

Market Analysis

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Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

Shares offer good value . . . so will eventually yield above average returns as valuations recover from these lows. Market weakness offers an attractive opportunity to re-invest dividends and new savings at attractive prices. Remain fully invested in the recommended shares.

Investment Outlook.

It has certainly been an interesting month! Some investment advisers sent out "Updates" virtually every day, giving investors their insights to every up and down of the markets. We looked at what we wrote last month about investors protecting themselves from the market's emotional whirlwind and avoiding the media . . . so what more was there to add?

The current volatility and sell-off is interesting . . . and largely illogical. Standard & Poors *downgraded* US Treasuries from AAA to AA+, so investors sold off shares and commodities . . . to invest in US Treasuries (pushing up the US dollar, raising Treasury prices and lowering yields).

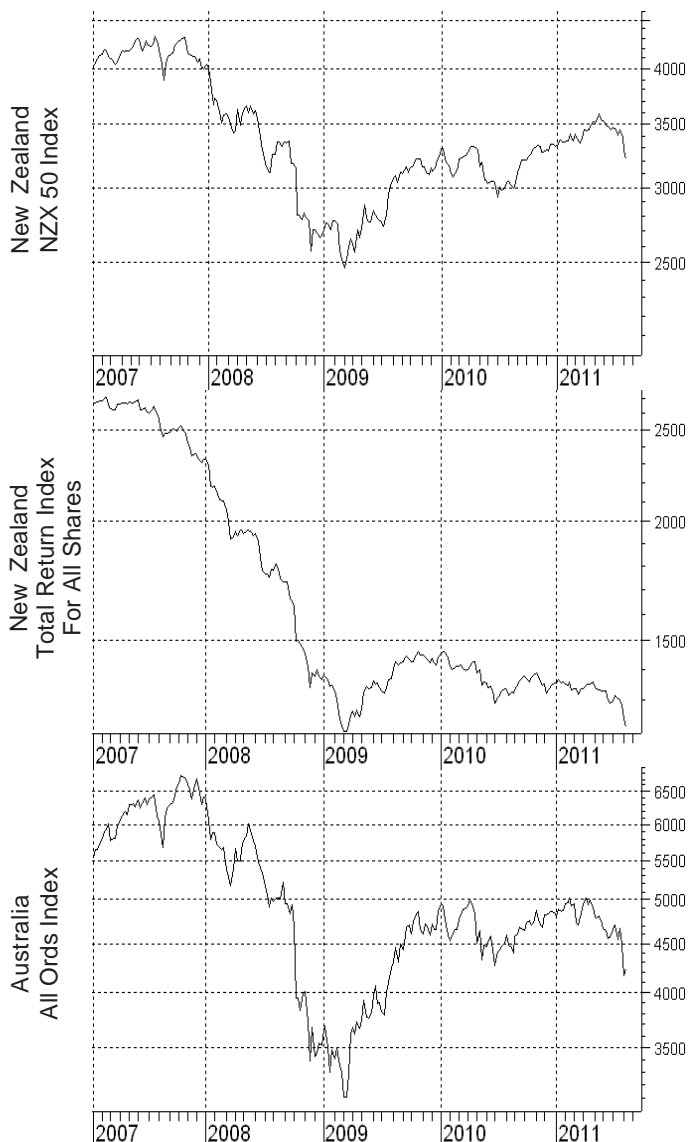
Warren Buffet believes US Treasuries should be rated AAAA (if there was such a rating). He believes the US government will always pay (or, at least, refinance and rollover) these debts . . . but his investment strategy avoids bonds and favours *equities* as he also knows the government will allow inflation to steadily erode the real value of this debt. Only *real* assets, like equities, provide protection from inflation over the longer term. Governments will do anything to avoid openly defaulting upon their debt . . . and just as certainly will "default by stealth", using inflation and devaluation to reduce its real value.

In fact, the problems in Europe could be easily "solved" *if* there wasn't a common currency. If Greece can't service its debts, then a significant currency devaluation "solves" the problem - lowering the real value of the debt and - just as importantly - the real incomes of the population (and the real value of the government's obligations to pay welfare benefits). Historically, devaluations were blamed on foreign investors who "didn't understand the strength of the economy" who were "speculating in government bonds" and "manipulating the exchange rate". With a common currency, there is not this option to devalue, so the more financially strong northern countries will probably need to subsidise the more

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Stockmarket Forecasts

	One-Month	One-Year
Australia:	47% (Neutral)	50% (Neutral)
New Zealand:	36% (Bearish)	39% (Bearish)



Performance Forecasts

"Performance Forecasts" are computer generated predictions of the relative future price performance of a company's shares over the next three to six months. Performance Forecasts are calculated for every listed NZ share (except Investment Trusts) on a rating scale using the letters "A" (Highest potential for capital appreciation over the next 3-6 months), "B" (Above Average), "C" (Average), "D" (Below Average) and "E" (Lowest). These predictions are NOT buy or sell recommendations, but can be useful to help time planned purchases or sales, or to identify shares worthy of further study and analysis.

