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

Market Analysis

Issue No. 333 P.O. Box 34-162, Auckland March 7, 2000.

Inside Market Analysis

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

Summary and Recommended Investment Strategy.

Remain fully invested in the recommended NZ and Australian shares. Our Forecasts for these stockmarkets are only Neutral, but these markets offer good investment value. Perhaps aided by good share selection, our NZ and Australian shareholdings continue to yield high investment returns.

Investment Outlook.

Our One-Year Forecast for the NZ stockmarket has declined to a **slightly Bearish 37%** (i.e. a 37% chance that the market will rise over the next year). But don't panic!

Our Fundamental indicators rate the NZ stockmarket as reasonably *fairly* priced (i.e. a *lot more attractive* than most markets overseas). Recent interim profit and dividend announcements (just read the *Recommended Investments* section of this newsletter) show that fundamentals are improving with the upturn in economic activity. This will not show up in our Fundamental indicators until *after* the full year results are announced.

Technical and Trend Following indicators have deteriorated to slightly Bearish (i.e. unfavourable) with the NZ stockmarket suffering a *correction* over the last 2½ months. Such fluctuations are quite normal and, while they depress our Technical/Trend Following indicators, this dip probably offers a buying opportunity. The safest time to buy, however, would be when the market turns back *up*, and Technical indicators start to improve.

The main cause for concern is the Bearish (i.e. unfavourable) Monetary indicators. Long and Short Term Interest Rates are the “villain” here - having been rising steadily for over a year.

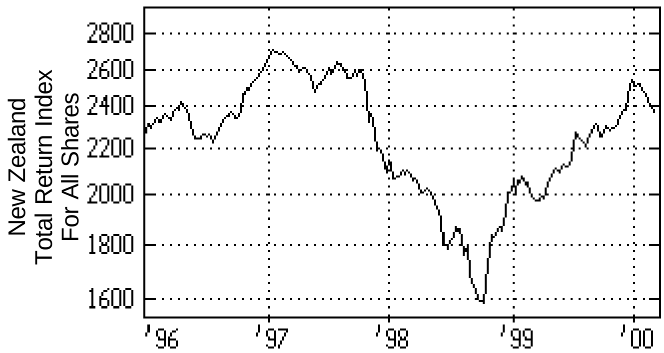
Finally, Economic indicators have become Bearish as the economy rises out of recession.

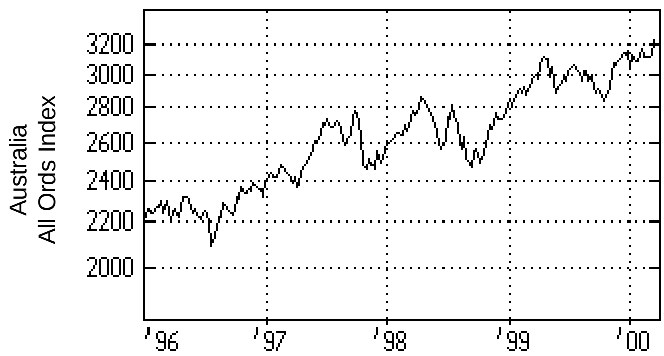
At this stage of the economic/stockmarket cycle we would expect Economic indicators to be Bearish. The expectations would for Monetary indicators to be Neutral to Bearish, as interest rates were stable or rising slowly. The Fundamental indicators should be Neutral to Bullish as rising profits and dividends improve share valuations. Technical indicators should be Bullish as share prices rise in response to the economic upturn and rising corporate earnings. The overall stockmarket Forecast should probably be Bullish (i.e. favourable).

In NZ, at the present time, things vary just a little from those expectations. Interest rates are rising a little too fast, the upturn in company profits and dividends has yet to show up in Fundamental valuations and the stockmarket has suffered what is probably only a short term correction. All of those factors together have turned our Forecast slightly Bearish - but that situation could quickly improve!

Our **Short Term Trend Model** of the NZ stockmarket is **Neutral** at **47%**.

Our One-Year Forecast for Australia is **Neutral** at **47%**.





Performance Forecasts

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

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	B	91	0.46	32	13.1
AMP Limited	B	1800	0.56	14	2.9
AMP NZ Office	C	85	6.08	11	9.1
Advantage HDS	B	485	6.92	56	Nil
Affco Holdings	D	39	0.10	NE	Nil
Air New Zealand	C	183	0.31	5	8.2
Akd Int Airport	C	244	6.39	24	4.9
Apple Fields	D	10	0.08	NE	Nil
Aquaria 21	D	16	N/A	NE	Nil
Baycorp Hold	A	940	N/A	54	2.5
Brierley Invest	C	36	0.55	9	8.3
Broadway Ind	D	35	0.09	NE	Nil
CDL Hotel NZ	E	24	0.40	12	4.7
CDL Investments	E	20	1.40	9	14.9
Calan Hlthcare	E	114	N/A	NE	Nil
Cap Properties	C	34	4.29	4	32.4
Carter Holt	E	187	1.13	62	4.3
Cavalier Corp	B	335	0.60	11	11.6
Cedenco Foods	B	92	2.17	10	Nil
Ceramco Corp	B	143	0.66	19	5.2
Col FS Property	C	88	N/A	13	7.8
Col Motor Co	B	270	0.28	15	8.6
Colonial Ltd	B	720	0.90	18	0.8
Contact Energy	C	290	8.39	15	8.1
Cue Energy Ltd *	N/R	10	5.24	NE	Nil
DB Group	C	285	0.45	10	8.4
Dairy Brands	E	26	1.74	NE	Nil
Damba Hold Ltd	C	68	0.65	NE	Nil
Design Textiles	C	29	0.19	5	15.4
Dorchester Pac	A	135	1.03	12	5.0
E-Phone Ltd	D	58	N/A	NE	Nil
Ebos Group Ltd	A	380	0.98	17	7.1
Eldercare NZ	D	56	N/A	NE	Nil
Evergreen	E	48	N/A	20	Nil
FC - Building	C	225	0.27	32	8.0
FC - Paper	E	133	0.24	NE	1.7
FC - Forests	E	54	0.84	8	Nil
FC - Energy	D	450	1.24	27	4.6
Fisher & Paykel	C	635	0.97	21	4.2
Force Corp.	A	69	3.35	14	8.7
Goodman Fielder	C	144	0.41	13	6.5
Grocorp Pacific	D	15	0.91	NE	Nil
Guiness Peat	C	133	1.30	10	1.4
Hallenstein G.	C	200	0.73	12	12.7

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
Hellaby Hold.	C	172	0.50	6	12.1
Heritage Mining*	N/R	5.0	N/A	NE	Nil
Horizon Energy	D	670	2.16	24	5.1
IT Capital Ltd	B	72	N/A	NE	Nil
Ind Newspapers	A	920	1.19	25	3.9
Infratil Aust.	D	78	N/A	NE	Nil
Infratil NZ	C	116	6.93	8	7.4
JF China Region*	N/R	85	N/A	NE	1.4
Kingsgate Int'l	E	16	0.70	11	Nil
Kiwi Developmnt	D	139	N/A	NE	Nil
Kiwi Property	C	85	5.84	9	12.2
Lion Nathan Ltd	D	365	1.03	14	5.7
Lyttelton Port	C	148	2.72	11	7.4
Mainfreight Grp	B	175	0.44	18	4.7
Manor Inns Grp	E	17	0.68	NE	Nil
Max Resources*	N/R	13	N/A	NE	Nil
Metro. LifeCare	B	207	2.02	19	4.3
Michael Hill	B	317	0.78	14	5.4
Mid-Cap Index*	N/R	182	N/A	NE	Nil
Montana Group	C	198	0.99	17	2.3
Mr Chips Hold	B	68	0.62	20	8.8
NZ Experience	D	14	1.00	67	Nil
NZ Invest Trust*	N/R	415	N/A	NE	2.0
NZ Oil and Gas *	N/R	29	2.00	NE	Nil
NZ Refining Co	C	820	0.81	8	12.2
Nat Property Tr	C	80	4.95	10	12.7
National Mutual	C	270	2.55	13	4.2
Natural Gas	D	142	1.94	13	10.5
Newcall Group	E	43	N/A	NE	Nil
Newmarket Prop.	B	62	4.61	7	15.3
Nobilo Wines	C	90	0.78	20	5.0
Northland Port	B	130	1.04	12	8.6
Nufarm Limited	C	340	0.36	9	7.4
Nuhaka Forestry	D	1355	N/A	NE	Nil
Nuplex Indust	B	310	0.55	15	5.1
Opio Forestry	E	50	N/A	NE	Nil
Otter Gold Mine*	N/R	85	0.54	19	Nil
Owens Investmts	D	117	0.17	16	12.8
Ozzy (Tortis)*	N/R	245	N/A	NE	Nil
PDL Holdings	C	490	0.21	38	6.1
Pacific Retail	B	185	N/A	14	2.4
Paynter Hold	C	36	0.53	NE	Nil
Port Tauranga	B	575	8.31	24	4.7
Ports Auckland	C	500	4.31	20	5.4

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
Property F Ind.	C	71	5.56	13	9.1
Pure NZ Limited	C	34	N/A	NE	Nil
Radio Works NZ	A	730	2.01	16	3.1
Reid Farmers	A	63	0.47	9	10.7
Renaissance	B	62	0.18	50	2.4
Restaurant Brds	B	131	0.51	9	11.4
Revesco Ltd*	N/R	50	6.61	NE	Nil
Richina Pacific	D	45	0.07	NE	Nil
Roller Int'l *	N/R	40	0.21	NE	Nil
Ryman Health.	D	185	N/A	NE	Nil
SE Utilities	C	92	2.29	13	6.5
Sanford Limited	B	550	1.63	13	4.1
Savoy Equities	D	5.9	2.22	NE	Nil
Scott Tech. Ltd	B	240	1.71	16	6.8
Seafresh Fish.	D	13	0.53	15	Nil
Shotover Jet	C	65	1.17	10	3.8
Sky City Ltd	C	670	2.50	14	9.6
Sky Network TV	D	380	N/A	NE	Nil
South Port NZ	B	94	1.04	22	8.7
Southern Cap	D	60	4.42	9	Nil
Spectrum Res.*	N/R	27	N/A	NE	Nil
St. Lukes Group	C	139	2.36	6	10.5
Steel & Tube	C	140	0.37	12	8.5
Strathmore Grp	D	46	N/A	NE	Nil
Summit Gold Ltd*	N/R	11	N/A	NE	Nil
Tag Pacific Ltd	C	60	0.75	NE	1.3
Tasman Agric.	C	76	2.44	11	4.0
Taylors Grp Ltd	A	115	0.73	15	5.8
TeNZ *	N/R	95	N/A	NE	Nil
Telecom Corp	B	843	4.30	18	8.1
Tourism Hold.	A	304	1.02	17	2.5
Tower Limited	C	462	0.60	10	2.8
Trans-Tasman	E	24	0.81	NE	Nil
Trans Alta NZ	B	240	0.57	15	8.7
Tranz Rail Hold	C	320	0.68	6	7.9
Trust Power Ltd	D	320	2.55	28	7.5
United Networks	C	600	2.02	8	10.0
Utilico Int'l	D	28	N/A	NE	Nil
Warehouse Group	A	840	1.28	22	3.4
Waste Mgmt NZ	A	355	3.17	33	2.5
Williams Kettle	B	200	0.29	13	9.7
World Index Fd *	N/R	217	N/A	NE	Nil
Wrightsons Ltd	D	40	0.10	NE	Nil
Ave of 131 Cos	C	221	0.55	19	4.5

A.G.L.	B	805	1.58	12	5.6
AAPT	B	700	2.77	60	Nil
AMP Diver. Prop	C	224	7.80	13	8.1
AMP Ltd	C	1469	0.58	15	2.8
AMP Office Trt	C	113	9.31	13	7.3
AMP Shop Centre	E	109	N/A	NE	Nil
ANZ Bank	C	1024	1.46	11	5.5
APN News Media	A	411	2.03	24	3.1
Advance Prop	C	140	6.71	12	8.4
Amcor Ltd	C	587	0.56	13	6.6
Amway Asia Pac	D	2720	N/A	NE	Nil
Aristocrat	B	1582	5.94	46	1.8
Aust Stock Exch	A	1500	9.38	38	2.3
Austar United	C	828	N/A	NE	Nil
Austrim Nylex	D	240	0.63	8	6.3
BA Tobacco Aust	C	1150	0.44	14	75.4
BRL Hardy Ltd	B	720	2.04	26	1.8
BTR "A"	E	508	N/A	NE	Nil
Bank of W.Aust	B	416	5.93	18	4.0
Boral Ltd	C	203	0.45	10	3.7
Brambles Ind.	C	3999	1.79	27	2.0
Brickworks Ltd	B	4050	3.61	14	2.7
C & W Optus	B	674	N/A	NE	Nil
C.S.R. Ltd	C	350	0.53	10	6.6
CSL Limited	A	2034	6.30	57	1.0
Cadbury Sch.	C	974	N/A	NE	3.5
Centro Prop.	C	268	6.40	12	8.5
Challenger Int.	B	400	3.29	18	1.3
Coal & Allied	A	1470	2.17	18	5.4
Coca-Cola Bev.	E	300	N/A	NE	Nil
CocaCola Amatil	C	320	0.84	17	3.8
Cochlear Ltd	A	2080	8.20	64	1.3
Coles Myer	C	640	0.32	17	4.0
Colonial Ltd	C	602	1.12	23	2.5
Com'wealth Bank	B	2524	2.37	16	4.6
Com. Inv. Trust	E	96	N/A	NE	Nil
Computer Share	B	710	N/A	NE	0.6
Crown Ltd	C	90	0.70	14	Nil
Davnet Limited	B	382	N/A	NE	Nil
E.R.G.	A	1240	9.17	NE	0.1
Ecorp Limited	C	692	N/A	NE	Nil

Email Ltd	D	211	0.25	12	6.6
Energy Develop.	A	1195	N/A	87	0.4
Fairfax (John)	A	600	3.31	19	1.8
Faulding (F.H.)	B	787	0.60	20	2.7
Flight Centre	A	1722	0.76	50	1.0
Foodland Assoc	D	740	0.18	6	6.6
Foster's Brewin	B	420	2.32	20	3.1
Futuris Corp.	D	172	0.22	15	4.7
GWA Internat'l	D	230	1.15	15	5.4
Gandel Retail T	C	106	9.44	16	7.8
General Prop Tr	C	246	5.96	14	7.8
Ges Internat'l	A	300	1.69	68	0.3
Goodman Fielder	C	117	0.43	14	6.4
Guinness Peat	C	107	2.12	9	0.5
HIH Insurance	C	130	0.18	7	12.3
Hardie (James)	D	365	1.04	NE	4.1
Harvey Norman	B	270	1.62	6	5.6
Hills Motorway	C	323	9.09	40	1.8
Hutchison Tel.	B	550	7.84	NE	Nil
Incitec	C	530	0.65	18	4.0
Jupiters	B	265	1.11	14	5.3
Lang Corporatio	B	785	2.31	26	Nil
Leighton Hold	D	470	0.37	10	6.4
Lend Lease Corp	B	2110	2.58	25	2.8
M.Y.O.B. Ltd	A	1480	N/A	NE	0.2
Macquarie Off.	C	111	8.11	12	9.5
Macquarie Infra	C	125	5.58	6	8.0
Macquarie Bank	B	2520	4.88	25	2.7
Mayne Nickless	B	314	0.27	10	9.6
Melbourne IT	A	1054	N/A	NE	0.2
Mirvac Property	C	178	9.75	15	6.4
Mirvac Ltd	B	250	0.97	13	4.0
Mobile Com.	C	1500	N/A	NE	Nil
Nat'l Foods	C	280	0.67	16	4.6
Nat'l Aust Bank	C	2144	4.98	43	5.2
Nat'l Mut. Prop	C	112	9.17	15	7.7
Nat'l Mutual	C	224	2.64	13	4.0
News Corporatio	A	2750	2.55	38	0.1
One Tel Ltd	C	185	9.58	NE	0.1
Open Telecom.	C	826	N/A	NE	Nil
Orica Ltd	C	627	0.39	11	5.9

