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

Market Analysis

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Inside Market Analysis

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Summary and Recommended Investment Strategy.

Hold all existing NZ and Australian shareholdings but accumulate new cash (i.e. from new savings and from dividends) pending an improvement in the stockmarket outlook.

Investment Outlook.

Our One-Year Forecast for the NZ stockmarket has fallen to a **slightly Bearish 35%**, although our **Short Term Trend Model** has improved to a **Bullish 70%**. The outlook for Australia is little better, with our Forecast at a **slightly Bearish/Neutral 39%**.

The main *problem* in NZ continues to be strong economic growth - which is favourable for corporate profits but has an unfavourable impact upon the stockmarket as the Reserve Bank raises interest rates to depress economic activity.

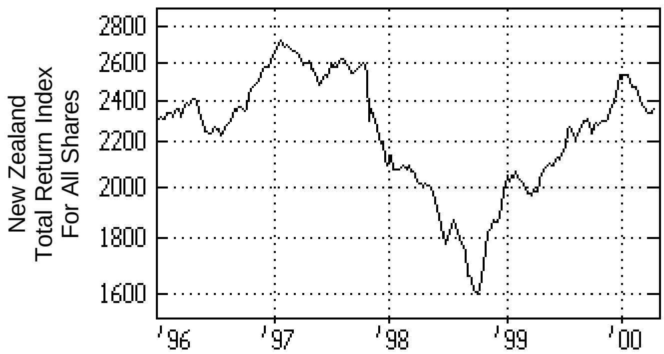
We seek to maximise our medium to long term investment returns through combining a variety of methods: (1) investing in the stockmarket (which offers higher long term returns), (2) share selections (i.e. investing mainly in *smaller* companies, shares that are *neglected* and *under-valued* but in *positive price trends* and where *insiders are buying*) and (3) through market timing (i.e. attempting to avoid the worst stockmarket declines).

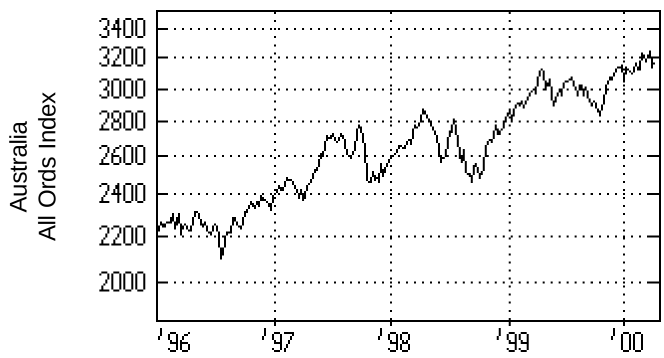
Of these three main strategies for building wealth, the third, *market timing*, is the least reliable method while the first, *that the shares are the best investment*, is so important that we are reluctant to reduce our exposure to the stockmarket below 100% except in the most unfavourable circumstances.

Prior to the 1987 crash we recommended building up a 20-25% cash reserve - but a couple of pre-crash investments (NZ Refining which eventually yielded a +3,330% gain and U-Bix 204%) prove the value of good share selection.

The bottom line is that we are *cautious* about the outlook for the NZ and Australian stockmarkets. However, we have been cautious about Australia for six months but our Australian shares have continued to yield excellent investment returns. We may allow cash from new savings, recent dividends (and the Colonial Motor capital repayment) to accumulate, but our Forecasts are not yet sufficiently unfavourable to warrant selling our existing NZ or Australian shareholdings.

Our *International Investor* has built up cash reserves of 22½-25% (so equal to about 10% of our total investment portfolios), but it also holds 10-12% in warrants (which are about 50-60% more volatile than shares).





Performance Forecasts

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

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	B	78	0.40	27	15.3
AMP Limited	B	1880	0.58	15	2.8
AMP NZ Office	C	89	6.37	12	8.7
AXA Asia Pac.	C	282	2.66	14	4.0
Advantage HDS	B	489	6.98	57	Nil
Affco Holdings	D	38	0.09	NE	Nil
Air New Zealand	B	208	0.35	6	7.2
Akd Int Airport	C	237	6.21	23	5.0
Apple Fields	D	10	0.08	NE	Nil
Aquaria 21	D	13	N/A	NE	Nil
Baycorp Hold	A	1025	N/A	58	2.3
Beauty Direct	D	17	N/A	NE	Nil
Brierley Invest	C	42	0.64	11	7.1
Broadway Ind	C	36	0.09	NE	Nil
CDL Hotel NZ	E	25	0.42	13	4.5
CDL Investments	E	23	1.61	10	13.0
Calan Hlthcare	E	108	N/A	NE	Nil
Cap Properties	C	31	3.91	3	35.5
Carter Holt	D	194	1.17	65	4.1
Cavalier Corp	B	328	0.59	11	11.8
Cedenco Foods	B	85	2.00	10	Nil
Ceramco Corp	B	155	0.72	21	4.8
Col FS Property	C	85	N/A	12	8.1
Col Motor Co	A	270	0.28	15	8.6
Colonial Ltd	B	965	0.79	16	2.7
Contact Energy	C	264	7.63	14	8.9
Cue Energy Ltd *	N/R	8.5	4.45	NE	Nil
DB Group	C	280	0.44	10	8.5
Dairy Brands	E	24	1.61	NE	Nil
Damba Hold Ltd	C	54	0.51	NE	Nil
Design Textiles	B	30	0.20	5	14.9
Dorchester Pac	A	147	1.12	13	4.6
E-Force Limited	D	36	0.53	NE	Nil
E-Phone Ltd	D	53	N/A	NE	Nil
Ebos Group Ltd	B	360	0.93	16	7.5
Eldercare NZ	E	51	N/A	NE	Nil
Evergreen	E	45	N/A	19	Nil
FC - Energy	D	525	1.44	31	4.0
FC - Building	C	230	0.28	33	7.8
FC - Paper	D	230	0.42	NE	1.0
FC - Forests	D	77	1.19	12	Nil
Fisher & Paykel	C	610	0.93	20	6.1
Force Corp.	A	70	3.40	14	8.5
Goodman Fielder	B	142	0.40	13	6.6
Grocorp Pacific	E	16	0.94	NE	Nil
Guiness Peat	C	137	1.34	10	1.4
Hallenstein G.	B	180	0.66	11	14.1
Hellaby Hold.	C	180	0.53	6	11.6
Heritage Mining*	N/R	5.0	N/A	NE	Nil
Horizon Energy	C	675	2.18	24	5.1
IT Capital Ltd	C	51	N/A	NE	Nil
Ind Newspapers	A	409	1.58	33	8.8
Infratil NZ	C	117	6.99	8	8.9
Infratil Aust.	D	100	N/A	NE	Nil
Kingsgate Int'l	E	16	0.72	11	Nil
Kiwi Property	C	83	5.70	9	12.5
Kiwi Developmnt	D	119	N/A	NE	Nil
Lion Nathan Ltd	C	357	1.00	13	5.8
Lyttelton Port	C	135	2.48	10	8.1
Mainfreight Grp	B	157	0.40	16	5.2
Manor Inns Grp	E	15	0.60	NE	Nil
Max Resources*	N/R	13	N/A	NE	Nil
Metro. LifeCare	B	223	2.17	21	4.0
Michael Hill	B	290	0.71	13	5.9
Mid-Cap Index*	N/R	175	N/A	NE	Nil
Montana Group	C	186	0.93	16	2.4
Mr Chips Hold	B	70	0.77	24	8.5
NZ Experience	D	10	0.72	48	Nil
NZ Invest Trust*	N/R	430	N/A	NE	1.9
NZ Oil and Gas *	N/R	28	1.93	NE	Nil
NZ Refining Co	B	1000	0.99	10	10.0
Nat Property Tr	C	70	4.33	8	14.5
National Mail	E	106	N/A	NE	Nil
Natural Gas	D	131	1.89	12	11.4
Newcall Group	E	51	N/A	NE	Nil
Newmarket Prop.	B	55	4.09	6	17.3
Nobilo Wines	C	85	0.74	19	5.3
Northland Port	A	125	1.00	12	9.0
Nufarm Limited	C	400	0.43	10	6.3
Nuhaka Forestry	D	1345	N/A	NE	Nil
Nuplex Indust	C	302	0.53	14	5.2
Opio Forestry	E	49	N/A	NE	Nil
Otter Gold Mine*	N/R	70	0.44	15	Nil
Owens Investmts	C	108	0.16	15	13.8
Ozzy (Tortis)*	N/R	248	N/A	NE	Nil
PDL Holdings	C	478	0.20	37	6.2
Pacific Retail	B	198	N/A	17	2.3
Port Tauranga	C	490	7.08	21	5.5
Ports Auckland	D	420	3.62	17	6.4
Property F Ind.	C	72	7.45	14	9.5
Pure NZ Limited	D	23	7.69	NE	Nil
Radio Works NZ	A	690	1.90	15	3.2
Reid Farmers	A	68	0.51	10	9.9
Renaissance	B	65	0.19	52	2.3
Restaurant Brds	B	125	0.53	9	11.9
Revesco Ltd*	N/R	56	7.40	NE	Nil
Richina Pacific	D	41	0.06	NE	Nil
Roller Int'l *	N/R	40	0.21	NE	Nil
Ryman Health.	D	175	N/A	NE	Nil
SE Utilities	C	91	2.26	12	6.6
Sanford Limited	B	500	1.48	12	4.5
Savoy Equities	D	5.0	1.88	NE	Nil
Scott Tech. Ltd	B	240	1.71	16	6.8
Seafresh Fish.	D	12	0.47	13	Nil
Shotover Jet	C	55	0.99	9	4.5
Sky City Ltd	C	615	2.30	13	10.4
Sky Network TV	D	460	N/A	NE	Nil
South Port NZ	B	92	1.02	21	8.9
Southern Cap	D	56	4.12	9	Nil
Spectrum Res.*	N/R	18	N/A	NE	Nil
St. Lukes Group	C	132	2.24	6	11.1
Steel & Tube	C	135	0.35	12	8.8
Strathmore Grp	D	36	N/A	NE	Nil
Summit Gold Ltd*	N/R	13	N/A	NE	Nil
Tag Pacific Ltd	C	65	0.92	NE	1.2
Tasman Agric.	C	76	2.44	11	4.0
Taylors Grp Ltd	B	104	0.66	14	6.5
TeNZ *	N/R	104	N/A	NE	Nil
Telecom Corp	A	955	4.87	20	7.2
Tourism Hold.	B	234	0.88	15	3.2
Tower Limited	C	476	0.62	11	2.7
Trans-Tasman	E	19	0.62	NE	Nil
Trans Alta NZ	C	207	0.49	13	10.1
Tranz Rail Hold	D	300	0.64	5	8.5
Trust Power Ltd	C	345	2.74	30	7.0
United Networks	C	580	1.95	8	10.3
Utilico Int'l	D	26	N/A	NE	Nil
Warehouse Group	A	430	1.31	23	6.6
Waste Mgmt NZ	B	370	3.30	34	2.4
Williams Kettle	A	210	0.30	13	9.2
World Index Fd *	N/R	223	N/A	NE	Nil
Wrightsons Ltd	D	40	0.10	NE	Nil
Ave of 132 Coys	C	215	0.54	19	4.7

