

Market Analysis

Issue No. 551

www.stockmarket.co.nz

May 14, 2018

Inside Market Analysis

AtCor Medical cash issue	2	Company Analysis: K2 Asset Management	8, 9
Mt Gibson Iron upgrades <i>Koolan Island</i> project	5	Australian Warrant / Option Analysis	12, 13
Australia Corporate Tax Cuts	7		

Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

We continue to see good value in our *Recommended Shares* so remain fully invested.

Investment Outlook.

This newsletter tries to avoid jargon but recently we keep coming across the term “asymmetric opportunities”. Yes! That is exactly the type of investment we have been seeking to recommend over the last 36 years . . . and now someone has invented the “jargon” to describe it! We just used to say we looked for shares that could “increase many fold in value over many years” - where the potential returns far exceeded the potential risk.

[“Asymmetric opportunity” is also being used to describe some option strategies. That is not something in which we have much interest.]

We have also learned the term “compound mispricing”. That is where you get a “discount on top of a discount” (or even better) “on top of another discount”. That is part of our reason for investing in Brickworks.

Actually, most of this new jargon appears to have been invented (and is being used by) “active” Fund Managers to describe their investment methods when communicating with investors. Somewhat unpleasant jargon (e.g. “GARP investing” - *growth at a reasonable price*) is being replaced by new jargon which is more intriguing, mysterious and sexy!

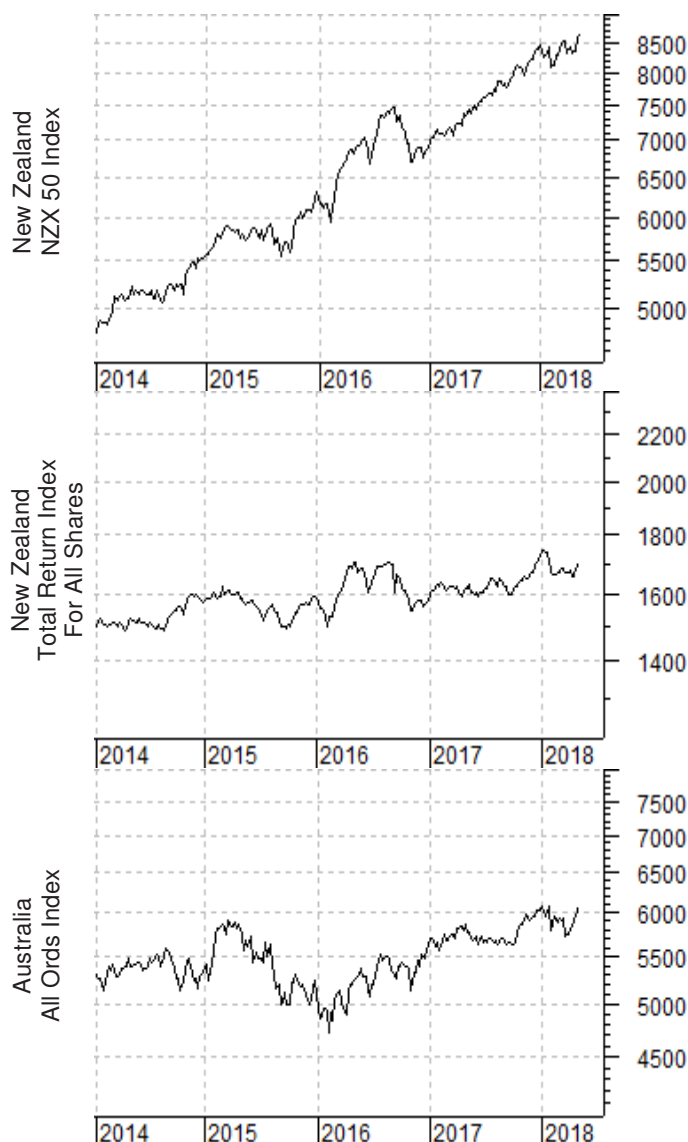
So, is it working? That is difficult to say. We did notice at least one small Hedge Fund that uses this type of jargon was also talking about closing the fund to new investors . . . although in the next quarterly report they had decided to keep it open.

At the very least there must be some part of the market to whom this jargon will appeal. Perhaps reasonably knowledgeable investors who understand the huge potential in what these terms describe? Perhaps less knowledgeable investors who are impressed by terms they do not understand? In either case, this could be a successful *niche* marketing strategy. A fund manager does not need to appeal to 100% of investors but perhaps just 1% of 1% of the total market.

This newsletter, however, does not want you to give us your money so we can invest it for you. We want to help you invest your own money. So we shall continue to seek to bring you asymmetric opportunities and compound mispricings . . . but also continue to describe them in plain English so you can understand these investment opportunities.

Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	78% (Bullish)	66% (Bullish)
New Zealand:	76% (Bullish)	61% (Bullish)



Recommended Investments

Smiths City Group reports “tough trading conditions” and expects a *trading loss* of \$1.25-1.75 million (*minus* 2.4-3.3 cents per share) for the year ended on 30 April 2018. In addition it will make a \$4.8 million provision relating to leases “on stores that have consistently underperformed”.

This is a neat accounting trick. By writing off \$4.8 million of future costs now, the net profits reported in the future will be boosted by a similar \$4.8 million over the next few years. This accounting treatment may or may not be appropriate depending upon the circumstances. Thirty years ago companies would misuse such accounting treatment to manipulate reported profits to mislead shareholders... but now companies are required to make such provisions to comply with Accounting Standards. Similar accounting rules can require companies to write off - and later to write back - tax losses or deferred tax provisions or write-down goodwill. In regulating to remove discretion and some misleading profit reports, *many* profit reports are now confusing and misleading.

Equally misleading, any company with a net operating deficit or needing to renew or negotiate its borrowing within the next twelve months will receive a “qualified” Auditor's Report stating that it may fail the “going concern” test - even if the company is in a sound financial position and even if other banks were lining up to tender to provide facilities on more favourable terms! Half year results do not receive an “Auditor's Report” but an “Auditor's Review” stating “A review does not enable us to obtain assurance that we would become aware of all significant matters” and “accordingly we do not express an audit opinion”. That may sound rather dubious... but all Auditors “cut and paste” those exact comments into every half year “Auditor's Review”.

Do any of these changes better inform or protect investors? In our opinion the opposite is the case!

Smiths City Group traded successfully over Christmas, but demand was weak in November and January, with some improvement in March and April. Heavy discounting and extended interest-free credit terms have eroded profitability. The rebranded Auckland stores “are not yet delivering to our expectations”.

Smiths City Group



Steel & Tube Holdings is seeking the sale and lease back on another property. The Blenheim Road, Christchurch, property has been “significantly upgraded” recently and is a “key distribution hub” for the company.

Steel & Tube Holdings



Australian Shares

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

AtCor Medical is seeking to raise \$5 million: \$2.4 million is being raised in the placement of 118.8 million shares at 2 cents, \$1.5 million from a placement of 75.0 million shares at 2 cents (payable in November) to directors and \$1.1 million from existing shareholders through a 1 for 5 issue at 2 cents.

In each of these issues, investors will receive one option to buy shares at 5 cents until 30 November 2021 for every two new shares.

We are not sure how this company will work out. Its existing business has not changed and the new wearable products will require expenditure on product development and then marketing and production before becoming cashflow positive or profitable.

Overall we favour taking up these new shares. Our investment in AtCor Medical has fallen significantly in value, so taking up these new shares will require only a very small additional investment. The new shares are priced at about a 10% discount to market value, plus there will be some small value in the new options.

Payment for the new shares is due by 6 June.

AtCor Medical



Atlas Pearls reports a “positive outcome” for its private pearl auction in Kobe, Japan, on 10-11 April which realised \$2.4 million in sales. Bids on the “best lots exceeded expectations”. Another private auction will be held in Kobe in June.

The company raised a further US\$600,000 one-year “trade loan” on 1 May from a Hong Kong pearl house.

Atlas Pearls has in turn granted a \$1 million facility to its 50% owned **Essential Oils of Tasmania** to help expand its oil extraction business and explore “new projects and trading opportunities”.



(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/Sales Ratio	Price/Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares													
BUY	CDL Investments Ltd	CDI	12/01/99	25	E	277.5	1.1	3.21	8	5.3	91	36.3	+409%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	C	68.7	1.7	0.23	NE	Nil	53	282.0	+115%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	C	32.7	0.5	0.30	12	7.9	775	559.3	+942%
HOLD	Smiths City Group	SCY	09/10/06	64	C	52.7	1.6	0.10	12	11.0	44	37.0	+27%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.4	4.70	21	5.5	660	277.3	+681%
BUY	Steel & Tube Holdings	STU	08/08/00	146	C	90.6	1.0	0.35	9	11.2	199	363.6	+285%
Australian Shares (in Aust cents)													
HOLD+	Acrux Limited	ACR	12/05/14	99	C	166.5	2.3	1.22	4	Nil	18	14.0	-68%
HOLD+	AJ Lucas Group	AJL	13/05/03	107*	C	737.0	1.8	1.66	NE	Nil	34	36.4	-34%
HOLD	ALS Limited	ALQ	12/10/99	72*	A	490.4	0.5	3.25	37	1.6	820	303.9	+1461%
HOLD	AtCor Medical Ltd	ACG	11/11/13	15	D	280.4	7.7	1.21	NE	Nil	2	Nil	-85%
HOLD+	Atlas Pearls & Perfume	ATP	14/05/96	73	C	422.9	7.7	0.57	10	Nil	2	17.5	-73%
HOLD+	Brickworks Ltd	BKW	12/11/12	1115	A	149.4	0.3	2.83	12	3.2	1598	227.5	+64%
HOLD	Clarius Group Ltd	CND	08/04/03	82*	D	89.6	4.5	0.03	NE	Nil	6	70.5	-7%
HOLD	CPT Global Ltd	CGO	10/03/08	88	D	37.3	2.7	0.19	NE	Nil	14	19.0	-63%
HOLD	CSG Limited	CSV	11/10/10	175	B	338.6	1.7	0.48	11	Nil	37	64.0	-43%
HOLD+	Cynata Thera.	CYP	13/03/17	50	C	90.1	1.0	NA	NE	Nil	137	Nil	+174%
HOLD+	Ellex Medical Lasers	ELX	14/03/06	49	D	121.1	1.5	1.26	NE	Nil	75	Nil	+52%
BUY	Fastbrick Robotics	FBR	07/07/17	14	C	1061.1	2.5	NA	NE	Nil	19	Nil	+36%
HOLD	Fiducian Group	FID	11/02/08	260	B	31.3	0.6	3.33	18	3.7	430	85.8	+98%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	231.4	1.0	1.80	20	6.3	96	68.5	+55%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	A	422.0	0.5	4.68	53	2.6	1205	272.0	+214%
HOLD	Integrated Research	IRI	14/01/08	40	B	171.7	0.4	7.15	36	1.7	382	52.5	+986%
HOLD	McMillan Shakespeare	MMS	07/11/16	1041	A	83.2	0.4	2.90	17	3.7	1790	99.0	+81%
HOLD-	Melbourne IT	MLB	10/02/04	53	A	118.5	0.6	2.09	30	3.1	352	218.0	+975%
HOLD	Michael Hill Int'l Ltd	MHJ	11/06/91	4*	B	387.4	1.1	0.63	13	5.3	95	67.3	+3958%
HOLD+	Mt Gibson Iron	MGX	10/11/14	44	B	1096.6	2.0	2.80	19	4.5	45	2.0	+6%
HOLD	Onterran Ltd	OTR	16/08/10	103*	C	57.5	1.9	0.07	NE	Nil	32	Nil	-69%
HOLD+	Opthea Limited	OPT	10/02/04	188	E	200.6	1.9	NA	NE	Nil	50	65.0	-39%
BUY	OZ Minerals	OZL	14/03/16	522	A	298.7	0.4	3.02	13	1.9	1033	40.0	+106%
HOLD+	Prophecy International	PRO	08/09/08	26	D	64.0	1.3	4.01	NE	Nil	58	24.0	+213%
HOLD	Reckon Limited	RKN	08/08/16	141	B	113.3	0.8	2.86	63	2.4	124	5.0	+6%
BUY	Silver Chef Ltd	SIV	13/11/17	740	B	39.0	0.5	0.48	7	10.7	354	10.0	-51%
HOLD	Technology One Ltd	TNE	11/11/03	44	A	315.5	0.5	5.76	35	1.6	499	80.1	+1216%
HOLD	The Reject Shop Ltd	TRS	11/01/05	257	A	28.9	0.5	0.24	15	3.7	657	510.5	+354%
BUY	Village Roadshow	VRL	10/08/09	77	B	161.8	0.7	0.36	16	Nil	229	308.0	+597%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +347.8%. This is equal to an average annual rate of +30.7%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 35 current and 168 closed out) is +31.0%, compared with a market gain of +3.9% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

(1) Reckon Lyd includes 1/3 share of GetBusy (GETB) worth 35 pence (62.8 Aust cents).