PBL	A	1540	6.21	59	1.2
PMP Communicat.	B	207	0.44	9	9.9
Pacific Dunlop	C	163	0.26	8	8.6
Pacifica Group	C	505	1.12	32	3.2
Perp Trust Aust	B	2050	3.67	26	2.9
Pioneer Int'l	B	434	0.97	16	37.1
PowerTel Ltd	C	300	2.93	NE	Nil
Powerlan Ltd	D	195	N/A	NE	Nil
Q.B.E. Insur.	B	710	0.75	17	3.8
Qantas	C	344	0.48	11	5.5
Rio Tinto Ltd	A	2511	0.99	7	3.5
Rural Press Ltd	B	475	1.27	13	2.7
Sausage Softwar	D	504	N/A	NE	Nil
Seven Network	A	680	2.68	NE	3.0
Smith (Howard)	D	794	0.57	15	5.2
Smorgon Steel	D	165	0.73	22	2.7
Solution 6	B	923	6.32	25	Nil
Sonic Health	A	697	4.95	49	2.0
Southcorp Ltd	D	440	0.95	15	4.5
Spotless Group	B	565	0.72	25	3.1
St George Bank	B	1090	1.52	16	4.8
Stockland Trust	C	335	5.80	13	7.4
Suncorp-Metway	C	758	0.62	6	5.8
TAB Ltd	C	236	0.29	21	3.8
Tabcorp Holding	C	1015	2.85	22	4.2
Telstra	B	763	1.80	9	4.3
Ten Network	C	218	1.44	15	6.6
Transurban Grp	E	267	N/A	NE	Nil
United Energy	B	244	1.49	68	7.1
Village Road.	D	256	0.76	8	3.9
Wesfarmers Ltd	D	1235	1.10	17	5.3
West Aust News	B	515	3.06	16	5.8
Westfield Hold.	C	909	5.46	38	1.4
Westfield Trust	C	306	9.53	17	6.7
Westfield Amer.	C	153	1.65	12	8.0
Weston (George)	B	651	0.50	17	2.9
Westpac Prop Tr	C	160	7.02	21	8.1
Westpac Banking	C	1058	1.87	13	4.4
Woolworths Ltd	C	495	0.30	18	3.6
Ave of 1277 Cos	C	187	0.41	20	2.5

Recommended Investments

Air New Zealand has reported a 10.8% increase in revenue to $1,803.9 million and a 25.9% lift in profits to $104,220,000 (18.4 cents per share). A steady 6.0 cents interim dividend (with no imputation tax credits) will be paid.

In addition, the company realised an abnormal gain of $23.0 million (after tax), mainly from the sale of shares in **Equant N.V.** The group's remaining investment in that company is recorded at a book value of nil, but has a market value of around $145 million.

Air NZ has *finally* negotiated the purchase of the remaining 50% shareholding in **Ansett Australia** but at a very favourable price *for the vendor*, **News Corporation**. **Singapore Airlines** originally negotiated to acquire these shares for A$500 million, but Air NZ will pay a total of around A$680 million. This result reflects the involvement of **Brierley Investments** in the negotiations, and the consistent ability of that company to destroy shareholder wealth.

Despite overpaying for this shareholding (perhaps by as much as A$180 million or NZ$0.40 per share), the complete merger of Air NZ and Ansett Australia should be good for the company. The directors estimate cost savings of up to A$200 million (A$134 million after tax, or NZ$0.30 per share) annually being achieved over the next three years.

Air NZ will pay A$500 million immediately for this acquisition, but seek to raise $290 million through a cash issue to shareholders during the next six months. The final payment - to be made within 2-4 years - will involve issuing Air NZ shares to News Corporation to give that company a 10.5% stake in the airline.

(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Initial Recommendation Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
	NZ Shares												
HOLD+	Air New Zealand "A"	AIRVA	08/10/96	257*	C	567.0	1.0	0.31	5	8.2	183	63.0	-4%
HOLD-	Apple Fields Limited	APF	10/03/92	237	D	29.2	2.7	0.08	NE	Nil	10	10.0	-92%
BUY	CDL Investments Ltd	CDI	12/01/99	25	E	169.5	2.2	1.40	9	14.9	20	2.0	-12%
BUY	Cavalier Corporation	CAV	05/12/95	312	B	36.0	1.0	0.60	11	11.6	335	97.0	+38%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	30.9	0.8	0.28	15	8.6	270	187.3	+205%
HOLD	Designer Textiles Ltd	DTL	12/01/99	47	C	29.7	1.8	0.19	5	15.4	29	3.0	-32%
HOLD+	Ebos Group Ltd	EBO	12/10/99	290	A	23.2	0.8	0.98	17	7.1	380	9.0	+34%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.6	0.9	0.78	14	5.4	317	51.5	+701%
HOLD	Nufarm Limited	NUF	11/02/97	505	C	150.5	0.9	0.36	9	7.4	340	60.0	-21%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	B	55.4	1.0	0.55	15	5.1	310	21.0	-5%
HOLD	Owens Group Limited	OWN	12/03/91	47*	D	56.3	1.1	0.17	16	12.8	117	80.3	+320%
BUY	PDL Holdings Ltd	PDL	13/02/96	810	C	13.6	0.9	0.21	38	6.1	490	113.0	-26%
HOLD+	Radio Works NZ Ltd	RWL	08/12/92	205	A	12.0	0.5	2.01	16	3.1	730	121.0	+315%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	B	35.3	2.3	0.18	50	2.4	62	4.4	-22%
HOLD	Richina Pacific	RCH	03/11/95	119*	D	72.2	1.7	0.07	NE	Nil	45	11.9	-52%
HOLD+	South Port New Zealand	SPN	13/02/96	120	B	32.4	1.2	1.04	22	8.7	94	33.3	+6%
BUY	Taylors Group Ltd	TAY	09/11/99	102	A	24.3	1.2	0.73	15	5.8	115	Nil	+13%
HOLD+	Tourism Holdings Ltd	THL	14/07/92	168*	A	81.8	1.0	1.02	17	2.5	304	53.2	+113%
HOLD	Wrightson Limited	WRI	13/01/98	83	D	139.7	1.9	0.10	NE	Nil	40	6.3	-44%
	Australian Shares (in Aust cents)												
BUY	Abigroup Limited	ABG	09/03/99	265	C	47.7	0.9	0.12	5	7.6	184	14.0	-25%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	D	54.8	1.9	15.63	NE	Nil	33	Nil	-55%
BUY	Auspine Limited	ANE	08/02/00	210	B	57.0	0.8	0.58	14	5.0	238	Nil	+13%
HOLD+	Biron Corporation Ltd	BIC	12/04/94	178	B	21.6	1.8	1.08	NE	6.3	32	11.0	-76%
BUY	Campbell Brothers Ltd	CPB	12/10/99	435	B	31.0	0.7	0.73	14	5.0	480	11.0	+13%
HOLD+	Central Equity Ltd	CEQ	09/02/94	154	B	82.1	0.8	1.00	6	7.3	220	65.0	+85%
BUY	Data#3 Limited	DTL	09/02/99	285	A	14.2	0.7	0.31	16	3.9	310	12.0	+13%
HOLD	Flight Centre	FLT	11/08/98	308	A	81.6	0.5	0.76	50	1.0	1722	24.5	+467%
BUY	Hamilton Island Ltd	HAM	09/11/99	205	A	43.5	0.9	1.08	11	5.4	239	Nil	+17%
HOLD+	Hancock & Gore	HNG	15/07/97	125*	C	46.1	0.9	0.69	10	5.8	139	15.8	+24%
HOLD+	PMP Communications	PMP	09/02/99	309	B	253.4	1.0	0.44	9	9.9	207	20.4	-26%
HOLD+	Thakral Holdings	THG	10/11/98	65	C	513.5	1.2	1.73	12	7.6	76	5.8	+26%
BUY	Toll Holdings	TOL	08/09/98	240	B	59.5	0.7	0.31	13	3.2	690	30.0	+200%
BUY	Utility Services Corp	USC	11/01/00	59	B	77.1	1.4	0.80	22	Nil	78	Nil	+32%
BUY	Vision Systems Ltd	VSL	10/11/98	685*	A	13.8	0.6	0.68	13	3.9	710	27.9	+8%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +63.2%. This is equal to an average annual rate of +19.7%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 34 current and 102 closed out) is +30.8%, compared with a market gain of +13.1% (by the SRC Total Return Index).

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

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

(1) Atlas Pacific notes (ATPG) last traded at 33 cents.

Recommended Investments *(Continued from Page 3)*

NZ investors should *usually* invest in Air NZ "A" shares (which can only be owned by New Zealanders), as the "B" shares (which anyone can own) trade at a price 10-40% higher. Both shares have exactly the same rights and entitlements to dividends, but as you can buy the "A" shares cheaper the Dividend Yield is higher (i.e. you can buy *more* "A" shares than "B" shares for the same dollar investment, and therefore collect more dividends).

However, when the premium on the "B" shares is low (i.e. around 10-15%) investors could buy these shares and later, when the premium is higher (i.e. 30-35%), sell the "B" shares and re-invest in the "A" shares. Such a transaction would boost returns by about 15-20% (compared with simply buying and holding the "A" shares). Existing investors in the "A" shares could even switch into the "B" shares while the premium is low, and switch back to the "A" shares when the premium is high.

Switching from the "A" to the "B" shares and then back to the "A" shares involves four transactions. Through a flat rate discount stockbroker the total brokerage cost would be around 1-3% (depending upon the size of the trades), while investors would also need to sell at the bid and immediately buy at the offer prices to have these trades executed quickly to avoid price fluctuations. The bid-offer spread on the "A" shares is usually around 0.5-2.0% and a similar 0.5-2.0% on the "B" shares. That would put the total transaction costs of the round trip at between 4-6%. The lower dividend yield on the "B" shares would "cost" a further 0.5% per annum, and it may take 2-3 years for the "B" premium to increase to complete this trade. The total cost of attempting to profit from fluctuations in the premium on the "B" shares is therefore around 6-7½% - which erodes 35-50% of the profit potential of about 15-20%. Some investors will consider this worthwhile, but others will choose to simply hold the "A" shares.

For investors planning to make *new* investments in Air NZ shares the transaction costs would be halved. You need to make one transaction whether you buy the "A" or "B" shares, so buying the "B" shares will cost just 0.5% per year in a lower yield and - when it is profitable to switch to the "A" shares there is just a 2-3% transaction cost to realise an extra gain of 15-20%. Investors planning new purchases should therefore favour buying the Air NZ "B" shares while the premium above the "A" share price is only around 10-15%.

Cavalier Corporation's revenues for the six months were virtually unchanged (down 0.5%) to $113.1 million but profits rose 28.9% to $6,710,000 (18.6 cents per share). The company pays two interim dividends (and a final dividend): a steady 6.0 cents (plus full imputation tax credits) paid in December and a 2.0 cents higher second interim of 10.0 cents in March. That lifts this year's dividend payout to date by 14.3% to 16.0 cents.

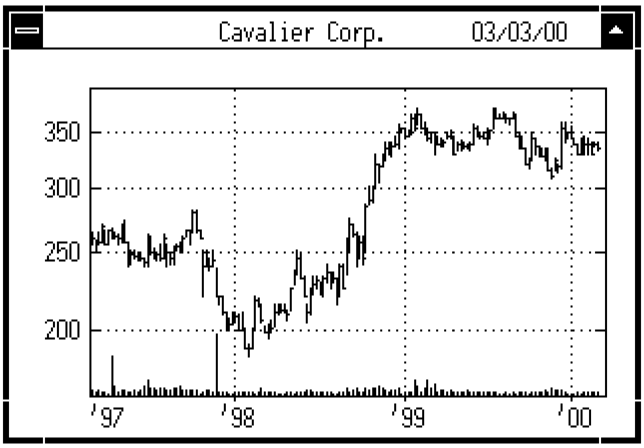
Carpet manufacturing revenues rose 21.7% to $51.6 million with earnings (before interest and tax) up 39.9% to $11.0 million. This division has experienced buoyant trading conditions in both NZ and Australia, and "very strong growth in South East Asia", especially Hong Kong and China. The NZ dollar has been lower (which will ultimately boost the profitability of exports) but, owing to previous currency hedging, the company did not enjoy the benefits of the lower exchange rate during the period for which it has just reported. Carpet production is running at record levels and the company is looking at increasing manufacturing capacity.

Wool Scouring revenues fell 9.9% to $71.5 million (before inter-divisional sales to the carpet businesses of $10.1 million) with earnings down 33.3% to $1.4 million. Wool procurement and processing made satisfactory contributions, but wool trading was unsatisfactory. Intense competition has eroded margins. The group's Elco Direct subsidiary, which buys direct from farmers, now accounts for almost 80% of wool purchases, up from just 15% in the previous year. Through forward buying, the company is seeking to reduce its inventory, and therefore the total funds employed in the business (i.e. lower inventories, means less short term borrowings and a lower interest expense).

The wool business still contributes 58% of group revenues but brings in only 11% of earnings, so it is the performance of the carpet business that really has an impact on Cavalier's fortunes.

Cavalier believes that "the outlook for the carpet business remains strong" and estimates that the full year's profit will be around $12-13 million (33-36 cents per share) - an increase of 13-23%.

Cavalier shares trade on a low Price/Sales ratio of 0.61, a low Price/Earnings ratio of 12 and offer a high Dividend Yield of 11.4% (based upon last year's results), with improved profits and high dividend payments further improving those statistics. The shares are therefore attractive as a high income investment, while profit and dividend growth will be matched over the medium to long term by a similar rate of capital appreciation. While the return on this investment over the last four years has not been exceptional, Cavalier shares should generate an above average total return (i.e. dividends plus capital appreciation) and therefore make a valuable contribution to our share portfolio. We continue to rate the shares a "Buy".



Colonial Motor Company's profits from its motor vehicle business increased strongly in the six months to December 31, up 42.3% to $3,725,000 (12.0 cents per share). Reported revenues fell 10.3% to $145.2 million for the six months, but that was owing to the transfer of three Auckland dealerships to a joint venture (so revenues are not included in the group result, just its share of profits). Adjusted for this restructuring, "same store" revenues increased 15%.

In addition there was a $641,000 capital gain on property sales, up slightly from a $633,000 gain in the same period last year.

A 12.5% higher 9.0 cents (plus full imputation tax credits) will be paid on March 20 - in line with the company's policy of distributing “up to 75% of trading profits”. On March 24 Colonial Motor will make a capital repayment, cancelling 10% of every investor's shareholding and distributing $2.70 per cancelled share. This payment will consist of a capital return of $1.24 (which is non-taxable) and $1.46 of taxable income (plus full imputation tax credits, so “tax-paid”).

The company will incur a slightly higher total interest expense (owing to money borrowed to fund the distribution to shareholders) but *earnings per share* - and therefore *future dividend payments* - will *increase* owing to the smaller number of shares in the company. For example, had the capital repayment been made six months ago, then earnings per share for the latest six months period would have been 6.7% higher at 12.8 cents. With an up to 75% dividend payout, that would support an interim dividend of up to 9.6 cents.

Designer Textiles has reported a 45.3% increase in revenues to $32.8 million but a disappointing 0.6% lift in profits to $844,000. Owing to increases in the company's issued capital, earnings per share *fell* 15.7% to 2.36 cents. A steady interim dividend of 1.0 cent (plus full tax credits) will be paid.

