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SHARE MARKET TOP PERFORMER

The sharemarket has once again confounded many and this year is shaping up to be its strongest in two decades. However, you can put this down to low interest rates.

Hindsight is a great thing but, while many New Zealanders still 'fear' investing in shares, our NZX has been a wonderful outperformer, when compared to global stocks and to all other traditional investment options within New Zealand.

A2 Milk "takes the cake" on a decade of great returns for stocks in general. A $100 investment in A2 back then (31st December 2009) would today be worth a spectacular $18,082." A2 was followed by Mainfreight. Its shares started the decade at $5.55 and ended it at $41.70 (a 651% return).

The New Zealand sharemarket in general has performed well - delivering a return of 249% per cent over the past 10 years.

NZ50 GROSS INDEX – LAST 10 YEARS

Anyone who had invested money in New Zealand shares should have seen a good return - and you didn't need to pick the right stocks to do it.

However, property is still a favoured investment for New Zealanders, and nationwide property values have lifted by about 80% over the last decade – well below the returns from our sharemarket.

Economist Cameron Bagrie said it had been "a hell of a decade for investing" because central banks had reduced interest rates so much that it pushed up prices of almost all assets. "*That game is nearing its end. Where to invest over pending decades is going to be less about the price of money and more about the quality of the economic environment and economic policy. We'll be watching governments more than central banks.*"

You need to remember that 10 years ago we were in the middle of the GFC and values were much more depressed. This country had been through an expansionary period with strong growth, and that on top of low interest rates provided room for share prices to boom.

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STATISTICS NZ DATA

Estimated population at 10-Dec-2019: **4,947,035**
Births less Deaths Jun-19 year: **26,600**
Net long-term migration Aug-19 year: (↑4,612) **53,809**
Visitor arrivals Annual July-19 (↑104,400) **3,894,860**

Employment

Total employed Mar-19 (↓0.3% Mar Q) 2,658,000
Unemployment rate Sep-19 year (↑0.3%) **4.2%**
Jobs growth Sep-19 year ↓ **0.9%**
Wages growth Sep-19 year ↑ **2.4%**
Wages growth (Private sector only) **1.8%**
Consumer Price Index Sep-19 year (↓0.2%) **1.5%**

The size of the NZ Economy Jun-19 year: **$300 bn**
GDP per person Dec-18 year: **$58,778**
GDP per capita Jun-19 year: **0.8%**
GDP Growth (volume) Jun-19 year: ↓ **2.4%**

Indicator	Tauranga City	Western Bay	BOP Region	New Zealand
Annual average % change				
Gross Domestic Product	↑ 2.9%	↑ 2.6%	↑ 2.5%	↑ 2.4%
Traffic Flow	↑ 3.8%	↑ 2.5%	↑ 2.6%	↑ 1.3%
Health Enrolments	↑ 3.3%	↑ 1.3%	↑ 1.7%	↑ 2.0%
Consumer Spending	↑ 5.4%	↓ -1.8%	↑ 5.1%	↑ 3.4%
Residential Consents	↓ -6.4%	↑ 76.1%	↑ 0.6%	↑ 12.0%
Non-Residential Consents	↓ -27.7%	↑ 3.9%	↓ -13.4%	↑ 12.7%
House Prices*	↑ 7.3%	↑ 3.9%	↑ 11.0%	↑ 1.9%
House Sales	↓ -1.2%	↑ 0.5%	↑ 1.1%	↓ -0.7%
Guest Nights	↑ 0.1%	↑ 3.4%	↓ -0.4%	↑ 1.2%
Tourism Expenditure	↑ 7.2%	↑ 7.8%	↑ 4.2%	↑ 3.1%
Car Registrations	↓ -9.5%	↑ 3.1%	↓ -8.8%	↓ -8.5%
Commercial Vehicle Registrations	↑ 5.9%	↑ 0.1%	↑ 1.4%	↓ -1.6%
Jobseeker Support Receipients	↑ 12.8%	↑ 13.3%	↑ 11.1%	↑ 10.3%
Level				
Unemployment Rate	↑ 3.3%	↑ 2.7%	↑ 4.3%	↑ 4.2%

* Annual percentage change (latest quarter compared to a year earlier)

Source: Priority One

INFORMETRICS QUARTERLY ECONOMIC MONITOR FOR TAURANGA CITY

Tauranga City key outcomes for the September 2019 quarter are:

- Tauranga City continues to grow across key metrics, but with a decline in building consents. The population is larger than previously estimated, growing 2.9% p.a. also to reach 144,700.
- Higher population is reflected in 3.8% p.a. growth in traffic volumes and 3.3% p.a. increase in PHO enrolments.
- GDP grew by 2.9% p.a. over the year to September 2019.
- Consumer spending rose 5.4% p.a. and tourism spending increased by 7.2% p.a. with stable guest nights.
- House prices are up 7.3% p.a. while house sales are down slightly at 1.2% p.a.
- Unemployment is down 0.5% p.a., yet Jobseeker recipients are up 12.8% p.a.
- Commercial vehicle registrations continue to grow by 5.9% p.a., but car registrations are down 9.5% p.a.
- Building has slowed, with residential consent numbers down 6.4% p.a. and non-residential consents down 27.7% p.a. by value compared with the year to September 2018.

LOCAL GOVERNMENT

CHAIR OF PUBLIC TRANSPORT

I am thrilled to have been appointed with the Chair of Public Transport in our re-elected Regional Council. I chaired this committee between 2005 and 2010, during a period of sustained growth. I think we are finally back on a growth phase, and it will be a great challenge to get our bus service operating effectively.

RMA

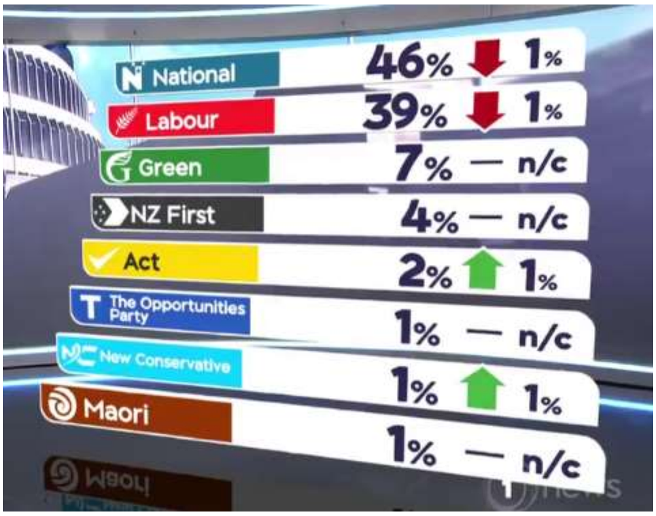
While all Parties have a desire to reform the RMA, Labour has just introduced the Urban Development Bill. This Bill would let Kāinga Ora (formerly Housing NZ) override the RMA, but it retards everyone else who wants to build homes. This Bill has fatal flaws, and mustn't proceed in its present form. Their intentions appear good, but this has not been properly thought through. It is only a "sticking plaster" patch.

"*Why care?*" you will say, "*because Twyford has failed in everything that he attempts*" – I sincerely hope you are right, in this instance.

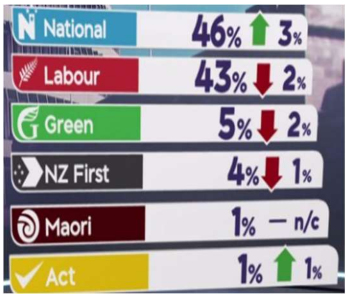
"Diplomacy is the art of telling people to go to hell in such a way that they ask for directions."
Winston Churchill

OUR POLITICAL CLIMATE

LATEST TV ONE POLL

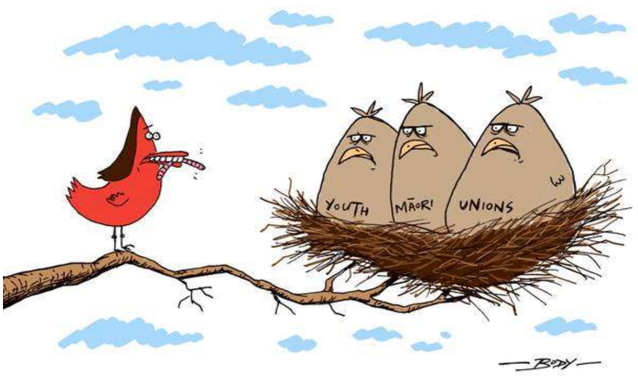


TV ONE POLL – DEC 2018



The latest "TV One /Colmar Brunton Poll" makes great reading for National. However, it is far too early to get complacent, and National is well aware of this risk. Based on this poll, National and Act could form the next government. However, you can never write Winston off. He is currently showing his usual arrogance, and if he keeps this up, you can expect voters to absolutely cane him. Time will tell, but nothing is off the table.

JACINDA IS BALANCING A TIGHTROPE



What a shocker the latter part of this "year of delivery" has been for Labour, and part-time Jacinda in particular.

NZ FIRST IS IN BIG TROUBLE – SO IS JACINDA

Labour is tainted by association. Let us not forget that Winston has always been questionable company. From the early days with the Bolger-Shipley government, to the trouble with Clark that appears frighteningly similar over a decade later. If you hang with New Zealand First - at its very best, it's a colourful ride. At its worst, it's the end of your government come election time.

TAXCINDA IS KILLING PRODUCTIVITY

New Zealand is the most heavily-taxed country in the Asia-Pacific. Central and local government taxes and rates make up 32% of GDP. Australians, Japanese, South Koreans and Singaporeans all pay lower taxes. Lower taxes are not a nice to have, they would help attract investment and raise productivity.

Former Labour Party Finance Minister, Roger Douglas stated "*If company directors did their accounts the way the Government does, they'd be in jail.*" Sir Roger, the architect of the massive economic reforms of the 1980s dubbed 'Rogernomics', claims the recent cash surplus reported by the Government should actually be a $30 billion deficit.

"*If you applied accrual accounting in the way they do in the private sector, then you would have to take in the debt for super and for healthcare for future retirees*," he told Newshub Nation last week.

"*If you did that, it's well over $30 billion. If the private sector people kept their books like the Government, the directors would be in jail. My question is, why not the politicians?*"

THE GIFT THAT WILL KEEP ON GIVING

The New Zealand First Foundation, at first read, looks to have a tremendous number of questions to answer.

The fact Peters could not, and would not answer them, speaks volumes.

And Prime Minister Ardern can't distance herself from this. The Cabinet manual makes clear that this accountability extends not just to ministers acting in a ministerial capacity, but also in a political or personal capacity. The required standard of behaviour is to uphold "the highest ethical standards". Even tougher, ministers must not just in fact uphold the highest ethical standards, but be seen to do so. The perception of a breach of ethics is treated the same way as an actual one.

DONATIONS CONTINUE TO DOG WINSTON

In early October, the president of New Zealand First, Lester Gray, stood down and resigned from the party. New Zealand First advised their members that this was because of a medical condition, but Gray has announced that he stood down for **"moral reasons"**, explaining that he was unable to sign New Zealand First's expenditure and donations reports, claiming he'd been "kept in the dark" about the state of the party and that he "just needed to get out". The anonymous email to media was sent out on the same day he made this announcement on his Facebook page. And now Winston is saying that "he has mental health issues – what a plonker he is.

New Zealand First ministers are campaigning, fundraising even, very aggressively, in a way we've never really seen before in New Zealand politics. See, for example, Shane Jones' recent demands and threats against the forestry industry. But unlike every other political party, New Zealand First never declares the identity of its large donors.

In fact, if its electoral donations are to be believed, it doesn't have any. Instead, in the last two years it has received almost $200,000 in loans from an entity known as "The New Zealand First Foundation". This is not a registered company or a registered trust. The foundation has no website, and there's almost no information about it available anywhere online.

So, one of the coalition partners in our government – whose ministers are completely autonomous, the Prime Minister appears to have no power over them whatsoever – has a discretionary $3bn fund to give away, they're actively and aggressively soliciting donations from the industries they're dispensing the fund to, but no large donations are ever declared. Instead the party gains significant funding through loans from a mysterious foundation.

And now some members and senior office holders of the party are angry and starting to leak against their leadership. There was another large dump of internal documents recently, many of which seemed rather random: the New Zealand First digital style guide (preferred typeface: Open Sans); the Electorate Policy and Procedure Manual; the Event and Fundraising Guide, which might sound interesting but is more of a document on how to organise cake stalls and book MPs for quiz nights, rather than how to give threatening speeches.

It also contained the Auckland membership list and suggested that many of the parties registered members are not current, having allowed their dues to lapse. It contains private information regarding 800 members, and New Zealand First has referred the leak to the police – another smokescreen to try and hide more shonky dealings.

Another former New Zealand First Party president is also denying any knowledge of the mysterious NZ First Foundation, saying the party's board is "just for show".

Asked about the foundation, Kevin Gardener – who was party president from 2010 to 2013, said: "I don't know a damned thing about it". But he said he was not surprised to hear the news of its existence. Gardener was highly critical of his former party – he's no longer a New Zealand First member. He said when he was president, the board was "*titular – just there for show really*".

"*The board didn't really have much to do with the caucus. The actual* [election] *campaign was run separately from the board.*" He said when it comes to New Zealand First, things are run by "Winston and his very close friends".

HOW WINSTON HIDES HIS DONATIONS

If you donate to an external organisation, which in turn then donates to a political party, then the law requires you to name the original donors who supplied the money. But the law only applies to donations, and not to loans.

NZ First has set up its own 'NZ First Foundation'. Its donors give money to the Foundation, which then 'loans' money to NZ First, requiring no disclosure.

The only information known about the foundation is the names and addresses of the two men who are trustees. They are Brian Henry, who acts as a lawyer for the New Zealand First leader Winston Peters, and Doug Woolerton, a former New Zealand First MP.

Woolerton stated that both Labour and National use the same mechanism – but this is blatantly untrue. Labour has no Foundation, and National said it had an entity called the National Foundation which gathers money for the party. A spokesperson said it didn't loan the party money, and all donations to the National Foundation were treated as donations to the National Party and the ultimate source of funding was disclosed in its return. So, Woolerton is wrong. Only NZ First operate in such a way to hide their actual donors.

Such devious action should be open to scrutiny, in the interests of open and transparent democracy – but Labour and the Greens won't be calling for any law change while NZ First is such an integral part of their coalition government.

But this doesn't make it right. Winston, once again, shows his dodgy side.

WINSTON'S LIES UNRAVELLED IN COURT

Winston's lies normally can't be fact checked but thanks to the court case he initiated about his superannuation wrought, they can be.

Here's Tim Murphy's (Newsroom) summary:

- Winston said it was "demonstrably false" he repaid $18,000 and that it was "way less" than that. He repaid $17,936.43 which is 99.6% of $18,000
- Winston said the over-payments likely started in 2013/14. They started in 2010.
- Winston said in 2017 he asked to speak to the original staffer but she no longer worked there. In fact, she worked in the same office in the same role.
- Winston claimed he paid interest on his under-payments. He didn't.
- Winston claimed his payment was abated and he didn't receive his full super. In fact, he was paid the full rate.
- Winston claimed MSD could not resolve how the "mistake" happened. In fact, MSD said it was because he declared he was single.
- Winston claimed his form was incomplete as he had not ticked a box on his current relationship but in fact, he has declared he was separated
- Winston claimed the form had been altered. It had not.
- Winston claimed the staffer he dealt with in 2020 was "very senior". She wasn't. She was a standard case manager.

Now consider he is our Deputy Prime Minister.

NZ FIRST IS IMPLODING

Winston's "other half" – and I say that because for years he failed to acknowledge her to MSD as his partner – is finally out of the shadows. That said, he told the judge that his primary residence was Northland, when everyone knows he has resided with Jan Trotman in the 'swanky' suburb of St Mary's Bay, Auckland for most of the 21st century.

Winston, who is notorious for his ability to hold a grudge, misread the mood of the media, when he persisted in suing Paula Bennett, Anne Tolley and government ministries. This supposedly clever lawyer claimed that he misunderstood the forms around his superannuation entitlements. No one believes him, and I certainly don't. Unfortunately for him, time is not his friend – he is now an old man, who seems to suffer from memory loss. New Zealanders are fed up with his behaviour and unfortunately, he has now sidled up to Shane Jones, an equally shonky politician. Is this the beginning of the end for Winston and NZ First? I sincerely hope so.

A GUIDE TO THE NZ FIRST ENTITIES

SOURCE: Kiwiblog

There are so many entities involved in NZ First or associated with them, that I thought it would be useful to list them.

- **New Zealand First Political Party**: A political party registered under the Electoral Act 1993. Leader: Winston Peters, President: Vacant, Secretary: Liz Witehira (acting). Reveals donations and campaign spending as mandated by Electoral Act.
- **New Zealand First Incorporated**: An incorporated society registered under the Incorporated Societies Act 1908. Annual accounts claim zero income and expenditure.
- **New Zealand First Foundation**: Appears to be a trust. Trustees appear to be Brian Henry (NZ First lawyer) and Doug Woolerton (lobbyist and former MP). Appears to have collected $500,000 of donations and lent money to NZ First and/or have paid bills on behalf of NZ First and/or their MPs
- **QComms Limited**: A company established in 2002. Sole shareholder and director is Brian Henry. Up until 2018 was called Henry Merchants International Ltd. In 2018 charged NZ First Foundation $93,000
- **Thorn Services Limited**: A purported company (can't find on Companies Register) that invoices NZ First Foundation for wages connected to work for Qcomms. Stuff reports contractors include a former NZ First board member and Brian Henry's daughter
- **N.Z. Future Forest Products Limited**. A company not formally associated with NZ First but has applied for government funding relating to forestry. Directors include Brian Henry, his son and Winston Peters' partner
- **Kinleith Continuation LP**. Owns NZFFP Ltd. Public partner is Brian Henry's son, private partner is unknown, but assumed to be a foreign investor

For the avoidance of doubt, the above is just a description of the various entities in the news. It is not suggesting there has been any illegal behaviour by the various officers.

What I will say though is it all seems very complex and designed to minimise transparency.

