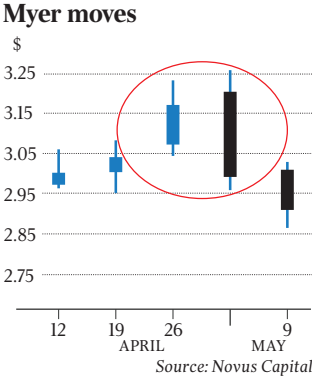


Maybe it's time to make a Myer exit

MICHAEL GABLE

MYER has almost doubled in value from its lows last June. Rate cuts from the Reserve Bank have helped improve sentiment slightly and retail sales earlier this year indicated that consumers were slowly starting to spend money again. Those who invested in Myer almost a year ago have done very well but how do you know when to sell? Up here, just under \$3, the stock is fully valued. In my opinion, it is priced to perfection and it won't be able to tolerate any setbacks after such a stellar run. If you look at the chart, you will notice that the market is not happy with the share price at these levels and selling pressure is starting to emerge. On a weekly candlestick chart, we can see the formation of a "bearish engulfing pattern" (circled). Because it has occurred after a long uptrend, the effects are particularly powerful. This pattern shows that Myer opened up that week at a higher point than where it closed the previous week. But by the end of the week, it closed at a price which was lower than the previous week's low point. This is a very negative sign, and, as a result, we have seen Myer continue to struggle in the last few days despite another interest rate cut. This bearish engulfing pattern and the divergence with the RSI suggest to me that the market is looking for reasons to exit the stock. The stock has rallied hard but what other reasons could derail this resurgence in the share price? Retail sales for March were down 0.4 per cent when the market was expecting them to be up by 0.2 per cent. The last few weeks have been unseasonably warm. If we do not get a cold snap in the next week or two, then we are going to see a lot of winter apparel discounted. This pressure on margins will hurt the retailers just when they were finding their feet, which means the current share price will continue to appear a bit stretched. As a result, I can see weakness in the discretionary retailers. Sooner or later Myer will be trading back at \$2.60.

Michael Gable is a private client adviser at Novus Capital. www.michaelgable.com.au



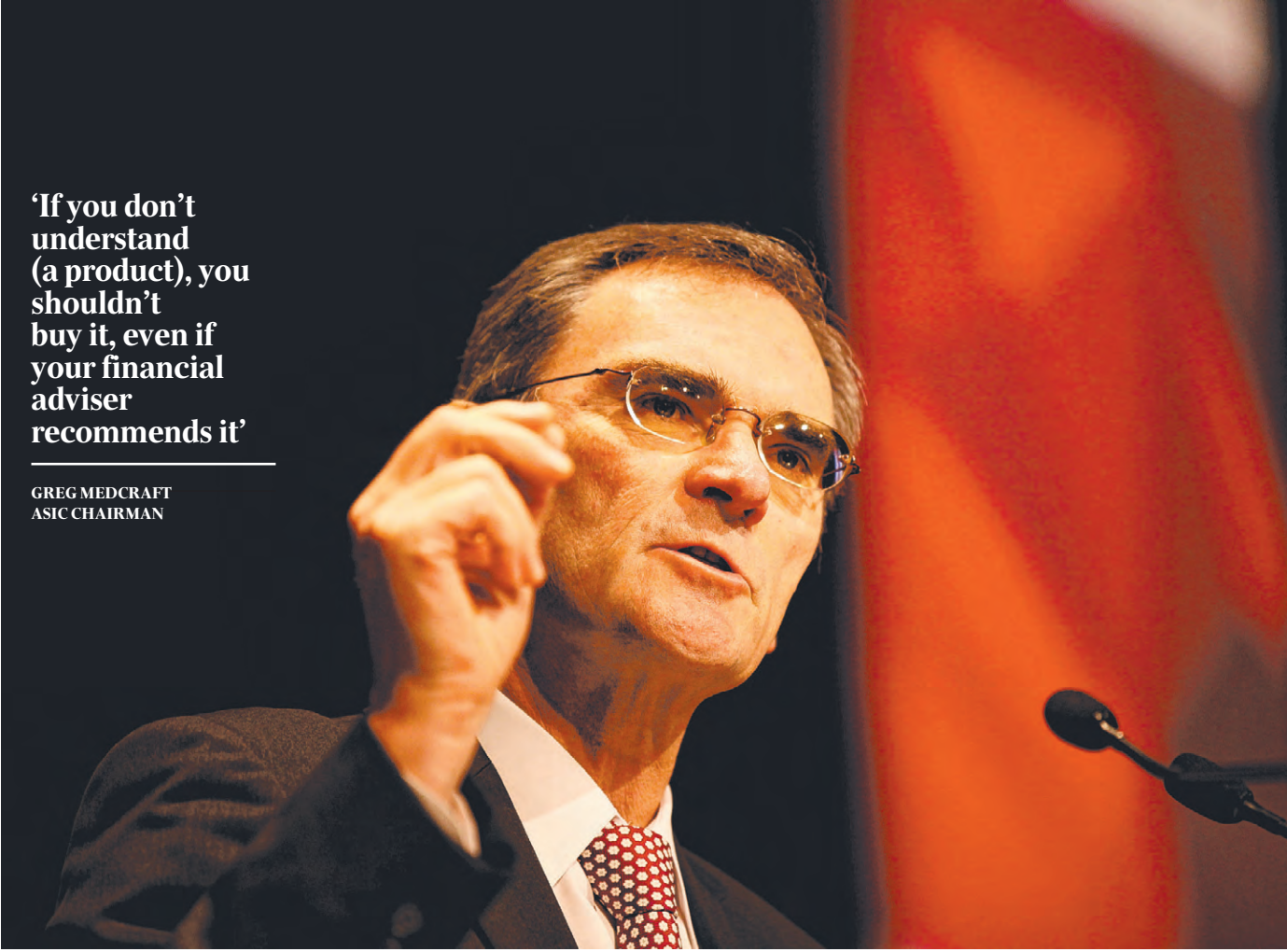
Bourse runs its own race as easy money spurs shares

