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

Market Analysis

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Inside Market Analysis

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Summary and Recommended Investment Strategy.

Remain fully invested in New Zealand and Australian shares. While our one-year Forecasts are only Neutral to moderately Bullish, these two stockmarkets offer good *value* and continue to produce good returns! Fears about interest rate rises, the General Election and the Millennium Bug will have *already* depressed share prices. *Reality* is never as bad (or as good) as investors' *expectations*, so prices will likely rise.

Investment Outlook.

Our Forecast for the Australian stockmarket remains **Neutral** at **50%**. That, however, hasn't prevented **ERG** or **Flight Centre** from advancing strongly - both up another A$2.40 per share. At this level we recommend selling one-third of both investments - releasing a significant amount of cash to be re-invested in *under-valued, out of favour* shares.

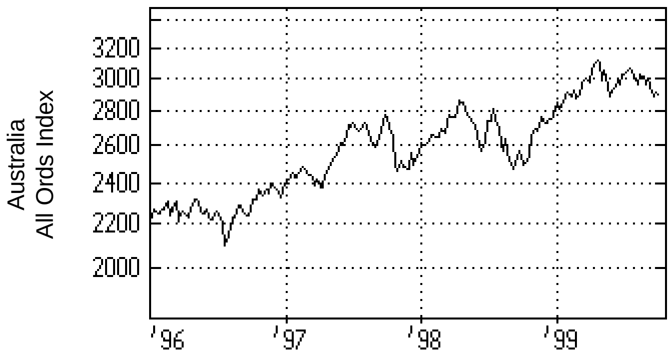
Our Forecast for the New Zealand stockmarket over the next twelve months is just slightly better at a **moderately Bullish 62%**. Our **Short Term Trend Model** is **Bullish** at **72%**.

In the immediate future there is the uncertainty of the General Election - followed a month later by the uncertainty of the New Millennium. A period of uncertainty, however, is often a good time to be holding volatile investments such as shares. Investors *anticipate* the future - so expected good or bad news will be *more than fully* reflected in share prices before the event. This leads to the common situation where shares *rise on the bad news* and *fall on the good news*.

Attention on both the Election and the Millennium is focused on the *bad* outcomes and their negative impact on the economy. So investors are *anticipating* the worst and that is reflected in *current* share prices.

Next month we may well get the new government that many expect, followed in January by disruption to electricity and water supplies and those “Fatal Error” messages on the computer - but we expect this will have little or no significant impact on economic activity. So, in early January - even though share trading may be possible for only a few hours per day between power failures - expect to see prices rising!

Those investors who fear the worst will have sold already - so have no impact on *future* prices. If the world doesn't end on January 1, 2000 they will be back buying shares and prices will go higher. The post-Millennium boom during early January is the strongest reason to be fully invested in shares.



Performance Forecasts

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

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	B	115	0.55	NE	3.9
AMP Limited	C	1952	0.70	17	1.1
AMP NZ Office	C	84	6.01	11	9.2
Advantage HDS	B	248	3.54	29	Nil
Affco Holdings	D	28	0.06	NE	Nil
Air New Zealand	B	275	0.46	7	5.5
Akd Int Airport	B	290	7.60	29	4.1
Apple Fields	D	10	1.39	NE	Nil
Aquaria 21	D	19	N/A	NE	Nil
Baycorp Hold	A	625	9.24	36	3.8
Brierley Invest	C	44	0.67	12	6.8
Broadway Ind	E	28	0.07	NE	Nil
CDL Hotel NZ	D	33	0.56	17	3.4
CDL Investments	D	24	1.68	11	12.4
Calan Hlthcare	E	108	N/A	NE	Nil
Cap Properties	C	44	5.56	5	25.0
Carter Holt	C	234	1.41	78	3.4
Cavalier Corp	B	325	0.58	11	11.9
Cedenco Foods	B	80	1.89	9	Nil
Ceramco Corp	B	139	0.64	19	5.4
Col FS Property	C	86	N/A	12	8.0
Col Motor Co	B	260	0.27	14	8.9
Colonial Ltd	C	700	0.88	18	0.8
Contact Energy	C	338	N/A	31	3.8
Cue Energy Ltd *	N/R	9.0	4.71	NE	Nil
DB Group	D	220	0.33	9	10.9
Dairy Brands	E	26	1.74	NE	Nil
Damba Hold Ltd	C	53	0.63	NE	Nil
Design Textiles	A	30	0.20	5	14.9
Donaghys Ind	B	145	0.38	11	8.2
Dorchester Pac	A	80	0.61	7	8.4
East'n Equities	C	70	0.23	NE	6.4
Ebos Group Ltd	A	290	0.75	13	9.3
Eldercare NZ	D	58	N/A	NE	Nil
Ernest Adams	D	230	0.58	NE	Nil
Evergreen	D	50	N/A	21	Nil
FC - Paper	E	132	0.24	NE	1.7
FC - Building	C	244	0.30	35	7.3
FC - Energy	D	470	1.29	28	4.4
FC - Forests	D	83	1.29	13	Nil
Fernz Corp Ltd	C	443	0.47	11	5.6
Fisher & Paykel	D	594	0.90	20	4.5
Force Corp.	C	57	2.77	11	10.5
Fruitfed Supp	A	125	0.26	14	8.4
Goodman Fielder	B	181	0.51	17	5.2
Grocorp Pacific	D	15	0.78	NE	Nil
Guiness Peat	C	149	1.45	11	1.3
Habitat Group	D	19	N/A	NE	Nil
Hallenstein G.	C	241	0.88	14	10.5
Hellaby Hold.	C	176	0.52	6	11.9
Heritage Mining*	N/R	5.0	N/A	NE	Nil
Horizon Energy	C	690	2.23	24	5.0
IT Capital Ltd	C	29	N/A	NE	Nil
Ind Newspapers	B	775	1.00	21	4.6
Infratil NZ	B	139	8.31	10	6.2
Infratil Aust.	E	90	N/A	NE	Nil
Infratil Int'l	E	32	N/A	NE	Nil
JF China Region*	N/R	85	N/A	NE	1.4
Kingsgate Int'l	D	17	0.77	12	Nil
Kiwi Developmnt	E	130	N/A	NE	Nil
Kiwi Property	C	98	6.74	10	10.6
LWR Industries	B	112	0.24	6	14.7
Lion Nathan Ltd	D	432	1.31	17	4.3
Lyttelton Port	D	138	2.53	11	7.9
Mainfreight Grp	C	160	0.40	17	5.1
Manor Inns Grp	C	20	0.80	NE	Nil
Max Resources*	N/R	13	N/A	NE	Nil
Metro. LifeCare	B	215	2.10	20	4.2
Michael Hill	A	330	0.81	15	5.2
Mid-Cap Index*	N/R	190	N/A	NE	Nil
Montana Group	B	200	1.00	18	2.2
Mr Chips Hold	C	64	0.58	19	9.3
NZ Experience	C	14	1.00	67	Nil
NZ Invest Trust*	N/R	410	N/A	NE	2.0
NZ Oil and Gas *	N/R	40	2.75	NE	Nil
NZ Refining Co	C	1020	1.01	10	9.8
Nat Property Tr	C	90	5.45	11	11.3
National Mutual	C	290	3.23	15	3.7
Natural Gas	D	176	2.40	16	8.5
Newcall Group	D	34	N/A	NE	Nil
Newmarket Prop.	C	54	4.01	6	17.6
Nobilo Wines	D	83	0.72	18	5.4
Northland Port	C	110	0.93	14	8.8
Nuhaka Forestry	D	1215	N/A	NE	Nil
Nuplex Indust	D	255	0.45	12	6.1
Opio Forestry	E	52	N/A	NE	Nil
Otter Gold Mine*	N/R	96	0.61	21	Nil
Owens Investmts	D	131	0.19	18	11.4
Ozzy (Tortis)*	N/R	214	N/A	NE	Nil
PDL Holdings	A	545	0.23	42	5.5
Pacific Retail	B	185	N/A	14	2.4
Paynter Hold	C	25	0.37	NE	Nil
Port Tauranga	B	580	8.39	25	4.6
Ports Auckland	B	496	4.27	20	5.4
Progressive Ent	B	298	0.30	35	2.5
Property F Ind.	C	69	5.40	13	9.4
Pure NZ Limited	D	17	5.69	NE	Nil
Radio Works NZ	A	700	1.93	16	3.2
Reid Farmers	A	63	0.47	9	10.7
Renaissance	B	40	0.10	12	Nil
Restaurant Brds	B	132	0.54	14	6.8
Revesco Ltd*	N/R	30	3.96	NE	Nil
Richina Pacific	E	53	0.08	NE	Nil
Roller Int'l *	N/R	40	0.21	NE	Nil
Ryman Health.	E	141	N/A	NE	Nil
SE Utilities	C	100	2.49	14	6.0
Sanford Limited	A	550	1.64	25	3.3
Savoy Equities	D	6.9	2.18	NE	Nil
Scott Tech. Ltd	B	237	1.92	17	6.3
Seafresh Fish.	D	13	0.40	NE	Nil
Shortland Prop.	B	67	6.47	12	9.4
Shotover Jet	B	68	1.23	11	3.7
Sky City Ltd	B	745	2.78	16	8.6
Sky Network TV	E	330	N/A	NE	Nil
South Port NZ	C	83	0.92	19	9.9
Southern Cap	D	70	5.15	11	Nil
Spectrum Res.*	N/R	12	N/A	NE	Nil
St. Lukes Group	C	159	2.70	7	9.2
Steel & Tube	C	160	0.42	14	7.5
Strathmore Grp	C	105	N/A	NE	Nil
Summit Gold Ltd*	N/R	13	N/A	NE	Nil
Tag Pacific Ltd	C	30	0.38	NE	2.5
Tasman Agric.	C	75	2.40	10	4.0
Taylors Grp Ltd	B	104	0.66	14	6.5
TeNZ *	N/R	95	N/A	NE	Nil
Telecom Corp	B	772	3.94	16	8.9
Tourism Hold.	A	281	0.94	16	2.7
Tower Limited	C	555	0.20	12	3.0
Trans Alta NZ	B	244	1.20	18	5.9
Trans-Tasman	E	29	0.98	NE	Nil
Tranz Rail Hold	D	335	0.71	6	7.6
Trust Power Ltd	C	485	3.86	42	5.0
United Networks	D	595	2.02	22	7.5
Warehouse Group	C	760	1.16	20	3.7
Waste Mgmt NZ	B	840	4.47	32	1.9
Williams Kettle	C	212	0.30	13	9.2
World Index Fd *	N/R	185	N/A	NE	Nil
Wrightsons Ltd	E	34	0.08	NE	Nil
Ave of 138 Coys	**C**	**219**	**0.52**	**20**	**4.3**

