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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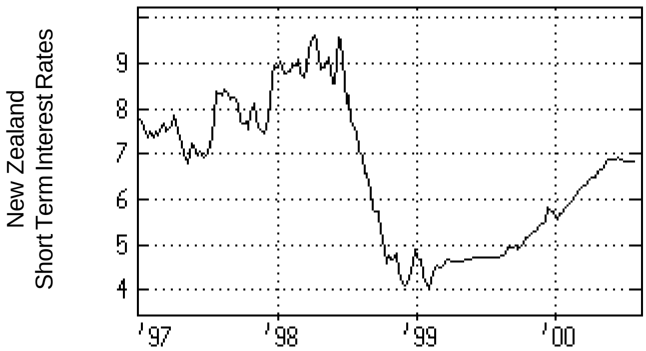
Summary and Recommended Investment Strategy.

An old Wall Street adage states that "A Bull Market climbs a wall of worry" as without uncertainty share prices would *already* be at a peak (and likely to fall!). Certainly there is much to worry about in the NZ economy and on world stockmarkets. That uncertainty, however, is reflected in low NZ share prices which (if our Forecasts continue to improve) may be set for a recovery! Remain fully invested in the recommended shares.

Investment Outlook.

Short term interest rates have stopped rising over the last 2-3 months and appear to have stabilised . . .

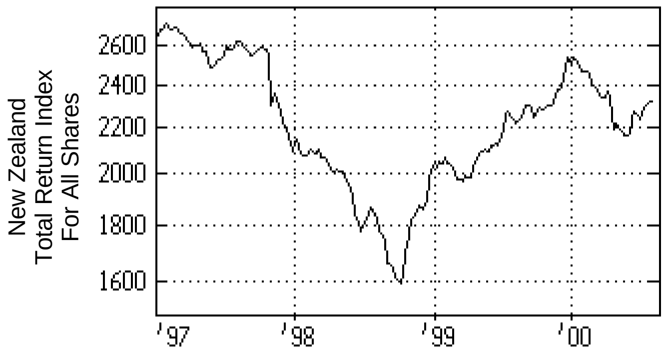


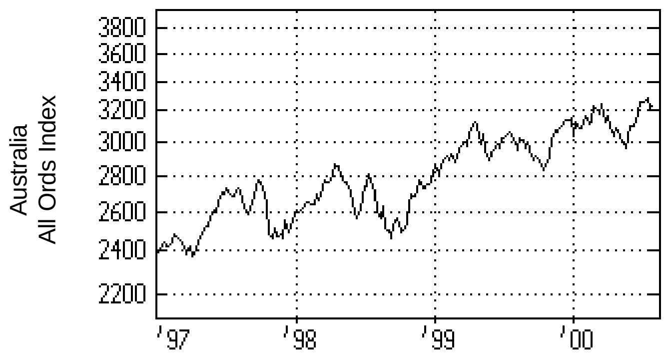
. . . with this improvement in the monetary situation leading to an upturn in our One-Year Forecast for the NZ stockmarket (up to a **slight Bearish 35%** from 29% last month).

In contrast to the less than favourable longer term outlook, the **Short Term Trend Model** (which forecasts the trend over the next month) remains **Bullish** at **70%**.

The outlook for the Australian stockmarket remains **Neutral** with our One Year Forecast at 43%.

Despite slightly Bearish (i.e. unfavourable) to Neutral forecasts for the NZ and Australian stockmarkets, these markets offer good *value* relative to the rest of the world. Furthermore, our actual share investments are generally continuing to perform well - yielding good returns from our local portfolios. We shall therefore remain close to fully invested in NZ and Australian shares that meet our investment criteria which includes factors such as *under-valuation*, *share price strength*, *insider buying*, *share re-purchases*, *broker and institutional neglect* while generally favouring *smaller companies* and *emerging growth companies*.