Investors are warned not to treat low rates as a free lunch

ANDREW MAIN

AUSTRALIAN investors are still pushing the prices of a narrow group of equities to post-GFC record levels but they have seldom been confronted with such conflicting messages as in the past week. The Reserve Bank of Australia sprang a surprise 25-basis-point cut in interest rates on Tuesday, causing concern that the RBA knew something negative about the economic outlook that the rest of us didn't. That's usually why the RBA cuts rates. Then on Wednesday Australian Securities & Investments Commission chairman Greg Medcraft warned the Australian Shareholders Association about the risks in buying complex financial products just for their high yield. On Thursday, we got a report saying 50,000 new jobs had been created last month, against expectations of 11,000 jobs. And meanwhile, our main sharemarket indices just kept climbing. What's happening? One interpretation came from UBS strategist David Cassidy, who noted midweek that the equity market had decoupled not only from the economic data flow but also from the bond market: meaning that it's running its own race, helped in particular by the "weight of money" shift out of cash and bonds and into equities. Cassidy says the massive investment driver is backed by investors' faith in continuing quantitative easing in developed markets, "and by the RBA easing rates domestically".

He sees what he calls "super low" interest rates as being supportive for equity markets, although he is concerned that those rates are at the mercy of the developed countries' money printing policies. "We are wary of treating low rates as a free lunch for equities," he writes, "particularly given the distorting influence of central banks." He believes that in the current situation, where bond prices are very high and share prices are climbing, something has to give. "The market's most recent leg up in the face of softening data is cautionary, at least tactically," he says, which is broker-speak for "this may be a good time to sell a few shares". "Longer term, it would seem bond yields need to rise a lot, or growth expectations need to be wound back significantly," he concludes, which puts him in the growing crowd of people warning against buying bonds at current prices. Thursday's positive jobs numbers have created a number of headaches, not least for the RBA, which would normally use a rise in jobs as a factor in justifying a

