

Market Analysis

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Inside Market Analysis

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Summary and Recommended Investment Strategy.

The outlook for both the New Zealand and Australian stockmarkets remains Neutral. These markets, however, remain under-valued (especially compared with many other world stockmarkets) and we continue to see plenty of attractive investment opportunities. Remain fully invested.

Investment Outlook.

Our One-Year Forecast for Australia has dropped slightly to a **Neutral 44%**. Australian shares are *under-valued*, but a slight increase in the inflation rate and rising long term interest rates have turned Monetary indicators bearish (i.e. unfavourable).

The outlook for the NZ stockmarket is **slightly Bullish at 62%**. NZ shares are under-valued. Monetary conditions are neutral, with interest rates rising only moderately and real money supply growing at a faster rate. Economic indicators are also neutral. GDP growth and Industrial Production statistics indicate the economy is near the bottom of the cycle (i.e. favourable), although Retail Sales have boomed in recent months, giving us the opposite message!

Our **Short Term Trend Model** of the NZ stockmarket is **Bullish at 69%** - although actual performance over the next month (or longer) may be dominated by pre-Election (and post-Election) political uncertainty!

While, overall, our models are relatively neutral, we are happy to buy NZ shares during a period of political uncertainty which may be depressing prices. Cash accumulated from dividends (and from **Radio Otago** and **Fruitfed Supplies**) will be re-invested in **Ebos Group** and **Taylors Group**. In Australia, cash from dividends and partial profit-taking in **ERG** and **Flight Centre** will be re-invested in **Campbell Brothers** and **Hamilton Island**.

We believe that stockmarkets will rise 10-20% from the first few days of the New Millennium and throughout January 2000 - so we recommend that investors be fully invested in shares before the end of December 1999.



Performance Forecasts

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

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	B	110	0.56	38	10.9	Guinness Peat	C	152	1.48	11	1.2	Ports Auckland	B	485	4.18	20	5.5
AMP Limited	C	1925	0.69	17	1.1	Habitat Group	D	24	N/A	NE	Nil	Property F Ind.	C	70	5.48	13	9.2
AMP NZ Office	C	84	6.01	11	9.2	Hallenstein G.	C	229	0.84	13	11.1	Pure NZ Limited	D	17	5.69	NE	Nil
Advantage HDS	B	249	3.55	29	Nil	Hellaby Hold.	C	181	0.53	6	11.5	Radio Works NZ	A	695	1.91	15	3.2
Affco Holdings	D	32	0.07	NE	Nil	Heritage Mining*	N/R	5.0	N/A	NE	Nil	Reid Farmers	B	59	0.44	8	11.4
Air New Zealand	B	261	0.44	7	5.7	Horizon Energy	B	885	2.86	31	3.9	Renaissance	C	36	0.09	11	Nil
Akd Int Airport	B	278	7.28	28	4.3	IT Capital Ltd	C	31	N/A	NE	Nil	Restaurant Brds	C	130	0.53	14	6.9
Apple Fields	D	9.7	1.33	NE	Nil	Ind Newspapers	B	780	1.01	21	4.6	Revesco Ltd*	N/R	45	5.94	NE	Nil
Aquaria 21	D	18	N/A	NE	Nil	Infratil NZ	A	148	8.85	11	5.8	Richina Pacific	D	54	0.08	NE	Nil
Baycorp Hold	A	660	9.75	38	3.6	Infratil Aust.	D	90	N/A	NE	Nil	Roller Int'l *	N/R	40	0.21	NE	Nil
Brierley Invest	C	44	0.67	12	6.8	JF China Region*	N/R	85	N/A	NE	1.4	Ryman Health.	D	166	N/A	NE	Nil
Broadway Ind	E	26	0.07	NE	Nil	Kingsgate Int'l	E	17	0.77	12	Nil	SE Utilities	B	100	2.49	14	6.0
CDL Hotel NZ	D	32	0.54	16	3.5	Kiwi Property	C	94	6.46	10	11.0	Sanford Limited	B	550	1.45	12	4.1
CDL Investments	D	25	1.75	11	11.9	Kiwi Developmnt	E	128	N/A	NE	Nil	Savoy Equities	D	4.0	1.27	NE	Nil
Calan Hlthcare	E	113	N/A	NE	Nil	LWR Industries	B	118	0.25	6	13.9	Scott Tech. Ltd	C	239	1.71	16	6.9
Cap Properties	C	46	5.81	5	23.9	Lion Nathan Ltd	D	435	1.22	16	4.8	Seafresh Fish.	D	13	0.42	NE	Nil
Carter Holt	C	250	1.51	83	3.2	Lytelton Port	D	151	2.77	12	7.2	Shortland Prop.	C	64	6.18	12	9.8
Cavalier Corp	B	328	0.59	11	11.8	Mainfreight Grp	C	152	0.38	16	5.4	Shotover Jet	C	73	1.32	12	3.4
Cedenco Foods	C	80	1.89	9	Nil	Manor Inns Grp	D	15	0.60	NE	Nil	Sky City Ltd	C	732	2.73	15	8.8
Ceramco Corp	A	170	0.79	23	4.4	Max Resources*	N/R	13	N/A	NE	Nil	Sky Network TV	E	288	8.74	NE	Nil
Col FS Property	C	83	N/A	12	8.3	Metro. LifeCare	B	207	2.02	19	4.3	South Port NZ	C	86	0.95	20	9.5
Col Motor Co	B	240	0.25	13	9.6	Michael Hill	B	310	0.76	14	5.5	Southern Cap	D	74	5.45	11	Nil
Colonial Ltd	C	715	0.90	18	0.8	Mid-Cap Index*	N/R	192	N/A	NE	Nil	Spectrum Res.*	N/R	11	N/A	NE	Nil
Contact Energy	B	346	N/A	32	3.8	Montana Group	C	205	1.03	18	2.2	St. Lukes Group	C	154	2.61	6	9.5
Cue Energy Ltd * N/R	10	5.29	NE	Nil	Mr Chips Hold	C	65	0.59	19	9.2	Steel & Tube	C	160	0.42	14	7.5	
DB Group	D	225	0.34	9	10.6	NZ Experience	D	12	0.86	57	Nil	Strathmore Grp	B	120	N/A	NE	Nil
Dairy Brands	E	26	1.74	NE	Nil	NZ Invest Trust*	N/R	405	N/A	NE	2.0	Summit Gold Ltd*N/R	11	N/A	NE	Nil	
Damba Hold Ltd	C	46	0.54	NE	Nil	NZ Oil and Gas *	N/R	42	2.89	NE	Nil	Tag Pacific Ltd	B	34	0.43	NE	2.2
Design Textiles	B	33	0.22	6	13.6	NZ Refining Co	C	1250	1.23	13	8.0	Tasman Agric.	C	80	2.56	11	3.8
Donaghys Ind	B	146	0.38	11	8.2	Nat Property Tr	C	89	5.51	11	11.4	Taylor's Grp Ltd	B	102	0.65	14	6.6
Dorchester Pac	B	86	0.66	8	7.8	National Mutual	C	280	3.12	14	3.8	TeNZ *	N/R	96	N/A	NE	Nil
East'n Equities	C	71	0.24	17	Nil	Natural Gas	D	172	2.34	15	8.7	Telecom Corp	B	776	3.96	17	8.8
Ebos Group Ltd	A	314	0.81	14	8.6	Newcall Group	E	35	N/A	NE	Nil	Tourism Hold.	A	290	0.97	16	2.6
Eldercare NZ	E	58	N/A	NE	Nil	Newmarket Prop.	C	56	4.16	6	17.0	Tower Limited	B	550	0.20	12	3.0
Ernest Adams	D	230	0.58	NE	Nil	Nobilo Wines	D	91	0.79	20	4.9	Trans-Tasman	E	28	0.94	NE	Nil
Evergreen	D	51	N/A	22	Nil	Northland Port	B	138	1.16	18	8.1	Trans Alta NZ	B	250	1.23	19	5.8
FC - Paper	E	127	0.23	NE	1.8	Nuhaka Forestry	D	1225	N/A	NE	Nil	Tranz Rail Hold	C	348	0.74	6	7.3
FC - Building	C	242	0.30	34	7.4	Nuplex Indust	C	281	0.49	13	5.6	Trust Power Ltd	C	480	3.82	42	5.0
FC - Energy	D	443	1.22	26	4.7	Opio Forestry	E	51	N/A	NE	Nil	United Networks	D	595	2.02	22	7.5
FC - Forests	D	77	1.19	12	Nil	Otter Gold Mine*	N/R	96	0.61	21	Nil	Utilico Int'l	E	36	N/A	NE	Nil
Fernz Corp Ltd	C	450	0.48	11	5.6	Owens Investmts	D	130	0.19	18	11.5	Warehouse Group	A	750	1.14	20	3.8
Fisher & Paykel	C	607	0.92	20	4.4	Ozzy (Tortis)*	N/R	220	N/A	NE	Nil	Waste Mgmt NZ	A	430	4.58	33	3.7
Force Corp.	C	54	2.62	11	11.1	PDL Holdings	B	588	0.25	46	5.1	Williams Kettle	A	209	0.30	13	9.3
Fruited Supp	A	125	0.26	14	8.4	Pacific Retail	B	166	N/A	13	2.7	World Index Fd *	N/R	193	N/A	NE	Nil
Goodman Fielder	C	176	0.50	16	5.3	Paynter Hold	C	25	0.37	NE	Nil	Wrightsons Ltd	D	42	0.10	NE	Nil
Grocorp Pacific	E	13	0.68	NE	Nil	Port Tauranga	A	605	8.75	26	4.4	Ave of 137 Coys	C	220	0.53	20	4.3
A.G.L.	B	868	1.70	13	5.2	Fairfax (John)	C	391	2.16	13	2.7	Pacifica Group	C	523	1.16	33	3.1
AAPT	C	500	1.98	43	Nil	Faulding (F.H.)	A	1008	0.77	26	2.1	Pacific Dunlop	C	229	0.36	12	6.1
AMP Ltd	C	1560	0.66	16	1.2	Flight Centre	A	1325	0.58	38	1.4	Perp Trust Aust	B	2000	3.58	25	3.0
AMP Office Trt	D	115	9.48	14	7.1	Foodland Assoc	C	962	0.23	8	5.1	Pioneer Int'l	C	342	0.76	13	47.1
AMP Shop Centre	E	115	N/A	NE	Nil	Foster's Brewin	B	420	2.32	20	3.1	PowerTel Ltd	C	190	1.86	NE	Nil
ANZ Bank	C	1152	1.49	15	4.5	Futuris Corp.	C	196	0.26	17	4.1	Prime Credit PT	C	114	7.43	12	9.1
APN News Media	B	296	2.13	20	3.5	GIO Australia	D	253	0.53	NE	4.7	Prime Indust.	C	72	7.84	11	8.8
Advance Prop	D	145	6.95	12	8.1	GWA Internat'l	C	249	1.24	16	5.0	O.B.E. Insur.	C	658	0.70	16	4.1
Amalgamated Hld	C	410	1.08	13	3.2	Gandel Retail Tr	D	103	9.17	15	8.1	O.C.T. Resource	C	94	0.65	14	7.4
Amcor Ltd	C	683	0.65	15	5.7	General Prop Tr	D	245	9.04	14	7.8	Qantas	B	489	0.68	15	3.9
Amway Asia Pac	D	1910	N/A	NE	Nil	Ges Internat'l	A	134	0.75	30	0.8	Rio Tinto Ltd	B	2510	1.64	14	2.3
Aristocrat	A	1555	2.95	29	1.2	Goodman Fielder	C	144	0.53	17	5.2	Rural Press Ltd	C	501	1.34	13	2.5
Aust Stock Exch	C	921	5.76	24	3.8	Guinness Peat	C	123	2.44	10	0.4	Schroder Prop.	C	240	8.36	14	7.6
Austar United	D	540	N/A	NE	Nil	HIH Insurance	C	144	0.20	8	11.1	Seven Network	C	461	1.82	73	4.4
Austrim Ltd	C	286	0.75	9	5.3	Hardie (James)	D	365	1.04	NE	4.1	Smith (Howard)	C	1130	0.81	22	3.6
BA Tobacco Aust	B	1395	0.56	14	6.1	Harvey Norman	B	306	1.83	7	4.9	Smorgon Steel	C	209	0.92	27	2.2
BRL Hardy Ltd	A	701	1.99	25	1.9	Hills Motorway	C	345	9.70	43	1.7	Solution 6	A	740	5.06	20	Nil
BTR "A"	E	508	N/A	NE	Nil	Hoyts Cinemas	C	200	1.18	15	2.0	Sonic Health	A	605	4.29	43	2.3
Bank of W.Aust	B	390	5.56	16	4.2	Hutchison Tel.	E	277	N/A	NE	Nil	Southcorp Ltd	C	548	1.18	19	3.6
Boral Ltd	C	231	0.51	11	3.2	Incitec	C	560	0.69	19	3.8	Spotless Group	A	505	0.65	22	3.5
Brambles Ind.	B	4574	2.04	31	1.7	Infrastructure	B	160	7.14	8	6.3	St George Bank	C	1068	1.47	28	4.9
Brickworks Ltd	B	3800	3.39	13	2.9	Jupiters	B	321	1.35	17	4.4	Star City Hold.	C	155	1.06	36	Nil
C & W Optus	C	373	5.62	NE	Nil	Lang Corporatio	C	665	2.33	NE	Nil	Stockland Trust	D	333	5.76	13	7.4
C.S.R. Ltd	C	348	0.53	10	6.6	Leighton Hold	B	590	0.46	13	5.1	Suncorp-Metway	C	842	0.69	7	5.2
CSL Limited	A	1998	6.19	56	1.1	Lend Lease Corp	C	1910	2.34	23	3.1	TAB Ltd	C	270	0.33	24	3.3
Cadbury Sch.	D	985	N/A	NE	3.4	M.Y.O.B. Ltd	B	888	6.71	NE	Nil	Tabcorp Holding	B	1076	3.02	23	4.0
Centro Prop.	C	266	6.35	12	8.6	Macquarie Bank	B	2290	4.44	22	3.0	Telstra	B	781	1.84	10	4.2
Challenger Int.	B	410	3.38	19	1.2	Macquarie Off.	C	115	8.41	13	9.2	Ten Network	C	204	1.35	14	7.1
Coal & Allied	B	1475	1.59	11	6.8	Mayne Nickless	B	422	0.36	13	7.1	Transurban Grp	D	160800	N/A	NE	Nil
Coca-Cola Bev.	E	285	N/A	NE	Nil	Mirvac Property	C	178	9.75	15	6.4	United Energy	B	200	1.22	55	8.6
CocaCola Amatil	C	468	1.26	25	4.1	Mirvac Ltd	B	250	0.97	13	4.0	Village Road.	C	284	0.84	9	3.5
Cochlear Ltd	A	1720	6.78	53	1.6	Mobile Com.	D	1170	N/A	NE	Nil	Wesfarmers Ltd	C	1183	1.05	17	5.6
Coles Myer	B	777	0.39	20	3.3	Nat'l Foods	C	304	0.73	17	4.3	West Aust News	C	525	3.12	16	5.7
Colonial Ltd	C	580	1.08	22	2.6	Nat'l Aust Bank	C	2355	1.35	17	4.3	Westfield Amer.	C	149	3.61	15	6.2
Com'wealth Bank	B	2652	2.49	17	4.3	Nat'l Mutual	C	232	3.07	20	3.8	Westfield Trust	D	296	9.22	17	7.0
Com. Inv. Trust	E	91	N/A	NE	Nil	Nat'l Mut. Prop	D	116	9.49	16	7.4	Westfield Hold.	B	940	5.64	39	1.3
Computer Share	B	650	N/A	NE	0.6	News Corporatio	B	1192	1.10	16	0.3	Weston (George)	C	670	0.51	18	2.8
Crown Ltd	C	90	0.70	14	Nil	One Tel Ltd	D	123	6.37	NE	0.1	Westpac Banking	C	1058	1.84	16	4.1

