

Scottish Oriental Smaller Companies

Small-cap specialist, repositioned for growth

Scottish Oriental Smaller Companies Trust (SST) aims to generate long-term capital growth from investing in smaller Asia ex-Japan listed companies, typically with a market cap below US\$1.5bn. The investment approach is bottom-up focused stock picking, unconstrained by benchmark considerations. Over the past 10 years, the trust has achieved an annualised NAV total return of 14.6% pa. Performance has been lower in more recent years, partly reflecting the relative underperformance of smaller companies versus large-cap companies, and quality versus momentum. The portfolio has been repositioned over the past two years and is now more concentrated and focused on higher-growth companies. A 14.8% discount to cum-income NAV has scope to narrow should small-cap Asian equities regain favour and the portfolio repositioning bears fruit.

12 months ending	Share price (%)	NAV (%)	MSCI AC Asia ex-Japan (%)	MSCI AC Asia ex-Japan Small Cap (%)	FTSE All-Share (%)
30/06/14	(0.8)	4.1	3.5	2.7	13.1
30/06/15	(0.8)	7.7	13.2	14.4	2.6
30/06/16	6.1	9.8	3.9	0.4	2.2
30/06/17	24.9	20.6	30.8	19.3	18.1
30/06/18	(1.9)	1.0	8.4	5.2	9.0

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

Investment strategy: Stock focused, patient approach

The investment approach is bottom-up and stock focused, looking for high-conviction investments in attractively priced, good-quality companies that can be held in the portfolio for three to five years, or longer. The manager, First State Stewart Asia has a team of 19 investment professionals, mostly based in Asia, to support rigorous research analysis, and assess management quality. The team conduct over 1,200 meetings pa with company managements.

Market outlook: Asian small-caps overlooked

Asian equities have performed strongly over the past two years. However, this performance has been concentrated among large caps, particularly in the technology sector (including Chinese internet stocks), which now accounts for almost one-third of the MSCI AC Asia ex-Japan Index. The MSCI AC Asia ex-Japan Small Cap Index however, has lagged significantly, suggesting smaller companies have been overlooked. Strong earnings momentum in 2017 has helped moderate Asian equities valuations, which appear attractive relative to global equities.

Valuation: Scope for discount to narrow

SST currently trades at a 14.8% discount to cum-income NAV; wider than its three-year average of 12.5%. This partly reflects Asian small-cap equities being out of favour and the relative performance of the trust against the benchmark in more recent years. Over the past two years, the portfolio has gradually been repositioned in favour of higher-growth companies and there is scope for the discount to NAV to narrow should this exercise bear fruit, or if Asian small caps return to favour.

Investment trusts

3 July 2018

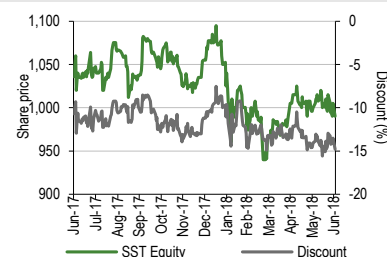
Price 990.0p
Market cap £301.1m
AUM £351.9m

NAV* 1,158.2p
Discount to NAV 14.5%
NAV** 1,162.0p
Discount to NAV 14.8%

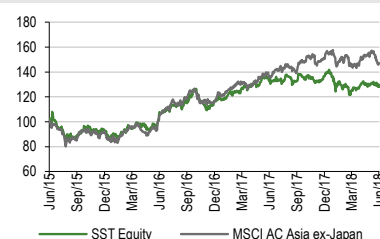
*Excluding income. **Including income. As at 2 July 2018.

Yield 1.2%
Ordinary shares in issue 30.4m
Code SST
Primary exchange LSE
AIC sector Asia Pacific ex-Japan
Benchmark MSCI AC Asia ex-Japan

Share price/discount performance



Three-year performance vs index



52-week high/low 1,095.0p 940.0p
NAV** high/low 1,216.1p 1088.8p

**Including income.

Gearing

Gross* 0.0%
Net* 5.1%

*As at 31 May 2018.

