

# Market Analysis

## Inside Market Analysis

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Founder: James R Cornell (B.Com.)

## Summary and Recommended Investment Strategy.

Shares are the best long term investments. The stockmarket offers good value. Remain fully invested in the recommended shares.

## Investment Outlook.

The “life expectancy” of a company is very short. A few companies have been around 25 or 50 or 100 years, but they are a few rare survivors from a very much larger pool of companies. An often quoted (but unsourced and probably inaccurate) statistic states that “80% of new businesses fail within five years”. US Census data indicates the failure rate is around 50-55%. That is better, but still very high!

About one-third of NZ listed companies failed in the years immediately after the 1987 crash (although mainly owing to inappropriately tight monetary conditions imposed by the government). 95% of listed Internet companies failed after the Internet boom.

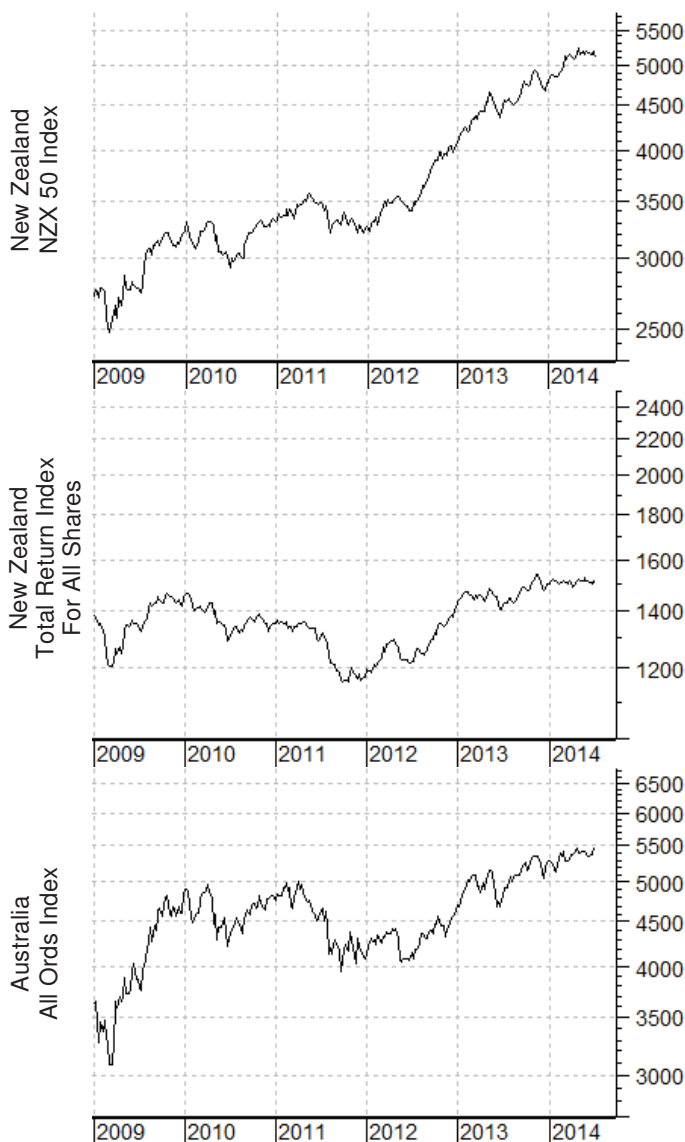
Survival rates for companies can also be misleading: Firstly, a 20-year old company may have a history involving four or five failed businesses, each of which required recapitalisation with new money from shareholders. This is a series of failures, not a 20 year success story. Secondly, shady business people (i.e. “smart money entrepreneurs”) could set up a new scam company tomorrow and buy a century old shell company (for a few dollars) and legitimately say “Our business traces its history back to 1914 ...”. When that company fails in a few years and they set up a new scam company to defraud new investors, they can again purchase the old shell company from the liquidators and repeat the story. Apparently, no-one will even notice!

So why would anyone ever invest in short life expectancy companies? As we have said many times, limited liability companies are the most adaptable economic entities. Provide them with the right environment - access to capital and potential business opportunities - and their number will expand exponentially like bacteria. Like bacteria, most companies will soon die, but a very small number from this teeming mass will find (stumble across?) a new product or service, or new way to do business - creating significant value from exploiting the dynamic opportunities created by

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### Stockmarket Forecasts

	One-Month	One-Year
Australia:	63% (Bullish)	74% (Bullish)
New Zealand:	58% (Neutral)	39% (Bearish)





# Recommended Investments

**Cavalier Corporation** has downgraded its June 2014 profit forecast. The company now expects to report a net profit of \$5-6 million (7-9 cents per share). This is down from the \$6-9 million predicted in February and the \$8-10 million expected at the start of the year.

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## Cavalier Corporation



## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/Sales Ratio	Price/Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<b>NZ Shares</b>													
BUY	CDL Investments Ltd	CDI	12/01/99	25	E	274.7	1.3	3.69	11	5.4	52	25.4	+208%
HOLD	Cavalier Corporation	CAV	05/12/95	156*	C	68.3	1.2	0.43	13	4.5	126	282.0	+162%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	B	32.7	0.4	0.28	13	8.0	535	405.3	+635%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	C	102.2	0.8	2.97	19	Nil	321	79.7	+167%
HOLD+	Michael Hill Int'l Ltd	MHI	11/06/91	5*	C	382.8	0.9	0.92	13	4.9	132	50.9	+3558%
HOLD	Nuplex Industries Ltd	NPX	11/02/97	523*	C	198.1	1.1	0.36	11	6.9	306	451.0	+45%
HOLD	Renaissance Corp	RNS	13/08/96	85*	E	43.6	4.1	0.15	NE	Nil	14	53.9	-20%
HOLD	Smiths City Group	SCY	09/10/06	64	C	52.7	1.2	0.13	7	6.5	54	22.0	+19%
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	0.67	17	7.1	300	281.6	+298%
<b>Australian Shares (in Aust cents)</b>													
BUY	Acrux Limited	ACR	12/05/14	99	A	166.5	0.9	10.85	26	7.4	109	Nil	+10%
HOLD+	AJ Lucas Group	AJL	13/05/03	107*	C	267.4	0.8	0.66	NE	Nil	92	36.4	+20%
HOLD+	ALS Limited	ALQ	12/10/99	77*	A	394.3	0.4	2.34	23	4.4	893	264.5	+1403%
BUY	AtCor Medical Ltd	ACG	11/11/13	15	D	150.8	3.1	1.41	5	Nil	9	Nil	-43%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	C	281.7	2.8	3.69	NE	Nil	9	17.5	-63%
BUY	Ausenco Ltd	AAX	10/06/13	191*	B	168.4	1.4	0.20	NE	3.6	55	1.8	-70%
HOLD+	Brickworks Ltd	BKW	12/11/12	1115	B	148.0	0.3	3.49	21	2.8	1432	54.5	+33%
HOLD	Cardno Ltd	CDD	14/12/09	391*	A	162.6	0.5	0.77	12	5.6	641	134.3	+98%
HOLD	Cellnet Group Ltd	CLT	12/02/02	147*	C	55.7	2.0	0.13	9	Nil	18	55.9	-50%
BUY	Chandler Macleod Group	CMG	14/08/01	51*	B	548.0	1.6	0.10	8	9.8	33	30.3	+23%
BUY	Circadian Technologies	CIR	10/02/04	188	C	48.6	1.9	8.23	NE	Nil	20	65.0	-55%
HOLD+	Clarius Group Ltd	CND	08/04/03	82*	C	89.6	1.8	0.10	NE	Nil	26	70.5	+17%
BUY	CPT Global Ltd	CGO	10/03/08	88	C	36.7	1.2	0.71	77	Nil	68	14.3	-7%
HOLD	CSG Limited	CSV	11/10/10	175	B	278.8	1.1	1.48	31	Nil	99	41.0	-20%
HOLD	Devine Ltd	DVN	13/11/06	334*	C	158.8	0.9	0.58	NE	Nil	102	79.6	-46%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	C	84.9	1.7	0.66	NE	Nil	34	Nil	-32%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	A	31.5	0.8	2.28	15	4.5	157	47.9	-21%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	227.0	0.8	2.53	12	5.7	167	34.5	+90%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	B	418.7	0.6	4.06	0	1.1	830	191.0	+117%
BUY	Integrated Research	IRI	14/01/08	40	B	169.0	0.8	3.64	20	4.7	106	26.5	+230%
BUY	M2 Telecommunications	MTU	09/10/06	33	B	180.5	0.4	1.54	24	3.4	590	79.0	+1927%
BUY	Melbourne IT	MLB	10/02/04	53	B	92.9	0.7	1.33	22	Nil	166	229.0	+645%
HOLD	Nomad Building Solutio	NOD	16/08/10	13*	D	277.5	4.3	0.16	3	Nil	5	Nil	-65%
HOLD	Novarise Renewable Res	NOE	14/03/11	25	C	415.1	2.1	0.83	8	Nil	19	Nil	-24%
HOLD	Probiotec Ltd	PBP	11/02/08	116	C	52.9	1.2	0.38	24	Nil	48	9.3	-51%
HOLD+	Prophecy International	PRO	08/09/08	26	B	55.4	1.4	3.58	19	7.1	49	15.0	+146%
HOLD+	Skilled Group Ltd	SKE	12/03/02	126	B	235.3	0.8	0.28	9	7.0	228	164.0	+211%
HOLD+	Technology One Ltd	TNE	11/11/03	44	A	307.8	0.5	4.59	31	2.1	270	44.6	+615%
HOLD+	TFS Corporation Ltd	TFC	08/01/07	45	A	324.2	0.6	4.31	10	1.6	190	17.2	+359%
BUY	The Reject Shop Ltd	TRS	11/01/05	257	B	28.8	0.4	0.44	14	3.9	950	367.0	+412%
HOLD	Village Roadshow	VRL	10/08/09	77	A	159.5	0.4	1.28	24	3.5	751	239.0	+1186%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +311.4%. This is equal to an average annual rate of +31.7%, 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 155 closed out) is +31.1%, 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.