NZ FIRST IS TRYING TO DIFFERENTIATE ITSELF

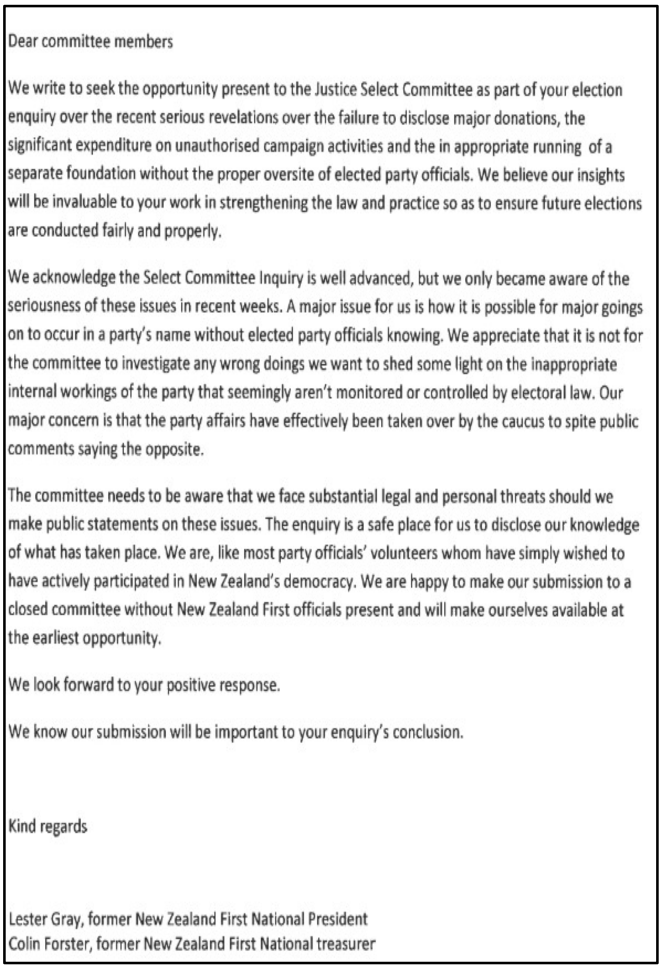
Shane Jones' refusal to back down from his criticism of the Indian community seems unbecoming of a Cabinet minister - but it is the wider disconnect between Labour and NZ First over the visa issue that could prove catastrophic for the coalition. New Zealand First boss Winston Peters has also put the Government in a difficult position by claiming credit for a crackdown on partnership visas – a remark denied by both Ardern and Immigration Minister Iain Lees-Galloway.

As we draw closer to the election, such jockeying for position could ramp up – how will Ardern handle that if it does occur, and what will Peters' response be?

LABOUR COVERING NZ FIRST'S SHADY DEALINGS

Labour's decision today 9th December) to block the request of former New Zealand First President Lester Gray and former Treasurer Colin Forster is the Government covering up serious allegations of financial impropriety of its coalition partner New Zealand First, National's Electoral Law spokesperson Dr Nick Smith says.

LETTER FROM FORMER NZ FIRST'S PRESIDENT & TREASURER - TO JUSTICE SELECT COMMITTEE DATED 26-NOV



Dear committee members

We write to seek the opportunity present to the Justice Select Committee as part of your election enquiry over the recent serious revelations over the failure to disclose major donations, the significant expenditure on unauthorised campaign activities and the in appropriate running of a separate foundation without the proper oversite of elected party officials. We believe our insights will be invaluable to your work in strengthening the law and practice so as to ensure future elections are conducted fairly and properly.

We acknowledge the Select Committee Inquiry is well advanced, but we only became aware of the seriousness of these issues in recent weeks. A major issue for us is how it is possible for major goings on to occur in a party's name without elected party officials knowing. We appreciate that it is not for the committee to investigate any wrong doings we want to shed some light on the inappropriate internal workings of the party that seemingly aren't monitored or controlled by electoral law. Our major concern is that the party affairs have effectively been taken over by the caucus to spite public comments saying the opposite.

The committee needs to be aware that we face substantial legal and personal threats should we make public statements on these issues. The enquiry is a safe place for us to disclose our knowledge of what has taken place. We are, like most party officials' volunteers whom have simply wished to have actively participated in New Zealand's democracy. We are happy to make our submission to a closed committee without New Zealand First officials present and will make ourselves available at the earliest opportunity.

We look forward to your positive response.

We know our submission will be important to your enquiry's conclusion.

Kind regards

Lester Gray, former New Zealand First National President
Colin Forster, former New Zealand First National treasurer

Dr Smith said: "*There was no good reason for blocking these senior New Zealand First officials from being heard at the Justice Select Committee on electoral law. They sought the hearing because they had serious concerns about the failure to disclose major donations, unauthorised campaign expenditure and concerns over the New Zealand First Foundation.*

"They were fearful of speaking publicly with threats of legal action and the Justice Committee provided a safe place for them to disclose their knowledge of what has occurred.

"Labour is part of a cover up in denying the Committee and New Zealand the opportunity to hear their concerns.

"These issues in New Zealand First go to the heart of our democracy and the result of Election 2017. New Zealanders have a right to know who were the financial backers of the Party that was decisive in the 2017 Election outcome.

"New Zealand First was the only Party that did not disclose the source of any donations and it had 10 times the value of anonymous donations of any other Party at Election 2017. It has also been revealed since that $500,000 was secretly contributed to the New Zealand First Foundation.

"*Labour's denial to allow senior New Zealand First officials to submit to the Justice Select Committee makes a joke of the Government's commitment to be the most open and transparent Government ever*."

PORT STUDY DISCREPANCY

A major concern of this study is that that the same company behind its economic analysis in the second report - Ernst & Young - had concluded Northport was the 12th best option in a report they finished just two years earlier. "*Twelfth best option has jumped to first best option with no explanation at all of the reason for the change.*"

SHANE JONES TRIES TO BULLY PORT CEO

In a fiery closed-door meeting between the Government and Ports of Auckland in mid-November, Infrastructure Minister Jones warned Auckland's port boss Tony Gibson to stay away from the ports debate. At a meeting, in Finance Minister Grant Robertson's office, Jones told Gibson: "*My advice to you as a chief executive is do not put your head in a political noose*."

But Ports of Auckland Ltd (POAL) is pressing ahead, commissioning two studies questioning the work of a working group looking into moving Auckland's port 165km north to Northport, the results of which were released on Thursday morning.

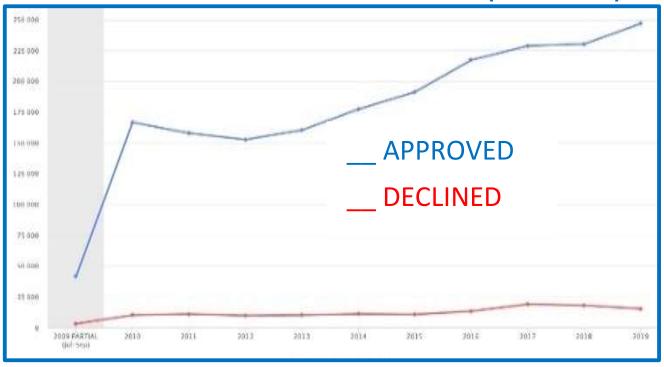
Jones confirmed his comments in an interview with *Newsroom*. He said his words were meant as a warning to the CEO not to enter the “political fray” of the ports debate. Others at the meeting told Newsroom “*Jones boasted that both he and Deputy Prime Minister Winston Peters were top political operators and ports CEO Tony Gibson would be making a mistake if he decided to take them on*.”

LABOUR & NZ FIRST FUDGE ON IMMIGRATION

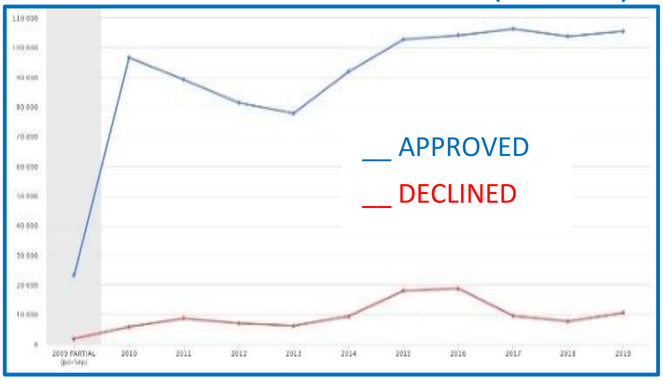
Despite their 2017 election rhetoric about reducing the pressure on wages and infrastructure from low-skilled migration, the coalition Labour-New Zealand First Government has actually increased temporary work visas and not reduced student arrivals. There were 355,000 temporary worker and student visas approved in the year to September, up from 335,000 in the year before the 2017 election. Shane Jones rants on, but only to distract from his party's own inaction.

Labour & NZ First have lowered permanent residency approvals from 42,600 in the election year to 35,000 last year. It was 51,700 the previous year to September 2016. That means we are inviting in more and more temporary workers with the subtle and not-so-subtle suggestion we might let them stay, but we're making it harder and harder for them to win that permanence.

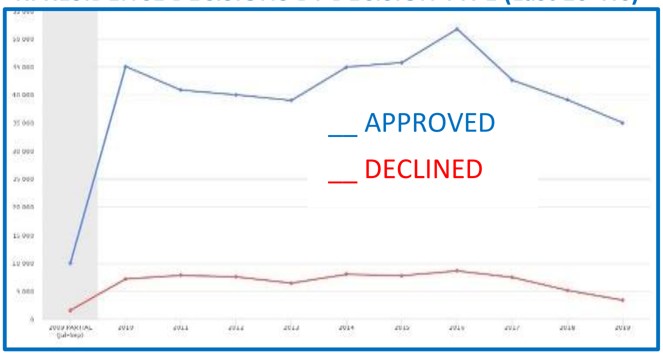
W1 WORK DECISIONS BY DECISION TYPE (Last 10-Yrs)



SI STUDENT DECISIONS BY DECISION TYPE (Last 10-Yrs)



RI RESIDENCE DECISIONS BY DECISION TYPE (Last 10-Yrs)

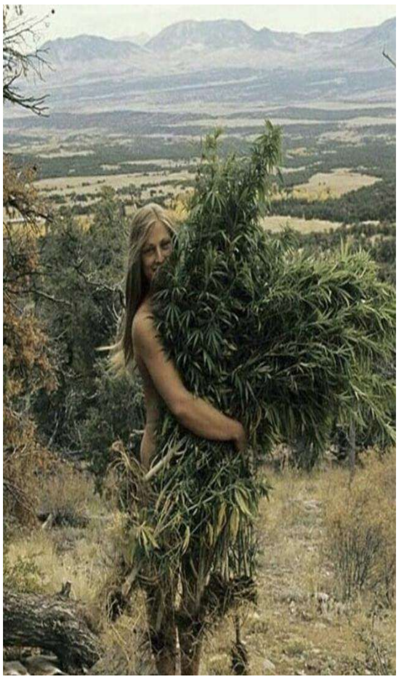


THE GIFT THAT KEEPS ON GIVING

There is widespread frustration at the Government’s “tinkering” with the welfare system, including frustration at the signal from the Minister of Social Development that the current government doesn’t have any further significant spends planned for this term.

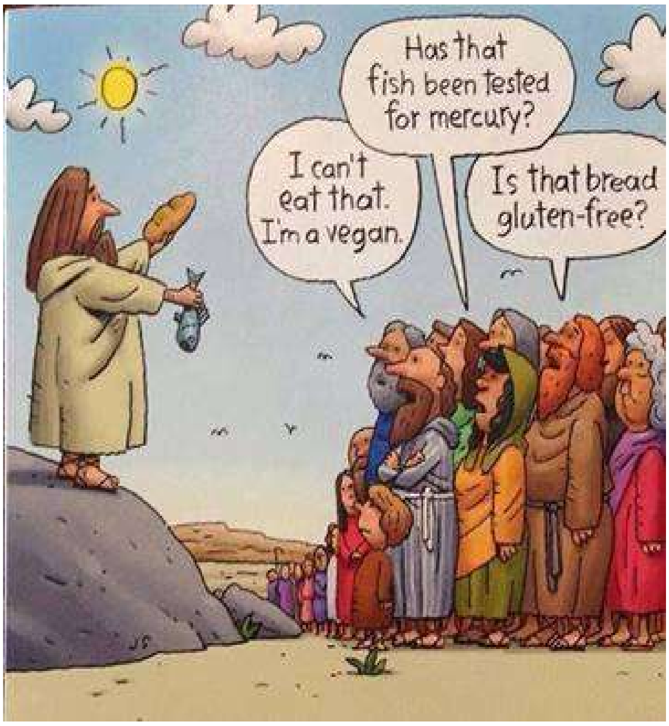
Less than a year out from the end of the term, the Government looks like it will enact just three of the advisory group’s 42 recommendations. And while living costs are rising, and families struggle to put food on the table, a $7.5 billion surplus sits there, earmarked for a rainy day. As Children’s Commissioner Andrew Becroft says: this is a rainy day.

TREE HUGGING IN THE 1970’s



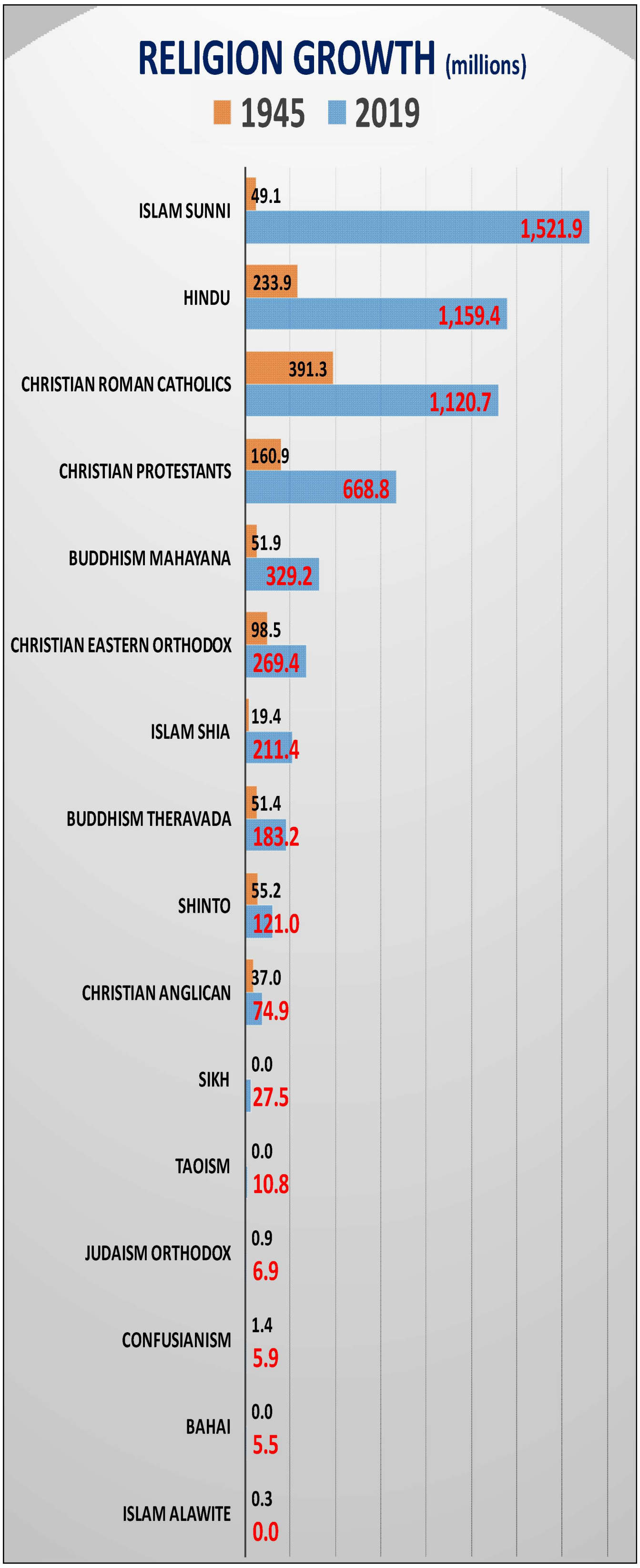
Did you ever wonder where the term "tree hugger" came from? It came from hippies in the 70s actually hugging trees. Take the naked women in this photo for example. Look what she's doing - she's hugging a tree.

If the Greens and Labour have their way, this will become legal – oh sorry… only 4 plants per property, according to Andrew Little – and forget any mental health issues.

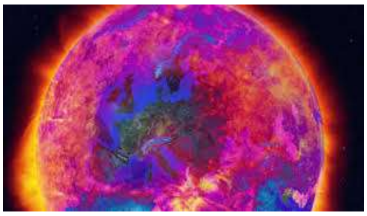


RELIGION GROWTH GLOBALLY

Since the end of WWII, Islam has grown into the No 1 global religion, surpassing Christianity. It is no wonder that the British are becoming increasingly concerned about immigration. The question is – will the 2 million UK Muslims get out and vote. Historically their voter turnout has been low – but will that change on 12th December?



CLIMATE CHANGE NOW MAINSTREAM - BUT NOT AN EMERGENCY



Despite Helen Clark's soaring rhetoric in 2007 about New Zealand becoming the world's first carbon neutral country by 2020 and Jacinda Ardern's call for a "nuclear-free moment", New Zealand's only genuinely effective climate-change policy this century was Tim Groser's Global Research Alliance on Agricultural Greenhouse Gases. That alliance, which Groser launched in Copenhagen in 2009, now has 61 countries involved from all regions of the world.

With the recent unanimous (Act's David Seymour was not in the House at the time) passing of the Zero Carbon Act, Greens co-leader James Shaw has similarly secured his place in history by building policy consensus among National, Labour, NZ First and his own party.

With multi-party consensus, those who worry about climate change now have no more reason to vote for the Greens than for Labour, National or NZ First.

PARLIAMENTARY COMMISSIONER FOR THE ENVIRONMENT, SIMON UPTON WRITES

"Support for the Zero Carbon Bill shows our action on climate will have to disrupt the status quo. That will mean new opportunities - and costs.

"No one should be under any illusions about the demands the transition to net zero will make," he said.

"Even where financial costs appear small, learning to do things differently makes a claim on people's time and patience. While we should always attempt to minimise costs, there is no cost-free path here. Around the world people have supported climate goals but been quick to protest over even modest increases in fossil fuel prices.

