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Investment Strategies

AUGUST 2014

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

On a personal front – life is really busy; between running Simon's campaign and my recent appointment to the Crown Research Institute, Plant & Food Research, there don't seem to be enough hours in the day – but I do like to be busy, so no drama....

Our economy - an overview

The recent sharp declines in the Fonterra dairy auction price further reinforces the likely passing in the peak in both the current cycle of NZ's terms of trade and GDP growth rates. In addition, given the magnitude of the recent fall in dairy auction prices, this has raised some questions regarding the potential impact on the NZ economy and markets from any additional weakness.

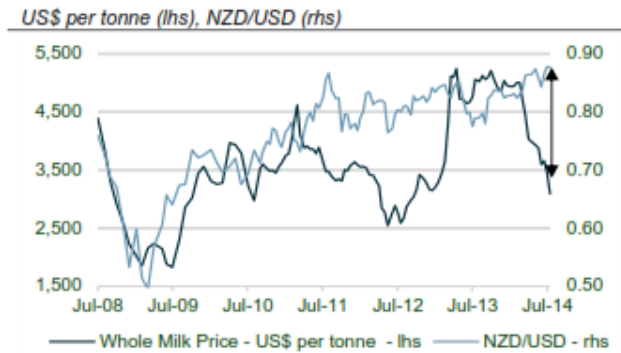
The fortunes of the broader NZ economy have in the past been strongly influenced by commodity prices movements, with the peaks and trough in past commodity cycles having broadly coincided with the cycles in nominal GDP growth. Given this relationship between commodity prices and nominal GDP, it is not surprising to see the impact of commodity price movements feeding through into the prospects for the NZ equity market.

A further decrease in the ANZ commodity price index - if sustained - can be expected to flow through to both a weakening NZD and via a likely dampening in the NZ economy's growth prospects, an associated easing in the NZ equity market. Moreover, reinforcing these dynamics, a weakening in

the NZD has also in the past been closely correlated with a decline in the NZX50G index.

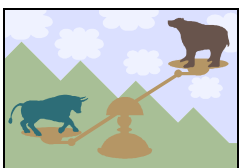
Nevertheless, we acknowledge that the NZ economy is not as one dimensional as these linear relationships suggest and the substantial positive stimulus associated with the Canterbury earthquake rebuild, together with robust net migration will provide a significant buffer.

Whole milk powder prices have fallen in excess of 41% from their recent Feb-14 highs



Source: Fonterra, RBNZ, First NZ Capital

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"We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful."

Warren Buffett

NZ Dollar versus US Dollar – Has it Peaked?

Since the beginning of this year there has been a broad strengthening in the NZ dollar, primarily reflecting a number of factors including:

- NZ's relatively robust growth profile,
- historically high terms of trade (underpinned by dairy prices),
- together with a widening positive interest rate differential - with the RBNZ raising the OCR by 100bps to 3.5%.

However, on balance, it would appear that we have likely passed the high point in the current cycle of the NZD/USD exchange rate, with a peak of 0.8837 level recorded on 10 July.

While attempting to pick the precise timing for a peak in the NZD/USD is extremely difficult to assess with a high degree of confidence, we believe that a number of fundamental factors now point in the direction of a lower level for the currency over the year ahead. In particular, factors likely to provide a headwind for any return to the recent highs include:

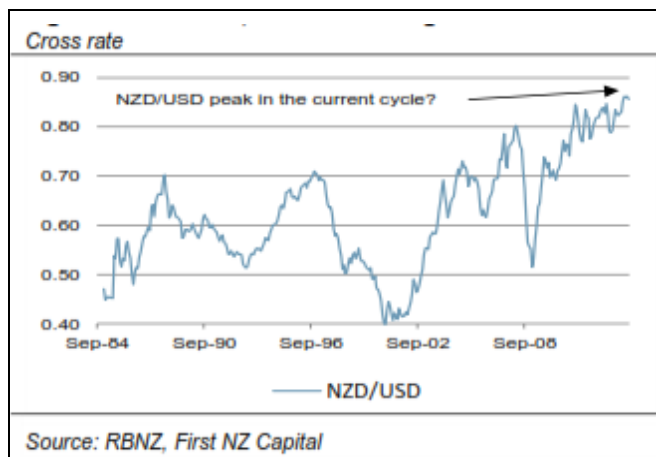
- Recent sharp declines in dairy auction prices,
- Leading indicators of domestic activity continue to point to a softening in the NZ growth rate,
- The relative outperformance of the NZ economy versus the US looks set to close,
- RBNZ likely to pause the tightening cycle over the remainder of this year, and
- Fundamental NZD valuation metrics continue to remain overvalued.

Examining the profile from previous peaks in the NZD/USD exchange rate over the four periods from June 1988; November 1996; March 2005; and March 2008 shows reasonably significant median and average declines over the first year of 16% and 20% respectively.

Factors which would warrant a reassessment of expectation of a recent peak in the NZD/USD exchange rate include:

- A sharp recovery in NZ dairy commodity prices back to recent highs,
- A significant acceleration in NZ's growth and or inflation rates (or inflation expectations), resulting in a more aggressive than expected RBNZ interest rate response, and
- The USD weakens sharply, potentially reflecting US growth disappointment and/or the potential start of the US Federal Reserve's tightening cycle being pushed back further into 2015.

NZD/USD moves to post-float high on historic high terms of trade, interest rate & growth differentials



Strong US economy surprises

The US economy has bounced back in the second quarter of the year, showing annualised growth of 4 percent, against a 3 percent expectation among economists and sparking renewed tension on the board of the US Federal Reserve about the pace of monetary policy tightening.

Stronger consumer spending and inventory-building by companies drove the stronger showing after an unexpectedly weak first quarter, which felt the impact of savage winter weather, although the size of the contraction has been revised down to 2.1 percent.

That result was followed, as expected, by the removal of a further US\$10 billion of monthly bond-buying to further reduce the massive monetary stimulus that's helped kick the US economy back into life. Unemployment is around 6 percent, its closest to the technical measure of full employment for the first time since the GFC, but the Fed is noting plenty of spare capacity in the labour market, partly reflecting low participation rates.

So, while bond purchasing is now set at US\$25 billion a month, with the expectation it will be withdrawn completely from October, there are signs of disagreement among the Fed's top brass about whether and when to start raising interest rates, especially now that it says fears of persistently low inflation has abated.

New Zealand is 1st in the world for social and environmental progress

The Social Progressive Imperative has published its annual Social Progress Index. Labour and the Greens would have you believe that NZ is appalling on social issues. So where was NZ placed on this index? 100th? 50th? 25th? 10th? 5th? – NO – it is FIRST. The top 10 are:

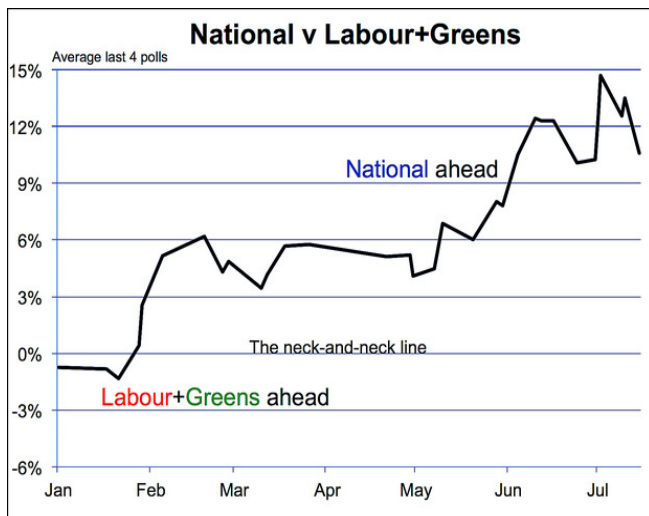
1. New Zealand	3. Iceland	5. Norway	7. Canada	9. Denmark
2. Switzerland	4. Netherlands	6. Sweden	8. Finland	10. Australia

The Local Political Scene - New Zealand's Poll of Polls

National is still well ahead - but....

National is near-paranoid about the complacency factor - supporters who don't vote because they think John Key has got it won. This is why it has been working the phones and social media and putting up billboards far more intensively than in 2011, when its election result fell 7% below its pre-campaign poll average.

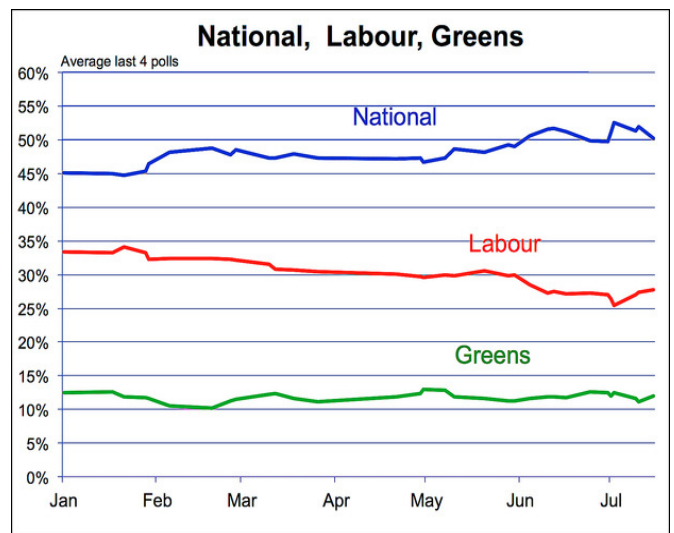
The chart below shows why there might be complacency - a lead over Labour + Greens in the 12% to 15% range (although it may have peaked). That is despite a far more intensive and better targeted effort from Labour than in 2011, and unprecedented on-the-ground campaigning by Greens in their strong seats.



