

# Equity Strategy

## Institutional Model Portfolio

Greater comfort in the economic backdrop, both globally (US–China trade talk hopes, and Central Bank stimulus) and domestically (rising consumer confidence), is supportive to growth but increases the risk of a steepening yield curve. Our base case, however, remains rates (short and long duration) being lower for longer.

- Modest improvement in global and domestic economic indicators; increasing risk of yield curve steepening
- Our base case remains low rate environment for foreseeable future; supportive to yield names
- Preference for utilities/telcos over property/(air)ports; aged care overweight reduced
- We neutralise positions in Metlifecare (from overweight) and Mainfreight (from underweight)

### More than seasonal warmth; the return of the feel good factor

Policy easing from central banks and a temporary truce in the US–China trade war are contributing to a more optimistic outlook for the global economy. While leading indicators are still subdued, with capex and manufacturing cycles yet to recover materially, the worst of the industrial downturn seems to be in the past. Housing markets, domestically and internationally, have picked up, reflecting improving confidence among consumers. The key risk to the NZX is a steepening yield curve given the market's defensive mix. We keep a watching brief rather than introducing this into our base case.

### Defensive yield ex property favoured

Our portfolio preference for defensive yield, excluding property, continues despite elevated valuations and potential interest rate risks. In particular we are overweight utilities and telcos. We also like the aged care sector, which will benefit from improving residential property markets in both NZ and Australia.

### Portfolio changes: MFT up, MET down

We reduce our overweight in Metlifecare (MET) to market weight, taking advantage of its substantial lift in recent weeks following a bid for the company. The proceeds are largely reinvested in Mainfreight (MFT) following its strong margin driven 1H20 result, taking it from underweight to market weight. Our portfolio consists of 28 stocks vs. a target of ~25 stocks. Key overweight positions include Arvida (ARV), Contact (CEN), Chorus (CNU), A2 Milk (ATM), Genesis (GNE), and Spark (SPK).

Figure 1. Forsyth Barr Institutional model portfolio summary

| Market breakdown         | Benchmark     | Active weight | Portfolio     |
|--------------------------|---------------|---------------|---------------|
| <b>Defensive yield</b>   | <b>51.0%</b>  | <b>-1.4%</b>  | <b>49.6%</b>  |
| Utilities                | 15.1%         | +1.2%         | 16.4%         |
| Property                 | 9.8%          | -4.6%         | 5.2%          |
| Other defensive yield    | 26.0%         | +2.0%         | 28.0%         |
| <b>Structural growth</b> | <b>39.3%</b>  | <b>+1.5%</b>  | <b>40.8%</b>  |
| Aged care                | 9.1%          | +2.4%         | 11.6%         |
| Other structural growth  | 30.2%         | -0.9%         | 29.3%         |
| <b>Cyclicals</b>         | <b>9.7%</b>   | <b>-2.9%</b>  | <b>6.7%</b>   |
| Cash                     | 0.0%          | +2.8%         | 2.8%          |
| <b>Total</b>             | <b>100.0%</b> | <b>0.0%</b>   | <b>100.0%</b> |

Source: Forsyth Barr analysis

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## Institutional model portfolio

The Forsyth Barr institutional model portfolio is outlined in Figure 2. We incorporate 28 stocks together with a ~3% nominal cash holding. All portfolio holdings are 1.0% or more.

Figure 2. The Forsyth Barr institutional model portfolio

|      | Portfolio weight | Active weight | 12m fwd PE | Cash dividend yield | Rating       |
|------|------------------|---------------|------------|---------------------|--------------|
| ATM  | 11.7%            | +1.9%         | 29.9x      | 0.5%                | OUTPERFORM   |
| FPH  | 9.4%             | -1.3%         | 42.2x      | 1.5%                | UNDERPERFORM |
| SPK  | 9.2%             | +1.9%         | 19.7x      | 5.6%                | OUTPERFORM   |
| CEN  | 6.6%             | +2.2%         | 20.1x      | 5.5%                | OUTPERFORM   |
| AIA  | 5.6%             | -1.8%         | 39.9x      | 2.5%                | UNDERPERFORM |
| RYM  | 4.4%             | -1.1%         | 26.2x      | 1.9%                | NEUTRAL      |
| CNU  | 4.4%             | +2.1%         | 89.8x      | 4.1%                | OUTPERFORM   |
| IFT  | 4.3%             | +1.4%         | n/a        | 3.5%                | OUTPERFORM   |
| MEL  | 3.8%             | -1.5%         | 27.1x      | 4.5%                | NEUTRAL      |
| GNE  | 3.4%             | +2.0%         | 18.8x      | 5.5%                | OUTPERFORM   |
| SUM  | 3.3%             | +1.7%         | 15.0x      | 2.0%                | OUTPERFORM   |
| KPG  | 3.1%             | +1.0%         | 21.6x      | 4.6%                | OUTPERFORM   |
| MFT  | 3.0%             | -0.0%         | 24.6x      | 1.6%                | NEUTRAL      |
| ARV  | 2.9%             | +2.1%         | 13.5x      | 4.1%                | OUTPERFORM   |
| Cash | 2.8%             | +2.8%         | n/a        | n/a                 | n/a          |
| SKC  | 2.8%             | +0.5%         | 17.3x      | 5.1%                | NEUTRAL      |
| EBO  | 2.7%             | +0.3%         | 20.2x      | 3.7%                | NEUTRAL      |
| FBU  | 2.4%             | -1.4%         | 15.0x      | 4.3%                | UNDERPERFORM |
| VHP  | 2.1%             | +1.3%         | 26.7x      | 3.4%                | OUTPERFORM   |
| SAN  | 2.0%             | +1.6%         | 14.2x      | 3.0%                | OUTPERFORM   |
| ZEL  | 1.8%             | +0.0%         | 12.8x      | 9.5%                | NEUTRAL      |
| MCY  | 1.4%             | -1.3%         | 25.6x      | 3.3%                | NEUTRAL      |
| AIR  | 1.3%             | +0.0%         | 10.2x      | 7.8%                | NEUTRAL      |
| NZK  | 1.3%             | +1.3%         | 19.5x      | 2.5%                | OUTPERFORM   |
| TPW  | 1.2%             | +0.8%         | 22.5x      | 4.7%                | NEUTRAL      |
| TLT  | 1.0%             | +1.0%         | 14.2x      | 0.0%                | OUTPERFORM   |
| MHJ  | 0.9%             | +0.9%         | 9.6x       | 7.4%                | NEUTRAL      |
| MET  | 0.9%             | +0.0%         | 13.7x      | 1.9%                | NEUTRAL      |

Source: Forsyth Barr analysis

Our portfolio is less expensive on a one year forward PE basis than the market and provides a marginally higher level of EPS growth, whilst also providing a similar level of income (on a cash basis).