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	95	0.48	33	12.6
AMP Limited	A	2201	0.68	18	2.4
AMP NZ Office	D	87	6.22	12	8.9
AXA Asia Pac.	C	325	3.07	16	3.5
Advantage HDS	D	286	4.08	33	Nil
Affco Holdings	C	41	0.10	NE	Nil
Air New Zealand	B	180	0.30	5	8.3
Akd Int Airport	A	282	7.39	28	4.2
Apple Fields	C	8.0	0.07	NE	Nil
Aquaria 21	D	4.2	0.71	NE	Nil
Baycorp Hold	A	1360	N/A	77	1.8
Beauty Direct	D	8.0	N/A	NE	Nil
Bendon Limited	A	194	0.80	11	2.6
Brierley Invest	D	37	0.56	10	8.1
Broadway Ind	D	27	0.07	NE	Nil
CDL Hotel NZ	D	22	0.47	12	4.7
CDL Investments	E	21	1.30	7	17.8
Calan Hlthcare	E	102	N/A	NE	Nil
Cap Properties	C	86	0.93	3	13.4
Carter Holt	C	190	1.01	20	3.2
Cavalier Corp	B	388	0.69	13	10.0
Cedenco Foods	B	110	2.59	12	Nil
Col FS Property	C	93	7.83	13	11.2
Col Motor Co	B	300	0.31	16	7.7
Contact Energy	C	260	7.52	14	9.1
Cue Energy Ltd *	N/R	6.1	3.19	NE	Nil
DB Group	B	300	0.47	10	8.0
Dairy Brands	D	25	1.68	NE	Nil
Damba Hold Ltd	D	41	0.39	NE	Nil
Design Textiles	D	24	0.16	4	18.7
Dorchester Pac	A	131	0.94	9	6.8
E-Force Limited	E	21	1.23	NE	Nil
E-Phone Ltd	D	29	N/A	NE	Nil
E-Ventures NZ	E	53	0.76	NE	Nil
E-cademy Hold.	E	6.5	N/A	NE	Nil
Ebos Group Ltd	B	390	1.00	17	6.9
Eldercare NZ	D	39	7.68	NE	Nil
Evergreen	D	51	N/A	22	Nil
FC - Building	C	237	0.29	34	7.6
FC - Forests	C	87	1.35	13	Nil
FC - Paper	C	250	0.45	NE	0.9
FC - Energy	A	768	2.11	46	2.7
Fisher & Paykel	B	730	1.03	16	5.1
Force Corp.	C	45	2.19	9	13.3
GDC Communicat.	B	470	N/A	55	Nil

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
Goodman Fielder	C	157	0.45	15	6.0
Grocorp Pacific	D	20	1.22	NE	Nil
Guiness Peat	C	131	2.09	11	2.4
Hallenstein G.	C	217	0.80	13	11.7
Hellaby Hold.	C	185	0.54	7	11.3
Heritage Mining*	N/R	5.0	0.13	NE	Nil
Horizon Energy	C	760	1.37	6	16.3
IT Capital Ltd	E	36	N/A	NE	Nil
Ind Newspapers	C	415	1.61	33	8.6
Infratil Aust.	B	120	2.92	7	8.7
Infratil NZ	C	130	7.77	9	8.0
Kingsgate Int'l	E	12	1.19	15	Nil
Kiwi Property	C	94	6.54	10	11.1
Kiwi Developmnt	E	228	N/A	NE	Nil
Lion Nathan Ltd	A	490	1.38	18	4.2
Lyttelton Port	B	155	2.85	12	7.0
Mainfreight Grp	B	165	0.38	13	5.4
Manor Inns Grp	E	10	0.40	NE	Nil
Max Resources*	N/R	13	N/A	NE	Nil
Metro. LifeCare	C	153	1.49	14	5.9
Michael Hill	C	310	0.76	14	5.5
Mid-Cap Index*	N/R	184	N/A	NE	Nil
Montana Group	A	238	1.19	21	1.9
Mr Chips Hold	B	70	0.61	11	12.8
NZ Experience	D	11	0.79	52	Nil
NZ Invest Trust*	N/R	435	N/A	NE	1.9
NZ Oil and Gas *	N/R	28	1.93	NE	Nil
NZ Refining Co	B	1150	1.13	12	8.7
Nat Property Tr	D	73	4.52	9	13.9
National Mail	D	84	N/A	NE	Nil
Natural Gas	B	156	2.25	15	9.6
Newcall Group	D	34	N/A	NE	Nil
Newmarket Prop.	C	52	3.87	6	18.3
Nobilo Wines	A	111	0.96	25	4.0
Northland Port	A	153	1.22	14	7.3
Nufarm Limited	B	432	0.46	11	5.8
Nuhaka Forestry	C	1350	7.49	NE	Nil
Nuplex Indust	B	298	0.52	14	5.3
Opio Forestry	C	55	N/A	43	Nil
Otter Gold Mine*	N/R	60	0.38	13	Nil
Owens Investmts	C	105	0.17	15	6.4
Ozzy (Tortis)*	N/R	255	N/A	NE	Nil
PDL Holdings	C	455	0.17	11	Nil
Pacific Retail	D	150	0.21	8	Nil
Port Tauranga	B	510	7.37	22	5.3

