

# Market Analysis

Issue No. 541

www.stockmarket.co.nz

July 10, 2017

## Inside Market Analysis

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Founder: James R Cornell (B.Com.)

## Summary and Recommended Investment Strategy.

Remain fully invested in the diversified portfolio of recommended shares.

## Investment Outlook.

Investing in new technology businesses is obviously important . . . as old technology businesses become obsolete, shrink and die. But investing in new technologies is extremely difficult. It is not a matter of picking the next successful technology.

Firstly, while it may be possible to predict general trends in technology change, that will usually only tell which *existing* businesses will become obsolete and fail . . . not which (new, possibly not yet existing) businesses will emerge to create particular new technologies and prosper.

Secondly, successful future technologies will often be privately owned and not available to public investors. If a new business is very profitable it can finance its growth internally. It will not need to list on the stockmarket to raise capital. It may not even need money from Venture Capital investors!

Thirdly, for every ten viable new technologies perhaps only one will be commercially successful. *Betamax* was first to market and a superior technology to *VHS* for video recording, but consumers bought cheaper, low end *VHS* equipment and *VHS* eventually dominated the market (only, of course, to later become obsolete and be replaced by digital recording).

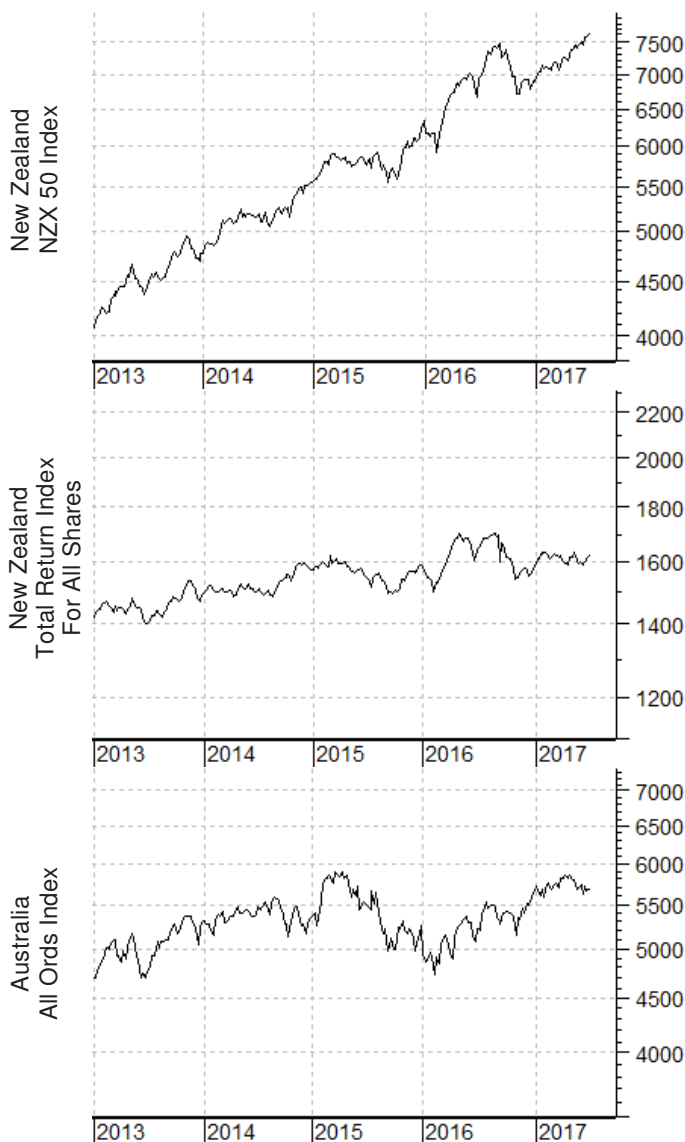
Fourthly, most of the benefits of technology change go to *users* of that technology, often the end users, the *consumers*. A successful technology will produce a *better* product or service at a *lower price*. Consumers get faster pickups and cheaper (and fair) prices from Uber, but will the company ever make a profit? Or a reasonable rate of return on the tens of billion of dollars spent establishing this business?

Fifthly, even the most *successful* and *dominant* new technologies that remain viable for centuries can often be poor investments. A good example of this is in transportation:

During the UK's *Industrial Revolution* coal was used to power the new machines, so needed to be transported from the mines to the cities. (Continued on Page 18)

### Stockmarket Forecasts

	One-Month	One-Year
Australia:	60% (Neutral)	71% (Bullish)
New Zealand:	68% (Bullish)	71% (Bullish)



# Recommended Investments

## Smiths City Group

	Year to 31/3/2017		
	Latest	Previous	Change
Revenues	\$227.4m	\$221.9m	+2.5%
Net Profit	\$2.0m	\$3.1m	-35.5%
Net Cash Surplus	\$6.8m	\$9.7m	-29.9%
Earnings per share	3.8c	5.8c	-35.5%
Dividends per share	3.5c	3.5c	-

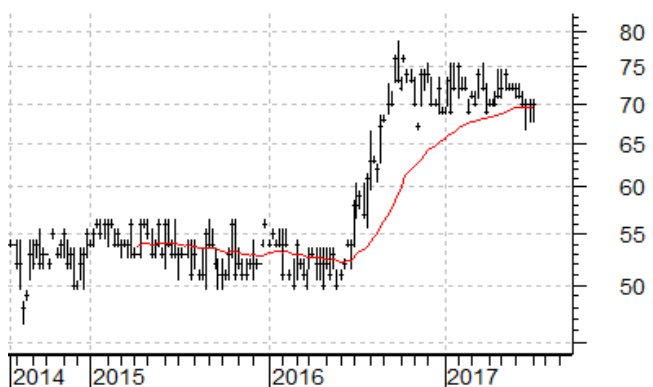
The annual dividend is steady at 3.5 cents but with full imputation tax credits compared with unimputed dividends paid over recent years. We are not sure how this is possible as the accounts state “there are no imputation credits available to equity holders of the company” and Smiths City Group has “carry forward tax losses of \$5.7 million, hence no income tax is payable”.

Strong net operating cash flows have lifted cash at the bank to \$12.0 million. Smiths City Group does have \$53.3 million of interest bearing debt in its Finance division, but that partially funds Finance Receivables of \$63.1 million. As recently announced, the company will return \$5.7 million to shareholders through the cancellation of three shares in every 20 shares at 72 cents per share.

The Furniture City business acquired in April 2016 “has struggled” but these three stores, plus five leading Smiths City outlets, will be converted to the company's new live better brand and store format. The Furniture City warehouse in Auckland will be used to service all North Island stores, resulting in reduced freight costs.

The first live better branded store in Hastings is a “success” and gives the company “confidence in the strategy”.

### Smiths City Group



### Australian Shares

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

**Acru Ltd** reports that **Perrigo Company** has launched a generic version of **Axiron** in the United States.

Acru and **Eli Lilly & Company** have also licenced a third party to produce and market an authorised generic version of **Axiron**. Acru will receive royalties on this authorised generic.

The appeal against the loss of its patent protection is expected to be heard during the current (i.e. September) quarter.

### Acru Ltd



**ALS Ltd** is to “evaluate strategic options” for its Asset Care businesses (i.e. part of the ALS Industrial division) after receiving interest to buy the business from an unnamed party.

**Merrill Lynch** has been appointed to assist the company . . . and has been promoting the Asset Care business to other potential “trade and private equity” buyers and hopes to “auction” the business in July. The Asset Care business, which generates revenues of \$141 million and earnings of \$18 million, could be worth \$130-180 million.

It is also reported that ALS is close to completing the sale of its Oil & Gas businesses for “about \$100 million”.

### ALS Ltd



**Atlas Pearls and Perfumes** has secured a further \$2 million loan from its major shareholder, the Martin Family, on similar terms to the original loan (i.e. up to three years at 7.5% interest), with staged repayments starting in February 2018. The existing \$5 million loan to **Commonwealth Bank of Australia** has been repaid and **National Australia Bank** has become the company's new banker and will provide a \$1 million overdraft facility.

Pearl auctions in Japan in April and June raised \$6 million with a “recovery from the market correction observed” in the first half of the year. The company has sold all of the pearls offered in the auctions.

## Atlas Pearls &amp; Perfumes



**Cynata Therapeutics** is involved in a further asthma study “focusing on the effects of *Cymerus* produced MSCs in combination with or in comparison to clinically-used corticosteroid, the common therapeutic used to treat asthma”. This, plus the earlier study, is “paving the way to a clinical trial”.

The previous study found both intravenous (IV) and intranasal (IN) administration improved airway inflammation, airway remodelling and airway hyper-responsiveness.