National's polling average may have peaked during July at 52.5% in the four polls up to mid-July. By end-July it was at 50.3%. That is still a very healthy figure under MMP but if National sheds only 4% by election day, it cannot count on a third term, even with help from ACT, United Future and the Maori party.

At the comparable time before the last election National was averaging around 56%. It dropped 9 percentage points from there to 47.3% at the election. This is why John Key is asking his supporters to get National Party supporters out to vote.

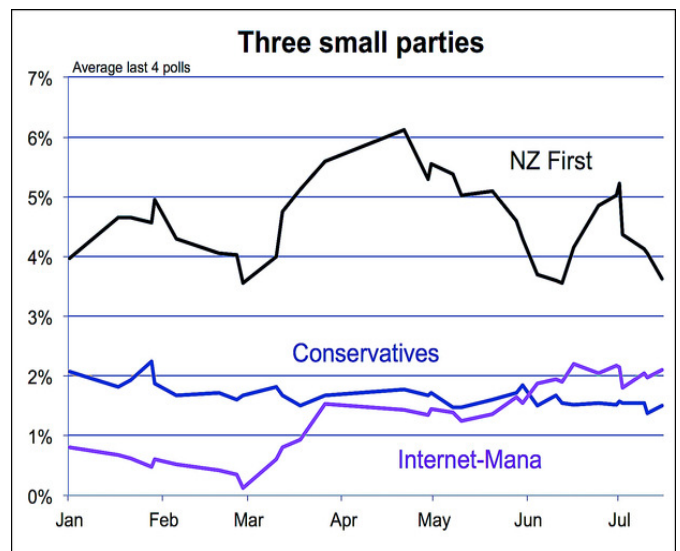
NOTE: The polls from which the last four at any one point are drawn are: TV1 Colmar Brunton, TV3 Reid Research, Fairfax Media-Ipsos, and the NZ Herald DigiPoll.



National leader John Key kept his long lead as preferred Prime Minister in the TV1 and TV3 polls: 48% in July, up from 47% in June in TV1 and 44% down from 47% in TV3. Labour leader David Cunliffe dropped from 10% to 8% and 10% to 9% respectively.

Winston Peters' New Zealand First party retreated during July to a four-poll average of 3.6%, down from a 5.0% average up to early July (it peaked in May at 6.1%). But that may be enough from which to scale 5%: at the same time before the 2011 election, when it got 6.6%, it was averaging around 2.5%.

Internet-Mana was averaging 2.1% in late July, the Conservatives 1.5%, the Maori party 1.1%, ACT 0.6% and United Future 0.3%.



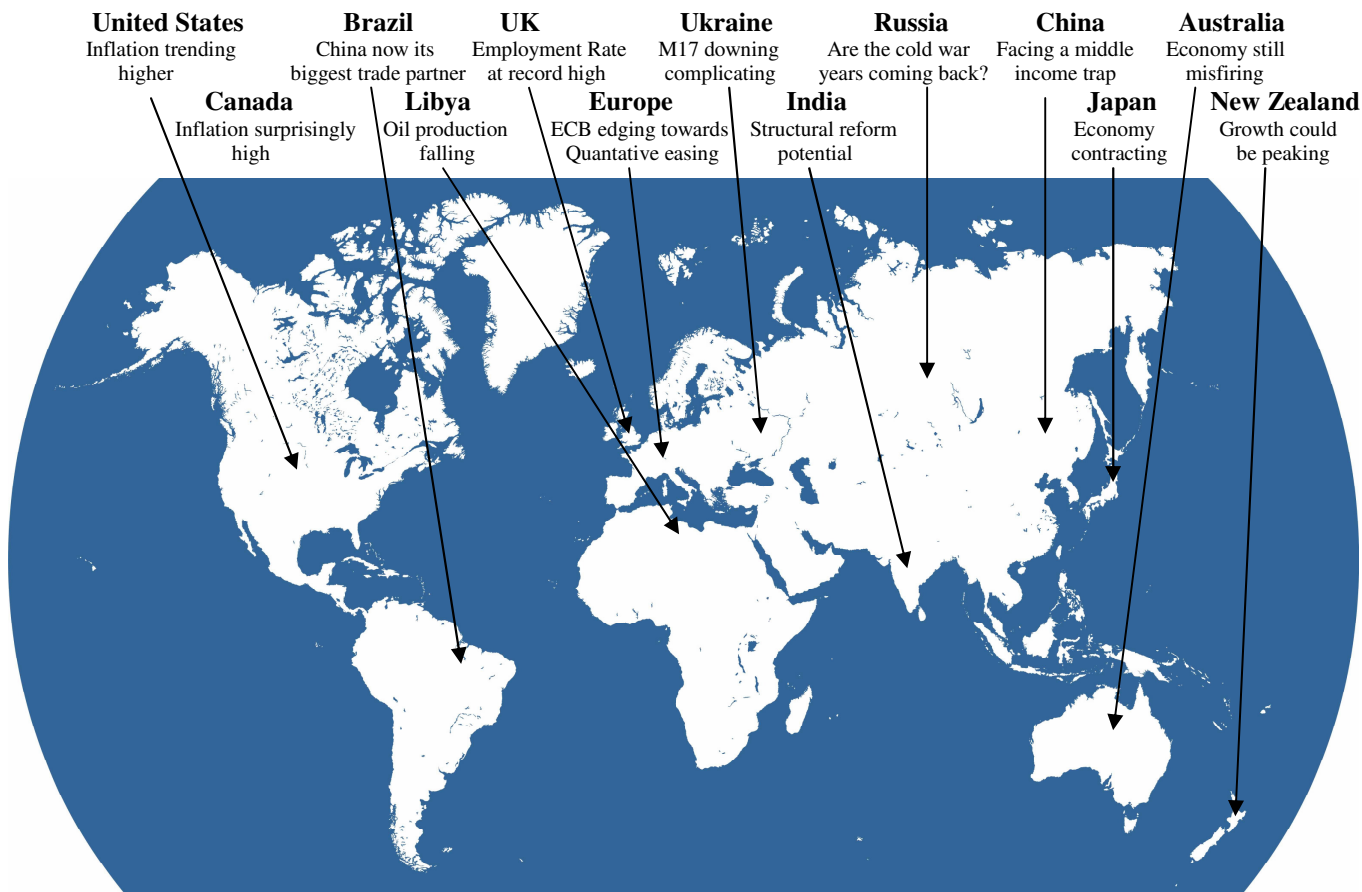
NATIONAL - WORKING FOR NEW ZEALAND



Trading partner growth (2013 actual; 2014-15 Consensus forecasts)

Trading Partners	Weight Mar-14	GDP Growth (ann avg %)				CPI Inflation (ann avg %)			
	%	2013	2014	2015	2016	2013	2014	2015	2016
China	25.2	7.7	7.3	7.1	7.1	2.6	2.5	2.9	3.1
Australia	23.1	2.4	3.1	3.0	2.9	2.4	2.7	2.6	2.8
USA	10.3	1.9	2.2	3.1	3.0	1.5	1.8	1.9	2.2
Japan	7.2	1.5	1.5	1.2	1.1	0.4	2.6	1.8	1.8
Eurozone	7.2	-0.4	1.1	1.5	1.6	1.3	0.7	1.2	1.1
South Korea	4.1	3.0	3.6	3.7	3.7	1.3	1.8	2.5	2.6
UK	3.5	1.7	3.0	2.6	2.2	2.6	1.8	2.1	2.4
Malaysia	2.3	4.7	5.3	5.1	5.3	2.1	3.3	3.6	3.0
Indonesia	2.2	5.8	5.3	5.7	5.8	6.4	6.2	5.7	5.1
Taiwan	2.2	2.1	3.2	3.6	3.7	0.8	1.2	1.8	1.7
India	1.7	4.7	5.4	6.2	6.4	9.5	7.8	7.0	6.8
Singapore	2.6	3.9	3.8	4.0	4.1	2.4	2.2	2.7	2.3
Hong Kong	2.0	2.9	3.3	3.5	3.6	4.3	3.9	3.6	3.3
Philippines	1.9	7.2	6.4	6.3	6.0	2.9	4.2	3.9	4.1
Thailand	1.8	2.9	1.3	4.1	3.2	2.2	2.4	2.8	3.0
Canada	1.3	2.0	2.2	2.5	2.5	1.0	1.8	2.0	2.0
Viet Nam	1.2	5.4	5.6	5.9	6.0	6.6	5.6	6.8	7.0
NZ TRADING PARTNERS	100.0	3.8	4.0	4.1	4.2	2.3	2.5	2.7	2.8
BNZ FORECAST FOR NZ		2.7	4.1	3.4	1.8	1.1	1.7	2.4	3.0
The World		2.5	2.8	3.2	3.3	2.7	3.1	3.1	3.2

