

Fidelity European Values

Concentrating its portfolio and hedging its bets

Fidelity European Values (FEV) aims to achieve long-term capital and income growth from a portfolio of primarily continental European equities. Although well diversified, the portfolio became more concentrated during 2017, as the manager sold stocks that had performed well and reinvested in existing holdings. While retaining a positive net market gearing, the manager added 10 single-stock short positions to the portfolio in August 2017, reflecting the view that valuations had become stretched in many parts of the market. A lower 0.75% management fee on assets over £400m takes effect from April 2018, while a reallocation of fees and expenses from revenue to capital will positively affect the level of future dividend payouts.

12 months ending	Share price (%)	NAV (%)	FTSE World Europe ex-UK (%)	MSCI Europe (%)	MSCI World (%)	FTSE All-Share (%)
31/03/14	14.9	10.2	17.3	14.0	9.0	8.8
31/03/15	15.9	13.8	7.5	7.3	19.7	6.6
31/03/16	(5.0)	(2.9)	(4.2)	(4.9)	0.3	(3.9)
31/03/17	19.3	23.1	27.9	27.0	32.7	22.0
31/03/18	11.8	4.3	4.3	2.6	1.8	1.2

Source: Thomson Datastream. Note: All % on a total return basis in GBP.

Investment strategy: Consistent, fundamental focus

The manager selects stocks using a bottom-up approach, focusing on a company's ability to grow dividends over a three- to five-year time horizon. FEV's portfolio typically contains 50-60 holdings, broadly diversified by sector and country. Contracts for difference (CFDs) are used to add gearing and take short positions, with gearing permitted up to 30% of net assets. Exposure to a basket of single-stock short positions is hedged by an index future to maintain positive net market gearing. To reflect the manager's focus on dividend income as well as capital growth, the board has proposed a revision of FEV's stated investment objective.

Market outlook: Relatively positive, but risks exist

European stock markets appear attractively valued compared with the US stock market, and improving global economic growth supports forecasts for continuing robust European corporate earnings growth. This creates a positive outlook for European equities, but geopolitical risks exist. Central banks could react to rising inflation by tightening monetary policy faster than expected, potentially removing the valuation support of low bond yields at the same time as withdrawing liquidity. This could adversely affect equity markets and also lead to slowing economic growth, putting further downward pressure on equity valuations.

Valuation: Range-bound discount; dividend upside

Since April 2017, FEV's share price discount to NAV including income has moved in a relatively narrow range between 6% and 11%. The current 9.6% discount is at the higher end of this range and slightly wider than its 8.6% and 8.9% averages over one and three years. FEV's 2.1% dividend yield is slightly below the sector average, but a reallocation of fees and expenses from revenue to capital should translate into an increase in the level of future dividend distributions.

Investment trusts

3 April 2018

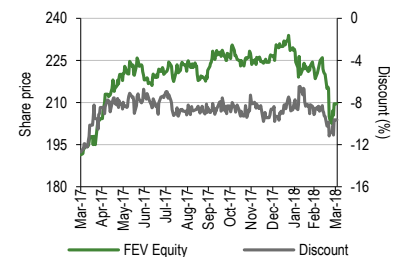
Price	209.5p
Market cap	£870m
AUM	£1,142m

NAV*	231.9p
Discount to NAV	9.6%

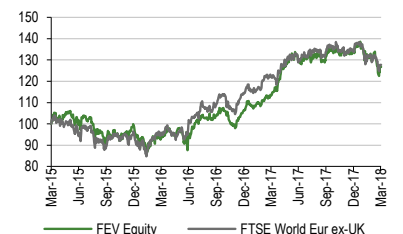
*Including income. As at 29 March 2018.

Yield	2.1%
Ordinary shares in issue	415.2m
Code	FEV
Primary exchange	LSE
AIC sector	Europe
Benchmark	FTSE World Europe ex-UK

Share price/discount performance



Three-year performance vs index



52-week high/low	234.0p	191.8p
NAV* high/low	254.2p	215.5p

*Including income.

Gearing

Gross market gearing*	11.9%
Net market gearing*	3.8%

*As at 28 February 2018.