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
AMP Limited	C	497	1.12	11	7.9	Just Water Int.	E	7.0	0.18	NE	Nil	Renaissance	C	13	0.03	15	Nil
AMP Office Trt	C	84	6.07	NE	8.4	Kathmandu Ltd	B	201	1.64	43	5.0	Restaurant Brds	B	235	0.71	10	10.3
Abano Health	B	423	0.50	85	7.1	Kermadec Prop.	B	62	6.13	10	4.8	Rubicon Limited	E	50	0.30	NE	Nil
Air New Zealand	C	112	0.29	15	8.9	Kingfish Ltd	A	91	N/A	8	9.5	Ryman Health	B	258	9.90	13	1.5
Akd Int Airport	B	218	7.28	64	5.4	Kirkcaldie & St	A	240	0.57	21	4.8	Salvus Strat.	B	75	N/A	NE	4.8
Allied Farmers	E	0.9	0.17	NE	Nil	Kiwi Property	C	99	5.03	NE	8.0	Sanford Limited	C	505	1.12	19	6.5
Allied Work.	A	185	0.50	15	7.9	L&M Energy	E	12	N/A	NE	Nil	Satara Co-op	E	55	0.21	NE	Nil
Argosy Property	B	78	4.62	16	2.2	Lytelton Port	B	210	2.46	24	3.0	Savoy Equities	D	0.4	N/A	NE	Nil
Barramundi Ltd	C	68	N/A	4	12.6	Mainfreight Grp	A	1005	0.74	23	2.8	Scott Tech. Ltd	B	137	0.99	12	5.5
Blis Technology	D	6.0	4.72	NE	Nil	Marlin Global	C	80	N/A	8	2.5	Sealegs Corp	E	13	1.02	NE	Nil
Briscoe Group	B	139	0.70	14	9.2	Mercer Group	E	7.0	0.09	NE	Nil	Seeka Kiwifruit	C	188	0.22	3	15.2
Burger Fuel	D	35	N/A	NE	Nil	Methven Limited	C	149	0.81	21	8.7	Skellerup Hold.	C	118	1.25	19	5.4
CDL Investments	C	29	7.90	25	5.9	Metro. LifeCare	C	195	3.80	4	Nil	Sky Network TV	C	575	3.02	22	3.5
Cavalier Corp	A	350	1.08	14	7.3	Michael Hill	B	90	0.78	13	4.4	Sky City Ltd	B	340	2.35	14	6.5
Cavotec MSL	C	266	1.17	21	1.5	Mid-Cap Index	C	206	N/A	NE	Nil	Smartpay NZ Ltd	D	15	0.38	NE	Nil
Charlie's Group	D	43	4.00	51	Nil	Millennium & C.	C	40	1.21	12	4.3	Smiths City	B	32	0.08	9	6.3
Clarifex Cap'l	E	0.5	0.27	NE	Nil	Mowbray Collect	E	50	1.66	NE	Nil	Sol. Dynamics	D	25	0.28	NE	Nil
Col Motor Co	B	231	0.17	15	9.3	NPT Limited	C	49	3.37	NE	9.2	South Port NZ	A	340	3.90	17	5.5
Comvita	A	169	0.58	13	2.5	NZ Exchange Ltd	B	220	5.25	28	6.5	Speirs Group	C	11	0.10	NE	Nil
Contact Energy	C	495	1.40	19	7.2	NZ Experience	A	38	1.34	9	9.4	Steel & Tube	B	248	0.57	13	8.6
Cynotech Hold.	E	0.9	0.17	NE	Nil	NZ Farming Sys.	D	66	4.60	NE	Nil	Sthn Travel	D	9.0	0.11	NE	Nil
DNZ Property	D	122	N/A	NE	5.3	NZ Finance Hold	D	3.5	0.08	NE	Nil	Tag Pacific Ltd	E	12	0.15	NE	Nil
Delegat's Group	C	200	0.91	47	5.7	NZ Oil & Gas	* N/R	63	2.50	NE	11.3	TeamTalk Ltd	B	212	1.52	12	13.5
Diligent Board	D	120	N/A	38	Nil	NZ Refining Co	D	325	3.64	39	Nil	Telecom Corp	B	245	0.89	11	9.8
Dorchester Pac	E	9.6	0.99	NE	Nil	NZ Wool Service	D	52	0.24	NE	Nil	Tenon Ltd	E	81	0.12	NE	Nil
Ebos Group Ltd	C	665	0.25	14	6.7	NZ Windfarms	E	15	9.22	NE	Nil	Tourism Hold.	C	62	0.43	12	9.2
Ecoya Ltd	C	94	3.37	NE	Nil	NZ Wine Company	D	119	0.79	NE	2.4	Tower Limited	C	143	0.62	6	10.0
F & P Appliance	C	56	0.36	12	Nil	NZSX 50 Port.	E	128	N/A	NE	Nil	Training Sol.	D	0.1	N/A	NE	Nil
F & P Health.	C	224	2.30	18	7.8	NZSX 10 Fund	D	87	N/A	NE	Nil	Trust Power Ltd	C	715	2.94	20	7.3
Finzsoft Sol'ns	C	33	0.40	5	Nil	NZX Aust MidCap	D	480	N/A	NE	Nil	Turners & Grow.	B	173	0.23	16	3.5
Fletcher Build.	C	762	0.68	17	4.6	New Image Group	C	23	0.66	7	9.3	Turners Auction	B	136	0.53	12	11.6
Freightways Ltd	A	326	1.52	17	6.1	Northland Port	A	150	N/A	20	5.2	Vector Ltd	C	230	1.93	12	8.7
Genesis Res.	C	6.0	0.68	NE	Nil	Nuplex Indust	C	240	0.32	6	8.8	Velo Capital	D	3.0	0.41	NE	Nil
Goodman Prop.	B	96	6.52	24	8.1	Opus Int'l Cons	B	200	0.76	13	5.5	Vital Health PT	B	109	5.51	21	8.7
Guinness Peat	C	64	0.09	2	2.4	Ozzy (Tortis)	D	335	N/A	NE	Nil	WN Drive Tech.	D	20	0.48	NE	Nil
GuocoLeisure	C	60	1.55	12	2.6	PGG Wrightsons	D	46	0.30	14	Nil	Wakefield Hlth	B	510	0.95	15	4.2
Hallenstein G.	C	350	1.01	11	6.9	Pac Edge Bio.	E	22	N/A	NE	Nil	Warehouse Group	B	336	0.63	13	10.2
Heartland BS	E	58	N/A	NE	Nil	Pharmarcybrands	C	55	5.12	NE	Nil	Widespread P/N/R	D	15	7.14	1	Nil
Hellaby Hold.	B	220	0.83	12	5.2	Pike River Coal	D	88	N/A	NE	Nil	Windflow Tech.	D	50	0.25	NE	Nil
Heritage Gold *	N/R	2.2	N/A	NE	Nil	Port Tauranga	A	910	8.24	27	4.6	Wool Equities	E	15	N/A	NE	Nil
Horizon Energy	B	375	3.02	16	6.5	Postie Plus Grp	D	22	0.08	15	Nil	World Index Fd	D	97	N/A	NE	Nil
Infratil NZ	C	172	0.48	16	5.6	Property F Ind.	B	116	7.73	25	7.1	Xero Ltd	D	240	N/A	NE	Nil
Insured Group	D	3.0	0.40	NE	Nil	Pumpkin Patch	C	98	0.43	6	13.8	Zintel Comm.	D	26	0.24	27	5.5
Inv Research Gr	E	0.7	1.71	NE	Nil	Pyne Gould Corp	C	35	1.32	12	Nil	Ave of 133 Cos	C	158	0.39	18	3.8
Jasons Media	D	25	0.36	10	Nil	Rakon Ltd	E	86	0.86	19	Nil						
AGL Energy Ltd	B	1378	0.94	17	4.3	Crown Ltd	A	820	2.64	21	4.5	OZ Minerals Ltd	B	1186	3.40	7	0.6
AMP Ltd	B	398	1.07	11	7.5	DUET Group	A	158	1.20	10	12.7	Oil Search Ltd	B	627	N/A	43	1.3
ANZ Bank	C	1992	1.62	11	6.3	David Jones	C	263	0.65	8	11.4	Onesteel Ltd	B	138	0.30	7	8.0
APA Group	B	380	2.08	21	5.5	Deutsche Div Tr	B	131	6.10	14	7.1	Orica Ltd	B	2444	1.52	7	3.9
ASX Limited	C	2890	6.83	15	6.0	Dexus Property	C	75	5.05	NE	6.8	Origin Energy	B	1388	1.47	21	3.6
Adelaide Bright	B	252	1.49	11	6.5	Downer EDI Ltd	B	364	0.22	NE	8.0	Paladin Energy	D	222	6.96	NE	Nil
Alacer Gold	D	945	N/A	NE	Nil	DuluxGroup Ltd	A	253	1.20	15	1.2	Panaust Ltd	B	363	3.66	15	Nil
Alumina Ltd	B	182	N/A	NE	3.4	Energy World	B	65	9.61	45	Nil	Perpetual Ltd	B	2199	1.89	11	7.5
Amalgamated Hld	A	544	1.07	9	6.8	Envestra	A	66	2.39	25	8.3	Platinum Asset	B	365	8.25	15	6.0
Amcor Ltd	A	647	0.80	43	4.6	Extract Res.	C	736	N/A	NE	Nil	Premier Invest	B	538	0.92	16	6.7
Aneka Tambang	C	125	N/A	NE	Nil	Fairfax Media	B	76	0.71	6	3.3	Primary Health	B	288	1.09	11	8.7
Ansell Ltd	A	1314	1.40	14	2.3	Flight Centre	B	1845	1.03	13	3.8	Q.B.E. Insur.	B	1319	0.89	11	9.7
Aquarius Plat.	B	367	3.21	48	1.6	Fortescue Metal	B	594	5.12	28	Nil	Qantas Airways	C	152	0.25	31	Nil
Aquila Res.	E	573	N/A	NE	Nil	Foster's Group	B	491	2.12	13	2.4	REA Group Ltd	A	1074	7.10	28	1.5
Argo Investment	B	538	N/A	19	4.8	GPT Group	A	284	6.37	12	5.7	Ramsay Health	B	1663	0.99	23	2.6
Aristocrat Leis	B	219	1.72	15	2.3	Gloucester Coal	C	861	3.12	22	Nil	Reece Australia	A	1930	1.27	17	2.7
Asciano Limited	B	156	1.60	24	Nil	Goodman Group	B	61	6.44	NE	5.6	Regis Resources	C	277	N/A	NE	Nil
Atlas Iron Ltd	C	373	N/A	NE	Nil	Goodman Fielder	B	87	0.45	7	12.4	Rio Tinto Ltd	B	7152	0.51	2	1.5
Austar United	B	102	1.81	13	Nil	Graincorp	A	700	0.70	17	3.6	S/Tracks ASX200B	B	3906	N/A	13	3.5
Australand Prop	B	228	1.76	8	9.0	Harvey Norman	B	195	1.54	9	7.2	SP Ausnet	B	88	1.61	9	9.1
Aust Foundation	B	416	N/A	18	5.0	Henderson Group	B	215	5.63	35	4.6	Santos Ltd	B	1170	4.59	20	3.2
Aust Infra.	B	184	N/A	6	5.4	IOOF Holdings	B	563	1.75	19	3.2	Seek Ltd	B	589	7.04	22	2.0
BHP Billiton	B	3821	2.17	9	2.6	Iluka Resources	B	1546	6.66	NE	0.5	Seven Group	B	746	4.24	NE	2.4
BWP Trust	A	167	9.02	8	7.3	Incitec Pivot	B	367	2.04	15	2.1	Seven West Med.	B	277	1.56	7	16.2
Bank of Q'land	C	744	0.72	10	7.0	Insurance Aust.	B	298	N/A	28	4.4	Sims Metal Mgmt	B	1440	0.39	23	2.3
Beach Energy	B	97	2.16	32	1.8	Investa Office	B	57	7.34	37	6.8	Sonic Health	A	1129	1.46	15	5.2
Bendigo Bank	C	832	0.83	9	7.2	Iress Mkt Tech	A	807	5.56	20	4.3	Soul Pattinson	A	1210	3.51	13	2.8
Billabong Int'l	C	506	0.86	9	7.1	JB Hi-Fi Ltd	B	1590	0.53	14	4.8	Spark Infrastru	A	126	5.76	21	10.8
Bluescope Steel	B	91	0.19	13	5.5	James Hardie	D	518	1.90	NE	Nil	Steamships Trad	A	3000	3.00	17	1.3
Boart Longyear	D	342	1.43	NE	Nil	Kingsgate Cons.	B	850	4.83	12	4.1	Sth Cross Media	B	118	1.19	24	8.2
Boral Limited	C	375	0.50	NE	3.6	Leighton Hold	B	1985	0.42	10	7.6	Stockland	B	268	2.70	8	8.8
Bradken Ltd	A	790	1.11	19	4.3	Lend Lease Grp	A	827	0.44	14	3.9	Suncorp Group	B	686	0.56	11	5.1
Brambles Ltd	A	640	1.96	18	3.9	Linc Energy Ltd	C	217	N/A	NE	Nil	Sundance Res.	C	47	N/A	NE	Nil
Brickworks Ltd	B	911	2.04	10	4.4	Lynas Corp Ltd	C	198	N/A	NE	Nil	TPG Telecom Ltd	A	141	1.95	18	2.8
Brookfield P P	A	300	N/A	57	Nil	MAP Group	A	313	5.79	NE	10.7	Tabcorp Holding	B	308	0.45	4	17.9
C'wth Prop Off.	A	85	6.41	15	6.5	Macarthur Coal	A	1524	5.78	31	1.6	Tatts Group Ltd	B	223	0.87	27	9.4
C.S.R. Ltd	B	244	0.65	14	3.4	Macquarie Group	B	2358	0.70	8	7.9	Telstra	A	305	1.52	10	9.2
CFS Retail Prop	B	158	6.35	13	7.9	Medusa Mining	B	714	N/A	18	Nil	Ten Network	B	92	0.96	10	6.6
CGA Mining Ltd	B	254	4.75	40	Nil	Mesoblast Ltd	C	777	N/A	NE	Nil	Toll Holdings	B	406	0.41	10	6.2
CSL Limited	B	2917	4.05	17	2.7	Metcash Ltd	A	384	0.24	12	8.3	Transfield Serv	A	305	0.40	17	4.6
Caltex Austrlia	B	1010	0.15	9	5.9	Milton Corp.	A	1490	N/A	19	5.1	Transurban Grp	A	499	6.95	64	5.4
Campbell Bros	A	4426	2.70	23	3.2	Mineral Res.	A	1099	5.67	18	1.8	UGL Limited	B	1250	0.49	14	5.1
Carsales.com	B	441	8.29	24	3.4	Mirabela Nickel	D	172	4.0								

