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INVESTMENT STRATEGIES

Volume 35

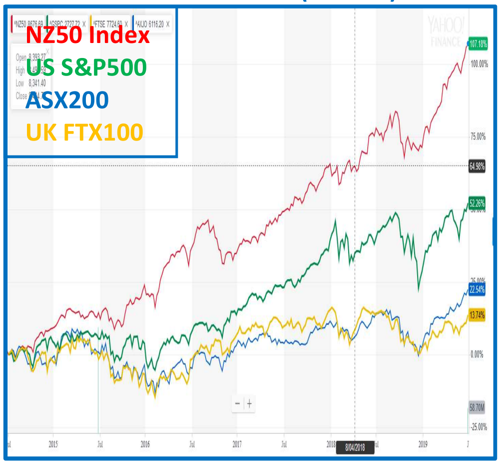
JULY 2019

Six months through the 2019 share challenge (NZ Herald), my five selections have had capital growth of 22.9%. I was hoping for 21% for the year, and have reached that at the six-month period. That said, markets are currently very strong, mainly driven by the continuing lower interest rate environment, and my inclination (if you own these stocks) would be to lock in some profits now.

AvonD Portfolio	31-Dec-18	30-Jun-19	Change
a2 Milk	$11.15	$14.54	30.4%
AFT Pharmaceuticals	$2.15	$2.95	37.2%
Fletcher Building	$4.88	$4.84	-0.8%
Port of Tauranga	$5.00	$6.29	25.8%
PushPay	$3.15	$3.84	21.9%
			22.9%

Markets globally remain very strong, despite concerns about individual economies. Interest rates appear to be set to go lower, and stay lower for longer.

GLOBAL INDEXES (5-YEARS)



NOTE: NZ50 Index has continued to well outperform most global markets over the past five years.

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CONTENTS **PAGE**

STATISTICS NZ DATA

Estimated population at 5-July-2019:	4,970,892
Births March 2019 year:	58,4556
Deaths March 2019 year:	33,147
Total Fertility Rate December 2018 year ↓	1.71
Net long-term migration Apr-19 year:	55,800
- 50,200 in Apr-18 ↑ (5,600) ↑ 11.1%	
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 /Mar-19 year:	**$296 bn**
GDP per person year ended Dec-18:	**$58,778**
GDP per capita year ended Dec-18:	**0.9%**
GDP Growth (volume) Mar-19 year: ↓	**2.5%**

CLIMATE CHANGE EMERGENCY

Our Regional Council has declared a "Climate Emergency". What a nonsense!!

Unbelievably, I was the only Councillor (out of 14) to vote against the declaration. The loony left has taken over our Regional Council, and unfortunately the more rational members capitulated under the pressure.

There aren't any climate deniers within our Council, but we have to ensure that we base our decisions on "good science" and not PC nonsense. I recognise that our weather is in a cyclical warming period, but our climate has a history of cyclicality.

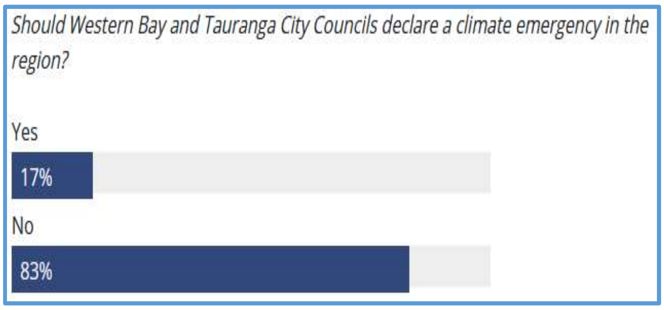
We do need to be cognisant of the currently warming of the Pacific Ocean, and the storm effects that this causes. Sea surge, and not sea level rise, is of real concern.

NIWA has released 2 studies, the last in 2017, that show that the sea level measured at Moturiki Island (just off the Mount Beach), has risen on average, just 2.1mm per annum since measurements began in 1974.

I contacted the NIWA scientist in 2016 (when I went back onto the Regional Council), and he told me that this level of sea-level rise was "*just noise*", and that there was "*no discernible*" sea-level rise.

In 2005 NIWA reported to the Regional Council that there would be a 25% benefit to New Zealand, if global warming did occur. This scientist acknowledged that parts of New Zealand would suffer, but other areas (like Bay of Plenty) would benefit from warmer growing conditions.

SUNLIVE POLL 30-JUNE-2019



HOW YOU CAN HELP MY RE-ELECTION CAMPAIGN

We can't afford to allow the loony left dominate our Regional Council.

EVERY LITTLE BIT HELPS:

1. Allow one of my 900x600 signs on your property
2. Help distribute some of my flyers
3. Tell your neighbours & friends to support me
4. Like & share my Facebook page & posts
5. Donate to my re-election campaign

Look out for my large Billboard on Hewletts Road

INFOMETRICS - OVERVIEW OF TAURANGA CITY

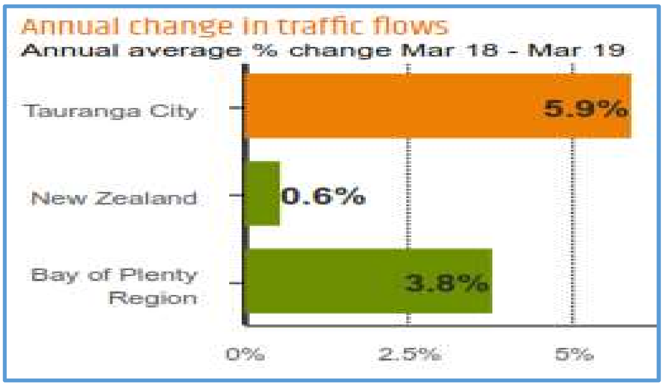
SOURCE: Priority One, Infometrics

The Tauranga City economy, with a larger population and buoyant household spending, is driving its growth. Provisional estimates from Infometrics show the economy grew by 3.6% over the year to March 31st.

INDICATOR Annual average % change to 31st March 2019	Tauranga City	New Zealand	Bay of Plenty Region
GDP	3.6%	2.5%	2.8%
Traffic flow	5.9%	0.6%	3.8%
Health Enrolments	2.9%	1.7%	1.9%
Consumer spending	5.6%	4.1%	5.3%
Residential consents	(12.4%)	10.0%	(13.6%)
Non-residential consents	(0.4%)	7.6%	9.3%
House prices*	5.4%	1.3%	5.9%
House sales	0.2%	1.6%	3.7%
Guest nights	(2.4%)	0.6%	(3.2%)
Tourism expenditure	4.3%	3.3%	2.6%
Car registrations	(3.3%)	(7.6%)	(5.0%)
Commercial vehicle regos	4.7%	(0.1%)	2.1%
Unemployment rate	3.5%	4.3%	4.5%

NOTE: * Annual % change (latest quarter v one year earlier)

Growth in Tauranga's traffic flows (5.9%) were the second highest in the country over the 12 months to March 2019. Traffic volumes in Auckland rose only 0.8% over the same period, with public transport use in the Super City growing 6.9%, the fastest increase since the start of 2018.



Tauranga's Health enrolments, a broad proxy of population growth, rose 2.9%, helping to fuel growth of 5.6% in consumer spending. This higher spending indicates that local Tauranga households continue to be optimistic about the economy.

Household optimism has been supported by Tauranga's strong property market, with house prices up 5.4%, rising at a faster pace than previous quarters. House sales also rose, up 0.2%, with annual sales of 2,950 above the 10-year average of just over 2,700.

However, construction activity in Tauranga has stalled in recent quarters, with residential consents falling 12% from a year before. Housing supply in Tauranga appears to be becoming broadly balanced with demand, halting further large-scale growth in residential construction.

Tauranga's guest nights fell 2.4% over the 12 months to 31st March 2019, in line with the slowing of growth in the tourism industry. Tourism spending in Tauranga rose 4.3% over the April 2019 year.

Tauranga's labour market remains tight, with the unemployment rate falling to 3.5%. Job vacancy growth in the Bay of Plenty slowed a touch to 13% over the 12 months to March 2019, but remains higher compared to elsewhere in New Zealand. Jobseeker support recipients rose 10% over the period, which was above the national growth of 7.6%. The rise in Jobseekers was driven more by the easing of conditions under which a person can receive a benefit than actual labour market conditions.

ROAD SAFETY

No-one is denying that road safety is important – the Western Bay of Plenty road deaths (and serious injuries) continues to grow alarmingly.

The best way to improve our statistics is to build high quality expressways – like the Eastern Expressway.

There is not one dollar in NZTA's budget for new roads in the next 10 years – this is appalling. The problem is that NZTA has a flawed culture, with almost 100% turnover of its senior leadership team, making working within the organisation difficult.

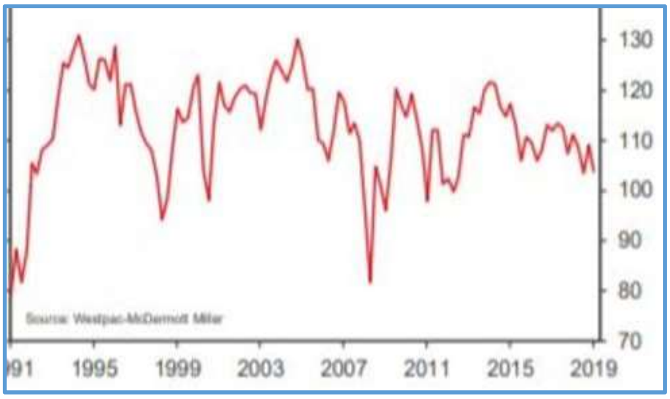
SIDE SAFETY BARRIER NO USE HERE (SH2)

OUR POLITICAL CLIMATE

The 'Year of Delivery' is turning into a winter of discontent for our Government.

"This is the most transparent government ever, because we can see right through them"

NZ CONSUMER CONFIDENCE INDEX



The Westpac McDermott Miller Consumer Confidence Index eased 0.3 points to 103.5 in the June quarter, after a 5.3 point fall in the previous quarter. The bottom line is - Consumers remain downbeat about the future of the economy, but are more upbeat about their own financial situations.

"*The continued slide in household confidence follows a more general cooling in the economy over the past year, and households are feeling it*," Westpac said. Wellington was clearly the most optimistic region, followed by Otago, while sentiment turned negative in Waikato, Bay of Plenty, and Southland.

CONSUMER CONFIDENCE BY REGION

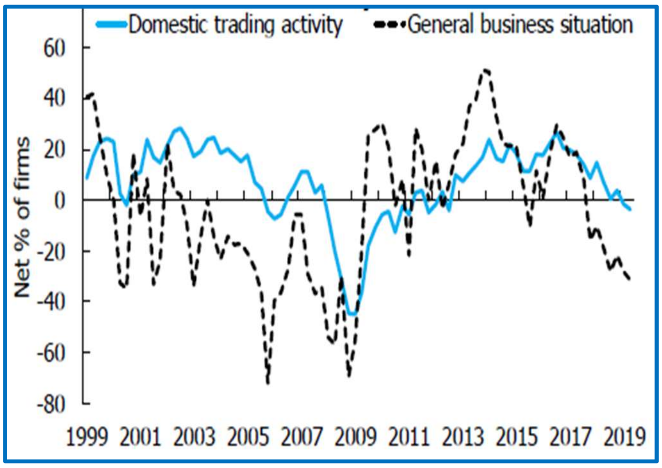
	Jun-19	Mar-19	Change
Northland	101	99	2
Auckland	102	101	1
Waikato	97	100	-3
Bay of Plenty	97	110	-13
Gisborne/Hawke's Bay	106	111	-5
Taranaki/Manawatu-Whanganui	106	102	4
Wellington	115	114	1
Nelson/Marlborough/West Coast	103	102	1
Canterbury	102	99	3
Otago	109	112	-3
Southland	99	110	-11
Nationwide	103	104	-1

Bay of Plenty has moved from near top to equal bottom in this latest consumer confidence survey. Central Government's "thumbing their nose" at Western Bay residents will be a major factor in that lack of confidence.

BUSINESS CONFIDENCE AT 10-YEAR LOW

Business confidence is now at a decade-long low. Low Confidence is not new in a measure of this current Government - it's been down since they arrived.

GENERAL BUSINESS & OWN TRADING ACTIVITY



A net 4% now expect their own circumstances to go backwards. Manufacturing, as a sector, wants to jump off a cliff. The services sector, as we have seen, is slowing alarmingly – that means shoppers aren't spending. However, the export story still seems to be ticking over, and we are selling record amounts of beef to China.

The tax take is up $2.5 billion - but is that because of the economy, or the fact Treasury couldn't forecast what day it is tomorrow, far less a business return?

No government gets re-elected on a bad economy.

The economists now argue that the Reserve Bank will need to cut the Official Cash Rate twice before the end of the year, and that's all very fine and well, but does that mean we borrow more, which is what a cut is designed to do?

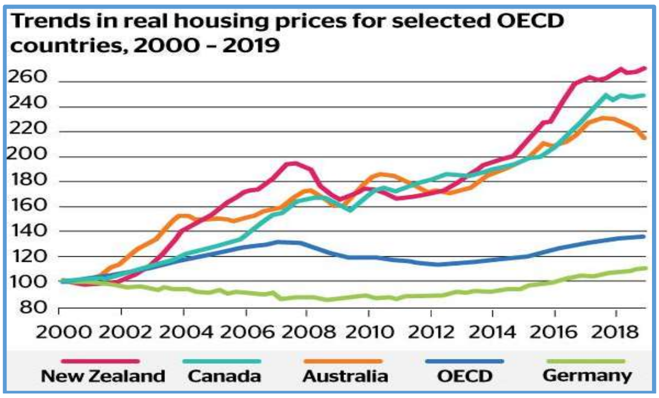
Interest rates have been so low for so long, and a half a point is unlikely to turn our economy. We have fundamental issues now that are going to see growth continue to slow. GDP (I know Labour want to forget that measure) grew at just 0.6% last quarter, and the outlook could see annual GDP growth down below 2%.

Mike Hosking recently said "*If this lot head to election year with decade-low confidence, a slowing economy, a dropping tax take, a surplus all but spent then you watch the National Party prospects, Simon Bridges or no Bridges, spring to life. When people start really paying attention and the vote counts, history shows they don't vote for economic wreckers*."

OECD UNDERLINES NZ DEFICIENCES

The OECD says NZ's living standards framework is positive but there are data gaps. Financial and physical capital suffers, however, from low investment in R&D. Household wealth, while high on average, is skewed towards the wealthy, and household debt has risen alongside rapid increases in house prices.

OECD REAL HOUSING PRICE COMPARISON



The OECD underscored that New Zealand's natural capital is under threat. "Increasing diffuse sources of pollution have reduced water quality in many areas, in particular due to the expansion of dairy farming," it said.

In terms of natural capital, OECD data indicates that New Zealand performs poorly compared to other countries in terms of greenhouse gas emissions and soil nutrient balance. Stats NZ data indicate worsening nitrogen pollution in rivers, yet these aspects are currently absent from the dashboard. Likewise, the dashboard includes no information on the state of New Zealand's protected areas, and low investment in R&D is not represented.

While I don’t agree with some of the OECD’s assumptions, the report isn’t very flattering for NZ Inc.

BUDGET VAGARIES

Within one week of the Budget release, Treasury reported that the first month of revenues and costs under IRD's new computer system show that somehow, tax revenues were $2.3bn more than expected in the Budget, which meant the OBEGAL Budget surplus for the 10 months to the end of April was $5.1bn or more than twice as big as forecast. This just shows the level of risk that Government faces when predicting this country’s economic future.

JACINDA’S FOREIGN POLICY INCONSISTENT

SOURCE: Newsroom Pro

Prime Minister Jacinda Ardern declined to join Australia and America in publicly criticising China's push for the extradition law.

