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AUSTRALIA

The Market In Numbers - 28 Sep 2024

The Market In Numbers: Look under the bonnet and what do you see?

For most investors, whatever goes on in financial markets is experienced through their own portfolio and personal matters of interest.

The below detailed overview in raw numbers and calculations might assist with assessing trends and currents that might not be apparent from daily volatility and movements.

All index data are ex dividends. Commodities are in USD.

Australia & NZ

Index	28 Sep 2024	Week To Date	Month To Date (Sep)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12457.410	-0.17%	0.08%	6.32%	5.84%	6.32%
All Ordinaries	8476.80	0.47%	1.93%	5.78%	8.27%	5.78%
S&P ASX 200	8212.20	0.03%	1.49%	5.73%	8.19%	5.73%
S&P ASX 300	8152.30	0.14%	1.60%	5.76%	8.18%	5.76%
Communication Services	1598.10	-0.85%	-1.14%	6.45%	0.62%	6.45%
Consumer Discretionary	3840.40	-0.34%	0.76%	9.37%	18.52%	9.37%
Consumer Staples	12491.60	-1.99%	-2.78%	0.92%	1.47%	0.92%
Energy	8896.70	1.27%	-4.56%	-11.31%	-16.25%	-11.31%
Financials	8191.10	-4.42%	-0.42%	6.97%	21.92%	6.97%
Health Care	43901.40	-1.50%	-4.19%	-0.80%	3.69%	-0.80%
Industrials	7402.40	-0.42%	-0.63%	8.68%	7.81%	8.68%
Info Technology	2697.60	1.70%	6.58%	15.21%	47.18%	15.21%
Materials	18000.60	9.37%	9.10%	6.65%	-7.64%	6.65%
Real Estate	4033.10	-1.10%	6.01%	13.19%	20.47%	13.19%
Utilities	8980.00	0.51%	1.25%	-3.28%	9.79%	-3.28%
A-REITs	1839.30	-1.15%	5.97%	13.24%	22.42%	13.24%
All Technology Index	3444.90	1.08%	2.56%	9.78%	27.87%	9.78%
Banks	3421.00	-6.23%	-1.94%	7.07%	23.08%	7.07%
Gold Index	8892.20	2.38%	4.66%	20.86%	20.69%	20.86%
Metals & Mining	5885.10	10.52%	9.88%	6.03%	-8.99%	6.03%

The World

Index	28 Sep 2024	Week To Date	Month To Date (Sep)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8320.76	1.10%	-0.67%	1.92%	7.60%	1.92%
DAX30	19473.63	4.03%	3.00%	6.79%	16.25%	6.79%
Hang Seng	20632.30	13.00%	14.69%	16.44%	21.03%	16.44%
Nikkei 225	39829.56	5.58%	3.06%	0.62%	19.02%	0.62%
DJIA	42313.00	0.59%	1.80%	8.17%	12.27%	8.17%
S&P500	5738.17	0.62%	1.59%	5.09%	20.30%	5.09%
Nasdaq Comp	18119.59	0.95%	2.29%	2.18%	20.71%	2.18%

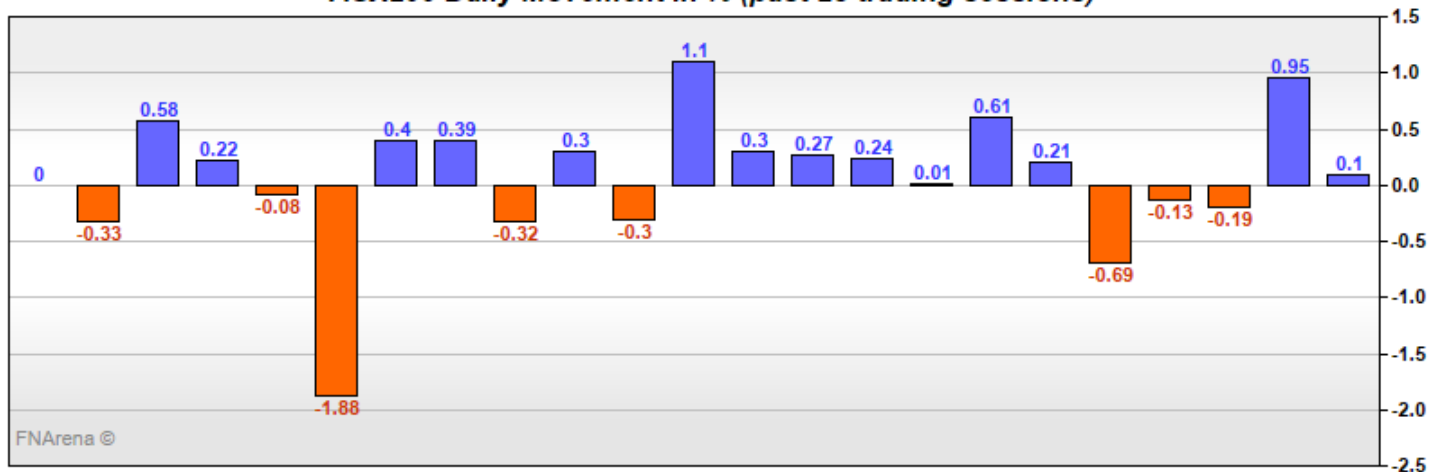
Metals & Minerals

Index	28 Sep 2024	Week To Date	Month To Date (Sep)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2695.10	3.19%	5.51%	15.28%	31.82%	15.28%
Silver (oz)	32.30	3.83%	8.28%	10.43%	32.49%	10.43%
Copper (lb)	4.4680	2.75%	6.14%	3.10%	17.33%	3.10%
Aluminium (lb)	1.1794	3.10%	6.07%	4.88%	21.30%	4.88%
Nickel (lb)	7.5627	2.89%	-1.27%	-2.77%	1.69%	-2.77%
Zinc (lb)	1.3945	5.33%	7.38%	5.16%	24.00%	5.16%
Uranium (lb) weekly	79.	-0.94%	-2.16%	-4.80%	-7.85%	-4.80%
Iron Ore (t)	92.54	0.55%	-6.17%	-13.12%	-33.05%	-13.12%

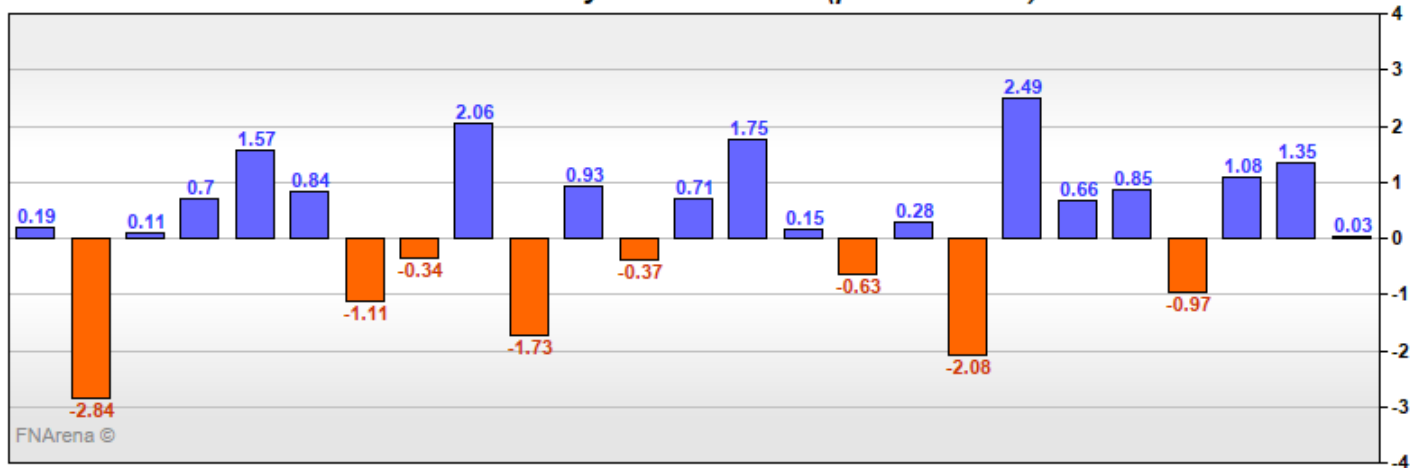
Energy

Index	28 Sep 2024	Week To Date	Month To Date (Sep)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	67.44	-5.20%	-11.30%	-17.62%	-8.63%	-17.62%
Brent Crude	70.88	-5.32%	-10.22%	-17.04%	-10.57%	-17.04%

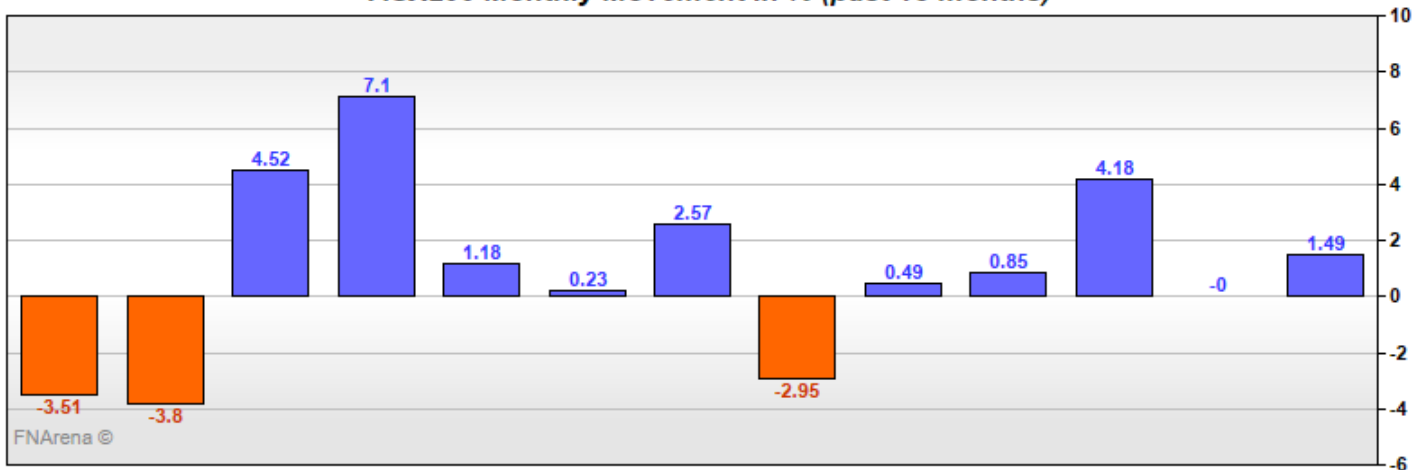
ASX200 Daily Movement in % (past 23 trading sessions)



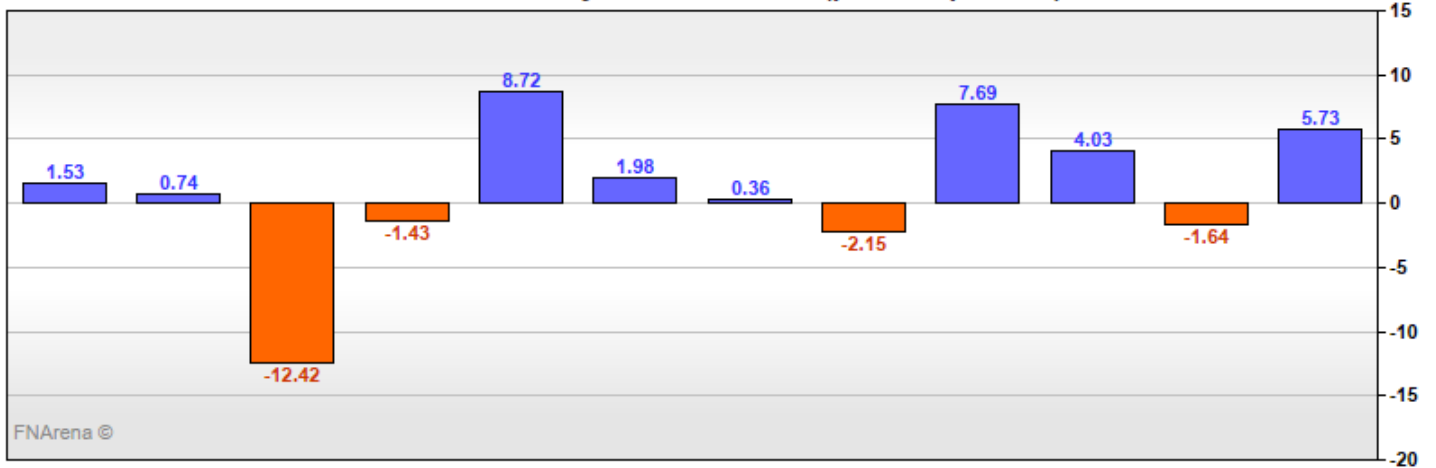
ASX200 Weekly Movement in % (past 25 weeks)



ASX200 Monthly Movement in % (past 13 months)



ASX200 Quarterly Movement in % (past 12 quarters)



The composition of above rankings and calculations is fully automated, based on raw data. Investors are advised to find context, interpretation and background elsewhere.

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AUSTRALIA

Transitory Headwinds For ALS

Weakness in Mineral Services forced ALS Ltd to downgrade its profit forecast despite a resilient Life Sciences division, but brokers see the issue as transitory.

- ALS Ltd's first half profit guided to be down -5%
- Volatility in commodities markets, strength in Life Sciences
- Interest expense weighing
- Analysts remain positive

By Greg Peel

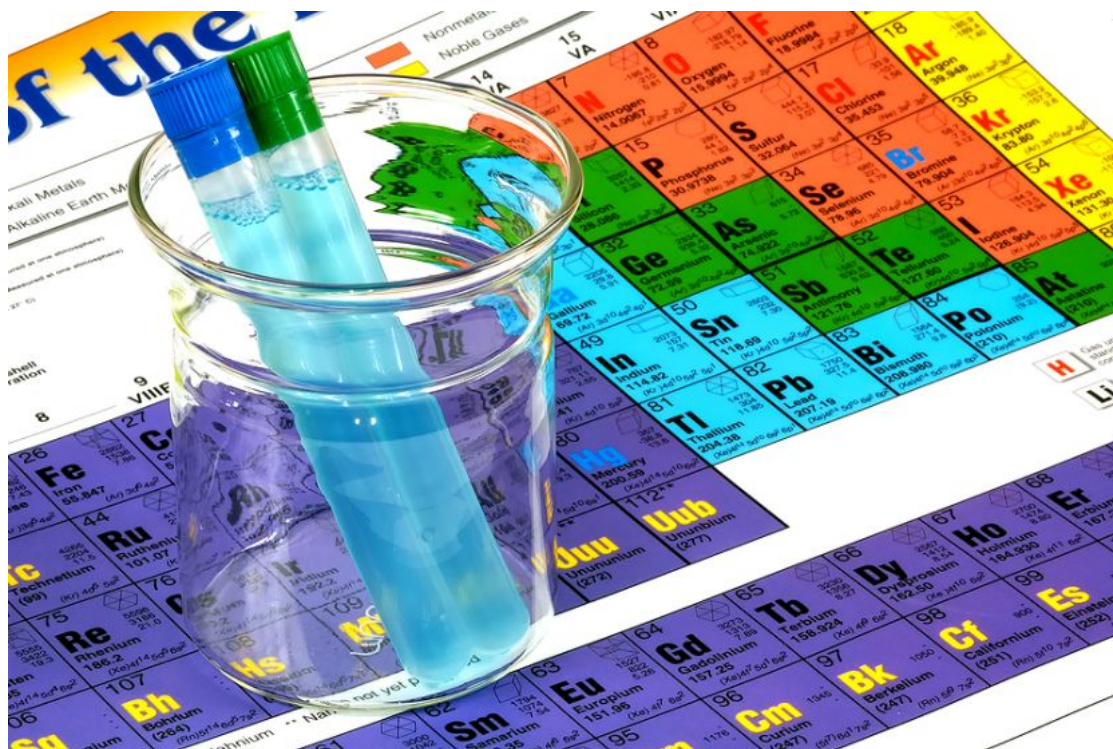
ALS Ltd's ((ALQ)) operations can be divided into two segments: Mineral Services and Life Sciences. The former offers minerals testing and geochemistry for new mining projects while the latter covers environmental services, food testing and pharmaceutical and personal product testing.

Mineral Services revenues are highly reliant on the global exploration cycle, which in the first half of FY25 (ALS has a March-end financial year) has been weak.

Australian volumes have fallen -10% year on year due to extended delays in clients raising capital before starting exploration on local projects, Ord Minnett notes. There has been sluggish investment in some Latin American countries due to political volatility. In general, weaker demand from China, the world's largest commodity consumer, is proving a drag, noting prior to the current commodities rally, copper prices had fallen -15% post May.

In better news, demand in North America is growing and Africa is strong.

ALS' guidance anticipates first half earnings to be "slightly ahead" of a year ago, supported by a resilient Life Sciences business, but net profit to be down -5%.



Where there's Life

Life Sciences saw its environment operations enjoying double-digit growth in revenue in all geographic segments, with the division as a whole trading to plan.

Environmental is the bright spot, Macquarie suggests, seeing low double-digit organic revenue growth in the first half, which is an acceleration from 8.6% last year. Environmental is the largest part of Life Sciences at around 55-60% of revenue. The integration of recent acquisitions is on track and Nuvisan is beginning to see improvement in its business development pipeline.

Margins in these businesses should reach the average of the Life Sciences division within five years, Goldman Sachs suggests, with a return on capital employed equal to or greater than 15%.

However, new acquisitions have also provided for greater interest expense than assumed, now at -\$80m-plus when the market had estimated -\$67m. This has been driven by increased debt levels that were themselves a result of unexpectedly high lease costs from some acquisitions and higher working capital requirements.

That interest expense is behind the forecast -5% fall in first half profit.

Transitory

In Jarden's view, some of the elements of the weaker operating earnings should prove transitory, especially the impact of de-leverage from lower commodities volumes which has been driven by delays in right-sizing the company's cost base, the broker believes.

Mineral Services should be able to adjust to more volume volatility in the second half following a volatile first half, Jarden suggests. Interestingly, pricing and mix remain constructive and according to management the company is maintaining market share, potentially implying some competitive rationality in a declining market.

Volatility has proven unhelpful to ALS' typical ability to adapt its operating costs to the volume environment, driving a forecast earnings margin contraction of around -120bps in the Mineral Services business in the first half, based on Jarden's forecasts.

The broker expects the company will now address its cost base and boost its "hub" utilisation, insulating earnings margins from potential ongoing volatility in the testing market over the second half.

Macquarie expects the exploration cycle to show recovery in 2025 after two down-years supported by a US\$2,500/oz gold price, a better copper price and gradually improving economic activity, and thus sentiment, post central bank rate cuts.

Macquarie believes ALS remains well-placed to benefit from exploration recovery and structural tailwinds, increased environmental regulation and increased PFAS testing.

Forever chemicals are drawing a lot of attention at present.

UBS notes the stock trading at a one-year forward enterprise value to earnings ratio of 10x, below the 12x that the stock typically trades at during exploration upcycles. This broker's positive thesis is underpinned by the view that record gold prices should support a recovery in exploration activity into FY26, despite challenging conditions at present.

Heading into the company's first half update, six brokers covering ALS all had Buy or equivalent ratings on the stock. Heading out, that hasn't changed.

Ord Minnett maintains its Accumulate recommendation citing ALS' exposure to an eventual rebound in commodity volumes as the global economy strengthens, and upside in the Life Sciences operations.

The macro picture is mixed, notes Goldman Sachs, though gold/copper prices and mid-long-term battery metal demand remain supportive. Goldman retains Buy.

Macquarie suggests FY25 was always going to be something of a transition year with higher interest and corporate costs and acquisitions proving earnings per share dilutive. ALS will provide further colour on the full year at the first half result release scheduled for November 19.

In response to the update, all brokers have trimmed down their earnings forecasts, leading to falls in target prices.

Macquarie (Outperform) has cut to \$15.00 from \$16.15, UBS (Buy) to \$16.30 from \$17.00 and Ord Minnett (Accumulate) to \$14.90 from \$15.10. Morgans (add) last had a target of \$15.50, which provides a consensus target among brokers monitored daily by FNArena of \$15.43.

Jarden (Overweight) has cut its target to \$14.20 from \$14.90 and Goldman Sachs (Buy) by -5% to \$14.85.

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AUSTRALIA

Cyclically Challenged Brickworks Prioritises Cash

FY24 results for Brickworks beat consensus forecasts and analysts expect growth for the property division and an increasing dividend.

- FY24 results for Brickworks beat consensus forecasts
- Earnings margins rose, property valuations stabilised
- Several sources of growth for the Property division
- Morgans forecasts a progressive increase in dividends

By Mark Woodruff

Brickworks' ((BKW)) FY24 results exceeded consensus expectations, driven by stronger-than-anticipated cost control and operational efficiencies within the Building Products divisions in both Australia and North America. Despite a slowdown in construction activity, earnings margins improved.

Industrial property valuations and rental growth stabilised as demand for prime industrial space remains strong, explains Jarden.

As capitalisation rate expansion is largely complete, Ord Minnett suggests the Property segment is well positioned to benefit from both increasing rental income from lease renewals and new developments.

Ord Minnett has raised its 12-month target and upgraded the rating for Brickworks shares to Accumulate from Hold (Accumulate sits in between Buy and Hold on the broker's five-tiered ladder).

The Property division was adversely impacted by a -\$215m devaluation of Property Trust assets in FY24, following an increase in capitalisation rates across the portfolio to 5.2% from 4.1% in FY23, explains the broker.

Promisingly, there was a second half property revaluation of \$18m (versus -\$233m in the first half) which more than offset a further 17bps expansion in the capitalisation rate at the end of June, points out Bell Potter (remembering Brickworks has a July year-end).

This broker also raised its target price but has downgraded to Hold from Buy on valuation.

Describing the long-term growth outlook as "solid", Neutral-rated Macquarie still feels further macroeconomic support will be required before developing a more optimistic thesis.

Citi agrees the outlook could improve with lower interest rates driving demand upside, while also noting the stock continues to trade at a discount to realisable value.

Brickworks comprises a diversified group of companies engaged in manufacturing and distribution of clay and concrete products, property development and investments.

Financial results are reported in the following segments: Building Products Australia; Building Products North America; and Property, whereby surplus land is developed. This latter segment includes a 50% interest in two property trust joint ventures with Goodman Group (([GMG](#))).

The company also has an Investments division, which includes a 26.1% shareholding in WH Soul Pattinson (([SOL](#))) and a 17.6% stake in WA-based robotics company FBR Ltd (([FBR](#))), the world's first fully automated end-to-end robotic bricklayer.

This division primarily derives earnings from WH Soul Pattinson, which in turn derives a large portion of earnings from its equity and private investments. Any reduction in interest rates should benefit these positions, suggests Citi.

Jarden comments this holding in WH Soul Pattinson, along with strength in the JV Industrial Trust with

Goodman Group, helped mitigate cyclical residential exposure in FY24. Brickworks generated \$157m of earnings in FY24, 14% ahead of the consensus estimate for \$138m.

Earnings fell from \$784m in FY23 as a result of non-cash property revaluations, explains Morgans. Excluding the impact of the property revaluations and property sales, earnings fell by -4% to \$387m.