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
Ports Auckland	C	450	3.88	18	6.0
Property F Ind.	C	76	7.87	15	9.0
Pure NZ Limited	E	12	3.85	NE	Nil
Radio Works NZ	B	777	2.00	17	1.4
Reid Farmers	A	80	0.60	11	8.4
Renaissance	C	70	0.20	56	2.1
Restaurant Brds	D	108	0.46	8	13.8
Revesco Ltd*	N/R	42	5.55	NE	Nil
Richina Pacific	D	48	0.07	NE	Nil
Roller Int'l *	N/R	40	0.21	NE	Nil
Ryman Health.	C	177	3.81	14	2.9
SE Utilities	C	92	2.29	13	6.5
Sanford Limited	C	448	1.32	11	5.0
Savoy Equities	E	5.0	1.88	NE	Nil
Scott Tech. Ltd	B	250	1.78	17	6.6
Seafresh Fish.	D	9.0	0.37	10	Nil
Shotover Jet	C	47	0.85	8	5.3
Sky City Ltd	B	728	2.72	15	8.8
Sky Network TV	D	415	N/A	NE	Nil
Southern Cap	D	75	5.52	11	Nil
South Port NZ	C	93	1.03	21	8.8
Spectrum Res.*	N/R	4.9	N/A	NE	Nil
St. Lukes Group	C	169	2.86	7	8.7
Steel & Tube	C	146	0.38	13	12.3
Strathmore Grp	D	33	N/A	NE	Nil
Summit Gold Ltd*	N/R	9.3	N/A	NE	Nil
Tag Pacific Ltd	E	35	0.49	NE	2.1
Tasman Agric.	C	100	3.21	14	3.0
Taylors Grp Ltd	B	115	0.73	15	5.8
TeNZ *	N/R	99	N/A	NE	Nil
Telecom Corp	D	727	3.71	16	9.4
Tourism Hold.	C	252	0.95	16	3.0
Tower Limited	B	510	0.94	22	2.9
Trans-Tasman	E	20	1.06	4	Nil
Trans Alta NZ	C	275	0.65	17	7.6
Tranz Rail Hold	B	388	0.82	7	6.5
Trust Power Ltd	C	336	1.18	19	7.3
United Networks	B	656	2.21	9	9.1
Utilico Int'l	D	31	N/A	NE	Nil
Warehouse Group	B	540	1.64	29	5.3
Waste Mgmt NZ	B	410	3.66	38	2.2
Williams Kettle	B	240	0.34	15	8.1
World Index Fd *	N/R	228	N/A	NE	Nil
Wrightsons Ltd	D	50	0.12	NE	Nil
Ave of 134 Cos	C	224	0.54	17	4.4

