The Research Monitor

December Quarter 2017

With the compliments of your adviser

ShawandPartners

Content

Shaw and Partners

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

With a national presence and over $13 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.

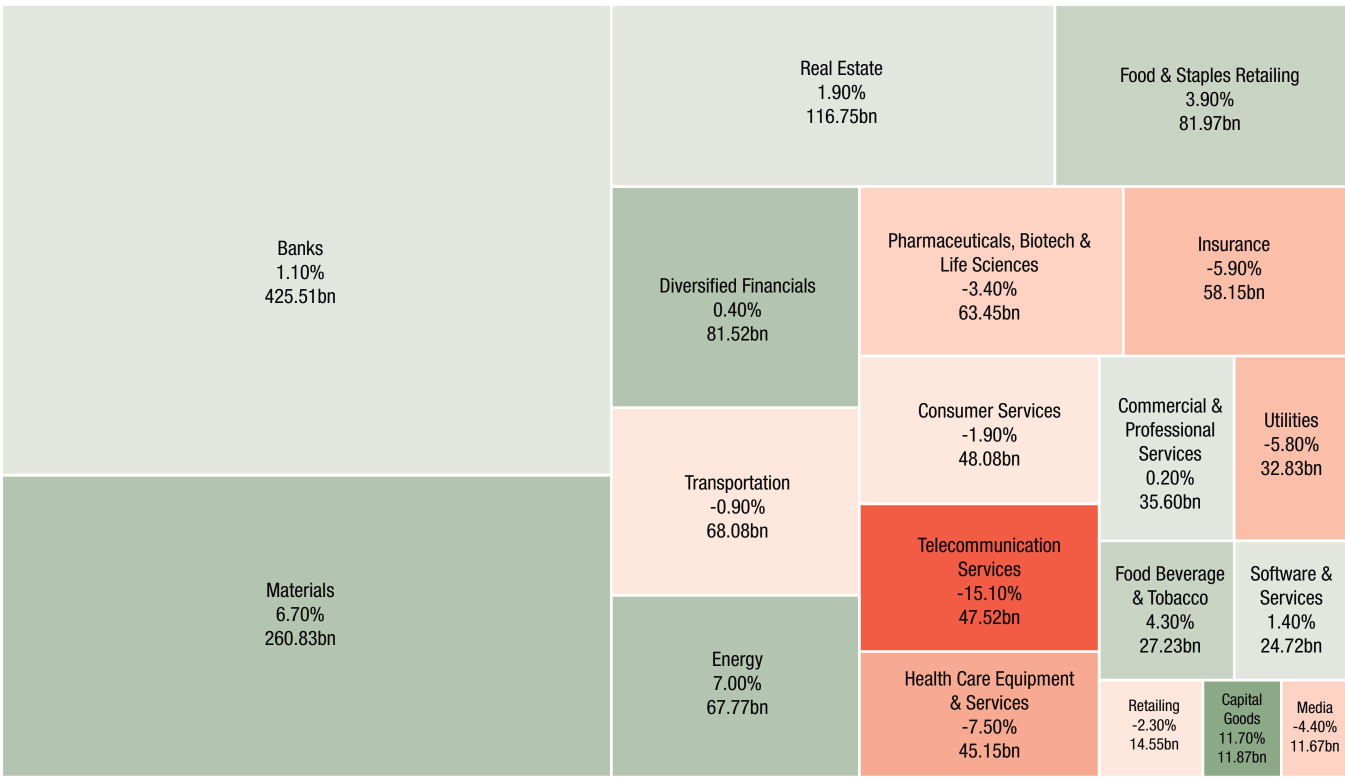
September Quarter 2017 Performance

The Australian Share Market, as measured by the S&P/ASX 300 Index, fell by 0.6% on a price basis but rose by 0.8% on an accumulation basis during the September quarter, continuing a pattern of low returns.

Looking beneath the index level, however, there was much movement with the best performing sector – Capital Goods – outperforming the worst performing sector – Telecommunications - by 28.2%. Although the Capital Goods sector, led by Cimic Group (CIM) was the best percentage performer over the quarter, being up 9.9% on a price basis and 11.7% on an accumulation basis, it was the Materials Sector, led by BHP Billiton (BHP) which moved the index the most with a $13bn increase in market value. The Telecommunications sector – with a 18.8% fall in index heavy weight Telstra (TLS) took $11.7bn of market value off the index. Another sector to perform poorly – after years of strong performance – was the Health Care Equipment and Services sector which fell 8.8%. Ramsay Health Care (RHC) fell 15.4% and other hospital related stocks fell heavily as a combination of private health insurance reform and concerns about new supply coming on stream kept investors wary.

Cyclical stocks broadly outperformed defensive stocks as investors sought to rotate their portfolios into companies expected to benefit from improving, synchronised world growth. Energy, Materials and capital Goods sectors all performed well, whereas the more defensive Utilities and Insurance sectors performed poorly. A 9.1% fall in CBA shares was offset by 3-6% rises in the other big four banks to neutralise the Bank sector's impact on the index.

Global markets performed well in the September quarter, even in spite of a 2.3% increase in the Australian dollar over the period. NASDAQ index was up 5.8% as technology stocks continued their recent strong gains, the broader S&P500 was up 4.0%, European stocks up 4.3% and the World index was up 3.9%. Fixed income markets went backward as bond yields rose, with the Bloomberg AusBond Composite (0+Y) Index down 0.1%.



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

The Research Team

At Shaw and Partners, we don't simply repackage publicly available information. Our analysts visit key companies and spend time with management, competitors, suppliers and customers of businesses to understand the company at a grassroots level, from which they can generate unique insights and unearth commercial opportunities that are otherwise missed by the broader market.

Martin Crabb
Chief Investment Officer

Martin joined Shaw and Partners in April 2011. Prior to joining Shaw and Partners, Martin was an Executive Director at 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.

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 of experience in financial markets. He commenced his career with CCZ Statton Equities and previously worked with Aegis Equities, Westpac, Commonwealth Bank and StoneBridge Group where he was Head of Research. Danny holds a Bachelor of Science from the University of Sydney and has completed FINSIA's Graduate Diploma of Applied Finance and Investment (GDipAppFin).

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 his career 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. Darren holds a Bachelor of Economics from the Australian National University.

Peter Zuk
Senior Analyst, Real Estate

Peter joined Shaw and Partners in October 2015 as a 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.

Peter O'Connor

Senior Analyst, Metals and Mining

Peter joined Shaw and Partners in January 2015 as a 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. Peter also held operational roles with Rio Tinto and BHP Billiton for over 10 years. Peter has a Bachelor of Engineering (Mining) from the University of New South Wales (First Class Honours and the University Medal).

David Spotswood

Senior Analyst, Financial Services, Telecommunications

David joined Shaw and Partners in February 2012 as a Senior Analyst covering the Banks, Diversified Financials, Insurance, Media and Telecommunications companies. David has over 20 years' experience and previously worked as Research Officer and Economist with the Commonwealth Treasury & Department of Finance, Senior Investment Manager with HSBC Asset Management, Investment Manager at 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.

