

Devon Funds Management

Devon Webinar

August 2016

Devon Funds

Performance to 31 July 2016 (net of fees and before tax)

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Australian Fund

Performance to 31-July-2016	1 Month	3 Months	6 Months	1 Year	2 Years p.a.	3 years p.a.	5 years p.a.
Australian	7.38%	3.94%	9.11%	4.50%	9.17%	12.10%	10.41%
ASX 200 index NZD (Unhedged)	7.14%	3.21%	9.58%	-2.40%	2.01%	5.63%	5.81%
Relative	0.24%	0.73%	-0.47%	6.90%	7.16%	6.47%	4.60%

Dividend Yield Fund

Performance to 31-July-2016	1 Month	3 Months	6 Months	1 Year	2 Years p.a.	3 years p.a.
Dividend Yield Fund*	7.66%	7.07%	15.32%	23.60%	19.89%	19.66%
TT Index (Hedged)	6.41%	7.31%	16.38%	13.24%	11.63%	12.73%
Relative	1.25%	-0.24%	-1.06%	10.36%	8.26%	6.93%

* Fund commenced Dec 12

Trans-Tasman

Performance to 31-July-2016	1 Month	3 Months	6 Months	1 Year	2 Years p.a.	3 years p.a.	5 years p.a.
Trans-Tasman	7.64%	5.63%	13.89%	11.70%	13.49%	16.31%	14.10%
TT Index	6.84%	5.47%	14.33%	10.85%	10.63%	11.53%	11.25%
Relative	0.80%	0.16%	-0.44%	0.85%	2.86%	4.78%	2.85%

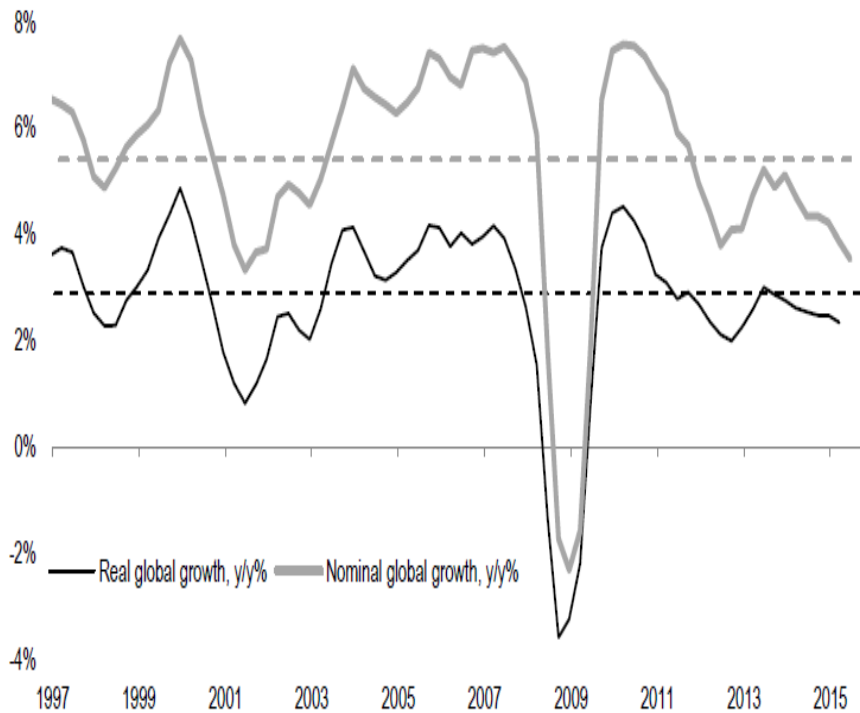
Alpha

Performance to 31-July-2016	1 Month	3 Months	6 Months	1 Year	2 Years p.a.	3 years p.a.	5 years p.a.
Alpha	3.85%	3.77%	9.01%	6.86%	10.31%	14.69%	14.24%
Official cash rate	0.19%	0.56%	1.14%	2.51%	2.98%	2.90%	2.74%
Relative	3.66%	3.21%	7.87%	4.35%	7.33%	11.79%	11.50%

Global economy

A subdued global economy in a low interest rate environment

Global GDP



Negative yielding government bonds



Australian political situation remains frustrating

Turnball's gamble didn't pay off but he remains in power

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House of Representatives

	seats	change
Liberal/National Coalition	76	-14
Australian Labor Party	68	+13
Others	5	0
Seats in doubt	1	
Total	150	

Source: AEC

Senate*

	seats	change
Liberal/National Coalition	30	-3
Australian Labor Party	27	+2
Others	15	-3
Seats in doubt	4	
Total	76	

