

# TR European Growth Trust

Strong returns from European small-cap specialist

TR European Growth Trust (TRG) has enjoyed an exceptionally strong period of recent share price and NAV performance, posting gains of c 50% over 12 months to 30 April. While returns from all overseas investments have been boosted by the weakness of sterling since the UK's Brexit referendum, TRG's outperformance has been assisted by a focus on better-value cyclical stocks, and the decision of lead manager Ollie Beckett to increase gearing in the second half of 2016. The trust invests in European (ex-UK) smaller companies, with a particular focus on those at the lower end of the market cap spectrum, where both rewards and risks may be higher. Because of this, TRG has a longer stock list than peers. While the discount to NAV has narrowed somewhat, it remains at c 9% compared with an average of 0.7% for the investment company universe.

12 months ending	Share price (%)	NAV (%)	Euromoney Smaller Europe ex-UK (%)	FTSE World Europe ex-UK (%)	FTSE All-Share (%)
30/04/13	31.0	19.0	23.6	28.1	17.8
30/04/14	45.6	38.1	29.2	14.8	10.5
30/04/15	8.5	9.2	3.7	7.0	7.5
30/04/16	3.7	5.2	5.8	(3.9)	(5.7)
30/04/17	50.7	48.4	32.6	28.8	20.1

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

## Investment strategy: Seeking undervalued growth

TRG's managers, Ollie Beckett and Rory Stokes of Henderson Global Investors, hold a diversified portfolio of European small and mid-cap companies, with a bias to the smaller end of the market. The managers use value screens to narrow down the universe of c 1,300 companies, focusing on those with superior growth or recovery potential, whose under-appreciated prospects have led to misvaluation. Company meetings are a key part of understanding the quality of management and strategy, as well as identifying catalysts for rerating, and the managers meet or speak with hundreds of potential investment candidates each year.

## Market outlook: Smaller companies outperform

With elections in France and the Netherlands having avoided Brexit- or Trump-style upsets, European stock markets have continued to perform strongly into 2017. A rotation from defensive to cyclical stocks has seen smaller companies in Europe outperform their larger brethren over the past 12 months, reversing a decade-long trend. However, with average forward P/E valuations now above those of large-caps, a more selective approach may be required to secure future outperformance.

## Valuation: Discount narrower since French election

At 16 May 2017, TRG's shares traded at an 8.9% discount to cum-income net asset value. This was close to the narrowest point over 12 months and compares with one-, three- and five-year average discounts of 14.2%, 12.3% and 13.8%, respectively. Shortly after the UK's EU referendum the discount had reached a three-year high of 19.3%. In September 2016, the board made its first share repurchases since 2012, although no further buybacks have taken place since October.

### Investment trusts

17 May 2017

**Price** 1,011.0p  
**Market cap** £503m  
**AUM** £605.1m

NAV\* 1,099.3p  
Discount to NAV 8.0%  
NAV\*\* 1,110.0p  
Discount to NAV 8.9%

\*Excluding income. \*\*Including income. As at 16 May 2017.

Yield 1.1%\*

\*Including special dividend

Ordinary shares in issue 49.7m

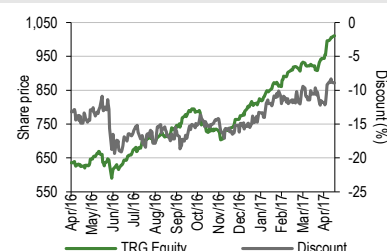
Code TRG

Primary exchange LSE

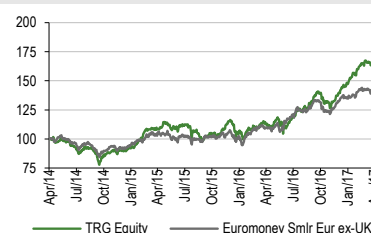
AIC sector European Smaller Companies

Benchmark Euromoney Smaller Europe ex-UK

### Share price/discount performance



### Three-year performance vs index



52-week high/low 1,011.0p 590.0p  
NAV\*\* high/low 1,110.0p 717.5p

\*\*Including income.

### Gearing

Gross\* 9.0%  
Net\* 9.0%

\*As at 31 March 2017.

