Weekly **Trader**

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 12th June 2017

Key Themes this Week

Core Portfolio - Performance Update

Cantor's Core Portfolio continues to outperform its benchmark posting returns of 7.9% vs 5.8% year to date. This strong performance has been driven by several factors. Our initial decision to favour European equities versus their US counterparts since early February has paid off as Europe has outperformed the US. It should be noted that this decision came approx. 2-3 months before the majority of houses signalled their rotation out of the US and into Europe. Secondly, our thesis regarding the pro-cyclical sectors namely US Tech and Financials has worked well despite a heavy sell off in the tech space last Friday evening in the US. Lastly our individual stock selection has also worked well with the majority of our names outperforming their underlying sector.

UK General Election aftermath

The biggest shock to markets last week was Theresa May's Conservative Party failing to secure an outright majority in last Thursday's UK General Election, winning just 318 seats and falling 8 short of the 326 seats needed to form an outright majority. Last Friday, Mrs May announced she would form a coalition with the Democratic Unionist Party (DUP) which would give them 328 seats and an overall majority. On Saturday, Mrs May announced she had "agreed in principle of an outline agreement with the DUP", however she had to backtrack on this statement just hours later. Formal negotiations between the two parties is set to take place tomorrow. Mrs May is set to address her Conservative Party today and will likely face extremely tough criticism for poorly ran campaign. This huge political uncertainty has weighed on the Pound but with some Tory Party members are looking for a soft Brexit is stopping the Pound from weakening further this morning.

The Fed expected to hike rates by a further 25bps

The Federal Reserve two day council meeting kicks off Tuesday where the market is 97% priced for a further 25bps rate hike on Wednesday, despite some hard data evidence in recent weeks that the US economy is hitting a soft patch. A 0.25% rate increase would leave the Fed Funds Rate range between 1.00% to 1.25%. The Fed will likely keep its forward guidance on the path of further future rate hikes unchanged too, which would result in one further rate hike before the end of 2017. The market will be paying close attending for the Fed's plans to reduce the size of its $4.5 trillion balance sheet. As its balance sheet reduces in size, it is considered as a form of monetary tightening.

Upcoming AIB IPO

Cantor Fitzgerald has been appointed as a participating intermediary for private clients to gain access to the upcoming AIB IPO. The minimum capital investment requirement is €10,000, however new prospectus investors have up until this Friday to register a new account with Cantor to be able to participate in the equity sale.

Stock Coverage

This week give a high level overview how last Friday's UK General Election result will impact the UK exposed stocks under our coverage. We cover Bank of Ireland, Kingspan and CRH in greater detail on pages 4 and 5.

Major Markets Last Week

	Value	Change	% Move
Dow	21272	65.68	0.31%
S&P	2432	-7.30	-0.30%
Nasdaq	6208	-97.88	-1.55%
UK Index	7502	-23.71	-0.32%
DAX	12768	-55.22	-0.43%
ISEQ	6988	-56.64	-0.80%
Nikkei	19,909	-262.24	-1.30%
H.Seng	25,746	-116.56	-0.45%
STOXX600	389	-3.38	-0.86%
Brent Oil	48.12	-1.35	-2.73%
Crude Oil	45.77	-1.63	-3.44%
Gold	1267	-13.14	-1.03%
Silver	17.155	-0.39	-2.23%
Copper	263.6	7.85	3.07%
CRB Index	440.53	4.70	1.08%
Euro/USD	1.1211	0.00	-0.38%
Euro/GBP	0.8795	0.01	0.86%
GBP/USD	1.2746	-0.02	-1.22%

	Value	Change
German 10 Year	0.26%	-0.02%
UK 10 Year	1.01%	-0.03%
US 10 Year	2.21%	0.03%
Irish 10 Year	0.66%	-0.12%
Spain 10 Year	1.40%	-0.18%
Italy 10 Year	2.02%	-0.26%
BoE	0.25%	0.00%
ECB	0.00%	0.00%
Fed	1.00%	0.00%

Conviction Calls - Update on UK exposed stocks

Cantor Fitzgerald Research Team

It is still extremely early to assess the impact of last Friday's announcement by Theresa May that the Conservative Party will form a coalition government with the DUP. We will summarise this decision on our UK exposed stock under coverage below.

EURGBP

The initial reaction to the hung parliament was a 2% spike to the downside it the Pound relative to the Euro and the US Dollar. In the short term, GBP should remain under pressure given increase political uncertainty, however if the market now starts to price in a softer Brexit rather than the hard Brexit that Theresa May had campaigned for then it could be positive development for the Pound in the longer term especially if the country maintains access to the European Single Market similar to a Norwegian style arrangement.