"*New Zealand’s position is that we do not have a formal extradition agreement with China. We have our own processes that work well for us, and that’s the process we choose to use*," she said when asked at a post-cabinet news conference, on why New Zealand had not joined in with its Five Eyes allies in criticising China publicly. "*What Hong Kong does, however, is ultimately a matter for them*," she said.

Ardern's refusal to publicly criticise China on any issue is becoming an embarrassment, and is completely at odds with her own expressed views on a values-based and independent foreign policy, let alone with her own international brand personally for being a compassionate and principled leader.

WHY LABOUR SHOULDN’T INCREASE DEBT

The 2019 Budget states that it wants to reverse social deficits that have built up over years, but they will not be quickly solved. Breaking their promise to the electorate in 2017 regarding Budget responsibility rules is bad news for this government’s credibility. It is important for governments to keep their promises, unless entirely overtaken by events.

The reasons why interest rates are so low constitutes an ominous sign about the state of the global economy and its endless capacity to sideswipe us. Rather than a reason to borrow more, they are a reason not to.

Transfer payments to superannuitants and beneficiaries always represent the largest single line item in a Budget. Over the five years to 2023, when adjusted for population growth and inflation, as Victoria University economists have helpfully done, social security and welfare spending is forecast to rise at a compound annual growth rate of just over 3% in real per capita terms. That may not sound like much but it is 10 times the pace recorded over National's nine years in office. Is this affordable?

An alternative measure, which backs out NZ Superannuation and is not adjusted for population growth and inflation, shows welfare spending increasing at a compound annual growth rate of 5.8% a year by 2023 — somewhat faster than the (considered optimistic) Treasury forecast growth in tax revenue of 5.1% a year.

ASYLUM SEEKERS

Efforts to prevent boats of asylum seekers heading to New Zealand received $25 million funding boost in Budget 2019.

A SLOWING ECONOMY WILL REDUCE WELLBEING

The Treasury's economic growth forecasts are significantly more optimistic than other institutions, and bring into question whether the Government will be able to run a surplus and meet its own self-imposed debt targets, according to then National Party Economic Spokesperson, Amy Adams.

"*Under this Government the economy has slowed from 4% GDP growth to barely 2% because of bad policies, uncertainty and no plan to grow the economy.*

"Data compiled by the Parliamentary Library show that the Treasury's economic forecasts over the next year significantly exceed those by ANZ, Westpac and NZIER. The Treasury's annual GDP forecasts for the year to March 2020 are 0.7% higher than ANZ and 0.4% higher than NZIER.

"Economic growth is important because it affects how much tax revenue is collected and how much government must spend on demand-driven areas like welfare. Budget 2019 even outlines that if GDP growth is 1% a year lower, then the Government will receive about $865 million less tax revenue.

"If the Treasury's forecasts do prove too optimistic then the Government will struggle to run a surplus next year without either reducing spending or raising taxes.

"The Government also has very little wriggle room to meet its self-imposed debt target of 20% of GDP by 2022. The Budget showed debt tracking to 19.95% of GDP in 2022. If GDP is slower than the Treasury expect - as now seems likely - then the Government will have no choice but to cut spending, raise taxes on New Zealanders or break its own fiscal responsibility rules.

"A strong economy is the only sustainable way to improve living standards and wellbeing for New Zealanders. Without a strong economy the Government can't afford to sufficiently fund health, education and infrastructure, or provide tax relief for hardworking New Zealanders.

"The Government seems to be more focused on marketing and PR than putting together a credible plan to grow the economy, support small to medium sized businesses and reward New Zealanders who are working hard to get ahead," Adams said.

OUR JUSTICE SYSTEM IS FAILING

The report, called "A Vessel of Tears", has now been released by the Safe and Effective Justice Advisory Group Chair, former National Party Minister Chester Borrows.

THE REPORT'S KEY POINTS INCLUDE:

• Victims of crime often feel "unheard, misunderstood and re-victimised", and their experience with the justice system sometimes increases distress; 83 per cent of victims say the system is not safe for victims.

• The number of Māori in the system (16% of the population but 51% of the prison muster) is a crisis, as "*the effects of colonisation undermine, disenfranchise and conspire to trap Māori in the criminal justice system*."

• Family and sexual violence is "*an enormous problem*", and sexual assault victims have among the worst experiences; one in five women have experienced partner violence, one in three sexual violence, while 29% of family violence deaths are neglected or abused children.

• Justice processes are confusing, alienating, and unfairly favour those with money and education. Issues include the adversarial system, delays, inconsistencies and difficulties in accessing justice.

• The system focuses on punishment rather than rehabilitation and there is widespread frustration that mental illness, addiction, and drug and alcohol abuse are treated as criminal justice issues, not health issues.

• People feel unsupported and disempowered by the system, and the ability of iwi, communities, NGOs and others to help is constrained by the siloed nature of government services.

"*There is widespread recognition that at every point in their lives, and over generations, Māori experience disadvantage that increases the risk they will come into contact with the criminal justice system*."

Borrows said those who enter the justice system should not just be thought of as innocent or guilty, but also as offenders, who are often victims of social circumstances.

"*We must continue to have compassion for victims of spontaneous offending who are harmed at random. We also need to better understand the needs of people who have been victimised over long periods with consequences that are shown through their own offending behaviour*."

The Government's Budget announced a number of relevant initiatives including $320 million to tackle family and sexual violence, $98 million to break the pattern of Maori offending, and a $1.9 billion boost for mental health and addiction services. The group will now put together a final report and deliver it to the Government in August.

The biggest problem is the lack of "personal responsibility" – yes, we need to be compassionate, but not at the expense of our community's safety.

SHANE JONES SWIPES LOCAL GOVERNMENT

Speaking to Parliament's Economic Development Committee, Shane Jones took a swipe at Local Government, saying *"I'd like to see a lot less of local government*."

INFRASTRUCTURE SPENDING

Infrastructure spending is low in New Zealand, with the amount of new capital spending for each 1,000 additional people falling from $142 million in 2011/12 to just $37 million in 2016/17, according to an ANZ report.

New Zealand's low productivity has been blamed on the fact that capital spending is so low. The Government has promised to address this by spending $42 billion on new capital projects over the next five years. Economists have said that one of the problems with government infrastructure is a lack of quality projects on which money can be spent. The Government is in the midst of establishing an Infrastructure Commission, which will create a pipeline of quality projects for government capital investment looking out over the next 30 years.

Jones said that one of the issues identified with the bill that would set up the commission was the concerns of local councils. In response, local government have long complained of "unfunded mandates", which occur when the central government orders councils to perform an additional role without giving them the revenue-raising tools to pay for it.

KIWIBUILD - A DISASTER FROM DAY ONE

Kiwibuild was going to build 100,000 new homes for first-time buyers, over 10 years – yeah right!

Being a disaster has nothing to do with officials. The concept was dreamed up by Annette King, in the back seat of a car, and she latched on to it, setting the original target of 50,000 houses, because it sounded good in her head. The 100,000 target came later, just because it sounded even better. It was a wish-list (actually an election bribe), and not a policy.

Poor old Twyford is the man taking it in the neck, because in his heart he knows that it was always an impossible target. I am sure that Labour knew deep down that it wasn't possible. They just decided to run with this (fraudulent) policy that they knew they couldn't deliver on - as they never thought they would actually win the government benches.

The buck actually stops with Jacinda. She is proving to be very light on the intellectual grunt required to determine sound policy frameworks.

HOW ARE JACINDA'S ASPIRATIONS GOING?

18 months ago, Prime Minister Ardern gave her promised speech on the economy. It was, frankly, astonishing how strong it was on rhetoric, but lacking in real substance. There was some mention of the problems. She stated *"Our overall objective is to build a productive, sustainable and inclusive economy. On each score we have some way to go. When it comes to productivity, the OECD has said we are "well below leading OECD countries, restraining living standards and well-being"* and *"We need to transition from growth dominated by population increase and housing speculation, to build an economy, that as I said, is genuinely productive, sustainable and inclusive."*

She went on: *"First we want to grow and share more fairly New Zealand's prosperity. That means the gap between the highest and lowest income and wealth deciles reduces, real per capita income increases; the value and diversity of our exports grows and home ownership increases. In particular we want to build our exports and have export led growth."*

As I said - plenty of platitudes - but nothing about WHAT the government was proposing to do about it. 18 months on, and very little substantive action.

On productivity, shockingly not improvement. Recall that we started with labour productivity levels barely 60% of those of the leading OECD countries (US and various northern European countries). Since the current government took office, total growth in labour productivity has been just 0.2%.

"The pessimist sees difficulty in every opportunity.
The optimist sees the opportunity in every difficulty."
Winston Churchill

BEWARE – THE ZERO CARBON BILL HAS SERIOUS IMPLICATIONS FOR ALL NEW ZEALANDERS

The National Party supported the *Climate Change Response (Zero Carbon) Amendment Bill* in its first reading, because it wanted to signal a "multi-partisan" approach to the issue of Climate Change. However, the Bill will have serious implications for the future of our economy, if passed in its present form.

Climate Change Minister James Shaw introduced the Bill into Parliament using his typical alarmist tone: "*The world is on fire. The climate emergency that we are now facing will change the way we live, where we live, how we travel, how we work, and how we raise our children*." This is the rhetoric of the "loony left" and National needs to push back hard to soften this Bill, if it is to support it past this 1st reading.

James Shaw has acknowledged in Parliament "*As far as we're aware, we are the first country in the world to locate that commitment to hold global warming to no more than 1.5 degrees in primary legislation*." We shouldn't be leading the world on this – it is absurd.

Article 2 in the 2018 Paris Accord (which we signed up to) *prohibits* governments from introducing measures that *threaten* food production. The Greens and Labour are determined to half our cow numbers, despite the enormous cost that this will inflict on every New Zealander. The banning of any new oil & gas exploration, despite the fact that France is the only other country to do so (and they use nuclear energy as their predominant electricity source), set in place an ideology of the far left, and this Climate Change bill, in its current form, will destroy both our economy and, as a result, also our Kiwi way of life.

As the Bill currently reads, businesses that produce carbon dioxide will be able to plant trees to offset their emissions. But the Bill specifically *prevents* farmers who produce methane from doing the same. This is in spite of many farmers already owning land suitable for planting wood lots.

The UN that made an *arbitrary* decision that the warming capacity of methane in the atmosphere is equivalent to 28 units of carbon dioxide. This is based on the ridiculous assumption that our 4.5 billion-year old planet would only last another 100 years. If you changed that 100 years to (just) 500 years, then that 28 units of carbon would drop to just over 6 units.

The 28-unit assumption led to the claim that methane from agriculture makes up almost half of all New Zealand's greenhouse gas emissions.

Given that methane is produced by the digestion of sheep and cows, the only way that farmers will be able to reduce their emissions is by cutting stock numbers.

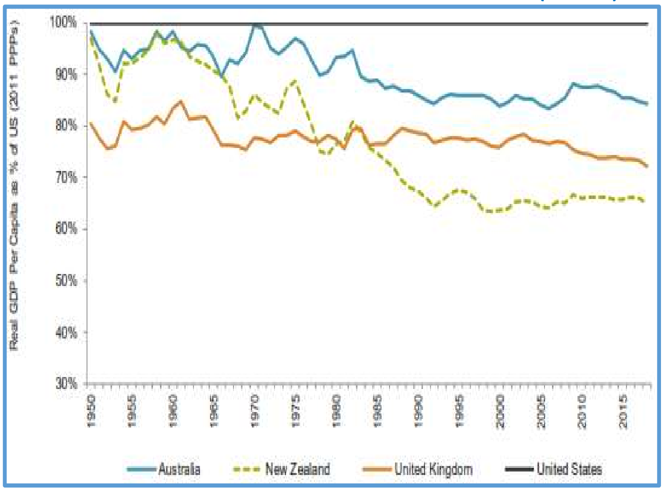
Our Marxist Prime Minister looks only for the big headlines, with no consideration of the long-term cost to ordinary New Zealander's living standards. It is time to stop the "loony left" from destroying our economy, and our wonderful way of life.

It is time to say that this is symbolism over substance – It's time to say "*ENOUGH*".

NEW ZEALAND'S POOR PRODUCTIVITY

SOURCE: The Productivity Commission

LONG-TERM PERFORMANCE OF REAL GDP PER CAPITA (% OF US)



Research recently released by the Productivity Commission highlights the cost of New Zealand's poor productivity performance. New Zealand's labour productivity growth has underperformed for decades and has fallen further in the 10 years since the Global Financial Crisis. Between 2008 and 2018, labour productivity growth in the measured sector averaged just 1.0%, down from 1.4% since 1996. The Treasury's fiscal models assume long-run labour productivity growth across the total economy of 1.5%.

The Productivity Commission estimates that if the recent slowdown was to become permanent then, holding all else constant, over 40 years the economy would be 18% smaller than otherwise. This is equivalent to $16,300 per person. As an example of what this means in practice, the value of New Zealand Superannuation to recipients, which is indexed to wage growth, would be 21% lower than in a higher productivity case.

The report, "Productivity by the Numbers: 2019", benchmarks New Zealand's productivity performance with other OECD countries. It shows that poor labour productivity growth is the reason New Zealand's GDP per capita remains 30% below the average of the top half of the OECD. In New Zealand, the hours worked per person have been consistently high, while labour productivity (output per hour worked) has been low.

Low productivity does not only hurt New Zealanders' wallets - when productivity growth is lower, wage growth tends to be lower too, meaning some families need to work long hours to achieve decent incomes. The result is they have less time to spend with family, and in the community.

Likewise, improving energy and fuel efficiency, along with lifting agricultural productivity, can help lower greenhouse gas emissions per person or unit of output, and help the shift to a low emissions economy.

As Dr Patrick Nolan, one of the report's authors, said: "*The economy is like a car stuck in first gear, where faster growth comes from revving the engine rather than driving more efficiently. This comes at a real cost to living standards. Lifting productivity would shift the economy into higher gear and put economic growth on a more sustainable footing*."

The big picture

Stats NZ's data for labour productivity in the measured sector go back to 1996, and since this date productivity growth has averaged 1.4%, and in the last 10 years (since the GFC) labour productivity growth has slowed to just 1.0%.

Benchmarking performance

New Zealand's GDP per capita is 30% below the average of the top half of the OECD. Aside from a small improvement following the 2008 Global Financial Crisis it has remained around this level since 1996. This performance in GDP per capita has come about even with a high rate of labour utilisation.

Labour utilisation has remained well above the average of the top half of the OECD since 1996 and hours worked per capita are now 17% higher in New Zealand than the average of the top half of the OECD.

In contrast, labour productivity, or output per hour worked, remains around 40% below the average of this OECD benchmark. Since 1996 there has been no sign of New Zealand's labour productivity catching up to the top half of the OECD. Indeed, since 1996 the gap has increased from 34%.

New Zealand is one of a small number of OECD countries with both a low level of labour productivity and low productivity growth. Countries with productivity records similar to New Zealand are Mexico, Greece, Portugal, Israel, and Japan.

Business dynamics

In 2016 there were 631,800 firms in New Zealand. Of these firms, 194,200 were started prior to 2001, and 437,600 were started from 2001 onwards. Of course, many firms started since 2001 have not survived. Looking at the cohort of firms started in 2001, of these the largest share were firms started with fewer than one employee (just over 41,000 firms). Of these very small firms, around 26% were still active in 2015. Of these survivors, 78% remained in the same size category (only 6% of the firms starting small had survived and grown).

