

Market Analysis

Issue No. 323

P.O. Box 34-162, Auckland

May 11, 1999.

Inside Market Analysis

ERG wins large Singapore, Berlin, Rome and San Francisco fare collection contracts 5, 6
 Flight Centre buys "A\$150-300 million" Internet Travel company for A\$16 million 6, 7
 New Internet site offers Live NZ Quotes, News 10

Company Review:
 CBD New Zealand / Southern Capital 9
 Australian Company Analysis: Centennial Coal 10, 11
 Warrant/Option Analysis 13
 NEW ISSUE: Colonial First State Property 13, 14

Editor and Research Director: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

The New Zealand stockmarket has risen to a new *recovery* high over the last two weeks. Stockmarkets may remain volatile, but this is the start of the Asian stockmarket recovery, which will lead the NZ and Australian stockmarkets higher. Remain fully invested in recommended shares

Investment Outlook.

For many years the New Zealand stockmarket has generally ignored the trend on Wall Street and more closely followed fluctuations on Asian stockmarkets. Asian stockmarkets have recovered *very* strongly since last October: Hong Kong, China, Singapore, Thailand, Malaysia and the Philippines have all *doubled* in value, Korea has *tripled* and Indonesia *quadrupled*. Only Taiwan (which avoided most of the *crisis*) is lagging behind with a 21% gain.

During the same period the NZ stockmarket has recovered around 30-35%. During the last two weeks the NZ market has hit new *recovery* highs, exceeding its previous highs in February. This is a Bullish (i.e. favourable) Technical signal. The Australian stockmarket - which significantly outperformed NZ during the first half of 1998 - has risen 20% since last October.

"International Investor" (which has two-thirds of its portfolio in Asia) predicts a high probability that Asian stockmarkets will continue to rise strongly. Low bank lending, higher personal savings, overcapacity in industry and significantly low exchange rates have generated a liquidity bubble in most Asian economies. This will continue to inflate financial asset prices (i.e. share prices) in Asia - with the NZ and Australian stockmarkets likely to follow that trend.

Of course, the Hong Kong stockmarket fell sharply at the end of last week, but a short term fluctuation in a very volatile stockmarket does not change the medium to long term trend.

The NZ stockmarket is also supported by its own favourable Monetary indicators, a favourable Economic situation (i.e. at the start of a moderate upturn in the economic cycle) and favourable Fundamentals (NZ shares offer good *value* in a world of high stock valuations).

Our **Primary Trend Model** is **Very Bullish** at **89.1%**, while our **Short Term Trend Model** is **Bullish** at **79.4%**. "International Investor" is predicting a **Bullish 68%** probability that the Australian stock-

market will rise over the next year.

So, now that several large share issues are behind us (and no longer drawing funds from the market), NZ share prices are likely to continue their recovery uptrend.



Performance Forecasts

"Performance Forecasts" are computer generated predictions of the relative future price performance of a company's shares over the next three to six months. Performance Forecasts are calculated for every listed NZ share (except Investment Trusts) on a rating scale using the letters "A" (Highest potential for capital appreciation over the next 3-6 months), "B" (Above Average), "C" (Average), "D" (Below Average) and "E" (Lowest). These predictions are NOT buy or sell recommendations, but can be useful to help time planned purchases or sales, or to identify shares worthy of further study and analysis.

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	B	115	0.55	NE	3.9	NMFM Asia Inv. *	N/R	85	N/A	NE	Nil	A.G.L.	C	1000	2.41	15	4.1
AMP Limited	B	2045	0.73	18	1.0	NZ Experience	E	9.4	0.71	NE	Nil	AAPT	C	515	2.63	NE	Nil
AMP NZ Office	D	100	6.49	44	6.7	NZ Invest Trust*	N/R	435	N/A	NE	1.9	AMP Ltd	D	1740	0.73	18	1.0
Advantage HDS	B	161	1.02	NE	Nil	NZ L Leathers	A	275	1.18	18	8.1	AMP Office Trt	E	117	N/A	NE	Nil
Affco Holdings	E	23	0.05	NE	Nil	NZ Oil and Gas *	N/R	35	1.52	10	7.1	AMP Shop Centre	E	128	N/A	NE	Nil
Air New Zealand	A	275	0.50	11	7.3	NZ Petroleum Co*N/R	1.2	0.45	NE	Nil	ANZ Bank	B	1100	1.42	14	4.7	
Akd Int Airport	A	292	7.94	30	2.6	NZ Refining Co	C	1625	1.60	17	6.2	APN News Media	A	280	2.02	19	3.8
Apple Fields	C	9.0	1.24	NE	Nil	NZ Rural Prop.	D	100	3.39	30	Nil	Advance Prop	C	141	7.04	12	8.2
Aquaria 21	D	15	N/A	NE	Nil	NZ Salmon Co	E	16	N/A	NE	Nil	Amalgamated Hld	C	422	1.19	11	2.8
Horizon Energy	A	650	2.23	18	5.9	Nat Property Tr	C	100	6.29	13	10.0	Amcor Ltd	B	900	0.95	23	4.2
Baycorp Hold	A	1050	9.31	36	3.8	National Mutual	C	312	3.48	16	3.4	Amway Asia Pac	D	2080	N/A	NE	Nil
Brierley Invest	D	53	0.55	NE	8.5	Natural Gas	D	175	2.01	13	9.4	Aristocrat	A	890	2.27	33	1.5
Broadway Ind	D	29	0.07	NE	Nil	Newmarket Prop.	D	60	4.14	NE	15.8	Aust Stock Exch	C	1300	N/A	NE	Nil
CBD New Zealand	C	84	6.19	13	Nil	Nobilo Wines	C	85	N/A	16	5.3	Austrim Ltd	C	316	8.96	69	3.6
CDL Hotel NZ	D	36	0.61	18	3.1	Northland Port	C	125	1.05	16	7.8	BRL Hardy Ltd	B	600	1.70	21	2.2
CDL Investments	D	25	1.75	11	11.9	Nuhaka Forestry	D	1070	N/A	NE	Nil	BTR "A"	D	508	N/A	NE	Nil
Cap Properties	C	60	N/A	6	18.3	Nuplex Indust	C	313	0.97	24	5.0	Bank of W.Aust	B	336	4.79	14	4.9
Carter Holt	B	262	1.46	30	2.8	Opio Forestry	E	58	N/A	NE	Nil	Boral Ltd	C	270	0.62	36	2.8
Cavalier Corp	B	340	0.63	12	11.0	Otter Gold Mine*	N/R	109	0.70	5	Nil	Brambles Ind.	B	4033	2.22	37	1.8
Cedenco Foods	B	82	1.93	9	Nil	Owens Investmts	C	136	0.19	10	11.0	Brickworks Ltd	B	3900	5.54	35	2.6
Ceramco Corp	B	130	0.71	13	5.7	Ozzy (Tortis)*	N/R	213	N/A	NE	Nil	C & W Optus	D	310	N/A	NE	Nil
Col Motor Co	A	230	0.23	10	8.8	PDL Holdings	C	462	0.18	6	12.9	C.S.R. Ltd	C	425	0.62	15	5.2
Colonial Ltd	B	650	0.81	16	0.9	Pacific Retail	B	147	0.21	12	6.1	CSL Limited	C	1110	3.97	32	1.6
Corp Invest Ltd	D	84	0.93	18	5.3	Paynter Hold	D	13	0.19	NE	Nil	Cadbury Sch.	D	2050	N/A	NE	1.6
Cue Energy Ltd * N/R	6.5	2.11	NE	Nil	Port Tauranga	A	555	9.18	36	3.5	Centro Prop.	C	276	5.06	13	7.7	
DB Group	D	235	0.36	10	10.2	Ports Auckland	C	550	4.35	18	4.9	Challenger Int.	B	730	N/A	NE	Nil
Dairy Brands	E	27	1.24	NE	Nil	Progressive Ent	B	241	0.24	28	3.1	Coal & Allied	B	1420	1.53	10	7.0
Damba Hold Ltd	D	60	0.71	NE	Nil	Property F Ind.	C	78	6.10	15	8.3	Coca-Cola Bev.	E	301	N/A	NE	Nil
Design Textiles	B	30	0.24	7	14.9	Pure NZ Limited	D	15	N/A	NE	Nil	Coca-Cola Amatil	B	781	2.11	42	2.4
Donaghys Ind	C	126	0.35	NE	8.3	Qest (Enerco)	C	570	2.32	14	4.5	Cochlear Ltd	B	1170	6.30	44	1.3
Dorchester Pac	A	66	0.61	9	9.0	Radio Otago Ltd	B	400	1.57	19	3.7	Coles Myer	B	817	0.44	24	2.9
East'n Equities	C	50	0.16	NE	9.0	Radio Pacific	B	540	2.08	20	4.1	Colonial Ltd	C	554	1.03	21	2.7
Ebos Dental & S	C	500	0.61	14	8.1	Reid Farmers	B	52	0.39	8	11.5	Com'wealth Bank	A	2489	3.02	21	4.2
Ernest Adams	D	170	0.47	34	Nil	Renaissance	C	60	0.13	16	Nil	Com. Inv. Trust	E	91	N/A	NE	Nil
Evergreen	E	43	N/A	NE	Nil	Restaurant Brds	A	147	0.60	15	6.1	Computer Share	A	1490	N/A	NE	0.3
FC - Energy	C	410	1.49	14	5.8	Revesco Ltd*	N/R	18	N/A	NE	Nil	Crown Ltd	B	88	0.69	13	Nil
FC - Paper	D	179	0.46	NE	2.5	Richina Pacific	D	56	0.08	NE	Nil	David Jones	C	154	0.42	19	4.5
FC - Forests	E	99	1.77	NE	Nil	Roller Int'l *	N/R	120	0.47	NE	Nil	Email Ltd	C	296	0.37	22	6.1
FC - Building	C	309	0.38	9	6.8	SE Utilities	C	90	1.52	9	13.3	Fairfax (John)	C	396	2.71	NE	2.4
Fernz Corp Ltd	C	590	0.63	17	4.6	Sanford Limited	B	450	1.34	20	4.0	Faulding (F.H.)	B	845	0.66	18	2.4
Fisher & Paykel	C	650	0.90	21	4.1	Savoy Equities	D	5.5	1.74	NE	Nil	Flight Centre	A	765	0.40	34	1.4
Force Corp.	C	62	2.90	13	9.6	Scott Tech. Ltd	B	226	1.83	16	6.6	Foodland Assoc	B	1120	0.27	21	4.1
Fruitfed Supp	B	100	0.22	12	10.4	Seafresh Fish.	D	10	0.32	NE	Nil	Foster's Brewin	B	423	3.16	33	2.6
Goodman Fielder	B	182	0.63	15	4.8	Shortland Prop.	D	59	5.70	11	10.6	Futuris Corp.	B	211	0.35	9	3.6
Grocorp Pacific	D	15	0.78	NE	Nil	Shotover Jet	D	68	0.85	44	Nil	GIO Australia	E	435	0.97	NE	5.1
Guinness Peat	C	176	1.56	12	1.1	Sky City Ltd	B	782	3.20	24	5.5	GWA Internat'l	C	265	1.37	18	4.2
Habitat Group	E	4.8	3.87	NE	Nil	Sky Network TV	E	305	5.31	NE	Nil	Gandel Retail T	C	115	N/A	16	7.0
Hallenstein G.	B	276	1.05	17	8.7	South Port NZ	C	83	0.82	10	9.4	General Prop Tr	C	260	9.59	15	7.3
Hellaby Hold.	B	202	0.73	7	10.3	Spectrum Res.*	N/R	2.5	N/A	NE	Nil	Goodman Fielder	C	159	0.65	14	4.7
Heritage Mining*	N/R	5.0	N/A	NE	Nil	St. Lukes Group	C	185	3.14	8	8.9	Guinness Peat	B	149	2.95	13	0.4
IT Capital Ltd	C	16	6.45	NE	Nil	Steel & Tube	C	176	0.39	13	11.9	HIH Insurance	D	181	0.25	10	8.8
Ind Newspapers	B	730	0.93	19	4.7	Strathmore Grp	D	23	4.93	NE	Nil	Hardie (James)	C	379	0.95	37	3.8
Infratil Int'l	D	38	N/A	32	Nil	Summit Gold Ltd*N/R	15	N/A	85	Nil	Harvey Norman	B	1380	N/A	76	0.4	
Infratil NZ	B	145	N/A	27	5.1	Tag Pacific Ltd	E	13	0.28	10	5.6	Hills Motorway	D	418	9.18	NE	Nil
Infratil Aust.	C	96	N/A	60	2.2	Tasman Agric.	C	80	2.64	9	4.2	Hoyts Cinemas	C	205	1.21	16	2.0
J Boag & Son	D	66	0.40	16	3.7	Taylor's Grp Ltd	B	112	1.43	28	5.3	Incitec	B	556	0.68	19	3.8
JF China Region*	N/R	65	N/A	NE	1.9	TeNZ *	N/R	107	N/A	NE	Nil	Infrastructure	B	151	6.74	8	6.6
Kingsgate Int'l	D	18	0.81	13	Nil	Telecom Corp	B	862	4.44	18	7.4	Jupiters	A	343	1.41	22	3.8
Kiwi Property	C	104	7.08	12	9.9	Tourism Hold.	C	220	0.97	28	Nil	Lang Corporatio	D	475	1.66	NE	Nil
Kiwi Developmnt	E	21	N/A	NE	Nil	Trans-Tasman	E	40	1.35	NE	Nil	Leighton Hold	C	596	0.51	15	4.4
LWR Industries	C	112	0.34	10	14.7	Trans Alta NZ	C	228	1.74	18	6.0	Lend Lease Corp	B	1993	1.46	14	5.4
Lion Nathan Ltd	D	460	1.39	19	4.0	Tranz Rail Hold	C	375	0.78	9	6.8	Macquarie Bank	B	1736	4.12	20	2.9
Lytelton Port	C	169	3.24	13	5.6	Trust Power Ltd	B	390	3.48	24	5.5	Mayne Nickless	C	550	0.60	17	5.5
Mainfreight Grp	C	162	0.56	16	5.1	United Networks	C	635	2.20	15	7.8	Mirvac Property	C	164	8.98	14	6.9
Manor Inns Grp	D	10	0.21	NE	Nil	Warehouse Group	B	765	1.45	27	2.7	Mobile Com.	C	1395	N/A	NE	Nil
Max Resources*	N/R	13	N/A	NE	Nil	Waste Mgmt NZ	A	980	4.99	36	1.6	Nat'l Mutual	D	265	3.50	23	3.3
Metro. LifeCare	C	195	1.90	18	4.6	Williams Kettle	B	193	0.29	26	9.3	Nat'l Aust Bank	D	2579	1.48	19	4.0
Michael Hill	B	305	0.83	16	4.6	World Index Fd *	N/R	166	N/A	NE	Nil	Nat'l Mut. Prop	C	125	N/A	16	6.0
Mid-Cap Index*	N/R	201	N/A	NE	Nil	Wrightsons Ltd	C	38	0.09	8	13.0	Nat'l Foods	B	281	0.74	18	3.7
Milburn NZ Ltd	A	235	1.60	12	7.9	Zuellig NZ	E	32	0.08	NE	4.7	News Corporatio	B	1227	4.70	NE	0.2
Mr Chips Hold	C	60	0.61	23	14.9	Ave of 141 Coys	C	225	0.50	21	4.5	One Tel Ltd	A	1180	6.69	NE	5.2
												Orica Ltd	B	956	0.77	21	5.2
												Orogen Minerals	C	198	3.59	15	3.3
												PBL	A	976	4.29	10	4.9
												PMP Communicat.	B	322	0.72	14	6.3
												Pacific Dunlop	C	271	0.40	15	5.2
												Pacific Group	B	615	1.37	39	2.6
												Perp Trust Aust	A	2075	5.32	29	2.5
												Pioneer Int'l	C	382	0.91	18	5.0
												Prime Indust.	C	75	9.00	10	8.3
												Property Income	C	115	7.73	12	9.0
												O.B.E. Insur.	C	604	0.84	24	4.3
												O.C.T. Resource	C	90	0.62	13	7.8
												Qantas	A	433	0.62	16	3.1
												Rio Tinto Ltd	B	2485	1.62	14	2.3
												Rothmans Hold	B	1329	0.65	17	12.4
												Rural Press Ltd	B	510	1.24	13	2.4
												Schroder Prop.	C	246	8.57	14	7.4
												Seven Network	C	511	2.01	81	4.0
												Simsmetal Ltd	B	702	0.39	13	5.1
												Smith (Howard)	B	1242	0.93	36	3.2
												Smorgon Steel	E	220	N/A	NE	Nil
												Sonic Health	A	414	3.48	45	2.2
												Southcorp Ltd	B	643	1.44	25	2.8

