

Market Analysis

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Inside Market Analysis

Lower exchange rate favourable for exporters..... 1	BUY Ausenco Ltd 9,10,11
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Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

The high average Dividend Yield indicates the Australian stockmarket is *near its low* and that shares offer very good value. The lower exchange rate should be significantly favourable for exporters. Remain fully invested.

Investment Outlook.

Something is not right with the Australian stockmarket!

We have often written that “shares are a natural hedge against currency movements”. If the exchange rate drops, shares should rise. This is exactly what has happened in Japan this year.

But the Australian dollar is down 5.2% (to US\$0.9498) over the last month and the stockmarket is also down 9%.

We can understand that lower commodity prices can depress resource shares, the Australian dollar and the Australian economy . . . but what about Australian companies that have significant offshore businesses and Australian (non-resource) exporters?

The lower exchange rate will boost the translation of foreign business profits into reported Australian dollars, so share prices should *rise* in anticipation of those higher future profits.

The impact on exporters can be much greater, as profit margins can *rise significantly* when costs are mainly in Australian dollars and revenues mainly in foreign currencies. A 5% drop in the Australian dollar could improve profit margins from 10% to 15% (i.e. a 50% increase in net profits) or from 2% to 7% (i.e. a 250% increase in net profits!!). So the shares of Australian exporters should be soaring!

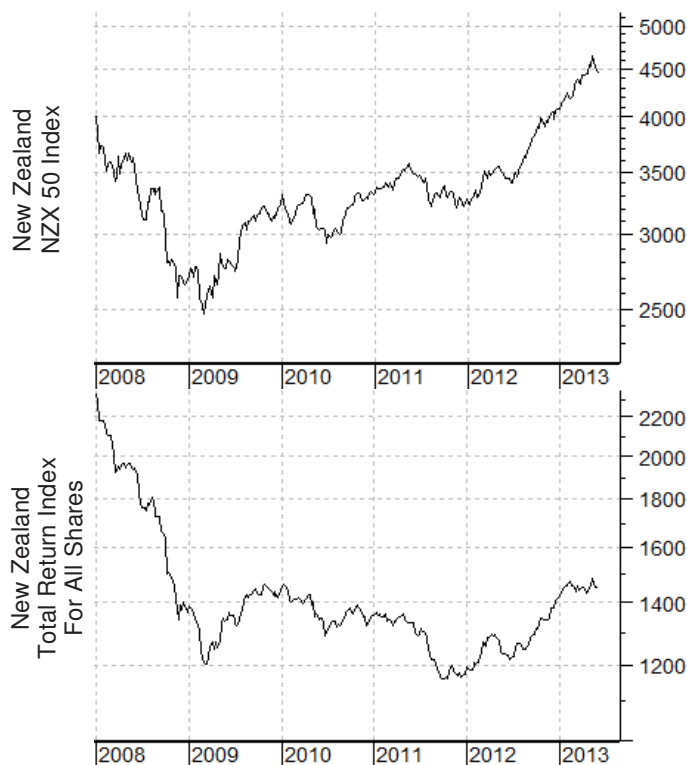
Integrated Research, TFS Corporation, Ellex Medical Lasers, CPT Global, Prophecy International, Atlas Pearls & Perfumes and Melbourne IT should all benefit very significantly from a lower Australian dollar!

Companies with significant offshore businesses should benefit from the translation of foreign earnings into Australian dollars.

ALS (Campbell Brothers), for example, earns over

Stockmarket Forecasts

	One-Month	One-Year
Australia:	20% (Bearish)	60% (Bullish)
New Zealand:	59% (Neutral)	52% (Neutral)



50% of revenues outside of Australia. Cardno 60%, Ausenco 80% and Novarise Renewable Resources 100%.

In the present Doom & Gloom of lower commodity prices, manic-depressive investors are mis-pricing Australian export company shares which are falling in price (along with the general market), when they should be rising strongly.

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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.

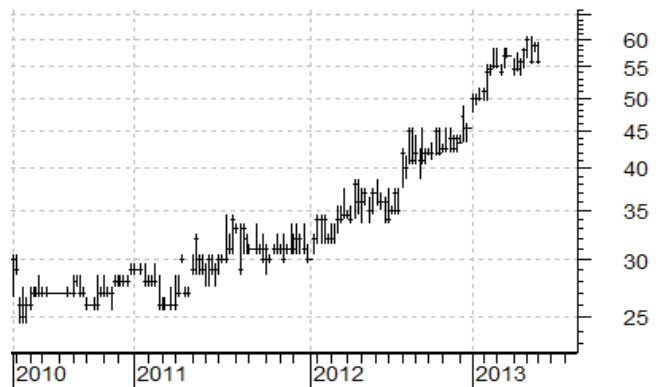
Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield			
AMP Limited	B	586	1.33	13	6.7	Jasons Media	C	18	0.29	8	Nil	Rakon Ltd	E	20	0.21	NE	Nil
AMP Office Trt	C	99	7.75	22	5.7	Just Water Int.	D	12	0.36	6	Nil	Renaissance	E	14	0.10	24	Nil
Abano Health	C	560	0.44	56	5.4	Kathmandu Ltd	A	271	1.56	16	5.3	Restaurant Brds	E	288	0.90	17	7.9
Air New Zealand	A	151	0.37	23	3.7	Kermadec Prop.	C	67	6.58	11	4.5	Rubicon Limited	E	29	0.26	NE	Nil
Akd Int Airport	A	300	9.29	28	5.0	Kingfish Ltd	A	127	N/A	5	7.2	Ryman Health	A	640	N/A	23	0.8
Allied Farmers	D	1.8	0.08	NE	Nil	Kirkcaldie & St	D	225	0.60	NE	Nil	Sanford Limited	B	466	0.95	21	7.1
Allied Work.	A	305	0.60	15	7.3	Kiwi Property	C	114	5.69	10	7.0	Satara Co-op	C	58	0.19	NE	Nil
Aorere Res. *	N/R	0.9	N/A	NE	Nil	L&M Energy	E	7.3	N/A	NE	Nil	Savoy Equities	D	3.6	N/A	NE	Nil
Argosy Property	B	101	7.79	18	5.9	Lytelton Port	A	295	2.89	18	Nil	Scott Tech. Ltd	C	240	1.53	15	4.8
Barramundi Ltd	C	70	N/A	NE	8.9	Mainfreight Grp	C	1020	0.54	15	3.8	Sealegs Corp	D	16	1.18	94	Nil
Blis Technology	E	1.1	6.47	NE	Nil	Marlin Global	D	73	N/A	NE	10.2	Seeka Kiwifruit	C	185	0.19	NE	Nil
Briscoe Group	B	260	1.26	20	5.5	Mercer Group	E	18	1.28	NE	Nil	Skellerup Hold.	C	132	1.23	10	8.4
Burger Fuel	D	150	7.82	NE	Nil	Methven Limited	C	124	0.84	16	8.4	Sky Network TV	B	566	2.61	18	5.6
CDL Investments	D	56	N/A	38	3.6	Metro. LifeCare	D	314	7.05	NE	Nil	Sky City Ltd	B	415	2.81	17	5.1
Cavalier Corp	D	168	0.53	27	Nil	Michael Hill	B	136	1.02	14	4.0	Smartpay NZ Ltd	D	16	3.23	NE	Nil
Cavotec MSL	C	245	1.08	20	1.6	Mid-Cap Index	C	268	N/A	NE	Nil	Smiths City	B	62	0.14	8	5.6
Charlie's Group	D	43	4.00	51	Nil	Mighty River	C	230	5.40	34	5.2	Snakk Media Ltd	E	14	N/A	NE	Nil
Chorus Ltd	B	255	0.93	6	14.0	Millennium & C.	B	68	2.39	12	2.5	Sol. Dynamics	C	15	0.18	NE	Nil
Claridge Cap'l	E	1.5	N/A	NE	Nil	Moa Group Ltd	C	118	N/A	18	Nil	South Port NZ	A	339	3.36	15	8.4
Col Motor Co	B	365	0.22	10	9.8	Mowbray Collect	D	50	2.07	53	Nil	Speirs Group	C	6.0	0.05	NE	Nil
Comvita	B	377	1.06	15	4.9	NPT Limited	C	65	6.46	3	4.1	Steel & Tube	C	243	0.53	16	7.1
Contact Energy	C	510	1.37	19	6.4	NZ Experience	B	35	1.11	9	11.8	Summerset Group	C	297	N/A	NE	Nil
Cynotech Hold.	C	0.6	0.25	NE	Nil	NZ Exchange Ltd	B	137	7.04	27	5.5	TeamTalk Ltd	B	250	1.80	11	11.4
DNZ Property	B	165	N/A	20	5.2	NZ Farming Sys.	E	65	1.53	NE	Nil	Telecom Corp	B	224	0.91	4	11.9
Delegat's Group	A	400	1.83	16	3.2	NZ Finance Hold	D	1.0	0.13	NE	Nil	Tenon Ltd	C	105	0.17	NE	Nil
Diligent Board	B	802	N/A	NE	Nil	NZ Oil & Gas *	N/R	86	2.97	17	10.0	Tourism Hold.	C	59	0.29	13	9.7
Dorchester Pac	D	30	3.26	39	Nil	NZ Refining Co	C	215	2.07	17	8.0	Tower Limited	C	196	1.09	12	5.6
Ebos Group Ltd	B	1029	0.38	19	4.7	NZ Windfarms	E	6.4	1.89	NE	Nil	Trade-Me Ltd	B	478	N/A	25	2.3
Ecova Ltd	E	92	2.11	NE	Nil	NZ Wool Service	E	42	0.19	NE	Nil	Training Sol.	E	0.1	N/A	NE	Nil
