

Market Analysis

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Inside Market Analysis

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Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

Australian shares trade near their historical lows of valuation . . . and the lower exchange rate will significantly benefit exporters and companies with international businesses. Ignore all the confusing and frustrating distractions (see below) . . . and remain fully invested.

Investment Outlook.

We are confused and frustrated! Not about the stockmarket. There is no doubt, confusion or frustration there. Just confusion and frustration about *other people's* approach to investment and financial markets.

In late May we received an email from a longer term reader saying “Markets have plunged somewhat . . . I can almost predict the optimism of your next newsletter” and we did, indeed, go on to make a new Buy recommendation in June. In late June an email from a new reader stated “Given recent events I have seriously considered selling up and sitting on the sidelines”. Presumably until the market recovers to new highs?

OK, there is a learning experience involved here and most of us went through it decades ago. One of the frustrations of writing a stockmarket newsletter is getting to re-live this unpleasant experience watching new investors going through their “growing pains”.

The *other* main frustration is having people with a tiny fraction of our experience and wealth telling us how we should be doing things better!

In June we also received a seven page letter from NZ's *Financial Markets Authority* (also referred to as the *Fraud Mismanagement Authority* by some critics). We can summarise that letter in three sentences: “*FMA is concerned that you may be providing a financial adviser service in contravention of the FA Act and FSP Act. You must stop providing these services immediately. A company is liable on summary conviction to a fine not exceeding \$300,000*”.

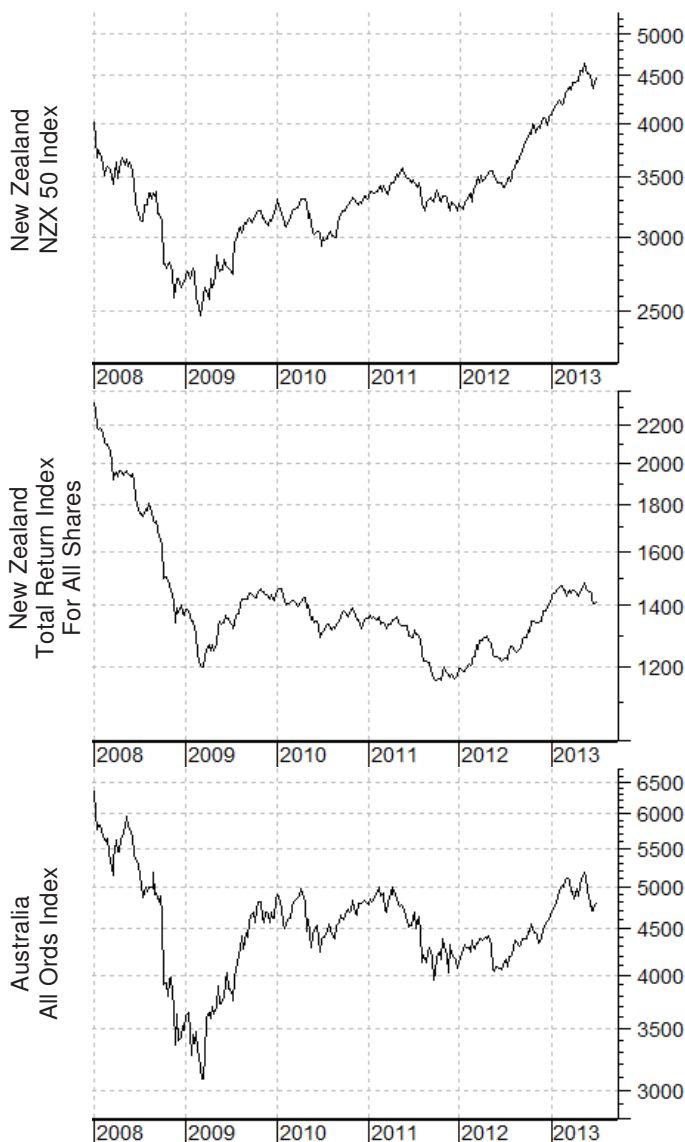
As we are no longer based in NZ, we believe these “foreign” laws do not apply owing to the limited territorial scope of one Act and exemptions in the other. Discussions with the FMA are on-going at this time.

[Editor's Note: The appropriate FMA licence to publish a newsletter would strictly forbid us from answering emails or letters from individual readers and in other ways cancel what we can and cannot write.]

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Stockmarket Forecasts

	One-Month	One-Year
Australia:	73% (Bullish)	55% (Neutral)
New Zealand:	69% (Bullish)	40% (Neutral)



Recommended Investments

Cavalier Corporation has predicted trading profits of \$6-10 million this year, but as “the operating environment in Australia remains very subdued” it expects the result to be at the lower end of that range.

The company will also record after tax costs of about \$1 million and asset write-downs of \$3-3½ million relating to relocating its

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Cavalier Corporation



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	13.07	39	3.5	57	23.4	+222%
BUY	Cavalier Corporation	CAV	05/12/95	156*	D	68.3	1.0	0.51	26	Nil	163	278.0	+183%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	B	32.7	0.5	0.25	11	8.7	410	371.3	+510%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	B	102.3	0.8	2.74	17	Nil	280	77.7	+138%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	B	382.8	0.8	0.98	14	4.2	131	44.4	+3408%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	523*	C	196.7	1.1	0.38	9	6.8	310	440.0	+43%
HOLD	Postie Plus Group	PPG	08/05/06	71	C	40.0	2.6	0.06	26	9.5	15	8.5	-67%
HOLD	Renaissance Corp	RNS	13/08/96	85*	D	45.7	3.9	0.09	22	Nil	13	53.9	-21%
HOLD	Smiths City Group	SCY	09/10/06	64	B	52.7	1.1	0.15	17	5.4	65	19.5	+32%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.5	3.07	14	9.2	310	180.8	+309%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	B	88.4	0.8	0.55	17	6.8	251	273.1	+259%
Australian Shares (in Aust cents)													
BUY	AJ Lucas Group	AJL	13/05/03	107*	C	185.4	0.7	0.29	NE	Nil	124	36.4	+50%
BUY	ALS Limited	ALQ	12/10/99	78*	B	343.6	0.5	2.15	13	5.3	913	228.8	+1364%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	C	229.2	4.1	0.86	8	Nil	5	17.5	-70%
BUY	Ausenco Ltd	AAX	10-06-13	215	B	123.5	0.9	0.36	5	11.0	183	Nil	-15%
BUY	Brickworks Ltd	BKW	12/11/12	1115	B	147.6	0.3	3.26	42	3.3	1232	13.5	+12%
BUY	Cardno Ltd	CDD	14/12/09	391*	B	138.2	0.6	0.75	10	6.8	526	115.3	+64%
HOLD	Cellnet Group Ltd	CLT	12/02/02	147*	A	55.7	2.0	0.15	8	5.9	17	55.9	-50%
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	1.8	7.84	NE	Nil	24	65.0	-53%
HOLD+	Clarius Group Ltd	CND	08/04/03	82*	B	89.4	1.9	0.07	9	4.9	21	70.5	+11%
BUY	CPT Global Ltd	CGO	10/03/08	88	B	36.7	1.4	0.33	24	4.2	36	11.3	-47%
HOLD	CSG Limited	CSV	11/10/10	175	B	282.6	1.0	1.38	NE	2.5	99	37.0	-22%
HOLD	Devine Ltd	DVN	13/11/06	334*	B	158.7	1.1	0.39	11	5.2	77	79.6	-53%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	B	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	1.45	15	4.9	103	40.2	-45%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	214.2	0.8	2.48	11	6.8	133	24.5	+49%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	A	417.1	0.6	3.77	12	3.3	1050	182.0	+162%
BUY	Integrated Research	IRI	14/01/08	40	A	167.5	0.8	3.67	20	4.7	107	21.0	+219%
HOLD	M2 Telecommunications	MTU	09/10/06	33	A	156.6	0.5	2.38	28	3.0	599	67.5	+1920%
BUY	Melbourne IT	MLB	10/02/04	53	A	82.5	0.6	1.07	16	6.3	222	96.0	+500%
BUY	Nomad Building Solutio	NOD	16/08/10	13*	C	277.5	3.8	0.13	2	Nil	6	Nil	-58%
HOLD+	Novarise Renewable Res	NOE	14/03/11	25	B	415.1	2.2	0.76	4	Nil	15	Nil	-40%
HOLD+	Penrice Soda Holdings	PSH	11/07/11	17	D	91.4	3.5	0.04	NE	Nil	6	Nil	-64%
HOLD+	Probiotec Ltd	PBP	11/02/08	116	B	52.9	1.5	0.24	7	Nil	30	9.3	-66%
HOLD+	Prophecy International	PRO	08/09/08	26	B	50.2	1.4	2.58	22	6.5	35	11.5	+77%
HOLD	Skilled Group Ltd	SKE	12/03/02	126	B	233.5	0.7	0.35	15	4.6	281	148.0	+240%
HOLD	Technology One Ltd	TNE	11/11/03	44	B	305.4	0.6	3.34	24	2.8	185	38.8	+409%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	C	279.6	1.2	1.04	5	Nil	47	14.2	+36%
HOLD	The Reject Shop Ltd	TRS	11/01/05	257	A	26.1	0.4	0.83	21	1.9	1784	345.5	+729%
HOLD	Village Roadshow	VRL	10/08/09	77	A	153.2	0.5	0.91	25	4.0	552	173.0	+842%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +278.3%. This is equal to an average annual rate of +30.7%, 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 +31.2%, compared with a market gain of +3.9% (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.

