iInvest Securities
Stockbroking & Wealth Management

24-December-2018

Morningnote

Contents

Flashnotes

Overseas Market Report

	Foreign Equities	Latest Price	Time/Date (AEST)	Change	% Change
▼	Dow Jones (US)	22445	9:17am 22/12/2018	-414	-1.81
▼	S&P 500	2417	9:17am 22/12/2018	-51	-2.06
▼	NASDAQ	6333	9:31am 22/12/2018	-195	-2.99
▲	FTSE 100 Index	6721	4:00am 22/12/2018	9	0.14
▲	DAX 30	10634	4:00am 22/12/2018	23	0.21
▲	CAC 40	4694	4:15am 22/12/2018	2	0.04
▼	Nikkei 225 (Japan)	20166	5:20pm 21/12/2018	-226	-1.11
▲	HKSE	25753	7:24pm 21/12/2018	130	0.51
▼	SSE Composite Index	2516	6:15pm 21/12/2018	-20	-0.79
▼	NZ 50	8686	3:21pm 21/12/2018	-86	-0.98

International Markets Roundup

NEW YORK [Morningstar with AAP]: Wall Street stocks have fallen sharply in volatile trading, with the Nasdaq confirming it is in a bear market, as concerns of slowing economic growth led investors to flee stocks in high-valuation sectors such as technology and communication services.

The Dow Jones Industrial Average fell 414.23 points, or 1.81 perc ent, to 22,445.37, the S&P 500 lost 50.84 points, or 2.06 per cent, to 2,416.58 and the Nasdaq Composite dropped 195.41 points, or 2.99 per cent, to 6,332.99.

Stocks fell after Trump administration trade adviser Peter Navarro told Nikkei it would be "difficult" for the United States and China to reach a long-lasting trade agreement that would end the simmering trade war between the world's two largest economies.

The tech-heavy Nasdaq Composite dropped into a bear market, defined as a 20 per cent decline from its recent highs, for the first time since the global financial crisis in 2008. Broad stock markets in the United States and Europe are on pace for the worst quarter since 2008, while the Dow finished its worst week since late 2008.

"China is cooling and the euro zone is slowing down, and some of the economic indicators from the US have been a bit soft recently, but yet the Fed hiked rates and suggested that two more interest rate hikes were lined up for 2019," said Michael Hewson, chief markets analyst at CMC Markets in London.

He said speculation that the US economy could be headed for a recession has picked up, dampening global sentiment. "Fear about a US government shutdown is playing into the mix too."

US President Donald Trump has refused to sign legislation to fund the US government unless Congress authorises money for a Mexico border wall, thus risking a partial federal shutdown on Saturday.

"Political brinkmanship in Washington is further heightening market uncertainty," said Westpac economist Elliot Clarke.

Liquefied Natural Gas Limited (LNG) -Liquefied Natural Gas Announces No Extension of Meridian Agreement

Resolute Mining Limited (RSG) -Resolute Mining Strengthens A$ Gold Hedge Book

Alice Queen Limited (AQX) -Alice Queen Suspends from Official Quotation

Onevue Holdings Limited (OVH) -Onevue Holdings Strengthens Superannuation Partnerships Post KPMG Acquisition

Centuria Industrial REIT (CIP) -Centuria Industrial REIT Announces Regarding Successful Completion of Entitlement Offer

Alliance Minerals Assets Limited (A40) -Alliance Minerals Assets Trading Halted, Pending Company Announcement

Adding to the air of crisis was news that US Defense Secretary Jim Mattis had resigned after Trump announced a withdrawal of all US forces from Syria and sources said a military pullback from Afghanistan was also planned.

Oil prices, which slid just over four per cent on Thursday, tumbled to their lowest since the third quarter of 2017. US crude fell one per cent to $US45.41 a barrel, while Brent fell 1.5 per cent to $US53.52.

The mood change has triggered a rush out of crowded trades, including massive long positions in U.S. equities and the dollar and short positions in Treasuries.