Figure 3. Portfolio characteristics vs. the S&P/NZX 50 (based on Forsyth Barr estimates)

|            | 12m fwd PE | Cash dividend yield | 12m fwd EV/EBITDA | 12m-24m EPS growth |
|------------|------------|---------------------|-------------------|--------------------|
| Portfolio  | 24.1x      | 3.3%                | 13.9x             | 8.1%               |
| S&P/NZX 50 | 24.6x      | 3.3%                | 14.1x             | 7.5%               |

Source: Forsyth Barr analysis NOTE: all numbers above are weighted

## Key active weights

We outline our key active weights in Figure 4 where weightings are 1.5% or greater different to the benchmark.

Figure 4. Key active weights

| Company                  | Active weight | Rationale   |
|--------------------------|---------------|---|
| <b>Key over-weights</b>  |               |   |
| ARV                      | +2.1%         | Strong structural growth story with robust pipeline of greenfield and brownfield sites. Defensive earnings profile a derivative of its care focus and strong geographical diversification. Attractive dividend yield. |
| CEN                      | +2.2%         | Defensive characteristics, long-term steady growth outlook and strong yield. Risk of NZAS closure is low. Has one of the best development projects in the country with its Tauhara geothermal option.                 |
| CNU                      | +2.1%         | Attractive long-term free cash flow once its fibre network is completed in 2022. Regulatory improvements likely when Commerce Commission announces draft "input methodologies". DPS upside from FY23.                 |
| ATM                      | +1.9%         | Unique growth story with penetration still low of a large (and growing) addressable market. Strong free cash flow, high return and a large net cash position. Optionality from new products/markets.                  |
| GNE                      | +2.0%         | Defensive characteristics, long-term steady growth outlook and strong yield. Provides best near-term earnings growth as long-term expensive take or pay contracts roll off.   |
| SPK                      | +1.9%         | Attractive dividend yield. Strong execution track record consistently outperforming expectations. Modest earnings growth led by mobile, cloud, and cost savings. Strong cash flow and A- rated balance sheet.         |
| SUM                      | +1.7%         | Operational track record under appreciated by the market. Share price more than factors in development pipeline execution risk. Expansion into Australia is a rational step providing diversification and growth.     |
| SAN                      | +1.6%         | Value strategy with upside should it execute on stated target of NZ\$1 EBIT/kg. Attractive PEG. Long-term optionality around additional aquaculture water space backed by Government support. Protein theme.          |
| <b>Key under-weights</b> |               |   |
| GMT                      | -2.1%         | Well placed Auckland-centric industrial portfolio over-priced with sector leading PE of ~32x. Balance sheet optionality difficult to flex in a property market starved for well-priced investment opportunities.      |
| POT                      | -1.9%         | FY20 guidance highlights moderation of earnings growth. Slowdown of cargo growth from above trend rates. Upper North Island study unlikely to lead to meaningful benefits for POT.                                    |
| AIA                      | -1.8%         | Lacklustre earnings outlook. Period of slower international pax growth. Capex being deferred including Northern runway, with related charge pushed back.  |
| PCT                      | -1.7%         | Office exposure increases its susceptibility to cyclical swings. Cashflow outlook muted despite subdued supply outlook for office assets in Wellington and Auckland.  |