Bank of Ireland

40% of BKIR's loan book is located in the UK, however this book is well seasoned and is viewed as high quality. A weakening pound is a short term negative due to the translation effect of UK profits and UK denominated assets. The recent weakness in BKIR's share price over the past 2 weeks has been down to the upcoming AIB IPO in our opinion. Investor's looking to gain equity exposure to the Irish banking sector could only really do so through BKIR shares given that Permanent TSB is a small market cap (€1.3bn) with only a 25% free float, compared to BKIR's €7.3bn market cap and 86% free float. Now if investors are looking to diversify their exposure to the Irish banking sector, they will have to reduce down their exposure to BKIR to free up capital for the upcoming AIB equity sale. A big support level at 22.3c held last Friday. Talks of a softer Brexit will be a longer term positive to the bank and broader economic fundamentals in Ireland are supportive for Irish banks especially the likely pick up in Irish mortgage lending in coming years.

Permanent TSB

Its share price has performed very strongly since releasing a positive Q1/17 update with early signs of improving momentum in its underlying business beginning to be seen. PTSB no longer has any exposure to the UK after the sale of its non-core Buy-To-Let mortgage books last year. We maintain our positive outlook.

AIB

Last Friday's announcement of a Conservative and DUP coalition UK Government could strengthen the investment case for prospectus investors in AIB given the bank's 85% exposure to Ireland with leading market shares in mortgage, SME and Corporate lending and a growing presence in the personal lending channel. The Department of Finance had been expected to issue the prospectus and price range for AIB's IPO early this week but sources this morning indicated that this could be pushed back by a couple of days or could even fall into the following week according to the Irish Times.

ICG

The recent build in US oil stockpiles caused a sharp drop in oil prices last week, which is a boon for ICG's un-hedged oil costs. However, a further weakening in the Pound could deter UK tourists from booking trips to Ireland due to weaker purchasing power. Taking a longer term perspective, a softer Brexit is clearly a positive development if this were to unfold under the new coalition government and would hopefully not have a material impact on trade between Ireland and the UK. On the 24th May we suggested taking profit at €5.63 and its share price has retraced 7% since and is sitting right back to 1st key support at €5.20 this morning. If talks of softer Brexit increase over the coming weeks then we would expect this level to hold, however if political uncertainty prevails, and the pound remains weak then there is a risk its share price breaks this support level.

Ryanair

If the UK is heading for a softer Brexit, then it will likely to be able to negotiate that the UK remains access to Open Skies agreement in Europe. Oil price weakness has been a boon for its share price last week, although the 2% weakness in the pound could potentially impact full year profitability by €30m. Management recently disclosed that for every 1p upward move in EURGBP, this impact's Ryanair's profitability by €15m. We remain positive on Ryanair in the long term, however still expect consolidation given the huge run its share price has enjoyed in recent months.

Kingspan

In 2016, Kingspan's revenue exposure to the UK dropped by 3 percentage points to 27% from 30%, and its reliance on the region is set to trend lower in the coming years as it gains further traction in the US and Asia, and as Europe shows continued signs of economic improvement. We remain happy to pick up Kingspan at current market levels despite facing headwinds in the form of higher input costs, however given its leading market positions it should be able to recover costs with customers. We still think the long European equities trade remains intact and think Kingspan will benefit from structural and cyclical tailwinds to support earnings growth in the coming years. We cover the investment case for Kingspan on greater detail on page 4.

Conviction Calls - Update

Cantor Fitzgerald Research Team

Smurfit

Smurfit's exposure to the UK dropped to 8.8% in 2016 from 9.8% in 2015. We remain positive on the underlying fundamentals of the Group and still feel is can retest 2017's year-to-date highs at €26.46, and potentially break to new highs as recent prices increases in Kraftliner it passed through to customers in response to rising OCC inputs costs should protect operating margins for the business. Its share price has consolidate over the past 3 months after a very strong start to 2017. We expect the recent uptick in European economic indicators to support the stock over the coming weeks.

CRH

The UK is CRH's largest market in Europe, however forward looking indicators elsewhere in Europe are improving which should support growth elsewhere in Europe in 2017 and reduce its reliance on the UK. When CRH released its Q1/17 results, it reported a positive start to 2017 in the UK with volumes and prices of aggregates, ready-mixed concrete and asphalt ahead of Q1/17, with cement volumes marginally behind.