F & P Health.	B	320	3.04	22	5.5	NZSX 10 Fund	D	107	N/A	NE	Nil	Trust Power Ltd	C	732	2.85	19	7.8
Finzsoft Sol'ns	C	42	0.39	9	Nil	NZSX 50 Port.	C	158	N/A	NE	Nil	Turners Auction	C	178	0.65	13	13.6
Fletcher Build.	C	829	0.64	31	5.9	NZX Aust MidCap	D	450	N/A	NE	Nil	Turners & Grow.	C	160	0.21	15	3.8
Foley Fam Wines	B	130	0.83	NE	Nil	New Image Group	D	25	0.79	NE	Nil	Vector Ltd	C	280	2.23	14	7.4
Fonterra S/H Fd	B	725	4.77	NE	4.4	Northland Port	A	272	N/A	15	4.5	Velo Capital	D	7.0	N/A	NE	Nil
Freightways Ltd	B	440	1.77	18	5.8	Nuplex Indust	C	281	0.34	9	7.5	Veritas Invest.	D	140	5.89	NE	Nil
Genesis Res.	E	1.8	N/A	NE	Nil	Opus Intl Cons	C	178	0.65	11	6.8	Vetliot Limited	E	0.3	0.75	NE	Nil
Goodman Prop.	D	107	8.56	NE	5.8	Ozzy (Tortis)	D	361	N/A	NE	Nil	Vital Health PT	E	139	7.26	45	5.6
Guinness Peat	D	44	0.06	2	3.5	PGG Wrightsons	E	28	0.16	8	Nil	WN Drive Tech.	C	13	0.24	NE	Nil
GuocoLeisure	C	79	1.96	11	2.5	Pac Edge Bio.	E	58	N/A	NE	Nil	Wakefield Hlth	B	565	1.23	17	3.5
Hallenstein G.	B	556	1.54	16	8.1	Pharmacybrands	B	130	1.55	12	3.8	Warehouse Group	A	374	0.67	13	7.6
Heartland BS	B	83	1.43	14	Nil	Pike River Coal	D	88	N/A	NE	Nil	Windflow Tech.	D	20	1.08	NE	Nil
Heblaby Hold.	C	285	0.43	11	6.5	Port Tauranga	A	1375	8.11	25	4.1	Wool Equities	D	12	N/A	NE	Nil
Heritage Gold *	N/R	1.8	N/A	NE	Nil	Postie Plus Grp	C	17	0.07	29	8.7	World Index Fd	E	100	N/A	NE	Nil
Horizon Energy	C	338	1.26	45	4.2	Property F Ind.	C	131	8.73	28	6.3	Xero Ltd	C	1471	N/A	NE	Nil
Infratil NZ	D	226	0.55	NE	5.8	Pumpkin Patch	D	106	0.59	17	Nil	Zintel Comm.	D	44	0.54	NE	Nil
Insured Group	E	1.5	0.20	NE	Nil	Pyne Gould Corp	E	26	1.87	NE	Nil	Ave of 137 Cos	C	211	0.46	21	3.3
A.P. Eagers	A	444	0.29	14	4.5	Deutsche Div Tr	B	131	6.10	14	7.1	OZ Minerals Ltd	B	417	1.33	9	7.2
AGL Energy Ltd	B	1424	1.04	68	4.3	Dexus Property	C	107	N/A	NE	Nil	Oil Search Ltd	B	781	N/A	62	0.5
ALS Limited	B	904	2.13	13	5.3	Djerridarrh	B	430	N/A	21	6.0	Orica Ltd	B	2077	1.14	12	4.4
AMP Ltd	B	495	3.02	21	5.1	Domino's Pizza	A	1170	3.10	30	2.3	Origin Energy	B	1315	1.11	15	3.8
ANZ Bank	A	2670	2.01	13	5.4	Downer EDI Ltd	C	338	0.18	13	Nil	Paladin Energy	C	94	2.19	4	Nil
APA Group	A	624	3.79	31	9.4	DuluxGroup Ltd	A	440	1.52	18	3.5	Panaust Ltd	B	244	2.03	10	2.9
ARB Corporation	A	1170	3.12	22	2.1	Echo Ent Group	C	285	1.46	56	Nil	Perpetual Ltd	A	3892	4.09	78	2.3
ASX Limited	A	3584	8.01	19	5.0	Energy World	C	43	5.24	37	Nil	Platinum Asset	B	519	N/A	23	4.0
Abacus Property	A	230	4.24	NE	7.2	Envestra	B	99	3.32	21	5.9	Premier Invest	B	632	1.13	14	5.7
Adelaide Bright	A	328	1.78	14	5.0	Fairfax Media	B	55	0.55	9	5.5	Primary Health	B	491	1.77	21	2.2
Ainsworth Game	B	384	8.20	19	Nil	Federation Cent	C	240	N/A	NE	Nil	Q.B.E. Insur.	A	1469	0.93	24	3.4
Alumina Ltd	D	98	N/A	NE	Nil	Flexicorp Ltd	A	430	5.00	20	2.9	Qantas Airways	C	145	0.21	NE	Nil
Amalgamated Hld	A	808	1.60	16	4.8	Flight Centre	A	3793	1.87	19	3.0	Qube Holdings	B	165	1.94	40	2.5
Amcor Ltd	B	951	0.94	28	3.9	Fortescue Metal	B	336	1.60	7	2.4	REA Group Ltd	B	2770	N/A	42	1.2
Aneka Tambang	D	110	N/A	NE	0.0	GPT Group	B	372	6.62	11	5.1	Ramsay Health	A	3405	1.73	28	1.8
Ansell Ltd	A	1804	1.92	18	2.0	Goodman Group	A	487	N/A	50	3.7	Reece Australia	B	2321	1.52	20	2.6
Aquila Res.	D	194	4.05	NE	Nil	Goodman Fielder	B	70	0.62	NE	Nil	Regis Resources	C	383	N/A	46	Nil
Argo Investment	B	636	N/A	24	4.1	Graincorp	A	1255	0.79	13	2.8	Rio Tinto Ltd	B	5320	0.47	3	3.0
Aristocrat Leis	B	395	3.05	32	1.6	Growthpoint Pro	A	246	7.53	19	7.2	S/Tracks ASX200	B	4503	N/A	NE	3.8
Arrium Limited	B	74	0.13	5	8.2	Harvey Norman	B	248	1.87	15	3.6	SAI Global Ltd	B	375	1.69	18	4.0
Asciano Limited	B	480	1.37	19	1.3	Heartware Inc.	C	274	N/A	NE	Nil	SP Ausnet	B	120	2.11	12	6.9
Atlas Iron Ltd	B	78	1.14	10	3.8	Henderson Group	B	245	2.66	18	4.6	Sandfire Res.	D	640	N/A	NE	Nil
Aurizon Hold.	B	416	2.90	23	2.0	I-Sonea Limited	C	35	N/A	NE	Nil	Santos Ltd	B	1245	3.72	23	2.4
Aurora Oil Gas	C	296	4.59	23	Nil	IOOF Holdings	A	759	2.82	89	4.9	Seek Ltd	B	907	6.87	22	1.9
Aust Foundation	B	532	N/A	25	3.9	IRESS Limited	A	783	4.85	26	4.9	Seven Group	B	693	0.48	13	5.5
Aust United In	A	699	N/A	23	4.0	liNet	A	551	1.07	24	2.5	Seven West Med.	B	208	0.71	6	12.0
Australand Prop	B	344	2.16	11	6.3	Iluka Resources	A	1034	3.72	12	3.4	Sigma Pharm.	B	76	0.30	47	12.5
Automotive Hold	A	345	0.23	17	5.2	Incitec Pivot	B	272	1.27	9	4.6	Sims Metal Mgmt	B	894	0.20	51	2.2
BHP Billiton	A	3309	1.51	7	3.3	Independ. Group	B	335	3.60	NE	0.9	Sonic Health	B	1392	1.63	17	4.2
BT Invest Mgmt	A	307	3.89	35	4.1	Insurance Aust.	A	544	1.32	55	3.1	Soul Pattinson	B	1403	3.68	23	3.1
BWP Trust	A	236	N/A	18	6.2	Investa Office	A	296	9.59	18	5.3	Spark Infrastru	B	167	7.61	27	6.0
Bank of Q'land	A	824	0.91	NE	6.3	Invocare Ltd	A	1032	3.08	27	3.3	Steamships Trad	A	2850	1.92	9	5.1
Beach Energy	A	115	2.33	9	2.0	JB Hi-Fi Ltd	A	1583	0.50	15	4.1	Sth Cross Media	B	134	1.37	10	7.5
Bendigo Bank	A	946	1.02	20	6.3	James Hardie	B	969	3.37	98	1.8	Stockland	B	361	3.92	16	6.6
Bluescope Steel	C	455	0.30	NE	Nil	Jupiter Energy	D	55	N/A	NE	Nil	Suncorp Group	B	1190	0.95	21	3.4
Boral Limited	B	420	0.68	15	2.6	Kardoon Gas	D	544	N/A	NE	Nil	Super Retail Gr	B	1097	1.30	26	2.9
Bracklen Ltd	B	443	0.51	7	9.3	Leighton Hold	B	1632	0.29	12	4.9	Sydney Airport	B	352	6.21	41	6.0
Brambles Ltd	B	901	2.52	25	2.9	Lend Lease Grp	B	931	0.46	11	4.1	TPG Telecom Ltd	A	328	3.83	29	1.7
Breville Group	A	715	2.17	20	3.4	Lynas Corp Ltd	D	52	N/A	NE	Nil	Tabcorp Holding	B	324	0.78	7	7.4
Brickworks Ltd	B	1199	3.18	41	3.4	M2 Telecom. Grp	A	522	2.08	25	3.4	Tatts Group Ltd	B	310	1.08	13	7.1
C'wth Prop Off.	B	106	5.54	10	5.7	Macquarie Group	A	4033	1.37	16	5.0	Telstra	B	463	2.26	17	6.0
C.S.R. Ltd	B	200	0.60	31	2.6	Macquarie Atlas	C	188	9.64	NE	Nil	Toll Holdings</					

