

# City Natural Resources High Yield Trust

## Favouring producing assets

City Natural Resources High Yield Trust (CYN) is focused exclusively on natural resources. The mining and natural resources sector has taken a pounding over the last two years, but valuations are now at the low end of their range and many companies are responding to investor pressure and prices by cutting capex. While still geared to the upside once prices improve, the managers have shifted CYN's portfolio towards the dividend paying producers where they expect better returns in the medium term.

12 months ending	Total share price return* (%)	Total NAV return* (%)	Total return Composite Benchmark * (%)	Total return HSBC Global Mining Index* (%)	Total return FTSE World Index* (%)
31/08/10	39.8	31.1	28.2	28.1	9.1
31/08/11	51.9	44.3	14.5	17.4	8.2
31/08/12	(25.6)	(29.3)	(18.5)	(25.1)	10.2
31/08/13	(28.2)	(26.0)	(7.7)	(13.0)	20.1

Note: \*Twelve-month rolling discrete performance.

## Investment strategy: Diversified resources exposure

CYN is a global fund that invests in equity and debt securities of companies in the mining and natural resources sectors and supporting industries. Two-thirds of the portfolio is currently in four sectors: oil and gas, gold, palm oil and uranium. It is managed using a mixture of top-down and bottom-up strategies and maintains a diversified portfolio of about 180 securities. Gearing (currently 21% net) is employed with a view to enhancing returns over the longer term with existing debt fixed at 3.5%.

## Outlook: Sentiment negative, valuations below average

Reflecting concerns over the supply/demand balance in some areas, commodity and resource equities have experienced a difficult two and a half years. While the outlook is unclear with global growth forecasts still being trimmed, the question for investors is whether the market has become too pessimistic. Average P/B valuations for resource equities are close to the lower end of their long-term trading range (see Exhibit 2). The Datastream World General Mining Index is trading at a P/B ratio of 1.5x against a 10-year average of 2.6x. The manager believes that the best performing companies will be those that generate free cash flows and reward shareholders. The portfolio has therefore been shifted more towards those at the production end, with a focus on dividend payers. This has meant a reduction in mining company exposure, particularly gold, where the manager believes many companies are struggling to cover their costs at the current price, and an increase in holdings of oil and gas producers.

## Valuation: Discount below longer-term averages

The current ex-income discount of 10.5% is below its three and five-year averages (14.1% and 16.5%) but above the average for the peer group (9.7%). In terms of short-term risk adjusted returns CYN's one-year NAV Sharpe ratio is above the sector average (1.3 vs 0.9).

## Investment trusts

11 September 2013

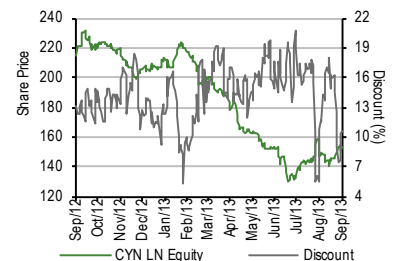
<b>Price</b>	<b>153p</b>
<b>Market cap*</b>	<b>£102m</b>
<b>AUM</b>	<b>£155m</b>

NAV*	171.00p
Discount to NAV	10.5%
NAV**	171.63p
Discount to NAV	10.9%
Yield	3.6%

\* Adjusted for debt at market value, excluding income, as at 30 August 2013. \*\* Adjusted for debt at market value, including income, as at 30 August 2013.

Ordinary shares in issue	66.9m
Code	CYN
Primary exchange	LSE
AIC sector	Commodities & Natural Resources

## Share price/discount performance



\*Positive values indicate a discount; negative values indicate a premium.

## Three-year cumulative perf. graph



52-week high/low	232.00p	130.00p
NAV* high/low	266.50p	155.99p

\*Adjusted for debt at market value, excluding income.

## Gearing

Gross	31.2%
Net	20.5%

## Analysts

Matthew Read	+44 (0)20 3077 5758
Andrew Mitchell	+44 (0)20 3681 2500

[investmenttrusts@edisongroup.com](mailto:investmenttrusts@edisongroup.com)

[Edison profile page](#)

## Exhibit 1: Trust at a glance

### Investment objective and fund background

City Natural Resources High Yield Trust's investment objective is to provide shareholders with capital growth and income from a portfolio of mainly quoted mining and resource equities, resources and industrial fixed interest securities.

