

under the radar **SMALL CAPS**

SMALL TALK

“The next time some bank employee “goes postal” with a financial weapon of mass destruction, it would be nice not to have all of one’s precious little eggs in that particular basket case.”
- *The Idle Speculator*

17 NOVEMBER 2011

MF Global... Greece... Italy... France... Europe... The World

I think you get the point. The domino effect is the big worry right now and investors, and everyone else, believe that if one country defaults, then financial institutions around the world will suffer bad debts causing insolvency.

Remember Lehman Brothers? Taxpayers came to the rescue of the banks. When there are sovereign defaults, there is no one to come to the rescue. It’s the lifeboats that need rescuing.

It seems bad, but from Australia’s position, probably not as bad as other places. We still have the stuff that China wants.

But resources won’t save everyone, not by a long shot. The Government doesn’t receive much in the way of tax receipts from mining, and the employment opportunities are focused around the locations of the mines, not the urban centres.

The risk to the rest of the economy is massive. The government cannot cut interest rates forever, and even when they do, the effect is not that great when there is such pronounced global uncertainty.

Why then, would you bother with small caps if there is Armageddon around the corner?

Although things seem bad and could become worse, the fundamentals of companies that we advocate are not. They have good cash levels and massive opportunities to grow. It is no accident however, that both our tips: Tap Oil and WDS are involved in resources. But in our look at small cap financial services companies, there are clearly good opportunities to profit from companies that have strong balance sheets and growth opportunities.

I hope you enjoy this fortnight’s Under the Radar Report.



Best Wishes

Richard Hemming
Editor

**99% of all financial news relates to the 40 to 50 biggest companies. So what about the rest?
They’re Under the Radar**

ISSUE #5

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For insights and examples of how you can make big money from small caps.

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under the radar

SHARE
TIP

01

TAP OIL

The oil and gas producer is emerging from a slumber with a quiver full of big assets loaded with production potential. The stock could easily double in the next year.

SHARE PRICE **70c** MARKET CAPITALISATION **\$169 MILLION** ASX CODE **TAP**

IMPROVING FORTUNES Tap Oil has a long history and has been in a state of decline for quite a number of years, its shares trading at almost a quarter of their \$3.11 price in August 2005.

The good news is that it appears its fortunes are finally improving.

The company's two producing assets are both in Western Australia, and both are nearing the end of their lives. The first is in the Apache operated Harriet area and the other is in the Woollybutt oil field in the Carnarvon Basin.

When oil companies find themselves on the wrong side of the production curve, it is hard to stop share price deterioration.

But in the past month and a half, its shares have spiked 25 per cent, and investors are definitely seeing possibilities in the veteran Australian oil and gas miner.

WHAT ARE THEY SEEING? Mainly, they're seeing a company with zero debt and \$67 million in cash, assets coming into production in the next three years, plus exploration potential to boot.

MANORA Arguably, the most important asset is the Manora offshore oil development in Thailand, of which Tap has a 30 per cent stake. This was purchased this time last year and should go into production in early 2014, according to the company's chief financial officer, David Rich, who spoke to Radar. It should produce about 15,000 barrels of oil a day and is valued by UBS at \$72 million, or 30 cents a share.

FINUCANE The company also owns just over 8 per cent of the Santos operated Fletcher-Finucane project off the coast of Western Australia which is due to commence production in 2013.

ZOLA Another immediate prospect is on the natural gas front, namely its Zola discovery is just south of Chevron's Gorgon operations off the coast of Western Australia, which could easily be sold in the short-term.

WA-351-P Also in natural gas, Tap has exploration potential in its "WA-351-P" block on the North West Shelf, for which BHP Billiton is paying \$40 million for 25 per cent. This means Tap has already doubled its money on the project, and drilling hasn't even commenced (due to start early next year).

WILDCARDS On the wildcard front, Tap has extensive exploration acreage in Thailand and in Ghana, West Africa.

THE ELEPHANT This brings us to the elephant in the room: the ongoing Burrup litigation. Tap is in a joint venture (holding 12.2 per cent) with Apache and the Kuwait State oil company Kufpec to supply Burrup Fertilisers with low priced gas from the Harriet oil field.

