

**HD JENNY PRABHU'S HOT & SPICY CURRY SHOP**

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the day's menu

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The S&P/ASX 200 as at 2:27pm: down 40.5 to 5336.3

National Australia Bank is a "lighten" ..

A leading broker retained a "lighten" on National Australia Bank after its Clydesdale Bank business announced it will close 28 unsustainable branches as part of an overhaul of its 17 **billion** pound retail portfolio.

The broker said in its view, enhancing branch profitability is a necessary pre cursor to a UK exit for NAB, especially considering that core UK mortgage balances are geared towards the under performing "UK North" region with 50% of exposure directed to this area, twice the sector average. The broker added the UK government's announcement it will sell 1/5th of its **stake** in Lloyds is a positive when assessing broader investor demand for UK banking assets, but considering NAB's core UK return on **equity** remains subdued at about 5%, the path towards a successful UK exit remains some way off.

NAB down 12.5c to \$34.92.5.

Please note: We have long held a minute **stake** in NAB.

\* \* \*

Stockland downgraded to "underweight" ..

A leading broker downgraded Stockland to "underweight" with a price target of \$3.80 from "overweight" with a price target of \$4 to reflect increasing strategic risk.

The broker said it sees SGP's 19.9% **stake** in ALZ as a clear negative, and question SGP's strategic rationale for the move. The broker said it sees an outright play on ALZ as a real risk, with SGP needing to raise around \$2.2 **billion** to fund an outright takeover at ALZ's current share price.

It said its analysis shows only half of ALZ's residential pipeline as having strategic value for SGP.

SGP down 5c to \$3.64.

Diggers & Drillers

**Alumina** is an "add" ..

A leading broker retained an "add" on **Alumina** with a target price of \$1.75. The broker said increased news flow on aluminium production cuts from **China**'s largest aluminium producers are giving the

strongest sign yet that **China**'s aluminium industry is acting more economically rationally than the market expects.

The broker said in the report, "We forecast AWAC's EBITDA per tonne will expand to \$US80 per tonne in 2015 from \$US45 per tonne in 2013 driven largely by a weaker \$A/\$US exchange rate, slightly lower costs and about 10% higher realised **alumina** prices. This should increase AWAC's earnings to more than \$US500 **million** in our view, allowing a substantial dividend to AWC and a dividend yield of 6/7%".

The broker added if the historic correlation between the **Alumina** share price and dividends received from AWAC continue, the stock should re-rate sharply.

AWC down 2.5c to \$1.13.5

\* \* \*

PanAust is an "overweight" ..

A leading broker has an "overweight" on PanAust with a price target of \$2.60.

The broker said recent comments from MinMetals confirmed it is in talks with Glencore-Xstrata for Las Bambas. As part of the Glencore-Xstrata merger, the **Chinese** Ministry of Finance requires it to divest its Las Bambas asset. Should this proceed, the broker said, it sees no impediment to PNA's **acquisition** of Freida River.

If not, Glencore-Xstrata must divest one of four other assets, not including Freida, nominated by the **Chinese** Ministry of Finance.

That would create significant uncertainty around the next steps for PanAust acquiring the Freida River asset. The broker said Freida River looks better on its latest long term **copper** price of \$US3.60/lb, valuing Freida at \$US683 **million** with an unlevered IRR of 16%, above its estimate cost of capital for PanAust but below a 20% hurdle rate it views as appropriate.

"**Copper** price is the key factor" the broker said. At current levels, PNA valuation at \$2.60 per share is highly compelling.

PNA down 6c to \$1.53.5.

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