	Commodities	Latest Price	Time/Date (AEST)	Change	% Change
▼	Aluminium	1908	10:30am 22/12/2018	-3	-0.18
▼	Copper	5968	10:31am 22/12/2018	-10	-0.17
▼	Nickel	10796	10:31am 22/12/2018	-36	-0.33
▼	Gold	1255	7:00am 24/12/2018	-5	-0.37
▲	Silver	14.6	7:01am 24/12/2018	0.0	0.25
▼	Oil - West Texas crude	45.6	9:09am 22/12/2018	-0.3	-0.63
▼	Lead	1961	10:32am 22/12/2018	-10	-0.53
▼	Zinc	2554	10:32am 22/12/2018	-36	-1.41
▼	Ore	69	9:10am 22/12/2018	0	-0.19

	Currency	Latest Price	Time/Date (AEST)	Change	% Change
▲	$A vs $US	0.7040	8:09am 24/12/2018	0.0012	0.17
▲	$A vs GBP	0.5567	8:09am 24/12/2018	0.0017	0.30
▼	$A vs YEN	78.06	8:10am 24/12/2018	-0.01	-0.01
▲	$A vs EUR	0.6191	8:09am 24/12/2018	0.0020	0.32
▼	$A vs $NZ	1.0465	8:10am 24/12/2018	-0.0009	-0.09
▲	$US vs Euro	0.8795	8:09am 24/12/2018	0.0016	0.18
▲	$US vs UK	0.7908	8:10am 24/12/2018	0.0011	0.13
▲	$US vs CHF	0.9945	7:44am 24/12/2018	0.0016	0.16
▲	$A vs $CA	0.9569	8:09am 24/12/2018	0.0011	0.11

Australian Market Report

Australian Equities		Latest Price	Time/Date (AEST)	Change	% Change
▼	All Ordinaries	5533	7:21pm 21/12/2018	-40	-0.71
▼	S&P/ASX 200	5468	7:21pm 21/12/2018	-38	-0.69
▼	10-year Bond Rate	2.38	7:39am 22/12/2018	-0.01	-0.63
	90 Day Bank Accepted Bills SFE-Day	1.97	5:20am 22/12/2018	--	--
▼	3-yr Bond Rate	1.83	7:39am 22/12/2018	-0.04	-1.88

Local Markets Are Expected to Open Lower

Ahead of the local open SPI futures were 40 points lower at 5,338.

Friday 21 December - close [Morningstar with AAP]: The Australian share market has plunged to a new two-year low, dragged down by energy stocks, while insurers have been pelted with millions of dollars in claims following Sydney's hailstorm.

The benchmark S&P/ASX200 index was down 38.2 points, or 0.69 per cent to 5467.6 on Friday.

The broader All Ordinaries lost 0.71 per cent closed at 5533.30 following another bleak session on Wall Street after President Donald Trump refused to sign a bill to fund the government, setting up a last-minute showdown with Democrats in the senate to avoid a partial shutdown.

On the last major day of trading for the year, CMC Markets chief strategist Michael McCarthy said it was important to note the "market wobble" was related to growth outlook and not the Australian or global economies.

"We're having a re-pricing of US shares, which is reasonable given they got into such lofty valuations but unfortunately that negative momentum is starting to become a market force in itself," he told AAP.

"It's pretty clear the negative action is now starting to rattle investor nerves as well as any other headlines that might cause concern."

The big four Australian lenders all lost ground, with NAB and ANZ suffering the heaviest losses, both down 1.1 per cent to $22.84 and $23.30 respectively, and Commonwealth Bank the least, down 0.6 per cent to $68.48.

But the real damage was felt by the insurers.

IAG shares fell 4.3 per cent to $6.65, with the company expecting the bill from Thursday evening's storm to hit $169 million, while fellow insurer Suncorp lost 3.9 per cent to $12.42.

Lower oil prices dragged the energy sector into the red, with Origin, Caltex and Beach Energy between 1.7 and 2.7 per cent weaker.

Materials was one of only two sectors to close in the black, lifted by BHP rising 2.3 per cent to $33.36, and Rio Tinto and South 32 were 0.7 and one per cent higher.

The gold miners glistened after a near $US19 per ounce rise in the yellow metal, supporting a 3.7 per cent lift from Northern Star.

Evolution, Newcrest, Saracen and St Barbara were all in the black.

Healthcare was the other positive mover, buoyed by sector benchmark CSL rising 1.2 per cent to $177.73.

Healthscope shares jumped 5.8 per cent after announcing Canadian investment firm Brookfield Asset Management intends proceeding with its takeover offer.

The telco sector suffered the biggest percentage loss as Telstra and TPG fell 3.9 and 2.3 per cent.

The Australian dollar strengthened slightly against its US counterpart at risk of a partial government shutdown.

The Aussie was buying 71.06 US cents at 1630 AEDT, from 70.91 US cents on Thursday.

