

MONTHLY REPORT

Monthly Report

Our February monthly report is out now. See the global and Australian updates and trends.

+5.19%

The ASX200 appreciated by
+5.19% to 6,169.

+3.67%

US markets were stronger in
the month, with the Dow
Jones, S&P500 up +3.67%
And 2.97% respectively.



- Long-dated US treasury yields climbed higher, with the 2-Yr yield at 2.55% and 10-Yr yield steady at 2.75%.
- European markets. European markets closed higher for the month with the Stoxx Europe 600 Index up +3.94%, UK FTSE gained +1.52% and German DAX up +3.07%.
- Asian markets. Asian markets were higher over the month, with the Nikkei up +2.94%, KOSPI was down -0.43%, and the Shanghai Composite rose +13.79%.
- Commodities. Over the month, WTI oil price jumped +5.88% to US\$57.22/bbl, iron ore prices increased +2.95% to US\$81.61 per tonne, whilst spot gold declined -0.6% to US\$1,313 per ounce.

IN POLITICAL NEWS:

- U.S. & China. U.S. President Donald Trump said that if he sees progress, he will extend a trade truce with China to avoid more than doubling tariffs on some imports from China at the end of the month. U.S. Trade Representative Robert Lighthizer pegged back expectations for a sweeping trade deal with China, days after U.S. President Trump was reported in the media as suggesting he was ready to sign an accord with the Chinese leader Xi Jinping.
- U.S. & North Korea. U.S. President Trump and North Korea's leader Kim Jong Un in Vietnam, however, both were not able to come to an agreement on denuclearisation and economic sanctions.

IN ECONOMIC NEWS:

- Australian RBA decision. As widely expected, the RBA left the cash rate unchanged at 1.5%, amid sluggish growth outlook domestically and globally. Reserve Bank of Australia Governor Phillip Lowe noted in a recent speech: "Looking forward, there are scenarios where the next move in the cash rate is up and other scenarios where it is down. Over the past year, the next-move-is-up scenarios were more likely than the next-move-is-down scenarios. Today, the probabilities appear to be more evenly balanced."
- Australian unemployment rate (on a seasonally adjusted basis) was steady at 5.0% in January 2019. The participation rate edged higher by 0.1% to 65.7% relative to Jan-18 but was unchanged on the previous month.
- Australian Banking Royal Commission. Commissioner Ken Hayne has delivered his final report from the Royal Commission into misconduct in the Banking, Superannuation and Financial Services Industry. Commissioner Hayne did not shy away from delivering a scathing assessment of the industry's 'profits before clients' approach. However, much of the recommendations, in our view, will largely be expected by the market. In our view, there was no silver bullet in Commissioner Hayne's 76 recommendations which breaks the current banking model. Even the much-debated issue of vertical integration heading into the final report did not make the recommendation list. Further, nothing in the report suggested or indicates to us that credit lending could tightened further on the back of this report. We note most of the banks are already down the path of remediating much of issues highlighted by the report.
- U.S. rates. At a recent press conference, U.S. Federal Reserve Chairman signalled a potential pause to hiking rates. U.S. He noted: "In light of global economic and financial developments and muted inflation pressures, the Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate...the case for raising rates has weakened somewhat". Nevertheless, the market continues to expect two rate hikes in 2019.
- U.S. jobs data in January 2019 came in ahead of market expectations, with nonfarm payrolls increasing by 304,000 versus median Bloomberg estimate of 165,000. Unemployment rate increased to 4.0%, driven by the government shutdown in the U.S. as temporary staff layoff jumped 175,000.

ON STOCK SPECIFIC NEWS (WHICH CAUSED SIGNIFICANT INTRADAY MOVES DURING THE MONTH):

Banks and Financial Services stocks lead the market gains, as better than expected final report from the Hayne Royal Commission boosted positive investor sentiments. Following the release of the report, **Steadfast Group Ltd (SDF)**, **AMP Ltd (AMP)**, **IOOF Holdings Ltd (IFL)** and **Westpac Banking Corporation (WBC)** closed +11.5%, +10.0%, +8.0% and +7.4% higher, respectively.