Analysts

Helena Coles +44 (0)20 3077 5700
Mel Jenner +44 (0)20 3077 5720

investmenttrusts@edisongroup.com

[Edison profile page](#)

Scottish Oriental Smaller Companies
is a research client of Edison
Investment Research Limited

Exhibit 1: Trust at a glance
Investment objective and fund background

SST's objective is to provide shareholders with long-term capital growth through investment in smaller Asian (excluding Japanese and Australasian) quoted companies. Its assets are invested in a diversified portfolio of equities. While the manager takes account of cultural, political and economic factors, stock-specific features are the main driver of portfolio selection, with the aim of identifying good-quality companies with solid, long-term growth prospects.

Recent developments

- 20 April 2018: Interim report for six months to end-February 2018. NAV TR -2.3% versus benchmark TR +3.4%.
- 30 October 2017: Annual report for 12 months to end-August 2017. NAV TR +15.7% versus benchmark TR +27.2%. Announcement that director Janet Morgan will retire at December 2017 AGM.
- 29 June 2017: Appointment of Andrew Baird as non-executive director.

Forthcoming

AGM	December 2018
Annual results	October 2018
Year end	31 August
Dividend paid	January/February
Launch date	March 1995
Continuation vote	None

Capital structure

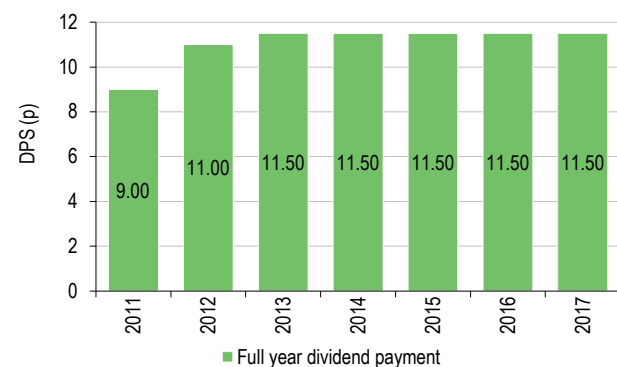
Ongoing charges	0.99% (FY17)
Net cash	5.1%
Annual mgmt fee	0.75%
Performance fee	Yes (see page 7)
Trust life	Indefinite
Loan facilities	None (see page 7)

Fund details

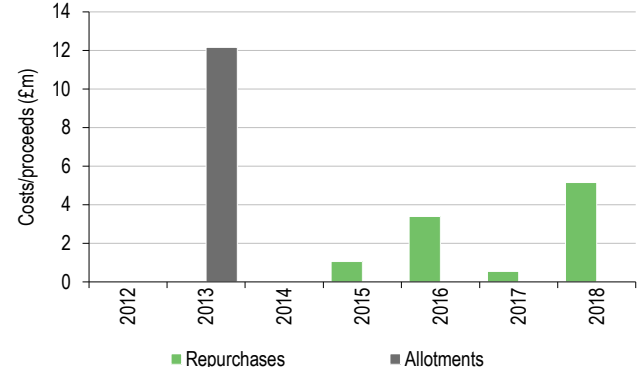
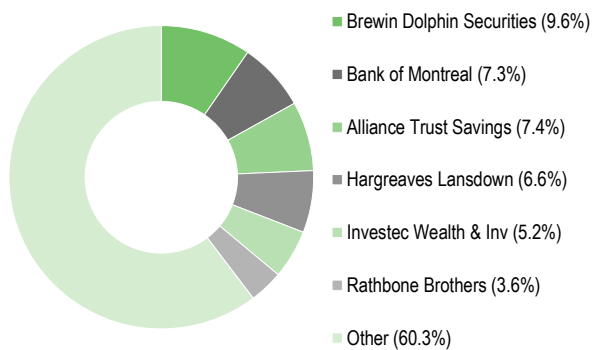
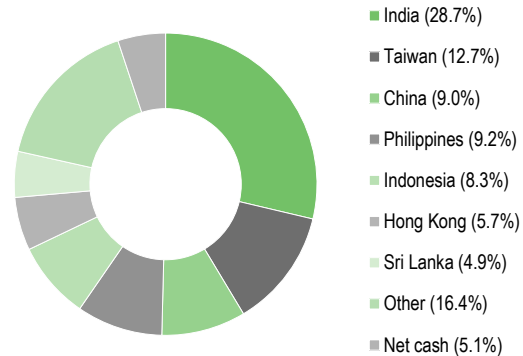
Group	First State Stewart
Manager	Vinay Agarwal
Address	10 St Colme Street, Edinburgh, EH3 6AA
Phone	+44 (0) 131 473 2200
Website	www.scottishoriental.co.uk

