

Market Analysis

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Inside Market Analysis

Iluka Resources to investigate developing very large Titanium mineral joint venture 7
 TFS Corporation raises \$67 million to help finance continued growth 10

Neglect Ratings of New Zealand Shares 10

New Share Selection Indicator:

Short Interest in Australian Shares 12, 13, 14

Neglect Rating of Australian Shares 15, 16

Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

Low interest rates, moderate economic growth and reasonable share valuations offer an extremely favourable environment for long term stockmarket investment.

Investment Outlook.

The **US Federal Reserve** has indicated that as the economy recovers it may allow interest rates to rise slightly . . . at some unspecified time in the (perhaps distant?) future.

Meanwhile, the **European Central Bank** has reaffirmed its commitment to keep interest rates “close to zero for an extremely long period” - by which we believe they mean at least “several years”.

Argentina, Venezuela, Pakistan and Russia may have interest rates of 24.1%, 14.5%, 10.2% and 9.5% (and inflation of 40.3%, 59.3%, 8.3% and 7.6%) but most *other* countries live in a global economy, where capital flows freely across borders. As long as Europe and Japan act to keep their interest rates low, then rates are unlikely to rise significantly higher in the US or UK (or Australia or NZ).

Global businesses can choose to borrow in USD, Euro, GBP, Yen, AUD or NZD. Global investors can lend in any of those currencies. As there are no controls on capital flows, this tends to arbitrage interest rates.

So we should continue to enjoy an extended period of low interest rates and, with moderate economic growth, this is an extremely favourable environment for stockmarket investment. Share prices remain reasonable, with dividend yields often significantly higher than on fixed interest investments.

Remain fully invested in the recommended shares.

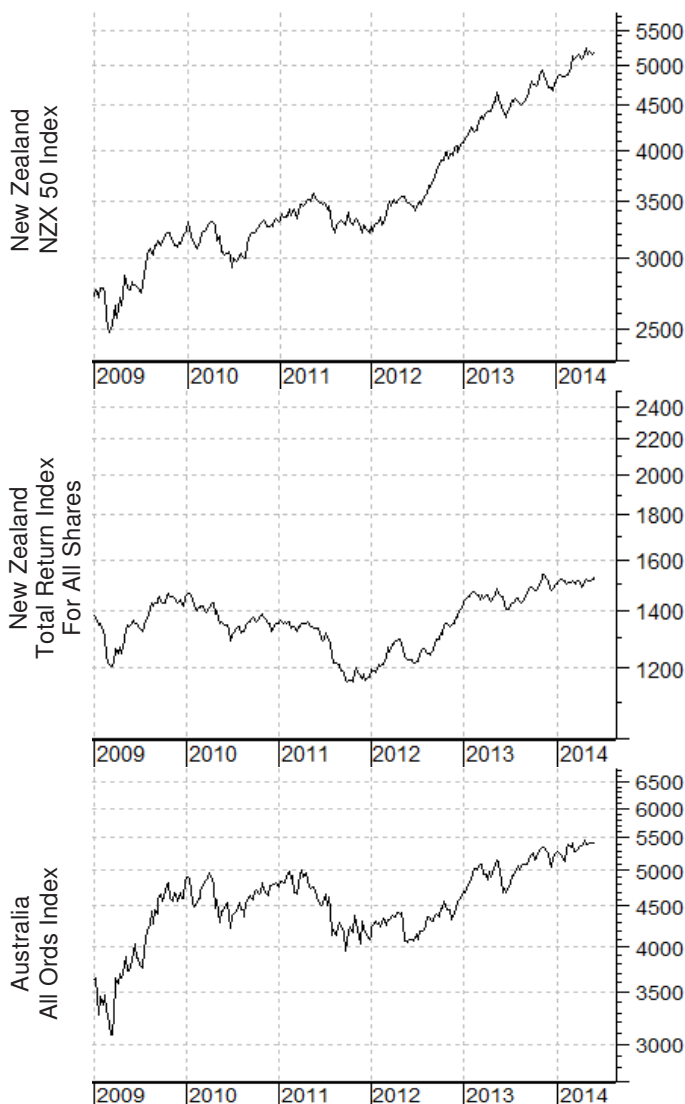
This newsletter has also added another share selection indicator: “Short Interest” data for Australian shares. This should help with both (1) selecting shares attractive for investment as a high “short interest” indicates *out-of-favour* and *depressed shares*, and (2) timing purchases as a rapid increase in “short interest” (showing an extreme in *negative* sentiment) usually happens *after* a decline, when a share is near its low and about to rally.

Of course, no indicator works 100% of the time - but it is the rational and scientific analysis of the stockmarket that has helped *improve our chances of finding big winners* and boosted our long term returns.

By adding new indicators or data (as they become available) we hope to become even “luckier” with our share investments in the years ahead!

Stockmarket Forecasts

	One-Month	One-Year
Australia:	60% (Bullish)	75% (Bullish)
New Zealand:	59% (Neutral)	42% (Neutral)



Recommended Investments

CDL Investments (as previously disclosed) lifted revenues 45% in 2013. The company sold 202 residential sections, up 64% on the previous year. In the three months to the end of March it has settled 54 sections (up 145% on the same period a year earlier), with unconditional sales agreements for a further 151 sections (up 15%). The total settled and sold sections so far this year is up 34% at 205.

The company sees an "active residential property market" and is "well positioned for 2014 growth".

Longer term, "new subdivisions in Auckland and Canterbury" will be available from 2015-2017.

Renaissance Corporation's reported revenues and profit for the six months to 31 March 2014 are meaningless as the company has sold all of its businesses.

The company has Cash of \$7.9 million and other assets (receivables and inventory) of \$0.6 million. Liabilities are \$1.3 million. That gives a net cash value of \$7.2 million (16.6 cents per share). (Cont'd on Page 4)