Recommended Investments

Designer Textiles has reported Moller Textiles is "achieving expected sales and profitability" while other businesses were "progressing in line with budgets". In June the company predicted profits for the year to June 2000 at "in excess of \$3 million" (10 cents per share) as a result of the Moller Textile acquisition.

Fernz Corporation is changing its balance date to July 31, so has reported for the recent two month period since its previous May 31 balance date. Figures for that period (revenue \$192.0 million and a loss of \$4,043,000) are relatively meaningless, and not comparable to the same 1998 period owing to businesses previously sold.

For the new financial year the company is forecasting a 2.5% lift in profits (held back by increases in tax, interest, depreciation and amortisation), but reports that the first quarter is 7% ahead of that forecast. The company expects to "double after tax operating profit

within five years" - which is a compound growth rate of at least 15% per year.

Williams & Kettle's ownership of **Fruited Supplies** has risen to 95.12% as a result of its takeover bid and it will now seek compulsory acquisition of the remaining shares. Fruited Supplies shareholders who have accepted the takeover bid will receive the cash and Williams & Kettle shares by November 17. As indicated previously, we recommend holding the Williams & Kettle shares just long enough to receive the 7.0 cents dividend (ex-dividend November 29).

Renaissance Corporation reports "strong sales in the second half across its entire product range" and has accumulated a "significant backlog of orders" for *iBook Portable* and *G4 Desktop* computers owing to **Apple's** worldwide supply problems (i.e. the products are too popular). The December (Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date - Price	Perform- mance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares												
HOLD+	Air New Zealand "A"	AIRVA	08/10/96 257*	B	567.0	0.9	0.44	7	5.7	261	63.0	+26%
HOLD-	Apple Fields Limited	APF	10/03/92 237	D	29.2	2.7	1.33	NE	Nil	10	10.0	-92%
BUY	CDL Investments Ltd	CDI	12/01/99 25	D	169.5	2.0	1.75	11	11.9	25	2.0	+8%
BUY	Cavalier Corporation	CAV	05/12/95 312	B	36.0	1.0	0.59	11	11.8	328	91.0	+34%
HOLD+	Colonial Motor Company	CMO	10/11/92 150	B	30.9	0.8	0.25	13	9.6	240	179.8	+180%
HOLD+	Designer Textiles Ltd	DTL	12/01/99 47	B	29.7	2.0	0.22	6	13.6	33	3.0	-23%
BUY	Ebos Group Ltd	EBO	12/10/99 290	A	23.2	0.6	0.81	14	8.6	314	9.0	+11%
HOLD+	Fernz Corporation Ltd	FER	11/02/97 505	C	150.5	0.9	0.48	11	5.6	450	52.0	-1%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91 46*	B	38.6	0.8	0.76	14	5.5	310	51.5	+686%
HOLD	Nuplex Industries Ltd	NPX	11/02/97 350	C	55.4	1.0	0.49	13	5.6	281	21.0	-14%
HOLD+	Owens Group Limited	OWN	12/03/91 47*	D	56.3	1.1	0.19	18	11.5	130	77.3	+341%
BUY	PDL Holdings Ltd	PDL	13/02/96 810	B	13.6	0.9	0.25	46	5.1	588	113.0	-13%
HOLD	Radio Works NZ Ltd	RWL	08/12/92 205	A	12.0	0.6	1.91	15	3.2	695	112.5	+294%
HOLD+	Renaissance Corp	RNS	13/08/96 85*	C	35.3	2.0	0.09	11	Nil	36	4.4	-52%
HOLD	Richina Pacific	RCH	03/11/95 119*	D	72.2	1.6	0.08	NE	Nil	54	11.9	-45%
HOLD	South Port New Zealand	SPN	13/02/96 120	C	32.4	1.1	0.95	20	9.5	86	33.3	-1%
BUY	Taylors Group Ltd	TAY	09/11/99 102	B	24.3	1.3	0.65	14	6.6	102	Nil	
HOLD+	Tourism Holdings Ltd	THL	14/07/92 179*	A	56.6	0.9	0.97	16	2.6	290	56.7	+94%
HOLD+	Wrightson Limited	WRI	13/01/98 83	D	139.7	1.7	0.10	NE	Nil	42	6.3	-42%
Australian Shares (in Aust cents)												
BUY	Abigroup Limited	ABG	09/03/99 265	C	47.7	0.5	0.13	6	7.0	200	14.0	-19%
HOLD+	Atlas Pacific Ltd'	ATP	14/05/96 73	D	49.4	1.6	11.54	NE	Nil	24	Nil	-67%
HOLD+	Biron Corporation Ltd	BIC	12/04/94 178	C	21.6	1.6	0.81	NE	8.3	24	11.0	-80%
BUY	Campbell Brothers Ltd	CPB	12/10/99 435	B	30.8	0.4	0.65	12	5.6	427	Nil	-2%
HOLD+	Central Equity Ltd	CEQ	09/02/94 154	A	82.1	0.5	1.02	7	7.1	225	61.0	+86%
BUY	Data#3 Limited	DTL	09/02/99 285	A	14.2	0.9	0.30	16	4.0	300	12.0	+9%
HOLD-	E.R.G. Limited	ERG	10/10/95 152*	A	202.7	0.3	4.38	59	0.3	593	7.5	+295%
HOLD	Flight Centre	FLT	11/08/98 308	A	80.9	0.2	0.58	38	1.4	1325	24.5	+338%
BUY	Hamilton Island Ltd	HAM	09/11/99 205	A	32.6	0.5	0.92	10	6.3	205	Nil	
HOLD	Hancock & Gore	HNG	15/07/97 125*	C	46.7	0.7	0.55	10	6.2	126	11.5	+10%
BUY	PMP Communications	PMP	09/02/99 309	C	253.4	0.5	0.45	9	9.7	211	20.4	-25%
HOLD+	Thakral Holdings	THG	10/11/98 65	C	513.5	0.9	1.59	11	8.3	70	5.8	+17%
BUY	Toll Holdings	TOL	08/09/98 240	B	59.5	0.3	0.23	10	4.2	525	30.0	+131%
BUY	Vision Systems	VSL	10/11/98 685*	B	13.8	0.3	0.64	12	4.2	670	27.9	+2%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +67.2%. This is equal to an average annual rate of +19.9%, based upon the length of time each position has been held..

