

CAPM Estimates of NZ Cost of Capital

OCR (Riskfree proxy)	5.00%				
CPI	5.10%				
Instrument	Liquidity	Example	Beta	Premium	Rate
BONDS/DEBT INSTRUMENTS					
Overnight Cash Rate	Hi	Reserve B Rate	-	0.00%	5.00%
90 Day Bank Bills	Hi	N.Z. Govt	0.05	0.15%	5.15%
One year Govt Stock	Hi	N.Z. Govt	0.10	0.30%	5.30%
Three year Govt Stock	Hi	N.Z. Govt	0.12	0.36%	5.36%
Five Year Govt Stock	Hi	N.Z. Govt	0.14	0.42%	5.42%
Ten Year Govt Stock	Hi	N.Z. Govt	0.15	0.45%	5.45%
High Grade Corporate Debt	Me - Lo	Listed utilities	0.75	2.25%	7.25%
Medium Grade Corporate Debt	Me - Lo	Listed manufs	1.00	3.00%	8.00%
Low Grade Corporate Debt	Lo	Property Bonds	1.25	3.75%	8.75%
Instrument	Liquidity	Example	Beta	Premium	Rate
LISTED EQUITIES					
Infrastructure Companies	Me -Hi	Akl Air, Contact	0.50	4.00%	9.00%
Print Media	Hi - Me	Fairfax	0.60	4.80%	9.80%
Manufacturers	Hi - Me	F&P	0.75	6.00%	11.00%
Retailers	Hi	Progressive	0.85	6.80%	11.80%
Equity Market Average All Coys	Hi	TENZ/NZSE	1.00	8.00%	13.00%
Financial Services	Me -Hi	ANZ	1.04	8.32%	13.32%
Auto industry & Related	Me -Hi	Ford/GM/etc	1.08	8.64%	13.64%
Technology sector	Lo	IT Capital	1.79	14.32%	19.32%
High Tech Start ups	Lo	Internet	1.80	14.40%	19.40%
Instrument	Liquidity	Example	Beta	Premium	Rate
PROPERTY EQUITY					
Commercial Property CBD	Me	Office blk	1.00	4.00%	9.00%
Commercial Property Fringe	Me - Lo	Office, 2 Storey	1.10	4.40%	9.40%
Commercial Property Provincial	Lo	Low rise office	1.15	4.60%	9.60%
Industrial Property Main Centre	Me	Plant/Warehse	1.10	4.40%	9.40%
Industrial Property Provincial	Lo	Plant/Warehse	1.15	4.60%	9.60%
Residential (Main Centre)	Me	Suburbs Hse	1.00	5.00%	10.00%
Residential Apartment	Me - Lo	Akl 2 - 3 brm	1.10	5.50%	10.50%
Residential House Rental	Me - Lo	Suburbs Hse	1.15	5.75%	10.75%
Residential (Provincial)	Me - Lo	Suburbs Hse	1.12	5.60%	10.60%
Rural Lifestyle	Lo	Three ha blk	1.15	5.75%	10.75%
Rural Traditional	Me	Farm	1.12	5.60%	10.60%
Rural New Venture	Lo	Hort blk	1.30	6.50%	11.50%
Instrument	Liquidity	Example	Beta	Premium	Rate
PRIVATE EQUITY					
Venture Capital Products Tert	Lo	Beauty Trtmnt	1.85	14.80%	19.80%
Venture Capital Products Sec	Lo	New Appliance	2.00	16.00%	21.00%
Venture Capital Products Pri	Lo	New Foodstuff	2.25	18.00%	23.00%
Venture Capital IT Comms	Lo	WAP Services	2.40	19.20%	24.20%
Venture Capital IT Software	Lo	ASP's / B2B	2.50	20.00%	25.00%
Venture Capital IT Internet	Lo	B2C	3.00	24.00%	29.00%