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Investment Strategies

Volume 10

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Markets

IT'S ABOUT TIME-IN THE MARKET, NOT TIMING THE MARKET.

In periods of volatility, as we are having now, it is very easy to make poor decisions. Investors tend to react to market movements or "noise" and forget the big picture. We have been fortunate in the last 4 years that equity and bond volatility has been suppressed by central bank actions (QE or money printing). The current episode of volatility is more normal than exceptional.

It is not surprising that we are seeing more ups and downs in markets as it has been a long "time between innings" in terms of interest rate rises in the world's most important economy, the US. After nearly a decade of "free money" the cost of debt is about to rise. I see rate rises in the US as a sign of strength in the economy and believe that markets will respond positively assuming China calms down.

But remember in the long run markets tend to go up, historically 70% of the time. The only problem is they tend to fall at a faster pace than they rise which can test the nerves of even seasoned investors.

Timing the market is tricky, you do get the odd win but missing the big up days can be detrimental to a fund's performance. As shown on page 2, missing out on a few of the market's best days can have a significant impact on a portfolio's performance. In the charts the total returns are calculated based on a hypothetical $100,000 investment in the S&P 500 Index over the last 20 years, NZSE 50 index since January 2001 and the ASX200 Index over the last 15 years.

RRP $50.00
Annually

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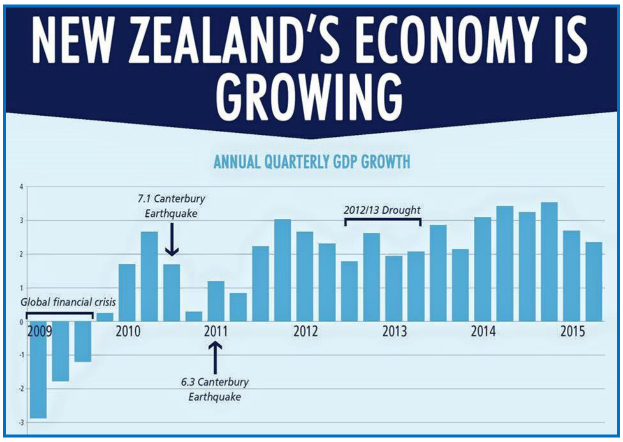
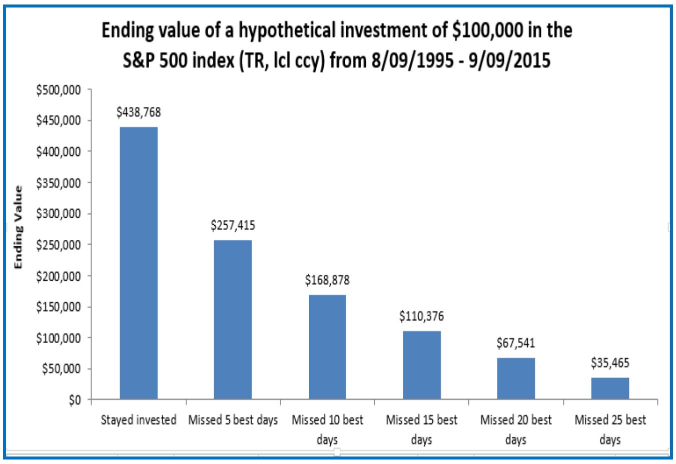
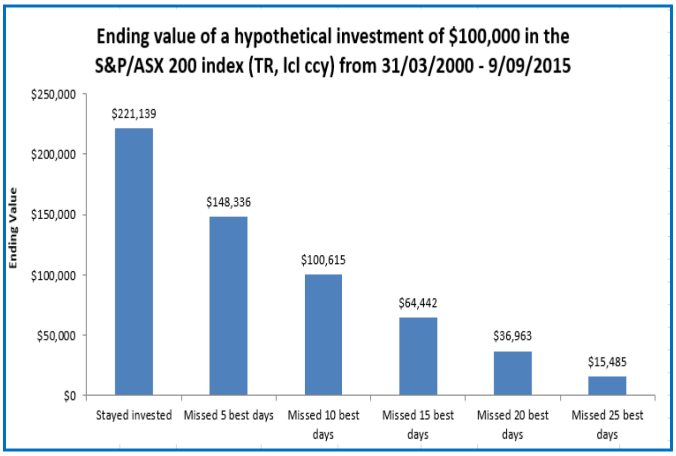


MISSING THE BEST PERFORMING DAYS CAN HAVE A LARGE IMPACT ON RETURNS

Percentage return of a $100,000 hypothetical investment in the S&P 500 Index over the last 20 years:



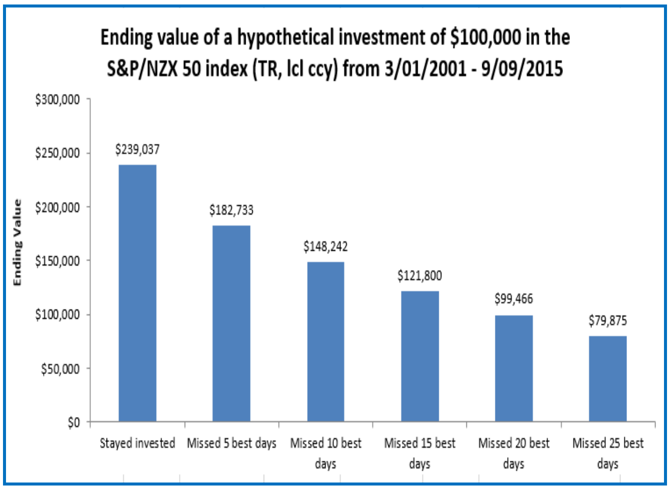
AUSTRALIA IS NO DIFFERENT:



"The news (as such) is often of little value, in the short run; the mood of investors is what counts"
John Brooks, Business Adventures, 1969

AND WHAT ABOUT NEW ZEALAND?

Percentage return of a $100,000 hypothetical investment in the NZX 50 Index since January 2001:



Statistics NZ Data

Population

Estimated population at 30 Sept 2015:	4,624,916
Births June 2015 year (Dec 14):	(57,242) 59,617
Deaths June 2015 year (Dec 14):	(31,063) 31,563
Net migration July 2015 year (Feb 15):	(55,121) 59,639

Employment

Total employed June 2015 quarter:	2,360,000
Unemployment rate June 2015 quarter:	5.9%
Ave weekly earnings June 2015 quarter:	$1,120.85
Wage inflation June 2015 year (Dec 14):	(1.8%) 1.6%

International Position June Quarter:	**-$149.7 Billion**
Govt Operating Surplus (at 30th June)	**$414 Million**
Net Government Debt (at 30th June)	**$60.63 Billion**
Net Government Debt as a % of GDP	**25.2%**

The NZ Economy - September

Statistics New Zealand reports the economy grew by 0.4 per cent in the three months to June, delivering annual growth of 2.4 per cent. International economic volatility and recent falls in dairy prices are a timely reminder of the need for ongoing caution and responsible management of the Government's finances to ensure that New Zealand remains resilient to economic shocks.

New Zealand is one of only five OECD countries that:

- Have a broadly balanced Government budget
- Have net debt at less than 40 per cent of GDP
- Have economic growth greater than 1.5 per cent
- Have scope to further cut interest rates should the economic situation worsen.

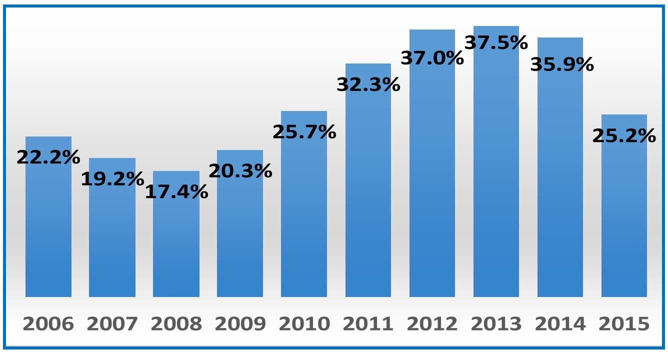
So by those measures the economy is well placed to deal with any turbulence in the international economy.

The outlook continues to be for ongoing moderate growth delivering jobs and higher incomes for New Zealanders.

It is not all doom and gloom, and in the Western Bay of Plenty there is substantive economic initiatives underway, and a confidence level unsurpassed in recent times.

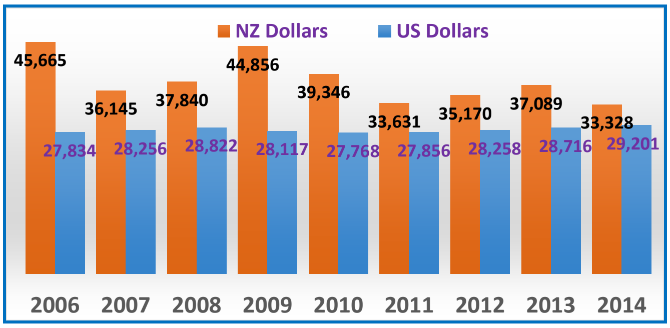
After increasing dramatically as a result of the combination of both the GFC and the Christchurch Earthquake, Government Debt has now peaked, and expect a significant reduction over the next couple of years. For the year to 30th June 2015 the Finance Minister Bill English has just announced a surplus in our Operating Balance of $414m, which lowers the Government Debt to $60.63 billion, and Debt to GDP of 25.2% (down from the peak of 37.5% in 2013). This is a huge turnaround on an $18.4 billion deficit New Zealand faced in 2011.

New Zealand Government Debt to GDP

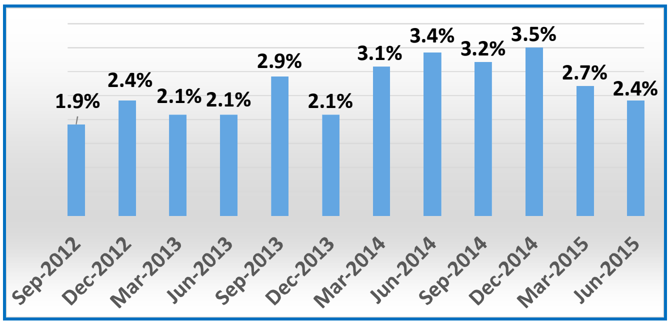


GDP per Capita is now rebounding strongly, and New Zealanders are benefiting in real wealth after the retraction of 2010 and 2011.

New Zealand GDP per Capita



New Zealand Annualised GDP Growth



NZ Market Summary – September

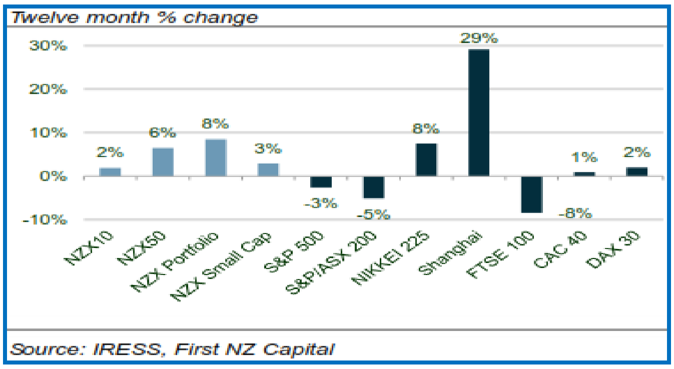
Some recent signs of consolidation, but GDP growth still expected to fall below 2% YoY. Heightened concerns surrounding a global slowdown has been precipitated by a softening Chinese economy, weakening commodity prices, together with an unchanged Fed funds rate at the September FOMC meeting, making these the major macro developments over the past month.

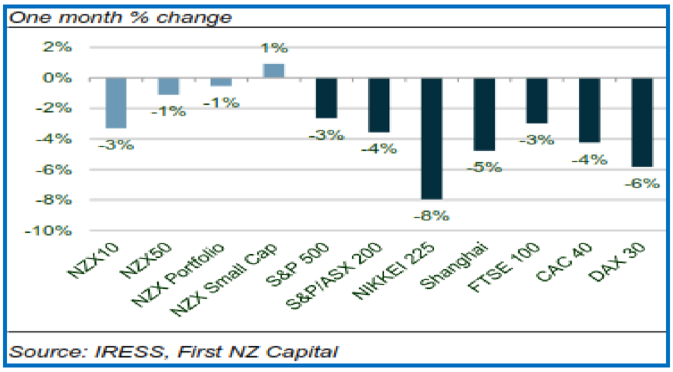
Against this backdrop, the annual rate of growth edging back to 2.4% YoY, down from the 2.7% YoY increase recorded over the March quarter. Nevertheless, more recent survey and activity data released over the past month have generally had a more positive tone. In particular, we have seen a further bounce in dairy auction prices, initial signs of some stabilisation in business and consumer confidence after recent sharp declines, a further historic high net migration inflow, together with an additional rise in annual dwelling consents. Moreover, the depreciation in the NZD and recent reductions in the OCR are also expected to offer further near-term support to help stabilise domestic growth rates.

However, primarily reflecting the magnitude of the decline in both business and consumer confidence over recent months, the negative impact of a weakening terms of trade, together with the less positive contribution from the Canterbury earthquake rebuild, we continue to expect that the annual GDP growth rate is likely to slip below the 2% YoY level by the end of this year.

The NZ equity market outperformed relative to its global peers over September. In particular, the NZX50G index fell by 1.1% Month on Month (MoM), which compared with a larger monthly fall of 2.6% MoM for the S&P500 and 3.6% MoM for the ASX200 index (in local currency terms).

Equity Market Performance

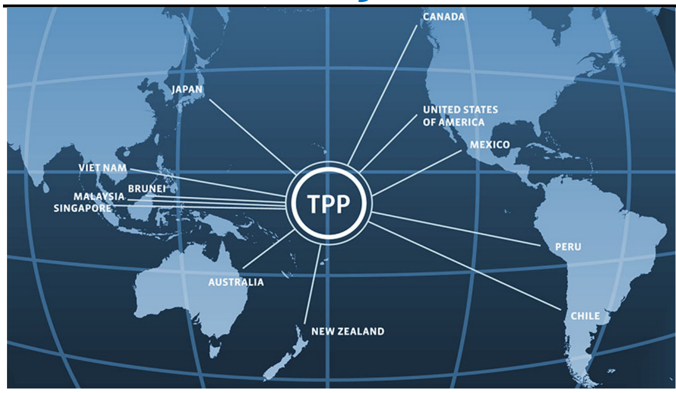




Market Returns – The NZ$ Effect

Equity Market	8-Oct-15	YTD % Change	YTD % Change in NZ$
DOW	16,912	-5.39%	12.00%
NASDAQ	4,791	1.16%	19.40%
SP500	1,996	-3.16%	14.41%
Japan	18,323	5.00%	23.63%
Germany	9,970	1.68%	11.47%
UK	6,336	-3.50%	12.06%
China	3,053	-5.61%	8.76%
Australia	5,198	-3.94%	-0.05%
NZX50	5,650	1.47%	1.47%

The Trans Pacific Partnership Free Trade Agreement



The Trans-Pacific Partnership (TPP) deal is New Zealand's biggest ever free trade deal and will deliver significant benefits to the country.

The Trans-Pacific Partnership (TPP) Agreement is New Zealand's biggest ever free trade deal.

It involves 12 Asia-Pacific countries, which together account for 36 per cent of the world's economy. New Zealand will now have Free Trade Agreements covering our top five trading partners.

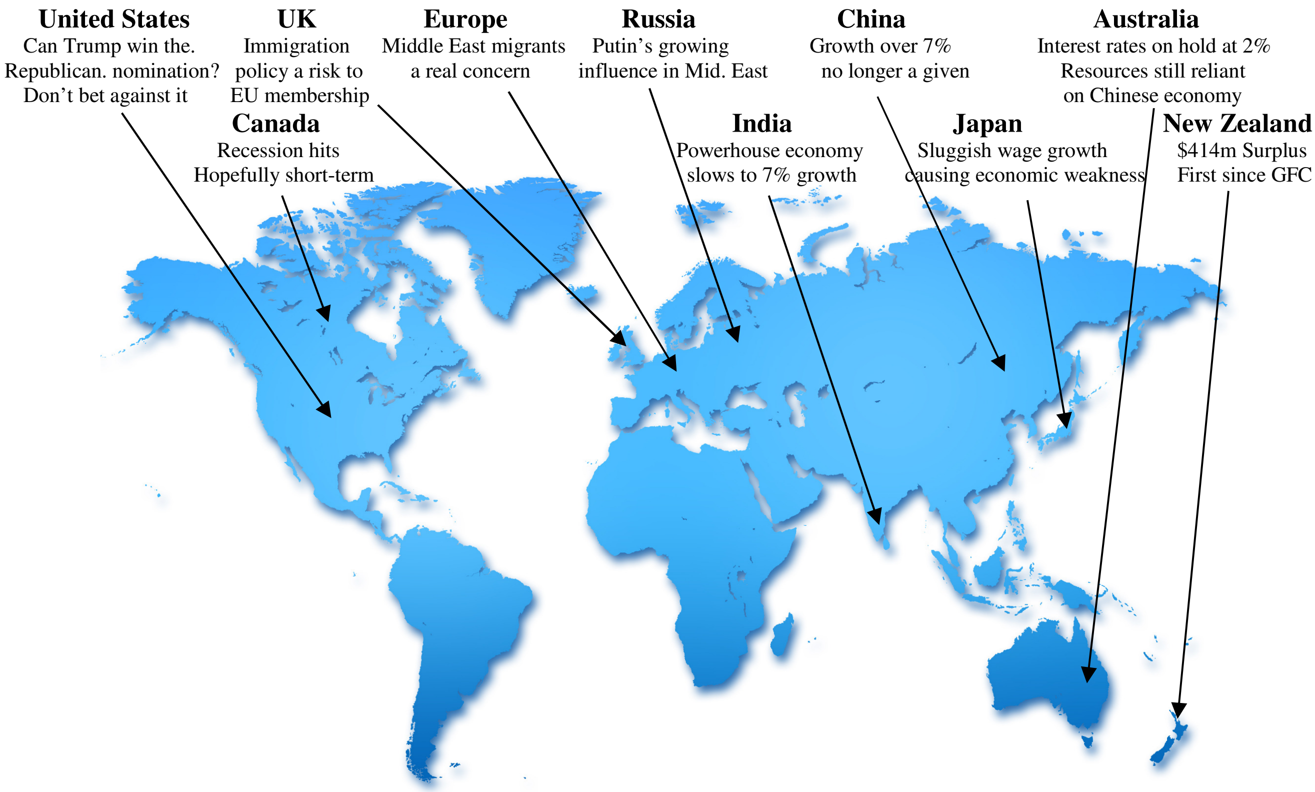
TPP is a very positive agreement for New Zealand. It further improves access to international markets, which supports our exporters to grow and create new jobs, and diversify their businesses overseas.