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A.G.L.	B	905	1.78	13	5.0
AAPT	C	495	1.96	43	Nil
AMP Ltd	C	1522	0.64	16	1.2
AMP Office Trt	D	117	9.64	14	7.0
AMP Shop Centre	E	115	N/A	NE	Nil
ANZ Bank	C	1019	1.31	13	5.1
APN News Media	A	314	2.26	21	3.3
Advance Prop	C	145	6.95	12	8.1
Amalgamated Hld	C	420	1.11	13	3.1
Amcor Ltd	B	751	0.71	17	5.2
Amway Asia Pac	C	1850	N/A	NE	Nil
Aristocrat	A	1531	2.90	29	1.2
Aust Stock Exch	B	954	5.96	24	3.7
Austar United	E	469	N/A	NE	Nil
Austrim Ltd	C	273	0.71	9	5.6
BA Tobacco Aust	B	1550	0.62	16	5.5
BRL Hardy Ltd	A	680	1.93	24	1.9
BTR "A"	E	508	N/A	NE	Nil
Bank of W.Aust	B	367	5.23	15	4.5
Boral Ltd	C	243	0.53	12	3.1
Brambles Ind.	B	4494	2.01	31	1.7
Brickworks Ltd	A	4100	3.66	14	2.7
C & W Optus	C	329	4.96	NE	Nil
C'wth Prop Off.	C	92	N/A	61	1.6
C.S.R. Ltd	C	384	0.58	11	6.0
CSL Limited	A	1805	5.59	50	1.2
Cadbury Sch.	D	1030	N/A	NE	3.3
Centro Prop.	C	263	6.28	12	8.7
Challenger Int.	A	430	3.54	20	1.2
Coal & Allied	B	1476	1.59	11	6.8
Coca-Cola Bev.	E	300	N/A	NE	Nil
CocaCola Amatil	C	545	1.47	29	3.5
Cochlear Ltd	A	1620	6.38	50	1.7
Coles Myer	C	813	0.44	24	3.0
Colonial Ltd	C	562	1.05	21	2.7
Com'wealth Bank	C	2470	2.32	16	4.7
Com. Inv. Trust	E	95	N/A	NE	Nil
Computer Share	A	1900	7.48	NE	0.2
Crown Ltd	C	90	0.70	14	Nil
E.R.G.	A	640	4.73	63	0.2
Email Ltd	C	268	0.31	15	5.2
Energy Develop.	A	725	7.62	53	0.6
Fairfax (John)	B	386	2.13	12	2.7
Faulding (F.H.)	A	990	0.76	25	2.1
Flight Centre	A	1180	0.52	34	1.5
Foodland Assoc	C	945	0.22	7	5.2
Foster's Brewin	B	441	2.43	21	2.9
Futuris Corp.	C	198	0.26	17	4.0
GIO Australia	D	295	0.62	NE	4.1
GWA Internat'l	C	255	1.27	16	4.9
Gandel Retail T	D	108	9.62	16	7.7
General Prop Tr	D	252	9.30	14	7.6
Ges Internat'l	B	137	0.77	31	0.7
Goodman Fielder	C	144	0.53	17	5.2
Guinness Peat	C	120	2.38	10	0.5
HIH Insurance	C	153	0.21	8	10.5
Hardie (James)	C	420	1.20	NE	3.6
Harvey Norman	C	303	1.81	7	5.0
Hills Motorway	C	385	N/A	48	1.5
Hoyts Cinemas	C	200	1.18	15	2.0
Hutchison Tel.	D	247	N/A	NE	Nil
Incitec	C	560	0.69	19	3.8
Infrastructure	B	160	7.14	8	6.3
Jupiters	B	348	1.46	19	4.0
Lang Corporatio	D	602	2.11	NE	Nil
Leighton Hold	B	605	0.48	13	5.0
Lend Lease Corp	B	1875	2.29	22	3.2
Liberty One	D	205	N/A	NE	Nil
Macquarie Off.	C	114	8.33	12	9.3
Macquarie Bank	B	2025	3.93	20	3.4
Mayne Nickless	B	425	0.37	13	7.1
Mirvac Ltd	B	250	0.97	13	4.0
Mirvac Property	C	178	9.75	15	6.4
Mobile Com.	D	1175	N/A	NE	Nil
Nat'l Mut. Prop	D	115	9.41	15	7.5
Nat'l Foods	C	275	0.66	15	4.7
Nat'l Aust Bank	C	2310	1.33	17	4.4
Nat'l Mutual	C	231	3.05	20	3.8
News Corporatio	C	1074	1.00	15	0.3
One Tel Ltd	C	116	6.00	NE	0.1
Orica Ltd	C	829	0.67	19	6.0
Orogen Minerals	B	188	3.41	15	3.5
PBL	C	905	3.65	35	2.0
PMP Communicat.	C	224	0.48	9	9.1
Pacific Dunlop	C	233	0.37	12	6.0
Pacific Group	B	575	1.28	37	2.8
Perp Trust Aust	B	2180	3.90	28	2.8
Pioneer Int'l	B	370	0.83	14	43.5
Prime Credit PT	C	118	7.69	12	8.8
Prime Indust.	C	76	8.28	11	8.3
Q.B.E. Insur.	C	632	0.67	15	4.3
Q.C.T. Resource	B	95	0.65	14	7.4
Qantas	B	477	0.66	15	4.0
Rio Tinto Ltd	B	2683	1.75	15	2.1
Rural Press Ltd	B	476	1.28	13	2.7
Schroder Prop.	C	240	8.36	14	7.6
Seven Network	C	465	1.83	74	4.4
Smith (Howard)	C	1105	0.79	21	3.7
Smorgon Steel	C	230	1.02	30	2.0
Solution 6	A	760	5.20	21	Nil
Sonic Health	A	610	4.33	43	2.3
Southcorp Ltd	C	561	1.21	19	3.6
Spotless Group	A	475	0.61	21	3.7
Spotless Serv.	A	138	0.54	19	4.3
St George Bank	C	1036	1.42	28	5.0
Star City Hold.	C	151	1.03	35	Nil
Stockland Trust	D	333	5.77	13	7.4
Suncorp-Metway	C	810	0.66	6	5.4
TAB Ltd	B	275	0.34	24	3.3
Tabcorp Holding	B	1020	2.86	22	4.2
Telstra	B	790	1.86	10	4.2
Ten Network	C	219	0.83	74	13.7
Transurban Grp	D	182000	N/A	NE	Nil
United Energy	B	205	1.25	57	8.4
Village Road.	B	319	0.94	10	3.1
Wesfarmers Ltd	C	1317	1.17	19	5.0
West Aust News	B	552	3.28	17	5.4
Westfield Hold.	C	910	5.46	38	1.3
Westfield Trust	D	303	9.44	17	6.8
Westfield Amer.	C	154	3.73	15	6.0
Weston (George)	C	680	0.54	19	2.8
Westpac Prop Tr	C	156	6.85	20	8.3
Westpac Banking	C	939	1.64	14	4.6
Wills (WD & HO)	B	625	0.46	19	4.8
Woolworths Ltd	B	540	0.33	20	3.3
Ave of 1236 Coys	**C**	**315**	**0.01**	**19**	**2.4**

Recommended Investments

We are recommending two new share investments this month: In New Zealand, **Ebos Group** will replace **Radio Otago** and **Fruitfed Supplies**, while in Australia we are recommending **Campbell Brothers** to be financed from partial profit taking in **ERG** and **Flight Centre**.

Some people argue that "You can never go broke taking a profit", and sell a share that rises 25-50% in value! We disagree and believe that "You will never get rich taking small profits". So we have just sat back and watched both of these shares increase four-fold in value! If that sounds easy - it was. The difficult part was *finding* these good companies in the first place, and *sticking to our belief* in ERG's technology for 3½ years while the share price drifted steadily lower!

Those shares are now looking expensive (although will probably still perform well in the future) but at this level of gain we recommend selling about one-third of each holding. The main reason for this partial profit taking is simply to improve the portfolio diversification (with the portfolio becoming over-weighted in these holdings which have appreciated significantly in value). The cash raised will be re-invested in "out of favour", under-valued shares - hopefully buying in cheaply to a company that will increase several fold in value over the next 3-4 years!

After this partial profit taking an investor who puts approximately equal dollar amounts in each shareholding (whether that be, say, $1000 or $10,000) will still hold a large investment in both ERG and Flight Centre (i.e. worth about $2,600 or $26,000), plus raise enough cash (i.e. again about $2,600 or $26,000 in total) to finance two new investments, or one new investment plus adding to some small investments which are still attractive for purchase (i.e. rated "Buy" and "Hold+"). *(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	567.0	0.9	0.46	7	5.5	275	54.0	+28%
HOLD-	Apple Fields Limited	APF	10/03/92	237	D	29.2	2.6	1.39	NE	Nil	10	10.0	-92%
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	169.5	2.0	1.68	11	12.4	24	2.0	+4%
BUY	Cavalier Corporation	CAV	05/12/95	312	B	36.0	1.0	0.58	11	11.9	325	91.0	+33%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	30.9	0.8	0.27	14	8.9	260	179.8	+193%
HOLD+	Designer Textiles Ltd	DTL	12/01/99	47	A	29.7	2.0	0.20	5	14.9	30	3.0	-30%
BUY	Ebos Group Ltd	EBO	12/10/99	290	A	23.2	0.6	0.75	13	9.3	290	Nil	
HOLD+	Fernz Corporation Ltd	FER	11/02/97	505	C	150.5	0.9	0.47	11	5.6	443	52.0	-2%
TENDER	Fruitfed Supplies Ltd	FSL	09/02/93	210	A	12.1	1.1	0.26	14	8.4	125	72.0	-6%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	A	38.6	0.8	0.81	15	5.2	330	45.5	+716%
HOLD	Nuplex Industries Ltd	NPX	11/02/97	350	D	55.4	1.0	0.45	12	6.1	255	21.0	-21%
HOLD+	Owens Group Limited	OWN	12/03/91	47*	D	56.3	1.1	0.19	18	11.4	131	77.3	+343%
BUY	PDL Holdings Ltd	PDL	13/02/96	810	A	13.6	0.9	0.23	42	5.5	545	113.0	-19%
HOLD	Radio Works NZ Ltd	RWL	08/12/92	205	A	12.0	0.6	1.93	16	3.2	700	112.5	+296%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	B	35.3	1.9	0.10	12	Nil	40	4.4	-48%
HOLD	Richina Pacific	RCH	03/11/95	119*	E	72.2	1.6	0.08	NE	Nil	53	11.9	-45%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	32.4	1.1	0.92	19	9.9	83	29.8	-6%
HOLD+	Tourism Holdings Ltd	THL	14/07/92	179*	A	56.6	0.9	0.94	16	2.7	281	51.7	+86%
HOLD	Wrightson Limited	WRI	13/01/98	83	E	139.7	1.9	0.08	NE	Nil	34	6.3	-51%
	Australian Shares (in Aust cents)												
BUY	Abigroup Limited	ABG	09/03/99	265	C	47.7	0.5	0.14	6	6.9	203	6.0	-21%
HOLD+	Atlas Pacific Ltd[1]	ATP	14/05/96	73	D	49.4	1.7	10.34	NE	Nil	22	Nil	-71%
HOLD+	Biron Corporation Ltd	BIC	12/04/94	178	C	21.6	1.6	0.79	NE	8.5	24	11.0	-81%
BUY	Campbell Brothers Ltd	CPB	12/10/99	435	B	30.8	0.4	0.66	12	5.5	435	Nil	
HOLD+	Central Equity Ltd	CEQ	09/02/94	154	A	82.1	0.5	0.95	6	7.7	208	61.0	+75%
BUY	Data#3 Limited	DTL	09/02/99	285	A	14.2	0.9	0.31	16	3.9	305	5.5	+9%
HOLD-	E.R.G. Limited	ERG	10/10/95	152*	A	201.9	0.3	4.73	63	0.2	640	6.0	+325%
HOLD	Flight Centre	FLT	11/08/98	308	A	80.9	0.2	0.52	34	1.5%	1180	24.5	+291%
HOLD	Hancock & Gore	HNG	15/07/97	125*	C	46.7	0.7	0.56	10	6.0	130	11.5	+13%
BUY	PMP Communications	PMP	09/02/99	309	C	253.4	0.5	0.48	9	9.1	224	20.4	-21%
HOLD+	Thakral Holdings	THG	10/11/98	65	C	513.5	0.9	1.63	11	8.1	72	5.8	+20%
BUY	Toll Holdings	TOL	08/09/98	240	B	59.0	0.3	0.23	10	4.2	524	30.0	+131%
BUY	Vision Systems	VSS	10/11/98	685*	B	13.8	0.3	0.69	13	3.9	719	27.9	+9%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +68.6%. This is equal to an average annual rate of +18.9%, based upon the length of time each position has been held..

The average annual rate of gain of ALL recommendations (both the 32 current and 100 closed out) is +29.9%, compared with a market gain of +13.0% (by the SRC Total Return Index).

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

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

(1) Atlas Pacific notes (APTG) last trades at 24 cents.

Recommended Investments *(Continued from Page 3)*

Air New Zealand has lifted profits 48.0% to $214,371,000 (37.8 cents per share), although this includes gains from asset sales of $81,200,000. Revenues increased 8.7% to $3,359.0 million.

A final 9.0 cents dividend (with no imputation tax credit) will make 15.0 cents (with no tax credits), compared with 16.0 cents (plus partial tax credits of 3.94 cents) in the previous year. Overall that is a drop of 24.8% in shareholders gross income.

Despite this drop in dividend, Air NZ is performing well. Cashflow from operations increased 107.2% to $331.6 million, while cash on hand increased 59.3% to $346.1 million. Shareholders Equity increased 6.8% to $2124.0 million (374.6 cents per share).

The drop in the dividend over the last few years reflects (1) that it is inefficient to pay dividends when the company does not have imputation tax credits and (2) that Air NZ will require cash if it is to buy the remaining 50% of **Ansett Australia** and/or to finance the upgrade of the Ansett Australia aircraft fleet.

Air NZ remains a long term *cyclical* investment that offers a reasonable dividend income (even after the dividend has been cut and the share price has risen strongly over the last year) and which will - at some stage in the future - experience higher profits, pay income tax (generating imputation credits), significantly increase dividends and whose share price will appreciate strongly. "Hold+" for income now, income growth and capital growth later.

Colonial Motor Company has reported a 21.8% increase in *trading* profits to $5,740,000 (18.5 cents per share) from revenue down 5.4% at $298.5 million. A final dividend of 7.5 cents (plus full imputation tax credits) will lift the annual dividend 14.8% to 15.5 cents. The drop in revenue reflects an accounting change after the company's three Auckland dealerships were merged with six other dealerships. Colonial Motors holds a 46% share (valued at $8.9 million) in this new company so does not show that associate company's revenues, just its share of profits (i.e. a low $154,000 return for the first year).

In addition, Colonial Motors realised a gain from the sale of property of $800,000 - down 70.8% on last year's $2,743,000 gain.

The 145 cents price at which **Fruitfed Supplies** shares traded last month (immediately after the announcement of the takeover bid) proved - as we suspected - unsustainable and the price has fallen back around 125 cents. The takeover from **Williams & Kettle** values the shares at 134.8 cents (i.e. four Williams & Kettle shares plus $5.00 for every ten Fruitfed shares). The market in Fruitfed Supplies shares is very *thin* (i.e. few shares trade) so to maximise the proceeds from this investment we recommend accepting the takeover bid and then selling the Williams & Kettle shares on the market.

Williams & Kettle shares will also pay a 7.0 cents dividend (plus full imputation tax credits), so investors should probably hold long enough to collect this dividend and sell on or after the ex-dividend date of November 29.

We already have an exposure to the Rural sector through **Wrightson** (which, while experiencing more problems than Williams & Kettle, holds better potential for capital appreciation and dividends *when* this sector improves) so do not wish to add Williams & Kettle to our "Recommended Portfolio" as a long term investment.

The takeover bid for Fruitfed Supplies will remain open until November 2.

Owens Group has acquired **Crossocean Forwarding Services** (a major trans-Tasman forwarder in NZ and Australia) from **Brierley Investments** for an undisclosed sum. The operations will be merged into **Owens International Freight**, realising economies of scale (i.e. cost savings).

Radio Works New Zealand's major shareholder, **Allied Press** (which formerly owned 50.1% of Radio Otago) has sold most of its 13.8% shareholding.

Renaissance Corporation's major shareholders, Electronic Mail and director MR Thompson, have subscribed for their entitlement of shares in the recent cash issue. The company, however, subsequently made a placement of 542,420 new shares, diluting Electronic Mail's ownership to 50.97% and Mr Thompson's holding to 2.01% of the company.

South Port has reported a 47.9% lower profit of $1,402,000 (4.3 cents per share), with revenues down 10.5% to $29.2 million. The final dividend of 3.5 cents (plus full imputation tax credits) will lift the annual (regular) dividend 4.8% to 5.5 cents.

The company is forecasting a tax paid profit for the year to June 2000 "in excess of $2.0 million" or 6.2 cents per share.