A.G.L.	A	1014	1.99	15	4.4
AAPT	D	560	2.22	48	Nil
AJ Indust Trust	D	148	8.49	13	8.7
AJ Office Group	C	115	N/A	26	4.6
AMP Diver. Prop	B	235	2.42	12	7.9
AMP Ltd	C	1717	0.68	18	2.4
AMP Office Trt	B	116	6.35	15	8.2
AMP Shop Centre	B	135	N/A	19	6.3
ANZ Bank	A	1295	1.84	14	4.3
APN News Media	A	445	2.20	26	2.8
AXA Asia Pac	C	255	3.01	15	3.5
AXA Aust Div PT	B	115	8.01	13	7.6
Advance Prop	B	147	6.98	12	8.3
Amcor Ltd	C	572	0.54	13	6.8
Aristocrat	B	561	2.11	16	5.0
Aust Stock Exch	B	1075	6.72	27	3.2
Aust Pipeline	D	217	N/A	NE	Nil
Austar United	D	573	N/A	NE	Nil
Australand Hold	B	143	0.85	6	8.4
Austrim Nylex	C	229	0.60	7	6.7
Axon Instrument	D	139	N/A	NE	Nil
BA Tobacco Aust	C	1154	0.44	15	75.1
BRL Hardy Ltd	B	686	1.88	20	2.3
Bank of W.Aust	B	365	3.27	14	4.9
Bidvest	C	315	N/A	NE	Nil
Boral Limited	C	211	0.46	10	3.6
Brambles Ind.	B	5325	2.38	37	1.5
Brickworks Ltd	B	4100	3.66	14	2.7
C & W Optus	D	497	4.34	64	Nil
C'wth Prop Off.	C	99	7.47	13	7.9
C.S.R. Ltd	B	432	0.61	10	5.5
CSL Limited	A	3400	N/A	94	0.6
Cadbury Sch.	C	1075	N/A	NE	3.1
Centro Prop.	B	280	6.68	13	8.1
Challenger Int.	B	397	3.27	18	1.3
Coal & Allied	B	1650	2.43	20	4.8
Coca-Cola Bev.	D	240	N/A	NE	Nil
CocaCola Amatil	C	336	0.88	18	3.6
Cochlear Ltd	A	2755	N/A	85	1.0
Col FS Property	C	212	N/A	NE	Nil
Coles Myer	B	661	0.33	17	3.9
Com'wealth Bank	A	2750	2.59	18	4.2
Com. Inv. Trust	D	98	N/A	NE	Nil
Computer Share	A	791	N/A	NE	0.5

Corp Express	A	605	1.49	44	0.8
Crown Ltd	C	90	0.70	14	Nil
David Jones	B	128	0.35	12	6.3
Davnet Limited	D	159	N/A	NE	Nil
E.R.G.	A	1016	7.51	NE	0.1
Ecorp Limited	D	265	N/A	NE	Nil
Email Ltd	B	309	0.39	16	7.9
Energy Develop.	A	1093	N/A	80	0.4
Fairfax (John)	B	480	2.65	15	2.2
Faulding (F.H.)	B	854	0.65	22	2.5
Flight Centre	A	2100	0.92	61	0.9
Foodland Assoc	C	791	0.19	6	6.2
Foster's Brewin	A	466	2.57	22	2.8
Futuris Corp.	C	180	0.23	16	4.4
GWA Internat'l	C	225	1.12	14	5.6
Gandel Retail T	B	110	9.80	16	7.5
General Prop Tr	B	268	6.50	15	7.1
Ges Internat'l	B	165	0.93	38	0.6
Goodman Fielder	C	123	0.45	15	6.1
Hardie (James)	B	456	1.05	13	3.9
Harvey Norman	B	387	2.32	9	3.9
Hills Motorway	B	420	N/A	52	1.4
Hutchison Tel.	E	299	4.35	NE	Nil
Incitec	C	495	0.61	17	4.2
Jupiters	A	317	1.33	17	4.4
Lang Corporatio	C	910	2.68	30	Nil
Leighton Hold	C	535	0.42	11	5.6
Lend Lease Corp	A	2109	2.58	25	2.8
M.Y.O.B. Ltd	B	419	6.02	39	0.8
Macquarie Bank	B	2560	3.69	21	3.4
Macquarie Off.	B	114	8.33	12	9.3
Macquarie Infra	B	147	6.56	8	6.8
Mayne Nickless	C	357	0.31	11	8.4
Medical Imaging	D	126	N/A	NE	Nil
Mirvac Property	B	178	9.75	15	6.4
Mirvac Limited	A	353	2.40	16	5.7
Nat'l Foods	B	315	0.76	18	4.1
Nat'l Aust Bank	A	2515	5.84	51	4.5
News Corporatio	A	2154	2.00	30	0.1
Nufarm Limited	D	335	N/A	NE	Nil
One Tel Ltd	E	107	5.54	NE	0.1
Open Telecom.	D	177	N/A	NE	Nil
Orbital Engine	D	186	9.14	NE	Nil
Orica Ltd	C	733	0.45	13	5.0