ON THE ASX:

The benchmark S&P/ASX200 index was down 38.2 points, or 0.69 per cent to 5467.6

The All Ordinaries was down 39.6 points, or 0.71 per cent, at 5533.3

Companies Reporting Today (ASX 300):

ASX Code	Company Name	Report

* Estimated based on release date of previous report

Market Sensitive Announcements

07:37 AM

Contact Energy Limited (CEN) -Contact Energy Provides November 2018 Operating Report

Contact Energy provided November 2018 operating report. The Customer business recorded mass market electricity and gas sales of 317 GWh (November 2017: 319 GWh) and mass market electricity and gas netback of $92.82/MWh (November 2017 $90.39/MWh). The new operating segments provide a clearer view of profitability in the operating businesses, as the segments exclude indirect Corporate costs. As at 18 December 2018, South Island controlled storage was 97% of mean (30 November 2018: 104%) and North Island controlled storage was 73% of mean (30 November 2018: 66%).

08:25 AM

Techniche Limited (TCN) -Techniche Provides Market Update

Techniche provided market update. The Company's share buyback has been successfully completed with 12,873,327 shares purchased at an average price of 3.88cps. This represents 5.8% of the Company's issued share capital. The Company is not considering a further buyback at this stage. The Company advises that it expects to report a result of between a $100k NPAT to a loss after tax of $200k for the period to December 2018. The final result is primarily predicated on the timing of finalising some key contracts.

08:28 AM

Argosy Minerals Limited (AGY) -Argosy Minerals Provides Rincon Product Customer Samples Update

Argosy Minerals advised further progress toward a preliminary off-take arrangement for Stage 1 LCE product from the industrial scale pilot plant operations at the Rincon Lithium Project - located in the Lithium Triangle in Salta Province, Argentina. The Company has provided additional customer product test samples to preferred potential customers in Asia as part of the on-going customer testing and product customisation process, to ensure future customer sales are consistent quality and specification, and any product impurities are systemised at the customers end, for their own product manufacturing requirements and meeting their own customers specifications.

08:31 AM

Unibail-Rodamco-Westfield (URW) -Unibail-Rodamco-Westfield Completes the Disposal of the Skylight Lumen Offices

Unibail-Rodamco-Westfield announced the completion of the disposal of the Skylight and Lumen office buildings, located in the central business district of Warsaw, to Globalworth Poland. The total acquisition cost of the transaction is EUR190.0m. Since 30June 2018, the Group has disposed of 10 assets, representing a total net disposal price of EUR2.0bn, at a blended net initial yield of 4.6% and with a weighted average premium of 8.4% to the 30 June 2018 book value.

08:33 AM

Integrated Research Limited (IRI) -Integrated Research Appoints Interim CEO

Integrated Research announced that Peter Adams, currently its Chief Financial Officer (CFO), has been appointed as Interim CEO effective 18 February 2019, when the Company's current CEO John Merakovsky leaves the business. Mr. Adams joined the Company in March 2008 as CFO and has more than 25 years' experience, which includes a number of senior finance and accounting roles with Infomedia, Renison Goldfields and Transfield prior to joining the Company.

08:36 AM

Artemis Resources Limited (ARV) -Artemis Resources Announces Shallow Nickel-Copper Resource Defined at Radio Hill

Artemis Resources announced a new, shallow JORC 2012 resource estimate for the Company's 100% owned Radio Hill Nickel Mine in the West Pilbara region of WA. The December 2018 resource estimate is classified to JORC 2012 compliant Indicated category. The Radio Hill Nickel Mine is in the West Pilbara region of WA 35 km by road south of the city of Karratha. Radio Hill is on a fully approved mining lease and contains its100% owned Radio Hill Processing Plant and the historic Radio Hill underground mine. The underground mine ore was processed through Radio Hill prior to the plant being placed into care and maintenance in September 2008 due to low commodity prices.

08:37 AM

Artemis Resources Limited (ARV) -Artemis Resources Announces Shallow Nickel-Copper Resource Defined at Radio Hill

Artemis Resources announced a new, shallow JORC 2012 resource estimate for the Company's 100% owned Radio Hill Nickel Mine in the West Pilbara region of WA. The December 2018 resource estimate is classified to JORC 2012 compliant Indicated category. The Radio Hill Nickel Mine is in the West Pilbara region of WA 35 km by road south of the city of Karratha. Radio Hill is on a fully approved mining lease and contains its 100% owned Radio Hill Processing Plant and the historic Radio Hill underground mine. The underground mine ore was processed through Radio Hill prior to the plant being placed into care and maintenance in September 2008 due to low commodity prices.

