The Research Monitor

March Quarter 2017

With the compliments of your adviser

ShawandPartners

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Shaw and Partners

Shaw and Partners is one of Australia's preeminent investment and wealth management firms.

With a national presence and $10 billion of assets under advice, Shaw and Partners offers the intimacy of a boutique investment firm with the resources and scale of a major financial group. We are privately owned and client focused, having helped our clients manage and grow their financial assets for more than 25 years. Our emphasis on integrity and stringent compliance standards has enabled us to achieve very high levels of client satisfaction, while unlocking opportunities of significant value.

Backed by fresh thinking, robust research and some of the nation's best investment and wealth experts, our business is well positioned to meet the needs of our clients. Shaw and Partners offers access to an extensive team of private client advisers, institutional sales and trading specialists, market leading research analysts and strategic corporate advisers. By working closely with our clients, we have forged long-term relationships. Whether you are a private investor, high net worth individual, charity, institution or corporate client, our focus is simple: listen to you then act according to your objectives.

We welcome you to Shaw and Partners. Your partners in building and preserving wealth.

December Quarter 2016 Performance

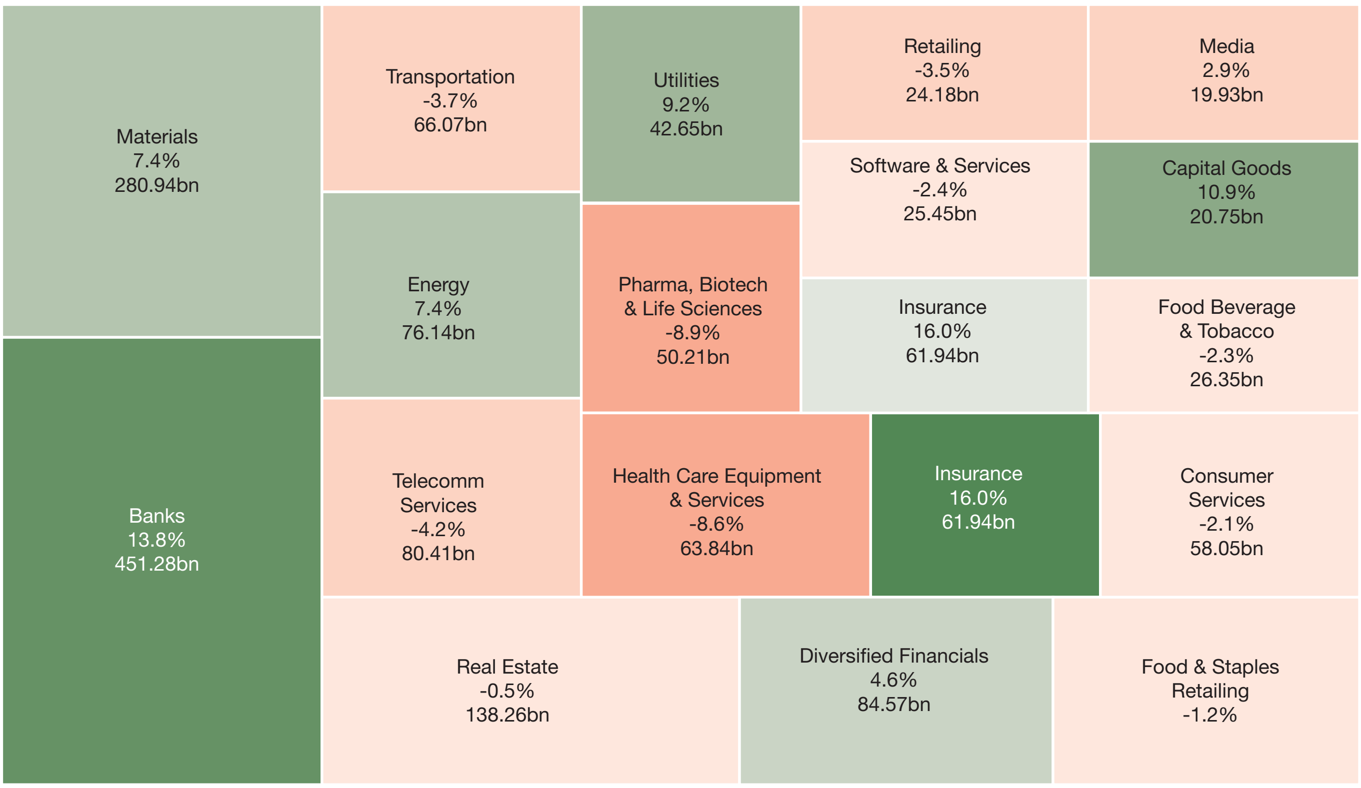
The Australian Share Market, as measured by the S&P/ASX300 Index, rose by 4.0% on a price basis and 4.9% on an accumulation basis during the December Quarter, mirroring the gains of the previous quarter.

The key feature of the quarter was the surprise market behaviour around the US Presidential Election. Most market commentators had figured that a Clinton victory would be good for markets and a Trump victory would be bad, based mostly on an assessment of known versus unknown. The expectation of a pick-up in government spending in the United States, a higher level of economic growth, rising inflation and therefore higher interest rates is being built into share prices.

At a sector level, Banks and Insurance stocks were the belles of the ball, up 13.8% and 16.0% inclusive of dividends for the quarter. The Capital Goods and Utility sectors also performed well, up 10.9% and 9.2% respectively, including dividends. In fact, all of the returns of the market for the December quarter were from six stocks. CBA, WBC, BHP, ANZ, NAB and QBE. The remainder of all other stocks in the ASX300 comprised zero returns when combined together.

Analysis of the top performers from a market perspective in the December quarter shows that a “bar-bell” approach of holding banks and resources stocks performed particularly well.

Moving in the other direction were the Health Care and Pharmaceutical sectors which both retreated over 8% for the quarter. CSL was amongst the worst performers, down 6.8%, alongside Ramsay Healthcare (RHC) down 14.6%. The move in the 10 year bond rate from 1.91% to 2.70% over the quarter kept pressure on Infrastructure stocks with Transurban (TCL) down 9.8% and Sydney Airport (SYD) down 14.4%.



Heat map legend: Size of box: market cap of sector. Colour of box: Quarterly performance (green positive, red negative).
Source: Shaw and Partners

Meet the Research Team

Shaw and Partners provides coverage on more than 100 ASX listed companies which are predominantly within the S&P/ASX200 benchmark index. A team of six research analysts cover companies across Banks, Insurance, Telecoms, Diversified Financials, Infrastructure, Transport, Utilities, Technology & Online, Contractors, Retailers, Life Sciences, Travel, Metals & Mining and Real Estate sectors.

Martin Crabb, Head of Research
Research Management, Equity Strategy

Martin joined Shaw in April 2011 as Head of Research. Martin is responsible for overall management of the research team as well as equity strategy and coverage of Diversified Financial Services companies. Prior to joining Shaw, Martin was an Executive Director with Macquarie Group where he worked for over 20 years in roles spanning institutional stockbroking, wealth management, research and portfolio management. Martin holds a Bachelor of Arts in Economics and Mathematics from the University of Melbourne, with postgraduate studies in Applied Finance. Martin is a Responsible Executive (ASIC).

