Investment Watch

Autumn 2019 Outlook

Economics – Federal Budget review 3

Equity Strategy – the low interest rate puzzle 4

morgans

Welcome

2019 has started on a bright note with the ASX 200 closing out the March quarter up 9.5%, the best quarter since September 2009. The sharp bounce back has left many wondering where to from here. This quarter we update our Asset Allocation settings to reflect a more cautious outlook as we think the market upside has been priced in over the short term. We also highlight some of the key positives from the Federal Budget and the likely market implications. Following a mixed reporting season we provide an outlook for some of the key sectors of the market.

Recently published research

- Nufarm – Too cheap to ignore (21/3)
- Economic Strategy – The Objectives of the Federal Reserve (25/3)
- Wesfarmers – Having a swing at Lynas (26/3)
- Coles – Beefing up online (26/3)
- Bingo – DADI's home early! (29/3)

In this issue indicates published research available online.

Contents

Economics – Federal budget review 3

Equity Strategy
The low interest rate puzzle 4-5

Banks – Fears look overdone 6

Fixed Income – A strong start to the year 6

Telco – Calling the bottom 7

Agriculture, Food and Chemicals
Drought carries over 7

Industrials – Offshore exposure 8

International
The importance of international diversification 9

Resources/Energy
Supply discipline supports cash returns 9

Asset Allocation
Recommended asset allocations and active tilts 10

High Conviction Stocks 11

Perpetual Credit Income Trust (ASX: PCI)

Perpetual Credit Income Trust (ASX: PCI) Offer to raise up to $440 million.

The Perpetual Credit Income Trust aims to generate sustainable, regular income by investing in a diversified portfolio of credit and fixed income assets.

Key features:

- Perpetual Investments to fund all establishment costs, meaning NAV will equal the issue price
- Target return of RBA Cash Rate + 3.25% (net of fees) i.e. approximately 4.75% p.a. with monthly distributions
- Exposure to a portfolio of 50-100 Credit and Fixed Income assets diversified by asset type, credit quality, maturities, countries and issuers
- Access to expertise from one of Australia's most experienced fund managers
- Flexible investment strategy allows truly active portfolio positioning with a strong focus on capital preservation
- Base management fees are lower than those charged to wholesale investors for similar Perpetual products

Offer opened
Monday, 25 March 2019

Broker Firm Offer closes
Monday, 15 April 2019

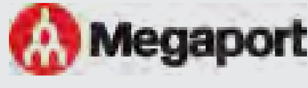
General Offer closes
Thursday, 18 April 2019

Trading of Units on the ASX
Commences Tuesday, 14 May 2019

Company website
perpetual.com.au

View offer details
bit.ly/2IdYlov

The Megaport Limited Share Purchase Plan (SPP)



The Megaport Limited Share Purchase Plan ('SPP') is now open. Offer booklets and personalised SPP application forms were dispatched to eligible shareholders onThursday, 21 March 2019.

Eligible shareholders are those on the register as at 7.00pm on Monday, 12 March 2019 (Record Date) with a registered address in Australia and New Zealand.

Shareholders may apply for a minimum of $2,000 worth of SPP shares up to a maximum of $15,000 worth of SPP shares.

Offer close date
Friday, 26 April 2019

Allotment date
Friday, 3 May 2019

Company website
megaport.com

Economics – Federal budget review

A Treasurer's speech is usually a budget document. It is crafted as a budget document by the Treasurer's advisors to include lots of relevant facts. This speech was crafted primarily as a political speech. Much more work has gone into it than is usually the case. It is a document about communication, not just facts.

Major economic parameters

Frydenberg is communicating that he can provide a greater amount of spending to a broader range of political need groups than anyone thought possible. While everybody has been talking about how bad the economy is, Frydenberg is finding money when no one thought it was possible.

The economy, while not in a boom, is an economy that is doing much better than most of us had suspected. We can see this in Budget Paper No.1, page 1-8 where this shows us that growth should accelerate from 2.25% in 2018-19 to 2.75% in 2019-20. It holds that growth rate of 2.75% in 2021. The result of this is that unemployment stays at its current low level of 5%.

Inflation, after falling to 1.5% in 2018-19, rises to 2.25% in 2019-20, and 2.5% in 2020-21. This suggests there will be no increase in the Australian cash rate, at least as far as 2020-21.