08:50 AM

Heron Resources Limited (HRR) -Heron Resources Completes Draw-Down of Third and Final Tranche of US$20m Debt

Heron Resources announced that it has completed the drawdown of the third and final tranche of US$20m of Debt from Orion Mine Finance. As announced to the market on 30 June 2017, the total Debt provided by Orion Mine Finance is US$60m which has been fully drawn.

08:54 AM

Liquefied Natural Gas Limited (LNG) -Liquefied Natural Gas Announces No Extension of Meridian Agreement

Liquefied Natural Gas announced that through its 100% owned project company, Magnolia LNG (Magnolia), and Meridian LNG Holdings have mutually agreed not to extend the deadline for satisfaction of the conditions precedent to the Liquefaction Tolling Agreement beyond the current date of 31 December 2018. Magnolia and Meridian LNG executed the agreement on 22 July 2015 and entered into six extensions since then.

09:18 AM

Resolute Mining Limited (RSG) -Resolute Mining Strengthens A$ Gold Hedge Book

Resolute Mining announced that the Company has forward sold an additional 30,000oz of gold at an average price of A$1,783/oz with scheduled monthly deliveries of 5,000oz between July 2019 and December 2019. It has taken advantage of strength in the gold price to extend the Company's Australian dollar denominated gold hedge position. The objective of the Company's Australian dollar hedging is to protect projected returns from the Ravenswood Gold Mine in Qld during the staged development phase of the Ravenswood Expansion Project. The development phase at Ravenswood will see the operation transition back to large scale open pit mining and will deliver a new 14-year mine life.

09:26 AM

Alice Queen Limited (AQX) -Alice Queen Suspends from Official Quotation

The securities of Alice Queen will be suspended from quotation immediately under Listing Rule 17.2, at the request of the Company, pending the release of an announcement regarding the Company's funding position and proposed capital raising initiatives.

09:37 AM

Onevue Holdings Limited (OVH) -Onevue Holdings Strengthens Superannuation Partnerships Post KPMG Acquisition

Onevue Holdings announced the completion of its purchase of KPMG's Super Member Administration business. The acquisition of KPMG's Super Member Administration business catapulted its funds under administration to over $4.0bn, with 130,000+ members and 38 superannuation. Post the acquisition it has retained all clients, delivered an end-of-year performance across the client base and moved the superannuation team from the KPMG's Barangaroo premises to its Sydney premises.

09:44 AM

Centuria Industrial REIT (CIP) -Centuria Industrial REIT Announces Regarding Successful Completion of Entitlement Offer

Centuria Industrial REIT noted that Centuria Property Funds No. 2 (CPF2L), as Responsible Entity of the Company announce the successful completion of its 1 for 13.5 accelerated non-renounceable entitlement offer (Equity Raising) announced on 4 December 2018. The retail component of the Equity Raising (Retail Entitlement Offer) closed on 19 December 2018 raising $21m. This follows the successful completion of the institutional component of the Equity Raising (Institutional Entitlement Offer) which raised $30m, providing a total equity raising of $51m.

09:49 AM

Alliance Minerals Assets Limited (A40) -Alliance Minerals Assets Trading Halted, Pending Company Announcement

The securities of Alliance Minerals Assets will be placed in trading halt session state at the request of the company, until the earlier of the commencement of normal trading on 27 December 2018 or when the announcement is released to the market.

Research Report Summaries

Morningstar Rating

★★

Share Price

6.100

Atlas Arteria (ALX) - Atlas Arteria Has an Excellent Distribution Outlook but Short Life Reduces Attractiveness

Analyst Note-We published a special report on Atlas Arteria on Dec. 21, 2018, titled "Reinitiating Coverage of Atlas Arteria: Excellent Distribution Outlook but Short Life Reduces Attractiveness" that can be found on our website. Atlas Arteria’s stock price has been a tremendous performer, having risen more than 700% since being spun out of Macquarie Infrastructure Group and listing on the Australian Securities Exchange in 2010. But we doubt the dream run will continue. While the stock will boast an attractive distribution yield within a few years, we consider it overvalued because of the relatively short concession life of the key underlying asset--Autoroutes Paris-Rhin-Rhone. Nonetheless, APRR is good quality, being the dominant motorway network in Eastern France, justifying a narrow economic moat rating for Atlas Arteria. Other assets have excessive financial leverage, but we see value in Dulles Greenway.

Atlas Arteria is trading at a 17% premium to our AUD 5.30 per security fair value estimate. The 2019 distribution yield is 4.7% unfranked, with distributions growing at high teen rates to 2022 on our numbers. But the longer-term distribution outlook is not as attractive because toll road investments have finite lives. Key asset APRR will be given back to the government in 17 years for no consideration, after repaying all debt. This will have a major negative impact on distributions over the longer term.