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	E	274.7	1.3	3.73	11	5.3	52	25.4	+210%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	C	68.3	1.1	0.50	15	3.9	148	282.0	+176%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	B	32.7	0.4	0.28	12	8.1	530	405.3	+631%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	C	102.2	0.8	2.89	19	Nil	313	79.7	+162%
HOLD+	Michael Hill Int'l Ltd	MHI	11/06/91	5*	C	382.8	1.0	0.88	12	5.1	127	50.9	+3458%
HOLD	Nuplex Industries Ltd	NPX	11/02/97	523*	C	198.1	1.1	0.39	12	6.3	331	451.0	+50%
HOLD	Renaissance Corp	RNS	13/08/96	85*	D	43.6	4.1	0.15	NE	Nil	15	53.9	-20%
HOLD	Smiths City Group	SCY	09/10/06	64	D	52.7	1.2	0.12	13	7.0	50	22.0	+13%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.6	3.11	14	9.0	350	202.3	+360%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	C	88.4	0.9	0.69	17	7.0	305	281.6	+302%
Australian Shares (in Aust cents)													
BUY	Acrux Limited	ACR	12/05/14	99	A	166.5	1.1	7.50	18	10.7	75	Nil	-24%
HOLD+	AJ Lucas Group	AJL	13/05/03	107*	C	267.4	0.9	0.63	NE	Nil	88	36.4	+16%
HOLD+	ALS Limited	ALQ	12/10/99	77*	B	394.3	0.4	2.28	22	4.5	870	244.5	+1347%
BUY	AtCor Medical Ltd	ACG	11/11/13	15	C	150.8	2.8	1.75	6	Nil	11	Nil	-30%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	C	281.7	3.3	2.77	NE	Nil	7	17.5	-67%
BUY	Ausenco Ltd	AAX	10/06/13	191*	B	168.4	1.4	0.19	NE	4.0	50	1.8	-73%
HOLD+	Brickworks Ltd	BKW	12/11/12	1115	B	148.0	0.3	3.33	20	3.0	1366	54.5	+27%
HOLD	Cardno Ltd	CDD	14/12/09	391*	A	162.6	0.5	0.76	12	5.7	633	134.3	+96%
HOLD	Cellnet Group Ltd	CLT	12/02/02	147*	C	55.7	1.9	0.15	10	Nil	20	55.9	-48%
BUY	Chandler Macleod Group	CMG	14/08/01	51*	B	548.0	1.6	0.10	8	9.6	34	30.3	+25%
BUY	Circadian Technologies	CIR	10/02/04	188	C	48.6	1.8	9.28	NE	Nil	22	65.0	-54%
HOLD+	Clarius Group Ltd	CND	08/04/03	82*	C	89.6	1.9	0.09	NE	Nil	24	70.5	+15%
BUY	CPT Global Ltd	CGO	10/03/08	88	C	36.7	1.1	0.75	82	Nil	72	14.3	-2%
HOLD	CSG Limited	CSV	11/10/10	175	B	279.0	1.1	1.34	28	Nil	89	41.0	-26%
HOLD	Devine Ltd	DVN	13/11/06	334*	D	158.8	1.0	0.49	NE	Nil	86	79.6	-50%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	D	84.9	1.7	0.63	NE	Nil	32	Nil	-35%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	A	31.5	0.8	2.51	17	4.0	173	47.9	-15%
BUY	Finbar Group Ltd	FRI	12/04/10	106	A	227.0	0.8	2.53	12	5.7	167	34.5	+90%
HOLD+	Iuka Resources Ltd	ILU	12/10/04	471	B	418.7	0.6	4.16	0	1.1	850	191.0	+121%
BUY	Integrated Research	IRI	14/01/08	40	B	168.4	0.8	3.58	19	4.8	104	26.5	+226%
BUY	M2 Telecommunications	MTU	09/10/06	33	B	180.4	0.4	1.55	24	3.4	591	79.0	+1930%
BUY	Melbourne IT	MLB	10/02/04	53	B	92.9	0.6	1.44	24	Nil	180	229.0	+671%
HOLD	Nomad Building Solutio	NOD	16/08/10	13*	C	277.5	4.2	0.17	3	Nil	5	Nil	-63%
HOLD	Novarise Renewable Res	NOE	14/03/11	25	B	415.1	2.1	0.83	8	Nil	19	Nil	-24%
HOLD	Probiotec Ltd	PBP	11/02/08	116	B	52.9	1.3	0.35	23	Nil	45	9.3	-54%
HOLD+	Prophecy International	PRO	08/09/08	26	B	55.4	1.4	3.36	18	7.6	46	15.0	+135%
HOLD	Skilled Group Ltd	SKE	12/03/02	126	B	235.3	0.8	0.31	10	6.3	252	164.0	+230%
HOLD+	Technology One Ltd	TNE	11/11/03	44	A	307.8	0.5	4.68	31	2.0	275	44.6	+626%
HOLD+	TFS Corporation Ltd	TFC	08/01/07	45	A	282.2	0.7	3.97	9	1.7	175	17.2	+326%
BUY	The Reject Shop Ltd	TRS	11/01/05	257	B	28.8	0.4	0.43	14	4.0	915	367.0	+399%
HOLD	Village Roadshow	VRL	10/08/09	77	A	159.5	0.4	1.27	23	3.5	747	224.0	+1161%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +306.0%. This is equal to an average annual rate of +31.4%, 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 155 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)

In addition, the company *could* receive up to a further \$1.0 million earn-out payment from the sale of **Yoobee School of Design**, but the updated earnings forecast is *below* the level at which this becomes payable. So “the prospect of a payout” from this earn-out clause “is much reduced” (i.e. unlikely).

A number of parties have considered using Renaissance Corporation to achieve a “back-door listing” but this has come to nothing and the directors are looking to “return cash to shareholders as quickly as we can”.

Steel & Tube Holdings has been publicly censored by the **NZ Markets Disciplinary Tribunal** for (1) a breach of corporate governance dating back 4½ years when the company was 50.3% owned and controlled by **OneSteel** (later to be renamed **Arrium**) and (2) two other “minor breaches”. Arrium Ltd sold its shareholding in October 2012 so Steel & Tube is now an independent company.

In July 2009, One Steel transferred Dave Taylor from its wholly owned **Australian Reinforcing Company** to become the Chief Executive Officer and a director of its 50.3% owned Steel & Tube Holdings subsidiary. Under NZX Listing Rules, Mr Taylor should have resigned at the next AGM in November 2009 and - even if every other shareholder were to oppose him - been re-elected by the company's 50.3% controlling shareholder.

In reality, minority shareholders voting on a director appointed (and supported) by a *controlling* shareholder is a farce of corporate governance. A controlling shareholder can appoint *all* of the directors. The minority shareholders can vote, but those votes are totally worthless. The Tribunal considers not holding this election “a serious matter”. Perhaps so, but the party responsible for this breach of corporate governance was probably the controlling shareholder - OneSteel/Arrium.

If it takes the Tribunal 4½ years to deal with a “serious” but very straightforward breach (i.e. there should have been a vote but there wasn't and no facts are in dispute) how long will it take to deal with a *complex* breach? Or one where there is any dispute or uncertainty over the facts?

The “victims” of a breach of corporate governance are, of course, the shareholders. When the Tribunal imposes a fine and cost on their *company* (i.e. not on the former controlling shareholder, or officers or directors) then those shareholders are victimised a second time by the legal system designed to “protect” them. [In this case it was an insignificant \$12,000 fine and costs - so the Tribunal gets a press clipping to include in their Annual Report - while Steel & Tube shareholders won't notice the expense.]

Steel & Tube Holdings also committed two other “minor breaches”. Failing to disclose the resignation of an “officer” (i.e. the General Manager Distribution Northern) in June 2013 and failing to notify the NZX of changes of address in the company's registered office. Of course, the comings and goings of senior - but not key - employees is of little interest or significance. Any NZ company's registered office can be found by anyone

searching the *NZ Companies Register* public website, so why do NZX Listing Rules even require the disclosure of this totally useless, extremely boring and completely public information in a special announcement to the NZX and investors? This is certainly not a “market sensitive” announcement!

One day the Tribunal may prosecute someone who has caused actual harm to shareholders - like the NZX or a stockbroker! Then again, probably not.

Australian Shares

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

Acrux Ltd has a very high “short interest” of 10.1% (see our article on Pages 12-13 which discusses Acrux as an example).

AJ Lucas Group has completed its strategic operation review which has also resulted in the appointment of a new Chief Executive Officer and new non-executive directors (to replace three existing directors who are retiring).

45% owned **Cuadrilla Resources Holdings** has submitted a planning application for its *Preston New Road* shale exploration site, covering the drilling, hydraulic fracture and gas flow testing from up to four exploration wells. It will shortly submit a planning application for exploration at *Roseacre Wood*.

Overall, AJ Lucas Group expects earnings (before interest and depreciation) to “approximately break-even” this year (i.e. that is a *loss* after interest and depreciation). The company has “successfully executed” recently awarded pipeline contracts” and “actively tendering for a number of other business opportunities”, but the *Drilling Division* remains “reliant on the coal market” where “conditions remain challenging” although with “some indication of stabilising demand for drilling services”.

AJ Lucas Group



ALS Ltd annual net profit was 35% lower as previously predicted by the company:

Year to 31/3/2014

	Latest	Previous	Change
Revenues	\$1503.4m	\$1455.6m	+3.3%
Net Profit	\$154.4m	\$237.9m	-35.3%
Net Cash Surplus	\$233.9m	\$247.3m	-5.4%
Earnings per share	39.2c	69.2c	-43.4%
Dividends per share	39.0c	48.0c	-18.9%

The issued capital increased 14.8% to 394,252,273 shares, mainly from a 1 for 11 cash issue (at 780 cents)

June 9, 2014.

to help finance the acquisition of **Reservoir Group** in August 2013.

