

Devon Funds Management

Devon Webinar

March 2018

Devon Funds Management

Business update

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- Mark Brown has settled well into the role of Chief Investment Officer
- Focus by the Investment Team on ensuring style drift does not occur – opportunity set for our valuation based investment approach is notably improving
- Shenci Tang has just returned from an independent a2Milk research trip to China
- This week we have Mark Brown and Tama Willis both in China on separate research trips
- Chris Gaskin is currently in Australia visiting a range of portfolio companies
- We are investing heavily in proprietary fundamental research – this is a time to be wary of the consensus

Devon Funds Management

Performance (Net of fees and tax)

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Devon Trans-Tasman Fund

Performance to 28 Feb 2018	3 Months %	1 Year %	3 Years p.a. %	5 Years p.a. %
Devon Trans-Tasman Fund	-2.41	6.20	6.42	10.65
Trans-Tasman Index (NZ\$) Gross	0.74	14.29	9.54	9.64
Relative Performance	-3.16	-8.09	-3.12	1.01

Devon Australian Fund

Performance to 28 Feb 2018	3 Months %	1 Year %	3 Years p.a. %	5 Years p.a. %
Devon Australian Fund	-1.76	7.40	6.77	8.47
ASX200 Index Gross (NZD)	-0.79	11.75	6.56	5.14
Relative Performance	-0.97	-4.35	0.21	3.33

Devon Alpha Fund

Performance to 28 Feb 2018	3 Months %	1 Year %	3 Years p.a. %	5 Years p.a. %
Devon Alpha Fund	-1.14	9.44	3.85	11.29
Official Cash Rate	0.49	2.00	2.36	2.58
Relative Performance	-1.63	7.44	1.49	8.71

Devon Dividend Yield Fund

Performance to 28 Feb 2018	3 months %	1 Year %	3 Years p.a. %	5 Years p.a. %
Devon Dividend Yield Fund	-4.72	-0.62	11.03	11.03
50:50 NZX50 & ASX200 Index Gross in local CCY	2.00	13.47	11.08	11.08
Relative Performance	-6.72	-14.09	-0.05	-0.05

