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Investment Strategies

Volume 7

JUNE 2015

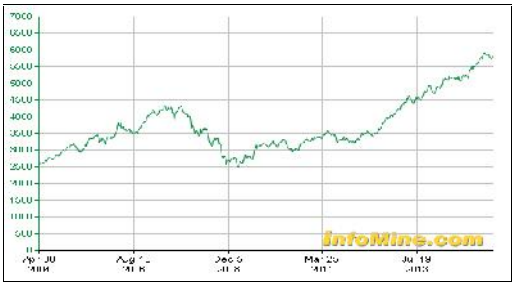
Don't forget to let me know if you no longer want to receive these newsletters. I am not here to annoy you!! Just reply to my email – UNSUBSCRIBE

NZX50 – still looking okay

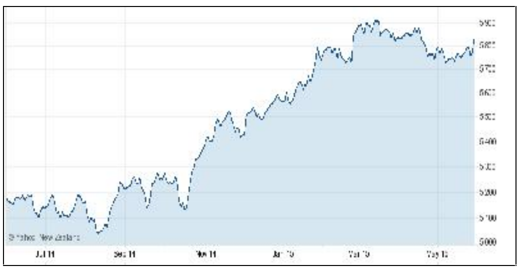
The NZX50 Index has delivered returns of 18% and 16% in each of the past two years. Over the past 6 years it has risen a total of 144% (albeit that this was off a post GFC low). This has been a stellar performance, and as long as our economy grows strongly, then expect our sharemarket to continue to also perform well.

With Bank interest rates staying low, dividend earnings will continue to attract investors with a little bit of risk tolerance, and this augers well for strong, earnings driven companies. Remember that a key to sound investment is to understand the companies that you are invested in, and this is what makes our local market so attractive for serious investors.

NZX50 Index - 2004 to 2015



NZX50 Index – Last 12 months



RRP $5.00

What's been happening…

The best news that I received lately has been the removal of the frame that has been stretching my son's bones in his leg, to force them to regrow after his horrific accident in February 2014. Fifteen months later the leg has been saved, and Christopher can look forward to a full life with both legs working again.

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

"Be diversified and don't assume past performance will continue"
John C. Bogle

The NZ Economy - May

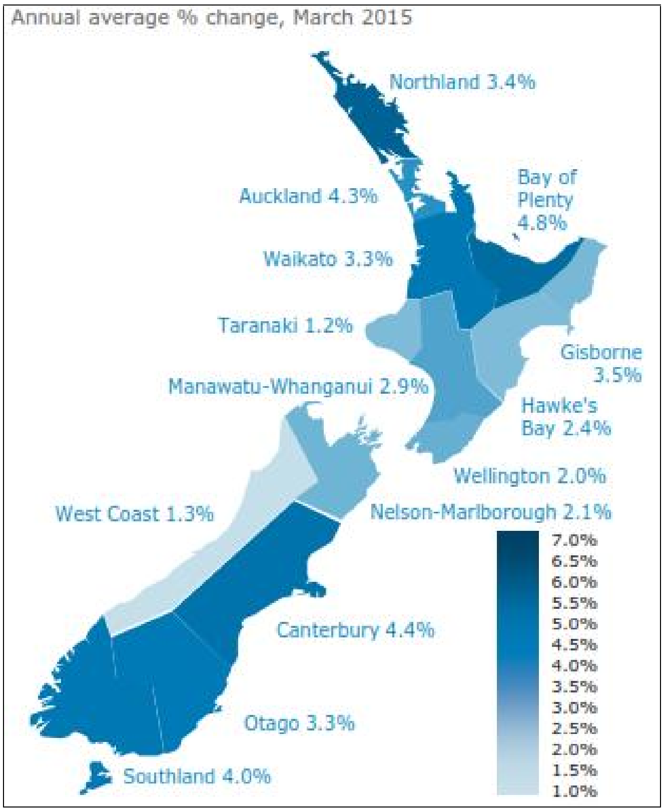
The New Zealand economy is expected to grow at about 3 per cent a year out to 2017, driving jobs growth and reducing the unemployment rate, according to the NZ Institute of Economic Research's quarterly predictions.

The institute estimates 130,000 jobs will be created over the next two years, with the unemployment rate dropping to 5.2 per cent by early 2017, from 5.8 per cent currently. Wage growth will be "somewhat muted" at about 2.5 per cent, reflecting broadly weak inflation and the impact of strong net inbound migration, which is expanding the workforce, it said.

With little inflation, the institute expects inflation to stay below the mid point of the Reserve Bank's 1 per cent-to-3 per cent target band well into 2017. But even combined with an uncertain global outlook, the bank probably won't see scope to raise interest rates until mid-2017 because of concern it could inflame Auckland's housing market.

The institute said the economy does face challenges. The decline in dairy prices would strip $6 billion from rural incomes, while the Auckland housing market is vulnerable to a sharp correction.

REGIONAL ECONOMIC ACTIVITY



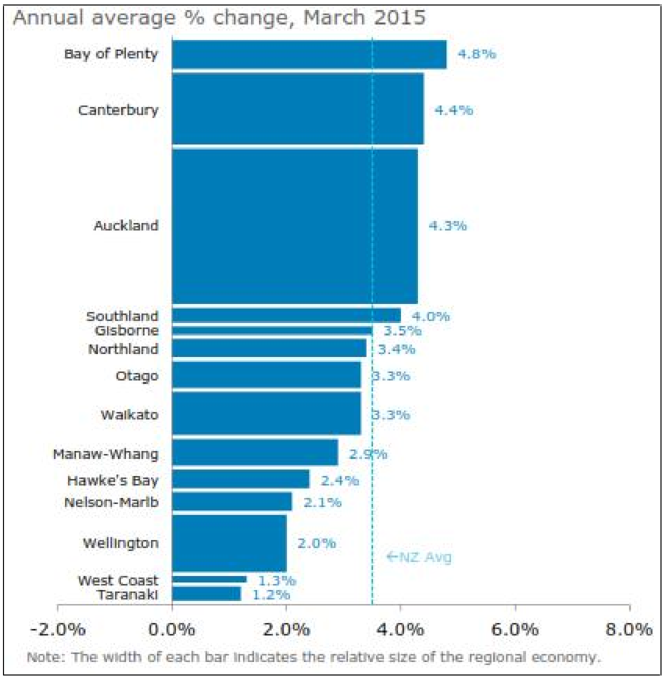
SOURCE: ANZ Bank.

YEAR-ON-YEAR GROWTH

Bay of Plenty's economy recorded the strongest annual rate of economic growth in March, expanding 4.8% from a year earlier. Canterbury (4.4%) regained second spot from Auckland (4.3%), with annual growth of 4% in Southland. At the other end of the growth ladder, Taranaki recorded just 1.2% growth in the year to March, with the sharp contraction in the quarter seeing annual growth nearly halve versus that seen in the 2014 calendar year. West Coast annual growth was little better. It is not coincidence that these are the two regions most exposed to falling global energy commodity prices.

Nationally, annual growth slowed to 3.5%, a 21month low. Growth in the South Island (+3.7% y/y) continued to outstrip that in the North Island (+3.5% y/y). The Bay of Plenty recorded its fourth consecutive quarter of 4%+ growth, with Auckland and Gisborne the only other regions to experience a lift in year-on-year growth. Annual average growth in Taranaki dipped below 2.0% for the first time in three years.

REGIONAL ECONOMIC ACTIVITY



SOURCE: ANZ Bank

Statistics NZ Data

Population

Estimated population at 31 Dec 2014:	4,553,700
Births Dec 2014 year:	57,242
Deaths Dec 2014 year:	31,063
Net migration Feb 2015 year:	55,121

Employment

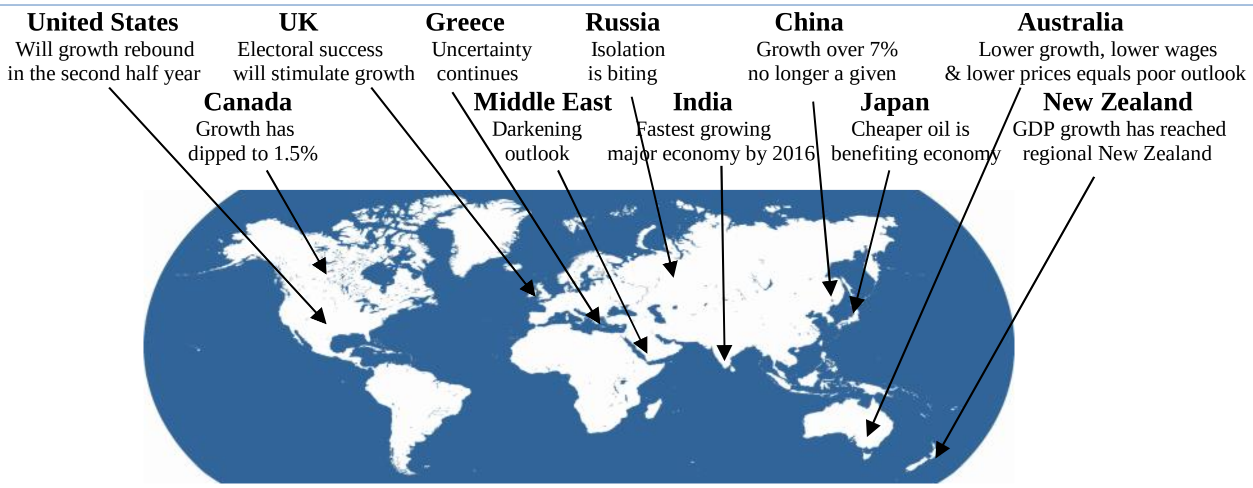
Total employed Dec 2014 quarter:	2,375,000
Unemployment rate Dec 2014 quarter:	5.7%
Ave weekly earnings Dec 2014 quarter:	$1,079.33
Wage inflation Dec 2014 year:	+1.8%

Economic forecasts (calendar years)						
Real GDP % yr	**2011**	**2012**	**2013**	**2014**	**2015f**	**2016f**
New Zealand	1.8	2.4	2.3	3.3	3.0	3.0
Australia	2.7	3.6	2.1	2.7	2.2	3.0
China	9.3	7.8	7.8	7.4	7.0	7.0
United States	1.6	2.3	2.2	2.4	2.2	3.2
Japan	-0.5	1.8	1.6	-0.1	1.0	1.7
East Asia ex China	4.4	4.5	4.3	4.1	4.4	5.0
India	6.6	5.1	6.9	7.2	7.5	8.1
Euro zone	1.6	-0.8	-0.4	0.8	1.1	1.1
United Kingdom	1.6	0.7	1.7	2.6	2.5	2.7
NZ trading partners	**3.6**	**3.7**	**3.6**	**3.8**	**3.6**	**4.1**
World	**4.2**	**3.4**	**3.4**	**3.4**	**3.2**	**4.0**

Forecasts finalised 8 May 2015

SOURCE: WESTPAC BANK

THE WORLD AT A GLANCE



The Global Economy

Winter woes

The last few months have not been kind to the global economy. The Chinese economy remains in a funk, Australia's export prices have tumbled, and US consumers have gone back into their shells. The offshore environment isn't without its bright spots, but is likely to stay challenging for some time yet.

United States

After gathering speed through 2014, the US economy suffered a renewed loss of momentum this year. An unusually cold winter and labour disputes at key US ports were partly responsible, so we should see some rebound in coming months. However, signs to date of a post-winter revival in either business investment or consumer spending have been few and far between. In particular, the lower oil price doesn't seem to have translated into a significant pick-up in consumer spending – on which a sustained US upswing ultimately depends. With China on the side-lines a slower US recovery means slower global growth.

Eurozone

"*Greece is a never ending story. I think they will find a solution to kick the can down the road once more*." So said a senior Swiss based currency trader.

Greece and its creditors - other Eurozone countries and the International Monetary Fund - have been locked in negotiations for months on what reforms the southern European country needs to take to get the final batch of loans from its international bailout.

Greece's government came to power in January on a promise to not make any more belt-tightening reforms, arguing they risk hurting the economy even more.

Without a deal to get more loans, Greece could be unable to repay a series of loans to the IMF in June, the first of which is due on the 5th. Missing those payments could destabilize the country's financial system and eventually push it out of the 19-country Eurozone, a step that could shake the currency union and the global economy.

Time appears to have run out, but a compromise to this debt issue remains likely. The compromise that European Commission chief Jean-Claude Juncker wanted to present to Greek Prime Minister Alexis Tsipras would have allowed Athens to postpone US$400 million ($645m) in pension cuts in return for making similar savings on military spending. However the IMF is opposed to further bartering, and continues to play hardball.

Greece's creditors want the country to commit to new economic reforms before they disburse the last 7.2 billion in Greece's bailout fund. The final instalment has been pending since last year, and with no access to the international borrowing market Greece has been struggling to pay its international debts and salaries and pensions.

Without outside help, it is unlikely Athens will be able to repay a roughly 1.6 billion debt instalment due to the IMF on June 30 and larger debts due to the European Central Bank in July and August.

China

China is slowing down harder and faster than outsiders had realise. Indicators of continued trouble in the seemingly endless growth story are:

- China's largest bank, ICBC, cut its dividend.
- Steel demand fell 6% during the first quarter.
- Chinese Premier Li Keqiang has said that China has entered a "new normal" of lower growth.
- Iron ore import volumes are up only 0.7% this year, despite a cheaper price and reduced domestic production.
- The People's Bank of China (the RBA of China) has cut interest rates and bank reserve requirements in an effort to speed up growth — *twice*.

The lessons to learn from this include - first, and most obviously, avoid commodity producers, their servicers, and their lenders. We tend to avoid investing in commodity producers because they're capital-intensive price takers, but our outsized concerns about slack demand and strong supply make this a no-fly-zone. Furthermore, invest in companies that will grow whether China or mining booms or busts. Also, focus on clean balance sheets. During a slowdown, companies with strong balance sheets play offence and gain market share, while companies burdened with debt slash strategic expenses like R&D and marketing. This is especially true when investing into Australian stocks.

Japan

After rebounding in it's last quarter, recent data suggest that economic recovery is underway. A weak yen, low oil prices and an improving labour market are expected to support growth this year. However, the limited progress in the implementation of the much-needed pro-growth reforms continues to cloud the country's economic outlook. Economic consensus is for GDP to expand 0.9% in 2015, with projected economic growth of 1.5% in 2016.

During his visit to the United States late in April, Prime Minister Shinzo Abe called for closer ties between Japan and the United States. Particularly, Abe stressed the need to reach an early deal regarding Japan's participation in the Trans-Pacific Partnership (TPP).

India

While the Indian Government's reform agenda should spur economic growth and increase business sentiment this fiscal year, political deadlock in the upper house may threaten its success. Economists expect GDP to increase 7.6% in 2015/16 Financial Year, with the economy expanding 7.9% in 2016/17.

