JARDEN

Investment Outlook

May 2020

NZ Equities

BUY Eroad, Freightways, Infratil, Serko, Spark

Australian Equities

BUY Amcor, Resmed, Sonic Healthcare, Woolworths, Xero

Global Equities

BUY 3M, Alphabet, Samsung Electronics, UnitedHealth

Reflecting on What Comes Next

Jarden Overview

May 2020

The new decade started in a relatively positive way with signs of stronger economic growth. There was some disquiet regarding the emergence of a coronavirus (now known as COVID-19) in China, which was starting to have negative repercussions for tourism, exports to China and supply chains that involved China. However, what emerged as we went into February and March and as COVID-19 spread around the world, made the past three months truly extraordinary. Amongst other things it has added a whole new set of phrases to our lexicon – alert levels, social distancing, lockdowns and self-isolation.

The impact on economies, as governments globally have battled to manage the health implications of the virus on their populations, has been both significant and eye wateringly fast. Central banks and governments have together implemented unheard of stimulus to cushion the blow to the world's economies. Despite this, economic recession seems impossible to avoid, together with a sharp jump in unemployment. As restrictions to contain COVID-19 are lifted, we expect further stimulus to kick-start the economy.

The reaction of financial markets to events as they unfolded has been equally as dramatic. The prices of financial securities have been exceedingly volatile, both on an inter-day basis and an intra-day basis, which has been challenging for investors. Most equities are currently trading at prices well off their lows but have still endured material falls reflecting the significant change to the outlook. The unknowns relating to COVID-19 means that uncertainty remains, although based on current information the dire predictions projected by some appear to now have only a low probability of occurring.

Even if COVID-19 fades into obscurity as we all hope, it will almost certainly have a dramatic impact on many people and businesses and be responsible for several societal changes and accelerating others. One impact that is likely to affect investors for some time is an even weaker interest rate environment, which we expect to be sustained even in the face of an eventual rise in inflation.

I have saved the most important message to the end. The past few months have tested investor's nerves to the extreme. In such circumstances it is easy to make mistakes that you live to regret. Therefore, if you read no more of this publication, I strongly urge you to read and contemplate the section on Investment Psychology (pages 32-34).

Finally, we welcome a new adviser to the Jarden Wealth Management team, Mark Hayward in Wellington.

John Norling,
Director, Head of Wealth Research

Contents

Reflecting on What Comes Next

Key Takeaways

- While the number of COVID-19 infections is falling, there remain many unanswered questions
- A gradual return to normality is good for people and the economy
- End of year elections remain on track
- COVID-19 is expected to leave a trail of significant short- and long-term impacts

So Many Questions

The coronavirus now known as COVID-19, or at least the measures taken to control it, have quite literally turned the world upside down. While we know that it is contagious and can kill, there is still much that we do not know about it. How many people have been infected? Many of those infected have only had mild symptoms and in some cases the symptoms may have been so mild that they do not even know they have had it. A reliable anti-body test would go a long way to answering this. What are the chances of becoming re-infected? What long term damage does it do to the heart and lungs? Do we fully understand why countries like South Korea were left relatively unscathed relative to countries like Italy? Will COVID-19 remain in existence and impact each year like influenza, or will it be eradicated like SARS? Will there be a second wave as there was with the 1918-1919 Spanish flu? Will a highly effective treatment for COVID-19 be developed? Better still, will a reliable COVID-19 vaccine be developed? If so, when, and when will it be available and at what cost?

Everyone (citizens, businesspeople, scientists, government officials, politicians) is grappling with these questions and wondering what the answers are. Without knowing what the answers are, decisions are being made based on what is known, to try to achieve the best outcome for all, bearing in mind that what is optimal for one group may not be optimal for another.

Counting Down - Alert Levels 4,3,2,1, Normality

Level	Risk Assessment	Control Measures
1	Risk associated with importing COVID-19 cases Isolated transmission could be ocurring in households	Border restrictions Physical distancing encouraged No restrictrions on gatherings or domestic travel Rapid contact tracing of positive cases
2	Increased risk of household transmission occuring Single or isolated cluster outbreaks	Physical distancing of one metre outside home Gatherings of 100 - 500 allowed subject to guidelines People advised not to undertake non-esssential inter-regional travel Majority of businesses open with appropriate measures Schools and education centres open
3	Community transmission may be happening New clusters may emerge but can be controlled	People must work from home if possible Businesses can open, but can not physically interact with customers Physical distancing of two metres outside home Certain gatherings of up to ten people are allowed Public venues closed Schools can open, but will have limited capacity
4	Community transmission is occuring Widespread outbreaks and new clusters	People to stay home other than for essential movement Safe recreational activities allowed if local Businesses closed except essential services Travel severely limited All gatherings cancelled

Source: NZ Government

While Alert Level 3 will be less restrictive and allow some non-essential businesses to reopen it will be far from normal. Alert Level 3 is expected to be in place until at least 11 May 2020. A shift to Alert Level 2 would see most businesses able to reopen, although physical distancing measures and other constraints exist. With an estimated 80% of COVID-19 cases being directly or indirectly associated with overseas travel, New Zealand's border is closed or restricted at all Alert Levels. There is little doubt that the tourism and, to a lesser degree, the hospitality industries will be hard hit. For centuries people have enjoyed visiting distant lands

and experiencing first-hand what they have to offer, something virtual reality cannot do. Consequently, in time we expect the tourism industry to recover.

Short Term Impacts

In New Zealand, few people have been directly impacted by COVID-19, but we have all been affected to varying degrees by the response to COVID-19. The impact will continue for some time yet, and for some people and businesses the impact will be dramatic.

The range of economic forecasts is much wider than normal

Economic forecasting is fraught at the best of times, but the range of estimates is much wider than normal due to the high degree of uncertainty as to how COVID-19 plays out. The New Zealand Treasury painted a range of scenarios as guidance to what we might expect to eventuate.

Any way you look at it, the short term impact is expected to result in a sharp drop in economic activity (a recession), a sharp jump in unemployment, a drop in inflation (no wage pressures and lower commodity prices, in particular oil), a sharp rise in Government debt and record low benchmark interest rates resulting from the Reserve Bank of New Zealand's (RBNZ) actions.

New Zealand Treasury's Scenario 1 and 1a Forecasts

Source: The Treasury

Year to 30 June	2019	2020	2021	2022	2023	2024
Scenario 1						
Real economic growth %	3.0	-4.5	-2.5	10.0	5.5	4.0
Unemployment rate %	4.0	13.5	8.5	6.0	5.0	4.5
Inflation %	1.75	1.00	0.25	0.75	1.25	1.75
Scenario 1a						
Real economic growth %	3.0	-4.5	-0.5	8.0	4.5	3.5
Unemployment rate %	4.0	8.5	5.5	5.0	5.0	4.5
Inflation %	1.75	1.25	1.25	1.24	1.50	2.00

It is not until 2022 that the economy is forecast to surpass the size that it was in 2019

We appear to be broadly on track for Scenario 1 or, more likely Scenario 1a, which assumes an extra $20 billion of fiscal stimulus on top of the $20 billion already announced by the Government. We would be very surprised if the Government did not increase fiscal stimulus to support the economy as control measures are lifted. The combination of relaxed control measures and economic stimulus is expected to see the economy rebound in 2021. However, it is not until 2022 that the economy is forecast to surpass the size that it was in 2019.

Many businesses may have a sound long-term outlook but have too much debt to survive the extreme impact of the developing recession in 2020. Others may face issues refinancing maturing debt or have liquidity issues as debt covenants are breached due to an earnings collapse. A solution is to raise additional equity capital. However, raising equity capital to bolster a weak balance sheet dilutes earnings per share, which is negative for the share price and investors' returns. The difficulty company boards face is that while waiting in the hope that they can get by without raising new equity, their circumstances may deteriorate forcing them to raise new equity at a lower price, which is even more dilutionary and a worse outcome for investors. Several companies have already raised new equity and we expect more to do so in the coming weeks as companies financial positions become clearer. To date, the only way for investors to realise the value of their entitlement to participate in the equity raising is to subscribe for the new equity they are entitled to. While each equity raising needs to be considered on its merits, by not participating in the equity raising you are probably giving up value to other investors to the detriment of your investment return.

We expect numerous companies to take a more cautious stance to the level of debt on their balance sheet in the years ahead. This will raise the bar on the level of return required from new investments, resulting in lower levels of investment for some time.

Finally, those companies that were already facing significant challenges are likely to find the current economic environment adding to their woes. We discuss examples of these companies on pages 16-17.

Politics

Typically, a rise in unemployment and a recession would spell doom for incumbent politicians

COVID-19 does not remove the elections from the calendar for New Zealand and the US. Typically, a rise in unemployment and a recession would spell doom for the incumbents. However, the massive economic stimulus and the handling of the COVID-19 pandemic may well see incumbents returned to power. Much will depend on the mood of the electorate at the time. From a US perspective, if Trump is not returned to office tax increases are more likely than before COVID-19, to the detriment of US company earnings and the equity market. Another risk is that Trump doubles down on China to deflect attention from his handling of the pandemic. This would probably harm investor sentiment and equity market prices.

Long Term Impacts

Central banks are expected to be far more tolerant of inflation

While the level of New Zealand's Government debt is rising dramatically, it remains low relative to many other countries. However, we expect that over time successive governments will look at ways to reduce it. The option of simply not repaying the debt is not viable if New Zealand wants to continue to borrow on reasonable terms. Another way is nominal economic growth (the combination of real growth and inflation). Globally central banks and governments, including in New Zealand, are already working to bolster real economic growth. We expect central banks to be far more tolerant of inflation (governments may even relax inflation mandates) resulting in higher inflation for an extended period, although inflation will still be considerably lower than what we experienced in the 1970s and 1980s. A winding back of globalisation as countries and companies reduce their reliance on specific offshore suppliers for critical products or components is likely to result in higher prices. Finally, governments may increase taxation, particularly for the wealthy and those on higher incomes as the wealth divide continues to grow.

Despite higher inflation, benchmark interest rates are likely to remain at low levels for an extended period. We explore this further in the strategy section on pages 7-10. Low interest rates are likely to rekindle the focus on equities with attractive reliable dividend streams, a topic we explore in the Seeking Income in a Low Interest Rate Environment section on pages 13-15.

Historically, severe recessions have caused companies to re-examine costs resulting in increased automation and less jobs. On the other side of the coin, companies that have benefited from the "gig" economy may see a reduction in the number of workers willing to work flexibly, in preference for being on payrolls as permanent employees.

Employees' and employers' eyes have been opened to the benefits of working from home

Many office workers have found themselves working from home on a regular basis for the first time. While many will welcome the return to the office, the forced experiment will have opened the eyes of many employees and employers to the benefits of working from home, resulting in a greater prevalence of hot desking and reduced demand for office space. The same applies to on-line shopping (particularly supermarket shopping), on-line consultations (for example, doctor's appointments, job interviews) and on-line meetings/conferences. In each case the loss of social interaction will be weighed against the benefit of time saved and stress avoided by not having to travel. The obvious beneficiaries are the telecommunications companies, companies providing data storage facilities, device software and hardware providers and, potentially courier companies. We explore this topic further in the Finding Exposure to Emerging Growth Trends section on pages 18-21.

Asset Allocation

Key Takeaways

- The economy is likely to take some time to recover from restrictions to control COVID-19
- In response, central banks are likely to keep interest rates low for a considerable period.
- Equities remain vulnerable in the short-term but may find support from low interest rates on a longer horizon.

The Consequences of the Virus

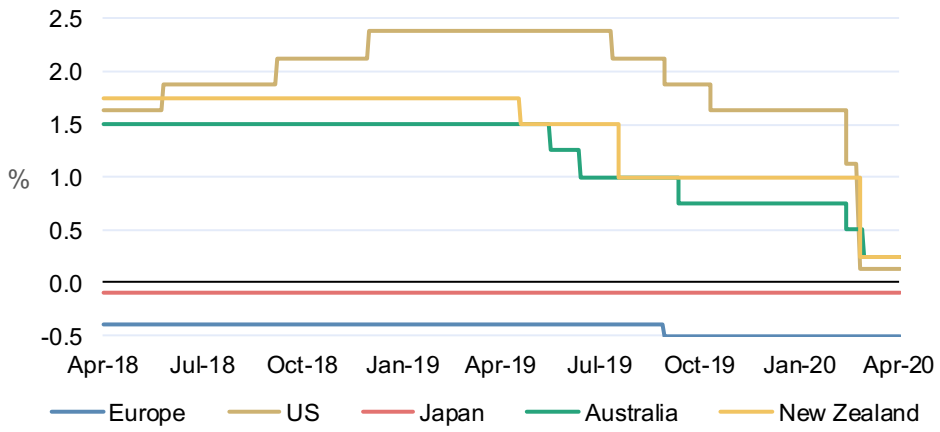
Government restrictions to control COVID-19 have hit the global economy like a sledgehammer. In many large developed economies, economic activity will fall substantially in the first half of 2020, resulting in declines of economic growth of between 4-5% for the 2020 calendar year, before recovering to a degree in 2021.

There is great uncertainty about the economic impacts, however. Impacts will depend on the progress of COVID-19, longevity and severity of government restrictions, resilience of businesses and workers to disruptions caused by restrictions, and the ultimate size and effectiveness of government and central bank support measures.

There is no doubt that governments and central banks around the world are doing all they can to reduce the economic impact of restrictions, with stimulus measures of unprecedented magnitudes. A likely consequence of the measures will be a continuation of near zero global interest rates for an extended period. There are short-term and long-term reasons for this.

Central Bank Policy Interest Rates

Source: Refinitiv



Central banks to the rescue

First, many central banks have committed to keeping policy interest rates at ultra-low levels for at least the next 12 months. In addition, most major central banks will continue to engage in large scale buying of government and highly rated company debt securities. Indeed, it is possible that the Reserve Bank of New Zealand may begin to buy bonds direct from the government, as well as in the secondary market as it does now. Such measures will also suppress longer term interest rates.

