

Market Analysis

Issue No. 330

P.O. Box 34-162, Auckland

December 7, 1999.

Inside Market Analysis

| | | | |
|---|------|---|--------|
| Cavalier profits up 35-40% in first quarter | 3 | ERG shares up <i>another</i> A\$2 | 3, 6 |
| Colonial Motors hints at further capital repayments .. | 4 | Australian Company Analysis: Auspine | 8, 9 |
| Atlas Pacific's profits and cash flows to grow rapidly from commercial pearl harvests | 5, 6 | Remedial maths class needed for newsletter that claims to "Beat index by 1967%" | 12 |
| Campbell Brothers half year profits up 37% | 6 | Neglect Ratings | 12, 13 |

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

Summary and Recommended Investment Strategy.

Our Forecasts for the NZ and Australian stockmarkets are only Neutral, but these stockmarkets are rising in value and our specific recommendations are performing even better! In that situation, and with a favourable short term outlook, we can only recommend that investors remain fully invested in recommended shares!

Investment Outlook.

Interest rates have continued to rise, and Real Money Supply growth has slowed, turning Monetary indicators Bearish (from Neutral) in New Zealand. Overall this has helped pull our One-Year Forecast back to a **Neutral 55%**. Nevertheless, our **Short Term Trend Model** - which is also *interest rate sensitive* and determined by the stockmarket's short term *trend* - has improved to a **Very Bullish 81%**.



Despite that moderate One-Year Forecast we recommend remaining fully invested in shares to (1) benefit from the strong stockmarket performance that we have been predicting in early January (see the October issue for further details) and (2) as the economy is expected to grow reasonably strongly over the next few years. Moderate economic growth is favourable for companies with *domestic* businesses - with stockmarket *anticipation* of that improving economic situation probably being a major reason why the NZ stockmarket (with the noticeable exception of the largest - often internationally diversified - listed companies) has performed so strongly over the last year!

Our One-Year Forecast for the Australian market has improved slightly to **52%** (from 44% last month) which is clearly **Neutral**. However, we continue to have no trouble finding Australian shares that offer good value, and our Australian recommendations continue to perform very strongly.



Performance Forecasts

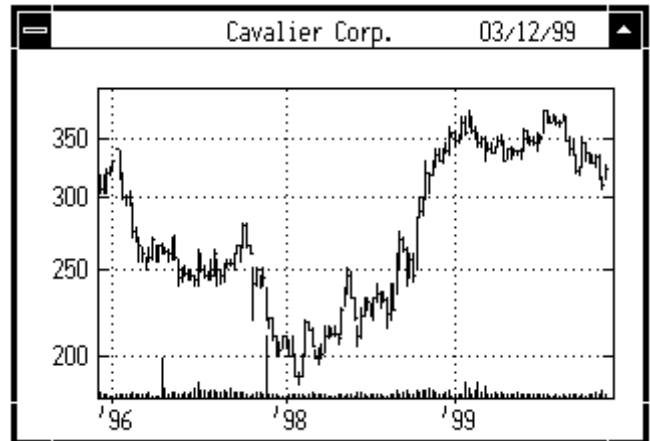
"Performance Forecasts" are computer generated predictions of the relative future price performance of a company's shares over the next three to six months. Performance Forecasts are calculated for every listed NZ share (except Investment Trusts) on a rating scale using the letters "A" (Highest potential 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 | C | 115 | 0.58 | 40 | 10.4 | Grocorp Pacific | E | 13 | 0.68 | NE | Nil | Ports Auckland | B | 495 | 4.26 | 20 | 5.4 |
| AMP Limited | B | 1880 | 0.67 | 17 | 1.1 | Guinness Peat | C | 151 | 1.47 | 11 | 1.2 | Property F Ind. | C | 73 | 5.71 | 14 | 8.8 |
| AMP NZ Office | C | 92 | 6.58 | 12 | 8.4 | Hallenstein G. | B | 240 | 0.88 | 14 | 10.6 | Pure NZ Limited | D | 17 | 5.69 | NE | Nil |
| Advantage HDS | C | 330 | 4.71 | 38 | Nil | Hellaby Hold. | D | 193 | 0.56 | 7 | 10.8 | Radio Works NZ | A | 705 | 1.94 | 16 | 3.2 |
| Affco Holdings | D | 33 | 0.08 | NE | Nil | Heritage Mining* | N/R | 5.0 | N/A | NE | Nil | Reid Farmers | B | 58 | 0.43 | 8 | 11.6 |
| Air New Zealand | B | 251 | 0.42 | 7 | 6.0 | Horizon Energy | B | 820 | 2.65 | 29 | 4.2 | Renaissance | D | 37 | 0.09 | 11 | Nil |
| Akd Int Airport | B | 284 | 7.44 | 28 | 4.2 | IT Capital Ltd | C | 42 | N/A | NE | Nil | Restaurant Brds | C | 148 | 0.60 | 15 | 6.1 |
| Apple Fields | C | 10 | 1.43 | NE | Nil | Ind Newspapers | B | 810 | 1.05 | 22 | 4.4 | Revesco Ltd* | N/R | 39 | 5.15 | NE | Nil |
| Aquaria 21 | D | 15 | N/A | NE | Nil | Infratil NZ | B | 143 | 8.55 | 10 | 6.0 | Richina Pacific | D | 55 | 0.08 | NE | Nil |
| Baycorp Hold | A | 685 | N/A | 39 | 3.5 | Infratil Aust. | D | 85 | N/A | NE | Nil | Roller Int'l * | N/R | 40 | 0.21 | NE | Nil |
| Brierley Invest | C | 45 | 0.68 | 12 | 6.7 | JF China Region* | N/R | 85 | N/A | NE | 1.4 | Ryman Health. | C | 198 | N/A | NE | Nil |
| Broadway Ind | E | 30 | 0.08 | NE | Nil | Kingsgate Int'l | E | 16 | 0.70 | 11 | Nil | SE Utilities | B | 99 | 2.46 | 13 | 6.0 |
| CDL Hotel NZ | D | 30 | 0.51 | 15 | 3.7 | Kiwi Property | C | 97 | 6.67 | 10 | 10.7 | Sanford Limited | A | 575 | 1.70 | 14 | 3.9 |
| CDL Investments | E | 24 | 1.68 | 11 | 12.4 | Kiwi Developmnt | D | 139 | N/A | NE | Nil | Savoy Equities | E | 4.4 | 1.65 | NE | Nil |
| Calan Hlthcare | E | 115 | N/A | NE | Nil | LWR Industries | B | 118 | 0.25 | 6 | 13.9 | Scott Tech. Ltd | C | 260 | 1.86 | 18 | 6.3 |
| Cap Properties | B | 45 | 5.68 | 5 | 24.4 | Lion Nathan Ltd | D | 430 | 1.21 | 16 | 4.8 | Seafresh Fish. | D | 14 | 0.43 | NE | Nil |
| Carter Holt | C | 235 | 1.42 | 78 | 3.4 | Lytelton Port | D | 158 | 2.90 | 12 | 6.9 | Shortland Prop. | C | 67 | 6.47 | 12 | 9.4 |
| Cavaliar Corp | B | 324 | 0.58 | 11 | 12.0 | Mainfreight Grp | C | 175 | 0.44 | 18 | 4.7 | Shotover Jet | C | 70 | 1.26 | 11 | 3.6 |
| Cedenco Foods | B | 84 | 1.98 | 10 | Nil | Manor Inns Grp | D | 14 | 0.56 | NE | Nil | Sky City Ltd | C | 730 | 2.73 | 15 | 8.8 |
| Ceramco Corp | A | 175 | 0.81 | 23 | 4.3 | Max Resources* | N/R | 13 | N/A | NE | Nil | Sky Network TV | E | 310 | 9.41 | NE | Nil |
| Col FS Property | C | 90 | N/A | 13 | 7.6 | Metro. LifeCare | B | 218 | 2.12 | 20 | 4.1 | South Port NZ | C | 91 | 1.01 | 21 | 9.0 |
| Col Motor Co | C | 253 | 0.26 | 14 | 9.1 | Michael Hill | B | 330 | 0.81 | 15 | 5.2 | Southern Cap | D | 75 | 5.52 | 11 | Nil |
| Colonial Ltd | B | 775 | 0.97 | 20 | 0.8 | Mid-Cap Index* | N/R | 192 | N/A | NE | Nil | Spectrum Res.* | N/R | 11 | N/A | NE | Nil |
| Contact Energy | B | 345 | 9.98 | 18 | 6.8 | Montana Group | C | 210 | 1.05 | 19 | 2.1 | St. Lukes Group | C | 156 | 2.64 | 7 | 9.4 |
| Cue Energy Ltd * N/R | 12 | 6.02 | NE | Nil | Mr Chips Hold | C | 70 | 0.64 | 20 | 8.5 | Steel & Tube | C | 157 | 0.41 | 14 | 7.6 | |
| DB Group | D | 228 | 0.36 | 8 | 10.5 | NZ Experience | D | 13 | 0.93 | 62 | Nil | Strathmore Grp | C | 35 | 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 | 10 | N/A | NE | Nil | |
| Damba Hold Ltd | D | 50 | 0.59 | NE | Nil | NZ Oil and Gas * | N/R | 44 | 3.03 | NE | Nil | Tag Pacific Ltd | B | 54 | 0.68 | NE | 1.4 |
| Design Textiles | C | 31 | 0.21 | 6 | 14.4 | NZ Refining Co | C | 1150 | 1.13 | 12 | 8.7 | Tasman Agric. | C | 79 | 2.53 | 11 | 3.8 |
| Donaghys Ind | C | 146 | 0.38 | 11 | 8.2 | Nat Property Tr | C | 86 | 5.32 | 10 | 11.8 | Taylor's Grp Ltd | B | 116 | 0.74 | 16 | 5.8 |
| Dorchester Pac | A | 104 | 0.79 | 9 | 6.5 | National Mutual | C | 315 | 3.51 | 16 | 3.4 | TeNZ * | N/R | 98 | N/A | NE | Nil |
| E-Phone Ltd | C | 34 | N/A | NE | Nil | Natural Gas | D | 175 | 2.39 | 15 | 8.5 | Telecom Corp | B | 854 | 4.36 | 18 | 8.0 |
| East'n Equities | C | 71 | 0.24 | 17 | Nil | Newcall Group | E | 45 | N/A | NE | Nil | Tourism Hold. | A | 322 | 1.08 | 18 | 2.3 |
| Ebos Group Ltd | B | 360 | 0.93 | 16 | 7.5 | Newmarket Prop. | C | 59 | 4.39 | 7 | 16.1 | Tower Limited | B | 555 | 0.20 | 12 | 3.0 |
| Eldercare NZ | E | 61 | N/A | NE | Nil | Nobilo Wines | C | 93 | 0.81 | 21 | 4.8 | Trans-Tasman | E | 28 | 0.94 | NE | Nil |
| Ernest Adams | D | 230 | 0.58 | NE | Nil | Northland Port | B | 131 | 1.05 | 12 | 8.5 | Trans Alta NZ | B | 234 | 1.15 | 17 | 6.2 |
| Evergreen | D | 54 | N/A | 23 | Nil | Nuhaka Forestry | D | 1300 | N/A | NE | Nil | Tranz Rail Hold | D | 354 | 0.75 | 6 | 7.2 |
| FC - Building | B | 239 | 0.29 | 34 | 7.5 | Nuplex Indust | C | 320 | 0.56 | 15 | 4.9 | Trust Power Ltd | C | 420 | 3.34 | 37 | 5.7 |
| FC - Paper | E | 113 | 0.21 | NE | 2.0 | Opio Forestry | E | 55 | N/A | NE | Nil | United Networks | D | 601 | 2.04 | 23 | 7.5 |
| FC - Forests | D | 71 | 1.10 | 11 | Nil | Otter Gold Mine* | N/R | 92 | 0.58 | 20 | Nil | Utilico Int'l | D | 30 | N/A | NE | Nil |
| FC - Energy | D | 435 | 1.20 | 26 | 4.8 | Owens Investm'ts | D | 127 | 0.18 | 18 | 11.8 | Warehouse Group | A | 775 | 1.18 | 21 | 3.7 |
| Fernz Corp Ltd | C | 433 | 0.46 | 11 | 5.8 | Ozzy (Tortis)* | N/R | 227 | N/A | NE | Nil | Waste Mgmt NZ | A | 431 | 4.59 | 33 | 3.7 |
| Fisher & Paykel | C | 663 | 1.01 | 22 | 4.1 | PDL Holdings | B | 530 | 0.22 | 41 | 5.6 | Williams Kettle | A | 208 | 0.30 | 13 | 9.3 |
| Force Corp. | C | 53 | 2.57 | 10 | 11.3 | Pacific Retail | B | 162 | N/A | 13 | 2.8 | World Index Fd * | N/R | 205 | N/A | NE | Nil |
| Fruited Supp | A | 132 | 0.27 | 15 | 7.9 | Paynter Hold | C | 28 | 0.41 | NE | Nil | Wrightsons Ltd | D | 42 | 0.10 | NE | Nil |
| Goodman Fielder | C | 175 | 0.50 | 16 | 5.4 | Port Tauranga | A | 635 | 9.18 | 27 | 4.2 | Ave of 137 Coys | C | 224 | 0.55 | 20 | 4.2 |
| A.G.L. | B | 871 | 1.71 | 13 | 5.2 | Email Ltd | C | 246 | 0.29 | 14 | 5.7 | PMP Communicat. | C | 216 | 0.46 | 9 | 9.5 |
| AAPT | C | 521 | 2.06 | 45 | Nil | Energy Develop. | A | 1040 | N/A | 76 | 0.4 | Pacific Group | C | 509 | 1.13 | 32 | 3.1 |
| AMP Diver. Prop | D | 227 | 7.91 | 13 | 8.0 | Fairfax (John) | C | 450 | 2.48 | 14 | 2.3 | Pacific Dunlop | C | 227 | 0.36 | 12 | 6.2 |
| AMP Ltd | C | 1514 | 0.64 | 16 | 1.2 | Faulding (F.H.) | A | 990 | 0.76 | 25 | 2.1 | Perp Trust Aust | B | 1940 | 3.47 | 25 | 3.1 |
| AMP Office Trt | D | 113 | 9.31 | 13 | 7.3 | Flight Centre | A | 1300 | 0.57 | 38 | 1.4 | Pioneer Int'l | B | 448 | 1.00 | 17 | 35.9 |
| AMP Shop Centre | E | 114 | N/A | NE | Nil | Foodland Assoc | C | 945 | 0.22 | 7 | 5.2 | PowerTel Ltd | B | 266 | 2.60 | NE | Nil |
| ANZ Bank | B | 1124 | 1.60 | 12 | 5.0 | Foster's Brewin | B | 425 | 2.34 | 20 | 3.1 | Prime Indust. | C | 73 | 7.95 | 11 | 8.6 |
| APN News Media | B | 310 | 2.23 | 21 | 3.4 | Futuris Corp. | C | 215 | 0.28 | 19 | 3.7 | Q.B.E. Insur. | C | 666 | 0.71 | 16 | 4.1 |
| Advance Prop | C | 146 | 7.00 | 12 | 8.0 | GIO Australia | D | 245 | 0.51 | NE | 4.9 | Q.C.T. Resource | C | 92 | 0.63 | 13 | 7.6 |
| Amalgamated Hld | C | 409 | 1.08 | 13 | 3.2 | GWA Internat'l | C | 230 | 1.15 | 15 | 5.4 | Qantas | B | 415 | 0.58 | 13 | 4.6 |
| Amcor Ltd | D | 712 | 0.68 | 16 | 5.5 | Gandel Retail Tr | D | 105 | 9.35 | 16 | 7.9 | Rio Tinto Ltd | B | 2945 | 1.93 | 16 | 1.9 |
| Amway Asia Pac | C | 2710 | N/A | NE | Nil | General Prop Tr | D | 251 | 9.26 | 14 | 7.6 | Rural Press Ltd | C | 505 | 1.35 | 13 | 2.5 |
| Aristocrat | A | 1984 | 3.76 | 37 | 0.9 | Ges Internat'l | B | 135 | 0.76 | 31 | 0.8 | Sausage Softwar | B | 460 | N/A | NE | Nil |
| Aust Stock Exch | C | 1030 | 6.44 | 26 | 3.4 | Goodman Fielder | C | 139 | 0.51 | 17 | 5.4 | Seven Network | B | 526 | 2.07 | 83 | 3.9 |
| Austar United | D | 615 | N/A | NE | Nil | Guinness Peat | D | 120 | 2.38 | 10 | 0.5 | Smith (Howard) | C | 1070 | 0.76 | 20 | 3.8 |
| Austrim Nylex | C | 309 | 0.81 | 10 | 4.9 | HIH Insurance | C | 153 | 0.21 | 8 | 10.5 | Smorgon Steel | C | 210 | 0.93 | 28 | 2.1 |
| Australand Hold | B | 148 | 0.98 | 8 | 6.8 | Hardie (James) | D | 429 | 1.22 | NE | 3.5 | Solution 6 | A | 1070 | 7.32 | 29 | Nil |
| BA Tobacco Aust | B | 1440 | 0.58 | 15 | 5.9 | Harvey Norman | B | 285 | 1.71 | 7 | 5.3 | Sonic Health | A | 641 | 4.55 | 45 | 2.2 |
| BRL Hardy Ltd | A | 714 | 2.03 | 25 | 1.8 | Hills Motorway | C | 350 | 9.85 | 43 | 1.7 | Southcorp Ltd | C | 551 | 1.19 | 19 | 3.6 |
| BTR "A" | E | 508 | N/A | NE | Nil | Hoyts Cinemas | C | 200 | 1.18 | 15 | 2.0 | Spotless Serv. | B | 164 | 0.64 | 23 | 3.7 |
| Bank of W.Aust | B | 385 | 5.49 | 16 | 4.3 | Hutchison Tel. | C | 370 | N/A | NE | Nil | Spotless Group | A | 566 | 0.72 | 25 | 3.1 |
| Boral Ltd | C | 237 | 0.52 | 12 | 3.2 | Incitec | C | 550 | 0.68 | 18 | 3.8 | St George Bank | C | 1012 | 1.41 | 15 | 5.1 |
| Brambles Ind. | B | 4300 | 1.92 | 30 | 1.8 | Infrastructure | B | 160 | 7.14 | 8 | 6.3 | Stockland Trust | D | 329 | 5.70 | 13 | 7.5 |
| Brickworks Ltd | B | 4000 | 3.57 | 14 | 2.8 | Jupiters | C | 311 | 1.31 | 17 | 4.5 | Suncorp-Metway | C | 815 | 0.67 | 6 | 5.4 |
| C & W Optus | C | 437 | 6.59 | NE | Nil | Lang Corporatio | B | 736 | 2.17 | 25 | Nil | TAB Ltd | C | 295 | 0.37 | 26 | 3.1 |
| C.S.R. Ltd | C | 373 | 0.57 | 11 | 6.2 | Leighton Hold | C | 590 | 0.46 | 13 | 5.1 | Tabcorp Holding | B | 1078 | 3.02 | 23 | 4.0 |
| CSL Limited | A | 2150 | 6.66 | 60 | 1.0 | Lend Lease Corp | B | 2100 | 2.57 | 25 | 2.9 | Telstra | A | 862 | 2.03 | 11 | 3.8 |
| Cadbury Sch. | D | 965 | N/A | NE | 3.5 | M.Y.O.B. Ltd | B | 1130 | 8.54 | NE | Nil | Ten Network | C | 213 | 1.41 | 15 | 6.8 |
| Centro Prop. | C | 274 | 6.54 | 13 | 8.3 | Macquarie Off. | D | 111 | 8.11 | 12 | 9.5 | Transurban Grp | E | 18000 | N/A | NE | Nil |
| Challenger Int. | A | 430 | 3.54 | 20 | 1.2 | Macquarie Bank | B | 2400 | 4.65 | 23 | 2.8 | United Energy | C | 191 | 1.17 | 53 | 9.0 |
| Coal & Allied | B | 1500 | 1.62 | 11 | 6.7 | Mayne Nickless | B | 401 | 0.34 | 13 | 7.5 | Village Road. | C | 313 | 0.92 | 10 | 3.2 |
| Coca-Cola Bev. | E | 300 | N/A | NE | Nil | Mirvac Ltd | B | 250 | 0.97 | 13 | 4.0 | Wesfarmers Ltd | C | 1145 | 1.02 | 16 | 5.8 |
| Coca-Cola Amatil | C | 507 | 1.37 | 27 | 3.7 | Mirvac Property | C | 178 | 9.75 | 15 | 6.4 | West Aust News | C | 530 | 3.15 | 16 | 5.7 |
| Cochlear Ltd | A | 1740 | 6.86 | 54 | 1.6 | Mobile Com. | D | 1370 | N/A | NE | Nil | Westfield Amer. | D | 148 | 3.59 | 15 | 6.3 |
| Coles Myer | C | 798 | 0.40 | 21 | 3.2 | Nat'l Mut. Prop | D | 115 | 9.41 | 15 | 7.5 | Westfield Hold. | B | 990 | 5.94 | 41 | 1.2 |
| Colonial Ltd | C | 615 | 1.15 | 23 | 2.4 | Nat'l Mutual | C | 255 | 3.37 | 22 | 3.4 | Westfield Trust | D | 299 | 9.31 | 17 | 6.9 |
| Comwealth Bank | B | 2601 | 2.45 | 17 | 4.4 | Nat'l Foods | C | 268 | 0.65 | 15 | 4.9 | Weston (George) | C | 660 | 0.50 | 18 | 2.9 |
| Com. Inv. Trust | E | 90 | N/A | NE | Nil | Nat'l Aust Bank | C | 2298 | 5.34 | 46 | 4.9 | Westpac Banking | B | 1060 | 1.87 | 13 | 4.4 |
| Computer Share | A | 785 | N/A | NE | 0.5 | News Corporatio | A | 1474 | 1.37 | 20 | 0.2 | Westpac Prop Tr | D | 158 | 6.93 | 21 | 8.2 |
| Crown Ltd | C | 90 | 0.70 | 14 | Nil | One Tel Ltd | C | 206 | N/A | NE | 0.0 | Wills (WD & HO) | B | 625 | 0.46 | 19 | 4.8 |
| David Jones | C | 142 | 0.39 | 14 | 5.6 | Orica Ltd | C | 826 | 0.51 | 14 | 4.5 | Woolworths Ltd | B | 529 | 0.32 | 20 | 3.4 |
| E.R.G. | A | | | | | | | | | | | | | | | | |

