NEW ZEALAND QUANTITATIVE RESEARCH
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Quantitative Screening
Australian Ownership August 2020

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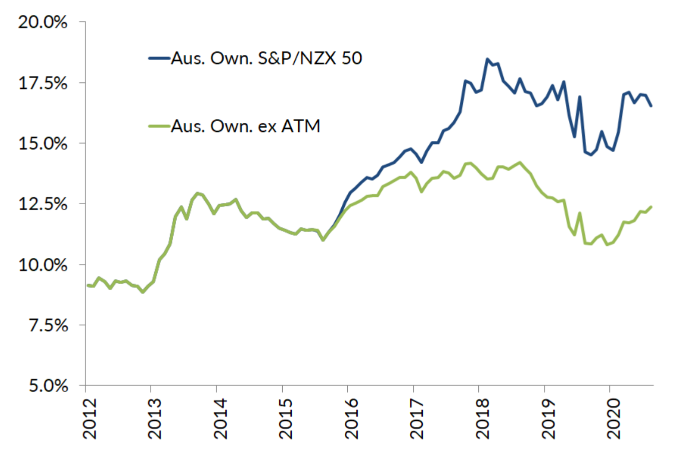
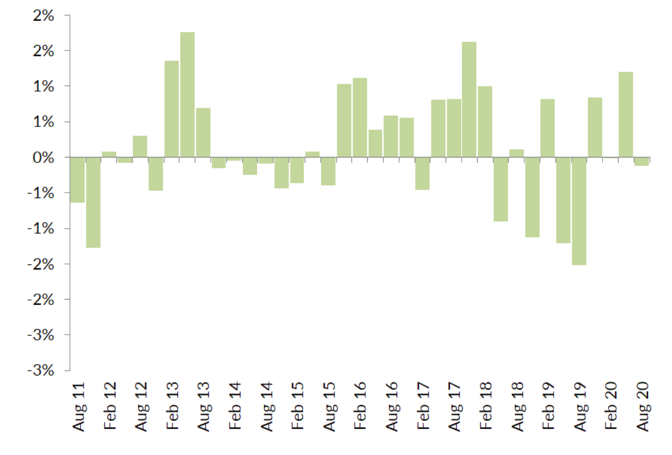
Australian ownership of the New Zealand equity market (by free float) has fallen slightly to 16.5% as at the end of August 2020, a fall of -43bps over the month, and -12bps over the last three months. New Zealand companies that have experienced the largest increases in ownership over the last three months include: Air New Zealand (AIR), Pushpay (PPH), and Fletcher Building (FBU), while Kathmandu (KMD) saw substantial selling. Further analysis of trends in AIR has shown that since May 2020 the stock has been more actively traded on the ASX than the NZX (based on 20 day Average Daily Volume).

Figure 1. Australian ownership S&P/NZX 50 (% of free float)



Source: Forsyth Barr analysis, ASX, NZX

Figure 2. Quarterly change in Australian ownership



Source: Forsyth Barr analysis, ASX, NZX, Refinitiv, % of free float

Australian ownership dips

Despite the slight dip registered in August 2020, our estimate of Australian ownership has generally moved sideways since March 2020, hovering at, or slightly below, the 17% mark. This is up from 14.9% at the end of December 2019. Excluding The a2 Milk Company (ATM), however, yields a different result, with Australian ownership having continued to rise since December, reaching 12.4% at the end of August. This is largely a symptom of ATM's underperformance of the S&P/NZX 50 G index, which over the last three months has returned +9.7% against ATM's -2.2%.

AIR, PPH, and FBU popular despite mixed performance

Australian ownership of AIR, PPH, and FBU have all seen substantial increases over the last three months, gaining +687bp, +672bp and +381bp respectively. PPH was the only of these companies to outperform the S&P/NZX 50 G and the S&P/ASX 200 Accum (NZD) over that that period. Meanwhile, ownership of KMD, Vista Group (VGL) and Sky Television (SKT) fell -872bp, -259bp and -248bp respectively, despite KMD and VGL comfortably outperforming both benchmark indices over that time.

