

# Market Analysis

## Inside Market Analysis

Ausenco Ltd:  
Vote AGAINST Scheme Resolution ..... 2,3,4  
BUY Reckon Ltd ..... 8, 9, 10  
SELL Vocus Communications ..... 10, 11  
SELL Probiotec Ltd ..... 11

Iluka Resources acquires Sierra Rutile ..... 5  
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Founder: James R Cornell (B.Com.)

## Summary and Recommended Investment Strategy.

Despite global economic problems and expectations of slow future economic growth, the world is changing rapidly and that creates *opportunities* for smaller companies to develop new products and services to build significant shareholder wealth. Our strategy? Invest in a diversified portfolio of reasonably valued shares in these innovative companies!

## Investment Outlook.

A widely held view over recent years has been that *future* investment returns will be *below* their long term historical averages. On the stockmarket, the *real* long term rate of return has been around 7-10% per annum, but few people now expect to achieve those returns in the future. Most pension funds prefer to buy low (or negative!) interest rate bonds.

There is perhaps a number of reasons given for this:

1. People are *always* predicting a pending stockmarket crash, or
2. High debt levels will depress future demand growth, lower economic growth and investment returns, or
3. Low (or negative) interest rates will depress returns from other investments, or
4. Low interest rates and Quantitative easing have inflated share prices (lowering expected future returns), or
5. Low (or negative) inflation will depress future investment returns (at least *nominal* returns).

Those reasons may be true . . . or perhaps Fund Managers who *lack both the will and the freedom* to invest appropriately in an age of rapid economic, social, political and technological change just seek to *talk down* investor expectations?

Take Telstra or Spark (Telecom NZ). Please! Over the last decade (or longer) those shares have gone nowhere. But that is where institutions invested your retirement savings. We have never owned Telstra or Telecom shares, but we did invest in M2 Telecommunications and now recommend selling the last of those shares for a 47-fold gain.

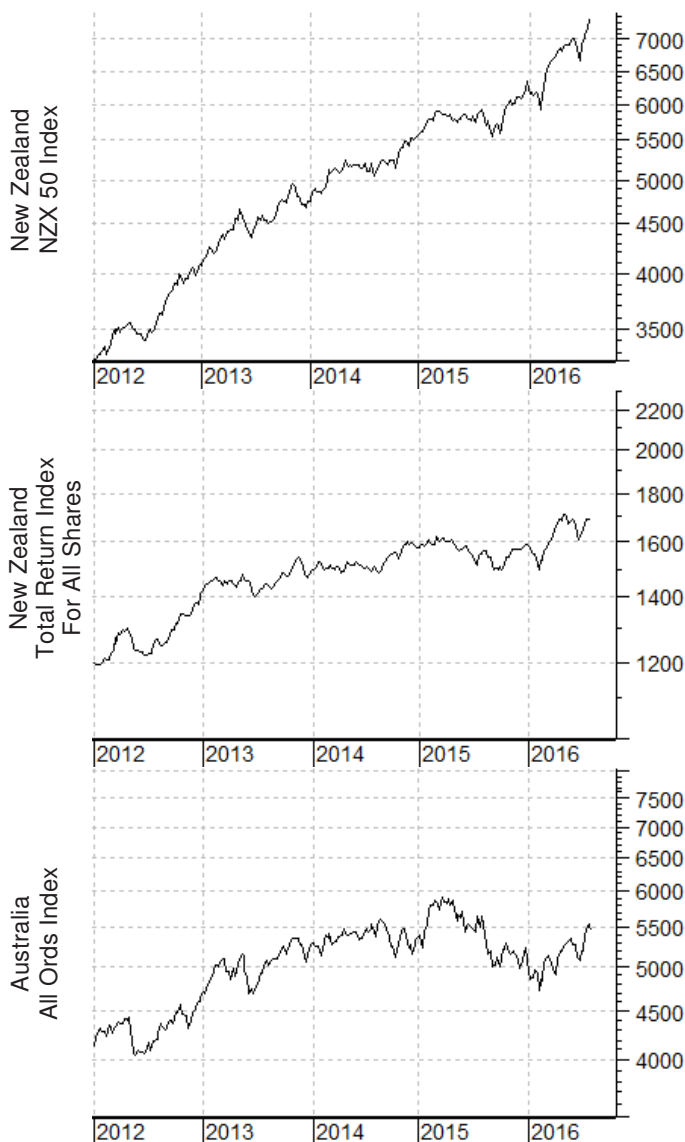
The difference in performance comes from a completely different attitude and approach to investing.

Conventional wisdom and academic research indicates that a person cannot outperform the stockmarket average over the long term. So professional fund managers don't try. And they buy the same popular, safe, mature company shares that everyone else is buying.

(Continued on Page 16)

### Stockmarket Forecasts

|              | One-Month     | One-Year      |
|--------------|---------------|---------------|
| Australia:   | 63% (Neutral) | 77% (Bullish) |
| New Zealand: | 58% (Neutral) | 62% (Bullish) |



# Recommended Investments

**CDL Investments'** revenues and profit were significantly higher for the first half year - in line with recently announced increases in the number of property sales:

| Six Months to 30/6/2016 |         |          |        |
|-------------------------|---------|----------|--------|
|                         | Latest  | Previous | Change |
| Revenues                | \$42.8m | \$23.9m  | +79.2% |
| Net Profit              | \$16.0m | \$8.5m   | +87.4% |
| Net Cash Surplus        | \$22.1m | <\$2.4m> | -      |
| Earnings per share      | 5.8c    | 3.1c     | +86.8% |
| Dividends per share     | Nil     | Nil      | -      |

171 sections were sold during the half year, up 33.6% on the same period a year earlier. The company believes "that strong sales activity" is "likely to continue" into the second half of the year.

Cash (and deposits) were up 31.9% on a year earlier at \$31.5 million (11.4 cents per share).

## CDL Investments



**Smiths City Group's** "activist investors", **Mercantile Investment Company** and **Sandon Capital**, have purchased a further 1,548,236 shares (at an average cost of 63.8 cents per share), lifting their combined shareholding to 9,189,853 shares or 17.4% of the company.

## Smiths City Group



## Australian Shares

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

**Acrox Ltd** reports *Axiron* sales in the June 2016 quarter of US\$29.3 million. That is down 20.8% on the March 2016 quarter and down 9.6% on the June 2015 quarter. Sales for the full financial year were 3.9% lower at US\$149.3 million.

Those declines are in line with the total market decline in testosterone sales, with *Axiron's* market share improving slightly to 14.2% (up from 14.0% over the previous year).

## Acrox Ltd



**ALS Ltd** is forecasting a profit 4-12% lower at \$50-55 million for the half year to September 2016. The group performance is being depressed by the Oil & Gas business which had a poor first quarter and is expected to lose \$14 million in the first half year, but the company then expects this division to recover to a "small profit" in the third and fourth quarters.

## ALS Ltd



**Ausenco Ltd** will hold an Extraordinary General Meeting on 23 August to seek shareholder approval for the scheme of arrangement. We recommend that shareholders vote AGAINST the Scheme Resolution which is unfair to the public shareholders.

Private Equity fund **Resource Capital Fund (RCF)** has entered into a "Commitment Deed" with the largest shareholder and management (i.e. the most

knowledgeable investors) who will be allowed to retain their 34.3% shareholding in Ausenco while the public shareholders (owning 60.0% of the company) are being asked to give away their shares to RCF for 40 cents. Clearly this scheme is unfair when one-third of the shareholders have been given a choice (and wish to retain shares), while the public shareholders are not being given any choice and are being forced to take cash!

The “*Independent Expert*” reports consider this “in the best interests” of shareholders after somehow valuing Ausenco Ltd shares at 27-37 cents. Of course, in this context we all know that the words “independent” and “expert” do not have their normal meanings. Has *any*

“independent expert” *ever* found the transaction they were being paid to evaluate was not “fair and reasonable” or not “in the best interests” of the shareholder? [Editor's Note: There is no prize for guessing that the answer to that question is “No”. There was once a report that found a transaction “*unfair* but reasonable” . . . and recommended that shareholders approve it.]

The “Independent Board Committee” (i.e. the three board members, excluding RCF nominees and the three directors who will retain their Ausenco shares) “unanimously recommends” that shareholders support the Scheme Resolution . . . as they are contractually bound to do so. (Continued on Page 4)

## Portfolio of Recommended Investments

| CURRENT<br>ADVICE        | Company                | Code | Initial Recommendation |       | Perform-<br>ance<br>Forecast | Issued<br>Shares<br>(mil.) | Vola-<br>tility<br>Ratio | Price/<br>Sales<br>Ratio | Price/<br>Earnings<br>Ratio | Gross<br>Dividend<br>Yield | Recent<br>Share<br>Price | Cash<br>Dividends<br>Rec'd | Total<br>Return<br>% |
|--------------------------|------------------------|------|------------------------|-------|------------------------------|----------------------------|--------------------------|--------------------------|-----------------------------|----------------------------|--------------------------|----------------------------|----------------------|
|                          |                        |      | - Date -               | Price |                              |                            |                          |                          |                             |                            |                          |                            |                      |
| <b>NZ Shares</b>         |                        |      |                        |       |                              |                            |                          |                          |                             |                            |                          |                            |                      |
| BUY                      | CDL Investments Ltd    | CDI  | 12/01/99               | 25    | E                            | 276.1                      | 1.1                      | 4.53                     | 12                          | 3.9                        | 78                       | 27.6                       | +322%                |
| HOLD+                    | Cavalier Corporation   | CAV  | 05/12/95               | 156*  | A                            | 68.7                       | 1.2                      | 0.27                     | 54                          | Nil                        | 86                       | 282.0                      | +136%                |
| HOLD                     | Colonial Motor Company | CMO  | 10/11/92               | 128*  | A                            | 32.7                       | 0.6                      | 0.26                     | 12                          | 7.3                        | 630                      | 473.3                      | +762%                |
| HOLD                     | Smiths City Group      | SCY  | 09/10/06               | 64    | C                            | 52.7                       | 1.5                      | 0.15                     | 26                          | 4.0                        | 63                       | 30.0                       | +45%                 |
| HOLD                     | South Port New Zealand | SPN  | 13/02/96               | 120   | B                            | 26.2                       | 0.5                      | 3.80                     | 17                          | 6.7                        | 500                      | 225.3                      | +504%                |
| BUY                      | Steel & Tube Holdings  | STU  | 08/08/00               | 146   | B                            | 88.5                       | 0.9                      | 0.37                     | 9                           | 12.5                       | 211                      | 337.6                      | +276%                |
| <b>Australian Shares</b> |                        |      |                        |       |                              |                            |                          |                          |                             |                            |                          |                            |                      |
| BUY                      | Acrux Limited          | ACR  | 12/05/14               | 99    | B                            | 166.5                      | 1.1                      | 5.02                     | 11                          | 7.8                        | 77                       | 14.0                       | -9%                  |
| HOLD+                    | AJ Lucas Group         | AJL  | 13/05/03               | 107*  | C                            | 369.6                      | 2.1                      | 0.39                     | NE                          | Nil                        | 20                       | 36.4                       | -47%                 |
| BUY                      | ALS Limited            | ALQ  | 12/10/99               | 72*   | A                            | 504.2                      | 0.5                      | 1.90                     | 26                          | 2.6                        | 515                      | 282.4                      | +1008%               |
| BUY                      | AtCor Medical Ltd      | ACG  | 11/11/13               | 15    | D                            | 180.9                      | 2.8                      | 4.30                     | NE                          | Nil                        | 13                       | Nil                        | -13%                 |
| HOLD+                    | Atlas Pearls & Perfume | ATP  | 14/05/96               | 73    | D                            | 414.3                      | 5.8                      | 0.83                     | NE                          | Nil                        | 3                        | 17.5                       | -72%                 |
| HOLD                     | Ausenco Ltd            | AAX  | 10/06/13               | 191*  | B                            | 188.3                      | 1.5                      | 0.30                     | NE                          | Nil                        | 39                       | 1.8                        | -79%                 |
| BUY                      | Brickworks Ltd         | BKW  | 12/11/12               | 1115  | A                            | 148.7                      | 0.3                      | 3.01                     | 28                          | 3.9                        | 1470                     | 110.5                      | +42%                 |
| BUY                      | Cardno Ltd             | CDD  | 14/12/09               | 223*  | A                            | 479.0                      | 1.3                      | 0.12                     | 3                           | 33.3                       | 60                       | 98.0                       | -29%                 |
| HOLD                     | Clarius Group Ltd      | CND  | 08/04/03               | 82*   | D                            | 89.6                       | 2.3                      | 0.10                     | NE                          | Nil                        | 19                       | 70.5                       | +9%                  |
| HOLD+                    | CPT Global Ltd         | CGO  | 10/03/08               | 88    | D                            | 36.8                       | 2.0                      | 0.33                     | NE                          | Nil                        | 25                       | 15.8                       | -54%                 |
| HOLD                     | CSG Limited            | CSV  | 11/10/10               | 175   | A                            | 319.1                      | 0.8                      | 1.96                     | 32                          | 5.8                        | 155                      | 59.0                       | +22%                 |
| HOLD                     | Ellex Medical Lasers   | ELX  | 14/03/06               | 49    | B                            | 107.6                      | 1.0                      | 1.89                     | 70                          | Nil                        | 110                      | Nil                        | +124%                |
| HOLD+                    | Fiducian Group         | FID  | 11/02/08               | 260   | B                            | 30.9                       | 0.7                      | 3.19                     | 18                          | 3.7                        | 268                      | 62.9                       | +27%                 |
| BUY                      | Finbar Group Ltd       | FRI  | 12/04/10               | 106   | B                            | 232.3                      | 1.1                      | 2.09                     | 7                           | 11.7                       | 86                       | 53.5                       | +31%                 |
| BUY                      | Iluka Resources Ltd    | ILU  | 12/10/04               | 471   | A                            | 418.7                      | 0.5                      | 3.28                     | 54                          | 3.6                        | 694                      | 235.0                      | +97%                 |
| BUY                      | Integrated Research    | IRI  | 14/01/08               | 40    | B                            | 170.4                      | 0.6                      | 5.41                     | 27                          | 3.3                        | 224                      | 39.5                       | +559%                |
| HOLD                     | Melbourne IT           | MLB  | 10/02/04               | 53    | B                            | 100.7                      | 0.7                      | 1.06                     | 24                          | 2.9                        | 171                      | 185.0                      | +572%                |
| BUY                      | Michael Hill Int'l Ltd | MHJ  | 11/06/91               | 4*    | A                            | 383.1                      | 1.2                      | 1.08                     | 20                          | 3.1                        | 142                      | 57.3                       | +4883%               |
| BUY                      | Mt Gibson Iron         | MGX  | 10/11/14               | 44    | D                            | 1091.8                     | 1.8                      | 0.96                     | NE                          | Nil                        | 29                       | Nil                        | -34%                 |
| HOLD                     | Novarise Renewable Res | NOE  | 14/03/11               | 25    | E                            | 415.1                      | 2.5                      | 0.42                     | NE                          | Nil                        | 16                       | Nil                        | -36%                 |
| HOLD                     | OTerran Ltd            | OTR  | 16/08/10               | 13*   | D                            | 459.7                      | 4.3                      | 0.31                     | NE                          | Nil                        | 5                        | Nil                        | -58%                 |
| HOLD-                    | Opthea Limited         | OPT  | 10/02/04               | 188   | C                            | 150.2                      | 1.4                      | NA                       | NE                          | Nil                        | 64                       | 65.0                       | -31%                 |
| BUY                      | OZ Minerals            | OZL  | 14/03/16               | 522   | A                            | 303.5                      | 0.4                      | 2.21                     | 15                          | 3.1                        | 641                      | Nil                        | +23%                 |
| SELL                     | Probiotec Ltd          | PBP  | 11/02/08               | 116   | C                            | 52.9                       | 1.5                      | 0.44                     | 0                           | Nil                        | 54                       | 9.3                        | -45%                 |
| HOLD+                    | Programmed Group       | PRG  | 12/03/02               | 229*  | A                            | 257.0                      | 0.8                      | 0.22                     | 78                          | 6.0                        | 191                      | 386.0                      | +152%                |
| BUY                      | Prophecy International | PRO  | 08/09/08               | 26    | B                            | 55.4                       | 0.9                      | 6.46                     | 27                          | 3.6                        | 116                      | 22.0                       | +431%                |
| BUY                      | Reckon Limited         | RKN  | 08/08/16               | 140½  | B                            | 112.1                      | 0.8                      | 1.50                     | 11                          | 5.2                        | 141                      | Nil                        |                      |
| HOLD                     | Technology One Ltd     | TNE  | 11/11/03               | 44    | A                            | 313.3                      | 0.5                      | 8.15                     | 50                          | 1.2                        | 574                      | 59.8                       | +1340%               |
| HOLD+                    | TFS Corporation Ltd    | TFC  | 08/01/07               | 45    | B                            | 388.1                      | 0.8                      | 2.99                     | 5                           | 1.8                        | 163                      | 23.2                       | +314%                |
| HOLD                     | The Reject Shop Ltd    | TRS  | 11/01/05               | 257   | A                            | 28.9                       | 0.4                      | 0.48                     | 26                          | 2.4                        | 1271                     | 430.5                      | +562%                |
| HOLD                     | Village Roadshow       | VRL  | 10/08/09               | 77    | B                            | 161.1                      | 0.4                      | 0.84                     | 19                          | 5.3                        | 528                      | 295.0                      | +969%                |
| SELL                     | Vocus Com (M2 Group)   | VOC  | 09/10/06               | 20*   | B                            | 617.5                      | 0.4                      | 5.89                     | 44                          | 0.3                        | 860                      | 76.9                       | +4585%               |

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +455.7%. This is equal to an average annual rate of +42.6%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 38 current and 161 closed out) is +33.1%, compared with a market gain of +4.1% (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)

As stated in the Scheme Booklet (page 68) if “any member of the IBC fails to recommend the EGM Resolution or Scheme or withdraws their recommendation” then “Ausenco has agreed to pay RCF \$1 million”. The IBC is acting under duress and clearly do NOT have the freedom to make an “independent” recommendation!