Glanbia

A headwind to Glanbia has been a strengthening EURUSD in recent weeks, however following Draghi's dovish update last Thursday where he committed to keeping monetary policy ultra accommodative, coupled with the fact Glanbia's share price has retraced once again to key support levels at €17.50, we reiterate our positive outlook on the stock. Glanbia's two remain businesses, GPN and GN are higher margin with greater growth prospects than the Dairy Ireland division it recently sold to Glanbia Co-Op, which in our opinion should help it maintain a higher valuation multiple going forward.

Kerry

Kerry's exposure to the UK largely comes from its Consumer Foods division which is slower growth and lower margin than its main Taste and Nutrition division which accounts for over 80% of revenues and the majority of profits. The recent weakening in the pound will act as a near term headwind for reported earnings. However, we remain positive on the long term growth prospects for Kerry which is attractively positioned in the global food industry. We maintain our 12 month target price at €84.

Greencore

The initial weakening in the Sterling Pound is a near term headwind to the stock as it imports raw material good from Europe. However, we feel H1/17 results alleviated many investor concerns associated with a possible squeeze in operating margins associated with rising raw material and labour costs. We are due to host senior management in Cantor's office this Tuesday the 13th June, ahead of its capital markets update in Chicago on the 20th of June. The underlying fundamentals of its UK business remains very strong and its valuation discount relative to the broader Euro Stoxx Food and Beverage Index in our opinion is unjustified.

Royal Dutch Shell

Despite being neutral for oil prices for 2017 with our $45 - $55 range forecasts remaining firmly intact, we maintained exposure to the energy space to ensure a balance and diversified portfolio. Oil prices declined 4% last week as oil stockpiles unexpectedly rose, however Shell's share price only declined 1%, while post-election sterling weakness is a positive for the stock. We maintain our Outperform outlook on RDSB.

Green REIT

We maintain our conviction on both REITs as we move into the second half the year. We believe Brexit related moves will be the necessary tailwinds for both REITs to rerate higher. Green REIT's share price gave up some ground last week, however we still expect to see large multinational firms relocate to Irish in H2/17 which should support sentiment in the stock.

Lloyds

Political uncertainty tends to have the most negative effect on the financial sector. Over the past 2 weeks Lloyds' share price weakened 7% as polls showed Corbyn was significantly eating Theresa May's lead. Lloyds opened a further 3% lower last Friday, however clawed back the majority of these losses on the day. Underlying fundamental metrics of the bank are very strong, however could be a difficult environment for a positive re-rating in the stock.

US Tech Space

Our exposure to large cap US Tech has been through Facebook, Amazon, Google and PayPal which have all been a big contributors to our Core Portfolio's out performance this year. We remain positive on all stock on a 3-5 year time horizon, however each stock is sitting just below all-time highs and for that reason, coupled with the significant gains already seen in 2017, we would be comfortable lightening up on positions which are deep in the money. Last Friday evening in the US, the Tech sector came under significant pressure as comments from Goldman Sachs that the tech trade has become too over crowded and volatility in the space is too low relative to cyclical and regulation risks weighed heavily on the space.

Bank of Ireland - Add to position against to key support level

Closing Price: €0.23

Stephen Hall, CFA | Investment Analyst

Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	3.01	3.04	3.16
EPS (€'c)	2.1	2.1	2.3
Price/ Book	0.81x		
Div Yield	2.20%	3.52%	5.73%

