

12-September-2018

Morningnote

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Overseas Market Report

Foreign Equities	Latest Price	Time/Date (AEST)	Change	% Change
▲ Dow Jones (US)	25971	7:48am 12/09/2018	114	0.44
▲ S&P 500	2888	7:31am 12/09/2018	11	0.37
▲ NASDAQ	7972	7:31am 12/09/2018	48	0.61
▼ FTSE 100 Index	7274	1:50am 12/09/2018	-6	-0.08
▼ DAX 30	11970	2:00am 12/09/2018	-16	-0.13
▲ CAC 40	5284	2:15am 12/09/2018	14	0.27
▲ Nikkei 225 (Japan)	22665	4:20pm 11/09/2018	292	1.30
▼ HKSE	26423	6:23pm 11/09/2018	-191	-0.72
▼ SSE Composite Index	2665	5:16pm 11/09/2018	-5	-0.18
▲ NZ 50	9226	3:20pm 11/09/2018	177	1.96

International Markets Roundup

NEW YORK [Morningstar with AAP]: US stocks have risen with Apple leading a jump in technology shares as a gain of more than two per cent in oil prices drove up energy shares.

Apple rose 2.5 per cent on Tuesday, boosting the three major indexes, a day ahead of its expected unveiling of new iPhone models.

The S&P technology sector gained 0.8 per cent, its biggest percentage jump in two weeks, also boosted by Microsoft, up 1.7 per cent, and Facebook, up 1.1 per cent.

"That's been the main fuel for the market," said Alan Lancz, president of Alan B. Lancz & Associates Inc, an investment advisory firm based in Toledo, Ohio.

"Maybe tech has taken the punch and is recovering, and investors are getting more confident that the leader is back."

The technology sector is up close to 18 per cent for the year so far, leading sector gains in the S&P 500 along with consumer discretionary, also up roughly 18 per cent since December 31.

The energy index, up 1 per cent, helped to lift the S&P 500, with shares of Exxon Mobil up 1.4 per cent and Chevron up 0.5 per cent. Oil prices rose after US sanctions squeezed Iranian crude exports and tightened global supply.

The Dow Jones Industrial Average rose 113.99 points, or 0.44 per cent, to 25,971.06, the S&P 500 gained 10.76 points, or 0.37 per cent, to 2,887.89 and the Nasdaq Composite added 48.31 points, or 0.61 per cent, to 7,972.47.

Also gaining were shares of companies that could see a boost in sales in the aftermath of Hurricane Florence, which was upgraded to Category 4 and was expected to make landfall in the Carolinas later this week.

Victory Mines Limited (VIC) -Victory Mines
Suspends from Official Quotation

Phylogica Limited (PYC) -Phylogica
Suspends from Official Quotation

Metalstech Limited (MTC) -Metalstech
Trading Halted, Pending Company
Announcement

Suda Pharmaceuticals Ltd (SUD) -Suda
Pharmaceuticals Announces Pause in
Trading

Australian Mines Limited (AUZ)
-Australian Mines Announces Pause in
Trading

Home improvement retailer Home Depot was up 1.5 per cent and Lowe's Companies was up 1.6 per cent, while shares of construction material companies also rose.

The gains came despite lingering trade tensions. China told the World Trade Organization it wanted to impose sanctions on the United States for its non-compliance with a ruling in a dispute over US dumping duties.

US President Donald Trump had on Friday threatened to slap tariffs on nearly all Chinese imports.

Western Digital slid 3.6 per cent after RBC echoed other brokerages in warning that falling NAND chip prices would hit the company.

Activision Blizzard jumped 7.1 per cent and Take-Two Interactive Software gained 3.7 per cent after brokerage Stifel forecast a strong reception for their video games in the holiday period.

Advancing issues outnumbered declining ones on the NYSE by a 1.06-to-1 ratio; on Nasdaq, a 1.15-to-1 ratio favoured decliners.

The S&P 500 posted 37 new 52-week highs and 14 new lows; the Nasdaq Composite recorded 106 new highs and 98 new lows.

