

04-September-2018

Morningnote

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Overseas Market Report

Foreign Equities	Latest Price	Time/Date (AEST)	Change	% Change
▼ Dow Jones (US)	25965	7:03am 01/09/2018	-22	-0.09
▲ S&P 500	2902	7:03am 01/09/2018	0	0.01
▲ NASDAQ	8110	7:31am 01/09/2018	21	0.26
▲ FTSE 100 Index	7505	1:50am 04/09/2018	72	0.97
▼ DAX 30	12346	2:00am 04/09/2018	-18	-0.14
▲ CAC 40	5414	2:15am 04/09/2018	7	0.13
▼ Nikkei 225 (Japan)	22707	4:20pm 03/09/2018	-158	-0.69
▼ HKSE	27713	6:23pm 03/09/2018	-176	-0.63
▼ SSE Composite Index	2721	5:16pm 03/09/2018	-5	-0.17
▼ NZ 50	9257	8:29am 04/09/2018	-1	-55.91

International Markets Roundup

NEW YORK [Morningstar with AAP]: Please be advised that the US markets were closed for the Labor Day public holiday hence US data will be showing the close data from the latest close available prior to the public holiday.

LONDON - Global stock markets fell for a third straight day on Monday, hurt by worries over the escalation of trade disputes between world powers and a deepening sell-off across emerging market currencies.

With U.S. markets closed for Labor Day, trading activity was generally subdued.

European shares were largely flat, although London's blue-chip FTSE rallied almost 1 percent thanks to a weak British pound.

In Asia, MSCI's broadest index of shares outside Japan and Tokyo's blue-chip Nikkei shed about 0.7 percent each.

MSCI's All-Country World Index, a gauge of 47 markets, dipped 0.2 percent and the main emerging equity index fell 0.7 percent, bearing the brunt of global trade fears.

U.S. President Donald Trump said at the weekend there was no need to keep Canada in the North American Free Trade Agreement and warned Congress not to meddle with the trade talks.

Worries about U.S. tensions with China were also kept alive by a report last week that Trump had told aides he was ready to impose tariffs on an additional \$200 billion worth of imports from China as soon as a public comment period on the plan ends on Thursday.

That would be a major escalation given the United States has already applied tariffs on \$50 billion of exports from China.

"As we head into a new week and month, trade concerns will remain front and center of investors' minds, along with increasing concerns about stability in emerging markets, after the sharp declines seen in Argentina and

Northern Star Resources Ltd (NST)

-Northern Star Resources Announces Regarding Placement Closes Heavily Oversubscribed

ALE Property Group (LEP) -ALE Property Group Provides 2018 Market Rent Review Update

Magnis Resources Limited (MNS) -Magnis Resources Suspends from Official Quotation

Freedom Foods Group Limited (FNP) -Freedom Foods Group Provides FY 2018 Full Year Results Presentation

Aneka Tambang (Persero) Tbk (Pt) (ATM) -Aneka Tambang (Persero) Tbk Suspends from Official Quotation

Turkey's currency last week," said Michael Hewson, chief market analyst at CMC Markets.

There was also bad news on the economic outlook with surveys showing manufacturing activity took a hit from weak orders in August, a sign firms are feeling the pinch from an intensifying global trade war that could derail global growth.

The surveys of purchasing managers showed mounting pressure on factories across Europe and Asia, with data later expected to show the United States is in the same grip.

"There are a few existential threats to the world and a broad based trade war is one," said Marie Owens Thomsen, global head of economic research at Indosuez Wealth Management in Geneva.

"We're in a scary parallel to the 1920s and 1930s when there was piecemeal protectionism as we are seeing now."

Across emerging markets, turbulence continued.

Turkey's lira led emerging currency losses after data showed inflation spiked to almost 18 percent in August, while the Indonesian rupiah fell to its lowest levels in 20 years.

The Brazilian real weakened more than 1 percent against the U.S. dollar, while the Iranian rial was reported to have hit a record low against the U.S. currency.

The lira, at the centre of emerging market turmoil in recent weeks, fell 1 percent to 6.62 per dollar.

Central bank comments that the inflation outlook showed "significant risks" to price stability and that it would adjust its monetary stance at its upcoming meeting on Sept. 13 in line with this view helped contain the losses.