Share Price Return	1 Mth	3 Mth	YTD
BKIR	-10.7%	-3.43%	-3.85%

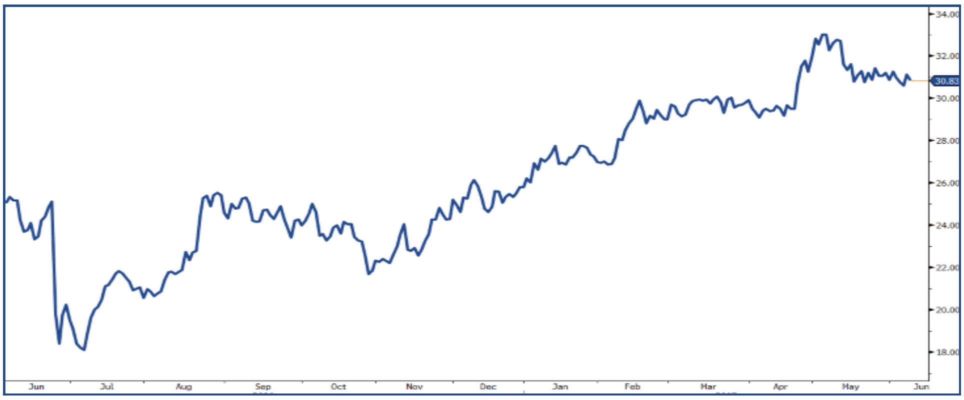
Source: Bloomberg

Lower European bonds yields, the weakening seen in the Pound last Friday as a result of the Conservative Party failing to win an outright majority in the UK General Elections and the upcoming AIB IPO have all been headwinds to Bank of Ireland's share price in recent weeks. However, we would be happy to add exposure to BKIR at current levels ahead of key support at 22.3c. The Group has derate to 0.81x FY17e Price/ Book, and is now trading at a 13% discount to the broader Euro Stoxx 600 Banking Index at 0.92x. Once the AIB IPO is complete we feel BKIR can positively re-rate in-line with the broader Banking sector. Roughly 40% of BKIR's loan book is situated in the UK, however this book is well seasoned and is viewed as high quality. A weakening pound is a headwind due to the translation effect of UK profits and UK denominated assets. The upcoming AIB IPO has been a headwind to BKIR share price too since its announcement to the market two weeks ago. In recent years, investors' looking to gain equity exposure to the Irish banking sector could only really do so through Bank of Ireland given that Permanent TSB is a much smaller market cap stock with only a 25% free float. Now if existing investors in Bank of Ireland are looking to diversify their exposure to the Irish banking sector, they will have to reduce down their exposure in BKIR to free up capital for the upcoming AIB equity sale. We expect significant volatility in BKIR's share price over the next several weeks, however a big support level at 22.3c held last Friday.

Kingspan - Take advantage of recent share price weakness

Closing Price: €30.39

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	3.56	3.72	3.97
EPS (€)	1.57	1.69	1.82
Price/ Earnings	19.5x	18.2x	16.9x
Div Yield	1.20%	1.32%	1.44%

Share Price Return	1 Mth	3 Mth	YTD
KSP ID	-5.4%	1.5%	19.6%

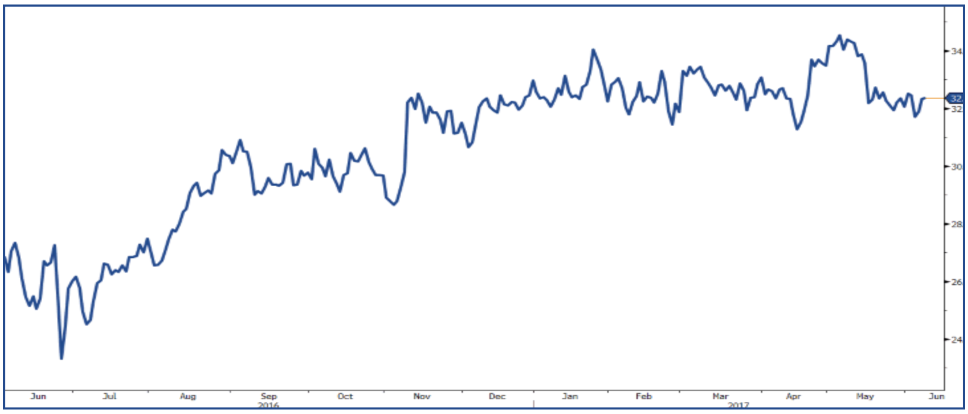
Source: Bloomberg

From a technical perspective, the base of the long standing trend channel in Kingspan has been broken. However, from a fundamental perspective which is what we base our investment decisions on, the underlying business remains in great shape and is well positioned for earnings growth in the coming years. It is currently trading 8% below all-time highs, and we expect any retracements/ pullbacks to be relatively shallow in nature and it remains a buy on dips in our view. Penetration levels of Kingspan's key products are set to structurally increase due to regulatory changes and increased environmental awareness of the construction sector for many years to come. Company earnings are due to benefit from structural and cyclical tailwinds over the coming years and in our opinion, and Kingspan has made great strides towards becoming the world's leading provider of low energy buildings through sector leading innovation and through effective capital allocation by senior management. The Group continues to expand its geographical footprint too, and is in the early stages of growth in Asia which could be a big expansion opportunity. When management released Q1/17 results, it said order backlog overall points towards a solid H1/17. This set of results is due to be released on the 18th August. The Group's Net Debt/ EBITDA position is expected to fall to 0.6x by year-end which leaves it with significant headroom for further bolt-on acquisitions, similar to the very successful Vicwest and Joris Ide acquisitions in recent years. Such an announcement would be a near term catalyst, however there is no visibility on the timing of such a deal.