Low interest rates will make it easier to pay off debt

Second, after the need for restrictions to control COVID-19 and economic support measures has largely passed, central banks and governments will still be keen to dampen interest rates to a certain extent to make it easier for governments and businesses to pay interest on the considerable extra debt built up in the current situation. This will likely entail continued buying of government debt securities by central banks and restrictions on bank lending and borrowing. This is often termed "financial

repression", which is an approach employed by countries such as the US and UK in the wake of World War II to help pay war debts.

Higher inflation on the cards in the future

In keeping interest rates low, central banks are likely to tolerate higher inflation than they have in the past. A little extra inflation can also aid the reduction in debt burdens as it reduces the size of the debt mountain relative to size of the economy, which grows in both real and nominal terms. This may become more of a factor as the economy heals and unemployment starts to come down again, thus helping to reignite inflation. However, there will be a difficult line for central banks to tread between supressing interest rates and allowing inflation to rise too far, which can cause long-term economic harm.

Global Equities

Recent equity market falls were exacerbated by ...

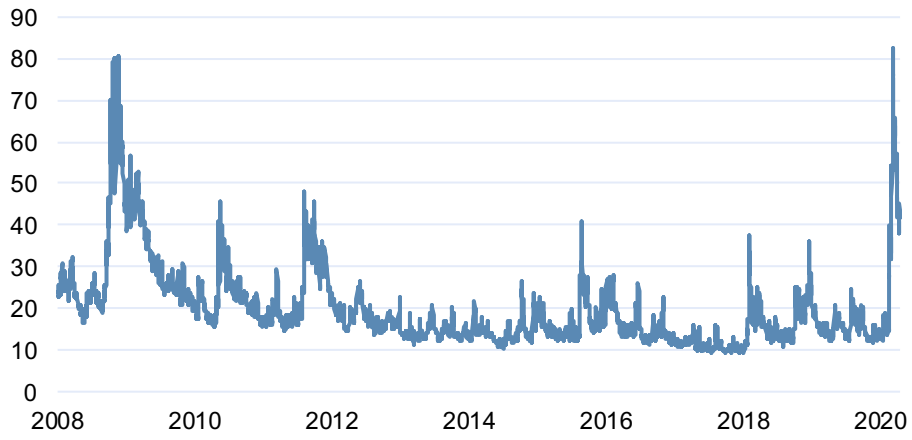
The recent equity market falls are justified considering the weaker economic outlook. However, we believe that the falls were exacerbated by a lack of liquidity (this has been corrected), forced sales by some investors (most of these will be complete) and emotion (fear on the way down and greed on the way up). Certainly, signs that we are getting on top of COVID-19 (fewer people becoming infected and fewer deaths) and restrictions being eased has enabled investors to become more confident that the scarier scenarios are less likely to occur. Should a second wave of infections eventuate, forecast earnings materially disappoint, or some other negative event occur a market correction (10% plus fall in equity prices) is likely. The occurrence of a correction would be in line with historical bear markets (20% plus fall in equity prices).

Volatility is a proxy for investor uncertainty

Experience suggests that equity markets valuation ratios rise and fall in line with changes in the level of volatility in the equity market, which is a proxy for the level of investor uncertainty. The changes in volatility go some way to quantifying the extreme swings in equity markets over the period from late-February to now. Price variability is still high, as shown in the chart below, and could swing in either direction from here.

Implied US Equity Market Volatility (VIX)

Source: Refinitiv



It is possible we continue to see relatively large ups and downs in equity markets

This reflects the highly uncertain outlook for the economy and company earnings, which is underscored by the large proportion of companies that have withdrawn earnings guidance. Similarly, stresses in credit markets are still apparent, even though these too have eased to a degree as central banks have pumped huge amounts of cash into financial systems. Therefore, in the short-term it is possible we continue to see relatively large ups and downs in equity markets. As mentioned earlier there are still many unanswered questions relating to COVID-19 and the global political environment remains as uncertain as ever.

Having rallied around 26% from the trough, global equities are down around 17% from their mid-February peak, although the variation between the best (US) and worst performing regions (Australia and emerging markets) is large at around 10%. The difference is explained mainly through market composition with a high proportion of the

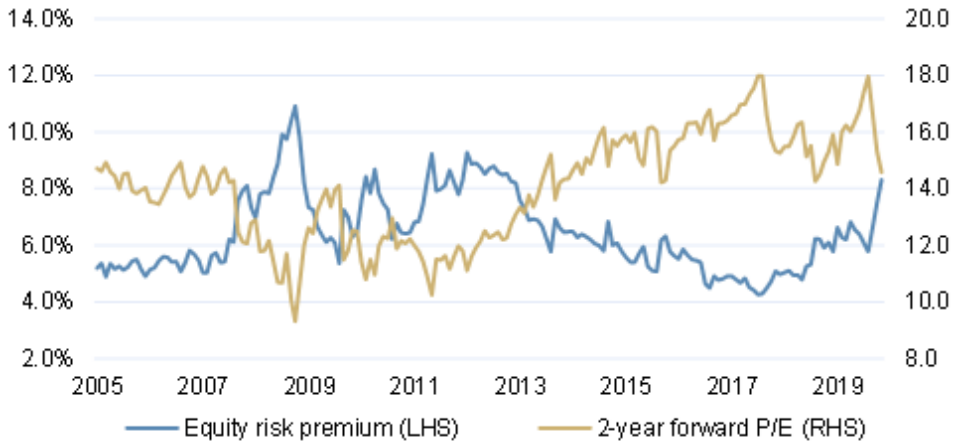
US equity market being technology companies whose valuation multiples and earnings have held up well. In contrast, the Australian equity market has a high proportion of banks and resource companies (including oil), which being cyclical businesses have experienced declines in earnings and valuation multiples.

Downward earnings revisions may not yet be fully reflected in forecasts

In examining equity valuation ratios, such as the price -to-earnings ratio, we use forecast earnings 12-24 months out, to look though the slump and subsequent rebound in earnings caused by the response to COVID-19. We acknowledge that downward earnings revisions may not yet be fully reflected in earnings forecasts, which means that the actual price-to-earnings ratios are likely to be higher (more expensive) than those currently forecast. The chart below for the US equity market shows the forecast price-to-earnings ratio has fallen materially, but not to a level experienced in the last recession in 2008.

US Equity Risk Premium and Price-to-earnings Ratio

Source: Bloomberg, Jarden



The premium for investing in equities has risen markedly

Compared to government bond interest rates, however, US equity valuations appear to be more attractive. The equity risk premium, or the extra premium investors currently demand for investing in US equities rather than US government bonds, has risen markedly (see the chart above). Over a longer horizon, therefore, there is potentially a higher reward from investing in equities relative to investing in safer government debt securities.

A rise in the New Zealand dollar may detract from local currency returns on global equities

For New Zealand investors, one factor to consider when investing in global equities is movements in the New Zealand dollar. As we outline in the section on the New Zealand dollar later in this report, we expect our currency to rise (in particular against the US dollar) over the coming year as the US dollar generally weakens and as demand for New Zealand's food exports supports the country's terms of trade. If this comes to pass it will detract from the return from global equities expressed in New Zealand dollars.

New Zealand Equities

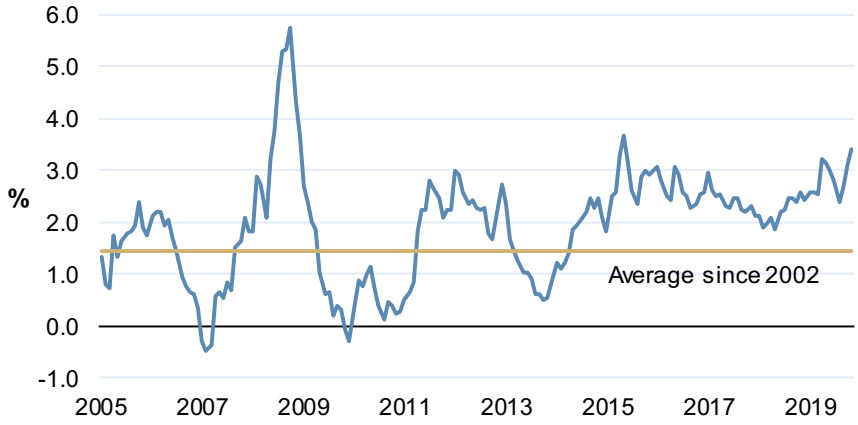
The performance of the New Zealand equity market is distorted

Many observers will point to the strong performance of the New Zealand equity market, being only 6% below where it ended 2019. However, without the contribution of its two largest companies, A2 Milk (ATM) and Fisher and Paykel Healthcare (FPH), which have risen 26% and 33% respectively, the New Zealand equity market would be down around 13% (similar to the US equity market). When we consider the New Zealand equity market, we ignore the undue influence of the large size of ATM and FPH.

With low benchmark interest rates expected for some time, investors are likely to be attracted to New Zealand equities as a source of investment income through the dividends and imputation credits paid.

New Zealand Forecast Dividend Yield Less the 10-Year Government Debt Interest Rate

Source: Bloomberg, Jarden



It is important that investors pay attention not only to level of the dividend yield, but also to the reliability of the dividend payment. Several companies have paid attractive dividends but are now not expected to pay any dividend for a time.

Closing the large tactical bias to global equities

We have decided to reduce our underweight position to New Zealand equities and reduce our overweight to global equities. The closing of the large tactical bias to global equities reflects a switch away from metrics, which are skewed by a few large companies when analysing the New Zealand equity market. Having done so it is hard to justify such a large tactical bias to global equities. In addition, global equities returns are expected to suffer from a rising New Zealand dollar. From an economic point of view, while New Zealand has a small open economy and faces material challenges, government finances are starting from a position of strength, as are our key institutions. While acknowledging potential short-term risks in aggregate, we retain a broadly neutral stance between lower risk income assets and higher risk equity assets on a 12-18-month view.

Forecasts

Economics

As at 30 April 2020

	Fiscal Balance % GDP			*GDP Growth %*			*Inflation %*			*3 month Libor %*			*10 Year Government%*		
	2019A	**2020F**	**2021F**	**2019A**	**2020F**	**2021F**	**2019A**	**2020F**	**2021F**	**Spot**	**3mth**	**12mth**	**Spot**	**3mth**	**12mth**
New Zealand	0.5	-4.8	-3.3	2.3	-6.0	4.0	1.1	0.3	0.3	0.3	0.3	0.3	1.0	0.9	1.2
Australia	0.0	-4.2	-2.5	1.8	-4.3	3.7	1.1	0.1	0.1	0.1	0.1	0.1	0.9	0.7	1.0
US	-4.8	-11.9	-9.0	2.3	-5.0	4.5	1.1	0.8	0.8	0.8	0.8	0.8	0.6	0.7	1.1
Japan	-3.0	-5.8	-4.0	1.0	-4.3	2.3	0.0	0.0	-0.1	0.0	-0.1	-0.1	0.0	-0.1	0.0
Europe	-0.8	-6.8	-3.7	1.2	-5.3	4.5	0.5	-0.2	-0.5	-0.2	-0.5	-0.5	-0.5	-0.5	-0.3
United Kingdom	-2.2	-9.0	-6.0	1.3	-5.0	3.9	1.0	0.6	0.3	0.6	0.3	0.3	0.3	0.3	0.6
China	-6.0	-6.0	-5.5	6.1	2.0	8.0	3.2	1.4	1.9	1.4	1.7	1.9	2.5	2.4	2.4

Source: Jarden, Bloomberg (actuals)*

NZ and Australia fiscal balance is 30 June

NZ is the 90-day bank bill yield

Equities and Commodities

	Spot	12 mth forecast	Past Month	Past Year
Australia – ASX 200	5,393	5,400 - 5,960	4.1%	-14.7%
Emerging Markets	920	NA	10.5%	-14.8%
Europe – Stoxx 50	2,996	2,900 - 3,210	8.3%	-14.8%
Japan - Topix	1,449	1,410 - 1,560	0.9%	-10.4%
New Zealand – NZX 50	10,747	10,740 - 11,870	11.2%	7.3%
UK – FTSE 100	6,115	6,040 - 6,680	9.9%	-17.6%
US – S&P 500	2,940	2,880 - 3,180	11.9%	-0.2%
Oil Brent USD/bbl	16	45 - 55	-34.1%	-73.9%
Gold USD/Oz	1,715	1,760 - 1,940	5.7%	33.6%