Recommended Investments

(Continued from Page 3)

Cynata Therapeutics is filing a patent application with **IP Australia** covering the use of its *Cymerus* stem cells in “the treatment of adverse reactions associated with Chimeric Antigen Receptor T-cell (CAR-T) immunotherapy”.

Initial studies in mouse models suggest that *Cymerus* stem cells “may play an important role in managing the toxic side effects of CAR-T therapy”. CAR-T therapies have “demonstrated impressive responses” with some advanced cancers but “potentially fatal and unpredictable adverse reactions severely limit” the use of this treatment.

The **European Patent Office** has issued a *Notice of Allowance* which indicates it will issue a patent covering the *Cymerus* stem cell manufacturing technology. This is expected to be issued in September and run until March 2031, providing additional patent protection.

Cynata Therapeutics



Ellex Medical Lasers reports strong growth in *iTrack* sales for the nine months to 31 March. US sales rose 55% to 4,537 units, with revenues up 57% to US\$3.76 million. Asian (i.e. mainly China) sales volumes rose 56% to 1,050 with revenues up 55% at US\$0.50 million. Sales to the rest of the world were 3% higher at 3,441 lifting revenues 11% to US\$1.80 million.

In total, volumes rose 30% to 9,028 and revenues 40% to US\$6.07 million.

Monthly sales reach “new record levels” as new customers are recruited and existing customers re-order. Sales growth is “expected to increase” in the current quarter following the addition of three new sales representatives, taking the number to 14.

The Stage II production capacity expansion for *iTrack* was completed in March and is currently undergoing “verification and validation procedures”.

The company also reports strong growth of *Ellex Tango* lasers (which are also used to treat glaucoma), with revenues for the nine months to 31 March 2018 up 38% to US\$16.2 million.

Ellex Medical Lasers



Fastbrick Robotics has completed a *Global Market Study* which indicates that worldwide it would require 140-150,000 *Hadrian X* robots to complete all low rise brick buildings based upon current levels of construction. This is a huge potential market and the company will seek to target 2% of this market over the next five years.

That would require building around 3000 *Hadrian X* robots, or about 600 annually.

Fastbrick Robotics



Finbar Group predicts a net profit to June 2018 of “approximately \$12 million”. That is after the \$2.4 million mark-to-market investment property value write-down . . . so *trading* profits will be up about 30% to \$14.4 million (6 cents per share). That is still a depressed level of profitability and the company should perform significantly better as market conditions improve.

Finbar Group



Iluka Resources' March 2018 production was down 16.7% to 280.5 thousand tonnes. Sales rose 0.7% to 204.5 thousand tonnes but, owing to high sales prices, revenues rose 20.9% to \$264.1 million.

Production from Sierra Leone was lower owing to both planned and unplanned maintenance and the planned (and temporary) mining of lower grade ore.

The company is proceeding with plans to double production at the *Gangama* and *Lanti* mines in Sierra Leone. Procurement is underway, fabrication construction is planned to start in mid-2018 with increased production from the first half of 2019.

The mineral separation plant will also be upgraded in two stages. The upgrade of the feed preparation plant is underway, while the upgrade of the dry mill is the subject of a pre-feasibility study.

The development of the *Sembehun* deposits, 20-30km north-west of the existing *Sierra Rutile* operations has been deferred one year owing to operational improvements in the existing businesses and to focus upon the other expansion projects. A definitive feasibility study is underway and production (subject to board approval to proceed) is likely from 2021.

Iluka Resources



Mt Gibson Iron has significantly upgraded the economics of its *Koolan Island* project. Extending the main pit to the east will increase ore reserves 64% to 21.0 million tonnes, extend the mine life 43% to five years and increase the pre-tax net present value of this project by 137% to \$252 million (23 cents per share) or more (see below).

The peak cash investment in the project will increase 21% to \$175 million to purchase one additional excavator and four additional trucks to provide access to the ore.

This project is also sensitive to the price of high grade iron ore. The feasibility study costings were based on a 62%Fe CFR price of US\$55/tonne plus a 4-10% premium for *Koolan Island's* high grade 65.5%Fe.

The current 62%Fe spot price is around US\$65/tonne plus a further 21% premium for high grade ore. Based on this price the pre-tax net present value of this project increases from the \$252 million quoted above to \$536 million (49 cents per share).

First ore sales are on track for the March 2019 quarter.

Mt Gibson Iron



Melbourne IT plans to change its name to **Arq Group**. What can we say? Who thinks up these names? Apparently the company “put a great deal of time, energy and thought into developing” this name. “Arq” is a “deliberately playful and quirky” mis-spelling of “arc”, a “curve that connects businesses to their customers” - but presumably not by the most efficient and shortest route which would be a straight line.

Melbourne IT



OZ Minerals has awarded “an alliance style contract” for underground mining services at *Carrapateena* to **Downer EDI**. This will run for 6½ years and is worth around \$660 million.

The *Prominent Hill* open pit has now closed as planned. Underground production will increase following the completion of a third decline (i.e. tunnel access) this quarter and construction of a fourth haulage decline, exiting into the lower pit, will begin soon with completion in the September quarter. These will allow increased mining volumes.

Cash on hand at the end of March was \$646 million (216 cents per share), after \$65 million capital expenditure on *Carrapateena* over the quarter and \$42 million on dividends.

Ore inventories increased \$23 million to \$699 million (234 cents per share) and the company will start to process these stockpiles in the near future - boosting net operating cash surpluses over the next several years.

The takeover offer for **Avanco Resources** has been extended until 1 June (and can be further extended). The takeover will almost certainly be successful, but remains conditional on receiving 50.1% acceptances. OZ Minerals currently has 35.57% acceptances.

(Continued on Page 6)

Recommended Investments

(Continued from Page 5)

OZ Minerals



Reckon Ltd reports that both the **Australian Competition and Consumer Commission** and the **New Zealand Commerce Commission** have extended their review of the proposed A\$180 million sale of its Accountant Group business. Both decisions are now expected on 21 June.

Reckon Ltd



Silver Chef reports that new business for its *Silver Chef* hospitality division grew 10% during the March 2018 quarter, compared with the same quarter a year earlier. The percentage of contracts “in arrears” is, however, still higher than normal.

The first \$10 million drawdown against the securitisation facility was made on 5 April. This facility will replace bank debt with a “cheaper cost of funds” as well as “additional capacity” to finance future growth without the need for additional equity.

Pre-tax profits to June 2018 (before restructuring expenses) will be down 15-30% at \$20-24 million. That is equal to earnings per share of 36-44 cents.

The directors are also “confident the business transformation will deliver return on equity at historical levels of 20-25% in coming years”. Shareholders Equity is \$143 million (367 cents per share) which indicates future net profits of \$29-36 million (74-92 cents per share).

At 354 cents, Silver Chef shares trade at a current year Price/Earnings ratio of about 8-10 and a future

Price/Earnings ratio of only 4-5.

Furthermore, a very profitable business - able to earn 20-25% on Shareholders Equity - should normally trade at a 100-200% *premium* to net asset value. That would give a share value around 670-1100 cents.

Silver Chef shares are severely depressed owing to the *market's* uncertainty over the current transformation (i.e. running down the less profitable *GoGetta* business to focus upon the more profitable *Silver Chef* business). The most knowledgeable investors, the directors, have made 10 *insider* buys on-market over the last few months.

“Buy” (and “back up the truck” to purchase a large position in this company) for a high current income, recovery and long term capital appreciation.

Silver Chef



Village Roadshow reports “continued challenging trading conditions” for its two largest divisions, *Theme Parks* and *Cinema Exhibition*. The *Film Distribution* business realised losses on minimum guarantees.

Overall the company now expects an after tax result excluding material items (i.e. gains on asset sales) for the year to June 2018 between a *loss* of \$10 million and a breakeven. That could still result in a net operating cash surplus of \$30-70 million (19-43 cents per share) from these businesses!

These also remain sound businesses that should be capable of earning significant profits and net operating cash flows in the future. At 229 cents the shares must be close to fully discounting all possible future “bad news” and near their ultimate low.

Village Roadshow



Australia Plans Corporate Tax Rate Cuts

(but tax policy is still “illogical”)

The Australian government plans to progressively reduce the corporate tax rate from 30.0% to 25.0% by June 2027.

This will take place in two stages. The **Australian Tax Office** is listing both stages as the future corporate tax rates although legislation for the second stage has yet to be approved by parliament and the senate. A recent attempt to seek that approval was defeated by two votes.

Under the first stage (which has been approved) the tax rate for a “base rate entity” (BRE) will drop from 30.0% to 27.5% for the current tax year to June 2018 through to June 2024 with the tax rate for BREs then falling to 27.0% in 2025, 26.0% in 2026 and 25.0% in 2027 and thereafter.

A BRE is currently defined as a corporate entity with a turnover (i.e. revenues) of \$25 million or less. These smaller companies will pay 27.5% corporate income tax this year and see that rate eventually drop to 25.0% over the next nine years. Franking credits attached to dividends will also reduce to match the corresponding annual corporate tax rate.

Under current legislation the definition of a BRE will change to turnover under \$50 million for the June 2019 tax year, expanding the tax cuts to a wider range of smaller companies.

The second stage of the proposed corporate tax reduction is to further increase the turnover level of a BRE to eventually include all Australian companies.

It is proposed (subject to approval by parliament and the senate) to raise the BRE turnover threshold to \$100 million for the June 2020 tax year, \$250 million from 2021, \$500 million from 2022, \$1000 million from 2023 and for all companies to be on the 27.5% tax rate for the June 2024 tax year.

All companies would then be BREs and see their tax rate fall to 27.0% in 2025, 26.0% in 2026 and 25.0% in 2027.

“Illogical” Tax Policy

The Australian government also proposes to lower personal income tax rates from the June 2024 tax year with the removal of the current 37.0% rate. That would see personal income tax rates of: 0% on the first \$18,200 then 19.0% on the balance up to \$41,000 then 32.5% on the balance up to \$200,000 and 45.0% on amounts over \$200,000.