Tap and its partners have declared force majeure, meaning that they cannot fulfil the contract because the reserves of gas are not there. This would mean the joint venture has no liability. In the event that this is not agreed upon by a court (it hasn't even been applied for yet) the companies are seeking to limit the damages to the terms of the contract, which comes out at about US\$25 million, payable over the period between 2013/14 and 2030.

There was a hearing relating to the dispute in the Supreme Court of Western Australia in mid-September and there should be a judgement by early next year.

VALUATION UBS has a valuation of \$1.03, and a 12 month price target of \$1.18. Its analyst Gordon Ramsay tells us that only 15 cents of the valuation relates to exploration upside for Zola, WA-351-P and Thailand. This means based on its assets that are near production and its \$67 million in cash, worth 88c a share, the company is 25 per cent undervalued.

If it gets a resolution on its liability to Burrup soon, the stock could well shoot above this. Time will tell. And Radar will be watching. ■

BULL POINTS

- Two new producing assets
- Producing assets worth more than current share price
- Significant exploration portfolio
- Significant cash, zero debt

BEAR POINTS

- Litigation hanging over stock

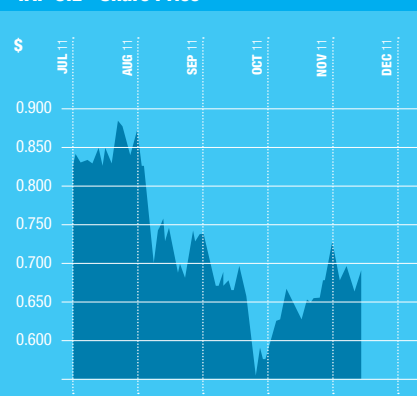
WHY WE LIKE IT

Tap has a number of really exciting assets, some of which are coming into production very soon. The company is valued by brokers at between \$1 and \$1.64 and when the litigation risk hanging over the stock is removed, the stock should jump about 20 per cent, and in the longer-term, move towards these higher valuations.

WHAT'S NEW?

Its September quarter was a solid operating result. Production was down about 16 per cent, but revenues more than doubled to almost \$30 million due to a high oil price of about US\$100 a barrel. The big news, however, is that the company is progressing its production and exploration portfolio and is moving to draw a line under its obligations to Burrup Fertilizer.

TAP OIL - Share Price



SOURCE: ASX

SECTOR REVIEW: FINANCIAL SERVICES

WHAT MF GLOBAL MEANS FOR YOU

THE MF GLOBAL DISASTER IS JUST ONE OF THE ISSUES FACING A SECTOR THAT IS SUFFERING FROM LOWERING CREDIT GROWTH AND HIGHER FUNDING COSTS... BUT THERE ARE OPPORTUNITIES TO MAKE MONEY, ESPECIALLY AT THE SMALLER END.

It's only when the so-called man in the street gets hurt that the world takes notice of matters financial.

We have seen this with MF Global where hundreds of thousands of traders around the world suddenly don't know whether they will see the money they held with the broker ever again.

In Australia it has emerged that clients of Bell Potter could be in danger of losing almost \$3 million in cash and in trading products like contracts for difference (CFDs) held by MF Global.

The overall exposure of MF Global is miniscule compared with Lehman Brothers, but it is leading to more questions about the nature of financial services companies, many of whom rely on funds provided by other big institutions for very short periods (as short as nightly) to keep their doors open so that they can make big bets.

When the wholesale taps get turned off, collapses occur. There have been quite a number, and more often than not, it has been Joe and Josephine Taxpayer who ends up footing the bill.

The real consequence of the excesses in the financial system highlighted by the crash of MF Global and Lehman Brothers before it, is the aversion to risk. This is manifested in many forms, but a crucial one is "de-leveraging" which means that everyone, from individuals to big companies, is reducing their exposure to debt. People are saving more.

Australia's savings rate is over 10 per cent of people's incomes, a level not seen for more than 20 years. On top of this, governments and regulators are cracking down on the activities of financial services (although you might not believe it in the wake of MF Global) which means increased costs of doing business.

THIS BRINGS US TO AUSTRALIA'S BANKS.

The recent full year results for Westpac, ANZ and the National Australia Bank (NAB) illustrate that although their profits were huge, their returns on funds employed is diminishing. Five years ago Westpac's return on equity was 22 per cent, now it's 15 per cent. The only way these banks are going to grow profits is by cutting costs, or making takeovers.

