

GREAT CEOs: THE QUALITIES OF OUR BEST BUSINESS LEADERS

BRW.

Know which way business is heading.

YOUNG RICH OVERSEAS

Australians hitting the big time

WORLD ECONOMY IN FLUX

What it means for local business

WALKING ON THE RECESSION

Leighton leader's low expectations

SMALL BUSINESS, BIG ISSUES

Experts tackle four key challenges

SHARES

**IS IT TIME
TO GET
BACK IN?**



**GOOD REASONS
TO BUY EQUITIES**

**OUTLOOK FOR
TOP 20 STOCKS**

**BEST-VALUE
SMALL CAPS**

**SENSIBLE
INVESTMENT
STRATEGIES**

The Ultimate BRW.

April 23-29, 2009
\$6.95 (inc GST)

www.brw.com.au

ISSN 07277458



9 770727 745003

16

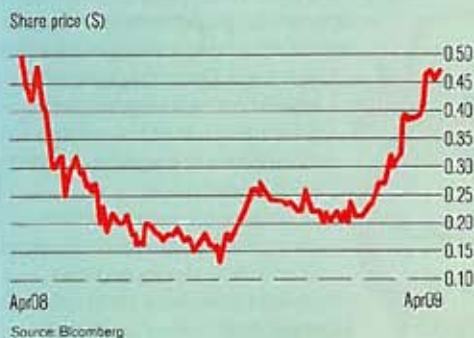
FIVE TO THRIVE

Some small and mid-cap stocks are faring quite well. **Report: Tony Featherstone**

● Forty-one mid-cap, small and speculative stock ideas for 2009 were included in *BRW's* special investment edition on January 8. There have been a few early shockers: AWB, Charter Hall Group, Hastings Diversified Utilities Fund and Australis Aquaculture; Reverse Corp has also disappointed. Yet most are holding up OK and about a quarter have posted 20 per cent to 50 per cent gains since early January. However, the best performers could still give up early gains and the laggards may surprise later in the year. Gains should be viewed in the context of a market that has rallied 25 per cent from its lows. The list provided fertile ground to dig for small-cap ideas. Here are five mid-cap, small and speculative stocks from *BRW's* special investment edition that have performed well so far.

Genera Biosystems

The small biotech, developing a test to detect sexually transmitted diseases in women, made the *BRW* speculative ideas list for 2009. Genera floated last year at 50¢ a share then slumped to 13¢. The company's main test, PapType, expected to be approved this year, is promising, but Genera, like many small biotechs, may need to raise capital. Shares in the well-run company have risen to 47¢ since January due to promising clinical data and interest in technologies to detect human papillomavirus, a huge global market that had some consolidation overseas in recent years as bigger players position for growth.



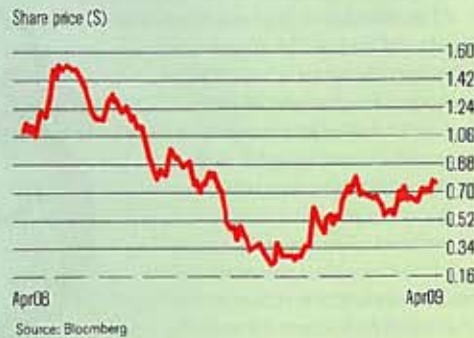
Customers

Australia's largest listed owner of automatic teller machines has jumped from \$1.24 on January 7 to \$1.90. Customers was boosted by the introduction in March of direct charging for ATM transactions where the full fee is passed on to ATM owners, in turn leading to higher margins on each transaction. Customers has increased its ATM fleet to 5400 machines, reconfigured them to capitalise on direct charging and had some recent contract wins with St George Bank, Bank of Queensland and Arab Bank Australia. There are signs consumers are making smaller but more frequent purchases during the economic downturn, which should lift ATM transaction fees. Customers reported a \$6.9 million loss for the half year to December compared with a \$22.5 million loss in the previous corresponding period. Debt, reasonably high, should come down and the company looks well positioned to deliver profit growth. However, the valuation is less attractive after the recent rally and investors may wait for some heat to come out of the share price.



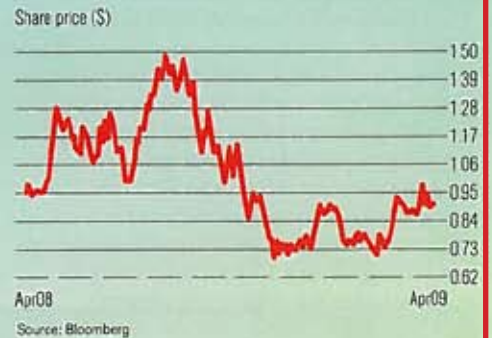
Perseus Mining

The African gold explorer's share price soared from 47¢ on January 7 to as high as 81¢ as markets were tanking in February before easing to 78¢. Interest in Perseus, trading at \$1.52 last May, is building as investors take notice of the company's exploration results in Ghana. Perseus is among the more interesting small gold explorers for prospective investors comfortable with riskier stocks, especially if its share price retreats after such a strong rally. A sustained rise in the gold price late this year as fears of inflation in 2010 or 2011 build could also help Perseus and other gold producers.



TFS Corporation

The share price of TFS, owner and manager of Indian sandalwood plantations in the east Kimberly region of Western Australia, was 88¢ on January 7, fell as low as 70¢ in February before rallying to 90¢ as *BRW* publishes. The company's net profit for the December half rose by 66 per cent to \$5.16 million, due mostly to "non-cash" revenue from an increase in the sandalwood-tree valuations and recognition of revenue from deferred fees. TFS maintained its market guidance of achieving at least 15 per cent growth in net cash earnings for the 2009 financial year and is on track to have zero debt. Rising Indian sandalwood prices should also help earnings. Uncertainty about the tax status of managed investment schemes weighed on TFS and other agricultural companies that receive fees from selling small ownership stakes in plantations. TFS is on a trailing price earnings ratio of about six – OK for a company with decent earnings growth. However, the stock suits investors comfortable with riskier small caps.