TPP means:

- 800 million potential customers for New Zealand goods and services.
- NZ's economy is estimated to benefit by at least $2.7 billion a year by 2030.
- It will save $259 million a year in tariffs for New Zealand exporters.
- It will support more jobs and higher incomes, and allow New Zealand exporters to sell more products and services to the world.
- $28 billion of New Zealand goods and services were exported to TPP countries last year – that's around 40 per cent of New Zealand's overall exports.
- TPP eliminates tariffs on 93 per cent of New Zealand's exports to the United States, Japan, Canada, Mexico and Peru.
- TPP will bring annual savings of $102 million for the dairy sector, $72 million for meat, and $26 million for fruit and vegetables.

Not being in TPP would put the New Zealand economy and our businesses at a competitive disadvantage compared to other countries.

THE WORLD AT A GLANCE

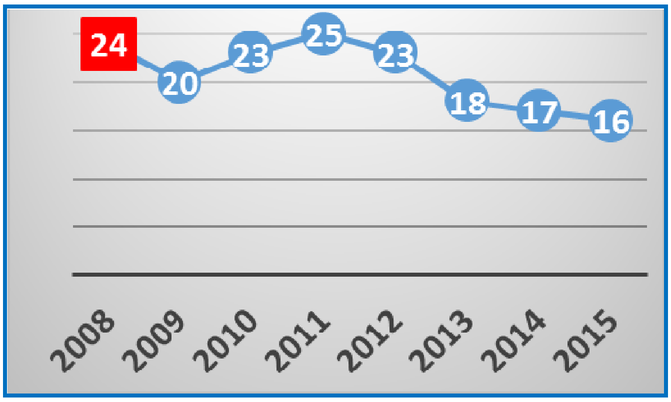


Advanced Economies

Countries in the advanced economy category are in the best position to ensure inclusive growth, given that they have the greatest financial means and generally sophisticated markets and economic frameworks. Yet, the extent to which they achieve this result varies widely. Countries such as the Nordics, Switzerland, New Zealand, and Canada do comparatively well across most areas, while others such as the United States, France, and several southern and eastern European countries fall short in many areas.

New Zealand tops all countries for its strong business and political ethics, with little diversion of public funds. It ranks third for financial intermediation and real economy investment, thanks to a highly inclusive and active financial system.

OVERALL GLOBAL COMPETIVENESS – NEW ZEALAND



SOURCE: World Economic Forum

Business creation is further fostered by low levels of red tape. New Zealand makes moderate use of the tax code and social protection schemes to foster more equitable outcomes in the economy through targeted programs, and is ranked second for fiscal transfers for doing more with less and avoiding market distortions. The educational system could be made more equitable and vocational training improved to allow for more productive employment opportunities for the vulnerable and the underemployed.

Australia performs particularly well in asset building, entrepreneurship, and new business creation, ranking third among all countries. This reflects a lack of red tape, reinforced by strong financial inclusion, which is critical for business development. Australia ensures excellent access to its educational system, although improvements could be made to its quality as well as the equity of outcome of students from different income levels. The pay gap between men and women is narrow, ranking it second among advanced economies, but the country could foster more inclusive growth by increasing the participation of women in the workforce, for example through more affordable childcare which could help to lower the high rates of temporary and involuntary part-time employment.

The United Kingdom demonstrates a mixed picture in terms of its ability to deliver inclusive growth. The country benefits from relatively high levels of business creation supported by access to finance, which are important drivers of new employment and growth. It also exploits the tax code strongly toward more equitable economic outcomes, notably through property, inheritance, and progressive income taxes. On the other hand, efforts are required to improve access to education as well as its quality, which would be important for tackling the youth unemployment problem and the low levels of social mobility in the country. Equality of health outcomes could be improved, given the significant gaps in adjusted life expectancy. Greater equity in the labour market through stronger participation of women and reduction in the gender pay gap would also foster more inclusive growth. This would be helped by ensuring greater labour protection and access to affordable childcare for working parents.

The United States, a global economic and innovation powerhouse, benefits from a few clear strengths in fostering inclusive growth, which are balanced by several areas that need improvement. The country is a top performer in asset building and entrepreneurship, with excellent conditions fostering new business creation as well as the underlying financial assets and access to capital to do so. Some income redistribution is facilitated through taxes on inheritance, property, and capital, although the overall tax intake remains comparatively quite low. Perhaps not surprisingly, the resulting social safety net is significantly less comprehensive than in many other advanced economies, resulting in high and rising levels of both poverty and income inequality (it ranks 28th out of 30). Greater participation of women in the workforce would be encouraged by more affordable childcare solutions and paid parental leave, as well as by narrowing the gender pay gap further. Median household incomes have declined in recent years, which is a cause for concern. Efforts by the private and public sectors to increase wages could boost consumption, on which the economy depends heavily and which has been constrained since the financial crisis.

A number of key indicators for **China** are not available, particularly related to the equity of outcomes in the education system and questions of distribution more generally. Still, available indicators show that China benefits from high levels of competition and business creation, supported by financing from various sources. This dynamism has translated into strong employment outcomes, with a high labour force participation rate, and low unemployment. It will be important for China to continue to invest in its infrastructure and basic services (such as healthcare) to tackle corruption, and to extend the social safety net to more of the population (especially in rural areas) in order to improve median living standards. China under-utilizes the fiscal transfers lever, and despite impressive poverty reduction in recent years, still has 27.2% of its population living on less than $2 a day and only 21.9% living on $10-$50 dollars a day. The vast majority falls in the low income bracket, between $2 and $10 a day

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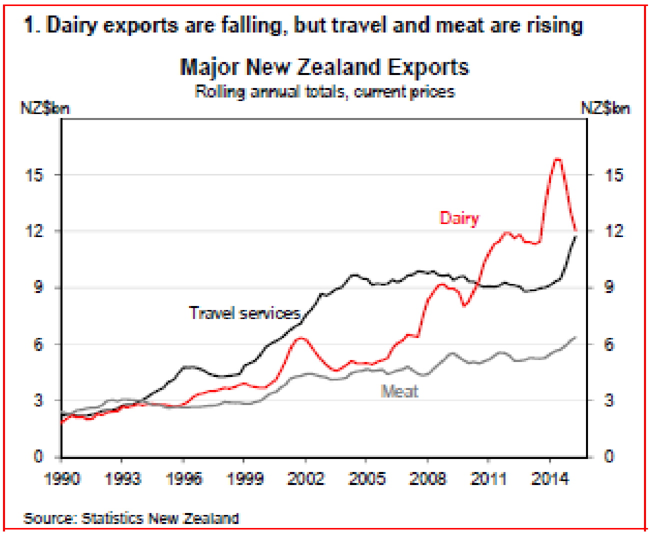
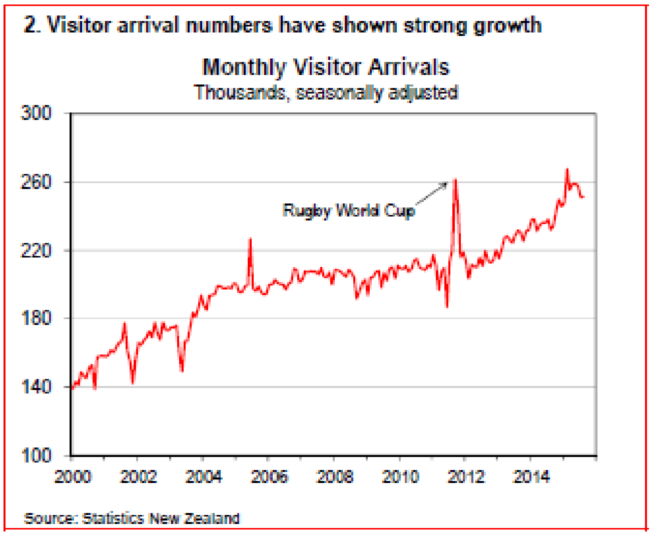
Positive NZ Tourism comment

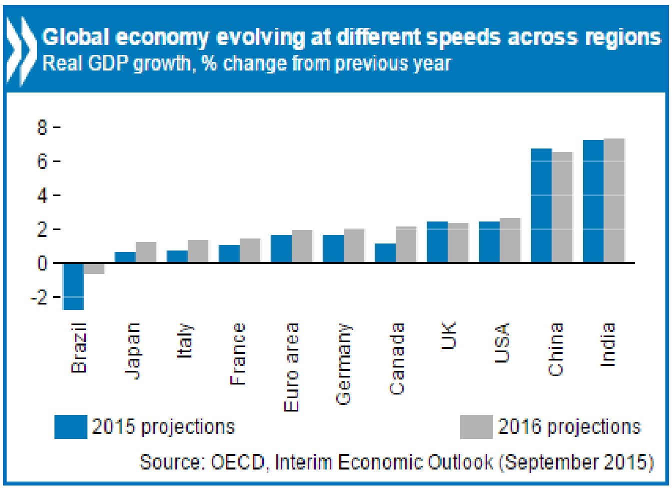
"It may sound surprising that services could provide such a significant counter-balance to dairy, but as chart (below) shows, earnings from travel services were typically greater than those from dairy until 2010 and are set to overtake dairy again in coming quarters." (HSBC)





The Global Economy

Global economies continue to grow, albeit at differing rates. Most OECD countries have now recovered from the GFC, and there is cautious hope for moderate growth going forward.



The International Monetary Fund is likely to lower its estimates for global economic growth due to slower growth in emerging economies, IMF head Christine Lagarde said in a newspaper interview. "We are in a recovery process whose pace is decelerating. There is a shift between emerging countries and developed countries. The first ones, who were driving a global recovery not so long ago, are slowing down. The others are seeing their momentum accelerate. This should lead us to revise downwards our growth forecasts," Lagarde told Les Echos in an interview. "A forecast of 3.3% growth this year is no longer realistic. A forecast of 3.8% for next year neither. We will however remain above the 3% threshold," she said. The IMF is due to release updated forecasts in October.

Saudi Arabia withdraws overseas funds.

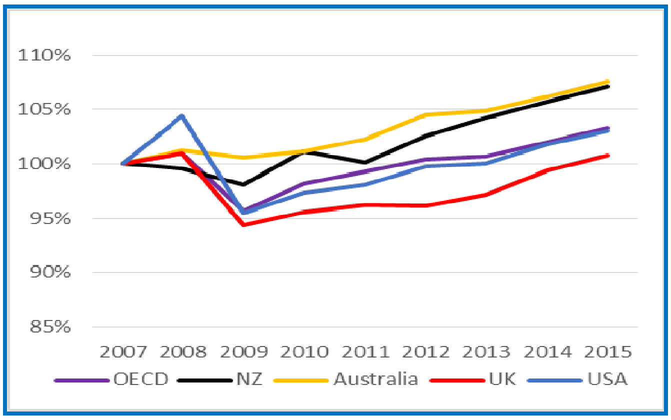
The country has withdrawn tens of billions of dollars from global asset managers as the oil-rich kingdom seeks to cut its widening deficit and reduce exposure to volatile equities markets amid the sustained slump in oil prices. The Saudi Arabian Monetary Agency's foreign reserves have slumped by nearly $73bn since oil prices started to decline last year.

GDP Growth

GDP growth is the most prominent indicator of economic performance, however, it usually does not provide a full picture on the economic well-being of people. In most OECD countries, GDP dropped sharply at the beginning of the economic crisis, while the impact on household income was less pronounced.

However it should be noted that both New Zealand and Australia have transited the Global Financial Crisis better than the rest of the OECD, and strongly outperformed both USA and the United Kingdom.

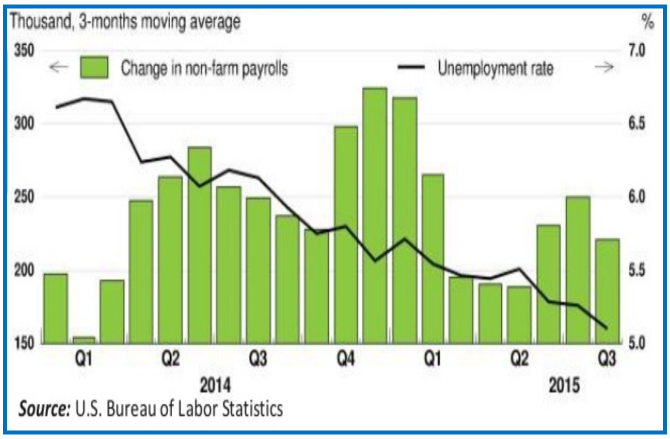
GDP PER CAPITA



United States

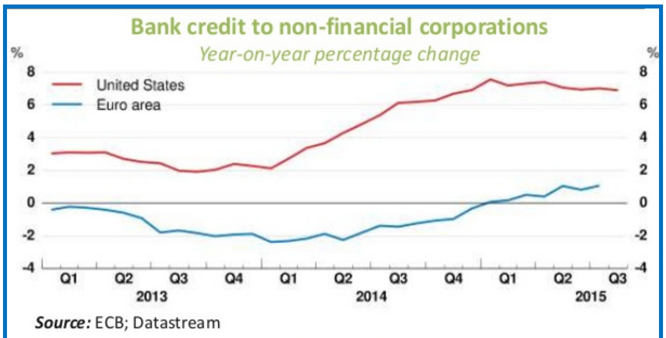
Steady jobs growth has brought down US unemployment, and underpinned their economy. However, while this underpins consumption growth, investment continues to disappoint. Interest rates are now expected to rise, but at a very gradual rate.

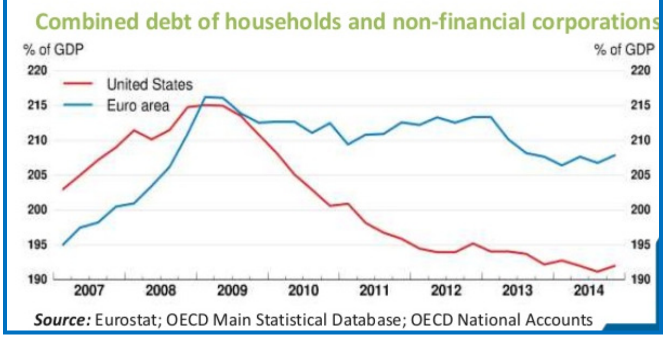
US JOB GAINS AND UNEMPLOYMENT



Eurozone

One factor impeding a faster euro area recovery is the still impaired credit channel. While credit growth has finally turned positive for the Euro area, it is still anemic. It is interesting to note the difference between Euro countries and the USA when looking at household and non-financial debt burdens.





Economic growth will gradually strengthen to 2¼ per cent by the end of 2016, supported by lower oil prices, the depreciation of the euro, improving financial conditions, additional stimulus from further monetary expansion and a pause in fiscal adjustment. However, unemployment will decline only gradually, to a rate of 10¼ per cent at end 2016. Inflation should edge up to around 1½ per cent as the effects of lower energy prices dissipate and monetary easing is stepped up. Risks are broadly balanced around the projections, although event risks surrounding renewed financial turmoil remain significant.

Greece

ALEXIS TSIPRAS, who won his second national election victory on September 20th by a poll-defyingly wide margin, is only 41 years old—one of the euro zone's youngest prime ministers. Yet he has been a professional left-wing politician for two decades. As he starts his second term in office, he must put his ideological convictions on hold.

This win gave Mr Tsipras a fresh mandate to keep Greece in the euro zone. To do so, the new (Syriza Party) government must immediately increase taxes, cut pensions and accelerate the privatisation of state-owned companies—reforms Mr Tsipras defiantly opposed during his first term. That was before the threat of an involuntary "Grexit" made him accept a new €86 billion bail-out by Greece's creditors—and their conditions. Like earlier Greek leaders in trouble, Mr Tsipras has executed an ideological *kolotoumba*, or somersault. The question now is whether the rest of Syriza can flip over as well.

