Volume 34

JUNE 2019 - BUDGET SPECIAL

Bay Brokers Limited

PO Box 880, Tauranga 3140, New Zealand

Ph: 07-578 7453 Mobile: 021-762 440 Email: andrew@vond.co.nz

Investment Strategies

Welcome to Grant Robertson's "BOTCHED BUDGET". This is hardly transformational, as Jacinda claimed.

Big spends in the budget include a commendable $1.9bn on Mental Health – albeit disputable whether they can effectively spend that much money within the timeframe. Also, a total of $1.7bn for the purchase of assets in Vote Defence Force in 2019/2020, up from $641m last year. Furthermore, the spend-up of $2.1bn for Rail will appease Winston, but do nothing for wellbeing! It shows the Prime Minister has yet again had to throw her principles out the window to buy off Winston.

Added to that, Vote Forestry has doubled, with an extra $139m, for a total of $277m. Again, this doesn't fit in with the Government's five budget priorities of wellbeing. National leaked these details two days before the Budget, with Bridges saying *"It makes a mockery of the Government's inability to settle the teachers strike and refusal to fund more for dentistry – there's money for tanks but not for teachers, there's money for trees but not for teeth."*

Middle New Zealanders (our hard-working taxpayers) totally missed out – no money for roads; no money for cancer patients; no money for building small business (the backbone of this country) confidence. As for the Bay of Plenty – nothing... Just a promise that mental health issues will be addressed – and I lack confidence in the delivery of this.

The Wellbeing Budget was meant to be transformational, but it's 90% spin and very little substance.

CONTENTS | PAGE

STATISTICS NZ DATA

Estimated population at 31 May-2019:	4,966,089
Births March 2019 year:	58,4556
Deaths March 2019 year:	33,147
Total Fertility Rate December 2018 year ↓	1.71
Net long-term migration Mar-19 year:	56,100
- 61,600 in Feb-19 ↓ 5,500	
- 52,704 in Mar-18 ↑ 3,396	
Visitor arrivals Annual at Mar 2019 (↓ 0.35%)	**3,864,018**
Employment	
Total employed Jun-18 quarter:	2,631,000
Unemployment rate Mar-19 quarter:(↓0.1%)	4.2%
Tauranga City Unemployment Mar-19 quarter:	**4.7%**
Employment rate Mar-19 quarter: (↓0.3%)	67.5%
Wage rate increase Mar-19 quarter: (↑0.1%)	2.0%
Ave weekly earnings Dec-18 quarter:	$1,244
Average ordinary time hourly earnings: (↑37c)	$32.00
Net Household Wealth (NZ Median)	$340,000
Net Wealth (Top 20%) (↑9.7% pa over last 3 years)	$1.75m
Median Net Wealth – Individual Europeans	$138,000
Median Net Wealth – Individual Maori	$29,000
Consumer Price Index Mar-19 year:	1.5%
The size of the NZ Economy /Dec-18 year:	**$293 bn**
GDP per capita year ended June 2018:	**$57,218**
GDP per capita year ended Dec-18:	**0.9%**
GDP Growth (volume) Mar-19 year: ↓	**2.3%**

WEBSITE:
vond.co.nz

LOCAL BODY POLITICS

TAURANGA BUS SERVICES

What has gone wrong with Tauranga's Bus Service? The numbers tell us that '*All in not well*' with our buses.

I chaired the Regional Council's Public Transport Committee from 2005 to 2010, and the Regional Transport Committee from 2005 to 2008. I was proud of the growth in our services over that time – but the current situation (see the patronage graph below) is just not acceptable.

Tauranga City Councillors think that they should be running the buses; but then they want us (through our Port dividends) to pay the bills. I am totally opposed to this, because the current councillors have a proven track record of incompetence and poor governance.

You only have to look at their lack of vision, and unwillingness to genuinely fund any visionary projects (just look at the mess in the CBD). The Tauranga Amenities Group (driven by our city's great philanthropist, Sir Paul Adams) had a vision for downtown Tauranga, but the 'tall poppy' syndrome meant that our City Councillors wouldn't give it a serious consideration.

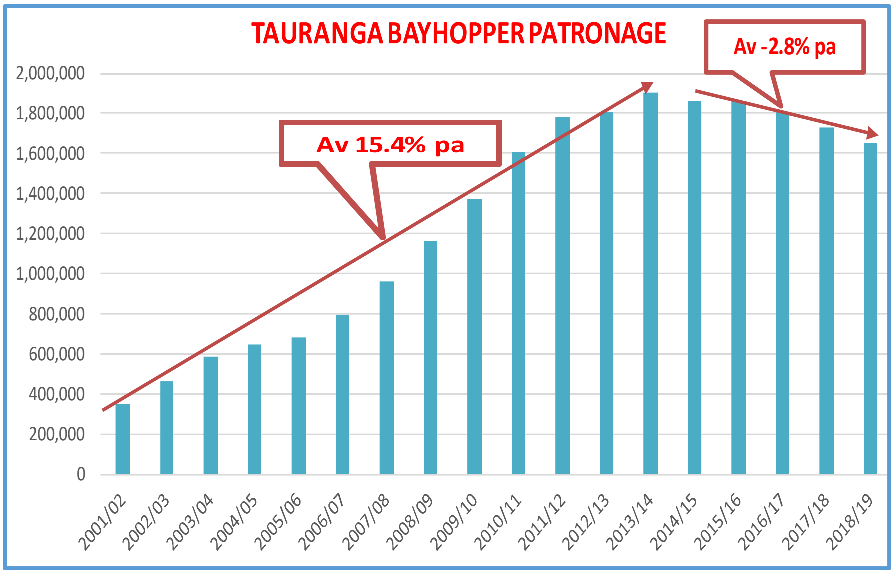
There is no way that I would trust the current City Council with this responsibility – it is just another ill-conceived power grab.

Yes – the new Bus Contract still has big issues., but the biggest is that, while supporting the Bus Blueprint (the strategy developed for the bus service under the new contract). Tauranga City Councillors made no commitment to funding the agreed, required roading infrastructure (which is their responsibility).

The bottom line is Tauranga Ratepayers can't rely on our City Councillors to prudently manage our existing assets - let alone giving them the responsibility to also manage our buses. All that they can think about is the $2 billion nest egg in the Port shares - they think that it should be theirs - and yet **in the local government restructuring of 1989, the Regional Council got ≈$46m in Port assets, and the city got ≈$46m in Electricity assets.** Both enterprises grew fantastically, but the City cashed their investment in - while the Regional Council played the long game - **and it is now worth more than $2 billion today**. That is called good governance - something TCC has been lacking for years.

	2015/16	2016/17	2017/18	2018/19
Bayhopper	1,860,251	1,809,504	1,728,775	1,647,473
Schoolhopper	576,894	538,934	494,299	368,561
TOTAL	2,437,145	2,348,438	2,223,074	2,016,034
		-3.6%	-5.3%	-9.3%

NOTE: The 4th Quarter (to 30 June) of 2018/19 is an estimation only



THE OLDEST RUNNING CAR ON THE PLANET - THE 1884 DE DION, BOUTON ET TREPARDOU DOS-À-DOS.

This current government's ambitions for New Zealand (in other words – the Greens ideology) seem to want us to go back to this (see photo to the left). No funding for roads – just cycling, walking and safety initiatives are being funded.

Labour is showing no leadership in Transport – and the NZTA is paralyzed on the basis of Central Government direction.

If Julie Anne Genter and the Greens had her way, the speed limit on SH2 would be zero – yes, if we aren't moving, we won't crash. This is no solution to our roading issues.

OUR POLITICAL CLIMATE

BUDGET 2019

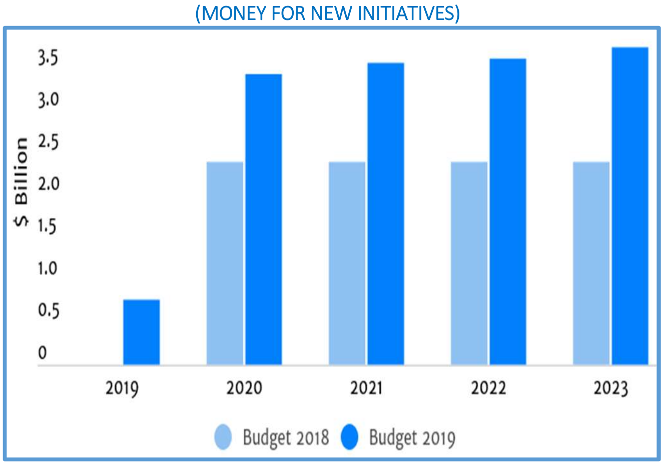
This 2019 Budget got off to very wobbly start. Total incompetence, rather than organised hacking, was synonymous with its introduction. Unfortunately, it was high on spin - with no new funding for our congested roads – but mainly more "slush" to help the Shane Jones/Peters re-election campaign. Phil Twyford's ministerial portfolios were totally marginalized in the Budget. Watch for a Cabinet restructure – the only saving grace for Phil is Labour is void on talent to replace him!

Virtually nothing for Health (excluding the $1.9bn Mental Health; nothing for cancer sufferers; nothing that will grow our economic base. And the problem with the proposed mental health spend is that there just aren't the people trained to do the job. Expect a big underspend (along with much wasteful spending) in the mental health spend over the next 12 months. $1.9bn is a great and commendable headline, but Ardern & Robertson are deluded if they think that this Government's "wellbeing" claptrap is anything other than puffery. No serious economist has ever treated GDP as the only measure of how well a society is performing - but it is used to "benchmark" nations; to record all the goods and services that we make in a given period; so that it can be compared easily both within an economy and among them. It is not perfect, but is a well-established measure, and must be retained.

The problem with this budget is that it won't grow the "economic cake", and over time it will rely on taxes and debt to balance the books. This Budget signals a total of $25.6bn debt increase over the next 5 years.

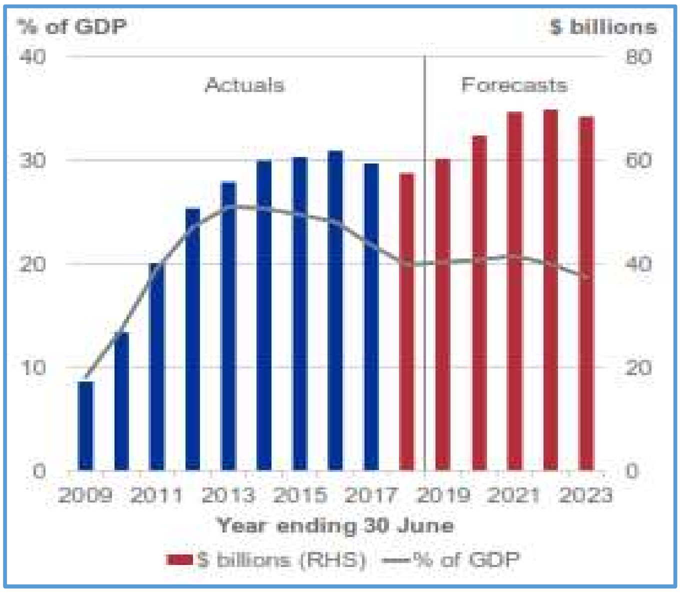
ANNUAL OPERATING ALLOWANCE

(MONEY FOR NEW INITIATIVES)



The percentage change in the 2019 Budget versus the 2018 Budget is 8.4%. Adjusting for inflation the increase is still 6.8%. That said New Zealand Police; Customs Service, Department of Corrections, Parliamentary Service, Ministry for Primary Industries, Serious Fraud Office, Department of the Prime Minister and Cabinet and the Pike River Recovery Agency have actually lost allocation.

NET CORE CROWN DEBT



SOURCE: 2019 BUDGET

MENTAL HEALTH

To give the Budget credit, it has allocated $1.9bn (over 4 years) into mental health. This spend includes a new frontline service, expected to help 325,000 people with mild to moderate mental health issues. There will be $200m extra for existing mental health services, nurses in schools will be expanded up to decile five schools, and $128m will go to mental health services in prisons.

The bottom line, however, is that if we don't toughen up on the sentencing for those peddling the drugs, the problem will continue to escalate. We are going to support those who have had their brains fried by drugs, but without proper policing and sentencing, the problem will just continue to grow. This government is soft on crime, and hard-working New Zealanders are paying the price.

HOSPITALS

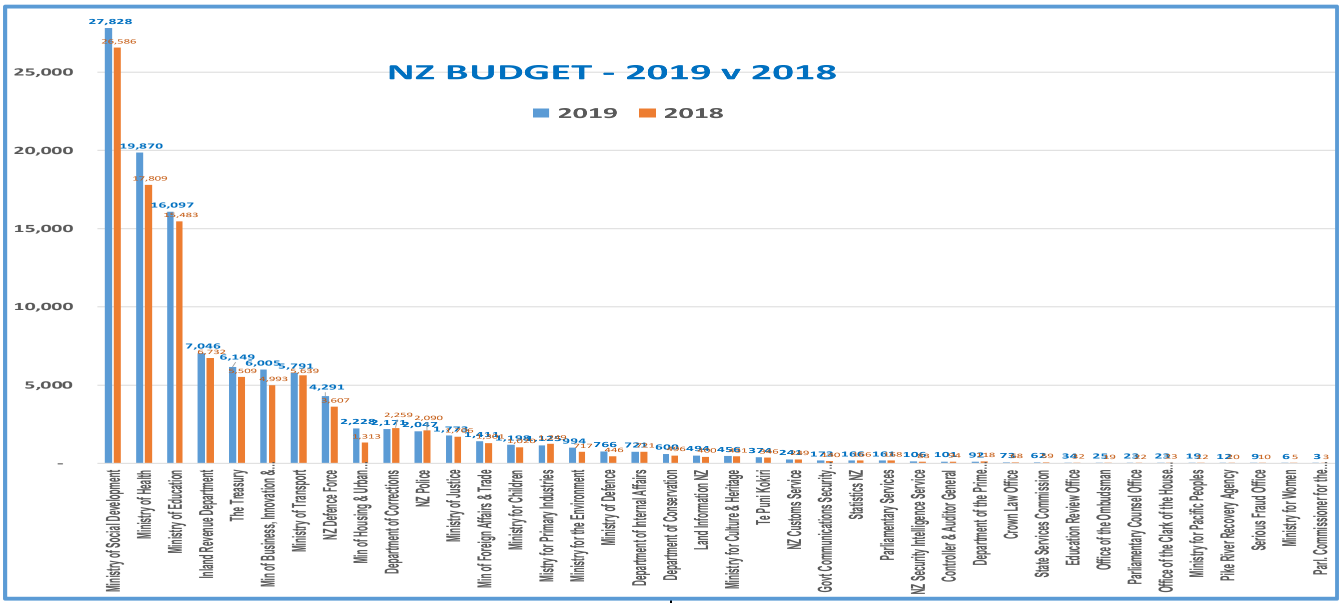
$1.7bn for hospital buildings, and $170m for DHBs. This doesn't even keep up with the increase in inflation. No new cancer funding; increased waiting times for surgery – nothing about "well-being" here. The Budget does state that it will fully fund the new Dunedin Hospital, but there has been no allocation of funding within this Budget.

BENEFITS

Benefits are to be indexed to the average wage instead of inflation. This is expected to put about $47 more a week into beneficiaries' pockets by 2023 – about $10-17 more than they would get under CPI. The cost over four years is $320.2m.