Recommended Investments

Cavalier Corporation has reported first quarter carpet sales up 25% on the previous year and profits from this division up 50%, while the Wool division remains relatively unchanged. Three-quarters of the company's profits are earned in the carpet business, so that makes profits up about 35-40% for the first quarter. In response to this clearly *favourable* disclosure the share price fell 19 cents! Cavalier will pay a steady first interim dividend of 6.0 cents (plus full imputation tax credits).

Field trials by Cavalier's **Microbial Technology** subsidiary - which is developing a safe, clean and effective treatment for flystrike and lice infestation in sheep - have determined that the remedy is safe and works, but highlighted problems with the shelf life and application of the product. Development work has focused on optimising the formulation ahead of further field trials. Commercialisation is still at least 2-3 years



away, but directors consider this project an "important and exciting development".

Cavalier has little need to retain profits. Surplus capacity in carpet making (Continued on Page 4)

Portfolio of Recommended Investments

| CURRENT ADVICE | Company | Code | Initial Recommendation - Date - | 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 | 0.42 | 7 | 6.0 | 251 | 63.0 | +22% |
| HOLD- | Apple Fields Limited | APF | 10/03/92 | 237 | C | 29.2 | 2.6 | 1.43 | NE | Nil | 10 | 10.0 | -91% |
| BUY | CDL Investments Ltd | CDI | 12/01/99 | 25 | E | 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 | 12.0 | 324 | 91.0 | +33% |
| HOLD+ | Colonial Motor Company | CMO | 10/11/92 | 150 | C | 30.9 | 0.8 | 0.26 | 14 | 9.1 | 253 | 187.3 | +194% |
| HOLD+ | Designer Textiles Ltd | DTL | 12/01/99 | 47 | C | 29.7 | 2.0 | 0.21 | 6 | 14.4 | 31 | 3.0 | -28% |
| HOLD+ | Ebos Group Ltd | EBO | 12/10/99 | 290 | B | 23.2 | 0.6 | 0.93 | 16 | 7.5 | 360 | 9.0 | +27% |
| HOLD+ | Fernz Corporation Ltd | FER | 11/02/97 | 505 | C | 150.5 | 0.9 | 0.46 | 11 | 5.8 | 433 | 52.0 | -4% |
| HOLD | Michael Hill Int'l Ltd | MHI | 11/06/91 | 46* | B | 38.6 | 0.8 | 0.81 | 15 | 5.2 | 330 | 51.5 | +729% |
| HOLD | Nuplex Industries Ltd | NPX | 11/02/97 | 350 | C | 55.4 | 1.0 | 0.56 | 15 | 4.9 | 320 | 21.0 | -3% |
| HOLD+ | Owens Group Limited | OWN | 12/03/91 | 47* | D | 56.3 | 1.1 | 0.18 | 18 | 11.8 | 127 | 77.3 | +335% |
| BUY | PDL Holdings Ltd | PDL | 13/02/96 | 810 | B | 13.6 | 0.9 | 0.22 | 41 | 5.6 | 530 | 113.0 | -21% |
| HOLD+ | Radio Works NZ Ltd | RWL | 08/12/92 | 205 | A | 12.0 | 0.6 | 1.94 | 16 | 3.2 | 705 | 112.5 | +299% |
| HOLD+ | Renaissance Corp | RNS | 13/08/96 | 85* | D | 35.3 | 2.0 | 0.09 | 11 | Nil | 37 | 4.4 | -51% |
| HOLD | Richina Pacific | RCH | 03/11/95 | 119* | D | 72.2 | 1.6 | 0.08 | NE | Nil | 55 | 11.9 | -44% |
| HOLD | South Port New Zealand | SPN | 13/02/96 | 120 | C | 32.4 | 1.1 | 1.01 | 21 | 9.0 | 91 | 33.3 | +4% |
| BUY | Taylors Group Ltd | TAY | 09/11/99 | 102 | B | 24.3 | 1.2 | 0.74 | 16 | 5.8 | 116 | Nil | +14% |
| HOLD+ | Tourism Holdings Ltd | THL | 14/07/92 | 168* | A | 56.6 | 0.9 | 1.08 | 18 | 2.3 | 322 | 53.2 | +123% |
| 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 | 0.15 | 7 | 6.4 | 220 | 14.0 | -12% |
| BUY | Atlas Pacific Ltd ¹ | ATP | 14/05/96 | 73 | C | 49.4 | 1.5 | 12.50 | NE | Nil | 26 | Nil | -64% |
| HOLD+ | Biron Corporation Ltd | BIC | 12/04/94 | 178 | B | 21.6 | 1.4 | 0.98 | NE | 6.9 | 29 | 11.0 | -78% |
| BUY | Campbell Brothers Ltd | CPB | 12/10/99 | 435 | B | 30.8 | 0.3 | 0.68 | 13 | 5.4 | 445 | 11.0 | +5% |
| HOLD+ | Central Equity Ltd | CEQ | 09/02/94 | 154 | A | 82.1 | 0.5 | 1.00 | 6 | 7.3 | 219 | 65.0 | +84% |
| BUY | Data#3 Limited | DTL | 09/02/99 | 285 | A | 14.2 | 0.9 | 0.36 | 19 | 3.3 | 360 | 12.0 | +31% |
| HOLD- | E.R.G. Limited | ERG | 10/10/95 | 152* | A | 202.7 | 0.3 | 6.31 | 84 | 0.2 | 853 | 7.5 | +466% |
| HOLD | Flight Centre | FLT | 11/08/98 | 308 | A | 80.9 | 0.2 | 0.57 | 38 | 1.4 | 1300 | 24.5 | +330% |
| BUY | Hamilton Island Ltd | HAM | 09/11/99 | 205 | A | 32.6 | 0.5 | 1.05 | 11 | 5.6 | 233 | Nil | +14% |
| HOLD+ | Hancock & Gore | HNG | 15/07/97 | 125* | C | 46.7 | 0.6 | 0.66 | 10 | 6.0 | 134 | 11.5 | +16% |
| BUY | PMP Communications | PMP | 09/02/99 | 309 | C | 253.4 | 0.5 | 0.46 | 9 | 9.5 | 216 | 20.4 | -24% |
| HOLD | Thakral Holdings | THG | 10/11/98 | 65 | C | 513.5 | 0.9 | 1.68 | 12 | 7.8 | 74 | 5.8 | +23% |
| BUY | Toll Holdings | TOL | 08/09/98 | 240 | B | 59.5 | 0.3 | 0.25 | 11 | 3.9 | 562 | 30.0 | +147% |
| BUY | Vision Systems Ltd | VSL | 10/11/98 | 685* | B | 13.8 | 0.3 | 0.62 | 12 | 4.3 | 645 | 27.9 | -2% |

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +73.8%. This is equal to an average annual rate of +22.6%, 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 +30.5%, compared with a market gain of +13.4% (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 30 cents.

Recommended Investments (Continued from Page 3) means the company can expand production without the need for large scale capital investment. The Microbial Technology business would also require very little capital investment to move to commercialisation. As previously reported, carpet volumes and profits are up significantly and, as carpet sales are closely related to the residential property market which may do better under the new government, sales could be quite buoyant over the next few years.

Cavalier shares currently offer a very high yield so are attractive to investors seeking income. Dividend *growth* would increase the share price, so the shares also offer investors the potential for a substantial capital gain!

Colonial Motor Company informed shareholders at the AGM that it was "considering a further repayment of surplus capital to shareholders". With ordinary dividends, special dividends and capital repayments, our initial investment in Colonial Motor shares has already been repaid 119.9% (after tax) over the last seven years!

For the six months to September 30, **Owens Group** has reported a 13.3% drop in revenue. Revenue from continuing businesses was down only 2.8%, with the balance being from businesses previously sold or closed down. Profits rose 0.8% to \$1,860,000 (3.3 cents per share), but the interim dividend was cut 33.3% to 3.0 cents (plus full imputation tax credits). Owens Group reports increased turnover in September and October, and the directors predict that the full year's operating profits will be "appreciably ahead of last year".

