Shaw and Partners
an EFG company

The Research Monitor

December Quarter 2020

inside this issue

Q3 2020 Performance

The Australian Share Market, as measured by the S&P/ASX 300 Accumulation Index, moved sideways in the September 2020 quarter following the steep declines in the March quarter and the sharp rebound in the June quarter. July started the quarter with a 0.6% gain followed by a stronger August up 3.05% as profit reporting season was generally “better than feared”, before selling off 3.59% in September.

Dividends were more muted as many companies suspended or cancelled dividend payments and we saw the trailing yield on the share market fall from 3.58% at the end of June to 3.23% at the end of September.

Bond yields actually fell over the quarter thanks to Reserve Bank buying as the market remained concerned about the pace of economic growth on the back of the secondary COVID-19 outbreak and subsequent lockdown in Victoria, despite better economic news in other parts of the country.

The Australian 10-year bond ended the quarter at 0.79%, down from 0.87% at the end of June and having been as high as 1.04% at one stage in August – this compares to a low of 0.56% in the darkest days of March.

Among Australian equity sectors, Energy was the worst performing sector for the quarter, down 14.5% in price terms and 13.5% including dividends on the back of a flat oil price (Brent crude prices went from $US41.62 per barrel at the end of June to a high of $US46.04 before ending the quarter at $US41.98. The best performing sector was Consumer Services, up 14.3% as Gaming and Travel stocks were well bid amongst investors looking to position portfolios for an opening up of the global economy.

US gaming stock PointsBet Holdings (PBH) was the best performing stock in the S&P/ASX 300 index, rising 114% after announcing strong results and several alliances and new markets in the United States. Other Consumer Services stocks to do well on the “re-opening trade” included Aristocrat Leisure (ALL, up 17.5%), Flight Centre Travel Group (FLT, up 23.8%) and Corporate Travel Group (CTD, up 83%)

The Software and Services sector continues to be a strong performer as investors seek the certainty of growth that many of the constituent companies in this sector offer. The sector rose 12.5% in accumulation returns for the September quarter, lead by a 31% gain in Afterpay Touch (APT), but also helped by a 33% gain in Wistech Global (WTC) and a 24.3% gain in data centre operator NextDC (NXT).

The largest component of the S&P/ASX 300 Index is clearly now the Materials sector (20.0% index weight), having for many years been the Banks Sector (17.5% index weight), which rose 2.3% in price terms and 4.1% including dividends, extending the period over which miners have outperformed the banking stocks, which fell 6.8% in price terms and fell 6.0% including dividends.

Heavyweight BHP posted a -0.6% return consolidating its recent strong gains, but **the real stars in the September**

Sector	Performance	Market Cap
Consumer Services	14.3%	52,085
Software & Services	12.5%	69,238
Real Estate	7.4%	113,325
Media & Entertainment	6.8%	25,038
Retailing	6.6%	73,922
Capital Goods	4.6%	15,950
Materials	4.1%	335,367
Commercial & Professional Services	2.5%	32,144
Pharmaceuticals, Biotech & Life Sciences	1.0%	137,273
Health Care Equipment & Services	0.6%	66,407
Food & Staples Retailing	-0.5%	72,378
Transportation	-1.2%	81,858
Diversified Financials	-2.1%	87,441
Banks	-6.0%	288,686
Telecommunication Services	-7.1%	43,599
Utilities	-8.2%	27,662
Food Beverage & Tobacco	-10.5%	30,647
Insurance	-10.9%	46,349
Energy	-13.5%	57,009

The NASDAQ composite index was the best performing regional bourse with an 11.0% gain, ahead of the broader S&P500 index of US stocks which rose 8.5%.

quarter in the Materials sectors were the Building Materials stocks on the back of the recovering housing market in the United States. Building Material companies James Hardie Industries (JHX) rose 20.4%, Boral (BLD) rose 20.3%, Brickworks (BKW) rose 22.6% and Reliance Worldwide (RWC) (technically a Capital Goods stock) rose 29.9%.

Real Estate stocks staged a recovery as "better than feared" results were posted during the quarter and many companies shored up stretched balance sheets with equity or debt issues which helped to restore confidence. The sector is continuing to polarise with "sheds" (i.e. industrial real estate) continuing to gain investor attention (Goodman Group (GMG) - the largest industrial player - saw a 20.8% price move again in the quarter) whilst office trusts and retail malls continued to languish (Dexus (DXS) down 3.4%) and large global retail mall operator Unibail-Rodamco-Westfield (URW) down 40.1% to be the worst performing stock in the ASX/S&P 300 index.

Dividend income comprised 0.9% across the market for the quarter, with the Telecommunications sector posting a 2.1% dividend return and Materials – on the back of very strong iron ore profits – posting a 1.7% income return for the quarter.

Global equity markets strongly outperformed Australian markets in the September quarter, with the MSCI World Index up 6.5% in local currency terms but dragged somewhat lower by a 4.1% appreciation in the Australian dollar versus the US dollar to produce only modest gains for unhedged investors.

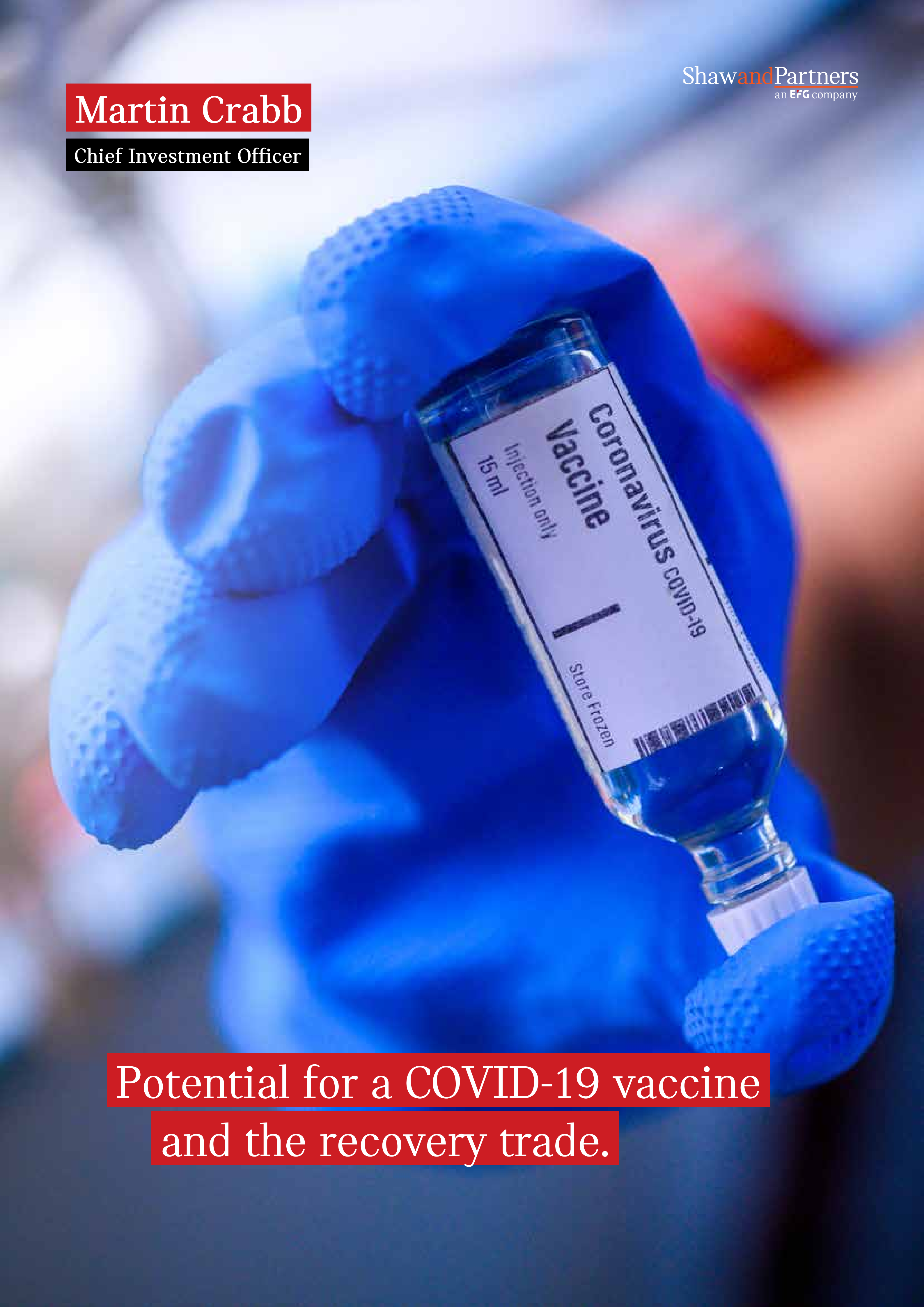
The NASDAQ composite index was the best performing regional bourse with an 11.0% gain, ahead of the broader S&P500 index of US stocks which rose 8.5%. European markets continued to languish, rising only 0.3% whilst Japanese stocks posted 3.8% gains for the quarter.

Bond markets stalled on the back of extremely low short-term interest rates but a rally in the long end with the Bloomberg AusBond Composite (0+Y) index up 0.9% and Bank Bills returning effectively zero. The spread between 90-day bank bills and cash remained at negative 16 points at the end of September – a strong sign of easing credit conditions and expectations that the RBA will continue to keep rates at very low levels for quite some time into the future and perhaps even cut the headline cash rate to 0.10%.

Market measures of risk or volatility retreated from extreme levels reached in March but still remain elevated both on a spot and futures basis suggesting investors have become less comfortable with the likely path of COVID-19, politics, interest rates, growth and trade. The implied volatility on ASX/S&P 200 index futures were 20.79% at the end of September against 23.54% at the end of June.

Martin Crabb
Chief Investment Officer

ShawandPartners
an EFG company



Potential for a COVID-19 vaccine and the recovery trade.

The global race for a COVID-19 vaccine has come down to nine vaccines currently in Phase 3, with three currently leading the pack.

COVID-19 Vaccine Timeline

27-Jul-20	**Moderna, Pfizer:** start of Phase 3 testing.
1-Sep-20	**AstraZeneca:** start of Phase 3 testing.
9-Sep-20	**AstraZeneca:** trial on hold after patient developed severe neurological symptoms.
11-Sep-20	**AstraZeneca:** "We could still have a vaccine by the end of this year or maybe early next year." – AstraZeneca CEO.
12-Sep-20	**AstraZeneca:** trial resumes in UK but remains suspended in US.
13-Sep-20	**Pfizer:** "It's more than 60% that we will know if the product works or not by the end of October." – Pfizer CEO.
16-Sep-20	**Moderna:** 25,296 participants enrolled in Phase 3. 10,025 have received second vaccination.
17-Sep-20	**Pfizer:** 30,000 participants enrolled in Phase 3.
18-Sep-20	**Moderna:** "We anticipate our base plan for efficacy to be in November. Our best plan is October, unlikely but possible. If the infection rate in the country were to slow down in the next weeks, it could potentially be pushed out as a worst-case scenario in December." – Moderna CEO.
24-Sep-20	**Johnson & Johnson:** start of Phase 3 testing, aiming for 60,000 participants.
02-Oct-20	**Moderna:** Moderna CEO announced 15,000 participants received second vaccination by September 25, meaning that November 25 is the earliest date that Moderna can seek Emergency Use Authorisation from the FDA.

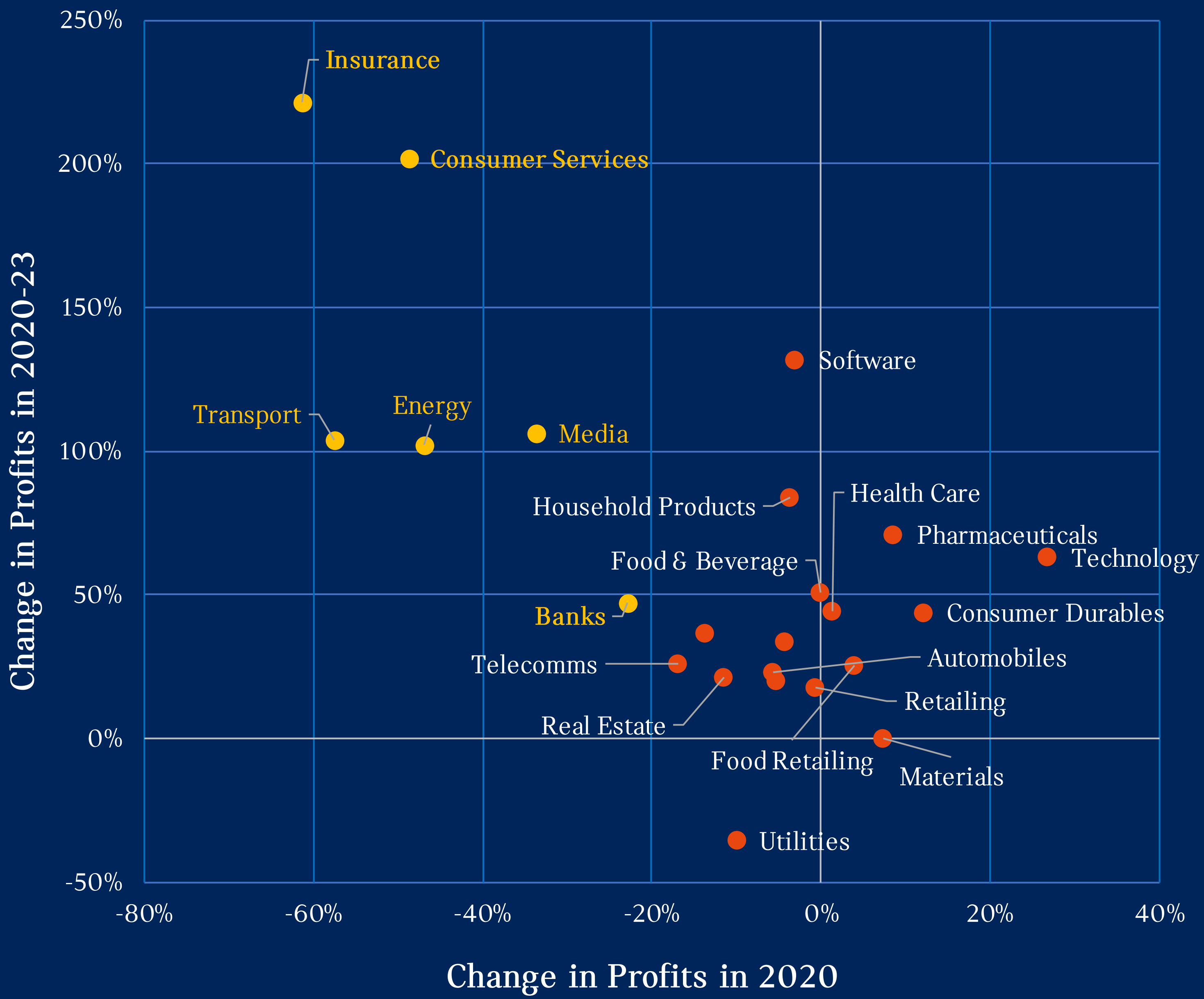
Both Pfizer (NYSE: PFE) and Moderna (NASDAQ: MRNA) are developing a messenger RNA (mRNA) vaccine, which induces the body into producing viral proteins to fight disease and will be the first of its kind to treat infectious disease if successful.

AstraZeneca (LON: AZN) is developing a non-replicating viral vector vaccine that uses an adenovirus, which slips the SARS-CoV2 spike protein gene into cells to trigger an immune response but is engineered not to replicate.

While final results will only be released in mid-late 2022 despite the compression of the vaccine development time frame, Pfizer and Moderna expect early efficacy results by the end of October and during November respectively, while AstraZeneca is targeting December.

In terms of a target, the FDA has announced that it will grant approval should a vaccine candidate show efficacy above 50%, although it is expected to announce stricter standards as soon as this week.

Should early results from any of these three vaccines show an efficacy of 75-80%, we believe that a number of sectors and stocks will experience a strong uplift.



SECTORS TO BENEFIT FROM A SUCCESSFUL VACCINE

Here we frame the problem as "how far have profits fallen from pre-covid levels and how far are they already expected to rebound and is this in the price"?

First we look at how far profits have fallen on the x-axis and how far profits are expected to rise from 2020 to 2023 on the y-asix via GICS sector.

Some sectors have seen profitability improve this year and are all expected to post more gains going forward (with the exception of flat profits in the Materials sector and falls in Utilities).

Of greater interest are the sectors that have been smashed and are now expected to recover.

Consumer Services (Gaming, Travel, Restaurants): Net profit is expected to meet pre-COVID levels by 2022 and exceed in 2023. Previous peak earnings were $2.87b, 2022 expects $2.87bn and 2023 $3.19bn

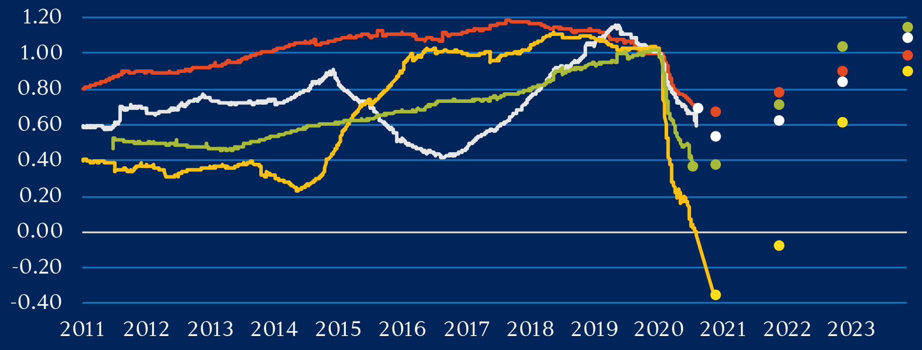
Energy: Another sector to see a sharp profit downgrade is Energy. Net profit peaked at $7.5bn in 2018 and is expected to contract to a low of $3.4bn this year. By 2023 expectations are for $7.0bn in profit.

Banks: The market is not anticipating much in the way of a recovery in profits for the banks. Even out to 2023 earnings are only expected to rise to $27.9bn versus a peak of $34.4bn in 2017.

Travel, some transport stocks (SYD, AIA, QAN), some consumer stocks (FLT, CTD), one commercial services stock (WEB). Analysts are expecting a slow recovery to earnings, with 2021 calendar profits still negative $200m and negative $990m this year.

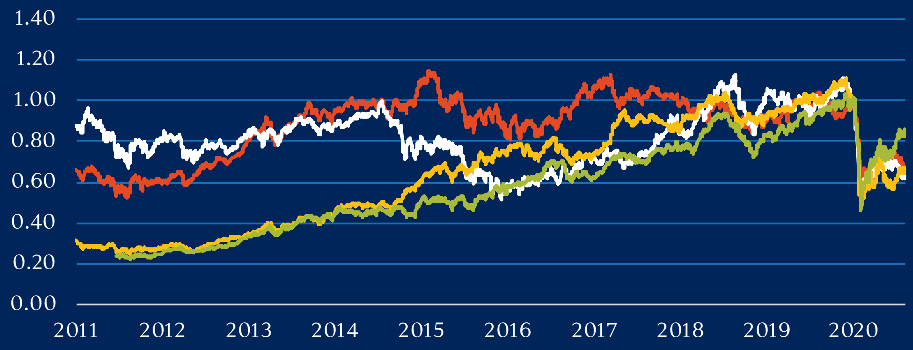
EARNINGS

We show these profit estimates indexed to 1.00 at February 20th – the recent market peak.

