

Monday, 24th April 2017

Key Themes this Week

French election results piece

France went to the polls yesterday in an election that was not only critical for investors but also for the EU in the long term. Emmanuel Macron, an independent centrist, came out on top with 23.9% of the vote ahead of Marine Le Pen on 21.4%. This was according to French interior ministry figures with 97% of the vote now counted. Mr Macron and Ms Le Pen will now have a second round run-off to determine the ultimate winner on May 7th. Both candidates are not from any mainstream party and this result represents a break with the old traditional French political system. Markets welcomed this results as opinion polls prior to the election have shown Mr Macron comfortably beating Ms Le Pen in the second round with 64% of the vote vs 37% for Ms Le Pen. The euro rallied vs the US dollar to \$1.09 from \$1.07. The yield on the German 10 year rose from 0.25% to 0.33%. It is expected that this result will increase the risk on sentiment for European equities which should continue to outperform their US counterparts.

Trump Tax Reform

Following on from the failure of the healthcare bill US investors are now focused on potential tax reform. US equities has a good week last week as Mr Trump told Associated Press that he would deliver a plan for massive tax cuts by "next week". This was confirmed over the weekend by his Treasury Secretary Steven Mnuchin who hinted that some details would be forthcoming this Wednesday. However, he also warned that the plan would produce "some short term issues" when analysed under the traditional "static budget analysis rules". This could mean that fiscal hawks within the Republican party may have objections. Mr Trump will need virtually all Republican Congress member to support the bill in order for it to pass.

ECB meeting this week

The ECB is set to meet this week and we expect there to be little change in the Central Bank's policy. We would however highlight the potential for the governing council to be slightly more hawkish than anticipated as has been the case in recent meetings. Market complacency tends to set in with regard to ECB policy in the run up to meetings, leaving scope for a surprise to the hawkish side. However, despite any short term upset, we believe the ECB will not begin tightening monetary policy until H2 of 2018 and that the current QE programme will run in full through to its expected end in March 2018.

GDP data to be a key focus this week

This week will also see a raft of GDP data being released, notably in the US and UK. Data is expected to show that US GDP increased at an annualised 1.1% in the first three months of the year, down from the previous quarter's 2.1% rise. Analysts are expecting this drop off to be driven by a slowdown in consumer spending, diminished inventory expansion and a cut to government spending as Mr Trump's policies begin to take hold.

Major Markets Last Week

	Value	Change	% Move
Dow	20548	94.51	0.46%
S&P	2349	19.74	0.85%
Nasdaq	5911	105.37	1.82%

UK Index	7232	-95.11	-1.30%
DAX	12364	254.52	2.10%
ISEQ	6856	163.29	2.44%

Nikkei	18,876	520.62	2.84%
H.Seng	24,129	-132.39	-0.55%
STOXX600	385	4.03	1.06%

Brent Oil	52.34	-3.02	-5.46%
Crude Oil	49.93	-2.72	-5.17%
Gold	1272	-13.13	-1.02%

Silver	17.836	-0.58	-3.16%
Copper	256.85	-4.15	-1.59%
CRB Index	421.11	-1.28	-0.30%

Euro/USD	1.0856	0.02	2.00%
Euro/GBP	0.8475	0.00	0.06%
GBP/USD	1.2809	0.02	1.94%

	Value	Change
German 10 Year	0.35%	0.16
UK 10 Year	1.10%	0.06
US 10 Year	2.31%	0.06

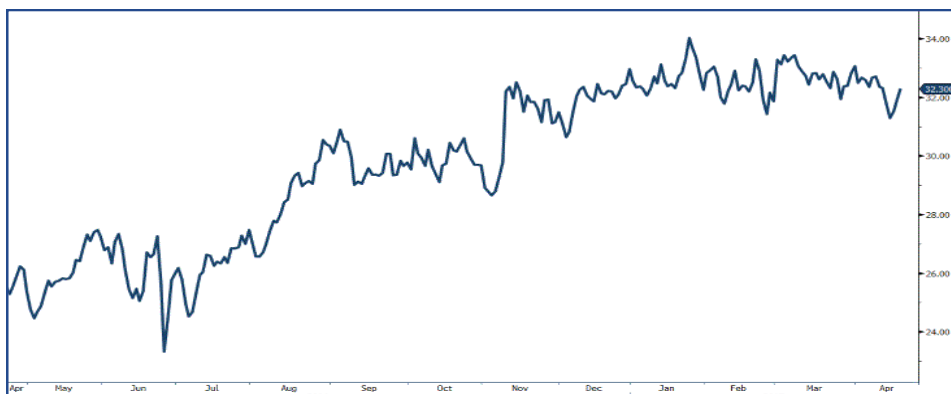
Irish 10 Year	0.91%	-0.02
Spain 10 Year	1.63%	-0.08
Italy 10 Year	2.18%	-0.14