THE WORLD AT A GLANCE



"Price is what you pay. Value is what you get."
Warren Buffett

First NZ Capital Results Preview

Company	Code	Est Report Date	Report	Price	Target Price	Rtg	EPS	Div	FNZC Analyst Comment
Michael Hill International	MHI	15-Aug	FY14	1.32	1.67	↑	44.5	8.1	Revenues in Australia and NZ were subdued in FY14. Canada and the US performed well +10.1% and +5.8%. Margins are expected to hold up, particularly with strong PCP revenues +51.3% for the year.
Steel & Tube	STU	15-Aug	FY14	2.90	3.10	↓	19.6	15.5	Weaker domestic steel price in 2H and potential market share loss in 2H14 likely to have impacted on earnings momentum. Downside risks to consensus FY15 estimates.
Contact Energy	CEN	18-Aug	FY14	5.46	6.10	↑	28.7	35.0	Expect a muted uplift to FY14 EBITDAF to \$543m (\$2m above FY13, with Te Mihi only contributing revenue from May this year. Large dividend increase expected now SAP, Te Mihi, and refinancing all completed,
Freightways	FRE	18-Aug	FY14	4.88	4.50	→	27.4	20.5	Expect strong 2Q14 momentum in Express Package to continue into 2H14 with mid-single digit revenue growth and margin expansion.
Meridian Energy	MEL	18-Aug	FY14	1.74	2.00	↑	7.7	10.5	Strong year, with late 2H14 boost to inflows. We forecast \$586m FY14 EBITDAF, 7% ahead of PFI.
Opus International	OIC	18-Aug	1H14	1.76	2.65	↑	6.7	4.0	Challenging climatic conditions in Canada is likely to have significantly reduced days available for surveying work.
Fletcher Building	FBU	20-Aug	FY14	9.04	10.80	→	51.3	36.0	Focus will be on the extent to which cost initiatives and trading conditions in NZ and Australia will assist further recovery in FY15F earnings. Downside risks to consensus FY15 estimates.
Mighty River Power	MRP	20-Aug	FY14	2.34	2.65	↑	13.3	13.0	Difficult hydrology across the year, expect MRP to just meet FY14 \$501mn PFI Target. Deferral of maintenance costs likely required if PFI target to be achieved.
Trade Me Group	TME	20-Aug	FY14	3.50	3.63	↓	19.8	8.1	Evidence of recovery in general items revenue growth in 2H and further conversion of remaining real estate agents to TME listings model will be key to delivering double-digit NPAT growth projected for FY15F.
Port of Tauranga	POT	21-Aug	FY14	15.50	16.50	→	57.5	47.0	A weak year for container volume offset by break-bulk growth. The main focus should be on forward looking comments relating to the recently announced alliance with Kotahi.
Sky TV	SKT	22-Aug	FY14	6.66	6.05	↓	42.2	29.6	Focus on subscriber growth and any further update on SVOD plans.
Telecom	TEL	22-Aug	FY14	2.82	2.50	→	17.0	16.0	Key focus is on cost out achievements and run-rate. Probably difficult to assess the impact TEL's acquisitions have had on the business. Mobile expected to have performed relatively well.
Vector	VCT	22-Aug	FY14	2.58	2.47	→	16.9	15.0	Operating metrics were reasonable. Look for clarity on capex envelope post ComCom WACC announcement.
A2 Milk Company	ATM	25-Aug	FY14	0.63	0.73	→	-0.1	0.0	Further expansion of UK sales footprint and sales momentum will be important to demonstrate progress. US opportunity is likely to remain "work in progress".
Chorus	CNU	25-Aug	FY14	1.75	1.90	→	38.0	0.0	The impact of regulatory changes will weigh on the result. Look at capex spend and customer metrics.
Heartland	HNZ	25-Aug	FY14	0.94	0.96	↑	8.6	6.0	Key focus is on the performance of rural and how the new home equity release book is performing.
Auckland Int Airport	AIA	26-Aug	FY14	3.80	3.45	↓	13.1	6.5	Expect retail spend per PAX to improve from 1H14 trends however to remain at subdued levels. Aeronautical cost leverage off strong overall PAX growth should deliver another solid result.
Air New Zealand	AIR	27-Aug	FY14	1.91	1.97	→	22.6	10.0	Improvement across a number of key variables should deliver a strong 2H14 result. Cargo revenue performance could hold the key to earnings risk, either positive or negative
Ebos Group	EBO	27-Aug	FY14	10.01	10.82	↑	62.2	37.1	Comparison to pcip is largely irrelevant given the Symbion acquisition. Looking for comments around acquisition synergies and regulatory outlook for Australia in FY15.
Genesis Energy	GNE	27-Aug	FY14	1.83	1.82	→	6.0	12.8	Expect \$310mn FY14 EBITDAF, 1.5% ahead of PFI. Cost savings and new swaption revenue uplifts above PFI expected for FY15.

First NZ Capital Results Preview (continued)

Company	Code	Est Report Date	Report	Price	Target Price	Rtg	EPS	Div	FNZC Analyst Comment
Guinness Peat Group	GPG	27-Aug	IH14	0.67	0.59	↓	NA	NA	Coats' trading expected to have remained solid. Key issues remain resolution of pensions with UK Regulator.
Airwork Holdings	AWK	28-Aug	FY14	2.55	3.15	→	27.9	13.4	Expect strong growth in Helicopter engineering as well as improved disclosure around key operating performance metrics
Hellaby Holdings	HBY	28-Aug	FY14	2.83	3.90	↑	26.4	14.0	HBY has already provided earnings guidance. Looking for comments around CR potential in FY15.
Delegat's Group	DGL	29-Aug	FY14	4.14	4.60	↑	28.3	10.0	Key issue is looking for continued growth in North America and risk of price competition in Australia ahead of the bumper 2014 vintage.

*Ratings: ↑ = Outperform; ↓ = Underperform; → = Neutral
Source: Company data; FNZC estimates

Port of Tauranga – Still a stellar performer on the NZX

Maersk has announced a new port rotation that will see its Southern Star service return to Port of Tauranga (POT) after shifting to Port of Auckland 12 months earlier. POT expects to benefit by an annualised volume increase of 70,000 TEU containers with the new rotation becoming effective from 6th August 2014.

Industry contacts expect the recently announced alliance between Kotahi and Maersk to result in the consolidation of cargo on fewer services as other shipping lines look to either amalgamate services or exit New Zealand. We believe that POT's proximity to New Zealand's largest export production region should help mitigate any risk from other services exiting POT.

An upgrade to forecasts to reflect higher import container volumes following the return of the Southern Star service to POT has been partly offset by a further reduction to forecast log export volume in FY15. The net outcome is a modest +2.0% increase to EBITDA in FY15.

As a result of the changes to forecasts, FNZC's Discounted Cash Flow based 12-month target price increases from \$16.30 to \$16.50, and they retain their NEUTRAL rating.

Port of Tauranga Two Year Chart



Financial and valuation metrics						
Year to 30 Jun		2012A	2013A	2014F	2015F	2016F
Adjusted Earnings	NZ\$m	73.5	77.2	77.1	80.9	84.5
EPS Adjusted	NZc.	54.8	57.6	57.5	59.9	62.6
EPS Growth	%	26.8	5.1	-0.1	4.2	4.4
P/E	x	28.3	26.9	26.9	25.9	24.8
CPS	NZc.	66.9	70.6	73.4	76.2	80.1
P/CF	x	23.2	21.9	21.1	20.3	19.3
EV/EBITDA	x	17.9	17.0	16.3	15.6	14.7
Net DPS	NZc.	39.0	46.0	47.0	53.0	55.0
Imputation	%	100	100	100	100	100
Net Yield	%	2.5	3.0	3.0	3.4	3.5
Gross Yield	%	3.5	4.1	4.2	4.7	4.9

Source: Company data, NZX, First NZ Capital estimates

Personal view: This is a great company and I am surprised that the share price hasn't moved more. I was looking to a 20% valuation increase, which could justify a share price in excess of \$17.00. I think it is time for the Board to consider a share split (say 5/1) – while this won't alter the company valuation, it will benefit shareholders!



Synlait Milk – Can it convert the opportunities ahead?

SML is now waiting on certification of its blending and canning facilities: With SML's blending and canning facilities now in test phase, the company is waiting on the certification from MPI and CNCA.

SML has a good opportunity to extend the breadth and depth of its relationships with existing global Tier 1 infant formula customers over time, and our analyst maintains its OUTPERFORM rating with an unchanged \$4.40 target price.

SML's earnings could more than double in four years: Based on analysis, this potential could see its EBITDA move from \$37m in FY13A to \$93m in FY17F. This is premised on the company successfully executing the expansion of its manufacturing facilities and increasing sales in higher-margin nutritional and infant formula products.

There are prospects for SML to further expand its production capacity in FY18F and beyond on its existing site to accommodate growth opportunities.

Completion of blending and canning facility in June 2014 is key to ensuring SML receives approval as a registered infant formula supplies from China authorities to be able to exports its IF product into that market.