This is reflected in their average dividend yield, which is just under 7 per cent, which climbs to almost 10 per cent if you include tax credits.

The danger is that these banks will continue to need to raise capital, both to maintain increasing capital adequacy requirements, and to make any significant purchases.

When the wholesale taps get turned off, collapses occur. There have been quite a number, and more often than not, it has been Joe and Josephine Taxpayer who ends up footing the bill

In a broader sense, financial services companies are being hit by the "de-leveraging" effect, but also by regulatory impact.

For companies like Count Financial (which has been purchased by CBA) and to a lesser extent accounting services provider **WHK (WHG)**, this produces extra administrative burden, which is more easily borne by companies like AMP and AXA that are also affected. Similarly, the profits of companies like **Thorn Group (TGA)** and **Cash Converters (CCV)** are vulnerable if the government cracks down on how much these groups can charge people for "pay-day" loans.

De-leveraging and increasing regulatory scrutiny is also damaging for the wealth management sector, which includes everything from listed investment companies to **Perpetual (PPT)**. And in difficult times, investors perennially question whether

SECTOR REVIEW: FINANCIAL SERVICES CONT

management is being over compensated. This month Perpetual shareholders displayed their anger over the level of that company's pay with just over 26 per cent voting against its remuneration report, which included a \$500,000 sign on fee for its new chief executive, Chris Ryan. If a shareholder revolt of similar magnitude on the issue of remuneration happens next year, the entire board will be voted out.

Amid the doom and gloom, however, there are still bright spots. These relate to companies in the sector that are increasing market share, which is what you want from a small cap. They also relate to companies that are not just lenders and borrowers but whose businesses service the financial sector in other ways, such as software, and the provision of advice.

We mentioned **Silver Chef (SIV)** in our issue dated 6 October, 2011, a company that has a strong niche in kitchen equipment finance. Its shares were \$2.69. Now they trade 8 per cent higher at \$2.90 and the company still looks to be good value, trading on a PE of below 10 times.

In our sample product on 7 July 2011, we covered insurance broker **Austbrokers (AUB)**. Its shares have declined by 5 per cent since then, but they are starting to bounce back. In the past three months they have risen 5 per cent and its business remains impressive. This is because insurance premiums are increasing, which means more brokerage revenue.

Portfolio services provider **Iress Markets Technology (IRE)** is at the big end of the small cap spectrum, but its shares have climbed almost 15 per cent in the past month or so, although at \$7.70 they remain well below their year high of \$9.98. The company is benefiting from the introduction of Chi-X in competition to the Australian Securities Exchange.