About 6.3 billion shares changed hands on US exchanges. That compares with the 6.1 billion daily average for the past 20 trading days, according to Thomson Reuters

Commodities	Latest Price	Time/Date (AEST)	Change	% Change
▼ Aluminium	2005	3:22am 12/09/2018	-52	-2.54
▼ Copper	5844	3:22am 12/09/2018	-48	-0.81
▼ Nickel	12143	3:22am 12/09/2018	-181	-1.47
▲ Gold	1198	8:15am 12/09/2018	10	0.82
▼ Silver	14.1	8:14am 12/09/2018	--	-0.01
▲ Oil - West Texas crude	69.2	8:15am 12/09/2018	1.7	2.53
▼ Lead	1944	3:22am 12/09/2018	-63	-3.15
▼ Zinc	2301	3:22am 12/09/2018	-77	-3.25
▼ Ore	68	7:10am 12/09/2018	0	-0.57

Currency	Latest Price	Time/Date (AEST)	Change	% Change
▲ \$A vs \$US	0.7115	8:15am 12/09/2018	0.0008	0.12
▲ \$A vs GBP	0.5465	8:15am 12/09/2018	0.0010	0.18
▲ \$A vs YEN	79.42	8:15am 12/09/2018	0.42	0.53
▲ \$A vs EUR	0.6134	8:15am 12/09/2018	0.0004	0.07
▲ \$A vs \$NZ	1.0909	8:15am 12/09/2018	0.0009	0.08
▼ \$US vs Euro	0.8619	8:15am 12/09/2018	-0.0004	-0.04
▲ \$US vs UK	0.7679	8:15am 12/09/2018	0.0004	0.05
▼ \$US vs CHF	0.9724	8:15am 12/09/2018	-0.0020	-0.21
▼ \$A vs \$CA	0.9292	8:15am 12/09/2018	-0.0064	-0.68

Australian Market Report

Australian Equities	Latest Price	Time/Date (AEST)	Change	% Change
▲ All Ordinaries	6288	7:20pm 11/09/2018	38	0.61
▲ S&P/ASX 200	6180	7:20pm 11/09/2018	38	0.62
▲ 10-year Bond Rate	2.61	7:09am 12/09/2018	0.02	0.68
▲ 90 Day Bank Accepted Bills SFE-Day	1.94	7:00am 12/09/2018	0.01	0.52
▲ 3-yr Bond Rate	2.04	7:00am 12/09/2018	0.01	0.49

Local Markets Are Expected to Open Lower

Ahead of the local open SPI futures were 14 point lower at 6,162.

Tuesday 11 September - close [Morningstar with AAP]: The Australian share market has snapped an eight day losing streak, buoyed by strong results from oil and financial stocks.

The benchmark S&P/ASX200 index was up 38 points, or 0.62 per cent, to 6,179.7 points on Tuesday, while the broader All Ordinaries index was up 37.9 points, or 0.61 per cent, to 6,287.6 points.

CMC Markets' chief strategist Michael McCarthy said the day's strong performance suggested there had been an element of bargain hunting among traders and investors.

"That eight days of losses brought us to a level where people were happy to step up and start buying," he said.

Investors' appetite for energy stocks was bolstered by an overnight jump in global benchmark Brent crude, pushing the sector to a gain beyond two per cent for the first time since June 6.

Whitehaven Coal jumped 3.7 per cent and was among the top gains on the benchmark, while Origin Energy rose 3.2 per cent.

The financial sector rose 0.85 per cent with positive results across all of the big four banks.

Commonwealth Bank led the gains, up 1.6 per cent to \$71.87, while NAB had the smallest lift, up 0.29 per cent to \$27.77.

Macquarie Group Ltd was up 1.8 per cent to \$124.87 after it said on Tuesday it expects the group's fiscal year 2019 result to be broadly in line with fiscal 2018.

Healthcare stocks, however, were down after key market performer CSL fell to a near-four week low during the day's trading, finishing 0.7 per cent down to \$210.63.

Shares in insurer Clearview fell 9.9 per cent after being grilled at the royal commission on Monday and going ex-dividend on Tuesday, while Myer's shares were down 3.3 per cent ahead of the retailer revealing its full-year results on Wednesday.