Stuart Baker

Senior Analyst, Oil and Gas

Stuart joined Shaw and Partners in February 2017 and brings 38 years of experience in the oil industry and financial markets. Stuart worked as a Petroleum Engineer for oil-field service company Schlumberger throughout South East Asia for several years, followed by 28 years in stockbroking as a rated analyst for Bankers Trust, Macquarie Equities and most recently, Morgan Stanley. Stuart holds a Bachelor of Engineering (Electrical) and MBA (Finance) from University of Melbourne & Graduate School of Management, is a Member of the Society of Petroleum Engineers and Member of the Australian Institute of Directors.

Matthew Johnston

Analyst

Matthew joined Shaw in August 2015 as an Associate Analyst in the Research team. Prior to Shaw, Matthew spent over 4 years' at State Street Australia Limited. Most recently, he was part of the Investment Analytics team carrying out performance and attribution analysis for Asset managers across multiple asset classes. Matthew holds a Bachelor of Commerce from the University of Sydney with majors in Finance and Economics.

Annabel Riggs

Analyst

Annabel joined Shaw in February 2015 as an Associate Research Analyst and assists with the coverage of Banks, Insurance and Telecommunication companies. Prior to joining Shaw she worked as an Product Analyst at Bendigo and Adelaide Bank, where she helped manage the consumer lending portfolio. Annabel holds a Bachelor of Finance and Bachelor of Commerce (International Business) from the University of Adelaide.

Jonathon Higgins

Analyst

Jonathon joined Shaw and Partners in July 2017 as an Analyst in the Small-Cap team. Jonathon previously worked as an equities research analyst at Bell Potter Securities for 2 years in both a research and research dealing role, covering industrial and technology focussed companies. Jonathon holds a Bachelor of Science (Civil Systems) from the University of Melbourne and a Master of Commerce (Finance) from RMIT University.

Large Cap Model Portfolio

Our Australian Large Cap Model Portfolio outperformed the benchmark S&P/ASX 100 Index last month, adding 60 basis points (0.6%) performance in what was an otherwise flat month. Over the past quarter and year, our portfolio has added 300 and 700 basis points in outperformance respectively. We close our underweight position to food retailing and trim our gold position.

Another solid month of relative returns. The Australian share market seems stuck in the doldrums. A combination of weak economic activity, low wages growth and poor consumer spending has made profit growth difficult to come by. This, along with relatively full valuation has resulted in share prices moving sideways in September. Our portfolio performed better than the index in part due to our large overweight to the banking sector – which rose 2% above the index, but more importantly thanks to strong price performance from Lendlease (LLC) and Clydesdale Bank (CYB). During the month we have trimmed LLC in favour of Stockland Group (SGP), as well as exiting QBE Insurance (QBE) in favour of adding to our positions in Westpac Bank (WBC) and favoured Energy stocks Oil Search (OSH) and Woodside (WPL).

Stay long the big banks heading into reporting season. We maintain a large overweight position to the Banking sector, dominated by our 4% overweight position to both CYB and Westpac Bank (WBC). Recent APRA banking statistics show credit growth continues to grow at 5%-6%, bad and doubtful debts remain well contained, house price growth remains positive albeit slowing and net interest margins have recently expanded following mortgage rate hikes for investors and interest only borrowers. All of these factors are pointing toward a robust profit reporting season which kicks off with Bank of Queensland on October 12th.

Keep the finger on the resources trigger but don't pull yet. We remain positive on world growth and consider the hedge against inflation to be the most important one for portfolio managers to consider. Last month we pulled back some of our resources overweight as we felt "overbought" and were heading into a seasonally weak period for Chinese demand as steel mills shut down for pollution control. We maintain a 1% overweight to resources after cutting back our position in gold as it seems a diplomatic solution is the likely outcome to the North Korean situation.

We have long held an underweight to Australian Food Retailing, but think this less relevant now. We added Woolworths to our portfolio earlier in 2017 and now think the case to be underweight Wesfarmers (WES) is not so strong. We predict a low double digit return including dividends from the stock over the next twelve months. This takes us to "market weight" the supermarkets, with a slight preference for WOW over WES.

Additions		Reductions	
WES	2.00	NCM	(2.00)
	2.00		**(2.00)**

Model Portfolio @ 29 September 2017		
WBC	Westpac Banking Corporation	11.30%
CBA	Commonwealth Bank of Aust	9.60%
NAB	National Australia Bank	8.10%
BHP	BHP Billiton	7.60%
ANZ	ANZ Banking Group	5.70%
MQG	Macquarie Group	5.30%
OSH	Oil Search	4.60%
RIO	Rio Tinto	4.40%
CYB	Clydesdale Bank	4.30%
SUN	Suncorp Group	3.50%
MGR	Mirvac Group	3.40%
BOQ	Bank of Queensland	3.30%
SGP	Stockland	3.20%
MFG	Magellan Financial Group	3.10%
FLT	Flight Centre Travel Group	3.00%
WOW	Woolworths	3.00%
LLC	Lendlease Group	2.70%
ILU	Iluka Resources	2.20%
CGF	Challenger	2.10%
WPL	Woodside Petroleum	2.00%
OZL	OZ Minerals	2.00%
WES	Wesfarmers	2.00%
VCX	Vicinity Centres	2.00%
NCM	Newcrest Mining	1.60%
	Total	**100.0%**

Recommendation

After peaking on May 1st, the S&P/ASX 100 index has fallen 2.2% in price terms. Our model portfolio has risen 1.25% over the same period, highlighting the importance of stock selection and active management in a low return environment. With an expected return of 9.5% including dividend yield of 4.5%, we expect investors will continue to have to work hard to achieve results typically associated with equity investment. We remain neutral to equities in a balanced portfolio setting.

