

Circle Property

Asset management delivers strong capital growth

Circle Property's recent trading update ahead of December's interim results prompts us to revise our forecasts. 11% growth in the portfolio value to £103.5m, reflecting asset management progress rather than valuation yield, takes NAV per share to more than 200p. Circle also reports letting progress and lease renewals across the portfolio, including at recently refurbished assets. The latter have the potential to drive earnings and valuation significantly higher. Even before that, the shares trade at a hefty 24% discount to FY18e NAV and yield of more than 3%.

Year end	Net rental income (£m)	Adjusted net profit* (£m)	Adjusted EPS* (p)	NAV per share (p)	DPS (p)	P/NAV (x)	P/E (x)	Yield (%)
03/16**	1.1	0.6	2.3	151	2.4	1.03	67.6	1.5
03/17	4.4	0.9	3.1	183	5.0	0.85	50.2	3.2
03/18e	4.9	1.5	5.4	210	5.2	0.74	28.8	3.3
03/19e	5.8	2.3	8.2	220	5.2	0.71	19.0	3.3

Note: *EPS is adjusted for gains/losses on sale of investment property, revaluation movements, and exceptional items. See page 4 for explanation of change in FY16/17 from previously published. **Period from 4 December 2015 to 31 March 2016.

Letting progress driving valuation uplift

The external valuation of the investment property portfolio has increased from c £93.0m at end-FY17 to c £103.5m as at 30 September 2017. The 11.3% gain over the six-month period follows 20% in the FY17, and brings the total gain since Circle was admitted to AIM in February 2016 to 40%. Occupancy remains at a high level in the let investment portfolio and the development portfolio, consisting of two recently refurbished office buildings and one nearing refurbishment completion, has secured a number of new tenants and lease renewals, while talks are at an advanced stage with a number of potential occupiers for vacant space throughout the portfolio. We have also reviewed our estimates for property and administrative costs, reducing both, lifting forecast adjusted earnings significantly (page 3).

More uplift from current assets, and acquisitions

Circle specialises in acquiring short-let or part-vacant office properties in the UK's provincial cities where it can add value by undertaking lease renewals, rent reviews, lettings and refurbishments. Valuation uplift reflects these efforts and with an additional potential rent income of more than £2m pa as recent refurbishment are let, there should be more to follow. Our near-term forecasts capture only part of this and faster letting progress could lift underlying EPS to c 10p and NAV to 245p. With investment and occupier demand for regional commercial property remaining robust, despite continuing uncertainty surrounding prime London offices, Circle is actively considering opportunities to grow its portfolio through acquisitions.

Valuation: Low current valuation; nothing for upside

Our revised forecasts show a 24% discount to FY18e NAV per share supported by a fully covered dividend yield of more than 3%. Given management's experience and track record this is a low valuation, even if liquidity is thin and gearing above average. Nothing is obviously being factored in for the upside potential.

Valuation and trading update

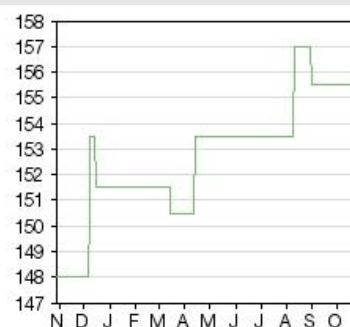
Real estate

27 October 2017

Price **155.5p**
Market cap **£44m**

Net debt (£m) at 31 March 2017	40.7
Net LTV as at 31 March 2017	47.3%
Shares in issue	28.6m
Free float	63.5%
Code	CRC
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	0.0	1.3	5.1
Rel (local)	(2.8)	0.5	(3.5)
52-week high/low		157p	148p

Business description

Circle Property is an AIM-quoted property investment company focused on UK office buildings outside London. It seeks to increase capital value by refurbishing and re-leasing assets in areas with high demand, and has a progressive dividend policy.

Next events

Interim results	December 2017
-----------------	---------------

Analysts

Martyn King	+44 (0)20 3077 5745
Andrew Mitchell	+44 (0)20 3681 2500

financials@edisongroup.com

[Edison profile page](#)

Circle Property is a research client of Edison Investment Research Limited

Asset management delivers strong asset growth

Company description: Regional refurbishment specialist

Circle is an internally managed property investment company registered in Jersey. It was initially founded as a limited partnership in 2002, became a Jersey Property Unit Trust (JPUT) in 2006, and has been quoted on AIM since February 2016. It specialises in acquiring short-let, or vacant if the letting prospects are sufficiently strong, office properties in the UK's provincial cities where it can add value by undertaking lease renewals, rent reviews, lettings and refurbishments.