Greece's creditors are waiting to see whether Mr Tsipras will act on his promises to crack down on corruption and high-level tax evasion by the old political elite, which has replaced Germany and the

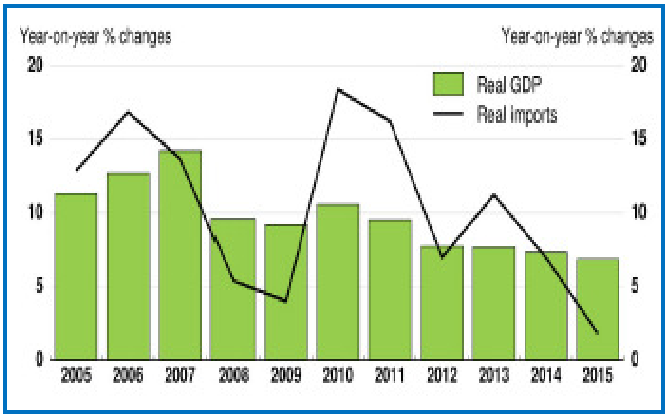
International Monetary Fund as the target of his rhetoric. None of Greece's oligarchs has so far been hauled before the public prosecutor. Syriza officials claim the previous government was so overwhelmed by the struggle to stay in the euro that there was no time to address other big issues.

Mr Tsipras's turn away from leftist orthodoxy has manifested itself in his private life as well. He spent the summer staying at a Greek shipowner's villa by the sea, commuting by helicopter to his office. This month he enrolled his seven-year-old son at one of Greece's most expensive private schools. Some Syriza officials voiced disapproval. But the size of Mr Tsipras's election win—Syriza finished less than one percentage point down from January—suggests that voters were not concerned

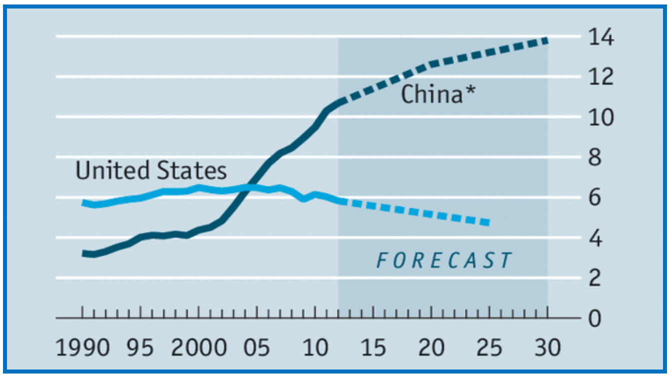
China

Chinese industrial companies' profits declined the most in at least four years, falling 8.8% in year-end terms in August, the National Bureau of Statistics reported. It was the biggest drop since the government began releasing monthly data in October 2011, according to data compiled by Bloomberg. Profits in coal mining plunged 64.9%, while oil and gas profits tumbled 67.3%, according to the report. The drop was attributed to falling product prices, lower investment returns and foreign exchange losses contributed, He Ping, an official at the National Bureau of Statistics, said in an analysis on the agency's website.

CHINA'S IMPORT GROWTH HAS FALTERED
REAL GDP & IMPORT VOLUMES



EMISSIONS – BILLION TONNES CO_2 EQUIVALENT



SOURCE: The Economist

Japan

Japan's growth, though erratic, is on an improving path. Tightening labour markets should feed through into higher wages and consumption in Japan, but this is yet to happen. The big issue is their growing debt burden. Japan recorded a Government Debt to GDP of 230 percent of the country's Gross Domestic Product in 2014. Government Debt to GDP in Japan averaged 121.76 percent from 1980 until 2014, reaching an all time high of 230 percent in 2014 and a record low of 50.60 percent in 1980. Government Debt to GDP in Japan is reported by the Ministry of Finance Japan.

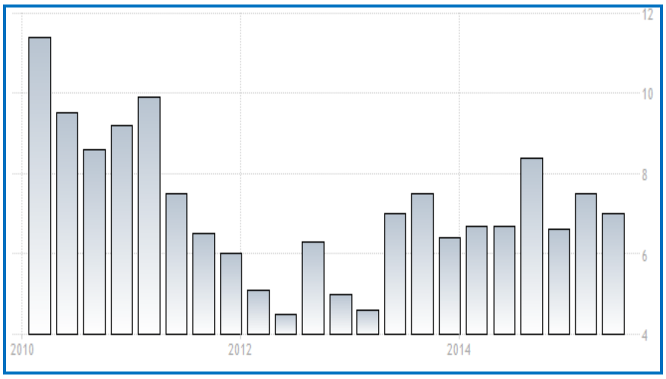
JAPAN GOVERNMENT DEBT TO GDP 2006 to 2015

India

India GDP Growth Disappoints

The Indian economy expanded 7 percent year-on-year in the second quarter of 2015, slowing from a 7.5 percent growth in the previous period and below market expectations of 7.4 percent. While services and manufacturing grew at a slower pace; mining and construction accelerated and agriculture reported expansion.

INDIA GDP GROWTH RATE 2010 to 2015



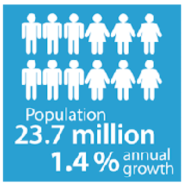
On the production side: trade, hotel, transport and communication recorded the biggest expansion (12.8 percent, 14.1 percent in Q1), followed by finance, real estate and insurance (8.9 percent, 10.2 percent in Q1); manufacturing (7.2 percent, 8.4 percent in Q1) and construction (6.9 percent, 1.4 percent in Q1). The mining sector grew 4 percent (2.3 percent in Q1); electricity, water and gas supply went up 3.2 percent (4.2 percent in Q1); public administration and defence increased 2.7 percent (0.1 percent in Q1) and farming output gained 1.9 percent (-1.4 percent).

The most important and the fastest growing sector of Indian economy are services. Trade, hotels, transport and communication; financing, insurance, real estate and business services and community, social and personal services account for more than 60 percent of GDP. Agriculture, forestry and fishing constitute around 12 percent of the output, but employs more than 50 percent of the labour force. Manufacturing accounts for 15 percent of GDP, construction for another 8 percent and mining, quarrying, electricity, gas and water supply for the remaining 5 percent.

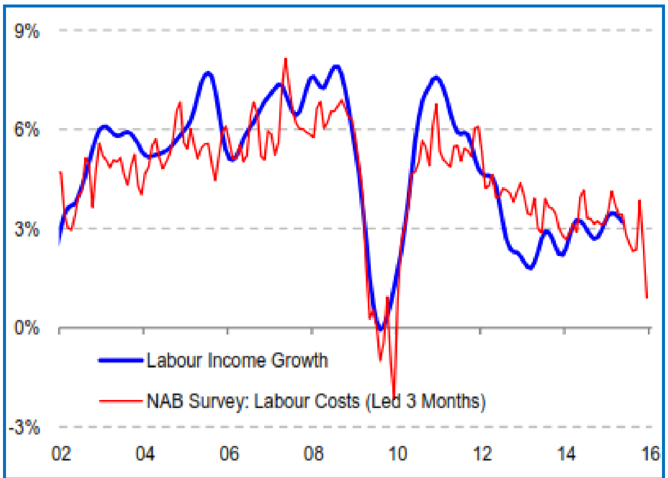
INDIA GOVERNMENT DEBT TO GDP 2006 to 2015

Australia

Australia is the "clear loser" from China's economic slowdown. China's trading partners must adjust to the Asian giant's slowing economy with commodity suppliers such as Australia hardest hit. The International Monetary Fund said the weak commodity price outlook could subtract one percentage point annually from economic growth in commodity exporting countries like Australia over the next two years. Growth in Australia slowed to just 2% at the end of the June quarter, well below its long-term average of 3.25%.



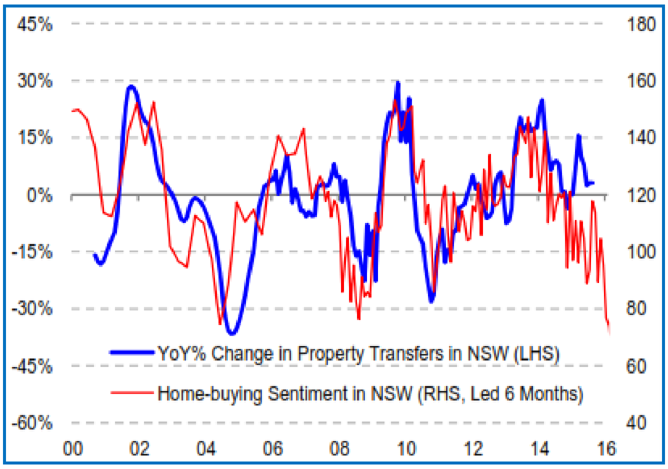
AUSTRALIAN WAGE GROWTH & NAB SURVEY
SURVEYS SUGGEST BLEAK WAGE GROWTH



Source: ABS, Thomson Reuters, Credit Suisse estimates

Left to its own devices, the Australian economy would probably slow sharply over the next year with leading indicators pointing to real GDP growth of less than 1%. Mining capex continues to head backwards, subtracting 1.5-2% p.a. from GDP growth. Residential investment has been an offsetting factor over the past few years — but is also likely to peak over the next year. Note that housing sentiment and demand is waning across the country, especially in larger states like NSW. Macro-prudential regulation and housing unaffordability seem to be weighing on demand at the same time that foreign buying of property may be peaking. Yet builders continue to ramp up construction activity.

NSW HOME SALES & HOME-BUYING SENTIMENT
SURVEYS SUGGEST BLEAK HOUSING DEMAND



China Surge in investment-led economic growth

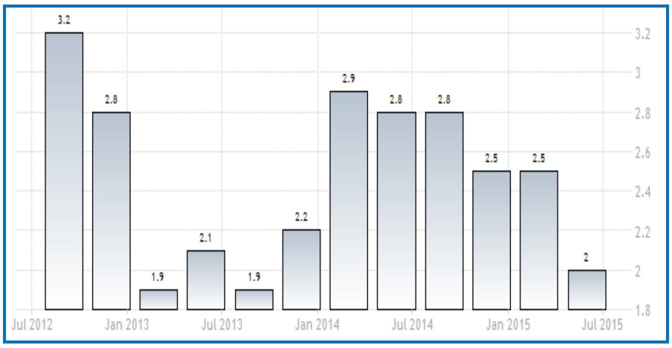
World crude steel production

(million tonnes)	China	Other	Total	Australian iron ore exports
2014	**823**	821	**1644**	717
2013	**822**	827	**1649**	613
2012	**731**	828	**1559**	524
2011	**702**	835	**1537**	465
2010	**639**	794	**1433**	427
2005	**356**	792	**1148**	239
2000	**128**	720	**849**	157
1995	**95**	658	**753**	130

Source: World Steel Association / Herald graphic

Australian employment fell by 5,100 in September whilst the unemployment rate remained steady at 6.2%. Thus, despite the decline in jobs in September, the trend in the labour market continues to be better than many forecasted – with unemployment steady around 6¼%. Consequently, there's little here to suggest that the RBA will need to cut the Cash Rate although the adverse macro headwinds remain in play.

AUSTRALIA GDP RATE 2012 to 2015

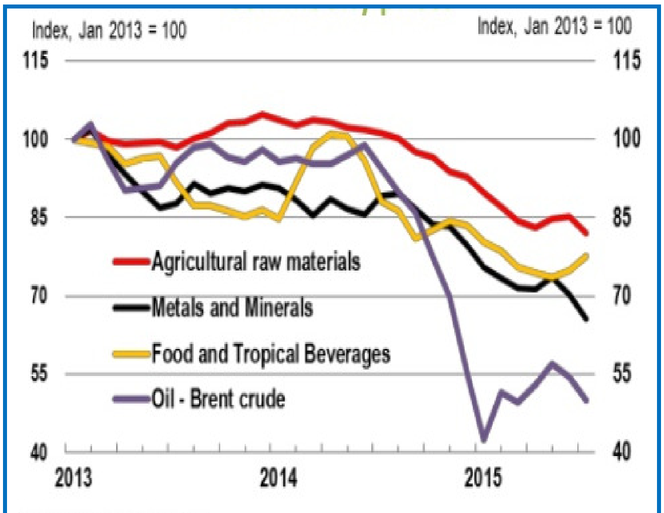


AUSTRALIA GOVERNMENT DEBT TO GDP 2006 to 2015

Commodities

Commodity prices have been decreasing strongly since the beginning of 2014, and the slowdown has been sharpest in countries with close trade links to China, and/or dependent on commodities.

COMMODITY PRICES - 2013 to 2015



Source: Datastream

WEST TEXAS CRUDE OIL – 5 YEAR CHART

The Importance of Oil

- Our analysts think equities are currently facing five principal challenges: the widening of high yield spreads; Chinese real estate; the gap between the Fed dots and the forward curve; disruptive technology; and the fall in the oil price.
- **A stabilisation in the oil price is critical to the stabilisation of equities and cyclicals.** The fall in the oil price so far has been very closely correlated to the fall in inflation expectations, cyclical underperformance and a rise in non-energy high yield spreads. The market seems to interpret the fall in the oil price as demand-driven, but we would argue that it has been primarily supply-side driven.
- **The problem is that commodity-related capex accounts for ~30% of global capex** (with oil capex down 13% and mining capex down 31% in the past 12 months), and thus the fall in US and global commodity capex and opex has taken at least ~0.8% off US GDP growth in H1 2015 and ~1% off global GDP growth over the last year. The benefit in some regions has been slow to materialise (because as in 1985/86, the consumer has saved some of the windfall gains): Europe should experience the biggest benefit, as the starting level of the savings ratio is high. Analysts agree with the IMF that **the fall in the oil price should ultimately boost global GDP growth by ~0.5%-1%, even adjusting for the capex and savings headwinds.**
- **They believe that the oil price will now stabilise.** OPEC spare capacity is just 1.5mbd and Saudi Arabia has, at the current price, achieved its objective of stabilising market share: non-OPEC output is forecast to fall by 0.5mbd in 2016, while Saudi Arabia is running a budget deficit of ~20% of GDP. However, we still think consensus forecasts for end 2016 (at $65pb) could be too optimistic, as an oil price at those levels would risk allowing high cost production to re-enter the market.

Investment implications:

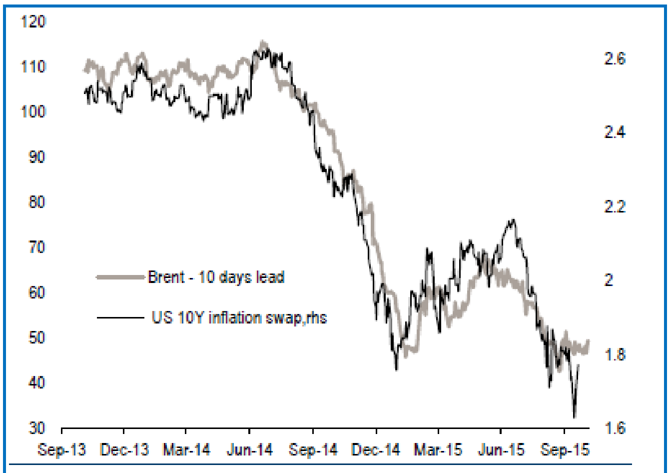
1) **Our analysts have reduced their underweight in International Oil Companies (IOC)** (energy as a share of market cap in Europe is close to all-time lows, positioning is cautious), but have refrained from raising to benchmark until they see a Free Cash Flow yield two years out that covers dividends on a $50-60pb oil price. US Energy & Petroleum's (e.g. Pioneer, Marathon Oil) look better than IOCs. Offshore oil and gas could be vulnerable if oil capex follows mining capex (i.e. falls another 20% relative to projections);

2) If oil stabilises, **select cyclicality should do well** (employment agencies, Italian banks and Fiat);

3) **They recommend select exposure to commodity-exporting GEM** (Experian, Iberdrola, Mondi);

4) **They take airlines to benchmark from overweight** (they have been a double play on oil, and capital discipline seems to be waning), and we believe the fall in oil is fully priced into UK retailing.