Shareholders are also being asked to approve the conversion of Ausenco Ltd's interest bearing debts held by Resource Capital Fund into Ausenco Ltd shares at 40 cents. That will increase the issued capital by about 50% and lift Resource Capital Fund's shareholding from 5.7% to about 37% of the enlarged company. That *dilutes* existing shareholdings, but at least recapitalises the company and removes the financial risk involved with this interest bearing debt.

We recommend that shareholders:

1. Vote in FAVOUR of the EGM resolution (i.e. to convert debt to equity by the issue of 97,000,000 shares at 40 cents) and
2. Vote AGAINST the Scheme Resolution (i.e. to stop the public shareholders, owning 60% of the company, being forced to give away their Ausenco Ltd shares for 40 cents cash).

The “Committed Shareholders” and Resource Capital Fund can not vote on the Scheme Resolution that requires 75% of votes to be in favour. Unfortunately, the public shareholders are the *least intelligent* investors and will usually vote in favour of *any* proposal which the directors recommend! So this unfair, unfavourable Scheme Resolution may well be approved.

Nevertheless, it may be possible to defeat the Scheme Resolution if subscribers to this newsletter vote against the Scheme Resolution. Investors can cast their proxy vote against the resolution online at [www.investorvote.com.au](http://www.investorvote.com.au) using the “control number” on the voting form that Ausenco Ltd will send to shareholders. Every vote counts!

Not unexpectedly, Ausenco Ltd has put out a “Second Quarter Trading Update” pointing out “continuing soft economic conditions” and the need to draw a further \$10 million from RCF's cash facility. All of this has “affected the five year outlook for the company” - but not so much that RCF has withdrawn its takeover scheme - and will require the “non-cash” write-down of goodwill by \$40-50 million. Whenever someone wants to take over a company they make it appear that they are doing the existing shareholders a big favour by buying them out of a “bad” company.

The good news - announced by Ausenco *customers*, not by the company itself - is that the company is winning new work. Ausenco Ltd has been appointed Lead Engineer for the Pre-Feasibility Study of the

*Cinovec Lithium/Tin Project* in Czech Republic by **European Metals Holdings**. This will be completed by early 2017. Ausenco Ltd has also been appointed to prepare a Bankable Feasibility Study for the *Cabinda Phosphate Project* in Angola by joint venture partners **Minbos Resources** and **Petril**.

### Ausenco Ltd



**Ellex Medical Lasers** predicts a 16% increase in revenues and a 61% increase in pre-tax profits for the year that ended on 30 June 2016.

Sales growth added 15% to revenues, exchange rate movements added 11%, while discontinuing low margin contract manufacturing resulted in a 10% drop in revenues.

The profit growth reflects sales from high margin *Ellex* branded products, a return to profitability in Japan and strong sales growth in China. The higher profit was also *after* costs involved in *iTrack* growth initiatives and expenses gaining additional regulatory approvals and Research & Development expenses to develop new products.

### Ellex Medical Lasers



**Finbar Group** predicts an operating profit 23% lower at \$21 million for the year ended 30 June 2016. In addition, the value of investment properties is being written down by \$13 million.

The company will pay a final 4.0 cents dividend, making the annual dividend rate 30.0% lower at 7.0 cents.

More positively, the company ended the year with



pre-sales contracts 11% higher at \$451 million. Its forward project pipeline is \$1840 million.

Finbar Group also reports that it has negotiated the purchase of the last and “premium site, 4069m<sup>2</sup> of absolute waterfront land” at *Springs Riverdale*. The land will be acquired (and financed) by a joint venture partner for “future development” under a 50/50 joint venture. Initial planning work “will not commence for some time” but the final project will likely involve 150 residential apartments with a sales value of around \$65 million.

### Finbar Group



**Iluka Resources'** June quarter production of Mineral Sands was 265.3 thousand tonnes, up 14% on the March quarter but down 13% on the June 2015 quarter.

Total sales for the half year were down 23% at 334.1 thousand tonnes, owing to an 89% drop in (lower value) Ilmenite sales. Revenues were 3% lower at \$338.4 million. Cash production costs were 35% lower at \$402 per tonne.

From 1 July the company has raised its Zircon reference price by US\$60/tonne to around US\$1010/tonne.

Iluka Resources is to acquire **Sierra Rutile Ltd** for 36 pence per share or a total of £215 million (A\$375 million) in cash. This takeover (via a merger with an Iluka Resources subsidiary) requires just 50% approval by Sierra Rutile shareholders and already holders of 60.15% have given “irrevocable undertakings” to vote in favour of the “merger”.

Sierra Rutile holds the “largest natural rutile deposits in the world” with greater than a 20 year mining life. Acquiring this company will increase Iluka Resources' total Rutile deposits 83% to 18.85 million tonnes. It will also increase Iluka Resources' global market share of the high grade chloride production from 11% to 16%. Iluka Resources has also identified US\$160 million of capital expenditure (subject to detailed feasibility studies) over the next 3-5 years that could expand production volumes 70-85% (i.e. from 130 thousand tonnes to 240 thousand tonnes annually), plus “lower unit costs”.

The initial acquisition and expansion will be funded from cash, debt and future cashflows, with the group's debt expected to peak in 2018.

### Iluka Resources



**Integrated Research** expects to report a 15-20% increase in revenues to \$81-85 million, plus a 7-12% growth in net profits to \$15.3-16.0 million, for the year ended 30 June 2016.

### Integrated Research



**Mt Gibson Iron** reports a cash holding of \$400 million on 30 June 2016 plus \$34.6 million in an insurance property damage settlement which has since been received. That is equal to 39.8 cents per share in cash for this virtually debt-free company.

Further cash is receivable on the completion of discussions on its business interruption insurance.

Mining at the *Extension Hill* pit will end in the current quarter with ore sales expected through to early 2017. The company will then likely begin mining at the adjacent *Iron Hill* deposit, which will require “minimal capital cost”.

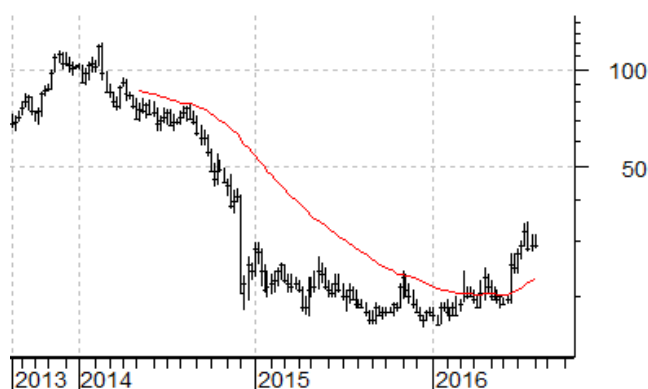
At Koolan Island the company will spend \$1.5 million to evaluate the “potential to reinstate the Main Pit seawall and recommence production”. This will involve “a detailed design for the seawall and detailed mine design and production scheduling to achieve a material reduction in the average strip ratio and also a marked increase in product grade”.

(Continued on Page 6)

## Recommended Investments

(Continued from Page 5)

### Mt Gibson Iron



**Opthea Ltd**'s Phase 1 trial has demonstrated the safety of OPT-302 and indicates “encouraging results” for improved patient outcomes. The company is now recruiting up to 30 patients for Phase 2A studies and is planning a randomised controlled Phase 2B clinical study in 2017.

### Opthea Ltd



**Onterran Ltd** has completed the acquisition of **Couran Cove Resort Properties** for \$21.5 million, financed via the issue of 39,090,909 Redeemable Convertible Preference shares that will pay an 8% fully franked dividend for five years and then convert into ordinary shares at 55 cents (i.e. equal to 6.875 cents per ordinary share prior to the proposed consolidation of eight existing shares into one new share).

Couran Cove Resort Properties shareholders will then own 40% of the company and the existing Onterran shareholders will own 60% of the enlarged company.

The advantages of this acquisition is that the *existing* shareholders acquire a profitable business and development assets through the issue of shares at a 70% *premium* to market value, while the *new* shareholders get to share in the value of Onterran's tax losses (i.e. which will save income tax on future profits) and significant franking credits.

As mentioned above, the company will consolidate every eight existing shares into one new share. That will

have no impact on the total value of each investor's shareholding, just reduce the *number* of shares and *increase* the price of the shares.

The existing Onterran business expects “a small loss” for the year ended June 2016, but a “much stronger performance” from **Bloomer Construction** in the year to June 2017. The company will also “develop significantly more of its own product” at Couran Cove Resorts where planned development should provide work through to the 2020 financial year.

### Onterran Ltd



**OZ Minerals** has appointed **PYBAR Mining Services** to construct its *Carrapateena* decline for a “highly competitive” \$65 million. Work on the 7500 metre long, 600 metre deep decline will begin this month.

Over the June quarter, **OZ Minerals' cash holding increased \$31 million to \$564 million (185 cents per share)**, despite \$57 million added to its ore inventory, \$35.4 million settling a class action (\$24 million in settlement and \$12.4 million in legal costs) and \$7.2 million used to repurchase shares on-market.

OZ Minerals has signed a Heads of Agreement with **Cassini Resources** to earn up to a 70% interest in the *West Musgrave Project* (including the *Nebo-Babel* nickel and copper sulphide deposit and the *Succoth* copper deposit) plus other mineral deposits discovered through funding up to \$36 million of development and exploration.

Under the agreement OZ Minerals must spend a minimum of \$3.0 million over the next year, plus supply two full time technical employees. It then has the option to spend \$15.0 million over the next 18 months towards a Pre-Feasibility Study and a Definitive Feasibility Study - plus \$4.0 million on regional exploration - to earn a 51% interest.

OZ Minerals then has the option to spend a further \$10 million over 12 months towards completing the Definitive Feasibility Study - plus \$4.0 million on regional exploration - to increase its share of the joint venture to 70%.

The *Nebo-Babel* nickel and copper deposits lie only 50 metres below the surface and are “flat, shallow

dipping ore bodies” totalling 203 million tonnes at 1.38% copper. *Succoth* is a “steeply dipping ore body” with copper and platinum group elements, just 30 metres from the surface. This deposit is “open along strike and at depth” (i.e. mining jargon meaning they have yet to discover the end of the deposit or how deep it goes) but is currently Inferred at 156 million tonnes at 0.6% copper, 0.04 ppm Platinum and 0.11 ppm Palladium.

OZ Minerals comments that “The significant amount of resource that we already know about is under shallow cover so we expect that we can establish a low cost, scalable open pit operation” and that “with over 200 million tonnes at 1.3% copper that could be mined with a shallow open pit” the “*Nebo-Babel* is pretty compelling just on its own”.

**OZ Minerals**



**Prophecy International** expects its June 2016 year revenues to be up 47% at \$14.7 million, with earnings (before interest, tax and depreciation) up 13% to \$5.0 million.

This is below the revenues of \$20.0 million and net profit of \$5.7 million forecast a year ago when the company acquired eMite Pty but there were strong sales in the final quarter which are continuing into the new financial year. New sales in the fourth quarter were up 62% compared with the March quarter and up 44% on the December 2015 quarter, but below the record September 2015 quarter.

SNARE new sales were up 13%, with total SNARE revenues up 29% to \$7.6 million.

eMite new sales rose 55% from the March to June quarters and attending the **Interactive Intelligence Inc** user conference has “generated a large volume of leads for sales” in the new financial year when “much improved sales” are expected.

Emerging growth company shares can be very volatile owing to changes in investor expectations of future growth rates. Despite this volatility, high growth companies - especially *cashflow positive* and *profitable* high growth companies - can be the very best investments over the medium to long term. “Buy” and hold for growth.

**Prophecy International Holdings**



**TFS Corporation** has raised US\$250 million in seven year Senior Secured Notes paying an interest rate of 8.75%. Most of this (i.e. US\$200 million plus a US\$8.0 million early repayment premium) will be used to repay the existing 11% Notes.

The company has also been shortlisted in the tender process to buy Australian Sandalwood from the **West Australian Forest Products Commission** for the next 10 years.

**TFS Corporation**



**Technology One** confirms that it expects 10-15% profit growth for the full year to September 2016. The company is the “preferred supplier for a number of very large contracts”.

**Technology One**



# Share Recommendation:

## Buy Reckon Ltd

### BUY Reckon Ltd (code RKN).

This is an old business that completely re-invented itself over the last few years. It now provides Accounting Practice Management, Accounting and Bookkeeping cloud software - in competition with **Xero** and **MYOB** - as well as document storage and sharing services.

This is a profitable, cashflow positive, dividend paying company, investing heavily in new product and new market development. Profitability fell in 2015 but this was owing to new market development expenses which should drive revenue growth in future years. The shares trade at a low valuation in relation to revenues, profits and dividend payments.

#### Company History

Reckon Ltd listed in late 1999 after an IPO at 110 cents per share.

Since 1998, the business localised and published **Intuit Inc's QuickBooks** desktop small business accounting software. Intuit's cloud version was not suitable for Australia but the Intuit agreement prevented Reckon from developing its own software. This agreement was terminated in March 2014 and Reckon Ltd repurchased (and cancelled) the 11.5% shareholding held by Intuit for \$27.4 million (185 cents per share).

This has allowed Reckon to develop its own cloud based product, *Reckon One*, and sell it worldwide.

#### Current Business

Reckon Ltd has three business segments:

Reckon Ltd's largest business is the *Practice Management* division where it has a dominant 80% market share among large accounting firms in Australia. This division provides Practice Management, Tax Compliance and related software to large accounting firms (under the *Reckon APS* brand) and smaller accounting firms (under the *Reckon Elite* brand) plus other services (under the *Reckon Docs* brand). This division generates \$59.9 million in revenues (57% of group revenues) and \$20.2 million in earnings (46% of the group total).

A small part of this division, its *Desktop Super* platform (acquired for \$800,000 in 2006) was last week sold to **AMP** for \$1,250,000 in cash (plus up to a further \$1,250,000 based on a two year earnout).

The *Business* division provides accounting software to businesses through cloud-based *Reckon One* and legacy accounting products. This generates revenues of \$35.4 million (34%) and earnings of \$19.1 million (43%). This division competes against market leader **Xero**, but its *Reckon One* cloud accounting software could still be successful. Xero has significantly increased the total market for cloud accounting software, with this expanding market offering opportunities for smaller competitors like Reckon Ltd. Xero may have the best, feature-rich, user-friendly offering . . . but it is also the most expensive. *Reckon One* lags behind Xero but is steadily adding additional features, built at a fraction of Xero's development costs, and offered to users at a

significantly lower cost. *Reckon One's* Payroll module, released in March 2016, costs just \$3 per month for unlimited employees! So the Business Software division is a small player, currently lacks some features of its larger competitors, but is extremely competitive on price. The entry level to the basic accounting module is 65-85% cheaper than Xero, MYOB or QuickBooks.

*Reckon One* was achieving 9% volume growth monthly "with limited marketing spend" but marketing has increased with the recent launch of *Reckon One* in the United Kingdom.

The *International Group* division provides Document Management and cost recovery services to accountants, lawyers and other businesses. This is a very high growth business which in the year to December 2015 lifted revenues 34% to \$9.8 million (9% of group revenues) and earnings 54% to \$4.7 million (11% of group earnings). In January 2016 it acquired SmartVault which will significantly increase this division in addition to strong organic growth in both businesses.

#### Recent Acquisitions

In July 2012 Reckon Ltd agreed to acquire UK based **Linden House Software** for an initial payment of \$9 million (with earnouts taking the total cost to \$20 million). The main product was *Virtual Cabinet*, a Document Management solution. Over the last three years, user numbers have increased six-fold. Earnings (before interest, depreciation and tax) were \$4.7 million in 2015, with the business expanding into Australia, New Zealand and the United States markets.