Source: Credit Suisse, Bloomberg

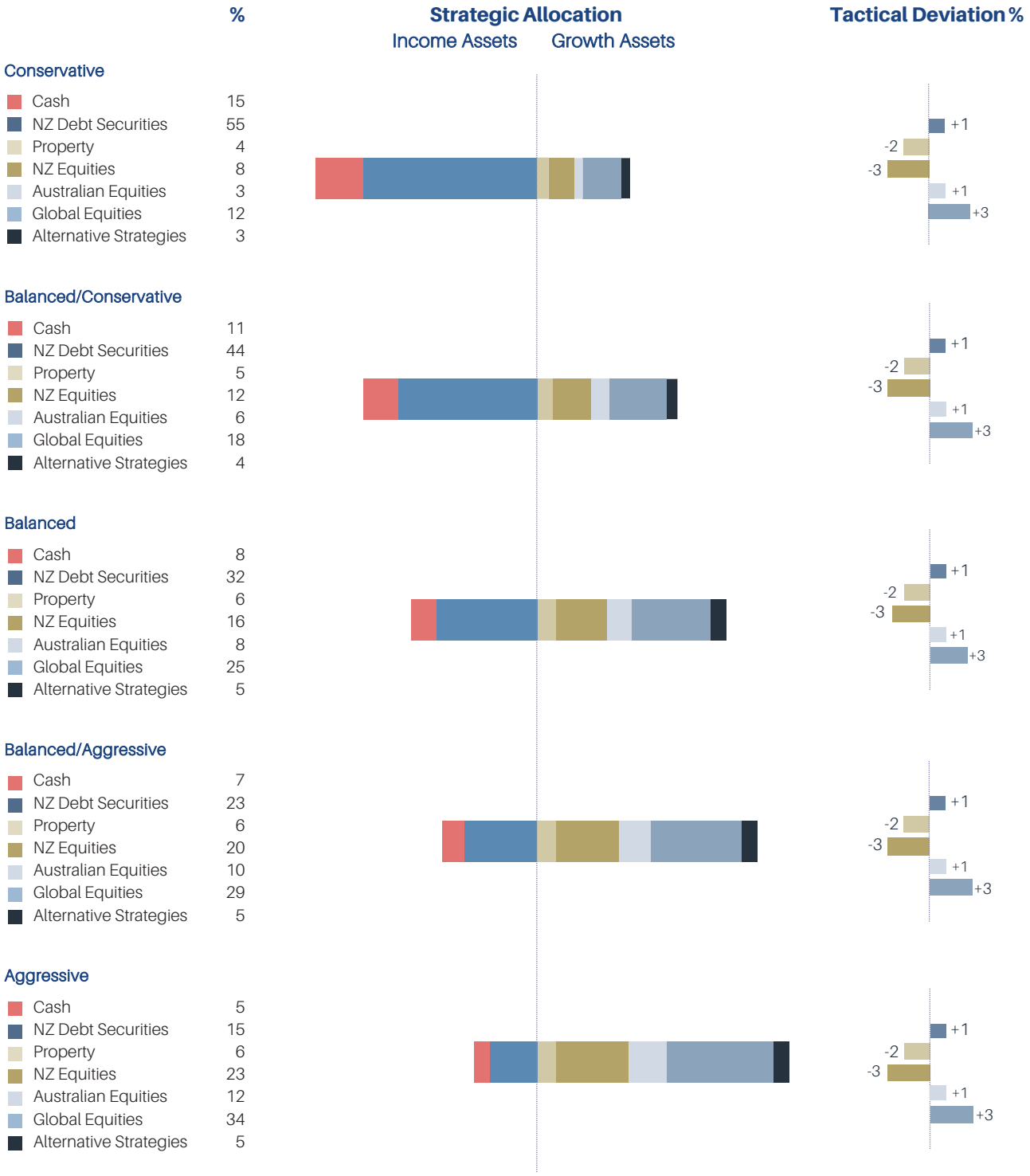
Foreign Exchange

	USD		NZD	
	Spot	**12mth**	**Spot**	**12mth**
NZD	0.61	0.64	-	-
AUD	0.66	0.66	0.94	0.97
EUR	1.09	1.12	0.56	0.57
JPY	106.6	107.0	65.4	68.5
GBP	1.25	1.28	0.49	0.50
CNY	7.08	7.10	4.34	4.55

Source: Jarden, Credit Suisse, Bloomberg

Asset Allocation May 2020

Based on the Asset Allocation discussion on pages 7-10, we have made a slight change to our Tactical Asset Allocation by reducing exposure to Global Equities by 1% and increasing exposure to New Zealand Equities by 1%. The Strategic Asset Allocation represents the average weighting over the long term (circa ten years or an entire economic cycle). The Tactical Asset Allocation represents a deviation from the Strategic Asset Allocation to take advantage of expected changes in asset class returns over the short term (say 6 months plus).



Introducing Wassim Kisirwani - Technology & Software Analyst

Key Takeaways

- A penchant for learning and variety has resulted in a career built on analysing emerging companies
- Wassim has been part of numerous companies building new businesses and is part of that again as Jarden's first Sydney based employee
- Perseverance, hard work and dedication are key attributes

Wassim joined Jarden in 2019 having spent the prior seven years at Deutsche Bank as Head of Emerging Companies Research in Sydney. Wassim still resides in Sydney and represents Jarden's first Sydney based employee.

To date, Wassim's career has been built on the back of emerging companies of which a large proportion are in the technology and software space. This was not necessarily by design. While at university he had a casual database maintenance job at Aspect Huntley (subsequently acquired by Morningstar) which after graduating from university morphed into a full-time assistant analyst position researching emerging companies. The sphere of emerging companies involves analysing companies with material promise and encompasses a wide variety of companies. Wassim is attracted to the constant learning that this entails. Recent research reports published by Wassim on Serko and Pushpay Holdings provide good examples of this.

The Beginnings

Wassim is a Sydneysider through and through. At school he had a well-rounded education enjoying English, maths, the sciences, and economics. While at Sydney University he narrowed his focus to economics and accounting, graduating with a Bachelor of Commerce. It was at university that his friends introduced him to the world of financial markets through investing with borrowed funds, and the rest is history.

In his mid-twenties he joined a small new broking firm, Veritas, as one of the founding employees. He and one other formed the research team. Being a small firm came with its challenges but gave a valuable lesson in the importance of perseverance. This added to what he learned from his parents while growing up, the benefits of hard work and being dedicated to what you do, which have shaped Wassim's approach to life.

Taking Stock

Exciting opportunity to join a newly established business with a strong backer

In 2008, Wassim decided to take stock of his life, which resulted in him getting married and spending six months travelling through South America, Asia and Europe. On returning to Australia the Commonwealth Bank of Australia (CBA) was in the process of diversifying its business by branching into equity capital markets. This created an exciting opportunity to join a newly established equities business with a strong backer in CBA. Unfortunately, as often happens when established companies branch out from their core business, the initial enthusiasm faded. Wassim saw the writing on the wall and left for greener pastures at Deutsche Bank a year before CBA got out of equity capital markets.

Tennis and golf take a back seat to family life

Outside of work Wassim is a keen sportsman. At school there are few sports that he did not have a go at. However, it was rugby league and basketball that he concentrated on. Although with a young family the demands of team sports have seen these pursuits give way to the more time-flexible pursuits of tennis and golf. However, even these take a back seat to family life which usually sees Wassim enjoying weekends in the great outdoors with his two young daughters and wife.

Seeking Income in a Low Interest Rate Environment

Key Takeaways

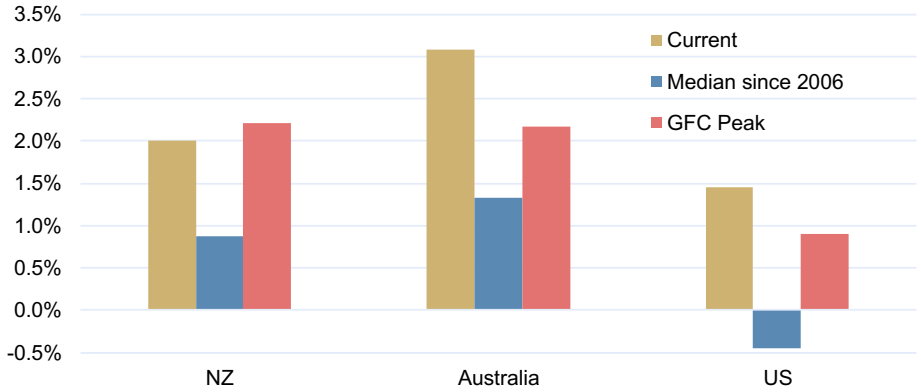
- Equities will likely play a pivotal role in income generation
- We list some companies which have a good prospect of maintaining dividend payments

In response to the COVID-19 crisis, central banks globally have implemented policies to materially reduce interest rates. This has resulted in a heightened focus on income generation as interest rates appear likely to remain lower for much longer than previously thought.

Investors will increasingly look to other asset classes for opportunities to generate income. Equities is one such asset class that is likely to play a major role in generating income. Currently, the difference between the average company net dividend yield and ten-year government interest rate is well above the historical average. In the case of Australia and the US the differential is above peak levels observed during the global financial crisis (GFC).

The Gap Between Dividend Yields and 10-Year Government Bond Interest Rates (%)

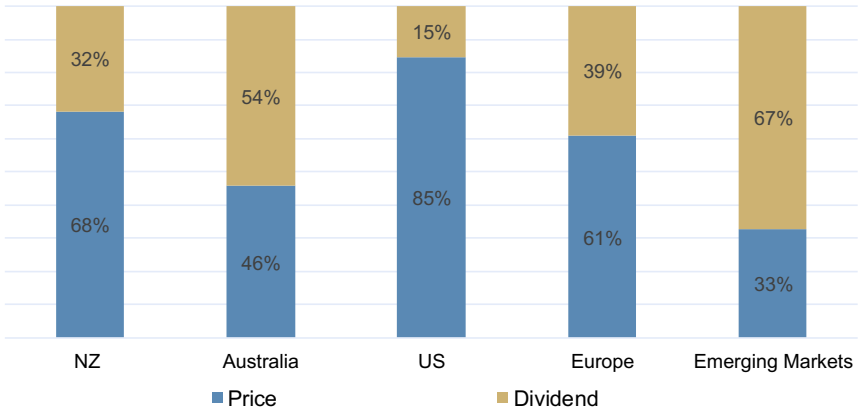
Source: Bloomberg, Jarden



Dividends have historically been an important source of investment return in New Zealand and Australia. Although this has had somewhat of an indirect impact on the New Zealand market in recent years, with returns mostly generated through price appreciation as lower interest rates have increased investor appetite for New Zealand's high dividend yielding companies, causing earnings multiples to expand. In contrast, while returns in the US have also been primarily price driven, it has been driven more by earnings growth.

Dividend Contribution to Equity Market Returns Over the Past 10 Years

Source: Bloomberg, Jarden



Potential drawbacks to equities as a source of income generation

While many dividend paying equities operate businesses that should be able to weather the recession brought about by the policies to control COVID-19 better than most, there are drawbacks to using equities to generate income relative to some other asset classes. This includes the uncertainty of how much income will be generated each year. While most companies like to maintain a stable or gradually increasing level of dividend payments, there is always the potential for companies to reduce or stop dividend payments when their business is stressed and profits are falling. Fixed-income securities,

on the other hand, make fixed income payments on specified dates except in the rare circumstances where the company defaults. In any case, fixed income interest payments are paid ahead of dividend payments.

Unlike interest payments which are contractually required to be paid, dividend payments are entirely optional. Consequently, in the past two months with the prospect of a sharp recession and falling earnings, a number of companies are unlikely to pay the level of dividends previously expected or, in many cases, no dividend at all in the coming months. Below is a list of some companies in New Zealand and Australia which have decided to defer, reduce or cancel dividend payments or have withdrawn future dividend guidance. Many companies are yet to comment on dividend payments.

Australasian Companies That Have Amended Dividends in 2020

Source: Jarden, UBS

New Zealand

Ticker	Company	Dividend Action Taken in 2020
AIA	Auckland Airport	Cancelled
AIR	Air New Zealand	Cancelled
APL	Asset Plus	Cancelled
AUG	Augusta Capital	Cancelled
FBU	Fletcher Building	Cancelled
FSF	Fonterra Shareholders' Fund	Cancelled
KMD	Kathmandu	Cancelled
KPG	Kiwi Property Group	Cancelled
STU	Steel & Tube	Cancelled
THL	Tourism Holdings	Cancelled
VGL	Vista Group International	Cancelled
WHS	The Warehouse Group	Cancelled
ZEL	Z Energy	Cancelled
MHJ	Michael Hill International	Deferred
SEK	Seeka Limited	Deferred
TRA	Turners Automotive	Deferred
PFI	Property for Industry	Guidance Removed
IFT	Infratil	Announcement Pending
SKC	SKYCITY Entertainment	Announcement Pending

Australia

Ticker	Company	Dividend Action Taken in 2020
FLT	Flight Centre	Cancelled
HVN	Harvey Norman	Cancelled
SWM	Seven West Media	Cancelled
SUL	Super Retail Group	Cancelled
URW	Unibail Rod West	Cancelled
BOQ	Bank of Queensland	Deferred
COH	Cochlear	Deferred
CTD	Corporate Travel Managemen	Deferred
CWN	Crown	Deferred
DOW	Downer EDI	Deferred
IVC	InvoCare	Deferred
NST	Northern Star Resources Ltd	Deferred
QAN	Qantas	Deferred
RWC	Reliance Worldwide	Deferred
SEK	Seek	Deferred
SGR	Star Entertainment Group	Deferred
WEB	Webjet	Deferred
AMP	AMP Limited	Guidance Removed
GPT	GPT Group	Guidance Removed
MGR	Mirvac Group	Guidance Removed
SCG	Scentre Group	Guidance Removed
SGP	Stockland Group	Guidance Removed
TCL	Transurban	Guidance Removed
VCX	Vicinity Centres	Guidance Removed

We prefer companies that have displayed a more resilient dividend profile

When looking for income opportunities within equities we prefer companies that have displayed a resilient dividend profile through the economic cycle. Key factors we consider include:

- A credible dividend payment history, of regular relatively stable dividend payments.
- A relatively stable earnings history – earnings that fluctuate significantly can put pressure on a company's ability to pay dividends.
- An assessment of the vulnerability of companies to the current operating environment given the impact of COVID-19, specifically operating leverage, debt levels and liquidity.

In the table below we provide a selection of companies that we believe have a good prospect of broadly maintaining their dividend payment profile over the medium term.