Following a meeting in May, the **US Food & Drug Administration (FDA)** has provided written advice regarding the regulatory path for *Cymerus* MSCs, including pre-clinical studies (Continued on Page 4)

## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation		Perform- ance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %	
		Code	- Date - Price										
<u>NZ Shares</u>													
BUY	CDL Investments Ltd	CDI	12/01/99	25	E	276.9	1.0	2.98	8	5.2	80	27.6	+330%
HOLD	Cavalier Corporation	CAV	05/12/95	156*	E	68.7	2.0	0.12	7	Nil	34	282.0	+102%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	B	32.7	0.6	0.29	13	7.3	766	513.3	+899%
HOLD	Smiths City Group	SCY	09/10/06	64	D	52.7	1.2	0.16	18	6.9	70	30.0	+56%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.5	4.18	18	6.2	585	225.3	+575%
BUY	Steel & Tube Holdings	STU	08/08/00	146	C	90.6	1.0	0.43	11	10.7	246	360.1	+315%
<u>Australian Shares (in Aust cents)</u>													
HOLD+	Acrux Limited	ACR	12/05/14	99	C	166.5	1.9	1.40	3	Nil	24	14.0	-62%
HOLD	AJ Lucas Group	AJL	13/05/03	107*	D	585.8	1.7	0.79	NE	Nil	25	36.4	-43%
HOLD	ALS Limited	ALQ	12/10/99	72*	A	504.2	0.6	3.03	34	1.8	764	290.4	+1364%
BUY	AtCor Medical Ltd	ACG	11/11/13	15	D	201.7	4.9	1.57	NE	Nil	4	Nil	-74%
HOLD+	Atlas Pearls & Perfume	ATP	14/05/96	73	C	419.4	5.9	0.59	11	Nil	3	17.5	-72%
HOLD+	Brickworks Ltd	BKW	12/11/12	1115	A	149.1	0.4	2.65	14	3.6	1339	110.5	+30%
HOLD-	Cardno Ltd	CDD	14/12/09	223*	B	479.6	0.9	0.49	79	Nil	123	98.0	-1%
HOLD	Clarius Group Ltd	CND	08/04/03	82*	D	89.6	3.5	0.03	NE	Nil	7	70.5	-5%
HOLD	CPT Global Ltd	CGO	10/03/08	88	D	37.2	2.3	0.18	NE	Nil	14	15.8	-66%
HOLD	CSG Limited	CSV	11/10/10	175	B	320.9	1.2	0.98	14	11.9	76	64.0	-20%
BUY	Cynata Thera.	CYP	13/03/17	50	C	72.7	1.4	NA	NE	Nil	60	Nil	+19%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	B	121.1	1.2	1.51	33	Nil	97	Nil	+97%
BUY	Fastbrick Robotics	FBR	07/07/17	13½	B	637.6	2.9	NA	NE	Nil	13½	Nil	
HOLD	Fiducian Group	FID	11/02/08	260	B	31.1	0.7	3.66	22	3.0	413	69.9	+86%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	231.6	1.0	1.80	7	8.8	80	57.5	+30%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	B	418.7	0.7	4.76	NE	0.3	880	238.0	+137%
HOLD	Integrated Research	IRI	14/01/08	40	A	170.6	0.4	6.75	36	1.9	335	43.0	+845%
BUY	McMillan Shakespeare G	MMS	07/11/16	1041	A	83.2	0.5	2.22	14	4.7	1344	31.0	+32%
HOLD	Melbourne IT	MLB	10/02/04	53	A	116.9	0.5	1.81	28	2.7	301	193.0	+832%
HOLD+	Michael Hill Int'l Ltd	MHJ	11/06/91	4*	B	387.4	1.1	0.81	15	4.1	117	59.8	+4308%
BUY	Mt Gibson Iron	MGX	10/11/14	44	C	1096.6	1.7	1.63	NE	Nil	37	Nil	-17%
HOLD	Novarise Renewable Res	NOE	14/03/11	25	C	415.1	2.2	0.42	NE	Nil	16	Nil	-36%
HOLD	Onterran Ltd	OTR	16/08/10	13*	C	57.5	1.5	0.07	NE	Nil	32	Nil	+142%
HOLD	Opthea Limited	OPT	10/02/04	188	E	171.6	1.1	NA	NE	Nil	77	65.0	-25%
BUY	OZ Minerals	OZL	14/03/16	522	A	298.7	0.6	2.69	21	2.7	742	6.0	+43%
HOLD	Programmed Group	PRG	12/03/02	229*	A	257.3	1.2	0.20	74	6.4	180	386.0	+147%
BUY	Prophecy International	PRO	08/09/08	26	B	64.0	1.3	2.31	14	7.5	53	24.0	+196%
HOLD	Quintis Limited	QIN	08/01/07	45	B	390.3	1.8	0.60	2	10.2	30	26.2	+24%
HOLD+	Reckon Limited	RKN	08/08/16	141	A	113.3	0.7	1.96	17	3.0	169	2.0	+21%
HOLD	Technology One Ltd	TNE	11/11/03	44	A	313.7	0.6	7.02	42	1.2	558	62.4	+1310%
BUY	The Reject Shop Ltd	TRS	11/01/05	257	B	28.9	0.7	0.15	7	10.3	428	473.5	+251%
HOLD+	Village Roadshow	VRL	10/08/09	77	B	161.8	0.6	0.60	13	7.0	398	309.0	+818%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +328.7%. This is equal to an average annual rate of +29.8%, 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 164 closed out) is +31.8%, compared with a market gain of +3.8% (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)

to support a graft-versus-host (GvHD) clinical study in the United States.

Successful preliminary results from the GvHD study would allow Cynata Therapeutics to apply for Regenerative Medicine Advanced Therapy (RMAT) designation.

The **US Patent & Trademark Office** has issued a *Notice of Allowance* and intends to issue a patent covering “important elements of our *Cymerus* stem cell manufacturing technology”. The patent is expected to be granted in October with an expiration date of February 2028.

### Cynata Therapeutics



**Ellex Medical Lasers** expects to report annual revenues of \$71.7 million for the year to 30 June 2017. That is *down* slightly on 2016 - mainly owing to currency movements - but with strong growth from its *Ellex iTrack* division.

That lack of revenue growth led to the share price falling sharply late last week . . . but we believe the strong growth in *iTrack* - a high growth, high margin product which could create significant shareholder wealth over the next several years - is a very favourable development.

The company reports that it “is now experiencing significant month-on-month improvements in sales growth” for *Ellex iTrack* “attributed to the continued investment in sales and marketing”. Sales and training personnel numbers have increased from four in August 2016 to 14 in June 2017, with plans to increase that to 21-24 by June 2018.

*iTrack* sales in the United States rose 26% over the year, but with accelerating growth helped by increased sales and marketing plus the doubling of insurance reimbursements at *Ambulatory* (i.e. outpatient) *Surgical Centres* from January. Second half year sales were up 36% and the June quarter sales were up 53% on the same period a year earlier.

*iTrack* sales to the rest of the world rose 49%.

The company is investing heavily in sales and marketing for *iTrack* - which, of course, will depress profits in the short term - but this is a high growth, high profit margin product that should contribute strongly to group revenues and profits in future years.

The company has also invested to increase the production capacity of its Fremont, California, facility.

China sales “are growing” and Germany, Italy and Switzerland are “also showing good growth as market awareness grows”.

The company's other high growth business is its proprietary and patented *Retinal Rejuvenation Therapy* (2RT) laser technology where “sales of 2RT technology remain limited until the results of the multi-centre clinical trial” into Age-related Macular Degeneration “are made available during the 2018 calendar year”.

As we pointed out recently, Ellex Medical Lasers shares can be volatile. The shares peaked at 162 cents in December 2016 and fell 43% to last week's low of 92 cents. Current profitability is depressed owing to its expenditure on product and market development, especially for *iTrack* and 2RT, but these two new products offer good potential for strong revenue growth at high margins which could drive strong profit growth over many years.

At the current lower share price we are upgrading Ellex Medical Lasers shares to a “Buy” for long term capital growth.

### Ellex Medical Lasers



**Iluka Resources** plans to restart production at *Jacynth-Ambrosia* from December 2017. Mining was suspended in April 2016 (for 18-24 months) to allow heavy mineral concentrate inventory to be reduced.

The company is also continuing to study the use of unconventional mining at *Balranald*. It will spend \$9 million to test an improved mining head to assess its life cycle times in the abrasive environment. If successful, a final field trial (costing \$20-25 million) is likely in 2018. This unconventional mining will lower the capital requirement and allow a staged development. Commercial quantities of production are not expected before 2021.

Iluka Resources expects that future production can be processed at its *Narngulu* mineral separation plant (MSP) in Western Australia rather than re-starting the *Hamilton* mineral processing plant (which will be placed on care and maintenance). This will require writing-off the \$150 million capital value of Hamilton plant (resulting in a \$105 million after tax impairment charge) plus \$14 million of restructuring and redundancy costs.

The company is investigating alternative shipping

options after the **Port of Thevenard** was closed owing to “safety concern surrounding the structural integrity of sections of the jetty that support a conveyor system”. It is not known when activities at the port will resume.

Iluka Resources uses the port to transfer heavy mineral concentrate (HMC) stockpiles from *Jacinth-Ambrosia* to its *Narngulu* MSP. No disruption is expected to processing or sales owing to stockpiles of HMC and Zircon.

**Iluka Resources**



**Michael Hill International** reports total revenues up 6.0% to \$583.0 million for the year to 30 June 2017.

The Canadian operations continued to perform well with “same store” sales up 8.8%, with nine new stores (making a total of 76 stores) boosting total revenues 19.2% to C\$113.3 million (just less than NZ revenues). Owing to economies of scale, Canadian earnings (to be reported next month), which contributed 11% to 2016 group earnings, should be up 25-50%.

The United States continues to perform poorly and the closure of one under-performing store will require a US\$650,000 write-off (i.e. one year’s rent plus store fitouts).

The *Emma & Roe* “same store” sales fell 1.9%, but 13 new stores (for a total of 29 stores) lifted total revenues 62.1% to \$15.5 million. This is still a small division - at 2.7% of group revenues - but “as critical mass is achieved” in Queensland and New South Wales the company will be able “to increase its marketing spend”.

**Michael Hill International**



**Mt Gibson Iron** settled 92.5% of its business interruption insurance claims relating to the failure of its *Koolan Island* seawall in October 2014. 14 insurers will pay

\$64.3 million (5.9 cents per share) by the end of July. Negotiations are continuing with one insurance company (presumably for a claim of around \$5 million).

This will increase cash in the bank to around \$520 million (47 cents per share). The maximum cash draw down to re-start *Koolan Island* into a profitable, cash generating mine (worth at least \$380 million or 34 cents per share) will still leave the company with \$375 million (34 cents per share) in cash.

Mt Gibson Iron shares should therefore be worth around 68 cents based upon cash and Koolan Island (and excluding any value in the Iron Hill mine, other exploration interests or its port infrastructure). At 36½ cents the shares trade at a 46% discount to this valuation and a 22% discount to its current cash in the bank (plus the insurance settlement).

Mt Gibson Iron has terminated offtake agreements with two customers for “failure to comply with a fundamental term” of the contracts.

