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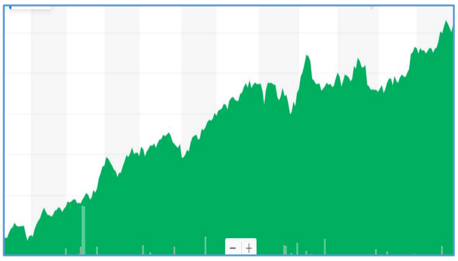
INVESTMENT STRATEGIES

Volume 41

February 2020

2019 was always expected to be volatile, but no-one really believed that double-digit returns would be possible in a contracting global economy. However, investors were once again rewarded for staying invested (especially those invested in the NZX)

NZ50 GROSS INDEX 2019-YR (UP 30.4%)



Short-term, expect the Coronavirus to briefly spook markets, but don't panic.

Brokers select their top five prospects for 2020

Craigs Investments
- a2 Milk
- Mainfreight
- Meridian
- Ebos
- Freightways

MSL
- AFT Pharmaceuticals
- Arvida
- Heartland Group
- Plexure
- Vector

Jarden
- a2 Milk
- Eroad
- Infratil
- Kathmandu
- Oceania Healthcare

Hamilton Hindin Greene
- Z Energy
- a2 Milk
- Meridian Energy
- Ebos
- F&P Healthcare

Forsyth Barr
- Contact • Arvida • Sanford • Chorus • a2 Milk

Disclaimer - It's a game

Readers should recognise that the results of the Brokers Picks are skewed by some features of the game. The figures exclude brokers fees. Brokers are asked to choose the securities that will give the best short-term performance. It does not allow brokers to review choices during the year. The views expressed do not constitute personalised financial advice and are not directed at any person. Finally, past performance is no guarantee of future performance.

See the 2019 Pick results, and my 2020 Picks on page 21 (NZ Equities).

VERSUS

WEBSITE:
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STATISTICS NZ DATA

Estimated population at 27-Jan-2020:	**4,955,788**
Births less Deaths Sept-19 year:	**24,945**
Net long-term migration Nov-19 year: (non NZers)	**50,241**
NZ Citizens – Net Loss Nov-19 year:	**-8,762**
Visitor arrivals Annual Oct-19 (↑81,532)	**3,903,109**

Employment

Unemployment rate Sep-19 year (↑0.3%)	**4.2%**
Jobs growth Sep-19 year ↓	**0.9%**
Wages growth Sep-19 year ↑	**2.4%**
Wages growth (Private sector only)	**1.8%**
Consumer Price Index Dec-19 year (↑0.4%)	**1.9%**
The size of the NZ Economy Jun-19 year:	**$300 bn**
GDP per person Sept-19 year:	**$62,594**
GDP per capita Sept-19 year:	**1.0%**
GDP Growth (volume) Sept-19 year:	**2.7%**

Our population

4,699,755 is our census usually resident population count in 2018.
In our village of 100, each person represents around **47,000** people.

Of the 100 people in our village...

51 are **female**

49 are **male**

17 people in our village are of **Māori** ethnicity

Between 2013 and 2018, our population **grew** by **10.8%**

The **median age** in our village is **37.4** years

Birthplace

Of the 100 people in our village...

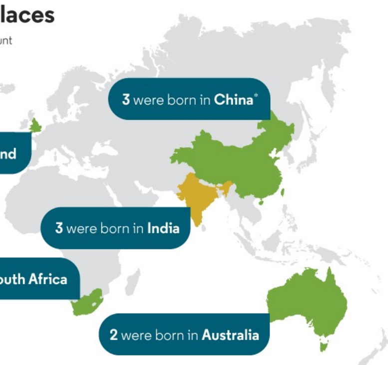
73 were born in **New Zealand**

27 were born **overseas**

Top 5 overseas birthplaces

For the census usually resident population count

Of the 100 people in our village...



* People's Republic of

Our ethnic groups*

For the census usually resident population count

Of the 100 people in our village...

70 European

17 Māori

15 Asian

8 Pacific peoples

1 Middle Eastern / Latin American / African

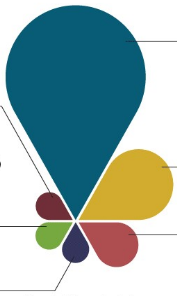
1 Other ethnicity

* Multiple answers possible so will total more than 100

Languages we use*

For the census usually resident population count

Of the 100 people in our village...



* Multiple answers possible so will total more than 100

Education and employment

Of the 100 people in our village...

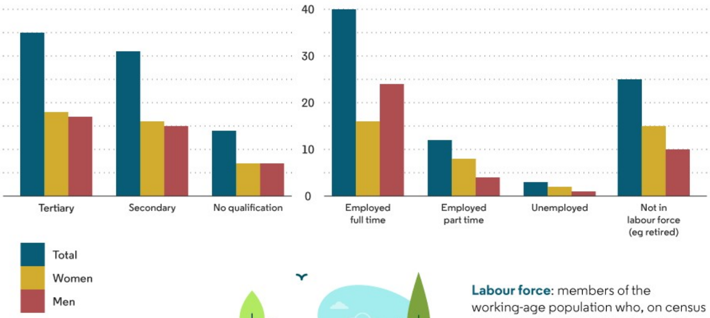
80 people are aged **15 years and over**

Formal qualifications

For the census usually resident population count aged 15 years and over

Work status

For the census usually resident population count aged 15 years and over



Labour force: members of the working-age population who, on census day, were classified as 'employed' or 'unemployed'.

4 out of **5 people** aged 15 years and over in our village have a **formal qualification**

7 out of **10 Māori** aged 15 years and over are in the **labour force**

Occupation

For the census usually resident population count aged 15 years and over

52 people in our village are employed. The main occupations are...

3 out of **10** employed **Māori** work as either managers or professionals

Personal income

For the census usually resident population count aged 15 years and over

The incomes of people in our village are...

$30,000 and less
39 people

$30,001 to **$70,000**
27 people

$70,001 to **$100,000**
8 people

$100,001 or more
6 people

Women
Men

Median income

$25,200 was the median income for women

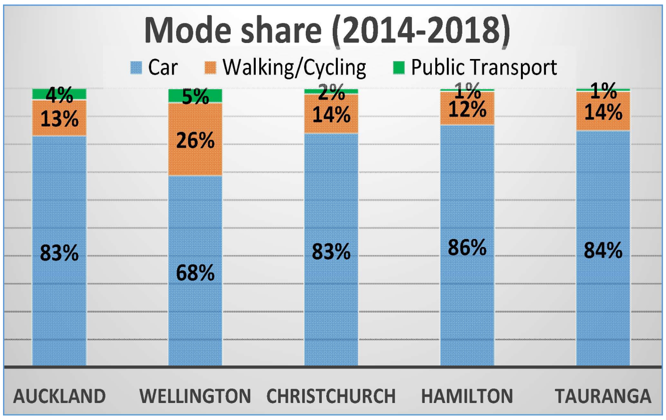
$40,400 was the median income for men

$21,600 was the median income for **Māori** women

$30,000 was the median income for **Māori** men

NZTA IS PUSHING A MODE SHIFT

New Zealanders are totally wedded to their cars. However, latest NZTA figures show that Tauranga (previously considered the worst in NZ) is in a better state than Hamilton. Public Transport is the poor cousin across NZ, but we have increased (albeit small) our use of walking and cycling.



There are three main reasons behind New Zealand's high level of car dependency. Understanding these causes is an essential step towards achieving mode shift and targeting efforts where they are most likely to achieve change.

- **Cities are structured in a way that prioritises travel by car:** New Zealand's cities are characterised by low-density, dispersed and uncoordinated development meaning that:
  - trips are often long (making walking and cycling unattractive)
  - urban planning and street design guides have generally prioritised private vehicles over other modes
  - poor integration between land use and transport decision-making has often led to mismatches between where growth happens and where travel choices are better.

  NOTE: Tauranga City is beginning to address this, with the planned commencement of a 1.3km separated two-way cycleway, adjacent to the road, in Otumoetai. Let's hope that TCC's transport planning is much improved - versus its previous efforts in Greerton!

- **A lack of good shared and active travel alternatives:** Decades of under-investment in quality services and infrastructure for public transport, walking and cycling have often made these travel options slower, less reliable, more dangerous and ultimately less attractive than travelling by private vehicle. This under-investment was compounded in the 1990s and early 2000s by the deregulation of public transport, which made integrated network planning extremely difficult and undermined the delivery of quality services.
- **Incentives encourage people to continue to travel by car:** Many of the true costs of travelling by car are hidden, especially environmental effects and car parking. Even where safe and attractive alternatives exist, awareness of these options can be poor.

Internationally, growing urbanisation and changing cultures are contributing to lower levels of per capita vehicle travel in many countries, especially among younger people. While some of these trends are apparent in New Zealand, population growth means total vehicle travel is still projected to increase, even as other modes become more popular.

PORT RESTRUCTURING PROPOPSAL

Prior to Christmas Shane Jones released a report which aimed to justify the moving of the port from downtown Auckland. This appears to be a very slanted report, written with one outcome in mind. It has huge inference for our own Port of Tauranga – 54% owned by Bay of Plenty ratepayers (BOP Regional Council and Quayside Holdings).

Since its release, a welter of criticism has come through, challenging the costings and assertions of the EY Economic Analysis of Scenarios, which were a principal rationale for the findings of the UNISCS working group. Two reviews by economic consultancies found that the EY report failed to provide a credible basis for making a decision on the move of Ports of Auckland to Northport.

One assessment, by consultants Castalia, said the true extra cost of relocating Auckland's port and building the necessary infrastructure, could be nearly four times EY's estimate. The other review, by the New Zealand Institute of Economic Research (NZIER), said EY had "*failed to address the feasibility question with sufficient transparency*". Both reviews were released by Ports of Auckland, which did not please Associate Transport Minister Shane Jones, who accused PoAL chief executive Tony Gibson of becoming his political opponent.

Undoubtedly, there is reason to doubt that we have got the right information base yet. Whereas EY said the additional cost of the relocation, compared with costs that would still be incurred if the three major upper North Island ports, including Tauranga, continued on their present paths was $1.8 billion, the other economic consultancies differed.

Castalia put the additional cost far higher, at $6.7 billion. It said the cost of extra roading had been underestimated and the development value to Auckland of clearing the port from the waterfront did not take into account the time and cost of finding new uses for the 77 hectares. NZIER assessed EY's work using Treasury criteria, and listed 13 findings which it considered either "*surprising*" or "*concerning*". It said a freight hub proposed in north west Auckland had not been costed, and EY's $1 billion estimate to build a rail line from Avondale to Southdown did not match other estimates of between $2.5-$3.5 billion. It also queried how EY could now be ranking a move to Northport as a number one option when the same consultancy ranked Northland only 12th on the list of potential relocation sites in the Port Future Study it completed for Auckland Council in 2016.

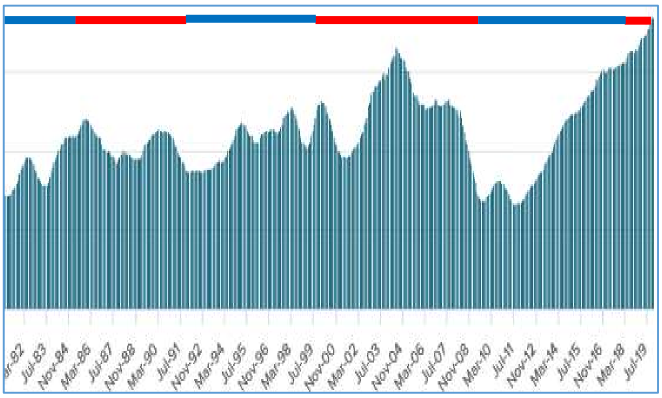
However, this is only one of a long line of previous port analysis reports, and most commentators suggest "*we've had report after report, when are we going to actually get some action?*" I get this frustration and find it understandable. Nonetheless, the fact is that we do need more investigation because there is a real chance that if we don't, we'll be lumbered with a costly mistake for decades to come. Frankly, there are a lot of people in the freight industry who believe this study was set up with a pre-determined political outcome, and that the rationale for its conclusions is far from watertight.

The Transport Ministry will also work with the newly formed Infrastructure Commission to help with the analysis. Cabinet expects a report back by May. But don’t expect any decision on this issue any time in 2020.

NZ HOUSING MARKET WARMING UP AGAIN

Statistics NZ reported the number of building consents rose to 37,010 in the year to November, which it said was the highest in 45 years**.** That sounds great, but back in the year to February 1974 when consents rose to 40,025, New Zealand's population was just over three million and the consents per thousand head of population was just over 13. The population is set to hit five million later this year, meaning the consents issued per thousand were 7.4 - barely half the rate back then and nowhere near the amounts required to deal with population growth averaging close to 2% over the last five years.

RESIDENTIAL HOMES CONSENTED



The Blue and Red line indicates a National Government (Blue), and a Labour Government (Red). The track record of National Governments getting residential homes consented is statistically undisputable.

HOUSE PRICES

New Zealand's housing affordability is getting worse, with prices now seven times the median household income. But the real surprise was Tauranga, which beat Auckland with a price-to-income ratio of 9.3.

Research group, Demographia's annual housing affordability survey shows that New Zealand has a "median multiple" of 7, or seven times the median income for a median house – up from 6.5 the year before. The survey, which monitors cities in eight countries, found Auckland was the sixth most unaffordable major market, level-pegging with Toronto at 8.6.

Prices, in November, overall rose 1.4% across the country, with prices outside Auckland rising 0.8%, according to the House Price Index (see table below).

The fall in mortgage rates after the surprise 0.5% cut in the Official Cash Rate in August has helped, along with continued strong migration and inadequate new housing supply to cope with record-high population growth over the last five years, let alone the previous housing shortage.

Investors are also happier now the Capital Gains Tax is off the table, and they'll welcome bank capital changes that were not so tough on banks in the short term.

The Government will welcome the confidence of property-owning 'Middle New Zealand' returning in an election year, although the hopes of “Generation Rent”, that they might be able to get into the market, may be fading. It won't hurt the Government's chances of re-election and winning the key 'median' voter needed for Labour to get over the line. House prices nationally have risen nearly 8% since the coalition was elected and started rising again in Auckland over the spring.

House Price Index	Index Level	1 Month	3 Months	1 Year	5 Years*
New Zealand	2902	1.4%	3.9%	5.6%	8.2%
NZ excl. Auckland	2884	0.8%	4.1%	8.3%	9.7%
Auckland	2923	2.1%	3.7%	2.7%	6.5%
Rodney District	2852	-0.1%	3.4%	1.4%	6.1%
North Shore City	2942	2.2%	4.0%	0.9%	5.6%
Waitakere City	3107	1.9%	3.4%	1.8%	6.2%
Auckland City	2804	2.4%	3.6%	4.4%	6.7%
Manukau City	3059	2.0%	3.5%	1.9%	7.1%
Papakura District	3126	1.3%	4.1%	2.8%	8.5%
Franklin District	3145	3.0%	3.7%	-1.1%	7.3%
Other North Island					
Whangarei District	2986	1.9%	3.7%	3.4%	12.0%
Hamilton City	3109	-0.7%	2.8%	7.1%	10.8%
Tauranga City	2765	0.5%	2.9%	6.2%	11.6%
Rotorua District	3375	-0.2%	0.3%	9.6%	14.4%
Hastings District	3051	1.9%	4.8%	13.0%	14.1%
Napier City	2789	-0.7%	2.6%	10.8%	13.3%
New Plymouth District	3149	4.0%	9.4%	10.7%	7.1%
Palmerston North City	3041	2.6%	7.2%	16.2%	11.9%
Wellington	2881	0.9%	4.9%	8.5%	11.5%

2020 SHAPING UP AS AN ELECTION GAME-STOPPER

After two years in office, Labour still cannot get its actions to match its talk, which only adds to making this year's election too close to call.

With the Epsom arrangement, National has shown in four elections now that it understands this aspect of MMP better than Labour. A win for Act in Epsom gives a reliable potential coalition partner a seat; and if Act wins more than about 1.3% of the party vote it starts to accumulate more MPs.

National and Act form a natural alliance. Both Labour and the Greens struggle to grasp that they do too. If they understood this, they would move to the logical next step, which is to maximise the potential of their party votes by ensuring the Greens have an electorate seat. This is not true for Labour and NZ First, because NZ First is a fickle friend at the best of times, and It has no natural allies. The best thing Simon Bridges can do is to rule NZ First out as a potential coalition partner – and do it soon. The country is fed up with Winston's manipulations to retain "the baubles of power", and most see Shane Jones as openly corrupt, with no scruples and no respect for New Zealanders intelligence.

SIMON NEEDS TO RULE OUT PETERS, AND SOON

Simon Bridges says he will soon make public his decision on whether to rule out New Zealand First and Winston Peters from Government, should National win this year's election.

My view is that he needs to do this – and the sooner the better. I think that he needs to be very clear that any Party that Winston is part of, will never be in coalition with National. This isn't to say that he should necessarily rule out NZ First per se - just Winston; and maybe Shane Jones too. Both are deeply flawed politicians, and very likely totally corrupt. These two gentlemen do not align with National Party values.

This is a no-brainer for me.

Peters hates Bridges (and National), and would just love to be in the position to put the knife in once again.

National Party members despise Peters, and his flagrant disregard to ethical behaviour – both in his personal life, as well as a politician.

A vote for Peters is a vote for Labour.

It is time to lance Peters' pimple. Take away his ability to choose the next Prime Minister, and isolate him.

JONES LIED ABOUT NZFFP KNOWLEDGE

SOURCE: Stuff, KiwiBlog

A forestry company with close links to New Zealand First says it gave a presentation to Shane Jones about a project it was seeking a $15 million government loan for – months before Jones says he first heard of it.

When NZ Future Forest Products (NZFFP) applied for Provincial Growth Fund money on 8 April, 2019, the company was asked whether the project had been "previously discussed" with the government.

The application form shows NZFFP ticked the 'yes' box and said it had made a "presentation to the Minister" about its forestry and wood processing plans "including descriptions of the applicant".

Jones, a New Zealand First MP who is forestry minister and the minister responsible for the $3 billion Provincial Growth Fund, has consistently claimed he first heard about the NZFFP bid on 14 October last year.

So not only does the forestry company linked to NZ First get a private meeting with the Minister to present their plans, he then denies he had ever heard of them prior to the media stories.

Again, in any normal Government, this would be grounds for sacking. But not in this one.

MINIMUM WAGE INCREASE WILL COST JOBS

The Government's decision to raise the minimum wage this year is expected to result in the creation of 6500 fewer jobs, according to the Ministry of Business, Innovation and Employment.

While workers are going to be significantly better off, small businesses are going to struggle with this pay hike.