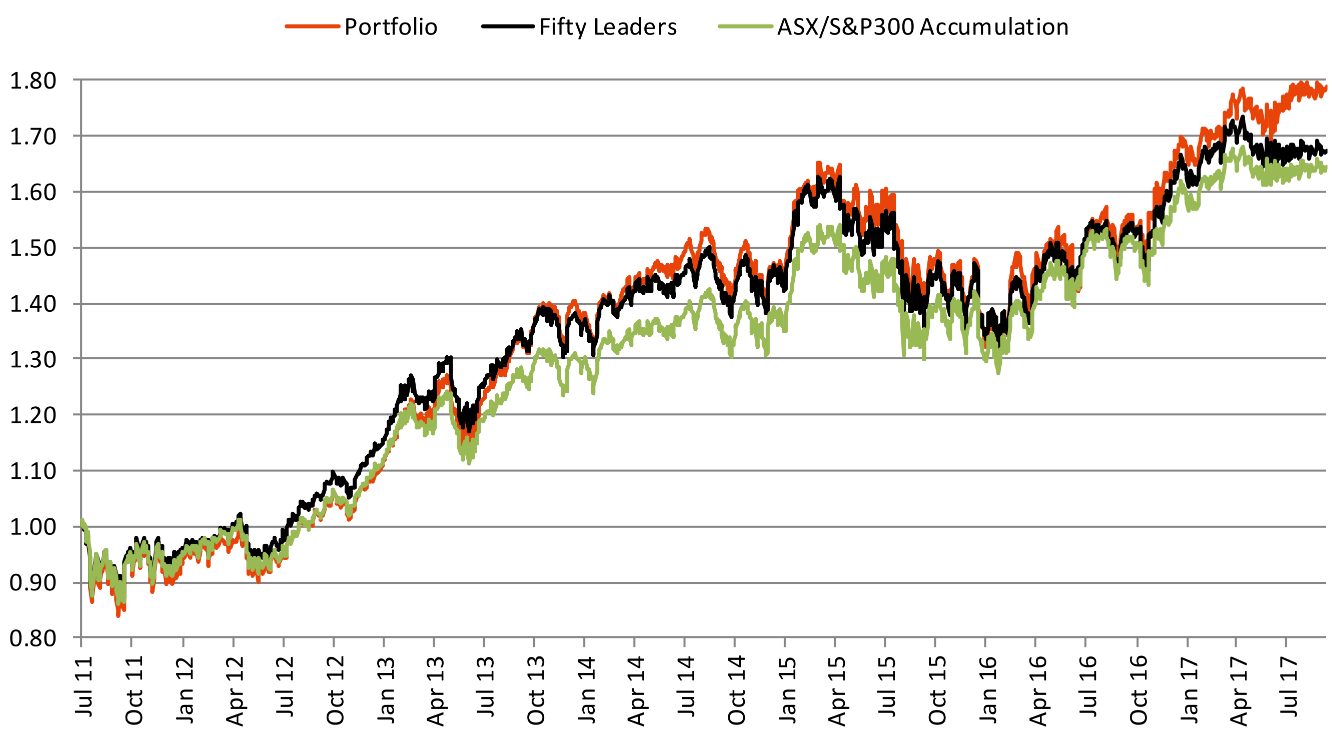
To obtain the latest Shaw Model Portfolio report, please contact your Shaw adviser.

Portfolio Attribution

The strongest contributors to relative and absolute performance last month came from two relatively long held positions in Clydesdale Yorkshire Banking Group PLC (CYB) and Lendlease Group (LLC). We believe that there is further upside to CYB and maintain our position there, but feel that LLC has run hard and took profits in the stock during the month. We still like LLC longer term, but can see it having a breather before moving higher.

We cut our position in QBE Insurance (QBE) before it could do any further damage to the portfolio and see the potential for a rebasing on profit expectations on an incoming CEO to be a likely event and one worth avoiding if possible. We missed the strong bounce in South32 (S32) making it the largest detractor to relative performance.

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.

Portfolio Holdings – Top 5		
ASX Code	**Issuer**	**Security Type**
WBCPG	Westpac Bank	Capital Note IV
NABHA	Nat Aust Bank	Income Sec
CBAPD	Comm bank	PERLS VII
WBCPF	Westpac Bank	Capital Note III
NABPC	Nat Aust Bank	Capital Note

Portfolio Characteristics

Expected Yield to Call/Maturity (including franking):	5.2%
Expected Gross Running Yield (including franking)	5.1%
Expected Cash Running Yield (not including franking)	3.7%
Expected Years to Maturity	5.6
Number of Securities	22
Floating Rate exposure	100%
Fixed Rate Exposure	0%

Markets Returns

Return	1 Month	3 Month	1 Year
ASX200 Accumulation	-0.02%	6.68%	9.24%
RBA Cash Rate	0.13%	0.38%	1.51%

Portfolio Highlights

- A total of sixteen securities traded ex-distribution during the month, resulting in a gross income return for the month of 1.27% and 1.57% for the quarter.
- The Total portfolio return has exceeded its return objectives based on a period of 1 month, 3 months, 6 months, 12 months and since inception. For the month the total portfolio return was 0.82%, above its objective of 0.40%. The total portfolio return for the quarter was 1.57%, higher than its return objective, 9.3% for the 12 month period and 8.23% pa since inception (Sep 2015).
- The Total Income Return (Gross) was 1.27% for the month and 1.57% for the quarter, whilst the commensurate income return since inception (Sep 2015) is +5.79% p.a.
- The main contributors to performance during the month were MQGPB (+2.8%), ANZPG (+1.8%), and CBAPF (+1.8%).
- The main detractors to performance during the month were NABPB (-0.5%), NABHA (-0.5%), and WBCPD (-0.2%).
- The Five top securities that traded ex-distribution during the month were MQGPB, ANZPF, MBLPA, WBCPC and CBAPE.
- During the month we increased our exposure in CBAPD and CBAPF from the higher allocation to cash we had a result of exiting CTXHA in August.
- The portfolio continues to enjoy favourable income returns in a period where large new issues are heavily bid for and supply is scarce. We continue to see re-allocation from Equity based portfolios looking for a lower risk alternative.

Portfolio Performance

Return	1 Month	3 Month	6 month	1 year	2 year	Inception
Income Return (Gross)	1.27%	1.57%	2.64%	5.23%	5.54%	5.79%
Capital Return	-0.45%	0.17%	1.06%	4.07%	2.87%	2.44%
Total Portfolio Return (Gross)	0.82%	1.74%	3.70%	9.30%	8.41%	8.23%
Portfolio Return Objective	0.40%	1.10%	2.30%	4.60%	4.80%	4.80%
Excess Return v Objective	0.42%	0.64%	1.40%	4.70%	3.61%	3.43%

Our Preferred Stocks

Audinate Group (AD8)
Audinate Group (AD8) engages in the development and commercialization of audio visual software and hardware. Its products include chips, modules, and cards with embedded software; reference designs; and software to enable network configuration and management under the Dante brand.

Bank of Queensland (BOQ)
Bank of Queensland (BOQ) is a full service financial institution. The Bank operates retail branches, business banking centres, and equipment finance centres throughout Australia and New Zealand. Bank of Queensland also operates an automated teller machine (ATM) network throughout Australia.

Clydesdale Bank (CYB)
Clydesdale Bank (CYB) provides commercial banking services for retail and institutional customers. The Company offers savings accounts, telephone banking, insurance, investment management, loans, credit cards, cash management accounts, financial planning, mortgage, and internet banking. CYB operates in the United Kingdom.

Flight Centre Travel Group (FLT)
Flight Centre Travel Group (FLT) is engaged in travel agency business. The Company provides a complete travel service for leisure and business travellers in Australia, New Zealand, the United States, Canada, the United Kingdom, Africa, Middle East, Asia, New Zealand, and Europe. FLT consists of more than 30 brands with four categories of brands which are Leisure, Corporate, Wholesale and other. The flagship brand is Flight Centre leisure brand.

Macquarie Group (MQG)
Macquarie Group (MQG) offers banking, financial advisory, investment and funds management services. The Company offers financial advice, cash management, wealth management and private banking, life insurance, securities brokerage, corporate debt financing, real estate funds management, real estate development financing, investment funds management, and foreign exchange services.

Oil Search (OSH)
Oil Search (OSH) explores for and produces gas and oil through operations in Papua New Guinea. The Company's activities are located in the Papuan Highlands which include the Kutubu, Hides, and Gobe oil and gas projects.