The company was to sell 25% of its *Iron Hill* mine production to **Xinyu Iron and Steel Group** and 25% to **Sinogiant Steel Holdings Group**.

Termination allows Mt Gibson Iron to sell this production to other customers and “fully expects to continue to place all production from *Iron Hill* with customers”.

**Mt Gibson Iron**



**McMillan Shakespeare** may face a class action (seeking up to \$80 million) relating to a “warranty product business” operating from 2011 to 2015. **Presidian Holdings Pty** acquired this business in June 2013 and was itself acquired by McMillan Shakespeare in February 2015.

**McMillan Shakespeare**



(Continued on Page 6)

## Recommended Investments

(Continued from Page 5)

**Opthea Ltd** has received a *Notice of Allowance* indicating that the **US Patent & Trade Mark Office** will issue a new patent covering the use of OPT-302 to treat wet age-related macular degeneration and diabetic macular edema. The patent is expected to be issued in the second half of this year and will extend patent protection until February 2034.

### Opthea Ltd



**Onterran Ltd** reports that creditors of **Bloomer Constructions (Qld)** voted to enter a *Deed of Company Arrangement*. The formalities are being completed.

**McGrath Modular** has delivered its final house to site and on completion this subsidiary will cease trading and close.

Although there would appear to be little uncertainty remaining in these operations, the company is seeking to continue the voluntary suspension of trading in its shares until August.

### Onterran Ltd



**Quintis Ltd** has announced the sale of 2.85 tonnes of Sandalwood Oil to **Young Living** for US\$8.55 million (A\$11.3 million). In September 2016 the company agreed to supply 7.8 tonnes of oil over five years at US\$4500/kg. Under this sale, Young Living has made a bulk purchase - equal to about two year's supply - but taken advantage of Quintis Ltd's current weak situation to negotiate a 33% discount in price.

Quintis has received US\$6.0 million, with the balance of US\$2.55 million payable after shipment in July.

The company continues to negotiate with two parties over potential new equity and debt financing and the shares remain suspended. We shall provide an email update on any significant developments or when the shares return to trading.

**Reckon Ltd** is to proceed (subject to approval to list on the London AIM stockmarket) with the spin-off of its Document Management business under the name **GetBusy plc**. Management appears excited by a new *Secure Communication & Information Management (SCIM)* product under development that is aimed at small, medium and large businesses.

The existing *SmartVault* and *Virtual Cabinet* have 51,000 paying customers and 617,000 registered users (i.e. who access the information distributed by customers or users of free services). The SCIM product will be marketed to these existing customers and users.

Reckon will pay a 23 cents per share dividend, not in cash but in shares of GetBusy. Reckon shareholders will receive one GetBusy share for every three Reckon shares. GetBusy will own Reckon's existing Document Management businesses plus the SCIM development.

For Australian residents, 0.46 cents of this "In-Specie Distribution" (i.e. dividend paid in shares) will be taxable income and 22.54 cents will be non-taxable.

For New Zealand residents, all 23 cents will be taxable income in New Zealand.

This effectively values GetBusy shares at 69 cents.

GetBusy will raise an additional \$5.1 million (£3 million) of new capital to "support product development, particularly SCIM". This will be achieved through a cash issue to Reckon shareholders who will be offered a further 20 GetBusy shares at 48 cents for every 213 Reckon shares (payable by 26 July).

Three directors will receive 6,449,854 GetBusy shares (i.e. 17% of the company) through their entitlement in the spin-off and subscribe for 1,816,862 GetBusy shares through their entitlements to the cash issue. In addition, these directors will underwrite 100% of the cash issue (i.e. up to 8,746,139 shares, if other Reckon shareholders do not take up their entitlements).

Directors and senior management clearly see value and growth potential in GetBusy as they are prepared to invest up to the full \$5.1 million in new equity that GetBusy is seeking to expand its business! This suggests that other shareholders should also apply for these cash issue shares (which are offered at a 30% discount to the implied valuation of the "free" spin-off shares.

So an investor with 10,000 Reckon shares will receive 3,333 "free" GetBusy shares through the in-specie dividend *plus* the right to buy 938 GetBusy at 48 cents (i.e. \$450).

This spin-off could create significant value (in both the Reckon and GetBusy shares). GetBusy is potentially very high growth business - in which the directors/

managers are willing to invest additional cash. Reckon will be a more focused company (and without GetBusy's marketing and development costs) so could be re-rated by the stockmarket. We therefore recommend that investors take up their entitlement to the additional GetBusy shares at 48 cents. We then plan to hold the GetBusy shares which will be a high risk, but potentially very high growth developing company.

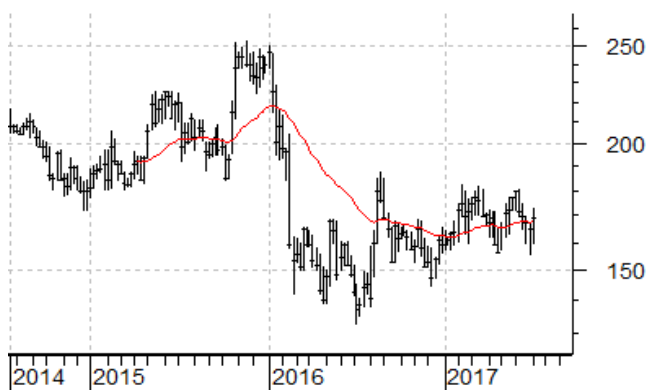
The only annoyance (other than NZ's inappropriate tax treatment for this type of "spin-off") is that GetBusy shares will only be traded on the London AIM stockmarket. Shareholders will be issued "certificated" shares. These can be transferred to a paperless CREST holding - if you have a UK brokerage account in the same name and address. Alternatively, certificated shares can be bought and sold through most NZ and Australian stockbrokers, but at a higher cost and with possibly a small delay in selling.

Reckon shares will trade ex-entitlement to the "in-specie distribution" and the cash issue entitlement to additional GetBusy shares from 11 July. Shareholders will then automatically receive one GetBusy share for every three Reckon shares held and entitlement to the cash issue of 20 GetBusy shares at 48 cents for every 213 Reckon shares.

The prospectus will not be mailed until 14 July, but Reckon Ltd uses Computershare as its share registry so shareholders should also be emailed a link to the prospectus and personalised Entitlement Form on that date. The quickest and easiest way to pay is via BPAY from an Australian bank account.

GetBusy shares are expected to list and begin trading on-market from about 4 August.

**Reckon Ltd**



**Technology One** has received \$750,000 from the **Brisbane City Council (BCC)** in payment of two outstanding invoices. The company, however does not expect this *LGS Project* to proceed. Technology One reports that "As a legal tactic, BCC is now insisting that Technology One configure a system for BCC strictly in accordance with the 2015 contract that does not meet BCC's current business requirements. In October 2016, BCC provided updated business process requirements

that expanded the scope of the project" but "have refused to issue a contract amendment. BCC is engineering a situation where Technology One is unable to perform against the contract" with "attempted termination of the contract by BCC the most probable outcome".

This contract is not expected to have any significant impact on Technology One's overall business.

**Technology One**



**Village Roadshow** has agreed to sell its 50% interest in the Singapore cinema exhibition business, **Golden Village**, to **mm2 Asia** for \$175 million (108 cents per Village Roadshow share) and realising an after tax capital gain of \$160 million.

The sale is conditional on a capital raising by mm2 Asia, with settlement expected during the current quarter.

The sale will involve Village Roadshow selling its 50% interest in Hong Kong based **Dartina Development** which owns the Singapore cinema exhibition business. This associate was recorded (under equity accounting rules) in the June 2016 balance sheet at a value of \$21.0 million.

In May we discussed how equity accounting rules value its investment in **Village Roadshow Entertainment** at nil, compared with an estimated value (based on the recent capital raising) of \$230 million.

Its 30% interest in **iPic-Gold Class Entertainment** also has a book value of nil but is perhaps worth around \$100 million.

**Village Roadshow**



# Share Recommendation: Buy Fastbrick Robotics

## **BUY Fastbrick Robotics (code FBR).**

Fastbrick Robotics is a small company with a disruptive construction technology. The business has *almost* completed the development stage, built working prototypes and is now finalising a fully operational product suitable for mass production and global marketing. It will then prove the commercial viability of its product but is already in discussions with potential global manufacturing and distribution partners which could lead to the rapid scale-up of production and the generation of significant revenues and profits.

### **Company History**

The current company listed on the Australian stockmarket in mid 2015 following a reverse takeover of **DMY Capital** (formerly **Dromana Estates**). A prospectus raised \$5.75 million (from 287.5 million shares issued at 2 cents) to complete development of prototypes. The vendors received 150.0 million ordinary shares plus 500.0 million performance shares (which convert to ordinary shares on achieving certain milestones).

In December 2016 the company raised a further \$8.0 million from the placement of 98.8 million shares at 8.1 cents to an institutional investor.

Last week it raised US\$2 million (A\$2,646,000) from the placement of 26,466,000 shares at 10 cents with US based **Caterpillar Inc** after signing a *Memorandum of Understanding* to establish a “strategic alliance” to “discuss and develop a potential framework and consider how best to offer FBR Technology to Caterpillar's construction customers”.

### **Company Business**

Fastbrick Robotics has developed a truck mounted, computer controlled, laser guided, robotic brick layer. This has numerous advantages over traditional, manual brick laying including quality, speed and cost.

Around 300 billion bricks are laid globally each year. 80% of the cost of brick construction in Australia, the UK, the US and Canada is labour. It is also estimated that there is \$120 billion of wastage due to errors and overruns. Bricklaying is not seen as an attractive occupation by younger people and a physically demanding job for older bricklayers - resulting in skill shortages. Lower building costs will improve housing affordability.