Our analyst's have approached SML's valuation using a combination of discounted cash flow and multiple-based methodologies with reference to the company's growth prospects and operational risks. On these bases, they have set a 12-month target price at \$4.40.

Synlait One Year Chart



Financial and valuation metrics						
Year to 30 Jul		2012A	2013A	2014F	2015F	2016F
Adjusted Earnings	NZ\$m	6.3	11.0	23.4	19.4	34.3
EPS Adjusted	NZc.	5.6	9.8	16.0	13.3	23.5
EPS Growth	%	-252	73.5	64.0	-17.0	76.7
P/E	x	59.6	34.4	21.0	25.2	14.3
CPS	NZc.	13.4	18.8	24.1	23.8	38.1
P/CF	x	25.1	17.8	13.9	14.0	8.8
EV/EBITDA	x	23.7	15.3	11.8	12.0	8.1
Net DPS	NZc.	0.0	0.0	0.0	0.0	0.0
Imputation	%	0.0	0.0	0.0	0.0	0.0
Net Yield	%	0.0	0.0	0.0	0.0	0.0
Gross Yield	%	0.0	0.0	0.0	0.0	0.0

Source: Company data, NZX, First NZ Capital estimates

Infratil

IFT has been added to the NZ Focus List having shown up in their quantitative screen. Since the Global Financial Crisis IFT has traded a discount of around 20% to their assessed net asset value of IFT's assets, having traded at parity or even a premium in the previous three years. IFT is currently trading at a net asset value of around \$2.90, which means that it is trading at a 16% discount and hence appears to be trading around fair value.

Factors which could drive this net asset value higher include a re-rating of Trustpower (TPW) following the commencement of electricity generation from Snowtown 2 in September 2014 and the potential re-election of National led government which would see the likelihood of the Labour/Green electricity policy being implemented fall significantly.

A strategic review of Infratil Electricity Australia (IEA) may result in this business being divested and its value realized or a merger/acquisition. The value of IEA and TPW's Australian assets have benefited in recent times from a decline in the value of the NZD/AUD exchange rate.

IFT currently offers a forecast FY15 gross dividend yield of 6.8% which is forecast to grow by 10%pa.

Diligent Board Member Services

Stability after turbulent period: DIL reported an improved 2nd Quarter. Revenue matched guidance at \$20.3m (30% Year on Year growth). Gross margin was steady at 80.5%. Adjusted EBITDA was up 28% Year on Year at \$6.1m.

Outlook: We note improved communication & visibility following the turbulent 20 months from Dec-12. Comments were upbeat with management stating "demand for product remains strong" with "strong momentum" into 2H.

Turning the corner

After a turbulent period that included protracted issues with option grants and revenue restatement; certain management and board changes; and a sudden drop in customer acquisition, we see greater stability going forward. With DIL trading with 20% potential upside to our \$5.05/share target price previously \$5.25) our analyst has upgraded DIL to OUTPERFORM (from Neutral).

We note that unlike the majority of NZ-listed Technology / software stocks, DIL has reasonable cash generation, whilst is still expected to retain double-digit growth over the next three years. In addition, incremental product innovation and/or ASDAQ listing could offer potential catalysts over the coming year.

FNZC's New Zealand Model Income Portfolio





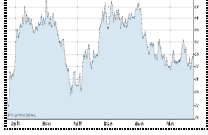
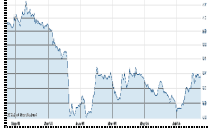

	Core \$35k - \$90k	Core Plus \$60k - \$130k	Diversified Over \$100k	Sector
Contact Energy	22.5%	15.0%	15.0%	Utilities
Fisher & Paykel Healthcare	17.5%	15.0%	10.0%	Health Care
Freightways	17.5%	12.5%	10.0%	Industrials
Goodman Property Trust	17.5%	15.0%	10.0%	Financials
Heartland			5.0%	Financials
Mighty River Power		10.0%	10.0%	Utilities
Precinct Properties			10.0%	Financials
Sky Network TV		10.0%	10.0%	Consumer Discretionary
Steel & Tube		10.0%	10.0%	Industrials
Telecom			10.0%	Telecommunications
Z Energy	15.0%	12.5%	10.0%	Energy


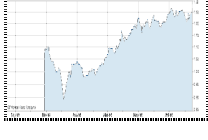

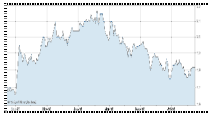

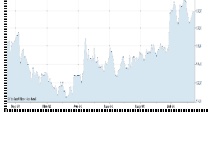

NOTE: The Core and Core Plus portfolios are not adequately diversified to be used as stand-alone portfolios.

	Div Yield % *	PE Ratio (x)	Gross Returns %			Volatility (5 Years)
			1 Year	3 Year pa	5 Year pa	
Core	7.2	17.9	25.3	17.6	14.8	9.9
Core Plus	7.1	17.4	25.4	17.7	15.7	9.1
Diversified	7.3	17.1	23.8	18.8	16.5	9.7
NZX50 Index	5.7	17.5	13.9	15.0	11.4	9.1

* Dividend yields are 12 months prospective and are gross of tax.


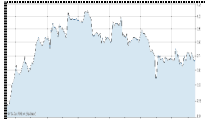

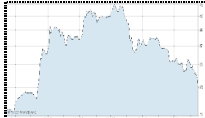

Company	31 Jul Price (\$)	PE Ratios (x)		Div Yield %*		Gross Returns %		
		Pros	Pros +1	Pros	Pros +1	1 Year	3 Year pa	5 Year pa
Contact Energy	5.54	19.2	18.3	8.8	10.1	9.6	8.2	3.3
Fisher & Paykel Healthcare	4.75	24.7	21.6	3.7	3.7	41.4	28.2	11.6
Freightways	4.92	17.9	16.7	5.8	6.5	27.9	18.7	14.5
Goodman Property Trust	1.08	13.8	14.4	9.1	9.1	11.9	9.0	7.9
Heartland	0.94	10.9	10.6	8.9	9.2	16.0	20.2	n/a
Mighty River Power	2.37	17.8	19.3	7.7	7.7	7.7	n/a	n/a
Precinct Properties	1.11	18.0	17.8	7.4	7.6	14.1	15.2	13.0
Sky Network TV	6.75	15.6	13.9	6.2	7.0	32.7	13.9	15.7
Steel & Tube	2.94	14.8	11.8	7.4	9.1	21.4	12.4	4.3
Spark NZ (formerly Telecom)	2.84	16.7	15.6	7.3	8.0	35.4	19.5	12.1
Z Energy	3.83	13.9	12.9	8.3	8.9	n/a	n/a	n/a