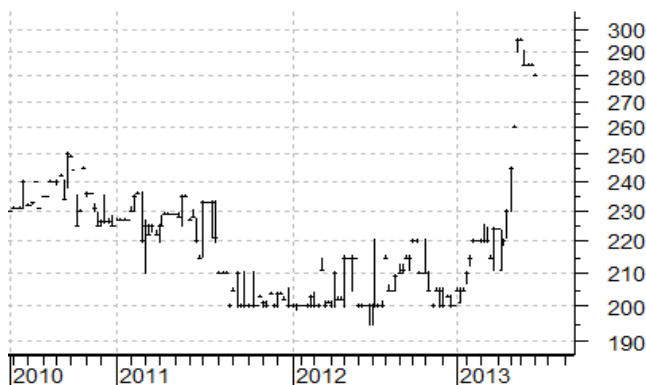
Recommended Investments

(Continued from Page 3)

Norman Ellison Carpets tufting operation from Onehunga to the group's main tufting site in Papatoetoe. This is expected to result in annual pre-tax cost savings of around \$3 million.

Lyttelton Port Company is purchasing a fourth ship-to-shore gantry container crane and will increase its fleet of straddle carriers from 18 to 22. For the June 2013 year, container volumes were expected to rise 6% to 350,000 TEU, after rising 16% in 2012. The new crane and straddles will cost over \$16 million, with delivery expected in late 2014.

Lyttelton Port Company



Postie Plus Group reports third quarter sales revenues down 14.0% to \$19,430,000 and at a lower percentage gross margin. The company will make a "significant loss" this year.

Postie Plus Group



Smiths City Market recorded revenues unchanged at \$222.5 million for the year to 30 April 2013, but trading profits declined 54.5% to \$2,000,000 (2.8 cents per share). In addition there was a \$5.5 million gain on insurance proceeds, a \$1.6 million cost restructuring its finance company funding and a \$0.5 million write-down in the value of a brand name. A 2.5 cents (unimputed) dividend will make a steady 3.5 cents annual dividend payout.

The net operating cash surplus was 80% lower at \$700,000.

Retail earnings were down 53% at \$0.8 million, Finance earnings up 11% at \$2.0 million and Property

earnings down 80% to \$0.1 million. Lower funding costs should significantly improve Finance earnings in future years.

Smiths City Market



Australian Shares

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

AJ Lucas Group and its 44% owned associate **Cuadrilla Resources Holdings** has sold a 25.0% interest in the **Bowland Basin** prospect to **Centrica plc**. This will realise £40.0 million initially (i.e. £10 million to AJ Lucas Group and £30 million to Cuadrilla to fund its other European exploration interests) and Centrica will fund the next £60 million of exploration in the **Bowland Basin**. Eventually Centrica will either (1) pay a further £60.0 million (i.e. £15 million to AJ Lucas Group and £45 million to Cuadrilla) or (2) abandon this prospect and transfer its interest back to AJ Lucas Group and Cuadrilla at no cost.

Centrica is therefore paying at least £85 million (i.e. the initial £40 million plus the AJ Lucas/Cuadrilla partners' next £45 million share of exploration costs) and up to £145 million for a 25% interest in the **Bowland Basin** prospect.

That values AJ Lucas Group's remaining direct 18.75% interest at £64-106 million. It also holds a further 24.75% indirect interest through Cuadrilla valued at £85-144 million. That is a £148-252 million value on just the Bowland Basin prospect (A\$247-420 million or 92-157 cents per share after the current cash issue).

In late 2011, Cuadrilla estimated that its **Bowland Basin** prospect could be a very large shale gas resource, containing around 200 TCF (trillion cubic feet) of gas. That estimate is supported by a recent report by the **British Geological Survey** which estimates that the whole of the **Bowland Basin** (i.e. an area including Cuadrilla's interest but larger) could contain between 822-2,281 TCF, with a central estimate of 1,329 TCF.

Cuadrilla Resources will use the initial £30 million from this sale to progress its other exploration interests across Europe.

AJ Lucas Group expects to report a loss of around \$20 million (before interest and depreciation) for the year to June 2013, recovering to earnings (before interest and depreciation) of \$20-23 million to June 2014.

AJ Lucas Group has also announced that its 50% joint venture with **Spiccapag Australia** has won an

\$85.5 million contract for **QGC Pty's Queensland Curtis LNG Project**. The joint venture will construct and install 53.6 km of gas pipelines and 24.5 km of water pipelines, together with 79.8km of high voltage power and fibre optic cable. The project will start in July and is scheduled for completion in March 2014.

AJ Lucas Group has entered a five-year *Strategic Co-operation and Partnership Agreement* with **China Petroleum Pipeline Bureau**, a subsidiary of the giant Chinese petroleum company **CNPC**. The companies have worked together for ten years but formalised this to take advantage of potential oil and gas opportunities in China and Asia. The partners have already “identified a number of opportunities to work together”.

AJ Lucas Group (as we notified by email) has also raised \$148.8 million in new equity through an institutional placement (i.e. \$11.1 million from 9,260,000 shares at 120 cents) and a cash issue to existing shareholders (i.e. \$137.6 million) who were offered four new shares for every five shares held, at 120 cents per share. That was a large cash issue, so depressed the market price of the shares to around the 120 cents price of the new shares.

This \$148.8 million of new equity will replace the proposed US\$70 million Athena facility (to repay \$31.0 million of ANZ debt and provide working capital) which will now not be needed, plus repay \$75.3 million of Kerogen debt. Net debt will be reduced to around \$70 million and a stronger balance sheet will help the company seek more favourable terms on these debt facilities.

AJ Lucas Group has some potentially valuable exploration interests (as indicated by the value placed on a partial sale of the Bowland Basin prospect), plus a major investment in Cuadrilla Resources which could also have significant exploration interests *and* build a good business developing these gas fields for later investors. These investments currently produce no cashflow, but require ongoing cash investments for further development. That would not have been a problem if AJ Lucas Group's other businesses (i.e. drilling and pipelines) were profitable and producing positive cashflows. The development of Bowland Basin prospect will be financed by Centrica for the next couple of years - which will remove that drain on AL Lucas Group's cashflows and could help prove significantly higher value in this investment.

AJ Lucas Group



Atlas Pearls and Perfumes reports its second commercial pearl harvest at Punggu island yielded pearls of “excellent quality” and will “rapidly expand” this site over the next year. A “significant volume” of high value crushed Mother of Pearl (which was previously a waste product) was sold in May to a European pharmaceutical company. Pearl sales have resulted in the “best prices since 2008 and significantly higher than 2012”. There is a decline in the total supply of South Sea pearls (as other pearl farmers have failed and closed, or downsized), but Atlas Pearls and Perfumes will hold its largest pearl auction to date in the September quarter.

Atlas Pearls & Perfumes



Ausenco shares fell further over the last month and one contributing factor was probably that brokers have removed the company from the list of shares approved for “margin loans”. Previously brokers would lend up to 75% of the value of Ausenco shares - but that was reduced to zero! That would encourage highly leveraged investors to sell Ausenco shares or face margin calls (i.e. the need to deposit additional cash) or have the shares forcibly sold by the broker/lender.

Ausenco



This situation highlights the many dangers of financing share purchases with margin loans, rather than equity. With just \$10,000 of equity, the broker would lend a further \$30,000 - encouraging the investor to buy \$40,000 of shares. Most people find shares volatile enough already, but this increases the volatility four-fold! A 25% decline in the share price would wipe out the investor's \$10,000 of equity - and at a market value of \$30,000 the broker would lend only \$22,500 - so the investor would need (Continued on Page 6)

Recommended Investments

(Continued from Page 5)

to meet margin calls of \$7,500 to maintain a 25% equity. If the shares drop another 25% (from their starting value), the shareholding would be worth \$20,000. The investor will have lost \$20,000 (on an initial investment of \$10,000) and be required to contribute a further \$7,500 to maintain a 25% equity. At that stage - with the share price depressed and probably near its low - the broker will drop the share from its margin list and require the investor repay all of the outstanding \$15,000 loan!