More positively, **earnings margins in Australia and the US rose by 220bps and 230bps**, respectively, as management actively cut costs and scaled back production in Australia, while capacity was also well managed in the US, Macquarie comments.

Brickworks has been investing in plant modernisation over the last number of years, with new or refurbished capacity about to come online in both markets.

Anticipating construction activity will remain soft over the next 12-18 months across Australia and North America, management plans to prioritise cash generation to continue delivering shareholder returns through the cycle. Plant closures are planned near-term for maintenance and inventory control.

Morgans sees scope for dividends to progressively increase.

Reliable dividends have been a strong point over time, with a payout every year since Brickworks listed on the ASX in 1962.



Several sources of medium-term growth for the Property division

Management continues to expect trust rental income will nearly double to \$341m from \$180m at the end of FY24 via a combination of market rent reversions and additional development at Oakdale in NSW and Rochedale in Queensland.

At Rochedale, management is looking to get approvals for a 115,000sqm industrial estate.

Over the next 10 years, Citi sees around 40% upside to in-place rental income for Brickworks, as well as potential upside on new developments as land assets are converted to operating industrial assets in partnership with Goodman Group.

Over and above this, the broker highlights two big land parcels in Craigieburn, Victoria, where 600,000sqm of industrial gross lettable area (GLA) is expected) and a 77-hectare site in Pennsylvania in the US where management has filed applications for 185,000sqm of facilities with entitlement expected in early-2025.

The outlook for revaluations is also positive, according to Citi (noting Brickworks takes property revaluations above the line) with prospects for falling global and local interest rates.

Outlook

For the near-term, earnings forecasts by Jarden reflect ongoing cyclically challenged earnings across both geographies.

On the other hand, Bell Potter sees further value in Brickworks, highlighting building products earnings and Property valuations are now arguably at or approaching a nadir.

Of the six covering brokers covered daily in the FNArena database, four have Hold (or equivalent) ratings, while Ord Minnett and Citi have respective ratings of Accumulate and Buy.

The average target price of \$30.46 suggests around 4.7% upside to the share price.

Outside of daily coverage, Jarden is Neutral rated with a \$30.00 target.

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AUSTRALIA

Breville's Replacement Cycle Tailwind

After materially raising targets for Breville Group following FY24 results, brokers contemplate further upside from the replacement cycle and ongoing outperformance relative to peers.

- Breville Group main beneficiary of replacement cycle, says Jarden
- Ongoing outperformance versus Macquarie's kitchen benchmark
- The impact of several new entrants in espresso coffee
- Broker views on FY24 results and the outlook

By Mark Woodruff

Throughout the pandemic, the installed base of home appliances lifted by 4-5%, according to leading global manufacturer, Whirlpool, with the uplift higher across small appliances and PCs.

Importantly, notes Jarden, usage of the higher installed base remains high, with Whirlpool estimating appliance usage generally is around twice the pre-covid level.

For this higher installed base, the greatest beneficiary of the replacement cycle on the ASX should be Breville Group (BRG)), suggests the broker, which is already benefiting from new product development and geographical expansion.

As covid is now around four years in the past, Jarden believes we are entering a more material portion of the replacement cycle, which could drive upside demand for listed electronics retailers.

The analysts suggest both Breville and Harvey Norman ((HVN)) are the best way on the local stock exchange to play this replacement cycle, due to attractive multiples, large skews to IT, and high levels of operating leverage.

Potentially creating more certainty in investor's minds for Breville, the group has outperformed the Macquarie Kitchen Benchmark over the period 2018-2023 by around 12% per annum.

This measure extends across the small appliance market, covering the coffee, kitchen and food preparation categories.

Breville's distribution model is predominantly direct in North America and the EMEA region, whereas in the APAC region there is a greater reliance on third-party distribution, outside Australia, New Zealand and South Korea.

Designing and developing small electrical appliances, the group operates through the Global Product and Distribution segments.

The Global Product segment sells premium products designed and developed by Breville that may be sold directly or through third parties. Products are branded Breville, Sage, Lelit or may carry a third-party brand.

The Distribution segment markets products that are designed and developed by a third party which may be sold under a brand owned by the company, like Breville or Kambrook, or may be distributed under a third-party brand, like Nespresso.

In the first half of June Breville achieved double-digit growth in North America and EMEA regions, as well as in the Coffee segment. The company's second half revenue grew by 5.7% during a period when the benchmark second quarter revenue fell by -1.1% year-on-year.

Globally, Macquarie observes only Breville, Nespresso and SharkNinja among its benchmark companies are generating revenue above pandemic peaks (with each overweight coffee) by developing new markets and investing in new product development.

Regarding competition, Morgan Stanley recently noted there been several new entrants in espresso coffee in 2024 including KitchenAid, SharkNinja and Phillips.

The analysts see limited impact in the near-term given these brands are more mass market by comparison to Breville's premium status.

For the longer-term, there could be a positive impact from higher espresso coffee penetration, as these competitors increase overall marketing spend and raise awareness for the category.



FY24 results and the outlook

Slightly above the mid-point of management's guidance range, Breville's FY24 EBIT of \$185.7m was broadly in line with Petra Capital's forecast, and the broker's target was raised to \$28.30 from \$24.40, though the rating was downgraded to Sell from Hold

This broker still had a positive view on Breville and felt the company has a significant growth runway, but the price earnings multiple had expanded towards the top-end of its range and was seen as excessive considering the backdrop of consumer and geopolitical risks.

At the time, Goldman Sachs (Neutral) agreed with Petra Capital on valuation (though structurally positive in the long-term), noting near-term growth expectations were more modest and suggesting the current share price reflected the underlying growth profile of the business.

While the result improved confidence by UBS (Neutral) for an expected revenue acceleration in FY25, the analysts also felt this outcome was reflected in the stock price.

On the other hand, analyst at Overweight-rated Wilsons highlighted a buffer against further shocks to consumer confidence from rising market share in the Americas (the company's largest geographical market). Overall, this broker welcomed the second half return to double-digit growth in the Americas and EMEA.

Overall, Morgans (Hold and hoping for a share price pullback) considered the FY24 result was "impressive", underscored by strong operating cash flow, an improved inventory position, and ongoing momentum into FY25.

A key highlight from FY24 results for Ord Minnett was the significant improvement in Breville's financial position, which provides firepower for new product development, geographic expansion and potentially acquisitions.

Of the five covering brokers daily monitored in the FNArena database, three have Buy (or equivalent) ratings, while UBS and Morgans are on Hold.

The average target price of \$33.17 is below the current share price.

Outside of daily coverage, Wilsons and Goldman Sachs are at Buy (or equivalent), while Jarden and Petra Capital have respective ratings of Hold and a Sell. The average target of these four is \$30.93.

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AUSTRALIA

September In Review: Banks versus Miners

Policy announcement in the US and China spurred gains in September leaving investors in a quandary over bank exposures versus resource stocks.

- ASX200 gained 3.0% (total return) in September
- Materials & Technology rally, Staples & Healthcare weigh
- Value outperforms Growth as mining equities rally
- The Australian dollar has risen strongly over the past two months

By Mark Woodruff

In its fifth consecutive monthly advance, the ASX200 gained 3.0% (including dividends) in September supported by lower bond yields as the US Federal started an easing cycle which was complemented by surprise stimulus announcements in China.

US 10-year yields fell by -13bps to 3.79, while the Australian 10-year government bond yield rose by just the 1bp to 3.97%.

Market positioning moved towards Materials at the expense of Banks as the US/China easing cocktail lowered the risk of global hard landing scenarios, explains Morgan Stanley.

UBS points out Australian Bank share prices have still underperformed miners on a 10-year comparison.

Up to early-September, Banks had outperformed the Resources sector by up to 60% year-on-year, but by September's close, this gap had narrowed to 37% (illustrating just how fierce the switch in between the two local heavyweight sectors has been).

The analysts at UBS highlight leadership cycles have tended to last for five years, which implies the divergence we have seen so far this year could still persist.

Regarding offshore equities, the MSCI All country World Index rose by 2%, with the Developed Markets index increasing by 1.5%. The MSCI China Index returned 23.9% and the broader MSCI Asia ex Japan Index climbed by 7.6%.

In the US, the S&P500 and the Information Technology sector gained 2.10% and 2.49%, respectively.

Back in Australia, the Materials sector gained 13% on Chinese stimulus to support the property market, with the authorities promising more is forthcoming. The Technology and Real Estate sectors also gained 7.4% and 6.6%, respectively, while Healthcare and Staples lost -3.2% and -1.7%, respectively.

While Technology was supported by lower bond yields, analysis by Macquarie has highlighted the sector also has the strongest earnings momentum of any ASX sector.

The re-rating for the Mining sector on the expectation Chinese stimulus will drive upgrades is on shakier ground, according to this broker, with EPS forecasts falling in the month.

Within sectors, Materials were supported by BHP Group ((BHP)), the largest single stock contributor for the month, and Rio Tinto ((RIO)).

Rounding out the top five index contributors were Goodman Group ((GMG)), Macquarie Group ((MQG)) and Fortescue ((FMG)).

On the flipside, CSL ((CSL)) was the biggest index detractor for the month, along with the other notable September laggards of CommBank ((CBA)), National Australia Bank ((NAB)), Woodside Energy ((WDS)), and Computershare ((CPU)).

All size biased indices closed higher for the month, with dividend contributions providing the additional lift.

The Small Ordinaries posted the best return for the month of just over 5%. Here, Materials were responsible

for a third of the positive index return, explains Morgan Stanley, followed by Discretionary and Real Estate.

By way of explanation for the outperformance by small caps, the broker points out this part of the market has greater exposure to Discretionary and Real Estate relative to large cap exposures where Financials weigh most.

Value outperformed Growth by 3.9 percentage points driven by the rotation to mining stocks away from banks. The weaker Healthcare sector also boosted Value as earnings forecasts declined for CSL, Ramsay Health Care ((RHC)) and Cochlear ((COH)) partly in response to a stronger Australian dollar.

By contrast, there was a small outperformance by Growth in the US as that market has just 0.4% weight in Mining compared to 19% on the ASX, explains Macquarie.

The CRB Commodity Index jumped by 2.9% in September to 285. Iron ore led the way with an 8.4% lift to US\$109.5/t, while copper and gold climbed by 6.4% and 5.2%, respectively.

The gold price increased by US\$148.05/oz over the month to US\$2,661.85/oz.

Market participants keep waiting for pullbacks to build gold exposure, notes UBS, but the lack of opportunities has likely amplified sharp moves up as investors chase prices higher.

On the other hand, Brent Crude oil declined by -8.9% in September, while thermal coal and hard coking coal adjusted by -0.8% and 5.9%, respectively.

The US dollar Index (DXY), a measure of the value of the US dollar relative to a basket of foreign currencies, fell by -0.9% to 100.7 at the end of the month.

The weaker DXY, combined with higher commodity prices and a relatively hawkish RBA (compared to the Fed) helped propel the Australian dollar 2.2% higher to around US\$0.6900, backing up the near 4% gain in August, highlights Macquarie.

According to the CME Group FedWatch Tool, the probability of the Fed cutting interest rates again on November 7 stands at 100%, but the debate is largely whether the second cut will be by -25bps (63% chance) or -50bps (37%), explains the broker.

In Australia, the odds are 19% for a Reserve Bank interest rate cut on November 5.

UBS now expects a -25bps cut in February next year (previously May), followed by -25bps cuts every quarter thereafter. It's felt the Australian 10-year yield is yet to reflect this more dovish stance as it was largely unmoved in September.

Macquarie's measure of equity sentiment rebounded to 1.29 by the end of the month after approaching 1.00 before the US rate cut, a weaker US dollar, and Chinese stimulus efforts buoyed market participants.

This broker cautions October often results in equity volatility, which may be further heightened this year by the upcoming US Presidential election.

Morgan Stanley suspects a further rotation to Materials is dependent on higher commodity prices, greater acceptance of a soft landing, and policy evolution in China.

This broker's current sector bias is towards large-cap resources while also retaining a degree of quality growth and defensiveness should the market conviction fade for a soft landing.

For more on Australian Banks and the REIT sector see further below.

ASX100 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
MIN - MINERAL RESOURCES LIMITED	29.61	SDF - STEADFAST GROUP LIMITED	-12.36
SFR - SANDFIRE RESOURCES LIMITED	25.61	CPU - COMPUTERSHARE LIMITED	-11.12
S32 - SOUTH32 LIMITED	20.06	REA - REA GROUP LIMITED	-8.22
PME - PRO MEDICUS LIMITED	18.28	ALQ - ALS LIMITED	-7.98
PDN - PALADIN ENERGY LIMITED	17.98	WDS - WOODSIDE ENERGY GROUP LIMITED	-7.32

ASX200 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
MIN - MINERAL RESOURCES LIMITED	29.61	SGR - STAR ENTERTAINMENT GROUP LIMITED	-34.44
SDR - SITEMINDER LIMITED	28.98	LNW - LIGHT & WONDER INC	-17.62
DYL - DEEP YELLOW LIMITED	26.73	SPK - SPARK NEW ZEALAND LIMITED	-15.32

SFR - SANDFIRE RESOURCES LIMITED
WAF - WEST AFRICAN RESOURCES LIMITED

25.61MP1 - MEGAPORT LIMITED
21.33PMV - PREMIER INVESTMENTS LIMITED

-14.29
-12.72

ASX300 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
CTT - CETTIRE LIMITED	77.62	SGR - STAR ENTERTAINMENT GROUP LIMITED	-34.44
CHN - CHALICE MINING LIMITED	40.64	IMU - IMUGENE LIMITED	-20.97
INR - IONEER LIMITED	39.39	IMM - IMMUTEP LIMITED	-19.75
BRN - BRAINCHIP HOLDINGS LIMITED	38.24	LNW - LIGHT & WONDER INC	-17.62
NXL - NUIX LIMITED	37.82	WBT - WEEBIT NANO LIMITED	-17.17

ALL-TECH Best and Worst Performers of the month (in %)

Company	Change	Company	Change
APX - APPEN LIMITED	96.00	DUG - DUG TECHNOLOGY LIMITED	-20.19
4DX - 4DMEDICAL LIMITED	53.41	WBT - WEEBIT NANO LIMITED	-17.17
BRN - BRAINCHIP HOLDINGS LIMITED	38.24	MP1 - MEGAPORT LIMITED	-14.29
NXL - NUIX LIMITED	37.82	CPU - COMPUTERSHARE LIMITED	-11.12
SDR - SITEMINDER LIMITED	28.98	IFM - INFOMEDIA LIMITED	-9.40

All index data are ex dividends. Commodities are in USD.

Australia & NZ

Index	30 Sep 2024	Month Of Sep	Quarter To Date (Jul-Sep)	Year To Date (2024)
NZ50	12423.820	-0.19%	6.03%	5.55%
All Ordinaries	8538.40	2.67%	6.55%	9.05%
S&P ASX 200	8269.80	2.20%	6.47%	8.95%
S&P ASX 300	8209.30	2.31%	6.50%	8.94%
Communication Services	1592.90	-1.46%	6.11%	0.30%
Consumer Discretionary	3838.90	0.72%	9.32%	18.48%
Consumer Staples	12465.10	-2.98%	0.70%	1.26%
Energy	9128.70	-2.08%	-9.00%	-14.07%
Financials	8221.20	-0.05%	7.37%	22.37%
Health Care	44072.50	-3.82%	-0.41%	4.09%
Industrials	7446.90	-0.03%	9.33%	8.46%
Info Technology	2717.40	7.36%	16.05%	48.26%
Materials	18316.60	11.01%	8.52%	-6.02%
Real Estate	4051.50	6.50%	13.70%	21.02%
Utilities	8983.30	1.29%	-3.25%	9.83%
A-REITs	1848.10	6.48%	13.78%	23.01%
All Technology Index	3473.90	3.43%	10.71%	28.95%
Banks	3440.80	-1.37%	7.69%	23.79%
Gold Index	8721.30	2.65%	18.54%	18.37%
Metals & Mining	5991.60	11.87%	7.95%	-7.35%

The World

Index	30 Sep 2024	Month Of Sep	Quarter To Date (Jul-Sep)	Year To Date (2024)
FTSE100	8236.95	-1.67%	0.89%	6.51%
DAX30	19324.93	2.21%	5.97%	15.36%
Hang Seng	21133.68	17.48%	19.27%	23.97%
Nikkei 225	37919.55	-1.88%	-4.20%	13.31%
DJIA	42330.15	1.85%	8.21%	12.31%
S&P500	5762.48	2.02%	5.53%	20.81%
Nasdaq Comp	18189.17	2.68%	2.57%	21.17%

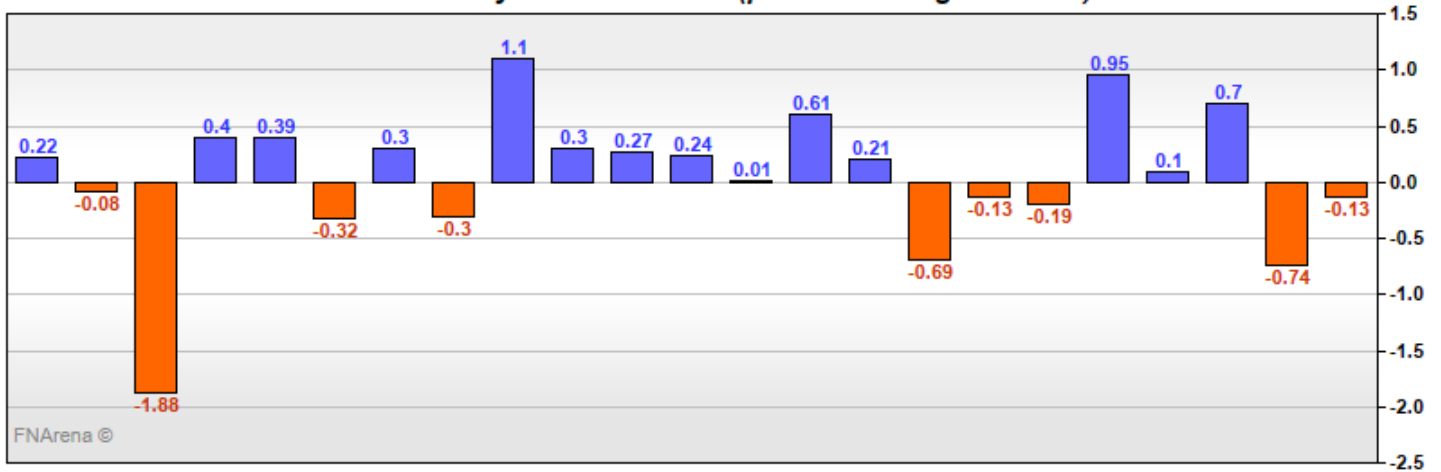
Metals & Minerals

Index	30 Sep 2024	Month Of Sep	Quarter To Date (Jul-Sep)	Year To Date (2024)
Gold (oz)	2681.50	4.98%	14.69%	31.16%
Silver (oz)	31.91	6.97%	9.09%	30.89%
Copper (lb)	4.5985	9.24%	6.12%	20.76%
Aluminium (lb)	1.1866	6.72%	5.52%	22.04%
Nickel (lb)	7.6684	0.11%	-1.41%	3.11%
Zinc (lb)	1.3860	6.72%	4.52%	23.24%
Uranium (lb) weekly	82.	1.23%	-1.50%	-4.65%
Iron Ore (t)	92.98	-5.73%	-12.70%	-32.74%

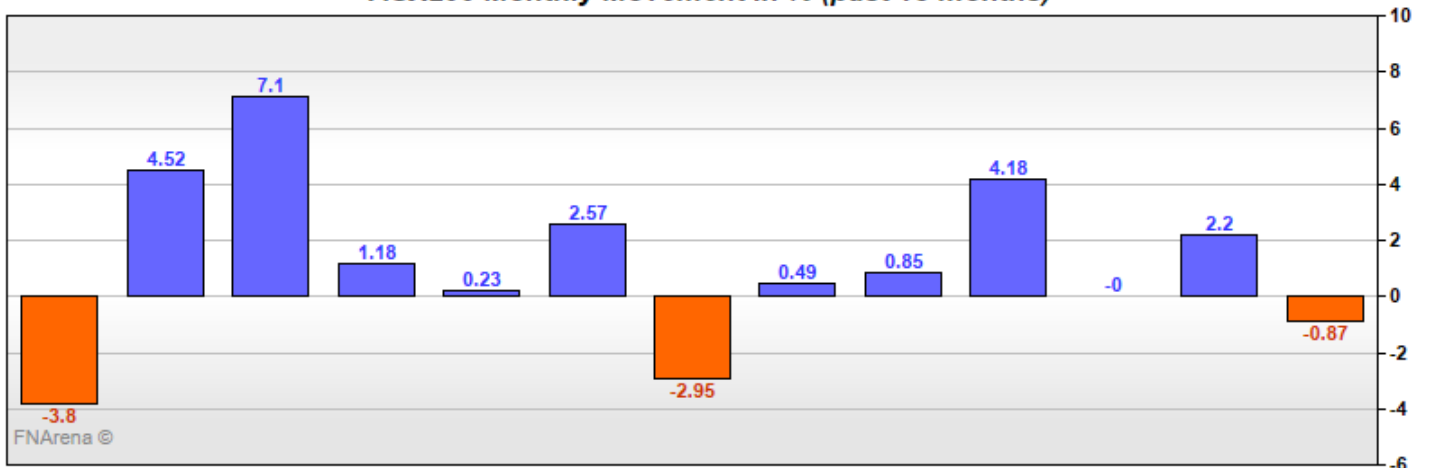
Energy

Index	30 Sep 2024	Month Of Sep	Quarter To Date (Jul-Sep)	Year To Date (2024)
West Texas Crude	68.64	-9.72%	-16.15%	-7.00%
Brent Crude	71.54	-9.39%	-16.27%	-9.74%

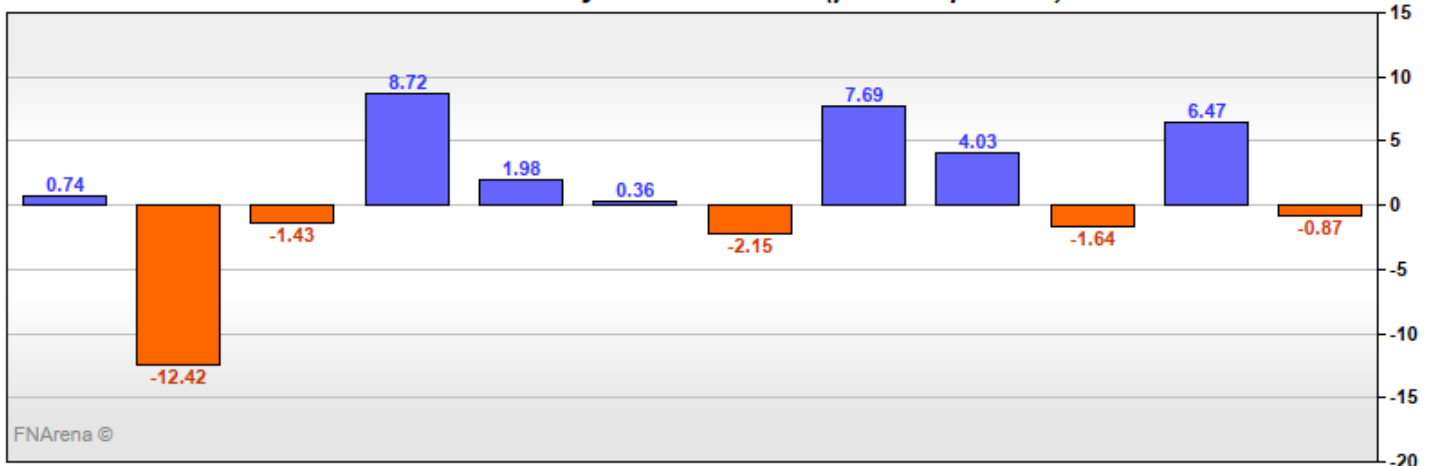
ASX200 Daily Movement in % (past 23 trading sessions)



ASX200 Monthly Movement in % (past 13 months)



ASX200 Quarterly Movement in % (past 12 quarters)



Australian Banks

Morgan Stanley retains a negative stance on the major Australian banks, as share prices still imply nothing goes wrong in 2025, while US rate cuts and Chinese stimulus should continue to support a rotation out of the sector.