PDL Holdings has reported a 36.6% increase in profit to \$3,038,000 (22.3 cents per share) from revenues up 10.2% at \$179.2 million. This result, however, is only about half of what the company *should* be earning.

Last year the company paid a 20.0 cents interim dividend, but no final dividend, while this year will not pay an interim and probably re-instate a final dividend if the company continues to show improved results.

Focusing on improved inventory control lowered stock levels \$11.3 million (compared with September 1998) and helped boost operating cash flow to \$15.3 million (compared with an *outflow* of \$4.0 million in 1998). Over the next six months the company will focus on Accounts Receivable management. With \$78.0 million in debtors, this is a major asset, so improved collection could help reduce debt levels and save interest

costs. Given that PDL Holdings operates on small profit margins (1.7% of sales), even small cost savings can have a significant impact on profitability.

Radio Works has reported profits up 18.2% to \$1,594,000 (down 14.7% to 13.3 cents per share, owing to the increase in capital following the merger with **Radio Otago**) from revenues 30.9% higher at \$18.8 million. The interim dividend has been raised 13.3% to 8.5 cents (plus full imputation tax credits).

A straight comparison with last year is slightly misleading owing to the inclusion of two months of Radio Otago's operations. Adjusting the result to compare *similar periods* this year with the combined results of both companies last year would show revenues up about 15%, profits up about 8% and earnings per share up about 4%.

Profits for the second half are predicted by the directors to "considerably exceed that achieved for the first six months". Radio is a very cyclical business with relatively high fixed costs, so increases in revenue during an economic upturn result in large increases in profits. As the NZ economy is predicted to grow strongly over the next 2-3 years, **Radio Works could be one of the stockmarket's strongest performers**.

We have already earned significant capital appreciation on these shares since they were first recommended in December 1992 (and our March 1991 investment in Radio Otago which merged in August) but **Radio Works remains a "Hold+"**.

[Editor's Note: My portfolio remains over-weighted in Radio Works shares as a result of the merger of the two companies and their appreciation in value over the last 7-8 years. Consequently I announced in May plans to sell 35-50% of my shareholding. 18.6% of that shareholding was sold in November and a similar sale may be completed this month or early next year.]

Taylor's Group reports first quarter revenues up about 3.4% on last year. That trend in revenue is expected for the full year but, owing to improved cost controls and lower interest costs, profit growth is forecast to exceed last year's 37.6% increase.

When we recommended Taylor's Group for investment last month we failed to mention that "Market Analysis" had previously recommended those shares in July 1986 at 216 cents. As the company operated a *business* - rather than debt financed share or property investments - its shares were unaffected by the October 1987 stockmarket crash. We, however, sold them in November 1987 to realise a 93.2% gain over 16 months, to raise cash to take advantage of more under-valued, post-crash investment opportunities. During the 1980's stockmarket boom we made good investment gains from companies with real businesses while avoiding the risky Investment and Property boom. Similarly, we have earned outstanding investment returns over the last year from companies with real businesses while avoiding the booming - but high risk - area of Internet/E-commerce hopefuls.

We had failed to adjust our initial recommendation price (and the dividends received data) to reflect the *bonus element* in **Tourism Holdings'** recent 1 for 3 cash issue at 215 cents. In a cash issue made at a discount to the market price, investors *could* take up some of the new shares with funds raised from selling



December 7, 1999.

rights - so increasing their shareholding without outlaying any additional cash. In the case of Tourism Holdings recent cash issue investors could have increased their shareholdings by 6.6% in this way. So 6.6% is the *bonus element* in the issue - and we have lowered our initial recommendation price (and all of the dividends collected) by this amount.

Australian Shares

Abigroup has been awarded the A\$266 million contract to upgrade 28km of the Pacific Highway between Yelgun and Chinderah. Design work will start immediately, with construction taking about 2½ years from April 2000. The contract also involves maintenance for ten years.

Atlas Pacific has sold 12,937 saleable pearls (and 1,704 lower grade and under-sized pearls) from its September harvest for ¥190 million (A\$2,810,000). This brings pearl sales for the 1999 financial year to A\$5,155,000 with a small number of pearls remaining which are expected to realise A\$2-300,000.

This is the company's first significant revenue - making the company profitable and cash flow positive! Operating expenses for the first half of the year were A\$1,528,000 which suggests total annual costs of around \$3-3.5 million (before writing A\$1 million off asset values this year). Total revenues of \$5.5-6.0 million would therefore yield a gross profit of about A\$2.5 million. Interest on the convertible notes will be A\$350,000 leaving a net profit of around A\$2.2 million (about 4½ cents per share).

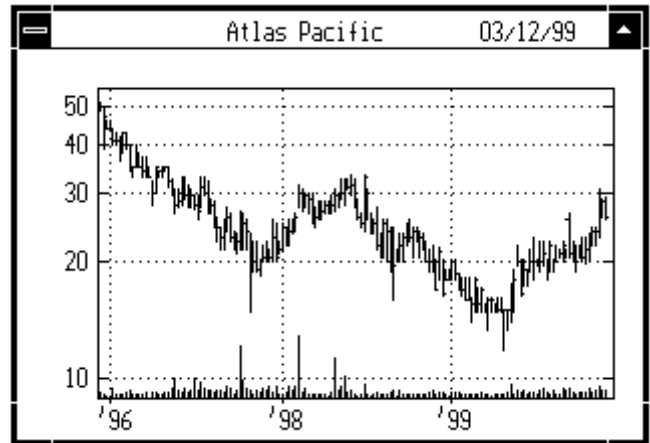
In total, Atlas Pacific sold 18,985 saleable pearls this year but should produce around 35,000 saleable pearls in the year 2000 and up to 70,000 in 2001 - resulting in significant revenue growth with little increase in operating costs. Profits would therefore increase very significantly.

Atlas Pacific has also provided over 100,000 oysters to other pearl farmers under joint ventures which should produce 30-35,000 oysters in each of the next two years. Atlas Pacific will receive 50% of the revenue, after deducting the farmer's costs (up to a maximum of US\$25 per oyster) of maintaining the oysters and harvesting the pearls. Those costs are therefore limited to a maximum of about US\$1.25 million per year, but (based upon Atlas Pacific's pearl sales this year) could yield around US\$5-6 million in revenue. The 50% share of net revenues could therefore be around US\$1.8-2.4 million (A\$2.8-3.8 million) per year - which is virtually all profit!

Profits for the year to December 2000 could therefore be around A\$9-10 million (about 19 cents per share), rising to perhaps A\$17-18 million in 2001.

108,000 oysters have been nucleated this year (up slightly from 100,000 last year), with a mortality rate of less than 3% (compared with 12% mortality in 1998).

The Kupang hatchery - which was producing oysters for joint venture farms - is to close after the company's joint venture partners withdrew their A\$30,000 funding of operating costs. The closure will involve writing off A\$1 million in leasehold land, buildings and equipment, but will reduce operating costs by A\$250,000 per year. Oysters and moveable equipment (work boats, hatchery and farm equipment) will be transferred to Waigeo, which will also reduce the capital expenditure at Waigeo



over the next two years.

Atlas Pacific directors have been active buyers of the company's shares over the last few months. Director and major shareholder, G Snow, purchased 183,543 shares in September, 100,000 shares in October and another 100,000 shares in November to raise his holding to 9,267,163 shares and convertible notes. Chairman A M Kerr purchased 645,696 shares in November to lift his holding to 917,384 shares. All of these shares were purchased at around 21-22 cents.

Earlier this year - after taking up entitlements to the 1 for 2 convertible note issue at A\$0.15 - we recommended that investors consider switching their ordinary shareholdings into the notes (i.e. selling ordinary shares on-market and buying notes on-market). At that stage the notes were more attractive as (1) they can be converted into ordinary shares *or* redeemed at 15 cents in cash at the option of the investor (i.e. the cash option meant little risk of capital loss) and (2) they pay interest at 12½% (i.e. 1.875 cents per note) compared with no dividend on the ordinary shares. Over the last eight months that situation has changed . . .

Firstly, with the notes up 93.5% to 30 cents (from 15½ cents in April) the cash redemption option has little attraction. Secondly, the notes still offer a higher yield than the shares but (1) with the notes now trading at 30 cents their yield is reduced to 6.25% and (2) now that the company is profitable and generating large cash flows, dividends to ordinary shareholders cannot be too far away. The notes will be redeemed for ordinary shares on March 23, 2002, but investors can request that the notes be redeemed at any time. So, for example, if the company was to declare ordinary dividends in excess of the 1.875 cents interest payable on the notes it would be worth converting the notes to ordinary shares to receive the higher income.

So the success of the company and the rise in the share and note prices has diminished the *extra value* in the note's cash redemption option and the income yield differential.

Also of importance is the fact that the notes have not traded recently as there are no (serious) sellers on the market! Atlas Pacific shares are quoted with buyers at 26 cents and sellers at 27 cents - so investors can easily buy or sell the ordinary shares. The notes are quoted with buyers at 27 cents, but the lowest seller is asking 35 cents (after under bidding (Continued on Page 6)

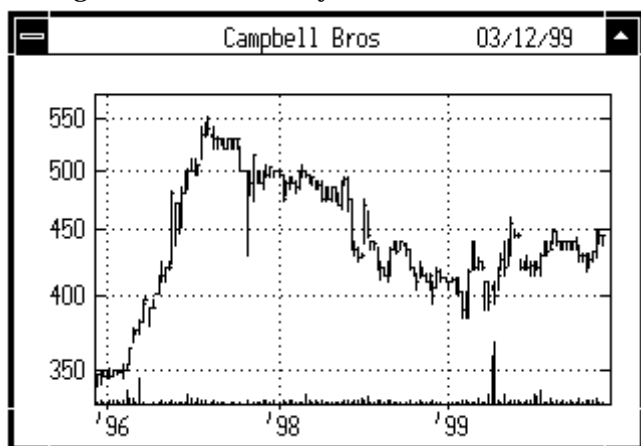
Recommended Investments (Continued from Page 5) the lowest seller who was asking 40 cents for about a week). Investors wanting to buy into the company can therefore only really consider the ordinary shares for purchase in this situation.

The total stockmarket capitalisation of Atlas Pacific's shares and notes is about A\$21 million - just slightly more than we estimate the company could be earning from the year 2001 onwards! Despite the recent increase in the share price we are upgrading Atlas Pacific shares from a "Hold+" to a "Buy" following the recent pearl sales that has put significant amounts of cash in the bank!

Campbell Brothers has reported a 33.6% lift in revenues to A\$126.6 million for the six months to September 30. Profits rose 37.4% to A\$5,560,000 (18.1 cents per share) and the interim dividend will be raised 22.2% to 11.0 cents.

Most of the growth in the current period came from the company's Soap & Chemical division (revenues up 40.5% to A\$93.2 million, earnings - before interest and tax - up 33.2% to A46.7 million) and its small Hospitality Supplies division (revenues up 79.4% to A\$5.7 million, earnings up 98.1% to A\$0.4 million). The Laboratory Services division experienced only moderate growth (revenues up 12.2% to A\$27.0 million, earnings up 7.3% to A\$4.0 million) owing to the depressed mineral exploration sector. The recent acquisition of Chemex is predicted to "have a modest impact" on the Laboratory Services division "during the balance of this financial year" but to "provide significant growth opportunities" in the year to March 2001.

Beg, steal, borrow, "Buy"!



Central Equity has declared a first quarter dividend of 4.0 cents - up 33.3% on the same period last year but in line with the total June 1999 year dividend of 16.0 cents. The company's off-the-plan pre-sales - revenue that will be earned over the next 12-18 months - now stands at over A\$310 million, up from A\$240 million in June. Directors predict another record profit for the June 2000 year.

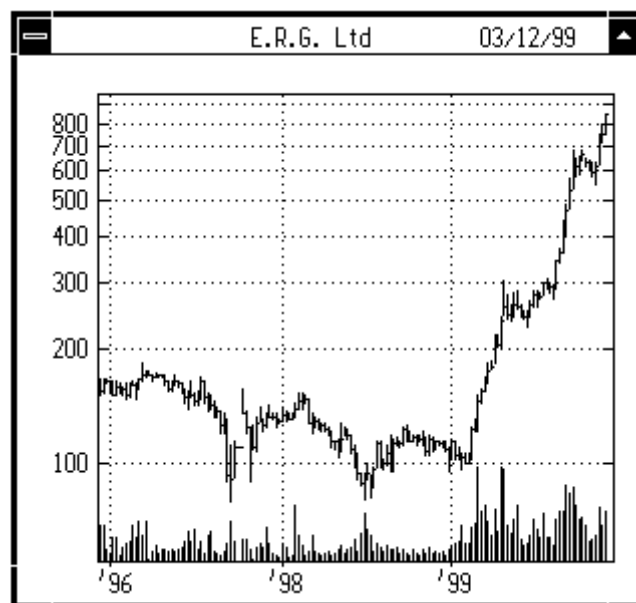
ERG shares closed last week at A\$8.53 - up 5½ fold in value since we first bought in four years ago. We are happy to have taken partial profits on this investment two months ago when the share price was A\$6.40 - and equally happy that we only sold one-third of our shares!

It is difficult to justify the continued increase in ERG's share price - except to point out that (1) ERG

offers better value than most of the internet or telecom high-flyers and (2) the shares will likely be included in the Australian "Top 100" index. So the higher ERG's share price goes, the more that *Index Funds* and other institutional investors need to build up a holding in this company.

Directors' actions over recent months are probably the best guide for investors. As we reported last month, P Fogarty sold 394,512 shares in October (7.6% of his holding). During November, EL Bolto sold 100,000 shares (7.1% of his holding), GL Crew purchased 11,011 shares (a 22.0% increase in his investment) while AS Murdoch sold 30,000 shares (16.7% of his holding). All directors, as one might expect, have a strong bias towards believing they work for a "good" company and that the "market" undervalues their company's shares. So selling by three out of four ERG directors is a fairly significant signal that certainly confirms the wisdom of selling one-third of our shares recently.

We shall probably recommend selling the remaining shares over the next few months, but with the shares high Relative Strength, fuelled by institutional buyers, it's probably worth waiting just a little while longer.



Hamilton Island has completed the acquisition of the remaining 50% shareholding in **Hamilton Airport** which is now a wholly owned subsidiary. Upgraded facilities at the resort include the **Beach Club** which opened in mid-November with new five-star accommodation. Land sales are expected to remain an important contributor to profits with two new developments, **Casuarina Cove** stage two and **Heliconia Grove**, now under way.

Hancock & Gore has lifted profits just 3.5% to A\$6,264,000 (13.4 cents) for the year to September 30, and a slightly higher final dividend will raise the annual dividend 3.2% to 8.0 cents. Revenue for the year fell 11.5% to A\$94.5 million.