 <p style="text-align: center;">↑</p>	<p>Chorus</p> <p>CNU has effectively removed the need for capital raising by announcing a number of financing initiatives recently. First, the agreement with Crown Fibre Holdings to effectively bring forward \$141m to \$149m of cash funding from FY18 and FY19, if needed, provides CNU with funding flexibility. Second, the announced increase to CNU's interest cover covenant from 3.75x to 4.25x net debt to EBITDA if the Comcom's initial pricing principle (IPP) decision remains. The IPP regulatory prices undervalue CNU's network and that the FPP process, which will be finished in April 2015, and should result in higher prices and returns for CNU.</p> <p>2014 P/E: 4.7 2015 P/E: 9.3</p>	<p>NZX Code: CNU Share Price: \$1.69 12mth Target: \$2.11 Projected return (%) Capital gain 5.9% Dividend yield (Net) 0% Total return 5.9%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 1.27-3.08</p>
 <p style="text-align: center;">↑</p>	<p>Contact Energy</p> <p>CEN continues to trade below our risk-adjusted DCF valuation. This earnings result doesn't change our medium-term or long-run views for the company or sector. We are hoping for a lift dividend, but this may stay on the hook until after election. CEN has signalled for a while that dividends would likely increase following completion of Te Mihi, SAP implementation and debt refinancing. We expect CEN to lift dividends by up to 10cps (to 35cps) in FY14.</p> <p>2014 P/E: 20.3 2015 P/E: 20.3</p>	<p>NZX Code: CEN Share Price: \$5.45 12mth Target: \$6.10 Projected return (%) Capital gain 11.7% Dividend yield (Net) 7.3% Total return 19.0%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 4.70-5.80</p>
 <p style="text-align: center;">→</p>	<p>Ebos Group</p> <p>Issues to consider going forward, particularly in Australia, include the 6CPA, the renegotiation of the CSO funding pool, the ongoing impact of PBS reforms, new blockbuster drugs, budget reforms, and multinational and pharmacy ownership dynamics, to name a few. While the outcome of a number of these will not become apparent for at least a year in some cases, it could be optimistic to assume any top-line growth in Australia Healthcare over the next 12-18 months.</p> <p>2014 P/E: 16.5 2015 P/E: 15.4</p>	<p>NZX Code: EBO Share Price: \$10.02 12mth Target: \$10.50 Projected return (%) Capital gain 4.5% Dividend yield (Net) 4.0% Total return 8.5%</p> <p>Rating: NEUTRAL 52-week price range (NZ\$) 8.70-10.50</p>
 <p style="text-align: center;">↑</p>	<p>F&P Healthcare</p> <p>Fisher & Paykel Healthcare specialises in designing, manufacturing and marketing humidification products for use in respiratory care and the treatment of Obstructive Sleep Apnea (OSA). FPH manufactures in NZ and Mexico and sells in more than 120 countries. Therefore FPH has considerable currency exposure most notably the U.S. dollar, and represents an excellent currency hedge in portfolios.</p> <p>2014 P/E: 22.9 2015 P/E: 19.8</p>	<p>NZX Code: FPH Share Price: \$4.77 12mth Target: \$4.80 Projected return (%) Capital gain 0.6% Dividend yield (Net) 3.6% Total return 4.2%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 3.12-4.31</p>
 <p style="text-align: center;">→</p>	<p>Fletcher Building</p> <p>Three-to-four year earnings outlook is still for FBU to lift its EPS by c.45-50% – from currently 51cps to 75cps in FY17F – driven by the ongoing recovery in NZ building and construction, and FBU's cost-saving initiatives. FBU provides a good proxy for (1) the present and ongoing recovery in the NZ building market, (2) a pick-up in the Australian building sector, (3) a projected recovery in the US non-residential sector in 2015, and (4) the potential upside in terms of cost savings from the FBUnite programme.</p> <p>2014 P/E: 18.6 2015 P/E: 16.2</p>	<p>NZX Code: FBU Share Price: \$8.76 12mth Target: \$10.80 Projected return (%) Capital gain 23.3% Dividend yield (Net) 4.9% Total return 28.2%</p> <p>Rating: NEUTRAL 52-week price range (NZ\$) 8.10-10.00</p>
 <p style="text-align: center;">↑</p>	<p>Fonterra Shareholder Fund</p> <p>A projected 6.5bn litre lift in farmgate dairy production across Europe, US & NZ combined with some recovery in China domestic milk supply in 2014 should help reduce milk input costs for Fonterra. This could deliver up to an annualised \$280m in margin recovery commencing in 2nd Quarter of 2015 Financial Year. The sharp reversal in Fonterra's reference commodity price basket over the last four months in contrast to relatively steadier cheese and casein prices suggests stream profit could rebound strongly in FY15.</p> <p>2014 P/E: 43.0 2015 P/E: 17.9</p>	<p>NZX Code: FSF Share Price: \$5.79 12mth Target: \$7.65 Projected return (%) Capital gain 31.9% Dividend yield (Net) 4.2% Total return 36.1%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 5.63-7.50</p>
 <p style="text-align: center;">↑</p>	<p>Infratil NZ</p> <p>Neither the Z Energy nor European Airport sell-downs proved catalysts for a sustained narrowing of discount to NTA, but we anticipate IFT value could lift significantly if strategic bidders for IEA/Lumo are found, and when the September NZ General Election and Australian LRET results are known. We estimate a sum-of-the parts value of \$2.90 per share, and FNZC set their 12-month target price at \$2.70 which assumes IFT continues to trade at a 15% discount.</p> <p>2014 P/E: 32.3 2015 P/E: 27.9</p>	<p>NZX Code: IFT Share Price: \$2.45 12mth Target: \$2.70 Projected return (%) Capital gain 10.2% Dividend yield (Net) 5.0% Total return 15.2%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 2.16-2.56</p>

	<p>Mainfreight</p> <p>Growth momentum is being maintained. MFT's trading update indicated an overall 10%+ YoY group EBITDA growth (in NZD) in 1Q FY15E compared with the 12% YoY growth recorded in 2H14A. Encouragingly, EBITDA growth rate in 1Q FY15E exceeded 10% YoY in all regions. Growth in 2H FY15E could slow as the company begins to cycle the stronger performance in 2H FY14A. Even so, our current trajectory is for 2H FY15E EBITDA growth remains at a comfortable high single-digit. MFT remains one of FNZC's preferred long-term exposures in the NZ equity market.</p> <p>2014 P/E: 18.5 2015 P/E: 16.8</p>	<p>NZX Code: MFT Share Price: \$14.51 12mth Target: \$16.25 Projected return (%) Capital gain 12.0% Dividend yield (Net) 2.8% Total return 14.8%</p> <p>Rating: NEUTRAL 52-week price range 10.15-14.90</p>
	<p>Meridian Energy</p> <p>On the reduced risk of Labour/Green electricity reform, FNZC's MEL target price has also increased, to \$2.00. They retain their OUTPERFORM rating, as MEL offers good value to investors, with the election outcome or strong FY14 EBITDAF now the most likely catalysts for a near-term shift in trading price.</p> <p>2014 P/E: 17.9 2015 P/E: 17.8</p>	<p>NZX Code: MELCA Share Price: \$1.75 12mth Target: \$2.00 Projected return (%) Capital gain 14.6% Dividend yield (Net) 6.6% Total return 21.2%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 1.39-1.77</p>
	<p>Mighty River Power</p> <p>One of the production wells for MRP's new 82MW Ngatamariki geothermal station has underperformed since commissioning last year. Station generation has averaged at an 87% capacity factor for the last six months, below the 95% expected. MRP has now confirmed it will address the shortfall by bringing forward one of its later planned wells. Our forecast incorporates this by assuming \$20m of capex is brought forward into 1H15 from FY17, and by adding 58GWh (circa \$4m p.a. revenue) to annual generation from January 2015.</p> <p>2014 P/E: 18.0 2015 P/E: 19.1</p>	<p>NZX Code: MRP Share Price: \$2.38 12mth Target: \$2.65 Projected return (%) Capital gain 11.1% Dividend yield (Net) 5.9% Total return 17.0%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 1.90-2.40</p>
	<p>Opus International Consultants</p> <p>OIC is now a global player in the construction and resource management sector. OIC has significant scale, and includes the form of oil and gas discipline into its fold. OIC is also benefiting from the on-going Christchurch rebuild. With a low price to earnings ratio, and a gross dividend yield consistently over 8%, this company is a great addition to income orientated portfolios.</p> <p>2014 P/E: 8.4 2015 P/E: 8.1</p>	<p>NZX Code: OIC Share Price: \$1.81 12mth Target: \$2.50 Projected return (%) Capital gain 38.1% Dividend yield (Net) 8.1% Total return 46.2%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 1.60-2.20</p>
	<p>PGG Wrightson</p> <p>PGW's diversified exposure to the broader NZ rural sector, growth opportunities through share gain in NZ dairy and irrigation sector, further recovery in Australia seed business and growth initiatives in Latam offers additional earnings upside in FY15F and beyond. Some stabilisation and recovery in dairy commodity prices should provide greater clarity for on-farm spending in FY15.</p> <p>2014 P/E: 9.7 2015 P/E: 9.4</p>	<p>NZX Code: PGW Share Price: \$0.43 12mth Target: \$0.53 Projected return (%) Capital gain 23.3% Dividend yield (Net) 10.5% Total return 33.7%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 0.33-0.46</p>
	<p>Port of Tauranga</p> <p>This is a great company, and should be included in ALL portfolios. Maersk's new port rotation that will see its Southern Star service return to POT after shifting to Port of Auckland 12 months earlier, is expected to benefit POT by an annualised volume increase of 70,000 TEU containers. POT also owns 50% of Port of Timaru (PrimePort) which includes a 35 year lease of the container terminal. PrimePort will handle all of Fonterra's and SilverFern's South Island container trade (expected to go from 20,000 TEU's to 100,000). Great business for POT.</p> <p>2014 P/E: 26.9 2015 P/E: 25.9</p>	<p>NZX Code: POT Share Price: \$15.50 12mth Target: \$16.50 Projected return (%) Capital gain 6.5% Dividend yield (Net) 3.4% Total return 9.9%</p> <p>Rating: NEUTRAL 52-week price range (NZ\$) 13.15-15.80</p>
	<p>Sky City Entertainment</p> <p>Normalised NPAT declined by 9.6% to \$123.2m. Revenue exceeded expectations due to strong growth in International Business turnover in 2H14 and capex driven improvement at the Auckland property. Normalised EBITDA declined 5.0% to \$287.6m to be slightly ahead of forecast.. A final dividend of 10cps was in line with expectations and flat on pcp.</p> <p>2014 P/E: 16.9 2015 P/E: 16.1</p>	<p>NZX Code: SKC Share Price: \$3.62 12mth Target: \$3.50 Projected return (%) Capital gain -3.3% Dividend yield (Net) 5.5% Total return 2.2%</p> <p>Rating: UNDERPERFORM 52-week price range (NZ\$) 3.55-4.23</p>