The 25% stake in APRR makes up around 80% of our valuation. APRR is performing well as traffic volumes and consumer price index-linked toll increases recover in tandem with France's economy. However, the main drivers of strong earnings and distribution growth in coming years are lower interest and tax rates, which we believe will both head higher over the longer term.

Wholly-owned Dulles Greenway will probably remain in distribution lock-up for a few more years. But performance will improve, and it should add materially to distributions over the longer term.

FYE Dec	2016A	2017A	2018E	2019E
Reported Npat $m	151.87	123.21	239.86	289.25
EPS c	29.11	20.79	35.11	42.33
P/E x	16.60	26.56	17.37	14.41
EPS Growth %	39.76	-28.59	68.90	20.56
DPS c	18.00	20.01	24.00	30.00
Yield %	3.72	3.62	3.93	4.92
Franking %	0.0	0.0	0.0	0.0

Morningstar Rating

★★★

Share Price

41.650

Flight Centre Travel Group Limited (FLT) - Flight Centre Coming Down to a More Reasonable Altitude

Analyst Note-Shares in Flight Centre have retraced considerably in recent months, down 35% (dividend-adjusted) since the results release on Aug. 23, 2018 and underperforming the market by 23%. The risk-reward proposition for investors is becoming more balanced at current prices, but the stock is still trading at 12% above our unchanged AUD 38.00 fair value estimate.

The risk side of the equation relates to longer-term pressures on no-moat-rated Flight Centre's physical store-based model in Australia and New Zealand (almost 70% of the no-moat-rated group's earnings). As detailed in our report, "Flight Centre Still Flying Too High," published Dec. 4, 2018, we expect consumers to become more comfortable dealing directly with suppliers and online agencies at the expense of Flight Centre, and technology will continue to erode the information imbalance between the group and the leisure traveller. While management's expansion into corporate travel is a sensible diversification strategy, consensus expectations in the space for Flight Centre are too bullish, and complacent with respect to competitive dynamics and the bargaining power of large corporate customers. Furthermore, there exist cyclical threats, especially the ramifications of Australia's slowing housing market and the adverse wealth effect this may have on consumer propensity to travel.

The potential reward side of the equation is that management is cognizant of the structural headwinds ahead, and is engaged in a transformation program to drive total transaction value, or TTV, growth across all channels (including digital) while taking costs out. We have not yet baked in management's long-term goal of sustaining TTV growth at 7.0% (versus our 4.8% forecast) and lifting sustainable net margin to 2.0% (versus our 1.62% forecast). However, if these goals are achieved, our fair value estimate would rise 27% from the current AUD 38.00 per share, to AUD 48.10, 13% above the current stock price.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	234.84	284.18	281.55	293.66
EPS c	231.72	280.21	278.56	290.54
P/E x	14.18	18.03	14.95	14.34
EPS Growth %	-5.16	20.92	-0.59	4.30
DPS c	139.00	167.00	167.00	175.00
Yield %	4.23	3.31	4.01	4.20
Franking %	100.0	100.0	100.0	100.0

Morningstar Rating

★★★★

Share Price

1.350

FlexiGroup Limited (FXL) - Macroeconomic and Regulatory Headwinds Conspire to Reduce FlexiGroup's FVE

Analyst Note-A deteriorating macroeconomic outlook and a new era of stronger regulatory scrutiny over financial services result in a downgrade in our fair value estimate for no-moat FlexiGroup to AUD 2.05 per share from AUD 2.65. We think the wealth effect of recent house price declines combined with macroeconomic indicators like Australia's low saving ratio and continuing low wage growth point to lower future retail spending. Although the company's investments in reducing its operating cost base by AUD 8 million annually as well as investments in digitising and simplifying its business began to bear fruit in the second half of fiscal 2018, we believe it will not be enough to offset the recent negative macroeconomic and regulatory headwinds. At our new fair value estimate, the stock trades on a fiscal 2019 price/earnings ratio of 8 times and a dividend yield of 3.8%. On a longer-term view the stock appears undervalued, trading on a fiscal 2019 P/E of about 5.5 times but with more near-term macroeconomic and regulatory risks.