The poor result is blamed on the Australian operations where clothing imports depressed profit margins. The company expects the full year profit to be similar to last year's $1,674,000 - but that would leave earnings per share down about 15%.

Ebos Group lifted revenues only 2.0% to $34.1 million for the half year, but profits rose 29.7% to $1,910,000 (8.2 cents per share) owing to an initial $427,000 contribution from the company's new $8.0 million investment in **Health Support**. Adjusted for the share split and cash issue, earnings per share is up 3.0%. A 6.5 cents dividend (plus full tax credits) is 73.3% higher (adjusted for the share issues).

Ebos Group is to issue 3,500,000 shares to fund the acquisition of NZ based **Medic Corporation** from **Rangatira**.

Michael Hill International continues to expand steadily. Revenues grew 16.9% to $100.6 million for the six months to December 31, with profits up 14.9% at $7,494,000 (19.4 cents per share) while the interim dividend will be raised 9.1% to 6.0 cents (plus full tax credits).

Sales from existing NZ stores increased 4.6%, with two recently opened super stores boosting revenue 11.4% to $33.6 million. Earnings (before interest and tax) rose 7.4% to $4.7 million. There are 40 stores in NZ.

In Australia (where revenue and profits expressed in NZ dollars were boosted by the 5% exchange rate movement) same store sales rose 11.8% with total sales up 20.0% to $66.9 million. Four new stores opened, and one closed, giving the company 67 stores. A new administration, warehouse and manufacturing facility is being built in Brisbane and scheduled for completion in September.

Nufarm will acquire a 90.1% holding in Melbourne based **Florigene** by paying A$2 million to subscribe for new shares in this biotechnology company. Florigene has been successful at developing novel coloured flowers, but Nufarm will acquire technology that could add significant value to its work in crop improvement. One of the outstanding features of Nufarm is its ability to make acquisitions *at the right price*. Florigene has spent A$45 million on research since 1985 and holds “solid patents and a number of key technology licenses”. Nufarm will now own 90.1% of the company for a cash outlay of just A$2 million - and that money does not go to vendors of the business, but will be retained *within* Florigene to fund new growth. This is not a large acquisition, but Nufarm is acquiring a valuable asset for next to nothing. That has got to be good buying!

Nuplex Industries' result for the six months to December 31 shows further significant economies of scale from its expansion into Australia over recent years. Revenues rose 20.7% to $192.1 million with about half of the increase from businesses purchased during the period. Profits, however, soared 64.8% to $9,089,000 (16.3 cents per share) and the interim dividend is being raised 45.5% to 8.0 cents (plus full tax credits).

Resins (revenue up 24% to $164.6 million, earnings - before interest and tax - up 63% to $16.9 million) continue to make up 80-85% of the company's business. Construction materials also recorded strong growth (earnings up 46% to $2.4 million). The Special Waste business made a lower contribution (earnings down 27% to $1.5 million) mainly owing to an accelerated depreciation charge ahead of the disposal of waste processing assets as alternative technology is introduced later this year.

Owens Group has sold the land and buildings at its **Owens Industrial Park**, Petone, for $5,000,000. Two-thirds of the money has been received, with the balance payable through to February 2001.

Renaissance Corporation has re-instated dividends with a final 1.0 cent (plus full tax credits) dividend payable on March 24. Revenues for the full year to December 31 rose 12.6% to $122.8 million while profits recovered 76.3% to $439,000 - which is still an inadequate level of return. Earnings per share increased 34.2% to 1.24 cents, owing to a 1 for 2 cash issue to shareholders at 35 cents during the year.

The company's website and e-commerce business was started in April 1998 - to lower costs and improve profitability - but only 16% of sales (to resellers of the company's products) are currently generated over the internet. Renaissance expects this to rise to over 40% by the year 2001 - which should see a significant inprovement in profitability. To encourage its resellers to use the internet, Renaissance will buy Air NZ *Air Points* which will be awarded with orders placed online.

Renaissance is also planning to introduce a range of “web hosting and portal products” for its existing IT customers and other businesses.

Renaissance is a business that is struggling to make a profit from wholesaling computer and IT products. However, the company has restructured its business to minimise its cost structure and we believe that demand for IT products will remain strong (possibly with an improvement in profit margins). The company's position in educational software - plus *(Continued on Page 6)*

Recommended Investments *(Continued from Page 5)*
expansion into other e-commerce servicing businesses - all hold the potential to make a significantly strong contribution to profitability.

The one thing that does remain attractive is the low Price/Sales ratio of 0.18. The Price/Earnings ratio is a very high 50 while the Dividend Yield is also low at 2.4% - but both statistics reflect low profits and dividends, rather than a high share price.

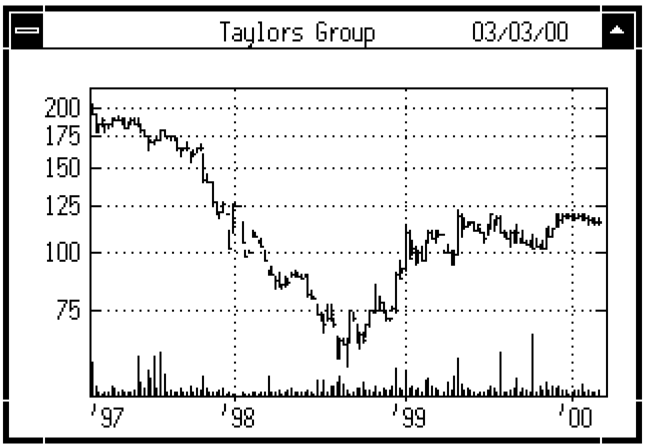
South Port's interim result shows revenues down 15.5% to $12.8 million but profits up 40.4% to $945,000 (2.9 cents per share). A steady 2.0 cents dividend (plus full tax credits) will be paid this month.

The performance of the company's on-going port operations, however, are better than those figures would suggest. The lower revenue reflects the selling off of non-port businesses and lower motor vehicle sales. The motor vehicle business was recently sold, but this interim result includes (undisclosed) trading losses and a divestment loss on that business. Port Revenues actually rose 5% during the period, with cargo volumes up 15% to 960,000 tonnes.

South Port expects "export volumes to increase over the coming 12 months" and its 4500m^2 of new warhousing is being well utilised. Funds from the sale of non-core businesses will be used to repay debt and/or to make further capital repayments to shareholders. Debt levels - just $6.4 million, compared with Shareholders Equity of $31.0 million - are already very low. The company expects its annual profit to be around $2 million (6 cents per share) - up 40-50% on last year.

Taylors Group's interim result is in line with earlier expectations: steady revenues but strong profit growth owing to cost savings. Revenues actually rose 3.4% to $19.7 million while profits were up 36.2% to $1,316,000 (5.4 cents per share) and the interim dividend will be 50.0% higher at 3.0 cents (plus full tax credits).

The directors now expect "the full year result to show a substantial improvement on 1999".



Tourism Holdings has lifted profits 149.4% to $9,610,000 (excluding an accounting change to the treatment of deferred tax). Earnings per share (adjusted for the recent 1 for 3 cash issue) rose 84.9% to 11.8 cents per share. Revenue (including just two months of **Britz**) rose 14.7% to $97.1 million. An interim dividend of 4.0 cents (plus tax full credits) will be paid.

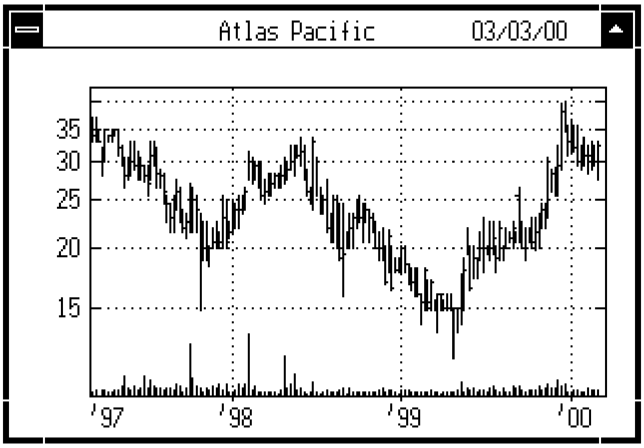
Tourism Holdings will also make a 1 for 8 *taxable* bonus issue, with full imputation tax credits.

Wrightson's revenues rose 5.3% to $286.4 million in the half year to December 31. There was a small profit of $1,468,000 (1.09 cents per share) - which is at least better than last year's loss. A 1.0 cent dividend (plus full tax credits) will be paid this month.

The directors "are expecting a strong result for the full year" and state that "the rural sector is in the early stages of a recovery" which offers a better trading environment for the company.

Australian Shares

Atlas Pacific will make the first interest payment on its 12½% convertible notes for the period of just over one year since issue. The Interest payment will be 2.0086 cents per note (less 15% withholding tax for NZ investors). In future the notes will pay 0.9375 cents in September and March.



Auspine has lifted revenues 17.0% to A$135.0 million for the six months to December 31. Profits are up 164.8% to A$10,500,000 (18.4 cents per share) and the interim dividend will *double* to 10.0 cents.

The company reports that it is still "experiencing difficulty in meeting high market demand" for house framing timbers (its main product line) and that current buoyant trading conditions are likely to continue.

Biron Corporation has experienced a 35.2% drop in revenue to A$1,297,000 for the period to December 31. The loss for the period was A$336,000 (1.6 cents per share), compared with a loss of A$242,000 in 1999. However, owing to depreciation charges, the company has once again generated a cash trading surplus of A$188,000 (although that is down 69.5% on the 1999 first half result).

Biron holds over A$1 million (4.9 cents per share) in cash, over A$2.3 million (10.7 cents per share) in Atlas Pacific convertible notes and A$7.6 million (35.2 cents per share) of net assets in its created emerald business. The shares therefore trade at a significant discount to their asset value. In addition, with a market capitalisation of just A$6.5 million (and a clean balance sheet) Biron Corporation would make an excellent shell company for a business seeking to list on the Australian Stock Exchange.

Central Equity has lifted first half revenues 38.9% to A$118.6 million, with profits up 9.1% at A$15,329,000 (18.7 cents per share). A second quarterly dividend of 4.0 cents makes 8.0 cents for the half year, 33.3% higher than in 1999.

Pre-sales (i.e. apartments sold "off the plan" but not yet completed and settled) at December 31 were A$260 million, down from A$310 million at September 1999, but up from A$240 million at June 1999 and A$220 million at December 1998.

Flight Centre has lifted profits 49.8% to A$15,742,000 (19.3 cents per share) on revenues 26.6% higher at A$1,046.7 million for the six months to December 31. The interim dividend will be raised 53.8% to 10.0 cents per share.

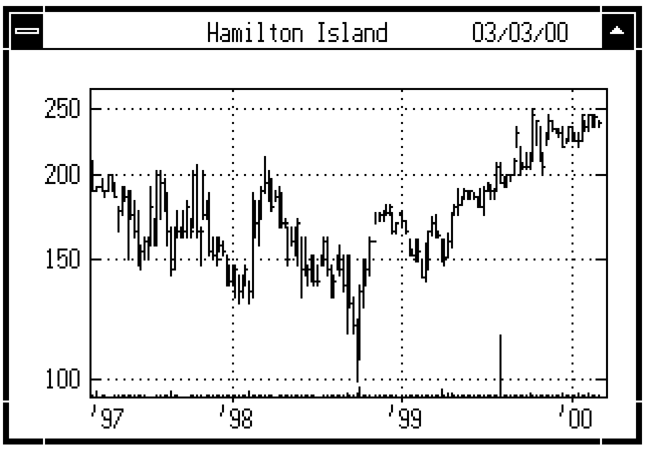
The company reports "the outlook for the second half of the financial year looks strong" with "increasing demand for European and domestic travel". Strong long term growth continues to come from Flight Centre's plans to increase travel agencies by 20-25% per year. 49 Australian agencies, and 30 overseas agencies, were opened during the last six months, taking the company's total to 550 agencies. The internet travel business has also made a small contribution to profits for the first time. Flight Centre has upgraded its website and is seeking to aggressively expand this business with the aim of lifting online revenues to A$100 million (up 300%) this financial year. The company is also seeking growth from "strategic acquisitions" of private travel groups, either in Australia or offshore.

Although Flight Centre shares look expensive, 50% per annum growth can quickly improve the fundamental valuation of the share. We wouldn't buy shares at this level, but are happy to continue to let profits run while the company is performing so well. "Hold".

Hamilton Island has experienced strong growth over the six months to December 31. Total revenues rose 22.6% while profits are up 153.5% to A$6,342,000. Owing to the increased capital following the 1 for 3 cash issue (to fund the purchase of the remaining half share of the Hamilton Airport company), earnings per share are up 125.3% to 17.8 cents. The interim dividend will be raised 160.0% to 13.0 cents.

This half year profit is just short of the previous *full* year profit of A$6,861,000 while the interim dividend equals the previous *annual* dividend payout!

The Hamilton Island Resort generated a 26% increase in earnings (before interest and tax) to A$3.5 million. Hamilton Island Airport experienced a 5% increase in passenger numbers with earnings up 73% at A$1.7 million. **Qantas** subsidiary, **Sunstate Airlines**, has announced plans to begin a direct service between Hamilton Island and Cairns. Land sales produced the biggest improvement - generating earnings of A$2.5 million (up 291%). The unconditional sale of the South Marina for A$3 million will be taken into account in the second half year which, after selling and infrastructure development costs, will generate earnings of A$2.3 million.



The company reports that "the outlook is very favourable" with strong tourist growth at the Resort and Airport, plus good demand for land and property on which the company earns very high profit margins.

Hamilton Island director, RJ Finlay, purchased 10,000 shares on-market during February, lifting his holding to 140,271 shares.

Hancock & Gore, together with unlisted **Pacific Capital Partners**, have formed a joint venture to *consider* investing in listed **Cash Converters International** with the aim of rejuvenating its core business and expanding the company into e-commerce.

The proposal is for the joint venture to (1) buy 18,662,433 units of Cash Converters International from two of the company's founding directors at 17 cents (a total investment of $3.2 million), (2) to inject $4.0 million of new equity into the company via a three year convertible note issue paying 8% interest and converting to 23,529,411 units (at 17 cents per unit) and (3) for the company to issue three year options to the joint venture for a further 23,529,411 units (at 17 cents per unit). This proposal is (1) subject to the joint venture being satisfied with their 122 day due diligence examination of Cash Converters and (2) approval by the shareholders of Cash Converters.

If Hancock & Gore and Pacific Capital proceed with this investment then they will control Cash Converters for an initial investment of just A$7.2 million (rising to A$11.2 million in three years with the exercise of the options) with a diluted 49% ownership of the company. This is therefore not a *major* investment, and as Hancock & Gore has been raising cash over recent months it is probably also considering other acquisitions.

Hancock & Gore has also announced the merger between Australia's second and third largest retail optometry chains in which it holds minority investments. Adelaide based **Laubman & Pank Holdings** (20.7% owned by Hancock & Gore) operates a 70 store retail chain in South Australia, Western Australia and Queensland, while Budget Eyewear (38% owned) operates 27 stores and has franchised a further 33 stores, operating in New South Wales and Victoria. The merger is expected to yield greater efficiencies in marketing, purchasing, administration and laboratory utilisation. Hancock & Gore will own 29% of the merged entity.

PMP Communications has lifted total revenues by 22.7% to A$765.4 million for the six months to December 31, while total profits are down 9.6% at $34,173,000 (13.5 cents per share). A steady dividend of 10.4 cents will be paid.