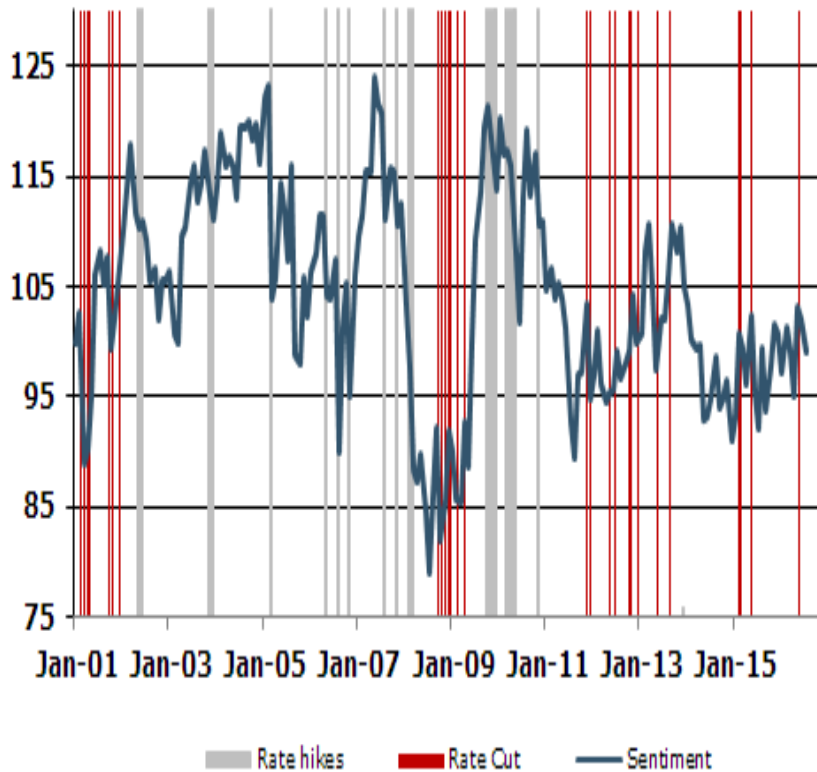
Source: AEC

* Senate vote count won't be completed until next month. Final results will be dependent upon flow of preferences.

