



New York Securities Pty Ltd

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OPPORTUNITY AWAITS

If there is one thing we can all learn from market cycles, it is that it's important to put everything into context and look at the bigger picture before making any decision. The market's recent decline seems to have been instigated by a perfect storm of US dollar resurgence, questions posed over interest rates (here and in the US) and weakening commodity prices. However, one question still exists; In a low interest rate environment, where wage growth and interest rates lag inflation, where are you going to put your money to yield a decent return?

The property market has been a great source of wealth for Australia, but concerns raised by Glen Stevens, Governor of the Reserve Bank of Australia, are forcing extensive debate and he is gunning for a solution. In the interim, this has raised the risk profile of property investment and any implemented solution will limit the upside on capital growth. On the other hand, bank deposit rates of 3-4% are unlikely to satisfy most investors and so as companies' prices fall and their yields improve we will likely see a resurgence of buying, as the "hunt for yield" theme prevails, stemming further losses in the index. The only real option offering better returns, it seems, is the Stock Market.

Pullbacks like this are perfect opportunities to pick up quality companies at fair prices. Accordingly, we felt it necessary to put together a list of companies for potential investment. The first step is reducing the 2,154 ASX listed stocks to a list of companies that meet our "investment criteria". We used the following parameters to reduce our list to 555 stocks we consider worth looking at:

- Debt to Equity less than 40%
- Positive and Consistent/Growing EPS
- Dividend Payout Ratio less than 80%
- Price to Earnings Growth (PEG) Ratio below 1

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To determine if we are paying a fair and reasonable price for our stock, we moved away from a traditional method of comparing the PE of one company with another in the same industry and took it a step further and by incorporate earnings growth potential. In general, the lower the PEG (Price/Earnings to Growth) ratio, the more undervalued a stock is to its earnings potential and as a rule of thumb, a PEG below 1 is desirable.

To tailor to those clients who invest based on a company's market capitalization, we have separated the list into three sections;

- \$0-\$100 Million
- \$100 million to \$500 million
- \$500 million +

\$0 TO \$100 MILLION MARKET CAPITALISATION

NAME	SHARE PRICE	ASX CODE	PAYOUT RATIO	EPS	DEBT TO EQUITY RATIO	PEG	DIV YIELD	FRANKING %	PE RATIO	CAPITALISATION	SECTOR
BEYOND INTERNATIONAL	\$1.21	BYI	69%	\$ 0.13	24.5%	0.07	7.32%	-	9	\$ 75,444,471	Consumer Discretionary
SUPPLY NETWORK	\$2.40	SNL	51%	\$ 0.18	23.2%	0.31	3.81%	100	13	\$ 80,681,860	Consumer Discretionary
FFI HOLDINGS	\$3.90	FFI	48%	\$ 0.36	29.1%	0.45	4.49%	100	11	\$ 36,601,933	Consumer Staples
PRIME FINANCIAL	\$0.096	PFG	44%	\$ 0.02	13.3%	0.08	8.42%	100	5	\$ 16,856,545	Financials
TECHNICHE LIMITED	\$0.082	TCN	29%	\$ 0.01	0.6%	0.06	3.86%	-	8	\$ 18,558,190	Financials
FIDUCIAN PORTFOLIO	\$1.76	FPS	71%	\$ 0.13	4.6%	0.23	5.06%	100	14	\$ 55,364,215	Financials
SDI LIMITED	\$0.59	SDI	13%	\$ 0.05	20.5%	0.46	1.17%	100	11	\$ 71,319,318	Health Care
LASERBOND LIMITED	\$0.115	LBL	55%	\$ 0.01	10.7%	0.26	3.48%	100	16	\$ 10,050,696	Industrials
EMBELTON LIMITED	\$7.36	EMB	54%	\$ 0.56	0.7%	0.96	4.14%	100	13	\$ 15,881,828	Industrials
SAUNDERS INTL LTD	\$0.90	SND	74%	\$ 0.08	1.0%	0.75	6.74%	100	11	\$ 69,918,400	Industrials
EMPIRED LTD	\$0.73	EPD	35%	\$ 0.04	10.4%	0.09	2.08%	100	17	\$ 79,140,995	Information Technology
TASMANIA MINES LTD	\$1.32	TMM	8%	\$ 0.39	4.6%	0.05	1.94%	100	4	\$ 28,247,749	Materials
CI RESOURCES LIMITED	\$0.87	CII	6%	\$ 0.15	37.5%	0.04	1.15%	100	6	\$ 63,400,469	Materials