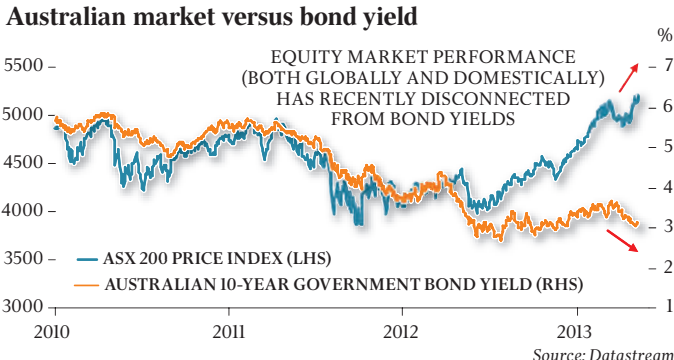


'If you don't understand (a product), you shouldn't buy it, even if your financial adviser recommends it'

GREG MEDCRAFT
ASIC CHAIRMAN

NIKKI SHORT

potential lift in rates, not a cut. One of the reasons for the rate cut is the RBA's intention to bring down the rampaging dollar, because of its negative effect on exporters and manufacturers, but within two days the employment numbers' strong endorsement of economic settings gave the dollar back all the ground it lost since the rate cut, pushing it up from \$US1.016 to \$US1.02, where it had been at the start of the week. Paul Bloxham, chief economist at HSBC for Australia and New Zealand and an ex-RBA economist, says if you cut through the job numbers due to recent volatility, "employment increased by an average of 26,000 jobs per month since the beginning of the year, up from 4000 jobs a month in the fourth quarter of 2012". In other words, no matter what people in small businesses around the country are saying, the economy's doing well. And interest rates? "The RBA may not need to ease any further," he says, meaning that Tuesday's cut to 2.75 per cent, last seen in 1959, will be the



ASIC chief warns about complicated products

ANDREW MAIN

WITH interest rates in Australia now at historic lows, ASIC chairman Greg Medcraft says investors may be tempted into "innovation-driven complexity" in financial products as they search for yield. Addressing the Australian Shareholders Association, he said that the last time investors were in this phase, products such as collateralised debt obligations (CDOs) were spawned. "This was an example of innovation adding complexity and risk, which resulted in both wholesale and retail investors losing a lot of money, in many cases because they weren't able to properly value the risks inherent in these products," he said. "The problem of complex products being mis-sold is particularly concerning during periods when people are searching for yield, like the current environment. "Product manufacturers and issuers have a role to play: it's not a sustainable business model if customers are losing money." In terms of advice to the consumer, "I like to say that if you don't understand it, you shouldn't buy it, even if your financial adviser recommends it," he said. "My position on this is clear:

those selling complex products to unsuspecting investors need to wise up and do the right thing. They might get away with it for a while, but as we saw with the crisis, governments and courts inevitably rule in favour of investors who have been mis-sold these complex products." Mr Medcraft said new product issuers could use new technology such as e-learning modules to explain features and risks, which "could overcome some of the inherent weaknesses of traditional disclosure". He said ASIC had a working group on complex financial products that was exploring the best way to regulate them, with a bias to look at the whole product life cycle, not just distribution and disclosure. Mr Medcraft did not mention it, but the biggest disaster in that area in Australia in recent years was the demise of rural managed investment schemes. Financial advisers were collecting commissions of more than 10 per cent to put investors into schemes involving trees and other long-duration asset classes. As soon as the ATO cracked down on the tax-driven element of the schemes, the money dried up, the promoting companies collapsed and the investors found they either had to put more money in or lose their investment.

Ainsworth to slot in as king of ker-ching



ROGER MONTGOMERY

HAVING a flutter one year during my early teens, I stood for an hour after school each day at the local milkbar. Leaning against the soft drink vending machine, I watched my friends pour 20c pieces into the pinball machine. Eventually the pinball gave way to PacMan, Space Invaders and Galaga. It was a complete waste of time and money but I enjoyed myself and, yes, it was addictive. I no longer play pinball machines nor do I gamble but I often wonder whether poker machines have the same appeal to others as pinball machines had for me all those decades ago? Australia loves a flutter — just ask those two waging a "he said, she said" war over at the Racing NSW stewards inquiry. With 197,892 poker machines in pubs and clubs across the country, or one machine for every 111 people, Australia has the fifth-highest total number of gaming machines in the world and is ranked No 8 of international gambling hot spots. For those willing to surmount the ethical issues, there are two paths to investing in this sector. One is to own listed gaming operators like Crown Entertainment (CWN), Echo Entertainment (EGP), Sky City Entertainment Group (SKC), Tatts Group Limited (TTS), Reef Casino Trust (RCT) and Tabcorp Holdings (TAH). For one reason or another we have avoided these. Another is to own those who supply these operators with their machines. Over the years, operators cannot escape the fact that the machines they buy simply wear out or become unfashionable. With about 200,000 machines constantly ageing, pub, club and casino owners need to replace old floor stock with the latest and greatest machines. Aristocrat Leisure (ALL) and Ainsworth (AGI) specifically target this market. Ainsworth develops a range of poker machines and the games that are installed into each machine, servicing a market that replaces 40,000 machines annually. Ainsworth's market share of this annual turnover is referred to as its "ship-share". Ainsworth has a 25 per cent ship-share, which equates to around 10,000 machine sales. At about \$20,000 each and aspirations to take its share to 35 per cent, one obtains a clear feel for the potential \$280m revenue. Our research also shows that