At a time when the economy is believed to be weak, how can Frydenberg achieve such magical results? Budget Paper No. 2, page 2-20 shows this as an improvement in the terms of trade. We have shown it in the figure below as more simply as an increase in commodity prices. It shows Australian export commodity prices as the index of commodity prices in USD terms, which are published by the RBA.

These higher commodity prices allow higher nominal growth in GDP and higher tax receipts by the government from commodity exporting firms. This increasing tax revenue generates an improvement in the underlying cash balance. In 2018-19, the cash balance is only $4.2 billion in deficit. This moves to a surplus of $7.1 billion in 2019-20 and $11 billion in 2020-21. Further surpluses are projected in the following years.

What this Budget does

It provides a three step plan to deliver $144 billion in personal income tax cuts. Tax payers earning up to $126,000 a year will receive a tax cut. For single income families, this is a tax cut of $1,080 per year. For families on a dual income, this is a tax cut of $2,160 per year. These reductions in taxes will flow after tax returns for the 2018/19 financial year are submitted.

The second change is the lowering of the 32.5% tax rate to 30% from 1 July 2024. This will cover all tax payers earning between $45,000 and $200,000 and will mean that 94% of tax payers will pay no more than 30c in the dollar.

Small business is supported by cutting the corporate tax rate of small companies to 25c in the dollar. There is an instant write-off for small investments up to $30,000 and extending to companies up to $50 million in turnover (previously $10 million).

The Coalition is boosting infrastructure spending (road and rail) to $100 billion over the decade, and $23 billion in new spending. A list of projects was announced, covering all States.

Conclusion

While no one was looking, Australian export commodity prices have been rising over the last three years. This has generated a larger increase in Federal government revenue than anyone suspected. This has allowed the government to balance the Budget, at the same time as providing tax cuts and handouts just before election time.

This Budget has also allowed one of the better crafted Treasurer's addresses in recent years. This is not just an election Budget. This is the opening speech of an election campaign.

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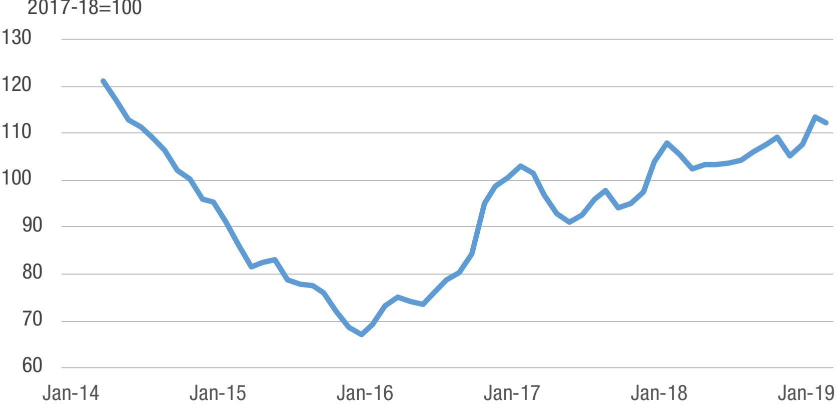
Refer to our recent research for more Economics coverage
The objectives of the Federal Reserve
bit.ly/Federal-Objectives

RBA Index of commodity prices in USD



Source: RBA

Equity strategy

The low interest rate puzzle

The ASX 200 has risen over 10% since the 'Fed pivot' in December. Given this run-up, we are not as bullish now as we were at the start of the year.

Nevertheless, over the medium term we still believe the path of least resistance for equities remains to the upside. While the forward PE ratio for the market has returned to where it was last September, analyst earnings expectations are currently much more conservative: Bottom-up estimates foresee EPS rising by 4% over the next 3-years. The combination of easing financial conditions and clarity in the regulatory space has the potential to create some upside to estimates over the next 12-months. We identify our key equity exposures in the table on page 5.

Tactically over the next few months we err on the side of caution. Global growth indicators have been weak (reflected in falling interest rates), most notably in Europe and China. Market earnings estimates appear to be inexplicably lopsided and usually this has been a reliable indicator that expectations are too high and will likely be revised lower. With May 'confession season' around the corner we think this could also be an early warning signal.

We do think it's prudent to hold higher levels of cash than normal in this environment and this is reflected in our conservative asset allocation settings on page 10.