ALS Minerals division experienced “an extremely challenging business environment” with a 35% drop in sample volumes, resulting in a 30% drop in revenues to \$425.9 million and a 52% decline in profit contribution to \$102.1 million. The company expects samples for the first half of the new financial year to be lower “before recovering in the second half”. Overall revenues and profits to March 2015 should be similar to the March 2014 year, followed by an improvement in the March 2016 year.

ALS Life Sciences lifted revenues 16% to \$527.3 million with profits up 5% to \$94.4 million. Although the market remains “very price-sensitive” this division is seeking to “deliver a strong result” this year (to March 2015). The division is focusing upon the food, pharmaceutical and consumer products industries, while seeking to further improve service performance (i.e. turnaround time and quality) and cost management.

ALS Energy revenues - helped by the Reservoir Group acquisition (and some other smaller acquisitions) - reported revenues 136% higher at \$247.9 million, with profits up 64% to \$53.5 million. This division sees “the potential to drive considerable growth” over the next year - which will also include a full twelve months trading for its recent large acquisitions - but those acquisitions also provide a more comprehensive range of services, enabling the business to “offer integrated service packages across the world”.

ALS Industrial revenues rose 9% to \$182.9 million, but profits fell 14% to \$26.4 million.

While mineral testing remains an important part of its business, ALS Ltd is successfully diversifying. With Mineral division profits “flat” over the coming year, Life Sciences should become the major profit contributor, with Energy only slightly behind Minerals in third place. These divisions are less cyclical than Minerals, which should help provide ALS with more stable and reliable revenues, cash flows and net profits in the years ahead.

At 870 cents, ALS shares trade on a Price/Sales ratio of 2.08, a Price/Earnings ratio of 22 and a Dividend Yield of 4.5%. That is a reasonable valuation for a company with high profit margins, currently depressed profits and good future growth potential.

Short interest in ALS Ltd is high at 8.4%, indicating that high-risk speculators have a *negative sentiment* towards the shares - which, as a contrary opinion indicator is Bullish (i.e. favourable).

ALS Ltd



AtCor Medical has received its first Chinese order for eleven SphygmoCor XCEL systems from its Chinese distributor, **Angy (China) Medical**, following the product launch at the *China Medical Equipment Fair* in Shenzhen in April.

AtCor Medical



Atlas Pearls & Perfumes' Essential Oils of Tasmania subsidiary will receive a \$1,134,208 grant from **Commercialisation Australia** to help build a manufacturing facility to extract fragrance ingredients from crops and pearls. The process will use the company's “proprietary innovative extraction technology” and “super-critical fluid extraction” (i.e. CO₂ gas compressed between 80-800 times atmospheric pressure where it becomes a “super-critical” liquid).

Atlas Pearls & Perfumes



Ausenco Ltd has a short interest of 2.6%. That is not particularly high compared with other companies, but this is a new high for Ausenco (up from 1.2% a month ago).

Ausenco



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Recommended Investments

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Cardno's short interest is 4.3% - which is fairly neutral for a large company. Short interest rose to 7.1% at the end of June 2013 and peaked at 7.8% in July 2013, after the shares hit their 2013 low of 510 cents in June.

Cardno



Circadian Technologies' Opthea Pty has met with the **US Food and Drug Administration** to determine the regulatory path for Phase I/IIa clinical trials for OPT-302 in the treatment of wet AMD.

CSGLtd is seeking to expand its current 8% share of the \$2500 million market for "multiple function devices" (e.g. computer printers that can also scan, copy and send faxes) in Australia and NZ, but is also seeking to expand into the \$12,000 million business-to-business technology and services market (i.e. computers and software, telecommunications, stationery and software-as-a-service). It will also grow its *Finance Solutions* business, which provides lease financing for business equipment (i.e. mainly photocopiers, but expanding to cover products sold by third parties).

That all sounds a little ambitious, but marketing success in just one or two areas could generate potentially significant revenue and profit growth. The Finance business is also attractive, involving low risks (i.e. a large number of relatively small equipment financing loans to a wide range of business customers) but generating a high return of Shareholders Equity.

The company has a new "transaction website" and has begun marketing new products from **Samsung** and **Canon**, but these will have little impact on the current year to June 2014.

Short interest is 0.1% and has consistently been less than 1.0% over recent years. CSG Ltd is probably too small to attract significant short selling... but if it ever did, that would be a good time to buy!

CSG Ltd



Devine has increased its forecast pre-tax profit for the current financial year to December 2014 by 40-70% to \$12-14 million (about 5¼-6¼ cents per share, after tax).

The company has also negotiated two further asset sales: The remainder of its *Sandstone Lakes* project (north of Brisbane) has been sold to a private developer at its book value of \$14 million, with payment in two stages (i.e. June 2014 and May 2015). It has also sold some undeveloped land at its *Mountview* community at Redbank Plains, for \$4.1 million.

This brings major asset sales to \$110 million over the last six months, "enabling the company to investigate and negotiate a number of new development opportunities".

Devine



Ellex Medical Lasers has released 24-month follow up data on its pilot study of *Retinal Rejuvenation Therapy* (2RT) to treat early AMD.

The 24 month results are consistent with the 12 month examination, with a 35-40% reduction in the area of drusen. Those results supports the theory that the 2RT treatment can help reverse the progression of the disease.

Ellex Medical Lasers



Finbar Group has acquired a 5692m² site at 239 Great Eastern Highway, Belmont, 5km from the Perth CBD and 3km from the airport, for \$6.4 million but not payable until August 2015. The company plans to build a 10 storey building, with 150 apartments and two ground floor commercial lots.

Finbar Group anticipates it will begin marketing this project in late 2015, with completion and settlement of the \$60 million project in the June 2017 financial year.

Finbar Group has also completed the *Fifty Two Mill Point* project of eight luxury apartments. \$11.5 million of this \$17.3 million project was pre-sold and settlements

will commence in June, with the remaining apartments available for sale. Finbar Group contributed no equity to this joint venture with the land owner, but will receive 50% of the development profits.

Finbar Group



Iluka Resources has signed a Joint Development Agreement with **Vale SA** for the *Tapira* complex in Brazil. This deposit consists of “one of the largest known undeveloped titanium mineral deposits” in the world (with potentially valuable rare earth oxides and magnetite), above a large Phosphate rich deposit that Vale has been mining for fertiliser since 1978.

Iluka Resources will finance and conduct a scoping study, geological and technical evaluations, a market assessment and design a pilot processing plant over the next fifteen months. If satisfied with these results it will finance the construction and operation of the pilot plant, pre-feasibility and definitive feasibility studies for a commercial plant. Completion of this work will earn Iluka Resources a 49% equity share in the joint venture with Vale, plus the right to manage the project (i.e. construct and operate the commercial scale mineral separation plant).

There are two titanium rich targets to be evaluated: Firstly, in situ material (above the Phosphate rich deposits), estimated at 1.0-1.5 billion tonnes, with 12-15% TiO_2 . Secondly, 70-100 million tonnes of the titanium rich deposits have been stockpiled by Vale since Phosphate mining began 36 years ago. This is also graded 12-15% TiO_2 . The *Tapira* deposit, covering 35km², could support a very long life, large scale titanium mining operation.

Of course, at present Iluka Resources is operating its existing mining operations at only about 50% capacity. The company reported net debt of \$207 million at December 2013 but had reduced this to \$169 million at the end of April - reflecting net free cash flow of \$38 million over the last four months.