In October 2013 it acquired *SyncDirect* software that allows Accountants to access clients' data, from any accounting system. This is a "unique proposition which our competitors" (i.e. Xero, MYOB, QuickBooks) "do not offer" (and still do not offer).

In January 2016, Reckon Ltd acquired **Smart Vault**, a leading document management system among US accountants, for an undisclosed upfront payment plus an earnout based upon 2018 revenues.

*SmartVault* is a document storage system built on the cloud. This will be merged with *Virtual Cabinet* to improve that business and "accelerate its move to the cloud". Reckon Ltd will seek to market and cross-sell its Practice Management software and Reckon One cloud accounting software to SmartVault's existing US accountants.

In July, Reckon Ltd partnered with **Prospa Advance Pty**, a fintech business involved in providing loans to small businesses. Reckon Ltd launched *Reckon Loans* as a "pilot" to test demand and received "a surprisingly encouraging number of applications for funding". Reckon Ltd will "continue to participate in funding loans to small business in collaboration with Prospa" but at this stage this business is "not material". [Editor's Note: Interest rates on these loans are "typically" around 30% per annum - which even makes credit card debt look cheap!].



### **Recent Results**

Revenue growth has suffered over recent years as the company has transitioned from selling a one-off, upfront software licence to *Software-as-a-Service* (SaaS) with lower annual, but recurring fees. Recurring subscription revenues are now 80% of total revenues.

It has also invested heavily in product development and expanding into new markets. Both strategies depress short term profitability but should grow the business and maximise long term revenues and profits.

For the year to 31 December 2013, revenues rose 1.4% to \$98.1 million with net profits up 2.7% to \$17,812,000 (14.1 cents per share). The annual dividend was 8.75 cents. The reported net operating cash surplus was up 10.4% at \$26.5 million, but after deducting capitalised development costs was down 7.0% at \$13.4 million.

In the year to 31 December 2014, revenues grew 2.7% to \$100.8 million while net profits were 4.8% lower at \$16,964,000. Higher interest costs on borrowing to finance the repurchase of the Intuit shareholding is mainly responsible for the lower net profit. Earnings per share were up 7.8% at 15.1 cents owing to the lower issued capital. The annual dividend was 2.8% higher at 9.0 cents.

The reported net operating cash surplus was 18.0% higher at \$31.3 million, but deducting capitalised development costs the operating cash surplus was 9.0% higher at \$14.6 million.

For the year to December 2015, revenues rose 4.3% to \$105.2 million, but net profits fell 14.1% to \$14,577,000 (13.0 cents per share). That \$2.4 million drop in net profits results from \$4.7 million of expenses on new market development to promote *Reckon One* and the Document Management business in the United States. The annual dividend rate was cut 19.4% to 7.25 cents.

The reported net operating surplus was 7.2% higher at \$33.5 million. After deducting capitalised development costs the cash surplus was 6% lower at \$13.7 million.

While revenue growth has been slow over recent years this reflects the movement from upfront software sales to cloud services and recurring annual SaaS subscription revenues. This transition has negatively impacted annual revenues by around \$2½ million annually - but that transition is virtually complete and under a SaaS pricing model total revenues should grow if the company can win additional customers. In 2015, *Virtual Cabinet* users grew 15%, *Practice Management* “seats” (i.e. users) by 17% and *Reckon One* users by 23%. *SmartVault* (acquire in January 2016) experienced 47% growth in user numbers.

New market development costs (as stated above) also depressed current profitability by \$4.7 million. Further market development costs will be necessary to launch *Reckon One* in the United Kingdom this year and expand the Document Storage business in the United States.

After the current year to December 2016 the company expects to achieve “high single digit” annual revenue growth and “low double digit” earnings (before interest, depreciation and tax). Net profit growth would be higher, perhaps 15-20% per annum.

Starting with the 2015 final dividend, paid in March 2016, the company has offered a dividend re-investment plan at a relatively high 12.5% discount. We generally prefer to take dividends in cash, but at that large discount we would favour re-investment in additional shares.

### **Investment Criteria**

Reckon Ltd is a profitable, cashflow positive, business so can finance steady growth *internally* and without the need to issue new shares that will dilute earnings per share growth.

Expenditure on Research & Development was \$19.6 million in 2015 (18.6% of revenues) - \$11.6 million on existing products and \$8.0 million on new products (i.e. *Reckon One*, APS accounting cloud). This is expected to rise to \$23-25 million (21-23% of revenues) this year but fall back to around 14% of revenues from 2018 onwards.

At 140½ cents, Reckon Ltd shares trade on a Price/Sales ratio of 1.50, a Price/Earnings ratio of 11 and offer a Dividend Yield of 5.1%. That is an attractive valuation for a software company which can trade on high P/S ratios owing to the potential for high profit margins. The P/E and Yield are also attractive for a company seeking strong growth from both product and geographic expansion, and where current profitability is depressed by significant expenditure on new product development.

By comparison, Xero has a market capitalisation of NZ\$2,751 million and revenues of \$207.1 million for a Price/Sales ratio of 13.3. MYOB has a market capitalisation of \$2,233 million and revenues of \$327.8 million for a Price/Sales ratio of 6.8. Both are unprofitable and pay no dividend.

The *long run* rate of return from a share investment can be the dividend yield (5%) plus the future growth rate (15-20%), which could give us a total return of 20-25% per annum. In addition, the shares appear to trade on a low valuation at present and could be re-rated 100% (or more) over the next decade (7% per annum), lifting our annual rate of return to 27-32%.

Another way of looking at this is that 15-20% per annum profit growth would lift earnings per share (and the share price) 4-6 fold over 10 years. Re-rating the shares 100% (to a P/S of 3.0 and P/E of 22) would produce an 8-12 fold capital gain (23-28% per annum compounded). On top of this we also receive a fairly reliable cash dividend yield in excess of 5%.

Expenditure on Research & Development was \$19.6 million in 2015, putting the shares on a Price/Research ratio of 8.0. A value from 5-10 indicates good value.

The issued capital is 113,294,832 shares giving a market capitalisation of \$157 million. The shares are fairly actively traded, with daily turnover of 50,000-500,000 shares.

Reckon Ltd is “moderately followed” by stockbrokers. Five firms follow the company and publish profit forecasts. Most brokers rate the shares “Hold” (i.e. broker speak for “sell”) and one rates them “underperform”. So Reckon Ltd shares are out of favour with brokers (which is a proxy for also being out of favour with institutional investors). Out of favour shares usually offer the best value and, if the company is successful in the future, the shares can be “discovered” and significantly re-rated on institutional buying.

(Continued on Page 10)

## Share Recommendation: Buy Reckon Ltd

(Continued from Page 9)

Directors and senior management have significant shareholdings in Reckon Ltd - which aligns management's interests with those of the public shareholders. The Deputy Chairman, G Wilkinson, owns 7,830,000 shares or 6.9% of the company. The Chief Executive, C Rabie, holds 10,998,000 shares (9.7%). The non-executive directors own between 25,000 and 100,000 shares each.

The Chief Financial Officer owns 453,697 shares (and 187,774 performance shares).

There have been four insider buys over the last year - all in March. GJ Wilkinson purchased 40,000 shares at 148 cents each early in the month and a further 340,000 shares at 151 cents in mid-March. That is an additional investment of \$572,600 and lifts his holding to 7,830,000 (6.9% of the company). C Rabie bought 240,000 shares on-market at 151 cents for \$362,400 to increase his shareholding to 10,998,000 shares (9.7% of the company). Those are two very large additional investments by executive directors who already held very large shareholdings in Reckon Ltd. At the end of March, C Woodforde bought his first 25,000 shares at 160 cents.

There is only one reason why insiders buy shares on-market: They believe the shares offer good value and growth potential.

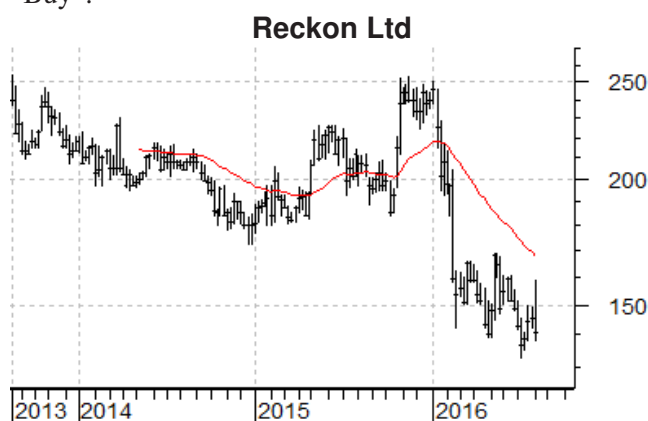
From late 2015 to early this year the shares fell sharply in value, but appear to have stabilised at current levels. The Relative Strength rating is -10.8%, ranked 80 (on a scale of 0-99). This is not the best situation as *weak* shares can tend to under-perform, but the *weakest* could bounce back strongly.

## Summary and Recommendation

Software companies can be attractive businesses owing to economies of scale. Operating costs are relatively fixed, so if a company can sell to new customers then that additional revenue flows through to bottom line profits. Shares of cashflow positive, profitable and dividend paying companies, trading at a good valuation, will likely be the best investments in this sector.

Reckon Ltd's revenue and profit growth has been slow reflecting the change from upfront software sales to lower, but recurring, subscription revenues plus expenditure on product and market development. Reckon Ltd shares trade on a low valuation that would be reasonable for a no-growth business. New product development and geographic expansion - both driving economies of scale in the business - should produce better revenue and profit growth in the future.

The shares offer an attractive current income, but also with good potential for significant capital growth and income growth over the medium to long term. These shares should appeal to a wide range of investors. "Buy".



# Sell Vocus Communications

## SELL Vocus Communications (code VOC).

As we have indicated over recent months, we now see Vocus Communications as a fully valued share in a mature large company. Since the merger between our original investment in M2 Group and Vocus Communications, the shares in the combined company have appreciated strongly as they were added to the S&P/ASX 100 index and have been bought by "index" funds and other institutional investors.

We reviewed the potential for future long term investment gains in October 2015 (*Market Analysis* Issue No 520) when our investment had increased 32-fold in value, driven by an 11-fold increase in earnings per share (i.e. 30% per annum over nine years) and a 2½-fold increase in the Price/Earnings ratio since we first bought into M2 Telecommunications in October 2006.

Over the last 10 months the shares have appreciated a further 50% in value, producing a 47-fold gain on our investment and 3¾-fold increase in the P/E ratio!

Brokers estimate earnings per share of 30.0 cents for the year ended June 2016, which is a P/E ratio of 29. The strong appreciation in the share price has shrunk the estimated Dividend Yield to around 2%.

Institutions - who invest *other people's money* - may be happy buying into a mature business at 30 times

earnings and little income yield. That is "safe" investing, but these mature "Blue Chip" investments offer *index matching* returns (or less) over the medium to long term. We invest our *own money* - so we try to keep a *decade* ahead of the institutions and seek to buy a diversified portfolio of smaller growth companies at low P/E valuations (and often attractive current income yields). Not every investment is successful, but this is the way to find those 10-bagger, 20-bagger and 50-bagger investments!

Not only has M2 Group/Vocus Communications become very much larger over the years but, as we discussed last month, the nature of the business has changed. M2 Telecommunications was very successful as it operated what we called a "virtual network". That is, it did not own a physical telecommunications network but bought services from other companies and re-sold to end users. This avoided the risk of changes in "price/performance" in telecommunications services (e.g. internet customers are paying around the *same* monthly rate, but now receive significantly *more* data than five or ten years ago) which has eroded the returns to the owners of physical telecommunications networks and resulted in diminishing returns on their capital investments in infrastructure. This is why Telstra and

Spark (Telecom NZ) shares trade close to their value of ten years ago while Vocus (M2 Group) is up 40-fold in value and produced rapidly growing profits and dividends over the last decade.

Of course, Telstra and Spark are now more like Vocus Communications in that all telecommunications companies now re-sell services provided by **National Broadband Network** or **Ultra Fast Broadband** as well as own some telecommunications infrastructure. The merger between M2 Group and Vocus Communications merged our “virtual network” with Vocus Communications telecommunications infrastructure and, as announced last month, the group is now investing further capital in fibre networks.

We do not disagree that this is probably a necessary step for a now large, mature telecommunications company that is evolving to become “another Telstra/Spark” but we have just never seen any compelling reasons to want to *invest* in Telstra or Spark! Certainly the under-valued company that grew 50-fold in a decade no longer exists. Vocus Communications is a fine business, but just too big and too highly priced to possibly produce outstanding returns over the next decade. From its current high valuation it may even under-perform the market index!

Over the last six months we have realised partial profits on this investment to finance a new investment and additional investments in many existing shareholdings. Last month we recommended not taking up the rights to the one for 8.9 cash issue at 755 cents. Rights not taken up were sold in a “retail bookbuild” to realise 95 cents per right (i.e. 850 cents per share, less the application money of 755 cents) which the company will distribute to shareholders. Now we recommend selling our remaining Vocus Communications shares to provide cash for re-investment in smaller companies with better future growth potential and trading on significantly lower valuations (and with higher current income yields).

We originally purchased M2 Telecommunications shares at 32½ cents. Adjusted for the merger with Vocus Communications (where we received 1.625 VOC shares for every MTU share) our cost per VOC share becomes 20 cents and adjusted for the small value in last month's cash issue (i.e. the value received from the rights) our initial cost becomes 19.77 cents. Dividends received (adjusted for the merger and cash issue) equal 76.92 cents. So our investment in M2 Telecommunications has been repaid almost 4-fold in cash dividends (which we re-invested to finance other portfolio investments). At 860 cents the shares are also up over 43-fold in value. Overall that is a 47-fold gain in just under ten years!

**Summary and Recommendation**

M2 Telecommunications (now Vocus Communications) has evolved from an under-valued telecommunications company with a “virtual network” to just another large telecommunications company whose shares are now looking expensive.

Earnings per share have grown an amazing 13-fold over the last decade, but the share price is up 43-fold and our total return is a 47-fold gain.

Now it is time to realise the last of our gains on this successful investment and re-invest in more smaller, undervalued, *future* growth company shares. “Sell”.

**Vocus Communications**



# Sell Probiotec

**SELL Probiotec (code PBP).**

We are also taking this opportunity to sell our shares in Probiotec. When we bought into this company it was seeking to expand sales of its weight loss products internationally but that business proved unsuccessful and the share price collapsed in 2010-2011. With new problems the shares fell to new lows around 15 cents in early 2015.

Since then the share price has recovered 3½-fold, but is still down 45% on our initial cost.

The company expects to report a profit of \$3.75-4.0 million for the year ended June 2016, but \$1.74 million of that is an abnormal gain (i.e. a gain on the written down value of assets sold) so the *trading* profit will be around \$2.0-2.26 million (3.8-4.3 cents per share). At 54 cents, that would put the shares on a Price/Earnings ratio of 12½-14¼.

The company also hopes to reinstate dividends, but still has relatively high interest bearing debts of \$9.9 million, which will likely restrict any dividend to 1.0-1.5 cents, offering a Yield of 1.9-2.8%.

**Summary and Recommendation**

Probiotec has not been a successful investment for us although the company expects to return to profitability (and likely pay a dividend) for the year just ended.

The share price, however, has *already* recovered strongly over the last year and at current levels we believe that more than fully values this company which still has relatively high debt levels. Therefore we recommend selling Probiotec shares.