Circle's senior management team includes three full time property professionals and the company is governed by a highly experienced board. Together, the management and board own approximately 30% of the company, closely aligning their interests with external shareholders. The company has a strong track record of NAV total returns and in the 10 years to FY16 (the year of IPO), a period including the aftermath of the global financial crisis, generated an average annual total return of more than 7.5% pa. Including dividends paid during the year of 4.8p, the NAV total return for the year to 31 March 2017 was 24.1%.

The current portfolio of 15 assets is now valued at £103.5m (30 September 2017) of which 11 office buildings comprise 90%. All the assets but one (an office property in Moorgate) are outside London and significant refurbishment programmes are ongoing or recently completed at three of them, which are expected to increase rent and capital values significantly on those assets. The concentration of assets is mitigated to some extent by a more diverse lease portfolio of 113 units let to 53 tenants, ranging from major international companies such as Compass Group to local businesses.

For a full description of the company and its strategy see our [initiation note](#).

Continuing positive valuation impact from asset management

The trading statement covers the company's performance in the six months ended 30 September 2017. Interim results are expected to be published during December 2017. NAV per share has increased to more than 200p as at 30 September 2017 compared with 183p at end-FY17, driven by a further increase in the value of the property portfolio, achieved through the company's ongoing asset management programme, rather than through acquisitions or yield compression.

The latest external valuation of Circle's investment property portfolio shows an increase from c £93.0m at end-FY17 to c £103.5m as at 30 September 2017. The 11.3% gain over the six-month period comes on top of a 20% gain reported in the FY17 financial year, and brings the total gain since Circle was admitted to AIM in February 2016, with a portfolio value of £73.9m, to 40%.

There have been no property acquisitions or disposals during H118 and we estimate that the majority of the £10.5m increase in value represents revaluation gains (£7.5m), with the balance representing ongoing investment in the portfolio (we estimate £3.0m) and a small impact from lease incentive amortisation.

Occupancy remains at a high level in Circle's investment portfolio, representing the let, income producing assets that represent c 80% of the total. Management says that the development portfolio, consisting of two recently refurbished office buildings and one nearing refurbishment completion, continues to perform well, with a number of new tenants and lease renewals despite the general market for lettings being slightly more challenging. Talks are at an advanced stage with a number of potential occupiers for vacant space throughout the portfolio.

The statement concurs with indications from elsewhere across the sector that both investment and occupier demand for regional commercial property remains at a good level despite continuing uncertainty surrounding prime London offices. Against this backdrop, Circle says it is aware of, and is actively considering, opportunities to grow its portfolio through acquisitions. We estimate Circle's current net loan to value ratio (LTV), calculated as debt less cash as a percentage of the investment portfolio fair value (the balance sheet carrying value adjusted for unamortised lease incentives) to be around 42%, with its £50m revolving debt facility substantially drawn. On this basis, we would expect Circle to consider increasing its capital resources, both equity and debt, to fund acquisitions, although an alternative option would be to recycle capital by disposing of assets that have been repositioned and then fully let.

Financials and estimate revisions

The key new information from the trading update is of course the updated portfolio valuation. Our existing estimates had conservatively allowed for revaluation gains of £1.0m in the current financial year (FY18), and c £1.9m in FY19. As discussed above, we interpret the trading update as indicating a c £7.5m revaluation movement during H118 alone, with the portfolio asset management progress having a significantly greater impact than we had allowed for. As discussed below, we have also revised our estimated property costs and administrative costs, with a significantly positive operationally geared impact on our forecast underlying (ex-revaluation gains) earnings.

Crucial for income growth and the valuation of the existing portfolio assets over the next 18 months or so will be progress in letting the development portfolio assets described below. The additional gross rent potential from fully letting available space in these three properties is c £2.3m pa, compared with the 31 March 2017 contracted rent roll of just over £5.6m.