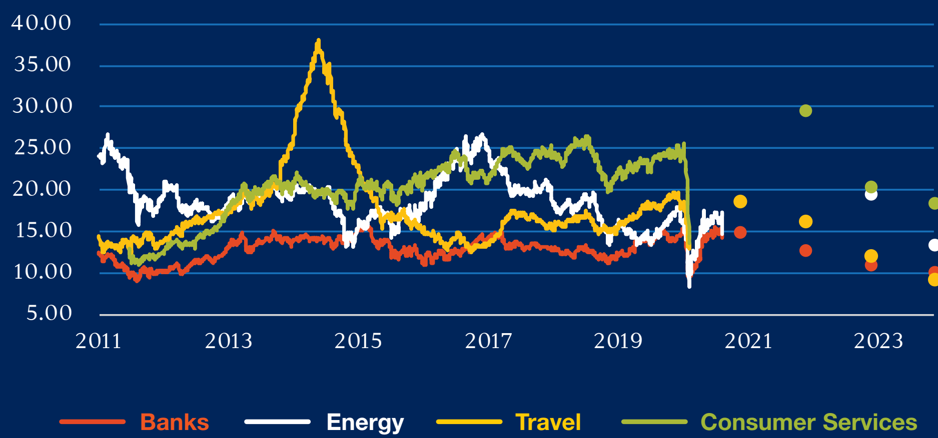


VALUATION

In terms of sector valuation, each sector has fallen dramatically from the market high of February 20th.



PRICE TO EARNINGS (PE)



VALUATION

As shown above, **Consumer Services** PE on 2023 earnings expectations is 18.40x. This compares to an average pre-2020 of 20.35x suggesting limited upward re-rating potential. That is to say, the sector is already priced for a strong recovery in profits into 2023.

Energy: Energy has the lowest expected PE on 2023 earnings of 9.34x. This compares to an average pre-2020 of 19.1 and a std dev of 3.04 suggesting significant upside rerating potential.

Travel: Based on 2022 expected earnings, the sector is trading on 18.7x PE. On 2023 it is 12.8x. This 2022 PE is a premium to previous averages so limited upside rerating potential here unless you are a believer in the 2022-2023 growth story?

Banks: Valuations have not really moved in a decade and have not really bounced this year. On 2023 earnings, the bank sector is trading on a PE of 10.48x. This is a discount to the pre-2020 average of 12.77x (with a tight band). A combination of overly pessimistic earnings estimates, and a 20% cheap PE suggest being at least market weight the sector.

While travel stocks are the logical, common sense beneficiaries of a successful vaccine, our analysis suggests investors may be better off in the Energy and Banks sectors where less optimism seems to be already priced in.

Brett Le Mesurier

Senior Analyst, Banking and Insurance

Australian major banks battling on.

ShawandPartners
an EFG company

The Australian government has announced the first piece of good news on the regulatory front for banks since 2015.

The removal of the responsible lending laws should allow major banks to:

Reduce the administrative cost of lending

1

Reduce compliance risk associated with lending

2

Reduce the amount of time it takes borrowers to receive a loan, thereby encouraging loan growth.

3

The share prices assume that each major bank will have approximately $3bn p.a. in bad debts in perpetuity. While this is the forecast for FY20 and FY21, it's a highly unlikely scenario forever.

Shaw and Partners has BUY recommendations on CBA and NAB; HOLD recommendations on ANZ and WBC.

CAPITAL AND ASSET SALES

CBA and NAB have the strongest capital positions while ANZ and WBC have the weakest. It's expected that none of these positions will strengthen in the next quarter, but all common equity tier 1 (CET1) ratios of the major banks should be above the unquestionably strong benchmark of 10.5% at 30/9/20.

Announced and contemplated asset sales should push all the CET1 ratios for the major banks above 11% at 30/9/20 on a pro forma basis. Those asset sales are:

1. **ANZ has announced the sale of UDC** Finance in New Zealand for NZ$762m and expects to receive a $439m boost to CET1 level 2 capital at settlement, which is scheduled prior to Christmas;
2. **CBA has announced the sale of BoComm Life**, Comminsure Life and a majority sale of Colonial First State;
3. **NAB recently announced the sale of MLC Wealth** for $1.44bn, which adds 30 bps to CET1, and is scheduled for completion in 2H21; and
4. **WBC may sell the life insurance business** (which has capital of $1.6bn) and the auto finance business (which has capital of $600m). It has $4bn regulatory capital tied up in a number of businesses which also includes wealth platforms, investments and general insurance.

The impact of credit stress should reduce the CET1 ratios for CBA and NAB to slightly above 10% on the basis of a prolonged downturn and below 10% for ANZ and WBC.

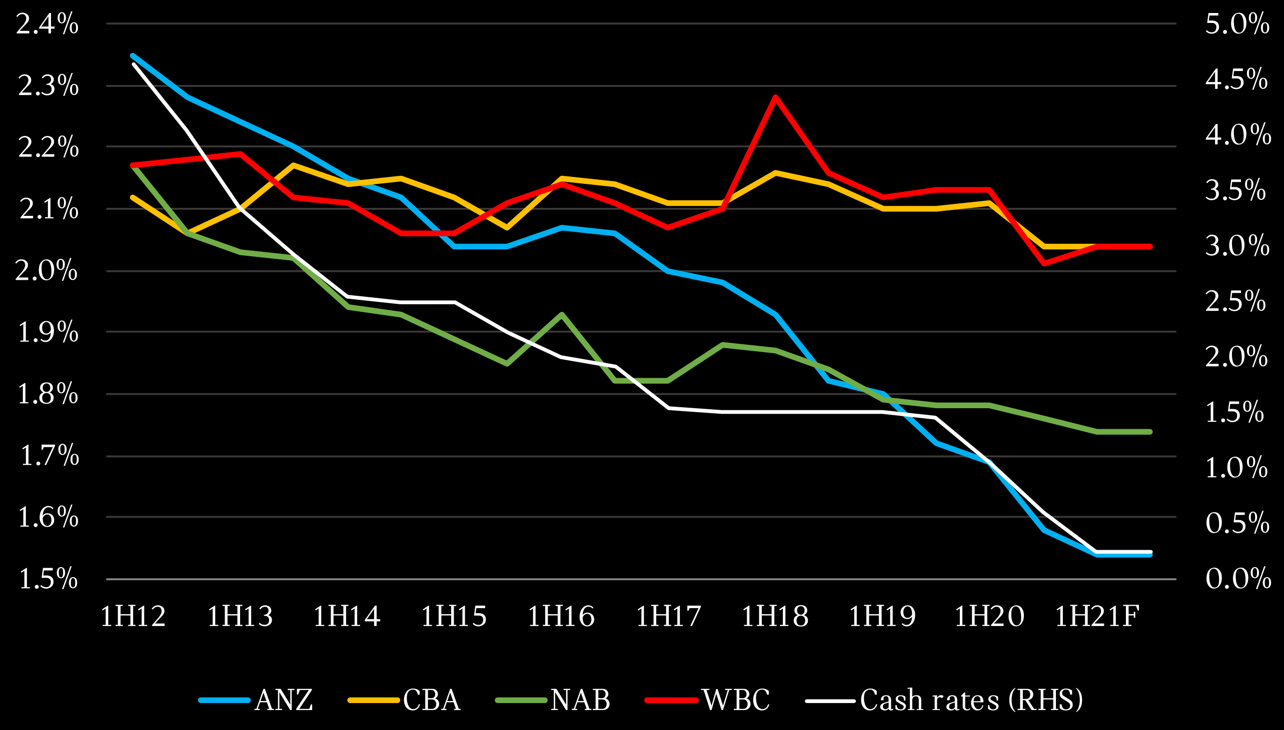
PROVISIONS AND LOAN DEFERRALS

CBA and WBC have taken different approaches to ANZ and NAB on credit provisions. The former 2 banks have decided to hold greater collective provisions, while the latter 2 have decided to hold greater specific provisions.

CBA and NAB have the greatest loan deferrals which reflects their large positions in retail and small business lending, respectively. WBC's home loan deferrals are low but they have the greatest amount of past due home loans. Since CBA and NAB have the largest amount of loan deferrals, it's expected that they will have the greatest losses from existing deferrals.

All banks have increased their collective provisions this year. It's this addition which can be transferred to specific provisions and written off to reflect loan losses. WBC has the greatest capacity to meet losses from loans in deferral which reflects their sector-leading collective provision balance.

Figure 1: Net interest margins (% p.a.)



Source: companies and Shaw and Partners

PAST DUE LOANS AND IMPAIRMENTS

WBC's strong provisions may be needed. It has the greatest amount of 90 day past due loans by far. They have $8bn in such loans at 30/6/20 which compares to amounts between $3bn and $4.5bn for the others, with the difference due to home loans.

WBC considers that this is caused by them including loans in this category which were already experiencing some difficulty before COVID-19, while the other banks included them in the loan deferral balances. This does explain why WBC's deferred home loan balances are small compared to their peers.

The additional $3bn in past due loans reported by WBC may absorb $200m in provisions, based on the assumed impairment and loss rates.

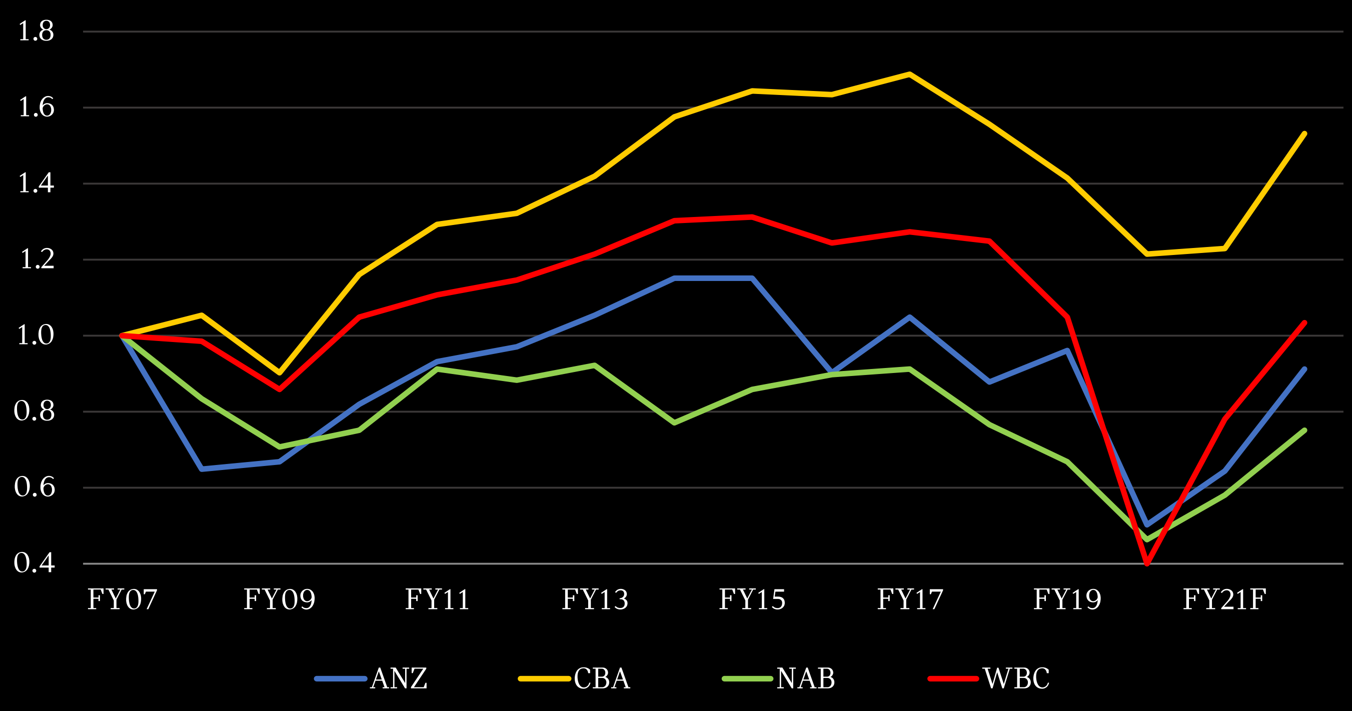
NET INTEREST MARGINS

Figure 1 shows the importance of a retail franchise when it comes to managing net interest margins (NIM). ANZ has experienced a horrendous decade which is largely due to its heavy weighting in institutional and Asian exposures. The best performances rest with CBA and WBC due to their higher retail funding and lending exposure. The NIM's of ANZ, CBA and WBC suffered in the post COVID-19 era as a result of higher holdings of liquids. However, this has little real effect as there is negligible associated capital impost.

Much has been made of the increase in deposit costs relative to the cash rate because of lower interest rates. While this has occurred, there been a corresponding increase in loan margins. The difference between these items is the loan to deposit spread, which has increased for WBC, CBA and NAB over the past decade but not for ANZ.

It's unlikely that deposit margins will deteriorate too much from here because there is a large amount of funding from term deposits and their rates can be expected to fall further.

Figure 2: EPS from a common base



Source: companies and Shaw and Partners

NET INTEREST MARGINS OUTLOOK

ANZ advised that the impact of the low rate environment on NIM in 2H20 would be approximately 6 bps. ANZ said that it had $53bn in capital and $150bn in deposits paying an interest rate below 25 bps at 31/3/20. These deposits increased by $40bn during 1H20.

ANZ had $238bn term deposits paying an average interest rate of 2% p.a. and $240bn on demand and short term deposits paying average rate of 1.2% p.a. in 1H20. ANZ has scope to offset the impact of lower interest rates by reducing interest rates on deposits.

NAB highlighted that the current pricing on its term deposits is approximately 25 bps below the cost during June, 2020. NAB had $112bn worth of Australian term deposits at 31/3/20.

CBA announced that there would be a 7 bps adverse impact on NIM from FY20 to FY21 as a result of the announced cash rate cuts and re-pricing. The CBA NIM was 2.07% in FY20 which included 2.11% in 1H20 and 2.04% in 2H20. FY21F NIM is 2.04%.

CBA said after the 1H20 result that there would be an adverse impact of 5 bps from 1H20 to 2H20 as a result of the cash rate cuts, net of any announced re-pricing. The actual reduction of 7 bps over the period included an adverse impact of 4 bps from holding more liquids. It's likely that the actual reduction in NIM from FY20 to FY21 will be only 3 to 4 bps because they can obtain a benefit from reducing term deposit interest rates.

CBA had $124bn hedged at an interest rate of 1.55% p.a. in its replicating portfolio at 30/6/20. This compares with $192bn of funding from investment deposits paying an average interest rate of 1.92% p.a. in 2H20.

The cash/bill spread was 22 bps for 1H20 and is on track to be less than zero in 2H20 which should add at least 1 bp to NIM in 2H20 for all banks.

All banks are forecast to have an improving EPS outlook from FY20 and this is the basis for two buy and two hold recommendations for the major banks. The forecast increase in EPS is due to an expectation that the bad debt charge forecasts will decline significantly in FY22 and that customer remediation charges and fines will decline from FY20.

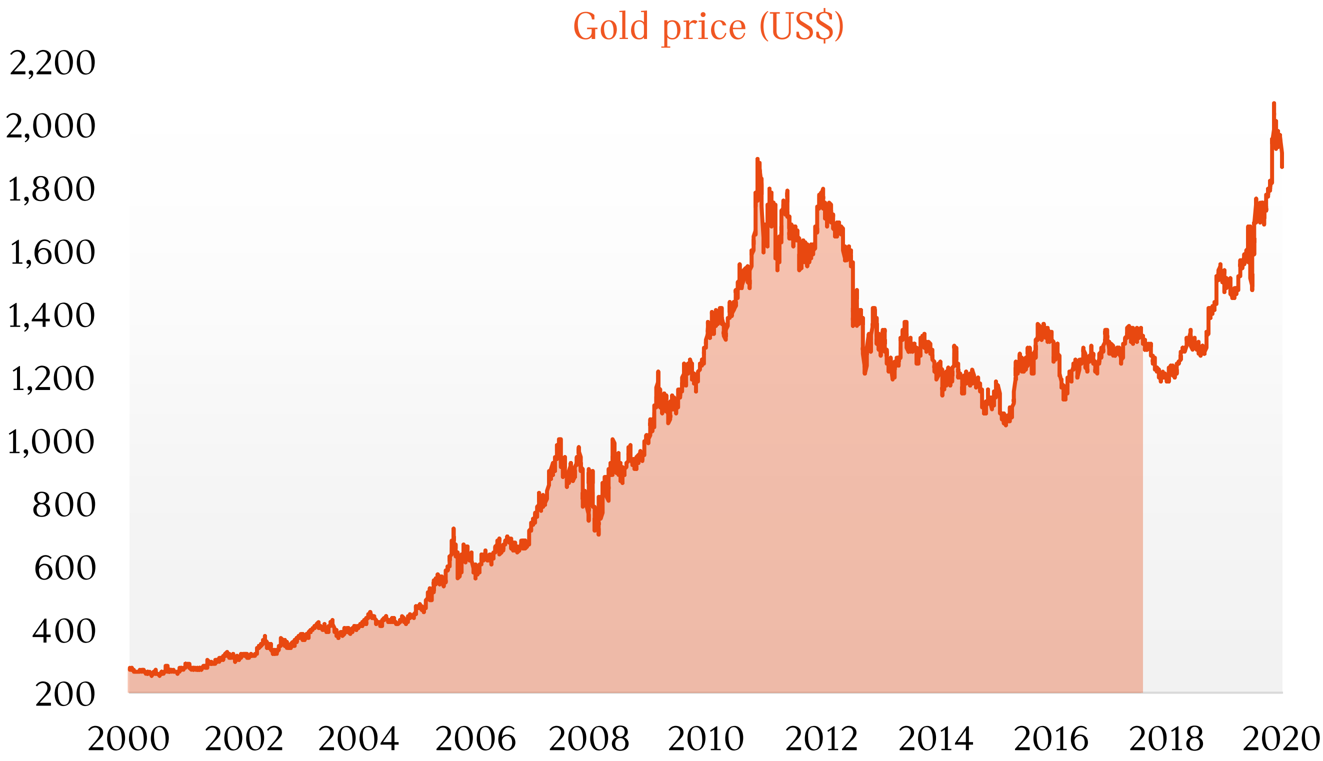
ShawandPartners
an EFG company

Peter O’Connor

Senior Analyst, Metals and Mining

The price of gold

Our bullish medium term thesis



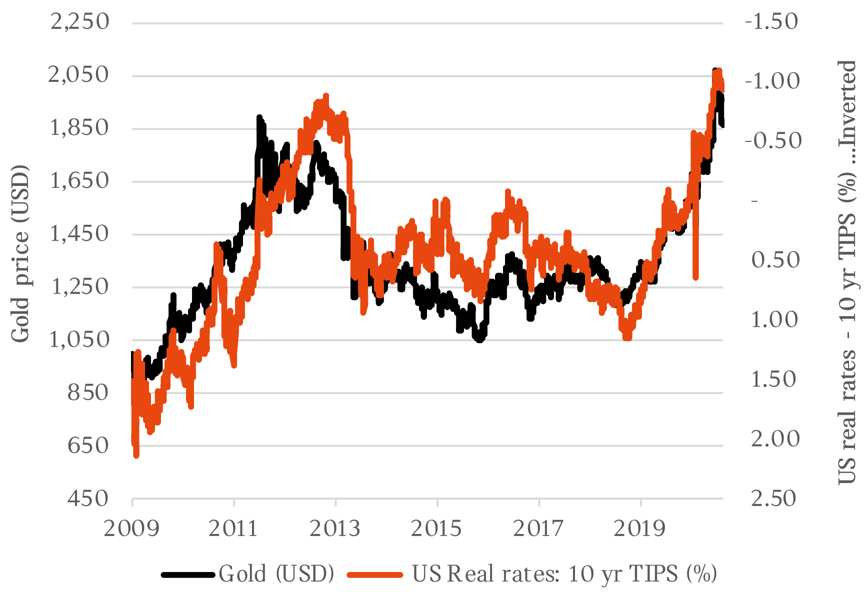
We reiterate our bullish medium term thesis, 1-2 years, for gold price and see the recent price correction as an opportunity to reposition in gold and gold equities.