Australian ownership activity

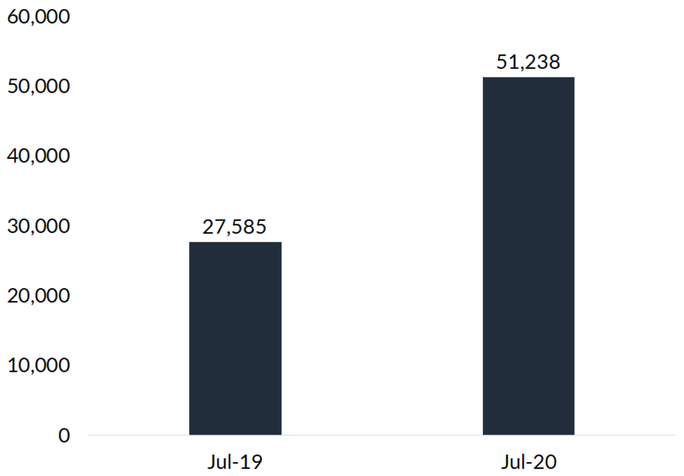
Australian ownership of AIR: large increase

Over the year Australian registry data (provided by ASX) has shown a substantial increase in AIR shares held in Australia. As a proportion of total shares outstanding, Australian ownership has risen from 5% in December 2019 to 13% in July 2020 (in free-float terms, an increase from 10% to 28%). During this period there have been no Substantial Product Holder notices disclosed to NZX regarding AIR. While we are unable to directly see who is buying the stock, we have undertaken an analysis of annual reports and market volumes to gain as much clarity as we can.

Number of AIR investors almost doubles; Aussie retail investors perhaps?

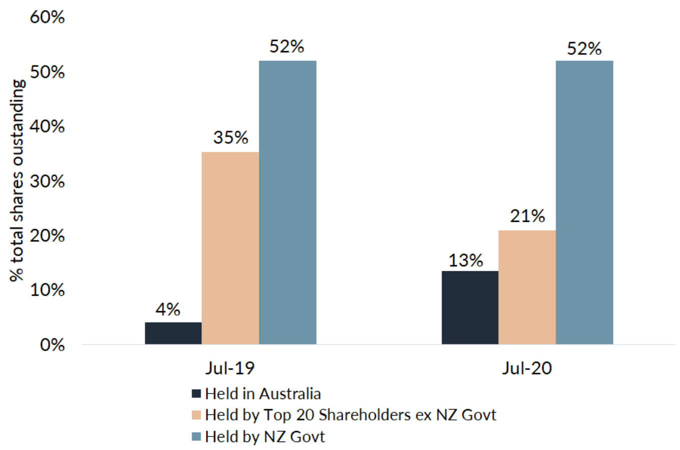
AIR's 2020 Annual Report indicated that the number of AIR investors is up +86% since July 19 (Figure 3). In addition to this, the proportion of shares held by the top 20 investors has decreased from 35% to 21% of outstanding shares (Figure 4). These two pieces of information suggest an uptake in interest from smaller, 'retail' investors that own fewer shares each.

