Information and Advice on the NZ Sharemarket from Securities Research Company's . . .

# Market Analysis

Issue No. 327 P.O. Box 34-162, Auckland September 7, 1999.

## *Inside Market Analysis*



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

# *Summary and Recommended Investment Strategy.*

Our stockmarket forecasts remain Neutral to moderately Bullish - but that hasn't prevented our NZ and Australian shares from continuing to appreciate over the last month (up about 4.8%). These stockmarkets offer good *value* - and from within those markets we seek to find *under-valued* shares and companies with *growth potential*. Remain fully invested in the recommended shares.

# *Investment Outlook.*

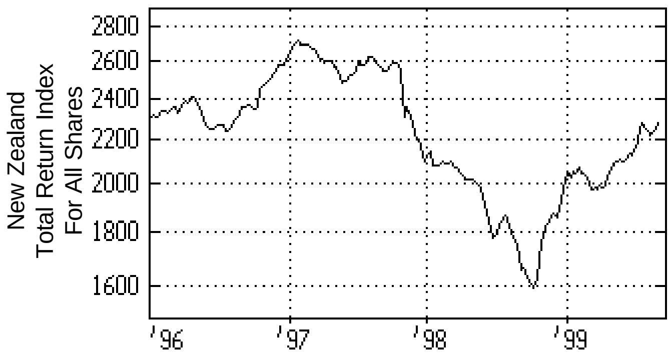
"Contrary opinion" is an excellent stockmarket tool, although it is never easy to stand firm against the tide of opinion and to buy and hold when *everybody* else is selling, or to sell and take profits when most other investors are bullish and rushing into the stockmarket.

Over many months we have received many "Why invest 40% of a portfolio in NZ when it has under-performed Australia and the US stockmarkets?" enquiries from subscribers. We answer that question in detail on pages 12-14, but it is perhaps worth noting here that our Total Return Index (which measures the performance of all NZ shares - not just the big companies) has outperformed both Australia and the United States consistently over the last three months, the last six months and the last twelve months. And our Recommended Portfolio (see page 3) has performed *significantly* better during this recovery!

The NZ stockmarket continues to offer good *value*. NZ interest rates have increased slightly over the last 6-9 months (in line with world trends), but Money Supply has increased sharply in the last month and the exchange rate has declined. Overall our forecasting model rates Monetary and Economic indicators as Neutral, while Fundamental and Technical indicators are bullish (i.e. the NZ stockmarket is *under-valued* and *trending upwards*).

Our **Primary Trend Model** of the NZ stockmarket is **moderately Bullish** at **63%**. Our **Short Term Trend Model** is **Bullish** at **75%**.

*International Investor* predicts a **Neutral 51%** chance that the Australian stockmarket will rise over the next year - with Fundamental, Technical, Monetary and Economic indicators all rated as neutral.


# *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.

| Company | Performance Forecast | Price | Price/Sales Ratio | P/E Ratio | Gross Yield |
|---|---|---|---|---|---|
| A. Barnett Ltd | C | 118 | 0.57 | NE | 3.8 |
| AMP Limited | B | 1922 | 0.69 | 17 | 1.1 |
| AMP NZ Office | C | 92 | 6.58 | 12 | 8.4 |
| Advantage HDS | B | 255 | 3.64 | 30 | Nil |
| Affco Holdings | D | 28 | 0.06 | NE | Nil |
| Air New Zealand | B | 270 | 0.50 | 11 | 7.4 |
| Akd Int Airport | B | 299 | 7.83 | 30 | 4.0 |
| Apple Fields | D | 11 | 1.44 | NE | Nil |
| Aquaria 21 | D | 19 | N/A | NE | Nil |
| Baycorp Hold | A | 603 | 8.91 | 34 | 4.0 |
| Brierley Invest | D | 44 | 0.46 | NE | 10.2 |
| Broadway Ind | E | 35 | 0.08 | NE | Nil |
| CDL Hotel NZ | D | 34 | 0.57 | 17 | 3.3 |
| CDL Investments | E | 27 | 1.89 | 12 | 11.1 |
| Cap Properties | C | 50 | 6.31 | 5 | 22.0 |
| Carter Holt | B | 222 | 1.34 | 74 | 3.6 |
| Cavalier Corp | B | 348 | 0.62 | 12 | 11.2 |
| Cedenco Foods | C | 71 | 1.67 | 8 | Nil |
| Ceramco Corp | A | 140 | 0.65 | 19 | 5.3 |
| Col FS Property | C | 93 | N/A | 13 | 7.4 |
| Col Motor Co | A | 270 | 0.26 | 11 | 7.5 |
| Colonial Ltd | C | 735 | 0.92 | 19 | 0.8 |
| Contact Energy | C | 319 | N/A | 30 | 4.1 |
| Corp Invest Ltd | C | 96 | 0.96 | 17 | 4.7 |
| Cue Energy Ltd * | N/R | 8.2 | 2.66 | NE | Nil |
| DB Group | D | 230 | 0.35 | 9 | 10.4 |
| Dairy Brands | E | 28 | 1.88 | NE | Nil |
| Damba Hold Ltd | C | 61 | 0.72 | NE | Nil |
| Design Textiles | A | 34 | 0.23 | 6 | 13.2 |
| Donaghys Ind | B | 140 | 0.37 | 10 | 8.5 |
| Dorchester Pac | A | 89 | 0.68 | 8 | 7.5 |
| East'n Equities | B | 70 | 0.23 | NE | 6.4 |
| Ebos Group Ltd | A | 295 | 1.26 | 22 | 9.1 |
| Eldercare NZ | D | 63 | N/A | NE | Nil |
| Ernest Adams | D | 220 | 0.55 | NE | Nil |
| Evergreen | D | 51 | N/A | 22 | Nil |
| FC - Paper | E | 136 | 0.25 | NE | 1.6 |
| FC - Forests | C | 86 | 1.33 | 13 | Nil |
| FC - Energy | B | 494 | 1.36 | 29 | 4.2 |
| FC - Building | D | 268 | 0.33 | 38 | 6.7 |
| Fernz Corp Ltd | D | 450 | 0.48 | 11 | 5.6 |
| Fisher & Paykel | D | 570 | 0.87 | 19 | 4.7 |
| Force Corp. | C | 63 | 3.06 | 12 | 9.5 |
| Fruitfed Supp | A | 145 | 0.30 | 17 | 7.2 |
| Goodman Fielder | B | 174 | 0.60 | 14 | 5.1 |
| Grocorp Pacific | C | 17 | 0.88 | NE | Nil |
| Guiness Peat | C | 155 | 1.51 | 11 | 1.2 |
| Habitat Group | C | 14 | N/A | NE | Nil |
| Hallenstein G. | C | 234 | 0.89 | 14 | 10.2 |
| Hellaby Hold. | C | 193 | 0.70 | 7 | 10.8 |
| Heritage Mining* | N/R | 5.0 | N/A | NE | Nil |
| Horizon Energy | C | 675 | 2.18 | 24 | 5.1 |
| IT Capital Ltd | D | 21 | N/A | NE | Nil |
| Ind Newspapers | B | 730 | 0.93 | 19 | 4.7 |
| Infratil NZ | B | 141 | 8.43 | 10 | 6.1 |
| Infratil Aust. | E | 98 | N/A | NE | Nil |
| Infratil Int'l | E | 37 | N/A | NE | Nil |
| JF China Region* | N/R | 85 | N/A | NE | 1.4 |
| Kingsgate Int'l | D | 18 | 0.79 | 12 | Nil |
| Kiwi Property | C | 100 | 6.87 | 11 | 10.4 |
| Kiwi Developmnt | D | 130 | N/A | NE | Nil |
| LWR Industries | C | 120 | 0.25 | 7 | 13.7 |
| Lion Nathan Ltd | D | 428 | 1.30 | 17 | 4.3 |
| Lyttelton Port | D | 160 | 2.94 | 12 | 6.8 |
| Mainfreight Grp | B | 159 | 0.40 | 17 | 5.2 |
| Manor Inns Grp | B | 20 | 0.41 | NE | Nil |
| Max Resources* | N/R | 13 | N/A | NE | Nil |
| Metro. LifeCare | B | 183 | 1.78 | 17 | 4.9 |
| Michael Hill | B | 340 | 0.83 | 15 | 5.0 |
| Mid-Cap Index* | N/R | 193 | N/A | NE | Nil |
| Mr Chips Hold | C | 65 | 0.59 | 19 | 9.2 |
| NZ Experience | C | 12 | 0.86 | 57 | Nil |
| NZ Invest Trust* | N/R | 416 | N/A | NE | 2.0 |
| NZ Oil and Gas * | N/R | 41 | 1.78 | 12 | 6.1 |
| NZ Refining Co | B | 1300 | 1.28 | 13 | 7.7 |
| NZ Salmon Co | C | 36 | N/A | NE | Nil |
| Nat Property Tr | C | 95 | 5.76 | 11 | 10.7 |
| National Mutual | C | 290 | 3.23 | 15 | 3.7 |
| Natural Gas | B | 195 | 2.33 | 17 | 7.7 |
| Newmarket Prop. | D | 57 | 3.93 | NE | 16.7 |
| Nobilo Wines | D | 90 | 0.78 | 20 | 5.0 |
| Northland Port | C | 114 | 0.96 | 15 | 8.5 |
| Nuhaka Forestry | D | 1210 | N/A | NE | Nil |
| Nuplex Indust | D | 285 | 0.50 | 14 | 5.5 |
| Opio Forestry | E | 53 | N/A | NE | Nil |
| Otter Gold Mine* | N/R | 80 | 0.51 | 4 | Nil |
| Owens Investmts | D | 135 | 0.20 | 19 | 11.1 |
| Ozzy (Tortis)* | N/R | 223 | N/A | NE | Nil |
| PDL Holdings | C | 600 | 0.25 | 47 | 5.0 |
| Pacific Retail | B | 180 | N/A | 14 | 2.5 |
| Paynter Hold | D | 18 | 0.27 | NE | Nil |
| Port Tauranga | B | 525 | 7.59 | 22 | 5.1 |
| Ports Auckland | C | 493 | 4.25 | 20 | 5.4 |
| Progressive Ent | A | 297 | 0.30 | 35 | 2.5 |
| Property F Ind. | D | 71 | 5.56 | 13 | 9.1 |
| Pure NZ Limited | D | 19 | N/A | NE | Nil |
| Radio Works NZ | A | 755 | 2.08 | 17 | 3.0 |
| Reid Farmers | B | 64 | 0.48 | 9 | 10.5 |
| Renaissance | C | 42 | 0.10 | 13 | Nil |
| Restaurant Brds | B | 137 | 0.56 | 14 | 6.5 |
| Revesco Ltd* | N/R | 30 | N/A | NE | Nil |
| Richina Pacific | E | 61 | 0.09 | NE | Nil |
| Roller Int'l * | N/R | 40 | 0.21 | NE | Nil |
| Ryman Health. | E | 135 | N/A | NE | Nil |
| SE Utilities | C | 88 | 2.19 | 12 | 6.8 |
| Sanford Limited | B | 520 | 1.55 | 23 | 3.4 |
| Savoy Equities | D | 7.9 | 2.50 | NE | Nil |
| Scott Tech. Ltd | B | 235 | 1.91 | 17 | 6.4 |
| Seafresh Fish. | E | 10 | 0.32 | NE | Nil |
| Shortland Prop. | C | 65 | 6.28 | 12 | 9.7 |
| Shotover Jet | B | 75 | 1.35 | 12 | 3.3 |
| Sky City Ltd | C | 770 | 2.88 | 16 | 8.3 |
| Sky Network TV | E | 345 | N/A | NE | Nil |
| Southern Cap | C | 80 | 5.89 | 12 | Nil |
| South Port NZ | C | 89 | 0.88 | 11 | 8.8 |
| Spectrum Res.* | N/R | 11 | N/A | NE | Nil |
| St. Lukes Group | C | 174 | 2.95 | 7 | 8.4 |
| Steel & Tube | D | 161 | 0.42 | 14 | 7.4 |
| Strathmore Grp | C | 99 | N/A | NE | Nil |
| Summit Gold Ltd* | N/R | 10 | N/A | NE | Nil |
| Tag Pacific Ltd | D | 13 | 0.29 | 10 | 5.4 |
| Tasman Agric. | B | 84 | 2.69 | 12 | 3.6 |
| Taylors Grp Ltd | A | 110 | 0.70 | 15 | 6.1 |
| TeNZ * | N/R | 100 | N/A | NE | Nil |
| Telecom Corp | C | 863 | 4.41 | 18 | 8.0 |
| Tourism Hold. | A | 276 | 0.92 | 16 | 2.7 |
| Trans Alta NZ | C | 239 | 1.17 | 18 | 6.1 |
| Trans-Tasman | E | 32 | 1.08 | NE | Nil |
| Tranz Rail Hold | C | 308 | 0.65 | 5 | 8.2 |
| Trust Power Ltd | C | 415 | 3.30 | 36 | 5.8 |
| United Networks | C | 630 | 2.13 | 24 | 7.1 |
| Warehouse Group | C | 755 | 1.43 | 27 | 2.8 |
| Waste Mgmt NZ | B | 900 | 4.79 | 35 | 1.8 |
| Williams Kettle | B | 208 | 0.31 | 28 | 8.6 |
| World Index Fd * | N/R | 183 | N/A | NE | Nil |
| Wrightsons Ltd | E | 37 | 0.09 | NE | Nil |
| Ave of 136 Coys | C | 221 | 0.53 | 21 | 4.3 |