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A.G.L.	B	807	1.58	12	5.6
AAPT	A	929	3.68	80	Nil
AMP Diver. Prop	C	231	8.05	13	7.9
AMP Ltd	C	1566	0.62	16	2.6
AMP Office Trt	C	113	9.31	13	7.3
AMP Shop Centre	E	108	N/A	NE	Nil
ANZ Bank	C	1095	1.56	12	5.1
APN News Media	A	410	2.03	24	3.1
AXA Asia Pac	C	240	2.83	14	3.8
AXA Aust Div PT	C	115	9.41	15	7.5
Advance Prop	C	138	6.62	12	8.5
Amcor Ltd	C	632	0.60	14	6.2
Amway Asia Pac	D	2730	N/A	NE	Nil
Aristocrat	B	1570	5.90	45	1.8
Aust Stock Exch	A	1290	8.06	33	2.7
Austar United	C	780	N/A	NE	Nil
Austrim Nylex	C	230	0.60	7	6.6
Australand Hold	B	134	0.80	6	9.0
Axon Instrument	D	143	N/A	NE	Nil
BA Tobacco Aust	C	1050	0.40	13	82.5
BRL Hardy Ltd	C	760	2.09	22	2.0
BTR "A"	E	508	N/A	NE	Nil
Bank of W.Aust	B	359	5.12	15	4.6
Boral Ltd	C	203	0.45	10	3.7
Brambles Ind.	C	4400	1.96	30	1.8
Brickworks Ltd	A	4900	4.37	17	2.2
C & W Optus	C	630	9.50	NE	Nil
C.S.R. Ltd	C	351	0.53	10	6.6
CSL Limited	A	2010	6.23	56	1.0
Cadbury Sch.	D	1075	N/A	NE	3.1
Centro Prop.	C	279	6.66	13	8.2
Challenger Int.	B	404	3.33	19	1.2
Coal & Allied	B	1430	2.11	17	5.6
Coca-Cola Bev.	E	301	N/A	NE	Nil
CocaCola Amatil	B	447	1.17	24	2.7
Cochlear Ltd	A	2200	8.67	68	1.3
Coles Myer	B	643	0.32	17	4.0
Colonial Ltd	B	810	0.86	17	2.5
Com'wealth Bank	C	2377	2.23	15	4.8
Com. Inv. Trust	E	96	N/A	NE	Nil
Computer Share	B	765	N/A	NE	0.5
Crown Ltd	D	90	0.70	14	Nil
Data Advantage	B	508	8.13	60	1.0
Davnet Limited	C	454	N/A	NE	Nil
E.R.G.	A	1060	7.84	NE	0.1
Ecorp Limited	D	453	N/A	NE	Nil
Email Ltd	C	220	0.26	13	6.4
Energy Develop.	A	1000	N/A	73	0.5
Fairfax (John)	A	574	3.17	18	1.8
Faulding (F.H.)	B	690	0.53	18	3.0
Flight Centre	A	1870	0.82	54	1.0
Foodland Assoc	C	765	0.18	6	6.4
Foster's Brewin	B	427	2.35	20	3.0
Futuris Corp.	C	177	0.23	15	4.5
GWA Internat'l	C	232	1.16	15	5.4
Gandel Retail T	C	109	9.71	16	7.6
General Prop Tr	C	269	6.52	15	7.1
Ges Internat'l	A	250	1.41	57	0.4
Goodman Fielder	C	120	0.44	14	6.3
Gt Sthn Plant'n	D	410	N/A	NE	Nil
Guinness Peat	C	115	2.28	10	0.5
HIH Insurance	C	131	0.18	7	12.2
Hardie (James)	D	385	1.10	NE	3.9
Harvey Norman	A	320	1.92	7	4.7
Hills Motorway	C	371	N/A	46	1.6
Hutchison Tel.	C	525	7.49	NE	Nil
Incitec	C	530	0.65	18	4.0
Jupiters	B	260	1.09	14	5.4
Keycorp ltd	B	1430	3.95	NE	Nil
Lang Corporatio	C	815	2.40	27	Nil
Leighton Hold	C	470	0.37	10	6.4
Lend Lease Corp	B	2030	2.48	24	3.0
M.Y.O.B. Ltd	A	1685	N/A	NE	0.2
Macquarie Infra	C	125	5.58	6	8.0
Macquarie C Tel	C	280	N/A	NE	Nil
Macquarie Bank	B	2644	5.13	26	2.6
Macquarie Off.	C	110	8.04	12	9.6
Mayne Nickless	A	333	0.29	10	9.0
Melbourne IT	A	1144	N/A	NE	0.2
Mirvac Ltd	B	250	0.97	13	4.0
Mirvac Property	C	178	9.75	15	6.4
Mobile Com.	C	1400	N/A	NE	Nil
Nat'l Foods	B	272	0.66	15	4.8
Nat'l Aust Bank	C	2265	5.26	46	4.9
News Corporatio	A	2295	2.13	32	0.1
Nufarm Limited	E	335	N/A	NE	Nil
One Tel Ltd	D	153	7.92	NE	0.1
Open Telecom.	B	1205	N/A	NE	Nil
Orica Ltd	C	687	0.42	12	5.4
PBL	A	1365	5.50	52	1.3
Pacific Dunlop	C	155	0.25	8	9.0
Pacifica Group	C	466	0.74	21	3.8
Perp Trust Aust	B	2300	4.11	29	2.6
Pioneer Int'l	B	465	1.04	17	34.6
Powerlan Ltd	D	234	N/A	NE	Nil
PowerTel Ltd	C	292	2.85	NE	Nil
Q.B.E. Insur.	C	716	0.76	17	3.8
Qantas	C	357	0.50	11	5.3
Rio Tinto Ltd	B	2530	1.00	7	3.5
Rural Press Ltd	B	480	1.29	13	2.6
Sausage Softwar	D	511	N/A	NE	Nil
SecureNet Ltd	C	1245	N/A	NE	Nil
Seven Network	A	740	2.92	NE	2.8
Smith (Howard)	C	900	0.64	17	4.6
Smorgon Steel	C	149	0.66	20	3.0
Solution 6	B	903	6.18	NE	Nil
Sonic Health	A	560	3.98	40	2.5
Southcorp Ltd	C	487	1.05	17	4.1
Spotless Group	B	498	0.64	22	3.5
Spotless Serv.	B	140	0.55	19	4.3
St George Bank	B	1124	1.57	16	4.6
Stockland Trust	C	354	6.13	14	7.0
Suncorp-Metway	C	778	0.64	6	5.7
TAB Ltd	C	237	0.29	21	3.8
Tabcorp Holding	C	960	2.69	20	4.5
Telstra	B	767	1.81	15	4.3
Ten Network	B	240	1.58	17	6.0
Timbercorp	B	276	0.16	1	5.8
Toll Holdings	A	880	0.39	17	2.5
Transurban Grp	E	294	N/A	NE	Nil
United Energy	A	302	1.84	84	5.7
Village Road.	C	300	0.89	9	3.3
Wesfarmers Ltd	C	1215	1.08	17	5.4
West Aust News	B	530	3.15	16	5.7
Westfield Hold.	B	890	5.34	37	1.4
Westfield Amer.	C	157	1.69	12	7.8
Westfield Trust	C	328	N/A	18	6.3
Weston (George)	B	635	0.48	17	3.0
Westpac Prop Tr	C	158	6.93	21	8.2
Westpac Banking	B	1090	1.93	14	4.3
Woolworths Ltd	B	514	0.31	19	3.5
Ave of 1284 Coys	C	189	0.41	20	2.4

Recommended Investments

CDL Investments has made excellent progress in the year to December 31. Revenues rose 14.6% to $27.7 million, profits rose 52.6% to $5,115,000 (3.0 cents per share) and the dividend was raised 25.0% to 2.5 cents (plus full imputation credits).

Even more importantly operating cash flows have risen strongly for a second consecutive year - allowing the company to make further substantial debt repayments. When we initially recommended CDL Investments (in January 1999) the balance sheet showed interest bearing debt of $20.5 million, operating cashflows were *negative* and the company had "experienced a tight cash situation owing to its rapid growth". That financial situation resulted from the company buying substantially more undeveloped land than it was selling as residential sections. In the year to December 1998 the company generated its first significant operating cash surplus of $7.6 million and that expanded to $10.3 million in the last year. Interest bearing debt has fallen from $20.5 million in 1997, to $14.2 million in 1998 and just $7.6 million in December 1999. All of this represents a significant improvement in CDL Investments' financial situation and makes its high dividend look very secure and sustainable.

During 1999, CDL Investments sold over 240 residential sections, and this year will develop 263 lots in eight development stages at sites in Auckland, Hamilton and Tauranga. Four Auckland properties, totalling 12.9 hectares were purchased last year, with three of these now being developed.

Property development *is* a high risk and cyclical business - but CDL Investments' *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Initial Recommendation Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
	NZ Shares												
HOLD+	Air New Zealand "A"	AIRVA	08/10/96	257*	B	567.0	0.9	0.35	6	7.2	208	69.0	+8%
HOLD-	Apple Fields Limited	APF	10/03/92	237	D	29.2	2.6	0.08	NE	Nil	10	10.0	-92%
BUY	CDL Investments Ltd	CDI	12/01/99	25	E	169.5	2.0	1.61	10	13.0	23	4.5	+10%
BUY	Cavalier Corporation	CAV	05/12/95	312	B	36.0	0.9	0.59	11	11.8	328	116.0	+42%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	A	30.9	0.8	0.28	15	8.6	270	187.3	+205%
HOLD	Designer Textiles Ltd	DTL	12/01/99	47	B	29.7	1.8	0.20	5	14.9	30	4.0	-28%
BUY	Ebos Group Ltd	EBO	12/10/99	290	B	23.2	0.8	0.93	16	7.5	360	15.5	+29%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.6	0.9	0.71	13	5.9	290	60.5	+662%
HOLD+	Nufarm Limited	NUF	11/02/97	505	C	150.5	0.8	0.43	10	6.3	400	60.0	-9%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	C	55.4	1.0	0.53	14	5.2	302	29.0	-5%
HOLD	Owens Group Limited	OWN	12/03/91	47*	C	56.3	1.1	0.16	15	13.8	108	80.3	+301%
BUY	PDL Holdings Ltd	PDL	13/02/96	810	C	13.6	0.9	0.20	37	6.2	478	123.0	-26%
HOLD+	Radio Works NZ Ltd	RWL	08/12/92	205	A	12.0	0.5	1.90	15	3.2	690	121.0	+296%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	B	35.3	2.3	0.19	52	2.3	65	5.4	-17%
HOLD	Richina Pacific	RCH	03/11/95	119*	D	72.2	1.7	0.06	NE	Nil	41	11.9	-56%
HOLD+	South Port New Zealand	SPN	13/02/96	120	B	32.4	1.2	1.02	21	8.9	92	35.3	+6%
BUY	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	1.3	0.66	14	6.5	104	3.0	+5%
HOLD+	Tourism Holdings Ltd	THL	14/07/92	149*	B	92.0	1.1	0.88	15	3.2	234	50.9	+91%
HOLD	Wrightson Limited	WRI	13/01/98	83	D	139.7	1.9	0.10	NE	Nil	40	7.3	-43%
	Australian Shares (in Aust cents)												
BUY	Abigroup Limited	ABG	09/03/99	265	C	47.7	0.9	0.13	6	7.4	190	14.0	-23%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	D	54.8	1.9	2.70	11	Nil	29	Nil	-60%
BUY	Auspine Limited	ANE	08/02/00	210	B	57.0	0.8	0.55	13	5.4	224	10.0	+11%
HOLD	Biron Corporation Ltd	BIC	12/04/94	178	A	21.6	1.7	1.18	NE	5.7	35	11.0	-74%
BUY	Campbell Brothers Ltd	CPB	12/10/99	435	C	31.0	0.7	0.64	12	5.7	420	11.0	-1%
HOLD+	Central Equity Ltd	CEQ	09/02/94	154	B	82.1	0.8	0.86	5	8.5	188	69.0	+67%
HOLD	Data#3 Limited	DTL	09/02/99	285	B	14.2	0.8	0.25	13	4.8	252	12.0	-7%
HOLD	Flight Centre	FLT	11/08/98	308	A	81.6	0.5	0.82	54	1.0	1870	34.5	+518%
BUY	Hamilton Island Ltd	HAM	09/11/99	205	A	45.0	0.8	1.17	12	5.0	260	13.0	+33%
HOLD+	Hancock & Gore	HNG	15/07/97	125*	C	46.0	0.9	0.67	10	5.9	135	15.8	+21%
HOLD+	PMP Communications	PMP	09/02/99	309	B	253.4	1.0	0.42	8	10.4	196	33.9	-26%
HOLD+	Thakral Holdings	THG	10/11/98	65	C	536.7	1.3	1.43	10	9.2	63	8.6	+10%
BUY	Toll Holdings	TOL	08/09/98	240	A	59.6	0.7	0.39	17	2.5	880	43.0	+285%
BUY	Utility Services Corp	USC	11/01/00	59	B	81.7	1.4	0.81	23	Nil	79	Nil	+34%
BUY	Vision Systems Ltd	VSL	10/11/98	685*	A	13.9	0.6	0.93	18	2.9	980	27.9	+47%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +65.1%.This is equal to an average annual rate of +19.3%, 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 +30.6%, compared with a market gain of +12.9% (by the SRC Total Return Index).

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

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

(1) Atlas Pacific notes (ATPG) last traded at 30 cents.

Recommended Investments *(Continued from Page 3)*
financial position has improved considerably over the last two years and the recent upturn in economic activity offers a favourable trading environment.

At 22 cents the shares trade on a Price/Sales ratio of 1.36, a Price/Earnings ratio of just 7.3 and offer a gross Dividend Yield of 17.0%. As we wrote earlier, with the improvement in the company's financial position that dividend now looks more secure and sustainable. A "Buy" for income *and* capital appreciation as the shares should be selling at a higher price!

Colonial Motor Company has completed its 1 in 10 capital repayment - repaying $2.70 per cancelled share ($1.24 as *capital* and $1.46 as a *dividend* with full imputation tax credits).

As the repayment was made at a price that equalled the market price of the shares, we have not recorded this capital repayment, nor needed to make any adjustment to our Recommended Portfolio. In the short term we are no better and no worse off than before the repayment - 10% of our shareholding has simply been converted from shares to cash. Medium to long term, however, we shall benefit as the capital repayment reduces the company's issued capital, increasing earnings per share and the dividends that can be paid on our remaining shares.

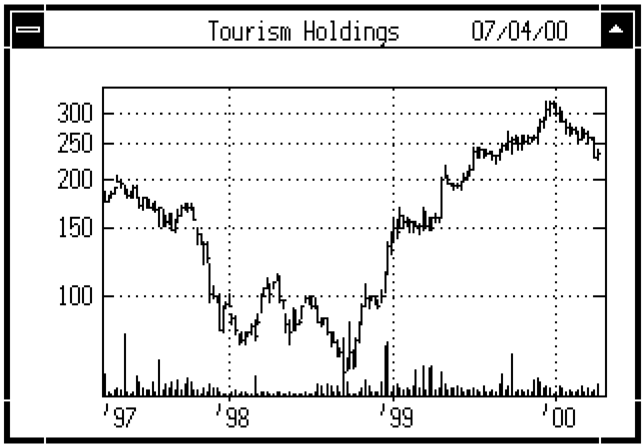
Nufarm has reported for the eight month period to January 31 (as the balance date is being changed from May 31 to July 31). Revenues were A$662.8 million with profits of A$11,465,000 (7.6 cents per share, Australian currency). A comparison with last year is meaningless, owing to seasonal factors in the different length reporting periods, but the profit was 21% ahead of internal budgets and "provides confidence that the forecast profit of A$50 million" for the fourteen months to July 31 "will be achieved". Nufarm paid an 8.0 cents (NZ currency) interim dividend in January.

Nufarm's poor share price performance over the last year is probably the result of selling by NZ institutions and private investors owing to the company's move to Australia. The shares have, however, now been included in the new S&P/ASX Top 100 and Top 200 indices. As a result the share price has recovered strongly over the last month - with further institutional buying interest likely over the medium term.

Nufarm has recently spent A$14 million raising its stake in troubled Australian rural merchandiser **IAMA** from 7.0% to 19.6% with the purchase of 11,000,000 shares at A$1.30. Nufarm has funded this acquisition by issuing 4,190,000 of its own shares to an institution at A$3.42 per share.

RadioWorks NZ continues to expand aggressively with the purchase of the assets of two Northland radio stations, **KCC FM** and **Magic FM**, for $2,250,000 from **Northland Radio**.

Tourism Holdings's share price has fallen 27% since its peak at 320 cents (adjusted for the recent 1 for 8 bonus issue) in January this year. The shares still look to offer good *value* - and we would expect them to be a sound medium to long term investment. So the recent decline is probably simply a *correction* following the 408% appreciation in Tourism Holdings' share price from their September 1998 low. After such a strong rise in value (plus a cash issue), many shareholders will have become over-weighted in Tourism Holdings shares - so selling of part of those holdings (realising profits, but depressing the share price) is not unexpected. "Hold+".



Australian Shares

Atlas Pacific has reported a trading profit of A$1,470,000 (2.7 cents per share) for the year to December 1999, from revenue up 473.3% to A$5.8 million following the first commercial harvest of 18,985 saleable pearls last year. Costs of closing the Kupang hatchery resulted in abnormal and extraordinary losses of A$1,161,000.

By the end of April the company will be able to confirm that two successful spawnings have produced in excess of the 150,000 oysters needed for its own operations. The excess will then be available for further joint venture operations or sale.

Atlas Pacific's Waigeo site is close to the Equator with constant year round climatic conditions which will allow the company to spread its operations throughout the year. Already 38,000 shells (out of an annual target of 130,000) have been nucleated, while 7,000 pearls (out of an annual target of 38,000) have already been harvested. Pearls from 13,000 oysters held by a joint venture partner (resulting from surplus oysters transferred to the other pearl farming company in 1998) will be harvested this month.

