April 2014

Investment Watch

Ten major themes for 2014

Morgans Chief Economist Michael Knox's highest conviction call for 2014 is for global currency re-alignment due to the strengthening US dollar.

Michael is convinced that the repatriation of US dollars from foreign assets back into US assets has the potential to undermine several currencies globally. This may be acutely felt in emerging markets, to the point where Michael anticipates potential shocks as currencies and equity markets re-calibrate globally.

Our target for the AUD at the end of 2014 is 80 cents. It's not too late to re-weight portfolios toward this theme.

Michael also thinks the Australian economy is in fair shape. While unemployment is ticking up, we believe that Australian interest rates will remain on hold for longer than the market currently thinks.

We're staying overweight to high yielding banks, staples and infrastructure stocks in our model portfolios. Beneath that, a prolonged period of low interest rates and soft wages growth will help contain costs for Australian businesses, thus supporting earnings. Therefore, accumulating high quality cyclicals during this period of below trend growth is actually the smartest time to be doing so, albeit in moderation.

We see about 9% upside in the ASX200 by the end of 2014. Yield will continue to be a major driver of total returns, otherwise look for superior growth offshore.

It's not too late to adjust portfolios to capitalise on the ten major equity themes the Morgans Research team has flagged to watch in 2014:

Global themes

- Weakening in the AUD toward 80 cents
- Offshore growth preferred vs Australia

Domestic themes

- Low Australian interest rates for longer
- Domestic cyclical recovery
- Capital management or M&A potential

Sector themes

- Domestic tourism recovery
- Disruptive technologies
- Business turnarounds, asset sales and transformations
- Ageing population, retirement and wealth managers
- Energy – Australian east coast LNG ramp-up

For a full summary of our views on the year ahead, speak to your Adviser or visit our website for **Equity Strategy – Ten major themes for 2014** published 24 March 2014.

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Economic Update

US, Europe, China, Australia

US

Growth in the US economy in the fourth quarter of 2013 was revised down to 2.4%. This brought growth for 2013 to 1.9%. We think that the US economy slowed in the first quarter of 2014. The major reason for the slowdown was the rundown of business inventories built up in the previous quarter. The result of bad weather was to reduce GDP for the quarter by a further 0.2%. The weaker growth for the first quarter reduces GDP growth for the full year to 2.5%.

We think that growth will accelerate over the balance of the year. GDP growth in the US should rise to 2.6% in the second quarter. It should accelerate further to 2.9% in the third quarter before reaching 3.2% in the final quarter of 2014. The acceleration of the US economy will be driven by strong investment in information processing equipment, computers and peripherals, communications equipment and industrial equipment.

Residential fixed investment should accelerate in 2014, rising at an annualised rate of 23.0% in the second quarter of 2014, 25.0% in the third quarter of 2014 and 28.0% in the fourth quarter of 2014. In absolute terms, this means that it should rise between 5.0% and 7.0% in each quarter.

Europe

The crisis in the Ukraine has drawn attention to the deficit of the European Union on energy imports. The deficit on energy imports for the European Union was €382 billion in 2013. The European Union paid for this with a surplus on manufactured goods of €391 billion.

The 28 countries of the European Union had a trade deficit with China of €132 billion in 2013. But the next two biggest countries with which the European Union had a deficit with were its energy suppliers. The first and most important in the current crisis was Russia. In 2013 the European Union had a deficit of €87 billion with Russia. Friendlier than Russia was Norway. The European Union had a deficit of €40 billion with Norway.

China

In December we thought that China would slow down from 7.7% growth in 2013 to 7.3% growth in 2014 and 7.0% growth in 2015. This is only a modest slowdown. It is a reduction of a growth of only 0.7% over two years. In the previous business cycle, rapid Chinese credit growth generated a rapid rise in property prices. This generated the political problem of pricing residential accommodation beyond the reach of the emerging Chinese middle class.