Zircon prices fell sharply in 2013, but Iluka Resources now reports that there has been “no material change” over the last four months from the US\$1080 per tonne realised in the December 2013 quarter.

Zircon, Rutile and Synthetic Rutile sales for 2014 are expected to “exceed production” (forecast at 550 thousand tonnes) and be “above 2013 sales levels” (of 584 thousand tonnes).

Iluka Resources has been a favourite target for speculators to sell short over the last couple of years - although they once again *failed* to get their timing right.

At the peak of \$19.46 in 2011 (i.e. the best time to go short?) there was virtually no short selling (i.e. short interest of only 0.7%). Short interest rose to around 5.6% by April 2012, but it was only *after* the shares dropped sharply in May 2012 that short interest jumped to 8.5% and only *after* their low of 736 in November 2012 that short interest increased and peaked at 15.6% in both December 2012 and January 2013 (i.e. short sellers sold at the very bottom of the decline).

Over the last year short interest has been steady between 8.4-10.1% and is 9.8% at present.

Iluka Resources



M2 Group had insignificant levels of short interest three years ago, but this has increased relatively steadily since late 2012. Short interest was 5.4% at the end of January 2014, 6.1% in February, 7.6% in March, 8.7% in April and 9.7% in May.

This increasing short selling over recent months indicates that the high-risk, habitual losers expect the share price to fall in the near future - suggesting that it is more likely to do the opposite and rally to new highs (supported by the forecast profit growth *and* significant future cost savings from its current proposed elimination of 150 duplicated staff positions).

There has also been net *insider* buying over the last year (i.e. one sell in November 2013, followed by one buy in February 2014 and another buy in April 2014).

This is another situation where investors can both *follow* the example of the knowledgeable *insiders* and bet against the high-risk habitually losing short sellers. We are upgrading M2 Group to a “Buy”.

M2 Group



Melbourne IT's current presentation suggests the recent acquisition of **Netregistry** was more of a “reverse takeover” of Melbourne IT by Netregistry.

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Recommended Investments

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Apparently Netregistry “rejected higher cash offers” and the Founder took 82% of takeover consideration in Melbourne IT shares “to participate in the synergy upside”. Netregistry has “integration expertise”, having previously acquired six other smaller businesses . . . and Melbourne IT’s business will “migrate onto the Netregistry platform” which has “world class infrastructure”.

Melbourne IT also reports that the 10-12% annual “revenue decline” of recent years “has been reversed”, with March 2014 quarter revenues up 1% on a year earlier.

Melbourne IT



Novarise Renewable Resources International plans to complete its 23 cents per share privatisation in the September 2014 quarter.

Prophecy International Holdings has integrated its *Snare Enterprise Agents* with *Solutionary*, a managed security services provider own by Japanese based **NTT Group**. Financial details have not been disclosed, but the company will probably earn a share of the recurring revenues from the provision of these services.

Skilled Group has short interest of 0.8%. This current figure does not appear to have any significance.

Skilled Group



Technology One continues to steadily grow its revenues and profits:

Six Months to 31/3/2014

	Latest	Previous	Change
Revenues	\$87.6m	\$79.7m	+9.8%
Net Profit	\$9.9m	\$8.7m	+13.6%
Net Cash Surplus	\$1.9m	\$11.1m	-82.6%
Earnings per share	3.2c	2.8c	+12.7%
Dividends per share	1.95c	1.77c	+10.2%

The sharp drop in the net operating cash surplus reflects “a significant tax payment in the first half” and “significant licence sales in the last two months” which will be received in the second half. The net cash surplus should show normal growth for the full year.

Initial licence sales grew 24% to \$20.9 million, with annual licence fees up 13% to \$33.8 million. Consulting fees were 4% higher at \$23.2 million.

The profit growth reflects Research & Development expenses up only 6% at \$18.3 million. This is still a very high 21% of revenues and the company has a ten year target to reduce this to 15%. That would increase the pre-tax profit margin by 6% or \$5¼ million - increasing net profits by 35-40%.

Technology One is continuing to seek to grow its business in the United Kingdom. The company recently won two new UK customers and is moving a senior executive to the UK. This division lost \$1.0 million last year - and is expected to lose \$0.8 million this year - but this is a large market, offering “significant growth opportunities”. Even only moderate success could generate significant revenues which in an economy of scale business like software can have a very large impact on net profits!

Short interest is just 0.1%. Historically there has been very little short selling in Technology One. At least the speculators got that right - as the shares have steadily climbed to new highs!

Technology One



TFS Corporation has placed 42.0 million shares (15% of its capital) to institutional investors at 160 cents per share to raise \$67 million in cash.

The company has received a second order for 370kg of pharmaceutical grade sandalwood oil (worth \$1.8 million), which it expects to ship in June and July. This oil will be produced from the recently completed first harvest of the company's own trees. Its first sale of 100kg of oil was shipped in late May.

The harvest of trees owned by MIS investors will be completed this month and auctioned in July.

Over the current year (to June 2014) the company expects to complete 1600 hectares of new plantings, 12% above its previous record of 1432 hectares in 2012.

The company expects the current year profit to be similar to the June 2013 year, but most institutional and MIS plantation sales occur in June, so the actual profit result is dependent upon the level of sales this month.

Short interest is 1.8%. Historically short interest has been less than 0.1% - probably as TFS Corporation was a small capitalisation company. With the *quadrupling* of the share price *and* the recent share placement the capitalisation has increased and a slightly higher level of short interest may be normal in the future.

TFS Corporation



The Reject Shop has a current short interest of 10.3%.

The Reject Shop's share price fell sharply in January this year - so surely the short sellers have done better in this company? Not so. Collectively they have lost *very* heavily.

When the share price peaked at 1899 cents and then fell sharply in late 2010, short interest was around 0.1% (i.e. there were few short sellers to profit from that decline).

The shares hit a low of 891 cents in September 2012 and another low of 901 cents in June 2013 (with short interest at 4.6%). Short interest *then* increased significantly to 10.2% in July 2013 and remained high until January 2014 as the share price rallied strongly to 1844 cents (i.e. a greater than 100% loss for any short seller throughout this period, or large losses to a *series* of short sellers).

During The Reject Shop's highs of late 2013 (i.e. a good time to short the shares), short interest was relatively low at only 5.8-7.3%. *Before* the shares plunged in January, short selling was a relatively low 6.2%. Only *after* the March low of 883 cents, did short interest jump to 9.5% in April and 10.3% in May.

This current negative sentiment by speculators (i.e. who expect the share price to fall in the future) would suggest the shares are *already* at or close to their lows and likely to rally strongly from here! "Buy".

The Reject Shop



Village Roadshow announced a 25.0 cents special dividend in November 2013 and at that time also indicated it would pay another 25.0 cents "after 1 July 2014, subject to circumstances at the time". The company will now pay only a special 15.0 cents franked dividend, but "intends to consider a further 10.0 cents" in the June 2015 or June 2016 financial years.

These are relatively small special dividends - just low single digit percentages of the share price - so perhaps the directors should stop (inaccurately) predicting their future ability to pay special dividends and just declare them as and when there is a few tens of millions of dollars of surplus cash sitting in the bank?

The lower than expected special dividend may partly reflect a slight profit down grade (see below) - but also the availability of franking credits. Paying *unfranked* dividends (which incur a tax liability with Australian shareholders) would not be good capital management (although any dividend is taxable in the hands of NZ shareholders).

Village Roadshow had predicted the June 2014 profit would "slightly exceed" the 2013 result, but the poor box office performance of Transcendence will reduce the Film Distribution division result, with group net profit now expected to be "in line with or slightly below" last year.

The company is calling the June 2014 and June 2015 years a period of "transition and investment" to "enable our future growth strategy".