The Australian dollar came under pressure due to continued economic hostilities between the US and China and possible trade tariff escalation.

The Aussie was buying 71.27 US cents at 1630 AEST, up from 71.01 on Monday.

On the ASX:

The S&P/ASX200 closed up 38 points, or 0.62 per cent, to 6,179.7 points

The All Ordinaries was up 37.9 points, or 0.61 per cent, to 6,287.6 points

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

- ▶ Accent Group Limited
- ▶ CIMIC Group Limited
- ▶ Costa Group Holdings Limited
- ▶ Lovisa Holdings Limited
- ▶ Perpetual Limited
- ▶ Regis Resources Limited
- ▶ SEEK Limited
- ▶ Service Stream Limited
- ▶ Sonic Healthcare Limited

Companies Reporting Today (ASX 300):

ASX Code	Company Name	Report
BEN*	Bendigo and Adelaide Bank Limited	Annual

* Estimated based on release date of previous report

Market Sensitive Announcements

08:29 AM

Arcor Limited (AMC) -Arcor Provides CLSA Conference Presentation

Arcor provided CLSA Conference Presentation. It reported the revenue of more than US\$13bn and PBITDA of US\$2.2bn. The annual free cash flow of the Company was US\$1bn. The Company generated key sales from the food market. The Company reported dividend as US\$500m and reinvestment of US\$400m.

08:32 AM

OneMarket Limited (OMN) -OneMarket Announces Product Strategy and Provides Capital Update

OneMarket conducted a review of the Company business and operations. The outcome of the review has led to a reduction in cash expenses following an internal restructuring which included both a reduction in the work force and a streamlined reporting structure. There has been an extension to the period to which the Company has sufficient resources to meet its anticipated cash needs without additional financing by 12 months from late-2019 to late-2020. It will maintain its focus on developing enabling technologies for the Company network including consumer identification, communication with consumers, location and logic capabilities and prioritise investment in data products towards building technology products that leverage data to provide better consumer experiences.

08:36 AM

Medlab Clinical Limited (MDC) -Medlab Clinical Receives Licence to Export Cannabis

Medlab Clinical announced that it has received a Licence to Export Cannabis from the Office of Drug Control (ODC) Canberra, Australia, as it relates to its 2-pioneering cannabis-based medicines, NanaBis and NanaBidal. NanaBis is a whole plant 1:1 extract of CBD and THC, whilst NanaBidal is a whole plant extract of CBD and THC. Both products utilise the Company's patented NanoCelle delivery platform which allows the delivery of nano particles of the active pharmaceutical ingredients into the side of the cheek.

08:50 AM

Macquarie Group Limited (MQG) -Macquarie Group Provides Investor Presentation and Outlook Update

Macquarie Group provided investor presentation and outlook update. It reported that the Company continues to expect the Group's result for FY 2019 to be broadly in line with FY 2018, 1H 2019 result is expected to be broadly in line with the 1H 2018 result. The FY 2018 net profit is A\$2557m. Term funding beyond 1 year has a weighted average maturity of 4.6 years. Over the medium-term, the Company remains well positioned to deliver favorable performance. 1Q 2019 operating group contribution is up on pcp and down on a prior quarter. The Company reported Asset and Principal Finance portfolio of A\$34.1bn, broadly in line with Mar 2018.

09:09 AM

Oilex Ltd (OEX) -Oilex Trading Halted, Pending Company Announcement

The securities of Oilex will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 13 September 2018 or when the announcement is released to the market.

09:10 AM

Moreton Resources Ltd (MRV) -Moreton Resources Trading Halted, Pending Company Announcement

The securities of Moreton 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 13 September 2018 or when the announcement is released to the market.

09:15 AM

Altura Mining Limited (AJM) -Altura Mining Secures Additional US\$15m for the Altura Lithium Project

Altura Mining announced that it has arranged an Amendment Deed with its existing Loan Note Holders to be provided with an additional US\$15m for the Altura Lithium Project. The terms of the Amendment Deed are in line with the existing US\$110m senior secured loan note facility that was executed in July 2017. The additional capital has been raised without the issue of further equity securities, which would have resulted in some dilution for existing shareholders. The Company will utilise the additional funds to ensure efficient ramp-up towards nameplate capacity and distribution of lithium concentrate to its offtake partners.