A Selection of Companies That Have a Good Prospect of Maintaining Dividend Payments

Source: Jarden, Credit Suisse

Ticker	Company	Dividend Per Share				Dividen Yield FY20 Forecast		
		FY19 Actual	FY20 Forecast	FY21 Forecast	2yr Annual Growth Forecast	Net Yield	Gross Yield (1)	Payout Ratio
New Zealand								
CNU	Chorus	0.23	0.24	0.25	4.3%	3.4%	4.7%	2.0
EBO	Ebos Group Limited	0.69	0.74	0.80	8.1%	3.4%	3.8%	0.7
IFT	Infratil	0.17	0.17	0.18	0.7%	3.8%	4.1%	1.5
MCY	Mercury NZ	0.16	0.16	0.16	1.2%	3.5%	4.8%	1.2
MEL	Meridian Energy	0.21	0.21	0.22	2.2%	4.5%	5.6%	1.7
SPK	Spark NZ	0.25	0.25	0.25	0.0%	5.5%	5.5%	1.1
TPW	TrustPower	0.34	0.34	0.35	0.7%	5.2%	6.6%	1.3
VCT	Vector	0.17	0.17	0.17	1.5%	4.8%	6.7%	1.3
Australia								
AMC	Amcor	0.46	0.45	0.49	3.8%	5.1%		0.7
APA	APA Group	0.47	0.50	0.52	5.2%	4.4%		1.8
ASX	ASX	2.24	2.38	2.31	1.6%	2.8%		0.9
MGR	Mirvac Group	0.12	0.12	0.13	4.1%	5.6%		0.8
SHL	Sonic Healthcare	0.84	0.71	0.87	1.8%	2.6%		0.7
WOW	Woolworths	1.02	1.02	1.08	2.9%	2.8%		0.7
Global								
BLK	BlackRock	13.20	14.52	14.67	5.4%	2.9%		0.6
0939	China Construction Bank	0.32	0.33	0.35	5.4%	5.9%		0.3
DGE	Diageo	0.69	0.72	0.78	6.5%	2.6%		0.6
1398	Industrial & Commercial Bank of China	0.26	0.27	0.28	3.6%	5.7%		0.3
JNJ	Johnson & Johnson	3.75	3.97	4.21	5.9%	2.6%		0.5
NESN	Nestle	2.70	2.86	3.03	6.0%	2.7%		0.7
NOVN	Novartis	3.05	3.23	3.43	6.1%	3.6%		0.6
PEP	PepsiCo	3.77	3.96	4.24	6.0%	2.9%		0.7
PG	Procter & Gamble	2.85	2.97	3.15	5.1%	2.5%		0.6
ROG	Roche	9.00	9.30	9.50	2.7%	2.7%		0.5
SIEGn	Siemens	3.90	4.20	4.40	6.2%	5.1%		0.7
2330	Taiwan Semiconductor	10.00	10.00	11.00	4.9%	3.4%		0.6
KO	The Coca-Cola Company	1.59	1.68	1.78	6.0%	3.6%		0.9

We note that new issues relating to COVID-19 restrictions are still emerging, which can materially impact the outlook for different companies. Therefore, we acknowledge the greater degree of uncertainty attached to forecast earnings and dividends. Consequently, portfolio construction is as important as ever in the current environment and that means maintaining appropriate portfolio diversification.

Navigating a Challenging Outlook

Share prices as at 30 April 2020

Recent years have bought about significant changes across the corporate landscape. Old businesses have had to change, while new businesses have emerged. COVID-19 will probably accelerate change for several companies as consumer and business behaviour changes, especially if the core business was already experiencing structural headwinds. We explore some 'traditional' industries and companies where change is creating a challenging operating environment.

Tectonic Shift in Media and Entertainment

The past ...

And the future

Media is going through a huge transformation across all parts of the value chain. This is being driven by technology and associated social change, where media channels are becoming more fragmented and the consumer more empowered.

NZME (NZM.NZ)

Price $0.22 Rating: Restricted

The demise of print media has put pressure on NZME's publishing business. A benign radio industry is helpful. NZME is pursuing new initiatives with a digital focus but the earnings outlook remains challenging for advertising revenue.

Nine Entertainment (NEC.AU)

Price A$1.40 Rating: Outperform

Nine is a leading Australian free-to-air television (TV) and entertainment company with TV contributing most earnings. The TV ad market continues to shrink as TV competes for the same viewers/revenues with new forms of media.

Sky Network TV (SKT.NZ)

Price $0.29 Rating: Neutral

Sky's once dominant pay-TV business has been eroded by internet TV, which has greater flexibility, smaller packages of content and a perception of better value for money. Sky is attempting to reinvent its platform to better satisfy customer demand with a sport focus. This will come at a cost, with the outcome uncertain.

Changing Energy Demand

The past ...

And the future

The global transition to a more secure, sustainable and affordable energy system is bringing about change. Policymakers, industry and society are driving change in response to supply/demand shifts, innovation and environmental concerns.

NZ Refining (NZR.NZ)

Price $0.92 Rating: Outperform

NZR is being challenged by low refining margins and oversupply causing further import competition. Despite continued investment, it has been unable to achieve acceptable returns and has now launched a strategic review. With the status quo being the only option not on the table, significant change is expected.

Z Energy (ZEL.NZ)

Price $3.13 Rating: Neutral

Incumbent retail fuel distributors have come under pressure due to lower fuel margins and increased competition, especially from low-cost independent operators. While electric vehicles also threaten these businesses, it will take some time to have a material impact.

White Haven Coal (WHC.AU)

Price A$1.79 Rating: Outperform

While there will be demand for coal for many years to come, demand is diminishing. In particular, it is being displaced by gas for electricity generation. Furthermore, technological advancements are continually making renewable generation options, specifically wind and solar, more economical.

Schlumberger (SLB.US)

Price US$18.20 Rating: Neutral

Schlumberger is the largest global oil and gas services provider. With oil prices still below the cash breakeven point for many oil and gas companies, we believe their business will take many quarters to recover as uneconomic projects are cut.

Shifting Consumer Habits

The past ...

And the future

Consumer habits continue to evolve with retailers across the globe competing for a smaller slice of consumers attention. This, combined with the onset of COVID-19 restrictions, is forcing many companies to introduce new ways to engage with customers.

The Warehouse (WHS.NZ)

Price $2.15 Rating: Neutral

The Warehouse faces multiple headwinds with sales under pressure from new competitors and online retail It is challenged by a business model with limited pricing power and the need to maintain a significant store base. In response, it is continually looking to lower its cost base to protect profit margins, while investing heavily in its digital offering.

Scentre Group (SCG.AU)

Price A$2.29 Rating: Outperform

Scentre owns the largest and arguably highest quality retail property portfolio in Australasia. However, in common with other retail property owners', structural headwinds from online shopping are challenging its higher value specialty 'bricks and mortar' tenants. Consequently, Scentre's strategy is to integrate fashion, food, leisure and entertainment experiences to attract customers.

Carnival Corporation (CCL.US)

Price US$16.68 Rating from UBS: Neutral

Carnival is one of the largest cruise ship operators in the world. Recent COVID-19 outbreaks aboard cruise ships highlight a new risk associated with cruise ship holidays. We believe Carnival will face issues bringing back passenger demand in the coming years. Although the bad memories of the COVID-19 outbreak will eventually fade, Carnival will see sharp earnings decline and may need to write down the value of its ships in the near-term.

Finding Exposure to Emerging Growth Trends

Share prices as at 30 April 2020

There is no doubt COVID-19 is challenging the status quo and conventional thinking across many industries. However, there are numerous underlying growth trends that should continue to support certain companies and industries over the medium to long term. Below we have identified a selection of companies that we believe are well positioned to take advantage of emerging growth trends.

New Zealand Companies

A2 Milk Company (ATM)

Price $19.77 Rating: Neutral

A2 is in a unique position in that it has a differentiated, premium brand that is well regarded, yet underpenetrated in the largest and most profitable infant milk formula (IMF) market globally, China. A2 is expected to continue taking market share in China (currently around 7%), reflecting its brand strength with Chinese consumers, under penetration of Tier 2-5 cities and expansion into new products. The underlying market should continue to grow as Asian dairy consumption per capita rises.

Eroad (ERD)

Price $2.71 Rating: Outperform

Eroad provides a highly secure and accurate service for managing and paying road user charges. It also provides several other regulatory functions and commercial services for truck and fleet operators which have obtained regulatory approval in NZ and Oregon. This places Eroad in a strong position to capitalise on other jurisdictions (US and Australia) potentially moving to weight distance charging for heavy vehicles.

Fisher & Paykel Healthcare (FPH)

Price $27.44 Rating: Underperform

FPH manufactures healthcare products for hospital respiratory and acute care, and obstructive sleep apnoea (OSA). FPH's opportunities are fundamentally supported by healthcare spending growth of around 5% pa in developed countries. In addition, the respiratory and acute care market is helped by new applications for humidity-related treatments across hospitals, while growth in OSA is driven by worsening obesity trends and improved diagnosis rates through home testing.

Freightways (FRE)

Price $6.67 Rating: Neutral

Freightways is the number one player by market share (currently around 40%) and industry profitability in the Express Package market. Demand growth is underpinned by the E-commerce revolution, specifically inventory management systems increasing same-day delivery, domestic economic growth supporting business-to-business deliveries and consumer expenditure, and adoption of online shopping driving business-to-consumer deliveries. Consequently, the Express Package industry is expected to continue growing above New Zealand's economic growth.

Infratil (IFT)

Price $4.60 Rating: Outperform

Infratil owns a diversified portfolio of assets, including some very attractive growth opportunities. Its investment in Canberra Data Centres (CDC) offers exposure to multiple technological structural thematics, including the greater outsourcing of data, continued digitisation, increased cloud adoption and workloads from artificial intelligence, machine learning and Internet of Things, and consumer driven growth in streaming content. Infratil also has exposure to environmental change through the promotion of renewable energy, where its investments in Tilt Renewables and Longroad Energy focus on new wind and solar power generation projects.

Serko (SKO)

Price $2.60 Rating: Outperform

Serko is a leading provider of corporate travel booking software. Its online booking tools should experience increased adoption as they are lower cost than manual alternatives and can better integrate with company-specific travel guidelines (cost and safety parameters). Serko's expanded agreement with Booking.com is potentially transformational, providing a strong validation of the technology and accelerating expansion into the global small and medium sized enterprise travel market.

Tilt Renewables (TLT)

Price $3.20 Rating: Neutral

Decarbonisation of Australia's electricity market will continue over the next 20-30 years, as coal fired power stations reach 'end of life' and are replaced by lower cost renewable generation such as wind and solar. Tilt has a large portfolio of existing wind assets and prospective wind and solar development opportunities in Australia and New Zealand. Nearly all of Tilt's revenue from existing assets is set by Power Purchase Agreements (PPA) under long-term contracts. This provides a stable earnings base and flexibility to respond aggressively to development opportunities.

Australian Companies

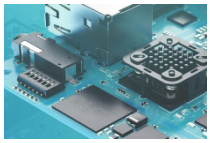
Afterpay (APT)

Price A$31.01 Rating: n/a

The buy now, pay later space is a relatively new and rapidly growing segment within the payments space. Afterpay offers interest and fee-free loans to customers to pay for purchases over four equal fortnightly instalments. Afterpay monetises its service through merchant and late payment fees.

Altium (ALU)

Price A$33.99 Rating from UBS: Buy



Altium creates software that focuses on electronic design systems for 3D printed circuit boards (PCBs). Altium is exposed to the trend towards increased electronic componentry in manufactured goods such as cars, household appliances, and gadgets, which require PCBs to operate. Altium's operating momentum suggests PCB design market dominance is more realistic than previously thought.

Appen (APX)

Price A$25.77 Rating from UBS: Buy

Appen is a global leader in the development of high-quality, human annotated data sets for machine learning applications. It operates two divisions; Content Relevance which provides annotated data for search technology and Language Resources which provides speech data. The growth in Artificial Intelligence (AI) applications and mass adoption of AI powered devices is expected to underpin requirements for training data over the medium to long-term.

CSL (CSL)

Price A$313.33 Rating: Outperform

CSL is a global biotechnology company that develops, manufactures and markets innovative therapies derived from blood plasma that help people with life-threatening medical conditions. CSL also has a flu vaccine business which is a major contributor to the prevention of influenza globally through egg-based and cell-based manufactured vaccines.

Freedom Foods Group (FNP)

Price A$4.35 Rating from UBS: Buy

Freedom is a vertically integrated manufacturer of UHT dairy and plant-based beverages, and healthy cereals and snacks. Its key markets are Australia (estimated 38% market share in 2018) and South-east Asia. It should benefit from trends towards healthier eating as well as increased dairy consumption in China. Freedom is also an emerging player in the sports nutrition and infant formula industries.

NextDC (NXT)

Price A$8.84Rating from UBS: Buy

NextDC is a datacentre operator similar to CDC. However, it has Australia's only national footprint with seven data centres across the major Australian cities. As a result, NextDC's network benefits from the growing importance of interconnectivity within data centre ecosystems. With significant operating leverage from increasing capacity utilisation, returns should exhibit strong growth in the medium term.

Resmed (RMD)

Price A$23.52 Rating: Outperform

While Resmed has similarities to Fisher & Paykel Healthcare, it is a much larger and more diversified business. Resmed has excelled is in diagnostic products that record patient data for analysis by a sleep specialist who can tailor appropriate treatment. These products functionality also enables the resupply of accessories which wear out to occur automatically.

Xero (XRO)

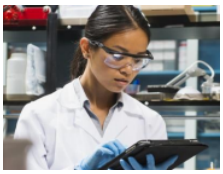
Price A$79.56 Rating: Outperform

Xero provides online accounting and business management solutions designed for small businesses, accountants, and bookkeepers. The small business accounting software market is undergoing a period of significant change as traditional desktop products are replaced by easier to use, cheaper cloud-based systems. Consequently, more of Xero's customers are expected to use cloud services.

Global Companies

3M (MMM.US)

Price US$156.25 Rating: Outperform



3M is a large conglomerate specialising in manufacturing high quality and innovative products for the automotive, healthcare, industrial and consumer sectors. The company's highly profitable healthcare segment produces protective gear for medical workers that is often considered to be the industry's gold standard. As a result of the COVID-19 outbreak, demand for its protective gears has increased dramatically. We believe demand will last much longer than the outbreak because governments around the world will strategically build stocks of protective healthcare equipment, thus benefiting companies like 3M.

Alphabet (GOOGL.US)

Price US$1,342 Rating: Outperform

Alphabet owns the largest internet search engine (i.e. Google) in the world. In recent years, the company has faced various regulatory headwinds in areas concerning data privacy and anti-competitive practices. Alphabet appears to have moved on having paid huge fines which depressed its profit. The lockdown measures imposed by many countries have highlighted the potential of a digital economy. Alphabet is well-positioned in online advertising and cloud computing, which will become an increasingly important part of the global economy in future.