SCHOOLS

From 2020, decile 1-7 schools will get a $150 per student payment from the Government, if they get rid of so-called 'voluntary' donations. The cost is $265.6m over four years. NCEA fees scrapped. The Budget will add $1.2bn (over 10 years) for school buildings.



Trains

$41m for opex and $2.1bn in capex. It will include $1.4bn in funding for Auckland City Rail Link, after cost blow-outs. KiwiRail gets $1bn to expand and fix old plant and tracks, $300m of which is for regional rail.

Maori & Pacifica

$81m (over four years) for Whanau Ora to expand, and $208m to foster Te Reo Māori.

Business

There is nothing really in this budget for business (including our farmers). There is a new $300m fund to help start-ups to grow. Actually, this was only $240m in new capital – with $60m in existing capital.

Infrastructure

A positive action is the intention for Central Government to put together a 30-year strategy for infrastructure investment.

Conclusion

Simon Bridges summed it up nicely: *"The Prime Minister boasts in her press release that growth is forecast to average 2.6% over the next four years, under the National Government growth was 4%. This Government simply can't be trusted with the economy.*

"But Winston hasn't got everything he wants, there's no money for free healthcare for seniors, which was part of his coalition promise. In health there's also no money for midwives, free GPs visits and there's less of an increase for elective surgeries than last year.

"Under this Government there are 13,000 more people on welfare, the time it takes to get into social housing has doubled, people are missing out on elective surgeries, rents are up an average of $50 a week, hardship assistance has increased by $48 million in the past year, there were an extra 70,000 requests for assistance for food in the last year alone and there is more strike action than we've seen in decades.

"The economy is sharply declining and the Government is doing nothing to encourage growth. Business confidence is at record lows because of its poor policy decisions and this Budget shows the Government still has no plan to grow the economy.

"The economic management of this Government means there are fewer jobs, more people on a benefit and needing hardship assistance, huge increases in the numbers of people without housing and more people are missing out on elective surgeries.

"This budget is style over substance."

Budget 2019 v 2018 $m	2019	2018	Change
Ministry of Social Development	27,828	26,586	4.7%
Ministry of Health	19,870	17,809	11.6%
Ministry of Education	16,097	15,483	4.0%
Inland Revenue Department	7,046	6,732	4.7%
The Treasury	6,149	5,509	11.6%
Min of Business, Innovation & Employment	6,005	4,993	20.3%
Ministry of Transport	5,791	5,639	2.7%
NZ Defence Force	4,291	3,607	19.0%
Min of Housing & Urban Development	2,228	1,313	69.7%
Department of Corrections	2,171	2,259	(3.9%)
NZ Police	2,047	2,090	(2.1%)
Ministry of Justice	1,773	1,706	3.9%
Min of Foreign Affairs & Trade	1,411	1,301	8.5%
Ministry for Children	1,198	1,020	17.5%
Mistry for Primary Industries	1,125	1,249	(9.9%)
Ministry for the Environment	994	717	38.6%
Ministry of Defence	766	446	71.7%
Department of Internal Affairs	721	721	0.0%
Department of Conservation	600	496	21.0%
Land Information NZ	494	400	23.5%
Ministry for Culture & Heritage	456	431	5.8%
Te Puni Kokiri	374	346	8.1%
NZ Customs Service	241	249	(3.2%)
Govt Communications Security Bureau	173	140	23.6%
Statistics NZ	166	166	0.0%
Parliamentary Services	161	168	(4.2%)
NZ Security Intelligence Service	106	83	27.7%
Controller & Auditor General	101	94	7.4%
Department of the Prime Minister & Cabinet	92	118	(22.0%)
Crown Law Office	73	68	7.4%
State Services Commission	62	59	5.1%
Education Review Office	34	32	6.3%
Office of the Ombudsman	25	19	31.6%
Parliamentary Counsel Office	23	22	4.5%
Office of the Clark of the House of Rep.	23	23	0.0%
Ministry for Pacific Peoples	19	12	58.3%
Pike River Recovery Agency	12	20	(40.0%)
Serious Fraud Office	9	10	(10.0%)
Ministry for Women	6	5	20.0%
Parl. Commissioner for the Environment	3	3	0.0%
	110,764	102,144	8.4%

A FANTASTIC LIBERAL WIN IN AUSTRALIA

ScoMo (Prime Minister Scott Morison) won an outstanding victory on 18th May 2019. The Australian Labor Party are shell-shocked, but they were totally out-played by ScoMo's superb delivery of his strategy.

A Melbourne voter, to the Sydney Morning Herald, summed it up nicely, saying: "*I'm young, I voted Liberal, and I'm not a bigot – So, to every Greens or Labor or other minor party supporter who feels saddened or disenfranchised by the Saturday election, these facts are for you. We who voted for the Coalition did not vote out of fear, nor naivety, bigotry or anger. Rather, we voted with our hearts for a party that will do the right thing on social issues, but which can also lead a country through a challenging time economically*."

This should be a wake-up call for Jacinda Ardern - promising envy taxes and unrealistic climate actions (her so-called "nuclear moments") will ultimately burn her support base. Voters need confidence that you can manage the economy, because that is the only way that you can fund social and environmental change - not "fairy-dust".

GOVERNMENT'S BIG U-TURNS

1. KiwiBuild
2. Fees-free
3. Reverse on 20% Debt limit
4. One Billion Trees

KiwiBuild

KiwiBuild has gone from being a solution to a problem itself, and is now proving politically toxic. It is now overshadowing every other policy in the housing area - and not in a good way.

Why aren't these homes selling in a housing crisis? Well, because there wasn't, and isn't, a housing crisis as such. That is a political term invented by Labour when in opposition for cheap points. If you fix the RMA you will solve most of the lack of housing in this country.

This NZ First-Labour Government underwrite of KiwiBuild has forced them to buy back houses in Wanaka, and also in Christchurch and Auckland. Under KiwiBuild rules, if a developer's house doesn't sell within 60 days, they can get the Government to buy it off them. That's you and me buying houses we don't need, because the whole concept of KiwiBuild was a cock-up from day one. Further, the houses for sale aren't affordable. If they were, they would have sold. They are basically market-priced, and therefore compete with every other house on the open market.

The current climate is subdued, and it's subdued in no small part due to the fact the government that built the houses has spooked the market, and introduced a series of policies that spooked the economy. The resulting lack of confidence has caused a slowdown in growth - hence the slowdown in housing, and a lack of sales.

The number of first home buyers currently in the market is as high as it has ever been and, in fact, in many areas it's at record levels. That indicates to me that the so-called "locked out" weren't locked out at all - they were just busy getting on with buying a house, or taking a cautionary approach, as they look for a bargain.

The truth is that KiwiBuild is miles away from its 1,000 year one target, with only about 70 being built – and 40+ of those were started under the last National Government. What a joke!

Fees-Free for students

As with KiwiBuild, fees free was one of Ardern's key election pledges. Robertson's $200m back-track was explained as "due to enrolments not meeting initial forecasts." Robertson put this down to more jobs being available, which meant more people were going into work rather than training or higher education. The trouble is that thus far, it is not only on numbers that the policy has fallen short, but also on intention.

When the fees-free policy was first announced by former leader Andrew Little in 2016, it was seen as a way to boost the take-up of tertiary education and training. It was to cost a whopping $340m in its first year alone, rising to $1.2b by 2024 when the first three years would be free. It was the trade-off for scrapping National's tax cuts - the first phase was to be funded out of the money earmarked for those tax cuts which Labour reversed.

When the mini-Budget delivered fees-free in December 2017, 80,000 students were expected to be eligible. Of those, 30,000 (38%) were expected to be at universities and 50,000 (62%) at polytechnics and training institutions. Final numbers will not be known until January 2020, but so far only 41,700 had taken it up, and overall enrolment numbers have not budged on the year before. Furthermore, university students made up 56% of those getting fees free - not the 37% estimated.

Debt Target Reversal

Labour campaigned in 2017 that they would be fiscally conservative, in that they promised that they wouldn't increase Government Debt beyond 20%.

Firstly, Labour fudged this promise by moving debt off the government books, but ramped up its SOE debt.

Now, Robertson has cynically dropped the 20% debt cap, and moved it to a 15-25% target. This will allow a Labour Government to increase debt by $15 billion in time for next year's election promises. This just shows that we can't trust them to keep their promises.

ONE BILLION TREES

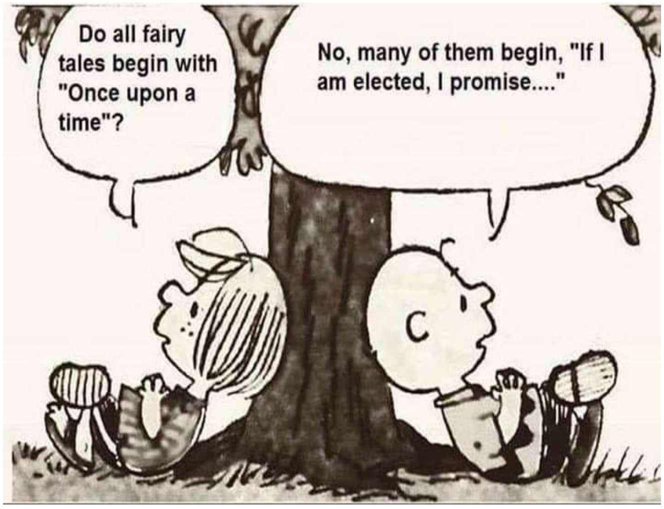
As if the One Billion Trees (NZ First) policy wasn't bad enough - it will destroy rural communities - the 2019 Budget added a doubling of funding to the Forestry sector. The Budget states: The Minister for Forestry is responsible for appropriations in the Vote for the 2019/20 financial year covering a total of $277 million (double the 2018/19 Budget of $138 million).

Vote Forestry is comprised of a single multi-category appropriation titled Growth and Development of the Forestry Sector, and two multi-year appropriations (MYA) titled Afforestation Grant Scheme MYA and Forestry and Other Economic Development, and Erosion Control MYA. These appropriations cover expenditure for the following types of activities:

- administration of government approved schemes, grants and assistance to the forestry sector
- implementation of policy decisions, operational policy, and administration of legislation relating to forestry
- management of the Crown's interest in forests and forestry-related assets
- provision of advice to support decision-making by Ministers on Government policy matters relating to Forestry
- purchase of forestry operation and management services
- projects which protect erosion-prone hill country
- purchase or planting of the Crown's forestry assets.

Remember that farmers won't be able to use forest planting to offset their emissions.

This is yet another total sop to NZ First by Jacinda – and is distorting our economy for political motives, and not economic imperatives.



TWYFORD's KIWIBUILD CON

Mike Greer Homes has so far built seven KiwiBuild houses in Canterbury. None of have yet sold, while five have been on the market for more than 80 days. So, zero out of seven sold. So much for a transformative KiwiBuild.

TWYFORD'S TRANSPORT CON

A $6.4 billion plan to fix Wellington's traffic congestion problems has been announced. The media have fallen hook line and sinker for the spin.

What they should do is ask questions like:

1. How much money has the Government allocated for the next financial year? - ZIP
2. How much money has the Government allocated for the rest of its term of office? - ZIP
3. If the Government got a 2nd term, how much money have they allocated to spend then? - ZIP
4. If the Government got a 3rd term, how much money have they allocated to spend then? - $600m

So, forget the $6.4 billion - 90% of that is for stuff that "*We may do this in the future one day*".

Contrast that to National that actually made things happen. After 50 years of debate, they made Transmission Gully happen. They put in the Kapiti Expressway.

Labour is saying they will do some minor tinkering at best in the next seven years.

Most of what is in the announcement is stuff that at best will start in a decade or so, and not conclude for at least two decades.

HOUSING NZ TARRED WITH TWYFORD INCOMPETENCE

A briefing paper from Treasury to Finance Minister Grant Robertson casts serious doubts on the Urban Development Authority (UDA), which includes KiwiBuild in its current form. The briefing paper notes that the proposal risks revenue being drained from public housing into urban development activities.

Treasury also fears the risks of private-sector developments could be transferred onto the public housing balance sheet. This could include KiwiBuild developments. When houses intended to be sold as KiwiBuild homes fail to find buyers and are bought by the state, it could drain money away from public housing.

The Mike Greer (developer) debacle, after their seven KiwiBuild properties failed to sell, is a good example. Treasury already had concerns about the public housing balance sheet, following a decision at the last Budget, to allow Housing NZ to borrow an additional $2.9 billion to build 6,400 public homes over four years.

This was controversial as Treasury felt it more efficient and cost-effective to allow HNZ to borrow on the Government's core balance sheet. Treasury also said there was a "significant risk" that debt could be considered Core Crown debt. However, our current NZ First/Labour/Greens Government has been keen to manipulate the Crown Balance Sheet by removing the Housing NZ borrowings from the balance sheet.

With HNZ rolled in together with KiwiBuild and HLC in the UDA, they each share the same balance sheet, meaning failed developments including those involving KiwiBuild homes could risk the integrity of that balance sheet. That could have an impact on HNZ being able to use its balance sheet to deliver public housing. The Treasury document says "*development is inherently risky, and a major financial failure could impact on public housing*".

Labour has tired of the KiwiBuild fiasco, with no new funding in the 2019 Budget. Twyford confirmed this, meaning anything would have to come from funding already allocated or leveraging the balance sheet of the UDA to borrow more.

The Treasury briefing suggests one of the benefits of the UDA would be to allow borrowing to fund more developments. "*It would have automatic access to HNZ's land and balance sheet to enable developments and fund land purchases and infrastructure*," it says.

LABOUR'S WELFARE REPORT

This report was ushered into history on a quiet Friday afternoon announcement - the first indication the Government might not be taking all of the recommendations of its landmark Welfare Expert Advisory Group to heart. In the world of politics, Friday afternoon is the witching hour, the time the Government chooses to dump things it wants buried.

The report contained an impressive 42 key recommendations of which the Government has chosen to implement just three. This will cost $285.8m over four years (the standard accounting period for Government budgets). The WEAG calculated that implementing all of the recommendations would cost $5.2bn a year, or $20.8bn over four years.

Given that the Government would implement roughly 1% of this report's recommendations (by cost), its little wonder the report was buried.

The Context

The Welfare Report reserves harsh criticism for the social welfare reforms of the 1990s. The last major reform of the sector was undertaken in 1972 when the domestic purposes benefit was added to the social safety net (by Muldoon, National). This had existed in some form or another since the Social Security Act was passed by the first Labour Government in 1938.

The domestic purposes benefit was a response to an increasing divorce rate, which led to more sole-parent families. It had been guided by the principle of "relativity", meaning benefit rates kept up with other income. But concerns about "dependency" changed this focus in an attempt to shift beneficiaries into full-time work.

The reforms coincided with a period of mass unemployment in New Zealand, with the official unemployment rate hitting 10.6% in 1992, equating to 180,400 people unemployed. The rate for Māori that year was 25.6%.

Reforms in the 1990s were also designed to make benefits more targeted through supplementary payments like the accommodation supplement. This led to a dramatic shift in the focus of how benefits were administered.

The report found that in 1984, spending on second-tier assistance like accommodation supplements accounted for just 1.1% of total benefit and pension expenditure, but by 1996 that had grown to 9.4%. It said a key problem with that system was that it grew "*on an ad hoc basis rather than being based on empirical evidence*".

Increased cost of living

On the other side of the ledger, the Welfare Expert Advisory Group found beneficiaries had been particularly hard hit by the rising cost of living, particularly housing.