China sought to lean against the same kind of problem by reducing credit growth throughout 2013. The Chinese economy is not going to fall away into a hard landing. China is now allowing credit growth to accelerate again. The low in credit growth for the last year appears to be in January 2014. We can see acceleration of credit in February from the statistics on money supply and credit growth released by the Peoples Bank of China on 14 March.

For the year to January narrow money in China (M1) rose by only 1.2%. This accelerated to 6.9% for the year to February. This was still down from 9.5% for the year to February 2013. In the year to end February, RMB and foreign currency loans rose by 13.9% and outstanding RMB loans grew by 14.2%. The 7 day repurchasing operations rate of the Peoples Bank of China which was briefly as high as 10.0% in June 2013 and 9.0% in December 2013 fell to 2.5% in March 2014, before finishing the month around 3.6%. China is rebooting the domestic economy by making monetary policy easier.

Australia

The Reserve Bank is attempting to generate a housing led recovery. The housing cycle was the basic driver of economic expansion before the mining boom. Cuts in interest rates would generate increases in dwelling approvals. These increases in dwelling approvals would lead to hiring of employees to do the building. Building approvals would then turn into commencements and commencements would then turn into completions.

> The Reserve Bank of Australia is attempting to generate a housing led recovery.

The money that was earned in completing these houses would then be spent in the retail sector. The retail sector was the largest single sector of jobs in the economy. Retail jobs would then grow and the broader economy would rebound.

In this cycle, the Reserve Bank's reduction in the cash rate to 2.5% has already resulted in a healthy increase in dwelling approvals. For the year to January 2014, total dwelling approvals on a trend basis rose by 28.4%. Interestingly the biggest sector of increase is for apartment buildings rather than fully detached housing. Approvals for private sector dwellings excluding houses rose by 41.2% for the year to January.

Approvals for fully detached houses rose by a smaller amount, but was still a healthy 21.0% for the year to January. As these approvals turn into commencements, and commencements turn into completions, we will see the Australian recovery gain momentum.

Visit our website for the latest **Economic Strategy – Where hell can break out** published 19 March 2014.

Diversified Financials

Market linked stocks gaining confidence

The recent reporting season showed evidence of earnings leverage coming through for the investment market linked stocks, supporting strong share price runs over the past 12-months. Evidence of this leverage was seen in the results of Perpetual Trustees Australia (PPT) (revenue up 14% driving underlying profit up 37%), and Challenger Group's (CGF) funds management division (revenue up 20% driving a jump in EBIT of 60%). Overall, market linked stocks gave outlook statements that pointed to a continuation of steadily improving investment markets over the next 12 months.

The Insurers face a slightly tougher outlook, given premium growth is slowing from the spike we have experienced over the past two years. However, margins and capital positions are still generally strong which continues to support the solid dividends being paid.

Amongst the Diversified Financials and Insurance sector, our key stock exposures include:

- Suncorp Group (SUN) – we view SUN as a core portfolio holding, with special dividends the key attraction. SUN's FY14 gross dividend yield is 10.6% including an expected special dividend in August.
- QBE Insurance (QBE) – some inherent risk remains with the turnaround, however the business does have strong leverage to increasing global interest rates. Investors need a longer-term view here.
- Macquarie Group (MQG) – is well capitalised to pursue growth; a beneficiary of a lower AUD; and is seeing improved global capital and commodity markets. Buy on market pull-backs.
- Challenger Group (CGF) – has a strong retirement income structural shift behind it. This combined with an undemanding PE (10x FY15), increasing dividend payout ratio and increasing franking over the next two years is appealing.

Visit our website for the latest on **Diversified Financials and Insurance – Outlining our key sector picks** published 27 March 2014.

Acorn Capital Investment Fund

Initial Public Offer

One of Australia's oldest and largest investment managers specialising in small listed and unlisted Australian companies

Offer closes 11 April 2014

Contact your adviser for a firm allocation of shares.