Source: Forsyth Barr analysis

**Figure 5. Forsyth Barr Institutional model active weights relative to benchmark (priced as at 3 December 2019)**

| Thematic/stock                 | Active weight | Price (NZ\$) | 12m fwd PE | Cash dividend yield | 12-24m EPS growth | Rating       |
|--------------------------------|---------------|--------------|------------|---------------------|-------------------|--------------|
| <b>Defensive Yield</b>         | <b>-1.4%</b>  |              |            |                     |                   |              |
| <b>Utilities</b>               | <b>+1.2%</b>  |              |            |                     |                   |              |
| CEN                            | +2.2%         | \$7.10       | 20.1x      | 5.5%                | 3.2%              | OUTPERFORM   |
| GNE                            | +2.0%         | \$3.19       | 18.8x      | 5.5%                | 25.0%             | OUTPERFORM   |
| MCY                            | -1.3%         | \$4.90       | 25.6x      | 3.3%                | 8.6%              | NEUTRAL      |
| MEL                            | -1.5%         | \$4.82       | 27.1x      | 4.5%                | -5.6%             | NEUTRAL      |
| TPW                            | +0.8%         | \$7.21       | 22.5x      | 4.7%                | 6.8%              | NEUTRAL      |
| VCT                            | -0.8%         | \$3.56       | 27.8x      | 4.7%                | -11.2%            | UNDERPERFORM |
| <b>Property</b>                | <b>-4.6%</b>  |              |            |                     |                   |              |
| ARG                            | -1.0%         | \$1.40       | 20.6x      | 4.5%                | 1.3%              | NEUTRAL      |
| GMT                            | -2.1%         | \$2.15       | 31.4x      | 3.1%                | 3.2%              | UNDERPERFORM |
| IPL                            | -0.3%         | \$1.80       | 21.9x      | 4.2%                | 1.7%              | OUTPERFORM   |
| KPG                            | +1.0%         | \$1.55       | 21.6x      | 4.6%                | 0.8%              | OUTPERFORM   |
| PCT                            | -1.7%         | \$1.81       | 26.6x      | 3.5%                | 2.7%              | NEUTRAL      |
| PFI                            | -1.0%         | \$2.36       | 27.2x      | 3.2%                | 1.1%              | NEUTRAL      |
| SPG                            | -0.7%         | \$2.22       | 20.4x      | 4.5%                | 3.0%              | NEUTRAL      |
| VHP                            | +1.3%         | \$2.68       | 26.6x      | 3.4%                | 3.9%              | OUTPERFORM   |
| <b>Other defensive yield</b>   | <b>+2.0%</b>  |              |            |                     |                   |              |
| AIA                            | -1.8%         | \$8.85       | 39.9x      | 2.5%                | -0.6%             | UNDERPERFORM |
| CNU                            | +2.1%         | \$6.00       | 89.8x      | 4.1%                | -8.6%             | OUTPERFORM   |
| IFT                            | +1.4%         | \$4.89       | n/a        | 3.5%                | n/a               | OUTPERFORM   |
| POT                            | -1.9%         | \$6.79       | 44.5x      | 2.0%                | 5.9%              | UNDERPERFORM |
| RBD                            | -0.3%         | \$11.86      | 27.9x      | 0.0%                | 14.1%             | UNDERPERFORM |
| SKC                            | +0.5%         | \$3.89       | 17.3x      | 5.1%                | 0.0%              | NEUTRAL      |
| SPK                            | +1.9%         | \$4.48       | 19.7x      | 5.6%                | 1.6%              | OUTPERFORM   |
| ZEL                            | +0.0%         | \$5.07       | 12.8x      | 9.5%                | 3.2%              | NEUTRAL      |
| <b>Structural Growth</b>       | <b>+1.5%</b>  |              |            |                     |                   |              |
| <b>Aged care</b>               | <b>+2.4%</b>  |              |            |                     |                   |              |
| ARV                            | +2.1%         | \$1.60       | 13.5x      | 4.1%                | 9.4%              | OUTPERFORM   |
| MET                            | +0.0%         | \$5.99       | 13.7x      | 1.9%                | 8.9%              | NEUTRAL      |
| OCA                            | -0.3%         | \$1.08       | 11.0x      | 5.0%                | 5.4%              | NEUTRAL      |
| RYM                            | -1.1%         | \$15.30      | 26.2x      | 1.9%                | 14.3%             | NEUTRAL      |
| SUM                            | +1.7%         | \$7.73       | 15.0x      | 2.0%                | 14.3%             | OUTPERFORM   |
| <b>Other structural growth</b> | <b>-0.9%</b>  |              |            |                     |                   |              |
| ATM                            | +1.9%         | \$15.20      | 29.9x      | 0.5%                | 23.4%             | OUTPERFORM   |
| EBO                            | +0.3%         | \$23.30      | 20.2x      | 3.7%                | 5.6%              | NEUTRAL      |
| FPH                            | -1.3%         | \$21.30      | 42.2x      | 1.5%                | 14.4%             | UNDERPERFORM |
| FRE                            | -1.1%         | \$8.19       | 19.3x      | 3.9%                | 9.4%              | NEUTRAL      |
| GTK                            | -0.2%         | \$3.70       | 31.2x      | 2.2%                | 18.9%             | UNDERPERFORM |
| MFT                            | -0.0%         | \$41.24      | 24.6x      | 1.6%                | 10.4%             | NEUTRAL      |
| NZK                            | +1.3%         | \$2.15       | 19.5x      | 2.5%                | 30.0%             | OUTPERFORM   |
| PPH                            | -0.7%         | \$3.87       | n/a        | n/a                 | n/a               | n/a          |
| SCL                            | -0.5%         | \$5.16       | 18.3x      | 3.9%                | 6.3%              | NEUTRAL      |
| SKL                            | -0.4%         | \$2.32       | 14.9x      | 5.9%                | 2.9%              | n/a          |
| SML                            | -0.6%         | \$9.21       | 16.9x      | 0.0%                | 18.5%             | NEUTRAL      |
| TLT                            | +1.0%         | \$3.23       | 14.2x      | 0.0%                | 11.7%             | OUTPERFORM   |
| VGL                            | -0.5%         | \$3.74       | 35.5x      | 1.3%                | 38.2%             | n/a          |
| <b>Cyclicals</b>               | <b>-2.9%</b>  |              |            |                     |                   |              |
| AIR                            | +0.0%         | \$2.83       | 10.2x      | 7.8%                | 8.9%              | NEUTRAL      |
| ANZ                            | -0.5%         | \$25.80      | n/a        | n/a                 | n/a               | n/a          |
| FBU                            | -1.4%         | \$5.16       | 15.0x      | 4.3%                | 4.0%              | UNDERPERFORM |
| FSF                            | -0.4%         | \$4.00       | 15.9x      | 2.9%                | 31.2%             | n/a          |
| HGH                            | -0.8%         | \$1.67       | n/a        | n/a                 | n/a               | n/a          |
| KMD                            | -0.6%         | \$3.03       | 10.5x      | 5.8%                | 12.8%             | NEUTRAL      |
| MHJ                            | +0.9%         | \$0.71       | 9.6x       | 7.4%                | 3.3%              | NEUTRAL      |
| NZR                            | -0.3%         | \$1.95       | 10.9x      | 5.9%                | -2.9%             | NEUTRAL      |
| NZX                            | -0.3%         | \$1.24       | 21.4x      | 4.9%                | 12.5%             | n/a          |
| SAN                            | +1.6%         | \$7.75       | 14.2x      | 3.0%                | 16.1%             | OUTPERFORM   |
| SKT                            | -0.3%         | \$0.82       | 11.2x      | 0.0%                | -7.4%             | UNDERPERFORM |
| THL                            | -0.3%         | \$3.22       | 15.3x      | 8.4%                | 27.5%             | NEUTRAL      |
| WBC                            | -0.6%         | \$25.54      | n/a        | n/a                 | n/a               | n/a          |
| <b>Cash</b>                    | <b>+2.8%</b>  |              |            |                     |                   |              |
| <b>Total</b>                   | <b>0.0%</b>   |              |            |                     |                   |              |