Recommended Investments

CDL Investments reports revenues down 32.3% to \$3.7 million for the half year to 30 June 2011, with profits down 28.4% at \$1,206,000 (0.5 cent per share). The company does not pay interim dividends.

There was a small operating cash deficit of \$179,000 - compared with a surplus of \$1.6 million for the same period last year.

The full year result is expected to be ahead of 2010

- owing to a "notable" increase in sales at the Ashmore (Hamilton) and Millgate (Rolleston) subdivisions during the second quarter which will be settled (i.e. recognised as revenue and profits) in the second half of the year. In addition, the new Brookfield Estate (Hawkes Bay) and CrestView (Auckland) subdivisions have "just been released and both have already attracted positive interest".

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Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation Code	Initial Recommendation - Date -	Initial Recommendation Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<u>NZ Shares</u>													
BUY	CDL Investments Ltd	CDI	12/01/99	25	C	252.8	1.5	7.90	25	5.9	29	20.3	+97%
BUY	Cavalier Corporation	CAV	05/12/95	156*	A	67.8	1.0	1.08	14	7.3	350	267.0	+296%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	B	32.7	0.5	0.17	15	9.3	231	325.3	+335%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	B	102.3	0.7	2.46	24	3.0	210	77.7	+92%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	B	382.5	0.9	0.78	13	4.4	90	33.4	+2368%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	523*	C	192.2	1.1	0.32	6	8.8	240	398.0	+22%
HOLD	Postie Plus Group	PPG	08/05/06	71	D	40.0	2.0	0.08	15	Nil	22	8.5	-57%
HOLD	Renaissance Corp	RNS	13/08/96	85*	C	45.7	3.1	0.03	15	Nil	13	53.9	-21%
HOLD	Smiths City Group	SCY	09/10/06	64	B	53.0	1.5	0.08	9	6.3	32	15.0	-27%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.5	3.90	17	5.5	340	139.8	+300%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	B	88.4	0.8	0.57	13	8.6	248	245.6	+238%
<u>Australian Shares</u> (in Aust cents)													
HOLD	AJ Lucas Group	AJL	13/05/03	120	C	65.3	0.7	0.25	NE	4.1	135	41.0	+47%
BUY	Atlas South Sea Pearl	ATP	14/05/96	73	B	136.4	2.4	0.89	5	Nil	9	17.5	-63%
HOLD	Campbell Brothers Ltd	CPB	12/10/99	389*	A	67.5	0.2	2.70	23	3.2	4426	679.0	+1212%
BUY	Cardno Ltd	CDD	14/12/09	399*	A	90.5	0.4	0.99	13	5.6	520	45.6	+42%
HOLD	Cellnet Group Ltd ¹	CLT	12/02/02	147*	B	73.5	1.3	0.29	19	Nil	30	33.4	-54%
HOLD+	Chandler Macleod Group	CMG	14/08/01	51*	B	467.9	1.3	0.15	15	5.3	38	21.7	+17%
HOLD+	Circadian Technologies	CIR	10/02/04	188	C	45.2	1.0	10.38	NE	Nil	52	65.0	-38%
BUY	Clarius Group Ltd	CND	08/04/03	82*	B	85.8	1.0	0.17	15	3.7	54	67.5	+48%
BUY	CPT Global Ltd	CGO	10/03/08	88	B	36.9	0.9	0.52	NE	Nil	53	8.8	-30%
BUY	CSG Limited	CSV	11/10/10	175	B	269.9	0.9	0.86	8	5.6	98	2.5	-43%
BUY	Customers Ltd	CUS	11/07/11	83	B	135.5	1.0	0.90	6	10.3	78	Nil	-6%
HOLD+	Devine Ltd	DVN	13/11/06	84*	C	634.9	1.6	0.23	16	4.8	21	18.9	-53%
BUY	Elex Medical Lasers	ELX	14/03/06	49	B	84.9	1.9	0.25	3	Nil	15	Nil	-70%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	A	32.2	0.7	1.76	10	6.7	128	26.8	-41%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	162.5	0.8	0.92	6	8.6	87	11.0	-8%
HOLD	Iluka Resources Ltd	ILU	12/10/04	471	B	415.5	0.3	6.66	0	0.5	1546	72.0	+244%
BUY	Integrated Research	IRI	14/01/08	40	A	166.8	1.2	1.50	10	7.5	34	11.5	+13%
HOLD	Mnet Group ¹	MNZ			C	208.3	4.1	0.64	NE	Nil	2.9	Nil	
HOLD	M2 Telecommunications	MTU	09/10/06	33	A	121.5	0.5	0.88	22	3.4	295	30.5	+886%
BUY	Melbourne IT	MLB	10/02/04	53	A	80.0	0.6	0.70	8	9.0	167	67.0	+342%
BUY	Nomad Building Solutio	NOD	16/08/10	13*	C	241.7	2.3	0.08	1	Nil	11	Nil	-19%
BUY	Novarise Renewable Res	NOE	14/03/11	25	B	399.3	1.7	1.18	6	4.5	22	Nil	-12%
BUY	Penrice Soda Holdings	PSH	11/07/11	17	B	91.4	1.7	0.10	3	Nil	18	Nil	+6%
BUY	Probiotec Ltd	PBP	11/02/08	116	A	52.8	1.2	0.27	4	9.1	39	9.3	-59%
HOLD+	Prophecy International	PRO	08/09/08	26	B	47.2	1.7	1.68	25	13.9	18	7.3	-3%
HOLD+	Skilled Group Ltd	SKE	12/03/02	126	B	222.5	0.6	0.22	30	Nil	197	132.0	+161%
HOLD	Technology One Ltd	TNE	11/11/03	44	A	300.3	0.7	2.29	17	4.1	104	27.3	+197%
HOLD+	TFS Corporation Ltd	TFC	08/01/07	45	B	238.9	0.8	1.53	5	6.1	78	14.2	+105%
BUY	The Reject Shop Ltd	TRS	11/01/05	257	B	26.0	0.3	0.53	11	7.0	961	271.5	+380%
HOLD	Village Roadshow	VRL	10/08/09	77	B	166.5	0.5	0.30	6	Nil	304	129.0	+462%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +188.0%. This is equal to an average annual rate of +25.3%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 40 current and 152 closed out) is +29.3%, compared with a market gain of +3.8% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

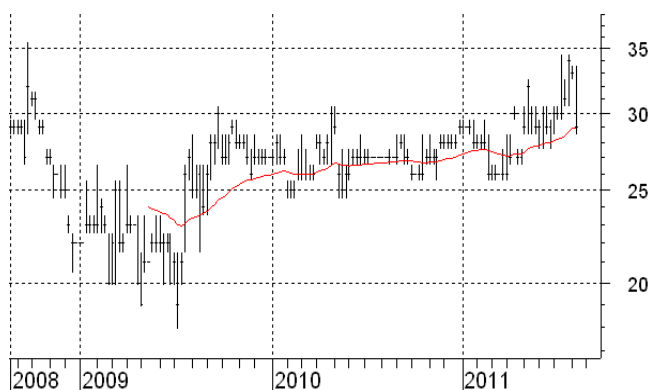
* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

(1) Cellnet Group includes 1½ shares in Mnet Group distributed to shareholders.