The effect of these firm dynamics on labour market outcomes can be shown in the net job creation rates. Net job creation rates are the difference between the jobs created and destroyed for categories for firms between 2001 and 2016. This shows that, of the jobs created between 2001 and 2016 by the 2001 cohort, over half were created by small firms that grew from less than 1 employee in 2001, with 32.5% of net job creation being attributed to firms that grew from less than 1 employee to 20 or more. Firms started with 20 or more employees, and with at least 1 but less than 6 employees, were also important sources of job creation (although the net effect of these firms was reduced by relatively high levels of job destruction). This also highlights the importance of owner-operated businesses in the New Zealand economy.

However, as Fabling (2018) found, there has been a "declining dynamism" of working proprietor entry, with an absolute decline in self-employment over the last decade (working proprietor labour input falling from 28.6% to 21% of full-time equivalent labour input from 2005 to 2015).

Input growth

Since 1996 capital inputs in the measured sector have grown at an average annual rate of 2.8%, labour inputs have grown by 1.4%, total inputs by 2.0%, and the capital labour ratio has grown at an average of 1.5%.

There has, however, been slowing growth in the capital labour ratio over the two most recent growth cycles (2000-2008 and 2008-2018), with the growth in the capital ratio in the earlier cycle of 1.7% (reflecting capital input growth of 3.9% and labour input growth of 2.1%) falling to 1.0% in the later cycle (reflecting capital input growth of 2.1% and labour input growth of 1.1%). Indeed, since 2010 capital and labour inputs have both grown at around 2.1%, which has been reflected in growth in the capital labour ratio of close to zero and labour inputs accounting for a larger share of total inputs. Low growth in the capital available per hour of work (in an environment of historically low interest rates) thus appears to have played a major role in holding back productivity growth in New Zealand since the Global Financial Crisis.

Shifting into higher gear

A key characteristic of New Zealand's relatively weak economic performance has been poor productivity. This comes at a cost to living standards. Lifting productivity would shift the economy into higher gear and put economic growth on a more sustainable footing. New Zealand's poor productivity performance has been a persistent problem over decades and turning this around will require consistent and focussed effort over many fronts and for many years.

There is no simple quick fix. Candidates for reform include competition policy, infrastructure, science and innovation, and education and the labour market. Firms' management practices and ability to learn (absorptive capacity) need improvement, and there are challenges facing the public sector, for example, regarding policy-making capability (including the use of monitoring and evaluation), regulatory design and practices, and the delivery of services in the education and health sectors.

BREXIT & THE CONSERVATIVES LEADERSHIP RACE

Tory Prime Minister frontrunner, Boris Johnson has vowed to withhold Britain's £39bn Brexit 'divorce' payment until the EU agrees better terms for the UK to leave.

Withholding the cash, scrapping the Northern Ireland backstop, guaranteeing the rights of all EU citizens in Britain, while stepping up preparations for a No Deal "disruption" in the wake of no deal, are among measures the government would carry out if he was elected leader of the Conservative party, he said.

Failure to deliver Brexit, with or without a deal, by the October 31st deadline threatened the Tory party's very survival, Boris Johnson warned. He said he thought it "extraordinary" the UK agreed to write the so-called divorce cheque before having the final deal signed.

What Boris Johnson's cabinet might look like

Johnson is considering, if elected Leader, shrinking the size of the PM's top team amid a purge of Remain Ministers. The Daily Telegraph reports that the Tory leadership frontrunner "*has already voiced a desire to merge the Department for International Development and the Foreign Office, but supporters are encouraging him to go further by reviewing the future of seven or more other departments to save billions of pounds*".

This could see departments for Justice, Business, Culture, International Trade, Work and Pensions, Transport, and Brexit abolished or merged, with the paper adding "*the most hawkish of Johnson's backers believe there is a case for cutting the number of Whitehall departments in half, from 25 down to 12*".

Leadership rivals attack Johnson's tax pledge

Several of the original candidates to be the next leader of the Conservatives, attacked rival Boris Johnson's pledge to cut tax for higher earners. Rory Stewart warned against "*cheap electoral bribes*", while Michael Gove said he would never "*give the already wealthy another tax cut*" if he were PM. Well, we can forget that, because his bid failed.

The day after his launch to become PM, a triumphant Johnson filled half the paper's front page with a headline shrieking "*Now is the time to remember our duty to the people*". In case readers failed to understand the resemblance to Johnson's hero, Churchill, the intro stated that he was "*promising guts and courage*" to take Britain out of the EU.

Now it is down to Johnson versus Hunt

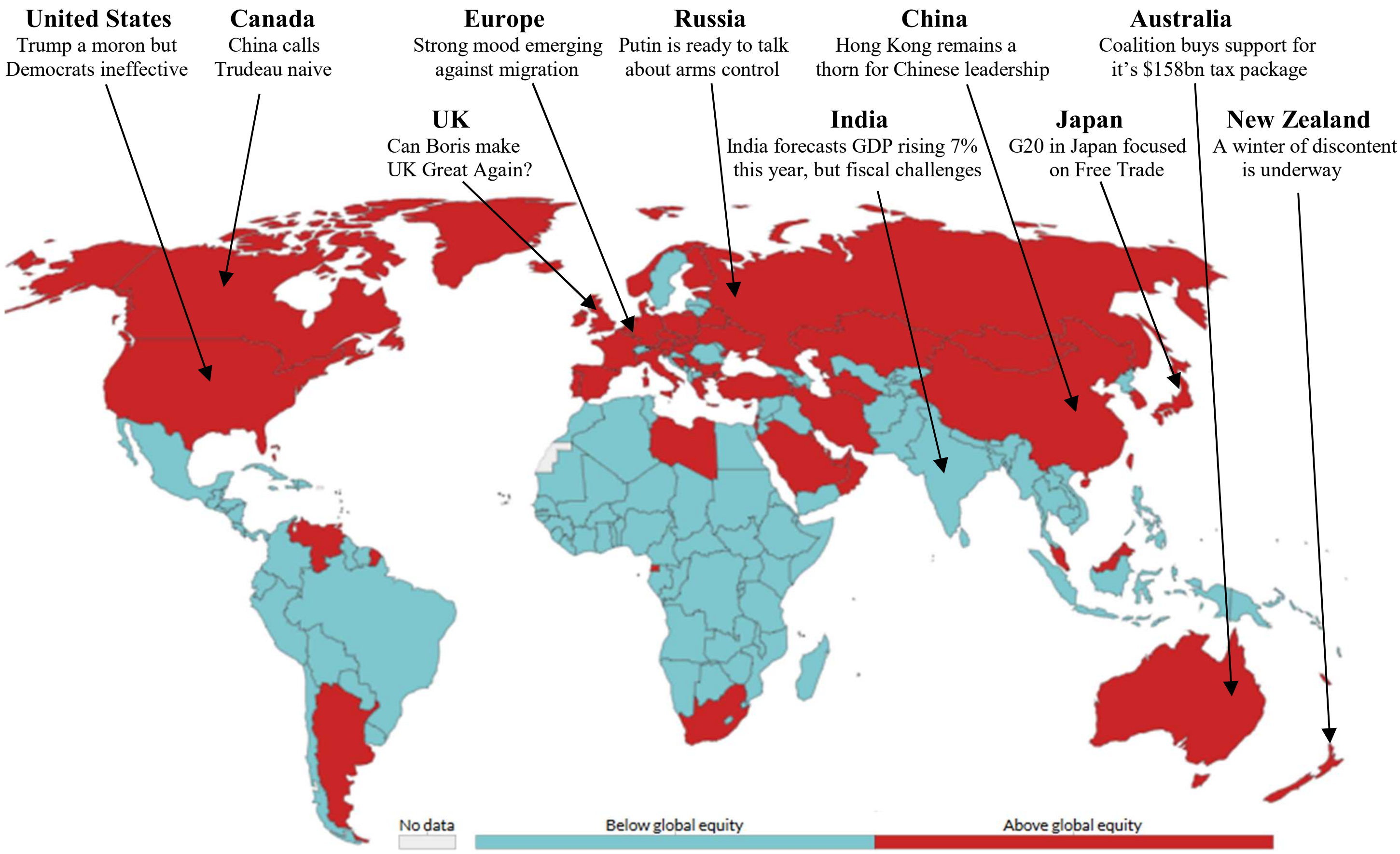
On the 5th ballot Jeremy Hunt beat Michael Gove by just two votes, to make the membership vote vs Boris Johnson.

Hunt voted for Remain, and Camp Boris have nicknamed him "*Theresa in trousers*" or "Tit".

Boris Johnson has long divided opinion across the UK - and now the rest of the world is getting in on the debate as he promises to lead Britain out of the European Union as prime minister. With Johnson widely expected to beat rival Jeremy Hunt in the race to replace Theresa May, foreign observers are speculating about how the former foreign secretary might deal with the Brexit chaos.

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 European Union.

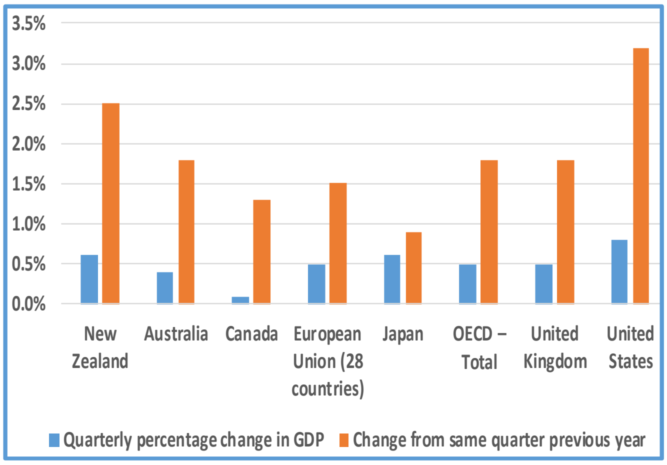
GLOBAL TRADE IS SLOWING SHARPLY TO GFC LEVELS

SOURCE: Deutsche Bank Research

RECESSION PLANNING SOURCE: THE ECONOMIST

The Economist says that global central banks should prepare for the next recession, by changing their targets and find new tools—while avoiding a populist takeover.

PERCENTAGE CHANGE IN GDP – INTERNATIONAL COMPARISONS



It has been a decade since America's latest recession, and it has taken that long for the Federal Reserve to ask itself whether it is ready for the next one. On June 4th officials and scholars gathered in Chicago to debate how monetary policy should work in a world of low interest rates. The benchmark rate is 2.25-2.5%, which gives the Fed little room to cut before hitting zero—and less than half as much as it has needed in past downturns. As if to remind policymakers that rock-bottom rates are here to stay, the ten-year Treasury yield fell below 2.3% in the 1st week of June. Other central banks, many of which preside over still lower rates and weaker economies, are looking to the Fed for inspiration.

The belated battle-planning, although welcome, is awkwardly timed. Central banking is becoming more politicised. President Donald Trump has called for the Fed to cut rates and tried unsuccessfully to appoint two of his cronies to its board. Left-wingers are increasingly interested in taking charge of monetary policy.

In Britain they have suggested, variously, that the Bank of England should cap house-price growth and target productivity - as if the rate of technological change were a monetary phenomenon. Central banks are often eyed as a source of cash for infrastructure investment or for fighting climate change.

The European Central Bank's quantitative easing (QE), bond-buying with newly created money, is a source of tension between euro-zone countries, helping make the ECB's leadership race even more political than usual.

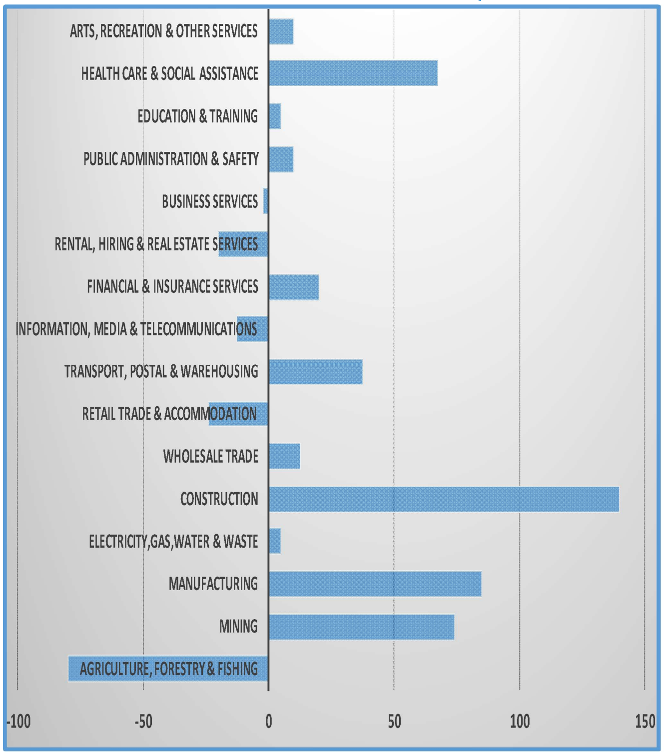
New Zealand's Economic Outlook

Finance Minister Grant Robertson is actually tightening fiscal policy, just as Reserve Bank Governor Adrian Orr is running out of ammunition in its fight to revive economic growth and boost inflation.

New Zealand's economic expansion has lost momentum and, while the near-term outlook is expected to improve, risks are increasingly tilted to the downside, according to the International Monetary Fund.

This is largely put down to domestic factors. Expect growth to turn more positive over the coming year, but the near-term picture remains subdued, and the risks to the global economy have deepened. The outlook for monetary policy is highly uncertain, but the odds now favour an OCR cut in August.

GDP BY INDUSTRY – MARCH 2019 QUARTER



Mike Hosking put it well - he reported: "*The big report card on our economy was released on Thursday 20th June. And never let anyone try and fool you that this stuff doesn't matter - in many respects there is nothing more important.*

"This Government will try and convince you GDP is not what it was; doesn't really count; doesn't actually mean a lot. They are wrong. 'Wellbeing' is an idea, it's a thought bubble. And even if you accept it's a 'thing', it's only ever chased, achieved, and paid for by GDP. It's all down to what we do, what we make, and what we sell.

"*'Wellbeing' is paid for by money, and money is made by business, labour, and deals. That is what GDP measures: real world, real time numbers, facts and stats that don't lie and can't be argued with."*

Economic activity, as measured by GDP, was 0.6% in the March 2019 quarter; the same growth seen in the December 2018 quarter. GDP grew 2.5% over the year ended March 2019.

Goods-producing industries drive economic growth

Activity in the goods-producing industries rose 2.0% in the March 2019 quarter. The growth was mainly driven by increased activity in the construction industry (up 3.7%), its largest increase since the September 2017 quarter. The rise in construction was reflected in investment in non-residential building (up 9.9%) and residential buildings (up 2.7%).

Manufacturing activity rose 1.4% in the March 2019 quarter, after a 0.4% decline in the December 2018 quarter. Increased food, beverage, and tobacco manufacturing contributed strongly to the rise this quarter. There were also increases in metal product manufacturing; non-metallic mineral manufacturing; and petroleum, chemical, polymer, and rubber product manufacturing.