\$100 MILLION TO \$500 MILLION MARKET CAPITALISATION

NAME	SHARE PRICE	ASX CODE	PAYOUT RATIO	EPS	DEBT TO EQUITY RATIO	PEG	DIV YIELD	FRANKING %	PE RATIO	CAPITALISATION	SECTOR
THORN GROUP LIMITED	\$2.54	TGA	58%	\$ 0.19	19%	0.97	4.47%	100	13	\$ 370,562,063	Consumer Discretionary
CASH CONVERTERS	\$1.07	CCV	71%	\$ 0.06	17%	0.90	3.67%	100	19	\$ 467,895,717	Consumer Discretionary
STW COMMUNICATIONS	\$1.22	SGN	69%	\$ 0.12	39%	0.82	7.23%	100	10	\$ 487,541,810	Consumer Discretionary
WEBSTER LTD	\$1.13	WBA	56%	\$ 0.06	9%	0.02	2.99%	100	19	\$ 161,445,217	Consumer Staples
PROGRAMMED	\$2.68	PRG	66%	\$ 0.26	24%	0.51	6.34%	100	10	\$ 317,987,121	Industrials
MACA LIMITED	\$1.39	MLD	46%	\$ 0.30	28%	0.09	9.33%	100	5	\$ 349,014,560	Industrials
CREDIT CORP GROUP	\$9.41	CCP	53%	\$ 0.75	6%	0.30	4.21%	100	13	\$ 440,278,831	Industrials
RCR TOMLINSON	\$3.20	RCR	31%	\$ 0.32	1%	0.26	3.12%	100	10	\$ 446,192,587	Industrials
RECKON LIMITED	\$1.96	RKN	68%	\$ 0.13	34%	0.53	4.55%	90	15	\$ 221,927,829	Information Technology
PRO-PAC PACKAGING	\$0.475	PPG	69%	\$ 0.03	3%	0.24	4.00%	100	17	\$ 113,346,879	Materials
BC IRON LIMITED	\$1.53	BCI	54%	\$ 0.59	11%	0.00	19.10%	100	3	\$ 208,278,610	Materials

\$500 MILLION + MARKET CAPITALISATION

NAME	SHARE PRICE	ASX CODE	PAYOUT RATIO	EPS	DEBT TO EQUITY RATIO	PEG	DIV YIELD	FRANKING %	PE RATIO	CAPITALISATION	SECTOR
KATHMANDU HOLD LTD	\$2.74	KMD	49%	\$ 0.19	19%	0.10	3.34%	100	15	\$ 567,719,422	Consumer Discretionary
CORP TRAVEL LIMITED	\$7.56	CTD	63%	\$ 0.19	5%	0.40	1.66%	100	38	\$ 654,442,400	Consumer Discretionary
AUTOMOTIVE HOLDINGS	\$3.71	AHE	78%	\$ 0.27	34%	0.38	5.66%	100	14	\$ 1,136,884,761	Consumer Discretionary
NINE ENTERTAINMENT	\$2.08	NEC	64%	\$ 0.07	0%	0.71	2.10%	-	30	\$ 1,880,590,046	Consumer Discretionary