OZ Minerals (OZL)
OZ Minerals (OZL) is an Australian based mining company with a focus on copper. The Company owns and operates the Prominent Hill copper-gold mine and the Carrapateena copper-gold project located in South Australia and has a number of equity interests in listed resource companies.

Rio Tinto (RIO)
Rio Tinto (RIO) is an international mining company. The Company has interests in mining for aluminium, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide feedstock, diamonds, talc and zircon. Dually-listed company with RIO LN.

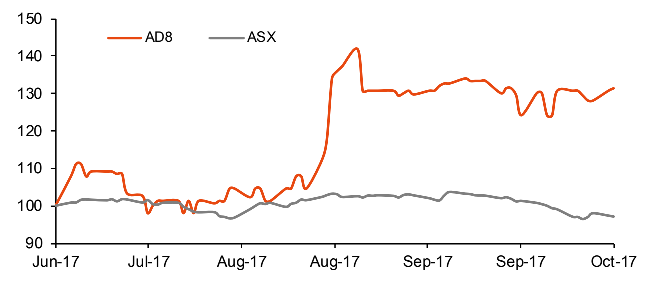
Stockland (SGP)
Stockland (SGP) is a diversified Australian property group. The Group develops and manages Retail centres, Residential Communities and Retirement Living assets with a focus on regional centres and outer metropolitan. Stockland also owns a portfolio of Office and Industrial assets.

Woodside Petroleum (WPL)
Woodside Petroleum (WPL) explores for and produces oil and gas from offshore and onshore facilities located in Western Australia and Northern Territory. The Company operates numerous oil and gas fields and pipelines throughout Australia, United States and Mauritania and its products include liquefied natural gas, domestic gas, condensate, crude oil and liquefied petroleum gas.

Audinate Group (AD8)

Recommendation	BUY
Risk	HIGH
Share Price (as at 18 October 2017)	$2.00
Target Price	$2.20
Analyst	Danny Younis

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	(1.6%)	1.7%	(10.8%)

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

Tech Leader, Global Standard, High Growth, Strong Returns, Attractive Outlook

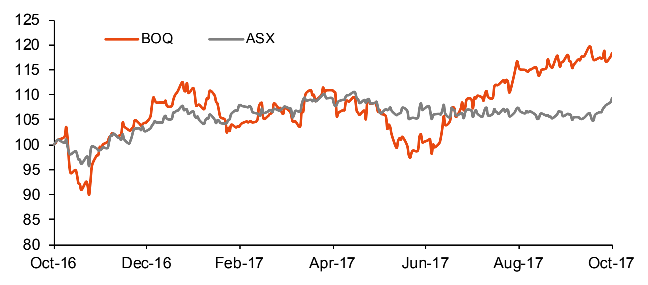
- Audinate (AD8) is a very attractive Australian technology story with a large addressable market and a clear path to profitability with sound (and increasing) underlying fundamentals (gross margins over 75% [FY18F 76%] and FY18 sales growth over 30% in USD terms).
- AD8's growth strategy is multi-faceted. The company seeks to:
  1. grow the OEMs adopting Dante;
  2. increase the adoption of Dante within existing customers' product portfolios;
  3. drive other market participants' adoption of Dante; and
  4. deliver new products and services to both OEMs and end-users (e.g. Dante Domain Manager, adapters, video, etc.).
- All intellectual property is wholly-owned by AD8. AD8 believes that its high gross margins are reflective of the intellectual property that is embedded in its products.
- AD8 reaffirms its FY18 outlook as disclosed in the Prospectus dated 13 June 2017. Based on AUD / USD exchange rate of 77c, the company expects revenue of $18.6m and EBITDA loss of A$1.2m – Shaw and Partners in line with those projections.
- Number of Dante-enables products on market continues to grow, increasing 310 from 872 in pcp to 1,182, or >5x the market adoption of its closest competitor, CobraNet, with c. 200 products – with the number of OEMs also rising from 310 in pcp to 369. The number of Dante units shipped has grown 48% from 122k to 181k, or 5% better than forecast (comprising 70% growth in Ultimo vs. 30% for Brooklyn).

Forecasts			
YE 30 June (AUD)	2017 (A)	2018 (E)	2019 (E)
Earnings cps	(1.8)	(2.6)	0.1
Dividends cps	0.0	0.0	0.0
PE x	(86.2)		
Yield %	0.0%		
Franking %	100	100	100

Bank of Queensland (BOQ)

Recommendation	BUY
Risk	MEDIUM
Share Price (as at 18 October 2017)	$13.27
Target Price	$13.02
Analyst	David Spotswood

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	7.8%	0.3%	6.1%

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

Lining Up All Their Ducks

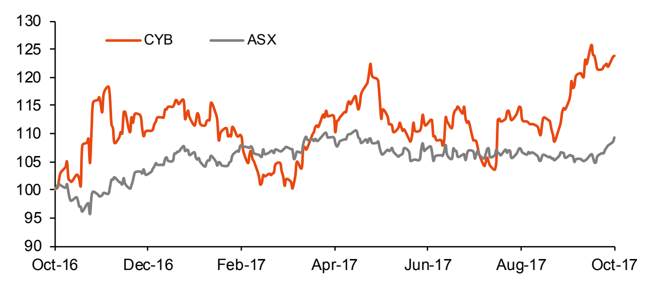
- Key Focus: Bank of Queensland (BOQ) is doing a good job managing costs, bad debts and capital, surprising the market with an 8cps special dividend. Key for BOQ now is managing the volume margin trade off in a low growth environment. We now forecast 4-5% revenue growth and 1.5% cost growth in FY18 which should mean the stock has ~4% earnings per share growth assuming bad debts remain well behaved. On a 6.9% dividend yield, the stock should generate a high single digit total shareholder return.
- Capital Very Strong: ARPA requires CET1 of 8.5%, BOQ set at 9.25%, so can't justify capital levels above that. Have a lot of flexibility to return capital, spend on IT investment ($15m-$30m).
- Net Interest Margin: Will be up in 1H18.
- Bad Debts well behaved: Outlook remains positive, no signs of stress. Exposure to high risk areas (mining and apartment markets) very low. Provisioning remains strong, at 160% of impaired assets. We assume bad debts lift slightly in FY18 to 12bps of gross loans.