That will apparently involve (1) "expansion into Asia" with "multiple exciting consulting, management and investment opportunities currently under discussion", (2) growing its cinema exhibition business in "population growth areas", such as the **Suntec City** development in Singapore which will open 11 screens later this year and further expansion in the United States, (3) strong growth in digital Film Distribution and (4) increased Film Production (i.e. from 3-4 films annually to 6-10 films).

The short interest in Village Roadshow is 1.1%. That is the highest level ever - with short interest usually less than 0.5% - but probably not high enough to have much significance. This is another company where, to date, speculators have shown little interest in shorting.

Village Roadshow



New Share Selection Indicator: Short Interest in Australian Shares

We have added a new indicator to our Online Share Selection database (which is a separate subscription option) and to the reports published in *Market Analysis* which measures the “Short Interest” in Australian shares.

This raw data measures the number of shares that have been borrowed and “sold short” by speculators, which we then convert to a percentage of a company's issued capital. This gives us a “short interest ratio” showing the percentage of the company's capital that has been borrowed and sold short.

What Is “Short Selling”?

Short selling is where a speculator borrows shares he does not own and sells them . . . hoping to be able to earn a profit by repurchasing them on-market in the future at a lower price.

Short selling is not offered by most retail brokers, but is available (with additional fees) from some brokers.

To make a short sale, the broker must be able to borrow the shares from an existing shareholder. That is not possible with shares held in an individual shareholder's name under CHESS. To be able to borrow shares, the broker needs to hold investors shares in a nominee account. This is quite common for brokers offering “margin loans”, with the broker holding the shares in a nominee account as security for the loan. In this situation the broker can also lend those shares to short sellers.

Most brokers require a minimum short sales value of \$50,000 plus additional “share borrowing” fees.

The Risks and Rewards of “Short Selling”

Let us start by saying that we can NOT see any situation for any investor where short selling is likely to be a good idea! Don't do it!

Short sellers face exactly the *opposite* risk/reward as regular “long” investors who own shares. When we buy shares, we have an extremely favourable risk/reward. Our risk is limited to 100% (i.e. can never be more than the amount we invest) but our potential gains are unlimited. A short seller faces exactly the opposite with a limited gain but unlimited losses.

A short seller is also required to pay dividends to the shareholder from who he borrowed the shares.

Finally, the long term average return from owning shares is about 10% per annum from dividends and capital appreciation and as short selling is the *opposite* of this, then the long term return from short selling must be *minus 10%*.

Any idiot smart enough to buy and hold a *diversified* portfolio of shares selected at random can expect to earn about 10% per annum return over the longer term.

Short sellers start with an expected return of *minus 10%* (before fees). So a highly skilled short seller who can outperform this average expected return by 10% per annum would simply break-even! An *exceptionally*

skilled short seller, able to beat the market return by 20% per annum, would earn an expected net return of only 10% per annum - the return that *any* “long” investor can expect to make from passively holding a diversified portfolio.

“Short selling” is what economists call a “negative sum game”. Overall short sellers can expect to *lose 10% of their capital (before fees) each year. This makes short sellers high-risk, habitual losers.*

An additional risk is that the person from whom the short seller's broker borrowed the shares may want them back (i.e. to sell or to transfer to another broker or another account), *requiring* the short seller to make an immediate, unplanned, untimed purchase on-market.

The only situation where short-selling *may* be a valid strategy is merger arbitrage. If company A is offering one of its shares for each share in company B, then an arbitrage trade could involve “selling short” A shares at 100 cents if company “B” shares can be bought for 98 cents. In this situation, the short position in company A would be closed when the B shares are taken over and the company issues new A shares - with a profit to the arbitrage trader of 2 cents per share.

Short Selling Data

Investors are required to disclose a “short sale” at the time it is executed. The **Australian Securities & Investment Commission** collects this information and publishes “Short Position Reports” on its website www.asic.gov.au.

(Short selling is available in New Zealand. NZX Ltd's **New Zealand Clearing** subsidiary is actively involved in arranging “securities lending” - and people only borrow securities for short selling - but data is either not collected or not disclosed.)

“Short Interest” Ratio

We are publishing short interest data as a “short interest ratio” which is the total short position expressed as a percentage of the issued capital. For example, speculators have borrowed and sold short 16,982,732 shares in Acrux Ltd. That company has an issued capital of 166,521,711 shares, so the “short interest” is 10.1% (i.e. 10.1% of the capital has been borrowed and sold short).

Investment Implications of “Short Interest” data

Just as *Insiders* tend to be the most knowledgeable investors who buy and sell at the right time, *Short Sellers* tend to be high risk habitual losers who often buy and sell (or rather “sell and buy back”) at the wrong times.

In Norman Fosback's 1976 book “Stock Market Logic” he writes “*Short selling is a highly speculative endeavour, and most participants engage in it only when they are extremely confident that prices will decline. Not surprisingly, emotion enters into their decision making process. Indeed, most short selling*

usually occurs after prices have already declined substantially, providing the speculator with what amounts to an emotional crutch. Only after a significant price drop is he normally able to muster enough courage to start selling short.”

“This theory is borne out by reality. Most short selling activity occurs not prior to price declines, but after price declines and prior to large market rallies. It is precisely because a short sale reflects an extreme in speculative sentiment that short selling data is often highly useful in forecasting future stock price trends.”

For example, there were virtually no short sellers (i.e. the short interest was just 0.2-0.8%) in Acrux before the shares rose to a peak of 477 cents at mid-2012. The shares hit a 2012 low of 264 cents in mid-November, which was followed by an increase in short interest (7.1% in December 2012, 7.3% in January 2013 and 7.5% in February) as the shares rallied. After hitting a 2013 high of 412 cents in April, short interest fell to a 2013 low of 4.6% in May. The shares had fallen to a low of 186 cents (down 61% from their peak) in February 2014 before short interest again jumped sharply to 9.1%. The shares have fallen further, hitting a recent low of 76 cents and short interest remains high at 10.1%.

Obviously Acrux short sellers in February 2014 have made money (as a result of an unpredictable FDA announcement), but no indicator can time when to buy or sell with perfect accuracy. What this example does show is that when Acrux was at its highest prices there was little or no significant short selling, but when it was at its lowest prices there was extremely high short selling. High short interest indicates that a share is already out-of-favour, that speculators have a negative view of the company and have already borrowed and sold shares and that the shares have already declined significantly in value. These situations usually indicate good value.

So “short interest” is a contrary opinion indicator.

“Short interest” is also guaranteed future buying

demand as these speculators must buy back the shares on-market to close out their short position.

For example, the one thing that is absolutely certain is that at some stage in the near future, short speculators will need to go on-market to repurchase a total of just under 17.0 million Acrux shares (10.1% of the company's capital) to close out their short positions.

Share Selection using “Short Interest”

We would never buy or sell a share simply because it had (or didn't have) a particular level of short interest, but it could reveal some additional valuable information about market sentiment towards many shares. (Unfortunately, short selling is not available on many small listed companies, as there is a limited supply of shares available to borrow and small company shares can be inactively traded and volatile - so particularly dangerous for short sellers).

Shares that are attractive on other criteria should be more attractive with a high short interest. At the very least this is guaranteed future buying demand that must help to increase the share price in the months immediately ahead.

As short selling usually occurs after a significant price decline, we anticipate it may be valuable to compare the Short Interest (i.e. the sentiment of high-risk habitual losers) with Insider Trades (i.e. the sentiment of the most knowledgeable investors).

For example, there have been 11 *insider* buyers (and no sellers) in **Boart Longyear** over the last year and short interest is high at 9.6%. There were two *insider* buyers in **Cochlear** and a short interest of 16.9%. Two *insiders* have bought **Acrux** shares, but short interest is 10.1%.