Samsung Electronics (005930.KS)

Price W$50,000 Rating: Outperform

Samsung is the largest cell phone and one of the largest memory chip makers in the world. We expect Samsung to benefit from the structural shift of many telecommunication operations to a mobile format using 5G technology. The company's memory chip business should also benefit from higher data consumption. This is not only due to the current work from home arrangements, but also higher internet penetration in developing countries and the adoption of cloud computing.

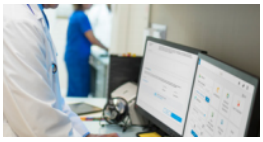
Schneider Electric (SCHN.PA)

Price €86.34 Rating: Outperform

Schneider is one of the world's largest electrical equipment, energy management and industrial automation companies. Schneider stands to benefit from higher demand for energy efficient equipment through more digitalisation and automation. Global electricity consumption is expected to grow twice as fast as other forms of energy demand in the next decade. Furthermore, Schneider has a meaningful competitive edge in renewable energy which represents a growing share of electricity generation capacity. Given Schneider's strong competitive position and structural tailwinds it should continue to generate strong returns for some time.

UnitedHealth Group (UNH.US)

Price US$287.39 Rating: Outperform



UnitedHealth is the largest medical insurance and technology company in the US serving more than 45 million Americans through private and government-sponsored plans. Interest in its medical enterprise resources planning (ERP) suite, Optum, which helps companies to seamlessly run healthcare facilities, keep patient records and manage treatments, has been growing rapidly. While the COVID-19 outbreak may increase insurance claims and reduce profitability in the near-term, the impact should be limited because of its ability to reprice its insurance policies regularly. Longer-term, it may even prompt more consumers to sign up for private medical insurance.

United Pacific (UNP.US)

Price US$163.13 Rating: Outperform

Founded in 1862 Union Pacific owns and runs the second largest US railway network connecting 23 states in the western part of the US. Through a network of 32,200 route miles and 7,700 locomotives, the company efficiently serves more than 10,000 corporate customers. As US states gradually remove lockdown measures, we believe Union Pacific will be a key beneficiary as the volume of cargo increases along with the recovery of business activities. Being part of the US railway duopoly, the company has consistently delivered a remarkable level of profitability.

New Zealand Equities

Valuation Metrics and Ratings

As at 30 April 2020

Security Issuer Name

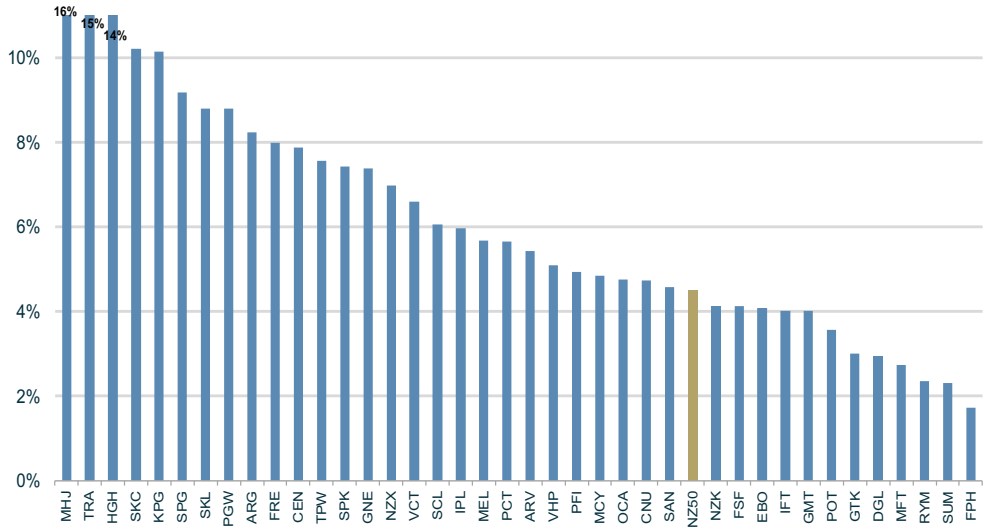
AFT	AFT Pharamaceuticals
AIA	Auckland Airport
AIR	Air NZ
ARG	Argosy Property
ARV	Arvida
ATM	A2 Milk
CEN	Contact Energy
CNU	Chorus
CVT	Comvita
DGL	Delegat Group
EBO	EBOS Group
ERD	EROAD
FBU	Fletcher Building
FPH	Fisher & Paykel
FRE	Freightways
FSF	Fonterra
GMT	Goodman Property
GNE	Genesis Energy
GTK	Gentrack
HGH	Heartland Bank
IFT	Infratil
IPL	Investore Property
KPG	Kiwi Property Group
MCY	Mercury NZ
MEL	Meridian Energy
MFT	Mainfreight
MHJ	Michael Hill International
MPG	Metro Performance Glass
NZK	NZ King Salmon
NZR	NZ Refining
NZX	NZX
OCA	Oceania Healthcare
PCT	Precinct Properties
PFI	Property for Industry
PGW	PGG Wrightson
POT	Port of Tauranga
PPH	Pushpay Holdings
RBD	Restaurant Brands
RYM	Ryman Healthcare
SAN	Sanford
SCL	Scales Corporation
SEK	Seeka
SKC	SkyCity
SKL	Skellerup
SKO	Serko
SKT	Sky Network TV
SML	Synlait Milk
SPG	Stride Property
SPK	Spark NZ
STU	Steel & Tube
SUM	Summerset
THL	Tourism Holdings
TLT	Tilt Renewables
TPW	Trustpower
TRA	Turners
VCT	Vector
VGL	Vista Group International
VHP	Vital Healthcare Property
WHS	Warehouse Group
ZEL	Z Energy

NZ50 NZ Equity Market

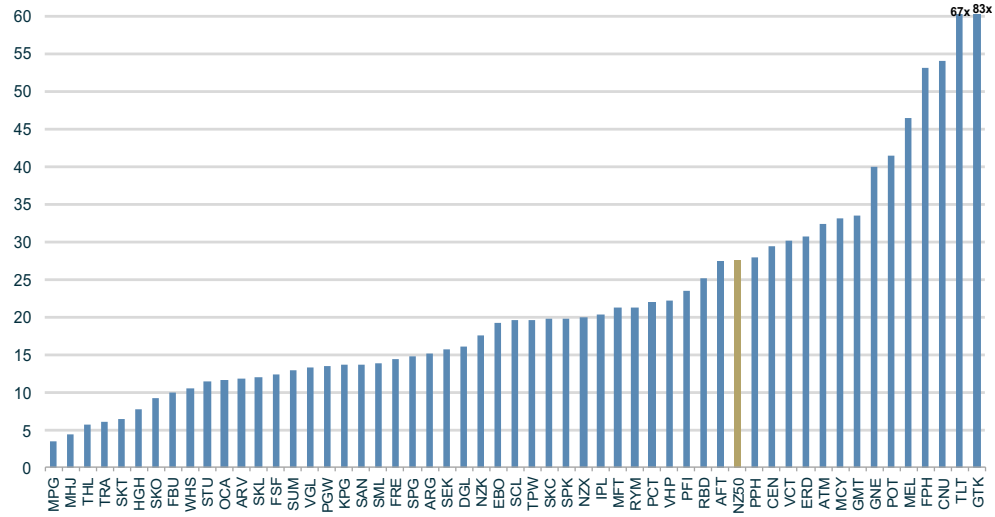
Source: Jarden

The P/E ratios and Gross Dividend Yield use earnings and dividends forecasts for the next 12 months

Gross Dividend Yield %



P/E Ratio x



Underperform			Neutral			Outperform		
	FPH	DGL	AIR	AIA	EBO	AFT	ERD	SKO
	MEL	GMT	ARG	ATM	FRE	CEN	IFT	
	PFI	GNE	ARV	CNU	FSF	MHJ	SAN	
	PGW	IPL	HGH	CVT	MFT	MPG	SEK	
	POT	KPG	OCA	FBU	NZK	NZR		
	RBD	MCY	PCT	GTK	SCL	SML		
	RYM	TPW	SKT	NZX	SKL	THL		
		VCT	SKC	PPH	SPK	TRA		
			STU	SPG	TLT	VGL		
			WHS	SUM		ZEL		
				VHP				

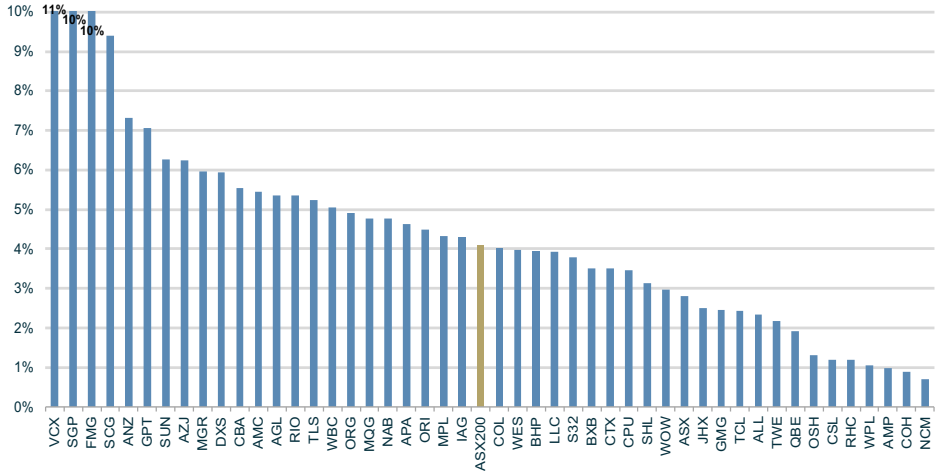
Australian Equities
Valuation Metrics and Ratings

As at 30 April 2020

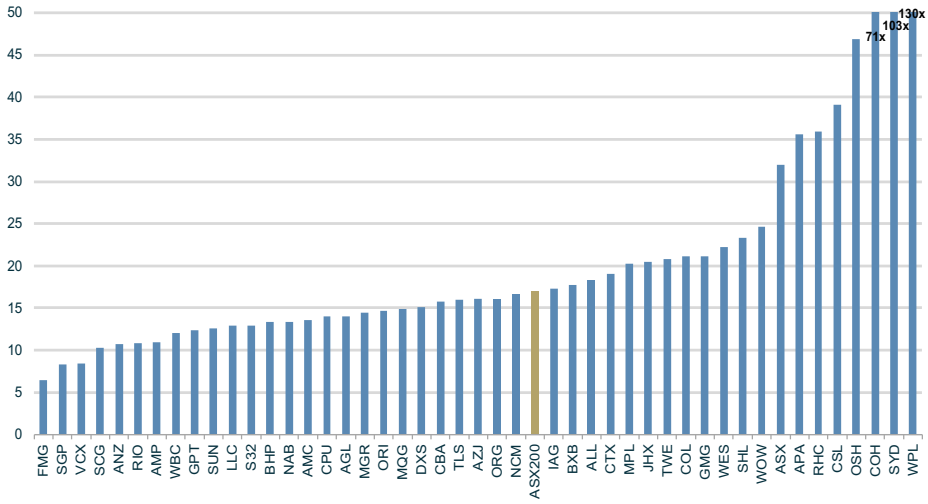
Security Issuer Name

AGL	AGL Energy
ALL	Aristocrat Leisure
AMC	Amcor
AMP	AMP Limited
ANZ	ANZ Banking Group
APA	APA Group
ASX	ASX
AZJ	Aurizon
BHP	BHP Group Limited
BXB	Brambles
CBA	Commonwealth Bank
COH	Cochlear
COL	Coles Group Limited
CPU	Computershare
CSL	CSL Ltd
CTX	Caltex Australia
DXS	Dexus
FMG	Fortescue Metals Group
GMG	Goodman Group
GPT	GPT Group
IAG	Insurance Australia Group
JHX	James Hardie Industries
LLC	Lend Lease
MGR	Mirvac Group
MPL	Medibank Private Limited
MQG	Macquarie Group
NAB	National Australia Bank
NCM	Newcrest Mining
ORG	Origin Energy
ORI	Orica
OSH	Oil Search
QAN	Qantas
QBE	QBE Insurance Group
RHC	Ramsay Health Care
RIO	Rio Tinto
S32	South 32
SCG	Scentre Group
SGP	Stockland Group
SHL	Sonic Healthcare
SUN	Suncorp Group Limited
SYD	Sydney Airport
TCL	Transurban
TLS	Telstra Corporation
TWE	Treasury Wine
VCX	Vicinity Centres
WBC	Westpac
WES	Wesfarmers
WOW	Woolworths
WPL	Woodside Petroleum

Cash Dividend Yield %



P/E Ratio x



ASX200 Australian Equity Market

Source: Credit Suisse, Bloomberg. The P/E ratios and Dividend Yield use earnings and dividends forecasts for the next 12 months

Underperform			Neutral			Outperform		
	QAN	AGL	ASX	APA	CBA	AMP	ALL	
	SYD	RIO	CPU	COH	FMG	ANZ	AMC	
		TCL	NCM	CTX	ORI	BHP	AZJ	
			TWE	GMG	WOW	COL	BXB	
				GPT		CSL	LLC	
				IAG		DXS	RHC	
				JHX		MGR	TLS	
				ORG		MPL		
				OSH		MQG		
				SGP		NAB		
				SUN		QBE		
				VCX		S32		
				WES		SCG		
						SHL		
						WBC		
						WPL		