Recommended Investments

Colonial Motor Company is likely to acquire the Wellington Mazda dealership owned by **Sri Temasek Ltd** (a joint venture between Mazda NZ and a Singapore company). **Mazda NZ** will also become a shareholder in the **Colonial Motor/Ford Motor** Auckland retail motor dealer network if the joint venture completes the purchase of **Greenlane Mazda, Manukau Mazda** and **North Shore Mazda**. (Internationally, the Ford Motor Company owns 33% of Mazda Motors.) All of these acquisitions are subject to due diligence and final negotiations between the parties.

After three months of discussions, **Radio Otago** and **Radio Pacific** are to merge - subject to shareholder approval. The combined group (which will likely get a new name) will have about a 30% share of the radio advertising market in NZ. As we suggested in February "the most logical way to merge the companies would be for Radio Pacific to offer its shares in exchange

for Radio Otago" and, in fact, Radio Otago shareholders will be offered three Radio Pacific shares for every four Radio Otago shares held. The merger is expected to be completed in August - Radio Otago has paid a 5.0 cents final dividend and Radio Pacific has paid a 7.5 cents final dividend.

We continue to believe that both companies are good investments and should be doing well from the current upturn in the NZ economy - so existing shareholders should continue to hold both of these shares.

For the purposes of our "Recommended Portfolio" we shall record Radio Otago as a "sale" when the merger is completed, at a price equal to the value of the Radio Pacific shares received at that time.

Whether or not investors should actually sell any shares will depend upon individual circumstances. We personally made slightly smaller than normal initial investments in both of these (Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation		Perform- ance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %	
		Code	- Date -										Price
<u>NZ Shares</u>													
HOLD+	Air New Zealand "A"	AIRVA	08/10/96	257*	A	566.8	0.9	0.50	11	7.3	275	54.0	+28%
HOLD	Apple Fields Limited	APF	10/03/92	237	C	29.2	2.8	1.24	NE	Nil	9	10.0	-92%
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	169.5	2.0	1.75	11	11.9	25	2.0	+8%
BUY	Cavalier Corporation	CAV	05/12/95	312	B	36.0	0.9	0.63	12	11.0	340	79.0	+34%
BUY	Colonial Motor Company	CMO	10/11/92	150	A	30.9	0.9	0.23	10	8.8	230	179.8	+173%
HOLD	Designer Textiles Ltd	DTL	12/01/99	47	B	29.7	2.1	0.24	7	14.9	30	1.0	-34%
BUY	Fernz Corporation Ltd	FER	11/02/97	505	C	145.7	0.8	0.63	17	4.6	590	42.0	+25%
BUY	Fruited Supplies Ltd	FSL	09/02/93	210	B	12.1	1.2	0.22	12	10.4	100	51.0	-28%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.6	0.9	0.83	16	4.6	305	45.5	+662%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	350	C	54.6	1.0	0.97	24	5.0	313	16.0	-6%
HOLD+	Owens Group Limited	OWN	12/03/91	47*	C	56.3	1.1	0.19	10	11.0	136	59.3	+315%
HOLD+	PDL Holdings Ltd	PDL	13/02/96	810	C	13.4	1.0	0.18	6	12.9	462	113.0	-29%
HOLD+	Radio Otago Limited	ROT	12/03/91	111*	B	4.4	0.5	1.57	19	3.7	400	74.0	+327%
HOLD+	Radio Pacific Limited	RPA	08/12/92	205	B	8.7	0.6	2.08	20	4.1	540	105.0	+215%
HOLD	Renaissance Corp	RNS	13/08/96	96	C	23.5	1.7	0.13	16	Nil	60	5.0	-32%
HOLD	Richina Pacific	RCH	03/11/95	119*	D	72.2	1.6	0.08	NE	Nil	56	11.9	-43%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	32.4	1.1	0.82	10	9.4	83	29.8	-6%
HOLD+	Tourism Holdings Ltd	THL	14/07/92	179*	C	56.6	1.0	0.97	28	Nil	220	51.7	+52%
HOLD	Wrightson Limited	WRI	13/01/98	83	C	139.7	1.8	0.09	8	13.0	38	6.3	-47%
<u>Australian Shares</u> (In Aust cents)													
BUY	Abigroup Limited	ABG	09/03/99	265	B	47.0	0.5	0.21	7	4.9	246	6.0	-5%
HOLD+	Atlas Pacific Ltd	ATP	14/05/96	73	D	49.4	2.1	7.21	NE	Nil	15	Nil	-79%
HOLD+	Biron Corporation Ltd	BIC	12/04/94	178	C	21.6	1.8	0.90	11	10.0	20	9.0	-84%
BUY	Central Equity Ltd	CEQ	09/02/94	154	B	81.7	0.6	0.75	7	7.0	186	51.0	+54%
BUY	Data#3 Limited	DTL	09/02/99	285	A	12.9	0.9	0.43	15	3.9	295	5.5	+5%
HOLD+	E.R.G. Limited	ERG	10/10/95	152*	A	200.6	0.5	2.17	35	0.4	247	6.0	+66%
HOLD+	Flight Centre	FLT	11/08/98	308	A	79.1	0.3	0.40	34	1.4	765	13.0	+153%
HOLD	Hancock & Gore	HNG	15/07/97	125*	C	46.5	0.6	0.63	11	5.3	145	7.8	+22%
BUY	PMP Communications	PMP	09/02/99	309	B	252.9	0.4	0.72	14	6.3	322	10.4	+8%
BUY	Thakral Holdings	THG	10/11/98	65	C	489.6	1.0	1.48	11	8.5	61	2.6	-2%
BUY	Toll Holdings	TOL	08/09/98	240	A	45.3	0.3	0.27	17	2.6	532	18.0	+129%
BUY	Vision Systems	VSS	10/11/98	690	B	11.9	0.3	0.81	8	3.4	760	14.0	+12%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +58.0%. This is equal to an average annual rate of +24.1%, based upon the length of time each position has been held.