Source: Forsyth Barr analysis

# Valuation

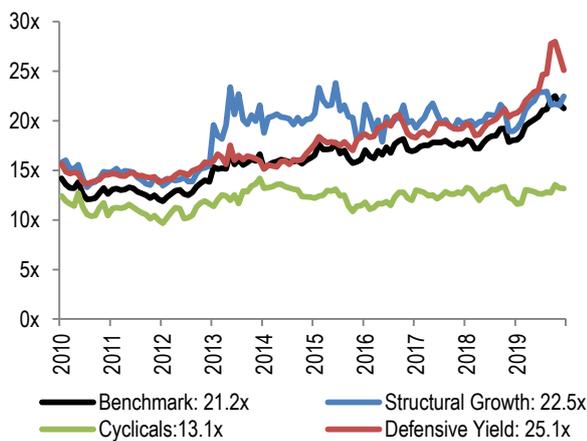
- Sharp de-rating of defensive yield stocks over the past three months predominantly driven by NZAS closure risk.
- Lower rates are supportive to defensive yield valuations.
- Cyclical valuations look relatively cheap but beware the value trap.

Figure 6. Market valuation metrics (based on consensus earnings estimates)

| Thematic          | 12m forward PE |                  | 12m forward EV/EBITDA |                  | Cash dividend yield |                  |
|-------------------|----------------|------------------|-----------------------|------------------|---------------------|------------------|
|                   | Average        | Weighted average | Average               | Weighted average | Average             | Weighted average |
| Cyclicals         | 13.1x          | 13.0x            | 6.1x                  | 6.1x             | 5.5%                | 5.6%             |
| Defensive Yield   | 25.1x          | 26.4x            | 15.1x                 | 14.7x            | 4.2%                | 4.4%             |
| Structural Growth | 22.5x          | 30.1x            | 14.4x                 | 16.4x            | 2.6%                | 1.6%             |
| <b>Market</b>     | <b>21.2x</b>   | <b>26.6x</b>     | <b>13.0x</b>          | <b>14.3x</b>     | <b>4.1%</b>         | <b>3.4%</b>      |

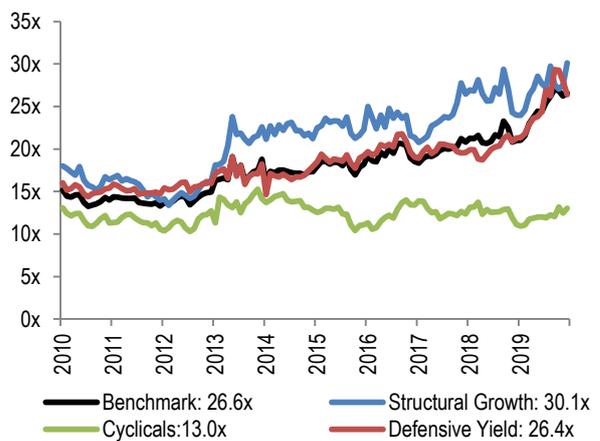
Source: Forsyth Barr analysis, Bloomberg

Figure 7. Consensus 12m forward PE — average



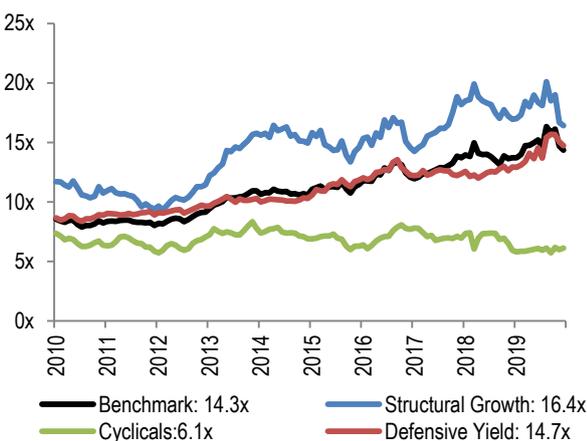
Source: Forsyth Barr analysis, Bloomberg

Figure 8. Consensus 12m forward PE — weighted average



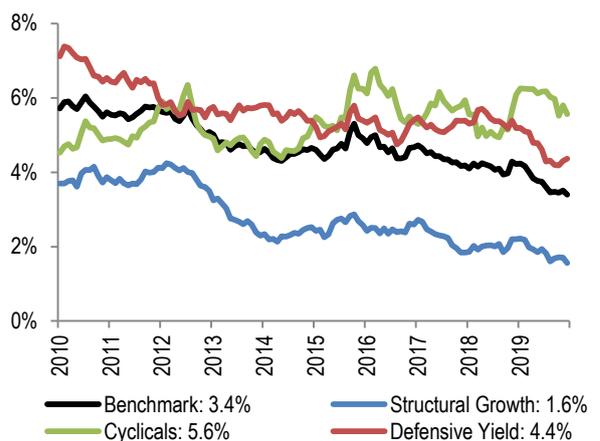
Source: Forsyth Barr analysis, Bloomberg

Figure 9. Consensus 12m forward EV/EBITDA — weighted average



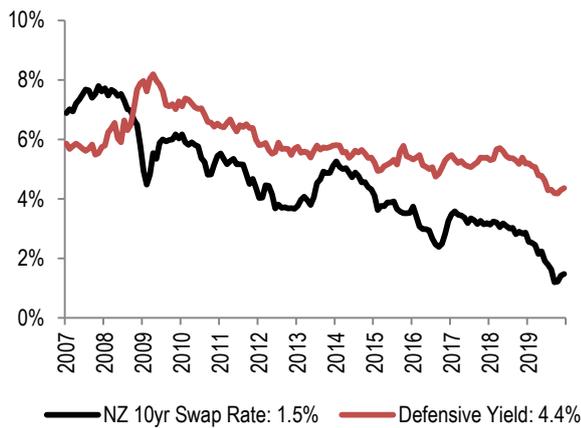
Source: Forsyth Barr analysis, Bloomberg