CRH - Strong fundamentals with Trump upside optionality

Closing Price: €32.725

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	28.75	30.28	31.64
EPS (€)	1.80	2.06	2.34
Price/ Earnings	17.8x	15.4x	13.3x
Div Yield	2.12%	2.26%	2.46%

Share Price Return	1 Mth	3 Mth	YTD
CRH	-5.9%	-3.2%	-1.7%

Source: Bloomberg

Last Wednesday, President Trump said “that Americans can no longer live with crumbling locks, dams, roads and bridges and outlined a plan to leverage $1 trillion in investment in U.S. infrastructure.” Trump’s administration has said a full legislative package could be ready by the third quarter of 2017. His fiscal plans would see $200bn in direct federal spending over the next 10 years to support $800bn in spending by states, municipalities and private entities. CRH would be a major beneficiary of the newly proposed infrastructure bill given that it is the largest building materials company in the US which produced 157 million tonnes (mt) of aggregates, 46mt of asphalt and 6mt of cement last year. In 2016, US revenues accounted for 52% of CRH’s total sales and US EBITDA accounted for 61% of Group EBITDA.

If Trump does manage to pass through his $1 trillion infrastructure bill through US Congress, CRH would be a clear beneficiary, however there will be many hurdles to overcome before this could become a reality. Fortunately, consensus future earnings forecasts for CRH don’t factor in this possibility at present and are based on the existing underlying fundamentals of the Group. CRH’s share price initially rallied in the aftermath of Trump’s election victory, however in recent months has retraced the majority of these gains as the markets’ assessment of the likelihood of Trump’s infrastructure bill becoming a reality faded. In our opinion, the underlying fundamentals for CRH remain positive and this proposed infrastructure bill gives the stock upside optionality. Operating margins in the US are back to pre-financial crisis highs and further margin expansion is anticipated in the coming years. Forward looking economic indicators are also strengthening in Europe and operating margins still remains a long way off the highs seen in 2007 and a recovery here could be a key driver of earnings growth over the coming years. The Group has a very strong balance sheet after strong cash generation seen in 2016 and capital raised from the on-going divestment of non-core assets. Its net debt/ EBITDA fell from 3.0x at December 2015 to 1.7x at December 2016 and is forecast to drop to 1.2x by end of 2017 assuming no major acquisitions are announced. The stock is currently trading at 18x FY17e Price/ Earnings, 9.5x EV/EBITDA and its 12 month target price is €36.04, suggesting 10.4% potential upside for investors if achieved.

From the News - Monday's Headlines

- **Europe** Macron set for sweeping majority in parliament
- **US** Markets await widely expect 25bps rate hike by the Fed
- **UK** May faces party showdown after disastrous election
- **Oil** Gulf states reconsider threat to expel Quataris
- **London** UK house prices climb to record even as sales slow in London

Current Stock Trading News

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

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
NA	NA	IAG AGM Inditex Q1	SIG ex div Morrisons AGM	Tesco Q1 & AGM
Economic	**Economic**	**Economic**	**Economic**	**Economic**
CH PMI, UK PMI, US Durable Goods	EC PMI, EC Retail Sales	EC GDP SA YoYm GE Factory Orders US FOMC Rate Decision	ECB Refi Rate,	CH PPI, UK Industrial Production

Upcoming Events

19/06/2017 NA	19/06/2017 EC Construction Output
20/06/2017 NA	20/06/2017 GE PPI
21/06/2017 NA	21/06/2017 UK Public Finances. US Mortgage Applications.
22/06/2017 NA	22/06/2017 EC Consumer Confidence.
23/06/2017 NA	23/06/2017 US Manf PMI. US New Home Sales.

Cantor in The Media

- CNBC Online: Alphabet profit soars on strong ad sales - Colin Gillis
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- The Guardian: Soaring tech stocks send Nasdaq to record high - Colin Gillis
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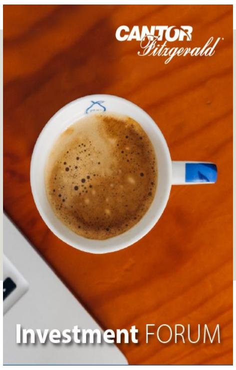

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

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.

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

Historical Record of recommendation

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.

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

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

Date of distribution

The first date of distribution is the same date as this report unless otherwise specified.

All regulatory disclosures pertaining to valuation methodologies and historical records of the above recommendations can be found on the Cantor Fitzgerald Ireland website here:

http://www.cantorfitzgerald.ie/research_disclosures.php

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