So margin loans encourage investors to buy shares when prices are high and then force investors to sell when prices are low to repay debt. Buying high and selling low is not a successful strategy for building wealth in the stockmarket!

Without margin debt, investors are under no financial pressure (only psychological pressure!) to sell shares when prices are low - and this is the very best time to be using cash dividends and new savings to acquire additional shares!

A margin loan facility *can* provide financial flexibility. For example, it can provide cleared funds to take up a cash issue or Share Purchase Plan at short notice. It can enable one to start buying a new investment while still selling an old investment and will cover any slight mismatch in settlement dates. One could even buy shares a little earlier, borrowing short term against dividends or a takeover cash payment or any other future cash receipt expected in the next month or two. A margin loan could also be used to partially hedge foreign exchange risks by, for example, borrowing in Australian dollars (to buy Australian shares) while maintaining a similar value NZ dollar deposit (although the interest rate on the debt will be higher than interest earned on the deposit, so there is an on-going cost to a currency hedge).

Borrowing long term, however, to finance a high percentage of your share portfolio is likely to work against your long term interests. Most investors are optimistic when shares are high and pessimistic when shares are low - and a margin loan facility will encourage and enable investors to buy (and sell) at these wrong times. Most investors should completely avoid all margin debt!

Circadian Technologies reports that the US FDA will classify its VEGF-D assay kit as a “humanitarian use device” for the monitoring of lymphangioleiomyomatosis (LAM) disease progression and response to therapeutic treatment. This “greatly accelerates marketing approval”, fast tracks FDA approval and minimises development costs. A similar registration can be submitted for CE Mark, permitting sales in Europe.

Devine will write-down the value of a property asset by \$10 million after a conditional sales contract was not completed. The company estimates its *trading* profit to June 2013 at \$9-10 million before tax.



M2 Telecommunications intends to invest \$2.0 million in **Inabox Group**, subscribing to 1,666,667 shares (12% of the company) in that company's current initial public offering at 120 cents. Inabox is a profitable value-added wholesale telecommunications services provider with annual revenues of \$45 million.

M2 Telecommunications



Penrice Soda Holdings has finally finalised the termination of its salt supply contract. The company's minimum annual purchase under the “take or pay” contract was \$12 million, but Penrice Soda Holdings no longer needs salt and the salt fields are worth more to **Ridley Corporation** as a residential property development.

Under the termination agreement, Penrice Soda Holdings will give Ridley Corporation the option to take 4½ million tonnes (worth \$5 million) of landfill from its Angaston quarry at any time over the next ten years. The landfill will be at no cost, but Ridley Corporation will be responsible for transportation costs and pay Penrice Soda a commercial fee for truck or rail loading at the quarry. Penrice Soda will also have the first refusal to supply additional landfill and other products (at commercial prices) needed for the redevelopment of the Dry Creek site.

Penrice Soda Holdings has also given Ridley Corporation an option to acquire 16,122,621 shares (15% of the capital) at 7 cents per share, within the next five years. That is not so favourable to *existing* Penrice Soda shareholders as it transfers 15% of any future recovery of the company to Ridley Corporation.

Penrice Soda Holdings



Skilled Group has acquired **Broadsword Marine Contractors Pty** for \$75.5 million (i.e. \$48.8 million payable initially, plus deferred consideration of \$26.7 million over three years). The company provides inshore and offshore “shallow water” services to the oil and gas sector. With revenues of \$60 million this business is being acquired on a Price/Sales ratio of 1.25 and a Price/Earnings ratio of about 8.

Broadsword Marine operates 24 vessels (i.e. 18 owned and six bareboat chartered), with a \$4 million vessel currently under construction. This business is “highly complementary” to the group's existing Offshore Marine Services division and OMS joint venture.

Skilled Group



TFS Corporation reports total plantation sales of 1,614 hectares for the year to 30 June 2013, up 132% on the 693 hectares sold the previous year.

The new financial year should also start very well, with a Middle Eastern Sovereign Wealth fund confirming its third investment in 595 hectares and a US institutional investor confirming its second investment in 238 hectares. Both plantations will be in the Northern Territory with settlements expected in the current (i.e. September 2013) quarter.

In preparation for its first commercial harvest of 140 hectares, the company purchased a small private sandalwood plantation as a harvest experiment to establish harvesting practices and research suitable equipment.

Harvesting existing plantations also helps improve the long term financial viability of the company by releasing land which can be recycled, in addition to providing a new income producing business (i.e. earning fees from harvesting, processing and marketing). Up until now the company has had to buy new land each year (which it leased to MIS investors) for new plantations. Now that initial capital investment will diminish as it recycles this land. The 140 hectares released this year will account for less than 10% of new plantings, but the annual harvests - and land released for replanting - will increase rapidly over future years.

The long awaited Strategic Review's “primary outcome has been to adopt a more strategic focus on growing MIS and BC product sales and increasing TFS's exposure to directly owned plantation assets”. The company has expanded its sales team in Australia and its international distribution channels. It is also offering high net worth investors the opportunity to “invest larger volumes in a modified BC-styled offering”.

With its “enhanced cash position” from the partial sale of its loan portfolio and increased sales, the company is seeking to increase its direct ownership of plantation assets. It has therefore cancelled an overdue contract to sell 580 hectares to a wholesale investor, retaining this one year old plantation for itself. This will lift its direct ownership to 2,300 hectares (out of the 7,600 hectares developed to date).

TFS Corporation will also take similar action to foreclose on \$6.6 million of overdue MIS grower loans, seeking to obtain legal title to the MIS woodlots - and a one-off revaluation gain.

As discussed last month, a lower Australian dollar will significantly favour the viability and profitability of this business. The capital cost of land and the operating costs of planting, maintaining, harvesting and processing are all in Australian dollars, while its ultimate revenue comes from Sandalwood Oil which is sold offshore and priced in US dollars. Furthermore, if the more favourable exchange rate boosts the Australian dollar returns to MIS investors sufficiently in future years, then TFS Corporation will earn a share of those returns through performance fees (i.e. *very high margin* revenues).

TFS Corporation



New Issues

The following New Issue reviews were emailed to subscribers last month:

Synlait Milk Limited is seeking to raise \$120.0 million in an initial public offering of shares at 205 - 265 cents each. \$75.0 million of this will go to the company to help finance future growth, with \$45.0 million going to some existing shareholders who are selling out.

After the float, China based Bright Dairy will hold 38.5-40.7% of the company.

In the year to 31 July 2012, Synlait Milk earned a net profit of \$4,384,000 (4.6 cents per share). That prices this IPO on a Price/Earnings Ratio of 45-58. No, Synlait Milk is not a high-tech software company - it buys milk which it processes into cream, skim milk powder, whole milk powder and infant formula - which it sells to other companies to package and sell to their consumers (i.e. it is a "commodity producer" with no retail brands).

Profits are expected to grow 147% this year and a further 81% in 2014. That, however, still prices this issue at 15½-19 times 2014 profits. That looks fairly expensive.

Processing milk is a capital intensive business - so the company needs to invest in expensive processing equipment to grow its business. Synlait Milk will use the \$75 million raised in this issue to help finance a third Dryer for \$103.5 million (which will increase production volumes, plus revenues and profits from August 2015) and other planned capital expenditure of \$85.7 million.

Unfortunately, this business has not been particularly profitable, earning a pre-tax return on capital of just 8.8% in 2012. That is forecast to improve to 12½-13% (or 9-9½% after tax) in 2013 and 2014.

What we see as a major risk factor is the way milk supply contracts are priced in New Zealand where the annual "Farmgate Milk Price" is determined "*retrospectively after the end of the season*". Milk makes up 70-75% of the company's cost of sales - yet the company processes milk and makes sales to its customers *before* knowing what it will have to pay for its own supplies! If milk prices fluctuate unexpectedly - which is not unheard of with agricultural products - then the company *could* make large profits or losses owing to that end of year price adjustment payable to its milk suppliers!

[This newsletter believes that this "end of season" milk pricing policy has prevented the development of a large number of small scale, high margin, value added, export, milk processing businesses - producing specialty cheeses, yoghurts, etc - in New Zealand. These businesses could have had the potential to make a significant contribution to the domestic economy, offering high returns on capital as well as skilled employment opportunities in small towns and cities.]

Summary and Recommendation

Synlait Milk is a fine company, but being a capital intensive business will require raising additional capital to finance any future growth. The company is profitable, but does not produce a high return on its capital.

The share price is very high in relation to current profits and fully anticipates the growth expected over the next several years.

The milk pricing policy in NZ virtually guarantees that the company will experience some volatile profits - and a big loss every decade or so.

We believe there are better investments elsewhere.