Gold price rallied sharply in July 2020 breaching the US$2,000/oz level and then onto making a fresh all time high of $2,070/oz on 6 August. The exuberance for gold however paused in late August and early September. Price has now retreated ~US$200/oz or ~10%, on the cusp of an "official" price correction. Despite recent trading headwinds – firmer USD, easier interest rates, Covid19 lock down challenges globally etc – **we project gold price to move higher, likely significantly higher, over the balance of 2020 and 2021.**

The drivers of gold price are many and varied, some tangible, some not. We map out below the key intrinsic drivers of gold price and highlight the direction and magnitude of gold price over the next year or so.

INTEREST RATES – SPECIFICALLY REAL INTEREST RATES

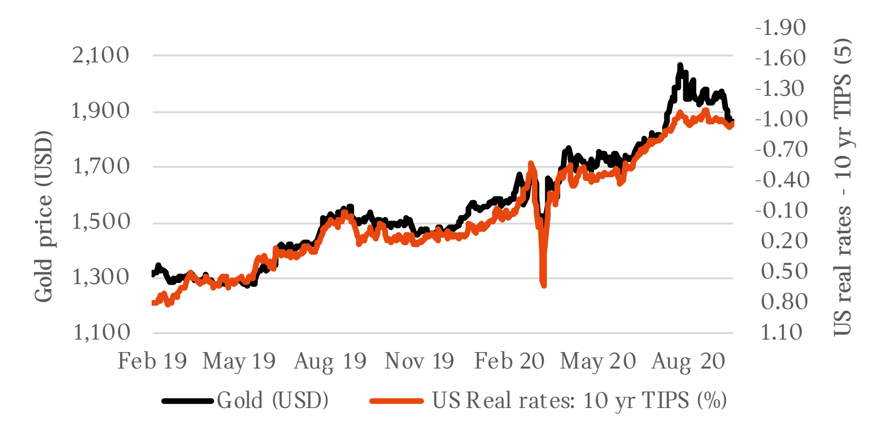
Gold price is very well correlated (inverse) to real interest rates with price movements, especially sharp during period of low and/or negative real interest rates. Recent comments by leading global central bankers suggest that rates will remain low/negative out to at least 2022 and possibly 2023. The cycle low in real interest rates is trending towards negative 2% or lower. **Extrapolation of the chart would suggest that gold price is on a trajectory to ~US$2,400-2,500/oz over the next year or so.**



INTEREST RATES – SPECIFICALLY REAL INTEREST RATES

Near term noise. Covid-19, geopolitics and USD relative strength will likely cause volatility around this trajectory. The recent trading period (July to September) was an example of this, which we highlight as (over)exuberance in the chart.

Gold price vs US Real Rates

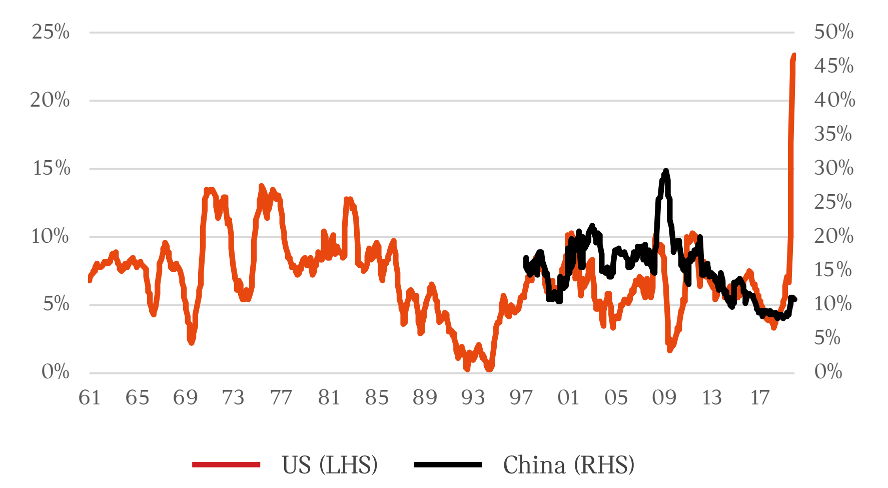


MONEY SUPPLY AND CENTRAL BANK BALANCE SHEET EXPANSION

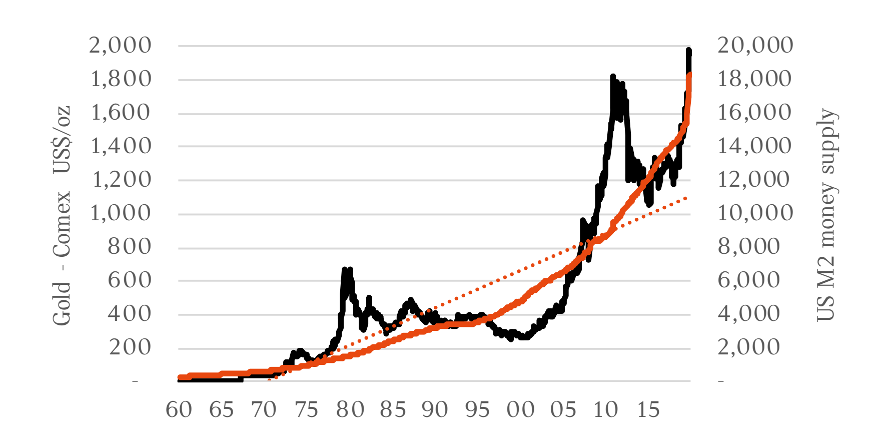
Money supply has grown significantly in recent months as a result of the concerted global effort by central banks to provide stability and liquidity through the Covid-19 pandemic. In the US, money supply has expanded by the most in 60 years. China has also expanded sharply.

The long term trend in total money supply correlates well with gold price, suggesting that gold price will not land well at a new trading range, post the current price and interest rate cycle. This consideration is especially relevant to long term valuations for gold related equities.

M2 money supply YoY % Change - US & China



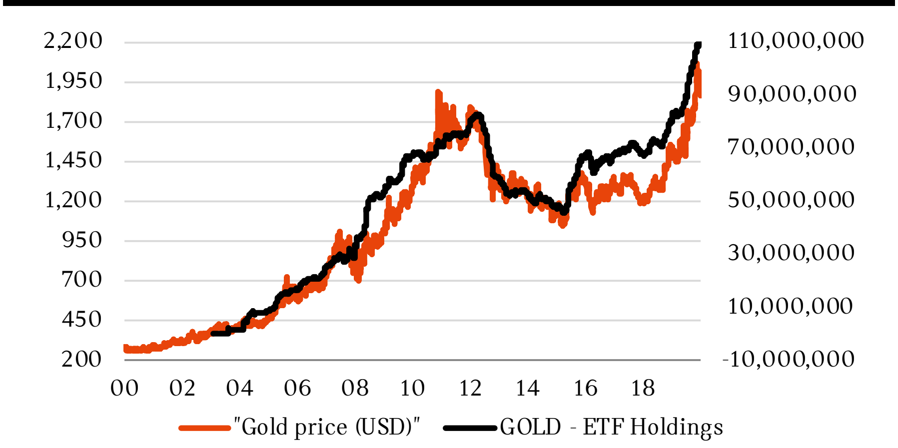
Gold price vs US M2 money supply



ETF FLOWS – THE FROTH ON GOLD PRICE

Not surprisingly fund flow into gold related (physical and mining equity) ETF's accelerated recently in line with gold price. We note though that ETF flows are not a leading indicator of gold price magnitude or direction. ETF flows are at best coincident with gold price but typically lag. We expect that ETF flows over the next several years will accelerate in line with gold price and likely deliver the over exuberance mentioned earlier. So whilst a gold price target of ~US$2,400-2,500/oz is defendable given the trend in real interest rates, we expect that ETF flows may see price push considerably higher.

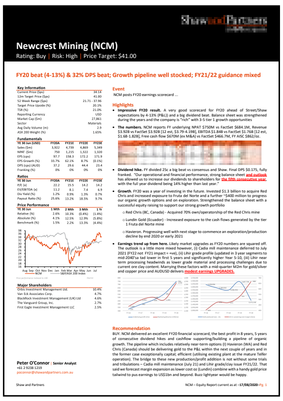
Gold price vs Gold ETF Holdings



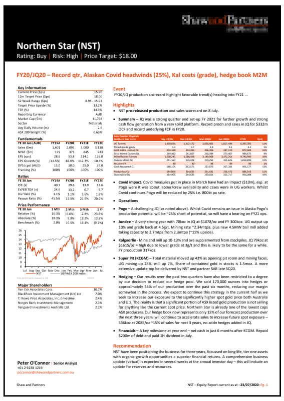
Gold price embarked on the current multi year journey in late March 2020 and has only run just six months so far. We expect many more quarters of out performance as gold price continue to post fresh new highs through the rest of 2020 and into 2021/22.

We recommend buying gold equities for the most leveraged exposure to the positive pricing dynamic. We rate all companies in our coverage as BUY.

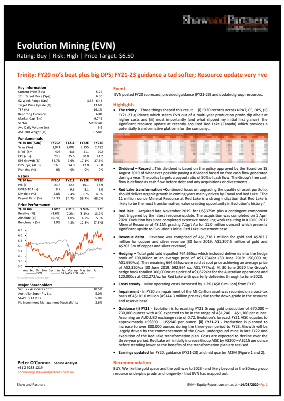
Click the reports below to download a PDF version.


Newcrest Mining (NCM)
Rating: Buy | Risk: High | Price Target: $41.00

Newcrest Mining (NCM)


Northern Star (NST)
Rating: Buy | Risk: High | Price Target: $18.00

Northern Star (NST)


Evolution Mining (EVN)
Rating: Buy | Risk: High | Price Target: $6.50

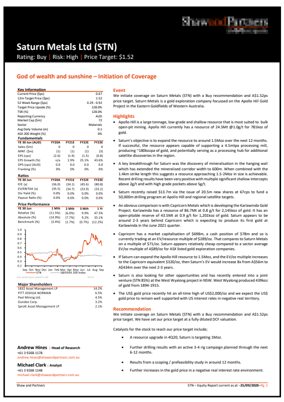
Evolution Mining (EVN)


Matador Mining (MZZ)
Rating: Buy | Risk: High | Price Target: $0.80

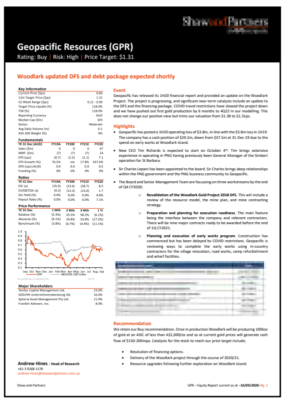
Matador Mining (MZZ)


Ramelius Resources (RMS)
Rating: Buy | Risk: High | Price Target: $2.45

Ramelius Resources (RMS)


Saturn Metals Ltd (STN)
Rating: Buy | Risk: High | Price Target: $1.52

Saturn Metals (STN)

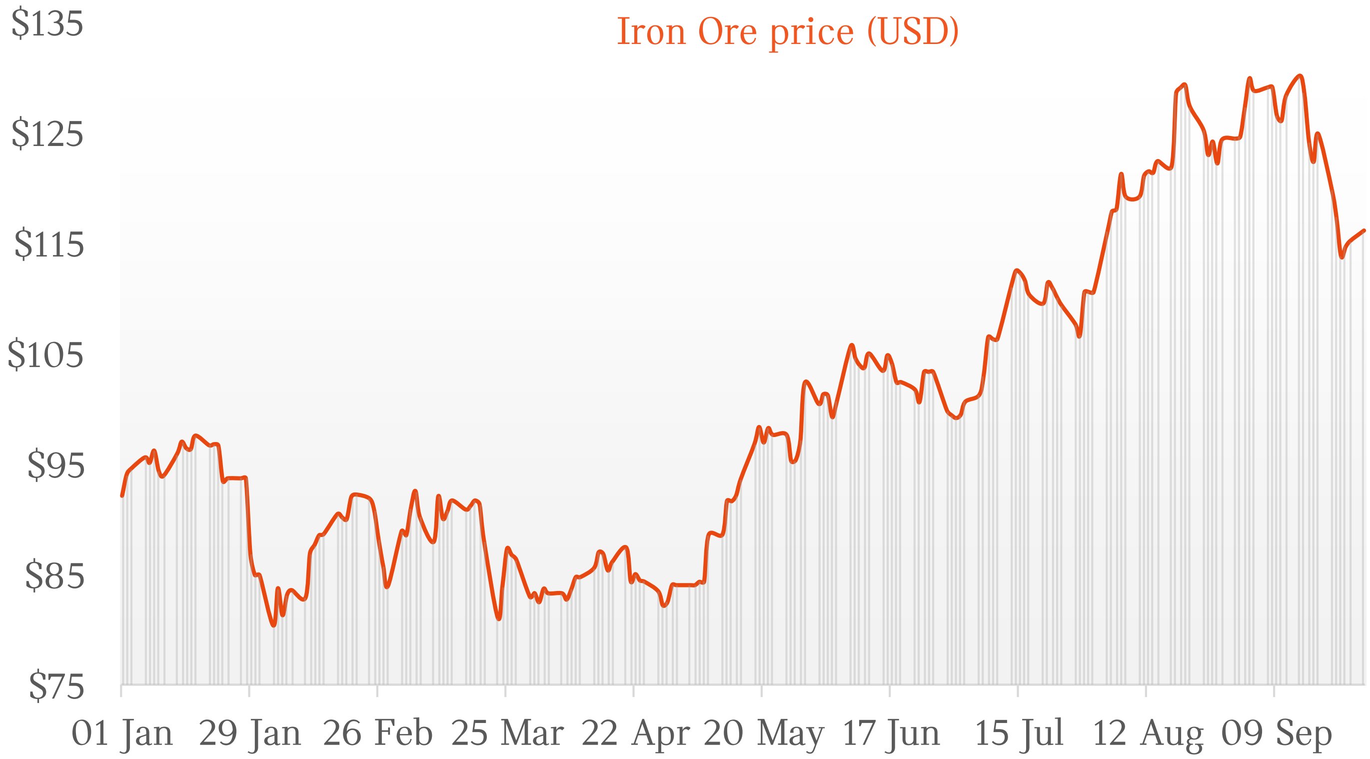

Geopacific Resources (GPR)
Rating: Buy | Risk: High | Price Target: $1.31

Geopacific Resources (GPR)

Peter O’Connor

Senior Analyst, Metals and Mining

Iron ore. Fade the rally.



We maintain the view that investors should "fade" iron ore equities recent market strength.

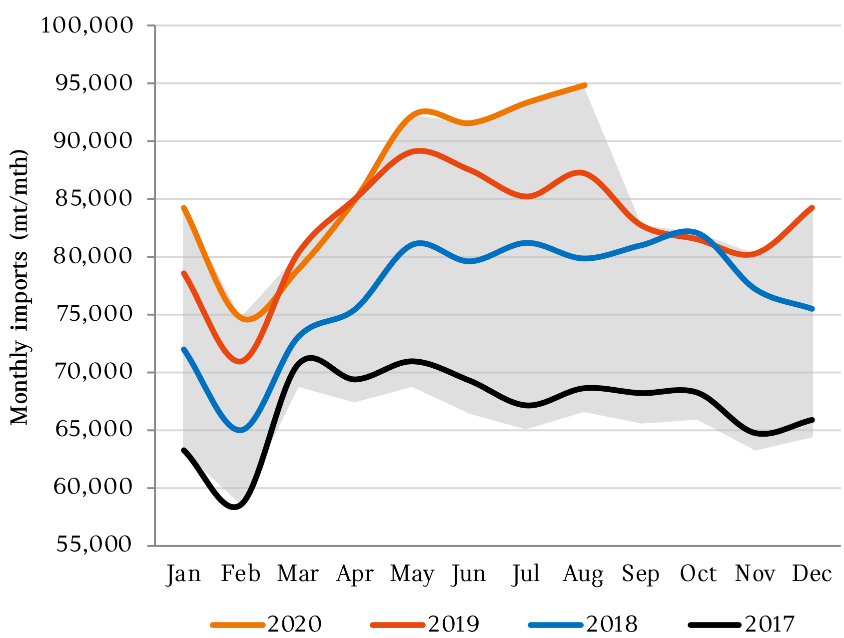
Iron ore price has rallied sharply from the 23 March 2020 market low – up ~60% to ~$130/t from $80/t - delivering the third best commodity performance after Silver and Oil. Since mid-August iron ore price continued to meet resistance around the $130/t level – a 6 ½ years high. We project iron ore price to track lower over the balance of 2020 (average price US$105 in DQ 2020) and a step lower again in 2021 to ~$80/t.

Red flags have been popping up across both the supply and demand side narrative over the past month or so, reflected in the recent ~$130/t price ceiling. Key red flags informing our view include the following:

CHINA CRUDE STEEL SEASONALLY LOWER

Chinese steel production has been extraordinary post Covid-19 with monthly records in three of the past four months. Signs are emerging of a softening in demand, tighter credit, environmental compliance issues and relatively softer construction. Hence the production profile over the next four months will likely follow a more typical seasonal pattern, easing into year end 2020.

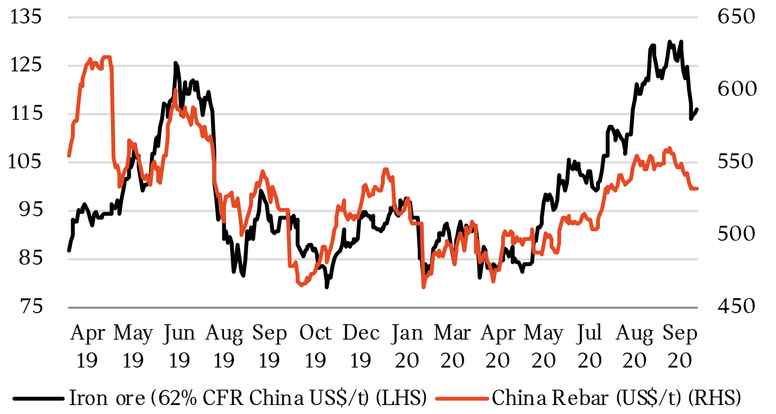
Crude steel production – China



CHINA CRUDE STEEL SEASONALLY LOWER

Easier steel demand has also been reflected in softer steel prices since early September. Lower steel prices remove some of the pricing flexibility that steel makers have in terms of raw material costs. This chart highlights the disconnect between iron ore and steel price, both are rolling over and iron ore is likely to compress more as well.

