SPOT DCF VALUATIONS

	NZX Code	Last Price	Spot DCF	Gap to DCF
Contact Energy	CEN	6.89	6.46	7%
Genesis Energy	GNE	2.29	2.02	13%
Meridian (Fully Paid 5/15)	MEL	2.41	2.16	12%
Meridian Instalment	MELCA	1.91	1.66	15%
Mighty River Power	MRP	3.30	2.76	20%
Trustpower	TPW	8.30	7.84	6%

Since last September's election our market has favoured NZ gencos, chased by investors seeking defensive yield and MSCI index demand. Our analysts reaffirm their sector outlook, with earnings forecasts also largely unchanged. The four key assumptions we retain are:

- Gradual rise of spot electricity prices to real $80/MWh
- Flat to declining retail prices, in real terms
- Improving thermal earnings, on falling thermal output
- Tiwai Point smelter reduces output by 172MW to 400MW

Solar PV is now getting a lot of airtime. We note that it's growing, but don't believe that it will have a large impact on NZ generators, because NZ is already 80% renewable. Unless politicians volunteer massive taxpayer support, which isn't expected in NZ – with an 80% renewable rate already for electricity generation, the natural rate of solar PV growth doesn't threaten a mass disruption of NZ genco economics.

Electric vehicles are also receiving some attention, but don't expect them to significantly alter NZ's electricity outlook. Practicalities suggest EVs will contribute gradual demand growth, rather than a step change.

This sector now looks expensive, with price momentum well above valuations. Several forthcoming sector catalysts may have a softening influence.

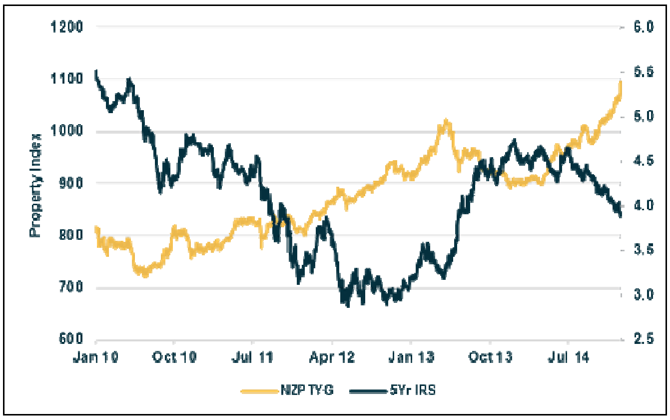
These include flattish HY15 earnings; MRP & GNE loyalty bonus shares issue; payment of the second MELCA instalments in May; and NZAS discussing smelter viability from July.

On a relative basis, our analysts prefer TPW, followed by CEN, GNE then MEL. They see MRP as the most expensive in the sector.

NZ Property Stocks

In a very expensive sector it is difficult to find a lot of value.

The market is possibly anticipating a significant cap rate reduction. While the sector remains fundamentally over-valued if global interest rates continue to fall then the sector could continue to trade higher and in the short-term NTA's will become increasing irrelevant. So watch out for movements in long term rates.



Preferred Exposures

Argosy Property (ARG) $1.13

High cash yield. We continue to like management's performance in improving portfolio metrics, balance sheet management, portfolio rebalancing and clear communication of strategy. A fully diversified, low risk, no development, internally managed property vehicle.

ARG has just acquired a portfolio of five industrial properties in the Wellington region. The acquisition totals $58.94m on an initial yield of 8.2% and will be funded via renewed debt facilities with its current banking syndicate. The five properties have an average WALT (Weighted Average Lease Term) of 5.2 years.

Kiwi Income Property (KPG) $1.34

KPG looks okay on valuation metric but earnings face a headwind over next couple of years. Majestic continues to bleed money, but the acquisition of the Apex Centre pre-Xmas was a good addition. The Lynmall redevelopment is underway, which will provide a positive impetus.

All others look expensive given recent strength

Goodman Property Trust (GMT) $1.19

Good cash yield, although slightly engineered. Good underlying portfolio and progress at Highbrook is increasing. The recent announcement on development projects and divestments is a positive.

Precinct Properties NZ (PCT) $1.22

A 12%+ share price increase in December and the yield is looking very skinny for upcoming development risks. PCT has a quality portfolio but is beginning a 6-7 year transformation which needs to be done. The market is now conditioned to them not capturing as much of the office sector outperformance by having too many structured leases. The major positive is that this company has the best management in the sector.

DNZ Property Fund (DNZ) $1.96

Very strong performance in November at +5.4%, so looking a little stretched. Their business is adding risk and all earnings levers are maxed out. Westgate (Auckland) shopping centre development is now largely de-risked but will drag on earnings initially due to its low yield. We would prefer to see more on the divestment front early rather than waiting into next year.

Vital Healthcare Property (VHP) $1.64

Yield is now below their sector average, despite having the highest yield at the asset level. This stock is trading at a 57% premium to its net asset valuation (NTA), versus 25% on average over the last 5 years. Investors are forgetting the poor governance, disclosure and 12.0% income hole, and $40m write-down of Allamanda still to come in 2017.

Property for Industry (PFI) $1.60

This stock just looks expensive in terms of premium to NTA (versus historical) and yield. Their portfolio is, however, in good shape and performing well – The Industrial sector looks to have reasonable outlook.