On average, housing costs make up around 45% of expenditure for low-income households.

This has increased substantially over time. For the bottom 20% of households by income, housing costs as a proportion of income have increased from 29% to 51% since 1988, meanwhile home ownership rates have fallen to their lowest level since 1953.

Fixing it

The scale of the problem is massive. Each year, 630,000 people receive payments from the welfare system and 345,900 families receive a Working for Families tax credit.

The impact on children is also severe, with 240,000 living in poverty, 40% of whom live in working households.

It should come as no surprise, given the runaway cost of houses, that housing came under particular attention. The Welfare Report recommends reintroducing measures of "relativity" in the area of housing. This would mean finding a way to make the supplement change to meet the actual cost of housing.

This wouldn't be cheap. Currently, combined welfare payments for housing make up the second-largest welfare cost to New Zealand, after superannuation payments. Housing benefits are forecast to be 3.1% of total Crown expenditure by 2018/19.

But, increasing housing benefits won't come cheaply, and finding extra money isn't simply about borrowing more money either. Expanding ongoing benefit payments means finding a way to secure an ongoing source of revenue. That means cutting expenditure elsewhere, or finding some way of raising money. With income tax increases off the table, along with any form of capital gains tax, there are precious few avenues left for the Government to raise the kind of money it needs.

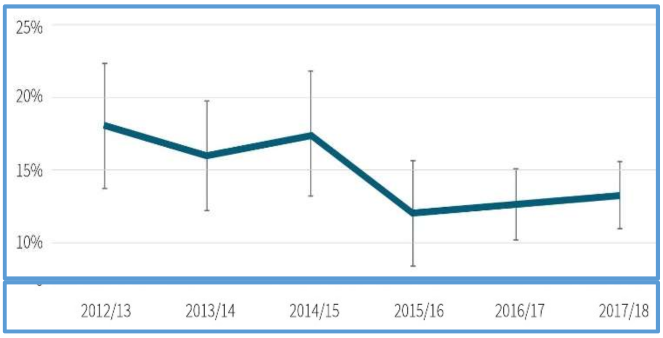
But that's not the only problem.

The Government is also committed, through its budget responsibility rules, to not increasing expenditure to more than 25% of GDP - so even if it could raise the revenue, it's committed to not actually spending it.

Another solution could be fixing the price of housing for low-income families. The Welfare Expert Group recommends the Government "expand and accelerate the building of public housing to an industrial scale" to fix the housing crisis for low-income families.

While the Government is on track to fulfilling its commitment to build 6,400 Housing NZ homes over four years, it is failing on its KiwiBuild commitments, and there's no certainty it could actually accelerate its housebuilding, even if it wanted to.

PERCENTAGE OF CHILDREN LIVING IN HOUSEHOLDS EXPERIENCING MATERIAL HARDSHIP



Statistics NZ has released data (see graph above) that shows that "Children living in poverty" improved under the last National Government. **What you are unlikely to hear, is the data that shows it is now rising under this current government**.

JACINDA'S FACEBOOK FAILURE

Are social media companies responsible for the lies their users tell? Both the obvious answers, "yes" and "no", are clearly wrong. Complete responsibility is a bad idea, and impossible in practice - even in China, the home of the largest and most sophisticated censorship apparatus on the web, the internet is expected to slow down markedly in the coming weeks, under the burden of combing through it to ensure that no references to the 30th anniversary of the Tiananmen Square massacre are published.

As the Chinese example shows, there are also considerable difficulties that arise when any one organisation can decide what counts as truth or falsehood. Yet it can't be right, either, to say that social media companies have no responsibility to exercise the powers they have to remove obnoxious material from their servers. Videos of murder, child abuse and other horrors are routinely and rightly removed. Some will disagree that these are horrible, precisely because they are not lies – they record things that really happened. But that doesn't stand up. It is no defence, either in law, or in any moral sense, to say that a video of atrocity is faked. If it works as propaganda for jihadis, or for child abusers, it will be censored and its originators punished if that's possible.

Google and Facebook are both advertising businesses, the biggest that the world has ever seen, and they depend on their ability to attract and to retain viewers. Facebook has already snubbed Jacinda, and her "parley" with Macron has already been forgotten as irrelevant. A distraction – yes – but only briefly.

CLIMATE CHANGE LEGISLATION

New Zealand's economy could miss out on up to $50bn worth of economic growth because of the Zero Carbon Bill, according to official analysis. This equates to around $20,000 per NZ household. But Climate Minister James Shaw told the *Herald* the figure does not worry him, and says the cost of doing nothing could be much higher.

National has supported the Climate Change Response Bill through its first reading. This represents a bipartisan moment in New Zealand's approach to tackling climate change. Farmers and rural New Zealanders have concerns about the Bill in its current form. If we get this wrong for our farmers, we get it wrong for all of us.

By agreeing to allow it go through to the select committee, National will have input to try and address those concerns.

Climate change isn't purely an environmental challenge, it has significant economic, social and moral dimensions too. How we respond will impact the livelihoods of communities, businesses, families and future generations.

On the positive side, this Bill would create an enduring framework for reducing NZ's emissions, setting up a

Climate Change Commission that will give expert advice and monitor progress, independent of the Government of the day, informed by science and responsive to the global context.

There are two specific targets proposed in the Bill. One applies directly to methane, and the other to all other greenhouse gases, which it proposes would be reduced to net zero by 2050. The methane target aims to reduce agricultural methane emissions between 24-47% by 2050. To put that into context a report by the Parliamentary Commissioner of the Environment indicated a reduction of around 10-22% by 2050 might be necessary. Unfortunately, the Bill's methane target isn't backed by the science, and could have a devastating impact for the New Zealand economy.

Todd Muller, who has been negotiating with the Government on this Bill for months, stated "*Our agricultural sector is already the most emissions efficient food producing sector in the world. No one here suggests that New Zealand does not put its shoulder to the wheel, but we must not be so naïve that we get crushed under the axle*".

Our farmers produce food that feeds millions of people all over the world. In doing so, they create jobs and incomes for thousands upon thousands of New Zealanders. The planet will not thank us if our policy framework makes it impossible for them to farm here, and instead promotes less environmentally efficient farming in other parts of the world.

SHANE JONES DOES IT AGAIN…

Corrupt practice is never far from Shane Jones. It has just been revealed that Jones introduced Northland trucking boss, Stan Semenoff to Transport Minister Phil Twyford, as a possible director of the New Zealand Transport Agency (NZTA).

Semenoff is currently fighting moves by NZTA to have the operating licence of his company, Stan Semenoff Logging revoked. The transport safety regulator is arguing that the top management and shareholders are not fit and proper people to run a transport company, claiming the company has systemic safety problems.

Semenoff is related to Jones, and also a donor to him. His company has had so many scores of safety issues over several years that the transport regulator is trying to revoke Semenoff's licence.

Jones, meanwhile, is not just trying to heavy NZTA to drop the prosecution. He is also trying to get them an immigration exemption so they can hire foreigners. But on top of that, he is trying to get his donor (Semenoff) put on the board of the very regulator that is effectively prosecuting him.

What an embarrassment Shane Jones is to this Government – and to NZ Inc. No doubt, once more the PM will say this is all above board, and nothing unusual to see here.

RESIDENTIAL PROPERTY WEAKNESS

National house sale volumes slumped 11.5% in April, the lowest number during an April for five years, while volumes in the static Auckland market slumped to a new 11-year low.

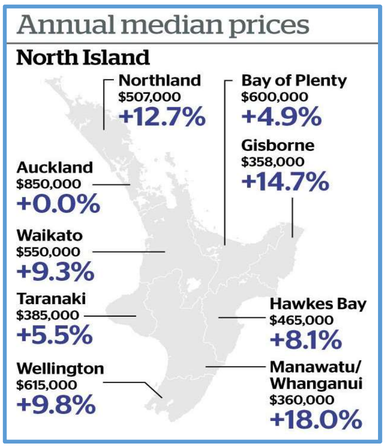
Real Estate Institute data for April's national residential sales showed how last April (2018), 6,555 properties were sold throughout New Zealand. That fell to 5,800 in April 2019, and low volumes did nothing for Auckland prices.

"*Median house prices in Auckland remained exactly the same as April 2018, at $850,000*," REINZ said. "*The number of residential properties sold in April fell by 11.5% from the same time last year to 5,800, down from 6,555, the lowest sales volumes for the month of April in five years*," a statement said.

"*For New Zealand excluding Auckland, the number of properties sold fell by 9.5% when compared to the same time last year, from 4634 to 4192. In Auckland, the number of properties sold in April fell by 16.3% year-on-year from 1921 to 1608, the lowest for the month of April in 11 years*," REINZ said.

Regions outside of Auckland with the greatest decrease in annual sales volumes during April were:

- Bay of Plenty - down 25%
- Nelson - down 16.7%
- Marlborough - down 14%
- Southland - down 14%



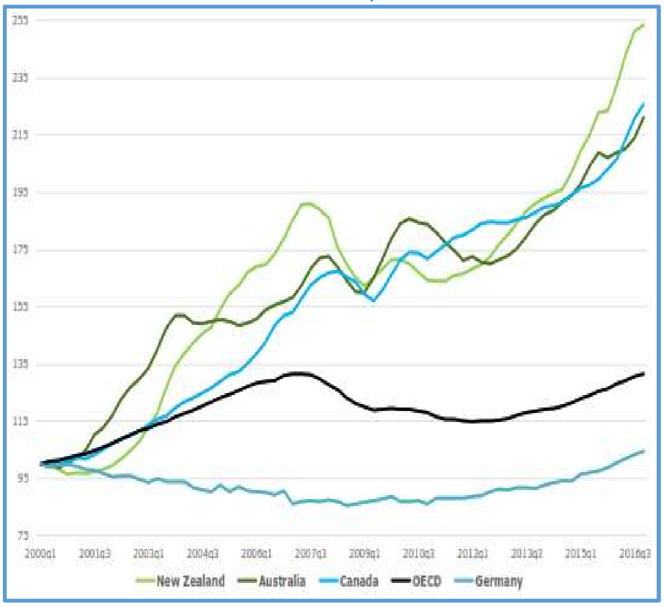
SOURCE: REINZ

PRICE ESCALATION IN RESIDENTIAL HOUSING DEVELOPMENT

SOURCE: Deloittes

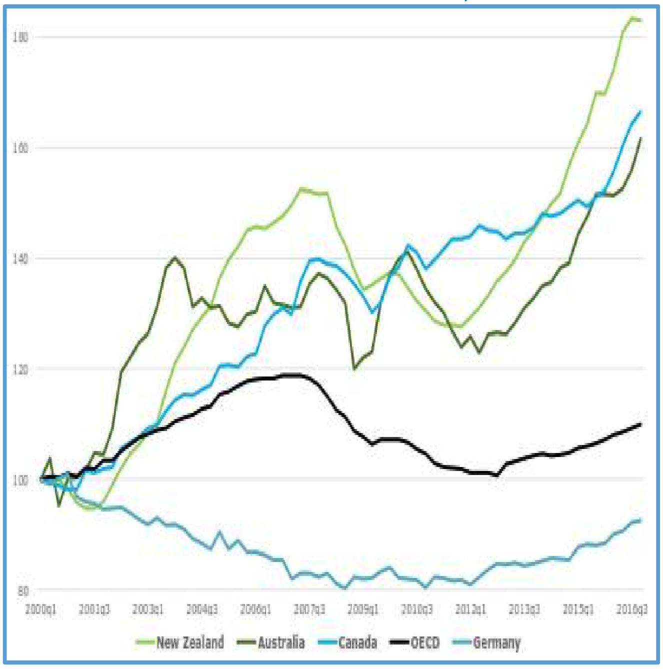
Deloitte Access Economics examined the changes in price trends for house prices, labour, building materials and the overall residential building construction for the period following the global financial crisis to date.

REAL HOUSE PRICES, 2000-2017



SOURCE: DELOITTE ACCESS ECONOMICS, OECD DATA

RATIO OF HOUSE PRICE
TO HOUSEHOLD DISPOSABLE INCOME, 2000-2017

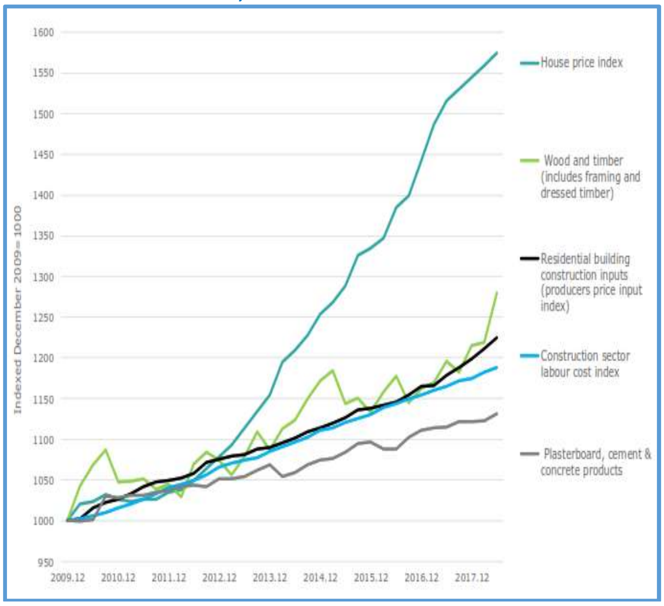


Residential property price concerns are well founded. New Zealand's house price growth has run higher than that of Australia and other OECD countries.

Over the period from December 2009 to June 2018, prices paid for houses on the market rose 57% across New Zealand.

While labour and materials costs contribute to price escalation, they have risen much more slowly. Cost of labour rose by 17% and prices paid for plasterboard, cement, and concrete products rose 13% over the same period. This is broadly in line with inflation of 14% over this period.

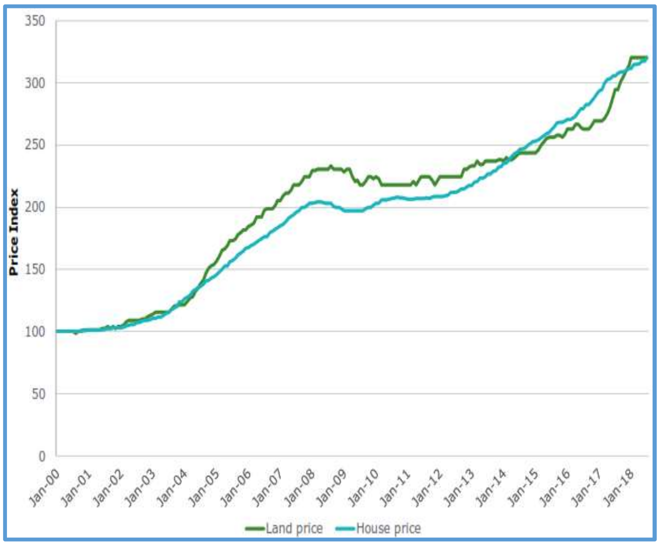
PRICE INDICES, DECEMBER 2009 TO JUNE 2018



SOURCE: DELOITTE ACCESS ECONOMICS, STATISTICS NEW ZEALAND DATA

Land and house prices tend to move synchronously. This close positive relationship could be explained by the significant proportion of land cost in the total cost of residential housing development. This relationship is further evidenced in this report.