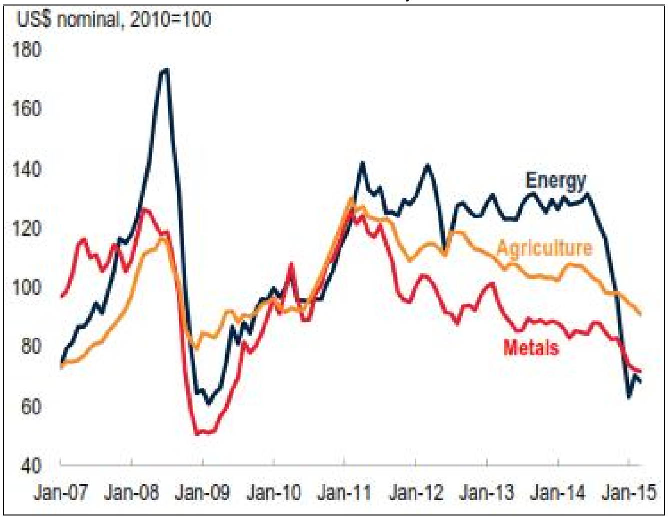
Australia

The Australian Budget was out on 12th May, and the forecasts include a deficit of A$35.1bn for 2015/16; 2.75% economic growth in 2015/16; 6.5% unemployment in 2015/16; and 2.5% inflation over next four years. They now talk about getting back to surplus in 2019/20, but that far out it can only be considered "hot air". Commentators called it a *forgettable Budget*, that shows little sign that "the Lucky Country" is any closer to recovery. Iron ore prices have fallen steeply. Unemployment is up. Consumer confidence is fragile. In Sydney, the gap between rich and poor has widened, with people in the poorer suburbs earning on average as little as A$38,637 a year, compared with A$143,112 in well-heeled areas.

Commodities

Outlook and risks - All main commodity price indices are expected to decline in 2015, mainly due to abundant supplies. *Energy* prices are projected to fall 42% from 2014, largely reflecting a 45% drop in oil prices. Earlier projections of $53/bbl appear on the mark, with realized year-on-year declines implying flat oil prices for the rest of 2015. The U.S. Energy Information Administration expects moderate growth in oil output in 2015Q2 and no growth in 2015Q4. Natural gas prices are also expected to decline significantly following the lead of oil, especially in Europe and Asian LNG markets. U.S gas prices are projected to fall 15% due to continued growth in shale gas production. Coal prices are projected to decline 12% due to weak import demand and surplus supply.

Commodity Price Indices, Monthly



Source: World Bank

Downside risks to the energy forecast include higher-than-expected production (supported by falling costs) and reduced supply stemming from voluntary cutbacks or market forces. Upside risks include earlier than expected closure of high-cost operations, supply restraint by major producers, and unexpected disruptions in supply stemming from geopolitical risks.

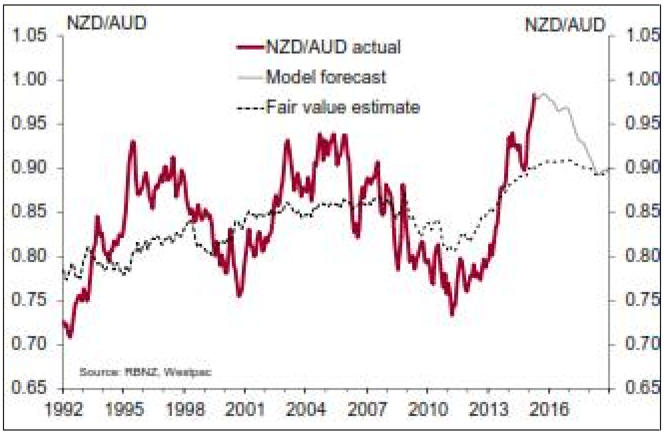
NZ Dollar

The Reserve Bank cut the benchmark rate a quarter-point (to 3.25%) and signaled more may be on the way as the dairy sector's weak outlook weighed on the nation's terms of trade and threatened to delay an increase in inflation from its near-zero level.

Westpac had expected our exchange rate forecasts to imply that the trade-weighted index would hold at around current levels over the next year. Nevertheless, even a flat path for the trade-weighted index has different implications for the economy than a constantly rising one. A rising exchange rate tends to push the prices of internationally-traded goods lower and lower, depressing the overall rate of inflation. Even a flat exchange rate would bring an end to that dynamic, leading to a rise in the inflation rate from its current below-target pace.

The prospects for a sustained fall in the trade-weighted index probably lie in 2017 and beyond. By then, New Zealand's yield spreads with the rest of the world should be narrowing as other central banks raise interest rates, and the fading Canterbury rebuild will have rendered New Zealand an economic underperformer.

NZ Dollar versus Australian Dollar



Exchange Rate Forecasts (end of quarter)

	NZD/ USD	NZD/ AUD	NZD/ EUR	NZD/ GBP	NZD/ JPY	TWI
Jun-15	0.75	0.96	0.69	0.50	90.0	79.4
Sep-15	0.74	0.98	0.71	0.51	90.0	80.0
Dec-15	0.72	0.98	0.70	0.50	88.8	78.9
Mar-16	0.71	0.98	0.70	0.49	88.6	78.7
Jun-16	0.71	0.98	0.70	0.48	89.3	78.6
Sep-16	0.71	0.97	0.70	0.47	89.5	78.2
Dec-16	0.71	0.95	0.69	0.46	90.2	77.3
Mar-17	0.71	0.92	0.67	0.44	86.6	75.7
Jun-17	0.71	0.92	0.66	0.43	87.2	75.5
Sep-17	0.71	0.90	0.65	0.41	86.5	74.3

Source: Westpac Bank

"Never ask a barber if you need a haircut"
Warren Buffett

Jack Bogle – founder of the Vanguard Group
- The US$3 trillion global investment fund

John (Jack) Bogle's Vanguard Group manages one fifth of all the money that American investors have in mutual funds – US$3 trillion. Bodle, now aged 82, knows the value of a dollar and that is probably why Vanguard runs the lowest cost funds in the world.

Bogle is famous for his insistence, in numerous media appearances and in writing, on the superiority of index funds over traditional actively managed mutual funds. He contends that it is folly to attempt to pick actively managed mutual funds and expect their performance to beat a low-cost index fund over a long period of time, after accounting for the fees that actively managed funds charge.

Bogle argues for an approach to investing defined by simplicity and common sense. Below are his eight basic rules for investors:

- Select low-cost index funds
- Consider carefully the added costs of advice
- Do not overrate past fund performance
- Use past performance to determine consistency and risk
- Beware of stars (as in, star mutual fund managers)
- Beware of asset size
- Don't own too many funds
- Buy your fund portfolio - and hold it

In an October 2014 keynote speech to Georgetown School of Law, Washington DC, Boyle was highly critical of the US financial system. He commented "*At its best, our financial system provides the grease that keeps the wheels of capitalism turning, by directing fresh equity capital to growing businesses that innovate and develop ever-improving goods and services at lower prices, creating new jobs in the process. But raising new equity capital accounts for only about 0.6% of all equity transactions, with trading (largely of the short-term variety) in our markets accounting for 99.4% of the dollar value of the activities of our financial system.*

"At its worst, then, our financial system is driven by speculation, "new products" of dubious value, risk-oriented strategies, and massive trading dominated by market speculators."

On investments, Bogle made the point that returns from the stock market can be considered to have two components; an investment return and a speculative return. He defines investment return as the dividend yield at the beginning plus the subsequent rate of earnings growth. He defines speculative return as the impact of changes in the value that investors put on those earnings (the price to earnings multiple) during that period. The total of these two returns is the total return on stocks. Dividend and earnings growth are what drives returns.

Bogle said that dividends have accounted for almost fifty per cent of the long term return on shares and criticises managed funds because very few highlight the yield of their funds. The reason for this is that in many managed funds, particularly those of international shares, much of the dividend income goes in management fees.

Once you add in transaction costs, platform fees, custodial fees, monitoring fees and goodness knows what else the dividend income from international shares is usually zero. And that is before tax.

Bogle made two strong points, firstly that "*Stockmarkets, in aggregate, can get a bit illogical in the short term, but this is usually corrected reasonably quickly*." And second that "*Dividends are critical to returns.... too important to lose them all in annual fees.*"

In discussing what's wrong with the fund management industry, Jack Bogle reckons that there has been a shift in focus from asset management to asset gathering, and this shift encourages index hugging, which produces basically the performance of an index fund with much higher costs.

Ingrid Bergman 1917-1982

TV Ratings – April 2015

Most watched

1. One News: 601,470 (TV ONE, 6:00pm – 7:00pm)
2. Fair Go: 575,750 (TV ONE, 7:30pm – 8:00pm)
3. Seven Sharp: 496,670 (TV ONE, 7:00pm – 7:30pm)
4. Rapid Response: 449,590 (TV ONE, 8pm – 8:30pm)
5. I Am Innocent: 419,290 (TV ONE, 8:30pm – 9:30pm)

STOP PRESS:	**June 7th**	**May 24th**
3 News:	166,210	313,520
3D:	159,960	212060
One News:	802,400	805,820
Prime News:	178,600	184,140

Head to head

- Breakfast (7:00am – 8:00am): 156,780
- Breakfast (8:00am – 9:00am): 143,630
- 3 News Firstline (6:00am – 7:00am): 13,280
- 3 News Firstline (7:00am – 8:30am): 22,540
- ONE News Midday (12:00pm – 12:30pm): 88,290
- 3 News at 12 (12:00pm – 12:30pm): 10,030
- One News (6:00pm – 7:00pm): 601,470
- 3 News (6:00pm – 7:00pm): 215,280
- Prime News (5:30pm – 6:00pm): 113,720
- Seven Sharp (7:00pm – 7:30pm): 496,670
- Campbell Live (7:00pm – 7:30pm): 169,900
- Tonight (10:45pm – 11:10pm): 91,370

Political Roundup

The Flag Debate

While many think running a referendum of the flag is a trivial waste of money, the reality is that we are now committed to this, and should approach it positively.

Personally, I have long been an advocate for a flag change to better reflect us as New Zealanders, and not to be confused with our Australian cousins.

My father fought in World War II, and it was only the silver fern that were on his uniform, so I don't agree with the RSA reticence to change the flag. Having our current flag on our armed forces uniforms is a late 20th and 21st Century action, instigated to identify our UN Peacekeepers.

My choice as a replacement flag is one of the two here. The black and red identifies us best with our sporting codes, and I would have thought Maoridom would also prefer the colours in this flag.

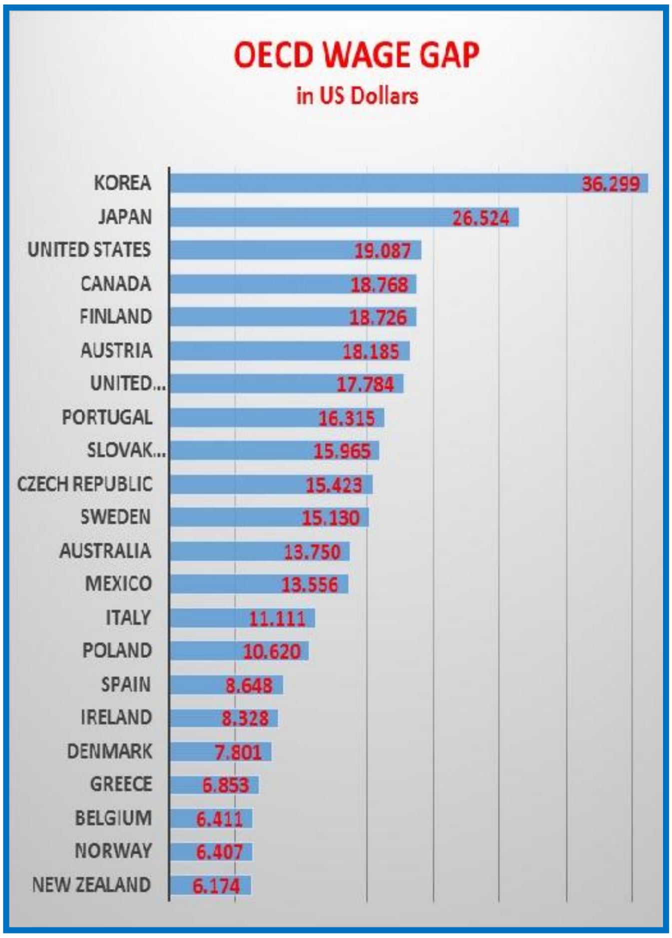
There is no way that I would agree to a flag change without knowing what alternative I am voting for. In my opinion John Key has initiated a process that is both fair and reasonable. It is now up to all New Zealanders to embrace this referendum positively. Yes it is expensive, but it is also very important that we get the process right.

Come on Kiwis, embrace the process. Let's all approach it positively.

One of these, or a variation of them, is my pick…

OECD Wage Data – Dispelling the myth of Gender Inequality

The reality is that New Zealand has the lowest gender inequality, as per the latest 2015 OECD Employment Data.



However, in 2012 New Zealand was still in the bottom quartile of OECD Data for US Dollar Wage comparisons.

House Prices

The latest QV/CoreLogic monthly (April) house price index shows that values in **Auckland** have increased by 14.6% over the past year. That has dragged the nationwide increase up to 8.3%.

As expected, the rate of Auckland's increase has slowed slightly from a few months ago, increasing over the past three months has been 4.6% - down from the 5.1% in the three months to January. The other main centres continue to rise more gradually.

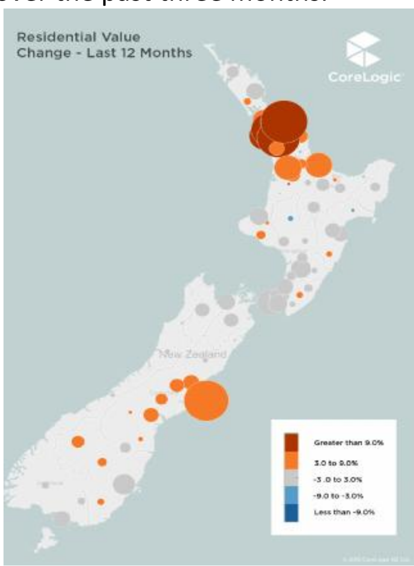
Hamilton values have increased by only 3.3% over the past year. This despite relatively strong sales activity in Hamilton combined with a shortage of listings.

Tauranga is showing more signs of increasing, up 3.9% over the past three months compared to an annual increase of only 5.8%. However, like many areas of the country, values dipped during 2014 and a recovery in recent months is more likely getting values back to where they would have been had that dip not occurred, rather than a genuine acceleration.

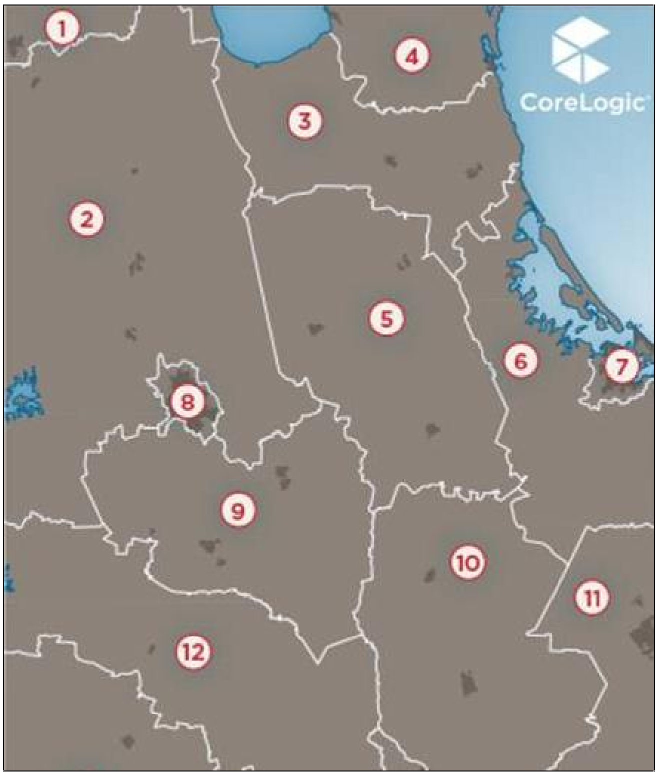
Wellington area values have stayed barely above flat, increasing 1.1% over the past year. Like Tauranga, values dipped in early 2014, then recovered in late 2014, and for the last few months have returned to near flat.