"Rule No 1: Never lose money.
Rule No 2: Never forget rule No 1."
Warren Buffet

FNZC's New Zealand Model Income Portfolio

How to Use the Model Portfolio

- *The model portfolios can either be used as a recommended list or as a guide for portfolio construction.*
- *The Investment Committee does not believe that the Core portfolio has adequate diversification to be used as stand-alone portfolio.*
- *The weightings to each stock are kept constant until the Investment Committee decides to alter the stock weighting. We do not recommend that users of the model portfolios constantly adjust portfolio weightings as stock prices change to the recommended stock weightings. We recommend that a stock weighting be reweighted to the recommended level once the weighting deviates by more than 2.5 - 5% subject to a minimum trade size of around $5,000.*

As at 1ST January 2015	**Core** 8 stocks $65k - $135k	**Core Plus** 10 stocks $100k - $200k	**Diversified** 12 stocks Over $165k	**Sector**
Argosy Property	5%	5%	10%	Financials
Contact Energy	15%	15%	15%	Utilities
Fisher & Paykel Healthcare		5%	5%	Health Care
Fletcher Building	12.5%	15%	10%	Industrials
Freightways	17.5%	12.5%	10%	Industrials
Goodman Property Trust	17.5%	15%	10%	Financials
Heartland			5%	Financials
Infratil			5%	Utilities
Mighty River Power	7.5%	10%	10%	Utilities
Sky Network TV		5%	5%	Consumer Discretionary
Spark NZ	10%			Telecommunications
Steel & Tube		5%	5%	Industrials
Z Energy	15%	12.5%	10%	Energy

NOTE: The Core and Core Plus portfolios are not adequately diversified to be used as stand-alone portfolios.

Company	**31 Jul Price ($)**	**31 Dec Price ($)**	**PE Ratios (x)**		**Div Yield %***		**Gross Returns %**		
			Pros	**Pros +1**	**Pros**	**Pros +1**	**1 Year**	**3 Year pa**	**5 Year pa**
Argosy Property		1.08	18.8	18.4	8.1	8.0	25.8	17.6	12.0
Contact Energy	5.54	6.38	23.4	22.9	8.7	11.5	31.4	12.1	6.0
Fisher & Paykel Healthcare	4.75	6.25	31.1	28.6	2.9	3.2	67.0	39.0	16.1
Fletcher Building		8.30	14.1	12.0	5.7	6.5	2.6	15.8	5.2
Freightways	4.92	5.80	15.3	16.2	5.8	6.2	29.1	21.6	15.6
Goodman Property Trust	1.08	1.14	15.3	15.6	8.1	8.1	23.1	10.7	7.0
Heartland	0.94	1.13	11.0	11.6	7.7	8.0	42.7	38.3	n/a
Infratil	2.37	3.00	23.5	17.1	6.2	6.5	48.4	24.4	19.0
Mighty River Power	6.75	2.98	25.1	25.5	8.5	8.6	52.0	n/a	n/a
Sky Network TV	2.84	6.04	12.3	12.2	7.7	8.5	10.3	12.4	10.6
Spark	2.94	3.12	17.0	16.0	7.9	8.4	45.0	22.6	6.3
Steel & Tube	3.83	2.91	11.9	9.9	8.8	10.8	n/a	n/a	n/a
Z Energy		4.63	16.8	14.9	6.6	7.5			

*Dividend yields are gross

Performance	Div Yield % *	PE Ratio (x)	Gross Returns %			Volatility
	Pros	Pros	1 Year	3 Year pa	5 Year pa	(5 Years)
Core	7.3	18.1	41.2	23.2	17.5	9.3
Core Plus	7.2	18.4	35.4	23.3	17.7	8.2
Diversified	7.3	18.8	34.6	24.7	18.3	7.9
NZX50 Index	6.2	18.6	17.5	19.4	11.5	8.4

* Dividend yields are 12 months prospective and are gross of tax.

STOCKS TO WATCH NEW ZEALAND

Prices as at 12h February 2015

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NOTE: THESE ARE ALL ONE YR GRAPHS

Chorus

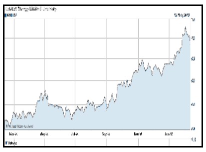
CNU offers further upside if the final pricing determination goes CNU's way and it can recommence paying a dividend in 1H16 (forecast is a FY16 cash dividend of 15c per share) Unfortunately the date for the final pricing determination has been extended from April 2015 to September 2015 with a second draft determination indicatively due on 29 May 2015. Earnings continue to be impacted by gradual decline in regulatory pricing. Key area of interest in the result will be on UFB connections and progress on reducing communal capex cost per premise.

20015 P/E: 9.6 2016 P/E: 9.5

NZX Code:	**CNU**
Share Price:	**$2.90**
12mth Target:	**$2.80**
Projected return (%)	
Capital gain	-3.5%
Dividend yield (Net)	0%
Total return	**-3.4%**

Rating: NEUTRAL

52-week price range (NZ$) 1.41-2.91



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Contact Energy

Stop Press – CEN has just reported its 1st Half 2015 result. This included a mildly disappointing earnings of $257m - 3% ($7m) below pcp and the $9m we forecast. Underlying EPS fell vs pcp by 21% (2.8cps) to 10.4cps, just below our 10.6cps forecast. What caught everyone's attention was the nil increase in interim dividends (constant at 11cps). CEN's share price dropped to $6.30 on the news.

20015 P/E: 26.7 2016 P/E: 23.0

NZX Code:	**CEN**
Share Price:	**$6.89**
12mth Target:	**$6.61**
Projected return (%)	
Capital gain	-4.1%
Dividend yield (Net)	4.1%
Total return	**0.0%**

Rating: NEUTRAL

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

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Delegat's Group

DGL's global case sales for the last 6 months were up 4% at $1.13m, when compared to the pcp We continue to like the investment case for DGL as it expands production and looks to increase sales by over 50% over the next five years. DGL has a proven track record in execution and a good business model extending from owning the vines to its brand. As an exporter, DGL has been battling a strong NZ dollar but is a beneficiary of a pullback in the NZ dollar.

2015 P/E: 12.3 2016 P/E: 11.2

NZX Code:	**DGL**
Share Price:	**$4.56**
12mth Target:	**$4.80**
Projected return (%)	
Capital gain	5.3%
Dividend yield (Net)	3.8%
Total return	**9.1%**

Rating: OUTPERFORM

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

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Ebos Group

At the end of January EBO won a key NSW distribution contract of medical consumables to all public hospitals in this Australian State. This will require a western Sydney facility to be built, which should be operational by late 2015. EBO continues to trade strongly, having achieved substantial earnings growth over the last few years, with continued growth expected.