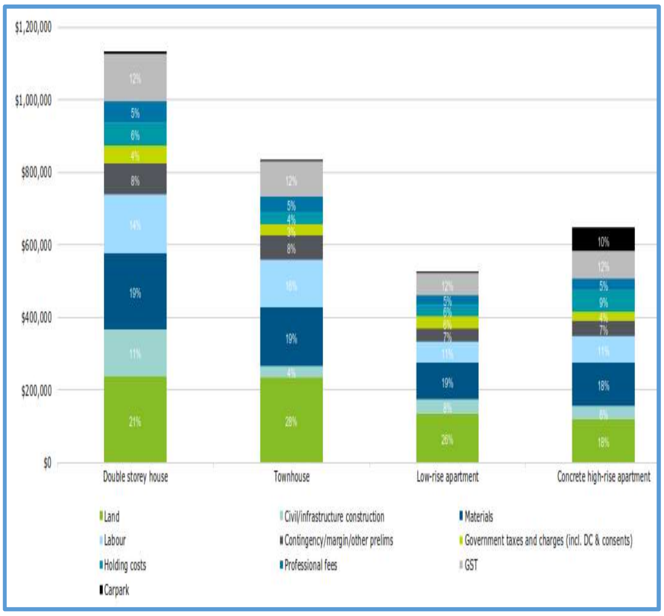
LAND PRICES AND HOUSE PRICES ACROSS NEW ZEALAND, 2000 TO 2018



KEY FINDINGS

- Land and associated infrastructure costs are the biggest cost components of residential housing development costs.
- Building materials are the second largest cost component of residential housing development costs.
- Other key contributors to residential housing development costs:
  - ⇒ Labour
  - ⇒ GST
  - ⇒ Combined hidden costs - including GST, government fees and charges, holding costs and professional fees make up a third or more of the costs of residential housing development, depending on the typology.

COST CONTRIBUTORS TO RESIDENTIAL HOUSING DEVELOPMENT IN AUCKLAND IN A DOUBLE STOREY HOUSE (GREENFIELD), TOWNHOUSE, LOW-RISE APARTMENT AND CONCRETE HIGH-RISE APARTMENT



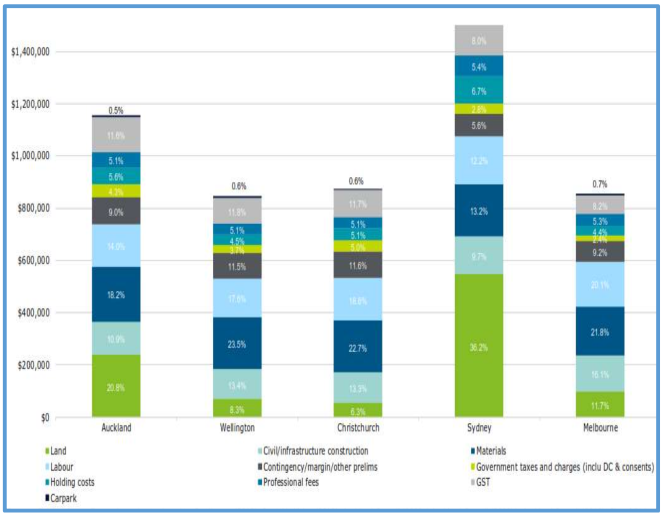
CONSTRUCTION COST COMPARISONS BETWEEN NZ & AUST

- Reasons for cost differences in construction costs between New Zealand and Australia.
- Construction cost per square metre is less in New Zealand relative to Australia for most typologies except for a double storey house.
- Australia and New Zealand build differently – particularly double storey and townhouses.

TOTAL COST OF BUILDING MATERIALS BY TYPOLOGY/LOCATION (NZD, $'000)

	Typology- cost per unit				
	Double storey house	Townhouse	Low-rise apartment	Concrete high-rise apartment	Timber high-rise apartment
Auckland	211	161	98	117	95
Wellington	198	151	91	110	90
Christchurch	198	144	93	110	92
Sydney	199	183	108	131	115
Melbourne	186	164	100	122	108

COST COMPONENTS OF A DOUBLE STOREY HOUSE, LARGE LOT GREENFIELD DEVELOPMENT



CONSTRUCTION COST COMPARISON ACROSS FIVE TYPOLOGIES IN NZ & AUSTRALIA

	AKL	WLG	CHC	SYD	MEL
Double Storey Price per square metre	$2,647	$2,473	$2,574	$2,597	$2,426
Townhouse Price per square metre	$3,420	$3,062	$2,988	$3,691	$3,304
Low rise Price per square metre	$2,700	$2,513	$2,617	$3,199	$2,978
Concrete high rise Price per square metre	$3,258	$3,055	$3,112	$3,860	$3,620
Timber high rise Price per square metre	$2,865	$2,705	$2,809	$3,395	$3,205

NOTE: Figures represent modelled developer costs, not market values.

COST COMPONENTS OF A GREENFIELD RESIDENTIAL DEVELOPMENT

Per house - summary of costs: Double story, greenfield					
Location	Auckland	Wellington	Christchurch	Sydney	Melbourne
Suburb	Flatbush, Manukau	Churton Park	Halswell	Kellyville	Wollert
Council	Auckland City	Wellington City	Christchurch City	The Hills Shire	Whittlesea
Land Purchase	**$240,000**	**$70,000**	**$55,000**	**$528,650**	**$98,100**
Stamp Duty	$0	$0	$0	$18,873	$1,788
Carpark	$5,280	$5,040	$5,520	$5,494	$5,919
Government fees & charges	$49,399	$31,658	$43,737	$41,803	$20,854
Civil & infrastructure construction	$126,476	$113,488	$116,126	$146,431	$137,855
Total site cost	**$421,155**	**$220,186**	**$220,383**	**$741,251**	**$264,516**
Professional fees	**$59,127**	**$42,749**	**$44,223**	**$81,135**	**$44,976**
Construction Total	**$476,494**	**$445,156**	**$463,230**	**$467,441**	**$436,698**
Labour	$161,569	$148,810	$163,062	$183,985	$171,884
Materials	$210,692	$198,968	$198,836	$199,317	$186,208
Builder's margin	$55,839	$52,167	$54,285	$38,330	$35,809
Construction contingency	$37,226	$34,778	$36,190	$38,330	$35,809
Other (prelim, site set up, etc)	$11,168	$10,433	$10,857	$7,479	$6,987
Holding cost Total	**$64,642**	**$37,848**	**$44,879**	**$101,946**	**$37,797**
GST	**$134,647**	**$99,801**	**$102,543**	**$120,869**	**$70,121**
Total cost to developer	**$1,021,419**	**$745,939**	**$772,724**	**$1,391,774**	**$783,987**
Total cost to developer (Inc GST)	**$1,156,067**	**$845,740**	**$875,268**	**$1,512,643**	**$854,109**

OVERALL RESULT OF STUDY

The result of the study identified that if effective changes were implemented to avoid over-regulation this would provide savings of $35k to $77.4k in delivering the case study home (6.2% to 13.65%).

The greatest savings are from land development, however $10k (1.76%) of savings are possible from materials and build components, including holding cost on land.

DID YOU KNOW …

AMERICA'S CUP 2021

Auckland, 2021, will feature 75-foot (22.8m) Formula 1 scale-models, complete with foil arms and projected 80km/h top speeds. This will be racing on electric water.

It's a very exciting concept of boat. It's a very expensive, technical challenge but the end result, the 75ft, will be seriously impressive.

For Britain, 168 years is too long. They are now attempting to get their act together for a proper tilt at breaking their America's Cup duck. Sir Jim Ratcliffe, Britain's richest man, and his £110 million ($218m) investment sure helps Ben Ainslie's bid for history.

AUSTRALIAN ELECTION: LABOUR'S HUMILIATING DEFEAT - WHY IT FELL APART FOR BILL SHORTEN

"*Australians are just deeply conservative — wherever possible, we cling to the status quo*," said Jill Sheppard, a lecturer in politics at the Australian National University. "*While we want progress on certain issues, we don't like major upheavals*."

Mr. Morrison, who kept policy proposals to a minimum during the campaign, rode a singular message to victory: that the Labour Party's plans to raise spending to bolster public health programs, education and wages would blow up the budget and end Australia's generation-long run of economic growth.

Ignoring the turmoil that has led his coalition to churn through three prime ministers in six years, he promoted his centre-right Liberal Party as a steady hand on the tiller, and made promises of cheaper energy and help for first-time homeowners.

He portrayed himself "*as the good bloke, the good father, the buddy, the mate that Australians would like to have*," said Patrick Dumont, a professor of political science at the Australian National University.

The Australian Labour Party's grand procession to government has broken down in humiliating fashion as the Coalition swept back into power.

But Australians hoping for stability might now have to endure a minority government - or one otherwise held to ransom by a sizeable cross bench with conflicting priorities.

Bill Shorten's attempt to parlay six years of Labour unity and preparation into a victory formula has failed, with Queensland bringing it undone.

ScoMo's hugely successful strategy as Liberal leader of favouring jobs over climate change "morality" appealed to those insecurities.

The political atmosphere in both Australia, and in other democracies, favours simplistic certainties, not bold change and vision.

The rebuff to Labour amounts to a warning for all parties and politicians not to enter an election with a detailed policy package announced well in advance.

TRUST

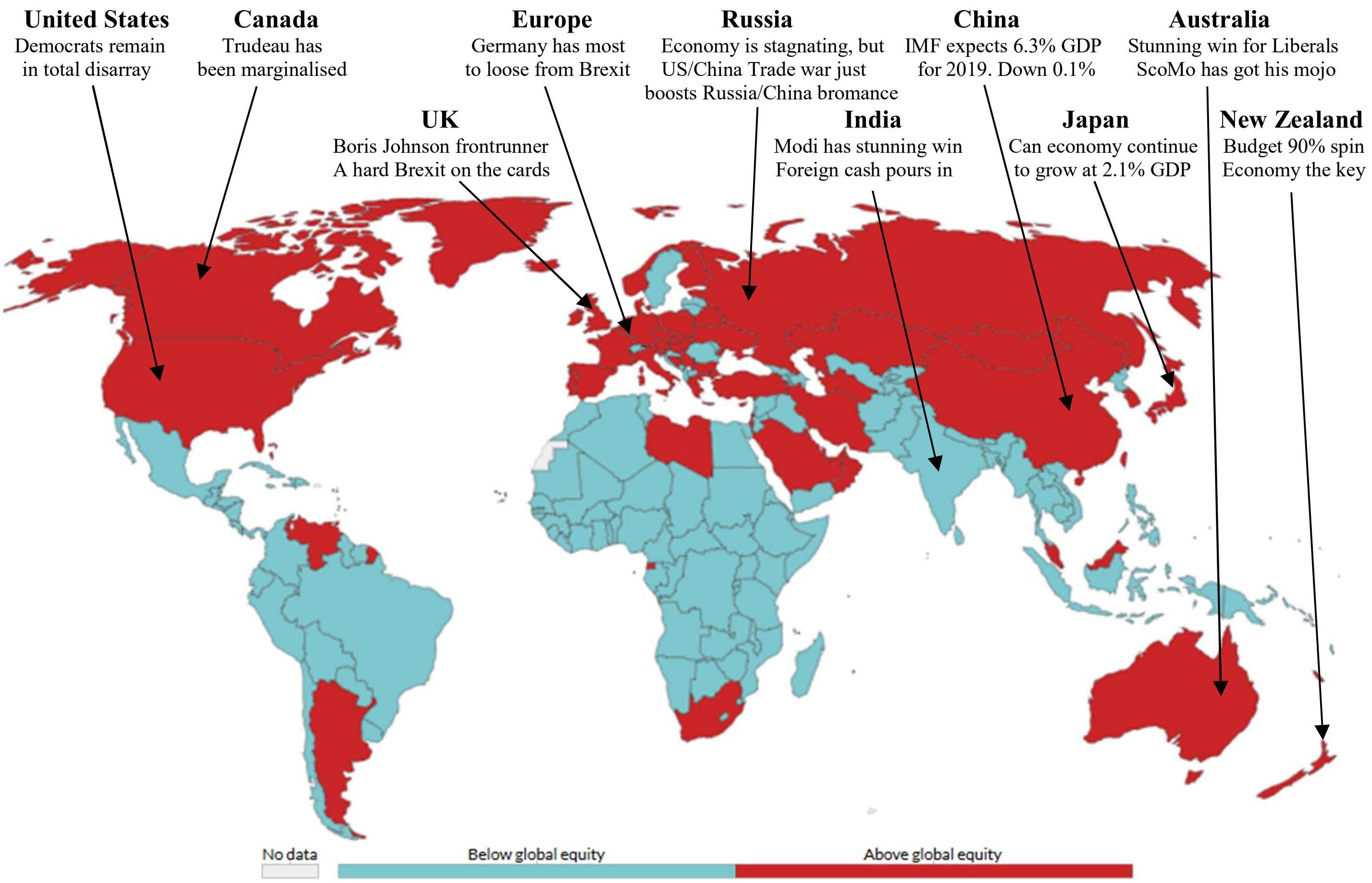
Trusted brands have outperformed share price benchmarks by 120% over the last 15 years, and two thirds of customers say they will not purchase from businesses they don't feel have integrity.

"Every problem is a gift — without problems we would not grow."

Anthony Robbins

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

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



THE GLOBAL ECONOMIC OUTLOOK

It is a crazy world we live in. A narcissistic brat runs America, and the Democrats have no answers (so he will likely be re-elected in 2020). That said, the US economy has been very strong under Trump. The UK is in total chaos as a result of Brexit, and the European's are rebelling against a German dominated EU.
We have had an unprecedented period of global share market growth, and our Government remains confident that we are "sitting pretty". I am not so sure.

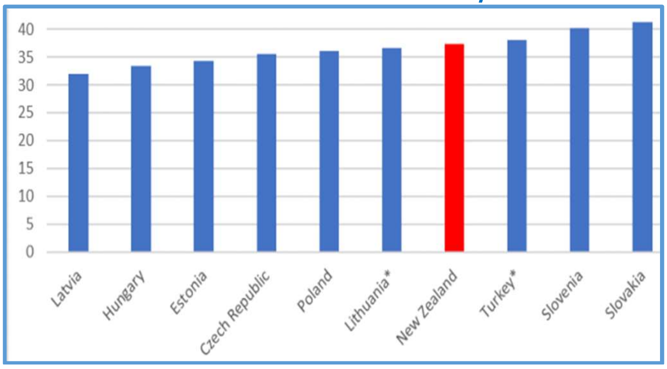
A reduction in global growth remains a key risk to New Zealand's economy, due to our reliance on our export sector. All of our main trading partners are experiencing challenges maintaining economic growth.

The current slowing of global growth is expected to be a mid-cycle slowdown rather anything more sinister. However, any slowing of growth could negatively impact demand for food products. The OECD forecasts a slight decline in prices of dairy and meat products over the next decade. It says demand growth from China is now decelerating, while new sources of global demand are not sufficient to maintain growth.

NEW ZEALAND'S ECONOMIC OUTLOOK

Look at the poor company that we keep, when looking at NZ's productivity per hour worked.

REAL GDP PER HOUR WORKED, 2018



NOTE: For the two countries with * the numbers are for 2017
SOURCE: OECD, USD, 2010 PPPs

The International Monetary Fund predicts New Zealand would grow at about 2.5% in 2019 and 2.9% in 2020, and they predict our economy to grow faster than the US, the UK, Japan, Canada, the Eurozone and Australia.