"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

Warren Buffet

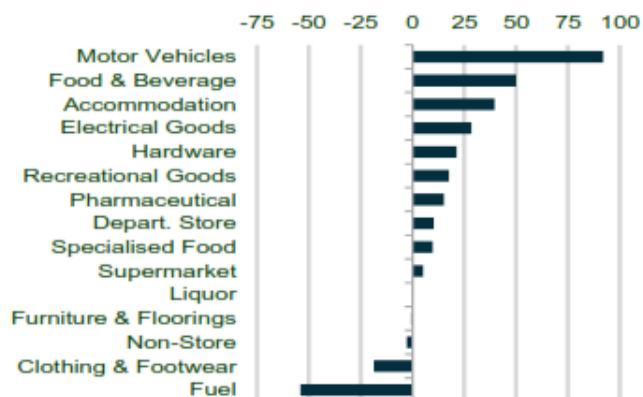
	<p>Spark NZ (formerly Telecom NZ)</p> <p>Spark NZ (SPK) is NZ's incumbent telecommunications company, providing a full range of services to retail consumers, small-to-medium sized businesses, corporate and wholesale customers. It has high market shares in the fixed line and mobile telecommunication (with over 2 million mobile connections). It has operational leverage within the NZ's telecommunication market, with assets including the PTSN fixed line network, the XT 3G mobile network, and a 50% interest in the Southern Cross cable.</p> <p>2014 P/E: 15.4 2015 P/E: 14.3</p>	<p>NZX Code: SPK Share Price: \$2.82 12mth Target: \$2.50 Projected return (%) Capital gain -11.3% Dividend yield (Net) 7.3% Total return -4.0%</p> <p>Rating: NEUTRAL 52-week price range (NZ\$) 2.16-2.74</p>
	<p>Synlait Milk</p> <p>With SML's blending and canning facilities now in test phase, the company is waiting on the certification from MPI and CNCA. SML has a good opportunity to extend the breadth and depth of its relationships with existing global Tier 1 infant formula customers over time. Our analysts maintain their OUTPERFORM rating.</p> <p>2014 P/E: 21.0 2015 P/E: 25.2</p>	<p>NZX Code: SML Share Price: \$3.35 12mth Target: \$4.40 Projected return (%) Capital gain 31.3% Dividend yield (Net) 0% Total return 31.3%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 2.71-4.11</p>
	<p>TrustPower</p> <p>Green State Power (in Australia) has been acquired for A\$72.2m, adding an average of 270GWh p.a. and A\$8.5m of mainly small NSW hydro generation. The \$100m replacement of 225,000 TPW-owned standard meters with new AMI "smart" meters was awarded to MRP-owned METRIX. Until pricing is announced, we model this as a \$10m increase in TPW's retail costs. NZ political outcomes see the binary risk unfold as either a \$7.62/share spot-DCF valuation if incumbent National Party wins the September election, or \$6.58 if Labour & Green's prevail.</p> <p>2014 P/E: 20.6 2014 P/E: 18.1</p>	<p>NZX Code: TPW Share Price: \$7.14 12mth Target: \$7.50 Projected return (%) Capital gain 5.0% Dividend yield (Net) 5.6% Total return 10.6%</p> <p>Rating: NEUTRAL 52-week price range (NZ\$) 6.42-7.59</p>
	<p>Xero</p> <p>The US market dominates, with global customers up 81% to 284k in the past 12 month. Revenue is up 83% to \$70.1m and up 92% in constant currency. The final result was still a \$35m net loss (in line with expectations). The overarching theme of FY14 was that whilst substantial investment and much progress has been made, XRO is still very early on in its US market entry. Whilst a 102% increase in FY14 headcount is evident in costs, many new hires are yet to impact their employer's top line. We expect a relatively quiet time ahead, with first half opex data due on October. Expect further strategic partnerships to be announced over the coming year.</p> <p>2014 P/E: -114 2015 P/E: -78.2</p>	<p>NZX Code: XRO Share Price: \$30.17 12mth Target: \$43.00 Projected return (%) Capital gain 29.8% Dividend yield (Net) 0% Total return 29.8%</p> <p>Rating: OUTPERFORM 52-week pr range (NZ\$) 12.99-44.98</p>
	<p>Z Energy</p> <p>Z Energy (ZEL) markets petroleum products. The company offers petrol (37% revenue), diesel (36% revenue), jet fuel (13% revenue) and other products such as LPG, bitumen and lubricants (14% revenue). ZEL serves airlines, trucking companies, mines, shipping companies and vehicle fleet operators through an extensive distribution network throughout New Zealand.</p> <p>2014 P/E: 21.6 2015 P/E: 26.0</p>	<p>NZX Code: ZEL Share Price: \$3.76 12mth Target: \$4.12 Projected return (%) Capital gain 9.6% Dividend yield (Net) 8.1% Total return 17.7%</p> <p>Rating: OUTPERFORM 52-week price range (NZ\$) 3.46-4.06</p>

New Zealand Economy

The NZ economy has likely passed the high point in the current growth cycle. In particular, retail sales data reinforce an annual GDP growth rate peak of around 4.0% Year on Year, over the June 2014 quarter.

Looking further ahead, we anticipate that despite the underlying support to activity from the Canterbury earthquake rebuild and robust net immigration flows, the headwinds of the recent sharp decline in the dairy auction prices, together with the lagged effect of already undertaken interest rate increases suggests that the RBNZ is likely to remain comfortable with the OCR remaining unchanged at 3.50% over the remainder of this year.

Quarterly change in real NZD mn (s.a.)



Source: Statistics NZ, First NZ Capital

NZ LISTED COMPANIES – 11 th August 2014 Source: First NZ Capital, CSFB	Ticker	Mrkt Cap (NZ\$m)	Price 11/8/14 (NZ\$)	Price 28/4/14 (NZ\$)	Fair Value	Price Earnings (x)		Gross Yield (%)	
						FY14	FY15	FY14	FY15
						OIL & GAS & CONSUMABLE FUELS			
New Zealand Oil and Gas	NZO	327	0.79	0.77	0.98	14.5	19.6	10.6%	7.1%
The New Zealand Refining Company	NZR	519	1.66	1.74	3.88	9.0	7.2	5.6%	4.6%
Z Energy	ZEL	1,504	3.76	3.92	3.83	15.2	13.7	8.1%	8.4%
INDUSTRIALS									
<u>Capital Goods</u>									
Fletcher Building	FBU	6,026	8.76	9.72	9.65	17.1	15.8	4.9%	5.3%
Opus International Consultants	OIC	272	1.81	1.94	2.50	8.4	8.1	8.1%	8.8%
Methven	MVN	78	1.09	1.24	1.30	12.1	10.7	10.4%	10.4%
Nuplex Industries	NPX	588	2.97	3.49	3.35	10.88	10.3	67.1	7.1%
Steel & Tube Holdings	STU	255	2.88	3.05	2.80	14.7	11.7	7.5%	9.2%
<u>Agriculture</u>									
Fonterra Shareholders' Fund	FSF	704	6.19	6.17	7.40	45.9	19.1	1.6%	4.0%
PGG Wrightson	PGW	291	0.39	0.40	0.48	9.4	8.4	11.5%	11.5%
<u>Airlines</u>									
Air New Zealand	AIR	2,157	1.94	2.10	1.93	8.6	7.8	7.2%	7.2%
<u>Road and Rail</u>									
Freightways	FRE	737	4.78	4.90	4.65	17.4	16.3	6.0%	6.7%
Mainfreight	MFT	1,445	14.51	13.20	13.65	18.5	16.8	2.8%	3.0%
<u>Transport Infrastructure</u>									
Auckland International Airport	AIA	4,429	3.72	3.97	3.21	28.4	25.6	2.4%	5.2%
Port of Tauranga	POT	2,089	15.35	14.18	14.75	26.7	25.6	4.3%	4.8%
Infratil	IFT	1,353	2.41	2.27	2.90	31.8	27.4	6.2%	6.9%
CONSUMER DISCRETIONARY									
<u>Hotels, Restaurants and Leisure</u>									
Sky City Entertainment Group	SKC	2,119	3.64	4.08	3.58	17.9	16.6	6.8%	6.8%
Restaurant Brands New Zealand	RBD	314	3.21	3.10	2.30	16.7	15.4	7.1%	7.8%
<u>Media</u>									
Sky Network Television	SKT	2,529	6.50	6.47	5.90	15.4	13.6	6.3%	7.1%
<u>Retailing</u>									
The Warehouse Group	WHS	1,072	3.09	3.34	3.05	18.8	17.6	7.2%	7.2%
Briscoe Group	BGR	601	2.78	2.49	2.57	17.6	15.6	6.2%	7.0%
Pumpkin Patch	PPL	95		0.56	0.43	90.3	29.5	0.0%	0.0%
Hallenstein Glasson Holdings	HLG	182	3.05	3.39	3.00	14.5	13.8	9.0%	10.1%
Kathmandu Holdings	KMD	650	3.24	3.70	3.30	15.2	13.8	5.3%	5.9%
Michael Hill International	MHI	502	1.31	1.33	1.54	12.7	11.1	5.0%	5.7%
CONSUMER STAPLES									
A2 Corporation	ATM	422	0.64	0.84	1.02	-1280	74.4	0.0%	0.0%
Sanford	SAN	379	4.05	4.32	5.20	21.3	21.3	7.9%	7.9%
Synlait Milk	SML	505	3.45	3.64	4.28	21.6	26.0	0.0%	0.0%
HEALTH & AGED CARE									
Ebos Group	EBO	1,413	9.50	8.93	10.04	15.6	14.6	4.8%	5.1%
Fisher & Paykel Healthcare Corporation	FPH	2,639	4.75	4.05	4.53	26.9	25.0	3.6%	3.6%
Ryman Healthcare	RYM	4,035	8.07	8.29	7.52	34.1	29.5	1.5%	1.7%
Summerset Group Holdings	SUM	641	2.95	3.37	3.71	26.7	24.1	1.3%	1.6%
FINANCIAL									
<u>Diversified Financials</u>									
NZX	NZX	325	1.27	1.22	1.30	19.9	17.9	6.6%	6.8%
Guinness Peat Group Plc	GPG	943	0.67	0.59	0.59	-20.2	14.4	0.0%	0.0%
Hellaby Holdings	HBY	265	2.79	3.18	3.66	10.6	9.0	7.0%	8.0%
Heartland New Zealand	HNZ	440	0.95	0.85	0.95	11.0	10.7	8.8%	9.1%
<u>Property</u>									
Precinct Properties New Zealand	PCT	1,166	1.01	1.01	1.06	18.0	17.8	7.4%	7.6%
Argosy Property	ARG	787	0.99	0.91	0.99	14.7	16.9	9.1%	9.0%
DNZ Property Fund	DNZ	495	1.67	1.56	1.58	17.5	17.8	8.1%	8.1%
Goodman Property Trust	GMT	1,299	1.06	0.99	1.08	13.9	13.8	8.8%	9.1%
Kiwi Income Property Trust	KIP	1,200	1.17	1.14	1.12	16.9	17.0	8.2%	8.3%
NPT	NPT	95	0.59	0.62	0.63	20.0	16.4	8.2%	8.2%
Property For Industry	PFI	551	1.34	1.29	1.30	18.5	17.9	8.1%	8.2%
Vital Healthcare Property Trust	VHP	459	1.35	1.33	1.33	13.9	15.8	8.8%	9.0%
INFORMATION TECHNOLOGY									
Diligent Board Member Services	DIL	374	4.32	4.49	5.30	24.2	18.8	0.0%	0.0%
Trade Me Group	TME	1,368	3.45	3.90	0.00	15.6	13.9	5.1%	5.8%
Xero	XRO	3,017	23.60	31.00	41.34	83.5	-97.1	0.0%	0.0%
TELECOMMUNICATION SERVICES									
Chorus	CNU	700	1.77	1.78	1.85	4.7	9.3	0.0%	0.0%
Spark New Zealand (formerly Telecom)	TEL	5,156	2.82	2.62	2.50	16.6	16.5	73%	8.0%
UTILITIES									
Contact Energy	CEN	3,938	5.37	5.69	5.89	18.8	17.0	9.1%	10.3%
Genesis Energy	GNE	1,775	1.78		1.83	30.9	15.5	10.0%	12.5%
Meridian Energy (full paid)	MEL	4,407	1.72	1.70	1.70	22.3	24.2	8.1%	8.5%
Mighty River Power	MRP	3,249	2.36	2.29	2.29	17.7	19.1	7.7%	7.7%
Trustpower	TPW	2,212	7.07	6.65	6.65	20.4	17.9	7.2%	7.7%
Vector	VCT	2,589	2.60	1.70	2.49	15.4	16.3	8.0%	8.0%
MARKET SUMMARY									
Market Average (excl. ATM & XRO)						17.2	16.3	6.3%	6.7%

