

Yovich & Co. Market Update

5 July 2021

As at 2 July	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	12626.09	7578.58	3607.56	7136.07	34433.84	14360.39	0.9309	0.7073	0.25%
Week Close	12711.84	7587.07	3518.76	7123.27	34786.35	14639.33	0.9337	0.7027	0.25%
Change	0.68%	0.11%	-2.46%	-0.18%	1.02%	1.94%	0.30%	-0.64%	0.00%

In summary, the NZX50G had 21 companies on the downside, and 29 companies were on the upside. A quick review of the world markets results for half year to 30 June 2021, shows that the NZ50G index closed down 3.31% at 12,654.60. The NASDAQ, up 12.27%, DOW up 12.37%, and the FTSE 100 index up 8.74%, showing the importance of having a diversified investment portfolio. UK Prime Minister Boris Johnson is preparing to lift all remaining Covid-19 restrictions for England from July 19, despite a surge in infections courtesy of the Delta variant. Infections are now at the highest daily rate since January. The European Union has begun the rollout of its 'vaccine passport', with around 200 million generated thus far (compared with a population of 450 million). The digital certificate – in the form of a scannable QR code, allowing "vaccine passport" holders to travel freely around the region. The ANZ Roy Morgan NZ Consumer Confidence for June was unchanged at 114, while the proportion of people who believe it is a good time to buy a major household item, a key retail indicator, rose 3 points to +22. Inflation expectations cracked an unheard of 5%, while house price inflation expectations were little changed at 5.8%.

The biggest movers of the week ending 2 July			
Down		Up	
Tourism Holdings Limited	3.85%	Argosy Property Limited	9.45%
NZX Limited	2.94%	Vital Healthcare Property Trust	8.20%
Fisher & Paykel Healthcare Corporation Limited	2.84%	Stride Property Ltd & Stride Investment Management	7.14%

Investment News

Vital Healthcare

Announced that it has agreed to terms to acquire Epworth Campbell for A\$82.7m. This property comprises a 4 level, 147 bed private mental health and specialist rehabilitation hospital that has excellent referral patterns from nearby Epworth surgical hospitals. The hospital is situated on a 7,453 square metre site located 9km east of Melbourne's CBD. The lease provides a 4.78% initial passing yield reducing to 4.28% after adjusting for the tenant incentive. The acquisition is expected to complete prior to 30 June 2021. Vital has also acquired two strategic properties in South-East Queensland and agreed terms to acquire a third in Auckland. All three properties provide significant development opportunities within existing or emerging health precincts over the short to medium term and the Manager is currently working on master planning and development proposals for each of them. The four acquisitions are expected to be accretive to Adjusted Funds From Operations (AFFO) in year 1 and will be comfortably funded from existing undrawn debt facilities, increasing balance sheet gearing by ~3.2%.

Current Share Price: \$3.30, **Forecasted Gross Dividend Yield:** 2.69%, **Target Price:** \$3.15.

a2Milk

Share price has experienced a roller-coaster ride since July 2020. Reaching a record share price of \$21.50 in August 2020 then falling to a low of \$5.42 in May 2021 and now being up 33% from its lows, recovering some of those losses. A2Milk is pleased to confirm that the New Zealand Overseas Investment Office, has issued its consent to a2MC's proposed acquisition of a 75% interest in Matura Valley Milk (MVM), with China Animal Husbandry Group to retain a 25% interest in the dairy nutrition business, located in Southland, New Zealand. Completion of the transaction is now to set to occur with effect from the end of July. **Current Share Price:** \$7.33, **Target Price:** \$7.23.

Cannasouth

Is pleased to announce it has entered into two conditional agreements to acquire the balance of the stakes that it does not already own in its cultivation and manufacturing joint venture businesses. The former being the 50% stake in the Cannasouth Cultivation, which is a state of art growing and processing facility that will produce medicinal cannabis flower biomass at highly competitive production cost. It is anticipated that the new facility will have a sufficient capacity to generate circa \$8m of revenues per annum. The latter being the outstanding 40% acquisition of Midwest Pharmaceuticals NZ, expecting to generate circa \$2m p.a. in revenues from date of acquisition. Cannasouth is to announce details of a capital raise to fund these acquisitions.

Current Share Price: \$0.475.

The New Zealand Refining Company Limited

Announced the release of a Notice of Special Meeting, Explanatory Booklet and Independent Appraisal Report in connection with its proposal to convert Refining NZ's Marsden Point site into a dedicated fuel import terminal and cease operations as a toll oil refinery (the "Proposal"). The announcement today is the culmination of the Strategic Review that the Company has been undertaking since April 2020, to determine the optimal business model and capital structure for its assets. Under the Proposal, the Company would be renamed Channel Infrastructure NZ Limited. It would distribute fuels primarily to the large Auckland and Northland markets, including jet fuel supplied by customers to Auckland International Airport, under long term customer agreements. A transition to import terminal operations is expected to enable the Company to recommence the regular payment of dividends to shareholders within one to two years after terminal operations begin. It is important to note that negotiations with Mobil are still ongoing.

Current Share Price: \$0.69, **Target Price:** \$0.95.

Kiwi Property Group

Has released today the details regarding the seven-year fixed-rate senior secured green bonds (Green Bonds). Offering up to \$100m with the right to increase by \$50m for oversubscriptions. The interest rate for the Green Bonds will be set on the rate set date (9 July 2021) as being equal to the base rate plus the margin, subject to a minimum interest rate of 2.85% per annum. The indicative margin range is 1.35% to 1.50% per annum. The bond offer opens Monday, 5 July, 2021, closing 4pm Friday, 9 July 2021, interest (coupon) payments are semi-annual in arrear on 19 January and July.

Current Share Price: \$1.18, **Forecasted Gross Dividend Yield:** 4.51%, **Target Price:** \$1.27.