



23 Aug 2015
Sunday Times, Perth

Section: Business News • Article type : News Item • Audience : 204,892 • Page: 57
Printed Size: 220.00cm² • Market: WA • Country: Australia • ASR: AUD 4,813
Words: 547 • Item ID: 453703245
isentia.mediaportal

Copyright Agency licensed copy (www.copyright.com.au) For internal use of Isentia client only in accordance with Downstream licence terms. May not be provided to any third party by any means for any purpose without the express permission of the copyright owner.

Page 1 of 1

HOT STOCKS



Ian Parker
Hartleys

HOLD

Qantas Airways (QAN) \$3.45

QAN's net profit of \$560 million marks the strongest performance since 2008, and was ahead of our underlying expectations. Qantas is aggressively driving down its costs, sensibly managing capacity, and reaping the benefits of the lower oil price, all of which will contribute to double-digit earnings growth over the coming years.

HOLD

Wesfarmers (WES) \$40.81

We were impressed by the performance of Coles considering the strong competitive environment. The Bunnings result also demonstrated, yet again, just how strong this business is. Wesfarmers remains in good financial shape, with low capital requirements enabling gearing of just 15 per cent, as of the end of fiscal 2015.

ACCUMULATE

QBE Insurance Group (QBE) \$13.77

In a tough environment, QBE Insurance Group reported a strong first-half 2015 result. It was pleasing to see our expectations of a higher dividend payout target and further cost saving come to fruition. This is further evidence of the success of the business turnaround. We are confident the ongoing transformation and de-risking will deliver further benefits.



Alan Hill
State One

SPECULATIVE BUY

Australian Bauxite: ABX \$0.175

Shareholder impatience at delays in bauxite shipments from Tasmania's Bald Hill now provides a cheap entry point into this high-potential stock. Australia's first new bauxite mine for 40 years, producing high grade low-temperature bauxite for Asian markets, is now expected to load its first ship by mid-September. Other mine developments are in prospect.

LONG-TERM BUY

Alumina (AWC) \$1.295

AWC posted an impressive first-half performance (NPAT \$US122 million) on higher alumina prices and a reduction in costs, and declared an interim dividend of US4.5c per share (no interim dividend in 2014). Management is guiding for a solid second half performance. Alumina and Alcoa are negotiating with the WA Government to export bauxite.

BUY BELOW \$1.20

South32 (S32) \$1.52

The diversified miner which hold BHP's former non-core coal and base metal assets has battled falling commodity prices since listing three months ago. The share price is now some 37 per cent below a May-high of \$2.37. Financial results are due on Thursday. S32 has already flagged a \$US1.9 billion writedown on manganese and coal assets.



Romano Sala Tenna
Katana Asset Management

BUY

Australia and New Zealand Banking Group (ANZ) \$28.34

The market's case of indigestion with ANZ's capital raising has been exacerbated by the Commonwealth Bank's push to also raise capital. But both of these events are transient in nature, and when the dust settles, yield-hungry investors will once again return to snap-up the 9 per cent grossed up yield now on offer.

SPECULATIVE BUY

Icar Asia (ICQ) \$0.69

During the week Carsales.com exercised its top-up right by subscribing for 5.8 million new shares in Icar at a cost of \$3.8 million. This returns Carsales' shareholding to a substantial 20.2 per cent of the issued capital in Icar. Icar has had a record half on all metrics and is No. 1 in Malaysia, Thailand and Indonesia.

TRADING BUY

Crown Resorts (CWN) \$11.80

Crown has retraced about \$2 since our trading sell two weeks ago. At or below \$12, we are happy to add a trading portion to our core holding. The Australian assets are performing strongly and CWN provides beneficial exposure to the dual themes of a weakening currency and increasing Asian tourism.