The Zero Carbon Act is far from perfect. Necessary compromises meant that it never would be. We have to learn by doing and I am sure there will be changes down the track. But if the affirmation of 119 MPs means anything, it has to involve measures that disrupt the status quo. That will mean new opportunities. And, yes, it will mean costs. If that sounds unpalatable, so will be the costs of climatic disruption. There are no costless ways forward."

"The is no limit to the amount of good you can do if you don't care who gets the credit."

Ronald Reagan

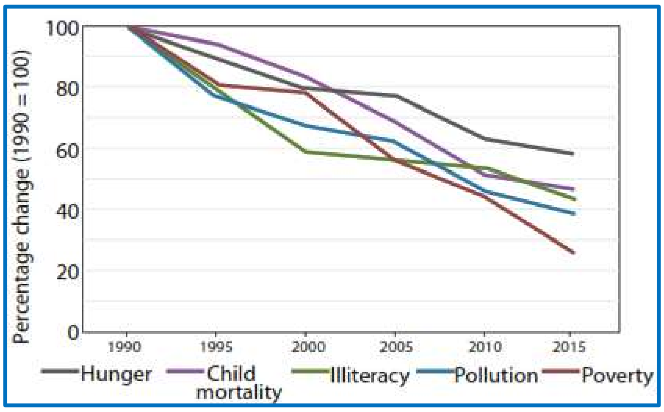
The 2019 Annual Global Warming Policy Foundation Lecture

Energy Utopias and Engineering Reality by Professor Michael Kelly

Michael Kelly ended his academic career as the inaugural Prince Philip Professor of Technology at the University of Cambridge. His main research focus was in new semiconductor physics and technology for ultra-high-speed electronic devices and the manufacturability of semiconductor structures at the nanoscale.

INTRODUCTION

I want to begin by presenting four examples that show how clearly the world is better off today as opposed to thirty or one hundred years ago because of, among other things, a sufficient supply of energy. The incidence of hunger, poverty, illiteracy and child mortality have all been reduced by more than a factor of two over the period 1990–2015 (see Graph).



Source: Johan Norberg, FAO, World Bank, UNESCO, EPA

Death rates associated with gas and nuclear energy production are less than a sixth those of oil and coal.

Deaths from natural disasters have dropped by 90% over the 20th century, excepting the Sri Lanka and

Fukushima tsunamis in 2004 and 2011. Warnings by radio and telephone are the main reason.

More people live in safer and better conditions and are better fed than at any previous time in human history. The United Nations has played an important role, first with the Millennium Development Goals over the period 2000–2015 and now the Sustainable Development Goals over the period 2016–2030.

I now have a simple pragmatic question to ask. Suppose I agree to pay you £100 to dig a two-metre-deep hole for me to bury family treasure. You set about digging, but find your progress thwarted by a hundred people with wheelbarrows full of earth coming to fill in your hole. What would you do? Keep on digging regardless or stop and try to find out what is going on? To your protest that you are being paid to dig a hole, you are told that the others are being paid much more to fill in any holes that appear!

At this time there are people in several countries, including both the United Kingdom and New Zealand, both of whose passports I hold, who are straining to turn off the last coal-fired power stations in the cause of climate change mitigation. But the Chinese Belt and Road Initiative, the largest civil engineering project in the world, will help over 2 billion people in West Asia and Africa out of poverty and hunger over the next 30 years, just as earlier projects took 600 million people in China from rural squalor to middle-class comfort over the last 20 years. The initiative will include 700 new coal-fired power stations, over a third of which are currently being built. I do not support the neo-colonialist tendencies associated with the initiative, but it will go further than any other project to deliver the first and second of the UN's Sustainable Development Goals: the elimination of world poverty and hunger. The climatic Sustainable Development Goal is number 13 on the list.

Biblical scholars will recall the story of the Tower of Babel, with key lessons which engineers have long since learned. When people set out to build a tower to heaven, they had no way of knowing how to determine that they had in fact completed the tower by reaching heaven. Nor did they know in advance how much it would cost. Climate mitigation shares the same two characteristics – no one can define what it means to have averted climate change, nor how much it will cost. Extinction Rebellion simply have no idea of the scale of cost of what they are demanding by 2025: if they did, they would back away.

FUTURE DEMOGRAPHICS

I suggest that the demographic transition that started 70 years ago is the solution to those who cry wolf about the climate now. In the countryside, another child is a useful pair of hands from the age of 6, while a child in a city is a burden until they are 15. Everywhere in the world where more people live in cities than the countryside (North America, Europe, Japan and Australasia), the local population (excluding immigration) is in decline, with fewer than 2.1 children per family. Globally, the number of children per family has halved since 1970 from 5 per family to 2.3 today. China's population will peak in the early 2030s and will be less in 2060 than it was in 2000. There will be 200 million fewer people on earth in 2100 than at the peak in the 2060s. There will be plenty of empty houses for people who are actually displaced by any sea level rise at that time.

THE CLIMATE CHANGE IMPERATIVE

In the 1990s the global average surface temperature had been rising sharply for 15 years, and many predicted that this rate of warming would continue, when in fact it has halved. This lesson of history is regularly ignored as the current level of climate alarm is cranked up.

CONCLUSIONS

It is clear to me that for the sake of the whole of mankind we must stay with business as usual which has always had a focus on the efficient use of energy and materials. We must de-risk the major infrastructure projects, such as mass decarbonisation, as they are too serious to get wrong.

Human lifestyle changes can have a greater and quicker impact if implemented: we can all promise and deliver a 10% drop in our energy consumption from tomorrow. It would not be without consequences.

Who owns the integrity of engineering in the climate debate in the United Kingdom? Globally?

(abridged)

GLOBAL POLITICS GETS VERY INTERESTING

NEVER WRITE BORIS OFF

Boris has won an outstanding victory in the UK Elections. Labour Leader Jeremy Corban has single-handedly destroyed a dysfunctional Labour Party. This is Labour's worst result since 1935. Brexit is now a certainty.

Boris Johnson's Conservative Party has secured 365 seats in the Tories' biggest election win since Margaret Thatcher's 1987 victory. A jubilant Johnson says his government has "been given a powerful new mandate – "*to get Brexit done, unite this country and take it forward*". Yet few people expected the Conservatives to deliver such a huge majority. So, what is behind the historic result?

Brexit

Although it wasn't the only issue on the table, Brexit dominated the discourse of the election.

Low-risk manifesto

The Conservatives played it safe with their election manifesto, which was short on eye-catching policy offers, beyond a small tax cut to National Insurance and a very modest increase in public spending. The Tories appear to have learned their lesson following Theresa May's disastrous 2017 manifesto, which included an unpopular social care reform package that Labour dubbed the "death tax".

This time, the party steered clear of any controversial pledges. The manifesto was so cautious it even contained promises not to do things, such as a pledge not to bring back fox-hunting.

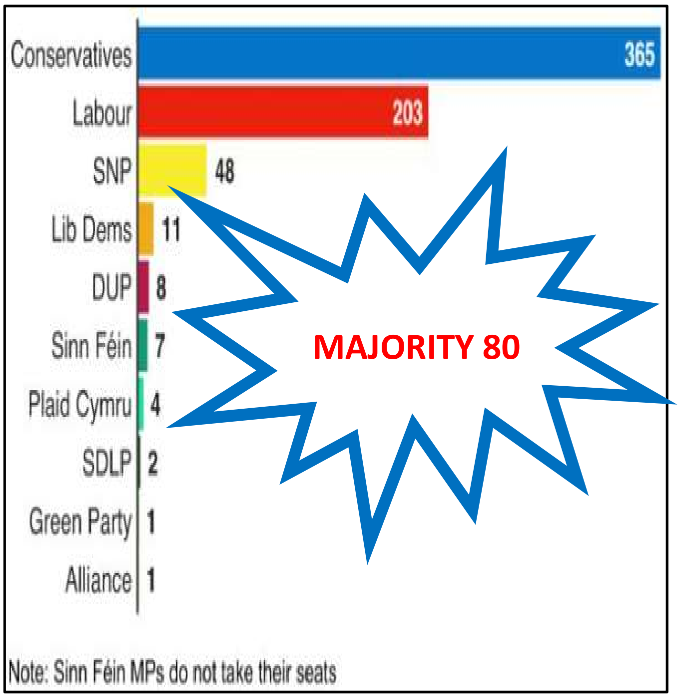
Online misinformation

Social media platforms were a critical battleground in the election campaign, as parties bombarded voters with messages - many of them misleading, with the Conservatives in particular criticised for using underhanded tactics.

According to an analysis by fact-checking site First Draft, nearly 90% of the more than 6,700 Facebook ads broadcast by the Conservatives during the first week of December contained or referred to misleading statements.

UK ELECTION RESULT

360 SEATS



CHANGES: Conservatives (+47), Labour (-59), SNP (+13), Lib Democrats (-1), DUP (-2), Sinn Fein (-), Greens (-)

HOW THE POLLSTERS PREDICTED THIS WIN

YouGov Poll – 12th December

UK Elections	2017 Election	2019*	% vote
Conservative	318	351	43.3%
Labour	262	224	33.9%
Liberal Dems	12	13	11.7%
Brexit Party	0	0	3.2%
Green	1	1	2.7%
SNP	35	41	3.6%
Other	22	20	1.1%

*Prediction based on poll sampling 8,410 people, 4-Dec to 11-Dec

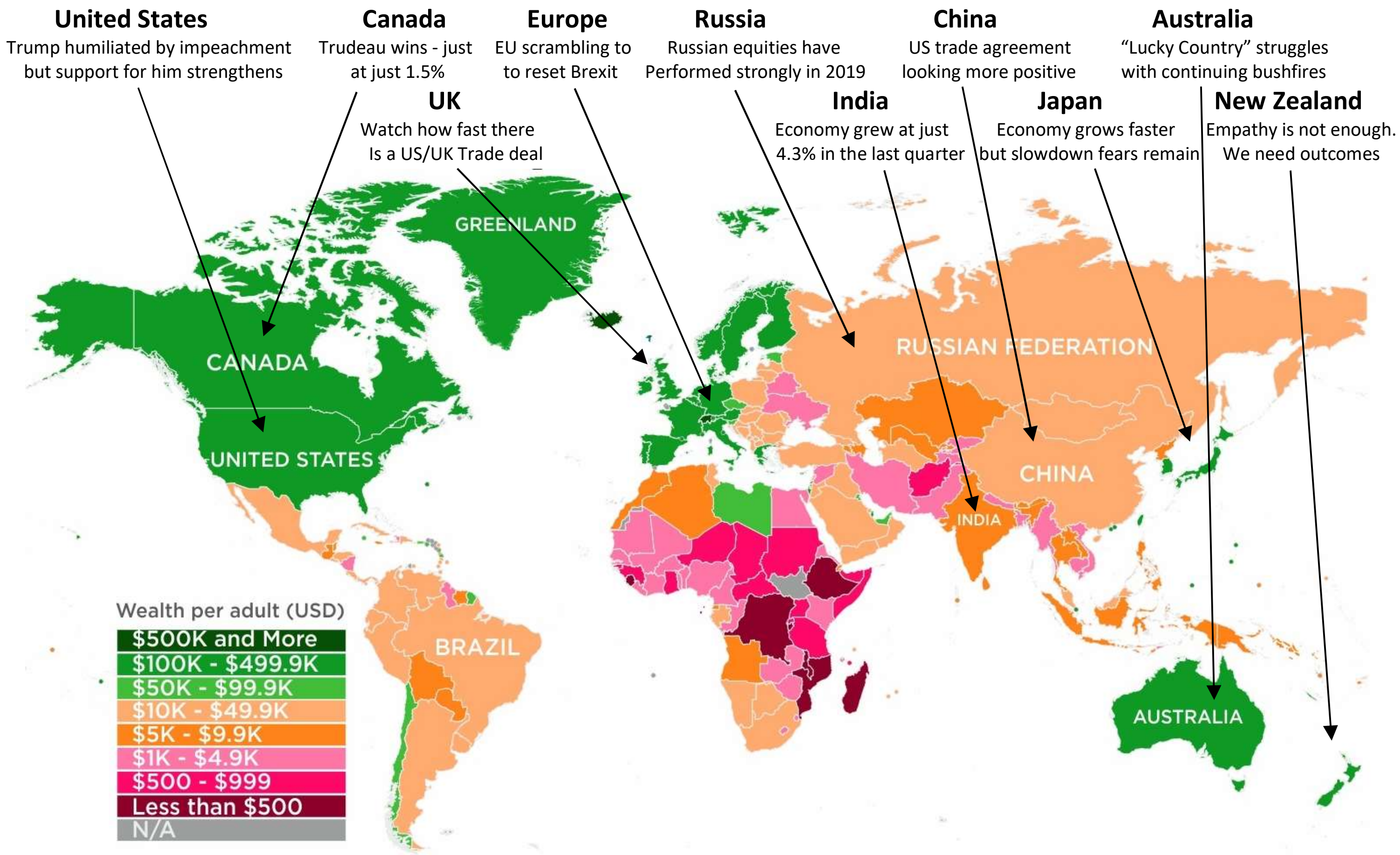
EXPLAINING BREXIT

For anybody who doesn't fully understand the European Union situation, it is explained very simply below ....

- Pythagoras' theorem - 24 words
- Lord's Prayer - 66 words
- Archimedes' Principle - 67 words
- 10 Commandments - 179 words
- Gettysburg address - 286 words
- US Declaration of Independence - 1,300 words
- US Constitution with all 27 Amendments - 7,818 words
- EU regulations on the **sale of cabbage** - **26,911 words**

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

THE WORLD AT A GLANCE – World Wealth Map, 2018



THE GLOBAL ECONOMIC OUTLOOK

The global outlook is fragile, with increasing signs that the cyclical downturn is becoming entrenched. GDP growth remains weak, with a slowdown in almost all economies this year, and global trade is stagnating. A continued deepening of trade policy tensions since May is taking an increasing toll on confidence and investment, further raising policy uncertainty. Supportive labour market conditions continue to hold up household incomes and consumer spending, at least in the near term, although survey measures point to weakness ahead. Moves towards a more accommodative monetary policy stance in many economies are keeping asset prices high, though the benefits for real activity appear to be less powerful than in the past. In many countries fiscal easing remains limited, with scope to take further advantage of low interest rates to support growth.

World GDP growth is expected to be 2.9% this year - its lowest annual rate since the Global Financial Crisis - and remain at 2.9% - 3.0% in 2020 and 2021. Global GDP expanded 3.5% in 2018.

OECD Economic Outlook projections, November 2019

Real GDP growth, year-on-year, %

	2019	2020	2021		2019	2020	2021
World	2.9	2.9↓	3.0	G20	3.1	3.2	3.3
Australia	1.7	2.3↑	2.3	Argentina	-3.0↓	-1.7↑	0.7
Canada	1.5	1.6	1.7	Brazil	0.8	1.7	1.8
Euro area	1.2↑	1.1↑	1.2	China	6.2↑	5.7	5.5
Germany	0.6↑	0.4↓	0.9	India	5.8↓	6.2↓	6.4
France	1.3	1.2	1.2	Indonesia	5.0	5.0	5.1
Italy	0.2↑	0.4	0.5	Mexico	0.2↓	1.2↓	1.6
Japan	1.0	0.6	0.7	Russia	1.1↑	1.6	1.4
Korea	2.0↓	2.3	2.3	Saudi Arabia	0.2↓	1.4↓	1.4
United Kingdom	1.2↑	1.0↑	1.2	South Africa	0.5	1.2↑	1.3
United States	2.3↓	2.0	2.0	Turkey	0.3↑	3.0↑	3.2

↑↓ Arrows indicate the direction of revisions since September 2019

The risk of further escalation in trade and investment policy restrictions around the world is a serious concern. Such measures disrupt global supply networks, lower productivity, reduce and distort trade, and weigh on confidence, jobs and incomes.

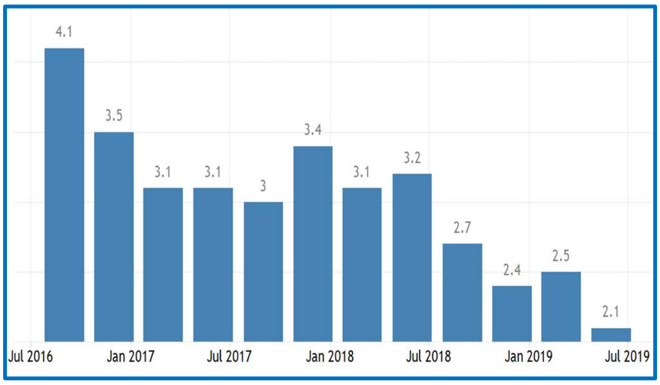
NEW ZEALAND'S ECONOMIC OUTLOOK

Treasury, as declared in the HYEFU, forecasts that the NZ economy will soon start to slow and unemployment will begin to rise.

However, the OECD expects that economic growth to remain around 2½% in 2020-21. They say that exports are set to decelerate and consumption will lose momentum, reflecting diminishing net migration inflows and lower housing wealth gains. On the other hand, business investment is expected to strengthen in response to rising labour costs and a falling cost of capital, thereby easing tight capacity constraints.

They say that fiscal policy is currently expansionary, turning close to neutral in 2020, and contractionary in 2021. The Reserve Bank cut its base rate by 50 basis points to 1% earlier in the year, and is expected to make two further 25-basis-point cuts by mid-2020 - which are needed to increase inflation towards the mid-point of the target band. It is also planning to raise bank capital requirements substantially (but over an extended period), which is likely to reduce risks but increase credit costs.