Recommended Investments

(Continued from Page 3)

CDL Investments



Cavalier Corporation's 50% owned Cavalier Wool Holdings received approval from the **Commerce Commission** to seek to acquire the wool scouring business of **Wool Services International** but this has been challenged by carpet maker, **Godfrey Hirst**, and the appeal will be heard in the High Court on 22 August. The Wool Services International directors also oppose selling the company's wool scouring business - but its two biggest shareholders (owning a controlling 64%) are in receivership - so control of the company (i.e. the ability to replace the directors and approve the sale of assets) is in the hands of receivers or any new party who buys those shares from the receivers.

Cavalier Corporation



Renaissance Corporation is to repurchase 604,470 shares from its former Managing Director P Johnston in exchange for cancelling a \$355,000 loan. In April 2004 the company issued Johnston with 500,000 options to acquire shares at 67 cents, but these were not exercised as the share price was 55 cents. In May 2008, shareholders approved issuing the 500,000 shares (then worth \$275,000) in return for the non-interest bearing loan (of \$355,000), repayable on 31 May 2011.

Apparently Johnston is "unable to repay the loan" and has "no other assets" other than the 500,000 shares subject to the loan and a further 104,470 shares. In this circumstance, repurchasing of the shares (worth about \$97,000) by cancelling the loan is the best outcome for the company.

Has the company suffered any loss on this? Yes and No. In May 2008 the company issued 500,000 shares

and will now repurchase 604,470 shares - with no cash changing hands. So perhaps the company has *gained* by repurchasing a net 104,470 shares at no cost. A better way to view this is the company *could* have placed those 500,000 shares with investors in May 2008 and received around \$275,000 in cash. Repurchasing 604,470 shares on-market now would cost about \$97,000 - so there is an economic cost of about \$178,000.

The only thing that confuses us is: Why was a person who is unable to manage his own financial affairs (i.e. who has had little or no net wealth and now has a *negative* net worth) appointed to manage the financial affairs of the company? Probably for the same reason that many investors trust their life savings to financial advisers who have had the same lack of success managing their own finances!

Steel & Tube Holdings lifted revenues 1.5% to \$385.8 million over the year to 30 June 2011, but profits recovered 72.1% to \$17,041,000 (19.3 cents per share). A final dividend of 9.0 cents (plus full imputation tax credits) lifts the annual dividend 76.5% to 15.0 cents.

The net operating cash surplus was 48% lower at \$13.9 million.

The company has a strong balance sheet and strong cashflows.

Steel & Tube Holdings



Australian Shares

(This section is in Australian currency, unless stated.)

AJ Lucas Group (in voluntary suspension, pending re-financing initiatives) has provided an update of operations for its 40.9% owned **Cuadrilla Resources**. Fraccing in the **Bowland Basin** remains suspended pending a seismic report expected by early September. Fraccing of the first three (of 12) stages at the **Preese Hall 1** well produced "satisfactory amounts of gas" before being plugged to test gas flows from stages 4 and 5. Drilling of the **Grange Hill 1** well has been completed, with preliminary core analysis indicating "similar gas content to **Preese Hall 1** over a thicker series of possible pay zones". The drilling rig will begin the **Beconsall 1** well this month.

In Hungary, Cuadrilla Resources completed the **BA-E-1** well, earning it a 29.33% interest in **DHH** (an exploration subsidiary of **Delta Hydrocarbon BV**) which owns a 75% interest in the 33,000 acre **Ba-IX Mining Block**. Initial well testing shows "satisfactory flow rates of gas and small amounts of condensate" with "an extended production test into a sales pipeline, beginning

almost immediately". Gas and condensate production is expected before the end of 2011. Cuadrilla Resources has an option to increase its interest in DHH to 58.67% by completing a second well.

Campbell Brothers predicts its first half profit (to September 2011) will be 36-43% higher at \$90-95 million. Earnings for the half year would be 27-34% higher at 133-140 cents per share. For the first 15 weeks of the new financial year the company reports mineral samples up 40% and environmental samples up 9%.

Campbell Brothers has released more information about recently acquired **Stewart Group**. The business generates annual revenues of \$60 million, so was acquired on a Price/Sales ratio of 3.7. That is not cheap, but in line with Campbell Brothers' own P/S ratio of 2.7. This acquisition was financed through the US Private Placement of US\$235 million of 8 and 11 years bonds at a fixed interest rate of 4.72%. That increases interest bearing debts to around \$420 million (although net debt is around \$325 million) with undrawn bank facilities of \$100 million.

The acquisition gives Campbell Brothers entry into the *Inspection and Analysis* of traded commodities, with existing operations in Rotterdam (the "shipping gateway to Europe") and the United Kingdom. Campbell Brothers sees the potential to expand in this business in South America, Australia and China. Stewart Group also owns **G & T**, a small metallurgical business in British Columbia, Canada. This will be used to "accelerate the globalisation" of the group's ALS Ammtec metallurgical business.

Campbell Brothers



Cellnet Group has made an undisclosed, but "not material", cash investment to acquire a "strategic interest" (plus options to increase that shareholding) in **Off Your Trolley**, an online discount grocery retailer launched in March this year. Off Your Trolley will use the new cash to "broaden its product range, upgrade its online platform and expand its marketing strategy". The business offers a wide range of products at 10-80% discounts from *Recommended Retail Prices* with a flat Australia-wide delivery fee (currently \$12) per order.

Cellnet Group has also been "contracted to provide warehousing, distribution and logistics services" to Off Your Trolley. Cellnet Group has issued a total of 1,500,000 options to two Off Your Trolley founders who will be able to buy Cellnet shares at 60 cents in July 2014, subject to Off Your Trolley achieving certain

performance targets which would be "materially value accretive to Cellnet".

Chandler Macleod Group reports revenues 43.0% higher at \$1,168.5 million for the year to 30 June 2011, with *trading* profits up 24.7% at \$12,051,000 (2.6 cents per share). This includes six months' contribution from the acquisition of **Ross Human Directions** and a full year's revenue from that business will add a further \$200 million to future annual revenues. A final dividend of 1.20 cents will lift the annual dividend rate 48.1% to 2.0 cents.

The net operating cash surplus increased 3½ fold to \$47.2 million.

The company has "made a good start to the current year", has a "strong pipeline of recent tender wins" which begin this quarter and believes it is winning market share from smaller competitors. It expects "efficiency gains from the new operating system" in the second half of the year and is "projecting continued strong cashflows".

Interest bearing debts are \$62.1 million (i.e. up \$38.0 million), mainly as a result of the \$42.7 million cash (and \$17.9 million in shares) paid to acquire Ross Human Directions and the re-purchase of 20,350,000 shares for \$10.3 million (which will eventually be re-issued under the Senior Executive Share Plan). Strong cashflows should help to further reduce debt levels. The company also has \$68.0 million in undrawn borrowing facilities.

Chandler Macleod Group has "led a consortium" which has acquired an 86% interest in Indonesian based **Advance Career International** (ACI) for \$850,000. The remaining 14% is owned by ACI's Managing Director. ACI has almost 4000 white collar contractors working mainly in banking and telecommunications, plus 47 staff. Earnings for the 2012 financial year are forecast at \$0.5-1.0 million, valuing this acquisition on a low Price/Earnings ratio of about 2-4.

Chandler Macleod Group



CSG Limited has been awarded the contract to manage nearly 4,000 print devices and annual volumes of 88 million pages for the **University of Sydney**. The five year contract will be rolled out across all campuses with development of a standard cost recovery system integrated with the university's student card.