Christchurch values continue to flatten, and while values increased 4.7% over the past year, they increased only 0.3% over the past three months.

Dunedin is even more subdued with an annual increase of a mere 0.6% now giving way to a 0.5% decrease over the past three months.



May 2015 Property Valuation	12mth change April	12mth change May	Average Value May
1. Auckland - Franklin	8.9%	9.6%	$512,419
2. Waikato	6.9%	4.5%	$298,444
3. Hauraki	2.8%	6.1%	$256,292
4. Thames Coromandel	4.2%	3.3%	$521,815
5. Matamata Piako	7.1%	5.4%	$284,133
6. Western Bay of Plenty	1.9%	1.7%	$424,824
7. Tauranga	5.8%	6.7%	$480,727
8. Hamilton	3.3%	4.1%	$379,022
9. Waipa	6.5%	5.6%	$356,895
10.South Waikato	-1.3%	0.8%	$129,340
11.Rotorua	0.3%	1.2%	$276,865
NEW ZEALAND	8.3%	9.0%	$514,232



SOURCE: QV.CO.NZ; CORELOGIC

AUCKLAND COUNCIL CONSENTS

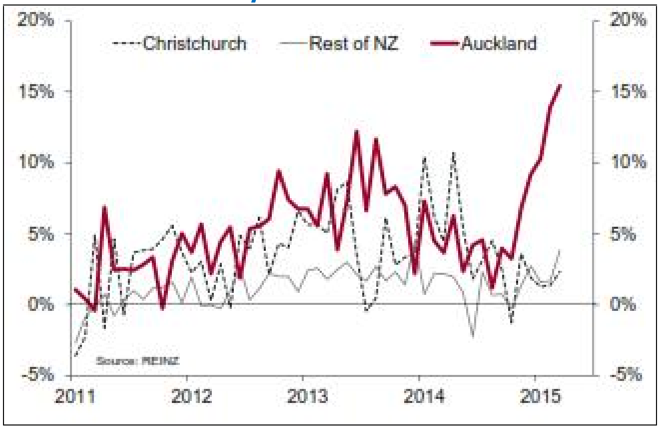
Auditor General, Lyn Provost reported in May that "*Surveys show that customers are not satisfied with how Building Control communicates. The fact that 70% of consent applications lodged go <u>on hold</u> pending further information suggests that there is a large gap between what Building Control expects and what customers believe is expected of them. Architectural and building firms told us that Building Control does not always communicate well or in a consistent way.*

"Auckland Council is technically meeting the statutory deadline for processing most building applications, complying with statutory time frames 98.5% of the time in 2013/14. The average time to process applications is 9-10 working days, much less than the statutory time limit of 20 working days. But the statutory time frame allows all territorial authorities to exclude the days that the application is put on hold.

"When the total elapsed time from lodging the application to issuing the consent is considered, Auckland Council processes 80% of applications within 40 working days. However, in exceptional circumstances, some applications can take more than 100 days to process. This includes the time it takes customers to provide the additional material requested."

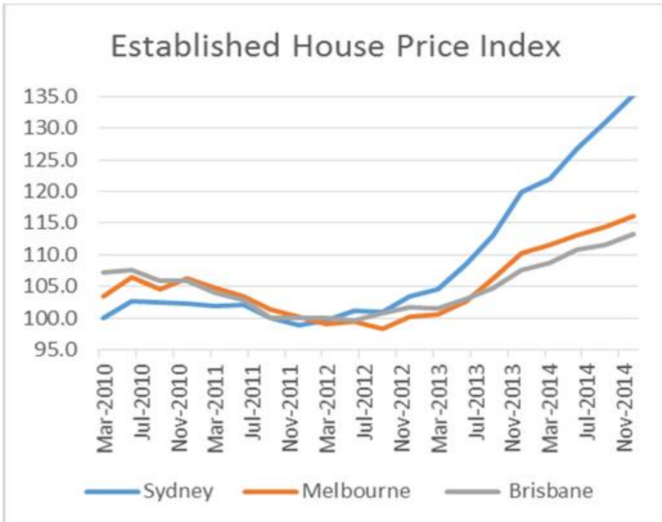
Five months is a ridiculously long time to be waiting for a consent. Auckland Council consenting team needs a huge shakeup. Their mediocracy is costing all New Zealanders.

HOUSE PRICES, CHANGE OVER SIX MONTHS



SYDNEY'S HOUSE PRICE BOOM

Those who think that Auckland's House Price escalation is just a Capital Gains Tax (CGT) issue need only to look across the Tasman, where CGT has done nothing to prevent Sydney's rocketing House Price growth.



SOURCE: AUSTRALIAN BUREAU OF STATISTICS

Dairy Competition Report ordered

The government wants the Commerce Commission to look into the state of competition in the dairy industry. Primary Industries Minister Nathan Guy and Commerce and Consumer Affairs Minister Paul Goldsmith say the report will help assess whether the law that allowed dairy giant Fonterra to be established is working. That law, the Dairy Industry Restructuring Act, contains provisions to ensure contestability in New Zealand's farm gate and factory gate markets.

Those provisions are intended to expire when there is workable competition in the domestic dairy market. "The dairy industry is a major part of our economy, and we've seen significant growth in recent years," Mr Guy said. "This report into the state of competition is key to assessing whether the Act is effectively promoting efficient operation of dairy markets in New Zealand." The Commerce Commission will start work on the report after June 1.

I have to say that the time is opportune for a review of all of Fonterra's operations. With 17 senior executives earning over $1,000,000 in salary there certainly appears to be plenty of fat within their corporate model.

Whole Milk Powder Exports to China

Dairy Industry Payout History

$/kgMS		Fonterra			Tatua		Westland		Synlait	Open Country	Miraka	Oceania Dairy
		Milk	Dividend	Total	Cash	Retention	Cash	Retention				
		$	$	$	$	$	$	%	$	$	$	$
1998-99	A			3.58								
1999-00	A			3.78								
2000-01	A			5.01								
2001-02	A			5.35								
2002-03	A	3.34	0.29	3.63								
2003-04	A	3.97	0.28	4.25								
2004-05	A	4.37	0.22	4.59								
2005-06	A	3.85	0.25	4.10								
2006-07	A	3.87	0.59	4.46			4.72					
2007-08	A	7.59	0.07	7.66	8.00		7.99					
2008-09	A	4.75	0.45	5.20	5.38		4.58		5.03			
2009-10	A	6.10	0.27	6.37	6.32		6.15		6.31	6.07		
2010-11	A	7.60	0.30	7.90	8.10	0.58	7.70	0.30	7.76	7.56		
2011-12	A	6.08	0.32	6.40	7.50	0.54	6.04	0.10	6.22		6.18*	
2012-13	A	5.84	0.32	6.16	7.40	1.17	6.34	0.10	5.89		5.94*	
2013-14	A	8.40	0.10	8.50	9.00	1.32	7.57	0.30	8.31	8.50	8.50*	8.75
2014-15	F	4.40	0.20-0.30	4.60-4.70	6.50		4.90-5.10		4.40-4.60	4.50-4.70	4.60*	
2015-16	F	5.25	?	?			5.60-6.00		5.50	4.75-4.95	5.35*	

SOURCE: INTEREST.CO.NZ

Commodity price monitor

Sector	Trend	Current level[1]	Next 6 months
Forestry	Slow overseas demand and competition from Russian log exports likely to weigh on prices. Demand from the local building industry remains strong.	Above Average	↘
Wool	Competition from oil-derived synthetics could prove to be a challenge this year.	Above Average	↘
Dairy	Low prices will help to restrain global milk supply, though the process could be a slow one.	Low	↗
Lamb	Plentiful supply overseas will weigh further on prices.	Average	↘
Beef	US beef supply remains tight, though prices may moderate as a growing number of countries look to fill the gap.	Above Average	↘

"Some estimates suggest that the failure rate is around 20 percent, meaning that each year, one of every five hedge funds goes up in smoke."

John C. Bogle

New Zealand Equities

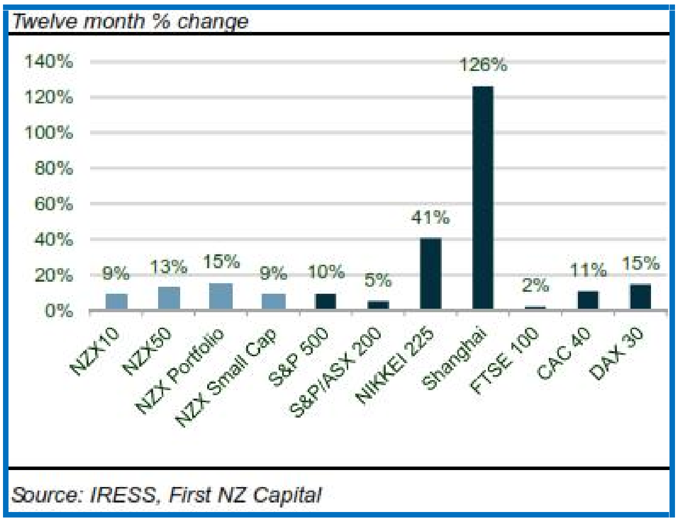
Softening growth prospects and subdued inflationary backdrop suggest the RBNZ will likely cut rates at the June *MPS.*

Economic data releases over the past month continue to suggest an above-trend near-term GDP growth rate, although leading indicators are now beginning to point to some softening in the pace of activity over the months ahead.

On the positive side of the ledger, retail sales recorded a very robust (2.7% QoQ) increase over the March quarter, while house price growth continued to pick up and annual migration flows reached a new historical high. However, in contrast, the unemployment rate was revised higher, the annual merchandise trade position continued to worsen; business confidence recorded a sharp fall in May and dairy auction prices continued to ease back.

In part reflecting the recent softening profile for dairy auction prices, Fonterra lowered its projected payout for 2015 by 10 cents to $4.40 kg/ms and projected a reasonably subdued initial estimate of $5.25 kg/ms for 2016.

Equity Market Performance – 30th May 2015

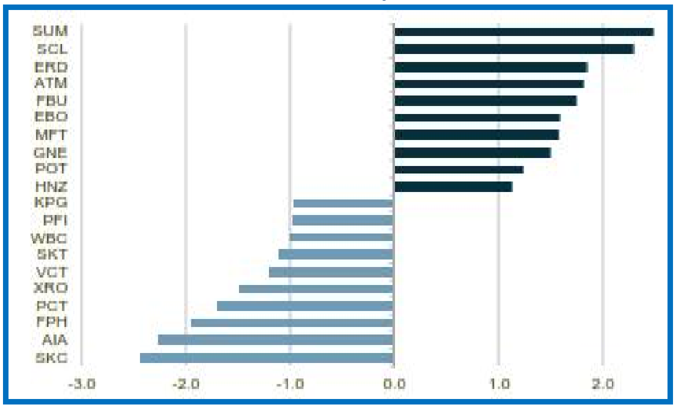


FNZC's NZ Model Portfolio Monitor

Over June, the most significant changes to their model portfolio have taken place in the utilities sector. In particular, they have moved their previous overweight positioning in **Contact Energy** back to market weight—primarily reflecting the price recovery back to fair value following the cancellation of the proposed offshore geothermal program, together with the payment of a special dividend. In contrast, we have moved **Meridian Energy** from an underweight back to market weight on an assessment that the yield trade had previously taken the stock well beyond its fair value. In addition, we have moved **Genesis Energy** to an overweight positioning on an anticipated cost-out program.

Other key portfolio changes have included the reduction in our underweight positioning in **Fisher & Paykel Healthcare** reflecting the absence of a negative catalyst in the near-term. They have also moved their overweight positioning in **PG Wrightson** to neutral on the back of weakening farm gate returns in the key markets which it services. Furthermore, they have moved their positioning in **Ryman** from a modest overweight to a slight underweight, reflecting recent price action and risks to FY16 earnings. In contrast they have moved to a modest overweight positioning in **Diligent** following the upward move to their price target after recent underperformance. Within the property sector they have made offsetting adjustments, lowering their overweight in **Argosy Property**, while simultaneously moving from a slight underweight to a modest overweight for **DNZ Property**.

Proposed FNZC Top Portfolio
Percentage Overweight/Underweight



The NZ equity market remains fully valued on an absolute and global relative PE basis, but continues to be supported by a low global interest rate environment, although this supportive factor has now begun to ebb back.

NZ Electricity Generators

Alert to smelter and thermal over-supply fears

Tiwai Point smelter owners will emphasise the current weak aluminium prices, and we expect a raised media profile will weigh on this sector after 1 July, 2015. However a weaker NZD/USD convinces us that smelter remains (at worst) cash breakeven, and we expect no resolution on 172MW cover contracts being likely until 2016.

Substantial fall in electricity futures prices for 2016, 2017 & 2018, reflecting Tiwai concerns and fears of sustained thermal oversupply. In our view, futures prices have overreacted, and we have deviated from our usual practice to use mid-May pricing (rather than most recent). We believe thermal profitability improvements will still eventuate, and should restore futures market confidence.

Retail churn remains high, but retail energy prices are steady. Contact Energy is a notable exception— watch its May operating statistics to see if April price reset lifts its netback at all.

Solar PV and batteries raised profile should accelerate drive to change to cost-reflective peak charging for lines costs. These should only apply to households with inverters or charging electric vehicles, to avoid controversial re-pricing for households without these technologies**.**

Australian 33TWh RET target agreed, but passing of amendment legislation not yet complete. Trustpower upside more likely to be opportunity to selldown Snowtown II for further gain, and relaxation of debt level, rather than pursuing imminent new wind projects. We don't expect Meridian Energy is in a position to secure any RET upside.

Demand growth continues on a positive track. Hopefully this will continue – but we believe it's still too soon to be reflected in sector outlook or futures prices.

Sector names are now trading at (or near) risk-weighted spot-DCF estimates, with the notable exception of Genesis Energy which still suffers from its FY15 PFI-miss guidance and weaker than expected Q1FY15 thermal profitability. Rising 10-year bond yields, Tiwai concerns, low futures pricing and low FY15 result expectations for Contact, Genesis and Mighty River Power are likely to weigh on the sector – a repeat of the yield-trade driven rise seen earlier this year seems unlikely for now.

FNZC has moved to NEUTRAL ratings across the sector, with the exception of Genesis which they have lifted to OUTPERFORM, as we believe has been oversold vs spot-DCF and may soon offer a positive catalyst in the form of major cost-out at its Huntly thermal generation site.