2015 P/E: 15.0 2016 P/E: 13.5

NZX Code:	**EBO**
Share Price:	**$9.60**
12mth Target:	**$10.30**
Projected return (%)	
Capital gain	7.2%
Dividend yield (Net)	5.6%
Total return	**12.9%**

Rating: NEUTRAL

52-week price range (NZ$) 8.44-10.58

↓

F&P Healthcare

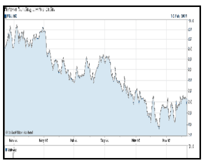
First half 2015 earnings at $48.9m is up 9.9% on the previous comparable period. GP margins were the key stand-out, at 60.6%, and compared favourably to the pcp, at 58.4%. Expansion was attributed to positive contributions from the Mexico manufacturing facility, favourable product mix, operating efficiencies and hedging gains. FPH has benefited from the weakening NZD, and the share price movement finds its shareprice looking fully priced.

2015 P/E: 28.9 2016 P/E: 26.6

NZX Code:	**FPH**
Share Price:	**$6.43**
12mth Target:	**$5.35**
Projected return (%)	
Capital gain	0.6%
Dividend yield (Net)	3.6%
Total return	**4.2%**

Rating: UNDERPERFORM

52-week price range (NZ$) 3.95-6.45



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Fletcher Building

We estimate FBU pre-abn'l EBIT to reach $319m in 1H15 (+4% on $304m in pcp) driven by a combination of infrastructure and NZ distribution. Earnings from Australia should also deliver further yoy recovery in 1H. Our expectation is for a stronger EBIT recovery (+11% yoy) in 2H15F is driven by higher NZ housing and commercial volume. We expect management to retain $650m-$690m EBIT guidance range for FY15F (FNZC at $673m).

2015 P/E: 14.6 2016 P/E: 12.5

NZX Code:	**FBU**
Share Price:	**$8.46**
12mth Target:	**$10.80**
Projected return (%)	
Capital gain	27.6%
Dividend yield (Net)	5.3%
Total return	**32.9%**

Rating: NEUTRAL

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

↑

Fonterra Shareholder Fund

While a lowering of Fonterra's farmgate milk price to $4.70 (previously $5.30) is hardly a time for celebration, for farmer shareholders, weaker dairy commodity prices do provide an offset through potentially higher Fonterra earnings and dividend through lower milk input cost. Accordingly, we have raised our Dividend per share forecast to 39cps from 25cps previously.

2015 P/E: 11.0 2015 P/E: 14.1

NZX Code:	**FSF**
Share Price:	**$5.90**
12mth Target:	**$7.65**
Projected return (%)	
Capital gain	29.7%
Dividend yield (Net)	5.9%
Total return	**35.6%**

Rating: OUTPERFORM

52-week price range (NZ$) 5.70-6.41

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Freightways

We forecast Express Package revenue to increase 7.9% in 2Q15 with 1H15 underlying divisional growth of +9.0%. Fuel surcharge adjustments will support Express Package EBITDA margin growth.

2015 P/E: 17.0 2016 P/E: 15.6

NZX Code:	**FRE**
Share Price:	**$5.90**
12mth Target:	**$5.60**
Projected return (%)	
Capital gain	-5.1%
Dividend yield (Net)	6.0%
Total return	**0.9%**

Rating: NEUTRAL

52-week price range (NZ$) 4.34-6.20

↑

Heartland New Zealand

HNZ raised its FY15 NPAT expectation to $46m-$48m from $42m-$45m. HNZ is likely to benefit by circa $1.5m from tax losses it can use from its Home Equity Release acquisition that were not in our analyst's forecast. The stronger result is driven by growth in its Rural, Business and Consumer lending. Car sales have lifted strongly compared to 2013 and the outlook remains positive. DPS expectations have increased, given recognition that HNZ will want to consistently raise dividends over time. HNZ's longer-term investment case remains positive from both organic growth and the potential for accretive bolt on acquisitions over time.

2015 P/E: 12.4 2016 P/E: 11.6

NZX Code:	**HNZ**
Share Price:	**$1.38**
12mth Target:	**$1.35**
Projected return (%)	
Capital gain	-2.1%
Dividend yield (Net)	5.6%
Total return	**3.5%**

Rating: OUTPERFORM

52-week price range (NZ$) 0.85-1.42

↑

Hellaby Holdings

HBY presents itself as an attractive investment opportunity. Forecasts imply a 23% increase in NPAT (versus the pcp). This, alongside an increase in the payout ratio from 50% to 75%, combines to present an attractive yield story. HBY's prior conservatism suggests that management is increasingly comfortable with the company's cash flow generation ability. In addition, HBY has suggested that a share buy-back may be considered as an additional capital management measure. If this does eventuate, it would provide further support to the share price.

2015 P/E: 10.0 2016 P/E: 9.2

NZX Code:	**HBY**
Share Price:	**$3.18**
12mth Target:	**$3.55**
Projected return (%)	
Capital gain	11.6%
Dividend yield (Net)	7.4%
Total return	**19.0%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.75-3.45

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Infratil NZ

IFT sale of Lumo & Direct Connect (Australian electricity retailer) to Snowy Hydro for $336.7m gain on sale for the electricity retailer topped off a $182.5m gain on the IPO sell-down of ZEL. Roughly 18% of NZ$670m sale proceeds were paid in 15cps special dividend ($84.2m), and $35.8m buyback in March quarter. Most of the Lumo proceeds form a war chest for new acquisitions. There seems no rush to divest its 20% of ZEL, nor increase its MET stake. We do still expect the retirement/aged-care sector will feature in future investments. IFT is now trading at a normal 15% discount to estimated value.

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

NZX Code:	**IFT**
Share Price:	**$3.19**
12mth Target:	**$3.20**
Projected return (%)	
Capital gain	0.0%
Dividend yield (Net)	5.0%
Total return	**5.0%**

Rating: NEUTRAL

52-week price range (NZ$) 2.17-3.27

→

Mainfreight

Positive revisions to revenue forecasts reflect the strong first half performance in USA domestic transport, and the expectation that momentum will continue across the balance of 2015. Conversely, our analyst's have made minor downwards revisions to EBITDA forecasts in the short term to reflect a temporarily higher cost structure as new larger capacity facilities are rolled out in New Zealand and Australia.