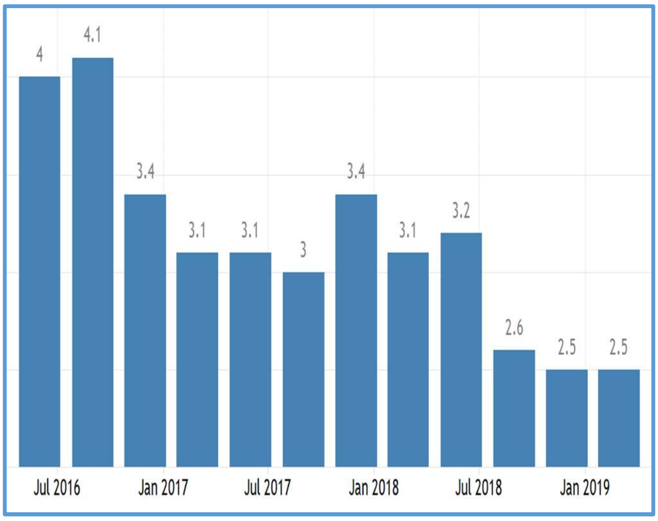
Growth in service industries eases

Activity in the service industries rose 0.2% in the March 2019 quarter, the slowest growth rate since the September 2012 quarter. Of the 11 service industries, seven recorded growth. The main drivers of this quarter's growth were health care and social assistance (up 1.7%) and transport, postal, and warehousing (up 1.2%). Retail, accommodation, and restaurants fell 0.5%. Lower activity in accommodation and restaurants reflected a dip in visitor arrivals to New Zealand in February and March 2019. Rental, hiring, and real estate services fell 0.2%, due to fewer property sales in the March 2019 quarter. Service industries grew 3.1% in the year ended March 2019.

Primary industries continue to fall

Agriculture, forestry, and fishing production fell 2.3% in the March 2019 quarter, after a 0.3% fall in the December 2018 quarter. The fall in the latest quarter was due to unfavourable weather conditions. Agriculture (down 2.3%), forestry and logging (down 1.2%), and fishing (down 0.4%) all declined. This was offset by a rise in mining (up 9.6%), due to higher exploration activity along with an increase in oil and gas extraction.

NEW ZEALAND - ANNUAL GDP GROWTH RATE

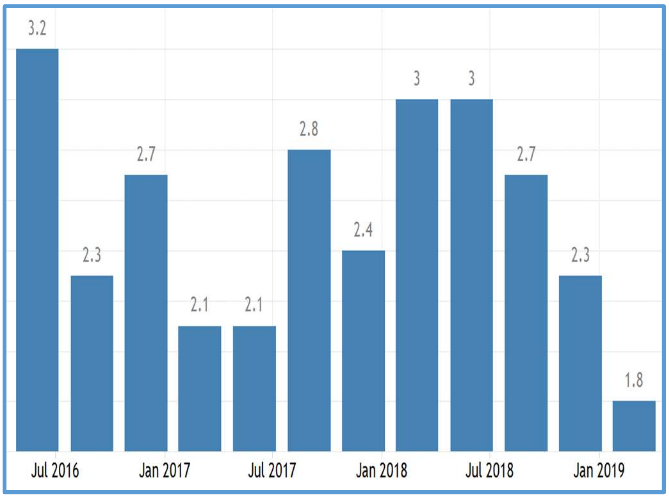


Australian Economic Outlook

The Australian Reserve Bank has taken the extraordinary step of calling on the government to intervene as the Australian economy nosedives. *"One option is fiscal support, including through spending on infrastructure,"* The Governor said. *"Another option is structural policies that support firms expanding, investing, innovating and employing people. A strong, dynamic, competitive business sector generates jobs."*

Treasurer Frydenberg said the RBA *"actually believes we can get unemployment lower than where it is today at 5.2%, and they can help do by reducing interest rates without causing inflationary concerns"*. This came after the Treasurer urged the big banks to fall into line and pass on the rate cuts in full to their borrowers.

AUSTRALIA - ANNUAL GDP GROWTH RATE



Iron Ore

What's not to like about skyrocketing iron ore prices? They paper over all manner of blemishes in the Australian economy and help recession-proof the "lucky country" further over the horizon.

Key points:

- Iron ore prices have surged to their highest level in five years on the back of mine shutdowns in Brazil.
- Chinese steel mill margins are being crushed and some have returned to making losses.
- Consensus forecasts see iron ore prices sliding back below $US80/tonne in coming years, but mines will still be very profitable.

On Australian Treasury figures, a $US10 rise above the (currently) conservative estimate of $US55/tonne, nominal GDP could be boosted by around A$25bn this year and the already stronger budget position will have A$4 to A$5bn head start even before the next tax year begins. That's a significant boost to Australia's national income, which in turn lifts living standards.

Superannuants and investors benefit not only from the rising tide of the big miners' share prices, but also the dividends they are shovelling out. The current dividend yields of BHP and Rio Tinto of around 6% or 7% line up favourably against the big banks, and more than favourably against the near zero return you get for lending your "hard-earned" to the banks (which lend it back to you at higher rates).

"*Australian producers are focussing on value over volume*," CBA commodities analyst Vivek Dhar says. "*Delivered cost of Australian iron ore into China is around $US30/tonne. If you're selling it at $US112/tonne you have quite a healthy margin. They are dealing with the cash flow boost by either giving it back to shareholders, investing in further cost-cutting or reducing debt*."

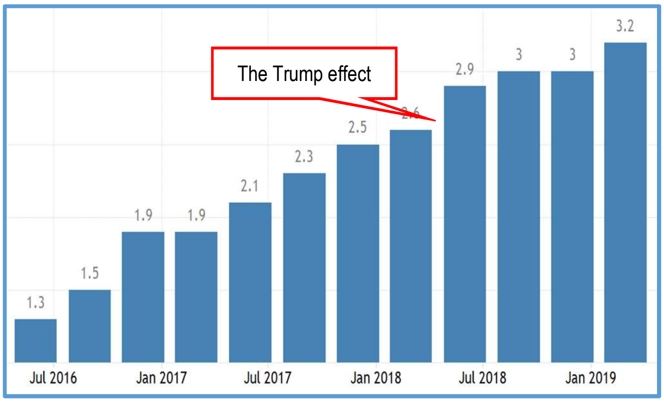
UBS analyst Glyn Lawcock said that the big miners are not spending on expansion; all the money set aside for West Australian operations has been in replacing mines facing exhaustion. "*Australia is now running at near record levels of production, May was the second-best month on record*," he said. "*Yes, we have windfall prices, but it is a five-year journey through design, approval and building to get new mine capacity. Vale will be back before then*."

SPOT IRON ORE PRICE

United States Economic Outlook

The United States no longer has the most competitive economy in the world, according to annual rankings Hong Kong, meanwhile, remained in second place. China was ranked fourteenth.

UNITED STATES ANNUAL GDP GROWTH

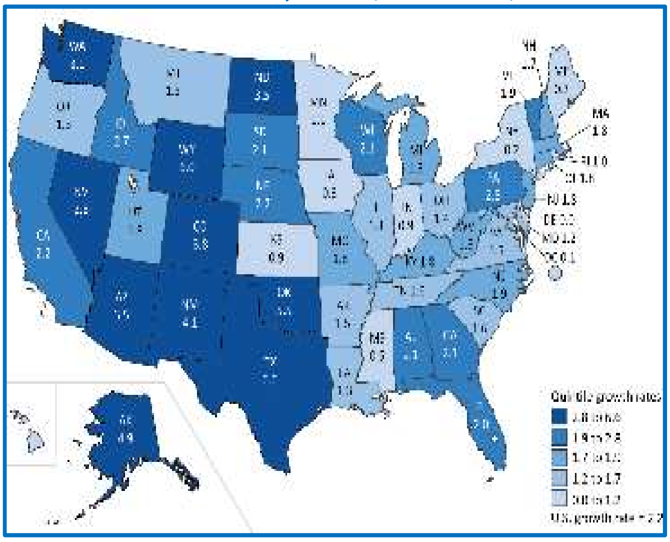


The US stock market is on fire, but that doesn't mean President Donald Trump's ongoing trade war with China isn't starting to do real damage to the U.S. economy. Investors could ignore the economic warning signs for now, though eventually they will probably pay for tossing a blind eye to it.

GDP by State

Real gross domestic product (GDP) increased in 49 states and the District of Columbia in the fourth quarter of 2018. The percent change in real GDP in the fourth quarter ranged from 6.6% in Texas to 0.0% in Delaware.

GDP BY STATE, 2018 Q3 TO 2018 Q4



Chinese Economic Outlook

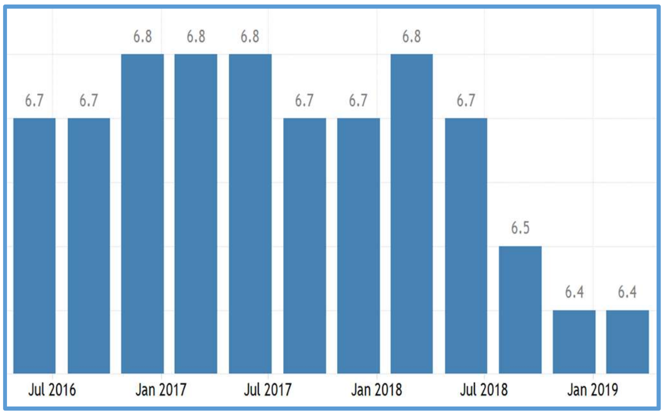
China's decision to fully open up foreign ownership of financial firms in 2020, a year ahead of schedule, reflects Beijing's concerns toward the growing number of companies moving out of the country to escape the fallout of the U.S.-China trade war.

Tackling Pollution

China leads the world in electric vehicles. A Bloomberg NEF report found there were nearly 425,000 electric buses in use globally in 2018, and about 421,000 of them were in China. Shenzhen, with a population of 12 million, electrified its entire bus fleet of about 16,000 by the end of 2017, and has just done the same to its 22,000 taxis. In contrast, America has about 300 in use, while there are about 2250 on the roads in Europe.

The uptake of all electric vehicles in New Zealand has been slow, with as of May 2019, only 14,229 electric vehicles registered in New Zealand – out of an overall fleet of more than 4 million. However, it is ramping up. In 2015, the average number of new EV registrations per month was 42; in 2018, the per month rate was 466.

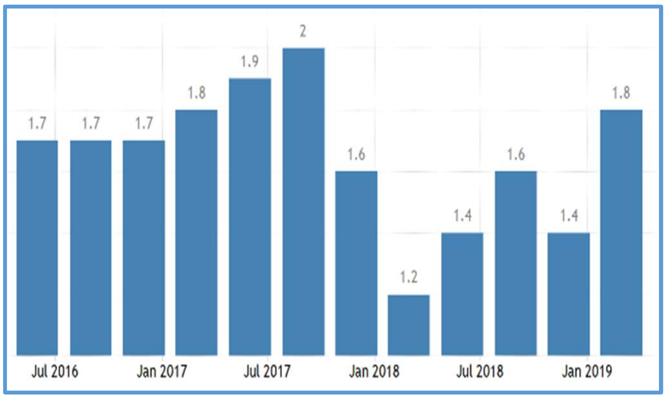
CHINA - ANNUAL GDP GROWTH RATE



United Kingdom Economic Outlook

Britain's economy appears to have suffered its first quarterly contraction in almost seven years, after a slump in company activity during June. Economists believe this means UK GDP contracted by at least 0.1% in April-June - ending a run of growth that dates back to 2012. If the economy continues to shrink in July-September, then Britain would be in a full-blown recession by the autumn [a recession = two quarters of negative growth].

UK - Annual GDP Growth Rate



Brexit fears are still rife – with Sainsbury warning that a no-deal crisis could leave children without toys this Christmas, as Britain hasn't got enough warehouse space to stock up.

The broader question hanging over the UK economy is whether the sudden bout of poor data in recent weeks is just a late reaction to global fears over trade, or something unique to Britain.

EUROPEAN ECONOMIC OUTLOOK

TURKEY

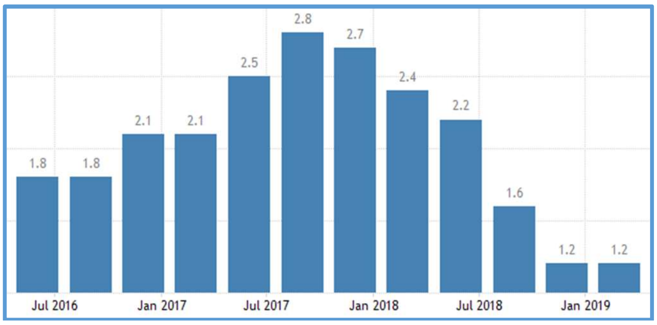
Turkey's President Erdogan has suffered a stinging defeat in the Istanbul Election redo, with his Mayoral candidate's defeat is said to have cracked the President's aura of invincibility, which could signal the end is ny for his 16-year rule.

FRANCE

Following nearly a year of scandals, setbacks and protests which had seen his popularity drop to record lows, French President Emmanuel Macron appears to be on the up again. A new poll has put public support for Macron at 40%. This may not seem like much, but it is nearing levels last seen before the start of a turbulent nine-month period.

It also appears his much-maligned economic reforms are finally starting to bear fruit, with French unemployment now at a 10-year low, investment at a 12-year high and purchasing power rising according to Prime Minister Edouard Philippe. Earlier this month, Macron's popularity rating had been further "buoyed by his party's performance in elections to the European parliament".

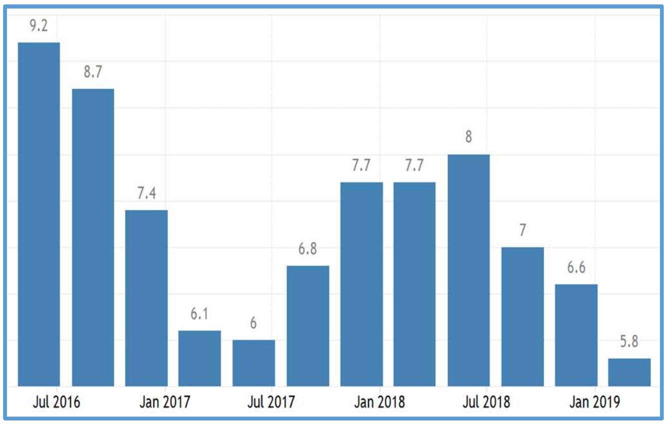
EURO AREA - ANNUAL GDP GROWTH RATE



INDIAN ECONOMIC OUTLOOK

India is forecast to overtake China as the most populated country in the world within a decade, according to the UN. China and India currently have populations of 1.43bn and 1.37bn respectively. However, India is forecast to overtake China by 2027, according to the UN's 2019 World Population Prospects report. Combined, the two countries currently account for 38% of the world's population.

INDIA - ANNUAL GDP GROWTH RATE



Studies conducted by three premier institutes — NIPFP, NCAER and NIFM - have concluded that unaccounted wealth held by Indians outside the country till 2010 could be as high as US$490 billion, besides black money parked within the country as 'investments' in sectors like real estate, mining, tobacco/gutka, bullion, films and education. This is the first official acknowledgement of the three government-sponsored studies initiated in 2011 to estimate black money held by Indians in the country and abroad.

COMMODITIES

OIL

The suspected attacks on two tankers near the Strait of Hormuz, between Iran and Oman, has renewed concerns about the vulnerability of world energy supplies to military tensions in a highly volatile region.

About 20% of all oil traded around the world goes through this body of water just over 3km wide, so any conflict that threatens tankers could cause huge disruption to crude supplies for energy-hungry countries, particularly in Asia.

WHAT HAPPENS NEXT?

How the US and Iranian governments react to this event will be key. The United States has recently moved more military forces into the region, which already hosts the US Navy 5th Fleet in Bahrain and the forward headquarters of the US military's Central Command at the vast Al-Udeid Air Base in Qatar.

Iran has set a July 7th deadline for Europe to find new terms for Tehran's nuclear deal with world powers. That accord began to unravel after the Trump administration unilaterally withdrew from the Obama-era deal and re-imposed US sanctions aimed at crippling the Iranian economy and pressuring a change in its regional policies. Iran has threatened it could resume higher levels of enrichment.

OIL: WEST TEXAS (1 YEAR CHART)

AGRIBUSINESS – LOOKING FROM THE OUTSIDE IN

FONTERRA

Fonterra continues to perform very badly, versus its international and local peers (see chart below).