There is, of course, something very illogical about setting the corporate tax rate lower than the most common personal tax rates. At present the Australian corporate tax rate is 30.0% (or 27.5% for small BREs) while most resident shareholders are on 32.5% (i.e. \$37,000 to \$87,000 of income) or 37.0% (i.e. \$87,001 to \$180,000) and some on 45.0% (i.e. over \$180,000) personal income tax rates.

The lower corporate tax rate therefore benefits foreign shareholders and foreign owned companies who pay only 30.0% (or 27.5% or eventually just 25.0%) corporate tax, compared to local shareholders who pay a total of 32.5-45.0% - some paid at the corporate tax rate by the company and some paid at the personal tax rates by the shareholder on dividends.

This tax policy simply encourages foreign ownership of local businesses. Owing to the lower income taxes, an Australian company is worth at least 10-36% more to a foreign owner than to an Australian resident shareholder (and the difference is even greater when we factor in the capital gains taxes on local shareholders). A foreign shareholder will benefit fully from cutting the corporate tax rate from 30.0% to 25.0%, while a resident shareholder will receive no net benefit if their marginal personal tax rate remains at 32.5% (i.e. the *reduction* in corporate taxes will simply reduce franking credits and result in an equal *increase* in tax payable at the personal level on dividends).

Company Analysis: K2 Asset Management

K2 Asset Management (code KAM)

Asset management can be an attractive business for investors, although profitability can be volatile as revenues from “base fees” are a percentage of funds under management and fluctuate with market values while operating expenses are relatively fixed. Stockmarket uptrends also tend to drive an inflow of assets (i.e. lifting revenues and boosting profits), while stockmarket declines usually result in an outflow of assets (i.e. lowering revenues and cutting profits).

K2 Asset Management has a business model which is *significantly more volatile*, as it can potentially earn large “performance fees” when share prices rise. This makes the business extremely volatile and can result in extreme fluctuations in its own share price.

This is the main investment characteristic of this business. Investors can potentially exploit this situation by buying K2 Asset Management shares when the stockmarket is depressed and/or the business is not performing well and the share price is at historical lows.

Company History

The business was established in 1999 and listed on the Australian stockmarket in 2007 as an Initial Public Offering (IPO) at 105 cents to raise \$20.4 million. The existing directors and management retained 91% of the business.

Funds under Management (FUM) at the time of the IPO were \$0.61 billion. A major reason for the IPO was to raise the company’s profile and boost inflows to its managed funds (on which it could earn higher base fees and additional performance fees). Ten years later FUM now are only \$0.43 billion, down 30% . . . so clearly things have not worked out as management intended. The shares are down 86% from the IPO price of 105 cents to 14½ cents.

So what went wrong? A number of things:

Firstly, all “active” asset management businesses have been facing increased competition from low-fee “index” funds. Even in the “active” management business K2 Asset Management had a high fee structure, in some cases a 2% base fee and 20% profit share, so K2 Asset Management has suffered more than most from this shift from “high fee” to “low fee” funds! Owing to its high fees many third parties stopped promoting K2 Asset Management’s funds and eventually, in response to these competitive pressures, the company reduced both its base and performance fees from July 2017.

So FUM (on which the company earns its fees) peaked at \$0.95 billion in 2011 and have since fallen 55% to \$0.42 billion. Now the fee rates have been reduced - which will cut revenues and profits further but *may* allow the company to grow FUM and rebuild the business over the medium to long term.

Secondly, at the time of its IPO, K2 Asset Management had a successful track record, but was only eight years old. That success (1) resulted in rapid growth in its existing FUM (and the resulting annual fee income), (2) attracted high inflows (boosting FUM and fees!) and (3)

allowed it to charge a high fee structure - including high performance fees. That in turn allowed the company to be valued in the IPO at a high \$225 million valuation - equal to about 33% of its FUM.

The average ratio of market capitalisation to FUM for the asset management industry is about 2½%, although, of course, this varies depending upon a number of factors. The ratio can reflect the level of base fees (i.e. higher for Private Equity and share funds, lower for “index” or fixed interest funds), and will be higher for companies which have the potential to earn performance fees. Some asset managers hold significant cash and investments (i.e. often equal to 25-40% of their market capitalisation, sometimes almost as high as 100%), while others can be burdened with interest bearing liabilities. So the ratio of market capitalisation to FUM is usually around 0-10%, but a ratio of 15-20% may be realistic in some situations. At the time of its IPO, we clearly considered K2 Asset Management’s 33% ratio to be too high and unsustainable. That ratio is now a more acceptable 8%.

Share Price Volatility

The shares listed at 112 cents in late 2007, slightly above their 105 cents IPO price, and quickly dropped 91% to a low of 9.3 cents in February 2009. Then rose 1180% to a high of 119 cents in February 2011, before plunging 80% to 24 cents in June 2012. The shares then rose 271% to 89 cents in August 2015 and have since fallen 86% to a recent low of 12.5 cents.

These large swings in value anticipate future swings in revenues, profits and dividends. For example the February 2009 low of 9.3 cents was six months *ahead* of the August 2009 announcement of the low profit and no dividend for the June 2009 year. Once the “bad” result was announced, the shares had *already* recovered 373% to 44 cents! The June 2012 low of 24 cents was hit two months before the announcement of a loss and low dividend in August 2012, by which time the shares were again back in an uptrend!

The annual performance of this extremely volatile business is probably impossible to predict, but we should be able to make *some* assessment of its value throughout a full boom/bust cycle and benefit from the extreme share price volatility by buying shares when the business looks depressed and the share price is near cyclical lows.

Investment Criteria

Price/Sales ratios, Price/Earnings ratios and Dividend Yields are probably not a good measure of valuation in this extremely volatile business. If the P/E ratio is low and the Dividend Yield is high, this is probably not an indication of a low share price but of cyclically high profits and dividends.

A high P/E and low Yield probably do not show a high share price but cyclically low profits and dividends.

With this extremely volatile business and share price the best investment strategy could be to take a counter-cyclical, “contrary opinion” view and consider buying shares when the business looks “hopeless” and the

Financial Years to June 2008-2017 and latest half year.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018H
Base Fees *	} \$13.7m	\$9.4m	\$16.8m	\$41.5m	\$13.0m	\$11.0m	\$12.9m	\$12.8	\$12.2m	\$9.3m	\$3.0m
Performance Fees *					\$0.1m	\$24.3m	\$27.7m	\$31.9m	\$1.1m	\$7.3m	\$7.6m
Net Profit	\$5.0m	\$2.1m	\$14.8m	\$15.5m	<\$1.7m>	\$13.2m	\$16.4m	\$18.9m	\$3.8m	\$6.1m	\$5.2m
Earnings per share	2.32c	0.96c	6.52c	6.73c	<0.72c>	5.66c	7.04c	8.1c	1.64c	2.59c	2.17c
Dividends per share	2.15c	-	4.50c	7.30c	1.00c	5.00c	8.00c	8.50c	1.50c	2.25c	0.50c
FUM	\$0.59b	\$0.62b	\$0.84b	\$0.95b	\$0.76b	\$0.74b	\$0.86b	\$0.85b	\$0.69b	\$0.51b	\$0.46b

* Performance fees not disclosed before 2013 (with data also for 2012). Total fees are shown for 2008-2011.

K2 Asset Management

shares appear to have no value. We would later consider selling when the business looks like a super growth company and the shares look cheap (i.e. at or near their cyclical peak).

So, today, does the business look “hopeless” enough to drive the shares to an extreme of under-valuation?

Perhaps. As you can see from the financial summary at the top of this page, FUM have fallen over recent years, resulting in a drop in base fees for 2017. FUM have fallen again this year and since July 2017 fees have been reduced. The company cut the base fee on its **K2 Australian Absolute Return Fund** from 1.50% to 1.28% (i.e. down 15%), the **K2 Select International Absolute Return Fund** from 1.50% to 1.33% (i.e. 11%) and the much smaller **K2 Australian Small Cap Fund** from 2.00% to 1.28% (i.e. 36%). The performance fees were also cut from 20% of any gains (after making up past losses) to 15% of gains above a “hurdle rate” of 6%.

We estimate base fees will now be about \$6 million per annum, with operating expenses likely to be around \$5-7 million. That is an approximate break-even before performance fees.

Performance fees have likely been cut 50-70% from historical rates (and will also be lower with the reduced FUM). For example, on a 10% gain, the old performance fee would be 2.0% while the new fee would be 0.6% (i.e. down 70%). On a 20% gain the performance fee falls from 4.0% to 2.1% (i.e. down 48%).

There are no fixed costs to deduct from the performance fees, although K2 Asset Management does share these with staff as bonuses or incentives. The formula for this incentive share is not disclosed and probably complex, but we estimate that about 20% of the performance fees are distributed to staff as incentives.

So a 50-70% drop in the performance fee rate *and* the 50% drop in FUM over recent years should reduce performance fees from historical levels of zero to \$30 million annually to around zero to \$5-8 million (and contributing up to \$3-5 million to after tax net profits).

Future revenues and profits will clearly be lower, with the resulting investor pessimism driving the shares

to recent new lows.

For the half year to 31 December 2017, base fees were \$3.0 million and performance fees \$7.6 million, with a net profit of \$5,219,743 (2.17 cents per share) and a 75.0% lower interim dividend of 0.5 cents.

Net investment *outflows* in April hit a very high \$19.2 million (4.4% of FUM which is now \$425.2 million), although partially offset by positive investment performance which added \$6.0 million.

At 14½ cents, the market capitalisation is \$34.8 million. The market capitalisation to FUM ratio is 8%. That is significantly better than the 33% at its IPO. It is higher than many other asset managers, but perhaps justified owing to high base fees on actively managed equity funds, plus the potential for performance fee revenues.

At 31 December 2017, the balance sheet included cash and receivables of \$19.4 million. Deducting Trade payables (\$1.7 million), current tax payable (\$1.9 million), provision for employee benefits (\$1.6 million) and the \$1.2 million (0.5 cent per share) since paid as a dividend gives about \$12.9 million (5.4 cents per share) in net cash (i.e. equal to almost 40% of the share value). There are no other significant liabilities.

Summary and Recommendation

This asset management business has failed to grow its FUM over the last decade, with a strong outflow over recent years which will reduce future revenues and profits. High base and performance fees have also been cut, further reducing future revenues and profits. But these lower fees may allow management to rebuild the company and grow FUM over future years.

Historically the shares have been extremely volatile, but those fluctuations in price *anticipate* the volatility in the business performance. Buying when the shares are “almost worthless” and the business outlook is “hopeless” could be a good strategy for this particular company.

Therefore (while we are not formally recommending K2 Asset Management) higher risk investors could consider a small investment in these shares at current prices and on any weakness in the near future.