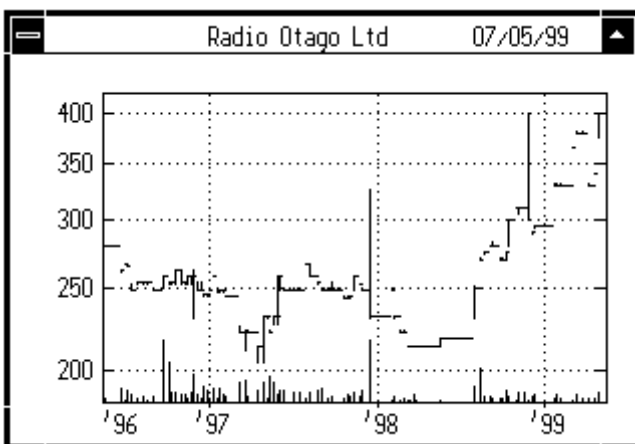
The average annual rate of gain of ALL recommendations (both the 31 current and 99 closed out) is +34.5%, compared with a market gain of +15.1% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

Recommended Investments (Continued from Page 3) companies, but capital appreciation since then now has Radio Pacific ranked as our 6th largest NZ shareholding and Radio Otago as our 8th largest NZ shareholding. After the completion of the merger these two shareholdings would become our largest single NZ investment. As we aim to put about 40% of our total portfolio in NZ shares (with about 20% in Australia and 40% internationally), each NZ shareholding makes up just 1-3% of our total portfolio - so the combined Radio Pacific/Otago shareholding will still be only a small percentage of our portfolio. Nevertheless, we will probably seek to sell about one-third of those shares to keep our portfolio well diversified.

Owing to the merger benefits (i.e. cost savings - which means higher profits) both of the radio companies share prices could rise over the next few months. Shares in a larger radio company would also be more "marketable" - so the merger could generate institutional interest and share buying. Therefore, although we expect to slightly reduce our personal investment in the merged entity we are in no hurry to actually execute that trade! In the short to medium term we shall continue to hold all of these shares in anticipation that merger benefits could see these shares being rated upwards and outperform the NZ stockmarket over the next several months!

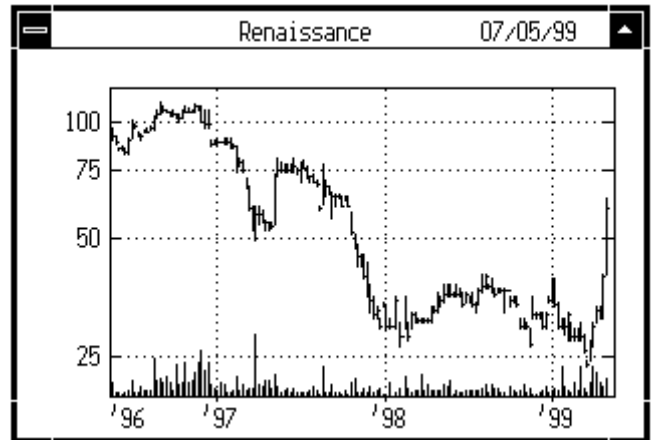


Renaissance Corporation reports a buoyant first quarter, 20% ahead of last year. Profit margins have been tight, but operating costs have fallen, so profits are well ahead. The company expects this to continue for the whole year and "look forward to being able to reinstate dividends".

A new joint venture with UK based **RM plc** is involved in the supply and maintenance of curriculum

and administration systems for schools. The company predicts a "significant payback" from this venture - although not in the immediate future!

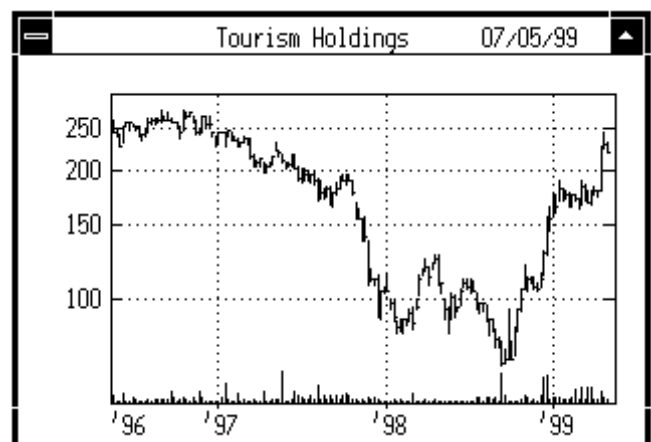
Renaissance is starting to *look* like an Internet stock, with its share price rising 100% over the last month. "Hold".



Richina Pacific is predicting a return to profits this year with a further "significant improvement" in the year 2000. Mainzeal Construction's work in hand is up 57% to \$220 million, although construction margins remain small. **Westpac Trust** will lease two floors of the company's **Mobil-on-the-Park** building which is now 84% leased.

Richina Pacific is to acquire 100% of **Skin Processors Otago** from **Blue Sky Meats**. The consideration will be Richina Pacific's 21% shareholding in Blue Sky Meats (with Blue Sky Meats to re-purchase these shares) and an undisclosed cash sum. The agreement also covers a five year marketing and ten year processing agreement with Blue Sky Meats (with a five year right of renewal on both contracts). These transactions give Richina Pacific a profitable exit from its Blue Sky Meats investment, and long term supply and marketing arrangements for its leather processing businesses.

Tourism Holdings' Chief Executive was recently quoted in the newspaper as saying "In-bound tour operators are having their best year ever". In the year to March 1999, tourist numbers rose 3.6% to 1,520,000 - but with most of that increase in the later months.



Australian Shares

The **Hills Motorway** share price has fallen A\$0.51 to A\$4.18 - reducing the market value of **Abigroup's** investment to A\$62.7 million (A\$1.33 per share). At December 31, Abigroup held A\$67.5 million cash (A\$1.43

May 11, 1999.

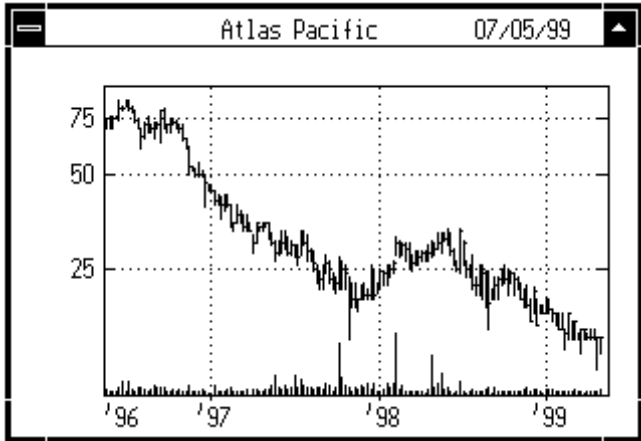
per share), so Abigroup's cash and shares are worth A\$2.76 per share - in addition to its profitable construction business. Over the month, Abigroup's share price rose 22 cents to A\$2.46. We continue to rate the shares of this "asset rich" and profitable construction company a "strong Buy".

Atlas Pacific harvested 1,100 saleable pearls from Kupang in January of this year and 4,900 saleable pearls from Waigeo Island (Irian Jaya) during April (plus 1,050 lower grade and undersize pearls). The company describes these as "good quality product" as obtained from the small test harvests of 1995, 1996 and 1997. The 1998 harvest was of low quantity and low quality as a result of poor treatment of oysters nucleated in 1996. These 6,000 pearls will be professionally cleaned, graded and valued in June and sold in July or August. A further 17,000 oysters have been identified by X-ray to contain pearls that will be harvested in September/October. These are expected to yield 12-13,000 saleable pearls that will be sold in late 1999 or early 2000.

In December, Atlas Pacific held 422,000 oysters in its farms, up 75% on the 240,000 oysters the previous year. Another 101,000 oysters have been delivered to two other Indonesian pearl farming companies under joint ventures (where Atlas Pacific will receive a share of the pearl sales revenue in the year 2000 and beyond). 100,060 oysters were nucleated at Waigeo during 1998, of which X-ray examination has determined that 50,700 have retained their nuclei. These will be harvested next year (i.e. 2000) and are expected to yield 35,000 saleable pearls.

Atlas Pacific also reports that the political and economic situation in Indonesia "has not had much effect on our operations". The Kupang region is mainly Christian (and escaped the unrest in other population centres), while Waigeo is "very remote".

The under-pricing of Atlas Pacific convertible notes that made it attractive to sell the ordinary shares and re-invest in the notes no longer exists. We estimated that the notes *should* trade at a premium of 10-20% above the shares. Last Friday the notes closed at 18 cents, or 20% above the 15 cents price of the ordinary shares.



Central Equity has completed its 23 level residential tower, "The Princeton", at 418 St Kilda Road, Melbourne. Full settlement of A\$47 million for the 128 apartments (which were pre-sold off the plan in 1997) was expected by the end of April. The company has also

acquired a 9,104m² site between Dorcas and Bank Streets, South Melbourne, adjoining its "Melbourne Condos" project. A planning permit has been obtained for the "Melbourne Condos" project - with off the plan pre-sales of A\$45 million to date. Pre-sales (after the settlement of "The Princeton") will be A\$280 million - up from A\$185 million at June 1998 and A\$220 million at December 1998.

Central Equity directors have again been increasing their shareholdings in the company: J Bourke and D Wilson increased their combined holding by 50,217 shares, while E Kutner has purchased a further 25,650 shares.



ERG has had a *very successful* month! The company had been expecting to win two out of four recent contracts and, as we reported last month, had won the **Singapore** contract (S\$135 million) and **Berlin** trials (which should lead to the full system being installed by 2002). Over the last month the ERG/Motorola alliance has also won the very large **Rome/Lazio** contract and the **San Francisco** trial (which, again, should lead to the full system installation).