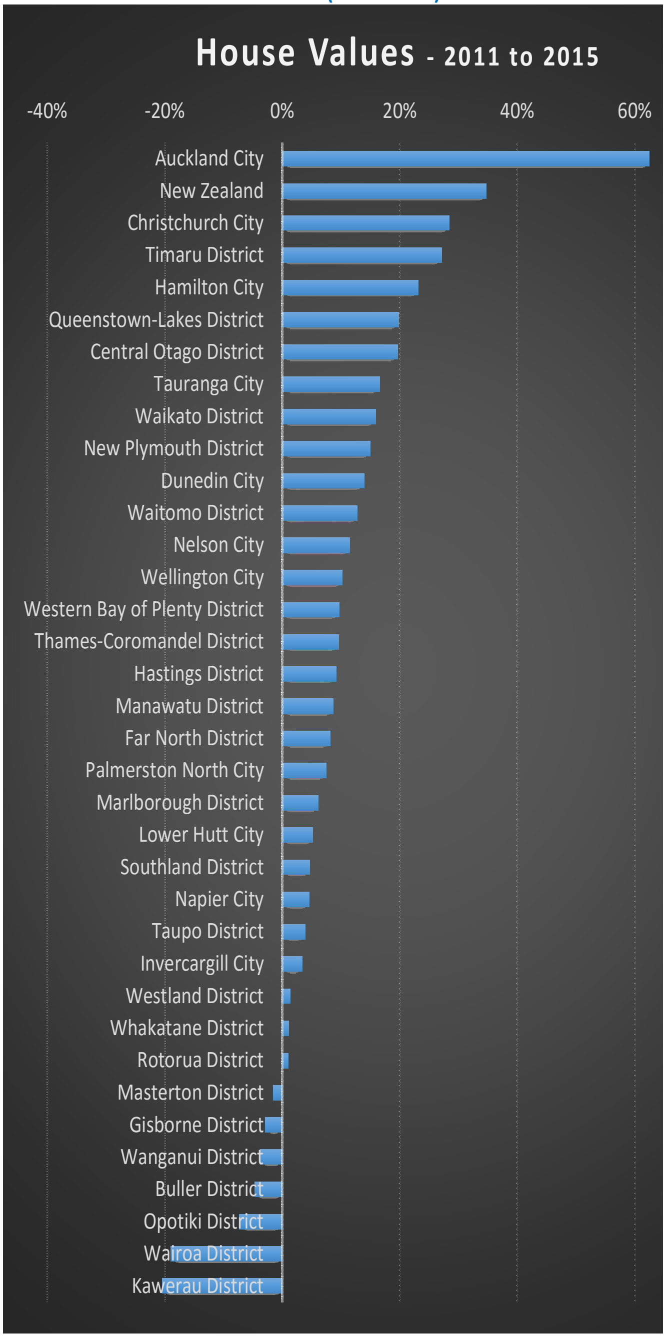
THE OIL PRICE HAS LED 10-YEAR INFLATION EXPECTATIONS IN THE US BY AROUND 10 DAYS



Source: Thomson Reuters, Credit Suisse research

NZ'S HOUSING DATA

2011– 2015 (LAST 4 YEARS)

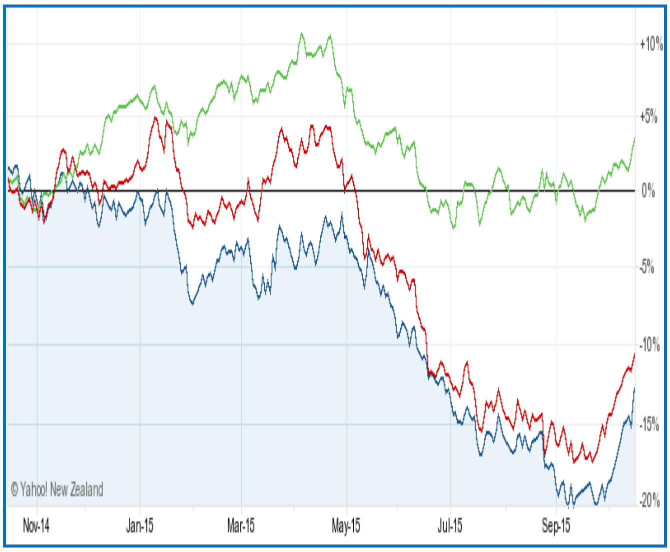


Source: QV

New Zealand Dollar

The New Zealand dollar suffered badly from the global stock market crash but managed to recover. Many thought it was heading towards parity with both the Australian and US Dollar, and it went very close. What's next? The dairy auction and business confidence are the highlights. The NZ Dollar fell heavily, against both the US Dollar (20%) and the British Pound (17%), with the fall in the Dairy Milk Price, but with its recovery so has the NZ Dollar started to re-strengthen.

NZ DOLLAR VERSUS
AUST (GREEN) & US DOLLAR (BLUE) & GB POUND (RED)
LAST 12-MONTHS



AUCKLANDERS TOLD TO DITCH CARS

- OR FACE GRIDLOCK

Aucklanders coming into the city for work or play are about to be sent a very strong message - leave your cars at home. From next month, downtown Auckland will become a construction site, as major projects including the City Rail Link (CRL), the International Convention Centre and numerous office and apartment towers get underway. The three-to-five year building boom will create traffic chaos, and city officials' plans for grappling with it include an extended publicity campaign telling Aucklanders to get out of their cars or face gridlock.

ARGENTINA IS A LESSON FOR NEW ZEALAND – *let's learn from history*

The fall of the Argentinian economy should be a lesson for all New Zealanders.

ARGENTINA 1916

In the early 20th century, Argentina was one of the world's richest countries. While Great Britain's maritime power and its far-flung empire had propelled it to a dominant position among the world's industrial nations, only the United States challenged Argentina for the position of the world's second-most powerful economy. Like the United States, Argentina was blessed with abundant agriculture. Vast swaths of rich farmland laced with navigable rivers, and an accessible port system. Its level of industrialisation was higher than many European countries – railroads, automobiles, and telephones were commonplace.

In **1916** Argentina elected a new President, Hipolito Irigoyen. He was from a new Party called "The Radicals" – under the banner of "fundamental change" with an appeal to the middle class. Among Irogoyen's changes were:

- Mandatory pension insurance
- Mandatory health Insurance
- Support for low-income housing construction to stimulate the economy.

Put simply, the state assumed economic control of Argentina's operations and began assessing new payroll taxes to fund its efforts. With an increasing flow of funds into these entitlement programmes, the government's payouts soon became overly generous. Before long its outlays surpassed the value of the taxpayers contributions.

However, the death knell for the Argentinian economy came with the election of Juan Peron. Peron had a fascist upbringing, and he and his charismatic wife, Eva, aimed their populist rhetoric at taxing the nation's rich. This targeted group swiftly expanded to cover most of the propertied middle class, who became an enemy to be defeated and humiliated. Under Peron, the size of government bureaucracies exploded through massive programmes of social spending and by encouraging the growth of labour unions. These programmes provided government jobs, attracting the perons from the haciendas and leading to large reductions in beef and wheat production.

Higher taxes and economic mismanagement took their inevitable toll, even after Peron had been driven from office. His populist rhetoric and contempt for economic realities lived on. Argentina's federal government continued to spend far beyond its means.

NOTE: In the **1970's**, Argentina's inflation was so bad that taxi drivers had to be issued with a printed price chart each morning, to adjust the meter reading to determine the fare. Argentina had meatless days, because insufficient beef was grown to satisfy the local market, in a country that had previously built its wealth on its beef production. Argentina also had to start importing Wheat!

Hyperinflation exploded in **1989**, the final stage in the process characterised by "industrial protectionism, redistribution of income based on increased wages, and growing state intervention in the economy".

By **1989** Argentina was printing money to pay off its public debt, which just crushed the economy further. [***Does this remind you of Russell Norman's Green Party manifesto***?] Inflation hit 3000% - and the country descended into chaos.

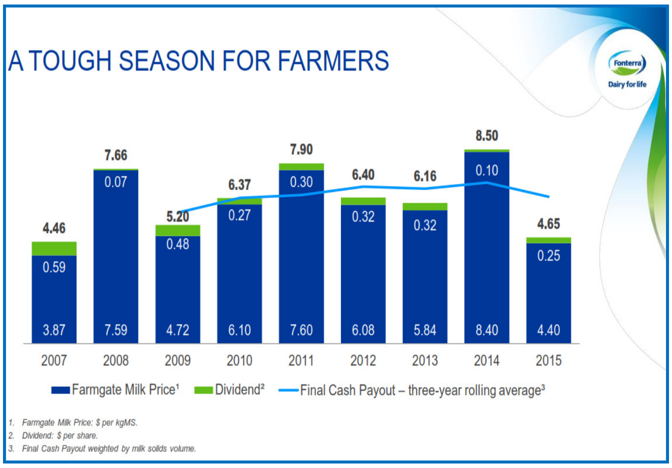
By **1994** Argentina's public pensions had imploded. The payroll tax had increased from 5% to 26%, but it wasn't enough. Further taxation (VAT, income tax, wealth tax and capital gains tax) just crushed the private sector and further damaged the economy.

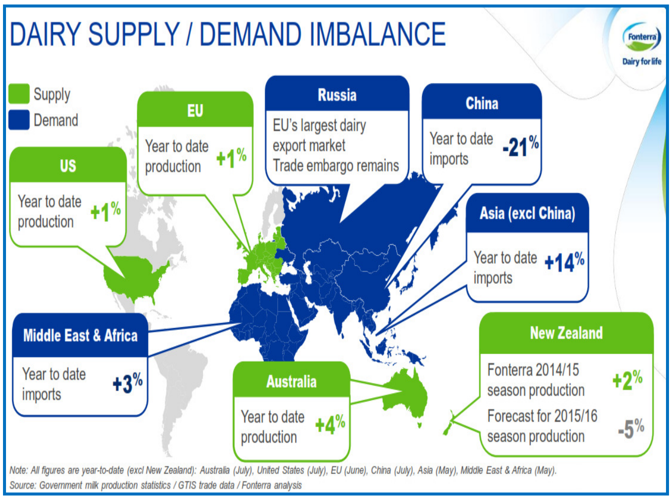
By **2002**, government fiscal irresponsibility had induced a national economic crisis as severe as America's Great Depression. In 1902 Argentina was one of the world's richest countries. Now, a little over one hundred years later, it is poverty-stricken; struggling to meet its debt obligations amidst a mayor drought.

THE MORAL OF THIS STORY – The Lefts (Labour and the Greens) populist plans for New Zealand can't possibly work. Thank goodness we have a John Key led government – with a social conscience, but also with a realisation that you "*can't have your cake and eat it too*" – a strong economy is essential.

Agribusiness – Looking from the outside in

How serious is the Downturn in Dairy Returns?





FONTERRA CO-OPERATIVE GROUP

STRONG REBOUND IN PROFITABILITY

VOLUME[1]	REVENUE[2]	NORMALISED EBIT
4.3M MT	$18.8BN	$974M
↑ 9%	↓ 15%	↑ 94%
NET PROFIT AFTER TAX	DIVIDEND PER SHARE	RETURN ON CAPITAL[3]
$506M	25 CPS	8.9%
↑ 183%	↑ 150%	

Ingredients		Consumer and Foodservice		International Farming	
Volume	↓ 3.0m MT	Volume[5]	↑ 1.7m MT	Volume	↑ 0.2m MT
Normalised EBIT[4]	↑ $973m	Normalised EBIT	↑ $408m	Normalised EBIT	↓ ($44m)
Return on Capital[3]	9.3%	Return on Capital[3]	25.5%		

1. Total volume, excluding DPA consolidation (324,650 MT), is up 0.3%
2. Total revenue, excluding DPA consolidation, is down 21%.
3. Return on Capital (ROC) excludes goodwill, brands and equity accounted investments. Group ROC including goodwill, brands and equity accounted investments was 6.9%.
4. Ingredients excludes unallocated costs
5. Consumer and Foodservice volume, excluding DPA consolidation (324,650 MT), is up 3%

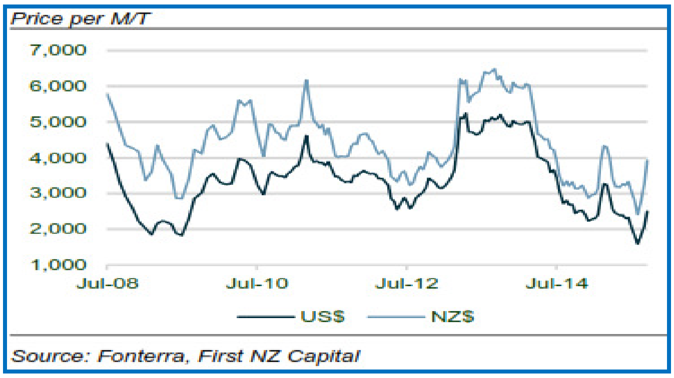
DAIRY - $/kgMS Fonterra Milk Price		
12-Oct-15	Year ago	Change
4.6	5.3	-13.2%

GRAIN - $/Tonne Feed Weat (Cant)		
12-Oct-15	Year ago	Change
323	430	-24.9%

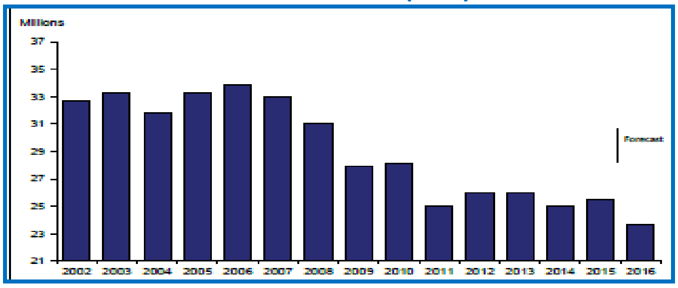
DAIRY OUTLOOK FOR 2016 - FONTERRA

- The 2015/16 pay-out:
  - A forecast Farmgate Milk Price of $4.60 per kgMS
  - A strong forecast EPS performance of 40-50 cps
- In addition 50 cents per kgMS loan to support farmers¹
- Global markets remain volatile and difficult to forecast milk price early in season
- Capex for the 2016 financial year lowered to $900 million

SHARP REBOUND IN DAIRY AUCTION PRICES, BUT FROM HISTORIC LOW LEVELS



LAMB NUMBERS (BNZ)



LAMB - $/kg CWT (net)						
Grade	Weight	12-Oct-15	Year ago	12-Oct-15	Year ago	Change
YM	13.5	5.02	5.8	$68	$78	-13.4%
YM	15	5.73	6.06	$86	$91	-5.4%
YX	17.5	5.78	6.13	$101	$107	-5.7%
YX	19	5.79	6.14	$110	$117	-5.7%
YX	21	5.8	6.15	$122	$129	-5.7%

Grade	Weight	12-Oct-15	Year ago	12-Oct-15	Year ago	Change
P2-Steer	300	5.9	4.99	$1,770	$1,497	18.2%
M2-Bull	300	5.21	4.94	$1,563	$1,482	5.5%
P2-Cow	230	3.84	3.93	$883	$904	-2.3%
P2-Cow	220	3.9	3.82	$858	$840	2.1%

VENISON - $/kg CWT (net)						
Grade	Weight	12-Oct-15	Year ago	12-Oct-15	Year ago	Change
Stag	60	8.16	7.11	$490	$427	14.8%
Hind	50	8.08	7.03	$404	$352	14.9%

New Zealand Equities

NZ Listed Property (as at 30 September 2015)

	Price	Target	Prem/(Disc.)	Recom.	Market Cap	Gearing	NTA/Unit	Prem/(Disc.)
ARG	1.05	1.14	-7.9%	OUT	848	38%	0.96	9.6%
AUG	0.99	1.04	-5.3%	NEU	86	38%	0.79	24.7%
GMT	1.16	1.18	-1.7%	NEU	1,429	34%	1.08	7.0%
KPG	1.28	1.31	-2.3%	NEU	1,620	34%	1.21	5.8%
NPT	0.61	0.66	-7.6%	UND	99	23%	0.72	-15.6%
PCT	1.14	1.15	-1.3%	NEU	1,375	11%	1.11	2.3%
PFI	1.48	1.46	1.4%	UND	661	37%	1.35	9.3%
STR	1.97	2.05	-3.9%	NEU	586	35%	1.81	8.8%
VHP	1.72	1.53	12.4%	UND	593	33%	1.27	35.4%
Average			**-1.8%**			**31.4%**		**9.7%**
Weighted Average			**-1.3%**			**30.3%**		**8.7%**

Source: Company data, FNZC estimates

Preferred Property exposures

FNZC's preferred exposures in an expensive sector remain Argosy Property (ARG), Stride Property (STR) and Kiwi Property Group (KPG). Both ARG and STR align with their preference at this point in the cycle for internalised vehicles with more diversified, lower denomination portfolios, at the end of their strategic initiatives and mostly through their portfolio recycling programmes. KPG is their preferred large cap exposure, with internal management, an improving portfolio quality, mostly through its capital intensive works programme and following recent weakness in share price is screening well on a relative value basis.