Banks

Collect three dividends in 13 months

Over the next month, four of the six ASX listed banks report their results, go ex-dividend in May and will pay their interim dividends in July. We expect around 8% year on year growth in fully franked dividends. For investors with a preference for yield, now is the time to buy banks as you can get three dividends or an 11% gross yield in 13 months. Considering cash management accounts and term deposits with the very same banks have yields of around 3.5%, the relative attractiveness of bank equity yields is high. Of course equity volatility is greater than other asset classes but these record low interest rates are forcing investors to take on higher risk assets. Our preferred bank picks are ANZ Bank and Westpac (WBC).

Visit our website for a complete summary of this strategy including the key dates and read the **Banking Sector – Collect three dividends in 13 months** published 1 April 2014.

Fixed Interest

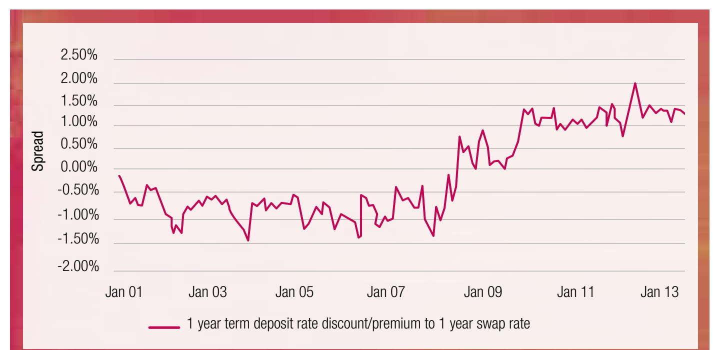
Risk / reward profile remains attractive

Investor appetite remains very strong for listed fixed interest securities as the RBA has kept the official cash rate at a record low of 2.5%. One theme we are currently witnessing is that financial institutions are reducing the premium paid to investors relative to swap rates as illustrated by the figure below. We expect this trend to continue given improving wholesale credit markets. As a result, we expect to see term deposit rates fall as interest rates remain flat over the next 12 months. While not directly comparable to term deposits (given the differing risk profiles) falling term deposit rates are forcing investors to look at higher risk investments to generate superior levels of income.

We continue to recommend listed fixed interest securities as part of a balanced portfolio and believe the risk/reward offered by these instruments remains attractive. Our fixed interest model portfolio continues to perform well relative to its benchmarks. Securities which we retain a positive outlook on are ANZPE and GMPPA while we are happy to reduce exposure to BOQPD and WBCPC due to the securities trading at what we believe are tight credit margins.

Visit our website for the latest Fixed Interest Model Portfolio on **Listed Credit – Solid Performance** published 10 March 2014.

1 year term deposit rate compared to the 1 year interest swap rate



Source: Morgans, RBA, IRESS

Online Media and e-Commerce

Where to from here?

After a huge 50 percent increase in value over the past year, the online media sector has moved into a consolidation phase. We expect further capital appreciation to be modest over the next year, although some stocks could surprise on the upside if their sector performs better than expected. Companies with the best potential for positive surprises, in our view, are SEEK Ltd (SEK), iProperty Group Ltd (IPP) and Carsales.com Ltd (CRZ).

We expect further capital appreciation to be modest over the next year...

SEK, the world's largest operator of online employment portals, has been battling sluggish demand for labour at home and abroad for the past two years. In Australia the volume of job ads today is half the pre-GFC level, and in Southeast Asia and Brazil employers are cautious. However in the last two months the volume of job ads posted in these key markets has shown encouraging signs, with volumes up 10-15 percent on a year ago. Should this trend continue, we would expect to see upgrades to our SEK earnings forecasts and price target. Our current valuation is $17.93 per share.

IPP operates real estate advertising portals in Malaysia, Singapore, Hong Kong, Indonesia and the Philippines. A continuation of current stable market conditions for new property and low interest rates across the region for another 12-18 months could result in faster growth in advertising revenues than we have forecast, which would result in an upgrade to earnings forecasts and price target. Our current valuation is $3.36 per share.