Tourism Holdings's cash issue will offer shareholders one new share at 215 cents for every three existing shares. The company does not directly disclose the Goodwill (i.e. excess over book value) of its $62 million acquisition of **Britz**, but that figure can be calculated from forecast balance sheet gearing statistics at about $56-57 million. In other words, Britz has a net asset value of only about $5-6 million (give or take a couple of million). The vendor's "$15 million of Tourism shares" will be issued at a maximum price of $2.50 per share, so will equal 6,000,000 shares (current market value $16,860,000) while the "$13 million in 7½% convertible notes" will also convert at a maximum price of $2.50 per share - so will eventually yield 5,200,000 shares (current market value $14,600,000). This $28 million in Tourism Holdings equity is therefore currently worth $31.46 million - so one could argue that is another $3.46 million of (hidden) goodwill on this acquisition.

This acquisition will increase the company's total revenue and profits, but also its issued capital (in the current cash issue and also through shares issued to the vendors) so earnings per share will remain virtually unchanged. The major *benefit* of this acquisition appears to be that Tourism Holdings will be better diversified (i.e. by increasing its operations in Australia), that this may generate synergies or economies of scale (e.g. reduced administrative overheads) and retained profits can be used to repay debts (i.e. with growing interest savings). Overall we do NOT expect the Britz acquisition to have a major impact on shareholder wealth. It will simply make the company larger.

Of course, we may be wrong: At the recent Special Meeting seeking shareholder approval for the Britz acquisition the Chairman described it as "a turning point in the history of the company" that "will have the potential to vastly enhance shareholder value". We certainly would be pleased if management *can* deliver on that promise! In fact - even without that "vastly enhanced shareholder value" we believe that Tourism Holdings is an attractive long term investment and rate the shares "Hold+".

What investors should do with the rights to the cash issue will depend upon their existing investment in the company. Investors wanting to increase their investment should take up their entitlement in the cash issue. On the other hand, as the share price has more than *tripled* over the last year, some investors may be getting a little over-weighted in Tourism Holdings shares and may choose to sell the rights or some of their shares to maintain a well diversified portfolio.

[Disclosure of interest: We added to our holding in Tourism Holdings in October-December 1996 (at 284 cents), October 1997 (at 178 cents), took up our entitlement in the June 1998 cash issue (at 70 cents) and bought more shares on-market in November 1998 (at 112 cents), so recently sold about one-third of our shares (ex-rights), with two-thirds of these proceeds to be re-invested in the cash issue. The net impact is that we have cashed in about 10% of our investment in Tourism Holdings, rather than invest new money in what was becoming a relatively large holding in our portfolio.]

Australian Shares

Abigroup's profit for the year to June 30 dropped by 3.2% to A$15,871,000 (33.3 cents per share) although revenues increased 27.7% to A$704.7 million. The final dividend is being increased 1.0 cent to 8.0 cents which, together with the 1.0 cent higher interim dividend, makes a 16.7% higher annual dividend of 14.0 cents.

Pre-tax profits were up 4.0%, but the company is now paying full tax rates (after using up past tax losses) resulting in the slightly lower net profit. Building construction accounted for 65% of total revenues (up from 55% in 1998). As margins in building are lower than in civil engineering the 27.7% increase in revenue resulted in only a 4.0% rise in earnings.

Work on hand is A$660 million (down 6% on last year), leading the company to predict a slight drop in revenues over the coming year.

Abigroup's cash holding is down to A$25.4 million (from A$67.1 million at December 1998) owing to an A$25.4 million increase in debtors and an A$19.4 million increase in property. A$14.85 million of this "property" was Abigroup's equity investment in the Sydney SuperDome. The company remains debt free.

Abigroup is expanding by establishing new maintenance businesses in the gas, cathodic protection and building maintenance industries.

Hills Motorway - in which Abigroup owns 15,000,000 units (or 8.1% of the company, current value A$57.8 million) - has restructured its debt to allow larger cash distributions to its shareholders. A$110 million of fixed rate bank debt and A$260 million of Consumer Price Index bonds will be repaid and existing interest rate swaps will be closed out (at a cost of A$38 million). The company will finance these with A$422 million of new bank facilities, plus an A$48 million revolving credit facility (for working capital or to fund future upgrades to the road or tolling system).

The refinancing will result in an abnormal loss of A$107 million, but reduce the average interest rate from 14.4% to 7%, albeit on a larger quantity of debt. Overall, however, we estimate annual interest savings of about A$15 million.

Hills Motorway will also pay a special dividend of 20 cents per unit (or A$3.0 million for Abigroup) and a further 5-7 cents for the half year to December 1999 (generating A$750,000 to A$1,050,000 for Abigroup).

Concerns over a downturn in construction business after the Olympics is probably responsible for the decline in Abigroup's share price - but this remains an attractive *asset rich* company in addition to its income producing construction business. The Hills Motorway investment is worth 122 cents per Abigroup share, the Sydney SuperDome investment equals 31 cents per share and cash in the bank 54 cents. That is cash and investments of 207 cents - slightly more than the current share price of 203 cents - so the market places little value on the construction business which earns A$15-16 million per year. "Buy".

Atlas Pacific's half year result to June 30 shows revenues down 36.5% to A$403,000 and a loss of A$1,125,000 (2.3 cents per share), compared with a profit of A$208,000 in the same period in 1998.

Since the period covered by the half year report, Atlas Pacific offered 6235 pearls for tender in September selling 6048 pearls for A$2,150,000 - which was over 50% higher than budget estimates. The remaining pearls - and some "commercial" grade pearls - will be sold over coming months and are expected to realise around A$2-300,000. A further 15,000 oysters will be X-rayed in September from which the company expects to harvest 11,000 pearls in excess of 10 millimetres.

A further 35-40,000 oysters will be nucleated between September and November. 71,000 have already been nucleated this year with mortality of less than 2.5%.

Biron Corporation has announced a new on-market share buy back and will seek to repurchase 2,000,000 shares (9.25% of its capital) over the six months until April 11, 2000.

Data#3 lifted revenues 92.3% to A$133.1 million and profits 14.6% to A$2,562,000 (19.2 cents per share). The 0.5 cents higher final dividend of 6.5 cents lifts the annual rate 4.4% to 12.0 cents. Internal growth accounted for about 37% of the increase in revenue, with the balance coming from the acquisition of **CIC Technology**. Earnings per share (on capital increased to partially fund this acquisition) were up 3.0% with CIC Technology expected to make a bigger contribution to profit this year. Data#3 has announced that "further acquisitions were on the agenda" as part of the company's growth strategy.

ERG's share price has continued to rise very strongly over the last month, but there have been two major events in the development of its smart card business that add significant value and future growth potential to the company.

In Australia, ERG, **Telstra** and **ANZ Banking Group** have *agreed* to form a smartcard operating joint venture company *(Continued on Page 6)*

Recommended Investments *(Continued from Page 5)* which will operate a transaction processing centre for smartcards offered by Telstra and ERG (and merge the existing Telstra and ERG processing operations). These smartcard operations will adopt global multi-application smartcard standards, and the company will seek to attract other smartcard companies and banks to join the venture as shareholders.

This new business offers a source of possible revenue and profits, as well as the potential for a capital gain if other companies buy into the joint venture. The stockmarket reacted very favourably to this announcement - with ERG rising 55 cents to 460 cents and moving higher since. However, before getting too excited, please note the following: While ERG and ANZ made no mention of it, Telstra indicated that it may be two months before the three parties complete contracts for the joint venture and 18 months before the venture is up and running.

Assessing the value of this new Australian joint venture is impossible, but two weeks later ERG announced a similar company in the UK (but with a major customer) which is valued at over A$100 million. Back in 1993 the **Greater Manchester Passenger Transport Authority** contracted for **Prepayment Cards Ltd** (an ERG subsidiary) to provide a smartcard Automated Fare Collection system. Trials were successfully completed in 1994, but full scale implementation was delayed owing to a prolonged privatisation process. The **Stagecoach** bus fleet in Manchester has ERG equipment that will support the smartcard system, and other operators are expected to install the equipment during the year 2000 when an expected 700,000 smartcards will be made available to commuters.

The operating contract will initially run for eight years and is valued at about £17 million (A$45 million). The company will also expand the system to cover Stagecoach buses in other parts of the UK. Two other companies have purchased 30% of Prepayment Cards Ltd from ERG which values this subsidiary at A$100 million (compared to, presumably, very little as a non-operating subsidiary). Transport group **Stagecoach Holdings plc** has taken a 20% shareholding and **Sema Group plc** has acquired 10% (with an option to purchase a further 10%).

Sema Group is an “Information Technology” company, with major involvement with the transport industry in Europe. Sema has provided automatic ticketing systems to various rail companies in the UK, and these systems could also be linked to the smartcard operating system.

Ultimately, ERG aims to sell up to 70% of Prepayment Cards Ltd to private transport operators, presumably with Sema owning 20% and ERG retaining 30%.

The UK smartcard operating business is valued at over A$100 million (based upon the transactions with Stagecoach and Sema) which, based upon ERG's issued capital of 201.1 million shares, adds about A$0.50 to the value of ERG shares.

The New South Wales Government's public transport agency is seeking tenders for a new smart card ticketing and revenue control system. UK based **Cubic Transportation Systems** (which provided the existing ticketing system) is also tendering for the contract.

While ERG should experience strong growth over many years the shares are looking rather expensive, so we recommend selling one-third of existing shareholdings to realise some of the gains from this investment.

Flight Centre lifted revenues by 21.6% to A$1,840.6 million over the year to June 30, while profits soared 52.5% to A$27,986,000 (34.6 cents per share). The final dividend was raised 5.0 cents to 11.5 cents, increasing the total annual dividend 63.6% to 18.0 cents.

In Australia, revenues rose 15.1% and earnings (before tax) were up 28.5% to A$32.9 million. In NZ, revenues increased 30.7% and earnings were up 102.5% to A$7.9 million. The newer businesses (i.e. South Africa, Canada and the United Kingdom) generated a 43.0% increase in revenue and contributed a profit of A$3.0 million (compared with start up losses of A$1.7 million last year). Australia generated a profit margin of 2.45%, NZ 3.31% and the other countries only 1.3%.

As announced recently, Flight Centre is entering the United States travel market and also looking at a number of other countries. There is also considerable growth potential in its existing markets - particularly the United Kingdom and Canada. Flight Centre is steadily increasing its number of retail travel agencies by 15-20% per year and (with the long term growth in air travel) should be able to generate revenue growth of 15-20% for many more years. The company suffers initial losses after entering a new market, until it can generate the economies of scale to become profitable and then increase profit margins.

Based upon a very long term growth rate of 20%, we would value Flight Centre at $6-9 per share. Given that profit growth could average around 30-40% during the current growth phase, we would value Flight Centre shares at $7-10½ per share. Of course, actual share prices could vary widely from those estimates - so could range from an *under-valued* $3-5 to an *over-valued* $12-20 per share.

With Flight Centre shares above the top of our valuation range we recommend realising some profits and selling about one-third of investments in these shares. We are not selling out completely as (1) the shares are tightly held so could easily become more *over-valued* in the short term and (2) the company's growth should increase the share value by 20-40% per annum over the longer term, so despite being a little over-valued now, the shares could still be a good investment over the next few years.

Sell one-third of Flight Centre shares to realise some of the gains on this investment.

Vision Systems has accepted an offer for its remaining shares in UK based **The Automation Partnership Group plc** (which operates an automated systems business) and received £1,100,000 in cash (A$2.8 million, realising a capital gain of over A$2 million). These shares were received when the company was de-merged from UK based **TTP Group plc** (a company involved in technology based services specialising in industrial and scientific products as well as computers and telecommunications), in which Vision Systems still holds an 11% shareholding.

Share Recommendation: Buy Ebos Group

BUY Ebos Group.

We recommend the purchase of shares in **Ebos Group**. Ebos has been one of the top performing shares listed on the NZ Stock Exchange, rising 18-fold in value from 1992 until a peak in early 1997. Since then the share price experienced a period of *consolidation* before again starting to rise rapidly in value over the last six months in response to significant profit growth, a major acquisition and *insider* buying.

Recent Company History

The company was originally called **Ebos Dental and Surgical** but its business has changed significantly over the last decade to focus on the healthcare sector. The Dental division was sold in 1991 and the Australian Orthopaedic business was sold in 1996 to **Johnson & Johnson** (following that company's acquisition of the US company that manufactured the orthopaedic prosthesis marketed by Ebos).

The company began exporting in 1994, established a Rehabilitation/Mobility division in 1996 and considerably expanded its business in late 1996 with the acquisition of New South Wales medical wholesaler **Richard Thomson & Company**.

Richard Thomson was acquired at a total cost of A$5.5 million (NZ$6.2 million) which is equal to a Price/Earnings ratio of 6.6 and a Price/Sales ratio of 0.23. The vendor received A$4,350,000 in cash plus A$1,168,125 in Ebos shares (500,000 issued at NZ$2.62, adjusted for the subsequent share split). Ebos financed this acquisition with cash received from the sale of its orthopaedic business.

In March 1997 Ebos re-entered the Australian orthopaedic market, supplying products manufactured by US based **Wright Medical Technology**.

In June this year Ebos announced the acquisition of a 50% shareholding in **Health Support Ltd** (whose other shareholders are **Auckland Healthcare** and **Waitemata Health**). Health Support is the largest healthcare supplies distribution group in Auckland with annual revenues of around $80 million. The exact cost of this investment has not been disclosed, but the company made a 2 for 1 share split, followed by a 1 for 2 cash issue at $1.40 per share to raise $10.5 million in new capital with the annual report stating "most of which is to fund the HSL shareholding".

Recent Results

Ebos has grown rapidly over the years, although profit growth slowed during 1997 and 1998, before recovering strongly in the year to June 1999.

Revenues rose from 71.1% to $58.0 million in 1997, 9.7% to $63.6 million in 1998 and 13.7% to $72.3 million in 1999. Profits rose 7.6% to $3,071,000 in 1997, fell 7.1% to $2,854,000 in 1998 before soaring 53.7% to $4,251,000 (22.9 cents per share, adjusted for the subsequent share split and cash issue) in 1999. The annual dividend was raised 1.9% in 1997, remained unchanged in 1998 and (adjusted for the capital changes) rose 59.3% to 18.0 cents (plus full imputation tax credits) in 1999.