Dominion Mining

The gold producer and explorer is an early standout. Promising results from the company's Challenger gold project in South Australia have seen its shares soar from \$3.37 on January 7 to \$5.35. Dominion aims for annual production of about 105,000 ounces of gold at a cash cost of \$420 an ounce this financial year and expects a big lift in earnings based on the gold price. Expansion of Challenger could add another 10,000 ounces to annual production. The issue is how much of the growth profile is already reflected in the share price. Dominion has just caught up to the average price performance of listed gold stocks after lagging for most of 2008.





Hour of reckoning: how top picks are tracking

Naming a top stock is a daunting task, let alone when global equity markets are crashing and investors are rushing for the exits. This was the task *BRW* put to sharemarket experts for its special investment edition on January 8.

The picks are off to a decent start, despite being lodged just weeks before the market's February nosedive. The rally in late March and April has helped the portfolio of expert picks post an average 10 per cent gain. *BRW* also nominated 10 top small-cap stocks for 2009 – up by an average of 15 per cent since January 7 – a reasonable result given many small stocks have been slaughtered this year. *BRW*'s best large-cap ideas by sector have not fared as well, ending flat on average due to falls in QBE Insurance and Telstra. Computershare is the best performer with a near 20 per cent gain.

Standouts picks so far have been IMF Australia (tipped by Neil Carter, Macquarie Group); Dominion Mining (Alan Hill, State One Stockbroking); and Customers (Martin Pretty, Bell Potter Securities). Each stock is up more than 50 per cent over the period. Other strong performers include Slater & Gordon (Ed Prendergast, Pengana); McMillan Shakespeare (Matthew Kidman, Wilson Investment Fund); Energy Resources of Australia (John Campbell, Stephen Wood and Jeremy Bendich at UBS Small Companies Fund) and Monadelphous Group (Frank Villante, Souls Funds Management).

AWB was the worst performer with a 53 per cent fall, then Westfield Group and News Corp. BHP Billiton and Woolworths are flat over the period. Four stocks have posted small negative gains, the worst being jobs website Seek with a 4 per cent fall. Navitas, SAI Global and ARB Corporation are yet to rally.

BRW's special investment edition favoured the consumer discretionary sector (as a recovery play later this year), industrials, information technology and financials. It is too early to rate these ideas, but the underweight call on resources for 2009 may have been misguided. *BRW*

Tony Featherstone

Disclosure: The author's family owns shares in QBE, WDC, BHP and WOW

EXPERT PICKS FOR 2009

	Stock	Price January 7	Recent price	% change
1	Reece	16.5	17.72	7.39 ▲
2	CSL	30.25	32.19	6.41 ▲
3	Slater & Gordon	1.4	1.68	20.00 ▲
4	McMillan Shakespeare	2.15	2.85	32.56 ▲
5	News Corp	13.61	11.75	13.67 ▼
6	IMF Australia	0.9	1.43	58.89 ▲
7	AWB	2.54	1.18	53.54 ▼
8	BHP Billiton	32.6	33.21	1.87 ▲
9	Woolworths	25.62	25.58	0.16 ▼
10	Monadelphous	7.48	9.8	31.02 ▲
11	Westfield Group	13.51	11	18.58 ▼
12	Alumina	1.61	1.67	3.73 ▲
13	Energy Resources of Australia	19.8	21.77	9.95 ▲
14	Customers	1.24	1.88	51.61 ▲
15	QBE Insurance	26	20.7	20.38 ▼
16	TFS Corporation	0.88	0.9	2.27 ▲
17	Dominion Mining	3.37	5.35	58.75 ▲
Average gain or loss since January 7				10.48 ▲

BRW BEST LARGE-CAP IDEAS FOR 2009 BY SECTOR

	Company	Price January 7	Recent price	% change
1	Stockland (A-REITs)	3.8	3.67	3.42 ▼
2	Harvey Norman (consumer discretionary)	2.6	2.81	8.08 ▲
3	Woolworths (consumer staples)	25.62	25.58	0.16 ▼
4	Woodside Petroleum (energy)	38.77	38.8	0.08 ▲
5	QBE Insurance (insurance)	26	20.7	20.38 ▼
6	CSL (health care)	30.25	32.19	6.41 ▲
7	Toll Holdings (industrials)	6.29	6.34	0.79 ▲
8	Computershare (IT)	7.62	9.1	19.42 ▲
9	BHP Billiton (materials)	32.6	33.21	1.87 ▲
10	AGL (utilities)	14.54	14.69	1.03 ▲
11	Telstra (telecommunications)	3.76	3.28	12.77 ▼
Average gain or loss since January 7				0.09 ▲

BRW BEST SMALL-CAP IDEAS FOR 2009

	Company	Price January 7	Recent price	% change
1	Iress Market Technology	5.21	6.35	21.88 ▲
2	SAI Global	2.6	2.58	0.77 ▼
3	Navitas	2.4	2.32	3.33 ▼
4	IMF Australia	0.83	1.43	72.29 ▲
5	Slater & Gordon	1.4	1.68	20.00 ▲
6	The Reject Shop	10	10.96	9.60 ▲
7	Seek	3.5	3.35	4.29 ▼
8	Monadelphous Group	7.48	9.8	31.02 ▲
10	Invocare	5.01	5.13	2.40 ▲
11	ARB Corporation	3.05	3	1.64 ▼
Average gain or loss since January 7				14.72 ▲

Source: BRW