### Recent developments

1 August 2013: Fourth interim dividend declared at 2.92p – total for year ended 30 June 2013: 5.50p.

17 May 2013: IMS for three months to 31 March 2013 released.

9 April 2013: 1,089 new ordinary shares issued in relation to CULS conversion raising £4k.

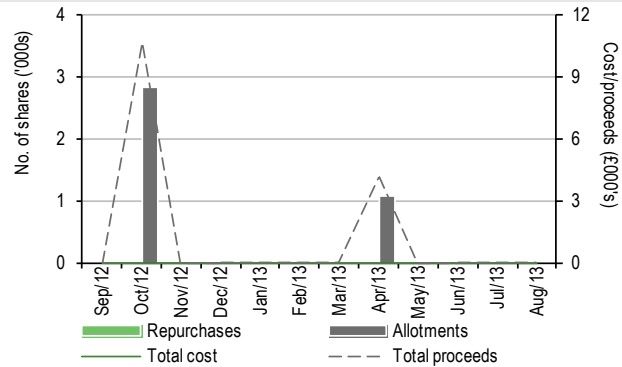
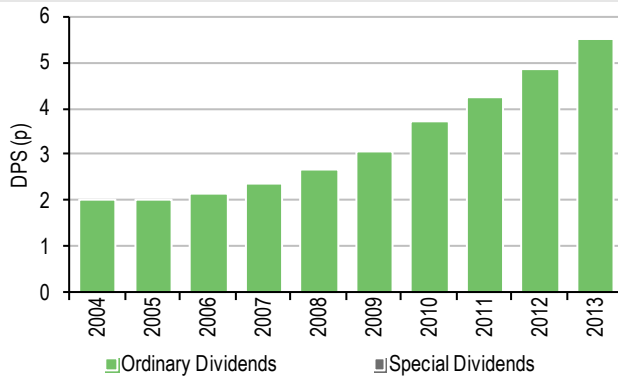
Forthcoming		Capital structure		Fund details	
AGM	December 2013	Ongoing charges	1.50%	Group	New City Investment Managers
Preliminary results	September 2013	Net gearing	20.1%	Manager	Will Smith and Ian Francis
Year end	30 June	Annual mgmt fee	1.19% of net assets	Address	5th Floor, 33 Chester Street, London SW1X 7LB
Dividend paid	Quarterly	Performance fee	None	Phone	+44 (0)20 7201 6900
Launch date	1994	Trust life	Indefinite	Website	<a href="http://www.ncim.co.uk">www.ncim.co.uk</a>
Continuation vote	Annually	Loan facilities	None – geared using CULS		

### Dividend policy and history

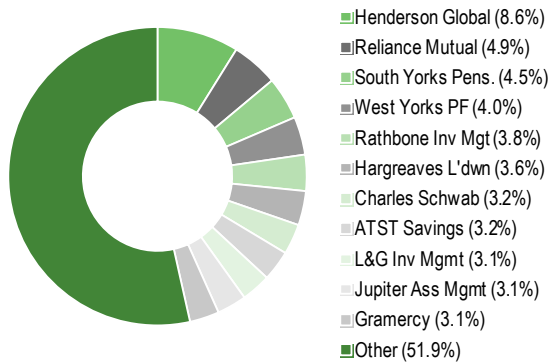
CYN is managed with a view to increasing the total annual dividend. The first interim dividend is paid in November, which establishes the level for the second and third interims in February and May respectively. This is followed by a larger final dividend in August.

### Share buyback policy and history

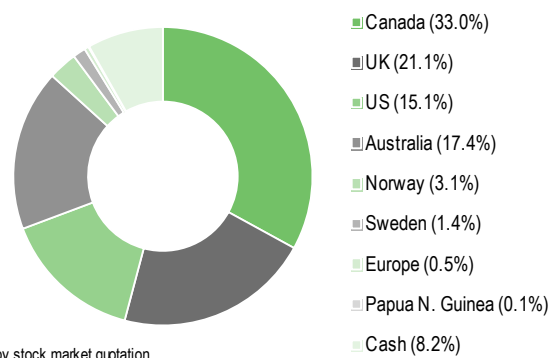
Renewed annually, the trust has authority to purchase up to 14.99%, and allot up to 9.99% of issued share capital.