Future Growth Potential

Recently acquired Health Support Ltd earns around $80 million in revenue, so will *double* Ebos Group's revenues. Historical and projected profits have not been disclosed, but Ebos Group's 50% share of this company could add 25-50% to profits - which would add about 5-25% to earnings per share (adjusted for the capital changes). One would also assume that the large investment by Ebos will be used to fund significant growth and expansion in Health Support's operations. In addition, Ebos expects further growth from its existing operations, such as the Australian orthopaedic business which is emerging from initial start up losses and "is now starting to deliver satisfactory returns".

Investment Criteria

Ebos Group shares qualify as a Buy under both the *Under-Valued Shares* and *Best Performing Shares* sections of our *Comprehensive Share Selection Criteria*.

At 290 cents, Ebos Group shares trade on a slightly higher than average Price/Sales ratio of 0.75, but at a below average Price/Earnings ratio of 13 and offer a high gross dividend yield of 9.3%. The shares trade at a substantial premium to net asset value, but Ebos operates profitable businesses that earn a high return on Shareholders Equity.

Directors hold a large investment in the company, with PF Kraus owning 6.8 million shares (29.5% of the company) and Chairman JR Maddren holding about 520,000 shares. These large shareholdings suggest that management will maximise the value of the company for the benefit of all shareholders, not simply seek to maximise their salaries.

Ebos is *neglected* by stockbrokers and institutional investors, who have yet to *discover* the company. No brokers currently follow the company closely enough to publish profit forecasts, while there are only a few institutional shareholders owning a very low 8.7% of the company. Shares *neglected* by institutions and brokers tend to be under-valued and therefore to outperform the stockmarket in the future.

To make it into the NZSE 40 Index - where Ebos Group shares would attract buying from institutional investors - the company's market capitalisation would need to *double* to about $120-140 million. That *could* be achieved in 2-3 years, but the *(Continued on Page 8)*

BUY Ebos Group *(Continued frpm Page 7)*

company should start to attract greater institutional interest than in the past from *smaller companies* funds or non-index funds.

Ebos Group shares have performed very strongly over the last six months and have a current Relative Strength Rating of +15.4, which ranks them at 11 (on a scale of 0-99). Shares in strong uptrends *tend* to continue to outperform in the future, so this is an attractive situation.

Summary & Recommendation

Ebos Group is a *smaller* to medium sized company with an excellent long term growth record and which has yielded substantial returns to shareholders during the 1990's. Potential for further revenue and profit growth remains strong, as the shares remain *under-valued*.

We therefore recommend buying Ebos Group shares (at prices around 280-310 cents) which offer a high current dividend yield, plus the potential for good dividend growth and capital appreciation.

Share Recommendation: Buy Campbell Brothers

BUY Australian listed Campbell Brothers

We recommend buying the shares of **Campbell Brothers** - an Australian based company with businesses involved in Soap, Chemicals and Laboratory Services. These are profitable businesses offering good prospects for steady internal growth and, with low debt levels at present, Campbell Brothers is also planning to borrow to fund growth through acquisition. The recent upturn in commodity prices could also boost demand for its Laboratory Services - a business in which Campbell Brothers has recently negotiated an important international acquisition.

History

Campbell Brothers was formed in 1910 to manufacture soap and listed on the Australian Stock Exchange in 1952.

As the original soap and chemical business is in a low growth industry, Campbell Brothers seeks to expand its business both through internal growth opportunities and through acquiring companies that either fit with existing core businesses or which offer better growth potential and where it can add value. Over the last decade, the company has made 15 acquisitions. These were mainly family owned companies where the need for additional capital for expansion or succession planning (i.e. retirement of the founders) resulting in the original owners selling to a public company.

Some of the largest recent acquisitions include:

Bushland Products Group (a manufacturer and distributor of consumer products) in May 1989 for A$7.7 million.

Kalgoorlie Assay Laboratory in January 1990 which was merged into Campbell Brothers' **Australia Laboratory Services** subsidiary (which was purchased in 1981).

Deltrex Chemicals (an importer, manufacturer and distributor of industrial chemicals) in February 1995 for A$7.9 million (A$7.2 million in cash and the issue of 200,000 shares).

Wolsley Castle (consumer products) in November 1996 for A$26 million in cash (with A$21 million of this raised through a 1 for 4 cash issue to shareholders in July 1997).

Geolab Laboratory Services (a South American laboratory services company) was also purchased in 1996 and merged into Australian Laboratory Services.

Alliance Technology and **Suco International** were purchased in early 1998 for A$2,640,000 to expand the group's range of commercial cleaning products and industrial chemicals.

Proclean (a New Zealand chemical formulator and distributor) was purchased in December 1998.

Panamex Pacific (a New Zealand based company distributing branded consumer products in the Pacific Islands, including PNG) and **Niugini Match Manufacturing** (a successful PNG match maker) for a total of around A$5 million. Panamex has become the export division of Campbell Brothers, while Niugini Match was acquired as a base from which to expand manufacturing in PNG.

Chemex (a Canadian based geochemical and assay laboratory company with a dominant market position in North America and Central America) for A$8 million in cash plus up to a further A$4 million based upon profit performance over the next five years, was acquired this month (October 1999). This business has been purchased relatively cheaply owing to the down turn in demand from exploration companies but will add about A$20 million to revenues (i.e. is being bought at a Price/Sales ratio of 0.40-0.60) and will provide "an adequate level of profitability in the short term with the prospect of a material improvement" when mining activity recovers and a wider range of laboratory services have been introduced.

The Investment Merits of Current Businesses

Campbell Brothers operates in three main divisions: Soap & Chemicals consisting of Campbell Consumer Products (household laundry, cleaning and personal care products) and Campbell Industrial Chemicals (food hygiene systems, commercial hygiene systems, chemicals), Laboratory Services and Hospitality Supplies (chemicals, cleaning equipment, glassware, linen and paper products to hotels, restaurants, hospitals and nursing homes in south-east Queensland).

Soap & Chemicals (70.8% of revenue, 56.4% of profits, in the year to March 1999) is a mature business in a competitive industry, but offers a reliable source of profits and a good rate of return on equity. Growth in this market is slow and will come mainly via acquisition. This division's relatively steady profits help finance current dividend levels, provide funds for acquisitions and provide the security against which the company can borrow money for expansion and acquisition.

Laboratory Services (25.9% of revenue, 41.5% of profits) is a very profitable business with excellent potential for both internal growth and growth through acquisition. As investors, this is the division that is of most interest to us. The stockmarket values Campbell Brothers as a "soap company", but it has a rapidly growing business in laboratory services. This is a niche business with (1) high profit margins, (2) a very high return on Shareholders Equity, (3) *economies of scale* (i.e. it can provide customers with a service much cheaper than the cost of them maintaining their own laboratories) and (4) which generates large free cash flows (i.e. there is a high capital cost of initially building and equipping a laboratory, but after that the on-going capital expenditure and operating costs are relatively low).

While laboratory services have suffered from a decline in demand from the mining exploration industry over the last two years, the high return on investment from this business makes this the most attractive area for Campbell Brothers to expand. With little need to re-invest profits, this division will generate a strong and growing cashflow which can be used to finance dividend *growth* or further acquisitions.

Hospitality (3.4% of revenue, 2.1% of profits) is a profitable business that could hold good growth potential, but is currently too small to be of much significance.

Future Growth

Campbell Brothers' stated objective is to "double profits and market capitalisation over the next five years via acquisitions". The company has historically maintained a low level of debt, but with the current period of stable low interest rates has stated that its "balance sheet may be driven harder in the expansion of shareholder wealth. As expansion or acquisition opportunities become apparent, the use of borrowings to a greater degree than has been the case in the last few years, is available as an appropriate business strategy". In March of this year the company was "considering acquisitions in value from A$3-20 million" and that "the level of debt to debt plus equity could be increased to 50%". At its March 1999 balance date, Campbell Brothers had debts of A$25.9 million and total equity of A$82.4 million - so to reach a 50% debt level the company could borrow up to an additional A$56.5 million. Since balance date, Panamex Pacific, Niugini Match and Chemex have been acquired at a total cost of only A$13 million, so the company *could* consider acquisitions worth up to a further A$40-45 million.

Growth has also come from expanding its existing business. For example, when Australian Laboratory Services (ALS) was purchased in 1981 it worked solely for the mining sector but, despite strong growth, revenue from that sector is now less than 50% of total revenues as the company expanded in other areas. An Environmental laboratory was established in Brisbane in 1995, followed by one in Sydney the same year (which, owing to rapid growth, is now being replaced by a new laboratory with four times the floor space) and a Melbourne Environmental laboratory (costing A$2.1 million) was opened in June 1999. ALS has also built businesses in industrial engine and transmission oil analysis, food technology and electronics testing.

ALS and recently acquired Chemex will be merged to form a company called **A.L.S. Chemex** to become the single largest minerals analysis group in the world (with operations in Australia, Canada, USA, Mexico, Peru, Argentina, Chile, and Laos) and, as the only global analytical provider, will aim to become the *preferred supplier* to the major international mining companies who are its main customers. ALS's expertise in environmental analytical services, food technology and electronics testing will be expanded into North America through the Chemex operations.

Despite the downturn in mineral exploration over the last couple of years (which has lowered revenue and profits) operating laboratory services is a very profitable business that still earns a high return on Shareholders' Equity.

A.L.S. Chemex's major competitor in Australia is listed **Scientific Services** (which acquired another listed competitor, **Gearheart Australia** in June 1998 for A$26.5 million). Scientific Services provides similar mining and environmental laboratory services (with mining services also in Indonesia, PNG, throughout Africa and Mongolia) but about 85-90% of revenues come from the depressed Oil and Gold industries, so its revenue, profits and share price have declined sharply over the last year. This depressed business, currently valued at just A$31 million, *could* be a target for a takeover bid from the financially stronger and better diversified Campbell Brothers.

Recent Results

For the year to March 1998, revenues rose 26.8% to A$176.3 million and profits were up 35.9% to A$10,055,000 (33.6 cents per share) owing to the acquisition of Wolsley Castle during the previous financial year. Adjusted for the cash issue, earnings per share was up 10.5% and the dividend was up 15.8% at 23.0 cents. A special 10.0 cents dividend was also paid in October 1997.

The year to March 1999 started badly, with revenue up 6.7% but profits down 20.3% in the first half of the year. That situation, however, improved in the second half with the full year result showing revenues up 13.5% to A$200.1 million while profits increased 5.7% at A$10,627,000 (34.9 cents per share). The final dividend was raised 1.0 cent, lifting the annual dividend rate 4.3% to 24.0 cents.

Investment Criteria

At A$4.35, Campbell Brothers shares trade on a low Price/Earnings ratio of 12, a 5.5% Dividend Yield and a Price/Sales ratio of 0.66. Net asset backing per share (excluding intangible assets) is 160.6 cents, so the shares trade at a substantial premium but this reflects the high 22% return on equity. Money re-invested in the business (or borrowed at a low interest rate) should be able to earn a similar high return for shareholders, resulting in growth in earnings per share.

While Campbell Brothers still sounds like a family firm it is 89 years old and the founders initial shareholding has all but gone, with the company now run by professional management. One family member remains on the board, RC Campbell, who owns 697,960 shares (worth A$3.0 million and equal to 2.2% of the company) after selling 216,000 shares in June. Other directors have reasonable *(Continued on Page 10)*

BUY Campbell Brothers *(Continued from Page 9)*

holdings: BR Brown owns 52,272 shares (worth A$230,000), AJ Love 36,162 shares and BR White 20,000 - which were recently purchased on-market. Therefore, there has been one insider buyer and one insider seller over the last year.

Many institutional investors have large shareholdings (which is unfavourable), but the company is *neglected* by brokers (which is favourable), with only one firm publishing profit forecasts.

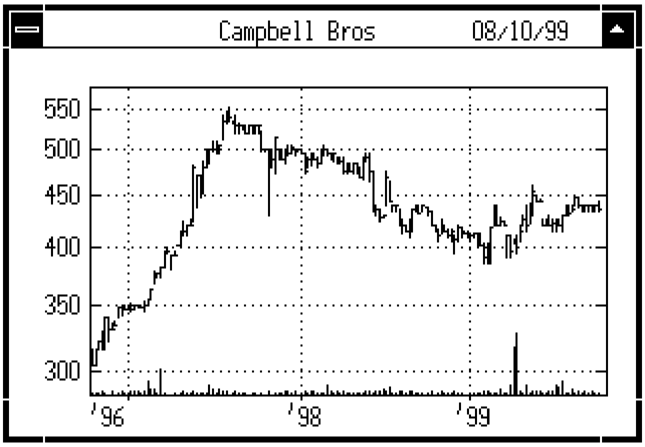
Campbell Brothers' shares peaked at A$5.50 in early August 1997 and declined in value reflecting the downturn in the exploration and mining sector and the drop in profitability. The shares hit a low of A$3.85 in February 1999, and then recovered when the company upgraded its March 1999 profit forecast. The shares now appear to be starting a new uptrend and the Relative Strength Rating is +1.3, ranking the shares at 42 (on a scale of 0-99).

Summary & Recommendation

Our *Comprehensive Share Selection Criteria* looks for *under-valued* shares that are *performing* well, but owing to space constraints we can only show the top 50 shares on page 12. Campbell Brothers would rate a "Buy" under the *Under-Valued Shares* and *Best Performing Shares* in NZ, but fails to show up in Australia where fewer shares can be shown.

Nevertheless, we believe that this is a particularly attractive business and the recent Chemex acquisition further boosts the growing Laboratory Services division. Therefore we are formally recommending Campbell Brothers shares for investment.

The Soap & Chemical business offers investors low risk, reliable profits - while Laboratory Services offers the potential for high profit, dividend and share price growth. Overall we would rate the shares as having *below average* risk, but *above average* growth potential. There is also an attractive income yield. We believe these shares are suitable for both conservative income investors - and investors who are principally interested in capital appreciation.



Australian Internet Sites

A number of subscribers have asked recently how they can monitor Australian companies. The only effective way to do this is via the internet as traditional information services (i.e. NZ newspapers, teletext) cover only a small fraction of listed Australian companies.

Investors are usually looking for three types of information: Australian share prices, charts and news about the companies.