CRZ has battled a slowing new car market and a boycott of new car ads by four large vehicle manufacturers - Holden, Honda, Nissan and VW – over the past year. While Carsales has international investments in Brazil, Southeast Asia and Korea, these businesses are at an early stage and collectively contribute less than 5 percent of profit. Any improvement in the Australian car market, or the end to the new vehicle boycott, would be a trigger for share price re-rating. Our current valuation is $11.34 per share.

Visit our website for the latest on **SEEK – Tides turning more positive** published 18 March 2014.

Technical Corner

BHP Billiton

BHP has been trading in an up trend over the past year, which remains technically intact. The latest pull back retraced to its previous support of $35.00, where initial buying interest is likely to arise. Momentum indicators are close to oversold territory, suggesting that the price is likely to bounce soon. The potential upside price target in the months ahead is $38.00. Given the proximity to support and oversold momentum levels we are comfortable to start accumulating around current price levels.

Source: IRESS, Morgans

Noosa Mining and Exploration Conference

Thursday, 17 and Friday, 18 July 2014
Outrigger Little Hastings Street Resort and Spa Noosa

Hear from and meet 45 executives from high calibre Australian companies as well as key note speakers including Michael Knox, Paul Bartholomew, Owen Hegarty and Greg Evans.

Morgans clients can attend the conference for free.
Register at www.noosaminingconference.com.au/register/

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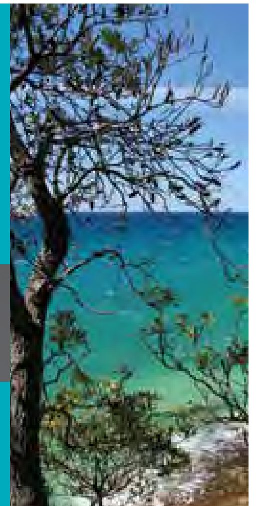

IPOs in the spot light

Beacon Lighting and 360 Capital Office Fund

April will see various companies list on the ASX. Morgans have a lead role in two IPOs we think are particularly exciting: Beacon Lighting and 360 Capital Office Fund

Beacon Lighting

Beacon Lighting will list on the ASX on 15 April with an issue price of A$0.66. The reasons we like Beacon Lighting include:

- Market leading position – aside from the major hardware chains, the rest of the market is highly fragmented and dominated by 1-3 store chains.
- Strong financial position and track record – Beacon will list in a negligible debt position with strong cash flow generation. Beacon has a demonstrable track record of solid financial performance over many years, including: a profitable store profile; solid performance throughout the GFC; high GP margins; and sales/earnings growth each year.
- Leverage to improving consumer and housing conditions – improved consumer and residential market conditions will have a positive impact on like for like sales.
- Solid growth opportunities – we expect both revenue and earnings to be driven largely by organic growth in the future, including: like for like sales growth; new store rollout (approx. 6% per annum); online sales penetration growth; technology advancements and product innovation; store refurbishments/optimisations; other sales channels; and growth in the emerging businesses.
- Attractive valuation metrics – in our opinion, Beacon will float on an undemanding FY14F PE multiple of 12.3x. This represents a 14.6% discount to its retail peers (average of 14.1X).

360 Capital Office Fund

360 Capital Office Fund is a new office property trust that is due to list on the ASX on 24 April 2014. The issue price is $2.00. The reasons we like 360 Capital Office Fund include:

- Simple strategy – the Fund will focus on A grade suburban and B Grade CBD office properties in Australia and will not undertake any development. All four properties will be 100% owned with 76% of tenants Government or ASX listed companies. The weighted average lease expiry is 4.6 years.
- Offering an attractive 8.5% distribution yield paid quarterly. We note that the first distribution will be paid at the end of July (4.25c).
- Potential NTA upside – we believe there is some hidden value in the portfolio. While there are two new properties to be acquired as part of the IPO there is also potential upside in the short term from its Burwood asset in West Sydney given the surplus land on the site. The NTA at listing is $1.91.
- Strong co-investment by manager – the manager of the Fund is 360 Capital Group (TGP) which is an ASX listed real estate investment and funds management group with a strong track record. It will invest $30 million into 360 Capital Office Fund (around 20% of the register), aligning with other security holders.