- **Afterpay Touch Group (APT)** was up +19.2%, after the Company noted it does not see any material impact from the senate committee inquiry report into credit and financial services.
 - **Appen Ltd (APX)** was up +21.7% after the Company's full year underlying profit came in above the highest consensus estimate.
 - **AGL Energy Ltd (AGL)** was down -4.8%, after the company reported its statutory profit after tax for 1H19 at A\$290m, down -53% on the prior corresponding period.
 - **Altium Ltd (ALU)** closed +20.3% higher, after the Company reported 1H19 results which came in above analyst estimates. The Company reported NPAT of \$23.4m, EBITDA of \$28.4m and EBIT of \$25.5m. Management sees \$200m in revenue by 2020 and the board declared an interim dividend of 16cps.
 - **AMP Ltd (AMP)** was down -7.8%, after the Company reported that investors pulled A\$3.97bn from its funds last year as the firm was rocked by a series of scandals, including charging fees for no service. The Company saw underlying profit slump by -35% to A\$680m.
 - **The A2 Milk Co (A2M)** was up +10.5%, after the Company reported 1H19 revenue up +41%, gross margin up +57%, EBITDA up +53%, and NPAT up +55%. Management expects 2H19 revenue to be in line with first half, which suggests ongoing momentum in the business.
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- **Bank of Queensland Ltd (BOQ)** was down -6.3%, after the Bank downgraded its 1H19 earnings amid higher funding costs, price competition for new loans, lower fee income and increased regulatory costs due to the royal commission.
 - **Bapcor Ltd (BAP)** was down -7.9%, after the company forecast FY19 NPAT of circa 9% above FY18, which was at lower end of previous guidance.
 - **Beach Energy Ltd (BPT)** was up +5.3%, after the company lifted its FY19 EBITDA forecast to A\$1.25-1.35bn, amid higher sales and lower cost per barrel.
 - **Bendigo & Adelaide Bank Ltd (BEN)** closed -6.8% lower, after the bank announced 1H19 results which saw a decline in NIM and lending approvals.
 - **Bingo Industries Ltd (BIN)** closed -49.1% lower, after the Company forecast FY19 underlying Ebitda broadly in line with FY18, amid a faster than expected softening in multi-dwelling residential construction activity. After announcing its earnings, which showed reported revenue of \$176.4m in the first half, BIN's share price rebounded +17.2%.
 - **Blackmores Ltd (BKL)** was down -24.8%, after the Company reported that its 2H19 profits would fall below 1H19 profits, amid serious slowdown in the Company's China business.
 - **Boral Ltd (BLD)** was down -7.9%, after the company announced that profits have taken a hit from extreme rainfall across the east coast and construction delays on major government infrastructure projects. Moreover, the company downgraded its FY19 earning targets in Australia and North America amid project delays.
 - **Brambled Ltd (BXB)** was down -1.5%, after the Company reported -27% decline in 1H19 profit to US\$319.8m, amid higher operating costs and the absence of a US\$103m tax benefit from a year ago.
 - **Breville Group Ltd (BRG)** was up +18.0%, after the Company forecast FY19 EBIT growth which came in above analyst forecasts.

- **Carsales.com Ltd (CAR)** was down -5.4%, after the Company confirmed an 82% slide in 1H19 profit on the back of a \$48m impairment against its stake in Stratton Finance.
- **Cleanaway Waste Management Ltd (CWY)** was up +13.1%, after the Company reported 1H19 NPAT of \$60.8m, up +35.1%, amid solid organic growth and the benefits of the \$671m acquisition of rival Tox Free in FY18. The Company raised its interim dividend by +50% and flagged positive earnings momentum through the rest of FY19.
- **Cochlear Ltd (COH)** was down -8.1%, after the Company reported that its growth in the U.S. and Europe had been negatively impacted by increased competition.
- **Computershare Ltd (CPU)** was up +5.9%, after the company upgraded its FY19 management EPS growth guidance to 12.5%, from previous guidance of 10% growth.
- **Corporate Travel Management Ltd (CTD)** was up +14.7%, after the Company reported that it expects FY19 underlying EBITDA at the top end of its forecast range of A\$144-150m.
- **CSL Ltd (CSL)** was down -3.9%, after the company reported 1H19 revenue of \$4.5bn, which came in below analyst estimates amid softer sales in some of the Behring unit.
- **CYBG Plc (CYB)** was up +17.9%, after the company's 1Q19 growth, margins and Virgin Money synergy guidance, all came in ahead of market expectations.

- **Fisher & Paykel Healthcare Corp Ltd (FPH)** was up +7.3%, after the Company announced that it has settled patent litigation with ResMed. The settlement involves no payment or admission of liability by either side, with each party to bear its own attorney fees and costs.
- **G8 Education (GEM)** fell -11.0% after the Company said early signs in 2019 are encouraging, but challenging trading conditions persist.
- **GWA Group Ltd (GWA)** was up +4.4%, after the Company reported that 2H19 market conditions are expected to be similar to 1H19 and the Company's largest revenue source is expected to be "relatively stable" through the rest of FY19.
- **Healthscope Ltd (HSO)** closed +3.8% higher, after the company accepted a takeover offer from Brookfield Business Partners.
- **IDP Education Ltd (IEL)** closed +21.2% higher, after the company reported 1H19 results, which came in above analyst estimates. The company reported revenue of \$304.3m, which was up +26% (+23% on a constant currency basis) over pcp, with volume growth across all segments underpinning revenue growth.
- **Insurance Australia Group Ltd (IAG)** was up +4.2%, after the company reported strong 1H19 underlying insurance margin of 16.2%, compared to 13% in pcp.
- **JB Hi-Fi Ltd (JBH)** was up +1.5%, after the company reported 1H19 net income of A\$160.1 and revenue of A\$3.84bn, which came in above analyst estimates of A\$155m and A\$3.83bn, respectively.
- **IOOF Holdings Ltd (IFL)** was up +16.4%, after the Company reported 1H19 underlying profit of A\$99.9m, up +5% over pcp. The Company expects to incur A\$20-30m in compliance and regulatory costs commencing immediately and into FY20.
- **InvoCare Ltd (IVC)** was up +12.0% after the Company noted it expects the death rate to increase in 2019 and return in line with positive long-term trend, predicted 240,000 by 2034 (source ABS data).