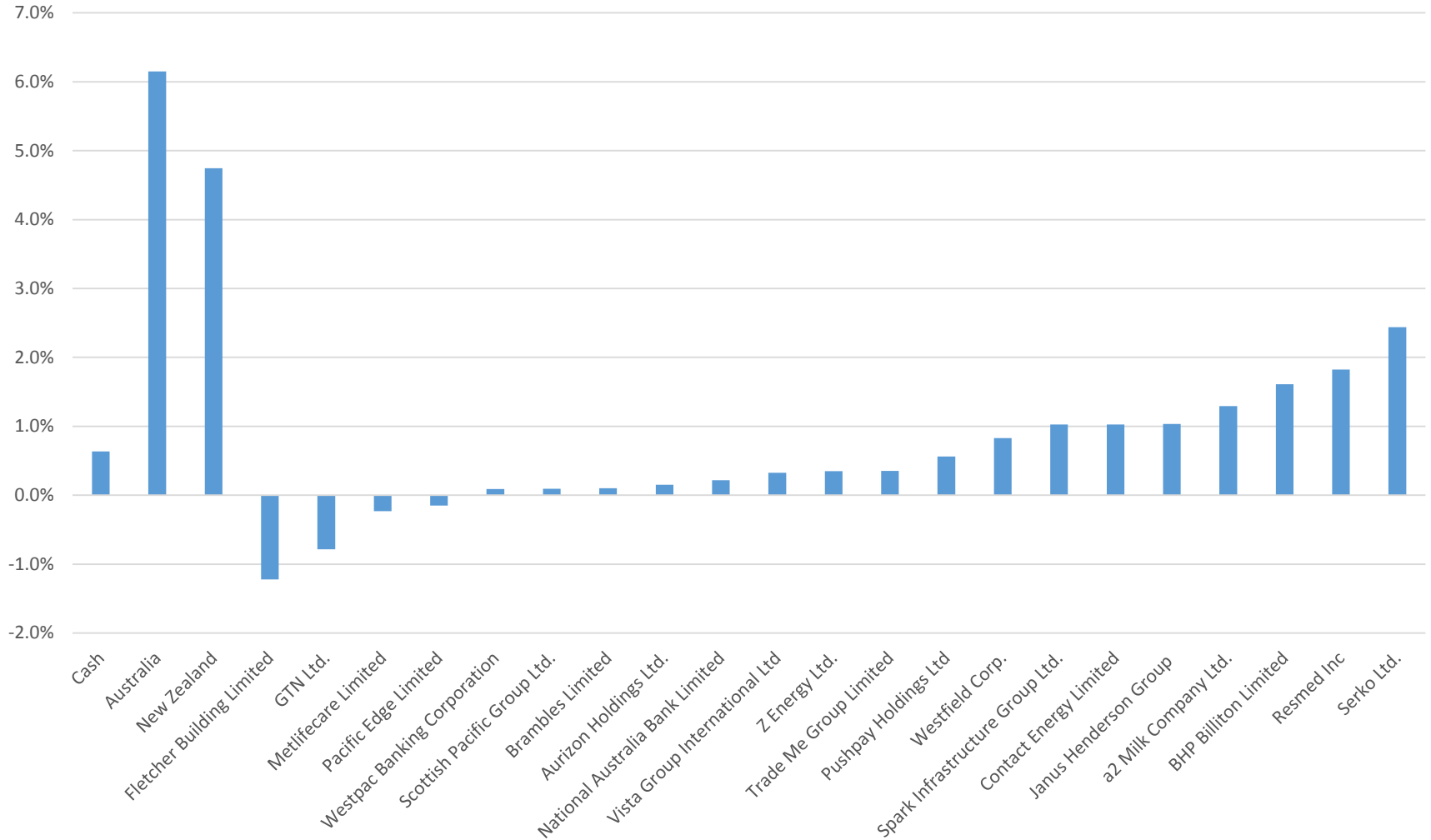
Devon Diversified Income Fund

Performance to 28 Feb 2018	3 months %	1 Year %		
Devon Diversified Income Fund	-0.52	4.84		
OCR +1.5%	0.86	3.53		
Relative Performance	-1.38	1.31		

Devon Alpha Fund

Contributions – 12 months to February 2018

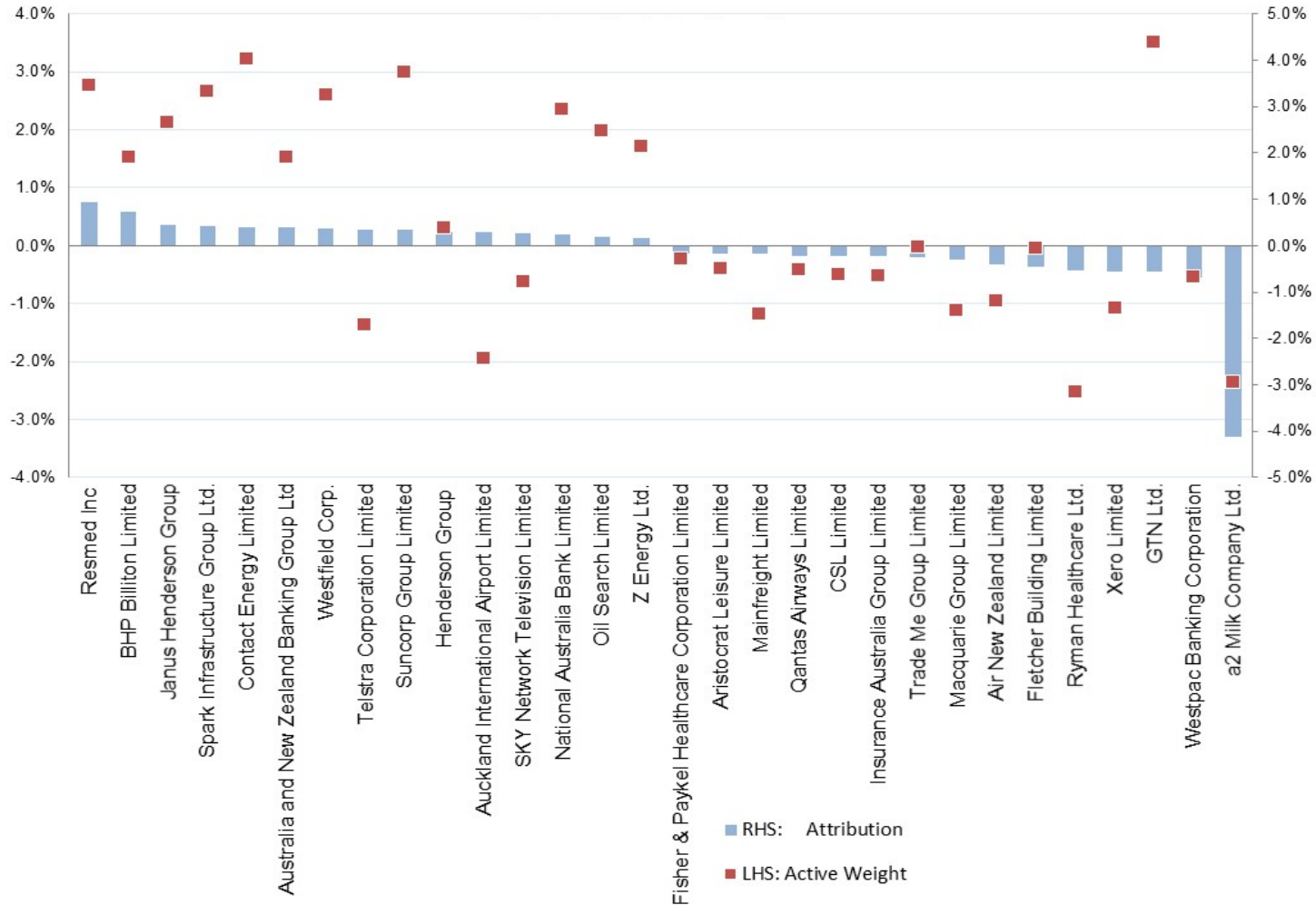
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Devon Trans-Tasman Fund