Forecasts			
YE 31 Aug (AUD)	2017 (A)	2018 (E)	2019 (E)
Earnings cps	93.9	97.8	100.1
Dividends cps	84.0	88.0	80.0
PE x	13.4	12.1	11.8
Yield %	6.7	7.5	6.8
Franking %	100	100	100

Clydesdale Bank (CYB)

Recommendation	BUY
Risk	HIGH
Share Price (as at 18 October 2017)	$5.22
Target Price	$6.09
Analyst	David Spotswood

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	3.7%	4.3%	19.3%

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

Good Bottom Up Story with Macro Starting to Turn

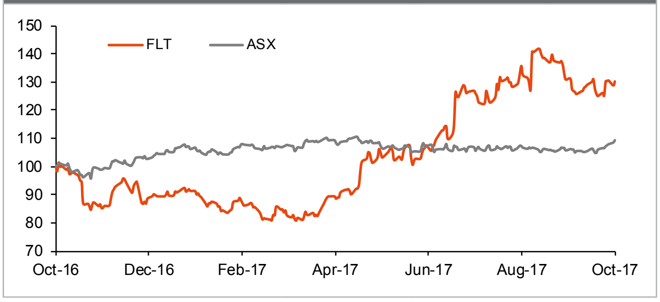
- Clydesdale Bank (CYB) is a good bottom up story with potential macro tailwinds.
- Bottom Up Momentum: CYB's 3Q17 trading update was positive with margins up, good volumes good, loan losses down and management are ahead on the cost out story.
- Macro: Official Data Shows Inflation now 3.0%, this is well above the Bank of England's 2.0% target. We currently assume 75bps of cash rate increases in the UK by the end of 2019, which would lift cash rates to 1.0%. This results in an 8bps increase in margins in 2019.
- Higher cash rates a positive – £10.7bn current account will not reprice with higher rates. We assume 60% competed away. This could prove conservative, and obviously a 1% cash rates is still low.
- CYB report their FY17 result on the 21st November.

Forecasts			
YE 30 Sep (GBP)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	16.3	21.0	26.6
Dividends cps	0.0	4.2	10.6
PE x	15.9	13.4	10.6
Yield %	0.0	1.5	3.8
Franking %	0	0	0

Flight Centre Travel Group (FLT)

Recommendation	BUY
Risk	MEDIUM
Share Price (as at 18 October 2017)	$45.44
Target Price	$52.00
Analyst	Darren Vincent

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	19.4%	24.0%	31.1%

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

Conviction Remains; Price Weakness Provides Chance to Top Up

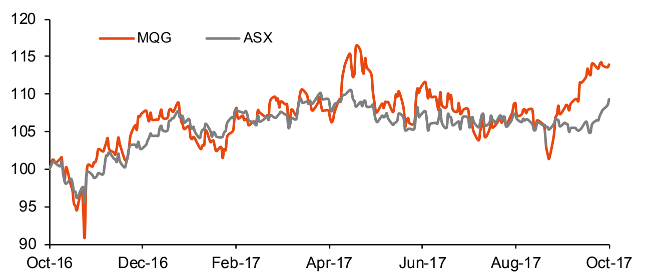
- While Flight Centre Travel Group (FLT) has retraced some of the gains made over 2Q17 our conviction in our BUY rating remains. There has been little significant news flow since FLT reported its results in August that has been relevant to our investment view (including its 11 Oct conference presentation pack), especially compared to the company's significant change in focus towards minimizing cost growth announced with its FY17 results.
- With its results, FLT provided an increased level of visibility into the curtailing of cost growth (Mel Waters- Ryan with key executives has taken responsibility for minimising cost growth), expectations re income and net margins, a change of business mix going forward and top line initiatives. It also stated that it is targeting a return to 2% net margin (PBT as a % of TTV) within 3-5 years, adding that many of its businesses are doing better than this now!
- FLTs AGM on 9 November is expected to provide the next significant news flow. FLT has stated that it will provide FY18 guidance at its AGM. We will also be looking for further commentary around the program to curtail cost growth. Guidance could be significant to both short and longer term consensus forecasts given that little of FLT's aspirational 2% net margin has been factored into longer term consensus forecasts.

Forecasts			
YE 30 June (AUD)	2017 (A)	2018 (E)	2019 (E)
Earnings cps	228.5	254.9	282.2
Dividends cps	139.0	154.5	170.9
PE x	16.8	17.1	15.4
Yield %	3.6	3.5	3.9
Franking %	100	100	100

Macquarie Group (MQG)

Recommendation	BUY
Risk	MEDIUM
Share Price (as at 18 October 2017)	$92.93
Target Price	$102.44
Analyst	David Spotswood

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	2.3%	3.5%	23.4%

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

Attractive Valuation

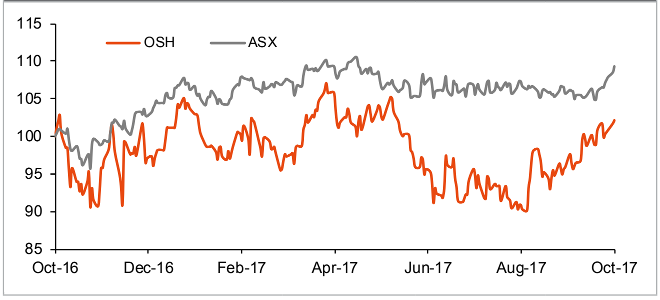
- Reconfirmed FY18 guidance: Macquarie Group (MQG) have reconfirmed guidance of flat earnings twice in the last three months. We have earnings up 4%. MQG are now saying they expect 1H18 earnings to be up on pcp, and broadly in line with 2H17 due to performance fees. Looks like have started the year well. Second half earnings normally higher than first half, if we double 2H17 profit get 5% growth, which seems reasonable.
- FX: 63% of MQG's earnings are offshore, the average AUDUSD rate was c75 last year, if the currency falls this will be positive for MQG.
- Valuation: ex upcoming dividend MQG is on 13.5x and continues to looks attractive versus peers.
- MQG report 1H18 results on Friday 27th October.

Forecasts			
YE 31 Mar (AUD)	2017 (A)	2018 (E)	2019 (E)
Earnings adj cps	644.2	690.7	731.7
Dividends cps	470.0	503.9	533.9
PE x	14.0	13.0	12.2
Yield %	5.2	5.6	6.0
Franking %	45	45	45

Oil Search (OSH)

Recommendation	BUY
Risk	HIGH
Share Price (as at 18 October 2017)	$7.17
Target Price	$7.50
Analyst	Stuart Baker

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	(6.6%)	(8.1%)	(13.9%)

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

Beating Expectations

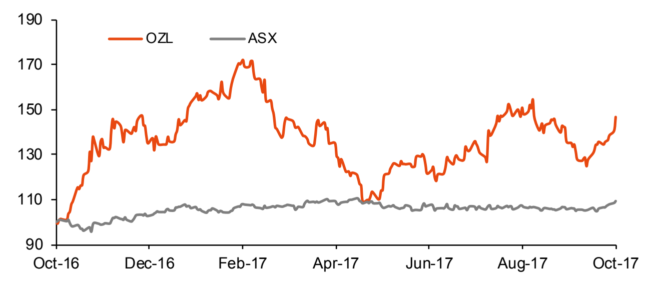
- The Exxon-operated PNG LNG plant continues to perform at above name-plate rates, resulting in FCF expansion and reduction in unit cash and non-cash costs. In Q3 2017, the plant operated at 8.6MTP, far higher than the original 6.6 MTPA design rate.
- The balance sheet is strong and cash generation is robust at current oil prices. Capex and opex for CY2017 have been guided lower. Cash on hand rose to US$1.1B and net debt fell to US$2.67B at September 30.
- Longer term LNG expansion plans are progressing with JV partners in both the Total and Exxon operated ventures planning to submit a co-ordinated development plan to the PNG Government in late 2017. Engineering and gas marketing activities are planned to begin in 2018.