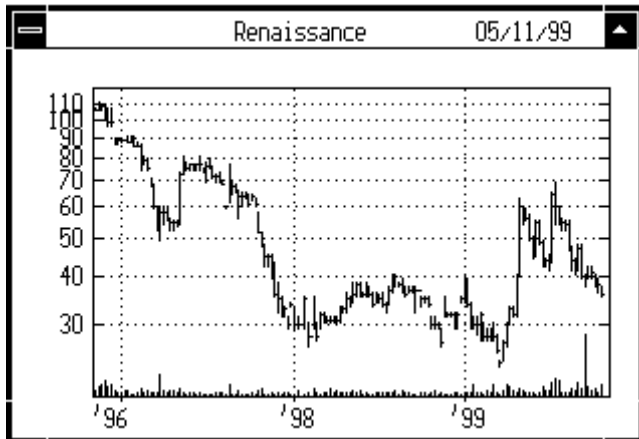
The average annual rate of gain of ALL recommendations (both the 33 current and 101 closed out) is +29.8%, compared with a market gain of +13.1% (by the SRC Total Return Index).

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

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

(1) Atlas Pacific notes (ATPG) last traded at 24 cents.

Recommended Investments (Continued from Page 3) quarter is usually the busiest for Renaissance (owing to sales to the educational market) and the carry forward of the backlog after December 31 will transfer sales and profits from this financial year to next year.



South Port NZ reports its first quarter cargo levels are 8% ahead of budget and up 12% on the same period last year. A new 4500m² warehouse increases the company's total warehouse space to 14,500m², in addition to its 39,000 cubic metres of cold storage space. The company also has significant undeveloped land at the port. Only one-third of the 51 hectare Island Harbour land is fully utilised, and there is 17 hectares available for future development along the Bluff foreshore.

Wrightson had just informed shareholders at the AGM that "first quarter results had been very encouraging" when **Guinness Peat Group** made a "stand in the market" seeking to increase its shareholding from 4.78% to 19.9%. GPG also announced that it may later seek to raise that to 30.0% of Wrightson. GPG withdrew its bid - with 18.7% of the company - when Wrightson's share price moved up to 42 cents.



In this type of situation, investors should very seldom sell to the bidder. GPG (despite what it would often have shareholders believe) is not buying Wrightson shares to help investors get out of a poor investment, but because it believes the shares are under-valued and it can make a profit on them. An aggressive shareholder such as GPG can also put pressure on management to speed up restructuring and lift performance - or to seek a third party to make a full takeover bid at a higher price. The only danger for minority public shareholders is where GPG gets over 50% of the shares and control of the company - enabling it to restructure the company to maximise its own returns which may be less attractive for minority shareholders (i.e. dividends or capital

repayments could be structured in a way that maximises the after tax returns of UK based GPG, not NZ investors subject to NZ tax laws.)

Australian based **Wesfarmers** has been named as a company that *may* be interested in making a full takeover bid for Wrightson, while Wrightson has confirmed that it is holding discussions with at least one other party that *may* want to buy the company.

Australian Shares

Abigroup, as previously reported, believes that there will be a post-Olympic slowdown in construction and that this will impact on profit margins. Based upon its current order book the company forecasts revenue of A\$650 million this financial year (down 8%). Nevertheless, Abigroup has identified further civil engineering work valued at over A\$1000 million for which it plans to tender over the next 6-9 months. The result of its A\$280 million tender for the Yelgun to Chinderah Pacific Motorway upgrade should be announced over the next month.

Abigroup's new Maintenance businesses have started strongly, with revenue to June 2000 expected to reach A\$25 million. The intention is to "develop these businesses over the next three years" to become a "significant contributor" to profits and diversify away from the more cyclical construction business.

Hills Motorway (in which Abigroup has a major investment) and an Abigroup construction consortium have made submissions to the Road Transport Authority to extend the M2 Motorway at the eastern and western ends, and to link to the Gore Hill Freeway. If approved, construction (valued at around A\$500 million) could begin towards the end of 2001. This would also expand Hills Motorway's toll road *and* increase usage of its currently under-utilised motorway. Extension of the toll road would therefore have a very positive impact upon Hills Motorway. The M2 Motorway is part of a planned link that will eventually encircle Sydney, but until that is completed will remain under-utilised.

Average daily traffic volumes on the M2 were 66,635 vehicles in September (up 9.3% on September 1998) and 63,747 in October (up 4.3% on October 1998). Despite a fall in the Hills Motorway share price, Abigroup "remains satisfied in holding this investment" of 15,000,000 Hills Motorway units, owing to the steady rise in traffic volumes and the potential for the motorway extensions to bring significantly higher traffic volumes in the future.

The **Sydney SuperDome** has been "an instant success" hosting a wide variety of performances (i.e. SuperCross, Alanis Morisset, *Happy Days* musical, Harlem Globetrotters) and as a major function centre (for up to 20,000 people). While in line with budgets, no meaningful trends are likely until after the Olympics (which will require the SuperDome for pre-Olympic testing in June, the Olympics and Paralympic Games in September/October 2000).

Abigroup shares have not performed well since we initially recommended this company in March of this year. Nevertheless, this is an *asset rich, debt-free* company whose shares trade on a very low Price/Earnings ratio of 6 and offer a high Dividend Yield of 7.0%. The company is expanding its core construction business, diversifying into new businesses (e.g. property

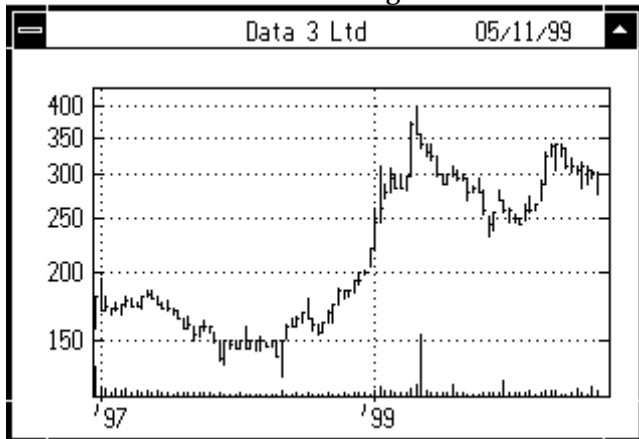
syndication, maintenance), as well as investing in infrastructure projects (i.e. Hills Motorway, Sydney SuperDome, and is part of a consortium proposing an A\$2.2 billion second Sydney airport with an A\$2.1 billion high speed rail link to the city). The worst that investors can expect is a good dividend income, increasing as more income is earned from the Hills Motorway investment and an eventual re-rating of the shares (towards A\$4-5 per share) over the next several years. At best, the company may continue to expand rapidly, make further infrastructure investments and be worth \$15-25 per share. We think that rates the shares as a "Buy".



Central Equity has announced that **Walter Construction** won the tender to build *The Centurion* on a fixed time, fixed price contract. *The Centurion* will be a 31 level building with 191 apartments and six penthouses (over three floors). The end sales value of this building will be around A\$70 million. Off the plan pre-sales for this project are currently at A\$64.3 million with all of the apartments sold.

Data#3 reports sales below budget for the September quarter - possibly as a result of a decline in "Y2K" related sales. Sales are expected to improve in the December quarter, with next year's sales supported by growing demand for "e-commerce" solutions.

Data#3 expects to make 50% of its own sales via the internet under its "Business partner Network" within three years - which has "the potential to generate considerable internal cost savings".



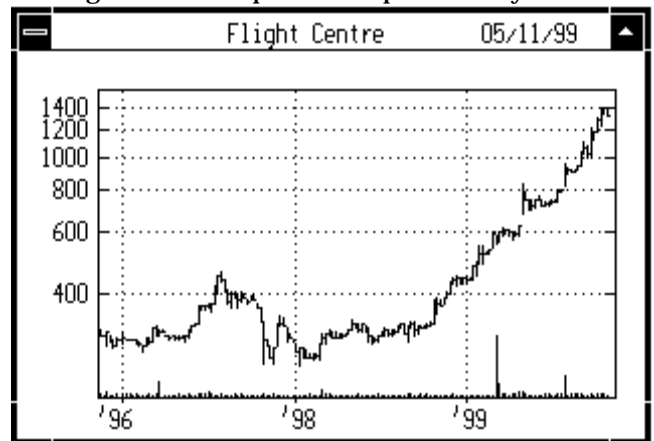
ERG has installed the new Automated Fare Collection trial system in Berlin on two subway lines (covering 33 stations) ahead of schedule, with the remainder of the trial (two bus routes and one tram line) now expected to be in place by the end of the year.

ERG has also announced two major contracts.

Firstly, ERG is to install smart card ticketing systems on 850 buses operating in the greater Manchester area by **FirstGroup** before the end of the year. FirstGroup is the largest bus operator in the UK with a fleet of 9000 buses, operates in Hong Kong through a joint venture bus company, has 10,200 buses in the United States, is a leading train operator in the UK and also manages the Bristol International Airport. Secondly, ERG is to acquire UK based **Transmo Citycard Ltd**, which operates a multi-application smart card system. ERG will issue 1,000,000 shares and pay £200,000 to acquire the business, intellectual property rights and personnel. An important part of this technology is a patented *Security Module* which authenticates card transactions and confirms that a card is valid for a particular application. There are presently only 200,000 cards on issue, but this number is expected to increase rapidly. Last month Transmo launched a new application which allows companies to offer employees one card that can provide a range of services (e.g. controlled free bus travel to and from work, building access and payment at the company restaurant and vending machines).

ERG's Managing Director, PJ Fogarty, has sold 394,512 shares in the company realising about A\$2.5 million. This, however, is only 7.6% of his total shareholding, which remains at a significant 4,810,127 shares.

Flight Centre reports that the new financial year has started well, with revenues for the September quarter up 24% and profits up 50% compared with the same period last year. This revenue growth results from a 26% increase in store numbers, while the higher profit reflects economies of scale and new businesses moving from start up losses to profitability.



Earlier this year, when **PMP Communications** announced that it was to buy the Australian business of **Gordon & Gotch** from NZ based **Independent Newspapers**, media reports estimated the acquisition to be worth "at least A\$60 million". Independent Newspapers later discovered accounting errors at the business and wrote its value down by \$12.5 million, while PMP's due diligence uncovered problems with the recent performance of the business. Protracted negotiations have now been concluded at an undisclosed price which **Bloomberg** news service estimated at "about NZ\$50 million, depending on whether property was included" but PMP has indicated a purchase price "of less than A\$20 million". PMP won't disclose details but apparently negotiations started "around A\$30 million".

(Continued on Page 6)

Recommended Investments (Continued from Page 5)

PMP Communications is to invest A\$85 million over three years in new presses, materials handling and bindery equipment, which will increase operating speeds, reduce variable costs and which "should substantially improve margins". Cost savings - which are described as "substantial and sustainable" - will begin to show up at the end of this year, so the full benefits will be seen in the year to June 2001. Although these traditional printing and distribution businesses are a major source of profit, the company realises that they are mature businesses and that its future growth lies in digital technology (e.g. its Show-Ads business which is growing rapidly) and the internet. The company will spend "around A\$8 million on the development of our online real estate business property.com.au" this year.

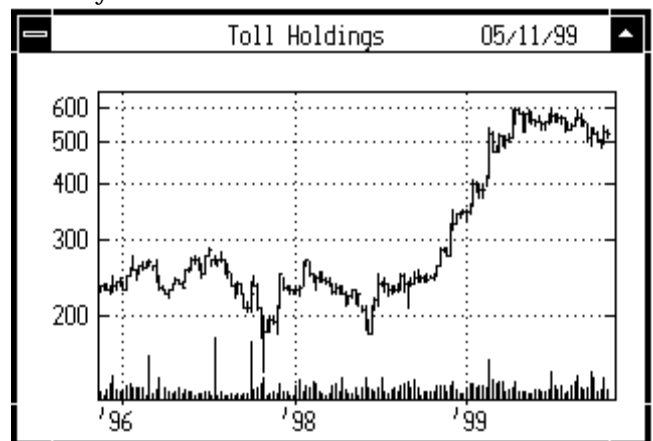
Toll Holdings is installing a new software system to manage logistics across the entire group and will replace a range of different systems used by the many companies acquired over recent years. The A\$10 million system, provided by US based **Carrier Logistics** (a software company with 25 years experience in the logistics industry), is suited to a complex and fast changing logistic environment and includes computer-aided routing, mobile data communication and will eventually be used to provide information to customers and suppliers.