### Shareholder base (as at 31 August 2013)



### Distribution of portfolio (as at 31 August 2013)\*



### Top 10 holdings (as at 31 August 2013)

Company	Country	Sector	Portfolio weight %	
			31 August 2013	28 February 2013
REA Holdings	UK	Food Manufacturing	5.3	4.2
New Britain Palm Oil	UK	Food Manufacturing	3.5	3.0
Vermilion Energy	Canada	Exploration & Production	2.5	N/A
Sirius Resources	Australia	Precious Metal Mining	2.4	N/A
Norwegian Energy	Norway	Exploration & Production	2.4	2.0
First Quantum Minerals	Canada	Metals & Mining/Base Metals	1.9	2.0
Pacific Rubiales Energy	Canada	Exploration & Production	1.8	N/A
Great Western Minerals	Canada	Metals & Mining/Mining Services	1.8	1.8
ARC Resources	Canada	Exploration & Production	1.7	N/A
Skipton Building Society	UK	Financials	1.6	1.2
<b>Top 10</b>			<b>24.9</b>	<b>21.7</b>

Source: City Natural Resources High Yield Trust, Edison Investment Research

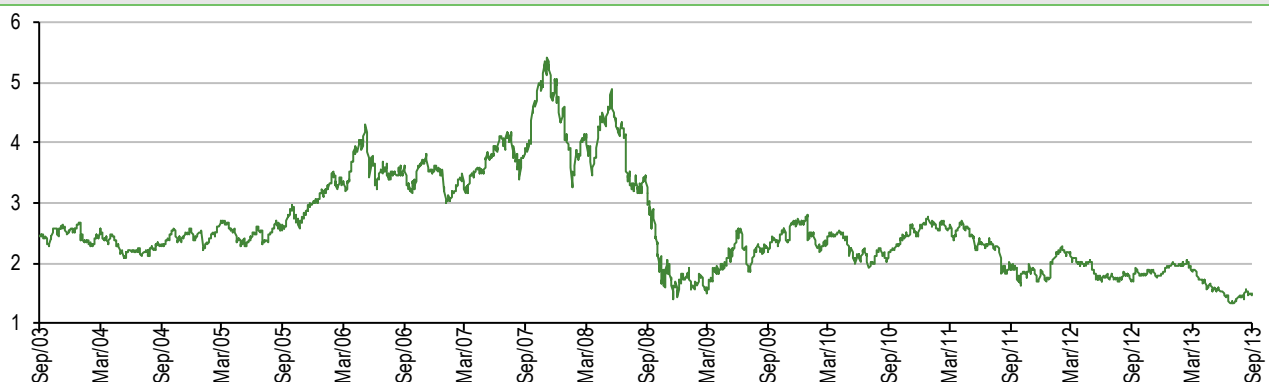
## Outlook: Sentiment negative, valuations below average

Reflecting global macroeconomic concerns, particularly with regard to emerging market growth, commodity and resource equities have experienced a difficult two and a half years, with the FTSE World Mining index down 26% in 2011, 2% in 2012 and 26% ytd. The sector's previously strong performance was driven by strong demand particularly from developing economies, most noticeably China. Partly reflecting difficulties in export markets, particularly the US and eurozone, growth in developing economies, while positive and strong by western standards, has slowed and has recently been on a downward trend. In July the IMF reduced its April estimates for world GDP growth in 2013 and 2014 by 0.2 percentage points, so that global growth for 2013 is expected to be in line with 2012 at 3.1%, rising to just 3.8% in 2014. Emerging market and developing economies estimates were also revised downwards so that 2013 growth is broadly in line with 2012 (5.0% vs 4.9%) rising to 5.4% in 2014. This outlook is reflected in current sentiment for resource equities.