Recommended Investments

CDL Investments reports selling 176 sections in the four months to April 2013. This is up 74% on the first four months of 2012 and already 43% ahead of the full year.

In 2012, the company sold 123 sections (up 60%), but lifted revenues 134% (owing to a 46% increase in the average value per section) *(Continued on Page 4)*

CDL Investment



Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares													
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	258.2	1.3	12.84	38	3.6	56	23.4	+218%
BUY	Cavalier Corporation	CAV	05/12/95	156*	D	68.3	1.0	0.53	27	Nil	168	278.0	+186%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	B	32.7	0.5	0.22	10	9.8	365	371.3	+475%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	A	102.3	0.7	2.89	18	Nil	295	77.7	+148%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	B	382.8	0.8	1.02	14	4.0	136	44.4	+3508%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	523*	C	196.7	1.1	0.34	9	7.5	281	440.0	+38%
HOLD	Postie Plus Group	PPG	08/05/06	71	C	40.0	2.5	0.07	29	8.7	17	8.5	-65%
HOLD	Renaissance Corp	RNS	13/08/96	85*	E	45.7	3.8	0.10	24	Nil	14	53.9	-20%
HOLD	Smiths City Group	SCY	09/10/06	64	B	53.0	1.2	0.14	8	5.6	62	19.5	+27%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.5	3.36	15	8.4	339	180.8	+333%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	C	88.4	0.9	0.53	16	7.1	243	273.1	+253%
Australian Shares (in Aust cents)													
HOLD	AJ Lucas Group	AJL	13/05/03	120	C	103.0	0.7	0.31	NE	Nil	150	41.0	+59%
BUY	ALS Limited	ALQ	12/10/99	78*	B	343.6	0.5	2.13	13	5.3	904	228.8	+1352%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	C	229.2	4.4	0.76	7	Nil	4	17.5	-71%
BUY	Ausenco Ltd	AAX	10/06/13	215	B	123.5	0.8	0.42	6	9.3	215	Nil	
BUY	Brickworks Ltd	BKW	12/11/12	1115	B	147.6	0.3	3.18	41	3.4	1199	Nil	+8%
BUY	Cardno Ltd	CDD	14/12/09	391*	B	138.2	0.6	0.72	9	7.1	504	115.3	+58%
HOLD	Cellnet Group Ltd	CLT	12/02/02	147*	B	55.7	2.1	0.13	7	6.7	15	55.9	-52%
BUY	Chandler Macleod Group	CMG	14/08/01	51*	B	444.5	1.4	0.12	11	6.7	42	27.1	+35%
HOLD	Circadian Technologies	CIR	10/02/04	188	C	48.5	1.7	8.82	NE	Nil	27	65.0	-51%
HOLD+	Clarius Group Ltd	CND	08/04/03	82*	B	89.4	1.7	0.08	10	4.2	24	70.5	+15%
BUY	CPT Global Ltd	CGO	10/03/08	88	B	36.7	1.4	0.34	25	4.1	37	11.3	-46%
HOLD+	CSG Limited	CSV	11/10/10	175	B	282.6	1.1	1.21	NE	2.9	87	37.0	-29%
HOLD	Devine Ltd	DVN	13/11/06	334*	B	158.7	1.0	0.43	12	4.7	85	79.6	-51%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	C	84.9	2.1	0.36	16	Nil	20	Nil	-59%
HOLD+	Fiducian Portfolio Ser	FPS	11/02/08	260	A	31.8	0.9	1.58	16	4.4	113	40.2	-41%
BUY	Finbar Group Ltd	FRI	12/04/10	106	A	214.2	0.8	2.42	10	6.9	130	24.5	+46%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	A	417.1	0.6	3.72	12	3.4	1034	182.0	+158%
HOLD+	Integrated Research	IRI	14/01/08	40	A	167.5	0.8	3.69	20	4.7	107	21.0	+220%
HOLD	M2 Telecommunications	MTU	09/10/06	33	A	156.6	0.5	2.08	25	3.4	522	67.5	+1686%
BUY	Melbourne IT	MLB	10/02/04	53	A	82.5	0.6	1.05	16	6.4	218	96.0	+492%
BUY	Nomad Building Solutio	NOD	16/08/10	13*	C	277.5	3.4	0.16	3	Nil	7	Nil	-48%
HOLD+	Novarise Renewable Res	NOE	14/03/11	25	B	415.1	2.0	0.91	4	Nil	18	Nil	-28%
HOLD+	Penrice Soda Holdings	PSH	11/07/11	17	D	91.4	3.2	0.05	NE	Nil	8	Nil	-56%
HOLD+	Probiotec Ltd	PBP	11/02/08	116	B	52.9	1.6	0.22	6	Nil	27	9.3	-69%
HOLD+	Prophecy International	PRO	08/09/08	26	B	50.2	1.4	2.55	21	6.6	34	11.5	+75%
HOLD	Skilled Group Ltd	SKE	12/03/02	126	B	233.5	0.7	0.30	13	5.3	245	148.0	+212%
HOLD	Technology One Ltd	TNE	11/11/03	44	B	305.4	0.6	3.04	22	3.0	169	38.8	+371%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	C	279.6	1.3	0.93	5	Nil	42	14.2	+25%
HOLD	The Reject Shop Ltd	TRS	11/01/05	257	A	26.1	0.4	0.75	19	2.1	1619	345.5	+664%
HOLD	Village Roadshow	VRL	10/08/09	77	A	153.2	0.5	0.83	23	4.4	501	173.0	+775%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +277.0%. This is equal to an average annual rate of +30.1%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 41 current and 153 closed out) is +31.0%, compared with a market gain of +4.0% (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.