Free and Pay Internet Sites

Several internet sites offer *end of day* share prices free of charge, although you will generally need to subscribe to a pay site to get live quotes and additional information such as *depth of market* (i.e. a list of all buy and sell quotes in the market). Charts are also available on some free sites and most pay sites. If you want to monitor developments at a company then you probably need access to Company Announcements made to the Australian Stock Exchange. The ASX charges for this information, so it is only available from pay sites.

There is, however, one way to avoid paying for company announcements. Most listed Australian companies have a page on the internet and will usually re-publish their stock exchange Company Announcements - as well as Profit & Loss and Balance Sheet data - somewhere on their own internet site. Access to these company sites is free, but you may need to spend a little more time searching for the data you require.

We have compiled the following list of sites that investors may find of interest - and we have links to iiNet and Weblink from the "Free Advice" page of our own site (www.stockmarket.co.nz).

Free Sites

A number of sites offer free *end of day* Australian share prices, but most are not particularly user friendly. One site that is good - and offers a wide range of information is provided by **iiNet** (www.iinet.net.au/~tighte/a_z.htm).

This free internet page offers everything that most casual investors will want: (1) links to the home page of *most* listed Australian companies, (2) end of day share prices and (3) share charts covering the last 52-weeks.

Pay Sites

There are a number of pay sites that investors could also consider: **Weblink** (www.weblink.com.au), **NetQuote** (www.netquote.interpro.net.au) and **Stockwatch Plus** (www.stockwatch.com.au).

Weblink offers an A$49.95 per month service that covers just about everything you could ever want: company announcements to the ASX, live quotes and market depth, daily e-mail of share prices, portfolios, daily historical prices and more. Alternatively, you can subscribe to just parts of their service. For example, company announcements cost A$15.00 per month, e-mailed share prices (sent between midnight and 5.00 am) costs just A$9.95 per month, and live quotes and market depth are available from A$10.00 per month (reduced to A$5.00 if you take some other services).

Stockwatch Plus offers an A$19.95 per month service that includes live quotes, market depth, charts and company announcements (plus a 20 cents charge per company announcement).

Netquote offers e-mailed shares prices and charts for a subscription of A$9.95 per month, and you can add live quotes for an additional A$19.95 per month and company announcements for A$14.95.

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 Current	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity	Volatility	Price Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Tower Limited	555	+0.0	+0.0	59	-	0.6	5	0.8	12	3.0	0.20	904
East'n Equities	70	+11.9	+2.5	16	-	0.7	-	1.4	NE	6.4	0.23	24
PDL Holdings	545	+6.1	+3.0	31	3	0.9	2	0.9	42	5.5	0.23	74
LWR Industries	112	+0.5	+2.4	56	1	0.7	12	1.4	6	14.7	0.24	37
Fruitfed Supp	125	+8.2	-0.4	25	-	2.1	15	1.1	14	8.4	0.26	15
Col Motor Co	260	+9.0	-0.4	21	-	1.0	7	0.8	14	8.9	0.27	80
Progressive Ent	298	+15.5	-4.4	11	7	3.0	9	0.9	35	2.5	0.30	554
Williams Kettle	212	+5.3	-1.3	34	-	0.9	6	0.7	13	9.2	0.30	28
Tag Pacific Ltd	30	+15.3	+18.0	12	-	1.1	-	1.9	NE	2.5	0.38	14
Donaghys Ind	145	+6.0	+2.1	31	1	0.8	7	0.9	11	8.2	0.38	44
Mainfreight Grp	160	+5.8	-0.7	32	7	2.6	15	1.1	17	5.1	0.40	12
Air New Zealand	275	+1.9	-3.7	48	11	0.7	10	0.9	7	5.5	0.46	1,559
Reid Farmers	63	+6.4	+1.8	28	-	1.0	11	1.3	9	10.7	0.47	35
Restaurant Brds	132	+3.4	-2.1	41	8	4.9	36	1.1	14	6.8	0.54	112
A. Barnett Ltd	115	+0.3	+0.1	57	-	0.6	-	1.0	NE	3.9	0.55	17
CDL Hotel NZ	33	+1.5	-1.0	51	5	0.6	3	2.0	17	3.4	0.56	115
Cavalier Corp	325	+3.1	-1.9	43	5	1.6	15	1.0	11	11.9	0.58	117
Dorchester Pac	80	+14.7	-3.3	13	-	1.2	17	1.3	7	8.4	0.61	13
Ceramco Corp	139	+5.2	-3.2	35	5	1.1	6	1.1	19	5.4	0.64	58
Taylors Grp Ltd	104	+2.6	-2.3	46	2	1.4	10	1.3	14	6.5	0.66	25
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0												
Tourism Hold.	281	+22.5	-3.6	6	9	1.7	11	0.8	16	2.7	0.94	159
Ebos Group Ltd	290	+15.4	+2.4	11	-	4.3	34	0.5	13	9.3	0.75	67
Renaissance	40	+15.1	-2.6	13	-	1.1	9	1.6	12	Nil	0.10	14
Dorchester Pac	80	+14.7	-3.3	13	-	1.2	17	1.0	7	8.4	0.61	13
Michael Hill	330	+9.4	+0.3	20	3	3.9	27	0.7	15	5.2	0.81	127
Col Motor Co	260	+9.0	-0.4	21	-	1.0	7	0.7	14	8.9	0.27	80
Fruitfed Supp	125	+8.2	-0.4	25	-	2.1	15	0.9	14	8.4	0.26	15
Reid Farmers	63	+6.4	+1.8	28	-	1.0	11	1.0	9	10.7	0.47	35
Donaghys Ind	145	+6.0	+2.1	31	1	0.8	7	0.7	11	8.2	0.38	44
Mainfreight Grp	160	+5.8	-0.7	32	7	2.6	15	0.9	17	5.1	0.40	12
Williams Kettle	212	+5.3	-1.3	34	-	0.9	6	0.6	13	9.2	0.30	28
Ceramco Corp	139	+5.2	-3.2	35	5	1.1	6	0.9	19	5.4	0.64	58
Restaurant Brds	132	+3.4	-2.1	41	8	4.9	36	0.9	14	6.8	0.54	112
Cavalier Corp	325	+3.1	-1.9	43	5	1.6	15	0.8	11	11.9	0.58	117
Colonial Ltd	700	+2.9	+1.0	44	-	1.4	8	0.8	18	0.8	0.88	6,421
Taylors Grp Ltd	104	+2.6	-2.3	46	2	1.4	10	1.0	14	6.5	0.66	25
Air New Zealand	275	+1.9	-3.7	48	11	0.7	10	0.8	7	5.5	0.46	1,559
CDL Hotel NZ	33	+1.5	-1.0	51	5	0.6	3	1.6	17	3.4	0.56	115
LWR Industries	112	+0.5	+2.4	56	1	0.7	12	1.1	6	14.7	0.24	37
INCOME SHARES: Highest Yields, Capitalisation > NZ$100 million												
Cavalier Corp	325	+3.1	-1.9	43	5	1.6	15	0.8	11	11.9	0.58	117
DB Group	220	-5.6	-0.0	89	9	1.0	11	0.7	9	10.9	0.33	222
Hallenstein G.	241	-2.2	-0.6	73	7	4.2	30	0.8	14	10.5	0.88	140
NZ Refining Co	1020	-10.6	-3.5	97	5	1.7	16	0.4	10	9.8	1.01	245
Telecom Corp	772	-1.9	-0.2	70	13	12.5	76	0.7	16	8.9	3.94	13,532
Sky City Ltd	745	+3.4	-0.4	40	8	4.8	31	0.7	16	8.6	2.78	730
Natural Gas	176	+3.2	-1.9	41	8	1.3	8	0.8	16	8.5	2.40	792
Lyttelton Port	138	-2.4	-2.0	75	4	3.6	34	0.8	11	7.9	2.53	140
Tranz Rail Hold	335	-7.8	+1.3	93	9	0.9	15	0.7	6	7.6	0.71	405
United Networks	595	+1.4	-1.7	52	3	1.3	6	0.5	22	7.5	2.02	901

Company	Share Price	STRENGTH RATING Current	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity	Volatility	Price Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												
Ports Auckland	496	-6.9	+0.9	91	8	2.8	14	0.6	20	5.4	4.27	657
Telecom Corp	772	-1.9	-0.2	70	13	12.5	76	0.6	16	8.9	3.94	13,532
National Mutual	290	-4.3	+1.0	86	-	1.0	7	0.8	15	3.7	3.23	5,043
Force Corp.	57	-0.5	-0.2	62	4	1.5	13	1.2	11	10.5	2.77	88
Lyttelton Port	138	-2.4	-2.0	75	4	3.6	34	0.8	11	7.9	2.53	140
SE Utilities	100	-0.9	+0.5	64	-	0.9	7	0.8	14	6.0	2.49	60
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Spectrum Res.	12	-48.7	+0.0	98	-	1.8	-	1.6	NE	Nil	N/A	3
Trans-Tasman	29	-10.2	-0.4	96	6	0.3	-	1.4	NE	Nil	0.98	105
Apple Fields	10	-8.7	-1.5	95	-	0.2	-	1.2	NE	Nil	1.39	3
Summit Gold Ltd	13	-8.3	+1.3	94	-	2.0	-	1.7	NE	Nil	N/A	11
Fernz Corp Ltd	443	-7.8	-2.6	93	8	1.5	14	0.7	11	5.6	0.47	667
Tranz Rail Hold	335	-7.8	+1.3	93	9	0.9	15	0.7	6	7.6	0.71	405
Otter Gold Mine	96	-7.2	+3.7	92	-	0.9	4	0.7	21	Nil	0.61	45
Ports Auckland	496	-6.9	+0.9	91	8	2.8	14	0.6	20	5.4	4.27	657
Brierley Invest	44	-6.6	-1.8	90	8	0.5	4	0.8	12	6.8	0.67	1,314
Damba Hold Ltd	53	-6.5	+2.7	90	-	0.6	-	0.6	NE	Nil	0.63	9
AMP Limited	1952	-5.4	-0.8	88	-	2.1	12	0.7	17	1.1	0.70	21,015
National Mutual	290	-4.3	+1.0	86	-	1.0	7	0.8	15	3.7	3.23	5,043
Steel & Tube	160	-3.5	-1.3	83	8	1.2	9	0.9	14	7.5	0.42	141
FC - Building	244	-3.5	-2.4	82	9	1.1	3	0.8	35	7.3	0.30	794
Goodman Fielder	181	-3.1	+1.4	81	-	1.4	8	0.5	17	5.2	0.51	2,292
Nuplex Indust	255	-3.0	-1.2	79	7	1.4	12	0.8	12	6.1	0.45	141
Lion Nathan Ltd	432	-3.0	-1.5	78	10	1.1	7	0.5	17	4.3	1.31	2,366
Max Resources	13	-2.7	+0.6	77	-	0.4	-	1.5	NE	Nil	N/A	5
Metro. LifeCare	215	-2.6	+4.6	76	2	1.8	9	0.9	20	4.2	2.10	133
Lyttelton Port	138	-2.4	-2.0	75	4	3.6	34	0.8	11	7.9	2.53	140

Current Issues

BONUS ISSUES

	Ratio	Ex-Date
Waste Management	1:1	18-10

CAPITAL RECONSTRUCTIONS

		Ex-Date
Horizon Energy (1)	677	3:4

(1) Horizon will cancel 3 out of 4 shares on 18/10/1999 at a price of 677 cents per share.

CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
National Property (1)	1:4	90	20-09	-
Newcall (NZ Salmon)	1:1	<30	-	-
Revesco	2:3	A$0.18	20-09	15-10
Strathmore	10:1	5	-	-
Tourism Holdings	1:3	215	27-09	22-10

(1) Plus 1 option to buy shares at 10% discount to market on 31/5/2002

Dividend$

Company	Cents per Share	Ex-Date	Payable	Tax Credit
Air New Zealand	9.00	18-10	29-10	Nil
Auckland Int'l Airport	5.10	08-11	16-11	Full
Capital Properties	2.2425	06-09	20-09	0.645
Colonial Motor Company	7.50	01-11	08-11	Full
Corporate Investments	1.50	01-11	12-11	Full
Damba Holdings	2.50	04-10	08-10	Full
Donaghys Industries	3.00	25-10	29-10	Nil
Ebos Group	9.00	18-10	22-10	Full
Hallenstein Glasson	9.00	06-12	13-12	Full
Hellaby Holdings	7.00	11-10	14-10	Full
Independent Newspapers	12.00	11-10	22-10	Full
Met Life Care	1.50	04-10	08-10	Nil
Michael Hill International	6.00	18-10	26-10	Full
Montana Wines NZ	3.00	01-11	12-11	Full
Nobilo Wines	3.00	04-10	15-10	Full
Newmarket Property Trust	4.697934	27-09	01-10	0.052066
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
Shortland Properties	1.20	27-09	08-10	0.43
South Port NZ	3.50	18-10	05-11	Full
Tasman Agriculture	3.00	15-11	26-11	0.012553
Taylors Group	2.50	27-09	15-10	Full
Tourism Holdings	5.00	11-10	26-10	Full
Warehouse Group	6.00	15-11	26-11	Full
Warehouse Group (1)	6.00	15-11	26-11	Full
Williams & Kettle	7.00	29-11	03-12	Full
Australian Shares				
AMP	20.00	15-10	28-10	-
Abigroup	8.00	25-10	12-11	-
Data#3	6.50	11-10	29-10	-
ERG	1.50	25-10	31-12	-
Flight Centre	11.50	24-09	15-10	-
Toll Holdings	12.00	16-09	30-09	-
Vision Systems	14.00	08-10	22-10	-

(1) Special Dividend

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.

UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0

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
Auto Group Ltd	116	+9.2	-2.2	20	0-0	1	2.8	21	1.3	13	3.4	0.06	38
Mosaix Technol.	98	+0.1	-0.0	49	0-0	-	1.0	4	1.4	27	6.1	0.08	18
A.P. Eagers	415	+0.4	-0.3	47	1-0	2	0.9	8	0.9	11	6.3	0.08	62
Timbercorp	160	+8.5	-42.7	21	0-0	4	1.4	-	1.2	0	10.0	0.09	247
Blue Ribb!on	33	+5.1	+0.5	28	0-0	-	0.8	6	2.1	13	4.6	0.09	7
Adtrans Group	220	+6.4	+2.5	25	5-0	1	2.4	30	1.1	8	6.8	0.12	48
Webster Ltd	91	+2.7	-1.0	37	0-0	-	0.8	6	1.5	12	3.3	0.13	21
Watpac Ltd	48	+1.9	+0.3	39	1-0	1	1.8	27	1.8	7	8.9	0.16	32
IAMA Ltd	225	+0.3	-1.8	47	1-3	6	2.0	17	1.1	12	6.2	0.19	193
Cons Manufact.	116	+15.7	+3.6	13	0-0	2	1.5	30	1.3	5	6.9	0.19	29
Austral Coal	19	+7.8	+3.0	22	2-0	-	-	-	2.7	4	5.4	0.19	15
A.V. Jennings	50	+4.1	-4.2	31	0-0	1	0.8	18	1.8	5	9.5	0.20	108
Danks Holdings	950	+3.3	+0.5	34	0-0	-	1.6	13	0.8	12	4.5	0.20	62
Angus & Coote	388	+10.2	-0.1	19	0-0	-	1.0	7	0.9	15	5.2	0.20	46
Datamatic Hold	25	+11.5	-6.2	17	0-0	-	-	-	2.4	2	8.0	0.21	9
Green's Foods	53	+3.3	-4.8	35	3-0	-	2.2	25	1.8	9	3.8	0.21	31
CPI Group	240	+4.4	-0.4	30	0-0	9	1.7	19	1.1	9	5.8	0.23	96
Toll Holdings	524	+9.0	-4.5	21	1-0	5	2.4	25	0.9	10	4.2	0.23	309
Spicers Paper	207	+13.2	-4.9	15	0-0	11	1.2	7	1.1	16	4.3	0.24	285
Atkins Carlyle	360	+1.4	+1.5	41	2-3	8	1.5	13	1.0	12	10.6	0.25	120
S.P.C. Ltd	80	+17.1	-8.7	11	1-1	-	1.1	14	1.5	8	2.8	0.25	56
Centennial Coal	67	+4.1	-3.0	31	0-1	-	0.5	5	1.6	10	8.2	0.26	23
Futuris Corp.	198	+8.1	-2.3	22	0-0	12	2.4	14	1.1	17	4.0	0.26	1,021
Joyce Corp.	200	+7.0	-1.0	24	0-0	-	2.2	21	1.1	11	5.5	0.27	37
Tag Pacific	20	+6.6	+16.2	25	0-0	-	0.9	5	2.6	18	3.0	0.27	11
Crane Group	888	+0.3	+0.8	47	2-0	9	1.5	12	0.8	13	5.6	0.27	352
Automotive Ind.	23	+3.2	+0.5	35	0-0	-	0.8	3	2.5	26	6.5	0.27	5
Embelton Ltd	205	+8.4	+1.9	21	0-0	-	0.8	6	1.1	13	3.4	0.28	4
Maxi TRANS	27	+1.0	-4.9	43	0-0	2	5.4	86	2.3	6	10.2	0.28	34
Data 3 Ltd	305	+8.2	+2.8	22	0-2	1	33.9	-	1.0	16	3.9	0.31	43
Email Ltd	268	+0.3	-2.2	47	2-1	11	1.5	10	1.0	15	5.2	0.31	727
Monadelphous Gr	330	+3.3	+0.5	34	0-0	-	2.7	26	1.0	10	8.2	0.33	54
Woolworths Ltd	540	+2.4	+0.6	38	2-2	17	4.5	23	0.9	20	3.3	0.33	6,225
Tempo Services	255	+10.4	+1.4	19	1-2	6	51.0	-	1.1	20	3.1	0.34	110
OAMPS	92	+9.0	+5.3	21	5-0	-	1.9	21	1.4	9	5.4	0.35	17
Metalcorp Ltd	140	+3.3	+1.6	35	1-2	3	2.3	3	1.3	68	1.4	0.37	112
Walker Corp.	74	+1.8	+0.5	40	0-0	3	0.9	14	1.6	6	8.6	0.39	212
East African Co	310	+1.9	-1.0	39	0-0	-	0.8	11	1.0	7	3.2	0.40	20
Coles Myer	813	+2.6	-2.5	37	1-0	17	3.5	15	0.8	24	3.0	0.44	9,405
Skilled Eng.	320	+14.5	-5.3	14	0-0	12	18.8	98	1.0	19	4.2	0.46	244
Triako Res.	32	+4.7	+3.4	29	0-0	-	-	-	2.2	2	6.3	0.46	11
Citie Centre Lt	85	+2.5	+1.2	38	0-0	-	2.8	40	1.5	7	8.8	0.46	19
Wills (WD & HO)	625	+17.0	-4.3	11	0-0	8	2.9	15	0.9	19	4.8	0.46	825
Erawan Company	40	+17.7	-1.3	11	0-0	-	1.3	27	2.0	5	13.7	0.46	13
Pirelli Cables	76	+2.5	-1.4	37	0-0	2	1.2	8	1.5	15	5.9	0.47	65
Leighton Hold	605	+1.8	+0.7	40	0-0	13	2.5	19	0.9	13	5.0	0.48	1,585
BT Global Asset	75	+2.7	+0.4	37	0-2	-	0.9	-	1.6	NE	9.3	0.49	65
Nat'l Consol.	81	+0.2	-0.0	48	0-0	-	2.0	2	1.5	109	4.9	0.49	164
Westral'n Fores	175	+4.8	+2.0	29	0-0	1	0.9	-	1.2	NE	1.1	0.50	105
Chalmers	240	+3.5	-1.1	33	0-0	-	1.0	4	1.1	27	2.5	0.50	14
Reece Australia	1800	+10.8	+0.8	18	0-0	-	2.5	20	0.6	13	3.1	0.76	359
Tempo Services	255	+10.4	+1.4	19	1-2	6	51.0	-	0.9	20	3.1	0.34	110
BA Tobacco Aust	1550	+10.3	+0.4	19	0-0	7	9.0	56	0.7	16	5.5	0.62	2,333
Angus & Coote	388	+10.2	-0.1	19	0-0	-	1.0	7	0.8	15	5.2	0.20	46
Mirvac Ltd	250	+10.0	-2.9	19	0-0	2	1.7	13	0.9	13	4.0	0.97	547
Hamilton Island	210	+9.6	+0.4	20	3-0	-	0.7	7	0.9	10	6.2	0.95	69
Jones (David)	1	+9.5	+4.6	20	0-0	-	-	-	7.3	0	Nil	0.05	2
Auto Group Ltd	116	+9.2	-2.2	20	0-0	1	2.8	21	1.1	13	3.4	0.06	38
Toll Holdings	524	+9.0	-4.5	21	1-0	5	2.4	25	0.8	10	4.2	0.23	309
OAMPS	92	+9.0	+5.3	21	5-0	-	1.9	21	1.2	9	5.4	0.35	17
Timbercorp	160	+8.5	-42.7	21	0-0	4	1.4	-	1.0	0	10.0	0.09	247
Embelton Ltd	205	+8.4	+1.9	21	0-0	-	0.8	6	0.9	13	3.4	0.28	4
Stokes (Aust)	55	+8.4	+2.0	21	0-0	-	0.5	11	1.4	5	Nil	0.08	3
Central Equity	208	+8.3	+1.3	21	9-0	1	1.5	25	0.9	6	7.7	0.95	171
Data 3 Ltd	305	+8.2	+2.8	22	0-2	1	33.9	-	0.9	16	3.9	0.31	43
Burns Philp	31	+8.2	-0.0	22	5-0	2	-	-	1.7	3	Nil	0.11	164
Futuris Corp.	198	+8.1	-2.3	22	0-0	12	2.4	14	0.9	17	4.0	0.26	1,021
Austral Coal	19	+7.8	+3.0	22	2-0	-	-	-	2.0	4	5.4	0.19	15
Treloar Group	92	+7.8	+10.1	23	0-0	-	2.0	14	1.2	15	Nil	0.65	5
Astron Ltd	15	+7.7	-9.1	23	0-0	-	0.1	9	2.2	1	Nil	0.08	2
Trust Co of Aus	1650	+7.7	+0.8	23	0-0	-	1.7	75	0.7	2	3.6	0.66	11
Strathfield Grp	254	+7.5	-3.4	23	0-0	1	8.5	56	0.9	15	4.3	0.68	155
Crown Ltd	90	+7.0	-1.9	23	0-0	-	2.0	15	1.2	14	Nil	0.70	896
Joyce Corp.	200	+7.0	-1.0	24	0-0	-	2.2	21	0.9	11	5.5	0.27	37
Gazal Corp	180	+6.6	-0.3	25	4-1	-	1.9	17	1.0	11	6.9	0.59	88

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0

Company	Share Price	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
Minproc Limited	52	+46.9	-37.9	3	0-0	-	1.1	12	1.4	9	Nil	0.27	12
Holyman Ltd	105	+29.7	+12.8	6	2-0	-	5.5	93	1.1	6	Nil	0.45	69
Viking Indust.	37	+24.4	-7.0	8	0-0	-	2.6	33	1.6	8	2.7	0.57	14
Ticor Ltd	125	+20.2	+12.7	10	0-0	5	0.8	8	1.1	11	2.4	0.98	308
General Publish	10	+19.7	-61.7	10	0-0	-	-	-	2.6	3	Nil	0.14	2
Oroton Int'l	245	+19.4	+7.3	10	3-0	-	3.6	39	0.9	9	4.9	0.73	40
Murchison Un.	46	+18.4	+0.2	10	3-0	1	4.6	-	1.4	3	Nil	0.31	25
Erawan Company	40	+17.7	-1.3	11	0-0	-	1.3	27	1.5	5	13.7	0.46	13
S.P.C. Ltd	80	+17.1	-8.7	11	1-1	-	1.1	14	1.2	8	2.8	0.25	56
Wills (WD & HO)	625	+17.0	-4.3	11	0-0	8	2.9	15	0.7	19	4.8	0.46	825
Sunland Group	245	+16.8	+0.4	12	2-0	-	1.8	24	0.9	7	4.1	0.66	79
CDK Tectonics	100	+16.7	+1.0	12	0-0	-	2.1	26	1.1	8	7.0	0.62	12
United Overseas	61	+16.2	-1.6	12	0-0	-	0.9	17	1.3	5	6.6	0.61	29
Residual Assco	1	+16.1	-1.8	13	0-0	-	-	-	9.1	1	Nil	0.06	4
Breakwater Is.	28	+15.9	+0.1	13	0-0	2	0.8	8	1.7	9	8.0	0.84	40
Cons Manufact.	116	+15.7	+3.6	13	0-0	2	1.5	30	1.1	5	6.9	0.19	29
Skilled Eng.	320	+14.5	-5.3	14	0-0	12	18.8	98	0.8	19	4.2	0.46	244
Vietnam Indust.	13	+13.4	-0.4	15	0-0	-	0.6	10	2.3	6	Nil	0.27	13
Spicers Paper	207	+13.2	-4.9	15	0-0	11	1.2	7	0.9	16	4.3	0.24	285
Qantas	477	+12.7	-4.1	16	0-1	17	1.9	13	0.8	15	4.0	0.66	5,750
Utility Serv.	51	+12.5	-16.7	16	0-0	-	6.4	56	1.4	11	Nil	0.41	33
PCH Group	33	+12.3	+2.9	17	0-1	-	1.5	27	1.6	6	6.8	0.54	16
Waterco Ltd	150	+11.7	-3.3	17	1-0	-	1.6	15	1.0	10	6.0	0.65	27
Datamatic Hold	25	+11.5	-6.2	17	0-0	-	-	-	1.8	2	8.0	0.21	9
D.E.M. Limited	18	+11.2	-1.2	18	0-0	-	0.6	7	2.0	9	5.6	0.68	9

INCOME SHARES: Highest Yields, Capitalisation > A$250 million

Company	Share Price	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
Pioneer Int'l	370	+5.3	-2.1	28	0-0	15	1.7	13	0.8	14	43.5	0.83	3,050
Ten Network	219	-3.9	+0.0	72	0-0	11	-	-	0.8	74	13.7	0.83	821
HIH Insurance	153	-10.9	-2.9	88	5-0	10	1.1	14	0.9	8	10.5	0.21	690
Graincorp	864	+0.9	-1.0	44	4-2	1	4.6	60	0.7	8	10.4	1.58	270
Envestra	85	-1.0	+0.8	60	2-0	4	-	-	1.1	NE	9.6	1.94	298
PMP Communicat.	224	-6.3	-4.3	79	2-0	11	1.1	12	0.8	9	9.1	0.48	568
United Energy	205	+0.6	-2.5	45	0-0	9	-	-	0.9	57	8.4	1.25	854
Capral Alum.	218	+1.4	-0.4	41	2-0	13	1.0	3	0.8	32	8.3	0.58	449
Aust Infra.	195	-2.0	-1.3	65	1-0	4	0.9	10	0.9	9	8.2	6.95	275
Delta Gold NL	255	+1.8	+2.8	40	0-0	14	-	-	0.8	13	7.8	2.67	548
Burswood Ltd	77	-5.9	-4.5	79	1-0	14	1.5	15	1.1	10	7.8	0.83	309
Evans Deakin	296	-6.4	-2.5	80	0-0	10	1.6	18	0.8	9	7.8	0.31	303
Caltex Austrlia	293	-9.3	-0.6	85	0-0	11	1.0	10	0.8	10	7.5	0.13	791
Hills Indust.	230	-0.4	-0.8	56	1-1	5	2.5	18	0.8	14	7.4	0.67	256
Q.C.T. Resource	95	+4.0	-0.6	32	0-0	13	1.0	7	1.0	14	7.4	0.65	654
Mayne Nickless	425	-9.7	-2.0	86	1-1	17	2.7	20	0.7	13	7.1	0.37	1,439
Coal & Allied	1476	+11.5	-4.0	17	0-0	3	-	-	0.6	11	6.8	1.59	1,173
Australand Hold	150	+5.5	-1.0	27	0-0	4	1.3	18	0.9	8	6.7	0.93	436
Energy Resource	215	+3.3	+3.7	34	0-0	9	-	-	0.8	14	6.5	1.75	307
David Jones	125	-9.2	-1.5	85	0-0	14	1.0	9	1.0	12	6.4	0.34	491
Grosvenor Trust	154	+0.0	-0.0	50	0-0	-	1.1	7	0.9	16	6.4	8.69	448
Infrastructure	160	+3.1	+1.7	35	0-0	4	1.2	15	0.9	8	6.3	7.14	895
OPSM Protector	267	-5.8	-0.3	78	1-0	10	3.4	22	0.8	16	6.2	0.71	383
Orica Ltd	829	-3.1	+0.2	68	2-0	12	2.0	11	0.7	19	6.0	0.67	2,264
Pacific Dunlop	233	-5.9	+2.0	78	0-0	15	2.4	20	0.8	12	6.0	0.37	2,394