The current result considerably improves the fundamental valuation of the shares. At 29 cents, the Price/Sales ratio is 2.70 and the Price/Earnings ratio is 11. That P/S ratio is still very high (although this will become a high profit margin business), but Atlas Pacific is only just starting to earn meaningful revenues. Those revenues should almost double this year, and then double again in 2001. Profit growth should be considerably faster! Atlas Pacific remains a very attractive "Buy" - with the interest bearing convertible notes (which have just paid 2.0086 cents, less 10% withholding tax) being the most attractive entry into the company.

Abigroup lifted profits for the six months to December 31 by 11.1% to A$7,785,000 (16.3 cents per share) from revenue up just 0.7% to A$326.1 million. The interim dividend will be raised 16.7% to 7.0 cents.

This result, however, includes some major changes from the previous year. A$3.9 million in dividends was received from its investment in **Hills Motorway** (compared with A$0.6 million in 1998), but the result also includes interest and depreciation charges on its investment in the **Sydney SuperDome** which we estimate at about A$2.5 million. So trading profits are probably steady, but in the short term profitability will suffer owing to the SuperDome holding costs.

In the four months to December 31, the SuperDome staged 125 events, although this year it will mainly be used for the Olympic and Paralympic Games. This investment is not expected to become profitable until after the Games. Abigroup has invested A$56 million in the SuperDome, which is funded mainly with an A$40.0 million loan. This loan is "non-recourse" to Abigroup - meaning the bank can only collect interest and principal from revenue generated by the SuperDome.

Fears of a post-Olympic downturn in construction also continues to depress Abigroup's share price - despite a record level of work on hand. New projects include:

1. An optical fibre Broadband Virtual Circuit Network for the **NSW Rail Access Corporation**. This A$20 million project will cover 700km and 300 rail stations, provide closed circuit TV and link Automatic Fare Collection systems.
2. A joint venture with Norwegian based **Q-Free ASA**, to build and maintain an Electronic Toll Collection system for the Sydney Harbour Bridge and Harbour Tunnel which will be compatible with other vehicle toll systems in NSW. The A$10 million project will process tagged vehicles, as well as automatic cash and manual cash collection. Abigroup has experience in toll collection via the management of the **Hills Motorway**.
3. A new company, **Enterra Pty**, has been formed in joint venture with **IT Environmental (Australia)** to clean up contaminated sites around Australia. Enterra has acquired the environmental services division of **Australian Defence Industries** and is managing the A$44 million project to clean up the **West Melbourne Gasworks** site.

Abigroup's property syndication subsidiary, **York Capital**, has launched its fourth public offering. The *York Capital Property Syndicate* will own two shopping centres, one in Melbourne and one in Perth, costing A$52 million which will be funded with mortgages of A$28 million and investors' capital of $24 million. York Capital will receive annual management fees of around A$500,000 (0.85% of gross assets *plus* 2.5% of net rental) plus 2% of the net sales proceeds (about another $500,000) when the six year syndicate period ends. This fund will increase York's assets under management to A$160 million.

Abigroup is hopeful for its proposal to extend the **Hills Motorway**, but construction is unlikely to start before 2002. While traffic volumes on the motorway are below initial expectations they continue to grow steadily: up 11.2% in January, up 11.4% in February and up 8.2% in March.

Abigroup's 15,000,000 Hills Motorway shares are currently worth A$54.75 million (A$1.15 per Abigroup share). Abigroup's cash holding has declined to A$16.3 million (A$0.34 per share), mainly as a result of high investment in working capital (i.e. higher debtors, low creditors) and additional investment in plant and machinery. The investment in the Sydney SuperDome is valued at A$56 million (A$1.17 cents per Abigroup share). Interest bearing debt is only A$40.3 million, compared with Shareholders Equity of $94.6 million (based upon the market value of the Hills Motorway shares), or A$1.98 per share. Abigroup is therefore still an *asset rich* company, as well as owning a profitable construction business. "Buy".

Auspine is experiencing industrial problems at its large volume **Tarpeena Green Mill** (which produces its timber framing products), **ABC Timber** and **ABC Port Lincoln** sites. Unions continue to picket the Tarpeena operations - the area of Auspine's business which is currently booming and generating high profits - despite being ordered to leave by the Federal Court last Tuesday.

Auspine's Managing Director has continued to add to his shareholding in the company, buying 119,166 shares at around A$2.39 during March, to now own 12,393,128 shares. A second director, MJ Lloyd, purchased 6000 shares (at about A$2.40) to raise his holding to 9000 shares.

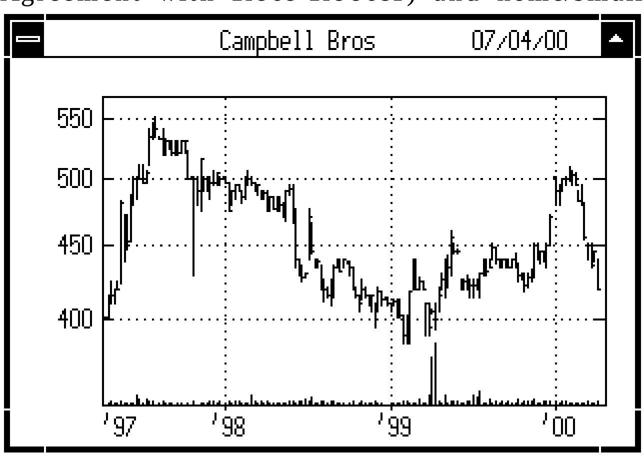
Biron Corporation is experiencing *very volatile* demand for its created emeralds. The company's US distributor did not buy any product in December, but received a rush of orders in January. Biron's emerald sales were A$690,000 for the month of January, compared with A$1,053,000 for the previous *six months*.

Testing of the *Bironite* product as a pearl nuclei has "shown that it is acceptable to the oyster" and a good substitute for Mississippi mussel shell. However, only "modest trial sales are expected this year" with demand likely to increase when "natural material supplies diminish or increase in cost".

The company is still a possible shell for a company seeking stock exchange listing. Biron reports that it is "actively seeking out new business opportunities" to use the "company's listed status and cash holding to add value to emerging businesses" and hopes to "shortly be able to report progress" in this area.

Biron shares recently hit 41 cents - befire easing back to 35 cents. "Hold" for further appreciation.

Campbell Brothers has invested A$7 million to acquire a 50.1% shareholding in **RGM International**, with the option to raise this to 100% ownership within the next 5-7 years. RGM is a leading service delivery company offering carpet and upholstery cleaning (through **Myer/Grace Brothers Cleaning Services**), plumbing services (through a Master Franchise Agreement with **Roto-Rooter**) and home/small



(Continued on Page 6)

Recommended Investments *(Continued from Page 5)*
business computer training (through **One on One** training services). RGM organises 150 technicians for more than 1000 customers per day, using sophisticated service operations software which has been licensed to **Solution 6** for rental to other service companies.

Campbell Brothers has also finalised the sale of its Bowen Hills site in Brisbane (where the council is to build an inner city by-pass). The Hygiene & Industrial Chemicals business will relocate to a three hectare site at Darra, Consumer Products manufacturing will relocate to a site adjacent to the company's Sydney manufacturing factory and the Head Office will move to a yet to be selected site in Brisbane.

Campbell Brothers share price has fallen sharply over the last month - offering an excellent opportunity for investors to buy into this company where we anticipate strong growth.

Central Equity has completed the *Yarra Condos* (value A$34 million) and *The Promenade* (value $35 million) and is completing final settlements. The company has begun pre-selling the *Yarra Crest*.

Central Equity has also spent A$4.75 million to acquire an old Post Office warehouse at 654 Bourke Street, in Melbourne's Central Business District. Current zoning would allow the building to be refurbished as apartments, but Central Equity will probably want to extend upwards.

Central Equity's share price dropped sharply in the last few weeks as the company's shares were not included in the new S&P/ASX Top 100 or Top 200 indices. Director E Kutner has taken advantage of this decline to purchase 434,135 shares on-market.

Newspapers are - once again - speculating that the Melbourne inner city apartment boom may have ended. If that is so, then Central Equity may experience some slowdown in activity, but is well placed to adapt to changes in the property market. Central Equity has a strong, cash rich balance sheet. The company pre-sells all developments before construction, and sub-contracts the building to construction companies on fixed price contracts. So once construction begins, Central Equity has tied down its profit margin.

Central Equity's only risks are that (1) purchasers (who pay 10% down) will default on settlement (but, despite media speculation at the time, that was not a problem following the 1997 Asian crisis) and (2) that the company will need to pay out on some rental guarantees to investor/purchasers (but these rental guarantees run for only two years, so are not a significant potential liability). Central Equity has no construction staff and no plant or machinery used in construction that would lie idle during a property slump. The company three directors/senior management also own about half of the shares. As a result, Central Equity has limited exposure to property development assets and is able to adapt very successfully to changes in the property development market. We believe the shares remain an attractive investment for high income and steady capital appreciation - and investors without a holding in Central Equity (or under-weighted in this company) may wish to use the recent weakness to buy shares.

Data #3 has experienced a poor half year to December 31, which it blames on low pre-Millennium computer sales. Revenues rose 48.0% to A$63.5 million but profits fell 51.7% to A$461,000 - with earnings per share down 60.0% to 3.2 cents. The interim dividend will be cut 54.5% to 2.5 cents. Revenues rose as a result of the inclusion of **CICtechnologies** (acquired in late 1998), but the increase in issued capital to partially fund that acquisition further depressed earnings per share.

Data#3 is to acquire the systems integration business of Melbourne based **Beethoven Computer Services**. This business is growing by around 30% per year and is expected to generate revenues of A$10 million for the year to June 2000. 60% of Beethoven's revenue comes from services with 40% from product sales, compared with Data#3's current split of 23% services and 77% products. Services offer much higher profit margins and are a more reliable source of revenue and profits than product sales. The acquisition price is undisclosed but will be funded 50% with cash and 50% with shares, and subject to future levels of profitability.

Data #3's recent profit decline is clearly disappointing - and revenues may stay low in the short term if companies focus on the introduction GST and neglect Information Technology investment. While the company *could* do very well medium to long term, we are downgrading our advice to “Hold” at the present time.

Flight Centre is expanding its corporate travel business into the “conference and incentives meetings market” with the acquisition of **Conference & Incentives Management** (CIM). The Sydney based business currently generates revenues of around A$15 million and is expected to generate earnings (before tax) of around A$600,000. Flight Centre plans to expand this “lucrative market” by expanding CIM both nationally and internationally.

The acquisition price - to be funded with the issue of new shares - is not disclosed but “dependent on CIM achieving certain profit benchmarks over the next three years”. 29,412 Flight Centre shares (worth about A$545,000) have been issued immediately, with further issues (at market prices) to be made over three years. Assuming the next three payments are of approximately equal value, Flight Centre is buying CIM cheaply at a Price/Sales ratio of about 0.15 and a Price/Earnings ratio of 5½.

Flight Centre shares are up *another* A$1.48 over the last five weeks, but backed by solid revenue and profit growth - and an attractive acquisition - we are happy to let our profits run. “Hold”.

Hancock & Gore has announced that the shareholders of **Laubman & Pank Holdings** (21% owned by Hancock & Gore) and **Budget Eyewear** (38% owned) have approved the merger of the two companies.

Thakral Holdings Group is to acquire the remaining 50% of **Pacific Century Hotels Trust** which is owned by its major Singapore shareholder, **Thakral Corporation**. Pacific Century's major asset is the *Hilton on the Park* hotel in Melbourne, valued at A$85.8 million.

Toll Holdings is to invest A$10 million to build and operate a bulk storage and shiploading facility at the Port of Albany, Western Australia. This will service exports from the A$25 million woodchip mill being built by two Japanese companies to process plantation blue gum for export to Japan. Construction of the port facility is expected to start in January 2001, with shipments commencing in the fourth quarter of that year.

Toll Technologies is to receive a 20% stake in **Australian Wines Exchange** - a new company that "is developing an innovative market for trading premium wines". Toll will provide "seed capital and incubation" support for this new venture which will include a business-to-business, e-commerce enabled supply chain, warehousing and delivery. **Sun Microsystems** will be the lead technology supplier. The Australian Wine Exchange will provide a "stock market" type of exchange where producers, investors and consumers can trade in premium wines. The company expects "80-90% of its wine inventory would be stored long term and traded", with a hoped for "A$50 million in turnover in the first year". Australia Wine Exchange plans to raise a further A$10 million through a private share placement in two to three months, and to float on the Australian Stock Exchange in two to three years. While all of that may sound like the type of venture that one only hears about at the top of a stockmarket boom, it will provide Toll with more experience in the establishment of virtual logistics businesses.

Toll Holdings is an oustanding example of a company that is using technology to improve and expand a substantial logistics (i.e. transport and warehousing) business. Toll - not the *hottest* "dot.com" listings - will be among the biggest winners. Although Toll shares are up 4½ fold on our initial purchase price just 1½ years ago, they continue to trade at a low valuation and with strong growth potential. Sell Advantage Group, Sell Strathmore, Sell Amazon.com, Sell Microsoft . . . Buy Toll Holdings.

Also in the technology area, investors should buy shares in **Utility Services** which has announced no less than four new business developments over the last month:

Firstly, the company has licensed US based **Utility Partners** to distribute its **Operations Management Systems** (which integrates the many control systems used by utilities) to the US power industry. The US electricity industry is currently being deregulated, which increases the demand for more efficient, better managed systems. Utility Services "anticipates further agreements" with other US technology suppliers and this software licensing is a business which offers the company very high profit margins.

Secondly, Utility Services has been awarded an A$7 million contract to supply 760 of its mobile computer systems to the New South Wales Police Service. This mobile system was developed a few years ago (in a joint venture with **Queensland Transport**) but previously only 120 computers had been supplied for the Queensland Police. This larger order should provide a return on the previous investment developing this technology.

Thirdly, **Intermec Technologies**, a subsidiary of **Unova Group**, is to outsource all maintenance of its data collection, networking devices, mobile computers, barcode printers and label supplies in Australia to Utility Services' subsidiary **MITS**. Under the contract - worth $6-9 million in revenue - MITS will provide on-site and depot maintenance for 1900 maintenance contracts covering 20,000 Intermec items. MITS will also provide help desk support for these products. This contract will expand MITS existing nationwide service network business that has been providing this type of installation and maintenance for **Coles Myer**, **Woolworths** and the **Australian Department of Defence** for over a decade, and EFTPOS support for six banks at over 25,000 merchant locations.