NEW ZEALAND - ANNUAL REAL GDP GROWTH RATE



New Zealand	2016	2017	2018	2019	2020	2021
Current prices NZD billion	Percentage changes, volume (2009/2010 prices)					
GDP at market prices	265.9	2.7	2.8	2.7	2.5	2.4
Private consumption	153.0	4.7	3.3	2.7	2.4	2.4
Government consumption	48.1	2.8	2.2	2.9	3.5	2.2
Gross fixed capital formation	61.1	3.5	3.6	3.0	3.0	3.5
Final domestic demand	262.2	4.1	3.2	2.8	2.7	2.6
Stockbuilding[1]	0.8	-0.1	0.5	-0.7	0.3	0.0
Total domestic demand	263.1	3.9	3.7	2.1	3.0	2.6
Exports of goods and services	71.1	2.3	2.6	2.8	1.6	2.3
Imports of goods and services	68.2	6.9	5.8	1.0	3.3	3.1
Net exports[1]	2.9	-1.2	-0.8	0.5	-0.5	-0.2
Memorandum items						
GDP deflator		3.5	1.1	2.1	2.2	2.0
Consumer price index		1.9	1.6	1.5	1.9	1.9
Core inflation index[2]		1.4	1.2	1.8	1.9	1.9
Unemployment rate (% of labour force)		4.7	4.3	4.1	4.2	4.3
Household saving ratio, net (% of disposable income)		-1.4	-1.0	-0.7	-0.6	-0.4
General government financial balance (% of GDP)		1.1	0.9	0.4	0.3	0.8
General government gross debt (% of GDP)		36.0	34.5	32.7	32.5	31.8
Current account balance (% of GDP)		-2.7	-3.9	-3.2	-3.3	-3.4

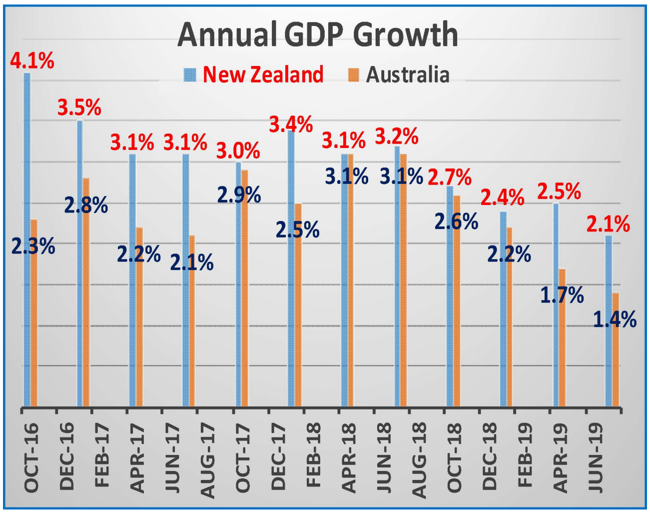
1. Contributions to changes in real GDP, actual amount in the first column.
2. Consumer price index excluding food and energy.
Source: OECD Economic Outlook 106 database

AUSTRALIAN ECONOMIC OUTLOOK

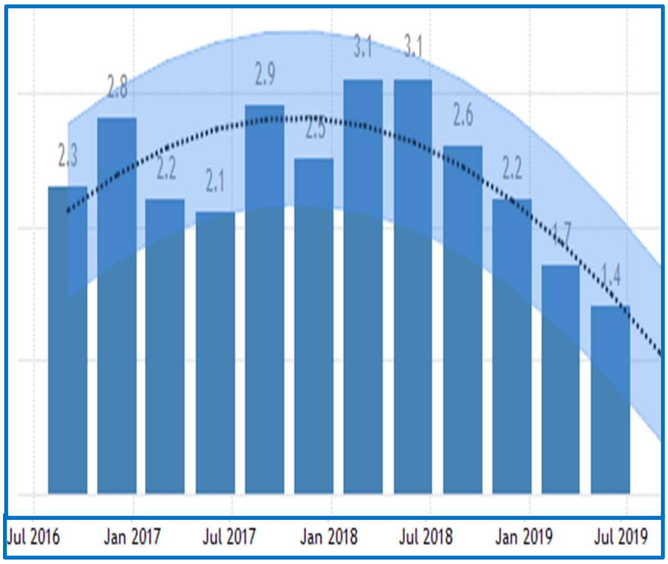
Economic growth is projected by the OECD to firm to about 2¼% in 2020-21. While weaker trading partner growth and a downturn in domestic dwelling investment will weigh on economic conditions, recent household tax cuts and monetary policy easing should provide some support to activity. Subdued output growth and lingering uncertainty will weaken the recent strong labour market conditions.

Monetary policy is accommodative and the Australian Reserve Bank is projected to make a further cut in the policy rate in its attempt to achieve the inflation target. Macroprudential policies may need to be tightened if lower interest rates fuel house prices, which would create imbalances and expose the economy to downside vulnerabilities.

Economic growth has moderated, and is now likely to remain stable. Housing investment activity has slowed in response to past declines in property prices, with a continued slump in dwelling approvals indicating further weakness ahead. Private business investment in the non-mining sector has also eased, with the slowdown in the global economy and domestic drought conditions reducing exports and business confidence. Employment growth has been surprisingly robust given the modest pace of output growth, and is encouraging higher labour force participation. Despite this, private consumption spending has been sluggish, weighed down by slow wage growth and an increase in taxes paid by households.



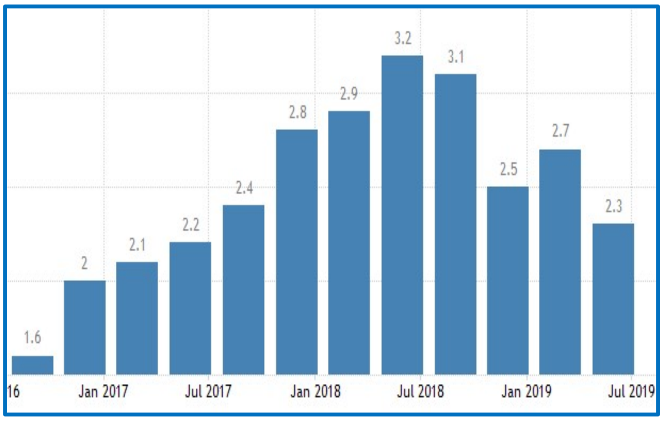
COMPARING NZ VERSUS AUSTRALIA



United States Economic Outlook

The current economic expansion has become the longest on record but economic growth is now slowing, partly due to increased tariffs on imported goods and high trade tensions. The labour market has created many new jobs and unemployment has fallen to historically very low rates. Rising real wages and high asset prices are supporting average household income and consumption growth. On the other hand, in addition to intense trade tensions and uncertainty, the combined effects of a waning fiscal impulse, weaker growth in trading partners, and demographic pressures are weighing on confidence and activity.

UNITED STATES ANNUAL GDP GROWTH

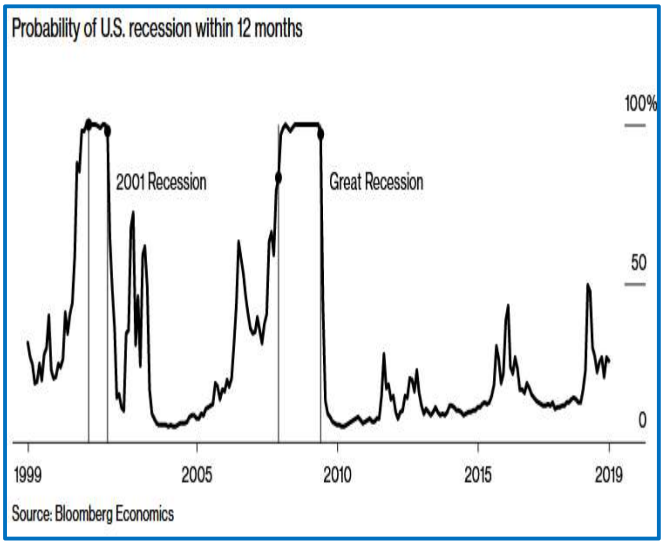


BLOOMBERG RECESSION INDICATOR

While recession chatter endures amid a persistent trade war with China and a further retrenchment in corporate investment, robust signals from other aspects of the U.S. economy - like the labour market - have eased concerns of an imminent downturn.

Chance of Recession Within 12 Months is 26%

Bloomberg Economics created a model to determine America's recession odds. Right now, the indicator estimates the chance of a U.S. recession at some point in the next year is 26%, down slightly from 27% in early October. That reading is higher than it was a year ago but significantly lower than before the last recession. There are reasons to keep a close eye on the economy, but it's not time to panic yet.



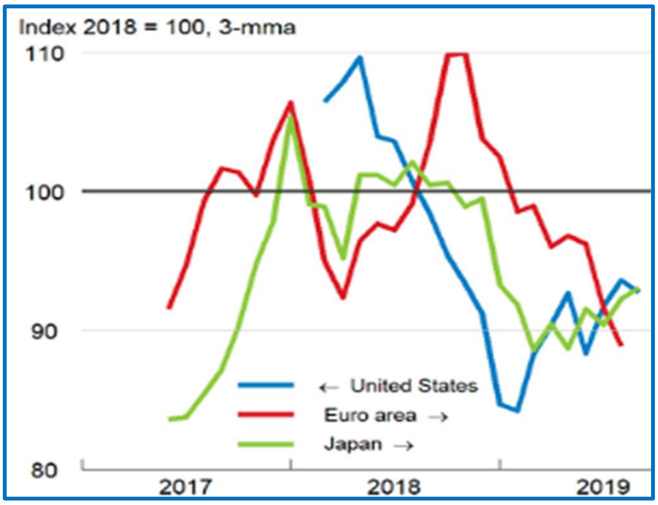
Chinese Economic Outlook

The OECD projects economic growth in China to decline to 5.5% in 2021, as the economy continues to rebalance and trade tensions remain high. In 2019, frontloading of exports has helped to support activity, but increased tariffs will constrain growth going forward. Imports will slow further as demand for imported inputs eases, resulting in an increase in the current account surplus. Overall investment growth is no longer slowing, thanks to government infrastructure projects and still robust real estate investment, although manufacturing investment growth is weak. Private consumption will grow steadily on the back of relatively strong disposable income gains. Inflation is easing, notwithstanding soaring prices of some consumption goods.

Monetary conditions were tightened by restrictions on shadow banking but are now being eased to support economic activity. Broad-based cuts in minimum reserve requirements have been supplemented with a new pricing mechanism for the loan prime rate and a slight cut in the medium-term lending facility rate aiming at reducing the cost of borrowing. Fiscal policy, with a number of tax cuts, will remain supportive of consumption amid deteriorating consumer confidence. Infrastructure investment will be robust, and project financing is expected to benefit from relaxed own fund requirements.

CHINA - ANNUAL GDP GROWTH RATE

CHINA – IMPORT VOLUMES HAVE DECLINED



HONG KONG ELECTIONS

With three million voters casting ballots, pro-democracy candidates captured 389 of 452 elected seats, up from only 124 and far more than they have ever won. The government's allies held just 58 seats, a remarkable collapse from 300. It will be interesting to see how Beijing handles this substantial snub.

United Kingdom Economic Outlook

The economic outlook has been unusually uncertain, given the risks around exit from the European Union. Assuming there is a smooth transition ending after 2021, activity is expected to grow at around 1% in the next two years. Brexit-related uncertainty will keep holding back investment until there is clarity about future trading arrangements. Weak global economic prospects will slow the recovery in exports. Inflation is projected to slow to below 2%.

Monetary policy should continue to support activity and keep inflation close to target, but cannot fully address all shocks.

A withdrawal deal (BREXIT) between the United Kingdom and the European Union was agreed in October, but is still to be ratified by the UK and European Parliaments. Ratification will remove the immediate risks of a no-deal withdrawal of the United Kingdom from the European Union (Brexit), but uncertainty would still remain about the nature of the future UK-EU trading relationship and about whether agreement can be reached before the end of the transition period set out in the withdrawal deal (currently set at the end of 2020). The possibility that a formal trade deal will not be agreed remains a downside risk and a source of policy uncertainty. If trade between the United Kingdom and the European Union were to revert to WTO terms after 2020, the outlook would be significantly weaker and more volatile than otherwise, particularly in the short term. Such effects could be stronger still if preparations to border arrangements fail to prevent significant delays, or if financial market conditions and consumer confidence were to deteriorate considerably.

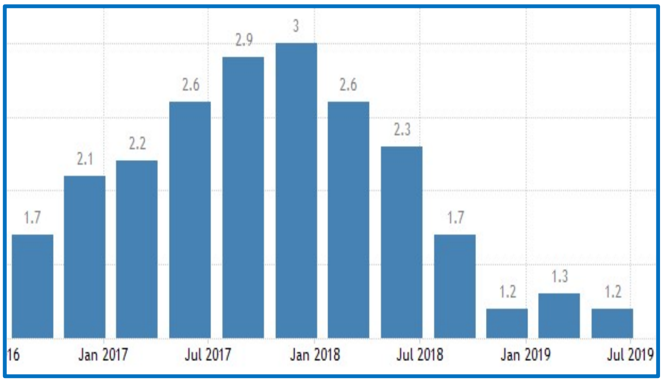
UK - ANNUAL GDP GROWTH RATE

European Economic Outlook

The euro area economy has slowed further in the course of 2019. Continued deterioration in external demand, persistent global trade tensions and enduring uncertainty surrounding Brexit have severely hampered exports. Investment weakness has also tended to worsen. The labour market has remained robust, with further reductions in unemployment and the continuation of moderate wage dynamism, which has translated into purchasing power gains given subdued inflation. However, growth in private consumption has somewhat declined, reflecting higher household saving, probably related to precautionary saving in a context of rising uncertainties. Manufacturing has been hit hardest by the slowdown, but confidence in services has also shown signs of faltering.

Bilateral trade tensions could also spread to other economies, including between the United States and the European Union, or to specific trade-sensitive sectors such as motor vehicles and parts or aeronautics. A decision by the US authorities is pending on whether to impose tariffs on imports of motor vehicles and parts from countries outside North America. If agreements with key partners are not reached, including over the investment plans of specific producers, tariffs could be imposed on US imports of cars and automotive parts. Given the complexity of cross-border supply chains, the costs of higher tariffs would be felt widely, particularly in Europe. Aeronautics also remains a key area of potential trade tension between the United States and the European Union in the near term, with the United States being authorised by the WTO in October to impose US$7.5 billion of tariffs on imports from the European Union to offset EU subsidies.

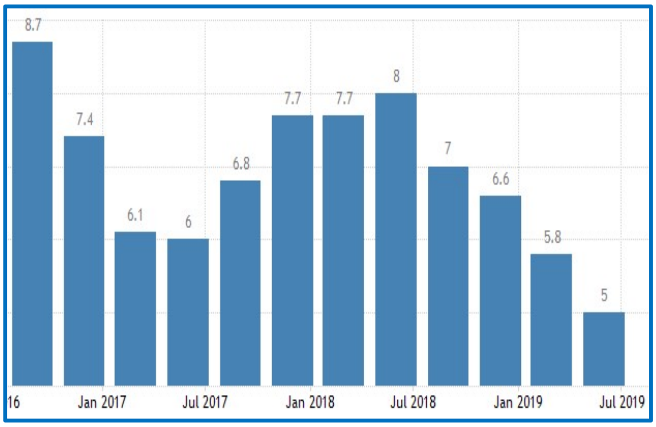
EURO AREA - ANNUAL GDP GROWTH RATE



Indian Economic Outlook

Economic growth is projected to recover to just under 6½% in FY 2021 as election-related uncertainties fade and monetary and fiscal policies have become accommodative. The new income-support scheme for farmers and a good monsoon are supporting private consumption. The cut in corporate income tax will support corporate investment. Inflation and the current account deficit will remain moderate given the relatively large spare capacity in the economy and low oil prices. Job creation remains a challenge.

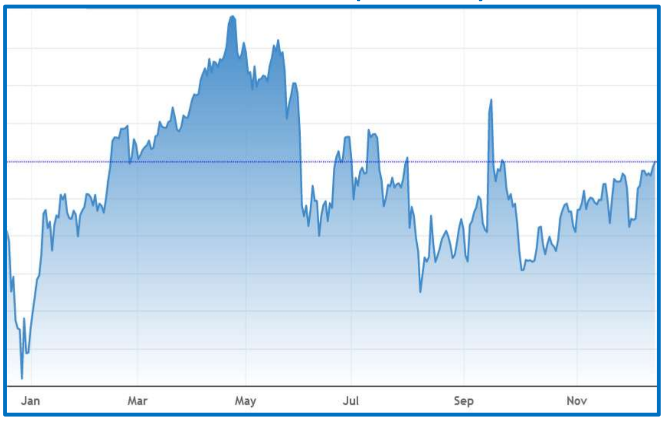
INDIA - ANNUAL GDP GROWTH RATE



COMMODITIES

Brent Crude is currently trading at US$65/barrel against a historical all-time high in July 2008 of US$147.50

OIL: BRENT OIL (ONE YEAR)

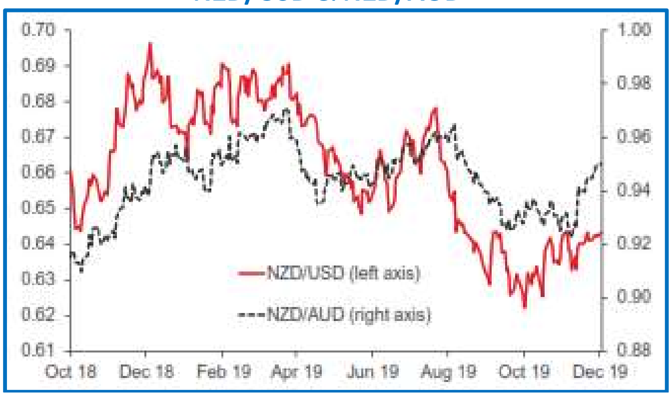


INTEREST RATES

My bet is we are still headed for a zero percent OCR by this time next year with growth talk about how to do Quantitative Easing in a way that does not just push up house prices, stock prices and bond prices to ever more unaffordable highs for those currently without any of those assets.