Dividend policy and history (financial years)

Dividends paid annually. The board intends to at least maintain the level of dividend, using reserves if necessary, unless company distributions fall sharply.


Share buyback policy and history (financial years)

Renewed annually, the board has authority to repurchase up to 14.99% and allot up to 10% of shares outstanding.


Shareholder base (as at 12 June 2018)

Portfolio exposure by geography (as at 31 May 2018)

Top 10 holdings (as at 31 May 2018)

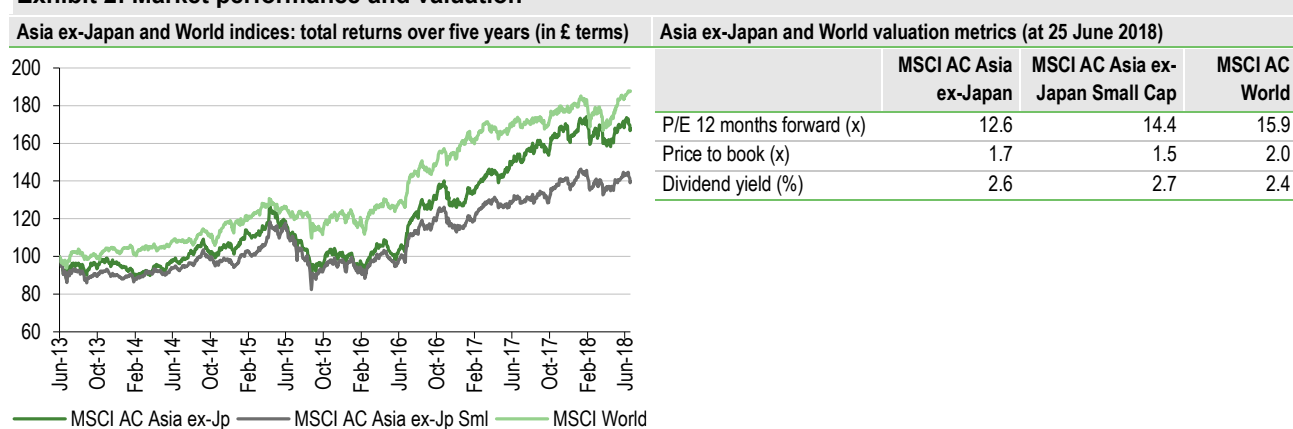
Company	Country	Sector	Portfolio weight %	
			31 May 2018	31 May 2017*
SKF India	India	Industrials	3.4	2.6
Sinbon Electronics	Taiwan	Information technology	3.2	N/A
Uni-President China	China	Consumer staples	3.0	N/A
Vitasoy International	Hong Kong	Consumer staples	3.0	2.4
Towngas China	China	Utilities	2.9	2.8
Haw Par	Singapore	Consumer staples	2.8	N/A
Jyothy Laboratories	India	Healthcare	2.7	N/A
Concepcion Industrial	Philippines	Industrials	2.6	2.4
Blue Star	India	Industrials	2.5	2.4
China Banking	Philippines	Financials	2.5	2.2
Top 10			28.7	24.5

Source: Scottish Oriental Smaller Companies Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in May 2017 top 10.