Finally, Utility Services's 50% owned **Skilltech Consulting Services** has been awarded a three year contract to read one million meters per year for the **Water Corporation** in Western Australia. Skilltech will now make 10 million meter reads annually.

Vision Systems has announced the sale of its Defence businesses for A$50-74 million to Australian based **Tenix Defence Systems**. The sale is subject to due diligence, with a formal agreement expected by the end of April. Vision Systems expects to receive A$50 million from the sale of **Vision Abel** and **LADS Corporation** and from land and buildings in Adelaide. The balance will be received over three years from retainers and commissions for negotiating several major defence contracts, converting sales opportunities from the LADS Mk II system and providing some management services to the two businesses being sold.

This sale will considerably simplify Vision Systems' balance sheet and focus the company on its **Fire & Security** and **Technology** businesses. A$70 million of intangible assets and related liabilities will be removed from the Vision System balance sheet.

A$50-74 million would also appear to be a very good price for Vision Systems to receive for its Defence business. Prior to the deal being announced, Vision Systems shares traded at A$6.85, valuing the *whole* company at just A$95 million. The Defence division contributes just 25% of group revenues and currently makes no contribution to profits (owing to start up losses at LADS offsetting profits from Vision Abel).

Vision Systems is also planning to sell land and buildings at four Melbourne sites over the next 12-18 months to realise around A$10 million in cash, with operations consolidated at one leased site.

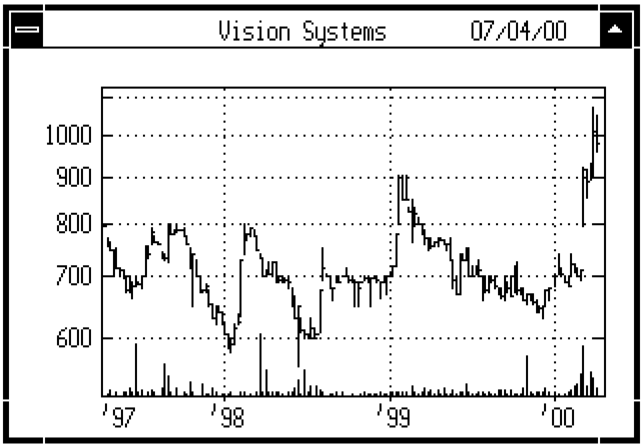
For the six months to December 31, Vision Systems has reported a 10.3% increase in revenue to A$68.4 million. Profits (after the payment of the convertible preference share interest) rose 52.9% to A$5,044,000 - with earnings per share up 29.8% to 36.6 cents (owing to capital increased by a cash issue and through the partial conversion of the preference shares). This result *includes* an "abnormal" technology sale which yielded a profit of A$2,141,000 - but technology sales are a fairly regular event for Vision Systems. The technology sale to **Leica Microsystems** (announced in February) will yield a profit in excess of a further A$2 million in the second half of the current year. The interim dividend will remain steady at 14.0 cents per share.

Evaluating Vision Systems has never been easy owing to its complicated capital structure (involving convertible preference shares) and its complicated balance sheet (involving large *(Continued on Page 8)*

Recommended Investments *(Continued from Page 7)* intangible assets and off balance sheet potential liabilities to research partnerships). What made the share attractive was a low Price/Sales ratio, a low Price/Earnings ratio and (for evaluating high-tech investments) a low Price/Research ratio plus consistent revenue growth of around 25% per annum. Insider buying and broker *neglect* also played a part in making the shares look attractive for investment.

Over the last year some of the preference shares were exchanged for either ordinary shares or interest bearing debt, while the remaining preference shares will convert to ordinary shares in June 2001. The sale of the Defence business will also clean up and strengthening the balance sheet. These developments will make Vision Systems a more focused company that brokers and investors can better understand - and help the share price appreciate strongly over the next year or two. The share remain an attractive "Buy".

Many investors have not bought Vision Systems owing to its high share *price* of around A$7 over the last eighteen months, even though these shares appeared *under-valued*. Investors seem to prefer to buy a large number of low priced (but perhaps over-valued) shares rather than invest the same amount of money in a small number of high priced (but under-valued) shares. *Price* and *Value* are certainly not the same thing! Investors should be focusing on *value* - then invest approximately *equal dollar amounts* in each shareholding. Depending upon one's portfolio that may be $1000 or $50,000 per company. With, for example, NZ$2000 per investment an investor would simply buy 150 Vision Systems, 2000 Utility Services or 9000 CDL Investments.



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
Renaissance	65	+21.1	-1.6	7	-	1.7	3	2.2	52	2.3	0.19	23
Col Motor Co	270	+5.2	-0.7	23	-	1.1	7	0.8	15	8.6	0.28	84
Williams Kettle	210	+0.4	-0.3	40	-	0.9	6	0.6	13	9.2	0.30	28
Mainfreight Grp	157	+2.9	-3.8	27	7	2.5	15	1.1	16	5.2	0.40	11
FC - Paper	230	+1.2	+4.2	35	9	0.9	0	1.5	245	1.0	0.42	1,464
DB Group	280	+7.7	+3.2	15	7	1.3	13	0.7	10	8.5	0.44	282
Reid Farmers	68	+5.8	+0.5	21	-	1.1	11	1.2	10	9.9	0.51	38
Nuplex Indust	302	+0.4	-5.2	39	6	1.7	12	1.0	14	5.2	0.53	167
Taylors Grp Ltd	104	+1.8	-3.0	31	2	1.4	10	1.3	14	6.5	0.66	25
Ceramco Corp	155	+0.1	-3.2	40	3	1.2	6	1.1	21	4.8	0.72	65
Nobilo Wines	85	+0.0	-1.2	42	-	1.4	7	1.3	19	5.3	0.74	37
Mr Chips Hold	70	+5.9	+2.9	20	-	2.1	9	1.0	24	8.5	0.77	13
Colonial Ltd	965	+9.3	+1.3	13	-	1.4	9	0.8	16	2.7	0.79	9,042
Tourism Hold.	234	+4.0	-7.9	25	7	1.4	10	1.1	15	3.2	0.88	215

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	360	+12.4	-5.8	11	-	5.4	34	0.7	16	7.5	0.93	84
Colonial Ltd	965	+9.3	+1.3	13	-	1.4	9	0.7	16	2.7	0.79	9,042
DB Group	280	+7.7	+3.2	15	7	1.3	13	0.6	10	8.5	0.44	282
Reid Farmers	68	+5.8	+0.5	21	-	1.1	11	1.0	10	9.9	0.51	38
Col Motor Co	270	+5.2	-0.7	23	-	1.1	7	0.7	15	8.6	0.28	84
Tourism Hold.	234	+4.0	-7.9	25	7	1.4	10	0.9	15	3.2	0.88	215
Mainfreight Grp	157	+2.9	-3.8	27	7	2.5	15	0.9	16	5.2	0.40	11
Northland Port	125	+2.7	-2.2	28	3	1.1	9	0.9	12	9.0	1.00	52
Taylors Grp Ltd	104	+1.8	-3.0	31	2	1.4	10	1.0	14	6.5	0.66	25
Montana Group	186	+1.3	-2.8	34	7	3.4	21	0.9	16	2.4	0.93	399
Seafresh Fish.	12	+1.0	-4.1	37	-	0.5	4	2.5	13	Nil	0.47	8
Nuplex Indust	302	+0.4	-5.2	39	6	1.7	12	0.9	14	5.2	0.53	167
Williams Kettle	210	+0.4	-0.3	40	-	0.9	6	0.5	13	9.2	0.30	28

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

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
Hallenstein G.	180	-7.3	-3.4	84	6	3.2	30	0.8	11	14.1	0.66	104
Restaurant Brds	125	-0.7	-4.2	49	7	3.9	42	1.0	9	11.9	0.53	115
Cavalier Corp	328	-1.1	-1.9	53	5	1.6	15	0.8	11	11.8	0.59	118
Natural Gas	131	-8.5	-3.7	88	7	1.0	8	0.9	12	11.4	1.89	1,061
Sky City Ltd	615	-5.3	-2.4	76	8	4.0	31	0.5	13	10.4	2.30	603
United Networks	580	-1.0	+0.1	52	2	1.1	14	0.4	8	10.3	1.95	879
Trans Alta NZ	207	-0.4	-2.0	44	7	0.9	7	0.7	13	10.1	0.49	512
NZ Refining Co	1000	-14.1	+1.6	95	3	1.6	16	0.4	10	10.0	0.99	240
Infratil NZ	117	-6.3	-2.4	80	5	1.6	19	0.6	8	8.9	6.99	222
Contact Energy	264	-6.5	-3.2	82	7	1.0	7	0.6	14	8.9	7.63	1,594

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative 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
Contact Energy	264	-6.5	-3.2	82	7	1.0	7	0.6	14	8.9	7.63	1,594
Port Tauranga	490	-0.5	-2.5	46	7	1.4	7	0.5	21	5.5	7.08	375
Infratil NZ	117	-6.3	-2.4	80	5	1.6	19	0.5	8	8.9	6.99	222
Akd Int Airport	237	-5.2	-2.0	76	8	2.0	8	0.7	23	5.0	6.21	995
Ports Auckland	420	-4.0	-2.7	69	7	2.4	14	0.5	17	6.4	3.62	557
Waste Mgmt NZ	370	-4.9	-4.1	73	4	2.5	7	0.4	34	2.4	3.30	360
Trust Power Ltd	345	-7.0	-2.3	82	6	1.0	3	0.4	30	7.0	2.74	519
AXA Asia Pac.	282	-1.9	-2.2	59	-	1.0	7	0.7	14	4.0	2.66	4,970
Lyttelton Port	135	-3.2	-3.7	67	4	3.6	34	0.8	10	8.1	2.48	137
Tasman Agric.	76	-0.6	-0.3	48	3	0.6	5	0.8	11	4.0	2.44	97
Sky City Ltd	615	-5.3	-2.4	76	8	4.0	31	0.5	13	10.4	2.30	603
SE Utilities	91	-1.9	-1.1	58	-	0.8	7	0.7	12	6.6	2.26	55
Horizon Energy	675	-2.3	-2.0	61	3	1.1	4	0.4	24	5.1	2.18	135
United Networks	580	-1.0	+0.1	52	2	1.1	14	0.3	8	10.3	1.95	879
Natural Gas	131	-8.5	-3.7	88	7	1.0	8	0.9	12	11.4	1.89	1,061
Dairy Brands	24	-1.0	-0.5	52	-	0.6	-	1.3	NE	Nil	1.61	12

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.	18	-48.7	+0.0	98	-	2.7	-	1.8	NE	Nil	N/A	4
Trans-Tasman	19	-15.4	-2.9	97	5	0.2	-	1.5	NE	Nil	0.62	67
FC - Forests	77	-13.1	-1.5	94	9	0.6	5	1.0	12	Nil	1.19	651
Air New Zealand	208	-11.9	-0.9	94	10	0.6	10	0.6	6	7.2	0.35	1,179
CDL Hotel NZ	25	-11.6	-2.1	93	3	0.4	3	1.2	13	4.5	0.42	87
Nufarm Limited	400	-9.7	-0.8	91	6	1.4	14	0.6	10	6.3	0.43	602
Utilico Int'l	26	-8.9	-0.5	91	-	0.6	-	1.0	NE	Nil	N/A	26
Brierley Invest	42	-8.8	+1.7	90	4	0.4	4	0.8	11	7.1	0.64	1,254
Southern Cap	56	-8.6	-1.9	88	-	0.5	6	0.8	9	Nil	4.12	14
Carter Holt	194	-7.8	-4.7	87	8	0.7	1	1.0	65	4.1	1.17	3,366
Goodman Fielder	142	-7.8	-1.2	86	-	1.1	8	0.6	13	6.6	0.40	1,798
Lion Nathan Ltd	357	-7.7	-3.2	85	8	0.9	7	0.5	13	5.8	1.00	1,955
FC - Building	230	-7.2	-2.9	83	6	1.0	3	1.0	33	7.8	0.28	748
Trust Power Ltd	345	-7.0	-2.3	82	6	1.0	3	0.4	30	7.0	2.74	519
Contact Energy	264	-6.5	-3.2	82	7	1.0	7	0.6	14	8.9	7.63	1,594
Infratil NZ	117	-6.3	-2.4	80	5	1.6	19	0.5	8	8.9	6.99	222
Tower Limited	476	-5.6	-1.3	78	-	1.0	9	0.5	11	2.7	0.62	789
Steel & Tube	135	-5.5	-4.7	77	6	1.0	9	1.0	12	8.8	0.35	119
Akd Int Airport	237	-5.2	-2.0	76	8	2.0	8	0.7	23	5.0	6.21	995
Otter Gold Mine	70	-5.1	-2.6	74	-	0.6	4	0.6	15	Nil	0.44	33