2015 P/E: 18.2 2016 P/E: 15.6

NZX Code:	**MFT**
Share Price:	**$16.05**
12mth Target:	**$16.25**
Projected return (%)	
Capital gain	1.2%
Dividend yield (Net)	2.4%
Total return	**3.6%**

Rating: NEUTRAL

52-week price range 12.65-16.34

↓

Meridian Energy

Don't expect large special dividend off capital review, due to caution re: NZAS decisions later in 2015 and ever-present hydrology risk. Strong 1H15 hydrology looking like it lifted 1H15 EBITDAF to $312m (16% above pcp). Assuming mean inflows (less 150GWh storage shortfall) we estimate strong result carries through to $618m FY15 EBITDAF (5.6% above FY14).

2015 P/E: 31.6 2016 P/E: 32.4

NZX Code:	**MELCA**
Share Price:	**$1.91**
12mth Target:	**$1.75**
Projected return (%)	
Capital gain	-8.4%
Dividend yield (Net)	5.9%
Total return	**-2.5%**

Rating: UNDERPERFORM

52-week price range (NZ$) 1.02-2.00

↓

Mighty River Power

MRP half-year EBITDAF seems to be largely tracking slightly below pcp (we estimate 1H15 EBITDAF $257m, 5% down vs 1H14 $270mn) due mainly to record low hydro production. Assuming mean production less storage shortfall, the FY15 EBITDAF should track very close to FY14 (we estimate $499m FY15 EBITDAF, vs $504m pcp). Regard MRP as having the lowest risk earnings in the sector. But that means it's hard to imagine material upside surprises to lift our DCF valuation. With low sector growth and MRP's house seemingly in order, opportunities for upside value surprises appear limited.

2015 P/E: 26.4 2016 P/E: 25.1

NZX Code:	**MRP**
Share Price:	**$3.30**
12mth Target:	**$2.88**
Projected return (%)	
Capital gain	-12.7%
Dividend yield (Net)	7.7%
Total return	**-5.0%**

Rating: UNDERPERFORM

52-week price range (NZ$) 1.97-3.57

↑

Opus International Consultants

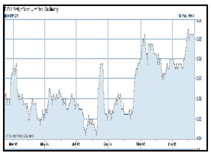
Operational restructuring in NZ is intended to enhance OIC's competitive position, especially against offshore competitors, and improve the company's profitability going forward. To outperform the market OIC will need to execute on its cost initiatives in both New Zealand & Australia. We estimate group pre-abn'l EBIT to reach $36m in FY14F (-3% on $37m pcp) driven by weaker contribution in NZ operation but partly offset by full year contribution from Canada. The outlook for its Canadian operation will be key given weakness in oil price.

2015 P/E: 7.5 2016 P/E: 7.2

NZX Code:	**OIC**
Share Price:	**$1.39**
12mth Target:	**$2.20**
Projected return (%)	
Capital gain	60.6%
Dividend yield (Net)	6.9%
Total return	**67.5%**

Rating: OUTPERFORM

52-week price range (NZ$) 1.36-2.16



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PGG Wrightson

PGW earnings should benefit from ongoing recovery in rural farm gate returns (dairy sector being an exception) in FY15F. This is continuing to translate into improvement in PGW merchandising, other agriservices, livestock operation and Agritech division across New Zealand and Australia. Management is focussed on lifting earnings beyond the benefits from the cycle through a combination of operational efficiencies, market share gain, and expansion into new segments and markets. We estimate PGW's 1HFY15F EBITDA at $26m (+17% vs $22m in pcp).

2015 P/E: 9.7 2016P/E: 9.5

NZX Code:	**PGW**
Share Price:	**$0.48**
12mth Target:	**$0.53**
Projected return (%)	
Capital gain	10.7%
Dividend yield (Net)	10.0%
Total return	**20.7%**

Rating: OUTPERFORM

52-week price range (NZ$) 0.38-0.50

→

Port of Tauranga

Expect 1H15 container growth of 16% to be partly offset by lower break bulk volume. With its proximity to New Zealand's largest export production region, its position as New Zealand's most efficient port and its ability to invest for bigger ships and still earn a satisfactory ROIC on that incremental investment, POT is positioned to benefit from ongoing trade consolidation. This stock continues to outperform, so don't be tempted to take any profit. With dredging, big container ships, combined with improved land-based logistics, so the sky is the limit for POT.

2015 P/E: 26.9 2016 P/E: 26.2

NZX Code:	**POT**
Share Price:	**$17.80**
12mth Target:	**$16.90**
Projected return (%)	
Capital gain	-5.0%
Dividend yield (Net)	3.4%
Total return	**-1.6%**

Rating: NEUTRAL

52-week price range (NZ$13.65-18.35

↓

Precinct Properties

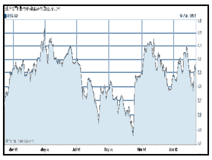
PCT continues to position themselves for their upcoming major redevelopment pipeline of Downtown Auckland CBD, Wynyard Quarter Auckland and Bowen Campus in Wellington. Whilst the market is conditioned to reducing earnings through the development programme we are interested to see underlying growth in rental from their core portfolio - in particular those in the buoyant Auckland prime CBD office market.

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

NZX Code:	**PCT**
Share Price:	**$1.22**
12mth Target:	**$1.08**
Projected return (%)	
Capital gain	-11.4%
Dividend yield (Net)	5.5%
Total return	**-5.9%**

Rating: UNDERPERFORM

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



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Sky City Entertainment

The Convention Centre project risk looks to be reducing. Primary drivers going forward include key initiatives such as the relocation of the Baccarat Room and opening of the premium play Black Room. SKC has previously struggled to sustain growth momentum for extended periods of time and therefore caution against extrapolating 1H15 growth rates into future forecast periods.