Global Equities

Valuation Metrics and Ratings

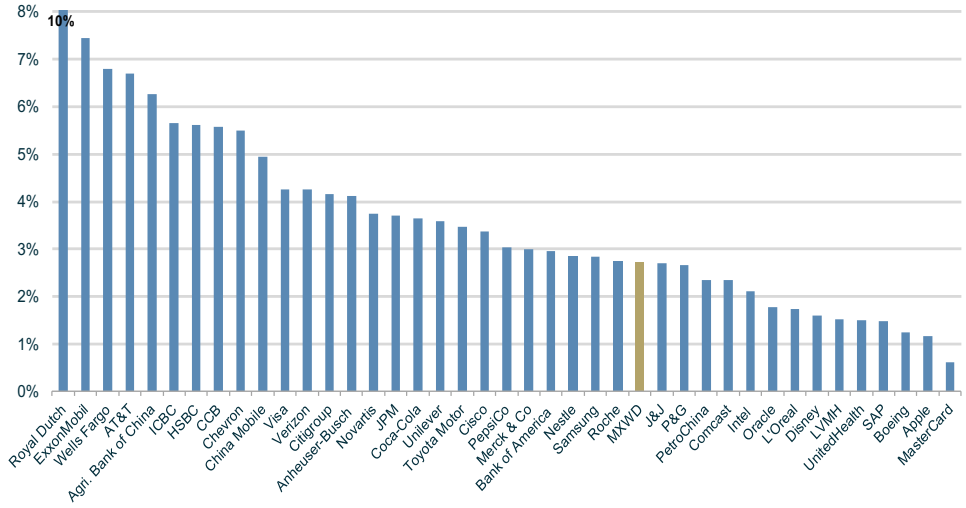
Security	Issuer Name
0857.HK	PetroChina
0939.HK	CCB
1288.HK	Agri. Bank of China
1398.HK	ICBC
5930.KS	Samsung
700.HK	Tencent
7203.JP	Toyota Motor
941.HK	China Mobile
AAPL.US	Apple
ABI.BB	Anheuser-Busch
AMZN.US	Amazon
BA.US	Boeing
BABA.US	Alibaba Group
BAC.US	Bank of America
C.US	Citigroup
CMCSA.US	Comcast
CSCO.US	Cisco
CVX.US	Chevron
DIS.US	Disney
FB.US	Facebook
GOOGL.US	Alphabet
HD.US	Home Depot
HSBA.LN	HSBC
INTC.US	Intel
JNJ.US	J&J
JPM.US	JPM
KO.US	Coca-Cola
MA.US	MasterCard
MC.FR	LVMH
MRK.US	Merck & Co*
MSFT.US	Microsoft
NESN.SW	Nestle
NOVN.SW	Novartis
OR.FR	L'Oreal
ORCL.US	Oracle
PEP.US	PepsiCo
PG.US	P&G
RDSA.LN	Royal Dutch
ROG.SW	Roche
SAP.GE	SAP
T.US	AT&T
ULVR.LN	Unilever
UNH.US	UnitedHealth
V.US	Visa
VZ.US	Verizon
WFC.US	Wells Fargo
WMT.US	Walmart
XOM.US	ExxonMobil
MXWD	**MSCI ACWI Index**

*MRK.US is not covered by Credit Suisse therefore consensus estimates used.

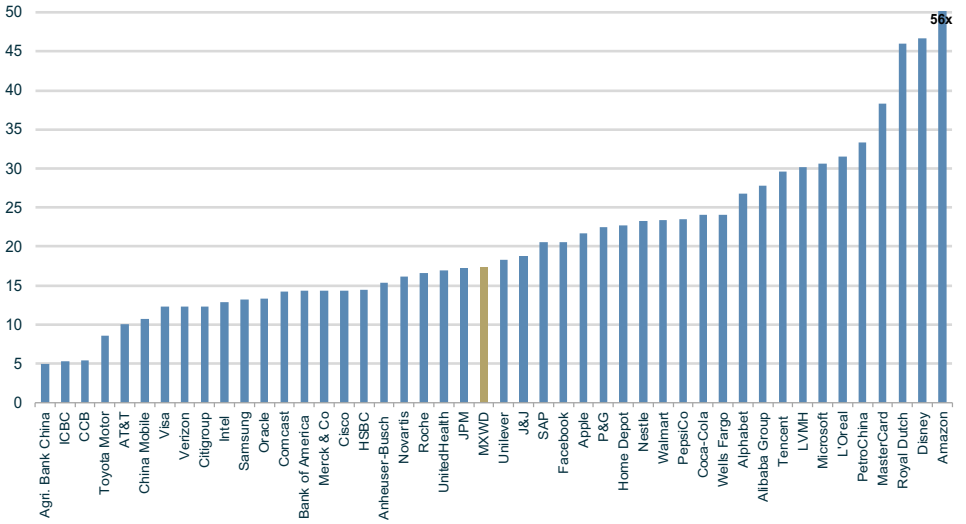
Source: Credit Suisse, Bloomberg. The P/E ratios and Dividend Yield use earnings and dividends forecasts for the next 12 months

As at 30 April 2020

Cash Dividend Yield %



P/E Ratio x



Underperform			Neutral			Outperform		
			Apple	AT&T	Anheuser	Chevron	ABC	Alibaba Group
			Cisco	Disney	Boeing	Home Depot	Alphabet	B. of America
			ExxonMobil	P&G	HSBC	J&J	Amazon	Citigroup
			L'Oreal	Roche	Novartis	LVMH	CCB	Coca-Cola
			Nestle	Verizon	Toyota	Oracle	China Mobile	Comcast
			PetroChina	Visa	Wells Fargo	PepsiCo	ICBC	Facebook
						SAP	MasterCard	Intel
						Tencent	Microsoft	JPM
						Walmart	Unilever	Royal Dutch
							UnitedHealth	Samsung

NZ Debt Securities – Prices Down Interest Rates Up

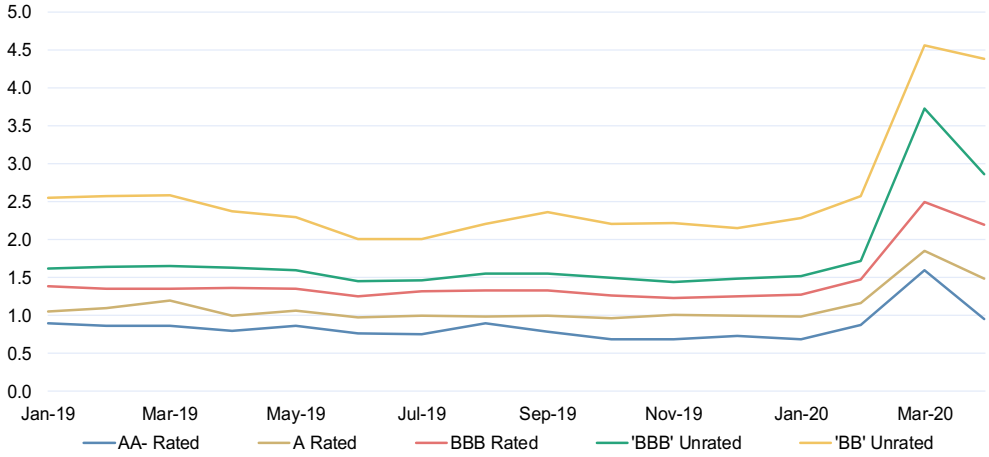
Key Takeaways

- Debt securities largely played their role during March, although not all performed as expected
- The lack of liquidity in March was concerning
- With disruption comes opportunity

In March, the volatility in financial markets was at times extreme. However, the New Zealand debt market performed relatively well, with the fall in debt security prices largely being offset by interest income accrued over the month, producing a modest negative 0.7% return. The decline in debt security prices correlated with weaker equity prices. Both higher and lower quality corporate debt securities fell in price as the interest rates at which they trade rose due to a widening of the margin above benchmark interest rates. Benchmark interest rates declined, but the decline was not enough to offset the wider margin.

Margin Between NZ Corporate and Benchmark Interest Rates (%)

Source: Refinitiv, Jarden



Certain segments of the debt market were hurt more than others. Specifically, debt securities of companies impacted by travel restrictions, lockdown measures and the prospect of an economic downturn. Given the historically low interest rates pre-COVID-19, higher quality debt securities were less effective at insulating diversified portfolios against negative returns than might have been expected in a market shock.

Return on Capital vs Return of Capital

The investment return from a debt security comes in two forms

The investment return from a debt security comes in two forms. Firstly, the return on capital, which is the regular coupon (interest) payments received from the issuer during the term of the security. Secondly, the return of capital, which occurs when the debt security reaches maturity and the investor receives back the initial amount loaned (the principal). It is the interaction of these two components that ultimately determines the investment return earned by an investor during the debt security's life.

The focus is on the issuers ability to make payments when they fall due

In times of severe financial stress, it is important for investors to be aware that the return of capital component typically dominates the return on capital component within the debt security's total return. Consequently, when businesses are suddenly facing the prospect of a recession, or suspending much of their activities due to lockdowns, the focus is on the issuers ability to continue making all payments when they fall due, and the options available to mitigate the pressures. Specifically, we look to the company's balance sheet, available liquidity and operating leverage to determine how vulnerable they are. Given how quickly the outlook can change highlights the need to spread debt portfolio risk across a range of issuers and industries. This minimises the impact on the portfolio of a company or group of similar companies not paying coupons or repaying their debt when due and in full.

When Liquidity Dries Up

When liquidity dries up it becomes very hard to sell debt securities

In a liquid market it is possible to buy and sell a reasonable quantity of a debt security without materially altering the price (interest rate) at which it has been trading. When liquidity dries up, as it did when financial markets were at peak stress in mid-March, it becomes very hard to sell debt securities. In March, offshore investors were largely absent, creating additional pressure on local liquidity providers (banks) who struggled to offload debt securities in their trading portfolios. Some banks were quoting interest rates at which they would buy debt securities at 1.0% above where they would sell the same debt security, compared to 0.05%-0.10% under normal conditions. Many unrated debt securities had no buyers. This highlights the need to maintain adequate liquidity (cash) within portfolios to avoid having to sell debt securities at inopportune times when prices are highly unattractive.

Some Debt Securities Experienced Equity-like Corrections

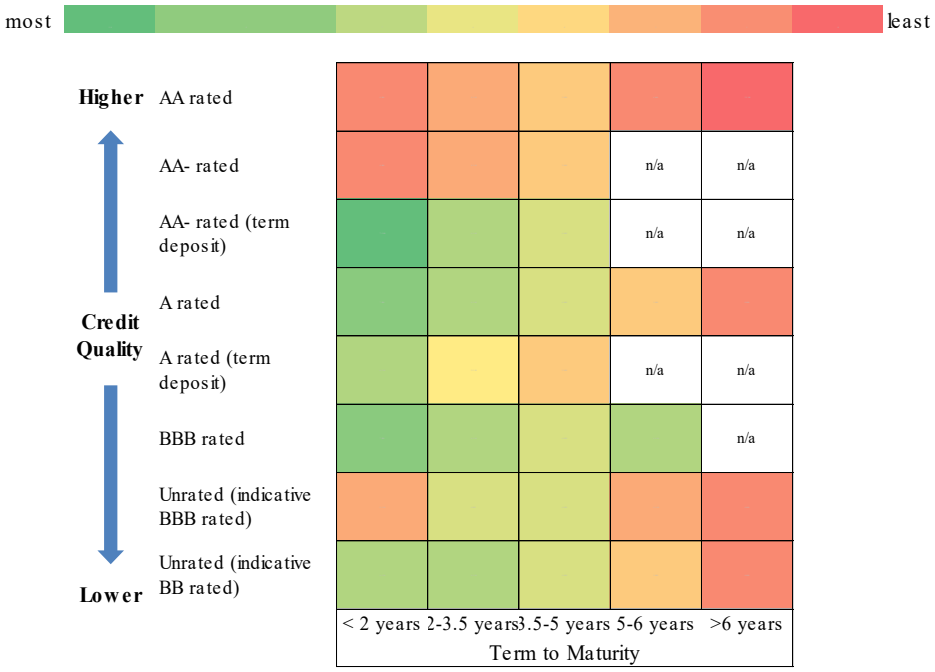
A large rise in interest rates, resulted in unusually high negative returns

As mentioned above, some debt securities experienced a large increase in interest rate margins, resulting in unusually high negative returns in March. Examples include Wellington International Airport (down 8-10%), Heartland Bank (down 5-6%), Sky City (down 12%), NZ Refining (down 10%) and Sky Television (down 35%, reflecting the challenges Sky Television faced going into COVID-19). In some cases, these corrections provided opportunities for investors to take advantage of higher interest rates.

NZ Debt Security Opportunities

Debt Securities Preferences

Source: Jarden



The debt market upheaval has created investment opportunities. We believe the higher interest rates on offer from some investment grade debt securities will subside over the medium term as the economy recovers and/or companies' financial positions are bolstered. As always, debt portfolios should remain appropriately structured, keeping within portfolio parameters set around credit risk, term structure and issuer concentration. The heat map, highlights what we believe represent the best (green) and worst (red) value debt securities in New Zealand. For specific security recommendations, contact your Jarden adviser.

Property – A Slow Decline

Key Takeaways

- Higher unemployment and lower household incomes will adversely impact property investments
- Retail property is expected to be worst affected and industrial property the least
- Quality properties are expected to fare much better
- Property valuations may take time to adjust as sales evidence evaporates

Despite being less risky than equities, property will not escape the economic impact of the measures to combat COVID-19. Based on past recessions all property will be adversely affected – increased vacancy, lower rents and, despite benchmark interest rates falling, the capitalisation rates used to value properties are likely to rise.

The Pressure of Higher Unemployment

As noted previously under the Treasury's scenario, which appears to be unfolding, the unemployment rate lifts from 4% to 13.5% in the June 2020 quarter before falling to 8.5% a year later. Although with an additional $20 billion of fiscal stimulus this reduces to 8.5% and 5.5% respectively.

A rise in unemployment is associated with a drop in demand for office space. The saving grace being office property occupancy rates are currently high. The potential for a greater proportion of office workers to work from home is a longer-term issue for office landlords to contend with.