"This morning's inflation number was very high and the authorities still haven't got a credible strategy to deal with that," said Chris Scicluna, head of economic research at Daiwa Capital Markets.

Turkish Finance Minister Berat Albayrak told Reuters that the central bank was independent of government and it would take all necessary steps to combat inflation.

STERLING TROUBLE

Among major currencies, the British pound stood out as the big underperformer, hurt by comments by the European Union's chief Brexit negotiator, Michel Barnier, that he was "strongly opposed" to British proposals on future trade ties after it leaves the EU.

News that British manufacturers had their weakest month in over two years and export orders suffered a rare fall in August exacerbated sterling's fall.

The currency was last down 0.7 percent at \$1.2874 and weakened 0.8 percent against the euro to 90.24 pence, helping lift London's blue-chip FTSE 0.95 percent.

For Reuters Live Markets blog on European and UK stock markets open a news window on Reuters Eikon by pressing F9 and type in 'Live Markets' in the search bar

Global trade concerns supported the U.S. dollar.

The dollar index, which measures the greenback's value against a basket of other major currencies, was flat at 95.13 after nearing its highest level since Aug. 27.

But gains were muted - safe-haven currencies such as the Swiss franc and the Japanese yen were supported against higher-yielding rivals.

In European bond markets, Italian bond yields edged lower after Fitch Ratings left its credit rating unchanged at BBB on Friday, revising only its outlook to negative.

Oil prices meanwhile rose, supported by concerns that falling Iranian output will tighten markets once U.S. sanctions bite from November, but gains were limited by higher supply from OPEC and the United States.

Brent crude oil was up 63 cents at \$78.27 a barrel. U.S. crude was 26 cents higher at \$70.05.

Commodities	Latest Price	Time/Date (AEST)	Change	% Change
▼ Aluminium	2066	3:21am 04/09/2018	-36	-1.70
▼ Copper	5945	3:21am 04/09/2018	-23	-0.39
▼ Nickel	12698	3:21am 04/09/2018	-10	-0.08
▲ Gold	1201	8:29am 04/09/2018	0	0.03
▼ Silver	14.5	8:28am 04/09/2018	-0.0	-0.05
Oil - West Texas crude	69.8	8:30am 04/09/2018	--	--
▲ Lead	2104	3:21am 04/09/2018	47	2.26
▲ Zinc	2470	3:21am 04/09/2018	8	0.31
Ore	66	7:10am 01/09/2018	0	--

Currency	Latest Price	Time/Date (AEST)	Change	% Change
▲ \$A vs \$US	0.7208	8:30am 04/09/2018	0.0022	0.31
▲ \$A vs GBP	0.5601	8:30am 04/09/2018	0.0037	0.67
▲ \$A vs YEN	80.06	8:30am 04/09/2018	0.19	0.24
▲ \$A vs EUR	0.6206	8:30am 04/09/2018	0.0009	0.14
▲ \$A vs \$NZ	1.0911	8:30am 04/09/2018	0.0041	0.38
▼ \$US vs Euro	0.8609	8:30am 04/09/2018	-0.0012	-0.14
▲ \$US vs UK	0.7768	8:29am 04/09/2018	0.0031	0.40
▼ \$US vs CHF	0.9691	8:30am 04/09/2018	-0.0001	-0.01
▲ \$A vs \$CA	0.9438	8:30am 04/09/2018	0.0048	0.51

Australian Market Report

Australian Equities	Latest Price	Time/Date (AEST)	Change	% Change
▼ All Ordinaries	6417	7:20pm 03/09/2018	-11	-0.18
▼ S&P/ASX 200	6311	7:20pm 03/09/2018	-9	-0.14
▼ 10-year Bond Rate	2.51	7:09am 04/09/2018	-0.01	-0.60
90 Day Bank Accepted Bills SFE-Day	2.00	2:42am 04/09/2018	--	--
▼ 3-yr Bond Rate	1.98	7:04am 04/09/2018	-0.01	-0.50

Local Markets Are Expected to Open Lower

Ahead of the local open SPI futures were 3 points lower at 6,297.

Monday 03 September - close [Morningstar with AAP]: Australian shares market slipped in subdued trading on Monday, as US-China trade tensions kept investors wary and the Aussie dollar came under renewed pressure from local retail data.

