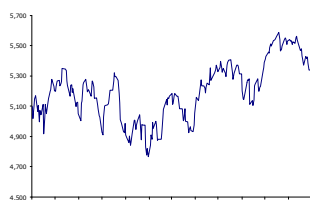


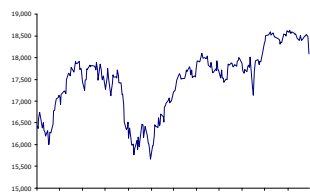
## STATE ONE SPINNAKER

11 September 2016  
Issue 337

### 12 month XJO chart



### 12 month Dow Jones chart



### State One Research Products

**Spinnaker** Free Weekly

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**Overview**

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## Global Wrap – 11 September 2016

World Markets	11/09/2016	4/09/2016	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5339	5430	-1.7%	-3.1%	5.3%
Dow Jones	18085	18492	-2.2%	-2.6%	8.6%
Nasdaq	5126	5250	-2.4%	-2.0%	18.2%
S&P 500	2128	2180	-2.4%	-2.5%	7.1%
FTSE 100	6777	6895	-1.7%	-1.2%	9.4%
DAX30	10573	10684	-1.0%	0.3%	10.5%
Shanghai Composite	3079	3072	0.2%	-0.8%	-0.2%
Nikkei 225	16966	17038	-0.4%	2.9%	-8.7%
Hang Seng	24100	23267	3.6%	5.7%	10.4%
Currency					
AUD/USD	0.7542	0.7585	-0.6%	-0.1%	6.4%
Commodities					
Oil (\$/bbl)	45.7	44.2	3.4%	-2.5%	7.2%
Gas (\$/gal)	2.9	2.8	3.5%	9.0%	8.0%
Iron Ore (\$/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper (\$/t)	4623	4607	0.3%	-2.8%	-8.1%
Lead (\$/t)	1897	1941	-2.3%	1.1%	14.8%
Zinc (\$/t)	2334	2349	-0.6%	3.3%	35.2%
Aluminium (\$/t)	1568	1592	-1.5%	-7.0%	2.6%
Nickel (\$/t)	10340	9880	4.7%	1.8%	6.3%
Tin (\$/t)	19600	19300	1.6%	6.7%	41.1%
Gold (\$/oz)	1332	1329	0.2%	-1.6%	18.4%
Silver (\$/oz)	19.1	19.5	-2.0%	-2.8%	32.1%
Platinum (\$/oz)	1065	1067	-0.2%	-5.1%	6.4%
Wheat (\$/t)	403.500	399.250	1.1%	-8.9%	-17.6%

Source: Iress

## Capital Raisings

Opportunities to participate in capital raisings in two contrasting LICs (Sophisticated Investors Only)

[Antipodes Global Investment IPO](#) – General Offer Expected to Close 30 September 2016. Actively managed long/short fund in international equities, founded by Jacob Mitchell, former Deputy Chief Investment Officer of Platinum Asset Management

[WAM \(Sophisticated Investors only\)](#) – long established, actively managed fund focused on ASX equities

To download the related documents please visit <https://www.stateone.com.au/>

## Global Wrap

### US

Following softer-than-anticipated August employment and services and manufacturing sector activity reports, US equities trade displayed a mix of caution and jitters this week.

Recapping, the number of jobs created in August undershot expectations by at least 30,000, the ISM's August manufacturing activity index indicated contraction for the first time in six months, sliding 3.2 to 49.4. The ISM services sector index dropped 4.1 points to a 51.4, 6.5-year low, against expectations of a relatively steady 55.0 – 55.4.

Hence, the picture for the Federal Reserve, which convenes a policy meeting 20 – 21 September, is not all that transparent, despite two US Federal regional presidents telling a parliamentary committee this week that conditions are ripe for a near-term rise.

This past week, the 'beige book' region-by-region economic summary suggested modest overall growth.

Further, the previous week's new unemployment claims were reported to have fallen by 4000.

In addition, job opportunities were also reported to have increased during July, to a record 5.9M.