Recommended Investments

(Continued from Page 3)

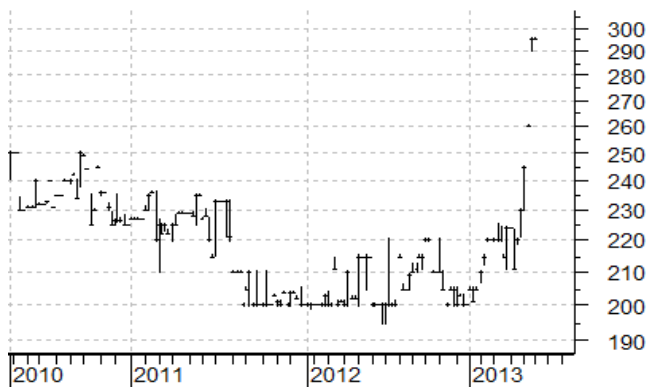
and profits by 146% to \$9.3 million (3.5 cents per share).

While a change in the value of sections sold can impact on the financial results, revenues and profits should rise significantly this year. “Buy”.

Lyttelton Port Company has received a further \$17.4 million (plus GST) as a “non-specific progress payment” from its insurers, bringing the total received under its material damage policy from the earthquakes to \$53.0 million (plus GST). The assets are covered for “reinstatement” but there is uncertainty “over the extent to which this programme of works will be fully funded from insurance proceeds”. The insurers believe there is a “limit on their liability per asset”, a view not accepted by the port company. Eventually the final insurance payment may need to be determined by the courts.

Lyttelton Port Company will also “review the payment of dividends” at the end of the June 2013 year and “anticipates that dividends will resume in the first half of 2014”. That suggests the company will pay a final dividend for the current June 2013 financial year (i.e. which would be declared and paid in the first half of the 2014 financial year).

Lyttelton Port Company



Nuplex Industries has slightly downgraded its June 2013 earnings forecast owing to “more challenging market conditions in Australia and Europe” and the translation of foreign profits into NZ dollars owing to the higher exchange rate.

Earnings (before interest, tax and depreciation) are now expected to be around \$124-129 million, down 8-9% from its previous forecast of \$135-140 million).

Nuplex Industries



Renaissance Corporation has reported for the half year to 31 March 2013 - but the headline figures are distorted by the sale of its Distribution business, plus insurance receipts in 2012 and the (non-cash) write-down in goodwill this year.

Excluding those figures, revenues from continuing businesses were 12.3% lower at \$24.7 million and there was a trading loss of \$102,000 (minus 0.2 cents per share), down from a small \$239,000 profit a year earlier.

The company is continuing to “work on different proposals” which will require shareholder approval.

Renaissance Corporation



Australian Shares

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

AJ Lucas Group has signed its loan facility with **Athena Investments Holdings** (with terms as discussed in our April newsletter) subject to shareholders approving the issue of warrants at an EGM in mid-July and restructuring the **Kerogen Investments** facility.

The Kerogen loans will total US\$105 million at an interest rate of 15% until maturity on 30 November 2014 but if the Athena facility is extended then this facility will also be extended (at an interest rate of 17%) until 31 May 2015. AJ Lucas Group will also issue warrants to buy shares at 155 cents equal to 2.25% of its capital (increasing to 2.75% if the facility is extended).

Shareholders will also be asked to approve the placement of 15,000,000 shares with Kerogen at 155 cents to reduce this loan by A\$23.25 million.

AJ Lucas Group also announced that discussions are continuing with “leading energy companies” regarding a potential farm-in investment into the Bowland shale prospect (75% owned by **Cuadrilla Resources** and 25% directly owned by AJ Lucas Group). The company is “confident of a positive outcome”.

AJ Lucas Group



ALS Limited (formerly Campbell Brothers) lifted revenues from continued operations 10.6% to \$1,457.5 million for the year to 31 March 2013. Trading profits were up 8.6% at \$237,900,000 (69.2 cents per share). A final dividend of 27.0 cents will lift the annual dividend 6.7% to 48.0 cents.

The cash operating surplus rose 8% to \$247.3 million.

ALS Minerals recorded a 3% lift in revenues to \$608.4 million but earnings slipped 2% to \$211.3 million. Mineral samples were down 2% for the year after falling 18% in the second half of the year. The group has moved from expanding this division to a focus upon cost controls and efficiencies.

ALS Life Sciences revenues rose 26% to \$454.4 million with earnings up 14% at \$89.3 million. The United States market under-performed but improved in the last quarter and is expected to recover this year. The company acquired **Reliance Group** in Hong Kong and China in May, is building a new chemistry hub in the United Kingdom and opened a new laboratory in Beijing in May. The company sees a “significant opportunity in South America”.

ALS Energy revenues rose 20% to \$105.0 million with earnings up 38% to \$32.6 million. The company sees a “challenging year ahead” with customers “focused on cost cutting” - but this is a “good environment for acquisitive growth”.

ALS Industrial lifted revenues 11% to \$168.6 million with earnings up 25% to \$30.6 million. Several significant long term contracts are up for re-tender in the near future. A new asset care management system will be implemented and a new generation Tribology LIMS (laboratory information management system) will be developed this year and in use in the fourth quarter.

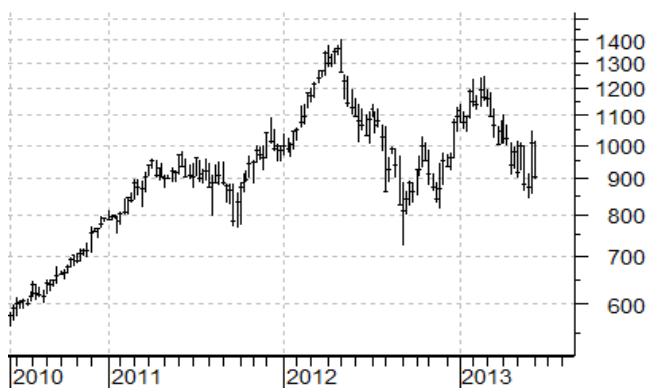
Distribution and the Chemical business (sold in September 2012) contributed just 10% of group revenues and 1% of earnings.

ALS Ltd seeks to lift revenues to \$2 billion by 2017 - which is a 7% per annum compound growth rate - mainly in its ALS Life Sciences and ALS Energy divisions.

ALS Ltd earns 42% of its revenue in Australia (although 47% in Australian dollars), 30% in North America (21% in US dollars and 15% in Canadian dollars), 13% in Europe (5% in Euros, 3% in Pounds and 3% in Krona), 6% in South America, 5% in Africa and 4% in Asia.

At 904 cents (ex-entitlement to the 27 cents dividend), ALS Ltd shares trade on a Price/Earning ratio of 13 and offer a Dividend Yield of 5.3%. This is a high quality business and even if future growth is slower than in the past the shares continue to offer excellent value. “Buy” (and hold) for a high 5.3% income yield, income growth and capital appreciation.

ALS Limited



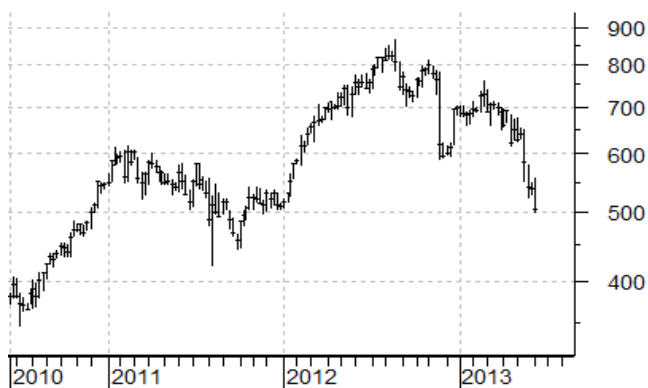
Cardno is now predicting an annual profit of \$73-77 million, compared with \$74.2 million in 2012. Earnings per share will be 0-5% lower at 51-53½ (owing to the issue of new shares for acquisitions) and a steady 36.0 cents annual dividend is expected. Revenues for the nine months to 31 March are up 30%, but margins have been depressed owing to the “difficult market conditions”.

The Australian market shows a “general lack of confidence”. Cardno earns around 10% of its revenues from the Australian mining sector which “has slowed with non-essential work halted and other expenditure delayed”. Australian infrastructure work is also down, with “State Governments and Local Authorities not committing to significant infrastructure expenditure in the current climate”.

In the United States there is “an improvement in demand for private sector infrastructure services”, but “this growth has been slow” and “offset by flatter public sector and defence spending”.

At 504 cents, Cardno shares trade on a P/E of 9 (perhaps increasing to 10, if earnings per share are a little lower this year) and a Dividend Yield of 7.1%. This is a sound business offering a high income yield, income growth and capital appreciation over the medium to long term.

Cardno



Chandler Macleod Group has downgraded its June 2013 profit forecast (before restructuring and acquisition costs) to \$17-19 million (5.3-5.6 cents per share).

(Continued on Page 6)

Recommended Investments

(Continued from Page 5)

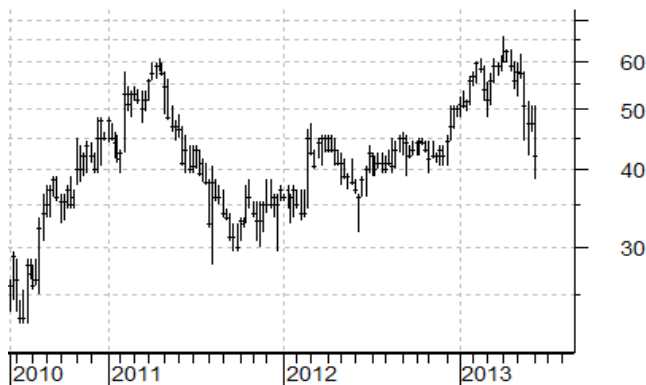
Larger mining customers have negotiated “considerable margin reductions” and many other businesses closed for longer than normal over the Christmas and ANZAC holidays. One major contract expected in May and June - and with \$1-2 million in earnings, has been deferred until early in the 2014 financial year.

On the other hand, the cost reduction program “has delivered cost savings in excess of \$10 million”, with further “re-engineering and simplification” of the company’s business processes in 2014 seeking to achieve a further \$5 million in annual cost savings.

The **AHS** business signed 15 new hotels in the first half of the year and expects to sign up another 14 new hotel customers during the second half. In July it will enter the New Zealand market, with three hotel customers signed to date. Operating cashflows (before restructuring and acquisition costs) have been “strong” and “the pipeline of new business remains quite healthy despite the subdued conditions”.

At 42 cents, Chandler Macleod Group shares currently trade on a P/E of 11 and offer a Yield of 6.7%.

Chandler Macleod Group



Circadian Technologies believes that will would take another 7-10 years - until about 2020/2021 - to bring to market a VGX-300 drug to treat wet AMD (i.e. age-related macular degeneration - the leading cause of blindness in the developed world). However, “discussions with third parties have confirmed that ophthalmology is an emerging, large market for targeted therapies and that there is an appetite for investment in a pre-clinical stage program”. Phase I and Phase II testing to generate “proof of concept data” will cost \$3-5 million. Proof of concept data is usually generated in Phase II testing, but as Phase I testing will be on patients with wet AMD, it is “possible to see a clinical effect in this earlier trial”.

Proof of concept data would be “a significant value accretion point” and “pave the way for a partnership or licencing deal with a larger pharma or biotechnology company”.

Circadian Technologies



Clarius Group reports that “the third quarter” (i.e. to March 2013) “presented some of the most difficult trading conditions that we have seen”. There is an improvement in the current quarter, with “better results in both permanent revenue and contractor numbers” plus “the healthiest sales pipeline for some time”. The China business - in which Clarius Group has recently invested \$3 million - “is on track to achieve profitability in the fourth quarter” and break-even for the year, “following a number of years of losses”.

Overall the company expects a \$200-450,000 trading loss for the year to June 2013 - plus one-off restructuring costs of \$500,000 which are expected to realise future (pre-tax) cost savings of \$6 million annually.

The cash position “remains strong, with little or no net debt”.

Clarius Group



CSG Ltd has settled all legal proceedings with **Fuji Xerox Australia** and **Fuji Xerox Finance** with a cash payment by CSG of \$4.5 million (including costs and GST). That is a relatively insignificant sum (i.e. 1.6 cents per share) and frees magement from this distraction.