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

NZX Code:	**SKC**
Share Price:	**$3.92**
12mth Target:	**$3.65**
Projected return (%)	
Capital gain	-7.3%
Dividend yield (Net)	5.1%
Total return	**-2.2%**

Rating: UNDERPERFORM

52-week price range (NZ$) 3.41-4.23

→

Sky Network Television

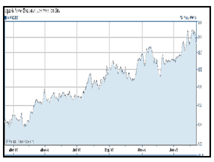
Expect to see pay-tv sub loss at 1H15; with MySky advertising slowing, ARPU growth is likely to be slowing also. Despite this SKT looks set to deliver another good earnings result with ongoing benefits of the reduced capex spend in recent periods and programming costs yet to ramp up. Expect payout to remain at 70%, with a special dividend a positive surprise.

2015P/E: 12.69 2016 P/E: 13.0

NZX Code:	**SKC**
Share Price:	**$5.95**
12mth Target:	**$6.20**
Projected return (%)	
Capital gain	4.2%
Dividend yield (Net)	5.4%
Total return	**9.6%**

Rating: NEUTRAL

52-week price range (NZ$) 3.74-6.95



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Spark NZ

We are looking at three key things - mobile connections will be strong but can SPK translate it into services revenue gains; how many connections did SPK lose in broadband and is it being offset by ARPU gains; level of IT services revenue growth. Bottom line result is likely to be okay.

2015 P/E: 18.5 2016 P/E: 17.1

NZX Code:	**SPK**
Share Price:	**$3.33**
12mth Target:	**$2.97**
Projected return (%)	
Capital gain	-10.8%
Dividend yield (Net)	7.3%
Total return	**-3.5%**

Rating: UNDERPERFORM

52-week price range (NZ$) 2.38-3.54

↑

Summerset Group Holdings

Expect a solid 4Q of sales to translate into a strong 2H14 vs 1H14. Good momentum in new sales from Auckland greenfield and ongoing growth in development/resale margins, should lead to much higher earnings growth in 2015.

2015 P/E: 26.7 2016 P/E: 22.3

NZX Code:	**SUM**
Share Price:	**$3.16**
12mth Target:	**$3.45**
Projected return (%)	
Capital gain	9.2%
Dividend yield (Net)	1.7%
Total return	**10.9%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.58-3.60

↑

Synlait Milk

SML is looking to increase milk supply over the next year, in excess of targets stated in their original business case. They say that the dry weather is likely to have minimal impact on their supply base, and that they are on target to reach 5m kg in the 2016 financial year. SML's earnings could more than double in the next four years, but this is premised on the company successfully executing the expansion of its manufacturing facilities and increasing sales in higher-margin nutritional and infant formula products. This is a continuing growth story.

2015 P/E: 24.8 2016 P/E: 14.0

NZX Code:	**SML**
Share Price:	**$3.35**
12mth Target:	**$4.40**
Projected return (%)	
Capital gain	31.3%
Dividend yield (Net)	0%
Total return	**31.3%**

Rating: OUTPERFORM

52-week price range (NZ$) 3.10-4.06

→

TrustPower

TPW earnings and value are driven by two facets of its operations - domestic electricity retail and Australian wind. TPW's retail electricity margins are still sector-leading, and it recently took the bold step of selling a differentiated multi-utility product. Less than a year in, its push to establish competitive advantage in a high churn retail environment is showing some early promise. In Australia, 270MW Snowtown II windfarm has proved an exemplar for value creation. Unfortunately, further windfarms and any sell-down of Snowtown are on pause, while politicians decide how and if further renewable scheme demand should be mandated. DCF value increases 21cps to $7.84, and their one year target price rises 26cps to $8.21. But their DCF value would lift as much as $2.00/sh if Australian politicians risk is extinguished.

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

NZX Code:	**TPW**
Share Price:	**$8.30**
12mth Target:	**$8.21**
Projected return (%)	
Capital gain	-1.2%
Dividend yield (Net)	4.8%
Total return	**3.6%**

Rating: NEUTRAL
52-week price range (NZ$) 6.42-8.40

↑

Xero

An emerging margin improvement coupled with a surge of innovation augers well for 2016 for XRO. The US market is improving, but Management acknowledges high churn. Whilst management notes similar churn in its other markets at the same start-up stage, this key variable requires a rapid turnaround going forward. We note the surge in Product Development headcount, with 37% of all developers being hired in the last nine months. After heavy investment to create an organisational platform for global growth, XRO can now focus on growing margins. We note that both NZ and now AU have now exceeded break-even.

2015P/E: -35.5 2016 P/E: -30.0

NZX Code:	**XRO**
Share Price:	**$16.20**
12mth Target:	**$27.00**
Projected return (%)	
Capital gain	66.7%
Dividend yield (Net)	0%
Total return	**66.7%**

Rating: OUTPERFORM
52-week pr range (NZ$) 15.00-45.99

↑

Z Energy

ZEL's story is less about near term (with the current share price most certainly anticipating ZEL printing at least the top-end of its targeted $220-240m EBITDA range) but more about how medium-term dynamics could play out. While it is not expected that ZEL will extract higher underlying margins in FY16, or at least should not rely on favourable oil price trends to underwrite margin growth, we are still optimistic regarding earnings growth. Points to consider include improved product mix, the potential to monetise the refinery optimisation agreement with savings of between $6-8m, continued optimisation of its Commercial Portfolio, and footprint expansion.