The Rome/Lazio integrated smart card ticketing system has been awarded to the ERG/Motorola Alliance. The tenders were evaluated on a 42 point basis, with ERG/Motorola scoring 39 points and the only other remaining competitor scoring 23 points. The contract involves the supply and installation of contactless and combi smart card technology on all buses, trains and trams operating in Rome and the surrounding region of Lazio. In addition to the supply and installation, ERG/Motorola will manage the system for nine years for a management fee of 7.88% of revenue collected. That is expected to generate service fees of around A\$40 million per year.

The San Francisco Metropolitan Transport Commission has announced - via their website - a *Notice of Recommended Award* of the TransLink project to ERG/Motorola. This contract involves an A\$15.9 million demonstration, leading on to the full system at a total capital cost of A\$36.7 million. ERG/Motorola will also manage the system for ten years with expected service fees of A\$7.9 - 13.6 million per year. When fully operational this system will cover all 26 Bay Area transit systems.

In yet another important development, the ERG/Motorola alliance has released the first commercial contact *and* contactless smart card - on a system designed for the Western (Continued on Page 6)

Recommended Investments (Continued from Page 5)

Australian bus operator, **Bunbury City Transit**. Public transport systems are the major application driving the expansion of smart card usage. However, transport operators usually require contactless technology (to speed up passenger boarding times), while retail usage requires contact technology (for security). The single chip smart card uses Motorola's M-Smart Venus card and is compatible with ERG's transit system hardware and software, and (with future enhancements) the card can be integrated with ERG's ECARD electronic purse scheme.

It is difficult to make a *quantitative* evaluation of the value of ERG shares. Historical Price/Sales ratios and Price/Earnings ratios are of limited value when the company has been so successful at expanding its business. In the past the company has spent a large percentage of its revenue on Research & Development. Larger sales will generate significant economies of scale, and many of the recent contracts will use technology and equipment developed for the Melbourne and/or Hong Kong contracts. So the total dollar investment in Research & Development will likely be lower, while total sales revenue will be much higher. That offers the potential to earn the company good profit margins on future sales, compared with very low profit margins historically. Recent profitability was also depressed owing to the cost of financing the over A\$100 million previously tied up in the Melbourne contract. In the year to June 1998, ERG generated revenues of A\$239.1 million - A\$147.4 million from its Automated Fare Collection (AFC) and Smart Card division, and A\$100.8 million from the Telecommunications division (less A\$9.1 million of sales between the two). *Prior* to winning all four of the recent large contracts, the company was planning to lift annual revenue from its AFC division to A\$200-300 million within two years and total company revenues to A\$500 million. Ongoing management of just the Rome/Lazio and San Francisco contracts will bring in 15-25% of this AFC revenue!

A\$500 million of revenue and the current share price of A\$2.47 would give a Price/Sales ratio of just 0.99. Assuming a 10% net profit margin, profits would be A\$50 million (25 cents per share), giving a Price/Earnings ratio of about 10. Following its recent contract success, ERG's financial performance over the next few years should fully justify the recent jump in its share price. Furthermore, winning all four of these major contracts reinforces its position as the world leader in AFC systems. "Hold" ERG shares for further growth.

Flight Centre has paid A\$12.5 million (A\$2 million in cash and the issue of 1,750,000 shares at A\$6.00) to partially fund the acquisition of **SBT Business Travel Solutions** and its subsidiary **Stage and Screen Travel and Freight Services**. Up to another A\$3.5 million (A\$2.0 million in cash and a further 250,000 shares) will be paid subject to SBT Group's year end results. Under a further performance incentive, Flight Centre will issue the SBT Group vendors with up to 900,000 options (to buy Flight Centre shares at A\$6.00 per share before July 2005) if the company achieves 100% profit growth in each of the next three years (or a lesser number of options at lower levels of profit

growth).

Flight Centre believes SBT Group is "the most innovative and technologically advanced travel company" and had "developed highly successful web-based technology to service corporate clients". The company has an interactive booking engine that allows the customer to book travel online. SBT Group's revenues have been growing at 25% per year over the past few years, and the company is expected to earn a profit of about A\$3.5 million (pre-tax) this year on sales of A\$96 million. Flight Centre has therefore purchased this successful internet travel agency at a Price/Sales ratio of only 0.17 and a Price/Earnings ratio of just 7.

Investors may like to compare that valuation with another internet travel company that is planning to list on the Australian Stock Exchange. **Travel.com.au** (a two year old company that lost A\$300,000 last year and expects to lose A\$2.7 million in 1999 and lose A\$4.9 million in 2000) plans to raise A\$23.5 million from the sale of a 44% shareholding, valuing the whole company at A\$53 million. That is a Price/Sales ratio of 2.85 (based upon last year's actual sales) or 1.39 (based upon the next year's *forecast* sales). On the same valuation, SBT Group - with better technology and profitable now - would be worth A\$150-300 million. The market perhaps agrees, adding about A\$134 million to Flight Centre's market capitalisation last week!

This acquisition will also allow Flight Centre to accelerate plans to expand its corporate travel business and internet travel business. The largest corporate accounts are worth around A\$80 million annually in revenue, while Flight Centre is currently limited to accounts worth up to A\$1 million. Internet sales currently account for only 0.1% of Flight Centre's revenue, but they expect this to grow to about 5% within five years and 10% in ten years.

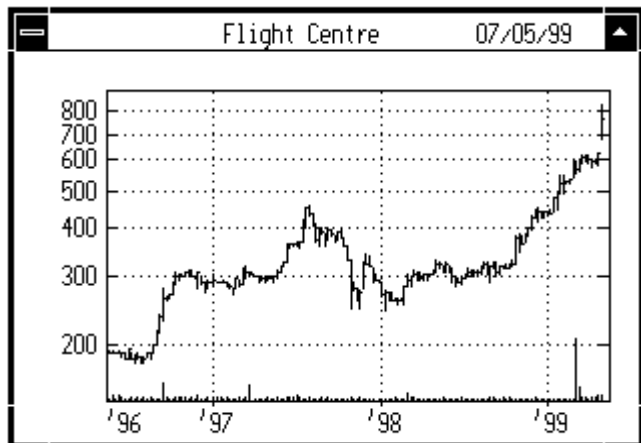
In our initial buy recommendation for Flight Centre ("Market Analysis" Issue No. 314, August 1998) we suggested that *in five years time* that the share price could be trading around A\$6-8, A\$9-11 or A\$14-16 depending upon certain circumstances at that stage. So - with the shares rising much faster than expected - is it time to sell out and realise our profits? Flight Centre's business has performed well since we first bought into the company, with the interim profit up 41%. That large increase, however, represents a short term travel boom as people take advantage of the lower airfares resulting from the impact of the Asian crisis. Longer term growth, however, will be helped by the recent SBT Group acquisition.

While the shares are getting expensive, we recommend holding existing positions for two reasons:

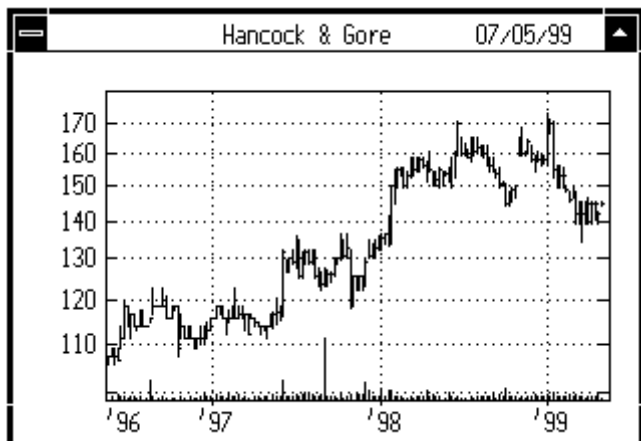
Firstly, Flight Centre shares are performing strongly, ranked 6 (on a scale of 0-99) by our long term Relative Strength Rating. Relatively *strong* shares tend to continue to outperform the market in the future - so the shares could appreciate further over the medium term.

Secondly, Flight Centre is a *tight scrip* situation. At the time of our initial recommendation, the directors and founders owned 62.2 million (79.1% of the company) and staff owned a further 4.0 million shares (5.1% of the company). That left just 12,430,000 shares for the public and while there wasn't a problem for private investors like us to buy a shareholding we did

point out that "at some stage institutions will discover the company" and "that institutional buying would push the shares sharply higher". In April we reported the sale of five million shares by the directors, but that still only leaves 17.4 million shares available for the public. Flight Centre's recent share price performance and the SBT Group acquisition is likely to attract attention from institutions, brokers and private investors. With this increased attention, and the tight scrip situation, the share price could far exceed a "fair valuation". "Hold+" Flight Centre for further gains!



Hancock & Gore has re-purchased a further 79,085 shares on-market over the last four weeks, bringing their total buy back to 345,778 shares.

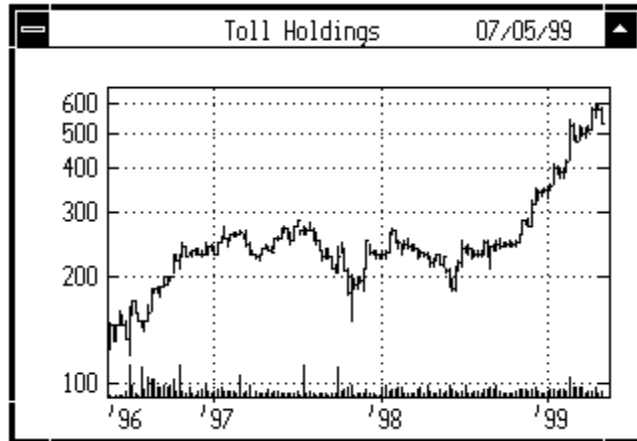


PMP Communications had sought to raise US\$75 million through the private placement of 8-12 year bonds. The tender was heavily over-subscribed with bids in excess of US\$300 million. PMP Communications used this opportunity to raise US\$150 million (i.e. US\$30 million for 8 years, US\$70 million for 10 years, US\$40 million for 12 years and US\$10 million for 20 years) at interest rates just 1.75-2.4% above US Treasury bonds. All of this money will be used to repay Australian bank debt.

Toll Holdings' proposal to provide **Coca-Cola Amatil** with distribution services in Northern Queensland, Metropolitan Sydney and Regional Victoria has been accepted. The companies are now working on a formal contract, with these operations expected to start in August and generate annual revenues of around A\$17 million.

Toll is to spend A\$9 million building a storage and handling facility at the regional port of Geelong. This will be the first stage of a A\$30 million planned expansion, with further storage capacity and an export facility capable of handling container freight being added over the next two years.