Market outlook: Asian small-caps relatively attractive

As shown in Exhibit 2, the MSCI Asia ex-Japan index performed strongly from early 2016 to early 2018, driven by synchronous global growth and strong upward momentum in corporate earnings revisions. For much of this period, the performance was polarised towards large market cap names, particularly in the technology sector (where China internet and manufacturers in South Korea and Taiwan are dominant). This was amplified by the significant inflows of exchange traded funds (ETFs) that focus on the largest and most liquid stocks to replicate index performance. Smaller companies appear to have been overlooked for some time, and the MSCI AC Asia ex-Japan Small Cap index has lagged the MSCI AC Asia ex-Japan index considerably, suggesting they are not widely owned. Asian valuations in P/E and price to book ratio terms do not seem overly stretched, following strong 2017 earnings growth of nearly 30%, though they are above their 10-year averages. Compared to global equities, Asia remains relatively attractively valued.

Exhibit 2: Market performance and valuation



Source: Thomson Datastream, Bloomberg, MSCI, Edison Investment Research

Fund profile: Unconstrained, bottom-up, long term

SST was launched in 1995, with the aim of generating long-term capital growth, primarily from investing in smaller Asian equities (excluding Japan) with market capitalisations below US\$1.5bn at the time of investment. The trust is also permitted to invest up to 20% of the portfolio in companies with market capitalisations of between US\$1.5bn to US\$3.0bn. The investment approach is bottom-up and stock focused, without constraints on country and sector weights, therefore the portfolio's exposures can diverge meaningfully from that of Asian indices (see Exhibits 3 and 4). While cultural, political and economic factors are considered, SST's holdings primarily reflect the manager's high-conviction investments in attractively priced, good-quality companies with a long-term investment horizon of at least three to five years. The small-cap mandate means investments can be less liquid, requiring patience with stock purchases and sales. The closed-ended structure of the trust is well suited to SST's investment approach. Lead manager, Vinay Agarwal, formally assumed this role in July 2017 following a year as acting lead manager during Wee-Li Hee's maternity leave. Hee has since returned as a co-portfolio manager, thereby ensuring continuity in the team.

Gearing of up to 50% of net assets is permitted. However, reflecting the manager's view that Asian equities were unattractively valued at the time, and would require a significant correction for this view to change, a £20m loan facility was repaid early in June 2017. As at end-May 2018, the trust had net cash of 5.1%

The fund manager: Vinay Agarwal

The manager's view: Good opportunities in smaller markets

Asian equities have performed strongly over the past two years. However, Agarwal believes this has been fuelled by unprecedentedly low interest rates, accompanied by rising debt at country and corporate levels. Although global interest rates have started to rise, the magnitude of change has been modest so far, while inflation has been benign, thus extending the period of loose monetary conditions. The manager is cautious and believes that this scenario cannot endure and when interest rates normalise, highly indebted countries and companies could suffer. Agarwal favours investing in countries with relatively low levels of debt-to-GDP, where recent growth has been driven by structural domestic factors (such as India, Indonesia and the Philippines), rather than those where growth has been supported by increased borrowing (such as China and South Korea).

The manager continues to find Asian equities in general to be expensive, although he is finding exciting long-term investment ideas in less-developed economies, where market penetration levels for consumer goods and services are low, providing good prospects for multi-year structural growth. Many of these markets (including Sri Lanka, Bangladesh and Pakistan) have lagged the larger, more liquid markets.

Asset allocation

Investment process: Led by fundamental stock selection

SST follows a conviction-based, bottom-up approach to find quality companies in which it can invest with a long-term horizon of at least three to five years. The manager's approach has an absolute return mind-set and focuses on downside protection, as well as capital growth. The most significant source of investment ideas is direct company meetings. First State Stewart Asia's team has 19 investment professionals and conducts over 1,200 meetings a year, seeking to find attractively priced, good-quality companies that can sustain long-term growth. It looks for companies with strong franchises and high barriers to entry, avoiding those that are dependent on government and regulation (such as state-owned companies). The quality of a company's management is key and the team assess for integrity, risk awareness and the ability to allocate capital well. Country and sector weights are a residual of stock selection.