Wynyard Group, a software development company, is seeking to raise \$60-73 million from an initial public offering. The share price has been set at 115 cents - towards the lower end of its indicative range of 110-165 cents - in an institutional book build. If applications exceed \$65 million, then its major shareholder, Jade, will sell \$3 million of its existing shares, and then Wynyard Group will accept up to another \$5 million in over-subscriptions.

Of the \$60-70 million raised by the company, \$23.6 million will be used to purchase assets from its major shareholder, leaving \$36-46 million to finance increased marketing expenses and continuing software development costs.

As one might expect from a software development company, Wynyard Group currently has a Shareholders Equity of *negative* \$5,230,000 - owing to past losses. Annual revenues have actually *declined* from \$7.0 million in 2008, to \$6.4 million in 2009, \$6.0 million in 2010 and \$5.7 million in 2011, but more than doubled last year to \$13,277,000 - just in time for this initial public share offering!

The company predicts that revenues will rise 62% this year to \$21.5 million and 26% in 2014 to \$27.0 million.

Wynyard Group made small *losses* through to 2010, but these *losses* increased to \$1,359,000 in 2011, a *loss* of \$3,725,000 in 2012, with forecasts of a *loss* of \$10,075,000 (*minus* 9.2-10.3 cents per share) this year and a *loss* of \$10,367,000 (*minus* 9.5-10.6 cents per share) in 2014.

These growing losses mainly represent the use of the cash raised in the current share issue to fund additional expenditure on marketing - hopefully to lift revenues and achieve profitability in the future.

One attractive feature of this business is that 60% of income comes from recurring revenues - so marketing to win new customers could build significant recurring annual revenues, rather than just one-off sales.

Wynyard Group predicts a cash operating *deficit* of \$3.1 million this year and a cash operating *deficit* of just \$254,000 in 2014. Those figures, however, do not include capitalised software development, so a further \$6.7 million of cash will be spent on software development this year and \$7.5 million in 2014. Overall, the cash raised in this issue will be exhausted by the end of 2015, at which stage the business may have a small cash operating surplus, but probably not sufficient to finance on-going software development. So some additional capital raising will probably be needed before the business becomes self-funding.

Based upon forecast revenues for this year, Wynyard Group shares are being priced at a Price/Sales ratio of 5.3-5.9. That is not cheap, but software *can* be a high profit margin business that would justify a high P/S ratio. If, in the long run, Wynyard Group could (for example) earn 20% net profit margins on revenues, then a P/S ratio of 5-6 equals a Price/Earnings ratio of 25-30. That is also not cheap, but might be appropriate for an emerging growth company.

Summary and Recommendation

We like software companies. They are an excellent economies-of-scale business that can be very profitable. That is why we own Integrated Research, Prophecy International and Technology One. But we also like software companies when they produce cash operating surpluses, profits, pay dividends and have surplus cash in the bank.

Wynyard Group has not yet achieved that stage - and it will be many years before it becomes cashflow positive or profitable. More conservative investors would be better to stay with our three existing profitable, dividend paying software companies.

A small investment in Wynyard Group may, however, be appropriate for more aggressive investors seeking a higher risk investment in a possible emerging growth business.

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				Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Current	4-Wk Chg.	Rank 0-99									
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Smiths City	65	+3.2	-0.4	35	0-1	-	0.7	4	1.1	17	5.4	0.15	34
Col Motor Co	410	+3.0	-1.9	36	1-0	-	1.1	10	0.5	11	8.7	0.25	134
Ebos Group Ltd	955	+7.9	-1.5	17	0-0	-	2.4	13	0.5	18	5.1	0.35	498
Air New Zealand	145	+8.3	-4.3	16	0-7	7	1.0	4	1.0	22	3.8	0.35	1,589
Steel & Tube	251	+0.4	-3.2	49	1-0	4	1.5	9	0.8	17	6.8	0.55	222
Allied Work.	284	+11.7	+1.9	9	1-2	-	3.4	25	1.0	14	7.8	0.56	73
Fletcher Build.	862	+0.9	-1.9	43	7-13	-	1.6	5	0.5	32	5.6	0.66	5,886
Warehouse Group	371	+10.5	-2.9	11	3-1	8	3.6	28	0.7	13	7.7	0.67	1,155
Restaurant Brds	285	+5.4	-2.0	23	0-0	3	4.6	27	0.8	17	8.0	0.89	279
Telecom Corp	227	+0.6	-0.9	48	2-5	11	2.6	71	0.7	4	11.8	0.92	4,206
Sanford Limited	466	+4.3	-0.0	30	0-0	3	0.8	4	0.4	21	7.1	0.95	436
Michael Hill	131	+5.9	-3.7	21	0-3	2	2.6	19	0.8	14	4.2	0.98	501

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

Allied Work.	284	+11.7	+1.9	9	1-2	-	3.4	25	0.8	14	7.8	0.56	73
Warehouse Group	371	+10.5	-2.9	11	3-1	8	3.6	28	0.6	13	7.7	0.67	1,155
Ebos Group Ltd	955	+7.9	-1.5	17	0-0	-	2.4	13	0.5	18	5.1	0.35	498
Finzsoft Sol'ns	42	+6.5	+1.3	20	0-0	-	1.3	15	0.9	9	Nil	0.39	3
Michael Hill	131	+5.9	-3.7	21	0-3	2	2.6	19	0.7	14	4.2	0.98	501
Restaurant Brds	285	+5.4	-2.0	23	0-0	3	4.6	27	0.7	17	8.0	0.89	279
Smiths City	65	+3.2	-0.4	35	0-1	-	0.7	4	0.9	17	5.4	0.15	34
Col Motor Co	410	+3.0	-1.9	36	1-0	-	1.1	10	0.4	11	8.7	0.25	134
Jasons Media	12	+1.9	-3.7	39	0-0	-	0.6	12	1.8	5	Nil	0.19	2
Telecom Corp	227	+0.6	-0.9	48	2-5	11	2.6	71	0.6	4	11.8	0.92	4,206
Steel & Tube	251	+0.4	-3.2	49	1-0	4	1.5	9	0.7	17	6.8	0.55	222

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

Chorus Ltd	263	-8.6	-1.1	83	4-0	10	1.9	33	0.4	6	13.6	0.96	1,013
Telecom Corp	227	+0.6	-0.9	48	2-5	11	2.6	71	0.5	4	11.8	0.92	4,206
NZ Oil & Gas	82	-2.3	-0.6	67	1-0	6	0.9	6	1.1	17	10.5	2.83	330
Hallenstein G.	504	+1.5	-4.7	41	0-1	5	4.5	32	0.5	14	8.9	1.39	301
Col Motor Co	410	+3.0	-1.9	36	1-0	-	1.1	10	0.3	11	8.7	0.25	134
Skellerup Hold.	129	-7.5	-0.7	82	1-0	3	2.0	20	0.9	10	8.6	1.20	249
Restaurant Brds	285	+5.4	-2.0	23	0-0	3	4.6	27	0.6	17	8.0	0.89	279
AMP Limited	498	-2.0	-4.6	66	0-0	-	2.9	26	0.9	11	7.9	1.13	10,299
NZ Refining Co	220	-8.9	-1.5	84	3-0	5	1.1	6	0.6	18	7.8	2.12	616
Warehouse Group	371	+10.5	-2.9	11	3-1	8	3.6	28	0.5	13	7.7	0.67	1,155

INSIDER BUYING: Most Insider Buying, Relative Strength > 0

Pharmacybrands	130	+6.2	-0.3	21	3-0	-	2.2	18	0.6	12	3.8	1.55	162
Briscoe Group	243	+7.0	-2.4	18	3-0	3	3.7	20	0.5	19	5.9	1.18	516
Metro. LifeCare	320	+4.7	-1.6	27	2-0	3	1.1	-	0.5	NE	Nil	7.18	461
GuocoLeisure	76	+10.9	-4.2	10	2-0	-	0.7	7	0.9	11	2.6	1.88	1,040
Warehouse Group	371	+10.5	-2.9	11	3-1	8	3.6	28	0.5	13	7.7	0.67	1,155
Vector Ltd	270	+0.4	-1.3	51	1-0	6	1.3	9	0.5	14	7.7	2.15	2,689
NPT Limited	65	+3.8	+1.7	34	1-0	2	0.9	29	0.6	3	4.1	6.41	104
Steel & Tube	251	+0.4	-3.2	49	1-0	4	1.5	9	0.6	17	6.8	0.55	222
AMP Office Trt	99	+0.4	-0.1	50	1-0	-	1.1	5	0.5	22	5.7	7.75	987
F & P Health.	350	+15.9	+5.4	5	1-0	8	5.0	21	0.3	24	5.1	3.33	1,852