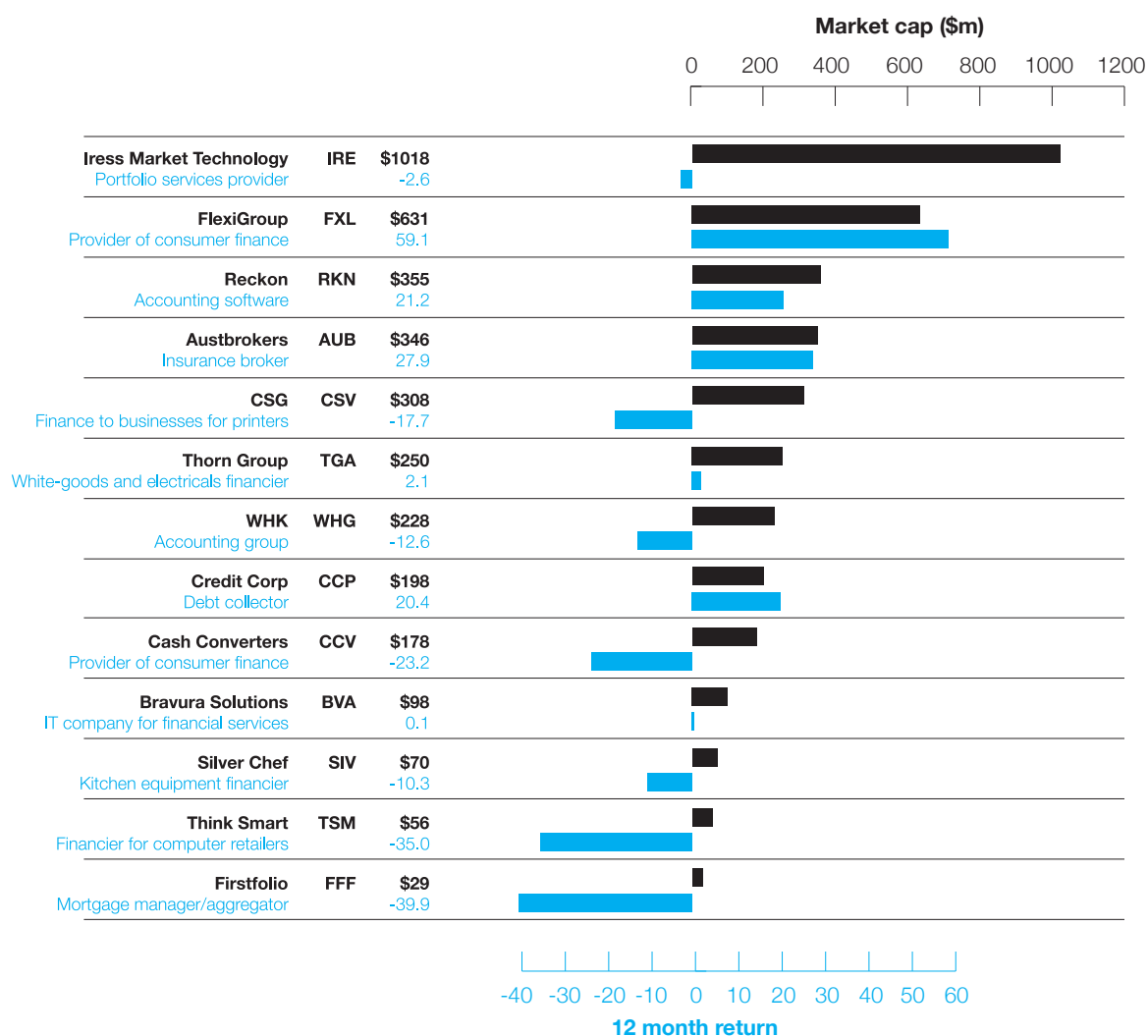
FlexiGroup (FXL) shares are also climbing, having risen 13 per cent in the past 3 months although they remain slightly weaker over 12 months. This company provides finance for electrical goods and IT products. It's the kind of business that is in demand during tough times.

A business that has bounced back impressively is **Credit Corp (CCP)**, which takes on the loan ledgers of banks. Once a credit card debt is 180 days old, Credit Corp purchases it for a steep discount, and it makes money recovering the funds. Its annual general meeting showed that it had generated over \$20 million in free cash in the first four months to October.

Accounting group **WHK (WHG)** might actually be a winner from reforms in the way investment advice is compensated. Its current dividend yield is almost 8 per cent, and under newly installed chief John Lombard, the company has big ambitions to tackle the challenging the financial advice market. ■

AUSSIE JUNIOR FINANCIAL SERVICES COMPANIES

RETURNS AND MARKET CAPS AS AT 10 NOV 2011 OF FINANCIAL SERVICES COMPANIES IN THE ASX SMALL CAP INDEX



WDS

The company should make shareholders a motza because it is in line to win as much as \$600 million of work in the next six months.

SHARE PRICE **68c** | MARKET CAPITALISATION **\$97M** | ASX CODE **WDS**

CONTRACT UNCERTAINTY WEIGHING ON SHARES In the past two and a half months WDS shares have fallen almost 20 per cent, which would lead you to the conclusion that there will be a profit downgrade.

Investors are rightly frustrated that there has so far only been one announcement for the \$600 million or so contracts WDS has tendered for.

These contracts relate to the \$40 billion of work that needs to be completed for the three mandated Queensland coal seam gas projects being operated by Santos, Origin Energy and British Gas.

A KEY SUPPLIER TO CSG PROJECTS WDS is a supplier of services such as pipelines and well-head installations for these projects, as well as electrical and instrumentation services (E&I).

The infrastructure component of the Queensland projects adds up to \$7 billion, and a mere 5 per cent of this equates to \$350 million for its E&I division.

It is important to note that these big projects are contracted to provide liquefied natural gas (LNG, which is produced from CSG) from 2014. There has been an outcry over the environmental impact of the dredging needed to ensure ships gain access to the port of Gladstone, in Queensland, but these massive projects have been given all the green lights, having been signed off by financiers and by the Queensland Government.