Rising unemployment is also associated with lower average household incomes, which adversely impacts retail spending, particularly discretionary retail spending. In a period of rising and high unemployment many of those in work tend to spend less and save more, due to the fear of becoming unemployed. Furthermore, while shopping is essentially a recreational activity for many, the steady growth of on-line shopping remains an ongoing pressure for retailers operating physical stores. However, not all retail property will be affected equally. Shopping malls are likely to be more affected than supermarkets and power centres. The latter being the domain of large retail chains with large format stores, such as Briscoes and Harvey Norman. This reflects the rent of specialty retailers in shopping malls being a much larger proportion of revenue (as much as five times) than those of supermarkets and power centre tenants. Consequently, when their revenue falls the rental spend has a much bigger impact on their profitability, resulting in pressure on shopping mall landlords to reduce rent materially. Furthermore, shopping malls have a much more diverse tenant mix, with many smaller tenants that do not have the financial resilience of many larger operators.

Industrial property does not escape either as demand for space declines. However, historically industrial property has been more resilient as rents are typically a smaller proportion of a tenant's revenue and industrial space is typically more flexible in the range of tenants that can use it. Furthermore, current occupancy rates are high and growth in on-line shopping is creating additional demand for industrial property.

Depreciation claims on commercial and industrial buildings have been reinstated for tax purposes

The reinstatement of depreciation claims on commercial and industrial buildings for tax purposes from April 2020 is expected to increase the available funds from operations for listed property companies by around 7%, providing a welcome offset to any drop in rental income.

Rents collected during 2020 will likely be adversely impacted by concessions given to retain tenants during the period where they have not been able to use their premises. Due to the uncertain impact of COVID-19 control measures on tenant's businesses, rents will take time to reset. In some cases, tenants will be able to negotiate rent reductions due to the adverse impact that the slower economic environment and control measures are having on their businesses. In other situations, existing rents will continue to be paid for the term of the lease, but on renewal lower rents may be negotiated. New tenants may be able to negotiate rent free periods for the initial lease period and/or landlord contributions to cost of fitting out their premises.

Property Sales Tank

Transacting property will become harder if credit becomes harder to find

The number of properties sold is likely to drop substantially as vendors and purchasers take time to determine a fair price. Some current property transactions may fail to settle, leaving vendors holding properties that they do not want. This process is not going to be made any easier if credit becomes harder to find as banks take a more conservative approach to lending in reaction to pressure on their profits and balance sheets as bad debts rise. No doubt there will be some bargains to be had where property owners are forced to sell as they can no longer service their mortgages.

Quality is Key

Quality properties are easier to lease

As in previous economic downturns property quality will be key - both in terms of being in a good location, and having the characteristics that tenants want. As we have seen in previous downturns, while better quality properties will face downward pressure on rents, they will be easier to lease as they possess the attributes tenants typically want. Consequently, they should face less vacancy than lower quality property. In terms of protecting the value of a property the quality of the tenant and having a longer lease term should not be underestimated. The combination of a high-quality tenant who will continue to pay for a long period of time is highly desirable.

Property Valuations

Historically property valuers have typically taken several years to reset valuations to values from which they start to rise again, although occasionally an early step change in valuation removes the need for future changes. Typically, the floor in valuations coincides with the trough in property occupancy. Listed property share prices have fallen. However, on average they remain above the most recent net tangible assets. Net tangible assets should fall as property valuers' valuations are reviewed.

The Median Listed Property Price to Net Tangible Assets Ratio Hovers Above 1

Source: Bloomberg, company data, Jarden

Property Development

Developments that are not fully leased pose the greatest risk

Property developments that are currently under construction will in most circumstances be completed. Due to social distancing requirements and delays in completion the cost of these developments will likely rise, adversely impacting the development's investment return. Developments that are not yet fully leased pose the greatest risk, as it is likely to be more difficult to get tenants, and where tenants can be secured the level of rent may well fall below expected levels. Developments currently in the planning stage are likely to be shelved pending reassessment of their viability.

The two listed property companies that we would expect to be least affected by the downturn are Investor Property Group and Goodman Property Trust. At the time of writing Jarden's property analyst is completing a full review of the sector.

Greenback Down, Kiwi Up

Key Takeaways

- A combination of factors should see the US dollar weaken
- Meanwhile local factors should support the New Zealand dollar

After declining from the start of this year, including sharp falls in early to mid-March, the New Zealand dollar has stabilised in recent weeks. A combination of improving risk sentiment in financial markets and solid New Zealand terms of trade have helped underpin our currency recently.

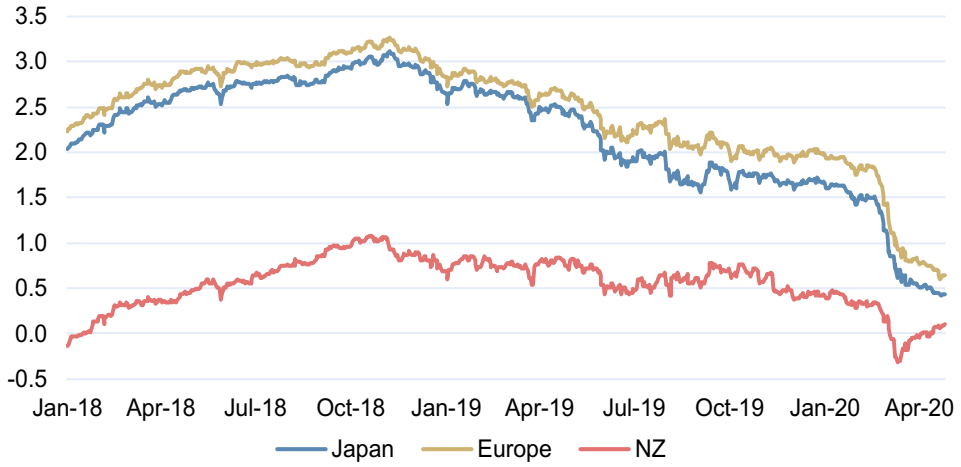
It is difficult to predict where the New Zealand dollar might head in the near-term as COVID-19 currently still ravages countries overseas and financial market sentiment remains fragile. However, we expect the New Zealand dollar to rise against most major currencies, particularly the US dollar, as the year progresses. Both global and domestic forces should provide support.

US interest rates have fallen more than those of other major economies and its deficits are growing

Short-term interest rates in the US have declined much more than in other major economies, and to a degree New Zealand, resulting in interest differentials narrowing, as the chart below shows. This will likely reduce demand for US assets, thus also reducing demand for US dollars. The US twin trade and fiscal deficits, which are already substantial, will likely further increase as a result of the trillions of dollars of extra fiscal spending to support the US economy. Foreign investors will require a lower US dollar to fund these deficits (because it makes US assets cheaper to buy). As the US dollar weakens, the New Zealand dollar will strengthen relative to that currency.

Japan and Europe 2-Year Interest rate Differences with the US

Source: Bloomberg



New Zealand's terms of trade are also likely to support the New Zealand dollar...

We consider that New Zealand's terms of trade will also likely continue to be a key driver of the New Zealand dollar, not just against the US dollar but also against other currencies like the euro and the yen. The economy of our largest export market, China, is gradually recovering from the severe lockdowns in late January and February. There should be good demand for our food exports and prices should hold up satisfactorily.

... as well as government fiscal spending.

The New Zealand domestic economy is likely to struggle as its large tourism sector is severely affected by travel restrictions, which may last some time. However, there will be substantial additional government spending to partially counteract the impact on our economy from government restrictions. In a small trading economy like New Zealand, significant fiscal expansion usually exerts upward pressure on the currency because of the positive effect on domestic demand for goods and services.

Gold, The Calm Port in a Storm

Key Takeaways

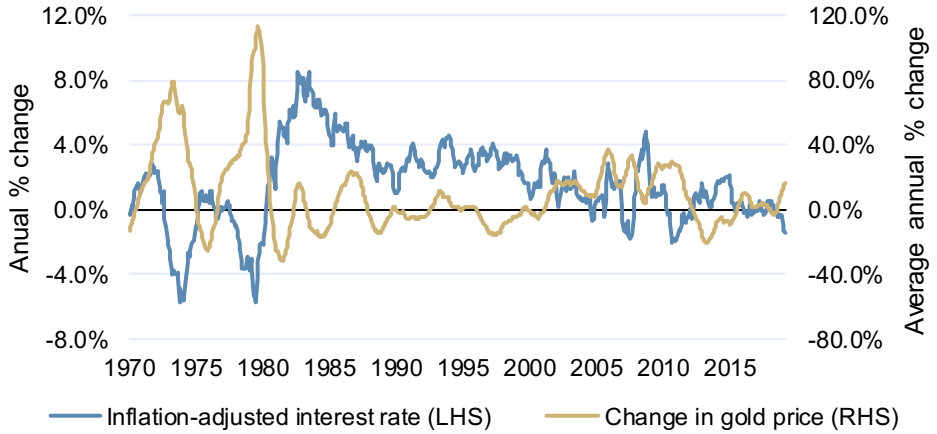
- Central banks are likely to keep inflation-adjusted interest rates low to ease high debt burdens.
- An allocation to gold should provide diversification to investment portfolios in this environment.

We are late to the gold story, but view it still has merit. The gold price has increased by 18% since mid-March reflecting extreme uncertainty around the economic effects of restrictions to control the spread of COVID-19. Gold is often a sought-after investment in times of high economic uncertainty and the cloudy outlook for the world economy is expected to continue to support the gold price in the near-term.

Further out on the horizon, we consider that gold may gain support for another reason. Investors have often bought gold in the past when they believed that real (inflation-adjusted) returns on holding safe investments like cash and government bonds are likely to be very low or negative, as the chart below illustrates. Gold prices tend to rise particularly strongly when real interest rates are negative, as experienced in the 1970s and during the 2008 global financial crisis.

The Gold Price and Inflation-Adjusted Interest Rate on US 10-Year Government Bond

Source: Bloomberg



Gold may help diversify the possibility that the purchasing power of safer investments is eaten away

A consequence of the extraordinary extra spending by governments to support economies will be large build-ups in debt, primarily by governments, but also by households and companies. Central banks and governments may seek to ease the high debt burden keeping interest rates very low and stoking extra inflation for an extended period. The resulting negative real interest rates would be supportive of a higher gold price. Unlike cash, most debt securities may lose value in inflation-adjusted terms, gold is more likely to maintain its purchasing power over time.

Being priced in US dollars the value of the US dollar influences the gold price. A decline in the US dollar's value will see the US dollar gold price rise, but not in other currencies like the New Zealand dollar. For New Zealand investors, therefore, the New Zealand dollar gold price may not increase as much as the US dollar gold price.

There are risks and costs associated with gold investments

Investors should keep in mind that, like the prices of most commodities, gold prices can swing sharply. In addition, there is an inherent drag on gold returns from the cost of moving and storing the metal. For these reasons, allocations to gold should generally be moderate in relation to other investments.

Investors can get direct exposure to gold via iShares Gold Trust (IAU.US). Indirect gold exposure can be gained through goldmining companies such as Evolution Mining (EVN.AU), Northern Star Resources (NST.AU), Alacer Gold Corp (AQG.AU) or Barrick Gold Corp (GOLD.US). Diversified goldminer exposure can be gained through VanEck Gold Miners (GDX.US).

Investment Psychology

Key Takeaways

- Investment psychology has a critical impact on investor behaviour and achieving investment objectives
- Psychological biases can assist us in everyday life, but can impair investment decisions
- Investment objectives need to be realistic, align with the investor's risk profile and be enduring
- It needs to be recognised that investing is not a precise science

The foundation for successful investment is being aware of behavioural biases and controlling these, setting realistic investment objectives and having an appropriate asset allocation to achieve those objectives. When we talk about investment behaviour, we are considering all the aspects that go into making investment decisions including investment psychology. This article focuses on the latter, as in the current investment environment where the prices of equities and other financial assets are extremely volatile, and many have fallen a lot in value very rapidly, the emotional/psychological toll on many investors is extreme. Fortunately, this will not be the case for everyone, as we are all wired differently, due to different events that have shaped us over time.

Humans have evolved to manage short-term crisis issues. We have an inbuilt fight or flight instinct. While perfect for making quick decisions when confronted by a hungry sabre-toothed tiger, it does not lend itself to making sound investment decisions. The investing equivalent of a sabre-toothed tiger is a sharp equity market decline. Our first instinct is often to run, i.e. sell, when the best course of action is to sit tight. Selling after a market decline can harm long-term returns. The 2015 Dalmar study found that, the 20-year annualised return of the US equity market was 8.2%pa while the average investor in equity funds achieved just 4.7%pa, a gap of 3.5%pa. Analysis of underperformance shows that investor behaviour is the number one cause, whereby investments are sold after a period of poor performance and repurchased only after markets have recovered.

At the other extreme, many investors avoid investment risk altogether. They hunker down in savings accounts. By doing so they are, often unwittingly, succumbing to another behavioural bias, loss aversion, which means they miss out on the higher long-term potential returns offered by investment in growth assets like equities.

One of the key roles of Jarden's advisers is to counsel clients regarding how these behavioural biases can undermine sound investment decisions. They do this by:

- Having an awareness of behavioural biases and addressing them as they arise.
- Having a clear investment approach and disciplined decision-making process. Jarden has a clear investment philosophy and research team who undertake rigorous research to support our advice. Alongside this, Compass (discretionary portfolio management service) clients enjoy an investment process governed by parameters that provide a roadmap to help guide decisions, especially during periods of market volatility.
- Designing a bespoke strategy that aligns with each client's unique circumstances, risk tolerance and goals. The key element of strategy is asset allocation – how your portfolio is spread across the various asset classes. This is vitally important because asset allocation has a major influence on your portfolio's risk profile and return outcomes.

Designing a bespoke strategy that aligns with each client's unique circumstances, risk tolerance and goals

Psychological Biases

Let us explore in more detail the cognitive and emotional aspects of investing that affect us. Often investors will recognise a conflict between what their logical brain says and what their emotions tell them. Although this is not always the case as the following list of biases will attest.