Fastbrick Robotics significantly reduces operating costs but offers many other competitive advantages. The system can lay “nearly every type of brick manufactured around the world” although its *preferred* building product is a proprietary super block with interlocking perpendicular joints (and improved acoustic and thermal insulation) equivalent to 15 standard bricks. It aims to lay over 150 super blocks per hour, equal to more than 2000 standard bricks. It can operate 24 hours per day, 365 days per year in any weather conditions. Most human bricklayers can only lay 300-500 bricks per

*day*. So Fastbrick Robotics will construct a brick house in one to two days (i.e. 100-300 homes per year), rather than four to six weeks at present. It can make brick construction viable in climatic conditions that are currently unattractive to bricklaying.

It is also extremely accurate. The robotic bricklayer accepts architectural plans (CAD system) and builds exactly to those plans, with an accuracy of 0.5mm, far greater than a human bricklayer. Inside the truck, individual bricks are separated from pallets and, where necessary, cut to length or cut and drilled (in a dust tight compartment) for plumbing and electrical fittings prior to placement. This avoids wastage (i.e. only the exact number of bricks are needed) and cost from human errors. Accuracy also speeds up other construction trades. Traditionally plumbing and electrical trades must build to *measurement*, but with Fastbrick Robotics they can pre-cut to *plan* and fit into the pre-cut routed channels in the brick walls.

The worksite remains clean and safe, free of scaffolding, shovels, wheelbarrows, sand, cement or stacks of bricks. Bricks are not touched by hand, so there can be no injuries from carrying and stacking bricks. All of this significantly reduces Occupational Health & Safety costs (i.e. insurance, scaffolding, etc).

The Australian bricklaying industry generates annual revenues of around \$3.2 billion. \$2.0-2.3 billion of this market, laying 1.4 billion bricks (i.e. at around \$1.60 per brick) can be addressed by Fastbrick Robotics.

The largest markets are China, US, India, Brazil, Japan and Mexico, but “the company believes the most attractive international market is the UK” owing to the high laying cost per brick (i.e. over \$3.20). The UK industry generates annual revenues of \$7.2 billion from 1.8 billion bricks. 75% of this work could be done with a robotic bricklayer.

The company will also target the United States (\$4 billion) and Canadian (\$370 million) markets.

Fastbrick Robotics is still considering potential strategies to commercialise and earn revenues from its technology: Initially it may follow an “Owner/operator model” where it owns and operates all of its machines. This “will prove commercial viability of the owner/operator model” ahead of a “Licensing model” where third parties can own and operate machines. Fastbrick Robotics may sell manufacturing and distribution rights to one or more large machine manufacturers in particular countries, or it may contract third parties to manufacture components which it assembles in company owned factories for global distribution. It is likely that Fastbrick Robotics will “maintain a per brick royalty on every machine operating worldwide as part of licensing and/or sales”. This would generate increasing, recurring and high margin revenues!

During 2017 the company will finalise development



and testing of the *Hadrian X* and construct houses in Perth. During 2018 it plans to “rollout the owner-operator commercial model in Australia” and “commence global rollout with strategic partners in each geographic market”.

The company also sees “potential commercial applications” of its Intellectual Property “outside of the construction sector” and “has initiated early stage discussions with several groups”.

#### **Recent Progress**

In November 2015 the company constructed its first prototype. In March 2016 the improved *Hadrian 105* built a simple brick structure, in April a small room and in May a multi-room brick structure (at speeds of 200-225 bricks per hour).

In July 2016 the company commenced construction of its *Hadrian X* commercial prototype, a truck mounted robot with a 30 metre construction boom, designed to lay 1000 “standard brick equivalents” per hour.

In September 2016 the company announced plans to build 11 houses with Perth builder **Archistruct Builders & Designers**, who will sub-contract Fastbrick Robotics to build the brickwork. Each home will be at least 180m<sup>2</sup> with at least three bedrooms and two bathrooms. The first house was completed using manual laying of the company's “proprietary system of precision bricks”, with interlocking perpendicular joints, and adhesive “in line with FRB’s preferred materials”. This demonstrated that “the methods and materials we will be using for the *Hadrian X* are compliant with regulatory requirements”.

In November the company was selected as the overall winner of the **Mitsubishi Corporation WA Innovator of the Year** award, receiving a \$75,000 prize.

In April 2017 the company moved its operations to a new facility with 1400m<sup>2</sup> of workshops, capable of accommodating five manufacturing and assembly bays, with a 10-tonne overhead crane and connected two-story office area.

As mentioned previously, last week Fastbrick Robotics signed a *Memorandum of Understanding* with **Caterpillar Inc.** The two companies will form a “strategic alliance board” to develop Fastbrick Robotics technology for Caterpillar's construction customers and “the most appropriate and most profitable business models to apply in each country, state and region”. This alliance may be “terminated by either party at any time” but while in place Fastbrick Robotics will “deal exclusively with Caterpillar for the development and potential commercialisation of the FBR Technology”.

Caterpillar has subscribed US\$2 million (A\$2,646,600) for 26,466,000 Fastbrick Robotic shares at 10 cents and (subject to shareholder approval) Fastbrick Robotics will issue Caterpillar an option to invest a further US\$8 million at 20 cents per share (i.e. about 53 million shares) in the near future. That will make an investment in about 79.4 million Fastbrick Robotic shares (i.e. 5.5% of the fully diluted capital) at an average price of around 16.7 cents.

A relationship with a large, global equipment manufacturer like Caterpillar will enable the rapid scale-up of production of *Hadrian X* machines and the potential

to generate very significant revenues and profits.

#### **Recent Results**

Fastbrick Robotics is developing and seeking to commercialise its technology, so in the year to June 2016 had no revenues (other than \$45,000 of interest). There was an operating loss of \$1,595,000 (mainly from \$1.2 million of research costs), plus “reverse takeover” accounting costs of \$4.2 million.

In the half year to 31 December 2016 it *lost* just \$273,162 before capitalised development costs of \$940,032.

Cash held at March 2017 was \$9.9 million. The placement will lift this to \$12.5 million. This will finance operations through to 2018 when the company should start to generate revenues.

#### **Investment Criteria**

With no revenues or profits, Fastbrick Robotics shares have few fundamental statistics with which to assess their value.

The issued capital (after last week's placement) consists of 787.2 million ordinary shares plus 500.0 million performance shares (which convert to ordinary shares on certain milestones) or a total of 1287.2 million shares. At 13½ cents that gives a market capitalisation of \$174 million. (In addition there are 80.0 million share options at 2 cents and 17.0 million performance rights, which will add a further \$13 million to the capitalisation).

So, is a company with no revenues (and \$12.5 million in the bank) worth \$187 million?

The company is *neglected* by brokers (i.e. none follow closely enough to publish profit forecasts) and this suggests that the shares may not be inflated in value.

Directors and senior management - mainly the original founders of this technology - continue to hold a large investment in the company. These include most of the 150.0 million ordinary shares and 500.0 million performance shares issued in the 2015 reverse takeover. That is around 47% of the company.

There have been no *insider* trades on-market over the last year.

The shares traded around the capital raising price of 2 cents (i.e. between 1.9-3.2 cents) from mid 2015 until mid 2016, but then rose strongly to a high of 16.6 cents in October 2016 after the company demonstrated its prototypes. The shares then fell back about 50% to a low of 7.8 cents in March before starting to recover. Last week the shares jumped to 16.1 cents on the Caterpillar announcement before falling back slightly. The Relative Strength rating is +11.3, ranked 9 (on a scale of 0-99),.

An investment in Fastbrick Robotics shares should also be a good example of how to exploit the favourable investment mathematics where potential returns are “skewed to the right”. We have discussed this many times - and while many subscribers clearly understand this important feature of stockmarket investment, many others are apparently still confused. Very simply: The maximum we can lose on any share investment is limited to 100% (i.e. at worst it becomes worthless), while there is no limit on potential gains. Successful investments could increase 5-fold (Continued on Page 10)

## BUY Fastbrick Robotics

(Continued from Page 9)

or 10-fold or 25-fold (or more!) in value. So a diversified portfolio of high potential, high risk, shares should significantly outperform the market average over the medium to long term. The losses on the unsuccessful shares are strictly limited (and have little impact on our overall portfolio value), while the gains on the successful ones are unlimited (and will drag up our overall portfolio returns).

### Estimating the Value of Fastbrick Robotics

It is always difficult to value a company with this type of disruptive technology. The company currently has no revenues or profits, but a new technology that does the job faster, better *and* cheaper should be able to generate large, high margin revenues and potentially high profits. If Fastbrick Robotics captures just a small part of the \$2300 million Australian bricklaying market that it targets then it could earn significant revenues and profits. This would require an upfront capital investment in robotic equipment, but a highly profitable business would generate very strong cashflows and a very high return on that capital investment.

There is also huge potential for revenues from product licencing, manufacturing and distribution in international markets, plus the potential to build growing high margin recurring royalties on the use of this technology.

It is perhaps best to just look at the potential value of the “owner/operator” model. The bricklaying industry has \$2.3 billion in Australian revenues (and \$12.0 billion including the UK, US and Canada). If Fastbrick Robotics captures just 5% of the Australian bricklaying market then it could generate annual revenues of \$110-115 million.

Fastbrick Robotics offers an alternative that will require a high initial investment in capital equipment, but which can operate 24 hours, 365 days per year with *very low* operating costs. At just 30% utilisation a machine could lay 3 million bricks annually for which traditional (i.e. slow, inaccurate, wasteful) bricklaying pays around \$1.60 per brick in Australia, or about \$5 million in annual revenues per machine (or more if better utilised, or at a large construction site). Construction of the prototype has cost a few million dollars, so presumably additional copies could be manufactured at a cost of \$1-2 million? Such a machine could pay for itself in just 2-5 months! This is a very high return on invested capital!

To earn \$110-115 million in revenues could require 20-25 machines but produce annual net profits of around \$50-60 million (3½-4½ cents per share, fully diluted). That could value the shares at 70-120 cents.