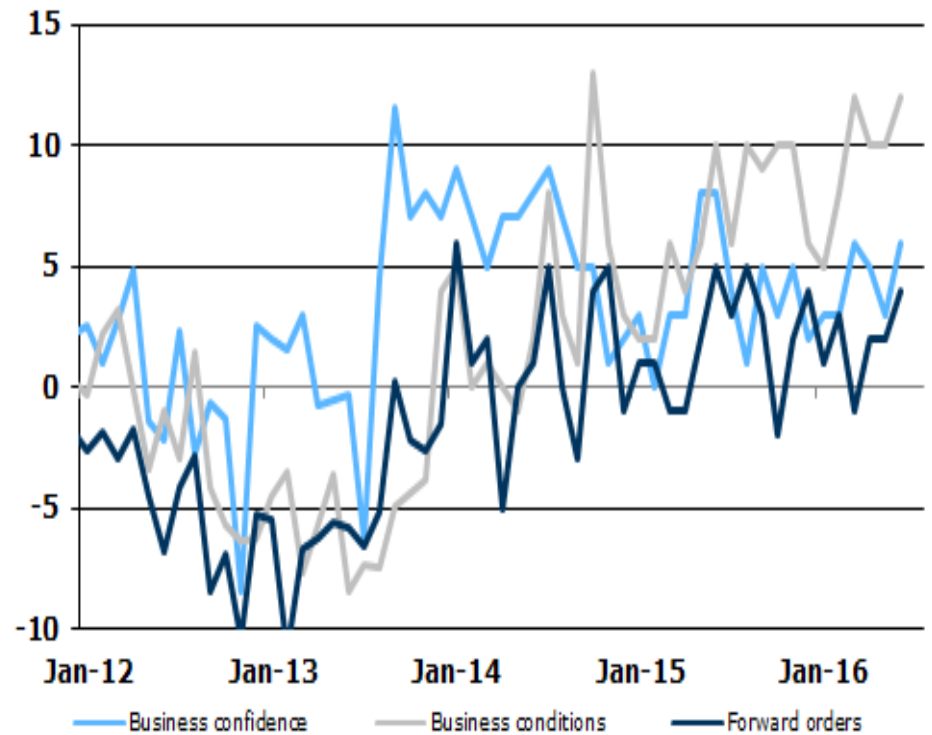
Australian economy

Sentiment mixed but growth continues

Consumer confidence



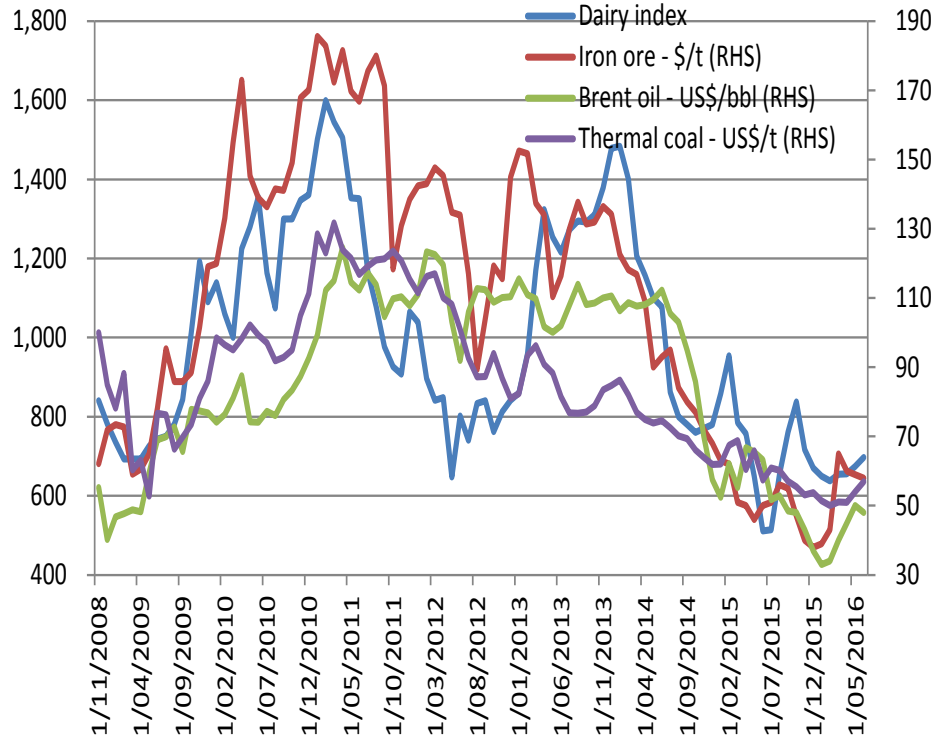
Business confidence



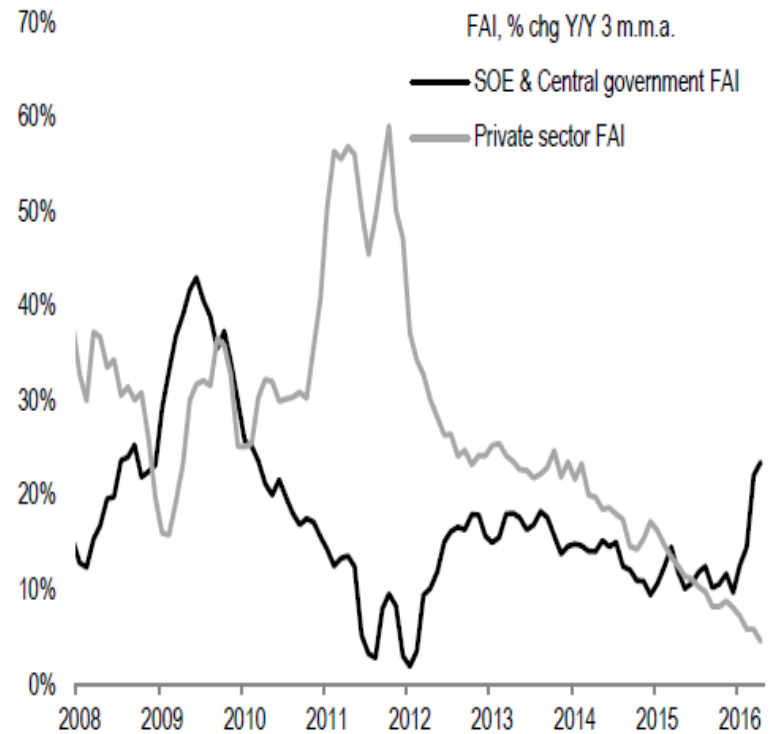
Commodities

Markets more balanced but Chinese demand key to higher prices

Dairy, iron ore, thermal coal & oil