Responding to policy measures in China, the major banks underperformed the ASX200 by an average of -6.5% over the week ending September 27, note the analysts.

The underperformance was around -3.8% for the month, with the average major bank total shareholder return (TSR) of -0.8%.

Moreover, the current average one-year forward PE multiple is well above the 10-year average and the 3-year post-covid average, notes Morgan Stanley.

The broker believes current trading multiples and earnings estimates for the majors already capture the potential benefits of rate cuts, a strong economic rebound, a benign competitive environment, a low risk profile, as well as active capital management.

Among the majors, Westpac ((WBC)) was the best performer with a gain of 1.5% and CommBank the worst with a -2.9% retreat.

The major banks' average dividend yield of circa 4.6% is 0.7% above the 10-year bond yield, notes UBS, which compares with a 10-year average of 3.2% and is around its lowest level since February 2011.

Morgan Stanley's major banks order of preference is National Australia Bank, Westpac, ANZ Bank ((ANZ)), and CommBank.

Australian Financials Ex-Banks

Shares in Macquarie Group ((MQG)) gained 8% in September, benefiting from faster US rate cuts and a potential recovery in corporate activity, according to Morgan Stanley.

On the flipside, the broker points out lower rates are a headwind for Computershare, with the shares losing -11% for the month.

Elsewhere, QBE Insurance ((QBE)) gained 5%, after losing -10% in August, as investors digest lower pricing and rates, suggest the analysts.

Australian REITs

Over September, REITs in the Industrial, Diversified, Office, and Retail space returned 10.5%, 5.4%, 5.0%, and 2.6%, respectively.

In the opinion of UBS, gains were supported by the -50bps cut in interest rate by the US Federal Reserve, as domestic rates are expected to follow with an around five-month delay.

While high hedging limits the benefit of lower debt costs in FY25, the analysts note a potential earnings tailwind in FY26 should base rates remain at this level/decline further.

Keeping other factors constant, a -100bps reduction would lift the broker's EPS forecasts for Australian REITs by 5% on average across the sector.

Key outperformers over September include Centuria Capital ((CNI)), Goodman Group and Charter Hall ((CHC)) with rallies of 21.2%, 10.7% and 10.2%, respectively.

Underperformers include Ingenia Communities ((INA)), Charter Hall Retail REIT ((CQR)) and Vicinity Centres ((VCX)) which weakened by -3.3%, 0.8% and -0.5%, respectively.

New Zealand

The NZX50 Index lost -0.19% in September following gains made in August after an interest rate cut by the Reserve Bank of New Zealand.

The year-to-date gain for the NZX50 is now 5.55% compared to the 12.33% for the ASX200.

Technical limitations

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ESG FOCUS

ESG Focus: The Little Big Things - 02-10-2024

FN Arena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:

<https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/>

The EU tackling the big issue of embedded emissions on imports; BlueScope's ESG credentials; power demand to surge as the world adapts and Australia's pathway to net zero emissions.

- Carbon pricing across borders
- BlueScope and Woodside CO2 emission updates
- Power consumption to soar
- What net zero emissions mean for Australian companies

By Danielle Ecuyer

Carbon Border Adjustment Mechanism shakes up trade

The European Union is on the front foot when it comes to embedded emissions relating to the importation of iron, steel, aluminium, cement, fertilisers, hydrogen and electricity with the Carbon Border Adjustment Mechanism (CBAM) initiating a carbon price as at Jan 1, 2026.

Goldman Sachs believes the market does not fully appreciate the impact of the EU's CBAM on imports and highlights the example of Indian Steel where the charge could be up to a US\$98/t variance in the market interpretation compared to the EU ETS (emissions trading scheme) or around 20% of current Indian steel prices.

Over the medium-term, the mechanism is expected to exert greater influence on global compliance of carbon pricing for exports with higher emitting Asian companies anticipated to "increasingly have their emissions priced".

Around 24% of global CO2 emissions or circa 13bn tonnes of CO2 are now covered by 75 compliance mechanisms across the world. Regarding Australia, Goldman Sachs notes the review on carbon leakage is due on September 30 with recommendations on CBAM.

For reference, Australia's Safeguard Mechanism covers 33% of emissions across aluminium, cement, electricity, fertiliser and steel with a carbon price of US\$23/t and no pricing for CBAM with two hundred-plus facilities emitting over 100,000t CO2.

By way of comparison, the EU carbon price is US\$77.90/t and New Zealand's is US\$37.9/t. Mainland China's is US\$12.9/t and India does not have one.

Some of the possible consequences arising from the CBAM include the re-routing of trade based on embedded emissions, such that exports are re-directed to countries with less stringent regulations.

In contrast, the broker envisages more green capex investment and M&A activity, as well as evolution of a "Green" premium for lower carbon products.

Woodside Energy's ((WDS)) US\$2.35bn acquisition of OCI's Green Ammonia Project in Texas is expected to generate a low carbon intensity ammonia at US\$120/t compared to a US\$100/t CO2 price. The project is anticipated to generate an internal rate of return above management's 10% threshold for new energy projects.

Woodside is aiming to invest -US\$5bn in new energy projects including 5mt p.a. emissions abatement capacity, the broker highlights, by 2030.

BlueScope continues the carbon challenge

BlueScope Steel's ((BSL)) Climate and Sustainability reports which were showcased at an ESG Briefing caught the eye of Macquarie and Jarden.

The company is on track for a -12% reduction in its steelmaking emissions by FY30 from the FY18 base with a -12.2% decline as at FY24. A -30% emissions intensity target reduction by 2030 and a net zero goal across all the business by 2050 are also included.

An estimated -\$300m-\$400m will be invested to achieve the 2030 climate aims with -\$150m allocated from 2021-2025 and 40% or \$66m of that amount spent to date.

Jarden views the new Climate Action Report as a positive move towards decarbonisation but suggests, as does Macquarie, some questions around the ambition levels for the 2030 steel making decarbonisation with the target achieved six years in advance.

The company has achieved less on the non-steel making targets. Jarden highlights most of the steel making reductions have been achieved from increased efficiency at Port Kembla, including higher scrap use and the expansion at North Star. Regarding non-steel making, BlueScope has reduced emissions by -8.4% against the -30% target reduction by 2030 since FY18.

Both brokers touch on some of the key "enablers" for decarbonisation including access to international cost competitive large scale renewable energy, competitively priced green hydrogen with natural gas as a transition energy source, and supportive policies across these aspects to facilitate the transition.

Jarden stresses the challenges of sufficient gas and renewable energy supplies while BlueScope waits for the development of a green hydrogen energy source.



Power up for the energy renaissance

Morgan Stanley is unabashedly bullish on power generation and the adjacent businesses to create sustainable, clean, reliable electricity grids.

A combination of onshoring/reshoring of manufacturing; the electrification of transportation, heating, cooling and the burgeoning growth in power demand for Gen.Ai vis-a-vis data centres is forecast to underpin 26% faster growth than the last decade in global power consumption through to 2030. Excluding China, the growth will be 2.4 times faster.

The broker highlights the expected growth is "unprecedented" and is leading to delays in the closure of coal-fired power stations (including Australia/South-East Asia), the restarting of mothballed nuclear power plants in the northern hemisphere and the fast tracking of gas-fired plants and renewable energy projects.

Morgan Stanley estimates 770GW of new power demand will be met by clean energy in 2030, globally, with a growing role for nuclear and gas.

In terms of the cost of solar production, the world has benefitted from more than a halving since the peak in 2022 of the cost of the solar panel supply chain. Supply of panels is estimated at more than two times demand and is at or below cash costs. Thank you, China.

Batteries supply is similar as factory utilisation rates have declined by -20% in the last three years with a doubling of capacity.

Regarding the wind turbine market, Morgan Stanley points to a two-tiered differentiation between Chinese price deflation to pre-covid levels versus turbines from Europe/Asia.

Morgan Stanley believes it is a *"goldilocks scenario for power producers, grid operators and power equipment supply chains"* especially ex-China.

Across the stock universe, the broker forecasts between a 90 to 290bps expansion in return on equity in 2025 in utility stocks as power prices respond to growing demand.

AGL Energy ((AGL)) is Overweight rated with a \$12.88 target price.

Australian Climate Change Authority in focus

The Australian Climate Change Authority released its sectoral pathways to decarbonisation to support the country's transition to net zero emissions by 2050.

UBS offered a summary for investors, highlighting eight transition points:

-*"Australia' electricity transition is in gridlock"*. The national electricity market needs to compound renewable energy capacity at 11% per annum to reach the 82% clean energy target by 2030. That is four times the current capacity at 39% renewables. Multiple factors are causing delays or gridlock, including planning, approvals and grid connection times. More work is required on streamlining and fast-tracking the processes.

Stocks: viewed as a positive for **AGL** and **Origin Energy ((ORG))**

-*"EVs need price parity"*. By 2030 all new cars will be required to have emissions lower by -60% compared to current standards. If vehicles are below the threshold, the vehicle will generate a credit and if they are above, a credit will need to be acquired. EV sales currently represent 10% of new cars. UBS believes the new national vehicle emissions scheme will support EV price parity.

Stocks: viewed as a negative for **Viva Energy Group ((VEA))** and **Ampol ((ALD))**

-*"SAF comparative advantage"*. The decarbonisation of **Qantas Airways ((QAN))** relies on sustainable aviation fuels, 10% by 2030 and 60% by 2050. Some 67% of the company's refuel occurs in Australia. The report points to Australia's capacity to produce 130% of domestic jet fuel demand or a \$1.8bn market in 2030 and \$16bn by 2050 given the country's current feedstock including canola and tallow.

Stocks: viewed as positive for **Nufarm ((NUF))**, **GrainCorp ((GNC))**, **Ridley Corp ((RIC))**, **Cleanaway Waste Management ((CWY))**; decarbonisation for Qantas; hedge for Ampol and Viva Energy.

-*"Resource demand is Australia's largest transition risk and opportunity"*. The country's fossil fuel exports represent 2.6x Australia's emissions or 2% of global emissions. The report points to a decline of circa -10%-20% in fossil fuel demand by 2030 and between -20% to -60% by 2050. Australia's is also experiencing a commodity transition with growing demand for critical minerals.

Stocks: long-term negative for Woodside Energy, **Santos ((STO))**, **Whitehaven Coal ((WHC))**, **Coronado Global Resources ((CRN))**. Positive for **BHP Group ((BHP))**, **Rio Tinto ((RIO))**, **South32 ((S32))**, **Syrah Resources ((SYR))**, and **Talga Group ((TLG))**

-*"Safeguarding industry abatement with engagement"*. UBS highlights 50% of industry emissions come from 20 facilities and 45% of safeguard emissions are generated from 15-ASX listed companies. As the carbon price rises, companies that have invested earlier in carbon abatement measures will most likely generate competitive advantages.

Stocks: engage with hard to abate emissions, Woodside, Rio Tinto, BHP, Bluescope Steel, Santos, Qantas, South32, **Fortescue ((FMG))**, Origin, **Incitec Pivot ((IPL))**, Viva Energy, **Wesfarmers ((WES))** and Coronado.

-*"The Australia carbon credit unit scheme is expected to reach \$13bn by 2050"*. The land sector is the only to achieve net negative emissions with carbon abatement from sequestration. Around 185mt CO2 is estimated by 2050. At current carbon prices, the value of sequestration could reach \$500m by 2030 and \$4bn by 2050. However, a \$100 carbon price, which UBS believes is more realistic, would equate to a value of \$1.65bn in 2030.

-*"Rangeland crazing style is a challenge"*. The domestic cattle industry generates 12% of Australia's emissions from methane via digestion. Feed supplements can reduce emissions by -30% to -98% but the costs need to fall -90% or the carbon credit prices need to rise to \$130 to make it financially possible for farmers.

-*"Buildings are the embodiment of carbon"*. Last calendar year 8% of the country's emissions were generated from the manufacturing of building materials, including concrete and steel. Some REITS have set carbon emission targets with the National Construction Code including minimum standards from 2028.

Stocks: **Mirvac** ((MGR)) and **Stockland Group** ((SGP)) use lower-carbon products; **GPT Group** ((GPT)) has embodied carbon neutral for new builds; **Charter Hall Group** ((CHC)) targets net zero for new builds from FY30, **Lend Lease Group** ((LLC)) from FY40, **Cromwell Property** ((CMW)) from FY45 and **Dexus** ((DXS)) does not have a target.

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INTERNATIONAL

Interview With Michael Howell, CrossBorder Capital

Michael Howell, founder and managing director of CrossBorder Capital, chatted with FN Arena from London about global liquidity, its impact on asset markets including equities, gold, bonds and commodities.

Michael also expanded where liquidity is in the cycle versus the longer-term trend.

Below is a transcript of the interview which is available at

<https://fnarena.com/index.php/fnarena-talks/2024/09/27/fnarena-talks-with-crossborder-capitals-michael-howe-about-global-liquidity-driving-gold-and-financial-assets/>

and/or

<https://youtube.com/watch?v=KsCf0E0m8OU>

The interview was conducted on 25 September 2024 and the video was released two days later.

Danielle Ecuver: Michael, could you provide some background for listeners?

Michael Howell: My history goes back to when I worked for Salomon Brothers, the US investment bank, in the second half of the 1980s. Salomon Brothers, for those that don't remember, was probably the pre-eminent trading firm in bond markets worldwide. It traded government bonds around the world and was big in forex with an understanding of what was going on.

Salomon's devoted a lot of time to research, including researching ideas that we probably take for granted now in financial markets; many often emanated out of the Salomon Brothers research team. One of the big things they used to focus on through the office of Henry Kaufman, the head of research, was flow of funds analysis for the US economy.

In other words, trying to understand the flows of money going into financial markets, and how that was reflected in terms of rising or falling asset prices, changing interest rates, moving currencies, etc. At the time it was very much a US centric view.

By the late 1980s, the world was becoming more and more global, so I just extended the analysis to the international arena, and started to look more and more at cross border flows, what international central banks were doing and how that affected global financial markets. And I suppose, hence our name CrossBorder Capital was formed.

Danielle: Can you flesh out a little bit more what your parameters are for global liquidity? What sort of things do you include in your measures?

Michael: Let me go further and say that if you look at the global picture, the total amount of liquidity winging its way around the world is about US\$175trn, which is about one- and three-quarter times, or one and two thirds' times bigger than world GDP.

So, it's certainly a big pool of cash and it's very important to understand in terms of what we mean by liquidity. I think you've got generally two definitions out there. One is what traders or investors tend to think of as market liquidity, in other words, the market depth they've got when they're trading or investing. Can I buy 100,000 shares in BHP, around the current price spread and in market size? That is one definition of liquidity, that's market liquidity.

That's not what we mean, although it tends to be a derivative, and it follows from the concept we monitor, which is funding liquidity. And what that is really saying is: is there the credit or savings in the system that will allow this transaction to take place?

Funding liquidity is really measuring all the credit and all the cash savings that exist in a particular market. We aggregate it, because liquidity moves around, it's fungible. It moves from country to country, particularly in a world of floating exchange rates. And therefore, global liquidity is the key concept to understand.

This is all the credit and cash savings worldwide, the amount that is passing through world financial markets. We can look at that through the lens of what central banks are doing; we can look at it through the lens of what private banks are doing, both shadow banks and a high number of high street banks, and we can look at it in terms of cross border flows, all those factors. All those dimensions we include in our measure of global liquidity.

Danielle: Can you comment on the concept of financial abundance?

Michael: Okay, very good point. Danielle, I think the first thing to say is liquidity is cyclical, and the bottom of the last cycle was around October of 2022, and we've been seeing rising liquidity in the global economy, or at least rising liquidity in financial markets passing through financial markets, ever since.

That's why world asset prices are going up. For those that have noticed, we've had a two-year bull market pretty much in risk assets. And the reason for that is not necessarily because the global real economy is generating huge amounts of profits and not really because interest rates have been coming down.

It's much more because the flow of liquidity has been going up. If you want to understand financial markets and how financial markets move, you've got to look at this concept, embrace this concept of global liquidity, because it's key. This explains why Wall Street is soaring. This explains why gold is at an all-time high. All these asset prices are getting a bid because of rising liquidity.

Now, as I said, global liquidity is cyclical, and we've got to try and remember that it's not always abundant. There will be times where there will be a scarcity of liquidity, and that's really important. The way to sort of understand the whole process is to think, first, in terms of debt. We've got massive amounts of debt in the world economy, something like US\$350trn of debt.

The point about debt is that debt doesn't really go away. You know, spoiler alert, debt is never repaid. But debt under a contract of issuing debt, that debt should be repaid. And if I borrow, let's say, US\$100m for a five-year term, I've got to repay that US\$100m in five years. And that may be a burden.

If you start to think about this US\$350trn debt worldwide, which has an average life of about five years, that means, by simple math, every year, on average, the world financial system must refinance something like US\$70trn of debt on top of what they're getting in new finance as well.

The reason for making that point is this is often lost on a lot of commentators, simply because economic textbooks tell you the financial sector is all about raising new capital for investment. Equally, that investment drives the business cycle, and that's often why economists tend to refer to nine-to-10-year cycles, because that's really the cycle, or the period of capital investment, the depreciation and reinvestment of capital.

Unfortunately, that world was left behind many, many, many decades ago. The world doesn't work like that anymore. If it did work like that, interest rates may well be important. They're not in the current world, and there's this great dance we go through every time the Federal Reserve coughs about interest rates, but it's largely irrelevant.

What really matters is the amount of liquidity that central banks create and inject in their systems. The reason for that comes back to the whole ethos of understanding refinancing in markets. If you've got US\$70trn to refinance, you need balance sheet capacity to do that, and balance sheet capacity in the financial sector is all about liquidity. If there is insufficient balance sheet capacity, and insufficient global liquidity in the system, you cannot refinance your debt.

If you can't refinance your debt, you get a debt refinancing crisis. Every financial crisis you can think of over the last few decades has been a debt refinancing crisis going back to 2008, going back prior to the Asian financial crisis, thinking back to the US repo crisis in 2019; they've all been about debt refinancing problems, and therefore you need to keep a level of liquidity up to avoid those crises.

That's the job of central banks. Largely, if the private sector fails, such as the shadow banks in 2008, then what we've got to get is central banks coming in. Will there be a financial crisis in the future? Absolutely there will be. Because basically, debt grows exponentially and liquidity is cyclical, and sometimes those two lines don't match, and when they don't match, you get a financial crisis. And that's something we can think about, not immediately, but maybe a couple of years hence.

Danielle: Are central banks more efficient at pre-empting financial crises?

Michael: I think the answer is, they are, until they're not. And the great problem is the financial sector innovates, and the private sector always wants to create more and more credit, more and more liquidity, if you like, at least when left to its own devices, and central banks and policymakers always like to rein in the expansion of private sector credit vehicles.

They're always sort of increasing regulation or trying to stop it, unfortunately or fortunately, depending which way you look at it, the private sector is obviously a lot more alert than the policymakers, the regulators, and they tend to be a couple of steps ahead.

In other words, the financial system, in terms of liquidity provision, tends to be quite elastic, but then as regulations start to impinge and as central bank policy starts to

tighten, you then see the private sector lagging seriously behind what levels of liquidity are necessary to refinance debt.

That's why you tend to get a financial crisis, and that comes back to the sort of understanding why liquidity is generally cyclical.

Another thing one might throw into that: if you get a very strong real economy, money can't be in two places at once. If it's in the real economy, financing economic growth, it's not in financial markets helping debt refinancing, and that's another reason that you can get a crisis. All these things matter in the long run, but central banks certainly have improved their game enormously since 2007, that is without question.

Danielle: Where are we currently in the cycle?

Michael: I think it's important this time to actually start to think not just of the cycle in global liquidity, but also try and envision a trend that's going on as well. Because one of the things that has happened, certainly in the wake of the 2008 financial crisis, and more particularly following the covid crisis, is the governments worldwide have started to increase their outlays and their spending dramatically.

For example, the US government's outlays are four times bigger today than they were ahead of covid. There's an enormous increase in outlays, whereas tax rates are not really going up at the same pace. What you've got is very, very large primary deficits before interest payments in most of the western world.

The scale of that is unprecedented. Once you start to add in interest costs as well on the debt they've got, you start to see government deficits growing at six to eight percent per annum. We were used to, historically, seeing maybe one or two percent occasionally over the years, but nothing like a sustained or embedded six to eight percent. The question is: how do they fund that?

Increasingly, they're turning to financial markets to fund that, and they can't keep using the long end of the market. Selling bonds to institutions pushes up long term interest rates, and that compounds the whole interest bill. What they must do is to go to the front end, the short end of the market, and effectively to use another expression, print money. And that is what is increasingly happening. If you look at the US, the US currently is funding the deficit 75% with monetisation.

They're basically monetising the US deficit. Milton Friedman, long departed this earth, would be turning in his grave if he started to see what was going on right now. That's the reason that you've got gold at all-time highs. There is monetising going on. The US is not the only party doing this, everyone else is beginning to turn in that direction.

That's why I think it's important to think about the trend. Because if you start to look at extrapolations of government spending and government deficits by the IMF in every country, you start to see rising debt to GDP ratios to eye-watering, really large levels.

The US debt to GDP is about 100% or so and likely to test 200% by 2050. These are astronomical demands on financial markets. That's why the gold price is going up. That is why the gold price is going to go up even more.

If you're compounding at a growth rate between eight and ten percent, you are doubling the stock of debt within 10 years. That means not only the stock of debt is going up, but also the value of gold is going up, or the value of the amount of liquidity in the system is going up, all these things are moving *pari passu*.

It's not just the cycle, even though I emphasise the cycle, you've got this time around to think about the trend as well. Therefore, start to think of money, inflation hedges in portfolios, and start to think gold or Bitcoin, or starting to diversify into commodity markets,

Danielle: Can you explain how central banks are monetising the debt?

Michael: At the risk of getting caught in the weeds, if a long-term institution or a private individual buys a government bond that is just coming out of existing savings. So, there's nothing untoward about that. That's normal funding. If the government issues too much debt to that body of investors, then interest rates are likely to go up, and that's a risk. If they start to issue to banks, and banks buy the debt, the banks' balance sheets will expand.