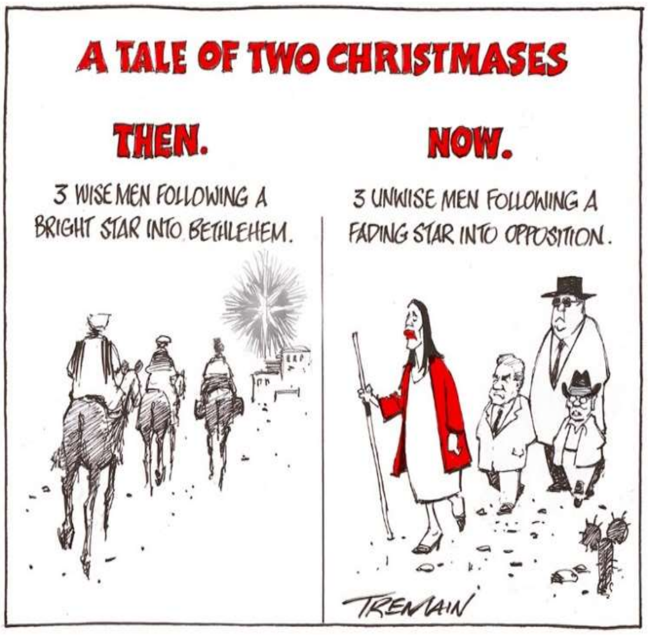
A week before Christmas, Workplace Relations Minister Iain Lees-Galloway announced the Government would be raising the legal minimum wage from $17.70 to $18.90 an hour in April. It's part of a plan to have it reach $20 by 2021.

Documents released by MBIE show the ministry recommended the figure among a series of higher and lower options. After crunching the numbers, MBIE estimated:

- A full-time minimum wage employee would have their net weekly income rise by about $39, from $603.11 to $642.04.
- About 242,400 workers would get pay rises.
- Total wages across the country would rise by $306m.
- MBIE's best guess at what the raise could to the number of new jobs created says it's likely to hamper growth by between 4000 and 7500 jobs, with an average estimate of 6500.

The 2019 wages increase (from $16.50 to $17.70) cost 8,000 jobs. This further (April 2020) increase is just plainly unaffordable for most small businesses, in what is already a contracting economy.

THIS COALITION GOVERNMENT IS KILLING NEW ZEALANDER'S FUTURE



Our current Socialist Coalition Government's half yearly update, just before Christmas, shows that by 2022 they'll have collected at least $10bn more tax than was predicted by Treasury before the last election. In fact, the amount they are going to spend across the four years to 2022, according to official government numbers, is now $19bn more than was in their own fiscal plan prior to the election. Yes, Labour has blown out their own fiscal plan by $19 billion – twice what Joyce pointed out was the likely hole.

Debt is now predicted to top out at $78bn, against the $68bn they predicted at election time two years ago - and now the expected surplus of $6bn for the current year is projected to be a deficit!

The sad part is that this deficit isn't due to the extra infrastructure spending announced just before Xmas - that won't impact the surplus for years. This deficit is purely runaway and wasteful expenditure.

We know that if you get rid of targets, you are in big trouble. All the key performance indicators that measure the efficiency and effectiveness of government spending are currently going backwards. It is no wonder that this current lot got rid of targets, because poverty numbers and numbers on welfare are all growing exponentially. State Housing wait lists, and the big hospital metrics like emergency wait times and elective surgery numbers are not only deteriorating, they are crashing. The performance of our kids in school relative to the rest of the world is continuing to decline, and tertiary enrolments are down despite throwing billions for free tuition. There has also been no discernible economic uplift in regional New Zealand to match the government's fine rhetoric, beyond what was already occurring.

Poverty up. Homelessness up. Welfare up. Emissions up. Hospital waiting times up. Let's be under no illusion as to how quickly the infrastructure pipeline has been run down. There are currently eleven major roading projects, all started before 2017 (under the previous National Government), that are building just 120km of new and upgraded four lane highways around this country. Nine of them are due to finish before the end of 2020. There is literally nothing - no large new road projects, rail projects, or anything else to replace them. Yes, Labour announced a big infrastructure spend over the next 4 years, but couldn't even name the projects.

AUCLAND CENTRAL

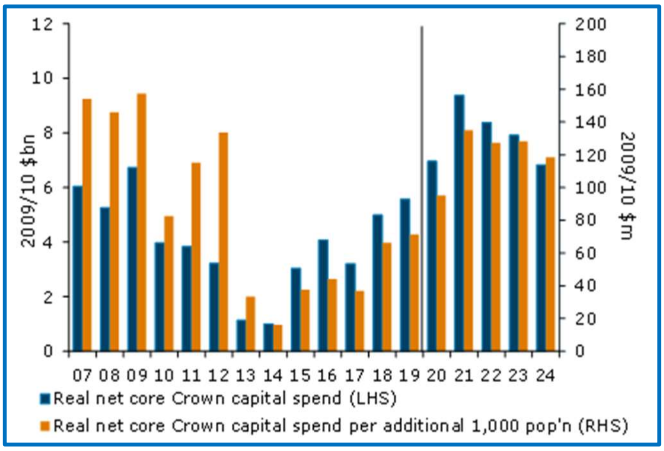
Can Chlöe Swarbrick win Auckland Central for the Green Party in the 2020 general election? The answer, I think, is very unlikely. Auckland Central is considered a marginal seat, and already a Greens stronghold, relative to most electorates. Swarbrick is one of her party's most widely liked, admired and effective MPs, but don't underrate Nikki Kaye, who holds this seat. Nikki is extremely popular in her electorate and knows how to win. She is an incredibly hard-working MP in her electorate (which includes both downtown Auckland, plus Waiheke and Great Barrier Islands. She has beaten Jacinda Ardern twice for this seat, and she will be extremely determined to hold on to this seat. I wouldn't be putting my money on Swarbrick's chances.

CAPITAL EXPENDITURE

The Coalition's $12 billion infrastructure investment announcement was aimed to give some sense of momentum back to the Government, but the same problems evident in the economy before its late 2017 election are firmly in place.

Evidence of what that looks like is in the chart below showing investment per capita from 2007 to 2019. The forecast increase in per-capita investment in coming years barely covers lower population growth forecasts, let alone the infrastructure gap that opened up in the last decade.

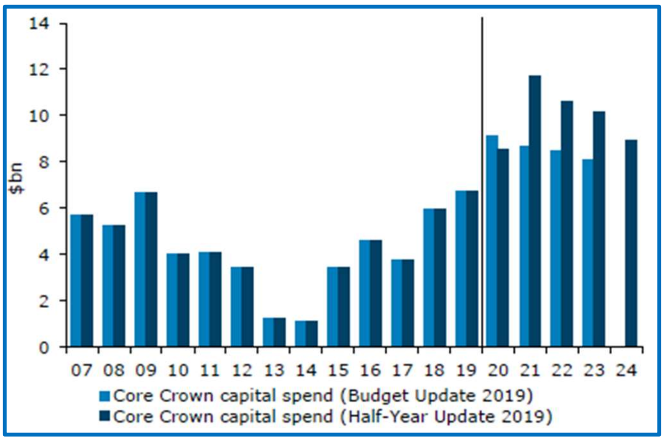
NET CORE CROWN CAPITAL EXPENDITURE



SOURCE: The Treasury, Statistics NZ, ANZ Research

The Government's higher capex plans bring (forecast) real spending per (forecast) additional 1000 population back into line with the 2007-12 period after a long period of under-investment. But it's a big ask to build stuff that fast.

CORE CROWN CAPITAL CASH FLOWS



SOURCE: The Treasury

WE NEED TO BETTER MANAGE TOURISM

Tourism is New Zealand's largest export industry, worth $39.1bn. With 3.8 million international visitors arriving in New Zealand last year, parts of the country are beginning to suffer from the effects of over-tourism which is a term used to describe the hazards of a massive and uncoordinated influx of tourists to popular destinations. These are destinations where hosts or guests, locals or visitors, feel there are too many visitors, and the quality of life in the area or the quality of the experience has deteriorated unacceptably.

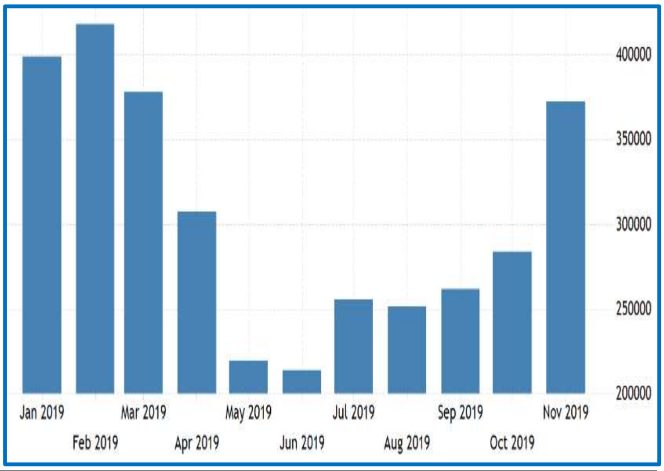
The social impacts of over-tourism include jeopardising how tourists and locals relate to each other. Yet residents play a vital role in developing sustainable tourism, as they are cultural agents and the social group through which tourism is delivered. Many destinations are experiencing over-tourism: Paris, Berlin, California, Hong Kong, Rio de Janeiro, and Venice are good examples. New Zealand is quickly joining this group.

We urgently need a holistic approach to tourism that balances destination marketing with destination management. This should be a very high priority for government. We mustn't "kill the golden goose".

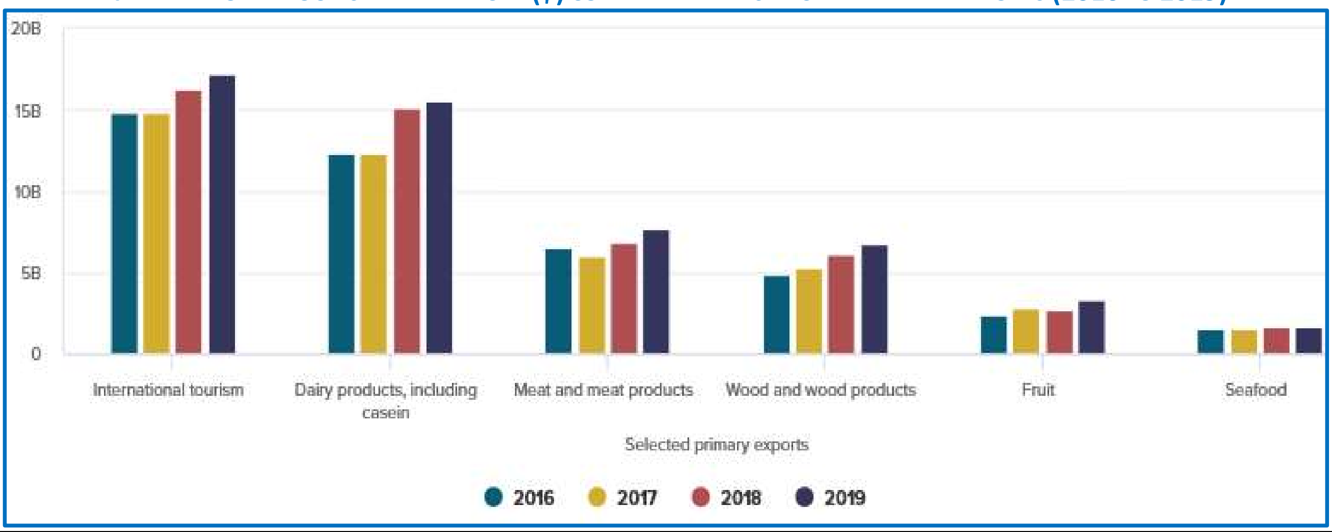
NZ TOURIST ARRIVALS

Overseas visitor arrivals in New Zealand fell by 3.5 percent year-on-year to 372,108 in November of 2019, compared to market expectations of a 3.2 percent fall. The biggest changes were in arrivals from Malaysia (-3,000), the United States (-2,200), Australia (-1,600), China (-1,100) and Canada (-1,000). In the November 2019 year compared with the November 2018 year, the number of visitor arrivals was 3.89 million, up by 42,200.

NZ TOURIST ARRIVALS



INTERNATIONAL TOURISM EXPENDITURE ($) COMPARED WITH SELECTED PRIMARY EXPORTS (2016 TO 2019)



PRODUCTIVITY

The government has launched yet another inquiry - in a bid to make New Zealand businesses more productive. A Productivity Commission report in 2016 suggested that New Zealand's companies are on average about one-third less productive than international firms in the same industry.

Businesses, staff, unions and other agencies will be involved in the inquiry, which was expected to give policy recommendations by March next year (2021). It will consider what causes low productivity and build on other work the commission had done, including recently on the future of work and technology.

We all know we have a productivity issue in this country, and (sorry) we need action to address this now – not in 2021.

EXPECT 2020 ELECTION IN SEPTEMBER Confirmed

- ✓ 19TH SEPTEMBER IS MY PICK

As the election nears, National will try to paint itself as better economic managers and Grant Robertson as an irresponsible and incompetent finance minister, but this is unlikely to cut it with many swing voters.

Nor is the government likely to push any significant new leftwing economic reforms, or even tax hikes, giving National little to scare swing voters with. And there's no way that National can hope to best Ardern in terms of a campaign based on leadership and personality.

So where can it differentiate? National increasingly relies on stoking "culture wars" and law and order. It is these fertile new hunting grounds that give Simon Bridges his best chance of painting Ardern and her colleagues as out of touch with mainstream New Zealand.

Culture wars are concerned with debates relating to ethnicity, gender, sexuality, human rights, discrimination, free speech and civil liberties. Elements of the political left – especially in the Labour and Green parties – are increasingly associated with campaigns in these areas, and often their stances are not shared by many mainstream voters.

So far Ardern has navigated her government clear of such debates, knowing such an association could be fatal. For example, she still refuses to visit Ihumātao, the site of an important struggle over Māori land rights because of her fear of the association with radicals.

Ardern knows very well to keep her government as clear as possible of contentious social issues. Instead, if Labour and its coalition partners can keep public debate around traditional egalitarian concerns about inequality, housing, health and education, the New Zealand notion of fairness will probably also ensure her government will get another chance.

National's best bet might be to provoke an ugly culture war. Expect to see Bridges attempt to start debates on these issues and paint Labour and the Greens as "woke" elitists, or just soft on law and order. This might be desperate and opportunistic – National MPs genuinely don't care that much about many of these issues. But National knows that they are the sort of emotive and divisive concerns that might change votes.

There's a cultural backlash ready to be fostered – as Donald Trump, Scott Morrison and Boris Johnson have found to their benefit. Such debates, whether over identity politics, hate speech, minority rights or gender can be explosively divisive. That could end up being the ugly story of the 2020 general election.

WHAT DOES THIS COALITION GOVERNMENT LOOK LIKE?

Back in October 2017, NZ First leader Winston Peters announced change was the will of the people, and so he chose change. That came in the form of a coalition with Labour. Since then, Peters and NZ First have been factors in stymying the very change Labour had promised. The slow machinery of government, and money are other factors. Let's look at the raft of measures delayed, scrapped or diluted and how much responsibility NZ First had for it all.

Until the last-minute suspension of the re-entry to the Pike River Mine, it was to have been a symbolic moment for the Government. NZ First leader Winston Peters, Labour leader Jacinda Ardern and Green Party co-leader James Shaw were to stand together to watch the re-entry into the drift. It is one of the precious few policies the three parties have in common. That is why it was one of the first that kicked into action. The difficulties were practical - not political. It was a policy of change, of delivering to the dead miners' families hope after the previous government refused to do so.

Things were very different on April 17. Astute observers realised the capital gains tax was on the chopping block when the news came through that Ardern would be making the announcement alone. Usually one or both of the other parties' leaders stood alongside when a consensus had been reached.

Trouble was at mill. It was a brutal lesson in just how difficult Ardern's governing arrangement is. Sure enough, Ardern pointed to NZ First as the reason she could not get the tax over the line. NZ First proudly took ownership of that. But that party cannot be held responsible for what came next. Ardern promptly killed off the capital gains tax policy altogether, giving up the chance to look at it again in a second term. It served as a lightning rod for those on the left who had expected more, and were already somewhat disillusioned that the pace of change had not been faster. Nor was capital gains tax the first example.

In the very first week of government, Ardern had to back away from the first major policy she announced as leader. That was the policy to charge for commercial use of water. It was a key part of her policy to clean up waterways. Her gutlessness in addressing water ownership has been an afront to ordinary New Zealanders. Maori continue to demand water ownership, and Ardern recognises that this could well be the next “seabed issue”. The Bay of Plenty will suffer inexcusably, unless this issue is addressed. The Otakiri Springs consent risks 3.5m plastic bottles of water a day (1.1 billion litres per year) being trucked to the Tauranga Port. The effect of this massive increase in trucks on already clogged Tauranga roads has incensed locals in Tauranga and Whakatane alike. Labour is rightly in the firing line.

Employment reforms had to be watered down – including the 90-day trial policy that was so loathed by Labour and the unions. Almost every major policy initiative has been delayed by months, bogged down in negotiations with NZ First and occasionally the Greens.

They include measures in climate change, employment relations, mental health, a bill to allow trans people to easily change their birth certificates, and Ardern's personal promise of abortion law reform which was supposed to be put up by the end of last year. Ardern herself is copping much of the blame.

"*The Prime Minister needs to do more than speak of kindness and compassion towards our most vulnerable. It needs to introduce tangible policies to narrow the growing gap between the rich and the poor*," Auckland Action Against Poverty spokesman Ricardo Menendez March said after the capital gains tax was scrapped. The Council of Trade Unions and several of Labour's affiliated unions also issued statements about the capital gains tax.

Left-wing commentators subsequently wrote scathing critiques of the pace of delivery on the "change" agenda. Grassroots supporters from the left continue to be very disappointed.

The Year of Delivery: The Turtle not the Hare

Every government faces the struggle of persuading their supporters of the truth in the fable that the turtle will overcome the hare in the end, that incremental reform is better than radical. Ardern's problem is she previously promised the hare would win.

In the 2017 campaign, then National Party leader Bill English forecast that the "stardust" around Ardern would eventually rub off. What he meant was that the hype around her, the promise she held out, could not survive the journey into reality. Ardern's whole campaign was based on change – generational change, government change after nine years of National, and – most importantly for Labour supporters – genuine societal change to what they saw as increasing inequality. Two year’s later, English's prognosis for stardust is yet to come to fruition - at least when it comes to Ardern herself. In her case, that stardust has only increased. But at the start of 2019, Ardern declared it the "year of delivery" after many of the policies Labour proposed were sent to working groups to work out the year before. Among them was the Tax Working Group.

The first major "delivery" turned out to be that complete and utter backdown on the capital gains tax. Ardern may lament that the capital gains tax became something of a litmus test for Labour's change promise. At the capital gains tax press conference, Ardern pushed back at the suggestion it was a cornerstone policy. She pointed to child poverty, climate change, housing and mental health as areas integral to her campaign and where the Government was still delivering change. She also championed her fees-free tertiary education policy, saying "*We are making incredible progress. Transformational progress, and progress any other Government would not make*." However, it is understood Labour is now re-evaluating the rollout of the next stages of it. It was intended to be extended to cover three years' free tertiary education. The problem is that it is very expensive and in its first year did not have the desired effect of lifting enrolments. Unless that changes, Labour will consider pulling the pin on the rollout and leaving it at just one year.