Spot-DCFvaluation.... Risk of Tiwai shutdown		**15% Risk**	**30% Risk**	**cps Impact**	**% Impact**
Contact Energy	CEN	5.69	5.54	-14	-2.5%
Genisis Energy	GNE	2.05	2.01	-4	-1.8%
Meridian Energy	MEL	2.2	2.19	-1	-0.6%
Mighty River Power	MRP	2.86	2.82	-4	-1.4%
Trustpower	TPW	7.82	7.77	-5	-0.6%

Source: First NZ Capital Estimates

Ebos Group (EBO)

NEUTRAL $10.38 Target: $11.00

The stock price has weakened lately partly given the strong run up to over $11 but also some market concerns around spending cuts in the upcoming Australian federal budget. There is no certainty that there will be cuts that effect Ebos however the risk is impacting the share price. A part (30% of Ebos Aust revenues) of the biz could see some impact. Although the market will want to see clarity around the issue (budget in May) we feel the share price has more than factored this in and see the current weakness as buying opportunity.

To recap - We believe that EBO offers upside from further acquisitions, additional hospital contracts (Queensland is the last state to potentially outsource pharmaceutical wholesaling in its public hospitals), further synergy benefits from integrating the Symbion acquisition, further growth in sales of higher margin consumer products, cycling the patent hurdle and a larger than expected contribution from the NZ services agreement with Health Benefits Ltd.

EBO Year to 30 June		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	92	101	111	124
Earnings /share (Adjust)	NZc	61.9	67.7	74.6	83.2
EPS Growth	%	20.8	9.4	10.1	11.5
Price / Earnings Ratio	x	15.4	14.0	12.7	11.4
Cash Per Share	NZc	68.7	75.3	81.7	90.5
Net Div / Share	NZc	41	45	49	55
Imputation	%	100	100	100	100
Net Yield	%	4.4	4.8	5.3	5.9
Gross Yield	%	5.0	5.4	6.0	6.7

Source: Company data; NZX; First NZ Capital Estimates

Diligent Board Member Services (DIL)

NEUTRAL $5.28 Target: $6.10

Brian Stafford, the new head of Diligent Board Member Services, sees "US$3 billion of opportunity" for the NZX-listed governance software firm as it builds on how customers are using the product and targets five sectors to accelerate growth. "*We have a tremendous runway for growth ahead of us*," said Stafford, who joined the company in April, replacing Alex Sodi as chief executive. "*Based on our analysis there is more than US$3 billion of opportunity for the Diligent BoardBooks product in the markets we are currently targeting and most of those opportunities are greenfield*."

The New York-based company recently reported first-quarter adjusted earnings before tax, depreciation and amortisation increased to US$7.73 million in the three months ended March 31, from US$6.4 million a year earlier. Sales rose 19 percent to US$19.1 million, while net income climbed 59 percent to US$3.1 million.

It affirmed full-year guidance, which forecasts full-year sales growth of up to 19%, expecting between US$97 million and US$99 million as it attracts customers to its BoardBooks service, and launches a new product, DiligentTeams in the third quarter. Stafford said BoardBooks customers are already using the product outside of the boardroom, such as financial services companies using it for bank loan file reviews, healthcare providers using it for doctor patient reviews or firms using it for executive team planning. "*This tells me that not only does Diligent have a highly valuable existing product, but that strong demand already exists for us to provide additional solutions to our customers which addresses multiple use cases*," Stafford said. "*Our new Diligent Teams product is purpose built to better address these expanded use cases and will significantly increase our total addressable market into the US$25 billion collaboration space and enable us to grow faster with our customers*."

He said in the US the company was targeting government, education, healthcare, regional banking and asset management sectors as it looked to expand its footprint.

As at March 31, Diligent had cash and cash equivalents of US$65.2 million, down US$5.6 million from Dec. 31 2014. The drop in cash was down to delays in invoicing as the company switched to a new system, it said. The company expects second-quarter sales to increase up to 17%, to between US$23.6 million and US$23.8 million.

A key catalyst remains new product, but there is a lack of further detail for now. As with recent quarters, management commentary remains upbeat. No material new information was given on new product DiligentTeams (DT) but it remains on track for 3Q15 launch. Any shareholder distribution / US listing is likely to be on hold for 1-2 years as DIL completes its transition and pursues growth.

DIL Year to 31 Dec		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	12.6	12.4	15.9	22.0
Earnings /share (Adjust)	NZc	12.9	14.2	18.8	27.1
EPS Growth	%	0.9	10.0	32.3	43.9
Price / Earnings Ratio	x	42.6	38.7	29.3	20.3
Cash / Share	NZC	15.8	18.4	24.1	33.6
Net Div / Share	NZc	0	0	0	0

Source: First NZ Capital Estimates

Opus International Consultants (OIC)

OUTPERFORM $1.38 Target: $1.95

Offshore distractions continue to mask the pending recovery in NZ. Despite yet another earnings disappointment that reflects OIC's Australian and Canadian operations, the company's strong domestic franchise and earnings remain on course to deliver better earnings on the back of projected higher activity level in the NZ infrastructure sector. OIC's NZ operation is the reason for our significant positive price to valuation gap in this stock. Despite the unwelcomed distractions offshore, OIC NZ operations accounts for more than 80% of group earnings and remains the key value driver of this company.

We maintain our view that given OIC's low gearing (7%), a higher payout ratio and a release of capital going forward would be welcomed by minority shareholders. Such a move would be a significant catalyst for OIC stock price. It would reflect positively on management's desire to maintain an optimal capital structure, and on the company that all shareholders interests including that of minorities are considered equal.

OIC Year to 31 Dec		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	26.5	22.2	25.7	27.9
Earnings /share (Adjust)	NZc	17.7	14.8	17.2	18.7
EPS Growth	%	7.1	-16.4	16.0	8.5
Price / Earnings Ratio	x	7.8	9.3	8.0	7.4
Cash / Share	NZC	24.1	21.5	23.8	25.0
Net Div / Share	NZc	8.9	7.6	9.0	9.5
Imputation	%	100	100	100	100
Net Yield	%	6.4	5.5	6.5	6.9
Gross Yield	%	9.0	7.6	9.1	9.6

Source: First NZ Capital Estimates

Orion Health (OHE)

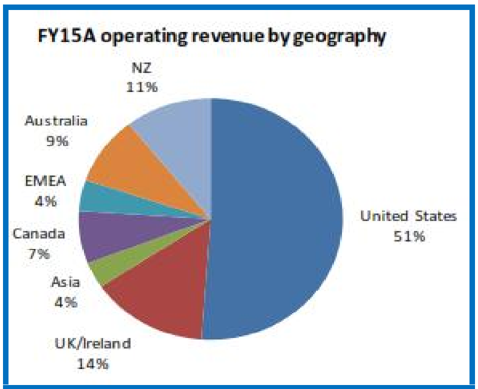
OUTPERFORM $4.00 Target: $5.00

OHE offers investors the opportunity to invest in the growing market for Population Health Management (PHM) solutions. We believe the drivers and momentum behind the move to PHM should result in strong market growth over the next three to five years. OHE is currently well positioned in this market but needs to execute to meet growth expectations and given the market is rapidly evolving.

The key catalyst remains any major new PHM deals that will validate OHE's solutions and its ability to execute and deliver revenue projections.

With no foreseeable dividend, this stock will only be of interest to those looking for long term capital appreciation.

OHE Year to 31 Mar		2015A	2016F	2017F	2018F
Adjusted Earnings	NZ$m	-60.8	-31.7	-21.3	1.0
Earnings /share (Adjust)	NZc	-37.9	-19.7	-13.3	0.6
Price / Earnings Ratio	x	-10.6	-20.3	-30.1	625
Cash / Share	NZC	-35.3	-16.8	-10.3	3.7
Net Div / Share	NZc	0	0	0	0



Scales Corporation (SCL)

OUTPERFORM $1.74 Target: $2.10

Reaffirming IPO guidance with positive comments on FY15F: One-third way into the selling season, SCL's management indicated at the company's AGM that it remains confident in delivering on FY15 IPO forecasts ($41m EBITDA, $21m NPAT). Net returns on apple sold (one-third) to date are in line with expectations while late-season price pressure observed in 2014 are not expected to repeat this year. SCL's storage and logistic business volumes in 1Q 2015 are now benefiting from a catch-up following a slow-start in 4Q 2014 for the 2014-15 cropping and meat processing season. Food ingredients are trading in line with pcp. There remain upside risks to our above-prospectus FY15 forecast.

A word of caution however - Investors need to recognise the vagaries of investing in the primary industries sector. Climatic conditions can dramatically alter best intentions.

SCL Year to 31 Dec		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	19.8	21.9	22.4	26.4
Earnings /share (Adjust)	NZc	15.3	15.7	16.0	18.9
EPS Growth	%	-8.4	2.6	2.0	17.9
Price / Earnings Ratio	x	11.4	11.1	10.9	9.2
Cash / Share	NZC	22.7	22.9	23.6	26.1
Net Div / Share	NZc	3.0	10.5	11.0	13.4
Imputation	%	100	100	100	100
Net Yield	%	1.7	6.0	6.3	7.7
Gross Yield	%	2.4	8.4	8.8	10.7

Source: First NZ Capital Estimates

Sky City (SKC)

UNDERPERFORM $3.96 Target: $3.65

The Northern Territory Government has announced that it will impose a new Community Benefit Levy (CBL) on SKC's Darwin Casino. This announcement presents a clear example of the regulatory risks that exist when investing in SKC. We flag that, despite the 10% CBL being imposed on EGM revenue from FY16, this may in fact not be the last negative gaming tax related announcement for SKC Darwin in the short-term. There remains a risk that the broader Northern Territory gaming tax review will deliver an increase to the 20% rate currently applied to EGM revenue at SKC Darwin.

Not directly related but this highlights why the Convention Centre is important given that it gives certainty and longevity around gaming licence duration and taxes.

SKC Year to 30 June		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	123	128	138	152
Earnings /share (Adjust)	NZc	21.4	21.7	23.5	25.8
EPS Growth	%	-10.0	1.6	8.3	9.9
Price / Earnings Ratio	x	18.5	18.2	16.8	15.3
Cash / Share	NZC	33.9	34.7	36.7	39.4
Net Div / Share	NZc	20.0	20.0	20.0	22.5
Imputation	%	60	15	15	60
Net Yield	%	5.1	5.1	5.1	5.7
Gross Yield	%	6.2	5.3	5.3	7.0

Source: First NZ Capital Estimates

Spark New Zealand (SPK)

NEUTRAL $2.88 Target price $2.91

Spark remains a strong dividend stock, favoured by offshore investors.Spark, which is in the midst of trying to drive revenue into its data and cloud-based service, has retreated 20 per cent from its eight-year high of $3.53 in February. The stock is held by offshore investors for its liquidity and relatively high dividend yield, still looks overpriced for New Zealand investors.

I don't think it can grow its dividend to any great extent but the current dividend looks safe and reliable. If offshore investors bail, with their home markets improving, Spark's share price looks vulnerable to downward pressure.

SPK Year to 30 June		2014A	2015F	2016F	2017F
Adjusted Earnings	NZ$m	321	336	349	369
Earnings /share (Adjust)	NZc	17.6	18.3	18.9	19.9
EPS Growth	%	-7.0	4.0	3.2	5.3
Price / Earnings Ratio	x	16.2	15.6	15.1	14.3
Cash / Share	NZC	31.5	31.8	32.5	33.5
Net Div / Share	NZc	17.0	18.0	19.0	20.0
Imputation	%	100	100	100	100
Net Yield	%	6.0	6.3	6.7	7.0
Gross Yield	%	8.3	8.8	9.2	9.7

Source: First NZ Capital Estimates

Xero (XRO)

NEUTRAL $20.85 Target price $24.50

This stock offers a higher growth, higher risk strategy. **Surge in innovation and US/ROW, but at a cost:** Emboldened by NZ$147m of additional capital, we see XRO pivoting back to a higher growth, higher-risk strategy. Whilst customers/revenue were in line, the key delta to our estimates was the ramp up of costs in 2H15. Also, we have observed a surge of innovation, which we expect to continue in FY16.

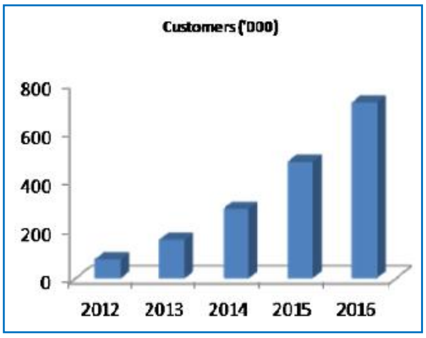
Revenue in line, loss deeper than expected: Global Customers +67% (FY14: 284k to FY15: 475k), +1% versus our 469k estimate. Revenue +78% (FY14: $71m to FY15: $127m), in line with our $127m estimate. Net Loss deepened (FY14: $35.5m to FY15: $69.5m) versus our $52.7m estimate.

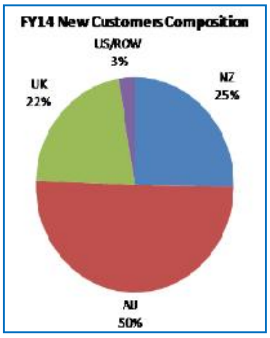
Valuation: Based on greater cost intensity upfront, our key estimate changes are to deepen FY16-FY18 losses and push out break-even. We also adjust our risk weightings for valuation, increasing the probabilities of both a low case and mid case for the US. The net effect is a reduction in our target price from $26.30 to $24.50/sh.

The problem with companies like Xero, which operate on a subscription basis, is that as a customer signs up for an ongoing contract, the company receives its revenue each month or quarter or year, but has already incurred all of its costs to win that client upfront.

The company has already paid for sales and marketing, developing and maintaining the software and infrastructure and sets about selling it to as many customers as possible. The timing of income and costs are not matched. Businesses like Xero are forward-looking rather than backward-looking. The success of the business is about what it is likely to make this year, next year and the next, not what it has earned and spent in the previous period. The problem is, forward-looking businesses require estimates, projections, assumptions and yes, finger crossing.

Backward-looking businesses, like those that count earnings rather than revenue as a measure of success, still require some assumptions as to whether their success will continue. At least with a profitable company it isn't a complete leap of faith as to whether recurring revenue will continue to recur.





XRO Year to 31 Dec		2015A	2016F	2017F	2018F
Adjusted Earnings	NZ$m	-69.5	-89.8	-64.5	-46.3
Earnings /share (Adjust)	NZc	-50.8	-65.6	-47.1	-33.6
EPS Growth	%	81.5	29.1	-28.1	-28.3
Price / Earnings Ratio	x	-41.1	-31.8	-44.2	-61.7
Cash / Share	NZC	-48.2	-62.7	-43.3	-29.3
Net Div / Share	NZc	0	0	0	0

Source: First NZ Capital Estimates

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

Graham Nelson
Director, Wealth Management Adviser AFA

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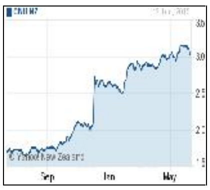
I have worked with Graham for many years, and he has always provided a thoroughly professional and courteous service, coupled with good advice.

STOCKS TO WATCH

NEW ZEALAND

Prices as at 15h June 2015

NOTE: THESE ARE ALL ONE YR GRAPHS



Chorus

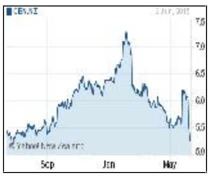
CNU provides stable infrastructure-like cash flows in the long-term but must first work through issues including, copper pricing to apply through to 2019; the amount of capex on the Ultra Fast Broadband (UFB) network; and the regulatory review which should lead to a new regulatory framework to set copper and fibre pricing beyond 2020 when they are set to expire. We expect progress on all three issues in the next 12 months with copper pricing in particular set to be resolved – something that will pave the way for resumption of dividends and broader investor interest in CNU.