Figure 10. Consensus cash dividend yield — weighted average



Source: Forsyth Barr analysis, Bloomberg

Figure 11. Defensive yield cash dividend yield vs. 10yr bond



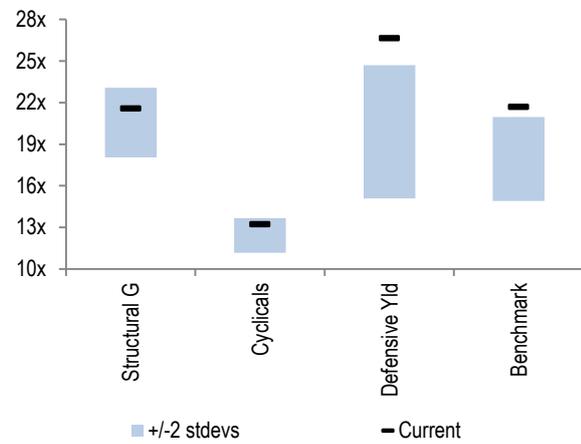
Source: Forsyth Barr analysis, Bloomberg

Figure 12. Defensive yield cash divi yield and 10yr bond differential



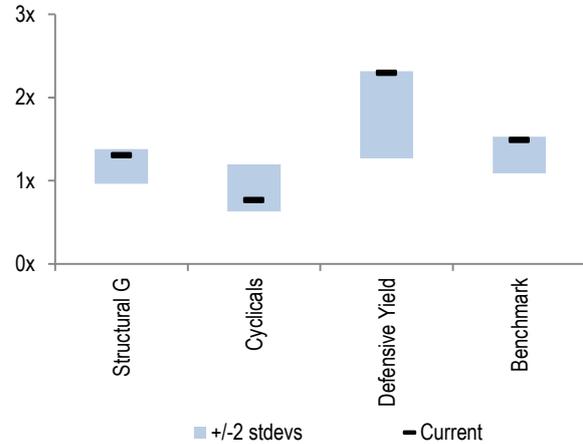
Source: Forsyth Barr analysis, Bloomberg

Figure 13. Consensus 12m fwd PE vs. historic (five year) average



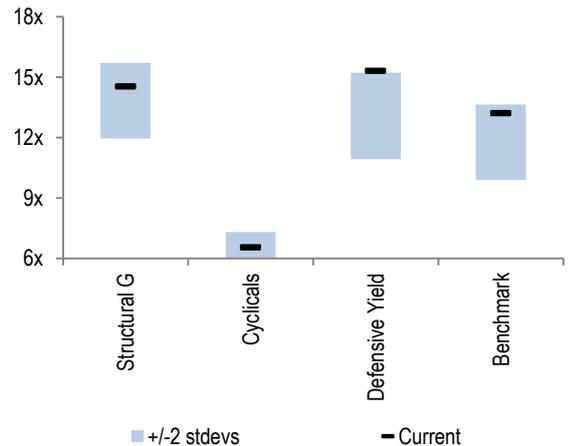
Source: Forsyth Barr analysis, Bloomberg

Figure 14. 12m fwd PEG vs. historic (five year) average



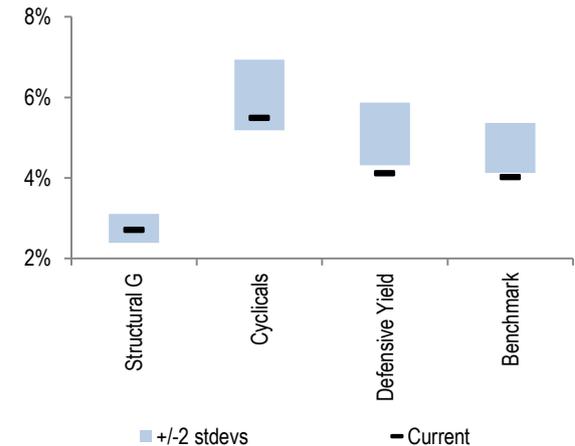
Source: Forsyth Barr analysis, Bloomberg

Figure 15. 12m fwd EV/EBITDA vs. historic (five year) average



Source: Forsyth Barr analysis, Bloomberg

Figure 16. 12m fwd cash div. yield vs. historic (five year) average



Source: Forsyth Barr analysis, Bloomberg

## Earnings

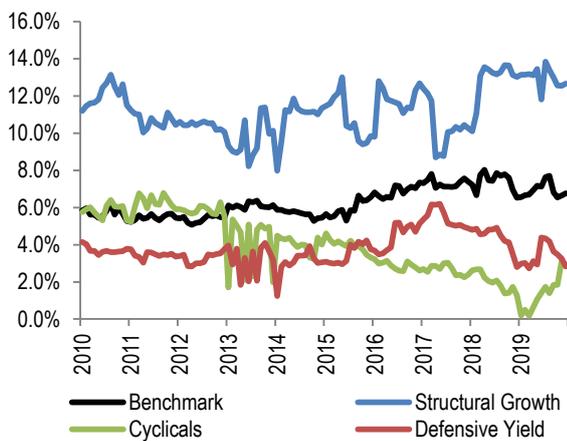
- Consensus earnings expectations are elevated despite the recent softening of cyclical conditions.
- Defensive yield earnings growth outlook remains solid.
- Margins appear to remain firm across the market broadly.

Figure 17. Market earnings estimates (based on consensus earnings estimates)

| Thematic          | 12-24m Revenue growth |             | 12-24m EBITDA growth |             | 12-24m EPS growth |             | 12-24m OCF growth |             |
|-------------------|-----------------------|-------------|----------------------|-------------|-------------------|-------------|-------------------|-------------|
|                   | Average.              | Wgt. ave.   | Average.             | Wgt. ave.   | Average.          | Wgt. ave.   | Average.          | Wgt. ave.   |
| Cyclicals         | 4.1%                  | 2.9%        | 6.6%                 | 5.2%        | 11.8%             | 9.4%        | 5.5%              | 6.9%        |
| Defensive yield   | 3.7%                  | 2.8%        | 5.4%                 | 5.0%        | 6.0%              | 5.4%        | 4.5%              | 4.2%        |
| Structural growth | 10.9%                 | 12.7%       | 11.5%                | 13.6%       | 13.0%             | 14.4%       | 12.6%             | 15.4%       |
| <b>Market</b>     | <b>6.1%</b>           | <b>6.8%</b> | <b>7.7%</b>          | <b>8.4%</b> | <b>9.7%</b>       | <b>9.4%</b> | <b>7.5%</b>       | <b>9.0%</b> |