In some areas of under-delivery, Labour has only itself to blame. One was KiwiBuild, which was over-hyped as the solution to the woes of first-home buyers and has now gone back to the drawing board. But in other areas, the change train has come up against other brick walls.

Brick wall 1 - Winston Peters

The one that gets most publicity is NZ First and its leader Winston Peters.

After 26 days of waiting and negotiating, Peters said his party was given a choice between a "modified status quo and change". He said that he chose Labour. He chose change – but since then Peters and NZ First have have stymied that change time and time again. The most brutal example was the capital gains tax, which was killed off for the foreseeable future after Peters said no. It was just one in a list of Labour initiatives to be halted, watered down, put on the backburner for another day, or bogged down in tricky negotiations.

During negotiations over the capital gains tax, Peters pointed out to both Ardern and Finance Minister Grant Robertson that if Labour had indeed been fixed on a capital gains tax it should have included it in the coalition agreement.

So it is that Labour finds itself constantly negotiating over implementing its own policies.

"*NZ First had perspectives they campaigned on and we took into negotiations. For example, on abortion the Greens have a view, Labour has a view. We had a discussion with them to see how close we are in our thinking*." This means things sometimes take a long time.

All of this has caused some frustration for Labour ministers trying to get their work through Cabinet.

The rare sight of leaders of all three Government parties together.

On issues such as abortion reform and the criminal justice reforms, Minister Andrew Little says there were factors other than NZ First which added to delays. He adds "*The reality is, to pass legislation that creates change, you have to have the numbers in the Parliament. And that is why issues are dealt with policy by policy, each is negotiated. That was always going to be the product of MMP*."

NZ First have already put the kibosh on a repeal of the "three strikes" legislation and traditionally take a stance that is hard on law and order. Little said he expected "robust debate". "*There should be, and not just from NZ First but from all quarters. I think we will get to a point where we will make change and I think NZ First has acknowledged we can't just keep locking up more and more people*."

NZ First's influence has not gone unnoticed. CTU head Richard Wagstaff said they were very disappointed by the decision on 90-day trials as well as scrapping the capital gains tax. "*I think they are very influential. All the parties are influential, but NZ First, from our point of view, would appear to have been quite a barrier on the capital gains tax and had an influence on employment relations. It is becoming clear that this is a coalition government – not a Labour-led government, so to speak. And I think that is having an impact on where the centre of gravity is in terms of the reforms we would like*." However, Wagstaff said the NZ First brake was still preferable to what had come before with the National Government.

Dead rat street

The Green Party has suffered the most from the combination of NZ First's influence and the Budget rules. It is fair to say the Greens have had to swallow more dead rats than NZ First. They had to support the waka jumping legislation, and see capital gains tax taken out from under them. Shaw puts a brave face on it. In fact, he tries to argue that such dead rats fit within the Green Party's long-standing philosophy of getting consensus on every matter, big or small.

Surprisingly, Shaw goes into bat for Peters and NZ First. He points out the party had backed a raft of policies that the Greens did like - from the families package, increasing the refugee quota, rail investment and Department of Conservation funding. "*Yes, NZ First have stopped a couple of things happening and delayed some stuff but every other big thing we've done, they've backed. So I think it is a bit unfair to say that they are just the handbrake on the Government*."

However, the Greens have started to face flak from their own supporters for not flexing their own voting power more. Shaw believes the party's supporters recognise compromise is needed. "*I know people feel those disappointments keenly, but ultimately it's worth it*."

As a general rule Winston Peters doesn't eat dead rats – he kills them for others to eat.

But he did get on board with the revised Trans Pacific Partnership, largely by pretending it was a different agreement to that arranged by National.

His pro-development minister Shane Jones also had to suffer through the decision not to allow more mining exploration permits in the Taranaki.

Brick wall 2: Money

Labour itself has pointed to money as one of the reasons it cannot deliver on its agenda in areas from health, education and child poverty as quickly as it had believed when in Opposition.

The Budget Responsibility Rules commit Labour to staying in surplus, and keeping debt tracking down as a percentage of GDP.

Labour also blames "neglect" by National for presenting Labour with more of a problem than it anticipated. National's counter is that Labour simply over-promised to the voters.

Many believed that the Budget Responsibility Rules restricted Labour's ability to respond to the very problems they have described as urgent. Recognising this, Labour did amend them. Wagstaff had said the CTU was always opposed to the rules, believing they were much too tight. He pointed to all the areas Ardern had highlighted as her priorities – housing, health and climate change. James Shaw is also lukewarm about them, although the Greens signed up to them prior to the election. It is probably fair to say they will not do so again.

Criticism about NZ First's influence and the slow pace of change is largely voiced only by those on the left. For those on the right, the delays and dilutions are greeted with some surprised delight. Business NZ head Kirk Hope said it was simply a product of a coalition government, in which talk of "transformation" was irrelevant unless it was included in the deal between the parties.

Brick wall 3: Jacinda Ardern. 'Stardust' vs 'pragmatism'

The third brick wall is Ardern herself. Ardern describes herself as a pragmatic idealist. All her talk about kindness and compassion had led some to underestimate just how much emphasis Ardern could put on the "pragmatic" side of that.

The sacrifice of the capital gains tax was the clearest example of this – not the failure to get it past NZ First, but her decision to completely rule it out as long as she was leader. It was to Labour what asset sales were to National – a policy that was considered unpalatable. Yet National managed to push partial sales through without suffering in the polls, largely courtesy to an extended sales job by Key and English.

Many believe Ardern could have used her prodigious communication skills to do the same thing in a second term. Other "change" items have simply been put on hold until the political winds may change.

Dining with the devil

Ardern and her team will now be looking forward to what winds they might want to catch in 2020. Labour's polling is now in the early 40s rather than the mid 30s, as it was in 2017. The risk for National will be Ardern's ability to form a government with only one other party.

The ideal scenario for Ardern will be what Sir John Key had throughout his tenure. To form as broad a government as possible but be able to form a majority in more than one way.

Labour will also have learned a thing or two about dining with the devil. The NZ First coalition agreement is Peters' bible. Under the pressure of forming a government, Labour's negotiating team apparently forgot Peters was a lawyer who operates under "contract". The trouble is it references only what NZ First will get with any specificity. There is little mention of what Labour will get in return, beyond confidence and supply. Next time, Ardern will be armed with a long spoon.

ELIMINATED

Capital Gains Tax

Scrapped. Other tax changes remain on the table, to be announced.

MMP reforms

Plans for a referendum on changing the threshold to 4%, and getting rid of "coat-tailing" were scrapped by NZ First. Donations law and other changes are still possible.

Trans gender

Internal Affairs Minister Tracey Martin pulled a select committee recommendation to allow trans gender people to amend their birth certificate.

ACHIEVED

Minimum wage

On track to be lifted to $20 per hour.

Environment

Ban on future oil and gas exploration.

Fees Free

The first major Labour policy initiated. The first year is now frees free, but the roll-out to cover the second and third years has been delayed, and may be scrapped altogether, after disappointing enrolment results in year one.

TOTAL FAILURE

Housing

KiwiBuild 'reset' and the provision for social housing (for the homeless) has been a total disaster.

Child poverty measures

Ways to measure child poverty introduced into law, along with the requirement to set targets. However, all indicators signal that child poverty is getting worse – not better.

Free Doctor visits

Promised by Labour, but no mention of them any more.

1,800 more police

Police are not inducting enough police to replace those who are leaving the service – let alone achieving Labour's promise for 1,800 new police recruits in their fist term.

WATERED DOWN

Environment

Ardern's first major policy announcement was on the environment, and included charges for the commercial use of water, NZ First scotched those at the very start, although plans to charge for water bottling exports remain an option, if Labour has the courage. **GUTLESS RESPONSE**

Employment reform

90-day trials were left in place for small businesses, and NZ First diluted plans to boost union powers, and proposed mass industry-wide collective contracts.

"The true is rarely pure, and never simple."

Oscar Wilde

TIME TO END THE CLIMATE GRAVY TRAIN

Svante Arrhenius (1859-1927) was a Swedish scientist who first claimed that the burning of hydrocarbons like coal, oil, gas, peat, and wood may cause global warming.

In 1895, he calculated (incorrectly) that a doubling of the atmospheric CO_2 concentration would lead to a 4-5^{o} C rise in global temperature.

However, Arrhenius suggested that this increase could be beneficial, making the various climates on Earth “more equable” and stimulating plant growth and food production.

Then a showman/politician, Al Gore, gave life to the theory that extra carbon dioxide due to human activities will cause dangerous global warming.

But temperatures refused to obey the alarmist computer model forecasts. So they switched to the universal boogieman — climate-change, where every bit of bad weather was blamed on Western Industry.

But this did not scare enough people, so it morphed into climate emergency, which allows coal, oil, gas, cars, and cattle to be blamed for everything bad — floods and droughts, snowstorms and heatwaves, bushfires, coral bleaching, species extinction, and pollution anywhere.

But the carbon dioxide scare is proving false — it’s time for some climate sense.

Human activity can never control atmospheric CO_2 or global temperature. Much bigger forces are at work — solar system cycles, earth orbital changes, volcanic activity (especially on the seafloor), El Nino episodes, declining magnetic field and magnetic pole reversals, variable cosmic rays and cloud cover, and absorption/expulsion of CO_2 by the mighty oceans.

Geological records show that today’s CO_2 levels are very low — so low that plants grow slower and need more water.

Moreover, the ice core records from Antarctica and Greenland show clearly that atmospheric temperature always rises before CO_2 levels rise. So rising CO_2 is the *effect* of rising temperature, not the *cause*.

Warming oceans are like warming beer — they both expel bubbles of CO_2 into the atmosphere. When oceans cool, they take it back.

The dense plant and animal populations in equatorial regions show that humans need not fear global warming – in fact, the Russian president has welcomed the possibility of warming for his cold land.

We live in a natural warm interlude but we are past the warming peak. There will still be fluctuations and extreme weather events but the next big move will be global cooling — the 11th freeze-up in about a million years.

All it needs are oceans heated by submarine volcanoes, and skies made cold by volcanic ash that blocks incoming solar energy. This will trigger the evaporation of water from the oceans and heavy snowfalls on land.

Once the summer sun fails to melt all the winter snow, glaciers and ice sheets will advance again. The increased albedo from the snow and ice will cause further cooling.

Ice ages have been a periodic threat to much of life on Earth. As the ice sheets spread from the North Pole there will be massive depopulation and survivors will need to relearn hunter-gatherer skills or have access to reliable energy.

Wind turbines and solar panels will not work in snowy conditions and many hydro-energy supplies will also freeze up. Even the Great Niagara Falls froze in 1848 during the Little Ice Age.

But the UN climate bureaucracy will probably still collect climate taxes and organize well-fed conferences in places with a warm climate and reliable power.

Alarmism over climate is the great gravy train for academics, bureaucrats, speculators, globalists, and politicians seeking excuses for more power and more taxes.

“Climate emergency” is an exercise in global politics, not science. The plan is to scare us into transferring money and power from western nations to the UN — a fake answer to an invented problem.

Viv Forbes is a scientist with long experience in geologic history, cycles, computer modelling, industry economics and management of cattle and sheep on natural pastures.

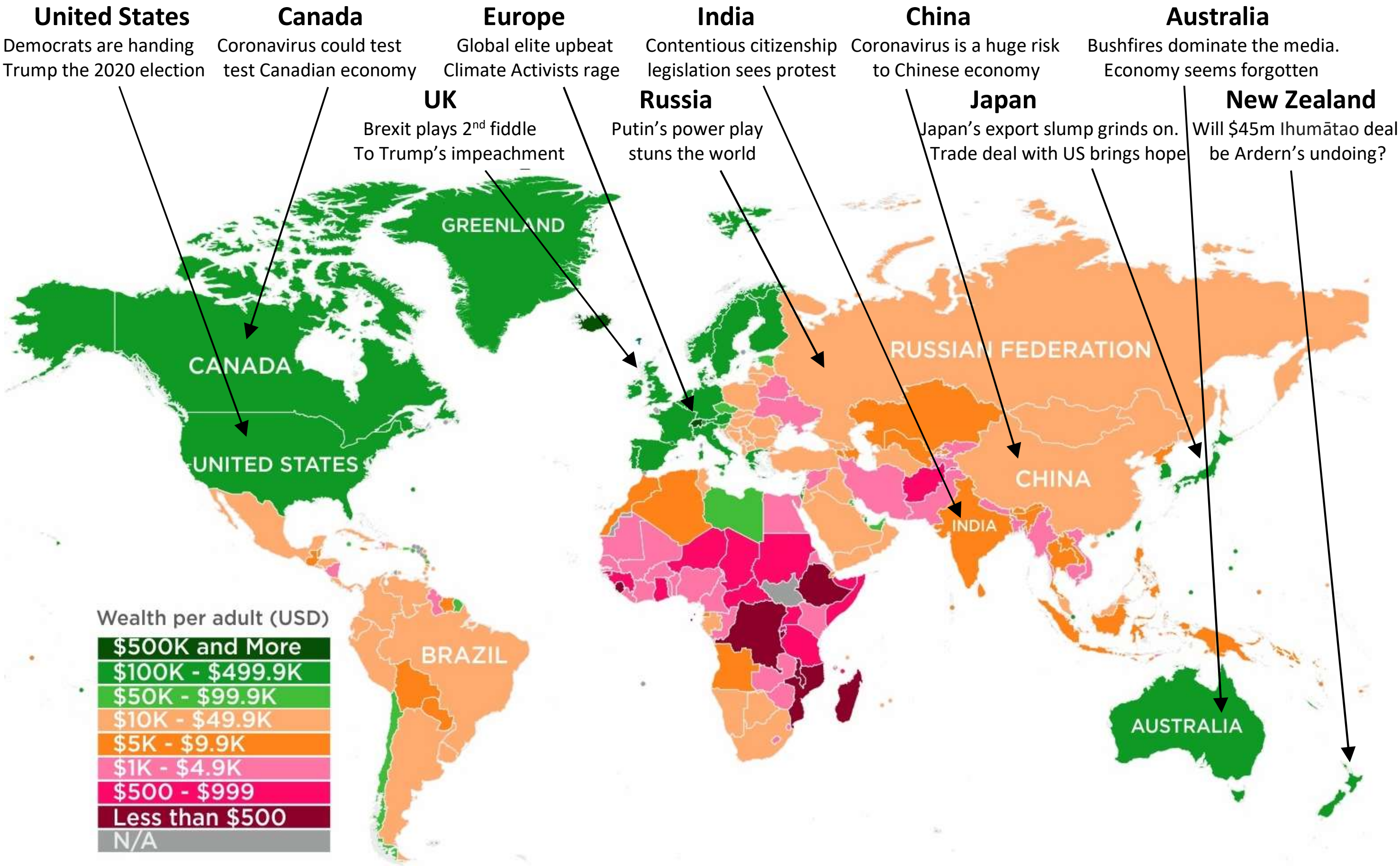
Read more at [American Thinker]

"In politics, nothing happens by accident. If it happens, you can bet it was planned that way."

Franklin Roosevelt

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 – World Wealth Map, 2018



After a rocky 2018 and truly rough patches in 2019, especially particular sectors such as global manufacturing and U.S. agriculture, the consensus outlook for the global economy next year is surprisingly sanguine.

The IMF boss compares today with "roaring 1920s" and criticises the UK wealth gap. Kristalina Georgieva says global economy risks a return equal to the Great Depression, driven by inequality and financial sector instability. She said "*In the UK, for example, the top 10% now control nearly as much wealth as the bottom 50%. This situation is mirrored across much of the OECD, where income and wealth inequality have reached, or are near, record highs*." She warned that fresh issues such as the climate emergency and increased trade protectionism meant the next 10 years were likely to be characterised by social unrest and financial market volatility.

The IMF released its updated World Economic Outlook for Davos, trimming its forecasts for both 2019 and 2020 because of global trade volatility around the tariff battles between America, China and Europe, and elsewhere such as South Korea and Japan. They see growth edging up modestly from 2.9% in 2019 to 3.3% in 2020 and 3.4% in 2021. That's a reduction from October of 0.1% in each of 2019 and 2020, and 0.2% for 2022.

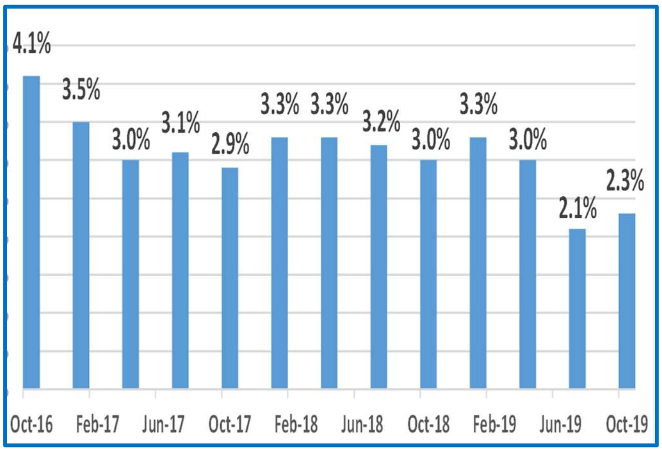
Meanwhile, in much of Europe and the most troubled parts of Asia, the Middle East, and Africa, low growth, high unemployment, and crippling debt levels drive the toxic political environment that is fuelling parochial nationalism and threatening international order and economic opportunity. New Zealand is the opposite. Almost all our problems are the problems of an economy growing faster than it can find workers or resources to keep up. That produces high house prices, crappy public transport, overloaded water infrastructure, and crowded hospitals and schools. These are all big, expensive problems, but they are better problems to have than face most other countries and, as noted above, we have the financial resources to respond.

Global investors welcome the Chinese monetary policy easing and comments from central bankers globally that they will continue to keep interest rates low and buy government bonds to support economic growth in the absence of much inflation. Low-to-falling interest rates have kept pushing up asset prices. Global and local stock markets hit fresh record highs in January, and house prices are continuing to rise in New Zealand.

NEW ZEALAND'S ECONOMIC OUTLOOK

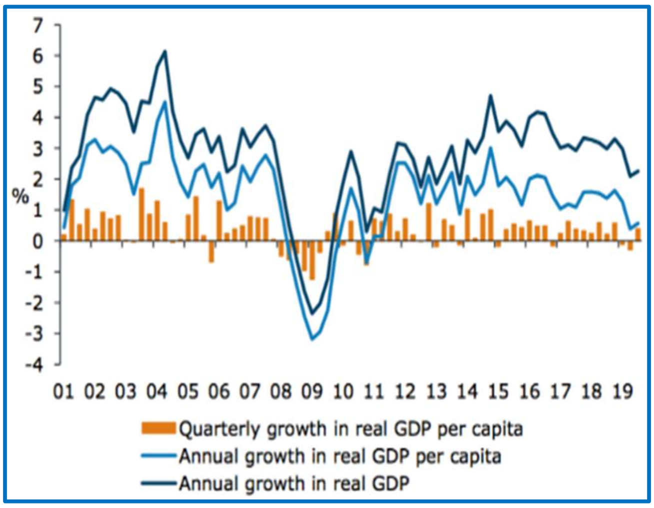
Just before Christmas, Stats NZ released NZ's latest GDP data (up to September 2019). The spending growth came from consumers happier with surging house prices and bigger gross household incomes, because of population growth through migration. Real GDP per capita was unchanged in the first nine months of 2019, with falls of 0.1% and 0.4% in the March and June quarters (technically a recession) offset by a 0.4% rise in the September quarter. Real GDP per capita rose 1.0% in the full year to September, but was up just 0.6% in the September quarter from the same quarter a year ago. This 0.6% annualised growth number is the true measure of the performance of the economy in the September quarter. Nothing like the 2.3% everyone else focused on.