We forecast underlying net profit after tax of AUD 95.1 million in fiscal 2019 from the previous AUD 96.9 million, at the lower end of the company's guidance of AUD 95 million-100 million. Macroeconomic headwinds and stronger regulatory scrutiny result in a more material reduction in fiscal 2020, with forecast underlying NPAT of AUD 88.4 million reduced from AUD 99.1 million. At its Dec. 4 meeting, the Reserve Bank of Australia indicated that household consumption is currently stable but was a source of uncertainty because wage growth remained low, debt levels were high, and house prices had declined. House prices have fallen 9% in Sydney and 6% in Melbourne from their respective peaks. Despite this, the RBA's central case is for steady growth in consumption supported by a strengthening labour market and a gradual pickup in wages. We have taken a more negative view, expecting lower consumer spending growth in fiscal 2019 and 2020.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	93.00	88.20	95.07	88.36
EPS c	24.96	23.58	25.41	23.62
P/E x	8.73	7.57	5.31	5.72
EPS Growth %	72.19	-5.52	7.77	-7.07
DPS c	7.70	7.70	7.70	7.70
Yield %	3.53	4.31	5.70	5.70
Franking %	100.0	100.0	100.0	100.0

Morningstar Rating

★★★★

Share Price

2.870

MYOB Group Limited (MYO) - Mind Your Own Backtrack. KKR Pulls Back Bid for MYOB and We Revert to Our Standalone FVE of AUD 3.94

Analyst Note-We revert to our pre-offer fair value estimate for MYOB following KKR's revised bid for the accounting software firm. Presumably, KKR sees value beyond their lowered bid price of AUD 3.40. We certainly do. Our pre-offer estimate for the firm was AUD 3.82, and when factoring in the effect of time value of money, we increase our fair value estimate to AUD 3.94 per share. MYOB is a high-quality company, with a narrow economic moat sourced from customer switching costs. And with a share of around 65%, the firm already boasts a dominant position in the small and midsize enterprise, or SME, segment. At a nearly 14% discount to our intrinsic assessment, KKR's amended bid is too low, in our opinion. Last trading at around AUD 2.90, shares in MYOB are materially undervalued.

Initially proposing AUD 3.70 per share in October 2018, KKR increased their bid to AUD 3.77 in November--just 1% below our previous fair value estimate. Accordingly, we slightly lowered our fair value estimate to match KKR's bid of AUD 3.77, as we thought this a fair price, and shareholders unlikely to realise more than KKR's bid. However, KKR surprisingly backtracked, dropping its offer price to AUD 3.40 per share following due diligence. At this stage, management has declined to recommend the proposal, and we think there is now a high probability of the deal falling over completely.

Nevertheless, MYOB offers appealing value as a standalone business. The firm continues to demonstrate strong growth in SME subscribers, and a commanding market share. We forecast MYOB to continue to grow users at a CAGR of more than 5% over the five years to fiscal 2022. This is driven by MYOB's cloud offering, which we expect to expand at nearly 16% over the same time period, including transitions of desktop clients to cloud. We forecast 12% annual declines in non-cloud customers to fiscal 2022.

FYE Dec	2016A	2017A	2018E	2019E
Reported Npat $m	96.76	107.77	101.13	101.66
EPS c	16.45	17.98	16.87	16.96
P/E x	20.82	19.66	17.01	16.92
EPS Growth %	-4.42	9.28	-6.16	0.52
DPS c	5.00	11.50	11.81	11.87
Yield %	1.46	3.25	4.11	4.14
Franking %	0.0	0.0	0.0	50.0

Morningstar Rating

★★★★

Share Price

30.840

Perpetual Limited (PPT) - The Precipitous Market Fall Drives a Reduction Perpetual’s Fair Value Estimate

Analyst Note-The precipitous fall in the Australian All Ordinaries Index since June 30, 2018, and the expectation of future tightening of credit drives a reduction in narrow-moat Perpetual Ltd.'s fair value estimate to AUD 36.30 per share from AUD 44.50. We now forecast underlying net profit after tax, or NPAT, for fiscal 2019 of AUD 120.7 million, down from our previous forecast of AUD 136 million and fiscal 2018 NPAT of AUD 139.0 million. At our fair value estimate the stock trades on a fiscal 2019 P/E multiple of 14.2 times and has a dividend yield of 6.7%.

Since June 30, 2018, the Australian All Ordinaries Index has fallen more than 10%, which has led to our forecast for market related funds under management, or FUM, in Perpetual’s core Australian equities division falling 10% in fiscal 2019, from the previous forecast of a 6% increase. While we expect a gradual recovery from these levels, we believe market-related FUM to grow by a lower compound annual growth rate, or CAGR, of 3.8% over the next five years, compared with the previous forecast of 6%. About 70% of its funds in its core Investments division are invested in Australian equities and about 65% of its revenue in its newer Private segment is also linked to the performance of the market. Consequently, the company is highly sensitive to Australia’s domestic equity market, even more so because its Investments division is facing the structural headwinds of a trend to passive investment styles, and industry superfunds in-housing asset management, exacerbated by poor short-term performance.