Investors need to study the divisional results to understand this profit announcement by PMP Communications:

The *traditional* businesses produced their reliable profits with a little growth. Media Production raised revenue 5.8% to A$499.5 million and earnings up 5.6% to A$59.2 million. This increase was achieved despite a five month delay commissioning new state of the art materials handling and bindery equipment which resulted in "substantially higher casual labour costs". Publishing lifted revenue 4.8% to A$154.0 million (although $75.4 million of this *(Continued on Page 8)*

Recommended Investments *(Continued from Page 7)*
is sales to the recently acquired Gordon & Gotch business, so net revenue of the Publishing division is now reported at A$78.6 million). Publishing earnings fell 7.7% or A$1.2 million to A$14.9 million - mainly as a result of A$2.3 million spent re-launching the German youth title, *Hit Stars*, and an A$5.7 million increase in the promotion of key Australian titles.

The Gordon & Gotch business made a small contribution (earnings of A$3.3 million) before funding costs.

On the other hand, the company's technology, e-commerce and internet businesses recorded only a 7.1% increase in revenue but losses from these new businesses grew to A$5.0 million (from a loss of A$0.8 million last year). PMP Communications invested A$3.5 million in its real estate website (www.property.com.au) which is one of the top three Australian real estate web-sites. In the UK it is developing an Internet portal, in partnership with US based **Clique.com**, based around its print publications. Another A$1.8 million has also been invested to expand its direct marketing business.

These new businesses may offer PMP Communications the greatest future growth potential, but the start up costs are depressing the profits from its traditional businesses. At the present time, the stockmarket will place a high value on internet businesses that are losing money, but those same businesses are given little or no value when part of a more diversified company.

To improve profitability, the company is seeking to reduce costs by A$15-20 million per annum across the group.

PMP Communications has failed to perform well over many years. The shares are *out of favour* and offer a high dividend yield. We therefore see the shares as a low risk (i.e. things couldn't get much worse), high yield investment with good recovery potential. "Hold+".

Thakral Holdings Group has lifted revenue 11.3% to A$121.2 million for the six months to December 31. Trading profits are up 5.2% to A$17,034,000 (3.3 cents per unit), plus an extraordinary gain of A$8,403,000 from the sale of the **All Seasons Hotels** management business. The interim dividend will increase 5.8% to 2.75 cents per unit.

While Hotel ownership is the main business, the introduction of Gaming is a source of new revenue and profits, while Property Development is a rapidly growing part of the group.

Profits from Property Development fell 24.1% to A$2.2 million during the latest half year, owing to fewer projects completed during the period. Major projects comprise:

Pacific Bay, Coffs Harbour: 40 townhouses are currently under construction, but this is part of a 5-10 year development at the site.

Newtown: A joint venture building 231 residential units. Stage I is nearly sold out, with strong pre-sales of Stage II.

Newport: This project involves construction of a 65 berth marina (which is complete), plus seven residential units and six commercial suites.

Cairns Retail: A completed development of tourism related shops (in conjunction with the Lyons Hotel) which is almost fully leased and will then be sold to investors.

Robina: A golf course and 600 dwellings (see *Market Analysis* Issue 332, February 2000, for details).

Palm Cove: 1.7 hectares of beachfront land where the company is seeking approval for a 115 unit development.

Thakral Holdings is also becoming more active in the management of its hotel and property investments. Its largest investment, a complex consisting of the 446 room **Menzies Hotel**, 13 storey **Thakral House** office building, the **Wynyard Retail Centre** and a 420 space public carpark has been put on the market - although Thakral will only sell (some or all of these properties) at the right price.

In other news, **Pacific Century Hotels** - a 50% joint venture between Thakral Holdings and its Singapore parent company, **Thakral Corporation** - has announced the sale of its All Seasons on Crown hotel and the 161-167 Castlereagh Street site for A$9.0 million.

Toll Holdings continues to deliver strong growth to its shareholders. Revenues rose 5.4% for the period to December 31, but profits rose 14.8% to A$21,206,000 (35.6 cents per shares) and the dividend will be raised 30.0% to 13.0 cents.

This "transport" group will further expand its interests in e-commerce with the formation of a new **Toll Technologies** subsidiary that will manage an A$50 million venture fund to be built up over the next three years. The fund will invest in "strategic investments in e-commerce aligned with Toll's core operations and construct a transport and logistics information network or portal". Recently acquired **Removals Australia** - a virtual logistics business - is an example of the type of investment Toll will seek for its venture fund. Toll will probably seek 20-25% minority shareholdings in new ventures, but with board representation.

Toll is well advanced in adopting Information Technology to improve operational efficiencies and reduce costs. It is currently installing *TollWorks*, a new operational freight management system, and *Toll Connect*, a suite of web-based customer connectivity products.

Utility Services Corporation has raised revenues 39.7% to A$38.1 million and profits 49.6% to A$1,512,000 for the six months to December 31. No dividend will be paid. The company's issued capital has increased over the year (to fund acquisitions and in a cash issue), so adjusted earnings per share is up 19.5% at 1.96 cents.

Utility Services has announced two further expansions: Firstly, it has acquired **Dataflow Pty** (for an undisclosed consideration) which is a data capture, digital mapping and spatial information company that currently manages and maintains the Victorian Government's database of over 2.5 million properties. In the past Utility Services had to contract out digital mapping, so this acquisition offers synergies with existing operations and those of **Powerline Management Services** which is involved in field survey work.

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.

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

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Col Motor Co	270	+6.0	+1.8	26	-	1.1	7	0.8	15	8.6	0.28	84
Williams Kettle	200	+0.7	-1.4	49	-	0.8	6	0.7	13	9.7	0.29	27
Mainfreight Grp	175	+7.5	+0.2	19	7	2.8	15	1.1	18	4.7	0.44	13
DB Group	285	+3.4	+3.6	38	7	1.3	13	0.7	10	8.4	0.45	287
Reid Farmers	63	+4.8	+1.6	32	-	1.0	11	1.3	9	10.7	0.47	35
Restaurant Brds	131	+4.3	-2.0	34	7	4.1	46	1.3	9	11.4	0.51	111
Nuplex Indust	310	+6.3	-1.1	24	6	1.7	12	1.0	15	5.1	0.55	172
Trans Alta NZ	240	+1.4	-0.2	46	7	1.1	7	0.9	15	8.7	0.57	593
Cavalier Corp	335	+0.6	+0.9	50	5	1.7	15	0.9	11	11.6	0.60	121
Mr Chips Hold	68	+3.2	-0.0	39	-	2.1	10	1.0	20	8.8	0.62	10
Ceramco Corp	143	+4.0	-3.3	35	3	1.1	6	1.1	19	5.2	0.66	60
Taylors Grp Ltd	115	+5.3	-0.3	29	2	1.5	10	1.2	15	5.8	0.73	28
Tag Pacific Ltd	60	+45.3	-17.0	2	-	2.2	-	1.6	NE	1.3	0.75	28
Michael Hill	317	+2.2	-0.6	44	4	3.8	27	0.9	14	5.4	0.78	122
Nobilo Wines	90	+1.7	-0.9	44	-	1.5	7	1.3	20	5.0	0.78	39
Colonial Ltd	720	+7.0	-2.4	21	-	1.4	8	0.8	18	0.8	0.90	6,604
Fisher & Paykel	635	+5.3	-1.3	27	7	2.0	9	0.8	21	4.2	0.97	746
Ebos Group Ltd	380	+19.5	-2.8	9	-	5.7	34	0.8	17	7.1	0.98	88
Montana Group	198	+4.8	-2.2	32	7	3.6	21	1.1	17	2.3	0.99	425

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

Company	Share Price	Cur-rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Ebos Group Ltd	380	+19.5	-2.8	9	-	5.7	34	0.7	17	7.1	0.98	88
Mainfreight Grp	175	+7.5	+0.2	19	7	2.8	15	0.9	18	4.7	0.44	13
Colonial Ltd	720	+7.0	-2.4	21	-	1.4	8	0.7	18	0.8	0.90	6,604
Nuplex Indust	310	+6.3	-1.1	24	6	1.7	12	0.9	15	5.1	0.55	172
Seafresh Fish.	13	+6.1	-1.7	26	-	0.6	4	2.5	15	Nil	0.53	9
Col Motor Co	270	+6.0	+1.8	26	-	1.1	7	0.7	15	8.6	0.28	84
Taylors Grp Ltd	115	+5.3	-0.3	29	2	1.5	10	1.0	15	5.8	0.73	28
Reid Farmers	63	+4.8	+1.6	32	-	1.0	11	1.0	9	10.7	0.47	35
Montana Group	198	+4.8	-2.2	32	7	3.6	21	0.9	17	2.3	0.99	425
Restaurant Brds	131	+4.3	-2.0	34	7	4.1	46	1.1	9	11.4	0.51	111
Ceramco Corp	143	+4.0	-3.3	35	3	1.1	6	1.0	19	5.2	0.66	60
DB Group	285	+3.4	+3.6	38	7	1.3	13	0.6	10	8.4	0.45	287
Mr Chips Hold	68	+3.2	-0.0	39	-	2.1	10	0.7	20	8.8	0.62	10
Michael Hill	317	+2.2	-0.6	44	4	3.8	27	0.8	14	5.4	0.78	122
Nobilo Wines	90	+1.7	-0.9	44	-	1.5	7	1.0	20	5.0	0.78	39
Trans Alta NZ	240	+1.4	-0.2	46	7	1.1	7	0.7	15	8.7	0.57	593
Williams Kettle	200	+0.7	-1.4	49	-	0.8	6	0.5	13	9.7	0.29	27
Cavalier Corp	335	+0.6	+0.9	50	5	1.7	15	0.8	11	11.6	0.60	121

INCOME SHARES: Highest Yields, Capitalisation > NZ$100 million

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Hallenstein G.	200	-3.5	-2.3	76	6	3.5	30	0.8	12	12.7	0.73	116
NZ Refining Co	820	-15.5	-1.8	97	3	1.3	16	0.4	8	12.2	0.81	197
Cavalier Corp	335	+0.6	+0.9	50	5	1.7	15	0.8	11	11.6	0.60	121
Restaurant Brds	131	+4.3	-2.0	34	7	4.1	46	1.0	9	11.4	0.51	111
Natural Gas	142	-4.2	-2.6	84	7	1.0	8	0.9	13	10.5	1.94	639
United Networks	600	-1.2	+0.0	65	2	1.2	14	0.4	8	10.0	2.02	909
Sky City Ltd	670	-2.8	-1.4	73	8	4.3	31	0.5	14	9.6	2.50	657
Trans Alta NZ	240	+1.4	-0.2	46	7	1.1	7	0.7	15	8.7	0.57	593
Force Corp.	69	+7.0	+9.3	22	4	1.8	13	1.3	14	8.7	3.35	107
Steel & Tube	140	-0.3	-0.7	56	6	1.1	9	1.0	12	8.5	0.37	123

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0

Company	Share Price	Cur-rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Contact Energy	290	-2.5	-2.8	72	7	1.1	7	0.6	15	8.1	8.39	1,751
Infratil NZ	116	-3.3	-3.1	75	5	1.6	19	0.5	8	7.4	6.93	220
Akd Int Airport	244	-2.9	-2.1	74	8	2.0	8	0.7	24	4.9	6.39	1,025
Ports Auckland	500	-1.3	+0.4	66	7	2.8	14	0.5	20	5.4	4.31	663
Trust Power Ltd	320	-3.6	-4.9	79	6	0.9	3	0.4	28	7.5	2.55	481
Sky City Ltd	670	-2.8	-1.4	73	8	4.3	31	0.5	14	9.6	2.50	657
Tasman Agric.	76	-0.3	+0.2	55	3	0.6	5	0.8	11	4.0	2.44	97
SE Utilities	92	-0.4	-2.0	57	-	0.8	7	0.7	13	6.5	2.29	55
United Networks	600	-1.2	+0.0	65	2	1.2	14	0.3	8	10.0	2.02	909
Natural Gas	142	-4.2	-2.6	84	7	1.0	8	0.9	13	10.5	1.94	639
Dairy Brands	26	-0.8	-0.2	63	-	0.6	-	1.3	NE	Nil	1.74	13

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average

Company	Share Price	Cur-rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Spectrum Res.	27	-48.7	+0.0	98	-	4.1	-	1.7	NE	Nil	N/A	7
Trans-Tasman	24	-11.8	-0.9	95	5	0.2	-	1.4	NE	Nil	0.81	87
FC - Forests	54	-11.1	-1.8	94	9	0.4	5	1.1	8	Nil	0.84	457
Air New Zealand	183	-10.4	-3.4	94	10	0.5	10	0.6	5	8.2	0.31	1,038
Brierley Invest	36	-10.3	-1.8	93	4	0.4	4	0.8	9	8.3	0.55	1,075
CDL Hotel NZ	24	-9.1	-1.8	92	3	0.4	3	1.2	12	4.7	0.40	84
Utilico Int'l	28	-8.4	+0.1	91	-	0.6	-	1.0	NE	Nil	N/A	28
Nufarm Limited	340	-8.2	-1.3	91	6	1.2	14	0.7	9	7.4	0.36	512
Southern Cap	60	-6.5	-2.8	89	-	0.6	6	0.8	9	Nil	4.42	15
Infratil Aust.	78	-6.2	-0.4	88	-	0.8	-	0.7	NE	Nil	N/A	237
Goodman Fielder	144	-5.9	-1.6	88	-	1.1	8	0.6	13	6.5	0.41	1,824
Damba Hold Ltd	68	-5.7	+1.7	87	-	0.8	0	0.7	206	Nil	0.65	12
FC - Building	225	-4.1	-0.4	83	6	1.0	3	1.0	32	8.0	0.27	732
Tower Limited	462	-4.1	-3.3	82	-	1.0	9	0.5	10	2.8	0.60	766
Trust Power Ltd	320	-3.6	-4.9	79	6	0.9	3	0.4	28	7.5	2.55	481
Lion Nathan Ltd	365	-3.5	-2.6	77	8	0.9	7	0.5	14	5.7	1.03	1,999
Infratil NZ	116	-3.3	-3.1	75	5	1.6	19	0.5	8	7.4	6.93	220
Akd Int Airport	244	-2.9	-2.1	74	8	2.0	8	0.7	24	4.9	6.39	1,025
Guiness Peat	133	-2.7	-2.0	72	2	1.1	11	0.7	10	1.4	1.30	613
Contact Energy	290	-2.5	-2.8	72	7	1.1	7	0.5	15	8.1	8.39	1,751

Secondly, Utility Services has also formed a joint venture with **Quadrant Australia** to develop and implement a *Stock Market Access Real-time Trading System* (SMART) for portable use over the WAP (wireless application protocol) network. A$1 million will be spent on development, with the joint venture retaining the intellectual property rights and revenue generated from the system.

The group has recently transferred its e-commerce businesses (including the Quadrant joint venture) to a new subsidiary, **e-MITS**, which is currently generating revenues of around A$10 million annually. Customers and stockbrokers were invited to the launch of this company to raise the profile of its e-commerce capabilities.

Utility Services' share price has risen very rapidly since our initial recommendation in January. Obviously the shares are under-valued *relative* to most IT and e-commerce companies which are extremely over-valued. However, after hitting a recent high of A$1.06 Utility Services shares have dipped back to around 79 cents where we continue to rate them a "Buy". The shares *may* come back further over the next 4-6 weeks - perhaps to around 65-75 cents - at which price we would rate them a "must Buy"!

Vision Systems has won an A$6.3 million contract for the first stage of a major contract to develop an "instrument platform". This will form the basis for a future family of clinical laboratory instruments which will be used to "aid in the diagnosis of a broad range of diseases". The contract will be awarded on a stage by stage basis, with a total value of around A$20 million. The work is being undertaken for a US based company that does not want to reveal its identity but described as "one of the world's top ten clinical diagnostic manufacturers".