ANNUAL GDP GROWTH RATE



Per capita measures are being influenced by the noisy migration data, but weak per capita growth confirms that labour productivity remains soft.

ANNUAL GROWTH IN GDP PER CAPITA



Total growth (not per capita) of 0.7% for the quarter was higher than the economists' consensus forecast for growth of around 0.5%, and more than double the Reserve Bank's 0.3% forecast. Annual growth rose to 2.3% from 2.1%, although it's worth remembering our population also grew 1.7% over the year.

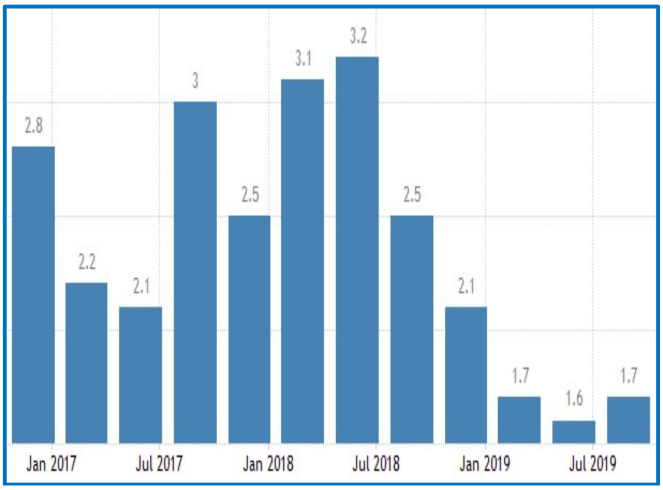
However, rising house and other asset prices are certainly boosting consumer confidence here in New Zealand. The ANZ Roy Morgan survey found consumer confidence rose in December from November. Its current conditions index rose 2.6 points to 123.3, which was the third consecutive monthly rise, and now above the long-run average of 120. ANZ's composite index of business and consumer confidence suggests a slight rebound in GDP growth above 2% later this year.

AUSTRALIAN ECONOMIC OUTLOOK

Nobody is talking about the Australian economy – their media remains focused on the dreadful bushfires. As large swathes of the Australian landscape continue to burn, the world's central bankers have hit the panic button. The usual calm of the global financial system (who, it must be said, failed to predict the last major financial crisis) have warned that we may be staring down the barrel of a climate change-induced financial crisis.

A paper released by the Bank for International Settlements warned central banks may soon be forced to step in as a buyer of last resort for "stranded assets", amid a widespread writeoff in the value of carbon-intense assets. As if the global media hasn't fuelled this enough, they now say we could be adding "*watching the world's entire financial system go up in flames*" to your worries list. This alarmism is putting the Australian economy at risk.

AUSTRALIA - ANNUAL GDP GROWTH RATE



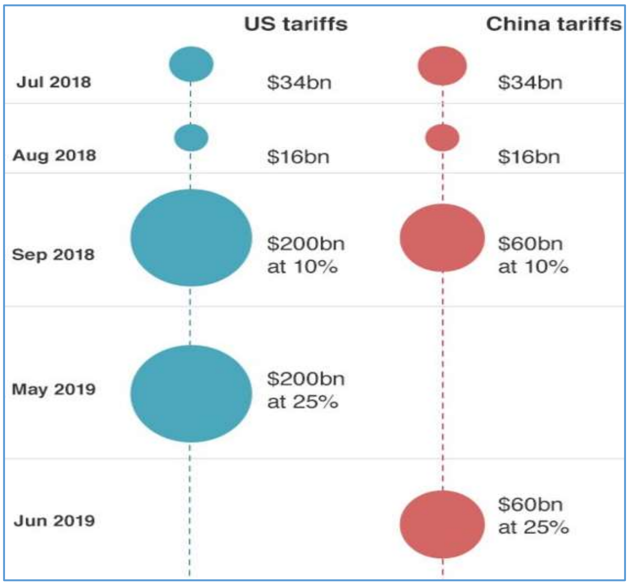
UNITED STATES ECONOMIC OUTLOOK

US & China has now signed their Phase 1 trade deal - What's in the deal? China has committed to increasing its US imports by at least $200bn over 2017 levels, boosting purchases of agriculture by US$32bn, manufacturing by US$78bn, energy by US$52bn and services by $38bn. China has agreed to take more action against counterfeiting and make it easier for companies to pursue legal action over trade secret theft. The US will maintain up to 25% tariffs on an estimated US$360bn worth of Chinese goods; China, which has levied new tariffs on US products worth US$100bn, is also expected to maintain the majority of them.

Chinese Vice Premier Liu He, who signed the deal on behalf of China, said the agreement was rooted in "*equality and mutual respect*"…. "*our two countries share enormous common commercial interests*."

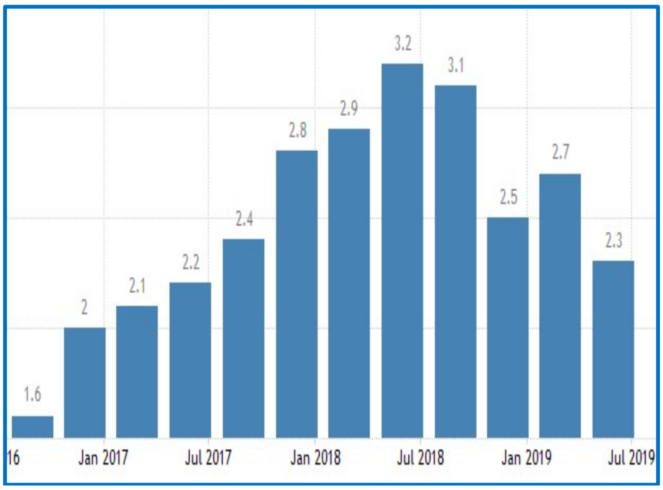
Mr Trump has defended maintaining the bulk of the tariffs, saying they will provide leverage in future talks.

HOW THE TRADE WAR ESCALATED



Charles Kane, a lecturer at the MIT Sloan School of Management, said Mr Trump sees China as a useful political scapegoat, making any serious negotiation unlikely until after the November presidential election. "*He's using [the trade war] as a political weapon*."

UNITED STATES ANNUAL GDP GROWTH



CHINESE ECONOMIC OUTLOOK

China's economy grew at its slowest pace in nearly three decades in 2019. While that wasn't unexpected, Chinese officials insisted that the country's economy will be stable this year. But it might be too early to say the worst has passed, according to analysts.

The 6.1% GDP growth rate for 2019 was near the bottom of Beijing's target range, and sharply down on the previous year's 6.6%. The country also reported that GDP grew by just 6% in the fourth quarter. The ongoing slowdown is indicative of all the challenges facing the world's second largest economy, which is contending with rising debt, cooling domestic demand and fallout from the trade war with the United States.

China loosened monetary policy on New Year's Day by reducing its Reserve Requirement Ratio for major banks by half a percentage point to 12.5%. That allowed banks to lend an extra 800bn yuan (US$115bn). Expect more ratio cuts later in 2020. The People's Bank of China cut the ratio three times in 2019 as Beijing moved to bolster economic growth in the face of slower trade because of China's trade war with America. 2020 will be a key year for China as it is the last year in the current five-year plan, which is supposed to culminate in a doubling of GDP since 2010. Most economists think President Xi Jinping can achieve that milestone, if GDP growth remains above 6.0%.

New Zealand has overtaken Australia and the United States as the number one exporter of food to China, according to a recent report. This report, from the China Chamber of Commerce for Import and Export of Foodstuffs, said New Zealand's total food exports to China in 2018 were worth US$6.4bn ($9.65bn), of which dairy accounted for 62%. In 2017, food imports from New Zealand ranked third behind the US and Australia.

CHINA - ANNUAL GDP GROWTH RATE

UNITED KINGDOM ECONOMIC OUTLOOK

Boris Johnson won an outstanding victory in the UK Elections. Labour Leader Jeremy Corban single-handedly destroyed a dysfunctional Labour Party. This was Labour's worst result since 1935. Johnson has announced that he has signed the Brexit withdrawal agreement. After he put his name to the document, the prime minister hailed a "*fantastic moment*" for the country. As the UK prepares to leave the European Union on 31st January, Johnson said he hoped Brexit would "*bring to an end far too many years of argument and division*".

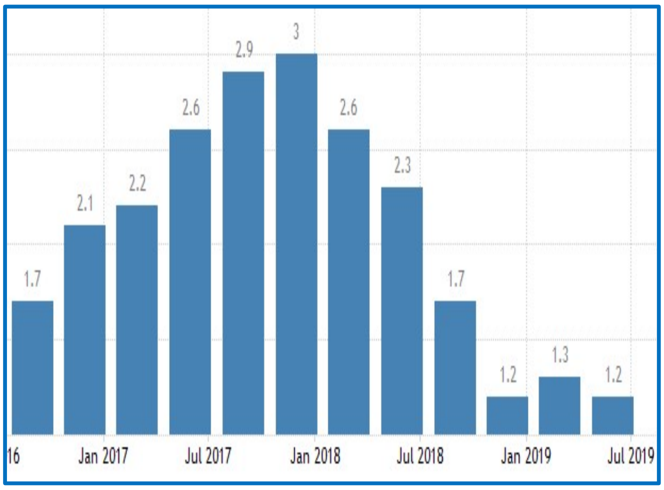
The UK is benefiting from a post-election bounce in business confidence, according to new data, but economists say there is little guarantee of a lasting recovery in economic growth. A key business activity survey signals that a majority of companies were reporting expanding activity, driven by renewed strength in the service sector and conditions in manufacturing stabilising after a period of weakness. The PMI is one of the clearest indicators so far that companies are starting to feel more upbeat after the Conservatives won an 80-seat House of Commons majority at the December election and some of the uncertainty around Brexit was reduced. Brits just want certainty, and the 31st January Brexit deal will give them that.

UK - ANNUAL GDP GROWTH RATE

EUROPEAN ECONOMIC OUTLOOK

The eurozone economy is expected slow down in 2020 for the third consecutive year, according to a Financial Times poll of economists, who forecast it will be held back by political instability, trade tensions and disruption in the auto industry. The European Central Bank (ECB) expects the eurozone economy to grow 1.1% in 2020, down from 1.2% in 2019, 1.8% in 2018 and 2.4% in 2017. But the 34 economists polled by the FT were more pessimistic, forecasting on average that growth would dip below 1% next year — the eurozone's slowest rate for seven years. Their forecasts ranged from zero growth, at the most pessimistic, to 1.5%, at the most optimistic.

EURO AREA - ANNUAL GDP GROWTH RATE

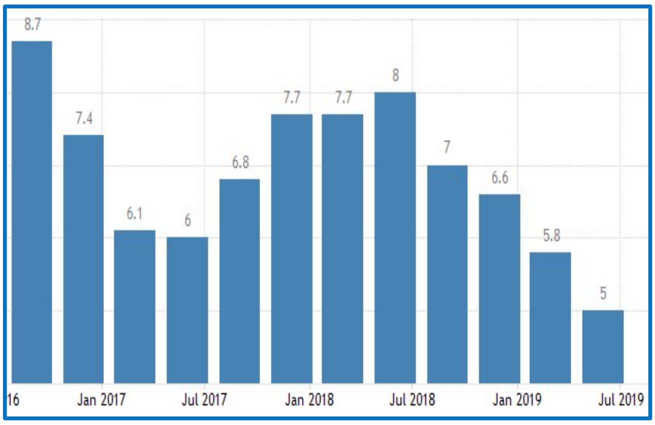


INDIAN ECONOMIC OUTLOOK

India's economy appears to be shaking off a slump, as activity in the services and manufacturing sectors expanded for a second straight month in December. Exports remained a laggard, falling 1.8% in December from a year ago. The drag was mainly because of a fall in export of engineering goods, which constitute a third of India's non-oil exports.

The long-term growth perspective of the Indian economy remains positive due to its young population and corresponding low dependency ratio, healthy savings and investment rates, and is increasing integration into the global economy. The economy slowed in 2017, due to shocks of "demonetisation" in 2016 and the introduction of Goods and Services Tax in 2017. Nearly 60% of India's GDP is driven by domestic private consumption, and continues to remain the world's sixth-largest consumer market.

INDIA - ANNUAL GDP GROWTH RATE

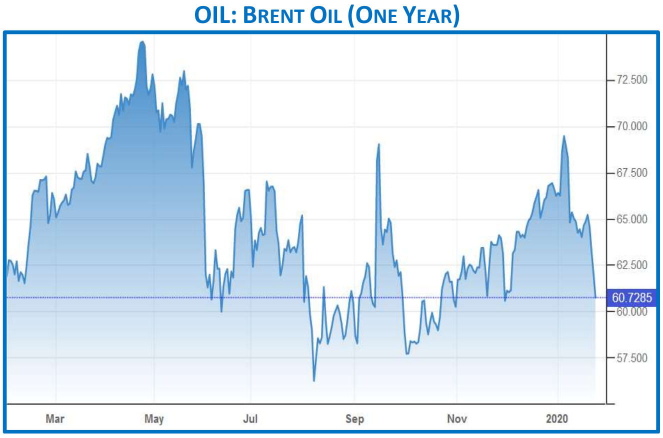


COMMODITIES

New Zealand sets its fuel prices based on Brent Crude pricing. Its commodity price decreased US$5.66 /bbl (🡻 8.53%) since the beginning of 2020, now back to US$60.72/bbl. Since peaking at just over US$126/bbl in 2012, it slumped to under US$30/bbl in 2016. In October 2018 it rallied to US$86/bbl, but has since consolidated around the US$60/bbl mark.

Remember when the green lefties continually talked about "peak oil" – no mention of that any more. They seem to have moved on to the "climate emergency" for their doomsday planning.

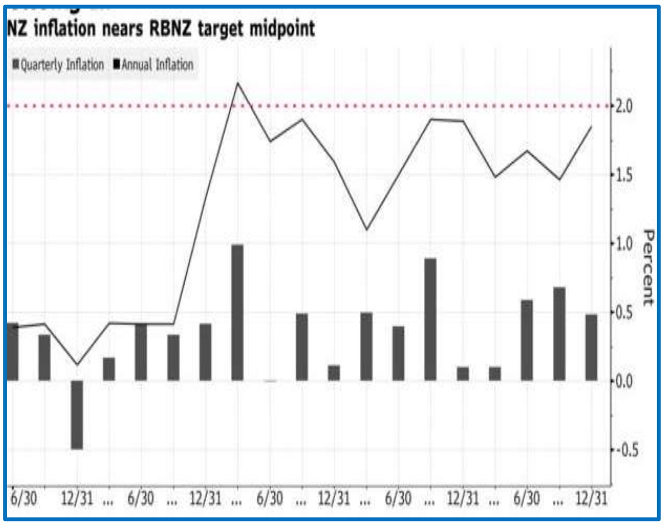
OIL: BRENT OIL (ONE YEAR)



INFLATION

New Zealand inflation picked up by more than economists expected in the fourth quarter, closing in on the midpoint of the central bank's target range. The local dollar rose as investors trimmed bets on further interest-rate cuts. Consumer prices gained 1.9% from a year earlier, Statistics NZ said. That compared with 1.5% in the third quarter and exceeded the 1.8% expected by economists. Prices rose 0.5% from three months earlier; economists tipped 0.4%.

NZ INFLATION NEARS RBNZ TARGET MIDPOINT



CURRENCIES

NZD/USD & NZD/AUD

SOURCE: Westpac

GOLD (ONE YEAR)

AGRIBUSINESS – LOOKING FROM THE OUTSIDE IN

NZ$m year to 30 June	2004	2008	2012	2016	2017	2018	2019	2020F	2021F
Dairy	6,092	10,359	13,379	13,289	14,638	16,655	18,107	19,630	19,450
Meat & Wool	6,848	6,939	7,781	9,201	8,355	9,542	10,176	10,430	10,680
Forestry	3,294	3,295	4,332	5,140	5,482	6,382	6,883	6,000	6,600
Horticulture	2,212	2,896	3,560	5,002	5,165	5,376	6,111	6,400	6,530
Seafood	1,257	1,272	1,545	1,768	1,744	1,777	1,963	2,090	2,210
Arable	94	142	182	210	197	243	236	260	255
Other primary exports	1,114	1,525	1,773	2,612	2,638	2,706	2,852	3,060	3,140
Primary Industries Total	20,911	26,428	32,552	37,222	38,219	42,681	46,328	47,870	48,865
Per annum % Change		6.6%	5.8%	3.6%	2.7%	11.7%	8.5%	3.3%	2.1%

Farmer morale remains low, despite record highs for commodity prices last year. Lamb, beef, forestry and fruit all saw record prices in 2019, and 2020 got off to a good start with milk prices up 2.8%. But the sheer amount of challenges "*coming down the line*", from regulations like the zero carbon bill and freshwater management policies, to restricted lending from banks, has resulted in low farmer confidence and morale. Yes, it's a really good milk price, but most dairy farmers will be paying down debt and consolidating. There won't be the growth seen in previous years.

Rural New Zealand, we are told, is on suicide watch. The rate of people in rural areas dying at their own hand has risen 17%, says the Ministry of Health - compared to a drop of 7% in urban areas. This is very concerning.

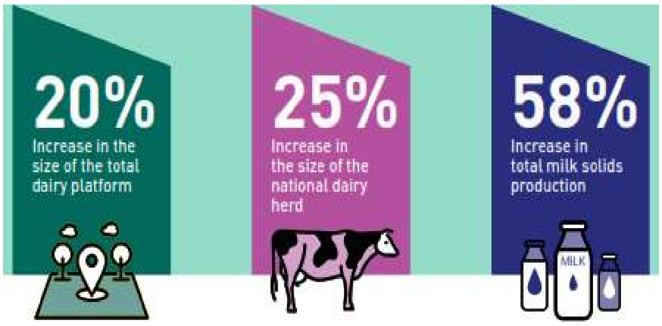
"*Drought, floods, frightening diseases like M bovis, and the bank, the bank, always the bloody bank*." And those figures are from 2016, before the current Government, before its proposed changes to water regulations and measures to address climate change. So many farmers are in despair.