Coverage: BLA, EQT, FID, HFA, HGG, HHL, HUB, IFL, KAM, MFG, MGP, OFX, PAC, PPT, WBA, XIP.

Danny Younis, Senior Analyst
Technology / Developers & Contractors / Retailers

Danny joined Shaw and Partners in April 2010 and covers the Industrials sector with specific focus on Technology, Contractors / Mining Services, and Retailers. Danny has had over 15 years' experience in financial markets and stockbroking and commenced his career with CCZ Statton Equities and worked previously with Aegis Equities, Westpac, Commonwealth Bank and StoneBridge Group as Head of Research. Danny graduated with a Bachelor of Science from the University of Sydney with majors in Biology (Genetics) and the History & Philosophy of Science. Danny has also completed FINSIA's Graduate Diploma of Applied Finance and Investment (GDipAppFin).

Coverage: ALQ, CAR, CGL, CIM, DOW, ISD, MND, NCK, ORI, OVH, PPL, REA, SEK, SSG, UGL, WES, WOR, WOW, ZML.

Darren Vincent, Senior Analyst
Commercial Services, Life Sciences, Travel & Leisure

Darren joined Shaw and Partners in September 2012 as a Small Company specialist. Darren has worked in equity markets for over 20 years, having previously worked at Credit Suisse and also with BNP Paribas and ANZ Stockbroking. During that time Darren has covered a wide variety of small industrial companies and has been recognised by his clients for his work, winning the 2010 East Coles Small Company Analyst of the Year and placing second in the 2011 Wall Street Journal Asia's Best Analysts Awards (Industrial Goods & Services). Darren holds a Bachelor of Economics from the Australian National University.

Coverage: AHX, BLG, BNO, BRG, CV1, EHE, EVT, FLT, GUD, GXL, MDC, NAN, NVL, OSP, REG, RMD, SAI, WEB.

David Spotswood, Senior Analyst

Financial Services, Telecommunications

David joined Shaw in February 2012 as Senior Analyst covering the Banks, Diversified Financials, Insurance, Media and Telecommunications companies. David has over 20 years' experience in the financial services industry. David previously worked as Research Officer and Economist with the Commonwealth Treasury & Department of Finance, Research Associate with John A. Nolan & Associates, Senior Investment Manager (Australian Equities) with HSBC Asset Management, Investment Manager (Australian equities) Credit Suisse Asset Management, Australian Equities Manager with Warakirri Asset Management and Institutional Research Adviser with Select Equities. David holds a Bachelor of Economics from Flinders University and Master of Commerce with 1st Class Honours from the University of Melbourne.

Coverage: AMP, ANZ, ASX, AYS, BEN, BOQ, CBA, CGF, CYB, IAG, MPL, MQG, MYS, NAB, NHF, QBE, SDF, SUN, TLS, TPM, VOC, WBC.

Peter O'Connor, Senior Analyst

Metals and Mining

Peter joined Shaw and Partners in January 2015 as Senior Analyst. Peter is an experienced equities analyst specialising in Metals and Mining sectors. Peter was most recently Managing Director, Head of Asian Metals & Mining Team, Co-head of Global team - Equities Research at Merrill Lynch/Bank of America. Prior to this Peter held positions as Head of Australian Metals and Mining at Deutsche Bank, Head of Global Metals and Mining at Credit Suisse and Equities Research, Metals and Mining at Macquarie Bank. Prior to his time as an equities research analyst, Peter held operational roles with Rio Tinto for five years and BHP Billiton for five years. Peter has a Bachelor of Engineering (Mining) from the University of New South Wales (First Class Honours and the University Medal).

Coverage: AWC, BHP, EVN, FMG, IGO, ILU, NCM, NST, OZL, RIO, S32, SFR, WHC, WSA.

Peter Zuk, Senior Analyst

Real Estate

Peter joined Shaw and Partners in October 2015 as Senior Analyst. Peter has over 17 years of real estate industry experience that includes roles within financial markets, direct industry and advisory. Previously, Peter worked as an equities analyst at Goldman Sachs where he covered the Real Estate sector. Prior to this, he held roles at Goodman Group and KPMG where he focused on REITs, developers and contractors. Peter has a Masters of Commerce Degree from the University of New South Wales and is also a Chartered Accountant.

Coverage: ABP, BWP, CMA, CNI, DXS, FET, GMG, GPT, GTY, LLC, MGR, SCG, SGP, VCX.

Large Cap Model Portfolio

We update our Australian Large Cap Model Portfolio following another period of outperformance, which despite some difficulties in the Telecommunications sector, saw the majority of our stock calls add value. We continue to see markets as fully valued, the macro picture muddled, and maintain a focus on stock selection.

Our portfolio is up 6.5% for the month, 9.4% for the quarter and 13.8% for the year – ahead of the index during all time periods. A combination of sector selection (no exposure to healthcare and consumer staples, plenty of real estate and insurance) as well as stock specific performance (Iluka Resources (ILU), Suncorp Group (SUN) and REA Group (REA) as examples) contributed to strong relative returns.

The S&P/ASX100 Index is trading on 17.8 times trailing 12 months earnings, an historically high level. This is fine if the outlook for earnings growth is good. Consensus estimates are for 11.9% growth over the next 12 months, followed by 3.7% and 7.3% in the following two years. The outlook for interest rates, Chinese growth, domestic residential real estate, global inflation and political risk, however, are all turning into headwinds for the Australian equity market.

We make no changes to our model portfolio this month. Our largest active positions are overweights to LendLease (LLC), CYBG PLC (CYB), Origin Energy (ORG) and Suncorp Group (SUN) as well as underweights to Wesfarmers (WES), CSL and Commonwealth Bank (CBA).

From a sector perspective, we remain overweight Materials (+5.7%), Banks (+1.9%), Diversified Financials (+5.8%), Insurance (+3.2%), Real Estate (+2.1%) and Media (+2.6%). Our largest underweights are to Healthcare (-3.5%), Pharmaceuticals (-3.2%), Utilities (-2.8%) and Food and Staples Retailing (-2.4%).