**Probiotec Ltd**





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

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

| Company   | STRENGTH RATING |           |           |           | Insider Buy-Sell<br>Followers | Price to NTA | Return on Equity | Volatility | Price/Earn. Ratio | Dividend Yield | Price/Sales Ratio | Market Cap'n | Company  | STRENGTH RATING   |           |           |      | Insider Buy-Sell<br>Followers | Price to NTA | Return on Equity | Volatility | Price/Earn. Ratio | Dividend Yield | Price/Sales Ratio | Market Cap'n |       |        |
|---|-----------------|-----------|-----------|-----------|-------------------------------|--------------|------------------|------------|-------------------|----------------|-------------------|--------------|--|---|-----------|-----------|------|-------------------------------|--------------|------------------|------------|-------------------|----------------|-------------------|--------------|-------|--------|
|   | Share Price     | Cur- rent | 4-Wk Chg. | Rank 0-99 |                               |              |                  |            |                   |                |                   |              |  | Cur- rent   | 4-Wk Chg. | Rank 0-99 |      |                               |              |                  |            |                   |                |                   |              |       |        |
| <b>UNDER-VALUED SHARES: Lowest Price/Sales, Yld &gt; 0, Rel Strength &gt; 0</b> |                 |           |           |           |                               |              |                  |            |                   |                |                   |              | <b>INSIDER BUYING: Most Insider Buying, Relative Strength &gt; 0</b> |   |           |           |      |                               |              |                  |            |                   |                |                   |              |       |        |
| Smiths City   | 63              | +4.5      | +3.7      | 37        | 2-0                           | -            | 0.7              | 3          | 1.5               | 26             | 4.0               | 0.15         | 33   | Fletcher Build.   | 960       | +9.9      | +1.1 | 16                            | 12-1         | 12               | 1.8        | 7                 | 0.6            | 24                | 5.4          | 0.76  | 6,589  |
| Col Motor Co  | 630             | +4.0      | -0.1      | 43        | 2-0                           | -            | 1.4              | 12         | 0.6               | 12             | 7.3               | 0.26         | 206  | Moa Group Ltd   | 79        | +16.4     | +3.7 | 4                             | 9-0          | -                | 4.3        | -                 | 1.2            | NE                | Nil          | 6.22  | 38     |
| PGG Wrightsons  | 52              | +1.6      | +3.5      | 53        | 0-0                           | 2            | 1.5              | 12         | 1.8               | 12             | 10.7              | 0.33         | 393  | NZME Limited  | 93        | +0.4      | +0.4 | 62                            | 4-0          | -                | 0.4        | -                 | 0.9            | NE                | Nil          | 0.30  | 182    |
| AWF Madison Grp   | 232             | +1.3      | -1.2      | 54        | 1-0                           | -            | 2.1              | 14         | 0.9               | 14             | 9.1               | 0.35         | 75   | NPT Limited   | 66        | +1.1      | -1.5 | 56                            | 4-0          | 2                | 0.9        | 6                 | 0.7            | 16                | 5.3          | 6.25  | 106    |
| Warehouse Group   | 286             | +1.2      | +0.1      | 54        | 0-2                           | 6            | 1.8              | 10         | 1.0               | 19             | 7.8               | 0.36         | 992  | Argosy Property   | 116       | +0.2      | -1.1 | 62                            | 4-0          | 5                | 1.2        | 10                | 0.6            | 12                | 5.8          | 9.03  | 939    |
| Veritas Invest.   | 43              | +0.7      | +3.1      | 58        | 0-0                           | -            | 1.4              | 29         | 1.7               | 5              | 12.2              | 0.41         | 19   | Chorus Ltd  | 436       | +8.9      | +0.3 | 18                            | 3-0          | 7                | 2.1        | 11                | 0.9            | 19                | Nil          | 1.70  | 1,715  |
| Ebos Group Ltd  | 1670            | +6.3      | -1.0      | 27        | 2-1                           | 6            | 2.4              | 10         | 0.8               | 24             | 3.1               | 0.41         | 2,516  | Seeka Kiwifruit   | 420       | +12.9     | -2.0 | 9                             | 3-0          | -                | 1.0        | 6                 | 0.3            | 16                | 6.3          | 0.48  | 69     |
| T&G Global  | 290             | +7.5      | +4.6      | 22        | 0-0                           | -            | 1.1              | 6          | 1.0               | 19             | 2.9               | 0.43         | 347  | Green Cross H.  | 271       | +2.5      | -2.4 | 48                            | 3-0          | -                | 4.1        | 19                | 0.7            | 22                | 3.6          | 0.83  | 370    |
| Seeka Kiwifruit   | 420             | +12.9     | -2.0      | 9         | 3-0                           | -            | 1.0              | 6          | 0.5               | 16             | 6.3               | 0.48         | 69   | Heartland Bank  | 131       | +0.8      | -0.3 | 58                            | 4-1          | -                | 1.3        | 10                | 0.7            | 13                | 8.0          | 4.58  | 616    |
| Nuplex Indust   | 533             | +7.2      | -2.2      | 23        | 2-0                           | 5            | 1.8              | 11         | 1.0               | 17             | 5.1               | 0.74         | 1,020  | Barramundi Ltd  | 64        | +0.4      | +0.1 | 61                            | 2-0          | -                | 0.9        | 9                 | 0.8            | 10                | 8.7          | N/A   | 81     |
| Mainfreight Grp   | 1705            | +4.3      | -0.5      | 40        | 2-9                           | 5            | 2.9              | 15         | 0.5               | 19             | 3.0               | 0.74         | 1,698  | <b>OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength &lt; 0</b>               |           |           |      |                               |              |                  |            |                   |                |                   |              |       |        |
| Fletcher Build.   | 960             | +9.9      | +1.1      | 16        | 12-1                          | 12           | 1.8              | 7          | 0.7               | 24             | 5.4               | 0.76         | 6,589  | GeoOP Ltd   | 27        | -13.3     | +2.3 | 92                            | 0-0          | -                | 3.5        | -                 | 1.7            | NE                | Nil          | 6.70  | 9      |
| Green Cross H.  | 271             | +2.5      | -2.4      | 48        | 3-0                           | -            | 4.1              | 19         | 0.9               | 22             | 3.6               | 0.83         | 370  | Burger Fuel   | 150       | -17.3     | -1.6 | 94                            | 0-0          | -                | 6.5        | 4                 | 1.2            | 168               | Nil          | 4.86  | 89     |
| Michael Hill  | 114             | +7.5      | -0.4      | 21        | 0-0                           | 3            | 2.3              | 15         | 1.3               | 16             | 4.4               | 0.87         | 437  | EROAD Ltd   | 210       | -7.2      | -4.3 | 84                            | 3-7          | 1                | 2.5        | -                 | 0.7            | NE                | Nil          | 4.84  | 127    |
| Abano Health.   | 824             | +2.9      | -0.1      | 46        | 1-2                           | 2            | 1.9              | 5          | 0.5               | 38             | 4.0               | 0.92         | 172  | IkeGPS Limited  | 69        | -0.1      | -0.2 | 68                            | 0-1          | 1                | 2.6        | -                 | 1.2            | NE                | Nil          | 4.05  | 35     |
| Methven Limited   | 127             | +5.1      | -3.1      | 33        | 0-0                           | -            | 1.9              | 11         | 1.1               | 16             | 8.7               | 0.96         | 92   | Wynyard Group   | 55        | -28.0     | -0.0 | 97                            | 0-0          | 1                | 1.5        | -                 | 1.4            | NE                | Nil          | 3.75  | 99     |
| Horizon Energy  | 435             | +0.5      | -0.2      | 59        | 0-0                           | -            | 1.6              | 6          | 0.5               | 27             | 4.5               | 0.97         | 109  | NZ Exchange Ltd   | 102       | -1.0      | +0.0 | 72                            | 3-0          | 3                | 3.5        | 31                | 0.8            | 11                | 8.2          | 3.68  | 269    |
| <b>BEST PERFORMING SHARES: Strongest Shares, P/E &lt; 20, P/S &lt; 1.0</b>      |                 |           |           |           |                               |              |                  |            |                   |                |                   |              | Sky Network TV   | 491   | -0.8      | -0.5      | 70   | 4-0                           | 8            | 1.4              | 13         | 0.5               | 11             | 8.5               | 2.06         | 1,911 |        |
| Seeka Kiwifruit   | 420             | +12.9     | -2.0      | 9         | 3-0                           | -            | 1.0              | 6          | 0.4               | 16             | 6.3               | 0.48         | 69   | <b>WORST PERFORMING SHARES: Weakest Shares, P/S Ratio &gt; 0.25, Yield &lt; Twice Average</b> |           |           |      |                               |              |                  |            |                   |                |                   |              |       |        |
| Michael Hill  | 114             | +7.5      | -0.4      | 21        | 0-0                           | 3            | 2.3              | 15         | 1.1               | 16             | 4.4               | 0.87         | 437  | Vital Health PT   | 225       | -58.3     | +0.0 | 98                            | 0-0          | 4                | 1.8        | 22                | 0.5            | 8                 | 3.6          | N/A   | 770    |
| T&G Global  | 290             | +7.5      | +4.6      | 22        | 0-0                           | -            | 1.1              | 6          | 0.9               | 19             | 2.9               | 0.43         | 347  | Wynyard Group   | 55        | -28.0     | -0.0 | 97                            | 0-0          | 1                | 1.5        | -                 | 1.3            | NE                | Nil          | 3.75  | 99     |
| Nuplex Indust   | 533             | +7.2      | -2.2      | 23        | 2-0                           | 5            | 1.8              | 11         | 0.9               | 17             | 5.1               | 0.74         | 1,020  | Burger Fuel   | 150       | -17.3     | -1.6 | 94                            | 0-0          | -                | 6.5        | 4                 | 1.2            | 168               | Nil          | 4.86  | 89     |
| Methven Limited   | 127             | +5.1      | -3.1      | 33        | 0-0                           | -            | 1.9              | 11         | 0.9               | 16             | 8.7               | 0.96         | 92   | Mercer Group  | 4         | -17.1     | +8.7 | 94                            | 0-0          | -                | 0.8        | -                 | 2.4            | NE                | Nil          | 0.29  | 12     |
| Mainfreight Grp   | 1705            | +4.3      | -0.5      | 40        | 2-9                           | 5            | 2.9              | 15         | 0.5               | 19             | 3.0               | 0.74         | 1,698  | Snakk Media Ltd   | 59        | -15.1     | +1.0 | 93                            | 0-0          | -                | 59.2       | -                 | 1.4            | NE                | Nil          | 0.79  | 8      |
| Col Motor Co  | 630             | +4.0      | -0.1      | 43        | 2-0                           | -            | 1.4              | 12         | 0.5               | 12             | 7.3               | 0.26         | 206  | NZ Refining Co  | 257       | -13.9     | -1.1 | 92                            | 0-0          | 3                | 1.0        | 19                | 0.5            | 5                 | 2.7          | 1.80  | 803    |
| PGG Wrightsons  | 52              | +1.6      | +3.5      | 53        | 0-0                           | 2            | 1.5              | 12         | 1.4               | 12             | 10.7              | 0.33         | 393  | GeoOP Ltd   | 27        | -13.3     | +2.3 | 92                            | 0-0          | -                | 3.5        | -                 | 1.6            | NE                | Nil          | 6.70  | 9      |
| AWF Madison Grp   | 232             | +1.3      | -1.2      | 54        | 1-0                           | -            | 2.1              | 14         | 0.7               | 14             | 9.1               | 0.35         | 75   | Intueri Educ.   | 26        | -8.1      | -5.2 | 88                            | 1-0          | -                | -          | -                 | 1.2            | NE                | Nil          | 0.28  | 26     |
| Warehouse Group   | 286             | +1.2      | +0.1      | 54        | 0-2                           | 6            | 1.8              | 10         | 0.8               | 19             | 7.8               | 0.36         | 992  | Pyne Gould Corp   | 22        | -8.1      | -0.9 | 86                            | 0-0          | -                | 0.4        | -                 | 1.5            | NE                | Nil          | N/A   | 46     |
| Veritas Invest.   | 43              | +0.7      | +3.1      | 58        | 0-0                           | -            | 1.4              | 29         | 1.3               | 5              | 12.2              | 0.41         | 19   | Rakon Ltd   | 22        | -8.0      | -2.4 | 85                            | 0-0          | -                | 0.5        | -                 | 1.3            | NE                | Nil          | 0.36  | 41     |
| <b>INCOME SHARES: Highest Yields, Capitalisation &gt; NZ\$100 million</b>       |                 |           |           |           |                               |              |                  |            |                   |                |                   |              | Serko Limited  | 67  | -7.7      | -2.0      | 84   | 0-0                           | -            | 1.8              | -          | 1.1               | NE             | Nil               | 1.33         | 17    |        |
| Hallenstein G.  | 268             | -8.2      | -0.0      | 88        | 0-1                           | 4            | 2.5              | 27         | 0.7               | 9              | 16.1              | 0.72         | 159  | EROAD Ltd   | 210       | -7.2      | -4.3 | 84                            | 3-7          | 1                | 2.5        | -                 | 0.6            | NE                | Nil          | 4.84  | 127    |
| Opus Int'l Cons   | 116             | -3.5      | -3.1      | 78        | 1-0                           | 3            | 1.2              | 11         | 0.7               | 10             | 13.2              | 0.34         | 174  | SLI Systems Ltd   | 82        | -5.8      | -6.5 | 83                            | 0-1          | 3                | 9.3        | -                 | 1.0            | NE                | Nil          | 1.78  | 50     |
| Tower Limited   | 137             | -13.3     | -3.4      | 91        | 1-0                           | 2            | 0.8              | -          | 0.9               | NE             | 11.7              | 0.76         | 233  | Finzsoft Sol'ns   | 230       | -5.7      | +4.4 | 82                            | 0-0          | -                | 4.7        | 63                | 1.3            | 7                 | Nil          | 1.01  | 20     |
| Hellaby Hold.   | 265             | -4.4      | -0.1      | 82        | 6-3                           | 4            | 1.3              | 14         | 0.9               | 9              | 11.3              | 0.35         | 254  | Evolve Educat.  | 96        | -4.0      | -2.2 | 81                            | 0-0          | -                | 1.1        | 10                | 0.7            | 11                | 3.4          | 1.24  | 170    |
| PGG Wrightsons  | 52              | +1.6      | +3.5      | 53        | 0-0                           | 2            | 1.5              | 12         | 1.3               | 12             | 10.7              | 0.33         | 393  | AMP Limited   | 630       | -3.6      | -0.1 | 80                            | 1-0          | -                | 2.1        | 20                | 0.8            | 10                | 4.7          | 1.25  | 18,634 |
| Genesis Energy  | 224             | +4.3      | +0.4      | 41        | 2-2                           | 7            | 1.2              | 6          | 0.8               | 21             | 9.9               | 1.07         | 2,239  | Fliway Group  | 94        | -3.4      | -3.2 | 78                            | 4-0          | -                | 32.0       | -                 | 0.7            | NE                | Nil          | N/A   | 43     |
| Air New Zealand   | 228             | -12.6     | -0.8      | 90        | 3-11                          | 6            | 1.3              | 17         | 0.9               | 8              | 9.7               | 0.52         | 2,558  | Allied Farmers  | 5         | -3.4      | +1.4 | 77                            | 3-0          | -                | -          | -                 | 2.5            | 52                | Nil          | 0.45  | 7      |
| Skellerup Hold.   | 136             | -3.7      | -0.2      | 80        | 17-0                          | 4            | 1.6              | 14         | 0.9               | 12             | 9.2               | 1.29         | 262  | Sanford Limited   | 562       | -1.4      | -1.4 | 72                            | 2-0          | 2                | 1.0        | 3                 | 0.4            | 38                | 5.7          | 1.18  | 526    |
| Sky Network TV  | 491             | -0.8      | -0.5      | 70        | 4-0                           | 8            | 1.4              | 13         | 0.5               | 11             | 8.5               | 2.06         | 1,911  | <b>INSIDER SELLING: Most Insider Selling, Relative Strength &lt; 0</b>                        |           |           |      |                               |              |                  |            |                   |                |                   |              |       |        |
| NZ Exchange Ltd   | 102             | -1.0      | +0.0      | 72        | 3-0                           | 3            | 3.5              | 31         | 0.9               | 11             | 8.2               | 3.68         | 269  | Air New Zealand   | 228       | -12.6     | -0.8 | 90                            | 3-11         | 6                | 1.3        | 17                | 0.8            | 8                 | 9.7          | 0.52  | 2,558  |
|   |                 |           |           |           |                               |              |                  |            |                   |                |                   |              | EROAD Ltd  | 210   | -7.2      | -4.3      | 84   | 3-7                           | 1            | 2.5              | -          | 0.6               | NE             | Nil               | 4.84         | 127   |        |
|   |                 |           |           |           |                               |              |                  |            |                   |                |                   |              | TeamTalk Ltd   | 48  | -17.8     | -5.2      | 95   | 0-2                           | 1            | 0.6              | 6          | 0.8               | 10             | 23.1              | 0.24         | 14    |        |
|   |                 |           |           |           |                               |              |                  |            |                   |                |                   |              | Fonterra S/H Fd  | 592   | -1.0      | -0.5      | 71   | 2-4                           | 5            | 1.5              | 7          | 0.5               | 20             | 4.2               | 0.50         | 9,467 |        |
|   |                 |           |           |           |                               |              |                  |            |                   |                |                   |              | Hallenstein G.   | 268   | -8.2      | -0.0      | 88   | 0-1                           | 4            | 2.5              | 27         | 0.6               | 9              | 16.1              | 0.72         | 159   |        |
|   |                 |           |           |           |                               |              |                  |            |                   |                |                   |              | IkeGPS Limited   | 69  | -0.1      | -0.2      | 68   | 0-1                           | 1            | 2.6              | -          | 1.2               | NE             | Nil               | 4.05         | 35    |        |
|   |                 |           |           |           |                               |              |                  |            |                   |                |                   |              | SLI Systems Ltd  | 82  | -5.8      | -6.5      | 83   | 0-1                           | 3            | 9.3              | -          | 1.0               | NE             | Nil               | 1.78         | 50    |        |
|   |                 |           |           |           |                               |              |                  |            |                   |                |                   |              | Kathmandu Ltd  | 185   | -0.1      | +2.5      | 68   | 3-4                           | 5            | 1.2              | 7          | 1.0               | 18             | 6.0               | 0.91         | 373   |        |