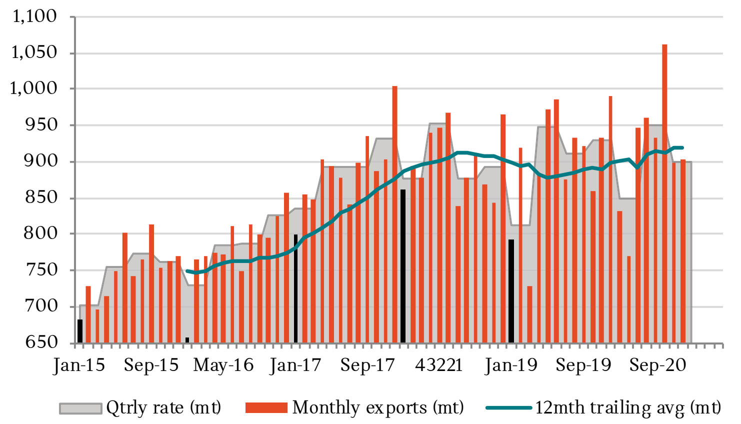
Iron price vs China Steel price



SUPPLY ELASTICITY FROM AUSTRALIA AND BRAZIL

Iron ore supply has been buoyed by the incremental return of Brazil in recent months with the country's shippers delivering month on month export increase for every month this year since Q1. Moreover Brazilian shipments hit a ~700mtpa run rate – almost twice annual exports – during the first 10 days of September. Australian shipments have shown similar resilience posting record exports for the JQ 2020. The forthcoming quarter (DQ) is typically the second strongest quarter of the year.

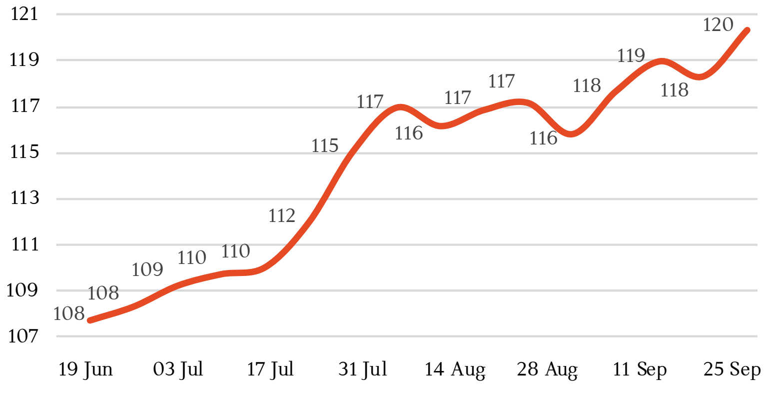
Iron ore shipments annualised (mt)



PORT STOCKPILES IN CHINA

Stockpiles of iron ore at Chinese ports have continued to tick higher since June 2020 with 12 of the past 15 weeks seeing stockpiles build, an indicator of potential imbalance between supply and demand. The moves in stockpiles are an output of the demand and supply dynamics outlined in the chart.

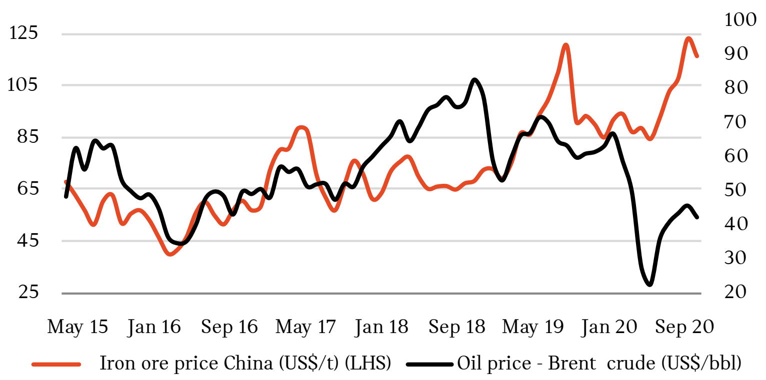
Iron ore - China port stockpiles (mt)

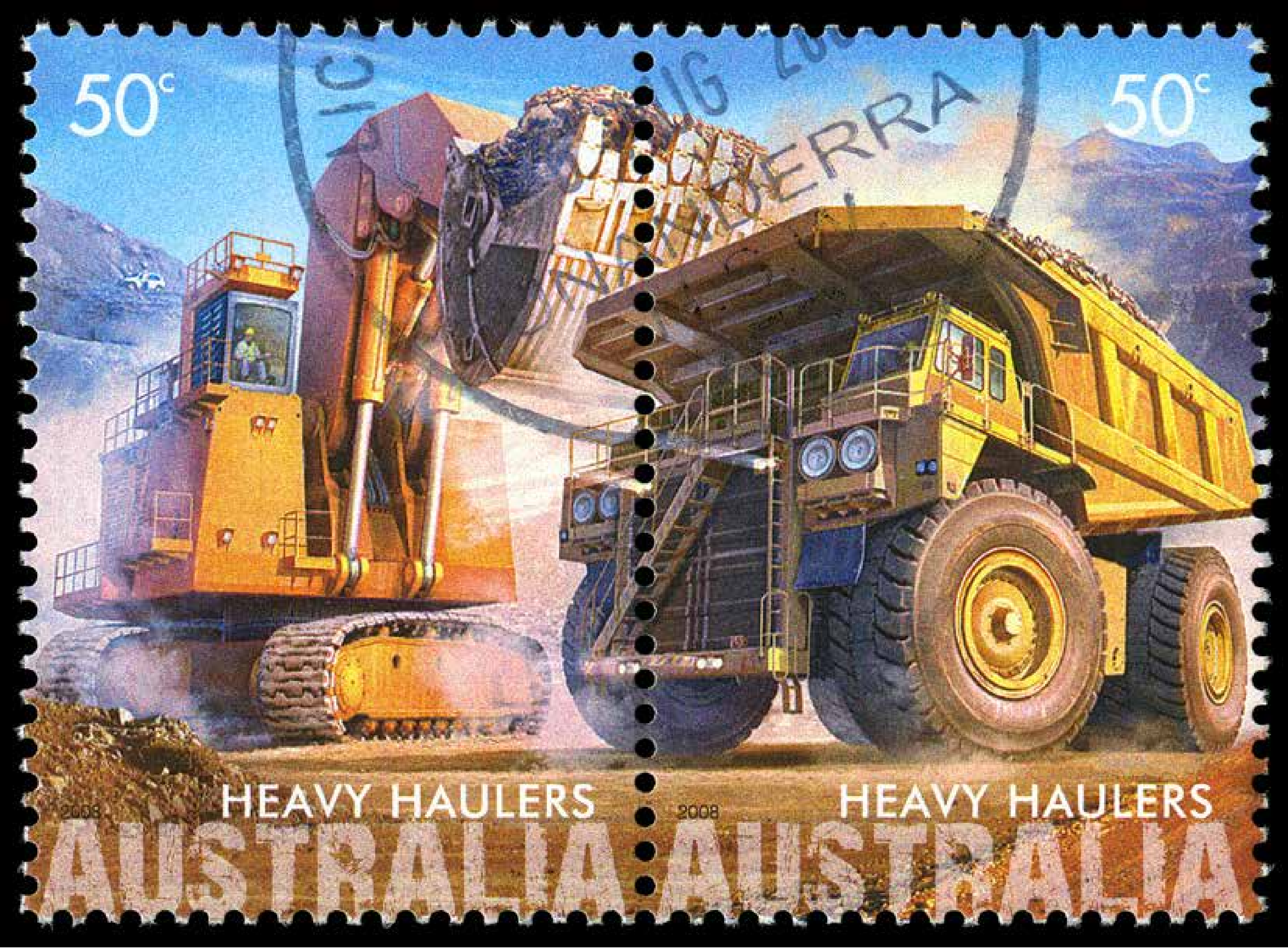


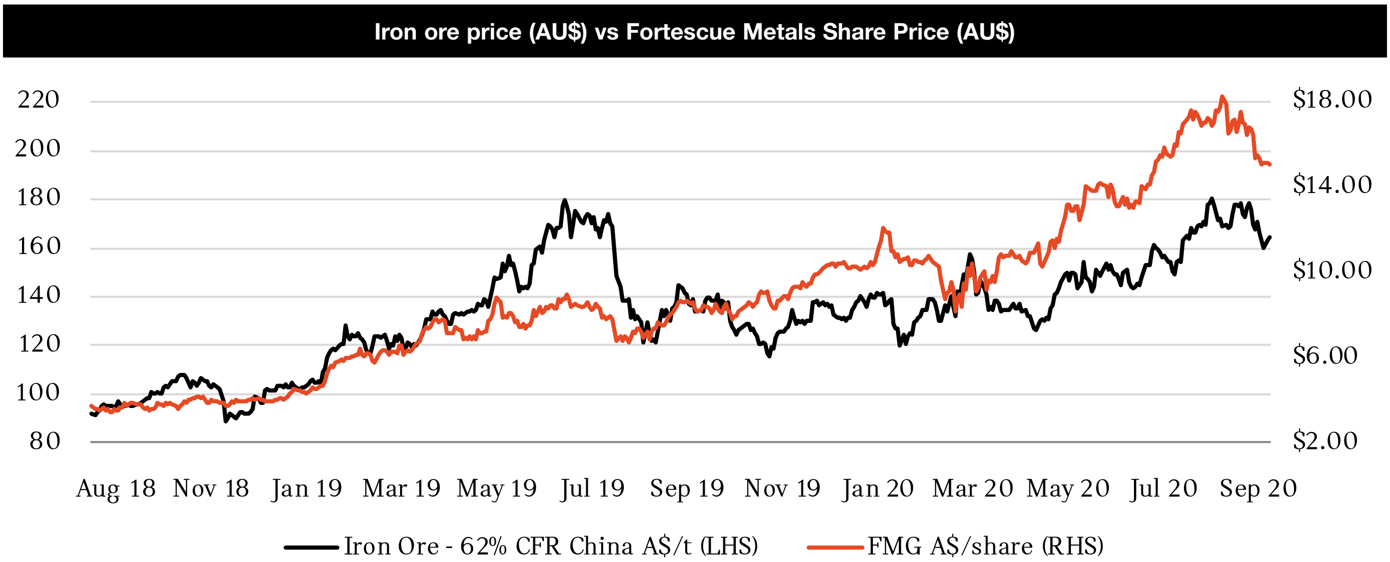
OIL PRICE VS IRON ORE SPREAD

Our fade the iron ore price view has a counter balancing narrative, "long the energy basket". The chart highlights the recent disparity between iron ore and energy (oil). In short, both prices should be trading around $80/unit basis medium term supply and demand fundamentals highlighting that there is a very interesting pairs trade between the two converging commodities.

Iron Ore Price vs Oil Price - Brent Crude







Given commodity equities, in this case iron ore, typically follow the underlying commodity price more than 90% of the time – we highlight that iron ore equities will track lower with iron ore price.

We maintain our view to fade iron ore equities into the recent market strength. HOLD on Fortescue Metals (FMG) and Rio Tinto (RIO).

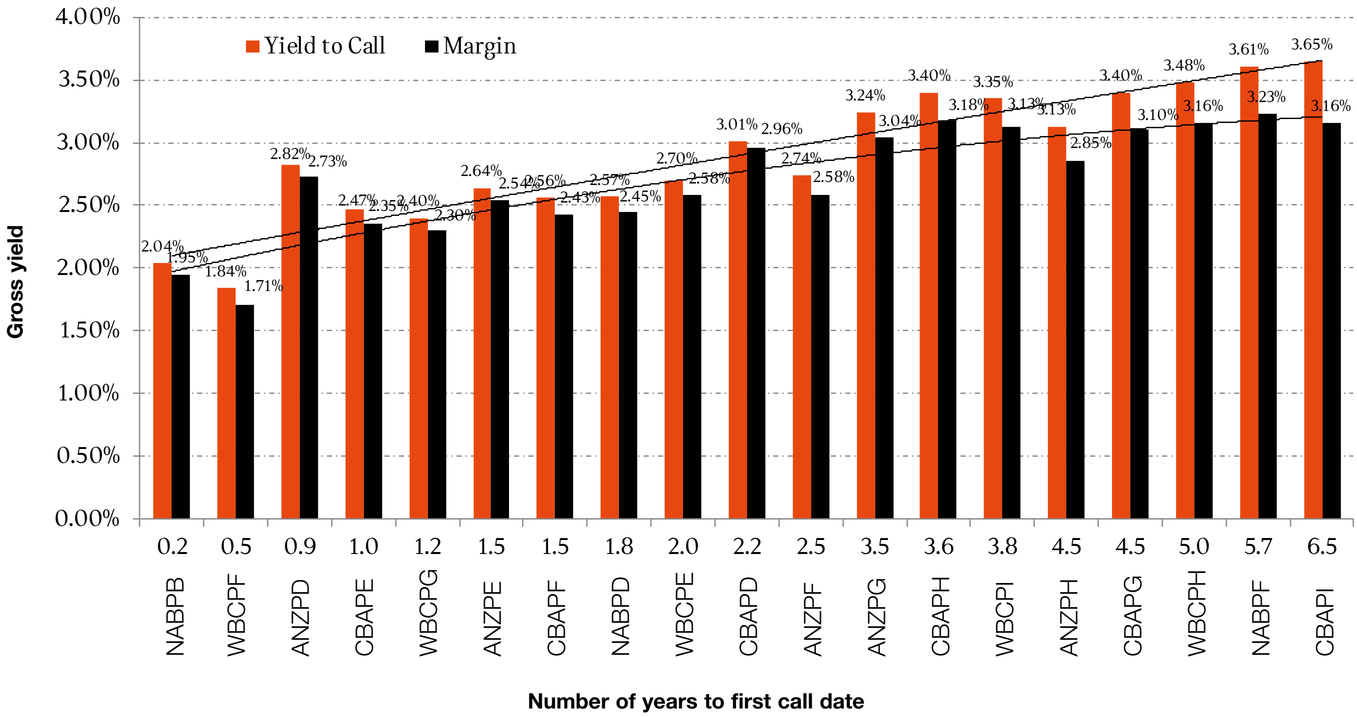
ShawandPartners
an EFG company

Cameron Duncan
Co-Head, Income Strategies

Bank hybrids explained

Value selection across the curve

MAJOR BANK HYBRIDS - YIELD TO CALL AND MARGIN OVER SWAP RATE



NORMAL, INVERSE AND FLAT CURVE

APRA governed banks and financial companies are required to hold a certain level of capital against the loans (assets) they hold on their balance sheet.

Bank and Financial Hybrids (additional Tier 1 Capital) are issued as part of their total capital. The amount of required capital is governed by the Australian Prudential Regulatory Authority (APRA). AT1 Hybrids sit between Common Equity Tier 1 (CET1) and subordinated debt (Tier 2 Capital).

Hybrids are issued by banks at different times on a regular basis to meet their capital requirements. Hybrids normally have an Optional Call Date of between 5 and 8 years at issue date. As time to the call date diminishes once a security is issued and listed, the result is a universe of hybrids with different terms that form the Bank and Financial Hybrids curve.

When short dated securities on the curve are lower in yield than longer dated securities, this is described as a "normal curve". This makes sense as an investor should be compensated for holding a longer dated security as it carries with it a greater credit risk given its longer credit duration or time to Call Date.

When short dated securities offer higher yields than longer dated securities, this is an "inverse curve." Finally, where yields are the same across call dates, this is termed a "flat curve".

WHAT ARE THE CONSIDERATIONS WHEN DECIDING WHICH HYBRIDS TO SELECT?

The major bank hybrid curve above is a good place to start, as all the major banks currently attract the same credit rating from the rating agencies. This means we are comparing "apples with apples" from a credit risk perspective. The lines going through the red columns (yield to call) and black columns (margin over swap rate) are "lines of best fit".

At the shorter end of the curve, ANZPD sits well above these lines, offering a larger yield to call and margin than the surrounding hybrids of similar term (years) to call date. ANZPD is therefore relatively cheap compared to CBAPE, with both hybrids being around 1 year from their optional call date.

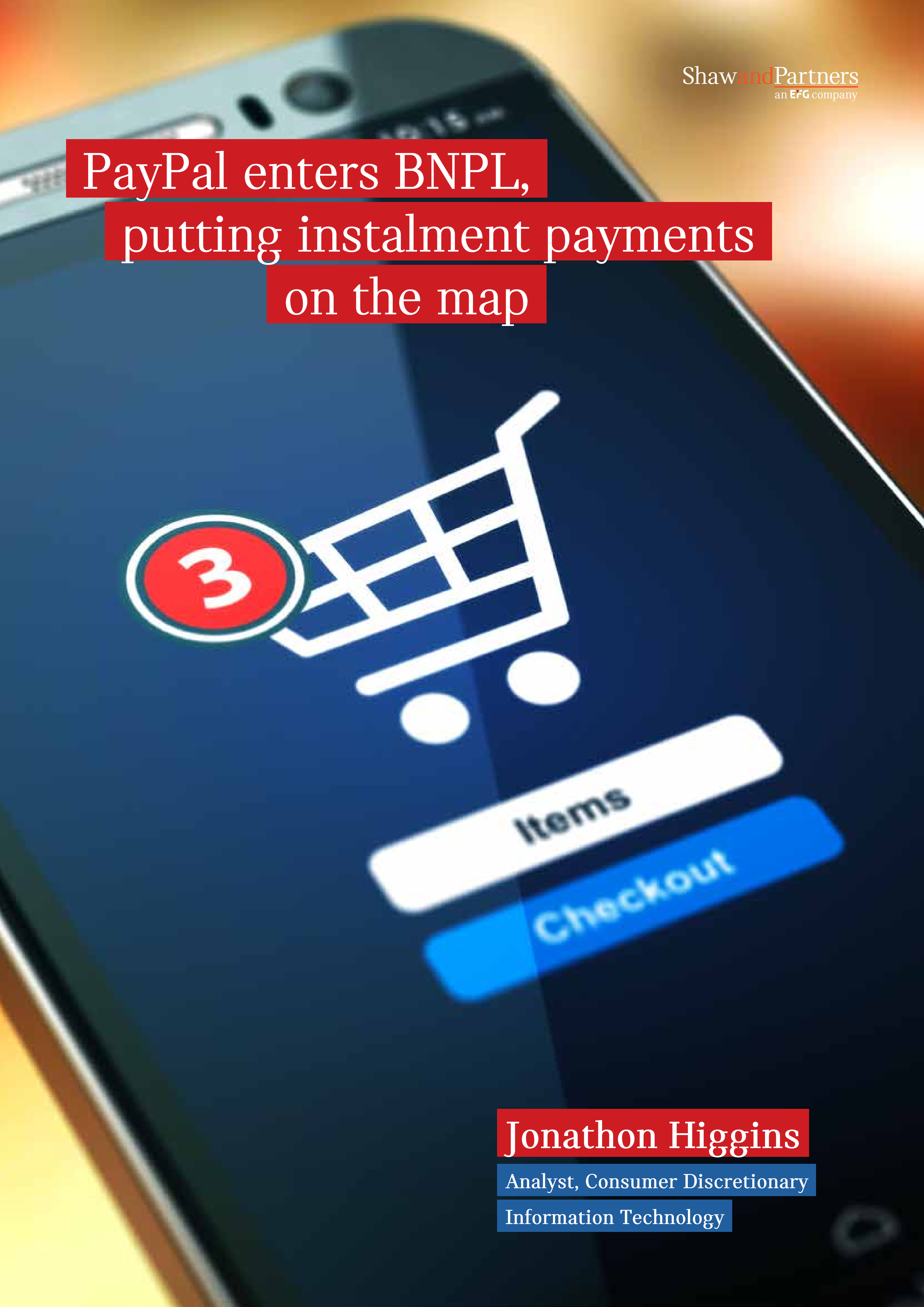
Conversely, ANZPF sits well below the curve of best fit with 2.5 years to call. Surrounding ANZPF we have CBAPD at 2.2 years to call and ANZPG at 3.5 years to call. Both of these hybrids sit above the line of best fit. ANZPF therefore looks expensive compared to CBAPD and ANZPG, offering an inferior yield to call for a similar term to call date.