Profiting from falling bond yields

Global bond yields continue to fall with the Australian 10-year government bond dropping to its lowest level on record (1.76%, 25 March). It was only a little over six months ago that the market was fretting about rising rates, and today the consensus is increasingly pricing in cuts to policy rates both domestically and abroad.

The lower-for longer thematic has come and gone through multiple iterations since the GFC and we think we are entering another period where investors will again seek yield and growth. The earnings yield of the equity market (proxy for the 1 year market return) over the bond market has extended further and we think this should continue to favour being invested in the equity market over bonds/fixed income.

Potential changes to franking credit refunds under a Federal Labor government is also playing a part in boosting the appeal for equity yield. February reporting season saw a lift in the number of special dividend and buyback announcements as companies look to return surplus franking credits to investors ahead of the proposed changes.

The reduction in government bond rates since the peak in November has helped boost returns on infrastructure stocks not to mention other stocks such as REITs and high growth/PE stocks.

It is important to understand that the reduction in bond rates may not be a free kick to valuations.

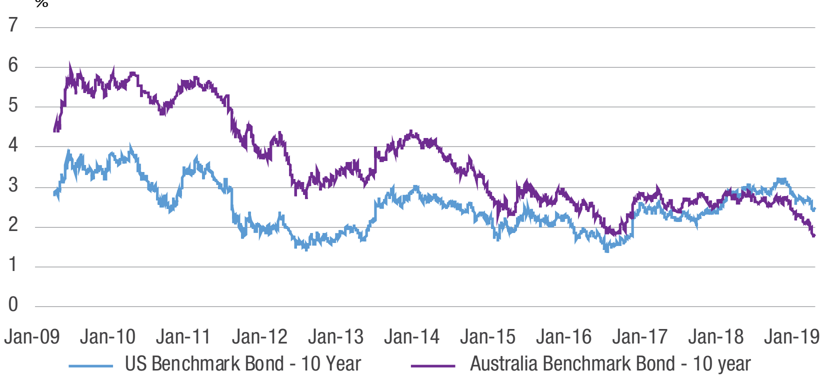
You can think of the bond rate as being comprised of inflation expectations and the real interest rate (this is known as the Fisher equation). To be consistent a lower bond rate being utilised within a valuation needs to be accompanied by lower inflation and/or economic growth expectations.

CPI expectations and infrastructure

The infrastructure sector may be considered to be a quasi-inflation hedge, because there is often a direct contractual linkage between revenue growth and CPI (road toll escalation, pipeline tariff increases, airport charges, CPI-X energy network charge increases). As such, the fall in bond rates may not provide the full free kick for the sector that some expect.

Having said that, several assets have fixed price escalation eg. property rent escalators at airports, fixed toll escalation on the Hills M2 and Citylink, fixed aeronautical charge price paths.

Australia and US benchmark 10-year bond yields



Sources: IRESS

Valuation sensitivities

When government bond rates fall substantially, the question we are often asked is what happens to infrastructure DCF valuations if we assume bond rates remain at these levels (instead of assuming some level of mean reversion).

We run some valuation sensitivities by reducing the risk-free rate (with the 10-year Australian government bond rate as a proxy). We assume in our valuation discount rate drops from 3.75% pa to 2% pa. This means we are implicitly assuming investors are willing to accept far lower long-run investment returns than previously. We also update the assumed cost of new debt to reflect movement in the interest rate swap curve, and factor in (lower) current CPI expectations. We hold all else constant (albeit it never does).

Here are the valuation sensitivities for the three pure-play large caps:

- **Transurban** (HOLD) - valuation lifts from $12.10 to close to $15ps. What we haven't assumed here is that the weakening economic outlook implied in the bond rates flows through into a reduction in long-run traffic demand. Population growth and congestion on competing routes may support traffic growth.
- **Sydney Airport** (ADD) - valuation lifts from $7.55 to over $9.50ps. We haven't assumed slower pax growth (with international growth particularly important), albeit SYD's commercial activities (eg. property and retail leases) provide down-side protection during contract periods and the growth of the emerging Asian middle class provides structural support.
- **APA Group** (HOLD) - valuation lifts from $8.53 to $10.50ps. We haven't assumed falling economic growth curtails unidentified but modelled growth investment that delivers future earnings growth. Note APA benefits when commodity prices are strong, as mining companies invest in new projects that need pipeline infrastructure to supply gas.