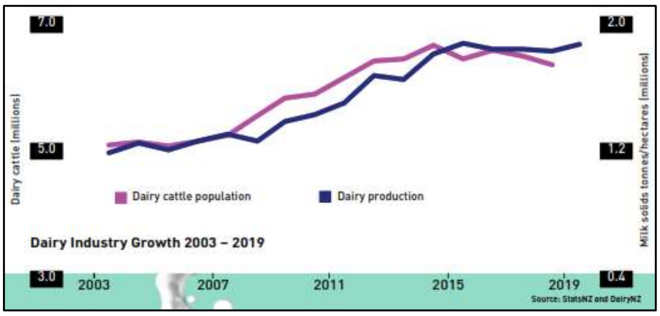
OUTLOOK POSITIVE

The latest **Situation and Outlook report** for primary industries shows revenue up 3.3% on the previous year, and forecast to reach a record $47. 9 billion for the year to June 2020. Meat and wool exports are forecast to reach $10.4b for the year ending June 2020 (2.5% higher than the previous year), and dairy export revenue forecast to rise 8.4% to $19.6b. Annual seafood export earnings are expected to pass $2 billion for the first time.

DAIRY

New Zealand's dairy industry has grown rapidly over the past two decades, driven by land conversions and productivity improvements. Since 2003, these shifts have resulted in:

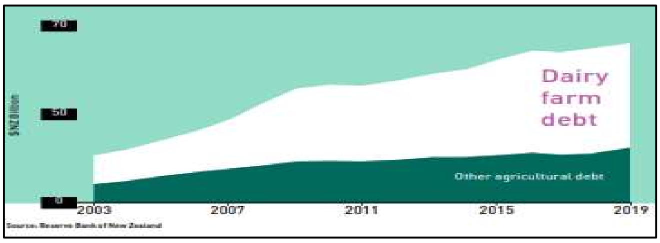




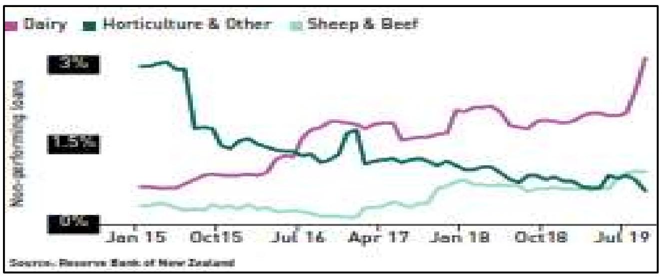
THE ISSUE IS AGRICULTURAL SECTOR DEBT

This increase in national dairy production has largely been funded with bank debt. On-farm bank debt has increased by $30.1 billion since 2003, and currently stands at $41.4 billion. This is a 267% increase since 2003, and now makes the agricultural, and the dairy sector in particular, increasingly vulnerable to financial and political shocks.

AGRICULTURAL INDUSTRY BANK DEBT 2003-2019



NON-PERFORMING LOANS AS A PERCENTAGE OF TOTAL SECTOR BANK DEBT 2015-2019



GUEST EDITORIAL – DR JACQUELINE ROWARTH

Dr Jacqueline Rowarth CNZM CRSNZ HFNZIAHS has a PhD in Soil Science (nutrient cycling) from Massey University and has been analyzing agri-environment and agribusiness interactions for several decades. She is a Fonterra shareholder, and is a farmer-elected member of the Board of Directors of DairyNZ and Ravensdown.

Jumping to solutions rarely works. When the complexities of biology are involved it is difficult to find a case of it ever working. Action and reaction are clear in Physics101, and on the green baize of a pool table… but in real life the ongoing reactions all need investigation.

This investigation means delving for the data, cutting through the media hype and looking for the facts and their context.

The big question for New Zealanders should always be 'does the recommendation stack up for the New Zealand context?'

If yes, no problem.

If no, what might happen? Would there be any unintended consequences?

The foundation for advancing knowledge whether in the primary sector or business is laid by identifying the problem and then analysing what has gone before:

- What is the starting point?
- Relativities – what comparisons are being made?
- Context – what are the concerns?
- Science - what 'facts, evidence and data' support those concerns?
- Alternatives – are there any with more 'acceptable' outcomes?

New Zealand agriculture is being lambasted by people who have ideas about the solution – reduce stock numbers, eat synthetic protein, invest in vertical farming, adopt regenerative agriculture… In all cases the promotion is around being better for the environment. Data supporting the various cases are patchy at best and sometimes virtually absent.

Reducing stock numbers will also reduce economic returns for most farmers – AgResearch results released last year indicate that a premium of at least 15% would be needed to maintain economic viability. Do people want to pay more for food?

Synthetic protein requires sugar for the GE yeast to create the protein in vat fermentation. Sugar is a crop which requires land and chemicals, plus energy and fuel (greenhouse gases) in production. Is it feasible to scale up what is being done and have the GHG being calculated including those associated with the sugar crop?

Vertical farming is economically viable for high value crops such as microgreens, but not staples such as wheat, maize or rice. Nor can it cope with animals…. How will we produce protein?

Regenerative agriculture can increase organic matter. The starting point for the overseas success stories is very low organic matter and the end point is considerably lower than New Zealand already has. Often overlooked is the cost of the nutrients and water required for the organic matter. How will New Zealand soils increase organic matter given that the Ministry for the Environment says that 95% of tested soils are in the target range?

A similar analytical approach can be applied to Fonterra. The starting point was a farmer-owned co-operative operating within anti-monopoly regulations embodied in DIRA (the Dairy Industry Restructuring Act). This means that the Co-op must pick up milk from anybody who wants to supply it and support start-up competitors with milk. There are significant costs, and opportunity cost, in both. There are no global examples with which to compare performance; most milk globally is produced for domestic supply and competition is open between companies whereas dairy farmers receive government support.

But Fonterra pursued volume, investing in other countries as well as New Zealand.

If New Zealand's competitive advantage in producing quality milk had been pursued instead, everybody, including every New Zealander, would be better off.

Fonterra's leaders announced last year that the new strategy meant focusing within New Zealand. Pursuing global sales of 'grass-fed, free-range, no added hormone, no prophylactic use of antibiotics, high animal welfare and high human welfare…' will play to New Zealand's strengths. New Zealand's comparative advantage in climate, soils and motivated people, will be a competitive advantage: Porter's Business Strategy101.

Last year's report from the Intergovernmental Panel on Climate Change said "Balanced diets, featuring plant-based foods, such as those based on coarse grains, sustainable legumes, fruits and vegetables, nuts and seeds, and **animal-sourced food in resilient, sustainable and low GHG emission systems**, present major opportunities for adaptation and mitigation while generating significant co-benefits in terms of human health."

There are very few countries which meet the description of what is needed better than New Zealand.

Of course, hind-sight enables retrospective 2020 vision, but it also assists with identifying questions for the future.

The main questions to be asked by people in management, leadership and governance in whatever industry, should focus on facts, evidence and data, followed by a check for relevance and unintended consequences.

The five questions presented at the beginning of this article applies to most situations and applying them can assist with avoiding a leap of faith – jumping to a solution which turns out not to be one at all.

NEW ZEALAND EQUITIES – BROKER PICKS

My 2019 Picks	Price 31-Dec-18	Price 31-Dec-19	Dividend	% Gain
The a2 Milk Company	$11.15	$15.02	$0.00	34.7%
AFT Pharmaceuticals	$2.15	$3.50	$0.00	62.8%
Fletcher Building	$4.88	$5.09	$0.23	9.0%
Port of Tauranga	$5.00	$7.95	$0.18	62.7%
Pushpay Holdings	$3.15	$4.02	$0.00	27.6%
Portfolio average percentage gain				39.4%

Results December 17, 2018 to December 19, 2019

NZ50G: 31.64%

CRAIGS INVESTMENT PARTNERS	**47.7%**
a2 Milk	42.7%
Mainfreight	41.3%
Meridian	54.8%
Ebos	14.9%
F&P Healthcare	84.9%
HAMILTON HINDIN GREENE	**43.1%**
a2 Milk	42.7%
F&P Healthcare	84.9%
Infratil	43.4%
Mainfreight	41.3%
Oceania Healthcare	3.4%
HOBSON WEALTH MANAGEMENT	**20.1%**
Mainfreight	41.3%
a2 Milk	42.7%
Fletcher Building	13.2%
Vista Group	0.2%
NZ King Salmon	3.2%
MSL CAPITAL MARKETS	**55.6%**
AFT Pharmaceuticals	54.5%
Freightways	20.9%
Gentrack	-27.5%
Green Cross Health	10.9%
Plexure	219.1%
JARDEN	**25.6%**
Ebos	14.9%
Scales Corp	21.2%
Kathmandu	23.3%
a2 Milk	42.7%
Sanford	25.9%
FORSYTH BARR	**24.7%**
Arvida	35.5%
a2 Milk	42.7%
Contact	31.4%
Infratil	43.4%
Tourism Holdings	-29.4%
SHARECLARITY	**16.6%**
Sanford	25.9%
Skellerup	25.4%
Chorus	33.0%
Abano	-14.4%
PGG Wrightson	13.2%
FOSTER STOCKBROKING	**13.5%**
Warehouse	49.3%
Good Spirits* (ex Veritas)	54.4%
Moa	-30.9%
TruScreen	-46.7%
Mainfreight	41.3%

*Based on share price rise from 10c.

NOTE: I can't reconcile how a2 Milk was at 42.7%. I have it at only 38.8% over that period. Fletcher Building is also in variance.

The 2019 Results

Source: NZ Herald

The presence of a2 Milk (with a return of nearly 43%) was almost ubiquitous in the 2019 picks, meaning results were broadly strong across the board.

The same could be said for the NZX-50 where a2 Milk is one of the top three stocks by market capitalisation.

Ironically though, our ultimate winner this year has managed to top the pool without including a2 at all.

MSL Capital (formerly McDouall Stuart) takes out this year's competition with a stellar total return of 55.6%.

Two picks paid off big time for MSL, technology company Plexure returned with a 219.1% return and AFT Pharmaceuticals with return of 54.5%.

Mobile marketing company Plexure – formerly known as Vmob - had a breakthrough in April when fast-food giant McDonald's took a 10% stake.

Other solid picks for MSL included Freightways and Green Cross Health. Only software company Gentrack failed to fire for them.

In second place this year was Craigs Investment Partners with a total return of 47.7%. Craigs' picks were dominated by some of the NZX heavyweights including F&P Healthcare with a staggering 84.9% gain for the period.

In October it revised up its earnings forecast, after receiving regulatory clearance to sell a new, full-face obstructive sleep apnoea (OSA) mask in the United States, which is the biggest market for the product.

It has also had a good year on the currency front with rate cuts pushing the kiwi below forecast levels and boosting its US dollar returns.

Meridian and Mainfreight also proved top picks returning 54.8% and 41.3% respectively.

Third place this year went to Hamilton Hindin Greene which included three of the big stocks mentioned above plus Infratil which achieved a 43.4% return. It is notable that none of the participants came a cropper this year with negative returns. However, last year's winner Foster Capital (formerly Vulcan) was at the back of the pack but their picks still delivered returns of 13.5%.

The Warehouse, with a return of 49.3%, and hospitality investment firm Good Spirits delivered 54.4%. Foster also had Mainfreight in the mix. Unfortunately, two other picks, beer company Moa and medical technology company Truscreen, underperformed with -30.9% and -46.7%.

Biggest losses

Sky TV	Fonterra	Kiwirail	NZ Post	Stuff
$608m	$605m	$325m	$121m	$74m

Source: Deloitte Top 200 report

Analysis of the Deloitte Top 200 companies show Sky Network Television made the biggest loss in 2019 at $608m, followed by Fonterra at $605m. State-owned KiwiRail made the third largest loss at $325m and NZ Post was fourth on $121m. The top five biggest losses was rounded out by media company Stuff which posted a $74m loss.

All of these companies are facing significant change in their industry. These are structural changes and these businesses have been on the losing end.

Sky TV had been facing increasing headwinds in recent years with competition from streaming content services and the loss of the Rugby World Cup and cricket rights to rival Spark Sport. While it was not a surprise that Sky was doing it tough, the level of deterioration had been a shock. The fact they are near the bottom is not surprising - the fact they deteriorated as they did was. Sky TV chief executive Martin Stewart is trying to turn around the business.

Both Sky TV and Fonterra reported losses that were accounting losses based on write-downs in the value of assets. However, Fonterra had made write-downs across its business – showing that the history and track record of acquiring offshore businesses has been poor. The core business had been hit by a higher milk price and there had been a shake-up in its management. While the new chief executive was very aware of the challenges, it would be a tough turnaround. While there was still strong demand for dairy products, it was about how that was delivered to markets.

KiwiRail had potential with the talk of the Port of Auckland moving and parts of its line receiving upgrades. But a lot of catchup on investment is required.

New Zealand Post was grappling with the decline in letters while having to invest more in its parcel business while Stuff was facing challenges over the shift in readers from print to online and the decline in advertisers.

But not all of the financial losses were bad news. Accounting software company Xero also made the list of the biggest losses at number eight, making a loss of $27m. While Xero made a loss, it was doing so in order to grow its business quickly. Xero was a star performer and is trading (now only on the ASX) at all-time highs, based on the future earnings of the company, and not its current financial loss.

Topping the companies which made the biggest profits last year is Shell with $1.397bn. The oil company's profit rose 273% on the prior year after lower depreciation, amortisation and tax expenses. Shell New Zealand is owned by Austrian company OMV.

Kaingaroa Timberlands had the second largest profit on $584m. Its ownership spans iwi, the NZ Super fund, Canada's Public sector pension board and an investment fund related to Harvard University.

Outside of the top two, the space is dominated by large NZX-listed companies; Auckland International Airport, Spark and Mercury. The airport made $524m in its 2019 financial year. This was despite a drop in its profit from 2018 when it made $650m. Part of the reason they made the list is just from their sheer size. They are not necessarily the most profitable. Those are three heavyweights on the New Zealand market.

Both Auckland Airport and Mercury were steady infrastructure businesses, while Spark had a strong recurring income. Mercury was also one of the top performers in terms of share price rises this year, benefiting from investors' strong desire for dividend-paying stocks in the wake of falling interest rates.

But 2020 could be a tougher year even for the top performers. Mercury faces a big issue ahead, with the New Zealand Aluminium Smelter, and Rio Tinto's review of its operation. Rio Tinto is expected to provide an update on the review by the end of March.

Auckland Airport is also forecasting subdued growth as it sees a slowdown in tourist numbers.

Spark has a pretty stable earnings base. It's more about how does Vodafone do - does it come out with more discounted offers?

Missing in action from the list is the New Zealand arms of the banks. ANZ made a $1.899bn profit this year which outstripped Shell while the other three major banks - ASB, BNZ and Westpac - all made around $1bn each. Profits at the banks are expected to be squeezed in 2020, as interest rates remain low and new capital increases come into force.

2020 BROKER PICKS

Brokers select their top five prospects for 2020

Craigs Investments
- a2 Milk
- Mainfreight
- Meridian
- Ebos
- Freightways

MSL
- AFT Pharmaceuticals
- Arvida
- Heartland Group
- Plexure
- Vector

Jarden
- a2 Milk
- Eroad
- Infratil
- Kathmandu
- Oceania Healthcare

Hamilton Hindin Greene
- Z Energy
- a2 Milk
- Meridian Energy
- Ebos
- F&P Healthcare

Forsyth Barr
- Contact • Arvida • Sanford • Chorus • a2 Milk

I have decided to go with much of the same in 2020.

My 2020 Picks	Price 31-Dec-19	Price 24-Jan-20	% Gain	12-mth Target	Est. Gain
The a2 Milk Company	$15.02	$16.01	6.6%	$17.00	13.2%
AFT Pharmaceuticals	$3.50	$3.80	8.6%	$4.10	17.1%
Infratil	$5.04	$5.49	8.9%	$5.80	15.1%
Port of Tauranga	$7.95	$7.80	-1.9%	$9.00	13.2%
Pushpay Holdings	$4.02	$4.48	11.4%	$4.70	16.9%
Portfolio average percentage gain			6.7%		15.1%

I have switched out Fletcher Building, and included Infratil into my picks.

I have to say that I was tempted to keep Fletcher Building, and swap out Port of Tauranga. The Port has had such a great run, and I just couldn't bring myself to leave it out.

BRIAN GAYNOR: TAKING STOCK OF ONE FANTASTIC JOURNEY

Source: NZ Herald - 21 Dec, 2019

After 22 years and eight months, this was Brian's last weekly column for the Business Herald. It all began in January 1995. Brian has been an outstanding commentator, and I for one will miss his columns.

Brian Gaynor's most widely-read column was published in September 2007, under the heading "How Muldoon threw away NZ's wealth". The column argued that New Zealand would be a very wealthy country, the Switzerland of the Southern Hemisphere, if Prime Minster Robert Muldoon hadn't abolished Labour's compulsory Superannuation Scheme immediately following the 1975 election.

New Zealand would have a massive savings pool, a buoyant economy and a thriving stock exchange, if the 1970s scheme was still in place and most retirees would be facing their golden years with few financial concerns. This has been New Zealand's worst economic decision by a wide margin.

There has been a major switch from individually owned shares to PIE funds with KiwiSaver being a long overdue initiative. Unfortunately, we had to wait 32 years before KiwiSaver replaced the original schemed nuked by Muldoon.

Gaynor closed his article, saying "*Total net household wealth has increased dramatically from $407b in December 1998 (the earliest available figure) to $1590b at present. However, residential property has contributed 57% of this wealth growth, private and other domestic businesses 29% with NZX listed companies accounting for only 4% of the household wealth increase.*"

NEW ZEALAND EQUITIES

a2 Milk (ATM.NZ)

NEUTRAL $16.01 **12-mth TARGET:** $14.40

Perhaps unsurprisingly New Zealand's top-performing stock - **a2 Milk** which featured heavily in the 2019 picks, stands out again with five out of six brokers including it in the mix. I have also included it, notably because, with such strong broker support, it is prudent to do so. Personally, I see added risk for a2 Milk with regards to added competition in the Chinese market – but think that a2 Milk still has a "1st mover" competitive advantage, that should last for at least the next 12 months.

Recent controversy with the sudden departure of chief executive Jayne Hrdlicka doesn't seem to have deterred investors. In fact, despite slumping sharply on the morning of the announcement the stock was back trading above pre-departure levels within days.

A high level of interest from Australian traders does make a2 quite volatile, but broadly it has been on a stellar growth path for the past several years, which makes it difficult to ignore.

"*The company still managed to grow its profits by 47% and finish the year with a significant amount of cash on the balance sheet*," Craig's Investment Analyst Lister said.

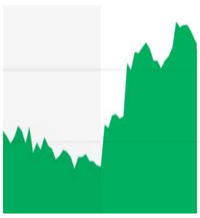
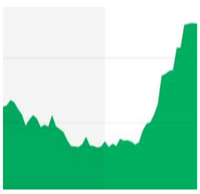
"*Risks around Chinese sales channels remain, while competition is also increasing. However, we remain confident about the company's future, particularly with regard to infant formula products. While ATM is an above-average proposition in terms of risk, the growth opportunity ahead more than offsets this*."

a2 says it has 6.4% of the China infant formula market in dollar terms. But, at least six other infant formula producers are adding a2 milk to their China offerings, including foreign food giants Nestle and Danone, Nestle subsidiary Wyeth, and fast-growing Chinese dairy company Junlebao. Expect a2 Milk pools in China to grow, and dairy companies to at last realise that many Chinese adults are lactose-intolerant, opening a whole new market for a2 milk, which is likely to kick off within 24 months with a performance/sports category. This raised the question of whether a2 milk was on the way to commoditisation, with a consequent squeeze on price margins.