Analysts

Gavin Wood	+44 (0)20 3681 2503
Mel Jenner	+44 (0)20 3077 5720

investmenttrusts@edisongroup.com

[Edison profile page](#)

Fidelity European Values is a research client of Edison Investment Research Limited

Exhibit 1: Trust at a glance

Investment objective and fund background

Fidelity European Values' investment objective is to achieve long-term capital growth from a portfolio of primarily continental European securities. Subject to shareholder approval, the board has proposed to amend the stated objective to achieving long-term growth in both capital and income. This change is to reflect the manager's focus on dividend income as well as capital growth and does not signal a change in investment approach. Permitted exposure to stocks listed outside continental Europe of 20% gives the manager investment flexibility. FEV's performance benchmark is the FTSE World Europe ex-UK Index.

Recent developments

- 15 March 2018: Proposed change in investment objective, reduction in management fee, reallocation of fees and expenses from revenue to capital.
- 15 March 2018: Final results to 31 December 2017. NAV TR +20.0% versus benchmark TR +17.5%; share price TR +26.2%; FY17 recommended final dividend +4.3% to 4.35p.
- 1 September 2017: Fleur Meijis joined the board as a non-executive director.
- 31 July 2017: Interim results to 30 June 2017. NAV TR +13.6% versus benchmark TR +13.0%. Share price TR +21.4%.

Forthcoming

AGM	May 2018
Interim results	July/August 2018
Year end	31 December

Capital structure

Ongoing charges	0.95% (FY17)
Net market gearing*	3.8%
Annual mgmt fee	Tiered: 0.85% up to £400m net assets, then 0.75%.
Performance fee	None

Fund details

Group	FIL Investments International
Manager	Sam Morse
Address	Beech Gate, Milford Lane, Lower Kingswood, Tadworth, KT20 6RP
Phone	+44 (0)800 414110
Website	www.fidelity.co.uk/europeanvalues

Dividend paid

Dividend paid	May
---------------	-----

Launch date

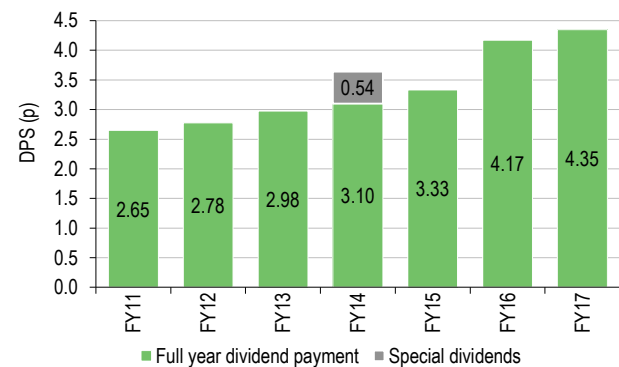
Launch date	November 1991
-------------	---------------

Continuation vote

Continuation vote	Two-yearly (next 2019)
-------------------	------------------------

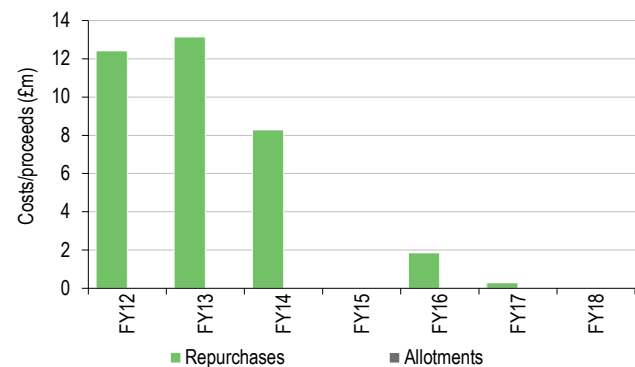
Dividend policy and history (financial years)

FEV pays a single annual dividend in May each year in respect of the previous financial year. Revenue earnings are largely distributed in full.