The company has also cancelled its plans to buy back "a significant percentage" of its converting preference shares - owing to the soaring value of its ordinary and convertible shares. Brokers are now predicting that profits could double to A\$28 million this year (to June 1999).



Internet Site:

NZ Live Quotes, News, Portfolio

The **NZ Herald** has launched a new **Stock Watch** site (www.stockwatch.co.nz). The site is free to investors, although you do need to register and choose a User Name and Password to access some of the features.

Stock Watch offers live NZ share quotes, company announcements (delayed by 60 minutes), two years of news archives and a personal Portfolio valuation.

You can also set up "e-mail alerts" where the site will send you an e-mail notice if a share in which you are interested rises or falls to a pre-determined price, or when a company makes an announcement to the stock

exchange.

The site is also promising on-line share trading in the near future, but won't disclose which broker will be offering the service. However, it is quite obvious that **Access Brokerage** is a major sponsor/advertiser, so investors may wish to take a wild guess.

[Editor's Note: Securities Research Company has also run a test (relatively *unsuccessfully*) of internet advertising on the Stock Watch pages for our own site and "Market Analysis" over the last two weeks.]

Computer Selections of NZ Shares based upon our Comprehensive Share Selection Criteria

See "Market Analysis" issues 298-301 or the Reprint sent to all new subscribers for details. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing" and "Income" shares should be considered for purchase, while the "Over-valued" and "Worst Performing" shares can generally be sold to release money for re-investment in more attractive shares.

Company	STRENGTH RATING							Market Cap'n				
	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity		Vola- ility	Price Earn. Ratio	Divi- dend Yield	Price Sales Ratio
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Pacific Retail	147	+18.8	-5.2	7	4	1.6	13	1.4	12	6.1	0.21	66
Fruited Supp	100	+9.1	-6.9	19	-	1.4	12	1.2	10.4	0.22	12	
Col Motor Co	230	+11.4	-4.4	17	1	0.9	10	0.9	10	8.8	0.23	71
Progressive Ent	241	+18.0	-0.6	10	6	2.4	9	1.0	28	3.1	0.24	448
Williams Kettle	193	+4.2	+1.4	37	-	0.8	3	0.8	26	9.3	0.29	28
Donaghy Ind	126	+1.9	+1.0	45	2	0.7	1	0.9103	8.3	0.35	38	
Reid Farmers	52	+1.3	-2.5	48	-	0.9	11	1.4	8	11.5	0.39	29
Air New Zealand	275	+14.2	-2.2	12	10	0.8	7	0.9	11	7.3	0.50	1,559
A. Barnett Ltd	115	+0.2	+2.3	53	-	0.6	-	1.0	NE	3.9	0.55	17
Mainfreight Grp	162	+4.4	-0.2	35	6	2.8	17	1.1	16	5.1	0.56	117
Restaurant Brds	147	+12.4	-4.0	15	6	5.5	36	1.1	15	6.1	0.60	125
CDL Hotel NZ	36	+1.7	-0.2	45	6	0.6	3	2.0	18	3.1	0.61	126
Mr Chips Hold	60	+2.3	-7.2	43	-	1.8	8	1.1	23	14.9	0.61	9
Dorchester Pac	66	+4.5	-1.3	34	-	1.1	12	1.4	9	9.0	0.61	10
Fernz Corp Ltd	590	+2.7	+0.3	42	8	2.3	13	0.8	17	4.6	0.63	859
Cavalier Corp	340	+7.8	-4.0	24	4	1.7	14	0.9	12	11.0	0.63	122
Hellaby Hold.	202	+2.9	-4.1	40	4	1.8	25	1.1	7	10.3	0.73	102
Colonial Ltd	650	+7.4	-2.0	24	-	1.3	8	0.9	16	0.9	0.81	5,962
Michael Hill	305	+17.4	-3.7	10	3	3.6	22	0.9	16	4.6	0.83	118
Fisher & Paykel	650	+4.4	-3.4	36	7	1.9	9	0.8	21	4.1	0.90	764

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0												
Pacific Retail	147	+18.8	-5.2	7	4	1.6	13	1.3	12	6.1	0.21	66
Michael Hill	305	+17.4	-3.7	10	3	3.6	22	0.7	16	4.6	0.83	118
Air New Zealand	275	+14.2	-2.2	12	10	0.8	7	0.8	11	7.3	0.50	1,559
Restaurant Brds	147	+12.4	-4.0	15	6	5.5	36	0.9	15	6.1	0.60	125
Col Motor Co	230	+11.4	-4.4	17	1	0.9	10	0.7	10	8.8	0.23	71
Fruited Supp	100	+9.1	-6.9	19	-	1.4	12	0.9	12	10.4	0.22	12
Cavalier Corp	340	+7.8	-4.0	24	4	1.7	14	0.8	12	11.0	0.63	122
Colonial Ltd	650	+7.4	-2.0	24	-	1.3	8	0.8	16	0.9	0.81	5,962
Ind Newspapers	730	+6.1	-1.5	29	8	1.0	5	0.7	19	4.7	0.93	943
Dorchester Pac	66	+4.5	-1.3	34	-	1.1	12	1.1	9	9.0	0.61	10
Mainfreight Grp	162	+4.4	-0.2	35	6	2.8	17	0.9	16	5.1	0.56	117
Hellaby Hold.	202	+2.9	-4.1	40	4	1.8	25	1.0	7	10.3	0.73	102
Fernz Corp Ltd	590	+2.7	+0.3	42	8	2.3	13	0.7	17	4.6	0.63	859
CDL Hotel NZ	36	+1.7	-0.2	45	6	0.6	3	1.6	18	3.1	0.61	126
Reid Farmers	52	+1.3	-2.5	48	-	0.9	11	1.0	8	11.5	0.39	29
Kingsgate Int'l	18	+1.3	-1.1	48	-	0.5	4	1.7	13	Nil	0.81	71

Company	STRENGTH RATING							Market Cap'n				
	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity		Vola- ility	Price Earn. Ratio	Divi- dend Yield	Price Sales Ratio
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million												
Steel & Tube	176	-0.3	-0.9	55	7	1.3	10	0.9	13	11.9	0.39	154
Cavalier Corp	340	+7.8	-4.0	24	4	1.7	14	0.8	12	11.0	0.63	122
Hellaby Hold.	202	+2.9	-4.1	40	4	1.8	25	0.9	7	10.3	0.73	102
DB Group	235	-6.8	-1.8	84	8	1.0	11	0.7	10	10.2	0.36	237
Natural Gas	175	-6.6	-2.4	82	7	1.4	11	0.8	13	9.4	2.01	690
Hallenstein G.	276	+18.4	-2.5	8	6	4.9	29	0.8	17	8.7	1.05	160
Brierley Invest	53	-11.7	+4.1	92	7	0.6	-	0.9	NE	8.5	0.55	1,582
Milburn NZ Ltd	235	+8.8	-0.7	22	2	2.8	24	0.7	12	7.9	1.60	323
United Networks	635	+6.7	-1.1	26	2	1.5	10	0.5	15	7.8	2.20	962
Telecom Corp	862	+5.8	-1.5	29	13	14.2	77	0.6	18	7.4	4.4415	102

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												
National Mutual	312	-5.0	+0.0	74	-	1.1	7	0.8	16	3.4	3.48	5,425
Force Corp.	62	-3.5	+1.2	71	3	1.6	13	1.1	13	9.6	2.90	96
Tasman Agric.	80	-2.6	+0.7	64	5	0.7	7	0.8	9	4.2	2.64	108
Cue Energy Ltd	7	-14.4	-0.2	94	-	0.4	-	2.7	NE	Nil	2.11	19
Natural Gas	175	-6.6	-2.4	82	7	1.4	11	0.8	13	9.4	2.01	690
FC - Forests	99	-1.9	+1.8	60	10	0.7	-	0.9	NE	Nil	1.77	862
Savoy Equities	6	-2.2	+6.2	63	-	0.2	-	2.6	NE	Nil	1.74	21
NZ Refining Co	1625	-3.0	-1.8	67	5	2.7	16	0.4	17	6.2	1.60	390
SE Utilities	90	-2.0	-2.4	62	-	1.2	13	0.8	9	13.3	1.52	54
NZ Oil and Gas	35	-2.8	-0.1	67	-	0.8	9	1.0	10	7.1	1.52	39

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Spectrum Res.	3	-48.7	+0.0	98	-	0.5	-	2.9	NE	Nil	N/A	1
Seafresh Fish.	10	-22.2	-2.5	98	-	0.4	-	1.8	NE	Nil	0.32	7
Apple Fields	9	-21.9	+1.4	97	-	0.2	-	1.3	NE	Nil	1.24	3
NZ Petroleum Co	1	-15.9	+7.3	96	-	0.1	-	4.3	NE	Nil	0.45	0
Kiwi Developmnt	21	-15.6	-2.8	95	-	0.3	-	1.2	NE	Nil	N/A	10
Summit Gold Ltd	15	-14.5	+2.6	95	-	2.2	3	1.7	85	Nil	N/A	13
Cue Energy Ltd	7	-14.4	-0.2	94	-	0.4	-	2.6	NE	Nil	2.11	19
Brierley Invest	53	-11.7	+4.1	92	7	0.6	-	0.8	NE	8.5	0.55	1,582
Trans-Tasman	40	-9.3	-1.7	91	6	0.4	-	1.3	NE	Nil	1.35	145
Goodman Fielder	182	-9.0	+1.2	90	-	1.4	10	0.5	15	4.8	0.63	2,305
Nobilo Wines	85	-8.3	-2.2	88	-	8.6	55	0.9	16	5.3	N/A	37
Otter Gold Mine	109	-8.1	-0.1	87	-	0.8	17	0.7	5	Nil	0.70	51
Habitat Group	5	-7.8	+4.9	86	-	2.2	-	2.3	NE	Nil	3.87	2
Pure NZ Limited	15	-7.6	-2.6	86	-	3.6	-	1.3	NE	Nil	N/A	4
Max Resources	13	-7.5	+1.4	85	-	0.4	-	1.5	NE	Nil	N/A	5
Heritage Mining	5	-6.5	+1.2	81	-	0.4	-	1.8	NE	Nil	N/A	2
Northland Port	125	-6.2	-0.6	80	3	1.1	6	0.6	16	7.8	1.05	52
FC - Energy	410	-6.0	+3.6	79	10	1.0	7	0.7	14	5.8	1.49	1,543
AMP Limited	2045	-6.0	-0.5	79	-	2.2	12	0.7	18	1.0	0.7322	016

"Strongest" Shares

This table shows the 50 NZ shares that are appreciating most rapidly in value. As a group, these strong shares can be expected to outperform the market - so investors should generally HOLD for further gains.