The a2 Milk website says it has product in 16,400 Mother and Baby stores in China, whereas its competitors have been restricted to selling online because they have yet to get the necessary registration for physical distribution.

STOCKS TO WATCH NEW ZEALAND ONLY INCLUDES JARDEN UPDATED RESEARCH NOTES

Prices as at 13th January

ALL ONE YEAR GRAPHS 	**AFT Pharmaceuticals** Jarden has made positive revisions for recent investment (and performance) in-licensing products and leading indicators for growth from international Maxigesic out-licensing (license agreements, registration, orders, etc.). However, this is offset by NasoSURF (following a redesign). Jarden continues to like the AFT investment case given a range of potential growth options / markets (both through in-licensing in local markets and out-licensing internationally). Risks include regulatory requirements, competition, IP protection, etc. However, it should be noted that it has been trading very strongly, and has now passed Jarden's target price. 2020 P/E: 84.9 2021 P/E: 25.2	**NZX Code:** AFT **Share Price:** $3.80 **12mth Target:** $3.45 **Projected return (%)** Capital gain -9.2% Dividend yield (Net) 0.0% **Total return -9.2%** **Rating: OUTPERFORM** 52-week price range1.70-3.95
	**a2 Milk Company** ATM expects to see strong revenue growth, supported by a2 Milk's investment in China and the United States, in the current year. Expect to see continued "1st mover" competitive advantage last for at least another 12 months. ATM has extended its supply agreement with its part-owned supplier, Synlait Milk. Its two-year extension effectively provides for a new minimum term to, at the earliest, July 31, 2025. 2020 P/E: 34.1 2021 P/E: 27.3	**NZX Code:** ATM **Share Price:** $16.01 **12mth Target:** $14.40 **Projected return (%)** Capital gain -10.1% Dividend yield (Net) 1.2% **Total return -8.9%** **Rating: NEUTRAL** 52-week price range: 12.06-18.04
	**EROAD** The outlook for ERD remains encouraging given the ongoing traction in the North American market, although growth in the small-and-medium enterprise segment continues to lag expectations. North American unit growth was 54% in 2Q20, underpinned by the deployment of 5,500 units to its largest ever enterprise customer, and the rapid deployment of another 1,600 units (90% of full roll-out) to another new enterprise customer won in June. Steady progress continues in New Zealand with earnings growth of 48% in 2Q20, buoyed by 1.4% profit margin expansion. ERD has re-launched in the Australian market and has around 1,300 units in market. 2020 P/E: (117.1) 2021 P/E: 41.3	**NZX Code:** ERD **Share Price:** $3.20 **12mth Target:** $3.40 **Projected return (%)** Capital gain 6.2% Dividend yield (Net) 0.0% **Total return 6.2%** **Rating: OUTPERFORM** 52-week price range: 1.95-3.25
	**Fletcher Building** The New Zealand activity and outlook is still pretty robust. It is worth noting that while finishing trade volumes are still strong in core divisions which is positive for plasterboard, insulation and laminates; civil, infrastructure and early trade work is trending slightly lower leading to a slight easing in demand for concrete and pipes. Steel remains highly competitive. It is noted that Australia earnings will be weighted to 2H as benefits of cost out programmes ramp up and FBU has noted that Iplex/Rocla are being impacted by slow infrastructure activity to this point. Australia likely accounts for some of the downside in the range with FBU also noting competitive intensity impacting prices and margin in Stramit and Tradelink. Off such a low base in FY19 the performance of Australia in FY20 looks likely to remain very disappointing. . 2020 P/E: 17.6 2021 P/E: 15.4	**NZX Code:** FBU **Share Price:** $5.64 **12mth Target:** $4.98 **Projected return (%)** Capital gain -11.5% Dividend yield (Net) 5.0% **Total return -6.5%** **Rating: NEUTRAL** 52-week price range: 4.28-5.70
	**Infratil** IFT specialises in long-lived, growth infrastructure assets. Currently, IFT is an owner and operator of businesses in the renewable energy, airport, public transport and social infrastructure sectors. Its assets include a 50.5% stake in Trustpower, 67% of Wellington Airport, 100% of NZ Bus which operates in Auckland and Wellington and 50% of RetireAustralia. Recently, IFT acquired a 48% stake in Canberra Data Centres. 2020 P/E: 48.1 2021 P/E: (29.0)	**NZX Code:** IFT **Share Price:** $5.49 **12mth Target:** ↑ $5.13 **Projected return (%)** Capital gain -5.4% Dividend yield (Net) 3.2% **Total return -2.2%** **Rating: OUTPERFORM** 52-week price range: 3.68-5.45
	**Kathmandu** The market has become more comfortable with the prospects for the Rip Curl acquisition. While it appears KMD paid a relatively full multiple for the business (FY19 7.1x EV/EBITDA), we estimate Rip Curl's EBITDA margin will increase from 11% to 15% over the next four years driven by a combination of cost reduction, a restructure of loss making stores and better retail efficiency. Consequently, we expect the acquisition to be 4% value accretive on a per share basis in FY21 (first full year of ownership) and the company to quickly de-lever from peak debt of 1.5x net debt to EBITDA to 1.0x in FY22. Contemporaneously, we expect KMD to continue growing its dividend. 2020 P/E: 11.4 2021 P/E: 10.5	**NZX Code:** KMD **Share Price:** $3.21 **12mth Target:** $3.35 **Projected return (%)** Capital gain 6.3% Dividend yield (Net) 5.9% **Total return 12.2%** **Rating: OUTPERFORM** 52-week price range: 1.93-3.39
	**Metlifecare** On 30 December, MET announced it had extracted an extra 50 cents a share out of Swedish based private equity investor EQT Group for a $7 a share bid valuing the retirement village operator at almost $1.5bn. EQT was launched by **Sweden's** Wallenberg family in 1994, and now has 41 billion euros (NZ$69 billion) in funds under management. 2020 P/E: 10.5 2021 P/E: 9.5	**NZX Code:** MET **Share Price:** $6.88 **12mth Target:** $6.90 **Projected return (%)** Capital gain 0.3% Dividend yield (Net) 2.4% **Total return 2.7%** **Rating: RESTRICTED** 52-week price range: 4.20-6.90

Michael Hill International

MHJ reported 2Q20 Group sales growth of +3.3% and same store sales growth of +4.0%. While headline same store sales growth suggests a material sequential slow-down from 1Q20 (+11.9%) it is important to note that 1Q was cycling the company's very poor 1Q19 result. Notably, each of MHJ's key markets reported positive same store sales growth, a welcome outcome given the difficult consumer and trading conditions in the Australian market accentuated by deep-discounting from many competitors. New Zealand and Canada delivered improving underlying momentum. Both Canada and New Zealand have delivered three consecutive quarters of improvement. Importantly, the trend at the Group level on this metric is also of steady improvement since its nadir at 1Q19. Given the first half typically accounts for 70-80% of full year EBIT, expect this update to support confidence in market earnings expectations for FY20. With MHJ trading at ~10x forward P/E Jarden continues to believe the company offers attractive value. However, despite recent improvements in operational execution, they see little in this update to provide a positive catalyst for the stock.

2020 P/E: 9.4 2021 P/E: 8.6

NZX Code:	**MHJ**
Share Price:	**$0.69**
12mth Target:	**$0.91**
Projected return (%)	
Capital gain	23.2%
Dividend yield (Net)	6.7%
Total return	**29.9%**

Rating: OUTPERFORM

52-week price range: 0.50-0.81

Oceania Healthcare

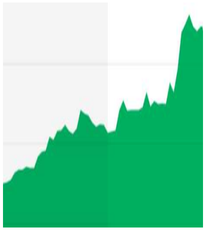
OCA continues to be supported by the positive momentum being observed in the Auckland property market with median house prices reaching their highest level in almost 3 years. The broader retirement sector has also been buoyed by the takeover offer for Metlifecare. MET received a revised offer of $7.00 per share in late December which was supported by its Board. OCA's underlying NPAT, including development margin, increased by 15% YoY, on increased development sales and higher company defined margin.

2020 P/E: 17.1 2021 P/E: 16.2

NZX Code:	**OCA**
Share Price:	**$1.31**
12mth Target:	**$1.23**
Projected return (%)	
Capital gain	-6.1%
Dividend yield (Net)	2.7%
Total return	**-3.4%**

Rating: NEUTRAL

52-week price range: 0.99-1.39



Port of Tauranga

POT trades on a very Price to Earnings Ratio (PE). Theoretically, this makes POT overvalued. However this is a tightly held stock, with strong institutional support (including being 54% owned by BOP Regional Council). In my opinion, POT should be included in all portfolios. POT has strong competitor advantage, with and outstanding track record of continuous growth. Ignore broker advice – Accumulate.

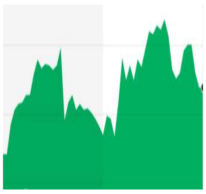
2020 P/E: 51.4 2021 P/E: 46.2

NZX Code:	**POT**
Share Price:	**$7.80**
12mth Target:	**$4.40**
Projected return (%)	
Capital gain	-43.6%
Dividend yield (Net)	2.2%
Total return	**-41.4%**

Rating: ~~UNDERPERFORM~~

My Rating: ACCUMULATE

52-week price range: 5.09-8.08



Scales Corporation

SCL issued maiden FY20 guidance in early December, signalling a 10% decline relative to FY19 earnings. This likely (in part) reflects the phasing of orchard redevelopment, with 44 ha being redeveloped during the winter of 2019 (equivalent to ~150k TCEs, or ~4% of Mr Apple volumes). However, SCL is also highlighting domestic cost pressures (including labour). We note this follows a recent step-change in the minimum wage in April by NZ$1.20 / hour (7.3%) to NZ$17.70.

2020 P/E: 20.3 2021 P/E: 17.8

NZX Code:	**SCL**
Share Price:	**$4.85**
12mth Target:	**$4.71**
Projected return (%)	
Capital gain	-2.9%
Dividend yield (Net)	4.8%
Total return	**1.9%**

Rating: NEUTRAL

52-week price range: 4.34-5.45

Vector

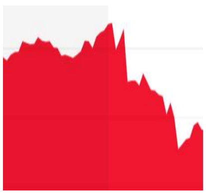
The resolution of the Commerce Commission's (ComCom) final decision on maximum allowable revenue (MAR) for VCT's regulated electricity network business has resolved any revenue uncertainty, but was set lower than expected. The Commission determined that a $389m MAR will apply from 1 April 2020, anchoring the allowable revenue path until 31 March 2025 (the five-year DPP3 control period). That starting point is $38m (8.7%) lower than Jarden's previous $436m estimate, primarily due to a low final 4.57% post-tax WACC (vs Jarden's 5.11%) worth ~$19m pa, and lower operating cost allowance ($140m pa 5-year average). The MAR determination also squeezes allowed capital expenditure on regulated electricity assets by 15% versus the company's asset management plan.

2020 P/E: 29.2 2021 P/E: 31.2

NZX Code:	**VCT**
Share Price:	**$3.65**
12mth Target:	**$3.21**
Projected return (%)	
Capital gain	-12.1%
Dividend yield (Net)	4.7%
Total return	**-7.4%**

Rating: UNDERPERFORM

52-week price range: 3.38-3.98



Z Energy

Management was forced to downgrade earnings yet again in December, citing ongoing retail fuel margin pressure and plummeting Asian oil refining margins. ZEL is now guiding to earnings of between $350-$385m (down from $390-$430m) and a FY20 dividend of 40 cents per share (down from 48-50 cents) which investors found particularly disheartening.

2020 P/E: 22.6 2021 P/E: 14.7

NZX Code:	**ZEL**
Share Price:	**$4.61**
12mth Target: ↓	**$4.35**
Projected return (%)	
Capital gain	-5.6%
Dividend yield (Net)	9.4%
Total return	**3.8%**

Rating: UNDERPERFORM

52-week price range: 4.01-6.85

NEW ZEALAND EQUITY EARNINGS FORECAST – JARDEN *AS AT 24TH JANUARY 2020*

NZ LISTED COMPANIES 24th January 2020		Mrkt Cap	Price 24-Jan-20	Target Price	Price Earnings (x)		Net Yield (%)	
Source: Jarden, CS Group Estimates	Ticker	(NZ$m)	(NZ$)	(NZ$)	FY19	FY20	FY19	FY20
COMMUNICATION SERVICES								
Chorus	CNU	2,917	6.58	5.64	57.3	52.4	3.7%	3.8%
NZME	NZM	77	0.39	0.50	4.8	4.9	0.0%	0.0%
Sky Network Television	SKT	314	0.72	1.01	8.6	7.9	0.0%	0.0%
Spark NZ	SPK	8,414	4.58	3.42	20.4	18.9	5.5%	5.5%
CONSUMER DISCRETIONARY								
Kathmandu	KMD	947	3.21	3.35	11.4	10.5	5.6%	5.9%
Michael Hill International	MHJ	259	0.69	0.91	9.4	8.6	6.7%	6.7%
Restaurant Brands New Zealand	RBD	1,647	13.20	8.50	35.2	30.5	0.0%	0.0%
SKYCITY Entertainment Group	SKC	2,715	4.07	3.80	17.5	17.8	4.9%	4.9%
The Warehouse Group	WHS	971	2.80	2.24	13.5	12.7	5.9%	6.3%
Tourism Holdings	THL	444	3.00	4.00	16.1	11.6	8.2%	8.7%
CONSUMER STAPLES								
Comvita	CVT	147	2.97	3.61	26.7	15.7	2.3%	3.9%
Delegat Group	DGL	1,199	11.86	9.36	22.3	19.6	1.5%	1.7%
Fonterra Shareholders' Fund	FSF	405	4.03	3.85	15.0	11.8	3.2%	4.2%
New Zealand King Salmon	NZK	313	2.25	2.15	23.1	21.4	2.3%	2.4%
PGG Wrightson	PGW	185	2.45	2.32	12.5	12.2	6.8%	6.9%
Sanford	SAN	743	7.95	7.65	16.3	15.0	2.9%	2.9%
Scales Corporation	SCL	687	4.85	4.71	20.3	17.8	4.1%	4.8%
Seeka Limited	SEK	151	4.69	5.85	17.1	15.2	5.1%	5.1%
Synlait Milk	SML	1,596	8.90	8.50	16.9	13.5	0.0%	0.0%
The a2 Milk Company	ATM	11,781	16.01	14.40	34.1	27.3	0.0%	1.2%
ENERGY								
NZ Refining	NZR	513	1.64	1.90	-34.2	5.3	0.9%	16.4%
Z Energy	ZEL	1,844	4.61	4.35	22.6	14.7	8.7%	9.4%
FINANCIALS								
NZX	NZX	383	1.39	1.18	22.5	20.7	4.5%	4.4%
Heartland Group Holdings	HGH	1,080	1.87	1.53	13.3	12.5	5.6%	5.7%
HEALTH CARE Equipment & Supplies								
AFT Pharmaceuticals	AFT	370	3.80	3.45	84.9	25.2	0.0%	0.0%
Ebos Group Limited	EBO	3,823	24.37	20.62	22.8	21.2	3.1%	3.3%
Fisher & Paykel Healthcare	FPH	13,080	22.77	14.38	49.6	43.6	1.3%	1.5%
HEALTH CARE PROVIDERS								
Arvida	ARV	1,013	1.87	1.48	17.1	16.2	3.2%	3.5%
Oceania Healthcare	OCA	798	1.31	1.23	17.1	20.5	3.5%	2.7%
Ryman Healthcare	RYM	8,310	16.62	11.15	32.8	28.5	1.5%	1.8%
Summerset Group	SUM	2,094	9.23	8.50	18.1	17.2	1.6%	1.7%
TRANSPORT & LOGISTICS								
Air New Zealand	AIR	3,346	2.98	2.67	11.5	9.6	7.7%	8.1%
Auckland Airport	AIA	10,796	8.89	6.11	39.6	36.9	2.5%	2.7%
Freightways	FRE	1,351	8.69	7.65	21.9	17.3	3.8%	4.8%
Mainfreight	MFT	4,357	43.27	3.43	27.8	25.1	1.5%	1.7%
Port of Tauranga	POT	5,305	7.80	4.40	51.4	46.2	2.1%	2.2%
INDUSTRIALS								
Metro Performance Glass	MPG	49	0.27	0.55	4.4	5.2	0.0%	0.0%
Skellerup Holdings	SKL	477	2.45	2.05	15.5	14.5	5.5%	5.9%
INFORMATION TECHNOLOGY								
EROAD	ERD	218	3.20	21.00	-117.1	41.3	0.0%	0.0%
Gentrack Group	GTK	221	2.24	2.70	253.5	39.1	0.3%	2.2%
Vista Group International	VGL	624	3.75	4.45	34.2	24.8	1.5%	2.0%
MATERIALS								
Fletcher Building	FBU	4,656	5.64	4.98	17.6	15.4	4.3%	5.0%
Steel & Tube	STU	136	0.82	0.87	13.8	10.7	6.1%	7.3%
REAL ESTATE								
Argosy Property	ARG	1,191	1.44	1.32	21.3	20.5	4.4%	4.4%
Goodman Property Trust	GMT	3,215	2.32	1.84	34.1	33.8	2.9%	2.9%
Investore Property	IPL	548	1.80	1.69	23.4	20.9	4.2%	4.2%
Kiwi Property Group	KPG	2,479	1.58	1.47	23.4	22.4	4.5%	4.5%
Precinct Properties NZ	PCT	2,490	1.90	1.72	27.8	26.0	3.3%	3.4%
Property for Industry	PFI	1,254	2.52	2.06	26.9	26.5	3.1%	3.1%
Stride Property Group	SPG	866	2.37	2.16	22.8	23.4	4.2%	4.2%
Vital Healthcare Prop.Trust	VHP	1,283	2.84	2.44	26.4	25.1	3.1%	3.2%
ENERGY UTILITIES								
Contact Energy	CEN	5,371	7.48	7.20	36.4	33.3	5.2%	5.2%
Genesis Energy	GNE	3,330	3.24	2.05	46.6	30.2	5.3%	5.4%
Infratil	IFT	3,627	5.49	5.13	48.1	-29.0	3.1%	3.2%
Mercury NZ	MCY	7,084	5.20	3.53	38.0	42.4	3.0%	3.1%
Meridian Energy	MEL	13,379	5.22	3.26	43.5	41.4	4.1%	4.2%
TILT Renewables	TLT	1,506	3.31	3.25	2.4	71.4	0.0%	0.0%
TrustPower	TPW	2,332	7.45	5.06	25.3	24.4	4.6%	4.6%
Vector	VCT	3,650	3.65	3.21	29.2	31.2	4.6%	4.7%
MARKET AVERAGE*					**24.6**	**22.1**	**3.3%**	**3.8%**