These pricing anomalies arise for many reasons, including the effect of buying and selling by investors on any given day. Hybrids are issued with different margins by virtue of the level of prevailing credit spreads at the time of the bookbuild. This dynamic can impact their relative valuation as some investors focus more on running yield, while others are more sensitive to a Yield to Call (which includes the effect of any inferred capital loss or gain at call date).

The relative value opportunities between these securities can add significant value at times, particularly during periods of new issuance when trading volumes often become elevated. But whatever the reason for the pricing anomaly, over time hybrids will tend to mean revert.

This very simple but effective form of analysis provides a solid foundation for the selection of hybrids into a portfolio, and a basis for switching opportunities when differentials between hybrids become too wide.

Finally, the use of these types of analytical tools highlights why a well-managed diversified hybrid portfolio enables investors to generate optimal returns from investing in Hybrid securities, whilst properly managing risk.



Shaw and Partners
an EFG company

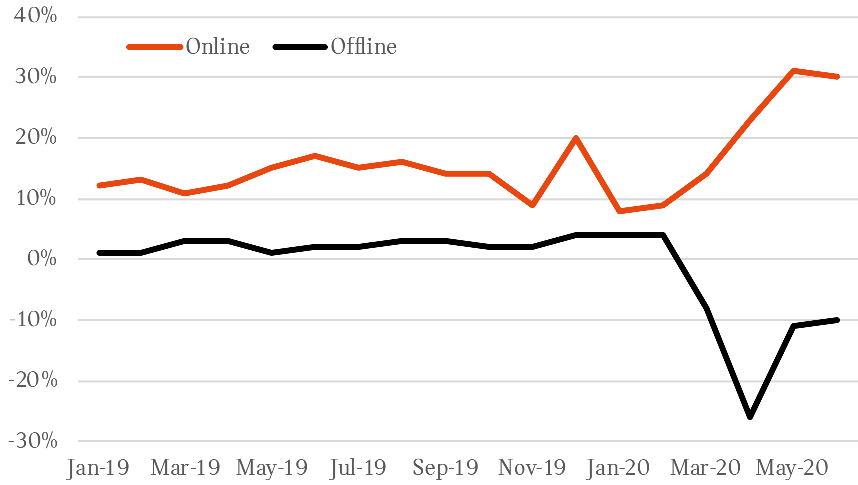
PayPal enters BNPL, putting instalment payments on the map

Jonathon Higgins
Analyst, Consumer Discretionary
Information Technology

COVID-19 has acted to turbocharge a generational shift towards digital, online and mobile interactions with consumers and businesses globally.

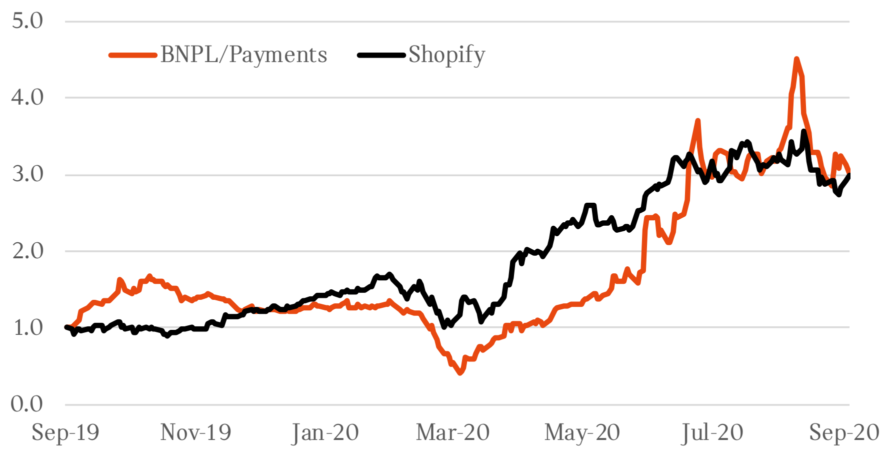
This has seen online retail as a percentage of total retail sales in the USA hit over 50% during COVID (excluding grocery). The online retail market has exploded with the entire market growing more than 30% YoY and digital cannibalising offline channels. Whilst some normalisation will occur as economies reopen, consumers are more likely to interact online through this paradigm shift and a massive amount of future lifetime value has been created.

Retail sales growth YoY USA



Ten years of a shift towards online sales has been captured in six months during COVID.

Median Share Price Return Global BNPL/Payments

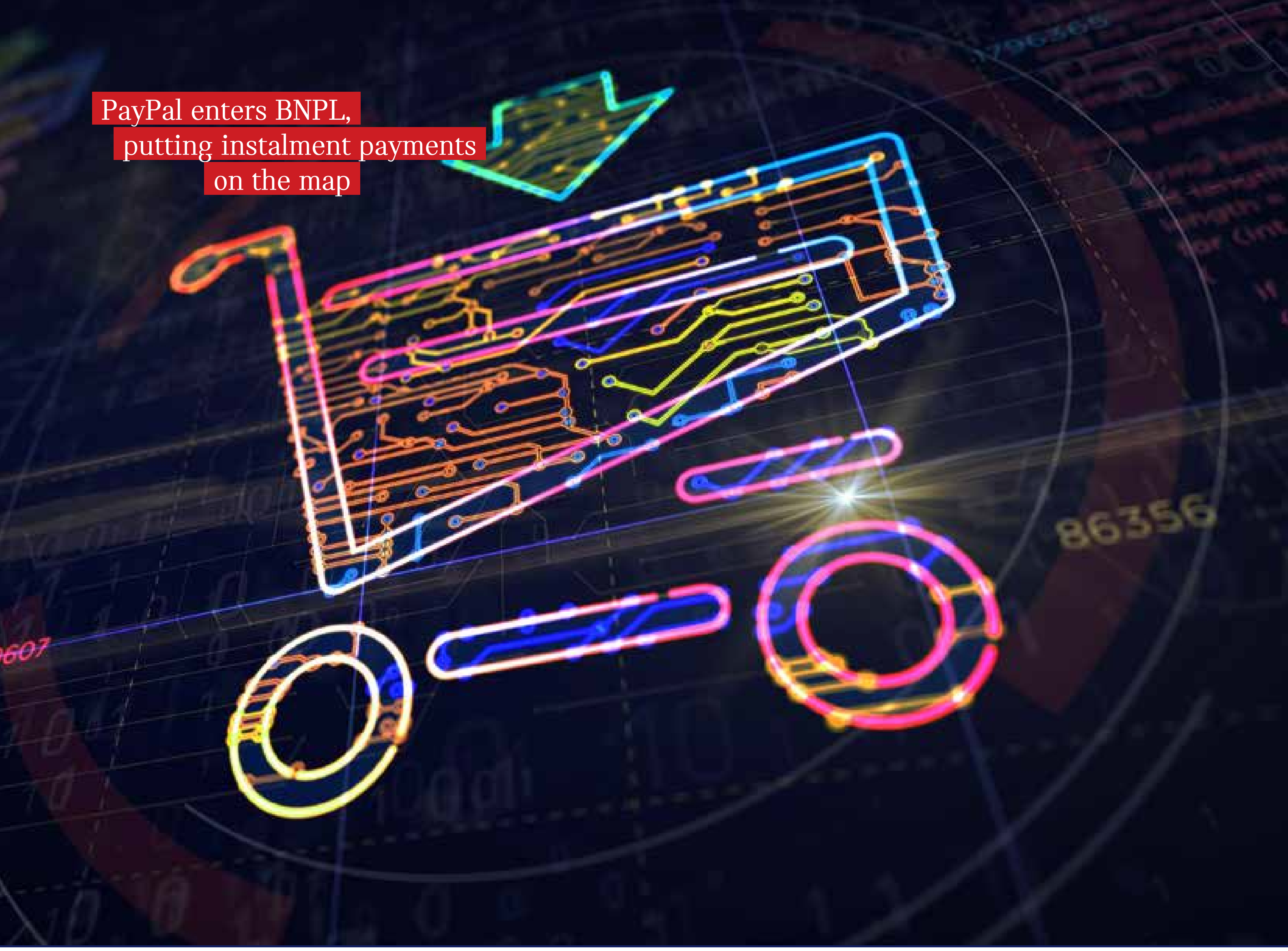


COVID has shifted how customers interact and lack of friction alongside trust is of the utmost importance. Traditional methods of payments and importantly origination channels for consumers are broken.

Credit cards, POS terminals and cash were all in structural decline pre-crisis and COVID has accelerated a global shift towards digital payments and instalment payments. On current adoption rates for example Australia could be cashless within only 3 years. The edge of this curve has been instalment payments or buy now pay later (BNPL) wherein customers can be accepted for amounts from $20-$20k in real time with intelligent decision making at the checkout. Compare this to a month for a credit card, charging 20% interest, requiring four pay slips and a 20-minute form? The playing field has changed.

In this environment the Australian home-grown sector of BNPL has taken massive market share with over 30% of Australians now having an account with the two major providers (Z1P & APT) and likely accounting for north of 15% of all online retail. The average listed BNPL company has delivered SP growth of over 300% in the past 12 months and from trough to peak the share price performances have been breathtaking at up 10x+.

PayPal enters BNPL, putting instalment payments on the map

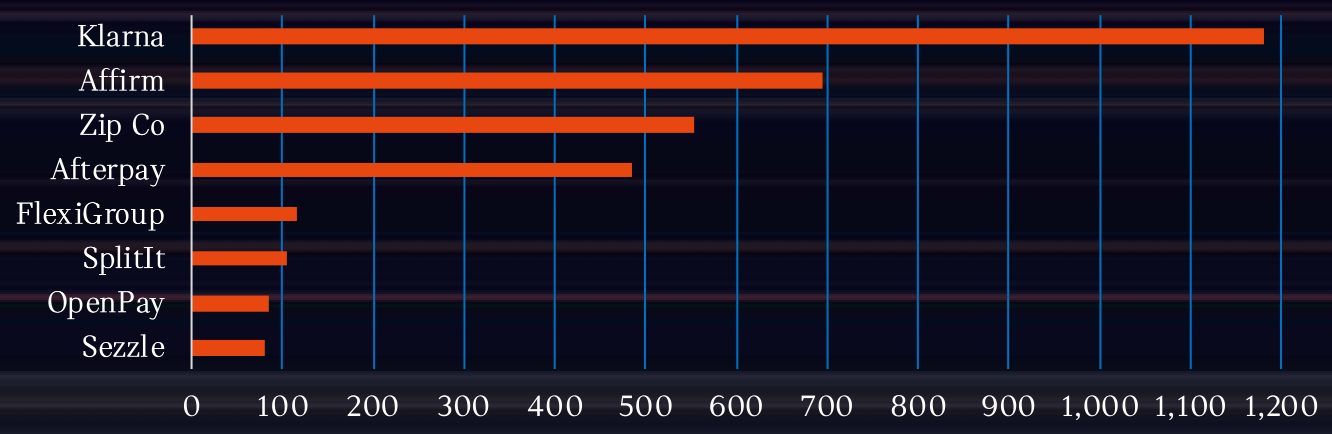


The big guys are ponderously starting to take notice, although it's potentially too late for the banks.

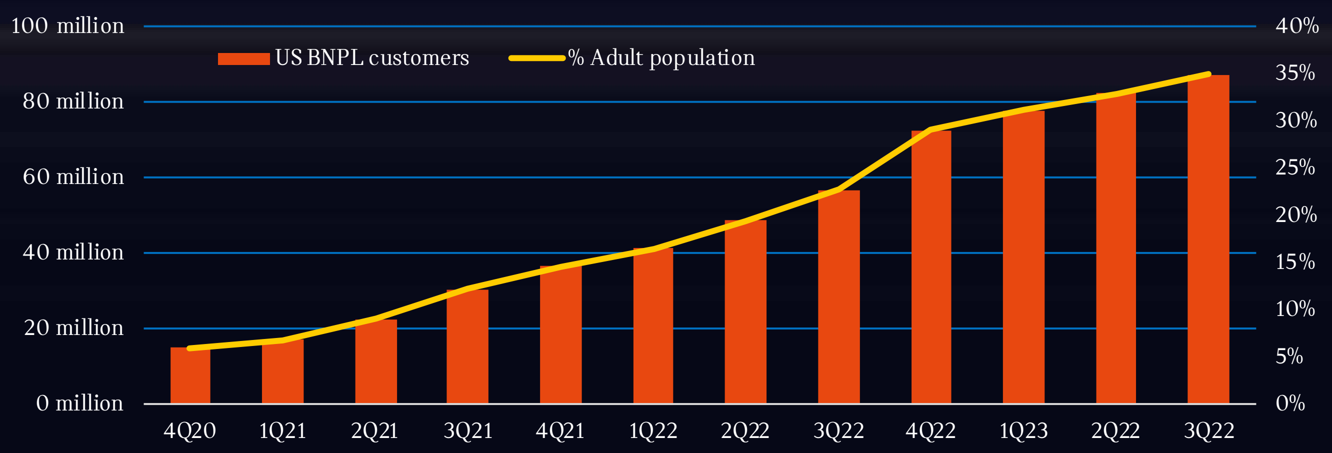
With home grown success stories enjoying such success and delivering on the global stage (particularly in the USA) the elephants are starting to take notice. This has meant that competing and varying solutions have been announced by several traditional and payment companies to deliver products in markets globally.

PayPal	Announced a 6 week pay in four product initially launching in the USA
Shopify/Affirm	Integrated alt-fi merchant checkout offering utilising Affirm
Sezzle	Partnership with Ally Financial
QuadPay	Acquired by Zip Co and one of the first to launch pay anywhere virtual cards alongside Susquehanna investment
Amex	Instalment payment product launched globally akin to interest free
Klarna	Further expansion into the USA and Australia, pay in four products being offered and investment from CBA
Visa/Mastercard	Various partnerships announced, and Visa announced the ability to offer instalment payments via major banks
Morgan Stanley/ JP Morgan	Announced instalment payment capability akin to interest free
CBA/NAB	Launched interest free revolving low balance credit cards

Equity Capital Raised Last 12 months (A$m)



US BNPL Customer Forecast (Australian Adoption Experience)



Investors are taking notice alongside bank executives also with over $3.3bn raised in equity capital for the major BNPL companies globally in the past 12 months alone. Typically, these investors have been rewarded with strong listed and unlisted growth. Major international banks and funders have all backed the space, with names such as CBA, WBC, Oaktree, Goldman Sachs, Susquehanna, Fidelity and others joining the rollcall.

Whilst competition is heating up and varying products are coming to market (with varying execution), the international opportunity is massive, and the surface has been barely scratched. As an example, we estimate that less than 5% of Americans have an active BNPL account and the vast majority of payments are only available in store. In our view we expect 80m+ Americans to have accounts within 3 years with average TV accelerating materially.

Over time this should result in BNPL delivering within the next 3 years US$110Bn in annualised TV within just the USA alone. This equates to $50Bn in net margins alone.

The US is actually ahead of Australia in terms of the rate of adoption. Considering the elevated rate of online sales, greater merchant awareness and greater capital available there remains potential for the US to adopt BNPL at a faster rate than Australia. Further, there's plenty of other markets globally where this can occur and it's starting to take off (such as the UK).

In this context its important to note that we still see it as day 1 of instalment payments globally. There remains significant long-term potential to the sector.

Whilst we should watch entrants and further competition carefully (particularly strong digital companies like PayPal) our firm view is that there is several years of blue ocean (lower competition) ahead, before the sector consolidates and margin battles are fought. There's plenty of share for now.

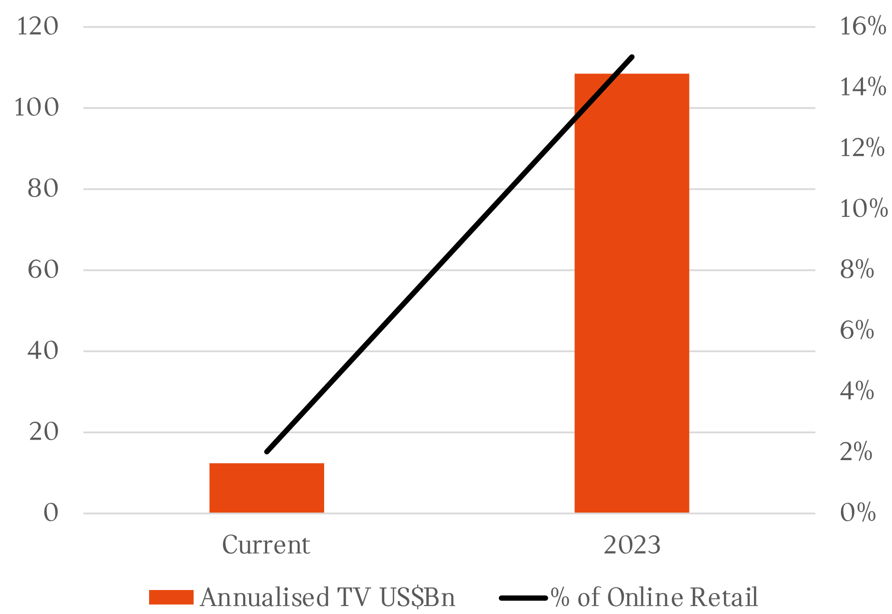
PayPal enters BNPL, putting instalment payments on the map

It's still only day one for instalment payments globally.

This is even more the case in the short term. The environment for BNPL merchant accreditation, customer origination and TV online has never been more fertile.

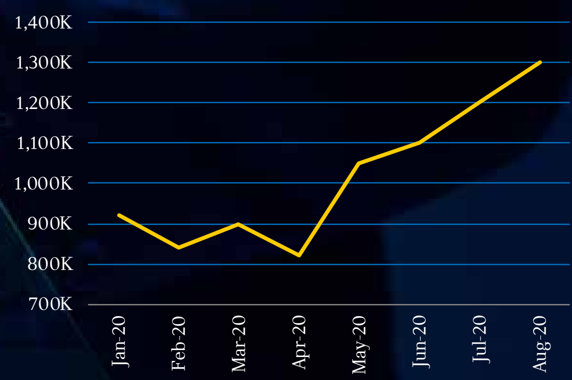
COVID has structurally accelerated BNPL adoption in the USA/globally and we expect 1Q21 results to 2Q21 to demonstrate a massive international acceleration. As such although the sector ran too hard to September, we expect 1Q21 results (October) to be a major sector catalyst and see strong results through the seasonally strongest period globally (with Christmas and cyber sales to come).