| Company | Performance Forecast | Price | Price/Sales Ratio | P/E Ratio | Gross Yield |
|---|---|---|---|---|---|
| A.G.L. | B | 980 | 1.92 | 15 | 4.6 |
| AAPT | C | 504 | 2.00 | 43 | Nil |
| AMP Ltd | D | 1552 | 0.65 | 16 | 1.2 |
| AMP Office Trt | C | 120 | 9.88 | 14 | 6.8 |
| AMP Shop Centre | E | 124 | N/A | NE | Nil |
| ANZ Bank | C | 1001 | 1.29 | 13 | 5.2 |
| APN News Media | A | 325 | 2.34 | 22 | 3.2 |
| Advance Prop | C | 149 | 7.14 | 12 | 7.9 |
| Amalgamated Hld | C | 405 | 1.15 | 11 | 3.0 |
| Amcor Ltd | B | 804 | 0.77 | 18 | 4.9 |
| Amway Asia Pac | C | 2000 | N/A | NE | Nil |
| Aristocrat | A | 1368 | 2.59 | 26 | 1.3 |
| Aust Stock Exch | A | 1115 | 6.97 | 28 | 3.1 |
| Austar United | E | 499 | N/A | NE | Nil |
| Austrim Ltd | C | 312 | 0.82 | 10 | 4.9 |
| BRL Hardy Ltd | B | 664 | 1.88 | 24 | 2.0 |
| BTR "A" | E | 508 | N/A | NE | Nil |
| Bank of W.Aust | B | 339 | 4.83 | 14 | 4.9 |
| Boral Ltd | B | 244 | 0.56 | 32 | 3.1 |
| Brambles Ind. | B | 4491 | 2.01 | 31 | 1.7 |
| Brickworks Ltd | A | 4175 | 3.72 | 14 | 2.6 |
| C & W Optus | C | 330 | 4.98 | NE | Nil |
| C'wth Prop Off. | C | 101 | N/A | 67 | 1.5 |
| C.S.R. Ltd | B | 392 | 0.60 | 12 | 5.9 |
| CSL Limited | A | 1900 | 5.89 | 53 | 1.1 |
| Cadbury Sch. | D | 1050 | N/A | NE | 3.2 |
| Centro Prop. | C | 265 | 6.32 | 12 | 8.6 |
| Challenger Int. | A | 980 | 4.03 | 23 | 0.5 |
| Coal & Allied | B | 1475 | 1.59 | 11 | 6.8 |
| Coca-Cola Bev. | E | 304 | N/A | NE | Nil |
| CocaCola Amatil | D | 555 | 1.50 | 30 | 3.4 |
| Cochlear Ltd | A | 1635 | 6.44 | 51 | 1.7 |
| Coles Myer | B | 885 | 0.48 | 26 | 2.7 |
| Colonial Ltd | C | 595 | 1.11 | 22 | 2.5 |
| Com'wealth Bank | B | 2436 | 2.29 | 16 | 4.7 |
| Com. Inv. Trust | E | 99 | N/A | NE | Nil |
| Computer Share | A | 2120 | N/A | NE | 0.2 |
| Crown Ltd | C | 90 | 0.70 | 14 | Nil |
| E.R.G. | A | 400 | 2.96 | 40 | 0.4 |
| Email Ltd | C | 259 | 0.30 | 15 | 5.4 |
| Fairfax (John) | B | 436 | 2.98 | NE | 2.2 |
| Faulding (F.H.) | A | 1005 | 0.79 | 22 | 2.0 |
| Flight Centre | B | 940 | 0.49 | 42 | 1.2 |
| Foodland Assoc | C | 935 | 0.23 | 17 | 4.9 |
| Foster's Brewin | A | 470 | 2.59 | 22 | 2.8 |
| Futuris Corp. | B | 212 | 0.28 | 19 | 3.8 |
| GIO Australia | E | 254 | 0.53 | NE | 4.7 |
| GWA Internat'l | C | 258 | 1.34 | 18 | 4.3 |
| Gandel Retail T | C | 112 | 9.97 | 17 | 7.4 |
| General Prop Tr | C | 267 | 9.85 | 15 | 7.2 |
| Ges Internat'l | A | 150 | 0.99 | 62 | 0.7 |
| Goodman Fielder | C | 143 | 0.58 | 13 | 5.2 |
| Guinness Peat | C | 127 | 2.51 | 11 | 0.4 |
| Hardie (James) | C | 422 | 1.20 | NE | 3.6 |
| Harvey Norman | B | 1644 | N/A | 91 | 0.3 |
| Hills Motorway | D | 400 | 8.79 | NE | Nil |
| Hoyts Cinemas | C | 200 | 1.18 | 15 | 2.0 |
| Incitec | B | 590 | 0.73 | 20 | 3.6 |
| Infrastructure | B | 160 | 7.14 | 8 | 6.3 |
| Jupiters | B | 352 | 1.48 | 19 | 4.0 |
| Lang Corporatio | D | 532 | 1.86 | NE | Nil |
| Leighton Hold | B | 632 | 0.50 | 14 | 4.7 |
| Lend Lease Corp | B | 1926 | 2.36 | 23 | 3.1 |
| Macquarie Off. | C | 119 | 8.70 | 13 | 8.9 |
| Macquarie Bank | B | 2050 | 3.97 | 20 | 3.3 |
| Mayne Nickless | B | 490 | 0.42 | 15 | 6.1 |
| Mirvac Property | B | 178 | 9.75 | 15 | 6.4 |
| Mirvac Ltd | B | 250 | 0.97 | 13 | 4.0 |
| Mobile Com. | D | 1285 | N/A | NE | Nil |
| Nat'l Mutual | D | 236 | 3.12 | 20 | 3.7 |
| Nat'l Foods | C | 285 | 0.69 | 16 | 4.6 |
| Nat'l Aust Bank | C | 2362 | 1.36 | 17 | 4.3 |
| Nat'l Mut. Prop | C | 122 | 9.98 | 16 | 7.0 |
| News Corporatio | C | 1136 | 1.05 | 16 | 0.3 |
| One Tel Ltd | C | 120 | 6.21 | NE | 0.1 |
| Orica Ltd | C | 805 | 0.65 | 18 | 6.2 |
| Orogen Minerals | C | 185 | 3.35 | 14 | 3.5 |
| PBL | C | 936 | 3.77 | 36 | 1.9 |
| PMP Communicat. | B | 264 | 0.57 | 11 | 7.7 |
| Pacific Group | B | 646 | 1.44 | 41 | 2.5 |
| Pacific Dunlop | C | 235 | 0.37 | 12 | 6.0 |
| Perp Trust Aust | A | 2145 | 3.84 | 27 | 2.8 |
| Pioneer Int'l | B | 383 | 0.85 | 14 | 42.0 |
| Prime Credit PT | C | 118 | 7.69 | 12 | 8.8 |
| Prime Indust. | C | 73 | 7.95 | 11 | 8.6 |
| Q.B.E. Insur. | C | 582 | 0.62 | 14 | 4.6 |
| Q.C.T. Resource | B | 104 | 0.71 | 15 | 6.7 |
| Qantas | B | 497 | 0.69 | 16 | 3.8 |
| Rio Tinto Ltd | A | 2790 | 1.82 | 15 | 2.0 |
| Rothmans Hold | B | 1610 | 0.65 | 17 | 5.3 |
| Rural Press Ltd | A | 505 | 1.35 | 13 | 2.5 |
| Schroder Prop. | C | 248 | 8.64 | 14 | 7.4 |
| Seven Network | C | 429 | 1.69 | 68 | 4.8 |
| Simsmetal Ltd | B | 630 | 0.54 | NE | 3.2 |
| Smith (Howard) | B | 1215 | 0.87 | 23 | 3.4 |
| Smorgon Steel | B | 256 | 1.13 | 34 | 1.8 |
| Sonic Health | A | 482 | 3.42 | 34 | 2.9 |
| Southcorp Ltd | C | 585 | 1.26 | 20 | 3.4 |
| Spotless Group | A | 480 | 0.61 | 21 | 3.6 |
| St George Bank | C | 1030 | 1.41 | 27 | 5.0 |
| Star City Hold. | C | 153 | 1.04 | 35 | Nil |
| Stockland Trust | C | 356 | 6.16 | 14 | 6.9 |
| Suncorp-Metway | C | 838 | 0.69 | 7 | 5.3 |
| TAB Ltd | B | 295 | 0.37 | 26 | 3.1 |
| Tabcorp Holding | B | 1100 | 3.09 | 23 | 3.9 |
| Telstra | B | 824 | 1.94 | 10 | 4.0 |
| Ten Network | C | 212 | 0.81 | 72 | 14.2 |
| Transurban Grp | D | 203940 | N/A | NE | Nil |
| United Energy | B | 230 | 1.41 | 64 | 7.5 |
| Village Road. | C | 302 | 1.10 | 15 | 3.3 |
| Wesfarmers Ltd | C | 1445 | 1.29 | 20 | 4.6 |
| West Aust News | A | 596 | 3.54 | 18 | 5.0 |
| Westfield Amer. | C | 164 | 3.98 | 16 | 5.6 |
| Westfield Hold. | C | 914 | 5.49 | 38 | 1.3 |
| Westfield Trust | C | 318 | 9.90 | 18 | 6.5 |
| Weston (George) | C | 670 | 0.53 | 19 | 2.8 |
| Westpac Banking | C | 955 | 1.66 | 14 | 4.5 |
| Westpac Prop Tr | C | 162 | 7.11 | 21 | 8.0 |
| Wills (WD & HO) | B | 625 | 0.46 | 19 | 4.8 |
| Woolworths Ltd | C | 555 | 0.34 | 20 | 3.2 |
| Ave of 1245 Coys | C | 338 | 0.39 | 22 | 2.4 |

# Recommended Investments

*Whoops! Oh, no! This is so embarrassing. We've made a "statistical error" in the calculation of the Recommended Portfolio's annual rate of return.*

*18½ years ago when we began publishing "Market Analysis" we promised to keep investors informed on how all recommendations performed and started publishing a summary at the bottom of the "Recommended Portfolio". Later, after a few shares had been sold, we started publishing our "Complete Summary of all Prior Recommendations" - and have sent a copy of that report to every new subscriber.*

*However, in August 1989 when we changed "Market Analysis" from a fortnightly to a monthly publication we made a programming error. The change resulted in the period between newsletters increasing from an average of just over two weeks to just over four weeks but we incorrectly entered a factor of just over three. So the computer has been calculating only 39 weeks in a year instead of the universally accepted 52 weeks! That has understated the period that shares have been held and thereby overstated our annualised return on more recent investments by one-third!!!*

*Our program has now been corrected - with the effect that the annualised return on current investments is about 6% lower at 18.7% p.a., while the annualised return of all recommendations (about the first half of which were calculated correctly) is about 5% lower at 29.9% p.a. The good news is that this is still an outstanding "track record"!*

**Apple Fields** is in a dispute with **Tower Trust** which is the trustee for its *Rural Super Bonds Superannuation Scheme* which is being wound up. Apple Fields claims to have property contracts "either completed or at an advanced stage of negotiation" in excess of $19 million. This would allow the repayment of the remaining Rural Super Bond debt of $16.5 million and leave Apple Fields completely debt free.

Keeping Apple Fields *(Continued on Page 4)*

## Portfolio of Recommended Investments

| CURRENT ADVICE | Company | Code | Initial Recommendation - Date - | Initial Recommendation Price | Performance Forecast | Issued Shares (mil.) | Volatility Ratio | Price/ Sales Ratio | Price/ Earnings Ratio | Gross Dividend Yield | Recent Share Price | Cash Dividends Rec'd | Total Return % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | NZ Shares | | | | | | | | | | | | |
| HOLD+ | Air New Zealand "A" | AIRVA | 08/10/96 | 257* | B | 566.8 | 0.9 | 0.50 | 11 | 7.4 | 270 | 54.0 | +26% |
| HOLD- | Apple Fields Limited | APF | 10/03/92 | 237 | D | 29.2 | 2.6 | 1.44 | NE | Nil | 11 | 10.0 | -91% |
| BUY | CDL Investments Ltd | CDI | 12/01/99 | 25 | E | 169.5 | 1.9 | 1.89 | 12 | 11.1 | 27 | 2.0 | +16% |
| BUY | Cavalier Corporation | CAV | 05/12/95 | 312 | B | 36.0 | 0.9 | 0.62 | 12 | 11.2 | 348 | 79.0 | +37% |
| HOLD+ | Colonial Motor Company | CMO | 10/11/92 | 150 | A | 30.9 | 0.8 | 0.26 | 11 | 7.5 | 270 | 179.8 | +200% |
| HOLD+ | Designer Textiles Ltd | DTL | 12/01/99 | 47 | A | 29.7 | 2.0 | 0.23 | 6 | 13.2 | 34 | 1.0 | -26% |
| HOLD+ | Fernz Corporation Ltd | FER | 11/02/97 | 505 | D | 150.5 | 0.9 | 0.48 | 11 | 5.6 | 450 | 52.0 | -1% |
| SELL[1] | Fruitfed Supplies Ltd | FSL | 09/02/93 | 210 | A | 12.1 | 1.0 | 0.30 | 17 | 7.2 | 145 | 72.0 | +3% |
| HOLD | Michael Hill Int'l Ltd | MHI | 11/06/91 | 46* | B | 38.6 | 0.8 | 0.83 | 15 | 5.0 | 340 | 45.5 | +738% |
| HOLD+ | Nuplex Industries Ltd | NPX | 11/02/97 | 350 | D | 55.4 | 1.0 | 0.50 | 14 | 5.5 | 285 | 16.0 | -14% |
| HOLD+ | Owens Group Limited | OWN | 12/03/91 | 47* | D | 56.3 | 1.1 | 0.20 | 19 | 11.1 | 135 | 77.3 | +352% |
| HOLD+ | PDL Holdings Ltd | PDL | 13/02/96 | 810 | C | 13.6 | 0.9 | 0.25 | 47 | 5.0 | 600 | 113.0 | -12% |
| HOLD | Radio Works NZ Ltd | RWL | 08/12/92 | 205 | A | 12.0 | 0.6 | 2.08 | 17 | 3.0 | 755 | 112.5 | +323% |
| HOLD+ | Renaissance Corp | RNS | 13/08/96 | 85* | C | 35.3 | 1.9 | 0.10 | 13 | Nil | 42 | 4.4 | -45% |
| HOLD | Richina Pacific | RCH | 03/11/95 | 119* | E | 72.2 | 1.6 | 0.09 | NE | Nil | 61 | 11.9 | -39% |
| HOLD | South Port New Zealand | SPN | 13/02/96 | 120 | C | 32.4 | 1.1 | 0.88 | 11 | 8.8 | 89 | 29.8 | -1% |
| HOLD+ | Tourism Holdings Ltd | THL | 14/07/92 | 179* | A | 56.6 | 0.9 | 0.92 | 16 | 2.7 | 276 | 51.7 | +83% |
| HOLD | Wrightson Limited | WRI | 13/01/98 | 83 | E | 139.7 | 1.8 | 0.09 | NE | Nil | 37 | 6.3 | -48% |
| | Australian Shares (in Aust cents) | | | | | | | | | | | | |
| BUY | Abigroup Limited | ABG | 09/03/99 | 265 | B | 47.2 | 0.5 | 0.19 | 7 | 5.2 | 229 | 6.0 | -11% |
| HOLD+ | Atlas Pacific Ltd[2] | ATP | 14/05/96 | 073 | D | 49.4 | 1.7 | 10.58 | NE | Nil | 22 | Nil | -70% |
| HOLD+ | Biron Corporation Ltd | BIC | 12/04/94 | 178 | C | 21.6 | 1.7 | 0.72 | NE | 9.3 | 22 | 9.0 | -83% |
| HOLD+ | Central Equity Ltd | CEQ | 09/02/94 | 154 | B | 81.7 | 0.5 | 1.02 | 7 | 7.1 | 225 | 55.0 | +82% |
| BUY | Data#3 Limited | DTL | 09/02/99 | 285 | A | 13.4 | 0.9 | 0.49 | 17 | 3.4 | 339 | 5.5 | +21% |
| HOLD+ | E.R.G. Limited | ERG | 10/10/95 | 152* | A | 201.1 | 0.4 | 2.96 | 40 | 0.4 | 400 | 6.0 | +167% |
| HOLD+ | Flight Centre | FLT | 11/08/98 | 308 | B | 80.9 | 0.2 | 0.49 | 42 | 1.2 | 940 | 13.0 | +209% |
| HOLD | Hancock & Gore | HNG | 15/07/97 | 125* | C | 46.5 | 0.7 | 0.56 | 10 | 6.0 | 130 | 11.5 | +13% |
| BUY | PMP Communications | PMP | 09/02/99 | 309 | B | 253.0 | 0.5 | 0.57 | 11 | 7.7 | 264 | 10.4 | -11% |
| HOLD+ | Thakral Holdings | THG | 10/11/98 | 65 | B | 489.6 | 0.9 | 1.77 | 12 | 7.4 | 78 | 2.6 | +24% |
| BUY | Toll Holdings | TOL | 08/09/98 | 240 | B | 59.0 | 0.3 | 0.25 | 11 | 3.9 | 566 | 18.0 | +143% |
| BUY | Vision Systems | VSS | 10/11/98 | 685* | B | 12.4 | 0.3 | 0.65 | 12 | 4.1 | 677 | 13.9 | +1% |

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is+66.2%.This is equal to an average annual rate of+18.7%, based upon the length of time each position has been held..

The average annual rate of gain of ALL recommendations (both the 30 current and 100 closed out) is +29.9%, compared with a market gain of +13.2% (by the SRC Total Return Index) and %+820.5% (by the NZ Herald 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.

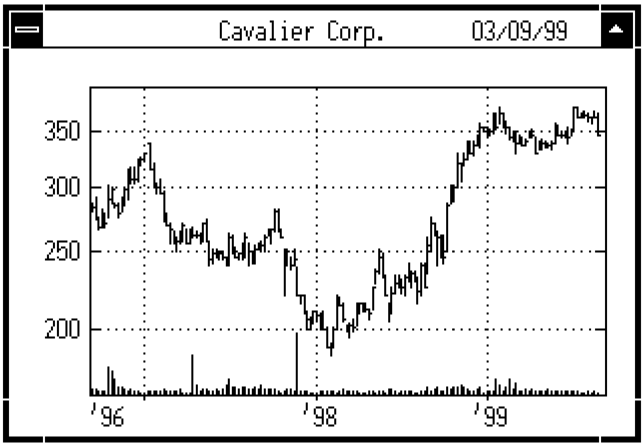
(1) Sell Fruitfed Supplies at 145 cents or better, otherwise Hold.

(2) Atlas Pacific notes (ATPG) last traded at 23 cents.

**Recommended Investments** *(Continued from Page 3)*
in our "Recommended Portfolio" significantly depresses the annualised return on our *current* investments. Our primary objective, however, is not quickly "burying mistakes" to seek a cosmetic improvement in the Portfolio but, being investors, we are more interested in maximising what little remains of this unsuccessful investment. We don't much like the company (so we wouldn't buy any more shares) but the shares trade at a large discount to net asset values, so there will probably be a better opportunity to sell out at some time in the future. "Hold".

**Cavalier Corporation** has increased profits by 5.4% to $10,592,000 (29.4 cents per share) from revenue up 3.8% to $201.3 million. A steady final dividend of 12.0 cents (plus full tax credits) will make a 4.0% higher 26.0 cents for the year.

Wool Scouring revenues rose 3.5% to $136.9 million but earnings (before interest and tax) fell 34.6% to $4.6 million. The Carpet Manufacturing division increased sales 6.9% to $81.6 million with earnings up 16.2% to $15.6 million. Profitability on carpet exports to Australia improved with the lower exchange rate.



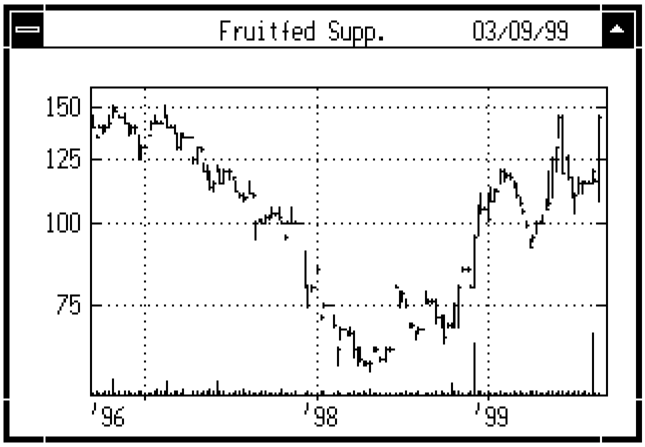

**Designer Textiles** has reported a 40.3% increase in profits to $1,674,000 (5.6 cents per share) from revenue up 20.7% to $44.9 million. A final dividend of 2.0 cents (plus full imputation tax credits) makes a steady 3.0 cents for the year.

**Fruitfed Supplies** has received a takeover offer from **Williams & Kettle** - which bought out Fruitfed's other major shareholder in June (at $1.19, after Fruitfed paid a 5.0 cents final dividend and 16.0 cents special dividend). The current takeover offer is four Williams & Kettle shares plus $5.00 for every ten Fruitfed shares. With Williams & Kettle trading at 207 cents, this values Fruitfed at 133 cents.

Williams & Kettle claim their takeover is at a 23% premium to Fruitfed's market price of 108 cents - a price which resulted from the sale of just 1000 shares at that lower price a couple of days ahead of the takeover being announced. The offer price in the market was also 108 cents - but only 96 shares were available at that price with the next seller asking 118 cents. Anyone wanting to make a small investment and buy 2000 shares late last week would have had to pay an average of 117½ cents. The takeover comes in at just a 13% premium to that price!