While plenty more data, including CPI, retail sales and consumer confidence updates, will be published this coming week – and fuel more Federal Reserve speculation - the Netherlands' ABN Amro still predicts a 0.25% US rate rise this year, in December.

## **Europe**

The European Central Bank (ECB) provided a post-policy meeting statement that appeared to soundly underwhelm markets, Thursday.

During the post-meeting press conference, president Mario Draghi reiterated central bank capacity and willingness to continue to support the region as needed.

As with the statement, he offered no timelines for changes, including program extensions, other than to repeat that rates would remain ultra-low for the foreseeable future. He suggested again that, regarding inflation, outlook was considered more important than the numbers at any point of time.

Some pointed to one revelation - that the ECB was investigating optimal asset buying - as indicating that the purchase program would be extended beyond March next year.

The bank also released revised GDP forecasts Thursday, raising the 2016 prediction 0.1% to 1.7%, but lowering the 2017 and 2018 forecasts 0.1% to 1.6%.

Earlier in the week Germany had reported a 1.5% fall in July industrial output, against expectations of a 0.2% further improvement and following a 1.1% rise in June.

Late-week other July figures came in not so pretty for Germany. Exports slid 10% year-on-year and imports 6.5%. This meant the nation's trade surplus slipped €5.3B in the year to 31 July, to €19.5B. That's ~21%.

Meanwhile, across the way, Bank of England governor Mark Carney was another of several central bankers whose views were widely reported this week.

Mr Carney presented himself to parliament (via a Treasury committee) to face questioning over the central bank's views, and in particular the rationale and expectations for last month's policy package.

He arrived well-prepared, declaring the bank's actions were supporting, and would continue to support, the UK through the process of separating from the European Union. Last month's decisions are sure to remain in focus through the coming week, with another policy meeting scheduled for Thursday, a couple of days following a CPI update.

Earlier this past week the UK's August services PMI surprised on the upside, recovering 5.5 points over the month to 52.9. It also helped push the composite PMI back to an expansion-mode 53.2, 5.8 points higher for the month. This helped push the British pound to seven-week highs.

The figures were followed Friday by an £800M rise in July exports against a £300M fall in imports, squeezing the trade deficit £1.1B for the month, to £4.5B. The respective export and import totals came in at £24.8B and £36.6B.

Meanwhile, at the G20 leaders' forum in Hangzhou, China Sunday and Monday, there had been no shortage of nations claiming plans for bilateral trade agreements with the UK.

## **China**

Asia's Autumn festival and consequent holiday season is due to commence this coming week.

In China, this means markets will be closed Thursday and Friday, ahead of a five-day hiatus the week commencing 3 October.

This past week, China's August trade figures both cheered and disappointed.

Overall imports rose 1.5% in value (\$US) year-on-year, following a 12.5% slide in July. This was in part due to higher commodity prices and the fact that China imported 50% more coal by volume. The result defied forecasts nonetheless, as China's imports had not risen by value for any one month since October 2014.

Exports fell 2.8% in value year-on-year, after dropping 4.4% in July.

The nation's trade surplus was calculated at \$US52.05B, against \$US52.31B at the end of July, but some forecasts had been pitched as high as \$US58B.

August CPI rose 1.3% annually, against 1.8% in July, largely influenced by less steep gains in food prices.

Earlier in the week, foreign reserves were reported to have fallen to \$US3.185 trillion, the lowest in ~five years.

Industrial production, retail sales figures and fixed assets investment reports will come in this week.

Prior to this past week's trade and CPI reports, China's State Council issued a statement promising to tailor fiscal policy to raise domestic demand, and to also enable greater private investment access to the aged care, education and medical care sectors.

Meanwhile, China's relations with key trading partners and indeed even those considered politically 'pro-China', appeared strained at the Sunday-Monday G20 leaders' summit in Hangzhou. Even North Korea reportedly fired three test nuclear missiles during proceedings, ahead of a further two tests reported for the week by Friday.