US BNPL TV and Share of Retail

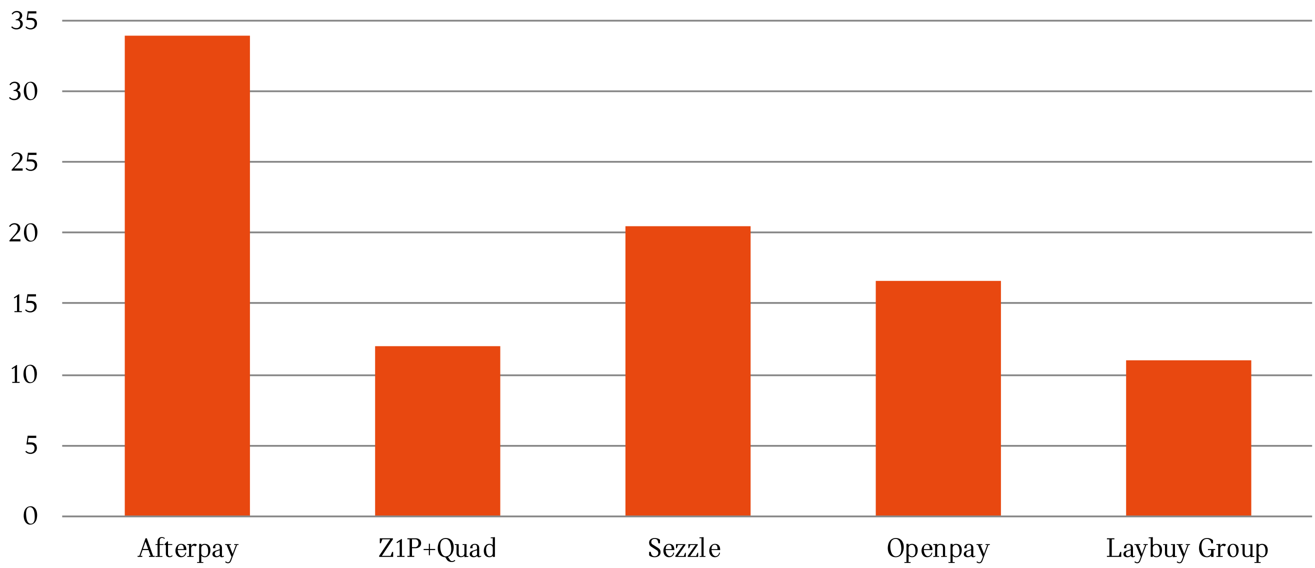


Over the long term we are positive on those companies with diverse platforms across product and credit. As such Zip Co (ASX: Z1P – Buy PT=$10) is featured as one of my top picks and this is worth close examination leading into 1Q21 results with QuadPay data showing a large acceleration in the largest consumer market globally.

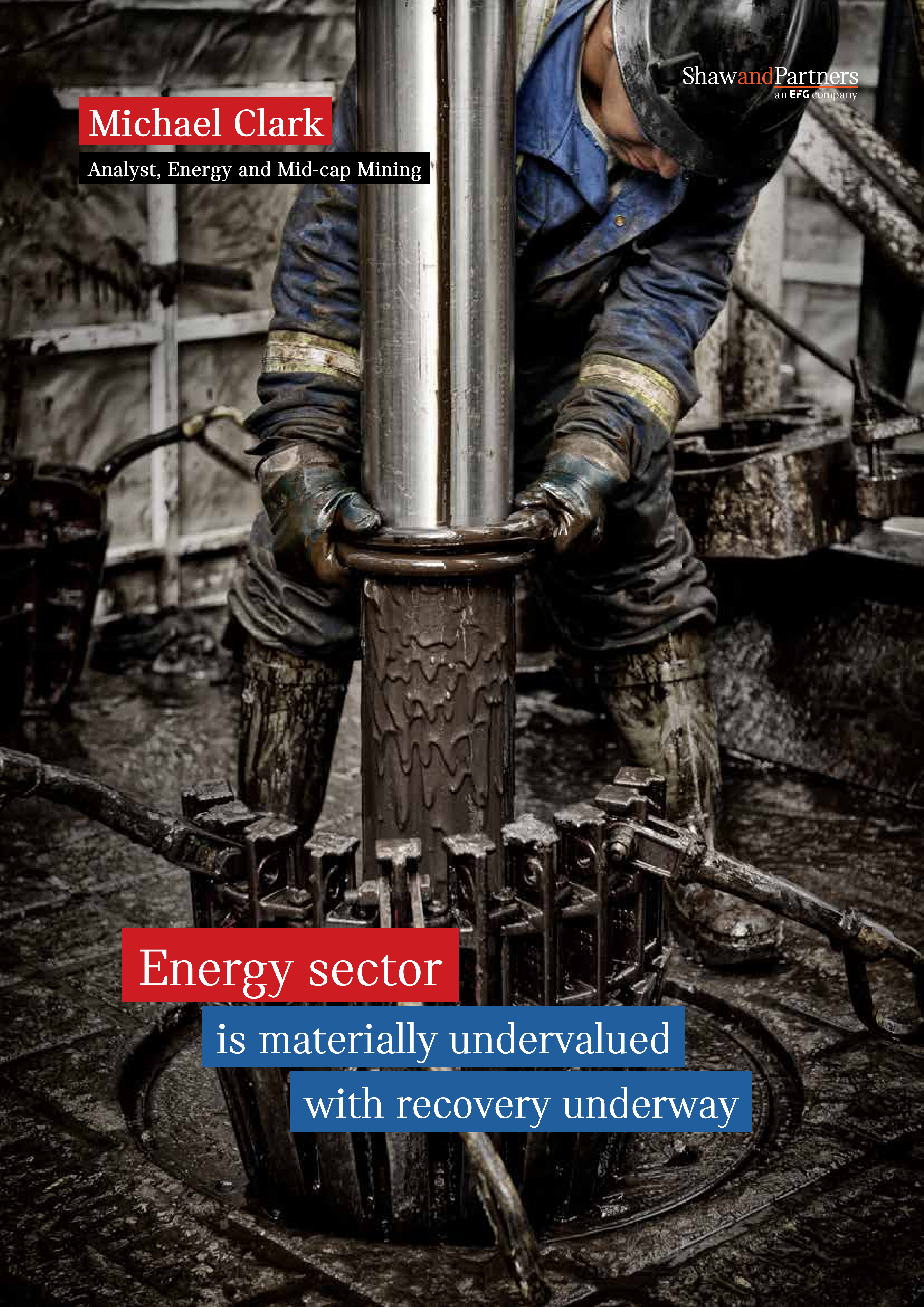
QuadPay Visits per Month



P/Annualised sales



We remain watchful of competition however the flywheel of growth is accelerating in the USA during 1H21 and you don't sell that which is getting quicker.



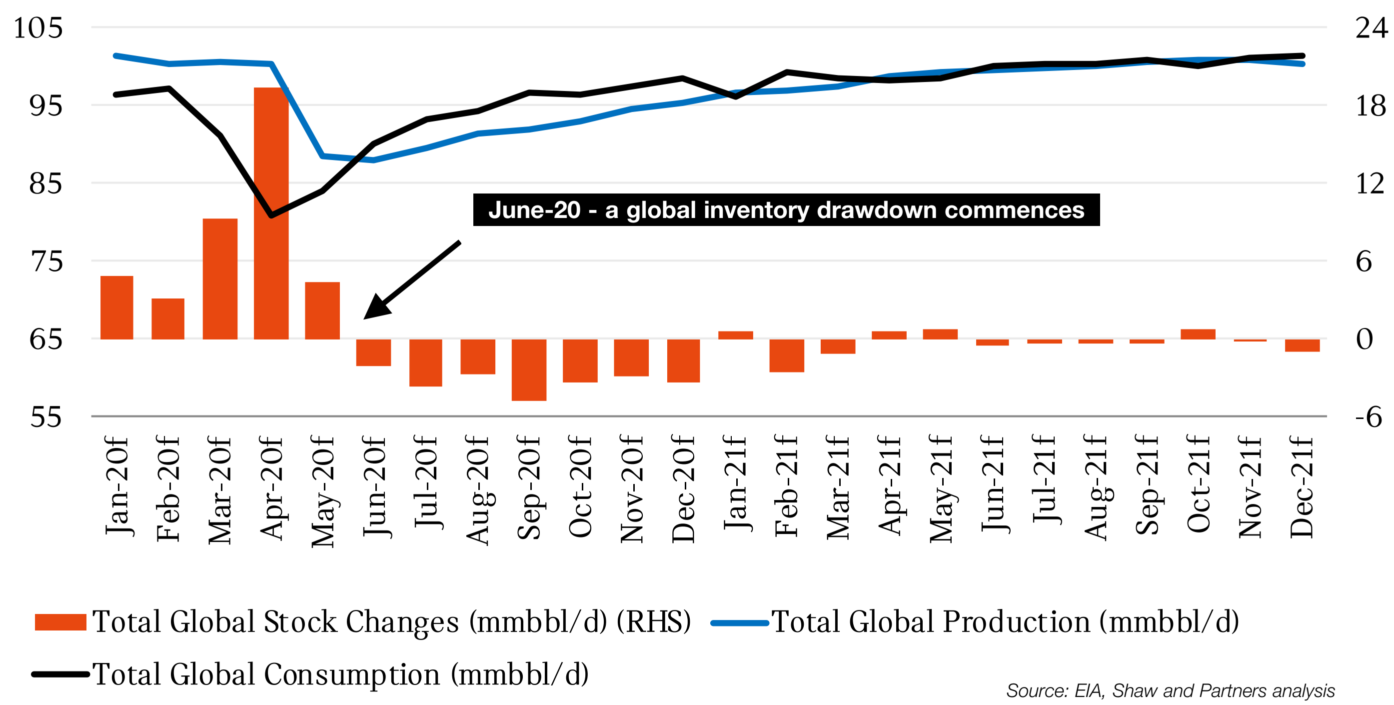
ShawandPartners
an EFG company

Michael Clark

Analyst, Energy and Mid-cap Mining

Energy sector is materially undervalued with recovery underway

2020/21 global liquid fuels production and consumption balance (monthly, mmbbl/d)



Source: EIA, Shaw and Partners analysis

The Energy Sector is past the worst of the COVID-19 crisis. Inventories are already being drawn down due to production curtailments and rising oil demand.

We believe markets will require additional OPEC+ production much sooner (end 2020) than the current OPEC+ cuts schedule, particularly as the global recovery gains momentum. This will leave the globe vulnerable to a supply-side oil crunch and price spike.

In our view mid-term sector risks are skewed to the upside due to a lack of industry investment since 2015. We would not be surprised if each company under coverage ultimately trades ahead of valuation support.

PAST THE BOTTOM OF THE CYCLE

Further to the industry's supply side response, global oil and gas producers have cut dividends, raised equity, reduced reserves, and written down assets. In our view many of the write-downs have been linked to higher cost unconventional resources such as oil sands, shale oil/gas and coal seam gas – a 'clearing of the decks.' In 1Q20 alone, 40 US oil producers collectively wrote down US$48b worth of assets. These companies were responsible for 30% of US liquids production.

In our view, each company under coverage will be able to navigate the recovering commodity environment and each has material valuation upside. We make note of the following:

Balance sheets appear manageable in the absence of growth projects at current commodity prices. We believe companies can continue existing operations with Brent oil at US$35-40/bbl. In our view key decisions regarding growth projects (ex-Dorado for Santos) will not occur unless oil prices are >US$55-60/bbl.

Industry write-downs have concluded for the large Australian names – Woodside, Santos and Oil Search all wrote down assets over the past several months. The majority of these were for assets that were either never going to be developed or were producing assets that had been performing significantly below original design capacity for an extended period of time.

The Australian names are well placed for the increasing focus on ESG (Environmental, Social and Governance criteria). Gas is a much cleaner burning fuel than coal. Compared to coal it emits 45-55% fewer greenhouse gas emissions and less than one-tenth of the air pollutants when used to generate electricity. Given the low carbon energy transition goal is for the globe to emit fewer emissions per unit energy consumed, we believe gas will play a key role. With 50-90% of our coverage's production in the form of gas/ LNG, we believe each name is well placed.

Energy sector is materially undervalued with recovery underway

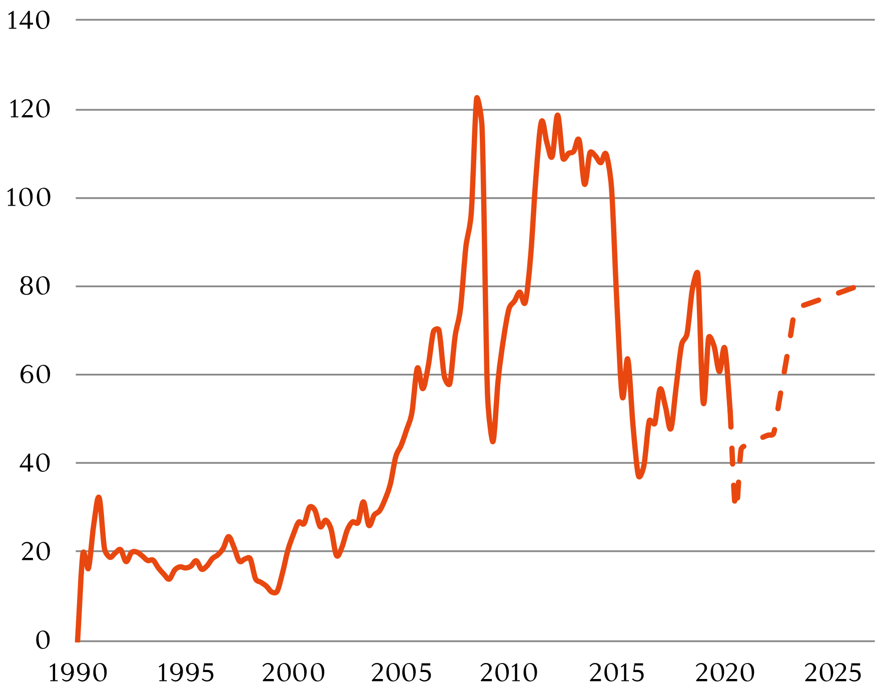
Companies can continue existing operations with Brent oil at US$35-40/bbl.

COMMODITY MARKETS

In our view we use a conservative oil price deck - the Brent oil futures curve through to 2022, converging to our long-term assumption of US$70/bbl by early 2023 (2020 Real). This timeline coincides approximately with the conclusion of OPEC's production cut curtailment strategy (end April-22), which we believe is at risk if cuts are relaxed, global oil demand rises, and compliance lessens. Our long-term oil price assumption is based on marginal cost curve analysis.

We use a long-term LNG (liquified natural gas) slope of 11% (US$7.7/mmBtu 2020 Real). In our view gas is an abundant commodity and the surge in global supply 2015-20 has caused LNG to permanently de-rate (historical long-term price slope 13.5%). Regional LNG spot markets have shown signs of recovery with cargoes currently trading at ~US$5.0/mmBtu, ~150% above the May lows.

Brent oil price forecast (US$/bbl)



Source: World Bank, Bloomberg, Shaw and Partners forecast

	Current share price A$/s	Inferred oil price US$/bbl	DCF Valuation A$/s	Sensitivities (+/- US$10/bbl) Share price move A$/s	NPAT (US$m) 2020	NPAT (US$m) 2021	EPS (UScps) 2020	EPS (UScps) 2021
BPT (BUY)	1.37	53	1.90	0.61		61		3
WPL (BUY)	18.32	59	24.00	8.10	241	504	26	53
OSH (BUY)	2.78	59	4.30	1.55	97	163	5	8
STO (BUY)	5.12	62	6.00	2.10	183	332	9	16

Source: Company reports, Shaw and Partners analysis

Our company preference list is based on a combination of oil price leverage, underlying asset quality and operating metrics. In our view all companies can continue existing operations with Brent oil at US$35-40/bbl (spot US$42/bbl).

beach

1. Beach Energy (BUY, A$1.90ps PT)
Our top pick in the sector. We believe the company is materially undervalued at current trading levels and presents an asymmetric commodity leverage opportunity. Furthermore, we believe BPT may be able to capitalise on distressed asset sales over the coming 18 months as well as gas growth opportunities in Western Australia (Ironbark and Waitsia).

Santos

2. Santos (BUY, A$6.00ps PT)
The company is operationally and financially leveraged to an oil price recovery (CY20f EV/EBITDA of 5x and gearing [ND / ND + E] at ~30%). Looking further ahead, we believe the company's Dorado oil project is arguably the best undeveloped oil and gas project in Australasia (A$0.84ps, NPV US$1.2b STO share, IRR 26%).

Oil Search

3. Oil Search (BUY, A$4.30ps PT)
The stock has the largest valuation upside. This is because much of our valuation (A$1.2ps / ~30%) relates to growth assets which require Brent oil >US$55-60/bbl.

Woodside

4. Woodside (BUY, A$24.00ps PT)
In our view the company is the most conservative option of the large caps; least oil price leverage and best balance sheet (CY20f gearing 21%). In our view the company's growth plans will crystallise as the North West Shelf Joint Venture re-structures. This may take 12-18 months.