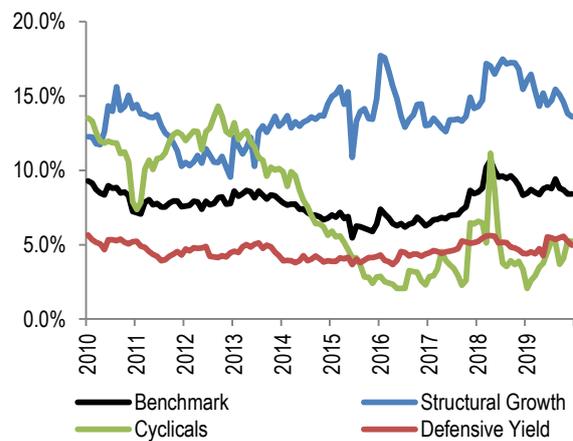
Source: Forsyth Barr analysis, Bloomberg

Figure 18. 12-24m revenue growth — weighted average.



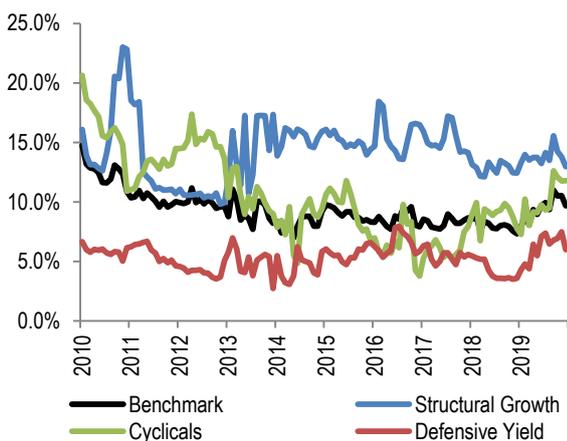
Source: Forsyth Barr analysis, Bloomberg

Figure 19. 12-24m EBITDA growth — weighted average.



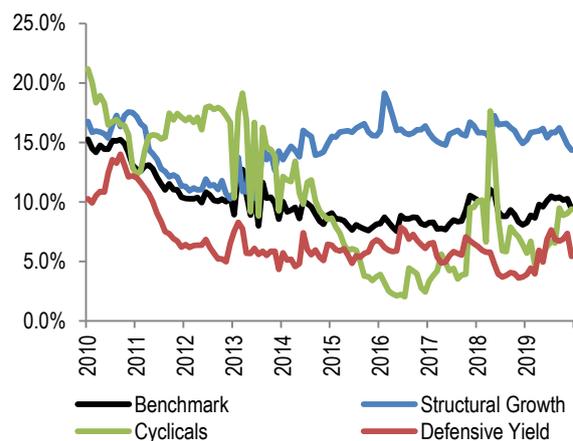
Source: Forsyth Barr analysis, Bloomberg

Figure 20. 12-24m EPS growth — average



Source: Forsyth Barr analysis, Bloomberg

Figure 21. 12-24m EPS growth — weighted average

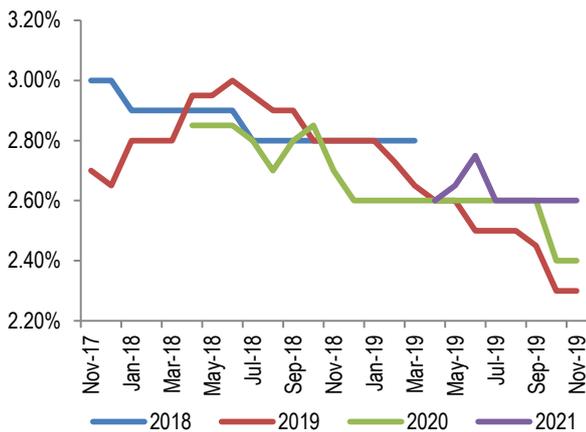


Source: Forsyth Barr analysis, Bloomberg

## GDP and interest rates

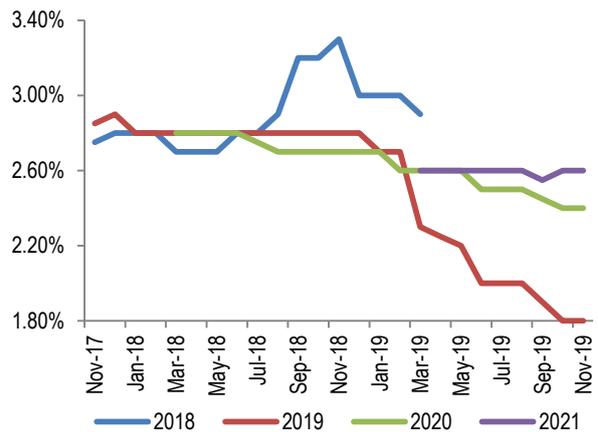
- GDP expectations for 2019 have been falling globally over the past 12 months. The outlook continues to show economic expansion rather than a severe downturn, with growth further out remaining firm.
- Bond rates have persistently fallen globally in the post-GFC period, albeit with a very modest rise in the recent months.
- Domestic and global inflation remains muted, affording interest rates to remain lower for longer.