20015 P/E: 9.8 2016 P/E: 9.9

NZX Code:	**CNU**
Share Price:	**$3.03**
12mth Target:	**$2.98**
Projected return (%)	
Capital gain	-0.1%
Dividend yield (Net)	3.3%
Total return	**3.2%**

Rating: **NEUTRAL**

52-week price range (NZ$)1.64-3.19



Contact Energy

CEN has dropped its mooted foray into offshore geothermal and hydro investments, ending an unpopular plan among investors. Management cited few imminent opportunities, and long gestation periods. Instead a 50cps fully imputed special dividend was announced, to be paid 23 June with record date 10 June. This dwarfs previous dividends (FY14 26cps) and free cash flow (circa 45cps). The $367m payment will be largely debt-funded. Standard & Poor's reaffirmed its 'BBB' long-term credit rating following the announcement.

20015 P/E: 23.9 2016 P/E: 23.3

NZX Code:	**CEN**
Share Price:	**$5.29**
12mth Target:	**$5.95**
Projected return (%)	
Capital gain	11.1%
Dividend yield (Net)	4.9%
Total return	**16.0%**

Rating: **NEUTRAL**

52-week price range (NZ$) 5.16-7.30

Delegat's Group

DGL has a proven track record of expanding production, developing markets and its brand since listing in 2006. This provides some reassurance as DGL enters its next growth phase to achieve its ambition of being a leading global super-premium wine company. Between 2014 and 2019, DGL is projecting a 50% increase in case sales to circa 3.1m cases, driven by continued capacity expansion and following the acquisition of Barossa Valley Estates (BVE) in Australia. Recent additional land acquisition will see case sales of over 3.6m cases by 2023.

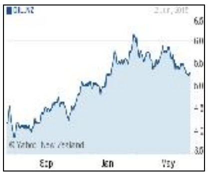
2015 P/E: 13.6 2016 P/E: 12.1

NZX Code:	**DGL**
Share Price:	**$4.80**
12mth Target:	**$5.20**
Projected return (%)	
Capital gain	8.3%
Dividend yield (Net)	2.7%
Total return	**11.0%**

Rating: **NEUTRAL**

52-week price range (NZ$) 4.10-5.00

Diligent



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DIL has emerged well from the turbulent 18 month period from Dec-12. Going forward we see greater stability. Unlike the majority of NZ-listed technology / software stocks, DIL has reasonable cash generation. Expect DIL to retain double digit growth at the top line over the next three years, whilst offering some interesting prospective upside from the new DiligentTeams (DT) product.

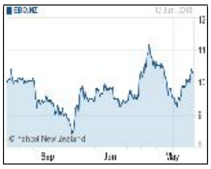
2015 P/E: 55.7 2016 P/E: 36.0

NZX Code:	**DIL**
Share Price:	**$5.37**
12mth Target:	**$6.35**
Projected return (%)	
Capital gain	18.2%
Dividend yield (Net)	0.0%
Total return	**18.2%**

Rating: NEUTRAL

52-week price range (NZ$) 3.84-6.40

Ebos Group



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EBO is delivering margin expansion, and improving productivity. We remain impressed with the discipline and the strategies undertaken by EBO management, which is yielding as excellent results in the context of what is arguably a very challenging sector backdrop.

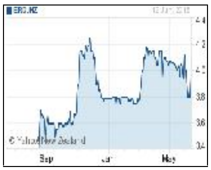
2015 P/E: 14.9 2016 P/E: 13.5

NZX Code:	**EBO**
Share Price:	**$10.15**
12mth Target:	**$10.30**
Projected return (%)	
Capital gain	1.5%
Dividend yield (Net)	4.7%
Total return	**6.2%**

Rating: NEUTRAL

52-week price range (NZ$) 8.44-11.20

EROAD



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Our analysts continue to like ERD's business model and the opportunity it has to replicate its NZ growth in Oregon and to expand into other markets in the US, initially with its IFTA and electronic logging solutions. FY16 is a critical year for ERD to execute in Oregon and the company appears well positioned to achieve its ambitions. This is a growth story, with no dividend income to back it up.

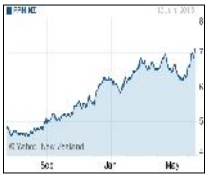
2016 P/E: 66.3 2017 P/E: 20.5

NZX Code:	**ERD**
Share Price:	**$3.95**
12mth Target:	**$5.05**
Projected return (%)	
Capital gain	27.8%
Dividend yield (Net)	0%
Total return	**27.8%**

Rating: OUTPERFORM

52-week price range (NZ$) 3.32-4.28

F&P Healthcare



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Earnings at $113.2m compared to the pcp at $97.0m. In the context of previous guidance, FPH beat the top end of the $105-110m range by 3%. Sales growth in cc terms was +13%, with sales of consumables and accessories comprising 81% of core revenues, up from 78% at the pcp and from 80% as at 1H15. Gross Profit, at $411.0m, compared to 2014 at $365.4m, representing a 12% increase. A great stock, but now looking a touch expensive.

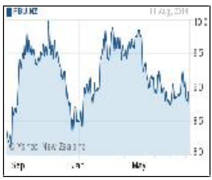
2015 P/E: 32.5 2016 P/E: 28.9

NZX Code:	**FPH**
Share Price:	**$7.09**
12mth Target:	**$6.05**
Projected return (%)	
Capital gain	-14.7%
Dividend yield (Net)	2.5%
Total return	**-12.2%**

Rating: UNDERPERFORM

52-week price range (NZ$) 4.51-7.18

Fletcher Building



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2015 performance will be impacted by businesses sold in 2014. Expect further cost savings from FBunite of $25m, and earnings from Fletcher living residential development business to be improving year on year. 2015 operating earnings before significant items is expected to be at lower end of guidance range of $650m to $690m. The weaker NZDUSD is also adding value.

2015 P/E: 14.9 2016 P/E: 13.5

NZX Code:	**FBU**
Share Price:	**$8.46**
12mth Target:	**$10.80**
Projected return (%)	
Capital gain	27.6%
Dividend yield (Net)	5.1%
Total return	**32.7%**

Rating: OUTPERFORM

52-week price range (NZ$) 7.91-9.38

Fonterra Shareholder Fund

→

As a co-operative, FSF's access to capital is limited and this has been placing pressure on the balance sheet at a time when investment is higher (to support a growth strategy) and earnings are challenged by a range of factors including ingredients volatility, difficult conditions in Oceania and a sustained fall in the WACC return in the milk price formula. We see attractiveness in what FSF is trying to achieve but note limitations in its ability to do so, also with access to capital being an ongoing constraint.

2015 P/E: 14.0 2015 P/E: 13.7

NZX Code:	**FSF**
Share Price:	**$4.65**
12mth Target:	**$5.08**
Projected return (%)	
Capital gain	9.2%
Dividend yield (Net)	5.1%
Total return	**14.3%**

Rating: NEUTRAL

52-week price range (NZ$) 4.62-6.41

Freightways

→

FRE is likely to further strengthen its competitive position and grow market share through strategies such as investment in its automated operating platform. The company continues to grow its presence in Information Management through bolt-on acquisitions and expanding capacity in key centres in Australia.

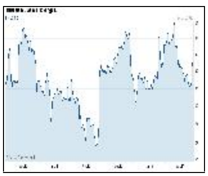
2015 P/E: 18.1 2016 P/E: 16.4

NZX Code:	**FRE**
Share Price:	**$6.11**
12mth Target:	**$6.20**
Projected return (%)	
Capital gain	1.5%
Dividend yield (Net)	4.1%
Total return	**5.6%**

Rating: NEUTRAL

52-week price range (NZ$) 4.75-640

Genesis Energy



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GNE's Asset Management Plan finalisation should be a much-needed positive catalyst. News on a potential $20m (or more) capex and cost savings at the Huntly thermal site is expected in the next month or so. This would give upside to our Analysts valuation, which assumes no savings. They have lifted GNE to an OUTPERFORM, as the negative sentiment regarding its FY15 EBITDAF PFI target miss has seen this stock oversold.

2015 P/E: 20.8 2016 P/E: 21.7

NZX Code:	**GNE**
Share Price:	**$1.88**
12mth Target:	**$2.02**
Projected return (%)	
Capital gain	7.4%
Dividend yield (Net)	8.7%
Total return	**16.1%**

Rating: OUTPERFORM

52-week price range (NZ$) 1.64-2.28

"Price is what you pay. Value is what you get." – Warren Buffet

↑

Hallenstein Glasson

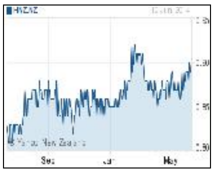
While our central premise does not assume HLG returns to the halcyon days of 2010 where it earnt in excess of $20m, the current share price undervalues the stock. The recent post Xmas trading update was positive, with Group sales for December/January +8% on the previous corresponding period (pcp). HLG is forecasting first half 2015 earnings at +32% on the pcp. Current yield also attractive at +12.8%, with robust balance sheet.

2015 P/E: 11.8 2016 P/E: 11.5

NZX Code:	**HLG**
Share Price:	**$3.87**
12mth Target:	**$4.10**
Projected return (%)	
Capital gain	5.9%
Dividend yield (Net)	8.2%
Total return	**14.1%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.77-3.95



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Heartland New Zealand

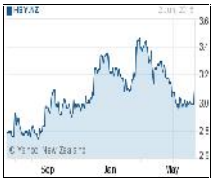
With no earnings momentum HNZ appears to be fairly priced, but offers earnings upside from potential acquisitions, organic growth of its loan book and seeing its Home Equity Release business gain traction (something which to date has been slower than expected). While it does not concern us it is worth noting that bad debts are probably as low as they will get in the current economic environment.

2015 P/E: 13.3 2016 P/E: 12.0

NZX Code:	**HNZ**
Share Price:	**$1.24**
12mth Target:	**$1.40**
Projected return (%)	
Capital gain	12.9%
Dividend yield (Net)	5.4%
Total return	**18.3%**

Rating: NEUTRAL

52-week price range (NZ$) 0.90-1.42



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Hellaby Holdings

HBY is to purchase two businesses for around 5xEBITDA for a purchase price of $25m total, and generating a combined revenue of $50m. Diesel and Mechanical Services Limited (DAMS) is a Waikato based firm providing maintenance, repair and engineering services to the truck industry. JAS Oceania Pty Limited is an Australian based national distributor of auto electrical, air conditioning and lighting components to the auto industry.

2015 P/E: 11.1 2016 P/E: 10.5

NZX Code:	**HBY**
Share Price:	**$3.05**
12mth Target:	**$3.65**
Projected return (%)	
Capital gain	19.6%
Dividend yield (Net)	7.1%
Total return	**26.7%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.75-3.47

→

Infratil NZ

Infratil anticipates it will make less capital investment in the year ahead with high prices for potential acquisitions making it cautious. Infratil's profit for the year to March showed a net parent surplus of $384m, compared with $199m in 2014. It largely reflected the combined impacts of divestments, mainly Australian energy assets, totalling a net $345m and strong earnings from Trustpower, which began booking returns from its Snowtown Stage 2 wind power station in South Australia.

2015 P/E: 35.4 2016 P/E: 19.8

NZX Code:	**IFT**
Share Price:	**$3.21**
12mth Target:	**$3.24**
Projected return (%)	
Capital gain	0.9%
Dividend yield (Net)	4.5%
Total return	**5.4%**

Rating: NEUTRAL

52-week price range (NZ$) 2.36-3.41

→

Mainfreight

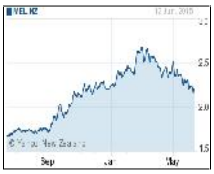
MFT's latest result showed continued solid growth despite headwinds 2015 EBITDA increased 8.7% to $162.2m, modestly exceeding the top end of the guidance range of $156-$160mn. Despite this 2015 was notable for a weaker performance in Australia, due to a difficult macro environment, and in the Americas as a result of an elevated cost base primarily due to port congestion issues. Normalised NPAT increased 7.7% to $83.5m.

2015 P/E: 18.9 2016 P/E: 16.9

NZX Code:	**MFT**
Share Price:	**$15.92**
12mth Target:	**$17.50**
Projected return (%)	
Capital gain	9.9%
Dividend yield (Net)	2.5%
Total return	**12.4%**

Rating: NEUTRAL

52-week price range 14.00-16.35



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Meridian Energy

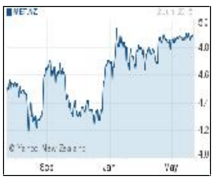
After updating their model for weaker futures prices, and several strong monthly operating updates, our Analysts FY15 EBITDAF forecast has increased to $625m (0.8%): But FY16 and FY17 decline by $29m (4.7%) and $12m (1.9%) respectively. They attribute no value to MEL's Australian wind options. Although the revised 33TWh LRET target is positive, they don't believe MEL has wind options which could produce large NPV uplifts over the next few years.

2015 P/E: 29.2 2016 P/E: 28.0

NZX Code:	**MELCA**
Share Price:	**$2.18**
12mth Target:	**$2.22**
Projected return (%)	
Capital gain	1.8%
Dividend yield (Net)	7.2%
Total return	**9.0%**

Rating: UNDERPERFORM

52-week price range (NZ$) 1.69-2.70



↑

Metlifecare

As with all NZ retirement village operators, MET is set to benefit from strong demographic drivers over the coming decade. MET has an advantaged portfolio from a geographic perspective, given a majority of its units are already in the Auckland region. Its portfolio mix towards retirement village, as opposed to aged care gives results in more leverage to the property cycle. This is currently supportive, particularly in Auckland.

2015 P/E: 19.8 2016 P/E16.7

NZX Code:	**MET**
Share Price:	**$4.88**
12mth Target:	**$5.50**
Projected return (%)	
Capital gain	12.7%
Dividend yield (Net)	1.0%
Total return	**13.7%**

Rating: OUTPERFORM

52-week price range (NZ$) 4.16-4.94

↑

Metro Performance Glass

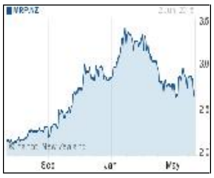
Management is signalling some downside risks to the company's prospectus forecast for 1H16F. The key in this update was the commissioning of its new and fully automated manufacturing facility in Auckland. This has significantly reduced the risk to MPG potentially missing its 1H16F and FNZC's previous forecasts is a timing issue, which relates to a period of longer-than-normal lag in the conversion of residential consents issued into revenue.

2015 P/E: 16.0 2016 P/E: 15.4

NZX Code:	**MPG**
Share Price:	**$1.65**
12mth Target:	**$2.20**
Projected return (%)	
Capital gain	33.3%
Dividend yield (Net)	5.2%
Total return	**38.5%**

Rating: OUTPERFORM

52-week price range (NZ$) 1.61-2.03



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Mighty River Power

Updating our Analysts model for weaker futures prices, their FY15 EBITDAF forecast has decreased by $7mn (1%) to $484m. The impact is greater on subsequent years. FY16E and FY17E EBITDAF forecasts decline by $18m (3.4%) and $12m (2.2%) respectively. Our risk-weighted spot-DCF estimate for MRP is $2.83/share, reflecting soft medium-term futures prices. The yield-trade has receded, and MRP now trades close to their valuation.