This advanced system is the key element in Toll's "e-business" technology strategy on which the company will invest "up to A\$25 million" over the next three years. Businesses are requiring smaller, more frequent deliveries from their suppliers, while sales over the

internet are resulting in strong growth in demand for small, fast deliveries to customers. Toll's new software is aimed at enhancing the group's competitive advantage in this area, maximising synergy benefits from recent acquisitions and maintaining internal growth.

Profits for the first four months of the new financial year are "ahead of budget and above last year". GST and the related cuts in the fuel excise levy will reduce the company's truck and rail fuel bills by about one-quarter - or A\$20 million annually.

Mayne Nickless (which sold **Interlink Distribution Services** to Toll Holdings in 1995 and gave **IPEC** - a business with A\$50 million in assets - to Toll Holdings in October 1998) has become a major shareholder in Toll Holdings, building up a 7.9% stake recently.



Vision Systems' Australian Stock Exchange code is to change to "VSL" from "VSS", effective from November 9.

Share Recommendations

Buy Taylors Group

BUY Taylors Group

We recommend buying shares in **Taylors Group** - a small company now mainly involved in providing linen and laundry services to the healthcare sector. After many years of no growth, a strong profit recovery (for the year to June 30) was announced in early September. Directors are commenting favourably on prospects for the new financial year and the Australian parent company has been buying shares.

Company History

Originally called **Taylors Drycleaning & Laundry Services** and based in Christchurch, **Taylors Group** expanded into the North Island in 1987 with the acquisition of **Hylin Holdings**. Australian based **Spotless Services** purchased a 55.75% controlling shareholding in Taylors Group in December 1991.

A restructuring in the early 1990's resulted in the company selling its retail domestic drycleaning businesses in Auckland (in 1993) and Christchurch (in 1994), raising \$10,125,000 through a cash issue to shareholders (in October 1994) and expanding in the healthcare sector. Money raised in the cash issue enabled Taylors to acquire the **Star Services** laundry

business (which provides linen and laundry service to Crown Health Enterprises in Auckland) in October 1994. In June 1996 **Waiora Textiles** linen and laundry services business was purchased for \$5.3 million from **Health Waikato**.

In April 1997 the company acquired Christchurch based **Gulliver's Laundry** (involved in textile rental - workwear, dust control mats, continuous roller towels - and laundering) for \$2.2 million. In late 1997, two linen hire companies - Christchurch based **Launderers** and Wellington based **Exclusive Linen** - were purchased.

Recent Results

Performance in the accommodation sector has been poor over recent years, with the slowdown in that industry depressing results. Services to the healthcare sector have been relatively stable, although that sector is working within tight government spending budgets. Overall, Taylors Group has performed disappointingly.

Revenues rose 15.8% to \$33.4 million in the year to June 1997, but profits fell 13.0% to \$1,685,000 (6.9 cents per share) with a 4.5 cents dividend paid. For the 1998 year, revenues rose a further 14.1% to \$38.1 million but

profits again fell 21.8% to \$1,318,000 (5.4 cents per share) and the dividend was cut to 4.0 cents.

The year to June 1999 has shown some recovery in profits. Revenues were steady, up just 0.6% to \$38.3 million, while profits rose 37.6% to \$1,814,000 (7.5 cents per share) with the dividend restored to 4.5 cents.

In the latest year, Taylors Group's main source of revenue was from the healthcare sector (60.0% of revenue), accommodation/tourist sector (33.7%) and industrial sector (6.3%). Healthcare services and products are by far the main source of profits.

Future Growth Potential

Taylors Group sees most of its future growth in the healthcare sector, with recent growth in this sector coming from an expanded range of sterile theatre products. The company is looking at exporting these sterile packs to Australia.

An upturn in tourism has also led the company to report "a strong start to the 2000 year".

Support for the belief that Taylors Group may be about to experience a strong recovery in profits comes from further share buying by **Spotless Services** - the first additional share purchases since acquiring 55.75% in 1991. During the week ended September 24, Spotless Services disclosed that it had acquired an additional 1,190,000 shares, raising its holding to 60.65%. In the week of October 15 it again revealed that a further 1,086,000 shares had been purchased, lifting its shareholding to 65.11% of Taylors Group.

Investment Criteria

Taylors Group shares qualify as a "Buy" under both the *Under-Valued Shares* and the *Best Performing* sections of our *Comprehensive Share Selection Criteria*. The recent share purchases by Spotless Services would also qualify the shares as a "Buy" owing to *Insider Buying*.

At 102 cents, Taylors Group shares trade on a Price/Sales ratio of 0.65, a Price/Earnings ratio of 14 and offer a gross Dividend Yield of 6.6%. All of those statistics look *fair* for a company that has generated little historical growth, but look to offer good value if the company can continue to raise profits this year as the directors comments indicate (i.e. "strong start to the year", "sales outlook in the health sector looks positive").

Insider buying by the major shareholder is also positive and supports the view that profits may be about to grow. Major shareholders - with their intimate knowledge of the business - are usually very good at buying or selling at *just the right time*. Spotless Services has held a 55.75% controlling shareholding in Taylors Group for eight years and has only recently sought to substantially increase that holding. This is about the clearest indication that investors will ever get that Taylors Group's performance may finally be about to improve!

Recent share buying could also lead to a full takeover bid by the Australian parent company, eliminating the overhead costs (i.e. directors fees, reports to shareholders, AGMs, a NZ share registry, NZ Stock Exchange listing fees) of operating a public NZ company which is already two-thirds owned and where only \$9 million worth of shares are held by minority shareholders. Spotless Services has just completed the A\$140 million acquisition of the food, cleaning, hospital support and engineering services businesses of the

P&O Group in Australia and NZ. A full takeover would allow Taylors Group to be merged with the NZ operations recently acquired - with the potential for cost savings in excess of the \$9-13 million cost of buying out the NZ minority shareholders.

With a market capitalisation of \$25 million Taylors Group is a *very small* company. While *smaller* companies tend to outperform larger companies, this is often because of stockbroker and institutional *neglect* of smaller companies which are therefore relatively under-valued. Two stockbrokers follow Taylors Group closely enough to publish profit forecasts. While we rate anything up to six brokers as *neglected*, we would normally expect a company this small to be followed by zero or perhaps only one broker.

Taylors Group has at least seven institutional investors owning around 9% of the company. However, that level may have dropped over the last month with Spotless Services recently buying an additional 4.5% of the company. *Low* institutional shareholdings would be favourable as they may then seek to buy back into the company (pushing the share price sharply higher) if profits grow strongly this year.

Technically the shares have been rising strongly since September 1998, although have weakened over recent months despite the excellent profit result announced in early September this year. The Relative Strength Rating is +0.3%, which ranks the shares at 54 (i.e. just below the middle of the market, which is ranked from 0-99).

Summary and Recommendation

Taylors Group shares offer fair value, but there are indications (i.e. a recovery in profits last year, comments by directors, *insider* buying) that suggest that the company could be about to do better. There is also the potential for a full takeover bid.

We recommend buying Taylor Group shares as they offer investors a reasonable current income yield, with good potential for income growth (as profits rise) plus capital appreciation (as profit and dividend growth lead to the share being re-rated) over the next 6-24 months. A takeover bid would deny us those longer term investment gains but result in a short term capital gain as Spotless Services would probably need to offer a 20-30% premium to market, given that the shares are below their recent high of 122 cents and significantly below their 1997 peak of 215 cents.

While Taylors Group is a smaller company, the shares trade actively in good volumes.



Buy Hamilton Island

BUY Australian listed Hamilton Island Ltd

We recommend the purchase of shares in **Hamilton Island Ltd**. This company operates the Hamilton Island resort which, after numerous problems over the years is starting to yield good profits. Ownership of the airport has been increased to 100% (from 50%), and an "open skies" policy is boosting flights and bringing in higher tourist numbers. Infrastructure development on the island has also increased land values, with small scale sub-division now yielding the company 80-90% profit margins on land sales.

Company History

Hamilton Island Enterprises, originally privately owned by entrepreneur Keith Williams, developed a resort hotel, condominiums, villas and an airport (originally 50% owned by Ansett) during the 1980's at a total cost of A\$265 million. The 670 hectare island is held by the company under a perpetual crown leasehold.

Construction began in 1981, with the **Outrigger Resort** completed in December 1984 only to have the main complex destroyed by fire four months later with re-building completed in 1986. The **Hamilton Tower** complex was completed in December 1990 with 759 rooms, about one-quarter of which are privately owned apartments which Hamilton Island Enterprises manages and lets out on behalf of the owners. A 1300 seat convention centre was completed in 1991.

As most tourists arrive by air, this development suffered during the Australian pilot's strike and was placed in receivership in April 1992 by Citibank which held A\$117 million of secured loans. The current parent company, **Hamilton Island Ltd**, was formed to acquire Hamilton Island Enterprises from Citibank after an A\$115 million public share float in 1993. **Holiday Inn** was appointed to manage the resort accommodation and convention centre.

Hamilton Island, however, did not perform well and in 1995 **Bankers Trust** gained control of the company following a hostile takeover bid. Bankers Trust removed Holiday Inn as manager and installed their own management team. Asset values were written down, and the company invested heavily to improve its facilities - only to be hit by the Asian crisis and a downturn in Japanese tourist numbers in 1997 and 1998.

Many of the facilities on Hamilton Island are operated by owner/operators under concession agreements which pay the company a fee based upon their revenue.

Recent Upturn and Future Growth Potential

Over the last year the performance and outlook for Hamilton Island has improved considerably. The new policies of the management team (installed in 1995) are starting to show up in results, with room occupancy rates and room rates up - which has boosted revenues and significantly improved profits. Occupancy levels are around 65-70%, so there is potential for further significant improvement. That would increase revenues and, as many costs are fixed (i.e. depreciation, interest), would have a significant impact on profitability.

Hamilton Island is the largest of the Whitsunday resorts and mainly targets the budget market.

The company has also started developing and selling

land on the island. While this generates only a few million in revenue, profit margins in this area are around 80-90% so this is a major source of current and future profitability and net cashflow. The land was originally acquired (under the perpetual lease) relatively cheaply in an undeveloped state, but is now very valuable owing to the infrastructure (i.e. the airport, electricity cable to the mainland, fresh water supply and backup desalination plant, shops, marina, etc.) constructed for the resort. As a result the company is able to sub-divide and sell land at 5-10 times cost. Land available for future development and sale is therefore a *hidden asset* recorded in the company's balance sheet at a small fraction of its current value.

Finally, Hamilton Island has acquired 100% ownership in its airport, Ansett's sole access rights have ended. Since then Qantas has begun four Sydney flights and four Brisbane flight per week. This improved access should help generate strong tourist growth over the next few years - not only increasing revenue and profits from the airport but also increasing occupancy levels at the resort.