09:21 AM	<p>CIMIC Group Limited (CIM) -CIMIC Group Notes Regarding the Securement of Road Network Contracts in WA by Ventia</p> <p>CIMIC Group noted that Ventia, Company's 50% owned associate, secured road network contracts in WA. Ventia continues to build a positive relationship with Main Roads WA by securing two contracts focused on delivering asset maintenance and infrastructure services work across WA's extensive road network. The contracts will generate total revenue of \$280m with Ventia's portion representing \$190m. Venture Smart will provide planned and reactive maintenance of all Main Roads WA electrical assets, repair of damage to assets and a range of electrical upgrades and capital works related to these assets. Ventia will continue to deliver the regional sustainability objectives of Main Roads WA through securing the Pilbara Rural Network Contract from November 2018.</p>
09:22 AM	<p>Allegiance Coal Limited (AHQ) -Allegiance Coal Trading Halted, Pending Company Announcement</p> <p>The securities of Allegiance Coal will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 13 September 2018 or when the announcement is released to the market.</p>
09:24 AM	<p>Victory Mines Limited (VIC) -Victory Mines Suspends from Official Quotation</p> <p>The securities of Victory Mines 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 project acquisition and capital raising.</p>
09:25 AM	<p>Phylogica Limited (PYC) -Phylogica Suspends from Official Quotation</p> <p>The securities of Phylogica 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.</p>
09:49 AM	<p>Metalstech Limited (MTC) -Metalstech Trading Halted, Pending Company Announcement</p> <p>The securities of Metalstech will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 13 September 2018 or when the announcement is released to the market.</p>
09:52 AM	<p>Suda Pharmaceuticals Ltd (SUD) -Suda Pharmaceuticals Announces Pause in Trading</p> <p>Trading in the securities of the Suda Pharmaceuticals will be temporarily paused pending a further announcement.</p>
10:05 AM	<p>Australian Mines Limited (AUZ) -Australian Mines Announces Pause in Trading</p> <p>Trading in the securities of the Australian Mines will be temporarily paused pending a further announcement.</p>

Research Report Summaries

Morningstar Rating

★★★★

Share Price

39.800

Janus Henderson Group PLC (JHG) - Moat and Trend Assessment of Several Asset Managers Leads to Upgrades, Downgrades, and FVE Changes

Analyst Note—We've updated our moat and trend ratings for a handful of U.S.-based asset managers--Invesco, Affiliated Managers Group, Franklin Resources, Eaton Vance, and Waddell & Reed--making several downgrades, one upgrade, and a handful of changes in our fair value estimates. As we look at the industry today, we see a confluence of a few different issues--poor relative active investment performance, the growth and acceptance of low-cost index-based products, and the expanding power of the retail-advised channel--that have made it increasingly difficult for asset managers that are running predominantly active portfolios to generate organic growth, leaving them more dependent on market gains to drive managed asset levels higher. While we continue to believe that there will be room for active management, we expect the advantage will go to asset managers with greater scale, established brands, solid long-term performance, and reasonable fees.

Although most of the asset managers we cover have the size and scale to be competitive, we've taken a much deeper look at the switching costs and intangibles we view as sources of economic moats for the industry. With Invesco, we maintained our narrow moat rating but took the trend rating (which is being influenced more by industry events) to negative and lowered our fair value estimate to \$35 per share. We lowered our moat and trend ratings for Franklin Resources and Eaton Vance to narrow and negative and took our fair value estimates to \$37 for Franklin and \$55 for Eaton Vance. With Waddell & Reed, we went no moat with a negative trend and reduced our fair value estimate to \$20. We actually lifted AMG's moat rating to narrow, albeit with a negative trend, and lowered our fair value estimate to \$200. In almost all cases, the reduction in fair value estimates reflects our assumption of a larger equity market decline (20%) than we were projecting previously (10%) midway through our five-year forecast.