### Analyst

Sarah Godfrey +44 (0)20 3681 2519  
[investmenttrusts@edisongroup.com](mailto:investmenttrusts@edisongroup.com)

[Edison profile page](#)

**TR European Growth is a research client of Edison Investment Research Limited**

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

TR European Growth Trust's objective is to achieve capital growth by investing in smaller and medium-sized companies in Europe (ex-UK). It aims to achieve a net asset value total return in excess of the benchmark Euromoney Smaller Europe ex-UK index (in sterling terms).

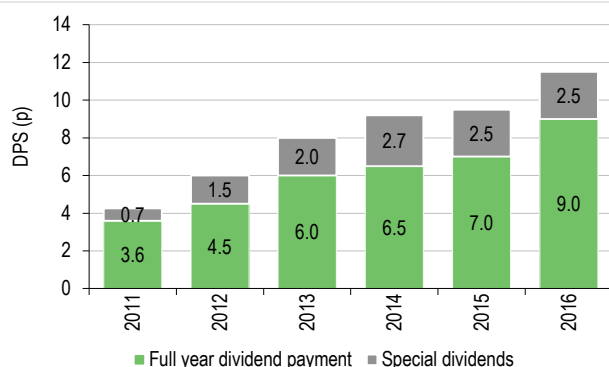
**Recent developments**

- 11 May 2017: TRG director Christopher Casey appointed as a non-executive director of Eddie Stobart Logistics.
- 20 February 2017: Half-year report for the six months ended 31 December. NAV total return +22.0% and share price total return +26.9%, compared with +16.9% for the benchmark Euromoney Smaller Europe ex-UK index (in sterling terms).
- 29 December 2016: TRG director Simona Heidempergher appointed to the board of BIM Banca Intermobiliare di Investimenti e Gestione.

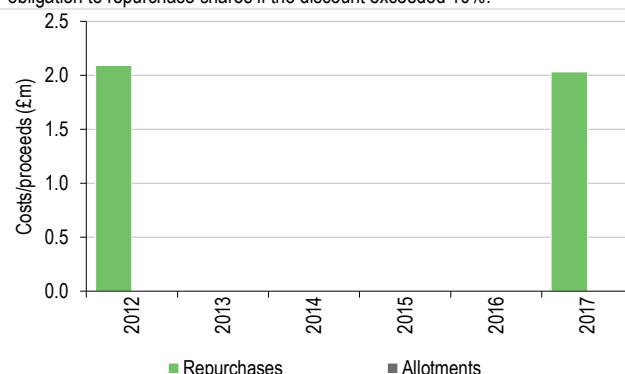
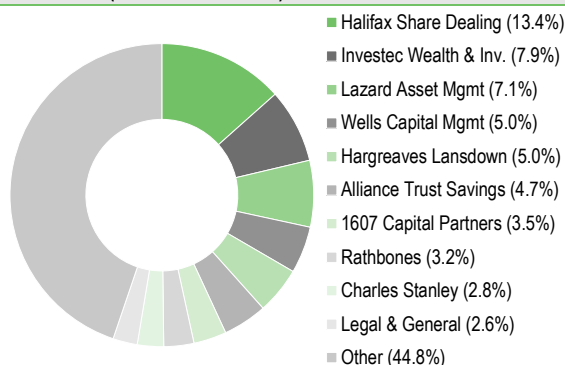
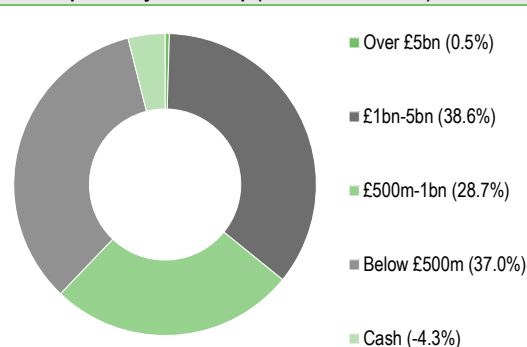
Forthcoming		Capital structure		Fund details	
AGM	November 2017	Ongoing charges	0.79%	Group	Henderson Global Investors
Annual results	September 2017	Net gearing	9.0%	Manager	Ollie Beckett, Rory Stokes
Year end	30 June	Annual mgmt fee	0.6%	Address	201 Bishopsgate, London EC2M 3AE
Dividend paid	November	Performance fee	Yes (see page 7)	Phone	+44 (0) 20 7818 6825
Launch date	1990	Trust life	Indefinite	Website	<a href="http://www.treuropeangrowth.com">www.treuropeangrowth.com</a>
Continuation vote	Three-yearly, next 2019	Loan facilities	£50m overdraft		

**Dividend policy and history**

Dividends paid annually in November. While TRG's primary objective is to achieve capital growth, the board also hopes to maintain and grow the ordinary dividend.