Hamilton Island Airport

In May 1998, Ansett sold the **Hayman Island Resort** (cost A\$450 million) to **BT Hotel Group** for A\$61.5 million and BT Hotel also acquired Ansett's 50% shareholding in the Hamilton Island Airport for A\$32.5 million. Ansett's sale of the airport shares ended their sole access rights, allowing Qantas to make four flights per week from Sydney and an "open skies" policy from November 1998. Qantas began a further four flights per week from Brisbane in April 1999. Other airlines are free to fly to Hamilton Island, should they wish.

Originally BT Hotel Group and Hamilton Island attempted to sell 100% of the airport, seeking about A\$70 million in total which was to be used to reduce debt. That failed to find a buyer, so Hamilton Island (helped by an improvement in its profitability) is acquiring the remaining 50% at a cost of A\$34 million, with an initial payment of A\$29 million and a final payment of A\$5 million in March 2002. The initial payment will mainly be funded through the current 1 for 3 cash issue at A\$1.90 which will raise A\$20.3 million (ex-entitlement October 8, with application money due by November 10).

When Ansett had exclusive landing rights the airport handled about 300,000 passengers per year and with higher numbers now expected the company is "proceeding with plans for a substantial upgrade of the airport terminal over the next 18 months".

Based upon historical earnings levels, the acquisition of the remaining 50% of the airport will add about A\$2 million to annual profits. So the airport shares are being purchased on a Price/Earnings ratio of about 17. An airport, however, has relatively fixed costs but income is based upon landing fees and passenger numbers. The increase in flights and visitors would therefore lead to strong growth in profitability.

Recent Results

In the year to June 1997, Hamilton Island generated revenues of A\$53.4 million and a profit of A\$486,000 (1.5 cents per share - all 1997-1998 figures adjusted for

the 5 to 1 share consolidation). In the June 1998 year, revenues rose 16.7% to A\$62.4 million and profits rose 410.7% to A\$2,482,000 (7.8 cents per share) and paying a maiden 5.0 cents dividend. Earnings (before interest) were A\$10.1 million - with 60% generated by the resort, 20% from the airport and 20% from land sales.

In October 1998 every five existing shares were consolidated into one new share.

Revenue for the year to June 1999 again increased by 16.2% to A\$72.7 million, but with the company moving above its "break-even" level there was a strong rise in profits - up 176% to A\$6,861,000 (21.6 cents per share). A final dividend of 8.0 cents made a 160.0% higher 13.0 cents per the year. Earnings (before interest) were 55% higher at A\$11.5 million - with 51% from the resort, 17% from the airport and 31% from land sales.

Results for the first quarter of the current year (i.e. the three months to September 30) show further significant gains. Revenue is up 18.1% to A\$18.9 million, with profits of A\$1,034,000 compared with a loss of A\$378,000 in the first quarter of the previous year. Land sales of A\$730,000 contributed A\$632,000 to profits (i.e. an 86% profit margin).

High Debt Levels

Hamilton Island has relatively high debts levels. This is both "bad" and "good". In the past the high interest cost has taken a substantial amount of earnings, resulting in low profits. Interest costs had also absorbed a significant amount of operating cash flow, making it difficult for the company to expand or to pay dividends. Over the last two years the improvement in earnings has resulted in a *leveraged* increase in profits. As earnings rose about the fixed costs of depreciation, amortisation and interest, the net profit of the company has soared. Dividend payments were introduced - and then raised substantially.

During the current year the company has borrowed a further A\$9 million to purchase the remaining 50% of the airport (with a further \$5 million - interest free - payment in the future). That will leave the company with total debt levels of about A\$70 million, compared with total Shareholders Equity of A\$116.4 million (274 cents per share).

Investment Criteria

At A\$2.05, Hamilton Island shares are trading on a Price/Sales ratio of 0.92, a Price/Earnings ratio of 10 and a Dividend Yield of 6.3%. Those are fairly low valuations for these shares - which probably reflects the company's poor performance since listing in December 1993. Opening up of the airport to all airlines offers significant volume growth in tourist numbers. Both the resort and airport are high fixed cost businesses, so every 10% increase in tourist numbers could add 30-50% to the company's profits. The current share price appears to ignore that significant growth potential.

With a capitalisation of A\$89 million (after the cash issue) Hamilton Island is a relatively *small* listed company. The shares are ignored by stockbrokers (i.e. no-one publishes profit forecasts). There is, however, substantial institutional interest. Bankers Trust owns 57% of the company, and several other institutions own over 30%. The stockbroker *neglect* is positive (such shares are usually under-valued), while the high

institutional shareholdings is a negative.

Directors have only relatively moderate investments in the company, but there have been three *insider* buys over the last year (and no *insider* sales) which makes Hamilton Island a "Buy" under the *Insider Buying* section of our *Comprehensive Share Selection Criteria*. In March, MR Butler purchased 40,000 shares at around A\$1.53 per share (and now holds 50,863 shares), while RJ Finlay purchased 40,000 shares in March (at A\$1.53) and 15,000 shares in August (at A\$1.96) to raise his holding to 97,703 shares. DJ Ryan owns 41,350 shares and B McCafferty owns just 4,136 shares. All of these figures are *before* the recent 1 for 3 cash issue. At this stage we do not know if directors took up their entitlements to new shares. The Managing Director, WR Kirkpatrick holds 200,000 executive options to purchase shares at A\$2.00 per share.

Technically Hamilton Island shares are in a strong uptrend with a long term Relative Strength Rating of +10.8% and ranked 19 (on a scale of 0-99). This rates them as a "Buy" under the *Best Performing* section of our *Comprehensive Share Selection Criteria*.

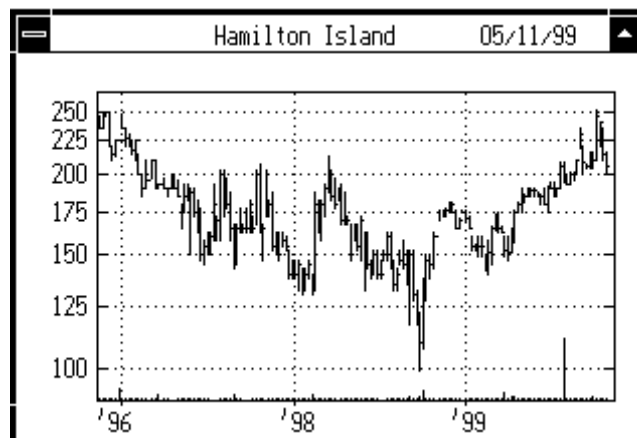
Summary and Recommendation

Hamilton Island shares appear to offer good *value* (on a P/E of 10 and a Yield of 6%), but the resort and airport are businesses with high *fixed* costs, so an increase in tourist numbers will substantially boost profitability. Over the last few years management have upgraded the resort and successfully increased tourist numbers and raised room rates in a difficult and competitive market. The removal of Ansett's exclusive landing rights, however, has opened up the airport to flights from Qantas (eight per week at present) and any other airlines. This will substantially boost tourist numbers and occupancy levels, offering an excellent environment for strong revenue growth and the much larger increases in profits and dividends.

Infrastructure development on Hamilton Island over the last two decades has significantly increased the value of the land, providing the company with significant revenue and profit by steadily selling small parcels of land at prices significantly greater than cost or its value as shown in the balance sheet.

While operating a tourist resort can be a volatile and competitive business, increased tourist numbers provide a significant boost to the economic viability and profitability of this company.

We recommend Hamilton Island shares to investors seeking income, income growth and substantial capital appreciation over the next three to five years.



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

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

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Brokers Following							
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Tower Limited	550	+0.5	+0.5	50	-	0.6	5	0.8	12	3.0	0.20	896
LWR Industries	118	+3.0	+2.5	37	1	0.8	12	1.3	6	13.9	0.25	39
Col Motor Co	240	+6.6	-2.4	23	-	1.0	7	0.8	13	9.6	0.25	74
PDL Holdings	588	+6.5	+0.4	25	3	1.0	2	0.9	46	5.1	0.25	80
Fruitfed Supp	125	+8.5	+0.3	17	-	2.1	15	1.1	14	8.4	0.26	15
Williams Kettle	209	+5.4	+0.1	29	-	0.8	6	0.8	13	9.3	0.30	28
Donaghys Ind	146	+7.3	+1.3	21	1	0.8	7	0.9	11	8.2	0.38	45
Mainfreight Grp	152	+3.4	-2.4	36	7	2.4	15	1.1	16	5.4	0.38	11
Tag Pacific Ltd	34	+36.2	+20.9	3	-	1.3	-	1.8	NE	2.2	0.43	16
Reid Farmers	59	+5.3	-1.1	30	-	0.9	11	1.3	8	11.4	0.44	33
Restaurant Brds	130	+0.5	-2.9	49	8	4.8	36	1.1	14	6.9	0.53	111
CDL Hotel NZ	32	+0.1	-1.5	54	5	0.6	3	2.0	16	3.5	0.54	112
Cavalier Corp	328	+0.6	-2.5	48	5	1.6	15	1.0	11	11.8	0.59	118
Taylor's Grp Ltd	102	+0.3	-2.3	53	2	1.3	10	1.3	14	6.6	0.65	25
Dorchester Pac	86	+9.8	-4.9	16	-	1.3	17	1.2	8	7.8	0.66	14
Michael Hill	310	+6.6	-2.8	24	3	3.7	27	0.8	14	5.5	0.76	120
Ceramco Corp	170	+7.1	+2.0	21	5	1.4	6	1.0	23	4.4	0.79	71
Ebos Group Ltd	314	+16.8	+1.4	8	-	4.7	34	0.6	14	8.6	0.81	73
Colonial Ltd	715	+3.6	+0.6	35	-	1.4	8	0.9	18	0.8	0.90	6,559
Tourism Hold.	290	+19.0	-3.4	6	9	1.8	11	0.9	16	2.6	0.97	164
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0												
Tourism Hold.	290	+19.0	-3.4	6	9	1.8	11	0.8	16	2.6	0.97	164
Ebos Group Ltd	314	+16.8	+1.4	8	-	4.7	34	0.5	14	8.6	0.81	73
East'n Equities	71	+11.0	-0.9	14	-	0.7	4	1.2	17	Nil	0.24	24
Dorchester Pac	86	+9.8	-4.9	16	-	1.3	17	1.0	8	7.8	0.66	14
Fruitfed Supp	125	+8.5	+0.3	17	-	2.1	15	0.9	14	8.4	0.26	15
Donaghys Ind	146	+7.3	+1.3	21	1	0.8	7	0.7	11	8.2	0.38	45
Col Motor Co	240	+6.6	-2.4	23	-	1.0	7	0.7	13	9.6	0.25	74
Michael Hill	310	+6.6	-2.8	24	3	3.7	27	0.7	14	5.5	0.76	120
Williams Kettle	209	+5.4	+0.1	29	-	0.8	6	0.6	13	9.3	0.30	28
Reid Farmers	59	+5.3	-1.1	30	-	0.9	11	1.0	8	11.4	0.44	33
Renaissance	36	+4.8	-10.3	31	-	0.9	9	1.6	11	Nil	0.09	13
Colonial Ltd	715	+3.6	+0.6	35	-	1.4	8	0.8	18	0.8	0.90	6,559
Mainfreight Grp	152	+3.4	-2.4	36	7	2.4	15	0.9	16	5.4	0.38	11
LWR Industries	118	+3.0	+2.5	37	1	0.8	12	1.1	6	13.9	0.25	39
Cavalier Corp	328	+0.6	-2.5	48	5	1.6	15	0.8	11	11.8	0.59	118
Restaurant Brds	130	+0.5	-2.9	49	8	4.8	36	0.9	14	6.9	0.53	111
Tower Limited	550	+0.5	+0.5	50	-	0.6	5	0.7	12	3.0	0.20	896
Taylor's Grp Ltd	102	+0.3	-2.3	53	2	1.3	10	1.0	14	6.6	0.65	25
CDL Hotel NZ	32	+0.1	-1.5	54	5	0.6	3	1.6	16	3.5	0.54	112

