

# S&P/NZX Index Insights

## A Clear Entrance into the Port(folio)

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We pick that Gentrack Group (GTK) will exit the benchmark S&P/NZX 50 indices, allowing Napier Port Holdings (NPH) to enter at the upcoming S&P/NZX June 2020 quarterly index review. Official outcomes of the review will be announced close of market, Friday, 12 June 2020, with an effective date close of market Friday, 19 June 2020.

**Potential changes ahead for all major NZ equity indices**

Our calculations indicate that there will be a number of constituent changes to the benchmark S&P/NZX indices. These include: Infratil (IFT) entering the S&P/NZX 10 index with SKYCITY (SKC) exiting, Summerset Group (SUM) entering the S&P/NZX 20 index with Air New Zealand (AIR) exiting, and NPH entering the S&P/NZX 50 indices with GTK exiting.

**Figure 1. June 2020 Review: The Forbar Pick**

| Index                | Enter | Exit | Expected weight (rank) |
|----------------------|-------|------|------------------------|
| S&P/NZX 10           | IFT   | SKC  | 4.43% (8)              |
| S&P/NZX 20           | SUM   | AIR  | tba                    |
| S&P/NZX 50           | NPH   | GTK  | 0.26% (46)             |
| S&P/NZX 50 Portfolio | NPH   | GTK  | 0.36% (46)             |

Source: Forsyth Barr analysis

**Passive demand**

We estimate passive demand for NPH will be in the order of 2.0m shares, which equates to 10.3x Average Daily Volume (ADV). Figure 2 outlines the current rankings for inclusion/exclusion in the S&P/NZX 50 indices.

**Figure 2. Current rankings for S&P/NZX 50 index inclusion/exclusion**

| Ranking                 | Code       | Current status               | 6-mth average price | 6-mth average market cap |
|-------------------------|------------|------------------------------|---------------------|--------------------------|
| 41                      | ANZ        | S&P/NZX 50 Member            | \$22.37             |                          |
| 42                      | SKT        | S&P/NZX 50 Member            | \$0.28              |                          |
| 43                      | IPL        | S&P/NZX 50 Member            | \$1.75              | \$415.9m                 |
| <b>44 (entry level)</b> | FSF        | S&P/NZX 50 Member            | \$3.88              | \$394.8m                 |
| 45                      | SKL        | S&P/NZX 50 Member            | \$2.13              | \$389.2m                 |
| 46                      | RBD        | S&P/NZX 50 Member            | \$11.80             |                          |
| 47                      | NZX        | S&P/NZX 50 Member            | \$1.29              | \$354.6m                 |
| <b>48</b>               | <b>NPH</b> |                              | <b>\$3.33</b>       | <b>\$299.7m</b>          |
| 49                      | THL        | S&P/NZX 50 Member            | \$2.32              |                          |
| 50                      | SKO        |                              | \$3.82              | \$260.6m                 |
| 51                      | NZR        | S&P/NZX 50 Member            | \$1.34              |                          |
| 52                      | HLG        |                              | \$4.86              | \$232.0m                 |
| 53                      | TWR        |                              | \$0.67              | \$226.9m                 |
| 54                      | TLT        |                              | \$3.19              | \$224.8m                 |
| 55                      | WHS        |                              | \$2.44              | \$195.0m                 |
| <b>56 (exit level)</b>  | BGP        |                              | \$3.56              | \$181.7m                 |
| 57                      | ERD        |                              | \$2.78              | \$150.0m                 |
| <b>58</b>               | <b>GTK</b> | <b>S&amp;P/NZX 50 Member</b> | <b>\$2.29</b>       | <b>\$144.3m</b>          |

Source: Forsyth Barr analysis, ranking 44: automatic entry level, ranking 56: automatic exit level, S&amp;P DJI restricts publication of index constituent information to 10% for any given index.

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