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

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

| STRENGTH RATING   |             |          |           |           |                  |                   |                |              |      |            |           |           |           | STRENGTH RATING   |                 |             |          |           |           |                  |                   |                |              |     |            |           |           |           |              |
|---|-------------|----------|-----------|-----------|------------------|-------------------|----------------|--------------|------|------------|-----------|-----------|-----------|---|-----------------|-------------|----------|-----------|-----------|------------------|-------------------|----------------|--------------|-----|------------|-----------|-----------|-----------|--------------|
| Company   | Share Price | Cur-rent | 4-Wk Chg. | Rank 0-99 | Insider Buy-Sell | Brokers Following | Short Interest | Price to N/A | ROE  | Volatility | P/E Ratio | Div Yield | P/S Ratio | Market Cap'n  | Company         | Share Price | Cur-rent | 4-Wk Chg. | Rank 0-99 | Insider Buy-Sell | Brokers Following | Short Interest | Price to N/A | ROE | Volatility | P/E Ratio | Div Yield | P/S Ratio | Market Cap'n |
| <b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0            |             |          |           |           |                  |                   |                |              |      |            |           |           |           |   |                 |             |          |           |           |                  |                   |                |              |     |            |           |           |           |              |
| Jupiter Energy  | 25          | -3.5     | +1.1      | 65        | 0-2              | -                 | -              | -            | 0.7  | NE         | Nil       | 9.84      | 38        | Sundance Res.   | 0               | -34.0       | +4.0     | 97        | 0-0       | -                | 0.0               | -              | -            | 6.7 | NE         | Nil       | N/A       | 19        |              |
| Royalco Res.  | 21          | -5.0     | -0.4      | 69        | 4-0              | -                 | -              | -            | 1.0  | NE         | 4.9       | 9.44      | 11        | Cokal Limited   | 3               | -33.7       | +2.8     | 97        | 0-0       | -                | -                 | -              | 2.0          | NE  | Nil        | N/A       | 13        |           |              |
| Geodynamics Ltd   | 2           | -8.2     | -1.3      | 76        | 0-0              | -                 | -              | 0.2          | 2.7  | NE         | Nil       | 9.28      | 9         | Iwebgate Ltd  | 5               | -33.5       | -1.7     | 97        | 0-0       | -                | 0.8               | -              | 1.5          | NE  | Nil        | N/A       | 31        |           |              |
| GI Dynamics   | 4           | -46.5    | +4.3      | 99        | 1-0              | 1                 | -              | 0.3          | 2.0  | NE         | Nil       | 9.14      | 16        | CuDeco Ltd  | 44              | -31.9       | -7.7     | 96        | 6-0       | -                | 0.9               | -              | 2.6          | NE  | Nil        | N/A       | 168       |           |              |
| TasFoods Ltd  | 31          | -2.4     | +6.1      | 61        | 0-0              | -                 | -              | 0.9          | 0.6  | NE         | Nil       | 9.10      | 9         | Merlin Diamonds   | 2               | -31.5       | -1.3     | 96        | 0-0       | -                | -                 | -              | 2.7          | NE  | Nil        | N/A       | 7         |           |              |
| Mitula Group  | 89          | -2.5     | +0.2      | 62        | 0-0              | -                 | -              | -            | 0.6  | 72         | Nil       | 9.03      | 186       | Goldsearch Ltd  | 4               | -30.6       | -1.1     | 96        | 0-0       | -                | -                 | -              | 2.4          | NE  | Nil        | N/A       | 34        |           |              |
| XTV Networks  | 1           | -22.9    | -9.0      | 92        | 0-0              | -                 | -              | 0.8          | 4.6  | NE         | Nil       | 9.00      | 6         | 3P Learning   | 84              | -29.2       | -1.1     | 96        | 4-1       | 3                | 3.3               | 8.4            | 31           | 0.8 | 2.7        | 2.2       | 2.54      | 116       |              |
| Westpac Banking   | 3019        | -2.4     | +0.2      | 61        | 0-1              | 16                | 1.5            | 2.5          | 11   | 0.2        | 23        | 6.2       | 8.61      | 101,021   | Strata-X Energy | 3           | -28.6    | +3.9      | 96        | 0-0              | -                 | -              | -            | 2.6 | NE         | Nil       | N/A       | 47        |              |
| Metallica Min.  | 3           | -12.0    | +3.8      | 82        | 0-0              | -                 | -              | -            | 2.0  | NE         | Nil       | 8.56      | 7         | Intueri Educ.   | 25              | -28.2       | +1.5     | 95        | 1-0       | 1                | -                 | 1.6            | -            | 0.9 | NE         | Nil       | 0.27      | 25        |              |
| Senetas Corp  | 13          | -8.2     | +5.4      | 76        | 1-1              | -                 | -              | 12.5         | 37   | 1.1        | 34        | Nil       | 8.31      | 135   | AHALife Hold.   | 19          | -28.0    | -0.4      | 95        | 2-0              | -                 | -              | -            | 1.4 | NE         | Nil       | N/A       | 53        |              |
| MOQ Ltd   | 24          | -12.4    | -0.8      | 83        | 0-0              | -                 | -              | -            | 1.3  | NE         | Nil       | 8.27      | 37        | Deep Yellow Ltd   | 0               | -27.6       | -0.6     | 95        | 0-0       | -                | -                 | -              | 5.7          | NE  | Nil        | N/A       | 8         |           |              |
| Webster Ltd   | 130         | -0.6     | +4.7      | 55        | 0-0              | 2                 | 0.1            | 4.1          | 5    | 0.3        | 78        | 0.8       | 7.75      | 452   | Pura Vida En.   | 4           | -27.5    | +5.8      | 95        | 2-0              | -                 | -              | -            | 1.9 | NE         | Nil       | N/A       | 8         |              |
| Bid Energy Ltd  | 9           | -8.2     | -1.5      | 76        | 0-0              | -                 | -              | -            | 1.2  | NE         | Nil       | 6.99      | 18        | White Energy Co   | 7               | -27.3       | -9.2     | 95        | 3-0       | -                | -                 | -              | 1.5          | NE  | Nil        | 0.82      | 23        |           |              |
| AFT Corporation   | 0           | +0.0     | +0.0      | 51        | 0-0              | -                 | -              | -            | 14.5 | NE         | Nil       | 6.96      | 9         | Audalia Res Ltd   | 5               | -26.9       | -9.3     | 95        | 0-0       | -                | -                 | -              | 1.5          | NE  | Nil        | N/A       | 12        |           |              |
| Big Un Limited  | 11          | -18.9    | -1.9      | 90        | 0-0              | -                 | -              | 2.2          | 1.1  | NE         | Nil       | 6.93      | 8         | Rision Limited  | 1               | -26.7       | -1.6     | 95        | 2-0       | -                | -                 | -              | 3.3          | NE  | Nil        | N/A       | 7         |           |              |
| Cadence Capital   | 129         | -7.2     | +0.7      | 75        | 0-0              | -                 | -              | 0.9          | 8    | 0.3        | 12        | 7.8       | 6.91      | 315   | Strata-X Energy | 4           | -26.6    | -3.8      | 95        | 1-0              | -                 | -              | -            | 1.8 | NE         | Nil       | 4.96      | 5         |              |
| ANZ Bank  | 2525        | -2.0     | +1.6      | 60        | 1-0              | 17                | 1.8            | 1.6          | 9    | 0.2        | 18        | 7.2       | 6.76      | 73,915  | Oilex Ltd       | 1           | -26.6    | -0.7      | 95        | 0-0              | -                 | -              | -            | 3.8 | NE         | Nil       | N/A       | 6         |              |
| Ozforex Group   | 244         | -2.0     | +4.5      | 60        | 6-0              | 5                 | 4.9            | 12.2         | 51   | 0.5        | 24        | 2.4       | 6.63      | 586   | Lion Energy Ltd | 7           | -26.6    | +8.6      | 95        | 0-0              | -                 | -              | -            | 1.4 | NE         | Nil       | 2.88      | 6         |              |
| BuildingIQ Inc  | 40          | -24.4    | -3.0      | 93        | 0-0              | -                 | -              | -            | 0.8  | NE         | Nil       | 6.53      | 34        | Pixie Group   | 5               | -26.6       | -0.9     | 95        | 0-0       | -                | -                 | -              | 1.6          | NE  | Nil        | 0.46      | 9         |           |              |
| KeyBridge Cap'l   | 15          | -0.5     | +1.2      | 55        | 2-1              | -                 | -              | 0.6          | 3    | 0.9        | 24        | 1.7       | 6.50      | 23  | Kazakhstan Pot. | 5           | -26.5    | -4.2      | 94        | 0-0              | -                 | -              | -            | 1.4 | NE         | Nil       | N/A       | 35        |              |
| Prophecy Int'l  | 116         | -19.0    | -1.0      | 90        | 3-1              | -                 | -              | 12.9         | 48   | 0.4        | 27        | 3.6       | 6.46      | 64  | Taruga Gold Ltd | 4           | -26.4    | +4.9      | 94        | 0-0              | -                 | -              | -            | 1.9 | NE         | Nil       | N/A       | 27        |              |
| Brain Resource  | 13          | -10.0    | +1.4      | 79        | 0-0              | -                 | -              | -            | 1.2  | NE         | Nil       | 6.42      | 19        | Digimatic Group   | 13              | -26.2       | +2.8     | 94        | 0-0       | -                | -                 | -              | 1.1          | 107 | Nil        | N/A       | 89        |           |              |
| Atlantic Ltd  | 18          | -0.0     | +0.0      | 52        | 0-0              | -                 | -              | -            | 0.8  | NE         | Nil       | 6.38      | 27        | Tomizeo Ltd   | 7               | -26.1       | +0.5     | 94        | 1-0       | -                | -                 | -              | 1.6          | NE  | Nil        | 1.35      | 5         |           |              |
| Admedus Limited   | 35          | -21.5    | +3.4      | 92        | 1-0              | 1                 | -              | 34.5         | 0.7  | NE         | Nil       | 6.23      | 68        | Jayex Health.   | 8               | -26.1       | -6.2     | 94        | 3-0       | -                | -                 | -              | 1.3          | NE  | Nil        | N/A       | 12        |           |              |
| Touchcorp Ltd   | 227         | -7.1     | +2.1      | 74        | 0-2              | 1                 | 0.1            | -            | 0.5  | 28         | Nil       | 6.13      | 269       | Rum Jungle Res.   | 2               | -25.5       | -4.6     | 94        | 4-0       | -                | -                 | -              | 2.2          | NE  | Nil        | N/A       | 21        |           |              |
| Henderson Group   | 416         | -9.1     | -2.0      | 78        | 0-0              | 8                 | 2.1            | 7.3          | 32   | 0.4        | 23        | 5.0       | 5.97      | 2,748   | Mesoblast Ltd   | 115         | -25.2    | -7.6      | 94        | 4-0              | 5                 | 5.5            | -            | 0.5 | NE         | Nil       | N/A       | 437       |              |
| Chapmans Ltd  | 0           | -13.3    | +6.3      | 84        | 11-0             | -                 | -              | -            | 6.3  | NE         | Nil       | 5.95      | 6         | Future Fibre T.   | 38              | -25.2       | -2.2     | 94        | 0-0       | -                | -                 | -              | 0.8          | 21  | Nil        | 2.33      | 46        |           |              |
| Aeeris Limited  | 11          | -11.9    | -0.2      | 82        | 0-0              | -                 | -              | -            | 1.3  | NE         | Nil       | 5.92      | 6         | Newfield Res  | 35              | -25.0       | -1.2     | 94        | 0-0       | -                | -                 | -              | 0.6          | NE  | Nil        | N/A       | 69        |           |              |
| Axiom Property  | 6           | -1.4     | +1.6      | 58        | 1-0              | -                 | -              | 1.1          | 18   | 1.5        | 6         | Nil       | 5.85      | 23  | Frontier Cap Gr | 10          | -24.9    | -0.2      | 94        | 0-2              | -                 | -              | -            | 1.0 | NE         | Nil       | N/A       | 24        |              |
| Blackwall Prop.   | 132         | -0.9     | -1.6      | 56        | 4-1              | -                 | -              | 1.0          | 10   | 0.4        | 10        | 8.7       | 5.78      | 62  | Neuren Pharm.   | 6           | -24.5    | -3.3      | 94        | 1-0              | 1                 | -              | 5.6          | -   | 1.4        | NE        | Nil       | N/A       | 99           |
| Otherlevels   | 6           | -19.3    | +0.8      | 90        | 2-0              | -                 | -              | -            | 1.6  | NE         | Nil       | 5.73      | 10        | Vmoto Ltd   | 17              | -24.5       | +0.3     | 94        | 0-0       | -                | -                 | 1.3            | 17           | 0.9 | 8          | Nil       | 0.55      | 26        |              |
| Blackmores Ltd  | 15662       | -5.5     | +0.2      | 71        | 0-3              | 7                 | 3.6            | 35.0         | 60   | 0.1        | 58        | 1.3       | 5.72      | 2,698   | BuildingIQ Inc  | 40          | -24.4    | -3.0      | 93        | 0-0              | -                 | -              | -            | 0.8 | NE         | Nil       | 6.53      | 34        |              |
| Oil Search Ltd  | 725         | -0.0     | +1.5      | 52        | 2-0              | 12                | 7.5            | 2.3          | -    | 0.2        | NE        | 2.7       | 5.36      | 11,040  | Invigor Group   | 3           | -24.4    | +2.5      | 93        | 4-0              | -                 | -              | -            | 1.9 | NE         | Nil       | 1.95      | 11        |              |
| 360 Capital Grp   | 92          | -2.2     | -0.5      | 61        | 4-0              | 2                 | -              | 1.6          | 23   | 0.4        | 7         | 6.3       | 5.27      | 225   | Rewardle Hold.  | 5           | -24.3    | -2.9      | 93        | 0-0              | -                 | -              | 2.5          | -   | 1.7        | NE        | Nil       | N/A       | 7            |
| Adv Share Reg.  | 63          | -1.1     | +0.9      | 57        | 0-0              | -                 | -              | 4.2          | 23   | 0.5        | 18        | 5.9       | 5.22      | 27  | PS & C Limited  | 40          | -24.2    | -4.9      | 93        | 0-0              | -                 | -              | -            | 0.6 | 5          | 15.0      | 0.26      | 22        |              |
| BT Invest Mgmt  | 876         | -7.0     | -1.2      | 74        | 7-1              | 11                | 1.5            | 21.4         | -    | 0.2        | 18        | 4.2       | 5.14      | 2,693   | Pulse Health    | 30          | -23.8    | -3.5      | 93        | 0-0              | -                 | -              | 2.3          | 17  | 0.7        | 14        | 2.0       | 0.87      | 68           |
| Ariadne Aust  | 35          | -1.2     | +1.1      | 57        | 0-0              | -                 | -              | 0.8          | 0.5  | NE         | 2.9       | 5.09      | 71        | Triton Minerals   | 6               | -23.7       | +3.9     | 93        | 0-1       | -                | -                 | -              | 1.3          | NE  | Nil        | N/A       | 37        |           |              |
| Isentia Group   | 318         | -5.6     | -1.0      | 71        | 0-1              | 5                 | 7.7            | -            | 0.4  | 32         | 2.2       | 5.00      | 636       | <b>INSIDER SELLING:</b> Most Insider Selling, Relative Strength < 0 |                 |             |          |           |           |                  |                   |                |              |     |            |           |           |           |              |
| Bounty Oil Gas  | 1           | -4.7     | +0.8      | 68        | 0-0              | -                 | -              | -            | 3.7  | NE         | Nil       | 4.99      | 10        | Dome Gold Mines   | 23              | -10.0       | -10.7    | 79        | 0-7       | -                | -                 | -              | 0.7          | NE  | Nil        | N/A       | 52        |           |              |
| Victor Group  | 10          | -13.3    | +3.0      | 84        | 0-0              | -                 | -              | 5.0          | 30   | 1.2        | 17        | Nil       | 4.96      | 52  | K2 Asset Mgmt   | 40          | -15.5    | -0.0      | 87        | 0-5              | 3                 | -              | 6.7          | -   | 0.9        | 5         | 26.3      | 2.05      | 93           |
| Strata-X Energy   | 4           | -26.6    | -3.8      | 95        | 1-0              | -                 | -              | -            | 2.0  | NE         | Nil       | 4.96      | 5         | Prime Media Grp   | 30              | -16.9       | +2.6     | 88        | 0-4       | 2                | 0.0               | -              | 0.6          | 3   | 22.7       | 0.42      | 110       |           |              |
| I-College Ltd   | 5           | -32.1    | -3.2      | 96        | 6-0              | -                 | -              | 1.5          | 2.1  | NE         | Nil       | 4.79      | 6         | Blackmores Ltd  | 15662           | -5.5        | +0.2     | 71        | 0-3       | 7                | 3.6               | 35.0           | 60           | 0.1 | 58         | 1.3       | 5.72      | 2,698     |              |
| Sietel Ltd  | 462         | -0.3     | +0.1      | 54        | 0-0              | -                 | -              | 0.6          | 0.2  | NE         | Nil       | 4.63      | 37        | Perpetual Ltd   | 4600            | -0.2        | +1.5     | 53        | 1-4       | 15               | 4.1               | 9.4            | 56           | 0.2 | 17         | 5.2       | 4.06      | 2,142     |              |
| Vealls Ltd  | 149         | -0.2     | +0.1      | 53        | 0-0              | -                 | -              | -            | 0.3  | 3          | 7.2       | 4.54      | 18        | MGM Wireless  | 72              | -17.5       | +1.4     | 88        | 1-4       | -                | -                 | 3.1            | 53           | 0.5 | 6          | 1.8       | 1.59      | 6         |              |
| Pharmaust Ltd   | 9           | -14.1    | -1.2      | 85        | 3-0              | -                 | -              | -            | 1.4  | NE         | Nil       | 4.43      | 8         | Smart Trans   | 3               | -12.4       | -1.8     | 83        | 0-2       | -                | -                 | -              | 1.9          | NE  | Nil        | N/A       | 64        |           |              |
| AMP Cap China   | 90          | -6.5     | +4.1      | 73        | 0-0              | -                 | -              | 0.4          | 9    | 0.4        | 4         | 37.5      | 4.40      | 422   | Touchcorp Ltd   | 227         | -7.1     | +2.1      | 74        | 0-2              | 1                 | 0.1            | -            | 0.5 | 28         | Nil       | 6.13      | 269       |              |
| Suda Ltd  | 2           | -8.5     | +2.3      | 77        | 1-0              | -                 | -              | -            | 2.5  | NE         | Nil       | 4.36      | 25        | Tox Free Sol.   | 264             | -1.4        | -3.0     | 58        | 0-2       | 10               | 1.2               | 3.7            | 23           | 0.4 | 16         | 3.2       | 0.87      | 380       |              |
| Atcor Medical   | 13          | -16.0    | -0.8      | 87        | 0-0              | -                 | -              | 6.5          | -    | 1.1        | NE        | Nil       | 4.30      | 24  | Jupiter Energy  | 25          | -3.5     | +1.1      | 65        | 0-2              | -                 | -              | -            | 0.6 | NE         | Nil       | 9.84      | 38        |              |
| Onevue Holdings   | 72          | -0.2     | -1.9      | 54        | 4-0              | -                 | 0.0            | 14.3         | -    | 0.7        | NE        | Nil       | 4.30      | 138   | Frontier Cap Gr | 10          | -24.9    | -0.2      | 94        | 0-2              | -                 | -              | -            | 0.9 | NE         | Nil       | N/A       | 24        |              |
| Perpetual Ltd   | 4600        | -0.2     | +1.5      | 53        | 1-4              | 15                | 4.1            | 9.4          | 56   | 0.2        | 17        | 5.2       | 4.06      | 2,142   | Covata Limited  | 19          | -18.2    | -3.5      | 89        | 0-2              | -                 | 0.0            | 4.8          | -   | 0.9        | NE        | Nil       | N/A       | 96           |
| <b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average |             |          |           |           |                  |                   |                |              |      |            |           |           |           | Village Road.   |                 |             |          |           |           |                  |                   |                |              |     |            |           |           |           |              |
| Firstwave Cloud   | 33          | -47.9    | -8.1      | 99        | 0-0              | -                 | -              | -            | 1.0  | NE         | Nil       | N/A       | 39        | Collection Hse  | 136             | -10.5       | +5.0     | 80        | 1-3       | 4                | 4.3               | 1.4            | 17           | 0.4 | 8          | 6.7       | 1.42      | 183       |              |
| Surfstitch Grp  | 21          | -47.3    | -6.2      | 99        | 2-1              | 3                 | 0.4            | 1.0          | -    | 0.9        | NE        | Nil       | 0.51      | 57  | Thunselarra Ltd | 6           | -9.2     | +2.4      | 78        | 0-1              | -                 | -              | -            | 1.2 | NE         | Nil       | N/A       | 19        |              |
| GI Dynamics   | 4           | -46.5    | +4.3      | 99        | 1-0              | 1                 | -              | 0.3          | 1.8  | NE         | Nil       | 9.14      | 16        | Migma Limited   | 47              | -21.9       | -2.5     | 92        | 0-1       | 1                | -                 | 2.9            | -            | 0.4 | NE         | Nil       | N/A       | 128       |              |
| Moko Social Med   | 0           | -45.3    | -0.7      | 99        | 0-0              | -                 | -              | 0.2          | 5.8  | NE         | Nil       | 0.47      | 6         | F.F.I. Holdings   | 355             | -1.6        | +0.0     | 59        | 0-1       | -                | -                 | 1.2            | 7            | 0.2 | 16         | 5.4       | 1.12      | 34        |              |
| 1-Page Ltd  | 39          | -45.1    | -1.3      | 99        | 0-0              | -                 | 1.3            | 12.8         | -    | 0.5        | NE        | Nil       | N/A       | 43  | Gulf Industrial | 1           | -2.7     | +2.3      |           |                  |                   |                |              |     |            |           |           |           |              |