Although there are substantial cost savings in taking over Fruitfed Supplies, we doubt that Williams & Kettle would want to increase their takeover offer. However, it certainly makes sense to wait a while to see if the Fruitfed independent directors seek an improvement in the price. The value of the takeover would also improve with any appreciation in the value of Williams & Kettle shares. Fruitfed Supplies shares closed last Friday at 145 cents (with buyers at 130 cents and sellers at 165 cents).

<u>We recommend that investors sell on-market at 145 cents or better</u> - but that price reached on Friday when the takeover was announced may not be available this week. <u>If the market price dips back to around 130 cents we recommend holding to see how the takeover offer develops</u> (i.e. whther the price increases slightly, or whether the Williams & Kettle share price appreciates making the offer more attractive).




**Michael Hill International** increased profits 22.0% to $8,774,000 (22.8 cents per share) from revenue up 11.1% to $157.1 million. The final dividend will be raised 20.0% to 6.0 cents (plus full tax credits), lifting the annual dividend rate 21.1% to 11.5 cents.

This final dividend from Michael Hill will lift the total dividends that we have collected from this investment to 51.5 cents (all tax-paid) - which <u>more than completely repays our initial cost price of the shares eight years ago at 46 cents</u>!

Sales in NZ rose 11.3% to $56.6 million, while an increase in profit margins (up 0.4% to 12.4%) resulted in a 14.5% lift in earnings (before interest and tax) to $7.0 million. Three new stores were opened in NZ during the financial year (bringing the total to 38 NZ stores), and since then a large "super store" has been opened in Albany (Auckland) with another planned for Mt Wellington (Auckland) in time for Christmas sales. The company has come up with the statistic that total jewellery sales in NZ average $40 per person per year, compared with A$88 per person in Australia and £45 per person in the United Kingdom - which "suggests that there is still a lot of room for growth in the NZ market".

In Australia, revenues rose 11.0% to NZ$100.3 million and profit margins improved (up 0.7% to 8.6%), resulting in a 21.0% increase in earnings to NZ$8.7 million. Six new stores were opened in Australia, making 64 stores in that country. Another 6-10 conventional stores will open this year (subject to site availability) with the potential to eventually expand the Australian business to 110 stores or more.

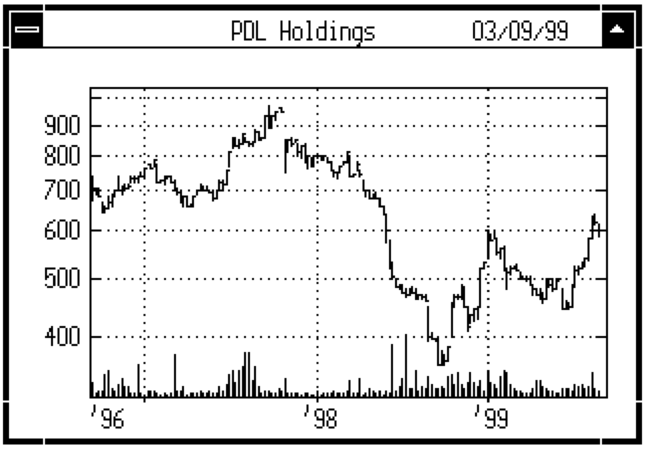
**Nuplex Industries**' profit rose 66.8% to $11,646,000

(21.0 cents per share) with revenues up 79.5% to $315.0 million. This increase results mainly from a full year's trading of **Australian Chemical Holdings**, compared with just three months ownership of that company in the 1998 financial year. The final dividend will remain unchanged at 5.0 cents (plus tax credits), making a steady 10.5 cents for the full year.

Nuplex usually *expects* to earn a higher profit in the first half of its financial year, but the second half profit ($6.1 million) exceeded the first half result ($5.5 million) owing to continued synergies and cost savings being achieved. These further cost savings over a full year - plus lower interest payments as the company steadily repays the debt used to partially finance its major Australian acquisition - give the directors "confidence that strong profit growth will be maintained" in the current financial year.

As reported in July, Nuplex bought the Dulux resin business from **Orica Australia**, it has recently purchased a water dispersed polymer business from **National Starch & Chemical** (a subsidiary of UK based **ICI plc**) and it has acquired an Australian resin flooring business as a base for expanding its successful NZ Terrazzite and Sureshield flooring business into Australia.

**PDL Holdings** has reported an improvement in profits to $1,460,000 (10.7 cents per share) for the three months to June 30. Revenue was up 6.8% to $85.0 million.




**Radio Pacific** has changed its name to **Radio Works New Zealand** after completing its recent merger with **Radio Otago**.

**Richina Pacific** has returned to profitability, earning $146,000 (0.2 cents per share) for the six months to June 30. Total revenues rose 15.9% to $262.2 million.

**Tourism Holdings** has reported a recovery in profits, re-instated dividend payments and a major acquisition that will require a large cash issue.

Trading profits have increased 123.6% to $10,063,000 (17.8 cents per share) from revenue that rose 31.4% to $169.1 million. The company will re-instate dividends with a final 5.0 cents (plus full tax credits) payment.

Tourism Holdings plans to take over Australian based **Britz** rental motor home business for NZ$62 million. $34 million of this will be paid in cash (to be funded from a cash issue to existing Tourism Holdings shareholders), $15 million through the issue of Tourism Holdings shares to the vendors and $13 million in three year mandatory convertible notes. The Australian business has interest bearing debts of $104 million which (when consolidated into Tourism Holdings' balance sheet) will raise Tourism Holdings' total debt from $23 million (after selling some NZ assets since its June 30 balance date) to around $127 million.

Tourism Holdings is to raise $38 million from a cash issue. The terms have not yet been disclosed - but a one for three issue priced at $2.00 looks likely.

Britz operates a total of 2300 motor homes and is the largest operator in Australia, the second largest (behind Tourism Holdings) in NZ and has a small operation in South Africa. Tourism Holdings' existing Maui business currently has 1500 motor homes - so this division will expand considerably in size and hold about 60% of the market in Australia and 50% in NZ. Details of the revenue and profits currently earned by Britz have not yet been disclosed, but merging these two businesses is predicted to result in cost savings of $8.5 million annually. A cost saving equals an increase in pre-tax earnings - and $8.5 million is a 13% return on the acquisition price of $62 million (in addition to existing profit levels earned by Britz). Total group profits are predicted to rise to $26.7 million by 2001 which, with the increase in issued capital (to fund this expansion), we estimate at about 30-31 cents per share. The company projects a 13.0 cents dividend in 2001.

**Wrightson** has reported a trading loss of $1,029,000 (0.7 cents per share) from revenues down 11.2% at $564.1 million. In addition there were unusual losses of $8,228,000. No dividend will be paid.

The company is to reverse many of its restructuring changes of the last few years. Splitting the company into several separate businesses has not been successful and they will be re-organised into one organisation.

While the company's performance over the last couple of years has been disappointing, the market is under-valuing the shares relative to the level of profits that Wrighton should be capable of earning. Investors should continue to hold these under-valued shares in this under-performing business. *Eventually* management will stumble upon the right business combination, profits will return and the shares will become significantly more valuable. "Hold".

## Australian Shares

**Hills Motorway**, in which **Abigroup** holds 15,000,000 units, is seeking to refinance all of its debts. The existing debt facilities have restrictions which prevent the company from making higher distributions to shareholders.

**Biron Corporation** has reported a *trading* loss of A$241,000 (1.1 cents per share) for the year to June 30 (but earned an extraordinary capital profit of A$726,000), from revenue 13.4% higher at A$6.4 million. Nevertheless, the company remains in a sound financial position and will pay a steady 2.0 cents dividend.

The Cultured Emerald business operated at a loss of A$417,000. Sales volumes and revenue increased strongly, but unit sales prices fell with selling from Russian producers. Biron has continued to improve productivity and lower production costs and, as previously announced, signed a three year marketing agreement with New York based **Kingstone Gem Importers**. This has involved *(Continued on Page 6)*

**Recommended Investments** *(Continued from Page 5)*

some restructuring costs which have impacted on the current result. Profits for the June 2000 year will depend upon Kingstone's ability to exceed minimum contracted sales levels. The following two years of the agreement include "built-in price increases which should ensure profitability even at the minimum sales levels".

Biron has sold off its remaining shares in **Sydney Gas Company** (formerly Desertstone NL) to realise a capital profit of A$726,000). Its A$1.0 million investment in **Atlas Pacific** 12½% convertible notes is also showing an unrealised profit with a market value of A$1.5 million and Biron holds A$1.5 million in cash (although A$433,000 will be used to pay the dividend).

Research & Development work to find a replacement for Mississippi mussel shell for use as the pearl nuclei in the cultured pearl industry has been completed. Field trials "conclusively show the Bironite® nuclei is an acceptable alternative". Mississippi mussel shell is becoming more expensive, while the Bironite nuclei is cheaper and can be cut to the larger sizes required by the South Sea pearl farms. The company reports encouraging preliminary interest from pearl farms in Australia, Indonesia and Tahiti, and a marketing program has been started.

**Central Equity** has reported a 40.2% increase in profits to A$28,147,000 (34.4 cents per share) for the year to 30 June 1999. A final quarterly dividend of 6.0 cents makes a 23.1% higher annual payout of 16.0 cents. Revenue (from completed and settled residential apartment sales) fell 9.0% to A$179.5 million, but off-the-plan pre-sales (which will be brought into account in the June 2000 and 2001 financial years) are up 29.7% from A$185 million to A$240 million.

Central Equity remains in a strong financial position. Over the last year its cash holding has dropped A$17.4 million (to A$64.1 million or 78 cents per share) owing to the timing of recent settlements. Over the year *net current assets* have increased A$16.1 million. Since its June 30 balance date, Central Equity has completed its 159 apartment, 24 level residential tower at 416 St Kilda Road, Melbourne and received over A$36 million in settlements.

While Central Equity's business is subject to fluctuations in the property cycle the company minimises its risks by pre-selling before construction and building on fixed price contracts that assure its profit margins. The company currently reports "the Melbourne inner city residential market is strong", the company is in a strong financial position and the stockmarket is not placing a high valuation on these shares - so we continue to view them as a long term investment.

At A$2.25 the shares trade at a Price/Sales ratio of 1.02, a Price/Earnings ratio of 6.5 and offer a Dividend Yield of 7.1%. Although Central Equity has excess cash reserves and doesn't need to retain further cash, the company is currently distributing only 46.5% of its tax paid profits. The large cash holding suggests that the dividend could be increased further (or that Central Equity could pay special dividends, make a capital repayment or a share buy-back), while the high dividend cover indicates that the dividend could be maintained even if profits were to decline in the next property downturn. With pre-sales and fixed price construction, any property market downturn would take 18-24 months to show up in lower revenue and/or reduced profit margins.

**ERG** has announced a 47.2% increase in profits to A$20,345,000 (9.6 cents per share) from revenues up 12.2% to A$242.5 million. A final dividend of 1.5 cents will be paid, up 50.0% on last year.

The major Automated Fare Collection (AFC) contracts won over the last year were too late to contribute to the current result, but "are expected to contribute strongly to profit in the 2000 and 2001 years". Spending on Research & Development fell 46.8% to A$12.4 million.

Revenue in the AFC division rose 12.6% to A$166.1 million, with earnings (before interest and tax) up 83.9% to A$25.6 million. The Telecommunications division experienced a similar 10.1% rise in revenues, but earnings fell 42.1% to $3.6 million.

ERG and **Visa International** are to integrate their smart card systems. ERG's transit smart cards will be integrated with Visa's electronic purse, while Visa will introduce ERG's contact/contactless smart card technology. Both companies will produce smart cards and systems that comply with the *Common Electronic Purse Specifications* (CEPS) global standard which will allow all CEPS smart cards to be used on all CEPS payment systems.

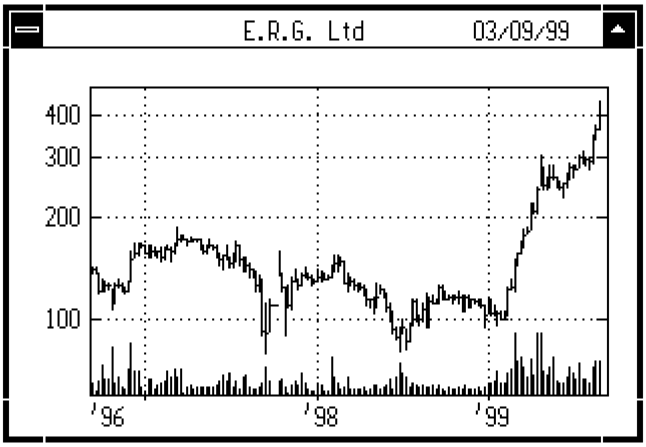
ERG and **Nokia** have extended their relationship under which ERG manufactures Nokia GSM base station equipment. ERG originally won a three year manufacturing contract in 1992, which has now been extended for a third three year term through to December 2001.

ERG has currently submitted, or is preparing, bids for another 13 AFC tenders and hopes to win half of these.

At A$4.00, ERG shares are looking expensive with a Price/Sales ratio of 3.50, a Price/Earnings ratio of 42 and a Dividend Yield of 0.4%. Revenues, profits and dividends will grow significantly as a result of the company's outstanding success at winning five major AFC contracts over the last year, so the share's fundamental statistics should improve considerably over the next few years! ERG has released performance forecasts for its AFC projects (in joint venture with **Motorola**) over the next three years generating total revenues of A$2,200 million and a gross profit of A$128.5 million.

Another way to evaluate "high technology" companies like **JNA Telecommunications**, ERG or **Vision Systems** is the Price/Research ratio - which compares the market value of the company with its annual expenditure on Research and Development. In the last year ERG spent A$12,390,00 (5.9 cents per share) on Research & Development (down 46.8% on 1998). So with the shares trading at A$4.00 the Price/Research Ratio is 67. Kenneth Fisher (*Super Stocks*, page 60) suggests (1) never buy a technology company at a P/R ratio of greater than 15, and (2) looking for companies on a P/R ratio of 5-10. ERG therefore looks to be expensive by this measure.

However, while ERG shares look expensive there is no sign of "insider" selling and the shares have a Relative Strength Rating of +39.4% and are ranked 4 (on a scale of 0-99). *Strong* shares often continue to outperform the stockmarket, so at this stage we are happy to "Hold" these shares and let our profits run.




**Hancock & Gore** have repurchased 172,779 shares on-market over the last two months, at prices between A$1.30 and A$1.40.

**PMP Communications** has reported just a 5.5% increase in profits to A$61,208,000 (24.2 cents per share) before an abnormal cost of A$4,148,000 involved in merging its Melbourne editorial operations with Sydney (which is expected to save A$1.5 million annually in operating costs). Revenues increased 5.1% to A$1,192.2 million. A final dividend of 10.0 cents will make a steady 20.4 cents for the year.

Revenue increased 5.1% to A$893.4 million in Media Production and 5.3% to A$293.9 million in Publishing, while Media earnings (before interest and tax) rose 10.5% to A$89.9 million but Publishing earnings fell 28.8% to A$33.2 million.

Next year's dividend is expected to carry only 50% franking credits which (while irrelevant to NZ investors) will make the shares less attractive to Australian investors.

PMP Communications shares have therefore fallen back to their earlier lows around A$2.70. At that price the shares trade on a Price/Sales ratio of just 0.34, a Price/Earnings ratio of 11.2 and a Dividend Yield of 7.6%. That makes the shares a "Buy" under the *Income* section of our *Comprehensive Share Selection Criteria* - or a low risk, high yielding under-valued share in a large company. Such *out of favour* shares should provide investors with a high income yield and a good capital gain when the shares are re-rated over the following few years.

PMP Communications was believed to have acquired the Australian business of **Gordon & Gotch** from NZ based **Independent Newspapers** in June at a price of less than four times operating cashflow. However, it has now been revealed that negotiations over price are still continuing. Apparently Gordon & Gotch has experienced a tough year with low profits - but Independent Newspapers needs to sell to raise cash to fund its recently increased (non-income producing) investment in **Sky TV Network**. With depressed profits last year, and an eager seller, PMP Communications will be acquiring the Gordon & Gotch businesses at a very favourable price!

**Thakral Holdings Group** has increased profits 16.4% to A$31,040,000 (5.6 cents per "stapled" unit) from revenue 4.1% higher at A$215.6 million. A final distribution up 18.5% to 3.2 cents will bring the annual payout to 5.8 cents (up 11.5%).

The expected downturn in the company's Hotel Investments (revenue up 1.2% to A$151.5 million but earnings down 3.0% to A$33.3 million) was more than offset by improvements in Retail & Commercial Investments (revenue up 6.1% to A$46.9 million and earnings up 7.7% to A$14.6 million) and Property Development (revenue up 51.1% to A$10.4 million and earnings up 54.7% to A$4.8 million) although other activities (revenue up 15.6% to A$5.5 million, but earnings down 22.0% to A$1.1 million) made a smaller contribution.

Thakral's 50,000m$^2$ of retail and commercial property investments (which are over 99% tenanted) are mainly associated with hotel properties. An additional 1,351m$^2$ of retail space was built at its **All Seasons Esplanade Hotel** in Cairns over the last year.

The company's small investments in residential property development have been very successful. All 12 southern townhouses at **Pacific Bay** have been sold (at an average of A$345,000 each) and another 11 will be completed by November. Construction of premium villas on the northern ridge of the Pacific Bay Resort is also proceeding and will be staged over the next few years to meet demand. The joint venture sub-division at **Glenwood** (Sydney) is nearing completion with all 163 sections sold (at an average price of A$138,000) and Thakral's share of the profits is expected to be over A$3 million. Thakral is involved in two other property development joint ventures - at **Newport on Pittwater** (seven residential and five commercial units, plus a 64 berth marina) and at the inner city Sydney suburb of **Newton** where construction and selling of Stage I (consisting of 225 residential units) has commenced.