So, in our opinion, it is a matter of when and not if these projects get awarded.

NEW HIGHLY REGARDED CHIEF Importantly, WDS is in a good position to secure them. It has serviced the underground coal industry for a number of years and now has a highly regarded mining services man at the helm, chief executive, Terry Chapman. He has held a number of senior positions, including head of transport and systems with United Group.

Chapman, who commenced in the role in July last year, was keen to emphasise his company's abilities to fulfil these contracts, when Radar spoke to him:

"British Gas need 6000 wells to be drilled in the next few years and we have proven that we're capable of supplying equipment for this...our company has demonstrated the ability to work in this environment and we have worked for most of the major players."

COST BLOWOUTS IN THE PAST And well he might say this, because one of the reasons for the nervousness associated with WDS is the cost blowout that came about as a result of the company's anticipation that the CSG projects would come about more quickly than has proven to be the case.

Having traded over \$3 in mid-2007, the company had its *annus horribilis* in 2010 when the cost blowouts occurred and its shares hit as low as 32c.

FY2012 SHOWS TURNAROUND Despite recent weakness, the share price has appreciated, which is evidence that new management is doing its job. Its full year profit result for fiscal 2011 showed a net profit of \$5.4 million, which compared to a loss of \$7.5 million the prior year.

Behind these numbers is evidence that Chapman and his team have cut costs and have improved the company's ability to accept and reject projects, which is crucial for any contractor.

Revenue for the year was up 11 per cent to \$376 million, while operating earnings (EBITDA) more than doubled to \$32 million, illustrating the enormous operating leverage from WDS, which has a large fixed cost base of people and equipment.

OUTLOOK The company believes it can achieve double digit revenue growth in the current fiscal year, which implies \$420 million, and its order book at the time was \$319 million and it has another \$650 million or so out to tender.

What this comes down to is patience. Clearly, the share price weakness means investors are running out of it. The company trades on an extremely low PE for the current year of just under 7 times.

CHEAP...IF THE CONTRACTS START ROLLING IN It should start paying dividends this year, and if, as we believe, the contracts start rolling in, it is easy to see WDS trading on an industry multiple, giving it a valuation of more than \$1. ■

BULL POINTS

- Exposure to two booming sectors – underground coal and coal seam gas
- Contracts to Santos, Origin and British Gas in the near future
- Management has extensive experience in contract mining
- Cost base reduced

BEAR POINTS

- Contract uncertainty
- Overcoming negative perceptions

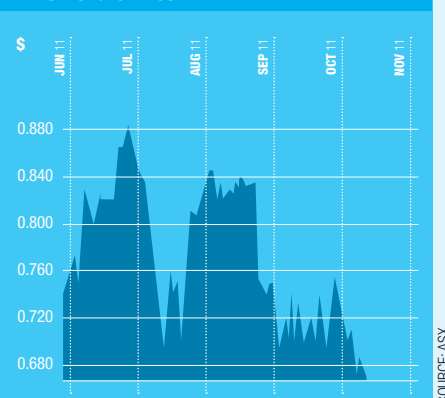
WHY WE LIKE IT

WDS is definitely in a turnaround situation. The company supplies pipelines and does electrical work for underground coal mining operations and is now in position to secure literally hundreds of millions of dollars in contracts from the big coal seam gas (CSG) projects that are kicking off in Queensland.

WHAT'S NEW?

The company's net profit showed that new management, led by mining services veteran Terry Chapman, is showing the discipline needed to produce consistent profits for the group. We are also nearing the time when contracts must be announced for the \$40 billion CSG projects in Queensland.

WDS - Share Price



PIE FUNDS MANAGEMENT

MIKE TAYLOR



**AUCKLAND BASED
SMALL CAP FUND
MANAGER MIKE
TAYLOR SHOWS
US HOW HE HAS
RETURNED 83 PER
CENT IN THE PAST
THREE YEARS**



Mike Taylor of Auckland based Pie Funds Management knows that to make an impact on the funds management scene you need to outperform by a big margin.

This means taking big risks, which in the funds management world, means holding a small number of stocks that you believe will do well (they call this “high conviction”).