	Cash Dividend				Cash Yield				PIE Yield (33% marginal tax rate)			
	FY15A/F	FY16F	FY17F	FY18F	FY15A/F	FY16F	FY17F	FY18F	FY15A/F	FY16F	FY17F	FY18F
ARG	6.0	6.0	6.1	6.1	5.7%	5.7%	5.8%	5.8%	8.5%	8.5%	8.7%	8.7%
AUG	4.8	5.0	5.3	5.3	4.8%	5.1%	5.3%	5.4%	7.2%	7.6%	8.0%	8.1%
GMT	6.4	6.7	6.7	6.7	5.6%	5.8%	5.8%	5.8%	8.3%	8.6%	8.6%	8.7%
KPG	6.5	6.6	6.7	6.8	5.1%	5.2%	5.2%	5.3%	7.6%	7.7%	7.8%	7.9%
NPT	3.5	3.5	3.6	3.7	5.8%	5.7%	5.9%	6.0%	8.6%	8.6%	8.8%	9.0%
PCT	5.4	5.4	5.4	5.4	4.8%	4.7%	4.8%	4.8%	7.1%	7.1%	7.1%	7.1%
PFI	7.3	7.4	7.5	7.5	4.9%	5.0%	5.0%	5.1%	7.4%	7.5%	7.5%	7.6%
STR	10.3	10.5	11.0	11.0	5.2%	5.3%	5.6%	5.6%	7.8%	8.0%	8.3%	8.3%
VHP	8.0	8.1	8.3	8.5	4.6%	4.7%	4.8%	5.0%	6.9%	7.0%	7.2%	7.4%
Average					**5.1%**	**5.2%**	**5.3%**	**5.4%**	**7.6%**	**7.8%**	**7.9%**	**8.0%**
Sector Weighted Average					**5.2%**	**5.2%**	**5.3%**	**5.4%**	**7.7%**	**7.8%**	**7.9%**	**8.0%**

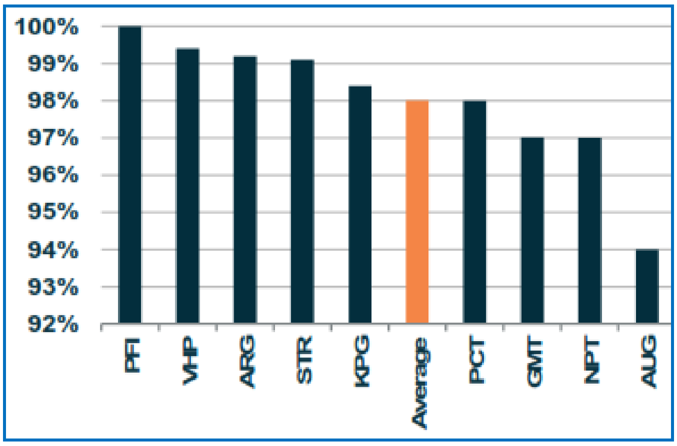
Source: Company data, FNZC estimates

NZ REIT's Gross Performance (as at 30 September 2015)

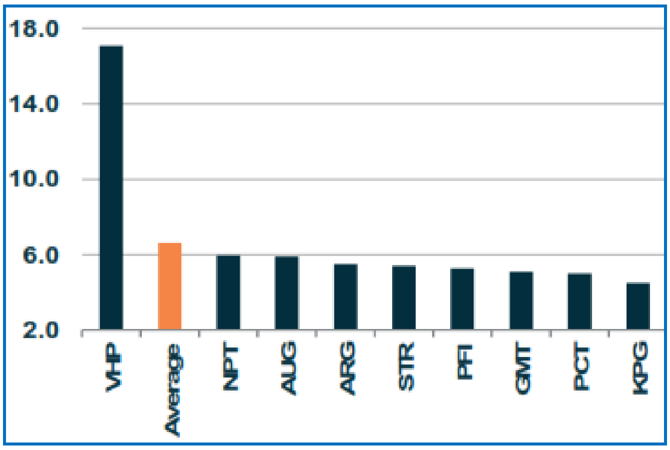
	Gross Returns							
	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr
NZ Listed Property Stocks								
ARG	-3.9%	-3.5%	-5.1%	11.7%	28.1%	44.0%	107.2%	168.7%
AUG	1.6%	0.8%	1.2%	15.2%	41.6%	56.9%	169.2%	170.1%
GMT	-1.0%	-0.1%	0.1%	16.3%	30.7%	39.0%	72.0%	68.5%
KPG	-1.9%	0.0%	2.5%	20.2%	36.4%	33.9%	81.5%	87.5%
NPT	-2.6%	-1.8%	-4.6%	13.2%	9.8%	24.7%	55.0%	102.6%
PCT	-0.4%	0.9%	-0.7%	11.2%	28.8%	31.9%	93.6%	60.2%
PFI	-1.0%	-2.3%	-3.2%	13.8%	26.0%	42.4%	64.9%	96.4%
STR	-5.4%	0.9%	7.1%	24.5%	43.1%	55.0%	149.7%	N/A
VHP	3.3%	5.5%	2.0%	26.4%	41.0%	64.2%	103.9%	176.0%
NZ Market								
NZPRPG	-1.7%	-0.2%	0.4%	15.4%	29.6%	40.1%	86.8%	89.7%
NZ50G	-1.1%	-2.3%	-4.1%	6.4%	18.1%	45.9%	76.0%	81.0%
Global Property Indices								
Australia	-0.3%	1.1%	-1.2%	20.1%	34.8%	56.9%	89.6%	39.3%
United States	2.3%	2.7%	-6.7%	9.7%	25.3%	31.3%	85.7%	64.7%
Japan	-5.1%	-8.4%	-10.3%	0.4%	-9.1%	90.6%	119.1%	61.2%
Europe	0.9%	4.2%	-4.2%	18.0%	39.2%	67.4%	86.8%	80.6%
United Kingdom	1.8%	6.0%	2.2%	23.4%	47.7%	77.2%	110.3%	59.4%
NZ	-1.7%	-0.2%	0.4%	15.4%	29.6%	40.1%	86.8%	89.7%

Source: Thomson Reuters Eikon

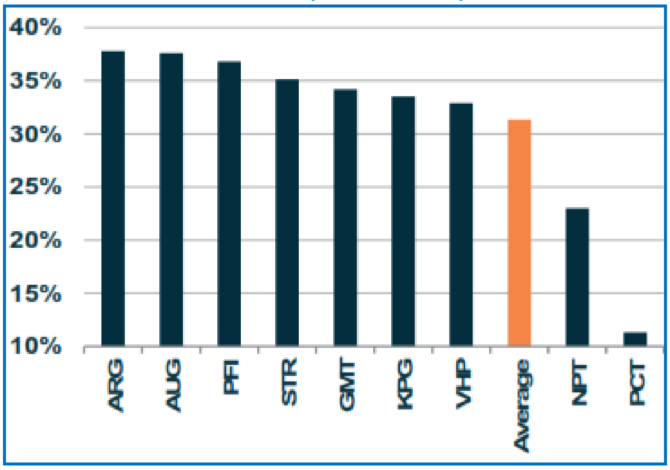
Occupancy



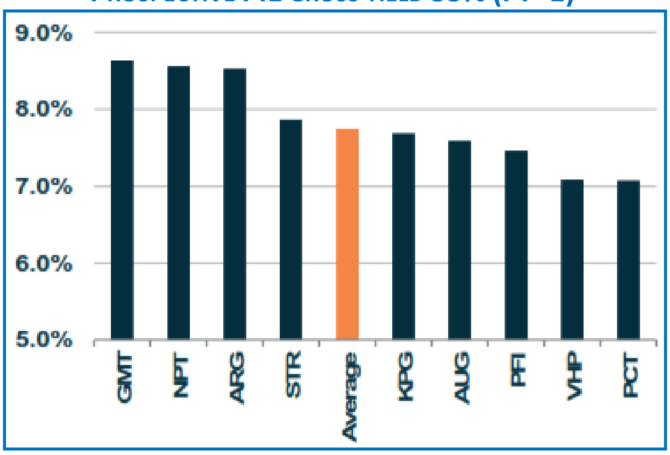
Weighted Average Lease Term



Gearing (last reported)



Prospective PIE gross yield 33% (FY+1)



Argosy Property Limited (ARG.NZ)

OUTPERFORM - TP: NZ$1.14

ARG reported a FY15 distributable profit of $48.0m, ~4% below pcp as the increased net rental (+11% mainly due to full-year contributions from portfolio expansion) was offset by the company moving back into a tax paying position in FY15. ARG guided to paying a cash dividend of 6.0cps again in FY16, the fifth straight year of flat dividends. We continue to have a positive view on ARG and its diversified, low risk and internally managed business. Despite flat dividend guidance into FY16 ARG still provides investors with a cash yield at the top of the sector at ~5.5% based on paying out less than 100% of distributable earnings. In a sector that continues to over distribute and let dividends lead earnings we believe the board is making the correct decision to wait for earnings certainty rather than chasing the yield trade and increasing dividends early. ARG remains a preferred exposure in the sector with our preference at this point in the cycle remaining for more diversified, lower denomination portfolios which have completed their major structural shifts or portfolio recycling.

Stride Property Limited (STR.NZ)

NEUTRAL - TP: NZ$2.05

STR (formerly DNZ) reported a FY15 distributable profit after tax 14% ahead of pcp benefitting from significant reductions in corporate costs and net interest expense. The company guided that it remains on track for its 2.5% annual dividend growth target and expects to pay a cash dividend of 10.5cps in FY16. Portfolio occupancy reduced to 96.6% at year-end, predominately the result of the tenant vacating their property at Ha Crescent, Auckland.

We believe the drop in occupancy will be reversed in FY16 and recent post balance date renewals show management continues to be successful with retaining tenants. The NorthWest centre remains on track for opening in October 2015 with very little vacancy still to be filled. Expectations are for a yield on cost of 7.75% and we expect a significant valuation uplift (~11% to ~12%) at 31 March 2016. STR is a stand out in the sector with their continued focus on cost reduction (both at a property level and corporate level) in a low rental growth environment now beginning to pay off with cash dividends up 16% over the last 24 months. We now forecast the company can increase dividends to 11cps in FY17 & FY18 while maintaining a pay-out ratio of ~95%. With our preference for more diversified, smaller denomination portfolios, towards the end of their strategic change STR continues to be one of our preferred exposures in the sector.

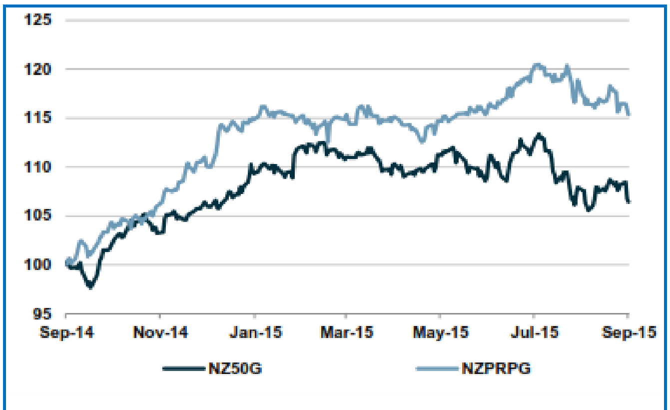
Kiwi Property Group Limited (KPG.NZ)

NEUTRAL TP: NZ$1.31

KPG reported a FY15 distributable profit 4% ahead of the pcp as increased net rental (combination of full-year contributions from ASB North Wharf, Centre Place and Northlands, three months from Sylvia Park lifestyle and property managers fees no longer paid to an external manager) and reduced interest expense was offset by KPG returning to a tax paying position in the year. On a per share basis distributable profit was only up 1% as the dilution from the MCN conversion (increased shares on issue) impacted the calculation. The recent announcement on a new Crown lease at 44 The Terrace brings the total committed capex in this market to ~$85m over FY16 & FY17. We estimate the Wellington office portfolio will have a WALT of ~12.5 years on projects completion significantly reducing risk in that market. Sylvia Park continues to dominate its catchment area with a strong 6% increase in MAT over the year and like-for-like rental growth up 5.6%. We estimate the potential EPS growth to be ~2.7% to ~4.3% on an annualised basis if KPG were to proceed with their planned expansion of Sylvia Park but do note that this is uncommitted at this stage and growth is some ~3 years away. The company continues to seek buyers for its Centre Place, Hamilton asset (~$117m).

With a continued shift north of Hamilton retail away from the CBD we agree this capital is far better utilised elsewhere (Sylvia Park). We believe KPG will also look to divest its North City and Majestic assets in Wellington over time as it progresses its Auckland-focused strategy. We remain positive on the longer-term outlook for KPG as an internalised property company. After several challenging years in Christchurch and the unexpected increase in the cost of nil-value remedial works at their Majestic Centre property in Wellington the KPG portfolio looks well positioned and management can now return their focus to value add opportunities rather than 'damage control'. FY16 and FY17 still remain transitional years for KPG with the meaningful positive catalysts still several years away from unlocking further value at Sylvia Park and likely further transactional activity in the retail sector.

NZ50G v NZPRPG – 1 YEAR



Source: Thomson Reuters Eikon

The a2 Milk Company (ATM)

OUTPERFORM $0.72 Target: $1.03

While raising equity through a placement was not our analysts preferred option for the equal benefit of existing shareholders, ATM pushing on with a $40m equity raising (plus $3m share purchase plan) is ultimately positive for the business in delivering funding certainty for the company's growth aspirations in the US dairy consumer market. Additionally, ATM has also increased its debtor finance facility from A$3m to A$10m and is negotiating a further bank guarantee facility of $10m. The dilution to shareholder value is minimal relative to our valuation. Trading update for the first two months was in line with our expectations.

ATM Year to 30 June		2015A	2016F	2017F	2018F
Adjusted Earnings	NZ$m	-0.4	6.3	18.5	33.9
Earnings /share (Adjust)	NZc	-0.1	0.9	2.6	4.7
EPS Growth	%			179	83.3
Price / Earnings Ratio	x		78.3	28.0	15.3
Cash Per Share	NZc	0.1	1.1	2.8	5.0
Net Div / Share	NZc	0	0	0	0

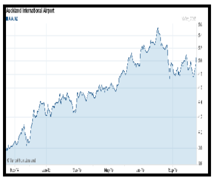
Source: Company data; NZX; First NZ Capital Estimates

Equity Rankings

RANKED BY FY15 RETURN ON EQUITY	
HIGHEST RETURN	
Restaurant Brands	32.9%
Diligent	30.9%
Hallenstein Glasson	27.3%
Briscoe	25.9%
Fisher & Paykel Healthcare	25.8%
Freightways	24.4%
Z Energy	22.1%
Intueri Education Group	21.7%
Spark New Zealand	21.6%
NZX	21.4%
LOWEST RETURN	
Orion	-85.7%
Xero	-23.2%
a2 Milk	-0.7%
EROAD	2.6%
Tower	3.5%
Mighty River Power	4.4%
Meridian Energy	4.5%
Contact Energy	4.8%
NPT	4.9%
Genesis Energy	5.0%

RANKED BY DISCOUNT/PREMIUM TO VALUATION	
LARGEST DISCOUNTS	
Intueri Education Group	-40.0%
Metro Performance Glass	-39.5%
Xero	-37.4%
Opus	-32.3%
EROAD	-32.0%
a2 Milk	-31.4%
Michael Hill	-30.8%
Orion	-26.3%
Kathmandu	-22.2%
Metlifecare	5.0%
LARGEST PREMIUMS	
Auckland International Airport	22.0%
Fisher & Paykel Healthcare	13.8%
Vital Healthcare Property Trust	11.8%
Genesis Energy	10.6%
Vector	8.3%
The Warehouse	5.0%
Sanford	4.3%
EBOS	4.3%
Restaurant Brands	3.1%
TradeMe	2.9%

NOTE: THESE ARE ALL ONE YR GRAPHS



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Auckland International Airport

AIA provides a relatively low risk exposure to the airline industry's investment in fleet capacity and inbound Asian passenger growth. Expect non-aeronautical returns to increase as strong underlying volume growth delivers improved non-regulated asset utilisation. However in a market favourably disposed to long duration infrastructure assets with low perceived risk, AIA is presently trading comfortably ahead of our discounted cash flow based 12-month price target.

20016 P/E: 31.0 2017 P/E: 28.5

NZX Code:	**AIA**
Share Price:	**$5.10**
12mth Target:	**$4.00**
Projected return (%)	
Capital gain	-21.6%
Dividend yield (Net)	3.3%
Total return	**-18.3%**

Rating: UNDERPERFORM

52-week price range (NZ$)3.77-5.64

↑

Chorus

CNU delivered FY15 EBITDA of $602m vs $649m in the pcp following the impact of reduced UBA pricing. If draft copper pricing is confirmed in Dec-2015 then CNU is set to claw back ~$65m in annualised revenue. Ultimately we see CNU being treated like a more typical infrastructure stock by investors but that will not be until investors can have more confidence in long-term regulatory settings, UFB capex, longer-run operating costs and maintenance capex associated with two networks, and fixed line connections.

20016 P/E: 11.1 2017 P/E: 10.5

NZX Code:	**CNU**
Share Price:	**$2.75**
12mth Target:	**$3.22**
Projected return (%)	
Capital gain	17.1%
Dividend yield (Net)	3.3%
Total return	**20.4%**

Rating: OUTPERFORM

52-week price range (NZ$)1.91-3.19

↑

Contact Energy

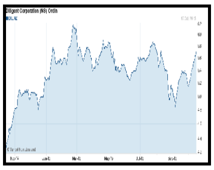
Contact remains our analysts most preferred electricity stock. They attribute the current weakness to the digestion of the Origin sell down ($4.60) despite the positive outcomes of a higher free float/ASX listing, improving operating stats and ability of board/management to focus more effectively on the business in the absence of a dominant shareholder.

20016 P/E: 19.3 2017 P/E: 19.6

NZX Code:	**CEN**
Share Price:	**$5.09**
12mth Target:	**$610**
Projected return (%)	
Capital gain	19.8%
Dividend yield (Net)	6.8%
Total return	**26.6%**

Rating: OUTPERFORM

52-week price range (NZ$) 4.74-7.30



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Diligent

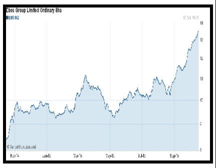
DIL has emerged well from the turbulent 18 month period from Dec 2012. Going forward we expect greater stability and are encouraged by DIL's reinvestment for growth. We note that unlike the majority of NZlisted technology / software stocks, DIL has reasonable cash generation. We expect DIL to retain double digit growth at the top line over the next three years, whilst offering some interesting prospective upside from the new DiligentTeams (DT) product. The share price currently appears to fairly price both the core existing product's steady cashflows, as well as the option value for DT. DIL faces a transition year in 2015 as it heavily invests for growth.

2016 P/E: 29.0 2017P/E: 19.9

NZX Code:	**DIL**
Share Price:	**$5.70**
12mth Target:	**$6.10**
Projected return (%)	
Capital gain	7.0%
Dividend yield (Net)	0.0%
Total return	**7.0%**

Rating: NEUTRAL

52-week price range (NZ$) 4.11-6.40



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Ebos Group

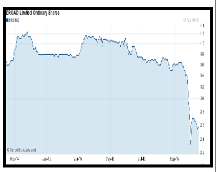
At its recent full year 2015 result, EBO exceeded all expectations when compared to estimates, with revenues +5.4% and earnings +14.9% to $105.9m. Healthcare reported constant currency revenue and earnings growth of 6.8% and 13.1%, respectively. Australia was a highlight, with earnings growth of 14.4%. Features included Wholesale Pharmacy sales up 5.5%, a function of customer growth, new Wholesale business, and Goods Price Pharmacy Warehouse (GPPW), Symbion Hospital Services continuing to print impressive revenue growth, a function of organic and market share growth, and the rollout of new patented drugs in that category, and not insignificant productivity gains from the new Melbourne distribution centre. NZ also delivered revenue and earnings growth, up 5.1% and 8.3%, respectively.