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

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

Company	STRENGTH RATING											Market Cap'n	Company	STRENGTH RATING											Market Cap'n		
	Share Price	Current Price	4-Wk Chg.	Rank	Buy/Sell	Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio			Dividend Yield	Price/Sales Ratio	Share Price	Current Price	4-Wk Chg.	Rank	Buy/Sell	Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity		Volatility	Price/Earn. Ratio
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0														SeaDragon Ltd													
Col Motor Co	775	+0.7	+0.1	31	1-0	-	1.4	12	0.5	12	7.9	0.30	253	Arvida Group	123	-2.5	-1.2	72	0-0	2	1.1	14	0.7	8	1.3	4.05	411
Ebos Group Ltd	1788	+0.2	-0.8	37	0-1	6	2.4	12	0.7	20	4.9	0.36	2,716	Augusta Capital	105	-0.2	-0.4	50	0-0	2	1.1	9	0.5	12	5.2	3.94	92
PGG Wrightsons	66	+3.6	+1.5	20	0-0	2	1.7	16	1.5	11	7.9	0.44	498	NZ Exchange Ltd	110	-2.7	-0.3	73	4-0	3	4.2	21	0.6	20	7.7	3.92	295
Seeka Kiwifruit	701	+8.1	-0.4	10	0-0	-	1.2	6	0.6	21	4.4	0.66	123	Blis Technology	2	-17.0	+1.5	93	2-0	-	4.7	-	4.2	NE	Nil	3.33	19
Air New Zealand	338	+3.0	+2.3	21	1-7	7	1.9	19	0.8	10	8.6	0.74	3,795	Tilt Renewables	185	-5.0	+0.1	80	0-0	-	1.1	3	0.5	35	5.0	3.32	579
Horizon Energy	435	+0.0	-0.0	43	0-0	-	1.6	6	0.5	27	4.5	0.97	109	Sky City Ltd	392	-0.8	-0.3	54	2-0	10	2.4	4	0.4	58	7.1	2.82	2,616
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0														Vector Ltd													
TeamTalk Ltd	90	+7.2	-3.6	12	2-0	-	1.0	21	1.0	5	Nil	0.75	26	Mercury NZ	318	-2.4	-0.9	71	2-0	7	1.3	6	0.5	24	6.4	2.74	4,381
PGG Wrightsons	66	+3.6	+1.5	20	0-0	2	1.7	16	1.2	11	7.9	0.44	498	NZ Oil & Gas	61	-5.5	-1.6	81	0-1	-	0.7	-	0.8	NE	9.2	2.74	102
Air New Zealand	338	+3.0	+2.3	21	1-7	7	1.9	19	0.7	10	8.6	0.74	3,795	Moa Group Ltd	51	-1.0	+0.3	57	3-0	-	3.6	-	1.0	NE	Nil	2.67	27
Col Motor Co	775	+0.7	+0.1	31	1-0	-	1.4	12	0.4	12	7.9	0.30	253	Freightways Ltd	765	-0.9	-0.3	56	2-1	6	5.0	26	0.5	19	5.0	2.17	1,185
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million														Convita													
Metro Per Glass	86	-12.9	+1.9	91	6-0	5	1.1	14	0.8	8	12.3	0.85	159	Vital Health PT	204	-58.3	+0.0	98	0-1	3	1.0	25	0.4	4	4.2	9.52	874
Steel & Tube	199	-3.5	-0.9	76	3-0	4	0.9	9	0.7	9	11.2	0.35	180	GeoOP Ltd	25	-20.3	+1.4	95	0-0	-	1.0	-	1.3	NE	Nil	1.70	9
Warehouse Group	204	-2.1	+0.4	67	0-0	6	1.4	15	0.5	9	10.9	0.24	703	Orion Health.	68	-18.4	-1.2	94	0-0	2	3.8	-	1.0	NE	Nil	0.54	108
Evolve Educat.	65	-19.1	-3.1	94	0-2	1	0.7	9	0.8	7	10.7	0.76	116	Blis Technology	2	-17.0	+1.5	93	2-0	-	4.7	-	3.8	NE	Nil	3.33	19
NZ Refining Co	244	-3.5	-0.6	77	0-0	3	1.0	10	0.5	10	10.2	1.85	763	Burger Fuel	72	-14.7	-0.6	92	0-0	-	3.1	7	0.9	48	Nil	1.93	43
Genesis Energy	241	-2.3	-1.2	70	1-0	7	1.2	6	0.7	20	9.6	1.23	2,409	Mercer Group	29	-12.1	-7.9	90	0-0	-	1.8	-	1.2	NE	Nil	0.63	17
Hallenstein G.	460	+17.0	-1.5	5	0-0	2	4.6	30	0.7	16	9.5	1.13	271	WN Drive Tech.	14	-10.4	-2.7	86	0-1	-	13.8	-	1.9	NE	Nil	1.08	38
Sky Network TV	221	-11.5	-2.9	89	3-0	7	0.6	9	0.6	7	9.4	0.96	860	Green Cross H.	155	-10.2	-2.8	86	1-0	-	2.0	18	0.6	11	3.1	0.44	216
Tegel Group	113	-12.1	+2.4	89	0-0	4	0.8	7	0.8	12	9.3	0.66	402	SeaDragon Ltd	0	-7.5	-2.0	84	0-0	-	1.1	-	7.9	NE	Nil	4.21	18
NZ Oil & Gas	61	-5.5	-1.6	81	0-1	-	0.7	-	0.9	NE	9.2	2.74	102	Pac Edge Bio.	33	-6.7	-2.3	83	0-0	2	6.3	-	1.3	NE	Nil	N/A	132
INSIDER BUYING: Most Insider Buying, Relative Strength > 0														Rakon Ltd													
Skellerup Hold.	188	+1.9	-0.7	25	13-0	3	2.3	14	0.6	16	5.1	1.72	362	Tilt Renewables	185	-5.0	+0.1	80	0-0	-	1.1	3	0.5	35	5.0	3.32	579
Tower Limited	84	+0.3	+5.3	36	5-0	2	0.7	-	0.8	NE	Nil	0.46	142	Convita	715	-4.6	-6.1	80	7-3	1	1.9	6	0.5	32	0.4	2.03	317
Port Tauranga	525	+3.0	-1.5	22	4-0	6	3.8	9	0.4	43	3.0	N/A	3,572	Abano Health.	880	-4.3	-2.4	79	4-0	2	1.6	9	0.3	17	5.7	0.81	189
A2 Milk Company	1296	+44.4	-0.9	0	8-4	8	69.3	23	0.7	303	Nil	N/A	9,228	Fonterra S/H Fd	575	-4.3	-1.6	78	4-0	5	1.3	10	0.3	13	7.0	0.48	9,240
Restaurant Brds	764	+3.6	-1.6	20	2-0	4	4.9	14	0.4	36	4.2	1.81	939	T&G Global	312	-3.6	-0.5	78	0-0	-	1.1	9	0.4	13	5.3	0.44	382
Meridian Energy	296	+0.2	+0.7	39	2-0	7	1.5	4	0.6	38	7.7	3.27	7,583	Z Energy Ltd	750	-3.2	+0.5	75	0-1	7	3.9	23	0.5	17	5.4	0.79	3,000
Cavalier Corp	53	+19.9	+1.0	4	2-0	-	0.5	-	1.1	NE	Nil	0.23	36	Trade-Me Ltd	478	-2.7	+1.2	74	0-1	7	2.6	13	0.5	20	5.4	8.08	1,898
TeamTalk Ltd	90	+7.2	-3.6	12	2-0	-	1.0	21	0.8	5	Nil	0.75	26	Allied Farmers	9	-2.6	-7.0	72	0-0	-	13.4	-	1.9	6	Nil	0.80	14
NZ King Salmon	237	+4.7	-0.4	16	2-0	2	2.1	14	0.7	14	1.2	2.40	327	Arvida Group	123	-2.5	-1.2	72	0-0	2	1.1	14	0.7	8	1.3	4.05	411
Briscoe Group	343	+0.0	+0.2	41	3-1	3	3.7	29	0.6	13	7.3	1.29	754	INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0														Evolve Educat.													
Vital Health PT	204	-58.3	+0.0	98	0-1	3	1.0	25	0.4	4	4.2	9.52	874	Spark NZ Ltd	354	-3.3	+0.4	75	5-7	10	3.9	25	0.4	16	8.6	1.80	6,488
Trade-Me Ltd	478	-2.7	+1.2	74	0-1	7	2.6	13	0.5	20	5.4	8.08	1,898	NZ Oil & Gas	61	-5.5	-1.6	81	0-1	-	0.7	-	0.7	NE	9.2	2.74	102
Argosy Property	102	-2.1	-0.6	67	2-0	6	1.0	10	0.6	10	5.9	7.94	825	Z Energy Ltd	750	-3.2	+0.5	75	0-1	7	3.9	23	0.5	17	5.4	0.79	3,000
Kiwi Property	137	-1.3	-0.1	59	0-1	7	1.0	8	0.5	12	4.9	7.45	1,774	Trade-Me Ltd	478	-2.7	+1.2	74	0-1	7	2.6	13	0.5	20	5.4	8.08	1,898
NZ Windfarms	12	-2.3	-8.3	68	0-0	-	0.6	-	1.4	NE	Nil	5.97	36	Vital Health PT	204	-58.3	+0.0	98	0-1	3	1.0	25	0.4	4	4.2	9.52	874
NPT Limited	59	-1.0	-0.6	56	0-0	2	0.8	3	0.7	31	6.1	5.33	96	Kiwi Property	137	-1.3	-0.1	59	0-1	7	1.0	8	0.4	12	4.9	7.45	1,774
														WN Drive Tech.													
														14 -10.4 -2.7 86 0-1 -13.8 -1.9 NE Nil 1.08 38													