Equipment, licencing, technology and “per brick” royalties from international markets could be worth significantly more.

Of course, *other* companies could invent other bricklaying robots . . . but that is the case with any technological development. The closest robotic competitor at present is “SAM”, a “semi-automated mason”, manufactured by US based **Construction Robotics**, costing US\$500,000 with *extremely limited*

capabilities. It can lay only 800-1200 bricks per *day* and only build in a straight line immediately in-front of itself, so needs to be lifted on to scaffolding and requires a person to follow behind cleaning mortar from the bricks and to manually lay corner bricks. The system is really only useful for “long stretches of wall” and requires humans to “perform quality control on the robot's work”.

So while Fastbrick Robotics *could* build a very large, very profitable business it is subject to risk from *potential* competitors who could enter the market at some stage in the future. While Fastbrick Robotics has patents in all major markets, there are no barriers that prevent other companies inventing bricklaying machines (which do not infringe its patents).

### Summary and Recommendation

Fastbrick Robotics could have a disruptive technology that will introduce better, faster and cheaper bricklaying methods. In Australia, the UK, the US and Canada, bricklaying is a \$12 billion annual business, where robotics could replace high cost labour and earn very high margin revenues. This is a very large and potentially very profitable business!

Development risks and funding risks are low. The company has all but finalised a truck mounted, self powered prototype and has \$12.5 million in cash (i.e. enough to finance its operations and development until it generates operating revenues in 2018).

While this should be a very profitable business, the level of financial returns is uncertain: The owner/operator business model will earn revenues and profits (from providing bricklaying services) for the company, but *more importantly* help determine the *sales value* (i.e. initial profit margin) and “*per brick*” royalties (i.e. recurring high margin revenues) that the company can earn selling its robots to third party operators.

High profit margins will attract potential competitors to invent other brick laying robots which will eventually drive down revenues and profit margins. The extent and timing of this potential competition is unknown, but Fastbrick Robotics currently have a significantly better product than their nearest competitor!

Fastbrick Robotics shares will mainly be suitable for investors seeking maximum capital appreciation from a higher risk emerging growth company, but all investors may wish to make at least a small investment in this company that seeks to benefit from technology change. “Buy”.

Fastbrick Robotics







Company	Share Price	STRENGTH RATING										Market Cap'n		Company	Share Price	STRENGTH RATING										Market Cap'n							
		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	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		
Cadence Capital	124	-1.6	-1.3	45	0-0	-	0.9	-	0.5	NE	7.3	N/A	338	Millennium Serv	189	+1.7	+1.6	13	0-0	-	-	-	-	-	-	-	-	0.6	13	5.9	0.45	140	
Telstra	432	-7.1	+0.2	60	2-0	17	1.1	13.1	95	0.3	14	7.2	2.04	51,379	McPherson's Ltd	135	+5.9	-5.1	16	4-0	2	-	-	-	-	-	-	-	0.6	13	5.9	0.45	140
Village Road.	398	-7.3	+1.6	61	0-0	8	3.1	2.7	21	0.4	13	7.0	0.60	644	RCR Tomlinson	345	+9.6	-1.3	10	4-0	3	1.0	3.2	6	0.4	54	0.5	0.54	483				
Vicinity Centre	254	-3.1	-0.5	49	8-0	12	1.3	1.0	10	0.4	10	7.0	7.49	10,055	Azonto Petrol.	1	+6.7	-7.7	15	4-0	-	-	-	-	4.3	NE	Nil	N/A	13				
Chart H Retail	404	+0.3	-1.0	32	0-0	12	4.8	1.2	13	0.3	9	7.0	7.71	1,641	Tawana Resource	22	+36.3	-22.2	2	4-0	-	-	-	-	1.1	NE	Nil	N/A	80				
Industria REIT	227	+4.5	+1.3	19	0-0	5	0.4	1.1	13	0.4	9	6.8	7.36	370	Sunland Group	177	+2.9	-0.3	23	4-0	2	-	1.0	11	0.4	9	4.5	1.12	277				
															Dicker Data Ltd	240	+4.3	+1.0	19	4-0	-	0.0	18.5	-	0.6	15	6.5	0.32	385				
															Nat'l Aust Bank	2980	+0.5	-3.1	32	4-0	15	0.3	2.2	1	0.5	220	6.6	4.27	79,728				
															Nat Veterinary	237	+8.7	-5.5	11	4-0	3	0.1	-	-	0.4	105	Nil	2.74	125				
															GWA Group Ltd	323	+7.5	+1.5	13	4-0	9	2.2	21.5	-	0.5	16	4.6	1.94	853				
															Q.B.E. Insur.	1195	+2.8	-2.8	24	4-0	14	0.2	2.7	15	0.5	17	4.2	0.77	16,396				
															Ridley Corp.	140	+5.3	-0.4	18	4-0	5	0.4	1.7	11	0.5	16	2.5	0.47	429				
															Investa Office	444	+1.2	-1.8	28	4-0	10	0.4	26	0.3	5	4.4	N/A	2,726					
															Frontier Digit.	57	+8.3	+4.5	12	4-0	-	-	-	-	0.8	NE	Nil	N/A	123				
															Spark Infrastru	255	+7.9	+1.8	13	4-0	8	1.6	1.5	3	0.3	53	5.7	N/A	4,289				
															Valmec Limited	13	+1.3	-1.7	28	4-0	-	-	-	-	1.2	57	Nil	0.21	11				
															Ruralco Hold.	290	+0.0	+1.2	34	4-0	4	-	1.6	3	0.3	54	3.4	0.13	301				
															Primary Health	358	+0.1	+1.9	33	4-0	10	3.0	-	-	0.6	25	3.4	1.14	1,867				
															Technology One	558	+3.7	+2.7	21	5-1	8	0.7	37.2	88	0.4	42	1.2	7.02	1,751				
															Link Admin.	775	+1.5	+0.9	27	6-2	6	1.7	-	-	0.5	68	1.0	3.73	2,788				
															Aurizon Hold.	535	+3.9	-0.6	21	3-0	14	1.1	1.8	1	0.4	152	4.6	3.17	10,977				
															IOOF Holdings	962	+4.4	+3.7	19	3-0	14	5.8	80.2	-	0.4	14	5.9	3.18	2,887				
															DirectMoney	3	+7.3	-14.3	14	3-0	-	-	-	-	2.2	NE	Nil	7.37	9				
															GPT Group	477	+2.2	-1.6	25	3-0	12	1.1	1.3	17	0.3	7	4.9	5.54	8,594				
															Bathurst Res.	9	+21.5	+1.1	4	3-0	-	-	-	-	1.5	88	Nil	1.78	91				
															Ellerton Global	100	+0.8	+1.5	30	3-0	-	0.9	-	0.6	NE	1.0	N/A	76					
															PM Capital Asia	109	+5.0	+0.8	18	3-0	-	1.0	-	0.6	NE	2.3	N/A	60					
															Perp Equity Inv	105	+2.2	-0.1	25	3-0	-	1.0	3	0.5	35	2.7	N/A	265					
															Image Resources	10	+42.8	-11.0	2	3-0	-	-	-	-	1.3	NE	Nil	N/A	38				
															Jameson Res.	10	+8.7	+2.0	11	3-0	-	-	-	-	1.5	NE	Nil	N/A	21				
															Southern Gold	31	+0.0	+4.4	34	3-0	-	-	-	-	0.7	NE	Nil	N/A	11				
															Century Aust In	94	+2.4	-1.2	24	3-0	-	1.1	2	0.5	56	3.7	N/A	77					
															Euroz Limited	106	+0.6	-5.3	31	3-0	-	-	-	-	0.6	47	3.8	4.01	168				
															St Barbara Ltd	273	+8.1	+1.2	12	3-0	5	0.4	1.6	20	0.3	8	Nil	2.22	1,358				
															Redbank Copper	0	+2.9	-17.3	23	3-0	-	-	-	-	11.1	NE	Nil	N/A	5				
															Avanco Res.	10	+4.9	-11.7	18	3-0	-	-	-	-	1.7	NE	Nil	2.98	246				
															Plymouth Min.	21	+2.2	-7.8	25	3-0	-	-	-	-	1.0	NE	Nil	N/A	23				
															360 Capital Grp	98	+3.9	+1.3	21	3-0	1	-	1.7	21	0.4	8	6.4	4.78	235				
															Int Research	335	+9.2	+1.1	11	3-0	2	0.0	37.2	-	0.2	36	1.9	6.75	571				
															Excelsior Gold	4	+17.9	+15.1	5	3-0	-	-	-	-	1.9	NE	Nil	1.21	24				

## "Insider" Trades in NZ Shares

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

### "Insider" Indicators

Last 5 wks: 55.2% Buyers  
Last 13 wks: 55.4% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
A2 Milk Company	5-12	Comvita	9-6	IkeGPS Limited	1-0	Opus Int'l Cons	2-0	Spark NZ Ltd	0-7
AMP Limited	3-0	Contact Energy	0-1	Infracell NZ	2-4	Orion Health.	0-2	Steel & Tube	3-0
AWF Madison Grp	2-0	EROAD Ltd	0-1	Mainfreight Grp	0-7	Port Tauranga	4-0	Summerset Group	3-0
Abano Health.	3-0	Evolve Educat.	0-1	Marsden Mar.	1-0	Precinct Prop.	4-2	Synlait Milk	1-0
Air New Zealand	4-14	F & P Health.	2-7	Mercury NZ	2-0	Property F Ind.	1-0	Tegel Group	2-0
Akd Int Airport	1-0	Fletcher Build.	2-3	Mercer Group	3-0	Scales Corp Ltd	0-3	Tilt Renewables	5-0
Argosy Property	5-0	Fonterra S/H Fd	0-1	MetLifeCare	1-0	Sealegs Corp	1-0	Tourism Hold.	3-4
Briscoe Group	10-3	Genesis Energy	1-0	Metro Per Glass	3-0	Skellerup Hold.	8-0	Turners Ltd	0-1
CBL Corporation	2-1	Gentech Group	0-2	Moa Group Ltd	1-0	Sky City Ltd	2-7	Vital Health PT	0-1
Cavalier Corp	3-0	Goodman Prop.	0-3	NZ Exchange Ltd	1-0	Sky Network TV	1-0	Warehouse Group	3-2
Chorus Ltd	3-0	Green Cross H.	1-0	NZ King Salmon	3-0	Smartpay NZ Ltd	0-1	Xero Ltd	0-5
Col Motor Co	6-0	Hallenstein G.	2-0	NZME Limited	2-0	Smiths City	2-0	Z Energy Ltd	0-1
				New Talisman	0-1				