INSIDER BUYING: Most Insider Buying, Relative Strength > 0

Company	Share Price	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
Mt Burgess Gold	15	+28.0	+6.8	7	15-0	-	-	-	1.7	NE	Nil	N/A	17
Milton Corp.	900	+1.1	-0.3	42	14-0	-	1.0	5	0.6	21	4.6	6.78	452
Central Equity	208	+8.3	+1.3	21	9-0	1	1.5	25	0.8	6	7.7	0.95	171
ARC Energy	28	+6.8	+3.9	24	6-0	1	1.0	-	1.4	NE	Nil	N/A	24
Atlas Pacific	22	+5.8	-0.3	26	5-0	-	1.8	-	1.5	NE	Nil	N/A	11
Thakral Holding	72	+9.6	+1.2	20	5-0	2	1.1	9	1.0	11	8.1	1.63	370
Burns Philp	31	+8.2	-0.0	22	5-0	2	-	-	1.3	3	Nil	0.11	164
OAMPS	92	+9.0	+5.3	21	5-0	-	1.9	21	1.0	9	5.4	0.35	17
Adtrans Group	220	+6.4	+2.5	25	5-0	1	2.4	30	0.8	8	6.8	0.12	48
Smith (Howard)	1105	+1.4	-1.4	41	4-0	12	4.2	20	0.6	21	3.7	0.79	2,115
Acclaim Uranium	6	+1.0	+8.3	43	4-0	-	-	-	2.5	NE	Nil	N/A	2
Perp Trust Aust	2180	+4.5	-3.2	30	4-0	7	7.5	27	0.6	28	2.8	3.90	795
Westfield Hold.	910	+0.4	-1.0	47	4-0	12	9.7	26	0.6	38	1.3	5.46	4,766
Mt Grace Res.	31	+9.7	-12.9	20	4-0	-	-	-	1.3	NE	Nil	N/A	11
Pacific Energy	111	+48.3	-0.7	3	4-0	-	2.3	-	0.9	NE	Nil	N/A	19
BT Aust Equity	71	+1.8	+0.6	40	4-0	-	0.9	14	1.0	6	7.7	1.80	209
St George Bank	1036	+0.2	-0.2	48	4-0	15	4.1	15	0.6	28	5.0	1.42	4,785
Cambrian Res	14	+4.2	+7.1	31	3-0	-	-	-	1.7	NE	Nil	N/A	5
Colonial Ltd	562	+1.0	+1.2	43	3-0	12	1.5	7	0.7	21	2.7	1.05	5,193
Murchison Un.	46	+18.4	+0.2	10	3-0	1	4.6	-	1.2	3	Nil	0.31	25
North Star Res.	11	+20.8	-1.7	9	3-0	-	-	-	1.9	NE	Nil	N/A	3
Herald Resource	37	+4.1	+4.0	31	3-0	-	-	-	1.2	NE	Nil	0.58	15
Gippsland Ltd	7	+28.6	+19.1	6	3-0	-	-	-	2.3	NE	Nil	N/A	3
Soul Pattinson	3950	+9.5	-1.4	20	3-0	2	2.1	10	0.6	21	1.8	1.24	943
Hamilton Island	210	+9.6	+0.4	20	3-0	-	0.7	7	0.8	10	6.2	0.95	69

An Investment Strategy for the Internet Boom

The Internet boom has hit the New Zealand stockmarket with any company involved in an e-commerce start up business being given a huge valuation as investors rush to buy shares. However, before paying big dollars for a company with little in the way of sales and probably no immediate prospect of profits (but, we are told *massive* growth potential) investors would do well to consider the investment merits of internet related companies (or telecommunications companies, or any companies in any industry where there is the perception of huge growth potential).

The Internet *Will* Change Business

There is little doubt that the internet will change the economy, the way that businesses operate and the way we all live our lives - just as computers have had a major impact on all these areas over the last 25 years. To evaluate the *investment* opportunities of the internet boom, investors should consider why high growth industries usually make *poor investments* and also look back at the investment opportunities offered by the computer boom.

Why High Growth Industries are *Unattractive* for Investors

Why does a major growth industry often yield poor investment returns? The answer is that *too many* companies seek to profit from that growth, enter the business and end up with a much smaller than expected share of the market. There is nothing new in this. Last century *too many* miners would set out for the latest gold discovery - which often resulted in most working small, uneconomic claims for a low return.

The Computer Boom

25 years ago it was quite clear that computers would have a great impact and that this was a significant growth industry. Unfortunately - like other major growth industries - computer companies did not produce the investment returns that were widely anticipated. In fact, computer shares have been *very poor* investments.

While the computer industry grew very rapidly, new companies entered the market at an equally high rate and the resulting competition drove sales prices rapidly and constantly lower. So while the industry grew rapidly, that growth was spread among a rapidly expanding number of companies, resulting in company sales growth that was below expectations. Falling prices made the situation worse.

Many computer companies were started, floated on the stockmarket at high valuations (and often initially traded at huge premiums) during the 1970's and early 1980's, but 95% of those companies have since failed. Even the bluest, blue chip, IBM, has struggled and its shares have substantially under-performed the stockmarket over the last quarter century.

The only big winners in the computer industry have been Microsoft and Intel - two sectors (software, micro-chips) that were not considered important by most computer companies or investors at the start of the boom. And yes, hundreds of other software companies and dozens of other computer chip makers have either failed or yielded poor returns.

The Internet Boom

The internet boom offers the same poor investment economics as the computer boom. While the volume of business conducted over the internet will expand rapidly, the number of companies entering the market (and seeking a share of that growth) is expanding equally as rapidly. Internet technology will reduce business costs, but intense competition will push down prices - so the major benefits will flow to consumers, not businesses (i.e. investors).

The growth potential of the internet lies in the belief that the internet gives a company cheap access to customers that it could not reach with a "bricks and mortar" store. While that is correct - for example, our own internet site does bring in a steady stream of new subscribers - the reality is that the internet *empowers* consumers to shop around for the best deal, the best service or the best product (or just use an internet "bot" to automatically do the job for you at no cost). This increases competition making it difficult for inefficient businesses to survive, or for businesses to earn high profit margins (especially in retailing, where conventional shops and internet shops sell the same products from the same manufacturers). Rather than spending the afternoon visiting three or four shops in your city to compare prices, a consumer can now quickly find the best price from a retailer anywhere on the planet.

Of course, companies with a niche market can prosper via the internet. The internet allows investors to find "Market Analysis" by searching the internet and to subscribe to our newsletter - but it also allows them to find any competition and choose the advisory company with the best advice, the best service and the best value for money.

"The Next" IBM - Over-Valued at the Start of the Boom

It is also fairly apparent that the stockmarket is over-valuing the shares of internet companies. This is a high risk business - with 95% of internet businesses likely to remain unprofitable and to eventually fail (forced out by the more efficient internet companies operating on small profit margins). Investors appear to be under-estimating these risks when pricing internet stocks. In fact, the stockmarket values internet shares based upon the likely ultimate value of the 5% of companies that will be successful.

A recent article in *The Economist* (August 16, page 60) examined the value of internet book retailer **Amazon.com**. The magazine reports one broker believes that Amazon (market capitalisation US$15 billion) "is cheap because one day it will have a 30% market share of a US$230 billion on-line retailing market. Assuming a 5% profit margin and a Price/Earnings ratio of 40, the firm should have a market capitalisation of US$150 billion". The Economist then argues that "it is just as plausible to assume a *(Continued on Page 14)*

The Internet Boom *(Continued from Page 13)*
10% share of a US$150 billion market and a P/E of 15" that would give the company a market capitalisation of only US$11 billion. The company's current revenues are only US$293 *million* and it *lost* US$62 million last year.

Let us analyse those figures. The broker's optimistic projection calls for the company to increase revenues 785-fold, but the share price would only increase 10-fold. Clearly the stockmarket is already over-anticipating a significant amount of Amazon's growth *potential*. Assuming Amazon *does* achieve this growth over ten years, the 10-fold increase in share price is equal to a 26% per annum compounded rate of return. Nice, but certainly not spectacular. If achieving that growth takes 15 years, the rate of return falls to under 17% per annum. It is also unlikely that Amazon would continue to trade at a P/E of 40 and a Price/Sales ratio of 2.20 towards the end of its growth phase. A P/E of 20 and a P/S ratio of 1.10 may be more appropriate - resulting in just a 5-fold increase in the share price (17.5% over ten years, or less than 11½% over 15 years).

The Economist's alternative (giving a final company value of US$11 billion) implies that a 50-fold revenue growth of a successful Amazon would still see the share price 25-30% *lower* than today.

Why Internet Growth Looks Spectacular

Firstly, the huge growth potential of the internet is usually off a low base. People won't buy more books and trade more shares simply because they can access these services via the internet. These services may pick up 0.1% of the market in year one, 0.5% in year two (400% growth!) and 5.0% in year three (900% growth). Ultimately, however, no more than 100% of all books or 100% of all share trades can be made via the internet, so growth rates will slow down as the market approaches saturation point (i.e. people stop visiting the bookshop or telephoning the broker and have nearly all switched to the new technology of the internet).

A "blue chip" market leader like Amazon will probably succeed on the internet, just as IBM has been successful in the computer revolution. And just as IBM has under-performed the stockmarket over the last 25 years, Amazon will likely under-perform over the next 10-25 years *as investors have over-inflated its present value.*

Many other internet stocks - that also trade at huge valuations - are likely to be less successful than an established leader like Amazon. By "less successful" we mean that 95% of internet companies will likely fail (and become worthless), forced out by the best companies like Amazon.

Investors in internet companies face the choice of investing in the "Amazon" type market leaders (which will probably under-perform the general stockmarket) or the second-line internet companies which will likely fail and become worthless.

An Internet Strategy for Internet Technology

During the computer revolution the companies that succeeded were not the *providers* of technology (i.e. the computer makers) but the *users* of technology - companies *outside* the computer industry that have been able to use the new technology to lower costs, improve profits and to grow existing businesses. Investors should therefore probably avoid the web designers and software companies (whose current *state of the art* web browser or internet publishing software will probably be obsolete in six months when another company produces a better version) but look to invest in companies that can *use* internet technology to improve their existing *non-internet* businesses.

Investors also need to focus on *valuation*. *Growth* companies are good - but not if you pay far too much to buy into them! Most internet companies have no earnings (i.e. are unprofitable, and likely to remain so in the immediate future) and trade on Price/Sales ratios of 25, 50 or 100. Such valuations *fully discount 10-20 years of growth potential of even the most successful internet companies*. Investors should therefore avoid such valuations. Even if you are lucky enough to pick one of the 5% of internet companies that survive and grow, you are paying such a great price for the shares today that they will yield below average returns over the next 10-20 years! Under our *Comprehensive Share Selection Criteria* we seek to invest in shares that trade at a Price/Earnings ratio of less than 20 and on Price/Sales Ratio of 1.00 or less. At the very least, these criteria should keep investors out of over-valued internet shares.

Look for companies with a niche market - ideally in a non-technology business. Competition in internet technology and software is just too intense. Thousands of the world's best minds are working to produce a better piece of software - so today's state of the art internet software will be obsolete in 6-8 months - replaced by a product that will cost just a couple of hundred dollars or be given away free by a company seeking to build its market share. Investors need to look for a company with a niche in a less competitive industry but which can use internet technology to lower costs or expand their business.

While shares of internet companies trade at excessive valuations, investors do not place the same high valuations on companies with existing, profitable, non-internet businesses that are starting to use the internet to reduce costs or to expand current business operations.

Our Selection of "Internet" Companies

Renaissance Corporation operates in the difficult computer business but has *introduced internet technology to take orders from its retail customers and to reduce its own operating costs.* The company may well struggle to earn profits (i.e. will do a lot better than most internet companies) but the most important point is that the stockmarket values this company at a Price/Sales ratio of 0.10 - about 1/100th to 1/500th of the value that investors place on internet companies generating huge losses.

Flight Centre looks a little expensive on a Price/Earnings ratio of 34, but has plenty of growth left in its "bricks and mortar" travel agency business - while using this experience in the travel business to *develop an internet travel service that may become an important source of profits in the future.* Flight Centre's Price/Sales ratio is 0.52 - again just a tiny fraction of the huge valuation placed on internet-only businesses.

Data#3 should also profit from the internet boom as a retailer of equipment, software and services to companies setting up internet operations. The company is also using internet technology itself to provide goods and services to its customers. Once again, Data#3 shares trade on a very low valuation (Price/Sales ratio of 0.31, Price/Earnings ratio of 16). *(Continued on Page 15)*

“Insider” Trades in Australian Shares

The first table below shows the number of Purchases and Sales of a company's shares by its Directors over the last twelve months (excluding “Neutral” situations where the number of Buyer and Sellers were equal, or differed by just one). Shares where many “insiders” have been buying can outperform the market for up to two years, while shares where many “insiders” have sold can under-perform for a similar period.

The second table ranks Industry Groups by the average number of Net Buyers (i.e. Buyers less Sellers over the last year). Consistent buying across an Industry may indicate developments that are favourable for all companies within that sector, while consistent Industry selling may indicate an unfavourable outlook for that whole sector.