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 P/E	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 P/E	ROE	Volatility	P/E Ratio	Div Yield	P/S Ratio	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0														INCOME SHARES: Highest Yields, Capitalisation > A\$250 million															
ERM Power Ltd	173	+15.8	+0.7	10	0-0	3	0.0	0.9	-	0.8	NE	4.3	0.14	444	Homeloans Ltd	53	+8.9	-5.2	18	5-3	-	0.0	1.8	13	0.9	13	2.8	0.75	212
Capral Limited	15	+3.4	-2.7	28	1-0	-	-	0.6	10	2.1	6	8.3	0.16	72	Academies Aust.	42	+8.8	-5.2	18	6-0	-	-	41.5	-	0.8	18	1.2	0.90	53
Ruralco Hold.	304	+1.3	-1.0	33	5-0	3	-	3.9	28	0.5	14	3.3	0.17	318	Metcash Ltd	343	+8.1	+0.2	19	1-2	11	7.6	6.9	47	0.4	15	Nil	0.24	3,346
Cellnet Group	38	+8.0	-8.7	19	0-0	-	-	1.3	14	1.4	10	3.3	0.24	20	Cellnet Group	38	+8.0	-8.7	19	0-0	-	-	1.3	14	1.0	10	3.3	0.24	20
The Reject Shop	657	+18.8	-2.4	8	1-0	4	0.2	1.4	9	0.5	15	3.7	0.24	190	Millennium Min.	19	+7.4	-5.8	20	0-0	1	-	-	-	1.4	6	Nil	0.99	146
K&S Corporation	181	+1.0	+2.0	34	0-0	-	-	1.1	3	0.7	34	1.9	0.29	221	Regional Exp.	147	+7.2	-3.8	20	1-1	-	-	0.8	6	0.5	13	6.8	0.58	162
Graincorp	774	+1.1	+3.0	34	8-0	9	2.1	1.3	9	0.3	14	3.9	0.39	1,771	Qantas Airways	611	+6.9	+2.6	20	4-0	9	0.1	3.8	30	0.3	13	2.3	0.80	10,473
Dicker Data Ltd	288	+1.9	-1.2	32	7-0	-	-	1.3	14	1.4	10	3.3	0.24	20	Lycopodium Ltd	465	+6.9	-4.3	20	0-2	-	-	3.0	17	0.4	18	3.9	0.85	185
Globe Int'l Ltd	135	+10.4	+3.3	15	0-0	-	-	1.7	15	0.9	11	5.9	0.40	56	CMI Limited	136	+6.8	-1.3	21	3-0	-	-	1.2	8	0.7	15	4.4	0.96	43
A.P. Eagers	875	+4.0	+0.3	26	6-1	5	0.0	3.8	22	0.3	17	4.1	0.41	1,674	LendLease Group	1814	+5.2	+2.7	23	1-0	11	1.3	2.2	16	0.3	14	3.6	0.64	10,559
Spotless Group	114	+0.1	-0.8	38	1-1	1	0.0	-	-	1.0	19	1.2	0.42	1,257	Embelton Ltd	1390	+4.9	-0.1	24	0-0	-	-	2.0	14	0.2	14	3.0	0.67	30
RCR Tomlinson	385	+1.6	+0.2	32	0-1	4	0.4	5.1	24	0.5	21	1.6	0.42	637	A.P. Eagers	875	+4.0	+0.3	26	6-1	5	0.0	3.8	22	0.3	17	4.1	0.41	1,674
Chalmers	380	+8.2	-1.9	19	0-0	-	-	0.9	1	0.5	60	0.9	0.43	29	Capral Limited	15	+3.4	-2.7	28	1-0	-	-	0.6	10	1.5	6	8.3	0.16	72
TransMetro Corp	108	+0.6	-0.2	36	0-0	-	-	1.2	7	0.8	19	4.6	0.44	14	Legend Corp.	24	+3.0	-2.2	29	0-0	-	-	2.6	19	1.4	14	5.1	0.46	51
CTI Logistics	98	+1.5	-3.6	33	0-2	-	-	1.2	10	1.0	12	3.6	0.46	70	Delecta Ltd	0	+2.8	-0.8	29	0-0	-	-	0.2	10	11.5	2	Nil	0.14	3
Legend Corp.	24	+3.0	-2.2	29	0-0	-	-	2.6	19	1.9	14	5.1	0.46	51	Cash Converters	38	+2.6	-1.4	29	1-0	1	0.1	1.4	16	1.1	9	Nil	0.68	185
Austal Limited	175	+0.4	-0.4	37	0-0	3	0.6	-	-	0.7	40	2.3	0.46	612	McPherson's Ltd	140	+2.5	+0.2	30	7-0	1	-	-	-	0.9	12	5.7	0.52	147
Ridley Corp.	136	+0.2	-1.5	37	1-0	5	0.2	2.3	14	0.7	16	2.9	0.49	419	Winka Commerce	55	+2.3	-0.7	31	0-0	-	-	-	-	1.0	2	6.4	0.59	53
Joyce Corp.	149	+0.4	+0.8	37	1-0	-	-	4.3	29	0.8	15	4.4	0.51	41	Sims Metal Mgmt	1654	+2.1	-1.4	31	0-2	8	3.3	1.8	11	0.4	16	2.4	0.64	3,348
McPherson's Ltd	140	+2.5	+0.2	30	7-0	1	-	-	-	1.1	12	5.7	0.52	147	Moelis Aust.	560	+1.9	-3.8	32	0-0	-	0.1	-	-	0.5	5	Nil	0.75	861
Beyond Int'l	75	+1.7	+1.6	32	2-0	-	-	1.3	-	0.9	NE	2.7	0.53	46	Dicker Data Ltd	288	+1.9	-1.2	32	7-0	-	-	-	-	0.5	18	5.4	0.39	462
Ive Group	222	+1.1	+0.1	34	2-0	3	0.0	-	-	0.6	22	6.4	0.53	329	AV Jennings	72	+1.6	-1.3	33	0-0	2	-	0.7	9	0.7	8	7.0	0.68	275
Elders Limited	810	+9.1	-0.1	17	3-1	4	0.5	9.0	-	0.3	8	0.9	0.58	937	CTI Logistics	98	+1.5	-3.6	33	0-2	-	-	1.2	10	0.8	12	3.6	0.46	70
Regional Exp.	147	+7.2	-3.8	20	1-1	-	-	0.8	6	0.7	13	6.8	0.58	162	Tamawood Ltd	398	+1.4	+0.3	33	2-1	-	-	8.7	77	0.4	11	6.8	0.83	102
Downer EDI Ltd	715	+0.1	+1.7	38	0-0	8	2.0	6.0	26	0.4	23	1.7	0.59	4,252	Sunland Group	177	+1.3	+0.0	33	0-0	2	-	0.7	9	0.5	8	5.6	0.70	272
Winka Commerce	55	+2.3	-0.7	31	0-0	-	-	-	1.3	2	6.4	0.59	53	GR Engineering	145	+1.3	-0.1	33	0-0	1	-	4.5	26	0.7	17	3.5	0.93	221	
Inghams Group	384	+2.4	+2.4	30	2-0	9	6.6	6.6	27	0.6	25	3.2	0.60	1,460	Ruralco Hold.	304	+1.3	-1.0	33	5-0	3	-	3.9	28	0.4	14	3.3	0.17	318
Noni B Limited	235	+13.3	+0.3	13	0-0	-	-	-	0.5	58	1.7	0.60	188	Graincorp	774	+1.1	+3.0	34	8-0	9	2.1	1.3	9	0.2	14	3.9	0.39	1,771	
Bisalloy Steel	92	+15.2	-5.0	10	0-0	-	-	1.9	7	0.8	27	2.8	0.63	41	TransMetro Corp	108	+0.6	-0.2	36	0-0	-	-	1.2	7	0.6	19	4.6	0.44	14
LendLease Group	1814	+5.2	+2.7	23	1-0	11	1.3	2.2	16	0.3	14	3.6	0.64	10,559	Joyce Corp.	149	+0.4	+0.8	37	1-0	-	-	4.3	29	0.6	15	4.4	0.51	41
Sims Metal Mgmt	1654	+2.1	-1.4	31	0-2	8	3.3	1.8	11	0.4	16	2.4	0.64	3,348	Ridley Corp.	136	+0.2	-1.5	37	1-0	5	0.2	2.3	14	0.6	16	2.9	0.49	419
Woolworths Grp	2860	+1.4	+0.5	33	4-0	13	4.2	12.4	48	0.3	26	2.9	0.67	37,561	Midway Limited	246	+0.1	-0.4	38	4-0	-	-	2.1	17	0.5	12	7.3	0.88	184
Embelton Ltd	1390	+4.9	-0.1	24	0-0	-	-	2.0	14	0.2	14	3.0	0.67	30	Spotless Group	114	+0.1	-0.8	38	1-1	1	0.0	-	-	0.8	19	1.2	0.42	1,257
AV Jennings	72	+1.6	-1.3	33	0-0	2	-	0.7	9	1.0	8	7.0	0.68	275	Grange Resource	18	+0.1	-2.9	38	1-0	-	0.0	0.6	28	1.6	2	8.3	0.75	208
Sunland Group	177	+1.3	+0.0	33	0-0	2	-	0.7	9	0.7	8	5.6	0.70	272															
Homeloans Ltd	53	+8.9	-5.2	18	5-3	-	0.0	1.8	13	1.3	13	2.8	0.75	212															
Grange Resource	18	+0.1	-2.9	38	1-0	-	0.0	0.6	28	2.2	2	8.3	0.75	208															
Aust Vintage	64	+18.0	+1.1	8	3-0	1	-	0.9	2	1.1	41	1.6	0.78	176															
Qantas Airways	611	+6.9	+2.6	20	4-0	9	0.1	3.8	30	0.4	13	2.3	0.80	10,473															
Tamawood Ltd	398	+1.4	+0.3	33	2-1	-	-	8.7	77	0.5	11	6.8	0.83	102															
Lycopodium Ltd	465	+6.9	-4.3	20	0-2	-	-	3.0	17	0.5	18	3.9	0.85	185															
Schaffer Corp	1319	+17.0	-1.7	9	1-0	-	-	2.5	8	0.4	32	2.0	0.86	185															
Midway Limited	246	+0.1	-0.4	38	4-0	-	-	2.1	17	0.7	12	7.3	0.88	184															
Waterco Ltd	200	+4.4	-2.3	26	0-0	-	-	1.2	6	0.6	21	2.5	0.88	75															
Nufarm Limited	917	+0.6	+3.1	35	1-0	12	5.1	3.7	7	0.5	56	1.1	0.89	3,004															
Academies Aust.	42	+8.8	-5.2	18	6-0	-	-	41.5	-	1.2	18	1.2	0.90	53															
Probiotec Ltd	109	+20.9	-3.5	7	9-1	-	-	-	1.0	25	1.8	0.92	57																
GR Engineering	145	+1.3	-0.1	33	0-0	1	-	4.5	26	0.8	17	3.5	0.93	221															
Bluescope Steel	1771	+9.7	+2.0	16	3-0	8	0.4	2.9	23	0.4	13	0.5	0.93	9,769															
CMI Limited	136	+6.8	-1.3	21	3-0	-	-	1.2	8	0.9	15	4.4	0.96	43															
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0																													
Valmec Limited	35	+22.4	-7.1	6	3-0	-	-	1.8	11	1.7	17	Nil	0.39	29															
Mejority Cap'l	3	+22.0	+2.7	6	0-0	-	-	0.9	32	4.1	3	Nil	1.00	2															
The Reject Shop	657	+18.8	-2.4	8	1-0	4	0.2	1.4	9	0.4	15	3.7	0.24	190															
Questus Ltd	3	+18.4	+9.9	8	0-0	-	-	-	3.7	8	Nil	0.25	3																
Globe Int'l Ltd	135	+10.4	+3.3	15	0-0	-	-	1.7	15	0.7	11	5.9	0.40	56															
Bluescope Steel	1771	+9.7	+2.0	16	3-0	8	0.4	2.9	23	0.4	13	0.5	0.93	9,769															
Doray Minerals	35	+9.6	+0.1	17	0-0	2	0.7	0.9	14	1.3	6	Nil	0.82	154															
Elders Limited	810	+9.1	-0.1	17	3-1	4	0.5	9.0	-	0.2	8	0.9	0.58	937															
Atlas Iron Ltd	3	+9.0	+2.5	17	1-0	1	-	1.1	17	3.8	6	Nil	0.34	297															

(Continued on Page 12)