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

NZX Code:	**ZEL**
Share Price:	**$4.68**
12mth Target:	**$5.00**
Projected return (%)	
Capital gain	3.9%
Dividend yield (Net)	5.8%
Total return	**9.7%**

Rating: OUTPERFORM
52-week price range (NZ$) 3.66-5.01

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

Graham Nelson
Director, Wealth Management Adviser AFA

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

NZ LISTED COMPANIES – 11th February 2015 Source: First NZ Capital, CSFB	Ticker	Mrkt Cap (NZ$m)	Price 11/2/15 (NZ$)	Price 28/4/14 (NZ$)	Fair Value	Price Earnings (x)		Gross Yield (%)	
						FY15	FY16	FY15	FY16
OIL & GAS & CONSUMABLE FUELS									
Z Energy	ZEL	1,912	4.78	3.92	4.73	15.1	14.1	7.4%	7.9%
INDUSTRIALS									
Capital Goods									
Fletcher Building	FBU	5,847	8.50	9.72	9.65	14.8	12.6	5.5%	6.2%
Opus International Consultants	OIC	209	1.32	1.94	2.05	7.6	7.3	9.5%	10.0%
Methven	MVN	84	1.15	1.24	1.40	11.0	8.9	9.9%	10.6%
Metro Performance Glass	MPG	350	1.89		1.90	16.2	13.2	2.6%	7.9%
Nuplex Industries	NPX	586	2.96	3.49	3.50	11.6	10.0	7.1%	7.1%
Steel & Tube Holdings	STU	252	2.85	3.05	2.65	11.9	9.9	8.8%	10.7%
Agriculture									
Fonterra Shareholders' Fund	FSF	703	5.77	6.17	7.40	10.3	13.3	6.8%	5.3%
PGG Wrightson	PGW	366	0.49	0.40	0.48	10.6	10.1	12.95%	12.9%
Airlines									
Air New Zealand	AIR	2,903	2.59	2.10	1.95	8.6	7.8	7.2%	7.2%
Road Rail & Air									
Freightways	FRE	919	5.95	4.90	5.20	18.4	16.8	5.6%	6.0%
Mainfreight	MFT	1,613	16.20	13.20	14.70	18.6	16.1	3.1%	3.4%
Airwork Holdings	AWK	156	3.10		2.94	10.7	9.5	6.8%	7.8%
Transport Infrastructure									
Auckland International Airport	AIA	5,310	4.46	3.97	3.35	31.9	30.0	4.4%	4.7%
Port of Tauranga	POT	2,498	18.33	14.18	17.00	29.1	29.1	4.2%	4.4%
Infratil	IFT	1,815	3.23	2.27	3.08	25.3	18.4	11.8%	6.0%
CONSUMER DISCRETIONARY									
Hotels, Restaurants & Leisure									
Sky City Entertainment Group	SKC	2,209	3.76	4.08	3.25	16.7	15.6	6.6%	6.6%
Restaurant Brands New Zealand	RBD	381	3.89	3.10	3.05	16.7	14.8	7.1%	8.0%
Media									
Sky Network Television	SKT	2,288	5.88	6.47	5.95	15.4	13.6	6.3%	7.1%
Retailing									
The Warehouse Group	WHS	968	2.79	3.34	2.55	15.3	15.0	9.5%	9.5%
Briscoe Group	BGR	652	3.01	2.49	3.01	17.2	16.3	6.4%	6.7%
Hallenstein Glasson Holdings	HLG	203	3.05	3.39	3.39	13.6	13.2	10.2%	10.5%
Kathmandu Holdings	KMD	294	1.46	3.70	1.80	12.7	11.8	6.3%	6.7%
Michael Hill International	MHI	448	1.17	1.33	1.50	10.9	10.1	5.8%	6.2%
CONSUMER STAPLES									
Delegat's Group	DGL	465	4.65		4.60	13.1	12.0	3.6%	3.9%
Sanford	SAN	373	4.95	4.32	5.20	31.2	24.8	6.5%	6.5%
Synlait Milk	SML	483	3.30	3.64	4.28	24.6	13.9	0.0%	0.0%
HEALTH & AGED CARE									
Ebos Group	EBO	1,467	9.80	8.93	9.55	15.6	14.0	4.8%	5.4%
Fisher & Paykel Healthcare Corporation	FPH	3,498	6.27	4.05	5.00	31.5	28.9	2.9%	3.1%
Ryman Healthcare	RYM	4,110	8.22	8.29	7.89	30.2	26.4	1.7%	1.9%
Summerset Group Holdings	SUM	669	3.06	3.37	3.45	25.8	21.5	1.7%	2.3%
FINANCIAL									
Diversified Financials									
NZX	NZX	317	1.20	1.22	1.29	18.2	15.7	7.1%	7.5%
Guinness Peat Group Plc	GPG	648	0.46	0.59	0.44	10.6	8.2	0.0%	0.0%
Hellaby Holdings	HBY	296	3.09	3.18	3.35	9.9	9.2	10.3%	11.2%
Heartland New Zealand	HNZ	658	1.41	0.85	1.35	13.8	12.8	6.6%	7.4%
Property									
Precinct Properties New Zealand	PCT	1,314	1.24	1.01	1.06	20.3	20.6	6.5%	6.5%
Argosy Property	ARG	913	1.14	0.91	1.06	19.3	18.9	7.9%	7.8%
DNZ Property Fund	DNZ	580	1.95	1.56	1.71	20.0	19.8	7.3%	7.3%
Goodman Property Trust	GMT	1,468	1.20	0.99	1.08	15.4	15.8	8.0%	8.0%
Kiwi Income Property Trust	KIP	1,515	1.33	1.14	1.18	19.8	21.5	7.3%	7.3%
NPT	NPT	104	0.64	0.62	0.63	18.6	18.1	7.5%	7.6%
Property For Industry	PFI	654	1.59	1.29	1.35	21.1	21.3	6.9%	6.9%
Vital Healthcare Property Trust	VHP	563	1.65	1.33	1.36	17.8	17.6	7.3%	7.4%
INFORMATION TECHNOLOGY									
Diligent Board Member Services	DIL	485	5.58	4.49	5.50	32.7	23.4	0.0%	0.0%
EROAD	ERD	227	3.78		4.95	420.0	39.2	0.0%	0.0%
Trade Me Group	TME	1,450	3.68	3.90	3.59	18.6	18.2	4.3%	4.3%
Xero	XRO	2,067	16.10	31.00	24.50	-33.5	-28.4	0.0%	0.0%
TELECOMMUNICATION SERVICES									
Chorus	CNU	1,128	2.85	1.78	2.80	9.8	9.4	0.0%	7.2%
Spark New Zealand	TEL	6,146	3.35	2.62	2.80	18.6	17.5	7.2%	7.6%
UTILITIES									
Contact Energy	CEN	5,200	7.09	5.69	6.46	29.3	24.6	7.8%	9.1%
Genesis Energy	GNE	2,285	2.29		2.02	30.6	31.4	6.1%	6.1%
Meridian Energy (full paid)	MEL	6,175	2.41	1.70	2.16	30.6	24.2	8.1%	8.5%
Mighty River Power	MRP	4,722	3.43	2.29	2.76	27.9	26.7	7.7%	8.0%
Trustpower	TPW	2,613	8.35	6.65	7.84	20.1	16.9	6.2%	6.1%
Vector	VCT	2,928	2.94	1.70	2.71	18.7	17.4	7.2%	7.3%
MARKET SUMMARY									
Market Average (excluding XRO)						**25.8**	**17.2**	**6.1%**	**6.5%**