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Brokers Following							
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million												
Cavalier Corp	328	+0.6	-2.5	48	5	1.6	15	0.8	11	11.8	0.59	118
Hallenstein G.	229	-1.5	+0.7	64	7	4.0	30	0.8	13	11.1	0.84	133
DB Group	225	-4.5	+1.1	85	9	1.0	11	0.7	9	10.6	0.34	227
Telecom Corp	776	-2.5	-0.6	71	13	12.5	76	0.7	17	8.8	3.96	13,602
Sky City Ltd	732	+2.9	-0.5	38	8	4.7	31	0.7	15	8.8	2.73	717
Natural Gas	172	+0.0	-3.1	55	8	1.3	8	0.8	15	8.7	2.34	774
NZ Refining Co	1250	-12.9	-2.3	97	5	2.0	16	0.4	13	8.0	1.23	300
United Networks	595	-0.5	-1.9	60	3	1.3	6	0.5	22	7.5	2.02	901
Steel & Tube	160	-3.4	+0.0	79	8	1.2	9	0.9	14	7.5	0.42	141
FC - Building	242	-5.4	-1.9	88	9	1.1	3	0.9	34	7.4	0.30	787
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												
Ports Auckland	485	-5.9	+1.0	91	8	2.7	14	0.6	20	5.5	4.18	643
Telecom Corp	776	-2.5	-0.6	71	13	12.5	76	0.6	17	8.8	3.96	13,602
National Mutual	280	-4.0	+0.3	83	-	1.0	7	0.8	14	3.8	3.12	4,869
Lyttelton Port	151	-3.1	-0.7	75	4	4.0	34	0.8	12	7.2	2.77	153
Force Corp.	54	-3.0	-2.5	74	4	1.4	13	1.2	11	11.1	2.62	84
United Networks	595	-0.5	-1.9	60	3	1.3	6	0.5	22	7.5	2.02	901
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Spectrum Res.	11	-48.7	+0.0	98	-	1.7	-	1.6	NE	Nil	N/A	3
NZ Refining Co	1250	-12.9	-2.3	97	5	2.0	16	0.4	13	8.0	1.23	300
Trans-Tasman	28	-11.3	-1.1	96	6	0.3	-	1.4	NE	Nil	0.94	101
Apple Fields	10	-10.3	-1.6	95	-	0.2	-	1.2	NE	Nil	1.33	3
Fernz Corp Ltd	450	-8.7	-0.9	94	8	1.6	14	0.7	11	5.6	0.48	677
Brierley Invest	44	-7.7	-1.0	93	8	0.5	4	0.8	12	6.8	0.67	1,314
Damba Hold Ltd	46	-7.2	-0.8	92	-	0.5	-	0.6	NE	Nil	0.54	8
Tranz Rail Hold	348	-7.2	+0.6	92	9	0.9	15	0.6	6	7.3	0.74	420
Ports Auckland	485	-5.9	+1.0	91	8	2.7	14	0.6	20	5.5	4.18	643
AMP Limited	1925	-5.8	-0.4	90	-	2.0	12	0.7	17	1.1	0.69	20,724
Summit Gold Ltd	11	-5.7	+2.6	90	-	1.8	-	1.8	NE	Nil	N/A	10
FC - Building	242	-5.4	-1.9	88	9	1.1	3	0.8	34	7.4	0.30	787
FC - Forests	77	-4.2	-5.9	84	11	0.6	5	0.9	12	Nil	1.19	651
National Mutual	280	-4.0	+0.3	83	-	1.0	7	0.8	14	3.8	3.12	4,869
Lion Nathan Ltd	435	-3.5	-0.5	80	10	1.1	7	0.5	16	4.8	1.22	2,382
Steel & Tube	160	-3.4	+0.0	79	8	1.2	9	0.9	14	7.5	0.42	141
Nuplex Indust	281	-3.4	-0.4	77	7	1.5	12	0.8	13	5.6	0.49	156
Utilico Intl	36	-3.3	-1.6	77	2	0.8	-	1.1	NE	Nil	N/A	35
Goodman Fielder	176	-3.1	-0.0	76	-	1.4	8	0.5	16	5.3	0.50	2,229
Lyttelton Port	151	-3.1	-0.7	75	4	4.0	34	0.8	12	7.2	2.77	153

"Strongest" Shares

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

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Brokers Following							
Strathmore Grp	120	+119.6	+14.9	-0	-	7.5	-	1.0	NE	Nil	N/A	27
Habitat Group	24	+77.4	-27.4	0	-	11.9	-	2.3	NE	Nil	N/A	9
Revesco Ltd	45	+42.2	-1.7	1	-	4.3	-	2.4	NE	Nil	5.94	111
IT Capital Ltd	31	+36.4	+13.8	2	-	16.2	-	1.7	NE	Nil	N/A	7
Tag Pacific Ltd	34	+36.2	+20.9	3	-	1.3	-	1.8	NE	2.2	0.43	16
Paynter Hold	25	+36.1	+8.8	3	-	2.1	-	2.3	NE	Nil	0.37	6
Advantage HDS	249	+30.4	-14.5	4	1	5.2	18	1.0	29	Nil	3.55	75
Newcall Group	35	+28.1	-23.6	5	-	2.9	-	1.6	NE	Nil	N/A	10
Manor Inns Grp	15	+26.4	-13.4	6	-	1.1	-	2.6	NE	Nil	0.60	3
Tourism Hold.	290	+19.0	-3.4	6	9	1.8	11	0.9	16	2.6	0.97	164
NZ Experience	12	+17.5	-7.5	7	-	1.1	2	2.5	57	Nil	0.86	7
Ebos Group Ltd	314	+16.8	+1.4	8	-	4.7	34	0.6	14	8.6	0.81	73
Cue Energy Ltd	10	+16.1	+7.3	8	-	0.7	-	3.7	NE	Nil	5.29	29
Baycorp Hold	660	+16.1	+1.9	9	6	17.2	46	0.9	38	3.6	9.75	506
Trust Power Ltd	480	+15.7	-0.6	10	8	1.4	3	0.7	42	5.0	3.82	722
Sanford Limited	550	+15.1	-0.9	11	6	1.5	13	0.9	12	4.1	1.45	526
JF China Region	85	+13.7	-4.1	11	-	-	-	1.5	NE	1.4	N/A	26
Affco Holdings	32	+13.2	+3.4	12	-	0.7	-	1.5	NE	Nil	0.07	65
Radio Works NZ	695	+12.6	-5.2	13	-	7.7	50	0.6	15	3.2	1.91	83
Pacific Retail	16											

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

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

Company	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
	Share Price	Cur. rent	4-Wk Chg.	Rank											
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0															
Hills Motorway	345	-3.6	-2.9	70	0-0	9	1.0	2	0.7	43	1.7	9.70	638		
Climax Mining	17	-8.5	+5.8	84	0-0	-	-	-	1.5	NE	Nil	8.99	15		
ISIS Com'cation	55	-7.2	-3.6	81	0-0	-	-	-	1.0	NE	Nil	8.55	36		
Commonwealth DS107	18	-0.3	-1.1	51	0-0	-	-	-	0.9	9	2.7	8.05	71		
Bougainville Co	18	-2.2	-1.0	63	0-0	-	-	-	1.4	12	Nil	7.66	72		
New Tel Ltd	68	-5.6	+0.9	77	0-0	-	-	-	1.0	NE	Nil	7.59	59		
Tyndall Prop Tr	34	-2.7	-0.7	65	0-0	-	-	-	0.7	5	1.2	13	8.0	7.41	37
Quantum Res.	13	-24.1	+1.7	97	0-0	-	-	-	1.6	NE	Nil	7.36	23		
E.Tec Limited	11	-14.0	-3.1	92	0-0	-	-	-	1.7	NE	Nil	7.05	31		
Equatorial Min.	462	-1.4	-0.5	59	0-0	-	-	-	0.7	NE	Nil	6.80	164		
Global Business	23	-10.4	-1.5	87	0-0	-	-	-	5.8	-	1.3	NE	Nil	6.57	6
Aust Infra.	182	-4.7	-2.7	74	1-0	4	0.8	11	0.8	8	8.8	6.48	256		
Tap Oil	80	-0.9	-0.6	56	0-0	5	-	-	0.9	30	Nil	6.39	105		
Zylotech	10	-11.1	-1.0	89	0-0	-	-	-	5.0	-	1.8	NE	Nil	6.29	7
Ramsgate Res.	2	-2.5	-8.9	64	0-0	-	-	-	3.4	NE	Nil	5.95	5		
Petroz NL	37	-16.6	-2.9	94	1-0	6	0.9	3	1.1	31	Nil	5.84	73		
Waiwiata Int'l	30	-2.3	-4.8	64	0-0	-	-	-	1.2	NE	Nil	5.83	10		
Oil Search Ltd	185	-1.0	-5.3	57	0-0	12	-	-	0.8	58	Nil	5.79	973		
Sea World PT	78	-4.2	+0.6	72	0-0	1	0.7	7	0.9	10	9.2	5.77	162		
Aust Stock Exch	921	-2.2	-4.3	63	0-8	7	5.2	22	0.6	24	3.8	5.76	930		
Investment Coy	240	-3.5	+0.6	69	0-0	-	-	-	0.8	5	0.7	15	5.7	5.72	50
Westfield Hold.	940	-0.4	-0.8	53	4-0	12	10.0	26	0.6	39	1.3	5.64	4,924		
Peptide Tech.	54	-3.4	-2.7	68	0-0	110.8	-	-	1.0	NE	Nil	5.60	75		
H-G Ventures	68	-0.2	-0.6	50	0-0	-	-	-	0.7	6	1.0	12	10.3	5.54	25
Oil Coy of Aust	230	-3.0	+0.2	67	0-0	-	-	-	0.8	46	0.9	4.93	270		
Bourse Data Ltd	58	-14.2	-1.1	93	0-0	-	-	-	3.2	-	1.0	NE	Nil	4.70	9
Telco Australia	31	-11.4	-2.9	89	0-0	-	-	-	3.8	13	1.2	29	1.6	4.62	24
Pac Strategic	21	-7.3	-0.4	81	0-0	-	-	-	0.8	-	1.4	NE	Nil	4.50	10
Dominion Mining	36	-0.7	+0.5	55	1-0	-	-	-	1.2	NE	Nil	4.22	24		
Preston Resourc	27	-26.1	-5.2	98	1-0	1	-	-	1.3	NE	Nil	4.17	17		
Lihir Gold	127	-4.2	+3.3	72	0-0	13	-	-	0.8	176	Nil	4.00	1,376		
Innerhadden	30	-6.7	+0.6	80	0-0	-	-	-	1.2	NE	3.3	3.86	12		
Gold Mines Sard	49	-3.8	+5.8	71	0-0	-	-	-	3.3	-	1.1	NE	Nil	3.37	96
Huntley Invest	51	-1.0	-0.4	57	0-0	-	-	-	0.9	17	1.0	5	4.9	3.19	29
Aust Min Proc.	5	-10.6	-6.5	88	0-0	-	-	-	1.5	-	2.4	NE	Nil	3.08	7
Nat'l Mutual	232	-5.5	+0.3	76	0-0	13	1.3	6	0.8	20	3.8	3.07	4,089		
Orogen Minerals	167	-1.3	-1.7	59	0-0	6	-	-	0.8	13	3.9	3.03	536		
Tabcorp Holding	1076	-0.7	-0.6	55	0-0	13	-	-	0.6	23	4.0	3.02	3,915		
Amlink Tech	54	-11.6	-7.9	89	0-0	-	-	-	3.0	15	1.0	20	3.7	2.85	8
Carillon Dev.	150	-0.6	+0.7	54	0-0	-	-	-	0.5	3	0.8	16	5.0	2.82	36
Adsteam Marine	250	-4.4	-1.0	73	2-0	8	6.1	52	0.7	12	5.6	2.71	234		
Pearl Riv. Tyre	31	-19.1	-6.9	95	0-0	-	-	-	1.2	NE	Nil	2.63	16		
Forest Place Gr	65	-1.7	+1.0	60	0-0	2	0.8	7	1.0	11	6.2	2.56	49		
Santos Ltd	421	-4.7	-3.2	74	1-0	20	-	-	0.7	14	5.9	2.54	2,552		
Bank of Q'land	533	-3.3	-0.8	68	1-0	11	2.0	12	0.7	16	4.7	2.51	309		
Guinness Peat	123	-4.1	+0.6	71	0-0	-	-	-	0.8	8	0.8	10	0.4	2.44	578
Simeon Wines	345	-2.3	-0.2	63	1-1	10	2.2	15	0.7	15	4.1	2.40	248		
Geo2 Limited	19	-5.3	+1.7	76	0-0	-	-	-	6.3	-	1.4	NE	Nil	2.40	21
Cinema Plus	63	-20.1	-3.3	96	0-0	5	1.5	22	1.0	7	6.0	2.39	47		
China Cons	19	-8.4	-5.0	84	0-0	-	-	-	0.3	6	1.4	5	Nil	2.38	99