NEW ZEALAND - ANNUAL GDP GROWTH RATE

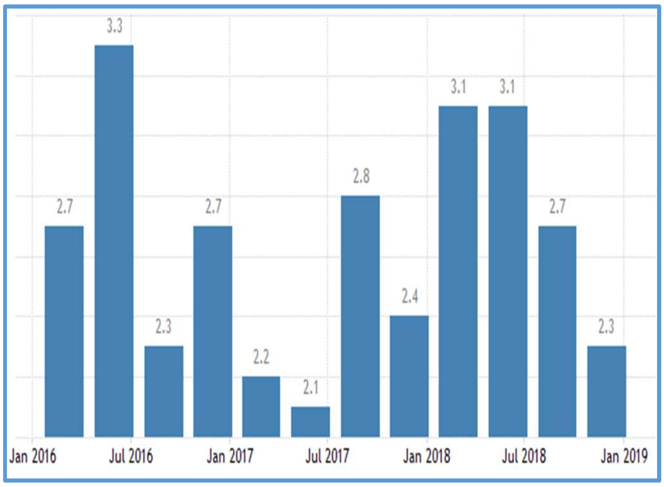
AUSTRALIAN ECONOMIC OUTLOOK

Scott Morrison won an outstanding victory in the May 8th Australian Election. However, there a headwinds facing the Australian economy.

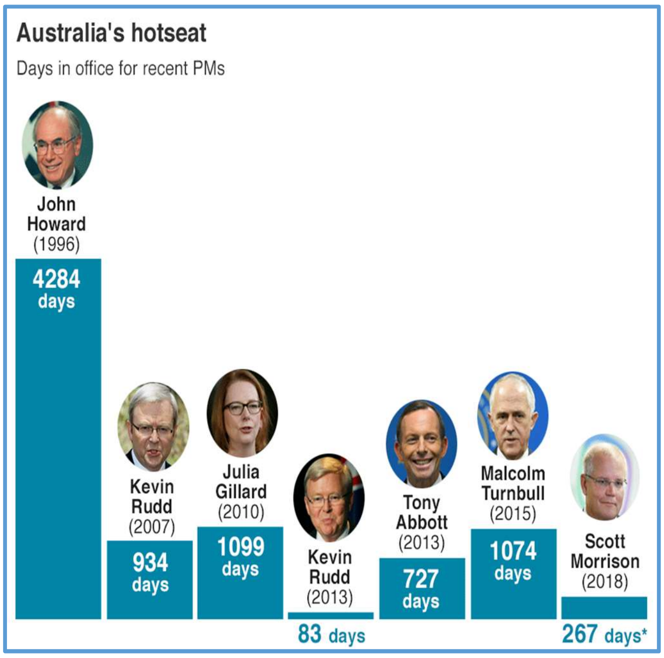
Official interest rates could be slashed to just 0.5% to deal with an economy growing at its slowest since the depths of the Global Financial Crisis, markets and economists have warned as investors bet the economy needs more financial support.

"*Official interest rates could be slashed to just 0.5% to deal with an economy growing at its slowest since the depths of the Global Financial Crisis, markets and economists have warned as investors bet the economy needs more financial support*," according to JP Morgan's Economist, Sally Auld.

AUSTRALIA - ANNUAL GDP GROWTH RATE



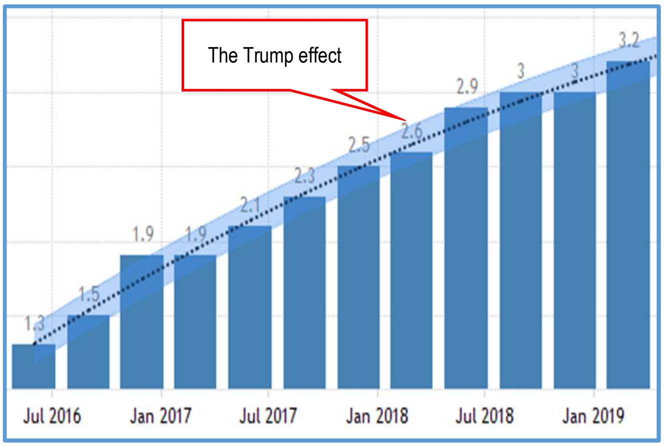
Analyst Annette Beacher said the national accounts could show the economy expanded at a "feeble" 0.2% through the first 3 months of the year. That would take annual GDP down to 1.5%, a level not seen since the GFC, and short of the RBA's own most recent forecast for growth of 1.7% by the middle of the year, and 2.6% by year's end.



UNITED STATES ECONOMIC OUTLOOK

The United States no longer has the most competitive economy in the world, according to annual rankings compiled by the Switzerland-based business school IMD. For the first time in nine years, Singapore replaced the U.S. as the world's most competitive economy. The U.S. dropped down to third on the list, thanks to higher fuel prices, weaker high-tech exports, fluctuations in the value of the dollar, and the fading impact of President Trump's massive tax overhaul. Hong Kong, meanwhile, remained in second place. China was ranked fourteenth.

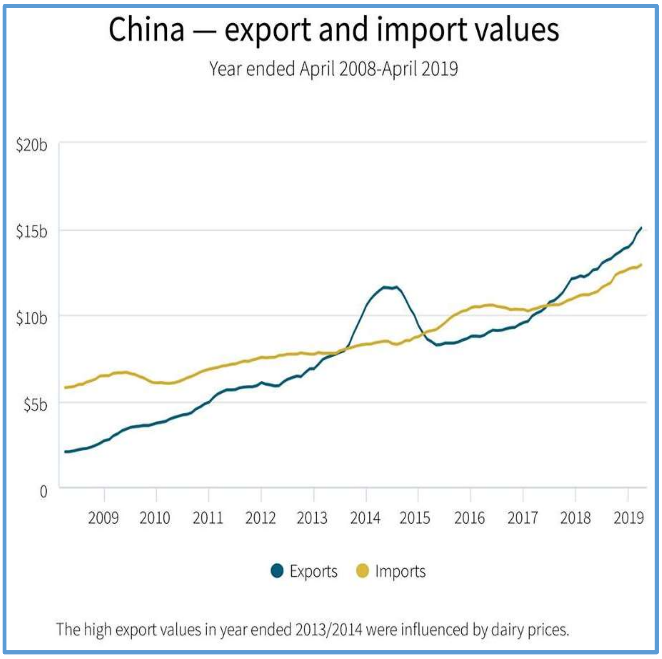
UNITED STATES ANNUAL GDP GROWTH



U.S. first quarter GDP has been revised lower to 3.1%, a slightly slower pace of growth than the 3.2% annual growth rate the government first estimated, thanks in part to companies spending less money on capital expenditures than initially thought.

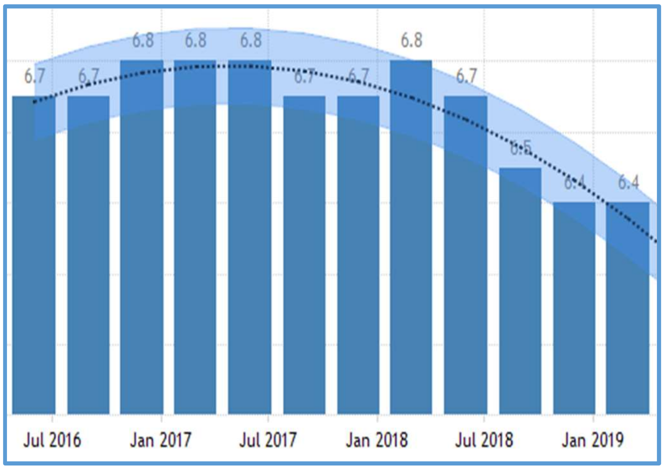
CHINESE ECONOMIC OUTLOOK

The dispute between China and the U.S. could be set to escalate with Beijing due to raise tariffs on some American goods starting June 1st. China is putting U.S. soy purchases on hold in a move that's seen as a direct strike on President Trump's political base.



China's manufacturing index drops into negative territory in May as economic pressures mount. New data, released by the National Bureau of Statistics (NBS), combined with weaker economic data readings for April, suggest that Chinese growth slowed in the second quarter after stabilising at 6.4% in the first quarter.

CHINA - ANNUAL GDP GROWTH RATE



UNITED KINGDOM ECONOMIC OUTLOOK

Contenders: Michael Gove and Boris Johnson

After the EU Election result, Farage's Brexit Party victory means the Tories will be led by a Brexiteer, not a compromiser.

Conservative MPs are even more firmly convinced that they need a Brexiteer capable of the same kind of mass voter seduction as Farage. "*All roads seem to lead to Boris Johnson*," one moderate MP said. "*This just hardens the mood.*"

ANNUAL GDP GROWTH RATE

The Bank of England has warned the value of shares and other assets could fall sharply, if financial markets are underestimating the risks of a fresh crisis.

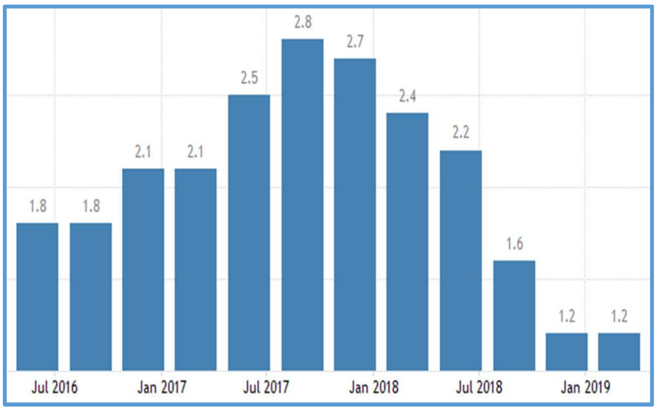
The Bank's deputy governor responsible for banks and markets, said there was a disconnect between heightened levels of global policy uncertainty and the relatively relaxed attitude of investors.

GDP growth since the Brexit referendum has mainly been supported by continued consumption growth, even despite the hit to real household income caused by the fall in sterling around the referendum. Consumption has instead been funded, perhaps less sustainably, by a historically low household saving ratio. For businesses to be increasing employment at the same time that they are reducing investment suggests something unusual is going on.

European Economic Outlook

Amid trade war chaos - It may be no surprise that trade talks between New Zealand and European Union are going well, given their reputation as like-minded partners – but as EU lead negotiator Peter Berz pointed out, "*even like-minded has its limits*". Unsurprisingly, agriculture is still looming as a difficult issue for both sides to traverse, noting New Zealand's requirement for comprehensive access, and Berz is talking about the sensitivities of some EU members.

EURO AREA - ANNUAL GDP GROWTH RATE



COMMODITIES - OIL

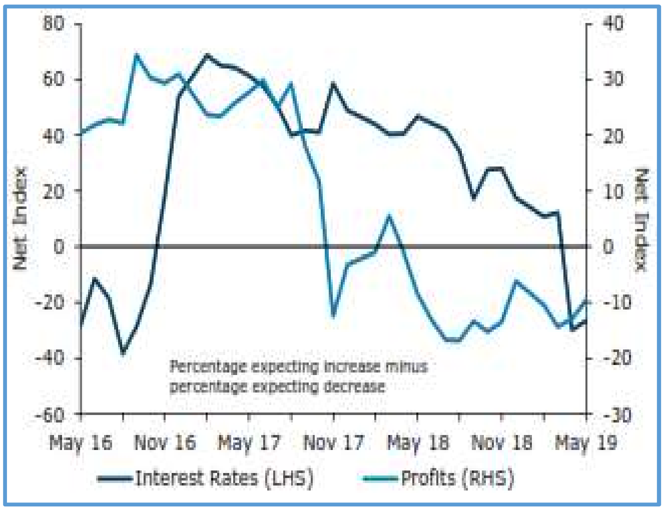
U.S. Crude stockpiles rose to their highest since September 2017. Oil prices are benefiting from output cuts by the major producers and falling supplies from Iran. However, a strong advance seems unlikely as the US-China trade war continues to cast doubt on the strength of the global economy and therefore the demand for crude.

OIL: WEST TEXAS (1 YEAR CHART)

INTEREST RATES

The Reserve Bank will have been nudged "a smidgen closer" to lowering the Official Cash Rate further after May's ANZ Survey of Business Opinion, according to BNZ's head of research Stephen Toplis. He said the RBNZ has displayed a clear focus on the possibility that falling growth will alleviate capacity constraints in the economy and, in turn, ease pressure on the labour market and future inflation. Based on past evidence, ANZ noted that current readings would tend to indicate annual average GDP growth of around 1.5%, well less than most economists' view - that growth troughs at 2.3% - a level similar to that of the RBNZ's forecast.

ANZ BANK - FINANCIAL OUTLOOK

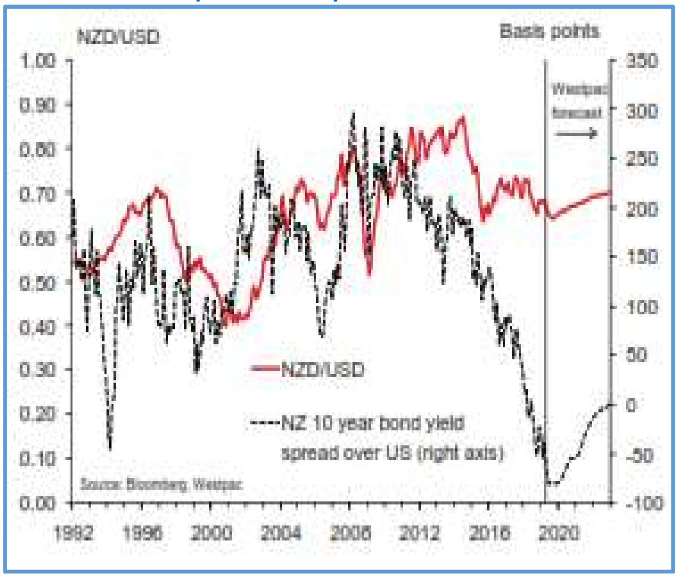


CURRENCY

Over the last year the New Zealand economy has been slowing, with ongoing soft inflation and a dovish RBNZ weighing on the NZ dollar. With the NZD/USD now having fallen considerably, there is only a little further for this story to run, according to Westpac.

Starting late this year, expect the NZ dollar to start drifting higher, supported by a firm terms-of-trade, improving sentiment around the outlook for global growth and eventually a gradual normalisation of monetary policy.

NZD/AUD & NZD/USD CROSS RATE



AGRIBUSINESS – LOOKING FROM THE OUTSIDE IN

FONTERRA OUTLOOK

Fonterra announced it may sell more assets as it slims down its operations and focuses on its core business. It has started a strategic review of its two farm hubs in China; and is reviewing options for the future ownership of its Brazil joint venture with Nestle; and is closing its Dennington factory in Australia.

Fonterra also narrowed the range for its forecast payout to farmers this season, now expecting to pay $6.30-6.40 per kilogram of milk solids in the current season - which ends on May 31st - versus its February forecast of $6.30-6.60/kgMS.

DAIRY COMMODITY PRICES

ZESPRI 2018/19 SEASON RESULT

Zespri said returns to growers and the industry had reached new levels, with operating revenue from global kiwifruit sales and licence release revenue exceeding $3bn for the first time. Its net profit after tax increased to $179.8m from $101.8m in the 2017/18.

Zespri Group reported its annual profit rose 77%, thanks to growing global sales of kiwifruit and big licensing fees for the SunGold variety.