His two small cap funds hold only a dozen stocks each, in stark contrast to most funds, which hold between 40 and 45 stocks, the number needed to stay in touch with the various indexes that they are benchmarked against.

“You don’t get outperformance unless you concentrate on just a few ideas. If you do this successfully you outperform; if you get it wrong, you get it wrong badly,” says Taylor.

HIGH RISK, HIGH RETURN

Luckily for the investors in his first fund, he has so far managed to pull it off, returning 83 per cent, or 19 per cent a year, to 31 October over the life of his Pie Australasian growth fund, which started life in December 2007. This compares with the return of the ASX Small Ordinaries of minus 13 per cent a year, over this period.

His fund is heavily skewed towards Australia, simply because there are not many listed companies in the land of the long white cloud. There are only 180 listed companies in NZ, compared with 2200 in Australia.

At the moment 10 per cent of Pie’s portfolio is invested in NZ equities, 60 per cent in Australian, and the remaining 30 per cent is in cash.

BIG RETURNS FROM DYNAMIC CEOS

Taylor looks for companies which he thinks can increase their earnings by more than 50 per cent in two years. In order to do this, he invests in companies where he likes the person at the top.

“I look for management teams that have dynamic CEOs, because they’re integral to the business. In small caps they’re normally the founder, or at least have a lot of equity. They have a culture behind them that drives the business and people under them that aspire to reach up to their level.”

When asked for an example, he does not hesitate:

M2 COMMS

“Vaughan Bowen from M2 Communications is very much a leader. He’s charismatic and has achieved a great deal in 12 years. He’s a visionary and a leader for people. If you speak to anyone in the company they have a great deal of respect for him.”

Pushed on what this means, Taylor says:

“You have to be good at selling, or more specifically, selling your business to fund managers. If you can’t sell yourself or your company, you will find it hard work in the small cap space.”

In the past three years M2 (MTU) has increased more than four-fold, which probably accounts for his admiration of Bowen. Although in the past eight months or so, it has fallen about 20 per cent. Bowen founded M2 but is stepping down from leading the company, handing over to Geoff Horth, who was previously chief operating officer.

The company provides fixed line, mobile and data telecommunications services specifically towards small and medium businesses in Australia and New Zealand.

Is Taylor still a believer?

“Vaughan is still integral to the company’s success. In fact, it’s our biggest holding.”

OTHER WINNERS

Other companies in the portfolio that are well led include **Macquarie Telecom (MAQ)** (a stock tip in Issue 3 of Radar), which owns and operates data centres; travel agent for executives, **Corporate Travel (CTD)**; and the re-named Mining and Civil Australia, **MACA (MLD)** a contract miner for mid-sized gold and iron ore companies.

The one New Zealand company he mentions in the context of past performance is **Diligent (DIL.NZ)**. This business gives senior executives access to Board papers on-line. Another stock he mentions is Australian gold miner **Silver Lake Resources (SLR)**, proving his company isn’t fixated on industrials. Although he has sold out.

FUND MANAGER: MIKE TAYLOR CONT

LOW DEBT

One of his criteria is to only invest in those that have little debt, which means having a debt to operational earnings (earnings before interest tax, depreciation and amortisation) of less than 1 times. Having come from banking, he says that this is a crucial determinant used by banks in lending to companies and forms part of loan covenants, which determine whether or not the companies default.

RECENT PURCHASES

Companies he has been purchasing recently include data centre operator, **NextDC (NXT)**. When we query that there are millions of data centres around the world, implying that NextDC will struggle to find demand in Australia, he responds:

“I wouldn’t say that there are too many data centres, and most are full. That’s why there is a rush to build more. You can’t just build them, though. You need approvals... there are also data sovereignty issues. If you are an Australian corporate or government you want to hold the data onshore.”

He has also purchased travel website **Webjet (WEB)**, and cites its conversion rate of booking 1 in 100 of the people that use its site to check prices. “It might be a lower conversion rate than **Wotif (WTF)**, but it keeps making money each year.”

A New Zealand company he recently purchased is **Skellerup (SKL.NZ)**, which manufactures rubber products used by the dairy industry, “anything from gum boots to products for milking”. It’s also moved into providing products for coal seam gas drilling, he adds.

He is also one of the many fans of junior telco, **BigAir (BGL)**, run by Jason Ashton, who was previously with Magna Data.

