FINANCIAL REVIEW

SE Companies and Markets

HD **Kiwi shares take flight**

BY Sally Rose
WC 492 words
PD 5 March 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 29
LA English


LP

The New Zealand sharemarket looks set to continue outperforming the Australian market after hitting a fresh record high on Tuesday.

Major structural reforms under way in **China** that threaten demand growth for Australia's biggest exports, **iron ore** and **coal**, are boosting the world's appetite for New Zealand's main exports, dairy and meat.

TD

"While **China**'s decision to shift from construction to consumption-led spending is hurting Australia, New Zealand is a key beneficiary," said Phillip Anderson, an Auckland-based **equity** analyst at Devon Funds Management. "Milk powder is our **iron ore**."

Having breached 5000 points for the first time on Monday, the NZX 50 benchmark index added another 0.5 per cent to 5033.3 on Tuesday. Unlike the United States, and now New Zealand, the ASX is yet to match its pre-global financial crisis highs.

While New Zealand's primary producers thrive, a construction boom is underway. Investment in the rebuilding of earthquake-hit Christchurch is estimated to exceed $NZ40 **billion** ($37.5 **billion**) over the next decade .

"The domestic economic momentum is undeniably strong," Goldman Sachs New Zealand **equity** analyst Marcus Curley said. Commentary from the Reserve Bank of New Zealand has been notably more upbeat than that from the Reserve Bank of Australia.

Mr Anderson has observed increased interest from offshore fund managers in Kiwi stocks. Accounting software **company** Xero has been a standout, up 425 per cent over the past 12 months. "Lots of local fund managers are sceptical on Xero but it has attracted a lot of interest from the US," Mr Anderson said.Fonterra stocks lag

Dairy giant Fonterra is the largest **company** in New Zealand. But while its profit growth over the past year has helped the entire economy, the stock has been a laggard. Fonterra has a co-operative structure and most of the windfall has gone to farmers rather than shareholders in the listed processing side of the business.

Although the overall price to earnings ratio for the NZX 50 is now 17 times, which is historically high, local fund managers are optimistic it will keep pushing higher.

Stephen Bennie, a partner and investment manager at Auckland's Castle Point Funds, said increased domestic capital from a burgeoning superannuation industry is the biggest driver. Superannuation is not mandated, but since 2008 the Inland Revenue Department has automatically registered all working citizens to its retirement savings system, KiwiSaver. More than 60 per cent of people remain in the scheme.

"Currently around $NZ2 **billion** worth of KiwiSaver assets are invested in New Zealand equities and looks set to double to $NZ4 **billion** by 2018. Australians know first-hand given the massive impact that compulsory super can have on the local **equity** market," MrBennie said.

UBS Australian **equity** strategist David Cassidy said an increased volume of public private partnerships and initial public offers coming to market had also given the NZX a boost.

**IN** i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources

**RE** austr : Australia | nz : New Zealand | apacz : Asia Pacific | ausnz : Australia/Oceania

**PUB** Fairfax Media Management Pty Limited

**AN** Document AFNR000020140304ea350001u

 