- **Atlas Arteria** (HOLD) - valuation lifts from $6.64ps to close to $8. The stock is unique in that all its assets offshore (the most important being the APRR toll road in France). For this sensitivity we use current French 10-year government bond rates, EUR swap curve, and French CPI expectations for the APRR, and US CPI and bond rates for the Dulles Greenway. Like for Transurban, we have not assumed a change in traffic growth rates, but a decline in traffic is a real risk if European economic activity deteriorates as is implied in the bond rate decline.

Despite the short-term risks, we see the low interest rate environment supportive for risk assets over the medium-term. We think an extended period of elevated valuations will persist until markets once again fret about rising interest rates which at this stage, with inflation subdued, seems a long way off.

Equities – Preferred stocks by sector	
Banks	Westpac
Diversified Financials	Link Administration, Suncorp, Kina Securities, QBE Insurance, AFG Group, CML Group
Industrials	Orora, Reliance Worldwide, PWR Holdings
Healthcare	Sonic Healthcare, ResMed, Volpara
Telco, IT & Software	Telstra
Consumer Staples	Woolworths
Consumer Discretionary	Aristocrat, Lovisa, Baby Bunting, AP Eagers, Noni B
Resources	Oz Minerals, Evolution Mining
Energy	Oil Search, Origin, Senex Energy, Cooper Energy
Food, Agriculture & Chemicals	Treasury Wine Estates, Nufarm
Infrastructure & Utilities	Sydney Airport
Online Media	REA Group

Property	
AREITs	Mirvac, Stockland, Viva Energy REIT, Centuria Metropolitan REIT

Fixed Interest – Preferred securities	
Hybrid Securities	BENPE, NABPB, SUNPF

Banks – fears look overdone

We're still positive on the major banks, with an Add recommendation on all but NAB. We generally expect to see mid-single-digit underlying profit growth over the next three years, excluding remediation and one-off regulatory costs.

While we expect more remediation charges for the majors, we don't expect their magnitude to be large enough to threaten nominal dividends or to require capital raisings (other than dividend reinvestment plans) in the case of WBC, ANZ and CBA. Our base case is one of no nominal dividend cuts for these three banks. For NAB, we see high risk of a cut to the nominal dividend as we see earnings headwinds building following the departure of its CEO together with a stretched dividend payout ratio and relatively weak CET1 capital position.

Apart from the growth and attractive dividend yields on offer, we are also positive on the sector due to declining government bond yields across the developed world. We expect the lower bond yields to be sustained with the US Federal Reserve, ECB and the RBA adopting significantly more dovish stances now compared with 2018. We expect lower bond yields to be supportive of major bank valuations as the attractive dividend yields on offer make the majors strong candidates for yield plays in our view.

While we are positive on the sector, we are mindful of the increasing recession risk in Australia. We expect stimulus to be provided to the economy through a combination of macro-prudential, monetary and fiscal policy easing. While we expect stimulus to be provided in time to avert a recession and asset quality deterioration, the risk is that the government and regulators wait too long before acting.

Commonwealth Bank
ADD PT A$76.00
Capital management is all the talk

Westpac
ADD TP A$33.00
Exciting personal financial advice

National Australia Bank
HOLD TP A$25.00
Too manay potential resets create risk

ANZ
ADD TP A$29.00
End of overly conservative lending policies?

Fixed Income – a strong start to the year

Falling house prices and an impending Federal election have seen the RBA remain on the sidelines and the Official Cash Rate remains unchanged at 1.50%. Market expectations now see a number of commentators forecasting cuts to the cash rate in the first half of calendar year 2020. Lower growth and interest rate expectations have seen prices on Australian Government bond rally with yields across the curve falling sharply. The yield on the 10 year note has fallen from 2.36% at the end of December 2018 to the current levels below 1.80% which are lower than the levels seen in mid–2016.

At the same time we have seen the US Treasury yield curve invert with 10 year yields trading at lower levels than those seen on three year treasuries.

In the listed fixed interest space it has been a busy start to the year with two Additional Tier 1 (AT1) hybrid transactions from domestic financial institutions. NAB and Macquarie have recently come to market and both transactions have been very well received by investors with the transaction sizes being upscaled and the margins priced at the bottom end of their respective bookbuild ranges.

Our preferred shorter-dated AT1 securities are **BENPE**, **NABPB** and **SUNPF**. In the listed investment trust space we continue to view the risk/return profile of GCI as attractive and welcome the addition of the new Perpetual Credit Income Trust to the space.