Company	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Current	4-Wk Chg.	Rank 0-99									
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Snakk Media Ltd	10	-7.5	-7.1	82	0-0	-	19.2	-	1.6	NE	Nil	9.32	19
Vital Health PT	137	-58.3	+0.0	97	5-0	4	1.4	3	0.5	45	5.7	7.16	402
Blis Technology	1	-17.7	-3.3	93	0-0	-	2.1	-	4.2	NE	Nil	6.47	7
Kiwi Property	111	-0.0	-2.3	55	0-0	7	1.0	10	0.5	10	7.2	5.57	1,106
Mighty River	229	-5.5	-3.2	78	3-0	1	10.4	31	0.7	34	5.2	5.38	3,206
Charlie's Group	43	-58.3	-0.0	98	0-0	-	7.7	15	1.2	51	Nil	4.00	126
South Port NZ	310	-0.2	-0.9	59	0-0	-	2.8	20	0.3	14	9.2	3.07	81
Trust Power Ltd	755	-4.9	-0.4	77	0-0	5	1.5	8	0.3	19	7.6	2.94	2,371
NZ Oil & Gas	82	-2.3	-0.6	67	1-0	6	0.9	6	1.0	17	10.5	2.83	330
NZ Refining Co	220	-8.9	-1.5	84	3-0	5	1.1	6	0.5	18	7.8	2.12	616
NZ Windfarms	7	-19.5	+0.1	95	0-0	1	0.3	-	1.9	NE	Nil	2.06	20

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

Charlie's Group	43	-58.3	-0.0	98	0-0	-	7.7	15	1.2	51	Nil	4.00	126
Vital Health PT	137	-58.3	+0.0	97	5-0	4	1.4	3	0.4	45	5.7	7.16	402
Rakon Ltd	27	-20.6	+2.5	95	0-0	4	0.3	-	1.1	NE	Nil	0.29	52
NZ Windfarms	7	-19.5	+0.1	95	0-0	1	0.3	-	1.8	NE	Nil	2.06	20
Blis Technology	1	-17.7	-3.3	93	0-0	-	2.1	-	3.9	NE	Nil	6.47	7
Mercer Group	12	-13.9	-3.9	90	0-0	-	1.7	-	1.9	NE	Nil	0.85	28
Kirkcaldie & St	210	-11.2	-1.6	88	0-0	-	1.1	-	0.3	NE	Nil	0.56	21
Pumpkin Patch	81	-10.4	-5.5	87	0-2	4	4.1	31	0.8	13	Nil	0.45	136
WN Drive Tech.	15	-9.2	+0.3	85	0-0	-	0.8	-	1.8	NE	Nil	0.29	10
Snakk Media Ltd	10	-7.5	-7.1	82	0-0	-	19.2	-	1.5	NE	Nil	9.32	19
Bathurst Res.	18	-5.8	-5.8	80	1-1	-	-	-	1.2	NE	Nil	N/A	128
Mighty River	229	-5.5	-3.2	78	3-0	1	10.4	31	0.7	34	5.2	5.38	3,206
Hellaby Hold.	285	-5.2	-2.2	77	2-0	3	1.4	13	1.0	11	6.5	0.43	214
NZX Aust MidCap	430	-4.6	-4.2	76	0-0	-	-	-	0.6	NE	Nil	N/A	36
Ecoya Ltd	92	-4.6	+3.7	75	0-0	-	2.6	-	0.7	NE	Nil	2.11	56
Mainfreight Grp	1072	-4.0	-0.7	75	4-5	5	2.7	17	0.4	16	3.6	0.56	1,062
Just Water Int.	13	-3.6	+1.3	74	1-0	-	2.1	32	2.3	7	Nil	0.39	12
Moa Group Ltd	116	-3.3	+0.8	72	0-0	1	2.4	13	0.8	18	Nil	N/A	35
Rubicon Limited	30	-2.7	-1.5	70	0-0	-	0.6	-	0.7	NE	Nil	0.27	114

INSIDER SELLING: Most Insider Selling, Relative Strength < 0

Barramundi Ltd	68	-0.6	-2.6	62	0-4	-	0.9	-	0.8	NE	9.2	N/A	79
Infratil NZ	228	-0.1	-2.2	58	0-4	4	1.3	0	0.4	392	5.8	0.55	1,327
Pumpkin Patch	81	-10.4	-5.5	87	0-2	4	4.1	31	0.8	13	Nil	0.45	136
NZ Experience	35	-3.0	+0.9	70	0-1	-	1.9	21	0.8	9	11.8	1.11	13
NZ Wool Service	42	-0.4	+0.1	61	0-1	-	1.0	-	0.7	NE	Nil	0.19	29
Mainfreight Grp	1072	-4.0	-0.7	75	4-5	5	2.7	17	0.4	16	3.6	0.56	1,062

“Insider” Trades in Australian Shares

The table below shows the number of Purchases and Sales of a company's shares by its Directors over the last twelve months (excluding “Neutral” situations where the number of Buyers and Sellers were equal). Shares where many “insiders” have been buying can outperform the market for up to two years, while shares where many “insiders” have sold can under-perform for a similar period.