**Share buyback policy and history (financial years)**

TRG has the authority, renewed annually, to buy back up to 14.99% of shares. Buybacks are at the board's discretion following the removal in 2010 of an obligation to repurchase shares if the discount exceeded 10%.


**Shareholder base (as at 31 March 2017)**

**Portfolio exposure by market cap (as at 31 March 2017)**

**Top 10 holdings (as at 31 March 2017)**

Company	Country	Sector	Portfolio weight %	
			31 March 2017	31 March 2016*
Brainlab	Germany	Industrial goods	2.4	3.3
Van Lanschot	Netherlands	Financial	2.2	1.3
FincoBank	Italy	Financial	1.8	1.2
EVS Broadcast Equipment	Belgium	Technology	1.3	1.3
Lenzing	Austria	Basic materials	1.3	N/A
Anima	Italy	Financial	1.2	N/A
Sopra Steria	France	Business providers	1.2	N/A
DFDS	Denmark	Business providers	1.2	N/A
Nexans	France	Industrial goods	1.2	N/A
Elmos Semiconductor	Germany	Technology	1.1	N/A
<b>Top 10 (% of portfolio)</b>			<b>14.9</b>	<b>16.0</b>

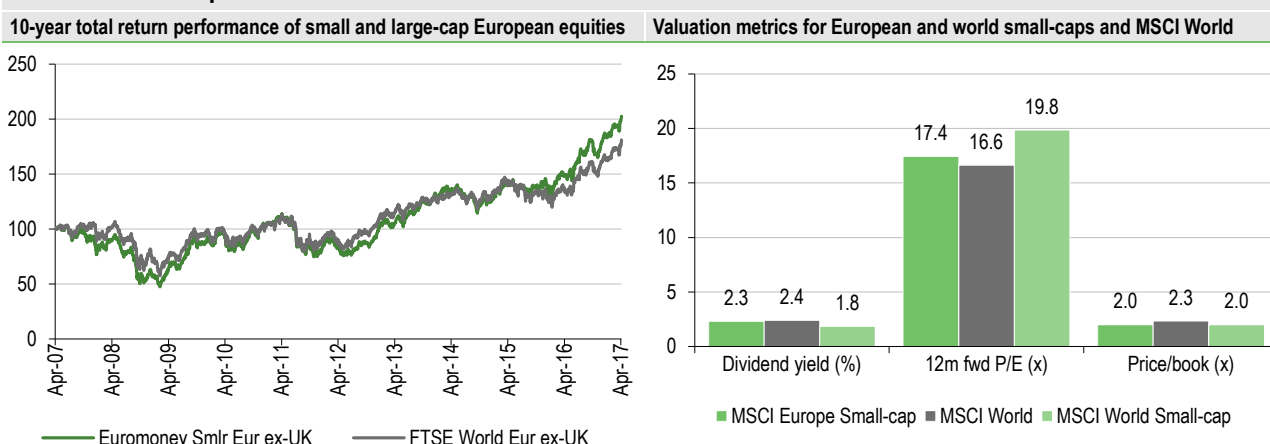
Source: TR European Growth Trust, Edison Investment Research, Bloomberg, Morningstar. Note: \*N/A where not in March 2016 top 10.

## Market outlook: Benign period may last into summer

After the political drama of 2016, with the people of the UK voting to leave the European Union and the people of the US backing Donald Trump for president – in both cases contrary to expectations – potential upsets in 2017 as a result of European elections have so far been avoided. Both France and the Netherlands have elected stock market-friendly leaders, and European equity markets (as elsewhere) have continued to advance. While clouds remain on the horizon – such as for how long the European Central Bank can continue to provide liquidity to the markets through quantitative easing, and what will happen when it stops – with the normally quieter summer months approaching, it is possible the benign market trend could continue for some time.