Customers Ltd has acquired *merchant contracts* to operate ATMs at 124 sites previously serviced by **Aussie ATM**, part of **MyATM Holdings** which listed on the Australian stockmarket in January this year. The vendor is restructuring and (Continued on Page 6)

Recommended Investments

(Continued from Page 5)

rationalising its business and will relocate its existing ATMs (which are owned by third party investors) to new sites, with Customers supplying and installing its own ATMs at each location.

This acquisition - probably at a relatively nominal cost - will be debt funded and will add slightly to group earnings.

Ellex Medical Lasers predicts a 10% fall in revenues for the year to June 2011. 8% of this reflects the strength of the Australian dollar, with a 2% drop in actual sales volumes. This is forecast to result in a "break-even or small loss" for the year.

Ellex Medical Lasers



Finbar Group plans to retain the office and commercial real estate of four projects as long term property investments:

The completed \$70 million *Gateway* office building (64% owned) is expected to generate annual rentals of \$5.2 million and is currently 93% leased with the head tenant taking occupancy in July.

The company will retain 100% ownership of the *Fairlanes Offices* (i.e. the 5 and 6 levels of offices below the two *Fairlanes Residences* towers), due to be completed this financial year. These are valued at \$52 million and expected to generate rental income of \$4.1 million annually.

The ground floor retail and office lots in the *Pelago West* (due to be completed in 2013) and *Pelago East* (completion expected in 2014) in Karratha will be retained. These properties (value \$25 million, rental \$2 million annually) will be 100% owned.

Finbar Group will also retain full ownership of the *St*

Finbar Group



Marks Heritage - which will be refurbished in 2012 and 2013. This \$5 million property is expected to produce \$350,000 in annual rentals.

Overall these projects will give the company \$127 million (61 cents per share) in long term property investments and annual rental income of \$9.8 million (4.7 cents) and change the company from a property developer to a property developer and investor.

Iluka Resources has upgraded its forecast production volumes for the current year ending 31 December 2011. Total forecast volumes have been upgraded 10% from 1,400 thousand tonnes (predicted in February 2011) to 1,545 thousand tonnes.

Production costs will be higher - reflecting the higher volumes - but unit production costs will be steady at around \$560/tonne. Capital expenditure will be 70% higher at \$170 million as the company expands production to take advantage of a supply shortage and higher mineral sands prices.

For the six months to 30 June 2011, mineral sands production rose 16.7% to 795.3 thousand tonnes. Cash production costs fell 5.8% to \$549/tonne, while revenues increased 48.8% to \$1,164/tonne. Gross margins (i.e. before interest, depreciation and overheads) would therefore have increased 3-4 times. That should lift the first half result from a small loss last year to a net profit of around \$200 million (50 cents per share).

With sales prices rising a further 50-70% in the second half of the year, higher production volumes and lower costs, the annual net profit could be around \$750 million (180 cents per share). That is up on the \$470 million we estimated last month and we shall update this estimate as additional information is released by the company.

Iluka Resources is to re-start mining at the *Eneabba* mining area (which was closed in mid-2010) and upgrade and re-start its third synthetic rutile kiln for at least three years. This will "create significant value from modest capital expenditure". Mining will restart at the end of 2011 and processing in the first quarter of 2012. Capital expenditure of \$35 million will be made to recommence mining, upgrade the *Narngulu* mineral processing plant (by 300 thousand tonnes annually) and on major maintenance of the number 3 synthetic rutile kiln. This will raise the groups' total synthetic rutile production over 50%, Zircon production 5% and Rutile production about 10% from early 2012.

Iluka Resources



Iluka Resources has signed a farm-in agreement with **ERO Mining** under which Iluka Resources will earn a 51% interest in eight mineral sands tenements on incurring \$150,000 in exploration over the next year, increasing to an 80% interest on spending a further \$150,000 in the second year. ERO Mining will retain the rights to other minerals, plus additional payments and royalties if Iluka Resources decides to mine.

Nomad Building Solutions has won two additional contracts for **Rio Tinto's** Pilbara iron ore expansion projects. Under a \$6.3 million contract the company will design and manufacture 120 accommodation rooms and four laundries for the **Western Turner Brockman Project**, with delivery due by 30 September this year. Nomad Building Solutions has entered a joint venture with **Austral** to manufacture and assemble some of these buildings using Austral's "skilled workforce and high-tech manufacturing facility" at the *Australian Marine Complex*.

The second \$2.5 million contract is to design and manufacture administration, communication and recreational facilities for the **Cape Lambert Port "B" Project**, with delivery by the end of October.

The company states that its restructuring, new management and improved internal processes have "strengthened the design, estimating, scheduling and project management capabilities of the business" and that it is "well positioned to win a significant ongoing share of this type of work in the future".

Nomad Building Solutions has formally completed the extension of its bank credit facilities through to 31 August 2012.

To become a successful "recovery" investment, Nomad Building Solutions needs simply to survive, win a reasonable volume of new business and improve its operations to return to profitability. The company appears to be achieving those goals, although the share price remains depressed. "Buy".

Nomad Building Solutions



Novarise Renewable Resources reports June quarter receipts of \$21.9 million. That is up 29% on the June 2010 quarter and up 45% on the March 2011 quarter.

Penrice Soda expects to announce a *loss* of around \$1.5 million for the year to June 2011. This *excludes* a further loss of \$3.0 million which will be covered by an insurance payout in the new financial year. This is in line with forecasts made in May. In addition, the company

will write-down asset values by \$20-25 million (after tax), but this is a non-cash accounting entry.

The company has announced a "strategic review" to "reduce debt" and "improve operating performance". This will initially involve (1) reducing staff numbers by 10% (mainly at its corporate centre and Chemical business), saving \$2 million annually, (2) reviewing pricing policies, with price increases for its export business, improving margins from October and adding about \$2 million to revenues and (3) a major drilling programme (to be completed by April 2012) at its mine to "better understand and value the mine to JORC compliance" and then develop a new mine plan. Of course, raising export prices to match higher market prices should be considered regular day to day management rather than a strategic review!

The company has concluded "in-principle" its banking agreements through to March 2013, with an additional \$10 million working capital facility to September 2012.

Penrice Soda completed a kiln reline at the soda ash plant in July, increasing output and reliability, with a second kiln reline planned this half year. It has begun supplying a new Japanese customer with premium grade sodium bicarbonate and started supplying the *Urban Superway Joint Venture* with "large quantities of civil products for the construction of the *South Road Superway* project". A pilot plant to extract salts and purify water from coal seam gas extraction projects is expected to be constructed and operational in the current financial year.

The company also plans to improve margins with a new sodium bicarbonate packaging line, lower electricity costs (following a competitive tender) and "new briquetting technology" to reduce the cost of kiln fuels.

Penrice Soda estimates the new carbon tax, effective from 1 July 2012, would cost it around \$6 million (after tax), without any assistance. The company, however, is an "emission intensive trade exposed (EITE) entity" which should entitle it to the government's maximum 94.5% "assistance". That will reduce the net carbon tax cost to about \$500,000.

London City Equities has been successful in gaining access to Penrice Soda's documents relating to hedging losses, superannuation benefits shortfall, total debt, accounting treatment of aggregates and landfill, profit and dividend forecasts for 2008-2010. London City Equities is seeking to take action against the directors and has also sold 1,503,016 shares, reducing its holding from 8.29% to 6.65%.

Prophecy International Holdings has announced the acquisition of the business of **Intersect Alliance** for about \$2.4 million (i.e. 3,000,000 Prophecy International shares plus almost \$2 million in cash). The company's *Snare Server* security software provides "event monitoring, log collection, analysis, reporting and archiving for future audit" for large commercial and government organisations. The software is already used by "thousands of organisations worldwide", "recognised as leaders in their field" and Prophecy International sees "a very large potential for expansion through news sales and marketing activities". This new business (*Continued on Page 8*)

Computer Selections of NZ Shares based upon our Comprehensive Share Selection Criteria

For an explanation of this table see the *Share Selection Methods* report available from our website. These shares are not formal “buy” and “sell” recommendations, but the “Under-Valued”, “Best Performing” and “Income” shares should be considered for purchase, while the “Over-Valued” and “Worst Performing” shares can generally be sold to release money for re-investment in more attractive shares.

