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Seamless transition to new managers

From 1 June, corporate financial services provider, Armillary Private Capital will manage Unlisted, following the departure of General Market Company and its Managing Director, Bruce Cossill.

So what will it mean for issuers, investors and brokers?

"Our issuers can expect a seamless transition to Armillary Private Capital, and it will be business as usual from 1 June," says Bevan Wallace, Chairman of Unlisted.



Bruce Cossill with new Unlisted manager, David Wallace of Armillary.

In announcing the change of manager Bevan Wallace said: "Armillary Private Capital has all the right credentials and the necessary resources to maintain Unlisted's service standards and to further develop the Unlisted offering to issuers, brokers and investors, accordingly appointing Armillary Private Capital was not difficult."

David Wallace, founding director of Armillary Private Capital said: "We are very pleased to be working with Unlisted and look forward to working closely with its issuers and Unlisted's many supporters."

"Armillary Private Capital has a 20 year history

of working in the New Zealand private capital markets and we believe services like Unlisted create a natural progression for those private companies looking to move to the public ownership arena," says David.

So who is Armillary Private Capital?

Armillary Private Capital has a long history in New Zealand's private capital markets dating back to 1992, where it began as part of a multidisciplinary financial intelligence services firm, which grew to become part of a larger Australasian organisation. In 2008, the firm gained its independence and in 2009 was rebranded as Armillary Private Capital, home to one of the most active independent corporate financial services teams in New Zealand focused on the private capital markets.

"Our business has evolved into four specialist service areas, including investment banking, fund and asset management, financial training and advisory services," says David.

Armillary Private Capital's name comes from the ancient Greeks who used the armillary sphere as a tool for teaching and solving astronomical problems. The sphere forms the basis of the company's logo while the name, Armillary, relates to one of the core functions of its business; solving capital-related problems.

"An area that will be of interest to Unlisted issuers is our wish to summarise relevant issuer information and provide this to the broker and investor community. This information will assist investors with their investment decision making and its availability is consistent with the Capital Markets Taskforce recommendations on the provision of independent research on listed entities and the review currently being undertaken by Treasury in this area," says David.

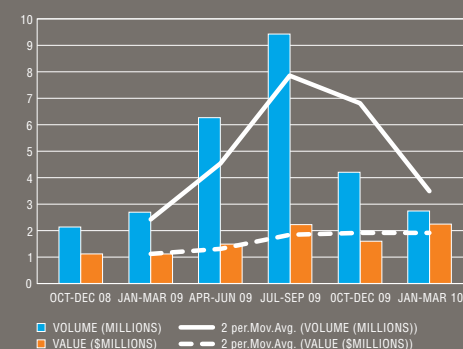
In announcing the appointment of Armillary Private Capital, Bevan Wallace also thanked GMC, its principals, and Bruce Cossill in particular, for their unflinching commitment to, and support of, Unlisted.

Trading Review October '09 - March '10

TRADE SUMMARY

In the three months of trading from January to March 2010 Unlisted has facilitated 243 trades of 2.8 million shares worth \$2.2 million, at a monthly average of 81 trades of almost 1 million shares worth \$0.74 million. This compares with 257 trades of 4.2 million shares worth \$1.6 million over the previous three months and 150 trades of 2.7 million shares worth \$1.1 million in the same period in 2009.

QUARTERLY TRADING VOLUME AND VALUE COMPARISONS



Posting most trades was DNZ Property Fund at 77 trades (32% of all trades) worth \$574K (26% of trades by value) followed by King Country Energy with 33 (14% of all trades) worth \$213K (10% by value) and Rural Equities 31 trades (13% of all trades) worth \$300K (13% by value). \$286K (13% by value) was also traded in 8 trades of Rangitira A and B stock.

Compared with prices at the start of the previous quarter (1 October) price movements have been generally positive. DNZ Property Fund has improved 30 cents (75%) to 70 cents, EastPack Investor shares rose 20 cents (31%) to 85 cents and Rural Equities was up 40 cents (16%) to \$2.85 following the merger with NZ Rural Property Trust. Going down were Tasman Farms off 29 cents (28%) to 76 cents, Te Kairanga down 15 cents (20%) to 60 cents and VINZ fell 12 cents (10%) to \$1.10.

ISSUER ACTIVITY

Issuer movement over the last two quarters has seen the departure of Syft Technologies and Temporary Quotation Richina Pacific in December, and NZ Rural Property Trust following its merger with Rural Equities in November. DNZ Property Fund also shifted from its Private Market quotation to the Unlisted public board in December.

Don't shoot the messenger

by Bevan Wallace,
Unlisted Chairman

Business is warfare. Enterprises compete for scarce labour and materials to exploit their perceived competitive advantage and deliver up the spoils to their stakeholders.

When an enterprise is listed and its shares publicly traded the perceived success or indeed failure of any campaign is ultimately reflected in the prevailing share price.