Company	Share Price	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Short Interest	Price to N/A	ROE	Volatility	P/E Ratio	Div Yield	P/S Ratio	Market Cap'n
		Current	4-Wk Chg.	Rank	0-99										
INSIDER BUYING: Most Insider Buying, Relative Strength > 0															
Central Petrol.	18	+19.4	+14.3	8	11-0	-	-	-	1.3	NE	Nil	3.14	78		
MFF Capital Inv	248	+5.2	-0.7	23	10-0	-	-	1.3	17	0.3	8	0.8	N/A	1,200	
Freedom Foods	564	+7.5	+0.3	20	9-0	1	0.6	5.2	3	0.5151	0.8	4.33	1,376		
Coventry Group	125	+7.8	-2.9	19	9-0	-	-	1.0	-	0.4	NE	Nil	0.28	47	
K2fly Ltd	23	+18.2	-14.3	8	9-0	-	-	7.5	-	1.7	NE	Nil	N/A	11	
Graincorp	774	+1.1	+3.0	34	8-0	9	2.1	1.3	9	0.2	14	3.9	0.39	1,771	
Duxton Water	112	+1.3	+0.8	33	8-0	-	-	1.0	3	0.5	39	2.1	N/A	80	
Pact Group Hold	579	+0.5	+3.2	36	8-0	8	2.7	-	-	0.2	19	4.0	1.18	1,925	
VGI P. Global	220	+0.6	+1.0	35	8-0	-	-	-	-	0.5	NE	Nil	N/A	N/A	
Probiotec Ltd	109	+20.9	-3.5	7	9-1	-	-	-	-	0.7	25	1.8	0.92	57	
Euroz Limited	118	+1.0	+0.7	34	7-0	-	-	-	-	0.5	10	6.1	2.99	185	
Dicker Data Ltd	288	+1.9	-1.2	32	7-0	-	-	-	-	0.4	18	5.4	0.39	462	
McPherson's Ltd	140	+2.5	+0.2	30	7-0	1	-	-	-	0.8	12	5.7	0.52	147	
Tyranna Res.	2	+5.9	-3.4	22	7-0	-	-	-	-	3.7	NE	Nil	N/A	14	
Nine Entertain.	238	+30.1	+4.8	4	7-0	8	3.0	3.4	-	0.5	NE	4.0	1.67	2,074	
Blackwall Prop.	139	+1.7	-0.2	32	9-2	-	-	1.0	18	0.3	5	7.9	8.42	93	
Academies Aust.	42	+8.8	-5.2	18	6-0	-	-	41.5	-	0.6	18	1.2	0.90	53	
EVZ Ltd	3	+20.7	-1.1	7	6-0	-	-	-	-	2.8	NE	Nil	0.42	22	
Aust Dairy Farm	21	+20.7	+13.9	7	6-0	-	-	1.7	-	1.1	NE	Nil	1.72	41	
Webjet NL	1179	+4.1	+2.6	26	6-0	6	8.2	15.1	69	0.4	22	1.3	5.81	1,401	
Infomedia Ltd	88	+4.5	+0.3	25	6-0	3	0.0	29.3	-	0.6	23	3.3	3.87	274	
Polynovo Ltd	52	+15.3	-8.1	10	6-0	1	-	25.8	-	0.7	NE	Nil	N/A	292	
Boadicea Res.	23	+14.2	-5.6	11	6-0	-	-	-	-	1.2	NE	Nil	N/A	11	
Trustees Aust.	18	+2.1	+1.1	31	7-1	-	-	0.9	-	0.9	NE	Nil	0.45	1	
ALS Limited	820	+2.7	+3.7	29	7-1	11	1.3	20.5	56	0.3	37	1.6	3.25	4,022	
OZ Minerals Ltd	1033	+5.7	-0.0	23	5-0	12	1.1	1.4	11	0.3	13	1.9	3.02	3,085	
Future Gen Glb	131	+3.2	+0.5	28	5-0	-	-	1.1	1	0.5139	0.8	N/A	422		
Vivid Tech.	6	+12.5	-6.1	13	5-0	-	-	5.7	-	1.9	NE	Nil	N/A	25	
Pac Amer Coal	6	+11.0	+14.6	15	5-0	-	-	-	-	2.0	NE	Nil	N/A	10	
Mineral Commod.	20	+26.3	+5.9	5	5-0	-	-	1.5	7	1.0	21%	360.03	0.17	81	
Ruralco Hold.	304	+1.3	-1.0	33	5-0	3	-	3.9	28	0.3	14	3.3	0.17	318	
Adherium Ltd	14	+8.8	+7.9	18	5-0	-	-	1.0	-	1.2	NE	Nil	9.88	23	
Senex Energy	46	+9.8	+1.0	16	5-0	8	4.1	1.5	-	0.8	NE	Nil	N/A	666	
Mincor Resource	44	+11.6	+1.4	14	5-0	-	-	-	-	0.9	NE	Nil	N/A	83	

Company	Share Price	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Short Interest	Price to N/A	ROE	Volatility	P/E Ratio	Div Yield	P/S Ratio	Market Cap'n
		Current	4-Wk Chg.	Rank	0-99										
Stellar Res.	2	+1.1	+2.7	34	5-0	-	-	-	-	3.6	NE	Nil	N/A	8	
A.P. Eagers	875	+4.0	+0.3	26	6-1	5	0.0	3.8	22	0.2	17	4.1	0.41	1,674	
Bravura Sol.	320	+31.7	+6.5	3	6-1	-	0.9	-	-	0.4	48	1.4	3.57	686	
Integral Diag.	236	+9.1	-1.0	17	6-1	4	-	-	-	0.4	22	3.0	1.90	342	
Melbourne IT	352	+4.1	+1.0	26	8-3	2	0.1	-	-	0.3	30	3.1	2.09	417	
Resonance Hlth	3	+3.1	+4.1	28	4-0	-	-	-	-	3.0	NE	Nil	4.54	11	
GWA Group Ltd	372	+13.5	+6.4	12	4-0	8	2.9	-	-	0.4	18	4.4	2.20	982	
Carawine Res.	26	+2.9	-1.4	29	4-0	-	-	-	-	1.1	NE	Nil	N/A	14	
Woolworths Grp	2860	+1.4	+0.5	33	4-0	13	4.2	12.4	48	0.2	26	2.9	0.6737	561	
Adairs Limited	220	+9.6	-2.5	17	4-0	4	0.1	-	-	0.5	17	3.6	1.38	365	
Santos Ltd	620	+12.0	+3.1	13	4-0	15	0.3	-	-	0.6	NE	6.2	3.25	12,914	
Mayur Resources	78	+10.4	-8.9	15	4-0	-	-	-	-	0.8	NE	Nil	N/A	46	
Midway Limited	246	+0.1	-0.4	38	4-0	-	-	2.1	17	0.4	12	7.3	0.88	184	
Galena Mining	15	+5.3	-26.4	23	4-0	-	-	-	-	1.4	NE	Nil	N/A	6	
Temple Webster	80	+39.2	+9.8	2	4-0	-	0.0	40.0	-	0.6	NE	Nil	1.31	87	
Equity Trustees	2040	+5.7	-0.1	22	4-0	2	0.0	11.8	44	0.3	27	3.5	5.14	415	
Xtek Ltd	55	+5.9	-8.3	22	4-0	-	-	10.9	3	0.7	19	Nil	2.16	19	
Macquarie Group	11340	+5.2	+0.0	23	4-0	14	0.4	2.7	15	0.2	17	4.1	2.9038	597	
Draig Resources	20	+9.1	-7.7	17	4-0	-	-	-	-	1.1	NE	Nil	N/A	77	
Oliver's Real F	26	+17.1	-1.0	9	4-0	-	-	-	-	2.0	NE	Nil	2.65	36	
Clover Corp.	132	+37.2	+15.3	3	4-0	1	-	7.8	13	0.4	60	Nil	4.56	218	
Qantas Airways	611	+6.9	+2.6	20	4-0	9	0.1	3.8	30	0.3	13	2.3	0.8010	473	
Smartgroup Corp	1144	+6.5	-0.7	21	4-0	7	1.1	-	-	0.4	33	3.1	6.69	1,498	
Uil Energy	4	+1.2	-4.4	34	4-0	-	-	-	-	2.5	NE	Nil	N/A	8	
Watpac Ltd	78	+8.2	+2.7	19	4-0	1	-	0.8	0	0.5315	Nil	0.13	142		
Healthscope	247	+6.2	+4.8	21	5-1	10	5.8	-	-	0.6	NE	Nil	N/A	4,297	
Champion Iron	137	+0.9	-1.4	35	5-1	-	-	-	-	1.1	NE	Nil	N/A	568	
Treasury Wine	1872	+9.7	-0.8	16	6-2	11	0.9	5.5	11	0.2	51	1.4	5.4513	453	
Advance NanoTek	50	+4.5	-0.4	25	3-0	-	-	50.0	96	0.7	52	Nil	5.75	293	
CMI Limited	136	+6.8	-1.3	21	3-0	-	-	1.2	8	0.5	15	4.4	0.96	43	
Kore Potash plc	18	+2.4	+10.9	30	3-0	-	-	-	-	1.3	NE	Nil	N/A	69	
Cyclopharm Ltd	106	+11.6	+0.5	14	3-0	-	-	5.9	-	0.5	NE	0.9	4.60	72	
Technology One	499	+0.2	+0.9	38	3-0	6	3.2	20.0	56	0.3	35	1.6	5.76	1,575	
Bluescope Steel	1771	+9.7	+2.0	16	3-0	8	0.4	2.9	23	0.3	13	0.5	0.93	9,769	
Pengana Capital	374	+3.2	-2.4	28	3-0	-	-	1.7	17	0.3	10	7.7	5.37	102	
Cynata Therap.	137	+56.4	-1.3	1	3-0	2	-	-	-	0.6	NE	Nil	N/A	123	

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
3D Resources	0.5	0.7	1-7	0.3	0.2	+50	1.03	1.64	1.0	+57
AVZ Minerals	18	3.0	1-12	15.5	15.6	-1	1.07	1.13	1.0	+1
Actinogen Medical	4.3	6.0	0-10	1.6	0.2	+743	0.40	5.52	1.0	+98
Algae.Tec Ltd	2.9	5.0	2-2	0.6	1.4	-58	1.13	1.43	1.0	+35
Alicanto Minerals	11	28	1-2	2.2	1.2	+80	0.88	2.54	1.0	+147
Alligator Energy	0.9	2.1	1-7	0.4	0.0	+867	0.52	3.77	1.0	+93
American Patriot	2.8	4.5	1-4	0.5	0.9	-46	1.05	1.79	1.0	+56
American Patriot	2.8	25	0-5	0.1	0.0	+999	1.05	6.53	1.0	+999
Andromeda Metals	0.8	1.2	2-6	0.3	0.4	-32	1.11	1.36	1.0	+29
Anson Resources	4.6	2.5	0-2	2.7	2.4	+11	1.83	1.66	1.0	+90
Antipodes Global	118	110	0-5	7.5	8.9	-16	0.11	9.99	1.0	+0
Antisense Thera.	2.7	8.0	1-7	0.6	0.4	+65	0.84	2.34	1.0	+110
Argent Minerals	2.5	10	1-1	0.4	0.0	+999	0.51	6.53	1.0	+273
Arrow Minerals	2.5	10	1-7	0.3	0.1	+231	0.67	3.30	1.0	+145
Aspire Mining	1.7	1.8	1-6	0.5	0.7	-24	0.84	1.77	1.0	+22
AssetOwl Ltd	5.3	20	0-4	0.6	0.0	+999	0.64	9.99	1.0	+999
AssetOwl Ltd	5.3	40	1-1	0.5	0.0	+999	0.64	5.91	1.0	+553
Auris Minerals	5.7	12	0-1	0.3	0.0	+999	0.76	9.99	1.0	+999
Aurora Labs	55	100	1-11	9.0	19.5	-54	0.98	1.67	1.0	+45
Ausnet Financial Serv.	1.5	15	0-11	0.1	0.0	+999	0.46	1.00	1.0	+999
Aust Potash	8.1	20	1-5	1.5	0.2	+727	0.48	4.60	1.0	+101
Aust Rural Capital	68	50	2-3	24.0	25.5	-6	0.3			