Attribution – 12 months to February 2018

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Devon Alpha Portfolio

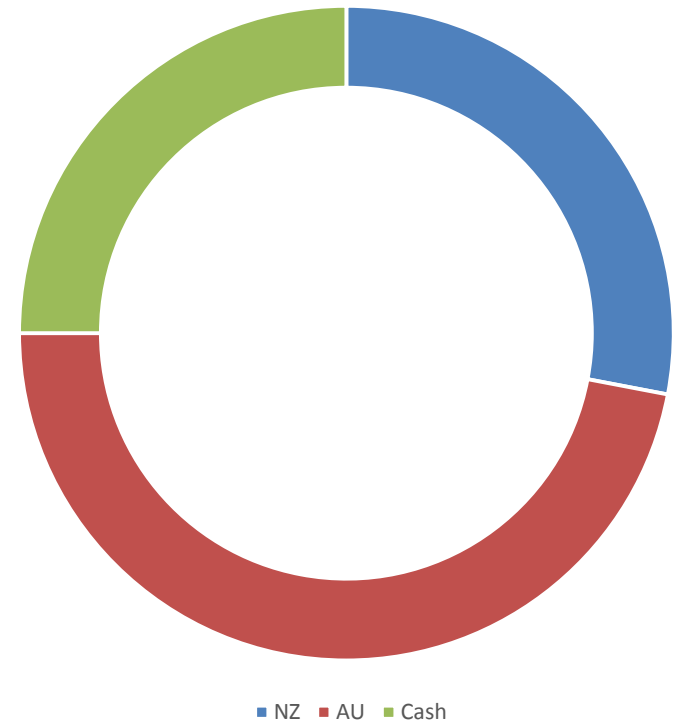
Current portfolio positioning

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Top Holdings

Company	%
Contact Energy	8.0
Vista Group	7.0
BHP	6.0
Westfield	6.0
Brambles	5.0
Resmed	5.0
Janus Henderson	5.0
Westpac	5.0
Scottish Pacific	4.0
GTN	4.0
Super Retail	4.0
Fletcher Building	4.0
a2 Milk	3.0