- **K2, Kents Hill Business Park, Milton Keynes.** This 40,000sqft two-storey office unit within the Kents Hill Business Park has been refurbished at a cost of £2.4m. Management reports significant progress in letting the space, with the majority of the ground floor under offer to two tenants and good interest in the first floor from a single potential occupier. Once fully let, management estimates an annual rental income of £609k for the entire unit.
- **36 Great Charles St, Birmingham.** This 25,000sqft office building in the core office district, near to the major redevelopment of the area around the city hall, was acquired in 2015 for £2.5m (31 March 2017 value £4.6m). A rolling refurbishment was completed in June 2017 at a cost of c £2.1m, and the refurbished space is now being marketed. Once it is fully let, management estimates an annual rental income of c £525k, which we believe would be a c £445k uplift to the current level.
- **Somerset House, Temple St, Birmingham.** This building, in the heart of Birmingham's financial and professional core, and a two-minute walk from the Birmingham New St rail station, was bought in January 2016 for £7.75m. Subsequently, planning permission was obtained to provide two enlarged ground floor restaurant units, for which construction has been completed. Refurbishment of the vacant 43,700sqft of office space is nearing completion. On completion, and once fully let, management estimates the annual rental income from the property to be £1,177k pa. A 20-year lease has been agreed with Latin American restaurant Las Iguanas, at a rent of £220,000 pa on one of the restaurant units, and terms have been agreed, but not yet signed, for a lease on the second.

Exhibit 1: Contracted rents and expected rental value (31 March 2017)

	£000s
Contracted rent roll at 31 March 2017	5,621
Development assets additional rent potential	
K2, Kents Hill Business Park, Milton Keynes	609
Great Charles St, Birmingham uplift to current	445
Somerset House, Temple St., Birmingham	1,177
Potential rent including development assets	7,852
Other, rent reversion potential	1,038
Total portfolio ERV at 31 March 2017	8,891

Source: Company data, Edison Investment Research

Our existing estimates conservatively allow for c £700k of this to be added by the end of FY19, making only a small contribution to FY18 gross rental income on a time weighted basis. This is clearly a source of potential upside to our forecasts and in view of management's positive comments on the progress of talks with potential tenants we will review this assumption when updating our estimates in detail with publication of the interim results, or sooner if management is able to report completed lettings.

In our [initiation note](#), we provided an assessment of the potential impact on EPS and NAV from letting of vacant space at a faster pace than we have allowed for in our estimates, indicating upside to our FY19e NAV per share that would see it rise to c 245p. In the light of the current NAV of more than 200p (and our estimate of 205p), even this may prove conservative. If we capitalise the £7.85m of potential contracted rent including a full contribution from the development assets at 7.0%, the implied value of the investment portfolio assets is £112m, which adds c 24p per share to the current NAV, without any benefit from the remaining reversionary potential or from retained operating earnings between now and end-FY19. On a full year basis, underlying earnings per share would increase substantially (c 50%) given the operating and financial leverage on the increased rental income (c £1.1m pa above that forecast in FY19).

In addition to adjusting our estimates for the reported revaluation movement, we have also reduced our forecast property costs and administrative costs. Property costs are driven by the amount of void space, and we have reviewed our assumptions in the light of H1 letting progress with a positive impact on net rental income. We also now believe that our forecasts for administrative costs were too high, insufficiently taking account of the seasonality in FY17, the first full year since IPO, driven by H2 bonus payments. The reduction in property and administrative costs has a leveraged impact on underlying net profit, adjusted for revaluation gains. Forecast adjusted EPS increases to 5.4p for the current year, fully covering forecast DPS of 5.2p. For FY19 adjusted EPS increases to 8.2p, well ahead of forecast DPS.

Exhibit 2: Key estimate revisions

	Net rental income (£m)			Adjusted net profit* (£m)			Adjusted EPS* (p)			NAV per share (p)			DPS (p)		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
03/18e	4.7	4.9	4.4	0.8	1.5	98.2	2.7	5.4	98.2	183	210	15.0	5.2	5.2	0.0
03/19e	5.4	5.8	7.0	1.4	2.3	61.4	5.1	8.2	61.4	189	220	16.2	5.2	5.2	0.0