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average															
Vengold	20	-41.8	+1.7	99	0-0	-	-	-	1.3	NE	Nil	N/A	29		
Diamond Rose	6	-35.5	+0.8	99	0-0	-	-	-	2.0	NE	Nil	N/A	8		
Viagold Capital	7	-33.9	+0.7	99	0-0	-	-	-	1.0	-	1.9	1	Nil	N/A	9
Secure ID Net	36	-33.7	+0.7	99	0-0	-	-	-	3.6	-	1.1	NE	Nil	0.38	34
Formida Holding	115	-26.7	+2.2	98	0-0	-	-	-	0.8	NE	Nil	1.79	12		
Travel.com.au	120	-26.4	+0.6	98	0-0	-	-	-	2.5	-	0.8	NE	Nil	0.65	26
Preston Resourc	27	-26.1	-5.2	98	1-0	1	-	-	1.2	NE	Nil	4.17	17		
Reckon Limited	140	-25.3	-3.1	98	0-0	-	-	-	0.8	NE	Nil	N/A	147		
Aurora Gold	40	-25.3	-1.3	97	0-0	11	-	-	1.1	4	Nil	0.45	64		
Quantum Res.	13	-24.1	+1.7	97	0-0	-	-	-	1.5	NE	Nil	7.36	23		
Antaeus Energy	9	-23.8	-6.7	97	0-0	1	-	-	1.7	NE	Nil	N/A	13		
Battle Mount Gl	390	-23.0	+3.2	97	0-0	-	-	-	0.7	NE	1.6	N/A	317		
Astro Mining NL	25	-22.3	+0.4	97	0-0	-	-	-	1.2	NE	Nil	N/A	18		
Spike Networks	90	-21.6	-3.0	96	0-0	-	-	-	0.9	NE	Nil	N/A	32		
Ross Mining NL	42	-21.2	-2.5	96	0-1	11	-	-	1.0	7	4.8	0.99	89		
Cadbury Sch.	985	-21.2	+2.3	96	0-0	-	-	-	0.6	NE	3.4	N/A	20,130		
Resolute Saman.	49	-20.5	+0.3	96	0-0	13	-	-	1.0	42	4.1	0.49	96		
Werrie Gold Ltd	35	-19.4	+0.3	96	0-1	-	-	-	1.1	NE	Nil	N/A	22		
Coeur D'Alene	400	-19.3	-8.1	96	0-0	-	-	-	0.7	NE	Nil	N/A	88		
Pearl Riv. Tyre	31	-19.1	-6.9	95	0-0	-	-	-	0.2	-	1.1	NE	Nil	2.63	16
Coms 21 Ltd	23	-17.9	-5.1	95	0-0	-	-	-	1.9	-	1.3	NE	Nil	N/A	23
Scanbox AsiaPac	23	-17.7	-1.7	94	0-0	1	0.4	25	1.2	2	Nil	0.48	9		
PharmNet Online	44	-17.3	-6.4	94	0-0	-	-	-	1.0	NE	Nil	N/A	9		
Petroz NL	37	-16.6	-2.9	94	1-0	6	0.9	3	1.1	31	Nil	5.84	73		
First Aust Res.	9	-16.2	-2.2	94	0-1	-	-	-	1.8	NE	Nil	N/A	8		

Company	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
	Share Price	Cur. rent	4-Wk Chg.	Rank											
Bligh Oil & Min	11	-16.1	-1.0	94	0-0	-	-	-	1.6	NE	Nil	0.71	14		
Cons. Gaming	70	-16.0	-3.3	94	0-0	-	-	-	3.5	-	0.9	NE	Nil	N/A	19
Paladin Res.	6	-16.0	+1.0	94	1-0	-	-	-	2.0	NE	Nil	N/A	6		
Cobra Resources	11	-16.0	+1.2	94	0-0	-	-	-	1.6	NE	Nil	N/A	6		
GIO Australia	253	-16.0	-1.3	94	1-0	13	6.8	-	0.7	NE	4.7	0.53	1,595		
Golden Valley	8	-15.9	+3.3	93	0-0	-	-	-	1.8	NE	Nil	N/A	7		
Sydney Oil Co	3	-15.6	+1.8	93	0-0	-	-	-	2.7	NE	Nil	N/A	6		
AMX Resources	13	-14.7	+4.8	93	2-1	-	-	-	1.5	NE	Nil	N/A	11		
Centaur Mining	27	-14.3	+3.3	93	0-0	7	-	-	1.2	NE	Nil	0.42	117		
Tourism Leisure	37	-14.2	+2.2	93	0-0	-	-	-	0.7	-	1.1	NE	Nil	N/A	7
Bourse Data Ltd	58	-14.2	-1.1	93	0-0	-	-	-	3.2	-	1.0	NE	Nil	4.70	9
MTM Office Trt	58	-14.1	+1.3	93	0-0	-	-	-	14.5	-	1.0	NE	Nil	N/A	48
Alkane Explor.	18	-14.0	+3.4	92	0-0	-	-	-	1.4	NE	Nil	N/A	16		
DeepSky WebMkts	7	-14.0	-2.8	92	0-0	-	-	-	1.9	NE	Nil	1.74	9		
E.Tec Limited	11	-14.0	-3.1	92	0-0	-	-	-	1.6	NE	Nil	7.05	31		
Taipan Res.	11	-13.9	-0.2	92	0-0	-	-	-	1.6	NE	Nil	N/A	20		
Swish Group	23	-13.8	-2.8	92	0-0	-	-	-	2.5	-	1.3	NE	Nil		

Readers Ask . . .

Question: I recently bought a parcel of CDL Investments shares and over the weekend received from the company a "Dividend Re-Investment Plan" offer. My son recommended I take up the offer of additional shares in lieu of a cash dividend, mainly from a purely tax point of view, in that I'll have to pay tax on the cash dividends but not on the additional shares.

I think this makes sense, but as I'm new at this game, I would appreciate a little advice from you.

Answer: The tax situation is the same whether you take CASH or SHARES. The company has imputation tax credits - so dividends are effectively "tax-paid". In either situation you declare the cash dividend (or the amount that is being re-invested) and the imputation credit, claiming imputation credit as tax paid by you.

For example, if you bought 10,000 shares the annual dividend will be \$200.00 and a \$98.51 tax credit. Whether you take cash or shares, declare Dividend Income of \$298.51 and claim the tax credit of \$98.51. If you are on a 33% tax rate then your tax liability is \$98.51 (which is already paid). If you are on a 24% rate then your tax is \$71.64 so (with \$98.51 already paid) you get \$26.87 to offset against other income (which can get you a refund of PAYE tax or interest withholding tax).

There is some slight advantage taking shares. Most dividend re-investment schemes issue shares at a 5% discount to the market price, and there is no brokerage fee re-investing the money. Smaller investors may prefer dividend re-investment on Australian investments, rather than receiving small foreign currency dividend cheques!

However, there are several reasons to take cash. Retired investors should generally take cash to fund their living expenses. Cash dividends also give the *investor* the choice of *where* to re-invest. A share may be a sound "Hold", but rather than *increase* that shareholding (through a dividend re-investment) there may be other shares that are more attractive for new investment.

Finally, while it is nice to increase the *value* of a portfolio (through dividend re-investment) there are significant financial benefits in building a strong *cashflow* from cash dividends and to see one's bank balance *growing* from accumulating dividends rather than *declining* rapidly as living expenses are paid out. In other words, there is no point having a *valuable share portfolio* if you don't have enough cash in the bank and are frequently facing liquidity problems! The whole point of building up wealth in the stockmarket is so that it will provide you with an additional source of income and *cashflow*. Depending upon one's financial circumstances that *cash* can be used to (1) buy new share investments, (2) pay for a new car or an overseas holiday or (3) to pay for the weekly groceries!

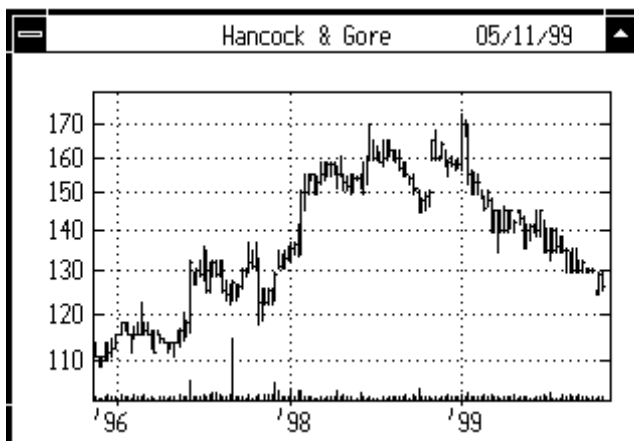
Question: In the last six months resource stocks have made very good growth. You haven't talked Resource stocks in "Market Analysis" or "International Investor". Do you think they are on a sustainable upswing, and would you recommend buying at this stage?

Answer: The resource upswing is tied to the recovery in Asia and the increase in demand from those economies. So perhaps the best investment strategy is to invest directly in the Asian stockmarkets - which I have done successfully through "International Investor" - and also benefit from the economic and political restructuring in the region. "Market Analysis" has written about Centennial Coal (May 1999) in relation to the resource upturn, although that company's share price has since dipped.

