



KeyStone Financial

Independent Equity Advisors

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Overview

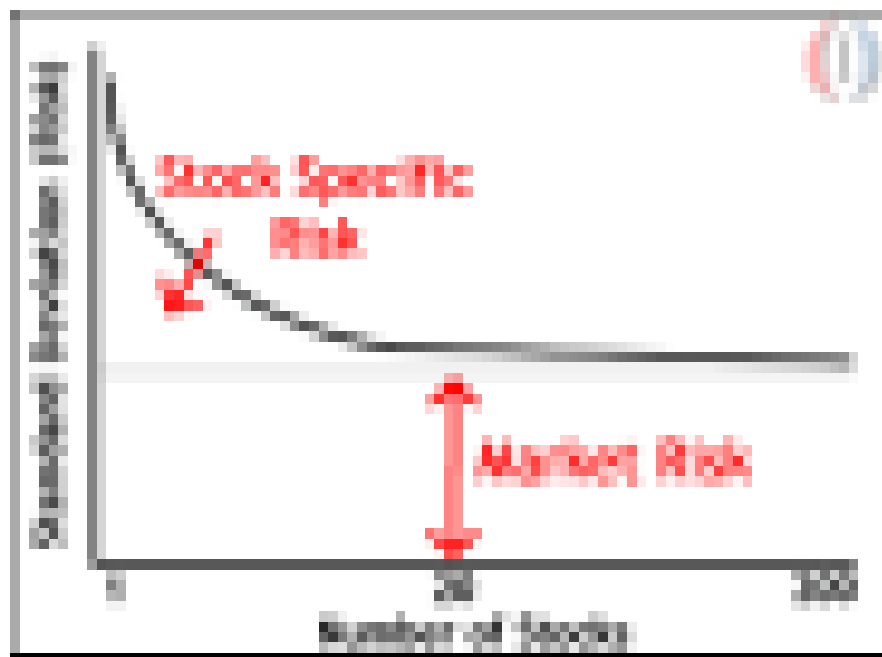
- Strategy – Focussed Diversification.
- Small-Cap Tips in Uncertain Times.
- Stock Recommendations
 1. Cash Rich Software Company
 2. Cash Rich, High Growth IP Co.
 3. Strong Yield, Growing, Auto Engineering Firm.



Focussed Diversification

“But if you want to beat the market, you cannot be the market.”

Optimal diversity with 20 stock portfolio.



“Wide diversification is only required when investors do not understand what they are doing.”

- Warren Buffett



Focussed Diversification

Your Small-Cap Growth Stock Portfolio

- **8-12 Stocks** (ex. \$100,000 split equally between 10 companies: \$10,000 each)
- **Select stocks from a variety of sectors:** manufacturing, gold & precious metals, oil & gas, healthcare, financials, technology, retail, etc. and with exposure to a variety of geographic regions: Canada, USA, China, India, other BRIC nations, Europe, etc.)



Small-Cap Tips in Uncertain Times:

- Buy Solid Cash Flow, Strong Balance Sheets.
- Layer into Positions.
- Enter Positions Gradually.
- Dividend Growth Stocks – Return of Capital.



Cash Rich Software Company

Enghouse Systems Limited (ESL:TSX)

Price: \$9.50

- Sector: Technology-Software – enterprise software solutions serving a number of vertical markets.
- **Investment Highlights:** Pristine Balance Sheet (\$3.50 per share in cash and no debt), Acquisition Driven Growth, Solid Dividend, and Reasonable Valuations.
- Focus on “Growth Via Strategic Acquisition”.
- “Cash Cow” - Q3 2011: \$7.68 million or \$0.30 per share in cash from operations before working capital.
- 2011 9-months cash flows from operating activities of \$32.8 million \$1.30 per share, compared to \$16.3 million in the prior year.
- War chest of \$88.0 million or \$3.50 per share.



Enghouse Systems Limited (ESL:TSX)

Q3 2011 Financial Results

- Revenues rose 22% to \$31.8 million from \$26.0 million in Q3 2010.
- Earnings jumped 44% to \$4.6 million or \$0.18 per share compared to \$3.2 million and \$0.13 per share in Q3 2010.