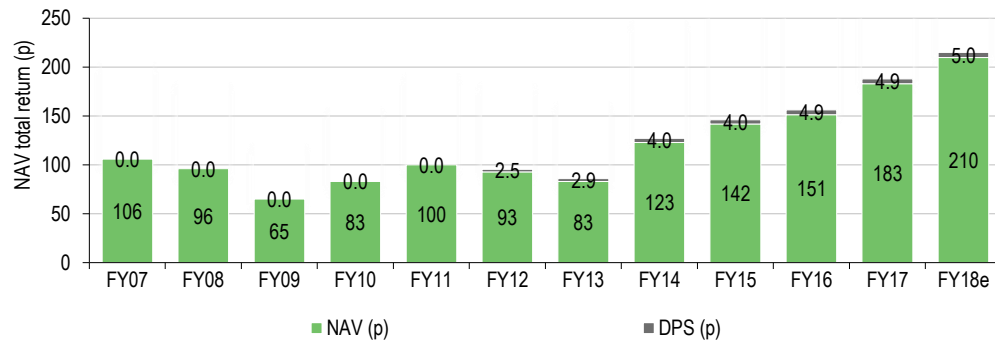
Source: Edison Investment Research. Note: *Net profit and EPS are adjusted for gains/(losses) on sale of investment property, revaluation movements, and exceptional items.

We have also revised our previously published FY17 adjusted earnings per share to now include an adjustment for realised gains of £279k and negative goodwill of £196k on the acquisition of CPUT in FY17, and corrected our adjustment for the valuation gain on derivative financial instruments. We have made similar adjustments in respect of FY16.

Valuation

For Circle, unlike a REIT, capital returns are expected to be a significant element of overall total returns, which we think is best measured by NAV total return (the change in NAV per share plus dividends paid per share). We show the progression of NAV per share and dividends paid in Exhibit 3. In the 10 years to FY16, the average annual return was more than 7.5% pa. We calculate a 24.1% annual total return for FY17 and our estimates suggest a c 17.0% annual total return in the current year.

Exhibit 3: Progression of NAV per share and DPS (including FY18 estimate)



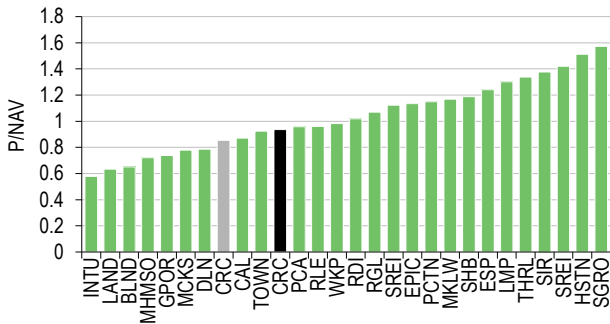
Source: Company data, Edison Investment Research. Note: Pre-FY13 UK GAAP. Post FY13 IFRS.

As we have indicated in the financial section above, in current market conditions, there is considerable scope for further progress in NAV, over and above that built into our near-term forecasts, from the current portfolio as letting of vacant space progresses.

For an investor, expected future capital returns are perhaps less easy to predict than expected dividend returns driven off currently contracted rental income, and a strong management track record provides additional comfort on delivery. Given Circle management's experience and track record, the current 24% discount to our forecast FY18 NAV per share, supported by a dividend yield of more than 3% (which we expect to be fully covered this year and more than covered by adjusted earnings, excluding revaluation movements, in FY19) represents a relatively low valuation of the current business based on our near-term forecasts, with nothing obviously being factored in for the upside potential. It is mainly the London-centric commercial property REITs that currently attract lower valuations.

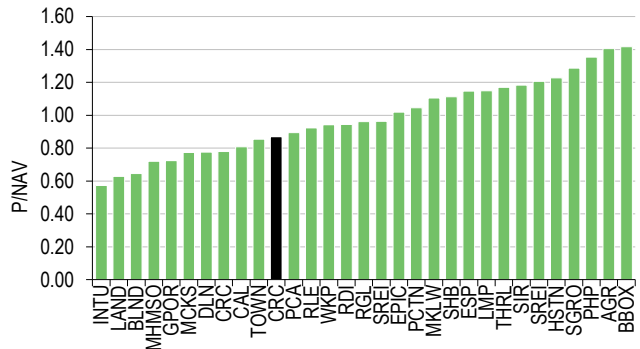
To provide context for the current valuation we show prospective dividend yields and price to NAV (P/NAV) for a range of listed UK property vehicles, mostly REITs, covering a broad range of strategies and asset types, in Exhibits 4 and 5. The P/NAVs are on a historical basis, taking last published NAVs, although we also show the prospective NAV for Circle (the grey bar in Exhibit 4) including the disclosed H117 valuation movement.