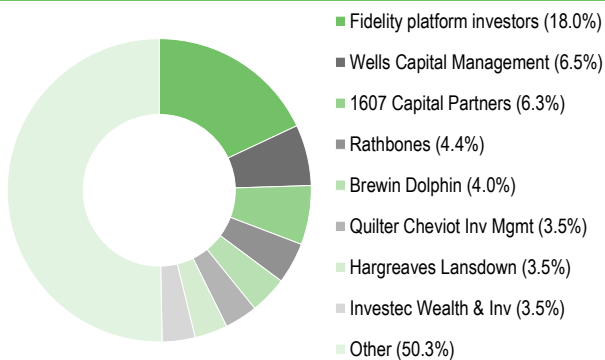


Share buyback policy and history (financial years)

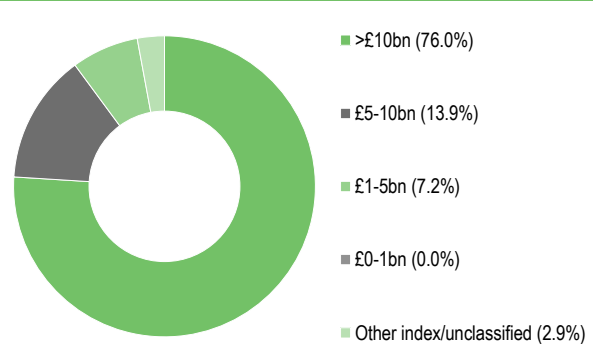
FEV has annually renewed authority to purchase up to 14.99% and allot up to 5% of its issued share capital.



Shareholder base (as at 29 March 2018)



Portfolio exposure by market cap (as at 28 February 2018)



Top 10 holdings (as at 28 February 2018)

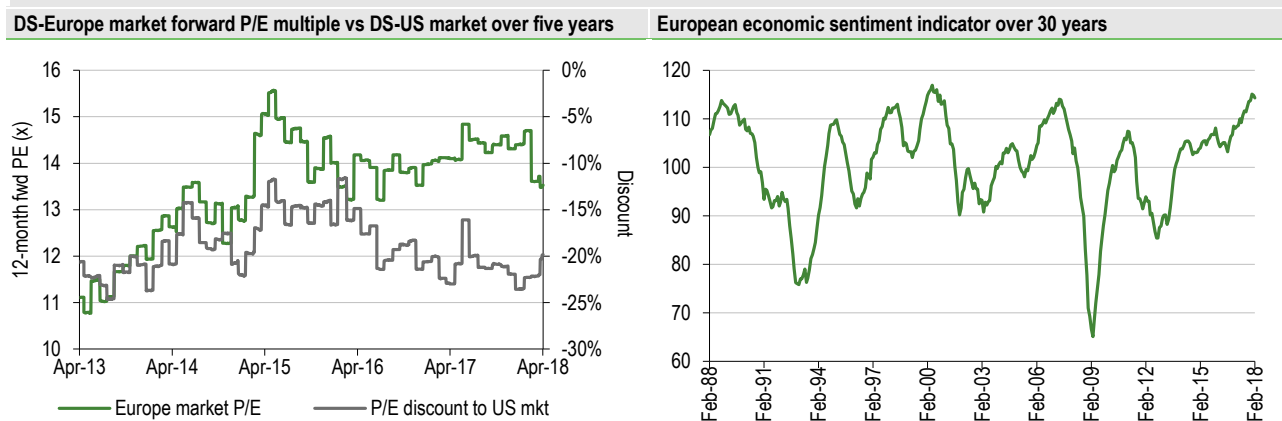
Company	Country of listing	Sector	Portfolio weight %		Benchmark weight %	Active weight %
			28 Feb 2018	28 Feb 2017**	28 Feb 2018	28 Feb 2018
Nestlé	Switzerland	Consumer goods	5.8	6.4	3.5	2.3
Roche Holding	Switzerland	Healthcare	4.4	5.2	2.4	2.0
Novo Nordisk	Denmark	Healthcare	3.9	3.0	1.3	2.6
ASML Holding	Netherlands	Technology	3.4	N/A	0.9	2.5
Total	France	Oil & gas	3.4	3.4	1.8	1.6
Deutsche Börse	Germany	Financials	3.2	N/A	0.4	2.8
Sampo	Finland	Financials	3.2	2.8	0.4	2.8
SAP	Germany	Technology	3.2	3.1	1.4	1.8
L'Oréal	France	Consumer goods	3.2	3.1	0.7	2.5
Intesa Sanpaolo	Italy	Financials	3.2	N/A	0.8	2.4
Top 10			36.9	36.5	13.6	

Source: Fidelity European Values, Edison Investment Research, Bloomberg, Morningstar. Note: *Gearing net of short positions. **N/A where not in February 2017 top 10.