While the outlook is unclear, the question remains as to whether the market for resource equities has become too pessimistic. Bearish investors can point to expansion of commodity production capacity, worries over China's growth, low growth in European economies, fiscal deficits in the US and the confidence-sapping effect of recent market turbulence as negative factors for the resource sector. More bullish investors can cite progress being made in the US economy, signs that Japan may be moving away from its deflationary past, China's transition to a more sustainable growth rate, and the ECB's ongoing commitment to support the eurozone, as supportive of global growth, with ultimately a positive effect for resource equities. Also, while there are near-term concerns about over-supply, looking to the longer term, supply of both renewables and non-renewables appears constrained, suggesting upward pressure on prices. The trend for non-renewables is one of increasing difficulty in finding and extracting resources and, for renewables, climate change and population growth are potential limitations on their expansion.

Valuation signals can be seen as relatively positive. In historical terms, average P/E valuations for resource equities are towards the lower end of their longer-term trading range. Currently at 10.7x, the average P/E ratio over the last nine years for the FTSE All-Share Metals & Mining Index is 9.2x. Although, as Exhibit 2 illustrates, price to book ratios for global mining are also close to 10-year lows.

**Exhibit 2: Datastream World General Mining Index price to book ratios over 10 years**



Source: Thomson Datastream

## Fund profile: Diversified natural resources exposure

CYN is managed by New City Investment Managers (NCIM), a dedicated natural resources investment manager with \$500m invested in natural resource securities. NCIM is owned by global

asset management company CQS, which has \$11.8bn under management with gross exposure to natural resources of \$6.25bn. CYN is co-managed by Will Smith (co-manager since March 2008) and Ian Francis, another long-time member of the New City team. Will focuses on the equity side of the portfolio, and is supported by two dedicated analysts, Keith Watson and Robert Crayford, while Ian primarily focuses on the fixed income securities.

CYN has a composite benchmark index that comprises two-thirds HSBC Global Mining Index and one-third Credit Suisse High Yield Index. Both components are sterling adjusted and performance is evaluated on a total-return basis using a base date of 1 August 2003. In September 2011 CYN issued £40m of 3.5% convertible unsecured loan stock (CULS), which has a fixed seven-year life until 2018. Interest payments are made semi-annually on 31 March and 30 September each year. The conversion price is 377.2p, which is a 10% premium to CYN's NAV as at 20 September 2011.

---

## **The fund managers: Will Smith and Ian Francis**

### **The manager's view: Favouring producing assets**

The manager acknowledges that sentiment for resource securities is currently very poor and considers this to be a function of both a diminished outlook for global growth as well as historically weak emphasis on providing shareholder returns within the space. There is evidence that too many companies have pursued marginal projects, when capital was more freely available, but funding has become considerably more scarce, and discerning, during the last 12 months. Reflecting this, the manager believes that the best performing companies will be those that generate free cash flows, and that reward shareholders. As a consequence the portfolio has been shifted more towards those that are in production and paying dividends, which has seen the portfolio shifted away relatively from mining companies towards oil and gas producers (see Exhibit 3).

At the current gold price, many gold companies are struggling to cover their production costs. The managers believe that strong outflows from gold ETFs are a key influence on the spot price, despite strong physical buying in Asia, and have been actively reducing gold exposure within the portfolio. Over the longer term, the managers retain a positive view, hence the 13% gold allocation.

Looking to the longer term, the managers still look for increases in commodity demand and prices, but expect that development will be at a slower rate, although growth will be higher than that available in the developed world. China's infrastructure spending is not expected to continue at the same rate and the portfolio has been shifting towards resources less dependent on China for their demand. This is also reflected in the shift away from traditional bulk commodities towards oil and gas producers and, to a lesser extent, uranium, where the managers see a long-term supply-demand balance that favours producers and believe that current valuations are undemanding. Furthermore, there is evidence that change is underway within the industry. BHP Billiton is one of a number of major companies that has seen senior management change during the last 12 months and a presentation by Rio Tinto in May showed over 1,500 cost cutting initiatives. However, while the managers believe there is a much stronger emphasis on providing shareholder returns, they believe it will take some time before investors are fully convinced about changes in approach.