The offer period is now open for new **Perpetual Credit Income Trust** which we view as an excellent portfolio diversifier for investors seeking income. The Trust is targeting a total return of the RBA Cash Rate plus 3.25% per annum with income paid monthly. It is expected that the Trust will provide exposure to a portfolio of typically 50–100 credit and fixed income assets diversified by asset type, credit quality, loan maturity, country and issuer. For more on this product please contact your advisor.

Telco – calling the bottom

After four years of significant underperformance, we think the Telco sector has found rock bottom and is showing early signs of a rebound. There are a number of fundamental catalysts that could drive this recovery and they all relate to consumer fixed and mobile which account for more than 60% of earnings.

These catalysts are due by June 2019 and include: 1) passing the peak pain point on the NBN (consumer prices are now going up for the first time ever); 2) the launch of 5G (which moves the focus from price to quality of service); and 3) the ACCC's decision on whether Vodafone and TPG Telcom can merge.

70% of households are forecast to have transitioned to the NBN by June 2019, rising to 75% by December. This means we are through the bulk of the forced churn event. Perversely TLS still holds >50% market share in the NBN and after years of price-based competition things are looking up. During February most Telco CEOs noted the NBN is unsustainable and since then we have actually seen household price rises to help offset higher input costs under the NBN. This is, in our view, the first sign that things will improve from here.

We continue to rate **Telstra** as our preferred pick as it has NBN and 5G upside that isn't yet factored in. TLS will be the first to market and is likely to win the 5G race in terms of customers added and pricing. In addition to extensive work done over the last few years for 5G TLS has the advantage of our Government blocking 5G equipment from Chinese Vendor Huawei. This will slow 5G rollout plans of its competitors Optus and Vodafone who rely on Huawei and expand TLS's competitive lead.

Agriculture, Food & Chemicals – drought carries over

The prolonged drought continues to weigh on the sector. After some relatively resilient earnings in 2018, it feels like the drought is finally starting to bite with some of the companies either reporting weak earnings or downgrading guidance (e.g. ELD, NUF, BGA, AVG, NAM)

Takeover activity continues with GrainCorp receiving an unsolicited, indicative and non-binding proposal from Long-Term Asset Partners (LTAP) and RuralCo has been bid for by Canadian agribusiness giant, Nutrien. Nutrien is the parent company of Landmark, the largest player in Australia's rural services industry. Takeover speculation in the press also surround Nufarm and Incitec Pivot given the tough operating environment and severe share price weakness both have experienced.

Despite the reported macro slowdown in China, the most recent interim reporting season demonstrated that the strong brands with pricing power like A2 Milk and Treasury Wine Estates (TWE) continue to perform well in China.

Our key picks in the sector are **Treasury Wine Estates** and **Nufarm**. TWE has strong earnings visibility (has provided both FY19 and FY20 guidance) and a long runway of earnings growth ahead given its growing Luxury inventory balance. We believe the company is attractively priced for its growth profile. Following severe share price weakness, we recently upgraded Nufarm to an Add rating. We think the stock is oversold and that patient investors will be well rewarded when improved seasonal conditions return.

Industrials – offshore exposure

Several headwinds continue to impact the domestic manufacturing sector including rising energy prices, higher labour costs and subdued consumer sentiment. Like most things however, it is never as bad as it seems with interest rates still at historical lows, the economy near full employment and GDP growth over the next 12 months expected to be broadly on trend. On balance, we see the outlook remaining mildly positive despite some challenges.

Regardless of the macro environment, we continue to prefer high quality companies with proven management teams and a solid balance sheet. We are also lucky in Australia to have companies that are not only leaders in their respective fields domestically but are also highly regarded on a global scale. Reliance Worldwide and PWR Holdings are two such examples. Both companies have dominant market shares and strong US and European exposure. Given the size of these markets and the high quality of their products, their long-term outlook remains bright.

Orora is another one of our preferred picks given its defensive characteristics and North American exposure. We must admit there's nothing "sexy" about the business. It makes cardboard boxes, aluminium cans and wine bottles in addition to a packaging distribution business in the US. However, we see this as part of its appeal because in times of volatility and if markets become rattled, we know it is one stock we can depend on.