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price to Earnings	Dividend Yield	Price to Sales	Market Cap'n	
	Share Price	Cur. rent	4-Wk Chg.	Rank	Buy/Sell								
UNDER-VALUED SHARES: Lowest Price/Sales, Yld>0, Rel Strength>0													
Smiths City	32	+2.8	+0.2	21	8-0	-0.4	4	1.4	9	6.3	0.08	17	
Col Motor Co	231	+1.0	-1.8	35	0-0	-0.6	4	0.5	15	9.3	0.17	76	
Turners & Grow.	173	+5.5	-2.0	14	1-0	-0.7	4	0.8	16	3.5	0.23	195	
Allied Work.	185	+19.5	+1.4	1	0-0	-2.5	16	0.8	15	7.9	0.50	48	
Steel & Tube	248	+2.0	-2.5	27	3-0	-1.4	11	0.8	13	8.6	0.57	219	
Comvita	169	+3.2	+0.1	19	8-1	-0.7	5	0.8	13	2.5	0.58	48	
Briscoe Group	139	+2.0	-1.9	26	4-0	-2.2	16	0.7	14	9.2	0.70	295	
Restaurant Brds	235	+0.1	-1.7	38	0-0	-3.9	41	0.6	10	10.3	0.71	230	
Mainfreight Grp	1005	+12.9	-0.8	3	0-6	-3.2	14	0.5	23	2.8	0.74	990	
Opus Intl Cons	200	+1.8	-4.1	29	0-0	-2.9	23	0.8	13	5.5	0.76	284	
Michael Hill	90	+4.2	-1.6	16	1-2	1	2.2	17	0.9	13	4.4	344	
Hellaby Hold.	220	+4.3	-2.6	16	1-0	-3.4	27	1.3	12	5.2	0.83	160	
Telecom Corp	245	+9.8	+2.1	4	0-1	3	1.9	16	0.7	11	9.8	4,706	
Delegat's Group	200	+0.3	-2.8	37	0-0	-1.5	3	0.7	47	5.7	0.91	201	
Scott Tech. Ltd	137	+6.2	-0.9	13	0-0	-2.0	16	0.8	12	5.5	0.99	54	
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Allied Work.	185	+19.5	+1.4	1	0-0	-2.5	16	0.7	15	7.9	0.50	48	
Telecom Corp	245	+9.8	+2.1	4	0-1	3	1.9	16	0.6	11	9.8	4,706	
Finzsoft Solns	33	+6.7	+1.0	10	0-0	-0.9	19	0.9	5	Nil	0.40	3	
Scott Tech. Ltd	137	+6.2	-0.9	13	0-0	-2.0	16	0.7	12	5.5	0.99	54	
Turners & Grow.	173	+5.5	-2.0	14	1-0	-0.7	4	0.6	16	3.5	0.23	195	
Hellaby Hold.	220	+4.3	-2.6	16	1-0	-3.4	27	1.1	12	5.2	0.83	160	
Michael Hill	90	+4.2	-1.6	16	1-2	1	2.2	17	0.7	13	4.4	344	
Comvita	169	+3.2	+0.1	19	8-1	-0.7	5	0.7	13	2.5	0.58	48	
Smiths City	32	+2.8	+0.2	21	8-0	-0.4	4	1.1	9	6.3	0.08	17	
Briscoe Group	139	+2.0	-1.9	26	4-0	-2.2	16	0.7	14	9.2	0.70	295	
Steel & Tube	248	+2.0	-2.5	27	3-0	-1.4	11	0.7	13	8.6	0.57	219	
Opus Intl Cons	200	+1.8	-4.1	29	0-0	-2.9	23	0.7	13	5.5	0.76	284	
F & P Appliance	56	+1.4	-0.8	32	1-1	1	0.4	4	1.3	Nil	0.36	406	
Col Motor Co	231	+1.0	-1.8	35	0-0	-0.6	4	0.4	15	9.3	0.17	76	
Restaurant Brds	235	+0.1	-1.7	38	0-0	-3.9	41	0.5	10	10.3	0.71	230	
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													
Pumpkin Patch	98	-16.2	-0.4	88	4-0	1	2.0	32	0.8	6	13.8	0.43	164
NZ Oil & Gas	63	-11.5	-4.9	81	0-0	-0.6	-	0.8	NE	11.3	2.50	248	
Restaurant Brds	235	+0.1	-1.7	38	0-0	-3.9	41	0.5	10	10.3	0.71	230	
Warehouse Group	336	-1.2	-1.4	46	5-3	2	3.5	27	0.4	13	10.2	0.63	1,046
Tower Limited	143	-10.2	-3.2	78	0-1	2	0.9	13	0.7	6	10.0	0.62	373
Telecom Corp	245	+9.8	+2.1	4	0-1	3	1.9	16	0.5	11	9.8	0.89	4,706
Briscoe Group	139	+2.0	-1.9	26	4-0	-2.2	16	0.6	14	9.2	0.70	295	
Air New Zealand	112	-5.3	+1.9	66	1-11	1	0.8	5	0.8	15	8.9	0.29	1,206
Vital Health PT	109	-58.3	+0.0	97	0-0	-1.0	5	0.5	21	8.7	5.51	156	
Vector Ltd	230	+1.2	-2.2	34	1-0	1	1.1	10	0.5	12	8.7	1.93	2,290

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price to Earnings	Dividend Yield	Price to Sales	Market Cap'n	
	Share Price	Cur. rent	4-Wk Chg.	Rank	Buy/Sell								
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Smiths City	32	+2.8	+0.2	21	8-0	-0.4	4	0.8	9	6.3	0.08	17	
Sky City Ltd	340	+4.3	-2.0	15	7-0	1	2.6	19	0.5	14	6.5	1,955	
Comvita	169	+3.2	+0.1	19	8-1	-0.7	5	0.6	13	2.5	0.58	48	
Port Tauranga	910	+8.7	-1.1	7	5-0	-1.8	7	0.4	27	4.6	8.24	1,220	
Briscoe Group	139	+2.0	-1.9	26	4-0	-2.2	16	0.6	14	9.2	0.70	295	
Steel & Tube	248	+2.0	-2.5	27	3-0	-1.4	11	0.6	13	8.6	0.57	219	
Freightways Ltd	326	+2.3	-1.8	24	4-1	-3.2	18	0.5	17	6.1	1.52	501	
AMP Office Trt	84	+2.2	+1.3	25	2-0	-1.1	-	0.5	NE	8.4	6.07	838	
Hellaby Hold.	220	+4.3	-2.6	16	1-0	-3.4	27	1.0	12	5.2	0.83	160	
Sky Network TV	575	+2.8	-1.1	20	1-0	2	2.27	-	0.4	22	3.5	3.02	2,238
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
NZ Windfarms	15	-8.3	+0.5	73	0-0	-0.4	-	1.3	NE	Nil	9.22	44	
Vital Health PT	109	-58.3	+0.0	97	0-0	-1.0	5	0.4	21	8.7	5.51	156	
Blis Technology	6	-13.1	+7.3	84	0-0	-	-	1.7	NE	Nil	4.72	9	
Charlie's Group	43	-58.3	+0.0	98	0-3	-7.7	15	1.0	51	Nil	4.00	126	
Metro. Life Care	195	-3.3	-1.6	59	0-0	-0.5	13	0.5	4	Nil	3.80	239	
NZ Refining Co	325	-9.9	-4.6	77	0-0	-1.7	4	0.5	39	Nil	3.64	910	
NPT Limited	49	-1.2	+0.2	45	0-0	-0.7	-	0.6	NE	9.2	3.7	95	
Trust Power Ltd	715	-0.8	-1.4	44	0-0	-1.6	8	0.3	20	7.3	2.94	2,250	
NZ Oil & Gas	63	-11.5	-4.9	81	0-0	-0.6	-	0.7	NE	11.3	2.50	248	
Lytelton Port	210	-1.2	-1.1	49	0-0	-1.6	7	0.4	24	3.0	2.46	215	
F & P Health.	224	-7.9	-3.9	72	2-1	2	3.7	20	0.4	18	7.8	2.30	1,164
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Charlie's Group	43	-58.3	+0.0	98	0-3	-7.7	15	1.0	51	Nil	4.00	126	
WINDrive Tech.	20	-34.3	+1.0	96	0-0	-14.7	-	1.1	NE	Nil	0.48	13	
Rubicon Limited	50	-27.0	-6.6	94	2-0	-0.7	-	0.4	NE	Nil	0.30	142	
Windflow Tech.	50	-22.4	-2.8	91	0-0	-0.9	-	0.5	NE	Nil	0.25	6	
Mowbray Collect	50	-13.8	-5.0	86	0-0	-1.3	-	0.4	NE	Nil	1.66	6	
Smartpay NZ Ltd	15	-13.2	-1.2	85	0-0	-	-	0.8	167	Nil	0.38	18	
Blis Technology	6	-13.1	+7.3	84	0-0	-	-	1.6	NE	Nil	4.72	9	
Sealegs Corp	13	-11.8	-2.6	82	0-0	-2.1	-	1.5	NE	Nil	1.02	12	
Heartland BS	58	-10.2	-3.0	79	0-0	-	-	0.8	NE	Nil	N/A	174	
Heritage Gold	2	-10.2	-1.0	79	0-0	-0.7	-	2.7	NE	Nil	N/A	8	
NZ Refining Co	325	-9.9	-4.6	77	0-0	-1.7	4	0.4	39	Nil	3.64	910	
NZ Wine Company	119	-9.1	-2.5	75	0-0	-0.6	-	0.5	NE	2.4	0.79	10	
Rorchester Pac	10	-8.9	-3.5	74	1-0	-0.4	-	1.7	NE	Nil	0.99	10	
Rakon Ltd	86	-8.7	-5.5	74	0-0	-0.8	4	0.9	19	Nil	0.86	164	
NZ Windfarms	15	-8.3	+0.5	73	0-0	-0.4	-	1.2	NE	Nil	9.22	44	
INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Air New Zealand	112	-5.3	+1.9	66	1-11	1	0.8	5	0.6	15	8.9	0.29	1,206
Charlie's Group	43	-58.3	+0.0	98	0-3	-7.7	15	0.9	51	Nil	4.00	126	
Infratil NZ	172	-2.0	-1.4	52	1-4	-1.0	6	0.5	16	5.6	4.08	1,037	
Fletcher Build.	762	-1.6	-3.7	50	2-4	3	1.5	9	0.5	17	4.6	0.68	4,625
PGG Wrightsons	46	-4.5	-0.2	64	0-1	1	0.6	4	0.8	14	Nil	0.30	349
Tower Limited	143	-10.2	-3.2	78	0-1	2	0.9	13	0.6	6	10.0	0.62	373
Ebos Group Ltd	665	-2.9	-1.5	56	0-1	1	1.8	13	0.3	14	6.7	0.25	338