Asset allocation



Devon Trans-Tasman Portfolio

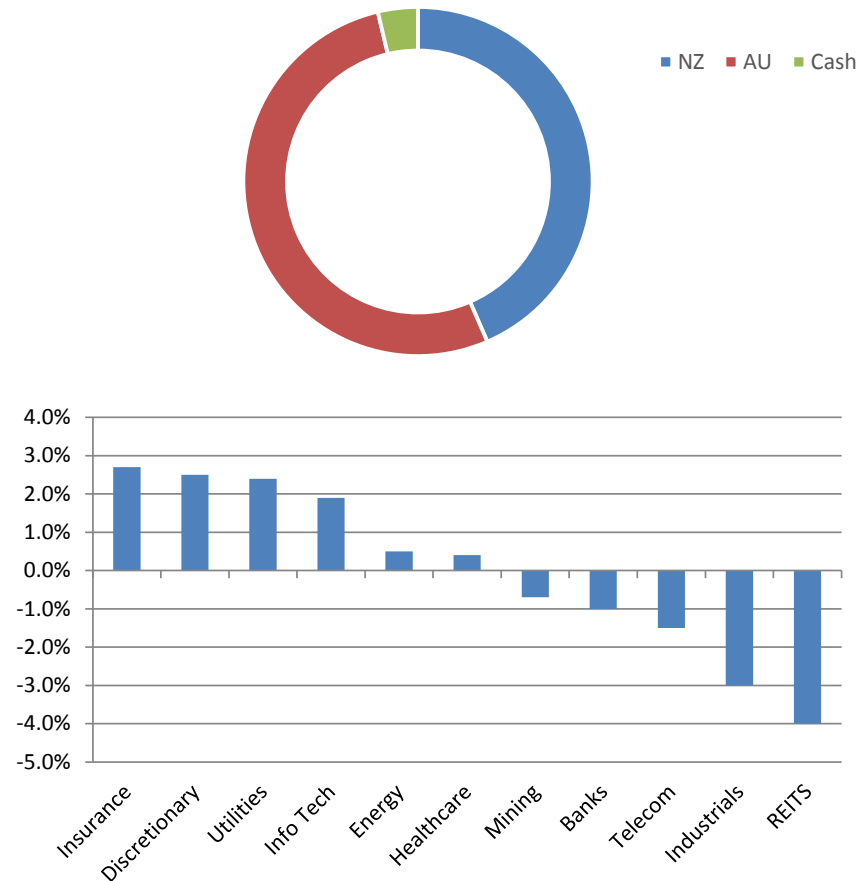
Current portfolio positioning

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Top Holdings

Company Name	Country	% Fund
BHP	AU	6.0%
Contact Energy	NZ	5.0%
NAB	AU	4.5%
Westpac	AU	4.5%
Fletcher Building	NZ	4.0%
Spark	NZ	4.0%
Suncorp	AU	4.0%
ANZ	AU	3.5%
Vista Group	NZ	3.5%
Fisher & Paykel Healthcare	NZ	3.5%
Meridian Energy	NZ	3.5%
Brambles	AU	3.0%
Janus Henderson	AU	3.0%
Resmed	AU	3.0%
a2Milk	NZ	3.0%