Current portfolio positioning

As shown in Exhibits 3 and 4, focus on stock selection without country and sector constraints means the SST portfolio differs significantly from the MSCI AC Asia ex-Japan index. Reflecting the manager's preference for investing in markets with lower levels of national and corporate debt, SST is significantly overweight the index in India (18.6pp), the Philippines (7.8pp) and Indonesia (5.4pp), with notable increases in exposures to India (+4.9pp) and the Philippines (+1.8pp) over the year to end-May 2018. Much of this is accounted for by increasing the size of existing positions where opportunities arise, due to market weakness and/or higher conviction following ongoing engagement with management. These include: Concepcion Industrial in the Philippines, the market leader in air conditioners (38% market share) and refrigerators (27%); and Century Pacific Foods, a canned food manufacturer, also in the Philippines, which is transitioning to becoming a branded consumer business, with potential to significantly lift margins and profitability.

SST's exposure to smaller markets is notable with an aggregate 9.8% invested in Sri Lanka, Vietnam, Pakistan and Bangladesh. These countries are among the least-developed countries in Asia and are classified by Morgan Stanley Capital International (MSCI) as 'frontier' markets (with the exception of Pakistan, which was upgraded from 'frontier' to 'emerging' status in 2017). These

markets are less well researched and relatively illiquid, which in the manager's view brings interesting, attractively valued opportunities for a disciplined and patient investor. Recent purchases in these countries include Pak Suzuki in Pakistan, the trust's second autos holding in that market in addition to Indus Motors, which was purchased last year. Pak Suzuki has a 31% share of the autos market, which is controlled by three players (Indus Motors and Honda Atlas have 44% and 25% market share respectively) and penetration rates are among the lowest in the world at just 15 passenger vehicles per 1,000 people.

The portfolio is most underweight Asia's largest markets, China and South Korea, where the manager believes rising interest rates could pose a greater challenge than for other countries in the region. These markets are also dominated by very large information technology (IT) companies, which the manager does not favour. IT has performed particularly strongly over the past few years, commanding valuations which he deems excessive (for example, China internet names including Tencent and Alibaba). The sector also contains contract manufacturers, which the manager finds structurally unattractive. These companies typically have limited pricing power, are at the mercy of commodity price fluctuations, and are highly cyclical in nature. Recent sales include Hana Microelectronics in Thailand, and Posiflex and Lumax in Taiwan.

Cash remains relatively high at 5.1% as at end-May 2018, but the manager has a good line-up of companies under consideration for investment. In addition, the portfolio has a number of relatively small positions he is looking to increase. For newer investments, the manager may add to a holding incrementally as he gains conviction through ongoing engagement with company managements and often, smaller companies are illiquid, requiring a patient approach to accumulating stock.

Exhibit 3: Portfolio geographic exposure vs benchmark (% unless stated)						
	Portfolio end-May 2018	Portfolio end-May 2017	Change (pp)	Benchmark weight	Active weight vs benchmark (pp)	Trust weight/benchmark wgt (x)
India	28.7	23.8	4.9	10.1	18.6	2.8
Taiwan	12.7	11.5	1.2	14.1	(1.4)	0.9
Philippines	9.2	7.4	1.8	1.4	7.8	6.6
China	9.0	10.0	(1.0)	31.8	(22.8)	0.3
Indonesia	8.3	8.5	(0.2)	2.9	5.4	2.9
Hong Kong	5.7	6.5	(0.8)	12.0	(6.3)	0.5
Singapore	5.2	6.6	(1.4)	4.4	0.8	1.2
Sri Lanka	4.9	5.4	(0.5)	0.0	4.9	N/A
Thailand	2.3	2.7	(0.4)	2.5	(0.2)	0.9
Malaysia	2.0	2.9	(0.9)	2.8	(0.8)	0.7
South Korea	1.9	3.4	(1.5)	18.0	(16.1)	0.1
Vietnam	1.7	1.0	0.7	0.0	1.7	N/A
Pakistan	1.7	0.0	1.7	0.0	1.7	N/A
Bangladesh	1.5	1.3	0.2	0.0	1.5	N/A
Net cash	5.1	9.0	(3.9)	0.0	5.1	N/A
	100.0	100.0		100.0		