UNDER THE RADAR

“I like Jason and he’s doing a good job, acquiring businesses with good margins and improving those margins by stripping out costs...there is not a lot of value placed on the infrastructure it has and this company is definitely under the radar. The market doesn’t have a handle on its worth.”

With lines like this, it’s no wonder we listen to what Mike Taylor says. ■

TOP HOLDINGS OF THE PIE AUSTRALASIAN GROWTH FUND

COMPANIES	INDUSTRY SECTOR
Alchemia	Pharmaceuticals
Big Air	Telecommunication Services
Corporate Travel	Travel & Tourism
Diligent	Technology
Maca	Mining Services
Macquarie Telecom	Telecommunication Services
M2 Telecommunications	Telecommunication Services
Next DC	Telecommunication Services
Service Stream	Utilities
Resource Equipment	Mining Services
WDS	Mining Services

BUILDING A 20-20 SHARE PORTFOLIO

OUR PORTFOLIO MANAGER, “THE IDLE SPECULATOR” KICKS OFF OUR PORTFOLIO THIS WEEK WITH TWO STOCKS. WE ALSO GUIDE YOU THROUGH THE PROCESS USED BY PROFESSIONALS TO HELP YOU TO ACHIEVE RETURNS IN THE ORDER OF 20 PER CENT A YEAR OVER THE LONG TERM.

THE CORE/SATELLITE APPROACH

In our series on Portfolio Philosophy, we explained and demonstrated that diversification is a central plank in both protecting and generating capital.

Bearing this in mind, we will allocate up to 75 per cent of the investable amount of our portfolio to market-based investments including exchange traded funds (ETFs) and diversified large managed funds. It is important to invest in a range of funds because our experience suggests that each type of indexed investment options may become more or less fashionable over time, and we would not achieve the stated aim of diversification if all of the market-based investments were exposed to similar structural risks (for example, counterparty exposure).

Put simply, next time some bank employee “goes postal” with a financial weapon of mass destruction, it would be nice not to have all of one’s precious little eggs in that particular basket case. Let’s not forget that the trading losses at Societe Generale and at UBS more recently were put into effect on the flip side of the allegedly consumer friendly ETFs. These funds in many cases are designed to create opportunities for financial industry professionals to place bigger bets against the very individuals to whom the products are targeted.

MEASURING RISK

We provide a quantitative measure of the risk for Under the Radar Report’s portfolio. We will use this risk rating system to ensure that the smaller companies’ part of this portfolio is not excessively speculative.

We apply six distinct potential sources of risk for listed small caps: financial, operational, strategic, development, profitability and liquidity. We will explain more about each source of risk in relation to specific investments over time, and it is important to remember that each measure will be relative to other investments in our stock universe.

Over time we will refine and enhance the risk measures in a way that will help subscribers to review not only the performance of stocks that we identify or purchase, but other stocks they might be invested in.

The portfolio will contain eventually a balance of turnarounds and growth stories, speculative and income stocks, companies with good balance sheets and those with particularly interesting prospects.

PROPOSED TRANSACTIONS

Our plan is to invest the first \$25,000 starting from this issue, and with further injections of \$25,000 each month thereafter until \$100,000 is reached.

We will start by depositing a theoretical \$25,000 cash balance today, and this will be partly invested in the following securities at the closing offer price next Tuesday. This time, we intend to purchase one ETF and two smaller stocks.

MARKET-WEIGHTED INVESTMENTS

We will invest around \$15,000 in one of the largest ETFs as the first investment in the market component of the portfolio. Size and reputation for integrity are the critical factors here. A relatively low management fee should assist in ensuring that the investment stays as close to the reference index as possible. We have chosen the ETF, STW, or the SPDR brand, with shares in the top 200 ASX listed companies. Its units are currently priced at over \$40, so we can afford to buy 400.

We will not be price sensitive to our purchases. Although, about 50 per cent of your money will be going into the top 10 companies. So if you own a lot of Telstra, CBA, BHP etc, you should buy less of this EFT to reflect your existing exposure.

We anticipate investing in three or four market based investments in similar amounts, based on our philosophy of investing up to 75 per cent of a \$100,000 portfolio in this asset class. We anticipate that this proportion will rarely fall below 50 per cent, and with this first investment, 60 per cent of the portfolio is market weighted.