2015 P/E: 24.6 2016 P/E: 22.1

NZX Code:	**MRP**
Share Price:	**$2.73**
12mth Target:	**$2.94**
Projected return (%)	
Capital gain	7.7%
Dividend yield (Net)	6.8%
Total return	**14.5%**

Rating: NEUTRAL

52-week price range (NZ$) 2.13-3.43

↑

Opus International Consultants

Offshore distractions continue to mask pending recovery in NZ. Despite yet another earnings disappointment that reflects OIC's Australian and Canadian operations, the company's strong domestic franchise and earnings remain on course to deliver better earnings on the back of projected higher activity level in the NZ infrastructure sector. OIC's NZ operation is the reason for our significant positive price to valuation gap in this stock. NZ operations accounts for more than 80% of group earnings and remains the key value driver of this company.

2015 P/E: 8.4 2016 P/E: 8.1

NZX Code:	**OIC**
Share Price:	**$1.30**
12mth Target:	**$2.20**
Projected return (%)	
Capital gain	69.2%
Dividend yield (Net)	6.6%
Total return	**75.8%**

Rating: OUTPERFORM

52-week price range (NZ$) 1.35-2.15

→

PGG Wrightson

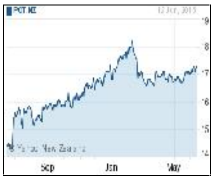
PGW offers some significant long term opportunities. We continue to like management's growth strategy which focuses on improving existing business through share gain in segments where PGW is under-represented and on segments and geographies with structural growth opportunities. Key opportunities for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

2015 P/E: 9.7 2016P/E: 11.0

NZX Code:	**PGW**
Share Price:	**$0.46**
12mth Target:	**$0.50**
Projected return (%)	
Capital gain	8.6%
Dividend yield (Net)	8.6%
Total return	**17.2%**

Rating: NEUTRAL

52-week price range (NZ$) 0.38-0.53



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Port of Tauranga

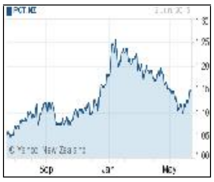
With unsustainably low returns for shipping lines and the introduction of bigger ships from 2017, expect significant future consolidation of container trade across NZ ports. POT is well placed to benefit from that consolidation through its close proximity to one of NZ's major export production regions, strategic investments in infrastructure facilities beyond Tauranga and its ability to invest for bigger ships while still earning a satisfactory return on invested capital (ROIC) on that incremental investment. Forecasts and valuation consider a 2 hub port scenario with POT acting as 1 of those hubs. Our analysts generate a discounted cash flow based price target of $17.80 per share. This is a "must own" stock.

2015 P/E: 29.7 2016 P/E: 28.1

NZX Code:	**POT**
Share Price:	**$17.27**
12mth Target:	**$17.80**
Projected return (%)	
Capital gain	3.1%
Dividend yield (Net)	3.5%
Total return	**6.6%**

Rating: NEUTRAL

52-week price range (NZ$14.30-18.35



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Precinct Properties

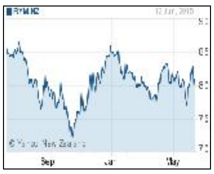
Expect the strong CBD office market dynamics to remain in the Auckland region and drive strong rental growth in the short-term, however this will only help to minimise the earnings dilution from their asset divestment recycling programme and front-ended equity raise. Whilst the company is right to be recycling out of older assets and creating new assets, these exercises tend to be more about value protection than value creation.

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

NZX Code:	**PCT**
Share Price:	**$1.14**
12mth Target:	**$1.11**
Projected return (%)	
Capital gain	-2.6%
Dividend yield (Net)	5.5%
Total return	**2.9%**

Rating: UNDERPERFORM

52-week price range (NZ$) 1.05-1.26



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Ryman Healthcare

It was a robust 2015 Financial Year. Underlying profit was up 15% to (another) record $136m, in line with our expectations. We see this as another high quality result, but one unlikely to reignite the outperformance of recent years. Due to RYM's success, the threshold to surprise is very high.

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

NZX Code:	**RYM**
Share Price:	**$8.10**
12mth Target:	**$8.25**
Projected return (%)	
Capital gain	1.8%
Dividend yield (Net)	1.9%
Total return	**3.7%**

Rating: NEUTRAL

52-week price range (NZ$) 7.22-8.68

↓

Sky City Entertainment

SKC faces both structural and regulatory headwinds that are unlikely to dissipate in the short to medium-term. Competition for the leisure dollar and an image problem amongst the younger demographic appears to be causing gaming machine participation decline. In addition the New Zealand International Convention Centre (NZICC) and Adelaide Redevelopment projects have increased the medium-term risk around earnings, capital expenditure and as a consequence of that, valuation.

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

NZX Code:	**SKC**
Share Price:	**$4.30**
12mth Target:	**$3.65**
Projected return (%)	
Capital gain	-15.1%
Dividend yield (Net)	5.1%
Total return	**-10.0%**

Rating: UNDERPERFORM

52-week price range (NZ$) 3.41-4.49

➔

Sky Network Television

SKT believes that cannibalisation risks associated with delivering smaller slices of premium content online are limited. Directionally SKT favours the UK model adopted by BSkyB. This is encouraging but SKT was not specific on size of market or how aggressively it would add product in OTT although the sports channels are coming. SKT has the content, and hence time, and our view is that it is right to take a cautious and iterative approach to rolling out OTT at this stage.

2015P/E: 13.6 2016 P/E: 14.1

NZX Code:	**SKT**
Share Price:	**$6.26**
12mth Target:	**$6.21**
Projected return (%)	
Capital gain	-0.8%
Dividend yield (Net)	5.0%
Total return	**4.2%**

Rating: NEUTRAL

52-week price range (NZ$) 5.55-6.95

➔

Spark NZ

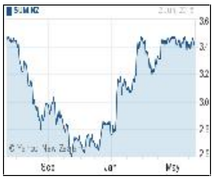
FNZC maintain caution in the absence of sufficient conviction on where long-term earnings settle. They differentiate between the impact of competition (a constraint certainly) and SPK's incumbent legacy revenue streams which will have a more material negative impact on earnings if not addressed. With the recent price pullback SPK now offers more reasonable value.

2015 P/E: 15.6 2016 P/E: 15.1

NZX Code:	**SPK**
Share Price:	**$2.78**
12mth Target:	**$2.91**
Projected return (%)	
Capital gain	4.7%
Dividend yield (Net)	6.1%
Total return	**10.8%**

Rating: NEUTRAL

52-week price range (NZ$) 2.64-3.54



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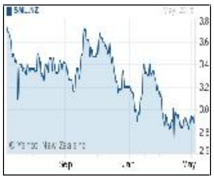
Summerset Group Holdings

SUM is well positioned to benefit from a highly attractive business model, compelling demographic tailwinds and strong management. It is about to enter another phase of high profit growth reflecting the build out of recently established retirement villages and a high build rate as a proportion of existing units. SUM's build rate is expected to almost double from 2013-2016 to 400 units per annum, and it's land bank equates to over 100% of its existing portfolio. 2015 P/E: 26.9 2016 P/E: 23.5

NZX Code:	**SUM**
Share Price:	**$3.45**
12mth Target:	**$3.70**
Projected return (%)	
Capital gain	7.2%
Dividend yield (Net)	2.0%
Total return	**9.2%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.58-3.50



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Synlait Milk

SML is planning to expand its processing and product capabilities that will further lift the company's presence in the downstream market. SML has potential to more than double its earnings from $39m in 2015 to $86m in 2017. This is premised on the company successfully executing the expansion of its manufacturing facilities and increasing sales in higher margin nutritional and infant formula.

2015 P/E: 21.7 2016 P/E: 12.3

NZX Code:	**SML**
Share Price:	**$2.54**
12mth Target:	**$3.85**
Projected return (%)	
Capital gain	12.2%
Dividend yield (Net)	0%
Total return	**12.2%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.52-3.75

➔

TrustPower

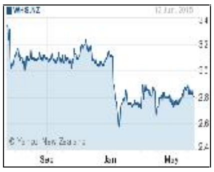
Our analysts are forecasting a partial sell-down of Snowtown II in Australia. Management wants to avoid getting caught competing against an initial flood of challenged projects trying to complete quickly after the 33TWh LRET target becomes law.

2015 P/E: 19.9 2016 P/E: 19.8

NZX Code:	**TPW**
Share Price:	**$7.75**
12mth Target:	**$8.18**
Projected return (%)	
Capital gain	5.5%
Dividend yield (Net)	5.3%
Total return	**10.8%**

Rating: NEUTRAL

52-week price range (NZ$) 6.85-8.40



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Warehouse

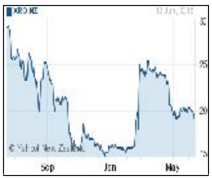
The question about WHS is whether 2015 represents a cyclical, or structural, reference point. It will be challenging to recover from an earnings base in the vicinity of $50-55 million going forward, for WHS to grow sales and/or increase margins from here, particularly in a saturated market.

2015 P/E: 18.0 2016 P/E: 17.0

NZX Code:	**WHS**
Share Price:	**$2.82**
12mth Target:	**$2.40**
Projected return (%)	
Capital gain	-14.9%
Dividend yield (Net)	0%
Total return	**-8.2%**

Rating: NEUTRAL

52-week price range (NZ$) 2.59-3.45



➔

Xero

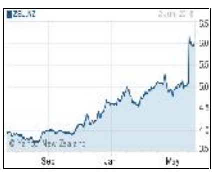
Xero has reached 500k global customers, up from 475,000 at 31 March 2015. This is a significant milestone from a marketing perspective, but limited impact from a share performance point of view. This New Zealand cloud-based accounting software developer said its full-year operating revenues rose 77% on the back of strong growth in customer subscriptions, particularly in North America and Australia. Revenues jumped to $123.9m $70.1m a year earlier. The fast-growing company reported a net loss after tax of $69.5m.

2015 P/E: -60.1 2016 P/E: -49.2

NZX Code:	**XRO**
Share Price:	**$18.93**
12mth Target:	**$26.30**
Projected return (%)	
Capital gain	38.9%
Dividend yield (Net)	0%
Total return	**38.9%**

Rating: NEUTRAL

52-week price range ($) 15.00-29.50



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Z Energy

ZEL has agreed to acquire 100% of Chevron New Zealand's (CNZ) downstream fuels business for a total of $803m, including $18m of transaction costs. The purchase includes 2m barrels inventory; supply to 146 Caltex branded sites and 73 truck stops; 10 terminal assets; and The *Challenge* brand, transitional use of *Caltex* brand, and participation in the AA *Smartfuel* loyalty program. Funding will be via cash on hand of $80m, $540m of additional debt, and a targeted $185m pro-rata equity issue.

2015P/E: 20.5 2016 P/E: 18.3

NZX Code:	**ZEL**
Share Price:	**$6.00**
12mth Target:	**$6.02**
Projected return (%)	
Capital gain	0.3%
Dividend yield (Net)	4.4%
Total return	**4.7%**

Rating: UNDERPERFORM

52-week price range (NZ$) 3.70-6.21

NZ LISTED COMPANIES **8th June 2015** Source: First NZ Capital, CSFB	Ticker	Mrkt Cap (NZ$m)	Price 8/6/15 (NZ$)	Price 30/3/15 (NZ$)	Fair Value	Price Earnings (x)		Gross Yield (%)	
						FY15	FY16	FY15	FY16
OIL & GAS & CONSUMABLE FUELS									
Z Energy	ZEL	2,372	5.93	5.00	6.02	19.6	17.5	5.7%	6.3%
INDUSTRIALS									
Capital Goods									
Fletcher Building	FBU	5,813	8.44	8.50	9.74	15.2	13.7	5.5%	6.2%
Opus International Consultants	OIC	201	1.34	1.40	1.85	9.0	7.8	7.9%	9.3%
Methven	MVN	87	1.19	1.15	1.25	11.7	11.7	9.3%	9.4%
Metro Performance Glass	MPG	311	1.68	1.81	1.90	15.4	14.8	3.0%	7.0%
Steel & Tube Holdings	STU	266	3.01	2.85	2.95	11.9	10.5	8.8%	10.4%
Agriculture									
Fonterra Shareholders' Fund	FSF	515	4.75	5.60	4.78	14.0	13.7	4.7%	5.1%
PGG Wrightson	PGW	362	0.48	0.49	0.50	9.7	11.0	11.6%	11.6%
Airlines									
Air New Zealand	AIR	3,141	2.80	2.70	2.10	8.8	7.3	6.9%	7.7%
Road Rail & Air									
Freightways	FRE	961	6.22	6.22	5.80	18.5	16.8	5.4%	5.7%
Mainfreight	MFT	1,603	16.10	16.63	16.00	19.1	17.0	2.9%	3.4%
Airwork Holdings	AWK	154	3.07	3.07	3.15	10.1	8.7	7.2%	8.0%
Transport Infrastructure									
Auckland International Airport	AIA	5,869	4.93	4.54	3.50	33.8	31.2	4.2%	4.4%
Port of Tauranga	POT	2,347	17.24	17.10	17.80	29.7	28.2	4.3%	4.7%
Infratil	IFT	1,812	3.23	3.18	3.03	23.7	20.5	11.8%	6.0%
CONSUMER DISCRETIONARY									
Hotels, Restaurants & Leisure									
Sky City Entertainment Group	SKC	2,567	4.37	4.05	3.35	20.1	18.6	4.8%	4.8%
Restaurant Brands New Zealand	RBD	440	4.40	4.03	4.50	19.6	18.1	5.9%	6.4%
Media									
Sky Network Television	SKT	2,448	6.29	5.90	5.95	13.4	13.9	6.8%	7.1%
Retailing									
The Warehouse Group	WHS	982	2.83	2.86	2.30	18.4	173	7.9%	7.4%
Briscoe Group	BGR	636	2.93	2.87	2.85	16.5	15.4	6.6%	6.9%
Hallenstein Glasson Holdings	HLG	222	3.74	3.45	3.90	12.8	12.5	10.8%	11.1%
Kathmandu Holdings	KMD	268	1.33	1.39	1.70	13.3	10.6	6.0%	7.5%
Michael Hill International	MHI	437	1.14	1.20	1.50	10.6	9.8	5.9%	6.4%
CONSUMER STAPLES									
Delegat's Group	DGL	475	4.70	4.56	5.20	13.7	12.2	3.5%	3.8%
Sanford	SAN	381	5.14	4.92	5.20	17.2	14.4	6.2%	6.2%
Synlait Milk	SML	400	2.73	2.65	3.50	36.0	17.0	0.0%	0.0%
HEALTH & AGED CARE									
Ebos Group	EBO	1,552	10.30	10.49	10.20	15.2	13.8	4.9%	5.4%
Fisher & Paykel Healthcare Corporation	FPH	3,884	6.96	6.50	5.60	34.3	30.5	2.8%	3.2%
Orion Health Group	OHE	734	4.57		5.89	-12.1	-23.2	0.0%	0.0%
Ryman Healthcare	RYM	4,115	8.23	7.84	7.53	30.2	26.1	1.7%	1.9%
Summerset Group Holdings	SUM	753	3.44	3.31	3.68	24.7	19.4	0.7%	0.9%
FINANCIAL									
Diversified Financials									
NZX	NZX	296	1.12	1.11	1.20	18.1	17.0	7.4%	7.4%
Coates Plc (x GPG)	COA	760	0.54	0.49	0.45	12.1	10.0	0.0%	0.0%
Hellaby Holdings	HBY	288	3.00	3.28	3.45	10.4	9.2	10.2%	11.1%
Heartland New Zealand	HNZ	583	1.24	1.28	1.40	12.2	11.1	7.6%	8.4%
Property									
Precinct Properties New Zealand	PCT	1,356	1.12	1.18	1.10	18.7	18.5	7.2%	7.2%
Argosy Property	ARG	899	1.12	1.14	1.12	18.6	18.3	8.0%	8.0%
DNZ Property Fund	DNZ	609	2.05	1.94	2.02	19.1	18.4	7.5%	7.7%
Goodman Property Trust	GMT	1,442	1.17	1.20	1.17	16.7	15.8	8.2%	8.5%
Kiwi Income Property Trust	KIP	1,469	1.29	1.29	1.18	19.2	20.8	7.5%	7.5%
Property For Industry	PFI	631	1.53	1.57	1.38	20.3	20.1	7.1%	7.2%
Vital Healthcare Property Trust	VHP	564	1.65	1.68	1.46	17.1	16.5	7.2%	7.5%
INFORMATION TECHNOLOGY									
Diligent Board Member Services	DIL	461	5.30	5.62	5.40	37.3	28.2	0.0%	0.0%
EROAD	ERD	228	3.80	4.15	5.05	283.6	63.8	0.0%	0.0%
Trade Me Group	TME	1,465	3.69	3.77	3.31	18.0	17.0	6.1%	6.5%
Xero	XRO	2,763	20.30	24.50	22.50	-40.0	-30.9	0.0%	0.0%
TELECOMMUNICATION SERVICES									
Chorus	CNU	1,231	3.11	2.89	2.98	10.6	10.7	0.0%	6.7%
Spark New Zealand	TEL	5,320	2.89	2.96	2.84	15.8	15.3	8.7%	9.1%
UTILITIES									
Contact Energy	CEN	4,459	6.08	5.95	6.23	26.0	24.6	17.4%	5.7%
Genesis Energy	GNE	1,820	1.82	2.32	2.05	21.4	18.3	12.2%	12.2%
Meridian Energy (full paid)	MEL	5,767	2.25	2.53	2.27	26.8	26.0	8.9%	9.3%
Mighty River Power	MRP	3,883	2.82	3.16	2.86	23.7	20.3	9.4%	10.0%
Trustpower	TPW	2,434	7.78	8.10	7.82	19.8	19.8	6.6%	7.0%
Vector	VCT	3,236	3.25	3.04	2.75	20.7	18.7	6.5%	6.6%
MARKET SUMMARY									
Market Average (excluding XRO)						**22.7**	**16.7**	**6.1%**	**6.3%**