Gaming activities are also making a valuable addition to the hotel business - contributing over A$2.5 million to gross profits over the last year.

Last year we received a large amount of cash in Australia from the management buyout of **Equitilink** and the takeover of **JNA Telecommunications**. After re-investing much of that money in Flight Centre, Toll Holdings and Vision Systems - and adding to existing shareholdings in a number of companies - we purchased Thakral Holdings as a "low risk, high yielding investment that should produce steady capital appreciation over the next 18-24 months". The shares were also attractive owing to significant *insider* buying, the impact of the 2000 Olympics on occupancy levels at the company's hotels (which are mainly in Sydney) and diversification into Residential Property Development and Gaming Lounges.

The steady revenue, profit and dividend growth reported above confirms Thakral as a low risk, high income investment that should continue to also offer the potential for capital appreciation over the next 12-18 months. Hold+.

**Toll Holdings** has increased its profits 124.0% in the year to June 30 to A$29,210,000 (51.1 cents per share) on revenue up 53.5% at A$1,328.6 million. The final dividend is being raised 50.0% to 12.0 cents, increasing the annual dividend rate 57.1% to 22.0 cents. *(Continued on Page 8)*

**Recommended Investments** *(Continued from Page 7)*

The last year has been a period of consolidation for the company which has focused on “capturing the benefits of recent acquisitions” and “driving shareholder value through higher returns on assets”. The company has also been “strategically positioning” itself for future growth - especially in the areas of rail and port privatisation and “purpose built property projects” providing warehousing and logistics to major customers.

Toll Holdings is undertaking a major restructuring of its unprofitable Refrigerated Roadways interstate operations. The business will focus on servicing only those customers that require rail services as well as key customers in the refrigerated and fresh produce market. Revenues from this division will reduce by 50%, staff numbers will drop 70% (and mainly be redeployed in other Toll Holdings businesses) with the reduced and restructured division expected to become profitable from the second quarter of the current financial year.

**Vision Systems** increased revenue by 19.7% to A$130.2 million in the year to June 30, but profits (after deducting the convertible preference dividend) fell 4.2% to A$6,890,000 (with earnings per share down 12.9% to 55.5 cents). The final dividend of 14.0 cents makes a 7.7% higher annual dividend rate of 28.0 cents.

The Fire & Security division increased revenue by 18.4% to A$58.1 million with earnings (before interest and tax) up 28.9% to A$8,838,000. The Technologies division increased revenue by 23.7% to A$45.5 million and earnings by 33.2% to $2,141,000. The Defence division experienced an 11.7% drop in revenue to A$31.6 million and a 66.3% fall in earnings to A$1,773,000.

Revenues and earnings from the Defence division are expected to recover strongly with:

(1) The four year, A$32 million Digital Hydrographic Database project (which started in May 1999, so had little impact on the last financial year but will have a “significant impact” on the current and future years).

(2) Two major contracts worth A$38 million won since June 30 and A$90 million of project bids awaiting decisions. This includes the Australian Army's NINOX Ground Surveillance Radar Project (where **Racal Australia** is the preferred tenderer for this contract worth over A$50 million - of which over A$30 million would be sub-contracted to Vision Systems).

(3) Growth from the company's Laser Airborne Depth Sounder (LADS) business. This generated revenue of A$4 million last year - but revenue of A$8 million is required to break-even. The last year has confirmed that the system works, customers have endorsed its quality and survey costs have been less than half of traditional ship based depth sounding methods. Major customers, however, are Governments departments which have slow approval processes. LADS is expected to make another loss this year (i.e. to June 2000) but Vision Systems expects revenues of A$20+ million and earnings of A$5 million in the June 2001 year. The system is being evaluated by the French Navy Hydrographic Service this month.

In the last year Vision Systems spent A$13,123,000 (A$1.06 per share) on Research & Development (up 78.3% on 1998). So with the shares trading at A$6.77 the Price/Research Ratio is 6.4 (see ERG for details of this statistic). On that basis, Vision Systems looks to be exceptionally good value.

By more traditional valuation methods, Vision Systems shares trade on a Price/Sales ratio of 0.65, a Price/Earnings ratio of 12.0 and a Dividend Yield of 4.1% - all of which suggest the shares offer good value (even before taking into account the company's target of better than 20% per annum growth in revenues and profits). Buy.

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# *Telstra's Secondary Share Offering*

The Australian Government is selling off more shares in **Telstra**. Should existing shareholders and other investors apply for shares?

Before answering that question, investors need to understand the difference between an *Initial Public Offering* (IPO) and a *Secondary Offering*. An IPO is where shares in a company are sold to the public for the first time. In this situation there is no existing market in the shares and no-one can be sure exactly what the *market* will determine the shares are worth. Therefore most IPO's are deliberately under-priced. This ensures that they are attractive to investors (and that the underwriter can collect the 2-3% underwriting commission without actually being required to buy any shares). It is also considered desirable that the shares trade on the market at a premium to the issue price - as this makes it easier for the company to possibly raise further money in a later cash issue (and encourages investors to buy the next IPO, making life easier for the organising broker and underwriter). Sometimes the organising broker will under-estimate the value of a company's shares - or the demand from investors - and the shares will list at a substantial premium to their issue price, or appreciate rapidly in value after listing.

A Secondary Offering is completely different! The shares are already trading on the stock exchange, so the *market* has already determined their value. So the market value of the shares to investors is already known (i.e. there will be no windfall gains from under estimating their value, or underestimating investor demand) and the vendor of the shares will also usually want to get a price close to market value. The shares, however, usually need to be sold at a slight discount to attract interest from investors (who could simply buy shares on the stockmarket through any broker). The most unfavourable factor of a secondary offering is that it increases the number of shares available to be traded on the market - bringing into play the basic economic principle that increasing *supply* will decrease price!

Telstra shares have actually weakened slightly over the last couple of months - which is probably this increased supply starting to *(Continued on Page 9)*

# 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 | Share Price | STRENGTH RATING Cur-rent | 4-Wk Chg. | Rank 0-99 | Brokers Following | Price to NTA | Return on Equity | Vola-tility | Price Earn. Ratio | Divi-dend Yield | Price Sales Ratio | Market Cap'n |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **UNDER-VALUED SHARES**: Lowest Price/Sales, Yld > 0, Rel Strength > 0 | | | | | | | | | | | | |
| East'n Equities | 70 | +7.6 | +7.2 | 26 | - | 0.7 | - | 1.4 | NE | 6.4 | 0.23 | 24 |
| PDL Holdings | 600 | +2.7 | +4.2 | 46 | 3 | 1.0 | 2 | 0.9 | 47 | 5.0 | 0.25 | 82 |
| Col Motor Co | 270 | +9.0 | +1.1 | 19 | - | 1.1 | 10 | 0.8 | 11 | 7.5 | 0.26 | 84 |
| Progressive Ent | 297 | +20.9 | +1.5 | 6 | 7 | 3.0 | 9 | 0.9 | 35 | 2.5 | 0.30 | 552 |
| Fruitfed Supp | 145 | +10.1 | -1.1 | 17 | - | 2.4 | 15 | 1.0 | 17 | 7.2 | 0.30 | 18 |
| Williams Kettle | 208 | +7.0 | -2.2 | 27 | - | 0.9 | 3 | 0.8 | 28 | 8.6 | 0.31 | 31 |
| Donaghys Ind | 140 | +3.4 | +1.2 | 43 | 1 | 0.8 | 7 | 0.9 | 10 | 8.5 | 0.37 | 43 |
| Mainfreight Grp | 159 | +6.5 | +0.0 | 30 | 7 | 2.6 | 15 | 1.1 | 17 | 5.2 | 0.40 | 11 |
| Reid Farmers | 64 | +3.8 | +2.1 | 41 | - | 1.0 | 11 | 1.2 | 9 | 10.5 | 0.48 | 36 |
| Air New Zealand | 270 | +6.8 | -4.5 | 27 | 11 | 0.8 | 7 | 0.9 | 11 | 7.4 | 0.50 | 1,530 |
| Restaurant Brds | 137 | +5.3 | -1.2 | 35 | 8 | 5.1 | 36 | 1.1 | 14 | 6.5 | 0.56 | 116 |
| A. Barnett Ltd | 118 | +0.1 | +0.5 | 61 | - | 0.6 | - | 1.0 | NE | 3.8 | 0.57 | 17 |
| CDL Hotel NZ | 34 | +2.8 | -1.0 | 46 | 5 | 0.6 | 3 | 2.0 | 17 | 3.3 | 0.57 | 119 |
| Cavalier Corp | 348 | +5.4 | -0.1 | 34 | 5 | 1.7 | 15 | 0.9 | 12 | 11.2 | 0.62 | 125 |
| Ceramco Corp | 140 | +9.3 | -2.6 | 19 | 5 | 1.1 | 6 | 1.1 | 19 | 5.3 | 0.65 | 59 |
| Dorchester Pac | 89 | +17.8 | +3.1 | 9 | - | 1.3 | 17 | 1.2 | 8 | 7.5 | 0.68 | 15 |
| Taylors Grp Ltd | 110 | +5.7 | -2.7 | 33 | 2 | 1.4 | 10 | 1.2 | 15 | 6.1 | 0.70 | 27 |
| Michael Hill | 340 | +8.8 | +0.7 | 20 | 3 | 4.1 | 27 | 0.8 | 15 | 5.0 | 0.83 | 131 |
| Colonial Ltd | 735 | +1.5 | +0.9 | 54 | - | 1.5 | 8 | 0.9 | 19 | 0.8 | 0.92 | 6,742 |
| Tourism Hold. | 276 | +26.7 | -1.9 | 4 | 9 | 1.7 | 11 | 0.9 | 16 | 2.7 | 0.92 | 156 |
| **BEST PERFORMING SHARES**: Strongest Shares, P/E < 20, P/S < 1.0 | | | | | | | | | | | | |
| Tourism Hold. | 276 | +26.7 | -1.9 | 4 | 9 | 1.7 | 11 | 0.8 | 16 | 2.7 | 0.92 | 156 |
| Renaissance | 42 | +19.2 | -7.5 | 8 | - | 1.1 | 9 | 1.5 | 13 | Nil | 0.10 | 15 |
| Dorchester Pac | 89 | +17.8 | +3.1 | 9 | - | 1.3 | 17 | 1.0 | 8 | 7.5 | 0.68 | 15 |
| Fruitfed Supp | 145 | +10.1 | -1.1 | 17 | - | 2.4 | 15 | 0.9 | 17 | 7.2 | 0.30 | 18 |
| Ceramco Corp | 140 | +9.3 | -2.6 | 19 | 5 | 1.1 | 6 | 0.9 | 19 | 5.3 | 0.65 | 59 |
| Col Motor Co | 270 | +9.0 | +1.1 | 19 | - | 1.1 | 10 | 0.7 | 11 | 7.5 | 0.26 | 84 |
| Michael Hill | 340 | +8.8 | +0.7 | 20 | 3 | 4.1 | 27 | 0.7 | 15 | 5.0 | 0.83 | 131 |
| Air New Zealand | 270 | +6.8 | -4.5 | 27 | 11 | 0.8 | 7 | 0.8 | 11 | 7.4 | 0.50 | 1,530 |
| Mainfreight Grp | 159 | +6.5 | +0.0 | 30 | 7 | 2.6 | 15 | 0.9 | 17 | 5.2 | 0.40 | 11 |
| Taylors Grp Ltd | 110 | +5.7 | -2.7 | 33 | 2 | 1.4 | 10 | 1.0 | 15 | 6.1 | 0.70 | 27 |
| Cavalier Corp | 348 | +5.4 | -0.1 | 34 | 5 | 1.7 | 15 | 0.8 | 12 | 11.2 | 0.62 | 125 |
| Restaurant Brds | 137 | +5.3 | -1.2 | 35 | 8 | 5.1 | 36 | 0.9 | 14 | 6.5 | 0.56 | 116 |
| Reid Farmers | 64 | +3.8 | +2.1 | 41 | - | 1.0 | 11 | 1.0 | 9 | 10.5 | 0.48 | 36 |
| Donaghys Ind | 140 | +3.4 | +1.2 | 43 | 1 | 0.8 | 7 | 0.7 | 10 | 8.5 | 0.37 | 43 |
| CDL Hotel NZ | 34 | +2.8 | -1.0 | 46 | 5 | 0.6 | 3 | 1.6 | 17 | 3.3 | 0.57 | 119 |
| Corp Invest Ltd | 96 | +2.3 | +3.3 | 49 | 8 | 1.7 | 10 | 1.2 | 17 | 4.7 | 0.96 | 412 |
| Kingsgate Int'l | 18 | +1.8 | -1.8 | 52 | - | 0.5 | 4 | 1.7 | 12 | Nil | 0.79 | 69 |
| Colonial Ltd | 735 | +1.5 | +0.9 | 54 | - | 1.5 | 8 | 0.8 | 19 | 0.8 | 0.92 | 6,742 |

| Company | Share Price | STRENGTH RATING Cur-rent | 4-Wk Chg. | Rank 0-99 | Brokers Following | Price to NTA | Return on Equity | Vola-tility | Price Earn. Ratio | Divi-dend Yield | Price Sales Ratio | Market Cap'n |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME SHARES**: Highest Yields, Capitalisation > NZ$100 million | | | | | | | | | | | | |
| Cavalier Corp | 348 | +5.4 | -0.1 | 34 | 5 | 1.7 | 15 | 0.8 | 12 | 11.2 | 0.62 | 125 |
| DB Group | 230 | -5.6 | +1.0 | 87 | 9 | 1.0 | 11 | 0.7 | 9 | 10.4 | 0.35 | 232 |
| Brierley Invest | 44 | -4.5 | -2.1 | 84 | 8 | 0.5 | - | 1.0 | NE | 10.2 | 0.46 | 1,314 |
| Hallenstein G. | 234 | -1.3 | -1.8 | 68 | 7 | 4.1 | 29 | 0.8 | 14 | 10.2 | 0.89 | 136 |
| Sky City Ltd | 770 | +3.9 | -1.0 | 41 | 8 | 5.0 | 31 | 0.7 | 16 | 8.3 | 2.88 | 755 |
| Tranz Rail Hold | 308 | -9.2 | +0.5 | 94 | 9 | 0.8 | 15 | 0.7 | 5 | 8.2 | 0.65 | 372 |
| Telecom Corp | 863 | -1.9 | +1.0 | 73 | 13 | 13.9 | 76 | 0.6 | 18 | 8.0 | 4.41 | 15,127 |
| NZ Refining Co | 1300 | -6.4 | -1.3 | 91 | 5 | 2.1 | 16 | 0.4 | 13 | 7.7 | 1.28 | 312 |
| Natural Gas | 195 | +4.8 | +3.1 | 37 | 8 | 1.5 | 9 | 0.8 | 17 | 7.7 | 2.33 | 769 |
| Steel & Tube | 161 | -1.9 | -0.8 | 73 | 8 | 1.2 | 9 | 0.9 | 14 | 7.4 | 0.42 | 142 |
| **OVER-VALUED SHARES**: Highest Price/Sales Ratios, Relative Strength < 0 | | | | | | | | | | | | |
| Telecom Corp | 863 | -1.9 | +1.0 | 73 | 13 | 13.9 | 76 | 0.6 | 18 | 8.0 | 4.41 | 15,127 |
| Ports Auckland | 493 | -8.1 | +0.2 | 92 | 8 | 2.8 | 14 | 0.6 | 20 | 5.4 | 4.25 | 653 |
| National Mutual | 290 | -5.7 | +0.4 | 88 | - | 1.0 | 7 | 0.8 | 15 | 3.7 | 3.23 | 5,043 |
| Force Corp. | 63 | -0.6 | +0.8 | 64 | 4 | 1.6 | 13 | 1.1 | 12 | 9.5 | 3.06 | 98 |
| SE Utilities | 88 | -1.5 | +0.6 | 70 | - | 0.8 | 7 | 0.8 | 12 | 6.8 | 2.19 | 53 |
| **WORST PERFORMING SHARES**: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average | | | | | | | | | | | | |
| Spectrum Res. | 11 | -48.7 | +0.0 | 98 | - | 2.2 | - | 1.6 | NE | Nil | N/A | 3 |
| Otter Gold Mine | 80 | -11.1 | +0.9 | 97 | - | 0.6 | 17 | 0.8 | 4 | Nil | 0.51 | 37 |
| Damba Hold Ltd | 61 | -10.9 | +3.8 | 96 | - | 0.7 | - | 0.5 | NE | Nil | 0.72 | 11 |
| Trans-Tasman | 32 | -9.4 | -1.6 | 95 | 6 | 0.3 | - | 1.4 | NE | Nil | 1.08 | 116 |
| Summit Gold Ltd | 10 | -9.2 | -3.2 | 95 | - | 1.6 | - | 1.9 | NE | Nil | N/A | 9 |
| Tranz Rail Hold | 308 | -9.2 | +0.5 | 94 | 9 | 0.8 | 15 | 0.7 | 5 | 8.2 | 0.65 | 372 |
| Metro. LifeCare | 183 | -8.1 | +0.5 | 93 | 2 | 1.5 | 9 | 1.0 | 17 | 4.9 | 1.78 | 113 |
| Ports Auckland | 493 | -8.1 | +0.2 | 92 | 8 | 2.8 | 14 | 0.6 | 20 | 5.4 | 4.25 | 653 |
| NZ Refining Co | 1300 | -6.4 | -1.3 | 91 | 5 | 2.1 | 16 | 0.4 | 13 | 7.7 | 1.28 | 312 |
| Tag Pacific Ltd | 13 | -6.1 | -0.2 | 90 | - | 0.4 | 4 | 1.5 | 10 | 5.4 | 0.29 | 6 |
| Apple Fields | 11 | -6.0 | -1.8 | 89 | - | 0.2 | - | 1.2 | NE | Nil | 1.44 | 3 |
| National Mutual | 290 | -5.7 | +0.4 | 88 | - | 1.0 | 7 | 0.8 | 15 | 3.7 | 3.23 | 5,043 |
| Goodman Fielder | 174 | -4.8 | +0.9 | 86 | - | 1.4 | 10 | 0.5 | 14 | 5.1 | 0.60 | 2,204 |
| Nobilo Wines | 90 | -4.7 | +2.2 | 85 | 1 | 1.5 | 7 | 0.8 | 20 | 5.0 | 0.78 | 39 |
| AMP Limited | 1922 | -4.7 | -0.3 | 84 | - | 2.0 | 12 | 0.7 | 17 | 1.1 | 0.69 | 20,692 |
| Fernz Corp Ltd | 450 | -4.3 | -3.5 | 83 | 8 | 1.6 | 14 | 0.7 | 11 | 5.6 | 0.48 | 677 |
| Contact Energy | 319 | -3.8 | -1.0 | 82 | 6 | - | - | 0.7 | 30 | 4.1 | N/A | 1,927 |
| Max Resources | 13 | -3.5 | +0.7 | 80 | - | 0.4 | - | 1.5 | NE | Nil | N/A | 5 |
| Fisher & Paykel | 570 | -3.2 | -0.6 | 79 | 8 | 1.8 | 9 | 0.6 | 19 | 4.7 | 0.87 | 670 |
| AMP NZ Office | 92 | -3.1 | -0.9 | 78 | 6 | 1.5 | 13 | 0.7 | 12 | 8.4 | 6.58 | 230 |