2016 P/E: 16.7 2017 P/E: 15.3

NZX Code:	**EBO**
Share Price:	**$13.46**
12mth Target:	**$12.00**
Projected return (%)	
Capital gain	-10.8%
Dividend yield (Net)	4.9%
Total return	**-5.9%**

Rating: NEUTRAL

52-week price range ($) 8.50-13.50



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EROAD

While our analysts continue to like ERD's business case and growth opportunity, they had looked at FY16 as a critical year for ERD to execute in Oregon. The fact this is delayed is likely to overhang ERD's near term performance. Investors need to see continued strong growth in NZ and some evidence it can regain momentum in Oregon and show execute in other US states.

2016 P/E: N/A 2017 P/E: 38.1

NZX Code:	**ERD**
Share Price:	**$2.75**
12mth Target:	**$3.75**
Projected return (%)	
Capital gain	36.4%
Dividend yield (Net)	0%
Total return	**36.4%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.33-4.28

"I used to go to Vegas and play the horses, and then I realised how ridiculous that was. There is no winning in gambling, but there is on the stock market."

Josh Brolin

→

Fonterra Shareholder Fund

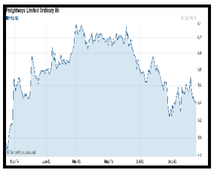
FSF is a multi-faceted business that lacks a stable and established earnings track record, provides limited underlying disclosure on key drivers, and is still too vague on strategic direction and the investment, timeframes and outcomes associated with strategy. Access to funding and FSF's mixed track record need to be factored in. We look for further progress on transformation which is an important source of funding to execute on FSF's strategy with debt levels above $7bn.

2016 P/E: 12.5 2017 P/E: 12.0

NZX Code:	**FSF**
Share Price:	**$4.86**
12mth Target:	**$5.35**
Projected return (%)	
Capital gain	10.1%
Dividend yield (Net)	5.7%
Total return	**15.8%**

Rating: NEUTRAL

52-week price range (NZ$) 4.60-6.31



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Freightways

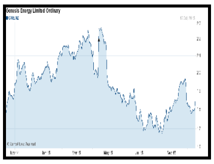
It appears increasingly likely that FRE is entering a period of less supportive growth as New Zealand's macro lead indicators shift towards sub-trend levels. Outlook comments were broadly consistent with expectations of the upcoming sub-trend growth for the New Zealand economy, however the cyclical slowdown in Express Package business-to-business (B2B) volume was quicker to materialise than expected. If pricing and processing initiatives are executed well, FRE can drive mid-single digit earnings growth for the Express Package division in the medium term.

2016 P/E: 15.6 2017 P/E: 14.5

NZX Code:	**FRE**
Share Price:	**$5.40**
12mth Target:	**$6.20**
Projected return (%)	
Capital gain	14.8%
Dividend yield (Net)	5.7%
Total return	**20.5%**

Rating: NEUTRAL

52-week price range (NZ$) 4.86-640



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Genesis Energy

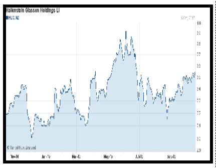
GNE has a number of distinct differences from its competitor generator/retailers: it has the largest retail customer base, the only coal-fired power station and also the newest combined cycle gas turbine, and it holds a 31% stake in the producing Kupe oil and gas field. Although resolved for another year or so, future uncertainty around the future of Tiwai smelter could again impact GNE's thermal profitability and share price by late 2016 (Our analysts ascribe 15% chance of exit between 2018 and 2025).

2016 P/E: 19.8 2017 P/E: 19.9

NZX Code:	**GNE**
Share Price:	**$1.84**
12mth Target:	**$1.70**
Projected return (%)	
Capital gain	-7.6%
Dividend yield (Net)	8.7%
Total return	**1.1%**

Rating: NEUTRAL

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



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Hallenstein Glasson

We don't expect HLG returns to the halcyon days of 2010 where it printed earnings in excess of $20m, but we believe the current share price undervalues this stock. Assuming the company can iron out its execution issues, we are not uncomfortable with the stock trading at closer to 14.0x price-to-earnings (which our analyst's 12month target would imply). HLG's current yield also attractive with robust balance sheet (no debt).

2016 P/E: 11.7 2017 P/E: 11.5

NZX Code:	**HLG**
Share Price:	**$3.57**
12mth Target:	**$4.10**
Projected return (%)	
Capital gain	14.8%
Dividend yield (Net)	8.9%
Total return %	**23.7**

Rating: OUTPERFORM

52-week price range (NZ$) 3.00-3.95

↑

Heartland New Zealand

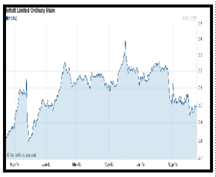
We continue to like HNZ's longer term investment case with potential to grow from both organic opportunities and the potential for accretive bolt-on acquisitions. The Home Equity Release business should start to contribute to earnings over the next few years which supports the positive earnings per share (EPS) growth story and a continued improvement in its return on equity. From a valuation perspective this should help support the earnings multiples applied to HNZ. When combined with balance sheet capacity to support core business growth, we believe HNZ can deliver growth in dividend per share (DPS) over time.

2016 P/E: 10.5 2017 P/E: 9.7

NZX Code:	**HNZ**
Share Price:	**$1.20**
12mth Target:	**$1.38**
Projected return (%)	
Capital gain	15.0%
Dividend yield (Net)	7.4%
Total return	**22.4%**

Rating: OUTPERFORM

52-week price range (NZ$) 0.98-1.42



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Infratil NZ

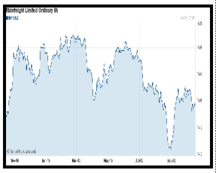
A highly competitive retail electricity market, electricity generation oversupply and political delays resolving the Renewable Energy Target ("RET") scheme are adversely impacting Trustpower (TPW) which is IFT's electricity exposure. The NZ electricity market is now returning to supply/demand balance. NZ Bus (unlisted) remains focussed on operational efficiency, while a new funding model is implemented. The impact of the new funding model on NZ Bus is uncertain until the new contracting regime between bus operators and local bodies emerges. IFT owns 66% of unlisted Wellington International Airport ("WIAL") which operates under the Commerce Commission disclosure regime. WIAL sees potential for a $300m, 350m runway extension to increase international traffic, particularly between Asia and Wellington. IFT owns 20% of fuel retailer Z Energy (ZEL.NZ), and 20% of retirement home operator Metlifecare (MET.NZ). It is expected that IFT will decrease its ZEL holding and increase its MET stake, with management focused on increasing investment in the retirement and aged-care sector. In Australia IFT and the NZ Super Fund jointly own RetireAustralia.

2015 P/E: 18.3 2017 P/E: 13.9

NZX Code:	**IFT**
Share Price:	**$3.00**
12mth Target:	**$3.24**
Projected return (%)	
Capital gain	8.0%
Dividend yield (Net)	4.4%
Total return	**12.4%**

Rating: NEUTRAL

52-week price range (NZ$) 2.80-3.41



Mainfreight

MFT as an emerging multi-national freight forwarding business with a network of operations across all key regions globally. Expect MFT to look to replicate its successful domestic operating model in other key markets including Australia and in time North America. Near term, we see a strong growth profile continuing with weak underlying macro conditions in Australia likely to be offset by opportunities to grow freight volume market share.

2016 P/E: 15.7 2017P/E: 13.8

NZX Code:	**MFT**
Share Price:	**$14.96**
12mth Target:	**$17.50**
Projected return (%)	
Capital gain	17.0%
Dividend yield (Net)	2.5%
Total return	**19.5%**

Rating: NEUTRAL

52-week price range 14.04-16.35

Meridian Energy

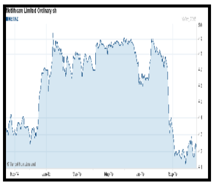
The key factors for MEL will play out over the next few years, namely the Transmission Pricing Methodology ("TPM") review, and the chance of Tiwai smelter electing to shut down after 2018. MEL's decision to contract another 172 megawatts (MW) to Tiwai for 14 years (albeit covered by matching cover for around 90MW over that full period) makes it likely that MEL is once again exposed to future price renegotiation attempts by the smelter owners on the full 572MW. Given the weak medium term outlook for aluminium prices, a future (say late 2016) renegotiation seems probable.

2016 P/E: 25.1 2017 P/E: 23.8

NZX Code:	**MEL**
Share Price:	**$2.19**
12mth Target:	**$2.28**
Projected return (%)	
Capital gain	4.1%
Dividend yield (Net)	7.3%
Total return	**11.4%**

Rating: UNDERPERFORM

52-week price range (NZ$) 2.04-2.70



Metlifecare

Whilst the average total build over the next two years is not far from existing estimates, the mix between RV units and AC beds leads to much lower profit forecasts. Coupled with this, our analysts have adjusted for lower development margins and inevitable Aged care headwinds in FY17 as MET builds up occupancy in new facilities. We continue to see MET as under-priced. Whilst clearly MET is a development laggard, development will improve off a low base. At just under 1.0x trailing NTA, investors are hardly paying up for development. This compares to 3.3x for RYM and 2.2x for SUM.

2016 P/E: 16.6 2017 P/E15.5

NZX Code:	**MET**
Share Price:	**$4.25**
12mth Target:	**$5.05**
Projected return (%)	
Capital gain	18.8%
Dividend yield (Net)	1.2%
Total return	**20.0%**

Rating: OUTPERFORM

52-week price range (NZ$) 4.12-4.94

Mighty River Power

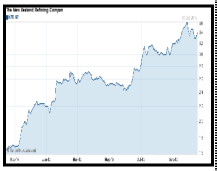
MRP has good fundamentals and met or slightly exceeded its prospectus forecasts for earnings, net profit and dividends. MRP's last major expansion, the 82 megawatts (MW) Ngatamariki geothermal station, was completed in September 2013. Flat electricity demand and generation oversupply imply new earnings growth opportunities should be limited for some time. In November and December 2014 it announced it would strike out and promote electrical vehicles in NZ, and would sell most of its overseas geothermal interests.

2016 P/E: 19.2 2017 P/E: 18.1

NZX Code:	**MRP**
Share Price:	**$2.56**
12mth Target:	**$2.98**
Projected return (%)	
Capital gain	16.4%
Dividend yield (Net)	6.8%
Total return	**23.2%**

Rating: NEUTRAL

52-week price range (NZ$) 2.38-3.43



NZ Refining

Our analysts continue to view NZR positively based on the key drivers – high refining margins and lower NZD. For July/August the refining margin was USD7.66 which is in line with expectations. The most positive aspect is the increased volume throughput – 7.52 million barrels (a new record for NZR). The expected 'tsunami' of free cash flow will fund generous dividends and incremental capex projects to further improve operating efficiency. Based on an 80% payout ratio a dividend of 38c per share and post-tax yield of over 11%.

2016 P/E: 7.2 2017 P/E: 7.0

NZX Code:	**NZR**
Share Price:	**$3.39**
12mth Target:	**$3.64**
Projected return (%)	
Capital gain	7.4%
Dividend yield (Net)	20.1%
Total return	**27.5%**

Rating: OUTPERFORM

52-week price range (NZ$) 1.66-3.62

Opus International Consultants

Central and local government are the biggest customers for OIC, making up around 90% of revenue in NZ. The outlook for OIC NZ is a function of government investment in road transportation of as well as Canterbury rebuild. Near term, trading conditions in NZ are beginning to improve. There are prospects for some recovery in 2015 with central and local government infrastructure spending beginning to rise again after three year of modest decline.

2016 P/E: 6.8 2017 P/E: 6.2

NZX Code:	**OIC**
Share Price:	**$1.23**
12mth Target:	**$1.95**
Projected return (%)	
Capital gain	58.5%
Dividend yield (Net)	6.8%
Total return	**65.3%**

Rating: OUTPERFORM

52-week price range (NZ$) 1.16-1.59

PGG Wrightson

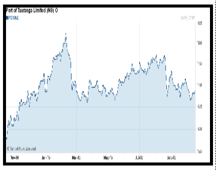
In the short term, PGW is likely to face considerable headwinds as weakening farm gate returns begin to impact on on-farm spending. In the medium term, we anticipate PGW earnings to benefit from some recovery in rural farm gate returns beyond the 2016 financial year. We continue to like the growth strategy employed by PGW's management team under Mark Dewdney's leadership. The company has leveraged off strong farm gate tailwinds in the segments it serves to deliver approximately a 50% recovery in earnings over the last two years.

2016 P/E: 8.9 2017 P/E: 8.3

NZX Code:	**PGW**
Share Price:	**$0.44**
12mth Target:	**$0.50**
Projected return (%)	
Capital gain	13.6%
Dividend yield (Net)	8.8%
Total return	**22.4%**

Rating: NEUTRAL

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



Port of Tauranga

With unsustainably low returns for shipping lines and the introduction of bigger ships from 2017, we expect significant future consolidation of container trade across NZ ports. We believe that POT is well placed to benefit from that consolidation through its close proximity to one of NZ's major export production regions, strategic investments in infrastructure facilities beyond Tauranga and its ability to invest for bigger ships while still earning a satisfactory return on invested capital (ROIC) on that incremental investment. Our forecasts and valuation consider a range of scenarios with a base case more heavily weighted towards a 2 hub port scenario with POT acting as 1 of those hubs.

2016 P/E: 28.6 2017 P/E: 26.4

NZX Code:	**POT**
Share Price:	**$16.88**
12mth Target:	**$17.80**
Projected return (%)	
Capital gain	5.5%
Dividend yield (Net)	3.5%
Total return	**9.0%**

Rating: NEUTRAL

52-week price range (NZ$15.85-18.35

Ryman Healthcare

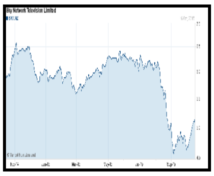
We see further optionality from RYM's foray into Australia. However, this needs to weighed against how much future value is currently being priced into the stock. The retirement village sector benefits from a favourable residential housing market and we expect growing support for the industry by government, which needs to encourage investment in capacity ahead of needs for baby boomers. Additional costs and wage inflation are being offset by the ability to charge for additional services (premium charging).

2016 P/E: 22.7 2017 P/E: 20.1

NZX Code:	**RYM**
Share Price:	**$7.48**
12mth Target:	**$8.25**
Projected return (%)	
Capital gain	10.3%
Dividend yield (Net)	1.9%
Total return	**12.2%**

Rating: NEUTRAL

52-week price range (NZ$) 7.05-8.63



Sky Network Television

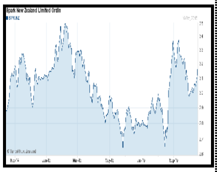
Technology changes (largely around the increasing capacity of the internet for delivery of content) have bought new entrants into the content landscape and with this coming at the same time as SKT's business is maturing means that uncertainty is likely to be a factor over the medium-term. A subdued revenue environment together with pressure on programming costs and an increase in capex will put pressure on earnings over the next two to three years. While SKT maintains a very strong position and much of the competition is still in its infancy it is difficult to ignore the pressures facing SKT. As incumbent SKT is well placed to adapt its business model and grow, particularly with it.

2016P/E: 11.2 2017 P/E: 13.4

NZX Code:	**SKT**
Share Price:	**$5.17**
12mth Target:	**$5.86**
Projected return (%)	
Capital gain	13.3%
Dividend yield (Net)	5.6%
Total return	**18.9%**

Rating: NEUTRAL

52-week price range (NZ$) 4.58-6.64



Spark NZ

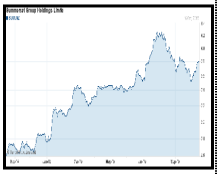
SPK is executing on its strategy to address the earnings headwinds resulting from ongoing declines in legacy fixed revenues. This is a multi-pronged strategy with SPK looking to gain market share in mobile (successfully gaining connections but yet to materially add to revenues); stabilising retail access and broadband revenues; significant focus on simplification aimed at taking cost out of the business and making SPK more market responsive; and investing in growth areas such as IT services and an early stage initiative in Internet TV.

2016 P/E: 16.0 2017 P/E: 14.9

NZX Code:	**SPK**
Share Price:	**$3.20**
12mth Target:	**$2.94**
Projected return (%)	
Capital gain	-8.1%
Dividend yield (Net)	8.3%
Total return	**0.2%**

Rating: NEUTRAL

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



Summerset Group Holdings

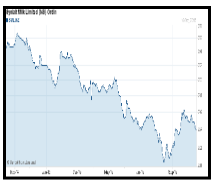
SUM now guides to $36-39m for FY15, up from $32-34m in July. This confirms our belief in July that as well as strong volumes, both resales and development margins have upside. Coupled with the upgrade, SUM reported close to a record sales quarter in 3Q15. SUM reported a high 3Q15 sales number of 162, just 2 shy of its record quarter in 4Q14. 3Q15 total sales were +64% YoY.

2016 P/E: 16.8 2017 P/E: 14.6

NZX Code:	**SUM**
Share Price:	**$3.81**
12mth Target:	**$4.35**
Projected return (%)	
Capital gain	14.2%
Dividend yield (Net)	1.0%
Total return	**15.2%**

Rating: OUTPERFORM

52-week price range (NZ$) 2.64-4.25



Synlait Milk

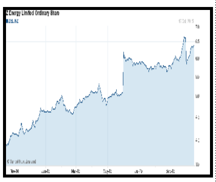
FY15 was a transition year with SML working within the same capacity constraints as FY14. While SML avoided some of the negative one-off costs that impacted FY14 (write-off inventories, product sale phasing and FX impacts), FY15 NPAT of $10.6 m was down on FY14 $19.6 m, as the ~$20 m+ benefit in FY14 associated with Fonterra underpaying the milk price was not repeated. Allowing for that, there was an improvement in the underlying performance of the business in FY15.