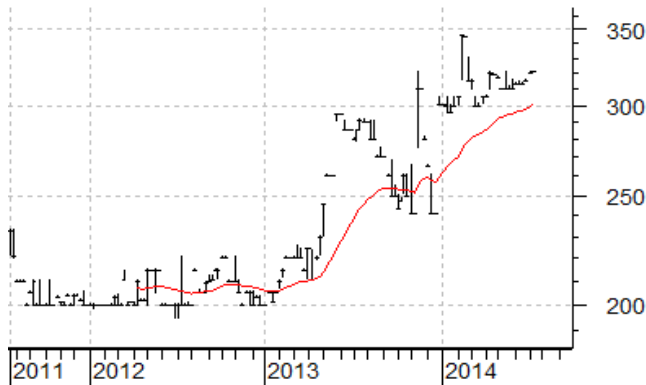


**Recommended Investments**

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**Lyttelton Port Company** believes its redevelopment could cost \$1000 million and take 30 years to complete. This includes moving the port towards the east to expand the container port to handle much larger ships, a new Diamond Harbour ferry terminal linking with other public transport and possibly a new marina and other commercial developments.

**Lyttelton Port Company**



**Michael Hill International** store revenues for the June 2014 year rose about 9.7% to A\$482.8 million. Professional Care Plan receipts grew 19.6% to A\$31.7 million, of which A\$20.0 million (up 51.3%) will be earned revenues for the period.

Revenues grew rapidly in New Zealand, Canada and the United States, but slower in Australia which still generates over 62% of group revenues.

Total Canadian revenues grew 36.9%, contributing 14.6% of group revenues (up from 11.7% a year earlier).

**Michael Hill International**



**Nuplex Industries** lowered its June 2014 forecast of earnings (before interest, depreciation and tax) to \$121-125 million (down from its earlier estimate of \$130-145 million) owing to “weaker than expected performance in May” (and probably in June) from the Australian and New Zealand operations. The local Resins earnings are expected to be 35-40% lower at \$3.5-3.8 million while the Specialities earnings will be 45-50% lower at \$12.8-14.0 million. This is offset by 15-20% growth in Europe and 10-15% growth in Asia, with a steady performance from the smaller American business.

Net profit is expected to be similar to the June 2013 year.

Subsequently the company sold its 49% interest in **Quaker Chemical (Australasia) Pty** to **Quaker International** for A\$8 million. That will generate a small profit, lifting the 2014 result to slightly higher than the 2013 net profit.

**Nuplex Industries**



**Smiths City Group's** profits recovered strongly from the 2013 result (excluding an insurance receipt last year).

Year to 30/4/2014

	Latest	Previous	Change
Revenues	\$220.6m	\$222.5m	-0.9%
Net Profit	\$4.1m	\$2.0m	+105.0%
Net Cash Surplus	\$3.1m	\$0.7m	+342.9%
Earnings per share	7.8c	2.8c	+178.6%
Dividends per share	3.5c	3.5c	Nil

The company earned higher returns from its Finance and Property divisions, while Retail earned higher returns from furnishings, offset by disappointing results from appliances.

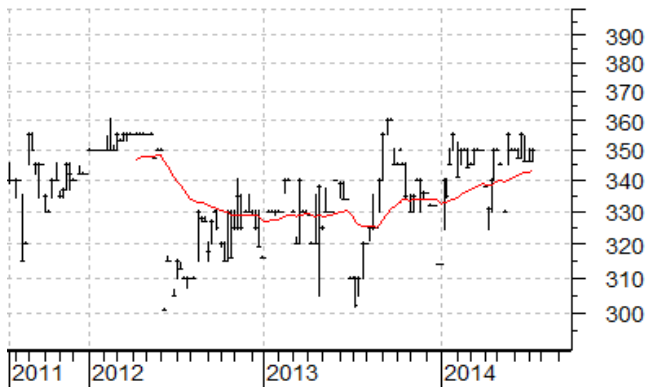
Stage II of its Colombo Street property redevelopment during the first half of the new financial year will offer the opportunity to increase retail market share in the Christchurch market.

**Smiths City Group**



**South Port NZ** has upgraded its forecast for the June 2014 year following “stronger final quarter cargo flows”. Net profit is now expected to be “similar” to the \$6.5 million earned in 2013, up from its earlier estimate of only \$5.8-6.0 million.

**South Port NZ**



**Australian Shares**

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

**AcruX Ltd** will announce June quarterly sales of Axiron at the end of July. That news *could* have a significant short term impact on the share price. The share price will also likely remain volatile owing to the (increased) 13.7% short interest. As discussed last month, “most short selling occurs *after* price declines and *prior* to large market rallies”.

Any good news could trigger a buying panic as short sellers rush to cover these very large short positions.

**AcruX Ltd**



**AtCor Medical Holdings** is continuing to experience delays in completing sales in the pharmaceutical market and expects annual group revenues to June 2014 to be down about 45% to around \$5.0 million. This will result in a *loss* of about \$2.2-2.6 million (down from a Net profit of \$2.7 million in 2013) and a net operating cash *deficit* which we estimate at around \$1-1½ million.

Cash on hand should be around \$2.2 million.

AtCor Medical has not lost any pharmaceutical trial contracts, but extensions to existing trials have slowed the commencement of new studies.

Sales to Clinical Specialists are growing, but research sales are down on 2013 which was boosted by a large one-off order.

The company has also completed its joint product development with **SunTech Medical Inc** to produce a new ambulatory blood pressure monitor (ABPM) system named *Oscar 2*. This combines SunTech's ABPM device with AtCor's *SphygmoCor* technology to “create

a comfortable patient-focused device” that can “be worn by patients over a 24-hour period”. Regulatory approval should allow product sales “later in 2014”.

While AtCor Medical has faced difficult market conditions this year - and lower revenues and a loss of profitability - the company remains in a sound financial position with good potential for future growth.

**AtCor Medical**



**Atlas Pearls and Perfumes** has completed its “most successful pearl auction to date”, selling \$2.5 million worth of pearls in June. Prices were 14% above reserve (and 40% higher than the company's first auction in May 2012).

The company is aiming to *double* revenues to \$25 million over the two years to June 2016, with \$15 million from wholesale pearl sales and \$10 million from value added products.

The **Australian Research Council** has awarded a \$540,000 grant to support the pearl research program conducted by Atlas and **James Cook University**, to continue further genetic research over the next three years.