Large Cap Model Portfolio @ 30 December 2016		
BHP	BHP Billiton	8.5%
NAB	National Australia Bank	8.1%
WBC	Westpac Banking Corp	7.8%
CBA	Commonwealth Bank	7.4%
LLC	LendLease Group	4.9%
SUN	Suncorp Group	4.7%
ORG	Origin Energy	4.6%
ANZ	ANZ Banking Group	4.5%
MQG	Macquarie Group	4.2%
AMC	Amcor	4.2%
CYB	CYBG Plc	4.1%
RIO	Rio Tinto	3.9%
REA	REA Group	3.3%
MGR	Mirvac Group	3.2%
TLS	Telstra Corporation	3.1%
WOW	Woolworths	3.0%
CGF	Challenger	2.9%
ILU	Iluka Resources	2.7%
QBE	QBE Insurance	2.4%
QAN	Qantas Airways	2.4%
FLT	Flight Centre Travel Group	2.1%
PPT	Perpetual	2.0%
NST	Northern Star Resources	2.0%
	Total	**100.0%**

Large Cap Model Portfolio now available on Shaw Managed Accounts (see page 18)

Recommendation

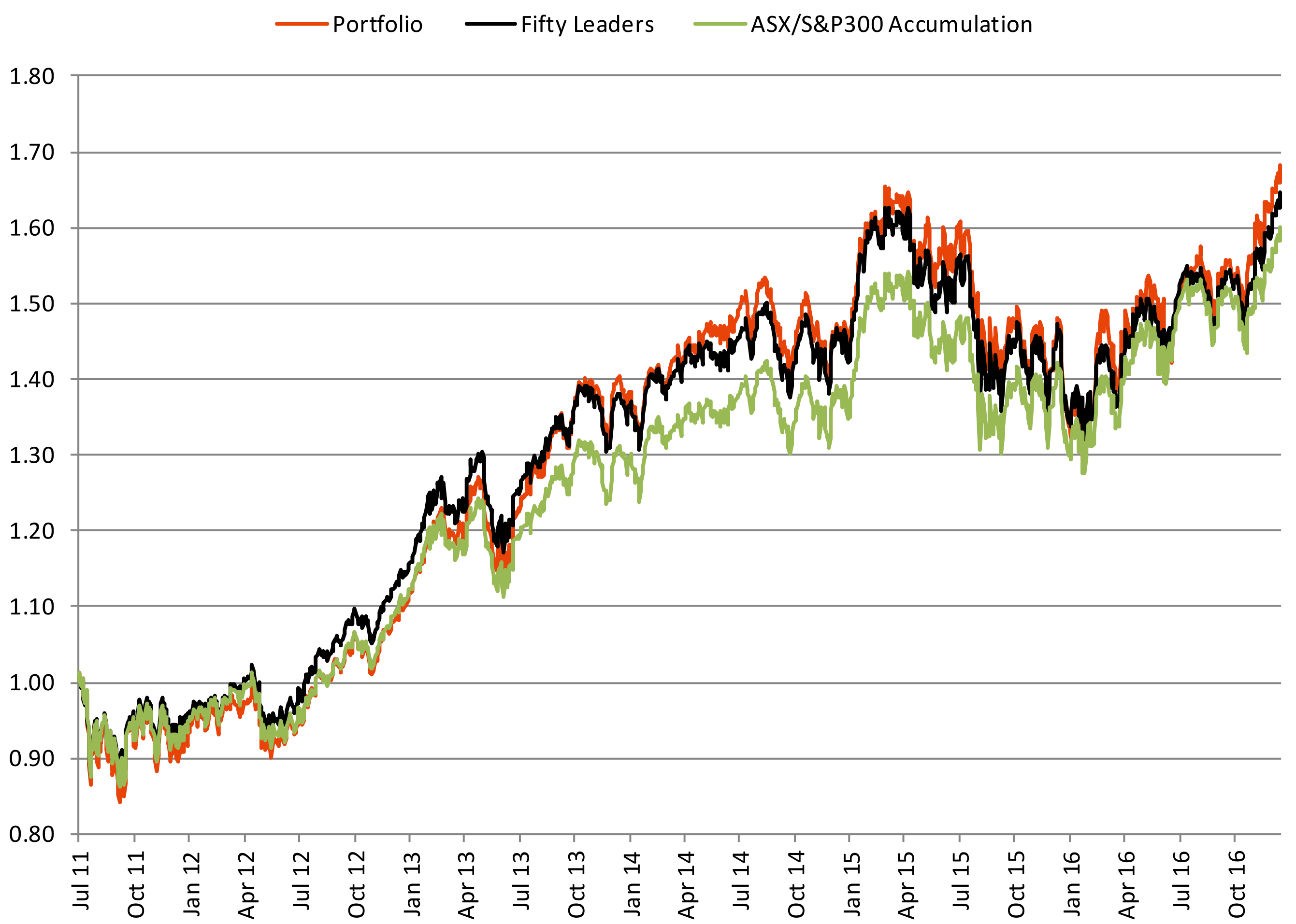
The strong run up in prices in the past quarter of 2016 has pushed valuations on Australian stocks to precarious levels. Whilst gains in share prices are possible from current levels over the next year, we see dividend yields as providing the bulk of the return from equities. Yield sensitive sectors have been bid up again in recognition of this, despite the headwind from rising long term interest rates. We suggest a neutral to underweight position to Australian equities in a balanced portfolio setting.

To obtain the latest Shaw Model Portfolio report, please contact your Shaw adviser.

Portfolio Attribution

December was a good month for performance. Despite a number of stocks trading ex-dividend, the portfolio performed strongly in a price sense, thanks to positive momentum in a number of our larger positions, notably the banking sector (ANZ up 8.8%, NAB up 6.2%). The "overweight Iluka, underweight Fortescue" position alone added over 30bps to performance for the month, showing the impact of large relative moves in the resources sector.

Portfolio Performance (Accumulation Basis)



Source: Shaw and Partners

Hybrid Income Model Portfolio

The Income Strategies team consists of specialised strategists dedicated to interpreting the debt and preference share markets. With a focus on structuring and managing listed and hybrid portfolios and blending with equities, the team aims to maximise income, whilst simultaneously minimising the risk of drawdown/permanent loss of capital, providing clients with thoughtful analysis and investment opportunities.

Cameron Duncan
Co-Head, Income Strategies

Cameron has 30 years experience across financial markets, including over 16 years at Macquarie Group in listed debt and hybrid advisory, syndication, proprietary trading and portfolio risk management. Cameron has a Bachelor of Economics degree from the University of Sydney and has completed the Diploma of Financial Planning & RG146.

Steve Anagnos
Co-Head, Income Strategies

Steve has 25 years experience across financial markets and investment management in a range of Senior roles at Citigroup, Bank of America Merrill Lynch, CBA and Strategic Capital Management. Steve's focus has been in designing and implementing portfolio strategies using listed debt, hybrids and equity derivatives. Steve has a Bachelor of Economics degree and Master of Applied Finance degree from Macquarie University.

Investment Strategy

The Shaw ASX Hybrid Income Portfolio aims to provide investors with exposure to a highly transparent portfolio of ASX listed debt and preference securities that offer diversification benefits to both Australian Equities and cash/term deposit investor's allocations.

There is a growing universe of listed assets spanning Senior Debt, Subordinated Debt, Convertible Preference Shares, Convertible Notes and Income Securities (debt and equity). While these "Hybrid" securities each have their own characteristics, research and subsequent implementation and monitoring allows for strategies to extract risk adjusted return from this sector that aims to enhance a core portfolio of Australian Equities and cash.

Investment Objectives

The objective of the Shaw Hybrid Income Portfolio is to provide a sustainable level of income whilst seeking to preserve capital. The target total portfolio return (gross) of the portfolio is 3% above the RBA cash rate. This return will be generated from a combination of cash (interest payments and dividends), franking credits and capital growth (realised and unrealised) from an active portfolio strategy.