Forecasts			
YE 31 Dec (USD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	7.0	15.0	16.6
Dividends cps (AUD)	4.7	9.5	10.6
PE x	74.2	33.3	30.3
Yield %	0.7	1.5	1.7
Franking %	0	0	0

OZ Minerals (OZL)

Recommendation	BUY
Risk	HIGH
Share Price (as at 18 October 2017)	$8.47
Target Price	$10.40
Analyst	Peter O'Connor

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	1.6%	(9.8%)	11.7%

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

SQ Report: CY17 Costs/Prodn Tracking To Guidance

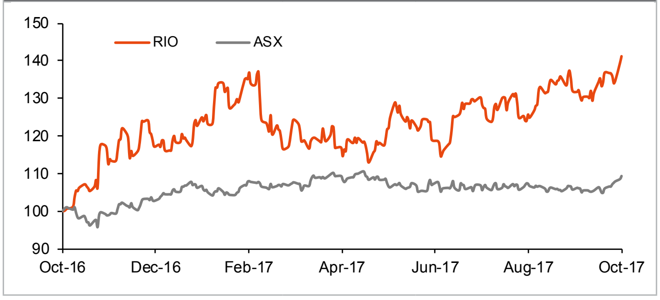
- Power prices: OZ Minerals (OZL) plans on a cheaper tomorrow – The new power price kicked (previously flagged) in for SQ17 accounting for almost all the uptick in site processing costs. OZL is positioning for the current phase of power price tightness to "transition" to easier prices over the next year or so. Current deal at Prominent Hill runs thru end FY18 and power deal NOT required at Carrapateena until mid-2019 (NB Transmission agreement secured).
- Key production details: Total copper 28,880t, total gold 29,264oz, C1 Cash Costs (US91 cents/lb, Cash balance of A$639M (unaudited) at 30-Sep-17 with no debt.
- Guidance on track: All production metrics on track to hit FY17 guidance (maintained prior targets): Copper production 105-115Kt; Gold production 115-125Koz and C1 Cash Costs (US cents/lb) 85 - 95.
- BUY OZL: One of the key names in our BUY bucket along with nickel, copper, big caps and Iluka. Recent performance has lagged the underlying commodity mix (AUD terms) as with other copper names. We expect the continued delivery to plan of the Carrapateena project to be key to closing this gap. Separately, we love the new office location. such a shareholder positive development.

Forecasts			
YE 31 Dec (AUD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	37.1	51.9	46.4
Dividends cps	20.0	20.0	11.0
PE x	21.3	14.4	16.1
Yield %	2.5	2.7	1.5
Franking %	50	100	100

Rio Tinto (RIO)

Recommendation	BUY
Risk	MEDIUM
Share Price (as at 18 October 2017)	$70.92
Target Price	$75.00
Analyst	Peter O'Connor

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	3.1%	7.8%	26.7%

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

SQ Report: Iron Ore, Tio2, Aluminium, Coal; Copper Weakness Covered By Price Uptick

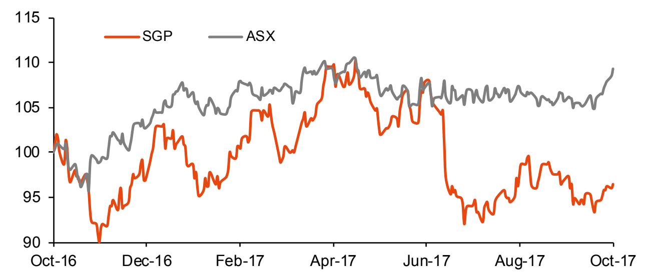
- First pass thoughts: Numbers look Ok – As usual a lot of data points and a lot of potential "noise". But for mine always focus first where the money is made ie iron ore, aluminium and copper – two of the holy trinity have delivered good production/sales as well as supportive price backdrops = earnings OK. Copper disappointingly slipped again but Escondida is due to come back with a wet sail over the next few quarters.
- The key numbers: The three major earnings drivers for RIO – iron ore copper and aluminium delivered the following for SQ 2017 (sequential moves); Pilbara iron ore production (100% basis) 85.8Mt, +11%Q/Q, Mined Copper 121 kt (3%)Q/Q, Aluminium 887kt, flat Q/Q.
- Iron ore: Heading for a record CY17 (330mt) and a record DQ (356mt rate required) to bring home the bacon. Given seasonal patterns this looks achievable given DQ usual delivers around 27-28% of annual shipments - ~90mt.
- BUY RIO. Check out the valuation trends - earnings trend has turned and valuation metrics can stretch (significantly) higher - over time - with ongoing economic and of the Coal and Allied asset sale.

Forecasts			
YE 31 Dec (USD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	282.9	402.4	358.5
Dividends cps (AUD)	190.2	262.3	228.9
PE x	15.3	12.1	13.6
Yield %	3.3	4.1	3.7
Franking %	100	100	100

Stockland (SGP)

Recommendation	BUY
Risk	LOW
Share Price (as at 18 October 2017)	$4.37
Target Price	$4.83
Analyst	Peter Zuk

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	(10.7%)	(6.4%)	(21.4%)

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

Diversified Business Model And Strong Balance Sheet Leaves It Well Positioned For Growth

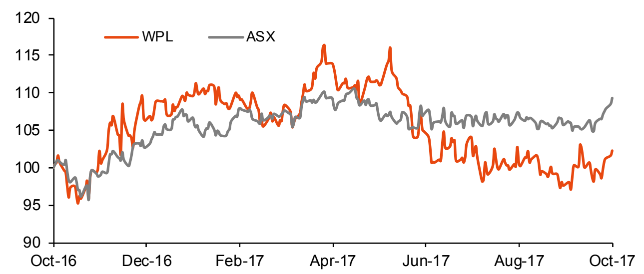
- Stockland (SGP) diversified business model and strong capital position leaves it well placed to pursue investment opportunities across a multitude of real estate sectors as/when they present themselves. As at 30 Jun 2017, SGP's gearing was 22.7%, and with a weighted average cost of debt of 5.4%, if anything, we see SGP benefiting from interest rate tailwinds rather than headwinds if rates rise in Australia.
- Its investment portfolio is dominated by exposure to the Retail sector – and like all retail landlords, SGP is facing challenges due to market conditions (not simply due to the risk of online retailing). However, occupancy remains high at 99.5% and we remain confident that SGP can successfully manage its tenant mix to keep positive rental growth across the portfolio.
- The Residential business is performing well, with record low volumes achieved in FY17. SGP has diversified its product offering into medium density housing as well as land sales. We think this increased product offering, plus its ongoing focus on first homebuyers and the more affordable end of the housing market, leaves it is well positioned. Pre-sales of 5,811 lots as at 30 Jun 2017 suggest another strong year for this division in FY18.