# “Insider” Trades in Australian Shares

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

## “Insider” Indicators

Last 5 wks: 83.5% Buyers

Last 13 wks: 85.7% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
1300 Smiles Ltd	0-1	Alumina Ltd	2-0	Axxis Tech.	1-0	Brain Resource	1-0	Citadel Group	0-3
1ST Group Ltd	2-0	Amaysim Aust.	1-2	Azonto Petrol.	4-0	Brambles Ltd	7-1	Clarius Group	2-0
360 Capital Grp	3-0	Ambertech Ltd	1-0	Azumah Res.	0-1	Breaker Res NL	2-0	Class Limited	1-2
360 Capital TR	1-0	Ambition Group	1-0	Azure Minerals	1-0	Breville Group	9-0	Clean Seas Sea.	2-0
3P Learning	6-0	Amcor Ltd	2-1	Azure Health.	2-0	Brickworks Ltd	2-1	Clean Teq Hold.	2-0
8I Holdings	2-0	Animoca Brands	5-0	BARD1 Life Sci.	2-0	Brisbane Bronco	1-0	Cleanaway Waste	2-0
8IP Emer Comp	1-0	Ansell Ltd	1-0	BBX Minerals	0-3	Brookside En.	1-0	Clime Inv Mgmt	5-2
8common Ltd	1-0	Anson Resources	1-0	BC Iron Ltd	2-0	BuildingIQ Inc	2-0	Clime Capital	8-0
A.P. Eagers	21-2	Antisense T.	4-0	BHP Billiton	3-0	Bulletproof Grp	2-3	Clinuvel Pharm.	0-1
ABM Resources	2-0	Aphrodite Gold	1-0	BKI Invest Coy	3-0	C.S.R. Ltd	1-0	CocaCola Amatil	5-0
AGL Energy Ltd	6-1	Apiam Animal H	4-0	BPS Technology	0-1	CAQ Holdings	0-1	Cochlear Ltd	0-1
ALS Limited	3-2	Appen Limited	3-4	BSA Ltd	3-0	CCP Technology	1-0	Codan Ltd	2-0
AMA Group Ltd	1-0	Arc Exploration	2-0	BT Invest Mgmt	1-0	CFoam Limited	2-0	Cogstate Ltd	2-0
AMCIL Limited	5-0	Ardea Resources	1-0	BUBS Australia	0-1	CIMIC Group	1-0	Collins Foods	1-0
AMP Ltd	6-0	Ardiden Limited	1-0	Bank of Q'land	3-0	CMI Limited	1-0	ComOps Limited	2-0
ANZ Bank	4-1	Arena REIT	1-0	Bapcor Limited	3-0	CML Group	1-2	Computershare	0-6
APA Group	2-0	Argonaut Res.	1-0	Base Resources	1-0	CSG Ltd	7-0	Compumedics Ltd	0-3
APN Property	2-1	Argo Investment	2-0	Bass Metals Ltd	3-0	CTI Logistics	0-2	Conico Limited	0-2
ASX Limited	1-0	Argosy Minerals	7-1	Bathurst Res.	3-0	CV Check Ltd	1-0	Cons Zinc Ltd	3-2
AV Jennings	1-0	Argo Global LI	3-0	Battery Mineral	1-0	Cabcharge Ltd	3-0	Contango Global	1-0
AVEO Group	6-0	Arowana Int'l	2-0	Beach Energy	0-2	Caeneus Mineral	0-1	Contango Micro.	0-1
AWE Limited	3-0	Asaleo Care Ltd	4-0	Beacon Minerals	2-0	Calidus Res.	1-0	Copper Strike	2-0
Aberdeen Leader	2-0	Aspen Group Ltd	1-0	Beacon Lighting	1-0	Caltex Australia	2-0	Corazon Mining	2-0
Absolute Equity	2-0	Asset Owl Ltd	0-2	Beadell Res.	3-1	Capilano Honey	1-0	Corum Group Ltd	3-0
Academies Aust.	5-0	Astivita Ltd	1-0	Bega Cheese Ltd	0-4	Capral Limited	1-0	Countplus Ltd	3-0
Aconex Limited	2-3	Atrum Coal Ltd	1-0	Bell Financial	2-0	Capricorn Metal	3-0	Covata Limited	4-0
Acrux Ltd	1-0	Aurelia Metals	6-0	Bellamy's Aust.	0-2	Carbon Energy	1-0	Cre8tek Limited	4-0
Actinogen Med.	1-0	Aurizon Hold.	3-0	Bentley Capital	1-0	Cardno Ltd	1-0	Credit Corp	1-3
Activex Ltd	0-1	Auroch Minerals	0-1	Berkut Minerals	2-0	Cardinal Res.	2-0	Cromwell Prop.	1-2
Ad Braking Tech	6-0	AusNet Services	5-0	Berkeley Energy	0-1	Carsales.com	1-5	Crowd Mobile	1-0
Adairs Limited	7-0	Ausgold Ltd	3-0	Beyond Int'l	0-1	Cash Converters	0-2	Crusader Res.	2-0
Adelaide Bright	7-1	Ausquest Ltd	1-0	Big Un Limited	0-1	Castle Minerals	1-0	Cryosite Ltd	2-0
Adslot Ltd	3-0	Aust Foundation	2-1	Billabong Int'l	1-0	Catalyst Metals	2-0	Cue Energy Res.	9-0
Adv. Nano Tech.	10-0	Aust Bauxite	5-0	Bionomics Ltd	3-0	Catapult Group	5-0	Cyclig Group	1-0
Aeeris Limited	3-0	Aust Finance Gr	0-2	Biotron Limited	2-0	Cazaly Res Ltd	7-0	Cyclopharm Ltd	1-0
Aeris Tech Ltd	1-0	Aust Vintage	3-0	Bioxyne Ltd	1-0	Cellmid Ltd	2-0	Cynata Therap.	7-0
Afterpay Hold.	0-1	Austbrokers	1-0	Blackwall Ltd	1-0	Celsius Res.	3-0	DTI Group	2-0
Agua Resources	2-0	Austral Gold	0-1	Blackmores Ltd	2-0	Centuria Cap'l	1-0	Dacian Gold Ltd	0-1
Ainsworth Game	1-0	Austock Group	2-0	Blackstone Min.	4-0	Centrepont All	1-0	Dart Mining NL	1-0
Alacer Gold	2-0	Austal Limited	1-0	Blackham Res.	0-2	Century Aust In	3-0	Datadot Tech.	2-0
Alchemia Ltd	1-0	Aust Pac Coal	1-2	Blackwall Prop.	9-1	Centrex Metals	3-0	Data 3 Ltd	0-1
Alchemy Res.	5-0	Aust Agricult.	6-0	Black Rock Min.	7-0	Challenger Ltd	1-0	Dateline Res.	1-0
Alcidian Group	0-2	Austin Eng.	3-1	Bluescope Steel	1-2	Chalice Gold	2-0	De Grey Mining	1-0
Ale Property	3-2	Aust Pharm. Ind	1-0	Blue Sky Alt In	6-1	Champion Iron	3-0	De.men Limited	1-0
Alexium Int'l	7-2	Aust Dairy Farm	1-0	Bluglass Ltd	0-1	Chapmans Ltd	3-0	Decimal Soft.	2-0
Alliance Aviat.	1-0	Auto. Solutions	1-0	Boadicea Res.	3-0	Charter Hall GR	1-0	Delta SBD Ltd	1-2
Alseran Res.	1-0	Automotive Hold	1-0	Bod Australia	1-0	Chimpchange Ltd	1-0	Dempsey Min.	4-0
Altech Chemical	0-1	Avanco Res.	3-0	Boss Resources	1-0	China Dairy	3-0	Dexus	0-1
Altium Limited	4-1	Aventus Retail	1-0	Botanix Pharma.	1-0	Cirrus Networks	1-0	Dicker Data Ltd	4-0

