Tactical Thoughts Q3 2018

Key Highlights

- Trade barriers have had little impact on Developed Markets but are taking their toll on Emerging Markets.
- Remain constructive on equities and any meaningful short-term volatility should be used to buy the dip.
- Despite some off-shore interest rate pressures, environment remains accommodative.

Global equity markets ended September in positive territory despite rising political and trade tensions. Markets looked beyond the risk of a trade war and found support from strong corporate earnings and economic data.

New Zealand equities were higher on the month as a broad-based rally took place across most of the benchmark constituents. Gentailers and property stocks were higher but some pressure came on the NZX 50G from a2 Milk and Fisher and Paykel Healthcare which fell -10.8% and -8.2% respectively. With the RBNZ stating that they expect not to hike rates until 2020 at the earliest, yield names benefited from re-energised buying support.

Australian equities on the other hand underperformed New Zealand and their global peers as the Interim Report of the Royal Commission was released, dominating the headlines. The banking industry bore the brunt of the Commissioner's criticism with a particular focus on remuneration, conflicts of interest and responsible lending. Across the ASX 200, Healthcare was the worst performing sector as CSL and Cochlear gave back last month's gains. Aged Care stocks also weakened as the Government said they would establish an inquiry into operators and their practices. In contrast, trade sensitive sectors like Materials and Energy were the best performers as opportunistic buyers stepped in.

The third quarter was a strong one for the US equity market which posted its best quarterly performance since 2013. The quarter-point interest rate hike reflected an upbeat assessment of the US economy, despite concerns over an escalating trade war with China. Jobs growth and wage data were also better than expected in August, and consumer and corporate executive confidence is at its highest level since 2000.

European and UK equities were broadly flat during September. Political tensions weighed on sentiment especially after the European Union (EU) rejected the UK Government's Chequers plan. This has increased fears of a hard Brexit scenario for the UK. European growth looks to have stabilised while the UK is being weighed down by an increasingly uncertain Brexit outcome.

Calmer conditions returned to Emerging Markets during September as the US dollar stabilised which proved to be a welcome change to prior months' volatility. **We remain constructive on global equities.** A steadier US dollar and a change in Chinese domestic policy in response to trade tensions should be supportive. Within Developed Markets we prefer the US over Europe as US equities remain well bid in contrast to Europe which is struggling with political uncertainty and somewhat slower growth expectations.

The NZ dollar finished the quarter lower against most major currencies and is now tracking at lows against the US dollar not seen since early 2016. We see the USD supported by two key fundamentals, strong US growth and the Fed raising interest rates. The NZ dollar's eroding yield advantage and little prospect of an interest rate rise expected until 2020 sees us remaining bearish on the NZD.