Company	STRENGTH RATING							Market Cap'n				
	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity		Vola- ility	Price Earn. Ratio	Divi- dend Yield	Price Sales Ratio
Advantage HDS	161	+65.9	+3.1	0	-	7.7	-	1.1	NE	Nil	1.02	32
Shotover Jet	68	+27.7	-7.8	0	-	4.0	9	1.7	44	Nil	0.85	18
Tourism Hold.	220	+25.8	-0.9	1	6	1.4	5	1.0	28	Nil	0.97	124
Baycorp Hold	1050	+24.6	+1.6	2	5	13.9	38	0.8	36	3.8	9.31	402
Trust Power Ltd	390	+24.1	+2.3	3	6	2.2	9	0.7	24	5.5	3.48	513
NZ L. Leathers	275	+23.9	-0.9	3	-	1.2	6	0.8	18	8.1	1.18	17
Warehouse Group	765	+22.2	-3.7	4	7	6.5	24	0.7	27	2.7	1.45	1,095
Waste Mgmt NZ	980	+20.0	+2.5	5	2	5.0	14	0.5	36	1.6	4.99	393
IT Capital Ltd	16	+19.7	+6.5	5	-	1.6	-	2.4	NE	Nil	6.45	4
Port Tauranga	555	+19.1	+3.3	6	7	3.7	10	0.7	36	3.5	9.18	424
Pacific Retail	147	+18.8	-5.2	7	4	1.6	13	1.4	12	6.1	0.21	66
Revesco Ltd	18	+18.8	+9.7	7	-	2.7	-	3.1	NE	Nil	N/A	44
Hallenstein G.	276	+18.4	-2.5	8	6	4.9	29	1.0	17	8.7	1.05	160
Infratil NZ	145	+18.4	+1.2	9	4	2.1	8	0.9	27	5.1	N/A	277
Progressive Ent	241	+18.0	-0.6	10	6	2.4	9	1.0	28	3.1	0.24	448
Michael Hill	305	+17.4	-3.7	10	3	3.6	22	0.9	16	4.6	0.83	118
Radio Pacific	540	+15.5	-0.1	11	-	5.8	29	0.6	20	4.1	2.08	47
Air New Zealand	275	+14.2	-2.2	12	10	0.8	7	0.9	11	7.3	0.50	1,559
Akd Int Airport	292	+13.8	-0.5									

Company Review:

CBD New Zealand / Southern Capital

CBD New Zealand is a small property investment company. Operating a very small property company has proved uneconomic, so the company was seeking to liquidate its property portfolio and return capital to its shareholders. Instead, unlisted **Southern Capital**, is to use the company to list on the NZ Stock Exchange and will use CBD New Zealand's cash (from the sale of property investments) to expand its own property development business.

Southern Capital will have CBD New Zealand offer nine CBD shares for every ten Southern Capital shares. After the takeover, existing Southern Capital shareholders will own about two-thirds of the combined group (which will then change its name to Southern Capital), and Southern Capital management (who will own 40% of the merged company) will take over control of CBD. From this "reverse takeover" Southern Capital will gain a stock exchange listing, plus about \$27 million cash (from the sale of CBD's property investments) which will be used to expand the property development business. CBD shareholders get an investment in Southern Capital which, while more *risky*, should be more profitable than a small property investment company.

Some of Southern Capital's development projects include **Waimakariri Employment Park** (a 40 hectare commercial development near Kaiapoi), the **Pegasus Bay Coastal Estates** (a new town designed

to house 500 people), a 42.2% interest in **Omaha Cove** (a 600 site residential development) and an interest in the planned **Supa Centas** at Christchurch and the Hutt Park Raceway.

Institutional shareholders appear to hold mixed views of Southern Capital. **Westpac Trust Investment Management** have sold all of their 5,746,000 CBD New Zealand shares to **Armstrong Jones**, while **National Mutual** has sold over half of its shareholding, with most of those shares ending up with **Royal & Sun Alliance** and the **Accident Compensation Commission**.

Summary & Recommendation

Southern Capital should appeal to investors willing to accept high risks to invest in a company that seeks high returns through property development. Buying CBD New Zealand on the market now gives a direct entry into the company that will become Southern Capital.

An alternative is to buy the CBD New Zealand options which offer an *under-valued* and very highly leveraged entry into the company. With the options an investor can make a small, *speculative* initial investment, with the potential for a large gain if Southern Capital shares are re-rated within the next ten months. Management are likely to do their best to see that this happens as the exercise of the options would raise a further \$6,750,000 in cash!

Computer Selections of Australian Shares based upon our Comprehensive Share Selection Criteria

See "Market Analysis" issues 298-301 or the Reprint sent to all new subscribers for details. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing", "Income" and "Insider Buying" shares should be considered for purchase, while the "Over-valued", "Worst Performing" and "Insider Selling" shares can be sold to release money for re-investment in more attractive shares.

Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n														
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99											Cur. rent	4-Wk Chg.	Rank 0-99																								
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0														Nat'l Mutual	265	-5.3	-0.1	70	0-0	11	1.4	6	0.7	23	3.3	3.50	4,670	Energy Equity	36	-9.8	+3.2	80	0-0	3	0.7	2	1.2	36	Nil	3.46	99
Petroz NL	56	-13.8	+3.7	87	3-0	8	1.1	2	1.0	47	Nil	8.83	110	China Cons	25	-16.2	+2.2	91	0-0	-	0.4	10	1.3	4	Nil	3.26	127														
Lion Selection	76	-4.2	+1.6	66	0-0	-	0.8	-	1.0	NE	Nil	8.75	76	Micromedical	18	-0.9	-1.1	52	1-0	1	6.0	-	1.5	NE	Nil	3.25	14														
Bougainville Co	21	-16.7	+1.9	92	0-0	-	-	-	1.4	14	Nil	8.72	82	Bligh Oil & Min	18	-15.1	+4.7	89	0-0	-	-	-	1.5	NE	Nil	3.10	23														
Zylotech	14	-7.1	-0.1	74	0-0	-	6.8	-	1.6	NE	Nil	8.49	6	Santos Ltd	507	-0.3	+1.7	49	1-0	19	-	-	0.7	17	4.9	3.06	3,071														
Climax Mining	23	-11.8	-0.6	84	0-0	-	-	-	1.4	NE	Nil	8.19	20	Metals Explor.	43	-13.2	+2.6	86	1-0	-	7.2	-	1.1	NE	Nil	2.92	7														
Atlas Pacific	15	-13.7	+0.1	87	4-0	-	1.4	-	1.6	NE	Nil	7.21	7	Ammtec Ltd	95	-2.7	+0.3	61	0-0	1	3.8	28	0.9	14	8.9	2.90	17														
Geo2 Limited	20	-7.7	+0.3	75	0-0	-	9.8	-	1.4	NE	Nil	7.12	21	Bass Strait Oil	374	-5.6	+1.5	71	0-0	-	0.9	8	0.7	10	7.1	2.79	165														
Oil Search Ltd	201	-8.9	+4.5	77	0-0	13	-	-	0.8	63	Nil	6.30	942	Newhaven Park	110	-0.2	-1.3	49	0-0	-	1.4	7	0.9	20	3.6	2.69	47														
Sea World PT	85	-1.5	-3.6	54	0-0	2	0.8	7	0.9	11	8.4	6.29	177	Envestra	88	-3.0	-1.8	62	1-0	2	3.8	-	0.9	NE	8.8	2.66	308														
Anglo Pacific	32	-3.7	+6.4	64	0-0	-	-	-	1.2	14	0.8	6.13	27	Aust Platinum	25	-1.8	+3.3	56	0-0	-	-	-	1.3	9	4.0	2.57	6														
Aust Tourism	65	-0.1	+0.0	48	0-0	-	0.9	6	1.0	15	10.8	6.07	136	Magellan Petrol	145	-8.1	+2.7	76	0-0	-	-	-	0.8	13	6.9	2.51	35														
Tectonic Res.	10	-11.8	-0.5	83	0-0	-	-	-	1.9	NE	Nil	5.28	12	A.G.L.	1000	-1.8	-1.4	55	0-0	12	3.7	25	0.6	15	4.1	2.41	3,258														
Lihir Gold	167	-12.3	+0.2	84	0-0	14	-	-	0.8	232	Nil	5.26	1,573	Acacia Resource	240	-2.8	-3.2	61	0-0	16	-	-	0.8	29	1.7	2.21	605														
Pacific Energy	50	-3.2	+4.6	62	4-0	-	1.0	-	1.1	NE	Nil	5.13	9	Normandy NFM	374	-7.6	+1.8	75	1-0	11	-	-	0.7	8	6.7	2.18	285														
Innerhadden	36	-3.0	-0.0	62	0-0	-	0.6	-	1.2	NE	Nil	5.11	15	East'n Aluminu	130	-2.3	+0.6	59	0-0	8	2.4	7	0.9	33	3.5	2.14	143														
Bligh Ventures	126	-5.8	+0.7	71	0-0	-	1.1	4	0.9	24	Nil	5.08	9	Aust Authorised	24	-20.4	-2.0	95	0-0	-	1.5	-	1.3	NE	Nil	2.13	7														
Medical Innovat	22	-2.1	-2.2	58	0-0	-	-	-	1.4	10	Nil	5.08	7	CMG CH China In	28	-7.0	+4.8	74	1-0	-	0.9	-	1.3	NE	Nil	2.11	31														
Carillon Dev.	155	-0.2	-0.4	49	0-0	-	0.5	4	0.8	14	4.5	4.54	38	Orbital Engine	40	-19.5	-0.6	94	3-1	2	-	-	1.1	NE	Nil	2.09	130														
Charter Towers	13	-8.0	-0.9	76	0-0	-	-	-	1.7	2	Nil	4.29	32	Ashanti Goldfld	1350	-1.9	-2.1	56	2-0	-	-	-	0.6	14	Nil	2.04	1,453														
Adsteam Marine	280	-1.1	-2.0	53	0-0	6	8.5	64	0.7	13	4.6	3.81	224	Seven Network	511	-0.4	-1.4	50	4-1	14	1.2	2	0.7	81	4.0	2.01	1,640														
Cinema Plus	100	-11.9	-3.8	84	0-0	3	2.7	25	0.9	11	3.8	3.79	75	Gympie Gold	34	-1.4	+1.8	54	0-0	2	0.6	4	1.2	17	Nil	1.99	39														
Helm Corporatio	66	-1.1	+1.2	53	0-0	-	0.8	1	1.0	132	Nil	3.69	27	Select harvest	105	-0.7	-3.3	50	0-0	-	1.4	21	0.9	7	5.7	1.98	34														
Tap Oil	74	-10.8	+2.5	82	0-0	4	-	-	1.0	20	Nil	3.66	97	Precious Metals	41	-4.5	-1.5	67	1-1	-	-	-	1.1	NE	Nil	1.94	36														
Orogen Minerals	198	-10.9	+5.1	82	0-0	5	-	-	0.8	15	3.3	3.59	636																												
Formida Holding	145	-32.0	-7.1	98	0-0	-	-	-	0.8	NE	Nil	3.50	14																												

(Continued on Page 10)

At the same time, Centennial Coal purchased the undeveloped **Airly Coal Project**, near Lithgow, New South Wales, which has reserves of 200 million tonnes of thermal coal. This is ideal fuel for power generation and was recently developed after the company won a contract to supply an additional 100,000 tonnes per year to the nearby Mt Piper power station. Airly is also close to the Wallerawang power station (with both stations buying coal from Centennial's other mines).