Other stocks we like in the Industrials sector are **DuluxGroup** and Acrow **Formwork** and Construction Services. Like Orora, DuluxGroup also has defensive characteristics and a very experienced management team. Its track record speaks for itself as one of only a handful of companies that were able to record earnings growth during the GFC.

Recent initiations

Origin Energy (ORG)	ORG is an integrated energy company focused on gas and oil exploration and production, power generation and energy retailing in Australia.
Bingo (BIN)	BIN makes money by providing waste collection and processing services, with a focus on recycling.
Treasury Wine Estate (TWE)	TWE is one of the world's largest wine companies. It has world class viticulture assets and a substantial brand portfolio that includes the iconic Penfolds brand.
oOH!Media (OML)	OML is a leader in the Australasian outdoor advertising market and, following last year's purchase of Adshel, now accounts for approximately 47% of total industry revenues.

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International – the importance of international diversification

The fading 'wealth effect' continues to weigh on the domestic economy as consumers and businesses adjust to a weaker housing environment. A strong infrastructure pipeline may take some pressure off over the short term, but with businesses looking to conserve capital rather than re-invest, we think the medium-term outlook for growth will remain subdued. Without meaningful tailwinds to offset some of the weakness, the Australian market is likely to underperform other developed markets over the next 12-24 months.

Meanwhile, the US economy forge ahead. Macro indicators of employment and corporate profits, are all at multi-decade highs. An investment in the broad based S&P 500 index would have returned investors 20% over the past two years (at 1 April 2019) compared to 5.2% for the ASX 200. With the Australian market representing just 2% of world market capitalisation, we think it's prudent to diversify beyond the domestic market to access global themes and sectors that would otherwise be missed.

Investing offshore has never been easier with 147 ASX listed products available to choose from. The universe of global equity investment opportunities is vast, but researching and selecting the right shares to invest in is a challenging task for the typical investor.

There are numerous indirect options for Australian investors to gain international exposure, with both managed and passive opportunities. There are a significant number of exchange traded funds (ETFs) with a broad range of exposures to global equities. These are passive investments designed to track the performance of a certain index. There are also a large number of unlisted actively managed funds offering exposure to a broad range of international markets and sectors.

Our preferred global exposures include: **Magellen Global Trust** (MGG), **Future Generation Global** (FGG), **iShares Global 100** (IOO).

Refer to our **Preferred International List**
bit.ly/2G2YMjX

Resources/Energy – supply discipline supports cash returns

Softening global growth expectations have led to the maturation of the current commodity cycle, where cost inflation is now starting to eat into the very high margins of established producers. This lowers the appeal of the sector to momentum investors, but we're still seeing strong sector interest for the ongoing supply discipline of the majors which is supporting substantial cash flows which are likely to keep finding their way back into the hands of shareholders. This theme is supported by much stronger than expected iron ore prices, although this has largely been driven by the tragic events in Brazil.

In times of uncertainty global investors flock to two major safe havens; Gold and the global reserve currency of US dollars. With the China-US trade war and Brexit weighing heavy on the minds of investors, we have seen significant increases in the Australian dollar gold price which has translated into very strong performances by local gold producers. The fog of macro uncertainty may be thinning but renewed fears of a US recession may just thicken the soup. We prefer **Evolution Mining**, which is a consistent, low-cost gold producer.

We continue to see compelling opportunities in Energy, with oil's underlying fundamentals presenting a more positive picture than the recent price trend suggests, and supported by a lack of material improvement in investment in conventional oil supply. We like several names in this space including large caps **Oil Search** and **Origin.**

Morgans app and client website

Our client app gives you access to your adviser, your portfolio, research, market information and more.

Available for Apple and Android smartphones.

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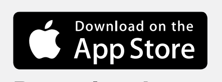

Find out more. Download now.

Asset Allocation

Recommended asset allocations and active tilts

The story of early 2019 has been the softening in tone from key Central Bankers, who have been pivoting towards a more dovish outlook for monetary policy due to concerns about the strength of economic activity. This has explained a jump in demand for safe haven assets including the US dollar, and Government credit. The yield on US 10 year bonds have fallen to a 16-month low at around 2.4% and it's well publicised that yields in other jurisdictions like Germany (negative rates) and Australia (all time lows) are more pessimistic.