Source: Scottish Oriental Smaller Companies Trust, Edison Investment Research

Exhibit 4: Portfolio sector exposure vs Asia ex-Japan indices (% unless stated)						
	Portfolio end-May 2018	Portfolio end-May 2017	Change (pp)	Benchmark weight	Active weight vs benchmark (pp)	Trust weight/benchmark wgt (x)
Consumer discretionary	19.3	15.7	3.6	8.8	10.5	2.2
Industrials	18.5	17.0	1.5	6.5	12.0	2.8
Consumer staples	16.0	15.1	0.9	4.8	11.2	3.4
Information technology	10.5	9.0	1.5	32.1	(21.6)	0.3
Healthcare	7.4	6.8	0.6	2.8	4.6	2.7
Financials	7.4	8.9	(1.5)	23.4	(16.0)	0.3
Materials	6.2	7.5	(1.3)	4.5	1.7	1.4
Utilities	6.1	6.3	(0.2)	3.0	3.1	2.1
Real estate	1.8	2.7	(0.9)	5.8	(4.0)	0.3
Telecom services	1.6	2.0	(0.4)	3.7	(2.1)	0.4
Energy	0.0	0.0	0.0	4.6	(4.6)	0.0
Net cash	5.1	9.0	(3.9)	0.0	5.1	N/A
	100.0	100.0	100.0		100.0	

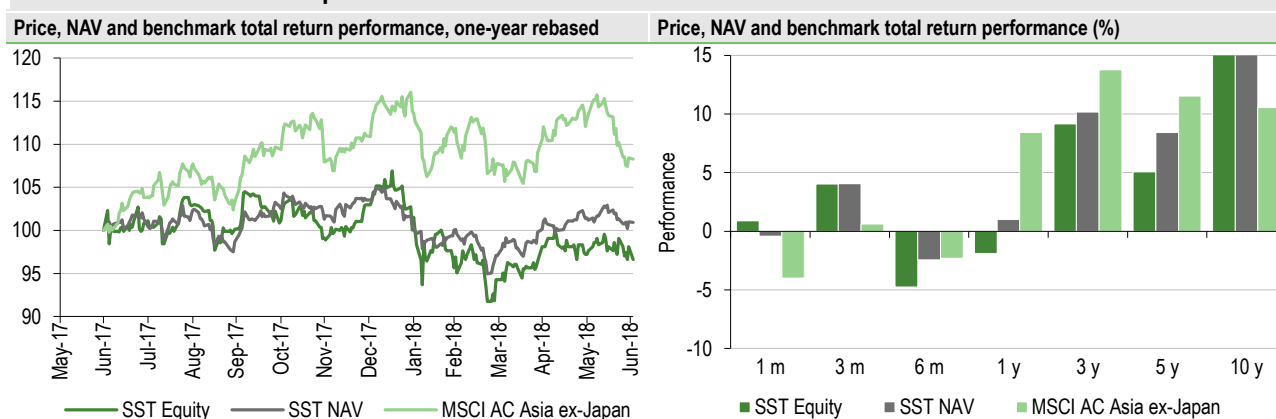
Source: Scottish Oriental Smaller Companies Trust, Edison Investment Research

Over the past two years, the portfolio has undergone a shift in favour of higher-growth companies, with the manager gradually disposing of low-growth companies, many of which he views as 'value traps'. The estimated three-year compound annual growth rate of earnings for new companies purchased between June 2016 and December 2017 was 17% versus 11% for those holdings sold. Over the same period, the number of holdings has been reduced from 77 to 63. This repositioning process is nearly complete, and the manager believes the portfolio is well placed to benefit from structural long-term growth in Asia.