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

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

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

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
A.P. Eagers	430	+1.4	+1.4	51	0·0	2	0.9	7	0.8	14	6.0	0.13	65
David Garry Hld	18	+9.4	-5.9	36	0·0	-	6.0	34	2.2	18	5.6	0.15	4
CMI Limited	115	+0.4	+0.5	53	0·0	2	1.8	37	1.1	5	7.0	0.18	31
Penfold (WC)	175	+4.5	+2.1	43	0·0	-	1.4	7	1.0	21	5.7	0.21	23
Chiquita Brands	127	+8.5	+3.3	38	0·0	-	1.3	11	1.1	12	4.7	0.22	45
Pirelli Cables	82	+2.9	+3.3	46	0·0	2	1.2	7	1.3	17	4.3	0.23	71
Crevet Ltd	60	+9.9	+2.0	35	1·0	3	0.8	-	1.4	NE	2.5	0.25	20
Colorado Group	109	+3.0	-0.9	46	0·0	1	1.7	28	1.2	6	1.8	0.28	92
Datamatic Hold	34	+15.3	-3.2	30	0·0	-	-	-	1.7	3	5.9	0.29	24
McPherson's Ltd	140	+17.5	-2.0	28	2·0	1	2.9	18	1.1	16	4.6	0.29	55
Embelton Ltd	220	+3.4	+1.4	45	0·0	-	0.8	6	1.0	14	3.2	0.30	5
Vietnam Indust.	15	+15.1	+3.2	30	0·0	-	0.6	16	2.4	4	6.7	0.30	15
Automotive Ind.	25	+3.2	-0.6	46	0·0	-	0.9	3	1.9	29	6.0	0.31	5
Lemarne Corp	259	+3.0	-2.9	46	0·0	-	-	-	0.9	11	5.4	0.31	43
Snack Foods Ltd	68	+4.4	-4.2	44	1·1	3	3.6	26	1.3	14	3.2	0.34	84
Vealls Ltd	107	+10.3	-0.9	35	0·0	-	-	-	1.2	4	7.1	0.35	7
Monadelphous Gr	366	+5.0	-2.5	42	0·0	1	2.8	24	0.9	11	7.4	0.36	61
Lemvest Ltd	410	+0.8	+1.9	52	0·0	-	1.8	20	0.8	9	6.6	0.37	41
Parbury Ltd	42	+13.0	-1.9	32	3·0	1	1.6	10	1.6	15	6.5	0.37	53
Shearer (John)	165	+4.6	-3.8	43	0·0	-	0.7	10	1.0	7	4.2	0.39	18
Toll Holdings	880	+18.2	+7.7	27	1·0	7	3.6	22	0.7	17	2.5	0.39	525
Plaspak Group	52	+2.2	+1.0	48	0·0	-	1.0	6	1.5	18	9.6	0.40	28
Citie Centre Lt	76	+0.6	+1.2	53	0·0	-	1.7	26	1.3	6	9.9	0.41	20
Portman Mining	73	+3.6	+2.7	44	2·0	5	-	-	1.3	14	6.8	0.42	132
PCH Group	28	+1.5	-5.8	50	3·1	-	2.5	54	1.8	5	8.0	0.46	25
Tempo Services	350	+9.7	+2.2	36	1·1	6	-	-	0.9	27	2.3	0.46	145
Southern Dental	40	+4.5	+3.3	44	0·0	-	1.3	17	1.6	8	5.0	0.47	9
OAMPS	120	+16.8	+2.8	28	7·0	-	2.9	24	1.1	12	4.2	0.47	25
York Securities	50	+5.5	-1.4	42	0·0	-	2.9	28	1.5	10	8.0	0.51	7
East African Co	450	+12.4	+4.8	33	0·0	-	1.0	12	0.8	8	2.8	0.54	29
Spotless Serv.	140	+0.4	-0.1	54	0·0	7	-	-	1.1	19	4.3	0.55	521
Auspine Ltd	224	+4.5	-4.1	43	8·0	5	0.8	6	1.0	13	5.4	0.55	128
Triako Res.	40	+6.5	+3.8	40	0·0	-	-	-	1.6	2	5.0	0.57	13
BT Global Asset	88	+7.4	-1.9	39	0·3	-	0.8	-	1.2	NE	8.0	0.57	43
F.F.I. Holdings	100	+2.3	-7.1	48	0·0	-	1.2	10	1.2	13	6.0	0.58	6
Gunns Ltd	210	+11.9	+0.9	33	0·0	1	1.7	13	1.0	13	4.8	0.60	76
Finbar Intern'l	25	+0.6	-1.0	53	0·0	-	0.9	21	1.9	4	12.0	0.60	24
CDK Tectonics	100	+2.4	+2.5	47	0·0	-	2.4	29	1.2	8	7.0	0.62	12
Goldfields	120	+0.9	+1.1	52	2·0	9	-	-	1.1	9	3.3	0.62	197
Brandrill	101	+19.9	+18.7	26	0·0	2	3.1	22	1.2	14	4.5	0.63	74
Candle Aust.	338	+3.4	-4.9	45	0·0	7	11.3	47	0.9	24	3.0	0.63	114
Spotless Group	498	+5.2	-0.4	42	0·0	7	-	-	0.8	22	3.5	0.64	690
Gazal Corp	194	+8.7	-1.9	37	3·1	-	-	-	1.0	12	6.4	0.64	97
Campbell Bros	420	+3.0	-2.9	46	1·1	2	2.9	24	0.8	12	5.7	0.64	130
Sunland Group	240	+3.7	-1.1	44	2·0	1	1.6	21	0.9	7	4.2	0.65	78
Int'l Contract	136	+3.2	-0.2	46	0·0	1	3.9	40	1.1	10	6.6	0.66	20
Hancock & Gore	135	+0.3	-1.2	54	0·0	-	1.7	17	1.1	10	5.9	0.67	62
Prime TV	176	+1.1	+3.7	51	1·0	9	-	-	1.0	978	5.4	0.69	185
Ausdoc Group	260	+1.1	-0.6	51	6·0	10	-	-	0.9	23	5.2	0.70	230
Wadepack Ltd	180	+11.1	-1.7	34	0·0	-	1.7	20	1.0	8	5.6	0.70	28

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

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Euroz Limited	110	+76.2	+11.5	6	0·0	-	2.7	15	1.0	17	Nil	0.78	7
Strarch Int'l	9	+74.3	+35.9	6	0·0	-	-	-	2.3	4	Nil	0.49	4
Astron Ltd	43	+57.7	+5.0	10	0·0	-	0.3	8	1.2	4	Nil	0.24	6
Murchison Un.	66	+27.4	+0.7	21	0·0	3	6.6	-	1.1	4	Nil	0.45	40
Tasmania Mines	18	+25.0	+16.6	22	0·0	-	-	-	1.7	10	Nil	0.65	3
WRF Securities	50	+22.9	+9.2	24	0·0	1	-	-	1.2	19	Nil	0.96	18
General Publish	13	+20.6	-2.9	26	0·0	-	-	-	1.9	4	Nil	0.18	2
Brandrill	101	+19.9	+18.7	26	0·0	2	3.1	22	1.0	14	4.5	0.63	74
Burns Philp	39	+18.4	-3.7	27	3·0	1	-	-	1.3	4	Nil	0.14	210
Toll Holdings	880	+18.2	+7.7	27	1·0	7	3.6	22	0.7	17	2.5	0.39	525
McPherson's Ltd	140	+17.5	-2.0	28	2·0	1	2.9	18	0.9	16	4.6	0.29	55
OAMPS	120	+16.8	+2.8	28	7·0	-	2.9	24	0.9	12	4.2	0.47	25
Datamatic Hold	34	+15.3	-3.2	30	0·0	-	-	-	1.3	3	5.9	0.29	24
Vietnam Indust.	15	+15.1	+3.2	30	0·0	-	0.6	16	1.8	4	6.7	0.30	15
Queensl'd Tour.	23	+13.6	-8.4	31	0·0	-	0.7	39	1.6	2	Nil	0.33	4
Oroton Int'l	278	+13.0	-0.2	32	2·0	1	3.8	36	0.8	11	4.3	0.83	50
Parbury Ltd	42	+13.0	-1.9	32	3·0	1	1.6	10	1.3	15	6.5	0.37	53
East African Co	450	+12.4	+4.8	33	0·0	-	1.0	12	0.7	8	2.8	0.54	29
Pacific Energy	125	+12.4	+3.5	33	8·0	-	0.5	37	0.9	1	Nil	0.48	16
Gunns Ltd	210	+11.9	+0.9	33	0·0	1	1.7	13	0.8	13	4.8	0.60	76
Wadepack Ltd	180	+11.1	-1.7	34	0·0	-	1.7	20	0.9	8	5.6	0.70	28
Hazelton Air.	74	+10.9	-4.5	34	0·0	-	1.0	11	1.1	9	Nil	0.20	13
Strathfield Grp	302	+10.8	-4.0	34	0·0	2	5.7	32	0.8	18	3.6	0.81	201
Arrowfield Grp	211	+10.7	-2.2	34	0·0	-	0.8	6	0.8	15	Nil	0.68	19
Vealls Ltd	107	+10.3	-0.9	35	0·0	-	-	-	1.0	4	7.1	0.35	7
David Garry Hld	18	+9.4	-5.9	36	0·0	-	6.0	34	1.7	18	5.6	0.15	4
Colonial Ltd	810	+8.8	+2.2	37	1·0	11	2.2	13	0.7	17	2.5	0.86	7,562
Perilya Mines	33	+8.7	+4.3	37	2·0	1	-	-	1.4	12	Nil	0.76	33
Gazal Corp	194	+8.7	-1.9	37	3·1	-	-	-	0.8	12	6.4	0.64	97
Vision Systems	980	+8.6	+6.5	38	0·0	1	4.7	27	0.7	18	2.9	0.93	137
Chiquita Brands	127	+8.5	+3.3	38	0·0	-	1.3	11	0.9	12	4.7	0.22	45
Ticor Ltd	112	+8.2	-7.8	38	2·0	7	0.7	10	1.0	7	5.4	0.87	276
Siddons Ramset	591	+8.0	-0.5	38	0·1	7	1.9	13	0.7	14	4.2	0.84	319
Trust Co of Aus	1800	+6.7	+0.3	39	0·0	-	1.9	74	0.6	3	3.3	0.72	12
Desane Group	28	+6.6	+6.1	40	0·0	-	0.6	4	1.4	15	3.6	0.76	5
Triako Res.	40	+6.5	+3.8	40	0·0	-	-	-	1.3	2	5.0	0.57	13
Q.B.E. Insur.	716	+6.3	-1.5	40	1·0	12	2.8	16	0.7	17	3.8	0.76	2,987
Gold Mines Kal.	73	+5.9	+3.2	41	2·0	-	-	-	1.1	13	8.2	0.98	178
Gympie Gold	38	+5.7	-4.6	41	0·0	2	0.6	9	1.3	7	Nil	0.94	49
York Securities	50	+5.5	-1.4	42	0·0	-	2.9	28	1.2	10	8.0	0.51	7
Monadelphous Gr	366	+5.0	-2.5	42	0·0	1	2.8	24	0.8	11	7.4	0.36	61
Shearer (John)	165	+4.6	-3.8	43	0·0	-	0.7	10	0.9	7	4.2	0.39	18
Auspine Ltd	224	+4.5	-4.1	43	8·0	5	0.8	6	0.8	13	5.4	0.55	128
Southern Dental	40	+4.5	+3.3	44	0·0	-	1.3	17	1.3	8	5.0	0.47	9
Snack Foods Ltd	68	+4.4	-4.2	44	1·1	3	3.6	26	1.1	14	3.2	0.34	84
Sunland Group	240	+3.7	-1.1	44	2·0	1	1.6	21	0.8	7	4.2	0.65	78
Portman Mining	73	+3.6	+2.7	44	2·0	5	-	-	1.1	14	6.8	0.42	132
So Natural Food	113	+3.5	+2.1	45	0·0	-	2.3	12	1.0	20	4.0	0.92	21
Ashton Mining	72	+3.4	-3.1	45	2·0	6	-	-	1.1	14	5.6	0.95	242
Embelton Ltd	220	+3.4	+1.4	45	0·0	-	0.8	6	0.8	14	3.2	0.30	5

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

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
BA Tobacco Aust	1050	-9.1	-3.2	88	0·0	4	6.1	46	0.6	13	82.5	0.40	1,580
Pioneer Int'l	465	+6.3	-1.9	41	0·0	11	2.0	12	0.7	17	34.6	1.04	3,833
HIH Insurance	131	-10.7	-0.4	91	7·0	10	1.8	25	0.8	7	12.2	0.18	610
Delta Gold NL	175	-8.4	-3.3	87	1·0	14	-	-	0.8	9	11.4	1.83	379
Envestra	77	-4.8	+0.7	77	1·0	8	-	-	1.0	NE	10.6	1.76	453
PMP Communicat.	196	-7.7	+0.9	85	2·0	10	-	-	0.8	8	10.4	0.42	497
Q.C.T. Resource	69	-11.9	-1.6	92	0·0	12	0.7	7	1.0	10	10.1	0.47	475
Caltex Austrlia	225	-12.6	+0.7	93	0·0	10	0.7	9	0.8	8	9.8	0.10	608
Capral Alum.	187	-5.2	+0.3	79	1·0	12	0.8	4	0.8	20	9.6	0.52	385
Pacific Dunlop	155	-13.3	-2.3	94	0·0	14	1.6	20	0.8	8	9.0	0.25	1,594
Mayne Nickless	333	-14.9	+0.2	95	1·0	14	2.5	24	0.7	10	9.0	0.29	1,129
Australand Hold	134	+1.7	-2.0	50	0·0	4	1.1	20	0.8	6	9.0	0.80	649
Burswood Ltd	68	-11.4	+0.7	92	3·0	13	1.3	15	1.0	9	8.8	0.73	273
Macquarie Infra	125	-5.8	-4.5	81	0·0	-	0.9	15	0.9	6	8.0	5.58	1,100
Aust Infra.	216	-0.9	+1.8	63	1·0	3	1.0	11	0.8	9	7.4	7.70	306
Energy Resource	200	-0.3	-2.7	60	0·0	7	-	-	0.8	13	7.0	1.63	286
Franked Income	385	-8.0	-1.6	86	0·0	4	0.8	6	0.7	14	7.0	N/A	1,138
OPSM Protector	240	-4.3	-2.2	77	1·0	9	3.3	24	0.8	14	6.9	0.64	344
Austrim Nylex	230	-6.5	-3.1	82	0·1	5	3.1	42	0.8	7	6.6	0.60	526
C.S.R. Ltd	351	-3.9	-0.1	75	3·0	14	1.1	10	0.7	10	6.6	0.53	3,640
Normandy Mining	92	-9.5	-1.4	89	11·0	16	-	-	0.9	16	6.5	0.86	1,600
Crane Group	780	-2.7	-0.0	71	4·0	8	1.3	11	0.6	11	6.4	0.24	319
Foodland Assoc	765	-7.9	-2.9	85	2·0	10	2.7	45	0.6	6	6.4	0.18	721
Leighton Hold	470	-7.9	-2.8	86	0·0	12	1.9	19	0.7	10	6.4	0.37	1,234
Wattyl Ltd	345	-7.3	-3.1	84	0·1	11	1.4	13	0.7	11	6.4	0.48	263

INSIDER BUYING: Most Insider Buying, Relative Strength > 0

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Mt Burgess Gold	13	+6.8	-0.2	39	15·0	-	-	-	1.5	NE	Nil	N/A	14
Auspine Ltd	224	+4.5	-4.1	43	8·0	5	0.8	6	0.7	13	5.4	0.55	128
Pacific Energy	125	+12.4	+3.5	33	8·0	-	0.5	37	0.8	1	Nil	0.48	16
OAMPS	120	+16.8	+2.8	28	7·0	-	2.9	24	0.8	12	4.2	0.47	25
Perp Trust Aust	2300	+2.5	+3.4	47	7·0	7	7.1	24	0.6	29	2.6	4.11	842
Schaffer Corp	345	+8.8	-0.1	37	6·0	-	1.1	5	0.7	22	3.5	0.81	35
Grimwood Davies	28	+115.5	+72.6	3	6·0	-	2.3	-	1.2	NE	Nil	0.91	19
Atlas Pacific	29	+12.6	-9.5	33	6·0	-	1.8	17	1.1	11	Nil	2.70	16
Ausdoc Group	260	+1.1	-0.6	51	6·0	10	-	-	0.7	23	5.2	0.70	230
Gippsland Ltd	52	+228.0	+120.7	0	5·0	-	-	-	1.0	NE	Nil	N/A	27
Waterco Ltd	165	+3.3	-1.8	45	5·0	1	1.6	14	0.8	11	5.5	0.71	30
Brickworks Ltd	4900	+3.5	+1.0	45	5·0	5	1.4	9	0.5	17	2.2	4.37	645
Acclaim Uranium	11	+39.6	+14.1	16	5·1	-	-	-	1.6	NE	Nil	N/A	6
Infosentials	45	+17.2	-8.0	28	3·0	-	5.0	-	1.0	NE	Nil	2.05	43
Burns Philp	39	+18.4	-3.7	27	3·0	1	-	-	1.1	4	Nil	0.14	210
Auridiam Cons.	12	+43.5	+13.4	14	3·0	-	-	-	1.5	NE	Nil	2.17	7
St George Bank	1124	+4.0	-1.2	44	3·0	15	4.2	26	0.6	16	4.6	1.57	5,114
Citadel Pooled	61	+8.0	+1.2	38	3·0	-	0.8	1	0.9	62	Nil	N/A	13
Normandy NFM	340	+2.5	-2.1	47	3·0	9	-	-	0.7	16	Nil	1.95	259
Parbury Ltd	42	+13.0	-1.9	32	3·0	1	1.6	10	1.0	15	6.5	0.37	53
Allegiance Min.	14	+45.9	-5.5	13	3·0	-	-	-	1.5	NE	Nil	N/A	23
Platinum Cap'l	137	+10.2	+0.3	35	3·0	-	0.9	5	0.8	20	7.3	1.01	143
Investor Group	335	+17.0	-5.9	28	3·0	-	16.8	23	0.7	72	1.2	8.31	105

Book Review: Contrarian Investment Strategies

Contrarian Investment Strategies: The Next Generation by David Dreman (Hard cover. 464 pages. Published by Simon & Schuster).