Demand driven by Chinese government stimulus

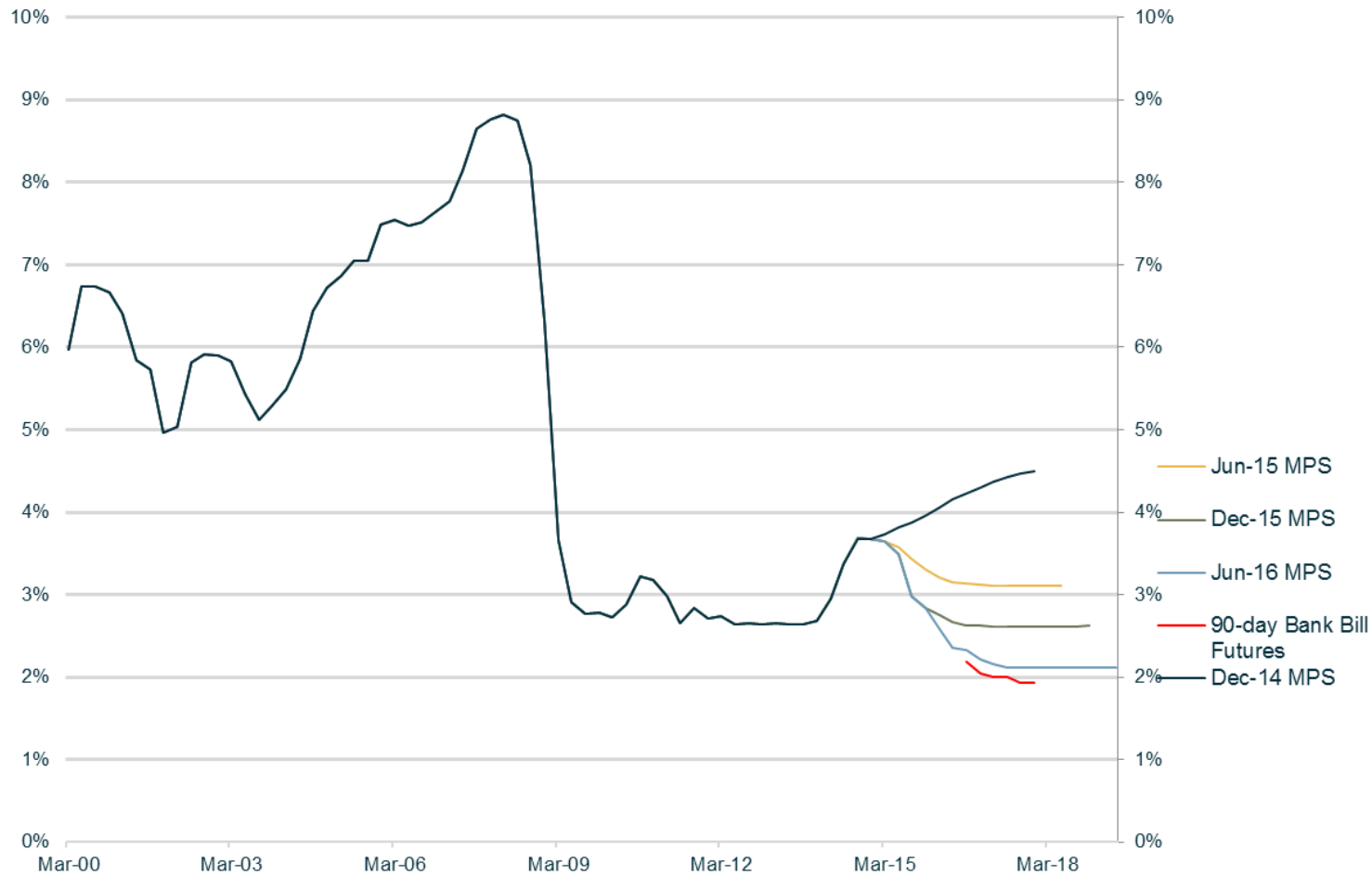


The RBNZ keeps weighing on interest rate expectations

Concerns over domestic inflation and global conditions

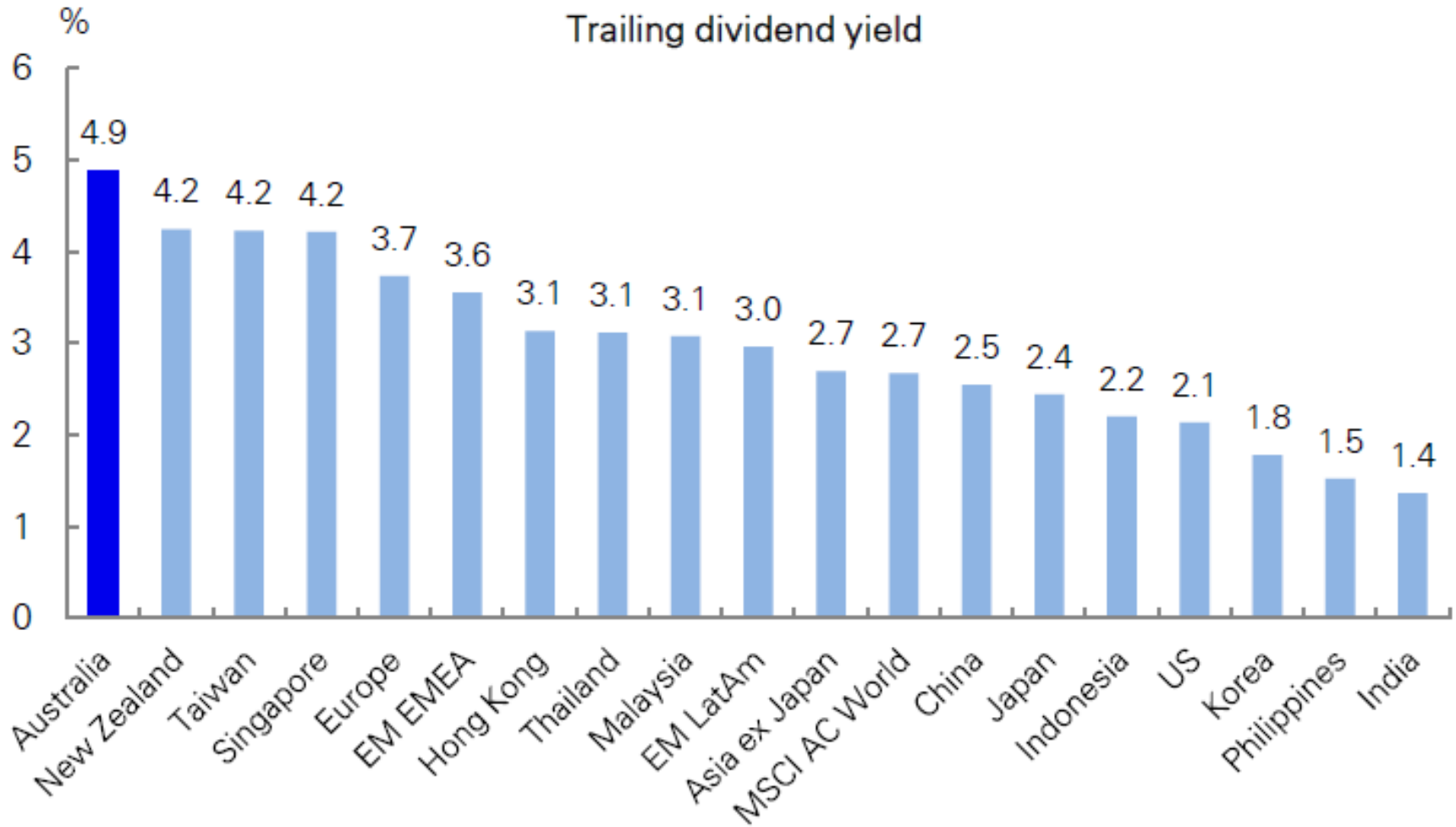
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RBNZ 90-day Interest Rate Forecasts