Company	Share Price	Yr/Mth Exercise Price	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	Yr/Mth Exercise Price	to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Dart Mining	1.0	1.0	0-9	0.2	0.3	-41	1.01	1.97	1.0	+28	Nova Minerals	2.9	3.3	2-3	1.5	2.1	-27	1.45	1.20	1.0	+25
De Grey Mining	17	10	0-6	7.5	8.8	-14	1.35	1.59	1.0	+12	Nusantara Resources	25	42	0-6	1.4	0.0	+999	0.31	9.99	1.0	+233
Deep Yellow Ltd	27	50	4-0	7.3	5.2	+42	0.45	2.32	1.0	+21	Omni Market Tide	2.2	10	0-7	0.1	0.5	-81	2.03	1.76	1.0	+999
Dempsey Minerals	14	14	0-7	3.3	2.7	+20	0.71	2.90	1.0	+53	Opthea	50	27	0-6	27.0	23.3	+16	0.30	2.15	1.0	+17
Droneshield Ltd	20	22	0-1	0.1	0.3	-71	0.71	9.99	1.0	+999	Orinoco Gold	7.9	11	1-8	4.3	3.0	+41	0.96	1.68	1.0	+49
Duxton Water	112	110	0-0	0.3	0.3	-13	0.13	9.99	1.0	-100	Ozgrowth	18	19	1-3	0.8	1.3	-37	0.19	6.88	1.0	+8
Eden Energy	6.4	3.0	0-4	3.3	3.4	-4	0.64	1.84	1.0	-5	Panterra Gold	3.2	15	0-7	0.1	0.0	+999	0.65	7.86	1.0	+999
Ellerston Asian Inv.	110	100	0-9	10.5	12.0	-13	0.13	7.68	1.0	+1	Peak Resources	4.3	6.0	0-5	0.5	0.3	+66	0.69	4.37	1.0	+170
Emerge Gaming	1.6	2.0	2-11	0.5	1.3	-62	1.66	1.10	1.0	+17	Pearl Global	27	30	2-8	5.0	21.1	-76	1.53	1.14	1.0	+10
Emperor Energy	0.3	0.5	1-10	0.1	0.2	-39	1.35	1.35	1.0	+46	Pengana Int'l Equities	114	118	0-11	0.8	4.3	-82	0.12	9.99	1.0	+5
Engage:BDR	15	25	2-7	3.3	3.3	+1	0.58	2.22	1.0	+28	Peninsula Energy	27	5.0	0-7	0.5	21.6	-98	0.55	1.23	1.0	-93
Env. Clean Tech.	1.7	4.5	1-2	0.4	0.1	+237	0.74	3.07	1.0	+148	Petrel Energy	0.3	4.0	0-5	0.1	0.0	+999	1.51	3.85	1.0	+999
Eon NRG	1.1	2.0	1-6	0.3	0.5	-38	1.28	1.51	1.0	+64	Pioneer Resources	2.2	6.0	0-2	0.3	0.0	+999	0.73	9.99	1.0	+999
Esports Mogul AP	2.1	5.0	1-5	0.3	0.2	+38	0.71	2.76	1.0	+92	Plato Income Max.	104	110	0-11	0.2	3.1	-93	0.12	9.99	1.0	+7
First Graphene	17	15	3-2	6.0	10.1	-41	0.90	1.33	1.0	+8	Podium Minerals	13	20	2-3	1.0	3.4	-71	0.66	2.05	1.0	+24
Flamingo AI	4.6	6.0	-1-12	0.1	10.1	-99	0.67	1.33	1.0	-100	Potash West NL	1.0	7.0	0-6	0.2	0.0	+999	0.64	9.99	1.0	+999
Fremont Petrol.	0.9	6.0	1-1	0.1	0.1	+56	1.17	2.43	1.0	+485	Predictive Discovery	3.1	6.0	1-6	0.7	0.2	+261	0.50	3.70	1.0	+67
GBM Resources	0.5	5.0	1-4	0.4	0.0	+999	0.78	4.05	1.0	+496	Prescient Thera	12	18	0-1	0.1	0.0	+930	0.61	9.99	1.0	+999
Golden Rim Res.	4.2	0.5	0-8	1.4	3.7	-62	1.23	1.13	1.0	-70	Pure Minerals	1.8	3.0	1-7	0.4	0.3	+23	0.67	2.44	1.0	+50
Greenland Minerals	8.9	8.0	0-4	1.4	1.5	-6	0.49	4.20	1.0	+18	Quantify Technology	3.5	17	0-1	0.1	0.0	+999	0.74	9.99	1.0	+999
Greenpower Energy	0.9	1.0	1-5	0.3	0.3	-0	0.80	1.94	1.0	+31	Raven Energy	0.2	0.3	2-5	0.1	0.2	-48	2.80	1.02	1.0	+33
Gulf Manganese Corp	1.2	0.5	0-11	0.6	0.9	-36	1.91	1.18	1.0	-9	ReadCloud	30	30	2-6	5.3	6.8	-22	0.33	2.81	1.0	+7
Harvey Resources	0.5	2.0	1-11	0.1	0.2	-59	1.52	1.36	1.0	+111	Red Mountain Mining	1.0	1.8	1-7	0.4	0.6	-33	1.62	1.29	1.0	+67
Havilah Resources	20	40	1-6	4.0	2.1	+94	0.61	2.96	1.0	+69	Red Mountain Mining	1.0	1.5	1-6	0.6	0.6	-2	1.62	1.28	1.0	+65
Hazer Group	29	30	0-7	4.6	5.6	-18	0.67	3.01	1.0	+35	Reedy Lagoon Corp.	1.9	8.0	2-10	1.3	0.9	+42	1.25	1.36	1.0	+75
Helios Energy	4.2	2.0	3-7	2.5	3.3	-24	0.99	1.18	1.0	+2	Renascor Resources	2.8	3.0	1-5	1.4	0.9	+48	0.77	1.95	1.0	+38
Henry Morgan	199	100	0-3	82.0	99.5	-18	0.02	2.00	1.0	-30	Ryder Capital	126	125	0-6	12.0	7.2	+68	0.16	9.99	1.0	+17
Hill End Gold	8.2	7.5	2-2	2.9	4.1	-30	0.85	1.53	1.0	+12	Sabre Resources	1.6	2.5	0-2	0.1	0.1	+10	1.17	4.37	1.0	+999
IOT Group	0.4	1.1	0-8	0.2	0.0	+839	0.93	3.32	1.0	+486	Seafarms Group	5.3	10	3-2	2.1	0.4	+407	0.35	3.48	1.0	+30
Icandy Interactive	4.2	21	1-8	4.5	1.4	+213	1.42	1.54	1.0	+193	Serpentine Tech.	0.6	0.4	2-11	0.4	0.5	-26	1.79	1.06	1.0	+10
lcollege Ltd	4.3	8.0	1-2	1.2	1.6	-24	1.31	1.65	1.0	+97	Serpentine Tech.	0.6	3.0	0-1	0.1	0.0	+999	1.79	9.79	1.0	+999
Immuron Ltd	29	55	1-6	6.0	6.5	-8	0.86	2.07	1.0	+66	Serpentine Tech.	0.6	5.0	1-1	0.1	0.2	-37	1.79	1.62	1.0	+621
Impact Minerals	1.2	4.0	2-1	0.3	0.4	-22	1.11	1.63	1.0	+87	Silver Mines	4.7	30	0-1	0.2	0.0	+999	0.56	9.99	1.0	+999
Impression H/Care	2.6	12	0-7	0.1	0.0	+385	0.92	4.52	1.0	+999	Six Sigma Metals	1.7	1.5	3-1	0.8	0.8	+3	0.60	1.66	1.0	+10
Impression H/Care	2.6	4.0	2-4	0.6	1.1	-46	0.92	1.57	1.0	+28	Skin Elements	7.4	20	0-5	0.1	0.0	+192	0.72	6.48	1.0	+999
Imugene Ltd	3.4	2.6	2-6	1.9	1.7	+9	0.71	1.56	1.0	+12	Spectur Ltd	36	20	2-7	20.5	19.2	+7	0.48	1.66	1.0	+5
Intermin Resources	18	17	0-3	2.4	2.7	-11	0.61	4.26	1.0	+35	Spirit Telecom	26	3.9	1-2	8.5	21.7	-61	0.47	1.18	1.0	-46
Investigator Res.	1.3	3.5	2-7	0.4	0.1	+182	0.57	2.62	1.0	+53	St George Mining	14	20	2-4	7.3	8.8	-17	1.37	1.24	1.0	+35
Invigor Group	0.7	5.0	0-1	0.1	0.0	+999	0.79	9.99	1.0	+999	Stargroup	1.9	5.0	0-6	0.3	0.0	+999	0.36	9.99	1.0	+678
Jervois Mining	40	5.0	0-1	37.0	35.0	+6	0.98	1.14	1.0	+165	Stellar Resources	2.1	5.0	1-12	0.4	0.2	+71	0.62	2.69	1.0	+62
K2Fly Ltd	23	20	2-1	9.5	13.2	-28	1.06	1.37	1.0	+14	Stonewall Res.	1.2	3.0	2-5	0.3	0.1	+240	0.50	3.11	1.0	+52
KBL Mining	0.1	0.5	0-2	0.1	0.0	+999	0.00	9.99	1.0	+999	Story-I Ltd	2.9	6.5	1-2	0.5	0.0	+999	0.44	5.69	1.0	+115
Kazia Therapeutics	72	400	2-0	7.5	1.2	+546	0.60	3.67	1.0	+138	Sun Resources	0.3	1.0	2-5	0.1	0.1	-22	1.20	1.45	1.0	+72
King River Copper	8.5	10	0-1	1.6	1.0	+56	1.58	3.73	1.0	+999	Sun Resources	0.3	0.6	1-0	0.1	0.1	+20	1.20	1.87	1.0	+133
King River Copper	8.5	10	0-1	0.5	1.0	-51	1.58	3.73	1.0	+999	Sunstone Metals	3.2	3.0	1-3	1.4	1.0	+37	0.66	2.16	1.0	+29
Kratatoa Resources	3.9	10	1-0	0.7	0.3	+136	0.81	3.01	1.0	+174	Superior Resources	1.4	1.6	1-3	0.5	0.6	-16	1.08	1.64	1.0	+38
Lake Resources	11	10	0-3	3.5	3.0	+16	1.21	2.49	1.0	+133	Synertec Corp	4.9	5.3	2-2	0.5	1.7	-70	0.62	1.93	1.0	+8
Land & Homes	2.4	20	3-3	1.2	0.5	+123	0.98	1.70	1.0	+97	TNG Ltd	15	20	0-1	1.5	0.0	+999	0.45	9.99	1.0	+999
Latin Resources	2.1	1.0	1-4	0.5	1.4	-65	1.15	1.31	1.0	-22	TV2U International	1.6	4.0	0-10	0.5	0.3	+57	1.25	2.08	1.0	+246
Latin Resources	0.8	1.0	1-4	0.2	0.4	-50	1.28	1.46	1.0	+35	Talga Resources	76	45	0-7	30.0	31.7	-5	0.48	2.26	1.0	-1
Leigh Greek Energy	21	50	0-0	1.0	0.0	+999	0.71	9.99	1.0	+999	Tando Resources	93	25	1-6	64.0	71.1	-10	0.92	1.25	1.0	-3
Lindian Res.	1.7	2.0	0-2	0.1	0.1	+30	0.63	6.89	1.0	+255	The Hydroponics Co	65	40	1-7	26.0	42.3	-39	1.19	1.31	1.0	+1
Linus Tech.	7.6	16	1-4	1.6	1.7	-6	0.95	2.05	1.0	+88	Thundelarra Ltd	2.1	5.0	1-4	0.6	0.2	+190	0.72	2.81	1.0	+109
Lionhub Group	6.2	22	2-6	1.0	1.0	-4	0.77	2.08	1.0	+69	Tikforce Ltd	1.0	11	0-0	0.1	0.2	-52	0.98	2.81	1.0	+999
Lithium Power Intl	27	55	1-1	6.7	2.2	+210	0.68	3.20	1.0	+116	Todd River Res.	6.9	25	1-10	1.2	0.8	+48	0.82	2.36	1.0	+109
Lodestar Minerals	2.1	3.0	1-5	0.9	0.9	+0	1.15	1.58	1.0	+55	Transcendence Tech	2.7	5.0	1-2	0.8	0.5	+66	0.83	2.36	1.0	+90
MGC Pharma.	21	6.5	1-1	0.5	16.5	-97	1.64	1.17	1.0	-63	Triton Minerals	7.1	12	0-7	0.8	0.3	+211	0.59	4.97	1.0	+175
MGC Pharmaceuticals	7.4	6.5	1-1	3.6	3.1	+16	0.93	1.76	1.0	+33	Triton Minerals	7.1	11	0-6	0.9	0.3	+214	0.59	5.12	1.0	+181
MRG Metals	1.1	1.0	2-7	0.6	0.6	-6	0.94	1.38	1.0	+16	Tyranna Resources	1.9	4.0	3-4	0.6	0.7	-14	0.79	1.62	1.0	+30
MRG Metals	1.1	1.5	2-3	0.1	0.1	+57	0.94	2.32	1.0	+220	UIL Energy	4.3	7.5	0-1	0.1	0.0	+999	0.79	9.99	1.0	+999
MSM Corporation	4.3	10	1-5	1.3	0.6	+122	0.77	2.49	1.0	+96	UUV Aquabotix	5.6	22	0-11	0.2	0.0	+814	0.62	5.57	1.0	+375
Magmatic Resources	8.8	30	1-12	0.8	0.9	-12	0.73	2.50	1.0	+90	Valor Resources	1.4	4.5	1-6	0.5	0.4	+25	1.21	1.72	1.0	+132
Mako Gold	20	30	2-11	3.7	0.0	+999	0.07	9.99	1.0	+20	Velpic Ltd	0.4	2.0	1-6	0.1	0.0	+216	0.91	2.50	1.0	+202
Marquee Resources	39	20	2-4	20.0	25.7	-22	0.88	1.33	1.0	+2	Velpic Ltd	0.4	6.0	0-1	0.1	0.0	+999	0.91	9.99	1.0	+999
Matador Mining	26	20	2-3	10.5	13.2	-20	0.73	1.57	1.0	+7	Venus Metals Corp	13	20	1-6	3.5	2.4	+49	0.68	2.42	1.0	+52
Merlin Diamonds	0.6	1.3	2-10	0.3	0.3	-4	1.12	1.37	1.0	+42	Victory Mines	1.3	2.0	2-7	0.5	0.9	-44	1.40	1.21	1.0	+29
Metallica Minerals	4.4	8.5	0-4	0.2	0.0	+9															