Figure 22. New Zealand consensus GDP growth forecast



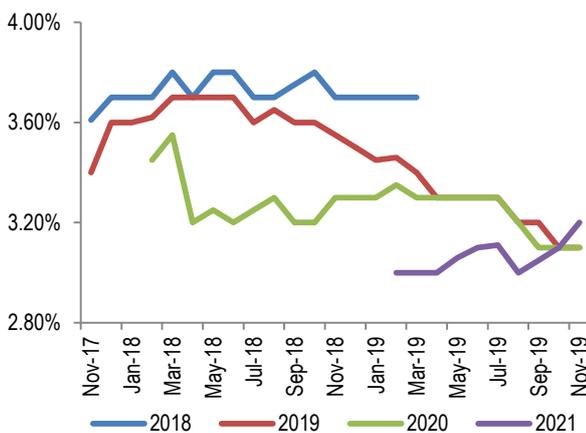
Source: Forsyth Barr analysis, Bloomberg

Figure 23. Australia consensus GDP growth forecast



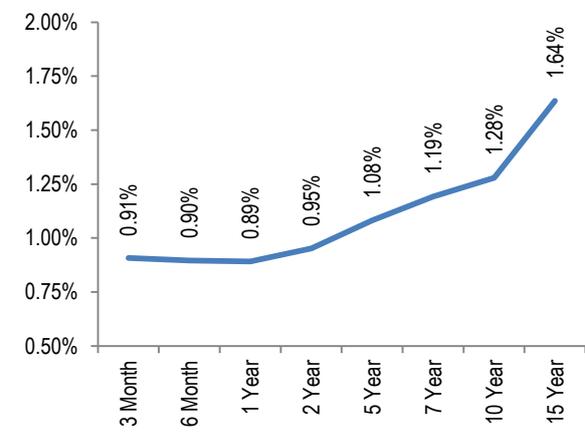
Source: Forsyth Barr analysis, Bloomberg

Figure 24. World consensus GDP growth forecast



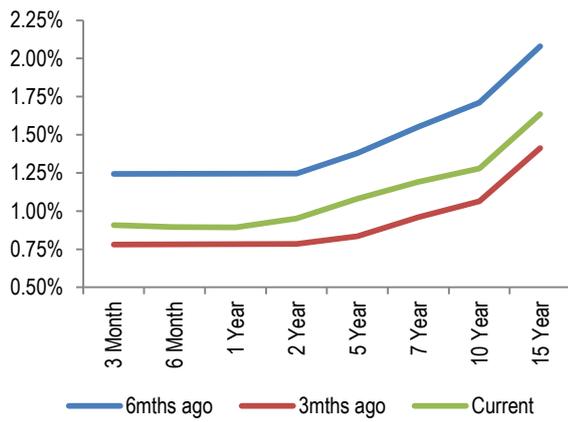
Source: Forsyth Barr analysis, Bloomberg

Figure 25. NZ yield curve — current



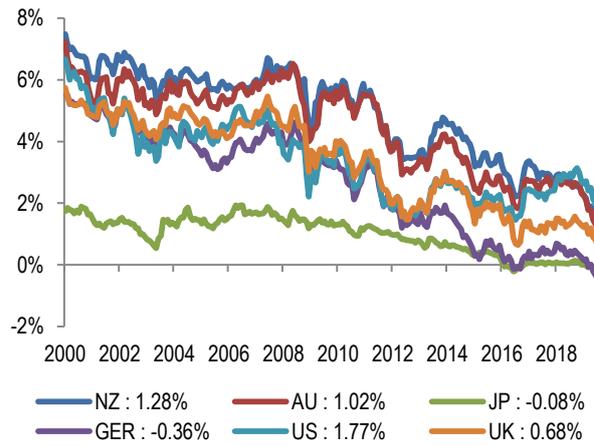
Source: Forsyth Barr analysis, Bloomberg

Figure 26. NZ yield curve — 6 month trend



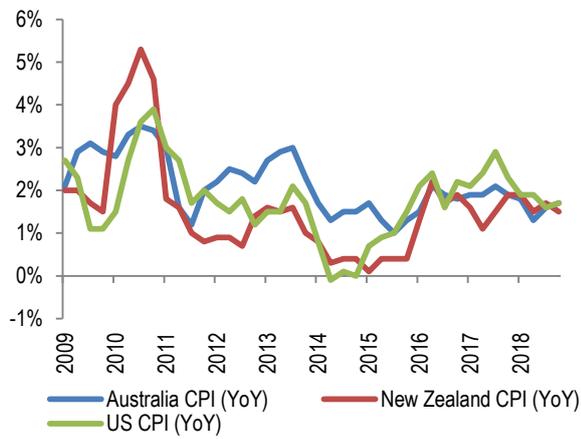
Source: Forsyth Barr analysis, Bloomberg

Figure 27. Global 10yr bond yields



Source: Forsyth Barr analysis, Bloomberg

Figure 28. Consumer price inflation (CPI)



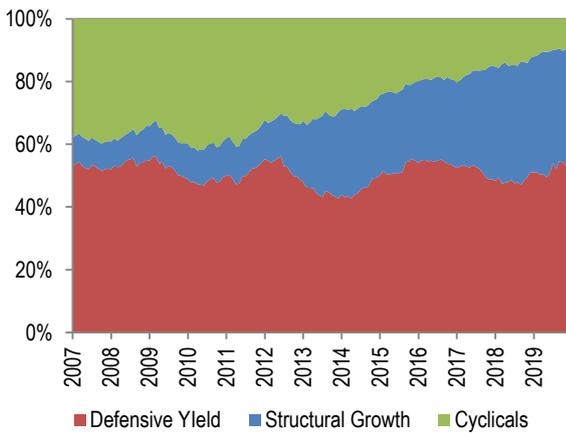
Source: Bloomberg, Forsyth Barr analysis

## Other NZ market charts

- The S&P/NZX 50 has not solely been driven by large caps or MSCI NZ constituents.
- International ownership of the S&P/NZX 50 appears to have stabilised after a period of sustained growth.
- Companies across the market appear to be modestly increasing gearing in the current low interest rate environment.