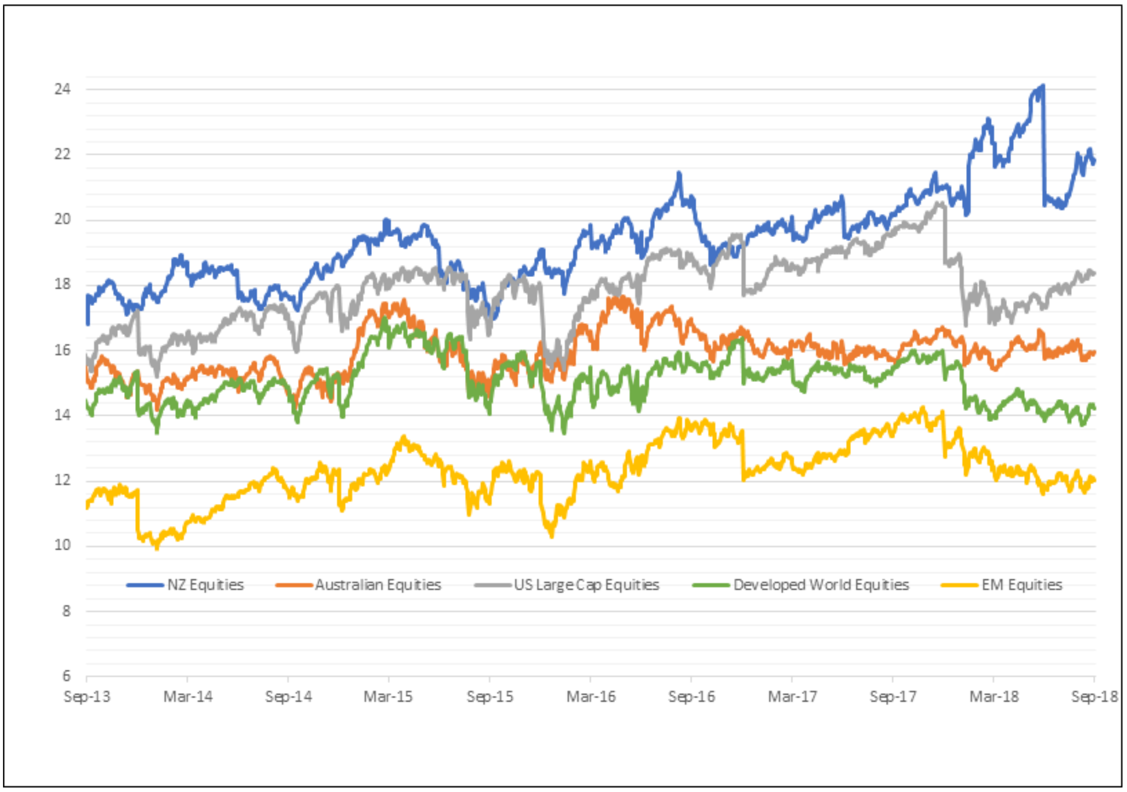
Recommended Tactical Asset Allocation

Underweight  **Overweight**

Asset Class	Tactical	Rationale
NZ Equities		Persistently softer business confidence may be starting to hurt GDP growth. We stay Neutral and recommend adding to high conviction names on weakness.
Australian Equities		We are cautiously optimistic on Australian equities as fundamentals look sound and corporate earnings are holding up, buoyed by a weaker currency. Improving economic data also reinforces our view.
US Large Cap Equities		Strong corporate earnings growth and a buoyant US economy underpins our modest Overweight. We believe the economic cycle will last into 2019 and potentially beyond and therefore recommend staying invested.
US Small Cap Equities		While deregulation and tax reform are undeniable tailwinds for US small caps we have become slightly more cautious as US rates head higher. We retain our Neutral bias.
Developed World Equities		We reiterate our positive view on Japanese equities as the LDP secures victory once again and earnings trends remain intact. We are more cautious on Europe and the UK given Brexit risk and weaker economic conditions.
EM Equities		A stronger US dollar has hurt sentiment towards EM. We remain positive on Asia but less so LatAm and MENA. Chinese equities have fallen in light of heightened trade tensions but we continue to like the new economy names and any stimulus would be seen as a positive.
NZ Listed Property		Revaluation gains have helped to keep gearing levels at conservative levels. Limited growth opportunities however underpin our Neutral rating.
Fixed Income		Fixed income remains well bid despite the recent increase in supply. We stay Neutral as rising interest rate pressures globally pose a risk to bond prices.
Cash		With the RBNZ explicitly stating their desire to keep short term interest rates at low levels, we see little benefit in holding large quantities of cash.

Market Price Earnings ratios

Price Earnings ratios 2013 – 2018*



*Price Earnings ratios are Bloomberg Best estimate for forecast year one.

Price Earnings ratios versus average*

Price Earnings*	NZ Equities	Australian Equities	US Large Cap Equities	US Small Cap Equities	Developed World	EM Equities
As at 30 Sep 2018	21.8	16.0	18.4	27.5	14.2	12.0
10-year average	17.1	14.7	16.1	26.0	14.0	12.0
5-year average	19.4	15.9	17.9	27.1	15.1	12.3

*Price Earnings ratios are Bloomberg Best estimate for forecast year one.