As shown in Exhibit 2 (left-hand chart), having slightly underperformed for most of the past decade, European smaller companies have outperformed the broader European market over the last 12 months (total returns in sterling terms). This suggests investors are feeling more positive on the outlook for the European economy, as smaller companies tend to do better in periods of higher growth. This in turn may have led to higher forward P/E valuations (right-hand chart); however, while European small-caps currently look more expensive than the global large/mid-cap average, they offer more favourable forward P/Es and dividend yields than the global smaller company average. In an environment of higher average valuations, a strategy that focuses on identifying pockets of misvaluation could find favour with investors.

**Exhibit 2: Market performance and valuation**



Source: Thomson Datastream, Edison Investment Research, MSCI.

## Fund profile: Established small-cap specialist

TR European Growth Trust (TRG), launched in 1990, has been managed by Henderson Global Investors since Henderson acquired the original management group, Touche Remnant, in 1992. Portfolio management is the responsibility of Ollie Beckett (since 2011), assisted by Rory Stokes since 2013.

The trust invests in a diversified portfolio of European (excluding UK) small and mid-cap companies, with the aim of achieving long-term capital appreciation. The managers prefer to seek undervalued opportunities in the less liquid, smaller end of the market, which leads to a longer stock list than peers in order to mitigate risk. Performance is measured against the Euromoney Smaller Europe ex-UK index. Portfolio construction is largely unconstrained, although there is a limit of 7% of total assets (at the time of investment) in any single holding. In practice, most positions are less than 2% of total assets. Although TRG has a growth remit, it also has a 12-year history of year-on-year ordinary dividend growth, and special dividends have been paid in 11 of the last 13 years.

## The fund manager: Ollie Beckett

---

### The manager's view: Still finding value amid market rotation

Beckett points out that having moved sideways for a number of years, the European economy is now performing more in line with the global economy. In such a recovery phase, with the re-emergence of a degree of inflation, value/cyclical stocks and smaller companies tend to outperform (see Exhibit 2 for evidence of recent small-cap outperformance in Europe). However, Europe has been out of favour with overseas investors (including those in the UK), who have been more focused on political noise than company fundamentals.

Until the middle of 2016, European markets had seen a prolonged period where price momentum was the principal driver of returns – that is, stocks that had gone up continued to do so, with little regard for their underlying fundamentals. Beckett says public market investors had tended to ignore companies without share price momentum, even where they offered significant value. Private equity investors, with more of an emphasis on underlying value, took advantage of this, leading to the acquisition of listed companies such as Kuoni (bought out in early 2016 by EQT Partners at a c 30% premium). Beckett and Stokes, while not 'value' investors in the sense of concentrating only on stocks with the lowest P/E or price/book valuations (TRG's average portfolio valuation metrics are close to those of the market), focus on finding stocks whose growth potential has been under-appreciated by the market. This led to an overweight position in banks during 2016, a strategy that paid off in performance terms as the sector rerated considerably towards the end of the year.

While European smaller companies are not cheap in a historical context, Beckett argues that their superior earnings growth potential means they should outperform large-caps. He points to the trend of large-cap fund managers moving into the mid-cap space to capture returns as evidence that this growth potential is becoming more widely appreciated. Beckett intends to maintain his focus on out-of-favour companies at the smaller end of the market, where he sees more significant upside.

## Asset allocation

---

### Investment process: Focus on undiscovered small-cap value

Fund manager Ollie Beckett and assistant Rory Stokes seek to construct a diversified portfolio of European small and mid-cap stocks where market misperceptions have led to undervaluation. The investment universe is broad, and the first step in filtering the c 1,300 available companies is to use screening techniques employed by Henderson Global Investors' quant team, as well as the Holt discounted cash flow analysis tool to generate ideas and as a valuation 'sense check'. Understanding the business is a fundamental step before making an investment decision, and the managers meet or speak to more than 600 companies each year in order to gain insights into stocks that may not be well understood by other market participants. They also make use of research from Henderson's well-resourced European equities team and (to a lesser extent) external sources.

Once promising stocks have been identified, the managers use a range of metrics such as P/E ratios, EV/EBITDA, free cash flow and dividend yield to build a simplified valuation model. These inputs aim to ensure the managers pay the right price for a stock in relation to its growth prospects. In-house research and company meetings help Beckett and Stokes to assess quality of management, durability of the business model, drivers of growth and potential catalysts for revaluation.