Australasia's world leading dividend yields remain attractive

Especially given the frustration of low rates from traditional sources



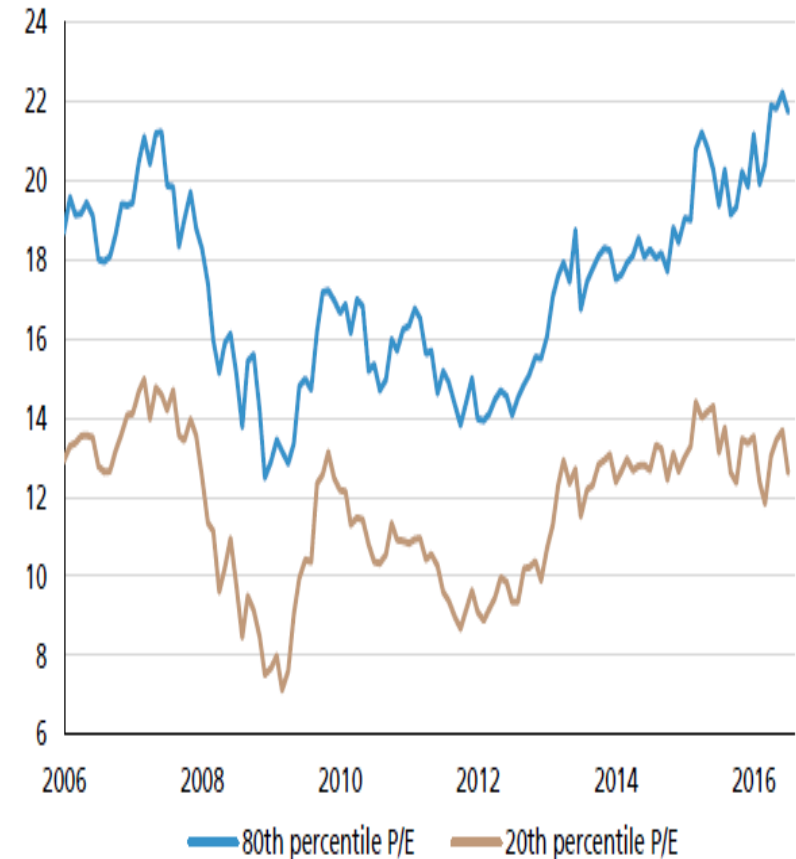
ASX 200 in FY2016

Flat performance after dividends but remained a stock pickers market

ASX 200 sector performance in FY2016

Major sectors	
RESOURCES	-12.0%
FINANCIALS	-3.8%
INDUSTRIALS ex FINANCIALS	+11.7%
Sub-sectors	
Infrastructure	+40.6%
REITs	+24.6%
Utilities	+24.5%
Gaming	+23.0%
Health Care	+21.5%
Discretionary Retail	+19.5%
General Industrials	+19.2%
Media	+13.4%
Materials ex Mining	+4.5%
Consumer Staples	+1.6%
Telcos	-0.7%
Other Financials	-2.7%
Insurance	-3.6%
Mining & Metals	-7.5%
Banks	-10.4%
Energy	-21.7%

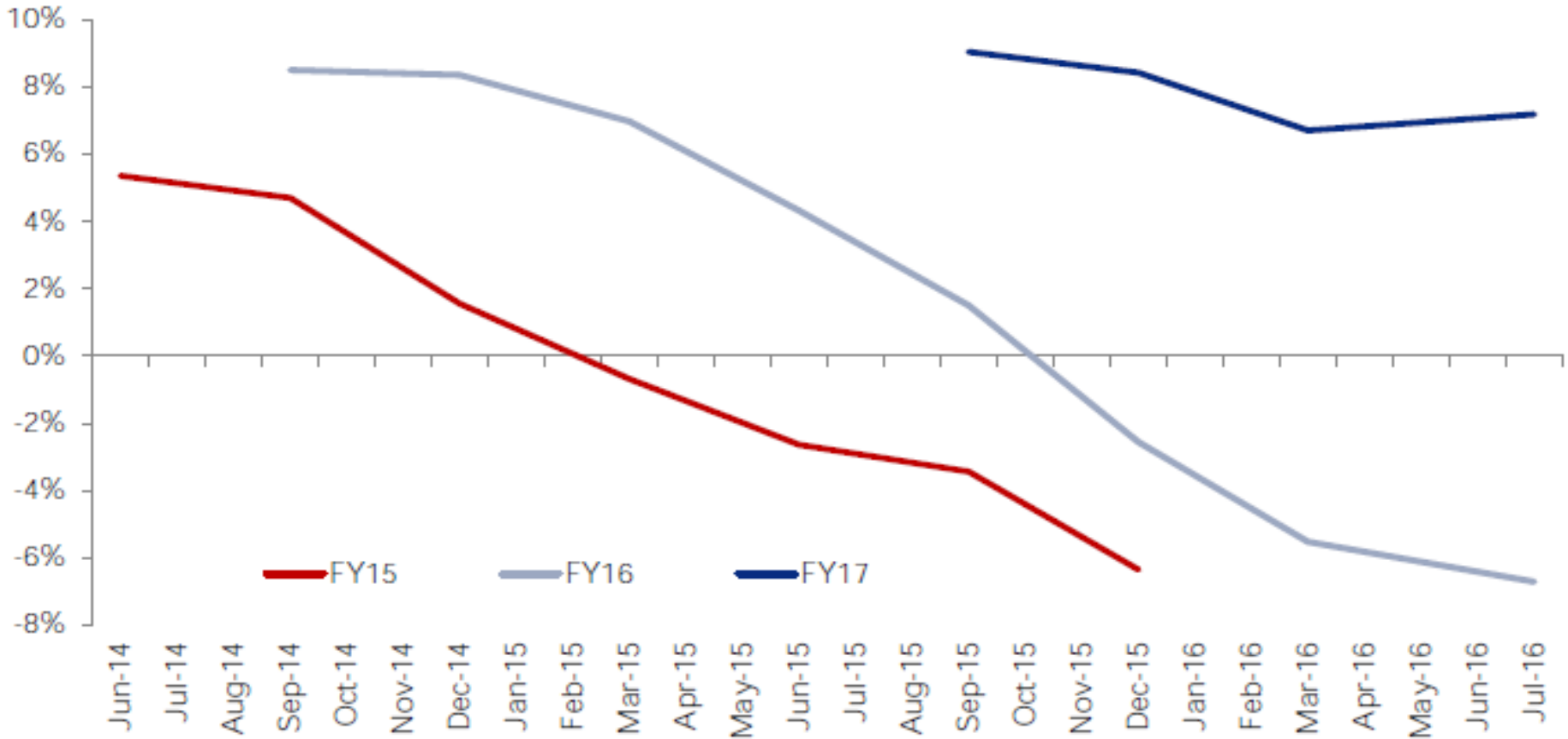
“High” P/E versus “Low” P/E



We are fast approaching the next reporting season
We expect results will see FY17 consensus earnings cut