although Aristocrat Leisure is the dominant player, we prefer the new kid on the block. The management team, with almost 20 years of research and development behind it, is backed by a solid balance sheet. With these tailwinds and strengths, the company has been aggressively taking market share and few competitors have stood in its way following the release of the company's new A560 cabinet machines and suite of games. Further, the company is one of a handful of manufacturers, both locally and internationally, that has invested heavily into product development when many others have been capital-constrained. This includes global competitors in the US, dominated by IGT (International Gaming Technology). IGT is the dominant incumbent in North America with the lion's ship-share of about 50 per cent, followed by Bally at 15 per cent, WMS also at 15 per cent and others at 5-10 per cent including Konami. Given 850,000 machines exist in the US and the replacement cycle is 60,000 a year, North America is an important addressable market for AGI and this is where the opportunity gets very exciting. The replacement cycle is slower in the US than Australia due to the country's economic challenges, but again, if industry feedback is right, the potential addressable market could double on the back of an economic recovery and reach the historic average of 140,000 machines annually. IGT's second-quarter financial results have provided us with anecdotal evidence that the North American slot machine replacement cycle is picking up from a cyclical low. AGI's chief executive Daniel Gladstone relocated 12 months ago to specifically target the opportunity. Thinking about IGT's recent results, including a 66 per cent surge in sales, if everything lines up and AGI captures 35 per cent share in Australia and our estimate of 10-15 per cent ship-share in the US, Ainsworth's revenue line could approach \$600m over time. On current 20 per cent profit margins, double those of Aristocrat Leisure, AGI could in the years ahead generate \$120m NPAT. On these numbers, a share price closer to \$5 would not be completely unrealistic. Currently the share price is \$3.80. Ainsworth Game Technology (AGI) is not a business that will appeal to all investors. Problem gambling is a genuine condition for some but in owning the company shares we are also aware that many gamblers enjoy it as a form of entertainment, much as I enjoyed spending my pocket money on video games 20-something years ago. Roger Montgomery is the founder of Montgomery Investment Management and the author of *Valueable: How to Value the Best Stocks and Buy Them for Less Than They're Worth*, available at www.rogermontgomery.com

careers
in government

Executive Director Youth Justice

DEPARTMENT OF CORRECTIONAL SERVICES
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The Northern Territory Department of Correctional Services (NTDCS) is seeking an outstanding executive to provide high level strategic leadership on youth justice services and programs across the Northern Territory including Youth Boot Camps and facilitating effective management of youth detention centres and family responsibility centres to maximise resource usage and program outcomes.

To be a strong contender for this challenging role, you will need to be an outstanding leader and manager with a substantial record of achievement and a reputation for innovation and delivery of results. You will need sound judgement and intellectual rigour to provide advice to the NTDCS Commissioner and Government on key policy directions, business planning and youth justice programs.

You will also establish and maintain strong enduring working relationships with community groups, industry and key stakeholders.

For a copy of the Job Description and to apply online please visit www.nt.gov.au/jobs

Quote vacancy number: 137
Closing date: 26 May 2013

The Northern Territory Government is an equal opportunity employer and values an inclusive and diverse workforce.

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STATE ADMINISTRATIVE TRIBUNAL (SAT)
Senior Member

SAT is seeking expressions of interest to fill the Full time Senior Tribunal Member position in its Human Rights Stream.