Asset allocation

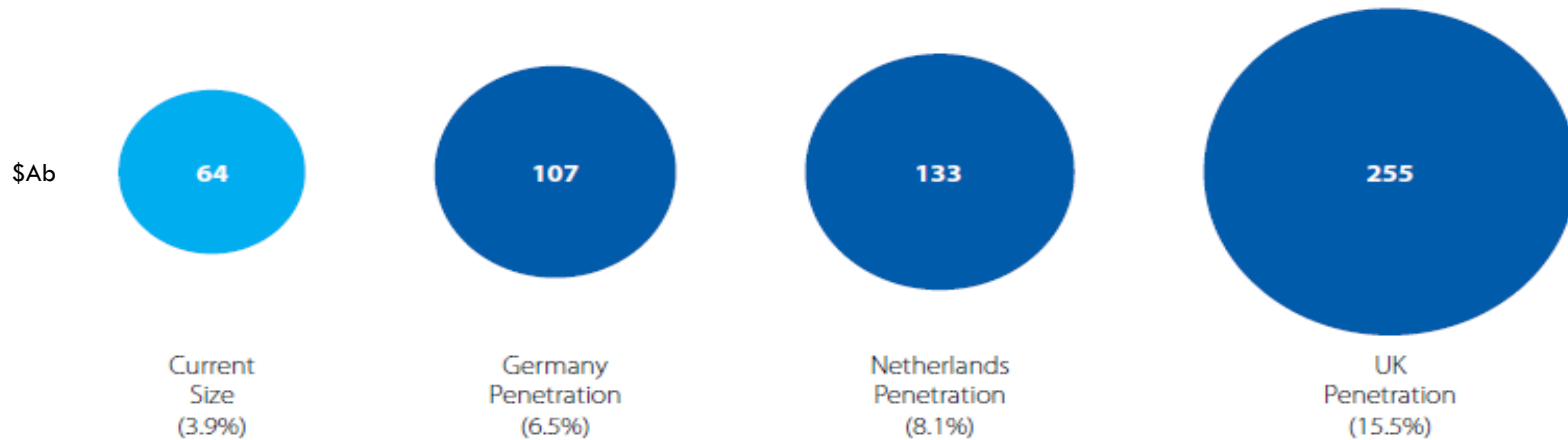


Scottish Pacific

Quality business with a powerful market position

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Australian market is relatively underpenetrated



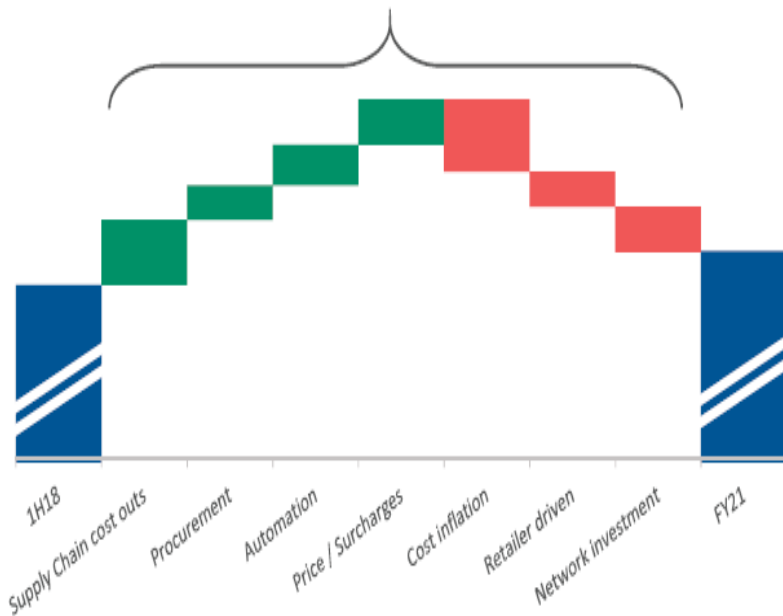
Underpins solid growth at very attractive incremental margins

	Jun/18F	Jun/19F	Jun/20F	Jun/21F
NPATA	32.0	36.9	42.8	48.7
NPATA Growth	8%	15%	16%	14%
NPATA EPS	\$ 0.23	\$ 0.27	\$ 0.31	\$ 0.35
NPATA EPS growth		15%	16%	14%
DPS	\$ 0.184	\$ 0.212	\$ 0.246	\$ 0.280
DPS Growth		15%	16%	14%
P/E	13.4x	11.6x	10.0x	8.8x
Net yield	6.0%	6.9%	8.0%	9.1%
ROE headline	15%	16%	17%	18%
ROE equity less goodwill	50%	45%	43%	42%
ROE funding vehicle equity	40%	42%	45%	48%
Capital % ex goodwill	5.4%	6.3%	7.1%	7.7%

Brambles

Business growth trajectory and US margin potential gives confidence

US: 2-3% margin improvement through FY21



P/E – at a more attractive level



Market Conditions

Current opportunities and outlook

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- Markets are still expensive despite recent volatility
- Recent market performance has been narrow and momentum driven
- Global environment appears positive although local economic cycle is extended
- Rising interest rates remains the strong consensus view – if true likely to give rise to more volatility in equity markets
- We believe careful stock selection based on fundamental analysis and appropriate risk awareness will be critical to success in coming months

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