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Australian market consensus earnings



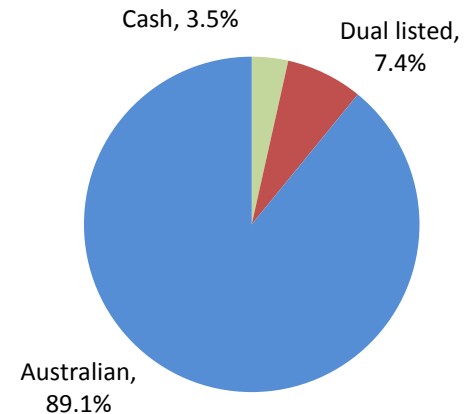
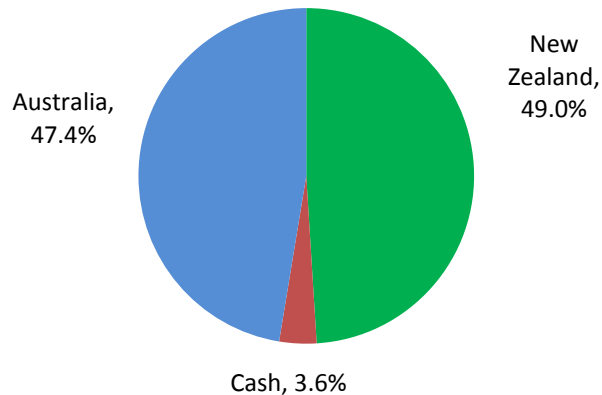
Trans-Tasman Portfolio as at 31 July 2016

Australian Portfolio as at 31 July 2016

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Stock name	Country	Holding
Fletcher Building	NZ	7.1%
Vista Group Holdings	NZ	5.8%
National Australia Bank	ASX	5.3%
Contact Energy	NZ	4.9%
Westpac Banking Corp.	ASX	4.5%
Spark NZ Ltd	NZ	4.4%
Suncorp Group	ASX	4.1%
oOh!media	ASX	3.9%
GTN Limited	ASX	3.8%
Sky City	NZ	3.7%

Stock name	Country	Holding
Westpac Banking Corp.	ASX	10.5%
National Australia Bank	ASX	10.5%
Telstra Corp.	ASX	6.1%
Vista Group Holdings	ASX	5.7%
Suncorp Group	ASX	5.6%
oOh!media	ASX	4.7%
GTN Limited	ASX	4.6%
Spark Infrastructure	ASX	4.2%
AMP	ASX	4.1%
Stockland	ASX	3.7%

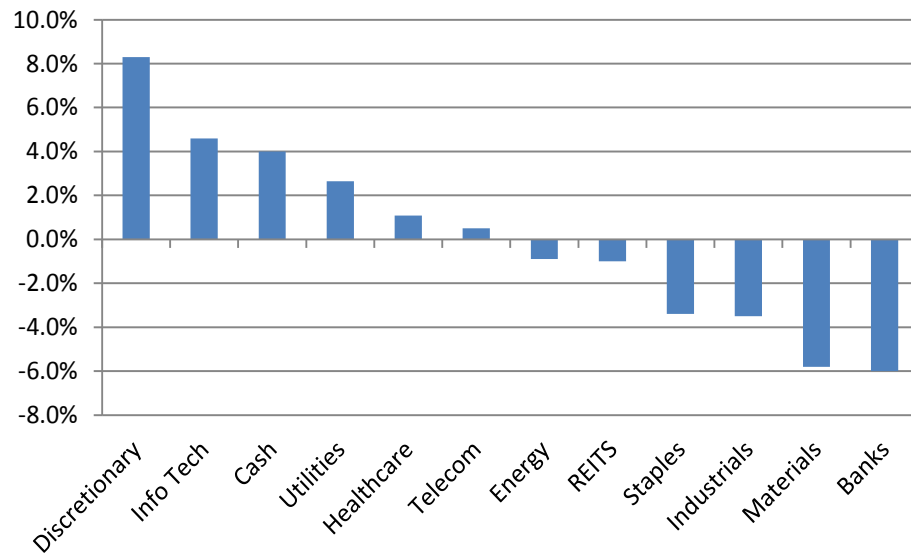


Fund positioning

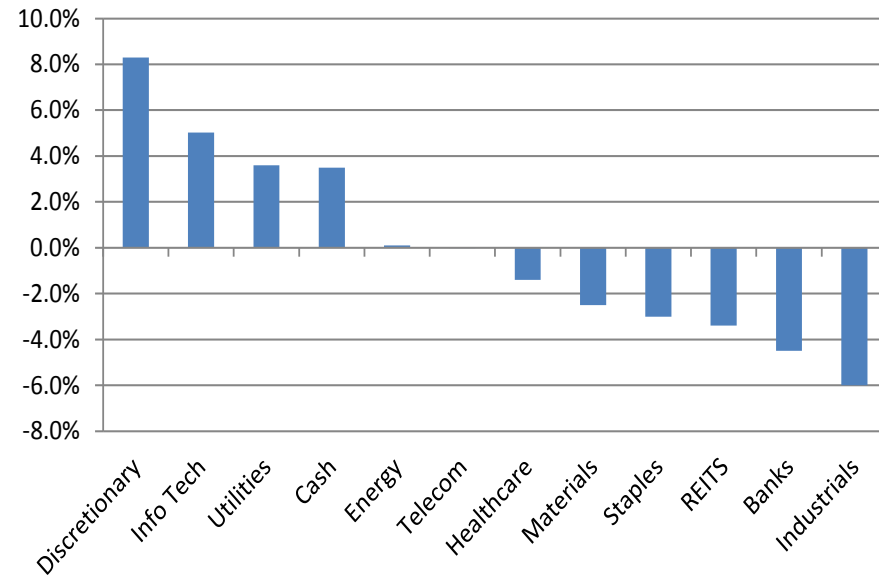
Remain underweight Banks, miners and expensive Industrials