# Australian Warrant / Option Analysis

| Company               | Share Price | Exercise Price | Yr/Mth to Expiry | Option Price | Black-Scholes Valuation | Option Over/Under-Valued | Share Volatility | Option Leverage | Options to Buy 1 Share | Break-Even Rate | Company               | Share Price | Exercise Price | Yr/Mth to Expiry | Option Price | Black-Scholes Valuation | Option Over/Under-Valued | Share Volatility | Option Leverage | Options to Buy 1 Share | Break-Even Rate |
|-----------------------|-------------|----------------|------------------|--------------|-------------------------|--------------------------|------------------|-----------------|------------------------|-----------------|-----------------------|-------------|----------------|------------------|--------------|-------------------------|--------------------------|------------------|-----------------|------------------------|-----------------|
| 88 Energy             | 3.4         | 2.0            | 1-6              | 2.3          | 2.5                     | 0.2                      | 1.47             | 1.22            | 1.0                    | +17             | Leigh Greek Energy    | 19          | 50             | 1-9              | 1.0          | 5.2                     | -31                      | 1.04             | 1.77            | 1.0                    | +78             |
| 8IP Emerging Coys     | 99          | 100            | 0-4              | 1.5          | 2.9                     | -49                      | 0.16             | 9.99            | 1.0                    | +11             | Lindian Res.          | 0.1         | 2.0            | 1-11             | 0.1          | 0.1                     | +36                      | 2.55             | 1.12            | 1.0                    | +390            |
| A1 Cons Gold          | 2.9         | 3.0            | 3-3              | 1.1          | 1.8                     | -39                      | 0.97             | 1.30            | 1.0                    | +11             | Linius Technologies   | 7.0         | 4.0            | 0-4              | 2.5          | 3.3                     | -24                      | 0.99             | 1.92            | 1.0                    | -20             |
| Absolute Equity Perf. | 118         | 110            | 1-3              | 8.6          | 14.3                    | -40                      | 0.16             | 6.08            | 1.0                    | +0              | Lionhub Group         | 14          | 22             | 4-3              | 2.0          | 3.0                     | -33                      | 0.43             | 2.26            | 1.0                    | +14             |
| Adelaide Resources    | 2.0         | 5.0            | 0-1              | 0.2          | 0.0                     | +999                     | 1.02             | 9.99            | 1.0                    | +999            | Lucapa Diamond        | 39          | 20             | 1-1              | 27.0         | 23.5                    | +15                      | 1.00             | 1.46            | 1.0                    | +19             |
| Alara Resources       | 2.3         | 2.0            | 0-8              | 0.8          | 0.9                     | -8                       | 1.02             | 1.93            | 1.0                    | +34             | MRG Metals            | 2.5         | 25             | 0-1              | 0.1          | 0.0                     | +999                     | 0.95             | 9.99            | 1.0                    | +999            |
| American Patriot      | 10          | 25             | 0-2              | 0.1          | 0.0                     | +999                     | 0.67             | 9.99            | 1.0                    | +999            | MRG Metals            | 2.5         | 15             | 4-0              | 0.3          | 0.9                     | -65                      | 0.95             | 1.52            | 1.0                    | +57             |
| American Patriot      | 10          | 25             | 2-2              | 1.3          | 1.4                     | -10                      | 0.67             | 2.39            | 1.0                    | +57             | Magellan Flagship     | 184         | 105            | 1-2              | 83.0         | 81.1                    | +2                       | 0.18             | 2.26            | 1.0                    | +2              |
| Analytica Ltd         | 0.9         | 1.4            | 1-6              | 0.4          | 0.5                     | -23                      | 1.53             | 1.33            | 1.0                    | +59             | Magnis Resources      | 81          | 10             | 0-9              | 71.0         | 71.2                    | -0                       | 0.63             | 1.14            | 1.0                    | +0              |
| Antilles Oil & Gas    | 1.8         | 1.0            | 0-5              | 0.1          | 0.0                     | +999                     | 0.85             | 7.25            | 1.0                    | +999            | Marlote Mining        | 1.7         | 1.5            | 1-3              | 0.8          | 0.8                     | -3                       | 1.05             | 1.57            | 1.0                    | +27             |
| Antisense Therap.     | 4.0         | 27             | 0-5              | 1.0          | 0.0                     | +999                     | 0.91             | 6.96            | 1.0                    | +999            | Marindi Metals        | 1.2         | 2.0            | 0-4              | 0.3          | 0.1                     | +244                     | 0.98             | 3.74            | 1.0                    | +604            |
| Argo Global           | 190         | 200            | 0-7              | 0.6          | 5.4                     | -89                      | 0.15             | 9.99            | 1.0                    | +10             | Matallica Minerals    | 3.2         | 4.5            | 0-10             | 0.8          | 0.6                     | +31                      | 0.83             | 2.52            | 1.0                    | +83             |
| Argonaut Resources    | 1.3         | 6.0            | 0-7              | 0.3          | 0.1                     | +200                     | 1.42             | 2.55            | 1.0                    | +999            | Metals of Africa      | 6.0         | 15             | 0-4              | 1.5          | 0.1                     | +999                     | 0.82             | 5.81            | 1.0                    | +999            |
| Artemis Resources     | 0.1         | 2.0            | 0-0              | 0.1          | 0.1                     | -0                       | 1.40             | 2.55            | 1.0                    | +999            | Minera Gold           | 0.1         | 1.2            | 0-3              | 0.1          | 0.0                     | +999                     | 0.00             | 9.99            | 1.0                    | +999            |
| Aspire Mining         | 1.9         | 3.0            | 0-10             | 0.4          | 0.8                     | -50                      | 1.61             | 1.57            | 1.0                    | +109            | Minotaur Exploration  | 6.5         | 9.5            | 1-3              | 1.8          | 1.2                     | +50                      | 0.68             | 2.54            | 1.0                    | +56             |
| Atlas Iron            | 1.1         | 7.5            | 0-10             | 0.1          | 0.0                     | +946                     | 0.93             | 3.94            | 1.0                    | +917            | Minquest Ltd          | 1.4         | 4.5            | 0-8              | 0.4          | 0.3                     | +49                      | 1.50             | 2.01            | 1.0                    | +499            |
| Aura Energy           | 2.2         | 5.0            | 0-10             | 0.6          | 0.2                     | +285                     | 0.82             | 3.24            | 1.0                    | +225            | Mod Resources         | 3.4         | 1.0            | 1-8              | 1.5          | 3.0                     | -50                      | 1.79             | 1.09            | 1.0                    | -17             |
| Ausquest Ltd          | 1.4         | 4.0            | 0-3              | 0.3          | 0.0                     | +999                     | 0.88             | 7.40            | 1.0                    | +999            | Monash Abs. Inv.      | 94          | 100            | 1-1              | 2.0          | 1.7                     | +14                      | 0.08             | 9.99            | 1.0                    | +8              |
| Ausquest Ltd          | 1.4         | 3.5            | 1-8              | 0.6          | 0.3                     | +114                     | 0.88             | 2.08            | 1.0                    | +91             | Money3 Corp.          | 135         | 130            | 1-9              | 15.0         | 25.5                    | -41                      | 0.30             | 3.44            | 1.0                    | +4              |
| Aust Rural Capital    | 66          | 50             | 4-0              | 18.0         | 39.7                    | -55                      | 0.70             | 1.38            | 1.0                    | +1              | Mt Magnet South       | 0.4         | 0.6            | 2-4              | 6.5          | 0.2                     | +999                     | 1.19             | 1.34            | 1.0                    | +243            |
| Aust Vanadium         | 1.7         | 2.0            | 2-4              | 1.1          | 0.8                     | +38                      | 0.88             | 1.54            | 1.0                    | +29             | Mustang Resources     | 4.1         | 25             | 0-10             | 1.1          | 0.0                     | +999                     | 0.87             | 4.21            | 1.0                    | +822            |
| Austin Exploration    | 0.6         | 0.6            | 2-10             | 0.3          | 0.4                     | -31                      | 1.29             | 1.19            | 1.0                    | +15             | NSL Consolidated      | 2.1         | 1.0            | 0-4              | 1.2          | 1.1                     | +5                       | 0.96             | 1.75            | 1.0                    | +15             |
| Austin Exploration    | 0.6         | 3.0            | 1-1              | 0.6          | 0.1                     | +612                     | 1.29             | 2.09            | 1.0                    | +451            | Namibian Copper       | 0.3         | 1.5            | 2-8              | 0.1          | 0.1                     | -29                      | 1.32             | 1.36            | 1.0                    | +87             |
| Austin Exploration    | 9.4         | 10             | 2-10             | 4.9          | 5.2                     | -7                       | 0.91             | 1.40            | 1.0                    | +18             | Naos Absolute Opps    | 107         | 100            | 0-3              | 5.0          | 8.0                     | -38                      | 0.14             | 9.99            | 1.0                    | -7              |
| Big Un Ltd            | 11          | 25             | 1-4              | 1.9          | 1.1                     | +79                      | 0.69             | 2.88            | 1.0                    | +96             | New Talisman Gold     | 0.5         | 2.0            | 1-3              | 0.4          | 0.2                     | +140                     | 1.53             | 1.58            | 1.0                    | +251            |
| Biotron               | 6.0         | 12             | 0-1              | 0.6          | 0.0                     | +999                     | 0.82             | 9.99            | 1.0                    | +999            | Novogen Ltd           | 9.4         | 40             | 3-9              | 3.0          | 5.5                     | +561                     | 0.47             | 3.03            | 1.0                    | +50             |
| Birimian Gold         | 28          | 1.5            | 1-10             | 6.5          | 26.2                    | -75                      | 1.28             | 1.04            | 1.0                    | -50             | Oklo Resources        | 21          | 13             | 0-10             | 12.0         | 9.9                     | +22                      | 0.81             | 1.78            | 1.0                    | +24             |
| Bisan                 | 0.3         | 1.5            | 1-10             | 0.1          | 0.0                     | +310                     | 0.83             | 2.48            | 1.0                    | +149            | Omni Market Tide      | 1.5         | 10             | 2-4              | 0.2          | 0.1                     | +36                      | 0.85             | 2.24            | 1.0                    | +127            |
| Black Rock Mining     | 18          | 5.0            | 0-7              | 13.0         | 12.9                    | +1                       | 1.23             | 1.31            | 1.0                    | +5              | Opthea                | 64          | 27             | 2-3              | 35.0         | 40.7                    | -14                      | 0.58             | 1.46            | 1.0                    | -1              |
| Black Rock Mining     | 18          | 7.5            | 2-3              | 15.0         | 13.8                    | +9                       | 1.23             | 1.17            | 1.0                    | +12             | Orinoco Gold          | 29          | 25             | 1-5              | 12.0         | 10.0                    | +20                      | 0.63             | 2.06            | 1.0                    | +20             |
| Black Star Petroleum  | 0.4         | 2.0            | 1-4              | 0.1          | 0.2                     | -56                      | 2.85             | 1.20            | 1.0                    | +999            | Orinoco Gold          | 29          | 11             | 0-3              | 17.0         | 17.6                    | -3                       | 0.63             | 1.62            | 1.0                    | -7              |
| Botswana Metals       | 0.3         | 1.5            | 0-4              | 0.1          | 0.0                     | +999                     | 1.54             | 3.35            | 1.0                    | +999            | Ozgrowth Ltd          | 16          | 18             | 0-0              | 0.1          | 17.6                    | -99                      | 0.29             | 1.62            | 1.0                    | +999            |
| Broken Hill Prospect. | 8.6         | 8.0            | 3-2              | 3.9          | 5.3                     | -26                      | 0.92             | 1.33            | 1.0                    | +11             | Pacific American Coal | 17          | 25             | 1-4              | 3.8          | 5.6                     | -32                      | 1.02             | 1.78            | 1.0                    | +52             |
| Brookside Energy      | 0.8         | 2.0            | 2-4              | 0.2          | 0.5                     | -59                      | 1.46             | 1.26            | 1.0                    | +54             | Pacific Niugini       | 18          | 6.0            | 0-12             | 12.0         | 12.2                    | -2                       | 0.61             | 1.45            | 1.0                    | +0              |
| Burey Gold            | 6.9         | 5.0            | 0-11             | 2.1          | 3.3                     | -36                      | 0.99             | 1.68            | 1.0                    | +3              | Panterra Gold         | 13          | 15             | 2-4              | 5.0          | 5.4                     | -8                       | 0.82             | 1.61            | 1.0                    | +22             |
| CBG Capital           | 89          | 100            | 0-1              | 0.1          | 0.0                     | +120                     | 0.20             | 9.99            | 1.0                    | +309            | Parmelia Resources    | 7.9         | 5.0            | 0-9              | 4.5          | 3.7                     | +23                      | 0.85             | 1.82            | 1.0                    | +28             |
| Cabral Resources      | 3.1         | 4.0            | 3-2              | 0.6          | 3.1                     | -81                      | 4.84             | 1.00            | 1.0                    | +13             | Pelican Resources     | 0.9         | 2.0            | 0-10             | 0.2          | 0.1                     | +264                     | 0.75             | 3.46            | 1.0                    | +192            |
| Canyon Resources      | 15          | 6.0            | 0-5              | 7.4          | 8.6                     | -14                      | 0.79             | 1.64            | 1.0                    | -17             | Peninsula Energy      | 66          | 5.0            | 2-4              | 14.0         | 61.2                    | -77                      | 0.57             | 1.08            | 1.0                    | -41             |
| Capital Mining        | 0.3         | 2.0            | 0-4              | 0.1          | 0.0                     | +999                     | 1.70             | 3.20            | 1.0                    | +999            | Platinum Asia Inv     | 95          | 100            | 0-9              | 1.3          | 3.1                     | -58                      | 0.14             | 9.99            | 1.0                    | +9              |
| Cardinal Resources    | 44          | 15             | 3-1              | 29.0         | 31.9                    | -9                       | 0.63             | 1.30            | 1.0                    | +0              | Platypus Minerals     | 1.5         | 3.5            | 0-3              | 0.3          | 0.1                     | +160                     | 1.53             | 3.09            | 1.0                    | +999            |
| Catalyst Metals       | 50          | 50             | 1-10             | 20.0         | 15.5                    | +29                      | 0.56             | 2.15            | 1.0                    | +20             | Pluton Resources      | 3.4         | 5.5            | 0-7              | 0.9          | 0.0                     | +999                     | 0.00             | 9.99            | 1.0                    | +196            |
| Cellmid Ltd           | 3.2         | 3.4            | 0-2              | 0.4          | 0.2                     | +147                     | 0.49             | 8.21            | 1.0                    | +225            | Prescient Therap.     | 11          | 18             | 1-10             | 4.5          | 2.2                     | +107                     | 0.68             | 2.26            | 1.0                    | +52             |
| Centaurus Metals      | 0.9         | 5.0            | 0-7              | 0.3          | 0.0                     | +999                     | 1.10             | 3.75            | 1.0                    | +999            | Prima Biomed          | 4.1         | 20             | 0-10             | 0.8          | 0.0                     | +999                     | 0.38             | 9.99            | 1.0                    | +661            |
| Citation Resources    | 5.9         | 5.0            | 0-10             | 1.2          | 1.8                     | -33                      | 0.64             | 2.39            | 1.0                    | +6              | Proteomics Int'l      | 24          | 20             | 1-7              | 7.0          | 11.5                    | -39                      | 0.87             | 1.61            | 1.0                    | +8              |
| Clancy Exploration    | 0.2         | 0.4            | 2-8              | 0.1          | 0.2                     | -43                      | 2.07             | 1.06            | 1.0                    | +41             | Proto Res & Inv       | 0.1         | 5.5            | 0-7              | 0.1          | 0.0                     | +999                     | 0.00             | 9.99            | 1.0                    | +999            |
| Collaborate Corp      | 2.3         | 2.0            | 0-8              | 0.6          | 0.7                     | -12                      | 0.73             | 2.41            | 1.0                    | +20             | RTG Mining            | 66          | 150            | 0-9              | 5.0          | 3.0                     | +68                      | 0.73             | 3.81            | 1.0                    | +208            |
| Connexion Media       | 12          | 20             | 0-6              | 1.2          | 0.5                     | +136                     | 0.66             | 4.72            | 1.0                    | +212            | Ram Resources         | 0.2         | 2.5            | 0-6              | 0.1          | 0.0                     | +929                     | 1.94             | 2.43            | 1.0                    | +999            |
| Contango Income       | 96          | 100            | 1-7              | 0.5          | 35.7                    | -99                      | 0.78             | 1.83            | 1.0                    | +3              | Red Mountain Min.     | 0.1         | 0.2            | 1-7              | 0.1          | 0.1                     | +39                      | 1.89             | 1.18            | 1.0                    | +78             |
| Core Exploration      | 3.5         | 5.0            | 1-0              | 1.3          | 1.2                     | +11                      | 1.13             | 1.82            | 1.0                    | +80             | Red Mountain Mining   | 0.1         | 0.4            | 1-1              | 0.1          | 0.0                     | +132                     | 1.89             | 1.43            | 1.0                    | +342            |
| Corizon Ltd           | 2.0         | 5.0            | 1-4              | 0.8          | 0.2                     | +320                     | 0.74             | 2.80            | 1.0                    | +122            | Redstone Resources    | 1.2         | 3.0            | 0-11             | 0.1          | 0.4                     | -77                      | 1.62             | 1.59            | 1.0                    | +182            |
| Dempey Minerals       | 7.0         | 14             | 2-4              | 1.3          | 0.6                     | +126                     | 0.44             | 3.28            | 1.0                    | +40             | Regalpoint Res.       | 1.3         | 2.0            | 2-1              | 0.3          | 0.6                     | -49                      | 1.03             | 1.51            | 1.0                    | +32             |
| Discovery Africa      | 1.5         | 2.0            | 0-4              | 0.1          | 0.0                     | +999                     | 1.43             | 5.23            | 1.0                    | +999            | Renascor Resources    | 4.8         | 3.0            | 0-1              | 1.7          | 1.9                     | -9                       | 1.28             | 2.38            | 1.0                    | -22             |
| Drake Resources       | 0.2         | 3.0            | 0-11             | 0.1          | 0.0                     | +628                     | 1.57             | 2.19            | 1.0                    | +999            | Rhinomed Ltd          | 2.1         | 6.0            | 0-8              | 0.3          | 0.0                     | +891                     | 0.71             | 4.80            | 1.0                    | +420            |
| DroneShield Ltd       | 21          | 22             | 1-10             | 3.8          | 3.3                     | +14                      | 0.31             | 3.60            | 1.0                    | +12             | Rimfire Pacific Min.  | 2.2         | 3.5            | 0-9              | 0.5          | 0.3                     | +83                      | 0.80             | 2.99            | 1.0                    | +133            |
| Eden Energy           | 21          | 30             | 2-1              | 18.0         | 18.0                    | -0                       | 1.00             | 1.12            | 1.0                    | +1              | Ryder Capital         | 95          | 125            | 2-3              | 6.0          | 0.5                     | +999                     | 0.10             | 9.99            | 1.0                    | +15             |
| Elixir Petroleum      | 0.1         | 1.5            | 0-1              | 0.1          | 0.0                     | +999                     | 2.32             | 7.75            | 1.0                    | +999            | Samsom Oil & Gas      | 0.5         | 3.8            | 0-7              | 0.1          | 0.0                     | +285                     | 1.55             | 2.58            | 1.0                    | +999            |
| Elk Petroleum         | 7.8         | 25             | 0-11             | 0.8          | 0.1                     | +621                     | 0.66             | 4.57            | 1.0                    | +280            | Sayona Mining         | 2.6         | 3.0            | 0-4              | 0.6          | 0.5                     | +13                      | 1.12             | 2.66            | 1.0                    | +165            |
| Ellerston Asian Inv.  | 80          | 100            | 2-6              | 2.8          | 7.2                     | -61                      | 0.24             | 4.47            | 1.0                    | +11             | Shareroot Ltd         | 2.8         | 5.0            | 1-4              | 0.5          | 1.0                     | -49                      | 1.15             | 1.69            | 1.0                    | +66             |
| Ellerston Global Inv. | 99          | 100            | 1-7              | 5.0          | 10.8                    | -54                      | 0.19             | 5.40            | 1.0                    | +4              | Siluran Resources     | 1.0         | 2.0            | 1-4              | 4.6          | 0.3                     | +999                     | 1.05             | 1.85            | 1.0                    | +312            |
| Empire Oil            | 41          | 0.9            | 1-8              | 5.1          | 39.6                    | -87                      | 0.70             | 1.02            | 1.0                    | -68             | Silver Mines          | 29          | 0.3            | 1-2              | 9.5          | 28.7                    | -67                      | 2.19             | 1.01            | 1.0                    | -62             |
| Enjeri Ltd            | 2.1         | 20             | 0-4              | 0.1          | 0.0                     | +999                     | 0.80             | 9.99            | 1.0                    | +999            | Silver Mines          | 29          | 30             | 1-10             | 9.6          | 24.9                    | -61                      | 2.19             | 1.08            | 1.0                    | +19             |
| Env. Clean Tech.      | 1.6         | 1.5            | 0-11             | 0.8          | 0.5                     | +49                      | 0.82             | 2.06            | 1.0                    | +49             | Sino Aust Oil & Gas   | 48          | 75             | 0-3              | 2.5          | 0.0                     | +999                     | 0.00             | 9.99            | 1.0                    | +482            |
| Env. Clean Tech.      | 1.6         | 0.9            | 0-11             | 0.9          | 0.8                     | +8                       | 0.82             | 1.68            | 1.0                    | +14             | Spirit Telecom        | 2.1         | 3.9            | 2-11             | 0.6          | 1.3                     | -53                      | 1.22             | 1.27            | 1.0                    | +30             |
| Fertoz Ltd            | 17          | 15             | 1-3              | 3.0          | 6.8                     | -56                      | 0.87             | 1.77            | 1.0                    | +7              | St George Mining      | 17          | 20             | 0-10             | 5.6          | 5.5                     | +3                       | 1.04             | 1.95            | 1.0                    | +63             |
| First Graphite        | 14          | 20             | 0-2              | 0.6          | 0.1                     | +829                     | 0.59             | 9.99            | 1.0                    | +999            | Star Striker          | 2.6         | 0.8            | 1-4              | 2.1          | 1.9                     | +13                      | 0.68             | 1.37            | 1.0                    | +9              |
| First Graphite        | 14          | 10             | 0-9              | 6.2          | 5.0                     | +24                      | 0.59             | 2.33            | 1.0                    | +22             | Stargroup             | 3.0         | 5.0            | 2-3              | 1.5          | 0.9                     | +74                      | 0.73             | 1.92</          |                        |                 |