**Telstra** *(Continued from Page 8)*

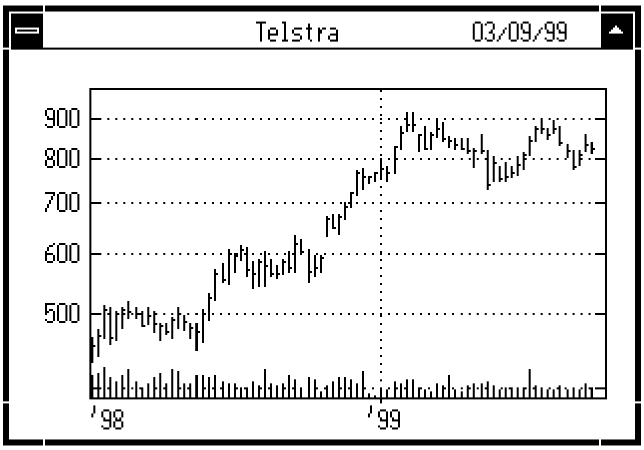
impact on price. For example, existing shareholders not wanting to increase their holding may sell some shares on the market now, expecting to be able to buy them back more cheaply from the Government. In fact, no small part of Telstra's strong performance since the IPO is the "scarcity value" which will be removed by the Government's sale of more shares.

The pricing of the Telstra secondary offering has not yet been decided - although the Australian Government has hinted that it will not be offering a significant discount *nor* will the price be payable in instalments.

Despite this, apparently 1.2 million existing shareholders and 1.8 million other Australians have registered an interest in the Telstra secondary offering. That interest *may* be in anticipation that the Government will sell at a favourable price or on favourable terms. If that is not the case, then many of those 1.8 million new investors may not actually seek to buy shares.

**Summary and Recommendation**

It is certainly worth existing shareholders indicating an *interest* in the Telstra secondary offering - and taking up their entitlement if offered a favourable price or favourable payment terms. At the same time, investors should seriously be considering taking some profits or even completely selling out of this company. Once all the hype associated with marketing the secondary offering has ended there will be a lot more Telstra shares around and the price will be vulnerable to a decline or a period of under-performance.



# 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 | Share Price | STRENGTH RATING Cur-rent | 4-Wk Chg. | Rank 0-99 | Insider Buy-Sell | Brokers Following | Price to NTA | Return on Equity | Vola-til-ity | Price Earn. Ratio | Divi-dend Yield | Price Sales Ratio | Market Cap'n |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **OVER-VALUED SHARES**: Highest Price/Sales Ratios, Relative Strength < 0 | | | | | | | | | | | | | |
| Bougainville Co | 21 | -2.4 | +2.6 | 63 | 0-0 | - | - | - | 1.4 | 14 | Nil | 8.94 | 84 |
| Medical Innovat | 37 | -4.8 | +4.2 | 71 | 0-0 | - | - | - | 1.2 | 17 | Nil | 8.55 | 11 |
| Tyndall Prop Tr | 38 | -0.8 | -0.8 | 53 | 0-0 | - | 0.8 | 5 | 1.2 | 14 | 7.3 | 8.17 | 41 |
| Lion Selection | 67 | -3.0 | -0.7 | 65 | 1-0 | - | 0.7 | - | 1.0 | NE | Nil | 7.71 | 67 |
| Aust Infra. | 212 | -0.4 | -0.9 | 51 | 0-0 | 4 | 0.9 | 10 | 0.8 | 9 | 7.5 | 7.55 | 294 |
| Petroz NL | 47 | -10.3 | +1.3 | 84 | 2-0 | 6 | 0.9 | 2 | 1.1 | 39 | Nil | 7.33 | 91 |
| Geo2 Limited | 20 | -7.1 | -0.4 | 77 | 0-0 | - | 10.0 | - | 1.4 | NE | Nil | 7.30 | 22 |
| Julia Mines | 8 | -2.1 | +9.8 | 61 | 0-0 | - | - | - | 2.0 | NE | Nil | 7.27 | 7 |
| Cinimagic Ltd | 11 | -6.4 | -5.7 | 75 | 0-0 | - | 1.3 | - | 1.8 | NE | Nil | 7.05 | 23 |
| Strategic Poole | 17 | -18.6 | -6.3 | 94 | 0-0 | - | 0.5 | - | 1.5 | NE | Nil | 6.87 | 12 |
| Quantum Res. | 12 | -28.0 | -0.7 | 98 | 0-0 | - | - | - | 1.8 | NE | Nil | 6.51 | 20 |
| Data Advantage | 402 | -2.4 | -0.7 | 62 | 0-0 | 5 | 23.6 | 50 | 0.7 | 47 | 1.2 | 6.43 | 399 |
| Peptide Tech. | 59 | -1.2 | +1.9 | 56 | 0-0 | 1 | 11.8 | - | 1.0 | NE | Nil | 6.12 | 82 |
| Aust Tourism | 65 | -0.1 | +0.0 | 49 | 0-0 | - | 0.9 | 6 | 1.0 | 15 | 10.8 | 6.07 | 136 |
| Tap Oil | 76 | -1.9 | +3.2 | 59 | 0-0 | 5 | - | - | 1.0 | 28 | Nil | 6.07 | 100 |
| Sea World PT | 78 | -5.9 | -0.3 | 73 | 0-0 | 1 | 0.7 | 7 | 1.0 | 10 | 9.2 | 5.77 | 162 |
| Investment Coy | 240 | -3.9 | -0.6 | 67 | 0-0 | - | 0.7 | 5 | 0.8 | 15 | 5.7 | 5.72 | 50 |
| Telco Australia | 37 | -6.2 | -3.4 | 74 | 0-0 | - | 9.3 | 26 | 1.2 | 35 | 1.4 | 5.61 | 28 |
| Tectonic Res. | 10 | -6.5 | +5.8 | 75 | 0-0 | - | - | - | 1.9 | NE | Nil | 5.28 | 12 |
| Sydney Aquarium | 419 | -1.0 | +0.5 | 55 | 0-0 | 6 | 5.7 | 29 | 0.7 | 20 | 5.0 | 4.90 | 91 |
| Illuka Resource | 388 | -0.9 | +3.4 | 54 | 2-0 | 9 | 9.9 | 25 | 0.7 | 39 | 4.6 | 4.80 | 864 |
| Innerhadden | 31 | -6.6 | -1.3 | 75 | 0-0 | - | 0.5 | - | 1.2 | NE | Nil | 4.40 | 13 |
| Dominion Mining | 37 | -2.4 | -0.1 | 63 | 1-0 | - | - | - | 1.2 | NE | Nil | 4.39 | 25 |
| Div. United Inv | 142 | -0.1 | -1.3 | 49 | 3-1 | - | 0.9 | 4 | 0.8 | 21 | 4.0 | 4.30 | 106 |
| Climax Mining | 12 | -21.0 | -1.0 | 96 | 0-0 | - | - | - | 1.7 | NE | Nil | 4.27 | 11 |
| Carillon Dev. | 145 | -4.4 | +0.2 | 69 | 0-0 | - | 0.5 | 4 | 0.8 | 13 | 4.8 | 4.24 | 35 |
| Alamain Invest. | 10 | -6.7 | +15.2 | 76 | 0-0 | - | 1.1 | 0 | 1.9 | 714 | Nil | 4.08 | 7 |
| Lihir Gold | 123 | -12.9 | +2.7 | 89 | 0-0 | 13 | - | - | 0.9 | 171 | Nil | 3.87 | 1,159 |
| Oil Coy of Aust | 202 | -2.4 | +0.6 | 62 | 0-0 | - | - | - | 0.8 | 16 | 2.5 | 3.84 | 238 |
| Entertain't Wld | 41 | -4.4 | -2.7 | 69 | 0-0 | - | - | - | 1.2 | NE | Nil | 3.83 | 10 |
| Charter Towers | 11 | -6.7 | +1.8 | 76 | 0-0 | - | - | - | 1.8 | 2 | Nil | 3.63 | 27 |
| Metals Explor. | 53 | -0.0 | -0.7 | 48 | 0-0 | - | 8.8 | - | 1.1 | NE | Nil | 3.59 | 9 |
| Bligh Ventures | 85 | -17.9 | -2.6 | 94 | 0-0 | - | 0.7 | 4 | 0.9 | 16 | Nil | 3.43 | 6 |
| Pipers Brook | 275 | -0.1 | -1.0 | 49 | 0-0 | 1 | 1.8 | 2 | 0.7 | 71 | 0.7 | 3.41 | 34 |
| Orogen Minerals | 185 | -0.8 | +1.3 | 53 | 0-0 | 6 | - | - | 0.8 | 14 | 3.5 | 3.35 | 594 |
| Huntley Invest | 52 | -0.2 | +0.3 | 50 | 0-0 | - | 0.8 | 16 | 1.1 | 5 | 4.8 | 3.25 | 22 |
| Nat'l Mutual | 236 | -7.8 | +0.6 | 79 | 0-0 | 13 | 1.3 | 6 | 0.8 | 20 | 3.7 | 3.12 | 4,159 |
| Tabcorp Holding | 1100 | -0.4 | -0.1 | 51 | 0-1 | 13 | 4.5 | 19 | 0.6 | 23 | 3.9 | 3.09 | 3,348 |
| Bank of Q'land | 570 | -1.0 | -1.6 | 55 | 1-0 | 11 | 2.3 | 11 | 0.7 | 20 | 4.2 | 3.04 | 330 |
| Cinema Plus | 78 | -15.3 | +1.4 | 92 | 0-0 | 5 | 2.1 | 25 | 1.0 | 8 | 4.9 | 2.96 | 59 |
| Orbital Engine | 60 | -4.8 | +6.8 | 70 | 3-1 | - | - | - | 1.0 | NE | Nil | 2.95 | 194 |
| Adsteam Marine | 265 | -2.5 | -0.7 | 63 | 0-0 | 8 | 8.0 | 65 | 0.7 | 12 | 5.3 | 2.87 | 212 |
| Energy Equity | 29 | -8.4 | +1.7 | 80 | 0-0 | 3 | 0.5 | 2 | 1.3 | 29 | Nil | 2.83 | 93 |
| Queensl'd Metal | 61 | -2.1 | -0.1 | 60 | 0-0 | 4 | - | - | 1.0 | NE | Nil | 2.82 | 156 |
| China Cons | 21 | -0.9 | -0.0 | 54 | 0-0 | - | 0.4 | 13 | 1.4 | 3 | Nil | 2.73 | 106 |
| Formida Holding | 112 | -30.6 | +1.2 | 99 | 0-0 | - | - | - | 0.9 | NE | Nil | 2.71 | 11 |
| Gold Mines Sard | 39 | -11.9 | -2.2 | 87 | 0-0 | - | 3.0 | - | 1.2 | NE | Nil | 2.68 | 77 |
| Magellan Petrol | 150 | -0.5 | +0.2 | 52 | 1-0 | - | - | - | 0.8 | 13 | 6.7 | 2.60 | 36 |
| Guinness Peat | 127 | -5.6 | -0.1 | 73 | 0-0 | - | - | - | 0.9 | 11 | 0.4 | 2.51 | 591 |
| Bass Strait Oil | 336 | -5.7 | -0.8 | 73 | 0-0 | - | 0.8 | 8 | 0.7 | 9 | 7.9 | 2.51 | 148 |
| **WORST PERFORMING SHARES**: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average | | | | | | | | | | | | | |
| Diamond Rose | 5 | -35.5 | -3.7 | 99 | 0-0 | - | - | - | 2.3 | NE | Nil | N/A | 7 |
| Vengold | 15 | -33.9 | -13.2 | 99 | 0-0 | - | - | - | 1.5 | NE | Nil | N/A | 21 |
| Liberty One | 95 | -31.1 | +1.9 | 99 | 0-0 | 1 | 6.3 | - | 0.9 | NE | Nil | N/A | 204 |
| Formida Holding | 112 | -30.6 | +1.2 | 99 | 0-0 | - | - | - | 0.9 | NE | Nil | 2.71 | 11 |
| Viagold Capital | 7 | -29.6 | -5.7 | 98 | 0-0 | - | 1.0 | - | 2.0 | 1 | Nil | N/A | 9 |
| Quantum Res. | 12 | -28.0 | -0.7 | 98 | 0-0 | - | - | - | 1.6 | NE | Nil | 6.51 | 20 |