## **Japan**

Bank of Japan (BoJ) governor Haruhiko Kuroda publicly acknowledged at the beginning of the week the cons of negative interest rates, while suggesting there could be reason to lower them further. He also pushed for the government to continue to implement reforms aimed at supporting national growth, and bemoaned a lack of wages appreciation.

Not surprisingly, commentators on BoJ matters proved in no short supply this week. A former central bank official predicted no major stimulus would come out of the September policy meeting. A prime ministerial adviser suggested the BoJ should hold off on any moves until the US Federal Reserve made another move or offered a stronger inclination of when one might eventuate.

A domestic newspaper followed, with a claim that the nine BoJ board members due to convene a policy meeting 20 - 21 September are divided in their views. Some want to purchase more government bonds, others want to keep working on rates and at least two want to hold fire on further stimulus.

In the meantime, Japan's PM Shinzo Abe appeared particularly vocal at the G20 forum in urging others to prioritise global economic growth. He also underscored the uncertainty of international firms operating in the UK, in association with the yet-to-be-negotiated nitty-gritty of the UK separating from the European Union.

June quarter GDP provided some relief from policy talk and speculation, rising for a second consecutive quarter, this time 0.7% annually.

Another of Australia's major trading partners, South Korea, was reportedly considering providing 100B won (Korean currency) in low-interest loans to container freight group Hanjin Shipping, pending collateral and a 100B won input from Hanjin's owners.

The South Korean government has also reportedly offered to provide 20 container ships this coming week, for the transfer of cargo from Hanjin ships.

Hanjin went into receivership early this month and exporters were fearful international cargoes would be left stranded outside ports. All-up, ships considered stranded were estimated to be carrying \$US14B worth of freight.

Those with the most 'skin in the game' include Samsung, which is reported to have 40% of its home appliance exports on Hanjin ships enroute to North America.

## **Australia**

The Reserve Bank of Australia's (RBA) policy meeting Tuesday delivered as expected – a generally benign statement confirming the overnight cash rate had been left at 1.5% and noting international economic growth remained sub-par.

The RBA also suggested time was needed to further assess domestic growth and the jobs market.

It was governor Glenn Stevens' last policy meeting before his official retirement this week.

The following day, June quarter GDP growth came in at an annual 3.3% and 0.5% for the quarter.

The greatest cheers were reserved for the 0.4% gain over the three months in the annual growth rate to the best pace in four years, plus the fact Australia had notched up 25 years without a recession (defined by two successive quarters of GDP contraction).

The most commentary arguably centred on the government's June quarter spending and investment which, having been released the previous day, had compelled forecasters to raise their annual GDP rate predictions while also pushing the \$A soundly higher.

According to some economists, government spending and investment has tended to account for ~0.1% of GDP over the long term, but for the June quarter contributed an estimated 0.5% of growth.

Hours worked was noted as a weakness, falling 0.7% against a 0.1% increase for the March quarter, and hence impacting disposable income. On an annual basis, hours worked fell to a 0.5% gain from 1.6% at the end of the March quarter.

Among other reports to come in this week, an August construction sector activity index was calculated five points lower, at a contraction-mode 46.6.

A services sector activity index tumbled 8.9 to 45, and the number of July home loan approvals dropped 4.2% for the month.

Australia's July trade deficit improved, falling \$A0.8B to \$A2.4B, largely supported by gold exports.

In its statement, the RBA had pointed out terms of trade in general remained depressed.

All up, Australia's equities markets suffered again this week due to several factors, including international central bank speculation and a significant swag of domestic large-cap stocks trading ex-dividend. Ex-dividend season continues this coming week.

Also during the week, the ABS will report August employment statistics (Thursday), total July lending finance will become available, the National Australia Bank will release its monthly business survey results and Westpac and the Melbourne Institute will publish their monthly consumer sentiment report.

## **Commodities**

Oil prices waxed and waned through the week, initially reacting to a weaker \$US.

Early-week, a Saudi Arabia-Russia pact to co-operate on stabilising oil markets was viewed as a political statement void of specifications.