ShawandPartners
an EFG company

Shaw Managed Accounts

Portfolio Performances – August 2020

Portfolio		3 Mth	6 Mth	1yr	2yr	Inception
Shaw Income Goal Portfolio	**Total Portfolio Return**	**2.58%**	**-2.04%**	**-1.83%**	**2.78%**	**5.08%**
Objective: RBA Cash +3%	Portfolio Objective	0.81%	1.64%	3.56%	4.00%	4.18%
Inception: Sep-17	Excess v Objective	1.77%	-3.68%	-5.39%	-1.22%	0.90%
Shaw Balanced Goal Portfolio	**Total Portfolio Return**	**5.03%**	**-0.28%**	**-1.81%**	**2.80%**	**5.86%**
Objective: RBA Cash +4%	Portfolio Objective	1.05%	2.14%	4.55%	4.97%	5.15%
Inception: Sep-17	Excess v Objective	3.98%	-2.42%	-6.36%	-2.17%	0.71%
Shaw Growth Goal Portfolio	**Total Portfolio Return**	**8.54%**	**4.08%**	**6.60%**	**6.42%**	**11.39%**
Objective: RBA Cash +5%	Portfolio Objective	1.30%	2.63%	5.58%	6.02%	6.20%
Inception: Sep-17	Excess v Objective	7.24%	1.45%	1.02%	0.40%	5.19%
Debt Securities Income Portfolio	Total Portfolio Return	1.46%	0.45%	0.93%	4.37%	3.94%
	Inception: Sep-17					
Hybrid Income Portfolio	Total Portfolio Return	2.69%	2.90%	1.45%	4.17%	6.19%
	Inception: Sep-16					
Australian Equity (Large Cap) - Income	Total Portfolio Return	2.52%	-10.45%	-10.06%	1.07%	4.61%
	Inception: Sep-17					
Australian Equity (Large Cap) - Core	Total Portfolio Return	7.59%	-7.40%	-11.97%	-0.16%	7.44%
	Inception: May-16					
Australian Equity (Large Cap) - Growth	Total Portfolio Return	10.31%	2.54%	7.66%	8.69%	14.91%
	Inception: Sep-17					
Australian Equity - Small and Mid Cap	Total Portfolio Return	17.45%	10.55%	9.63%	7.13%	10.78%
	Inception: Sep-17					
Shaw Liquid Alternatives Portfolio	Total Portfolio Return	2.42%	2.28%	1.11%	1.08%	1.16%
	Inception: Aug-18					
AB Concentrated Global Growth	Total Portfolio Return	3.79%	6.90%	13.25%	14.43%	15.44%
	Inception: Jan-15					
EFG US Future Leaders Portfolio	Total Portfolio Return	7.31%	27.63%	28.05%		21.28%
	Inception: Jul-19					

Shaw Managed Accounts

Click on the images below to download the marketing brochure and SMA Portfolio Factsheets. [Download the marketing brochure here.]()


Shaw Managed Accounts
ShawandPartners
GOAL BASED PORTFOLIO
Shaw Income Goal Portfolio
MODEL PORTFOLIO CODE
SP0009

Shaw Income Goal


Shaw Managed Accounts
ShawandPartners
GOAL BASED PORTFOLIO
Shaw Balanced Portfolio
MODEL PORTFOLIO CODE
SP0008

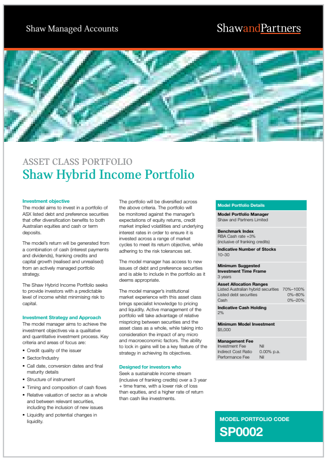
Shaw Balanced Goal


Shaw Managed Accounts
ShawandPartners
GOAL BASED PORTFOLIO
Shaw Growth Goal Portfolio
MODEL PORTFOLIO CODE
SP0010

Shaw Growth Goal


Shaw Managed Accounts
ShawandPartners
ASSET CLASS PORTFOLIO
Shaw Debt Securities Income Portfolio
MODEL PORTFOLIO CODE
SP0003

Shaw Debt Securities Income


Shaw Managed Accounts
ShawandPartners
ASSET CLASS PORTFOLIO
Shaw Hybrid Income Portfolio
MODEL PORTFOLIO CODE
SP0002

Shaw Hybrid Income


Shaw Managed Accounts
ShawandPartners
ASSET CLASS PORTFOLIO
Shaw Australian Equity (Large Cap) Income
MODEL PORTFOLIO CODE
SP0004

Shaw Australian Equity (Large Cap) Income


Shaw Managed Accounts
ShawandPartners
ASSET CLASS PORTFOLIO
Shaw Australian Equity (Large Cap) Core
MODEL PORTFOLIO CODE
SP0001

Shaw Australian Equity (Large Cap) Core


Shaw Managed Accounts
ShawandPartners
ASSET CLASS PORTFOLIO
Shaw Australian Equity (Large Cap) Growth
MODEL PORTFOLIO CODE
SP0005

Shaw Australian Equity (Large Cap) Growth


Shaw Managed Accounts
ShawandPartners
ASSET CLASS PORTFOLIO
Shaw Australian Equity (Small and Mid-Cap) Growth
MODEL PORTFOLIO CODE
SP0006

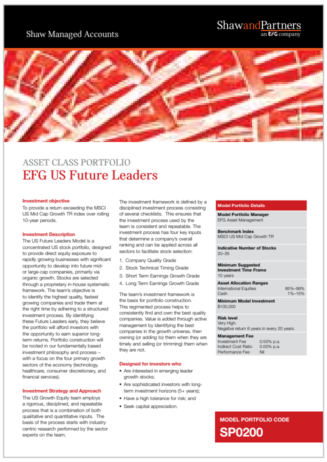
Shaw Australian Equity (Small and Mid-Cap) Growth


Shaw Managed Accounts
ShawandPartners
ASSET CLASS PORTFOLIO
Shaw Liquid Alternatives Portfolio
MODEL PORTFOLIO CODE
SP0011

Shaw Liquid Alternatives


Shaw Managed Accounts
ShawandPartners
ASSET CLASS PORTFOLIO
AllianceBernstein Concentrated Global Growth
MODEL PORTFOLIO CODE
SP0012

AllianceBernstein Concentrated Global Growth


Shaw Managed Accounts
ShawandPartners
ASSET CLASS PORTFOLIO
EFG US Future Leaders
MODEL PORTFOLIO CODE
SP0200

EFG US Future Leaders

ShawandPartners
an EFG company

Stock recommendations

Shaw and Partners provides coverage on 100+ listed companies across a range of sectors, specialising in Australian mid-cap and emerging companies.

Commonwealth Bank of Australia provides banking and financial services. It offers banking and financial products and services to retail, small business, corporate and institutional clients.

Suncorp Group is a financial services company, which provides banking and wealth, as well as insurance products and services across Australia and New Zealand. The company operates its business through the following segments: General Insurance, Banking and Life.

South 32 is a globally diversified metals and mining company with a portfolio of high quality, well maintained, cash generative assets producing bauxite, alumina, aluminium, energy and metallurgical coal, manganese, nickel, silver, lead and zinc. S32 is world's largest producer of manganese ore, and own the world's largest silver mine.

Whitehaven Coal is engaged in the development and operation of coal mines. The company operates through the following segments: Open Cut Operations and Underground Operations. Its projects include Canyon, Maules Creek, Narrabri North, Rocglen, Sunnyside, Tarrawonga, Vickery, Werris Creek, and Other Projects.

Coles Group engages in the operation of supermarkets and retail stores. Its businesses include Coles Supermarkets, Coles Express, Coles Online, BI-LO, Liquorland, Vintage Cellars, 1st Choice Liquor.

Wisr (WZR) is Australia's first neo-lender with a commitment to the financial wellness of all Australians, through providing a smarter, fairer and wiser collection of financial products and services. Wisr provides a unique financial wellness eco-system underpinned by consumer finance products, the Wisr App to help Australians pay down debt, WisrCredit.com.au the country's only credit score comparison service, combined with content and other products that use technology to provide better outcomes for borrowers, investors and everyday Australians.

Beach Energy has oil and gas production in five basins across Australia and New Zealand and is a key supplier of gas into the Australian east coast. Beach's asset portfolio includes ownership interests in strategic oil and gas infrastructure, such as the Moomba processing facility, a portfolio of oil and gas assets across Australia and New Zealand including the Waitsia Gas Project in the Perth Basin, and a suite of high potential exploration prospects including the Ironbark frontier exploration prospect in the Carnarvon Basin, WA.

Santos is an upstream oil and natural gas exploration and production company, with five core long-life assets: Western Australia, the Cooper Basin, Queensland and NSW, Northern Australia and Timor-Leste, and Papua New Guinea. Santos has customers throughout Australia and Asia and plans to be Australia's leading natural gas company by 2025.

Geopacific Resources is developing the Woodlark Gold Project on Woodlark Island in PNG. First production is expected in 2022 and the operation will produce approximately 100koz of gold per annum over a 13 year mine life.

Strandline Resources engages in the exploration and evaluation of mineral properties. The company holds interests in the Tanzania Heavy Mineral Sands (HMS), Coburn HMS, and Fowlers Bay Nickel projects. It operates through the Australia and Tanzania geographical segments.

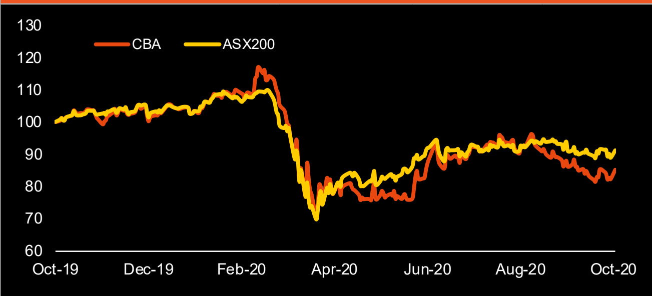
Rhipe provides software licensing, subscription management tools and cloud computing services. Its software vendors include Microsoft, Citrix, Datacore, McAfee, Red Hat, Trend Micro, Veeam, Zimbra and VMware.

Zip Co. provides integrated solutions to small, medium and enterprise merchants across numerous industries, both online and in-store. It offers point-of-sale credit and digital payment services to consumers and merchants. The company was founded on June 24, 2013 and is headquartered in Sydney, Australia.

Commonwealth Bank (CBA)

Recommendation	Buy
Risk	Medium
Share Price (as at 5 October 2020)	$65.81
Target Price	$77.00
Analyst	Brett Le Mesurier

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	-1.11%	-7.80%	-14.95%

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

- **Profit and bad debts:** CBA's statutory net profit after tax (NPAT) increased by 12% from FY19 to FY20 while its NPAT on a cash basis from continuing operations fell by 11% over the period.
- This decline was due to a more than doubling of the bad debt expense from $1.2bn in FY19 to $2.5bn in FY20, due to COVID-19. The bad debt charge is expected to increase from $2.5bn in FY20 to $3bn in FY21. This allows for a further $10bn in impaired loans and a loss rate in excess of 30%, gross of recoveries.
- **Income:** Income increased by 1% on a cash basis from FY19 to FY20 but declined by 2% from 1H20 to 2H20. Income is forecast to increase by 2% on a cash basis from FY20 to FY21.
- **Capital and dividends:** CBA's CET1 was 11.6% at 30/6/20 and would have been 60 bps higher if the announced transactions had been completed. CBA's final dividend of 98 cps includes a DRP which will be satisfied through the issue of shares which will not be bought back.
- **Cash EPS growth, recommendation and price target:** CBA's cash EPS is forecast to change little from FY20 to FY21 as a result of recurring and elevated bad debt charges. Cash EPS is forecast to increase by 24% from FY21 to FY22, assuming the bad debt charge falls from $3bn in FY21 to $1.4bn in FY22. The share price target of $77 reflects a P/E of 14.8 times FY22F cash EPS and a dividend yield of 5% based on FY22F.

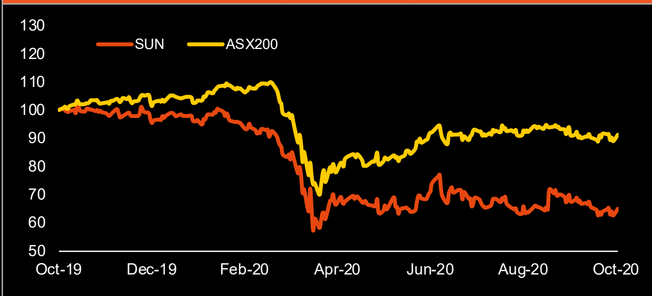
Forecasts

YE 30-Jun	FY20	FY21E	FY22E
Earnings cps	412.4	418.4	519.7
Dividends (AUD) cps	298.0	340.0	380.0
PE x	16.8	15.7	12.7
Yield %	4.3%	5.2%	5.8%
Franking %	100%	100%	100%

Suncorp Group (SUN)

Recommendation	Buy
Risk	Medium
Share Price (as at 5 October 2020)	$8.76
Target Price	$10.50
Analyst	Brett Le Mesurier

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	-3.75%	-5.72%	-35.24%

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

- **SUN** reported a rebound in the fortunes of its general insurer in 2H20 which offset the increase in the bad debt charge in the banking business. Cash earnings were $384M in 2H20 compared to $365M in 1H20 and a final dividend of 10 cps fully franked was declared.
- **Banking:** The bank suffered from a $170M increase in its bad debt charge from 1H20 to reach $171M in 2H20. Banking income increased by 3% and expenses fell by 5% from 1H20 to 2H20 which meant that the cost to income ratio fell from 60% in 1H20 to 55% in 2H20. This reverses a poor performance in 1H20.
- **General insurance:** The general insurance profit increased from $264M in 1H20 to $509M in 2H20. In 1H21. SUN expects the insurance margin to be adversely affected by lower investment earnings, a higher hazard allowance and lower profit in New Zealand. The general insurance profit is forecast to be $879M in FY21.
- **Cash EPS growth, recommendation and price target:** Cash EPS is forecast to increase by 20% from FY20 to FY21 because of an increase in the general insurance profit and the non-recurrence of substantial client remediation charges. A further 8% improvement in cash EPS from FY21 to FY22 is forecast as a result of the bad debt charge declining from $180M in FY21 to $100M in FY22. The share price target is $10.50 which is a P/E multiple of 13.8 times FY22 forecast cash EPS and a dividend yield of 4.75% based on a forecast 50 cps dividend in FY22.

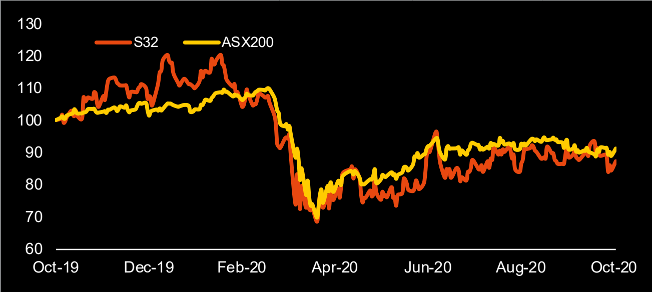
Forecasts

YE 30-Jun	FY20	FY21E	FY22E
Earnings cps	58.0	69.7	75.6
Dividends (AUD) cps	36.0	45.0	50.0
PE x	15.9	12.6	11.6
Yield %	3.9%	5.1%	5.7%
Franking %	100%	100%	100%

South 32 (S32)

Recommendation	Buy
Risk	High
Share Price (as at 5 October 2020)	$2.13
Target Price	$3.00
Analyst	Peter O'Connor

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	-1.40%	-0.47%	-12.76%

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

Existential headwinds abated; corporate/growth progress

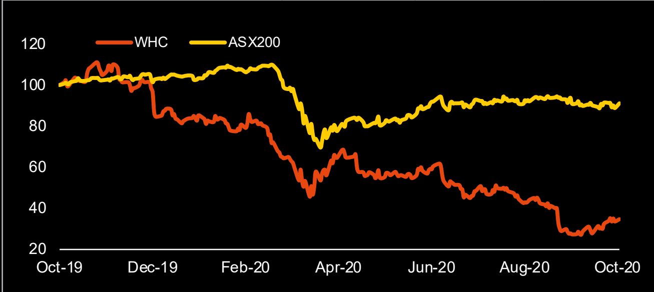
- We upgraded to BUY in early 2020 after a protracted 18-24 month cyclical sell off. Conditions have now reversed.
- Existential headwinds abating – pleasingly earnings headwinds since mid 2018 which had been manifest as declining commodity prices – in particular S32's key commodities manganese, met coal and alumina – now appear to past the price nadir and in most cases are now trending higher. This is critical to for a more favourable earnings outlook given these metals account for ~90% of NPAT.
- Corporate developments – (i) Capital management program (US$121m buy back remaining) extended by 12 months; (ii) Coal divestment (South Africa) – The transaction is expected to close in the DH 2020. Importantly this divestment will increase the groups overall portfolio returns and removes a cash consuming – opex/capex, and low/negative return asset from the portfolio
- Growth: (i) Hermosa (Ag, Zn, Pb) - Pre-feasibility study completion expected in 2Q FY21 and scoping study underway on Clark deposit. (ii) Trilogy Metals (copper) PFS underway by JV (S32 50%) (iii) Illawarra (met coal) – final investment decision expected in 2HFY21, a favourable outcome delivering asset continuity into the 2030's, and (iv) Eagle Downs (met coal) - Advanced feasibility study work ahead of a final investment decision in DH CY20. On the later we expect S32 to step away form the project given more attractive returns elsewhere.

Forecasts			
YE 30-Jun	FY20	FY21E	FY22E
Earnings cps	4.0	5.9	12.8
Dividends (AUD) cps	4.8	3.3	7.1
PE x	35.3	25.9	12.0
Yield %	2.3%	1.5%	3.3%
Franking %	100%	100%	100%

Whitehaven (WHC)

Recommendation	Buy
Risk	High
Share Price (as at 5 October 2020)	$1.10
Target Price	$2.00
Analyst	Peter O'Connor

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	27.06%	-28.48%	-65.27%

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

Upgrade to BUY; commodity tailwinds = cyclical recovery

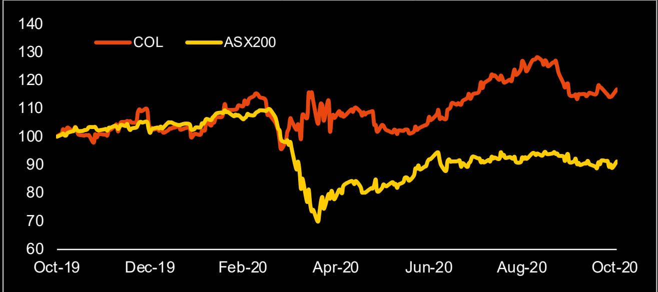
- We upgrade WHC rating to BUY from Hold reflecting (i) improving operational trend post mid FY20 low points and (ii) coal price uptick post covid and cycle price lows. Importantly, the confluence of these factors will afford a margin tailwind in FY21 above prior low expectations.
- Coal prices are likely to be the best performing commodities in September up ~15% across the complex – metallurgical & thermal coal. The price inflection point during September was quite acute reflecting (i) the return of Indian buying post covid19 and season monsoon lull, (ii) China domestic vs import price arbitrage (favouors imports), (iii) global supply reductions balancing easier Covid19 demand (iv) supply side financials stretched with >50% of global producers operating at cash loss position and (v) addition supply side adjustment (October) by leading Australian producers. Moreover, as the world incrementally recovers post Covid19 slowdown we expect energy demand and price (coal included) to track higher as well
- Operational outlook has now improved (JQ20) from the low points in FY20 (DQ-MQ) and FY21 guidance should see the first annual uptick in several years underpinned by the company's two key (~80% of portfolio production) high margin assets. Cost trend is guided lower in FY21 although at ~A$70/t we expect further incremental improvement as the above assets deliver more volume (economies of scale) and high fixed costs are diluted and also absent once off costs.
- Capital management will be tight in FY21 hence we expect any surplus income to be directed to debt reduction.