CSG Ltd



Iluka Resources reports continued improvement in Zircon sales during April and May. China sales, to date, are “similar to the full year 2012 sales” (i.e. where demand was strong in the first half, but dropped off sharply later in the year). Overall, “based upon lower average prices”, the current year earnings will be “materially lower than in 2012”. A negative “free cash flow” is expected in the first half, partly with the payment of \$128 million in tax on the 2012 profit and the 2012 final dividend of \$42 million but the company expects positive free cash flow in the second half of the year. That will result in a “moderate” increase in the company's very low debt levels for the year.

We are always more than a little sceptical of brokers forecasts and estimates, but these do currently indicate some of the uncertainty over Iluka Resources' prices and volumes (and therefore profits) over the next two years. For the current year to December 2013, brokers estimate total revenues anywhere from \$666 million to \$1029 million, with earnings per share between 2 cents and 41 cents (with a median of 21 cents). For 2014, revenues are estimated at \$893 million to \$1882 million, with earnings per share of 27 cents to 144 cents (median 81 cents) . . . all figures likely to significant revision over coming months!

Iluka Resources



Melbourne IT will pay a 25.0 cents special dividend in August. This is, however, not a particularly tax-efficient way to distribute surplus cash to shareholders. The special dividend will be only 75% franked for Australian shareholders - and also uses up franking credits that could be applied to regular dividends (i.e. which will also probably only be partially franked). So this generates a personal tax liability for Australian shareholders (and New Zealand shareholders who obtain no benefit from the franking credits).

A capital repayment, an on-market share buy-back or a pro-rata off-market buy-back would be better ways to achieve the company stated objective “to optimise return for shareholders”.

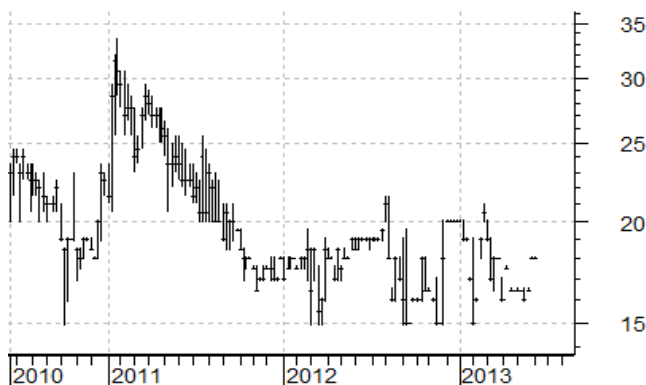
Using the cash (and the company's borrowing ability) to make a major acquisition (at an attractive valuation) would also be in shareholders best interests.

Melbourne IT



Novarise Renewable Resources International predicts a “slightly reduced” profit in the year to December 2013, owing to plant relocation to its new manufacturing facilities, but “strong growth in revenues and profits in 2014”.

Novarise Renewable Resources



Ridley Corporation reports that discussions with **Penrice Soda Holdings** in relation to compensation for the termination of the brine supply contract are continuing to progress and should be finalised “in the near future”.

(Continued on Page 8

Recommended Investments

(Continued from Page 7)

Penrice Soda Holdings



Technology One lifted revenues 3.2% to \$79.7 million for the six months to 31 March 2013. Net profit was up 16.8% to \$8,673,000 (2.8 cents per share) and the interim dividend will be raised 9.9% to 1.77 cents (85% franked).

The net operating cash surplus was \$11.1 million, up 151% on a low \$4.4 million a year earlier.

Initial licence fees were down 12% at \$16.3 million, but recurring annual licence fees rose 18% to \$29.9 million and Consulting fees were 4% higher at \$22.2 million. The higher profit is a result of higher margins, with Research & Development expenses increasing only 4% and other expenses up just 1%. The company aims to lift net profit margins from 17-18% over recent years to around 25-26% over the next five years. That will lift net profits 45% more than the growth in revenues. So if revenues grow 10% per annum (i.e. a total of 61%) then net profits would increase about 130-140% (i.e. 18-19% per annum).

The company expects initial licence fee revenues to increase for the full year period and predicts net profit growth of 10-15%.

Technology One



TFS Corporation has reported for the nine months to 31 March - although these quarterly reports are relatively meaningless with plantation sales virtually all occurring in the June quarter.

Recurring fees on plantation management (i.e. a measure of the growth in plantation assets being managed for outside investors) increased 14% to \$25.0 million.

As discussed on our front page, the lower Australian dollar exchange rate should significantly benefit a company like TFS Corporation, where expenses are virtually all in Australian dollars but potential revenues (and the market value of its plantations) are determined by the price of Indian Sandalwood priced in US dollars.

Furthermore, the company has potential performance fees based upon the returns that are realised (in Australian dollars) by outside investors. A lower exchange rate will eventually (i.e. at harvest) boost investors' returns and potentially trigger additional performance fee revenues (and profits) for the company!

TFS Corporation



The Reject Shop received applications for \$25.5 million worth of shares, so increased its Share Purchase Plan from \$10 million to \$14 million (864,197 shares). Applications were scaled back depending upon investors existing shareholdings (i.e. larger shareholders receiving more new shares than smaller shareholders).

The Reject Shop



Share Recommendation:

Buy Ausenco

BUY Ausenco Ltd (code AAX).

Ausenco is a large, diversified engineering consultancy business mainly involved in EPCM (i.e. Engineering, Procurement and Construction Management) contracting services for resource companies.

With the resource sector falling out-of-favour over recent months, Ausenco shares now trade at a low valuation - offering a very high current income yield and potential for a 100-200% recovery in capital values (or perhaps 3-8 fold over 5-10 years).

Ausenco has virtually no debt, earns 80% of its revenues outside of Australia and 75-80% of revenues come from existing projects (i.e. expanding, optimising and/or de-bottlenecking) where mining companies seek to extract additional value from existing assets.

Company History

Ausenco was formed in 1991 and listed in May 2005 after an initial public offering of 25,921,000 shares at 100 cents. This raised just \$10 million of cash for the company (and \$15.9 million for existing shareholders who also retained 68% of the equity).

The shares rose *very strongly* - up almost 17-fold to a peak in August 2008 - allowing the company to use its shares to finance three large acquisitions in early 2008 - but eventually the shares fell 89% in value during the Global Financial Crisis and resource downturn of 2008-2009.

Acquisitions

In early 2008, Ausenco used its shares (which had become expensive and over-valued) to help finance three attractive businesses, all purchased at low valuations:

In February 2008, Ausenco purchased **Pipeline Systems Incorporated** for US\$38.7 million (A\$46.0 million, funded 80% through the issue of Ausenco shares to the vendors). A further A\$16 million was spent to acquire the third party interest in a joint venture. This South American based business is the world leader in engineering long distance slurry pipelines and other hydro transportation systems for the mining industry. Since its formation in 1979 it had engineered over 75% of all long distance slurry pipelines and when purchased by Ausenco was involved with 90% of all systems under design or construction. This business generated annual revenues of US\$39 million and earnings (before interest and tax) of US\$5.1 million, so was acquired on a Price/Sales ratio of about 1.0 and a Price/Earnings ratio of around 10.

In March 2008 Ausenco announced the acquisition of **Sandwell International Inc** for C\$82 million (A\$90 million) and **Vector Engineering Inc** for US\$31 million (A\$34 million) in cash - but mainly financed through an institutional share placement (i.e. \$56 million from the placement of 4,552,845 shares at \$12.30) and a Share Purchase Plan (i.e. \$20 million from 1,626,000 shares at \$12.30).

Sandwell International is the world's leading

engineering company for ports and bulk handling systems for the mining and petroleum industries, having designed over 400 major terminals worldwide. The business generated annual revenues of C\$91 million and a net profit of C\$7.1 million, so was purchased on a P/S ratio of 0.9 and P/E ratio of 9.

Vector Engineering is a leading consultant in the water and environmental service market, specialising in solid waste, energy and the oil and gas sectors. The business has "decades of continuous revenues" from landfills and is a world leader in the design and construction of heap leach and tailing storage projects. Annual revenues were around US\$25.6 million and net profit US\$2.7 million, giving a P/S ratio of 1.2 and P/E ratio of 11½.

In June 2009 the company raised a further \$40.5 million in equity from a share placement and Share Purchase Plan priced at 320 cents per share - to repay debt.

Since then the company has made only a few small acquisitions to acquire new skills or enter new market sectors:

In June 2008, Ausenco formed a 50/50 joint venture with **Taggart Global USA** to pursue coal preparation plant engineering work worldwide (except for North America and China).

In August 2009 it acquired a 50% interest in **Kramer Group**, a Papua New Guinea based engineering group.

In January 2012 Ausenco paid \$3.8 million in cash to acquire **Reaction Consulting Inc**, a specialist provider of engineering services to the SAGD bitumen and oil sands sectors. The company forecast revenues of \$5-7 million, pricing this acquisition on a P/S ratio of 0.55-0.75.

In August 2012 it acquired a 75% interest in Queensland based **Rylson Group**, a company offering global business improvement and asset management solutions, for \$4.2 million (with the remaining 25% to be acquired in 2014). This was priced at 3 times forward earnings, equal to a P/E ratio of about 5-6.

Recent Results

In the year the December 2006 - its first as a stock exchange listed company - revenues rose 85.9% to \$144.4 million, with net profits up 137.0% to \$13,421,000 (17.0 cents per share). The annual dividend was 10.0 cents. The net operating cash surplus was up 59% to \$15.5 million.

In the year to December 2007, revenues rose another 139.2% to \$368.3 million with profits up 209.4% to \$41,502,000 (50.3 cents per share). The dividend was raised 203.0% to 30.3 cents. There was a very strong 5¾-fold increase in the net operating cash surplus to \$88.6 million.

In the year to December 2008 - aided by three large acquisitions - revenues rose 69.1% to \$622.7 million with net profits up 35.6% to \$56,269,000. Earnings per share were up 22.1% at

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BUY Ausenco Ltd*(Continued from Page 9)*

61.4 cents and the annual dividend was raised 4.8% to 31.75 cents. There was a net operating cash *deficit* of \$16.6 million - probably as a result of working capital investments in the new businesses.

Revenues fell 29.1% to \$441.4 million in 2009, with net profits down 64.2% at \$20,142,000 (and earnings per share down 73.1% to 16.5 cents per share). The dividend was cut 70.1% to 9.5 cents. The business produced a small cash operating *deficit* of \$2.3 million.

In 2010, revenues recovered 16.3% to \$513.5 million, but there was a trading *loss* of \$2,452,000 (*minus* 2.0 cents per share) and no dividend was paid. There was a cash operating surplus of \$23.1 million (although mainly as a result of increases in accounts payable).

Ausenco has returned to profitability over the last two years:

For the year to December 2011, revenues rose 6.8% to \$548.5 million and there was a net profit of \$26,354,000 (21.4 cents per share) and a dividend of 12.9 cents. The net operating cash surplus was \$11.4 million.

For the year to December 2012, revenues grew 15.7% to \$634.5 million, with profits up 57.1% to \$41,395,000 (33.5 cents per share) and an annual dividend 55.8% higher at 20.1 cents. The net operating cash surplus rose 3½-fold to \$41.2 million.

The company forecasts a 2013 result with revenues of \$610-660 million and profits of \$37-42 million (30-34 cents per share). Many similar businesses have had significant volumes of resource work cancelled or deferred over recent months, especially in Australia, but Ausenco was awarded \$220 million of new work in the March 2013 quarter (and has not announced any major cancellations or deferrals), lifting its work on hand to \$420 million. While there may be a slowdown or deferral of new greenfield projects, 77% of revenues come from existing project expansions or optimisation and de-bottlenecking projects as mining companies seek to extract more value from their existing assets. Over 80% of revenues are earned outside of Australia.

Investment Criteria

Under our *Comprehensive Share Selection Criteria*, Ausenco qualifies as a "Buy" under the "Income Shares" criteria. While these shares obviously offer a high current income yield, they are also attractive for capital appreciation, being depressed, out-of-favour shares that can be purchased at a low valuation. The "Income Shares" criteria selects larger companies (i.e. with a market capitalisation greater than \$250 million) which are more likely to have the diversified revenues and financial strength to survive their current problems and eventually recover.

At 215 cents, Ausenco shares trade on a low Price/Sales ratio of 0.42, a very low Price/Earnings ratio of 6½ and a high Dividend Yield of 9.3%. Even with an expectation of weakness in the mining sector, those statistics look to offer very good value (and Ausenco predicts fairly steady profits for the current year).

At more normal times - when investors are not so pessimistic about the resource sector - a company like Ausenco might trade on a P/E of 13-19 and a Yield of 3-5%. That would indicate the potential for the share

price to recover and appreciate 100-200% in value.