Strategy

Big Resources low on value & Big Financials low on yield

Market comment: Expect US growth to remain below trend with weather and stronger currency headwinds. Our analysts maintain a negative short term market view due to currency wars, commodity price volatility and Reserve Bank of Australia leaving rates unchanged. They remain positive on the medium to long term market view to reach 6500 in 2016 on the yield thematic with interest rates and currency to fall.

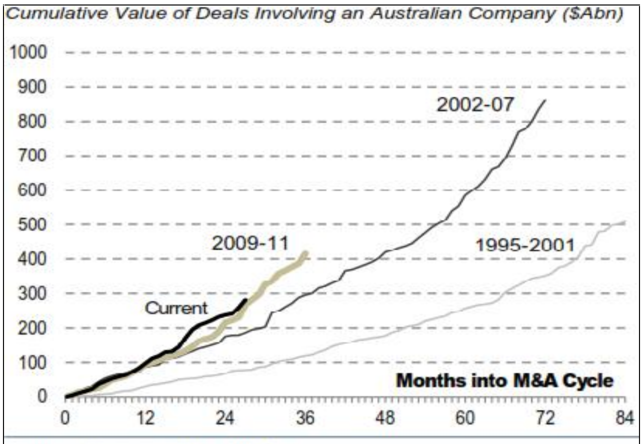
Sector view: Financial sectors have higher risk in May with regulations and asset bubbles, while Resources recovered in April after a recent bounce in iron ore and oil prices. The overall ranking suggests that Diversified Financials still remains the best risk return sector in the market. Diversified Financials, Retail, Banks, Insurance and Media sectors rank in the top 5 sectors on a multi factor basis. The Retail and Media sectors have consumer spending decline affecting them whilst Financial sectors have regulatory, asset bubble and weather risks.

Large & mid cap stocks: The best 5 multi factor ideas are QAN, NCM, ILU, STO and JBH while the worst 5 multi factor ideas are FMG, BHP, HSO, JHX and MPL. QAN and STO offer a good trading pair that removes the oil price risk, while improving commodity prices and falling currency helps NCM, ILU and AWC to maintain good outlook.

Small cap stocks: The big positive movers into the top 30 on a multi factor basis are SXY and ISU. The best 5 multi factor ideas are SAR, EVN, NST, MYX and MLX while the worst 5 multi factor ideas are AMM, HZN, SRX, AIA and VED. Small cap gold producers SAR, EVN and NST lead the pack while AMM could be the big turnaround idea after recent sell off.

Mergers & Acquisitions just half way through the current cycle

Expect there will be more M&A as long as the three drivers remain in place — sluggish economic growth, solid balance sheets and cheap debt. There have also been technical similarities in previous M&A cycles which suggest deal activity will continue to build. For example, we know there has been at least A$400bn worth of deals in previous cycles and the average has been A$590bn. In the biggest cycle during 2004-07, there was an enormous A$860bn worth of deals completed. By comparison, in the current cycle there has been just A$270bn worth of deals involving an Australian company (see the following graph).



Source: Dealogic, BH estimates

In general the opportunities to grow revenue are less than usual. Consequently companies are increasingly focused on merger and acquisitions (M&A) in order to grow. Generally strong balance sheets and low debt costs make acquisitions viable even at today's elevated company valuations.

DEBT TO FINANCE MORE DEALS

Source: Bloomberg

Typically smaller companies are more likely to taken over than larger companies. Hence the M&A theme favours investment in smaller companies. Potential takeover targets we have identified include:

M&A TARGET	MCap A$bn	Potential Acquirer	Comment
Adelaide Brighton	2.9	Barro Group	Barro Group already owns 32%
APN News/Media	1.0	News Corp	NWS has 14.9% stake
Beach Energy	1.5	Various	ORG, STO, Total, Chevron, Chinese
Caltex Australia	9.7	Private equity	PE can divest assets to help fund deal
DUET Group	3.8	Various	Spark has +10% stake
Graincorp	2.3	Various	Requires regulation change
Metcash	1.2	Offshore wholesaler	Reasonable assets
Myer	0.8	Int. co Premier Inv	Cheap relative to international peers
Senex Energy	0.5	Various	ORG, STO, Total, Chevron, Chinese
Whitehaven Coal	1.7	South 32	South 32 needs growth and long life projects

NZ investors currently can't take advantage of the Australian Franked Credit from Australian domiciled companies. This means that very few Australian companies should be included within your portfolio on a "dividend focused" basis.

APA Group's (APA.AX)

NEUTRAL A$8.74 Target price A$8.10

Just like insurance companies, infrastructure plays can be a godsend to income investors. Gas transporter APA Group's 5.1% dividend yield makes a compelling case for its inclusion within your portfolio. The company's consistent payouts make it one of the most reliable options going for prudent investors, and owning the shares offers exposure to Australia's fast-growing LNG industry.

Asciano (AIO.AX)

OUTPERFORM A$6.60 Target price A$7.00

Our analysts continue to like this stock. The containerised divisions (ports and rail) showed container growth of 2-4%, despite disruptions caused by the redevelopment of Port Botany, which we see as a continuing gradual recovery from a period of contraction over the past three years. In particular, underlying intermodal volume growth continued its recovery with volumes in the forwarder business up 7% in the quarter. We view AIO as a solid free cash flow and dividend growth stock. Target price $7.

BHP Billiton (BHP.AX)

NEUTRAL A$27.90 Target price A$29.00

BHP needs much improved cash flow from Petroleum to support its dividend commitment of US$6.6bn p.a., as the mining business only generates just ~US$1.1bn of free cash flow in FY16. Free cash flow from Petroleum in FY16 is estimated to be around US$3.7bn after tax – compared with US$2.5bn in FY15 – and peaking at US$4.3bn in FY17.

BHP spun-off of South32 which includes 10 non-core assets and has a value of $19.6 million, making it a top 20 stock in Australia. BHP shareholders received 1 South32 share for every 1 BHP share owned and South32 listed in mid-May.

Additionally BHP management announced that they expect to exceed the US$4billion cost and productivity improvement target previously announced.

BHP.AX Year to 30 June		2014A	2015F	2016F	2017F
Adjusted Earnings	US$m	67,206	55,377	39,867	41,823
Earnings /share (Adjust)	USc	262	158	85	103
EPS Growth	%	15.3	-39.8	-46.2	20.8
Price / Earnings Ratio	x	8.5	14.1	26.2	21.7
Net Div / Share	USc	121	124	124	124
Net Yield	%	5.4	5.6	5.6	5.6

Martin Aircraft Company (MJP.AX)

- A$0.74 High/Low since listing: A$3.15/A$0.40

Shares in Christchurch based MJP listed on the Australian Stock Exchange at A$0.40 on 25th February 2015, and has traded as high as A$3.15 per share, but has recently settled at around A$0.76.

At the beginning of March the company announced a loss of A$3m for the half year ended 31st December 2014, after making a significant investment in research and development and on preparations for the share market listing.

MJP is working on delivering its first commercial jetpack in 2016, which it expects could be used for rescue, military and recreational purposes. The US Department of Homeland Security intends to take the product. The company raised A$27m by issuing shares in the company, many of which were taken up by China-based investor KuangChi Science.

This is a highly speculative share, and not suited for the feint-hearted. It is not a stock that I would include in my portfolio.

Mirvac Group (MGR.AX)

NEUTRAL A$1.91 Target price A$2.12

Property investor Mirvac is another quality source of income for investors. Mirvac, with its heavy exposure to the high-performing Sydney and east coast property markets, looks solid. The current dividend yield is 5%, with steady dividend growth expected through 2016.

National Australia Bank (NAB)

OUTPERFORM A$32.26 Target price A$37.50

NAB is a restructuring story in full swing, supplemented by macro leverage. Investment positives include:

- Exposure to a lower AUD through its UK assets.
- Improvement in the UK economy and the UK commercial real estate market.
- The highest exposure to business lending which is expected to see increased growth.

This restructuring story is primarily through the sale of Clydesdale Bank in the UK. Also, it is expected to sell the residual of its Great Western (the life insurance business) shareholding, and realisation of its UK commercial real estate loans, and remaining specialised growth assets. This has a significant impact on the extra capital NAB needs to comply with the more stringent capital requirements proposed in the Murray Inquiry. NAB currently offers the best dividend yield of the banks- FY15 forecast **dividend yield of 5.6%.** Post restructuring there is potential for NAB to be re-rated.

NAB.AX Year to 30 September		2014A	2015F	2016F	2017F
Adjusted Earnings	A$m	5,295	7,209	7,518	7,844
Earnings /share (Adjust)	Ac	2.20	2.85	2.76	2.84
EPS Growth	%	-13.0	29.7	-3.5	2.9
Price / Earnings Ratio	x	16.0	12.3	12.8	12.4
Net Div / Share	A$	1.98	1.98	2.04	2.10
Net Yield	%	5.6	5.6	5.8	6.0

Qube Holdings (QUB)

NEUTRAL A$2.50 Target price A$2.50

Qube's earnings are likely to be weak over the next two years with a risk of downside from volatile resource contracts. By FY18 there could be evidence of the growth and profitability potential of the Moorebank intermodal terminal. Our Australian analysts maintain their HOLD recommendation based on a 12 month view. On a longer term view there could be attractive upside, but more attractive entry points could be available in the near term.

Qube recently announced their entry into conditional contracts for the Moorebank Intermodal Terminal Project. The Moorebank Project (Qube 67%, Aurizon 33%) offers outstanding long-term growth potential to Qube. Highlights of this transformational Project are:

- Moorebank will be Australia's largest intermodal precinct with SIMTA granted a 99 year lease over 243 hectares of land.
- Qube will operate IMEX and Interstate freight terminals handling up to 1.5 Million TEU per annum when fully developed.
- Qube has development, property and asset management rights over the precinct for the 99 year term of the lease.
- The precinct will include up to 850,000sqm of warehousing fully integrated with port shuttle and interstate terminals.
- Direct capex for Qube (excluding warehousing) will be approximately A$400-A$450 million over the first five years.

This is a company whose Chair Chris Corrigan, former Managing Director of Patrick Holdings, has a track record of steering Patrick Holdings through a very profitable period of expansion, with subsequent increases in shareholder wealth.

QUB.AX Year to 30 June		2014A	2015F	2016F	2017F
Adjusted Earnings	A$m	1211.7	1454.7	1521.2	1663.7
Earnings /share (Adjust)	Ac	9.3	9.7	9.9	11
EPS Growth	%	18.4	4.2	2.0	11.3
Price / Earnings Ratio	x	27.6	26.5	25.9	23.3
Net Div / Share	Ac	5.1	4.9	4.7	5.3
Net Yield	%	2.0	1.9	1.8	1.8

Orica Limited (ORI.AX)

NEUTRAL A$22.29 Target price A$21.50

With a hefty 4.6% yield, industrial services business Orica is another to consider. The company has substantial offshore income streams which could translate into larger profits — and larger dividends — especially if the Australian dollar trends down against other major currencies.

Suncorp Group (SUN.AX)

OUTPERFORM A$13.36 Target price A$14.60

Insurance company Suncorp Group's dividend yield is 4.8%, and analysts are forecasting 2015's payout to increase a further 10%. The company's dividends have already effectively doubled since 2011 – and with shares trading at about 15 times forward earnings, right now could be an opportune time to pick up shares.

Sydney Airport (SYD.AX)

NEUTRAL A$5.28 Target price A$5.70

Reaping the befits of strong inbound tourism

March passenger numbers were very strong with domestic passengers up 4.2% (1.7% for the year) and international passengers up 8.9% (3.9% for the year). The strong international growth was driven by 39% growth in Chinese passengers. Target price $5.70. Yield 5% and growing.

SYD.AX Year to 31 December		2014A	2015F	2016F	2017F
Adjusted Earnings	A$m	1,163	1,213	1,304	1,395
Earnings /share (Adjust)	Ac	2.79	9.62	11.51	13.67
EPS Growth	%	47.0	244.3	19.6	18.8
Price / Earnings Ratio	x	203.6	59.1	49.5	41.6
Net Div / Share	Ac	23.50	25.00	28.00	31.00
Net Yield	%	4.1	4.4	4.9	5.4

Telstra (TLS.AX or TLS.NZ)

UNDERPERFORM A$603 Target price A$5.65

Telstra is an investor favourite for good reason. Its 28 cent per share payout is legendary, and with rising profits and millions of customers, the business is not just solid, but growing. In fact, Telstra just increased its dividend for the first time in eight years!