BoE	0.25%	0.00
ECB	0.00%	0.00
Fed	1.00%	0.00

Kingspan and CRH – Good buy in point

Closing Price: €32.44

Research Team



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	28.89	30.49	31.83
EPS (€)	1.85	2.15	2.47
P/E	17.39	14.98	13.04
Div Yield	2.13%	2.28%	2.69%

Share Price Return	1 Mth	3 Mth	YTD
CRH	-1%	0.19%	-1.56%

Source: Bloomberg

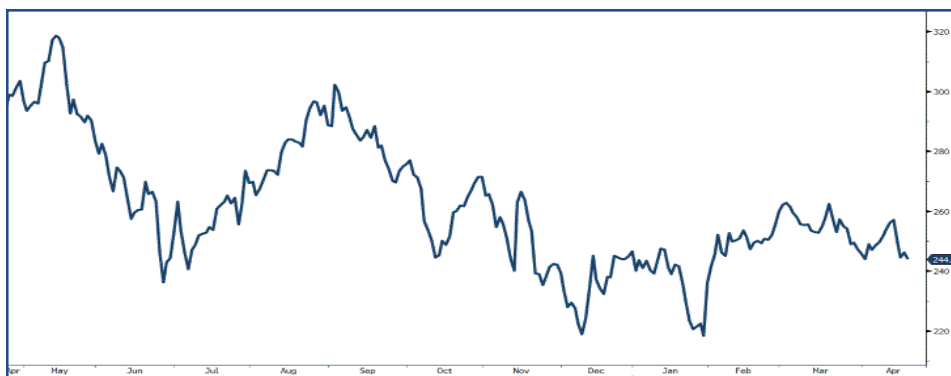
CRH is set to release a first quarter trading update on Wednesday. The stock is currently trading at attractive levels at the bottom of its current range with support at €30.83. The stock has remained within this range since last November when it re-rated higher in the wake of the Trump Presidential victory. We remain positive on the CRH story, noting the improving economic and building trends within Europe which the company and peers are experiencing, in addition to the potential for increased infrastructure spending in the US during the Trump Presidency. CRH is the number one supplier of asphalt and aggregates in the US and would benefit from investment in road and bridge renewal.

Also reporting a Q1 update this week is our other preferred name in the space, Kingspan. We reiterate our positive stance on Kingspan given that the company extremely well placed to capitalise on the structural trend of buildings transitioning towards a lower energy requirements. The stock trades at 18.8x FY17e earnings which is attractive in our opinion given the business's market leading positions in its key product categories, its ability to pass through input price raw material costs due to its superior product relative to peers and the highly cash generative nature of the business which has significant financial flexibility.

Glanbia and Greencore – Switch Trade

Closing Price: £2.44

Stephen Hall, CFA | Investment Analyst



GNC Key Metrics	2017e	2018e	2019e
Revenue (£'bn)	2.35	2.73	2.89
EPS (£'c)	15.7	17.6	19.4
EV/EBITDA	10.52	8.48	7.77
Div Yield	2.29%	2.53%	2.82%

Share Price Return	1 Mth	3 Mth	YTD
Greencore	-6.98%	3.09%	-1.01

Source: Bloomberg

Last Wednesday, Glanbia re-tests all-time highs which lead to some profit taking in the stock. It currently trade at 20.5x FY17e earnings, however given the recent spinoff of Dairy Ireland, we think Kerry can maintain a higher valuation multiple between 22x – 23x, which suggest a 12 month target price range between €20.30 - €21.22. We maintain our positive outlook on Glanbia's two remaining wholly owned businesses Glanbia Performance Nutrition (GPN) and Global Nutritional which are higher growth and higher margin. Management has deployed capital very effectively in recent years in our opinion and despite significant capex investment and bolt-on acquisitions in recent years, its balance sheet isn't highly leveraged and it has the financial capacity for further transactions in the coming months and years ahead to support earnings growth. With Glanbia close to all-time highs, it could be an opportunity to diversify into Greencore which has been hit in recent weeks due to fears of tightening operating margin, due to rising raw material costs. Greencore is trading back to support levels at GBp 244 which we view as an attractive entry level for new long positions. It currently trades at 15.5x earnings, a 25% discount to the broader Euro Stoxx 600 Food and Beverage Index.