Moreover, the announcement of the deal was followed by Saudi Arabia's oil minister stating no short-term production cap was required and his Russian counterpart claiming Russia would participate in any freeze. Coming from the top-two global oil exporters by volume, the ensuing statements effectively quashed any lingering hope.

Both nations also diverged when it came to Iran, Russia having claimed an OPEC cap agreement could be sealed with the exception of Iran, but Saudi Arabia's foreign minister dubbing Iran a 'spoiler', in that others could not be expected to curb output should Iran continue ramping, as planned, to pre-sanction levels.

For its part Iran's deputy petroleum minister was reported to have repeated his nation's intent to restore production levels before participating in any market-balancing agreement.

Russia was reported in the meantime, to have produced a daily 11MMbbl of oil 1 – 7 September, against 10.7MMbb/d in August.

Meanwhile, the United Arab Emirates used social media to promote itself as 'an active and responsible member of OPEC', promising to 'always support any joint efforts which will benefit market stability'.

The talk has followed speculation of a potential cap coming out of an OPEC members' informal meeting on the sidelines of the International Energy Forum in Algiers 26 – 28 September. The next scheduled formal OPEC policy meeting is in November.

US stockpiles remained in focus, a report from Genscape Tuesday helping support prices with an estimated 700,000bbl drawdown of crude stored in Cushing, Oklahoma.

Come Thursday, the EIA confirmed a 14.5Mmbbl overall US crude reduction the previous week.

In addition, domestic production had fallen, mostly due to the impact of hurricane activity on Gulf of Mexico operations. Imports also fell, as ships could not be unloaded in Louisiana and Texas.

The EIA has predicted US daily production will fall to ~8.5Mmbbl during the September quarter, but will remain at a similar level for the next four quarters at least.

Elsewhere, Norway was criticised for offering petroleum exploration licences proximal to Arctic region fish-spawning areas. At the same time, the nation's sovereign wealth fund revealed it had sold off and black-listed one US energy group on 'environmental damage' grounds.

In other energy sector news, coking coal was trading 50% higher than it was five weeks previous.

Iron ore prices ebbed from early-week to trade at six-week lows.

China's stockpiles were reported near record peaks and the autumn holiday season is approaching.

In the steel sector, G20 leaders vowed to investigate solutions to excess capacity via a forum that would report to the 2017 G20 leaders' get-together.

Three days later, China's August steel exports were reported at their least in the past six months, due to increased domestic prices.

Gold futures benefited earlier this week from \$US weakness following disappointing US jobs and business activity figures, but then waned on profit-taking amid central bank uncertainty.

On the forecast front, ABN Amro revised its December quarter forecast from \$US1388/oz to \$US1325/oz and the overall 2016 average price from \$US1300/oz to \$US1272/oz. The bank anticipates \$US1366/oz for 2017, after previously predicting \$US1381/oz. All forecasts carry a disclaimer, pending the result of the US presidential election in November.

Meanwhile, a media report claimed IEX Group had raised \$US9M – some from bullion investment specialist Sprott Inc – ahead of plans to set up an electronic gold exchange. Just last month, IEX launched an equities exchange featuring a 'speed hump'.

In the platinum sector, the chances of industrial action in South Africa grew and the World Platinum Investment Council predicted a 520,000oz deficit for the year, up 65,000 on its previous forecast.

Among the base metals, positives for copper this week included some relative \$US softness and LME inventories, which fell for the first time in three weeks, by 1375t to 339,600t.

However, for a large part of the week, LME three-month copper trade indicated plenty of caution in end-of-summer-heading-into-Asia's autumn holiday season.

China's August copper imports were reported Thursday to have fallen 2.8% for the month, to 350,000t, an ~one-year low. The fall was the fifth consecutive monthly decline.

Oil and copper are often paired in trades, but Monday was a public holiday in the US and while US oil prices rose Tuesday - largely following a \$US drop on a weak US services sector report during second-half LME trade - Brent crude did not.

Notably, LME copper traded slightly lower Tuesday, but Comex (part of the NY Metals Exchange) copper rallied in line with US WTI intermediate trading at one-week peaks.