Figure 3. Number of AIR shareholders increases



Source: Forsyth Barr analysis, AIR Annual Reports

Figure 4. AIR shareholder breakdown

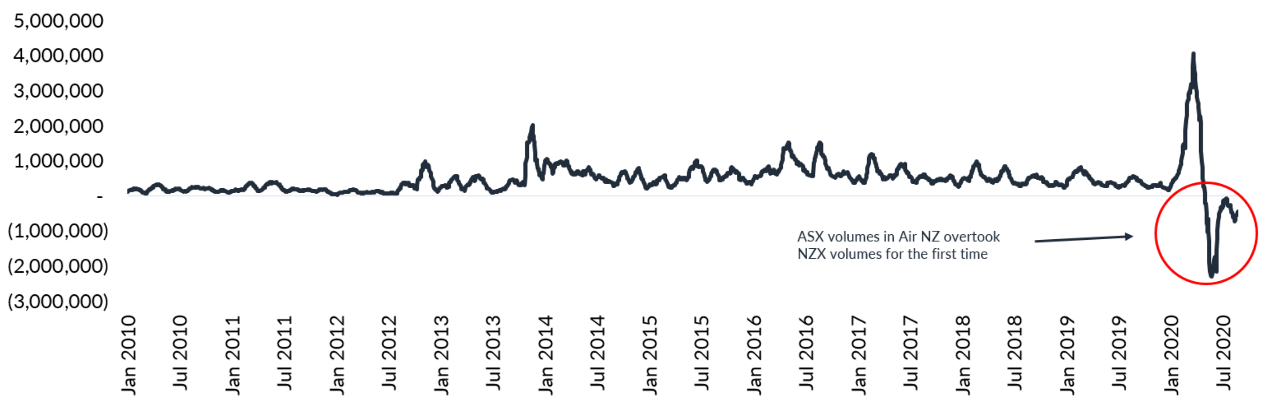


Source: Forsyth Barr analysis, AIR Annual Reports, ASX. Australian ownership is from ASX data and is presented here as a proportion of total shares outstanding.

Market volumes on ASX overtake NZX for first time

Volumes traded in AIR on the ASX have recently overtaken the volumes traded on the NZX, based on 20 day Average Daily Volume (ADV). Using this metric going back to 2010, we cannot find a period when this has occurred previously. This indicates that Australian interest in AIR shares is higher now than it has been in the past, consistent with the data we present from the Australian registry.

Figure 5. Air New Zealand volume traded: NZX less ASX (20d ADV)



Source: Forsyth Barr analysis, Iress. Volume data is current up to 18/09/2020.

We present the changes in Australian ownership of companies in the benchmark S&P/NZX 50 Index with an ASX listing. Figure 6 contains the five largest increases, and five largest decreases in Australian ownership over the quarter, as well as the return of these companies over the same period on an absolute and relative basis (relative to the S&P/NZX 50 G Index and S&P/ASX Accum Index in NZD terms).

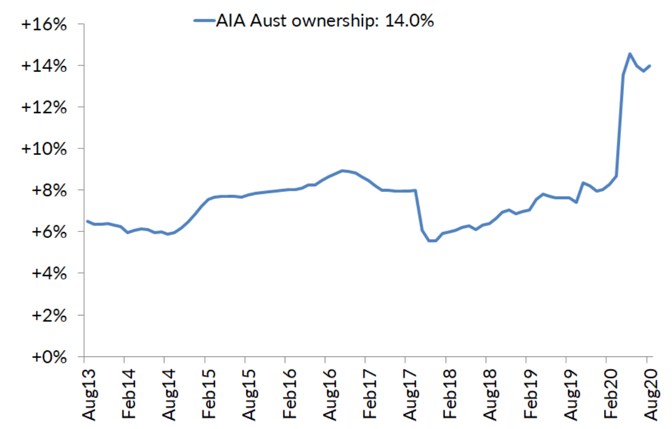
Figure 6. Changes in Aus ownership and relative performance 3 months to August 2020

Increases	% free float	Change	3mth TR	Relative S&P/NZX 50	Relative S&P/ASX 200 (NZD)	Decreases	% free float	Change	3mth TR	Relative S&P/NZX 50	Relative S&P/ASX 200 (NZD)
AIR	29.5%	+687bp	+2.2%	-7.5%	-6.0%	KMD	43.5%	-872bp	+19.2%	+9.5%	+11.1%
PPH	25.2%	+672bp	+14.2%	+4.5%	+6.1%	VGL	17.4%	-259bp	+22.0%	+12.3%	+13.8%
FBU	43.2%	+381bp	+2.3%	-7.4%	-5.9%	SKT	12.8%	-248bp	-8.7%	-18.4%	-16.8%
SKC	45.3%	+262bp	+4.5%	-5.2%	-3.7%	MCY	3.9%	-68bp	+11.6%	+1.9%	+3.5%
EBO	10.5%	+196bp	+5.1%	-4.6%	-3.1%	ATM	49.8%	-64bp	-2.2%	-11.9%	-10.3%

Source: Forsyth Barr analysis, ASX, Bloomberg, SPDJI, TR= total return of NZX listing.