In August 1998, a 90% interest was acquired in the **Clarence Colliery** for A\$18.8 million (payable in four annual instalments). Clarence is an underground thermal coal mine, also near Lithgow in the Western Coalfield of New South Wales. It produces a premium, low sulphur coal which is exported under long term contracts. Reserves are sufficient for at least a 20 year mine life. 80% of Clarence was purchased from **Oakbridge** which suspended longwall operations in early 1998 owing to low productivity. The mine had previously been profitably operated as a "continuous" mining operation and Centennial Coal has re-opened the mine using this method of mining.

Strategic Advantages

Centennial Coal Company's strategic advantages in a difficult industry are its ability to improve poor performing mines through increased efficiencies and lower costs, and good relations with its employees. The directors seek to increase shareholder wealth through improving operational efficiencies at existing mines and growth from new acquisitions (that can be bought relatively cheaply) and internal expansion. The company has demonstrated its ability to profitably operate small coal mines with minimal capital investment.

The Charbon and Ivanhoe collieries are the most productive "continuous" mining operations in Australia, producing almost 10,000 tonnes of coal per employee per year.

Recent Results

In the year to June 1997, revenues rose 12.3% to A\$76.3 million, but profits fell 53.6% to A\$2,289,000 (6.9 cents per share) as a result of lower coal prices. The dividend was cut 75.0% to 4.0 cents.

In the year to June 1998, revenues were down 21.1% to A\$60.2 million, profits were virtually unchanged (up 0.1% after deducting A\$360,000 of initial losses at the Cook colliery) at A\$2,292,000 (6.9 cents per share) but the dividend was raised 25.0% to 5.0 cents. The lower revenue results from switching more coal to the local market where prices are lower than export but, with lower distribution costs, profit margins are higher.

The benefits of recent acquisitions have only just started to show up in the half yearly result to December 1998. Saleable coal production rose 45% to 1,200,000 tonnes, revenues increased 63.9% to A\$40.2 million and profits were up by a similar 62.8% to A\$2,104,000 (6.2 cents per share). The interim dividend was also raised 25.0% to 2.5 cents (fully franked). The Clarence colliery (which supplies the premium priced export market) exceeded budget yet the company believes it has "yet to fully benefit" from this mine that will "be a significant contributor to group profitability".

The third quarter of the current financial year (i.e. to March 1999) continued the trend of higher production, with saleable coal production up 37.8% to 558,000

tonnes. The company also reports that stocks of both thermal and coking coal remain low within the Australian industry. There is an increased demand from Asia for steaming coal together with a strengthening in export prices.

Investment Criteria

Centennial Coal Company shares qualify in the "Under-Valued Shares" section of our "Comprehensive Share Selection Criteria". At the current price of A\$0.85 the shares trade at a Price/Sales ratio of 0.48, a Price/Earnings ratio of 12.3 and offer a Dividend Yield of 5.9% based upon the results to June 1998. Those are all relatively low valuations - which will improve further with the substantially higher revenue, profits and dividend for the current financial year to June 1999. Net asset backing per share is A\$1.46 - so the shares trade at a 42% discount to their asset value.

With the decline in the share price in 1997, the market capitalisation is just A\$28.9 million, making this a very *small* Australian company. Smaller companies often trade at a low valuation, so tend to perform better than larger companies.

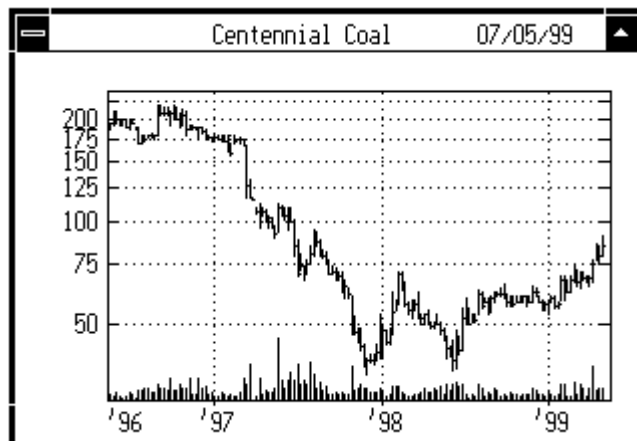
Institutional investors have reasonable holdings in the company, but it is completely *neglected* by stockbrokers with not a single firm monitoring the company and publishing profit forecasts. Managing Director, RG Cameron, owns about 2.1 million shares, or 6.2% of the company.

The shares also qualify under the "Best Performing" section of our "Comprehensive Share Selection Criteria" and appear to be in a new uptrend. Our long term Relative Strength rating is +12.1%, which ranks the shares at 16 (on a scale of 0-99).

Summary & Recommendation

Centennial Coal Company has proven its ability to run small coal mines very efficiently and profitably. The company has adapted to lower coal prices *and* expanded its business, so profit growth will come from increased volume of coal production. An upturn in coal prices - which we expect as economic growth steadily returns to the Asian economies and increases demand for commodity imports - would have a very favourable impact on Centennial Coal's profits.

We are not formally recommending these shares, but Centennial Coal is attractive for investors looking for a *commodity recovery* investment that will benefit from the recovery of Asian economies. The shares offer a good current income, plus the potential for growth in both income and capital values over the next several years.



Readers Ask . . .

We are in the process of selling our business and retiring, so would be interested if you could review our portfolio and advise on a plan.

We have recent formed a family trust and are in the process of transferring our assets into it, so will be taxed on income at 33%. We have no debts. We are not averse to some growth shares as we can always sell down the track if we need to replace large household items or for health care.

I am 63, so will receive national Superannuation in 18 months, and my wife is 56.

Our Investment Assets are:

<i>NZ shares</i>	<i>\$140,000</i>
<i>Cash at bank</i>	<i>\$25,000</i>
<i>Sale of section</i>	<i>\$65,000</i>
<i>Sale of business</i>	<i>\$100,000</i>
<i>Total</i>	<i>\$330,000</i>

Strategic Review

Firstly, we should point out that \$330,000 is not a lot of capital for a person retiring early and still 18 months away from receiving government superannuation.

At 63, the average life expectancy for a man is around 16-17 years, while for a woman of 56 it is about 25 years! So while you are happy to use some capital "down the track" to supplement income, you are still looking at a pretty long track!

You basically need to look at (1) bridging the gap until you receive the government superannuation and then (2) seeking to live within that income, using your investment income and capital to finance "extra" expenditure (i.e. some overseas holidays, replacing large household items).

Another point is that with \$330,000 in investment assets (and no other income) you probably should not be putting your assets into a family trust. Talk back radio and slick solicitors' adverts can generate some unrealistic fears about the need for asset protection. By putting all of your assets into a trust you will probably pay more in income tax (with all the income taxed at 33%, rather than having some of it taxed at lower rates paid to yourself and your wife) than you will ever pay in hospital care charges.

By the time either of you are likely to need hospital care (i.e. quite some way down that "track"), it is likely that your investment income and capital will be significantly depleted!

Income up to \$34,000 each is taxed at 20.0% (and you can use excess imputation tax credits to get a refund of interest withholding tax) while *all* trust income is taxed at 33%. So assuming a 6% gross yield on \$330,000 your total investment income will be \$19,800 - on which the trust would pay \$6,534 in tax but an individual would pay just \$3,960 - a saving of \$2,574 per year!

At the very least you should look at *lending* your capital to the trust and have the trust pay you and your wife interest on that money, rather than have the trust distribute income that is taxed at 33%. The trust can deduct the interest paid to you against its investment income (and get a refund on interest withholding tax),

while you will be taxed at a lower rate.

Investment Review

The next step is to decide where you want to invest the portfolio. Given that you and your wife still have a long term investment horizon, a large portion of the portfolio should be invested in equities - although obviously you cannot afford to take high risks!

The existing \$140,000 share portfolio is well diversified with holdings in 19 different companies (of which about 75% - or about 60% by value - are from "Market Analysis" NZ share recommendations). Most of these holdings are around \$4-7,000 each, with just one getting a little large at about \$29,000.

You could add a few riskier investments - perhaps investing \$2-3,000 in each of 4-5 "emerging growth" company shares (i.e. Abigroup, Atlas Pacific, Data#3, Toll Holdings, Vision Systems).

After the sale of your business and the section are completed, you should hold in a short term deposit the amount of living expenses that you think you will need over the next 18 months (until you start receiving superannuation).

The remainder can be invested for the medium to long term - using the income to supplement the superannuation. A suitable portfolio spread would be 20-25% in fixed interest investments (for safety and income), 20-30% in listed Property shares (for high income, relative safety, and some moderate long term income and capital growth), and 50-55% in shares (for growth over the medium to long term, but more volatile in value).

Given the existing size of your share portfolio that probably means putting just a little extra in shares, but investing around \$60-75,000 in a range of fixed interest investments and \$60-90,000 in a range of listed Property shares.

"A Stockbroker is . . ."

There is an old joke that "A stockbroker is a person who invests your money for you *until it is all gone . . .*"

In Australia, an investor is suing his stockbroker for A\$7.5 million. The investor claims that the broker promised *gains of 20% per fortnight*, that the money would be *invested in safe and reliable blue chip shares* and that trading in shares *would not be risky*.

The broker demonstrated his ability by generating gains of over 20% in the first fortnight on an initial A\$20,000. The investor then increased his investment to A\$295,000 and another A\$200,000 margin loan was provided by the broker.

Over the next year the broker bought and sold shares worth a total of A\$33 million - with that massive trading generating brokerage fees of A\$134,736 (and stamp duty costs of A\$42,077).

The investor did not get such a good return on his money . . . the total trading *loss* on his A\$295,000 investment was over A\$350,000 - leaving him with over A\$55,000 of the margin loan still to pay off!

Warrant / Option Analysis

Ten warrants have expired over the last three months. Seven warrants on NZ shares were worthless, while three warrants on Australian shares did have some value.

Most of the warrants and share options listed in NZ are over-valued relative to their Black-Scholes "fair" valuations and/or require a huge rate of capital appreciation in the underlying share price simply for a speculator to break-even! In other words, most are not only *over-valued* but will most likely expire worthless. This situation contrasts with UK listed investment trust warrants which continue to remain *under-valued* and require much lower rates of share price capital

appreciation to break-even and then become valuable! (See this month's "International Investor" for our current analysis of UK warrants.)