At balance date the company had a total of just A\$19.3 million of bank debt (A\$10.8 million) and financing leases (A\$8.5 million), compared with Shareholders Equity of A\$41.3 million. Since then the company received the final A\$3.2 million (from a total

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 | | | Brokers Following | Price to NTA | Return on Equity | Volatility | Price/Earn. Ratio | Dividend Yield | Price/Sales Ratio | Market Cap'n |
|---|-------------|-----------------|-----------|-----------|-------------------|--------------|------------------|------------|-------------------|----------------|-------------------|--------------|
| | | Current | 4-Wk Chg. | Rank 0-99 | | | | | | | | |
| UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0 | | | | | | | | | | | | |
| Tower Limited | 555 | +0.9 | +0.4 | 48 | - | 0.6 | 5 | 0.8 | 12 | 3.0 | 0.20 | 904 |
| PDL Holdings | 530 | +3.5 | -3.1 | 34 | 2 | 0.9 | 2 | 0.9 | 41 | 5.6 | 0.22 | 72 |
| LWR Industries | 118 | +3.1 | +0.1 | 36 | - | 0.8 | 12 | 1.3 | 6 | 13.9 | 0.25 | 39 |
| Col Motor Co | 253 | +3.5 | -3.1 | 32 | - | 1.0 | 7 | 0.8 | 14 | 9.1 | 0.26 | 78 |
| Fruitfed Supp | 132 | +8.0 | -0.5 | 18 | - | 2.2 | 15 | 1.1 | 15 | 7.9 | 0.27 | 16 |
| Williams Kettle | 208 | +5.1 | -0.3 | 27 | - | 0.8 | 6 | 0.8 | 13 | 9.3 | 0.30 | 28 |
| Donaghys Ind | 146 | +7.6 | +0.4 | 19 | 1 | 0.8 | 7 | 0.9 | 11 | 8.2 | 0.38 | 45 |
| Reid Farmers | 58 | +3.5 | -1.8 | 32 | - | 0.9 | 11 | 1.3 | 8 | 11.6 | 0.43 | 32 |
| Mainfreight Grp | 175 | +3.3 | -0.1 | 35 | 7 | 2.8 | 15 | 1.1 | 18 | 4.7 | 0.44 | 13 |
| Restaurant Brds | 148 | +0.8 | +0.3 | 49 | 8 | 5.5 | 36 | 1.1 | 15 | 6.1 | 0.60 | 126 |
| Mr Chips Hold | 70 | +0.2 | +0.4 | 52 | - | 2.1 | 10 | 1.1 | 20 | 8.5 | 0.64 | 11 |
| Tag Pacific Ltd | 54 | +75.2 | +39.0 | 1 | - | 2.0 | - | 1.6 | NE | 1.4 | 0.68 | 25 |
| Taylors Grp Ltd | 116 | +0.7 | +0.4 | 50 | 2 | 1.5 | 10 | 1.2 | 16 | 5.8 | 0.74 | 28 |
| Dorchester Pac | 104 | +11.1 | +1.3 | 12 | - | 1.6 | 17 | 1.2 | 9 | 6.5 | 0.79 | 17 |
| Nobilo Wines | 93 | +1.5 | +1.8 | 45 | - | 1.5 | 7 | 1.3 | 21 | 4.8 | 0.81 | 41 |
| Ceramco Corp | 175 | +10.0 | +2.8 | 16 | 3 | 1.4 | 6 | 1.0 | 23 | 4.3 | 0.81 | 73 |
| Michael Hill | 330 | +4.0 | -2.6 | 30 | 4 | 3.9 | 27 | 0.8 | 15 | 5.2 | 0.81 | 127 |
| Ebos Group Ltd | 360 | +17.0 | +0.2 | 8 | - | 5.4 | 34 | 0.6 | 16 | 7.5 | 0.93 | 84 |
| Colonial Ltd | 775 | +4.3 | +0.7 | 27 | - | 1.6 | 8 | 0.9 | 20 | 0.8 | 0.97 | 7,109 |
| Fisher & Paykel | 663 | +1.7 | +2.6 | 43 | 8 | 2.1 | 9 | 0.8 | 22 | 4.1 | 1.01 | 779 |

| | | | | | | | | | | | | |
|--|-----|-------|------|----|---|-----|----|-----|----|------|------|-------|
| BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0 | | | | | | | | | | | | |
| Ebos Group Ltd | 360 | +17.0 | +0.2 | 8 | - | 5.4 | 34 | 0.5 | 16 | 7.5 | 0.93 | 84 |
| Dorchester Pac | 104 | +11.1 | +1.3 | 12 | - | 1.6 | 17 | 0.9 | 9 | 6.5 | 0.79 | 17 |
| East'n Equities | 71 | +10.0 | -1.0 | 16 | - | 0.7 | 4 | 1.2 | 17 | Nil | 0.24 | 24 |
| Fruitfed Supp | 132 | +8.0 | -0.5 | 18 | - | 2.2 | 15 | 0.9 | 15 | 7.9 | 0.27 | 16 |
| Donaghys Ind | 146 | +7.6 | +0.4 | 19 | 1 | 0.8 | 7 | 0.7 | 11 | 8.2 | 0.38 | 45 |
| Williams Kettle | 208 | +5.1 | -0.3 | 27 | - | 0.8 | 6 | 0.6 | 13 | 9.3 | 0.30 | 28 |
| Colonial Ltd | 775 | +4.3 | +0.7 | 27 | - | 1.6 | 8 | 0.8 | 20 | 0.8 | 0.97 | 7,109 |
| Michael Hill | 330 | +4.0 | -2.6 | 30 | 4 | 3.9 | 27 | 0.7 | 15 | 5.2 | 0.81 | 127 |
| Col Motor Co | 253 | +3.5 | -3.1 | 32 | - | 1.0 | 7 | 0.7 | 14 | 9.1 | 0.26 | 78 |
| Reid Farmers | 58 | +3.5 | -1.8 | 32 | - | 0.9 | 11 | 1.0 | 8 | 11.6 | 0.43 | 32 |
| Mainfreight Grp | 175 | +3.3 | -0.1 | 35 | 7 | 2.8 | 15 | 0.9 | 18 | 4.7 | 0.44 | 13 |
| LWR Industries | 118 | +3.1 | +0.1 | 36 | - | 0.8 | 12 | 1.1 | 6 | 13.9 | 0.25 | 39 |
| Tower Limited | 555 | +0.9 | +0.4 | 48 | - | 0.6 | 5 | 0.7 | 12 | 3.0 | 0.20 | 904 |
| Restaurant Brds | 148 | +0.8 | +0.3 | 49 | 8 | 5.5 | 36 | 0.9 | 15 | 6.1 | 0.60 | 126 |
| Taylors Grp Ltd | 116 | +0.7 | +0.4 | 50 | 2 | 1.5 | 10 | 1.0 | 16 | 5.8 | 0.74 | 28 |

| | | | | | | | | | | | | |
|--|-----|------|------|----|---|-----|----|-----|----|------|------|-----|
| INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million | | | | | | | | | | | | |
| Cavalier Corp | 324 | -1.7 | -2.3 | 63 | 5 | 1.6 | 15 | 0.8 | 11 | 12.0 | 0.58 | 117 |
| Hallenstein G. | 240 | -1.1 | +0.4 | 56 | 7 | 4.2 | 30 | 0.8 | 14 | 10.6 | 0.88 | 139 |

| Company | Share Price | STRENGTH RATING | | | Brokers Following | Price to NTA | Return on Equity | Volatility | Price/Earn. Ratio | Dividend Yield | Price/Sales Ratio | Market Cap'n |
|-----------------|-------------|-----------------|-----------|-----------|-------------------|--------------|------------------|------------|-------------------|----------------|-------------------|--------------|
| | | Current | 4-Wk Chg. | Rank 0-99 | | | | | | | | |
| DB Group | 228 | -3.5 | +1.0 | 77 | 8 | 1.0 | 13 | 0.7 | 8 | 10.5 | 0.36 | 230 |
| Sky City Ltd | 730 | +1.6 | -1.2 | 44 | 8 | 4.7 | 31 | 0.7 | 15 | 8.8 | 2.73 | 716 |
| NZ Refining Co | 1150 | -13.9 | -1.0 | 97 | 4 | 1.9 | 16 | 0.4 | 12 | 8.7 | 1.13 | 276 |
| Natural Gas | 175 | -2.2 | -2.2 | 66 | 8 | 1.3 | 8 | 0.8 | 15 | 8.5 | 2.39 | 788 |
| Telecom Corp | 854 | -2.7 | -0.2 | 71 | 11 | 13.8 | 76 | 0.6 | 18 | 8.0 | 4.36 | 14,969 |
| Steel & Tube | 157 | -3.7 | -0.2 | 78 | 8 | 1.2 | 9 | 0.9 | 14 | 7.6 | 0.41 | 138 |
| FC - Building | 239 | -6.3 | -0.9 | 90 | 8 | 1.1 | 3 | 0.9 | 34 | 7.5 | 0.29 | 778 |
| United Networks | 601 | -1.4 | -0.9 | 58 | 3 | 1.3 | 6 | 0.5 | 23 | 7.5 | 2.04 | 910 |

| | | | | | | | | | | | | |
|--|-----|------|-------|----|----|------|----|-----|----|------|------|--------|
| OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0 | | | | | | | | | | | | |
| Sky Network TV | 310 | -1.5 | -3.0 | 59 | 9 | 17.5 | - | 0.6 | NE | Nil | 9.41 | 1,133 |
| Telecom Corp | 854 | -2.7 | -0.2 | 71 | 11 | 13.8 | 76 | 0.6 | 18 | 8.0 | 4.36 | 14,969 |
| Ports Auckland | 495 | -4.7 | +1.2 | 85 | 8 | 2.8 | 14 | 0.6 | 20 | 5.4 | 4.26 | 656 |
| National Mutual | 315 | -2.5 | +1.6 | 70 | - | 1.1 | 7 | 0.8 | 16 | 3.4 | 3.51 | 5,477 |
| Lyttelton Port | 158 | -3.3 | -0.2 | 76 | 4 | 4.2 | 34 | 0.8 | 12 | 6.9 | 2.90 | 160 |
| Force Corp. | 53 | -4.7 | -1.8 | 85 | 3 | 1.4 | 13 | 1.2 | 10 | 11.3 | 2.57 | 82 |
| Tasman Agric. | 79 | -1.4 | -2.1 | 58 | 4 | 0.6 | 5 | 0.8 | 11 | 3.8 | 2.53 | 101 |
| Natural Gas | 175 | -2.2 | -2.2 | 66 | 8 | 1.3 | 8 | 0.8 | 15 | 8.5 | 2.39 | 788 |
| United Networks | 601 | -1.4 | -0.9 | 58 | 3 | 1.3 | 6 | 0.5 | 23 | 7.5 | 2.04 | 910 |
| Savoy Equities | 4 | -3.8 | -10.0 | 79 | - | 0.2 | - | 2.9 | NE | Nil | 1.65 | 17 |

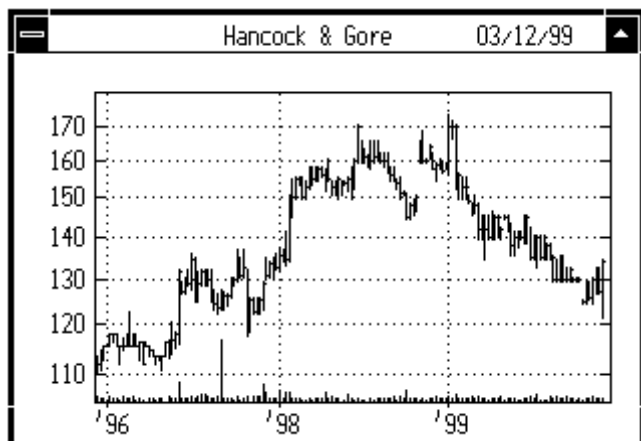
| | | | | | | | | | | | | |
|---|------|-------|-------|----|----|-----|----|-----|----|-----|------|--------|
| WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average | | | | | | | | | | | | |
| Spectrum Res. | 11 | -48.7 | -0.0 | 98 | - | 1.7 | - | 1.6 | NE | Nil | N/A | 3 |
| Trans-Tasman | 28 | -11.6 | -0.3 | 96 | 6 | 0.3 | - | 1.4 | NE | Nil | 0.94 | 101 |
| Apple Fields | 10 | -9.9 | +0.4 | 95 | - | 0.2 | - | 1.2 | NE | Nil | 1.43 | 3 |
| Damba Hold Ltd | 50 | -9.2 | -1.9 | 94 | - | 0.5 | - | 0.6 | NE | Nil | 0.59 | 9 |
| Fernz Corp Ltd | 433 | -8.3 | +0.4 | 93 | 7 | 1.5 | 14 | 0.7 | 11 | 5.8 | 0.46 | 652 |
| FC - Forests | 71 | -7.2 | -3.0 | 92 | 10 | 0.5 | 5 | 0.9 | 11 | Nil | 1.10 | 600 |
| Brierley Invest | 45 | -6.9 | +0.8 | 91 | 6 | 0.5 | 4 | 0.8 | 12 | 6.7 | 0.68 | 1,343 |
| FC - Building | 239 | -6.3 | -0.9 | 90 | 8 | 1.1 | 3 | 0.8 | 34 | 7.5 | 0.29 | 778 |
| Utilico Intl | 30 | -6.3 | -3.0 | 89 | 1 | 0.7 | - | 1.1 | NE | Nil | N/A | 29 |
| AMP Limited | 1880 | -5.3 | +0.5 | 87 | - | 2.0 | 12 | 0.7 | 17 | 1.1 | 0.67 | 20,240 |
| AMP NZ Office | 92 | -5.0 | +0.6 | 86 | 5 | 1.5 | 13 | 0.7 | 12 | 8.4 | 6.58 | 230 |
| Ports Auckland | 495 | -4.7 | +1.2 | 85 | 8 | 2.8 | 14 | 0.6 | 20 | 5.4 | 4.26 | 656 |
| Grocorp Pacific | 13 | -4.2 | -3.7 | 82 | - | 0.9 | - | 1.1 | NE | Nil | 0.68 | 7 |
| Summit Gold Ltd | 10 | -3.9 | +1.7 | 82 | - | 1.6 | - | 1.9 | NE | Nil | N/A | 9 |
| Col FS Property | 90 | -3.9 | -1.1 | 81 | - | - | - | 0.7 | 13 | 7.6 | N/A | 131 |
| Tranz Rail Hold | 354 | -3.8 | +3.4 | 79 | 9 | 0.9 | 15 | 0.6 | 6 | 7.2 | 0.75 | 428 |
| Savoy Equities | 4 | -3.8 | -10.0 | 79 | - | 0.2 | - | 2.6 | NE | Nil | 1.65 | 17 |
| Steel & Tube | 157 | -3.7 | -0.2 | 78 | 8 | 1.2 | 9 | 0.9 | 14 | 7.6 | 0.41 | 138 |
| Southern Cap | 75 | -3.5 | -0.8 | 77 | - | 0.7 | 6 | 0.8 | 11 | Nil | 5.52 | 19 |
| Lyttelton Port | 158 | -3.3 | -0.2 | 76 | 4 | 4.2 | 34 | 0.7 | 12 | 6.9 | 2.90 | 160 |

payout of A\$9.4 million relating to the Sydney hailstorm damage) and A\$3.2 million from the partial sale of its shares in listed **Environmental Recovery Services** (which has been reduced from a 22.5% to a 9.0% shareholding), which has helped reduce bank debt to

just A\$3.5 million. The company has also announced that "the proposed sale of further investments should reduce bank debt to nil" which suggests that Hancock & Gore is planning a major takeover or acquisition. The company confirms that it is "actively evaluating a number of potential investment opportunities to augment the growth from existing businesses" and that it is "in a strong financial position to pursue additional growth opportunities".