From early-week, forecasters were again quoting anticipated slower demand out of China, Goldman Sachs reminding clients that as such, prices were expected to slip for both copper and aluminium by year's end.

Commerzbank, for its part, sounded a specific caution for copper.

Analysts suggested LME zinc trade would likely continue to be supported at least in the near-term by shortage expectations, rather than ramp-up fear. The rationale offered was an ongoing drop in smelter charges to almost just 40% of the average fees charged ~18 months ago.

## Economic Calendar 12/09/16 – 16/09/16

Tuesday September 13 2016		Actual	Previous	Consensus	Forecast	
09:30 AM	AU NAB Business Confidence AUG		4		6	
04:30 PM	GB Inflation Rate YoY AUG		0.6%	0.7%	0.6%	
05:00 PM	DE ZEW Economic Sentiment Index SEP		0.5	2.5	2.6	
Wednesday September 14 2016		Actual	Previous	Consensus	Forecast	
08:30 AM	AU Westpac Consumer Confidence Index SEP		101		101	
08:30 AM	AU Westpac Consumer Confidence Change SEP		2.0%			
04:30 PM	GB Claimant Count Change AUG		-8.6K	1.6K	-0.8K	
04:30 PM	GB Unemployment Rate JUL		4.9%	4.9%	5%	
Thursday September 15 2016		Actual	Previous	Consensus	Forecast	
09:30 AM	AU Employment Change AUG		26.2K	15K	10K	
09:30 AM	AU RBA Bulletin					
09:30 AM	AU Unemployment Rate AUG		5.7%	5.7%	5.7%	
03:30 PM	CH SNB Interest Rate Decision		-0.75%	-0.75%	-0.75%	
07:00 PM	GB MPC Meeting Minutes					
07:00 PM	GB BoE Interest Rate Decision		0.25%	0.25%	0.25%	
07:00 PM	GB BoE Quantitative Easing		£435B	£435B	£435B	
08:30 PM	US Retail Sales MoM AUG		0%	0%	0.2%	
Friday September 16 2016		Actual	Previous	Consensus	Forecast	
08:30 PM	US Core Inflation Rate YoY AUG		2.2%	2.2%	2.1%	
08:30 PM	US Inflation Rate YoY AUG		0.8%	1%	0.9%	
10:00 PM	US Michigan Consumer Sentiment Prel SEP		89.8	90.9	89.5	

Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

## Economic Calendar 19/09/16 – 23/09/16

Tuesday September 20 2016		Actual	Previous	Consensus	Forecast
<b>09:30 AM</b>	AU RBA Meeting Minutes				
Wednesday September 21 2016		Actual	Previous	Consensus	Forecast
<b>07:50 AM</b>	JP Balance of Trade AUG		¥513.5B	322.22	
<b>11:00 AM</b>	JP BoJ Interest Rate Decision		-0.1%	-0.1%	
<b>04:00 PM</b>	EA ECB Non-Monetary Policy Meeting				
Thursday September 22 2016		Actual	Previous	Consensus	Forecast
<b>02:00 AM</b>	US Fed Interest Rate Decision		0.5%	0.5%	
<b>02:00 AM</b>	US FOMC Economic Projections				
<b>10:00 PM</b>	EA Consumer Confidence Flash SEP		-8.5	-9.2	
<b>10:00 PM</b>	US Existing Home Sales AUG		5.39M	5.4M	
Friday September 23 2016		Actual	Previous	Consensus	Forecast
<b>02:00 PM</b>	DE GfK Consumer Confidence OCT		10.2	10.1	
<b>03:30 PM</b>	DE Markit Manufacturing PMI Flash SEP		53.6	53.9	
<b>08:30 PM</b>	CA Inflation Rate YoY AUG		1.3%	1.5%	
Monday September 26 2016		Actual	Previous	Consensus	Forecast
<b>04:00 PM</b>	DE Ifo Business Climate SEP		106.2	106.8	
<b>10:00 PM</b>	US New Home Sales AUG		654K	515K	

Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)