# Performance Forecasts

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

| Performance Forecast | Price | Price/Sales Ratio | P/E Ratio | Gross Yield | Performance Forecast | Price           | Price/Sales Ratio | P/E Ratio | Gross Yield | Performance Forecast | Price | Price/Sales Ratio     | P/E Ratio | Gross Yield |      |    |      |
|----------------------|-------|-------------------|-----------|-------------|----------------------|-----------------|-------------------|-----------|-------------|----------------------|-------|-----------------------|-----------|-------------|------|----|------|
| A2 Milk Company      | A     | 206               | 8.78      | NE          | Nil                  | Horizon Energy  | D                 | 435       | 0.97        | 27                   | 4.5   | Ryman Health.         | B         | 928         | N/A  | 15 | 1.7  |
| AFT Pharm.           | B     | 315               | 4.77      | NE          | Nil                  | IkeGPS Limited  | E                 | 69        | 4.05        | NE                   | Nil   | SLI Systems Ltd       | E         | 82          | 1.78 | NE | Nil  |
| AFT Pharma.          | C     | 315               | 1.01      | NE          | Nil                  | Infratil NZ     | D                 | 340       | 1.08        | 33                   | 5.8   | Sanford Limited       | D         | 562         | 1.18 | 38 | 5.7  |
| AMP Limited          | C     | 630               | 1.25      | 10          | 4.7                  | Intuero Educ.   | E                 | 26        | 0.28        | NE                   | Nil   | Satara Co-op          | D         | 58          | 0.19 | NE | Nil  |
| AMF Madison Grp      | C     | 232               | 0.35      | 14          | 9.7                  | Just Water Int. | E                 | 162       | 0.92        | NE                   | Nil   | Scales Corp Ltd       | C         | 333         | 1.53 | 12 | 5.4  |
| Amano Health.        | C     | 824               | 0.52      | 38          | 4.0                  | Kathmandu Ltd   | C                 | 185       | 0.93        | 21                   | Nil   | Scott Tech. Ltd       | B         | 187         | 1.18 | 18 | 5.9  |
| Air New Zealand      | D     | 228               | 0.52      | 8           | 9.7                  | Kingfish Ltd    | C                 | 138       | N/A         | 9                    | 8.0   | Sealed Air Corp       | C         | 12          | N/A  | NE | Nil  |
| Airworks Ltd         | C     | 445               | 1.54      | 14          | 5.0                  | Kiwi Property   | D                 | 157       | 9.59        | 8                    | 5.3   | Seeka Kiwifruit       | B         | 420         | 0.48 | 16 | 6.3  |
| Ald Int Airport      | B     | 725               | N/A       | 39          | 2.8                  | Mainfreight Grp | B                 | 1705      | 0.74        | 19                   | 3.0   | Serko Limited         | D         | 67          | 1.33 | NE | Nil  |
| Allied Farmers       | D     | 5.1               | 0.45      | 52          | Nil                  | Marlin Global   | D                 | 79        | N/A         | 6                    | 9.3   | Skellerup Hold.       | C         | 136         | 1.29 | 12 | 9.2  |
| Aorere Res. *        | N/R   | 0.2               | N/A       | NE          | Nil                  | Marsden Mar.    | A                 | 350       | N/A         | 17                   | 4.8   | Sky City Ltd          | B         | 509         | 3.30 | 23 | 4.1  |
| Argosy Property      | E     | 116               | 9.03      | 12          | 5.8                  | Merger Group    | C                 | 4.0       | 0.29        | NE                   | Nil   | Sky Network TV        | C         | 491         | 2.06 | 11 | 8.5  |
| Arvida Group         | C     | 118               | 3.91      | 13          | 4.0                  | Mercury NZ      | C                 | 309       | 2.54        | 91                   | 6.3   | Smartpay NZ Ltd       | A         | 23          | 1.90 | NE | Nil  |
| Augusta Capital      | D     | 108               | 4.30      | 7           | 6.4                  | Meridian Energy | C                 | 286       | 2.52        | 30                   | 5.6   | Smiths City           | C         | 63          | 0.15 | 26 | 4.0  |
| Barramundi Ltd       | D     | 64                | N/A       | 10          | 8.7                  | MetLifeCare     | B                 | 559       | N/A         | 10                   | 0.8   | Snakk Media Ltd       | C         | 59          | 0.79 | NE | Nil  |
| Bathurst Res.        | D     | 18                | N/A       | NE          | Nil                  | Methven Limited | C                 | 127       | 0.96        | 16                   | 8.7   | Sol. Dynamics         | C         | 220         | 2.38 | 38 | 0.9  |
| Bethunes Invest      | D     | 0.5               | 0.03      | NE          | Nil                  | Metro Per Glass | C                 | 189       | 1.86        | 17                   | 5.6   | South Port NZ         | B         | 500         | 3.80 | 17 | 6.7  |
| Blis Technology      | B     | 5.4               | N/A       | NE          | Nil                  | Michael Hill    | B                 | 114       | 0.87        | 16                   | 4.4   | Spark NZ Ltd          | C         | 377         | 1.95 | 18 | 7.4  |
| Briscoe Group        | B     | 360               | 1.42      | 17          | 6.0                  | Mid-Cap Index   | B                 | 413       | N/A         | 6                    | 8.2   | Speirs Group          | C         | 8.0         | 0.05 | 2  | 17.4 |
| Burger Fuel          | C     | 150               | 4.86      | NE          | Nil                  | Millennium & C. | A                 | 214       | 1.65        | 10                   | 1.8   | Steel & Tube          | B         | 211         | 0.37 | 9  | 12.5 |
| CBL Corporation      | B     | 289               | 2.62      | 18          | 1.3                  | Moa Group Ltd   | A                 | 79        | 6.22        | NE                   | Nil   | Stride Property       | B         | 235         | N/A  | 10 | 6.1  |
| CDL Investments      | E     | 78                | 4.53      | 12          | 3.9                  | NPT Limited     | E                 | 66        | 6.25        | 16                   | 5.3   | Summerest Group       | B         | 462         | N/A  | 12 | 1.1  |
| Cavalier Corp        | A     | 86                | 0.27      | 54          | Nil                  | NZ Exchange Ltd | E                 | 102       | 3.68        | 11                   | 8.2   | Synlait Milk          | B         | 345         | 1.20 | 44 | Nil  |
| Cavotec MSL          | D     | 245               | 1.08      | 20          | 1.6                  | NZ Oil & Gas *  | N/R               | 47        | 1.38        | NE                   | Nil   | T&G Global            | D         | 180         | 0.29 | 13 | 2.3  |
| Chorus Ltd           | B     | 436               | 1.70      | 19          | Nil                  | NZ Refining Co  | C                 | 257       | 1.80        | 5                    | 2.7   | T&G Global            | B         | 290         | 0.43 | 19 | 2.9  |
| Coats Group plc      | E     | 52                | 0.35      | 28          | Nil                  | NZ Windfarms    | E                 | 8.4       | 2.75        | NE                   | Nil   | TeamTalk Ltd          | D         | 48          | 0.24 | 10 | 23.1 |
| Col Motor Co         | A     | 630               | 0.26      | 12          | 7.3                  | NZF Group       | E                 | 1.0       | N/A         | NE                   | Nil   | Tegel Group           | D         | 165         | N/A  | NE | Nil  |
| Comvita              | B     | 1147              | 3.09      | 45          | 1.6                  | NZME Limited    | D                 | 93        | 0.30        | NE                   | Nil   | Tenon Ltd             | E         | 255         | 0.28 | 19 | 2.0  |
| Contact Energy       | C     | 537               | 1.61      | 30          | 4.8                  | NZSX 10 Fund    | C                 | 152       | N/A         | 26                   | 6.9   | Tourism Hold.         | A         | 296         | 1.41 | 17 | 6.1  |
| Delegat Group        | B     | 605               | 2.65      | 19          | 2.5                  | NZSX 50 Port.   | C                 | 229       | N/A         | 9                    | 7.1   | Tower Limited         | D         | 137         | 0.76 | NE | 11.7 |
| Diligent Board       | D     | 703               | N/A       | NE          | Nil                  | NZX Aust MidCap | B                 | 600       | N/A         | 10                   | 4.7   | Trade-Me Ltd          | O         | 500         | 9.92 | 25 | 4.5  |
| EROAD Ltd            | D     | 210               | 4.84      | NE          | Nil                  | New Talisman    | N/R               | 0.6       | N/A         | NE                   | Nil   | Training Sol.         | O         | 0.3         | N/A  | NE | Nil  |
| Ebos Group Ltd       | A     | 1670              | 0.41      | 24          | 3.1                  | Nuplex Indust   | A                 | 536       | 0.74        | 17                   | 5.1   | Trilogy Intern.       | A         | 470         | 3.53 | 31 | 1.6  |
| Energy Mad Ltd       | B     | 5.9               | 0.54      | NE          | Nil                  | Opus Intl Cons  | E                 | 16        | 0.34        | 10                   | 13.2  | Trust Power Ltd       | C         | 822         | 1.48 | 29 | 7.1  |
| Evolve Educat.       | D     | 96                | 1.24      | 11          | 3.8                  | Orion Health.   | C                 | 477       | 3.67        | NE                   | Nil   | Turners Ltd           | D         | 314         | 2.07 | 11 | 0.3  |
| F & P Health.        | B     | 1053              | 7.25      | 41          | 2.2                  | Ozzy (Tortis)   | C                 | 334       | N/A         | 13                   | 9.8   | Vector Ltd            | D         | 348         | 2.68 | 24 | 6.2  |
| Finsoft Sol'ns       | C     | 230               | 1.01      | 7           | Nil                  | PGG Wrightsons  | C                 | 52        | 0.33        | 12                   | 10.7  | Veritas Invest.       | C         | 43          | 0.41 | 5  | 12.2 |
| Fletcher Build.      | A     | 960               | 0.76      | 24          | 5.4                  | Pac Edge Bio.   | E                 | 57        | N/A         | NE                   | Nil   | Vetiot Limited        | E         | 0.2         | N/A  | NE | Nil  |
| Flivay Group         | C     | 94                | N/A       | NE          | Nil                  | Plexure Group   | D                 | 29        | 0.00        | NE                   | Nil   | Vista Group Ltd       | C         | 621         | 7.59 | 86 | Nil  |
| Foley Fam Wines      | B     | 160               | 2.25      | 24          | 1.7                  | Port Tauranga   | A                 | 1920      | 9.73        | 33                   | 3.8   | Vital Health PT       | D         | 225         | N/A  | 8  | 3.6  |
| Fonterra S/H Fd      | C     | 592               | 0.50      | 20          | 4.2                  | Precision Prop. | E                 | 127       | 9.02        | 13                   | 4.3   | WN Drive Tech.        | B         | 9.0         | 0.88 | NE | Nil  |
| Freightways Ltd      | C     | 675               | 2.18      | 24          | 5.0                  | Promisia Integ. | G                 | 2.0       | N/A         | NE                   | Nil   | Warehouse Group       | C         | 286         | 0.36 | 19 | 7.8  |
| Genesis Energy       | D     | 224               | 1.07      | 21          | 9.9                  | Property F Ind. | E                 | 166       | N/A         | 10                   | 6.1   | Wellington Mer.       | C         | 322         | 1.03 | NE | Nil  |
| Gentech Group        | C     | 299               | 5.17      | 23          | 5.2                  | Pumpkin Patch   | E                 | 7.2       | 0.05        | NE                   | Nil   | Windflow Tech.        | E         | 1.0         | 0.16 | NE | Nil  |
| GeoOP Ltd            | D     | 27                | 6.70      | NE          | Nil                  | Pushpay Hold.   | B                 | 261       | N/A         | NE                   | Nil   | World Index Fd        | D         | 100         | N/A  | NE | Nil  |