Performance: Long-term outperformance

As shown in Exhibits 5 and 6, SST has strong 10-year NAV total return performance, significantly outperforming the MSCI AC Asia ex-Japan, MSCI AC Asia ex-Japan Small Cap and FTSE All-Share indices. Relative performance against the benchmark over one, three and five years, however, has lagged. Asian equities' performance since early 2016 has been fuelled by inflows from exchange-traded funds, which tend to buy the larger, more liquid stocks without regard for fundamentals, while smaller, high quality companies that meet SST's investment criteria have been relatively overlooked in this environment. Furthermore, reflecting the manager's view of extended stock price valuations, SST had higher than normal cash levels, which has been a drag on performance over this period when Asian equity markets were strong.

Exhibit 5: Investment trust performance to 30 June 2018



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

Exhibit 6: 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 MSCI AC Asia ex-Japan	5.1	3.4	(2.5)	(9.5)	(11.7)	(25.8)	56.0
NAV relative to MSCI AC Asia ex-Japan	3.7	3.4	(0.1)	(6.8)	(9.2)	(13.1)	57.0
Price relative to MSCI AC Asia ex-Japan Small Cap	7.4	5.0	0.1	(6.7)	3.3	(13.5)	69.1
NAV relative to MSCI AC Asia ex-Japan Small Cap	6.0	5.0	2.6	(4.0)	6.2	1.3	70.1
Price relative to FTSE All-Share	1.1	(4.7)	(6.3)	(10.0)	(1.2)	(16.2)	101.3
NAV relative to FTSE All-Share	(0.2)	(4.7)	(4.0)	(7.3)	1.6	(1.9)	102.5

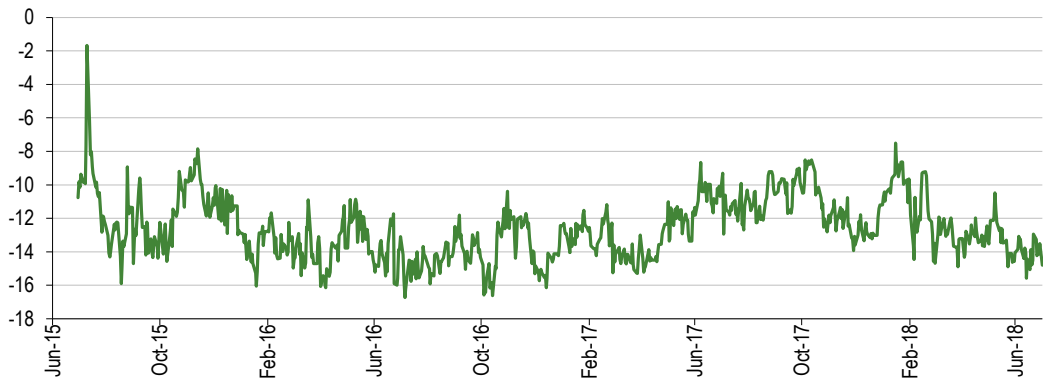
Source: Thomson Datastream, Edison Investment Research. Note: Data to end-June 2018. Geometric calculation.

Discount: Wider than average, scope to narrow

SST currently trades at a 14.8% discount to its cum-income NAV, which is wider than its three-year average of 12.5%, and towards the lower end of the 1.7% to 16.7% range over this period.

Although there is no formal discount management policy, the board regularly monitors the trust's discount to NAV, actively promotes the trust and has the ability, renewable annually, to purchase up to 14.99% of shares (see page 7).

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



Source: Thomson Datastream, Edison Investment Research

Capital structure and fees

SST is a conventional investment trust with one class of share: there are currently 30.4m ordinary shares in issue and, as at 21 June, 1.0m shares were held in treasury. During the six months to end-February 2018, the company repurchased 12,000 ordinary shares at a total cost of £123,000.