Origin Energy	B	178	N/A	NE	Nil
Orogen Minerals	A	160	2.10	7	4.3
PBL	A	1300	5.24	50	1.4
PMP Communicat.	B	210	0.45	9	9.7
Pacifica Group	C	443	0.71	20	4.0
Pacific Dunlop	C	152	0.24	8	9.2
Paladin Com.	B	122	7.04	13	7.9
Paperlin X Ltd	D	370	N/A	NE	Nil
Perp Trust Aust	A	2810	5.10	36	2.1
PowerTel Ltd	D	154	1.50	NE	Nil
Q.B.E. Insur.	C	825	0.88	20	3.3
Q.C.T. Resource	B	107	0.73	15	6.5
Qantas	C	401	0.56	13	4.7
Rio Tinto Ltd	A	2455	0.97	7	3.6
Rural Press Ltd	A	532	1.43	14	2.4
Sausage Softwar	D	254	N/A	NE	Nil
SecureNet Ltd	C	1041	N/A	NE	Nil
Seven Network	A	752	2.97	NE	2.7
Smith (Howard)	C	808	0.58	15	5.1
Smorgon Steel	C	146	0.64	19	3.1
Sonic Health	B	630	4.47	44	2.2
Southcorp Ltd	C	481	1.04	16	4.2
Spotless Group	A	620	0.79	27	2.8
St George Bank	B	1140	1.59	17	4.6
Stockland Trust	B	366	5.96	16	7.1
Suncorp-Metway	B	873	0.71	7	5.0
TAB Ltd	B	263	0.33	23	3.4
Tabcorp Holding	B	975	2.73	21	4.4
Telstra	C	715	1.69	14	4.6
Ten Network	B	253	1.67	18	5.7
Toll Holdings	A	980	0.44	19	2.2
Transurban Grp	C	356	N/A	NE	Nil
United Energy	A	384	2.35	NE	4.5
Village Road.	B	241	0.71	8	4.1
Wesfarmers Ltd	B	1255	1.12	18	5.3
West Aust News	A	557	3.23	16	8.1
Westfield Trust	B	318	9.90	18	6.5
Westfield Amer.	B	157	1.70	12	7.8
Westfield Hold.	A	1276	7.65	53	1.0
Weston (George)	C	600	0.46	16	3.2
Westpac Banking	A	1225	2.16	16	3.8
Westpac Prop Tr	B	164	7.20	21	7.9
Woolworths Ltd	A	620	0.38	23	2.9
Ave of 1275 Cos	C	178	0.39	21	2.4

Recommended Investments

Cavalier Corporation has confirmed that withdrawing from wool trading will release $40 million in cash - enough to repay virtually *all* of its interest bearing debts, as we estimated last month. One-off restructuring costs of $2-5 million are expected, but with little impact on long term profitability as the Carpet division generates 90% of the group's net profits. The company has also indicated that as a debt free company it will consider expansion, acquisitions or returning funds to shareholders either as special dividends or a share buy-back. Last month we suggested the company could spend $40-60 million on acquisitions or return $25-35 million (80-85 cents per share) to shareholders.