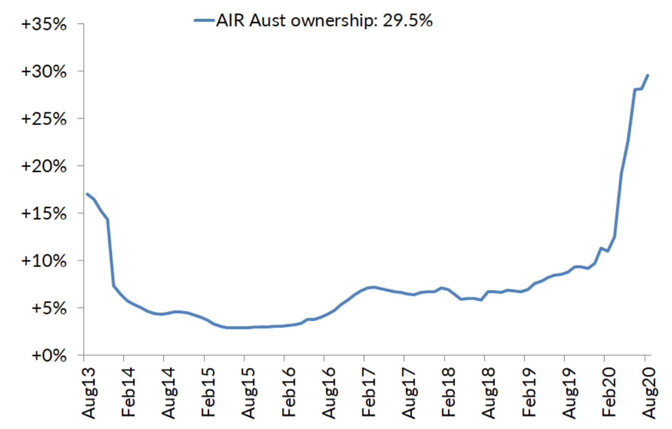
Below we present the breakdown by company of trends in Australian ownership. Prior to October 2017 this data was presented as a rolling 6 month average; from October 2017 onwards the data is as at end of month.

Figure 7. Australian free float ownership AIA



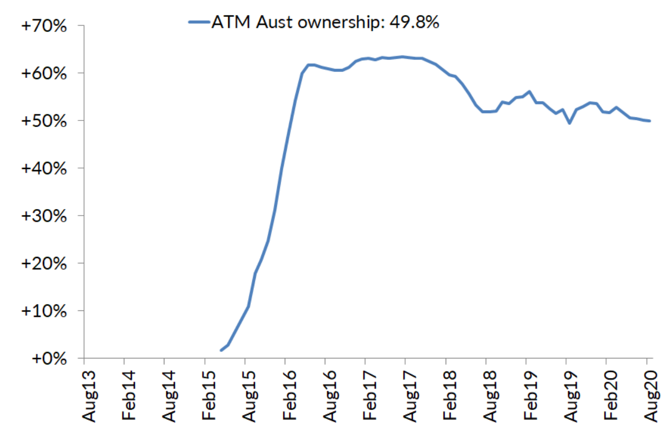
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 8. Australian free float ownership AIR



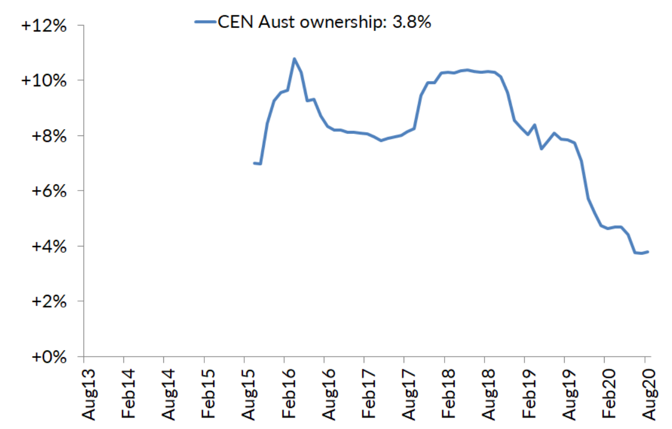
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 9. Australian free float ownership ATM



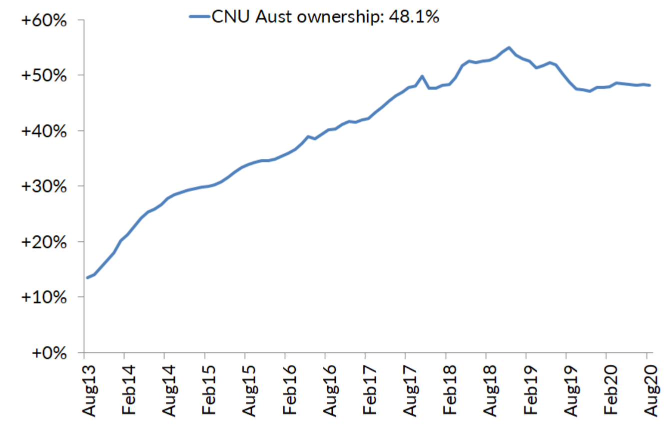
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 10. Australian free float ownership CEN