As banks balance sheets expand, that is increasing money supply. For example, if a government employee gets a pay increase and they deposit the increased wages in their bank account, the bank has to find an asset that will broadly match that deposit, so they will go for a government bond, and particularly a short, dated government bond, because that's pretty much matching the type of duration or the type of risk they're taking over the deposit.

So, the balance sheet, both liabilities and assets rise, and as bank deposits increase, and it's funded by raising government bonds, that is an increase in money supply, and it's a monetisation, and that's exactly what the US is doing.

If you look at what Janet Yellen at the Treasury has overseen in the last two years, there's been something like a one and a quarter year drop in the average maturity of bonds that are being offered in US auctions. That may not sound like a lot, but in fixed income speak that's an enormous change. They're basically skewing the calendar towards very short-dated bonds, and they're encouraging by doing that, for banks to buy the stuff.

If you think of treasury bills, that's not an instrument that you know is sold on the high street. It's not something that household investors tend to hold. It's what institutions, and particularly credit providers like banks, hold. So, what you're looking at is a significant increase. Almost a quarter of all US government debt is now in treasury bills with very short term, less than a year, in maturity.

Are governments going to reverse track and start to fund at the long end? They will find it difficult to do that without raising interest rates, and that would compound the interest bill, so they don't. They basically kick the can down the road, and they fund at the short end.

Danielle: Would the US default on its debt?

Michael: The idea of the US defaulting is fanciful. I mean, that's just nonsense. It's incapable of doing that because we all use dollars. The whole international financial system uses dollars. America can always pay its debts by printing money.

The issue is not so much a binary will it default or not? It is much more about what is the faith or the ultimate value of the US Dollar as a store of value. The fact is if they're printing so many dollars, although they may force us to hold those dollars and therefore avoid default, the value of the dollar goes down. That's not against other paper units. That's a fake narrative as well.

If I'm looking at the USD versus the Yen, or looking at the USD versus the Aussie dollar, you don't really see the movement that much. These things are basically depreciating together. It's gold that you really ought to look at, which is an independent benchmark, or even Bitcoin; dare I say that seems to be moving a little bit like digital gold. What you've got to look at is alternative benchmarks to try and gauge the devaluation of paper money.

The US may well be the cleanest shirt in the laundry here compared to other countries, The Eurozone, where you're looking at is a very ugly situation. When it comes to demographics, it's the wealth, the cost of welfare states, that is really driving these governments towards bankruptcy, and that's the problem we've got. The tax base is not increasing. Outlays are zooming higher. Europe, as an example, must take on more and more defence spending, and it just can't afford to do it.

How do they square the circle? They're going to have to monetise in some form. The US has already got that bug. You know the Bank of Japan owns most of its government debt market. This is why the gold market is going up. Other countries outside of the Western orbit, China, Russia, Iran, etc, are basically using gold now as as one of their main reserves.

It's not the question of whether the US is going to default on its debt, or the US dollar is suddenly going to worthless. That won't happen. The fact is the US still has the biggest financial markets in the world. If you've got a country like China that is earning an enormous trade surplus, there's only really one place for them to put their surplus, and that's in US financial assets. There's no other game in town.

At the margin, they're starting to shift more of their reserves into hard assets like gold, and that is pushing the gold price higher.

Danielle: What asset classes do you like and what are your thoughts on the latest China stimulus?

Michael: I think everyone's right to look at China and to see China as one of the major problems out there for the world economy or policymakers to tackle. Having looked at several of the comments in the media in the last 24 hours, a lot of what I can see is just rubbish. People are focusing on ridiculous things, like there's a 20-basis point cut in rates, or whatever it may be, or they're giving support to the housing market, or putting a few extra dollars into the stock market.

What we've got is a situation where, structurally, the model of what you may call red capitalism, which is China's recipe for success, is no longer working. The reason it's no longer working is it really needed the West to accommodate it. And the West is now saying, hang on, we're not going to do this anymore. We don't want to open our markets to cheap Chinese products and destroy jobs.

You can see that emanating worldwide, but particularly coming from the US, and certainly coming out of the lips of the mouth of Trump, who really started all this.

But I think it's a general movement. People are very concerned about China dumping goods, and that won't happen in the future. So, China's got to rethink its whole economic system. It needs to enfranchise the consumer; it needs to get consumer spending higher. It needs to find other avenues of growth.

Ultimately, what this is really telling us is that China is over-producing products, just look at the market for electric cars or solar panels or whatever. They're producing every year more than the world can ever consume. The only way China can square this circle is by letting its real exchange rate collapse. Think of it as the nominal Yuan multiplied by some price index put through high street prices or asset prices.

What China is doing right now is not letting its real exchange rate collapse. It's holding the nominal Yuan up at high levels. The yuan is now almost at a year to date high as we speak, and they're taking all the punishment on the chin of lower prices. Consequently, the real exchange rates are adjusting lower by prices falling, particularly asset prices, and that simply cannot go on.

Ultimately, China's either got to stop production and print lots and lots of money, and hope it gets the exchange rate down a tad and starts to get asset prices and high street prices up. If China is serious, we've got to look over the next few months and see whether there is a big monetary expansion. You simply cannot judge that on one day or 24 hours news. You've got to look at what the People's Bank is doing over a sustained period, and that's what we intend to do.

We suspect the Chinese, not being foolish, are going to start stimulating their economy. Therefore, you've got to look for more, much, much bigger liquidity stimulus, maybe over a three-to-six-month period. That will involve not CNY1trn, but several trillions of money dumped into their financial markets.

If that is the case, and we suspect it could be, you're going to see commodity prices worldwide lifting off very substantially again. You'll also see the price of gold rocketing and making even higher all-time highs. So that's the recipe, and China is key to understanding it.

Danielle: Does monetisation feed into high street inflation?

Michael: Absolutely, it is a dominant risk. I would disagree with the fact US inflation is currently 2% which is what the Federal Reserve tells us. It's considerably higher than that. It's more likely in the three to four percent range, underlying US inflation. But the figures are being distorted by what the Treasury and the Federal Reserve are doing.

We tend to think of high street inflation as being a cocktail, or a hybrid of different inputs. Monetary devaluation, or devaluation of paper money, which we've been speaking about, is one of those ingredients. Another could be things like oil prices. Another could be technology. Another could be cheap Chinese goods. All these factors tend to be inputs into high street prices.

I'm sure people around the world will attest or back me up, but if you look at my personal inflation rate it certainly isn't two percent; it's a lot higher than that. So high street inflation is probably wrongly quoted. It's a higher level than the two percent that is sort of appreciated worldwide.

Among the factors that have held inflation down are things like increased technology, AI, cheap Chinese goods, the fact oil prices are still significantly below their 2008 high. Monetary inflation may well have been substantial in the last 20 years, vis-a-vis gold, asset prices, but it hasn't fed through to the High Street, because you've had these offsetting factors.

If you roll forward for the next decade or two, you've likely got liquidity expanding by an eight to ten percent annual rate and you may not get these offsets in the High Street, so quite likely you're going to see monetary inflation, in other words, devaluation of paper money spilling over to a much greater degree in terms of consumer prices. Therefore, I would say the starting point has got to be not two to three percent, but more likely three to four percent, and possibly a bit higher.

Danielle: What assets do you like?

Michael: It comes back to looking at the cycle and differentiating that from the trend. I think, in terms of the trend, we're in a world of much greater monetary inflation. And that's insane. Monetary inflation is here.

It's going to get a lot worse. You need protection against monetary inflation in investment portfolios. The 60:40 mix of equities, 60% in equities and 40% in bonds, which is traditional among advisors, you can throw that out of the window because it doesn't work anymore. In a monetary inflation you need more diversification into dedicated monetary inflation hedges. Take that 40%, which is traditionally in fixed income, and start to dice it up into other areas.

You could put 10% into cash, 10% into other real assets, maybe like commodities or more dedicated inflation hedges. You probably want to put some in fixed income, but I would say you want to be in TIPS. In other words: inflation protected securities. Even holding money in cash at the short end of the market, you can still get decent returns.

Start to look at prime residential real estate, because that tends to do well in monetary inflation. I think all these dimensions are better and will give you better returns than conventional bonds.

Bond markets are yielding a return of something in the order of 4% to 5% worldwide, whereas we're looking at monetary inflation rates of near eight to 10%. That's telling you bonds are not really keeping pace.

Equities will keep pace, certainly high-quality equities, and certainly, equities in things like the technology space or maybe commodity related; those are the sort of things that should keep pace in this environment. But you've got to move away from a 60:40 portfolio and start thinking more about diversifying or chopping out that 40%.

In terms of the cycle, the liquidity cycle bottomed in October of 2022, and we've been saying pretty much ever since that point it's likely to peak out in late 2025. So you're looking at something like a three-year bull market.

We're probably two years through that already, so we've got some way to go, but a lot of the gains have already been taken. You will make money by investing in risk assets over the next 12 months, likely, but a lot of the gains are behind us.

The adage still applies: bull markets always climb a wall of worry. How many advisors have been telling you the last two years not to invest in these markets? I should think an awful lot.

It pays to be a contrarian: buy at the bottom, right at the bottom of the global liquidity cycle, and sell towards the top. We're not at the top yet, but we will be in 12 months.

Danielle: Australian premium quality residential property has been in high demand, is this a sign of monetary hedging?

Michael: 100%. These are dedicated monetary inflation hedges. They tend to historically match rates of monetary inflation. This is evidence this is happening, as is the gold market.

If you look at this politically or geopolitically, we're not creating what the socialists call industrial proletariat. We're creating a financial proletariat, because those people that don't have assets are really screwed in this world.

You've got to have assets to try and protect yourself against monetary inflation. And if the world, as we characterise it, is going to feature higher High Street inflation as well, then the poorer elements of society who must spend most of their remuneration on food or goods, are going to get absolutely squeezed in the next decade or so, and so you're going to get this huge rift in society. We've already seeing it, but you ain't seen nothing yet.

Danielle: Michael how can people access your research?

Michael: There are basically three channels that we publish through. One is a substack called Capital Wars, where we provide data and narrative about what's going on. We do the occasional tweets on Twitter (X) with the handle @crossbordercap.

There's a book I wrote about five years ago which is called Capital Wars, which details all this stuff about global liquidity and why it's relevant and how we measure etc, published by Palgrave Macmillan.

The fourth area is looking at our institutional research service, which is providing a lot of data to quant funds or providing analysis for traditional institution investors.



That's available on www.crossbordercapital.com.

You can find Michael Howell on X @crossbordercap: <https://x.com/crossbordercap> Substack at Capital Wars: <https://capitalwars.substack.com/>
Website: <https://crossbordercapital.com/>

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RUDI'S VIEWS

Rudi's View: Ten Highflyers With More Upside Potential

In this week's Weekly Insights:

- Ten Highflyers With More Upside Potential
- FN Arena Talks
- All-Weather Research: Post-August Changes
- FN Arena on Saturday

By Rudi Filapek-Vandyck, Editor

Ten Highflyers With More Upside Potential

Almost thirty years of closely following financial markets has guided me to one all-important share market observation: there's no such thing as 'the investor'.

Sure, it remains important to distinguish those with a limited, short-term, higher-risk attitude in markets --the traders-- from those who chop and change less and keep an eye on the longer term potential, or at least are trying to do exactly that.

But when it comes to identifying the latter market participants, the investors, it's equally all-important to realise this is by no means an homogeneous group.

Using a very broad brush and no nuances or room for further details, what is commonly referred to as 'the investor' essentially consists of two opposing strategies and philosophies: there's your typical 'value' investor and then there's the 'growth' investor.

Both invest in the same market and call themselves investors, not traders, but that's mostly where the comparison ends. So, in order to become successful as an investor in the share market, it's important we know where we 'belong' ourselves, lest we get confused by trying to mix and mangle what are two very different ways to read and decipher markets and all their idiosyncratic intricacies.

If you happen to be a typical 'value' investor, you're probably enjoying the revival of mining stocks this month, keeping your fingers crossed authorities in Beijing will continue to stimulate and revive the moribund Chinese economy.

This should support further upside for companies including BHP Group ((BHP)), Rio Tinto ((RIO)) and Fortescue ((FMG)), but equally so for the likes of ALS Ltd ((ALQ)), Austin Engineering ((ANG)), Imdex ((IMD)), Orica ((ORI)) and dozens of smaller-cap names across the mining and related industries.

Up until not that long ago, you were feeling a little bit frustrated because long-held positions in the likes of Aurizon Holdings ((AZJ)) and Dexus ((DXS)) are yet to deliver, and some of the more risky punts in Healius ((HLS)), Insignia Financial ((IFL)) and the lithium sector have been truly gut-wrenching. At least most coal producers pay out an outsized dividend while the banks have truly surprised friends and foes over the year past.

Naturally, also, your other key worry is the potential for economic recession in the US and globally, but hopefully Chinese stimulus and interest rate cuts from central banks around the world (ex-Australia) will keep economic growth in the positive.

If, on the other hand, you're more affiliated with investing in your typical growth companies, your portfolio might have taken a few hits recently, but you're not genuinely worried given returns from holdings in Pro

Medicus ((PME)), WiseTech Global ((WTC)), Goodman Group ((GMG)), Hub24 ((HUB)), Xero ((XRO)), Life360 ((360)) and TechnologyOne ((TNE)), among many others, have been truly a finger-licking delight.

Equally noteworthy: many disciples of the 'value' church are worried markets are repeating the bubble mistakes from the past. Who knows what might provide the spark that initiates the next share market correction from current exuberant investor optimism?

Surely, this cannot continue indefinitely?

It's worth noting those with a habit of owning quality sustainable growth businesses seem noticeably more relaxed about the world, the status and outlook for financial markets.

If you happen to play the market with a ferocious appetite for risk, you're probably smiling right now. You just quadrupled your position in a company most market participants didn't know was listed (or even existed). You simply do not care about any of the above, underneath or beyond; there's always something that's moving, and that's where you live and breathe.



For most institutional investors who often operate under a specific, pre-defined mandate, the distinction between the various 'religions' is never in question, but most retail portfolios might own a cross-over combination of stocks on both sides of the divide.

Here the challenge is knowing when to listen to our inner 'value' voice and when to ignore it. This in particular becomes more pertinent when those quality growers in the portfolio have already delivered such wonderful returns.

Our inner 'value' voice tells us nobody has ever regretted pocketing profits made but on the flipside lives the eternal regret of selling out too soon and missing out on much larger gains.

So this week, to assist all of you with at least some 'growth' in the portfolio (or the ongoing desire to add more of it), I decided to zoom in on some of the optimistic views and scenarios out there.

Whereas your typical 'value' approach starts with a view that all exciting business stories must come unstuck at some point, the heart of the optimist beats inside the body of the growth investor who has plenty of personal anecdotes to prove success often equals staying with the winning trend.

It just so happens my personal radar has spotted exactly ten examples worth highlighting (in alphabetical order).

Aristocrat Leisure ((ALL))

Shares in global gaming royalty Aristocrat Leisure are not everyone's cup of tea, but what cannot be denied is their phenomenal return over the past twelve years which, at more than 28% CAGR per annum, is both hard to beat and incredibly hard to ignore.

Now with a market cap in excess of \$36bn, Aristocrat is one of the largest companies on the local bourse, and growing at double-digit speed year-in, year-out.

Those familiar poker machines that populate large corners of global casinos as well as local pubs and clubs in Australia are now complemented with a digital business. The combination has proven extremely favourable for shareholders.

But everything has a price, surely?

Of course, but UBS analysts have just returned from a visit to the USA. Their confidence in Aristocrat's fortune has only increased further. More US states are opening up to allow online gaming and this, naturally, opens up even more growth avenues for Aristocrat.

On the potential upside surprises to be delivered in the years ahead, UBS has lifted its twelve months price target to a market topping \$63.50 which suggests more room that can be justified for an already buoyant share price.

Brambles ((BXB))

To state that Brambles has had a number of difficult years is not doing justice to the challenges that weighed on the pallet company's performance, but things have improved, noticeably, and market enthusiasm is definitely making a come-back.

Brambles was once a blue chip one simply had to have in portfolio, but three-four periods of subpar performances have changed investor's perception and dragged down long-term performance numbers.

The shares have doubled in price since early 2022. Confidence is back for management and analysts to project double-digit percentage growth ahead for the years ahead. Management is using modern technology, including AI, to optimise and streamline operations while better servicing customers.

Ord Minnett's price target of \$20.80 is the current high-marker on optimism those in-house initiatives will pay off in the years to come.

Car Group ((CAR))

Car Group is the prior Carsales.com.au renamed. While its local platform in Australia remains the dominant market leader for those looking to sell second hand vehicles, smart international investments are increasingly adding to the company's growth potential.

Shares in Car Group have returned over 17% CAGR per annum post 2012, and there remains plenty to be excited about for the years ahead.

Plenty of target prices that are situated above today's share price, but Goldman Sachs is the current high-marker at \$40.90, suggesting double-digit percentage further upside, even after this year's strong performance already.

Cochlear ((COH))

Australia's leading global cochlear implant company, Cochlear, features prominently in John Addis' freshly published book *How not to lose \$1 million* as one of investments at Intelligent Investor that was sold way too early.

Cochlear has developed into the CommBank of the local healthcare sector; always trading at a premium, and still generating solid returns for those who understand a premium valuation does not by default translate into disaster and dismal returns.

Management first upgraded FY24 guidance and then followed up with a disappointing subdued outlook for FY25. No surprise thus, the share price has weakened noticeably from the dizzying levels witnessed earlier in the year, but Cochlear shares can still show off with a CAGR return of more than 17% per annum over the decade past.

One of the company's supporters who is not swayed by any of this year's set-back is Wilsons, which is keeping a market-beating price target of \$345 on ongoing confidence the future looks favourable, spectacular and robust, as has been the past.

Macquarie Group ((MQG))

What is Macquarie's secret? Maybe it can best be summarised as never change a winning formula.

All those who have been closely following the Millionaire's Factory throughout the post-GFC years know this institution is so much more than simply one of the largest asset managers globally.

The share price got thrashed during the GFC bottoming not that far off from \$10 but today's price is closer to \$230 for an annual CAGR return in excess of 19%, dividends not included.

Even on today's lofty PE multiple, the implied forward-looking yield is still 4% before franking. Macquarie is, of course, a true champion in asset recycling, i.e. buying assets now and on-selling them at much higher values later on. Plus: this is THE beneficiary locally if forecasts for an uptick in global corporate actions (IPOs, M&A) prove accurate.

Morgan Stanley's unwavering confidence has resulted in a price target of \$250.

Pro Medicus ((PME))

Some are calling Pro Medicus the highest quality company on the ASX. Such views are often expressed in line with the share price performance, which has been phenomenal, no discussion about it.

Even as late as 2018, the shares were still trading below \$10. Indeed. Difficult to envisage such level when the shares are flying towards \$174 to date for a return in excess of 2000% over the past six years.

Pro Medicus has developed into the global leader in digital imaging for medical scans in hospitals and that extended runway of growth seems to have a long chapter ahead, still.

What could possibly go wrong? That's your inner 'value' voice speaking; you better tune in with the 'growth' voice inside your brain.

Most price targets are sitting well below today's share price, but Goldman Sachs disagrees and stands out with a target of \$193. That target, explains the broker, is justified by the revenue/margin outlook, unique cloud offering, and ongoing significant long-term growth opportunity.

ResMed ((RMD))

Remember when Ozempic was wiping out ResMed's business because the world had finally discovered an easy solution to obesity?

I do. And boy, am I glad I stuck to my faith and even purchased additional exposure when fear and conspiracies (including hedge funds) were weighing down on the share price.

Similar as with Cochlear, ResMed remains the global leader in a segment that remains well-supported for many more years to come. Given long-lasting problems for key competitor Philips, it is likely ResMed can look forward to permanent market share increase, even if a dip is likely upon Philips' US market return.

Whenever someone posts a table of the best long-term performers on Wall Street, ResMed's US stock features on it. From the depth of the Ozempic-driven sell-offs mid last year, the shares have now rallied 66%.

Part of market enthusiasm is linked to management's promise margins will continue to increase. Wilsons believes management is able to outperform market expectations, and has thus set a market-beating price target of \$40.25, implying that 66% can still rise to above 80% in the months ahead.

How's that for a turn of events?

TechnologyOne ((TNE))

When management promises 15%-16% growth on average per annum, this implies the company doubles in size every five years. TechnologyOne has done better than that since 2004.

2024 in particular has been spectacular for loyal shareholders. The shares entered the calendar year around \$16 and are nine months later trading around \$24. That's 50% for those not that proficient with numbers!

Past performances have proved exceptionally resilient and predictable, but never spectacular and this is why TechOne is constantly under-appreciated by analysts and investors. This is the tortoise of the local technology sector.

TechOne did not report financials in August, but UBS saw enough evidence elsewhere to predict the upcoming FY24 release, and the years beyond, will yet again offer robust growth numbers on expanded margins, as promised by management at the helm.

UBS's price target of \$26.20 implies there's plenty of good news still in store, even after such a stellar share price rally.

Xero ((XRO))

We like to include Xero in our local basket of technology winners that are conquering the world by stealth, and the accountancy software provider in the cloud is part of that small selection, but we have to remain honest: Xero was born across the ditch, in New Zealand.

Now operating from a number one position on both sides of the Tasman, Xero has positioned itself as the number two in the UK and is working on achieving similar success in the USA, where market dynamics are a whole lot different, and thus more challenging.

But new management at the firm is confident and analysts have been convinced, also noting early signs of on-the-ground progress.

Goldman Sachs sees an additional opportunity opening up in Canada and has lifted its price target to \$201, more than 34% above today's share price.

Numbers nine and ten (and more) are inside the local collection of major Gen.Ai beneficiaries on the ASX, including Goodman Group, NextDC and Macquarie Technology, for which not one, but most price targets suggest a lot more upside should remain on offer because of strong demand for, and investments in, data centres globally.

Readers familiar with my personal research into All-Weather Performers know all of the companies mentioned are part of my curated lists and/or currently owned by the FNArena-Vested Equities All-Weather Model Portfolio.

My personal research revolves around identifying the highest quality companies on the ASX, which is not a pure growth strategy, but it leans a lot closer towards it, far, far away from your typical 'value' oriented strategies.

Paying subscribers have 24/7 access to my curated lists via a dedicated section on the website:

<https://fnarena.com/index.php/analysis-data/all-weather-stocks/>

FNArena Talks

Danielle Ecuyer has interviewed global liquidity expert Michael Howell. Highly recommended for everyone with even a slight interest in the macro forces that impact on financial markets:

<https://youtube.com/watch?v=KsCf0E0m8OU&t=1987s>

Your editor interviewed by Paul Rickard about post-August observations and conclusions:

<https://youtube.com/watch?v=eJwTscS9YuM&t=30s>

All-Weather Research: Post-August Changes

Quite a few analysts will tell investors the share market is under-pricing the potential for online jobs platform operator Seek ((SEK)), and that may well prove the case come 2025, but this does not negate the observation this company has essentially stood still for most of the decade past, while being forced to make material investments along the way.

Seek's track record in profitability looks more like that of a highly cyclical mining stock than it does emulate either REA Group's or Car Group's; two references with whom it casually is measured against.