Risk tolerance: The portfolio aims to limit the risk of capital loss through security diversification and active portfolio management. It is suitable for investors that have a 3 year + investment horizon that can tolerate secondary market pricing and liquidity risks through the life of the securities, up to the respective first call/maturity date of each security.

Hybrid Income Model Portfolio now available on Shaw Managed Accounts (see page 18)

Portfolio Holdings @ 30 December 2016 – Top 5		
ASX Code	**Issuer**	**Security Type**
ANZPG	ANZ	Capital Note IV
WBCPF	Westpac	Capital Note III
MQGPB	Macquarie Group	Capital Note 2
WBCPG	Westpac	Capital Note IV
NABPC	Nat Aust Bank	Capital Note

Portfolio Characteristics

Expected Yield to Call/Maturity (including franking):	5.1%
Expected Gross Running Yield (including franking)	5.3%
Expected Cash Running Yield (not including franking)	4.0%
Expected Years to Maturity	4.7
Number of Securities	17
Floating Rate exposure	100%
Fixed Rate Exposure	0.0%

Markets Returns

Return	1 Month	3 Month	1 Year
ASX200 Accumulation	4.38%	5.19%	11.81%
RBA Cash Rate	0.13%	0.38%	1.77%

Portfolio Performance

Return	1 Month	3 Month	1 Year
Income Return (Gross)	1.00%	1.05%	5.56%
Capital Return	0.75%	2.67%	4.04%
Total Portfolio Return (Gross)	1.75%	3.72%	9.60%
Portfolio Return Objective	0.40%	1.17%	4.97%
Excess Return v Objective	1.35%	2.50%	4.63%

Portfolio Highlights

- During the month of December, the portfolio generated a Total Return (Gross) of +1.75%. 11 securities traded ex distribution during the month, resulting in a gross income return for the month of 1.00% and 1.05% for the quarter.
- The total portfolio return has exceeded its return objectives based on the 1 month, 3 month, and 12 month periods. The total portfolio return for the quarter was 3.72%, higher than its return objective, 9.60% for the 12 month period and 8.94% p.a since inception (Sep 2015).
- The Total Income Return (Gross) was 1.00% for the month and for the quarter was +1.05%, whilst the commensurate income return since inception (Sep 2015) is +6.0% p.a.
- The main contributors to performance during the month were NABHA (+3.9%), IAGPD (+3.8%), and IANG (+3.7%).
- There were no detractors to performance this month. The smallest positive returns came from NABPA (nil return), MBLPA (nil return) and ANZPC (+0.3%).
- A total of 11 securities traded ex-distribution in December.
- During the month the portfolio took an allocation of IAGPD and re-invested part of the proceeds from the ORGHA redemption into NABPA and MBLPA. The portfolio is currently holding c.5.5% cash in order to take advantage of any weakness in prices and/or new issuance early into 2017.
- The main driver of performance during month is the continued response to rising global and Australian bond and swap rates against the backdrop of a 1.5% cash rate. In addition the recent and upcoming redemptions in the hybrid market have resulted in secondary market buying as holders re-invest the proceeds of redemptions.

Our Preferred Stocks

amaysim Australia (AYS)

amaysim Australia (AYS) operates as a mobile service provider. It offers the choice of an automatic or manual pre-pay option and a post-pay billing system, giving them the freedom to customise their recharges and payments to suit them.

BHP Billiton (BHP)

BHP Billiton (BHP) is a diversified natural resources company. BHP is among the world's largest producers of commodities along with substantial interests in oil and gas. BHP's principal business lines are mineral exploration and production, as well as petroleum exploration, production and refining. BHP's assets, operations and interests are separated into four business units, Petroleum and Potash, Copper, Iron ore and Coal.

BluGlass (BLG)

BluGlass (BLG) engages in the development and commercialization of semiconductor material gallium nitride. The company develops semiconductor processes and equipment for the manufacture of high efficiency devices such as next generation lighting technology, light emitting diodes and concentrated. Its proprietary technology, remote plasma chemical vapour deposition manufactures semiconductor materials for high efficiency devices such as LEDs and concentrated solar cells for utility scale solar.

Centuria Capital Group (CNI)

Centuria Capital Group (CNI) is a listed diversified funds manager. It operates through five segments: Reverse Mortgages, Investment Bonds, Property Funds Management, Insurance and Corporate.

Henderson Group Plc (HGG)

Henderson Group Plc (HGG) is a global asset management company, which is focused on delivering investment performance and service to the clients. It manages investment products for institutional and retail investors, in European equities, global equities, global fixed income, multi-asset and alternatives including private equity and property.

Mirvac Group (MGR)

Mirvac Group (MGR) engages in the investment and management of office, retail and industrial assets and the development business to both residential and commercial projects. The company operates through the following segments: Office & Industrial, Retail, Residential and Corporate & other.

National Veterinary Care (NVL)

National Veterinary Care (NVL) engages in the provision of veterinary services. It provides pet care services and pet care plans.

OZ Minerals (OZL)

OZ Minerals (OZL) engages in the mining of copper, gold, and silver; and exploration and development of mining projects. It operates through the following segments: Prominent Hill, Carrapateena, Exploration and Development, and Corporate.

QBE Insurance Group (QBE)

QBE Insurance Group (QBE) is a general insurance and reinsurance company. Its underwrites commercial and personal line classes of business, including property, motor and motor casualty, agriculture and bloodstock, liability, marine, energy and aviation, workers compensation, financial and credit, professional indemnity, accident and health, and others. It operates its business through the following segments: North American Operations, European Operations, Australian and New Zealand Operations, Emerging Markets, and Equator Re.

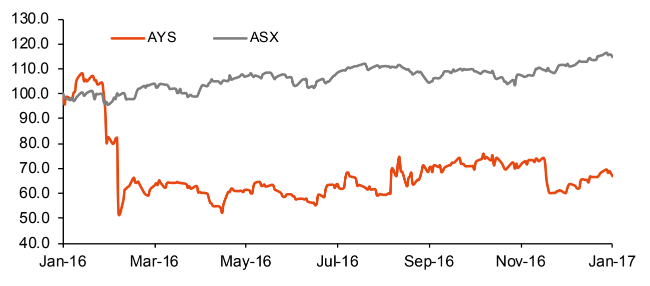
Xenith IP Group (XIP)

Xenith IP Group (XIP) is a holding company, which engages in the provision of intellectual property (IP) services and advice. Its services include identification, registration, management, commercialisation, and enforcement of IP rights for a spectrum of clients in Australia, New Zealand, and the rest of the world.

amaysim Australia (AYS)

Recommendation	**BUY**
Risk	**HIGH**
Share Price (as at 16 January 2017)	**$2.00**
Target Price	**$2.27**
Analyst	**David Spotswood**

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	1.6%	(15.3%)	(49.4%)

* Relative Performance is compared to the S&P/ASX 200 Index

Building a Strategic Asset

- We believe AYS is building a valuable strategic asset: with over 1m subs, and about to launch a new product (NBN), which could get hundreds of thousands of subs and this may prove an attractive asset for others.
- The outlook for the company is sound, with good subscriber growth, falling churn rates, stable gross margin, and flat operating costs. The negative coming out of the update was the fall in Average Revenue Per User (ARPU). Whether this is transitory or not, will depend on mobile plan pricing and further data inclusions. These have been stable for 9-12 months now.
- NBN: AYS are targeting an early CY2017 launch. Online, low cost model like AYS mobile. Have access to ~600k homes. If convert 10% of mobile subs to broadband, could add anywhere from 10%-25% to earnings. We assume nothing in our numbers.
- Gross Margins: We maintain our gross margin assumptions of 32.6% for FY17, however, due to falling ARPU our gross margin per sub falls from $7.98 to $7.55. We assume gross margins of 31.5% in FY18 and FY19.
- 2017 Guidance: Low double digit revenue growth, Gross Margins 32%-33%, costs flat ~$50m. 1H17 Subs growth 58-60k.