Perhaps the only attractive investment - and it is *speculative* - are the options to buy CBD New Zealand in March 2000 at a price of \$1.00 per share. These options have historically traded at a discount to their Black-Scholes valuation, and recent plans to use the company for a "back door" Stock Exchange listing by a property development company have increased the share price *and* increased the volatility. See our review of **CBD New Zealand / Southern Capital** on Page 9 for more details.

Warrant	Share Price	Exercise Price	Years & Months to Expiry	Warrant Price (NZ cents)	Black-Scholes Valuation (NZ cents)	Warrant Over/Under Valued (%)	Share Volatility	Warrant Leverage	No. Warrants to Buy One Share	Break-Even Rate
CBD New Zealand Options	\$0.84	\$1.00	0-10	6.0	9.9	-39	0.467	3.9	1.0000	+32%
DB Air New Zealand "B"	\$3.75	\$4.80	0-0	0.1	0.0	+999999	0.370	N/A	4.0000	+9999%
DB National Mutual	A\$2.65	A\$2.70	0-3	7.5	3.9	+93	0.325	8.4	5.0000	+81%
DB Telecom NZ (5/99)	\$8.62	\$7.90	0-0	9.5	7.2	+32	0.265	12.0	10.0000	+9999%
NZ Oil & Gas Options	\$0.35	\$0.70	2-5	7.0	0.9	+663	0.286	5.3	1.0000	+39%
Otter Gold Mines 1999/2003	\$1.09	\$1.60	0-7	23.0	3.4	+572	0.449	6.1	1.0000	+143%
Otter Gold Mines 1999/2003	\$1.09	\$2.00	4-1	23.0	24.4	-6	0.449	2.2	1.0000	+19%
Otter Gold Mines 2001	\$1.09	\$2.75	2-5	4.0	6.6	-40	0.449	3.4	1.0000	+48%
SBC Carter Holt Harvey	\$2.62	\$3.50	0-4	3.0	7.6	-61	0.651	5.1	2.0000	+151%
SBC FC - Building	\$3.09	\$5.50	0-3	2.5	0.3	+665	0.616	8.8	5.0000	+998%
SBC FC - Energy	\$4.10	\$7.50	0-3	1.5	0.2	+658	0.564	10.4	5.0000	+1065%
SBC FC - Forests	\$0.99	\$2.00	0-3	1.5	0.1	+929	0.658	8.9	2.0000	+1668%
SBC FC - Paper	\$1.79	\$3.50	0-3	0.6	0.4	+62	0.667	8.5	2.0000	+1382%
SBC Telecom	\$8.62	\$9.00	0-10	42.5	40.6	+5	0.265	5.7	2.0000	+17%

Current Issues

BONUS ISSUES

	Ratio	Ex-Date
GPG plc	1:10	17-05

SHARE REPURCHASES

	Price	Ratio
Infratil (1)	-	-
NZ Oil & Gas (2)	-	-
Progressive Enterprises (3)	-	1:4
Tranz Rail (4)	-	-
Wrightson (5)	-	-

(1) Infratil NZ plans to buy-back up to 10% of its capital on-market.
 (2) NZ Oil & Gas plans to re-purchase up to 5% of its capital on-market.

(3) Progressive Enterprises is planning a 1 in 4 compulsory pro-rata share buy-back to distribute around \$80 million in cash.

(4) Tranz Rail plans to re-purchase 5% of its capital on-market.

(5) Wrightsons "up to \$50 million" buy-back will continue through March and April.

SHARE SPLITS

	Ratio	Ex-Date
Baycorp Holdings	2:1	17-05

NEW ISSUES

	Price	Date	EPS	DPS
Colonial First State FT	100	21-05	6.9	6.88

Colonial First State Property Trust is offering 145,000,000 units at \$1.00 each. The promoter Colonial

Ltd will retain 45,000,000 units, so is seeking \$100 million from investors. With borrowings of about \$55-60 million, the trust will hold a \$200 million property portfolio.

Colonial Ltd sold all of its own properties in 1997, but acquired most of the properties being included in this float when it took over **Prudential Assurance's** NZ business in August 1998. So this float is a way for Colonial to sell off eleven properties acquired as part of the take over. The trust will also buy three new properties from developer **Symphony Group** - at a price 34% *above* replacement cost!!! One can only assume that the eleven Colonial properties are so old that they just *had* to get something new *at any price* to make the trust saleable.

The trust promises investors an attractive - but artificially inflated - yield. For the first ten months investors will receive a dividend of 6.88 cents (plus 1.69 cents in imputation credits) to yield an annualised 10.3%. For the year to March 2001 the dividend is forecast at 8.48 cents (plus 1.91 cents of tax credits) for a gross yield of 10.4%. However, Colonial will charge no management fee in the first year and just \$718,000 in the second year, with that fee rising to 0.7% of gross assets (about \$1.6 million per year) thereafter. So effectively Colonial is inflating (Continued on Page 14)

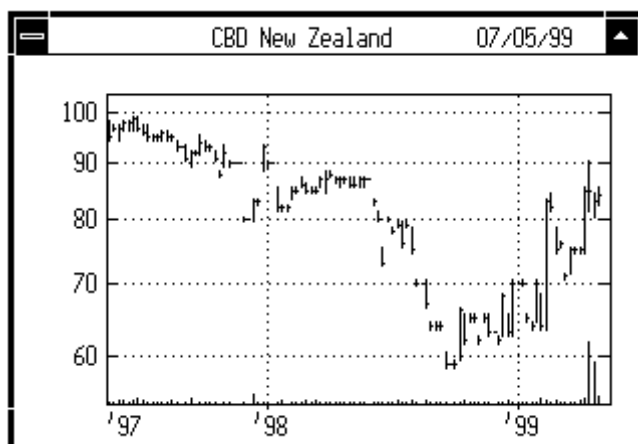
"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held	
				Before	After
09/04/99					
Baycorp Holdings	Tower Corporation	Sell	-0.452	6.73%	5.55%
16/04/99					
Brierley Investments	UBS Nominess	Sell	-38.060	6.18%	4.91%
Dorchester Pacific	PR Briggs	Buy	+0.705	8.24%	12.97%
Evergreen Forests	Hambrecht & Quist	Buy	+17.072	0.0%	11.10%
Progressive Enterprises	Foodland	Buy	+3.025	61.73%	62.95%
23/04/99					
Baycorp Holdings	CR Bidwell	Sell	-1.039	15.08%	12.36%
CBD New Zealand	Armstrong Jones	Buy	+5.746	3.70%	26.68%
Met Life Care	CJ Cook	Sell	-0.900	34.96%	33.50%
Restaurant Brands	Tower Corporation	Buy	+1.063	6.04%	7.29%
Warehouse Group	AMP	Sell	-3.389	7.23%	4.86%
30/04/99					
CBD New Zealand	Royal & Sun Alliance	Buy	+1.905	0.0%	7.62%
CBD New Zealand	Westpac Trust IM	Sell	-5.746	22.98%	0.0%
CBD New Zealand	ACC	Buy	+1.249	0.0%	5.00%
07/05/99					
CBD New Zealand	National Mutual	Sell	-4.168	31.10%	14.45%
Ceramco Corporation	National Mutual	Buy	+0.582	8.17%	9.56%
Dairy Brands	Agricultural Res.	Buy	+36.393	0.0%	74.66%
Owens Group	AMP Asset Mgmt	Sell	-0.614	15.32%	14.29%
Property For Industry	National Mutual	Sell	-1.910	5.66%	4.59%
NZ Salmon Company	Lochaber Trust	Buy	+0.178	21.50%	22.80%
Tasman Agriculture	Brierley Investments	Buy	+1.336	59.58%	60.61%

Significant "insider" transactions over the last month include director CR Bidwell selling shares in **Baycorp Holdings**, director CJ Cook selling shares in **MetLife Care** and a major holder selling shares in cashbox **NZ Salmon**.

A large number of buying and selling in **CBD New Zealand** indicates mixed views amongst institutional investors of the attraction of **Southern Capital** (which is to list through a reverse takeover of CBD). The merged entity will still be only a smaller company, so as long as at least *some* institutions are bullish and buying the share price could perform well. See our review of the company on Page 9 and the "Warrant/Option Analysis" on Page 13.



NEW ISSUE: Colonial First State Property Trust

(Continued from Page 13)

the initial yield to investors by around 1.1% in the first year and 0.55% in the second year. The gross income yield (after deducting the full management fees) will be just under 10%.

The potential for income growth and capital growth over the medium to long term is also limited as the portfolio is 15% "over-rented". No, they haven't found a way to rent out some of the property twice - but current lease rentals are on average 15% above market rates. As leases expire, rentals will return to current market rates.

Summary and Recommendation

This would not be our first choice of a Property company - we would rather own Kiwi Income Property, Property For Industry or Shortland Properties - and the shares will probably fall to a small discount (i.e. around 90-95 cents) after listing. Avoid.

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Lion Nathan	8.00	31-05	15-06	2.364179
Property For Industry	1.20	17-05	21-05	0.30
Sanford Limited	7.00	24-05	04-06	Full
Scott Technology	4.50	10-05	13-05	Full

Total Return Index for All Listed Shares

Apr 12	1977.32	Apr 19	2017.60
Apr 13	1979.29	Apr 20	2011.33
Apr 14	1981.50	Apr 21	2014.53
Apr 15	1985.03	Apr 22	2026.35
Apr 16	2001.62	Apr 23	2040.58
Apr 26	2043.14	May 3	2072.51
Apr 27	2050.88	May 4	2090.18
Apr 28	2059.50	May 5	2079.94
Apr 29	2064.56	May 6	2096.66
Apr 30	2069.55	May 7	2095.73

Internet Password

"Market Analysis" is published on the Internet in full (www.stockmarket.co.nz) but password protected to prevent unauthorised access by non-subscribers. That password will be changed every month:

May's Password

June's Password

SeePrint Issue for

User Name and Passwords

Please keep these passwords confidential!

Next Issue

The next issue of "Market Analysis" will be posted in four weeks time on Tuesday June 8, 1999.

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Birkenhead, Auckland. (66 Stanaway Street. Telephone 64-9-4199 427 Facsimile 64-9-4199 428 Internet: www.stockmarket.co.nz Email: james@stockmarket.co.nz). Subscription Rate \$175 (including GST) per year.

Readers are advised that they should not assume that every recommendation made in the future will be profitable or equal the performance of recommendations made in the past. A summary of All prior recommendations is available to any current subscriber, free of charge, upon request. The information presented has been obtained from original and published sources believed to be reliable, but its accuracy cannot be guaranteed. The entire contents are copyright. Reproduction in whole or part is strictly forbidden.