NZ$ FX performance percentage returns to 30 September 2018

Currency Pair	1m	3m	6m	12m
NZ$/ US$	0.0%	-2.2%	-8.5%	-8.2%
NZ$/ AU$	-0.4%	0.2%	-2.8%	-0.4%

Source: Thomson Reuters, Bloomberg, September 2018

Index Returns to 30 September 2018

Index percentage returns in their currency

Asset Class	Index		1m	3m	6m	12m
NZ Equities	S&P/NZX 50 Gross	NZ$	0.4	4.6	12.4	17.9
Australian Equities	S&P/ASX Accumulation 200	AU$	-1.3	1.5	10.1	14.0
US Large Cap Equities	Russell 1000 Total Return	US$	0.4	7.4	11.3	17.8
US Small Cap Equities	Russell 2000 Total Return	US$	-2.4	3.6	11.6	15.2
Developed World Equities	MSCI EAFE*	US$	0.6	0.8	-1.6	0.0
EM Equities	MSCI EM*	US$	-0.8	-2.0	-10.5	-3.1
NZ Listed Property	S&P/NZX Property Gross	NZ$	2.4	5.7	12.0	14.7
Fixed Interest	S&P/NZX Corporate A	NZ$	0.0	1.3	2.5	4.8
Cash	ANZ New Zealand Call Rate	NZ$	0.1	0.4	0.9	1.8

Source: Thomson Reuters, Bloomberg, September 2018 (*not total return index)

Index percentage returns translated into NZ$

Asset Class	Index	1m	3m	6m	12m
NZ Equities	S&P/NZX 50 Gross	0.4	4.6	12.4	17.9
Australian Equities	S&P/ASX Accumulation 200	-0.8	1.3	13.3	14.4
US Large Cap Equities	Russell 1000 Total Return	0.4	9.8	21.6	28.3
US Small Cap Equities	Russell 2000 Total Return	-2.4	5.9	22.0	25.5
Developed World Equities	MSCI EAFE*	0.6	3.0	7.6	8.9
EM Equities	MSCI EM*	-0.7	0.2	-2.1	5.5
NZ Listed Property	S&P/NZX All Real Estate	2.4	5.7	12.0	14.7
Fixed Interest	S&P/NZX Corporate A	0.0	1.3	2.5	4.8
Cash	ANZ New Zealand Call Rate	0.1	0.4	0.9	1.8

Source: Thomson Reuters, Bloomberg, September 2018 (*not total return index)

Market Recap and Portfolio Positioning

New Zealand equities

September was a volatile but rewarding month for the New Zealand equity market. The market's performance was broad based with 40 of the NZX 50 Gross Index posting gains for the month. Negative performance was concentrated in some of the larger stocks such as a2 Milk and Fisher & Paykel Healthcare.

Economic data was mixed. The most notable piece of economic data was Q2 GDP, which showed the economy grew +1.0% for the quarter. Although backward looking, the data suggests the economy is still in good shape; however, the disconnect with low business confidence remains.

The Hobson Wealth Partners' (HWP) NZ Equities Model Portfolio had a strong month, adding +1.1% and outperforming the S&P/NZX 50 Gross Index by +0.6%. The main contributors to the Portfolio were Chorus, Oceania Healthcare, and Mainfreight, while Fisher & Paykel, Vista Group, and Air New Zealand were the detractors. Oceania Healthcare (+8.0%) rallied following the placement of stock by Macquarie Capital.

Tactical Positioning

We retain our Neutral position in New Zealand Equities. We are gradually seeing more impact from the change in Government – increases in minimum wages, concerns over the provision of healthcare, and a higher burden of fuel tax via the regional and fuel excise taxes. This has affected business confidence and we are cognisant that the full ramifications of these changes have yet to be felt. In what is expected to be a decelerating economy, these costs are additional headwinds at the same time as the housing market is starting to slow.

The economy appears to be healthy, even in the face of such headwinds, and stocks generally have been well bid, reflecting ongoing positive investor sentiment. The Reserve Bank Governor has made clear his expectations that cash rates will stay at current levels into 2020, which keeps accommodative monetary policy in place and underpins asset prices. Should we see a deterioration in sentiment, it is likely to present long-term investors with opportunities to buy or add to their holdings in quality names. We see ongoing Government policy announcements as a possible source of risk, especially the chance of an over-reaching policy on climate change.

Australian equities

The ASX 200 Accumulation Index fell -1.2% in September with eight of the 11 composite sectors down during the month. Energy and Materials both bucked the trend as they managed to post positive returns of +4.0% and +2.6% respectively. Healthcare was the worst hit, down -8.0%, after the retirement sector was punished by the market following a damning Four Corners' investigatory report and the announcement of a Royal Commission into Aged Care.