While there may be some weakness over the next year or two, it would not be unreasonable to expect a long term growth rate of around 10%. That would lift earnings per share (and dividends) around 60% over five years or 160% over ten years. That growth, combined with a re-rating of the share valuation could lift the share price 3-5 fold over the next five years or 5-8 fold over the next ten years. In the meantime, the shares will provide a very high 9.3% income yield.

At its peak of \$16.85 in August 2008, Ausenco shares traded on a P/S ratio of 3.78, a P/E of 33 and a Yield of 1.8%. Obviously that valuation was too high - and contributed to the 89% fall in the shares to 185 cents in June 2009. With the shares now trading at only 20% of their peak 2008 valuation, the risk of loss in any future severe mining sector downturn would be significantly reduced.

At 31 December 2012, Ausenco was virtually debt-free, with cash of \$52.6 million and interest bearing debts of \$64.4 million (i.e. net debt of just \$12 million).

Mining is a capital intensive and depleting business, which are unfavourable investment characteristics. We therefore tend to avoid mining companies and believe the best way to invest in the resource sector is through companies that provide *services*. Ausenco is a non-capital intensive business providing engineering services through all stages of mining operations - but it does not own any mines, depreciating mining equipment or mineral processing plants. Instead it advises on designing, installing, operating and improving the efficiency of mines and processing plants.

The issued capital consists of 123,527,574 ordinary shares, giving the company a stockmarket capitalisation of \$266 million. The shares are included in the All Ordinaries Index and are very actively traded in large volumes.

The company is *widely followed*, with 11 brokers publishing profit forecasts.

The directors and senior management have significant shareholdings, owning around 27% of the company (i.e. investments totalling around \$72 million) - which should align their interests with those of minority shareholders. There have also been six insider buys (and no sells) over the last year.

A Founder and the current Managing Director, Z Meka owns 16,113,528 shares (13.0% of the company), having purchased an additional 50,000 shares on-market at 311 cents in September 2012 and 70,000 shares at 239 cents in May 2013. B Thorpe (the company's Founding Managing Director, now retired and a Non-Executive Director) holds 11,118,250 shares (9.0%). The Chairman G Lloyd purchased 40,000 shares on-market at 212 cents in May 2013 to lift his holding to 264,857 shares, while Non-Executive Director H Tuten has a large 3,642,668 shareholding. M Shafer-Malicki reported an initial on-market purchase of 5,000 shares at 464 cents in February 2013 (although she actually purchased these shares in May 2012 and was a bit slow filing the disclosure with the stock exchange) and another 4,000 shares at 258 cents in May 2013.

Former Chairman W Goss (who retired last week - presumably owing to continued health problems) owns

1,209,934 shares and his alternate, T Crommelin (who has also resigned) purchased 20,000 shares on-market in May, lifting his holding to 77,000 shares.

Other senior executives own over one million shares.

In October 2012 the company announced an on-market buy-back (of up to 6.2 million shares - or 5% of the company - over the next year) but to date have purchased just 345,091 shares at an average price of 290 cents during November and December. The shares of companies making on-market share repurchases often outperform the general market. Repurchasing shares usually indicates that (1) the company is in a healthy financial state, with surplus cash and (2) that the directors' consider the shares are under-valued.

The Relative Strength Rating is -11.6%, ranked 56 (on a scale of 0-99).

Summary and Recommendation

Ausenco is a sound business - with little debt - earning diversified revenues from providing specialised *services* to resource companies around the world. This can be a volatile sector, but Ausenco is not capital intensive (i.e. does not own depreciating equipment, financed with bank debt and resulting in large interest expenses), is diversified and in a financially sound position - so should be able to adapt and survive and prosper.

The shares fell 89% in the 2008-2009 downturn - but

from over-valued levels. Today the shares trade at just 20% of their peak 2008 valuation.

Ausenco shares offer a current dividend of 9.3% - which might be enough reason for many investors to consider the shares! We also see the potential for long term growth and an eventual re-rating of the current low valuation to lift the share price 3-8 fold over the next 5-10 years!

We recommend Ausenco shares for both income and capital growth but, as always, individual investments involve risk so it is important to maintain a well diversified share portfolio.

Ausenco Ltd



Mnemon Distributes 2.8 cents per share

We are writing off Mnemon Ltd shares from our Recommended Portfolio following the distribution of most of its assets through a 2.8 cents per share capital repayment (payable on 17 June).

This was always a very small investment and has become insignificant.

We received these shares - originally called **Mercury Mobility** - free in a spin-off by **Cellnet Group** in June 2007.

A hypothetical investor with 1000 Cellnet Group shares would have received about 1500 Mercury Mobility shares at no cost. Mercury Mobility then made a cash issue, offering shareholders 3 new shares at 20 cents for every 16 shares held. With 1500 Mercury Mobility shares, an investor could have purchased a further 281 shares for A\$56.20, lifting the holding in this company to 1781 shares. The shares listed in August 2007 at 29 cents, initially valuing this investment at A\$516.49.

Unfortunately the company did not prove successful and recently sold off its businesses. The 2.8 cents per share capital repayment will return A\$49.87 to our hypothetical investor.

The remaining shares are quoted at 0.1-0.3 cents. So 1781 shares would be worth A\$1.78-\$5.34 - less than the minimum brokerage cost of selling the shares.

In the near future, the existing shares will be consolidated, with shareholders receiving 1 new share in exchange for every 200 shares currently held. So 1781 shares would become about 9 new shares, which might be worth somewhere around 20-60 cents each - but still only A\$1.80-\$5.40 in total.

The company will attempt to realise some value from its stock exchange listing from a business seeking to list

on the stockmarket via a "reverse takeover" and "back-door" listing. So Mnemon shareholders *may* end up owing a small stake in some larger, more viable business. Even if this "reverse takeover" creates some value in excess of their current value (i.e. 0.1-0.3 cents) it is unlikely to be of any real value in our portfolio.

Summary and Recommendation

Mercury Mobility/Mnemon was always a very small investment in our portfolio, became smaller as it failed to build its business and with the distribution of 2.8 cents per share as a return of capital has declined to virtually no value.

But the company lives on. For most investors it probably has so little value that it is not even worth *considering* selling owing to the A\$20 or A\$30 minimum brokerage. It is also not worth continuing to monitor in this newsletter. We will consider the 2.8 cents our final realisation and (although we shall continue to hold these virtually worthless Mnemon shares) for all practical purposes will write-off the balance of this investment.

Mnemon



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											Market Cap'n	Company	STRENGTH RATING											Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio			Share Price	Cur. rent	4-Wk Chg.	Rank	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	

UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0

Smiths City	62	+3.6	-2.0	40	0-1	-	0.8	10	1.2	8	5.6	0.14	33
Col Motor Co	365	+4.9	-2.7	35	1-0	-	1.0	10	0.5	10	9.8	0.22	119
Air New Zealand	151	+12.6	-1.0	12	0-6	7	1.0	4	1.0	23	3.7	0.37	1,655
Ebos Group Ltd	1029	+9.4	+1.0	17	0-0	-	2.6	13	0.5	19	4.7	0.38	536
Steel & Tube	243	+3.6	-3.8	39	0-0	4	1.4	9	0.9	16	7.1	0.53	215
Infratil NZ	226	+2.0	-1.7	46	0-4	4	1.3	0	0.7	390	5.8	0.55	1,318
Allied Work.	305	+9.8	+5.7	15	1-2	-	3.6	25	0.9	15	7.3	0.60	79
Fletcher Build.	829	+2.8	-3.5	41	7-13	-	1.6	5	0.5	31	5.9	0.64	5,661
Warehouse Group	374	+13.4	-1.3	9	3-1	8	3.7	28	0.7	13	7.6	0.67	1,164
Restaurant Brds	288	+7.4	-1.0	20	0-0	3	4.7	27	0.8	17	7.9	0.90	282
Telecom Corp	224	+1.5	-0.3	50	2-5	11	2.6	71	0.7	4	11.9	0.91	4,159
Sanford Limited	466	+4.3	+1.2	37	0-0	3	0.8	4	0.4	21	7.1	0.95	436

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0

Warehouse Group	374	+13.4	-1.3	9	3-1	8	3.7	28	0.6	13	7.6	0.67	1,164
Allied Work.	305	+9.8	+5.7	15	1-2	-	3.6	25	0.8	15	7.3	0.60	79
Ebos Group Ltd	1029	+9.4	+1.0	17	0-0	-	2.6	13	0.5	19	4.7	0.38	536
Restaurant Brds	288	+7.4	-1.0	20	0-0	3	4.7	27	0.7	17	7.9	0.90	282
Jasons Media	18	+5.6	-2.0	30	0-0	-	1.0	12	1.6	8	Nil	0.29	4
Finzsoft Sol'ns	42	+5.2	-0.3	34	0-0	-	1.3	15	0.9	9	Nil	0.39	3
Col Motor Co	365	+4.9	-2.7	35	1-0	-	1.0	10	0.4	10	9.8	0.22	119
Steel & Tube	243	+3.6	-3.8	39	0-0	4	1.4	9	0.7	16	7.1	0.53	215
Smiths City	62	+3.6	-2.0	40	0-1	-	0.8	10	0.9	8	5.6	0.14	33
Telecom Corp	224	+1.5	-0.3	50	2-5	11	2.6	71	0.6	4	11.9	0.91	4,159

INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million

Chorus Ltd	255	-7.4	-1.8	84	4-0	10	1.9	33	0.4	6	14.0	0.93	982
Telecom Corp	224	+1.5	-0.3	50	2-5	11	2.6	71	0.5	4	11.9	0.91	4,159
NZ Oil & Gas	86	-1.7	-2.5	71	1-0	6	1.0	6	1.1	17	10.0	2.97	346
Col Motor Co	365	+4.9	-2.7	35	1-0	-	1.0	10	0.3	10	9.8	0.22	119
Skellerup Hold.	132	-6.8	-1.7	83	1-0	3	2.1	20	0.9	10	8.4	1.23	255
Hallenstein G.	556	+6.2	-2.0	27	0-1	5	5.0	32	0.5	16	8.1	1.54	332
NZ Refining Co	215	-7.4	-2.1	85	3-0	5	1.1	6	0.6	17	8.0	2.07	602
Restaurant Brds	288	+7.4	-1.0	20	0-0	3	4.7	27	0.6	17	7.9	0.90	282
Trust Power Ltd	732	-4.5	-0.5	77	0-0	5	1.5	8	0.4	19	7.8	2.85	2,299
Warehouse Group	374	+13.4	-1.3	9	3-1	8	3.7	28	0.5	13	7.6	0.67	1,164

INSIDER BUYING: Most Insider Buying, Relative Strength > 0

Briscoe Group	260	+9.4	-0.4	17	3-0	3	3.9	20	0.5	20	5.5	1.26	552
GuocoLeisure	79	+15.1	-0.1	7	2-0	-	0.8	7	0.9	11	2.5	1.96	1,081
Comvita	377	+2.1	-0.0	45	2-0	1	1.3	9	0.5	15	4.9	1.06	110
Warehouse Group	374	+13.4	-1.3	9	3-1	8	3.7	28	0.5	13	7.6	0.67	1,164
Ryman Health.	640	+22.5	+6.2	4	3-1	7	4.3	19	0.5	23	0.8	N/A	3,185
Col Motor Co	365	+4.9	-2.7	35	1-0	-	1.0	10	0.3	10	9.8	0.22	119
AMP Office Trt	99	+0.5	-0.2	56	1-0	-	1.1	5	0.5	22	5.7	7.75	987
NPT Limited	65	+2.1	+0.7	45	1-0	2	0.9	29	0.6	3	4.1	6.46	105
Zintel Comm.	44	+1.3	-0.4	51	1-0	-	1.4	-	1.1	NE	Nil	0.54	24
Dorchester Pac	30	+6.9	-7.9	23	1-0	-	1.9	5	1.4	39	Nil	3.26	62

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0

Vital Health PT	139	-58.3	+0.0	98	4-0	4	1.4	3	0.5	45	5.6	7.26	408
Blis Technology	1	-14.4	-10.5	92	0-0	-	2.1	-	4.2	NE	Nil	6.47	7
Mighty River	230	-2.3	-2.2	73	3-0	1	10.5	31	0.7	34	5.2	5.40	3,220
Charlie's Group	43	-58.3	+0.0	97	0-0	-	1.7	15	1.2	51	Nil	4.00	126
NZ Oil & Gas	86	-1.7	-2.5	71	1-0	6	1.0	6	1.0	17	10.0	2.97	346
Trust Power Ltd	732	-4.5	-0.5	77	0-0	5	1.5	8	0.3	19	7.8	2.85	2,299
NZ Refining Co	215	-7.4	-2.1	85	3-0	5	1.1	6	0.5	17	8.0	2.07	602