| Goodman Prop.        | E     | 134               | 9.84      | 9           | 6.7                  | Pyne Gould Corp | E                 | 22        | N/A         | NE                   | Nil   | Wynyard Group         | D         | 55          | 3.75 | NE | Nil  |
| Green Cross H.       | C     | 271               | 0.83      | 22          | 3.6                  | Rakon Ltd       | D                 | 22        | 0.36        | NE                   | Nil   | Xero Ltd              | C         | 2009        | N/A  | NE | Nil  |
| Hallenstein G.       | B     | 268               | 0.72      | 9           | 16.1                 | Restaurant Brds | B                 | 559       | 1.41        | 23                   | 5.2   | Z Energy Ltd          | B         | 850         | 1.11 | NE | 4.0  |
| Heartland Bank       | C     | 131               | 4.58      | 13          | 8.0                  | Rubicon Limited | E                 | 24        | 0.16        | 22                   | Nil   | <b>Ave of 149 Cos</b> | C         | 295         | 0.02 | 20 | 3.7  |
| Hellaby Hold.        | D     | 265               | 0.35      | 9           | 11.3                 |                 |                   |           |             |                      |       |                       |           |             |      |    |      |
| A.P. Eagers          | A     | 1203              | 0.68      | 26          | 2.7                  | Dowler EDI Ltd  | B                 | 475       | 0.29        | 10                   | 2.5   | Perpetual Ltd         | A         | 4600        | 4.06 | 17 | 5.2  |
| AGL Energy Ltd       | A     | 2041              | 1.29      | 63          | 3.1                  | DuluxGroup Ltd  | B                 | 656       | 1.51        | 23                   | 3.4   | Platinum Asset        | A         | 594         | N/A  | 16 | 6.2  |
| ALS Limited          | A     | 515               | 1.90      | 26          | 2.6                  | Empire Oil, Gas | C                 | 41        | N/A         | NE                   | Nil   | Premier Invest        | A         | 1610        | 2.61 | 28 | 2.6  |
| AMP Ltd              | B     | 592               | 1.25      | 18          | 4.7                  | Estia Health    | A                 | 502       | 3.19        | NE                   | Nil   | Primary Health        | A         | 400         | 1.28 | 15 | 5.0  |
| ANZ Bank             | C     | 2525              | 6.76      | 18          | 7.2                  | Event Hospital. | A                 | 1488      | 2.00        | 23                   | 3.0   | Q.B.E. Insur.         | B         | 1106        | 0.71 | 16 | 4.5  |
| APA Group            | B     | 926               | 6.64      | 18          | 3.6                  | Evolution Min.  | A                 | 298       | 4.44        | 30                   | 0.7   | Qantas Airways        | B         | 314         | 0.44 | 12 | Nil  |
| APN Outdoor Grp      | B     | 787               | 4.36      | 32          | 0.0                  | Fairfax Media   | A                 | 103       | 1.33        | 29                   | 3.9   | Qube Holdings         | A         | 265         | 2.41 | 32 | 1.9  |
| ARB Corporation      | B     | 1782              | 4.28      | 32          | 1.6                  | Flight Centre   | B                 | 3167      | 1.35        | 12                   | 4.8   | RCG Corporation       | A         | 180         | 5.78 | 76 | 2.5  |
| ASX Limited          | B     | 4894              | N/A       | 21          | 3.8                  | Fortescue Metal | A                 | 456       | 1.28        | 35                   | 1.1   | REA Group Ltd         | A         | 6020        | N/A  | 40 | 1.2  |
| AVEO Group           | B     | 350               | 6.00      | 31          | 1.4                  | G8 Education    | A                 | 365       | 1.93        | 15                   | 6.6   | Ramsay Health         | A         | 7618        | 2.09 | 40 | 1.3  |
| Abacus Property      | B     | 319               | 6.13      | 13          | 5.3                  | GPT Group       | B                 | 545       | N/A         | NE                   | Nil   | Reece Limited         | A         | 3830        | 1.83 | 23 | 1.7  |
| Aconex Limited       | B     | 775               | N/A       | 88          | Nil                  | Genworth Mort.  | B                 | 319       | 3.74        | 8                    | 8.3   | Regis Health.         | A         | 495         | 3.40 | 26 | 3.6  |
| Adelaide Bright      | B     | 576               | 2.64      | 18          | 3.3                  | Goodman Group   | B                 | 734       | N/A         | 11                   | 3.0   | Regis Resources       | A         | 419         | 4.50 | 24 | 1.4  |
| Alumina Limited      | B     | 731               | 9.04      | 34          | 2.2                  | Graincorp       | B                 | 832       | 0.47        | 59                   | 1.2   | Reliance W/wide       | B         | 331         | N/A  | NE | Nil  |
| Alumina Ltd          | B     | 137               | N/A       | 45          | 6.3                  | Growthpoint Pro | B                 | 326       | N/A         | 15                   | 5.8   | Resolute Mining       | B         | 194         | 2.71 | 22 | Nil  |
| Ancor Ltd            | B     | 1514              | 1.43      | 20          | 3.4                  | Harvey Norman   | A                 | 471       | 3.23        | 20                   | 4.2   | Retail Food Grp       | A         | 585         | 3.86 | 28 | 4.0  |
| Ansell Ltd           | B     | 1913              | 1.37      | 12          | 2.2                  | Henderson Group | B                 | 416       | 5.97        | 23                   | 5.0   | Rio Tinto Ltd         | B         | 4952        | 1.43 | NE | 5.9  |
| Ardent Leisure       | B     | 221               | 1.62      | 30          | 5.7                  | Hutchison Tel.  | D                 | 7.8       | N/A         | NE                   | Nil   | S/Tracks ASX200       | B         | 5153        | N/A  | 26 | 3.8  |
| Argo Investment      | B     | 748               | N/A       | 22          | 3.9                  | IDP Education   | A                 | 423       | 3.44        | 34                   | 3.1   | SG Fleet Group        | A         | 437         | 6.19 | 26 | 2.5  |
| Aristocrat Leis      | A     | 1543              | 6.24      | 38          | 1.1                  | IOOF Holdings   | A                 | 921       | 2.94        | 20                   | 5.8   | Sandfire Res.         | A         | 579         | 1.66 | 13 | 2.2  |
| Asciano Limited      | A     | 913               | 2.32      | 25          | 1.6                  | IPH Limited     | B                 | 621       | N/A         | 33                   | 2.2   | Santos Ltd            | A         | 466         | 2.54 | 25 | 3.4  |
| Aurizon Hold.        | A     | 512               | 2.87      | 18          | 4.7                  | IRESS Limited   | A                 | 1090      | 4.83        | 32                   | 3.9   | Saracen Mineral       | A         | 183         | 5.79 | NE | Nil  |
| AusNet Services      | A     | 173               | 3.13      | 12          | 4.9                  | Iluka Resources | A                 | 694       | 3.28        | 54                   | 3.6   | Scentre Group         | A         | 521         | 9.65 | 10 | 4.0  |
| Aust United In       | C     | 739               | N/A       | 32          | 4.6                  | Incitec Pivot   | B                 | 277       | 1.28        | 12                   | 4.3   | Seek Ltd              | B         | 1605        | 6.32 | 20 | 2.2  |
| Aust Foundation      | B     | 589               | N/A       | 22          | 2.4                  | Independ. Group | A                 | 432       | 2.04        | 13                   | 2.7   | Seven Group           | B         | 764         | 0.81 | NE | 5.2  |
| Aust Agricult.       | A     | 205               | 1.43      | 16          | Nil                  | Infigen Energy  | B                 | 119       | 6.98        | NE                   | Nil   | Seven West Med.       | B         | 81          | 0.45 | 6  | 14.8 |
| Aust Pharm. Ind      | B     | 190               | 0.27      | 21          | 2.4                  | Insurance Aust. | A                 | 598       | 1.26        | 20                   |       |                       |           |             |      |    |      |



## Investment Outlook

(Continued from Page 1)

No Fund Manager ever lost his job *for losing money on the same shares* that all the other institutions were buying. It is safe to fail in a crowd. But if a Fund Manager buys ten small, unheard of companies that no-one else would even *consider* buying then he will probably lose his job<sup>Note 1</sup>. Certainly he won't be around (and the shares won't be retained) long enough for some of them to become 10-bagger, 20-bagger or 50 bagger investments. So Fund Manager keep his job, and the Fund Management company keeps its investors by buying the same "approved" mature shares as every other institutional investor.

We take a completely different view of investment. We started this stockmarket research business to provide the independent information and unbiased advice that we needed to manage *our own money and build wealth in the stockmarket*, not to make money selling newsletter subscriptions (although the cashflow did help in the early years).

In an age of rapid change, we see the stockmarket in two parts. Firstly, existing, mature, legacy businesses which are usually big companies that make up most of the market indices. Secondly, new, smaller, developing companies which seek to benefit from a changing world. Some of these will fail (as future change is unpredictable) but a few will be *extremely* successful.

The first group offers more stable, but low future returns. No-one ever lost their job buying these shares, but similarly no-one ever got rich owning them. The second group is a lot more volatile, with significantly more "company specific risk" but offers higher overall returns.

We, of course, seek to invest in this second group. "Company specific risk" can be eliminated through good diversification. A few companies will fail (with a maximum loss of 100%) but some others will be very successful . . . with *no limit* on the potential gains!

And when you own the business (and the main business is managing your own investments) then, unlike a professional Fund Manager, you can not be sacked and you have the freedom to back your own judgement and hold an investment for as long as it takes to achieve its potential.

Even if future stockmarket "index" returns are below their 7-10% historical average, we continue to see the potential to earn higher than average historical returns from newer, smaller companies that embrace change and uncertainty.

Note 1. In the real world, a Fund Manager would never be able to actually buy these shares as they would not be approved by his overseeing Investment Committee.

## Dividend\$

| Company                  | Cents per Share | Ex-Date | Pay-able | Tax Credit |
|--------------------------|-----------------|---------|----------|------------|
| Abano Healthcare         | 20.00           | 11-08   | 22-08    | 3.8889     |
| Augusta Capital          | 1.375           | 05-08   | 12-08    | Full       |
| Goodman Property         | 1.6625          | 08-09   | 22-09    | Full       |
| Smiths City Group        | 2.50            | 05-08   | 12-08    | Nil        |
| <b>Australian Shares</b> |                 |         |          |            |
| Finbar Group             | 4.00            | 11-08   | 01-09    |            |

### Total Return Index for All Listed Shares

|        |         |        |         |
|--------|---------|--------|---------|
| Jul 11 | 1658.21 | Jul 18 | 1676.28 |
| Jul 12 | 1659.77 | Jul 19 | 1678.95 |
| Jul 13 | 1662.51 | Jul 20 | 1684.15 |
| Jul 14 | 1665.35 | Jul 21 | 1686.25 |
| Jul 15 | 1665.96 | Jul 22 | 1684.23 |
| Jul 25 | 1692.18 | Aug 1  | 1685.63 |
| Jul 26 | 1685.67 | Aug 2  | 1682.96 |
| Jul 27 | 1683.99 | Aug 3  | 1682.77 |
| Jul 28 | 1688.98 | Aug 4  | 1688.06 |
| Jul 29 | 1686.98 | Aug 5  | 1687.13 |

### Next Issue:

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

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