- The ASX 200 is dominated by Banks, Resources and Industrials
- NZ is dominated by Utilities, Telecoms, Healthcare, REITS and Industrials
- We only focus on individual company positions and do not take sector views
- But in aggregate the Funds are overweight Consumer discretionary, Tech, Utilities and mid-caps against underweight positions in Mining, Staples, Industrials and Banks

Devon Australian Fund `positioning



Devon Trans-Tasman Fund sector positioning

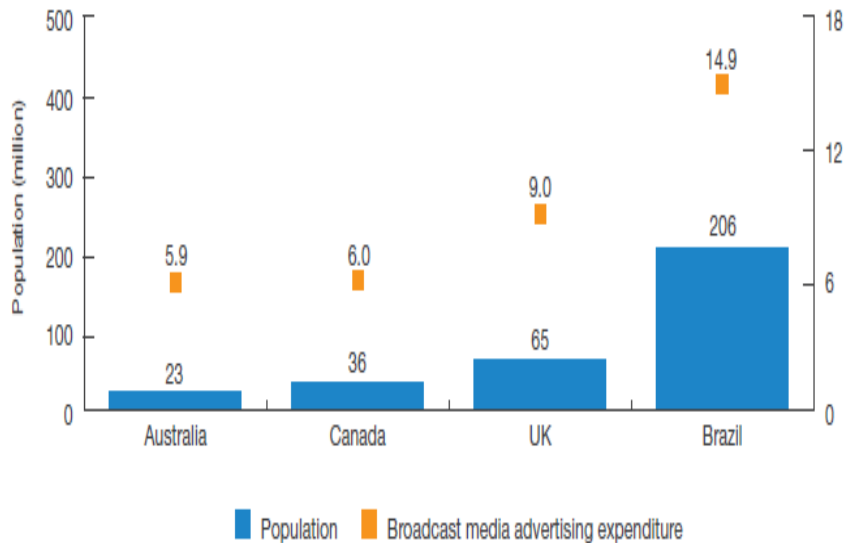


Fund Holdings

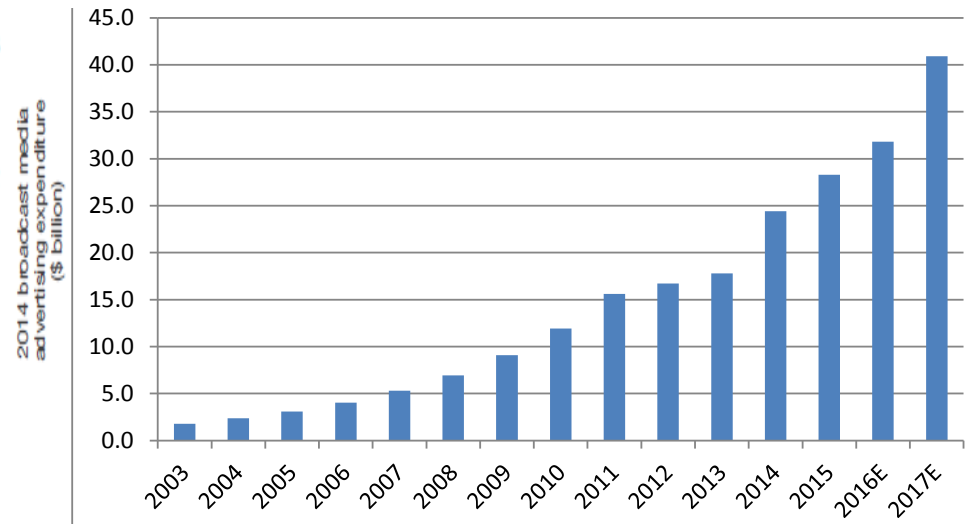
GTN – overweight

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Population & broadcast media advertising expenditure in countries where GTN operates



GTN Australia (ARN) EBITDA progression – A\$m

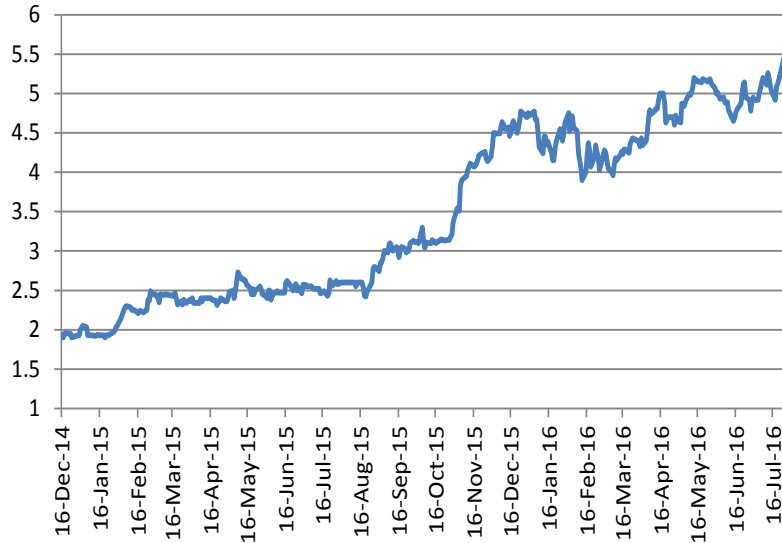


- GTN’s model is simple yet compelling – obtain ad spots adjacent to traffic / news/ information reports from its large radio affiliate network in exchange for supplying affiliates with traffic reports and in some cases cash compensation
- Ad spots are then packaged and on-sold by GTN to large, national advertisers at a premium
- Over 80% of earnings are from Australia but Canada, Brazil and the US present material opportunities. The company is trading on 16.5x earnings and a dividend 5% yield.