Thakral Group Holdings reports that the new financial year has started well with Hotel profits up 12% and Retail & Commercial profits up 8%.

Toll Holdings reports that results for the first four months are ahead of budget and the same period last year. Having consolidated earlier acquisitions over the last year, Toll Holdings is now seeking to "aggressively pursue opportunities including privatisation of rail and port infrastructure" as well as new "strategic acquisitions" in the transport sector.



Australian Company Analysis: Auspine Ltd

Australian listed **Auspine** has appeared in our *Comprehensive Share Selection Criteria* recently, rated as a "Buy" under the *Under-Valued Shares*, *Best Performing Shares* and *Insider Buying* criteria. This forestry and timber company is not only experiencing a cyclical recovery, but a pre-GST residential construction boom that could see profits *double or triple* this financial year . . .

History

This company was originally formed in 1951 as **Brolite Industries** to manufacture paints, changing its name to **Triton Paints** in 1978. In 1984 the current Managing Director, Adrianus de Bruin, made a takeover bid for the company, acquiring a 69% controlling shareholding. The paint business was sold for A\$3.2 million and **South East Afforestation Services** (a developer of radiata pine plantations) was purchased for A\$4.25 million with the company name changed to **S.E.A.S. Group**.

The company then sought to acquire timber processing businesses including **Neerim South Treated Timbers** (a timber treatment business) and **Timber Sales** (a timber wholesaler) in 1985, followed by **Tasmania Softwoods** (a forestry and timber milling business) for A\$6.0 million in 1987. The largest acquisition came in 1988 with the purchase of forestry company, **Southern Australian Perpetual Forests** (SAPFOR), for A\$45 million - following which the company again changed its name to **S.E.A.S. Sapfor**. **ACI Mallison** (a wholesale distribution business) was acquired from **BTR Nylex** in 1989.

The company name changed to **Auspine** in June 1995. **Cowell Group** (a timber distribution business) was acquired that same year and merged with the group's other similar businesses in Adelaide under the name **Auspine Building Centres**. During the mid-1990's the group invested A\$70 million in capital expenditure to expand production and reduce costs.

As a result of acquisitions, de Bruin's shareholding in the group was reduced to around 20%.

Capital Structure

In December 1997 the company made a cash issue, offering shareholders one option (at 10 cents) for every three shares held. These options give the holder the right to purchase Auspine shares at A\$4.00 each in December 2002. Auspine's capital consists of 56,966,751 shares and 18,600,053 options.

Recent Results

Over the years Auspine has experienced steady revenue growth - and explosive profit growth from 1992 to 1994

- with profits growing from A\$2.0 million in 1992, to A\$7.3 million in 1993 and to A\$17.3 million in 1994. Profits grew 8.4% to A\$18.8 million in 1995 with the dividend reaching a record 24.0 cents per share.

Auspine then experienced a cyclical downturn in 1996 and 1997. [Editor's Note: Which the company, in a typically Australian style, partially blames on the "re-entry of NZ timber suppliers . . . dumping their product onto our market". Presumably the directors have forgotten the period of instability caused by boardroom infighting during 1996 or perhaps believe that had little to do with the decline in performance and the share price.]

Profits fell 76.3% to A\$4.4 million in 1996 with the dividend cut 33.3% to 16.0 cents. In 1997 the company experienced a trading loss of A\$8.1 million (plus abnormal costs taking the company to a total loss of A\$18.5 million). No dividend was paid that year!

Since then Auspine has experienced a recovery. For the year to June 1998 revenues rose 10.3% to A\$229.4 million and the company returned to a trading profit of A\$8,326,000 (14.8 cents per share) and re-instated a dividend of 12.0 cents. In the year to June 1999 revenues increased marginally, up 1.2% to A\$223.2 million while profits rose 17.1% to A\$9,751,000 (17.1 cents per share). The dividend remained unchanged at 12.0 cents.

All of that gives little to get excited about . . . but the new financial year has started very strongly. The directors have recently reported that for the first five months revenue is up 18% and that it is having difficulty meeting the high demand for its house framing timbers (its main product lines). This strong demand has allowed the company to make "significant market price increases" which is resulting in "a substantial favourable impact on profitability". The directors also report "the company is trading at profitability levels not seen for the last four years" (i.e. at 1995's level when the company earned A\$28 million).

This favourable trading environment results from a pre-GST housing construction boom which should continue through until June 2000. Auspine also believes that proposed business tax changes in the Ralph Report will be favourable for the company.

Current Business

Auspine is the largest non-government forest owner and manager in Australia with over 40,000 hectares of radiata pine under management and about one-third of this owned by the company. The company produces a wide range of timber (i.e. sold to timber merchants,

hardware chains and furniture manufacturers), wood chips for export, preserved timber used in vineyards and laminated products. Most of its production, however, goes into house framing and other timber products used in residential building, so the company's fortunes are closely related to the volume of residential construction.

In September 1998 the trustee of a pine forest investment scheme managed by Auspine sued the company for A\$40-60 million (plus an unspecified but "considerable" amount of interest). This was settled by arbitration in October this year. Auspine will pay A\$12 million over six years, but will receive an A\$160 per hectare per year maintenance fee and 20% of the value of timber sales.

Investment Criteria

At A\$2.28, Auspine shares trade on a Price/Sales ratio of 0.56, a Price/Earnings ratio of 13 and a Dividend Yield of 5.3%. Those statistics appear to offer good *value* but with profits set to boom this year the shares could be very *under-valued*. A return to 1995 profit levels of \$28 million (49 cents per share) would put the shares on a P/E ratio of only 4½ and re-instating the 24 cents dividend would yield 10.5%.

Auspine has a stockmarket capitalisation of A\$130 million, making it a medium sized Australian company.

Six brokers publish profit forecasts - which we rate as a *moderate* following by brokers. The median prediction of 9% profit growth this financial year (and an unchanged dividend) would indicate that these forecasts have not yet taken into account the impact of the current housing boom. Shares that are *neglected* or only *moderately followed* tend to outperform *widely followed* shares, while upgrades in brokers' profit forecasts can also have a favourable impact on a company's share price.

We like to find companies that are *neglected* by institutions, but Auspine has many institutional investors with large shareholders. Nevertheless, the shares were removed from the All Ordinaries Index in July 1998, with management blaming the resulting selling by index funds for the decline in the share price that year! [Editor's Note: Despite appearing to blame all of the company's problems on outsiders, directors and management have made significant progress at improving efficiencies and reducing costs to improve the company's profitability.]

Auspine does, however, have the large management shareholding that we like to see. Managing Director, A de Bruin is still the major shareholder with 12,203,367 shares (21.4% of the company) and 3,398,066 options. In fact, he has been an active buyer of shares on-market over the last year. Through a series of six purchases he has purchased about 1.9 million shares over the last year! Another director, DS Kerr, has just purchased 20,000 shares and now owns 271,933 shares.

Chairman GG Hill owns 710,000 shares, PJ Ryan owns 165,070 shares, while PD Teisseire holds 200,000

options. A former director/manager, A K Veall, owns 6,188,500 shares (10.9% of the company) and 2,295,534 options.

After declining steadily from a high of A\$5.30 in June 1996, Auspine shares fell to a low of A\$1.62 in October 1998. The shares have spent most of the last year around A\$1.70-1.90 before rising over recent months in what looks like a new uptrend. Our Relative Strength Rating is +5.8%, which ranks the shares at 28 (on a scale of 0-99).

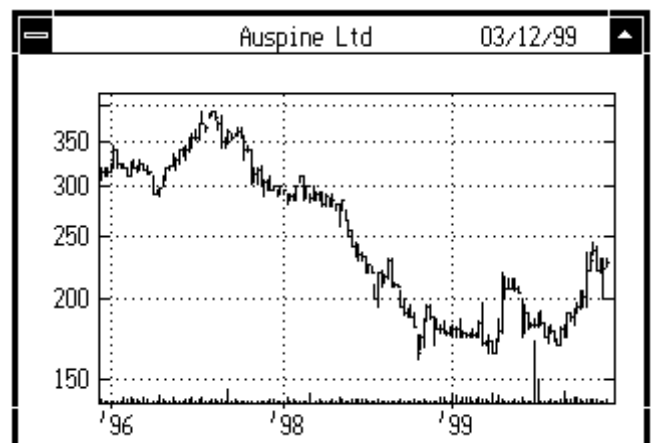
Summary and Recommendation

After experiencing a cyclical downturn in 1996-97, Auspine has sought to boost production, improve productivity and reduce costs to return to profitability for the year ended June 1998. Based upon profit and dividend levels for the 1998 and 1999 financial years, the shares now offer good value at A\$2.28. In fact, the current housing boom could lift profits 2½-3 fold this financial year. While that level of profitability may not be sustainable in future years, strong cash flow this year will allow the company to significantly increase its dividend and reduce debt and/or finance future growth and expansion.

We therefore believe Auspine is attractively priced for purchase as a long term investment - offering a current dividend yield of 5.3% which may soon double to 10%. However, the share price may react strongly to the current boom profits (and higher dividends) making this an investment with the potential to appreciate 35-60% (i.e. to 310-360 cents) over the next 6-12 months!

The current Black-Scholes valuation of the options is about 20 cents. Quoted with buyers at 8.1 cents and sellers at 11.0 cents, the options are under-valued. If the share price rises to 310-360 cents then the options would be worth about 33-55 cents. However, there are only 18.6 million options (worth a total of just A\$2 million), although several hundred thousand options are on offer at prices around 11-12 cents.

We are not formally recommending Auspine but the shares would be attractive to investors seeking high income and capital appreciation, while the options (if available) would be attractive for speculators.



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 0-99 | | | | | | | | | |
| UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0 | | | | | | | | | | | | | |
| Auto Group Ltd | 99 | +2.2 | -4.3 | 39 | 0-0 | 133.0 | - | 1.4 | 11 | 4.0 | 0.05 | | 33 |
| Blue Ribbon | 32 | +0.4 | -2.9 | 47 | 0-0 | -0.8 | 6 | 2.2 | 12 | 4.8 | 0.09 | | 7 |
| Adtrans Group | 190 | +1.9 | -3.9 | 40 | 4-0 | 1.21 | 30 | 1.2 | 7 | 7.9 | 0.10 | | 42 |
| Webster Ltd | 95 | +2.0 | +0.5 | 39 | 0-0 | -0.8 | 6 | 1.4 | 12 | 3.2 | 0.14 | | 22 |
| Watpac Ltd | 47 | +1.3 | -0.9 | 42 | 1-0 | 1.8 | 27 | 1.9 | 7 | 9.0 | 0.16 | | 32 |
| Angus & Coote | 349 | +5.0 | -2.4 | 30 | 0-0 | -1.2 | 10 | 1.0 | 11 | 5.7 | 0.18 | | 42 |
| Cons Manufact. | 115 | +4.8 | -6.0 | 31 | 0-0 | 2 | 1.5 | 30 | 1.4 | 5 | 7.0 | 0.18 | 31 |
| Danks Holdings | 970 | +5.5 | +0.7 | 29 | 0-0 | -1.6 | 13 | 0.8 | 12 | 4.4 | 0.20 | | 63 |
| Crevet Ltd | 51 | +1.4 | +2.8 | 42 | 1-0 | 3 | 0.7 | - | 1.8 | NE | 2.9 | 0.21 | 18 |
| Spicers Paper | 188 | +4.1 | -4.8 | 33 | 0-0 | 9 | 1.1 | 7 | 1.2 | 15 | 4.8 | 0.22 | 259 |
| CPI Group | 237 | +1.7 | -1.6 | 40 | 0-0 | 9 | 1.6 | 19 | 1.1 | 9 | 5.9 | 0.23 | 95 |
| Merchant House | 11 | +0.6 | +0.5 | 46 | 0-0 | -1.5 | - | 3.6 | NE | 9.5 | 0.23 | | 10 |
| McPherson's Ltd | 113 | +9.9 | +4.6 | 21 | 1-0 | 2 | 1.7 | 13 | 1.4 | 13 | 5.8 | 0.23 | 44 |
| Datamatic Hold | 28 | +5.3 | -1.5 | 30 | 0-0 | - | - | 2.3 | 3 | 7.1 | 0.24 | | 11 |
| Palm Corp | 42 | +7.1 | +3.8 | 26 | 0-0 | -1.1 | 15 | 2.0 | 8 | 7.1 | 0.24 | | 14 |
| Green's Foods | 58 | +1.8 | +1.5 | 40 | 3-0 | -2.4 | 24 | 1.7 | 10 | 3.4 | 0.24 | | 34 |
| Toll Holdings | 562 | +4.0 | -1.1 | 33 | 1-0 | 6 | 2.6 | 25 | 0.9 | 11 | 3.9 | 0.25 | 334 |
| Joyce Corp. | 188 | +4.1 | -1.5 | 33 | 0-0 | -2.1 | 21 | 1.2 | 10 | 5.9 | 0.25 | | 35 |
| S.P.C. Ltd | 85 | +4.3 | -5.3 | 32 | 1-1 | -1.1 | 14 | 1.5 | 8 | 2.6 | 0.27 | | 59 |
| Embelton Ltd | 201 | +6.8 | -0.3 | 26 | 0-0 | -0.7 | 6 | 1.1 | 13 | 3.5 | 0.27 | | 4 |
| Futuris Corp. | 215 | +3.6 | -1.4 | 35 | 1-0 | 11 | 2.7 | 14 | 1.1 | 19 | 3.7 | 0.28 | 1,219 |
| Automotive Ind. | 24 | +2.6 | -0.9 | 37 | 0-0 | -0.8 | 3 | 2.5 | 2.7 | 6.3 | 0.28 | | 5 |
| White (J) Malt | 325 | +0.2 | +0.0 | 48 | 0-0 | 1 | 0.9 | - | 1.0 | NE | 1.7 | 0.34 | 67 |
| Lemarne Corp | 295 | +5.5 | +5.4 | 29 | 0-0 | -1.7 | 14 | 1.0 | 12 | 4.7 | 0.35 | | 49 |
| Parbury Ltd | 40 | +8.7 | +7.1 | 24 | 3-0 | 1 | 1.5 | 11 | 2.0 | 14 | 6.9 | 0.36 | 50 |
| Dollar Sweets | 72 | +0.0 | +2.1 | 49 | 1-0 | 3 | 5.5 | 39 | 1.6 | 14 | 3.1 | 0.36 | 89 |
| OAMPS | 95 | +16.8 | +1.7 | 14 | 5-0 | -1.9 | 21 | 1.4 | 9 | 5.3 | 0.36 | | 18 |
| Data 3 Ltd | 360 | +10.7 | +0.3 | 20 | 0-2 | 240.0 | - | 1.0 | 19 | 3.3 | 0.36 | | 51 |
| Tempo Services | 283 | +14.3 | +2.2 | 17 | 1-2 | 631.4 | - | 1.0 | 22 | 2.8 | 0.38 | | 117 |
| Monadelphous Gr | 385 | +9.2 | +2.6 | 22 | 0-0 | -3.2 | 26 | 1.0 | 12 | 7.0 | 0.38 | | 64 |
| Southern Dental | 33 | +1.4 | +1.8 | 42 | 0-0 | -1.1 | 18 | 2.2 | 6 | 6.1 | 0.39 | | 8 |
| East African Co | 310 | +0.7 | -0.1 | 45 | 0-0 | -0.8 | 11 | 1.0 | 7 | 3.2 | 0.40 | | 20 |
| Shearer (John) | 170 | +3.8 | +4.8 | 34 | 0-0 | -0.8 | 11 | 1.2 | 7 | 4.1 | 0.40 | | 18 |
| Walker Corp. | 80 | +3.8 | +1.1 | 34 | 0-0 | 4 | 1.0 | 14 | 1.5 | 7 | 8.0 | 0.42 | 231 |
| Centre Centre Lt | 80 | +0.7 | -2.6 | 45 | 0-0 | -2.1 | 31 | 1.5 | 7 | 9.4 | 0.43 | | 19 |
| Westral'n Fores | 160 | +4.1 | -0.8 | 33 | 0-0 | 1 | 0.9 | - | 1.2 | NE | 1.3 | 0.45 | 98 |
| Triako Res. | 32 | +15.0 | +2.5 | 16 | 0-0 | - | - | 2.2 | 2 | 6.3 | 0.46 | | 11 |
| Wills (WD & HO) | 625 | +10.4 | -2.9 | 20 | 0-0 | -2.9 | 15 | 0.9 | 19 | 4.8 | 0.46 | | 825 |
| Leighton Hold | 590 | +1.0 | -0.6 | 44 | 0-0 | 13 | 2.4 | 19 | 0.9 | 13 | 5.1 | 0.46 | 1,546 |
| Erawan Company | 42 | +8.4 | -4.9 | 24 | 0-0 | -1.4 | 27 | 2.0 | 5 | 13.0 | 0.49 | | 14 |
| Forrester Kurts | 112 | +2.0 | +0.5 | 39 | 0-0 | 2 | 0.9 | 14 | 1.4 | 6 | 8.9 | 0.50 | 126 |
| Metalcorp Ltd | 192 | +4.3 | +3.4 | 32 | 0-2 | 2 | 3.1 | 3 | 1.2 | 93 | 1.0 | 0.51 | 154 |
| Balmoral Corp. | 48 | +0.3 | +0.3 | 47 | 0-0 | - | - | 1.9 | 9 | 6.3 | 0.52 | | N/A |
| Skilled Eng. | 365 | +10.3 | -1.4 | 21 | 0-0 | 1121.5 | 98 | 1.0 | 22 | 3.7 | 0.52 | | 285 |
| Chalmers | 250 | +2.4 | -0.1 | 38 | 0-0 | -1.0 | 4 | 1.1 | 28 | 2.4 | 0.52 | | 14 |
| Viking Indust. | 35 | +17.3 | -2.0 | 14 | 0-0 | -2.7 | 35 | 2.1 | 8 | 2.9 | 0.54 | | 13 |
| Desane Group | 22 | +1.5 | -1.9 | 41 | 0-0 | -0.8 | 8 | 2.6 | 11 | 4.5 | 0.54 | | 4 |
| Freedom Furn. | 187 | +1.5 | +0.5 | 41 | 0-0 | 12 | 6.0 | 43 | 1.2 | 14 | 4.3 | 0.55 | 159 |
| BT Global Asset | 85 | +3.7 | +1.5 | 35 | 0-3 | -1.0 | - | 1.5 | NE | 8.2 | 0.55 | | 73 |
| Auspine Ltd | 228 | +6.8 | +4.2 | 27 | 7-0 | 6 | 0.9 | 7 | 1.1 | 13 | 5.3 | 0.56 | 130 |