360 Capital Office Fund

Initial Public Offer

ASX-listed REIT with a portfolio of four quality office properties upon listing with combined value of $235m.

8.5% FY15 forecast distriubtion yield paid quarterly.

Pro forma gearing of 36.5%, NTA of $1.91 per unit, occupancy of 99.6% and WALE of 4.6 years.

Offer closes 11 April 2014

Contact your adviser for a firm allocation of units

Healthcare

Healthy outlook for Ramsay Healthcare

The big winner from the reporting season was Ramsay Healthcare (RHC) which saw us upgrade our forecasts by 4.0% for FY14-FY16, increase our price target to A$52.52 and upgrade our recommendation to Add (from Hold). RHC's 1H14 underlying results were solid (up 16%), underpinned by broad divisional performance, operating leverage and strong cash flow generation. RHC now owns and operates 151 hospitals, has over 14,500 beds and treats more than 1.5 million patients across its operations in Australia, UK, France and Asia. The headwinds of rising health care costs are being more than offset by opportunities to secure more public work as governments rely increasingly on the private sector to help reduce operating costs. We recommend clients add RHC to their long term portfolios.

Visit our website for the latest on **Ramsay Healthcare – Golden Anniversary Upgrade** published 25 February 2014.

Stavely Minerals

Initial Public Offer

The highly successful Integra Mining management team are back again with a new IPO.

They have highly prospective Western VIC projects with existing VMS-style and porphyry deposits.

Following the IPO, Stavely plans to commence exploration at both Ararat and Stavely projects where they have identified a number of 'walk-up' drill targets.

Offer closes 23 April 2014

Contact your adviser for a firm allocation of shares.

High Conviction Stocks

In the digitial edition, you may click on the stock tables for links to the latest company research reports from our website.

Top 100

This month's changes

This month we add Brambles (BXB), Oil Search (OSH), Stockland (SGP), Suncorp Group (SUN), and remove Harvey Norman (HVN) from our top 100 High Conviction list.

While we are still believers in the medium term outlook for HVN, we remove the stock from our High Conviction list following a recent solid share price rally and cost reductions taking longer than expected to come through.

Brambles BXB			
Price	$9.26	PE (x)	22.0
Price Target	$10.32	Yield	3.2%
Upside	11.4%	Gross Yield	3.6%

Brambles (BXB) is a supply-chain logistics company operating in more than 50 countries, primarily through the CHEP and IFCO brands.

Key reasons to buy

- Long-term international growth opportunities from new products and emerging markets.
- It is leveraged to an economic recovery in the US and Europe (~80% of earnings). With organic growth forecast in those key markets we expect earnings growth to accelerate from mid-single digit to low double-digit.
- Its PE multiple (~19x FY15 at present) is marginally above the historical average of 18x, but well below previous peaks of 25x plus and we think BXB is entering a PE re-rating cycle.

Crown CWN			
Price	$16.63	PE (x)	19.6
Price Target	$18.19	Yield	2.2%
Upside	9.4%	Gross Yield	2.2%

Crown (CWN) offers investors exposure to the burgeoning Chinese middle-class via it's 34%holding in Melco Crown, a casino in Macau. It also is focussed on expanding its domestic market share, and we believe they are well placed to deliver strong growth on future planned projects.

Key reasons to buy

- As expected, Melco Crown recently instated a dividend policy. CWN will begin to receive significant quarterly dividends that will reinforce their balance sheet and fund expansions.
- Although domestic trading has been tepid in the most recent period, we expect this will recover in time with a pick up in the broader Australian economy.

Flight Centre FLT			
Price	$52.49	PE (x)	19.1
Price Target	$56.55	Yield	3.1%
Upside	7.7%	Gross Yield	4.4%

Flight Centre (FLT) is one of the world's largest travel agency groups.