If anyone wants to criticise me in that a company like Seek should have been removed from my select list of All-Weather Performers on the ASX, you can and I have little defense to offer. Post August, which was yet again disappointing for Seek shareholders, I have decided to remove the stock from my selection.

One other change I made is to include SiteMinder ((SDR)) in my curated selection of Emerging New Business Models, which is my way of signalling here's an interesting, highly promising developing business that should be on investors' radar.

SiteMinder joins the likes of NextDC, Webjet ((WEB)) and Life360 that have been part of that selection for a longer while.

Paying subscribers have 24/7 access to my curated lists via the dedicated All-Weathers section on the website: <https://fnarena.com/index.php/analysis-data/all-weather-stocks/>

FNArena on Saturday

Many among you would have noticed, but last weekend FNArena added a new weekly compilation email, FNArena on Saturday.

The idea is to provide an additional opportunity to catch up with the better content stories FNArena produced throughout the week and that may have escaped attention while you were busy keeping up with life elsewhere.

As per always: all feedback is welcome and appreciated: editor@fnarena.com

FNArena On Tour

Dani and myself will perform as a surprise double act on the Gold Coast on Wednesday this week on invitation of local members of the Australian Shareholders Association (ASA).

The event is scheduled for 1:30pm on Wednesday 2nd October at the Mermaid Beach Hotel by Nightcap Plus (one hour plus tea/coffee break plus more). We'll share our personal insights and market observations with plenty of Q&A opportunity afterwards.

This week's Weekly Insights has been written from a hotel room nearby.

Model Portfolios, Best Buys & Conviction Calls

This section appears from now on every Thursday morning in a separate update on the website. See **Rudi's Views** for the archive going back to 2006 (not a typo).

FNArena Subscription

A subscription to FNArena (6 or 12 months) comes with an archive of Special Reports (21 since 2006); examples below.



(This story was written on Monday, 30th September, 2024. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

(Do note that, in line with all my analyses, appearances and presentations, all of the above names and calculations are provided for educational purposes only. Investors should always consult with their licensed investment advisor first, before making any decisions. All views are mine and not by association FN Arena's see disclaimer on the website.

In addition, since FN Arena runs a Model Portfolio based upon my research on All-Weather Performers it is more than likely that stocks mentioned are included in this Model Portfolio. For all questions about this: contact us via the direct messaging system on the website).

RUDI'S VIEWS

Rudi's View: AGL, GPT, James Hardie, Qantas, Pilbara & Xero

By Rudi Filapek-Vandyck, Editor

Goldman Sachs's APAC Conviction List has seen a few changes, and it involves some ASX-listed companies too.

Life360 ((360)) has been elevated into the list of High Conviction stock picks, but this has come at the expense of two other ASX-listed entities that have been removed: Qantas Airways ((QAN)) and Lynas Rare Earths ((LYC)).

The inclusion of Life360 is based on analyst Chris Gawler's conviction this young and upcoming growth magnet still has many more years of robust momentum awaiting on the horizon, both in the USA and internationally, plus advertising should add a new high-margin revenue stream.

Goldman Sachs' current price target (for the next twelve months) is \$21.85 versus a share price trading around \$19.30.

The only other ASX-listing still included in the list is Xero ((XRO)) which is seen trading some -34% below the broker's \$201 price target.

UBS's selection of **Best Stocks Ideas** has added Dexus ((DXS)), REA Group ((REA)) and Newmont Corp ((NEM)) with the broker upgrading its call for the real estate sector generally to Neutral from Underweight on the expectation that follow-throughs in central banks interest rate cuts will result in a better environment next year, which should see higher profits and cash flows for Australian companies generally.

To compensate for the three additions, UBS has removed Computershare ((CPU)) with history showing the stock tends to underperform during Fed rate cut periods, as well as James Hardie ((JHX)) and Universal Store ((UNI)) following strong share price rallies.

UBS has also removed Pilbara Resources ((PLS)) from its selection of Least Preferred exposures now that China seems serious in re-starting its domestic economic momentum.

The full list of UBS's Most Preferred Best Stock Ideas:

In Resources:

- BlueScope Steel ((BSL))
- Newmont Corp
- Orica ((ORI))
- Origin Energy ((ORG))
- Rio Tinto ((RIO))
- Santos ((STO))

In Financials:

- AUB Group ((AUB))
- Dexus

- Medibank Private ((MPL))
- QBE Insurance ((QBE))
- Suncorp Group ((SUN))

Industrials:

- Brambles ((BXB))
- Car Group ((CAR))
- Coles Group ((COL))
- NextDC ((NXT))
- REA Group
- Telstra ((TLS))
- Telix Pharmaceuticals ((TLX))
- Treasury Wine Estates ((TWE))
- Worley ((WOR))
- Xero ((XRO))

The list of **Least Preferred exposures:**

- APA Group ((APA))
- Aurizon Holdings ((AZJ))
- ASX ((ASX))
- Bank of Queensland ((BOQ))
- CommBank ((CBA))
- Cochlear ((COH))
- Domain Holdings Australia ((DHG))
- JB Hi-Fi ((JBH))
- Reece ((REH))
- Scentre Group ((SCG))

If there's one observation to make about **Morgan Stanley's Macro+ Focus List** in Australia it is that any changes made are usually few and far between. This is not a selection of high conviction choices that is regularly adjusted.

September saw no less than five new inclusions and five exclusions. It's almost unheard of! The previous time we recorded any changes was in April this year.

This time around AGL Energy ((AGL)), GPT Group ((GPT)) James Hardie ((JHX)), Santos ((STO)) and WiseTech Global ((WTC)) have been added.

Other stocks that have kept their inclusion are:

- Aristocrat Leisure ((ALL))
- Car Group ((CAR))
- Macquarie Group ((MQG))
- Paladin Energy ((PDN))
- Suncorp Group ((SUN))

This implies CSL ((CSL)), Origin Energy ((ORG)), QBE Insurance ((QBE)), Treasury Wine Estates ((TWE)) and Woodside Energy ((WDS)) are no longer included.

Morgan Stanley's team of research analysts in Australia is currently without a dedicated analyst for the healthcare sector, so the likes of CSL and ResMed are for the time being Not Covered. Both have kept their spot in the broker's Macro+ Model Portfolio.

Stockpickers at **Crestone** have equally communicated their selected list of **Best Ideas in Australia:**

- Ampol ((ALD))

- APA Group ((APA))
- Aristocrat Leisure ((ALL))
- Beach Energy ((BPT))
- Brambles ((BXB))
- CSL ((CSL))
- Goodman Group ((GMG))
- IGO Ltd ((IGO))
- James Hardie ((JHX))
- Macquarie Group ((MQG))
- Metcash ((MTS))
- Monadelphous Group ((MND))
- REA Group ((REA))
- ResMed ((RMD))
- Suncorp Group ((SUN))
- The Lottery Corp ((TLC))
- Xero ((XRO))

Stockbroker **Morgans** remains of the view equity markets will now travel through a period in which it will become apparent to investors that active portfolio management works best, with performances in between individual stocks to diverge. Morgans' preference lays with earnings quality, market positioning and balance sheet strength.

The broker has added MA Financial Group ((MAF)) to its list of **Best Ideas**.

With not one single stock booted out in September, that list contains the following 35 ASX-listed companies:

- Acrow ((ACF))
- ALS Ltd ((ALQ))
- Amotiv ((AOV))
- Beacon Lighting ((BLX))
- BHP Group ((BHP))
- Camplify Holdings ((CHL))
- Cedar Woods Properties ((CWP))
- ClearView Wealth ((CVW))
- CSL ((CSL))
- Dalrymple Bay Infrastructure ((DBI))
- Dexus Industria REIT ((DXI))
- Elders ((ELD))
- Flight Centre Travel ((FLT))
- GQG Partners ((GQG))
- HomeCo Daily Needs REIT ((HDN))
- Karoon Energy ((KAR))
- MA Financial
- Maas Group ((MGH))
- Mach7 Technologies ((M7T))
- NextDC ((NXT))
- PolyNovo ((PNV))
- QBE Insurance ((QBE))
- Qualitas ((QAL))
- Reliance Worldwide ((RWC))
- ResMed ((RMD))
- Rio Tinto ((RIO))
- South32 ((S32))
- Superloop ((SLC))
- The Lottery Corp ((TLC))
- Treasury Wine Estates ((TWE))
- Universal Store Holdings ((UNI))
- WH Soul Pattinson ((SOL))
- Woodside Energe ((WDS))

Generally speaking, Morgans sees superior returns in mid- and small cap companies as well as in quality cyclicals.

Preferred sector exposures: healthcare, financials, travel, agriculture, resources, and energy. Morgans strategists are not so keen on so-called expensive defensives, including the banks, staples and telcos.

Macquarie Wealth's recommended Growth Portfolio:

- Goodman Group ((GMG))
- Seek ((SEK))
- Aristocrat leisure ((ALL))
- Northern Star ((NST))
- CSL ((CSL))
- Computershare ((CPU))
- NextDC ((NXT))
- Flight Centre ((FLT))
- Mineral Resources ((MIN))
- Cleanaway Waste Management ((CWY))
- Steadfast Group ((SDF))
- James Hardie ((JHX))
- ResMed ((RMD))
- Pexa Group ((PXA))
- Treasury Wine Estates ((TWE))
- Viva Energy ((VEA))
- Xero ((XRO))

Macquarie Wealth's recommended Income Portfolio:

- Suncorp Group ((SUN))
- Telstra ((TLS))
- National Australia Bank ((NAB))
- Westpac Bank ((WBC))
- ANZ Bank ((ANZ))
- BHP Group ((BHP))
- CommBank ((CBA))
- Premier Investments ((PMV))
- Coles Group ((COL))
- Viva Energy ((VEA))
- Atlas Arteria ((ALX))
- Aurizon Holdings ((AZJ))
- APA Group ((APA))
- GPT Group ((GPT))
- Detera Royalties ((DRR))
- Metcash ((MTS))
- Amotiv ((AOV))
- Charter Hall Retail REIT ((CQR))
- Amcor ((AMC))

In December, **Shaw and Partners** released its **10 Best Ideas** to benefit from the anticipated small caps' revival in 2024.

The selected ten:

- AIC Mines ((A1M))
- Austin Engineering ((ANG))
- FireFly Metals ((FFM)), previously AuTeco (AUT)
- Chrysos ((C79))
- Gentrack Group ((GTK))

- Metro Mining ((MMI))
- MMA Offshore ((MRM))
- Peninsula Energy ((PEN))
- ReadyTech Holdings ((RDY))
- Silex Energy ((SLX))

Macquarie's ASX Quality Compounders:

The highest quality compounders' as identified by Macquarie quant research inside the ASX300:

- James Hardie ((JHX))
- Cochlear ((COH))
- REA Group ((REA))
- TechnologyOne ((TNE))
- ResMed ((RMD))
- Data#3 ((DTL))
- Pro Medicus ((PME))
- Jumbo Interactive ((JIN))
- PWR Holdings ((PWH))
- Netwealth Group ((NWL))
- Aristocrat Leisure ((ALL))
- Spark New Zealand ((SPK))
- Codan ((CDA))
- Clinuvel Pharmaceuticals ((CUV))
- Redox ((RDX))

Given Macquarie's research strong leaning on the past five years, with high barriers to match, the following 11 companies fell just outside the above list:

- Fisher & Paykel Healthcare ((FPH))
- Medibank Private ((MPL))
- Coles Group ((COL))
- The Lottery Corp ((TLC))
- Lovisa Holdings ((LOV))
- CSL ((CSL))
- IDP Education ((IEL))
- Pinnacle Investment Management ((PNI))
- ARB Corp ((ARB))
- Breville Group ((BRG))
- Johns Lyng ((JLG))

Key Stock Picks for the year-ahead nominated by analysts at Bell Potter:

- Among listed investment companies (LICs); Australian Foundation Investment Company ((AFI)), Metrics Master Income Trust ((MXT)), and MFF Capital Investments ((MFF))
- Agriculture & fast moving consumer goods; Bega Cheese ((BGA)), Rural Funds Group ((RFF)), and Elders ((ELD))
- Technology; TechnologyOne ((TNE)), Gentrack ((GTK)), and REA Group ((REA))
- Diversified Financials; Perpetual ((PPT)), Regal Partners ((RPL)), and McMillan Shakespeare ((MMS))
- Real Estate; Dexus Convenience Retail REIT ((DXS)), HealthCo Healthcare & Wellness REIT ((HCW)), and GDI Property Group ((GDI))
- Retailers; Premier Investments ((PMV)), Universal Store Holdings ((UNI)), and Propel Funeral Partners ((PFP))

- Aerospace & Defence; Electro Optic Systems ((EOS)) and Austal ((ASB))
- Industrials; Brickworks ((BKW)), IPD Group ((IPG)), and Cleanaway Waste Management ((CWY))
- Healthcare; Telix Pharmaceuticals ((TLX)), Cyclopharm ((CYC)), Aroa Bioscience ((ARX)), MedAdvisor ((MDR)), and Neuren Pharmaceuticals ((NEU))
- Gold sector; Capricorn Metals ((CMM)) and Santana Minerals ((SMI))
- Base metals; Aeris Resources ((AIS)), Nickel Industries ((NIC)), and Mineral Resources ((MIN))
- Strategic Minerals; Alpha HPA ((A4N)), IperionX ((IPX)), and Lontown Resources ((LTR))
- Energy sector; Boss Energy ((BOE)) and Paladin Energy ((PDN))
- Mining services; Seven Group Holdings ((SVW)), Mader Group ((MAD)), and SRG Global ((SRG))

Morningstar's selection of Best Buys on the ASX:

- IGO Ltd ((IGO))
- TPG Telecom ((TPG))
- Domino's Pizza ((DMP))
- Bapcor ((BAP))
- Endeavour Group ((EDV))
- Santos ((STO))
- ASX Ltd ((ASX))
- Aurizon Holdings ((AZJ))
- Brambles ((BXB))
- Dexus ((DXS))
- SiteMinder ((SDR))
- APA Group ((APA))
- Fineos Corp ((FCL))
- ResMed ((RMD))

The full list of **Ord Minnett's Conviction Calls** consists of the following 14 companies:

- Alliance Aviation Services ((AQZ))
- ARB Corp ((ARB))
- Cosol ((COS))
- EQT Holdings ((EQT))
- Electro Optic Systems Holdings ((EOS))
- Lindsay Australia ((LAU))
- Pinnacle Investment Management ((PNI))
- Qoria ((QOR))
- Red 5 (RED)
- Regis Healthcare ((REG))
- SiteMinder ((SDR))
- SRG Global ((SRG))
- Stanmore Resources ((SMR))
- Waypoint REIT ((WPR))

In addition, research analyst Athena Kospetas, recently communicated the following Key Preferred Ideas per sector:

Financials

- Westpac ((WBC))
- Judo Bank ((JDO))
- Insurance Australia Group ((IAG))

- Medibank Private ((MPL))
- nib Holdings ((NHF))
- Pinnacle Investment Management ((PNI))
- EQT Trustees ((EQT))

Resources

- Rio Tinto ((RIO))
- Newmont Corp ((NEM))
- Red 5 ((RED))

Energy & Utilities

- Santos ((STO))
- Strike Energy ((STX))
- AGL Energy ((AGL))

Healthcare

- ResMed ((RMD))
- CSL ((CSL))
- Regis Healthcare ((REH))

Consumer stocks

- Qantas Airways ((QAN))
- ARB Corp ((ARB))

Communication Services & Technology

- Xero ((XRO))
- Seek ((SEK))
- Telstra ((TLS))

Industrials

- James Hardie ((JHX))
- Brambles ((BXB))
- Alliance Aviation ((AQZ))
- SRG Global ((SRG))
- Qube Holdings ((QUB))

Real Estate

- Vicinity Centres ((VCX))
- Waypoint REIT ((WPR))

Jarden's Best Ideas among emerging companies (small and mid-cap):

- IPH Ltd ((IPH))
- Temple & Webster ((TPW))
- EVT Ltd ((EVT))
- Dicker Data ((DDR))
- Universal Store ((UNI))
- Nick Scali ((NCK))
- AUB Group ((AUB))
- Webjet ((WEB))
- Integral Diagnostics ((IDX))
- Capricorn Metals ((CMM))
- Michael Hill ((MHJ))
- NRW Holdings ((NWH))
- Light & Wonder ((LNW))
- Pointsbet ((PBH))
- National Storage ((NSR))
- Ingenia Communities ((INA))
- Karoo Gas ((KAR))
- Domain Holdings Australia ((DHG))

- Pepper Money ((PPM))
- Telix Pharmaceuticals ((TLX))

Barrenjoey's Top Picks:

- Insurance Australia Group ((IAG)) among financials, as well as GQG partners ((GQG)) and Westpac ((WBC))
- Xero ((XRO)), Pexa Group ((PXA)) and Dicker Data ((DDR)) in the technology sector
- Vicinity Centres ((VCX)) and Abacus Storage King ((ASK)) among REITs
- South32 ((S32)), Lynas Rare Earths ((LYC)) and Perseus Mining ((PRU)) among miners and Strike Energy ((STX)) in the oil&gas sector
- ResMed ((RMD))
- Metcash ((MTS))
- Aristocrat Leisure
- Reliance Worldwide ((RWC))
- Brambles ((BXB))
- Seven Group ((SVW))

My research and All-Weather stock selections are 24/7 available for paying subscribers:

<https://fnarena.com/index.php/analysis-data/all-weather-stocks/>

Weekly Insights this

week: <https://fnarena.com/index.php/2024/10/02/rudis-view-ten-highflyers-with-more-upside-potential/>

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SMALL CAPS

Amotiv's Potential Going Unnoticed

The future looks much brighter for vehicle parts business Amotiv, but the market is not paying attention.

- Green shoots appearing for Amotiv
- Balance sheet much stronger
- Expansion in products and geographies
- Market undervaluing the stock

By Greg Peel

Back in 2020, GUD Holdings set a five-year strategy that included reducing customer concentration and internal combustion engine (ICE) exposures.

Those 2020 targets were met ahead of schedule, Canaccord Genuity noted in early August, and while the broker expects a new strategic blueprint for the next five years will be forthcoming, the change in segment reporting in Canaccord's view marks the completion of GUD 2025 and the first phase of evolution for this business.

Canaccord continues to believe the market broadly under-appreciates the improvement in the business and the foundation which management has built to move the company into its next phase of evolution and growth. In line with its "new phase", GUD changed its name to Amotiv ((AOV)).

One could say Amotiv is a one-stop shop for every part or accessory available for 4WDs, utes and caravans/campervans, from ute canopies and trays, to towing equipment, trailer/caravan parts, drive train systems, brakes, lighting options, batteries and general camping equipment. Except that Amotiv distributes its products through over forty different brands across Australia and New Zealand.

GUD/Amotiv's share price has struggled to gain any traction over the past year, still suffering from a long hangover following covid era supply chain constraints, particularly in delivering new vehicles ready to be tricked up with the company's vast array of whiz-bang accessories.

At least, that's the way the market has seen it.

Back in early 2022, GUD forked out \$745m to acquire towing/trailer parts business AutoPacific Group (APG) but that acquisition has to date failed to fire. In an earlier misstep, GUD acquired water pump business Davey, before selling out again last year following underperformance. Clearly, market confidence has been dented.

Brokers, however, see it differently, believing Amotiv's much-improved trajectory is going unnoticed.



Green Shoots

The highlight of (what was then) GUD's otherwise in-line FY24 result (the name-change came in July) was stronger than expected cash flow, which resulted in the company's gearing rate falling from 2.6x in the first half of FY23 to 1.6x, at the bottom of management's target range.

What was clear was that while Australia is on the mend, New Zealand continues to drag. Strong new vehicle growth in Australia drove operating leverage and margin expansion for APG, but volumes were down across the Tasman.

The resilience of margins was also a highlight. Citi notes Amotiv has locked in a freight contract that sees container rates fixed through to July 2025. The company's currency exposure is 80% hedged. And Citi expects price rises in early 2025 to cover inflationary pressures.

Citi believes margins may step up further in the second half from the first given Amotiv is pursuing cost reductions in New Zealand which will take time to flow through.

Despite lingering NZ softness continuing to slow the APG recovery, Amotiv has guided to FY25 growth off the back of stabilising new vehicle sales and a resilient wear & repair market.

Citi further points out Amotiv is transforming itself from a relatively mature business (founded in 1915, listed for over 60 years) to one with several growth opportunities including geographical expansion, first into South Africa, which is expected to generate revenue in FY25, and through Rindab, which provides Amotiv with an opportunity to leverage distribution and customer relationships to sell its broader range of lighting and power products in Europe.

Citi sees further geographical expansion as logical, for example into South America, over the medium term.

Amotiv also continues to increase its product development spend which should be positive, Citi suggests, given, if executed effectively, the company should have increased intellectual property and less exposure to commoditised products, which is relatively more at risk of private label competition.

Amotiv's FY24 result appeared to alleviate some investor concerns, Goldman Sachs suggests, with green shoots coming through via contract wins, product development and geographical expansion amid what continues to be a challenging environment.

Medium Term Play

Goldman Sachs sees key earnings upside to come from improving stability in vehicle supply into 2025 with potential for further bolt-on acquisitions to drive product and geographical expansion.

UBS is supportive of the continued rise in product development spend and greenfield investment (the latter has yet to deliver material benefits) as the broker expects it will support longer term organic growth both

domestically and offshore. The balance sheet also now provides much greater optionality around M&A and capital allocation.

Wilsons observes a favourable outlook for the business, driven by growing car volumes and the structural shift towards 4WDs and SUVs. The investment thesis is further complemented, the broker suggests, by Amotiv's effective margin management, investment in growth initiatives that will deliver incremental earnings through FY25 and more so into FY26, the prospect of material cyclical upside in earnings from the existing business, and the transparency and discipline of introducing a capital allocation framework.

Morgans considers Amotiv to be a high-quality business, with an entrenched market position across core categories and a clear runway for growth. This broker is attracted to the investment case, with a resilient earnings base, supportive short-term catalysts (ongoing car supply normalisation), long-term growth supported by structural industry tailwinds, and ongoing accretive M&A optionality.

Amotiv is building a stronger, more resilient and diversified business, Macquarie believes, with increased product development spend and geographic expansion helping underpin future growth.

Too Cheap

In Canaccord Genuity's view, Amotiv shares are trading too cheaply for the position of its businesses within respective markets and the near and medium-term prospects for the group overall.

This broker believes that over the next twelve months investors will likely progressively re-rate the company as investors worry less about APG's prospects (as further earnings growth comes through) and the broader business continues expansion and broadly maintains its current operating margins.

Citi thinks the market is still yet to fully appreciate the materially better position the company is in today compared to two years ago, noting the stock is trading on a 14x one-year forward PE only marginally higher than 12x two years ago.

In this broker's view, the company is better off today given the balance sheet has gone from a position of weakness to strength, there are more international growth opportunities, the underperforming Davey business has been divested, and 75% of revenue is from non-ICE, up from 69%.

Citi's 14x forward PE is based on the broker's own forecasts. Both UBS and Morgans have the stock still trading at a 12x FY25 PE. UBS puts fair value closer to 15x on its sum-of-the-parts valuation, but does expect the pace of a potential multiple re-rate to be gradual through FY25 given the modest second half skew and stronger earnings growth emerging in FY26.