All of the stages of this instrument development project will take about two years and *may* lead to Vision Systems receiving a manufacturing contract in the year 2002.

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

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

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Payco Consol.	67	-4.5	-0.9	79	3-0	-	0.7	-	0.9	NE	Nil	9.93	23
Carlton Invest	970	-0.5	-0.7	61	0-0	-	0.7	6	0.6	11	3.6	9.86	266
Ambition Group	97	-10.0	-1.0	91	0-0	-	97.0	-	0.8	NE	Nil	9.67	6
Climax Mining	18	-5.1	+3.9	81	0-0	-	-	-	1.2	NE	Nil	9.52	18
Infratil Aust.	62	-7.3	-0.3	86	1-0	5	0.7	-	0.9	NE	Nil	9.42	210
Hills Motorway	323	-7.7	-0.2	87	0-0	8	0.9	2	0.7	40	1.8	9.09	598
GPS Online	43	-1.5	+3.9	66	0-0	-	5.4	-	1.0	NE	Nil	8.50	6
Ind & Com Elect	62	-1.6	+1.2	66	0-0	-	1.7	-	0.9	NE	Nil	8.46	26
Tyndall Prop Tr	38	-3.2	+1.7	73	0-0	-	0.8	5	1.0	14	7.3	8.17	41
E.Tec Limited	11	-2.8	+2.2	71	0-0	-	-	-	1.4	NE	Nil	7.38	36
Aust Infra.	199	-2.9	+2.1	72	1-0	3	0.9	11	0.7	9	8.0	7.09	280
Bougainville Co	17	-8.3	-1.2	88	0-0	-	-	-	1.3	11	Nil	7.02	66
Quantum Res.	12	-16.6	+2.3	97	0-0	-	-	-	1.4	NE	Nil	6.80	21
Milton Corp.	890	-0.6	-0.6	62	12-0	-	0.9	4	0.6	21	4.6	6.70	452
Data Advantage	370	-1.6	-4.8	66	0-0	6	21.8	50	0.7	43	1.4	5.92	369
Macquarie Infra	125	-0.1	-1.4	58	0-0	-	0.9	15	0.8	6	8.0	5.58	699
Westfield Hold.	909	-1.5	-2.5	66	4-0	11	9.1	24	0.6	38	1.4	5.46	4,765
Investment Coy	225	-1.9	-0.9	68	0-0	-	0.7	5	0.7	14	6.1	5.36	47
Oil Search Ltd	170	-6.9	-3.4	86	0-0	13	-	-	0.7	53	Nil	5.32	894
Sea World PT	66	-4.7	-1.4	80	0-0	1	0.6	6	0.9	10	8.4	5.12	137
Petroz NL	32	-16.5	-0.3	97	0-0	6	0.8	3	1.0	27	Nil	5.09	64
Nat'l Aust Bank	2144	-4.6	-1.4	79	4-1	17	2.5	6	0.6	43	5.2	4.98	32,040
Peptide Tech.	40	-8.8	-3.1	89	0-0	-	7.9	-	1.0	NE	Nil	4.89	55
Equatorial Min.	330	-9.5	-0.1	91	0-0	-	-	-	0.7	NE	Nil	4.86	117
ETRADE Aust.	310	-13.6	-3.2	95	4-3	3	6.7	-	0.7	NE	Nil	4.85	186
Oil Coy of Aust	210	-1.0	-3.1	63	0-0	-	-	-	0.7	42	1.0	4.50	247
Cambooya Inv.	127	-1.1	-1.7	64	1-0	-	0.8	5	0.8	18	4.5	4.45	64
Pac Strategic	20	-5.4	+0.6	82	2-0	-	0.7	-	1.2	NE	Nil	4.28	10
Preston Resourc	27	-30.1	+2.3	98	0-0	2	-	-	1.1	NE	Nil	4.17	17
Lihir Gold	73	-14.9	-3.9	96	0-0	14	-	-	0.9	NE	Nil	3.83	952
Talon Resources	7	-0.9	-1.4	63	0-0	-	-	-	1.7	NE	Nil	3.83	6
Perp Trust Aust	2050	-1.3	+2.0	65	5-0	7	6.3	24	0.6	26	2.9	3.67	751
Gold Mines Sard	46	-3.5	-1.8	75	0-0	-	3.1	-	0.9	NE	Nil	3.17	91
West Aust News	515	-2.0	+0.2	68	0-0	12	17.8	-	0.6	16	5.8	3.06	1,058
Huntley Invest	48	-0.4	-0.8	61	0-0	-	0.8	16	0.9	5	5.2	3.00	27
Magellan Petrol	170	-7.5	-2.7	87	1-0	-	-	-	0.7	15	5.9	2.94	41
Tabcorp Holding	1015	-5.0	-2.0	81	0-0	13	-	-	0.6	22	4.2	2.85	3,761
Newhaven Park	140	-2.9	+1.5	72	0-0	-	1.7	4	0.8	42	2.9	2.83	60
Pipers Brook	215	-4.1	-1.8	78	0-0	2	1.4	2	0.7	57	0.9	2.73	33
St Frances Min.	4	-0.9	+13.3	63	1-1	-	-	-	2.1	NE	Nil	2.72	36
Pearl Riv. Tyre	32	-16.5	-0.5	97	0-0	-	0.3	-	1.0	NE	Nil	2.71	17
Housewares Int.	83	-2.1	+1.0	68	0-0	-	1.8	3	0.8	57	1.2	2.68	60
Dev Capital Aus	82	-0.3	+0.3	60	0-0	1	-	-	0.8	14	6.7	2.64	57
Nat'l Mutual	224	-0.7	-2.0	62	0-0	10	-	-	0.7	13	4.0	2.64	3,948
Ammtec Ltd	90	-2.7	-1.3	71	0-0	1	3.3	25	0.8	13	8.3	2.63	16
Amlink Tech	49	-7.0	-1.6	86	0-0	-	2.7	15	0.9	18	4.1	2.59	7
Lend Lease Corp	2110	-1.0	-0.4	64	1-2	12	8.0	32	0.6	25	2.2	2.58	10,737
Forest Place Gr	61	-4.5	+1.3	79	0-0	1	0.8	7	0.9	10	6.6	2.40	46
Bank of Q'land	511	-5.2	-0.4	81	0-0	10	1.9	12	0.6	15	4.9	2.40	300
Perm Trustee Co	910	-2.6	-3.1	70	0-0	-	2.2	22	0.6	10	7.9	2.34	124
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Ashanti Goldfld	340	-31.2	-4.5	99	0-0	-	-	-	0.6	4	Nil	0.51	366
Preston Resourc	27	-30.1	+2.3	98	0-0	2	-	-	1.0	NE	Nil	4.17	17
Aurora Gold	28	-23.7	+0.2	98	0-0	10	-	-	1.0	12	Nil	0.34	44
Werrie Gold Ltd	20	-23.4	+0.1	98	0-0	-	-	-	1.1	NE	Nil	N/A	12
Antaeus Energy	9	-22.6	+2.5	98	0-0	-	-	-	1.4	NE	Nil	N/A	13
Mineral Deposit	19	-20.9	-5.9	98	0-0	-	-	-	1.2	NE	Nil	0.96	11
Coeur D'Alene	410	-19.3	+2.5	98	0-0	-	-	-	0.6	NE	Nil	N/A	90
Int'l Allsports	114	-18.4	+0.1	97	0-0	2	-	-	0.8	NE	Nil	N/A	47
Powerlan Ltd	195	-18.2	-24.9	97	0-0	2	39.0	-	0.7	NE	Nil	N/A	590
Ross Mining NL	41	-17.7	+1.5	97	0-0	9	-	-	0.9	6	4.9	0.95	90
CocaCola Amatil	320	-17.6	-3.4	97	1-0	16	0.8	4	0.7	17	3.8	0.84	3,290
Energy Equity	15	-17.5	-2.4	97	0-0	1	0.4	5	1.2	9	Nil	1.00	47
Cons. Gaming	73	-17.2	+4.0	97	0-0	-	3.7	-	0.8	NE	Nil	N/A	21
Quantum Res.	12	-16.6	+2.3	97	0-0	-	-	-	1.3	NE	Nil	6.80	21
Pearl Riv. Tyre	32	-16.5	-0.5	97	0-0	-	0.3	-	1.0	NE	Nil	2.71	17
Petroz NL	32	-16.5	-0.3	97	0-0	6	0.8	3	1.0	27	Nil	5.09	64
Anzoil NL	11	-16.4	+1.6	97	0-0	-	-	-	1.4	NE	Nil	N/A	6
Kimberley Diam.	22	-15.8	-2.0	96	0-0	-	-	-	1.1	NE	Nil	N/A	8
Sigma Company	153	-15.0	-1.7	96	0-0	-	-	-	0.7	NE	Nil	N/A	209
Lihir Gold	73	-14.9	-3.9	96	0-0	14	-	-	0.8	NE	Nil	3.83	952
Cadbury Sch.	974	-14.9	+1.9	96	0-0	-	-	-	0.6	NE	3.5	N/A	19,683
Intellect Hold	46	-14.6	-0.8	96	0-0	-	-	-	0.9	NE	Nil	0.86	98
East Coast Min.	25	-14.6	-2.1	96	0-0	-	-	-	1.1	NE	Nil	N/A	10
Crest Resources	17	-14.5	-1.8	96	0-1	-	-	-	1.2	NE	Nil	N/A	14
ARC Energy	18	-14.5	-2.7	95	4-0	1	0.6	-	1.2	NE	Nil	N/A	15
Realestate.com	73	-14.4	-6.4	95	0-0	-	-	-	0.8	NE	Nil	N/A	16
Chaos Music Ltd	80	-14.3	-6.0	95	0-0	-	-	-	0.8	NE	Nil	N/A	13
Liberty One	111	-14.2	-8.8	95	0-0	2	9.3	-	0.8	NE	Nil	N/A	285
ETRADE Aust.	310	-13.6	-3.2	95	4-3	3	6.7	-	0.7	NE	Nil	4.85	186
Omni Group Ltd	40	-13.4	-2.7	95	0-0	-	1.5	19	0.9	8	Nil	0.70	13
Roc Oil Company	107	-12.8	-1.8	95	0-0	3	-	-	0.8	NE	Nil	N/A	113
Scanbox AsiaPac	21	-12.5	+1.6	94	0-0	-	0.4	25	1.1	1	Nil	0.44	8
Park Plaza Kem.	24	-12.1	-5.6	94	0-0	-	0.7	-	1.1	NE	Nil	1.15	25
Centaur Mining	22	-11.9	-0.4	94	0-0	5	-	-	1.1	NE	Nil	0.35	97
Amrad Corp.	60	-11.5	-0.7	93	1-0	2	1.0	-	0.9	NE	Nil	0.47	70
China Cons	13	-11.5	-4.6	93	0-0	-	0.2	6	1.3	3	Nil	1.63	68
Ezenet Limited	65	-11.4	-4.9	93	0-0	-	-	-	0.8	NE	Nil	N/A	5
Vincorp Wine.	18	-11.4	-2.4	93	0-0	-	1.0	-	1.2	NE	Nil	N/A	8
Cent Bore Nick.	16	-10.9	-0.6	93	0-0	-	-	-	1.2	NE	Nil	N/A	9
Ribloc Group	54	-10.9	-3.8	92	0-0	-	2.8	-	0.9	NE	Nil	0.75	14
Charter Pacific	59	-10.7	-0.2	92	0-0	-	4.5	-	0.9	NE	Nil	N/A	38
Esmeralda Exp.	20	-10.7	-7.2	92	0-0	-	-	-	1.1	NE	Nil	N/A	10
Global Seafood	76	-10.6	-4.1	92	0-0	-	-	-	0.8	NE	Nil	N/A	11
Amity Oil NL	21	-10.5	+1.9	92	0-1	-	-	-	1.1	NE	Nil	N/A	21
Medical Researc	35	-10.3	+6.0	92	0-0	-	0.9	7	1.0	14	Nil	0.76	19
Catalyst Rec'mt	52	-10.1	-4.1	92	0-0	-	2.6	36	0.9	7	Nil	0.27	14
Ambition Group	97	-10.0	-1.0	91	0-0	-	97.0	-	0.8	NE	Nil	9.67	6
Carpenter Pac.	52	-10.0	+5.5	91	0-0	-	-	-	0.9	NE	Nil	N/A	13
Canada Land	8	-10.0	-2.3	91	0-0	-	0.1	-	1.5	NE	Nil	N/A	8
Charter Towers	11	-10.0	+3.2	91	0-0	-	-	-	1.4	NE	Nil	N/A	27
INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Ranger Minerals	210	-10.3	-2.5	92	1-4	7	-	-	0.7	6	16.7	0.89	142
Gindalbie Gold	17	-2.8	+2.2	71	0-2	-	-	-	1.1	NE	Nil	N/A	9
Precious Metals	30	-8.1	+1.1	87	0-2	-	-	-	1.0	NE	Nil	1.44	44
Templeton Global	172	-1.5	-1.2	66	0-2	-	1.0	1	0.7	84	8.7	N/A	132
Rural Press Ltd	475	-1.1	-0.8	64	0-2	9	2.3	18	0.6	13	2.7	1.27	528
Eco-Air Ltd	61	-8.4	+3.5	88	0-2	-	-	-	0.8	NE	Nil	N/A	17

*Australian Company Comparison: Hartley Poynton, E*Trade Australia*

This month we are comparing two Australian e-commerce companies: stockbrokers **Hartley Poynton** and **E*Trade Australia**.

Our *Comprehensive Share Selection Criteria* rates Hartley Poynton shares as a "Buy" in the *Under-valued Shares* section, while E*Trade Australia is rated a "Sell" in the *Over-Valued Shares* and *Worst Performing Shares* sections.

Company History: Hartley Poynton

Hartley Poynton was established in 1955 but remained a small, privately owned Perth stockbroking business until five years ago when the company entered a period of rapid expansion. The company listed on the Australian Stock Exchange in mid-1996.

In early 1998, **Royal Bank of Canada** subsidiary **Dominion Securities** invested A$13 million of new equity in Hartley Poynton in return for a 25% shareholding. In June 1999 that stake rose to 40% with a further A$24 million subscribed for 12.4 million new shares at A$1.95 each. Hartley Poynton also issued Royal Bank of Canada with an option to buy further shares at A$4.00 each to raise its holding to 51% before December 2001.

Hartley Poynton is following a strategy that involves building two separate stockbroking divisions. Firstly, the company intends to grow from a small Perth stockbroking business to a national full service stockbroker servicing individual investors and institutions, as well as providing a full range of corporate services. Secondly, the company has entered the internet discount stockbroker business.

Expanding the full services stockbroking business is being achieved through both the acquisition of existing stockbroking business and through opening new offices. **Herbert P Cooper & Son** was purchased in July 1998 for $1.5 million and **Pembroke Josephson Wright** in September 1998 for A$1.0 million - both payments being in cash and the issue of new Hartley Poynton shares. In January 2000, eight senior executives from **ANZ Banking**'s margin lending business were recruited to establish a margin lending division for Hartley Poynton.

The internet share trading business was launched in April 1999. Hartley Poynton does not offer this service under its own name, but provides it via other financial institutions which re-brand the service under their own names and offer it to investors.