CURRENCIES

NZD/USD & NZD/AUD



SOURCE: Westpac

AGRIBUSINESS – LOOKING FROM THE OUTSIDE IN

Year ended 30 June	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019^F	2020^F	2021^F	2022^F	2023^F	2024^F
Dairy	6,092	5,982	6,986	7,848	10,359	11,036	10,312	12,912	13,379	13,139	17,791	14,050	13,289	14,638	16,655	18,120	18,620	18,940	19,240	19,510	19,780
Annual % Change		-1.8%	16.8%	12.3%	32.0%	6.5%	-6.6%	25.2%	3.6%	-1.8%	35.4%	-21.0%	-5.4%	10.1%	13.8%	8.8%	2.8%	1.7%	1.6%	1.4%	1.4%
Meat & wool	6,848	6,761	6,659	6,774	6,934	7,820	7,108	7,836	7,780	7,793	8,162	9,000	9,200	8,355	9,542	10,168	10,070	10,150	10,110	10,140	10,230
Annual % Change		-1.3%	-1.5%	1.7%	2.4%	12.8%	-9.1%	10.2%	-0.7%	0.2%	4.7%	10.3%	2.2%	-9.2%	14.2%	6.6%	-1.0%	0.8%	-0.4%	0.3%	0.9%
Forestry	3,294	3,242	3,249	3,648	3,295	3,615	3,921	4,588	4,332	4,527	5,199	4,683	5,140	5,482	6,382	6,931	5,810	6,350	6,510	6,580	6,590
Annual % Change		-1.6%	0.2%	12.3%	-9.7%	9.7%	8.5%	17.0%	-5.6%	4.5%	14.9%	-9.9%	9.8%	6.7%	16.4%	8.6%	-16.2%	9.3%	2.5%	1.1%	0.2%
Horticulture	2,207	2,264	2,320	2,646	2,892	3,333	3,277	3,378	3,557	3,546	3,805	4,185	5,000	5,165	5,376	6,110	6,340	6,510	6,780	7,170	7,600
Annual % Change		2.6%	2.5%	14.0%	9.3%	15.3%	-1.7%	3.1%	5.3%	-0.3%	7.3%	10.0%	19.5%	3.3%	4.1%	13.7%	3.8%	2.7%	4.1%	5.8%	6.0%
Seafood	1,257	1,266	1,278	1,312	1,272	1,460	1,405	1,563	1,545	1,546	1,500	1,562	1,768	1,744	1,777	1,963	2,070	2,180	2,250	2,310	2,330
Annual % Change		0.7%	1.0%	2.7%	-3.1%	14.8%	-3.8%	11.2%	-1.1%	0.0%	-2.9%	4.1%	13.2%	-1.4%	1.9%	10.4%	5.5%	5.3%	3.2%	2.7%	0.9%

ZERO CARBON BILL PASSES

In the end, National voted for the Zero Carbon Bill, but said within the first 100 days of being elected to government, it would amend the legislation to give effect to its seven bottom lines it failed to persuade the coalition Government to incorporate. As listed in its minority report on the select committee's report back to Parliament on the bill these are:

1. That the target for biological methane reduction be recommended by the independent Climate Change Commission.
2. That the Bill make clear the stated aim of the Paris Agreement is for greenhouse gas reduction to occur in a manner that does not threaten food production. Currently the Bill cherry-picks from the Agreement.
3. Strengthen provisions that consider the level of action being taken by other countries and allow targets to be adjusted to ensure we remain in step with the international community.
4. That the Bill ensure the Commission consider economic impacts when providing advice on targets and emissions reductions.
5. That the Bill ensure the Commission consider the appropriate use of forestry offsets, and have regard for the carbon sink represented by tree crops, riparian planting, and other farm biomass.
6. That emissions budgets be split between biogenic methane and carbon dioxide as recommended by the Parliamentary Commissioner for the Environment.
7. That the Bill include a greater commitment to investment in innovation and research and development to find new solutions for reducing emissions.

FONTERRA'S CHAIR – "NOT BROKEN BUT NEEDS TO CHANGE"

Fonterra's board of directors have acknowledged to shareholders that it's been a tough year, but say they're confident the co-op's farming situation will improve. This following Fonterra posting a $605 million loss for the year - which triggered the announcement of a new strategy focused on adding value to local production.

Chairperson John Monaghan told the Invercargill AGM that Fonterra is focusing on local milk production and only looking to international sources as a last resort. "*We have a $4 billion revenue business in China; we now account for 40% of dairy imports into mainland China. We've built a $2 billion food service business from pretty much scratch in less than five years. The co-op wasn't broken but it did need to change.*" Mr Monaghan said the company needed to listen to its shareholders. Isn't that an understatement!

At least we now know that CEO Miles Hurrell is being paid half of the salary of his predecessor, Theo Spierings. Hurrell is on $2.26m per year versus Spierings' average (6 years) salary of $5.5m per year.

UPDATE

Fonterra announced, in its recent quarterly update, that it has trimmed 200 jobs from its global operations as it continues to tighten its belt. CEO Miles Hurrell said this is not related to the sale of Tip Top icecream or the closure of the co-op's Dennington plant in Australia, which were completed in the previous financial year.

Fonterra also announced that it has lifted its farmgate milk price forecast for 2020 to $7.30 per kg of milk solids, an increase of 25 cents.

NEW ZEALAND EQUITIES

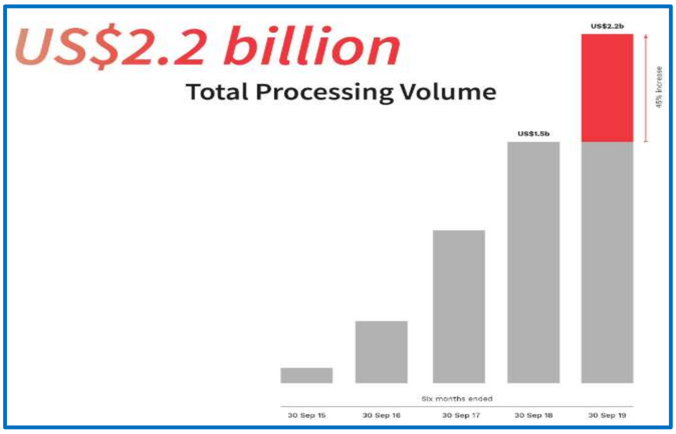
The benchmark NZX50G index achieved a return of 4.90% in November. It has delivered a 12-month total return of +28.25%.

As we head towards the end of the year, Jarden remains modestly constructive on equity markets. More recent economic indicators have generally shown signs of stabilisation or modest improvement and business and consumer confidence looks to be on the rise. Monetary policy remains easy with it most likely further loosening through 2020 thus directing incremental liquidity toward equity markets. The potential for the baton to then move to fiscal policy could add additional support for markets. Although downside risks remain in an aging cycle Jarden's positioning is now marginally more aggressive.

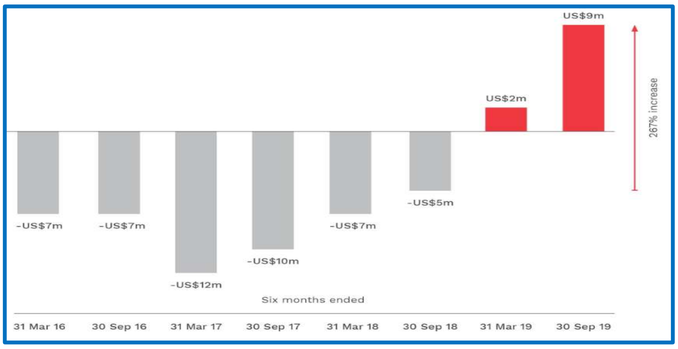
Pushpay Holdings (PPH.NZ)

OUTPERFORM $3.46 **My 12-mth TARGET:** $5.00

- 2020 Interim Results show continued strong growth, with operating revenue up from US$42.8m to US$56.0m (up 31%). The outlook for the year ending 31 March 2020 was given as between an impressive US$121m and US$124m. It also showed an expanding operating margin, from 57% to 65%.
- NPAT was positive for the first time at US$6.5m, up 247% from its previous loss of US$4.4m.
- ARPC (Annual Revenue Retention Rate) – a very important measure – increased 20% over the previous 12-months to September 2019, to US$1,272 per annum (from US$1,060 previously), and is now at 100% retention.
- Operating Cash Flow was positive US$8.9m (up 274%) versus negative US$5.1m previously).
- Total Revenue increased 30% - at US$57.47m versus US$44.0m previously.
- Total customers increased to 7,905 (up from 7,020, an increase of 7%).
- Staff Headcount rose just 2% to 360 staff (from 354 previously).
- Market Capitalisation now stands at NZ$949.65m



TOTAL OPERATING CASH FLOW



PPH.NZ Year to 31 March		6-months to 30/9/19	6-months to 30/9/18	CHANGE
Revenue	US$m	44.012	57.371	30.0%
Adjusted NPAT	US$m	6.481	(4.400)	247%
Earnings /share	USc	19.42	13.37	15.8%
Net Profit (Loss)/ share	USc	2.34	(1.60)	

PUSHPAY HOLDINGS – 1-YEAR GRAPH

AFT Pharmaceuticals (AFT.NZ)

OUTPERFORM $3.15 **TARGET:** $3.45

New Zealand drug company AFT Pharmaceuticals has made its first net profit as a listed company, as it rolls out its products to more countries. AFT has announced a $9.9m interim net profit for the six months to September 30, compared to a loss of $4.2m last year.

The company went into profit with its full year operating earnings in May, the first time since 2015 listing on both the NZX and the ASX. Interim operating revenue jumped 22% to $46.9m, and operating profits hit $13.7m, from a loss of $100k last year.

AFT developed the drug which treats a condition linked to facial growths, but the development costs were being shared in a 50:50 joint venture in the US. AFT has now bought out all the rights to Pascomer, and CEO Hartley Atkinson says it could potentially generate sales of $100m, if human trials currently underway prove successful. The trials should be complete in a couple of years. Although its products are registered in 44 countries, AFT's biggest markets continue to be New Zealand and Australia, where its eye care and Maxigesic products are its top sellers.

AFT is forecasting a full year operating profit of between $18.8m to $21.8m.

Port of Tauranga (POT.NZ)

OUTPERFORM $6.50 **My 12-month TARGET:** $7.50

Jarden's (and most brokers) seem to have always had an UNDERPERFORM on POT shares, but this "virtual" monopoly has a competitive advantage (combined with great strategic thinking) that is likely to see this company OUTPERFORM the broader market for many years to come.

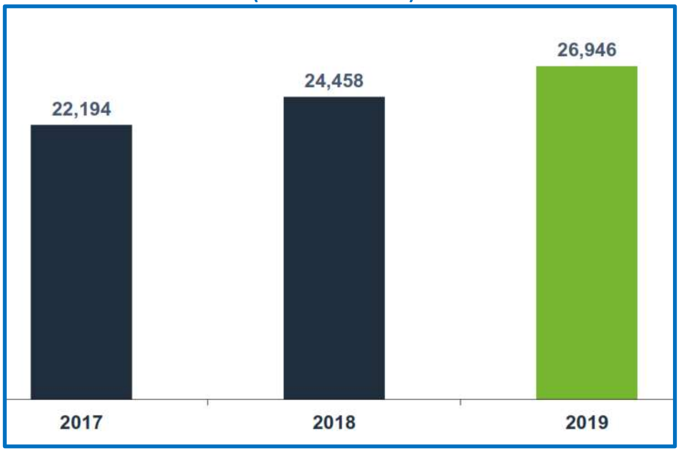
POT's annual cargo volumes (for the year ending 30th June) increased 10.2% to 26.9m tonnes. Containerised cargo grew 4.3% to more than 1.2m TEUs. Transhipments, where containerised cargo is transferred from one service to another, continued to show large increases, further evidence of POT's success in becoming New Zealand's major international hub port. In the year to 30th June, container transhipment grew 11.2%. Transhipment now makes up 32.1% of the containers handled at POT. This port handles 37% of all containers in New Zealand and 30% of total New Zealand cargo.

Group Net Profit After Tax passed the $100m milestone for the first time, increasing 6.7% on last year's profit to reach $100.6m. Revenue increased 10.4% to $313.3m, and parent EBITDA increased 12.4% to $168.6m. Total dividends increased 6.5% with the last of four special dividend payments of 5.0 cents/share. POT has resolved to continue paying a special dividend, of 2.5 cents/share per annum, subject to any change in our capital expenditure plans. POT has a $310m capital spend of in the pipeline, in five stages aligned with ongoing future cargo growth.

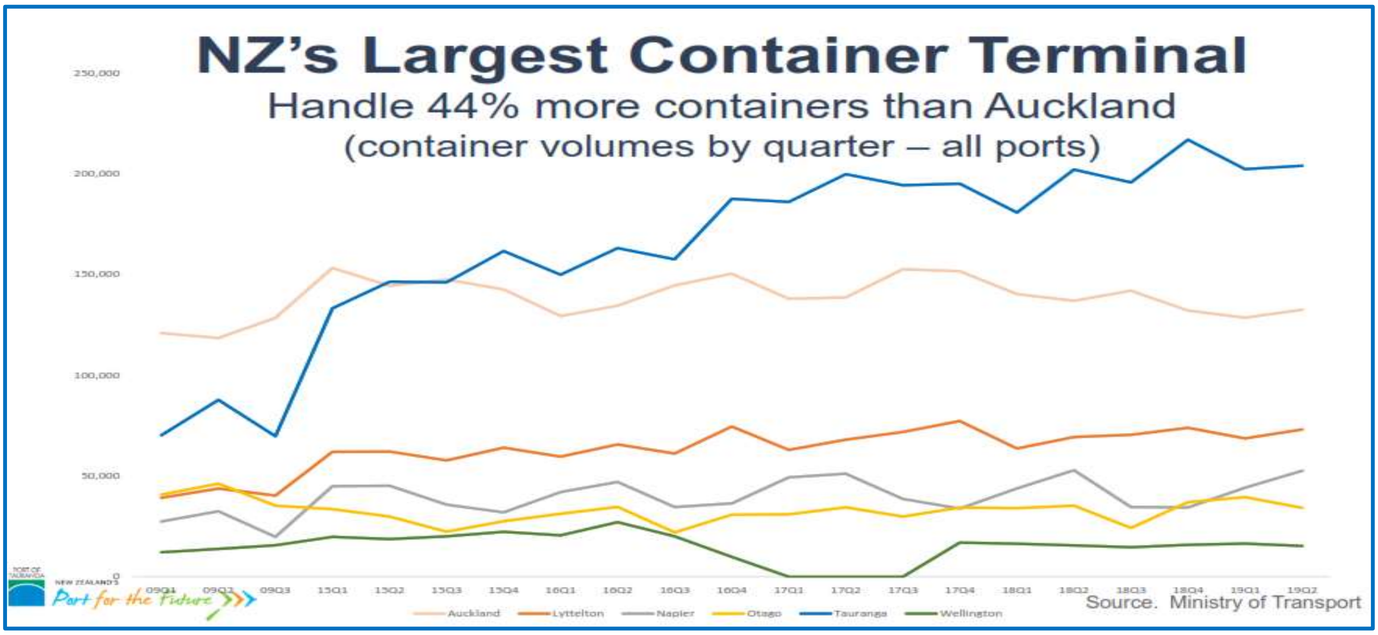
Its South Island joint venture PrimePort Timaru had a good year too, increasing its contribution by 36.6%. Timaru Container Terminal volumes decreased slightly, by about 10%. However, some of PrimePort's recent investments in building capacity have had immediate results for the terminal. Channel widening and a new tug have allowed the terminal to accommodate Maersk's Rio class vessels, currently the largest container vessels visiting the South Island. Maersk has also increased its OC1/USA service from fortnightly to weekly and Swires have recently announced an additional Timaru weekly service linking through to Tauranga.

Northport cargo volumes remained steady compared with the previous financial year. POT welcomes the news that KiwiRail will invest in refurbishing the Auckland-Northland rail line, so that there will hopefully be capacity in future to handle increased cargo volumes.

TOTAL TRADE – up 10.2%
(thousand tonnes)



I remain very optimistic about the future of this wonderful infrastructure asset.



The Future of Ports of Auckland

Source: Article penned by Tony Gibson, BOP TIMES, 23rd November

"*Sure, move the port — but not to Northport*", writes Tony Gibson, who is the CEO of Ports of Auckland.

Should Auckland's port move to Northland? Let me say up front that I don't mind if the port is moved. That's a matter for Auckland Council (the owner) and the Government (who will pay).

But I do care where it goes, and that decision should be made on facts. That's only fair to New Zealand taxpayers and the thousands of people who work at Ports of Auckland and at other businesses associated with the port and the wider supply chain.

What none of us need is the latest jumble of made-up "facts" put out by Wayne Brown, chair of the Upper North Island Supply Chain Study. This is the fifth port study in my eight years as CEO of Ports of Auckland, and, well, let's say it's not the best.

In their 2016 study, consultants EY said that Northport in Whangarei was almost the last place they'd move Auckland's port to, yet in this recent study they say it's the best. Why the change of heart?

In 2016 EY highlighted the negative economic, environmental and social costs of moving Auckland's freight through Northport, nearly 200km away. In 2019 this isn't mentioned, but the problem hasn't gone away.

It's quite simple. The further you carry a container, the more it costs. If you move it by land instead of by sea it costs even more. Someone must pay those costs and who will pay? Aucklanders. This plan is a tax on every single Aucklander.

Brown has said that's not true because goods come via Tauranga right now and don't cost more. Wayne, that's because Ports of Auckland is still here. If Port of Tauranga charged more than us, they wouldn't have a business. Close Auckland's port and watch prices rise.

Brown has also claimed that Ports of Auckland is not "viable economically and environmentally". That's not true. Over the last five years we've earned a quarter of a billion dollars for the city. No, we won't earn so much for the next two years, but that's because we're investing in technology to increase capacity and reduce our environmental impact.

Here's another inconvenient truth: the Northport option isn't environmentally friendly. The further you carry a container, the more emissions you produce. If you move it by land instead of sea you produce even more emissions. Auckland freight moved through Northport will produce 700 per cent more emissions than freight if it was sent through Auckland's port.

Brown claims the port land is worth $6 billion. That's an appealing notion, but wrong. We're required by the Auditor General to value the port land as if it was in its "highest and best use". Every time, skilled and experienced valuers say the land is worth less than a billion dollars.

There's a good reason why. It costs an awful lot to develop 80 hectares of industrial land (decontamination, roads and other infrastructure, public spaces etc) and it will take decades to fully build out. Wynyard Quarter is taking around 30 years to fully develop, and the port land is over twice the size. Sorry, but there's no pot of gold at the end of this rainbow.

Here are some more problems. Northport's wharf is 570m long. Auckland's wharves are THREE KILOMETRES LONG. A three kilometre-long wharf at Northport will stretch all the way to the settlement of One Tree Point, half of which will have to be bulldozed.

Brown says he'll make sure 70% of freight from Northport to Auckland will be carried by rail, but how? Right now, rail carries less than 6 per cent of New Zealand's freight. Brown says Northport is a deep-water port that doesn't need dredging. So why does Refining NZ need to deepen the channel for larger ships? In reality, lots of dredging will be needed.

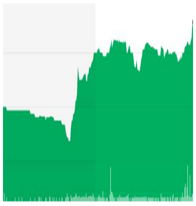
Brown says the port must move, but cruise ships can stay. Cruise ships need tugs and marine pilots and dredging, which the port provides. If you move the port, cruise must go too.

