

Yovich & Co. Market Update

December 12th 2016

| | NZX 50G | All Ords | Shanghai | FTSE | Dow | NASDAQ | NZDAUD | NZDUSD |
|----------------|---------|----------|----------|---------|----------|---------|--------|--------|
| Previous Month | 6857.84 | 5427.53 | 3192.86 | 6775.77 | 18867.93 | 5244.57 | 0.9554 | 0.7009 |
| Week Close | 6893.30 | 5615.78 | 3232.88 | 6954.21 | 19756.85 | 5283.94 | 0.9578 | 0.7135 |
| Change | 0.52% | 3.47% | 1.25% | 2.63% | 4.71% | 0.75% | 0.25% | 1.80% |

Market Themes

- A surprise resignation by the Prime Minister John Key was shrugged off by the New Zealand market which has continued, to regain some of the gains which were wiped during the correction which started in September.
- A rally in both Aussie Banks and the resource sector has helped the All Ords across the Tasman post a strong month of gains.
- The Post Trump rotation out of Tech based stocks and into Financial has seen the Dow significantly outperform the tech focused NASDAQ market. Overall, the broader US Market has seen a strong rally since the US Presidential Election on November 8, with the S&P 500 now up over 15%.
- European stocks were surprisingly buoyant considering the result of the constitutional reform referendum in Italy is likely to lead to further uncertainty for Europe's 4th biggest economy.
- Despite a high likelihood that the US Fed Reserve will raise interest rates this week, the USD has lost 1.80% in value vs. the Kiwi.

Investment News

Arvida Group (ARV.nz) – First Half Result

Arvida Group Limited (ARV.nz) announced a Net Profit After Tax of \$19.4 million for the six months to 30 September 2016. The results include a full period of operations from the Aria villages and a three-month contribution from Lansdowne Park. For the first six months to 30 September 2016 demand continued to strengthen for Arvida village and care facilities. Total revenue for the period increased to \$46.9 million. Care facilities revenue represented over 72% of total revenue. The care facilities' occupancy rate continued a positive trend and ended the period at over 95% across the Group.

Total operating expenses were \$37.2 million and Bill McDonald CEO, said "We continue to invest in our people and systems with the view that enduring synergies will be delivered from associated efficiency and productivity improvements."

The investment properties delivered \$14.3 million of gains in fair value from a desktop valuation review completed by CBRE at 30th September 2016. Underlying Profit of \$9.6 million compares to \$7.3 million for the prior corresponding six month period. Included within Underlying Profit were \$3.9 million of gains, comprising \$3.2 million from 87 resales of existing units and \$0.7 million from sales of 12 new units. Good momentum was evident in unit sales, with new unit pricing delivering strong resale gains across village stock and contributing to the fair value increase. Underlying profit per share increased 18% on the prior corresponding period to 3.46 cents per share.

Frist NZ Capital has increased their target price to \$1.25 and is forecasting the following gross dividend yields over the next 3 years, 5.4% (2017), 7.6% (2018) and 8.4% (2019).

Hellaby Holdings (HBY.nz) – Increase in Offer Price from Bapcor (BAP.asx)

Last week Bapcor (BAP.asx) increased their offer price for Hellaby (HBY.nz) from \$3.30 to \$3.60. There has been further pressure from the Hellaby Board for Bapcor to include one final dividend before they will support the takeover. The toing and froing between the boards have been a masterclass in negotiation so it will be interesting to see how this final detail gets resolved. The final acceptance date has been pushed out to 18 January 2017.

In our opinion it looks like a suitable deal will be arranged and on the basis of that we, suggest that if you hold Hellaby, to keep the acceptance form ready to sign as we get closer to the close date on 18 January 2017.