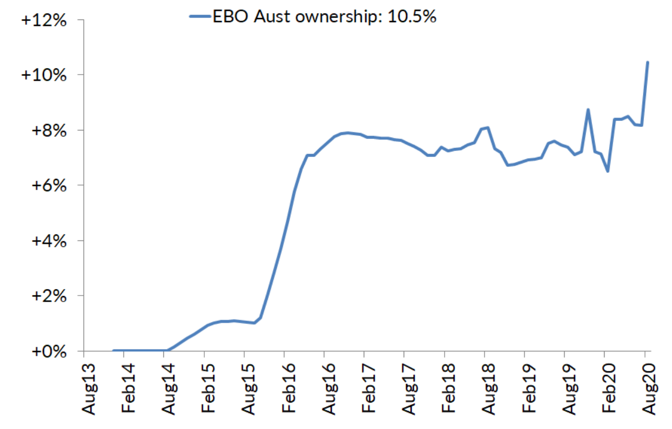
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 11. Australian free float ownership CNU



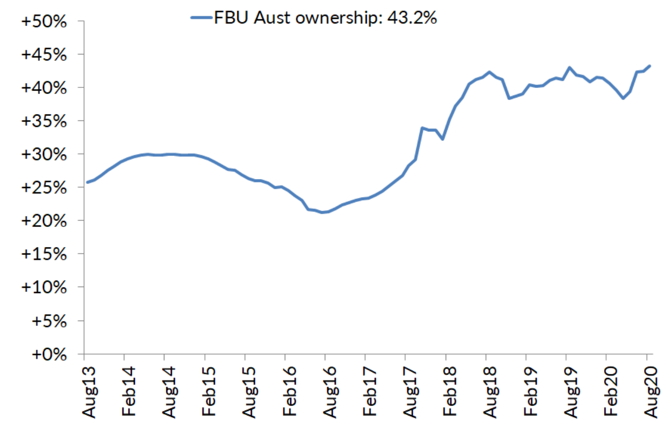
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 12. Australian free float ownership EBO



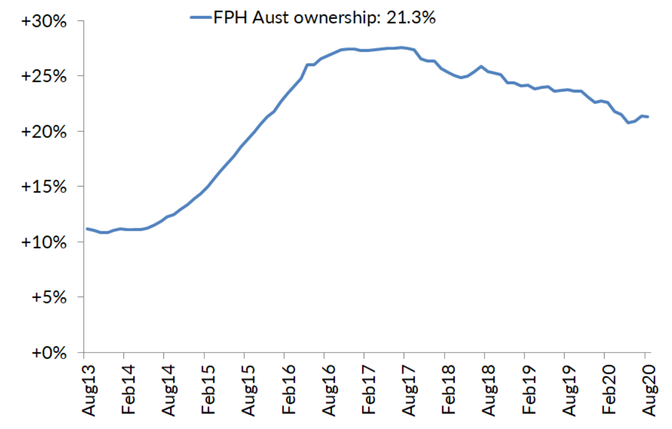
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 13. Australian free float ownership FBU



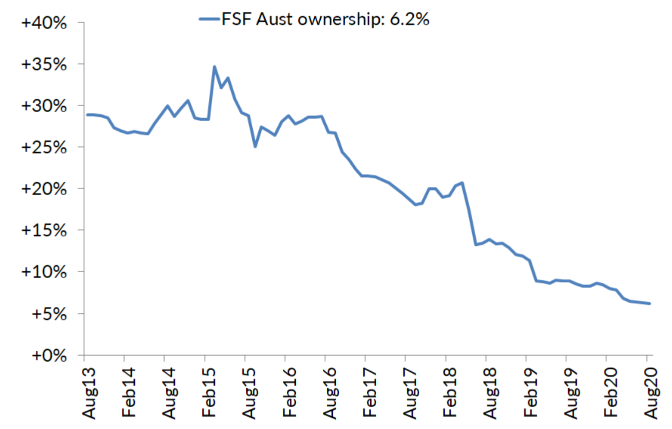
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 14. Australian free float ownership FPH



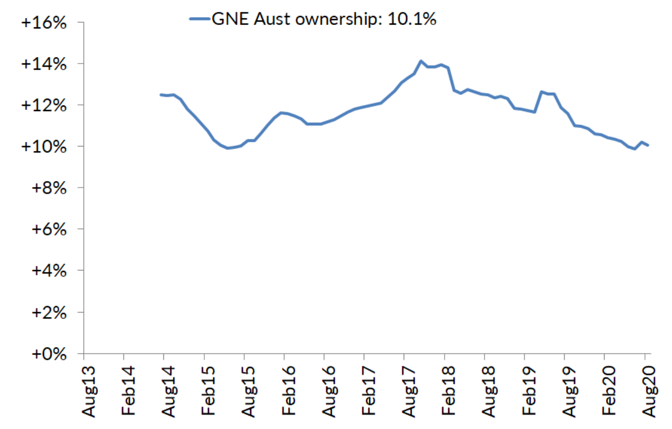
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 15. Australian free float ownership FSF