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

The Australian share market rose to a 7 year high of 5,707. The best performing stocks were retail, media and oil stocks - the latter driven by a higher oil price. Lower interest rates also pushed the banks up in modesty, due to their relatively attractive dividend yields.

RBA provides equities with a free ride

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

Valuation overshoot

- Since the global financial crisis, companies have preferred to return capital back to shareholders rather than use cheap debt to finance capex. Governments have preferred to manage debt instead of spend. The world is awash with central bank liquidity but companies and governments are refusing to invest. The fall in the cost of debt will further support stock prices and we expect valuations will continue to overshoot long term averages. Our analysts are targeting a 6000 ASX 200 for Dec-2015.

BHP Billiton (BHP)

- A$30.70 Target price A$32.00

BHP released strong increases in first half 2015 production with big increases in coking coal, iron ore and petroleum somewhat offset by a large decline in copper production. BHP announced a large 40% reduction in the number of drilling rigs in operation at its US shale business. BHP also announced a number of one-off impairments. Catalysts include the spin-off of South 32, and reduced capital expenditure to prop up free cash flow to ensure the maintenance of the dividend (FY15 forecast dividend yield 5.5%).

Macquarie Group (MQG)

- A$65.83 Target price A$68.00

MQC is forecast to produce strong earnings growth over the next few years, yet the investment bank's shares trade on a relatively undemanding price-to-earnings (PE) multiple (based on data provided by Morningstar) for financial year 2015 of 14.3x.

MQG should benefit from a medium-term positive earnings upgrade cycle, supplemented by an ongoing global platform build-out. Compared to the average global investment bank, we see MQG as relatively clean of regulatory, political and litigation risks. Key downside risks for MQG include accommodating Fed tapering/a rise in the Fed funds rate, and scope for further bouts in global financial system instability.

National Australia Bank (NAB)

- A$36.71 Target price A$38.00

We see NAB as a restructuring story in full swing, supplemented by macro leverage. Investment positives:

- Exposure to a lower AUD through its UK assets.
- Improvement in the UK economy and the UK commercial real estate market.
- The highest exposure to business lending which is expected to see increased growth.
- NAB is a restructuring story, primarily through the sale of Clydesdale Bank in the UK. In addition it is expected to sell the residual of Great Western, the life insurance business and realization of its UK commercial real estate loans and remaining specialized growth assets. This has a significant impact on the extra capital NAB needs to comply with the more stringent capital requirements proposed in the Murray Inquiry.
- NAB currently offers the best dividend yield of the banks- FY15 forecast **dividend yield of 6.1%.** Post restructuring there is potential for NAB to be re-rated.

Toll Holdings (TOL)

- A$6.03 Target price A$6.70

Toll is the largest integrated transport company in Australia, where it generates 70% of its profit. We see upside in TOL from operational gains and/or the sale of some of the 48% of assets which generate the remaining 30% of profit. Specifically upside exists from merging duplicated depots, greater integration of sales teams, improved network density, reduced unit costs and obtaining a greater share of the business to consumer market (online retail is expected to grow by 17%pa over the next five years). Given the track record to date there is some skepticism that management can achieve the benefits expected and consequently TOL is attractively valued.

Australian Investment Ideas

Bottom-up strategy ideas for the next 6-12 months

Name	ASX Code	Mcap (A$bn)	Year end	P/E (x)	DY (Net %)	FCF (Yield %)	Comment
				FY 2016			
Strategy Long Ideas							
BHP Billiton	BHP	127.9	Jun	16.8	5.1	5.9	Major demerger Attractive div yield Potential Chinese stimulus
National Australia Bank	NAB	90.0	Sep	13.1	5.8	na	Cheapest of mega-banks UK demerger Attractive div yield
Rio Tinto	RIO	87.1	Dec	11.4	5.5	7.3	Selling non-core assets Potential big Div increase Cheapest mega cap miner
Macquarie Group	MQG	21.7	Mar	15.0	5.3	na	Little regulatory, political or litigation risk Double digit DPS growth stock Efficient management team
News Corp	NWS	9.6	Jun	32.8	0.6	6.8	25% discount to SOTP Solid cashflow growth Net cash; Potential buyback
Caltex	CTX	9.3	Dec	15.6	3.5	4.8	Rising dividends Improving free cash Attractive valuation
ResMed	RMD	8.9	Jun	21.9	2.1	4.2	Net-cash on Balance Sheet 20% FCF Margin Hedged against weaker AUD
Flight Centre	FLT	3.7	Jun	12.9	5.9	8.4	Clear growth opportunities Strong cash flow not discounted Strong management
carsales.com.au	CRZ	2.5	Jun	19.9	4.0	5.0	Exceptional cash generator Entering accretive growth phase Double-digit DPS growth
M2 Group	MTU	1.6	Jun	14.0	4.2	7.4	15% EPS FY14-FY16 7% FCF yield Potential for accretive acquisitions
iiNet	IIN	1.2	Jun	13.2	4.6	11.1	Highly cash generative 11% FCF yield Potential for accretive acquisitions
Myer Holdings	MYR	1.1	Jul	11.9	6.7	12.0	Double-digit FCF/gross div yield Upside from online growth 40-50% discount to global sector average
Strategy Long Ideas							
Insurance Australia	IAG	15.3	Jun	14.5	5.0	na	Slow growth backdrop Further pressure from lower bond yields Falling DPS only average Div Yield
Origin Energy	ORG	13.2	Jun	17.6	4.2	3.9	Strained balance sheet Poor DPS momentum Little cash generation
Crown Resorts	CWN	10.2	Jun	18.7	2.8	1.7	Capex-heavy, low ROIC Slowing domestic/Macau revenues Sub-2% FCF yield
ASX	ASX	7.7	Jun	19.2	4.7	5.2	Falling volumes and trade size Little payout upside Testing valuations
Treasury Wine	TWE	3.3	Jun	20.7	3.0	3.5	Poor cash generator Poor private equity candidate Unattractive valuation
QBE Insurance	QBE	2.5	Jun	20.2	2.7	4.9	Top-quintile P/E, bottom-quintile DY Serial equity issuer Late cycle iron ore exposure