This book is a 1998 update of Dreman's 1982 book *The New Contrarian Investment Strategy*.

Through this book, Dreman encourages investors to avoid popular investment methods - most of which are of little value.

The book covers a wide range of subjects that will inform investors about *contrarian* investment methods (i.e. buying out of favour stocks, buying during a crisis) but its real value to me was Dreman's research into the impact of Analyst Profit Forecasts on future share prices.

Dreman is critical of Analyst's profit forecasts, which he claims are usually over-optimistic and have only about a 29% chance of being accurate (i.e. within 5% of actual profits) in any quarterly period. However, he believes that investors can profit from "earnings surprises" (i.e. where profits exceed or fall short of analysts expectations). Analysing 1500 companies from 1973 until 1996, Dreman has studied the impact of both *positive* earnings surprises (i.e. where profits exceeded estimates) and of *negative* earnings surprises (i.e. where profits were below expectations). The impact of earnings surprises on future share prices varied widely - mainly depending upon a share's fundamental valuation as measured by its Price/Earnings ratio, its Price/Cash Flow ratio and/or its Price/Book Value ratio.

In the case of valuation based upon the Price/Earnings ratio, Dreman's research reveals that the 20% of shares with the lowest P/E ratio *outperformed the market* by 4.2% in the year after *any* earnings surprise, while the 20% of shares on the highest P/E ratios *under-performed* by 3.5%.

After a positive earnings surprise the low P/E group outperformed by 8.1%, while the high P/E shares outperformed by just 1.2%. After the negative earnings surprise the low P/E shares under-performed by just 0.1%, while the high P/E shares under-performed by 8.9%.

<u>This indicates that low P/E shares can be expected to perform well if profits exceed expectations, but will still yield close to market returns if profits are below expectations. On the other hand, the high P/E shares will react poorly in response to below expectation earnings, but yield just slightly above market average returns after a good profit result.</u>

Very similar results were found when the shares were ranked by their Price/Cash Flow ratio and Price/Book Value ratio.

There is, in fact, an entirely logical explanation for this result. Analysts and investors expect high P/E shares to grow rapidly. A positive earnings surprise therefore does not *change* expectations so has little impact on the share price, while a negative earnings surprise - perhaps suggesting that earnings growth is slowing - *reduces* expectations and results in a downgrading of the share price.

Conversely, with the low P/E shares it takes a positive earnings surprise to change expectations (for the better) which results in the shares being re-rated upwards in value.

The book also lists 41 rules for contrarian investing, for example:

Rule 10: Take advantage of the high rate of analyst forecast error by simply investing in out-of-favour stocks.

Rule 12: Positive surprises result in major appreciation for out of favour stocks. Negative surprises result in major drops in the price of favourites.

Rule 18: Invest equally in 20 to 30 stocks, diversified over 15 or more industries (if your assets are of sufficient size).

Rule 29: Political and financial crises lead investors to sell stocks. This is precisely the wrong reaction. Buy during a panic, don't sell.

Contrarian Investment Strategies: The Next Generation is suitable for the novice investor and will add to their knowledge of investment techniques that have yielded the best returns over the medium to long term. Its original research into the impact of earnings surprises on future share prices also makes this book an investment classic and a valuable addition to the library of experienced and knowledgeable investors.

Contrarian Investment Strategies: The Next Generation has been added to the Book Catalogue and is available at a price of NZ$65.

New Issues: GDC Communications . . .

GDC Communications is seeking to raise $8,676,000 from the issue of 5,784,000 shares to the public at $1.50 each through broker Craig & Co. After this issue, the company's issued capital will be 37,860,000 shares. GDC Communications is described as a "telecommunication and e-commerce infrastructure specialist" - which means that it is sub-contracted to Telecom NZ providing repairs, connections and maintenance. It is also involved in the design, building and maintenance of private voice and data networks.

While a firm that wires up a few phones is nothing to get too excited about, GDC Communications shares are being offered at a reasonable valuation. Based upon the 150 cents issue price - and last year's revenue of $33.5 million and profits of $3,217,000 - the Price/Sales ratio is 1.7 and the Price/Earnings ratio 17.7.

The shares may list on the stockmarket at a premium to their $1.50 issue price, so it may be worth contacting Craig & Co or your broker for an allocation (if you can get them).

. . . and a Review of EstarOnline . . .

EstarOnline is seeking to raise $10.0 million in a New Issue to expand its on-line business selling music CDs. This business *must* ultimately fail - so is a good case study into what is wrong with a large number of *new economy* internet businesses. However, before we examine the fundamental flaws in this e-commerce business (see article below), let us first evaluate EstarOnline using traditional valuation criteria.

EstarOnline was formed in March 1999, acquired its main business, **CDstar.com**, in August 1999 and at the same time raised $1.0 million in cash from the issue of 3,000,000 shares to investors at 33 cents. The company is now offering 16,666,667 shares at 60 cents each (minimum application 4000 shares) to raise an additional $10.0 million. Most of this money will be spent on "marketing and brand development" over the next 21 months. The issued capital after this New Issue will be 28,686,200 shares.

For the three months to December 1999, the business generated only $113,769 in revenue and lost $816,969. The *fifteen* months to March 2001 is expected to generate revenues of $6.7 million and a *loss* of $6.0 million. Based upon the issue price of 60 cents, that places the shares on a Price/Sales ratio of 3.2 and gives (annualised) earnings per share of *minus* 16.8 cents.

But does the company have good growth potential? The NZ music market is worth about $186 million annually in sales. Currently only 1% of that is over the internet, but internet sales are expected to rise to 10-15% of the total ($20-30 million) by 2003. Assuming that EstarOnline could pick up 25-50% of that on-line market, its revenues would still be only $5-15 million in three years time.

There are currently two major on-line music retailers in NZ and four in Australia, plus several smaller companies. Local companies also face competition from overseas based internet retailers. Furthermore, there are absolutely no barriers to entry into this business. *Anybody* can set up an on-line music retailing website for as little as a couple of hundred dollars (albeit that such a site may not be very good or very successful). More importantly, if retailing music CDs does become an attractive and profitable business then *every other established on-line retailer will expand into this business* - cutting the revenues and profits of EstarOnline and other early entrants.

EstarOnline will spend most of the $10 million raised in this public share issue on market and brand development - but a music CD bought from one retailer is *exactly the same* as the same CD bought from a competitor. So this is not a business where consumers can be expected to buy on the basis of *brands*. Consumers need simply access a local search engine on the internet, search on "music" or "CD" and find all the on-line retailers of this product. A bit of time spent surfing will quickly find the best price.

Summary & Recommendation

EstarOnline shares simply do not appear attractive on the basis of their forecast Price/Sales ratio of continued operating losses. Furthermore, there are no barriers to entry, so if the market grows rapidly and becomes profitable, that situation will be quickly eroded by the even faster growth in on-line retailers entering the business.

. . . leading to a Lesson in (Real) Internet Economics

Over recent months *Market Analysis* has questioned the ultimate value of many internet related businesses (such as **Amazon.com**) so many readers may believe that we have *under estimated the impact of the internet*. In fact, it is probably the on-line retailers and internet investors who are under estimating the internet's impact upon their businesses.

EstarOnline is a good case study of on-line retailing. Selling music CDs would appear to be an example of a good business to conduct via the internet. Consumers can search for products by title or artist, download sample music clips, the consumer gets a guaranteed product (i.e. exactly identical to the CD purchased at any other store) and CDs are relatively small (so cheap to package and deliver).

Using available technology the whole business can be automated. The customer supplies their address and credit card details, which can be stored to make repeat purchases quick and easy. Credit card transactions can be processed automatically in real-time, while the tax invoice and a packaging address label can be printed directly from the information provided by the customer. The retailer is involved in very little handling or processing, and does not need to hold CD stocks - so this is a very efficient and low cost retailing model. So what is wrong with the economics of retailing music CDs?

The simple answer is that it applies *current technology* but *ignores future technology advances*. The *telegraph* was "the greatest invention of all time" but became obsolete with the invention of the *telephone* just a few years later.

Producing CDs, warehousing and airfreighting them around the world, distributing to wholesalers and retailers and finally shipping to consumers is an inefficient distribution method. In a few years time, consumers will not go to an on-line retailer like EstarOnline but directly to the **EMI Records** or **Sony Music** website (or the website of their favourite artist), pay a small royalty fee and download the music directly to their computer/television/video recorder/stereo (which will have merged into one appliance). CDs may be the best way to distribute music *today* but in five years time faster internet access and the merging of computer/home entertainment appliances will make CD music technology obsolete.

This music distribution method we describe is exactly the same as the way one *currently* obtains the latest web browser from **Netscape**. You don't go to a computer store, or even to an on-line computer retailer, but directly to the Netscape website and download the software straight to your computer's hard drive.

“Insider” Trades in Australian Shares

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

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

“Insider” Indicators

Last 5 wks: 68.2% Buyers
Last 13 wks: 68.7% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
AMP Ltd	5-0	Burns Philp	3-0	Gazal Corp	3-1	Macro Corp.	2-0	Precious Metals	0-2
ARC Energy	4-0	Burswood Ltd	3-0	General Gold Re	2-0	McPherson’s Ltd	2-0	Ranger Minerals	0-4
Acclaim Explor	3-1	C.S.R. Ltd	3-0	Gindalbie Gold	0-2	Menzies Court	5-1	Redfire Res.	2-6
Acclaim Uranium	5-1	CI Technologies	0-4	Gippsland Ltd	5-0	Michealago Res.	3-1	Resource Exp.	1-9
Adacel Tech.	2-4	Central Equity	4-0	Gold Mines Kal.	2-0	Milton Corp.	13-0	Ridley Corp.	3-0
Adelaide Bright	3-1	Circadian Tech	4-2	Golden State	0-2	Mt Burgess Gold	15-0	Rio Tinto Ltd	4-0
Adsteam Marine	5-0	Citadel Pooled	3-0	Goldfields	2-0	Mt Grace Res.	2-0	Rural Press Ltd	0-2
Adtrans Group	4-0	Cleland	2-0	Goodman Fielder	4-0	Nat’l Foods	4-0	SME Growth	2-0
Adultshop.com	0-2	CocaCola Amatil	3-0	Graincorp	3-0	Nat’l Aust Bank	4-1	Sausage Softwar	0-4
Allegiance Min.	3-0	Comet Gold	3-0	Grimwood Davies	6-0	Normandy Mining	11-0	Schaffer Corp	6-0
Amcor Ltd	5-0	Computer Share	2-4	HIH Insurance	7-0	Normandy NFM	3-0	Smith (Howard)	2-0
Argo Investment	4-1	Cordukes Ltd	2-0	Hamilton Island	2-0	OAMPS	7-0	Sonic Health	0-2
Ashton Mining	2-0	Corp Express	1-3	Hartley Poynton	0-3	Orica Ltd	5-0	Soul Pattinson	8-0
Asia Pac Spec	2-0	Crane Group	4-0	Healthscope	4-0	Oroton Int’l	2-0	St George Bank	3-0
Atlas Pacific	6-0	Darowa Corp	2-0	Hills Indust.	2-0	PBL	2-0	Sunland Group	2-0
Auridiam Cons.	3-0	Data 3 Ltd	0-2	Housewares Int.	2-0	PCH Group	3-1	TDG Logistics	2-0
Ausdoc Group	6-0	David Jones	2-0	Hunter Explor.	0-2	PMP Communicat.	2-0	Tabcorp Holding	2-0
Auspine Ltd	8-0	E.R.G.	1-5	IAMA Ltd	0-2	Pac Strategic	3-0	Takoradi Gold	2-5
Aust Foundation	6-1	Eastern Corp	0-2	Infosentials	3-0	Pacific Energy	8-0	Tanganyika Gold	4-2
Aust Stock Exch	0-7	Eco-Air Ltd	0-2	Inovax Ltd	2-0	Pacifica Group	4-1	Ticor Ltd	2-0
Austin Group	2-0	Ecorp Limited	0-2	Institute Drug	6-4	Pacrim Energy	2-0	Tourism Aust.	3-0
Austral Coal	3-0	Energy Develop.	0-5	Investor Group	3-0	Parbury Ltd	3-0	Union Capital	0-3
BT Aust Equity	4-1	Foodland Assoc	2-0	Joyce Corp.	2-0	Payco Consol.	3-0	Vos Industries	3-0
BT Global Asset	0-3	Fortuna NL	2-0	Lion Selection	2-0	Perilya Mines	2-0	Waterco Ltd	5-0
Biron Corp	0-2	Foster’s Brewin	2-0	Livingstone Grp	2-0	Perp Trust Aust	7-0	West’n Metals	3-1
Brambles Ind.	0-2	G.U.D. Holdings	4-0	Ludowici Ltd	2-0	Platinum Cap’l	3-0	Western Mining	2-0
Brazin Limited	2-0	GME Resources	2-0	M.I.M. Holdings	4-0	Polartechnics	0-3	Westfield Hold.	4-0
Brickworks Ltd	5-0	GWA Internat’l	7-0	Macmin NL	0-3	Portman Mining	2-0	Wine Investment	7-0
								Yates (Arthur)	2-0