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

NEW ZEALAND GROSS DIVIDEND YIELD – JARDEN

AS AT 23RD JANUARY 2020

COMPANY	RATING	PRICE	GROSS DIVIDEND YIELD				DIVIDEND COVER				NET DEBT/ EQUITY
Source: Jarden, CS Group Estimates		23-Jan-20	FY-1	FY0	FY1	FY2	FY-1	FY0	FY1	FY2	CURRENT
Z Energy	N	$4.71	12.7%	11.8%	12.8%	13.6%	1.1	0.5	0.7	1.0	105.4%
Air New Zealand	N	$2.97	10.3%	10.8%	11.2%	11.7%	1.1	1.1	1.3	1.4	57.2%
Michael Hill	O	$0.71	8.2%	9.2%	9.7%	12.0%	1.5	1.6	1.7	1.4	18.8%
Tourism Holdings	O	$3.20	10.1%	9.1%	9.7%	10.4%	0.8	0.8	1.0	1.1	41.8%
New Zealand Refining Co	N	$1.65	6.3%	8.4%	1.2%	22.7%	1.3	-0.1	-3.3	1.2	33.7%
Turners	O	$2.85	8.3%	8.3%	9.3%	9.7%	1.7	1.6	1.5	1.5	128.4%
The Warehouse	N	$2.83	8.3%	8.2%	8.7%	8.8%	1.3	1.3	1.3	1.2	25.4%
Steel & Tube	N	$0.83	8.4%	8.1%	9.7%	10.9%	1.3	1.2	1.3	1.2	1.1%
Heartland Bank	N	$1.85	7.5%	7.9%	8.1%	8.3%	1.3	1.3	1.4	1.4	638.5%
Kathmandu	O	$3.15	6.6%	7.4%	7.8%	8.6%	1.6	1.6	1.6	1.6	36.0%
Seeka	O	$4.66	7.2%	7.2%	7.2%	7.1%	1.6	0.6	1.1	1.3	65.9%
Spark	U	$4.60	7.0%	7.0%	7.5%	7.4%	0.9	0.9	1.0	1.1	91.5%
Kiwi Property Group	U	$1.56	6.6%	6.7%	6.7%	6.7%	1.0	1.0	1.0	1.1	42.8%
Skellerup	U	$2.48	6.5%	67.0%	7.1%	7.6%	1.2	1.2	1.2	1.2	17.3%
Contact Energy	U	$7.42	6.6%	6.7%	6.6%	6.9%	0.6	0.5	0.6	0.6	44.1%
Argosy Property	N	$1.43	6.6%	6.6%	6.5%	6.7%	1.1	1.1	1.1	1.1	57.6%
Investore Property	U	$1.78	6.4%	6.4%	6.4%	6.4%	1.1	1.0	1.1	1.2	41.7%
Stride	N	$2.35	6.3%	6.3%	6.3%	6.3%	1.1	1.0	1.0	1.1	50.1%
Vector	U	$3.70	6.2%	6.3%	6.4%	6.5%	0.7	0.7	0.7	0.7	132.6%
NZX	N	$1.37	6.2%	6.3%	6.4%	6.1%	0.9	0.9	1.0	1.1	12.3%
Genesis Energy	U	$3.24	6.9%	6.2%	7.0%	7.3%	0.4	0.4	0.6	0.7	52.5%
Sky City	N	$4.07	6.1%	6.1%	6.1%	6.8%	1.3	1.2	1.1	1.1	65.4%
Trustpower	U	$7.47	13.5%	5.8%	6.4%	6.5%	0.4	0.9	0.9	0.8	51.5%
Scales Corporation	N	$4.85	5.4%	5.4%	5.6%	6.6%	1.1	1.3	1.2	1.2	-26.6%
Freightways	N	$8.50	5.0%	5.4%	6.8%	7.0%	1.3	1.2	1.2	1.2	90.3%
Meridian Energy	U	$5.33	5.0%	5.0%	5.0%	4.9%	0.6	0.6	0.6	0.7	29.2%
Precinct Properties	N	$1.88	4.8%	5.0%	5.2%	5.3%	1.1	1.1	1.1	1.2	39.0%
Chorus	N	$6.76	4.7%	4.9%	5.1%	7.2%	0.5	0.5	0.5	0.3	237.2%
Tower	O	$0.72	0.0%	4.7%	6.2%	6.7%		1.8	1.8	1.8	-34.5%
Vital Healthcare	N	$2.87	4.6%	4.6%	4.7%	4.8%	1.1	1.2	1.3	1.3	64.5%
Property For Industry	U	$2.54	4.4%	4.5%	4.6%	4.7%	1.1	1.1	1.2	1.2	43.2%
Fletcher Building	N	$5.58	4.1%	4.3%	4.3%	4.4%	1.2	1.0	1.0	1.0	24.1%
Goodman Property	U	$2.31	4.3%	4.3%	4.3%	4.4%	1.2	1.0	1.0	1.0	24.1%
Mercury	U	$5.34	4.0%	4.0%	4.1%	4.0%	0.8	0.9	0.8	0.8	29.5%
Sanford	O	$8.09	3.6%	3.7%	3.3%	3.9%	1.8	2.1	2.3	2.6	26.4%
Oceania Healthcare	N	$1.31	3.6%	3.7%	3.3%	3.9%	1.8	1.8	1.8	1.8	42.8%
Auckland Airport	U	$9.00	3.4%	3.5%	3.7%	3.7%	1.0	1.0	1.0	1.0	42.1%
Infratil	O	$5.43	3.4%	3.4%	3.4%	3.6%	1.1	0.7	-1.1	1.0	233.5%
Ebos	U	$24.40	3.1%	3.3%	3.5%	3.7%	1.4	1.4	1.4	1.4	29.0%
Comvita	O	$2.94	2.8%	3.2%	5.5%	7.4%	-2.7	1.6	1.6	1.6	49.1%
Fonterra	N	$4.03	0.0%	3.2%	4.2%	5.0%	0.0	2.1	2.0	2.0	86.0%
NZ King Salmon	N	$2.20	3.2%	3.2%	3.4%	5.9%	1.9	1.9	1.9	1.5	11.6%
Arvida	N	$1.86	2.8%	3.2%	3.4%	3.5%	1.8	1.8	1.8	1.9	39.9%
Port of Tauranga	U	$7.84	3.2%	2.8%	3.0%	3.8%	0.8	0.9	1.0	1.0	43.3%
Delegat's Group	U	$12.00	2.0%	2.1%	2.4%	3.1%	3.0	2.9	2.9	2.5	71.6%
Mainfreight	U	$43.19	1.8%	2.1%	2.3%	2.6%	2.5	2.4	2.4	2.3	16.8%
Fisher & Paykel Healthcare	U	$22.63	1.4%	1.8%	2.1%	2.5%	1.6	1.6	1.5	0.2	-2.6%
Vista Group	N	$3.58	1.2%	1.5%	1.8%	2.5%	2.1	2.0	2.0	2.0	-9.6%
Summerset Group	N	$9.11	1.4%	1.5%	1.7%	1.8%	3.4	3.3	3.3	3.3	50.1%
Ryman Healthcare	U	$16.50	1.3%	1.5%	1.8%	1.9%	2.1	2.1	2.0	2.0	71.3%
Gentrack	N	$2.26	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	599.9%
AFT Pharmaceuticals	O	$3.70	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	-72.5%
a2 Milk	N	$16.04	0.0%	0.0%	1.2%	1.2%	0.0	0.0	2.9	3.5	-72.5%
Eroad	O	$3.21	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	53.2%
Metro Performance Glass	O	$0.27	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	44.4%
NZME	N	$0.40	6.9%	0.0%	0.0%	0.0%	4.8	0.0	0.0	0.0	25.9%
Restaurant Brands	U	$13.00	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	36.2%
Sky Network Television	N	$71.00	15.6%	0.0%	0.0%	11.1%	3.1	0.0	0.0	1.0	37.7%
Synlait Milk	U	$8.88	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	60.5%
Tilt	N	$3.40	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	-22.5%
MEDIAN			**4.7**	**4.5**	**4.8**	**6.2**	**1.1**	**1.1**	**1.1**	**1.2**	**42.4**

NOTES:

1. The Net Debt/Equity ratio is calculated as Gross Debt less cash holdings divided by Total Equity. Negative ratios indicate a net cash position.
2. Ratings: "O" - Outperform, "N" - Neutral, "U" - Underperform, "R" - Restricted.
3. FY0 represents the current financial year.

AUSTRALIAN NET DIVIDEND YIELD – JARDEN

AS AT 23RD JANUARY 2020

COMPANY	Rating	PRICE A$	GROSS DIVIDEND YIELD				DIVIDEND COVER				NET DEBT/ EQUITY
Source: Jarden, CS Group Estimates		23-Jan-20	FY-1	FY0	FY1	FY2	FY-1	FY0	FY1	FY2	
Fortescue Metals Group	N	$12.69	9.5%	10.8%	8.0%	5.5%	1.2	1.5	1.5	1.6	9.4%
Spark Infrastructure Group	N	$2.14	7.5%	7.0%	7.0%	5.6%	0.3	0.3	0.3	0.2	0.2%
Suncorp Group Limited	U	$13.32	5.9%	6.9%	5.1%	5.2%	0.2	1.1	1.2	1.2	74.7%
Bendigo and Adelaide Bank	U	$10.15	6.9%	6.9%	5.9%	5.9%	1.1	1	1.2	1.1	-19.2%
Bank of Queensland	N	$7.40	8.8%	6.8%	6.8%	6.8%	1.1	1.3	1.3	1.4	
National Australia Bank	N	$25.71	6.5%	6.5%	6.5%	6.5%	1.1	1.3	1.3	1.4	-97.0%
Westpac	O	$25.14	6.9%	6.4%	6.4%	6.4%	1.1	1.2	1.3	1.4	-29.3%
ANZ Banking Group	U	$25.72	6.2%	6.2%	6.2%	6.2%	1.4	1.3	1.4	1.4	-137.3%
Rio Tinto	U	$107.38	7.5%	6.1%	5.4%	4.4%	0.9	1.4	1.7	1.7	6.7%
Vicinity Centres	N	$2.54	6.3%	6.1%	6.1%	6.2%	1.1	1.1	1.1	1.1	36.1%
AGL Energy	U	$20.24	5.9%	5.9%	5.9%	5.9%	1.3	1.1	1.2	1	41.5%
Scentre Group	O	$3.92	5.7%	5.8%	6.0%	6.1%	1.1	1.1	1.1	1.1	57.2%
AusNet Services	N	$1.78	5.5%	5.7%	5.9%	6.1%	0.7	0.7	0.6	0.5	242.4%
Stockland Group	N	$4.99	5.5%	5.6%	5.7%	5.8%	1.1	1.2	1.1	1.2	41.8%
Aurizon	O	$5.55	4.3%	5.1%	5.7%	6.0%	1	1	1	1	84.1%
Commonwealth Bank Australia	N	$84.45	5.1%	5.1%	5.1%	5.1%	1.1	1.1	1.1	1.1	-39.9%
Nine Entertainment	O	$2.00	5.0%	5.0%	5.0%	5.5%	1.2	1.1	1.1	1.2	14.6%
Flight Centre	N	$41.00	5.1%	5.0%	5.5%	5.9%	1.2	1.1	1.1	1.1	-8.1%
Crown	N	$12.15	4.9%	4.9%	4.9%	4.9%	0.9	0.8	0.8	0.9	13.5%
Alumina Limited	N	$2.34	14.2%	4.9%	5.1%	5.8%	1	1.5	1	1.1	1.2%
Tabcorp Holdings	N	$4.75	4.6%	4.8%	4.6%	4.8%	0.9	0.8	0.9	0.9	41.4%
Star Entertainment Group	U	$4.43	4.6%	4.6%	4.6%	3.6%	1.2	1.3	1.2	1.4	31.7%
Sydney Airport	U	$8.59	4.4%	4.5%	4.7%	4.8%	0.4	0.4	0.4	0.5	4633.4%
GPT Group	N	$5.95	4.3%	4.5%	4.6%	4.8%	1.2	1.1	1.1	1.1	34.5%
Boral	N	$5.07	5.2%	4.4%	4.1%	4.5%	1.6	1.5	1.8	1.8	40.4%
APA Group	N	$11.48	4.1%	4.4%	4.5%	4.8%	0.5	0.6	0.6	0.7	296.9%
CIMIC Group	N	$34.98	4.5%	4.3%	4.1%	3.6%	1.5	1.6	1.7	1.7	-45.0%
Amcor	O	$15.74	4.2%	4.3%	4.7%	5.3%	1.4	1.4	1.4	1.4	103.6%
Macquarie Group	N	$145.86	3.9%	4.2%	4.3%	4.4%	1.5	1.4	1.4	1.4	0.0%
Coca-Cola Amatil	N	$11.97	3.9%	4.2%	4.0%	4.1%	1.1	1.1	1.2	1.2	93.1%
Dexus	O	$12.75	3.9%	4.1%	4.3%	4.4%	1.1	1.1	1.1	1.1	34.1%
Telstra Corporation	O	$3.89	4.1%	4.1%	4.1%	4.1%	1.1	1.2	1.2	1	131.7%
Challenger Limited	N	$8.70	4.1%	4.1%	4.0%	3.6%	1.6	1.5	1.6	1.9	-6.8%
Transurban	U	$15.85	3.7%	3.9%	4.1%	4.4%	0.1	0.2	0.3	0.4	193.4%
Insurance Australia Group	N	$7.80	4.1%	3.8%	4.1%	4.3%	1.4	1.6	1.3	1.3	21.5%
Medibank Private	U	$3.21	4.9%	3.8%	4.1%	4.4%	1	1.2	1.2	1.2	-35.4%
BHP Group	N	$41.21	3.8%	3.8%	3.0%	2.3%	1.7	2	2	2	22.9%
Woodside Petroleum	O	$35.83	5.9%	3.7%	4.2%	4.4%	1.1	1.3	1.3	1.3	10.8%
Atlas Arteria	N	$8.06	3.0%	3.7%	4.2%	4.7%	0.4	-0.2	0.7	0.8	57.6%
Origin Energy	N	$8.72	2.9%	3.7%	3.9%	4.1%	2.3	1.9	1.7	1.6	33.9%
Orora	O	$3.25	4.0%	3.7%	4.0%	4.4%	1.4	1	1.4	1.4	-33.4%
Qantas	N	$6.79	3.7%	3.7%	3.7%	3.7%	2.2	2.5	2.5	2.5	86.5%
NIB Holdings	U	$5.58	4.1%	3.7%	3.7%	3.8%	1.6	1.5	1.6	1.6	14.9%
Downer EDI	N	$8.75	3.2%	3.6%	3.7%	3.9%	1.6	1.5	1.5	1.5	30.4%
Lend Lease	O	$18.61	2.3%	3.5%	3.7%	3.9%	2	2	2	2	17.2%
Mirvac Group	N	$3.47	3.3%	3.5%	3.6%	3.7%	1.3	1.3	1.3	1.2	36.6%
WorleyParsons	O	$15.93	1.7%	3.4%	3.7%	4.1%	2.1	1.7	1.7	1.7	4.7%
Evolution Mining	O	$3.84	2.5%	3.4%	3.7%	6.8%	1.3	1.8	1.5	0.4	-10.4%
Coles Group	U	$16.62	1.4%	3.3%	3.7%	4.0%	3.1	1.2	1.2	1.2	19.2%
JB Hi-Fi	U	$40.92	3.5%	3.2%	3.0%	3.2%	1.5	1.5	1.5	1.5	22.9%
Magellan Financial Group	U	$66.75	2.8%	3.2%	3.6%	4.0%	1.1	1.1	1.1	1.1	-50.0%
Wesfarmers	U	$44.77	4.0%	3.1%	3.3%	3.4%	1	1.2	1.2	1.2	21.6%
Orica	N	$23.37	2.4%	3.0%	3.5%	3.9%	1.8	1.5	1.5	1.5	47.5%
Charter Hall Group	N	$12.75	2.6%	2.8%	3.0%	3.1%	1.4	1.7	1.5	1.5	7.7%
Sonic Healthcare	N	$31.44	2.7%	2.8%	3.0%	3.3%	1.4	1.4	1.4	1.4	35.5%
ASX	U	$85.58	2.7%	2.8%	2.8%	3.0%	1.1	1.1	1.1	1.1	-5.1%
Link Administration Holdings	N	$6.20	3.3%	2.7%	2.9%	3.2%	1.8	1.8	1.8	1.8	34.6%
Woolworths	U	$41.32	2.5%	2.6%	2.8%	2.9%	1.3	1.4	1.4	1.4	19.1%
Treasury Wine	O	$17.63	2.2%	2.6%	3.0%	3.3%	1.6	1.6	1.5	1.5	20.7%
carsales.com.au	O	$18.16	2.5%	2.5%	2.7%	3.4%	1.2	1.2	1.3	1.2	101.3%
QBE Insurance Group	O	$13.87	3.7%	2.5%	3.8%	4.4%	0.8	1.8	1.6	1.6	41.6%
Computershare	N	$17.82	2.5%	2.5%	2.8%	2.9%	2.3	2.2	2.1	2.1	75.8%
Whitehaven Coal	O	$2.52	19.8%	2.5%	2.4%	1.6%	1.1	2	2.7	4	17.0%
ALS	N	$9.81	2.3%	2.4%	2.8%	2.8%	1.6	1.7	1.7	1.7	82.6%
Brambles	N	$12.42	2.4%	2.4%	2.7%	2.7%	1.6	1.7	1.7	1.8	71.8%
Domino's Pizza Enterprises	N	$55.92	2.1%	2.3%	2.5%	2.7%	1.4	1.4	1.4	1.4	139.4%
Ansell	N	$31.39	2.2%	2.2%	2.4%	2.5%	2.3	2.4	2.3	2.3	14.3%
Caltex Australia	N	$35.20	3.4%	2.2%	2.7%	3.2%	1.8	1.7	1.7	1.7	63.1%
Reliance Worldwide	O	$4.41	2.0%	2.2%	2.4%	2.6%	2.1	2.1	2.1	2.1	22.7%
OZ Minerals	U	$10.70	2.1%	2.1%	2.1%	2.1%	3.2	2.6	0.9	2	-0.5%
James Hardie Industries	O	$30.80	1.7%	2.1%	2.7%	3.2%	1.9	1.9	1.7	1.5	89.6%
Incitec Pivot	O	$3.37	1.4%	2.1%	3.3%	4.0%	2	1.9	1.9	1.9	41.0%
Goodman Group	N	$14.89	2.0%	2.0%	2.2%	2.2%	1.7	1.9	1.9	1.9	12.4%
Ramsay Health Care	N	$79.22	1.9%	2.0%	2.1%	2.3%	1.9	1.7	1.8	1.8	276.1%
Oil Search	U	$7.88	1.9%	1.9%	2.6%	2.7%	2.1	2.2	2.2	2.2	63.8%
Northern Star Resources	N	$12.74	1.1%	1.9%	2.8%	2.6%	1.8	2.8	2.8	2.5	-2.2%
Qube Holdings	U	$3.61	1.9%	1.9%	1.9%	1.9%	1.1	1.1	1.2	1.4	59.5%
Cleanaway Waste Management	N	$2.12	1.7%	1.8%	2.1%	2.3%	1.9	1.8	1.8	1.8	36.4%
Aristocrat Leisure	N	$37.08	1.5%	1.8%	1.9%	2.3%	2.5	2.5	2.5	2.2	42.5%
Santos	R	$8.95	1.6%	1.7%	1.9%	2.1%	3.6	3	4	3.6	37.8%
South 32	O	$2.84	4.9%	1.6%	2.9%	2.5%	2	2.5	2.5	2.5	-3.5%
Iluka Resources	N	$9.60	3.0%	1.6%	1.5%	4.2%	2.5	4.4	4.5	1.8	12.9%
Cochlear	N	$240.89	1.4%	1.5%	1.6%	1.8%	1.4	1.4	1.4	1.4	19.5%
Beach Energy	N	$2.83	0.7%	1.4%	1.4%	1.4%	12.3	5.7	6.4	7.2	-3.1%
Seek	N	$23.83	1.9%	1.4%	1.6%	1.8%	1.1	1.3	1.2	1.2	68.8%
REA Group	U	$113.67	1.0%	1.1%	1.3%	1.5%	1.9	1.8	1.8	1.8	0.5%
CSL	O	$308.50	0.9%	1.0%	1.2%	1.4%	2.3	2.2	2.2	2.1	56.8%
ResMed	O	$23.77	0.9%	1.0%	1.0%	1.1%	2.1	2.4	2.6	2.8	27.5%
BlueScope Steel	O	$15.49	0.9%	0.9%	0.9%	0.9%	12.7	6.1	9.6	11.8	-1.4%
Newcrest Mining	N	$32.20	1.0%	0.7%	0.5%	0.6%	3.3	8.5	9.1	6.1	2.7%
TPG Telecom	U	$7.00	0.6%	0.6%	0.6%	1.7%	10.1	6.4	6.7	2.5	50.6%
AMP	O	$1.88	7.4%	0.0%	1.3%	3.2%	1.7		6.5	2.4	340.7%
MEDIAN			**3.4%**	**3.4%**	**3.7%**	**3.8%**	**1.4**	**1.5**	**1.4**	**1.4**	**22.9%**

Stocks on the Focus List are selected from Australia's 100 largest companies. The Focus List is not designed to represent an Australian 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. Hence, the stocks on the Focus List could become highly concentrated in a particular sector or provide exposure to a narrow theme which is attractive at the time.