Source: Company data; Credit Suisse estimates

NZ Daily Fixed Interest Rate Sheet

PRICES AS AT 3RD FEBRUARY 2015

NOTE: Indicative pricing only

Secondary market	Code	Rating	Type	Maturity/ Reset Date	Coupon	Yield	Margin to SWAP	Price /$100	Coupon Freq
Fonterra Co-operative Group	FCG020	A+	Snr	4/03/2016	6.83%	**3.72%**	16	$106.17	2
Fletcher Building	FBI060	NR	Cap	15/05/2016	9.00%	**4.60%**	104	$107.44	2
Fletcher Building	FBI070	NR	Cap	15/05/2016	7.75%	**4.60%**	104	$105.63	2
Infratil	IFT150	NR	Convert	15/06/2016	8.50%	**5.36%**	180	$105.34	4
Z Energy Ltd	ZEL010	NR	Snr	15/10/2016	7.35%	**4.55%**	100	$105.54	2
Air New Zealand Limited	AIR010	NR	Snr	15/11/2016	6.90%	**5.20%**	112	$105.32	2
Fletcher Building	FBI100	NR	Cap	15/03/2017	7.50%	**4.81%**	127	$108.31	2
Meridian Energy	MEL020	BBB+	Snr	16/03/2017	7.55%	**4.19%**	65	$109.70	2
Vector	VCT070	BB+	Cap	15/06/2017	7.00%	**4.90%**	136	$105.64	2
Auckland Council	AKC050	AA	Snr	29/09/2017	6.52%	**3.69%**	15	$109.41	2
Auckland Intl Airport	AIA110	A-	Snr	17/10/2017	5.47%	**3.89%**	35	$105.69	2
Trustpower	TPW100	NR	Snr	15/12/2017	7.10%	**4.85%**	131	$107.02	4
Fletcher Building	FBI110	NR	Cap	15/03/2018	7.15%	**4.80%**	126	$109.56	2
Z Energy	ZEL020	NR	Snr	15/08/2018	7.25%	**4.85%**	131	$109.38	4
Trans Power	TRP010	AA-	Snr	30/11/2018	5.14%	**3.84%**	30	$105.54	2
Fletcher Building	FBI120	NR	Cap	15/03/2019	5.40%	**5.50%**	196	$101.78	2
Fletcher Building	FBI130	NR	Cap	15/03/2019	6.45%	**5.50%**	196	$106.01	2
Contact Energy Limited	CEN020	BBB	Snr	15/05/2019	5.80%	**4.39%**	85	$106.78	4
Kiwibank	KCF010	BB+	Tier 2	15/07/2019	6.61%	**5.35%**	181	$105.31	2
Infratil	IFT200	NR	Bnd	15/11/2019	6.75%	**5.25%**	170	$107.84	4
Christchurch International Airport	CIA1010	BBB+	Snr	6/12/2019	5.15%	**4.45%**	90	$103.90	2
Auckland Intl Airport	AIA120	A-	Snr	13/12/2019	4.73%	**4.05%**	50	$103.70	2
Infratil	IFT090	NR	Convert	15/02/2020	8.50%	**5.55%**	200	$114.78	4
Goodman Property Trust	GMB020	BBB+	Snr	16/12/2020	6.20%	**4.51%**	95	$109.51	2
Sky TV	SKT020	NR	Snr	31/03/2021	6.25%	**4.85%**	129	$108.04	4
Auckland Intl Airport	AIA130	A-	Snr	28/05/2021	5.52%	**4.14%**	58	$108.63	2
Christchurch International Airport	CIA1020	BBB+	Snr	4/10/2021	6.25%	**4.57%**	100	$111.70	2
Infratil	IFT190	NR	Bnd	15/06/2022	6.85%	**5.60%**	202	$108.53	4

Floating Rate / Perpetual Bonds	Code	Rating	Type	Reset Date	Coupon	Price /$100	Margin to SWAP	Maturity	Coupon Freq
ASB Bank Basel III compliant	ABBFA	BBB+	Tier 2	15/06/2019	6.65%	**94**	155	Perpetual	4
Credit Agricole S.A.	CASHA	BBB-	Tier 1	19/12/2017	5.04%	**76**	300	Perpetual	4
CBA Capital Australia Ltd	CBAFA	A-	RPS	15/04/2015	4.39%	**100**	187	15/04/2015	4
Fonterra Co-operative Group	FCGHA	A	Perp	10/07/2014	4.33%	**100**	187	Perpetual	4
Genesis Power Limited	GPLFA	BB-	Cap Bond	15/07/2018	6.19%	**102.7**	244	Perpetual	4
Infratil	IFTHA	NR	Perp	15/11/2014	4.53%	**76.5**	320	Perpetual	4
Quayside Holdings Ltd	QHLHA	NR	Perp Pref	12/03/2017	5.88%	**101.25**	340	Perpetual	4
Rabobank Nederland	RBOHA	A-	Tier 1	8/10/2014	3.71%	**95**	280	Perpetual	4
Rabobank Nederland	RCSHA	A-	Tier 1	18/06/2019	8.34%	**106.5**	235	Perpetual	4
Works Infrastructure Finance	WKSHA	NR	RPS	15/06/2015	7.95%	**103.5**	300	Perpetual	4

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