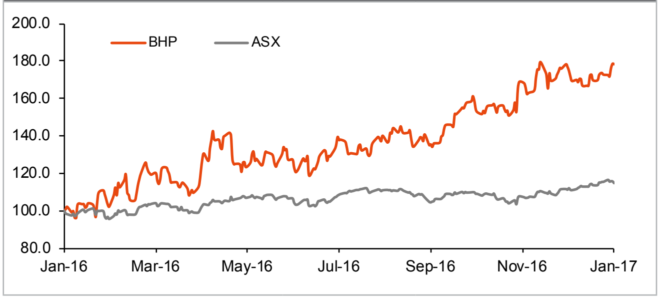
Forecasts

YE 30 June (AUD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	12.0	14.8	16.2
Dividends cps	5.2	10.4	11.4
PE x	14.0	13.5	12.4
Yield %	3.1	5.2	5.7
Franking %	0	0	25

BHP Billiton (BHP)

Recommendation	**BUY**
Risk	**MEDIUM**
Share Price (as at 16 January 2017)	**$26.77**
Target Price	**$33.00**
Analyst	**Peter O'Connor**

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	2.4%	12.0%	58.9%

* Relative Performance is compared to the S&P/ASX 200 Index

Top Pick

- Portfolio diversity – BHP's "four pillars" – copper, oil, iron ore and metallurgical coal – span a broad spectrum of the commodity markets including commodites which are either forecast to move higher in the near/medium term (oil and copper) or currently enjoying bouyant conditions (iron ore and met coal).
- Latent capacity - low capital intensity and therefore high return incremental growth options exist across BHP's portfolio ranging from (i) copper – Escondida grade/mill upside ~50%, (ii) iron ore - ~5-10% upside inline with market growth, (iii) met coal - ~10% capacity upside plus replacing existing production with new, lower cost production and (iv) Oil – US onshore oil and gas is significantly leveraged to any uptick in the US oil/gas price.
- FCF deployment – BHP's portfolio diversity and growth options underpin BHPs free cash Flow outlook with three year average expectations (~$6bn) and "spot" a very large ~($9bn pa). This will deliver BHP a range of cashflow deployment options from balance sheet deleveraging (first step), growth of latent capacity and capital management – both hiking dividends to the high end of the 40-60% payout ratio range and potentially share buy backs in the medium term.

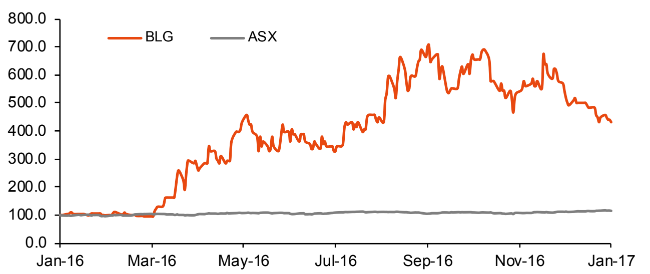
Forecasts

YE 30 June (USD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	21.5	119.9	93.7
Dividends cps (AUD)	43.9	79.7	62.5
PE x	64.5	15.6	21.2
Yield %	2.3	3.0	2.4
Franking %	100	100	100

Bluglass (BLG)

Recommendation	BUY
Risk	HIGH
Share Price (as at 16 January 2017)	$0.25
Target Price	$0.65
Analyst	Darren Vincent

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	(16.1%)	(40.9%)	313.5%

* Relative Performance is compared to the S&P/ASX 200 Index

Global LED Leaders are recognising BLGs Technology

- Shaw and Partners recently initiated coverage on BLG with a Buy rating and $0.65 TP.
- BLG is set to disrupt the global Light-Emitting Diode (LED) market, its Remote Plasma Chemical Vapour Deposition (RPCVD) technology is a new low temperature process for manufacturing LEDs and other optoelectronic devices (solar cells, laser diodes and power electronics) that enables performance, margin and cost improvements. The improvements are so significant that BLG is quickly being surrounded by key LED industry participants.
- Multiple commercial deals are in the wings. Sumitomo, which supplies 7 of the top 10 semiconductor companies, owns 17% of BLG. Philips Lumileds the largest LED manufacturer is in Phase 2 of a collaboration having completed testing BLGs LEDs and incorporated them into devices. In addition we expect BLG to deliver deals with: i) Veeco, the largest of the two LED equipment manufacturers in the world, which has sent devices containing BLG's LEDs to its clients, ii) HC Semitek, a Chinese LED manufacturer which has reported very encouraging results associated with devices containing BLG's LEDs, iii) IQE, a leading manufacturer of wafers for the semiconductor industry, has entered an exclusive collaboration, iv) potentially a number of BLGs foundry clients, some of which have advanced prototype devices, and iv) there are six other manufacturers that BLG has entered into non-disclosure agreements with (including a second Chinese LED manufacturer) that are currently assessing its technology.

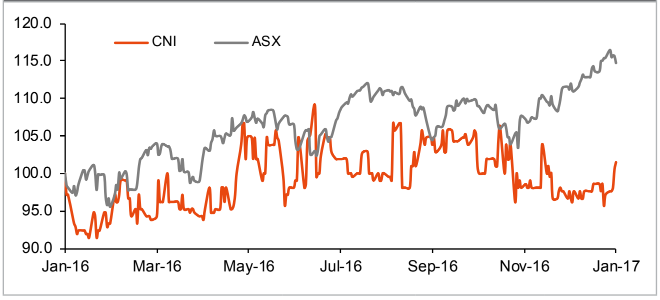
Forecasts

YE 30 June (AUD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	(1.0)	(0.7)	1.3
Dividends cps	0.0	0.0	0.0
PE x	(21.7)	(37.8)	19.8
Yield %	0.0	0.0	0.0
Franking %	0.0	0.0	0.0

Centuria Capital Group (CNI)

Recommendation	BUY
Risk	MEDIUM
Share Price (as at 16 January 2017)	$1.10
Target Price	$1.52
Analyst	Peter Zuk

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	7.5%	0.4%	(7.2%)

* Relative Performance is compared to the S&P/ASX 200 Index

A Bigger, Better, (and still cheap) CNI

- In our view, the recently completed acquisition of a $1.4b funds management platform off 360 Capital Group, as well as $116m of cornerstone investments in the acquired funds, is a company-transforming event for CNI. The transaction resulted in CNI's funds under management (FUM) increasing by 63% to $3.6b, with real estate related FUM up 93% to $2.9bn.
- Key benefits to CNI include: (1) an increase in earnings from recurring/annuity-style income streams to 77% from 65% pre-transaction; (2) greater scale and relevance, noting that CNI's market cap has increased to ~$230m (was $80m pre-deal) and (3) a more diverse and liquid share register – with a strong institutional presence.
- At current pricing ($1.10), CNI is trading on an FY17 PE of 11.0X, which screens cheap when compared to the Small Ordinaries index at 17.4X and the broader ASX 200 at 15.7X. CNI offers an attractive 7.1% DPS yield, which is based on a conservative 75% payout ratio.