Look, move the port. Fine, no problem. But can we at least move it somewhere sensible?

Tauranga is already capturing a lot of the container trade (handling 44% more containers than Auckland). It currently handles 1.2m TEUs (20-foot container equivalents), and has the capacity (and plans) to more than double this to 2.8m TEU capacity.

Tauranga is likely to be the biggest beneficiary of any closure of at the Auckland port. POT has already acquired much of Auckland's tank farm business, and it makes much better sense to move most of the freight south, rather than north to Northland. However, either way POT wins (it already owns 50% of Northport).

"Fear is a reaction. Courage is a decision." Winston Churchill

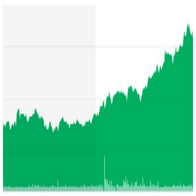


AFT Pharmaceuticals

1H20 adjusted operating profit (EBIT) $4.0m, vs pcp of $0.2m. This result was achieved despite growth in Maxigesic tablet sales that is expected to be weighted towards the second half (due to sales phasing in Southeast Asia and a concentration of Maxigesic tablet launches anticipated in 2H20). Performance was supported by a return to growth in AFT's local markets (ANZ) where it is focusing on in-licensing products in key areas of strength (lubricating eyecare, pain, etc.). In FY22 AFT is signalling an "even sharper" acceleration in growth is anticipated as sales build and additional dose forms (such as IV) are introduced. Jarden continues to like the AFT investment case given a range of potential growth options / markets.

2020 P/E: 68.8 2021 P/E: 20.4

NZX Code:	**AFT**
Share Price:	**$3.40**
12mth Target: ↑	**$3.45**
Projected return (%)	
Capital gain	1.5%
Dividend yield (Net)	0.0%
Total return	**1.5%**
Rating: OUTPERFORM	
52-week price range1.70-3.47	

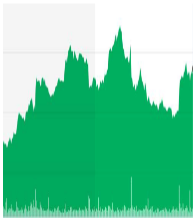


Arvida Group

On a journey towards quality, ARG has sold a number of lower quality and non-core properties over recent years, with its focus now shifting to the repositioning of value-add assets. Earnings growth has been impacted by the divestment of higher yielding properties, mixed incremental refurbishment yields, and ongoing vacancy. However, portfolio quality is improving, which should lead to greater rental growth, less vacancy, and lower stabilised capex. In the interim, ARG's higher dividend yield somewhat compensates investors as the portfolio repositions.

2020 P/E: 20.6 2021 P/E: 19.8

NZX Code:	**ARV**
Share Price:	**$1.64**
12mth Target:	**$1.32**
Projected return (%)	
Capital gain	-14.6%
Dividend yield (Net)	4.0%
Total return	**-10.6%**
Rating: NEUTRAL	
52-week price range: 1.22-1.55	

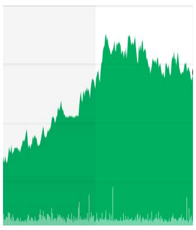


a2 Milk Company

ATM expects to see strong revenue growth, supported by a2 Milk's investment in China and the United States, in the current year. It has made significant progress in penetrating and demonstrating strong consumer acceptance across all these channels, CEO Jayne Hrdlicka said. ATM commercialises intellectual property relating to A1 protein-free milk that is sold under the a2 and a2 Milk brands, as well as the milk and related products like infant formula. For the first half of the financial year, a2 Milk anticipates revenue in the range of $780m to $800m. The company has extended its supply agreement with its part-owned supplier, Synlait Milk. Its two-year extension effectively provides for a new minimum term to, at the earliest, July 31, 2025.

2020 P/E: 26.0 2021 P/E: 22.7

NZX Code:	**ATM**
Share Price:	**$15.34**
12mth Target:	**$14.40**
Projected return (%)	
Capital gain	-6.0%
Dividend yield (Net)	1.2%
Total return	**-4.9%**
Rating: NEUTRAL	
52-week price range: 10.30-18.04	

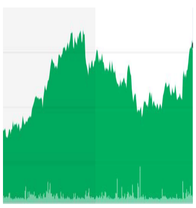


Auckland International Airport

The emerging economies of China, South-east Asia, India and South America are changing the dynamics of global air travel, albeit there has been a recent slowdown, due to global economic concerns – particularly US/China trade issues. There has been a significant rise in the number of people with disposable income in these economies and it is estimated that 66% of the populations of China and India will take one international trip each year by 2032. New Zealand is uniquely positioned to take advantage of their desire to travel. At Auckland Airport, the number of flights has not increased at the same rate as the number of passengers, because AIA continues to adapt their infrastructure to cater for the large modern aircraft, such as the A380, B787 and A350. **I continue to rate AIA as a core portfolio stock.**

2020 P/E: 40.9 2021 P/E: 38.1

NZX Code:	**AIA**
Share Price:	**$8.75**
12mth Target: ↑	**$6.11**
Projected return (%)	
Capital gain	-30.2%
Dividend yield (Net)	2.5%
Total return	**-27.7%**
Rating: ~~UNDERPERFORM~~	
My Rating: NEUTRAL	
52-week price range: 6.88-9.90	

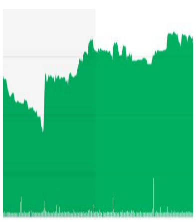


Chorus

Network competition looms as a threat and Jarden highlights the valuation downside associated with CNU being unable to generate the fair return the regulated framework should allow. Investors may look for CNU to maximise dividends over the next few years but other potential uses for the cash also include connections capex (increasing fibre penetration should remain a focus), and other areas of investment. Jarden remains a Neutral recommendation, with a cash flow prize on the horizon and enough visibility on the potential to generate a RAB outcome consistent with market pricing, but they are aware of the need for more information and the downside risks which could ultimately undermine the regulatory framework.

2020 P/E: 48.4 2021 P/E: 44.3

NZX Code:	**CNU**
Share Price:	**$5.80**
12mth Target:	**$5.64**
Projected return (%)	
Capital gain	-17.9%
Dividend yield (Net)	4.4%
Total return	**-13.5%**
Rating: NEUTRAL	
52-week price range: 4.52-6.39	



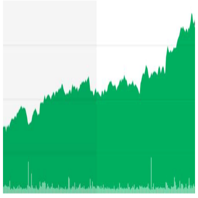
EROAD

ERD reported 1H20 EBITDA of $11.9m, up 92% YoY, highlighting good operating leverage on revenue growth of 35%, driven by ongoing unit growth and ARPU improvement. The North American business delivered good 1H20 profitability following its maiden profit in 2H19, pointing to a stable and likely consistently profitable segment, as well as accelerating unit growth through the half, built on several large Enterprise deployments. Jarden is comfortable with cost investment at this stage of ERD's trajectory, with the company demonstrating that it has the product and distribution capability to continue growing its recurring revenue base.

2020 P/E: (116.0) 2021 P/E: 40.9

NZX Code:	**ERD**
Share Price:	**$3.08**
12mth Target: ↑	**$3.40**
Projected return (%)	
Capital gain	10.4%
Dividend yield (Net)	0.0%
Total return	**10.4%**
Rating: OUTPERFORM	
52-week price range: 1.95-3.25	

Fisher & Paykel Healthcare

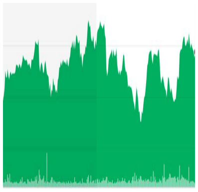


FPH's NPAT was supported by the NZD, R&D tax credits, and a reduction in litigation. Adjusting for these items, Jarden estimates NPBT increased +11.6%. This compares with headline (reported) NPAT growth of 24.4%. Hospital delivered +17% constant currency revenue growth supported by strong demand for nasal high flow therapy products. Hospital sales were also supported by an extended flu season in the US. In addition, FPH achieved strong hardware sales (against a soft comparable period) driven by large one-off tenders. Normalising for the extended flu season (~1 pp) and hardware sales (~2 pp), Jarden estimates Hospital delivered ~14% growth. Homecare operating revenue declined 1% in constant currency terms driven by declining sales for legacy OSA masks. This pressure was partly offset by sales from the new Vitera full face mask in Australasia, Canada, and Europe. The launch of the Vitera in the US (in late October) is expected to offset a further deterioration in legacy mask sales in 2H20.

2020 P/E: 46.0 2021 P/E: 40.4

NZX Code:	**FPH**
Share Price:	**$21.22**
12mth Target:	**$14.38**
Projected return (%)	
Capital gain	-33.3%
Dividend yield (Net)	1.6%
Total return	**-31.7%**
Rating: UNDERPERFORM	
52-week price range: 11.86-22.21	

Fletcher Building

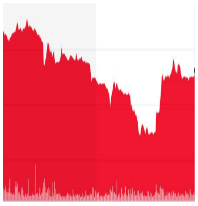


FBU has announced maiden FY20 EBIT guidance of $515-565m (vs $552m in FY19 on a post-IFRS16), continuing basis. On year-to-date trading and FY20 outlook there was little new since the FY19 result. Activity levels in NZ remain robust, albeit with some signs of easing in residential and infrastructure, whilst Steel earnings remain under pressure in a highly competitive market. FBU reiterated its target for $100m in gross opex savings in Australia by FY21, with NZ$15m of FY20 savings weighted to the second half. However, the Australian turnaround is clearly not without significant risk and remains the key swing factor for near-term earnings.

2020 P/E: 16.2 2021 P/E: 14.1

NZX Code:	**FBU**
Share Price:	**$5.25**
12mth Target:	**$4.98**
Projected return (%)	
Capital gain	-5.1%
Dividend yield (Net)	5.0%
Total return	**0.1%**
Rating: NEUTRAL	
52-week price range: 4.28-5.55	

Fonterra Shareholders' Fund

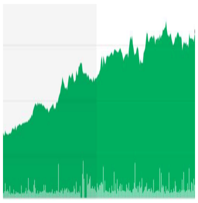


FSF is on its path to achieving FY20 EPS guidance, 1Q20 is a solid start, and clean with little in the way of surprises or major negatives to call out. An increasing milk price could put pressure on earnings with earnings remaining subject to volatility due to this, with FSF also calling out other risks (Hong Kong, Chile and Australian Ingredients). With the asset footprint FSF retains, and the structural position of some businesses, a path to higher sustainable earnings remains uncertain. Achieving FY20 guidance would stabilise earnings but at a level below FSF's objectives for the capital base it has in place.

2020 P/E: 14.9 2021 P/E: 11.8

NZX Code:	**FSF**
Share Price:	**$4.04**
12mth Target:	**$3.85**
Projected return (%)	
Capital gain	-4.7%
Dividend yield (Net)	3.6%
Total return	**-1.1%**
Rating: NEUTRAL	
52-week price range: 3.15-4.85	

Infratil

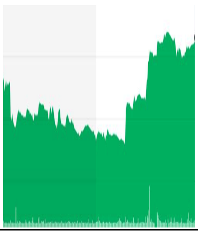


IFT's 1H20 result didn't produce any notable news, but did reconfirm the plans for key investments. Portfolio fast-movers CDC, TLT and Longroad seem well poised to deliver gains during 2H20: CDC reconfirmed growth to an A$135-$145m EBITDA run rate by period end, and Jarden estimates TLT's strategic review of Snowtown II might crystallise an A$400m+ sale gain. Longroad remains motivated to complete some of its near-term 810MW options. "Core" assets TPW & Wellington Airport (WIAL) look likely to deliver softer results. TPW has faced lower hydro inflows, cost pressure and a plant outage, while WIAL passenger growth almost stalled and opex increased. However, both assets are still delivering solid cashflows for the parent. Vodafone appears to be tracking to the lower end of guidance, but its substantial transformation project and low early visibility leave few data points to judge progress.

2020 P/E: 42.1 2021 P/E: (25.4)

NZX Code:	**IFT**
Share Price:	**$4.85**
12mth Target: ↑	**$5.13**
Projected return (%)	
Capital gain	5.8%
Dividend yield (Net)	3.6%
Total return	**8.8%**
Rating: OUTPERFORM	
52-week price range: 3.48-5.20	

Kathmandu

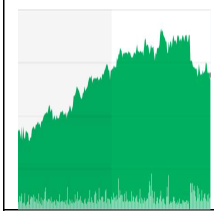


Rip Curl is a complementary and broadly aligned brand with the core Kathmandu product offer. Importantly, Jarden believes this acquisition is a transformational transaction for KMD, as it moves the company from a retail business largely dominated by a single outdoor brand to a genuine multi-brand and multi-channel company. In addition, Jarden expects this greater diversity to moderate KMD's earnings seasonality and volatility.

2020 P/E: 10.9 2021 P/E: 10.0

NZX Code:	**KMD**
Share Price:	**$3.14**
12mth Target:	**$3.35**
Projected return (%)	
Capital gain	6.7%
Dividend yield (Net)	6.0%
Total return	**12.7%**
Rating: OUTPERFORM	
52-week price range: 1.93-3.37	

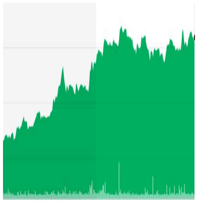
Kiwi Income Property



Jarden remains supportive of long-term strategy, but see near-term headwinds. KPG's mixed-use strategy is a sensible response to a retail environment under increasing pressure from online. However, its elevated payout ratio will likely weigh on near-term dividend growth, and Jarden continues to highlight a risk of further softening in retail cap rates, which may act as a headwind to NTA.

2020 P/E: 23.1 2021 P/E: 22.1

NZX Code:	**KPG**
Share Price:	**$1.55**
12mth Target:	**$1.47**
Projected return (%)	
Capital gain	-3.3%
Dividend yield (Net)	4.5%
Total return	**1.2%**
Rating: UNDERPERFORM	
52-week price range: 1.53-1.70	



Mainfreight

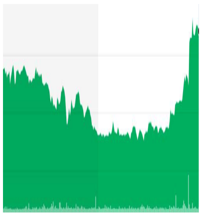
MFT reported 1H20 underlying NPAT of $62.2m, below Jarden's forecast of $64.5m. Revenue was generally 45% below forecasts across all geographies outside of NZ, while mixed margin performance vs forecasts delivered EBITDA of $119.1m, 2.8% below forecasts. While the result was soft vs expectations, this was still a solid result, with EBITDA growth (ex-FX) of 9.7%, while cycling a strong pcp. There were mixed margin performance by market, with the American and European operations being the primary drivers of EBITDA growth in the period up 27.9% and 32.7% respectively (in NZ$ terms). Offsetting this, the Australian business was the key area of disappointment, with EBITDA up +0.5% (ex-FX), with slow revenue growth in the transport business and higher labour costs weighing on margins.

2020 P/E: 26.0 2021 P/E: 23.5

NZX Code:	**MFT**
Share Price:	**$42.28**
12mth Target:	**$31.60**
Projected return (%)	
Capital gain	-28.8%
Dividend yield (Net)	1.7%
Total return	**-27.1%**

Rating: UNDERPERFORM

52-week price range29.74-43.00



Metlifecare

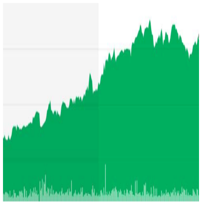
MET recently announced a "highly conditional, non-binding preliminary expression of interest" was from a credible third party. However, the price proposed was "below the board's expectations on value for the company". he company listed total assets of $3.5b in its FY19 investor presentation. It said it had a 97% occupancy, its first Gulf Rise village residents shifted in August and had new developments at Papamoa Beach, Greenwich Gardens, Crestwood, Botany, Pohutakawa Landing at Beachlands, Orion Point and Edgewater. Net after-tax profit dropped from $122m in 2018 to $39m in the latest period, but due largely to lower revaluation rises.

2020 P/E: 10.5 2021 P/E: 9.5

NZX Code:	**MET**
Share Price:	**$5.92**
12mth Target:	**$6.90**
Projected return (%)	
Capital gain	16.6%
Dividend yield (Net)	2.4%
Total return	**19.0%**

Rating: OUTPERFORM

52-week price range: 4.20-6.09



Precinct Properties

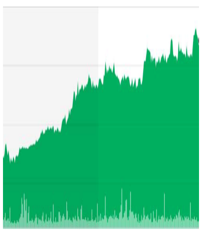
PCT remains Jarden's property sector preference, based on its quality portfolio, near-term growth in earnings per share, dividends per share, net tangible assets and relative valuation against their price target. PCT made a $189.9m net after-tax net profit, down on last year's $254.9m, due mainly to less spectacular rises in the value of its properties. Underlying profit, adjusted for non-cash items, was up 3.7% to $79.4m, or 6.37 cents per share for the year to June 30, 2019. The company declared a fourth quarter dividend of 1.5c a share, taking the total dividend to 6c a share. PCT announced it is changing its dividend policy to pay out 100% of adjusted funds from operations with retained earnings to be used to fund capital expenditure.

2020 P/E: 12.8 2021 P/E: 12.5

NZX Code:	**PCT**
Share Price:	**$1.82**
12mth Target:	**$2.32**
Projected return (%)	
Capital gain	27.8%
Dividend yield (Net)	6.7%
Total return	**34.5%**

Rating: OUTPERFORM

52-week price range: 1.43-1.92



Port of Tauranga

Port of Tauranga		2019	2018
OPERATING INCOME	$000's	**313,263**	283,726
SURPLUS AFTER TAXATION	$000's	**100,577**	94,273
TOTAL ASSETS	$000's	**1,748,861**	1,657,031
TOTAL EQUITY	$000's	**1,165,885**	1,121,980
DIVIDENDS PAID / PROPOSED	c/share	**18.3**	17.7
GEARING RATIO	%	**27.5**	26.2
NET ASSET BACKING PER SHARE	$	**1.71**	1.64
RETURN ON AVERAGE EQUITY	%	**8.9**	9.2
CARGO THROUGHPUT	tonnes	**26,946,000**	24,458,000
CONTAINERS	TEUs	**1,233,177**	1,182,147

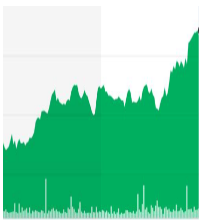
2020 P/E: 42.6 2021 P/E: 38.2

NZX Code:	**POT**
Share Price:	**$6.70**
12mth Target:	**$4.40**
Projected return (%)	
Capital gain	-37.9%
Dividend yield (Net)	2.5%
Total return	**-35.4%**

Rating: ~~UNDERPERFORM~~

My Rating: ACCUMULATE

52-week price range: 4.90-6.90



Ryman Healthcare

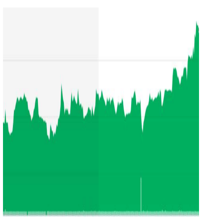
RYM has delivered a soft 1H20 profit result, with underlying NPAT (excl. development margin) of $71.2m, almost entirely driven by higher than forecast operating costs. The company defined underlying NPAT was $103.0m up a modest 6% YoY. In addition, RYM reported NTA of $4.53, and provided guidance of ~1,000 units and beds for FY21 and presented a medium-term ambition of 1,600. While this is a laudable target, given the significant increase in development cadence vs past performance required to achieve this goal, Jarden remains cautious. Market pricing of growth continues to present an unattractive risk/reward. Jarden's Underperform rating is not a reflection on RYM's growth profile but a view that there are better opportunities elsewhere.