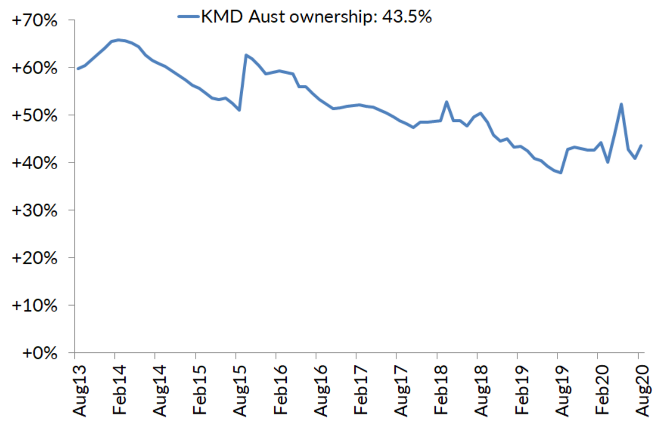
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 16. Australian free float ownership GNE



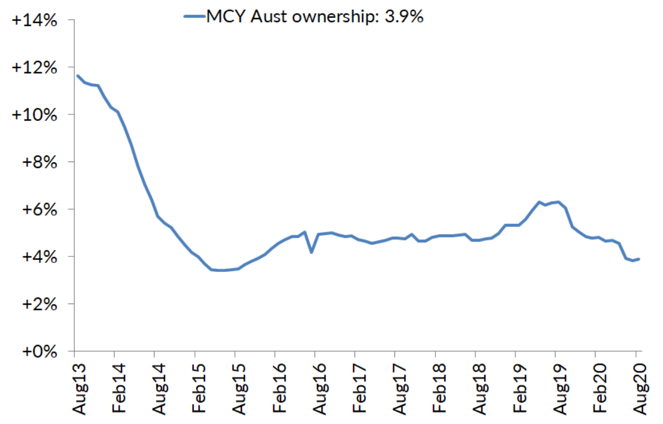
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 17. Australian free float ownership KMD



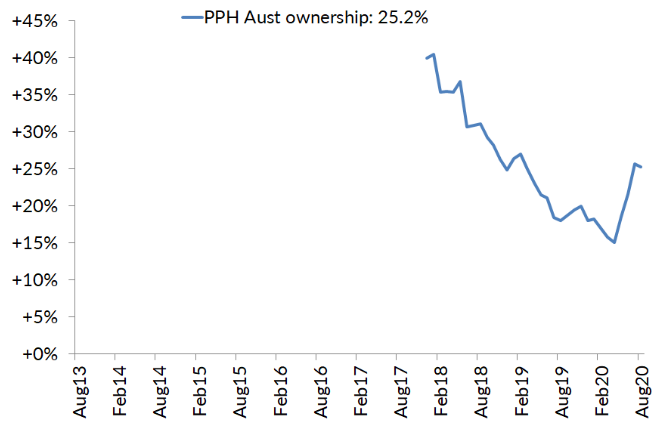
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 18. Australian free float ownership MCY



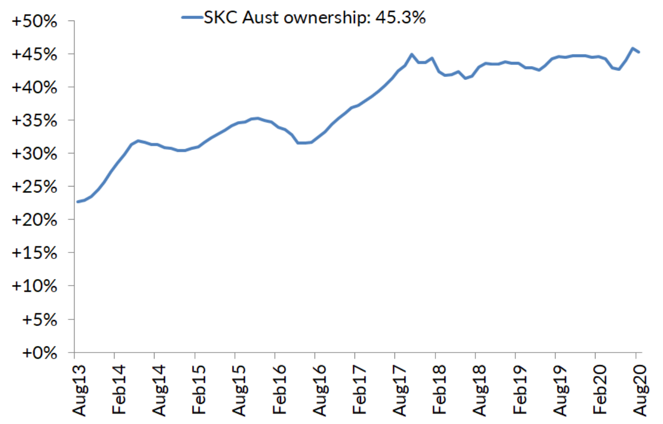
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 19. Australian free float ownership PPH