The Australian economic data for the month was generally upbeat. Q2 GDP grew at 0.9% in the second quarter, above expectations for a 0.7% print. The NAB business survey seemed to best encapsulate the economic data for the month: business confidence was at its lowest level in two years (although still positive) but business conditions remain well above average, implying a healthy business environment.

Tactical Positioning

With generally supportive commodity prices, the picture for parts of the Australian economy continues to improve as has been demonstrated by the rally in resource stocks. With Australian interest rates low, and US interest rates on the rise, the Australian dollar has been falling, providing additional support to business, especially the export sector. Global growth continues to drive improved demand for commodities, which has buoyed both prices and volumes. This has seen a sizeable recovery in the resources sector and given its weight in the benchmark indices, this pickup has made a meaningful contribution to Australian equity returns this year. Politically, the Australian leadership coup has added some instability, but its effects are likely to be short lived.

Cash rates are likely to stay low. The RBA left the cash rate on hold at 1.50% at its September meeting with the Bank Governor noting uncertainty in household consumption. Expectations are that the cash rate will be on hold for an extended period to at least late 2019. With the RBA on the sidelines, we see this as a positive for domestic asset prices. Accordingly, we retain a Neutral position.

International equities (excluding Australia)

US equities

September ended with the strongest quarter for the US equity market since 2013. The S&P 500 (+0.4%) and Dow Jones (+1.9%) reached new highs during the month but the technology heavy Nasdaq (-0.8%) finished September in the red. A reclassification of S&P 500 sectors saw a shake-up of the technology sector. Seven tech stocks that represented roughly a fifth of the S&P 500 Information Technology sector were reclassified as Communication Services (a new sector for tech, media, and telecoms companies) which caused some selling pressure.

The Federal Reserve raised the federal funds rate by 25bps to a range of 2.00-2.25%. The quarter-point interest rate hike reflected an upbeat assessment of the US economy, despite concerns over President Trump's escalating trade war. The US economy grew at an annualised rate of 4.2% in the second quarter, the fastest since late 2014. This bodes well for the rest of the year if the pace of growth can continue.

Concerns about the state of the US housing construction market have increased following soft housing start numbers in June and July. Softness in real residential investment has added to concerns that housing construction may be stalling. At the same time, new residential construction employment has been accelerating and is now growing at a pace of 7% year on year. There are reports that such supply side constraints are reported to be responsible for much of the slowdown and accordingly we remain positive on the US homebuilding cycle.

Tactical positioning

US growth remains strong. While the pace of expansion is likely to slow in the coming year, it is our view that fiscal policy will remain supportive in 2019. US consumer confidence is approaching historical highs as unemployment has fallen. Employment growth remains strong with the proportion of new workers coming from outside the traditional labour force also at historical highs. All those who want to have a job seem to be able to find one and we have also seen wage growth recover which is good for consumption.

US equities remain robust and the US continues to outperform the rest of the world. Despite continued gains, US equities trading at approximately 18x next year's earnings are not overly expensive. While on some measures the US equity bull market is now the longest in history, we believe it can continue into next year if not the year after so long as the underlying economy remains strong. On this basis, we remain moderately Overweight US equities.

We maintain our view that the US dollar is likely to strengthen in light of higher US interest rates. With the NZ$ at lows against the greenback not seen since January 2016, we expect this continued weakness to be a further tailwind to NZ$ denominated investors.

Developed World equities

Developed World equities rallied in the third quarter as international stocks fared better driven by Japan. Investors seemed to be betting that global growth continues to improve and, despite rising trade tensions, sustains longer than initially thought. We are encouraged that the outlook for the global economy remains robust and on sound footing.

While the market has been looking for a significant slowdown, this is yet to materialise. Global GDP growth may have potentially peaked, but economic activity should remain solid over the coming year. The tariffs implemented by the US have so far been relatively minor and any negative impact domestically has largely been mitigated by US fiscal stimulus.

Of greater concern, European politics has become topical again as the UK Prime Minister, Theresa May had her Brexit plan rejected by the European Union (EU) at the informal EU Summit in Austria. Ireland's Prime Minister went on to say that they were no closer to a Brexit deal than they were in March. Negotiations will continue at the European Council on October 18, and if they progress meaningfully, an extraordinary summit may be called for November to finalise and formalise a deal. European growth is somewhat stable where as in the UK, Brexit uncertainty is clouding the outlook. The ECB plans to end its QE program in December, but will not begin hiking rates until at least the summer of 2019 which provides another layer of support for asset prices.