The *very* long term outlook for the Resource sector is not too optimistic. Mining is not a *growth* business, but one which depletes and liquidates its assets. Miners are price *takers*, not price *setters*, competing against the lowest cost producers in the world. Over the long term commodity prices have moved steadily lower, reducing the profitability and viability of these companies. Mining is also relatively capital intensive, so a lot of money needs to be re-invested in earthmoving equipment and extraction plant. More money needs to be re-invested in exploration to replace mineral resources that are being depleted. Overall this is not a business that offers investors the best returns.

Companies that have a niche market, which process raw materials to "add value" and/or which use technology or are "knowledge" based offer better investment returns than companies which seek to make money by simply digging a raw commodity out of the ground.

Companies that could benefit from an upturn in the resource sector include **Hancock & Gore** (which has a niche market producing half of the world's garnet supply, using the cash flow and profits from that business plus its management skills to run an investment business taking over and turning around poorly performing companies) and **Campbell Brothers** (whose laboratory business services exploration companies and miners). Over the long term these types of businesses should prove more profitable than direct investments in exploration and mining company shares.



Warrant / Option Analysis

Warburg Dillon Read have issued new warrants to buy **FC - Building** and **FC - Energy**. The market, however, is over-valuing these by 50% and 82%, and these are very high risk warrants as the share prices need to rise 31% and 41% over the next year to reach the current "break-even" rate. Avoid.

Most other NZ listed options and warrants are also over-valued (i.e. trade above their Black-Scholes valuation) and have very high "break-even" rates (i.e. will probably expire completely worthless). Avoid. This situation continues to contrast sharply with many UK listed investment trust warrants which are *under-valued* and attractive investments (see "International Investor").

Warrant	Share Price	Exercise Price	Years & Months to Expiry	Warrant Price (NZ cents)	Black-Scholes Valuation (NZ cents)	Warrant Over/Under Valued (%)	Share Volatility	Warrant Leverage	No. Warrants to Buy One Share	Break-Even Rate
Aquaria 21	\$0.18	\$0.20	0-10	6.0	3.2	+90	0.571	3.1	1.0000	+58%
IT Capital	\$0.31	\$0.18	0-11	21.0	17.5	+20	0.998	1.5	1.0000	+27%
NZ Oil & Gas Options	\$0.42	\$0.70	1-11	9.0	1.4	+526	0.278	5.6	1.0000	+39%
Otter Gold Mines 1999/2003	\$0.96	\$2.00	3-7	12.0	27.3	-56	0.604	1.9	1.0000	+25%
Otter Gold Mines 1999/2003	\$0.96	\$1.60	0-1	12.0	0.0	+9999	0.604	20.6	1.0000	+9999%
Otter Gold Mines 2001	\$0.96	\$2.75	1-11	4.0	7.8	-49	0.604	2.9	1.0000	+74%
Southern Capital	\$0.74	\$1.00	0-4	1.6	1.5	+5	0.449	8.1	1.0000	+159%
WDR Contact Energy	\$3.46	\$3.50	0-7	24.0	10.0	+141	0.158	10.2	2.0000	+27%
WDR FC - Building	\$2.42	\$2.75	1-0	21.0	14.0	+50	0.367	4.3	2.0000	+31%
WDR FC - Energy	\$4.43	\$5.50	1-0	37.0	20.3	+82	0.385	4.4	2.0000	+41%
WDR Telecom NZ	\$7.76	\$9.00	0-4	11.7	5.0	+133	0.235	14.3	2.0000	+68%

"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/Sell	Shares (Mill)	% of Coy Held Before	% of Coy Held After
08/10/99					
Cue Energy	Cambridge Cons.	Buy	+57.622	0.0%	19.97%
Evergreen Forests	Xylem Fund	Buy	+1.725	40.72%	41.84%
Revesco Ltd	Colonial Ltd	Buy	+32.956	0.0%	6.40%
15/10/99					
IT Capital	Spicers Portfolio	Buy	+11.040	0.0%	10.42%
IT Capital	Armstrong Jones	Buy	+10.000	0.0%	9.44%
Independent News	Todd Capital	Buy	+6.500	0.0%	5.00%
Independent News	CL Heatley	Buy	+6.500	0.52%	5.56%
Infrastructure & Utilities	Soros Fund	Buy	+11.118	0.0%	5.87%
Infrastructure & Utilities	Foreign & Colonial	Buy	+10.118	7.20%	12.90%
Infrastructure & Utilities	Alliance Life	Sell	-11.178	7.08%	1.47%
Sky Network TV	Todd Capital	Buy	+4.000	10.27%	11.36%
Taylor's Group	Spotless Services	Buy	+1.086	60.65%	65.11%
22/10/99					
Advantage Group	NZ Funds Mgmt	Sell	-0.570	7.80%	6.60%
Cue Energy	Cambridge Cons.	Buy	+6.012	19.97%	22.05%
Donaghys	Balclutha Holdings	Buy	+4.955	55.45%	60.48%
Tourism Holdings	Armstrong Jones	Buy	+4.281	0.0%	5.68%
29/10/99					
Baycorp Holdings	CR Bidwell	Sell	-3.700	12.36%	7.53%
Donaghys	Balclutha Holdings	Buy	+5.496	60.48%	78.48%
Revesco Ltd	Bankers Trust	Buy	+4.870	0.0%	8.95%
Sky City Ltd	Colonial	Sell	-1.492	13.13%	11.58%
05/11/99					
Ceramco Corporation	UBS Nominees	Sell	-0.522	14.97%	13.68%
Fruitfed Supplies	Williams & Kettle	Buy	+3.086	69.67%	95.16%
Paynter Timber	DHD MacLachlan	Sell	-0.715	15.00%	12.04%
Shortland Properties	Capital Properties	Buy	+20.882	0.0%	7.00%
Wrightson	GPG	Buy	+24.977	0.0%	18.62%

The most significant transaction over the last month was Spotless Services buying more shares in **Taylor's Group** - this being the second major purchase in two months. We are formally recommending Taylor's Group, so see our full recommendation on pages 6-7 for full details. A trend of buy transactions is particularly attractive.

On the other hand, director DHD MacLachlan has sold some shares in "wannabe" internet company **Paynter Timber** - after previous comments by directors (reported in the column last month) sent the share price soaring from lows of 5-10 cents to highs around 25-29 cents. Now here is a situation where the NZ Stock Exchange

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Arthur Barnett	3.00	13-12	17-12	Full
Auckland Int'l Airport	5.10	08-11	16-11	Full
Calan Healthcare	1.8947	-	-	0.1207
Carter Holt Harvey	3.00	22-11	-	Nil
Colonial Motor Company	7.50	01-11	08-11	Full
Corporate Investments	1.50	01-11	12-11	Full
Hallenstein Glasson	9.00	06-12	13-12	Full
Lion Nathan	8.00	-	-	2,364,179
Montana Wines NZ	3.00	01-11	12-11	Full
Northland Port	5.50	22-11	31-11	Full
Property For Industry	1.20	08-11	12-11	0.30
Sanford Ltd	8.00	22-11	08-12	Full
Sanford Ltd (1)	5.00	22-11	08-12	Full
Scott Technology	6.50	06-12	09-12	Full
Tasman Agriculture	3.00	15-11	26-11	0.12553
TransAlta	4.00	13-12	16-12	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
(1) Special Dividend				
Australian Shares				
Abigroup	8.00	25-10	12-11	-
ERG	1.50	25-10	31-12	-

surveillance panel should be issuing a "Please explain" notice!

Baycorp Holdings has done very well but how much more growth can there be in checking credit ratings in NZ? Recently the company has set up a joint venture in Australia and is licencing its systems in Singapore, but can that maintain growth rates? Major shareholder, **CR Bidwell**, has recently realised some significant profits by selling a large portion of his shareholding. Individual investors sitting on substantial gains should follow that example!

Stockmarket Books

We are not publishing a separate *Book Catalogue* at this time as we have no new books to add to our selection of the very best stockmarket books. We have, however, needed to slightly re-price books to reflect the current US/NZ dollar exchange rate and publishers' prices.

For a brief review of each book, see either our previous catalogues, or visit the *book shop* at our internet site (www.stockmarket.co.nz).

One Up On Wall Street	Peter Lynch	\$42
Super Stocks	Kenneth L Fisher	\$60
Stock Market Logic	Norman G Fosback	\$72
Al Frank's New Prudent Speculator	Al Frank	\$61
Winning on Wall Street	Martin Zweig	\$41
Stocks For the Long Run	Jeremy J Siegel	\$72
What Works on Wall Street	James P O'Shaughnessy	\$72
The Only Investment Guide You'll Ever Need	Andrew Tobias	\$34
The Encyclopedia of Technical Market Indicators	Robert Colby and Thomas Meyers	\$160
The Worth Guide to Electronic Investing	Jim Jubak	\$28
The Intelligent Investor	Benjamin Graham	\$83
The Money Masters	John Train	\$38
The Midas Touch	John Train	\$34
The Warren Buffet Way	Robert G Hagstrom	\$43
Technical Analysis of Stock Trends	Robert Edwards and John Magee	\$160
How Charts Can Help You in the Stock Market	William L Jiler	\$44
Common Stocks and Uncommon Profits	Philip A Fisher	\$61

Internet Sites

Securities Research Company has established two new internet sites: one hosted in the United States (www.stockmarket-research.com) and the other in the United Kingdom (www.stockmarket-research.co.uk) which are very similar to our main New Zealand site (www.stockmarket.co.nz).

Why have we set up these new sites? Mainly as a "back up" of the NZ site against the risks of a local power outage, telecommunications failure, destruction of the computer records by a hacker or the physical destruction of our Internet Service Provider's computer in a natural disaster.

This is not a specific preparation for "Y2K" problems (which we expect to be minor) but for the *unexpected* problems that will occur sooner or later. Should our NZ internet site be unavailable for any reason, subscribers can download the current newsletter or check out our links page from either of our two overseas sites hosted by two different ISPs in two different countries.

Blue Chips & Hot Tips

W Keith Schilit and Howard M Schilit \$50

Confessions of a Stockbroker

Andrew A Lanyi \$30

Beating the Dow

Michael O'Higgins \$36

Technical Analysis of the Futures Market

John Murphy \$115

Study Guide for TA of the Futures Market

John Murphy \$39

Technical Analysis Explained

Martin Pring \$90

The Alchemy of Finance

George Soros \$30

Beating The Street

Peter Lynch \$28

Total Return Index for All Listed Shares

Oct 11	2278.50	Oct 18	2280.42
Oct 12	2286.37	Oct 19	2278.42
Oct 13	2295.76	Oct 20	2284.31
Oct 14	2300.48	Oct 21	2285.04
Oct 15	2301.78	Oct 22	2285.06
Oct 25	Holiday	Nov 1	2302.44
Oct 26	2291.34	Nov 2	2306.39
Oct 27	2286.04	Nov 3	2299.04
Oct 28	2289.81	Nov 4	2302.65
Oct 29	2292.70	Nov 5	2299.24

Current Issues

BONUS ISSUES

	Ratio	Ex-Date
Sanford	1:8	-

CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
National Property (1)	1:4	90	20-09	12-11
Newcall (NZ Salmon)	1:1	30	25-11	29-11
Strathmore	10:1	5	-	-

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

Internet Password

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

November's Password December's Password

See Print Newsletter
for Passwords

Please keep these passwords confidential!

Next Issue

The next issue of "Market Analysis" will be posted in four weeks time on Tuesday December 7, 1999.

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