“Insider” Indicators

Last 5 wks: 75.3% Buyers
Last 13 wks: 76.0% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
AMP Ltd	7-1	Capral Alum.	2-0	Graincorp	4-2	Metal Manufact.	2-0	Queens'd Cotton	2-0
APN News Media	2-0	Central Equity	9-0	Green's Foods	3-0	Metex Resources	0-2	Ranger Minerals	2-5
ARC Energy	6-0	Circadian Tech	0-2	Grimwood Davies	3-0	Michealago Res.	2-0	Reinsurance Aus	2-0
Acclaim Uranium	4-0	Colonial Ltd	3-0	HIH Insurance	5-0	Milton Corp.	14-0	Rhodes Mining	2-0
Adelaide Bright	2-0	Comet Gold	3-0	Hamilton Island	3-0	Montague Gold	0-2	Ridley Corp.	3-0
Adtrans Group	5-0	Computer Share	0-2	Hardman Res.	0-2	Mt Burgess Gold	15-0	Rio Tinto Ltd	2-0
Amcor Ltd	2-0	Cordukes Ltd	3-1	Hartley Poynton	1-3	Mt Grace Res.	4-0	Rural Press Ltd	2-0
Argo Investment	1-4	Corp Express	1-3	Healthscope	4-0	Murchison Un.	3-0	Sabre Group	0-3
Atlas Pacific	5-0	Crane Group	2-0	Heine Managem't	3-0	Namoi Cotton	2-0	Schaffer Corp	3-0
Auridiam Cons.	2-0	Data 3 Ltd	0-2	Helix Resources	2-0	Nat'l Foods	3-0	Scientific Serv	0-2
Ausdoc Group	5-0	Div. United Inv	3-1	Henry Walker Gr	1-3	Nat'l Aust Bank	3-1	Smith (Howard)	4-0
Auspine Ltd	9-0	Eastern Corp	0-2	Herald Resource	3-0	Normandy Mining	5-0	Sonic Health	0-2
Aust Resources	0-2	Eco-Air Ltd	0-2	Holyman Ltd	2-0	North Star Res.	3-0	Soul Pattinson	3-0
Aust Rural	2-0	Ecorp Limited	0-2	Hoyts Cinemas	2-0	OAMPS	5-0	Southcorp Ltd	2-0
Aust Stock Exch	0-8	Energy Develop.	3-6	IAMA Ltd	1-3	Orica Ltd	2-0	St George Bank	4-0
Austral Coal	2-0	Envestra	2-0	Illuka Resource	2-0	Oroton Int'l	3-0	Strategic Min.	2-0
BT Aust Equity	4-0	Flight Centre	0-4	Institute Drug	3-1	PBL	3-1	Sun Resources	0-2
BT Global Asset	0-2	Fortuna NL	2-0	Jubilee Gold	3-1	PMP Communicat.	2-0	Sunland Group	2-0
BT Resources	3-1	G.U.D. Holdings	3-0	Kingsgate Cons.	2-0	Pacific Energy	4-0	Tanganyika Gold	5-2
Beaconsfield Gl	0-2	GWA Internat'l	5-0	Leo Shield	2-0	Parbury Ltd	2-0	Templeton Globa	0-2
Brambles Ind.	2-0	Gazal Corp	4-1	MacMahon Hold	0-2	Perilya Mines	4-0	Thakral Holding	5-0
Burns Philp	5-0	General Gold Re	3-0	Macmin NL	0-3	Perp Trust Aust	4-0	West'n Reefs	2-0
C & W Optus	2-5	Gindalbie Gold	0-4	Majestic Res.	0-2	Polartechnics	0-2	Westfield Hold.	4-0
C.S.R. Ltd	3-0	Gippsland Ltd	3-0	McGuigan Wines	2-0	Precious Metals	0-2	Wine Inv. Fund	2-0
Cambrian Res	3-0	Gold Mines Kal.	2-0	Menzies Court	3-1	Q.B.E. Insur.	3-0		

Rank	Industy Group	Insider Buy-Sell	No. of Coys	Average Buyers-Sellers	Rank	Industy Group	Insider Buy-Sell	No. of Coys	Average Buyers-Sellers	Rank	Industy Group	Insider Buy-Sell	No. of Coys	Average Buyers-Sellers
1	Insurance	26-1	10	+2.50	24	Gold Producer	22-8	47	+0.30	47	Misc Industrial	8-6	32	+0.06
2	Uranium	4-0	3	+1.33	25	Diversified Mining	2-0	7	+0.29	48	High Technology	7-5	32	+0.06
3	Publishers	6-0	6	+1.00	26	Gold Explorer	69-26	169	+0.25	49	Investment Trust/Company	6-5	20	+0.05
4	Hospital Management	4-0	4	+1.00	27	Soft Drink/Confectionery	2-0	8	+0.25	50	Equipment/Services	1-0	21	+0.05
5	Forest Products	13-2	13	+0.85	28	Mining Producer	6-2	16	+0.25	51	Mineral Exploration	13-11	43	+0.05
6	Trustee Company	4-0	5	+0.80	29	Diversified Media	7-2	21	+0.24	52	Gold/Investment	0-0	2	+0.00
7	Manufacturer/Retailer	8-1	13	+0.54	30	Television	2-0	9	+0.22	53	Machinery Manufacturer	0-0	3	+0.00
8	Building Materials	13-2	21	+0.52	31	Mineral Sands	2-0	10	+0.20	54	Gold/Other Mining	0-0	9	+0.00
9	Energy/Electricity	9-6	6	+0.50	32	Residential Developer	2-0	11	+0.18	55	Advertising/Marketing	0-0	18	+0.00
10	Transport	7-1	12	+0.50	33	Leisure Activities	2-0	11	+0.18	56	Brewer	1-1	4	+0.00
11	Food	16-3	26	+0.50	34	Oil/Gas Producer	3-0	17	+0.18	57	Health & Related Products	3-3	11	+0.00
12	Diversified Industrial	14-3	23	+0.48	35	Engineering Contractor	2-1	6	+0.17	58	Heavy Engineer	1-1	6	+0.00
13	Base Metals	11-3	17	+0.47	36	Other Infrastructure	1-0	7	+0.14	59	Mining Investment	0-0	4	+0.00
14	Agricultural	15-2	28	+0.46	37	Oil/Gas Exploration	11-7	35	+0.11	60	Computer & Office Serv.	6-6	31	+0.00
15	Automotive	6-0	14	+0.43	38	Light Engineering	3-1	19	+0.11	61	Oil/Gas Investor	0-0	2	+0.00
16	Property Dev'ment/Manager	9-0	21	+0.43	39	Property Trust	7-0	71	+0.10	62	Building Contractor	6-6	14	+0.00
17	Equity Investor	35-6	74	+0.39	40	Coal	3-2	11	+0.09	63	Misc Services	8-10	29	-0.07
18	Other Utilities	1-0	3	+0.33	41	Pharmaceutical	5-4	11	+0.09	64	Entrepreneurial Investor	0-1	10	-0.10
19	Chemical & Fertiliser	4-2	6	+0.33	42	Property Investor	2-1	11	+0.09	65	Retail	9-13	24	-0.17
20	Banking	11-6	15	+0.33	43	Other Telecommunications	1-0	11	+0.09	66	Misc Financial	9-15	18	-0.33
21	Hotel/Resort	3-0	9	+0.33	44	Vintner	7-6	12	+0.08	67	Wholesaler/Retail	0-3	8	-0.38
22	Mining Services	3-0	9	+0.33	45	Biotechnology	2-1	15	+0.07	68	Gold/Copper	0-2	4	-0.50
23	Diamonds	3-0	10	+0.30	46	Casinos/Gaming	1-0	15	+0.07	69	Network Operator	2-5	6	-0.50
										70	Health/Medical Services	0-4	5	-0.80

The Internet Boom *(Continued from Page 14)*

Compare that with NZ based Advantage Group's P/S ratio of 2-4 (depending upon your estimate of revenue from recent acquisitions) which is 6-13 times as expensive!

Lowly rated PMP Communications (Price/Sales ratio 0.48, Price/Earnings ratio 9) operates Australia's largest Real Estate internet site (www.property.com.au) listing 120,000 properties and generating 10 million hits per month.

The internet is also resulting in a boom for mail and courier delivery services which are necessary to deliver goods purchased on-line. Increased use of credit cards for payment over the internet could boost bank profits (who charge merchants 2-3% on each sale).

"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held Before	After
10/09/99					
Ernest Adams	Goodman Fielder	Buy	+0.480	83.04%	85.95%
Paynter Timber Group	JR Paynter	Sell	-1.200	34.51%	29.53%
Strathmore Group	Cullen Investments	Buy	+1.666	0.0%	10.61%
Strathmore Group	KD Wikeley	Buy	+1.615	0.0%	10.28%
Strathmore Group	JA Sorensen	Sell	-8.746	70.53%	14.83%
Strathmore Group	Advantage Group	Buy	+3.140	0.0%	19.99%
Tranz Rail Holdings	Franklin Resources	Buy	+1.824	8.01%	9.52%
17/09/99					
Advantage Group	NZ Funds Mgmt	Buy	+0.589	6.50%	7.86%
Radio Works	NZ Funds Mgmt	Sell	-0.647	9.50%	1.50%
Tourism Holdings	Royal & Sun Alliance	Buy	+0.638	7.27%	8.40%
24/09/99					
Auckland Airport	Colonial Ltd	Buy	+27.030	5.03%	6.44%
Baycorp Holdings	Colonial Ltd	Buy	+5.452	5.22%	7.12%
Ernest Adams	Goodman Fielder	Buy	+0.398	91.75%	94.16%
Fisher & Paykel	The Capital Group	Buy	+0.274	4.85%	5.08%
Force Corporation	Develm't Securities	Sell	-23.250	15.01%	0.0%
Met Life Care	Todd Capital	Buy	+21.582	0.0%	35.00%
Met Life Care	Colonial Ltd	Sell	-2.489	5.57%	4.03%
Met Life Care	Sovereign Care	Sell	-9.071	14.40%	0.0%
Met Life Care	United Healthcare	Buy	+6.238	0.0%	10.11%
Met Life Care	Private Healthcare	Sell	-2.763	31.00%	27.00%
Nuplex Industries	National Mutual	Sell	-0.609	8.19%	7.09%
Radio Works	Otago Sunday Times	Sell	-1.555	13.83%	0.82%
Revesco Limited	Mercantile Mutual	Buy	+15.000	0.0%	6.09%
Shortland Properties	Kiwi Income	Buy	+29.015	0.0%	9.71%
Shortland Properties	National Mutual	Sell	-17.903	7.30%	1.31%
Strathmore Group	J A Sorensen	Sell	-2.329	13.98%	0.0%
Strathmore Group	Siesta Ltd	Buy	+1.874	0.0%	11.25%
Taylors Group	Royal & Sun Alliance	Sell	-2.112	8.69%	0.0%
Taylors Group	Spotless Services	Buy	+1.190	55.75%	60.65%
01/10/99					
Hellaby Holdings	Castle Investments	Buy	+1.125	29.81%	32.05%
Infratil International	Walbrook Trustees	Buy	+18.417	0.0%	33.88%
Revesco Limited	AMP	Buy	+25.000	0.0%	5.63%
Shortland Properties	Kiwi Income	Buy	+2.298	9.71%	10.48%

Strathmore Group plans to invest in e-commerce and internet technology companies. The Thompson family recently sold its majority shareholding to JA Sorenson, who has since sold out to Cullen Investments (Eric Watson), KD Wikeley, Advantage Group and Siesta. The share price has risen from 25 cents four months ago to 105 cents at present, although a 10 for 1 cash issue at 5 cents will bring the market price back around 14 cents. The cash issue will raise $8 million, which hardly seems enough for a technology investment company - but should cover directors fees for a few years! There are *millions* of "wannabe" internet companies - but perhaps Strathmore will be the *next Microsoft*?

This turning of shell companies into *Internet companies* is very similar to the 1985-87 stockmarket boom - but then they were turned into *Investment/ Property companies*. Whatever happened to Aden, Akron, Angus, Anzon, Ararimu, Areco, Argus, Ascot, Australis and Aw (just to mention a few "A" companies) from the 1980's?

Paynter Timber Group's major shareholder has sold a few shares recently - but the announcement that directors are "reviewing the company's future" which may "include opportunities which would change the direction of the group . . . going into the new millennium" (nudge, nudge, wink, wink - you know what *that* means) sent the share price up 60% to 25 cents. (*Only* 60%? Buy now, as my brother-in-law's, secretary's, newspaper delivery boy overheard some important looking person on the bus saying the price would be up to $2 by Christmas. Hey, with all this good *insider* information I should be writing a *serious* e-mail tip-sheet on internet stocks!).

By the way - for those who have forgotten - Paynter Timber was called "Paynter Holdings" during the 1980's and involved in the then *growth* industry of property development. We probably don't need to remind you how *that* venture worked out.

Having returned to earth from the virtual reality of cyberspace, we consider four other transactions of significance: A major investor has sold out of **Force Corporation** and Otago Sunday Times (a subsidiary of Allied Press) has sold most of its **Radio Works** shares. On a positive note, Australian listed Spotless Services has increased its shareholding in **Taylors Group**, while Castle Investments (a Green & McCahill company) has raised its holding in **Hellaby**.

Total Return Index for All Listed Shares

	Sep 6	2285.68	
	Sep 7	2290.12	
	Sep 8	2288.83	
	Sep 9	2300.28	
	Sep 10	2317.23	
Sep 13	2317.26	Sep 20	2301.38
Sep 14	2306.58	Sep 21	2296.51
Sep 15	2303.11	Sep 22	2282.83
Sep 16	2297.10	Sep 23	2281.08
Sep 17	2294.40	Sep 24	2257.42
Sep 27	2244.48	Oct 4	2258.99
Sep 28	2235.84	Oct 5	2266.61
Sep 29	2226.76	Oct 6	2272.27
Sep 30	2233.03	Oct 7	2266.89
Oct 1	2258.60	Oct 8	2272.78

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