Individual positions are sized according to conviction, although given the focus on the smaller, less liquid end of the market, they seldom exceed 2% of the portfolio. Holding a large number of names (139 at 31 March 2017) helps reduce stock-specific risk. The managers also take account of macro factors such as the oil price and foreign exchange rates. Gearing is permitted in a normal working

range of up to 15%. Stocks may be sold when they reach valuation targets, if better opportunities arise elsewhere, or if deteriorating fundamentals call the original investment thesis into question.

## Current portfolio positioning

TRG's 139 holdings at 31 March 2017 was well above the average for the AIC European Smaller Companies peer group and reflects the trust's higher weighting to less liquid smaller companies, which may offer significant upside potential but also a higher risk of loss. Concentration in the top 10 holdings has reduced slightly over the past 12 months, from 16.0% to 14.9%.

The long-standing legacy holding in unlisted neurosurgery play Brainlab remains the largest position, but by much less of a margin after a period of exceptionally strong performance by some of TRG's listed holdings. Beckett continues to be open to exiting the Brainlab position at the right price.

**Exhibit 3: Portfolio geographic exposure vs benchmark (% unless stated)**

	Portfolio end-March 2017	Portfolio end-March 2016	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Germany	19.6	23.5	(3.9)	14.4	5.2	1.4
France	15.2	14.2	1.0	11.9	3.3	1.3
Netherlands	10.6	8.2	2.4	5.0	5.6	2.1
Italy	9.7	8.2	1.5	12.5	(2.8)	0.8
Switzerland	8.1	9.8	(1.7)	10.1	(2.0)	0.8
Sweden	5.1	6.1	(1.0)	14.0	(8.9)	0.4
Finland	4.6	4.8	(0.2)	4.5	0.1	1.0
Denmark	4.7	4.1	0.6	N/S	N/A	N/A
Norway	4.2	N/S	N/A	4.6	(0.4)	0.9
Belgium	3.9	4.3	(0.4)	N/S	N/A	N/A
Ireland	N/S	4.1	N/A	N/S	N/A	N/A
Other	14.3	12.7	1.6	22.9	(8.6)	0.6
	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>		

Source: TR European Growth Trust, Edison Investment Research. N/S=not stated. Benchmark is Euromoney Smaller Europe ex-UK.

While country and sector weightings (Exhibits 3 and 4) are an output of stock selection, Beckett says the trust has a cyclical bias, based on favourable valuations in areas such as industrials and financials. In H117 Beckett added to holdings in Dutch financial services firm Van Lanschot and German property lender Aareal Bank, which performed strongly in late 2016, as well as specialist materials firm AMG, whose shares are up 67% in 2017 to date. Beckett also has a focus on technological innovation, and during H117 added new holdings in Ion Beam Applications (proton beam therapy for cancer sufferers), and high-tech insulated container specialist Va-Q-Tec. The latter was bought at IPO, as was Swedish plumbing and electrical equipment supplier Ahlsell.

Portfolio turnover has been higher than usual in recent months, partly as a result of M&A activity. While the failure of a bid for 3D printer specialist SLM Solutions caused the share price to fall back after spiking up more than 50% on news of General Electric's approach, Beckett is sanguine as he sees "huge opportunities" for the company and had hoped to hold it for the long term; he sold around one-third of the holding after the bid approach, locking in the higher price.

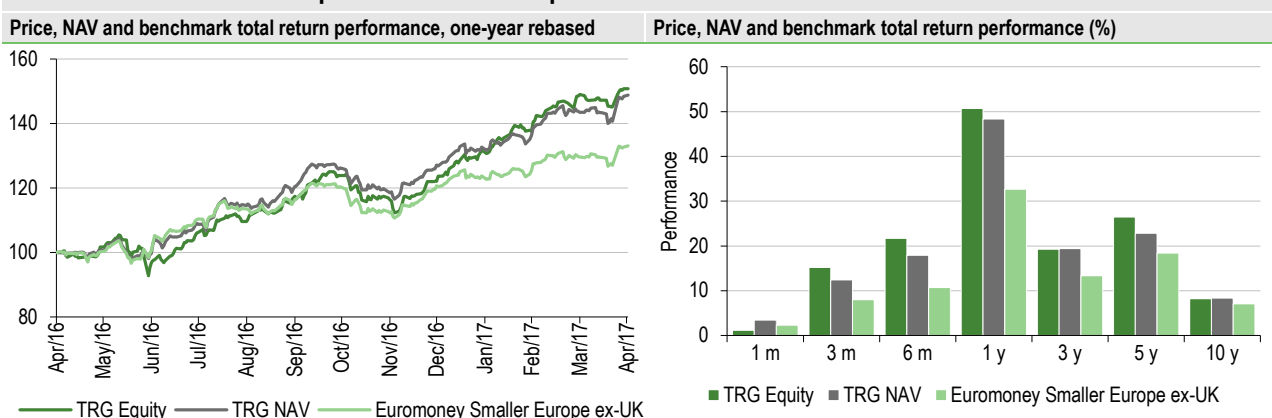
**Exhibit 4: Portfolio sector exposure vs benchmark (% unless stated)**