---

## **Asset allocation**

### **Investment process: Bottom-up stock selection**

CYN is managed using a mixture of top-down and bottom-up investment strategies. The process begins with an assessment of the factors driving global demand, particularly developments in the large industrialising emerging markets, as well as the supply and demand factors affecting specific

commodities. These include supply side factors (exploration success, capacity developments, potential for supply disruptions, technological developments), demand side factors (substitution potential, new applications and technological developments) as well as current and anticipated inventory levels. This establishes an asset allocation overlay that identifies sectors and geographical areas that the managers favour to varying degrees, which serves as a guide to the evolution of the portfolio. However, the portfolio is not managed with specific reference to geographic or sector allocation targets or with reference to those of the underlying benchmark. Instead, the New City team focuses its efforts on the fundamental analysis of investment opportunities, meeting on average 20 companies a week. The team also employ a range of valuation metrics that are used to try and identify undervalued assets. Once included in the portfolio, the team continues to assess stocks to ascertain whether the level remains appropriate.

## Overview: Broad natural resource exposure

<b>Exhibit 3: Sector allocations as at 31 August 2013</b>			
	Portfolio weight as at 31 August 2013 (%)*	Portfolio weight as at 28 February 2013 (%)*	Change in portfolio weight
Oil & gas	31.8	27.4	4.4
Gold	18.6	21.9	(3.3)
Palm oil	9.9	8.6	1.3
Uranium	6.4	6.6	(0.2)
Finance	5.0	5.7	(0.7)
Copper	4.7	5	(0.3)
Other inv/alternative energy	4.8	5.6	(0.8)
Rare earth	2.9	4.1	(1.2)
Nickel	3.1	0.4	2.7
Other mining investments	2.8	3.6	(0.8)
Iron ore	2.2	5.6	(3.4)
Silver	2.1	2.8	(0.7)
Diamonds	1.9	0	1.9
Agriculture	1.6	0	1.6
Steel	0.8	0	0.8
Coal	0.7	1.5	(0.8)
Rubber	0.5	0.9	(0.4)
Platinum	0.2	0.3	(0.1)
	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

Source: City Natural Resources High Yield Trust, Bloomberg, Edison Investment Research. Note: \*Includes fixed income allocations.

As at 31 August 2013 CYN had 163 holdings. The top 10 holdings account for 24.9% of total assets. Equities account for 61.1% of total assets while preference shares, other fixed interest and cash account for 7.5%, 23.3% and 8.2% respectively. The substantial allocation to fixed interest reflects the managers' view that they can apply their sector knowledge to invest in high-yield fixed interest, often unrated, debt where they consider it possible to achieve equity like returns.

## Recent activity and current portfolio positioning

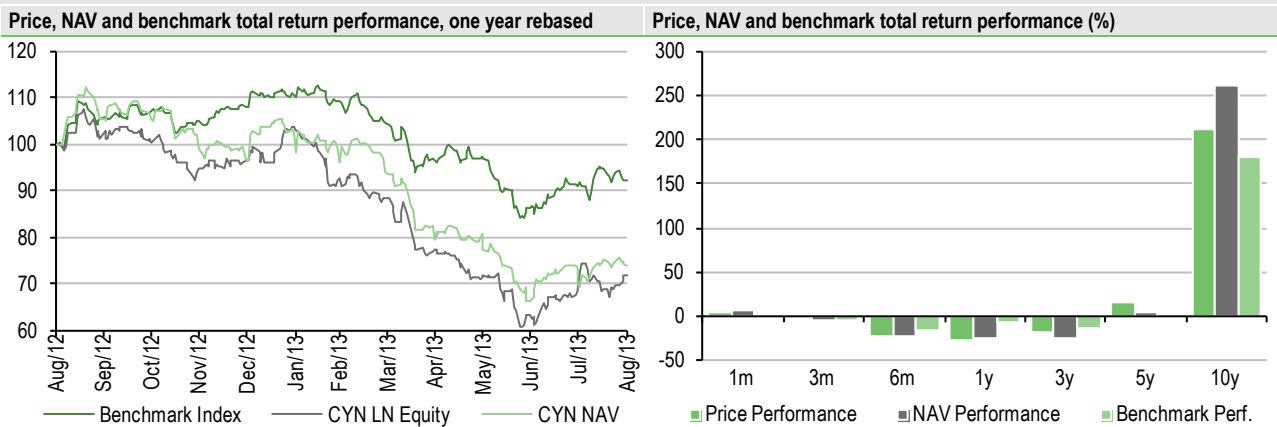
Exhibit 3 compares CYN's sector allocations as at 31 August 2013 and 28 February 2013. The reduction in the gold allocation not only reflects the decline in gold equity prices but also active moves by the managers to reduce this exposure. Similarly, the increase in oil and gas equities reflects the managers' shift towards dividend paying production companies.