The first two companies to use the service were **St George Bank** (which provides online share trading for its 3000 investment advisers) and **AMP** (which also uses the share trading service internally). In May, **Quicken.com.au** began to offer Hartley Poynton's share trading service to the public under the **Quick.Broker** brand. In July 1999 Australian listed **Solution 6** spent $14.7 million buying a 15% stake in Hartley Poynton, and offering the share trading in its “e-accountancy” service, while another listed company, **EISA**, offered the share trading through its **Stockshop** service. In September, **DaytraderHQ.com** launched **daytraderHQ.broker**. In October 1999 **BT Financial Group** started using Hartley Poynton's internet share trading internally, while **BankWest** began offering the internet share trading service to the public. All of these companies offer internet share trading under their own names, but the business is fully outsourced to Hartley Poynton.

Company History: E*Trade Australia

Back in the 1986 stockmarket boom a thoroughbred breeding company called **Kia Ora Stud** was listed on the NZ Stock Exchange. Expansion into other businesses and losses after the 1987 crash led to the sale of all the company's assets. The company was then involved in the usual shell company activities (i.e. the target of an unsuccessful takeover bid, a range of marginally successful investments, *two* capital reconstructions) before emerging as **Nova Pacific Capital**. Nova Pacific had three main businesses: **International Contract Manufacturing** (which was spun off as a separate listed company, now 38.7% owned by E*Trade Australia), **Multiplay Online** (which was recently put into voluntary liquidation) and **Nova Pacific Securities** (a small stockbroking business).

In December 1998, Nova Pacific Securities secured exclusive, perpetual rights to the *E*Trade* brand, technology and services in Australia and NZ and launched an internet share trading service in Australia. The Nova Pacific name was changed to E*Trade Australia. The company initially sought to grow internally by advertising to attract new customers. A placement of 7,750,000 shares (15.0% of the company) at A$3.00 per share was made to listed **Computershare**, raising A$23.25 million to fund expansion.

In June 1999, E*Trade Australia sought to increase its rate of growth through a strategic alliance with **ANZ Banking Group**. Under this alliance, ANZ will link its internet banking site to E*Trade Australia's internet site, which will be co-branded as *ANZ E*Trade Online Investing*. ANZ is to finance a major marketing program, educate its customers on the benefits of online investing and generate traffic to the co-branded site. ANZ will benefit by earning up to a 40% shareholding in E*Trade Australia. An initial 6.0 million E*Trade Australia shares were issued to ANZ and every six months over a three year period ANZ will receive additional shares (up to a maximum of 25% of E*Trade Australia) based upon the volume of transactions through the co-branded site. At the end of that period ANZ will receive a further 5% of E*Trade Australia if the co-branded site generates over two-thirds of the group's on-market transactions. ANZ has also been issued with options for a further 4.0 million shares, which (if all of the other shares are issued) would give it a 40% stake in E*Trade Australia.

Recent Profit Performance

In the year to June 1997, Hartley Poynton earned A$6,059,000 (16.4 cents per share) - boosted by underwriting profits and low operating expenses - from revenues of A$37.2 million and paid dividends of 8.0 cents. Since then the expansion of its full service stockbroking business and technology development costs have significantly eroded profitability. Revenues fell 4.1% to A$35.6 million in 1998 with profits down 80.5% to A$1,181,000 (3.0 cents per share) and the dividend reduced 45.0% to 5.5 cents. Expansion raised revenues 42.4% to A$50.8 million in the June 1999 year, with profits up 25.7% to A$1,484,000 although earnings per share were unchanged at 3.0 cents owing to an increase in the issued capital. The dividend rate was cut by a further 54.5% to just 2.5 cents.

For the six months to December 1999, Hartley Poynton has reported a 68.0% lift in revenues to A$39.3 million - owing to the stockmarket boom generating brokerage growth and significant volumes of underwriting work - with profits up 115.1% to A$1,308,000 (2.1 cents per share) and the dividend up 100.0% to 2.0 cents.

E*Trade Australia has been more consistent - that is, consistently *unprofitable*. Revenues have *fallen* steadily from A$23.4 million in the year to June 1997, to A$22.2 million in 1998 and A$18.7 million in 1999 as the company sold down its holding in International Contract Manufacturing to focus on stockbroking. A profit of A$1,227,000 *(Continued on Page 11)*

Hartley Poynton, E*Trade Australia

(Continued from Page 11)

(2.0 cents per share) in 1997, turned into a loss of A$3,099,000 in 1998 and grew to an even bigger loss of A$8,952,000 in 1999. It is perhaps needless to mention it, but the company has *never* paid a dividend.

For the six months to December 1999, E*Trade Australia has reported a 44.9% *drop* in revenue to A$8.1 million and an operating *loss* 68% higher at A$6,122,000. There was also abnormal *losses* of A$42,180,000 being the value of the shares issued to ANZ as payment under the strategic alliance. E*Trade Australia describes this result as "an exceptional period of growth for the company".

For the three months to January 31 E*Trade Australia has announced that operating profits "exceeded half a million dollars, before marketing costs". However, that is still a very low amount (i.e. A$1 million annually), and marketing costs will always be a significant expense of running a stockbroking business (as investors' circumstances change, or they move to other brokers) even when the company grows out of its current establishment phase.

Stockbroking Businesses

Stockbroking is a cyclical business. Many of the costs (i.e. high executive salaries, advertising for new customers) are relatively fixed while income (i.e. brokerage, underwriting fees) rise and fall significantly with the volume of share trading and the number and value of company floats and cash issues. Given that the Australian stockmarket is booming - with high levels of share trading and corporate activity - stockbrokers *should* be making huge profits, but that is not the case with either Hartley Poynton or E*Trade Australia.

The reason may well be that both companies are in an establishment and growth phase. Developing internet technology (Hartley Poynton) or investing heavily in marketing to attract customers and expand (E*Trade Australia) is obviously expensive and depresses profit levels. While there are no accurate figures on these costs in April 1999 Hartley Poynton did state that it had spent "more than A$2 million developing the new [online trading] business" while E*Trade Australia is believed to have spent A$11 million on advertising (about 55% of the *total* A$20 million advertising budget of *all* online brokers), putting the cost of acquiring a new customer at around A$3-500. With several new entrants (i.e. many of the Hartley Poynton operated sites), advertising is expected to rise, with brokers also needing to work to retain *existing* customers. This is certainly a high growth industry, but the number of competitors is expanding rapidly and large amounts of money need to be spent finding and retaining those customers.

Even with ongoing investment in technology development we believe that Hartley Poynton should be *generating higher profits* which suggests that other costs in the business may be *too high*.

E*Trade Australia's loss is obviously caused by the massive A$11 million annual spending on advertising (plus A$40 million seeking customers via ANZ Bank) which suggests that winning (and keeping) customers may cost more than they are worth in future profits!

It *may* be that revenues grow very rapidly and that development/marketing costs decline - resulting in high profits in the future. On the other hand, low profits (at Hartley Poynton) and massive losses (at E*Trade Australia) *during a period when the Australian stockmarket is booming* may indicate that overheads or customer acquisition costs are too high and that these businesses are unlikely to generate adequate levels of profitability.

How Big are Online Brokers?

Unfortunately, many of the statistics published by companies are misleading, with brokers seeking to inflate the reported size of their business. Online trading - as a percentage of *total* trades on the Australian Stock Exchange - is reported to be around 8-11% by E*Trade Australia. Or, if you choose to believe another source, about 16% - and forecast to grow to 30% by 2005.

E*Trade Australia claims 27% of online trades. The largest online broker, **Commonwealth Securities**, has about 55-60% and we estimate **Quick.broker** at about 7% of online trades and all other online brokers at about 20-25%. That adds up to a total of 109-119% which suggests that brokers over-estimate their market share by 10-20%. Online trades, however, tend to be *small* trades by private investors. Commonwealth Securities put through 9% of all (both online and traditional) trades, but this accounts for only 2% of the turnover by value.

Investment Criteria

Our *Comprehensive Share Selection Criteria* rates Hartley Poynton shares as a "Buy" and E*Trade Australia shares as a "Sell". Let's examine the differences.

Based upon results for the year to June 1999, at A$1.70 Hartley Poynton shares trade on a low Price/Sales ratio of 0.59, a high Price/Earnings ratio of 31 and an average Dividend Yield of 3.2%. The P/S ratio suggests that the shares are under-valued, while the high P/E ratio is the result of low profits rather than a high share price. We would, however, question whether the company's cost structure is *too high*, with too many highly paid executives. If the company couldn't make a big profit over the last six months when the stockmarket is booming, we would hate to see its result during a period of low activity. On the other hand, the low profits may have been caused by (undisclosed) high development costs for its new internet trading services.

At A$3.10, E*Trade Australia shares trade on an extremely high Price/Sales ratio of 4.85 and the company is losing large amounts of money and unable to pay a dividend. This all suggests that E*Trade Australia shares may be very over-valued - or that the company needs to *grow very strongly* for several years simply to justify the current share price.

In terms of stockmarket capitalisation, both firms are *medium* sized Australian companies. Hartley Poynton has a capitalisation of A$106 million and E*Trade Australia's capitalisation is A$186 million. Although Hartley Poynton generates almost five times as much revenue, its market value is only two-thirds that of E*Trade Australia.

Hartley Poynton is *neglected* by stockbrokers with no firms following the company. E*Trade Australia is also *neglected*, but three brokers follow the company and publish profit forecasts. These brokers predict profits of A$2.2-6.7 million (3-10 cents per share) in the June 2001 year - which put the shares on a very high P/E of 35-110.

Insider trading by the directors slightly favours E*Trade Australia over Hartley Poynton. Hartley Poynton directors have made only one purchase, but three sales, over the last year, while E*Trade Australia directors have purchased shares four times and made three sales.

Hartley Poynton directors and staff have a large shareholding - owning about 25% of the company. Director AL Frazer owns 3,154,474 shares (5.1% of the company), Chairman JM Clough owns 2,051,062 shares (3.3%), Chief Executive TCS Moore has 1,750,000 shares (2.8%) and RL Crossman has 282,598 shares (0.5%).

E*Trade Australia directors also have a sizeable investment in their company. I Holmes owns 2,374,055 shares (4.0% of the company), JT Dominguez 847,971 shares (1.4%), HJ Hughes 850,000 shares (1.4%), KCD Roxburgh 203,000 (0.3%) and S Chelvendra has 6000 shares.

Technically, Hartley Poynton shares are in a slight *uptrend* with a Relative Strength rating of +4.1% and ranked 44 (on a scale of 0-99), while E*Trade Australia shares are in a *strong downtrend* with a rating of -13.1% and ranked 96.

Future Growth Potential

E*Trade Australia currently has 34,000 brokerage customers, up an impressive 460% on the 6000 customers in December 1998. However, growth appears to be levelling out. The number of customer accounts grew from 1500 in June 1998 to 6000 in December 1998 (up 4500 or 300% over the six months), to about 19,000 in June 1999 (up 13,000 or 200%) and - despite its costly alliance with ANZ - reached only 34,000 by December 1999 (up only 15,000 or 80%). Assuming that E*Trade Australia can continue to gain only 30,000 new accounts per year, the (percentage) growth in customer numbers will slow to 110% per year in 2001, 47% in 2002, 32% in 2003 and to 24% in 2004. At the same time brokerage rates will fall. Last year E*Trade Australia lowered its fee from A$49.50 to A$39.50 and most online competitors are charging under A$30. Brokerage rates will probably fall by about 20% per annum over the long term. That suggests that revenue (i.e. approximately the number of customers times brokerage rates times an average number of trades per year) could grow by about 70% in 2001, 18% in 2002, 6% in 2003 and then start to *fall* from 2004.

Brokerage revenues are currently running around $30 million per annum, so (based on our figures above) could *peak* at A$60-65 million in 2003 and then decline!

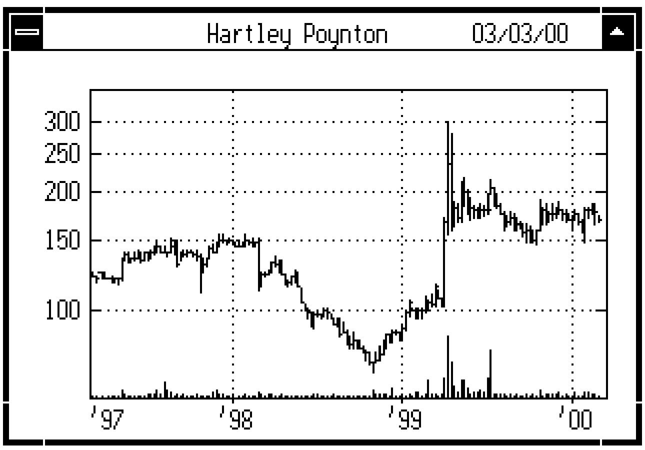
Summary & Recommendation

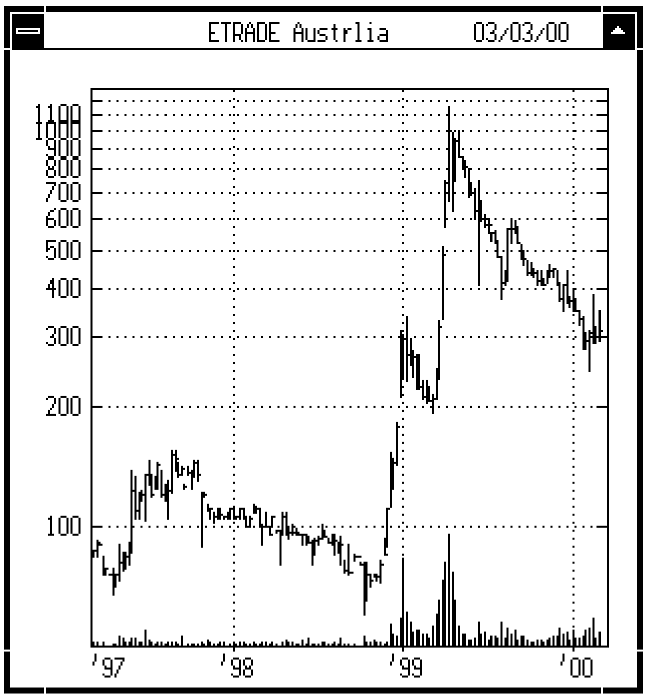
It is difficult to be sure that either Hartley Poynton or E*Trade Australia will become profitable businesses. There are, of course, many uncertainties over future growth rates and future cost levels.

Certainly, however, we would have to concur with our *Comprehensive Share Selection Criteria* that rates E*Trade Australia as over-valued and a "Sell". Even if the company becomes *more successful* at winning customers the share price is very high in relation to revenues, so many years of very high future growth is already built into the price of the shares.

Hartley Poynton, rated a "Buy" by our *Comprehensive Share Selection Criteria*, are more attractive shares for investment. We are not, however, formally recommending the shares for investment as we do have lingering doubts about its cost structure. The lack of higher profits over the last six months suggests that costs (i.e. executive salaries) are probably too high to ever make this a very profitable company.

Hartley Poynton's involvement in internet share trading may ultimately prove to be a valuable new business - avoiding many of the costs (i.e. advertising) involved in competing for customers. While the terms of service are not disclosed, we would guess that the companies offering the internet share trading service to the public bear all of the costs of obtaining customers, while Hartley Poynton receives a fixed monthly fee and a small percentage of the brokerage revenue on each trade. This could mean that Hartley Poynton earn a profit by providing the "back room" service, while internet companies lose money trying to build market share.





Hartley Poynton and E*Trade Australia share charts are drawn to the same logarithmic price scale.

Evaluating and Investing in Technology Company Shares

The Problems Evaluating Technology Shares

Attempting to evaluate Technology shares presents an analyst with many unique problems - especially during a stockmarket boom in technology shares.

If an analyst should decide that a popular technology share (or even the whole technology sector) is over-valued then he will be criticised as clearly "not understanding the company" or "not understanding technology". In this modern equivalent to *The Emperor's New Clothes*, only the most *intelligent* and *wisest* people can *fully understand*, *appreciate* and actually *see* the value of new technology! Anyone who even *hints* that the Emperor may be naked - or that technology companies will not make even their smallest shareholders into multi-millionaires - is revealing themselves to be a fool, and their analysis and opinions will be of no importance to the intelligent and wise investors owning technology shares!