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Dimeriz Limited	2-0	Folkestone Educ	1-0	Huon Aquacult.	0-1	King River Cop.	4-0	McPherson's Ltd	4-0
DirectMoney	3-0	Fortescue Metal	3-1	Hutchison Tel.	1-0	Kip McGrath EC	1-0	MedAdvisor Ltd	2-0
Div. United Inv	6-0	Freelancer Ltd	7-0	I-SignThis Ltd	1-0	Kogan.com Ltd	1-0	Medibank Priv.	6-0
Djerriwarrh	6-0	Freedom Foods	6-1	IDP Education	0-1	Korab Resources	0-1	Medibio Limited	3-0
Domacom Ltd	1-0	Frontier Digit.	4-0	IDT Australia	2-0	Korvest Ltd	1-0	Medical Dev Int	1-0
Dome Gold Mines	0-4	Future Gen Glb	17-0	IM Medical Ltd	1-0	Kula Gold Ltd	1-0	Megaport Ltd	4-0
Domino's Pizza	0-1	Future Gen Inv	2-1	IMF Bentham Ltd	0-1	LBT Innovations	0-4	Mejority Cap'l	1-0
Donaco Inter'l	2-0	G Medical Inn.	1-0	IODM Limited	1-0	LWP Tech.	1-0	Melbourne IT	5-2
Dongfang Modern	7-1	G.U.D. Holdings	2-0	IOOF Holdings	3-0	Lakes Oil NL	1-0	Melbana Energy	1-0
Doray Minerals	3-0	G8 Education	8-0	IRESS Limited	0-2	Landmark White	0-1	Memphasys Ltd	5-1
Dotz Nano Ltd	4-0	GBST Holdings	3-0	ITL Limited	1-0	Laramide Res.	5-0	Metalicity Ltd	4-0
Dragon Mining	1-0	GDI Property	1-0	Icar Asia Ltd	1-0	Laserbond Ltd	4-1	Metals Aust.	3-0
Dragon Mountain	1-0	GPS Alliance	2-0	Icon Energy	2-0	Latam Autos	1-0	Metcash Ltd	1-0
Draig Resources	1-0	GPT Group	3-0	Iluka Resources	1-0	Latin Resources	0-1	Metgasco Ltd	3-0
Dreamscape Net.	1-0	GWA Group Ltd	4-0	Image Resources	3-0	Legacy Iron Ore	1-0	Michael Hill	1-2
Duketon Mining	1-0	Galaxy Res.	4-1	Impedimed Ltd	1-0	Legend Corp.	1-0	Midway Limited	5-0
DuluxGroup Ltd	1-2	Galilee Energy	2-0	Inabox Limited	6-0	Legend Mining	2-0	Millennium Serv	7-2
Duxton Water	1-0	Garda Capital	3-0	Indago Energy	1-0	LendLease Group	1-0	MinRex Res.	1-0
E-Sport Mogul	0-1	Garda Div Prop	2-0	Independ. Group	7-0	Lepidico Ltd	1-0	Mincor Resource	1-0
EVE Investments	1-0	Gateway Life.	4-0	Indiana Res.	2-0	Lifestyle Com.	0-4	Mineral Commod.	2-0
Easton Invest.	6-0	Gbl Geoscience	4-3	Indoor Skydive	1-0	Link Admin.	6-2	Minotaur Exp.	2-0
Echo Resources	6-0	Genesis Mineral	1-0	Infigen Energy	3-2	Liontown Res.	1-0	Mitula Group	0-3
Eclipx Group	4-0	Genera Bio.	4-0	Infomedia Ltd	3-0	Liq Natural Gas	7-0	Mobilicom Ltd	1-0
Eden Innovation	0-2	Genetic Tech.	0-1	Innate Immuno.	0-2	Lithium Aust.	0-1	Monadelphous Gr	1-0
Elders Limited	3-2	Genetic Sign.	2-0	Insurance Aust.	2-0	Litigation C.M.	1-0	Monash IVF Grp	0-2
Elk Petroleum	1-0	Genworth Mort.	2-0	Int Research	3-0	Livehive Ltd	1-0	Money3 Corp Ltd	2-0
Ellerton Global	3-0	Geopacific Res.	1-0	Intiger Group	4-0	Lodestar Min.	1-0	Montezuma Min.	2-0
Ellex Medical	0-2	Glennon Sm Coys	6-0	Investigator R.	1-0	London City Eq.	2-0	Moreton Res Ltd	3-0
Emerald Res.	1-0	Global Energy V	1-0	Investa Office	4-0	Lovisa Holdings	1-0	Motorcycle Hold	3-0
Emmerson Res.	1-0	Global Health	2-0	Invocare Ltd	4-3	Lucapa Diamond	2-0	Mt Ridley Mines	0-1
Emperor Range	1-2	Global Con Serv	1-0	Ironbark Cap'l	2-0	Lycopodium Ltd	0-2	Murray Cod Aust	1-0
Empire Oil, Gas	1-0	Godfreys Group	3-4	Iselect Limited	1-2	Lynas Corp Ltd	0-1	Murray River Or	6-0
Empired Ltd	1-0	Gold Road Res.	1-0	Isentia Group	0-1	MCS Services	4-0	Musgrave Min.	1-0
Energex Limited	1-0	Goodman Group	0-9	Isentric Ltd	0-1	MFF Capital Inv	19-0	Myer Holdings	1-0
Energy World	2-0	Gooroo Ventures	1-0	Ive Group	4-2	MG Unit Trust	2-0	Myfiziq Limited	2-0
Energy Action	4-0	Graincorp	2-0	JB Hi-Fi Ltd	2-1	MMA Offshore	1-0	Mystate Ltd	7-0
Enhanced O & G	1-0	Grays eCommerce	3-0	JC Internat'l	1-0	MMJ Phytotech	1-0	NGE Capital	4-2
Enviromission	0-1	Greencross Ltd	2-0	JCurve Solution	4-0	MNF Group	1-0	NRW Holdings	2-0
Equity Trustees	6-0	Greenpower En.	3-1	Jameson Res.	3-0	MOQ Ltd	0-2	NSL Cons. Ltd	2-0
Estia Health	5-0	Gt Western Exp.	1-0	Japara Health.	2-0	MSL Solutions	2-0	NTM Gold Ltd	1-0
Estrella Res.	1-0	HUB24 Limited	0-2	Jayex Health.	3-0	MSM Corporation	2-0	Nagambie Res.	1-0
Eureka Group	6-0	Hammer Metals	1-0	Jervois Mining	2-0	MYOB Group	2-0	Namoi Cotton	2-0
Euroz Limited	3-0	Hansen Tech.	0-1	Jindalee Res.	1-0	MacMahon Hold	2-0	Nanosonics Ltd	1-0
Event Hospital.	3-0	Haoma Mining NL	1-0	Joyce Corp.	2-0	Maca Limited	0-1	Naos Absolute	9-5
Evolution Min.	1-0	Haranga Res Ltd	0-1	JustKapital Ltd	2-0	Macquarie C Tel	1-0	Naos Emerging	2-0
Excelsior Gold	3-0	Harvey Norman	3-1	K2 Asset Mgmt	0-8	Macquarie Group	2-0	Nat Veterinary	4-0
FSA Group Ltd	2-0	Hazer Group Ltd	3-0	K2fly Ltd	6-0	Macquarie Atlas	1-0	Nat'l Aust Bank	4-0
Fairfax Media	1-0	Helix Resources	1-0	KGL Resources	1-0	Magellan Fin Gp	1-2	National Stor.	0-1
Farmaforce Ltd	2-0	Helloworld Trav	5-0	KYCKR Limited	2-0	Magnis Resource	5-0	Navarre Min.	1-0
Fiducial Group	0-2	Henry Morgan	2-0	Kabuni Limited	1-0	Magnetic Res.	2-0	Navitas Ltd	6-0
Finbar Group	4-0	Hi Tech Group	0-1	Kalina Power	1-0	Mantra Group	3-1	Nearmap Ltd	1-0
Finders Res.	2-0	Highfield Res.	2-0	Kangaroo Island	6-0	Marmota Ltd	6-0	Neometals Ltd	0-2
First Gth Funds	3-0	Hills Limited	2-0	Kardoon Gas	0-2	Matador Mining	1-0	Neptune Marine	0-1
First Graphite	2-1	Holista Coll.	0-2	Kasbah Resource	1-0	Matrix Comp.	0-1	NetComm Wire.	5-0
Fitzroy River	2-0	Homeloans Ltd	2-1	Kina Securities	0-2	Maxi TRANS	1-0	Netccentric Ltd	1-0
Fleetwood Corp	1-0	Horizon Oil Ltd	4-0	Kinetiko Energy	0-1	Mayne Pharma Gr	7-3	New Hope Corp.	3-0
Flexiroam Ltd	2-0	Horseshoe Metal	1-0	Kingsland Gbl	3-1	McGrath Limited	3-0	Nextdc Limited	2-0
		Hunter H Global	3-0			McMillan Shake.	2-1		