There are four brokers monitored daily by FNArena covering Amotiv, and all have Buy or equivalent ratings. Their price target range is relatively tight, averaging to \$13.15, suggesting 25% upside.

Wilsons, Goldman Sachs and Canaccord Genuity also all have Buy or equivalent ratings. Wilsons has a low-end target of \$12.69, Goldman has \$13.00, while Canaccord stands out with \$14.40.

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SMALL CAPS

Quality By Any Objective Measure

New research on Objective Corp highlights potential share price upside from a suite of products focused on managing increasing data and regulatory burdens for governments and enterprises.

- New research sets an aggressive target price for Objective Corp
- The ongoing SaaS transition results in growing recurring revenues
- Indicating a healthy SaaS business, Objective meets the Rule of 40
- FY24 results and the international opportunity

By Mark Woodruff

Governments across the globe are increasingly using technology to provide transparency and build community confidence, while private organisations generally are faced with managing mountains of data and regulatory burdens, all of which offers opportunities for Objective Corp ((OCL)).

New research by broker Moelis sets a 12-month target price of \$17.60, more than 20% above the \$14.46 average of three covering brokers in the FNArena database.

At all levels of government, statutory authorities and regulated businesses have use cases for the company's software solutions, notes the broker.

Morgans describes Objective as a best-in-class enterprise software business specialising in Enterprise Content Management (ECM) for the public sector, as well as highly regulated industries across A&NZ and the UK.

The company designs, develops, installs, and supports its own proprietary software, which encompasses document management, imaging, records management and workflow.

Other software uses include regulatory compliance management and boosting collaboration capabilities, as well as software for streamlining planning, building and approval for construction projects.

Recurring revenue has continued to grow as a proportion of total revenue, rising to 81% of total revenue in FY24, while the business steadily transitions to SaaS services from on premise licence sales.

Indicating strength of customer relationships as well as management's experience, Objective has continued to grow revenue and earnings in a competitive segment, highlights Moelis.

Also singing the praises of Objective, following FY24 results on August 22, the analysts at UBS noted a long-term track record of compounding cash earnings, a market leading position, sticky recurring government-exposed revenue, low customer churn and a very strong net cash balance sheet.

Joining rarefied air for technology companies, **the stock clears the Rule of 40 hurdle**, which requires the sum of revenue growth and free cash flow (FCF) margin to exceed 40%.

Objective also earns its high-quality status by **ticking off the internal UBS requirement for a 10% internal rate of return (IRR)**.

The FY24 highlight for UBS concerns the incremental cash EBITDA margin of 60% generated on SaaS revenue, which drove a 200bps margin expansion to 26.3%.

Largely due to this margin outcome, UBS raised its target by 6% to \$15.00, and upgraded its rating for Objective to Buy from Neutral.

Operating cash conversion remained strong in FY24 at greater than 100%, which saw the business deliver free cashflow of \$38.1m, resulting in a closing cash balance of \$96m. The FY24 dividend rose by 26% year-on-year.

Large-scale M&A is proving challenging and may become less of a focus for the near-term, noted Shaw and Partners.

Management has investigated several opportunities over the past year, but a sensible transaction has proven elusive in a private equity fuelled technology market, particularly in the US.

While Shaw is satisfied with Objective's "significant" organic opportunities, the prospect of a beachhead entry into the US is potentially exciting but would also increase overall risk.



International reach

The increasing requirement for organisations to assess and invest in information governance has been demonstrated by recent General Data Protection Regulation (GDPR) in the EU, points out Moelis.

The aim of GDPR is to make organisations accountable for the security of all personal data they store, which should provide an opportunity for Objective.

By way of example, Moelis cites the recent contract with the UK Gambling Commission won by Objective's RegWorks, the core of the Regulatory Solutions division.

Objective 3Sixty is a newer service, which is also suited for expansion into new markets. In fact, a focus on privacy protection was described by management at FY24 results as driving an "enormous number of opportunities" for 3Sixty.

This service, which sits within the Content & Process division, allows customers to view and govern information across multiple content repositories.

Reasons for share price underperformance and FY24 results

At the time of FY24 results in August, UBS noted the stock price had traded sideways over the past three years resulting in a material de-rating for the trading multiple,

This share price malaise was due to management again failing to meet annual recurring revenue (ARR) growth expectations of at least 15% per year, suggested the analyst.

Only 11% ARR growth was registered in FY24, missing the 13% consensus forecast, yet (unlike on prior occasions) the stock price managed to react positively, leading UBS to suggest market expectations have rebased to a range of between 10-12% ARR growth, in line with the broker's own forecasts.

UBS suggests such a recalibration of expectations now allows the market to focus on Objective's operating leverage or incremental margins.

Regarding market expectations, Goldman Sachs disagreed with UBS's assessment, noting 15% ARR growth is broadly factored into forecasts and represents a risk should FY25 ARR fail to reach management's target.

Speaking of such, management reiterated the 15% target for FY25 based on landing at least two significant deals (which failed to materialise in FY24), positive underlying momentum in each business line, and reinvestment in organic growth and product.

Due to recent contract wins, the company also flagged a step-up in Services revenue to support new customers into FY25.

Preferring to err on the conservative side, Morgans forecasts 13.3% ARR growth in FY25 due to the risk of future deal slippages. Based on valuation, this broker downgraded its rating to Hold from Add.

Goldman Sachs noted a potential ARR tailwind in FY25 from accelerating momentum in the Nexus on-premise-to-cloud transition for the company's legacy ECM customer base.

Of the three brokers monitored daily researching Objective in the FNArena database, both UBS and Shaw and Partners have Buy ratings and Morgans is on Hold.

The average target of these three brokers is \$14.47 which suggests just over -5% downside to the closing share price on October 3.

Outside of daily coverage, Moelis is freshly Buy-rated on Objective and Goldman Sachs has a Neutral rating with targets of \$17.60 and \$13.75, respectively.

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 27-09-24

Weekly update on stockbroker recommendation, target price, and earnings forecast changes.

By Mark Woodruff

Guide:

The FN Arena database tabulates the views of eight major Australian and international stockbrokers: Citi, Bell Potter, Macquarie, Morgan Stanley, Morgans, Ord Minnett, Shaw and Partners and UBS.

For the purpose of broker rating correlation, Outperform and Overweight ratings are grouped as Buy, Neutral is grouped with Hold and Underperform and Underweight are grouped as Sell to provide a Buy/Hold/Sell (B/H/S) ratio.

Ratings, consensus target price and forecast earnings tables are published at the bottom of this report.

Summary

Period: Monday September 23 to Friday September 27, 2024

Total Upgrades: 5

Total Downgrades: 5

Net Ratings Breakdown: Buy 59.87%; Hold 32.25%; Sell 7.87%

For the week ending Friday September 27, 2024, FN Arena recorded five rating upgrades and five downgrades for ASX-listed companies by brokers monitored daily.

A decline in average target prices slightly outpaced rises and the same scenario was evident for average forecasts when looking across all companies listed in the tables below and ignoring a few large fluctuations.

Bedding/homewares retailer Adairs experienced the largest fall in average earnings forecast by brokers after Bell Potter initiated research coverage with a Hold rating and \$2.00 target which lowered the average target of four covering brokers in the FN Arena database to \$2.08 from \$2.10.

The company is likely to see competition in new sites hindering new store growth in a tightly held homemaker/large format retail market, noted the analysts, but the longer-term opportunity is still considered as large in the expanded total addressable market opportunity of both homewares and furniture.

By contrast to Adair's Hold rating, Bell Potter initiated research coverage with Buy ratings for fellow household goods retailers JB Hi-Fi and Harvey Norman. The broker noted upside from an upgrade cycle for consumer electronics across 2024-25 driven by AI enhancements.

Select Harvests is second on the earnings downgrade table below and received ratings downgrades to Hold (or equivalent) from both Ord Minnett and UBS.

Ord Minnett was particularly frustrated by "freight delays", which caused the net debt position to be -\$75m worse than guidance provided in May, given the recent return of volumes, crop quality, and a boost from significant increase in global almond prices.

The company announced an \$80m capital raising at \$3.80 or an -16% discount to the last close which represents 17% of issued capital.

UBS lowered its FY26 EPS forecasts by -11% due to increased production cost assumptions partially offset by higher volume forecasts.

Average earnings forecasts for Lotus Resources fell by around -22% last week, and the average broker target price fell by -25%.

Bell Potter lowered its target to 50c from 70c after management released "disappointing" scoping study results for the Letlhakane Uranium Project in Botswana, one of the largest undeveloped uranium deposits globally.

This broker's un-risked net present value for the project was reduced to \$322m from \$684m due to higher-than-expected costs (both capital and operating) relative to peers.

More positively, the Speculative Buy rating was kept as Bell Potter noted material upside with the progression of the 85%-owned Kayelekera mine in Malawi, which is due to recommence production over the coming year.

Earlier this month, management announced the first uranium offtake agreements for Kayelekera, and Macquarie believes the investment case for Lotus is similar to that of Paladin Energy earlier. For more information, please refer to

<https://fnarena.com/index.php/2024/09/25/lotus-resources-building-paladin-2-0-plus/>

Following a demerger process, Webjet also features in the earnings downgrade table and is second on the negative change to target price table.

The B2B entity which owns WebBeds continues to trade as Webjet Travel Group under the existing code ((WEB)), while the B2C entity has been renamed Webjet Group.

The B2C entity comprises online travel agency Webjet and GoSee, which is a travel e-commerce group that specialises in global car and motorhome rentals.

In general terms, analysts are positive on demerger benefits for both B2B and B2C as explained further at <https://fnarena.com/index.php/2024/09/26/upside-for-the-new-webjets/>

On the flipside, Brickworks and KMD Brands received the two largest increases in average forecasts last week following FY24 results.

For Brickworks, Bell Potter raised its target to \$31 from \$29 and continues to see further value. The rating was downgraded to Hold from Buy on valuation.

FY24 operating earnings beat this broker's estimate by 11% largely due to development profits. Sales and margins at Building Products Australia held up better-than-anticipated partly due to price increases and headcount reductions.

Overall, Building Products Australia beat this broker's below-market expectations forecast, while net property rent and Investments, including the 26.1% interest in WH Soul Pattinson ((SOL)), were modestly lighter-than-anticipated.

Management expects Building Products will remain subdued for the next 12 months, and the near-term priority is to maximise cash via temporary plant closures and capex reductions over FY25-26.

After raising its target for Brickworks to \$31 from \$27, Ord Minnett upgraded to Accumulate from Hold.

Looking ahead, this broker anticipates ongoing subdued construction markets with a recovery pushed out to FY26, while industrial property asset growth should offer positive longer-term prospects.

As FY24 broker forecasts for KMD Brands were replaced by higher FY25 estimates, average forecasts rose in the FNArena database

FY24 underlying earnings were in line with Macquarie's expectations and came in at the mid-point of guidance with opex savings partly offsetting a decline in sales.

Pre-reported group sales declined by -11.2% year-on-year reflecting weakness in consumer sentiment and a challenging sales environment, as well as Rip Curl and Oboz cycling record sales.

Because of a tougher macroeconomic environment and ongoing wholesale channel constraints, Neutral-rated Macquarie anticipated ongoing headwinds across all brands and reduced the target to 45c from 47c.

While based on small forecast numbers, average earnings for Chrysos rose by 30% last week.

In conjunction with the CSIRO, Chrysos has developed a novel gold assaying technology for the global mining and geochemistry laboratory industry.

Shaw and Partners considers the company a stand-out ASX tech growth stock and believes the share price has potential to more than double.

Evident within the company's fourth quarter update on July 25, management is successfully broadening its contract book and deepening its relationship with SGS, one of the world's leading laboratory companies,

observed the analysts.

As SGS is a leading on-site laboratory company, it becomes an increasingly strategic customer for Chrysos with a large existing base of mine-site customers, explained the broker.

Shaw also noted management has not assumed any improvement for industry volumes in FY25 guidance. For the longer-term, it's believed record-high gold prices, and the prospect of lower global rates should provide a tailwind for the company.

Total Buy ratings in the database comprise 59.87% of the total, versus 32.25% on Neutral/Hold, while Sell ratings account for the remaining 7.87%.

Upgrade

ATLAS ARTERIA ((ALX)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/3/0

Macquarie highlights the potential for French tax increases back to the historic levels of 34.4% due to budgetary pressures. The broker notes the French deficit at -5.5% which is more than EU limits of -3%.

At current share price levels, the analyst believes the potential for a higher tax rate is already discounted in Atlas Arteria's stock.

The broker observes traffic rose 1% over the first two months of FY24 for Autoroutes Paris-Rhin-Rhone (APRR) versus growth of around 0.3% for Vinci and SENE up 1.5%.

Macquarie tweaks EPS forecasts by -0.5% for FY24 and 0.1% for FY25 with a forecast 40c dividend supported by cash from APRR and reserves of around 11c.

The stock is upgraded to Outperform from Neutral with a \$5.26 target price, up from \$5.10.

BRICKWORKS LIMITED ((BKW)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 2/4/0

Brickworks reported a fall in FY24 net profit of -88% with the property segment impacted by a devaluation of -\$215m due to a rise in the cap rates. Building products continued to experience challenging conditions, Ord Minnett notes, with a decline in earnings of -16%.

Looking ahead, the broker expects ongoing subdued construction markets with a recovery pushed out to FY26. Industrial property asset growth is believed to offer positive longer-term prospects.

The stock is upgraded to Accumulate from Hold with a rise in the target price to \$31 from \$27.

See also BKW downgrade.

IMDEX LIMITED ((IMD)) Upgrade to Hold from Sell by Bell Potter .B/H/S: 2/2/1

Post a reassessment on the outlook for exploration markets, Bell Potter becomes more positive on Imdex.

The analyst points to an increase in exploration budgets for major gold companies in 2025 as inflation pressures ease and higher realised gold price boost earnings. Recovery in junior explorers is unlikely however the broker anticipates until early FY26.

The broker makes no changes to earnings forecasts.

Bell Potter upgrades the stock to Hold from Sell and raises the target price to \$2.05 from \$1.90 due to changes in the forecast cost of capital on the valuation.

LIGHT & WONDER INC ((LNW)) Upgrade to Buy from Neutral by UBS .B/H/S: 5/0/0

UBS has changed its tune on Light & Wonder post the fall of -18% in the share price from the Nevada Court Dragon Train injunction.

Post industry meetings UBS is more upbeat on the gross gaming revenue potential in the US, as well as the shift to premium leased and further legalisation of US iGaming,

Management reconfirmed FY25 earnings target of \$1.4bn prior to the ruling and UBS expects further market share gains in North American slot revenue.

The stock is upgraded to Buy from Neutral with the target price down to \$166 from \$169. UBS would like to see management offer new targets beyond FY25.

WHITEHAVEN COAL LIMITED ((WHC)) Upgrade to Buy from Neutral by Citi .B/H/S: 6/0/0

Citi includes the latest commodity price changes for key metals stocks and states China stimulus a "positive but more required."

Iron ore and uranium prices are basically unchanged. Copper price forecasts decline -5% in 2024 and -2% in 2025. Nickel price estimates fall -8% in 2025 and -11% in 2026 with aluminium down -3% and -2% for 2024/2025, respectively.

Coking coal falls by -6% to -7% for 2024 to 2026. Manganese declines -7% in 2024 and up 6% in 2025; alumina is raised 3% in 2025 and 6% in 2025.

The broker highlights the greatest upside potential over the next year from current spot prices for uranium, manganese and coking coal, with the biggest weakness for Brent oil and alumina.

Citi lowers EPS forecasts for Whitehaven Coal by -50% in FY25 and -12% in FY26.

Whitehaven Coal is upgraded to Buy from Neutral with a decline in the target price to \$7.60 from \$8.30.

Downgrade

BRICKWORKS LIMITED ((BKW)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 2/4/0

Following FY24 results, Bell Potter raises its target for Brickworks to \$31 from \$29 and continues to see further value. The rating is downgraded to Hold from Buy on valuation.

Overall, Building Products Australia beat the broker's below-market expectations, while net property rent and Investments [WH Soul Pattinson ((SOL))] were modestly lighter-than-anticipated.

FY24 operating EBIT beat the broker's estimate by 11% largely due to development profits. Sales and margins at Building Products Australia held up better-than-anticipated following price increases, the exit of Western Australia, and headcount reductions.

Management expects Building Products will remain subdued for the next 12 months, and the near-term priority is to maximise cash via temporary plant closures and capex reductions over FY25-26.

See also BKW upgrade.

POINTSBET HOLDINGS LIMITED ((PBH)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 1/1/0

While making no changes to forecasts, Bell Potter increases its sum-of-the-parts valuation for PointsBet Holdings, now valuing the Australian business at \$189m, up from \$160m. The value of the Canadian business is also increased to \$47m from \$30.

The target rises to 77c from 66c, and the rating is downgraded to Hold from Buy, with upside risk should the market latch onto upside value for the emerging Canadian business, or a potential takeover of PointsBet Holdings arises.

PLATINUM ASSET MANAGEMENT LIMITED ((PTM)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 0/1/1

Bell Potter lowers its target for Platinum Asset Management to \$1.10 from \$1.21 and downgrades to Hold from Buy as the board weighs a takeover bid from Regal Partners ((RPLL)).

The broker feels Platinum shareholders may be better served by accepting the certainty of Regal shares and any short-term upside over the existing uncertain turnaround plan by management at Platinum.

Alternatively, as Regal's offer is scrip and the bid premium is low, the analysts suggest management may be able to attract a higher bidder.

SELECT HARVESTS LIMITED ((SHV)) Downgrade to Neutral from Buy by UBS and Downgrade to Hold from Buy by Ord Minnett.B/H/S: 1/2/0

Select Harvests announced an \$80m capital raising at \$3.80 or an -16% discount to the last close which represents 17% of issued capital, UBS notes.

The analyst highlights delay issues in export documentation and customer deliveries with the addition of a new logistics provider to help resolve the company's internal processes despite an increase in sales volume. A cash collection of \$54m has been delayed until December 2024 from September.

UBS increases FY25 earnings by 5% and EPS by 1% due to lower interest costs. The broker's FY26 EPS forecasts are lowered by -11% for increased production cost assumptions partially offset by higher volumes.

The rating is downgraded to Neutral from Buy with the \$4 target maintained.

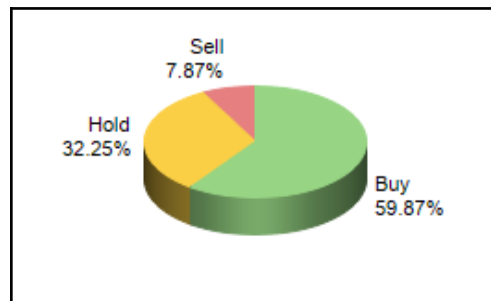
Due to "freight delays", according to management, the net debt position at Select Harvests is -\$75m worse than guidance provided in May, observes Ord Minnett.

The company has initiated an \$80m capital raise and will apply \$71.6m of the funds raised against debt.

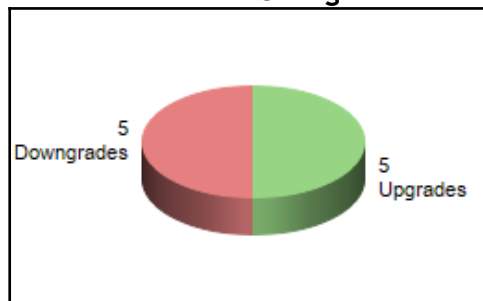
The broker is particularly frustrated by this news as the company has experienced a return of volumes, crop quality, and a boost from the recent significant increase in global almond prices.

The target is lowered to \$4.35 from \$5.15 and the rating is downgraded to Hold from Buy, with Ord Minnett highlighting an increased execution risk.

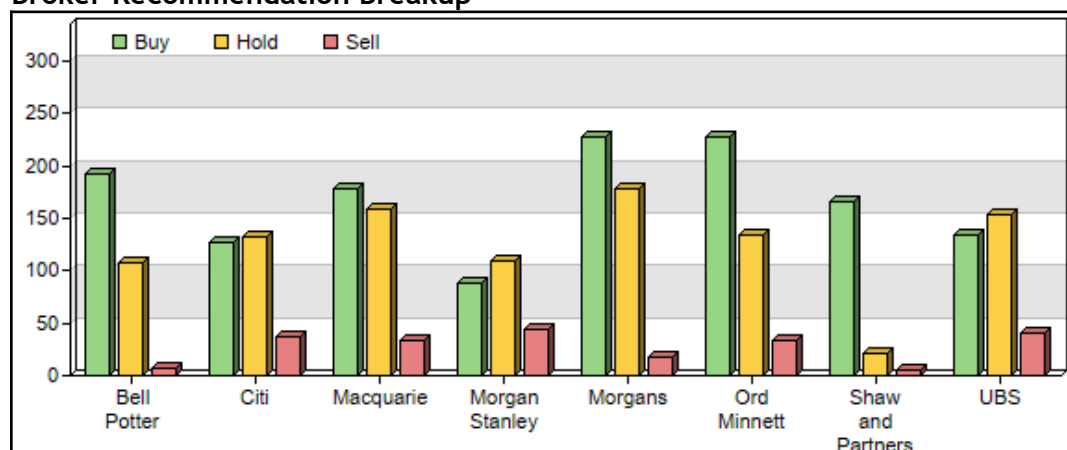
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ATLAS ARTERIA	Buy	Neutral	Macquarie
2	BRICKWORKS LIMITED	Buy	Neutral	Ord Minnett
3	IMDEX LIMITED	Neutral	Neutral	Bell Potter
4	LIGHT & WONDER INC	Buy	Neutral	UBS
5	WHITEHAVEN COAL LIMITED	Buy	Neutral	Citi
Downgrade				
6	BRICKWORKS LIMITED	Neutral	Buy	Bell Potter
7	PLATINUM ASSET MANAGEMENT LIMITED	Neutral	Buy	Bell Potter
8	POINTS BET HOLDINGS LIMITED	Neutral	Buy	Bell Potter
9	SELECT HARVESTS LIMITED	Neutral	Buy	UBS
10	SELECT HARVESTS LIMITED	Neutral	Buy	Ord Minnett

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	SIG	SIGMA HEALTHCARE LIMITED	1.208	1.152	4.86%	6
2	CHC	CHARTER HALL GROUP	15.160	14.620	3.69%	5

3	JBH	JB HI-FI LIMITED	72.100	69.617	3.57%	7
4	HVN	HARVEY NORMAN HOLDINGS LIMITED	4.983	4.820	3.38%	6
5	S32	SOUTH32 LIMITED	3.842	3.733	2.92%	6
6	BKW	BRICKWORKS LIMITED	30.667	29.800	2.91%	6
7	PSI	PSC INSURANCE GROUP LIMITED	6.105	5.964	2.36%	4
8	ALL	ARISTOCRAT LEISURE LIMITED	57.467	56.217	2.22%	6
9	SWM	SEVEN WEST MEDIA LIMITED	0.153	0.150	2.00%	3
10	MOG	MACQUARIE GROUP LIMITED	209.620	206.420	1.55%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	LOT	LOTUS RESOURCES LIMITED	0.540	0.710	-23.94%	3
2	WEB	WEBJET LIMITED	8.987	9.864	-8.89%	7
3	SHV	SELECT HARVESTS LIMITED	4.433	4.783	-7.32%	3
4	FBU	FLETCHER BUILDING LIMITED	2.480	2.660	-6.77%	4
5	LNW	LIGHT & WONDER INC	168.400	179.800	-6.34%	5
6	PMV	PREMIER INVESTMENTS LIMITED	31.858	33.250	-4.19%	6
7	LTM	ARCADIUM LITHIUM PLC	5.600	5.800	-3.45%	5
8	KMD	KMD BRANDS LIMITED	0.400	0.410	-2.44%	3
9	WHC	WHITEHAVEN COAL LIMITED	8.675	8.792	-1.33%	6
10	ADH	ADAIRS LIMITED	2.075	2.100	-1.19%	4

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	BKW	BRICKWORKS LIMITED	126.433	19.600	545.07%	6
2	KMD	KMD BRANDS LIMITED	3.350	1.107	202.62%	3
3	C79	CHRYCOS CORP. LIMITED	1.300	1.000	30.00%	3
4	RPL	REGAL PARTNERS LIMITED	28.967	24.467	18.39%	3
5	KGN	KOGAN.COM LIMITED	21.300	19.850	7.30%	3
6	SWM	SEVEN WEST MEDIA LIMITED	3.667	3.500	4.77%	3
7	CAR	CAR GROUP LIMITED	93.540	91.575	2.15%	6
8	VCX	VICINITY CENTRES	14.533	14.267	1.86%	5
9	PDN	PALADIN ENERGY LIMITED	50.415	49.861	1.11%	5
10	HLS	HEALIUS LIMITED	3.100	3.067	1.08%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	ADH	ADAIRS LIMITED	13.767	20.500	-32.84%	4
2	SHV	SELECT HARVESTS LIMITED	3.767	5.033	-25.15%	3
3	LOT	LOTUS RESOURCES LIMITED	-0.367	-0.300	-22.33%	3
4	CIA	CHAMPION IRON LIMITED	47.776	59.793	-20.10%	3
5	WEB	WEBJET LIMITED	32.257	37.129	-13.12%	7
6	FBU	FLETCHER BUILDING LIMITED	16.299	18.601	-12.38%	4
7	VNT	VENTIA SERVICES GROUP LIMITED	25.750	28.450	-9.49%	3
8	SMR	STANMORE RESOURCES LIMITED	30.575	32.955	-7.22%	3
9	LTM	ARCADIUM LITHIUM PLC	14.550	15.425	-5.67%	5
10	PMT	PATRIOT BATTERY METALS INC	-14.586	-13.843	-5.37%	5

Technical limitations

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WEEKLY REPORTS

Uranium Week: Uranium Joins The China Rally

Global momentum for nuclear energy generation supported buying interest in the uranium spot price market while analysts remain positive on the longer-term price outlook and challenged supply dynamics.