Bank of Ireland – Whole sector due to benefit from French election

Closing Price: €0.244

Stephen Hall, CFA | Investment Analyst



BKIR Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	3.11	3.08	3.18
EPS (€'c)	2.1	2.1	2.4
Price/ Book	0.86	0.83	0.81
Div Yield	2.05%	3.29%	5.34%

Share Price Return	1 Mth	3 Mth	YTD
BKIR	0.83%	-0.41%	4.3%

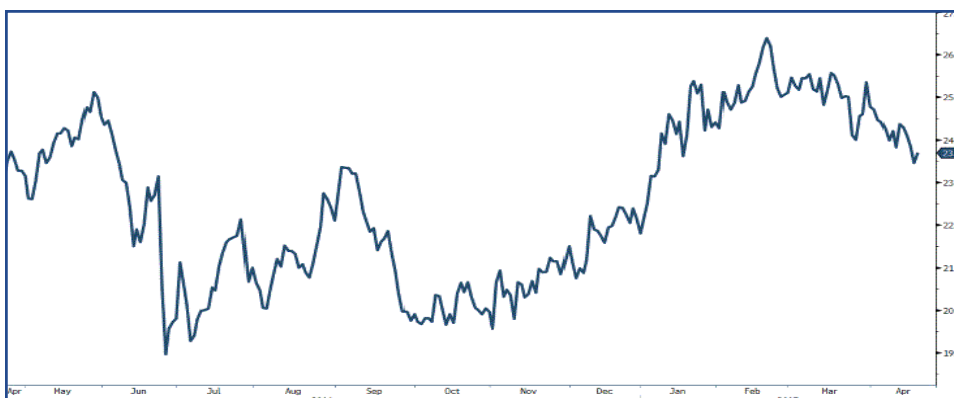
Source: Bloomberg

Yesterday's French election result was a positive outcome for risk markets with Macron and Le Pen progressing to the second round of French election on the 7th May. Polls shows Macron is forecast to comfortably beat Le Pen which should stem the rise of populism in Europe and should take the possibility of a FREXIT off the table. In this environment with reduced political risks, we think Price/ Book valuation multiples could positively re-rate higher. Core German bonds yields are 8 bps higher at the open this morning which is a positive development for European financials and we maintain our positive outlook on Bank of Ireland (BKIR). S&P rating agency released a positive update on the Irish banking system last week and new mortgage lending growth in Ireland is due to ramp up in 2016 which due to benefit the sector. A headwind to BKIR's share price could potential be the upcoming IPO of AIB if we see some diversification from BKIR into AIB. However, this shouldn't be too significant. BKIR currently trades at 0.85x Price/ Book, and is due to re-instate its dividend in 2018 relating to 2017's financial year. The next band of resistance we see is between 26.6c to 27.2c, which remains our 12 month target price.

Smurfit Kappa – Buy on dips

Closing Price: €23.70

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	8.43	8.64	8.76
EPS (€)	2.06	2.19	2.34
Price/ Book	2.07	1.87	1.70
Div Yield	3.53%	3.73%	3.95%

Share Price Return	1 Mth	3 Mth	YTD
SKG	6.32%	-2.95%	8.74%

Source: Bloomberg

Smurfit's stock price has seen some weakness in recent trading, due to profit taking in the stock and partially due to the fact it went ex-div to the tune of 57.6c last week. The underlying fundamentals remains very strong and we think any weakness should be bought into. Post the recent retracement, the stock is trading at 11.4x FY17e earnings which we view as attractive given its high quality asset base, the highly cash generative nature of its business, excellent management team and manageable level of debt on the balance sheet. Smurfit and the broader paper packaging sector have been successful in passing on price increases this year to combat rising OCC prices, which should support operating margins. Its valuation discount relative to peers is unjustified in our opinion and we expect this discount to gradually close over the next 12 months. Smurfit also offers an attractive dividend yield of 3.5% for 2017. Next resistance we see is the high of 2017 at €26.50.