## Performance: Strong 10-year performance record

As illustrated by Exhibit 6, between 2003 and 2006 CYN provided two broad periods of outperformance, both of which were subsequently given back. However, between 2006 and 2010, a period that includes the global financial crisis, CYN provided decent outperformance versus its composite benchmark. Relative performance then saw a substantial uptick between mid 2010 and

early 2011, a period during which smaller-cap commodity stocks outperformed their large cap peers, benefiting CYN's portfolio. However, the last 18 months has been a difficult period of performance for CYN, reflecting global macroeconomic uncertainties, and the relatively weak performance of the smaller-cap names, particularly gold stocks, which has eaten into CYN's longer-term performance record.

**Exhibit 4: Investment trust performance to 31 August 2013**



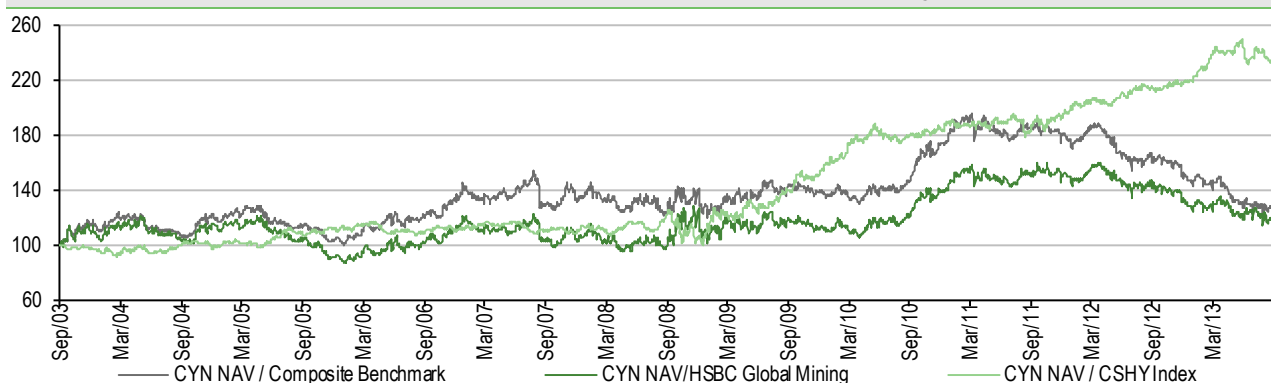
Source: City Natural Resources High Yield Trust, Thomson Datastream, Bloomberg, Edison Investment Research

**Exhibit 5: Share price and NAV total return performance, difference to benchmarks (%), to 31 August 2013**

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to Benchmark Index	2.6	4.7	(7.0)	(20.5)	(5.0)	14.9	33.2
NAV relative to Benchmark Index	4.3	0.4	(7.3)	(18.3)	(10.6)	3.9	80.9
<b>Absolute Performance:</b>							
CYN Price	3.9	(0.2)	(22.6)	(28.2)	(18.9)	14.7	212.4
CYN NAV	5.6	(4.4)	(22.9)	(26.0)	(24.5)	3.6	260.2
HSBC Global Mining	2.9	(5.3)	(20.0)	(13.0)	(23.5)	(15.4)	198.3
Credit Suisse High Yield	(0.8)	(1.5)	0.9	7.5	31.8	66.0	132.5
FTSE World Index	(4.0)	(1.9)	3.2	20.1	43.2	47.9	121.5
FTSE All-Share Index	(2.2)	(0.8)	4.1	18.9	40.5	42.6	133.8

Source: City Natural Resources High Yield Trust, Thomson Datastream, Bloomberg, Edison Investment Research.

**Exhibit 6: CYN NAV total return vs Composite Benchmark total return, over five years, rebased to 100**



Source: City Natural Resources High Yield Trust, Thomson Datastream, Bloomberg, Edison Investment Research.