	Portfolio end-March 2017	Portfolio end-March 2016	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Industrial goods	25.4	22.6	2.8	15.3	10.1	1.7
Financials	15.0	15.1	(0.1)	21.6	(6.6)	0.7
Technology	14.4	14.8	(0.4)	9.0	5.4	1.6
Business providers	13.8	13.3	0.5	20.5	(6.6)	0.7
Basic materials	13.3	11.8	1.4	10.5	2.8	1.3
Consumer goods	10.4	12.2	(1.8)	15.3	(4.9)	0.7
Retail providers	6.9	8.1	(1.2)	6.5	0.5	1.1
Natural resources	0.9	2.1	(1.2)	1.5	(0.6)	0.6
	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>		

Source: TR European Growth Trust, Edison Investment Research. Benchmark is Euromoney Smaller Europe ex-UK.

## Performance: Outperforming over all periods

**Exhibit 5: Investment trust performance to 30 April 2017**



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

TRG has performed extremely strongly over the past 12 months, with share price and NAV total returns of c 50% compared with 32.6% for the Euromoney Smaller Europe ex-UK index (Exhibit 5). Having suffered a performance setback in the aftermath of the UK's Brexit vote, Beckett's increased commitment to holdings with exposure to the UK, coupled with his decision to maintain a relatively high level of gearing, paid off as these stocks performed strongly. Since the immediate post-referendum lows, kitchen maker Nobia (owner of the UK's Magnet brand) is up 34%, Scandinavian ferry firm DFDS is up 40.5%, Irish hotel operator Dalata is up 52%, Irish building materials stock Kingspan is up 78% and Dutch housebuilder BAM, which has c 20% of its operations in the UK, is up 81.5%. All these returns are in local currency terms at 10 May and have been boosted for investors in TRG by the weakness of sterling. M&A activity has also been mainly positive, although the breakdown of a bid for SLM Solutions caused the 3D printer specialist to be the largest negative contributor in H117. As shown in Exhibit 6, TRG has outperformed both the small and large-cap European indices, as well as the FTSE All-Share index, over the majority of periods.

**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 Euromoney Smllr Europe ex-UK	(1.1)	6.7	9.9	13.6	16.5	39.1	11.2
NAV relative to Euromoney Smllr Europe ex-UK	1.1	4.1	6.5	11.9	17.0	20.4	12.7
Price relative to FTSE World Europe ex-UK	0.2	6.9	11.1	17.0	28.1	66.1	25.7
NAV relative to FTSE World Europe ex-UK	2.4	4.3	7.6	15.2	28.6	43.7	27.5
Price relative to FTSE All-Share	1.6	10.8	13.7	25.5	39.3	104.0	30.3
NAV relative to FTSE All-Share	3.8	8.1	10.1	23.5	39.9	76.4	32.1

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-April 2017. Geometric calculation.

**Exhibit 7: NAV total return performance relative to benchmark over five years**



Source: Thomson Datastream, Edison Investment Research



## Discount: Narrowing in period of strong performance

At 16 May 2017, TRG's shares traded at an 8.9% discount to cum-income NAV. This is close to the narrowest point in 12 months, and compares favourably with one-, three- and five-year averages of 14.2%, 12.3% and 13.8% respectively. Having widened to a three-year high of 19.3% on 1 July 2016 following the Brexit vote, the discount has gradually narrowed since late 2016, mirroring a period of strong NAV performance. As noted below, 262,500 shares were bought back between late September and the end of October 2016, the first repurchases for more than four years.