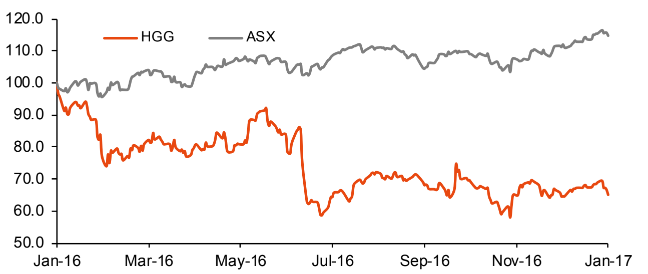
Forecasts

YE 30 June (AUD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	13.7	10.0	10.4
Dividends cps	5.3	7.5	7.8
PE x	8.3	11.0	9.3
Yield %	5.0	6.7	6.9
Franking %	100	100	100

Henderson Group (HGG)

Recommendation	BUY
Risk	MEDIUM
Share Price (as at 16 January 2017)	$3.81
Target Price	$4.60
Analyst	Martin Crabb

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	(5.5%)	(11.5%)	(50.5%)

* Relative Performance is compared to the S&P/ASX 200 Index

Strong Markets, Positives Flows, Bodes Well for FY16 Result

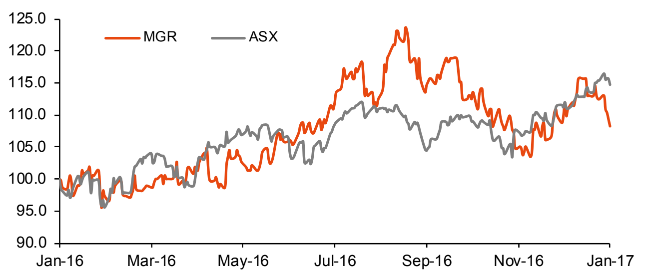
- We recently upgraded our earnings estimates for HGG following stronger than expected market conditions in the final quarter of 2016. European, UK and global equities returned 6.2%, 3.5% and 7.4% in British pound terms.
- We forecast FUM of £104.2b (£41.8b insto, £62.4b retail) at 31 Dec 2016, up £3.3b from Sept quarter – this assumes that HGG funds performed in-line with the relevant index during Q4, institutional net inflows total £101m (Q3 £437m) and retail net outflows were -£800m (Q3 -£1,049m). UK retail industry flows bounced back in November – net retail monthly fund flows totalled £1.5b vs. £0.65b Oct, £0.78b Sept, according to The Investment Association (UK). This is the second highest monthly net flow recorded in the past 13 months.
- Upcoming potential share price catalysts include: UK industry flow data –to be released on 30 Jan 2017, HGG reports FY16 results on 9 February and JNS merger – report FY16 earnings/FUM at 2am on 25 Jan, transaction documentation published post HGG FY results and transaction expected to be completed in Q2.
- BUY. We think that HGG is currently undervalued and the market has not given due consideration to the strength of global markets in the final quarter of 2016 and the recent release of positive UK industry data. The upcoming results day will provide the opportunity to provide an update of how the pending JNS merger is progressing.

Forecasts			
YE 31 Dec (GBP)	2016 (E)	2017 (E)	2018 (E)
Earnings cps	15.8	18.8	21.4
Dividends cps (AUD)	18.5	19.9	22.2
PE x	15.0	12.6	11.0
Yield %	4.3	5.1	5.8
Franking %	0	0	0

Mirvac Group (MGR)

Recommendation	BUY
Risk	LOW
Share Price (as at 16 January 2017)	$2.04
Target Price	$2.33
Analyst	Peter Zuk

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	(7.5%)	(10.3%)	(9.2%)

* Relative Performance is compared to the S&P/ASX 200 Index

Unfairly Unloved

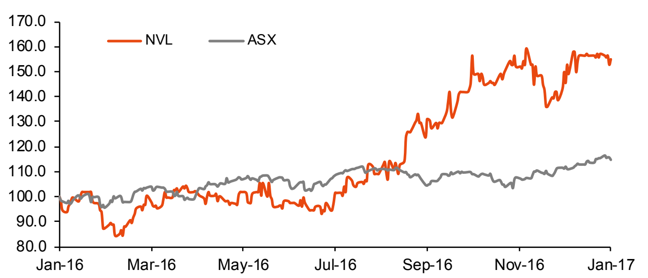
- MGR offers an attractive forecast 12 month TSR of 19.4%. This includes a yield of 5.1% on a 74% payout ratio – which is relatively low when compared to the REIT sector average of 85%. We also note that MGR is trading on a price to NTA premium of 6%, which compares to the REIT sector average premium of 30%. This suggests to us the market is ascribing limited value to its development business.
- While MGR is a diversified REIT, we think too much (negative) focus is on its residential development business, while not enough (positive) attention is given to its Investment portfolio – particularly its office assets. At a time when other office focused REITs (eg. DXS, IOF) are being ascribed premiums for their leverage to the Sydney office market, we feel that MGR is not getting the credit it deserves for the management, and rejuvenation of its office portfolio – nor its attractive (and largely pre-committed) commercial development pipeline.
- Given that MGR's forecast 3,300 residential lot settlements are ~65% skewed to 2H17, we suggest that institutional investors will remain somewhat wary that MGR can deliver on its earnings guidance – and will therefore be somewhat reactive, waiting on more "proof". From our perspective, we are not concerned about the risk of settlement defaults having a material impact on its earnings, and note that our FY17e EPS of 14.1¢ is at the low end of MGR's 14.0-14.4¢ guidance.