Forecasts			
YE 30-Jun	FY20	FY21E	FY22E
Earnings cps	3.0	-13.4	8.4
Dividends (AUD) cps	1.5	0.0	3.0
PE x	47.1	-8.2	13.1
Yield %	1.0%	0.0%	2.7%
Franking %	0%	0%	0%

Coles (COL)

Recommendation	Buy
Risk	Medium
Share Price (as at 5 October 2020)	$17.58
Target Price	$20.00
Analyst	Danny Younis

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	1.69%	1.40%	16.78%

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

COVID-19 Driven Demand Continues YTD

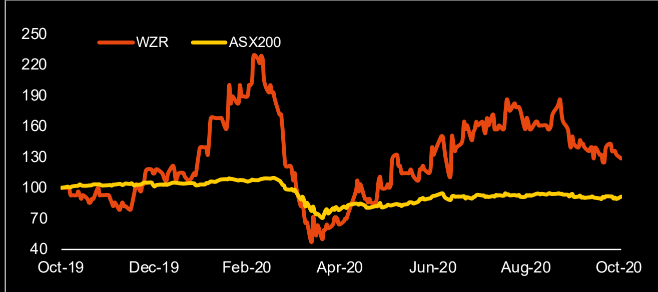
- In Supermarkets, strong momentum has continued into the first six weeks of FY21 (July / August) in line with the exiting 2H20's +10% LFL sales growth – despite additional costs, EBIT margin consistent with the FY20 full year (~4.0%), and with Online also growing +60% (driven by Victoria).
- Robust balance sheet (net debt just $342m or 0.4x gross debt/EBITDA) = flexibility for long term growth.
- Outlook points to a digital future with future investment in automated, AI and robotic technology – with two leading edge Witron DCs and two Ocado customer fulfilment centres (CFCs) in train. COL is also targeting >$1b in cost-outs by FY23 (establishment of transport hubs in VIC and NSW, improved labour productivity, supply chain optimisation, recued shrinkage and better energy / waste management).
- The most immediate and most salient question for Coles is how it will perform vs. Woolies longer term (Coles' anticipated <3% LFL sales growth vs. Woolies >3%) – we believe COL has more positive upside, improvement potential and earnings momentum relative to WOW – and it's cheaper too.
- We continue to view COL as an attractive 'safety net' in this COVID-19 environment given the financial strength of the company, its essential services provider status, improving dividend flows, positive momentum in closing the gap vs. its peer WOW and cheaper valuation (24x vs. WOW's 28x).

Forecasts			
YE 30-Jun	FY20	FY21E	FY22E
Earnings cps	73.3	71.8	74.4
Dividends (AUD) cps	57.5	58.0	60.0
PE x	23.4	24.5	23.6
Yield %	3.3%	3.3%	3.4%
Franking %	100%	100%	100%

Wisr (WZR)

Recommendation	Buy
Risk	High
Share Price (as at 5 October 2020)	$0.19
Target Price	$0.40
Analyst	Danny Younis

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	-10.00%	-20.00%	28.57%

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

Record FY20 + Accelerating Momentum = Validates Model

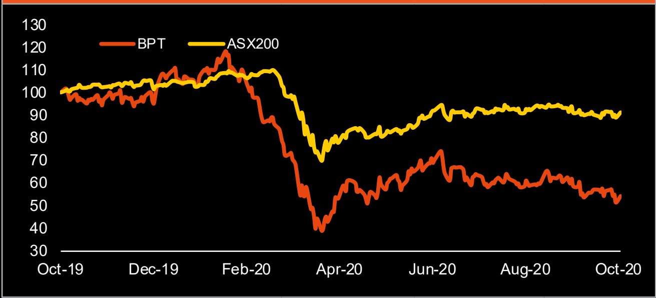
- All metrics trending in the right direction: (1) better-than-expected loan originations growth of +95% on pcp to $136m (above Shaw's $129m); (2) current loan book +49% to $169m (above Shaw's $163m) – predominantly comprising the new, high margin, low cost NAB facility; (3) record revenue generation +136% to $7.2m; (4) bad debts declining from an already benchmark low of 1.59% in FY19 to an equal low record of 1.44% in 4Q19; (5) customer credit quality up to record high of 712 (and record 723 in 4Q20); and (6) customers growing +389% to 239,000 over the past 12 months.
- Significant opportunity exists for a potential valuation re-rate in the near future given new secured car vehicle product set for launch in 1Q21 with monetisation to follow – TAM of $80b in annual vehicle sales and $33b annual market for consumer vehicle financing.
- Net/net, the combination of the combination of high loan originations growth, funding capacity of $45m with strong cash balance of $38m, prime customer base (average credit score of 712 vs. industry average of 600), low bad debt defaults of 1.4% and exceptionally low exposure to high risk sectors highlights our positive investment thesis – and ability to withstand COVID-19 impacts.
- WZR also trades at a significant 20% discount to listed fintech peers on both FY+1 PE and EV/Sales multiples (consensus).

Forecasts			
YE 30-Jun	FY20	FY21E	FY22E
Earnings cps	-2.0	-1.0	-0.6
Dividends (AUD) cps	0.0	0.0	0.0
PE x	nm	nm	nm
Yield %	0.0%	0.0%	0.0%
Franking %	0%	0%	0%

Beach Energy (BPT)

Recommendation	Buy
Risk	Medium
Share Price (as at 5 October 2020)	$1.33
Target Price	$1.90
Analyst	Michael Clark

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	-7.37%	-14.56%	-45.68%

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

Asymmetric commodity upside and key catalysts approaching

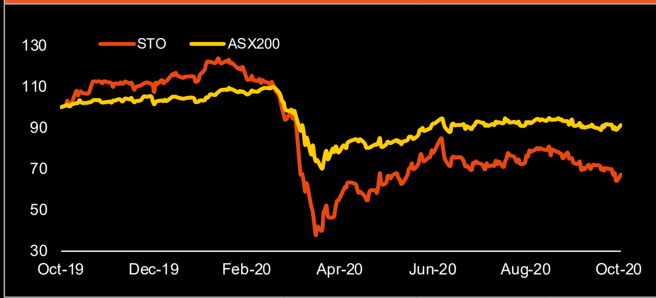
- Beach Energy is an upstream oil and gas exploration and production company with assets across Australia and New Zealand. The company is building a track record of delivering what they promise. Since the Lattice Energy acquisition in mid-FY18, BPT has delivered in-line or ahead of expectations. This includes targets relating to production, capex, free cash flow, 2P Reserves replacement, return on capital employed (ROCE), and debt repayment.
- The company has entered FY21 with a strong foundation. The balance sheet is net cash, existing operations are high margin (FY20 ROCE >19%), and the 2P Reserves base is resilient and growing. Reserve life increased to 13 years from 12 a year ago. There have been no impairments from the company in CY20.
- The company is well positioned for longer-term growth. (1) We believe the company will take a Final Investment Decision before the end of this half on the Waitsia Stage-2 expansion in WA. (2) The Ironbark frontier exploration prospect – also in WA - is planned to be drilled in the Dec20q. This is potentially a company defining well; a huge gas prospect only ~50km from the North West Shelf LNG infrastructure. (3) Given the balance sheet is net cash and existing operations are high margin, we believe the company may be able to capitalise from asset sales in Australia over the coming 12-18 months.
- The company is asymmetrically leveraged to an oil price recovery. FY21 and 22 gas revenues cover all operating and stay-in-business costs. We forecast a +US$10/bbl oil price sensitivity in perpetuity increases our valuation by A$0.6ps.

Forecasts			
YE 30-Jun	FY20	FY21E	FY22E
Earnings cps	20.2	13.3	14.1
Dividends (AUD) cps	2.0	2.0	2.5
PE x	7.5	10.0	9.4
Yield %	1.3%	1.5%	1.9%
Franking %	100%	100%	100%

Santos (STO)

Recommendation	Buy
Risk	High
Share Price (as at 5 October 2020)	$5.00
Target Price	$6.00
Analyst	Michael Clark

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	-7.91%	-7.91%	-32.83%

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

Leveraged to an oil price recovery

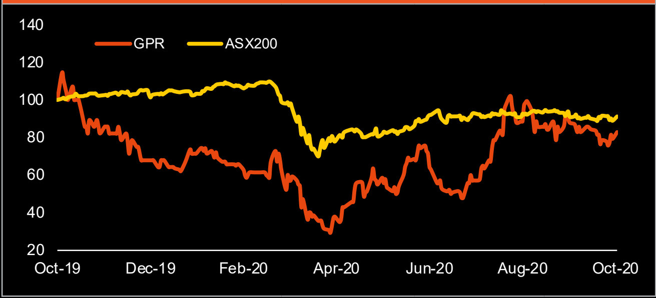
- Santos is an upstream oil and gas exploration and production company with assets across Australia and Papua New Guinea. The company is operationally and financially leveraged to an oil price recovery (CY20f EV/EBITDA of 5x and gearing [ND / ND + E] at ~30%).
- The company has had positive free cash flow for 17 consecutive quarters; STO insists that costs and capex levels will be capped going forward. The company is targeting a company aggregate free cash flow breakeven <US$25/boe (vs US$29/boe in CY19).
- The company's balance sheet is leveraged, but we think manageable and improving (1H20 34%). The company targets a medium-term gearing ratio of 25-30% and a longer-term gearing ratio 20-30%. In our view there are potential upcoming asset sell-downs to bolster the balance sheet, including partial stakes in Northern Australia, Dorado or Varanus Island and Devil Creek.
- The company has growth options. We forecast production to increase from 2020f 85mmboe to 118mmboe in 2026. This is heavily dependent on what we believe to be the company's most important growth project – Dorado – which we value at A$0.84ps (US$1.2b STO share, IRR 26%, net ~22mmboe production in 2025). Other options, including DLNG backfill, PNG LNG, WA domgas and Narrabri, either require regulatory hurdles or higher commodity prices (US$55-60/bbl) before they are progressed further. We maintain a positive outlook for the sector and include each project to go ahead in our model.

Forecasts			
YE 31-Dec	FY19	FY20E	FY21E
Earnings cps	34.2	21.2	17.5
Dividends (AUD) cps	15.8	10.3	5.6
PE x	16.8	16.8	16.8
Yield %	1.9%	1.9%	1.1%
Franking %	100%	100%	100%

Geopacific (GPR)

Recommendation	Buy
Risk	High
Share Price (as at 5 October 2020)	$0.62
Target Price	$1.31
Analyst	Andrew Hines

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	-5.69%	45.00%	-17.14%

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

One of the cheapest gold developers on the ASX

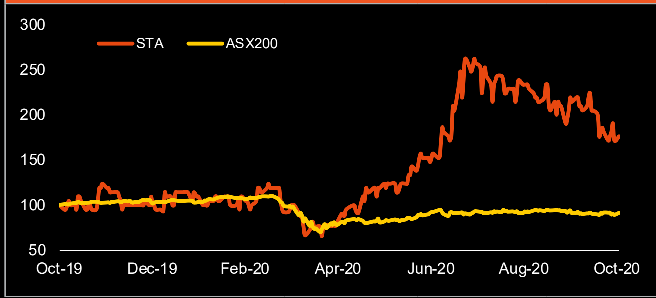
- Geopacific Resources is developing the Woodlark Gold Project on Woodlark Island in Papua New Guinea. The project is fully permitted and early construction has commenced.
- Woodlark is a standard and simple open cut mining operation and carbon-in-leach (CIL) processing plant which will produce ~100koz of gold per annum over a 13 year mine life. On our forecasts the project has a 2 year payback, an IRR of 52% and an NPV @10% of A$341m.
- Once in production (expected in 2022), at today's share price Geopacific will be trading on a PE multiple of just 1.3x and an EV/EBITDA multiple of 0.2x. Geopacific is one of the cheapest gold exploration and development companies listed on the ASX with an EV/resource of A$45/oz compared to a sector average A$93/oz.
- The A$ gold price recently hit an all-time high of A$2,720/oz and we expect the US$ gold price to continue rising and peak at around US$2,500/oz in late 2022. At spot gold our NPV of the project increases to A$545m (A$1.57ps on a fully diluted basis).
- Woodlark has a resource of 47Mt at 1.04g/t for 1.57Moz gold and reserve of 28.9Mt @ 1.12g/t for 1.04Moz gold. There is significant exploration upside on the island and we expect to see ongoing resource upgrades. It would not surprise us to see the resource base increased to over 5Moz over time.

Forecasts			
YE 31-Dec	FY19	FY20E	FY21E
Earnings cps	-0.7	-2.5	-2.1
Dividends (AUD) cps	0.0	0.0	0.0
PE x	nm	nm	nm
Yield %	0.0%	0.0%	0.0%
Franking %	0%	0%	0%

Strandline (STA)

Recommendation	Buy
Risk	High
Share Price (as at 5 October 2020)	$0.19
Target Price	$0.52
Analyst	Andrew Hines

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	-17.78%	-31.48%	76.19%

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

Strong momentum towards Coburn FID

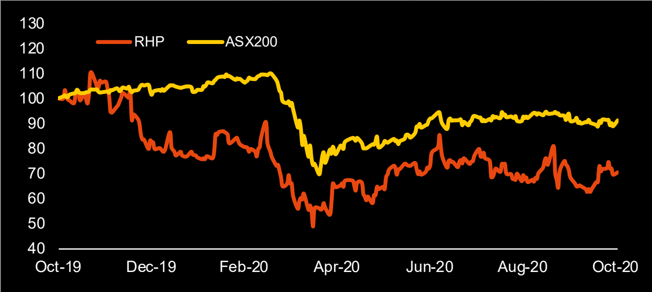
- Strandline Resources is a mineral sands development company with projects in Western Australia and Tanzania. The large Coburn project in WA is a world class resource which has all necessary permits and approvals and only requires financing. It will produce approximately 230kt of Heavy Mineral Concentrate (HMC) per annum with a mine life of 22.5 years. Coburn will supply about 5% of world zircon demand.
- Strandline has binding take-or-pay offtake agreements covering 66% of revenue for the first 5-7 years of production from Coburn with Chemours (ilmenite), Bitossi (premium zircon) and Sanxiang-Nanjing (zircon concentrate and HMC).
- In April 2020 Strandline announced that the Northern Australia Infrastructure Facility (NAIF) would provide a $130m funding facility. This NAIF facility will finance a large proportion of the $300m project, with the balance from a combination of commercial debt, strategic equity and capital markets equity
- Strandline is enjoying strong momentum following a series of positive announcements and we expect that trend to continue as the Coburn approaches FID. Upcoming catalysts include the remaining offtake agreements, potential strategic equity investments, and finalisation of the project finance debt facilities.

Forecasts			
YE 30-Jun	FY20	FY21E	FY22E
Earnings cps	-2.1	-2.3	3.3
Dividends (AUD) cps	0.0	0.0	0.0
PE x	-12.7	-8.0	5.7
Yield %	0.0%	0.0%	0.0%
Franking %	0%	0%	0%

Rhipe (RHP)

Recommendation	Buy
Risk	High
Share Price (as at 5 October 2020)	$1.88
Target Price	$2.87
Analyst	Jonathon Higgins

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	3.01%	-8.74%	-29.59%

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

Best balance sheet and growth into FY21 with expectations too low?

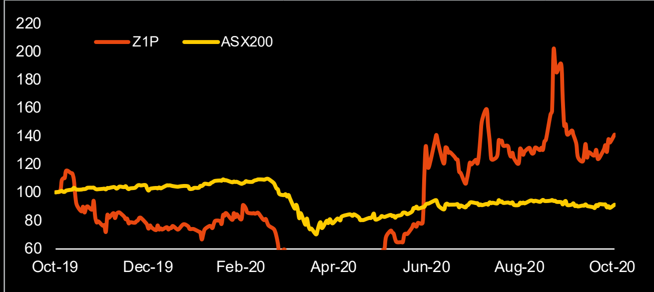
- RHP is the leading wholesaler of cloud based products within APAC and is one of only a small number of globally managed account partners for Microsoft globally and the smallest by market capitalisation. RHP was born in the cloud and derives the majority of revenues via a recurring monthly billable model, that due to strong growth trajectory and platform like costs is more profitable each month as operating leverage grows across the business.
- RHP is a way of accessing an ASX listed turbocharged option on Microsoft's growth within the fastest growing markets globally (Asia). MSFT is one of the largest companies within the world, immensely profitable and is successfully navigating a shift towards the cloud and a SAAS model of business expenditure.
- Consensus profit expectations (excluding recent NZ acquisition) are ~$17m (Shaw = $17m), a low hurdle in our view considering the 4Q20 exit rate of $5.3m. We see potential for RHP to deliver $20m of operating profit in FY21 and potentially go into an upgrade cycle akin to FY19.
- Further RHP has $55m+ in net cash on the balance sheet and no debt. Expect the group to be an active consolidator in market and add material EPS accretion over the next 12 months. We estimate that RHP could add 50%+ to EPS through organic balance sheet capacity and is extremely well placed.
- Catalysts include: 1Q21 results at AGM, further acquisitions, potential inbound interest and further vendor expansion.

Forecasts			
YE 30-Jun	FY20	FY21E	FY22E
Earnings cps	6.2	8.0	10.4
Dividends (AUD) cps	2.0	4.0	5.2
PE x	31.5	23.4	18.2
Yield %	1.0%	2.1%	2.8%
Franking %	100%	100%	100%

Zip Co (Z1P)

Recommendation	Buy
Risk	High
Share Price (as at 5 October 2020)	$6.83
Target Price	$10.00
Analyst	Jonathon Higgins

Share Performance Chart



Source: FactSet, Shaw and Partners

	1 mth	3 mth	12 mth
Relative Performance*	0.00%	17.77%	40.83%

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

Fastest growing US BNPL company with significant upside

- Z1P is one of the fastest growing fin-tech, instalment and finance businesses within APAC. The group has consistently grown revenues by ~100% a year and is one of the leading BNPL companies within Australia.
- Post the recent completion of the acquisition of QuadPay we expect during 1Q21 that Zip will have the fastest growing business in the USA. October will likely be catalyst rich for the sector as companies report results into the strongest structural change/shift to online the world has ever seen. Recent data for QuadPay with website visits +10% indicate that growth has accelerated. Recall that management has targets for $7Bn in TV in 2 years (currently less than $1Bn).
- Recent announcements of competitors entering the space and new products cause us to remain watchful. However, we expect the sector to continue to be a blue ocean for the next few years before margin and checkout battles are fought. We expect there to be over 80m Americans with active BNPL accounts within 3 years and over US$100Bn in volumes.
- Versus other peers Zip is trading at a greater than 50% discount and as pay in 4 volumes and QuadPay progressively dominate the ROE and multiples at scale should grow. We see Zip re-rating over the next 6 months.
- Catalysts include: 1Q21 results, merchant launches, strategic partnerships, launch into the UK and AMZN potential.

Forecasts			
YE 30-Jun	FY20	FY21E	FY22E
Earnings cps	-0.1	-0.2	-0.1
Dividends (AUD) cps	0.0	0.0	0.0
PE x	nm	nm	nm
Yield %	0.0%	0.0%	0.0%
Franking %	0%	0%	0%

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.

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.

DISCLAIMER

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

THIS REPORT: This report is a compilation document, in part reproducing extractions of previously published reports. For any reference please always review the original report via any original email, in full through your client portal login or by contacting Shaw Research directly.

ANALYST CERTIFICATION: Please always refer to the originally published report for any specific Corporate disclosure or for any specific disclosure Analyst interest in any stock(s).

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.

RESEARCH TEAM: For analyst qualifications and experience, refer to our website at http://www.shawandpartners.com.au/about/ourpeople /research

RESEARCH POLICY: For an overview of our Research policy, refer to our website at https://www.shawandpartners.com.au/media/1267/ researchpolicy.pdf

If you no longer wish to receive Shaw research, please contact your Shaw and Partners Investment Adviser to unsubscribe.

ShawandPartners
an EFG company

Sydney | Melbourne | Brisbane | Adelaide | Canberra | Perth