- **IRESS Ltd (IRE)** was down -6.1% after ASX Ltd (ASX) announced it was selling its 18.6% stake in IRE at \$11.95 per share.
 - **Lendlease Group (LLC)** fell -6.4% after the Company noted that full year profits excluding Engineering business will be skewed towards the second half of the year due to Apartments.
 - **Lynas Corp Ltd (LYC)** was up +11.9%, after the Company agreed to pathway for management of neutralization underflow residue (NUF) after consultation with government and regulators. The updated plan includes commercialization options for NUF and long-term NUF disposal solution.
 - **Magellan Financial Group Ltd (MFG)** was up +9.9%, after the Company reported 1H19 statutory NPAT of \$173.5m, up +225% over pcp and the interim dividend of 73.8cps (75% franked), up +66%.
 - **McMillan Shakespeare Ltd (MMS)** was down -12.8%, after the Company reported softer earnings and its lowest margin in 5 years. 1H19 EBITDA was down -3.89%, with free cash flow down -27%.
 - **Mayne Pharma (MYX)** fell -5.0% after the Company said it was considering more M&A amid strong first half FY19 gross profit growth.
 - **Nanosonics Ltd (NAN)** was up +12.4% after posting first half FY19 net income of \$7.1m.
 - **NextDC Ltd (NXT)** is down -3.7% following trimmings to its revenue forecast.
 - **Nine Entertainment (NEC)** was up +7.0% after the Company said it expects FY19 pro forma group EBITDA on a continuing basis to be at least \$420m, which equates to growth of at least +10%.
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- **Pact Group Holdings Ltd (PGH)** was down -9.7%, after the company reported that it had written down the value of some of its assets by up to \$340m and warned that tough conditions were continuing. PGH also closed -17.0% lower, after the Company reported 1H19 loss of A\$319.6m.
 - **REA Group Ltd (REA)** was down -5.0%, after the company forecast lower rate of revenue growth in 2H19, amid weaker new listings and a decline in new apartment starts for remainder of year.
 - **Reliance Worldwide Corp Ltd (RWC)** was down -2.3%, after the company announced that FY19 Ebitda could be negatively impacted by between 1.5-3% if a modest freeze event is not experienced in the U.S.
 - **Seven West Media Ltd (SWM)** was down -8.0%, after the Company downgraded its FY19 underlying EBIT growth guidance to 0-5% from previous guidance of 5-10%.
 - **Sigma Healthcare Ltd (SIG)** was up +5.4%, after the company confirmed its FY19 underlying EBIT guidance of A\$75 and forecast FY20 underlying EBITDA of A\$55-60m.
 - **Smartgroup Corp Ltd (SIQ)** was down -9.2%, after the Company reported FY18 NPATA of A\$78m, which came in below analyst estimate of A\$79.9m.
 - **Spark Infrastructure Group (SKI)** was down -6.4%, after the company cut its payout guidance following a court decision on the tax treatment of contributions tied to the Victoria Power Networks.
 - **SpeedCast Ltd (SDA)** was up +13.1% after the Company said it expects underlying EBITDA for CY19 of \$160 – 170m, which is in line with consensus estimates.
 - **Syrax Resources Ltd (SYR)** was the worst performer and was down further -10.1%, after the company released its production report, forecasting lower weighted average realized pricing.

- **Unibail Rodamco Westfield (URW)** closed -8.4% lower, after the Company forecast FY19 AREPS of EU11.8-12, compared to EU12.92 in FY18.
- **Viva Energy Group Ltd (VEA)** lead the market gains and closed +13.8% higher, after the company announced that it had extended its alliance with Coles Express till 2029. Under the agreement, Viva Energy would take responsibility for retail fuel pricing and marketing while Coles Express would remain responsible for operating the stores and providing a leading convenience offer.
- **Webjet Ltd (WEB)** closed +30.6% higher, after the Company affirmed full-year forecast and noted that it would push to increase market share in B2B hotels and B2C travel. WEB's targets WebBeds booking growth at 5x more than underlying market, notwithstanding impact of Brexit.
- **Wesfarmers Ltd (WES)** was up +6.9%, after the Company announced \$1-a-share special dividend worth \$1.13bn and reported a bumper \$4.5bn bottom line profit swelled by one-off gains from the demerger of Coles and the sale of its coal, Quadrant Energy and Kmart Tyre and Auto businesses.
- **Whitehaven Coal Ltd (WHC)** was down -6.7%, after the Company reported high 1H19 costs which exceeded FY19 target. The Company also downgraded its managed saleable coal production forecast for FY19 and now sees FY19 managed saleable coal production of 21.5-22.5m tons vs previous guidance of 22-23m tons.
- **Wisetech Global Ltd (WTC)** was down -10.1%, after the Company upgraded its FY19 revenue guidance to A\$322-335m and Ebitda forecast to A\$102-107m, which came in below analyst forecast of A\$338.1m and A\$112.7m, respectively.

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