SMALL CAP INVESTMENTS

While **Macquarie Telecom (MAQ)** is attractive for its conservative features, the liquidity and spread in the stock makes it a little harder to get set, but if the price goes below \$7.50, we will be more interested. Until then, we will hold fire.

As we talked about a couple of issues ago, we like to buy cheap. Although **Collins Foods (CKF)** faces an uphill battle to demonstrate that the stock is more chicken than turkey, and ordinarily we would prefer to watch this one from the sidelines for a little longer, we will invest. The problem is the \$100m debt. However, sometimes you just have to hold your nose and buy, and although the much larger part of their business is the

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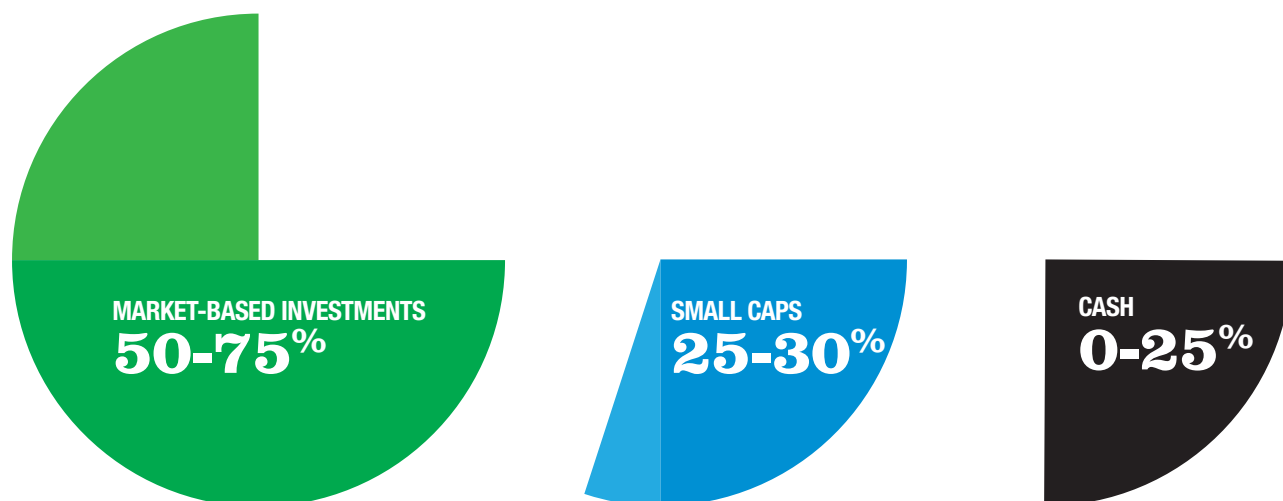
KFC franchise, we would be particularly interested in the longer term prospects for the Sizzler business. Our overall reluctance and belief that we are a bit early is mirrored in a choice of a child size portion of 1000 shares at below \$1.30. We will review the position in the light of reported results after the new year.

Second course will be a medium size portion of **Neptune Marine (NMS)**, or say 50,000 shares at below 3.3 cents. We were

impressed with the speed with which management cleaned up the balance sheet, and the end demand for the services they provide should increase over time.

We should then have just over \$5,000 left which we will indicate how we intend to invest after the next issue.

INVESTMENT BREAKDOWN



INITIAL TRANSACTIONS FOR UNDER THE RADAR SMALL CAPS PORTFOLIO

CODE	NAME	PROPOSED TRANSACTIONS	22-11-11
NMS	Neptune Marine	50,000 shares at < 3.3c	
CKF	Collins Foods	1000 shares @ < \$1.30	
STW	SPDR 200 ETF	400 Units to be purchased at market, current \$41 a unit	
	CASH	About \$5,000	
	STARTING TOTAL	\$25,000	

KEEP UPDATED
 WE WILL UPDATE THE WEBSITE SHORTLY AFTER
 OUR TRANSACTIONS ON TUESDAY 22 NOVEMBER.
 PLEASE CHECK OUR BLOG FOR DETAILS ON UPDATES.

WARNING: This publication is general information only, which means it does not take into account your investment objectives, financial situation or needs. You should therefore consider whether a particular recommendation is appropriate for your needs before acting on it, and we recommend seeking advice from a financial adviser or stockbroker before making a decision.

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