**Atlas Pearls & Perfumes**



**Brickworks** has experienced a 20% increase in brick demand in the current financial year (to 31 July 2014) as well as “a more broad based recovery in building materials demand”, which will “deliver improved earnings”.

The company also reports “higher than anticipated revaluation profits on Property Trust developments” which will produce a “significantly improved contribution” from the Property division this year.

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**Recommended Investments**

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**Brickworks**



**Cardno** is currently ranked 35th (by revenues) among the world's largest global engineering firms. Its new 2015-2020 plan (under development) will seek to grow the company to become a top 20 company. That would require lifting revenues about 50% (relative to competitors in the field). Cardno will continue to grow through acquisition but is also “strengthen” its focus upon organic growth - which is the only way to grow shareholder wealth.

**Cardno**



**Circadian Technologies** has been awarded a *Biopharmaceutical Development Fund Grant* (of an undisclosed amount) by **Biopharmaceutical Australia Pty** (a company wholly owned by the **Queensland Government**) for the manufacture of its eye therapy OPT-302.

**Circadian Technologies**



**Clarius Group** reports a three month extension of its banking facility - and negotiations for a 12-month extension - but more importantly reports “a very profitable May in all divisions” and an “encouraging” outlook for June.

**Clarius Group**



**Devine** has won a \$150 million construction contract to build the *Westmark Milton* development for **Walker Corporation**. The project involves two towers of 20 storeys with 277 one and two bedroom apartments.

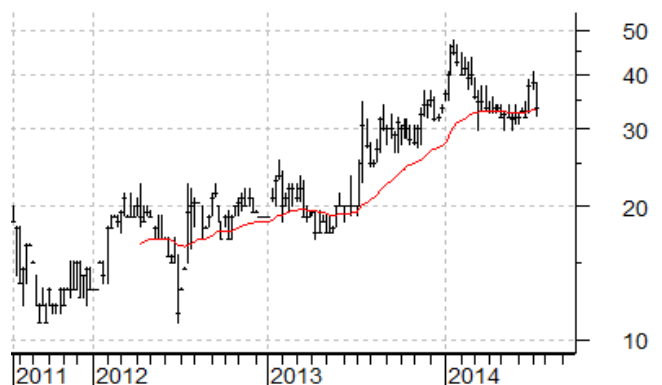
Devine's major shareholder, **Leighton**, is seeking to sell its stake in the company.

**Devine**



**Ellex Medical Lasers** “secured strategically important” first sales contracts for its new *2RT* retinal therapy in Germany and Austria during June. These lasers have been installed, commissioned and the first patients treated.

**Ellex Medical Lasers**



**Finbar Group** forecasts its profit to 30 June 2014 will be about 15% higher at \$36 million, with earnings per share up about 10% to 16 cents. The company will pay a final 6.0 cents dividend, lifting the annual dividend rate 5.3% to 10.0 cents.

Cash on hand at the end of June was \$61 million - up 74% on a year earlier.

**Finbar Group**



**Iluka Resources** has made a hostile takeover offer to acquire **Kenmare Resources plc**. The company has offered 0.036 Iluka Resources shares for each share of Kenmare Resources - which has been rejected by the Kenmare Resources board.

Kenmare Resources - which is about one-sixth the size of Iluka Resources - has a head office in Dublin and is listed on the London Stock Exchange but its principal operation is the *Moma Titanium Minerals Mine* on the north east coast of Mozambique.

**Iluka Resources**



**M2 Group** has confirmed that its June 2014 profit will be approximately mid-point of its guidance of \$150-170 million for earnings (before interest, depreciation and tax) and \$60-70 million for net profit.

**M2 Group**



**Skilled Group** has commenced the contract to provide manning services for the *Ichthys Gas Export Pipeline* project. This will require up to 1000 qualified construction and marine crews, with a total contract value of \$200 million and will be completed by June 2015. This project will also require Skilled Group to take on an extra \$90 million of short term debt.

The June 2014 year experienced a “strong performance in the second half in Engineering and Marine Services”.

**Skilled Group**



**TFS Corporation** has upgraded its full year profit forecast to “in excess of \$70 million”. That is up more than 25%, although earnings per share will be about 10% higher owing to the increased issued capital following the recent share placement.

Part of that increased profit will come from the \$35.0 million re-purchase of 364 hectares of plantations developed in 2010 and 2011. The company values its plantations at “net market value” which is actually the “net present value of expected future cash flows” which is “likely to exceed the purchase price”. The investor selling these plantations has agreed (subject to limited conditions) to purchase 548 hectares of new plantations in the current financial year.

Plantation sales for the year to 30 June 2014 were up 1% by volume to around 1700 hectares, but with a higher percentage to managed investment schemes and high net worth individuals (at higher prices than to institutional investors) so revenues rose 9%.

The UK institution that expressed an interest in March has contracted to purchase 331 hectares of new plantations in the current financial year, with settlement in the September 2014 quarter. It also has options to acquire further plantations in future years.