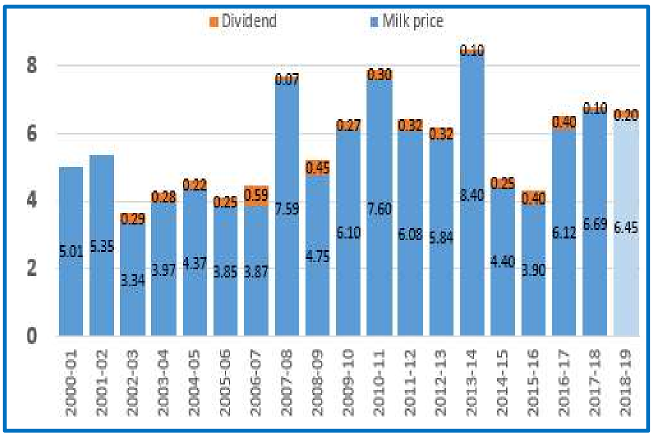
Company	Country	Share price Dec 2012	Share price June 2019	% Change
Fonterra	NZ	NZ$6.67	NZ$3.76	-43.6%
Synlait Milk*	NZ	NZ$2.71	NZ$9.20	239.5%
Danone	France	€50.10	€71.40	42.5%
Nestle	Swiss	CHf60.95	CHf99.55	63.3%
Kerry Group	Ireland	€40.60	€103.20	154.2%

NOTE: *August-13 Listing

No matter how one runs the numbers, the simple reality is Fonterra's long-run financial performance is not only poor, it is astonishingly poor. How did Fonterra get itself into such a mess?

While Fonterra has made major strategic mistakes and a slew of poor investments, the problems it faces are deeply ingrained and systemic in nature. Many have been almost 20 years in the making and turning them around is easier said than done.

FONTERRA PAYOUT



GOVT PLANS TO REVAMP LEGISLATION

Primary Industries Minister Damien O'Connor has said he will grant Fonterra Cooperative Group limited relief over its requirement to accept milk from all-comers, but the quid-pro-quo is that it will face greater oversight by the government. Cabinet has now signed off on Minister O'Connor's proposals to change the 18-year-old Dairy Industry Restructuring Act governing the sector, which will keep the open entry and exit provisions, which Fonterra had been hoping to shed.

Instead, Fonterra will get a limited exception where it can reject an application to become a new shareholding farmer, or turn down an existing application for an increased supply if they can't meet Fonterra's terms of supply, or if the farm's been converted to dairying.

Those terms can relate to and allow different prices based on on-farm performance, including animal welfare, food safety, health and safety, employment conditions, environmental, climate change and other sustainability standards. The Cabinet Paper states that the ability to offer different prices will let Fonterra encourage and reward excellent performance as part of its business and strategy.

But Fonterra didn't win the right to end supplying its competitors, and must still take supplies from existing compliant farmers. Those hoping for a step-change away from commodity-led approach had hoped for more radical changes to DIRA. The changes will require new legislation, which will be included in this year's parliamentary programme.

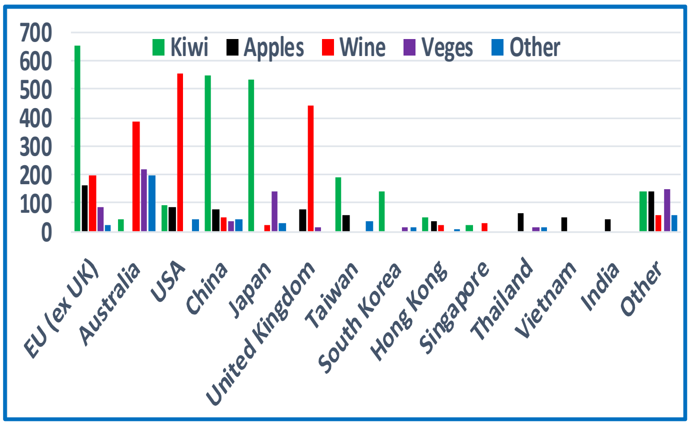
Independent processors, with their own supply of 30 million litres or more in a single season, will no longer be able ask Fonterra for additional regulated milk.

However, the proposals will raise Fonterra's obligatory sales volume of regulated milk to rival Goodman Fielder, to 350 million litres per season from 250 million litre, albeit at a higher price.

Holding legislation to prevent the expiry of Fonterra's contestability and efficiency provisions was needed after independent processors collected 22% of all milk solids in 2015, triggering a review of the law. The previous administration had planned to relax some of the conditions on Fonterra to accept milk supply from new dairy conversions and would phase out the need to sell regulated raw milk to large rival processors. Those proposals followed a Commerce Commission review that found Fonterra's market dominance than still warranted regulation.

Fonterra says it welcomed the veto on the open entry requirements, but was disappointed it still has to supply milk to large, export-focused businesses.

HORTICULTURE EXPORT REVENUE 2019 (NZ$M)



Cattle

BEEF			
Slaughter price (NZ$/kg)	Last week	Prior week	Last year
NI Steer (300kg)	5.65	5.60	5.40
NI Bull (300kg)	5.35	5.30	5.30
NI Cow (200kg)	4.30	4.20	4.35
SI Steer (300kg)	5.30	5.25	5.30
SI Bull (300kg)	5.05	5.00	5.05
SI Cow (200kg)	3.85	3.60	3.95
Export markets (NZ$/kg)			
US imported 95CL bull	8.00	8.12	6.69
US domestic 90CL cow	7.48	7.56	7.12

North Island steer slaughter price

South Island steer slaughter price

Sheep

SHEEP MEAT			
Slaughter price (NZ$/kg)	Last week	Prior week	Last year
NI lamb (17kg)	7.80	7.75	7.80
NI mutton (20kg)	5.35	5.30	5.10
SI lamb (17kg)	7.60	7.55	7.65
SI mutton (20kg)	5.25	5.25	5.15
Export markets (NZ$/kg)			
UK CKT lamb leg	9.77	9.84	9.08

North Island lamb slaughter price

South Island lamb slaughter price

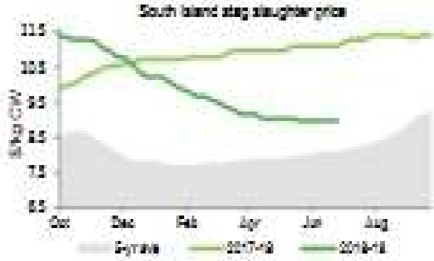
WOOL			
(NZ$/kg)	Last week	Prior week	Last year
Coarse xbred ind.	-	-	3.26
37 micron ewe	-	-	3.35
30 micron lamb	-	-	4.75

Deer

VENISON			
Slaughter price (NZ$/kg)	Last week	Prior week	Last year
NI Stag (60kg)	9.00	9.00	11.10
SI Stag (60kg)	8.95	8.95	11.10

North Island stag slaughter price

South Island stag slaughter price



Fertiliser

FERTILISER			
NZ average (NZ$/t)	Last week	Prior week	Last year
Urea	625	625	483
Super	321	321	302
DAP	833	833	750

Dairy

Data provided by NZX

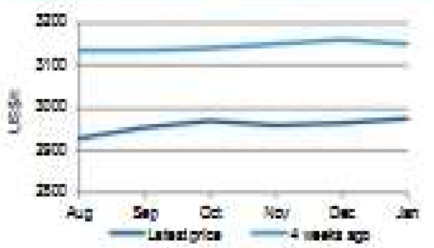
MILK PRICE FUTURES

DAIRY FUTURES (US$/T)

Nearby contract	Last price*	Prior week	vs 4 weeks ago
WMP	2930	2850	3145
SMP	2425	2455	2530
AMF	5670	5830	5780
Butter	4750	4955	5100
Milk Price	6.40	6.40	6.40

* price as at close of business on Thursday

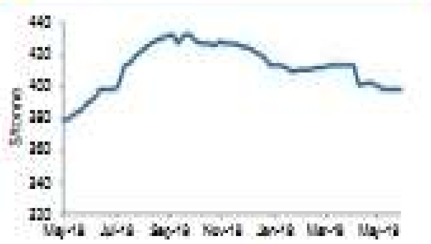
WMP FUTURES - VS FOUR WEEKS AGO



Grain

CANTERBURY FEED WHEAT

CANTERBURY FEED BARLEY



WAIKATO PALM KERNEL

Top 10 by Market Cap

Company	Close	YTD High	YTD Low
Meridian Energy Limited (NS)	4.8	4.85	3.28
Auckland International Airport Limited	9.8	9.8	7.065
The a2 Milk Company Limited	14.53	16.98	10.42
Fisher & Paykel Healthcare Corporation Ltd	15.34	16.49	12.3
Spark New Zealand Limited	3.93	4.18	3.54
Mercury NZ Limited (NS)	4.47	4.48	3.51
Ryman Healthcare Limited	11.6	17.5	10.4
Contact Energy Limited	7.87	7.87	5.82
Port of Tauranga Limited (NS)	6.75	6.6	4.9
Fletcher Building Limited	4.53	5.55	4.52

Listed Agri Shares

5pm, close of market, Thursday

Company	Close	YTD High	YTD Low
The a2 Milk Company Limited	14.530	16.980	10.400
Comvita Limited	3.400	5.400	2.900
Delegat Group Limited	11.800	11.950	9.400
Fonterra Shareholders' Fund (NS)	3.880	4.850	3.880
Foley Wines Limited	1.580	2.000	1.470
Livestock Improvement Corporation Ltd (NS)	0.870	1.050	0.750
New Zealand King Salmon Investments Ltd	1.870	2.980	1.870
PGG Wrightson Limited	0.520	0.580	0.470
Sanford Limited (NS)	6.800	7.080	6.250
Scales Corporation Limited	4.670	5.130	4.380
SeaDragon Limited	0.002	0.003	0.001
Seeka Limited	4.830	5.700	4.300
Synlait Milk Limited (NS)	9.200	11.250	8.450
T&G Global Limited	2.800	2.810	2.400
S&P/NZX Primary Sector Equity	15936	17434	15063
S&P/NZX 50 Index	10431	10431	8732
S&P/NZX 10 Index	10082	10087	8980

S&P/FW PRIMARY SECTOR EQUITY **15936**

S&P/NZX 50 INDEX **10431**

S&P/NZX 10 INDEX **10082**

NEW ZEALAND EQUITIES

MARKET UPDATE

The NZX50G index gained +3.8% during the month of June to be up +17.4% on a 12month rolling basis. Top NZX50 performers in June included Mercury NZ (+20.8%), Gentrack Group (+18.5%), Auckland International Airport (+12.4%), and Meridian Energy (+12.0%), while Fletcher Building (-7.6%) and A2 Milk (-7.2%) were notable underperformers in June.

New Zealand equities performed strongly in June as bond rates stepped lower and investors responded by chasing defensive yield exposure. This thematic was particularly evident for the Utilities sector where there was strong outperformance by the Gentailers, AIA and IFT. In contrast, higher beta cyclical and growth stocks generally underperformed the benchmark, as slowing macro lead indicators pressured the earnings outlook.

Seventeen NZX50 constituents delivered a positive return of at least +5.0% across the month, with two constituents declining by at least -5.0%. The impact of ATM on the overall market cap weighted consensus earnings revision momentum has been material, when observed across the recent historical period.

JARDEN MODEL PORTFOLIO AS AT 1ST JULY 2019

Code	Last Close (01/07/2019)	TSR (12-month)	Active Weight vs Benchmark (Previous)	Active Weight vs Benchmark (Proposed)	Active contribution (bp, 12-month)	Target Price	Rating
Cash			+3.73	+3.13	-1.36		
Consumer Discretionary			**-0.27**	**-0.27**	**+0.17**		
KMD	$2.20	-19.8%	+0.79	+0.79	-0.39	$2.75	OUTPERFORM
MHJ	$0.55	-46.0%	+0.00	+0.00	+0.00	$0.90	OUTPERFORM
RBD	$9.35	19.9%	-0.27	-0.27	-0.06	$7.65	UNDERPERFORM
SKC	$3.79	-1.4%	+0.09	+0.09	+0.01	$3.85	NEUTRAL
SKT	$1.18	-50.3%	-0.43	-0.43	+0.60	$1.74	OUTPERFORM
	$3.78	-40.2%	-0.44	-0.44	+0.42		
TME		47.4%			-0.41		
Food, Agriculture & Beverage			**+3.00**	**+3.33**	**+0.52**		
ATM	$14.67	28.0%	+0.95	+1.20	+0.22	$14.00	NEUTRAL
CVT	$3.35	-43.0%	+0.00	+0.00	+0.04	$3.77	NEUTRAL
DGL	$11.75	37.8%	+0.80	+0.80	+0.12	$9.34	UNDERPERFORM
FSF	$3.85	-29.2%	-0.45	-0.38	+0.26	$4.39	NEUTRAL
NZK	$1.83	-21.8%	+0.20	+0.10	-0.09	$2.28	NEUTRAL
SAN	$6.90	-7.1%	+0.73	+0.83	-0.15	$7.57	OUTPERFORM
SCL	$4.70	5.6%	+0.97	+0.97	-0.12	$4.68	UNDERPERFORM
SML	$9.20	-19.6%	-0.34	-0.34	+0.26	$7.95	UNDERPERFORM
SKL	$2.40	27.8%	+0.15	+0.15	-0.01	$2.13	NEUTRAL
Energy			**-1.26**	**-1.26**	**+0.24**		
NZR	$2.09	-11.4%	+0.67	+0.67	-0.31	$2.38	NEUTRAL
ZEL	$6.32	-10.4%	-1.92	-1.92	+0.54	$6.30	NEUTRAL
Financials			**+0.24**	**+0.24**	**-0.07**		
ANZ	$30.00	2.8%	+0.00	+0.00	-0.00	$26.55	UNDERPERFORM
HGH	$1.65	9.6%	+0.04	+0.04	-0.03	$1.43	NEUTRAL
NZX	$1.12	6.5%	+0.20	+0.20	-0.03	$1.11	NEUTRAL
WBC	$29.79	-0.4%	+0.00	+0.00	-0.00	$27.40	NEUTRAL
Healthcare			**-0.04**	**+0.11**	**+0.44**		
EBO	$23.15	33.9%	+1.41	+1.41	+0.23	$21.00	NEUTRAL
FPH	$15.46	5.6%	-1.45	-1.30	+0.22	$13.15	UNDERPERFORM
Information Technology			**-1.44**	**-1.44**	**-0.05**		
ERD	$3.00	-16.0%	+0.21	+0.21	-0.08	$3.40	OUTPERFORM
GTK	$6.20	-9.0%	-0.42	-0.42	+0.11	$5.15	NEUTRAL
PPH	$3.84	-8.1%	-0.65	-0.65	+0.18		
VGL	$6.05	59.3%	-0.58	-0.58	-0.15	$4.10	UNDERPERFORM
Building & Construction			**+0.12**	**+0.12**	**+0.20**		
FBU	$4.85	-29.0%	+0.12	+0.12	+0.20	$5.17	NEUTRAL
MPG	$0.38	-57.4%	+0.00	+0.00	+0.00	$0.62	OUTPERFORM
Real Estate			**+1.17**	**+1.17**	**+0.27**		
ARG	$1.38	35.8%	+0.40	+0.40	+0.08	$1.20	UNDERPERFORM
AUG	$1.33	28.8%	+0.00	+0.00	+0.00	$1.23	OUTPERFORM
GMT	$1.94	39.0%	+0.91	+0.91	+0.26	$1.55	UNDERPERFORM
IPL	$1.87	31.7%	+0.78	+0.78	+0.09	$1.58	NEUTRAL
KPG	$1.60	24.7%	+0.52	+0.52	+0.03	$1.52	NEUTRAL
PCT	$1.77	36.4%	-1.82	-1.82	-0.24	$1.48	NEUTRAL
PFI	$2.16	29.7%	-1.01	-1.01	-0.09	$1.67	UNDERPERFORM
SPG	$2.20	26.4%	+1.17	+1.17	+0.09	$2.05	NEUTRAL
VHP	$2.46	27.4%	+0.22	+0.22	+0.05	$2.13	NEUTRAL
Retirement			**-2.47**	**-2.47**	**-0.10**		
	$1.38	12.3%	-0.68	-0.68	+0.03		
MET	$4.39	-28.6%	+0.98	+0.98	-0.63	$7.00	OUTPERFORM
OCA	$1.04	-3.1%	+0.23	+0.23	-0.06	$1.11	NEUTRAL
RYM	$11.75	0.1%	-3.00	-3.00	+0.45	$9.80	UNDERPERFORM
SUM	$5.57	-25.8%	-0.01	-0.01	+0.11	$6.84	OUTPERFORM
Telecommunication Services			**+0.80**	**+0.80**	**+0.42**		
CNU	$5.70	42.3%	-0.24	-0.24	+0.21	$4.77	NEUTRAL
SPK	$4.00	14.4%	+1.03	+1.03	+0.20	$3.39	UNDERPERFORM
Transportation			**-6.07**	**-5.87**	**-0.77**		
AIA	$9.85	49.6%	-3.26	-3.06	-0.64	$5.95	UNDERPERFORM
AIR	$2.65	-9.6%	-0.78	-0.78	+0.25	$2.60	NEUTRAL
FRE	$8.44	12.1%	+0.98	+0.98	+0.01	$7.85	NEUTRAL
MFT	$40.70	48.8%	-1.17	-1.17	-0.24	$30.10	UNDERPERFORM
POT	$6.34	28.7%	-1.85	-1.85	-0.16	$4.30	UNDERPERFORM
Utilities			**+2.41**	**+2.41**	**-0.03**		
CEN	$8.00	44.9%	+2.74	+2.74	+0.37	$6.31	NEUTRAL
GNE	$3.47	51.1%	-1.56	-1.56	-0.35	$2.30	UNDERPERFORM
IFT	$4.65	45.2%	+1.04	+1.04	+0.26	$4.23	NEUTRAL
MCY	$4.65	44.2%	+0.41	+0.41	+0.16	$3.53	UNDERPERFORM
MEL	$4.75	60.7%	-2.07	-2.07	-0.46	$3.10	UNDERPERFORM
TLT	$2.50	33.1%	+0.85	+0.85	+0.08	$2.34	NEUTRAL
TPW	$7.40	46.2%	-0.48	-0.48	-0.10	$5.46	UNDERPERFORM
VCT	$3.78	16.8%	+1.48	+1.48	+0.01	$3.27	UNDERPERFORM