PDL Holdings and Hawkes Bay based **Vectek Electronics** - the only two NZ manufacturers of variable speed drives - have formed a strategic alliance. This "alliance" appears to involve Vectek "rationalising its product range" (read: *transferring this business to PDL*) to "concentrate on the export development of their innovative power quality products and specialised drive projects" with PDL taking over "manufacturing and distributing the standard AC motor control products of both companies". Vectek will gain access to PDL Holdings' global distribution network.

PDL Holdings has also decided that no dividend will be paid for the year to March 2000.

Renaissance Corporation has reported a 24.5% increase in revenues to $73.0 million and a 77.3% jump in profits to $626,000 *(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	0.30	5	8.3	180	69.0	-3%
HOLD-	Apple Fields Limited	APF	10/03/92	237	C	29.2	2.9	0.07	NE	Nil	8	10.0	-92%
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	E	171.4	2.1	1.30	7	17.8	21	4.5	+2%
BUY	Cavalier Corporation	CAV	05/12/95	312	B	36.0	0.9	0.69	13	10.0	388	116.0	+62%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	30.9	0.8	0.31	16	7.7	300	187.3	+225%
HOLD	Designer Textiles Ltd	DTL	12/01/99	47	D	29.7	2.0	0.16	4	18.7	24	4.0	-40%
HOLD+	Ebos Group Ltd	EBO	12/10/99	290	B	23.2	0.8	1.00	17	6.9	390	15.5	+40%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	C	38.6	0.9	0.76	14	5.5	310	60.5	+705%
HOLD	Nufarm Limited	NUF	11/02/97	505	B	150.5	0.8	0.46	11	5.8	432	60.0	-3%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	350	B	55.4	1.0	0.52	14	5.3	298	29.0	-7%
HOLD	Owens Group Limited	OWN	12/03/91	47*	C	56.5	1.1	0.17	15	6.4	105	81.8	+297%
HOLD	PDL Holdings Ltd	PDL	13/02/96	810	C	13.6	0.9	0.17	11	Nil	455	123.0	-29%
HOLD	Radio Works NZ Ltd	RWL	08/12/92	205	B	12.1	0.5	2.00	17	1.4	777	121.0	+338%
BUY	Renaissance Corp	RNS	13/08/96	85*	C	35.3	2.2	0.20	56	2.1	70	5.4	-11%
HOLD	Richina Pacific	RCH	03/11/95	119*	D	72.2	1.6	0.07	NE	Nil	48	11.9	-50%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	32.4	1.2	1.03	21	8.8	93	35.3	+7%
BUY	Steel & Tube Holdings	STU	08/08/00	146	C	88.2	1.3	0.38	13	12.3	146	Nil	
BUY	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	1.2	0.73	15	5.8	115	3.0	+16%
HOLD+	Tourism Holdings Ltd	THL	14/07/92	149*	C	92.0	1.0	0.95	16	3.0	252	50.9	+103%
HOLD+	Wrightson Limited	WRI	13/01/98	83	D	139.7	1.7	0.12	NE	Nil	50	7.3	-31%
	Australian Shares (in Aust cents)												
HOLD+	Abigroup Limited	ABG	09/03/99	265	C	47.7	0.9	0.14	6	6.8	205	21.0	-15%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	C	54.8	2.0	2.47	10	Nil	27	Nil	-64%
BUY	Auspine Limited	ANE	08/02/00	210	B	57.0	0.8	0.60	14	4.9	243	10.0	+20%
HOLD	Biron Corporation Ltd	BIC	12/04/94	178	C	21.8	1.8	1.01	NE	6.7	30	11.0	-77%
BUY	Campbell Brothers Ltd	CPB	12/10/99	435	B	31.3	0.7	0.53	12	5.8	468	27.0	+14%
HOLD	Central Equity Ltd	CEQ	09/02/94	154	B	82.1	0.8	1.01	6	7.2	222	73.0	+92%
BUY	C.S.R. Limited	CSR	11/07/00	436	B	1026.1	0.8	0.61	10	5.5	432	Nil	-1%
HOLD	Data#3 Limited	DTL	09/02/99	285	A	14.6	0.9	0.14	7	8.6	140	14.5	-46%
HOLD+	Hamilton Island Ltd	HAM	09/11/99	205	B	45.0	0.8	1.15	12	5.1	255	9.0	+29%
HOLD	Hancock & Gore	HNG	15/07/97	125*	B	46.2	1.0	0.58	9	6.8	118	15.8	+7%
HOLD	PMP Communications	PMP	09/02/99	309	C	253.4	0.9	0.45	9	9.7	210	30.8	-22%
HOLD	Thakral Holdings	THG	10/11/98	65	C	536.7	1.3	1.39	10	9.5	61	8.6	+7%
BUY	Toll Holdings	TOL	08/09/98	240	A	60.5	0.7	0.44	19	2.2	980	43.0	+326%
BUY	Utility Services Corp	USC	11/01/00	55*	C	101.5	1.3	1.03	29	Nil	94	Nil	+71%
HOLD+	Vision Systems Ltd	VSL	10/11/98	69*	A	142.8	0.9	1.61	31	1.7	169	4.2	+151%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +59.5%. This is equal to an average annual rate of +16.3%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 35 current and 103 closed out) is +30.5%, compared with a market gain of +12.3% (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 27 cents.