**TFS Corporation**





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

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

Company	STRENGTH RATING										Market Cap'n	Company	STRENGTH RATING										Market Cap'n				
	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio			Dividend Yield	Price/Sales Ratio	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity		Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio
<b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0													<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0														
PGG Wrightsons	41	+1.4	-0.4	41	1-0	2	1.2	6	1.7	21	7.7	0.27	309	Trade-Me Ltd	353	-7.0	-1.2	83	5-2	12	2.1	12	0.5	18	6.4	8.52	1,399
Col Motor Co	535	+5.8	-2.2	14	0-0	-	1.3	11	0.4	13	8.0	0.28	175	Vital Health PT	140	-58.3	+0.0	98	8-0	4	1.5	11	0.5	14	5.6	8.17	473
Ebos Group Ltd	1010	+0.2	+0.9	49	0-1	5	2.2	9	0.7	23	4.2	0.36	662	Snakk Media Ltd	9	-10.1	-0.4	88	0-0	1	28.1	-	2.2	NE	Nil	6.47	24
Z Energy Ltd	384	+1.5	-0.5	39	0-0	6	2.6	16	0.8	16	8.0	0.46	1,536	NPT Limited	59	-0.6	-0.5	62	1-0	2	0.8	7	0.5	12	7.6	5.95	95
Seeka Kiwifruit	310	+19.2	+0.5	3	1-0	-	0.8	4	0.4	17	5.8	0.46	45	Diligent Board	410	-4.4	+0.4	76	0-0	3	13.0	28	0.8	47	Nil	4.37	343
Air New Zealand	203	+14.4	-2.7	3	1-10	7	1.2	10	0.9	12	5.6	0.48	2,235	Charlie's Group	43	-58.3	+0.0	97	0-0	-	7.7	15	1.0	51	Nil	4.00	126
Abano Health.	655	+2.3	-1.5	30	0-0	2	1.5	4	0.7	40	4.6	0.54	112	CDL Investments	52	-3.3	-0.3	71	0-0	-	1.2	11	0.7	11	5.4	3.69	141
Tourism Hold.	120	+10.2	-3.1	5	7-6	-	0.7	2	1.0	35	4.8	0.59	132	Dorchester Pac	23	-1.0	-0.7	65	0-0	-	0.9	3	1.4	34	2.2	3.63	114
Infratil NZ	248	+2.6	+1.6	28	5-2	4	1.4	0	0.8	428	5.3	0.60	1,447	NZ Oil & Gas	80	-1.0	+1.5	66	0-0	4	0.9	7	0.9	13	10.8	3.32	329
Steel & Tube	300	+1.3	+0.2	42	0-0	4	1.7	10	0.9	17	7.1	0.67	265	Moa Group Ltd	43	-18.7	-2.6	93	1-0	1	1.5	-	0.9	NE	Nil	2.84	13
Mainfreight Grp	1434	+7.4	+0.6	8	0-5	6	3.2	20	0.5	16	3.1	0.74	1,420	Pyne Gould Corp	36	-2.6	-0.9	69	0-0	-	0.6	18	1.0	3	Nil	2.58	78
Turners Auction	268	+6.9	-2.6	10	0-0	-	4.0	26	0.9	15	8.3	0.82	73	NZ Windfarms	6	-4.7	+0.4	79	0-0	-	0.3	2	1.8	12	Nil	2.18	18
Restaurant Brds	325	+7.1	+1.4	9	0-0	3	4.9	31	0.9	16	7.1	0.96	318	NZ Refining Co	172	-7.8	+1.8	84	0-0	5	0.8	-	0.7	NE	1.6	2.16	482
<b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0													<b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average														
Finzsoft Sol'ns	72	+21.5	+1.8	2	0-0	-	1.8	22	0.7	8	Nil	0.64	6	Vital Health PT	140	-58.3	+0.0	98	8-0	4	1.5	11	0.4	14	5.6	8.17	473
Seeka Kiwifruit	310	+19.2	+0.5	3	1-0	-	0.8	4	0.3	17	5.8	0.46	45	Charlie's Group	43	-58.3	+0.0	97	0-0	-	7.7	15	0.9	51	Nil	4.00	126
Air New Zealand	203	+14.4	-2.7	3	1-10	7	1.2	10	0.7	12	5.6	0.48	2,235	GeoOP Ltd	72	-23.5	-4.9	95	0-0	-	-	-	1.0	NE	Nil	N/A	20
Mainfreight Grp	1434	+7.4	+0.6	8	0-5	6	3.2	20	0.5	16	3.1	0.74	1,420	WN Drive Tech.	12	-19.1	-0.3	93	0-0	-	1.7	-	1.8	NE	Nil	0.59	16
Restaurant Brds	325	+7.1	+1.4	9	0-0	3	4.9	31	0.7	16	7.1	0.96	318	Moa Group Ltd	43	-18.7	-2.6	93	1-0	1	1.5	-	0.8	NE	Nil	2.84	13
Turners Auction	268	+6.9	-2.6	10	0-0	-	4.0	26	0.7	15	8.3	0.82	73	Pac Edge Bio.	77	-17.0	-7.4	92	0-6	-	35.6	-	1.8	NE	Nil	N/A	245
Turners & Grow.	208	+6.3	+1.1	12	0-0	-	0.9	6	0.5	15	Nil	0.33	243	SLI Systems Ltd	140	-13.8	-5.2	91	0-2	3	5.2	-	0.8	NE	Nil	N/A	81
Col Motor Co	535	+5.8	-2.2	14	0-0	-	1.3	11	0.4	13	8.0	0.28	175	Sealegs Corp	12	-11.0	-1.3	89	0-0	-	1.7	-	1.3	NE	Nil	0.89	15
Guinness Peat	67	+4.2	-1.8	20	1-0	3	1.1	6	1.1	17	Nil	0.43	943	Trilogy Intern.	48	-10.4	+2.9	89	0-0	-	1.3	5	0.7	28	Nil	1.00	30
Z Energy Ltd	384	+1.5	-0.5	39	0-0	6	2.6	16	0.6	16	8.0	0.46	1,536	Snakk Media Ltd	9	-10.1	-0.4	88	0-0	1	28.1	-	2.1	NE	Nil	6.47	24
Steel & Tube	300	+1.3	+0.2	42	0-0	4	1.7	10	0.7	17	7.1	0.67	265	Xero Ltd	2475	-8.6	-7.8	87	0-4	3	12.4	-	0.8	NE	Nil	N/A	3,158
<b>INCOME SHARES:</b> Highest Yields, Capitalisation > NZ\$100 million													<b>INSIDER SELLING:</b> Most Insider Selling, Relative Strength < 0														
Chorus Ltd	170	-3.8	+0.8	74	0-0	9	1.1	27	0.8	4	21.4	0.63	662	Fletcher Build.	885	-1.0	-2.4	64	0-6	6	1.7	9	0.5	19	4.5	0.71	6,072
Hallenstein G.	308	-8.1	+1.7	85	1-0	5	2.7	28	0.8	10	15.1	0.83	184	Pac Edge Bio.	77	-17.0	-7.4	92	0-6	-	35.6	-	1.7	NE	Nil	N/A	245
NZ Oil & Gas	80	-1.0	+1.5	66	0-0	4	0.9	7	1.0	13	10.8	3.32	329	Xero Ltd	2475	-8.6	-7.8	87	0-4	3	12.4	-	0.8	NE	Nil	N/A	3,158
Genesis Energy	180	+0.2	-0.2	50	0-0	-	-	0.8	43	9.9	N/A	1,800	SLI Systems Ltd	140	-13.8	-5.2	91	0-2	3	5.2	-	0.8	NE	Nil	N/A	81	
Warehouse Group	310	-3.8	+0.2	75	3-0	8	2.4	37	0.7	6	9.4	0.43	965	Blis Technology	2	-4.4	+1.7	77	0-1	-	2.9	-	3.2	NE	Nil	N/A	18
Kingfish Ltd	132	+2.1	+0.7	33	0-0	-	1.0	16	0.7	6	8.7	N/A	157	Methven Limited	107	-9.0	+0.1	87	0-1	3	1.7	11	0.7	15	12.2	0.74	71
Vector Ltd	253	-0.1	+0.9	62	6-0	6	1.1	9	0.5	12	8.5	1.97	2,519	Mercer Group	17	-6.1	+0.1	81	0-1	-	2.3	4	1.6	52	Nil	1.02	40
Telecom Corp	272	+7.2	+0.3	9	0-0	12	3.5	17	0.5	21	8.4	1.18	4,933	Pumpkin Patch	40	-21.8	-0.2	94	0-1	4	1.2	10	1.3	12	Nil	0.23	68
Col Motor Co	535	+5.8	-2.2	14	0-0	-	1.3	11	0.3	13	8.0	0.28	175	Smiths City	54	-7.0	+1.2	83	0-1	-	0.7	10	0.5	7	6.5	0.13	28
Z Energy Ltd	384	+1.5	-0.5	39	0-0	6	2.6	16	0.6	16	8.0	0.46	1,536	Michael Hill	132	-4.6	-0.7	78	1-2	3	2.4	19	0.5	13	4.9	0.92	505
<b>INSIDER BUYING:</b> Most Insider Buying, Relative Strength > 0																											
Briscoe Group	262	+2.1	+0.8	34	5-0	3	4.0	24	0.5	17	6.6	1.17	566														
Infratil NZ	248	+2.6	+1.6	28	5-2	4	1.4	0	0.6	428	5.3	0.60	1,447														
Heartland Bank	96	+3.4	+2.1	24	2-0	3	1.0	2	0.7	54	6.7	1.64	373														
Precinct Prop.	109	+3.8	+1.0	21	4-2	7	1.2	5	0.4	24	5.2	8.50	1,082														
Sky City Ltd	372	+1.4	-0.5	40	5-3	13	2.6	16	0.4	17	7.7	2.27	2,146														
Rakon Ltd	25	+5.2	+4.0	16	7-5	-	0.6	-	1.6	NE	Nil	0.32	48														
Tenon Ltd	152	+4.7	+0.2	18	1-0	1	0.7	-	0.6	NE	Nil	0.21	100														
Guinness Peat	67	+4.2	-1.8	20	1-0	3	1.1	6	0.9	17	Nil	0.43	943														
PGG Wrightsons	41	+1.4	-0.4	41	1-0	2	1.2	6	1.1	21	7.7	0.27	309														
Kiwi Property	118	+2.6	+0.3	27	1-0	6	1.0	9	0.6	12	5.4	5.75	1,197														