| Company | Share Price | STRENGTH RATING Cur-rent | 4-Wk Chg. | Rank 0-99 | Insider Buy-Sell | Brokers Following | Price to NTA | Return on Equity | Vola-til-ity | Price Earn. Ratio | Divi-dend Yield | Price Sales Ratio | Market Cap'n |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Travel.com.au | 125 | -27.0 | -5.8 | 98 | 0-0 | - | - | - | 0.8 | NE | Nil | 0.68 | 28 |
| Diamin Res. | 42 | -26.9 | -8.8 | 98 | 0-1 | - | 20.8 | - | 1.1 | NE | Nil | 0.45 | 17 |
| Cadbury Sch. | 1050 | -26.9 | -5.0 | 98 | 0-0 | - | - | - | 0.6 | NE | 3.2 | N/A | 21,467 |
| Astro Mining NL | 29 | -26.0 | +0.9 | 97 | 0-0 | - | - | - | 1.2 | NE | Nil | N/A | 21 |
| Perseverance | 13 | -25.5 | +1.0 | 97 | 0-0 | 2 | - | - | 1.6 | 18 | Nil | 0.77 | 6 |
| AMX Resources | 13 | -24.8 | +0.9 | 97 | 2-1 | - | - | - | 1.6 | NE | Nil | N/A | 10 |
| Werrie Gold Ltd | 40 | -23.1 | -0.2 | 97 | 0-1 | - | - | - | 1.1 | NE | Nil | N/A | 25 |
| Cobra Resources | 14 | -22.5 | +3.9 | 97 | 0-0 | - | - | - | 1.5 | NE | Nil | N/A | 7 |
| Climax Mining | 12 | -21.0 | -1.0 | 96 | 0-0 | - | - | - | 1.6 | NE | Nil | 4.27 | 11 |
| Golden Valley | 7 | -21.0 | -3.8 | 96 | 0-0 | - | - | - | 2.0 | NE | Nil | N/A | 6 |
| Aurora Gold | 53 | -20.8 | -4.1 | 96 | 0-0 | 11 | - | - | 1.0 | 6 | Nil | 0.59 | 85 |
| Centaur Mining | 21 | -20.6 | -3.2 | 96 | 0-0 | 7 | - | - | 1.3 | NE | Nil | 0.87 | 92 |
| Alkane Explor. | 15 | -20.4 | -1.9 | 96 | 0-0 | - | - | - | 1.5 | NE | Nil | N/A | 13 |
| Water Wheel | 180 | -19.7 | -7.2 | 95 | 0-0 | - | 1.0 | - | 0.8 | NE | 2.8 | 0.41 | 11 |
| Resolute Saman. | 57 | -19.6 | -3.0 | 95 | 0-0 | 13 | - | - | 1.0 | 49 | 3.5 | 0.57 | 111 |
| Lachlan Res. | 6 | -19.5 | -3.1 | 95 | 0-0 | - | - | - | 2.1 | NE | Nil | N/A | 20 |
| Sydney Oil Co | 3 | -19.4 | -0.1 | 95 | 0-0 | - | - | - | 2.8 | NE | Nil | N/A | 6 |
| Paladin Res. | 6 | -19.3 | +0.2 | 95 | 1-0 | - | - | - | 2.1 | NE | Nil | N/A | 6 |
| Ballarat Gold | 8 | -19.2 | +5.0 | 95 | 0-0 | - | - | - | 1.8 | NE | Nil | N/A | 8 |
| Tourism Leisure | 32 | -18.8 | +2.1 | 95 | 0-0 | - | 0.6 | - | 1.2 | NE | Nil | N/A | 6 |
| Menzies Gold NL | 8 | -18.7 | +1.5 | 94 | 0-0 | - | - | - | 1.9 | NE | Nil | N/A | 9 |
| Battle Mount Gl | 200 | -18.7 | -10.4 | 94 | 0-0 | - | - | - | 0.8 | NE | 3.1 | N/A | 163 |
| Capricorn Res. | 5 | -18.7 | +10.4 | 94 | 0-0 | - | - | - | 2.2 | NE | Nil | N/A | 7 |
| Strategic Poole | 17 | -18.6 | -6.3 | 94 | 0-0 | - | 0.5 | - | 1.4 | NE | Nil | 6.87 | 12 |
| City View | 90 | -18.2 | +4.8 | 94 | 0-0 | - | - | - | 0.9 | NE | Nil | N/A | 13 |
| Mineral Commod. | 9 | -18.1 | -0.2 | 94 | 0-0 | - | - | - | 1.8 | NE | Nil | N/A | 6 |
| Argosy Minerals | 20 | -18.0 | -1.6 | 94 | 0-0 | - | 4.0 | - | 1.4 | NE | Nil | N/A | 18 |
| Amrad Corp. | 98 | -18.0 | -0.8 | 94 | 1-0 | 2 | 1.5 | - | 0.9 | NE | Nil | 0.76 | 114 |
| Bligh Ventures | 85 | -17.9 | -2.6 | 94 | 0-0 | - | 0.7 | 4 | 0.9 | 16 | Nil | 3.43 | 6 |
| Ranger Minerals | 226 | -17.9 | +0.2 | 94 | 2-5 | 8 | - | - | 0.7 | NE | Nil | N/A | 152 |
| Bligh Oil & Min | 15 | -17.6 | +1.5 | 94 | 0-0 | - | - | - | 1.5 | NE | Nil | 0.94 | 19 |
| Preston Resourc | 68 | -17.4 | -2.4 | 93 | 1-0 | 1 | - | - | 1.0 | NE | Nil | N/A | 44 |
| Cardia Tech. | 26 | -17.3 | +4.3 | 93 | 0-0 | - | - | - | 1.2 | NE | Nil | N/A | 10 |
| Pan Australian | 7 | -17.1 | +0.2 | 93 | 0-0 | - | - | - | 2.0 | NE | Nil | N/A | 6 |
| Axiom Property | 6 | -15.8 | +2.7 | 92 | 0-0 | - | 0.4 | - | 2.1 | NE | Nil | 0.43 | 10 |
| Pacific Matrix | 2 | -15.6 | +2.2 | 92 | 0-0 | - | 0.3 | - | 3.4 | NE | Nil | N/A | 7 |
| Macmin NL | 4 | -15.5 | +2.0 | 92 | 0-2 | - | - | - | 2.4 | NE | Nil | N/A | 6 |
| Scanbox AsiaPac | 27 | -15.3 | -0.5 | 92 | 0-0 | 1 | 0.6 | 31 | 1.2 | 2 | Nil | 0.56 | 5 |
| MTM Office Trt | 63 | -15.0 | -1.0 | 92 | 0-0 | - | - | - | 1.0 | NE | Nil | N/A | 52 |
| Lakes Oil NL | 2 | -14.8 | +3.3 | 91 | 2-1 | - | - | - | 3.7 | NE | Nil | N/A | 6 |
| Metex Resources | 10 | -14.7 | -0.1 | 91 | 0-2 | - | 0.5 | - | 1.7 | NE | Nil | N/A | 7 |
| First Aust Res. | 10 | -14.6 | -0.0 | 91 | 0-1 | - | - | - | 1.8 | NE | Nil | N/A | 9 |
| Formulab Neuro. | 2 | -14.5 | +2.2 | 91 | 0-0 | - | 1.9 | - | 3.5 | NE | Nil | 0.36 | 7 |
| Sthn Star | 90 | -14.4 | +1.1 | 91 | 1-0 | 3 | 4.1 | 25 | 0.9 | 16 | 3.9 | 0.61 | 89 |
| **INSIDER SELLING**: Most Insider Selling, Relative Strength < 0 | | | | | | | | | | | | | |
| Gindalbie Gold | 15 | -7.0 | -11.5 | 76 | 0-4 | - | - | - | 1.4 | NE | Nil | N/A | 7 |
| Precious Metals | 34 | -10.1 | +0.4 | 83 | 0-3 | - | - | - | 1.1 | NE | Nil | 1.63 | 31 |
| Ranger Minerals | 226 | -17.9 | +0.2 | 94 | 2-5 | 8 | - | - | 0.7 | NE | Nil | N/A | 152 |
| Buderim Ginger | 79 | -6.3 | +0.1 | 74 | 0-2 | - | 1.0 | 4 | 0.9 | 23 | 5.1 | 0.64 | 17 |
| MacMahon Hold | 34 | -8.8 | +1.5 | 81 | 0-2 | 7 | 0.6 | 10 | 1.1 | 6 | 10.4 | 0.11 | 53 |
| Sun Resources | 12 | -10.0 | +1.5 | 83 | 0-2 | - | - | - | 1.6 | NE | Nil | N/A | 7 |
| Montague Gold | 3 | -20.9 | -0.3 | 96 | 0-2 | - | - | - | 2.5 | NE | Nil | N/A | 5 |
| Eastern Gold | 8 | -19.9 | -5.7 | 95 | 0-2 | - | - | - | 1.8 | 4 | Nil | N/A | 5 |
| Eco-Air Ltd | 43 | -2.9 | -2.4 | 64 | 0-2 | - | 14.3 | - | 1.0 | NE | Nil | 0.13 | 4 |
| Macmin NL | 4 | -15.5 | +2.0 | 92 | 0-2 | - | - | - | 2.3 | NE | Nil | N/A | 6 |
| Metex Resources | 10 | -14.7 | -0.1 | 91 | 0-2 | - | 0.5 | - | 1.6 | NE | Nil | N/A | 7 |
| Scientific Serv | 35 | -12.4 | +1.5 | 88 | 0-2 | 1 | 2.3 | 19 | 1.1 | 12 | 7.1 | 0.37 | 28 |
| Aust Resources | 23 | -1.5 | +0.3 | 57 | 0-2 | 2 | - | - | 1.2 | 9 | Nil | 0.34 | 69 |

# NZ Brokers on the Internet

**Access Brokerage** (www.access-brokerage.co.nz) and **Direct Broking** (www.direct-broking.co.nz) have both recently launched internet share services - with significantly lower brokerage rates.

**Direct Broking** is charging investors a low 0.7% brokerage for internet trades in NZ shares (minimum NZ$20 plus $4 trade fee) and Australian shares (minimum A$50), while **Access Brokerage** has a very new internet service where investors can buy and sell only NZ shares at a very competitive flat rate of NZ$29.50 per trade (and *no* trade fee), regardless of value. Regular (i.e. via telephone) NZ brokerage rates start at 1.25% at Direct and 1.4% at Access.

With both internet services you need to maintain a cash management account with the broker and have funds available before placing a buy order.

Access also offers its internet customers *real time* quotes and an on-line portfolio management program. Both brokers offer the current day's Company Announcements made to the NZ Stock Exchange.

# Australian Company Analysis: Mount Burgess Gold Mining

**Mt Burgess Gold Mining Company NL** (MTB) appeared in the *Insider Buying* section of our *Comprehensive Share Selection Criteria* last month with six insider buyers and no sellers over the last year. Over the last month, insiders have made five further purchases of shares! What's going on here that makes the company so attractive that its directors are actively buying shares?

**Asset Sale Nets A$14.0 million**

The most significant event at Mt Burgess Gold recently was the sale of its 50% share in the **Butcher Well Gold Joint Venture** for A$14.0 million in cash (plus the company retains a 2-3½% royalty of any gold production above a certain level). Mt Burgess Gold has an issued capital of 110,566,135 shares, so this A$14.0 million cash equals 12.7 cents per share - which is only slightly less than the 13 cents market price of the shares!

**Current Business**

Despite its name, Mt Burgess Gold Mining is not currently involved in "gold mining" but *gold, base metal and diamond exploration*. The company has several valuable exploration interests including:

**Telfer Gold Project**. This comprises 510km$^2$ of tenements located around **Newcrest Mining**'s Telfer mine (which has produced five million ounces of gold since 1977). **Normandy Gold** is funding exploration, and will spend up to A$5 million before February 2002 to earn up to a 51% interest (reducing Mt Burgess Gold's interest to 49%). Exploration results to date are described as "only preliminary" but "encouraging". Some samples have shown high grade gold, as well as base metals. Mt Burgess Gold and Normandy believe that "the potential for the discovery of major metal deposits in the area is considerable".

**Tabletop Project**. Mt Burgess Gold has applied for six exploration licences covering 120km$^2$. This region is considered highly prospective for gold, base metal and platinum group metals as well as diamonds.

**Broadhurst Project**. Mt Burgess Gold holds one exploration licence and has applied for two other licences and four mining leases, covering a total area of 180km$^2$. These surround the large, low-grade **Maroochydore** copper deposit and Mt Burgess Gold is searching for gold and base metals.

**Tay Project**. Exploration for sulphide nickel gold deposits over a 740km$^2$ area.

**Tsumkwe, Namibia**. Mt Burgess Gold can earn up to a 75% interest in this 2000km$^2$ "highly prospective" diamond exploration project in north-eastern Namibia, near the Botswana border.

**Strong Financial Position**

Following the sale of the Butcher Well Joint Venture, Mt Burgess Gold holds A$14 million in cash and is debt free. The company has no income (although will now start to earn interest) and is currently spending around A$1.5 million per year on exploration.

**Insider Buying**

The sale of the Butcher Well Joint Venture was announced in late May and a month later director NR Forrester started actively buying Mt Burgess Gold shares on the market. NR Forrester has made eight purchases over the last three months, acquiring a total 3,080,370 shares at prices from 9-12 cents per share. This lifts his total shareholding to 9,678,275 shares (8.8% of the company). Three other directors have also bought shares: JJ Moore purchase 100,000 shares (raising his holding to 650,000 shares) in mid July, as did CB Jones who bought 115,300 shares (bringing his shareholding to 352,300 shares). In August, GE Taylor purchased 222,112 shares to build his investment up to a total of 1,947,339 shares (1.8% of the company).

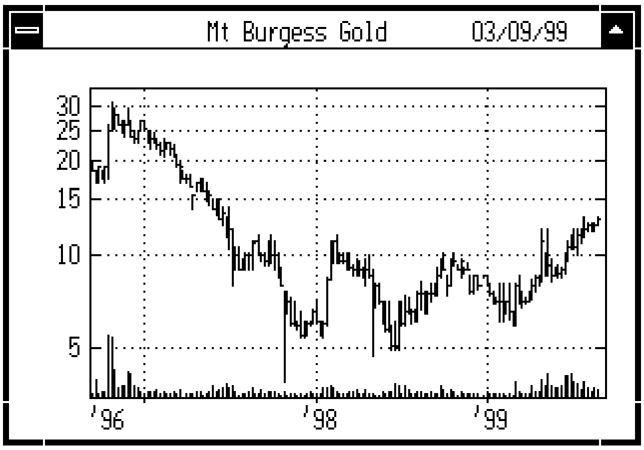
**Share Buy-Back**

Not only are directors buying shares, but the company has recently announced a share buy-back that will see it re-purchase up to 11,000,000 shares (9.95% of its capital) on the stockmarket over the next six months.

**Summary and Recommendation**

Eleven insider buys from four different directors is about the strongest *buy recommendation* that investors will ever get from a company's directors! The recently announced on-market share buy back is further evidence that the directors consider the shares to be under-valued - and will tend to support the share price (reducing the risk that the shares decline in value). Finally, with a cash backing of 12.7 cents per share, Mt Burgess Gold shares certainly do look under-valued at just 13 cents.

While we are <u>not</u> formally recommending Mt Burgess Gold, we believe that these shares are a very attractive *speculative* investment - suitable for investors prepared to accept the risks involved in *very small* companies and mineral exploration. We would look for the shares to rise to 20-30 cents over the next 6-12 months.



# *Why Invest in the New Zealand Stockmarket?*

Subscribers continue to write in asking why we recommend investing about 40% of portfolios in New Zealand shares (and 20% in Australia and 40% internationally) when the NZ stockmarket has underperformed stockmarkets like Australia and the United States.

This spread is, of course, just a suggestion. Some investors may have as little as 20% invested in NZ, while others may have 60-70% in NZ shares. While we feel that an approximate 40/20/40 split is appropriate (especially for investors aged 20-55 years) the most important principle is that investors diversify across several world stockmarkets.

### Why the NZ Stockmarket has Under-Performed

There are many possible reasons why the NZ stockmarket may have under-performed many other world stockmarkets over recent years. Some of these include:

1. *Mean Reversion* of stockmarket returns. The *very long term* returns of world stockmarkets tend to be very similar. So a period of particularly strong stockmarket returns is usually followed by a period of poor returns, and similarly a period of particularly poor returns is usually followed by a period of strong returns.

   The NZ stockmarket *outperformed* most world stockmarkets in the period from 1978-1987 - rising more than 12-fold in value in just nine years. So the under-performance over the last decade may simply be the result of the stockmarket's tendency to *mean reversion*.

   There are many examples of this tendency to *mean reversion*: The under-performance (i.e. a 90% decline) by Germany's stockmarket at the end of the Second World War - and its subsequent catch up with the United Kingdom and United States stockmarkets over the following 10-15 years. Another example would be the strong performance of the Japanese stockmarket through to December 1989 - and its subsequent under-performance over the last decade.

   Investors who point to *International Investor*'s strong gains from Asian stockmarkets should realise that those gains are a *mean reversion* from the huge falls from mid-1997 to mid-1998. The United States stockmarket has performed strongly since 1975 - so may face a period of low returns over the next 20-25 years!
2. Removal of Foreign Exchange Controls. Until March 1985, NZ investors were unable to take money overseas for investment, so were forced to invest 100% of their portfolios in NZ. Although *Market Analysis* recommended moving at least 30% of portfolios offshore in 1985 (which proved very profitable from 1987-1992), most NZ investors remained fully invested locally owing to the booming NZ stockmarket.

   Therefore the NZ stockmarket's under-performance since 1988 could be the result of NZ investors diversifying internationally. As a result, NZ investors would tend to be net sellers of NZ shares and net purchasers of international equities. This would tend to depress NZ share prices.
3. The NZ stockmarket is dominated by a small number of larger companies, many of which have performed poorly. The NZ stockmarket is *small*, with a large percentage of its total value in just a dozen companies. So one poorly performing large company in NZ will have a bigger impact on the share index than a single poorly performing large company in Australia, the UK or the US.

   NZ's 1980's stockmarket boom was built on an asset bubble of inflated stockmarket and property values. When that bubble burst a number of very large companies (e.g. Equiticorp, Chase) failed. Many that survived (e.g. Brierley) have been poorly managed or were burdened with massive debts (e.g. Lion Nathan). *Many* other large NZ companies are in low growth, low profitability *commodity* businesses (e.g. Carter Holt, the Fletcher companies).

   Commodity/resource companies have been bad investments in Australia recently but there are bigger and more diversified industrial and finance sectors which have boosted the share index. Lion Nathan, is a de facto Australian company - but makes up a very much smaller percentage of the Australian share index. All countries have had unsuccessful investment companies, but Brierley did make up a large percentage of the NZ index.

   The apparent under-perfomance of the NZ share index is therefore the result of *many unattractive large companies* and not because the economy is an unattractive place to be running a business.

   The good news, of course, is (1) investors didn't have to put their money in the shares of these large, unattractive companies, (2) a lot of medium sized and smaller companies have done very well (but are ignored by the index) and (3) there is no reason why a company based in NZ should be any less successful than a similar business based in Australia or the United States.

   Let's not blame an "under-performing NZ stockmarket" for what is really an *under-performing handful of larger NZ companies*.

### Why Invest about 40% of Portfolios in NZ Shares

Once again, there are many reasons for investing approximately 40% of investment portfolios in NZ:

1. Investor bias towards local investments. It is a simple fact that most people like to invest their money locally in companies that they know. NZ investors buy NZ shares, Australian investors buy Australian shares and United States investors buy US shares. Perhaps investors around the world

*should* all put 52% of their portfolio in the US, 11% in the UK, 11% in Japan, and so on, but very few people invest in that way.

[Editor's Note: Of course, investors who want to buy NZ shares subscribe to *Market Analysis* because it covers this stockmarket - but if this wasn't where I wanted to invest 40% of my own money then I wouldn't be in this business.]

2. Taxation. Income is an important investment objective for many investors - but even if your primary goal is *growth* it is important to diversify your portfolio and hold some *low risk, income* shares (as you need some *safe* investments before you can afford to risk other parts of your capital in emerging growth companies or smaller Asian stockmarkets!). NZ investors can claim a credit for income tax paid in NZ by NZ companies. So with imputation tax credits, dividend income earned from NZ shares is worth *49% more* than a similar yield from a foreign share where the investor will need to pay NZ tax on the dividend income.

   So the *income* shares portion of an investment portfolio should be (mainly) invested in NZ. This could make up 70% (or more) of shares held by a retired investor, and at least 20% of the portfolio held by investors whose primary goal is maximum capital growth (from Australian and international investments).