2016 P/E: 36.8 2017 P/E: 17.8

NZX Code:	**SML**
Share Price:	**$2.40**
12mth Target:	**$2.70**
Projected return (%)	
Capital gain	12.5%
Dividend yield (Net)	0%
Total return	**12.5%**

Rating: NEUTRAL

52-week price range (NZ$) 2.04-3.69



Z Energy

Commerce Commission approval of ZEL's $803mn acquisition of Chevron NZ is clearly key for trading price and valuations: Facing a relatively large but uncertain binary outcome, we suspect markets tend to be risk-averse. Our subjective estimate is a 75% chance of approval.

2016P/E: 20.2 2017 P/E: 18.0

NZX Code:	**ZEL**
Share Price:	**$6.39**
12mth Target:	**$6.40**
Projected return (%)	
Capital gain	0.2%
Dividend yield (Net)	4.1%
Total return	**4.3%**

Rating: NEUTRAL

52-week price range (NZ$) 3.90-6.65

NZ LISTED COMPANIES 12th October 2015 Source: First NZ Capital, CSFB	Ticker	Mrkt Cap (NZ$)	Price 12/10/2015 (NZ$)	Price 31/08/2015 (NZ$)	Price 30/03/2015 (NZ$)	Target Price (NZ$)	Price Earnings (x)		Gross Yield (%)	
							FY15	FY16	FY15	FY16
OIL & GAS & CONSUMABLE FUELS										
NZ Refining Company	NZR	1,053	$3.37	$3.15	$2.60	$3.64	7.0	7.2	5.0%	20.1%
Z Energy	ZEL	2,500	$6.25	$5.82	$5.00	$6.02	20.6	18.6	5.4%	6.0%
INDUSTRIALS										
Capital Goods										
Fletcher Building	FBU	4,980	$7.26	$7.28	$8.50	R	15.2	13.5	5.1%	6.2%
Opus International Consultants	OIC	177	$1.18	$1.26	$1.40	$1.95	8.0	6.8	10.2%	10.6%
Methven	MVN	74	$1.01	$1.05	$1.15	$1.25	10.0	9.9	11.0%	11.0%
Metro Performance Glass	MPG	257	$1.39	$1.36	$1.81	$2.20	12.7	11.8	3.6%	8.8%
Steel & Tube Holdings	STU	240	$2.65	$2.64	$2.85	$2.85	10.6	9.8	10.0%	10.5%
Agriculture										
Fonterra Shareholders' Fund	FSF	500	$5.35	$4.84	$5.60	$5.52	18.4	12.2	4.7%	5.8%
PGG Wrightson	PGW	298	$0.40	$0.42	$0.49	$0.50	8.6	8.9	14.1%	14.1%
Airlines										
Air New Zealand	AIR	2,995	$2.67	$2.49	$2.70	$2.40	8.7	5.8	8.3%	9.9%
Road Rail & Air										
Freightways	FRE	843	$5.45	$5.33	$6.22	$6.20	16.9	15.6	6.3%	6.5%
Mainfreight	MFT	1,474	$14.80	$14.19	$16.63	$17.50	17.6	15.7	3.2%	3.7%
Airwork Holdings	AWK	172	$3.42	$3.30	$3.07	$3.80	11.1	8.8	6.5%	7.8%
Transport Infrastructure										
Auckland International Airport	AIA	5,679	$4.77	$4.97	$4.54	$4.00	32.2	30.0	4.3%	4.6%
Port of Tauranga	POT	2,273	$16.70	$17.17	$17.10	$17.80	28.8	28.6	4.3%	4.5%
Infratil	IFT	1,663	$2.96	$3.03	$3.18	$3.24	21.7	18.8	12.9%	6.6%
CONSUMER DISCRETIONARY										
Hotels, Restaurants & Leisure										
Sky City Entertainment Group	SKC	2,325	$3.92	$3.96	$4.05	$3.75	17.2	16.0	5.4%	5.4%
Restaurant Brands New Zealand	RBD	382	$3.90	$3.95	$4.03	$3.83	16.9	15.2	6.8%	7.6%
Media										
Sky Network Television	SKT	1,930	$4.96	$4.95	$5.90	$5.86	11.2	11.2	8.4%	8.4%
Retailing										
The Warehouse Group	WHS	891	$2.57	$2.63	$2.86	$2.40	16.7	15.7	8.6%	8.6%
Briscoe Group	BGR	598	$2.75	$2.77	$2.87	$3.05	15.5	14.5	7.1%	7.4%
Hallenstein Glasson Holdings	HLG	207	$3.50	$3.30	$3.45	$4.10	12.0	11.7	11.6%	11.6%
Kathmandu Holdings	KMD	290	$1.44	$1.73	$1.39	$1.90	13.9	11.0	11.6%	7.2%
Michael Hill International	MHI	410	$1.07	$0.88	$1.20	$1.40	13.8	11.5	4.7%	6.1%
CONSUMER STAPLES										
a2 Milk	ATM	515	$0.78	$0.73		$1.03	n/a	84.8	0.0%	0.0%
Delegat's Group	DGL	506	$5.00	$5.30	$4.56	$5.50	14.7	13.0	3.1%	3.6%
Sanford	SAN	482	$5.15	$4.95	$4.92	$4.70	17.2	14.5	6.2%	6.2%
Synlait Milk	SML	364	$2.49	$2.12	$2.65	$2.70	34.5	16.7	0.0%	0.0%
HEALTH & AGED CARE										
Ebos Group	EBO	1,956	$12.98	$10.84	$10.49	$12.00	18.5	16.7	4.0%	4.5%
Fisher & Paykel Healthcare Corporati	FPH	3,913	$6.97	$7.31	$6.50	$6.25	34.4	30.0	2.7%	3.2%
Metlifecare	MET	889	$4.18	$4.40		$5.50	16.9	16.4	1.1%	0.9%
Orion Health Group	OHE	554	$3.45	$3.80		$5.00	-9.1	-17.5	0.0%	0.0%
Ryman Healthcare	RYM	3,570	$7.14	$7.75	$7.84	$8.25	26.2	22.7	1.9%	2.2%
Summerset Group Holdings	SUM	803	$3.66	$3.82	$3.31	$4.35	19.9	16.8	0.9%	1.0%
FINANCIAL										
Diversified Financials										
NZX	NZX	253	$0.96	$1.03	$1.11	$1.10	17.3	18.5	8.7%	8.7%
Coates Plc (x GPG)	COA	957	$0.68	$0.61	$0.49	$0.68	30.0	17.1	0.0%	0.0%
Hellaby Holdings	HBY	288	$3.00	$2.88	$3.28	$3.65	10.1	9.0	10.0%	11.6%
Heartland New Zealand	HNZ	549	$1.16	$1.38	$1.28	$1.38	11.2	10.5	9.0%	9.9%
Property										
Argosy Property	ARG	856	$1.06	$1.12	$1.14	$1.14	17.6	17.3	8.4%	8.4%
Goodman Property Trust	GMT	1,448	$1.18	$1.23	$1.20	$1.18	16.8	15.6	8.2%	8.5%
Kiwi Income Property Trust	KIP	1,620	$1.28	$1.34	$1.29	$1.31	18.1	20.5	7.6%	7.7%
Precinct Properties New Zealand	PCT	1,393	$1.15	$1.16	$1.18	$1.15	18.6	19.3	7.0%	7.0%
Property For Industry	PFI	661	$1.48	$1.51	$1.57	$1.46	19.6	19.7	7.4%	7.5%
Stride Property	STR	703	$1.97	$2.17	$1.94	$2.05	18.3	17.7	7.8%	8.0%
Vital Healthcare Property Trust	VHP	586	$1.70	$1.70	$1.68	$1.53	18.2	16.0	7.0%	7.1%
INFORMATION TECHNOLOGY										
Diligent Board Member Services	DIL	475	$5.45	$5.18	$5.62	$6.10	34.8	29.0	0.0%	0.0%
EROAD	ERD	159	$2.65	$3.61	$4.15	$3.75	197.8	481.0	0.0%	0.0%
Trade Me Group	TME	1,421	$3.58	$3.56	$3.77	$3.50	17.7	17.3	6.3%	6.4%
Xero	XRO	2,186	$16.00	$14.25	$24.50	$24.50	-31.5	-24.4	0.0%	0.0%
TELECOMMUNICATION SERVICES										
Chorus	CNU	1,082	$2.73	$2.61	$2.89	$3.22	11.9	11.1	0.0%	8.1%
Spark New Zealand	SPK	5,598	$3.06	$3.27	$2.96	$2.94	14.9	16.0	9.1%	11.3%
UTILITIES										
Contact Energy	CEN	3,578	$4.86	$5.25	$5.95	$6.10	22.1	19.3	20.5%	7.1%
Genesis Energy	GNE	1,780	$1.78	$1.82	$2.32	$1.65	19.3	19.8	12.5%	11.6%
Meridian Energy	MEL	5,408	$2.21	$2.20	$2.53	$2.19	25.9	25.4	11.8%	9.2%
Mighty River Power	MRP	3,333	$2.42	$2.77	$3.16	$2.89	23.0	19.2	12.3%	8.0%
Trustpower	TPW	2,250	$7.19	$7.54	$8.10	$8.18	18.3	16.5	7.2%	7.6%
Vector	VCT	3,147	$3.16	$3.20	$3.04	$2.90	21.5	19.9	6.8%	6.9%
MARKET AVERAGE (excluding ATM & XRO)							**20.8**	**23.0**	**6.7%**	**7.1%**

New Zealand Listed Companies – Gross Dividend Yields *15th October 2015*

COMPANY	Rating	PRICE	PRICE	%	GROSS DIVIDEND YIELD				DIVIDEND COVER				NET DEBT/
Source: FNZC, CS Group Estimates		15-Oct-15	27-Aug-15	CHANGE	FY-1	FY0	FY1	FY2	FY-1	FY0	FY1	FY2	EQUITY
Intueri Education Group	O	$1.23	$1.41	(12.8%)	8.7%	13.9%	14.8%	16.5%	1.3	1.3	1.5	1.5	27.0%
PGG Wrightson	N	$0.43	$0.43	0.0%	12.9%	12.9%	12.9%	12.9%	1.2	1.1	1.2	1.3	18.5%
Infratil	N	$2.99	$3.03	(1.3%)	5.0%	12.8%	6.5%	7.2%	0.7	0.5	1.1	1.3	38.2%
Hellaby	O	$2.98	$2.82	5.7%	10.0%	11.7%	12.6%	13.0%	1.4	1.3	1.3	1.3	12.6%
Hallenstein Glasson	O	$3.50	$3.25	7.7%	9.6%	11.6%	11.8%	12.1%	1.0	1.0	1.0	1.0	**-23.1%**
Genesis Energy	N	$1.80	$1.79	0.6%	12.4%	11.5%	12.0%	11.7%	0.6	0.5	0.5	0.5	25.6%
Spark	N	$3.09	$3.12	(1.0%)	9.0%	11.2%	10.5%	10.5%	1.0	0.8	0.8	0.9	23.4%
Katmandu	N	$1.49	$1.70	(12.4%)	11.2%	11.2%	7.0%	8.1%	1.7	0.9	1.7	1.7	16.0%
Methven	N	$1.04	$1.03	1.0%	10.7%	10.7%	12.0%	12.6%	1.3	1.2	1.2	1.3	22.6%
Steel & Tube	N	$2.70	$2.66	1.5%	9.8%	10.3%	11.3%	12.1%	1.3	1.4	1.4	1.4	27.2%
Opus	O	$1.18	$1.28	(7.8%)	10.5%	10.2%	10.6%	11.2%	2.0	1.7	1.9	2.0	2.8%
Heartland	O	$1.19	$1.07	11.2%	8.8%	9.6%	10.5%	11.1%	1.4	1.3	1.4	1.3	83.2%
Air New Zealand	N	$2.78	$2.57	8.2%	8.0%	9.5%	6.5%	6.9%	1.9	2.4	2.3	2.2	14.5%
Meridan Energy	N	$2.12	$2.18	(2.8%)	11.7%	9.2%	9.8%	8.8%	0.4	0.5	0.5	0.6	15.4%
NZX	N	$0.95	$1.02	(6.9%)	8.8%	8.8%	8.8%	8.8%	0.9	0.9	0.9	1.2	**-12.5%**
Metro Performance Glass	O	$1.41	$3.50	(59.7%)	3.5%	8.7%	10.7%	12.6%	3.0	1.3	1.3	1.3	18.9%
The Warehouse	U	$2.58	$2.58	0.0%	10.2%	8.6%	8.1%	8.6%	0.9	1.0	1.1	1.1	21.0%
Goodman Property Trust	N	$1.18	$1.19	(0.8%)	8.1%	8.5%	8.4%	8.5%	1.1	1.1	1.1	1.1	32.4%
NPT	U	$0.62	$0.62	0.0%	8.4%	8.4%	8.7%	8.9%	1.0	1.1	1.1	1.0	24.6%
Argosy Property	O	$1.07	$1.11	(3.6%)	8.4%	8.4%	8.5%	8.6%	1.0	1.0	1.0	1.0	37.5%
Chorus	U	$2.54	$2.54	0.0%	0.0%	8.7%	10.9%	13.1%	0.0	1.5	1.4	1.3	41.4%
Scales Corporation	O	$2.03	$1.98	2.5%	2.1%	8.2%	8.2%	9.6%	5.1	1.8	1.6	1.7	11.4%
Sky Network TV	N	$5.11	$4.98	2.6%	8.2%	8.2%	8.2%	8.2%	1.5	1.5	1.2	1.2	12.4%
Stride Property	N	$1.98	$2.11	(6.2%)	7.7%	7.9%	8.3%	8.3%	1.0	1.1	1.1	1.1	34.9%
Airwork Holdings	O	$3.40	$3.10	9.7%	6.5%	7.9%	13.8%	18.8%	1.9	2.0	1.9	1.8	45.3%
Mighty River Power	N	$2.49	$2.73	(8.8%)	12.0%	7.8%	9.8%	10.1%	0.5	0.9	0.7	0.7	18.0%
Tower	N	$1.90	$5.80	(67.2%)	7.7%	9.0%	9.0%	8.4%	1.5	0.9	0.4	1.0	**-51.6%**
Augusta Capital	N	$0.98	$0.97	1.0%	7.3%	7.7%	8.1%	8.2%	1.2	1.6	1.3	1.2	33.5%
Kiwi Property Group	N	$1.30	$1.31	(0.8%)	7.5%	7.6%	7.7%	7.8%	1.1	0.9	1.0	1.0	27.9%
Trustpower	N	$7.26	$7.49	(3.1%)	7.1%	7.6%	7.2%	7.4%	1.0	1.1	1.2	1.2	36.9%
Restaurant Brands	U	$3.95	$3.80	3.9%	6.7%	7.5%	8.3%	9.0%	1.2	1.2	1.2	1.2	15.8%
Fletcher Building	R	$7.12	$7.08	0.6%	6.5%	7.4%	8.2%	8.6%	1.4	1.4	1.4	1.5	23.2%
Property for Industry	U	$1.49	$1.48	0.7%	7.3%	7.3%	7.4%	7.5%	1.0	1.0	1.0	1.0	35.4%
Brisco Group	N	$2.80	$2.72	2.9%	6.9%	7.2%	7.6%	7.8%	1.3	1.3	1.3	1.3	**-38.6%**
Vital Healthcare PT	U	$1.71	$1.67	2.4%	7.0%	7.1%	7.3%	7.5%	1.2	1.3	1.3	1.2	35.7%
Contact Energy	O	$4.90	$5.28	(7.2%)	20.4%	7.1%	12.2%	11.1%	0.3	1.0	0.6	0.6	26.9%
Nuplex	O	$4.21	$3.93	7.1%	6.4%	6.9%	7.1%	7.4%	1.2	1.5	1.7	1.6	12.2%
Vector	U	$3.18	$3.12	1.9%	6.8%	6.9%	7.0%	7.1%	0.9	1.0	1.1	1.1	48.7%
Precinct Properties	U	$1.18	$1.15	2.6%	6.8%	6.8%	6.8%	6.9%	1.1	1.1	1.1	1.1	15.4%
Freightways	N	$5.41	$6.30	(14.1%)	6.5%	8.0%	9.2%	9.5%	1.3	1.4	1.2	1.1	28.9%
Michael Hill	O	$1.05	$0.88	19.3%	4.8%	6.2%	6.8%	9.6%	1.5	1.4	1.4	1.4	10.9%
Sanford	U	$5.17	$4.92	5.1%	6.2%	6.2%	6.2%	6.2%	1.9	1.3	1.5	2.0	22.3%
Trademe	N	$3.70	$3.52	5.1%	6.0%	6.1%	6.2%	6.7%	1.3	1.2	1.3	1.2	13.4%
Fonterra Shareholders	N	$5.48	$4.75	15.4%	4.6%	5.7%	5.8%	6.9%	1.2	1.4	1.4	1.4	35.6%
Z Energy	N	$6.34	$5.65	12.2%	5.3%	5.5%	5.9%	5.9%	1.3	1.3	1.2	1.3	18.6%
Sky City Entertainment	U	$3.99	$3.96	0.8%	5.3%	5.3%	6.3%	6.3%	1.1	1.2	1.3	1.3	34.0%
NZ Refining Company	O	$3.34	$3.02	10.6%	0.0%	5.0%	20.3%	17.4%	0.0	4.0	1.0	1.0	14.6%
Port of Tauranga	N	$16.80	$16.95	(0.9%)	4.3%	4.5%	4.9%	5.5%	1.1	1.1	1.1	1.1	25.2%
Auckland Airport	U	$4.91	$4.75	3.4%	4.1%	4.5%	6.1%	7.9%	1.0	1.0	1.0	1.0	34.7%
EBOS	O	$13.30	$10.69	24.4%	3.9%	4.3%	4.8%	5.1%	1.5	1.5	1.5	1.5	10.6%
Mainfreight	N	$14.90	$14.15	5.3%	3.2%	3.6%	4.1%	5.0%	2.5	2.4	2.4	2.3	20.8%
Delegat's Group	N	$5.00	$5.25	(4.8%)	3.1%	3.6%	4.2%	4.7%	3.1	3.0	3.3	3.8	40.4%
F&P Healthcare	U	$7.35	$7.22	1.8%	2.6%	3.1%	3.5%	4.3%	1.5	1.4	1.4	1.3	7.2%
Ryman Healthcare	N	$7.37	$7.82	(5.8%)	1.8%	2.1%	2.3%	2.8%	2.0	2.0	2.0	2.0	10.2%
Metlifecare	O	$4.25	$4.31	(1.4%)	1.1%	90.0%	1.0%	1.0%	5.6	6.8	6.7	6.7	2.7%
Summerset	O	$3.80	$3.87	(1.8%)	90.0%	80.0%	1.0%	1.1%	3.2	5.9	5.8	5.8	14.8%
a2 Milk	O	$0.78	$0.70	11.4%	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	**-31.5%**
Diligent	N	$5.64	$4.94	14.2%	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	**-67.2%**
EROAD	O	$2.55	$3.50	(27.1%)	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	**-38.2%**
Coats Group	U	$0.68	$0.61	11.5%	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	**-13.1%**
Orion	O	$3.50	$3.60	(2.8%)	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	**-25.4%**
Synlait Milk	O	$2.41	$2.09	15.3%	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	45.2%
Vista Group	N	$5.12	$5.44	(5.9%)	0.0%	0.0%	2.8%	3.6%	0.0	0.0	1.9	1.9	**-20.1%**
MEDIAN					**6.5%**	**7.4%**	**7.6%**	**8.1%**	**1.2**	**1.2**	**1.2**	**1.2**	**18.9%**

1. The Net Debt/Equity ratio is calculated as Gross Debt less cash holdings divided by total shareholder funds. Negative ratios indicate a net cash position.