# “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: 82.5% Buyers  
Last 13 wks: 84.2% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
360 Capital Grp	10-0	Armidale Invest	1-0	Bionomics Ltd	1-2	Citation Res.	1-0	EVZ Ltd	4-0
360 Capital Ind	4-0	Arowana Int'l	4-0	Black Star Pet.	0-1	Clancy Expor.	2-0	Easton Invest.	3-0
360 Cap Office	1-0	Aruma Resources	1-0	Black Ridge Min	1-0	Clean Seas Tuna	1-0	Echo Ent Group	5-0
3D Oil Limited	1-0	Asia P Digital	1-0	Blackthorn Res.	3-0	Clearview Wlth	2-0	Echo Resources	1-0
A.P. Eagers	6-0	Aspen Group Ltd	3-0	Blackwall Prop.	4-2	Clime Inv Mgmt	1-0	Ecosave Hold.	2-0
A1 Consolidated	2-0	Astivita Ltd	3-1	Blackmores Ltd	0-1	Coal of Africa	4-0	Elders Limited	1-0
ABM Resources	1-0	Astro Japan Pro	1-0	Blackwall Prop.	1-0	Cobre Montana	1-0	Electrometals	1-0
AG Financial	1-0	Atcor Medical	0-2	Bluechip Ltd	1-0	CocaCola Amatil	0-2	Elemental Min.	3-0
AGL Energy Ltd	0-1	Atrum Coal NL	0-2	Blue Sky Alt In	1-5	Cochlear Ltd	1-0	Elixir Petrol.	2-0
AJ Lucas	1-0	Aurelia Metals	1-0	Blue Energy Ltd	1-0	Coffey Int'l	3-0	Elk Petroleum	1-0
ALS Limited	1-0	Aurizon Hold.	3-1	Bluescope Steel	8-0	Kokal Limited	2-0	Elsmore Res.	0-1
AMA Group Ltd	2-0	Aurora Funds	0-1	Boart Longyear	10-0	Collection Hse	8-3	Emeco Holdings	3-0
ANZ Bank	3-1	Aurora Minerals	4-0	Bora Bora Res.	1-0	Collins Foods	1-0	Emerald Oil & G	1-0
APN News Media	2-1	Ausenco Ltd	1-0	Bougainville Co	0-1	Computershare	0-8	Endeavour Min.	3-0
ASG Group Ltd	1-0	Ausmon Res.	0-1	Brain Resource	1-0	Condoto Plat.	2-0	Energy World	3-0
AVEO Group	1-0	Austex Oil Ltd	5-3	Brambles Ltd	0-2	Continuation In	1-0	Energy Action	0-6
AWE Limited	2-0	Aust Vintage	4-0	Brand New Vint.	1-0	Convergent Min.	1-0	Energia Mineral	1-0
Acacia Coal Ltd	3-0	Aust Pharm. Ind	1-0	Breaker Res NL	0-1	Cooper Energy	2-0	Entek Energy	4-0
Academies Aust.	2-0	Aust Gov Master	1-0	Breville Group	1-0	Corp Travel M.	1-3	Enviromission	0-1
Acrux Ltd	2-0	Austock Group	1-0	Brierty Ltd	3-0	Cossack Energy	3-0	Equity Trustees	4-1
Activex Ltd	0-1	Aust Agricul.	2-0	Broad Invest.	2-0	Cott Oil & Gas	1-0	Eumundi Group	1-0
Ad Braking Tech	2-0	Austbrokers	2-0	Brockman Mining	1-0	Countplus Ltd	1-0	Euroz Limited	6-0
Adcorp Aust.	2-0	Aust Oil Coy	4-0	Bullabulling G.	2-0	Coventry Group	1-0	Excalibur Min.	1-0
Adelaide Res.	1-0	Aust-Amer Min.	1-0	Bulletproof Grp	0-1	Cover-More Grp	1-0	Excelsior Gold	1-0
Adelaide Bright	2-0	Aust Minerals	0-2	Burleson Energy	2-0	Crater Gold M.	2-0	FYI Resources	0-1
Aeon Metals Ltd	1-0	Aust United In	1-0	Buxton Res.	1-0	Credo Resources	1-0	Federation Cent	1-0
African Chrome	1-0	Aust Wealth Inv	7-0	C.S.R. Ltd	1-0	Credit Corp	1-4	Ferrowest Ltd	1-0
Aims Property	3-0	Aust Pac Coal	4-0	CMI Limited	4-0	Cromwell Prop.	1-3	Fertoz Limited	1-0
Ainsworth Game	2-4	Austin Eng.	8-0	CML Group	1-5	Crossland Strat	2-0	Fiducian P Serv	4-1
Alacer Gold	0-2	Aust Mines Ltd	1-0	CPT Global Ltd	0-1	Crusader Res.	5-0	Finbar Group	1-0
Alara Resources	4-0	Australand Prop	1-0	CSL Limited	2-1	Cryosite Ltd	1-0	Finders Res.	2-0
Alchemy Res.	1-0	Austral Gold	1-0	CWH Resources	0-1	CuDeco Ltd	9-0	Fitzroy Res Ltd	1-0
Ale Property	5-0	Aust Ren. Fuels	4-0	Cabral Resource	1-0	Cuesta Coal Ltd	1-0	Fitzroy River	2-0
Alestor Energy	1-0	Aust Foundation	4-0	Calibre Group	2-0	Cyclopharm Ltd	4-0	Fleetwood Corp	3-0
Alexium Int'l	3-0	Aust Leaders Fd	0-3	Calliden Group	1-0	Cynata Therap.	5-0	Forte Cons. Ltd	2-0
Algae.Tec Ltd	1-0	Automotive Hold	0-1	Calzada Ltd	1-0	DUET Group	1-0	Fortescue Metal	8-0
Alkane Explor.	2-0	Avanco Res.	1-0	Capital Health	0-1	Dart Energy Ltd	1-0	Fox Resources	3-0
Allegiance Coal	1-0	Axiom Mining	1-0	Capral Limited	3-0	David Jones	2-0	Freelancer Ltd	10-0
Alliance Aviat.	3-0	Azonto Petrol.	4-0	Cardno Ltd	3-0	Delecta Ltd	1-0	Freedom Foods	1-0
Alloy Resources	1-0	Azure Health.	0-2	Carnarvon Pet.	1-0	Dempsey Min.	1-0	G.U.D. Holdings	1-0
Altium Limited	0-1	BCD Resources	1-2	Carsales.com	0-2	Desert Mines	1-0	GBM Resources	2-0
Altona Mining	2-0	BHP Billiton	3-1	Cash Converters	0-1	Dick Smith Hold	1-0	GBST Holdings	0-7
Amalgamated Hld	2-0	BKI Invest Coy	3-0	Castillo Copper	2-0	Dicker Data Ltd	3-0	GDI Property	1-0
Ambition Group	2-0	BSA Ltd	2-0	Cedar Woods Prp	1-0	Diploma Group	1-0	GPT Group	4-0
Analytica Ltd	1-0	BT Invest Mgmt	1-3	Celamin Hold.	4-0	Disc. Africa	2-0	GR Engineering	2-0
Anatolia Energy	1-0	BWP Trust	3-0	Cellmid Ltd	1-0	Discovery Metal	0-1	GWA Group Ltd	0-1
Ansell Ltd	3-0	Bandanna Energy	1-0	Cent West Gold	0-1	Diversa Ltd	4-1	Gage Road Brew.	0-4
Antaria Ltd	3-0	Bank of Q'land	4-2	Centrex Metals	2-0	Dome Gold Mines	0-1	Galileo Japan	3-0
Anteo Diagnost.	0-1	Beach Energy	3-2	Century Aust In	1-0	Domino's Pizza	0-8	Galilee Energy	2-1
Aquarius Plat.	2-0	Beadell Res.	0-1	Centrepoint All	5-0	Donaco Inter'l	1-0	Gascoyne Res.	1-0
Aquaint Capital	1-0	Bega Cheese Ltd	0-2	Centuria Cap'l	6-0	Doray Minerals	0-1	Gateway Mining	2-0
Ardent Resource	2-0	Bell Financial	7-0	Ceramic Fuel C.	1-0	Downer EDI Ltd	2-0	Genesis Mineral	5-0
Ardent Leisure	3-0	Bendigo Bank	1-0	Chalice Gold	3-0	Drillsearch	3-5	Genera Bio.	1-0
Argent Minerals	1-0	Benitec Bio.	1-0	Challenger Ltd	1-3	DuluxGroup Ltd	1-2	Geopacific Res.	1-0
Argo Investment	0-1	Bentham IMF Ltd	0-1	Champion Iron	1-0	Dyesol Ltd	6-0	Global Resource	1-0
Argonaut Res.	1-0	Beyond Int'l	1-8	Chapmans Ltd	2-0	E & A Limited	1-0	Global Health	1-0
Aristocrat Leis	7-0	Billabong Int'l	2-0	Charter Hall GR	0-1	E-Bet Limited	1-0	Gold Road Res.	0-2



Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Goldfields Mon.	2-0	JB Hi-Fi Ltd	0-3	Metcash Ltd	2-0	Orora Limited	10-0	Red Hill Iron	10-0
Goodman Fielder	1-0	Jacka Resources	2-0	Meteoric Res.	1-0	Oroton Group	8-1	Red Mountain	2-1
Goodman Group	0-1	Jervois Mining	1-0	Metgasco Ltd	2-0	Orpheus Energy	2-0	Red Metal Ltd	6-0
Graincorp	2-0	Jindalee Res.	1-0	Metminco Ltd	2-1	Orrex Resources	2-0	Redflow Limited	1-0
Grange Resource	1-0	Jumbo Interact.	0-1	Metrocoal Ltd	2-0	Osprey Medical	1-0	Redflex Holding	4-0
Greencross Ltd	0-1	K2 Asset Mgmt	0-2	Milton Corp.	3-0	Otis Energy Ltd	1-0	Redstone Res.	3-0
Green Rock En.	1-0	KGL Resources	4-0	Mindax Limited	2-0	Ozforex Group	1-0	Reedy Lagoon	1-0
Greenvale Min'g	1-0	Kardoon Gas	1-0	Mineral Commod.	4-0	Ozgrowth Ltd	2-0	Reed Resources	1-0
Greenland Min.	3-0	Key Petroleum	3-0	Mineral Deposit	5-0	PLD Corporation	3-0	Regis Resources	1-0
Growthpoint Pro	5-0	KeyBridge Cap'l	3-0	Minemakers Ltd	5-0	PM Capital Glob	4-0	Renascor Res.	2-0
Gryphon Mineral	2-0	Kibaran Res.	2-0	Mineral Res.	1-2	PPK Group Ltd	5-0	Renaissance Min	4-0
Gulf Minerals	1-0	Kidman Res Ltd	2-0	Minerals Corp.	3-0	PS & C Limited	1-0	Republic Gold	1-0
Gunson Res.	4-1	Killara Res.	2-0	Minera Gold Ltd	1-0	PTB Group Ltd	1-0	Res & Invest NL	1-0
HGL Limited	1-0	Kimberley Diam.	2-1	Mint Wireless	0-2	Pacific Brands	3-0	Retail Food Grp	2-0
HUB24 Limited	1-0	Kingrose Mining	1-0	Mirvac Ind Trt	0-1	Pacific Mining	1-0	Reva Medical	3-0
Hansen Tech.	2-1	Kingsgate Cons.	0-2	Mithril Res.	2-0	Pan Pacific Pet	2-0	Reverse Corp	1-0
Haoma Mining NL	0-1	King Island Sc.	2-0	Mobile Embrace	0-1	Panaust Ltd	2-0	Rex Minerals	1-0
Hastings Rare M	1-0	King River Cop.	2-0	Moko Social Med	1-3	Pancontinental	2-0	Rhinomed Ltd	6-0
Helix Resources	1-0	Konekt Limited	3-0	Monteray Group	1-0	Paperlin X Ltd	6-0	Ridley Corp.	7-0
Heron Resources	6-0	Korvest Ltd	1-0	Moreton Res Ltd	3-0	Paragon Care	1-0	Riedel Resource	5-0
High Peak Royal	4-1	Kresta Holdings	2-1	Mungana Gold.	1-0	Paringa Res Ltd	7-0	Rift Valley Res	2-0
Highland Pac.	1-0	LBT Innovations	3-0	Mutiny Gold Ltd	3-0	Patties Foods	6-0	Robust Resource	1-0
Hills Limited	7-0	Lachlan Star	3-1	My ATM Holdings	0-1	Payce Consol.	1-0	Rox Resources	0-1
Hillgrove Res.	4-0	Lakes Oil NL	0-1	My Net Fone Ltd	0-4	Pental Limited	3-0	Royal Resources	2-0
Hillcrest Litig	3-0	Landmark White	0-6	Myer Holdings	1-0	Pepinnini Min.	0-1	Royal Wolf Hold	1-0
Hodges Res.	2-0	Laramide Res.	1-3	NRW Holdings	2-0	Perseus Mining	6-0	Royalco Res.	1-0
Holista Coll.	0-1	Laserbond Ltd	1-0	Nanosonics Ltd	1-0	Petratherm Ltd	2-0	Rubik Financial	1-2
Horizon Oil Ltd	1-0	Lawson Gold Ltd	1-0	Naos Emerging	5-1	Pharmaxis Ltd	1-0	Rum Jungle Res.	2-0
Hot Chili Ltd	1-0	Legacy Iron Ore	1-0	Naracoota Res.	1-0	Phileo Aust.	3-0	Runge Pincock M	13-0
Hotel Property	1-0	Leighton Hold	3-2	Narhex Life Sci	2-0	Phoslock Water	2-0	Rutila Res.	1-0
Hughes Drilling	0-3	Lemarne Corp	1-0	Nat'l Aust Bank	1-0	Pilbara Mineral	1-0	SAI Global Ltd	1-2
Hunter H Global	5-0	Lend Lease Grp	0-1	Navitas Ltd	0-1	Pioneer Credit	2-0	SDI Limited	6-0
Hunter Hall Int	0-1	Leopard Res. NL	3-1	Nearmap Ltd	0-1	Planet Metals	2-1	SMS Mgmt & Tech	4-0
I-Cash Payment	0-1	Liberty Res.	0-1	Neon Energy Ltd	0-1	Platinum Asset	0-5	SP Ausnet	1-0
IMX Resources	2-0	Lifestyle Com.	3-1	NetComm Wire.	2-0	Platina Res.	0-1	SWW Energy Ltd	1-0
IOOF Holdings	4-1	Life Corp.	1-0	New Hope Corp.	2-0	Plymouth Min.	5-0	Saferoads Hold.	4-0
IPB Petroleum	1-0	Lindsay Aust	0-3	New Age Explor.	2-1	Po Valley Ener.	2-0	Samson Oil/Gas	0-3
IRESS Limited	0-2	Liontown Res.	4-1	New Standard En	3-0	Praemium Ltd	4-0	Santana Mineral	2-0
ITL Limited	0-3	Lion One Metals	3-0	NewSat Ltd	5-1	Prairie Mining	3-0	Santos Ltd	3-0
Ibuy Group Ltd	2-0	Liq Natural Gas	2-0	Newcrest Mining	1-0	Premier Invest	2-1	Saracen Mineral	2-1
Icar Asia Ltd	0-4	Lodestar Min.	4-0	Newera Resource	1-0	Primary Health	7-5	Seek Ltd	0-1
Icon Energy	2-0	Longreach Oil	1-0	Newfield Res	1-0	Prime Media Grp	0-1	Select harvest	3-0
Iluka Resources	2-1	Luiru Gold Ltd	1-0	Nextdc Limited	2-1	Prima Biomed	2-0	Senex Energy	2-1
Image Resources	1-0	M2 Group Ltd	2-1	Nib Holdings	3-1	Pro Maintenance	2-0	Servcorp Ltd	1-0
Imdex Limited	0-1	MEO Australia	1-0	Nick Scali Ltd	0-1	Pro Medicus Ltd	3-0	Seven West Med.	1-0
Impedimed Ltd	5-0	MGM Wireless	1-3	Nido Petroleum	1-0	Probiotec Ltd	3-1	Seymour Whyte	0-1
Inca Minerals	1-0	MGT Resources	1-0	Niuminco Group	2-0	Progen Pharm.	3-0	Sheffield Res.	1-0
Incremental Oil	4-0	MacMahon Hold	1-0	Noni B Limited	2-0	Promesa Ltd	1-0	Shopping Centre	1-0
India Resources	1-0	Macquarie Group	10-0	Norwest Energy	1-0	Prophecy Int'l	3-4	Sietel Ltd	4-0
Indophil Res.	3-0	Magellan Fin Gp	0-2	Nithn Minerals	0-3	Public Holdings	0-1	Silver Chef Ltd	4-0
Indus Coal Ltd	3-0	Magnolia Res.	2-0	Nithn Star Res.	1-0	Pulse Health	1-0	Silver City Min	1-0
Industria REIT	1-0	Malachite Res.	1-0	NuEnergy Cap'l	1-0	Pura Vida En.	0-1	Sino Gas & En.	4-0
Infomedia Ltd	4-2	Manhattan Corp	0-1	Nufarm Limited	2-0	Q.B.E. Insur.	1-0	Sirius Res. NL	1-0
Ingenia Com Grp	5-0	Marenica Energy	2-0	OBJ Limited	0-2	Qld Mining Corp	8-1	Site Group Int.	1-0
Insurance Aust.	5-2	Mastermyne Grp	2-0	OZ Minerals Ltd	7-0	Quickstep Hold.	4-0	Slater & Gordon	2-0
Int Research	2-0	Matrix Comp.	5-0	Objective Corp.	0-1	RCG Corporation	0-1	Smartpay Hold.	1-0
Int'l Coal Ltd	2-0	Maverick Drill.	4-0	Oceania Capital	10-0	RCR Tomlinson	4-1	Smart Parking	1-0
Intec Ltd	3-0	Maxi TRANS	1-0	Ochre Group Ltd	1-0	RXP Services	1-0	Sonic Health	2-5
Intermin Res	1-0	McAleese Ltd	4-0	Oil Search Ltd	6-2	Radar Iron Ltd	2-1	Soul Pattinson	10-0
Intra Energy	4-0	McPherson's Ltd	1-0	Oil Basins Ltd	1-0	Rampart Energy	3-0	Southern Gold	1-0
Investa Office	2-0	Mec Resources	0-1	Oilex Ltd	2-0	Ramsay Health	0-1	Spectrum Rare E	2-0
Investigator R.	1-0	Medical Dev Int	1-0	Oldfields Hold	1-0	Rawson Res.	3-0	Spitfire Res.	1-0
Invion Limited	1-0	Medical Aust.	1-0	Oncosil Medical	7-0	Raya Group Ltd	3-0	Sprint Energy	1-0
Invocare Ltd	1-2	Melbourne IT	2-0	Optiscan Image	2-0	Real Estate CP	1-0	St Barbara Ltd	1-0
Ironbark Zinc	2-0	Metaliko Res.	3-0	Orica Ltd	3-0	Recall Holdings	7-0	Steadfast Group	1-0
Iselect Limited	10-0	Metal Bank Ltd	2-0	Orion Gold NL	3-1	Reckon Limited	2-0	Stellar Res.	0-1



Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Sth America F M	2-0	Tabcorp Holding	1-0	Toll Holdings	2-0	Uranium Equitie	1-0	Webster Ltd	0-2
Sth Cross Elect	6-0	Tangiers Petrol	1-0	Tox Free Sol.	1-2	Venturex Res.	2-0	Wesfarmers Ltd	0-1
Sth Hemi Mining	1-0	Tap Oil	3-0	Traffic Tech.	1-0	Venus Metals	1-0	Western Desert	0-2
Sth Boulder Min	3-0	Target Energy	1-0	Traka Resources	0-1	Viking Mines	3-0	Westoz Invest.	1-0
Sthn Crown Res.	1-0	Tatts Group Ltd	0-1	Transurban Grp	3-0	Villa World Ltd	4-1	Western Areas	0-1
Sthn Cross Exp.	4-0	Tawana Resource	1-0	Transfield Serv	2-0	Village Road.	0-2	West African R.	6-0
Straits Resourc	1-0	Techniche Ltd	4-0	TransPacific In	2-0	Viralytics Ltd	2-0	Westside Corp.	0-1
Strike Energy	7-0	Technology One	0-2	Treasury Group	3-0	Virgin Aust	0-1	Whitehaven Coal	3-6
Structural Syst	3-0	Tellus Res.	2-0	Treasury Wine	6-0	Vita Group Ltd	2-1	White Rock Min.	1-0
Suda Ltd	1-0	Telstra	3-1	Triausmin Ltd	3-0	Vital Metals	4-0	White Cliff Min	3-0
Suncorp Group	5-1	Templeton Globa	1-0	Triangle Energy	1-0	Vocus Comm.	0-2	White Energy Co	4-0
Sundance Res.	5-0	Terramin Aust	1-0	Tribune Res.	0-2	Vortex Pipes	2-0	Wide Bay Aust.	1-0
Sundance Energy	5-0	The Pas Group	1-0	Triton Minerals	2-0	WAM Active Ltd	0-1	Wolf Petroleum	2-0
Sunland Group	1-0	Thinksmart Ltd	2-0	Troy Resources	18-0	WAM Capital Ltd	0-1	Woolworths Ltd	1-2
Supply Network	1-0	Thorn Group Ltd	4-2	UGL Limited	1-0	WDS Limited	0-1	Worley Group	1-0
Swick Min Serv	1-0	Tidewater Inv	2-0	US Masters Res.	1-0	WPG Resources	1-0	XRF Scientific	5-1
TFS Corporation	3-0	Timpetra Res.	10-2	UXC Limited	2-0	Waratah Res.	3-1	Xanadu Mines	4-0
TPG Telecom Ltd	0-1	Tissue Therapy	3-0	Un. Biosensors	3-0	Watermark Fund	1-0	Xtek Ltd	2-0
TW Holdings Ltd	1-0	Titan Energy	4-0	Universal Coal	2-0	Watpac Ltd	4-1	Yellow Rock Res	1-0
TZ Limited	2-0	Titan Energy	0-9	Uranex Ltd	2-0	Webjet NL	4-1	Zenith Minerals	7-0

## *Company Review: Insiders Buy Boart Longyear*

**Boart Longyear** (code BLY) was mentioned last month as a company where *Insiders* - the most knowledgeable investors - are optimistic and buying, while short sellers - high-risk, habitual losers - are pessimistic and selling. Obviously these views contradict - and only one group can be correct over the medium to long term. While the share price has fallen significantly - favouring the short sellers - the short interest remains high, indicating that (collectively) the short sellers have yet to *realise* their profits and remain pessimistic.

In the long run and in most situations, investors would do best to follow the buying or selling of insiders and/or to bet against the short sellers.

Boart Longyear does have real problems owing to the current resource downturn and any investment in the shares does involve significant risk. Of course, in any volatile situation it is again better to be "long" (i.e. to own shares) with limited risk (i.e. 100%) and unlimited potential profits, than to be "short" with potentially unlimited losses and limited profits!

### **Company History**

The business was started 126 years ago in 1888 when Edmund Longyear established a drilling business in Minnesota which grew steadily over the decades and expanded internationally. South African based **Anglo American Corporation** acquired a 20% interest in 1964, increasing that to 100% ownership in 1974.

A management buyout in 2005 saw Anglo American sell this "non-core", "collection of small regional

businesses" to management and venture capitalists - who then floated the company on the Australian Stock Exchange in 2007. All of the \$2348 million raised in the initial public offering went to the venture capitalist investors or to repay existing debt - neither of which is a good sign for the future!

The shares have since fallen 91% from their issue price of 185 cents to just 16 cents with media speculation that the company is heading into administration! The company, worth \$2866 million at listing in 2007 now has a market capitalisation of just \$74 million.

### **Recent Results and Current Problems**

For the year to 31 December 2013, Boart Longyear reported a 39.2% drop in revenues to US\$1,222.9 million and recorded a *loss* of US\$619,943,000 (*minus* US\$1.36 per share). Previous results have been volatile: There was a profit of US\$68.1 million in 2012 and US\$159.9 million in 2011, a *loss* of US\$14.9 million in 2009 and a profit of US\$156.7 million in 2008.

That latest loss mainly resulted from restructuring and impairment charges totalling US\$461.2 million.

The business generated a small net operating cash surplus - down 82% - at US\$11.5 million. No dividend was paid.

Shareholders Equity is US\$428.6 million (US\$0.94 per share), although the shares currently trade on-market at 16 cents, valuing the company at A\$74 million.

The company has US\$600.0 million of interest bearing debt. Moody's has *(Continued on Page 14)*

## Company Review: Boart Longyear

(Continued from Page 13)

steadily and repeatedly downgraded the company's debt ratings over the last year. Companies, of course, don't fail owing to losses, or credit rating downgrades but owing to cash deficits and when banks foreclose on secured debt. Boart Longyear has a revolving bank facility, but its borrowings are mainly in the form of Senior Notes. US\$300 million of Senior Notes (at 7% interest) mature in April 2021 and a further US\$300 million of Senior Notes (at 10% interest) mature in October 2018.

The 2018 notes were issued in September 2013 after a successful offering. The funds raised were used to repay bank debt. This long term, private debt significantly reduces "foreclosure risk", relative to bank debt which needs to be regularly re-negotiated, subject to credit criteria.