Forecasts			
YE 30 June (AUD)	2017 (A)	2018 (E)	2019 (E)
Earnings cps	30.5	32.6	34.1
Dividends cps	25.5	26.5	27.8
PE x	14.3	13.3	12.7
Yield %	5.8	6.1	6.4
Franking %	0	0	0

Woodside Petroleum (WPL)

Recommendation	HOLD
Risk	HIGH
Share Price (as at 18 October 2017)	$29.79
Target Price	$32.00
Analyst	Stuart Baker

Share Price Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	(5.9%)	(5.7%)	3.7%

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

Highest Quality Assets In The Australian Industry

- Woodside Petroleum (WPL) suite of LNG and oil assets are world class in terms of low cost and high operating margins, enabling WPL to invest in growth through the oil price cycle.
- There is near term production growth in LNG from Wheatstone which has just entered production, to be followed by oil from thee Greater Enfield development in 2019. Large oil discoveries offshore Senegal, West Africa are planned for development in the 2021-2023 timeframe.
- Undeveloped gas resources in the Browse Basin, and other gas assets offshore WA, are candidates for future production through the existing 5 NG trains at Karatha as the existing north west shelf gas fields enter decline beyond 2020.

Forecasts			
YE 31 Dec (USD)	2016 (A)	2017 (E)	2018 (E)
Earnings cps	103.9	103.9	118.0
Dividends cps (AUD)	111.6	108.3	120.6
PE x	21.7	22.0	19.4
Yield %	3.7	3.6	4.1
Franking %	100	100	100

Recommendation Definitions

RATING CLASSIFICATION

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
Low	Lower risk than the overall market.

Disclaimer

Shaw and Partners Limited ABN 24 003 221 583 ("Shaw") is a participant of ASX Limited, Chi-X Australia Pty Limited and holder of Australian Financial Services licence number 236048.

ANALYST CERTIFICATION

The Research Analyst who prepared this report hereby certifies that the views expressed in this document accurately reflect the analyst's personal views about the Company and its financial products. The Research Analyst has not been, is not, and will not be receiving direct or indirect compensation for expressing the specific recommendations or views in this report. As at the date of this report, the Research Analyst does have an interest in the financial products of ANZ, BHP, BOQ, CBA, CYB, LLC, MQG, NAB and SUN.

DISCLAIMER

This report is published by Shaw to its clients by way of general, as opposed to personal, advice. This means it has been prepared for multiple distribution without consideration of your investment objectives, financial situation and needs ("personal circumstances"). Accordingly, the advice given is not a recommendation that a particular course of action is suitable for you and the advice is therefore not to be acted on as investment advice. You must assess whether or not the advice is appropriate for your personal circumstances before making any investment decisions. You can either make this assessment yourself, or if you require a personal recommendation, you can seek the assistance of your Shaw client advisor. This report is provided to you on the condition that it not be copied, either in whole or in part, distributed to or disclosed to any other person. If you are not the intended recipient, you should destroy the report and advise Shaw that you have done so. This report is published by Shaw in good faith based on the facts known to it at the time of its preparation and does not purport to contain all relevant information with respect to the financial products to which it relates. Although the report is based on information obtained from sources believed to be reliable, Shaw does not make any representation or warranty that it is accurate, complete or up to date and Shaw accepts no obligation to correct or update the information or opinions in it. If you rely on this report, you do so at your own risk. Any projections are estimates only and may not be realised in the future. Except to the extent that liability under any law cannot be excluded, Shaw disclaims liability for all loss or damage arising as a result of any opinion, advice, recommendation, representation or information expressly or impliedly published in or in relation to this report notwithstanding any error or omission including negligence. This publication has been prepared in accordance with Shaw's Research Policy. A copy of the Policy can be found at www.shawandpartners.com.au.

DISCLOSURE

Shaw will charge commission in relation to client transactions in financial products and Shaw client advisors will receive a share of that commission. Shaw, its authorised representatives, its associates and their respective officers and employees may have earned previously, or may in the future earn, fees and commission from dealing in the Company's financial products.

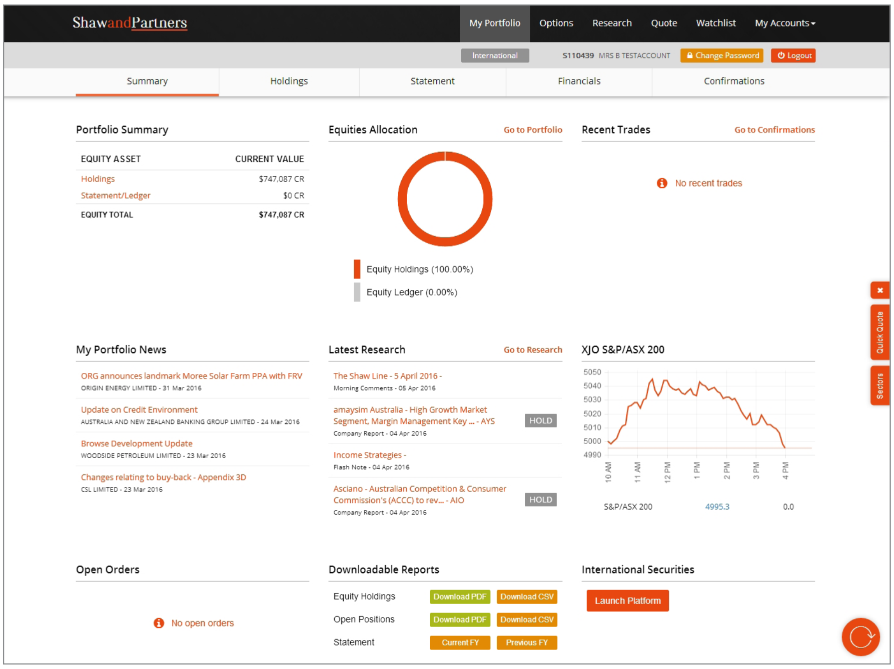
Shaw acted for AD8 in a corporate capacity within the past 12 months for which it received a fee.

RISK STATEMENT

Where a company is designated as 'High' risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

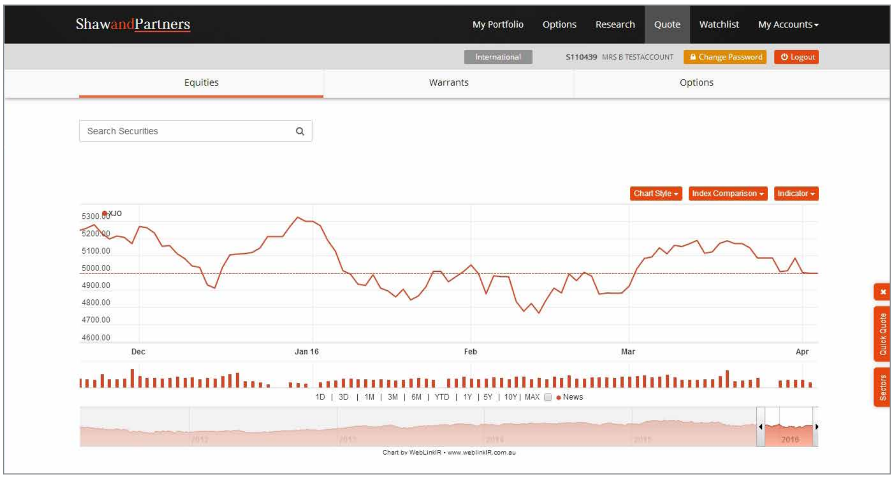
Online Portfolio Login

As a Shaw and Partners client, you are provided with free, secure online access to view your portfolio anytime, anywhere.