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

Charlie's Group	43	-58.3	+0.0	97	0-0	-	7.7	15	1.2	51	Nil	4.00	126
Vital Health PT	139	-58.3	+0.0	98	4-0	4	1.4	3	0.4	45	5.6	7.26	408
NZ Windfarms	6	-19.6	-3.3	94	0-0	1	0.2	-	1.8	NE	Nil	1.89	18
Blis Technology	1	-14.4	-10.5	92	0-0	-	2.1	-	3.9	NE	Nil	6.47	7
Mercer Group	18	-10.1	-6.5	89	0-0	-	2.6	-	1.7	NE	Nil	1.28	43
Kirkcaldie & St	225	-9.6	-2.1	88	0-0	-	1.2	-	0.3	NE	Nil	0.60	23
Ecoya Ltd	92	-8.4	+2.0	87	0-0	-	2.6	-	0.7	NE	Nil	2.11	56
Pumpkin Patch	106	-5.0	-4.9	80	1-2	4	5.3	31	0.8	17	Nil	0.59	178
Just Water Int.	12	-4.9	-5.6	79	1-0	-	2.0	32	2.4	6	Nil	0.36	11
Pyne Gould Corp	26	-4.6	+0.8	78	0-0	-	0.6	-	1.1	NE	Nil	1.87	56
Moa Group Ltd	118	-4.1	-0.5	76	0-0	1	2.4	13	0.8	18	Nil	N/A	36
Mainfreight Grp	1020	-3.3	-4.1	74	4-5	5	2.6	17	0.4	15	3.8	0.54	1,010
Hellaby Hold.	285	-2.9	-2.4	74	2-0	3	1.4	13	1.0	11	6.5	0.43	214
Mighty River	230	-2.3	-2.2	73	3-0	1	10.5	31	0.7	34	5.2	5.40	3,220
Horizon Energy	338	-1.4	+0.2	70	0-0	-	1.4	3	0.3	45	4.2	1.26	84

INSIDER SELLING: Most Insider Selling, Relative Strength < 0

NZ Experience	35	-3.8	+1.1	75	0-1	-	1.9	21	0.8	9	11.8	1.11	13
NZ Wool Service	42	-0.5	+0.2	66	0-1	-	1.0	-	0.7	NE	Nil	0.19	29
Pumpkin Patch	106	-5.0	-4.9	80	1-2	4	5.3	31	0.8	17	Nil	0.59	178
Mainfreight Grp	1020	-3.3	-4.1	74	4-5	5	2.6	17	0.4	15	3.8	0.54	1,010

“Neglect” Ratings of NZ Shares

“Neglected” Shares = 0-2 Brokers, “Moderately Followed” Shares = 3-4 Brokers, “Widely Followed” Shares = 5 or more Brokers.

Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)
Abano Health.	2	91	NPT Limited	2	105
Air New Zealand	7	1,655	NZ Exchange Ltd	2	353
Akd Int Airport	11	3,967	NZ Oil & Gas	6	346
Argosy Property	5	688	NZ Refining Co	5	602
Briscoe Group	3	552	NZ Windfarms	1	18
Cavalier Corp	3	115	Nuxlex Indust	6	553
Chorus Ltd	10	982	Opus Int'l Cons	4	258
Comvita	1	110	PGG Wrightsons	5	211
Contact Energy	8	3,670	Port Tauranga	7	1,843
DNZ Property	5	407	Property F Ind.	5	284
Delegat's Group	3	405	Pumpkin Patch	4	178
Diligent Board	1	656	Rakon Ltd	4	38
F & P Health.	8	1,693	Restaurant Brds	3	282
Freightways Ltd	7	677	Ryman Health.	7	3,185
Goodman Prop.	7	1,287	Sanford Limited	3	436
Guinness Peat	3	132	Skellerup Hold.	3	255
Hallenstein G.	5	332	Sky Network TV	10	2,203
Heartland BS	3	323	Sky City Ltd	9	2,394
Hellaby Hold.	3	214	Steel & Tube	4	215
Infratil NZ	4	1,318	Summerset Group	5	638
Kathmandu Ltd	6	542	TeamTalk Ltd	1	58
Kiwi Property	7	1,131	Telecom Corp	11	4,159
Lyttelton Port	1	302	Tourism Hold.	1	58
Mainfreight Grp	5	1,010	Tower Limited	4	527
Methven Limited	5	83	Trade-Me Ltd	11	1,893
Metro. LifeCare	3	453	Trust Power Ltd	5	2,299
Michael Hill	2	521	Vector Ltd	6	2,788
Mighty River	1	3,220	Vital Health PT	4	408
Moa Group Ltd	1	36	Warehouse Group	8	1,164
			Xero Ltd	1	1,724

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.

STRENGTH RATING													STRENGTH RATING														
Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Relative Strength	Price to NTA	Return on Equity	Volatility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Relative Strength	Price to NTA	Return on Equity	Volatility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0																											
Emmerson Res.	4	-28.3	-4.8	88	0-0	-	-	1.5	NE	Nil	9.76	9	Nyoto Minerals	2	-38.7	-2.4	97	1-0	-	-	1.9	NE	Nil	N/A	9		
Uranex Ltd	5	-29.2	-8.2	89	9-0	-	-	1.7	NE	Nil	9.54	8	Golden Rim Res.	2	-38.5	-0.7	97	1-0	-	-	2.1	NE	Nil	N/A	8		
Grand Gulf En.	0	-19.4	-6.7	73	1-0	-	-	7.9	NE	Nil	9.52	6	Exoma Energy	1	-37.7	-2.5	97	0-0	-	-	2.8	NE	Nil	N/A	5		
Mineral Deposit	267	-16.4	-4.4	66	0-0	5	0.5	4	0.5	14	9.46	223	Sundance Res.	9	-37.0	-7.9	96	0-0	-	-	1.1	NE	Nil	N/A	244		
Uranium Equitie	3	-13.2	-3.4	60	0-0	-	-	2.1	NE	Nil	9.40	8	Redflow Limited	4	-36.8	-2.4	96	0-0	0.5	-	1.5	NE	Nil	1.04	7		
Lonestar Res.	14	-12.3	-4.0	58	2-0	0.4	-	0.9	NE	Nil	9.15	98	Dart Energy Ltd	4	-36.7	-7.4	96	4-0	1	-	1.8	NE	Nil	N/A	32		
Merricks CSO Fd	40	-4.1	-4.8	42	2-0	0.7	-	0.5	NE	Nil	8.97	11	Cobar Cons Res.	12	-36.5	-5.4	96	0-0	1	-	1.2	NE	Nil	N/A	22		
China Magnesium	8	-22.1	-0.2	77	2-0	0.9	-	1.2	NE	Nil	8.89	11	Murchison Metal	4	-35.6	+3.6	95	0-0	-	-	1.4	NE	Nil	2.55	18		
Circadian Tech	27	-14.7	+1.6	63	4-0	0.7	-	0.7	NE	Nil	8.82	13	Metminco Ltd	2	-35.5	-4.2	95	1-0	-	-	2.3	NE	Nil	N/A	30		
Viagold Capital	29	-8.3	-7.8	50	0-0	2.6	-	0.6	NE	Nil	8.79	9	Gryphon Mineral	19	-35.2	-1.9	95	1-2	10	-	1.0	NE	Nil	N/A	55		
Ceramic Fuel C.	4	-11.7	-0.6	57	1-0	2.2	-	1.5	NE	Nil	8.78	59	Anaeco Limited	1	-34.6	-0.3	94	0-0	-	-	2.7	NE	Nil	N/A	6		
New Guinea En.	2	-17.3	-2.8	68	0-0	-	-	2.5	NE	Nil	8.76	16	Mirabela Nickel	15	-33.9	-6.9	94	1-1	7	0.3	-	1.1	NE	Nil	0.40	132	
Etherstack plc	94	-17.8	-6.9	69	0-0	-	-	0.8	NE	Nil	8.66	59	Cockatoo Coal	3	-33.8	-6.4	94	0-0	4	-	1.7	NE	Nil	1.22	35		
Musgrave Min.	7	-12.4	-2.7	58	1-0	-	-	1.8	NE	Nil	8.63	8	Metrocoal Ltd	7	-33.6	-2.2	94	1-0	-	-	1.2	NE	Nil	N/A	14		
Marmota Energy	5	-0.1	-1.8	33	0-2	-	-	1.4	NE	Nil	8.50	12	Castle Minerals	4	-33.6	-4.5	94	0-0	-	-	1.4	NE	Nil	N/A	5		
Cazaly Res Ltd	11	-18.6	-3.5	71	3-1	-	-	1.1	NE	Nil	8.47	14	Rialto Energy	4	-33.5	-1.9	94	0-0	3	-	1.8	NE	Nil	N/A	15		
Bauxite Res.	12	-0.7	-0.8	35	0-0	-	-	1.1	NE	Nil	8.33	28	Bandanna Energy	11	-33.5	-4.1	93	0-0	6	-	1.3	19	Nil	3.61	58		
KBL Mining Ltd	5	-32.0	-3.9	92	3-0	-	-	1.7	NE	Nil	8.28	9	Silver Lake Res	85	-33.4	-6.9	93	0-0	9	1.4	24	0.5	6	Nil	1.38	186	
Horizon Oil Ltd	36	-0.1	-4.2	33	1-0	9	1.2	2	0.9	55	8.26	407	Quickflix Ltd	2	-33.3	-0.4	93	0-0	-	-	2.0	NE	Nil	0.45	8		
Equus Mining	4	-4.6	-16.8	43	2-0	-	-	1.5	NE	Nil	8.00	5	Lindian Res.	4	-33.2	-1.5	93	0-0	-	-	1.6	NE	Nil	N/A	6		
Sprintex Ltd	2	-6.1	+1.4	45	6-0	1.6	-	2.3	NE	Nil	7.80	11	Hawkeye Oil Gas	6	-33.2	-4.2	93	0-0	1	-	1.1	NE	Nil	1.50	15		
Ironbark Zinc	4	-29.5	-3.5	90	0-0	-	-	1.7	NE	Nil	7.69	15	Tissue Therapy	15	-33.0	-4.2	93	0-0	1	2.5	-	0.8	NE	Nil	N/A	28	
Astron Corp Ltd	85	-15.5	-1.8	64	0-0	-	-	0.5	NE	Nil	7.66	104	Aust Resources	3	-32.8	-3.7	93	0-0	-	-	2.4	NE	Nil	N/A	11		
Alara Resources	6	-29.8	-6.3	90	0-0	-	-	1.4	NE	Nil	7.56	13	Red Metal Ltd	8	-32.6	-7.9	93	1-0	-	-	1.1	NE	Nil	N/A	8		
Agua Resources	6	-31.0	-7.2	92	1-0	-	-	1.5	NE	Nil	7.53	6	Alligator En.	3	-32.4	-5.0	93	1-0	-	-	1.8	NE	Nil	N/A	5		
Oncard Int'l	18	-1.3	-2.4	37	0-0	1.1	12	0.8	9	Nil	7.50	32	Baracle Energy	0	-32.2	-3.0	93	0-0	-	-	5.3	NE	Nil	N/A	6		
I-Property Grp	71	-7.8	-4.9	49	2	11.8	-	0.6	NE	Nil	7.28	129	Ironclad Mining	10	-32.0	-5.0	92	0-0	-	-	0.9	NE	Nil	N/A	7		
Entek Energy	4	-20.7	-2.3	75	7-0	-	-	1.8	NE	Nil	7.17	19	KBL Mining Ltd	5	-32.0	-3.9	92	3-0	-	-	1.6	NE	Nil	8.28	9		
Cullen Resource	1	-16.8	-14.7	67	0-0	-	-	2.9	NE	Nil	7.06	7	Tawana Resource	1	-31.9	-6.3	92	1-0	-	-	2.8	NE	Nil	N/A	9		
Kangaroo Res.	3	-21.0	+1.2	76	0-0	-	-	1.9	NE	Nil	6.95	42	Teranga Gold	80	-31.8	-3.0	92	2-0	3	0.7	27	0.5	3	Nil	0.58	195	
Genetic Tech.	9	-5.7	+4.6	45	0-0	1	3.1	1	1.0	NE	6.87	60	Saracen Mineral	17	-31.7	-5.9	92	0-0	4	0.5	9	0.9	5	Nil	0.53	98	
Samson Oil/Gas	2	-25.4	-0.5	83	3-0	-	-	2.0	NE	Nil	6.56	55	Reed Resources	7	-31.4	-4.5	92	0-1	-	-	1.3	NE	Nil	N/A	17		
GBM Gold Ltd	2	-4.2	+3.8	42	0-2	-	-	2.3	NE	Nil	6.54	6	Rex Minerals	31	-31.2	-4.7	92	0-0	5	-	1.0	79	Nil	N/A	48		
Deutsche Ind Tr	196	+0.0	+0.0	31	0-0	1.2	10	0.2	12	8.1	6.49	663	Xanadu Mines	7	-31.0	-0.8	92	2-0	-	-	1.5	NE	Nil	N/A	12		
Medical Dev Int	131	-6.2	-11.9	45	0-0	-16.4	61	0.4	27	4.6	6.45	73	Agua Resources	6	-31.0	-7.2	92	1-0	-	-	1.4	NE	Nil	7.53	6		
Computronics	2	-4.7	+1.3	43	0-0	-	-	2.0	77	Nil	6.25	9	Blackthorn Res.	25	-30.8	-9.5	92	3-0	4	-	0.8	23	Nil	3.81	29		
Mesa Minerals	2	-18.1	+2.7	70	0-0	-	-	2.0	105	Nil	6.18	13	Mindoro Res Ltd	2	-30.6	-0.5	91	0-0	-	-	1.9	NE	Nil	N/A	5		
Deutsche Div Tr	131	+0.0	+0.0	29	0-0	1.1	8	0.2	14	7.1	6.10	1,306	Azumah Res.	4	-30.4	-3.0	91	1-0	-	-	1.6	NE	Nil	N/A	13		
Viento Group	25	-9.1	-8.5	51	0-0	1.0	4	0.8	22	Nil	6.07	16	INSIDER SELLING: Most Insider Selling, Relative Strength < 0														
Sino Securities	28	-0.0	+0.0	32	0-0	-	-	0.5	NE	Nil	6.00	19	Lycopodium Ltd	425	-9.8	-5.1	53	0-8	1	3.1	41	0.3	7	7.8	0.71	164	
Adslot Ltd	4	-6.7	+11.2	47	3-0	2.0	-	1.6	NE	Nil	5.74	27	Western Desert	69	-2.4	-2.4	39	0-5	2	-	-	0.6	NE	Nil	N/A	157	
Uraniumsa Ltd	3	-26.2	-5.0	84	0-0	-	-	1.8	NE	Nil	5.67	5	Sandfire Res.	640	-12.2	+0.2	58	0-3	13	-	-	0.5	NE	Nil	N/A	956	
Medusa Mining	236	-23.8	-4.7	80	2-0	8	1.4	16	0.5	9	3.0	5.62	446	Global Resource	152	-0.7	-0.2	35	0-3	-	1.1	-	0.3	NE	2.6	N/A	108
Eastern Iron	4	-3.8	-3.0	42	3-0	-	-	1.5	NE	Nil	5.59	7	Syrah Resources	215	-14.2	-10.0	62	0-3	-	-	-	0.8	NE	Nil	N/A	85	
Hudson Res. Ltd	10	-19.2	-6.5	72	0-0	0.6	-	1.0	NE	Nil	5.52	12	Bluechip Ltd	19	-8.6	-3.7	50	0-3	-	19.0	-	0.8	NE	Nil	N/A	16	
Metallica Min.	11	-20.9	-4.2	75	2-1	-	-	1.0	NE	Nil	5.42	16	Macquarie C Tel	845	-3.6	+1.8	41	0-3	3	2.1	24	0.3	9	2.8	0.80	177	
Phylogica Ltd	2	-16.4	-1.3	66	0-0	2.2	-	2.1	NE	Nil	5.37	10	Int Research	107	-2.6	-0.8	40	0-3	2	11.9	60	0.3	20	4.7	3.69	179	
Kula Gold Ltd	10	-38.7	-2.4	97	8-0	3	-	1.1	NE	Nil	5.33	11	Galaxy Res.	23	-26.6	-3.6	85	0-3	-	-	-	0.9	NE	Nil	N/A	74	
Energy World	43	-0.2	+5.8	34	0-0	1.7	4	0.7	37	Nil	5.24	746	BC Iron Ltd	311	-1.3	-7.2	37	1-4	10	-	-	0.5	6	Nil	1.58	323	
Avita Medical	10	-12.4	-4.5	59	0-0	2.0	-	1.0	NE	Nil	5.18	24	Patties Foods	152	-3.3	-1.5	41	2-5	5	3.7	34	0.3	11	5.4	0.83	211	
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													MHM Metals Ltd	11	-29.0	+0.0	89	0-2	-	-	1.2	NE	Nil	2.37	11		
Pharmaxis Ltd	15	-44.6	-3.8	99	0-0	6	0.5	-	1.1	NE	N/A	45	GBM Gold Ltd	2	-4.2	+3.8	42	0-2	-	-	-	1.9	NE	Nil	6.54	6	
Noble Mineral	2	-44.3	-2.9	99	2-0	1	-	2.3	NE	Nil	N/A	13	Jumbo Interact.	154	-5.2	-11.9	44	0-2	4	5.7	59	0.4	10	2.0	2.70	65	
ZYL Ltd	1	-42.9	+2.0	98	0-0	-	-	2.9	NE	Nil	N/A	6	Dart Mining NL	8	-5.9	-3.3	45	0-2	-	-	-	1.3	NE	Nil	N/A	9	
SubZero Group	17	-42.6	+1.1	98	2-0	-17.0	-	0.6	NE	Nil	N/A	31	Landmark White	32	-3.8	-2.8	42	0-2	-	4.5	26	0.4	18	9.5	0.42	9	
Discovery Metal	16	-42.0	-4.3	98	0-0	5	-	1.0	NE	Nil	N/A	68	Sihayo Gold Ltd	8	-14.6	-2.4	63	0-2	1	-	-	0.9	NE	Nil	N/A	56	
Tanami Gold NL	7	-40.7	-4.8	98	1-0	1	-	1.2	30	Nil	0.49	39	Marmota Energy	5	-0.1	-1.8	33	0-2	-	-	-	1.2	NE	Nil	8.50	12	
Alcyone Res Ltd	1	-40.5	-3.9	98	0-2	-	-	2.6	NE	Nil	1.62	17	Blackmores Ltd	2794	-5.7	-2.7	45	0-2	6	5.9	35	0.1	17	4.5	1.79	469	
Zambezi Res.	0	-39.4	-3.7	97	0-0	-	-	10.5	NE	Nil	N/A	10	Beach Energy	115	-2.5	-3.5	40	0-2	12	0.9	10	0.6	9	2.0	2.33	1,444	
Ivanhoe Aust.	18	-39.2	-5.2	97	0-0	4	-	1.1	NE	Nil	N/A	126	Alcyone Res Ltd	1	-40.5	-3.9	98										