This total debt costs US\$51.0 million annually in interest payments. US\$26 million was drawn against its previously unutilised US\$130 million revolving bank facility in April to meet interest payments on the senior notes.

Despite a short restructuring (and some acquisitions) by the venture capitalist investors in 2005-2007, Boart Longyear is still a "collection of businesses" but the restructuring continues. Over just the last 18 months the group has gone from 25 Vice Presidents and a regional management structure to one with 13 Vice Presidents overseeing a global business structure. Separate supply chains and inventories for each division have been consolidated with shared warehousing and procurement. 23 independent business zones have been consolidated into 10 territories. Total employee numbers have declined 51% to 5681 people. All of these changes are expected to reduce costs by US\$150 million annually.

March 2014 quarterly revenues were US\$197 million (down 47% on the March 2013 quarter), with a small net cash deficit of US\$6 million - an improvement on the seasonal deficit of US\$47 million in the March 2013 quarter.

With the Resource sector downturn, drilling rig utilisation remains very low at around 38% (although up from a January low of under 30%). Historically utilisation fluctuates between 40-65%, depending upon cyclical conditions. Drilling product orders are also low, reflecting depressed drilling activity as mining companies exhaust existing mineral resources (and cut operating costs by deferring drilling to prove new resources).

In February the company appointed **Goldman Sachs** to conduct a strategic review to evaluate options, "maximise value for Boart Longyear stakeholders", provide continuity of services and "ensure capital adequacy to continue as a going concern through the mining cycle" and "capture future growth when the market recovers". Recent weakness in the share price follows media speculation that this review had been "unsuccessful and that the company is headed into administration". The company states this is "incorrect and it continues to engage in the strategic review with a

number of third parties on a range of potential proposals".

Over the last year there have been 10 *insider* buys and no sells. Most of these buys occurred in August and September, following the release of the half year results to June 2013. At that time, seven different directors each purchased between 50,577 and 500,000 shares at prices around 39¼-48 cents - for a total investment of over \$4.8 million. An eighth director bought 60,000 shares on-market at 43 cents in September. Following the release of the December 2013 result, a director purchased 175,000 shares at 30 cents in February and a director purchased a further 135,000 shares at 30 cents in March.

Short Interest in Boart Longyear was less than 3% prior to May 2013 when it jumped to 9.0% (i.e. most short selling began in May 2013 at prices around 70-100 cents) and has remained around that level (i.e. peaking at 10.7% in August 2013 and April 2014). Short interest remains at 8.3% - indicating that short sellers remain pessimistic and collectively have not yet closed out their positions to realise their recent gains.

### Summary and Recommendation

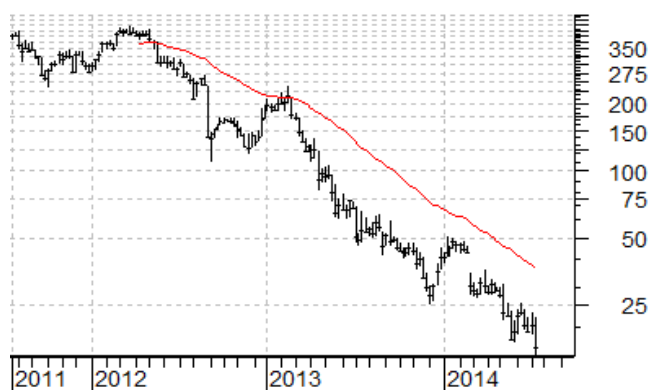
As we said earlier, an investment in Boart Longyear shares does involve significant risk. Like many companies, it is suffering from the severe downturn in the resource sector and the significant decline in its drilling services, equipment, parts and services. The company has high debt levels, but mainly in private, long term debt, rather than riskier bank borrowings. Despite large losses - much of which is from writedowns - the company is operating at a small cash *deficit*, while seeking to improve cashflows through reducing inventories and restructuring and downsizing to reduce operating and overhead costs.

Large, widespread buying (i.e. millions of dollars in total from nine different directors) indicates that the knowledgeable *insiders* believe the company has a good chance of surviving until the Resource sector recovers. Boart Longyear has survived a few resource sector booms and busts over the last 126 years!

High levels of *Short Interest* indicate that short sellers hold a completely different view and believe the company will not survive.

We would suggest that a small investment in Boart Longyear shares may be of interest for higher risk investors looking for capital appreciation from the eventual recovery of this company.

### Boart Longyear



## Investment Outlook

(Continued from Page 1)

technological, environmental, economic, social and political change.

The reason we are investors (and publish this newsletter) is that our earliest research indicated that the stockmarket was the best place to build investment wealth (and our experience over the last three or four decades has confirmed that).

Stockmarket listed companies are usually many years old and have survived the very risky, high failure rate, start-up phase. They have potentially developed a successful business model and are building a growing business. The exception is during booms - like the Internet boom - when many start-up companies (without proper business plans) were able to raise money directly from eager public investors. No wonder that all ended in tears!

A major advantage of the stockmarket is the large range of potential investments - only 146 companies in New Zealand but 1936 companies in Australia. We could eliminate 98% of these companies and still build a very diversified portfolio of 50 shares. Given the uncertainty, volatility and short life expectancy of individual companies, that wide diversification is important.

How we select the 2% of listed shares in which to invest can have a major impact on our long term investment returns. Most investors (and analysts) pick shares which have a good "story". It may be easy to write (and understand) a story about an Investment company run by an entrepreneur, a "land grab" by an Internet start-up or the potential huge growth of a Software-as-a-Service company - but they may not be the best investments.

Any potential investment needs to trade on a reasonable valuation. A high growth business would warrant a higher valuation than a low growth business - but also remember that it is very difficult to predict

growth rates very far into the future. Growth shares bought at very high valuation can be disappointing when the company grows at a *lower than expected* rate! Some of our best investments have been growth companies purchased on single digit (or very low double digit) Price/Earnings ratios.

Another important indicator of a share's future performance is on-market buying or selling by the directors. These *insiders* are the most knowledgeable investors, with the best understanding of their company and its future growth potential and risks. One *insider* buy or sell probably isn't very significant - but several *insider* buys or sells in a share probably reveals important (and usually ignored!) insight into its likely future performance.

As we see in this newsletter (page 11), 82.5% of Australian insider trades have been buys over the last five weeks and 84.2% buys over the last 13 weeks. Knowledgeable *insiders* believe their shares are good value - suggesting the whole market offers good value.

Shares neglected by brokers and institutional investors (which are often *smaller* and *medium sized* companies) tend to be under-valued relative to more widely followed shares. So a portfolio of neglected, smaller company shares tends to outperform the widely owned, larger company shares that index funds and most investors buy for their portfolios. Just an extra 1-2% per year compounds to a lot of money over half a lifetime!

Share prices also tend to move in *trends* - so relatively strong shares tend to continue to outperform the market. Many investors rush to sell shares that rise 10-20% - just when they may be starting to rise 50% or 100% or more in value.

Investing in stockmarket listed shares - and making some effort to focus upon shares with favourable investment characteristics - holds the best potential to build investment wealth over the medium to long term. Remain fully invested in the recommended shares.

### Total Return Index for All Listed Shares

Jun 9	1515.83		
Jun 10	1514.99		
Jun 11	1516.65		
Jun 12	1516.38		
Jun 13	1512.01		
Jun 16	1514.11	Jun 23	1502.47
Jun 17	1516.25	Jun 24	1497.57
Jun 18	1514.23	Jun 25	1495.42
Jun 19	1510.66	Jun 26	1498.64
Jun 20	1505.62	Jun 27	1500.39
Jun 30	1501.64	Jul 7	1505.42
Jul 1	1503.98	Jul 8	1505.57
Jul 2	1506.08	Jul 9	1500.91
Jul 3	1505.99	Jul 10	1502.88
Jul 4	1509.62	Jul 11	1498.63

## Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Dorchester Pac.	0.50	16-07	23-07	Nil
Mainfreight	19.00	11-07	18-07	Full
Smiths City Group	2.50	08-08	15-05	Nil
<u>Australian Shares</u>				
Finbar Group	6.00	05-08	19-09	
Village Roadshow special	15.00	24-06	17-07	

### Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday August 11, 2014.

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

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