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

a2 Milk Company

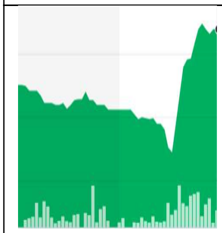
According to an action plan released by the National Development and Reforms Commission of the Republic of China (NDRC) in June, China is aiming to increase domestic infant formula output. The plan key goals include a 60% self-sufficiency target; encouraging Chinese companies to buy foreign producers and set up production facilities overseas to reduce the cost of raw ingredients. Tighter regulations on milk-powder imports and online sales platforms, tougher regulation on cross-border ecommerce sales of infant formula, zero tolerance of importing unregistered infant formula; tougher product quality testing; and further consolidation of infant formula producers. Around 20% of China infant formula imports come from New Zealand.

2020 P/E: 35.9 2021 P/E: 28.3

NZX Code:	**ATM**
Share Price:	**$14.54**
12mth Target:	**$14.00**
Projected return (%)	
Capital gain	-3.7%
Dividend yield (Net)	0.0%
Total return	**-3.7%**

Rating: NEUTRAL

52-week price range: 8.67-16.98



AFT Pharmaceuticals

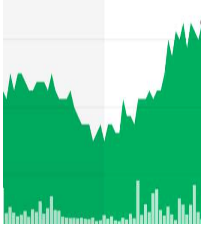
International growth has been slower than expected, but milestones are beginning to de-risk the investment proposition. These include progress towards commercialising key product ranges, steps to diversify funding, and achieving breakeven (at an operating level). Probability weightings increase to 40% from 30% for Maxigesic tablets (now licensed, registered, and sold in 20 countries) and to 32.5% from 25% for the broader Maxigesic family. **This is one of my annual picks.**

2020 P/E: 66.0 2021 P/E: 15.8

NZX Code:	**AFT**
Share Price:	**$2.95**
12mth Target:	**$2.80**
Projected return (%)	
Capital gain	-5.1%
Dividend yield (Net)	0.0%
Total return	**-5.1%**

Rating: NEUTRAL

52-week price range: 1.70-3.06



Asset Plus

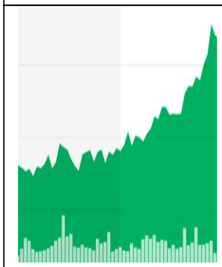
The purchase of 35 Graham Street in Auckland provides an attractive opportunity to add-value through a $90-100m re-development of the asset. APL expects to generate a 15% development margin on the project, equivalent to ~14cps of NTA accretion on the current share base. But redevelopment requires funding, with further asset sales a likely option. A redevelopment of this size will test APL's gearing covenant Limits, but their value-add strategy is on track.

20020 P/E: 17.0 2021 P/E: 16.5

NZX Code:	**APL**
Share Price:	**$0.64**
12mth Target: ↑	**$0.69**
Projected return (%)	
Capital gain	8.7%
Dividend yield (Net)	5.7%
Total return	**14.4%**

Rating: OUTPERFORM

52-week price range: 0.56-0.65



Auckland International Airport

AIA increased passenger throughput by 1.8% in April, with total cargo at 14,452 tonnes (versus 13,745 tonnes previously). Analysts have constantly underestimated the fact that this is a virtual monopoly, and should be part of investor's portfolios. The current major shareholder, the Auckland Council, owns 22.4%. Auckland is the largest airport in New Zealand and has around a 70% share of international passenger traffic. Its share of long haul traffic is in excess of 90%. The company generates income from three core areas - regulated aeronautical, consumer activities, and investment property. AIA also has minority stakes in Cairns airport in North Queensland and Queenstown airport. – **I continue to rate AIA as a core portfolio stock**

20019 P/E: 34.7 2020 P/E: 35.3

NZX Code:	**AIA**
Share Price:	**$9.85**
12mth Target:	**$5.95**
Projected return (%)	
Capital gain	-39.6%
Dividend yield (Net)	2.4%
Total return	**-37.2%**

Rating: ~~UNDERPERFORM~~

My Rating: NEUTRAL

52-week price range: 6.64-9.85

Eroad

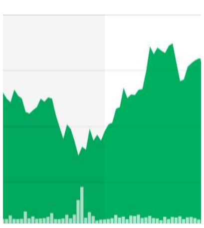
Having traded poorly in the previous 12 months, ERD has outperformed the NZX significantly since its 1 March customer announcement. Despite this, the stock still trades only marginally above Jarden's spot DCF, a level they consider appealing in the context of an expensive market, the potential for positive catalysts abroad and an improving free cash flow profile.

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

NZX Code:	**ERD**
Share Price:	**$3.00**
12mth Target: ↑	**$3.40**
Projected return (%)	
Capital gain	13.3%
Dividend yield (Net)	0.0%
Total return	**13.3%**

Rating: OUTPERFORM

52-week price range: 1.95-3.62



Freightways

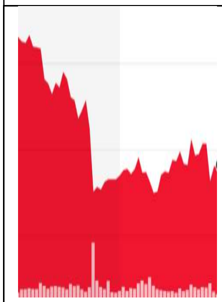
FRE fell sharply towards the end of May following its investor day presentation on 23 May 2019. The fall appears to reflect re-securing of the groups largest customer for another 3-year term, but at discounted rates which will flow through FY20 and the risks highlighted in the presentation, including slower same-customer growth for Express Package in the second half of FY19 and as a result, an expectation of a softer growth outlook for Express Package in FY20.

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

NZX Code:	**FRE**
Share Price:	**$8.43**
12mth Target:	**$7.85**
Projected return (%)	
Capital gain	-6.9%
Dividend yield (Net)	4.3%
Total return	**-2.6%**

Rating: UNDERPERFORM

52-week price range: 6.70-8.84



Fletcher Building

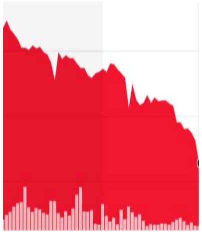
While Management presented positively on Australia and the initiatives to intervene and set up for turnaround, credibility was undermined by the announcement Australia will achieve EBIT of ~NZ$55m in FY19 (down from $114m in FY18). With NZ and Australia unlikely to show any real upside through the next 12 months if cautious outlook commentary is right, Jarden sees the outlook remaining benign for a stock that they think is broadly valued at reasonable mid-cycle levels, albeit with a constructive long-term view on Australia also embedded in that value despite evidence that remains quite to the contrary.

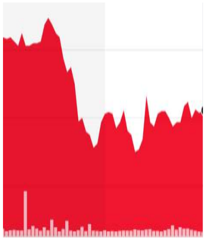
2019 P/E: 11.7 2020 P/E: 13.2

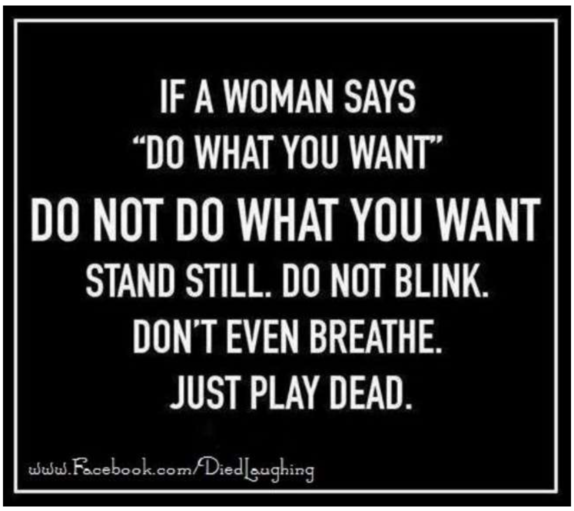
NZX Code:	**FBU**
Share Price:	**$4.84**
12mth Target: ↓	**$5.17**
Projected return (%)	
Capital gain	6.8%
Dividend yield (Net)	4.9%
Total return	**11.6%**

Rating: NEUTRAL

52-week price range: 4.54-7.19

	**Fonterra Shareholders Fund** FSF is progressing exits (Tip Top, DFE, Brazil and Beingmate), in its refreshed strategy. FSF's debt remains substantial but there is time for orderly further exits. Meaningful debt reduction requires some tough decisions to be made (China farms, Chile, Oceania exits. Capacity, for a closed NZ farmer funded co-op, is an issue, and a lack of willingness to bring outside capital into FSF's core NZ ingredients business, with farmers wanting to retain vertical control from farm to customer in core NZ ingredients into Asia/Greater China, remains a real constraint for FSF. 2020 P/E: 23.0 2021 P/E: 12.6	**NZX Code:** **FSF** **Share Price:** **$3.86** **12mth Target:** **$4.39** **Projected return (%)** Capital gain 13.7% Dividend yield (Net) 3.9% **Total return** **17.6%** **Rating: NEUTRAL** 52-week price range: 3.45-5.46
	**Infratil** IFT is an investment company that invests in assets of a utility/infrastructure nature. Key investments are Trustpower (51%), Tilt Renewables (51%), Wellington International Airport (66%), Perth Energy (82%), NZ Bus (100%), Canberra Data Centres (48%), RetireAustralia (50%), Longroad Energy (45%), and ANU Student Accommodation (50%), and Vodafone NZ. The largest investments are Trustpower and Wellington Airport which combined equate to ~44% of IFT's NAV. 2020 P/E: 35.3 2021 P/E: 29.9	**NZX Code:** **IFT** **Share Price:** **$4.64** **12mth Target:** **$4.23** **Projected return (%)** Capital gain -8.8% Dividend yield (Net) 3.7% **Total return** **-5.1%** **Rating: NEUTRAL** 52-week price range: 3.30-4.70
	**Kiwi Property Group** Falling interest rates have resulted in positive price momentum for property stocks like KPG. A sound FY19 profit resulted in modest profit upgrades. The FY19 profit benefited from lower corporate costs, lower lease incentives, a 4% rental uplift driven by new leases and rent reviews. While not cheap, KPG appears to be fairly valued offering a forecast FY20 net dividend yield of 4.5%pa (which equates to 6.7%pa for tax paying investors). KPG currently pays 100% of "funds from operations" as dividends. 2019 P/E: 22.1 2020 P/E: 21.4	**NZX Code:** **KPG** **Share Price:** **$162** **12mth Target:** **$1.52** **Projected return (%)** Capital gain -6.2% Dividend yield (Net) 4.2% **Total return** **-2.0%** **Rating: NEUTRAL** 52-week price range: 1.30-1.63
	**Mainfreight** MFT is a global logistics provider offering its customers domestic and international freight forwarding and managed warehousing services. The company was founded in 1978 by Bruce Plested, who remains the largest shareholder, and Executive Chair. MFT has close to 250 branches across 21 countries through New Zealand, Australia, Asia, Europe, and the United States. It continues to expand its global footprint through an organic and acquisitive expansion strategy. 2020 P/E: 23.1 2021 P/E: 21.2	**NZX Code:** **MFT** **Share Price:** **$40.50** **12mth Target: ↑** **$30.10** **Projected return (%)** Capital gain -25.7% Dividend yield (Net) 1.4% **Total return** **-24.3%** **Rating: UNDERPERFORM** 52-week price range: 27.00-41.01
	**Metlifecare** MET continues to trade at a material discount to NTA (~30%) and at a 25% discount to Jarden's spot-DCF valuation of NZ$6.53. While investor caution on the company's development potential and exposure to the Auckland housing market in the core asset base may account for some of the price/value disconnect, they believe that following the stock's de-rating from 0.9x to 0.7x NTA over the eight months, these concerns are more than factored in. 2020 P/E: 11.1 2021 P/E: 9.6	**NZX Code:** **PPH** **Share Price:** **$4.33** **12mth Target:** **$7.00** **Projected return (%)** Capital gain 76.7% Dividend yield (Net) 2.6% **Total return** **79.3%** **Rating: OUTPERFORM** 52-week price range: 4.29-6.51
	**Port of Tauranga** This is another stock with a dominant market position. They are the only port to receive the super (9600 teu) container ships, and this gives them a huge competitive advantage. There is just one more special dividend. The share price is currently extremely pricey, and some profit taking could be justified. **I reiterate that, in my opinion, this should be a core portfolio stock – hopefully you already own it.** 2019 P/E: 42.3 2020 P/E: 39.5	**NZX Code:** **POT** **Share Price:** **$6.29** **12mth Target:** **$4.30** **Projected return (%)** Capital gain -31.6% Dividend yield (Net) 2.2% **Total return** **-29.4%** **Rating: ~~UNDERPERFORM~~** **My Rating: NEUTRAL** 52-week price range: 4.74-6.40
	**Pushpay Holdings** Pushpay has a strong track record of delivering on guidance. Since initially listing in August 2014, Pushpay has met or exceeded all guidance provided to the market. Most recently, Pushpay delivered on its total revenue guidance for the year ended 31 March 2019, increasing total revenue by US$28.2m - from US$70.2m to US$98.4m, an increase of 40%. The Company is providing annual operating revenue guidance for the year ending 31 March 2020 of between US$122.5m and US$125.5m. PPH expects continued strong revenue growth, as they drive to gain further market share. 2020 P/E: 123.8 2021 P/E: 22.9	**NZX Code:** **PPH** **Share Price:** **$3.84** **12mth Target:** **$4.20** **Projected return (%)** Capital gain 9.4% Dividend yield (Net) 0.0% **Total return** **9.4%** **My Rating: OUTPERFORM** 52-week price range: 2.85-4.32
	**Ryman Healthcare** RYM is planning to build a new $150m retirement village at Kohimarama in Auckland. It is already the largest owner and developer of integrated retirement villages in NZ, with a nationwide portfolio of 30 villages in NZ and one in Australia. All villages offer a continuum of care, and RYM is an industry leader in aged residential care with a high occupancy rate of 97%. The company reiterated that it is on-track to have five villages open in Victoria by the end of 2020. It also reaffirmed its medium-term target of doubling underlying profit every five years. 2020 P/E: 22.2 2021 P/E: 19.3	**NZX Code:** **RYM** **Share Price:** **$11.70** **12mth Target:** **$9.80** **Projected return (%)** Capital gain -16.2% Dividend yield (Net) 2.3% **Total return** **-13.9%** **Rating: UNDERPERFORM** 52-week price range: 11.29-12.27

