

Yovich & Co. Market Update

19 January 2020

Welcome to the first newsletter of the year. We trust you enjoyed the fine weather over the festive season and are excited about the investment opportunities this year. The Yovich & Co team are all back and ready for the year's action ahead. The NZX50G increased 13.92% over 2020, a lot shyer than the 32.59% gain in 2019. With the New Zealand and US elections behind us the markets should have less political volatility going forward. New Zealand has, and is continuing to ensure that there is no community spread of COVID-19. Keeping COVID-19 out of the community will mean the economy will stay open and New Zealanders can keep enjoying our usual Freedom.

New Zealand Equities

As at 15 January	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	13558.19	7024.24	3570.11	6873.26	31097.97	13201.98	0.9319	0.7238	0.25%
Week Close	13024.69	6986.79	3566.38	6735.71	30814.26	12998.50	0.9259	0.7132	0.25%
Change	-3.93%	-0.53%	-0.10%	-2.00%	-0.91%	-1.54%	-0.64%	-1.47%	0.00%

In summary, the NZX50G had 38 companies on the downside, and 18 companies were on the upside. The first week of trading was positive with the NZX50G up 3.56%, mainly due to Contact and Meridian Energy reaching all-time highs, driven from demand as overseas investors (fund managers) buy clean energy stocks. Last week reversed these gains and some, as the index ended the week 3.93% lower, due to a pull back in the energy companies as investors return from holiday and realised profit. The first Global Dairy Trade auction (GDT) was held 5 January. Results were positive, up 3.9%, the fourth consecutive positive result. Total metric tonne (MT) sold was 30,313 at average price of \$3,420 compared to \$3,371 in January 2020. When farm gate milk price increases, all of NZ benefits. Listed properties with exposure to the dairy rural sector are; Skellerup, PGG Wrightson, Fonterra, a2milk and Synlait Milk.

Details regarding Joe Biden's US\$1.9 trillion COVID-19 stimulus package was announced last week. Notable inclusions of the package are:

- Direct payments of US\$1,400 to most Americans
- Increasing the unemployment benefit to US\$400 and extending this through to the end of September
- Increasing the federal minimum wage to US\$15 per hour
- US\$350B in state and local government aid
- US\$170B for schools and institutions of higher education
- US\$50B for COVID-19 testing, and US\$20B towards a national vaccine program.

Click [here](#) to view of details the rescue package.

The biggest movers of the week			
Down		Up	
Meridian Energy Limited	13.90%	NZX Limited	7.5%
Contact Energy Limited	11.16%	Westpac Banking Corporation	7.12%
Ryman Healthcare Limited	6.73%	Heartland Group Holdings	6.51%

Investment News

On Friday 15th January, Meridian and New Zealand's Aluminium Smelter (NZAS) at Tiwai Point announced that an arrangement has been agreed upon to continue operating NZAS until at least the end of 2024, while an economic transition for Southland is developed. The prolonged closure provides time for NZ power companies to strategically relocate power and provide clarity for future development projects. The announcement has had little effect on Meridian and Contact Energy's share price.

Michael Hill

Provided a business update, together with its second quarter trading update for the period ended 27 December 2020. The Company expects FY21H1 group EBIT of \$56m to \$60m, representing a 30%-40% EBIT growth. Same store sales were up 6.3% for the half and up 5.6% for the quarter against prior year, with an outstanding performance in Australia. Payment of the FY20 interim dividend originally payable in March 2020 was deferred to preserve cash as the global pandemic took hold. Given the Company's first half FY21 trading performance and cash position, the Board has resolved to pay this outstanding debt on 29 January 2021. This dividend will be paid to those shareholders on the register as at the record date of 13 March 2020. Share price responded positively to these announcements, up 6.85% on Friday.

Current Share Price: \$0.77, **Gross Yield:** 2.12%, **Target Price:** \$1.00.

Turners Automotive Group

Now expects FY21 Net Profit Before Tax (NPBT) to be within a range of \$33 million to \$35 million, with trading results exceeding expectations across Auto Retail, Finance and Insurance business units in November and December. This is an upwards revision from the company's update in November, when NPBT was "expected to be towards the upper end" of the \$28m to \$31m NPBT range provided at its September Annual Shareholder Meeting. The updated FY21 NPBT guidance implies an indicative full year dividend of around 18 cents per share (fully imputed), based on the midpoint of the updated range and the company's dividend pay-out policy of 60% - 70% of NPBT.

Current Share Price: \$3.35, **Gross Yield:** 6.08%, **Target Price:** \$3.85.

2021 Herald Broker Picks

The annual NZ Herald Broker Picks article published on 26 December 2020 mentioned 20 different companies. A2 Milk no longer holds the favourite pick, and is replaced by Spark, Ebos and Mainfreight. The three companies were chosen by four of the seven brokers mentioned in the NZ Herald. Below is an extract of our preferred high yielding and growth stocks, from the 20 different companies listed in the article. The most important aspect of choosing stocks is buying them at the right price.

High Yielding/Growth Stocks			
Company	Expected Gross Yield %	Company	Expected Gross Yield %
Spark	5.07%	Kathmandu	3.60%
Ryman Healthcare	1.07%	Heartland Bank	3.43%
Oceania Healthcare	2.62%	Fisher & Paykel Healthcare	1.14%
Z Energy	8.45% (2022)	Mainfreight	1.07%
Turners Automotive	3.47%	EBOS	3.01%