The benchmark S&P/ASX200 index ended the day down 8.6 points, or 0.14 per cent, at 6,310.9 points, while the broader All Ordinaries was down 11.3 points, or 0.18 per cent, to 6,416.5 points.

Financial stocks were lower with ANZ leading falls, down one per cent to \$29.21 and Bendigo and Adelaide Bank dropping 2.8 per cent to \$11.27 after trading ex-dividend.

Suncorp raised mortgage rates on Friday after Westpac led the way earlier in the week, but Suncorp shares slipped 0.3 per cent to \$15.44.

The Australian dollar, already under pressure after trade talks between Canada and the United States ended on a sour note, fell further on new local retail data.

Australian Bureau of Statistics data showed retail spending was flat in July, falling short of market expectations and the 0.4 per cent rise recorded in June.

The Aussie dollar was at 71.9 US cents at 1700 AEST, its lowest level since the start of 2017.

Meanwhile, commodity prices faced pressure over renewed trade tensions between the world's two biggest economies, the US and China, which in turn hurt material stocks.

Fortescue Metals fell 4.2 per cent to \$3.68 while Rio Tinto and BHP also lost ground.

Northern Star Resources lifted 16.7 per cent to a record high of \$8.12 after its shares resumed trading after the gold miner raised the cash to buy the \$347 million Pogo underground gold mine in Alaska.

The miner raised its gold output guidance for the 2019 financial year from between 600,000 and 640,000 ounces, to between 850,000 and 900,000 ounces.

In other equities news, shares in takeover target Capilano Honey lifted 0.9 per cent to \$21.19 after Bega Cheese lifted its stake in the honey producer.

Capilano last month received a takeover bid from Australian-Chinese private equity fund Wattle Hill.

Bega shares dropped 1.8 per cent to \$7.69.

Investors are set for a quiet night with US markets closed for the Labor Day holiday, while locally on Tuesday eyes will be on the Reserve Bank of Australia for its September rates meeting.

On the ASX:

The S&P/ASX200 closed down 8.6 points, or 0.14 per cent, to 6,310.9 points

The All Ordinaries was down 11.3 points, or 0.18 per cent, at 6,416.5 points

Companies Commencing Ex-Dividend Trading Today (ASX 300):

- ▶ Bega Cheese Limited
- ▶ Boral Limited
- ▶ Hansen Technologies Limited
- ▶ Nine Entertainment Co. Holdings Limited
- ▶ Oil Search Limited
- ▶ Scottish Pacific Group Limited
- ▶ Spark Infrastructure Group
- ▶ St Barbara Limited
- ▶ Whitehaven Coal Limited

Companies Reporting Today (ASX 300):

ASX Code	Company Name	Report
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* Estimated based on release date of previous report

Market Sensitive Announcements

07:34 AM

Fisher & Paykel Healthcare Corporation Limited (FPH) -Fisher & Paykel Healthcare Provides Update on Earnings Guidance

Fisher & Paykel Healthcare announced that it will contest patent allegations made against it by ResMed in the US International Trade Commission (ITC) and US District Court for the Southern District of California. ResMed filed complaints in the ITC and the US District Court in relation to its Eson and Simplus range of masks used in the treatment of obstructive sleep apnea. ResMed is seeking an exclusion order through the ITC, which if granted could prevent the import of these products into the US and is seeking damages and injunctive relief in the US District Court.

07:36 AM

The a2 Milk Company Limited (A2M) -The a2 Milk Company Announces Regarding New China E-Commerce Law

The a2 Milk Company announced that it has previously commented that China's regulatory environment continues to evolve, and the Company actively monitors China's regulatory framework. The Company is to advise that late on 31 August 2018, the legislative branch of the Chinese Government passed new law providing a framework in respect of e-commerce in China. This framework is broad in scope and will apply in respect of all e-commerce activities, both domestic and cross border (CBEC). The new e-commerce law will come into effect from 1 January 2019 and will cover e-commerce operators (including registration of platform operators), contracts, dispute resolution and promotion.