FYE Jun	**2017A**	**2018A**	**2019E**	**2020E**
Reported Npat $m	137.30	138.98	120.73	112.77
EPS c	293.96	296.79	257.83	240.82
P/E x	16.56	16.33	11.96	12.81
EPS Growth %	3.40	0.96	-13.13	-6.60
DPS c	265.00	275.00	245.01	235.98
Yield %	5.44	5.67	7.94	7.65
Franking %	100.0	100.0	100.0	100.0

Morningstar Rating

★★★

Share Price

6.650

Insurance Australia Group Limited (IAG) - Sydney Hail Storms Increase IAG's Natural Hazard Costs. AUD 7.50 FVE Unchanged

Analyst Note-No-moat-rated Insurance Australia Group's natural hazard update following the Sydney hail storm on Dec. 20, 2018 indicates a pre tax cost will be in line with the insurer's maximum first event retention of AUD 169 million post-quota share. By 10am on Dec. 21, IAG had received more than 6,500 claims and this number is expected to increase significantly during the next few days. Most claims relate to home and motor vehicle damage. Fiscal 2019 year-to-date natural peril claim costs currently total AUD 410-430 million pretax post quota share, including AUD 150 million incurred during the five months ending Nov. 30, approximately AUD 70 million from storms in mid-December, AUD 169 million due to the Sydney hailstorm and AUD 20-40 million of attritional claims incurred so far in December. Due to aggregate reinsurance arrangements, the cost of any further natural peril event up to and including Dec. 31, 2018 will be capped at AUD 17 million pretax.

Despite the severe hail storm, our positive view is intact with the business supported by a strong capital base, robust profitability and a positive business outlook. Our fair value estimate of AUD 7.50 is unchanged and at current prices, the stock is fairly valued trading 6% below our valuation. First-half fiscal 2019 results are due Feb. 6, 2019.

The fiscal 2018 net natural peril allowance of AUD 608 million pretax post quota share. The fiscal 2019 catastrophe reinsurance is strengthened by the financial year stop-loss cover of AUD 101 million of protection. The bulk of the firm's catastrophe resets from Jan. 1, 2019 with details expected to be released in early January. The large losses estimated from the Sydney hailstorm highlights earnings volatility in the general insurance sector in Australia and New Zealand. Despite the first-half over-run in claims costs, Insurance Australia Group's fiscal 2019 natural hazard allowance of AUD 608 million is unchanged at this stage.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	990.00	1,034.00	1,139.26	1,216.68
EPS c	41.83	43.68	47.97	52.55
P/E x	14.02	16.54	13.86	12.65
EPS Growth %	16.91	4.42	9.82	9.55
DPS c	33.00	34.00	40.47	37.03
Yield %	5.63	4.71	6.09	5.57
Franking %	100.0	100.0	92.0	85.0

Morningstar Rating

★★★★

Share Price

10.650

Unibail-Rodamco-Westfield (URW) - Slowing Sales Makes It Harder for Unibail to Raise Rents; Fair Value Estimate Declines to AUD 13.30

Analyst Note-The retail sales environment for narrow-moat Unibail-Rodamco-Westfield is deteriorating faster than prior forecasts, impacting the rate Unibail can raise rents going forward. We previously forecast a 10-year CAGR in retail rent of 3.3%, but weakening sales figures for the European assets that make up the bulk of the portfolio means the negotiating power is now swinging more in favour of the tenant. Sales across the discretional apparel category appear to have suffered the most with U.K.-based mall landlords and European online fashion retailers both flagging deteriorating trading conditions.

Unibail has been slower than expected in selling weaker malls, having only divested EUR 0.5 billion of Spanish malls in August. Inflation that feeds into rent has weakened, dropping from 2.2% in October to 1.9% in November. We've adjusted for the less upbeat outlook for sales and rents by cutting rental growth expectations. The 10-year rental CAGR forecast for Unibail's retail assets now stands at 2.9%, and our fair value estimate for Unibail's Australian CDI's declines 7% to AUD 13.30 from AUD 14.30. We view Unibail as undervalued, currently trading around AUD 11.00, with the market appearing to be pricing in a more negative outlook for rents or a material step up in the firm's cost of capital.