Zespri recently undertook a share split on a three-for-two basis (a shareholder with two shares received three after the share split). At the same time, the share price dropped from $9 to $6, hence the overall value of the shares held is unchanged.

An allocation of 700ha of new SunGold licenses have recently been issued, at a median price of $790,000 per hectare. Orchard gate returns for the 2018-19 season are forecast to be $140,195/ha for the SunGold variety (including organic). This compares to $63,796/ha for Green. Actual returns to growers can vary considerably due to premium and incentive payments. SunGold returns are up 22% on the previous season, while Green returns are up 6.5%.

FARM SALES BY FARM TYPE

3-Month Seasonally Adjusted		Current Period	Previous Period	Last Year	10 - Year Av.	Chg. P/P	Chg. Y/Y	Chg. P/10yr
Dairy	Number of Sales	37	42	58	51	↓	↓	↓
	Median Price ($ per ha)	29,449	34,231	26,655	29,642	↓	↑	↓
Livestock - Finishing	Number of Sales	102	122	123	74	↓	↓	↑
	Median Price ($ per ha)	29,405	29,255	30,794	21,088	↑	↓	↑
Livestock - Grazing	Number of Sales	114	107	101	152	↑	↑	↓
	Median Price ($ per ha)	10,270	11,088	11,193	14,038	↓	↓	↓
Horticulture	Number of Sales	42	42	50	44	↓	↓	↓
	Median Price ($ per ha)	150,283	165,424	238,715	166,159	↓	↓	↓
Arable	Number of Sales	26	26	23	22	↑	↑	↑
	Median Price ($ per ha)	31,914	106,220	28,889	27,246	↓	↑	↑
Forestry	Number of Sales	13	14	15	12	↓	↓	↑
	Median Price ($ per ha)	5,567	6,218	7,083	7,027	↓	↓	↓
All Farms	Number of Sales	339	359	365	356	↓	↓	↓
	Median Price ($ per ha)	23,442	27,214	26,428	23,159	↓	↓	↑

SOURCE: ANZ BANK

Infratil (IFT.NZ)

CURRENT PRICE: $4.27 **FNZC TARGET PRICE:** $4.23
FNZC RECOMMENDATION: NEUTRAL

INFRATL Year to 31 March		2019A	2020F	2021F	2022F
Adjusted NPAT	NZ$m	102	80	98	153
Earnings /share	NZc	18.3	12.6	14.9	23.1
PE Ratio	x	24.0	35.0	38.9	18.9
Cash/Share	NZc	49.5	34.9	43.1	56.2
Dividend/share	NZc	17.3	14.8	15.1	15.9
Imputation	%	72.5	75.9	75.9	73.1
Net Div. Yield	%	4.0	3.4	3.5	3.7
Gross Div. Yield	%	5.2	4.5	4.6	4.8

SOME VODAFONE FACTS:

TOTAL MOBILE CUSTOMERS

- Vodafone: 2.55m (41% on contract)
- Spark: 2.46m (49% on contract)
- 2degrees: 1.41m (31% on contract)

NOTE: The number of total mobile customers exceeds the population because some people have more than one connection as more and more gadgets support SIM cards.

NUMBER OF CUSTOMERS ON CONTRACT VS THE NUMBER ON PRE-PAY - WHO ON AVERAGE SPEND A LOT LESS PER MONTH.

In 2018 Vodafone NZ had 41.3% of its customers on contract. Today, that has edged up to 43.5%.

By comparison, Spark has just under half its mobile customers on contract; whereas 2degrees has just 31% of mobile customers on contract.

FIXED BROADBAND CUSTOMERS

- Spark: 698,000
- Vodafone: 424,000 (2018=426,000)
- Vocus (incl Orcon, Slingshot): 194,000
- Trustpower: 107,000
- 2degrees: 87,000

Spark's fixed broadband numbers have received a shot in the arm over the past couple of years from fixed-wireless (using 4G to deliver broadband into a home), where its rapidly added 129,000 customers. Vodafone NZ boss Jason Paris said that he wants his company to push harder into fixed wireless under its new ownership.

There has been speculation that Trustpower (51% owned by Infratil) may have to carve off its broadband business, to ease regulator approval for its Vodafone NZ buyout.

Vodafone Group does not break out quarterly figures for its subsidiaries, but recently, a regulatory filing citing yet-to-be-audited accounts, said Vodafone NZ had revenue of $1.99b in the year to March 31st (a dip from the $2.05b in its most recent Companies Office filing), adjusted EBITDA of $463m, capital expenditure of $253m and an adjusted operating free cash flow of $210m.

Vodafone NZ has recently been working through a major restructure that is seeing a number of jobs outsourced or offshored. Chief executive Jason Paris is painting the Infratil/Brookfield takeover as a best-of-both-worlds scenario.

Paris says his company will maintain the Vodafone brand and access to Vodafone Group technology from around the world, and preferential roaming rates, but will be able to push harder into areas like fixed wireless and streaming content with its local management.

The Vodafone NZ boss said his company missed some targets last year, and was 12 months behind rivals in introducing an unlimited mobile plan.

He says the restructure will free up funds for more investment in new technology, and that the new ownership will give Vodafone NZ a freer hand in strategy. Both developments will help accelerate new product releases, Paris says.

The Vodafone NZ buyout is subject to Overseas Investment Office approval, and possible Commerce Commission clearance. There is no set timeline for the regulatory approval, but Infratil expects the process to wrap up by the end of August.

STOCKS TO WATCH

NEW ZEALAND NOTE: THESE ARE ALL ONE YEAR GRAPHS

Prices as at 31st May 2019

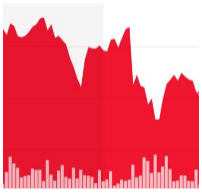
Stocks covered are only those updated by FNZC since my last Newsletter

AFT Pharmaceuticals

A milestone year but yet to deliver max potential - FY19 EBITDA (excl. R&D) $9.6m, modestly below FNZCe of $11.2m, $0.1m loss in the pcp. This was driven by lower operating revenue partly offset by cost control. Headline operating revenue was broadly flat in the ANZ, however, underlying growth (13% growth in over-the-counter sales) was masked by trading out of the lower-margin hospital and pharmacy segments. This focus delivered 430 bps gross margin expansion. International growth remains slower to materialise than forecast. **This is one of my annual picks.**

2020 P/E: 64.4 2021 P/E: 15.6

NZX Code:	**AFT**
Share Price:	**$2.85**
12mth Target:	**$2.80**
Projected return (%)	
Capital gain	-1.8%
Dividend yield (Net)	0.0%
Total return	**-1.8%**
Rating: OUTPERFORM	
52-week price range: 1.70-2.85	

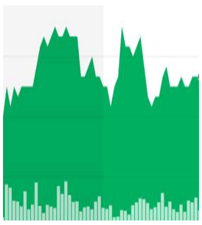


Air New Zealand

AIR's investor day revolved around four key themes – the adaptability of the company's business model; initiatives to drive sustainable cost improvement and earnings growth in a lower demand environment; continued investment in culture and customer experience; all while targeting strong free cash flow generation. While the presentations built on previous familiar themes and contained incrementally useful information, there was nothing to materially change FNZC's investment view.

2019 P/E: 11.3 2020 P/E: 11.0

NZX Code:	**AIR**
Share Price:	**$2.60**
12mth Target:	**$2.55**
Projected return (%)	
Capital gain	-1.9%
Dividend yield (Net)	8.1%
Total return	**6.2%**
Rating: NEUTRAL	
52-week price range: 2.23-3.41	



Arivida

ARV has delivered a soft operating result vs FNZC expectation, with underlying NPAT (excluding development margin and Village at the Park) of $30.3m vs forecast of $33.2m. This miss was largely driven by higher operating expenses of $129.9m, $3.5m ahead of forecast. While the company delivered 113 new units, in line with guidance of 112, new sales activity was disappointing with 63 units sold compared to forecast of 107. Resales activity was also weaker than expected at 238. This soft sales activity aligns other operators in the sector, most recently RYM and SUM.

2020 P/E: 12.5 2021 P/E: 10.7

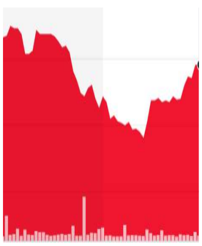
NZX Code:	**ARV**
Share Price:	**$1.31**
12mth Target:	**$1.28**
Projected return (%)	
Capital gain	4.6%
Dividend yield (Net)	4.6%
Total return	**9.2%**
Rating: NEUTRAL	
52-week price range: 1.23-1.36	

Asset Plus

Net rental income of $9.2m was a touch above FNZC's $8.9m forecast, while net operating income after tax of $5.0m was slightly below our NZ$5.2mn estimate. NTA reduced -2cps to $0.69/share on a 1.4% FY fair value loss, largely due to the value of Eastgate down ~8% on a softer cap rate. No FY20 DPS guidance was provided. APL continues to make incremental improvements to its portfolio. Countdown has re-signed at Eastgate Mall for 8 years, while a number of leases were renewed at the Roskill Centre.

20020 P/E: 20.1 2021 P/E: 20.0

NZX Code:	**APL**
Share Price:	**$0.63**
12mth Target:	**$0.67**
Projected return (%)	
Capital gain	6.3%
Dividend yield (Net)	5.7%
Total return	**12.0%**
Rating: OUTPERFORM	
52-week price range: 0.56-0.64	

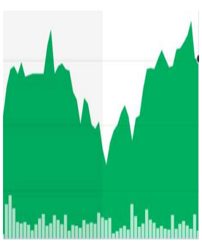


Eroad

ERD reported FY19 EBITDA of $16m, up 48% YoY in a result containing significant IFRS restatements. Sitting behind this, free cash flow was -$13m vs. -$19m in FY18. In keeping with the April update, the New Zealand business continues to make progress with small-/medium-sized customers, while North America saw initial gains from its first enterprise customer in 4Q. The quest for scale is ongoing but notably the segment delivered its first EBITDA-positive result. On the other frontier, the Australian relaunch is reportedly progressing well with company expectations that it may sell 1–2k units this year.

2020 P/E: 123.8 2021 P/E: 22.9

NZX Code:	**ERD**
Share Price:	**$3.13**
12mth Target:	**$3.25**
Projected return (%)	
Capital gain	3.8%
Dividend yield (Net)	0.0%
Total return	**3.8%**
Rating: OUTPERFORM	
52-week price range: 1.95-3.66	



Fisher & Paykel Healthcare

FY19 NPAT grew 10% to $209m, in line with FNZC estimates but skewed slightly more towards Hospital. Divisional fortunes were once again mixed. Hospital was buoyed by another strong contribution from new applications but inferred growth in humidifiers and IV consumables remains low. Meanwhile, Homecare suffered at the hands of 2H mask growth which was negative for the first time in seven years. The recently-launched Vitera will address this situation, but the wait for US clearance leaves FPH exposed to worse outcomes in the next six months.

2020 P/E: 37.4 2021 P/E: 32.3

NZX Code:	**FPH**
Share Price:	**$15.40**
12mth Target:	**$13.15**
Projected return (%)	
Capital gain	-14.6%
Dividend yield (Net)	2.0%
Total return	**-12.6%**
Rating: UNDERPERFORM	
52-week price range: 11.85-16.69	

Infratil

After the Vodafone equity-raising, further capital calls on IFT parent funding are unlikely to be large. Expect the $400m equity-raising to succeed, and proceeds from the remaining divestments should be roughly ~$460m during FY20, satisfying parent debt facilities expiring in FY21. CDC and TLT capital programs are to be funded by internal debt and cashflows, whilst Longroad shouldn't need to extend beyond its existing US$100m equity + US$100m letter of credit facilities. RA was flagged as likely requiring further IFT capital (uncertain sizing, but don't expect this to be large).

2020 P/E: 35.3 2021 P/E: 29.9

NZX Code:	**IFT**
Share Price:	**$4.27**
12mth Target:	**$4.18**
Projected return (%)	
Capital gain	-2.1%
Dividend yield (Net)	3.4%
Total return	**1.3%**
Rating: NEUTRAL	
52-week price range: 3.25-4.55	

Kiwi Property Group

Net property income of $182.9m was +0.8% above FNZC's $181.3m forecast. NTA stands at $1.43 per share. FY20 DPS guidance is 7.05cps, up +1.4% YoY. Their portfolio performing well, with new leases and rent reviews delivered a solid 4.0% average rental uplift over the period (vs 3.5% in the pcp). Reviews were up 3.5% (vs 3.4% in the pcp), while new leasing was strong up 5.5% (vs 3.7% in the pcp). Like-for-like retail sales increased 2.4% (vs +0.9% in FY18 and +2.3% in FY17) with mini majors, commercial services, and pharmacy categories seeing the largest growth.

2019 P/E: 22.1 2020 P/E: 21.4

NZX Code:	**KPG**
Share Price:	**$1.58**
12mth Target:	**$1.52**
Projected return (%)	
Capital gain	-3.5%
Dividend yield (Net)	4.6%
Total return	**1.1%**

Rating: NEUTRAL

52-week price range: 1.30-1.59

Mainfreight

MFT has delivered a FY19 result that was ahead of FNZC forecasts following better-than-expected domestic transport performance in the Americas and Europe. Strong underlying growth was observed across all regions, with revenue growth of +12.8% and margin expansion driving EBITDA growth of +19.3% to $257m. Contrary to the Americas and Europe, New Zealand, Australia and Asia segments delivered slightly weaker than-expected results.

2020 P/E: 23.1 2021 P/E: 21.2

NZX Code:	**MFT**
Share Price:	**$38.40**
12mth Target:	**$25.50**
Projected return (%)	
Capital gain	-33.6%
Dividend yield (Net)	1.7%
Total return	**-31.9%**

Rating: UNDERPERFORM

52-week price range: 26.50-38.70

Ryman Healthcare

RYM has delivered a FY19 result that was softer than expected across a range of metrics. While the company's underlying earnings of $227m was in line with guidance of $223m-238m, excluding company defined development margin and changes in deferred tax, earnings decreased -5.7% to $136m (vs. FNZC of $135m). Underlying the softer operating performance vs. PCP was lower realised resale gains (flat volumes; 130bp resale margin deterioration) and higher staff costs. Importantly, this softer operational performance was also matched by slower-than-expected new retirement unit sales on lower-than-forecast new unit build.

2020 P/E: 22.2 2021 P/E: 19.3

NZX Code:	**RYM**
Share Price:	**$11.58**
12mth Target:	**$9.80**
Projected return (%)	
Capital gain	-15.4%
Dividend yield (Net)	2.3%
Total return	**-13.1%**

My Rating: UNDERPERFORM

52-week price range: 10.40-14.09

Sanford

1H19 adjusted EBIT $32.6m, -3.6% vs FNZCe of $33.8m, -8.0% vs (a strong) pcp of $35.4m. 1H19 was adversely impacted by a San Granit (vessel) outage and timing issues (shift in the quota trading pattern). Backing out these items (and fair value changes), SAN achieved an EBIT of $36.6m (+8.3% vs FNZCe) driven by higher margins in the aquaculture businesses and the hoki fillet cascade. On this same basis, EBIT/kg increased to $0.61 from $0.56 in the pcp (albeit partly on salmon mix).