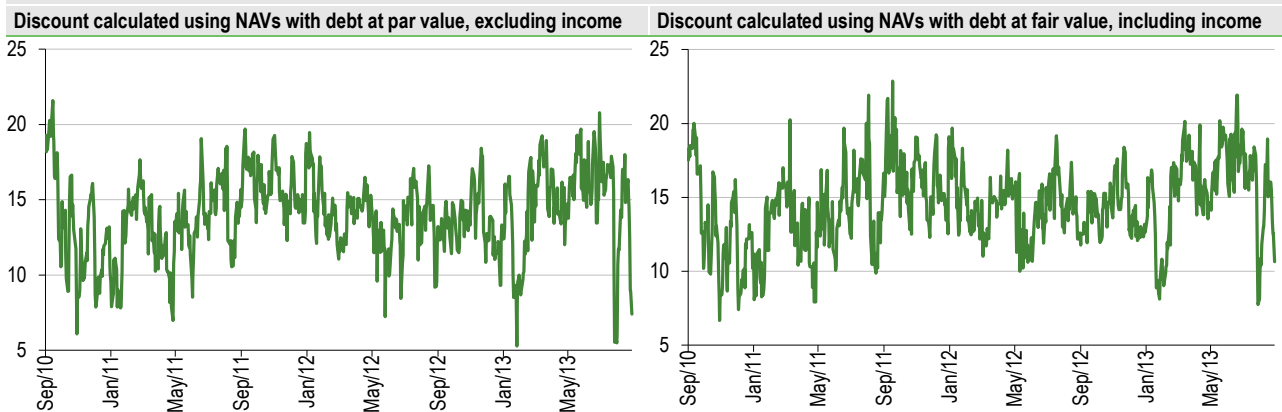
## Discount: Moving within a broad range

Despite having the authority to allot and repurchase shares, CYN does not have an explicit discount maintenance policy and has not, to date, undertaken any repurchases of its shares, as illustrated in Exhibit 1. Exhibit 7 illustrates the discount – the first graph is produced using NAVs with debt at par excluding income, while the second graph has debt at fair value including income. Under both measures there has been considerable volatility during the last three years, arguably reflecting the



uncertainties within the underlying markets in which CYN invests. The current cum-income discount, with debt at fair value, of 10.9% is below its three- and five-year averages of 14.5% and 16.8% (one-year range 7.8% to 21.9%).

#### Exhibit 7: Discount over three years



Source: Thomson Datastream, Edison Investment Research.

## Capital structure: Conventional, structural gearing

CYN is a conventional investment trust with only one class of equity share in issue – 25p ords. The trust is able to gear up to 25% of the shareholders' funds, which gives CYN flexibility in choosing its gearing policy. All current gearing is provided by CYN's CULS, issued in September 2011. As at 31 August 2013 there was £35.8m of the CULS outstanding and CYN had gross gearing of 31.2% and net gearing of 20.5%. This represents an increase in gross gearing during 2013, driven largely by a fall in CYN's gross assets over the period (£193.5m to £150.5m), which has been offset by holding a greater level of cash (£12.2m vs £4.0m). By comparison, as at 31 December 2012, CYN had gross gearing of 25.2% and net gearing of 22.7%. The management fee is calculated monthly as 0.1% of the company's net assets (excluding any borrowings), payable in arrears, which is equivalent to 1.19% per year. There is no performance fee and the management contract can be terminated at 12 months' notice by either side. The total expense ratio (TER) was 1.50% for the year ended 30 June 2012 (1.50% for the year ended 30 June 2011). Although CYN does not have a fixed life, a resolution to allow the company to continue in existence as an investment trust is put to shareholders at each AGM.

## Dividend policy: Quarterly, annually progressive

CYN has, for a number of years, been managed with a view to enhancing income and progressing the dividend. Since it began paying ordinary dividends in 2004, the trust has maintained or increased its total dividend every year, as is illustrated in Exhibit 1. During this eight-year period the trust increased its dividend by an average of 11.8% per year, which is well above the rate of inflation. The managers and board have indicated that they remain confident CYN can provide double-digit dividend growth over the next year. Assuming a base case of a 10% increase in total dividend (the minimum required to provide double-digit growth) a total dividend of 6.05p would be required in 2014. As at 31 December 2012, CYN had revenue reserves equal to 8.0p per share (up from 6.8p in 2011). Revenue reserves experienced strong growth during the six months to 31 December 2012 (a 29.6% increase year on year) and we understand that revenue growth has been strong year to date. CYN pays quarterly dividends with the final larger than the other payments. For the year ending 30 June 2013 CYN paid a total dividend of 5.5p (2012: 4.83p).