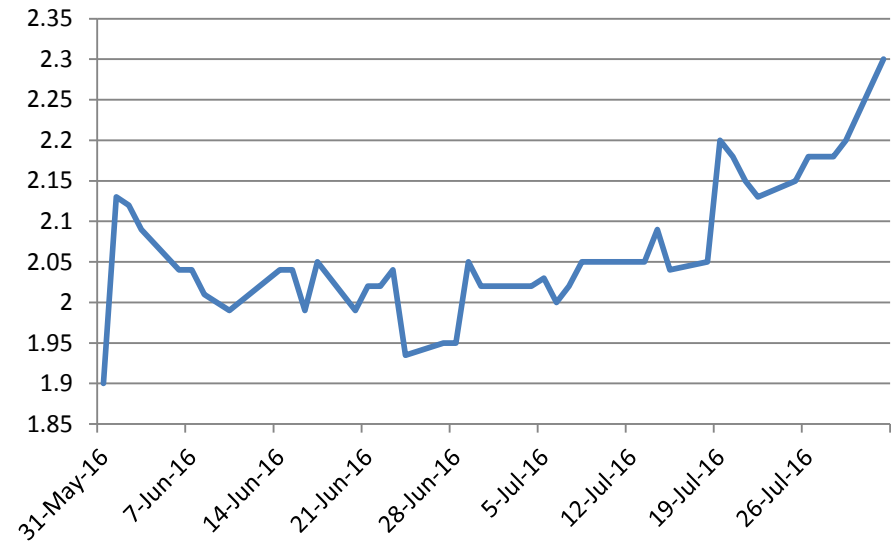
Fund Holdings

GTN has many of the hallmarks of our oOh!media investment

oOh!media share price – A\$



GTN – A\$







- GTN listed at a A\$1.90 share price with a A\$400m market capitalisation
- Only one investment bank has stock coverage and we have a better understanding of the business than anyone in the market
- Our analysis points to significant growth ahead in the Canadian, Brazilian and potentially the US market
- GTN shares many of the attributes which lead to oOh!media being a successful investment

Fund Holdings

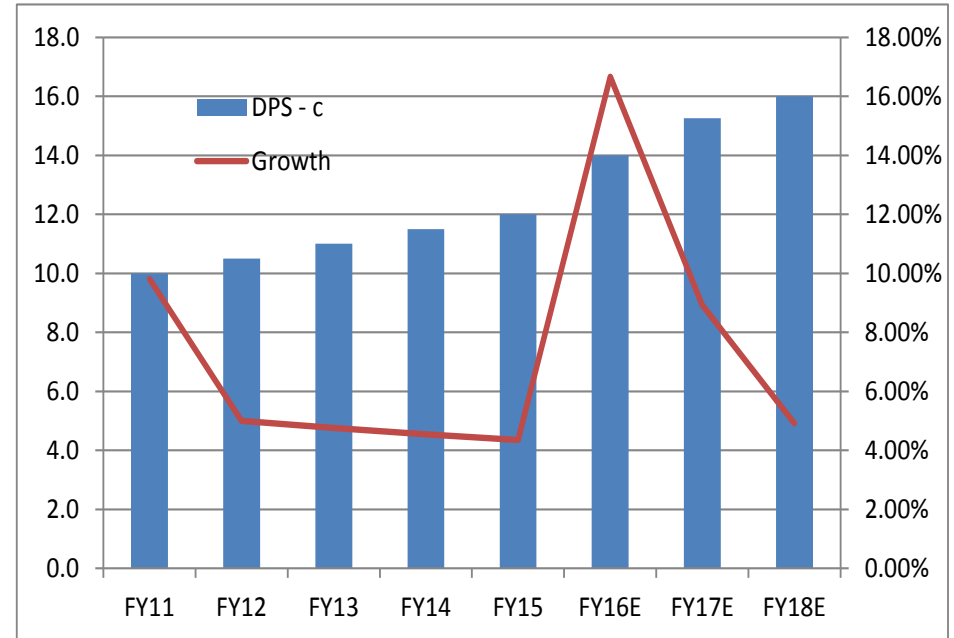
Spark Infrastructure (SKI)

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SKI – Key assets

	49.0% Interest	SA Power Networks is the sole operator of South Australia's electricity distribution network, supplying around 852,000 residential and commercial customers in all regions and the major population centres.
	49.0% Interest	CitiPower owns and operates the distribution network that supplies electricity to around 326,000 customers in Melbourne's CBD and inner suburbs.
	49.0% Interest	Powercor is the largest distributor of electricity in Victoria, owning and operating a network that serves around 768,000 customers in central and western Victoria and the western suburbs of Melbourne.
	15.01% Interest	TransGrid is the largest high-voltage electricity transmission network in the National Electricity Market (NEM) by electricity transmitted, connecting generators, distributors and major end users in NSW and the ACT and forms the backbone of the NEM connecting QLD, NSW, VIC and the ACT.

SKI dividend profile



- SKI has the best quality regulated assets amongst peers and a good distributable cashflow yield
- With regulatory uncertainty now over SKI yields 6% despite a >25% share price performance year-to-date and has a strong dividend growth profile

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