Japanese stocks gained momentum in September and the Nikkei 225 pushed above 24,000 to a new year-to-date high and the highest the index has been since 1991. Equities have benefited from a weaker yen which fell on the prospect of further rises in US interest rates and some stronger-than-expected US economic data. This also raised expectations for corporate earnings growth in Japan and helped lift the broader market at the same time as the most popular Prime Minister in a long time, Shinzo Abe, won a third term as LDP (Liberal Democratic Party) leader.

Tactical Positioning

The successful conclusion of a NAFTA deal significantly reduces the risk that the US will launch an all-out war on global trade. To date, most of the US administration's focus has been aimed at China but the NAFTA treaty effectively gave exemptions to Mexico and Canada if the US decides to move forward with auto tariffs. The US has also entered trade talks with the EU and Japan on the understanding that auto tariffs would not be imposed during the discussions. We see this as a positive step and overall encouraging for Developed Markets and trade.

Across the Eurozone, the economic block finds itself with a myriad of challenges while its progress at dealing with them is decidedly mixed. Brexit is an additional hurdle and the EU's position dealing with the UK still appears to be unclear. We remain cautious on the UK ahead of the scheduled Brexit date next year (i.e. 29 March 2019). Mounting political risk across the EU (especially in Italy) means investors should overweight blue chip stocks that are headquartered in Europe but have global businesses over purely domestic focused operators.

We reiterate our positive view on Japanese equities. In an environment of rising trade tensions, Japan and the US agreed in September to begin negotiating a trade agreement on goods as well as not impose additional tariffs on autos. Japan benefits from a weak yen and is a levered play on stronger global trade. With Abe consolidating his power base once again, so long as the yen stays weak, we see a supportive runway for Japanese equities up until at least the Tokyo Olympics in 2020.

Emerging Market equities

The global economic backdrop appears relatively robust, but disparities across economies are rising. The US seems to be moving full steam ahead with limited impact from the trade tensions while China has seen momentum slow and Emerging Markets (EM) everywhere have been under pressure. A strong US dollar is hurting EM as well as geopolitical and trade protectionist risks are having an impact too. Crude oil prices moving higher is a further headwind to many emerging economies who subsidise dependent populations.

Industrial commodity prices have moved higher recently, with oil still strong, copper finding a bottom, and iron ore supported by strong steel production. Despite all the talk of structural change in the oil market with the advent of electric vehicles etc, global oil demand is still primarily a function of global growth and a large portion of that is coming from Emerging Markets.

Tactical positioning

We remain positive on Emerging Markets especially Asia. Investor positioning is overall light in Asia as trade frictions cloud the short to medium term outlook. Despite the prospect of escalating trade tensions, we think the actual impact on the region will not be as severe as the markets currently perceive them to be. We continue to see pockets of long-term value across Asia. If anything, the Trump trade war with China could provide for better entry points for Chinese stocks, especially those in new economy sectors such as technology and services. We also believe that the Chinese government may use stimulus to boost their domestic economy as these external uncertainties continue to mount. This would be a positive catalyst not just for Chinese equities but all of EM given China's growing weight in underlying benchmark indices.

We are Underweight Latin America as both Argentina and Brazil suffer the consequences of a volatile political and economic environment. We have seen sharply depreciating local currencies, in particular the Argentinian peso, and fear this has more to play out.

Given our distance, Emerging Markets are somewhat tricky to invest in from New Zealand. In this edition of Tactical Thoughts, we showcase a high conviction US based manager, T. Rowe Price, that has a strong investment pedigree and a sound track record of delivering outsized returns from EM over time.

New Zealand listed property

Over the third quarter, the listed property sector has delivered a total return of +5.7% and outperformed the broader NZX50 index by ~1.7%. We think a key to this has been the recent decline in long dated NZ bond yields. The latest revaluations across the sector saw a 6-12% increase in net tangible assets. We continue to see a solid outlook with market rental growth, development returns, and elevated replacement costs helping to underpin value. The dovish RBNZ tone is likely to see solid demand for equity yield, and listed property may be viewed favourably at present against the generator/retailer yield offering, particularly given the heightened electricity regulatory risk.