## All Ords Top 10 Week Ending 11 September 2016

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
SIP	Sigma Pharmaceutical	20.6	ACX	Aconex Limited	-8.9
WHC	Whitehaven Coal	15.9	REG	Regis Healthcare Ltd	-8.8
S32	South32 Limited	12.2	MPL	Medibank Private Ltd	-7.4
ASB	Austral Limited	12.1	JHC	Japara Healthcare Lt	-7.4
EVN	Evolution Mining Ltd	9.8	STO	Santos Ltd	-7.0
VRL	Village Roadshow Ltd	8.5	SHL	Sonic Healthcare	-6.3
API	Australian Pharm.	7.3	FXL	FlexiGroup Limited	-6.2
A2M	The A2 Milk Company	6.6	SCG	Scentre Grp	-6.1
NST	Northern Star	5.9	MSB	Mesoblast Limited	-6.1
SVW	Seven Group Holdings	5.8	AGL	AGL Energy Limited.	-6.0

Source: IRESS

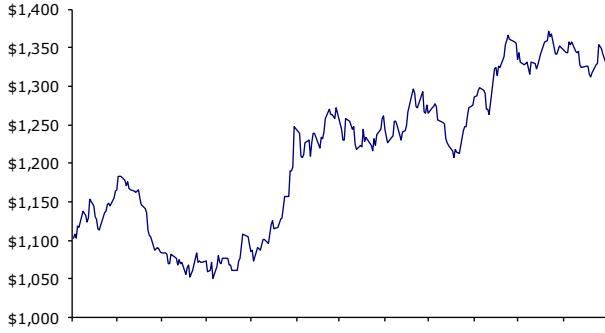
## S & P Indices Week Ending 11 September 2016

S&P Indices	11/09/2016	4/09/2016	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	8317	8390	-0.9%	-6.4%	-1.8%
S&P 200 Materials	8736	8735	0.0%	-1.9%	9.6%
S&P 200 Industrials	5141	5228	-1.7%	-5.8%	13.6%
S&P 200 Consumer Disc.	2189	2198	-0.4%	-2.3%	26.1%
S&P 200 Consumer Staples	8816	8960	-1.6%	-1.6%	7.6%
S&P 200 Healthcare	20915	21432	-2.4%	-4.2%	17.6%
S&P 200 Financials	5870	6000	-2.2%	-2.4%	0.1%
S&P 200 Info Technology	811	835	-2.9%	-2.3%	15.6%
S&P 200 Telecommunicatic	1868	1909	-2.1%	-6.9%	-5.7%
S&P 200 Utilities	7270	7491	-2.9%	-2.7%	14.6%
S&P 200 Property Trusts	1418	1476	-3.9%	-5.0%	16.6%
S&P 200 Financials ex PT	6520	6637	-1.8%	-1.8%	-3.0%