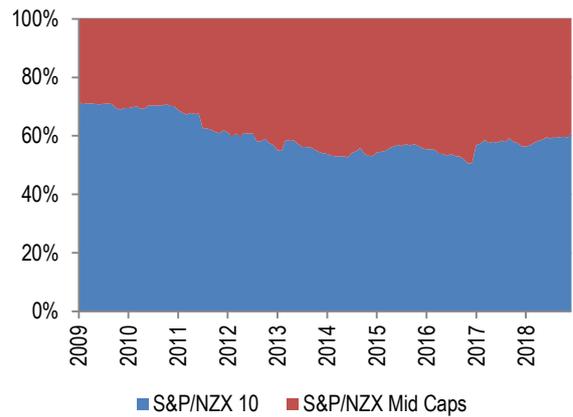
### Market structure

Figure 29. S&P/NZX 50 structure by thematic



Source: Forsyth Barr analysis, Bloomberg, S&P DJI

Figure 30. S&P/NZX 50 structure by size



Source: Forsyth Barr analysis, Bloomberg, S&P DJI

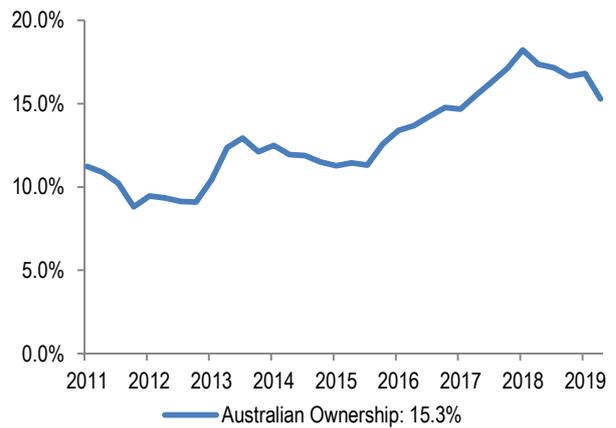
### Market ownership

Figure 31. Total foreign ownership of the S&P/NZX 50



Source: Forsyth Barr analysis, Stats NZ

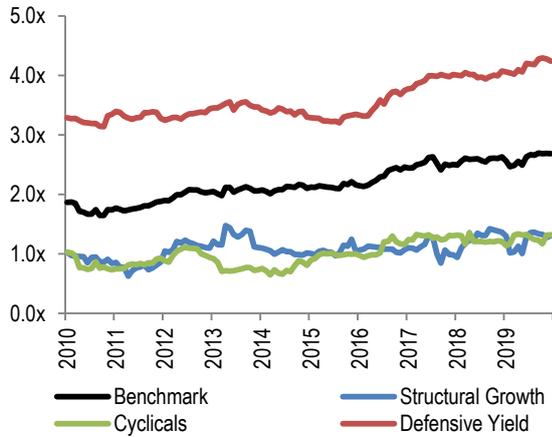
Figure 32. Australian Ownership of the S&P/NZX 50



Source: Forsyth Barr analysis, ASX

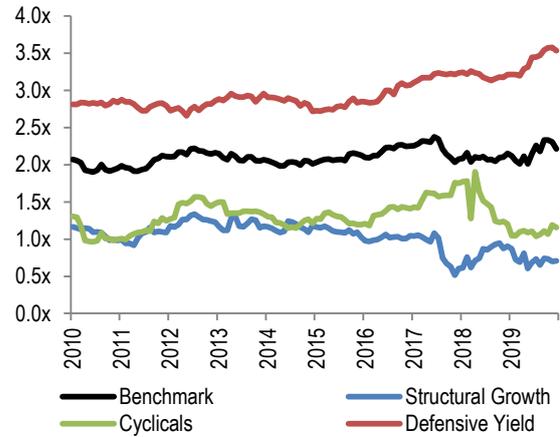
## Capital structure

Figure 33. 12m Fwd ND/EBITDA – average



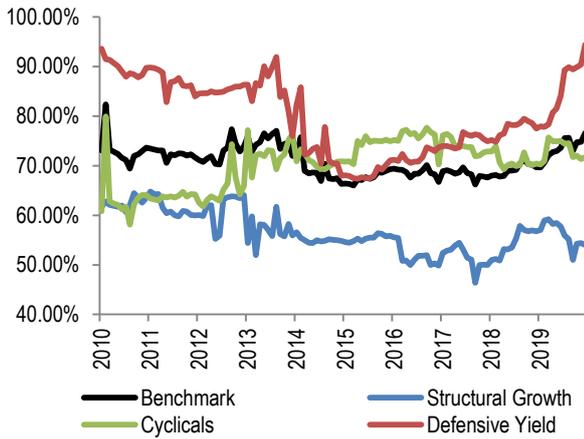
Source: Forsyth Barr analysis, Bloomberg

Figure 34. 12m Fwd ND/EBITDA — weighted average



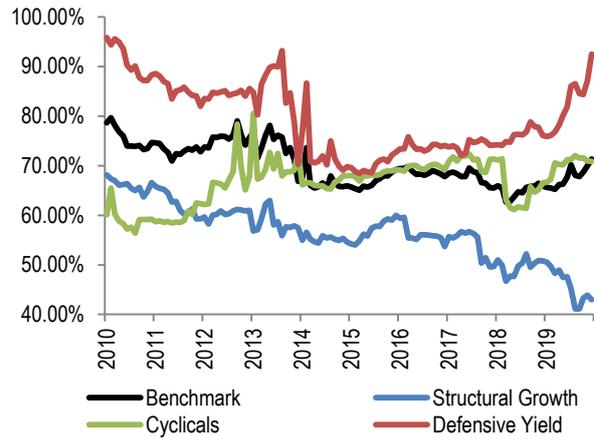
Source: Forsyth Barr analysis, Bloomberg

Figure 35. 12mth fwd EPS pay-out ratio - average



Source: Forsyth Barr analysis

Figure 36. 12mth fwd EPS pay-out ratio – weighted average



Source: Forsyth Barr analysis

## Forsyth Barr institutional model portfolio rules

- The Forsyth Barr Institutional model portfolio is monitored on a continuous basis.
- Company ratings are factored into portfolio decisions but weightings can reflect other portfolio considerations.
- Companies with UNDERPERFORM ratings can still be held in the portfolio but will normally have portfolio weightings that would be lower than the benchmark weighting.
- Companies not researched by Forsyth Barr or associated research partners with weightings above 2%, and where no view is held, would be held at a benchmark weighting.
- The portfolio can participate in IPO and 2PO's but weightings would initially be limited to the lower of the desired weighting or such holding that could realistically be obtained by bidding into the process.
- The portfolio will reflect strategic biases.
- The portfolio targets portfolio holdings of approximately 25 companies.

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