3. Minimising Volatility Risk. Small growth companies and small world stockmarkets offer the best potential for maximum capital appreciation - but can be very volatile and risky. Investing all of your portfolio in these volatile sectors is counter-productive. It is better to hold a diversified portfolio with part of the portfolio (and we suggest 40%) invested in lower risk investments. When small growth companies and small stockmarkets are booming, some of the gains can be "banked" into the lower risk NZ section of your portfolio. But if small growth companies and small stockmarkets plunge - then all is not lost and the sale of some of the lower risk NZ shares can enable you to re-build the foreign sections of your portfolio when prices are low.

   There are numerous examples of how our investment spread has helped us build investment wealth over the last couple of decades. Moving 30-40% of our portfolio offshore in 1985-86 helped avoid the worst of the 1987 stockmarket crash as NZ shares remained low but US shares (where we held most of our international investments at the time) recovered and grew very strongly from 1988 - 1992. In the early 1990's we cashed in some US investments and used that money to build up our holdings in NZ companies like Michael Hill, Owens Group, Radio Otago and Radio Pacific. In 1994, we started recommending Australian shares but suffered some large initial losses. Holding a well diversified portfolio enabled us to add to investments like Central Equity, ERG and JNA Telecommunications at low prices! During 1998 the secure wealth in our NZ and Australian shareholdings has enabled us to confidently add to Asian stockmarkets.

   Had we invested in just one of these markets, a downturn would have seriously eroded our investment wealth. That in turn would have forced us to invest "conservatively" instead of being able to buy aggressively while prices were low!

4. Minimising Exchange Rate Risk. Most investors measure the value of their portfolio in their local currency, so NZ investors will usually measure their investment wealth in NZ dollars. Holding a portion of your portfolio in NZ will remove at least part of the short term *risk* from fluctuations in the exchange rate.

   Alternatively, investors *could* seek to hedge their exchange *risks* - although this will lower long term returns (perhaps by as much as 1-3% per annum, especially as transaction costs are relatively high for private investors). Shares are a *real asset* and therefore a natural hedge against exchange rate movements - over the *medium to long term*. So investors should not seek to hedge their foreign exchange exposure which is already hedged (over the longer term). That still leaves investors with a short term *risk* owing to exchange fluctuations. We believe that the best way to deal with this is simply to reduce that exposure (by holding some portion in NZ investments) to a level of "comfort".

5. The NZ stockmarket offers good value. NZ shares offer good value compared with most other world stockmarkets. In NZ, Price/Earnings ratios are lower than on other world stockmarkets and Dividend Yields are higher. That indicates that NZ shares are under-valued and/or that many other world stockmarkets are over-valued. Needless to say, we seek to invest in under-valued situations and to avoid over-valued situations.

   Of the 43 stockmarkets covered in our *International Investor* newsletter, NZ is one of only five rated as *under-valued* (another eleven are rated as *fairly valued* and 27 are *over-valued*).

## Summary & Recommendation

We believe that the NZ stockmarket offers good value and - despite many unattractive larger companies that have held back the share index - offers many shares which are very attractive investments. Furthermore, NZ shares are a good source of investment income for retired investors, offering tax credits (which are not available from foreign shares) as well as protecting that income and investment capital from inflation.

As NZ is a small country with less than 150 listed companies the potential to find young, emerging growth companies is limited. Australia offers a ten times greater selection of companies. Growth companies, however, are risky and their share prices are volatile - so it is necessary to invest at least some proportion of a "growth portfolio" in lower risk NZ shares.

Similarly, before venturing into counter-cyclical investment in depressed world stockmarkets (e.g. buying Asian shares after their crisis) it is necessary to have some low risk investments at home! Asian stockmarkets fell about 90% in 1996-98, so investors who bought in after only an 80% decline lost half their investment before markets recovered. Investing 100% of a portfolio in these markets would exceed most investors level of "comfort" - resulting in *panic* selling when markets drop sharply. Having a substantial proportion of our total portfolio in relatively safe *(Continued on Page 14)*

**Why Invest in NZ?** *(Continued from Page 13)*

NZ shares gives us the confidence to take a *longer term perspective* - and not to panic with short term price fluctuations.

Finally, while the *NZ stockmarket* has lagged other world stockmarkets over many years, our *actual NZ investments* have *not* lagged behind the large gains earned in Australia and Asia over the last year! Led by Tourism Holdings (up 241% over the last twelve months), Radio Pacific (up 101%), Radio Otago (up 97%), Fruitfed (up 91%), Colonial Motors (up 70%), Michael Hill (up 70%), Air NZ (up 66%), PDL (up 50%), Cavalier (up 37%) and Nuplex (up 30%) plus some very large "special dividends", it has been a pretty successful twelve months for our NZ portfolio.

# *Current Issues*

## SHARE REPURCHASES

| | Price | Ratio |
|---|---|---|
| Horizon Energy (1) | 677 | 3:4 |

(1) Horizon will cancel 3 out of every 4 shares and repay 677 cents per share.

## CASH ISSUES

| | Ratio | Price | Ex-Date | Appln Date |
|---|---|---|---|---|
| National Property Tst (1) | 1:4 | 90 | 20-09 | - |
| Renaissance | 1:2 | 35 | 16-08 | 17-09 |
| Revesco (2) | 2:3 | 18 | 20-09 | 15-10 |
| Tourism Holdings (3) | - | - | - | - |
| Waste Management | 1:5 | 725 | 26-07 | 20-08 |

(1) Plus one option to buy a share at a 10% discount to market value on 31/5/2002
(2) Australian currency i.e. A$0.18.
(3) Tourism will *probably* make a 1:3 issue at $2.00.

## NEW ISSUES

| | Price | Date | EPS | DPS |
|---|---|---|---|---|
| Tower | 580-680 | 17-09 | 44.7 | 11.2 |
| Westpac "NZ Class" | - | - | - | - |

**Tower** will list on the NZ Stock Exchange after giving 53.1 million fully paid shares to parent company members, 42.7 million partly paid shares to subsidiary company members and issuing new shares to raise $350 million in new equity. Investors will be offered approximately 51.5-69.8 million new shares at a price to be set by institutional tender (probably in the price range of NZ$5.80-6.80). Tower members may elect to receive cash, with their shares included in the sale of shares to new public shareholders.

As a mutual company, Tower had used policyholders' money to buy subsidiary companies - so is now restructuring so that the parent company (owned by shareholders) will buy those subsidiaries with cash raised from the share of new shares and additional borrowings. Policyholders portfolios will sell the subsidiary companies (to the parent company) and use the cash received to build normal investment portfolios (holding fixed interest, share and property investments).

Based upon the company's forecast (and assuming the shares are priced between $5.80 and $6.80, and the company has full imputation tax credits) the Price/Earnings ratio will be 13.6-14.6 and the gross Dividend Yield 2.6-2.8% for the year to September 1999. That will improve slightly to a P/E of 12.9-13.9 and a gross Dividend Yield of 5.4-5.8% for the September 2000 financial year.

Profit growth is expected at around 3-5% per annum, so this is not a high growth business. The shares, however, appear to be fairly priced so look to be reasonably attractive within the expected $5.80-6.80 price range and may list at a small premium to their issue price.

# *"Neglect" Ratings of NZ Shares*

"Neglected" Shares = 1-6 Brokers, "Moderately Followed" Shares = 7-8 Brokers, "Widely Followed" Shares = 9 or more Brokers.

| Company | No. of Brokers Following Company | Market Capitalisation (NZ$ Mill.) |
|---|---|---|
| AMP NZ Office | 6 | 230 |
| Advantage HDS | 1 | 77 |
| Air New Zealand | 11 | 1,530 |
| Akd Int Airport | 10 | 1,256 |
| Baycorp Hold | 6 | 462 |
| Brierley Invest | 8 | 1,314 |
| CDL Hotel NZ | 5 | 119 |
| Carter Holt | 10 | 3,852 |
| Cavalier Corp | 5 | 125 |
| Ceramco Corp | 5 | 59 |
| Contact Energy | 6 | 1,927 |
| Corp Invest Ltd | 8 | 412 |
| DB Group | 9 | 232 |
| Donaghys Ind | 1 | 43 |
| FC - Paper | 11 | 866 |
| FC - Forests | 11 | 727 |
| FC - Energy | 10 | 1,619 |
| FC - Building | 9 | 872 |

| Company | No. of Brokers Following Company | Market Capitalisation (NZ$ Mill.) |
|---|---|---|
| Fernz Corp Ltd | 8 | 677 |
| Fisher & Paykel | 8 | 670 |
| Force Corp. | 4 | 98 |
| Guiness Peat | 3 | 715 |
| Hallenstein G. | 7 | 136 |
| Hellaby Hold. | 4 | 97 |
| Horizon Energy | 4 | 135 |
| Ind Newspapers | 9 | 943 |
| Infratil NZ | 4 | 267 |
| Infratil Int'l | 2 | 36 |
| Kiwi Property | 9 | 342 |
| LWR Industries | 1 | 40 |
| Lion Nathan Ltd | 10 | 2,344 |
| Lyttelton Port | 4 | 162 |
| Mainfreight Grp | 7 | 11 |
| Metro. LifeCare | 2 | 113 |
| Michael Hill | 3 | 131 |

| Company | No. of Brokers Following Company | Market Capitalisation (NZ$ Mill.) |
|---|---|---|
| NZ Refining Co | 5 | 312 |
| Natural Gas | 8 | 769 |
| Nobilo Wines | 1 | 39 |
| Northland Port | 3 | 47 |
| Nuplex Indust | 7 | 158 |
| Owens Investmts | 7 | 76 |
| PDL Holdings | 3 | 82 |
| Pacific Retail | 4 | 81 |
| Port Tauranga | 8 | 401 |
| Ports Auckland | 8 | 653 |
| Progressive Ent | 7 | 552 |
| Property F Ind. | 5 | 84 |
| Restaurant Brds | 8 | 116 |
| Sanford Limited | 6 | 518 |
| Shortland Prop. | 6 | 194 |
| Sky City Ltd | 8 | 755 |
| Sky Network TV | 10 | 1,261 |

| Company | No. of Brokers Following Company | Market Capitalisation (NZ$ Mill.) |
|---|---|---|
| South Port NZ | 1 | 29 |
| St. Lukes Group | 7 | 304 |
| Steel & Tube | 8 | 142 |
| Tasman Agric. | 5 | 108 |
| Taylors Grp Ltd | 2 | 27 |
| Telecom Corp | 13 | 15,127 |
| Tourism Hold. | 9 | 156 |
| Trans Alta NZ | 9 | 591 |
| Trans-Tasman | 6 | 116 |
| Tranz Rail Hold | 9 | 372 |
| Trust Power Ltd | 8 | 624 |
| United Networks | 3 | 954 |
| Warehouse Group | 8 | 1,081 |
| Waste Mgmt NZ | 3 | 433 |
| Wrightsons Ltd | 3 | 52 |

# "Neglect" Ratings of Australian Shares

"Neglected" Shares = 1-4 Brokers, "Moderately Followed" Shares = 5-10 Brokers, "Widely Followed" Shares = 11 or more Brokers.