Recommended Investments

(Continued from Page 7)

will generate a “larger number of smaller sales transactions”, diversifying Prophecy International's existing business which produces a small number of large transactions.

The Intersect Alliance business is expected to generate profits of \$750,000 to \$1,000,000 this financial year (i.e. to June 2012), so is being acquired on a very low Price/Earnings ratio of 2½-3.

Prophecy International Holdings



Computer Selections of Australian Shares based upon our Comprehensive Share Selection Criteria

For an explanation of this table see the *Share Selection Methods* report available from our website. These shares are not formal “buy” and “sell” recommendations, but the “Under-Valued”, “Best Performing” and “Income” shares should be considered for purchase, while the “Over-Valued” and “Worst Performing” shares can generally be sold to release money for re-investment in more attractive shares.

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												INSIDER SELLING: Most Insider Selling, Relative Strength < 0																					
Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Under-Valued	Best Performing	Income	Over-Valued	Worst Performing	Price to NTA	Return on Equity	Volatility	Price to Earn.	Dividend Ratio	Price to Sales	Market Cap'n	Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Under-Valued	Best Performing	Income	Over-Valued	Worst Performing	Price to NTA	Return on Equity	Volatility	Price to Earn.	Dividend Ratio	Price to Sales	Market Cap'n
Gowong Brothers	220	-1.9	-0.5	33	0-0	-	0.7	4	0.2	17	4.5	9.92	110	Quest Petroleum	0	-33.8	+2.4	97	0-0	-	-	-	4.5	NE	Nil	N/A	16						
Aurora Prop B-W	477	-1.1	-1.3	30	0-0	-	0.9	18	0.2	5	10.9	9.78	17	AED Oil Ltd	15	-33.6	-1.1	97	2-0	-	-	-	0.8	NE	Nil	N/A	29						
Norwest Energy	4	-3.4	-4.0	38	0-0	-	-	-	1.8	NE	Nil	9.58	25	Eromanga H/C	3	-33.2	-2.2	97	0-0	-	-	-	1.6	NE	Nil	N/A	6						
European Gas	34	-3.8	-5.0	40	0-0	-	-	-	0.6	NE	Nil	9.55	73	Pluton Resource	26	-32.6	-10.0	97	2-0	-	-	-	0.7	NE	Nil	N/A	20						
Austex Oil Ltd	8	-10.7	+2.4	62	3-0	-	-	-	1.3	NE	Nil	9.54	14	Elxir Petrol	4	-32.5	-2.8	97	2-0	-	-	-	1.5	NE	Nil	2.85	7						
Patrys Ltd	8	-9.3	-15.9	58	0-1	-	1.9	-	1.2	NE	Nil	9.27	14	Energy Resource	361	-32.4	+1.3	97	0-0	5	-	-	0.3	15	2.2	1.18	689						
Monax Mining	5	-10.4	-0.9	61	0-0	-	-	-	1.4	NE	Nil	9.12	8	Panax Geotherm.	2	-32.4	-4.1	97	1-1	-	-	-	1.9	NE	Nil	N/A	8						
Adelaide Energy	13	-0.5	-4.8	28	0-0	-	-	-	0.9	NE	Nil	9.09	43	Alchemy Res.	16	-32.0	+0.3	96	1-2	-	-	-	0.9	NE	Nil	N/A	12						
Uscom Limited	22	-15.1	+0.0	73	0-0	-	4.4	-	0.6	NE	Nil	9.02	9	Marathon Res.	13	-31.1	-1.5	96	0-0	-	-	-	1.0	NE	Nil	N/A	11						
BWPT Trust	167	-0.7	-0.9	29	0-0	4	0.9	12	0.2	8	7.3	9.02	845	Bassari Res.	6	-30.9	-4.2	96	1-0	-	-	-	1.2	NE	Nil	N/A	13						
Auto Technology	2	-25.5	-3.7	92	7-0	-	2.4	-	2.0	NE	Nil	8.89	20	Cauldron Energy	13	-29.8	-0.4	95	1-0	-	-	-	0.9	NE	Nil	N/A	11						
ING Priv Equity	28	-4.4	-1.7	42	1-0	-	0.6	8	0.6	7	Nil	8.86	38	Uraniams Ltd	16	-29.5	-0.8	95	1-0	-	-	-	0.7	NE	Nil	N/A	13						
Antisense T.	1	-15.6	-6.5	74	0-0	-	-	-	4.1	1	Nil	8.75	5	Raisuma Ltd	10	-29.5	+2.9	95	0-0	-	-	-	1.0	NE	Nil	1.18	23						
De Grey Mining	3	-16.8	-2.0	77	0-0	-	-	-	1.7	NE	Nil	8.72	8	Quantum Energy	3	-29.3	-2.7	95	0-0	-	0.8	28	1.8	3	Nil	0.31	25						
WAM Active Ltd	105	-0.8	-0.3	29	0-0	-	0.9	7	0.4	14	7.6	8.34	17	Water Resources	6	-29.3	+1.4	95	2-0	-	-	-	1.3	NE	Nil	N/A	12						
Carsales.com	441	-3.9	-1.5	40	8-6	7	11.6	49	0.3	24	3.4	8.29	1,025	Carbine Res.	15	-29.1	-3.4	95	0-0	-	-	-	0.9	290	Nil	N/A	7						
Platinum Asset	365	-9.2	-1.6	57	0-0	4	-	-	0.3	15	6.0	8.25	2,049	Boyd Oil Gas	2	-29.1	-0.3	95	0-0	-	-	-	1.9	NE	Nil	N/A	18						
Aurora Sand Div	92	-2.9	-1.8	36	0-0	-	0.9	-	0.3	NE	10.6	8.24	41	BPH Energy Ltd	4	-28.9	-0.4	94	0-0	-	0.4	-	1.5	NE	Nil	N/A	7						
Environ. Clean	1	-24.4	-9.3	90	0-0	-	-	-	3.2	NE	Nil	8.18	7	RHGLtd	48	-28.7	-7.1	94	0-6	-	0.5	30	0.6	2	Nil	0.31	145						
Austpac Res	4	-12.8	-6.7	67	0-0	-	-	-	1.4	29	Nil	8.11	41	Indophil Res.	32	-28.6	-3.5	94	0-0	-	-	-	0.7	NE	Nil	N/A	250						
Virax Holdings	2	-18.0	-1.8	80	0-0	-	-	-	2.1	NE	Nil	8.11	5	Moby Oil & Gas	4	-28.5	+1.3	94	0-0	-	-	-	1.6	NE	Nil	N/A	10						
IMF (Aust) Ltd	143	-1.7	-2.9	32	0-2	1	5.5	38	0.2	15	3.5	8.02	174	Corridor Life	8	-28.4	-15.2	94	0-0	-	0.3	7	1.2	4	Nil	0.35	9						
Jervois Mining	0	-9.5	+0.8	58	5-0	-	-	-	5.1	NE	Nil	8.00	13	Meteoritic Res.	6	-28.4	-2.1	94	3-0	-	-	-	1.4	NE	Nil	N/A	5						
Somerton Energy	14	-5.8	+0.5	47	0-0	-	-	-	1.0	NE	Nil	7.94	6	Papyrus Aust.	7	-28.4	+3.5	94	0-0	-	1.8	-	1.0	NE	Nil	N/A	7						
Un. Biosensors	91	-14.6	-2.2	72	0-0	-	2.9	-	0.5	NE	Nil	7.91	144	Genera Bio.	14	-28.1	-1.8	93	0-0	-	2.8	-	0.8	NE	Nil	N/A	10						
Jindalee Res.	31	-17.4	-0.5	78	8-0	-	-	-	0.7	NE	Nil	7.89	10	Cumamona En.	8	-28.1	-1.7	93	0-0	-	-	-	1.1	NE	Nil	N/A	5						
Bauxite Res.	17	-17.6	-2.7	79	2-0	-	-	-	0.8	NE	Nil	7.86	39	Camaron Pet.	17	-27.5	-0.1	93	2-0	6	4.1	52	0.7	8	Nil	1.74	113						
Excela Limited	21	-14.2	-1.6	71	0-0	-	0.7	-	0.7	NE	9.5	7.78	6	Marenica Energy	4	-27.1	+4.2	93	3-0	-	-	-	1.6	NE	Nil	N/A	16						
Nexus Energy	22	-17.1	-5.7	78	1-0	4	0.4	0	0.7	209	Nil	7.71	274	Silver Swan Grp	10	-27.1	-0.2	93	1-0	-	-	-	1.0	NE	Nil	N/A	5						
Whitehaven Coal	623	-5.2	+0.9	45	0-0	2	3.1	6	0.2	56	0.9	7.56	3,075	Panorama Syn.	4	-27.0	-4.3	93	0-0	-	-	-	1.5	NE	Nil	N/A	5						
Genesis Res Ltd	10	-9.4	-10.0	58	1-0	-	-	-	1.1	NE	Nil	7.48	5	Living Cell T.	6	-26.9	-4.2	93	1-0	-	3.2	-	1.1	NE	Nil	N/A	18						
Allied Gold Min	280	-8.6	-2.0	56	2-0	-	8.5	18	0.4	48	Nil	7.18	485	Cougar Energy	2	-26.7	-4.3	93	0-0	-	0.4	-	2.4	NE	Nil	N/A	15						
Carindale Prop	372	-1.0	-1.9	30	0-0	-	0.7	5	0.2	14	7.5	7.14	260	Pelican Res.	5	-26.6	-2.7	93	0-0	-	-	-	1.4	32	Nil	6.65	7						
REA Group Ltd	1074	-2.2	-4.4	34	2-0	6	16.5	59	0.2	28	1.5	7.10	1,379	Intermoco Ltd	0	-26.3	+2.2	92	4-0	-	-	-	5.3	NE	Nil	0.98	6						
Mikoh Corp.	4	-18.0	+5.4	80	9-0	-	-	-	1.5	NE	Nil	7.06	11	Trans Solutions	2	-26.2	-3.1	92	0-0	-	1.6	-	2.3	NE	Nil	4.85	26						
Seek Ltd	589	-3.5	-2.3	39	1-0	7	8.8	40	0.2	22	2.0	7.04	1,982	Brazilian Metal	10	-26.2	+2.3	92	1-0	-	-	-	0.8	NE	Nil	N/A	6						
Newcrest Mining	4073	-0.4	-0.2	27	0-0	8	4.0	11	0.2	35	0.6	7.03	19,693	Mako Energy Ltd	12	-26.0	-2.1	92	0-0	-	-	-	0.9	NE	Nil	N/A	6						
Wotif.com Hold.	456	-3.8	-4.3	40	0-0	8	-	-	0.2	18	4.7	7.03	956	Cardia Bioplas.	1	-26.0	-2.8	92	0-0	-	0.8	-	3.1	NE	Nil	2.67	6						
WAM Research	69	-2.2	-0.9	34	2-0	-	0.8	9	0.4	9	8.7	7.03	82																				