Tactical Positioning

We retain our Neutral recommendation to New Zealand listed property. A reduction in gearing along with reduced risks to a material move higher in funding costs makes us comfortable with the sector. Limited growth opportunities but steady yields underpin our Neutral rating.

Fixed Interest and cash

The flow of corporate primary bond issuance has continued to be the theme in the third quarter of 2018. For a market that has been lacking supply, this appears to be getting addressed at a rapid rate of knots. Some of the names issuing retail bonds included; Summerset, Auckland Airport and Property for Industry. Whilst the appetite remains strong, issuers will need to consider tenors and differing structures to ensure retail investors are not faced with a flood of paper, maturing in the same part of the interest rate curve, that could ultimately curb demand.

We made the comment in our previous Quarterly Tactical Thoughts that investors have taken some comfort from the benign outlook for interest rates, both here and in Australia. This has largely held true and was highlighted by the Reserve Bank of New Zealand update in September, where the RBNZ continued to place an emphasis on a lower interest rate setting. The real test of the Reserve Bank's stance will be their ability to 'hold the line' if offshore interest rates continue to climb higher.

Interest rate markets globally have moved higher as the US Federal Reserve continues to raise interest rates and the ECB reduces quantitative easing. The US 10-year benchmark bond yield has traded a 2.45% - 3.23% range this calendar year, but importantly has broken through the technical level of 3.09% (currently ~3.19%). We think a material breakthrough higher will still need support from underlying economic data, particularly as meaningful inflationary pressures remain elusive and ongoing trade tensions impact the outlook for global growth.

Tactical Positioning

We retain our tactical Neutral position. The lack of supply in the local bond market is now being addressed and therefore it is prudent that we remain selective around new opportunities. We prefer a weighted average duration of approximately three years when constructing Fixed Interest portfolios. When investing further out the curve, investors need to be sufficiently compensated for that additional term risk in both an outright yield and spread to swap basis.

Forecasts as at 30 September 2018

Macquarie Interest Rate and FX Forecasts

Rate	3Q2018A	4Q2018E	1Q2019E	2Q2019E	3Q2019E
Australia Cash Rate	1.50	1.50	1.50	1.50	1.50
Australia 10yr govt	2.55	2.70	2.80	2.90	3.00
US Fed Funds Rate	2.00	2.25	2.50	2.75	3.00
US 10yr Treasury	2.95	3.10	3.30	3.50	3.70
NZD OCR	1.75	1.75	1.75	1.75	1.75
NZ 10yr govt	2.55	2.65	2.75	2.85	3.05
NZ$/ US$	0.6619	0.6700	0.6800	0.6800	0.6900
AU$/ US$	0.7300	0.7300	0.7400	0.7500	0.7600
NZ$/ AU$	0.9178	0.9178	0.9189	0.9067	0.9079
EUR/ US$	1.1900	1.1800	1.1700	1.1600	1.1500
US$/ JPY	109.89	109.89	107.53	107.53	106.38
GBP/ US$	1.3000	1.3500	1.4000	1.4200	1.4500

Fund in Focus: T Rowe Price Global Equity Growth Fund

Headquartered in Baltimore, USA since 1937, T. Rowe Price has grown to be one of the world's largest asset managers with in excess of US$1 trillion in funds under management. The Portfolio Manager of their Global Equity Growth Fund, Scott Berg, was in New Zealand in late September visiting clients. Scott has been a member of the global investment team since 2008 and took over managing the Fund in 2012.

Scott started his talk with a refresher on his investment philosophy and emphasised the merits of a diversified portfolio and not having one or two large bets on at one time was key to achieving a 3-4% better return than the market over time (i.e. the fund's benchmark, the MSCI All Country World Index). Scott has a strong grasp on the stocks in his investment universe but also leverages T. Rowe Price's extensive global team of analysts and portfolio managers.

As he travels the world speaking to investors a question he is often asked is when is the bull market going to end? Scott admits he is less bullish than he was a year ago but is still not bearish and is more optimistic than many US fund managers. He does not see a recession for the next two years and says it is hard to be too bearish on the US in the face of deregulation, tax cuts and growing corporate profits. Technology in particular has had a great run, but the dynamism, growth and profitability of the sector is often underestimated. The sector has generated considerable outperformance for the Fund and Scott believes many tech companies are still cheap (on comparable valuation metrics) and the sector is still far from bubble territory.