| Company | No. of Brokers Following Company | Market Capital-isation (A$ Mill.) | Company | No. of Brokers Following Company | Market Capital-isation (A$ Mill.) | Company | No. of Brokers Following Company | Market Capital-isation (A$ Mill.) | Company | No. of Brokers Following Company | Market Capital-isation (A$ Mill.) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| A.G.L. | 11 | 3,222 | Chip Appl Tech | 1 | 56 | Homemaker Prop. | 2 | 158 | Progen Indust. | 1 | 86 |
| A.P. Eagers | 2 | 65 | Cinema Plus | 5 | 58 | Hoyts Cinemas | 7 | 610 | Prophecy Int'l | 2 | 133 |
| A.V. Jennings | 1 | 105 | Cleland | 1 | 42 | IAMA Ltd | 6 | 209 | Q.B.E. Insur. | 13 | 2,257 |
| AAPT | 13 | 1,506 | Clough Limited | 1 | 221 | Illuka Resource | 9 | 864 | Q.C.T. Resource | 13 | 716 |
| AJ Indust Fund | 5 | 125 | Coal & Allied | 3 | 936 | Incitec | 5 | 707 | Qantas | 17 | 5,991 |
| AJ Office | 7 | 299 | Coates Hire | 9 | 250 | Indust Inv Trt | 4 | 217 | Queens'd Cotton | 4 | 135 |
| AJ Retail | 5 | 307 | Coca-Cola Bev. | 2 | 3,244 | Infratil Aust. | 6 | 241 | Queensl'd Metal | 4 | 156 |
| AMP Ind Prop Tr | 6 | 333 | CocaCola Amatil | 16 | 5,660 | Infrastructure | 4 | 895 | Ramsay Health | 7 | 101 |
| AMP Ltd | 13 | 16,833 | Cochlear Ltd | 7 | 826 | Jupiters | 15 | 850 | Ranger Minerals | 8 | 152 |
| AMP Office Trt | 9 | 606 | Coffey Int'l | 1 | 22 | Just Jeans Grp | 10 | 128 | Rebel Sport | 4 | 53 |
| AMP Shop Centre | 7 | 829 | Col FS Indust. | 7 | 351 | K&S Corporation | 3 | 40 | Rec. Solutions | 3 | 41 |
| ANZ Bank | 18 | 15,561 | Col FS Com Prop | 7 | 267 | Keycorp ltd | 1 | 125 | Reinsurance Aus | 11 | 151 |
| APN News Media | 12 | 790 | Coles Myer | 17 | 10,238 | Kidston Gold | 6 | 44 | Resolute Saman. | 13 | 111 |
| ARB Corporation | 3 | 69 | Colonial Retail | 7 | 361 | King Island | 1 | 39 | Ridley Corp. | 10 | 191 |
| ARC Energy | 1 | 19 | Colonial Ltd | 12 | 5,494 | Lang Corporatio | 7 | 650 | Rio Tinto Ltd | 17 | 16,821 |
| AWA Ltd | 2 | 132 | Com'wealth Bank | 17 | 22,313 | Leighton Hold | 13 | 1,654 | Roberts Ltd | 1 | 18 |
| Abigroup Ltd | 1 | 108 | Com. Inv. Trust | 4 | 710 | Lemarne Corp | 1 | 38 | Rock Building | 1 | 38 |
| Acacia Resource | 15 | 555 | Comalco Ltd | 15 | 4,933 | Lemvest Ltd | 1 | 37 | Ross Mining NL | 11 | 96 |
| Adelaide Bright | 10 | 360 | Computer Share | 4 | 2,518 | Lend Lease Corp | 14 | 9,710 | Rothmans Hold | 7 | 1,963 |
| Adelaide Bank | 12 | 406 | Cons Rutile | 4 | 116 | Liberty One | 1 | 204 | Rural Press Ltd | 9 | 561 |
| Adsteam Marine | 8 | 212 | Cons Manufact. | 2 | 16 | Lihir Gold | 13 | 1,159 | Santos Ltd | 20 | 2,750 |
| Adtrans Group | 1 | 49 | Corp Express | 5 | 265 | M.I.M. Holdings | 17 | 2,236 | Scanbox AsiaPac | 1 | 5 |
| Advance Prop | 5 | 683 | Coventry Group | 3 | 170 | MacMahon Hold | 7 | 53 | Schroder Prop. | 12 | 1,053 |
| Amalgamated Hld | 6 | 503 | Crane Group | 9 | 378 | Macquarie Leis. | 2 | 82 | Scientific Serv | 1 | 28 |
| Amcor Ltd | 15 | 5,129 | Cranswick Wines | 2 | 90 | Macquarie Ind. | 7 | 239 | Sea World PT | 1 | 162 |
| Ammtec Ltd | 1 | 20 | Crevet Ltd | 3 | 16 | Macquarie Off. | 7 | 546 | Seven Network | 14 | 1,100 |
| Amrad Corp. | 2 | 114 | Croesus Mining | 1 | 30 | Macquarie Bank | 10 | 3,303 | Siddons Ramset | 8 | 282 |
| Anaconda Nickel | 3 | 662 | Cultus Petrol. | 3 | 174 | Macquarie C'Wde | 7 | 401 | Simeon Wines | 10 | 259 |
| Antaeus Energy | 1 | 25 | Cuppa Cup Vine. | 2 | 41 | Maxi TRANS | 2 | 44 | Simsmetal Ltd | 10 | 538 |
| Aristocrat | 7 | 1,429 | Darling Park Tr | 6 | 117 | Mayne Nickless | 17 | 1,684 | Singleton Group | 2 | 138 |
| Ashton Mining | 8 | 207 | Data Advantage | 5 | 399 | McConnell Dowel | 1 | 100 | Skilled Eng. | 12 | 266 |
| Asia Pac Spec | 7 | 71 | Data 3 Ltd | 1 | 45 | McGuigan Wines | 4 | 141 | Smith (Howard) | 12 | 2,326 |
| Atkins Carlyle | 8 | 133 | David Jones | 14 | 476 | McPherson's Ltd | 2 | 36 | Smorgon Steel | 5 | 1,942 |
| Aurora Gold | 11 | 85 | Davids | 7 | 324 | Metalcorp Ltd | 3 | 124 | Solution 6 | 2 | 362 |
| Ausdoc Group | 10 | 230 | Delfin Property | 3 | 142 | Metal Manufact. | 6 | 270 | Sonic Health | 7 | 594 |
| Auspine Ltd | 6 | 103 | Delta Gold NL | 14 | 468 | Micromedical | 1 | 62 | Sons of Gwalia | 16 | 444 |
| Aust Oil & Gas | 1 | 75 | Dev Capital Aus | 1 | 57 | Millers Retail | 4 | 127 | Soul Pattinson | 2 | 958 |
| Aust Hospital | 8 | 123 | Devine | 1 | 50 | Mirvac Property | 3 | 639 | Southcorp Ltd | 16 | 3,615 |
| Aust Resources | 2 | 69 | Dollar Sweets | 2 | 84 | Mirvac Ltd | 2 | 547 | Spicers Paper | 11 | 310 |
| Aust Stock Exch | 7 | 1,126 | Downer Group | 1 | 275 | Murchison Un. | 1 | 24 | Spotless Serv. | 7 | 444 |
| Aust Com Prp Tr | 3 | 160 | E.R.G. | 1 | 805 | Namoi Cotton | 2 | 87 | Spotless Group | 7 | 665 |
| Aust Gth Prop. | 3 | 156 | ETRADE Aust. | 1 | 299 | Nat'l Mutual | 13 | 4,159 | St George Bank | 15 | 4,757 |
| Aust Infra. | 4 | 294 | East'n Aluminiu | 7 | 146 | Nat'l Can | 1 | 114 | Star City Hold. | 13 | 593 |
| Aust Pharm. Ind | 4 | 323 | Email Ltd | 11 | 764 | Nat'l Foods | 13 | 779 | Sthn Star | 3 | 89 |
| Austrim Ltd | 4 | 690 | Emperor Mines | 3 | 39 | Nat'l Aust Bank | 18 | 34,743 | Sthn Cross Brd. | 6 | 228 |
| Australand Hold | 4 | 409 | Energy Resource | 9 | 310 | Nat'l Mut. Prop | 8 | 974 | Stockland Trust | 9 | 1,432 |
| Austral Ltd | 2 | 284 | Energy Equity | 3 | 93 | Nautronix Ltd | 4 | 65 | Straits Res. | 3 | 26 |
| Auto Group Ltd | 1 | 40 | Energy Develop. | 5 | 478 | Neverfall Spr. | 2 | 248 | Strathfield Grp | 1 | 164 |
| Avatar Indust. | 2 | 47 | Envestra | 4 | 319 | Newcrest Mining | 16 | 908 | Suncorp Prop. | 2 | 30 |
| B.H.P. | 16 | 30,954 | Evans Deakin | 10 | 353 | News Corporatio | 15 | 22,936 | Suncorp-Metway | 11 | 1,718 |
| BRL Hardy Ltd | 14 | 920 | FXF Trust | 1 | 286 | Niugini Mining | 4 | 212 | Sydney Aquarium | 6 | 91 |
| BT Hotel Group | 3 | 250 | Fairfax (John) | 14 | 3,165 | Norm Mt Leyshon | 10 | 152 | TAB Ltd | 15 | 1,475 |
| BT Office | 8 | 0 | Farnell & Thom. | 1 | 19 | Norman Wines | 2 | 44 | TDG Logistics | 1 | 42 |
| BT Property | 7 | 432 | Faulding (F.H.) | 10 | 1,600 | Normandy NFM | 11 | 236 | TV Media Serv. | 7 | 0 |
| BT Sydney | 2 | 360 | Finemore Hold | 8 | 80 | Normandy Mining | 18 | 1,921 | Tabcorp Holding | 13 | 3,348 |
| Bank of Q'land | 11 | 330 | First Aust Bldg | 1 | 97 | North Ltd | 17 | 2,686 | Tap Oil | 5 | 100 |
| Bank of W.Aust | 15 | 1,696 | Fleetwood Corp | 1 | 37 | Novogen Ltd | 1 | 190 | Telecasters Aus | 4 | 158 |
| Beaconsfield Gl | 1 | 69 | Flight Centre | 5 | 760 | Novus Petroleum | 9 | 181 | Telstra | 16 | 35,340 |
| Becker Group | 1 | 21 | Flinders Ind PT | 3 | 192 | OPSM Protector | 10 | 370 | Tempo Services | 6 | 103 |
| Bendigo Sand. | 6 | 394 | Foodland Assoc | 11 | 878 | Oil Search Ltd | 12 | 1,177 | Ten Network | 11 | 776 |
| Beyond Int'l | 2 | 35 | Forest Place Gr | 2 | 55 | Orica Ltd | 12 | 2,179 | Thakral Holding | 2 | 382 |
| Biota Holdings | 2 | 466 | Forrester Kurts | 2 | 126 | Orogen Minerals | 6 | 594 | Ticor Ltd | 5 | 236 |
| Blackmores Ltd | 2 | 69 | Foster's Brewin | 17 | 8,096 | PBL | 13 | 5,219 | Timbercorp | 4 | 246 |
| Boag (J) & Son | 2 | 36 | Franked Income | 4 | 1,478 | PMP Communicat. | 11 | 667 | Toll Holdings | 5 | 334 |
| Boral Ltd | 15 | 2,753 | Freedom Furn. | 13 | 135 | Pacific Group | 13 | 936 | Tourism Aust. | 1 | 182 |
| Brambles Ind. | 17 | 10,185 | Futuris Corp. | 12 | 1,090 | Pacific Hydro | 1 | 62 | Triplecee Ret. | 2 | 94 |
| Brandrill | 2 | 32 | G.U.D. Holdings | 12 | 112 | Pacific Mining | 4 | 193 | United Energy | 9 | 957 |
| Brazin Limited | 7 | 417 | GIO Australia | 13 | 1,601 | Pacific Dunlop | 15 | 2,412 | United Group | 8 | 174 |
| Breakwater Is. | 2 | 43 | GWA Internat'l | 10 | 700 | Paladin Ind. | 5 | 174 | Village Road. | 9 | 713 |
| Brickworks Ltd | 3 | 550 | Gandel Retail T | 10 | 1,157 | Paladin Com. | 7 | 410 | Villa World | 4 | 82 |
| Bridgestone | 1 | 93 | General Prop Tr | 12 | 3,758 | Parbury Ltd | 2 | 34 | Vision Systems | 2 | 84 |
| Bristile Ltd | 3 | 119 | Ges Internat'l | 1 | 617 | Pasminco Ltd | 17 | 1,979 | Walker Corp. | 3 | 225 |
| Bunnings W/hse | 1 | 150 | Goldfields | 10 | 176 | Peptide Tech. | 1 | 82 | Watpac Ltd | 1 | 34 |
| Burns Philp | 2 | 164 | Goodman Fielder | 16 | 1,818 | Perilya Mines | 2 | 22 | Wattyl Ltd | 14 | 348 |
| Burswood Ltd | 14 | 313 | Goodman Hardie | 5 | 390 | Perp Trust Aust | 7 | 779 | Wesfarmers Ltd | 13 | 3,791 |
| C & W Optus | 16 | 12,454 | Graincorp | 1 | 278 | Perseverance | 2 | 6 | West Aust News | 13 | 1,152 |
| C'wth Prop Off. | 5 | 551 | Grand Hotel | 3 | 243 | Petaluma Ltd | 7 | 118 | West'n Metals | 10 | 217 |
| C.S.R. Ltd | 14 | 4,060 | Great Central | 3 | 476 | Peter Lehman W. | 5 | 77 | Western Mining | 18 | 8,136 |
| CI Technologies | 4 | 299 | Gt Sthn Plant'n | 1 | 281 | Petroz NL | 6 | 91 | Westfield Amer. | 3 | 1,483 |
| CIM Resources | 1 | 16 | Gunns Ltd | 2 | 46 | Petsec Energy | 2 | 43 | Westfield Hold. | 12 | 4,787 |
| CPI Group | 9 | 106 | Gympie Gold | 2 | 41 | Pioneer Int'l | 15 | 3,156 | Westfield Trust | 10 | 4,727 |
| CSL Limited | 9 | 2,501 | HIH Insurance | 10 | 462 | Pipers Brook | 1 | 34 | Weston (George) | 1 | 726 |
| Caltex Austrlia | 11 | 867 | Hardie (James) | 12 | 1,718 | Pirelli Cables | 2 | 66 | Westpac Banking | 17 | 17,759 |
| Campbell Bros | 1 | 133 | Hargraves Res. | 3 | 36 | Portman Mining | 6 | 77 | Westpac Prop Tr | 7 | 532 |
| Candle Aust. | 8 | 112 | Harris Scarfe | 8 | 109 | Pracom Ltd | 4 | 112 | Westral'n Fores | 1 | 96 |
| Capral Alum. | 13 | 494 | Harvey Norman | 12 | 3,347 | Preston Resourc | 1 | 44 | White (J) Malt | 1 | 67 |
| Cent Norseman | 1 | 87 | Healthscope | 1 | 22 | Primary Health | 1 | 224 | Wide Bay Cap'n | 1 | 64 |
| Centaur Mining | 7 | 92 | Henry Walker Gr | 10 | 313 | Prime Credit PT | 8 | 515 | Wills (WD & HO) | 8 | 825 |
| Central Equity | 1 | 184 | Hill 50 Gold | 4 | 110 | Prime Retail | 2 | 98 | Woodside Petrol | 19 | 7,320 |
| Centro Prop. | 5 | 512 | Hills Motorway | 9 | 740 | Prime TV | 8 | 152 | Woolworths Ltd | 17 | 6,398 |
| Chal Prop Inc | 2 | 149 | Hills Indust. | 5 | 261 | Prime Indust. | 6 | 627 | Yates (Arthur) | 7 | 69 |

# "Insider" Insights

(A summary of buying and selling by major shareholders)

| Company | Shareholder | Buy/ Sell | Shares (Mill) | % of Coy Held Before | After |
|---|---|---|---|---|---|
| **06/08/99** | | | | | |
| LWR Industries | CHL New Zealand | Buy | +0.487 | 67.02% | 68.48% |
| Nuplex Industries | Shamrock Holdings | Buy | +1.146 | 5.04% | 7.03% |
| **13/08/99** | | | | | |
| Aquaria 21 | K D Wikeley | Sell | -35.378 | 25.77% | 8.70% |
| Aquaria 21 | Oregon Forestry | Buy | +35.378 | 0.0% | 17.07% |
| Ernest Adams | Goodman Fielder | Buy | +9.359 | 20.00% | 76.72% |
| FC - Paper | Franklin Resources | Sell | -4.557 | 5.52% | 4.93% |
| Infratil International | Guiness Peat | Buy | +1.691 | 6.05% | 7.78% |
| LWR Industries | CHL New Zealand | Buy | +4.417 | 68.48% | 81.72% |
| Mainfreight | Harris Associates | Buy | +0.280 | 4.99% | 5.41% |
| Natural Gas Corporation | Infratil NZ | Buy | +4.970 | 5.08% | 6.34% |
| Newmarket Property | Manro Management | Sell | -0.900 | 7.21% | 5.97% |
| Otter Gold Mines | Mid-East Minerals | Buy | +10.289 | 0.0% | 18.87% |
| Progressive Enterprises | Foodland | Buy | +0.022 | 68.38% | 67.41% |
| Tasman Agriculture | Brierley Investments | Buy | +3.107 | 60.61% | 63.74% |
| **20/08/99** | | | | | |
| Dairy Brands | Savoy Equities | Sell | -24.648 | 74.66% | 24.09% |
| Ernest Adams | Goodman Fielder | Buy | +0.661 | 76.72% | 80.72% |
| Fisher & Paykel | AMP Asset Mgmt | Buy | +1.202 | 7.13% | 8.15% |
| LWR Industries | CHL New Zealand | Buy | +0.427 | 81.72% | 83.00% |
| Otter Gold Mines | Royal & Sun Alliance | Buy | +3.636 | 0.0% | 7.023% |
| **27/08/99** | | | | | |
| Auckland Airport | Col First State | Buy | +21.120 | 0.0% | 5.03% |
| Brierley Investments | Franklin Resources | Sell | -30.478 | 12.76% | 11.75% |
| Eastern Equities | AMP | Buy | +7.218 | 59.78% | 81.32% |
| Infratil Australia | National Mutual | Sell | -0.852 | 5.19% | 4.91% |
| LWR Industries | CHL New Zealand | Buy | +1.735 | 83.00% | 88.20% |
| Progressive Enterprises | Foodland | Buy | +15.506 | 89.07% | 97.96% |
| Restaurant Brands | Tower Corporation | Buy | +1.080 | 8.37% | 9.64% |
| Restaurant Brands | National Mutual | Sell | -1.182 | 9.81% | 8.42% |
| Tasman Agriculture | Brierley Investments | Buy | +3.125 | 63.74% | 66.18% |
| **03/09/99** | | | | | |
| Ceramco Corporation | Tower Corporation | Buy | +0.473 | 10.58% | 11.75% |
| Ernest Adams | Goodman Fielder | Buy | +0.383 | 80.72% | 83.04% |
| Kiwi Development | National Mutual | Sell | -0.571 | 14.21% | 13.02% |
| LWR Industries | CHL New Zealand | Buy | +0.801 | 88.20% | 90.60% |
| Tourism Holdings | National Mutual | Sell | -0.883 | 8.68% | 7.12% |

KD Wikeley has failed to exercise a call option to buy 35.4 million **Aquaria 21** shares, with the beneficial ownership therefore returning to the vendor Oregon Forestry. Failure to exercise this option indicates that the shares have under-performed the insider's expectations and have not exceeded the (undisclosed) exercise price.

Guiness Peat Group is building up a shareholding in **Infratil International** to pressure that company into liquidating assets and repaying the money to shareholders.

**Total Return Index for All Listed Shares**

| | | | |
|---|---|---|---|
| Aug 9 | 2228.12 | Aug 16 | 2226.96 |
| Aug 10 | 2222.05 | Aug 17 | 2225.82 |
| Aug 11 | 2208.24 | Aug 18 | 2232.43 |
| Aug 12 | 2214.77 | Aug 19 | 2237.09 |
| Aug 13 | 2214.38 | Aug 20 | 2239.33 |
| Aug 23 | 2237.67 | Aug 30 | 2272.02 |
| Aug 24 | 2237.18 | Aug 31 | 2266.21 |
| Aug 25 | 2242.62 | Sep 1 | 2271.58 |
| Aug 26 | 2250.64 | Sep 2 | 2278.39 |
| Aug 27 | 2270.06 | Sep 3 | 2279.10 |

# D i v i d e n d $

| Company | Cents per Share | Ex-Date | Pay-able | Tax Credit |
|---|---|---|---|---|
| AMP NZ Office Trust | 4.0132988 | 20-09 | 30-09 | Nil |
| Auckland Int'l Airport | 5.10 | 08-11 | 16-11 | Full |
| Baycorp Holdings | 9.00 | 13-09 | 17-09 | Full |
| Capital Properties | 2.2425 | 06-09 | 24-09 | 0.645 |
| Cavalier Corporation | 12.00 | 04-10 | 08-10 | Full |
| Corporate Investments | 1.50 | 01-11 | 12-11 | Full |
| Designer Textiles | 2.00 | 27-09 | 08-10 | Full |
| Donaghys Industries | 3.00 | 25-10 | 29-10 | Nil |
| Ebos Group | 9.00 | 18-10 | 22-10 | Full |
| FC - Building | 6.00 | 20-09 | 07-10 | Full |
| FC - Energy | 7.00 | 20-09 | 07-10 | Full |
| FC - Paper | 1.50 | 20-09 | 07-10 | Full |
| Force Corporation | 3.00 | 20-09 | 24-09 | Full |
| Lyttelton Port | 4.55 | 04-10 | 08-10 | Full |
| Michael Hill International | 6.00 | 18-10 | 26-10 | Full |
| Mr Chips Holdings | 2.00 | 06-09 | 10-09 | Full |
| National Property Trust | 4.2707 | 23-08 | 27-08 | 0.9657 |
| Natural Gas Corporation | 5.00 | 06-09 | 13-09 | Full |
| Natural Gas (1) | 2.50 | 06-09 | 13-09 | Full |
| Nobilo Wines | 3.00 | 04-10 | 15-10 | Full |
| Nuplex Industries | 5.00 | 04-10 | 15-10 | Full |
| NZ Refining Company | 10.00 | 18-10 | 25-10 | Nil |
| Port of Tauranga | 13.00 | 25-10 | 05-11 | Full |
| Ports of Auckland | 9.00 | 11-10 | 22-10 | Full |
| Reid Farmers | 4.50 | 20-09 | 07-10 | Full |
| Restaurant Brands | 4.50 | 13-09 | 24-09 | Full |
| Sky City | 26.00 | 20-09 | 01-10 | Full |
| St Lukes Group | 3.14 | 06-09 | 20-09 | Nil |
| Tasman Agriculture | 3.00 | 15-11 | 26-11 | 0.012553 |
| Taylors Group | 2.50 | 27-09 | 15-10 | Full |
| Telecom NZ | 11.50 | 06-09 | 15-09 | Full |
| Tourism Holdings | 5.00 | 11-10 | 26-10 | Full |
| Tranz Rail | 8.50 | 13-09 | 24-09 | Nil |
| Australian Shares | | | | |
| AMP | 20.00 | - | - | - |
| Biron Corporation | 2.00 | 13-09 | 28-09 | - |
| Central Equity | 6.00 | 27-09 | 08-10 | - |
| ERG | 1.50 | - | - | - |
| PMP Communications | 10.00 | 22-09 | 07-10 | - |
| Thakral Holdings Group | 3.20 | 15-09 | 24-09 | - |
| Toll Holdings | 12.00 | 16-09 | - | - |
| Vision Systems | 14.00 | 08-10 | 20-10 | |

(1) Special Dividend

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September's Password — October's Password

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## Office Closed: September 8-17

Our office will be closed from September 8-17 (inclusive) while your Editor and family "do their bit" to ease Auckland's APEC traffic congestion by leaving the country for a short holiday.

## Next Issue

The next issue of "Market Analysis" will be posted in five weeks time on Tuesday October 12, 1999.

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