In all three of these companies the knowledgeable *insiders* are Bullish while the high-risk habitual losers, the short sellers, are Bearish about the future share prices. It would usually pay to follow the example of insiders and bet against the short sellers . . . and here an investor could do both by buying Boart Longyear, Cochlear and Acrux shares.

Short Interest in Australian Shares

Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)	Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)	Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)	Company	Short Interest Ratio	Market Capitalisation (\$ Mill.)
360 Capital Ind	0.0%	208	Ale Property	0.2%	583	Aurizon Hold.	2.6%	10,601	Bathurst Res.	1.2%	47
A.P. Eagers	0.0%	955	Alkane Explor.	0.3%	106	Aurora Oil Gas	0.2%	1,876	Beach Energy	1.5%	2,183
ABM Resources	0.1%	72	Alliance Aviat.	0.0%	115	Ausdrill Ltd	8.3%	275	Beadell Res.	4.2%	506
AED Oil Ltd	0.0%	35	Altium Limited	0.1%	250	Ausenco Ltd	2.6%	84	Bega Cheese Ltd	0.4%	786
AGL Energy Ltd	1.3%	8,569	Altona Mining	0.0%	90	Aust Pharm. Ind	2.3%	264	Bendigo Bank	2.7%	5,168
AJ Lucas	0.0%	234	Alumina Ltd	2.8%	4,013	Austal Limited	0.1%	416	Bentham IMF Ltd	2.8%	319
ALS Limited	8.4%	3,430	Amalgamated Hld	0.0%	1,405	Aust Agricul.	0.6%	649	Berkeley Res.	0.0%	49
AMP Ltd	1.3%	15,794	Amcor Ltd	0.4%	12,839	Austbrokers	0.0%	601	Bigair Group	0.0%	156
ANZ Bank	0.4%	92,394	Amcom Telecom.	0.5%	508	Austin Eng.	1.3%	142	Billabong Int'l	1.2%	510
APA Group	2.7%	5,867	Ansell Ltd	3.2%	2,976	Aust Infra.	0.0%	2	Bionomics Ltd	0.0%	173
APN News Media	0.5%	823	Antares Energy	0.3%	126	Australand Prop	0.1%	2,658	Blackthorn Res.	0.2%	26
ARB Corporation	2.5%	889	Aquarius Plat.	2.4%	232	Aust Education	0.0%	352	Blackmores Ltd	0.0%	469
ASG Group Ltd	0.3%	80	Aquila Res.	1.1%	1,421	Automotive Hold	0.1%	1,106	Bluescope Steel	0.9%	3,264
ASX Limited	2.9%	6,890	Arafura Res.	0.0%	25	Azonto Petrol.	0.0%	21	Boart Longyear	9.6%	104
AVEO Group	2.3%	1,015	Ardent Leisure	0.6%	1,118	Azumah Res.	0.0%	13	Boral Limited	2.7%	4,117
AWE Limited	0.1%	977	Arena REIT	0.0%	258	BC Iron Ltd	2.2%	445	Bradken Ltd	8.1%	605
Abacus Property	0.1%	1,279	Aristocrat Leis	1.6%	2,878	BHP Billiton	0.3%	116,392	Brambles Ltd	0.1%	14,863
Acrux Ltd	10.1%	125	Arrium Limited	1.8%	1,209	BT Invest Mgmt	0.0%	1,951	Breville Group	1.6%	1,051
Adelaide Bright	1.6%	2,139	Asciano Limited	0.9%	5,355	BWP Trust	1.3%	1,618	Brickworks Ltd	0.0%	2,022
Aditya Birla	0.0%	64	Aspen Group Ltd	0.0%	155	Bandanna Energy	4.6%	44	Brockman Mining	0.0%	335
Admedus Limited	0.2%	161	Astro Japan Pro	0.1%	255	Bank of Q'land	0.9%	4,149	Buru Energy Ltd	5.1%	334
Ainsworth Game	0.5%	1,215	Atlas Iron Ltd	10.2%	609	Bannerman Res.	0.1%	26	C.S.F. Ltd	2.9%	1,675
Alacer Gold	0.9%	213	Atrium Coal NL	0.4%	128	Base Resources	1.0%	194	CFS Retail Prop	2.3%	6,368