He is somewhat cautious on rising US and China tensions but is unable to make any clear predictions of what will happen next. President Xi has a longer time frame than President Trump and can afford to be more patient. This is an opportunity for China to hold its own on the world stage and a time for US to take them seriously. Talking to CEOs on both sides, they all want the tensions de-escalated. Scott believes any resolution would be hugely positive and would add to the portfolio in what would likely be a significant rally if it eventuated. Scott has kept some cash on the sidelines, wanting to keep his powder dry in case this materialises.

Scott remains constructive on Emerging Markets (EM) but admitted this year they have been challenging. As stock pickers, T. Rowe Price believes this allows them to avoid the macro "noise" and means they are less impacted by what is happening at a country level (e.g. currency depreciation in Turkey). Selecting EM stocks on the basis of bottom up fundamentals especially at a time when sentiment is weak, and sizing these positions appropriately, Scott is a firm believer that this will be rewarded over time.

It was encouraging to hear Scott, a manager of over US$10bn of global equities, is constructive on the current investment environment in both Developing and Emerging Markets. At Hobson Wealth Partners, we like T. Rowe Price's Emerging Markets' exposure and believe their active and diversified investment approach combined with bottom-up stock picking is likely to be rewarded over the mid to longer term. If you would like to learn more about their investment approach, please contact your adviser.

General Disclaimers

This document has been distributed in confidence to New Zealand resident clients of Hobson Wealth Partners Limited (Hobson Wealth). If you are not the intended recipient of this document, please notify Hobson Wealth immediately and destroy all copies of this document, whether held in electronic or printed form or otherwise.

This document has been issued and distributed in New Zealand by Hobson Wealth, an NZX Advising Firm and a registered financial services provider. The disclosure statements for Hobson Wealth and your adviser are available free of charge by contacting us on 0800 742 737. Hobson Wealth is not a wholly owned subsidiary of Macquarie Group Limited (MGL) but MGL holds an interest in, and provides certain business and research services to, Hobson Wealth. There is also a security distribution agreement in place between MGL and Hobson Wealth.

This document contains market commentary and factual information or class advice only. It is not research. Nothing in this document shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. The information in this document does not take account of any particular person's objectives, financial situation or needs. Before acting on this information, investors should therefore consider the appropriateness of the information having regard to their situation. We recommend investors obtain financial, legal and taxation advice before making any financial investment decision. The views contained in this document may not constitute the views of Macquarie Group Company. While we believe the information to be accurate and any recommendations to have reasonable basis, no warranty is made as to the accuracy or reliability thereof. There are risks involved in securities trading. The price of securities can and does fluctuate and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. The forecasts are predictive in character and therefore investors should not place undue reliance on the forecast information. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The actual results may differ substantially from the forecasts and some facts and opinions may change without notice. Hobson Wealth does not give, nor does it purport to give, any taxation advice. The taxation discussion in this document is based on laws current at the time of writing. Those laws and the level of taxation may change. The application of taxation laws to each investor depends on that investor's individual circumstances. Accordingly, investors should seek independent professional advice on taxation implications before making any investment decisions. This document is based on information obtained from sources believed to be reliable but we do not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. Hobson Wealth accepts no liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this document and/or further communication in relation to this document. Hobson Wealth, its associates, and Macquarie Group, their officers or employees may have interests in the financial products referred to in this document by acting in various roles including as investment banker, underwriter or dealer, holder of principal positions, broker, lender, director or adviser. Further, they may act as market maker or buy or sell those securities as principal or agent and, as such, may affect transactions which are not consistent with the recommendations (if any) in this document. Hobson Wealth and members of Macquarie Group may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case.

Disclosures

Important disclosure information regarding MGL interest in the subject companies covered in this report is available at www.macquarie.com/disclosures.

Contacts

For more information, call us on 0800 742 737
or visit our website at hobsonwealth.co.nz

Auckland	**Wellington**	**Christchurch**
Level 17, Lumley Centre	Level 12, Deloitte Building	Level 3
88 Shortland Street	20 Customhouse Quay	151 Cambridge Terrace
Auckland 1010	Wellington 6011	Christchurch 8013
PO Box 4349 Shortland Street	PO Box 991	PO Box 1043
Auckland 1140	Wellington 6140	Christchurch 8140