In previous economic cycles, the current shape of the US yield curve has been a reliable predictor of US recessions. So it's not surprising that discussion on this risk has increased. However such predictions look premature when considering: 1) US Growth and employment are still very solid; 2) US monetary policy is still in neutral-to-accommodative territory; and 3) historic comparisons are now made more difficult given the unconventional central bank behaviour (QE, signalling) which remain in play.

Curiously, key equity markets have been edging higher against this backdrop, suggesting investors are struggling to agree on the outlook given several geopolitical unknowns which remain in play. The key risks we're watching relate to prolonged trade tensions or a China growth shock.

What's becoming clearer is that investor expectations around interest rates, inflation and economic growth are being re-set lower for longer. In Australia, the market is pricing in two RBA rate cuts by early 2020 while the US interest rate markets is now pricing in an 80% chance of a 25bp Fed rate cut during 2019. We continue to caution that investors should temper expectations of above-average returns in a low growth environment

This backdrop supports our cautious asset allocation settings. This quarter we see justification for a slight re-shaping of our defensive tilts noting the economic unknowns (Trade, China, Brexit) which remain in play. We now apply slight negative tilts to Equities (-1%) and Property (-1%) in favour of lifting our title toward cash (+4%) as insurance against several prevailing uncertainty.

Quick views per asset class

Equities	Australian equity valuations are again looking stretched relative to tepid profit growth of ~4% (ex-Resources).
Listed Property	Headwinds due to fears of rising interest rates have eased. Low cash rates remain supportive, as do defensive income streams amid broader volatility.
Global Infrastructure	Appetite for quality yield is strong given the interest rate outlook. Global infrastructure such as toll roads, airports and utilities remain attractive for income certainty and stable growth.
Listed Fixed Interest	We continue to expect new listed securities from financial issuers over the year ahead, while we anticipate corporate issuers will continue to look to the wholesale market. Listed fixed interest trusts are growing in popularity and provide investors with immediate diversification.
Government Bonds	We continue to recommend that conservative investors with <$250,000 stick to term deposits given the Government guarantee over direct Government bond investments.
Term Deposits	Leading term deposit rates continue to offer good risk adjusted returns at around 2.6-2.7% for 12 months.
Cash	Despite lower returns, we maintain a higher cash weighting for capital preservation and to protect against downside risks.

High Conviction Stocks

2019 has started on a bright note with the ASX 200 closing out the March quarter up 9.5%, the best quarter since September 2009. With most of the upside from receding macro tail risks priced in (favourable resolution of US China trade talks, Central Bank U-turn on policy), we think that current positive market momentum may prove fickle. We make no changes to our list this month.

Refer to our High Conviction update for more **morgans.com.au/stockpicks**

ASX 100	Ticker	Price	Price Target	FY20 Dividend Yield	FY20 Gross Yield	FY20 PE (x)	12m TSR
ResMed	RMD	$14.71	$16.31	1.6%	1.6%	24	13%
Sonic Healthcare	SHL	$24.49	$28.00	3.7%	5.3%	19	20%
Reliance Worldwide	RWC	$4.35	$5.56	2.4%	3.5%	18	31%
Westpac	WBC	$26.30	$33.00	7.3%	10.4%	10	36%
Oilsearch	OSH	$8.06	$10.62	2.6%	2.6%	16	34%
Ex-100	**Ticker**	**Price**	**Price Target**	**FY20 Dividend Yield**	**FY20 Gross Yield**	**FY20 PE (x)**	**12m TSR**
Volpara	VHT	$1.46	$1.55	–	0.0%	–	6%
PWR	PWH	$3.42	$4.21	2.8%	3.9%	21	27%
Kina Securities	KSL	$1.16	$1.31	14.8%	14.8%	5	28%
Senex	SXY	$0.37	$0.57	–	0.0%	25	56%
Australian Finance Group	AFG	$1.21	$1.80	9.5%	13.5%	7	62%

Source: FactSet, IRESS, Data as at 2 April 2019

Indicates published/linked Research Note

Technical Corner – Megaport (MP1)

- The up trend from the October 2017 low took a breather and over the past year the price has been trading sideways, fluctuating between \$3.03 and \$4.50.
- The latest short term pull back has lost momentum and the price has been in the process of building a small base.
- The RSI indicator has reached oversold levels of its current bull market range showing that buying interest is likely to arise around current price levels. A break above minor resistance of \$4.10 is likely which could trigger a rally to \$4.50. Over the long term, higher price levels are achievable.

Megaport 1-year Share Price

Sources: IRESS

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