**Exhibit 8: Share price discount to NAV (including income) over three years (%)**



Source: Thomson Datastream, Edison Investment Research

## Capital structure and fees

TRG is structured as a conventional investment trust, with one class of share. At 16 May 2017, there were 49.7m ordinary shares in issue. In the last 12 months, 262,500 shares have been bought back at a cost of £2.0m. Since the removal of a hard discount control mechanism (triggered at a 10% discount) in 2010, buybacks have been infrequent, and those between September and October 2016 were the first since 2012. The trust has a £50m multi-currency overdraft facility with HSBC, of which £46.5m was drawn in euros at the 31 December 2016 half-year end, up from £33.5m at 30 June. The board has set a working limit of 15% net gearing, and the figure at 31 March was 9.0%.

Henderson Investment Funds, the trust's Alternative Investment Manager (AIFM) under the AIFM Directive, delegates investment management to Henderson Global Investors. Henderson is paid an annual management fee of 0.6% of net assets, charged 20% to revenue and 80% to capital. A performance fee of 15% of outperformance may be paid if TRG's NAV total return outperforms the Euromoney Smaller Europe ex-UK index by more than 1% on a three-year basis. Total fees are capped at 2.0%. For FY16, ongoing charges were 0.79% and there was a performance fee of 0.4%.

## Dividend policy and record

While TRG invests primarily for capital growth, its board also aims to increase the dividend steadily each year. The requirement for investment trusts to retain no more than 15% of their income can sometimes mean the trust would have to increase its dividend by more than the incremental amount targeted by the board, and in such circumstances the balance is paid as a special dividend. Special dividends have been paid in 11 of the last 13 years. For FY16 an ordinary dividend of 9.0p was supplemented by a special dividend of 2.5p. Excluding special dividends, TRG's ordinary dividend has grown at a compound annual rate of 20.1% over the five years to FY16 (22.0%

including special dividends). Based on the 16 May 2017 share price of 1,011.0p, TRG yields 1.1% (0.9% excluding the special dividend).

## Peer group comparison

There are four investment companies in the AIC's European Smaller Companies sector, of which TRG is the second-largest. Very strong NAV returns over the past 12 months have propelled TRG into first place in the peer group over one, three and five years, well ahead of the weighted averages. This has been accompanied by a slight narrowing of the trust's discount. TRG has the lowest ongoing charges in the group, but is the only trust to charge a performance fee. Its gearing is the highest in the sector, which has been a factor in its recent outperformance. TRG has the second-highest yield in the peer group (including special dividends, which have been paid in 11 of the last 13 years and can thus be seen as customary), although its yield is still well below the average, which is skewed by European Assets Trust's 6% capital distribution.

**Exhibit 9: AIC European Smaller Companies peer group as at 16 May 2017**

% unless stated	Market cap £m	NAV TR 1 Year	NAV TR 3 Year	NAV TR 5 Year	NAV TR 10 Year	Ongoing charge	Perf. fee	Discount (ex-par)	Net gearing	Dividend yield (%)
<b>TR European Growth</b>	<b>502.6</b>	<b>53.4</b>	<b>80.0</b>	<b>219.5</b>	<b>128.6</b>	<b>0.8</b>	<b>Yes</b>	<b>(8.8)</b>	<b>108</b>	<b>1.1</b>
European Assets Trust	422.4	29.4	59.4	175.0	120.6	1.2	No	(0.0)	100	5.3
JPMorgan European Smaller Cos	595.9	35.4	65.5	195.6	138.3	1.2	No	(8.5)	99	0.9
Montanaro European Smaller	131.7	37.8	55.3	111.7	111.2	1.4	No	(9.9)	105	1.0
<b>Sector weighted average</b>		<b>33.4</b>	<b>62.1</b>	<b>178.5</b>	<b>128.7</b>	<b>1.2</b>		<b>(5.5)</b>	<b>100</b>	<b>2.5</b>
<b>TRG rank in sector</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>		<b>3</b>	<b>1</b>	<b>2</b>

Source: Morningstar, Edison Investment Research. Note: TR=total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

## The board

TRG has five independent, non-executive directors. Audley Twiston-Davies has been a director since 2000 and chairman since 2002. Martin Smith joined the board in 2008. Christopher Casey (chairman of the audit committee) was appointed in 2010, followed by Alexander Mettenheimer in 2011 and Simona Heidempergher in 2014. The directors have backgrounds in banking, accountancy and investment management.

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 ([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 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 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by TR European Growth 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 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 2017. "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.