Key reasons to buy

- FLT's interim FY14 result was better than expected. Given the 1H14 trends, we wouldn't be surprised to see FLT upgrade guidance in the 4Q14.
- The diversity and strength of its business model allows it to deliver strong profit growth year in, year out. The strength of FLT's balance sheet is attractive.
- We believe that this growth profile will continue to be rewarded and that the company deserves to trade on premium multiples.

Oil Search OSH*			
Price	$8.46	PE (x)	30.8
Price Target	$9.49	Yield	0.6%
Upside	12.1%	Gross Yield	0.6%

Oil Search (OSH) is an early mover into the commercialisation of Papua New Guinea's rich oil & gas potential.

Key reasons to buy

- After several years of exploration success, OSH is now on the cusp of converting its PNG LNG development into substantial cash flow returns. First sales from Train 1 are expected in July - a major milestone.
- It's clear that further discoveries can underwrite significant expansions (via additional trains) however the market is undervaluing this potential.
- We think that recent share price weakness is overdone and see now as an opportune time to gain exposure to OSH's imminent cash flows.

* Consensus forecasts

SEEK SEK			
Price	$17.57	PE (x)	28.6
Price Target	$17.93	Yield	1.7%
Upside	2.0%	Gross Yield	2.5%

SEEK (SEK) is the leading provider of online employment services in Australia, China, Southeast Asia and Latin America. The company also owns a rapidly expanding online education business.

Key reasons to buy

- The Australian recruitment cycle is at or near to all-time lows in churn rates.
- Overseas employment portals are at an early stage of development, offering years of double digit growth.
- We expect strong margin improvement from education over the next three years as product mix improves.

Stockland Group SGP			
Price	$3.75	PE (x)	16.0
Price Target	$3.60	Yield	6.4%
Upside	-4.0%	Gross Yield	6.4%

Stockland Group (SGP) is Australia's largest developer given its huge landbanks

Key reasons to buy

- Around a third of earnings are derived from residential development. Given the improving macro environment, we believe SGP is well placed to benefit in the medium term.
- The balance of the investment portfolio is good quality (office, retail, logistics, retirement), and although medium term retail and office conditions are challenging, the earnings visibility is good given contracted rents. SGP's strategy is to reduce its office exposure over time.
- SGP offers investors an attractive FY14 distribution yield of 6.4% (vs the sector average of 6.0%).
- We note SGP recently acquired a 20.0% stake in Australand (ALZ). We don't expect to see any meaningful synergies to eventuate in the near term, with management indicating the transaction will be broadly neutral to EPS.

Suncorp Group SUN			
Price	$12.87	PE (x)	14.2
Price Target	$13.59	Yield*	7.4%
Upside	5.6%	Gross Yield	10.6%

Suncorp Group (SUN) is a diversified financials company offering general insurance, life insurance and retail and business banking.

Key reasons to buy

- We expect SUN can pay a ~20cps special dividend in August 2014, with the prospect for additional special dividends in FY15/16, given SUN's ~$1.1bn of excess capital and potential to free up more capital if SUN Bank achieves advanced accreditation under Basel III.
- SUN's diversity via the Bank (residential cycle improving) and Life Insurance (potential to rebound from sector structural issues) can add to the group growth profile over the medium-term.
- SUN expects to deliver $225m of cost benefits in FY15.

* Includes special dividends

High Conviction Stocks

In the digitial edition, you may click on the stock tables for links to the latest company research reports from our website.

Top 100 continued

Sydney Airport	SYD		
Price	$4.19	PE (x)	50.0
Price Target	$4.32	Yield	5.6%
Upside	3.1%	Gross Yield	5.6%

(SYD) provides infrastructure and aeronautical and commercial operations at Sydney Airport.

Key reasons to buy

- Low risk exposure to global trends in aviation travel, particularly the potential growth opportunity from Chinese traffic.
- Strong competitive position, with the airport being an origin destination airport located 8km from the Sydney CBD.
- Attractive distribution yield with growth in distributions over time.