Forecasts			
YE 30 June (AUD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	13.0	14.1	14.7
Dividends cps	9.9	10.4	11.2
PE x	15.5	14.3	13.7
Yield %	4.9	5.2	5.6
Franking %	0	0	0

National Veterinary Care (NVL)

Recommendation	BUY
Risk	MEDIUM
Share Price (as at 16 January 2017)	$2.06
Target Price	$2.40
Analyst	Darren Vincent

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	(3.4%)	(6.2%)	41.0%

* Relative Performance is compared to the S&P/ASX 200 Index

A Proven Strategy

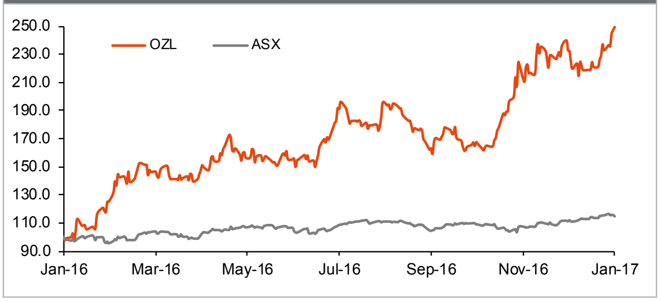
- NVL has consistently exceeded expectations. Over 2016 both NVLs pro forma and statutory results exceeded prospectus forecasts. At its AGM in November NVL increased FY17 guidance from revenue growth of 10% to greater than 18% above the pro forma FY16 revenue. Since listing NVL has acquired and integrated its initial portfolio of 34 businesses, acquired an additional 16 veterinary practices at an average multiple of 4.9x EBITDA and two businesses that have established its management services and procurement business, set up its training facilities and renegotiated procurement terms. We see this as validation of its strategy which gives us confidence in its outlook.
- 2017 is expected to deliver ongoing growth. We expect 2017 will bring more of the same. NVL is expected to make ongoing acquisitions at attractive pricing that leads to value creation with every incremental acquisition a meaningful contributor to group earnings and value uplift. NVL's organic growth strategy also took shape through 2016 with the acquisition of Complete Vet Systems (a veterinary management systems business) and UVG Holdings (a procurement business) which complement its unique training services/facilities and offer another growth angle to the company.
- Given NVLs current FY18 PE of 14.4x is below the small industrials average of ~16-17x we believe it is a compelling proposition and that it should with further confirmation of what it is achieving trade up to a multiple in this range which is the basis for our $2.40 TP. BUY.

Forecasts			
YE 30 June (AUD)	**2016 (A)**	**2017 (E)**	**2018 (E)**
Earnings cps	9.4	11.5	13.1
Dividends cps	0.0	0.0	0.0
PE x	13.9	16.8	14.4
Yield %	0.0	0.0	0.0
Franking %	0	0	0

OZ Minerals (OZL)

Recommendation	BUY
Risk	HIGH
Share Price (as at 16 January 2017)	$9.11
Target Price	$10.60
Analyst	Peter O'Connor

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	12.3%	50.1%	139.8%

* Relative Performance is compared to the S&P/ASX 200 Index

More Life, More Growth, More Shareholder Returns

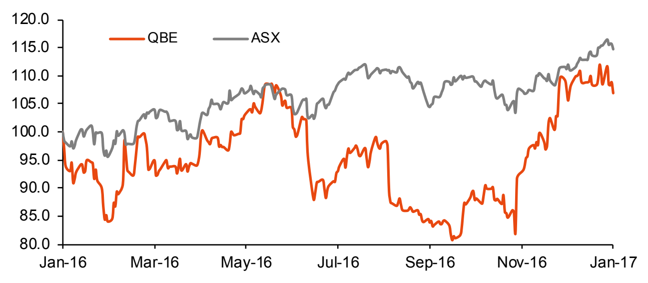
- Longevity – Decades not years is how one should consider the OZL investment thesis although we note that until recently (2015) OZL was considered a short life company (to early 2020's). We expect that OZL will be a successful company for many decades underpinned by the significant resource potential in South Australia (SA), proximate to current/future operations. Importantly, longer life delivers more tail end value and turn future share price upside.
- Growth – Firstly, growth is via the extension of mine life at the existing copper operation, Prominent Hill, most recently extended by 4 years to 2028. Secondly, the production scale and mine life of current development project, Carrapateena, will likely both be higher by 5-10% and >10% respectively. We expect that OZL's dominant position and track record will attract more opportunities in SA. All of these growth options add significantly to NPV valuation and opening the gap above the share price – this gap will close in line with production and growth.
- FCF optionality – OZL is the most cashed up copper company in the world and is also the second most cashed up major mining company (top 25) in Australia. This current cash pile (~$500m) is adequate to cover all current growth plans – Prominent Hill and Carrapateena – allow for further capital management – share buy back currently underway – and maintain a modest dividend payout. Importantly, OZL is forecast to complete the above expansion programs whilst remaining in a net cash position – Shaw base case) suggesting that there is more room for capital management initiatives in the medium term.

Forecasts			
YE 31 Dec (AUD)	**2016 (A)**	**2017 (E)**	**2018 (E)**
Earnings cps	37.1	41.0	42.3
Dividends cps	16.0	11.0	13.0
PE x	24.6	22.2	21.6
Yield %	1.8	1.2	1.4
Franking %	0	0	0

QBE Insurance (QBE)

Recommendation	BUY
Risk	HIGH
Share Price (as at 16 January 2017)	$12.36
Target Price	$14.13
Analyst	David Spotswood

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	(4.9%)	16.2%	(3.2%)

* Relative Performance is compared to the S&P/ASX 200 Index

Has The World Changed? Maybe

- Key Issues: Three main drivers a) interest rates; b) currency; c) commercial rates. Commercial rates are still falling globally and QBE has to work hard to manage this.
- Interest rates: QBE have said 1% lift in interest rates lowers claims value by $400m due to higher discount rate, offset by $140m in bond capital value losses. Net say $260m pre-tax or say $200m after tax or +25% to profits.
- Interest rates: Also lifts running yield on $22.5b bond portfolio. 1% across the board adds $225m to income. The portfolio is around one third in each USA, UK, and Australia. The yield on the book was 2.02% at as 30 June 2016. The bond rates below will add 30bps and 50bps to insurance margins in 2017 and 2018.
- So movement in interest rates and the Fed median forecast (1% end 2017, 1.5% end 2018) for USA cash rates adds 50bps and 150bps to insurance margins from our current numbers or +4% and +11% to 2017 and 2018.

1-2 year Bonds	Dec-15	Jun-16	9-Dec-16	2017	2018
USA	1.06	0.58	1.10	1.40	1.90
UK	1.34	0.35	0.53	0.53	1.00
Australia	2.02	1.55	1.89	1.89	2.25
Average Rate	1.47	0.83	1.17	1.27	1.72
	-0.64	0.35	0.10	0.44	

- BUY. QBE has been a widow-maker trade for the last decade due to poor management and a poor macro environment. If fiscal stimulus from China and the USA drive up inflation and bond yields over the next 1-3 years QBE will benefit significantly.