“Insider” Indicators

Last 5 wks: 86.3% Buyers

Last 13 wks: 84.8% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
360 Capital Ind	7-0	Anglo Australia	2-0	Avexa Limited	4-0	Brumby Resource	1-0	Clarius Group	1-0
A-Cap Resources	1-0	Anittel Group	1-0	Azimuth Res.	8-1	Buderim Ginger	1-0	Clime Inv Mgmt	1-0
A.P. Eagers	14-1	Ansell Ltd	1-0	Azumah Res.	1-0	Bullabulling G.	1-0	Clime Capital	1-0
A1 Consolidated	2-0	Antaria Ltd	6-0	Azure Minerals	2-0	Bulletin Res.	1-0	Coal of Africa	2-0
ABM Resources	1-0	Antipa Minerals	2-0	BC Iron Ltd	1-3	Burleson Energy	2-0	Coalspur Mines	2-0
ADG Gbl Supply	4-0	Antisense T.	4-0	BCD Resources	8-4	CO2 Group Ltd	1-0	CocaCola Amatil	1-5
ADX Energy Ltd	1-0	Aphrodite Gold	1-0	BHP Billiton	2-1	CTI Logistics	0-1	Cochlear Ltd	7-0
AGL Energy Ltd	0-1	Aquarius Plat.	2-0	BKI Invest Coy	3-0	Cabcharge Ltd	3-5	Codan Ltd	6-0
ALS Limited	0-1	Aquila Res.	0-1	BSA Ltd	1-0	Cabral Resource	2-0	Coffey Int'l	16-0
AMCIL Limited	0-2	Arafura Res.	1-0	BT Invest Mgmt	1-2	Cadence Capital	1-0	Cogstate Ltd	3-0
ANZ Bank	3-2	Arc Exploration	1-0	Balamara Res.	2-0	Calibre Group	3-0	Cokal Limited	5-0
AO Energy Ltd	3-0	Archer Explor.	0-1	Bank of Q'land	2-1	Caltex Austria	0-1	Collection Hse	5-4
APN Property	0-1	Ardent Leisure	4-0	Bannerman Res.	1-0	Cape Lambert R.	16-0	Colorpak Ltd	1-0
APN News Media	2-0	Argo Investment	2-0	Baru Resources	10-0	Capital Health	0-1	Com'wealth Bank	1-0
ARB Corporation	0-3	Ariadne Aust	2-0	Base Resources	0-1	Capilano Honey	0-3	Computershare	0-5
ASG Group Ltd	1-0	Ark Mines Ltd	12-0	Beacon Minerals	2-0	Caravel Energy	4-0	Condor Blanco M	0-1
ASX Limited	1-0	Armour Energy	3-0	Beach Energy	0-2	Carabella Res.	1-0	Consegna Group	1-0
AWE Limited	1-0	Arowana Int'l	2-0	Bell Financial	5-0	Caravel Min.	3-0	Cont'l Coal	1-0
Aberdeen Leader	1-0	Arrium Limited	2-0	Bendigo Bank	3-0	Carbon Con	1-0	Contango Micro.	0-1
Acacia Coal Ltd	2-0	Artimis Res.	1-0	Benitec Bio.	1-0	Carbine Res.	1-0	Conto Resources	1-0
Academies Aust.	0-1	Asciano Limited	1-0	Beyond Int'l	1-0	Carbine Tungst.	2-0	Convergent Min.	2-0
Acrux Ltd	3-0	Asian Masters	0-1	Bigair Group	0-1	Carbon Energy	1-0	Cooper Energy	1-0
Activex Ltd	1-0	Ask Funding Ltd	0-1	Billabong Int'l	4-1	Cardia Bioplas.	1-0	CopperMoly Ltd	2-0
Ad Braking Tech	3-0	Aspen Group Ltd	2-0	Bionomics Ltd	1-4	Carnarvon Pet.	2-0	Corp Travel M.	0-1
Adcorp Aust.	3-0	Aspire Mining	3-0	Biotron Limited	2-0	Carpentaria Exp	0-1	Cougar Energy	4-0
Adelaide Res.	1-0	Athena Res.	2-0	Biotech Capital	1-0	Carsales.com	1-6	Country Road	0-1
Adelaide Bright	8-1	Atlas Iron Ltd	6-1	Bioxyne Ltd	3-0	Cassini Res Ltd	1-0	County Coal Ltd	1-0
Admiralty Res.	1-0	Atrum Coal NL	4-0	Bisan Ltd	1-0	Castillo Copper	1-0	Countplus Ltd	2-0
Adslot Ltd	3-0	Aura Energy Ltd	1-0	Bisalloy Steel	0-1	Cazaly Res Ltd	3-1	Coventry Group	3-0
Aeris Tech Ltd	1-0	Aurizon Hold.	2-0	Black Star Pet.	4-0	Cedar Woods Prp	0-1	Coziron Res.	1-0
African Energy	5-1	Aurora Oil Gas	2-0	Blackham Res.	2-0	Celamin Hold.	5-0	Credit Corp	1-3
Agua Resources	1-0	Auroch Minerals	1-0	Blackwood Corp	1-0	Cellmid Ltd	6-0	Credo Resources	1-0
Ainsworth Game	0-5	Ausdrill Ltd	3-0	Black Fire Min.	2-0	Celsius Coal	1-0	Crest Minerals	2-0
Alacer Gold	5-3	Ausenco Ltd	6-0	Blackthorn Res.	3-0	Centrepont All	9-0	Cromwell Prop.	1-4
Alchemia Ltd	1-0	Ausquest Ltd	3-0	Blackmores Ltd	0-2	Centaurus Metal	0-1	Crossland Strat	3-1
Alchemy Res.	1-0	Aust Pac Coal	4-0	Bligh Resources	3-0	Centuria Cap'l	2-0	Crusader Res.	1-0
Alcyone Res Ltd	0-2	Aust Leaders Fd	0-3	Bluescope Steel	3-0	Century Aust In	2-0	Cryosite Ltd	2-0
Aleastor Energy	1-0	Austex Oil Ltd	0-1	Blue Energy Ltd	2-0	Centrex Metals	1-0	CuDeco Ltd	9-0
Alexium Int'l	3-0	Aust Foundation	3-0	Bluechip Ltd	0-2	Centius Gold	2-1	Cue Energy Res.	3-0
Algae.Tec Ltd	2-0	Austal Limited	1-2	Boadicea Res.	0-1	Central Petrol.	7-0	Cyclopharm Ltd	1-0
Alliance Aviat.	3-0	Aust Education	1-0	Boart Longyear	14-0	Ceramic Fuel C.	1-0	DMX Corporation	0-1
Alligator En.	1-0	Aust-Amer Min.	2-0	Boom Logistics	3-0	Challenger Ltd	2-1	Dampier Gold	1-0
Allmine Group	0-1	Aust Ren. Fuels	2-0	Bora Bora Res.	1-0	Chalice Gold	4-0	Dart Mining NL	0-2
Alloy Resources	1-0	Aust Mines Ltd	2-0	Bougainville Co	0-2	Chandler McLeod	1-0	Dart Energy Ltd	4-0
Altium Limited	3-0	Aust Agricult.	2-0	Boulder Steel	1-0	Charter Pacific	1-0	Data 3 Ltd	1-2
Altura Mining	1-0	Austbrokers	2-0	Bradken Ltd	1-2	Charter Hall GR	1-0	Datadot Tech.	3-0
Alumina Ltd	2-0	Aust Power Gas	6-0	Bravura Sol.	1-0	Chesser Res.	2-0	De Grey Mining	2-0
Amalgamated Hld	1-0	Aust Minerals	3-0	Brierty Ltd	1-0	China Magnesium	2-0	Delta SBD Ltd	2-0
Ambition Group	4-0	Aust Pharm. Ind	2-0	Brighton Mining	1-0	Circadian Tech	4-0	Dempsey Min.	2-0
Amcor Ltd	2-4	Aust Wealth Inv	0-1	Brisbane Bronco	1-0	Citation Res.	1-0	Desane Group	0-1
Amcom Telecom.	2-3	Automotive Hold	0-1	Broad Invest.	0-1	Clancy Expor.	1-0	Dexus Property	8-0
Ampella Mining	3-0	Avalon Minerals	2-0	Brockman Mining	2-0				