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average

Navigator Res	4	-40.7	-12.9	99	2-0	-	-	-	1.5	NE	Nil	N/A	15
View Resources	1	-40.1	-14.8	99	0-0	-	-	-	2.3	NE	Nil	2.92	5
Waratah Res.	29	-39.5	-5.5	99	0-0	-	-	-	0.6	NE	Nil	N/A	7
Burey Gold Ltd	10	-39.5	-2.6	98	1-0	-	-	-	1.0	NE	Nil	N/A	17
Berkeley Res.	38	-38.7	-2.7	98	0-1	-	-	-	0.7	NE	Nil	N/A	52
Nthn Manganese	15	-37.1	+0.8	98	0-0	-	-	-	0.8	NE	Nil	N/A	11
A1 Minerals Ltd	3	-36.7	+0.4	98	0-0	-	-	-	1.6	NE	Nil	2.13	6
Go Connect Ltd	1	-36.3	-5.4	98	0-0	-	-	-	2.9	NE	Nil	N/A	7
Mec Resources	13	-34.7	+0.2	97	0-1	-	0.8	-	1.1	NE	Nil	N/A	15
Pharmaxis Ltd	110	-34.2	-10.1	97	1-1	1	2.5	-	0.4	NE	Nil	N/A	247
Vmoto Ltd	2	-34.0	+3.2	97	5-0	-	1.0	-	1.9	NE	Nil	0.55	10
Manhattan Corp	31	-33.9	-2.2	97	9-0	-	-	-	0.7	NE	Nil	N/A	28

Investment Outlook

(Continued from Page 1)

highly indebted southern countries through a long series of rescue and refinancing packages.

The current panic relates to fears that Italy will default on government debt. Italy has one of the highest per capita incomes in Europe and one of the lowest tax rates . . . in part owing to 20-30% of economic activity being untaxed in the “black economy” (compared with around 5-10% in other developed countries). So Italy can afford to service its debt and the government has announced spending cuts and increased taxes, aimed at balancing the budget by 2013.

Then there was the *rumour* (denied by the bank and discounted by bank analysts) that the French based **Societe Generale** was in danger owing to excessive holdings of bonds from Greece, Spain, Portugal and Italy!

Obviously wild volatility, driven by fear and rumours are impossible to predict, but a repeat of the 2007-2009 decline is very unlikely. Banks are in a much stronger financial position today and operating profitably. Developed economies are growing (albeit slowly), while the developing economies are growing strongly and becoming an ever larger market for companies in developed countries. Stockmarkets have risen over the last two years, but remain well below their peaks of 2007. So shares already offer good value, while company balance sheets have generally improved over the last four years.

Knowledgeable insiders are Bullish. Of the 69 *insider* trades in Australia last week, 98.6% were “buys”. Over the last five weeks the figure is 91.7% “buys”. There were no *insider* trades in New Zealand last week and over the last five weeks the figure is a neutral 40% “buys” (although on a very small sample size: 2 “buys” and 3 “sells”).

Over the last few years we have pointed out that shares offer the best value since the 1970's and early 1980's. Market weakness has simply further improved those valuations. We shall continue to accumulate shares at these low prices and remain fully invested in the recommended shares. As one subscriber wrote, its time to “start taking money from under the mattress and raiding the children's piggy banks to buy a few more shares”.

Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Abano Healthcare	13.70	10-08	24-08	0.58714
Argosy Property Trust	1.50	19-08	02-09	-
Goodman Property Trust	1.60	08-09	22-09	Full
Opus International	3.80	18-08	30-09	Full
Property For Industry	1.60	22-08	31-08	Full
Steel & Tube Holdings	9.00	16-09	30-09	Full
<u>Australian Shares</u>				
Chandler Macleod Group	1.20	05-09	23-09	
Finbar Group	5.50	14-07	05-09	

Total Return Index for All Listed Shares

Jul 11	1310.44		
Jul 12	1306.62		
Jul 13	1301.65		
Jul 14	1298.89		
Jul 15	1302.19		
Jul 18	1296.16	Jul 25	1298.46
Jul 19	1295.35	Jul 26	1292.06
Jul 20	1297.30	Jul 27	1288.05
Jul 21	1299.12	Jul 28	1281.86
Jul 22	1298.28	Jul 29	1286.39
Aug 1	1272.18	Aug 8	1216.80
Aug 2	1277.20	Aug 9	1194.99
Aug 3	1269.80	Aug 10	1216.57
Aug 4	1271.13	Aug 11	1209.43
Aug 5	1244.70	Aug 12	1217.97

Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday September 12, 2011.

The print version will be delivered later that week, depending upon printing and postal delivery times.

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