“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.)
1300 Smiles Ltd	2	142	Boral Limited	13	4,117	Endeavour Min.	4	43	James Hardie	12	6,444
360 Capital Grp	2	66	Bradken Ltd	15	605	Energy Resource	6	665	Jumbo Interact.	4	59
360 Capital Ind	3	208	Brambles Ltd	14	14,863	Energy Action	3	85	Jupiter Energy	3	58
A.P. Eagers	3	955	Breville Group	10	1,051	Energy Develop.	5	865	K&S Corporation	4	118
ABM Resources	2	72	Brickworks Ltd	5	2,022	Envestra	12	2,453	K2 Asset Mgmt	2	166
AGL Energy Ltd	14	8,569	Brierty Ltd	1	43	Equity Trustees	2	322	Kardoon Gas	8	842
ALS Limited	18	3,430	Brockman Mining	1	335	Ethane Pipeline	1	79	Kasbah Resource	3	32
AMA Group Ltd	3	76	Buccaneer En.	2	46	Evolution Min.	11	564	Kina Petroleum	2	82
AMP Ltd	16	15,794	Buru Energy Ltd	3	334	Excelsior Gold	1	29	Kingrose Mining	1	147
ANZ Bank	17	92,394	C.S.R. Ltd	14	1,675	FAR Ltd	1	107	Kingsgate Cons.	7	174
APA Group	14	5,867	CFS Retail Prop	12	6,368	FSA Group Ltd	1	143	Korvest Ltd	2	53
APN News Media	9	823	CSG Ltd	3	248	Fairfax Media	12	2,293	Kula Gold Ltd	2	14
ARB Corporation	8	889	CSL Limited	14	33,759	Fantastic Hold.	8	155	Lachlan Star	2	8
ASG Group Ltd	2	80	Cabcharge Ltd	8	491	Federation Cent	12	3,612	Aurelia Metals	1	59
ASX Limited	17	6,890	Calibre Group	3	132	Finbar Group	1	379	Legend Corp.	2	69
AV Jennings	1	231	Caltex Australia	9	6,048	Finders Res.	4	87	Leighton Hold	15	6,919
AWE Limited	10	977	Cape Lambert R.	3	56	Fleetwood Corp	9	136	Lend Lease Grp	15	7,796
Abacus Property	5	1,279	Capital Health	1	192	Flexicorp Ltd	10	1,058	Lifestyle Com.	2	144
Acrux Ltd	6	125	Capral Limited	2	62	Flight Centre	18	4,716	Lindsay Aust	1	73
Adelaide Bright	17	2,139	Cardno Ltd	11	1,029	Flinders Mines	2	43	Logicamms Ltd	4	61
Admedus Limited	2	161	Carindale Prop	3	408	Folkestone Ltd	2	103	Lonestar Res.	5	256
Ainsworth Game	6	1,215	Carnarvon Pet.	1	86	Fortescue Metal	21	14,074	Lynas Corp Ltd	8	284
Alacer Gold	11	213	Carsales.com	18	2,545	Freedom Foods	2	428	M2 Group Ltd	11	1,066
Alchemia Ltd	2	159	Cash Converters	2	461	Funtastic Ltd	2	43	MacMahon Hold	6	132
Ale Property	3	583	Cedar Woods Prp	3	554	G.U.D. Holdings	10	411	Maca Limited	6	387
Alkane Explor.	3	106	Celsius Coal	1	4	G8 Education	8	1,529	Macquarie C Tel	2	152
Alliance Aviat.	3	115	Centaurus Metal	2	19	GBST Holdings	2	211	Macquarie Group	16	19,297
Altium Limited	2	250	Ceramic Fuel C.	2	34	GI Dynamics	2	274	Macquarie Atlas	5	1,588
Altona Mining	2	90	Chal Div Prop	2	587	GPT Group	13	6,658	Magellan Fin Gp	7	1,884
Altura Mining	2	66	Challenger Ltd	17	3,817	GR Engineering	1	86	Mastermyne Grp	3	33
Alumina Ltd	16	4,013	Chandler McLeod	3	184	GWA Group Ltd	10	797	Matrix Comp.	3	125
Amalgamated Hld	2	1,405	Charter Hall GR	9	1,517	Gage Road Brew.	1	65	Maverick Drill.	1	107
Amcor Ltd	12	12,839	Chart H Retail	12	1,465	Gale Pacific	1	71	Maxi TRANS	3	167
Amcom Telecom.	8	508	Clearview Wlth	1	400	Generation HC	2	167	Mayne Pharma Gr	4	540
Aneka Tambang	8	10,475	Coalspur Mines	6	35	Genetic Tech.	1	25	McMillan Shake.	7	709
Ansell Ltd	14	2,976	Coal of Africa	1	69	Geodynamics Ltd	1	20	McPherson's Ltd	4	109
Aquarius Plat.	8	232	Cobar Cons Res.	1	19	Gindalbie Met.	10	103	Medusa Mining	8	347
Aquila Res.	4	1,421	CocaCola Amatil	14	7,185	Global Con Serv	1	77	Merbourne IT	3	167
Ardent Leisure	8	1,118	Cochlear Ltd	15	3,402	Goodman Group	12	8,898	Mermaid Marine	11	807
Arena REIT	1	258	Cockatoo Coal	4	132	Goodman Fielder	11	1,320	Mesoblast Ltd	8	1,450
Aristocrat Leis	14	2,878	Codan Ltd	3	127	Graincorp	12	1,913	Metals X Ltd	2	414
Arrium Limited	14	1,209	Coffey Int'l	2	54	Grange Resource	4	197	Metcash Ltd	14	2,603
Asciano Limited	16	5,355	Cogstate Ltd	2	21	Greencross Ltd	4	842	Metgasco Ltd	1	22
Astro Japan Pro	3	255	Cokal Limited	3	66	Growthpoint Pro	3	1,230	Millennium Min.	2	404
Atcor Medical	1	16	Collection Hse	6	235	Gryphon Mineral	10	58	Mincor Resource	3	182
Atlas Iron Ltd	18	609	Collins Foods	5	186	Guildford Coal	1	48	Mineral Deposit	5	163
Atrum Coal NL	2	128	Colorpak Ltd	3	50	HFA Holdings	1	114	Mineral Res.	6	1,916
Attila Res Ltd	2	18	Com'wealth Bank	16	132,575	Hansen Tech.	2	214	Minemakers Ltd	1	20
Aurizon Hold.	18	10,601	Comet Ridge Ltd	1	63	Haranga Res Ltd	1	12	Mint Wireless	1	92
Aurora Oil Gas	13	1,876	Computershare	17	7,019	Harvey Norman	14	3,176	Mirabela Nickel	7	14
Ausdrill Ltd	12	275	Cooper Energy	5	176	Hazelwood Res.	1	34	Mirvac Group	12	6,849
Ausenco Ltd	6	84	Corp Travel M.	7	535	Helloworld Ltd	3	138	Molopo Energy	1	43
Austex Oil Ltd	2	74	Countplus Ltd	1	193	Henderson Group	16	2,922	Monadelphous Gr	16	1,577
Aust Vintage	2	72	Coventry Group	1	102	Hills Limited	6	381	Money3 Corp Ltd	2	88
Aust Pharm. Ind	8	264	Credit Corp	5	419	Hillgrove Res.	5	90	Mortgage Choice	5	344
Aust Ren. Fuels	1	9	Cromwell Prop.	5	1,710	Horizon Oil Ltd	7	495	Mt Gibson Iron	14	807
Austal Limited	2	416	Crown Resorts	15	11,479	Hot Chili Ltd	3	64	My Net Fone Ltd	3	149
Austbrokers	6	601	Crowe Horwath	5	121	Hughes Drilling	1	36	Myer Holdings	16	1,201
Austin Eng.	6	142	Crusader Res.	2	40	Hutchison Tel.	2	977	Mystate Ltd	2	406
Australand Prop	11	2,658	DUET Group	12	3,215	I-Property Grp	3	503	NRW Holdings	12	287
Aust Education	3	352	DWS Limited	6	161	IMX Resources	2	18	Nanosonics Ltd	3	206
Automotive Hold	12	1,106	Data 3 Ltd	2	106	IOOF Holdings	16	1,964	Nat'l Aust Bank	17	78,922
Azonto Petrol.	1	21	David Jones	16	2,068	IPB Petroleum	2	26	Navitas Ltd	11	2,780
BC Iron Ltd	9	445	Decmil Group	7	300	IRESS Limited	8	1,323	Nearmap Ltd	3	182
BHP Billiton	19	116,392	Devine	1	137	Icar Asia Ltd	2	162	Neon Energy Ltd	3	8
BT Invest Mgmt	10	1,951	Dexus Property	11	6,248	liNet	14	1,208	Neuren Pharm.	2	124
BWP Trust	8	1,618	Dicker Data Ltd	1	204	Iluka Resources	14	3,559	New Standard En	1	40
Bandanna Energy	6	44	Discovery Metal	1	16	Imdex Limited	9	141	New Hope Corp.	7	2,327
Bank of Q'land	17	4,149	Domino's Pizza	13	1,737	Impedimed Ltd	2	33	NewSat Ltd	2	230
Base Resources	6	194	Donaco Inter'l	4	449	Incitec Pivot	14	4,491	Newcrest Mining	15	7,489
Beach Energy	14	2,183	Doray Minerals	6	109	Independ. Group	14	992	Nextdc Limited	7	353
Beadell Res.	12	506	Downer EDI Ltd	15	2,295	Indophil Res.	2	199	Nexus Energy	4	23
Bega Cheese Ltd	6	786	Drillsearch	10	662	Infigen Energy	1	153	Nib Holdings	10	1,414
Bendigo Bank	17	5,168	DuluxGroup Ltd	11	2,100	Infomedia Ltd	3	225	Nick Scali Ltd	2	202
Bentham IMF Ltd	3	319	Dyesol Ltd	1	53	Ingenia Com Grp	2	311	Nido Petroleum	2	70
Berkeley Res.	2	49	E-Bet Limited	2	55	Insurance Aust.	17	13,745	Northern Iron	1	63
Bigair Group	2	156	ERM Power Ltd	6	440	Int Research	2	175	Nthn Star Res.	8	654
Billabong Int'l	6	510	Echo Ent Group	15	2,254	Investa Office	11	2,057	Nucoal Res.	2	12
Bionomics Ltd	3	173	Elders Limited	3	64	Invocare Ltd	11	1,122	Nufarm Limited	12	1,162
Blackthorn Res.	1	26	Elemental Min.	1	76	Iron Ore Hold.	1	142	OZ Minerals Ltd	18	1,302
Blackmores Ltd	6	469	Ellex Medical	1	27	Ironbark Zinc	1	17	Oakton Limited	12	114
Bluescope Steel	12	3,264	Emeco Holdings	9	132	Iselect Limited	2	303	Oil Search Ltd	16	14,638
Boart Longyear	13	104	Emerchants Ltd	2	68	JB Hi-Fi Ltd	17	1,803	OnTheHouse Hold	4	43
Boom Logistics	3	66	Empire Energy	1	27	Jameson Res.	2	26	Orica Ltd	15	7,137