- U308 spot price rallies 4%
- Solving the nuclear energy generation conundrum
- Will utilities have to come to the buying party?

By Danielle Ecuyer

Has buying interest ticked up?

Activity in the spot U308 market improved last week with eight transactions conducted including the Sprott Physical Uranium Trust (SPUT) which raised funds from a "surge" in buying interest last Wednesday, industry consultant TradeTech reports.

The trust acquired 100klbs of U308 on Thursday at US\$81.75lb. This was followed up with two buyers on Friday, elevating the spot price to US\$82lb, up US\$2.75lb on the week. The price rallied 4% over the last week and has risen 12% on a year ago but is down -11% in 2024.

The TradeTech Mid-Term U308 price indicator stands at US\$86lb and the Long-Term U308 price indicator at US\$82lb.

As discussed over the last couple of weeks, momentum continues to grow globally to support a nuclear energy renaissance.

Finding solutions to new nuclear energy supplies

The secular drive for reliable clean energy for large scale data centres forms part of the narrative underpinning the shift to recommission closed nuclear plants as well as develop new facilities.

Last week, NextEra Energy announced it was considering the potential restart of its Duane Arnold Energy Centre. The 601MW plant was shut down four years ago for commercial reasons but changing demand dynamics have prompted a re-assessment.

In a wide-reaching interview with CNBC last week, Mike Goff, the acting assistant secretary for the Office of Nuclear Energy at the Department of Energy, detailed how the US needs to add 200GW of nuclear power.

Based on the current average nuclear plant size, the target equates to 200 new plants, which in the current context compares to the existing 94 plant fleet, the largest in the world, supplying 100GWs or 18% of the country's energy generation in 2023.

The industry is at a crossroads where rising demand from energy hungry hyperscalers, Microsoft, Google, Amazon and Oracle, is meeting clean energy decarbonisation targets.

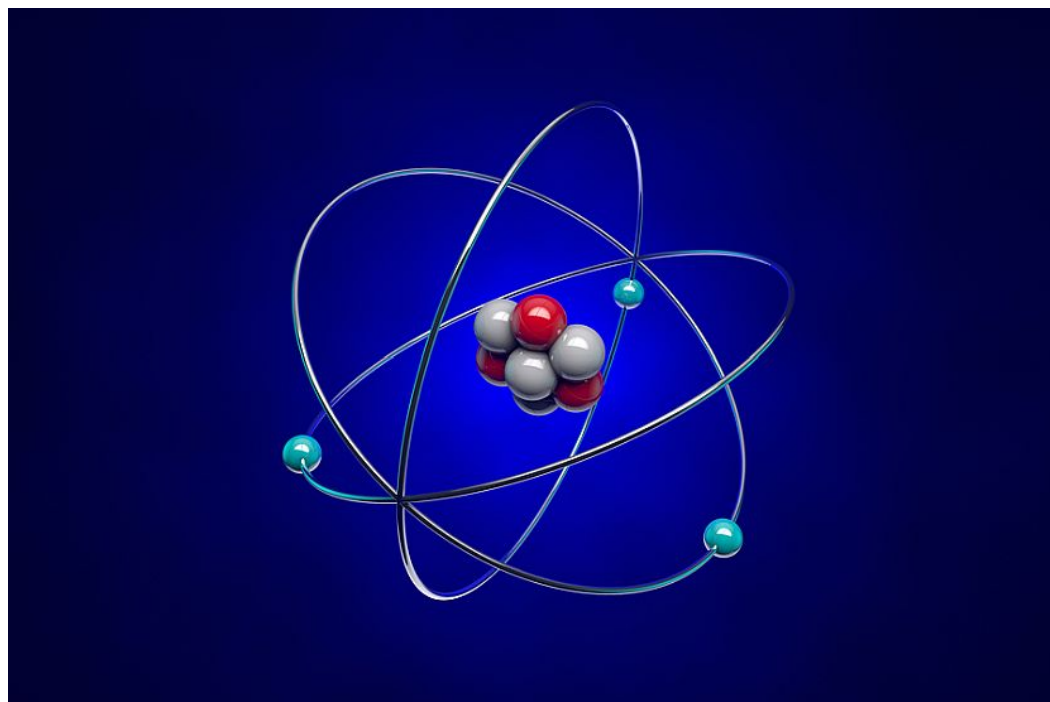
The US government outlined a global pledge at COP28 at the end of 2023 to triple nuclear energy production by 2050 to achieve net zero emissions.

This week 14 global banks and financial institutions committed support to achieve the tripling of nuclear energy generation under the climate goals.

"New nuclear power is both clean and safe, and more importantly proven, with a number of nations now operating highly advanced and 'commercially viable' third- and fourth-generation fission technologies," said James Schaefer, Senior Managing Director of Guggenheim Securities.

"It is essential that we accelerate the progression of planned projects into plants on the ground given the huge demand coming down the line for data centers and AI technologies. This will require nuclear companies, plant owners, data center and technology companies, together with banks and financial institutions to collaborate closely".

Goff also outlined how shuttered coal fired power plants or those expected to retire could boost the nuclear energy transition. Existing infrastructure and grid connection could assist in lowering the costs of developing up to 174GWs of new nuclear power.



Brokers reiterate an upbeat stance

Canaccord Genuity reaffirmed its long-term U308 price average of US\$90lb. Discussions with industry participants suggest to the broker there is in effect a "standoff" between sellers and utilities. Canaccord views the standoff as unsustainable with utilities eventually having to accept a new normal of higher U308 prices, resulting in upward pressure on both the term and spot uranium prices.

Due to what the broker sees as the "fragility" of new mine supply with production downgrades from existing producers over the last year, the industry will remain in structural deficit until 2027. The analyst highlights the supply downgrades can be covered by inventory draw-downs in the short term.

Canaccord's preferred equity exposures in Australia are **Paladin Energy** ((PDN)), \$16.50 target price (Buy rated) with Speculative Buy ratings for **Lotus Resources** ((LOT)), **Deep Yellow** ((DYL)) and **Boss Energy** ((BOE)) alongside respective target prices of 52c, \$1.92, \$5.85.

In other corporate news, Canaccord highlighted **Bannerman Energy** ((BMN)) has expanded the projected window for a financial investment decision (FID) at the Etango project and is targeting a positive decision in 2025.

This timeline aligns with Canaccord Genuity's prior forecast, and the broker forecasts first production in 2029. The bulk earthworks contract has been awarded to a consortium led by **Civmec** ((CVL)) and **NRW Holdings** ((NWH)).

Citi upgraded and revised its metal and commodities price outlook last week for the China stimulus measures and sees upside potential from current spot prices for uranium, manganese and coking coal. This broker rates Paladin Energy as a Buy with a \$15 target price.

For more of the latest research:

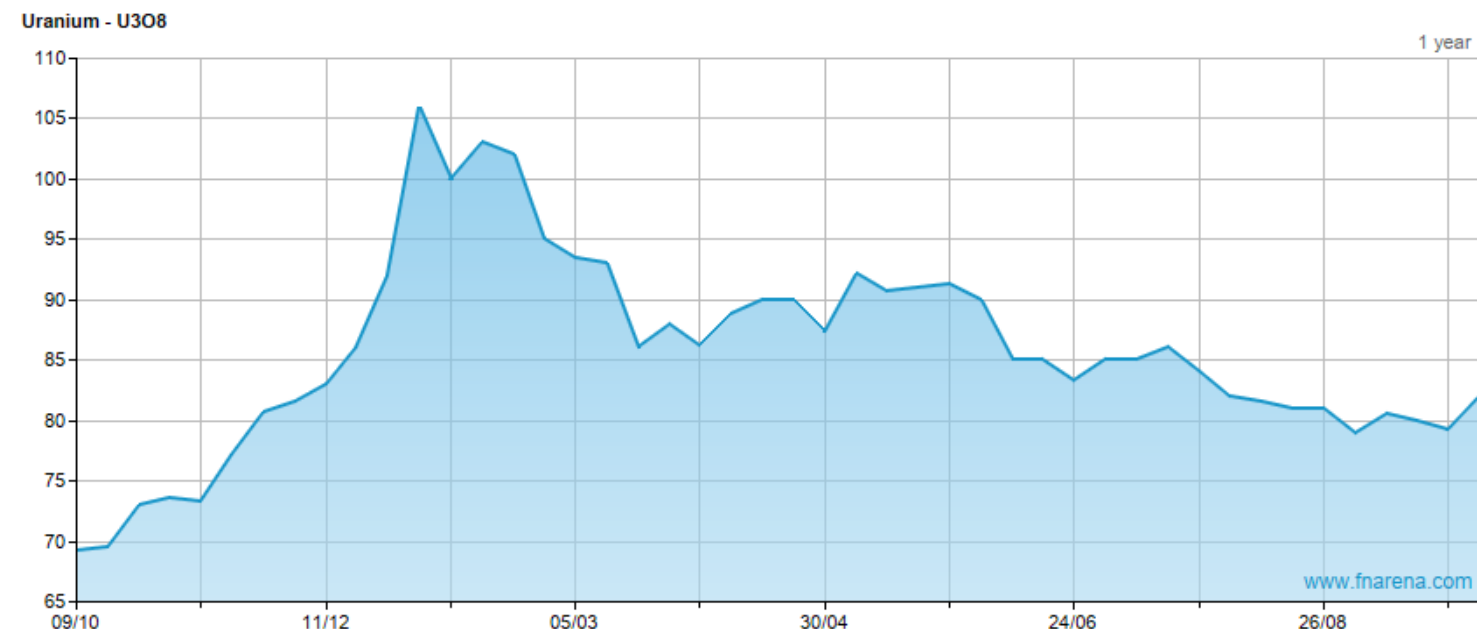
<https://fnarena.com/index.php/2024/09/25/lotus-resources-building-paladin-2-0-plus/>

<https://fnarena.com/index.php/2024/09/24/uranium-week-banks-microsoft-go-nuclear/>

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	27/09/2024	0.0500	▲25.00%	\$0.19	\$0.03			
AEE	27/09/2024	0.1600	▲10.34%	\$0.35	\$0.11			

AGE	27/09/2024	0.0500	▲9.09%	\$0.08	\$0.03	\$0.100	▲100.0%
AKN	27/09/2024	0.0100	0.00%	\$0.07	\$0.01		
ASN	27/09/2024	0.0800	▲1.30%	\$0.20	\$0.07		
BKY	27/09/2024	0.4000	▲26.98%	\$0.45	\$0.26		
BMN	27/09/2024	3.0000	▲17.60%	\$4.87	\$1.90	\$7.400	▲146.7%
BOE	27/09/2024	3.2800	▲15.17%	\$6.12	\$2.38	23.5 \$4.280	▲30.5%
BSN	27/09/2024	0.0400	▲16.67%	\$0.21	\$0.02		
C29	27/09/2024	0.0700	0.00%	\$0.12	\$0.06		
CXO	27/09/2024	0.1200	▲5.26%	\$0.43	\$0.08	\$0.090	▼-25.0%
CXU	27/09/2024	0.0200	0.00%	\$0.06	\$0.01		
DEV	27/09/2024	0.1700	▲23.08%	\$0.45	\$0.11		
DYL	27/09/2024	1.3600	▲17.07%	\$1.83	\$0.91	-99.3 \$1.770	▲30.1%
EL8	27/09/2024	0.3700	▲14.71%	\$0.68	\$0.26		
ERA	27/09/2024	0.0100	0.00%	\$0.08	\$0.00		
GLA	27/09/2024	0.0200	▲100.00%	\$0.04	\$0.01		
GTR	27/09/2024	0.0100	0.00%	\$0.02	\$0.00		
GUE	27/09/2024	0.0700	▲16.67%	\$0.18	\$0.05		
HAR	27/09/2024	0.0400	▲25.00%	\$0.28	\$0.03		
I88	27/09/2024	0.5100	▲8.51%	\$1.03	\$0.14		
KOB	27/09/2024	0.1400	▲20.00%	\$0.18	\$0.07		
LAM	27/09/2024	0.6750	▲20.11%	\$1.04	\$0.48		
LOT	27/09/2024	0.2600	▲14.58%	\$0.49	\$0.20	\$0.540	▲107.7%
MEU	27/09/2024	0.0400	0.00%	\$0.06	\$0.03		
NXG	27/09/2024	9.6900	▲4.49%	\$13.66	\$7.89	\$16.200	▲67.2%
ORP	27/09/2024	0.0500	▼-16.67%	\$0.12	\$0.04		
PDN	27/09/2024	11.4400	▲19.07%	\$17.98	\$8.15	23.1 \$14.160	▲23.8%
PEN	27/09/2024	0.0900	▲4.44%	\$0.15	\$0.07	30.0 \$0.260	▲188.9%
PNX	27/09/2024	0.0040	0.00%	\$0.01	\$0.00		
SLX	27/09/2024	4.2600	▲8.83%	\$6.74	\$2.93	\$7.200	▲69.0%
TOE	27/09/2024	0.2300	▲21.05%	\$0.70	\$0.01		
WCN	27/09/2024	0.0200	▲5.26%	\$0.02	\$0.01		



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WEEKLY REPORTS

The Short Report - 03 Oct 2024

See **Guide** further below (for readers with full access).

Summary:

Summary:

Week Ending September 26th, 2024 (most recent data available through ASIC).

10%+

PLS 19.27
IEL 14.34
PDN 13.40
MIN 12.74
SYR 12.48
BOE 12.32
LYC 10.48
LTR 10.08

Out: **CTT**

9.0-9.9%

Out: **CHN, STX, SYA**

8.0-8.9%

DYL
CTT
KAR
SYA

In: **CTT, KAR, SYA**

7.0-7.9%

CHN
SEK
LOT
STX

in: **CHN, STX** Out: **ADT, KAR**

6.0-6.9%

ADT
NUF
SFR
FLT
WBT
LIC
WEB
RIO
BGL
IMU

In: **ADT, BGL, IMU, RIO, WEB** Out: **GMD, OBL**

5.0-5.9%

CUV
IDX
DXS
NVX
SLX
BOQ

In: **BOQ, IDX, SLX** Out: **BGL, CXL, IMU, NAN, RIO, SIG, VUL, WEB**

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.4	0.6	NAB	0.7	0.8
ANZ	0.5	0.5	QBE	0.7	0.9
BHP	0.5	0.4	RIO	6.0	5.4
CBA	1.4	1.5	STO	1.0	1.3
COL	0.6	0.8	TCL	0.7	0.8
CSL	0.3	0.3	TLS	0.2	0.4
FMG	1.1	1.7	WBC	1.0	1.0
GMG	1.0	0.8	WDS	2.2	1.9
JHX	0.7	0.9	WES	0.9	0.9
MQG	0.6	0.8	WOW	0.4	0.5

To see the full Short Report, please [go to this link](#)

Guide:

The Short Report draws upon data provided by the Australian Securities & Investment Commission (ASIC) to highlight significant weekly moves in short positions registered on stocks listed on the Australian Securities Exchange (ASX). Short positions in exchange-traded funds (ETF) and non-ordinary shares are not included. Short positions below 5% are not included in the table below but may be noted in the accompanying text if deemed significant.

Please take note of the Important Information provided at the end of this report. Percentage amounts in this report refer to percentage of ordinary shares on issue.

Stock codes highlighted in green have seen their short positions reduce in the week by an amount sufficient to move them into a lower percentage bracket. Stocks highlighted in red have seen their short positions increase in the week by an amount sufficient to move them into a higher percentage bracket. Moves in excess of one percentage point or more are discussed in the Movers & Shakers report below.

IMPORTANT INFORMATION ABOUT THIS REPORT

The above information is sourced from daily reports published by the Australian Investment & Securities Commission (ASIC) and is provided by FNArena unqualified as a service to subscribers. FNArena would like to make it very clear that immediate assumptions cannot be drawn from the numbers alone.

It is wrong to assume that short percentages published by ASIC simply imply negative market positions held by fund managers or others looking to profit from a fall in respective share prices. While all or part of certain short percentages may indeed imply such, there are also a myriad of other reasons why a short position might be held which does not render that position "naked" given offsetting positions held elsewhere. Whatever balance of percentages truly is a "short" position would suggest there are negative views on a stock held by some in the market and also would suggest that were the news flow on that stock to turn suddenly positive, "short covering" may spark a short, sharp rally in that share price. However short positions held as an offset against another position may prove merely benign.

Often large short positions can be attributable to a listed hybrid security on the same stock where traders look to "strip out" the option value of the hybrid with offsetting listed option and stock positions. Short positions may form part of a short stock portfolio offsetting a long share price index (SPI) futures portfolio a popular trade which seeks to exploit windows of opportunity when the SPI price trades at an overextended

discount to fair value. Short positions may be held as a hedge by a broking house providing dividend reinvestment plan (DRP) underwriting services or other similar services. Short positions will occasionally need to be adopted by market makers in listed equity exchange traded fund products (EFT). All of the above are just some of the reasons why a short position may be held in a stock but can be considered benign in share price direction terms due to offsets.

Market makers in stock and stock index options will also hedge their portfolios using short positions where necessary. These delta hedges often form the other side of a client's long stock-long put option protection trade, or perhaps long stock-short call option ("buy-write") position. In a clear example of how published short percentages can be misleading, an options market maker may hold a short position below the implied delta hedge level and that actually implies a "long" position in that stock.

Another popular trading strategy is that of "pairs trading" in which one stock is held short against a long position in another stock. Such positions look to exploit perceived imbalances in the valuations of two stocks and imply a "net neutral" market position.

Aside from all the above reasons as to why it would be a potential misconception to draw simply conclusions on short percentages, there are even wider issues to consider. ASIC itself will admit that short position data is not an exact science given the onus on market participants to declare to their broker when positions truly are "short". Without any suggestion of deceit, there are always participants who are ignorant of the regulations. Discrepancies can also arise when short positions are held by a large investment banking operation offering multiple stock market services as well as proprietary trading activities. Such activity can introduce the possibility of either non-counting or double-counting when custodians are involved and beneficial ownership issues become unclear.

Finally, a simple fact is that the Australian Securities Exchange also keeps its own register of short positions. The figures provided by ASIC and by the ASX at any point do not necessarily correlate.

FNArena has offered this qualified explanation of the vagaries of short stock positions as a warning to subscribers not to jump to any conclusions or to make investment decisions based solely on these unqualified numbers. FNArena strongly suggests investors seek advice from their stock broker or financial adviser before acting upon any of the information provided herein.

Find out why FNArena subscribers like the service so much: ["Your Feedback \(Thank You\)"](#) - Warning this story contains unashamedly positive feedback on the service provided.

FNArena is proud about its track record and past achievements: [Ten Years On](#)

WEEKLY REPORTS

In Brief: Collins Food, Domino's, Guzman y Gomez & Artrya

What's brewing in the quick service sector; cardiac CT diagnosis company, Artrya gets an AI boost; will special dividends make a comeback?

- Is the macro tide turning for quick service restaurants?
- Gen.Ai to the cardiac CT scan rescue
- Franking credits take a different dividend shape

By Danielle Ecuyer

Quote of the week comes from Michael Howell, founder and managing director of CrossBorder Capital, whom I interviewed on September 25.

"The idea of the US defaulting is fanciful. I mean, that's just nonsense. It's incapable of doing that because we all use dollars. The whole international financial system uses dollars. America can always pay its debts by printing money."

Video and transcript links near the bottom of today's story.

Are quick service restaurants coming back into flavour?

Star IPO of 2024, Guzman y Gomez ((GYG)) might have done its taco dash according to Goldman Sachs, with the broker shining a light on the status of quick service restaurant business models and their macro-economic backdrop in Australia.

After a post-covid period of constrained discretionary spending and higher food/labour costs, the broker suggests quick service restaurant businesses are ready to turn the corner.

Boosted by expectations of declining interest rates and recent tax cuts, consumer sentiment is "trending positively" with scope for an increase in real disposable income and consumption on the cards.

When combined with slowing inflation, improved supply chains and easing costs, Goldman Sachs sees scope for both revenue growth and margin improvements for the QSR sector.

Jarden has joined the quick-service restaurant bandwagon taking a global approach to changing fortunes for the industry. Jarden analysts see an improvement in the cost of goods sold, plus some consolidation in the sector with earnings cycling a period of highly competitive price promotions.

While the analysis suggests revenue growth has yet to re-emerge, the backdrop is one of a more cost-conscious consumer who will preference quick service over full-service restaurants, as well as pick up against delivery.

Larger chain operators with more buying power hold a competitive advantage over smaller businesses that lack the scale and investing dollars for technology.