Market outlook: European equities attractive versus US

Although European equity markets performed well in 2017, driven by strengthening corporate earnings growth, valuation multiples expanded relatively modestly. Higher earnings forecasts for 2018 have taken European market valuation multiples below the level of a year earlier and, although there is a similar picture for the US market, forward P/E multiples for European equities remain at a discount of c 20% to US equities. Exhibit 2 (left-hand chart) shows that, although it is still above its 13.2x five-year average, the Datastream Europe market forward P/E multiple has declined from 15.1x to 13.5x over the last three years. Over this period, the Datastream US market forward P/E multiple has only declined from 17.6x to 16.9x, making European equities appear more attractive on valuation grounds. The positive outlook for European corporate earnings growth is supported by the European economic sentiment indicator, which has risen steadily since August 2016 and is approaching its 30-year peak level, as illustrated in Exhibit 2 (right-hand chart).

Exhibit 2: European market valuation and economic sentiment



Source: Thomson Datastream, Bloomberg, Edison Investment Research

In our view, attractive relative valuations and robust corporate earnings prospects, alongside improving global economic growth, create a positive outlook for European equities in 2018, but there are a number of geopolitical risks that could negatively affect markets. Inflation rising faster than anticipated, leading to a synchronised tightening of monetary policy by central banks, could see the valuation support of low bond yields removed at the same time as liquidity is withdrawn from markets. This would likely weigh on equity market performance and could lead to slowing economic growth, which would put further downward pressure on equity valuations.

Fund profile: Focused continental European portfolio

Launched in 1991, FEV is an LSE-listed investment trust that invests in a portfolio of primarily continental European equities, aiming to outperform the FTSE World Europe ex-UK index over the longer term. Subject to shareholder approval at the May 2018 AGM, the board has proposed to amend the stated investment objective to achieving long-term growth in both capital and income, rather than just capital growth. This change is to acknowledge the manager's attention to dividend income as well as capital growth and does not imply any change in investment approach, which focuses on a company's ability to grow its dividend sustainably.

A bottom-up approach to portfolio construction is adopted, with no target sector and geographic allocations, although the manager aims to keep sector exposures within five percentage points of the benchmark index. No more than 10% of gross assets may be invested in a single company, while up to 20% of the portfolio in aggregate may be invested in companies outside the benchmark (including UK-listed companies) and up to 10% may be invested in unlisted securities. Derivatives

are used to enhance investment returns and hedge market risk, with CFDs used to add gearing as well as to take short positions. Gearing is permitted up to 30% of net assets (although held below 15% since 2011), while there is a 10% restriction on gross short exposure.

FEV's portfolio has been managed by Sam Morse since January 2011. He has more than 26 years' investment experience and also manages the open-ended Fidelity European Fund.

The fund manager: Sam Morse

The manager's view: Expressing stock-specific negative views

While Sam Morse retains a very cautious view of the broader European market outlook, holding the belief that rising bond yields could have a particularly negative effect on equities, he intends to remain fully invested and has a positive overall gearing to the market. Having largely refrained from taking short positions since FEV's investment policy was amended at the end of 2014, Morse took advantage of market strength in August 2017 to add 10 individual stock short positions to the portfolio. These were all structural short positions, without specific catalysts, and an equivalent weighting in Euro Stoxx 50 futures was purchased to keep net gearing at its previous, modestly positive level. The short positions are not disclosed, but Morse indicates that they have a bias to industrial cyclical stocks. He says that two of the short positions have been closed at a slight profit but, in aggregate, the short exposure has made a marginally negative contribution to performance.