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.)
Origin Energy	14	16,036	Range Resources	1	70	Seymour Whyte	2	189	Tissue Therapy	2	69
Orocobre Ltd	4	280	Reckon Limited	8	273	Shine Corporate	4	333	Titan Energy	4	99
Oroton Group	7	156	Red Fork Energy	2	41	Shopping Centre	8	1,135	Tlou Energy Ltd	2	39
Osprey Medical	2	60	Redflow Limited	1	37	Sigma Pharm.	12	793	Toll Holdings	15	3,815
Ottoman Energy	2	107	Redflex Holding	1	96	Silex Systems	2	222	Toro Energy Ltd	2	65
Pacific Energy	2	174	Reece Australia	2	2,988	Silver Lake Res	13	171	Tox Free Sol.	11	453
Pacific Brands	12	514	Reef Casino Trt	1	206	Silver Chef Ltd	6	141	Transurban Grp	10	13,647
Paladin Energy	13	352	Regeneus Ltd	1	35	Sims Metal Mgmt	13	1,996	TransPacific In	9	1,729
Panaust Ltd	19	1,379	Regional Exp.	2	79	Sino Gas & En.	2	230	Transfield Serv	13	612
Panoramic Res.	7	234	Regis Resources	19	745	Sirius Res. NL	9	812	Treasury Wine	13	3,195
Paperlin X Ltd	2	26	Resource Equip.	3	27	Sirtex Medical	8	963	Treasury Group	3	231
Papillon Res.	11	546	Resource Gener.	4	64	Skilled Group	9	593	Trinity Group	1	49
Patties Foods	5	162	Resolute Mining	5	385	Slater & Gordon	7	1,024	Troy Resources	2	195
Peet Ltd	5	598	Retail Food Grp	5	619	Smart Parking	1	48	UGL Limited	15	1,186
Perpetual Ltd	15	2,197	Reva Medical	2	54	Somnomed Ltd	1	64	UXC Limited	7	239
Perseus Mining	17	161	Rex Minerals	3	64	Sonic Health	15	6,934	Un. Biosensors	1	32
Pharmaxis Ltd	4	19	Ridley Corp.	7	259	Soul Pattinson	1	3,495	Unity Mining	2	8
Phoenix Gold	3	40	Rio Tinto Ltd	17	25,884	Spark Infrastru	10	2,388	Universal Coal	2	31
Phosphagenics	2	88	Roc Oil Company	8	392	Spec Fashion	7	176	Venture Min.	1	32
Poseidon Nickel	2	34	Royal Wolf Hold	6	321	St Barbara Ltd	8	71	Villa World Ltd	1	142
Praemium Ltd	1	60	Ruralco Hold.	4	244	Starpharma Hold	4	171	Village Road.	6	1,191
Premier Invest	12	1,347	SAI Global Ltd	14	1,077	Steadfast Group	4	737	Viralytics Ltd	1	30
Prime Media Grp	7	374	SFG Australian	4	632	Sth Cross Media	12	741	Virgin Aust	12	1,424
Primary Health	15	2,235	SMS Mgmt & Tech	13	229	Sth Cross Elect	2	87	Virtus Health	7	695
Pro Maintenance	10	332	SP Ausnet	13	4,572	Stockland	13	9,308	Vision Eye Inst	1	99
Pura Vida En.	1	50	STW Comm Group	7	547	Suncorp Group	17	17,112	Vita Group Ltd	2	105
Q.B.E. Insur.	17	13,705	Salmat Ltd	6	284	Sundance Res.	1	268	Vita Life Sci.	1	87
QRXPharma Ltd	4	15	Sandfire Res.	14	929	Sundance Energy	2	581	Vmoto Ltd	1	59
Qantas Airways	14	3,020	Santos Ltd	15	14,220	Sunland Group	6	283	Vocus Comm.	5	408
Qube Holdings	12	2,407	Saracen Mineral	5	285	Super Retail Gr	17	1,678	W'bool Cheese	3	454
RCG Corporation	2	158	Seedgman Ltd	7	110	Swick Min Serv	3	44	WDS Limited	3	140
RCR Tomlinson	8	388	Seek Ltd	17	5,729	Sydney Airport	13	9,641	Watpac Ltd	1	157
REA Group Ltd	11	5,655	Select harvest	7	297	Syrah Resources	3	580	Webjet NL	12	199
RXP Services	3	73	Senex Energy	11	830	TFS Corporation	2	492	Wellcom Group	3	113
Ramelius Res.	1	35	Seven West Med.	15	1,744	TPG Telecom Ltd	13	4,636	Wesfarmers Ltd	15	48,498
Ramsay Health	14	9,235	Seven Group	10	2,375	Tabcorp Holding	14	2,647	Western Desert	3	149
						Tandou Ltd	2	90	Westfield Ret.	13	9,414
						Tap Oil	3	109	Western Areas	13	1,066
						Tassal Group	6	595	Westside Corp.	1	143
						Tatts Group Ltd	14	4,318	Westpac Banking	17	107,418
						Technology One	9	846	Westfield Group	13	22,277
						Telstra	18	65,077	Whitehaven Coal	18	1,472
						Ten Network	13	750	Wide Bay Aust.	2	198
						Teranga Gold	3	62	Woodside Petrol	14	34,390
						The Reject Shop	9	264	Woolworths Ltd	15	46,576
						Thinksmart Ltd	1	64	Worley Group	15	3,937
						Thorn Group Ltd	7	347	World Titanium	2	15
						Tigers Realm	3	73	Wotif.com Hold.	17	527
						Tiger Resources	5	319	XRF Scientific	1	30
									Yancoal Aust.	4	244

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Acurity Healthcare	11.00	20-06	27-06	Full
Argosy Property	1.50	-	-	0.14
AWF Group	7.60	20-06	27-06	Full
Barramundi	1.41	13-06	27-06	0.5483
Comvita	8.00	20-06	27-06	Full
DNZ Property	2.25	06-06	20-06	0.6224
Dorchester Pac.	0.50	16-07	23-07	Nil
F&P Healthcare	7.00	20-06	04-07	Full
Goodman Property	1.5625	05-06	19-06	0.0651
Horizon Energy	9.00	13-06	26-06	Full
Kathmandu	3.00	06-06	17-06	Nil
Kingfish	2.66	11-06	27-06	0.2599
Kiwi Income Properties	3.20	05-06	19-06	Nil
Mainfreight	19.00	11-07	18-07	Full
Marlin Global	1.89	13-06	27-06	0.0784
Methven Ltd	4.50	20-06	30-06	0.73256
NPT Property	0.80	20-06	04-07	Full
NZX Aust Mid-Cap	3.58	-	-	-
Restaurant Brands	10.00	13-06	27-06	Full
Ryman Healthcare	6.20	06-06	20-06	Nil
Sanford	9.00	13-06	16-06	Full
Tower	6.50	13-06	30-06	Nil
Trust Power	20.00	30-05	13-06	4.6667
Vital Healthcare Prop.	1.93739	12-06	26-06	Full
Z Energy	14.30	23-05	04-06	Full
Australian Shares				
ALS Ltd	20.00	11-06	02-07	
Technology One	1.95	04-06	16-06	
Village Roadshow special	15.00	24-06	17-07	

Total Return Index for All Listed Shares

May 12	1515.30	May 19	1511.06
May 13	1513.50	May 20	1508.33
May 14	1517.28	May 21	1506.68
May 15	1512.35	May 22	1508.33
May 16	1511.17	May 23	1512.96
May 26	1510.06	Jun 2	Holiday
May 27	1507.84	Jun 3	1524.12
May 28	1513.59	Jun 4	1515.60
May 29	1518.30	Jun 5	1514.43
May 30	1525.43	Jun 6	1511.98

Next Issue:

The next issue of *Market Analysis* will be emailed in five weeks time on **Monday July 14, 2014**.

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

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