Across the geographies Jarden has picked up Japan is showing the most upbeat signs, A&NZ is plateauing, and Europe has put the worst behind it.

Jarden has a Buy-equivalent rating on Domino's Pizza Enterprises ((DMP)), target price \$42; as well as for Collins Food ((CKF)), target price \$9.57, with the former the preferred exposure.

Goldman Sachs cannot justify the premium valuation for Guzman y Gomez which has aligned with quality US peers, although the composition of the domestics versus US markets bears no resemblance. This analyst is also wary about the ability to exceed the FY25 prospectus forecasts while the store expansion plans have no "recent successful precedent".

There is also around a 13% stock overhang with escrow shares available for release in March 2025 and another circa 40% in August 2025.

Guzman y Gomez cops a Sell rating and \$33.20 target price.

In contrast, Collins Food is Buy rated on the back of abating headwinds of the last few years which led to earnings and margin downgrades with a "moderation" in cost growth across wages, poultry, electricity, rent, and declines in grain/oil prices to pre-covid levels.

A pickup in discretionary spending across the company's major states, Queensland and Western Australia; an improved digital presence and a scaling of the operations in the Netherlands, with better European margins, are all viewed by Goldman Sachs as positive trends.

Collins Food has a target price of \$10.



A heart stopping stock

Petra Capital enters the healthcare Gen. Ai fold with an initiation of coverage on Artrya ((AYA)) which is exposed to an estimated \$5.4bn total addressable market in cardiac CT diagnosis across Australia and the US.

The company's Salix product is described as "next gen deep learning solution" to imaging analysis for cardiac CTs.

Increasing demands on radiologists and growing demand for more timely responses are seen providing a favourable market backdrop for the Salix offering.

The broker highlights full automation with a reduction in human intervention can help lower the delivery time for results to around 15 minutes from over two hours to 24 hours.

While the company had some delays with FDA approval in 2022, Petra believes under new management Artrya will receive approval in 1Q2025 for the first Salix Coronary Anatomy product.

The company has reached commercialisation stage in Australia with revenue generation anticipated in 1Q25 and US revenues post FDA in 2H2025. The broker forecasts risk-adjusted revenue growth of 90% per annum over the following five years, achieving \$124m by 2030.

US markets are believed to hold the most upside potential with sales to reach a forecast \$347m in 2034, with an estimated gross margin of 86% and EBITDA margin over 70%. As a SaaS based model, these margins are viewed as probable, allowing Artrya to be earnings positive in 2027.

Petra's target price stands at \$2.21 with a Buy rating. The stock currently has a circa \$21.6m market cap which compares to its direct competitors, HeartFlow, Cleerly and Elucid which are privately owned with forecast valuations between US\$320m to over US\$2bn.

Let's speak frankly

Changes to rules around distribution of franking credits in 2023 put a stop to the popular, often large, off-market buybacks which were the not so trojan horse for distributing a company's excess franking credits.

Morgan Stanley proposes Australian companies with excess franking credits may look to special dividends as an alternative, especially when on-market buybacks are less appealing to domestic shareholders when valuations are more elevated, thereby creating a longer payback.

Capital management could shift back into a favourable position for Australian investors should domestic companies decide to distribute excess credits via a special dividend.

The broker suggests this could also alter the valuations for the companies, as increased franking credits can boost post tax shareholder returns.

Morgan Stanley's compilation of the who's who of excess franking credits relative to the last dividend paid is as follows, ranked from highest to lowest as:

- BHP Group ((BHP))
- Rio Tinto ((RIO))
- Fortescue ((FMG))
- Westpac ((WBC))
- Woodside Energy ((WDS))
- Commonwealth Bank ((CBA))
- Woolworths Group ((WOW))
- Whitehaven Coal ((WHC))
- South32 ((S32))
- Endeavour Group ((EDV))
- Reece ((REH))
- Ramsay Health Care ((RHC))
- Wesfarmers ((WES))
- REA Group ((REA))
- Pilbara Minerals ((PLS))
- New Hope Corp ((NHC))
- Origin Energy ((ORG))
- Mineral Resources ((MIN))
- IGO Ltd ((IGO))
- National Australia Bank ((NAB))
- Bendigo and Adelaide Bank ((BEN))
- Iluka Resources ((ILU))
- Beach Energy ((BPT))
- a2 Milk ((A2M))
- JB Hi-Fi ((JBH))
- Harvey Norman ((HVN))
- Eagers Automotive ((APE))
- Coles Group ((COL))
- Ampol ((ALD)).

By way of interest the ASX200 dividend payout ratio has been trending down from a peak of over 75% in 2016 to just under 65% currently. The sectors with the highest percentage of earnings returned to shareholders via dividends are Communication Services and Utilities at 95%, Industrials 76%, Staples 75%, Financials 74%, Discretionary 66%, Real Estate 62%, Energy 59%, Materials 51%, Technology 48% and Healthcare 47%.

Lots of food for thought in those percentages when assessed against which companies invest heavily in R&D and growth, versus the more stable earnings streams from a Telstra, AGL or Woolworths. Or are they?

For more reading and viewing on Michael Howell:

<https://fnarena.com/index.php/2024/10/03/interview-with-michael-howell-crossborder-capital/>

<https://fnarena.com/index.php/fnarena-talks/2024/09/27/fnarena-talks-with-crossborder-capitals-michael-howe-about-global-liquidity-driving-gold-and-financial-assets/>

<https://youtube.com/watch?v=KsCf0E0m8OU>

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 04-10-24

Broker Rating Changes (Post Thursday Last Week)

Downgrade

BREVILLE GROUP LIMITED ((BRG)) Downgrade to Sell from Hold by Petra Capital.B/H/S: 0/0/0

Due to incorrect data entry, Petra Capital's rating for Breville Group should have been downgraded to Sell from Hold last month.

A summary of the broker's research dated August 22 follows.

Expansion in gross margins and stronger sales in 2H24 helped Breville Group report slightly better than forecast FY24 earnings, Petra Capital notes.

Lower freight costs with promotional activity controlled boosted the gross margin by 140 basis points in 2H24. It is likely to remain flat, the broker highlights, into FY25. This means growth will depend on volume expansion.

The analyst believes new product launches, new markets and expansion of Lelit/Baratza should assist in volume growth.

Petra Capital makes minor EPS changes. Target price rises to \$28.30 from \$24.40.

GPT GROUP ((GPT)) Downgrade to Underweight from Overweight by Jarden.B/H/S: 0/0/0

While Jarden is not negative on prospects for mall REITs, after strong outperformances the broker's ratings are downgraded for Vicinity Centres, Scentre Group and GPT Group.

In fact, REITs should continue to see 3-4% comparable net operating income (NOI) growth and a 4-6% funds from operations (FFO) compound annual growth rate (CAGR) over the next few years, predict the analysts.

However, based upon transactional evidence of development returns, the broker believes a further increase in valuation premiums is not really justified.

Jarden's target for GPT Group rises to \$5.10 from \$5.05 and the rating is downgraded to Underweight from Overweight.

METALS ACQUISITION LIMITED ((MAC)) Downgrade to Hold from Buy by Moelis.B/H/S: 0/0/0

Moelis updates the gold, silver, copper and forex estimates and marks-to-market the changes to earnings estimates.

Rating is downgraded to Hold from Buy due to the recent 17% rally in the share price.

No change in the target price of \$23.

ORA BANDA MINING LIMITED ((OBM)) Downgrade to Hold from Buy by Moelis.B/H/S: 0/0/0

Ora Banda Mining reported FY24 results which showed favourable trading activity over the last 12 months. Moelis notes this is probably due to a higher gold price and a turnaround at Davyhurst.

The analyst believes the commissioning of Sand King in FY25 will enable the business to generate around 150koz p.a. in FY26.

Target price is raised to 66c. Stock rating downgraded to Hold from Buy with a lot of optimism built into the share price at current levels.

ORICA LIMITED ((ORI)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Jarden believes earnings growth in Orica's key Australia Pacific & Asia (APA) division will slow into FY26 on slowing recontracting growth for ammonium nitrate (AN).

The North American AN market is growing increasingly oversupplied due to the attractive gas input costs for AN production in the US and large agricultural producers switching AN into the explosives market, explains the broker.

Now that the Orica share price has rallied by 20.2% over the past year, and the risk/reward profile has turned negative, the analysts downgrade the rating for Orica to Neutral from Overweight. The \$18.50 target is maintained.

SCENTRE GROUP ((SCG)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

While Jarden is not negative on prospects for mall REITs, after strong outperformances the broker's ratings are downgraded for Vicinity Centres, Scentre Group and GPT Group.

In fact, REIT's should continue to see 3-4% comparable net operating income (NOI) growth and a 4-6% funds from operations (FFO) compound annual growth rate (CAGR) over the next few years, predict the analysts.

However, based upon transactional evidence of development returns, the broker believes a further increase in valuation premiums is not really justified.

Jarden's target for Scentre Group rises to \$3.90 from \$3.75 and the rating is downgraded to Neutral from Overweight.

VICINITY CENTRES ((VCX)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

While Jarden is not negative on prospects for mall REITs, after strong outperformances the broker's ratings are downgraded for Vicinity Centres, Scentre Group and GPT Group.

In fact, REIT's should continue to see 3-4% comparable net operating income (NOI) growth and a 4-6% funds from operations (FFO) compound annual growth rate (CAGR) over the next few years, predict the analysts.

However, based upon transactional evidence of development returns, the broker believes a further increase in valuation premiums is not really justified.

Jarden's target for Vicinity Centres rises to \$2.50 from \$2.45 and the rating is downgraded to Overweight from Buy.

WEB TRAVEL GROUP LIMITED ((WEB)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

In the wake of the B2C de-merger, Jarden highlights Webjet is now a pure-play B2B platform in the bed-bank space, which should command a premium multiple.

Such premium is deserved because of the large addressable market (over US\$90bn), a high incremental return on invested capital (ROIC) and scale, the broker suggests.

The target falls to \$7.70 after the de-merger, and the rating is downgraded to Overweight from Buy, with the analysts suggesting risk-reward remains skewed to the upside.

Order	Company	New Rating	Old Rating	Broker
Downgrade				
1	BREVILLE GROUP LIMITED	Sell	Neutral	Petra Capital
2	GPT GROUP	Sell	Buy	Jarden
3	METALS ACQUISITION LIMITED	Neutral	Buy	Moelis
4	ORA BANDA MINING LIMITED	Neutral	Buy	Moelis
5	ORICA LIMITED	Neutral	Buy	Jarden
6	SCENTRE GROUP	Neutral	Buy	Jarden
7	VICINITY CENTRES	Buy	Buy	Jarden
8	WEB TRAVEL GROUP LIMITED	Buy	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
360	Life360	\$19.27	Goldman Sachs	21.85	19.75	10.63%
A1M	AIC Mines	\$0.37	Moelis	0.65	0.64	1.56%
ACF	Acrow	\$1.08	Petra Capital	1.32	1.47	-10.20%
ALK	Alkane Resources	\$0.44	Moelis	0.70	0.65	7.69%
ALL	Aristocrat Leisure	\$57.00	Jarden	59.00	47.20	25.00%
ASN	Anson Resources	\$0.08	Petra Capital	0.35	0.41	-14.63%
BKW	Brickworks	\$28.79	Jarden	30.00	28.50	5.26%
CDA	Codan	\$15.83	Canaccord Genuity	16.76	15.34	9.26%
			Moelis	18.15	16.85	7.72%
DXS	Dexus	\$7.81	Jarden	7.85	7.60	3.29%
ELD	Elders	\$8.54	Wilsons	8.07	8.33	-3.12%
FFM	FireFly Metals	\$1.07	Moelis	1.30	1.15	13.04%
FMG	Fortescue	\$19.98	Jarden	16.83	15.84	6.25%
GMD	Genesis Minerals	\$2.02	Moelis	2.65	2.50	6.00%
GOR	Gold Road Resources	\$1.68	Moelis	2.30	2.10	9.52%
GPT	GPT Group	\$5.03	Jarden	5.10	4.85	5.15%
KMD	KMD Brands	\$0.46	Canaccord Genuity	0.48	0.39	23.08%
LNW	Light & Wonder	\$130.53	Jarden	175.00	176.00	-0.57%
LTR	Liontown Resources	\$0.77	Jarden	0.90	1.00	-10.00%
NDO	Nido Education	\$0.86	Canaccord Genuity	1.12	1.25	-10.40%
OBM	Ora Banda Mining	\$0.62	Moelis	0.66	0.47	40.43%
			Moelis	0.67	0.47	42.55%
PME	Pro Medicus	\$177.76	Goldman Sachs	193.00	149.00	29.53%
PMV	Premier Investments	\$30.35	Jarden	29.50	29.80	-1.01%
RIO	Rio Tinto	\$126.04	Goldman Sachs	136.60	136.00	0.44%
SCG	Scentre Group	\$3.61	Jarden	3.90	3.65	6.85%
STX	Strike Energy	\$0.21	Goldman Sachs	0.25	0.50	-50.00%
VCX	Vicinity Centres	\$2.25	Jarden	2.50	2.35	6.38%
WEB	WEB Travel	\$7.00	Jarden	7.70	9.45	-18.52%
WTC	WiseTech Global	\$134.60	Goldman Sachs	138.00	104.00	32.69%
XRO	Xero	\$146.02	Goldman Sachs	201.00	180.00	11.67%
	Company	Last Price	Broker	New Target	Old Target	Change

More Highlights

360 LIFE360 INC

Software & Services Overnight Price: \$18.94

Goldman Sachs rates (([360](#))) as Buy (1)

Goldman Sachs raises forecasts for Life360 in advance of the company 3Q24 results due to robust growth in the subscription business, better cost management as well as growth in higher-margin indirect revenue sources.

The broker lifts EBITDA estimates by 5% in FY25 and 7% in FY26 with an accompanying upgrade in the target price of 11% to \$21.75.

Goldman Sachs believes Life360 offers many levers to grow and monetise its user base, increase the international membership roll-out, as well as advertising and indirect data sales including pet care.

Buy rating unchanged.

This report was published on September 30, 2024.

Target price is **\$21.85** Current Price is **\$18.94** Difference: **\$2.91**

If **360** meets the Goldman Sachs target it will return approximately **15%** (excluding dividends, fees and charges).

Current consensus price target is **\$20.09**, suggesting upside of **6.1%**(ex-dividends)

The company's fiscal year ends in December.

Forecast for FY24:

Goldman Sachs forecasts a full year **FY24** dividend of **0.00** cents and EPS of **16.67** cents.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **113.60**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **21.9**, implying annual growth of **N/A**.

Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.

Current consensus EPS estimate suggests the PER is **86.5**.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **0.00** cents and EPS of **36.38** cents.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **52.07**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **47.4**, implying annual growth of **116.4%**.

Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.

Current consensus EPS estimate suggests the PER is **40.0**.

This company reports in **USD**. All estimates have been converted into AUD by FNArena at present FX values.

Market Sentiment: **0.8**

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

AYA ARTRYA LIMITED

Medical Equipment & Devices Overnight Price: \$0.34

Petra Capital rates (([AYA](#))) as Initiation of coverage with Buy (1)

Petra Capital initiates coverage on AI health-tech play, Artrya, with a Buy rating and \$2.21 target.

The company's next generation deep machine learning solutions (branded Salix) are a point-of-care offering providing rapid result delivery to clinicians and are targeting a large and rapidly growing cardiac CT diagnosis market, explains the broker.

Radiologist shortages and increased scan volumes have seen AI become a cornerstone technology for diagnostic imaging companies aiming to lift margins and increase workflow efficiency, highlights Petra Capital.

After a hiccup in 2022, with the FDA knocking-back its first 510(k) process (Premarket Notification), the broker anticipates highly likely 1Q 2025 regulatory clearance of Artrya's first commercial product in the US. Salix has already been launched in Australia.

This report was published on October 2, 2024.

Target price is **\$2.21** Current Price is **\$0.34** Difference: **\$1.875**

If **AYA** meets the Petra Capital target it will return approximately **560%** (excluding dividends, fees and charges).

The company's fiscal year ends in June.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 149.60** cents.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 0.22**.

Forecast for FY26:

Petra Capital forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 1.10** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 30.45**.

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

CKF COLLINS FOODS LIMITED

Food, Beverages & Tobacco Overnight Price: \$8.60

Goldman Sachs rates (([CKF](#))) as Initiation of coverage with Buy (1)

Goldman Sachs is cautiously optimistic on the Quick Service Restaurant (QSR) outlook because consumer sentiment is trending positively and as interest rate expectations and recent tax cuts are now being factored in.

Recent elevated population growth and a forecast return to growth in real disposable income and consumption are other factors behind the broker's positive thesis.

The analysts commence coverage of Collins Foods with a Buy rating as cost growth has moderated (wages, poultry, electricity and rent growth falling), while oils and grains have returned to pre-covid levels.

Goldman also sees potential for increased Digital sales penetration; and notes the KFC presence is reaching scale in the Netherlands and expects improving KFC Europe margins in the long-term.

A \$10 target is set.

This report was published on October 3, 2024.

Target price is **\$10.00** Current Price is **\$8.60** Difference: **\$1.4**

If **CKF** meets the Goldman Sachs target it will return approximately **16%** (excluding dividends, fees and charges).

Current consensus price target is **\$9.46**, suggesting upside of **10.0%**(ex-dividends)

The company's fiscal year ends in May.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **21.00** cents and EPS of **42.00** cents.

At the last closing share price the estimated dividend yield is **2.44%**.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.48**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **45.9**, implying annual growth of **-4.5%**.

Current consensus DPS estimate is **24.1**, implying a prospective dividend yield of **2.8%**.

Current consensus EPS estimate suggests the PER is **18.7**.

Forecast for FY26:

Goldman Sachs forecasts a full year **FY26** dividend of **28.00** cents and EPS of **56.00** cents.

At the last closing share price the estimated dividend yield is **3.26%**.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.36**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **58.4**, implying annual growth of **27.2%**.

Current consensus DPS estimate is **30.8**, implying a prospective dividend yield of **3.6%**.

Current consensus EPS estimate suggests the PER is **14.7**.

Market Sentiment: 0.6

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

DDR DICKER DATA LIMITED

Hardware & Equipment Overnight Price: \$9.40

Jarden rates (([DDR](#))) as Buy (1)

Jarden observes the tailwinds of Ai are starting to flow through the hardware and software "ecosystems" of Dicker Data's and Data#2 ([DTL](#)) key vendors, which gives the broker more reason to be upbeat on the PC and non-PC hardware replacement cycle, growth in software and Gen.Ai services.

Dicker Data is Buy rated with a \$10.60 target price.

This report was published on September 26, 2024.

Target price is **\$10.60** Current Price is **\$9.40** Difference: **\$1.2**

If **DDR** meets the Jarden target it will return approximately **13%** (excluding dividends, fees and charges).

Current consensus price target is **\$10.57**, suggesting upside of **12.4%**(ex-dividends)

The company's fiscal year ends in December.

Forecast for FY24:

Jarden forecasts a full year **FY24** EPS of **45.20** cents.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.80**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **45.0**, implying annual growth of **-1.3%**.

Current consensus DPS estimate is **47.0**, implying a prospective dividend yield of **5.0%**.

Current consensus EPS estimate suggests the PER is **20.9**.

Forecast for FY25:

Jarden forecasts a full year **FY25** EPS of **50.50** cents.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **18.61**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **51.4**, implying annual growth of **14.2%**.

Current consensus DPS estimate is **50.6**, implying a prospective dividend yield of **5.4%**.

Current consensus EPS estimate suggests the PER is **18.3**.

Market Sentiment: **0.7**

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

PME PRO MEDICUS LIMITED

Medical Equipment & Devices Overnight Price: \$178.25

Goldman Sachs rates (([PME](#))) as Buy (1)

Goldman Sachs raises its target for Buy-rated Pro Medicus by 30% to \$193, well in advance of the \$128.50 average target of five daily-covered brokers in the FNArena database (which doesn't include Goldman Sachs).

The \$193 target is justified by the revenue/margin outlook, unique cloud offering, and significant long-term opportunity, suggest the analysts.

The company's share of the US market remains low at 7%, highlights the broker, which forecasts a long-term US market share over 25%. Upside potential is also noted for the core total addressable market (TAM), adjacencies (cardiology and AI) and potential new markets.

Regarding adjacencies, Goldman Sachs suggests Pro Medicus is well positioned to take share in cardiology and

Al, thanks to a unique partnership with medical key opinion leaders in settings that are generally well-funded.

This report was published on September 27, 2024.

Target price is **\$193.00** Current Price is **\$178.25** Difference: **\$14.75**

If **PME** meets the Goldman Sachs target it will return approximately **8%** (excluding dividends, fees and charges).

Current consensus price target is **\$128.50**, suggesting downside of **-27.9%**(ex-dividends)

The company's fiscal year ends in June.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **54.10** cents and EPS of **104.00** cents.

At the last closing share price the estimated dividend yield is **0.30%**.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **171.39**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **102.7**, implying annual growth of **29.6%**.

Current consensus DPS estimate is **51.4**, implying a prospective dividend yield of **0.3%**.

Current consensus EPS estimate suggests the PER is **173.6**.

Forecast for FY26:

Goldman Sachs forecasts a full year **FY26** dividend of **68.00** cents and EPS of **133.00** cents.

At the last closing share price the estimated dividend yield is **0.38%**.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **134.02**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **135.7**, implying annual growth of **32.1%**.

Current consensus DPS estimate is **67.8**, implying a prospective dividend yield of **0.4%**.

Current consensus EPS estimate suggests the PER is **131.4**.

Market Sentiment: **-0.2**

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

XRO XERO LIMITED

Accountancy Overnight Price: **\$148.72**

Goldman Sachs rates (([XRO](#))) as Buy (1)

Goldman Sachs raises its target for Xero by 12% to \$201 on higher earnings forecasts and a re-rating of SaaS peers. Buy.

The broker's industry feedback suggests a positive from management's greater focus on localising the product to be more US-centric, and becoming consistent with how those accountants operate, who use QuickBooks Online Accountant (QBO).

There is an improving Canadian opportunity in 2025-26, highlight the analysts, as Open-banking is introduced. A lack of progress on open banking/bank feeds has been cited as the key reason behind an industry wide slowdown in cloud adoption, explains Goldman Sachs.

This report was published on September 27, 2024.

Target price is **\$201.00** Current Price is **\$148.72** Difference: **\$52.28**

If **XRO** meets the Goldman Sachs target it will return approximately **35%** (excluding dividends, fees and charges).

Current consensus price target is **\$161.43**, suggesting upside of **8.5%**(ex-dividends)

The company's fiscal year ends in March.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **0.00** cents.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **139.0**, implying annual growth of **N/A**.

Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.

Current consensus EPS estimate suggests the PER is **107.0**.

Forecast for FY26:

Goldman Sachs forecasts a full year **FY26** dividend of **0.00** cents.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **184.2**, implying annual growth of **32.5%**.

Current consensus DPS estimate is **13.6**, implying a prospective dividend yield of **0.1%**.

Current consensus EPS estimate suggests the PER is **80.7**.

This company reports in **NZD**. All estimates have been converted into AUD by FNArena at present FX values.

Market Sentiment: **0.8**

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

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