2. FY0 represents the current financial year

3. Property stock gross yields reflect returns under the PIE regime assuming a 33% unitholder

4. Ratings: "O" - Outperform, "N" - Neutral, "U" - Underperform, "R" – Restricted

5. FY0 represents the current financial year

Investment strategy - Aussie equities have flirted with a bear market this year. From the April peak to the September low, the ASX 200 Index declined 18%. The index has since rallied 6% but is still some way away from our more constructive targets. Our analysts admit that they have been too bullish.

Aussie equities remain supported by solid bottom-up drivers. Valuations are now cheaper than the start of the year, we are closer to the cyclical low in EPS and balance sheets are solid. Our analysts forecast the ASX 200 to rally to 6,000 by end-2016.

Strategy Long ideas			FY2016E			
	Mkt Cap A$bn	Year End	PE (x)	DY (Net, %)	FCF Yield (%)	Comment
BHP Billiton	96.4	Jun	32.4	6.8	4.6	Attractive dividend-yield
						Solid balance sheet
						Bottom of cycle commodity prices
National Australia Bank	82.6	Sep	11.7	6.4	n.a	Cheapest of the mega-banks
						UK demerger
						Attractive dividend yield
Rio Tinto	70.5	Dec	23.2	5.5	3.5	Attractive dividend-yield
						Solid balance sheet
						Buying back stock
Caltex Australia	8.8	Dec	14.6	3.4	5.5	Rising dividends
						Improving free cash
						Attractive valuation
Oil Search	8.2	Dec	24	1.9	6.9	Double digit FCF yield and growth
						Cash-flow break-even at c$25 oil
						Attractive dividend yield
News Corp	8.1	Jun	24.3	1.4	5.4	25% discount to SOTP
						Solid cash-flow growth
						Net cash, potential buyback
ResMed.	7.6	Jun	20.8	2.3	5.1	Net-cash on balance sheet
						20% FCF Margin
						Buying back stock
Lend Lease	7.2	Jun	10.4	4.8	4.3	Solid balance sheet
						Verging on a single digit PE
						Settlement concerns already priced in
Aristocrat Leisure	5.7	Sep	22.3	1.7	4.2	Under-valued Infra-like asset
						Impressive free cash margins
						Double digit EPS growth
Flight Centre	3.8	Jun	14.1	4.2	6.8	Solid cash generator
						Little debt
						Strong management
carsales.com.au	2.4	Jun	21	3.8	4.8	Exceptional cash generator
						Entering accretive growth phase
						Double digit DPS growth
Nine Entertainment	1.4	Jun	10.3	8.7	8.7	Beneficiary of media rule changes
						10% FCF yield
						Capacity to return more capital

South32 (S32.AX)

OUTPERFORM A$1.53 Target price A$2.00

S32 can ride out the storm and with a strong balance sheet – still preferred larger cap play

S32 took a larger hit to earnings forecasts that peers BHP and Rio given that it does not have an iron ore offset. FY16 EPS estimates are reduced 31% to see the share trade on an FY16 P/E of 19x.

- However, P/Es are adversely impacted by the high DA& charges and price/cash earnings in FY16 is a more reasonable 5.1x. Our DCF valuation is reduced from A$2.09/share to $1.66.
- Despite our commodity prices, the balance sheet should remain in good shape. We forecast net debt of just US$254mn at end-FY16 and moving to net cash at end-FY17. Cash builds rapidly beyond this timeframe as commodity prices recover.
- We continue to see South32 as a potential takeover target for the private equity money that remains interested in the sector. With a flexible approach to dividends, near zero net debt, and a share price down 35% since its post spin off peak, South32 still screens cheaply.

S32.AX Year to 30 June		2015A	2016F	2017F	2018F
Adjusted Earnings	US$m	8,004	7,193	7,397	7,587
Earnings /share (Adjust)	USc	10.77	8.43	10.70	12.92
EPS Growth	%	29.1	-21.7	26.9	20.8
Price / Earnings Ratio	x	9.9	12.6	9.9	8.2
Net Div / Share	USc	0	3.37	4.28	6.46
Net Yield	%	0	3.2	4.0	6.1

Selected Australian Listed Companies - Earnings Forecast

Australian Forecasts 12th October 2015 Source: CSFB estimates	Ticker	Market Cap (A$m)	Price 12-Oct-15 (A$)	Price 31-Aug-15 (A$)	Price 30-Mar-15 (A$)	Target Price (A$)	Price Earnings (x)		Net Yield (%)	
							FY15	FY16	FY15	FY16
BANKS										
ANZ Banking Group	ANZ	62,611	A$28.46	A$28.53	A$36.80	A$31.00	12.4	11.3	5.8%	6.3%
Commonwealth Bank Australia	CBA	128,971	A$75.53	A$76.36	A$94.34	A$84.00	16.1	14.4	4.8%	5.3%
National Australia Bank	NAB	83,237	A$31.70	A$31.58	A$38.83	A$33.00	12.7	14.7	6.0%	6.2%
Westpac Bank	WBC	96,540	A$30.44	A$30.42	A$39.80	A$35.00	12.4	11.7	6.2%	6.3%
Insurance										
AMP	AMP	17,184	A$5.81	A$5.96	A$6.51	A$6.00	22.6	18.0	4.0%	4.5%
QBE Insurance Group	QBE	13,139	A$13.09	A$13.37	A$12.82	A$9.84	-45.7	17.7	3.0%	3.1%
Suncorp Group	SUN	16,327	A$12.69	A$13.01	A$13.74	A$13.40	31.6	13.4	5.9%	8.3%
MATERIALS										
Chemicals										
Incitec Pivot	IPL	6,776	A$4.02	A$3.46	A$4.07	A$3.45	21.9	18.5	2.3%	2.7%
Orica	ORI	6,262	A$16.92	A$15.56	A$20.07	A$16.34	10.4	10.3	5.6%	5.7%
Materials & Mining										
BHP Billiton	BHP	98,882	A$25.60	A$25.49		A$18.73	8.2	7.2	6.2%	6.4%
Newcrest Mining	NCM	11,107	A$14.49	A$11.28	A$13.65	A$11.50	24.9	25.7	0.8%	0.0%
Rio Tinto	RIO	72,352	A$55.18	A$51.10	A$56.55	A$38.75	7.3	8.0	4.7%	5.3%
ENERGY										
Origin Energy	ORG	11,369	A$6.50	A$8.53	A$11.71	A$6.10	9.4	10.1	7.7%	7.7%
Santos	STO	6,195	A$5.97	A$5.30	A$7.53	A$5.60	11.5	11.0	5.0%	5.0%
Woodside Petroleum	WPL	19,697	A$32.61	A$32.05	A$35.04	A$24.28	11.5	8.2	10.4%	10.7%
HEALTHCARE										
CSL	CSL	31,088	A$91.20	A$92.62	A$91.85	A$70.31	27.6	24.1	1.5%	1.7%
Ramsay Health Care	RHC	12,155	A$60.15	A$63.05	A$66.63	A$72.15	41.9	35.2	1.2%	1.4%
CONSUMER STAPLES										
Woolworths	WOW	33,857	A$26.73	A$27.40	A$29.62	A$27.83	14.1	13.7	5.0%	5.1%
INFORMATION TECHNOLOGY										
Computershare	CPU	4,321	A$10.63	A$10.00	A$12.80	A$8.42	14.2	12.9	3.3%	3.5%
TELECOMMUNICATION SERVICES										
Telstra	TLS	68,953	A$5.64	A$5.82	A$6.38	A$5.60	18.9	17.5	5.0%	5.2%
UTILITIES										
AGL Energy	AGK	11,079	A$16.42	A$16.96	A$15.31	A$18.40	14.8	15.6	3.8%	3.8%
Market Average							**18.3**	**18.3**	**4.4%**	**4.7%**

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

Warren Buffett

UK Investment Trusts – Current Sector Recommendations

Share Price 1-Oct-15	Share Price 2-Jul-15	Net Asset	(Disc)	*View	Investment Trust Company	Net Yield	12 Month % Discount			1 Year % Return pa		3 Year % Return pa		5 Year % Return pa	
GBP pence	GBP pence	Value	Premium			%	Average	High	Low	Price	NAV	Price	NAV	Price	NAV
					Global Equity Funds										
602.4	639	579	4.1%	→	Bankers	2.7	-3	-6.4	1.5	22.5	14.4	22.6	14.8	15.1	8
456.5	506	500	-8.7%	↑	British Empire & Securities	2.3	-10.9	-14	-8	0.9	0.2	10.2	7.9	3.6	1.7
2,189	2,460	2,714	-19.4%	↓	Caledonia Investments	2.2	-16.4	-21.1	-12.6	15.6	23.2	23.9	18.1	10.5	8.3
985	1,068	1,018	-3.3%	↑	JP Morgan Overseas	1.5	-7.4	-11.3	-4.1	14.2	11.6	17.6	15.7	7.3	7
375	427	421	-10.9%	↑	Monks Investment	1	-11.7	-15	-6.8	16	11	15	12.5	6.4	4.7
1,504	1,575	1,488	1.1%	↑	RIT Capital Partners	-1.9	-1.9	-8.6	-4.2	24.7	21.1	19	15.6	10	8.6
					European Funds										
668	807	726	-8.0%	NR	The European Trust	1.9	-6.7	-11.7	-2	4.5	4.1	20.2	13.7	9.3	4.5
237.3	244	269	-11.8%	→	JP Morgan European Smaller	1.3	-11.7	-16.3	-6.7	48	48.7	33.9	30.2	14.7	11.5
232	250	242	-4.3%	NR	BlackRock Greater European	2	-4	-6.3	-0.6	20.6	16.8	18.9	16.4	10.2	7.1
					Asia/Pacific Funds (including Japan)										
268	323	263	1.8%	↑	Henderson Far East Income	7	1.4	-4.2	4.1	-0.7	-3.7	8.6	1.9	3.6	-1.5
					Global Emerging Markets Funds										
527.5	593	595	-11.4%	↑	JPM Fleming Emerging Markets	1.1	-10.7	-13.2	-7.7	4.2	6	5.9	5.7	0.4	0.6
398.5	519	450.2	-11.5%	↑	Templeton Emerging Markets	2	-11.1	-14.9	-7.4	-22.1	-19.7	-3.6	-3.4	-5.8	-5.7
					Far East Exc Japan										
222	272	-13.3	-9.2%	↑	Edinburgh Dragon	1	-10.7	-15.3	-6.1	-4.9	-2.8	4.4	3.9	1.7	1.7
505.5	518	572	-11.7%	NR	JP Morgan India	2	-10.7	-14.6	-6.9	27.1	26.8	17.4	17.9	3.4	4.4
244	280	278	-12.3%	↑	Schroder AsiaPacific	1.1	-10	-12.8	-6.3	6.3	8.2	9.3	8.2	7.2	6.3
					Other Funds										
747.2	811	837	-10.7%	↑	North American Income Trust	4	-8.1	-11.7	-3.8	4.3	6	12.8	12.2	10.3	8.7
258	275	266	-3.1%	↑	JPMorgan American	1.4	-1.9	-7	3.9	11.3	13.7	18.8	19.1	15	13.9
289	204.5	214	-5.1%	↑	BlackRock World Mining	9.9	-9.8	-15	4.3	18.7	-44.5	17.8	-26.8	13.1	11.1
540	585	560	-3.6%	↑	Polar Capital Technology	0	-2	-7.4	5.7	38.7	18.4	20.3	19.4	17.4	13.5
470.9	492	604	-22.0%	↑	SVG Capital	0	-17.2	-26	-8.7	29.3	34.5	28.9	19.8	25	21.6
292.2	295	309	-5.6%	→	2.5	-1.6	-6.8	1.3	41.8	37.2	36.6	26.6	22.5	13	14.6
1,681	1,984	1,782	-5.7%	↑	Worldwide Healthcare Trust	0.7	-4.1	-9.3	0.9	25	25.9	34	32.1	23.3	21.1

1yr 3yr & 5yr Performance figures to 30th September 2015 - All in NZ Dollars - Exchange Rate: UK£/NZ$ 0.4221 US$/NZ$ 0.6392

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.

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

NZ Daily Fixed Interest Rate Sheet

PRICES AS AT 13TH OCTOBER 2015 NOTE: Indicative pricing only

Secondary market	Code	Rating	Type	Maturity/ Reset Date	Coupon	Yield	Margin to SWAP	Price /$100	Coupon Freq
Fletcher Building	FBI100	NR	Cap	15/03/2017	7.50%	**4.30%**	158	$104.96	2
Vector	VCT070	BB+	Cap	15/06/2017	7.00%	**4.17%**	145	$106.83	2
Trustpower	TPW100	NR	Snr	15/12/2017	7.10%	**3.90%**	116	$107.20	4
Fletcher Building	FBI110	NR	Cap	15/03/2018	7.15%	**4.25%**	149	$107.17	2
Z Energy	ZEL020	NR	Snr	15/08/2018	7.25%	**4.10%**	130	$109.60	4
Fletcher Building	FBI120	NR	Cap	15/03/2019	5.40%	**4.60%**	174	$102.94	2
Contact Energy Limited	CEN020	BBB	Snr	15/05/2019	5.80%	**3.87%**	99	$107.38	4
Kiwibank	KCF010	BB+	Tier 2	15/07/2019	6.61%	**4.95%**	205	$107.25	2
Infratil	IFT200	NR	Bnd	15/11/2019	6.75%	**4.65%**	170	$108.90	4
Infratil	IFT090	NR	Convert	15/02/2020	8.50%	**4.85%**	187	$115.60	4
Goodman Property Trust	GMB020	BBB+	Snr	16/12/2020	6.20%	**3.84%**	75	$113.01	2
Sky TV	SKT020	NR	Snr	31/03/2021	6.25%	**4.50%**	137	$108.70	4
Christchurch International Airport	CIA1020	BBB+	Snr	4/10/2021	6.25%	**4.35%**	116	$110.08	2
Trustpower	TPW120	NR	Snr	15/12/2021	5.63%	**4.38%**	117	$107.16	4
Infratil	IFT190	NR	Bnd	15/06/2022	6.85%	**5.00%**	172	$111.01	4

Floating Rate / Perpetual Bonds	Code	Rating	Type	Reset Date	Coupon	Price /$100	Margin to SWAP	Maturity	Coupon Freq
Credit Agricole S.A.	CASHA	BBB-	Tier 1	19/12/2017	5.04%	**86.40**	400	Perpetual	4
Genesis Power Limited	GPLFA	BB-	Cap Bond	15/07/2018	6.19%	**103.30**	180	Perpetual	4
Infratil	IFTHA	NR	Perp	15/11/2014	4.53%	**70.00**	390	Perpetual	4
Quayside Holdings Ltd	QHLHA	NR	Perp Pref	12/03/2017	5.88%	**103.00**	177	Perpetual	4
Rabobank Nederland	RBOHA	A-	Tier 1	8/10/2014	3.71%	**95.50**	280	Perpetual	4
Rabobank Nederland	RCSHA	A-	Tier 1	18/06/2019	8.34%	**108.00**	330	Perpetual	4
Works Infrastructure Finance	WKSHA	NR	RPS	15/06/2015	7.95%	**104.00**	370	Perpetual	4

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