Transurban Group	TCL		
Price	$7.26	PE (x)	73.8
Price Target	$7.60	Yield	4.8%
Upside	4.7%	Gross Yield	5.3%

Transurban Group (TCL) develops, operates, and maintains toll roads in Australia and the US.

Key reasons to buy

- We expect TCL to generate double-digit EBITDA growth over the next three years driven by traffic growth, CPI/CPI+ toll increases, ongoing cost control, and contribution from growth projects.
- We expect this traffic and earnings growth to translate into double-digit growth in distribution per share.
- Confidence in this growth outlook can be gained from the management incentive plan, which rewards management for growing free cashflow per share at 12-15% per annum CAGR across FY14-16.

Ex 100

This month's changes

This month we add Select Harvest (SHV) to and remove Gi Dynamics (GID) from our ex 100 High Conviction list.

Although the longer term view remains positive for GID the short term share price movement has been disappointing, while we expect approval to sell the device in Brazil will be positively received, the next major catalyst will be the completion of US clinical trial towards the end of CY14.

Dominos Pizza	DMP		
Price	$20.00	PE (x)	36.3
Price Target	$22.94	Yield	1.8%
Upside	14.7%	Gross Yield	2.6%

Domino's Pizza (DMP) is the operator of the Domino's Pizza master franchise in Australia, NZ, France, Belgium, The Netherlands and Japan.

Key reasons to buy

- We believe DMP is well placed to deliver approximately 20% earnings growth per annum.
- Japan acquisition provides strong upside via new store rollout; relocating existing stores; and leveraging DMP's expertise in digital technology and product innovation.
- The upside opportunity in Japan is meaningful, the recent European issues are fixable and Australia and New Zealand continues to hold its own. In short, we believe the stock can continue to outperform.

Pact Group	PGH*		
Price	$3.44	PE (x)	11.4
Price Target	$4.31	Yield	5.9%
Upside	25.3%	Gross Yield	7.5%

Pact Group (PGH) is the leading supplier of rigid plastics packaging in Australia and New Zealand. It also has an emerging presence in Asia.

Key reasons to buy

- We view this defensive, strong cashflow packaging business as a core portfolio holding.
- PGH is trading at an unwarranted discount to its global peers given it has industry leading margins and cashflow conversion. We expect that this discount will narrow as the company delivers on its prospectus forecasts. PGH also offers a more attractive dividend yield.

* Pro forma forecasts

Select Harvests	SHV		
Price	$6.57	PE (x)	9.4
Price Target	$7.75	Yield	3.7%
Upside	18.0%	Gross Yield	5.3%

Select Harvests (SHV) is a fully integrated almond business.

Key reasons to buy

- Despite recent rains, the drought in California continues to worsen. Our pricing assumptions for SHV could prove conservative given the severity of the US drought (80% of the world's almond supply) which may impact yields for at least the next couple of years. This would put further pressure on the USD almond price. SHV's current FY14 crop estimate is 12,600t and almond price is A$8.30/kg. However, the current spot price is A$9.00/kg. It is important to highlight that SHV's initial estimates for the new crop are conservative until the actual outcome is known post processing. We note that SHV's crop estimates were upgraded a number of times during FY13.
- Accretive almond orchard acquisitions.
- Corporate activity.

Sundance Energy	SEA		
Price	$0.96	PE (x)	6.9
Price Target	$1.36	Yield	0.0%
Upside	41.4%	Gross Yield	0.0%

Sundance Energy (SEA) is a US based oil and gas company with current production of ~5000 boepd and is expected to grow to average 6700-7500boepd in 2014.

Key reasons to buy

- Just postponed a US IPO and completed a raise in Australia for $80m, resulting in current share price weakness which we feel makes a good buying opportunity.
- Strong growth in production and reserves expected over the next 3 years.
- Extensive acreage in the Eagle Ford play just expanded to 13000 net acres which, if valued on recent transaction acreage multiples, underpins the current share price and leaves its Mississippian/ Woodford and Wattenberg acreage as upside.

Source: IRESS, Morgans, Company Data
Forecast based on FY14

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