2019 P/E: 14.5 2020 P/E: 13.5

NZX Code:	**SAN**
Share Price:	**$6.75**
12mth Target:	**$7.57**
Projected return (%)	
Capital gain	12.1%
Dividend yield (Net)	3.4%
Total return	**15.5%**

Rating: OUTPERFORM

52-week price range: 6.36-8.05

Scales Corporation

In recent periods, there has been a compression in horticultural EBITDA margins, with the earnings upside from positive catalysts (Europe pricing in FY18, China pricing in FY19, etc.) failing to materialise as expected. This has likely, in part, been driven by cost pressures (such as labour) which we expect to be persistent in the near-to-medium term. SCL has a strong investment track record (and capacity to deploy additional capital). However, while positively disposed given track record, FNZC would prefer to maintain a disciplined approach to valuation ahead of visibility on capital deployment. SCL is currently on 20x forward P/E.

2019 P/E 20.4 2020 P/E: 19.6

NZX Code:	**SCL**
Share Price:	**$4.75**
12mth Target:	**$4.68**
Projected return (%)	
Capital gain	-1.5%
Dividend yield (Net)	4.7%
Total return	**-3.2%**

Rating: UNDERPERFORM

52-week price range: 4.20-5.13

Steel & Tube

STU has revised FY19 EBIT guidance from $25m to $15.5-17.5m. STU has announced a major reduction in earnings (-34% at the midpoint) on a combination of market conditions/trading performance and legacy inventory write-down issues. Whilst STU has reiterated confidence in the cost out components of the Project Strive programme (normalised opex is forecast to reduce despite increased rental costs and inflation), STU attribute ~$4.5m of the downgrade to revenue and gross margin impacts from price competition and adverse changes in the product mix.

2019 P/E 20.6 2020 P/E: 13.3

NZX Code:	**STU**
Share Price:	**$1.00**
12mth Target:	**$1.21**
Projected return (%)	
Capital gain	21.0%
Dividend yield (Net)	6.4%
Total return	**27.4%**

Rating: NEUTRAL

52-week price range: 0.99-1.73

Xero – Listed in Australia only

XRO reported FY19 revenue up 36% to NZ$553m and EBITDA up 52% to NZ$73m, but NZ$92m excluding impairments on US payroll. This was sufficient to deliver NZ$6m of free cash flow, XRO's first breakeven result and an important precursor for future reinvestment. Regional performance was spearheaded by the UK, which saw a material step-up in additions in the March half ahead of HMRC's 1 April 'Making Tax Digital' deadline (108k vs 59k in 2H18). Momentum elsewhere was largely unchanged, albeit continued subs growth in A/NZ was helped by ARPU +5% (const. currency). North America remains a work in progress.

2020 P/E 453.3 2021 P/E: 140.8

NZX Code:	**XRO.AX**
Share Price:	**A$59.81**
12mth Target:	**A$41.00**
Projected return (%)	
Capital gain	-31.4%
Dividend yield (Net)	0.0%
Total return	**-31.4%**

Rating: UNDERPERFORM

52-week price range: A$36.10-A$62.11

NZ LISTED COMPANIES 27th May 2019	Ticker	Mrkt Cap	Price 27-May-19	Target Price	Price Earnings (x)		Net Yield (%)	
Source: First NZ Capital, CSFB		(NZ$m)	(NZ$)	(NZ$)	FY19	FY20	FY19	FY20
COMMUNICATION SERVICES								
Chorus	CNU	2,478	5.64	4.77	39.5	61.1	4.1%	4.3%
NZME	NZM	104	0.53	0.47	6.5	6.6	0.0%	0.0%
Sky Network Television	SKT	475	1.22	1.74	5.2	6.1	12.3%	6.6%
Spark NZ	SPK	7,014	3.82	3.39	17.9	16.8	6.5%	6.5%
CONSUMER DISCRETIONARY								
Kathmandu	KMD	516	2.28	2.75	10.5	9.9	7.0%	7.5%
Michael Hill International	MHJ	216	0.59	0.85	9.4	7.8	9.0%	9.0%
Restaurant Brands New Zealand	RBD	1,093	8.76	7.65	25.8	24.6	0.0%	0.0%
SKYCITY Entertainment Group	SKC	2,595	3.84	3.85	15.9	16.9	5.2%	5.2%
The Warehouse Group	WHS	735	2.12	2.00	11.4	10.7	7.1%	7.5%
Tourism Holdings	THL	519	4.17	4.57	18.9	14.9	6.0%	6.2%
Turners Automotive	TRA	211	2.43	3.11	8.1	8.3	7.0%	7.4%
CONSUMER STAPLES								
Comvita	CVT	161	3.24	3.77	-24.9	27	0.0%	0.0%
Delegat Group	DGL	1,082	10.70	9.34	21.2	19.0	1.6%	1.8%
Green Cross Health	GXH	167	1.17	2.20	8.1	7.9	6.0%	6.4%
New Zealand King Salmon Co	NZK	330	2.38	2.59	24.9	20.6	2.0%	2.4%
Sanford	SAN	632	6.75	7.57	14.5	13.5	3.4%	3.4%
Scales Corporation	SCL	647	4.63	4.68	18.9	18.2	4.5%	4.7%
Seeka Limited	SEK	151	4.70	5.91	27.3	15.4	5.1%	5.1%
Synlait Milk	SML	1,683	9.39	7.95	19.2	15.8	0.0%	0.0%
The a2 Milk Company	ATM	11,692	15.91	14.00	39.9	31.5	0.0%	0.0%
ENERGY								
NZ Refining	NZR	650	2.08	2.38	-96.3	12.1	3.1%	10.9%
Z Energy	ZEL	2,436	6.09	6.30	13.4	12.5	7.1%	8.4%
FINANCIALS								
Heartland Group Holdings	HGH	900	1.58	1.43	11.8	11.2	6.0%	6.3%
NZX	NZX	294	1.07	1.11	19.7	17.5	5.8%	5.9%
HEALTH CARE								
AFT Pharmaceuticals	AFT	262	2.69	2.80	-107.8	67.1	0.0%	0.0%
Fisher & Paykel Healthcare	FPH	9,353	16.30	13.15	44.3	35.4	1.5%	2.0%
Health Care Providers & Services								
Arvida	ARV	535	1.29	1.36	14.0	11.7	4.1%	4.6%
Ebos Group	EBO	3,442	22.51	21.00	23.4	19.9	2.9%	3.5%
Metlifecare	MET	985	4.62	7.00	11.8	10.2	2.4%	2.7%
Oceania Healthcare	OCA	629	1.03	1.11	11.6	12.4	4.7%	4.4%
Ryman Healthcare	RYM	5,845	11.69	9.80	25.8	22.2	1.9%	2.3%
Summerset Group Holdings	SUM	1,244	5.51	6.84	12.0	12.2	2.9%	3.4%
INDUSTRIALS								
Metro Performance Glass	MPG	86	0.47	0.62	6.1	5.2	0.0%	0.0%
Skellerup Holdings	SKL	475	2.44	2.13	15.8	14.8	5.3%	5.7%
LOGISTICS & TRANSPORT								
Air New Zealand	AIR	3,060	2.73	2.55	11.2	9.5	8.1%	8.1%
Auckland Airport	AIA	10,405	8.59	5.95	37.4	38.0	2.6%	2.6%
Freightways	FRE	1,301	8.37	7.85	20.9	18.9	3.9%	4.5%
Mainfreight	MFT	3,552	35.27	25.50	26.5	23.3	1.5%	1.7%
Port of Tauranga	POT	4,176	6.14	4.30	41.4	38.7	2.3%	2.4%
INFORMATION TECHNOLOGY								
EROAD	ERD	205	3.00	3.25	-45.2	72.0	0.0%	0.0%
Gentrack Group	GTK	508	5.15	5.15	33.2	26.3	2.7%	3.2%
Vista Group International	VGL	966	5.81	4.10	45.2	36.3	1.1%	1.4%
MATERIALS								
Fletcher Building	FBU	4,642	5.44	5.28	12.5	12.4	4.6%	5.1%
Steel & Tube	STU	169	1.02	1.21	19.6	12.7	4.4%	6.4%
REAL ESTATE								
Asset Plus	APL	103	0.64	0.67	19.7	20.3	5.7%	5.7%
Argosy Property	ARG	1,092	1.32	1.20	19.0	20.4	4.8%	4.8%
Augusta Capital	AUG	103	1.18	1.23	13.3	17.5	5.2%	5.5%
Goodman Property Trust	GMT	2,350	1.82	1.55	23.6	26.7	3.7%	3.7%
Investore Property	IPL	450	1.73	1.58	21.6	21.4	4.4%	4.4%
Kiwi Property Group	KPG	2,214	1.55	1.52	22.1	21.5	4.5%	4.6%
Precinct Properties NZ	PCT	2,207	1.68	1.48	26.4	25.0	3.6%	3.7%
Property for Industry	PFI	1,045	2.10	1.67	24.2	22.7	3.6%	3.8%
Stride Property Group	SPG	778	2.13	1.92	20.5	20.5	4.7%	4.7%
Vital Healthcare Property Trust	VHP	1,049	2.36	2.13	24.0	22.0	3.7%	3.8%
UTILITIES								
Contact Energy	CEN	5,383	7.51	6.31	31.7	33.4	5.2%	5.2%
Genesis Energy	GNE	3,224	3.15	2.30	37.5	35.3	5.4%	5.5%
Infratil	IFT	2,753	4.34	4.18	24.1	34.9	3.9%	3.4%
Mercury NZ	MCY	5,299	3.89	3.53	30.5	29.8	4.0%	4.0%
TrustPower	TPW	2,316	7.40	5.46	22.6	23.5	10.0%	4.6%
Meridian Energy	MEL	11,187	4.37	3.10	43.6	42.0	4.5%	4.5%
TILT Renewables	TLT	1,040	2.34	2.21	85.3	n.m.	0.7%	0.5%
Vector	VCT	3,780	3.78	3.27	28.9	26.7	4.4%	4.4%
MARKET AVERAGE*					**21.7**	**20.5**	**4.0%**	**4.1%**

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

FNZC - AUSTRALIAN EQUITIES: NET DIVIDEND YIELDS 30TH MAY 2019

COMPANY	RATING	PRICE (AU$)	DIVIDEND YIELD				DIVIDEND COVER				NET DEBT/ EQUITY CURRENT
			FY-1	FY0	FY1	FY2	FY-1	FY0	FY1	FY2	
Alumina Limited	O	$2.41	13.6%	12.7%	7.3%	6.4%	1.0	0.8	1.1	1.1	-0.4%
Fortescue Metals Group Ltd	O	$8.29	3.1%	12.5%	16.6%	10.2%	1.9	1.3	1.5	1.6	16.7%
Whitehaven Coal	O	$4.09	9.8%	11.9%	7.8%	4.8%	1.3	1.3	1.3	2.0	4.7%
Bank of Queensland	N	$9.31	8.2%	7.2%	7.1%	6.8%	1.2	1.1	1.2	1.2	
Janus Henderson Group	U	$30.72	6.8%	6.9%	7.3%		1.9	1.7	1.5		
AMP Limited	N	$2.19	6.4%	6.8%	5.7%	5.7%	1.7	1.6	1.4	1.5	261.6%
Westpac	N	$27.74	6.8%	6.8%	6.8%	6.8%	1.2	1.1	1.2	1.3	-30.4%
Rio Tinto	N	$104.53	7.6%	6.5%	6.0%	5.0%	0.9	1.6	1.6	1.6	-0.4%
Spark Infrastructure Group	U	$2.32	6.9%	6.5%	6.5%	6.5%	0.3	0.4	0.3	0.2	-7.1%
Bendigo and Adelaide Bank	U	$11.04	6.3%	6.3%	6.3%	6.3%	1.2	1.1	1.1	1.1	-34.1%
National Australia Bank	N	$26.40	7.5%	6.3%	6.3%	6.4%	1.0	1.2	1.4	1.5	-98.8%
Stockland Group	U	$4.46	5.9%	6.2%	6.3%	6.4%	1.1	1.2	1.2	1.2	45.3%
Vicinity Centres	N	$2.62	6.2%	6.1%	5.8%	5.9%	1.1	1.1	1.2	1.2	34.8%
Pendal Group Limited	N	$7.50	6.9%	6.0%	6.5%	7.5%	1.2	1.1	1.2	1.2	-10.6%
Scentre Group	O	$3.87	5.7%	5.8%	6.0%	6.2%	1.1	1.1	1.1	1.1	57.4%
ANZ Banking Group	U	$28.04	5.7%	5.8%	5.9%	6.2%	1.3	1.4	1.4	1.4	-154.8%
AGL Energy	U	$20.63	5.7%	5.6%	5.6%	5.6%	1.3	1.3	1.3	1.1	30.3%
BHP Group Limited	N	$38.36	4.4%	5.6%	5.1%	4.0%	1.4	1.3	2.0	2.0	17.8%
Commonwealth Bank Australia	O	$77.89	5.5%	5.5%	5.6%	5.6%	1.2	1.1	1.2	1.2	-51.2%
AusNet Services	N	$1.79	5.2%	5.4%	5.6%	5.8%	0.9	0.8	0.7	0.7	204.5%
Sydney Airport	U	$7.39	5.1%	5.3%	5.4%	5.6%	0.4	0.4	0.4	0.5	4633.4%
Boral	N	$5.15	5.1%	5.1%	5.8%	6.5%	1.6	1.6	1.6	1.6	36.2%
Suncorp Group Limited	N	$13.38	6.1%	5.1%	5.5%	5.7%	1.0	0.3	1.2	1.2	69.0%
Woodside Petroleum	O	$36.06	5.8%	5.1%	5.4%	5.0%	1.1	1.2	1.3	1.7	11.6%
Coca-Cola Amatil	N	$9.42	5.0%	5.0%	5.0%	5.0%	1.1	1.1	1.2	1.2	76.7%
South 32	O	$3.36	5.8%	5.0%	3.8%	3.4%	1.9	2.1	2.5	2.5	-5.9%
Brambles	O	$12.13	2.6%	4.9%	2.7%	3.1%	1.8	1.0	2.0	2.0	-5.2%
Nine Entertainment	O	$2.05	4.9%	4.9%	5.1%	5.1%	1.8	1.3	1.4	1.4	13.2%
Tabcorp Holdings	N	$4.53	4.6%	4.9%	4.9%	5.1%	0.9	0.9	0.9	0.9	43.5%
Macquarie Group	O	$121.22	4.7%	4.8%	4.9%	5.0%	1.5	1.5	1.5	1.5	0.0%
JB Hi-Fi	U	$28.25	4.7%	4.7%	4.0%	3.7%	1.5	1.5	1.5	1.5	32.4%
Star Entertainment Group	O	$4.45	4.6%	4.7%	4.9%	4.7%	1.5	1.4	1.5	1.4	20.6%
Crown	N	$12.93	4.6%	4.6%	4.6%	4.6%	0.9	0.9	1.0	1.0	18.5%
Wesfarmers	N	$37.33	6.0%	4.6%	3.9%	4.0%	1.1	1.0	1.2	1.2	22.5%
APA Group	N	$10.14	4.4%	4.6%	4.8%	5.0%	0.5	0.5	0.6	0.7	250.7%
Telstra Corporation	N	$3.57	6.2%	4.5%	4.5%	4.5%	1.4	1.2	1.6	1.0	113.4%
GPT Group	N	$5.92	4.3%	4.5%	4.7%		1.3	1.3	1.3		40.4%
Adelaide Brighton	N	$4.12	4.9%	4.4%	4.6%	4.9%	1.5	1.4	1.4	1.4	36.2%
Qantas	O	$5.51	3.1%	4.4%	4.4%	4.4%	3.3	2.3	2.6	2.5	84.2%
Aurizon	O	$5.16	5.3%	4.3%	5.2%	5.7%	1.0	1.0	1.0	1.0	69.9%
Transurban	U	$13.70	4.1%	4.3%	4.5%	4.8%	0.4	0.4	0.4	0.5	146.0%
QBE Insurance Group	N	$11.77	4.3%	4.3%	4.9%	4.9%	0.8	1.6	1.6	1.6	41.0%
Insurance Australia Group	N	$7.87	5.0%	4.2%	4.1%	4.2%	1.0	1.3	1.3	1.3	23.3%
Caltex Australia	O	$26.97	4.4%	4.2%	4.7%	5.1%	1.8	1.6	1.7	1.7	34.3%
Challenger Limited	N	$8.11	4.4%	4.2%	3.8%	4.2%	1.8	1.8	1.9	1.9	-5.7%
Downer EDI	U	$7.16	3.8%	4.2%	4.6%	4.7%	1.5	1.4	1.6	1.6	27.9%
Atlas Arteria	N	$7.23	3.3%	4.1%	4.6%	5.7%	0.4	0.7	0.8	0.6	86.0%
Orora	N	$3.17	3.9%	4.1%	4.2%	4.5%	1.4	1.4	1.4	1.4	48.4%
Amcor	N	$16.10	4.0%	4.0%	4.3%	4.7%	1.3	1.3	1.4	1.4	90.1%
Medibank Private Limited	U	$3.26	3.9%	4.0%	3.8%	3.9%	1.2	1.3	1.3	1.3	-23.4%
Magellan Financial Group	N	$43.85	3.1%	3.9%	4.2%	4.6%	1.2	1.1	1.1	1.1	-29.6%
Mirvac Group	N	$3.10	3.5%	3.8%	3.9%	4.2%	1.4	1.5	1.5	1.4	27.7%
Lend Lease	O	$14.26	4.8%	3.7%	4.2%	5.9%	2.0	1.5	1.9	1.9	12.1%
ALS Ltd	N	$7.15	3.1%	3.6%	3.8%	4.0%	1.6	1.7	1.7	1.7	57.0%
Flight Centre	N	$43.50	3.8%	3.5%	3.9%	4.2%	1.7	1.7	1.7	1.7	-7.2%
CIMIC Group Limited	N	$44.53	3.5%	3.4%	3.4%	3.0%	1.5	1.7	1.7	1.7	-80.6%
carsales.com.au	O	$13.65	3.2%	3.4%	3.4%	3.7%	1.2	1.2	1.3	1.3	109.5%
Domino's Pizza Enterprises	U	$38.15	2.8%	3.3%	3.6%	4.0%	1.4	1.3	1.4	1.4	154.8%
Woolworths	N	$31.59	3.3%	3.2%	3.3%	3.6%	1.2	1.3	1.4	1.4	18.7%
James Hardie Industries plc	O	$18.41	2.8%	3.2%	3.9%	4.7%	1.9	1.9	1.7	1.5	110.0%
Sonic Healthcare	N	$26.21	3.1%	3.1%	3.4%	3.6%	1.4	1.4	1.4	1.4	50.0%
Oil Search	U	$7.15	2.1%	3.1%	3.4%	3.8%	2.1	2.2	2.2	2.2	53.6%
ASX	U	$76.03	2.8%	3.1%	3.1%	3.3%	1.1	1.1	1.1	1.1	-114.5%
Origin Energy	N	$7.50	0.0%	2.9%	5.2%	4.9%		2.8	1.7	1.7	45.8%
Link Administration Holdings Limit	O	$7.77	2.6%	2.7%	3.0%	3.3%	2.0	2.0	2.0	2.0	46.3%
Computershare	N	$16.72	2.6%	2.7%	2.8%	3.0%	2.1	2.3	2.2	2.3	85.8%
Treasury Wine	O	$15.17	2.1%	2.6%	3.1%	3.7%	1.6	1.5	1.5	1.5	22.5%
Ansell Limited	O	$26.38	2.5%	2.6%	2.8%	3.0%	2.2	2.3	2.3	2.3	15.4%
Orica	N	$20.83	2.5%	2.5%	3.3%	3.7%	1.7	1.8	1.5	1.5	54.0%
OZ Minerals	U	$9.22	2.5%	2.5%	2.5%	2.5%	3.2	2.9	2.2	4.0	-2.0%