Rank	Industy Group	Insider Buy-Sell	No. of Coys	Average Buyers-Sellers	Rank	Industy Group	Insider Buy-Sell	No. of Coys	Average Buyers-Sellers	Rank	Industy Group	Insider Buy-Sell	No. of Coys	Average Buyers-Sellers
1	Insurance	22-0	9	+2.44	25	Property Investor	4-0	10	+0.40	49	Gold Explorer	63-48	153	+0.10
2	Uranium	5-1	2	+2.00	26	Soft Drink/Confectionery	4-1	8	+0.38	50	Transport	3-2	11	+0.09
3	Hospital Management	6-0	4	+1.50	27	Hotel/Resort	3-0	8	+0.38	51	Property Trust	5-0	68	+0.07
4	Trustee Company	7-0	5	+1.40	28	Property Dev’ment/Manager	9-1	23	+0.35	52	Biotechnology	2-1	16	+0.06
5	Diversified Mining	9-0	7	+1.29	29	Misc Industrial	13-2	32	+0.34	53	Misc Services	9-7	37	+0.05
6	Chemical & Fertiliser	10-1	7	+1.29	30	Other Utilities	1-0	3	+0.33	54	Gold/Copper	0-0	3	+0.00
7	Building Materials	25-3	20	+1.10	31	Banking	11-6	15	+0.33	55	Gold/Other Mining	0-0	8	+0.00
8	Forest Products	15-2	13	+1.00	32	Engineering Contractor	2-0	6	+0.33	56	Mining Investment	0-0	4	+0.00
9	Diversified Industrial	25-4	22	+0.95	33	Automotive	4-0	13	+0.31	57	Machinery Manufacturer	0-0	3	+0.00
10	Investment Trust/Company	24-2	25	+0.88	34	Mineral Sands	3-0	10	+0.30	58	Entrepreneurial Investor	0-0	9	+0.00
11	Food	17-2	25	+0.60	35	Other Infrastructure	2-0	7	+0.29	59	Network Operator	1-1	6	+0.00
12	Mining Services	6-0	10	+0.60	36	Light Engineering	6-1	18	+0.28	60	Advertising/Marketing	0-0	19	+0.00
13	Energy/Electricity	9-5	7	+0.57	37	Health & Related Products	3-0	12	+0.25	61	Publishers	2-2	6	+0.00
14	Wholesaler/Retail	8-3	9	+0.56	38	Building Contractor	3-0	13	+0.23	62	Other Telecommunications	1-1	15	+0.00
15	Gold/Investment	1-0	2	+0.50	39	Diversified Media	8-2	29	+0.21	63	Oil/Gas Investor	0-0	2	+0.00
16	Brewer	2-0	4	+0.50	40	Leisure Activities	2-0	10	+0.20	64	Computer & Office Serv.	8-9	43	-0.02
17	Gold Producer	28-5	47	+0.49	41	Coal	3-1	10	+0.20	65	Mineral Exploration	11-13	43	-0.05
18	Agricultural	13-2	23	+0.48	42	Residential Developer	2-0	11	+0.18	66	High Technology	6-8	33	-0.06
19	Manufacturer/Retailer	6-1	11	+0.45	43	Oil/Gas Producer	3-0	17	+0.18	67	Mining Producer	4-6	16	-0.13
20	Diamonds	5-0	11	+0.45	44	Vintner	5-3	12	+0.17	68	Equipment/Services	1-6	32	-0.16
21	Equity Investor	40-9	69	+0.45	45	Heavy Engineer	1-0	6	+0.17	69	Misc Financial	12-17	19	-0.26
22	Casinos/Gaming	7-1	14	+0.43	46	Retail	13-8	31	+0.16	70	Health/Medical Services	0-5	9	-0.56
23	Base Metals	10-2	19	+0.42	47	Oil/Gas Exploration	11-6	35	+0.14					
24	Pharmaceutical	12-7	12	+0.42	48	Television	1-0	8	+0.13					

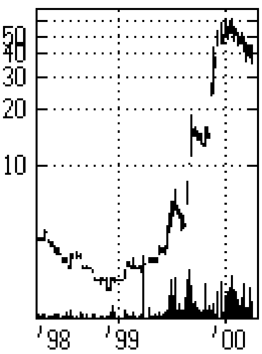
Australian *insiders* continue to buy shares in their companies - with 68-69% of trades over the last five weeks and over the last thirteen weeks being “Buys” and only 31-32% being “Sells”. *Insiders*, however, are generally buying shares in *old economy* companies. Most of the *high-technology*, *telecommunications* and *internet* industries are ranked near the bottom of our table: Biotechnology 52nd (out of 70 industries), Network Operator 59th, Other Telecommunictions 62nd, Computer & Office Services 64th, High Technology 66th and Equipment/Services 68th.

"Strongest" Shares

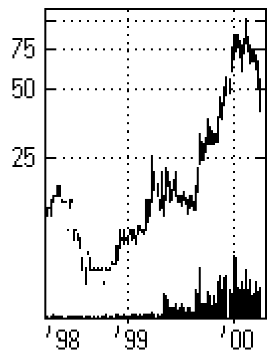
This table shows the 50 NZ shares that are appreciating most rapidly in value. As a group, these *strong* shares can be expected to outperform the market - so investors should generally HOLD for further gains.

Company	Share Price	STRENGTH RATING Current	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity	Volatility	Price Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
50 Strongest NZ Shares												
E-Phone Ltd	53	+69.9	-49.5	-0	-	26.5	-	2.4	NE	Nil	N/A	53
Strathmore Grp	36	+69.2	-78.6	1	-	2.3	-	2.3	NE	Nil	N/A	88
Tag Pacific Ltd	65	+60.9	+19.3	1	-	2.4	-	1.5	NE	1.2	0.92	37
IT Capital Ltd	51	+57.9	-34.3	2	-	26.7	-	1.8	NE	Nil	N/A	12
Advantage HDS	489	+35.0	-2.5	3	3	10.2	18	0.9	57	Nil	6.98	148
Revesco Ltd	56	+28.6	+3.6	4	-	5.4	-	2.2	NE	Nil	7.40	138
Baycorp Hold	1025	+27.0	-0.1	4	6	26.7	46	0.7	58	2.3	N/A	785
Dorchester Pac	147	+25.6	-8.8	5	-	2.2	17	1.3	13	4.6	1.12	24
Newcall Group	51	+25.1	-8.2	6	-	4.2	-	1.9	NE	Nil	N/A	14
E-Force Limited	36	+23.3	-18.5	7	-	3.0	-	2.4	NE	Nil	0.53	9
Renaissance	65	+21.1	-1.6	7	-	1.7	3	2.2	52	2.3	0.19	23
Pure NZ Limited	23	+19.2	-11.2	8	-	5.1	-	2.4	NE	Nil	7.69	6
Affco Holdings	38	+17.6	-0.4	9	1	0.8	0	1.5	760	Nil	0.09	78
Sky Network TV	460	+14.1	+8.0	10	7	26.0	-	0.8	NE	Nil	N/A	1,682
Ind Newspapers	409	+12.4	+5.0	10	7	0.6	2	0.9	33	8.8	1.58	1,585
Ebos Group Ltd	360	+12.4	-5.8	11	-	5.4	34	0.8	16	7.5	0.93	84
Force Corp.	70	+10.9	+2.8	12	4	1.8	13	1.7	14	8.5	3.40	108
Colonial Ltd	965	+9.3	+1.3	13	-	1.4	9	0.8	16	2.7	0.79	9,042
Pacific Retail	198	+8.8	-0.2	13	5	2.3	13	1.5	17	2.3	N/A	99
World Index Fd	223	+8.3	-0.0	14	-	-	-	0.8	NE	Nil	N/A	2
DB Group	280	+7.7	+3.2	15	7	1.3	13	0.7	10	8.5	0.44	282
Ryman Health.	175	+7.4	-8.5	16	-	-	-	0.9	NE	Nil	N/A	18
Broadway Ind	36	+7.3	+2.4	16	-	1.1	-	1.5	NE	Nil	0.09	5
Sanford Limited	500	+7.3	-5.9	17	5	1.4	11	0.8	12	4.5	1.48	88
NZ Experience	10	+6.0	-4.0	18	-	0.9	2	3.2	48	Nil	0.72	6
Ozzy (Tortis)	248	+5.9	-0.4	19	-	-	-	0.8	NE	Nil	N/A	82
Cedenco Foods	85	+5.9	-3.8	19	-	0.6	7	1.3	10	Nil	2.00	13
Mr Chips Hold	70	+5.9	+2.9	20	-	2.1	9	1.0	24	8.5	0.77	13
Reid Farmers	68	+5.8	+0.5	21	-	1.1	11	1.2	10	9.9	0.51	38
Warehouse Group	430	+5.8	-1.9	22	7	3.6	16	0.7	23	6.6	1.31	1,231
Nuhaka Forestry	1345	+5.6	-3.4	22	-	0.7	-	0.5	NE	Nil	N/A	24
Col Motor Co	270	+5.2	-0.7	23	-	1.1	7	0.8	15	8.6	0.28	84
Radio Works NZ	690	+4.3	-3.7	24	-	7.6	50	0.5	15	3.2	1.90	82
Tourism Hold.	234	+4.0	-7.9	25	7	1.4	10	1.1	15	3.2	0.88	215
Savoy Equities	5	+3.9	-0.9	25	-	0.2	-	5.1	NE	Nil	1.88	20
Wrightsons Ltd	40	+3.1	-2.6	26	3	0.5	-	1.9	NE	Nil	0.10	56
Mainfreight Grp	157	+2.9	-3.8	27	7	2.5	15	1.1	16	5.2	0.40	11
Northland Port	125	+2.7	-2.2	28	3	1.1	9	1.1	12	9.0	1.00	52
Summit Gold Ltd	13	+2.6	+0.1	28	-	2.1	-	2.9	NE	Nil	N/A	12
Telecom Corp	955	+2.4	+0.1	29	10	15.4	76	0.6	20	7.2	4.87	16,739
Cue Energy Ltd	9	+2.1	-9.0	30	-	0.6	-	3.6	NE	Nil	4.45	25
Taylors Grp Ltd	104	+1.8	-3.0	31	2	1.4	10	1.3	14	6.5	0.66	25
NZ Oil and Gas	28	+1.6	-12.4	31	-	0.6	-	1.6	NE	Nil	1.93	30
Scott Tech. Ltd	240	+1.5	-3.0	32	-	4.4	27	1.0	16	6.8	1.71	47
Newmarket Prop.	55	+1.4	-1.2	33	-	0.7	11	1.3	6	17.3	4.09	38
Montana Group	186	+1.3	-2.8	34	7	3.4	21	1.1	16	2.4	0.93	399
South Port NZ	92	+1.2	-2.4	34	1	1.0	5	1.2	21	8.9	1.02	30
FC - Paper	230	+1.2	+4.2	35	9	0.9	0	1.5	245	1.0	0.42	1,464
Fisher & Paykel	610	+1.1	-3.8	36	7	1.9	9	0.8	20	6.1	0.93	717
Seafresh Fish.	12	+1.0	-4.1	37	-	0.5	4	3.3	13	Nil	0.47	8

Strathmore Group



IT Capital



Readers Ask . . .

Question: Are unlisted companies worth looking at? AMP has started a fund to purchase such companies - after apparent success overseas. Unlisted companies would meet your *Small Company* and *Neglect* criteria. Also management often have a reasonable stake. Obviously there is greater risk, but a well run company could be attractive.

Answer: In theory, an unlisted company - or "venture capital" fund - *should* yield higher returns, although with much higher risks, as (1) unlisted company valuations tend to be lower than listed shares (i.e. can be bought more cheaply) and (2) small unlisted companies can be high growth firms. In practice, the AMP fund will probably not live up to expectations.

Firstly, many venture capital funds have earned good returns - especially in recent years when their young technology companies could be floated on the stockmarket to realise huge gains. Unfortunately, the current boom in technology shares is unlikely to last long enough for new funds to be able to use that exit strategy in 5-10 years time!

Secondly, *reported* returns from venture capital funds are subject to *survivor bias*. During the 1980's stockmarket boom a NZ listed company, **Holdcorp**, specialised in owning unlisted companies - but that company became worthless and was delisted in 1991. When fund managers want to attract investors' money they quote the returns from the successful, profitable survivors. Failed funds like Holdcorp are conveniently forgotten.

Thirdly, AMP may not be the best company to be running a venture capital fund. With their stockmarket *listed* investments that company favours *indexation* - which should tell you something about their confidence in their ability at share selection and picking winning companies!

Fourthly, AMP's interest in this sector is probably that fund management fees are higher than in other sectors.

Finally, *small company*, *broker neglect* and *management shareholdings* are valid selection criteria when evaluating *listed* shares. All unlisted companies will fall into these categories - so these criteria cannot therefore differentiate between *under-valued* and *over-valued* unlisted company shares.

In summary, I believe that most investors who are prepared to take *higher risks* and who have a *long term investment horizon*, would do better to simply invest a high percentage of their portfolio in listed, emerging growth companies shares.

Company Review: Fletcher Challenge

Over the long term the Fletcher Challenge companies have not been the best investments and have tended to under-perform their potential and investors' expectations. Every so often, however, the shares do perform strongly.

One such occasion was the late 1980 merger of **Fletcher Holdings, Challenge Corporation** and **Tasman Pulp & Paper -** which was supposed to created a large business able to maximise investment opportunities. In early 1992 the group separated the asset rich, earnings poor Forest division into a separate class of share to try to improve the overall valuation of the group, but Fletcher Challenge shares fell sharply to a low in late 1992.

That 1992 low led to a second period of good performance - with Fletcher Challenge ordinary shares more than *tripling* in value over the next two years.