Exhibit 4: Comparison of historic P/NAV*



Source: Bloomberg data as at 5 October 2017, Edison Investment Research. Note: *Grey column shows Circle prospective P/NAV.

Exhibit 5: Comparison of prospective dividend yield



Source: Bloomberg data as at 5 October 2017, Edison Investment Research

Some discount for Circle’s relatively small market capitalisation and thin share trading liquidity, and for its above average gearing, may be anticipated. Moreover, the relatively concentrated nature of the Circle portfolio (15 properties, albeit geographically spread with a fairly broad range of tenants) allows Circle to focus its efforts but does not provide the risk diversification offered by some larger regional commercial property companies. However, despite these considerations and bearing in mind the potential for future NAV growth described above, the low valuation ascribed to Circle within the context of the broad UK listed property sector is clear.

Given the stated desire to grow the portfolio further, we would expect Circle to consider increasing its capital resources, both equity and debt, to fund acquisitions, although an alternative option would be to recycle capital by disposing of assets that have been repositioned and then fully let. Less clear is whether management would wish to reduce the share of debt funding in acquisitions with the effect of reducing overall LTV. With interest expense well covered by forecast underlying earnings (excluding valuation gains) there is no pressure to do so, and we estimate that retained earnings will reduce the net LTV to c 40% by the end of FY19 while the potential property valuation uplift (not in our forecasts), in current market conditions, from letting the refurbished space would reduce it further.

Property acquisitions have the potential to enhance EPS and dividend-paying capacity, as a result of the likely positive spread between asset yields and funding costs as well as operational gearing. However, given the current discount to NAV it may be difficult to avoid some NAV per share dilution as a result of equity issuance. Overall, we do not believe that it would alter the conclusion that the shares are trading at a low valuation compared with the current forecasts and potential for further value creation. We would also see benefits from acquisition-led portfolio growth in terms of increasing Circle’s market capitalisation and the potential for share trading liquidity to benefit.

Without knowledge of what any acquisitions may look like or how they may be funded, it is impossible to forecast the impact precisely. To illustrate the point that our valuation conclusions are unlikely to be significantly affected, we have conducted a highly theoretical sensitivity analysis using a part of the range of potential variations.

The analysis estimates the impact on our current FY19 estimates for EPS (8.2p), NAV per share (220p), and LTV (40.4%) of acquisitions valued in a range of £5.0-15.0m. We have assumed a 6.5% yield on the assets acquired and a 2.5% interest cost on any new debt (a little above the existing cost of debt). We show two sets of results. One assumes that new debt is arranged such that the acquisitions are funded at a marginal LTV of 40.4%, similar to our forecast for the exiting assets. The other set of results assumes that the acquisitions are full equity funded with no new debt. In both cases we have chosen to show the impact of raising new equity at 160p, the current share price undiscounted given the valuation, and also at 200p, closer to the current NAV as may

be possible in a “net asset for net asset” type acquisition. Obviously, the higher the issuance price the fewer new shares need to be issued, and at a lower price there would be more NAV per share dilution and a smaller positive impact on EPS.

Exhibit 6: Illustrative impact on existing FY19 forecasts										
Assets acquired	40% LTV on acquisition funding					100% equity funded acquisitions				
	EPS (p)		NAV per share (p)		Group LTV	EPS (p)		NAV per share (p)		Group LTV
	160p price	200p price	160p	200p		160p	200p	160p	200p	
£5m	4.9%	6.2%	-1.7%	-0.5%	40.4%	2.7%	4.8%	-2.7%	-0.7%	38.6%
£10m	9.3%	11.9%	-3.2%	-0.9%	40.3%	4.9%	8.8%	-4.9%	-1.3%	35.4%
£15m	13.1%	17.0%	-4.5%	-1.2%	40.3%	6.8%	12.3%	-6.8%	-1.9%	31.4%

Source: Edison investment research

In our illustration, funding the acquisitions at a marginal LTV of 40% has no real impact on the pro forma group LTV. At both 160p and 200p, equity issuance has a small dilutive impact on NAV but a much more significant positive impact on EPS. Funding the acquisitions wholly out of new equity would reduce the forecast group LTV and is less accretive of EPS/more dilutive of NAV per share, particularly at the lower issuance price.