| | | | | | | | | | | | | | |
|--|------|-------|-------|----|-----|-------|-----|-----|-----|-----|------|------|-----|
| BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0 | | | | | | | | | | | | | |
| Holyman Ltd | 105 | +38.6 | +2.3 | 5 | 2-0 | -5.5 | 93 | 1.1 | 6 | Nil | 0.45 | | 69 |
| Oroton Int'l | 265 | +27.2 | +4.5 | 9 | 2-0 | -3.8 | 38 | 0.9 | 10 | 4.5 | 0.79 | | 43 |
| Astron Ltd | 25 | +26.1 | +17.0 | 9 | 0-0 | -0.2 | 9 | 1.8 | 2 | Nil | 0.14 | | 3 |
| Ticor Ltd | 118 | +26.0 | -0.1 | 9 | 0-0 | 7 | 0.8 | 8 | 1.1 | 10 | 2.5 | 0.92 | 290 |
| Treloar Group | 50 | +22.7 | -1.6 | 11 | 0-0 | -1.1 | 14 | 1.4 | 8 | Nil | 0.35 | | 3 |
| PCH Group | 39 | +19.6 | +4.9 | 13 | 0-1 | -1.8 | 27 | 1.6 | 7 | 5.8 | 0.64 | | 19 |
| Murchison Un. | 51 | +18.1 | -0.0 | 14 | 0-0 | 1 | - | 1.4 | 3 | Nil | 0.35 | | 28 |
| Emperor Mines | 66 | +17.7 | +5.2 | 14 | 0-0 | 4 | - | 1.3 | 15 | Nil | 0.61 | | 56 |
| Viking Indust. | 35 | +17.3 | -2.0 | 14 | 0-0 | -2.7 | 35 | 1.6 | 8 | 2.9 | 0.54 | | 13 |
| Minproc Limited | 47 | +17.1 | -9.6 | 14 | 0-0 | -1.0 | 12 | 1.5 | 8 | Nil | 0.25 | | 11 |
| OAMPS | 95 | +16.8 | +1.7 | 14 | 5-0 | -1.9 | 21 | 1.2 | 9 | 5.3 | 0.36 | | 18 |
| Vietnam Indust. | 12 | +16.0 | +1.8 | 16 | 0-0 | -0.5 | 10 | 2.5 | 6 | Nil | 0.25 | | 12 |
| Triako Res. | 32 | +15.0 | +2.5 | 16 | 0-0 | - | - | 1.7 | 2 | 6.3 | 0.46 | | 11 |
| New Hampton Gol | 26 | +13.5 | +1.1 | 17 | 0-0 | - | - | 1.8 | 2 | Nil | 0.54 | | 39 |
| Breakwater Is. | 30 | +13.3 | -3.9 | 17 | 0-0 | 3 | 0.8 | 8 | 1.7 | 10 | 7.3 | 0.91 | 43 |
| Sunland Group | 245 | +13.0 | -3.6 | 17 | 2-0 | 1 | 1.8 | 24 | 0.9 | 7 | 4.1 | 0.66 | 80 |
| CDK Tectonics | 100 | +12.9 | -3.0 | 18 | 0-0 | -2.1 | 26 | 1.1 | 8 | 7.0 | 0.62 | | 12 |
| Queens'd Twp. | 22 | +12.7 | +8.6 | 18 | 0-0 | -0.6 | 38 | 1.9 | 2 | Nil | 0.32 | | 4 |
| Arrowfield Group | 205 | +12.6 | +4.4 | 18 | 0-0 | -0.8 | 6 | 0.9 | 14 | Nil | 0.66 | | 18 |
| Reece Australia | 1860 | +12.1 | +0.3 | 19 | 0-0 | -2.6 | 20 | 0.6 | 14 | 3.0 | 0.79 | | 371 |
| Waterco Ltd | 180 | +10.9 | +1.9 | 20 | 3-0 | -1.9 | 15 | 1.0 | 12 | 5.0 | 0.77 | | 33 |
| Data 3 Ltd | 360 | +10.7 | +0.3 | 20 | 0-2 | 240.0 | - | 1.0 | 19 | 3.3 | 0.36 | | 51 |
| West'n Reefs | 31 | +10.5 | +0.3 | 20 | 0-0 | 1 | - | 1.7 | 12 | Nil | 0.60 | | 11 |
| Wills (WD & HO) | 625 | +10.4 | -2.9 | 20 | 0-0 | -2.9 | 15 | 0.8 | 19 | 4.8 | 0.46 | | 825 |
| McPherson's Ltd | 113 | +9.9 | +4.6 | 21 | 1-0 | 2 | 1.7 | 13 | 1.1 | 13 | 5.8 | 0.23 | 44 |

| 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 0-99 | | | | | | | | | |
| York Securities | 70 | +9.5 | +8.0 | 22 | 0-0 | -4.4 | 30 | 1.3 | 14 | 5.7 | 0.72 | | 6 |
| United Overseas | 60 | +9.3 | -3.0 | 22 | 0-0 | -0.9 | 17 | 1.3 | 5 | 6.7 | 0.60 | | 30 |
| Monadelphous Gr | 385 | +9.2 | +2.6 | 22 | 0-0 | -3.2 | 26 | 0.8 | 12 | 7.0 | 0.38 | | 64 |
| Central Equity | 219 | +9.1 | -0.4 | 23 | 3-0 | 1 | 1.6 | 25 | 0.9 | 6 | 7.3 | 1.00 | 180 |
| Parbury Ltd | 40 | +8.7 | +7.1 | 24 | 3-0 | 1 | 1.5 | 11 | 1.5 | 14 | 6.9 | 0.36 | 50 |
| Erawan Company | 42 | +8.4 | -4.9 | 24 | 0-0 | -1.4 | 27 | 1.5 | 5 | 13.0 | 0.49 | | 14 |
| Trust Co of Aus | 1600 | +7.9 | -0.1 | 25 | 0-0 | -1.7 | 74 | 0.7 | 2 | 3.8 | 0.64 | | 10 |
| Palm Corp | 42 | +7.1 | +3.8 | 26 | 0-0 | -1.1 | 15 | 1.5 | 8 | 7.1 | 0.24 | | 14 |
| Embelton Ltd | 201 | +6.8 | -0.3 | 26 | 0-0 | -0.7 | 6 | 1.0 | 13 | 3.5 | 0.27 | | 4 |
| Auspine Ltd | 228 | +6.8 | +4.2 | 27 | 7-0 | 6 | 0.9 | 7 | 0.9 | 13 | 5.3 | 0.56 | 130 |
| Mirvac Ltd | 250 | +6.2 | -1.6 | 28 | 0-0 | 1 | 1.7 | 13 | 0.9 | 13 | 4.0 | 0.97 | 547 |
| Qantas | 415 | +6.0 | -3.5 | 28 | 0-1 | 15 | 1.6 | 13 | 0.8 | 13 | 4.6 | 0.58 | 5,026 |
| Nautronix Ltd | 134 | +6.0 | +0.1 | 28 | 0-1 | 4 | 2.2 | 23 | 1.1 | 10 | 4.1 | 0.68 | 69 |
| Lemarne Corp | 295 | +5.5 | +5.4 | 29 | 0-0 | -1.7 | 14 | 1.0 | 12 | 4.7 | 0.35 | | 49 |
| Danks Holdings | 970 | +5.5 | +0.7 | 29 | 0-0 | -1.6 | 13 | 0.7 | 12 | 4.4 | 0.20 | | 63 |
| Gazal Corp | 195 | +5.4 | -0.6 | 29 | 4-1 | -2.0 | 17 | 1.0 | 12 | 6.4 | 0.64 | | 97 |
| Sietel Ltd | 61 | +5.3 | -2.0 | 30 | 0-0 | | | | | | | | |

Australian Tax Changes

Proposed Changes to Capital Gains Taxes

NZ residents investing in Australia are not subject to Australian capital gains taxes, but proposed changes to capital gains taxes are still important as they could lead to a period of major corporate restructuring.

Australia is proposing several changes to capital gains taxes. Firstly, only 50% of a capital gain will be subject to tax (effectively halving the tax rate). Secondly, scrip for scrip takeover bids will not be taxable transactions. At present an investor is considered to have realised the first investment (and therefore liable to pay tax on any gain) but under the proposed changes will simply hold the new shares at the original cost of the first shares (with any capital gains tax *deferred* until that investment is actually realised for cash). Thirdly, a company that splits itself into two or more separate companies and distributes shares in a former subsidiary will not result in a taxable gain for the shareholders who receive the new shares. At present the tax law in this situation is uncertain.

These changes are expected to encourage significant restructuring of Australian companies (which is good for the economy and investors). Capital gains tax rates will be halved, while potential tax liabilities in scrip

takeovers and "spin-offs" will be completely removed.

Possible Future Changes to Trans-Tasman Dividend Imputation

In August (*Market Analysis* Issue No. 326) we discussed how **Westpac Banking** was issuing "NZ class" shares specifically so that it could attach imputation tax credits (resulting from income tax paid in NZ) to its NZ shareholders. Our prediction at that time was that politicians would *eventually* introduce a formal system of trans-Tasman tax harmonisation - removing the need for companies to construct complicated capital structures for tax purposes.

That situation moved a *small* step closer last month with the Australian government announcing that it would propose to the NZ government that discussions "be held about a mechanism to allow franking credits to flow through trans-Tasman companies on a pro-rata basis to Australian and NZ investors".

What that would mean is that a company that paid income tax in *both* countries would be able to attach NZ imputation credits to dividends paid to NZ shareholders and Australian franking credits to dividends paid to Australian shareholders. The implementation of that situation is probably still many years away.

Readers Ask . . .

Question: I subscribe to and get a lot of benefit from *Market Analysis*. I like your philosophies of primarily following smaller to mid-cap stocks and covering the downside on all investments.

I am interested in where you see the opportunities in the e-commerce and telcos sectors. While I do not want to invest large amounts in companies with huge capitalisation and no profits, I feel to be not exposed to all these sectors is undesirable.

I would appreciate your views and recommendations on a strategy for these markets.

Answer: While there may be *growth* in those sectors, that may not translate into profits for investors! It's better to be uninvested in these sectors than to pay *too much* for these shares and lose money over the medium to longer term. Many of these companies will be unsuccessful, while valuations are already too high for those that *may* succeed.

Back in 1986 and 1987 many investors wanted to have an exposure to Property and Investment (even though they *knew* these were built in a debt bubble) - but it was better to miss out on the short term profits than to lose them all and more at the day of reckoning. In fact, in the 1980's - and today - shares in many *other* sectors are just as profitable but offer better value and have less risk. Investing in big talking, small business internet hopefuls that are paying large amounts for unprofitable start-up internet/e-commerce businesses is a sure way to eventually lose a lot of money. It is usually better to look for *under-valued* companies with

a niche-market or growth potential in *unpopular* sectors, than to invest in the current popular high-flyers!

Our current recommended investments have some exposure to the e-commerce and telcos sectors via **ERG** (which manufactures telecommunications equipment) - although these shares are now getting too expensive. You should consider buying companies like **Data#3** (which supplies systems, training, support to companies setting up e-commerce operations), **Toll Holdings** (which will benefit from the growth in deliveries from goods purchased over the internet, and which is using internet technology to improve its own operations) and **Renaissance** (which is using the internet for *business to business* commerce). **Flight Centre** - while also getting a little expensive for new purchases - is an example of a company combining the best of its still rapidly growing "bricks and mortar" business with the growth potential that the internet may hold for its business in the future.

However, if you are more interested in building up investment wealth, then *dull and boring* cyclical companies (**Air NZ**, **CDL Investments**, **Colonial Motors**, **Owens**, **Radio Works**) may be your best choice. Low-tech, but profitable and rapidly growing companies (**Atlas Pacific**, **Campbell Brothers**) are also attractive, while **Vision Systems** is a high-tech company (but not in the currently glamorous e-commerce or telco sectors) that trades at a very low valuation in relation to its investment in Research & Development, its existing intellectual property rights and its current level of profitability.