CODE	PE RATIO x		EV/EBITDA x		NET DIV YIELD %		Return on Equity %
	FY0	FY1	FY0	FY1	FY0	FY1	
ALL	22.8	20.8	15.1	14.1	1.8	1.9	28.1
ALX	-118.8	33.2	80.4	23.3	3.6	4.1	-1.6
CWY	30.1	25.7	9.8	8.9	1.8	2.1	5.4
FLT	19.0	17.1	10.7	10.0	4.7	5.2	16.0
GMG	25.3	23.5	23.6	21.9	2.1	2.2	9.5
JHX	25.0	21.9	16.6	14.8	2.1	2.7	20.1
MFG	26.4	23.7	19.9	17.8	3.4	3.8	39.6
RMD	42.4	37.1	33.3	30.9	1.0	1.0	22.5
STO	n/a	n/a	n/a	n/a	n/a	n/a	n/a
S32	25.0	13.8	6.3	5.3	1.6	2.9	4.0
TWE	24.5	21.4	15.3	13.5	2.6	3.0	13.2

JARDEN AUSTRALIAN EQUITY FOCUS LIST	CODE	PRICE	TARGET	TARGET	GROSS STOCK PERFORMANCE %			
		16-Jan-20	A$	RETURN	Fortnight	Month	Quarter	Year
ASX100 Index	ASX100	19,374						
Aristocrat Leisure	ALL	36.84	35.00	-3.2%	7.7	4.3	18.0	56.5
Atlas Arteria	ALX	8.32	7.40	-7.5%	6.1	8.1	3.7	38.9
Cleanaway Waste Management	CWY	2.10	1.80	-12.5%	4.5	3.4	3.4	18.0
Flight Centre	FLT	44.28	47.49	12.0%	0.9	-1.3	3.2	6.1
Goodman Group	GMG	14.46	14.76	4.1%	7.6	5.3	0.8	28.5
James Hardie	JHX	30.25	29.45	-0.5%	8.3	8.0	19.5	106.2
Magellan Financial Group	MFG	63.51	52.50	-13.9%	10.0	11.2	25.7	138.3
Resmed	RMD	23.04	22.40	-1.8%	4.6	2.6	17.2	44.5
Santos	STO	8.89	RESTRICTED		8.2	5.3	14.1	51.6
South 32	S32	2.85	3.10	10.4%	6.3	-2.4	15.9	-11.0
Treasury Wine Estates	TWE	17.47	20.30	18.8%	7.9	4.8	-7.7	21.6

Goodman Group (GMG) added

Goodman has been added to the Australian Focus List. Goodman screens well on our quantitative screen and following a period of share price consolidation, some value has re-emerged on both an absolute and relative basis. Goodman's property portfolio is performing strongly with occupancy of 98% and like for like net property income (NPI) growth of +3.3%. We expect NPI growth to accelerate going forward due to portfolio under-renting and market rental growth providing upside risk. Goodman's development book stands at $4.2 billion, but management maintain their expectations of accelerating it to $5 billion in FY20. Goodman have also signalled longer lease terms, with development commencements having 15.5 year lease terms versus 10 years historically. This reflects the ongoing strong demand as tenants look to increase capacity at a time when investment in automation is set to accelerate, leading to longer lease terms and lower capitalisation rates. These new developments should underpin Goodman's management income (performance fees) and investment income (developments within funds) which is expected to drive most of the earnings growth going forward. Goodman have guided to FY20 earnings per share growth of +9%, which we believe the company will likely exceed.

Stock Code	Date Added to Focus List	Price When Added to Focus List $	ASX 100 Index When Added	Return Since Added to Focus List	Index Return Since Added	Over / (Under) Performance
ALL	02/04/2019	25.5	16,584	45.8%	16.8%	29.0%
ALX	18/07/2018	6.55	15,980	33.4%	21.2%	12.2%
CWY	12/04/2018	1.44	14,759	49.8%	31.3%	18.5%
FLT	03/09/2019	48.22	17,879	-6.1%	8.4%	-14.5%
GMG	16/01/2020	14.46	19,374	0.0%	0.0%	0.0%
JHX	03/09/2019	22.75	17,879	33.5%	8.4%	25.1%
MFG	22/05/2018	23.47	15,398	182.3%	25.8%	156.5%
RMD	20/05/2019	16.35	17,349	41.4%	11.7%	29.7%
STO	04/10/2019	7.28	17,799	22.1%	8.9%	13.3%
S32	27/09/2018	3.89	16,005	-23.8%	21.1%	-44.9%
TWE	04/10/2019	17.92	17,799	-2.5%	8.9%	-11.4%

Source: IRESS, Credit Suisse, Jarden

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.

AUSTRALIAN EQUITIES

BHP Group (BHP.AX)

NEUTRAL A$41.20 **TARGET:** A$41.00

MARKET CAP: A$m 195,131.7

With a far more constructive view on China crude steel in CY20 and beyond, Jarden has upgraded their BHP numbers to reflect the lift to their house Iron Ore and Met Coal price forecasts. Their global steel teams have revised demand forecasts up for China and down for ROW, previously expecting China's steel demand to remain firm in 1H20, but to decline from 2H when property construction may flag. However, with strong China rhetoric around particularly infrastructure, they've lifted their estimates to assume a 1.6% increase in China steel demand in 2020, well above their previous forecast (down ~3%). We consequently bump up our house iron ore prices (to US$90/t in CY20 from US$80 and to US$80/t from US$65/t in CY21) but moderate slightly our met coal prices given risks to China's import restrictions (to US$166/t in CY20 and CY21 from US$175/t). Incorporating new commodity prices, DecQ actuals and minor modelling changes our NPV-based TP moves to A$41/sh / £19/sh.

View: Jarden continues to think BHP's portfolio provides it two benefits versus RIO – greater breadth of commodity exposure to withstand swings in any given commodity (i.e. iron ore) and a broader range of opportunities to get after (Petroleum, Potash – a decision early 2021 expected, met coal volume improvement and perhaps a turnaround at OD).

BHP.AX Year to 30 June		2019A	2020F	2021F	2022F
Adjusted NPAT	US$m	9,466	10,918	8,693	6,653
Earnings /share	US$	1.82	2.14	1.71	1.31
PE Ratio	x	15.5	13.2	16.6	21.7
Dividend	US$	2.35	1.08	0.86	0.66
Dividend Yield	%	3.8	3.8	3.0	2.3

Fortesque Metals Group (FMG.AX)

NEUTRAL A$12.08 **TARGET:** A$11.00

MARKET CAP: A$m 37,193.9

Upgrade to NEUTRAL (from Underperform) and increase target price to A$11/share: With a far more accommodative house commodity price view, Jarden has lifted their TP and rating for FMG to reflect not just material eps changes, but balance sheet strength and a buoyant outlook for dividends. They have revised demand forecasts up for China, expecting China's steel demand to remain firm in 1H20, but to decline from 2H when property construction may flag. However, with strong China rhetoric around particularly infrastructure and a higher CY19 base, they have lifted their estimates to assume a 1.6% increase in China steel demand in 2020, well above their previous forecast (down ~3%).

Momentum and dividend capacity look good: Jarden believes FMG's share price continues to reap the rewards of higher iron ore prices, strong, but slightly softer price realisations, best-in-class operational performance and a balance sheet that is now in a position to withstand any reasonable bear case scenario. Whilst the share price outperformance has been rapid, it is more than justified, in their view, and for existing holders they think dividends will still please with growth projects (Eliwana and Iron Bridge) comfortably funded from cash flow.

View: Any weakness in iron ore prices remains the key risk, however, both the supply and demand side look tight enough to suggest that the good times may continue for some time yet.

FMG.AX Year to 30 June		2019A	2020F	2021F	2022F
Adjusted NPAT	US$m	3,187	4,445	3.297	2,281
Earnings /share	US$	1.03	1.44	1.07	0.74
PE Ratio	x	8.1	5.8	7.8	11.2
Dividend	USc	82.45	93.84	69.30	47.60
Dividend Yield	%	9.9	11.3	8.4	5.7

UK INVESTMENT TRUSTS

JARDEN'S CURRENT SECTOR RECOMMENDATIONS

Category	Investment Trust	Comment
International	The Bankers ITC	Attractive way for investors to gain a diversified exposure to global markets and companies with an emphasis on dividend growth.
	Monks ITC	A diversified portfolio of growth companies with the "potential to deliver superior operational performance".
America	JP Morgan American	A core holding for investors looking for more than just a benchmarked US play and providing access to enormous research resources.
Japan	Schroder Japan Growth	A well-defined bottom-up investment approach. The Company provides attractive, low beta exposure to quality, reasonably priced companies.
Europe	JPM European (Growth)	A blue-chip product for retail investors offering a diversified portfolio of Continental European growth and value stocks.
Asia	Schroder AsiaPacific	An experienced, well-resourced team and has a good track record generated from a stock-picking approach.
	Edinburgh Dragon	One of the largest, most liquid Far East ex Japan investment trusts with conservative and strong management.
Emerging Markets	JPMorgan Emerging Markets	Performance driven through stock selection rather than macro exposure.
	Templeton Emerging Markets	Less risky diversified exposure to emerging markets.
Special Situations	Worldwide Healthcare	A diversified portfolio of large cap pharmaceutical companies, and large to midcap Healthcare companies

FIXED INTEREST – *INDICATIVE ONLY*

AS AT 21ST JANUARY 2020

Secondary Interest Market	NZDX Code	Credit Rating	Coupon %	Maturity Date	CPN Freq	Type	Offer Yield %
Fonterra Co-operative Group	FCG030	A-	4.33	20/10/2021	2	Senior	2.07
Bank of China (New Zealand)	BOC1022	A	4.09	17/10/2022	2	Senior	2.10
China Construction Bank (NZ)	CCB1040	A	3.93	9/11/2022	2	Senior	2.18
Fonterra Co-operative Group	FCG040	A-	4.42	7/03/2023	2	Senior	2.25
Spark Finance	SPF560	A-	4.51	10/03/2023	4	Senior	1.91
China Construction Bank (NZ)	CCB0623	A	4.01	19/06/2023	2	Senior	2.21
Kiwibank	KIW0924	A	2.16	20/09/2024	2	Senior	2.26
Fonterra Co-operative Group	FCG050	A-	4.15	14/11/2025	2	Senior	2.63
GMT Bond Issuer	GMB020	BBB+	6.20	16/12/2020	2	Senior	2.07
Sky Network Television	SKT020	BBB-(NR)	6.25	31/03/2021	4	Senior	3.68
Chorus	CNU010	BBB	4.12	6/05/2021	4	Senior	2.24
Kiwi Property Group Limited	KPG010	BBB+	6.15	20/08/2021	2	Senior	2.31
Z Energy	ZEL040	BBB-(NR)	4.01	1/11/2021	4	Senior	2.40
Contact Energy	CEN030	BBB	4.40	15/11/2021	4	Senior	2.01
TrustPower	TPW140	BBB-(NR)	5.63	15/12/2021	4	Senior	2.45
Precinct Properties	PCT010	BBB+(NR)	5.54	17/12/2021	2	Senior	2.44
Genesis Power	GNE030	BBB+	4.14	18/03/2022	2	Senior	2.09
GMT Bond Issuer	GMB030	BBB+	5.00	23/06/2022	2	Senior	2.32
Heartland Bank	HBL010	BBB	4.50	8/09/2022	4	Senior	2.49
SkyCity Entertainment	SKC040	BBB-	4.65	28/09/2022	4	Senior	2.55
Contact Energy	CEN040	BBB	4.63	15/11/2022	4	Senior	2.17
Meridian Energy	MEL030	BBB+	4.53	14/03/2023	2	Senior	2.10
Wellington Intl Airport	WIA030	BBB+	4.25	12/05/2023	2	Senior	2.14
Kiwi Property Group	KPG020	BBB+	4.00	7/09/2023	2	Senior	2.47
Heartland Bank	HBL020	BBB	3.55	12/04/2024	4	Senior	2.66
Investore Property	IPL010	BBB(NR)	4.40	18/04/2024	4	Senior	2.90
Wellington Intl Airport	WIA040	BBB+	4.00	5/08/2024	2	Senior	2.34
Contact Energy	CEN050	BBB	3.55	15/08/2024	4	Senior	2.28
Precinct Properties	PCT020	BBB+(NR)	4.42	27/11/2024	2	Senior	2.83
Property for Industry	PFI010	BBB(NR)	4.59	28/11/2024	4	Senior	2.80
Kiwi Property Group	KPG030	BBB+	4.33	19/12/2024	2	Senior	2.68
Vector	VCT090	BBB	3.45	27/05/2025	4	Senior	2.60
Wellington Intl Airport	WIA050	BBB+	5.00	16/06/2025	2	Senior	2.49
Meridian Energy	MEL050	BBB+	4.21	27/06/2025	2	Senior	2.43
Summerset	SUM020	BBB-(NR)	4.20	24/09/2025	4	Senior	2.83
Property for Industry	PFI020	BBB(NR)	4.25	1/10/2025	4	Senior	2.89
Kiwi Property Group	KPG040	BBB+	4.06	12/11/2025	2	Senior	2.79
Argosy Property	ARG010	BBB+(NR)	4.00	27/03/2026	4	Senior	2.98
Trustpower	TPW180	BBB-(NR)	3.35	29/07/2026	4	Senior	2.70
Metlifecare	MET010	BBB-(NR)	3.00	30/09/2026	4	Senior	3.02
Argosy Property	ARG020	BBB+(NR)	2.90	29/10/2026	4	Senior	2.95
Chorus	CNU020	BBB	4.35	6/12/2028	4	Senior	2.87
Trustpower	TPW170	BBB-(NR)	3.97	22/02/2029	4	Senior	2.94
Infratil	IFT090	BB(NR)	8.50	15/02/2020	4	Subordinated	3.70
Warehouse Group	WHS020	BB-(NR)	5.30	15/06/2020	2	Senior	2.74
Infratil	IFT220	BB(NR)	4.90	15/06/2021	4	Subordinated	3.33
Turners Automotive Group	TRA100	BB-(NR)	5.50	30/09/2021	4	Subordinated	3.80
Fletcher Building Industries	FBI160	BB+(NR)	5.00	15/03/2022	2	Subordinated	3.55
Infratil	IFT190	BB(NR)	6.85	15/06/2022	4	Subordinated	3.37
Infratil	IFT240	BB(NR)	5.65	15/12/2022	4	Subordinated	3.39
NZX	NZX010	BB+(NR)	5.40	20/06/2023	4	Subordinated	3.42
WEL Networks	WEL010	BB+(NR)	4.90	2/08/2023	4	Subordinated	2.75
Infratil	IFT210	BB(NR)	5.25	15/09/2023	4	Subordinated	3.35
NZ Refining	NZR010	BB(NR)	5.10	1/03/2024	2	Subordinated	4.04
Infratil	IFT230	BB(NR)	5.50	15/06/2024	4	Subordinated	3.35
Synlait Milk	SML010	BB-(NR)	3.83	17/12/2024	4	Subordinated	3.81
Infratil	IFT250	BB(NR)	6.15	15/06/2025	4	Subordinated	3.49
Infratil	IFT280	BB(NR)	3.35	15/12/2026	4	Subordinated	3.59
Infratil	IFT270	BB(NR)	4.85	15/12/2028	4	Subordinated	3.59

Limitations and Disclaimer

STOP PRESS

TRANSPORT INFRASTRUCTURE ANNOUNCED BY LABOUR ON 29TH JANUARY WITH DIRECT RELEVANCE TO WESTERN BAY RESIDENTS

- Labour has announced upgrades on SH2 to Omokoroa will improve safety on a dangerous stretch of highway, and unlock more housing developments in our fastest growing city and important trading port.
- NZTA have confirmed that the SH2 upgrade (A four-lane Tauranga Northern Link), costing $478 million, will begin construction later this year and be completed by 2025. The Tauranga Northern Link will proceed with dedicated lanes for freight/bus/HOV (High Occupancy Vehicles – T3).
- The Te Puna section will include a new 4-lane highway between Ōmokoroa and Te Puna, and will have dedicated lanes for freight/bus/HOV. Construction is scheduled to begin in 2023.
- NZTA will also build a roundabout at the intersection of SH1/SH29 (Piarere)that will improve safety at one of New Zealand's most dangerous intersections. This is on the route that future proofs the extension of the Waikato Expressway from Cambridge to Piarere.

UNFORTUNATELY, WE CAN"T RELY ON LABOUR TO ACTUALLY DELIVER ON THIS, OR ANY OTHER PROMISE