Morse highlights that stock selection was the key driver of FEV's outperformance in 2017, with the strongest contribution from the financial sector, where bank holdings ABN Amro, Intesa Sanpaolo and KBC delivered strong returns. He notes that the star performer in FEV's portfolio, Société de Bains de Mer, almost doubled in value after the State of Monaco, its majority owner, bought out a large shareholder, followed by reports that its two major property redevelopments were progressing on time and on budget. He also flags the positive contribution from FEV's overweight in technology, with strong returns from its holdings in ASML, Amadeus IT Group, SAP and Dassault Systèmes.

Morse observes that healthcare was the weakest sector in 2017, with Sanofi and Roche performing poorly due to the weaker US dollar and continued price pressures in all regions, while Novo Nordisk rebounded from a disappointing 2016, helped by the approval of its new diabetes drug Ozempic. Among detractors, he flags catering and concessions business Elixior, which saw its shares fall on disappointing guidance for 2018 shortly after the CEO resigned, and led him to exit the position after the year-end. In H217, Morse sold Spanish natural gas network company, Enagas, French commercial property investment company Unibail-Rodamco, and Luxembourg communications satellite operator SES, all due to weakening fundamentals reducing dividend growth prospects. In 2018, he invested c 1% of the portfolio in a previously held stock, Italian toll road operator Atlantia, when share price weakness around the time of the Italian elections provided a buying opportunity.

Asset allocation

Investment process: Bottom-up selection for dividend growth

The manager seeks to invest in companies that his analysis suggests are capable of growing their dividends sustainably over a period of three to five years. This approach is based on the belief that companies consistently growing their dividends tend to outperform over longer time periods. Three core investment principles define the investment approach:

- Bottom-up stock selection, with a focus on cash flow generation and dividend growth potential.
- A long-term view, which is believed to result in better investment performance and lower costs.
- A cautious approach, striking a balance between expected upside and potential downside risk.

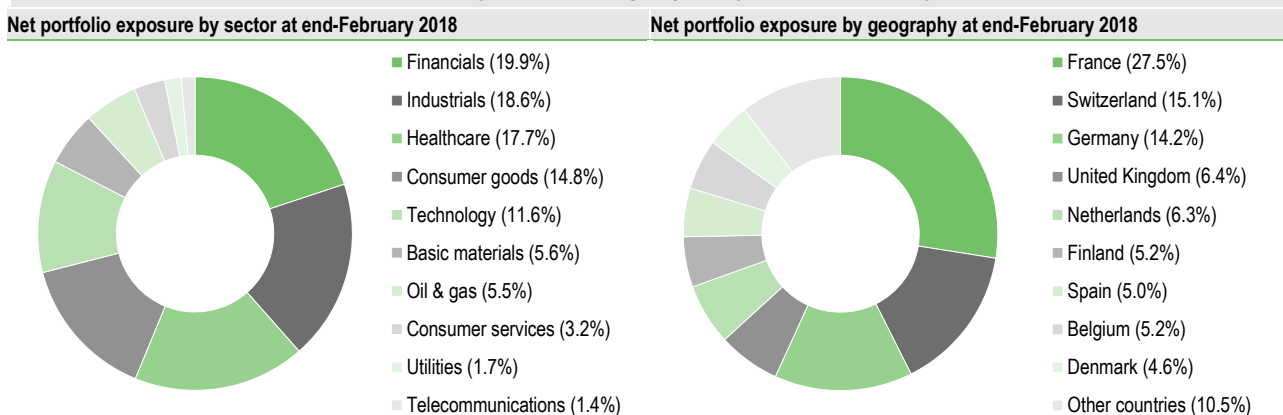
The manager draws on Fidelity’s team of pan-European analysts in assessing whether a stock meets the investment criteria, and strong emphasis is placed on meeting company management.

To be considered for inclusion in the portfolio, companies need to display positive fundamental characteristics such as structural growth potential, disciplined capital allocation and a proven business model. Strong cash flow generation is viewed as a positive indicator of dividend growth prospects, and a robust balance sheet gives confidence in a company’s ability to sustain dividend payments while also investing for growth. The intrinsic value of potential investee companies is assessed, with investments only made when companies are trading at a discount to this valuation. The resulting portfolio is relatively concentrated, typically comprising 50-60 holdings.