Exhibit 7: Financial summary

Year ending 31 March (£000s)	FY16*	FY17	FY18e	FY19e
INCOME STATEMENT				
Rental income	664	5,266	5,862	6,741
Other income	595	138	0	0
Total income	1,260	5,404	5,862	6,741
Property expenses	(123)	(1,037)	(954)	(954)
Net rental income	1,137	4,366	4,908	5,787
Administrative expenses	(293)	(2,115)	(2,207)	(2,239)
Operating profit before valuation gains	844	2,251	2,702	3,549
Gains on disposal of investment properties	0	279	0	0
Revaluation of investment properties	0	7,361	7,475	1,919
Exception items	374	88	0	0
Operating profit	1,217	9,979	10,177	5,468
Net finance costs	(112)	(13)	(1,123)	(1,138)
Profit before tax	1,106	9,966	9,054	4,330
Tax	(32)	(22)	(63)	(96)
Net profit	1,073	9,944	8,991	4,234
Adjusted for:				
Gain/(loss) on disposal of investment property	0	(279)	0	0
Revaluation of investment property	0	(7,361)	(7,475)	(1,919)
Fair value movement on interest rate swaps	2	(96)	0	0
Exceptional items	(374)	(88)	0	0
Adjustment for effective interest rate on borrowings	(54)	(1,232)	0	0
Adjusted earnings	648	889	1,516	2,315
Shares ('000s) exc. own shares held	28,552	28,297	28,297	28,297
IFRS EPS (p)	3.8	35.1	31.8	15.0
Diluted adjusted EPS (p)	2.3	3.1	5.4	8.2
Dividend declared (p)	2.4	5.0	5.2	5.2
BALANCE SHEET				
Investment properties	75,781	86,054	96,529	98,448
PPE	22	29	29	29
Trade and other receivables	1,771	6,518	6,471	6,471
Deferred tax	915	1,142	1,142	1,142
Financial instruments at FV through P&L	0	1	1	1
Total non-current assets	78,490	93,744	104,172	106,091
Trade and other receivables	2,555	1,195	1,232	1,387
Deferred tax	105	128	128	128
Cash and equivalents	4,516	4,894	4,877	6,125
Total current assets	7,176	6,217	6,237	7,640
Total assets	85,665	99,962	110,409	113,731
Borrowings	(40,028)	(45,590)	(48,650)	(48,710)
Financial liability at FV through P&L	(95)	0	0	0
Total non-current liabilities	(40,123)	(45,590)	(48,650)	(48,710)
Trade and other payables	(2,306)	(2,550)	(2,361)	(2,860)
Total current liabilities	(2,306)	(2,550)	(2,361)	(2,860)
Total liabilities	(42,430)	(48,140)	(51,011)	(51,571)
Net assets	43,236	51,822	59,398	62,160
Basic and diluted IFRS NAV per share (p)	151	183	210	220
CASH FLOW				
Profit before tax	1,106	9,966	9,054	4,330
Adjusted for				
Net finance expense	112	1,245	1,123	1,138
Depreciation	1	7	7	7
Share-based payments	0	0	0	0
Gains on revaluation	0	(7,361)	(7,475)	(1,919)
Gains on disposal of investment properties	0	(279)	0	0
Amortisation of loan arrangement fees	7	40	60	60
Goodwill, interest rate and swap valuation movements	(1,751)	(1,523)	0	0
Working capital movements	1,132	(3,512)	(178)	345
Cash from operations	607	(1,416)	2,590	3,960
Tax paid	0	0	(63)	(96)
Net interest (paid)/received	(56)	(1,346)	(1,123)	(1,138)
Net cash from operations	551	(2,763)	1,405	2,726
Net cash from investing	3,610	(2,255)	(3,007)	(7)
Net cash used in financing	356	5,396	1,585	(1,471)
Net increase/(decrease) in cash and equivalents	4,516	378	(17)	1,248
Opening cash	0	4,516	4,894	4,877
Closing cash	4,516	4,894	4,877	6,125
Debt	(40,028)	(45,590)	(48,650)	(48,710)
Net debt	(35,512)	(40,697)	(43,773)	(42,585)
Net LTV	45.7%	43.7%	42.3%	40.4%

Source: Circle Property data, Edison Investment Research. Note: *FY16 was only the period from 4 December 2015 to 31 March 2016.

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](#). 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

DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Circle Property 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.