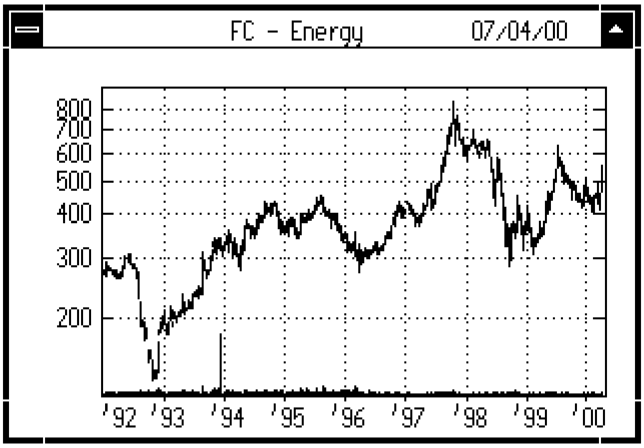
From mid-1994, however, the share price simply moved sideways, then fell from mid-1995 to mid-1996. The present group structure was then introduced, with Fletcher Challenge ordinary shares being divided into Energy, Paper and Buildings. This letter stock structure (i.e. separate shares for each division, but all operating under one company) was supposed to offer advantages in taxation and borrowing - although we criticised it at the time as each division remained responsible (and restricted by) the borrowings of other divisions.

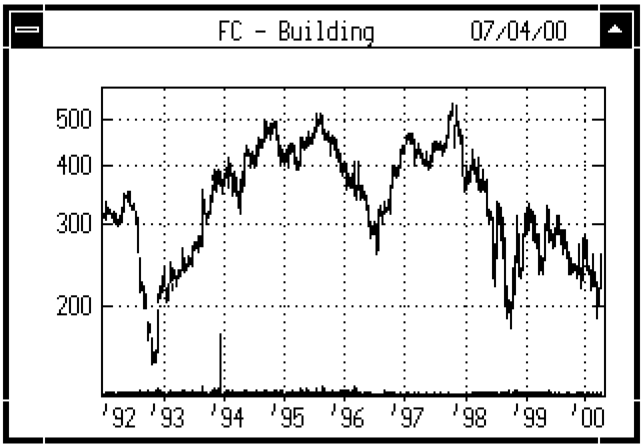
Over the last five years that debt problem has grown worse, with too much debt in the Paper division which is restricting the ability of the Energy and Building divisions to borrow to expand. Over the last two years, the Building, Forest and paper division shares have lost 50-70% of their value.

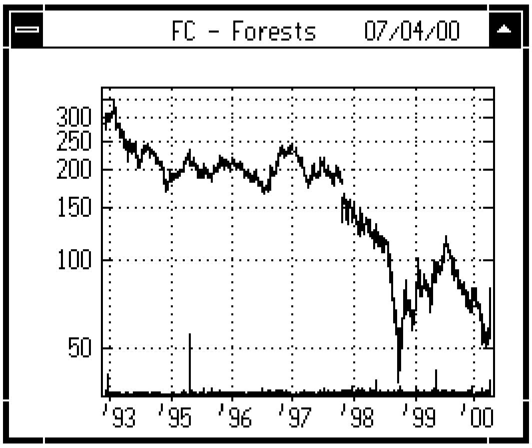
For the last year the company has been looking to finally break up the conglomerate completely. Plans to sell of the debt-laden Paper division to its own 50% owned, cash rich Canadian subsidiary at $1.85 per share failed. The company has since announced the sale of this division to a Norwegian company at $2.50 per share (subject to various approvals) which is certainly a much improved deal for shareholders (although less than the shares were worth prior to late 1997).

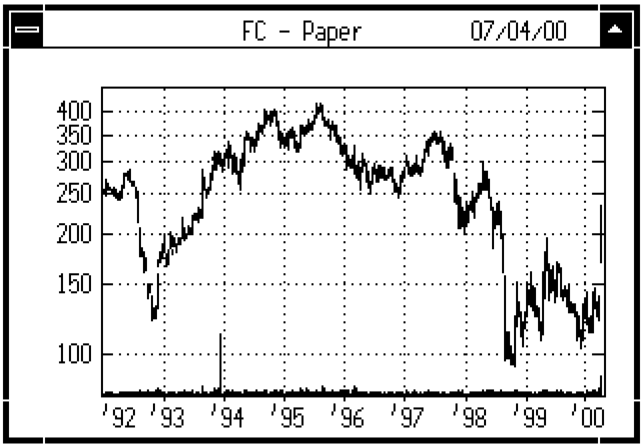
Fletcher is now looking at selling the Forest division, with the Paper shares holding up the hope of a good return to shareholders. The Forest division has a net asset value of 139 cents - while the share had been around 51-60 cents before recovering last week to 77 cents. In the short to medium term, **FC Forest** division shares could be an attractive investment if the company can negotiate an attractive sale of this business.

Longer term, however, the Fletcher companies suffer from one fatal flaw: they operate in the least attractive area of the *old economy* - commodity businesses. These businesses are unlikely to be the best long term investments, and investors need to look to companies that can *add value* and *use technology* to improve their businesses.









Readers Ask . . .

Question: Would it be possible to have an appraisal of my family portfolio? I am 83 years old.

Answer: This portfolio is worth about $1.75 million - so should be more than sufficient to meet the needs of this investor and his wife. Unfortunately, I haven't been given any further background information. As the portfolio will obviously *outlive* the investor, the real task here is to match the portfolio strategy with the investor's (undisclosed) *longer term* investment goals - which generally involves inheritance by younger family members (who may have much longer term investment horizons).

The current portfolio includes $250,000 (14%) in short term deposits, $235,000 (13%) in a range of fixed interest investments and $125,000 (7%) in listed property shares. Such a cash holding and low risk investments are very important for retired investors who depend upon the income and capital from their investments.

In this particular case, these low risk investments should more than meet the financial needs of our 83 year old investor and his wife. Furthermore, we estimate the portfolio currently generates in excess of $100,000 annually in pre-tax income. Therefore our investor has secured his future financial needs and does not need to worry unduly about fluctuations in remaining share investments in the portfolio.

Those remaining share investments are well diversified, with the largest holdings being in Telecom (22% of the portfolio), INL (8%), GPG (7%), ANZ Bank (6%), Contact Energy (4%), Auckland Airport (4%), Carter Holt (3%), TAB (3%), Sky City (2%) plus six smaller holdings. This is a well diversified “blue chip” portfolio that would generally be suitable for a retired investor following the investment strategy of closely following the stockmarket index. This would be a good “buy and hold” portfolio for someone who did not want to spend too much time managing their own investments but who didn't want to spend $35,000 per year in management fees investing in an “index” fund!

However, while these are good, sound companies, we do believe there is better long term growth potential in medium and smaller companies - although a portfolio of these shares would need to be more widely diversified (to minimise the individual company risk) with a maximum of $50-100,000 in any company. This would, of course, involve a bit more management as the investor would need to hold more investments and select a wider range of shares - although “share selection” is the service that I aim to offer through *Market Analysis*. (This investor has only just subscribed, so has not yet bought into any of the shares recommended in the newsletter.)

Given the age of our investor and that his needs are more than adequately covered by the annual income, cash holding and fixed interest investments, it is likely that the share investments will eventually be passed on to children, grand-children or great grand-children. Some or all of those share investments should therefore be managed based upon the longer term investment horizons of these eventual beneficiaries. In that case it would be appropriate to invest less in large “blue chip” company shares and to make a number of smaller investments in medium sized, smaller and emerging growth company shares.

Perhaps 25% of the portfolio (about $400-500,000) could be invested in about 20 smaller companies shares (with about $20-25,000 in each) to help improve the long term capital growth of the portfolio.

Recommendation

There is nothing wrong with this portfolio which is well diversified in “blue chip” shares. However, to improve the long term growth potential (for the ultimate benefit of our investor's children and grand-children), I would suggest that individual investment be capped at about $100,000. That would realise about $350,000 (mainly from the sale of **Telecom** shares) and I would suggest cutting back quite significantly on the **INL** shareholding (which has been inflated by the internet/media boom and which holds 50% of Sky TV which I don't believe will *ever* make reasonable profits), raising up to a total of $450,000. That money could be used to fund 15-20 investments in *smaller companies* and *emerging growth companies* with the objective of maximum long term capital appreciation. Possible new holdings could include shares such as CDL Investments, Cavalier, Ebos, PDL, Renaissance, Taylors, Abigroup, Atlas Pacific convertible notes, Campbell Brothers, Hamilton Island, Toll, Utility Services and Vision Systems.

Current Issues

BONUS ISSUES

	Ratio	Ex-Date
GPG plc	1:10	-
Mr Chips Holdings	1:5	27-03
Pacific Retail	1:9	03-04
Restaurant Brands	1:8	27-03
Spectrum (1)	1:6	-

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

CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
E-Force	1:6	-	-	-
Natural Gas Holdings	4:5	116	03-04	03-05
Spectrum (1)	7:3	5	-	-
Tag Pacific (2)	1:4	52	27-03	-

(1) New share will participate in bonus issue of options.
(2) Tag issue at A$0.40 or NZ$0.52 per share.

NEW ISSUES

	Price	Date	EPS	DPS
EstarOnline	60	30-3	-	-
E-Opportunity	-	-	-	-
GDC Communications	150	-	-	-
Mowbray Collectables	-	-	-	-

GDC Communications and EstarOnline are reviewed on Pages10 and 11. E-Opportunity and Mowbray Collectables plan to list on the NZ Stock Exchange's “New Capital Market”.

"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held Before	After
10/03/2000					
DB Group	Asia Pacific Brew.	Buy	+3.832	58.40%	62.20%
FC - Energy	The Capital Group	Sell	-3.518	7.50%	6.47%
FC - Forests	The Capital Group	Sell	-8.800	6.40%	5.37%
17/03/2000					
Brierley Investments	Franklin Resources	Sell	-33.800	8.13%	7.10%
DB Group	Asia Pacific Brew.	Buy	+2.622	62.20%	64.80%
FC - Forests	Franklin Resources	Sell	-3.503	5.37%	4.96%
Fisher & Paykel	Franklin Resources	Sell	-1.469	7.89%	6.64%
Michael Hill Int'l	AMP Asset Mgmt	Sell	-0.403	7.56%	6.51%
Restaurant Brands NZ	Tower Coorporation	Sell	-1.360	8.40%	6.80%
Restaurant Brands NZ	National Mutual	Buy	+2.788	5.14%	8.42%
Restaurant Brands NZ	Australian Opport.	Buy	+5.383	0.0%	6.33%
24/03/2000					
Carter Holt Harvey	Delaware Int'l	Buy	+88.678	0.0%	5.11%
DB Group	Asia Pacific Brew.	Buy	+2.017	64.80%	66.80%
Ind Newspapers	Telecom NZ	Buy	+22.258	0.0%	5.74%
Telecom NZ	Brandes Invest.	Buy	+17.000	5.23%	6.20%
21/03/2000					
DB Group	Asia Pacific Brew.	Buy	+12.384	66.80%	74.94%
Nuhaka Farm Forestry	Evergreen Forest	Buy	+0.018	23.68%	24.71%
Wrightson Ltd	Guiness Peat Group	Buy	+1.756	18.62%	19.93%
07/04/2000					
CDL Investments	CDL Hotels	Buy	+12.375	58.97%	60.57%
Ebos Group	Rangatira Group	Buy	+3.500	0.0%	13.05%
FC - Building	Franklin Resources	Sell	-3.495	10.22%	9.20%
FC - Paper	JP Morgan	Sell	-10.844	5.95%	4.25%
FC - Paper	Hopkins Partners	Buy	+32.588	0.0%	5.11%
Montana (NZ)	AMP	Sell	-1.760	5.78%	4.96%
Natural Gas Corporation	Infratil	Sell	-28.164	6.74%	0.0%
Restaurant Brands	AXA Asia Pacific	Sell	-2.941	5.88%	2.42%
Trans-Alta New Zealand	Natural Gas Corp	Buy	+247.138	0.0%	75.83%

Total Return Index for All Listed Shares

	Mar 6	2372.95	
	Mar 7	2374.46	
	Mar 8	2367.35	
	Mar 9	2358.72	
	Mar 10	2354.53	
Mar 13	2355.42	Mar 20	2341.67
Mar 14	2350.38	Mar 21	2336.82
Mar 15	2338.53	Mar 22	2335.76
Mar 16	2338.72	Mar 23	2339.66
Mar 17	2349.27	Mar 24	2345.34
Mar 27	2358.57	Apr 3	2363.03
Mar 28	2334.13	Apr 4	2373.23
Mar 29	2336.75	Apr 5	2346.89
Mar 30	2336.04	Apr 6	2363.43
Mar 31	2343.71	Apr 7	2363.55

Dividend$

Many NZ companies paid dividends early, ahead of the April 1st rise in personal tax rates. No dividends are payable at present.

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Australian Shares				
Abigroup	7.00	10-04	28-04	-
Central Equity	4.00	24-03	06-04	-
Data#3	2.50	10-04	28-04	-
Flight Centre	10.00	27-03	14-04	-
Vision Systems	14.00	27-03	20-04	-

Australian Internet Broker Price War

A price war has erupted between Australian Internet brokers:

Commonwealth Securities (www.comsec.com.au) fired the first shot by announcing a new *internet preferred* service with a brokerage fee of A$19.95. **Quick Broker** (www.quicken.com.au) retaliated by lowering their standard on-line brokerage fee to A$19.90. **Westpac Broking** (broking.westpac.com.au) joined the fray by announcing a fee of A$15.00 - which Commonwealth Securities under cut by actually reducing their new brokerage rate to A$14.95. Not to be out gunned, **Lend Lease**'s *Your Prosperity* (www.yourprosperity.com.au), introduced a new *investment trust* service charging A$9.95 per trade.

Neither **Sanford** (A$28.95) nor **E*Trade Australia** (A$39.50) have moved their rates. All brokers pay about A$5 per trade to the Australian Stock Exchange, with E*Trade Australia also paying an undisclosed licence fee per trade to US based E*Trade Securities.

Now for the Small Print...

All of these fees apply to trades worth up to around A$10-15,000. Above those levels, fees are about A$30.

Commonwealth Securities' *regular* internet rate remains at A$29.00 per trade. Purchases from the new *internet preferred* service need to be settled from a cash management account that pays no interest on balances of less than A$5000.

Should you be thinking that the *Your Prosperity* A$9.95 fee is too good to be true, you would be right! It is too good to be true! This investment trust service charges an additional annual fee based upon the value of your portfolio - for doing *absolutely nothing!* With just A$200,000 in your account, for example, you would pay an additional A$1,525 per year in annual fees. Perhaps Lend Lease should re-name this site as *Our Prosperity*.

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Next Issue

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