FYE Dec	2016A	2017A	2018E	2019E
Reported Npat $m	1,740.94	1,878.28	2,413.44	2,944.24
EPS c	84.70	91.14	97.14	104.06
P/E x	0.00	0.00	10.96	10.23
EPS Growth %	0.00	7.60	6.58	7.13
DPS c	79.69	84.38	88.81	94.81
Yield %	0.00	0.00	8.34	8.90
Franking %	0.0	0.0	0.0	0.0

Recommendation Updates Over the Last Week

	ASX Code	Company Name	Morningstar Rating	Date Changed	Latest Report
▼	FXL	FlexiGroup	★★★★	22/12/2018	Macroeconomic and Regulatory Headwinds Conspire to Reduce FlexiGroup's FVE
▲	BOQ	Bank of Queensland	★★★★	21/12/2018	Upgrade due to price change
▲	CPU	Computershare	★★★★	21/12/2018	Upgrade due to price change
▲	GMA	Genworth Mortgage Insurance Australia	★★★★	21/12/2018	Upgrade due to price change
▲	MND	Monadelphous	★★★	21/12/2018	Upgrade due to price change
▲	ORG	Origin Energy	★★★★	21/12/2018	Upgrade due to price change
▲	SDF	Steadfast Group	★★★★	21/12/2018	Upgrade due to price change
▲	VOC	Vocus Group	★★★	21/12/2018	Upgrade due to price change
▲	DHG	Domain Holdings	★★★★	20/12/2018	Upgrade due to price change
▲	IPL	Incitec Pivot	★★★	20/12/2018	Upgrade due to price change
▲	IVC	InvoCare	★★★★★	20/12/2018	Upgrade due to price change
▲	MCY	Mercury NZ	★★★	20/12/2018	Upgrade due to price change
▲	WHC	Whitehaven Coal	★★★	20/12/2018	Upgrade due to price change
▲	HSO	Healthscope	★★★★	19/12/2018	Upgrade due to price change
▲	SWM	Seven West Media	★★★★	19/12/2018	Upgrade due to price change
▼	ABP	Abacus	★★★	18/12/2018	Softening Residential to Impact Abacus in Multiple Ways. FVE Falls to AUD 3.55
▼	CQE	Charter Hall Education Trust	★★★	18/12/2018	Downgrade due to price change
▲	DLX	DuluxGroup	★★★	18/12/2018	Upgrade due to price change
▲	FLT	Flight Centre Travel Group	★★★	18/12/2018	Upgrade due to price change
▲	HLS	Healius	★★★★★	18/12/2018	Upgrade due to price change
▲	MFG	Magellan Financial Group	★★★★	18/12/2018	Upgrade due to price change
▲	MSB	Mesoblast	★★★★★	18/12/2018	Upgrade due to price change
▲	NWS	News Corporation	★★★★	18/12/2018	Upgrade due to price change
▲	SKC-NZ	SkyCity	★★★★	18/12/2018	Upgrade due to price change
▼	VOC	Vocus Group	★★	18/12/2018	Downgrade due to price change
▲	API	Australian Pharmaceutical Industries	★★★★	17/12/2018	Upgrade due to price change
▼	S32	South32	★★	17/12/2018	Downgrade due to price change
▲	SKT	Sky Network TV	★★★★	17/12/2018	Upgrade due to price change

document, particularly as to whether you should base an investment decision upon the information or statements of opinion set out in this document, please contact your financial adviser.

Distribution

The material contained in this communication is prepared for the exclusive use of clients of iInvest. iInvest is an Authorised Representative (#431611) of Zodiac Securities Pty Ltd (AFSL #398350, ABN 76 142 982 554).

The information contained herein is confidential and may be legally privileged. If you are not the intended recipient, confidentiality is not lost nor privilege waived by your receipt of it. Please delete and destroy all copies. You should not use, copy, disclose or distribute this information without the express written authority of iInvest.

Disclaimer & Disclosure

iInvest, its related companies, officers, employees and agents may have a relevant interest in some of the securities mentioned but those holdings are not material unless disclosed in this communication. These holdings (or absence of holdings) may change at any time after publication of this communication, without notice.

iInvest, its related companies, officers, employees and agents may earn income, fees, brokerage or commissions or other benefits as a result of recommendations, dealing or transactions in the securities mentioned in this communication. These interests do not influence iInvest in giving the general advice contained in this communication. iInvest, its related companies, officers, employees and agents may trade in financial products which is contrary to the recommendations given in this communication.

You should not act on any recommendation made in this document without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your investment objectives, financial situation and particular needs. Nothing in this communication shall be construed as a solicitation to buy or sell a financial product, or to engage in or refrain from engaging in any transaction.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, omissions, misstatements, virus interception or interference.