2020 P/E: 28.1 2021 P/E: 24.4

NZX Code:	**RYM**
Share Price:	**$15.90**
12mth Target:	**$11.15**
Projected return (%)	
Capital gain	-29.9%
Dividend yield (Net)	1.9%
Total return	**-28.0%**

Rating: UNDERPERFORM

52-week price range: 11.29-15.48



Sanford

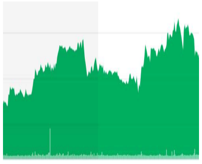
FY19 revenue increased +8% (like-for-like) driven by higher price achievement across all segments. This was likely, in part, a function of commodity price movements (hoki prices on Alaska pollock, squid prices on Argentine illex, etc.). However, the upside from SAN's value strategy is also evident (e.g., hoki fillet cascade through of precision seafood harvesting). Upside from pricing was offset by higher operating costs (up $4.9m). Pleasingly, EBIT per kg still increased to $0.56 in FY19 from $0.54 in the pcp. Excluding the impact of the San Granit outage and algal blooms, SAN would have achieved an EBIT/kg of $0.60. There is a positive outlook for FY20 across wild catch, salmon, and mussels given pricing, and initiatives to optimise vessels and mitigate algal blooms.

2020 P/E: 14.58 2021 P/E: 13.4

NZX Code:	**SAN**
Share Price:	**$7.99**
12mth Target:	**$7.65**
Projected return (%)	
Capital gain	-4.3%
Dividend yield (Net)	3.2%
Total return	**-1.1%**

Rating: OUTPERFORM

52-week price range: 6.36-7.80



Scales Corporation

FY20 guidance appears to be signalling a ~10% decline in earnings (U NPAT), adjusting for an inventory write-down absorbed in the FY19 guidance. This likely (in part) reflects orchard redevelopment (est. 4% decline in Mr Apple volumes). However, SCL is also highlighting cost pressures (incl. labour). FY20 guidance is despite for a soft 2019 crop in Europe (which looks supportive of pricing in FY20) and an apple size issue in FY19 which had an adverse impact on pricing and unit COGS. It is unclear whether this (in part) reflects a further deterioration in Braeburn pricing as consumer preferences evolve. Expect this to have less impact over time (given changing mix from orchard redevelopment).

2020 P/E: 14.58 2021 P/E: 13.4

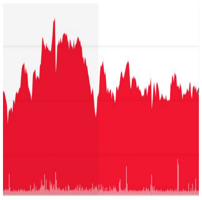
NZX Code:	**SAN**
Share Price:	**$4.71**
12mth Target:	**$4.82**
Projected return (%)	
Capital gain	2.3%
Dividend yield (Net)	4.0%
Total return	**6.3%**
Rating: NEUTRAL	
52-week price range: 4.25-5.45	

Sky Television

SKT is guiding to revenue around $760m and operating costs (excluding ~$40m leases – i.e. post IFRS16) of $580m for EBITDA of $180m (at midpoint guidance). This is a substantial downgrade to Jarden forecast for $215m which excluded the impact of IFRS16) on the back of significantly higher operating costs. The concerning issue for investors is that EBITDA of $180m needs to cover a potential $30-40m increase in programming costs (principally rugby) and ~$100m of capex and lease payments that the business still has embedded in it right now. While there is some one-off cost associated with this downgrade (perhaps $20m), with revenue still falling and more challenging decisions in front of SKT, Jarden can understand investors looking at the free cash flow outlook of the business with some trepidation.

2020 P/E 10.7 2021 P/E: 9.8

NZX Code:	**SKT**
Share Price:	**$0.72**
12mth Target: ↓	**$1.01**
Projected return (%)	
Capital gain	40.3%
Dividend yield (Net)	0.0%
Total return	**40.3%**
Rating: NEUTRAL	
52-week price range: 0.79-2.25	



Synlait Milk

SML is a growth company with ambitions to double revenues in an asset-intensive business. Without really good clarity, this risks adding uncertainty against a backdrop of uncertainty over how long current levels of profitability associated with A2 are expected to last. While Jarden can understand SML's desire to diversify away from A2 dependency, it is important that SML is clear on the risk/return outcome it sees as it invests beyond its core Ingredients (where investing in more NZ dryers would be increasingly challenging) and the nutritionals' business (despite this diversification objective, SML is increasing volume commitments which could give A2 more leverage in the future).

2020 P/E: 17.7 2021 P/E: 14.1

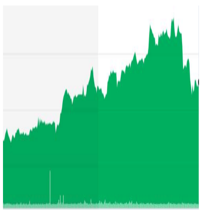
NZX Code:	**SML**
Share Price:	**$9.00**
12mth Target:	-
Projected return (%)	
Capital gain	-
Dividend yield (Net)	0.0%
Total return	
Rating: RESTRICTED	
52-week price range: 8.35-11.35	

TILT Renewaqbles

The Macarthur sale spurs optimism for Snowtown, and shows the potential for Snowtown II to appeal to potential investors. Jarden's long-stated TLT view has estimated ~NZ70cps of upside value, if the sell-down of existing assets to buyers with a much lower cost of capital could be executed. The high A$880m sale price paid by AMP Capital for a 50% stake in the 420MW Macarthur implies ~A$1.4/GWh or ~A$4.2mn/MW (cf. A$2mn/MW to construct a new windfarm). Assuming Snowtown II is sold at the start of FY21, and proceeds are mostly retained to fund Rye Park, modelled as reaching FID and construction start in 2021. So far it is unclear what proportion (if any) of possible sale proceeds would be returned to shareholders. Majority owner IFT has stated that it would expect spare capital to be returned, but also makes clear TLT should continue building new projects.

2020 P/E: 400.4 2021 P/E: 2.8

NZX Code:	**TLT**
Share Price:	**$3.20**
12mth Target: ↑	**$3.39**
Projected return (%)	
Capital gain	5.9%
Dividend yield (Net)	0.0%
Total return	**5.9%**
Rating: NEUTRAL	
52-week price range: 2.29-3.42	



Trustpower

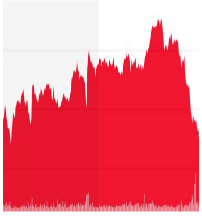
TPW reached a 100,000 telco customer count in Q2FY20 (albeit 2.5k below Jarden forecast). Rollout of the SPK-partnered Mobile Fixed Wireless product has begun, and Jarden sees that as key to unlocking telco bundling for TPW's higher churning customers in the regions. They think adding these new products is a good strategy to slow retail netback decline, albeit ratcheting baseline opex up another notch. Even so, they estimate that 1H20 all-in retail netback was again flat or slowly declining vs pcp. Their revised forecasts assume $5mpa higher opex and capex for the generation business into the middle of next decade.

2020 P/E: 25.8 2021 P/E: 24.9

NZX Code:	**TPW**
Share Price:	**$7.16**
12mth Target: ↓	**$5.06**
Projected return (%)	
Capital gain	-29.3%
Dividend yield (Net)	4.6%
Total return	**-24.7%**
Rating: UNDERPERFORM	
52-week price range: 6.00-8.65	

" If you really think that the environment is less important than the economy, try holding your breath while you count your money"

Guy McPherson



Westpac

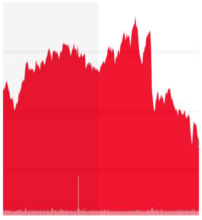
AUSTRAC has announced that it has commenced civil proceedings against WBC in relation to alleged contraventions of its AML and Counter Terrorism Financing obligations. The proceedings relate to issues around WBC failing to report a large number of international fund transfer instructions and other areas relating to WBC's processes, procedures and oversight. WBC previously had a A$300m (pre-tax) charge in our FY20 estimates for notable items. We now increase this amount to A$1bn for notable items including the AUSTRAC matter. A company the size of WBC has insurance in place which allows them to recover a portion of the potential fines from AUSTRAC. For context, CBA received A$145m in insurance recoveries in relation to their matter with AUSTRAC. Jarden acknowledges there are some grey areas in relation to the inaction of Westpac that may render Westpac un-investible to some at this point in time. That said Jarden considers the cA$6.5bn drop in market value since the statement of claim to more than encompass the most pessimistic of scenarios in relation to the long term value of the shares.

2020 P/E 12.8 2021 P/E: 11.6

NZX Code:	**WBC**
Share Price:	**NZ$25.78**
12mth Target:	**A$27.80**
12mth Target:	**NZ$28.98**
Projected return (%)	
Capital gain	12.4%
Dividend yield (Net)	6.5%
Total return	**18.9%**

Rating: OUTPERFORM

52-week price range: 24.50-32.39



Z Energy

The NZ Government looks set to act on the recommendations as proposed by the Commission, relying on enhancing competition rather than experimenting with novel political solutions or direct price intervention. This is a relief given some of the rhetoric and strong views around retail fuel pricing. Law changes are to be "swift" and a mid-2020 target has been set for legislation to be passed. No indicators yet offer confidence for margin outlook, but maybe the bottom of the current cycle is near? Price data suggests retail margins remain under strong pressure, but management reports that competitor site expansions have slowed or stalled (e.g., Gull in the South Island).

2020 P/E: 18.6 2021 P/E: 12.9

NZX Code:	**ZEL**
Share Price:	**$4.23**
12mth Target: ↓	**$5.13**
Projected return (%)	
Capital gain	21.3%
Dividend yield (Net)	10.1%
Total return	**31.4%**

Rating: UNDERPERFORM

52-week price range: 4.80-6.85

A PRELIMINARY LOOK AT THE 2019 BROKER PICKS *as at 13-December 2019*

AvonD Portfolio	First NZ Capital	Craigs IP	Forsyth Barr	Hobson Wealth	Hamilton Hindin	MSL Capital Mkts	Foster S/broking (Vulcan Capital)	Shareclarity
a2 Milk	a2 Milk	a2 Milk	a2 Milk	a2 Milk	a2 Milk	AFT Pharmaceutical	Mainfreight	Abano
AFT Pharmaceuticals	EBOS	EBOS	Arvida	Fletcher Building	F&P Healthcare	Freightways	Moa	Chorus
Fletcher Building	Katmandu	F&P Healthcare	Contact Energy	Mainfreight	Infratil	Gentrack	Truscreen	PGG Wrightson
Port of Tauranga	Sanford	Mainfreight	Infratil	NZ King Salmon	Mainfreight	Green Cross Health	The Warehouse	Sanford
PushPay	Scales Corporation	Meridian Energy	Tourism Holdings	Vista Group	Oceania Healthcare	Plexure	Veritas	Skellerup
35.0%	**19.4%**	**40.4%**	**16.1%**	**15.1%**	**23.7%**	**46.4%**	**-24.8%**	**81.0%**

My 2019 Picks	Price 31-Dec-18	Price 13-Dec-19	% Gain
The a2 Milk Company	$11.15	$15.34	37.6%
AFT Pharmaceuticals	$2.15	$3.40	58.1%
Fletcher Building	$4.88	$5.25	7.6%
Port of Tauranga	$5.00	$7.08	41.6%
Pushpay Holdings	$3.15	$4.10	30.2%
Portfolio average percentage gain			35.0%

NEW ZEALAND GROSS DIVIDEND YIELD – JARDEN

AS AT 5TH DECEMBER 2019

COMPANY	RATING	PRICE (NZ$)	GROSS DIVIDEND YIELD FY-1	FY0	FY1	FY2	DIVIDEND COVER FY-1	FY0	FY1	FY2	NET DEBT/ EQUITY
Z Energy	U	$4.94	12.1%	13.5%	13.7%	13.6%	1.1	0.6	0.8	1.1	99.2%
Air New Zealand	N	$2.86	10.7%	11.2%	11.7%	12.2%	1.1	1.1	1.3	1.4	57.2%
Michael Hill	O	$0.70	8.3%	9.4%	9.4%	11.7%	1.7	1.5	1.7	1.4	18.2%
Tourism Holdings	O	$3.24	10.0%	9.0%	9.6%	10.2%	0.8	0.8	1.0	1.1	41.8%
New Zealand Refining Company	N	$1.94	5.4%	8.8%	13.1%	20.5%	1.3	0.4	1.3	1.1	31.8%
Heartland Bank	N	$1.70	8.2%	8.6%	8.8%	9.0%	1.3	1.3	1.4	1.4	638.5%
Asset Plus Limited	N	$0.64	8.5%	8.5%	8.5%	8.5%	0.9	1.0	0.9	0.8	35.3%
Steel & Tube	N	$0.82	8.5%	8.2%	9.8%	11.0%	1.3	1.2	1.3	1.2	1.1%
The Warehouse	N	$2.86	8.3%	8.1%	8.6%	8.7%	1.3	1.3	1.3	1.2	25.4%
Spark	U	$4.46	7.2%	7.2%	7.7%	7.6%	0.9	0.9	1.0	1.1	91.5%
Skellerup	U	$2.33	6.9%	7.1%	7.6%	8.1%	1.2	1.2	1.2	1.2	17.3%
Seeka	O	$4.70	7.1%	7.1%	7.1%	7.1%	1.6	0.6	1.1	1.3	65.9%
NZX	N	$1.22	6.9%	7.1%	7.2%	6.9%	0.9	0.9	1.0	1.1	12.3%
Contact Energy	U	$7.19	6.8%	6.9%	6.8%	7.1%	0.6	0.5	0.6	0.6	44.1%
Kiwi Property Group	U	$1.56	6.7%	6.8%	6.8%	6.8%	1.0	1.0	1.0	1.1	42.8%
Argosy Property	N	$1.39	6.7%	6.7%	6.7%	6.9%	1.1	1.1	1.1	1.1	57.6%
Augusta Capital	N	$1.44	6.4%	6.7%	6.8%	6.9%	1.2	0.9	1.2	1.3	-17.5%
Stride	N	$2.23	6.6%	6.6%	6.6%	6.6%	1.1	1.0	1.0	1.1	50.1%
Vector	U	$3.57	6.3%	6.4%	6.5%	6.6%	0.9	0.8	0.8	0.9	114.5%
Genesis Energy	U	$3.15	7.1%	6.4%	7.2%	7.5%	0.4	0.4	0.6	0.7	52.5%
Sky City	N	$3.92	6.3%	6.3%	6.3%	7.1%	1.3	1.2	1.1	1.1	65.4%
Investore Property	U	$1.83	6.2%	6.2%	6.2%	6.2%	1.1	1.0	1.1	1.2	41.7%
Trustpower	U	$7.15	14.1%	6.0%	6.7%	6.8%	0.4	0.9	0.9	0.8	51.5%
Scales Corporation	N	$5.12	5.2%	5.8%	6.0%	6.7%	1.1	1.2	1.2	1.2	-26.4%
Freightways	N	$8.13	5.2%	5.6%	7.1%	7.3%	1.3	1.2	1.2	1.2	90.3%
Chorus	N	$6.03	5.3%	5.5%	5.8%	8.1%	0.5	0.5	0.5	0.3	237.2%
Meridian Energy	U	$4.89	5.5%	5.5%	5.4%	5.3%	0.6	0.6	0.6	0.7	29.2%
Precinct Properties	N	$1.83	4.9%	5.1%	5.3%	5.5%	1.1	1.1	1.1	1.2	39.0%
Vital Healthcare	N	$2.66	4.9%	4.9%	5.0%	5.2%	1.1	1.2	1.3	1.3	64.5%
Property For Industry	U	$2.37	4.8%	4.8%	4.9%	5.0%	1.1	1.1	1.2	1.2	43.2%
Fletcher Building	N	$5.14	4.5%	4.7%	7.6%	8.1%	1.9	1.3	1.3	1.3	24.6%
Goodman Property	U	$2.16	4.6%	4.6%	4.6%	4.7%	1.2	1.0	1.0	1.0	24.1%
Oceania	N	$1.09	4.3%	4.4%	3.9%	4.7%	1.8	1.8	1.8	1.8	42.8%
Tower	O	$0.74	0.0%	4.4%	5.9%	6.3%		1.8	1.8	1.8	-34.5%
Mercury	U	$4.88	4.4%	4.4%	4.5%	4.4%	0.8	0.9	0.8	0.8	29.5%
Sanford	O	$7.75	4.1%	4.1%	4.1%	4.1%	1.8	2.1	2.3	2.6	26.4%
Infratil	O	$4.85	3.8%	3.8%	3.9%	4.1%	1.1	0.7	-1.1	1.0	233.5%
Arvida	N	$1.59	3.3%	3.7%	4.1%	4.5%	1.8	1.8	1.8	1.9	39.9%
Auckland Airport	U	$8.81	3.5%	3.5%	3.8%	3.8%	1.0	1.0	1.0	1.0	42.1%
Ebos	U	$23.12	3.3%	3.4%	3.7%	3.9%	1.4	1.4	1.4	1.4	29.0%
Comvita	O	$2.80	3.0%	3.4%	5.8%	7.8%	-2.7	1.6	1.6	1.6	49.1%
Gentrack	N	$3.80	2.9%	3.4%	4.4%	6.0%	1.3	1.2	1.2	1.2	-8.6%
Port of Tauranga	U	$6.75	3.8%	3.3%	3.5%	3.9%	0.8	0.9	1.0	1.0	43.3%
Fonterra	N	$4.02	0.0%	3.2%	4.2%	5.0%	0.0	2.1	2.0	2.0	86.0%
New Zealand King Salmon	N	$2.20	3.2%	3.2%	3.4%	5.9%	1.9	1.9	1.9	1.5	11.6%
Delegat's Group	U	$11.30	2.1%	2.2%	2.5%	3.3%	3.0	2.9	2.9	2.5	71.6%
Mainfreight	U	$41.10	1.9%	2.2%	2.4%	2.8%	2.5	2.4	2.4	2.3	16.8%
Fisher & Paykel Healthcare	U	$21.28	1.5%	1.9%	2.3%	2.7%	1.6	1.6	1.5	1.5	-2.6%
Summerset	O	$7.70	1.7%	1.8%	1.9%	2.0%	3.4	3.3	3.3	3.3	51.2%
Ryman Healthcare	U	$15.30	1.4%	1.6%	1.9%	2.1%	2.1	2.1	2.0	2.0	71.3%
Vista Group	N	$3.75	1.2%	1.5%	1.7%	2.4%	2.1	2.0	2.0	2.0	-9.6%
AFT Pharmaceuticals	O	$3.22	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	599.9%
a2 Milk	N	$14.95	0.0%	0.0%	1.3%	1.3%	0.0	0.0	2.9	3.5	-72.5%
Eroad	O	$3.14	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	53.2%
Metro Performance Glass	O	$0.29	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	44.4%
NZME	N	$0.42	6.7%	0.0%	0.0%	0.0%	4.8	0.0	0.0	0.0	25.9%
Restaurant Brands	U	$11.89	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	36.2%
Sky Network Television	N	$0.81	13.7%	0.0%	0.0%	0.0%	3.1	0.0	0.0	0.0	37.7%
Tilt	N	$3.15	0.5%	0.0%	2.5%	0.0%	1.6	0.0	12.8	0.0	115.4%
MEDIAN			**4.9%**	**4.8%**	**5.4%**	**6.0%**	**1.1**	**1.0**	**1.2**	**1.2**	**42.1%**