"Neglect" Ratings of NZ Shares

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

| Company | No. of Brokers Following Company | Market Capitalisation (NZ\$ Mill.) | Company | No. of Brokers Following Company | Market Capitalisation (NZ\$ Mill.) | Company | No. of Brokers Following Company | Market Capitalisation (NZ\$ Mill.) | Company | No. of Brokers Following Company | Market Capitalisation (NZ\$ Mill.) |
|-----------------|----------------------------------|------------------------------------|-----------------|----------------------------------|------------------------------------|------------------|----------------------------------|------------------------------------|------------------|----------------------------------|------------------------------------|
| AMP NZ Office | 5 | 230 | FC - Energy | 9 | 1,426 | Michael Hill | 4 | 127 | Sky Network TV | 9 | 1,133 |
| Advantage HDS | 2 | 100 | Fernz Corp Ltd | 7 | 652 | Montana Group | 8 | 451 | South Port NZ | 1 | 29 |
| Air New Zealand | 11 | 1,423 | Fisher & Paykel | 8 | 779 | NZ Refining Co | 4 | 276 | St. Lukes Group | 7 | 272 |
| Akd Int Airport | 9 | 1,193 | Force Corp. | 3 | 82 | Natural Gas | 8 | 787 | Steel & Tube | 8 | 138 |
| Baycorp Hold | 6 | 525 | Guinness Peat | 2 | 696 | Northland Port | 3 | 54 | Tasman Agric. | 4 | 101 |
| Brierley Invest | 6 | 1,343 | Hallenstein G. | 7 | 139 | Nuplex Indust | 7 | 177 | Taylor's Grp Ltd | 2 | 28 |
| CDL Hotel NZ | 4 | 105 | Hellaby Hold. | 4 | 97 | Owens Investm'ts | 7 | 72 | Telecom Corp | 11 | 14,969 |
| Carter Holt | 10 | 4,078 | Horizon Energy | 3 | 164 | PDL Holdings | 2 | 72 | Tourism Hold. | 8 | 182 |
| Cavalier Corp | 5 | 117 | Ind Newspapers | 8 | 1,046 | Pacific Retail | 5 | 73 | Trans-Tasman | 6 | 101 |
| Ceramco Corp | 3 | 73 | Infratil NZ | 4 | 271 | Port Tauranga | 8 | 486 | Trans Alta NZ | 8 | 578 |
| Contact Energy | 8 | 2,084 | Kiwi Property | 7 | 331 | Ports Auckland | 8 | 656 | Tranz Rail Hold | 9 | 428 |
| DB Group | 8 | 230 | Lion Nathan Ltd | 9 | 2,355 | Property F Ind. | 5 | 87 | Trust Power Ltd | 7 | 632 |
| Donaghys Ind | 1 | 45 | Lyttelton Port | 4 | 160 | Restaurant Brds | 8 | 126 | United Networks | 3 | 910 |
| FC - Building | 8 | 778 | Mainfreight Grp | 7 | 13 | Sanford Limited | 5 | 101 | Utilico Int'l | 1 | 29 |
| FC - Paper | 11 | 719 | Metro. LifeCare | 3 | 134 | Shortland Prop. | 5 | 200 | Warehouse Group | 8 | 1,109 |
| FC - Forests | 10 | 600 | | | | Sky City Ltd | 8 | 716 | Waste Mgmt NZ | 3 | 415 |
| | | | | | | | | | Wrightsons Ltd | 3 | 59 |

Newsletter claims to "beat the index by 1967 per cent"

Competitor's Newsletter **"beats index by 1967%" ???**

An investment newsletter recently claims to have "outperformed the NZSE40 over the last 15 months by a phenomenal 1,966.7%". Its editor goes on to state "Results have exceeded my wildest expectations" and while "this number beggars belief, I find it difficult to explain". The explanation, however, is very simple - they got their mathematics (deliberately?) wrong!

Over the last 15 months their 285 (sic) recommendations have risen by 18.6% (ignoring brokerage and dividends), while the NZSE40 Index is up 0.9% over the same period. The newsletter incorrectly expresses its 18.6% gain as a percentage of the market's 0.9% gain to state it has outperformed it by 1966.7%. In the past *Market Analysis* has exposed many examples of "lying with statistics" but this must be the most *creative* example we have ever seen!

... or, more correctly, yields **29.8% per annum gain ...**

The correct way to calculate performance relative to an index is to *deduct* the index return. So their recommendations *outperformed* the NZSE 40 Index by 17.7% (i.e. 18.6% - 0.9%). As the newsletter has built up its portfolio over 15 months the *average* holding period is about 7½ months, so they could justifiably claim an annualised return of 29.8% per annum. That would appear to be a very good performance - so why go over the top and claim 1967% which is simply outrageous?

... but NZSE Smaller Companies Index **rises 33.1% per annum ...**

Their *outperformance* is, in fact, due mainly to the *under-performance* of the NZSE 40 Index. Over the last 15 months the NZSE Mid-Cap Index rose 24.5% (up

19.6% per annum) while the NZSE Smaller Companies Index has soared by 41.4% (up 33.1% per annum).

... while Market Analysis NZ **shares rose 32.8% p.a., Australian** **recommendations soared 73.1% p.a. and** **International Investor's funds** **rose 49.2% p. a. . .**

By way of comparison, we calculated the returns from our own newsletters over the same 15 months period through until the start of November. The 20 NZ shares recommended in "Market Analysis" (excluding dividends) gained 36.9% (32.8% per annum, based upon the average holding period of 13½ months), while our 18 Australian recommendations soared 58.2% (73.1% per annum with an average holding period of 9½ months). "International Investor" has also performed strongly, with its 21 recommendations up 46.5% (49.2% per annum (with an average holding period of just over 11¼ months). Over the last month *our* NZ shares have risen +2.5%, the Australian shares are up +9.6% and our international funds have soared a further +16.7%.

285 shares vs about Diversified **Portfolio of about 50 investments**

Investors may also wish to contemplate how practical it is following an investment strategy that involves 285 buy recommendations over 15 months (and which has yet to formulate a policy for selling shares), and whether this level of activity would make one a *share trader* and subject to income tax on gains. On the other hand, *Market Analysis* and *International Investor* aim to maintain a well diversified portfolio of 30-33 NZ and Australian shares and 15-17 international funds (where new purchases are usually matched by sales of existing investments) and held for long term investment.

"Neglect" Ratings of Australian Shares

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

| Company | No. of Brokers Following Company | Market Capitalisation (A\$ Mill.) | Company | No. of Brokers Following Company | Market Capitalisation (A\$ Mill.) | Company | No. of Brokers Following Company | Market Capitalisation (A\$ Mill.) | Company | No. of Brokers Following Company | Market Capitalisation (A\$ Mill.) |
|-----------------|----------------------------------|-----------------------------------|------------------|----------------------------------|-----------------------------------|-----------------|----------------------------------|-----------------------------------|-----------------|----------------------------------|-----------------------------------|
| A.G.L. | 14 | 2,941 | Chip Appl Tech | 1 | 126 | Hutchison Tel. | 7 | 1,758 | Prime TV | 8 | 195 |
| A.P. Eagers | 2 | 58 | Cinema Plus | 4 | 44 | IAMA Ltd | 6 | 199 | Progen Indust. | 1 | 88 |
| AAPT | 12 | 1,559 | Cleland | 1 | 43 | Illuka Resource | 11 | 866 | Prophecy Int'l | 3 | 173 |
| AJ Indust Fund | 5 | 125 | Clough Limited | 1 | 210 | Incitec | 5 | 664 | Q.B.E. Insur. | 13 | 2,628 |
| AJ Office | 6 | 288 | Coal & Allied | 3 | 1,299 | Indust Inv Trt | 5 | 217 | Q.C.T. Resource | 13 | 634 |
| AJ Retail | 5 | 280 | Coates Hire | 8 | 212 | Infratil Aust. | 5 | 233 | Qantas | 15 | 5,026 |
| AMP Diver. Prop | 10 | 964 | Coca-Cola Bev. | 1 | 3,201 | Int'l Allsports | 2 | 61 | Queens'd Metal | 3 | 142 |
| AMP Ind Prop Tr | 6 | 356 | Coca-Cola Amatil | 16 | 5,208 | Jupiters | 11 | 751 | Queens'd Cotton | 4 | 118 |
| AMP Ltd | 11 | 16,426 | Cochlear Ltd | 8 | 889 | Just Jeans Grp | 10 | 96 | Ramsay Health | 8 | 107 |
| AMP Office Trt | 8 | 571 | ColFS Indust. | 6 | 334 | K&S Corporation | 3 | 45 | Ranger Minerals | 8 | 182 |
| AMP Shop Centre | 8 | 762 | ColFS Com Prop | 7 | 280 | Keycorp Ltd | 2 | 323 | Rebel Sport | 5 | 55 |
| ANZ Bank | 18 | 17,620 | Colles Myer | 17 | 9,255 | Kidston Gold | 6 | 45 | Rec. Solutions | 3 | 38 |
| APN News Media | 12 | 759 | Colonial Ltd | 12 | 5,739 | King Island | 1 | 67 | Reinsurance Aus | 10 | 149 |
| ARB Corporation | 3 | 70 | Colonial Retail | 7 | 384 | Lang Corporatio | 7 | 902 | Resolute Saman. | 12 | 89 |
| ARC Energy | 1 | 22 | Comwealth Bank | 17 | 23,466 | Leighton Hold | 13 | 1,546 | Ridley Corp. | 9 | 165 |
| AWA Ltd | 3 | 139 | Com. Inv. Trust | 4 | 645 | Lend Lease Corp | 13 | 10,632 | Rio Tinto Ltd | 17 | 17,761 |
| Acacia Resource | 15 | 681 | Comalco Ltd | 15 | 4,541 | Liberty One | 1 | 465 | Roberts Ltd | 1 | 19 |
| Adelaide Bright | 8 | 331 | Computer Share | 4 | 3,736 | Lihir Gold | 15 | 1,235 | Rock Building | 1 | 37 |
| Adelaide Bank | 12 | 387 | Cons Manufact. | 2 | 31 | M.I.M. Holdings | 17 | 2,351 | Ross Mining NL | 11 | 88 |
| Adsteam Marine | 6 | 230 | Cons Rutile | 4 | 125 | MCS 1999 Retail | 2 | 101 | Rural Press Ltd | 9 | 561 |
| Adtrans Group | 1 | 42 | Corp Express | 7 | 272 | MacMahon Hold | 3 | 46 | Sabre Group | 1 | 59 |
| Advance Prop | 6 | 674 | Coventry Group | 1 | 155 | Macquarie Ind. | 6 | 258 | Santos Ltd | 19 | 2,589 |
| Amalgamated Hld | 7 | 508 | Crane Group | 8 | 322 | Macquarie Off. | 7 | 542 | Scanbox AsiaPac | 1 | 11 |
| Ancor Ltd | 15 | 4,507 | Cranswick Wines | 4 | 117 | Macquarie Bank | 10 | 4,085 | Scientific Serv | 1 | 27 |
| Ammtec Ltd | 1 | 17 | Crevet Ltd | 3 | 18 | Macquarie C'Wde | 6 | 384 | Sea World PT | 1 | 160 |
| Amrad Corp. | 2 | 93 | Croesus Mining | 1 | 31 | Macquarie Leis. | 2 | 90 | Seven Network | 13 | 1,349 |
| Anaconda Nickel | 7 | 990 | Cultus Petrol. | 1 | 168 | Maxi TRANS | 2 | 29 | Siddons Ramset | 8 | 253 |
| Aristocrat | 8 | 2,081 | Darling Park Tr | 7 | 113 | Mayne Nickless | 13 | 1,360 | Simeon Wines | 10 | 248 |
| Ashton Mining | 7 | 261 | Data Advantage | 5 | 478 | McGuigan Wines | 5 | 147 | Simsmetal Ltd | 9 | 459 |
| Asia Pac Spec | 7 | 49 | Data 3 Ltd | 2 | 51 | McPherson's Ltd | 2 | 44 | Singleton Group | 2 | 156 |
| Atkins Carlyle | 7 | 121 | Davids | 7 | 290 | Metal Manufact. | 5 | 309 | Skilled Eng. | 11 | 285 |
| Aurora Gold | 12 | 59 | David Jones | 14 | 558 | Metalcorp Ltd | 2 | 154 | Smith (Howard) | 12 | 2,092 |
| Ausdoc Group | 10 | 243 | Delfin Property | 3 | 146 | Micromedical | 1 | 54 | Smorgon Steel | 7 | 1,586 |
| Auspine Ltd | 6 | 130 | Delta Gold NL | 15 | 527 | Millers Retail | 5 | 164 | Solution 6 | 4 | 1,070 |
| Aust Hospital | 8 | 112 | Dev Capital Aus | 1 | 56 | Mirvac Ltd | 1 | 547 | Sonic Health | 6 | 795 |
| Aust Stock Exch | 7 | 1,040 | Devine | 1 | 41 | Mirvac Property | 6 | 639 | Sons of Gwalia | 16 | 528 |
| Aust Com Prp Tr | 3 | 156 | Dollar Sweets | 3 | 89 | Murchison Un. | 1 | 28 | Soul Pattinson | 4 | 943 |
| Aust Pharm. Ind | 5 | 299 | E.R.G. | 5 | 1,729 | Namoi Cotton | 2 | 75 | Southcorp Ltd | 17 | 3,412 |
| Aust Oil & Gas | 1 | 78 | ETRADE Aust. | 2 | 247 | Nat'l Mut. Prop | 8 | 918 | Spicers Paper | 9 | 259 |
| Aust Infra. | 4 | 252 | East'n Aluminu | 7 | 134 | Nat'l Mutual | 13 | 4,494 | Spotless Serv. | 7 | 610 |
| Aust Gth Prop. | 4 | 151 | Ecorp Limited | 3 | 556 | Nat'l Foods | 13 | 735 | Spotless Group | 7 | 785 |
| Austar United | 5 | 2,948 | Email Ltd | 12 | 669 | Nat'l Can | 1 | 107 | St George Bank | 16 | 4,645 |
| Austrim Nylex | 5 | 707 | Emperor Mines | 4 | 56 | Nat'l Aust Bank | 18 | 34,104 | Sthn Cross Bnd. | 5 | 233 |
| Austral Ltd | 3 | 364 | Energy Resource | 8 | 286 | Nautronix Ltd | 4 | 69 | Sthn Star | 1 | 91 |
| Australand Hold | 4 | 716 | Energy Equity | 2 | 69 | Neverfall Spr. | 5 | 283 | Stockland Trust | 10 | 1,390 |
| Auto Group Ltd | 1 | 33 | Energy Develop. | 5 | 965 | Newcrest Mining | 16 | 1,186 | Straits Res. | 3 | 22 |
| Avatar Indust. | 2 | 38 | Envestra | 6 | 471 | News Corporatio | 16 | 29,790 | Strathfield Grp | 1 | 168 |
| B.H.P. | 17 | 30,748 | Evans Deakin | 8 | 222 | Niugini Mining | 3 | 250 | Suncorp Prop. | 2 | 30 |
| BA Tobacco Aust | 6 | 2,167 | FXF Trust | 1 | 291 | Norm Mt Leyshon | 10 | 154 | Suncorp-Metway | 12 | 2,569 |
| BRL Hardy Ltd | 13 | 1,002 | Fairfax (John) | 13 | 3,274 | Normandy NFM | 10 | 240 | Sunland Group | 1 | 80 |
| BT Hotel Group | 3 | 247 | Farnell & Thom. | 1 | 22 | Norman Wines | 2 | 52 | Sydney Aquarium | 3 | 88 |
| BT Office | 7 | 0 | Faulding (F.H.) | 12 | 1,582 | Normandy Mining | 18 | 1,913 | TAB Ltd | 15 | 1,475 |
| BT Property | 7 | 420 | Finemore Hold | 6 | 74 | North Ltd | 18 | 2,453 | TDG Logistics | 1 | 43 |
| BT Sydney | 1 | 346 | First Aust Bldg | 1 | 153 | Novogen Ltd | 1 | 246 | TV Media Serv. | 7 | 0 |
| Bank of Q'land | 11 | 170 | Fleetwood Corp | 1 | 48 | Novus Petroleum | 11 | 234 | Tabcorp Holding | 13 | 3,955 |
| Bank of W. Aust | 16 | 1,961 | Flight Centre | 5 | 1,052 | OPSM Protector | 10 | 409 | Tap Oil | 6 | 122 |
| Beaconsfield GI | 1 | 63 | Flinders Ind PT | 4 | 196 | Oil Search Ltd | 14 | 1,130 | Telecasters Aus | 6 | 146 |
| Becker Group | 1 | 19 | Foodland Assoc | 11 | 890 | One Tel Ltd | 2 | 3,654 | Telstra | 16 | 55,359 |
| Bendigo Sand. | 7 | 356 | Forest Place Gr | 1 | 46 | Orica Ltd | 13 | 2,256 | Tempo Services | 6 | 117 |
| Beyond Int'l | 2 | 49 | Forrester Kurts | 2 | 126 | Orogen Minerals | 7 | 533 | Ten Network | 10 | 798 |
| Biota Holdings | 2 | 445 | Foster's Brewin | 17 | 7,335 | PBL | 13 | 6,880 | Thakral Holding | 2 | 380 |
| Blackmores Ltd | 2 | 78 | Franked Income | 4 | 1,348 | PMP Communicat. | 10 | 546 | Ticor Ltd | 7 | 290 |
| Boag (J) & Son | 2 | 47 | Freedom Furn. | 12 | 159 | Pacifica Group | 12 | 743 | Timbercorp | 3 | 344 |
| Boral Ltd | 15 | 2,677 | Futuris Corp. | 11 | 1,219 | Pacific Mining | 4 | 187 | Toll Holdings | 6 | 334 |
| Brambles Ind. | 14 | 9,792 | G.U.D. Holdings | 10 | 95 | Pacific Dunlop | 16 | 2,334 | Tourism Aust. | 2 | 174 |
| Brandrill | 2 | 25 | GIO Australia | 12 | 1,544 | Pacific Hydro | 1 | 73 | United Energy | 10 | 795 |
| Brazin Limited | 8 | 464 | GWA Internat'l | 10 | 631 | Paladin Com. | 7 | 360 | United Group | 7 | 194 |
| Breakwaters. | 3 | 43 | Gandel Retail T | 10 | 1,253 | Paladin Ind. | 4 | 162 | Village Road. | 10 | 739 |
| Brickworks Ltd | 4 | 527 | General Prop Tr | 12 | 3,824 | Parbury Ltd | 1 | 50 | Villa World | 3 | 75 |
| Bridgestone | 1 | 84 | Goldfields | 10 | 164 | Pasminco Ltd | 16 | 1,799 | Vision Systems | 1 | 89 |
| Bristle Ltd | 4 | 132 | Goodman Hardie | 5 | 393 | Peptide Tech. | 1 | 85 | Walker Corp. | 4 | 231 |
| Bunnings W/hse | 1 | 137 | Goodman Fielder | 16 | 1,771 | Perilya Mines | 1 | 27 | Watpac Ltd | 1 | 32 |
| Burns Philp | 2 | 151 | Graincorp | 1 | 260 | Perp Trust Aust | 8 | 710 | Wattyl Ltd | 13 | 333 |
| Burswood Ltd | 15 | 317 | Grand Hotel | 3 | 231 | Perseverance | 2 | 8 | Wesfarmers Ltd | 13 | 3,075 |
| C & W Optus | 17 | 16,493 | Great Central | 1 | 476 | Petaluma Ltd | 8 | 120 | West Aust News | 12 | 1,072 |
| C'wth Prop Off. | 5 | 496 | Gt Sthn Plant'n | 1 | 462 | Peter Lehman W. | 6 | 91 | West'n Reefs | 1 | 11 |
| C.S.R. Ltd | 15 | 3,868 | Gunns Ltd | 2 | 61 | Petroz NL | 6 | 65 | West'n Metals | 9 | 166 |
| CI Technologies | 5 | 429 | Gympie Gold | 2 | 53 | Petsec Energy | 2 | 25 | Western Mining | 17 | 8,730 |
| CPI Group | 9 | 95 | HIH Insurance | 11 | 713 | Pioneer Int'l | 15 | 3,693 | Westfield Amer. | 4 | 1,339 |
| CSL Limited | 9 | 2,848 | Hardie (James) | 13 | 1,746 | Pipers Brook | 1 | 32 | Westfield Hold. | 11 | 5,188 |
| Caltex Austrlia | 11 | 688 | Hargraves Res. | 3 | 46 | Pirelli Cables | 2 | 60 | Westfield Trust | 11 | 4,508 |
| Campbell Bros | 2 | 137 | Harris Scarfe | 8 | 116 | Polartechncis | 1 | 113 | Weston (George) | 1 | 716 |
| Candle Aust. | 7 | 122 | Harvey Norman | 11 | 2,902 | Portman Mining | 5 | 121 | Westpac Banking | 18 | 19,585 |
| Capral Alum. | 11 | 399 | Heggies Bulk. | 1 | 21 | PowerTel Ltd | 1 | 1,392 | Westpac Prop Tr | 8 | 519 |
| Cent Norseman | 1 | 87 | Henry Walker Gr | 9 | 252 | Pracom Ltd | 4 | 133 | Westral'n Fores | 1 | 98 |
| Centaur Mining | 7 | 106 | Hill 50 Gold | 5 | 123 | Preston Resourc | 2 | 17 | White (J) Malt | 1 | 67 |
| Centro Prop. | 5 | 602 | Hills Motorway | 8 | 647 | Primary Health | 3 | 377 | Wide Bay Cap'n | 1 | 65 |
| Central Equity | 1 | 180 | Hills Indust. | 5 | 277 | Prime Indust. | 5 | 634 | Woodside Petrol | 18 | 7,893 |
| Chal Prop Inc | 2 | 149 | Homemaker Prop. | 3 | 149 | Prime Retail | 1 | 80 | Woolworths Ltd | 16 | 6,097 |
| Challenger Int. | 2 | 763 | Hoyts Cinemas | 2 | 610 | Prime Credit PT | 8 | 473 | Yates (Arthur) | 7 | 61 |