Australian Equities

Fortescue Metals Group - Remains a Buy

The FMG result was better than it looked immediately ahead of the June Quarter and our analysts have lifted their FY15-17 earnings by ~20%.

They now see that FMG's JunQ received price was adversely affected by provisional pricing, so the underlying discount was less severe than it initially seemed. Accordingly, they have moderated their forecast quality discount to achieve 84% of the 62% index price (A\$15/t below index at A\$95/t). FY15 cash cost guidance of A\$31-A\$32/t was in-line with estimates and delivers the fixed-cost dilution expected following the ramp-up. And the massive 32% QoQ lift in ore processed to an annualised 164Mtpa de-risks the OPFs, our previous concern.

Shipped tonnes rising. The completion of the fifth berth in MarQ'15 will add 20Mtpa capacity, and rail haulage will then be tested as the shipping rate should head towards 164Mtpa from DecQ'15. The additional product will be drawn from the newly announced 5Mtpa OPF for detrital ore at Solomon, with modest capex of A\$105mn (A\$21/t).

However, they remain cautious on cash. JunQ net debt of A\$7.2bn was surprisingly low, implying A\$1.5bn cash generation over the JunH, but they expect it was lifted in part by abnormally low cash tax as well as working capital release. An A\$750m tax catch-up payment is due in November, so DecH Free Cash Flow is likely to be low – forecast at only ~A\$100m.

The DCF valuation rises to A\$7.50/share (from A\$6.50/share), but our analyst's target price of A\$5.00/share and NEUTRAL rating remain unchanged heading into results.

Financial and valuation metrics

Year	06/13A	06/14E	06/15E	06/16E
Revenue (US\$m)	8,057.0	11,898.7	11,147.4	10,814.8
EBITDA (US\$m)	3,299.0	5,714.2	3,893.3	3,566.9
EBIT (US\$m)	2,836.0	4,712.7	2,607.3	2,359.4
Net income (US\$m)	1,706.4	2,705.5	1,512.8	1,416.9
EPS (CS adj.) (USc)	54.78	86.55	48.55	45.47
Change from previous EPS (%)	n.a.	6.5	19.2	18.3
Consensus EPS (USc)	n.a.	89.70	65.60	55.30
EPS growth (%)	21.6	58.0	-43.9	-6.3
P/E (x)	7.7	4.9	8.7	9.3
Dividend (USc)	10.00	17.00	9.00	16.00
Dividend yield (%)	2.4	4.0	2.1	3.8
P/B (x)	2.5	1.7	1.5	1.3
Net debt/equity (%)	199.1	94.0	78.6	64.3

Source: Company data, ASX, Credit Suisse estimates. * Adj. for goodwill, notional interest and unusual items. Relative P/E against ASX/S&P200 based on pre GW in AUD. Company PE calculation is based on displayed EPS Currency.

Australian Investment Ideas for the next 6-12 months

	Code	Price 15/8/14	Mkt Cap (A\$bn)	Year End	PE (x)	Net Div (%)	FCF Yield (%)	Comment
Rio Tinto	RIO	65.42	107.0	Dec	11.9	3.6	7.3	Selling non-core assets Potential big DVD increase Cheapest mega cap miner
National Australia Bank	NAB	34.76	80.2	Sep	12.2	6.1	Na	Cheapest of the mega-banks Potential UK demerger Attractive dividend yield
Telstra Corp	TLS	5.61	67.2	Jun	16.1	5.6	4.7	Improving dividends Growth opportunities High/solid dividend yield
Macquarie Group	MQG	56.99	17.8	Mar	13.8	5.6	Na	Exposed to many de-equitisation drivers Double-digit DPS growth outlook Efficient management team
Fortescue Metals	FMG	4.50	13.1	Jun	10.4	1.7	3.7	Falling cash costs Paying down debt Attractive valuation
Sonic Healthcare	SHL	17.86	7.1	Jun	16.6	4.4	5.6	Solid top-line growth outlook Double digit dividend growth. Rising cash margins
Caltex Australia	CTX	25.37	6.6	Dec	13.6	3.7	6.5	Asset conversion Improving free cash Attractive valuation
Flight Centre	FLT	45.95	4.5	Jun	14.8	4.6	7.6	Clear growth opportunities Strong cash flow not discounted Strong management
CSR	CSR	3.57	1.9	Mar	16.3	3.0	5.5	Preferred housing exposure Restructuring glass business Sharp rebound in profits growth
Myer Holdings	MYR	2.32	1.4	Jul	12.5	6.8	8.8	Double-digit FCF/Gross Div Yield Upside from on-line growth 40-50% discount to global sector average