Valuations

- 2011 EPS Estimate: \$0.59 - PE is 15.50.
- Strip out the \$3.50 in cash per share, 9.59 times forward EPS for the operating business.
- Acquisition strategy driving revenues beyond \$200 million over the next 2.5 years.
- Quarterly dividend of \$0.05 per share, current yield is in the range of 2.2%. Enghouse has raised its quarterly dividend for three consecutive years.



ESL Chart





Strong Yield, Growing, Auto Engineering Firm

Exco Technologies Limited (XTC:TSX)

Price: \$3.20

- Sector: Automotive – Headquartered in Markham, Ontario, with roots that date back to 1952, Exco Technologies Limited is a global supplier of innovative technologies servicing the die-cast, extrusion, and automotive industries.
- **Investment Highlights:** Solid Balance Sheet (\$0.30 per share in cash and no debt), Strong Auto Refresh Cycle Growth, Attractive Growing Dividend, and Reasonable Valuations.

Q3 2011 Financial Results

- Q3 2011 Revenues rose 14% to \$48.8 million from \$42.7 million in the same period last year.
- Q3 2011 Net income rose to \$3.9 million, or \$0.10 per share, compared to \$3.5 million, or \$0.09 per share, in the same quarter last year.



Exco Technologies Limited (XTC:TSX)

➤ **Fundamentals**

- Fiscal 2011 EPS Estimate: \$0.43.
- Fiscal 2012 EPS Estimate: \$0.54.
- Forward looking PE of 7.11 based on fiscal 2011 earnings and 5.67 times fiscal 2012 results despite a solid growth outlook from management and a strong start to 2011.
- Strong balance sheet with over \$0.28 per share in cash and zero debt.
- Book value also continues to increase and currently stands in the range of \$3.08 per share.
- History of Dividend Increase Since 2007: Raised quarterly dividend from \$0.02 per share to \$0.025 per share Q1 2011, Q3 2011 raised dividend for the second time this year to \$0.03 per share - Strong current yield of 4%.



XTC – One Year Chart





Cash Rich, High Growth IP Co.

WiLAN Inc. (TSX:WIN)

Price: \$6.11

- Sector: Technology/IP – WiLAN is a leading technology innovation and licensing company. WiLAN has a large and growing portfolio of more than 1400 issued or pending patents and has licensed by companies that manufacture or sell a wide range of communication and consumer electronics products including 3G cellular handsets, Wi-Fi-enabled laptops, Wi-Fi/DSL routers, xDSL infrastructure equipment, WiMAX base stations, and digital television receivers.
- **Investment Highlights:** Enviably Balance Sheet (\$1.68 per share in cash- 25% of MC), Strong Growth & Exposure to High Growth Wireless Market, Potential Acquisition, & Attractive Valuations.

Q2 2011 Financial Results

- Q2 2011 Revenues jumped 137% to \$27.4 million from \$11.6 million in the same period last year.
- Q2 2011 Adjusted Net income jumped to \$20.8 million, or \$0.17 cents per share, from \$1.2 million, or \$0.01 cent per share, the same quarter of 2010.



WiLAN Inc. (TSX:WIN)

➤ **Fundamentals**

- Fiscal 2011 Revenue range: \$110 to \$115 million.
- Fiscal 2011 EPS Estimate: \$0.64.
- Fiscal 2012 EPS Estimate: \$0.79.
- Forward looking PE of 10.82 based on fiscal 2011 earnings and 8.76 times fiscal 2012 results – strip out the \$1.68 per share in cash and the business is trading at 8.19 and 6.63 times 2011 and 2012 EPS estimates.
- Strong balance sheet will grow to approx. \$245 million, or \$2.00 per share as at the end of 2011.
- Current quarterly dividend of \$0.025 per share (yield of 1.4%).
- Current bid for MOSAID, uncertain markets holding share price in its current range.



WIN – One Year Chart





Thank-you ladies and gentlemen.