08:11 AM

Energy World Corporation Ltd (EWC) -Energy World Provides Preliminary Final Year Results

Energy World provided preliminary final year results. The Gross profit of US\$96.8m, down 9.1%, principally as a result of decreased gas production from its Sengkang PSC in Indonesia. A new compressor package has been ordered and is in transit, which once installed, is expected to increase gas production. It continued its financial support by advancing a further US\$15m working capital facility throughout the year. Post balance date, the Company agreed to extend the maturity date on all of its outstanding US\$45m loans to 1 January 2022.

08:47 AM

New Century Resources Limited (NCZ) -New Century Resources Secures A\$40m Debt Facility with NAB

New Century Resources announced the entry into a legally binding term sheet for a A\$40m senior secured debt and bank guarantee facility with National Australia Bank (NAB) on the terms. The Provision of this facility follows an extensive process of technical, commercial and legal due diligence by NAB and has received formal credit approval. Both the Company and NAB are completing customary legal documentation prior to financial close. The Company plans to utilise the facility to expedite plans for expansion to full production rate.

09:15 AM

Fremont Petroleum Corporation Limited (FPL) -Fremont Petroleum Trading Halted, Pending Company Announcement

The securities of Fremont Petroleum will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 5 September 2018 or when the announcement is released to the market.

09:23 AM

Lepidico Ltd (LPD) -Lepidico Trading Halted, Pending Company Announcement

The securities of Lepidico will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 5 September 2018 or when the announcement is released to the market.

09:24 AM

Emmerson Resources Limited (ERM) -Emmerson Resources Trading Halted, Pending Company Announcement

The securities of Emmerson Resources will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 5 September 2018 or when the announcement is released to the market.

09:26 AM

IndiOre Ltd (IOR) -IndiOre Trading Halted, Pending Company Announcement

The securities of IndiOre will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 5 September 2018 or when the announcement is released to the market.

09:28 AM

New Century Resources Limited (NCZ) -New Century Resources Provides Century Monthly Development Update

New Century Resources provided an update on the restarting of operations at the Century Zinc Mine during August 2018. Initial hydraulic mining load commissioning and operational ramp up overall has proceeded well, with some operational interruption due to mechanical downtime associated with slurry winning pumps and high-pressure hose fittings. Initial Processing Plant commissioning and operational ramp up overall has proceeded well, with the main operational interruption primarily due to the flow through effects of intermittent feed from the hydraulic mining operations.

09:31 AM

Northern Star Resources Ltd (NST) -Northern Star Resources Announces Regarding Placement Closes Heavily Oversubscribed

Northern Star Resources announced that it has successfully completed an institutional placement to raise A\$175m through the issue of 26.1m new shares. The Placement was completed at A\$6.70 per share, representing a 3.7% discount to the last closing price of A\$6.96 and a 3.5% discount to its 5-day VWAP of A\$6.94. The Placement was heavily-oversubscribed, demonstrating overwhelming shareholder support for the Pogo acquisition and the Company's business model.

09:44 AM

ALE Property Group (LEP) -ALE Property Group Provides 2018 Market Rent Review Update

ALE Property Group provided an update on the progress of the current market rent review in respect of 80 of its 86 properties. The remaining six properties have rent reviews in future years. Two of the properties rents have already been agreed at an increase of 10%. The current year review will result in rents of the remaining 78 properties increasing or decreasing by up to 10%. It is the Company's position that the rent on all of those 78 properties should increase by 10%.

09:47 AM

Magnis Resources Limited (MNS) -Magnis Resources Suspends from Official Quotation

The securities of Magnis Resources will be suspended from quotation immediately under Listing Rule 17.2, at the request of the Company, pending the release of an announcement regarding a capital raising.

09:51 AM

Freedom Foods Group Limited (FNP) -Freedom Foods Group Provides FY 2018 Full Year Results Presentation

Freedom Foods Group provided FY 2018 full year results presentation. Annual net sales increases by 34.5% to \$353m, in line with revised guidance (issued July 2018). Operating net profit increases by 96.9% to \$19.4m, statutory net profit up by 68.7% to \$12.7m. EBDITA margins increased to 11.1% from 10.0%.

09:53 AM

Aneka Tambang (Persero) Tbk (Pt) (ATM) -Aneka Tambang (Persero) Tbk Suspends from Official Quotation

The securities of the Aneka Tambang (Persero) Tbk will be suspended from Official Quotation in accordance with Listing Rule 17.5 from the commencement of trading on 3 September 2018, following failure to lodge the relevant periodic report for the period ended 30 June 2018 by the due date.