	**Sanford** With the recent algal bloom in the Pelorus Sounds (excl. Nydia Bay) having subsided (late May), the near-term trading outlook in the mussel business appears less challenging. In addition, an extended squid season is likely to be supportive in the wild catch business (albeit with the hoki season emerging as a risk). Supply-side challenges at NZK (~50% domestic production, flat FY19/20 volume guidance) present an outlook for limited king salmon industry volume growth. We increase our overweight position in SAN to reflect more balanced near-term trading risks (head start from squid presents a buffer against emerging hoki risk) and relative value in the sector (SAN on modest multiples given a diverse portfolio of growth opportunities). 2019 P/E: 14.8 2020 P/E: 13.8	**NZX Code:** **SAN** **Share Price:** **$6.84** **12mth Target:** **$7.57** **Projected return (%)** Capital gain 10.7% Dividend yield (Net) 3.3% **Total return** **14.0%** **Rating: OUTPERFORM** 52-week price range: 6.35-8.05
	**Sky Television** With its new CEO, expect a significant change in direction and approach, as SKT looks to deal with key issues in the business: competition from: low-priced global Over the Top (OTT) platforms; falling premium subs and declining revenue; competitive pressure for rights, including from rights owners going direct; the need to navigate legacy and new delivery platforms; and from embracing smaller bundles of content delivered in a compelling way to lift penetration, even if it contributes to ARPU and margin erosion. 2019 P/E 5.0 2020 P/E: 5.9	**NZX Code:** **SKT** **Share Price:** **$1.19** **12mth Target:** **$1.74** **Projected return (%)** Capital gain 46.2% Dividend yield (Net) 7.8% **Total return** **54.0%** **Rating: OUTPERFORM** 52-week price range: 1.16-2.76
	**Summerset Group** While SUM appears to offer good value (share price to net tangible assets per share has fallen from 1.5x to 1.35x), house prices remain high, income growth is sluggish and mortgage interest rates are already very low. The housing market could find support if soft house price inflation caused the Reserve Bank of NZ's to reduce loan-to-value restrictions or an easing up on the ability for foreigners to buy NZ property, which is unlikely in Jarden's view. While the level of occupational right agreements (ORAs) or unit sales is volatile from quarter to quarter, the disappointing level of sales in the March quarter immediately makes achieving FY19 forecasts challenging. 2019 P/E 12.5 2020 P/E: 12.7	**NZX Code:** **SUM** **Share Price:** **$5.57** **12mth Target:** **$6.84** **Projected return (%)** Capital gain 22.8% Dividend yield (Net) 2.9% **Total return** **25.7%** **Rating: OUTPERFORM** 52-week price range: 5.35-7.95
	**Z Energy** On 6 June 2019, ZEL advised the market that the agreement between itself and AA Smartfuel will end with effect from 31 July 2019. Going forward, Z Energy will expand its Pumped loyalty programme to include the Caltex retail network. As a result, Pumped, will immediately become NZ's largest consumer fuel loyalty programme by redemption location and offer the most reward choice. ZEL's 2019 result delivered better-than-expected earnings, with surprising 2H19 gains for fuel and convenience margins, but partly offset by higher operating expenses. They also provided maiden FY20 earnings guidance with a range of $425-$465m. 2019 P/E 14.1 2020 P/E: 13.1	**NZX Code:** **ZEL** **Share Price:** **$1.00** **12mth Target:** **$6.30** **Projected return (%)** Capital gain -0.5% Dividend yield (Net) 6.7% **Total return** **6.2%** **Rating: NEUTRAL** 52-week price range: 5.18-7.70



NZ LISTED COMPANIES		Mrkt Cap	Price	Target Price	Price Earnings (x)		Net Yield (%)	
1st July 2019			01-Jul-19					
Source: Jarden, CSFB	**Ticker**	**(NZ$m)**	**(NZ$)**	**(NZ$)**	**FY19**	**FY20**	**FY19**	**FY20**
COMMUNICATION SERVICES								
Chorus	CNU	2,471	$5.63	$4.77	39.4	61.0	4.1%	4.3%
Spark NZ	SPK	7,216	$3.93	$3.39	18.5	17.3	6.4%	6.4%
MEDIA								
NZME	NZM	100	$0.51	$0.47	6.3	6.3	0.0%	0.0%
Sky Network Television	SKT	459	$1.18	$1.74	5.0	5.9	12.7%	6.8%
CONSUMER DISCRETIONARY								
Kathmandu	KMD	498	$2.20	$2.75	10.2	9.5	7.3%	7.7%
Michael Hill International	MHJ	204	$0.55	$0.85	8.9	7.3	9.5%	9.5%
Restaurant Brands NZ	RBD	1,160	$9.30	$7.65	27.4	26.2	0.0%	0.0%
SKYCITY Entertainment Group	SKC	2,555	$3.80	$3.85	15.7	16.7	5.3%	5.3%
The Warehouse Group	WHS	701	$2.02	$2.00	10.8	10.2	7.4%	7.9%
CONSUMER STAPLES								
a2 Milk	ATM	10,693	$14.55	$14.00	36.5	28.8	0.0%	0.0%
Comvita	CVT	169	$3.40	$3.77	-26.1	28.4	0.0%	0.0%
Delegat Group	DGL	1,193	11.80	9.34	23.4	21.0	1.5%	1.6%
Fonterra Shareholders' Fund	FSF	403	$3.84	$4.39	22.9	12.5	0.0%	3.9%
New Zealand King Salmon	NZK	256	$1.85	$2.28	19.3	17.9	2.7%	2.9%
Sanford	SAN	645	$6.90	$7.57	14.8	13.8	3.3%	3.3%
Scales Corporation	SCL	656	$4.69	$4.68	19.2	18.4	4.4%	4.6%
Seeka	SEK	155	$4.85	$5.91	28.2	15.9	4.9%	4.9%
Synlait Milk	SML	1,661	$9.27	$7.95	19.0	15.6	0.0%	0.0%
ENERGY								
NZ Refining	NZR	647	$2.07	$2.38	-95.8	12.0	3.1%	10.9%
Z Energy	ZEL	2,556	$6.39	$6.30	14.1	13.1	6.7%	8.0%
FINANCIALS								
Heartland Group Holdings	HGH	934	$1.64	$1.43	12.3	11.6	5.8%	6.1%
NZX	NZX	305	$1.11	$1.11	20.5	18.2	5.6%	5.7%
HEALTH CARE PROVIDERS								
Metlifecare	MET	928	$4.35	$7.00	11.1	9.6	2.6%	2.8%
Oceania Healthcare	OCA	629	$1.03	$1.11	11.6	12.4	4.7%	4.4%
Ryman Healthcare	RYM	5,825	$11.65	$9.80	25.7	22.1	1.9%	2.3%
Summerset Group Holdings	SUM	1,242	$5.50	$6.84	11.9	12.1	2.9%	3.5%
HEALTH CARE SERVICES								
AFT Pharmaceuticals	AFT	287	$2.95	$2.80	-118.3	73.6	0.0%	0.0%
Ebos Group	EBO	3,571	$23.10	$21.00	24.3	20.6	2.8%	3.4%
Fisher & Paykel Healthcare	FPH	8,791	$15.32	$13.15	41.9	35.7	1.5%	2.0%
INDUSTRIALS								
Metro Performance Glass	MPG	70	$0.38	$0.62	5.0	4.2	0.0%	0.0%
Skellerup Holdings	SKL	467	$2.40	$2.13	15.6	14.6	5.4%	5.8%
TRANSPORT& LOGISTICS								
Air New Zealand	AIR	3,032	$2.70	$2.60	11.3	10.9	8.1%	8.1%
Auckland Airport	AIA	11,883	$9.81	$5.95	42.7	43.4	2.3%	2.3%
Freightways	FRE	1,310	$8.43	$7.85	21.1	19.1	3.9%	4.4%
Mainfreight	MFT	4,109	$40.80	$30.10	29.1	25.2	1.4%	1.6%
Port of Tauranga	POT	4,264	$6.27	$4.30	42.3	39.5	2.2%	2.3%
INFORMATION TECHNOLOGY								
EROAD	ERD	205	$3.00	$3.40	-41.1	120.2	0.0%	0.0%
Gentrack Group	GTK	604	$6.12	$5.15	39.4	31.3	2.3%	2.7%
Vista Group International	VGL	1,003	$6.03	$4.10	46.9	37.6	1.1%	1.3%
BUILDING MATERIALS								
Fletcher Building	FBU	4,335	$5.08	$5.17	12.0	13.6	4.9%	5.5%
Steel & Tube	STU	163	$0.98	$1.21	18.8	12.2	4.6%	6.6%
REAL ESTATE								
Asset Plus	APL	103	$0.64	$0.69	20.7	17.0	5.7%	5.7%
Argosy Property	ARG	1,142	$1.38	$1.20	19.9	21.3	4.5%	4.5%
Augusta Capital	AUG	116	$1.33	$1.23	15.0	19.7	4.6%	4.9%
Goodman Property Trust	GMT	2,514	$1.93	$1.55	25.1	28.4	3.4%	3.4%
Investore Property	IPL	486	$1.87	$1.58	23.4	23.1	4.1%	4.1%
Kiwi Property Group	KPG	2,340	$1.62	$1.52	23.2	22.5	4.3%	4.4%
Precinct Properties NZ	PCT	2,325	$1.77	$1.48	27.8	26.4	3.4%	3.5%
Property for Industry	PFI	1,077	$2.16	$1.67	24.9	23.4	3.5%	3.7%
Stride Property Group	SPG	796	$2.18	$2.05	20.5	21.0	4.5%	4.5%
Vital Healthcare Property Trust	VHP	1,098	$2.46	$2.13	25.1	22.9	3.6%	3.7%
UTILITIES								
Contact Energy	CEN	5,612	$7.83	$6.31	33.0	34.9	5.0%	5.0%
Genesis Energy Limited	GNE	3,358	$3.28	$2.30	39.1	36.8	5.2%	5.3%
Infratil	IFT	3,053	$4.63	$4.23	25.4	36.7	3.7%	3.2%
Mercury NZ	MCY	6,117	$4.49	$3.53	35.2	34.4	3.5%	3.5%
Meridian Energy	MEL	12,392	$4.84	$3.10	48.3	46.5	4.0%	4.1%
TILT Renewables	TLT	1,119	$2.49	$2.21	91.8	n.m.	0.7%	0.4%
TrustPower	TPW	2,285	$7.30	$5.46	22.3	23.2	10.1%	4.7%
Vector	VCT	3,780	$3.78	$3.27	28.9	26.7	4.4%	4.4%
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*					**23.3**	**22.1**	**3.7%**	**3.9%**

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

Stock Name	Stock Code	Current Price $	Target Price $	Target Gross Return %	Stock Performance %			
					Fortnight	Month	Quarter	Year
NZX50 Index	NZX50	10,235	10,000	-2.3%	1.2	1.6	8.5	14.0
A2 Milk Company	ATM	14.85	14.00	-5.7%	-6.0	-6.5	4.5	29.1
Freightways	FRE	8.33	7.85	-0.3%	3.0	-3.7	6.1	5.6
Heartland Group	HGH	1.61	1.43	-2.9%	0.0	3.2	7.3	-2.0
Kiwi Property Group	KPG	1.57	1.52	3.0%	2.6	4.9	14.6	21.6
Kathmandu	KMD	2.09	2.75	41.1%	-5.3	-1.4	-9.7	-7.2
Oceania	OCA	1.04	1.11	11.4%	-1.0	1.0	1.0	-0.3
Z Energy	ZEL	6.05	6.30	15.9%	0.5	4.2	3.6	-11.6

Source: Jarden, IRESS

Stock Code	PE Ratio x		EV/EBITDA x		Net Div Yield %		Gross Div Yield %		Return on Equity %
	FY0	FY1	FY0	FY1	FY0	FY1	FY0	FY1	
NZX50	23.6	21.8	12.6	12.3	3.6	3.8	4.7	5.0	
ATM	37.0	29.3	25.2	19.9	0.0	0.0	0.0	0.0	34.3
FRE	21.0	19.0	12.8	11.8	3.9	4.5	5.5	6.2	22.7
HGH	12.0	11.3	n/a	n/a	5.9	6.3	8.2	8.7	11.1
KPG	22.4	21.7	19.4	18.8	4.4	4.5	6.2	6.3	4.9
KMD	10.1	9.4	6.1	5.8	7.3	7.8	9.5	10.1	11.0
OCA	11.8	12.6	28.8	23.0	4.7	4.4	4.7	4.4	8.8
ZEL	12.4	11.7	7.5	7.0	8.5	8.6	11.8	12.0	21.1

Stock Code	Date Added to Focus List	Price When Added to Focus List $	NZSX 50 Index When Added	Return Since Added to Focus List	Index Return Since Added	Over / (Under) Performance
ATM	22/12/2016	2.14	6,852	593.9%	49.4%	544.5%
FRE	10/12/2018	6.94	8,660	22.2%	18.2%	4.0%
HGH	4/03/2019	1.49	9,413	10.4%	8.7%	1.7%
KPG	14/06/2019	1.57	10,235	0.0%	0.0%	0.0%
KMD	4/01/2018	2.40	8,444	-5.0%	21.2%	-26.2%
OCA	17/01/2019	1.09	9,078	-2.7%	12.8%	-15.4%
ZEL	4/03/2019	6.18	9,413	2.8%	8.7%	-5.9%

Note: The above information summary on the subject companies does not, and does not attempt to, contain everything material there is to be said about the companies or the business of the companies. The Focus List is not designed to represent a NZ share portfolio and therefore should not be treated or construed as a portfolio. The key reason is that diversification is not taken into account, with the stocks being selected individually, and no consideration being given to the other stocks on the Focus List.

Fortescue Metals Group (FMG.AX)

OUTPERFORM A$9.02 **TARGET:** A$8.20

FMG.AX Year to 30 June		2018A	2019F	2020F	2021F
Adjusted NPAT	US$m	1080	3063	4483	2772
Earnings /share	USc	34.7	99.4	145.6	90.0
PE Ratio	x	18.3	6.4	4.3	7.0
Dividend/share	USc	17.8	74.2	94.6	59.6
Dividend Yield	%	2.8	11.7	15.0	9.2

Jarden has adjusted FMG earnings to account for another strong quarter. Already towards the top of consensus for FY19 earnings, they have again lifted their numbers to account for continued strong iron ore benchmark prices and FMG product realisations.