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Dicker Data Ltd	1-0	Firestone En.	0-1	Helix Resources	1-0	KBL Mining Ltd	3-0	Mastermyne Grp	4-1
Diploma Group	2-0	Fitzroy River	3-0	Hillgrove Res.	3-0	Kaboko Mining	0-1	Matrix Comp.	2-0
Djerriwarrh	1-3	Fleetwood Corp	1-0	Hillcrest Litig	1-0	KalNorth Gold	2-0	Matsa Resources	1-0
Domino's Pizza	0-3	Flexicorp Ltd	0-3	Hills Holdings	20-0	Kaloorlie Min.	3-0	Maverick Drill.	4-1
Donaco Inter'l	0-1	Flight Centre	1-2	Hill End Gold	3-0	Kardoon Gas	1-2	Maxi TRANS	2-0
Doray Minerals	2-0	Flinders Mines	5-0	Hodges Res.	1-0	Key Petroleum	1-0	Mayan Iron Corp	1-0
Downer EDI Ltd	4-0	Focus Minerals	6-0	Holista Coll.	1-0	KeyBridge Cap'l	1-0	Mayne Pharma Gr	1-0
Dragon Mountain	1-0	Folkestone Ltd	4-0	Horizon Oil Ltd	1-0	Kibaran Res.	5-0	McMillan Shake.	0-9
Dragon Mining	1-0	Forge Resources	1-0	Horseshoe Metal	2-0	Killara Res.	4-0	Medical Aust.	2-0
Draig Resources	5-0	Forge Group Ltd	1-0	Hot Rock Ltd	1-0	Kingsgate Cons.	1-0	Medigard Ltd	0-1
Drillsearch	4-0	Forte Energy NL	1-0	Hughes Drilling	1-0	Kingrose Mining	1-0	Medtech Global	1-0
DuluxGroup Ltd	2-0	Fortescue Metal	2-1	Hunter Hall Int	1-0	King Solomon M.	1-0	Medusa Mining	2-0
Dyesol Ltd	1-0	Forte Cons. Ltd	5-1	I-Cash Payment	3-0	Konekt Limited	1-0	Merlin Diamonds	0-1
E & A Limited	1-0	Foyson Res Ltd	2-0	I-Property Grp	3-0	Korvest Ltd	3-0	Mermaid Marine	1-2
E-Bet Limited	3-0	Frontier Res.	0-1	I-Sonea Limited	5-0	Kresta Holdings	3-0	Metallica Min.	2-1
ERM Power Ltd	1-0	Funtastic Ltd	0-1	IFS Construct.	1-0	Kula Gold Ltd	9-0	Metaliko Res.	3-0
EVZ Ltd	4-0	G.U.D. Holdings	0-1	ILH Group Ltd	1-0	Kupang Res Ltd	1-0	Metals X Ltd	1-0
Eagle Nickel	0-2	G8 Education	2-0	IMF (Aust) Ltd	0-3	LBT Innovations	4-0	Metcash Ltd	4-1
Easton Invest.	2-0	GBM Resources	2-0	IMX Resources	7-0	Lachlan Star	1-0	Meteoric Res.	1-0
Eastern Iron	5-0	GBM Gold Ltd	0-4	IOOF Holdings	2-1	Laconia Res.	1-0	Metminco Ltd	1-0
Echo Resources	3-0	GBST Holdings	6-5	IPB Petroleum	1-0	Landmark White	0-2	Metrocoal Ltd	1-0
Echo Ent Group	2-0	GPT Group	1-0	IRESS Limited	1-0	Lantern Hotel	1-0	Midas Resources	1-0
Elixir Petrol.	1-0	Gage Road Brew.	0-2	ITL Limited	1-4	Latin Gold Ltd	1-0	Middle Island	1-0
Emeco Holdings	5-0	Galaxy Res.	0-3	Icar Asia Ltd	1-0	Latin Resources	0-2	Millennium Min.	1-0
Emerging Mkts	1-0	Gale Pacific	1-2	Image Resources	1-0	Legacy Iron Ore	3-0	Milton Corp.	6-0
Emerchants Ltd	2-0	Galilee Energy	3-0	Imdex Limited	2-1	Legend Corp.	2-1	Minemakers Ltd	14-0
Emergent Res.	2-0	Genesis Mineral	3-0	Immuron Ltd	3-0	Legend Mining	1-0	Minerals Corp.	2-0
Emerg. Leaders	7-1	General Mining	0-1	Impact Minerals	2-0	Leighton Hold	5-0	Minera Gold Ltd	1-0
Empired Ltd	0-2	Genera Bio.	2-0	Impedimed Ltd	10-0	Lend Lease Grp	0-1	Mineral Res.	1-0
Empire Oil, Gas	1-0	Gindalbie Met.	4-0	Inca Minerals	2-1	Leopard Res. NL	1-0	Mining Projects	3-0
Emu NL	2-0	Globe Int'l Ltd	3-0	Incitec Pivot	1-0	Leyshon Res.	1-0	Mining Group	1-0
Encounter Res.	1-0	Global Resource	1-0	India Resources	1-0	Lifestyle Com.	2-1	Mirrabooka Inv.	1-0
Endeavour Min.	2-0	Globe Metals	0-1	Indochine Min.	1-0	Lincoln Min.	1-3	Mirvac Group	4-0
Endocoal Ltd	0-1	Global Resource	0-3	Infigen Energy	1-0	Lindsay Aust	1-0	Mithril Res.	1-0
Enero Group Ltd	1-0	Global Petrol.	3-0	Ingenia Com Grp	8-0	Liontown Res.	1-0	Mnemon Limited	1-0
Energy Tech.	2-0	Glory Resources	1-0	Insurance Aust.	1-0	Lion Selection	4-0	Moby Oil & Gas	1-0
Energy & Min.	1-0	Go Connect Ltd	0-1	Int Research	0-3	Living Cell T.	1-0	Modun Resources	2-0
Energia Mineral	5-1	Golden Rim Res.	1-0	Int'l Coal Ltd	1-0	Lodestar Min.	2-0	Molopo Energy	9-0
Energy Action	0-9	Goldminex Res.	8-0	Intermin Res	3-0	Logicamms Ltd	1-0	Monadelphous Gr	0-1
Energy Metals	1-0	Goldfields Mon.	1-0	Intec Ltd	1-0	London City Eq.	2-0	Money3 Corp Ltd	3-2
Engenco Ltd	5-0	Golden Gate Pet	5-0	Intercept Min.	3-0	Lonestar Res.	3-0	Monteray Group	1-0
Ent. Uranium	1-0	Golden West Res	1-0	Intra Energy	10-0	Longreach Group	2-0	Mortgage Choice	2-0
Enterprise Met.	3-0	Goodman Group	0-1	Intrepid Mines	1-0	Lucapa Diamond	1-0	Mt Gibson Iron	2-0
Entek Energy	7-0	Goodman Fielder	2-0	Investa Office	1-0	Luiiri Gold Ltd	2-0	Murchison Hold.	2-0
Entellect Ltd	0-1	Grand Gulf En.	1-0	Inventis Ltd	1-0	Lycopodium Ltd	0-8	Musgrave Min.	1-0
Equamineral	2-0	Grange Resource	6-0	Investorfirst	5-1	Lynas Corp Ltd	1-0	My Net Fone Ltd	0-5
Equity Trustees	5-0	Greenvale Min'g	1-0	Invictus Gold	3-0	M2 Telecom. Grp	0-2	Myer Holdings	2-1
Equus Mining	2-0	Greenland Min.	3-0	Invigor Group	1-0	MEO Australia	4-0	Mystate Ltd	1-0
Estrella Res.	2-1	Growthpoint Pro	6-0	Invion Limited	5-1	MGM Wireless	0-1	NRW Holdings	5-0
Etherstack plc	1-0	Gryphon Mineral	1-2	Invocare Ltd	2-3	MHM Metals Ltd	0-2	NSL Cons. Ltd	1-0
Eumeralla Res.	3-0	Guildford Coal	5-0	Iron Mountain	4-0	Maca Limited	3-2	Nanosonics Ltd	1-0
Evolution Min.	3-0	Guinness Peat	6-5	Ironclad Mining	1-0	Macarthurcook P	3-0	Naos Emerging	1-0
Exalt Resources	1-0	Gujarat NRE	5-0	Iron Ore Hold.	2-0	Macquarie C Tel	0-3	Naracoota Res.	1-0
Excalibur Min.	2-0	Gulf Mines Ltd	2-0	JB Hi-Fi Ltd	1-0	Magellan Flag.	1-0	Nat'l Aust Bank	0-2
Ezeatm Limited	2-0	Gullewa Ltd	1-0	Jacka Resources	1-0	Magnetic Res.	1-0	Navitas Ltd	0-1
FSA Group Ltd	2-0	HGL Limited	1-0	James Hardie	2-1	Magnolia Res.	1-0	Nearmap Ltd	5-0
Fairfax Media	4-0	Hannans Reward	2-0	Jervois Mining	2-0	Mako H/carbons	0-1	NetComm Wire.	1-0
Ferrowest Ltd	1-0	Hansen Tech.	0-1	Jindalee Res.	2-0	Malabar Coal	10-0	New Hope Corp.	1-0
Ferrum Crescent	2-0	Harvey Norman	4-0	Jumbo Interact.	0-2	Malagasy Min.	0-1	New Horizon C.	2-0
Fiducian P Serv	5-0	Hastings Rare M	2-0	Jupiter Mines	1-2	Manas Resources	3-0	New Standard En	5-0
Finbar Group	6-0	Heartware Inc.	0-15	K2 Asset Mgmt	0-3	Marmota Energy	0-2	Newcrest Mining	12-0