An enterprise's directors ignore the prevailing share price at their peril. When there is a difference between the internal view of the value of a strategy and the share price, do not either praise or blame the share price – it is only the messenger. If the share price cannot be reconciled with the internal view of the strategy's value, then there is either an issue with communication or the strategy itself.

How then should an enterprise's governing body ultimately evaluate success?

First and foremost an enterprise should have both the capital structure and the personnel and intellectual property to support the strategy. You do not go into battle either under-resourced and/or without experienced and well equipped troops. Unfortunately all too often strategies fail because they are under- resourced or based on insecure property rights. At this level, failure is not a failure of the strategy but a failure of the directors.

Once properly resourced and equipped, management can be deployed to execute strategy and their performance evaluated.

The share price is an objective measure of the perceived prospects for success, but perceptions can be wrong. Those

misperceptions can however lie either within the enterprise or externally. An effective communications programme is therefore an essential component of any strategy to ensure not only that the prospects are reconciled with perceived value, but also that the strategy is robust, indeed optimal.

The prevailing share price presents the "cash out" value of the strategy. Success is not how much this value is but how this value compares to the investment that has been made in the strategy or "cash in." For example, the automotive industry maintains a high "cash out" value but unfortunately the "cash in" over the years represents a significant multiple of that value.

The difference between the "cash in" and "cash out" value of a strategy is the true value created or destroyed. Share trading allows investors to buy into a strategy at either a premium or discount to the "cash in" but on its own does not create or destroy value.

Informed trading does however, through the share price, signal progress on either the creation or destruction of value and thereby is a key measure of success. This is why Unlisted provides easy solutions and encourages issuers to communicate with existing and potential investors by posting announcements and making key documents available on our website. This information is the equivalent of the despatches from the battlefield, which together with those of the war correspondents, (aka financial journalists) are imputed by market participants into the prevailing share price, the ultimate measure of the success or otherwise of a strategy.

The feedback mechanism provided by the share price enables the governing body not only to monitor the perceived value of the strategy but also to take supportive or corrective action when it signals deviations between internal and external perceptions of success. Good generals do not shoot the messenger.

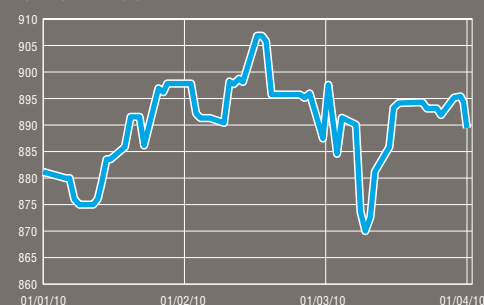
New issuers to Unlisted in the same period were Silver Fern Farms in October and Connexionz in December.

MARKET METRICS

As at 31 March 2010 the aggregate market capitalization of all stocks was \$0.88 billion (\$1.01 billion last December and \$0.78 billion on 31 March 2009), while daily traded value reached a high during the quarter of \$187K on 16 March.

The Unlisted Weighted Average Market Price Indicator, which had a base of 1,000 points when it was introduced on Monday 2 April 2007, was up 1% (9 points) over the quarter to 890 points as at 1 April (887 points last June, with an all-time high of 1,112 points on 28 June 2007).

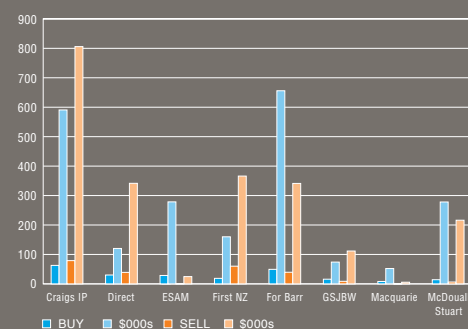
UNLISTED WEIGHTED AVERAGE MARKET PRICE INDICATOR
1 JAN TO 1 APR 2010



BROKER ACTIVITY

Dominating buying activity by trades in the January quarter was Craigs Investment Partners (27% or 65 trades worth \$596K), with Forsyth Barr (21% or 52 trades worth \$660K) in second spot followed by Direct Broking (13% or 31 trades worth \$121K). Selling activity also saw Craigs IP holding top spot (33% or 81 trades worth \$811K), with First NZ Capital (26% or 63 trades worth \$369K) in second spot, and Direct Broking and ForBarr not far behind.

BROKER ACTIVITY
1 JAN TO 1 APR 2010



CONCLUSION

The number of trades was reasonable in the Jan-March quarter, similar to the same period last year but lower than the peak volumes in the July-Sept quarter. Value traded improved again while prices, and consequently the Market Price Indicator, tracked slightly upwards through the quarter.

In the Oct-Dec quarter last year it was pleasing to see the arrival of Silver Fern Farms (SFF) following its capital restructure, and Connexionz (CNX) after its successful migration from the NZAX.

Unlisted continues to have discussions with several prospective issuers and it is likely that we will see some movement in this area over the next few quarters.



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