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

Xero (XRO.AX)

UNDERPERFORM A$79.34 **TARGET:** A$55.91

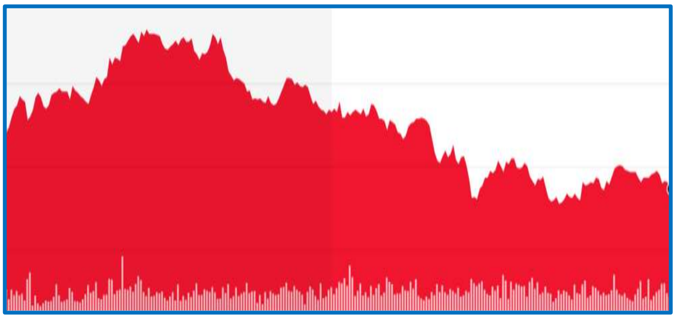
XRO reported 1H20 revenues up 32% to NZ$339m and EBITDA up 88% to NZ$65m. UK subs were up strongly, maintaining the step-up seen over 2H19, aided by the ongoing regulatory tailwinds from the MTD transition, while Australian subs also received a regulatory bump through Single Touch Payroll (STP), up 114k in the period (+28%).

- **Customer metrics are strong and improving.** LTV/sub increase of 5% and total LTV increase of NZ$1bn over 1H20 are encouraging. This is the embedded value in the customer base and underpins future period CF. Higher GM% and lower churn are driving this, aided by more efficient customer acquisition.
- **NZ revenue up 22% on subscription growth of 13%.** NZ is showing that the platform/upsell strategy can drive revenue growth in a more mature market, which is also encouraging as it validates the embedded value in the existing customer base, and XRO's strategy of unlocking this is working.
- **XRO has leveraged the opportunity presented by STP in Australia**, with a $10/month payroll-only sub getting traction. We like this strategy, and as evidenced by the NZ experience, XRO is showing that once it attracts customers it can extract better yields and thus more value over time.
- Jarden is a supporter of XRO's strategy and continue to be impressed by the company's execution. The stock is up 3% over the last 12 months, reflecting a higher degree of confidence on what is ultimately possible in the UK, supported by good traction in that market. With XRO trading at a material premium to a DCF factoring success in this and other new markets, they retain their UNDERPERFORM, with a 12-month target price of A$55.91

XRO.AX 31 March Year		2019A	2020F	2021F	2022F
Adjusted NPAT	NZ$m	(9)	51	114	243
Earnings /share	NZc	(6)	15	47	1.11
PE Ratio	x	n.m	533	171	72
Dividend	NZ$	0.00	0.00	0.00	0.00

South 32 (S32.AX)

OUTPERFORM A$2.88 **TARGET:** A$3.20



- S32 has announced the binding (but still conditional) SPA for the sale of SAEC to Seriti has been entered into, with an expected closure for the transaction between August and November next year (9-12 months). The announcement is positive for S32, removing any perceived overhang from those waiting for the exit process to progress further post the original announcement in August.
- **Consideration immaterial up-front; subject to coal markets longer term:** S32 will received ~US$7m (at current exchange rates) once the transaction completes and will receive 49% of FCF generated from date of completion to March 2024, capped at 1.5bn Rand, per annum (~US$100mn). Until the deal has closed, S32 will continue to report SAEC in underlying earnings and do not expect to report any taxable project. It goes without saying that any residual payments to S32 post completion are highly contingent on prevailing coal prices and Seriti capital programs over that period.
- **Valuation:** No change to TP, rating or view on the back of the release however the news is a positive insofar it removes any uncertainty around further delays in singing the SPA. Jarden's Outperform rating is underpinned by a host of commodity prices assumptions, most of which are now well above spot prices – noting if they ran spot prices for the full final three quarters of FY20, their eps would fall ~60%.

S32.AX Year to 30 June		2019A	2020F	2021F	2022F
Adjusted NPAT	US$m	992	671	792	740
Earnings /share	USc	19.42	13.37	15.81	14.78
PE Ratio	x	9.4	13.7	11.6	12.4
Dividend	USc	9.60	5.33	6.33	5.91
Dividend Yield	%	5.3	2.9	3.5	3.2

SAUDI ARAMCO's IPO

Number of employees: 65,266 (2016)
Headquarters: Dhahran, Saudi Arabia
Revenue: US$355.9 billion (2018)

Saudi Aramco's IPO has created a huge dilemma for investors. The petroleum giant, officially known as the Saudi Arabian Oil Company, is expected to be the world's most valuable listed company with an anticipated market value between US$1,600 bn and US$1,707bn.

MARKET VALUE OF LISTED COMPANIES (US$)

Saudi Aramco	$1,600b-$1,707b
Apple	$1,170b
Microsoft	$1,140b
Google	$900b
Amazon	$870b
Facebook	$560b
Berkshire Hathaway	$530b

Exxonmobil, the most valuable listed oil company at present, has a market value of US$290bn while the United Kingdom's BP is worth US$130bn and Australia's BHP US$120bn.

However, Saudi Aramco is based in one of the world's most repressive countries, as highlighted by the killing of journalist Jamal Khashoggi. The oil giant is the world's biggest polluter according to at least one survey, its main facilities were recently attacked by Yemeni rebels and, in the short term at least, it will only list on the Saudi Arabian Tadawul market.

FIRST, THE HISTORY

Saudi Arabia was a poor, tribally controlled area in the 1920s when New Zealander Major Frank Holmes decided the area had oil potential. In 1922 Holmes negotiated an oil exploration concession with Ibn Saud covering a 30,000 square mile area in Eastern Province for an annual fee of £2000. This is a vast area, as New Zealand's North Island is 43,900 square miles. The concession lapsed when Holmes and his syndicate ran out of money, but the former Otago Boys' High School student is widely considered to be one of the first to recognise the region's oil potential and he was inducted into the New Zealand Business Hall of Fame in 2003.

In September 1932 the region was formally united into the Kingdom of Saudi Arabia, with Ibn Saud becoming King and the House of Saud the kingdom's ruling royal family. In 1933 the cash-strapped kingdom signed an agreement with the Us-based Standard Oil of California to explore most of the Eastern Province area that had been granted to Holmes.

The rest is history. Standard Oil made its first Saudi oil discovery in 1938 and the giant Ghawar Field, which can produce up to 3.8 million barrels a day, was discovered in 1948. The Saudi Government started buying into the company in 1973, it became fully Saudi owned by 1980 and in 1988 changed its name to Saudi Aramco.

Saudi Arabia has become one of the world's richest countries, but it remains heavily dependent on oil and gas, which represents about 50% of its gross domestic product and 70% of export earnings.

It is only the world's third largest oil producer, after the United States and Russia, but Saudi Aramco is the country's only producer, and it has vast reserves and a very low US$2.80 per barrel cost structure.

Saudi oil is low cost because its production wells are onshore, cheap to maintain and it has low labour and transportation costs. In addition, flow rates are high and Saudi Aramco doesn't have to undertake exploration activity because of its massive reserves. This makes it the most profitable oil company by a wide margin, with a 2018-year net profit of US$111.1bn. This is greater than the combined net earnings of BP (US$9.4bn), Chevron (US$14.8bn), Exxonmobil (US$20.8bn), Royal Dutch Shell (US$23.4bn) and Paris based Total SA (US$11.4bn).

The simple economics are that Saudi Aramco has production costs of less than US$3 a barrel, while conventional oil producers in other parts of the world have cost structures between US$30 and US$40 a barrel. Meanwhile, hydraulic fracturing, or fracking, in the US can cost US$50 or more a barrel.

The Saudi Crown Prince's ambition is to diversify the country from its huge dependence on oil, and the Aramco IPO proceeds will be used to develop tourism, entertainment, technology and other sectors.

The original plan was to sell a 5% stake, raising US$100bn for the Saudi Government. This would have valued the company at US$2,000bn and the US$100bn raise would have been a world record IPO, well ahead of the US$25bn raised in 2014 through China's Alibaba IPO.

However, towards the end of November, Aramco announced a scaled down IPO, with the Saudi Government selling a 1.5% stake, or 3 billion shares, at between 30 and 32 Saudi riyals (between US$8.00 and US$8.52) a share. Based on this price range, the Saudi Government will raise between US$24.0bn and

$25.6bn, valuing the oil giant between US$1,600bn and $1,707bn.

The extensive global marketing and media campaign hasn't excited investors as it coincided with Yemen's Houthi rebels' drone attacks on two Aramco facilities that affected the company's production. This had a negative impact on profitability, with the company announcing net earnings of US$21.3B for the latest September quarter compared with $30.3bn for the September 2018 quarter.

Aramco reported net earnings of US$68.2bn for the first nine months of the December 2019 year compared with US$83.3bn for the same period last year. These figures are after Saudi Arabia's 50% company tax rate and additional royalties paid to the Government.

In early October, the Climate Accountability Institute released a press statement — "Carbon Majors: Update of Top Twenty companies 1965-2017" — which concluded that the 20 large oil, natural gas and coal companies have contributed 35.5% of all global fossil fuel and cement emissions since 1965. The five largest contributors have been Saudi Aramco, with 4.4% of global emissions, Chevron (3.2%), Gazprom, Russia (3.2%) Exxonmobil (3.1%) and National Iranian Oil (2.6%). Saudi Aramco's top-spot global polluter status is not surprising as it is the world's largest oil producer. There has been a great deal of comment about the rights and wrongs of investing in oil exploration and production companies in a climate change environment.

Saudi Aramco IPO bids are required by December 4, the final price will be announced on December 5 and the company will list shortly afterwards.

It is highly unlikely that any New Zealand fund, including Kiwisaver funds, will participate in the Saudi Aramco IPO, but Middle Eastern investors are more enthusiastic because they expect the newly listed company to be included in the MSCI Emerging Markets Index and this will attract global passive funds.

In addition, the company offers a dividend yield of around 4.5% at the indicative mid-price IPO range.

Saudi Aramco will be an interesting company to follow in the years ahead.

FIXED INTEREST – *INDICATIVE ONLY* AS AT 4TH DECEMBER 2019

Issuer: (BBB+, BBB, BBB-)	NZDX Code	Coupon Rate	Maturity Date	CPN Freq	Credit Rating	Type	Offer Yield	Price/ $100
Sky Network Television	SKT020	6.25	31/03/2021	4	BBB-(NR)	Senior	3.50	104.68
Kiwi Property Group Limited	KPG010	6.15	20/08/2021	2	BBB+	Senior	2.30	108.22
Z Energy	ZEL040	4.01	1/11/2021	4	BBB-(NR)	Senior	2.43	103.32
Contact Energy	CEN030	4.40	15/11/2021	4	BBB	Senior	2.00	104.81
TrustPower	TPW140	5.63	15/12/2021	4	BBB-(NR)	Senior	2.41	106.08
Precinct Properties	PCT010	5.54	17/12/2021	2	BBB+(NR)	Senior	2.47	108.64
Genesis Power	GNE030	4.14	18/03/2022	2	BBB+	Senior	2.05	105.54
GMT Bond Issuer	GMB030	5.00	23/06/2022	2	BBB+	Senior	2.28	108.95
Heartland Bank	HBL010	4.50	8/09/2022	4	BBB	Senior	2.48	105.32
Sky City Entertainment	SKC040	4.65	28/09/2022	4	BBB-	Senior	2.52	106.66
Contact Energy	CEN040	4.63	15/11/2022	4	BBB	Senior	2.16	107.29
TrustPower	TPW150	4.01	15/12/2022	4	BBB-(NR)	Senior	2.48	104.25
Meridian Energy	MEL030	4.53	14/03/2023	2	BBB+	Senior	2.08	108.73
Meridian Energy	MEL040	4.88	20/03/2024	2	BBB+	Senior	2.19	111.99
Heartland Bank	HBL020	3.55	12/04/2024	4	BBB	Senior	2.70	104.01
Investore Property	IPL010	4.40	18/04/2024	4	BBB(NR)	Senior	2.80	107.14
GMT Bond Issuer	GMB040	4.54	31/05/2024	2	BBB+	Senior	2.50	108.68
Contact Energy	CEN050	3.55	15/08/2024	4	BBB	Senior	2.24	106.01
Z Energy	ZEL060	4.00	3/09/2024	4	BBB-(NR)	Senior	2.50	106.72
Precinct Properties	PCT020	4.42	27/11/2024	2	BBB+(NR)	Senior	2.76	107.79
Property for Industry	PFI010	4.59	28/11/2024	4	BBB(NR)	Senior	2.73	108.73
Kiwi Property Group Limited	KPG030	4.33	19/12/2024	2	BBB+	Senior	2.56	110.33
Vector Limited	VCT090	3.45	27/05/2025	4	BBB	Senior	2.65	104.15
Wellington Intl Airport	WIA050	5.00	16/06/2025	2	BBB+	Senior	2.41	115.71
Meridian Energy	MEL050	4.21	27/06/2025	2	BBB+	Senior	2.37	111.4
Summerset	SUM020	4.20	24/09/2025	4	BBB-(NR)	Senior	2.79	108.35
Property for Industry	PFI020	4.25	1/10/2025	4	BBB(NR)	Senior	2.83	108.36
Kiwi Property Group Limited	KPG040	4.06	12/11/2025	2	BBB+	Senior	2.75	107.39
Argosy Property	ARG010	4.00	27/03/2026	4	BBB+(NR)	Senior	2.94	106.87
Trustpower	TPW180	3.35	29/07/2026	4	BBB-(NR)	Senior	2.81	103.63
Metlifecare	MET010	3.00	30/09/2026	4	BBB-(NR)	Senior	2.87	101.36
Argosy Property	ARG020	2.90	29/10/2026	4	BBB+(NR)	Senior	2.95	99.97
Chorus	CNU020	4.35	6/12/2028	4	BBB	Senior	2.75	112.72
Trustpower	TPW170	3.97	22/02/2029	4	BBB-(NR)	Senior	2.90	108.77
Wellington Intl Airport	WIA060	4.00	1/04/2030	2	BBB+	Senior	2.75	111.88

Issuer: (BB+, BB, BB-)	NZDX Code	Coupon Rate	Maturity Date	CPN Freq	Credit Rating	Type	Offer Yield	Price/ $100
Infratil	IFT090	8.50	15/02/2020	4	BB(NR)	Subordinated	3.56	101.43
Fletcher Building Industries	FBI140	5.80	15/03/2020	2	BB+(NR)	Subordinated	3.90	101.81
Warehouse Group	WHS020	5.30	15/06/2020	2	BB-(NR)	Senior	2.76	101.19
Fletcher Building Industries	FBI150	4.75	15/05/2021	2	BB+(NR)	Subordinated	3.20	102.44
Infratil	IFT220	4.90	15/06/2021	4	BB(NR)	Subordinated	3.32	102.1
Infratil	IFT190	6.85	15/06/2022	4	BB(NR)	Subordinated	3.27	108.3
Infratil	IFT240	5.65	15/12/2022	4	BB(NR)	Subordinated	3.40	106.17
NZX Limited	NZX010	5.40	20/06/2023	4	BB+(NR)	Subordinated	3.45	107.61
WEL Networks	WEL010	4.90	2/08/2023	4	BB+(NR)	Subordinated	2.90	107.37
NZ Refining	NZR010	5.10	1/03/2024	2	BB(NR)	Subordinated	3.73	106.67
Infratil	IFT230	5.50	15/06/2024	4	BB(NR)	Subordinated	3.43	108.39
Infratil	IFT260	4.75	15/12/2024	4	BB(NR)	Subordinated	3.40	105.98
Infratil	IFT250	6.15	15/06/2025	4	BB(NR)	Subordinated	3.50	112.95
Infratil	IFT280	3.35	15/12/2026	4	BB(NR)	Subordinated	3.51	98.83
Infratil	IFT270	4.85	15/12/2028	4	BB(NR)	Subordinated	3.57	109.63
Infratil	IFTHC	3.50	15/12/2029	4	BB(NR)	Subordinated	3.50	99.83

Term Deposits	3m	4m	5m	6m	9m	1yr	2yr	3yr	4yr	5yr
BNZ	2.05%	2.36%	2.62%	2.83%	2.80%	2.76%	2.80%	2.83%	2.87%	2.98%
RABO	2.05%	2.27%	2.49%	2.70%	2.65%	2.55%	2.50%	2.50%	2.50%	2.70%
ANZ		2.40%	2.50%	2.70%	2.75%	2.70%	2.60%	2.60%		
WPAC	2.33%	2.63%	2.68%	2.71%	2.68%	2.67%	2.69%	2.71%	2.74%	2.79%

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