Research Report Summaries

Morningstar Rating

★★★

Share Price

12.060

Transurban Group (TCL) - Corporate Action: Take Up Entitlements to Fund Transurban's 25.5% WestConnex Stake

Analyst Note—Wide-moat Transurban is raising AUD 4.8 billion in equity to fund its successful bid for a stake in WestConnex in Sydney. We remain comfortable with our AUD 11.50 fair value estimate. The 10 for 57 entitlement offer price of AUD 10.80 represents a 6% discount to our valuation and a 9% discount to the theoretical ex-rights price. We believe the equity raising is decent value and recommend taking up entitlements as long as it is in line with your investment goals. Investors need to be quick if they want to partake as the retail offer opens Sept. 7 and closes Sept. 18, 2018.

Transurban, with its consortium partners, bought 51% of the strategically important road tunnel project from the NSW Government for AUD 9.4 billion, including transaction costs. Transurban owns 50% of the consortium and will operate the roads. The purchase price is substantially above government and market expectations and is based on Transurban's rosier view of long-term Sydney traffic growth. The acquisition is fully funded by equity, reducing risk but causing dilution in the medium term.

It is impossible to assess whether Transurban is paying a fair price given most of the roads haven't been built yet and financial details are very limited. While Transurban may have overpaid, we don't think there's any material risk of the project going bankrupt because it is conservatively funded and comprises major arterial routes with well-established traffic demand. We also gain comfort from management's mostly good long-term track record of value-enhancing expansion.

Fiscal 2019 distribution guidance of AUD 59 cents per security is unchanged, with management targeting mid-single-digit growth in 2020. However, distributions are unlikely to be covered by underlying free cash flows for the medium term because of equity dilution. Fiscal 2018 distributions were close to 100% of free cash flows, and the equity raising will dilute free cash flow by around 20%.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat \$m	239.00	485.00	481.58	580.48
EPS c	11.74	22.68	19.61	21.60
P/E x	95.61	52.35	61.50	55.83
EPS Growth %	30.71	93.20	-13.57	10.16
DPS c	51.50	56.00	59.00	62.00
Yield %	4.59	4.72	4.89	5.14
Franking %	13.6	8.9	3.4	8.0

Recommendation Updates Over the Last Week

ASX Code	Company Name	Morningstar Rating	Date Changed	Latest Report
▲ GNE	Genesis Energy	★★★	03/09/2018	Upgrade due to price change
▲ MIN	Mineral Resources	★★★	31/08/2018	Upgrade due to price change
▼ ORA	Orora	★	31/08/2018	Downgrade due to price change
▼ RHC	Ramsay Health Care	★★★★	31/08/2018	Downgrade due to price change
▼ BKW	Brickworks	★★	30/08/2018	Downgrade due to price change
▼ BPT	Beach Energy	★★	30/08/2018	Downgrade due to price change
▲ GNE-NZ	Genesis Energy	★★★	30/08/2018	Upgrade due to price change
▼ MMS	McMillan Shakespeare	★★	30/08/2018	Downgrade due to price change
▼ RMD	ResMed	★★	30/08/2018	Downgrade due to price change
▼ SOL	Washington H. Soul Pat	★	30/08/2018	Downgrade due to price change
▼ MIN	Mineral Resources	★★	29/08/2018	Downgrade due to price change
▼ MTS	Metcash	★★	29/08/2018	Downgrade due to price change
▲ MTS	Metcash	★★★	28/08/2018	Upgrade due to price change
▼ MVF	Monash IVF Group	★★★	28/08/2018	More Pain Before Gain, as Monash Operating Leverage Reduces and Margins Contract; Lowering FVE
▲ AZJ	Aurizon Holdings	★★★	27/08/2018	Upgrade due to price change
▲ FLT	Flight Centre Travel Group	★★	27/08/2018	Upgrade due to price change
▲ GWA	GWA Group	★★★	27/08/2018	Upgrade due to price change
▲ QUB	Qube Holdings	★★★	27/08/2018	Upgrade due to price change
▼ SGR	The Star Entertainment Group	★★	27/08/2018	Downgrade due to price change

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