Current portfolio positioning

FEV’s portfolio concentration increased in 2017, with the proceeds from stock sales mainly recycled into existing holdings and the number of portfolio holdings reduced from 57 to 49 (plus eight short positions). Since the year-end, Elior has been sold and Atlantia added, leaving the number of portfolio holdings unchanged at 49 at end-February 2018. Although the overall portfolio is more concentrated, exposure is more evenly spread, with the top 10 holdings representing 36.9% of the portfolio at end-February 2018 similar to 36.5% a year earlier. Exposure has become more concentrated in large-caps over the year; stocks with less than £10bn market cap fell from c 28% to c 21% of the portfolio (see Exhibit 1). At end-February 2018, single-stock short positions equated to c 4.0% of net assets, hedged by Euro Stoxx 50 index futures, representing 6.7% of net assets.

Exhibit 3: FEV’s net portfolio exposure by sector and geography at end-February 2018



Source: FEV, Edison Investment Research. Note: Exposures are net of short positions, adjusted for gearing and index futures.

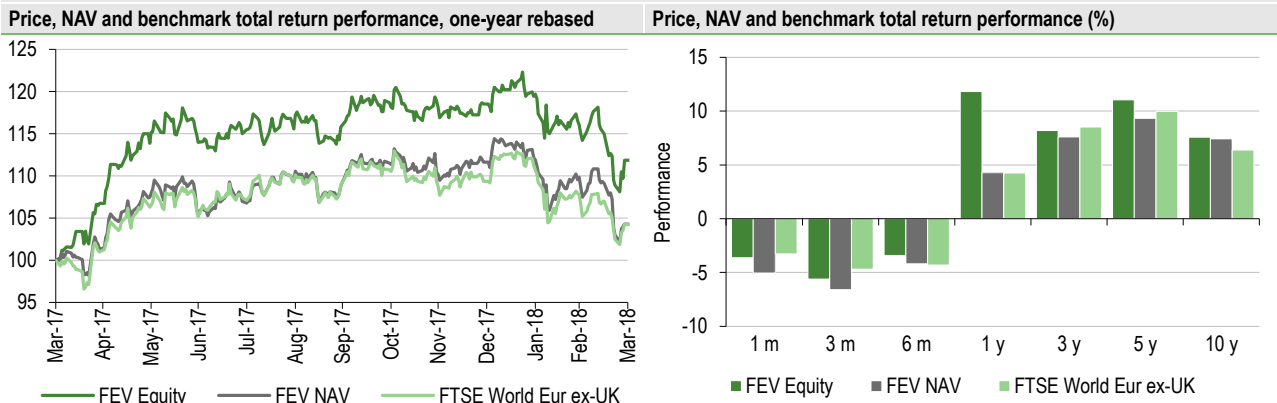
As shown in Exhibit 3, the portfolio remains well diversified by sector and geography at end-February 2018, with the balance of exposures broadly similar to a year earlier. The most significant sector changes are an increase in technology and decreases in consumer goods and consumer services. FEV’s largest overweight exposure is technology, followed by healthcare and industrials, while the most significant underweights are consumer goods and financials. The greatest changes by geography compared with a year earlier are a decrease in exposure to Switzerland and an increase in exposure to the Netherlands. The UK and France are the most significant overweight exposures, while Germany is the largest underweight.

Performance: Ahead of benchmark over one to 10 years

As shown in Exhibit 4, FEV’s NAV total return was in line with its benchmark FTSE World Europe ex-UK index over one year to end-March 2018, while its share price total return significantly outperformed the benchmark. NAV performance broadly illustrates FEV’s tendency to outperform during periods of market weakness due to its relatively defensive positioning, which results from the

manager's investment process favouring stocks with a lower risk profile. As shown in Exhibit 5, FEV's NAV total return is ahead of its benchmark over 10 years, but below the benchmark over three and five years. However, it has outperformed the MSCI Europe and FTSE All-Share indices over one, three, five and 10 years. As illustrated in Exhibit 6, FEV largely recovered the underperformance that occurred between August 2016 and March 2017, a period of market strength, although it lost some ground in the market weakness towards the end of March 2018.