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Nextdc Limited	0-2	Pelican Res.	2-1	Rubianna Res.	2-0	Stockland	3-0	Triausmin Ltd	1-0
Nexus Energy	7-1	Pental Limited	1-0	Rubik Financial	2-0	Stokes (Aust)	1-0	Triton Minerals	0-1
Nib Holdings	3-1	Perpetual Ltd	4-0	Rumble Resource	4-0	Stonehenge Met.	2-0	Trust Company	1-0
Nick Scali Ltd	1-0	Perpetual Res.	2-0	Run Corporation	2-0	Stratum Metals	5-0	Trustees Aust.	1-0
Noni B Limited	3-0	Phoenix Gold	0-1	Runge Pincock M	4-0	Strat. Elements	1-0	Tungsten Mining	1-0
Northwest Res.	1-0	Phoslock Water	3-0	Ruralaus Invest	1-0	Strike Energy	3-0	UCL Resources	1-0
Norton Gold	1-0	Pilbara Mineral	3-0	S/Tracks ASX200	0-1	Strike Res.	1-0	UGL Limited	4-0
Norwest Energy	1-0	Pioneer Res.	1-0	SAI Global Ltd	3-0	Structural Syst	3-0	UXC Limited	0-1
Nthn Minerals	0-2	Planet Metals	4-0	SDI Limited	2-0	SubZero Group	2-0	Unity Mining	1-0
Nthn Star Res.	0-1	Platsearch NL	1-0	SP Ausnet	2-1	Sun Resources	4-0	Universal Coal	1-0
NuEnergy Cap'l	5-0	Platina Res.	3-0	STW Comm Group	0-1	Sunbird Energy	2-0	Uranex Ltd	9-0
Nucoal Res.	7-0	Pluton Resource	1-0	Saferoads Hold.	1-0	Suncorp Group	4-0	VDM Group Ltd	1-0
Nufarm Limited	1-0	Plymouth Min.	2-0	Samson Oil/Gas	1-0	Sundance Energy	8-0	Vector Res.	1-0
Nyoto Minerals	1-0	Po Valley Ener.	6-0	Sandfire Res.	0-3	Sunland Group	0-1	Venus Metals	2-0
OZ Minerals Ltd	13-0	Polymetals Min.	1-0	Santos Ltd	1-0	Super Retail Gr	0-1	Verus Investm't	1-0
Oakton Limited	1-0	Praemium Ltd	1-0	Saunders Int'l	0-2	Superior Res.	1-0	Viking Ashanti	1-0
Oceania Capital	2-0	Prairie Downs	5-0	Savcor Group	3-0	Swala Energy	1-0	Villa World Ltd	4-0
Octagonal Res.	1-0	Premier Invest	1-0	Scantech	2-0	Syndicated Met.	1-0	Village Road.	0-3
Oil Search Ltd	2-4	Primary Gold	3-0	Scott Corp Ltd	2-0	Syngas Ltd	2-0	Viralytics Ltd	2-0
Oilex Ltd	1-0	Primary Health	8-3	Seek Ltd	3-1	Syrah Resources	0-3	Virgin Aust	2-0
Oklo Resources	0-1	Prima Biomed	3-1	Select harvest	5-0	TFS Corporation	5-0	Vision Eye Inst	0-4
Optiscan Image	1-0	Pro Maintenance	2-0	Select Explor.	3-0	TPG Telecom Ltd	0-2	Vita Life Sci.	2-0
Opus Group Ltd	1-0	Pro Medicus Ltd	3-0	Senex Energy	5-0	TPL Corporation	3-0	Vocus Comm.	0-5
Orica Ltd	3-0	Pro-Pac Pack.	0-1	Service Stream	4-0	TUC Resources	3-0	Vortex Pipes	2-0
Origin Energy	1-3	Probiotec Ltd	8-0	Seven West Med.	3-0	TW Holdings Ltd	1-0	W'bool Cheese	1-0
Orinoco Gold	3-0	Progen Pharm.	2-0	Seven Group	0-1	Tabcorp Holding	2-0	WAG Limited	0-1
Orion Gold NL	2-0	Promesa Ltd	3-0	Seymour Whyte	2-1	Tamawood Ltd	0-2	WAM Capital Ltd	0-1
Orion Metals	0-1	Proto Resources	0-1	Sheffield Res.	6-0	Tanami Gold NL	1-0	WDS Limited	3-0
Orocobre Ltd	2-0	Pulse Health	2-0	Signature Cap't	3-0	Target Energy	2-0	WHK Group Ltd	1-0
Oroya Mining	2-0	Q.B.E. Insur.	1-0	Sihayo Gold Ltd	0-1	Taruga Gold Ltd	2-0	Wasabi Energy	1-0
Orpheus Energy	12-0	Qantas Airways	2-0	Silex Systems	3-0	Tassal Group	2-0	Watpac Ltd	2-0
Otis Energy Ltd	2-0	Qld Mining Corp	5-0	Silver Lake Res	1-0	Tatts Group Ltd	0-2	Wavenet Int'l	1-0
Otoc Limited	4-0	Quest Investm't	1-0	Silver Chef Ltd	2-6	Tawana Resource	1-0	Webjet NL	2-6
Overland Res.	1-0	REA Group Ltd	0-1	Sims Metal Mgmt	6-1	Technology One	0-4	Wellcom Group	3-0
Oz Brewing Ltd	3-0	Radar Iron Ltd	1-0	Sino Gas & En.	4-0	Techniche Ltd	3-0	Wentworth Hold.	1-4
P-REIT	1-2	Ramelius Res.	2-1	Sirius Res. NL	1-0	Tel.Pacific Ltd	3-0	Wesfarmers Ltd	0-1
P-Sivida Ltd	1-0	Raya Group Ltd	3-0	Slater & Gordon	0-5	Telstra	2-1	Westpac Banking	0-3
PLD Corporation	6-0	Realm Resources	1-0	Solco Ltd	1-0	Templeton Globa	1-0	Westfield Ret.	0-1
PMI Gold Corp.	4-1	Red Sky Energy	1-0	Solimar Energy	1-0	Tempo Australia	3-1	West Wits Min.	1-0
PMP Limited	1-0	Red Mountain	6-0	Somnomed Ltd	1-0	Ten Network	3-0	Western Desert	0-5
PPK Group Ltd	4-0	Red Metal Ltd	2-0	Sonic Health	1-2	Teranga Gold	2-0	Western Areas	3-2
PTB Group Ltd	2-0	Red Hill Iron	11-0	Soul Pattinson	5-0	Terrain Mineral	1-0	White Energy Co	1-0
PTO Consol. Ltd	3-0	Redcliffe Res.	2-0	Southern Gold	1-0	Thinksmart Ltd	3-0	Whitehaven Coal	7-0
Pacific Energy	0-1	Reed Resources	0-1	Sovereign Gold	1-0	Thomson Res.	1-0	Wide Bay Aust.	3-0
Pacific Brands	2-0	Reef Casino Trt	2-0	Spencer Res Ltd	1-0	Thomas & Coffey	1-0	Winmar Res Ltd	1-0
Pacific Niugini	1-0	Renaissance Min	1-0	Spitfire Res.	2-0	Thorn Group Ltd	1-3	Wolf Petroleum	2-0
Pacific Mining	1-0	Res & Invest NL	2-0	Spooning Centre	2-0	Thunselarra Ltd	1-0	Wolf Minerals	1-0
Padbury Mining	2-0	Resource Equip.	6-0	Sprint Energy	3-0	Tidewater Inv	2-0	Worley Group	4-0
Paladin Energy	2-1	Resource Dev.	1-0	Sprintex Ltd	5-0	Tigers Realm	1-0	World Titanium	2-0
Pan Pacific Pet	2-0	Resource Star	1-0	St Barbara Ltd	10-0	Titan Energy	0-2	Wotif.com Hold.	0-4
Pan Asia Corp	1-0	Resolute Mining	0-1	Stanfield Funds	1-0	Titan Energy	2-0	XRF Scientific	3-0
Panaust Ltd	12-3	Retail Food Grp	0-1	Starpharma Hold	8-0	Tlou Energy Ltd	1-0	Xanadu Mines	5-0
Pancontinental	1-0	Reva Medical	2-0	Stellar Res.	1-0	Torrens Energy	1-0	Xceed Resources	2-0
Paperlin X Ltd	7-0	Reward Minerals	7-0	Sterling Plant.	1-0	Tox Free Sol.	0-1	Xstate Res.	1-0
Paragon Care	0-1	Riedel Resource	1-0	Sth Cross Media	2-1	Trafford Res.	3-0	YTC Resources	3-0
Paringa Res Ltd	1-0	Rift Valley Res	1-0	Sth Cross Elect	0-1	Transurban Grp	3-0	Yellow Rock Res	3-0
Patties Foods	2-5	Rimfire Pacific	1-0	Sth Amer Iron	5-0	Transfield Serv	2-0	Yowie Group Ltd	1-0
Paynes Find Gld	1-0	Robust Resource	1-0	Sth Hemi Mining	1-0	TransPacific In	0-1	ZYL Ltd	1-0
Peak Resources	1-0	Roc Oil Company	0-1	Sth Boulder Min	0-1	Transol Corp	1-0	Zamanco Min Ltd	4-0
Peel Mining Ltd	1-0	Royal Wolf Hold	1-0	Sth America F M	3-0	Treasury Wine	4-0	Zenith Minerals	4-0
Peet Ltd	6-0	Rubicon Res.	2-0	Sthn Cross Exp.	4-0	Treasury Group	1-0	Zicom Group	4-0

Investment Outlook

(Continued from Page1)

So what is confusing and frustrating here? Well, the FMA is not seeking to prevent us from committing any fraud. We have operated our business for over 32 years and we do not have access to client's money! But the FMA's action is actually *helping* someone else to profit by separating investors from their cash.

The FMA doesn't appear to have much knowledge of NZ's financial markets. Your Editor is probably one of NZ's most experienced and most successful stockmarket investors (although no longer lives in NZ), "Market Analysis" has been published for over 32 years and we own the www.stockmarket.co.nz website . . . but the FMA only "discovered" us in June after a broker underwriting the Mighty River Power float complained about our "Don't Buy Mighty River Power" email. The broker, of course, received tens of millions of dollars for promoting that float (and presumably would like to silence us ahead of our independent assessment of future energy floats). Investors who purchased Mighty River shares have so far lost \$144 million.

It is not the FMA's job to protect the financial self interests of a large registered Financial Service Provider (i.e. a stockbroker). According to its own website "The FMA's main objective is to promote and facilitate the development of fair, efficient and transparent financial markets" and "protect the interests of retail clients". Surely, freedom of speech and some independent comment helps promote these objectives?

In fact, this newsletter has similar objectives to the FMA . . . except that we have been doing it far longer, probably do it far better and certainly operate on a far smaller budget! Why does big government always think it can do everything better than the private sector?

This is so confusing and frustrating . . . especially when NZ bureaucrats appear to have nothing better to do than seek out and cut down "tall poppies" now seeking to grow in the rainforests of North Borneo! Where on earth does one have to go to be left alone to get some peace and quiet to focus upon managing a share portfolio?

Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Mainfreight Group	15.00	12-07	19-07	Full
Smiths City Market	2.50	09-08	16-08	Nil
<u>Australian Shares</u>				
Melbourne IT special	25.00	25-07	22-08	

Total Return Index for All Listed Shares

Jun 10	1442.03	Jun 17	1420.00
Jun 11	1447.42	Jun 18	1423.30
Jun 12	1442.17	Jun 19	1420.50
Jun 13	1431.92	Jun 20	1408.36
Jun 14	1424.14	Jun 21	1403.26
Jun 24	1404.41	Jul 1	1411.71
Jun 25	1392.95	Jul 2	1418.21
Jun 26	1405.32	Jul 3	1419.08
Jun 27	1402.71	Jul 4	1417.42
Jun 28	1407.13	Jul 5	1415.77

Next Issue:

The next issue of *Market Analysis* will be emailed in five weeks time on Monday August 12, 2013.

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

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