From the News - Monday Headlines

- **Europe** Macron and Le Pen to contest French run-off

- **US Trade** US reopens door to reviving EU trade talks

- **UK** Tories more than double lead over Labour to 19 points according to an Observer poll

- **Ireland** EU tax plan would halve Irish corporation tax take according to IBEC

- **Oil** Finding support after weekly drop of 7%

- **Unicredit** Italian probe into Emirati for alleged insider trading in Unicredit

- **LaFarageHolcim** Cement CEO to step down after investigation into Syrian operations

- **Credit Suisse** braced for a shareholder revolt on pay

Current Stock Trading News

From a market trading perspective we are long Daimler, Green REIT, Royal Dutch Shell and Kingspan and the positions remain in the money.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
Alcoa	SAP. Novartis. Kering. Caterpillar. McDonalds. Coca-Cola.	Tullow. BAT. GKN. Daimler. Glanbia. CRH. Boeing. P&G. Kennedy Wilson.	AIB. AstraZ. Kingspan. Total. Bayer. Intel. Microsoft. Persimmon. Travis Perkins. Schroders. Alphabet. Lufthansa. J&J. Pfizer. Danone.	HSBC. Barclays. RBS. BKIR. Chevron. Exxon Mobil. Goldman Sachs.
Economic	Economic	Economic	Economic	Economic
EC Govt Debt/GDP Ratio. US Fed Manf Activity	FR Manf Confidence. US New Home Sales	US Mortgage Applications. FR Consumer Conf.	GE CPI. US Initial Jobless.	UK GDP. EX CPI Core. US U of Mich Sentiment.

Upcoming Events

01/05/2017 Boeing

02/05/2017 BP. Apple. Pfizer.

03/05/2017 Sainsbury. Imperial Tobacco. Facebook. Allianz.

04/05/2017 Kerry. PPB. Shell. GKN. GSK. BMW. Siemens

05/05/2017 IAG. Smurfit. Man Group. Lufthansa.

01/05/2017 US Manuf. PMI. US Core

02/05/2017 CH China PMI. FR,GE & UK Manufacturing PMI

03/05/2017 EC PMI. EC GDP. US Comp PMI.

04/05/2017 EC Eurozone services PMI. EC Retail Sales.

05/05/2017 EC Eurozone Retail PMI. US Non Farm Payrolls

Cantor in The Media

- Bloomberg: The Life of an Apple Supplier is getting even tougher - Colin Gillis
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- Bloomberg: Turkey's Plan to Spur Lending Is Paying Off Ahead of Referendum - Cagdas Dogan
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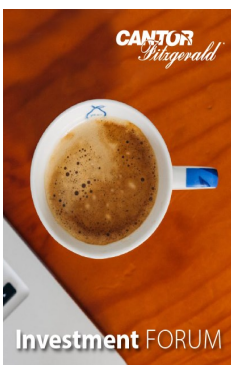
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Monthly Investment Journal

Each month our Private Client and Research departments collaborate to issue a publication which highlights the performance of our flagship products, funds and our core portfolio, including the Green Effects fund, most recent Private Equity deals and structured product investment opportunities.

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Investment Forum

Through our investment Forum we bring you the latest market news, investment insights and a series of informative articles from our experts.

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Glanbia: Glanbia plc is an international dairy, consumer foods, and nutritional products company. The Company conducts operations primarily in Ireland, the United Kingdom, and the United States.

CRH: CRH public limited company is a global building materials group. The Company manufactures and distributes a range of construction products such as heavy materials and elements to construct the frame and value-added exterior products

Bank of Ireland: Bank of Ireland provides a range of banking, life insurance and other financial services to customers in Ireland and United Kingdom

Kingspan: Kingspan Group PLC is a global market player in high performance insulation and building envelope technologies.

Smurfit Kappa Group: Smurfit Kappa Group PLC manufactures containerboards, solid boards, graphic boards, corrugated and solid board packaging products.

Greencore: Greencore Group plc manufactures and distributes a diverse range of primary foods and related products, food ingredients and prepared foods to the consumer and industrial sectors

Historical Record of recommendation

Glanbia: We have been positive on Glanbia's outlook since 13/03/13 and no changes have been made to the recommendation since then.

CRH: We have added CRH to our core portfolio on the 01/01/16, with a recommendation of Outperform

Bank of Ireland: We have reinstated an outperform rating on Bank of Ireland as of 13/07/2016.

Kingspan: We have changed our rating for Kingspan from Not Rated to Outperform on the 14/03/2016 .

Smurfit Kappa Group: We have added Smurfit Kappa to our core portfolio on the 01/01/2016 and we have upgraded our recommendation from Market Perform to Outperform

Greencore: We have upgraded our recommendation for Greencore, to Outperform from Not Rated, as of 25/11/2015

None of the above recommendations have been disclosed to the relevant issuer prior to dissemination of this Research.

Date of distribution

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