"Insider" Insights

(A summary of buying and selling by major shareholders)

| Company | Shareholder | Buy/ Sell | Shares (Mill) | % of Coy Held | |
|-----------------------|-----------------------|--------------|------------------|---------------|--------|
| | | | | Before | After |
| 05/11/99 | | | | | |
| Revesco Ltd | Colonial | Buy | +7.825 | 6.40% | 7.94% |
| 12/11/99 | | | | | |
| Donaghys Industries | Balclutha Holdings | Buy | +1.280 | 78.48% | 83.50% |
| FC - Paper | Franklin Resources | Sell | -1.630 | 5.18% | 4.93% |
| Fernz Corporation | Harris Associates | Buy | +1.541 | 7.03% | 8.06% |
| Montana Group (NZ) | Guinness Peat Group | Buy | +11.027 | 0.0% | 5.14% |
| Montana Group (NZ) | AMP | Sell | -10.362 | 13.05% | 8.25% |
| Shortland Properties | Capital Properties | Buy | +218.903 | 7.00% | 80.24% |
| Utilico International | Guinness Peat Group | Sell | -7.862 | 7.78% | 0.0% |
| Wrightson | British Air. Pensions | Sell | -8.050 | 6.00% | 0.0% |
| 19/11/99 | | | | | |
| Brierley Investments | Franklin Resources | Sell | -41.040 | 11.75% | 10.39% |
| Donaghys Industries | Balclutha Holdings | Buy | +0.728 | 83.50% | 85.88% |
| Telecom NZ | Capital Group | Sell | -0.607 | 6.45% | 5.44% |
| Utilico International | Eastern States Sec. | Buy | +7.862 | 18.74% | 26.74% |
| 26/11/99 | | | | | |
| Aquaria 21 | R Johnston, E Watson | Sell | -19.000 | 19.99% | 10.82% |
| Aquaria 21 | Cullen Investments | Buy | +19.000 | 0.0% | 9.17% |
| Auckland Airport | Singapore Changi | Buy | +30.009 | 0.0% | 7.14% |
| Donaghys Industries | Balclutha Holdings | Buy | +0.514 | 85.88% | 87.50% |
| Scott Technology | Jl Urquhart | Buy | +0.350 | 5.11% | 6.90% |
| Shortland Properties | Capital Properties | Buy | +8.787 | 80.24% | 83.18% |
| Tourism Holdings | National Mutual | Sell | -0.924 | 7.12% | 5.99% |
| 03/12/99 | | | | | |
| Donaghys Industries | Balclutha Holdings | Buy | +1.649 | 87.50% | 92.97% |
| FC - Paper | National Mutual | Buy | +35.621 | 0.0% | 5.58% |
| FC - Paper | Franklin Resources | Sell | -1.786 | 5.18% | 4.90% |
| Fisher & Paykel | Franklin Resources | Sell | -1.622 | 9.27% | 7.89% |
| Shortland Properties | Capital Properties | Buy | +3.856 | 83.18% | 84.47% |

We consider that none of the transactions above are of any real significance, being simply normal buying and selling by institutional investors.

One commentator rated **Aquaria 21** as "Sell of the week" owing to selling by Eric Watson. We had thought such "personality cult" investing had died with the 1980's boom when investors bought Brierley, Robert Jones, Judge, Chase and Equiticorp owing to their "excellent management". In actual fact, Watson's *trust* has sold to one of his *companies* - so his *beneficial interest in Aquaria 21 remains unchanged*.

We advise avoiding Watson's companies as he has a record of making money for himself, not the public shareholders. The latest example of that is the transfer of his Advantage shares (and those of other major Advantage shareholders) to a private e-commerce company. That private company will seek other e-commerce opportunities and may eventually seek listing on the NASDAQ - maximising the value of Watson's Advantage shares - not the value of Advantage shares owned by public investors who are excluded from such private deals. Although completely legal, there is also the conflict of interest in that Advantage and the private company will both seek new e-commerce investments. With the same management running both companies, and evaluating those potential investments, investors can but wonder which company will pick up the more attractive deals? We, of course, can not comment on such matters!

Current Issues

CASH ISSUES

| | Ratio | Price | Ex-Date | Appl Date |
|------------|-------|-------|---------|-----------|
| Strathmore | 10:1 | 5 | 22-11 | 17-12 |

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Birkenhead, Auckland. (66 Stanaway Street. Telephone 64-9-4199 427 Facsimile 64-9-4199 428 Internet: www.stockmarket.co.nz or www.stockmarket-research.com or www.stockmarket-research.co.uk Email: james@stockmarket.co.nz). Subscription Rate NZ\$190 (including GST) per year.

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

Dividend \$

| Company | Cents per Share | Ex-Date | Pay-able | Tax Credit |
|--------------------------|-----------------|---------|----------|------------|
| Arthur Barnett | 3.00 | 13-12 | 17-12 | Full |
| Calan Healthcare | 1.8947 | 12-11 | 01-12 | 0.1207 |
| Capital Properties | 2.2425 | 06-12 | 15-12 | 0.645 |
| Carter Holt Harvey | 3.00 | 22-11 | 06-12 | Nil |
| Cavalier Corporation | 6.00 | 06-12 | 10-12 | Full |
| Colonial FS Property | 2.80 | 06-12 | 15-12 | 0.60 |
| Contact Energy | 11.00 | 13-12 | 22-12 | Full |
| DB Group | 8.00 | 31-01 | 11-02 | Full |
| Dorchester Pacific | 3.00 | 29-11 | 03-12 | Full |
| Fisher & Paykel | 10.00 | 29-11 | 03-12 | Full |
| Hallenstein Glasson | 9.00 | 06-12 | 13-12 | Full |
| Kiwi Income Properties | 4.757 | 06-12 | 10-12 | 0.393 |
| Lion Nathan | 8.00 | 06-12 | 14-12 | 2.364179 |
| Mainfreight Group | 3.00 | 06-12 | 10-12 | Full |
| Mr Chips Holdings | 2.00 | 29-11 | 03-12 | Full |
| Northland Port | 5.50 | 22-11 | 30-11 | Full |
| Owens Group | 3.00 | 17-01 | 21-01 | Full |
| Radio Works | 8.50 | 06-12 | 17-12 | Full |
| Ryman Healthcare | 2.60 | 06-12 | 10-12 | Full |
| Sanford Ltd | 8.00 | 22-11 | 08-12 | Full |
| Sanford Ltd (special) | 5.00 | 22-11 | 08-12 | Full |
| Scott Technology | 6.50 | 06-12 | 09-12 | Full |
| Shortland Properties | 0.64 | 13-12 | 17-12 | Nil |
| Telecom New Zealand | 11.50 | 06-12 | 15-12 | Full |
| Trust Power | 8.664 | 13-12 | 20-12 | Full |
| United Networks | 15.00 | 29-11 | 03-12 | Full |
| TransAlta | 4.00 | 13-12 | 16-12 | Full |
| Williams & Kettle | 7.00 | 29-11 | 03-12 | Full |
| <u>Australian Shares</u> | | | | |
| Campbell Brothers | 11.00 | 22-11 | 17-12 | - |
| Central Equity | 4.00 | 03-12 | 16-12 | - |
| ERG | 1.50 | 25-10 | 31-12 | - |

Total Return Index for All Listed Shares

| | | | |
|--------|---------|--------|---------|
| Nov 8 | 2300.13 | Nov 15 | 2308.72 |
| Nov 9 | 2290.50 | Nov 16 | 2297.50 |
| Nov 10 | 2288.20 | Nov 17 | 2307.77 |
| Nov 11 | 2298.15 | Nov 18 | 2305.19 |
| Nov 12 | 2305.16 | Nov 19 | 2319.19 |
| Nov 22 | 2338.67 | Nov 29 | 2386.15 |
| Nov 23 | 2347.64 | Nov 30 | 2374.88 |
| Nov 24 | 2340.61 | Dec 1 | 2373.99 |
| Nov 25 | 2350.19 | Dec 2 | 2373.18 |
| Nov 26 | 2354.58 | Dec 3 | 2385.88 |

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:

December's Password January's Password

See Print Newsletter

For Passwords

Please keep these passwords confidential!

Next Issue

The next issue of "Market Analysis" will be posted in five weeks time on Tuesday January 11, 2000.