First State Investment Management (UK) is paid an annual management fee of 0.75% of net assets. An additional performance fee is payable if SST's share price total return exceeds that of the MSCI AC Asia ex-Japan index by 10% over a rolling three-year period, capped at 1.5% of net assets. No performance fee was payable in FY17 and, as at end FY17, the ongoing charges were 0.99%.

Dividend policy and record

SST's primary focus is on capital growth rather than income. It pays dividends annually and for FY17, paid 11.5p (same as FY16), representing a yield of 1.2%. The board aims to at least maintain annual dividends, drawing on income reserves accumulated in previous years, if necessary.

Peer group comparison

Exhibit 8 shows the AIC Asia Pacific ex-Japan peer group of investment trusts, with market capitalisations over £100m. This group consists of 15 members with diverse mandates, including income-focused funds and Pacific funds (which also invest in Australasia), meaning direct comparisons can be less meaningful. SST's long-term performance is strong, ranking first for NAV total return over 10 years, representing an annualised return of 14.6% pa. Performance has lagged in more recent years and the trust ranks 14th over one year, 15th over three years, and ninth over five years. SST's discount to ex-par NAV is one of the widest among peers. In addition to weaker relative near-term performance, this may also reflect small-cap Asian equities being out of favour in an environment where large-cap stocks have led stock market performance over the past few years and investors have sought income from dividends. The trust's most comparable peer is Aberdeen Asian Smaller Companies Trust, which trades at a similar ex-par discount to NAV of 13.4%.

Exhibit 8: AIC Asia Pacific ex-Japan peer group as at 2 July 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	Performance fee	Net gearing	Dividend yield (%)
Scottish Oriental Smaller Cos	306.0	0.8	34.9	49.8	324.1	(13.2)	1.0	Yes	100	1.2
Aberdeen Asian Income	360.6	0.4	35.3	28.1	197.5	(9.5)	1.1	No	106	4.6
Aberdeen Asian Smaller	368.5	0.9	36.5	28.3	321.5	(13.4)	1.2	No	106	1.2
Aberdeen New Dawn	257.1	4.0	42.0	43.1	172.0	(12.8)	0.9	No	108	1.9
Edinburgh Dragon	693.1	4.0	42.8	45.3	185.8	(11.6)	1.0	No	102	0.9
Fidelity Asian Values	280.9	2.9	54.6	89.6	227.2	0.8	1.3	No	96	1.1
Henderson Far East Income	435.8	2.4	35.6	45.9	147.3	0.6	1.1	No	99	6.1
Invesco Asia	198.6	5.3	57.1	99.7	229.8	(10.4)	1.0	No	100	2.0
JPMorgan Asian	325.5	11.6	65.6	89.4	147.2	(12.6)	0.7	No	100	4.5
Martin Currie Asia Unconstrained	140.9	4.3	46.7	49.1	101.1	(11.0)	1.1	No	103	2.1
Pacific Assets	314.1	8.5	42.9	77.8	168.6	(4.0)	1.3	No	100	1.0
Pacific Horizon	206.5	19.9	71.0	103.7	177.0	2.1	1.1	No	99	0.0
Schroder Asia Pacific	759.1	9.8	71.7	91.2	243.4	(9.4)	1.0	No	104	1.3
Schroder Asian Total Return	319.4	12.6	76.0	91.1	200.4	3.6	1.0	Yes	102	1.4
Schroder Oriental Income	611.8	4.1	48.8	58.3	236.0	(2.2)	0.9	Yes	106	4.0
Simple average	371.8	6.1	50.8	66.0	205.3	(6.9)	1.1		102	2.2
SST rank in sector	10	14	15	9	1	14	3		9	11

Source: Morningstar, Edison Investment Research. Note: *Performance data to 29 June 2018. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

The board consists of five independent non-executive directors. Chairman James Ferguson and Alexandra Mackesy were appointed in 2004 and Anne West in 2010. Two new appointments were made in 2017: Jeremy Witley and Andrew Baird. Dr Janet Morgan resigned from the board at the December 2017 AGM.

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) [46085869] 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 Scottish Oriental Smaller Companies 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 Ltd (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.