It is also very difficult to evaluate technology shares using the normal investment criteria. Technology companies often have little revenue, and the *best* ones lose money! In the new age of *internet economics* investors want to earn 200% per annum capital gains, so are certainly not interested in a 3% dividend yield.

Some technology companies do actually sell something and generate revenues. A few make a profit - although, as the intelligent and wise technology investors can tell you - these companies should be spending more money on advertising, or giving away their product or service for free, to generate revenue *growth*. However, evaluating technology companies with revenues and/or profits is still extremely difficult. Often the share prices are so high in relation to the existing level of revenue and profits that the shares will look very over-valued.

Technology companies, and the intelligent and wise investors who own these shares, will argue that the value of their companies is in the intellectual abilities of their highly paid, oops, that should read, "highly *skilled*" founders and employees. We, however, would argue that evaluating these unique abilities and skills is highly subjective. Investors clearly thought that the people running the Investment and Property companies during the 1980's boom possessed extraordinary abilities and skills - but virtually all of *those* companies have failed! One could also argue that most people with exceptional technology skills probably do not also possess the exceptional *business* skills necessary to commercialise their technology, to run a business and to earn a profit. No one ever got rich *investing* in a better mouse trap (despite projections of 200% per annum sales growth).

Furthermore, we could even go as far as suggesting that the *exceptional skills* held by the founders of many technology companies may be their ability to float unproven and unprofitable companies on the stockmarket and to extract large quantities of money from investors for their personal enrichment! That is, indeed, an extraordinary skill! However, the people who receive huge sums of money by starting and promoting a company are unlikely to stay around for the 10-20 years necessary to build the business to a level that justifies its initial huge valuation.

High Technology Valuations

Most people are currently buying technology shares for exactly the same reason they bought Investment and Property shares in 1985-87: they are going up! However, many of these are inexperienced, first time investors who will make four important mistakes - any one of which will lose them money: Firstly, they enter the stockmarket boom relatively late, attracted to a market where prices have *already* risen several hundred percent over recent years. Secondly, they *overestimate* how much longer the boom will continue. Thirdly, they have no understanding of share valuations and therefore ignore this in favour of following *personalities* (e.g. if Bruce Judge, Ron Brierley or Eric What's-his-name has money in the company it *must* be a good investment!). Fourthly, they believe that when the boom ends that somehow *they* will be able to sell out before other investors.

There is nothing wrong with riding a stockmarket boom! If your shares suddenly become popular and appreciate rapidly in value then it doesn't pay to sell too soon! However, buying a share at *ten* times its fair value - hoping to sell it next year at *twenty* times its fair value - is an example of the *bigger fool theory* (i.e. the real fools buy now, believing they can sell later at a higher price to a bigger fool).

Unfortunately, the typical technology company listed on the NZ stockmarket owns businesses bought for $2-20 million, but has a stockmarket capitalisation of $20-200 million. Investors are simply paying far *too much* for companies that own only small businesses. The Emperor may not be *completely* naked - we think we can just make out a g-string!

Valuing Companies with Future Growth Potential

A technology business needs to be evaluated on the same criteria as any other business - that is, the *company's ability to generate wealth for its shareholders*.

"Generating wealth" is not about boosting the share price during a stockmarket boom, but involves a combination of (1) growing the business and making it more valuable and (2) generating profits which can be either re-invested (to fund internal growth and/or used to acquire other businesses) or distributed to shareholders usually as dividends (but capital repayments and share buy-backs are other ways to distribute cash to shareholders).

Technology companies are often young, emerging growth businesses that are currently generating little revenue or profits, and where all cash flow is retained to fund growth. Emerging growth companies - whether involved in technology or any other venture - involve high risks. It is probably not unreasonable to assume that at least 90-95% of internet related companies will ultimately fail owing to *competition* and rapidly *changing* technology. As an historical example, *in excess* of 95% of the relatively lower risk Investment and Property companies from the 1980's boom have failed!

Most of the *value* in a technology company therefore lies in its future growth potential - but most of these companies will fail before realising that potential.

Unfortunately, estimating future profits - especially when those profits may not start for many years - is, at best, a very rough guess! Owing to the inaccuracy of estimates, and the high risk of failure, future profits need to be *discounted* at a high rate to estimate a fair value for a business in its early stage of development.

Valuing an Emerging Technology Company

Take, as a hypothetical example, a small internet company with revenue of just $1.70 per share, but expected to grow by 50% per year for a decade and then earn a high 10% profit margin (and then to continue growing at the same rate as the economy). What is that share worth today?

Revenue would grow from $1.70 to almost $100 per share over the next ten years to generate earnings per share of around $10. Applying a Price/Earnings ratio of 15-20 to the company in ten years time, suggests that the shares will be worth $150-200 at that stage. Given, however, the uncertainty that the company will actually achieve its growth forecast, and the risk that it will fail (owing to the entry of a new competitor with superior technology at some stage over the next decade), an investor should apply a discount rate of 30-50% to this company. Discounting back the $150-200 share price at 30% gives a value for the shares now of $11-14 (i.e. a Price/Sales ratio of 6.50-8.20 times current revenues), while applying a 50% discount rate values the shares at $2.50-3.50 (a current P/S ratio of 1.50-2.00).

An investor buying a diversified portfolio of such shares at an average P/S ratio of 6.5-8.2 and with a 10% company survival rate would realise a gain of only 40% (a mere 3.4% per annum) over the next decade. Buying in at an average P/S ratio of 1.5-2.0 but with a survival rate of only 5% would generate a portfolio gain of 192% (but still only an 11.3% per annum rate of return).

It is therefore quite likely that a diversified portfolio of technology shares will yield *below average* investment returns over the long term. It is therefore extremely difficult to make a case for the *need* to invest in high risk technology shares when other types of shares should yield higher returns with lower risk!

Evaluating Technology Shares: Using Price/Sales Ratios

From our example above, we believe that investors should seek to buy technology shares at a Price/Sales ratio of 1.5-2.0 or less.

That clearly makes many technology shares unattractive: Advantage *may* prove to be a successful company, but trading on a P/S ratio of 6.92 the shares are just too expensive to be attractive for investment. Similarly, Australian based Solution 6 on a P/S of 6.32 and US based Amazon.com on a P/S ratio of 13.0 are also probably far too expensive.

Evaluating Technology Shares: Using Price/Earnings to Growth Ratios

Another statistic for valuing high growth companies is the Price/Earnings to Growth, or PEG ratio. The PEG ratio is the Price/Earnings ratio divided by the company's growth rate. Investors should look for figures less than 1.00, that is, look for a P/E ratio less than the expected future growth rate.

Using the PEG ratio, for example, investors would pay up to 30 times earnings for shares in a company whose profits were growing at 30% per annum, or up to 90 times earnings where profits were growing at 90% per annum. The problem here, of course, is that historical growth rates are a poor predictor of *future* growth rates and stockbrokers forecasts of future profits are also notoriously inaccurate.

It is also impossible to evaluate *unprofitable* companies (which have no P/E ratio) or companies where there is no estimate of future growth rates. Unfortunately, during a stockmarket boom, it is exactly this type of company which is given the highest valuations, which are considered the *best* companies - and which will ultimately become virtually worthless!

As most technology companies have little history, we have used brokers profit forecasts as an estimate of future growth rates and compared that with current Price/Earnings ratios. Here are the results:

Company	Current Price/Earnings Ratio	Brokers' Estimated Growth over the next two years	PEG Ratio
Advantage	56x	45%	1.24
Baycorp	54x	21%	2.57
Ind Newspapers	25x	*minus* 1%	N/A
Telecom NZ	18x	4%	4.50
AAPT	60x	13%	4.62
CI Technologies	45x	21%	2.14
C & W Optus	327x	79%	4.14
Cochlear	64x	26%	2.46
Computershare	201x	44%	4.57
Data#3	**16x**	**19%**	**0.84**
Data Advantage	43x	22%	1.95
ERG	123x	54%	2.28
Flight Centre	50x	22%	2.27
MYOB	139x	58%	2.40
News Corporation	38x	6%	6.33
One.Tel	402x	79%	5.09
Pracom	41x	31%	1.32
Solution 6	190x	131%	1.45
Sonic Healthcare	49x	5%	9.80
Strathfield Group	**19x**	**26%**	**0.73**
Telstra	15x	7%	2.14
Vision Systems	**13x**	**41%**	**0.32**

Analysis of PEG Ratios

Looking at the table above investors should notice that most technology company shares are trading at PEG ratios significantly *higher* than 1.00. That indicates that prices are too high. For example, brokers expect **C & W Optus**' profits to grow 79% per annum, but the current P/E ratio of 327 is far too high, as shown by the high PEG ratio of 4.14. **One.Tel**'s profits are also expected to grow by 79% p.a., but the shares trade on a P/E of 402, giving a PEG ratio of 5.09!!

On the other hand, **Data#3** with a very low PEG

(Continued on Page 16)

Technology Shares *(Continued from Page 15)*

0.84, **Strathfield Group** (which retails mobile phones) has a PEG of 0.73 and **Vision Systems** has an extremely low PEG of 0.32.

According to brokers' estimates, Vision Systems offers the similar growth potential as Computershare, yet trades at just 1/15th the valuation!

While the PEG ratio can be of some value, its main disadvantage is that it relies on subjective estimates of a company's future growth potential. Invariably, such estimates tend to be *too optimistic* during an economic or stockmarket boom (when expectations are high) and *too pessimistic* during a recession. Furthermore, the shares identified as under-valued by the PEG ratio (i.e. Data#3, Strathfield Group and Vision Systems) have *already* been identified as a potential "Buy" under our *Comprehensive Share Selection Criteria* - which relies solely on actual historical data and is free from the human bias involved in profit forecasting.

Summary and Recommendation

Technology shares appear to be rather expensive. This is a high risk business and many companies will fail. Consequently, the medium to long term investment returns from technology shares may prove very disappointing and substantially less than the return from growth companies in less risky sectors. Therefore, there is no compelling reason why investors *need* to have investments in this sector! Nevertheless, there are still several *neglected*, *out of favour* under-valued technology shares - which can be identified by normal share selection criteria.

In the long run, *foolish* investors who "don't understand technology" and are *too blind* to be able to *see* the "value in internet shares" will probably be the wealthiest!

Current Issues

BONUS ISSUES

	Ratio	Ex-Date
Spectrum (1)	1:6	-
Tourism Holdings	1:8	20-03

(1) Issue of options to buy shares at 20 cents until 30/11/2001.

SHARE REPURCHASES

	Price	Ratio
Colonial Motor Company (1)	270	1:10

(1) Colonial Motor Company will cancel 1 share in every 10, repaying shareholders $2.70 per cancelled share.

SHARE SPLITS

	Ratio	Ex-Date
Independent Newspapers	2:1	20-03

CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
Spectrum (1)	7:3	5	-	-

(1) New share will participate in bonus issue of options.

NEW ISSUES

	Price	Date	EPS	DPS
National Mail	125	-	-	-

National Mail is to go public and list on the NZ Stock Exchange on March 23. We don't know all of the details, but these shares do look too expensive.

The company will seek to raise $14 million from the issue of 11.2 million shares at 125 cents each. Last year the company earned revenues of $5.3 million but *lost* $5.45 million. It now hopes that annual revenues will increase 256% to $18.9 million this year and a further 40% to $26.6 million in 2002. This is forecast to produce profits of $2.19 million this year and $5.99 million in 2002.

Somehow those forecasts just don't seem to add up! The $7.7 million *increase* in revenue in 2002 is unlikely to yield a $3.8 million *increase* in tax paid profits. That would suggest a marginal pre-tax profit margin of 74%. That would certainly be a turnaround from the company's historical experience where it has *lost* $2.02 for each $1 of revenue.

Having misplaced our rose coloured glasses we find ourselves unable to *see* the investment merits of this New Issue. Avoid - much better value elsewhere.

"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 Capital-isation (NZ$ Mill.)
AMP NZ Office	4	212
Advantage HDS	3	147
Affco Holdings	1	80
Air New Zealand	10	1,038
Akd Int Airport	8	1,025
Baycorp Hold	6	720
Brierley Invest	4	1,075
CDL Hotel NZ	3	84
Cap Properties	2	41
Carter Holt	8	3,245
Cavalier Corp	5	121
Ceramco Corp	3	60
Contact Energy	7	1,751
DB Group	7	287
FC - Building	6	732
FC - Paper	9	847
FC - Forests	9	457
FC - Energy	7	1,475
Fisher & Paykel	7	746
Force Corp.	4	107
Guiness Peat	2	613
Hallenstein G.	6	116
Hellaby Hold.	5	87
Horizon Energy	3	134
Ind Newspapers	7	1,189
Infratil NZ	5	220
Kiwi Property	6	290
Lion Nathan Ltd	8	1,999
Lyttelton Port	4	150
Mainfreight Grp	7	13
Metro. LifeCare	3	128
Michael Hill	4	122
Montana Group	7	425
NZ Refining Co	3	197
Natural Gas	7	639
Northland Port	3	54
Nufarm Limited	6	512
Nuplex Indust	6	172
Owens Investmts	6	66
PDL Holdings	2	67
Pacific Retail	5	83
Port Tauranga	7	440
Ports Auckland	7	663
Property F Ind.	4	84
Restaurant Brds	7	111
Sanford Limited	5	97
Sky City Ltd	8	657
Sky Network TV	7	1,389
South Port NZ	1	30
St. Lukes Group	6	243
Steel & Tube	6	123
Tasman Agric.	3	97
Taylors Grp Ltd	2	28
Telecom Corp	10	14,776
Tourism Hold.	7	172
Trans-Tasman	5	87
Trans Alta NZ	7	593
Tranz Rail Hold	8	386
Trust Power Ltd	6	481
United Networks	2	909
Warehouse Group	7	1,202
Waste Mgmt NZ	4	346
Wrightsons Ltd	3	56

"Neglect" Ratings of Australian Shares

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

Company	No. of Brokers Following Company	Market Capital-isation (A$ Mill.)
A.G.L.	14	2,723
A.P. Eagers	2	62
AAPT	11	2,111
AJ Indust Fund	2	126
AJ Office	2	311
AJ Retail	6	259
AMP Diver. Prop	9	951
AMP Ind Prop Tr	5	335
AMP Ltd	11	16,000
AMP Office Trt	7	571
AMP Shop Centre	7	729
ANZ Bank	17	16,058
APN News Media	12	1,010
ARB Corporation	3	62
ARC Energy	1	15
AWA Ltd	3	137
Adcorp Aust.	1	98
Adelaide Bright	7	265
Adelaide Bank	11	423
Adsteam Marine	5	178
Adtrans Group	1	40
Advance Prop	6	653
Advanced Engine	10	49
Amalgamated Hld	5	435
Amcor Ltd	15	3,705
Ammtec Ltd	1	16
Amrad Corp.	2	70
Anaconda Nickel	6	902
Aristocrat	7	1,660
Ashton Mining	6	246
Asia Pac Spec	7	49
Atkins Carlyle	6	107
Aurora Gold	10	44
Ausdoc Group	10	221
Auspine Ltd	5	136
Aust Hospital	5	95
Aust Com Prp Tr	4	146
Aust W'wide Exp	1	69
Aust Stock Exch	7	1,514
Aust Oil & Gas	1	69
Aust Infra.	3	280
Aust Gth Prop.	3	124
Aust Pharm. Ind	6	290
Austar United	8	3,972
Australand Hold	4	418
Austrim Nylex	5	550
Austral Ltd	3	356
Auto Group Ltd	1	25
Avatar Indust.	1	39
B.H.P.	17	28,978
BA Tobacco Aust	4	1,731
BRL Hardy Ltd	13	1,036
BT Office	6	0
BT Property	6	451
Bank of W.Aust	14	2,119
Bank of Q'land	10	300
Beaconsfield Gl	1	54
Bendigo Sand.	7	419
Beyond Int'l	3	64
Biota Holdings	2	391
Blackmores Ltd	2	86
Boag (J) & Son	2	51
Boral Ltd	14	2,306
Brambles Ind.	13	9,132
Brandrill	2	46
Brazin Limited	7	312
Breakwater Is.	3	39
Brickworks Ltd	5	533
Bridgestone	1	79
Bristile Ltd	3	184
Bunnings W/hse	1	131
Burns Philp	1	214
Burswood Ltd	13	257
C & W Optus	16	25,437
C'wth Prop Off.	6	469
C.S.R. Ltd	14	3,629
CI Technologies	5	454
CMI Limited	2	29
CPI Group	7	81
CSL Limited	9	2,694
Caltex Austrlia	10	621
Campbell Bros	2	149
Candle Aust.	7	116
Capral Alum.	12	379
Carindale Prop	1	140
Cellnet Telecom	1	150
Centaur Mining	5	97
Central Equity	1	181
Centro Prop.	6	589
Chal Prop Inc	2	131
Challenger Int.	2	715