“Neglect” Ratings of Australian Shares

“Neglected” Shares = 0-2 Brokers, “Moderately Followed” Shares = 3-9 Brokers, “Widely Followed” Shares = 10 or more Brokers.

Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)
A.P. Eagers	2	758	Cabcharge Ltd	9	460	Fortescue Metal	21	10,462	Medusa Mining	8	446
ALS Limited	18	3,106	Calibre Group	3	69	Funtastic Ltd	2	91	Melbourne IT	2	180
AMP Ltd	14	14,506	Caltex Australia	10	5,943	G.U.D. Holdings	11	466	Mermaid Marine	14	751
ANZ Bank	18	72,553	Capral Limited	2	74	G8 Education	2	583	Mesoblast Ltd	10	1,761
APA Group	14	4,022	Car Parking Tec	1	23	GI Dynamics	3	154	Metcash Ltd	14	2,885
APN News Media	12	175	Carabella Res.	4	31	GPT Group	12	6,580	Metgasco Ltd	1	20
ARB Corporation	8	848	Cardno Ltd	8	696	GR Engineering	1	61	Miclyn Express	7	483
ASG Group Ltd	4	65	Carindale Prop	2	378	GWA Group Ltd	13	661	Millennium Min.	1	48
ASX Limited	16	6,277	Carnarvon Pet.	2	32	Genetic Tech.	1	60	Mincor Resource	3	115
AWE Limited	12	642	Carsales.com	17	2,038	Geodynamics Ltd	1	37	Mineral Res.	7	1,571
Abacus Property	3	1,000	Cash Converters	2	374	Gindalbie Met.	10	89	Mineral Deposit	5	223
AcruX Ltd	6	619	Cedar Woods Prp	2	370	Global Con Serv	1	69	Minemakers Ltd	1	25
Adelaide Bright	16	2,091	Centaurus Metal	6	106	Gold One Int'l	3	234	Mirabela Nickel	7	132
Ainsworth Game	6	1,236	Central Petrol.	1	88	Goodman Group	13	7,817	Monadelphous Gr	17	1,428
Alacer Gold	13	332	Chal Div Prop	4	569	Goodman Fielder	13	1,369	Mortgage Choice	5	270
Alchemia Ltd	3	98	Challenger Ltd	17	2,113	Graincorp	13	2,641	Mt Gibson Iron	15	521
Ale Property	2	430	Chandler McLeod	3	187	Grange Resource	4	208	Myer Holdings	16	1,383
Alkane Explor.	4	113	Chart H Retail	11	1,213	Growthpoint Pro	3	934	Mystate Ltd	3	371
Alliance Aviat.	3	144	Charter Hall GR	7	1,128	Gryphon Mineral	10	55	NRW Holdings	15	301
Altona Mining	1	94	Clarius Group	4	21	Gulldford Coal	2	60	Nanosonics Ltd	2	140
Altura Mining	1	45	Clearview Wlth	1	267	HFA Holdings	1	101	Nat'l Aust Bank	18	61,036
Alumina Ltd	15	2,750	Clinuvel Pharm.	1	70	Hansen Tech.	2	144	Navitas Ltd	11	2,045
Amalgamated Hld	2	1,275	Clough Limited	5	801	Harvey Norman	14	2,635	Neon Energy Ltd	4	148
Amcor Ltd	14	11,476	Coal of Africa	1	90	Hawkey Oil Gas	1	15	Neuren Pharm.	1	71
Amcom Telecom.	8	403	Coalspur Mines	5	151	Heartware Inc.	9	1,398	New Standard En	2	23
Ampella Mining	7	41	Cobar Cons Res.	1	22	Henderson Group	9	2,730	New Hope Corp.	8	3,239
Aneka Tambang	11	2,098	CocaCola Amatil	15	9,489	Hillgrove Res.	4	68	Newcrest Mining	17	9,448
Ansell Ltd	15	2,357	Cochlear Ltd	16	3,165	Hills Holdings	6	239	News Corp.	8	78,168
Antares Energy	1	93	Cockatoo Coal	4	35	Horizon Oil Ltd	9	407	Nexdco Limited	6	447
Aquarius Plat.	5	329	Codan Ltd	2	497	Hutchison Tel.	5	502	Nexus Energy	7	118
Aquila Res.	7	799	Coffey Int'l	4	36	I-Property Grp	2	129	Nib Holdings	7	983
Arafura Res.	1	42	Cokal Limited	3	56	IMF (Aust) Ltd	4	235	Nick Scali Ltd	2	170
Ardent Leisure	9	530	Collins Foods	2	151	IOOF Holdings	12	1,761	Noble Mineral	1	13
Aristocrat Leis	13	2,146	Collection Hse	4	154	IRESS Limited	8	1,007	Norfolk Group	4	72
Arrium Limited	13	989	Colorpak Ltd	3	56	liNet	15	887	Northern Iron	2	23
Asciano Limited	16	4,682	Com'wealth Bank	17	103,522	Iluka Resources	18	4,313	Nthn Star Res.	4	256
Aspire Mining	1	36	Comet Ridge Ltd	2	96	Index Limited	13	165	Nucoal Res.	2	55
Astro Japan Pro	2	193	Computershare	17	5,612	Incitec Pivot	16	4,430	Nufarm Limited	15	1,111
Atlas Iron Ltd	21	706	Cooper Energy	5	147	Independ. Group	13	780	OZ Minerals Ltd	20	1,311
Aurizon Hold.	18	10,150	Corp Travel M.	4	291	Infigen Energy	5	194	Oakton Limited	9	108
Aurora Oil Gas	11	1,326	Coventry Group	1	100	Infomedica Ltd	2	146	Oil Search Ltd	17	10,424
Ausdrill Ltd	16	382	Credit Corp	5	380	Insurance Aust.	16	11,310	OnTheHouse Hold	2	33
Ausenco Ltd	11	266	Cromwell Prop.	3	1,261	Int Research	2	179	Orica Ltd	17	7,594
Aust Infra.	1	106	Crown Ltd	13	8,850	Investa Office	12	1,818	Origin Energy	14	14,328
Austal Limited	2	130	DWS Limited	5	192	Invocare Ltd	13	1,136	Orocobre Ltd	4	155
Austin Eng.	5	285	Dart Energy Ltd	1	32	Iron Ore Hold.	1	108	Oroton Group	9	290
Aust Agricul.	2	344	Data 3 Ltd	2	184	Ivanhoe Aust.	4	126	Ottoman Energy	2	81
Austbrokers	7	608	David Jones	16	1,294	JB Hi-Fi Ltd	16	1,565	PMI Gold Corp.	6	69
Aust Vintage	1	63	Decmil Group	9	256	Jacka Resources	1	22	Pacific Brands	14	630
Aust Pharm. Ind	7	217	Devine	1	134	James Hardie	14	4,280	Pacific Energy	2	142
Australand Prop	10	1,984	Dexus Property	12	5,095	Jetset Travel	5	173	Paladin Energy	16	786
Automotive Hold	10	896	Discovery Metal	5	68	Jumbo Interact.	4	65	Panaust Ltd	19	1,448
BC Iron Ltd	10	323	Domino's Pizza	13	820	Jupiter Energy	1	956	Panoramic Res.	7	64
BHP Billiton	18	106,275	Doray Minerals	3	43	K&S Corporation	2	146	Paperlin X Ltd	3	36
BT Invest Mgmt	7	747	Downer EDI Ltd	17	1,450	K2 Asset Mgmt	1	105	Papillon Res.	7	157
BWP Trust	7	1,240	Dragon Mining	1	23	Kardoon Gas	10	1,205	Patties Foods	5	211
Bandanna Energy	6	58	Drillsearch	9	379	Kasbah Resource	4	42	Peet Ltd	6	359
Bank of Q'land	16	2,544	DuluxGroup Ltd	12	1,624	Kentor Gold Ltd	3	244	Perilya Mines	1	104
Bannerman Res.	1	15	Dyesol Ltd	1	85	Kina Petroleum	2	64	Perpetual Ltd	12	1,634
Base Resources	5	66	E & A Limited	1	63	Kingsgate Cons.	9	273	Perseus Mining	17	438
Bathurst Res.	3	120	ERM Power Ltd	4	442	Kingroze Mining	2	104	Pharmaxis Ltd	6	45
Beach Energy	12	1,444	Echo Ent Group	12	2,353	Korvest Ltd	1	49	Phosphagenics	4	138
Beadell Res.	9	464	Elders Limited	6	39	Kula Gold Ltd	3	11	Pluton Resource	1	43
Bega Cheese Ltd	6	401	Elemental Min.	1	74	Lachlan Star	4	16	Premier Invest	13	981
Bendigo Bank	17	3,805	Emeco Holdings	13	237	Legend Corp.	2	57	Primeag Aust.	1	221
Berkeley Res.	1	47	Endeavour Min.	3	105	Leighton Hold	16	5,503	Prime Media Grp	9	366
Bigair Group	2	91	Endocoal Ltd	1	51	Lend Lease Grp	16	5,333	Prima Biomed	1	71
Billabong Int'l	11	101	Energy Resource	9	593	Linc Energy Ltd	2	692	Primary Health	14	2,463
Bionomics Ltd	2	150	Enero Group Ltd	1	27	Logicmms Ltd	2	84	Pro Maintenance	11	284
Blackmores Ltd	6	469	Energy Develop.	1	698	Lycopodium Ltd	1	164	Q.B.E. Insur.	14	17,580
Blackthorn Res.	4	29	Engenco Ltd	1	36	Lynas Corp Ltd	7	883	QRXPharma Ltd	5	168
Boart Longyear	16	300	Envestra	11	1,557	M2 Telecom. Grp	11	817	Qantas Airways	12	3,273
Boom Logistics	4	52	Equatorial Res.	2	52	MacMahon Hold	11	111	Qube Holdings	12	1,516
Boral Limited	15	3,186	Equity Trustees	1	137	Maca Limited	6	280	RCG Corporation	2	124
Bradken Ltd	16	747	Evolution Min.	12	608	Macquarie Group	16	13,692	RCR Tomlinson	6	275
Brambles Ltd	14	13,840	Fairfax Media	14	1,294	Macquarie Atlas	5	900	REA Group Ltd	14	3,648
Bravura Sol.	1	115	Fantastic Hold.	7	203	Macquarie C Tel	3	177	Ramelius Res.	1	54
Breville Group	9	930	Federation Cent	12	3,218	Magellan Fin Gp	3	1,376	Ramsay Health	14	6,881
Brickworks Ltd	4	1,769	Finders Res.	3	43	Mastermyne Grp	5	53	Range Resources	1	79
Buru Energy Ltd	4	252	Fleetwood Corp	11	206	Matrix Comp.	4	77	Reckon Limited	9	330
C'wth Prop Off.	12	2,488	Flexicorp Ltd	10	1,205	Maverick Drill.	2	114	Red 5 Ltd	2	80
C.S.R. Ltd	14	1,012	Flight Centre	18	3,795	Maxi TRANS	2	182	Red Fork Energy	3	134
CFS Retail Prop	12	5,600	Flinders Mines	2	69	Mayne Pharma Gr	3	134	Redflex Holding	1	118
CSG Ltd	2	246	Focus Minerals	1	41	McMillan Shake.	7	1,135	Reece Australia	2	2,312
CSL Limited	15	29,306	Forge Group Ltd	4	366	McPherson's Ltd	4	132	Reef Casino Trt	1	137

Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (\$ Mill.)
Regis Resources	20	1,655	Seven Group	9	2,130	Sydney Airport	10	6,551	Un. Biosensors	1	113
Regional Exp.	2	124	Seven West Med.	16	1,383	TFS Corporation	1	117	Unity Mining	3	39
Resource Gener.	5	52	Seymour Whyte	3	82	TPG Telecom Ltd	13	2,604	VDM Group Ltd	1	12
Resolute Mining	8	355	Sigma Pharm.	14	884	Tabcorp Holding	12	2,366	Venture Min.	1	29
Resource Equip.	4	37	Sihayo Gold Ltd	1	56	Tanami Gold NL	1	39	Village Road.	6	768
Retail Food Grp	7	358	Silex Systems	4	413	Tandou Ltd	1	58	Virgin Aust	13	1,018
Reva Medical	2	189	Silver Lake Res	9	186	Tap Oil	6	119	Vocus Comm.	2	119
Rex Minerals	5	48	Silver Chef Ltd	5	180	Tassal Group	7	307	W'bool Cheese	3	224
Rialto Energy	3	15	Sims Metal Mgmt	15	1,831	Tatts Group Ltd	13	4,225	WDS Limited	5	48
Ridley Corp.	7	243	Sino Gas & En.	1	134	Technology One	7	515	WHK Group Ltd	6	183
Rio Tinto Ltd	16	23,182	Sirius Res. NL	5	442	Telstra	17	57,611	Watpac Ltd	1	108
Roc Oil Company	8	321	Sirtex Medical	6	640	Ten Network	13	698	Webjet NL	12	287
Royal Wolf Hold	5	284	Skilled Group	9	572	Teranga Gold	3	195	Welcom Group	3	100
Ruralco Hold.	5	176	Slater & Gordon	7	485	The Reject Shop	11	422	Wesfarmers Ltd	15	38,056
SAI Global Ltd	15	766	Sonic Health	15	5,442	Thorn Group Ltd	8	323	Westpac Banking	18	85,036
SFG Australian	3	456	Soul Pattinson	1	3,359	Tiger Resources	4	141	Westfield Ret.	12	9,108
SMS Mgmt & Tech	11	316	Spark Infrastru	11	2,209	Tigers Realm	2	69	Westfield Group	12	25,115
SP Ausnet	13	3,461	Spec Fashion	8	175	Tissue Therapy	1	28	Western Desert	2	157
STW Comm Group	7	592	St Barbara Ltd	10	205	Toll Holdings	14	3,356	Western Areas	14	537
Salmat Ltd	7	316	Starpharma Hold	6	230	Tox Free Sol.	11	392	Whitehaven Coal	20	2,148
Sandfire Res.	13	956	Sth Cross Elect	11	142	Transfield Serv	14	400	Wide Bay Aust.	2	217
Santos Ltd	15	11,967	Sth Cross Media	4	944	TransPacific In	10	1,176	Woodside Petrol	15	28,779
Saracen Mineral	4	98	Stockland	12	7,955	Transurban Grp	13	9,844	Woolworths Ltd	15	39,421
Sedgman Ltd	10	115	Strike Energy	2	30	Treasury Group	1	149	Worley Group	14	4,704
Seek Ltd	18	3,058	Sundance Energy	3	244	Treasury Wine	13	3,890	Wotif.com Hold.	18	1,084
Select harvest	5	177	Sunland Group	1	294	Troy Resources	4	175	YTC Resources	2	51
Senex Energy	8	494	Super Retail Gr	18	2,152	Trust Company	3	188	Yancoal Aust.	5	681
Service Stream	1	40	Swick Min Serv	3	56	UGL Limited	16	1,109	Zicom Group	1	51
Servcorp Ltd	2	315				UXC Limited	3	282			

Investment Outlook

(Continued from Page 1)

Readers of this newsletter probably know our views on economic forecasting. So with lower commodity prices depressing resource export receipts, depressing the exchange rate, depressing general domestic economic activity and leading to the cancellation (or deferral) of resource development projects (with the flow on loss of work to the rest of the economy) and so on . . . will the Australian economy and stockmarket rapidly spiral down to nothing?

Currency speculators who were shorting the Yen (and long on Australian dollars) are now shorting the Australian dollar. One investment bank predicts the Australian dollar will fall to US\$0.80!

We don't intend to waste time putting up any economic argument at this time, as whenever markets become manic-depressive, investors see only those facts that confirm their manic (or depressive) views. In 1999, Internet boom valuations looked reasonable to most investors in a brave new "winner takes all" internet world. In 2008, shares looked worthless as the world headed for a Depression worse than the Great Depression.

In our view, the best guide to *future* stockmarket performance is *current valuations*. If share valuations are high then we are probably in some manic boom - and share prices will probably fall over the next year or two. If share valuations are low then we are at some depressive market low - and share prices will probably rise over the next year. That may sound too simple . . . but it works better than the pseudo-intelligent arguments used in every boom to justify buying shares at high valuations, or at every market trough to justify selling shares at low valuations.

Here is the chart of the Australian average Dividend Yield and the All Ordinaries Index:

Australian Average Dividend Yield



Australian All Ordinaries Index



When Yields are high - as at present - shares are near their lows. This is a medium to long term indicator. Share prices *may* fall lower in the weeks and months immediately ahead - but should be higher a year or more in the future. A high average Dividend Yield indicates the stockmarket is at, or near, its lows and this is a very good time to be buying and accumulating shares.

Dividend \$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Allied Workforce	9.20	21-06	28-06	Full
Argosy Property	1.50	12-06	26-06	-
Comvita	9.00	-	28-06	Full
F & P Healthcare	7.00	17-06	05-07	Full
Goodman Property Trust	1.5625	13-06	27-06	-
Horizon Energy	4.00	14-06	27-06	Full
Infratil Ltd	6.00	31-05	14-06	Full
Kathmandu	3.00	07-06	18-06	Full
Kingfish	2.47	12-06	28-06	-
Kiwi Income Property	3.30	-	17-06	Full
Mainfreight Group	15.00	12-07	19-07	Full
Methven Ltd	4.50	21-06	28-06	0.73256
Pharmacybrands	3.50	12-06	21-06	Full
Restaurant Brands	9.50	14-06	28-06	Full
Ryman Healthcare	5.40	07-06	21-06	Nil
Trustpower	2.00	-	-	
<u>Australian Shares</u>				
ALS Ltd	27.00	07-06	02-07	
Melbourne IT special	25.00	25-07	22-08	
Technology One	1.77	03-06	21-06	

Total Return Index for All Listed Shares

May 13	1481.78	May 20	1468.56
May 14	1472.66	May 21	1463.53
May 15	1473.20	May 22	1467.47
May 16	1472.66	May 23	1462.56
May 17	1467.61	May 24	1453.93
May 27	1445.28	Jun 3	Holiday
May 28	1439.26	Jun 4	1462.57
May 29	1448.42	Jun 5	1458.06
May 30	1450.75	Jun 6	1451.32
May 31	1451.98	Jun 7	1447.65

Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday July 10, 2013.

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

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