The discount for FMG's Kings and WPF products has gapped down to zero, now seeking the same price per iron unit as medium grades. For the larger volume products FB and SSF, the discounts have contracted to 5% from 8% and to 7% from 11% respectively. They have adjusted their FY19 eps up 4% to remain close to the top of consensus, a level they think the street may increasingly adjust to as we head into the quarterly on July 25th.

Catalysts and Risks are outside FMG's control. They include: China steel demand, supply responses to the current market tightness and global macro sentiment. Within FMG's control are: operational performance, development execution at Eliwana and Iron Bridge, capital management.

While the current share price has past Jarden's 12-month Target, they have retained their Outperform recommendation.

South 32 (S32.AX)

OUTPERFORM A$3.19 **TARGET:** A$3.70

S32.AX Year to 30 June		2018A	2019F	2020F	2021F
Adjusted NPAT	US$m	1327	1164	1061	977
Earnings /share	USc	25.4	22.9	20.9	19.2
PE Ratio	x	8.8	9.8	10.7	11.6
Dividend/share	USc	13.5	10.9	8.4	7.7
Dividend Yield	%	6.0	4.9	3.7	3.4

Commodity prices have moderated, requiring an adjustment to Jarden's base metal commodity forecasts - increasing copper, whilst trimming nickel and aluminium, and conducting a M2M for zinc and other commodities. As it relates to Jarden's S32 numbers, the update is also a chance to put through their May coal price changes and minor modelling adjustments. The net impact is a ~6-7% hit to eps in FY19 and FY20.

Catalysts and Risks: Near term news flow will come in the form of the next SAEC exit update, further capital management details, and the JunQ production result (18th July). Of particular interest is what capital management is delivered in July or August given the upcoming capital commitments. FY20 capex is to be at the top end of the US$550-US$650m range, US$150m of cash is likely quarantined (in our view) for the Trilogy option and cash will need to be deployment towards Eagle Downs (investment decision perhaps 2H CY20) and Hermosa in due course. Net debt was US$726m as at March-end but this doesn't account for US$341m in dividends post reporting date and the US$92m outstanding buyback program, which is almost complete. They don't model anything beyond the current program, and a 40% payout thereafter, but the balance sheet has plenty of scope for further distributions, likely via buybacks.

Australian Forecasts 1st July 2019 Source: CSFB estimates	Ticker	Market Cap (A$m)	Price 01-Jul-19 (A$)	Target Price (A$)	Price Earnings (x FY19	Price Earnings (x FY20	Net Yield (%) FY19	Net Yield (%) FY20
COMMUNICATIONS & MEDIA								
carsales.com.au	CAR	3,306	$13.53	$15.00	25.2	22.8	3.4%	3.4%
Nine Entertainment	NEC	3,198	$1.88	$2.10	14.4	12.4	5.3%	5.6%
REA Group	REA	12,650	$96.04	$77.60	41.3	36.8	1.3%	1.5%
Telstra Corporation	TLS	45,789	$3.85	$3.25	19.4	15.0	4.2%	4.2%
TPG Telecom	TPM	5,975	$6.44	$5.60	16.1	22.1	0.6%	0.6%
CONSUMER DISCRETIONARY								
Aristocrat Leisure	ALL	19,616	$30.72	$30.00	22.8	20.3	1.8%	2.0%
Crown	CWN	8,431	$12.45	$11.00	23.7	22.8	4.8%	4.8%
Domino's Pizza	DMP	3,223	$37.64	$35.40	22.1	19.2	3.4%	3.7%
Flight Centre	FLT	4,201	$41.55	$39.72	16.4	14.1	3.7%	4.1%
JB Hi-Fi	JBH	2,970	$25.85	$21.12	12.7	14.9	5.2%	4.4%
Star Entertainment	SGR	3,779	$4.12	$4.90	16.5	15.7	5.0%	4.6%
Tabcorp Holdings	TAH	8,986	$4.45	$5.05	22.9	23.5	4.9%	4.9%
Wesfarmers	WES	41,000	$36.16	$33.41	21.3	21.2	4.6%	3.9%
CONSUMER STAPLES								
Coca-Cola Amatil	CCL	7,399	$10.22	$8.90	19.5	18.5	4.6%	4.6%
Coles Group Limited	COL	17,808	$13.35	$12.04	20.3	20.9	2.3%	4.1%
Treasury Wine	TWE	10,729	$14.92	$19.85	24.1	20.7	2.7%	3.2%
Woolworths	WOW	41,826	$33.23	$29.51	24.8	23.2	3.1%	3.2%
ENERGY								
Beach Energy	BPT	4,522	$1.99	$2.02	8.0	8.8	1.0%	2.0%
Caltex Australia	CTX	6,180	$24.75	$28.94	16.1	12.4	3.9%	4.9%
Oil Search	OSH	7,578	$7.07	$4.79	14.7	13.2	3.1%	3.4%
Origin Energy	ORG	12,874	$7.31	$7.55	11.8	11.3	3.0%	5.3%
Santos	STO	10,367	$7.08	$4.46	9.9	9.2	1.8%	1.4%
Whitehaven Coal	WHC	3,755	$3.66	$5.10	6.0	8.6	13.3%	8.7%
Woodside Petroleum	WPL	23,929	$36.36	$26.13	16.5	15.2	4.9%	5.3%
WorleyParsons	WOR	7,635	$14.71	$18.20	28.9	16.1	2.2%	3.7%
FINANCIALS								
ASX	ASX	15,946	$82.37	$60.00	31.8	31.1	2.8%	2.9%
AMP Limited	AMP	6,247	$2.12	$2.35	8.8	12.2	7.1%	5.9%
ANZ Banking Group	ANZ	79,924	$28.21	$26.55	12.1	12.2	5.7%	5.9%
Bank of Queensland	BOQ	3,867	$9.53	$9.25	12.5	12.6	7.0%	6.9%
Bendigo and Adelaide B	BEN	5,679	$11.58	$10.00	14.7	14.8	6.0%	6.0%
Challenger Limited	CGF	4,061	$6.64	$7.50	11.0	11.8	4.9%	4.9%
Commonwealth Bank Aus	CBA	146,540	$82.78	$76.00	17.6	16.4	5.2%	5.2%
Macquarie Group	MQG	42,681	$125.39	$135.00	14.8	14.7	4.6%	4.7%
Magellan Financial Grou	MFG	9,031	$51.00	$35.50	26.5	24.8	3.4%	3.6%
National Australia Bank	NAB	75,120	$26.72	$26.50	12.9	11.6	6.2%	6.2%
Pendal Group Limited	PDL	2,274	$7.15	$7.65	14.0	12.3	6.3%	6.9%
Westpac	WBC	98,974	$28.36	$27.40	14.3	12.3	6.6%	6.6%
Insurance								
Insurance Australia Grou	IAG	19,089	$8.26	$7.80	18.4	20.7	4.2%	3.9%
Medibank Private	MPL	9,611	$3.49	$2.50	21.1	21.8	3.7%	3.6%
QBE Insurance Group	QBE	10,989	$11.83	$8.74	13.9	14.4	4.5%	4.5%
Suncorp Group	SUN	17,491	$13.47	$13.70	76.9	15.8	5.0%	5.4%
HEALTH CARE								
Ansell	ANN	2,499	$26.85	$18.97	17.8	15.8	2.5%	2.8%
Cochlear	COH	11,938	$206.84	$168.00	45.0	41.8	1.6%	1.7%
CSL	CSL	68,490	$215.00	$137.77	36.0	34.3	1.2%	1.3%
Ramsay Health Care	RHC	14,598	$72.24	$54.80	25.5	23.4	2.0%	2.2%
ResMed	RMD	22,564	$17.17	$12.84	38.4	36.6	1.2%	1.3%
Sonic Healthcare	SHL	12,842	$27.10	$24.70	23.5	22.3	3.0%	3.3%

Company	Ticker	Market Cap (A$m)	Price 01-Jul-19 (A$)	Target Price (A$)	Price Earnings (x FY19	Price Earnings (x FY20	Net Yield (%) FY19	Net Yield (%) FY20
CONSTRUCTION & BUILDING PRODUCTS								
ALS	ALQ	3,564	$7.34	$7.40	19.8	17.4	3.1%	3.5%
Brambles	BXB	14,440	$12.88	$9.34	22.9	20.5	4.6%	2.5%
CIMIC Group	CIM	14,517	$44.77	$46.00	17.6	17.8	3.4%	3.4%
Cleanaway Waste Mgen	CWY	4,764	$2.33	$2.15	34.4	27.5	1.6%	2.2%
Downer EDI	DOW	4,115	$6.92	$7.10	16.1	13.5	4.3%	4.8%
Reliance Worldwide	RWC	2,781	$3.52	$4.40	19.1	17.5	2.5%	2.7%
Seek	SEK	7,449	$21.16	$19.25	39.8	35.2	2.3%	2.6%
TRANSPORTATION								
Atlas Arteria	ALX	5,357	$7.84	$7.15	38.7	30.9	3.8%	4.2%
Aurizon	AZJ	10,747	$5.40	$5.55	24.3	19.5	4.1%	5.1%
Qantas	QAN	8,481	$5.40	$6.40	9.8	8.8	4.4%	4.4%
Qube Holdings	QUB	4,883	$3.04	$2.55	39.7	37.9	2.2%	2.2%
Reliance Worldwide	RWC	2,781	$3.52	$4.40	19.1	17.5	2.5%	2.7%
Sydney Airport	SYD	18,147	$8.04	$6.65	46.4	45.2	4.9%	5.0%
Transurban	TCL	39,434	$14.74	$12.20	65.4	56.0	4.0%	4.2%
INFORMATION TECHNOLOGY								
Computershare	CPU	6,187	$16.21	$12.46	16.1	15.9	2.7%	2.8%
Link Administration	LNK	2,670	$5.00	$7.60	13.4	11.6	3.7%	4.3%
Xero	XRO	8,847	$59.94	$43.25	n.m.	448.1	0.0%	0.0%
MATERIALS & PACKAGING								
Amcor	AMC	18,464	$16.19	$10.40	18.8	17.2	4.0%	4.2%
Boral	BLD	6,002	$5.12	$4.40	12.5	11.8	5.1%	5.3%
Dulux Group	DLX	3,628	$9.32	$9.12	23.8	22.7	1.6%	0.0%
Incitec Pivot	IPL	5,476	$3.41	$3.78	26.4	13.5	2.1%	3.9%
James Hardie	JHX	5,814	$18.70	$15.82	19.4	16.9	2.7%	3.1%
Orica	ORI	7,701	$20.27	$19.24	21.4	19.2	2.6%	3.4%
Orora	ORA	3,910	$3.24	$3.45	18.1	17.0	4.0%	4.1%
METALS & MINING								
Alumina Limited	AWC	4,717	$2.33	$2.22	9.7	12.1	12.9%	7.5%
BHP Group Limited	BHP	139,289	$41.16	$28.03	14.3	10.6	5.2%	4.8%
BlueScope Steel	BSL	6,257	$12.05	$15.00	6.8	11.9	1.2%	1.2%
Evolution Mining	EVN	7,399	$4.36	$2.60	37.1	23.6	1.4%	2.1%
Fortescue Metals Group	FMG	19,524	$9.02	$5.76	6.4	4.4	11.7%	14.9%
Iluka Resources	ILU	4,550	$10.77	$10.40	11.6	18.5	1.4%	0.0%
Newcrest Mining	NCM	17,261	$31.95	$14.25	30.6	24.4	0.9%	1.1%
Northern Star Resources	NST	7,451	$11.65	$6.10	33.6	15.2	1.1%	1.6%
OZ Minerals	OZL	3,248	$10.03	$9.50	13.2	14.1	2.3%	2.3%
Rio Tinto	RIO	105,189	$103.76	$66.58	9.7	10.3	6.5%	6.1%
South 32	S32	11,223	$3.18	$2.60	9.8	10.7	4.9%	3.7%
REAL ESTATE								
Goodman Group	GMG	27,263	$15.03	$14.04	29.2	26.0	2.0%	2.2%
GPT Group	GPT	11,911	$6.15	$5.88	18.8	18.0	4.3%	4.5%
Lend Lease	LLC	7,334	$13.00	$16.20	16.0	11.2	4.1%	4.6%
Mirvac Group	MGR	12,242	$3.13	$2.85	18.3	17.9	3.7%	3.8%
Scentre Group	SCG	20,417	$3.84	$4.19	14.9	14.5	5.9%	6.0%
Stockland Group	SGP	9,943	$4.17	$3.17	12.9	12.6	6.6%	6.7%
Vicinity Centres	VCX	9,241	$2.45	$2.67	13.3	13.7	6.6%	6.2%
UTILITIES								
AusNet Services	AST	6,849	$1.88	$1.60	24.8	24.9	5.2%	5.4%
APA Group	APA	12,743	$10.80	$8.75	43.9	35.6	4.3%	4.5%
AGL Energy	AGL	13,123	$20.01	$18.30	13.0	14.2	5.8%	5.8%
Spark Infrastructure	SKI	4,087	$2.43	$2.10	45.7	51.3	6.2%	6.2%
Market Average					**22.2**	**19.8**	**3.9%**	**4.0%**

JARDEN – FIXED INTEREST

Medium Risk Portfolio Constituents as at 1 July 2019:

The revised portfolio below reflects the optimal Medium Risk debt portfolio for investors wishing to establish a new debt security portfolio based on securities that are currently available.

Security	Type	Credit Rating (1)	Maturity / Redemption Date	Coupon	Yield (3)	Price	Portfolio Proportion	Interest Payments (4)	Duration
ANZ Bank New Zealand (ANB160)	Senior	AA-	20 Mar 2024	3.03%	2.28%	1.042	8.0%	mar/sep	4.4
ANZ Bank New Zealand (ANZTD)	Term deposit	AA-	30 Apr 2021	3.15%	3.08%	1.000	5.0%	-	1.8
Bank of New Zealand (BNZTD)	Term deposit	AA-	30 Apr 2022	3.15%	3.03%	1.000	5.0%	-	2.7
Fonterra (FCG050)	Senior	A-	14 Nov 2025	4.15%	2.80%	1.084	7.5%	may/nov	5.7
GMT Bond Issuer (GMB040)	Senior	BBB+	31 May 2024	4.54%	2.86%	1.080	10.0%	nov/may	4.5
ICBC (New Zealand) (ICB0624)	Senior	A	27 Jun 2024	2.61%	2.68%	0.997	7.5%	jun/dec	4.7
Investore Property (IPL010)	Senior	Not rated	18 Apr 2024	4.40%	3.05%	1.069	5.0%	jan/apr/jul/oct	4.3
Kiwi Property Group (KPG030)	Senior	BBB+	19 Dec 2024	4.33%	2.84%	1.076	8.0%	jun/dec	4.9
Rabobank New Zealand (RBBTD)	Term deposit	A	30 Apr 2022	3.45%	3.31%	1.000	10.0%	-	2.7
Sky Network TV (SKT020)	Senior	Not rated	31 Mar 2021	6.25%	3.53%	1.046	5.0%	mar/jun/sep/dec	1.7
Trustpower (TPW140)	Senior	Not rated	15 Dec 2021	5.63%	2.64%	1.073	7.0%	mar/jun/sep/dec	2.3
Wellington International Airport (WIA030)	Senior	BBB+	12 May 2023	4.25%	2.34%	1.076	9.0%	may/nov	3.6
Westpac New Zealand Limited (WPAC0622)	Senior	AA-	7 Jun 2022	3.78%	2.00%	1.053	13.0%	jun/dec	2.8
AVERAGE FOR PORTFOLIO		**A-**		**3.20%**	**2.73%**		**100%**		**3.6**

Source: Thompson Reuters, Jarden

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