- Commencement to be negotiated as soon as possible after the 8 July 2013 for a period of appointment of up to five years

The State Administrative Tribunal is an independent body established under the State Administrative Tribunal Act 2004 (WA). It has a wide ranging jurisdiction to make original decisions and to review administrative decisions made by WA Government Ministers, public officials, vocational regulatory bodies and local governments.

The largest part of the Human Rights Stream involves making decisions under the Guardianship and Administration Act 1990. It also deals with matters under the Equal Opportunity Act 1984 and reviews decisions under the Mental Health Act 1996, and Gender Reassignment Act 2000.

The Senior Member appointed to the Human Rights Stream must be capable of conducting proceedings and making and writing decisions in complex and difficult matters. He or she will also be expected to demonstrate a high level of leadership and actively contribute to the overall direction of the Tribunal, and oversee the management of workflow in the Human Rights Stream. The newly appointed senior member will be expected to occasionally sit on matters in the Tribunal's other streams.

An applicant is required to have not less than 8 years legal experience, or special knowledge of, or experience in, matters falling within the areas of work undertaken in the Human Rights Stream. It is also highly desirable that the successful applicant will have qualifications and experience in mediation.

Intending applicants are encouraged to visit SAT's website at www.sat.justice.wa.gov.au for information about the Tribunal's areas of jurisdiction in the Human Rights Stream and its operation and practices generally.

For more information about the position, entitlements, benefits and to obtain an expression of interest kit please contact the Tribunal's Manager Community Relations, Peter Sermon on 9219 3029 or email: info@sat.justice.wa.gov.au

Applications should be addressed to:
'Expression of Interest', Executive Officer, State Administrative Tribunal:
and sent by email to: info@sat.justice.wa.gov.au
or by post to GPO Box U1991, PERTH WA 6845.

**EXPRESSIONS OF INTEREST CLOSE:
MONDAY 27 MAY 2013 5.00 PM (W.S.T)**

Government of Western Australia
Department of the Attorney General

Commissioner for Victims of Crime

Position Number 012477

Senior Executive Service Level 9 PSGOGA \$139, 589 - \$150, 081 pa

This is a challenging but rewarding position that will allow you to influence a wide range of Government agencies, utilise your exceptional operational and business planning skills, develop strategic policy and consultation services all in the context of supporting victims of crime. The Department of the Attorney General provides high quality and accessible justice, legal, registry, guardianship and trustee services to meet the needs of the community and the Western Australian Government.

This position has been created through funds provided by the Western Australian Government to ensure victims of crime receive the support they deserve.

The Commissioner for Victims of Crime will be responsible for the recently created Victims of Crime Division within the Department of the Attorney General. The position will have the responsibility to not only develop internal policy but to also influence other Government agencies when dealing with Victims of Crime advocating for and encouraging good practice in the treatment of victims of crime across Western Australian Government agencies. In order to be effective, you will require a sound appreciation of the activities and workings of government and have outstanding relationship-building skills to develop and maintain effective relationships.

The position is Senior Executive Service and is for a fixed term period of up to 5 years with the possibility of extension

The role of the position includes, but is not limited to:

- Providing high level advice and expertise to the Attorney General and the Director General on issues surrounding victims of crime in Western Australia;
- Assisting victims of crime in dealing with the Director of Public Prosecutions, WA Police and other Government Agencies;
- Monitoring and reviewing the effect of all elements of the justice system on victims of crime, with a particular focus on Police and court practices and procedures;
- Building and sustaining effective communication and working relationships with key stakeholders, victims of crime, government agencies and industry representatives.
- Performing functions that have been assigned by the Attorney General and /or the Director General in accordance with the objects of the Victims of Crime Act 1994.

Applicants must have a current "Working with Children" check or be able to successfully apply for one to be eligible for appointment to this position.

The Department may undertake an executive search as part of the overall selection process for this position.

A job application package can be obtained from the WA Jobs Board at www.jobs.wa.gov.au

If you are interested in the position, and want further information on the role, please contact Ms Cheryl Gwilliam Director General on (08) 9264 1833 (not to be contacted for job application packages)

Applications close at 4.30pm (WST) Monday 27 May 2013.

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