Exhibit 4: Investment trust performance to 31 March 2018



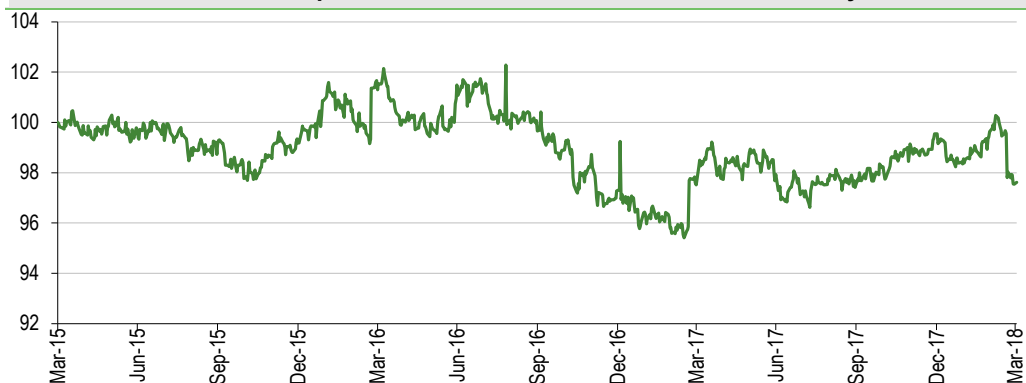
Source: Thomson Datastream, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Exhibit 5: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to FTSE World Europe ex-UK	(0.4)	(1.0)	0.9	7.3	(0.8)	4.8	12.0
NAV relative to FTSE World Europe ex-UK	(1.8)	(2.0)	0.1	0.0	(2.4)	(3.0)	10.4
Price relative to MSCI Europe	(0.8)	(0.3)	0.6	9.0	2.3	11.3	12.5
NAV relative to MSCI Europe	(2.3)	(1.3)	(0.2)	1.6	0.6	3.1	11.0
Price relative to MSCI World	0.2	(1.0)	(3.3)	9.9	(6.5)	(4.5)	(21.9)
NAV relative to MSCI World	(1.2)	(2.0)	(4.0)	2.4	(8.0)	(11.6)	(23.0)
Price relative to FTSE All-Share	(1.8)	1.3	(1.2)	10.5	6.8	22.7	9.0
NAV relative to FTSE All-Share	(3.3)	0.3	(2.0)	3.0	5.1	13.6	7.6

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-March 2018. Geometric calculation.

Exhibit 6: NAV total return performance relative to benchmark over three years



Source: Thomson Datastream, Edison Investment Research

Discount: Moving in a relatively narrow range

As illustrated in Exhibit 7, after touching a three-year wide point of 17.3% in early July 2016, shortly after the UK's EU referendum, FEV's share price discount to NAV (including income) followed a narrowing trend through to April 2017, since when it has moved in a relatively narrow range between 6% and 11%. FEV's current 9.6% discount is towards the wider end of this range and is slightly wider than its 8.6% and 8.9% averages over one and three years.

Exhibit 7: Share price discount to NAV (including income) over three years (%)



Source: Thomson Datastream, Edison Investment Research

Capital structure and fees

FEV has 415.2m ordinary shares in issue, unchanged since March 2017. The board has authority to repurchase up to 14.99% and allot up to 5% of FEV's issued share capital, but buybacks have been modest since 2014 (see Exhibit 1). FEV's normal policy is to employ a low level of gearing via CFDs to enhance investment returns. At end-February 2018, gross market gearing was 11.9%, including c 4.0% in individual stock short positions, which are balanced by an equivalent weighting in Euro Stoxx 50 index futures, while net gearing was 3.8%.

FEV has paid a flat annual management fee of 0.85% of net assets since 2007, but is introducing a tiered fee structure from 1 April 2018, with a lower 0.75% payable on net assets over £400m. No performance fee has been payable since 2014. FY17's ongoing charge of 0.95% was lower than FY16's 0.99%, helped by share plan expenses no longer being incurred as well as lower legal and professional fees, along with an 18% rise in net assets. The reduced management fees should see FEV's ongoing charge decline to c 0.90% in FY19, when the lower fee has a full-year effect.

Consistent with FEV's revised investment objective, with effect from FY18, management fees and finance costs will be charged 75% to capital and 25% to revenue, reflecting the historical balance of capital and revenue contributions to total return. Previously, these costs have been charged in their entirety to revenue. This change will not affect total returns, but will raise the proportion of revenue returns in future years, which should translate into a higher minimum level of dividend payouts.