Company	No. of Brokers Following Company	Market Capital-isation (A$ Mill.)
Cinema Plus	5	27
Cleland	1	50
Clough Limited	1	183
Coal & Allied	3	1,273
Coates Hire	6	192
Coca-Cola Bev.	1	3,201
CocaCola Amatil	16	3,290
Cochlear Ltd	7	1,064
Coles Myer	16	7,421
Colonial Ltd	11	5,614
Colorado Group	1	89
Com'wealth Bank	17	22,781
Com. Inv. Trust	6	688
Comalco Ltd	14	5,287
Computer Share	4	3,779
Cons Rutile	3	106
Corp Express	5	472
Coventry Group	1	148
Crane Group	8	327
Cranswick Wines	6	93
Crevet Ltd	3	18
Croesus Mining	1	30
Darling Park Tr	6	114
Data 3 Ltd	2	44
Data Advantage	6	369
David Jones	14	491
Davids	7	256
Davnet Limited	2	1,250
Delfin Property	2	149
Delta Gold NL	14	405
Dev Capital Aus	1	57
Devine	1	22
E.R.G.	7	2,531
ETRADE Aust.	3	186
East'n Aluminiu	7	173
Ecorp Limited	5	1,458
Eisa Ltd	1	163
Email Ltd	10	574
Emperor Mines	3	50
Energy Resource	7	306
Energy Develop.	4	1,110
Energy Equity	1	47
Envestra	8	459
Evans Deakin	8	206
FXF Trust	2	428
Fairfax (John)	13	4,372
Farnell & Thom.	2	16
Faulding (F.H.)	11	1,268
Finemore Hold	6	69
First Aust Bldg	1	112
Fleetwood Corp	2	49
Flight Centre	5	1,406
Flinders Ind PT	5	196
Foodland Assoc	10	697
Forest Place Gr	1	46
Forrester Kurts	2	124
Foster's Brewin	18	7,275
Franked Income	4	1,159
Freedom Group	10	144
Funtastic Furn.	2	49
Futuris Corp.	11	998
G.U.D. Holdings	10	95
GWA Internat'l	9	635
Gandel Retail T	10	1,287
General Prop Tr	10	3,747
Goldfields	9	190
Goodman Fielder	15	1,491
Goodman Hardie	4	393
Graincorp	2	263
Grand Hotel	4	229
Gt Sthn Plant'n	1	453
Gunns Ltd	1	79
Gympie Gold	2	50
HIH Insurance	10	605
Hardie (James)	12	1,486
Harris Scarfe	8	95
Harvey Norman	11	2,749
Heggies Bulk.	1	20
Henry Walker E.	10	234
Hill 50 Gold	6	115
Hills Indust.	4	266
Hills Motorway	8	598
Homemaker Prop.	4	146
Hutchison Tel.	10	2,612
IAMA Ltd	5	131
iiNet	1	55
Illuka Resource	11	834
Incitec	5	656
Indust Inv Trt	4	202
Infratil Aust.	5	210
Int'l Allsports	2	47

Company	No. of Brokers Following Company	Market Capital-isation (A$ Mill.)
Int'l Contract	1	20
Jupiters	11	640
Just Jeans Grp	8	81
K&S Corporation	3	41
Keycorp ltd	2	325
Kidston Gold	6	38
King Island	2	81
Lang Corporatio	6	963
Leighton Hold	12	1,234
Lend Lease Corp	12	10,737
Liberty One	2	285
Lihir Gold	14	952
M.I.M. Holdings	16	1,942
M.Y.O.B. Ltd	4	896
MCS 1999 Retail	1	74
MacMahon Hold	3	30
Macquarie C'Wde	5	349
Macquarie Leis.	2	83
Macquarie Off.	5	559
Macquarie Ind.	5	250
Macquarie Bank	10	4,308
Maxi TRANS	2	24
Mayne Nickless	14	1,065
McGuigan Wines	5	143
McPherson's Ltd	1	58
Metalcorp Ltd	3	158
Metal Manufact.	3	335
Micromedical	1	46
Millers Retail	5	251
Mirvac Property	8	639
Mirvac Ltd	1	547
Mobile Innov.	1	99
Monadelphous Gr	1	64
Murchison Un.	3	43
Namoi Cotton	2	75
Nat'l Foods	12	768
Nat'l Aust Bank	17	32,040
Nat'l Can	1	100
Nat'l Mut. Prop	7	894
Nat'l Mutual	10	3,948
Nautronix Ltd	3	40
Neverfall Spr.	6	324
Newcrest Mining	15	1,048
News Corporatio	16	55,677
Niugini Mining	3	188
Norm Mt Leyshon	9	123
Norman Wines	2	45
Normandy NFM	9	278
Normandy Mining	16	1,530
North Ltd	18	2,148
Novogen Ltd	2	315
Novus Petroleum	7	239
OPSM Protector	9	359
Oil Search Ltd	13	894
One Tel Ltd	2	3,861
Orica Ltd	12	1,722
Orogen Minerals	6	482
Oroton Int'l	1	47
PBL	13	9,995
PMP Communicat.	10	525
Pacific Hydro	3	145
Pacific Dunlop	14	1,676
Pacific Mining	4	190
Pacifica Group	11	737
Paladin Com.	6	450
Paladin Ind.	4	156
Parbury Ltd	1	57
Pasminco Ltd	16	1,158
Perilya Mines	1	31
Perp Trust Aust	7	751
Perseverance	2	7
Petaluma Ltd	8	114
Peter Lehman W.	7	80
Petroz NL	6	64
Petsec Energy	1	20
Pioneer Int'l	11	3,577
Pipers Brook	2	33
Pirelli Cables	2	64
Polartechnics	1	200
Portman Mining	5	125
PowerTel Ltd	2	1,751
Powerlan Ltd	2	590
Pracom Ltd	4	179
Preston Resourc	2	17
Primary Health	3	364
Prime TV	9	174
Prime Credit PT	1	491
Prime Retail	1	74
Progen Indust.	1	84
Prophecy Int'l	4	140
Protel Int'l	3	402

Company	No. of Brokers Following Company	Market Capital-isation (A$ Mill.)
Q.B.E. Insur.	12	2,962
Q.C.T. Resource	12	413
Qantas	15	4,166
Queens'd Cotton	4	106
Queensl'd Metal	5	137
Ramsay Health	7	96
Ranger Minerals	7	142
Rebel Sport	5	49
Rec. Solutions	3	34
Reckon Limited	3	181
Reinsurance Aus	9	12
Resolute Saman.	10	52
Retail Tech.	1	11
Ridley Corp.	9	150
Rio Tinto Ltd	16	14,754
Roc Oil Company	3	113
Rock Building	1	35
Ross Mining NL	9	90
Rural Press Ltd	9	528
Santos Ltd	17	2,340
Sausage Softwar	1	670
Scientific Serv	1	26
Sea World PT	1	137
SecureNet Ltd	1	451
Seven Network	13	1,744
Siddons Ramset	7	339
Simeon Wines	10	207
Simsmetal Ltd	11	431
Singleton Group	2	177
Skilled Eng.	11	222
Smith (Howard)	11	1,560
Smorgon Steel	6	1,246
Snack Foods Ltd	3	95
Solution 6	2	1,187
Sonic Health	6	1,142
Sons of Gwalia	15	534
Soul Pattinson	4	847
Southcorp Ltd	15	2,744
Spicers Paper	8	255
Spotless Group	7	783
Spotless Serv.	7	484
St George Bank	15	4,959
Sthn Star	2	58
Sthn Cross Brd.	6	272
Stockland Trust	9	1,438
Straits Res.	2	22
Strathfield Grp	2	213
Suncorp-Metway	12	2,458
Sunland Group	1	78
Sydney Aquarium	3	91
TAB Ltd	13	1,180
TDG Logistics	1	38
TV Media Serv.	7	0
Tabcorp Holding	13	3,761
Tap Oil	6	95
Techniche Ltd	2	141
Telecasters Aus	7	134
Telstra	16	49,001
Tempo Services	6	116
Ten Network	9	817
Thakral Holding	3	390
Ticor Ltd	7	325
Timbercorp	3	487
Toll Holdings	7	410
Tourism Aust.	3	163
Triden Corp	2	37
United Group	7	133
United Energy	9	1,017
Village Road.	9	604
Villa World	3	64
Vision Systems	1	98
WRF Securities	1	19
Waterco Ltd	1	27
Watpac Ltd	1	21
Wattyl Ltd	11	281
Wesfarmers Ltd	13	3,345
West Aust News	12	1,058
West'n Metals	10	122
Western Mining	18	7,459
Westfield Hold.	11	4,765
Westfield Trust	10	5,071
Westfield Amer.	5	1,563
Westpac Prop Tr	8	726
Westpac Banking	17	19,553
Westral'n Fores	1	91
White (J) Malt	1	61
Wide Bay Cap'n	1	67
Wine Planet	2	101
Woodside Petrol	16	6,867
Woolworths Ltd	16	5,678
Yates (Arthur)	7	56

D i v i d e n d $

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
AMP NZ Office Trust	3.50	20-03	31-03	Nil
Air New Zealand	6.00	20-03	31-03	Nil
Baycorp Holdings	9.0	20-03	24-03	Full
Capital Properties	2.2425	13-03	24-03	0.645
Cavalier Corporation	10.00	13-03	17-03	Full
Cedenco Ltd	6.00	13-03	20-03	Nil
Colonial Motor Company	9.00	13-03	20-03	Full
Designer Textiles	1.00	20-03	29-03	Full
Ebos Group	6.50	20-03	24-03	Full
FC - Building	8.00	20-03	03-04	Full
FC - Energy	8.00	20-03	03-04	Full
FC - Paper	1.50	20-03	03-04	Full
Fisher & Paykel	15.00	20-03	24-03	Full
Fisher & Paykel (1)	15.00	20-03	24-03	Full
Force Corporation	1.00	06-03	10-03	Full
Hallenstein Glasson	9.00	20-03	23-03	Full
Hellaby Holdings	7.00	27-03	31-03	Full
Infrastructure & Utilities	3.00	20-03	24-07	Full
Infrastructure & Utilities (1)	2.25	20-03	24-07	Full
Independent Newspapers	7.00	20-03	31-03	Full
Lyttelton Port	3.50	28-03	31-03	Full
Michael Hill International	6.00	13-03	20-03	Full
Montana Group (NZ)	3.50	17-03	27-03	Full
Natural Gas Corporation	5.00	13-03	17-03	Full
NZ Refining Company	60.00	17-03	30-03	Nil
Nuplex Industries	8.00	13-03	24-03	Full
Renaissance Corporation	1.00	20-03	24-03	Full
Port of Tauranga	8.00	13-03	24-03	Full
Port of Tauranga (1)	16.00	13-03	24-03	Full
Ports of Auckland	9.00	06-03	15-03	Full
Ports of Auckland (1)	15.00	06-03	15-03	Full
Restaurant Brands	5.50	20-03	31-03	Full
St Lukes Group	4.676	20-03	03-04	Nil
Scott Technology	4.50	27-03	31-03	Full
Sky City	24.00	13-03	24-03	Full
South Port NZ	2.00	06-03	10-03	Full
Taylors Group	3.00	13-03	24-03	Full
Tourism Holdings	4.00	20-03	24-03	Full
Tower Corporation	12.00	06-03	17-03	1.00
Trans Alta NZ	6.50	13-03	16-03	Full
Trans Alta NZ (1)	4.30	27-03	30-03	Full
United Networks	15.00	03-04	07-04	Full
Waste Management (NZ)	4.00	20-03	24-03	Full
Wrightson Limited	1.00	13-03	22-03	Full

(1) Special Dividends

"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held Before	After
04/02/2000					
Fisher & Paykel	The Capital Group	Buy	+0.500	5.08%	6.50%
Seafresh NZ	PL Lim	Buy	+4.037	0.0%	6.12%
11/02/2000					
Air New Zealand	Franklin Resources	Sell	-4.765	5.82%	4.98%
18/02/2000					
FC - Energy	AMP	Sell	-3.222	5.28%	4.29%
FC - Paper	JP Morgan Inv Mgmt	Sell	-8.356	7.26%	5.95%
Lion Nathan	Maple-Brown Abbott	Buy	+29.088	0.0%	5.31%
Utilico International	Hettinger Nominees	Buy	+6.609	0.0%	6.72%
25/02/2000					
Advantage Group	Soros Fund Mgmt	Buy	+4.064	0.0%	7.89%
Ceramco Corporation	UBS Nominees	Sell	-0.715	13.68%	11.91%
Met Life Care	NZ Funds Mgmt	Buy	+0.617	8.20%	9.20%
Savoy Equities	Wells Investment	Sell	-16.290	11.18%	7.01%
Strathmore Group	NZ Funds Mgmt	Buy	+13.332	0.0%	6.65%
Utilico International	Eastern States	Buy	+1.111	26.74%	27.87%
03/03/2000					
AffcoHoldings	UBS Nominees	Sell	-2.086	10.68%	9.64%
National Property Trust	Carter Group	Buy	+3.900	0.0%	9.35%
Restaurant Brands	Tower Corporation	Sell	-0.842	9.39%	8.40%

Total Return Index for All Listed Shares

Feb 7	2481.96	Feb 14	2451.59
Feb 8	2466.18	Feb 15	2446.18
Feb 9	2459.59	Feb 16	2443.87
Feb 10	2453.76	Feb 17	2442.61
Feb 11	2468.91	Feb 18	2424.98
Feb 21	2409.53	Feb 28	2379.08
Feb 22	2401.08	Feb 29	2386.37
Feb 23	2403.38	Mar 1	2389.90
Feb 24	2396.63	Mar 2	2381.21
Feb 25	2398.11	Mar 3	2372.40

Australian Shares

Atlas Pacific notes	2.0086	07-03	23-03	-
Auspine	10.00	-	31-03	-
Flight Centre	10.00	-	31-03	-
Hamilton Island	13.00	23-02	06-03	-
PMP Communications	13.50	21-03	06-04	-
Thakral Holdings	2.75	-	-	-
Toll Holdings	13.00	-	-	-

Internet Password

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March's Password April'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 April 11, 2000 and on our internet sites on Wednesday April 12.

Office Closed: March 9-22

Our Auckland office will be closed for a short period this month while your Editor takes an "R & R" (research and recreation) trip to Australia.

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