Wide range of information included

- Transaction history
- Access to Shaw's research library
- Details of your CHESS holdings and derivatives positions
- Cash balances in your cash management account
- Access to confirmations and statements records of each trade you have made through Shaw
- 20 minute delayed ASX prices, quotes, announcements, company profiles and historical prices, and
- 'Watch lists' along with a charting package to compare ASX listed stocks.



To register for online access please speak to your adviser, alternatively visit http://www.shawandpartners.com.au/#/online-registration

How the Shaw Managed Accounts work

Shaw Managed Accounts (SMA) are a sophisticated investment and reporting platform incorporating advanced features to assist in the management of your overall investment strategy and portfolio.

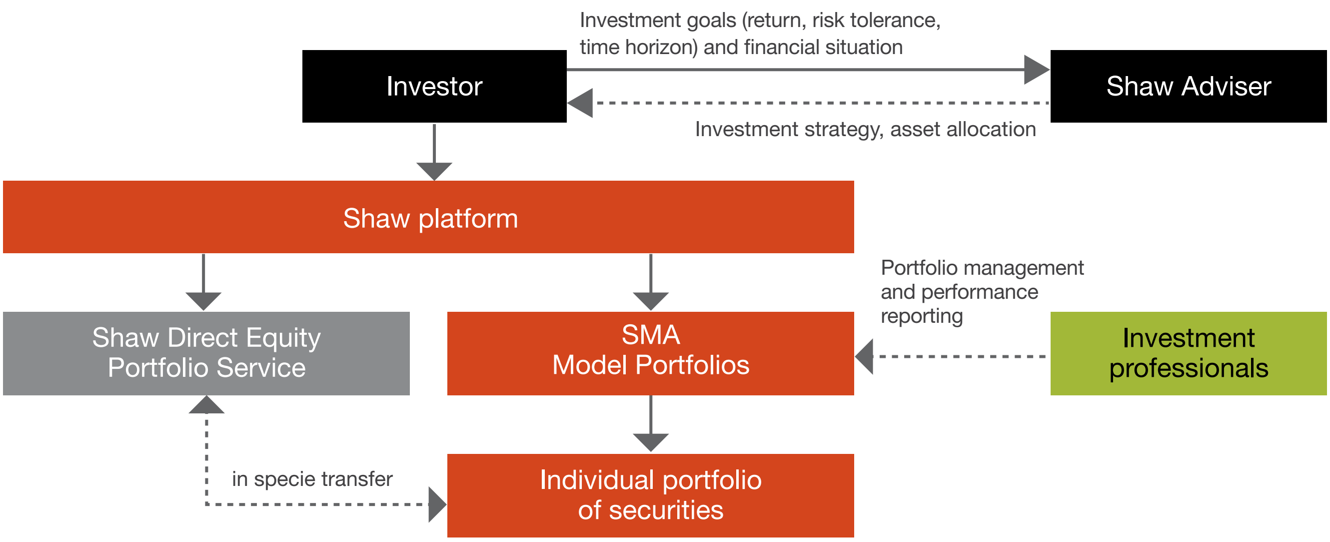
Shaw Managed Accounts are established and offered within the registered managed investment scheme known as the Separately Managed Accounts. Each investor has a separate "account" to which their investments are allocated.

Your account can be constructed by using a range of available investment strategies (referred to as Model Portfolios) that you can select from the investment menu together, with your Shaw and Partners adviser.

Once you decide which Model Portfolios are best suited to your investment needs and objectives, Shaw and Partners will purchase securities to be included in your account so that it reflects the Model Portfolio, or a combination of Model Portfolios.

The Model Portfolios are managed in a disciplined and consistent manner; overseen by a dedicated team of investment professionals with many years of experience in securities markets.

With Shaw Managed Accounts, not only are you the beneficial owner of the portfolio (and shares), you will also enjoy the ownership benefits (such as dividends and franking credits) and have the ability to see the exact make up and market value of the portfolio at any time, via our online service.



SMA Investment Options

At Shaw and Partners, we understand that your investment decisions may vary depending on your stage of life and attitude towards risk. Shaw and Partners offers 10 portfolio strategies designed to meet your investment needs and objectives.

Portfolio Strategy	Objective / Benchmark Index	Indicative number of securities	Minimum suggested investment timeframe
Asset Class Portfolios			
Shaw Debt Securities Income Portfolio	RBA Cash rate + 1.5%	15 – 25	3+ years
Shaw Hybrid Income Portfolio	RBA Cash rate + 3% (inclusive of franking credits)	10 – 25	3+ years
Shaw Australian Equity (Large Cap) Income Portfolio	S&P/ASX 100 Accumulation Index	15 – 25	3+ years
Shaw Australian Equity (Large Cap) Core Portfolio	S&P/ASX 100 Accumulation Index	15 – 25	3+ years
Shaw Australian Equity (Large Cap) Growth Portfolio	S&P/ASX 100 Accumulation Index	15 – 25	3+ years
Shaw Australian Equity (Small and Mid-Cap) Growth Portfolio	S&P/ASX Small Ordinaries Accumulation Index	15 – 25	3+ years
Shaw International Equity Portfolio	MSCI World Index (ex–Australia unhedged)	15 – 25	3+ years
Goal Based Portfolios			
Shaw Income Goal Portfolio	RBA Cash rate + 3% (Gross Income and Total Return)	15 – 25	3 – 5 years
Shaw Balanced Portfolio	RBA Cash rate + 4% (Gross Income and Total Return)	15 – 25	3 – 5 years
Shaw Growth Goal Portfolio	RBA Cash rate + 5%	15 – 25	3 – 5 years

Speak to your Adviser for more information about Shaw Managed Accounts and to obtain a copy of the Product Disclosure Statement.

ShawandPartners

Sydney | Head Office

Level 15, 60 Castlereagh Street
Sydney NSW 2000

Telephone: +61 2 9238 1238
Toll Free: 1800 636 625

Melbourne

Level 20, 90 Collins Street
Melbourne VIC 3000

Telephone: +61 3 9268 1000
Toll Free: 1800 150 009

Brisbane

Level 28, 111 Eagle Street
Brisbane QLD 4000

Telephone: +61 7 3036 2500
Toll Free: 1800 463 972

Adelaide

Level 21, 25 Grenfell Street
Adelaide SA 5000

Telephone: +61 8 7109 6000
Toll Free: 1800 636 625

Perth

Level 14, 197 St Georges Terrace
Perth WA 6000

Telephone: +61 8 6188 7643
Toll Free: 1800 636 625

Canberra

Level 1, 18 National Circuit
Barton ACT 2600

Telephone: +61 2 6113 5300
Toll Free: 1800 636 625