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Nexus Minerals	1-0	Phylogica Ltd	1-3	Rhipe Limited	5-1	Spring FG Ltd	1-0	Troy Resources	0-2
Nib Holdings	2-1	Pilbara Mineral	1-2	Ridley Corp.	4-0	St Barbara Ltd	3-0	Trustees Aust.	0-2
Nine Entertain.	1-0	Pinnacle Invest	6-3	Rift Valley Res	7-0	Star Entertain.	3-0	Truscott Mining	0-1
Novogen Ltd	8-0	Pioneer Credit	0-3	Rimfire Pacific	0-1	Steadfast Group	0-3	Tyranna Res.	6-0
Noxopharm Ltd	1-0	Platinum Cap'l	3-0	Rio Tinto Ltd	1-0	Stellar Res.	4-0	US Masters Res.	1-0
Nthn Star Res.	3-2	Plukka Limited	2-0	Rision Limited	3-0	Sth Cross Elect	6-0	US Residential	3-0
Nthn Minerals	0-1	Plymouth Min.	3-0	Royalco Res.	0-3	Sth Cross Media	2-0	UUV Aquabotix	1-0
Nufarm Limited	1-0	Po Valley Ener.	2-0	Rubicor Group	3-0	Sth Pacific Res	1-0	Uil Energy	4-0
Nzuri Copper	3-0	Polynovo Ltd	6-0	Rubicon Res.	1-0	Stockland	3-0	Un. Biosensors	2-0
OFX Group	4-0	Praemium Ltd	4-1	Rumble Resource	5-0	Strat. Elements	0-1	Updater Inc	1-0
OZ Minerals Ltd	5-0	Prem Eastern En	1-0	Rural Funds Grp	1-0	Strandline Res.	2-0	Uranium Equitie	5-0
Objective Corp.	0-1	Primary Health	4-0	Ruralco Hold.	4-0	Strategic Min.	6-0	Urbanise.com	2-0
Oil Basins Ltd	1-0	Prime Media Grp	2-0	S2 Resources	1-0	Strike Energy	3-0	Valmec Limited	4-0
Oil Search Ltd	0-3	Primary Opinion	2-0	SDI Limited	1-0	Structural Mon.	1-4	Variscan Mines	0-1
Oklo Resources	2-0	Pro Medicus Ltd	2-0	SG Fleet Group	2-0	Sunbridge Group	2-1	Vector Res.	1-0
Oldfields Hold	1-0	Pro-Pac Pack.	1-0	SIV Asset Mgmt	0-1	Suncorp Group	1-0	Venus Metals	0-2
Oneview Health.	4-0	Probiotec Ltd	4-1	Salmat Ltd	1-0	Sundance Res.	0-3	Verdant Mineral	1-0
Onevue Holdings	4-1	Prophecy Int'l	4-1	Sandon Capital	1-0	Sunland Group	4-0	Veris Ltd	3-0
Ookami Limited	2-0	PropertyLink	7-0	Sandfire Res.	0-1	Syndicated Met.	2-0	Vicinity Centre	8-0
Optiscan Image	0-1	Prospect Res.	1-0	Santos Ltd	1-0	Syrah Resources	2-1	Viralytics Ltd	1-0
OreCorp Ltd	1-0	Pura Vida En.	1-0	Saunders Int'l	2-0	TPG Telecom Ltd	2-0	Virtus Health	2-1
Orica Ltd	0-1	Pure Profile	2-0	Sayona Mining	0-1	TTG Fintech Ltd	0-1	Vita Group Ltd	4-2
Orion Minerals	1-0	Q.B.E. Insur.	4-0	Scentre Group	8-1	TV2U Int'l	1-0	Vmoto Ltd	4-0
Oro Verde Ltd	0-3	QV Equities Ltd	1-0	Scottish Pac.	10-0	Tabcorp Holding	0-1	Vocus Group Ltd	9-2
Orocobre Ltd	3-2	Qantas Airways	3-1	Sealink Travel	3-1	Tainmei Bev.	1-0	Volt Resources	5-0
Oroton Group	1-0	Qube Holdings	1-0	Search Party Gp	2-0	Talga Resources	1-0	WAM Research	0-1
Ottoman Energy	1-0	Quickstep Hold.	1-0	Seek Ltd	2-1	Talisman Mining	2-0	WAM Leaders	2-1
Oventus Medical	5-0	Quintis Ltd	1-0	Select harvest	2-0	Tamawood Ltd	1-0	WPG Resources	1-0
Over The Wire	0-1	RCR Tomlinson	4-0	Senetas Corp	1-0	Tanami Gold NL	1-0	WPP AUNZ Ltd	0-1
Ozgrowth Ltd	8-0	RTG Mining Inc.	2-0	Sensera Limited	2-0	Tap Oil	2-0	Walkabout Res.	1-0
PM Capital Glob	1-0	RXP Services	2-0	Service Stream	10-2	Tawana Resource	4-0	Wangle Tech.	3-0
PM Capital Asia	3-0	Race Oncology	2-0	Servcorp Ltd	4-0	Tech Mpire Ltd	3-0	Watermark Glb.	1-0
PMP Limited	1-2	Ramsay Health	0-2	Servtech Global	2-0	Techniche Ltd	5-0	Watermark Fund	2-0
PSC Insurance	5-0	Rand Mining	0-1	Seven Group	1-0	Technology One	5-1	Watpac Ltd	1-0
PTB Group Ltd	3-1	Range Intern'l	1-0	Seymour Whyte	1-0	Telstra	2-0	Webjet NL	2-0
PWR Holdings	1-0	Realm Resources	1-0	Sheffield Res.	4-0	Templeton Globa	1-0	Wellcom Group	5-0
Pac. Star Netwk	0-1	Real Energy	1-0	Shine Corporate	5-0	Tesseract Ltd	2-0	Wesfarmers Ltd	3-1
Pacific Mining	0-1	Red River Res.	1-0	Shriro Holdings	0-2	The Reject Shop	3-0	Westoz Invest.	3-0
Pacific Smiles	2-1	Red Hill Iron	7-0	Sihayo Gold Ltd	2-1	The Pas Group	4-0	Westpac Banking	0-1
Pact Group Hold	7-0	Redbubble Ltd	1-0	Silver Heritage	2-0	Think Childcare	1-0	Whitefield Ltd	1-0
PanTerra Gold	1-0	Redbank Copper	3-0	Silver Chef Ltd	1-2	Thomson Res.	0-1	Whitehaven Coal	0-4
Pantoro Limited	1-0	Redflow Limited	0-1	Silver Lake Res	0-2	Thorney Tech.	3-0	White Cliff Min	2-0
Paragon Care	0-1	Redstone Res.	2-0	Sino Gas & En.	6-0	Thorn Group Ltd	2-0	Winka Commerce	1-0
Paradigm Bio.	3-0	Reedy Lagoon	2-0	Sirtex Medical	1-0	Thred Ltd	5-0	Winmar Res Ltd	1-0
Paringa Res Ltd	2-0	Reffind Ltd	1-0	Skydive Beach	0-1	Thunselarra Ltd	3-0	Woolworths Ltd	6-0
Peet Ltd	1-0	Regeneus Ltd	1-0	Skyfii Limited	2-0	Tomizone Ltd	0-2	Worley Group	0-1
Pengana Capital	1-0	Regional Exp.	3-2	Slater & Gordon	2-0	Topbeta Hold.	1-0	World Reach Ltd	3-0
Peninsula Mines	1-0	Regis Resources	0-2	Smartgroup Corp	8-0	Toptung Limited	2-0	XPD Soccer Gear	1-0
Peninsula En.	2-1	Rent.com.au Ltd	3-0	Smart Parking	1-0	Torian Res.	0-2	XRF Scientific	2-0
Pental Limited	2-0	Renu Energy Ltd	2-0	Somnomed Ltd	0-1	Toro Energy Ltd	0-1	XTD Limited	3-0
Pepinnini Min.	0-1	ResAoo Health	0-1	Soul Pattinson	3-0	Total Face Grp	1-0	Xanadu Mines	3-1
Perp Equity Inv	3-0	Resolute Mining	5-0	Southern Gold	3-0	Touchcorp Ltd	2-0	Xref Limited	1-0
Perpetual Ltd	1-2	Resonance Hlth	1-0	Sovereign Metal	1-0	Tox Free Sol.	2-0	Xtek Ltd	9-0
Perseus Mining	4-0	Retail Food Grp	2-1	Spark Infrastru	4-0	Traka Resources	1-0	Yancoal Aust.	1-0
Phoenix Copper	1-0	Retech Tech.	0-1	Speedcast Int'l	1-0	Transurban Grp	0-1	Yowie Group Ltd	2-0
Phosphagenics	1-0	Reward Minerals	4-0	Spotless Group	3-0	Treasury Wine	3-0	Zeta Resources	1-0
Phoslock Water	2-0	Rey Resources	0-1	Sprintex Ltd	3-0	Trek Metals Ltd	1-0	Ziomoney	3-0
		Rhinomed Ltd	1-0			Triton Minerals	1-0		





## Investment Outlook

(Continued from Page 1)

This led to the building of canals. This was an extremely successful and profitable technology allowing low cost transportation over large distances. The earliest canals (built in the mid 1700's) were extremely profitable, repaying their initial cost in just a few years!

This eventually led to "canal mania" and massive investments in canal infrastructure development in the 1790's. By 1840 there were 4500 miles of canals in the UK . . . all of which quickly became obsolete (and worthless) with the invention of the railway.

Railways are the important technology we want to discuss here, not canals.

The railway is probably the most successful technology ever invented! OK, it should be ranked second, after the wheel (invented about 3500 BC). Rail transportation has spread around the globe, is still an important transportation option (especially for freight) and, apart from replacing coal powered steam engines with diesel or electric, this technology is virtually unchanged from when first invented over 200 years ago!

Like many new technologies, railways made earlier technology, expensive infrastructure assets (i.e. canals) and associated transportation businesses obsolete. It is a technology that has been adopted everywhere and has stood the test of time. It is a 200 year old technology that is still economically significant in the global economy. Railways are, without question, one of the most successful technologies of all time . . . but overall railways have produced poor returns for investors!

Needless to say, the first railway routes were extremely profitable . . . but those high profits encouraged potential competitors to often lay virtually parallel tracks to service these profitable routes. The resulting over-investment in infrastructure and excessive competition resulted in the industry producing low returns on the capital invested!

We have seen a similar over-investment and low prices - resulting in poor returns to investors - in both the Telecommunications boom and the Internet boom.

So why invest in technology? The answer is that all businesses are technology. All economic activity relies on some technologies and operates in a changing and developing technological environment. Businesses that seek to avoid technology change will be left behind and slowly shrink and die. Companies that embrace technology change may not survive - the life expectancy of *any* business is very short - but those that do survive and which are successful *could* become *very profitable* investments.

There is a lot of uncertainty in stockmarket investment, but if we make intelligent investments, accept appropriate risks *and diversify widely*, then the stockmarket is the best place to build investment wealth - especially in an era of rapidly developing technology.

Remain fully invested in the recommended shares.

## Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Mainfreight Ltd	24.00	14-07	21-07	Full
Smiths City Group	2.50	04-08	11-08	Full
Tegel Group Holdings	4.10	13-07	27-07	Full
Turners Automotive	4.50	17-07	21-07	Full

### Total Return Index for All Listed Shares

Jun 12	1592.06	Jun 19	1604.92
Jun 13	1596.72	Jun 20	1606.45
Jun 14	1598.69	Jun 21	1599.15
Jun 15	1603.75	Jun 22	1601.94
Jun 16	1601.80	Jun 23	1604.77
Jun 26	1610.88	Jul 3	1615.37
Jun 27	1619.16	Jul 4	1615.07
Jun 28	1619.48	Jul 5	1616.53
Jun 29	1626.07	Jul 6	1620.14
Jun 30	1617.78	Jul 7	1620.32

### Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday August 7, 2017.

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

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, 3/47 Boyce Ave, Mt Roskill, Auckland. Subscribe online at [www.stockmarket.co.nz](http://www.stockmarket.co.nz) or email [james@stockmarket.co.nz](mailto:james@stockmarket.co.nz).

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