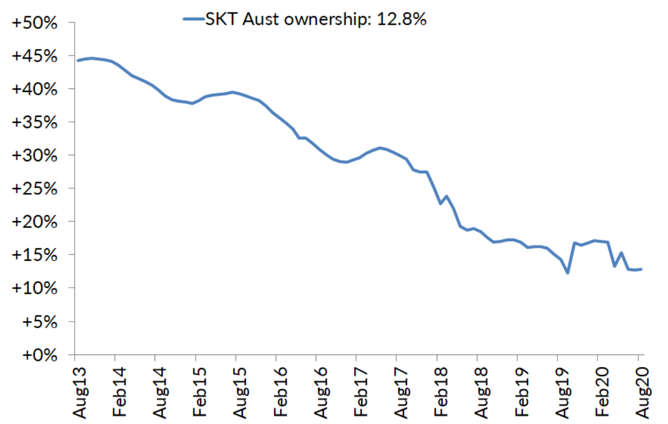
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 20. Australian free float ownership SKC



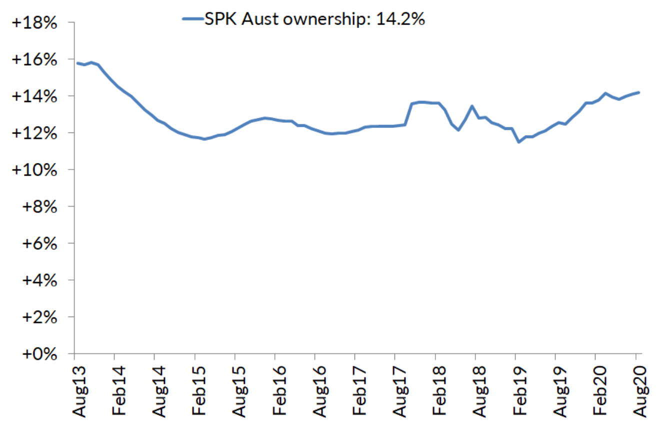
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 21. Australian free float ownership SKT



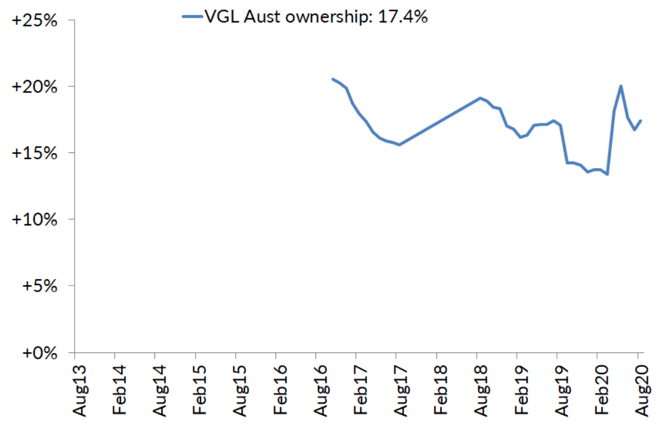
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 22. Australian free float ownership SPK



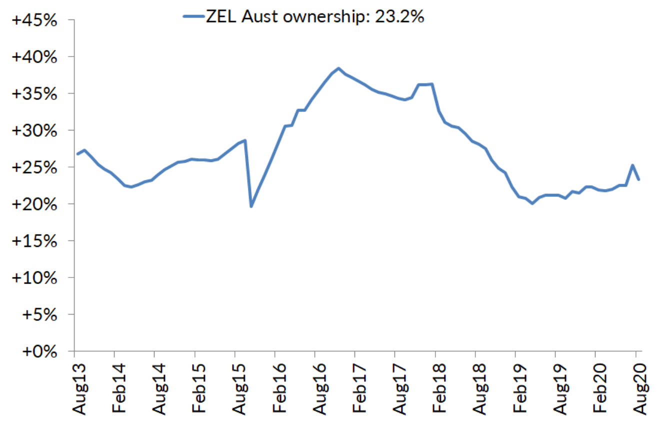
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 23. Australian free float ownership VGL



Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

Figure 24. Australian free float ownership ZEL



Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.