FYE Dec	2016A	2017A	2018E	2019E
Reported Npat \$m	480.49	661.46	724.88	738.24
EPS c	239.89	334.24	368.41	380.38
P/E x	18.66	12.60	10.53	10.20
EPS Growth %	-31.31	39.33	10.22	3.25
DPS c	97.07	165.30	172.81	190.09
Yield %	2.17	3.92	4.45	4.90
Franking %	0.0	0.0	0.0	0.0

Morningstar Rating

★★★

Share Price

124.870

Macquarie Group Limited (MQG) - Macquarie On Track for an Impressive Fiscal 2019; AUD 130 FVE Unchanged

Analyst Note—Narrow-moat Macquarie Group's brief trading update confirmed our positive view that Australia's largest global asset manager and investment bank is on track to deliver a strong fiscal 2019 profit close to our forecast of AUD 2.7 billion, or AUD 7.93 per share, implying 7% growth. Despite vague guidance, fiscal 2019 profit will be "broadly in line" with the AUD 2.56 billion profit reported for fiscal 2018. We interpret "broadly in line" to mean plus or minus 10%. Fiscal 2019 consensus profit is AUD 2.75 billion, modestly higher than our forecast. Higher forecast profits and the retail-investor-friendly 70% payout underpin our attractive forecast dividend yield of 4.6% for fiscal 2019 and 4.9% for fiscal 2020. We retain our AUD 130 fair value estimate and our fiscal 2019 forecast 45% franked dividend of AUD 5.60 per share, based on a 70% payout, midrange of the 60%-80% target. At current prices, the stock is undervalued, trading 5% below our valuation.

Fiscal 2019 guidance is unchanged since the AGM in late July. First-half fiscal 2019 results are due Nov. 2, and we project net profit of approximately AUD 1.3 billion. Macquarie confirmed that first-half fiscal 2019 profit is expected to be broadly in line with the AUD 1.25 billion for first-half fiscal 2018. First-half fiscal 2018 included an impressive AUD 537 million in performance fees. Short-term upside is the potential sale of Macquarie's interest in Quadrant Energy, which has been excluded from the firm's current outlook.

Macquarie's five operating groups are performing well, with the most profitable division, Macquarie asset management, the standout. Macquarie securities and banking and financial services performed strongly in fiscal 2018, boosting profits by 45% and 9%, respectively, and we expect impressive performances for fiscal 2019. The firm's long-term commitment to and investment in the renewable sector will accelerate in the next decade, likely producing increasing contributions to group profits.

FYE Mar	2017A	2018A	2019E	2020E
Reported Npat \$m	2,217.00	2,557.00	2,700.45	2,929.29
EPS c	644.50	743.50	793.40	860.63
P/E x	12.23	12.66	15.46	14.25
EPS Growth %	4.12	15.36	6.71	8.47
DPS c	470.00	525.00	560.00	600.00
Yield %	5.96	5.58	4.57	4.89
Franking %	45.0	45.0	45.0	45.0

Recommendation Updates Over the Last Week

ASX Code	Company Name	Morningstar Rating	Date Changed	Latest Report
▲ IFL	IOOF	★★★★	10/09/2018	Upgrade due to price change
▲ SGR	The Star Entertainment Group	★★★	10/09/2018	Upgrade due to price change
▼ APA	APA Group	★★	07/09/2018	CKI's Bid for APA Group Is Unlikely to Succeed
▲ BLD	Boral	★★★	07/09/2018	Upgrade due to price change
▲ ASX	ASX	★★	06/09/2018	Upgrade due to price change
▲ BKL	Blackmores	★★★	06/09/2018	Upgrade due to price change
▲ CGF	Challenger	★★★★	06/09/2018	Upgrade due to price change
▲ FXJ	Fairfax Media	★★★	06/09/2018	Upgrade due to price change
▲ NCM	Newcrest Mining	★★★★	06/09/2018	Upgrade due to price change
▼ CNU-NZ	Chorus	★★	05/09/2018	Downgrade due to price change
▲ LLC	LendLease	★★★	05/09/2018	Upgrade due to price change
▼ ARF	Arena REIT	★★★	04/09/2018	Downgrade due to price change
▼ CNU	Chorus	★★	04/09/2018	Downgrade due to price change
▼ MGR	Mirvac Group	★★	04/09/2018	Downgrade due to price change

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