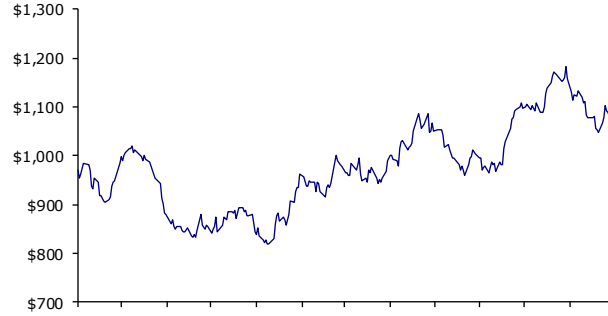
Source: IRESS

### 1 Year Commodity Price Charts

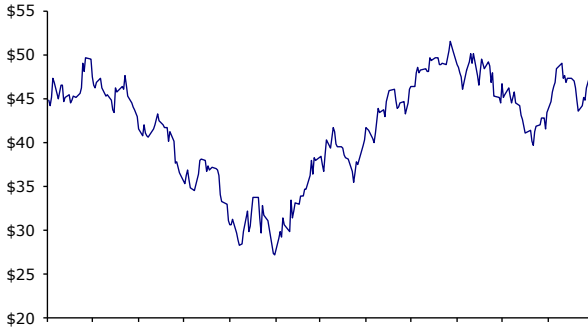
**1 Year Gold**



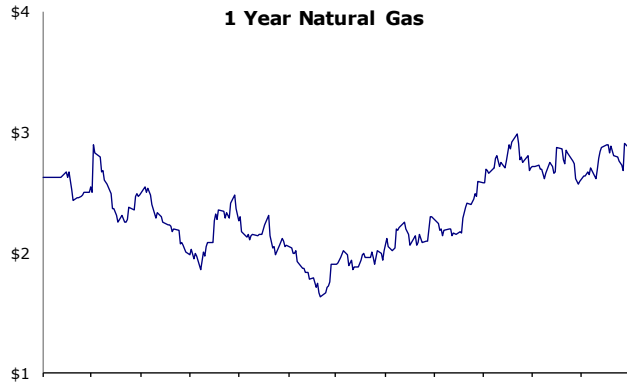
**1 Year Platinum**



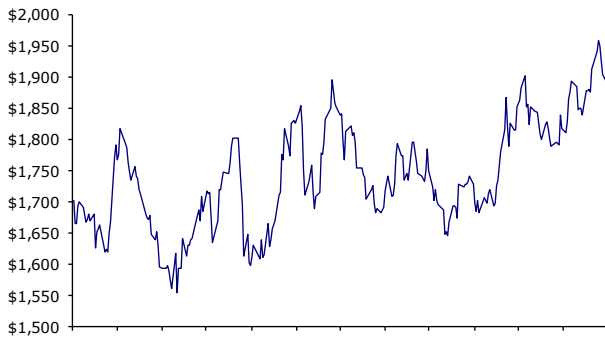
**1 Year Oil**



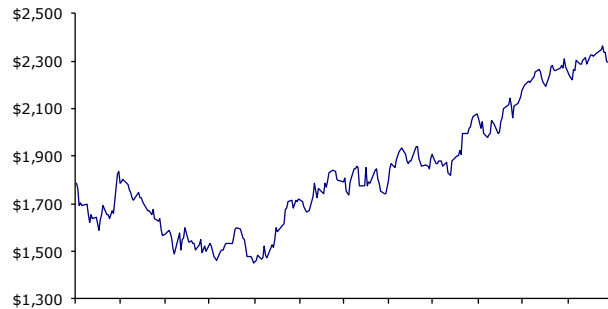
**1 Year Natural Gas**



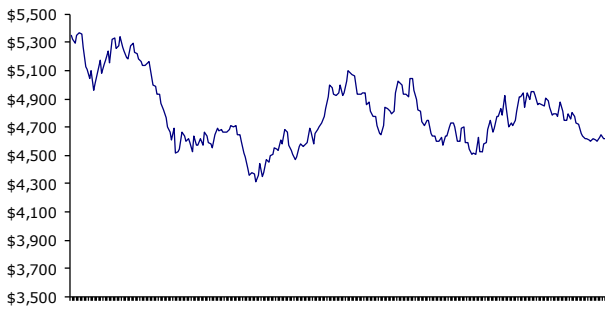
**1 Year Lead**



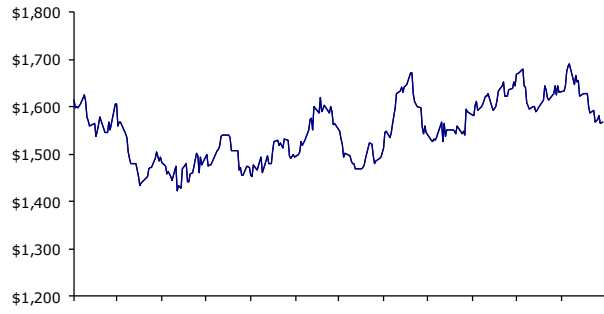
**1 Year Zinc**



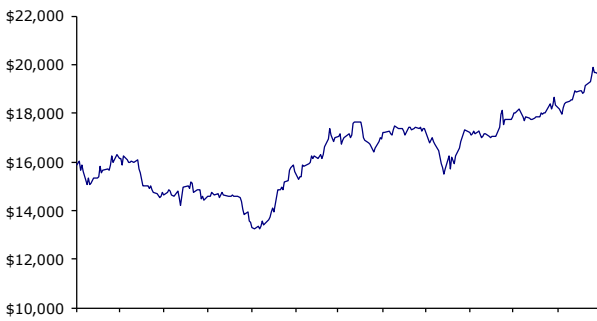