NAME	SHARE PRICE	ASX CODE	PAYOUT RATIO	EPS	DEBT TO EQUITY RATIO	PEG	DIV YIELD	FRANKING %	PE RATIO	CAPITALISATION	SECTOR
FLIGHT CENTRE TRAVEL	\$42.49	FLT	74%	\$ 2.06	13%	0.62	3.57%	100	21	\$ 4,289,441,669	Consumer Discretionary
TASSAL GROUP LIMITED	\$3.67	TGR	41%	\$ 0.28	36%	0.64	3.29%	50	12	\$ 514,139,903	Consumer Staples
SERVCORP LIMITED	\$5.43	SRV	74%	\$ 0.27	7%	0.28	3.81%	35	19	\$ 516,769,444	Financials
UNITED OVERSEAS AUST	\$0.51	UOS	37%	\$ 0.07	3%	0.12	4.90%	-	8	\$ 591,798,609	Financials
NIB HOLDINGS LIMITED	\$2.86	NHF	69%	\$ 0.16	2%	0.01	3.86%	100	18	\$ 1,251,161,919	Financials
BT INVESTMENT MNGMNT	\$5.94	BTT	60%	\$ 0.43	15%	0.87	4.23%	35	14	\$ 1,746,123,323	Financials
HENDERSON GROUP CDI 1:1	\$3.66	HGG	36%	\$ 0.43	39%	0.10	4.05%	-	9	\$ 2,492,246,291	Financials
SIRTEX MEDICAL	\$22.17	SRX	61%	\$ 0.43	11%	0.96	1.20%	100	51	\$ 1,220,843,228	Health Care
CABCHARGE AUSTRALIA	\$5.40	CAB	54%	\$ 0.47	27%	0.67	4.60%	100	12	\$ 653,938,609	Industrials
CARDNO LIMITED	\$5.95	CDD	69%	\$ 0.52	38%	0.16	5.91%	100	12	\$ 995,387,200	Industrials
CARSALES.COM LTD	\$9.86	CRZ	80%	\$ 0.40	0%	0.83	3.33%	100	24	\$ 2,295,551,115	Information Technology
NUPLEX INDUSTRIES	\$2.74	NPX	68%	\$ 0.24	30%	0.28	6.05%	-	11	\$ 538,902,249	Materials
NORTHERN STAR	\$1.27	NST	70%	\$ 0.05	16%	0.05	2.67%	100	26	\$ 769,532,853	Materials
AMCOM TELECOMM.	\$1.93	AMM	68%	\$ 0.09	38%	0.24	3.18%	100	21	\$ 516,428,424	Telecommunication Services
TPG TELECOM LIMITED	\$7.02	TPM	43%	\$ 0.22	33%	0.04	1.32%	100	32	\$ 5,556,656,987	Telecommunication Services

EXCEPTIONS TO THE RULE

This next list of companies, we believe are “must have” portfolio stocks. The recent share price weakness in these companies allows clients to enter new positions or add to existing positions. The companies in the list may not meet all the criteria we mention above, but we consider them high quality and well managed companies, so we make an exception. One of those is APA Group; the debt to equity ratio falls outside our criteria of 40%, but this is due to the nature of their business. They simply could not build their storage facilities, extensive pipeline facilities, power stations without large debt facilities. Once the pipelines, power stations, storage facilities are built (which generate long term cash flows) they only require regular maintenance, meaning future capital expenditure is lower and the steady stream of cash flows are used towards paying off the debt. APA Group still maintains its Medium Investment Grade credit rating with Moody’s (Baa2 with a stable outlook).

NAME	SHARE PRICE	ASX CODE	PAYOUT RATIO	EPS	DEBT TO EQUITY RATIO	PEG	DIV YIELD	FRANKING %	PE RATIO	CAPITALISATION	SECTOR
APA GROUP	\$7.40	APA	88%	\$0.41	180%	0.55	4.87%	-	18.13	\$ 6,192,913,480	Utilities
RAMSEY HEALTH CARE	\$50.16	RHC	59%	\$1.44	97%	1.13	1.68%	100	35.02	\$ 10,120,229,100	Health Care
BHP BILLITON	\$33.42	BHP	47%	\$2.76	60%	0.44	3.85%	100	12.31	\$ 108,121,581,050	Materials
WOODSIDE PETROLEUM	\$40.55	WPL	88%	\$2.66	42%	-	5.73%	100	15.33	\$ 33,335,425,182	Energy
WESFARMERS	\$42.23	WES	81%	\$2.35	23%	0.81	4.49%	100	18.04	\$ 48,040,413,441	Consumer Staples
GRAIN CORP	\$8.69	GNC	78%	\$0.45	33%	-	4.03%	100	19.25	\$ 1,988,755,407	Consumer Staples

SPECULATIVE COMPANIES

If your risk profile is suitable for exposure to the high risk speculative market, we have a number of companies that may be of interest you. Several of these companies we believe are “sleepers”, meaning when the market conditions are right they could yield some very profitable returns. Please contact us for further information regarding these companies.

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