## Peer group comparison

As Exhibit 7 illustrates, the Commodities and Natural Resources specialist sector is a reasonable sized peer group, with 13 constituents, although the investment focuses of the constituents can vary markedly. Within this group, CYN ranks seventh, sixth and first over one, three and five years when considering share price total return. For dividend yield and five-year dividend growth, CYN ranks fifth and third respectively. In terms of risk-adjusted returns, CYN has the eighth-highest one-year Sharpe ratio for price and the seventh-highest Sharpe ratio for NAV in its peer group.

**Exhibit 8: Sector Specialist – Commodities and natural resources sector, as at 6 September 2013**

Company	Share price total return on £100			Ongoing charges (%)	(Disc)/ prem.	Net gearing (100=no gearing)	Five-year dividend growth (%)	Div. yield	Sharpe ratio NAV one year	Sharpe ratio price one year
	One year	Three years	Five years							
<b>Sector average</b>	<b>87.8</b>	<b>86.3</b>	<b>101.4</b>	<b>1.6</b>	<b>(9.7)</b>	<b>115.6</b>	<b>25.3</b>	<b>4.3</b>	<b>(0.9)</b>	<b>(0.7)</b>
<b>City Natural Resources High Yield</b>	<b>73.5</b>	<b>78.7</b>	<b>116.1</b>	<b>1.4</b>	<b>(10.9)</b>	<b>123.0</b>	<b>12.4</b>	<b>3.6</b>	<b>(1.3)</b>	<b>(1.2)</b>
Altus Resource	46.5	59.0		2.0	(18.4)	91.0	0.0		(1.5)	(2.5)
Baker Steel Resources	66.9	61.0		2.2	(23.7)	101.0	0.0		(1.4)	(1.0)
BlackRock Commodities Income	98.6	97.8	107.4	1.3	(0.8)	109.0	2.2	5.4	0.2	0.2
BlackRock World Mining	93.2	88.9	102.9	1.4	(7.4)	116.0	30.7	4.3	(0.9)	(0.5)
El Oro	85.0	112.3		1.9	(12.5)	151.0	0.0	5.0	(0.8)	(1.7)
Geiger Counter	71.0	49.5	48.1	2.7	(23.9)	121.0	0.0		(0.7)	(0.9)
Golden Prospect Precious Metals	47.5	62.7	72.6	2.3	(21.7)	100.0	0.0		(0.8)	(0.5)
International Oil & Gas Tech.	74.7	49.0	46.4	3.8	(51.1)	94.0	(24.2)	2.6	(3.3)	(2.6)
New City Energy	98.8	84.2	103.6	3.1	(14.6)	125.0	17.6	5.0	(1.0)	(0.0)
Praetorian Resources	31.3			3.6	(18.3)	95.0	0.0		(5.1)	(3.9)
RAB Special Situations	48.1	43.2	21.7	3.4	(32.1)	99.0	0.0		(2.0)	(3.1)
Tiger Resource Finance	91.7	96.3	85.6	17.5	(22.1)	63.0	0.0		(6.2)	(0.2)

Source: Morningstar

## The board

All directors are non-executive and, with the exception of Adam Cooke, all are independent of the investment manager. They are Geoffrey Burns (chairman), Adrian Collins, Adam Cooke, Michael Coulson and Richard O Prickett (directors). The average length of service is 10.5 years.

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Berlin, Sydney and Wellington. Edison is authorised and regulated by the Financial Services Authority ([www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584](http://www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584)). 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 not regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. [www.edisongroup.com](http://www.edisongroup.com).

### DISCLAIMER

Copyright 2013 Edison Investment Research Limited. All rights reserved. This report has been commissioned by City Natural Resources High Yield Trust 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 Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is not 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). It is not intended for retail clients. 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. 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") (c) FTSE [2013]. "FTSE(r)" 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.