**1 Year Copper**



**1 Year Aluminium**

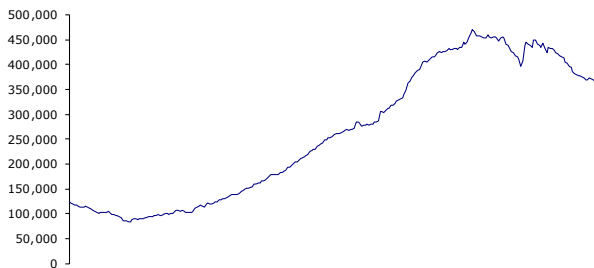


**1 Year Tin**

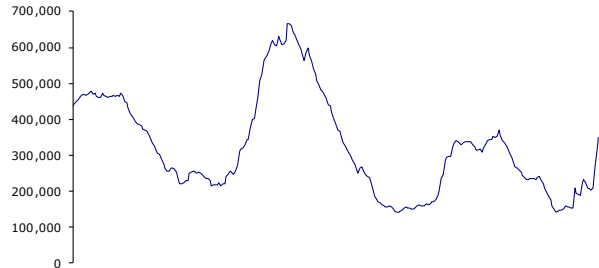


**5 Year Metals Stockpiles**

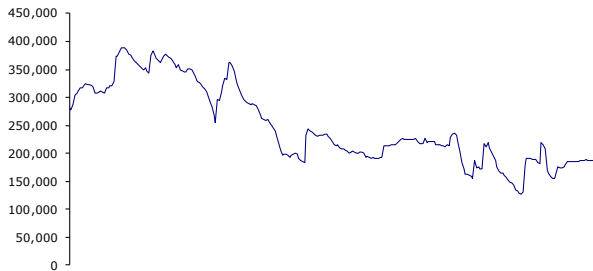
**Nickel LME Stockpiles - 5 Year**



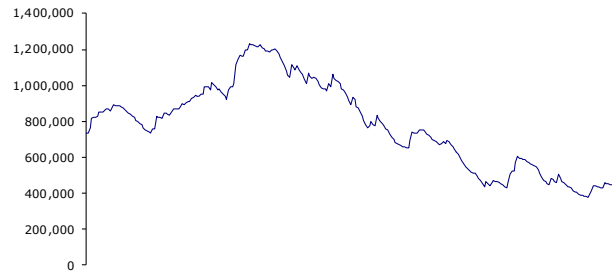
**Copper LME Stockpiles - 5 Year**



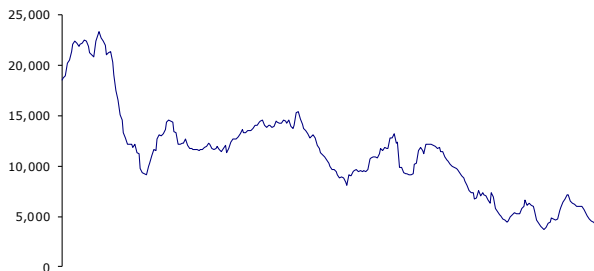
**Lead LME Stockpiles - 5 Year**



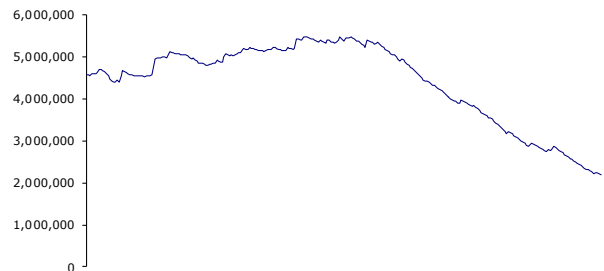
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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