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/Sales Ratio					P/E Ratio					Gross Yield																																																																																																																																																																																																																																																																																																																																																																																																																										
Company	Forecast	Price	Ratio	P/E	Gross	Company	Forecast	Price	Ratio	P/E	Gross	Company	Forecast	Price	Ratio	P/E	Gross	Company	Forecast	Price	Ratio	P/E	Gross																																																																																																																																																																																																																																																																																																																																																																																																																		
A2 Milk Company	A	1296	N/A	NE	Nil	IkeGPS Limited	C	58	6.59	NE	Nil	Ryman Health.	A	1135	N/A	16	1.6	SLI Systems Ltd	B	32	0.63	NE	Nil	Sanford Limited	C	780	1.53	19	4.1	Satara Co-op	C	58	0.19	NE	Nil	Scales Corp Ltd	B	490	1.73	22	5.4	Scott Tech. Ltd	B	350	1.97	26	4.0	SeaDragon Ltd	C	0.4	4.21	NE	Nil	Sealegs Corp	B	13	0.99	32	Nil	Seeka Kiwifruit	A	701	0.66	21	4.4	Serko Limited	B	307	N/A	NE	Nil	Skellerup Hold.	B	188	1.72	16	5.1	Sky Network TV	C	221	0.96	7	9.4	Sky City Ltd	C	392	2.82	58	7.1	Smartpay NZ Ltd	B	19	1.52	14	Nil	Smiths City	C	44	0.10	12	11.0	Snakk Media Ltd	C	4.0	0.06	NE	Nil	Sol. Dynamics	B	210	1.82	29	3.5	South Port NZ	A	660	4.70	21	5.5	Spark NZ Ltd	C	354	1.80	16	8.6	Steel & Tube	C	199	0.35	9	11.2	Stride Property	B	235	N/A	9	5.5	Summerset Group	A	723	N/A	7	1.5	Synlait Milk	A	1005	2.69	43	Nil	T&G Global	C	312	0.44	13	5.3	T&G Global	C	180	0.29	13	2.3	TeamTalk Ltd	B	90	0.75	5	Nil	Tegel Group	B	113	0.66	12	9.3	Tilt Renewables	C	185	3.32	35	5.0	Tourism Hold.	B	612	2.16	24	3.9	Tower Limited	B	84	0.46	NE	Nil	Trade-Me Ltd	C	478	8.08	20	5.4	Training Sol.	B	0.3	N/A	NE	Nil	Trilogy Intern.	B	289	2.01	16	Nil	Trust Power Ltd	B	585	1.95	19	7.8	Turners Ltd	B	388	1.45	16	1.8	Vector Ltd	C	324	2.82	58	6.8	Veritas Invest.	B	4.5	0.06	0	Nil	Vetlot Limited	C	0.2	N/A	NE	Nil	Vista Group Ltd	B	341	5.27	58	1.2	Vital Health PT	C	204	9.52	4	4.2	WNI Drive Tech.	C	14	1.08	NE	Nil	Warehouse Group	C	204	0.24	9	10.9	Windflow Tech.	C	1.0	0.64	NE	Nil	World Index Fd	C	100	N/A	NE	Nil	Z Energy Ltd	B	750	0.79	17	5.4	Ave of 135 Cos	C	306	0.70	15	3.9																																																																																																																																										
A.P. Eagers	A	875	0.41	17	4.1	Elders Limited	A	810	0.58	8	0.9	Orora Limited	A	338	1.01	24	3.3	Pact Group Hold	B	579	1.18	19	4.0	Pendal Group	C	1019	5.35	0	4.4	Perpetual Ltd	C	4209	3.76	14	6.3	Pilbara Mineral	D	91	N/A	NE	Nil	Platinum Asset	C	609	N/A	19	4.9	Premier Invest	B	1582	2.28	24	3.4	Primary Health	B	378	1.19	28	2.8	Q.B.E. Insur.	B	1021	0.96	NE	2.5	Qantas Airways	A	611	0.80	13	2.3	Qube Holdings	B	241	2.55	37	2.3	REA Group Ltd	A	8871	N/A	57	1.0	Ramsay Health	A	6437	1.49	27	1.8	Reece Limited	A	1205	2.50	29	8.3	Regis Resources	A	495	4.56	18	1.0	Regis Health.	A	401	2.13	20	5.1	Reliance W/wide	B	472	N/A	NE	Nil	Resolute Mining	A	125	1.70	6	1.6	Rio Tinto Ltd	A	8388	2.87	13	5.0	S/Tracks ASX200	A	5721	N/A	9	1.7	SG Fleet Group	B	386	3.33	16	4.4	Sandfire Res.	A	825	2.54	17	2.2	Santos Ltd	B	620	3.25	NE	6.2	Saracen Mineral	B	411	8.84	5	5.3	Scentre Group	B	2076	6.86	21	2.1	Seek Ltd	A	74	0.67	5	5.4	Seven West Med.	A	1967	2.42	NE	2.1	Shopping Centre	A	239	8.40	6	5.5	Sims Metal Mgmt	A	1654	0.64	16	2.4	Sirtex Medical	A	2925	7.17	45	1.0	Smartgroup Corp	A	1144	6.69	33	3.1	Sonic Health	A	2367	1.94	23	3.3	Soul Pattinson	A	1963	4.86	17	2.8	South32 Limited	A	394	2.27	13	3.3	Spark Infrastru	A	234	N/A	49	6.2	Speedcast Intl	A	603	2.19	NE	1.2	Spotless Group	A	114	0.42	19	1.2	St Barbara Ltd	B	475	3.68	15	1.3	Star Entertain.	C	541	1.91	17	3.0	Steadfast Group	B	287	5.49	32	2.4	Sth Cross Media	A	118	1.32	8	6.6	Stockland	A	422	3.71	9	6.0	Suncorp Group	A	1389	1.03	17	5.1	Super Retail Gr	B	791	0.63	15	5.9	Sydney Airport	A	714	N/A	46	4.8	Syrah Resources	C	321	N/A	NE	Nil	TPG Telecom Ltd	B	578	2.15	13	1.7	Tabcorp Holding	B	455	1.70	NE	5.5	Tatts Group Ltd	B	461	2.44	31	3.8	Technology One	A	499	5.76	35	1.6	Telstra	B	320	1.46	10	9.7	Transurban Grp	A	1186	8.92	NE	3.8	Treasury Wine	A	1872	5.45	51	1.4	Vicinity Centre	B	257	7.76	6	6.7	Virgin Aust	C	25	0.41	NE	Nil	Viva EnergyREIT	A	202	7.12	9	6.5	Vocus Group Ltd	C	267	0.91	25	2.2	WAM Capital Ltd	E	238	N/A	NE	Nil	Webjet NL	A	1179	5.81	22	1.3	Westfarmers Ltd	A	4403	0.73	17	5.1	Westpac Banking	B	2959	2.68	13	6.4	Westfield Corp.	B	908	7.05	10	3.6	Whitehaven Coal	B	478	2.77	13	4.2	Wisetech Global	B	1341	N/A	NE	0.2	Woodside Petrol	B	3352	5.65	22	3.7	Woolworths Grp	B	2860	0.67	26	2.9	Worley Group	B	1738	0.83	77	Nil	Yancoal Aust.	D	13	0.10	NE	Nil	Ave of 2028 Cos	C	222	0.42	15	24.4

Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
CDL Investments	3.50	04-05	18-05	Full
Restaurant Brands	18.00	01-06	22-06	Full
Tilt Renewables	1.80	25-05	08-06	Nil

Australian Shares
none this month

Total Return Index for All Listed Shares

Apr 16	1675.38	Apr 23	1659.16
Apr 17	1667.19	Apr 24	1654.89
Apr 18	1665.44	Apr 25	Holiday
Apr 19	1665.17	Apr 26	1651.83
Apr 20	1659.45	Apr 27	1658.87
Apr 30	1663.41	May 7	1687.09
May 1	1666.05	May 8	1688.54
May 2	1677.11	May 9	1695.86
May 3	1683.71	May 10	1702.21
May 4	1685.60	May 11	1703.11

Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday June 11, 2018.

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 or email james@stockmarket.co.nz.

Readers are advised that they should not assume that every recommendation made in the future will be profitable or equal the performance of recommendations made in the past. A summary of all prior recommendations is published on the website. The information presented has been obtained from original and published sources believed to be reliable, but its accuracy cannot be guaranteed.

The entire contents are copyright. Reproduction in whole or part is strictly forbidden without the approval of the publisher.