FNZC - GLOBAL INESTMENT TRUST: RECOMMENDATIONS

Price GBP	Net Asset Value	(Discount) Premium	FNZC View	Investment Trust Company As at 23rd May 2019	Market Cap £m	Net Yield %	12-Month % Discount			1-Yr % NZ$		3-Yr % PA NZ$		5-Yr % PA NZ$	
							Average	High	Low	Price	NAV	Price	NAV	Price	NAV
				Global Equity											
760	797.1	-4.7%	Hold	Alliance	2,531	1.8	-5.4	-9.4	-4.1	10.3	8.3	15.1	11.6	14.5	10.4
740	822.1	-10.0%	Hold	AVI Global Trust	856	1.6	-10.4	-12.5	-8.6	5.5	1.9	15.6	12.2	10.5	7.4
887	898.8	-1.3%	Buy	Bankers Investment Trust	1,091	2.2	-3.9	-8.5	-0.2	7.9	7.4	15.4	11.7	12.8	10.0
2,960.0	3555.2	-16.7%	Hold	Caledonia Investments	1,468	2.0	-16.0	-21.5	-10.6	13.8	10.7	7.1	5.2	10.6	6.8
183.8	180.6	1.8%	Buy	Edinburgh Worldwide	542	0.0	-6.1	-12.7	3.6	21.4	25.1	25.7	22.8	21.3	19.6
1,314.0	1378.4	-4.7%	Hold	F & C Global Smaller	824	1.0	0.8	-2.8	2.1	-0.9	2.6	8.5	9.5	10.6	10.5
687	692.7	-0.8%	Buy	Foreign & Colonial	3,709	1.5	-6.7	-9.1	-4.1	9.3	7.4	16.5	11.7	15.9	11.5
558	562.9	-0.9%	Hold	Independent Investment Trust	424	0.9	-0.5	-10.3	12.3	-22.0	-6.7	12.4	12.9	18.0	15.0
320	308.6	3.7%	Buy	JPM Global Growth & Income	412	3.8	-1.2	-6.6	3.3	9.3	6.8	17.8	9.5	15.1	9.6
590	653.5	-9.7%	Hold	Law Debenture Corp	724	2.9	-8.7	-14.3	-5.0	6.0	-0.6	9.1	6.5	6.5	7.1
526	516.1	1.9%	Buy	Mid Wynd International	184	1.0	1.1	-2.2	4.3	4.2	10.8	9.8	13.0	7.1	13.7
866	830.7	4.2%	Buy	Monks Investment[1]	1,790	0.2	-0.8	-7.2	4.6	13.3	12.8	24.8	18.8	19.5	14.8
1,145.2	1113.4	2.9%	Hold	Murray International	1,486	4.6	1.5	-3.2	4.7	4.2	0.0	9.8	4.9	7.1	2.6
41,100.0	40607	1.2%	Hold	Personal Assets Trust	878	1.4	0.0	-3.2	2.2	5.2	3.6	1.8	0.8	5.5	3.6
2,015.0	1919.1	5.0%	Hold	RIT Capital Partners	3,130	1.6	6.2	0.6	11.8	6.6	3.1	7.5	4.4	11.6	6.4
382.3	370.7	3.1%	Hold	Scottish American IT	514	3.0	4.1	-1.9	7.0	11.1	7.9	13.8	9.6	13.3	8.7
508	488.9	3.9%	Buy	Scottish Mortgage	7,192	0.6	2.4	-5.0	5.1	12.5	12.7	25.1	23.2	23.6	20.7
				Benchmark MSCI International						NA	11.3	NA	13.6	NA	13.2
				European											
592	659.5	-10.2%	Hold	Edinburgh Investment Trust	1,356	3.9	-6.1	-10.6	-8.1	-1.0	-5.2	-0.9	-1.9	4.8	2.2
411.5	403	2.1%	Buy	City of London	1,541	4.2	1.6	-1.2	3.4	4.0	-1.1	5.5	1.4	6.3	1.9
782.4	866.8	-9.7%	N/R	The European Trust	392	2.5	-11.6	-15.9	-7.2	-5.9	-8.1	7.3	4.8	3.7	1.9
274	320.4	-14.5%	Buy	JP Morgan European (Growth)	226	2.3	-9.2	-17.2	-4.6	-6.7	-4.6	4.9	6.3	6.0	5.1
349	394.3	-11.5%	Buy	JPMorgan European Smaller	662	1.7	-11.0	-16.5	-4.4	-10.3	-7.6	9.7	9.1	10.0	9.4
1,177.0	1271.5	-7.4%	N/R	Henderson European Focus	273	2.4	0.0	-9.2	2.8	-2.5	0.4	6.9	6.6	6.6	6.0
351.6	365.3	-3.8%	N/R	BlackRock Greater European	305	1.5	-4.4	-7.1	-0.6	10.2	8.3	12.1	10.7	9.6	8.5
846	957.1	-11.6%	Buy	TR European	550	1.1	-6.5	-15.5	2.8	-13.2	-9.3	11.9	9.5	11.0	9.4
				Benchmark - MSCI European						NA	2.9	NA	9.2	NA	7.2
				Asia/Pacific Funds (incl. Japan)											
775.2	748.3	3.6%	Buy	Baillie Gifford Japan	763	0.0	4.3	-2.1	10.5	-3.1	-3.4	17.1	15.1	19.0	19.1
319	352	-9.4%	N/R	Witan Pacific	214	1.8	-13.5	-18.7	-10.6	2.9	-2.1	10.8	7.4	10.7	8.2
428.5	474.5	-9.7%	Buy	JP Morgan Japan	727	1.1	-11.4	-15.5	-7.2	-1.6	-3.1	13.0	8.5	17.2	15.7
349	345	1.2%	Buy	Henderson Far East Income	455	5.7	1.4	-1.6	4.7	5.8	0.3	12.2	4.8	9.6	3.3
182	200.5	-9.2%	Buy	Schroder Japan Growth Fund	273	0.9	-7.8	-11.4	-3.5	-10.4	-9.4	11.0	7.1	12.9	10.9
				Benchmark - MSCI Far East incl. Japan						NA	NA	2.0	NA	13.7	NA
				Global Emerging Markets											
705	795	-11.3%	N/R	Genesis Emerging Markets	943	1.5	-12.8	-14.5	-11.1	7.4	3.7	12.4	11.1	8.1	8.2
935	1009.4	-7.4%	Buy	JP Morgan Emerging Markets	1,058	1.3	-12.8	-14.9	-10.7	15.6	9.0	17.3	14.2	14.0	11.7
743.9	806.6	-7.8%	Buy	Templeton Emerging Markets	1,971	2.2	-12.8	-14.4	-9.8	10.6	4.5	19.8	15.6	9.7	7.4
				Benchmark -MSCI Emerging						NA	0.5	NA	13.3	NA	9.9
				Latin American Emerging											
468.4	527.1	-11.1%	N/R	BlackRock Latin American	173	2.8	-13.3	-17.0	-8.0	6.5	-4.3	13.6	9.1	5.6	1.7
				Benchmark -MSCI Latin						NA	0.4	NA	11.1	NA	4.8
				Far East Exc Japan											
237	267	-11.2%	Hold	Aberdeen New Dawn	272	1.9	-13.0	-15.3	-10.7	8.5	5.0	16.2	13.6	10.2	8.2
384	430	-10.7%	Buy	Edinburgh Dragon	720	0.9	-12.3	-13.7	-10.5	9.2	7.5	15.5	14.5	10.7	10.1
208.5	230.8	-9.7%	Buy	Fidelity China Special Situations	1,420	1.7	-13.2	-17.1	-9.2	5.1	-1.9	19.7	14.1	21.0	19.0
767	861.5	-11.0%	N/R	JP Morgan India	705	0.0	-11.0	-16.9	-8.6	1.2	1.8	9.5	8.8	14.5	14.1
314.4	313.2	0.4%	N/R	Pacific Horizon	206	0.0	-9.9	-14.4	-6.1	-1.9	-1.8	13.3	17.8	15.5	12.8
431.5	468.6	-7.9%	Buy	Schroder AsiaPacific	774	1.2	-11.4	-13.8	-8.6	7.2	1.3	20.2	15.9	17.2	13.4
348	342.8	1.5%	Buy	Schroder Asian Total Return	327	1.3	-2.1	-6.1	4.7	5.3	5.3	22.3	15.8	15.5	13.9
246	244.6	0.6%	Hold	Schroder Oriental Income	657	3.9	-1.0	-5.9	2.9	6.6	2.9	12.2	7.7	12.2	7.4
				Benchmark -MSCI Far East						NA	2.8	NA	13.9	NA	11.3
				European Emerging Market											
770	857.6	-10.2%	Hold	Baring Emerging Europe	97	5.0	-12.2	-17.4	-8.8	7.5	-10.6	14.7	5.5	8.7	-2.0
				Benchmark - MSCI Emerging						NA	0.4	NA	8.5	NA	4.3
				Other/Specialist ITCs											
1,420.0	1418.6	0.1%	Buy	North American Income Trust[1]	371	2.8	-8.3	-11.1	-3.9	23.0	11.1	18.6	10.9	15.9	11.6
1,596.2	1882.7	-15.2%	Buy	HarbourVest Private Equity	993	0.0	-15.5	-23.2	-8.9	19.9	20.3	13.3	13.7	17.6	11.7
288	282.9	1.8%	Buy	IMPAX Environmental Markets	490	0.9	-10.9	-13.0	-6.5	15.5	10.6	19.2	13.4	16.0	11.6
1,030.0	1112.8	-7.4%	Buy	Jupiter US Smaller Companies[1]	176	0.0	-11.9	-17.3	-4.1	21.5	17.8	15.0	14.2	11.3	11.5
442.5	460.2	-3.8%	Buy	JPMorgan American[1]	924	1.2	-4.8	-6.1	-2.3	18.6	15.5	16.1	14.8	15.9	14.7
184	189.8	-3.0%	N/R	Jupiter Green[1]	40	0.7	-5.3	-7.9	-2.5	0.6	2.7	7.1	7.4	6.0	6.7
339.5	382.9	-11.3%	Hold	BlackRock World Mining	718	4.6	-12.0	-17.4	-8.0	2.0	-5.6	15.7	9.8	1.2	-3.4
1,306.0	1368.4	-4.6%	Buy	Polar Capital Technology[1]	1,643	0.0	0.0	-7.0	3.2	20.8	26.3	31.1	31.0	25.3	25.9
410	412.4	-0.6%	Buy	TR Property Trust[1]	1,295	2.9	-7.8	-15.4	1.7	3.0	1.3	11.1	5.2	13.0	9.7
2,585.0	2558.5	1.0%	Buy	Worldwide Healthcare Trust[1]	1,292	0.6	-0.2	-5.7	2.1	7.2	5.7	12.2	8.7	16.4	14.6
				Benchmark - NZSX 50 Index						NA	18.6	NA	13.7	NA	13.9
				Benchmark - Index MSCI USA						NA	19.6	NA	16.6	NA	17.5

Limitations and Disclaimer