Forecasts			
YE 31 Dec (USD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	57.0	65.0	78.9
Dividends cps	38.6	38.3	44.9
PE x	16.1	14.2	11.7
Yield %	4.2	4.2	4.9
Franking %	50	50	50

Xenith IP Group (XIP)

Recommendation	BUY
Risk	MEDIUM
Share Price (as at 16 January 2017)	$2.81
Target Price	$3.90
Analyst	Martin Crabb

Share Price Chart

Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	3.4%	(24.2%)	(28.9%)

* Relative Performance is compared to the S&P/ASX 200 Index

Synergy Benefits to Drive Growth

- Xenith IP (XIP) has entered into a binding agreement to acquire Griffith Hack for $152m, following their recent $15.5m acquisition of Watermark. These acquisitions propel XIP into one of the largest IP firms in Australia and fast-track the development of complementary service lines and Asian expansion.
- Griffith Hack is twice the size of XIP on a revenue basis, but is earning lower margins. Management have targeted $4-$6m of pre-tax cost synergies by year three, but we think this undercooks the opportunity to pull out more costs, faster. A combination of office rationalisation and professional productivity could see much higher (30%+) margins in three years' time than we forecast (24.3%).
- We expect substantial revenue synergies to accrue also. Griffith Hack is estimated to derive 10% of its revenue from complementary service lines which Watermark had also been developing. The opportunity to offer a greater breadth of services to the combined 11,000 clients should see revenue benefits materialise.
- BUY. Xenith IP has participated in the rationalisation of the Australian Patent Attorney industry by pairing up with two high quality, complementary businesses in Griffith Hack and Watermark. Collectively the group will have critical mass and fully developed service offering. The underlying businesses are under-earning and management has the task head of it to lift margins towards the mid 30's over the next few years.

Forecasts			
YE 30 June (AUD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	18.2	19.6	22.0
Dividends cps	7.0	12.0	17.6
PE x	21.8	14.2	12.7
Yield %	1.8	4.3	6.3
Franking %	100	100	100

Recommendation Definitions

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Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
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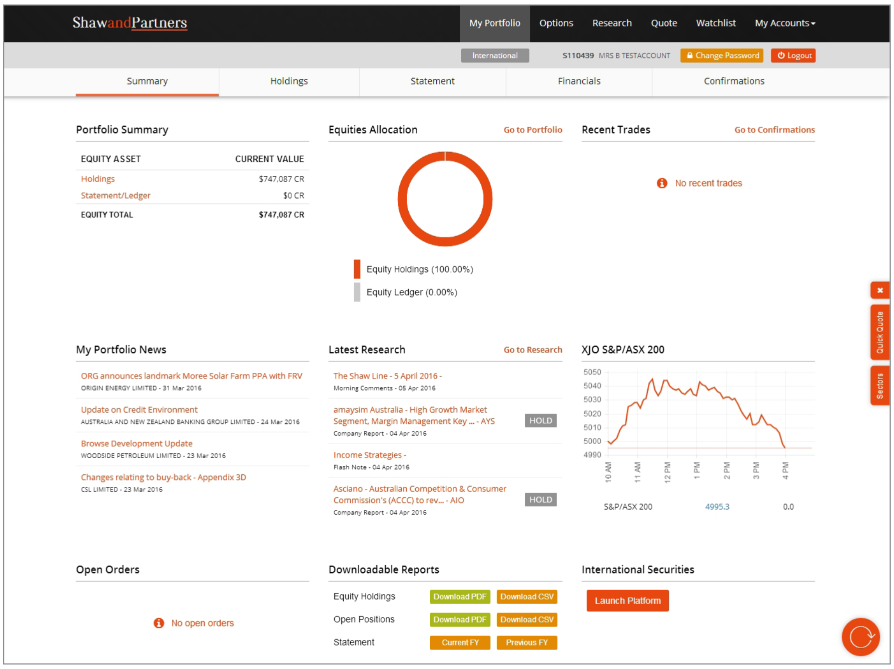

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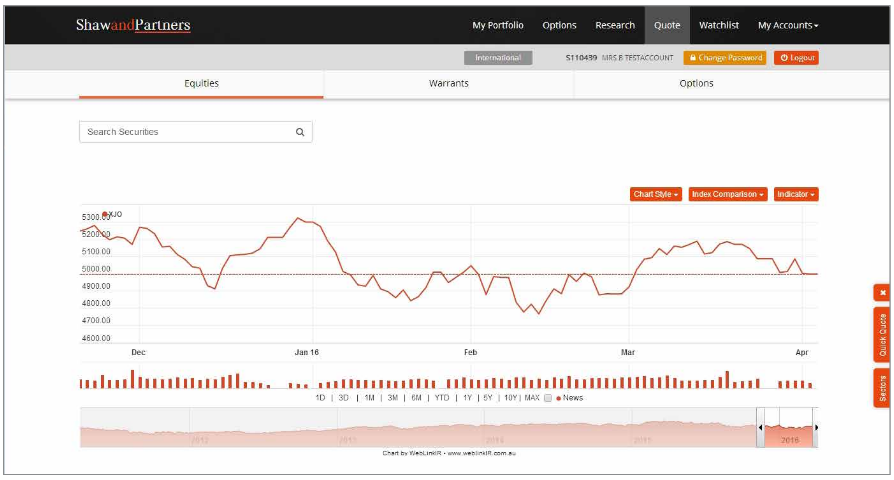

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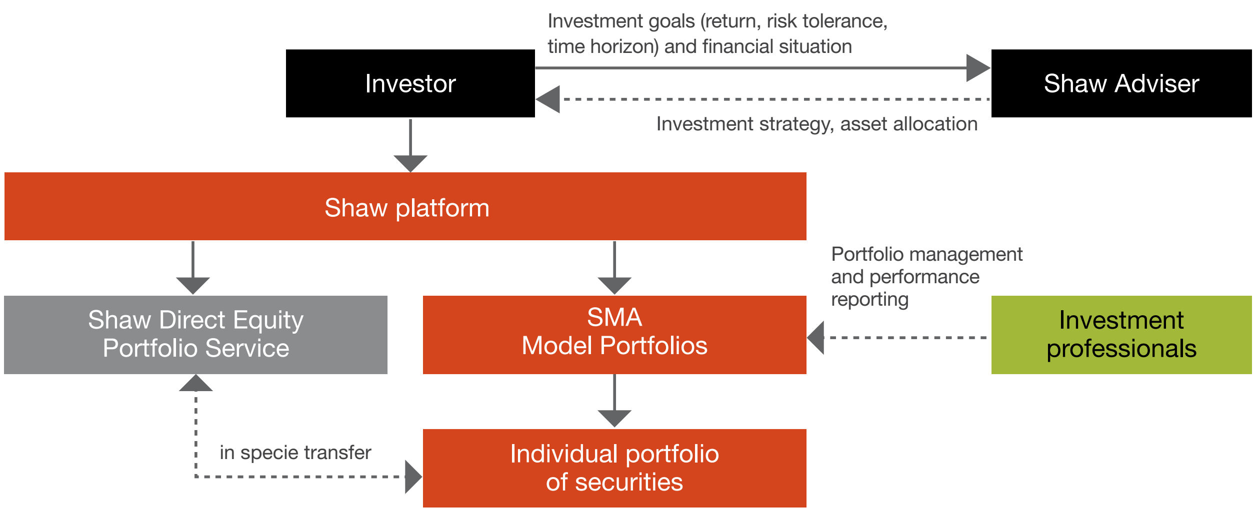

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