Attention bias - No human has access to all available information to make the optimal decision, and instead, must make the best decision with the information available. This

can result in attention bias. For example, when investing it is possible to focus too much attention on what is going on currently and act accordingly. When in fact it is better to focus on the big picture represented by their long-term investment objectives.

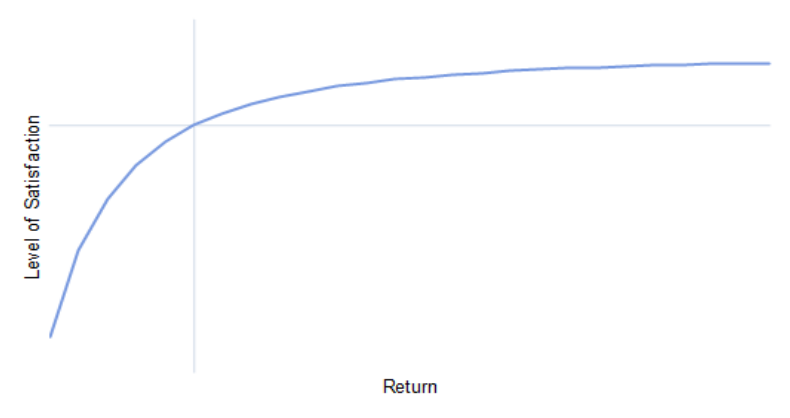
Anchoring bias - Describes a human tendency to base a judgment on a reference point that is incomplete or irrelevant. For example, an investor wants to buy shares in a company that is trading at $11, and notices that it was trading at $13 a week ago. The investor jumps in thinking it looks cheap at $11. The company's circumstances may have changed making the $13 share price a meaningless comparison.

Confirmation bias - The tendency to search for and favour information that confirms one's pre-existing beliefs or opinions while actively dismissing information that does not align with their view.

Loss aversion bias – As illustrated below, investors typically feel greater pain from a loss than the joy they get from a gain of equal of greater magnitude.

Satisfaction and Investment Return

Source: Jarden

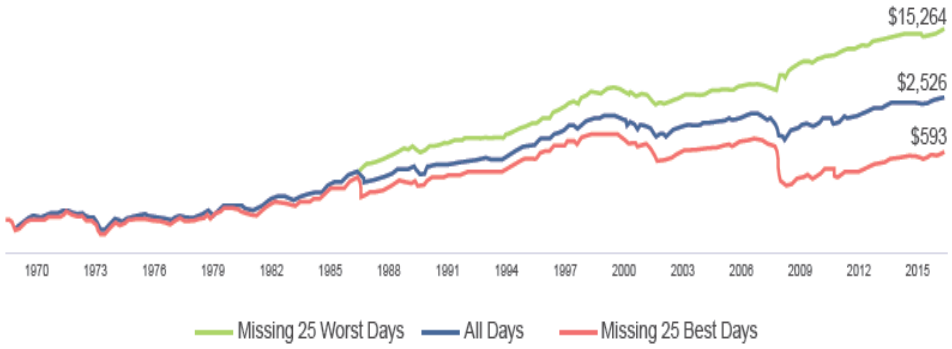


Losses are remembered vividly

Consequently, the losses are remembered vividly while the gains are often forgotten. Thus, investors are likely to swing into action to prevent a potential loss, even though the concerning event frequently does not come to pass, often resulting in a sub-optimal portfolio which hinders the achievement of their investment objectives. As illustrated in the following chart, missing an extremely small number of the best and worst days in the equity market can have a significant impact on investment returns in the long term.

Growth of $100

Source: Credit Suisse, Thomson Reuters



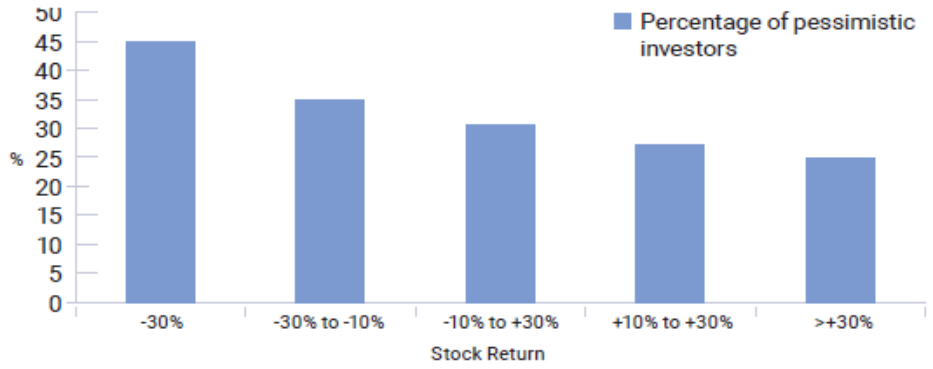
Recency bias – It is common for humans to expect an event that has occurred recently will occur again soon or continue happening. Unfortunately extrapolating the recent past into the future often turns out to be wrong. A clear example of this is how investor sentiment aligns with stock market returns.

It is often simpler to just follow what other people are doing

Herd mentality bias – The world is a large complicated place. We are often overloaded with data and information. There is a strong argument that with so much information it is hard to see the wood for the trees. In such a world it is often simpler just to follow what other people are doing, on the basis that if enough people are doing it, it must be the right thing to do. Also, it feels good to be part of the crowd and doing what they are doing. Unfortunately, this often turns out not to be the right thing to do. The fear of missing out (FOMO) in a rising equity market is another manifestation of this. A clear example of this is how investor sentiment aligns with stock market returns.

Investor Sentiment and Past Equity Returns

Source: Credit Suisse,



Achieving Investment Objectives

Acknowledging these biases and thinking about them when making investment decisions can help ensure that investment objectives are met and are not compromised by making ill-timed changes to investment portfolios. This underlies the need to have investment objectives that are appropriate for you.

Frequent changes typically reduce the likelihood of investment objectives being achieved

An investor's risk profile and investment objectives can change over time as their circumstances change. However, it is unlikely that either will change frequently or materially over time. Frequent changes to investment objectives that result in frequent changes to asset allocation typically reduce the likelihood of investment objectives being achieved. Consequently, when an investor is considering a change, they should ask themselves, "Have my investment objectives really changed? Are my current investment objectives no longer suitable? Am I merely caving into an investment bias?" Your adviser can help you through this difficult process when these psychological biases are niggling.

Why all the fuss about achieving investment objectives? Because it matters. While it may manifest as nothing more than the value of your financial assets, it means that you can use these funds as you planned. People who achieve their investment objectives have the options to do what they want, when they want.

Investing is Not a Precise Science

Unlike endeavours like engineering where relatively precise calculations can be made, investing is as much an art as a science. Investment theory gives a framework within which to think and make decisions, but not precise outcomes. So, remember that:

No investor can be expected to know everything

- No investor can be expected to know everything about an investment. Does anyone consistently achieve 100% in school exams? No. The same applies when investing.
- Left field events happen periodically. We were highly focused on the prospect of a recession created by central banks in reaction to economic pressures, and out of nowhere came COVID-19.

Luck happens

- Luck happens. Both good luck (enjoy it but do not take credit for it) and bad luck (do not beat yourself up).
- History can help to understand what may happen in the future. However, it is never quite the same. While everything usually appears obvious in hindsight, the only way to know for certain is to travel into the future as Marty McFly did in Back to the Future II.

One final point. While it is exciting to have investments that generate exceptional investment returns and disappointing when they generate poor returns, it is the overall portfolio return which determines whether you achieve your investment objectives. Such a portfolio is likely to contain a fair proportion of more mundane investments, which generate good but unexciting investment returns. Constantly chasing potential winners comes with a much higher risk of not meeting your investment objectives and having to endure high levels of emotional stress.

Jarden in the Community – Banqer High

By building financial literacy and confidence at an early stage, Banqer High is having a meaningful impact on thousands of students across New Zealand.

Jarden is proud to partner with Banqer as a sponsor for the Banqer High Stock Exchange.

Banqer is on a mission to ensure that all Kiwi students are prepared for the financial world ahead.

Financial education and early action can have an influential impact on an individual's life. Banqer is a simulative platform that provides a hands-on environment for students to get curious and confident with money - their mission is to ensure that all Kiwi students are prepared for the financial world ahead.

Banqer High is a secondary school platform which presents students with complex financial concepts through online simulation - such as investing in the stock exchange, buying and selling shares, earning dividends, and participating in initial public offerings of new listed companies. The successful online platform has already seen nearly 250 students across New Zealand access the Banqer High Stock Exchange to invest over $65,000 in various fictitious companies.

Kendall Flutey - Co-founder and Chief Executive Officer

Co-founder and Chief Executive Officer, Kendall Flutey's investment journey began with Jarden when she visited our Nelson office and met with Francis Gargiulo, Wealth Management Adviser. Kendall is the fourth generation of her family that Francis has helped to invest. Kendall spoke with Francis and gained insight into investment, Francis shared his experience and provided advice which she still to this day passes on to others; invest in what interests you, in what you consume and in what you're already keeping up-to-date with. Francis offered Kendall some final advice... *don't wait to invest if you can afford to.*

With a lack of financial confidence, many young Kiwis are missing out on the potential of investing altogether. This is something that Banqer, together with Jarden and Champion Partner Kiwibank, want to change by empowering our youth to learn about investing through the Banqer High Stock Exchange.

Banqer is working closely with Jarden to ensure the platform is financially accessible to secondary schools nationwide, with ambitions to support 20,000 students onto the platform in 2020. Since its launch in February this year, Banqer High has been used by more than 5,000 high school students nationwide. The platform is free to access until the end of May to support schools currently burdened by remote learning.

Find out more at https://high.banqer.co/

Research for Jarden Clients

Jarden spends a significant amount on research and analysis each year, employing a team of fourteen analysts and five assistant analysts. The work of the research team is enhanced through being able to draw on the expertise of the many other investment professionals within the Jarden group, access to the research of several large global investment banks and independent economic strategy firms. In particular, through our strategic alliance with Credit Suisse we are also able to give clients indirect access to their research. The areas which we offer research on includes economics, investment strategy, New Zealand, Australian and global equities, debt securities, listed property, investment funds and a range of special topics.

Given the investment in research we are keen to ensure that it is for the exclusive benefit of our clients who provide the revenue which allows us to produce it. In this regard, we highlight the first sentence of the Disclaimer which appears at the back of all our research.

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Another way to access research is to simply ask your adviser if we have anything published on a particular topic. As you will appreciate, this can potentially be a time-consuming task for advisers. Consequently, advisers will exercise discretion in terms of whether the request is reasonable and respond accordingly.

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Calendar

Major Events: May – July 2020

Economic Events		Central Bank Decisions	Political Events
NZ Consumer Confidence	1 May		
US Manufacturing PMI	2 May		
		5 May	Australia RBA Interest Rate Decision
US Non-Manufacturing PMI	6 May	NZ Unemployment Rate	
China Trade Balance	7 May	7 May	UK BoE Interest Rate Decision
US Unemployment Rate	9 May		
Australia Business Confidence	12 May		
Australia Consumer Confidence	13 May	UK Trade Balance	13 May NZ RBNZ Interest Rate Decision
UK GDP		EU Industrial Production	
NZ Net Migration	14 May		
NZ PMI	15 May	China Industrial Production	
EU GDP			
US Retail Sales	16 May		
Japan GDP	18 May		
UK CPI	20 May		
EU Consumer Confidence	21 May	Australia PMI	
Japan Trade Balance		Japan PMI	
EU PMI	22 May		
NZ Trade Balance	26 May		
NZ Business Confidence	28 May	EU Consumer Confidence	
US GDP	29 May	NZ Consumer Confidence	
China PMI	1 Jun		
US Manufacturing PMI	2 Jun	2 Jun	Australia RBA Interest Rate Decision
EU Unemployment Rate	3 Jun		
US Non-Manufacturing PMI	4 Jun		
US Unemployment Rate	6 Jun		
China Trade Balance	7 Jun		
Japan GDP	8 Jun		
Australia Business Confidence	9 Jun	EU GDP	
Australia Consumer Confidence	10 Jun		
		11 Jun	FOMC Meeting
NZ PMI	12 Jun	UK Trade Balance	
EU Industrial Production			
NZ Net Migration	15 Jun	China Industrial Production	
		16 Jun	Japan BoJ Interest Rate Decision
US Retail Sales	17 Jun	Japan Trade Balance	
UK CPI			
NZ GDP	18 Jun	18 Jun	UK BoE Interest Rate Decision
EU Consumer Confidence	23 Jun	Australia PMI	
Japan PMI		EU PMI	
		24 Jun	NZ RBNZ Interest Rate Decision
NZ Trade Balance	25 Jun		
US GDP	26 Jun	NZ Consumer Confidence	
EU Consumer Confidence	29 Jun		
NZ Business Confidence	30 Jun	UK GDP	
China PMI	1 Jul	1 Jul	USMCA on trade enters into force
US Manufacturing PMI	2 Jul	EU Unemployment Rate	
US Unemployment Rate	3 Jul		
US Non-Manufacturing PMI	7 Jul	7 Jul	Australia RBA Interest Rate Decision
UK Trade Balance	14 Jul	Australia Business Confidence	
China Trade Balance		EU Industrial Production	
Australia Consumer Confidence	15 Jul	UK CPI	15 Jul Japan BoJ Interest Rate Decision
NZ CPI	16 Jul	China GDP	
China Industrial Production			
US Retail Sales	17 Jul	NZ PMI	
Japan Trade Balance	20 Jul		
Japan PMI	22 Jul		
EU Consumer Confidence	24 Jul	Australia PMI	
EU PMI			
Australia CPI	29 Jul		
NZ Business Confidence	30 Jul	EU Consumer Confidence	30 Jul FOMC Meeting
EU Unemployment Rate			
US GDP	31 Jul	NZ Consumer Confidence	
EU GDP			

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Investment Outlook

May 2020