TLS.AX Year to 30 June		2014A	2015F	2016F	2017F
Adjusted Earnings	A$m	25,119	25,281	26,640	27,344
Earnings /share (Adjust)	Ac	32.25	33.85	35.49	39.53
EPS Growth	%	8.0	5.0	4.9	11.4
Price / Earnings Ratio	x	19.4	18.5	17.6	15.8
Net Div / Share	Ac	29.50	30.50	31.50	32.50
Net Yield	%	4.7	4.9	5.0	5.2

Selected Australian Listed Companies - Earnings Forecast

8th June 2015	Ticker	Market Cap (A$m)	Price 8/6/15	Price 30/3/15	Fair Value	Price Earnings (x)		Net Yield (%)	
Source: CSFB estimates			(A$)	(A$)	(A$)	FY15	FY16	FY15	FY16
BANKS									
ANZ Banking Group	ANZ	86,216	31.17	36.80	36.00	13.6	12.3	5.3%	5.7%
Commonwealth Bank Australia	CBA	130,679	80.29	94.34	91.00	17.1	15.3	4.5%	5.0%
National Australia Bank	NAB	83,282	31.85	38.83	37.50	12.8	14.7	6.0%	6.2%
Insurance									
AMP	AMP	18,161	6.14	6.51	7.00	23.8	19.0	3.7%	4.3%
QBE Insurance Group	QBE	14,411	13.80	12.82	10.18	-50.1	19.4	2.7%	2.9%
Suncorp Group	SUN	16,932	13.16	13.74	14.60	32.81	13.9	5.7%	8.0%
MATERIALS									
Chemicals									
Orica	ORI	8,000	21.59	20.07	21.50	13.3	13.2	4.4%	4.4%
Materials & Mining									
BHP Billiton	BHP	111,140	27.90	30.75	22.57	9.4	8.1	5.5%	5.7%
Newcrest Mining	NCM	10,478	13.67	13.65	11.50	23.5	24.2	0.9%	0.0%
Rio Tinto	RIO	79,636	57.02	56.55	46.61	7.9	8.6	4.4%	4.9%
ENERGY									
Origin Energy	ORG	14,003	12.62	11.71	11.00	18.2	19.6	4.0%	4.0%
Santos	STO	7,929	7.91	7.53	7.50	15.3	14.6	3.8%	3.8%
Woodside Petroleum	WPL	22,164	35.27	35.04	27.64	13.0	9.2	9.3%	9.5%
HEALTHCARE									
CSL	CSL	32,340	90.97	91.85	81.41	28.7	25.0	1.5%	1.6%
Ramsay Health Care	RHC	12,240	60.57	66.63	70.75	42.2	35.5	1.2%	1.4%
CONSUMER STAPLES									
Woolworths	WOW	34,515	27.25	29.62	32.70	14.4	13.9	4.9%	5.0%
INFORMATION TECHNOLOGY									
Computershare	CPU	5,263	12.41	12.80	10.44	17.3	15.7	2.7%	2.9%
TELECOMMUNICATION SERVICES									
Telstra	TLS	73,476	6.01	6.38	5.65	20.1	18.6	4.7%	4.9%
UTILITIES									
AGL Energy	AGK	10,492	15.55	15.31	18.10	14.0	14.8	4.1%	4.1%
MARKET SUMMARY									
Market Average						**16.3**	**17.3**	**3.9%**	**4.2%**

Japanese Equities

Our Analysts global equity preferences remain Japan and Europe. Japan, in particular, looks compelling:

- We see a very high chance of an acceleration in the pace of Quantative Easing with core and headline inflation likely to remain significantly below the Bank of Japan's 2% inflation target. Japan's policy environment in 2015 is likely to remain characterised by a combination of loose monetary and fiscal policy.
- **Most attractive funds flow story:** 54% of household financial assets are in cash, while pension fund equity weightings are still low (we estimate some $290bn of buying is possible), and are being raised. Foreign investors have not participated in the latest rally and, historically, it is domestic buyers who have pushed Japanese equities to overvalued levels.
- Earnings momentum is solid. Crucially, this is a result of more than just Yen weakness. It is being driven by a more effective use of cash (which remains high at 19% of market cap) via buybacks and acquisitions; Japanese companies are focusing on profit rather than market share; a reduction in the effective tax rate (38% versus 24% in the US); and above all, if 2.2% of expensive older workers retire each year and are replaced with cheaper (likely part-time) workers, labour compensation will be flat.

JP Morgan Japanese JFJ.NZ (JFJ.LN)

JPM Japanese, as the largest and most liquid ITC in the Japan sector, remains a cost effective way to gain exposure to Japan. It focuses on quality companies in secular growth markets rather than "old Japan", and has been quick to recognise the impact of the new government policies. Performance has been very good during the past year, with the share price in NZ$ up 50% compared with a gain of 34% for the Topix Index.

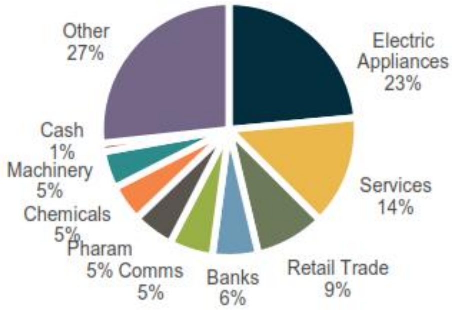
The portfolio is focused on areas such as the increasing penetration of internet shopping, the ageing population, the increasing numbers of tourists visiting Japan and companies prioritising improving corporate governance. The portfolio is currently geared, reflecting the manager's more positive outlook for the global economy. While a weaker Yen is likely to be positive to Japanese equities, the Company does not hedge foreign currency exposure. The Company's discount has remained in a range of 8%-14% during the last year and we see scope for it to narrow, and believe that it is an attractive way to gain exposure to the recovery in Japanese equity markets. Accordingly, we still expect the shares to outperform during periods of positive performance, as has been the situation for most of the past twelve months.

JP Morgan Japanese

Key Data **Launch Date: 1927**

Year to April 2015	1Yr	3Yrs	5Yrs	10Yrs
Share Return on NZ$100	138.0	176.0	180.0	167.0
NAV Return on NZ$100	141.0	169.0	145.0	105.0
Current Discount/(Prem.)				9.0%
Gross Yield				1.0%
5 Yr Dividend Growth PA				Nil
Gearing				12%
Total Assets Managed				£587m
NAV Volatility	17.2%	18.9%	17.8%	N/A
Benchmark Volatility	13.2%	15.6%	15.8%	N/A
12 Month High/Low				195/308p

Sector Distribution – as at 31st March 2015



UK Investment Trust Performance

PRICES AS AT 12TH JUNE 2015

Share Price GBP pence	Net Asset Value	(Disc) Premium	*View	Investment Trust Company	Net Yield %	12 Month % Discount Average	12 Month % Discount High	12 Month % Discount Low	1 Year % Return pa Price	1 Year % Return pa NAV	3 Year % Return pa Price	3 Year % Return pa NAV	5 Year % Return pa Price	5 Year % Return pa NAV
				Global Equity Funds										
658	655	0.4%	→	Bankers	2.4	-2.2	-5.9	1.4	20.5	19.8	19.6	13.2	12.9	7.3
526	587	-10.4%	↑	British Empire & Securities	1.9	-12.0	-14.6	-8.6	14.8	8.0	13.1	9.5	5.3	3.1
2,490	2,864	-13.0%	↓	Caledonia Investments	2.1	-16.1	-24.8	-9.7	21.7	14.4	23.8	15.0	9.1	5.8
1,181	1,159	-6.8%	↑	JP Morgan Overseas	1.4	-6.5	-8.4	-4.0	22.6	21.5	16.0	14.8	7.4	6.4
439	477	-8.0%	↑	Monks Investment	0.9	-12.4	-15.0	-8.8	23.5	15.9	11.2	8.6	7.0	4.4
1,568	1,549	1.2%	↑	RIT Capital Partners	1.9	-4.3	-7.8	-0.2	28.1	17.4	15.4	10.0	8.6	4.9
				European Funds										
825	860	-4.1%	NR	The European Trust	1.7	-13.4	-16.9	-8.2	9.3	5.5	21.9	15.6	10.3	5.2
260	268	-6.9%	→	JP Morgan European Smaller	1.2	-10.9	-15.0	-3.7	15.8	14.1	26.6	21.0	12.1	7.0
251	257	-2.5%	NR	BlackRock Greater European	2.2	-2.3	-6.3	1.3	9.3	7.9	16.4	13.3	9.2	5.9
				Asia/Pacific Funds (including Japan)										
332	326	1.8%	↑	Henderson Far East Income	5.3	2.3	-1.2	6.3	25.0	18.3	12.3	6.3	7.1	1.9
				Global Emerging Markets Funds										
592	658	-10.0%	↑	JPM Fleming Emerging Markets	0.9	-10.4	-13.0	-7.7	22.4	20.3	6.6	6.0	3.2	2.9
521	587	-11.3%	↑	Templeton Emerging Markets	1.3	-8.9	-11.0	-6.7	11.9	11.1	2.7	2.9	0.2	0.0
				Far East Exc Japan										
274	304	-9.9%	↑	Edinburgh Dragon	0.8	-9.5	-12.2	-6.1	19.1	21.7	8.3	8.4	6.7	6.1
506	561	-9.9%	NR	JP Morgan India	0	-11.8	-15.9	-4.7	44.1	42.7	16.0	15.4	3.0	3.8
293	311	-5.8%	↑	Schroder AsiaPacific	0.9	-9.8	-11.7	-7.2	30.9	27.6	10.6	9.5	9.3	8.1
				Other Funds										
839	908	-7.6%	↑	North American Income Trust	3.5	-3.8	-7.6	3.0	11.8	16.6	11.9	10.3	8.2	6.9
280	293	-4.3%	↑	JPMorgan American	1.2	0.0	-2.6	3.7	24.7	26.7	17.5	18.1	11.2	10.5
302	335	-9.8%	↑	BlackRock World Mining	6.5	-2.8	-10.6	8.2	-21.4	-23.6	-17.6	-21.5	-10.1	-13.9
599	606	-1.1%	↑	Polar Capital Technology	0	-2.7	-7.6	3.0	37.5	36.6	16.0	16.5	12.9	13.0
512	608	-15.8%	↑	SVG Capital	0	-19.1	-26.5	-8.4	21.1	18.7	22.8	14.9	23.9	20.5
310	297	4.4%	→	TR Property Trust	2.6	-0.3	-3.4	2.7	28.2	24.0	32.2	21.9	16.0	11.3
1,984	2,024	-2.0%	↑	Worldwide Healthcare Trust	0.8	-3.8	-8.4	2.2	53.0	56.5	36.9	33.3	23.5	20.6

1YR 3YR & 5YR PERFORMANCE FIGURES TO 31ST MAY 2015 - ALL IN NZ DOLLARS - EXCHANGE RATE: UK£/NZ$ 0.4515 US$/NZ$ 0.7001

NOTE: *VIEW – FIRST NZ CAPITAL LIMITED

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

NZ Daily Fixed Interest Rate Sheet

PRICES AS AT 8TH JUNE 2015

NOTE: Indicative pricing only

Secondary market	Code	Rating	Type	Maturity/ Reset Date	Coupon	Yield	Margin to SWAP	Price /$100	Coupon Freq
Fletcher Building	FBI060	NR	Cap	15/05/2016	9.00%	**4.90%**	133	$104.22	2
Fletcher Building	FBI070	NR	Cap	15/05/2016	7.75%	**4.90%**	133	$104.42	2
Infratil	IFT150	NR	Convert	15/06/2016	8.50%	**5.00%**	168	$105.47	4
Z Energy Ltd	ZEL010	NR	Snr	15/10/2016	7.35%	**4.40%**	106	$104.95	2
Fletcher Building	FBI100	NR	Cap	15/03/2017	7.50%	**5.00%**	163	$105.96	2
Vector	VCT070	BB+	Cap	15/06/2017	7.00%	**4.60%**	122	$107.98	2
Trustpower	TPW100	NR	Snr	15/12/2017	7.10%	**4.20%**	77	$108.57	4
Fletcher Building	FBI110	NR	Cap	15/03/2018	7.15%	**4.70%**	124	$107.99	2
Z Energy	ZEL020	NR	Snr	15/08/2018	7.25%	**4.55%**	95	$108.75	4
Fletcher Building	FBI120	NR	Cap	15/03/2019	5.40%	**5.10%**	153	$102.30	2
Contact Energy Limited	CEN020	BBB	Snr	15/05/2019	5.80%	**4.39%**	80	$105.49	4
Kiwibank	KCF010	BB+	Tier 2	15/07/2019	6.61%	**5.35%**	174	$107.26	2
Infratil	IFT200	NR	Bnd	15/11/2019	6.75%	**5.10%**	145	$107.00	4
Christchurch International Airport	CIA1010	BBB+	Snr	6/12/2019	5.15%	**4.46%**	80	$102.86	2
Auckland Intl Airport	AIA120	A-	Snr	13/12/2019	4.73%	**4.08%**	42	$105.00	2
Infratil	IFT090	NR	Convert	15/02/2020	8.50%	**5.30%**	162	$113.81	4
Goodman Property Trust	GMB020	BBB+	Snr	16/12/2020	6.20%	**4.60%**	83	$110.74	2
Sky TV	SKT020	NR	Snr	31/03/2021	6.25%	**5.06%**	126	$107.20	4
Christchurch International Airport	CIA1020	BBB+	Snr	4/10/2021	6.25%	**4.70%**	85	$109.55	2
Trustpower	TPW120	NR	Snr	15/12/2021	5.63%	**5.30%**	143	$103.17	4
Infratil	IFT190	NR	Bnd	15/06/2022	6.85%	**5.55%**	163	$109.17	4

Floating Rate / Perpetual Bonds	Code	Rating	Type	Reset Date	Coupon	Price /$100	Margin to SWAP	Maturity	Coupon Freq
Credit Agricole S.A.	CASHA	BBB-	Tier 1	19/12/2017	5.04%	**75.00**	145	Perpetual	4
Genesis Power Limited	GPLFA	BB-	Cap Bond	15/07/2018	6.19%	**103.35**	180	Perpetual	4
Infratil	IFTHA	NR	Perp	15/11/2014	4.53%	**72.00**	390	Perpetual	4
Quayside Holdings Ltd	QHLHA	NR	Perp Pref	12/03/2017	5.88%	**101.75**	177	Perpetual	4
Rabobank Nederland	RBOHA	A-	Tier 1	8/10/2014	3.71%	**94.00**	280	Perpetual	4
Rabobank Nederland	RCSHA	A-	Tier 1	18/06/2019	8.34%	**10750**	330	Perpetual	4
Works Infrastructure Finance	WKSHA	NR	RPS	15/06/2015	7.95%	**101.40**	370	Perpetual	4

Punters corner

Chunky's tip this month and a buy whilst people who have been given the special 50cents per share are now selling out is CONTACT ENERGY.

They are at one of their lower price points and with the suspicion that their majority shareholder is potentially looking to sell their shareholding out, most holders of these shares (including me) will be pleased to see the back of them with their theories of investing in energy technology in Europe. Having a cornerstone shareholder, with all shareholders as their first concern, would be a relief for most of us.

And if you are into the horses…

And for all you real punters out there I hear SALAMANCA at Tauranga is worth backing this Saturday 20th June and throughout the winter.

Limitations and Disclaimer