FEV is subject to a two-yearly continuation vote, with the next vote due at the 2019 AGM.

Dividend policy and record

There has been no explicit income objective historically, but the manager's investment focus on companies capable of growing their dividend has seen FEV's dividend payments rise over time (see Exhibit 1). The current proposal to change FEV's investment objective to achieve long-term growth in both capital and income seeks to reflect this aspect of the investment approach. Although revenue earnings are largely distributed in full and significant reserves are not held to smooth dividend payments, FEV has increased its ordinary dividend in each of the last seven financial years and the current yield of 2.1% is only slightly lower than the sector average (see Exhibit 8). The FY17 recommended final dividend of 4.35p per share is 4.3% higher than the prior year, but the FY16 dividend saw a substantial 25.2% rise, and the dividend has grown by 12.2% pa over the last 10 years. The change in allocation of fees and expenses between revenue and capital accounts – noted above – should lead to a higher level of future dividend distributions than otherwise expected.

Peer group comparison

Exhibit 8 shows a comparison of the trusts in the AIC Europe sector, of which FEV is the largest. FEV's NAV total return is ahead of the sector average over one year, but below the average over three, five and 10 years. We note that, while it is lower than the peer group averages over longer periods, FEV's NAV total return has outperformed its benchmark over 10 years to end-March 2018 (see Exhibit 5). FEV's 0.95% ongoing charge for FY17 is only slightly above the sector average, and the announced reduction in management fee from 1 April 2018 should see FEV's ongoing charge decline to c 0.90% in FY19, when the lower fee has a full-year effect. Similar to most of its peers, FEV does not charge a performance fee. FEV's discount is wider than average, while its net gearing and dividend yield are similar to the sector averages.

Exhibit 8: AIC Europe sector peer group as at 29 March 2018*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (ex-par)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Fidelity European Values	869.8	7.3	28.3	61.5	112.8	(9.7)	0.95	No	104	2.1
BlackRock Greater Europe	282.4	8.0	33.3	61.7	138.4	(3.9)	1.10	No	105	1.7
European Investment Trust	373.7	3.8	20.1	59.7	54.2	(9.3)	0.59	No	100	2.4
Henderson European Focus Trust	273.0	1.1	26.7	73.7	158.1	0.1	0.87	Yes	100	2.3
Henderson EuroTrust	229.9	7.0	36.0	79.6	159.6	(6.5)	0.87	Yes	102	2.4
JPMorgan European Growth Pool	216.7	6.9	33.8	77.6	95.6	(12.1)	1.07	No	114	2.3
JPMorgan European Income Pool	160.5	6.8	35.0	90.6	151.8	(9.9)	1.10	No	113	3.7
Jupiter European Opportunities	788.0	11.2	36.8	83.7	241.5	0.4	0.99	Yes	100	0.9
Average	399.3	6.5	31.2	73.5	139.0	(6.4)	0.94		105	2.2
Rank in sector	1	3	6	7	6	6	5		4	6

Source: Morningstar, Edison Investment Research. Note: *Performance data to 28 March 2018. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

Since Fleur Meijs joined the board in September 2017, FEV has had six independent non-executive directors. Former PwC financial services partner Meijs is also a director of Invesco Asia Trust and investment manager Ruffer. After close to 11 years' service, James Robinson will step down from the board at the 2018 AGM. He will be succeeded as senior independent director by Marion Sears (appointed January 2013), who is also a director of Aberdeen New Dawn Investment Trust. Chairman Vivian Bazalgette (appointed director December 2015, chairman May 2016) is a director of Brunner Investment Trust and Perpetual Income and Growth Investment Trust. The other directors are Robin Niblett (appointed January 2010) and Paul Yates (appointed March 2017), who is a director of Aberdeen Diversified Income and Growth Trust and The Merchants Trust.

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the Financial Conduct Authority ([Financial Conduct Authority](#)). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Pty Limited (Edison Aus) [4608589] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. [www.edisongroup.com](#)

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Fidelity European Values and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Limited (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.