UK INVESTMENT TRUST PERFORMANCE

PRICES AS AT 1ST AUGUST 2014

Share Price GBP pence	Net Asset Value	(Disc) Premium	*View	Investment Trust Company	Net Yield %	12 Month % Discount			1 Year % Return pa		3 Year % Return pa		5 Year % Return pa	
						Average	High	Low	Price	NAV	Price	NAV	Price	NAV
Global Equity Funds														
557	578	-3.7%	→	Bankers	2.5	-0.8	-5.5	3.2	8.4	5.4	13.8	5.9	9.6	4.9
501	576	-13.0%	↑	British Empire & Securities	2.2	-12.2	-12.2	-7.0	6.4	5.5	0.8	1.7	2.3	2.8
2,145	2,496	-14.0%	↓	Caledonia Investments	2.5	-19.7	-24.2	-16.1	25.1	14.2	11.9	6.2	4.3	3.0
952	1,028	-7.5	↑	JP Morgan Overseas	1.7	-5.8	-8.2	-3.2	12.3	10.7	5.6	5.4	9.3	7.6
376	431	-12.7%	↑	Monks Investment	1.0	-13.6	-15.9	-10.5	10.9	7.6	4.6	3.4	6.0	5.5
1,300	1417	-8.3%	↑	Worldwide Healthcare Trust	1.3	-3.6	-7.8	0.0	24.8	25.8	22.0	19.1	15.5	13.4
European Funds														
740	789	-6.2%	NR	The European Trust	1.7	-13.4	-16.9	-8.2	33.4	17.4	11.9	5.6	10.2	5.8
203	231	-12.0%	→	JP Morgan European Smaller Co's	1.4	-13.4	-18.6	-4.9	38.0	24.5	8.6	4.4	11.8	8.9
225	224	-3.9%	NR	BlackRock Greater European	1.9	-3.7	-7.8	1.5	14.5	9.4	7.7	4.8	11.6	8.0
Asia/Pacific Funds (including Japan)														
335	316	5.8%	↑	Henderson Far East Income	5.9	1.1	-2.5	4.6	0.6	-6.2	6.0	-0.1	3.8	-0.6
Global Emerging Markets Funds														
557	637	-12.5%	↑	JPM Fleming Emerging Markets	1.1	-10.5	-13.0	-7.4	-1.8	-3.5	-1.7	-1.7	3.3	3.3
576	640	-9.9%	↑	Templeton Emerging Markets	1.3	-9.3	-12.3	-7.0	1.9	1.2	-3.8	-3.8	4.1	4.0
Far East Exc Japan														
182	198	-7.7%	→	Aberdeen New Dawn	0.7	-7.9	-12.4	-1.0	-1.7	-5.4	2.8	-0.7	8.8	6.3
268	294	-8.8%	↑	Edinburgh Dragon	1.0	-8.6	-12.9	-5.2	-3.0	-5.4	2.4	2.2	7.2	6.2
415	480	-13.4%	NR	JP Morgan India	0	-13.8	-17.8	-10.2	14.5	13.1	-1.5	-0.4	-0.2	1.8
261	288	-9.3%	↑	Schroder AsiaPacific	1.5	-10.2	-12.8	-6.7	0.3	-0.4	5.2	4.0	8.1	7.4
Other Funds														
808	860	-6.0%	↑	North American Income Trust	3.5	-0.2	-6.6	3.6	1.6	3.7	10.8	6.6	8.7	6.5
248	251	-1.2%	→	JPMorgan American	0.9	1.2	-0.8	3.9	13.6	21.7	11.5	8.3	11.0	7.4
496	518	-4.2%	↑	BlackRock World Mining	4.5	-9.5	-15.8	-3.7	1.7	-9.5	-14.1	-14.5	-1.0	-5.2
474	508	-6.7%	↑	Polar Capital Technology	0	-1.4	-6.6	2.6	16.8	15.6	8.4	8.7	15.2	11.9
418	5146	-18.7%	↑	SVG Capital	0	-16.2	-22.2	-6.8	14.3	25.2	17.3	11.4	21.4	9.0
256	258	-0.7%	↑	TR Property Trust	3.1	-8.9	-16.8	-0.7	39.2	20.2	12.9	6.1	14.8	7.9

1YR 3YR & 5YR PERFORMANCE FIGURES TO 31ST MARCH 2014 - ALL IN NZ DOLLARS - EXCHANGE RATE: UKE/NZ\$ 0.5123 US\$/NZ\$ 0.8624

NOTE: *VIEW – FIRST NZ CAPITAL LIMITED

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

Glossary (for NZ Daily Fixwd Interest of following page):

Senior	Snr	Issuer	Name of issuing entity
Subordinated	Sub	Credit	Standard & Poor's ratings, NR = Not Rated
Callable Subordinated Call	Sub	Maturity	Agreed maturity date of fixed interest product
Perpetual Callable Subordinated	Tier 2	Reset Date	For floating rate bonds this is the date at which the Perpetual Non-Cumulative Callable Subordinated Tier 1 coupon is reset
Capital Note	Cap	Coupon	The coupon is fixed from the date the bond is issued, it will not change until maturity or until the next reset date, if applicable
Redeemable Preference Share	RPS	Yield	Yield to maturity, indicates the overall per annum return you will receive for the remaining life of the bond
Perpetual	Perp	Price / \$100	The price paid per \$100 of face value (includes Accrued interest)
Perpetual Preference Share	Perp Pref		
Convertible	Convert		
Government Guarantee	GG		

NZ DAILY FIXED INTEREST RATE SHEET

PRICES AS AT 15TH AUGUST 2014

Secondary market	Code	Rating	Type	Maturity/ Reset Date	Coupon	Yield	Margin to SWAP	Price /\$100	Coupon Freq
Fonterra Co-operative Group	FCG020	A+	Snr	4/03/2016	6.83%	4.26%	30	\$106.91	2
Fletcher Building	FBI060	NR	Cap	15/05/2016	9.00%	5.50%	150	\$108.05	2
Fletcher Building	FBI070	NR	Cap	15/05/2016	7.75%	5.50%	150	\$105.68	2
Goodman Fielder New Zealand	GFZ010	NR	Snr	16/05/2016	7.54%	7.20%	320	\$100.60	4
Infratil	IFT150	NR	Convert	15/06/2016	8.50%	5.87%	186	\$105.99	4
Z Energy Ltd	ZEL010	NR	Snr	15/10/2016	7.35%	5.00%	93	\$107.25	2
Air New Zealand Limited	AIR010	NR	Snr	15/11/2016	6.90%	5.20%	112	\$105.32	2
Fletcher Building	FBI100	NR	Cap	15/03/2017	7.50%	5.55%	142	\$107.79	2
Meridian Energy	MEL020	BBB+	Snr	16/03/2017	7.55%	4.96%	83	\$109.37	2
Vector	VCT070	BB+	Cap	15/06/2017	7.00%	5.75%	158	\$104.43	2
Auckland Council	AKC050	AA	Snr	29/09/2017	6.52%	4.45%	24	\$108.48	2
Auckland Intl Airport	AIA110	A-	Snr	17/10/2017	5.47%	4.60%	39	\$104.37	2
Trustpower	TPW100	NR	Snr	15/12/2017	7.10%	5.40%	117	\$106.38	4
Fletcher Building	FBI110	NR	Cap	15/03/2018	7.15%	5.85%	160	\$107.16	2
Z Energy	ZEL020	NR	Snr	15/08/2018	7.25%	5.55%	125	\$106.13	4
Trans Power	TRP010	AA-	Snr	30/11/2018	5.14%	4.75%	43	\$102.60	2
Fletcher Building	FBI120	NR	Cap	15/03/2019	5.40%	6.20%	186	\$99.12	2
Fletcher Building	FBI130	NR	Cap	15/03/2019	6.45%	6.20%	186	\$103.69	2
Contact Energy Limited	CEN020	BBB	Snr	15/05/2019	5.80%	5.40%	104	\$101.72	4
Kiwibank	KCF010	BB+	Tier 2	15/07/2019	6.61%	6.12%	175	\$102.64	2
Westpac New Zealand Ltd	WPAC1050	AA-	Snr	12/07/2019	5.61%	4.97%	60	\$103.30	2
Infratil	IFT200	NR	Bnd	15/11/2019	6.75%	6.59%	219	\$100.78	4
Christchurch International Airport	CIA1010	BBB+	Snr	6/12/2019	5.15%	5.26%	86	\$100.52	2
Auckland Intl Airport	AIA120	A-	Snr	13/12/2019	4.73%	4.95%	55	\$99.82	2
Infratil	IFT090	NR	Convert	15/02/2020	8.50%	6.85%	244	\$107.56	4
Trans Power	TRA010	AA-	Snr	10/06/2020	6.95%	5.08%	65	\$110.60	2
Goodman Property Trust	GMB020	BBB+	Snr	16/12/2020	6.20%	5.45%	98	\$105.05	2
Sky TV	SKT020	NR	Snr	31/03/2021	6.25%	5.80%	132	\$103.27	4
Auckland Intl Airport	AIA130	A-	Snr	28/05/2021	5.52%	5.19%	70	\$103.06	2
Christchurch International Airport	CIA1020	BBB+	Snr	4/10/2021	6.25%	5.59%	108	\$106.13	2
Infratil	IFT190	NR	Bnd	15/06/2022	6.85%	6.98%	244	\$100.39	4

Floating Rate / Perpetual Bonds	Code	Rating	Type	Reset Date	Coupon	Price /\$100	Margin to SWAP	Maturity	Coupon Freq
ASB Bank Basel III compliant	ABBFA	BBB+	Tier 2	15/06/2019	6.65%	104	155	Perpetual	4
Credit Agricole S.A.	CASHA	BBB-	Tier 1	19/12/2017	5.04%	75	300	Perpetual	4
CBA Capital Australia Ltd	CBAFA	A-	RPS	15/04/2015	4.39%	99.65	220	15/04/2015	4
Fonterra Co-operative Group	FCGHA	A	Perp	10/07/2014	4.33%	97	187	Perpetual	4
Genesis Power Limited	GPLFA	BB-	Cap Bond	15/07/2018	6.19%	99.8	244	Perpetual	4
Infratil	IFTHA	NR	Perp	15/11/2014	4.53%	75	320	Perpetual	4
Quayside Holdings Ltd	QLLHA	NR	Perp Pref	12/03/2017	5.88%	97	340	Perpetual	4
Rabobank Nederland	RBOHA	A-	Tier 1	8/10/2014	3.71%	94.4	280	Perpetual	4
Rabobank Nederland	RCSHA	A-	Tier 1	18/06/2019	8.34%	108	235	Perpetual	4
Works Infrastructure Finance	WKSHA	NR	RPS	15/06/2015	7.95%	103	300	Perpetual	4

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