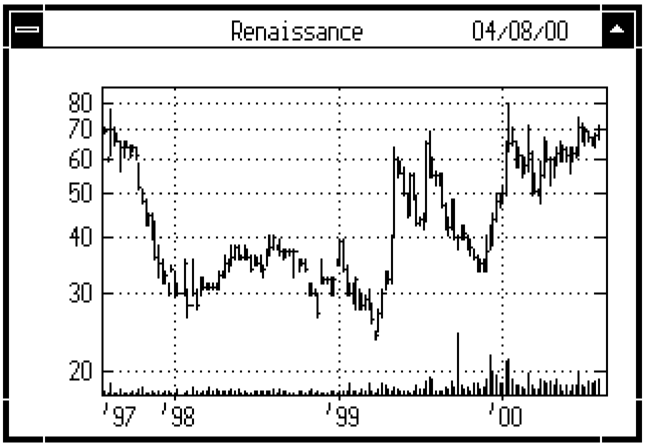
Recommended Investments *(Continued from Page 3)*
(1.8 cents per share) for the six months to June 30.

The directors reported that "the outlook is very positive across all divisions". The Distribution division (which sells IT products) "needs to be bigger and to have a broader base of products" to achieve economies of scale and generate a higher return from the operation. Renaissance sees "growth by acquisition as being the most effective way of achieving this" and is currently negotiating an acquisition.

The eBusiness division currently services 22 companies and hosts 35 web-sites. Revenue from this division was "not significant . . . but expected to increase rapidly over coming months as sites become fully operational". Staff levels have increased, so the current result is depressed by start up costs in this division.

The Education division is also "in its investment phase and recorded a loss" although expected to "deliver a positive outcome for shareholders in the near future".

Renaissance appears to be making steady progress with the potential to earn significantly higher profits from its current infrastructure. We continue to rate the shares a "Buy".



Tourism Holdings' acquisition of **Britz** involved warranties of up to $20 million. These have now been settled, with Britz repaying $12.8 million to Tourism Holdings. This will be treated as a reduction in the purchase price (i.e. lower the value of goodwill shown in the balance sheet).

Following the recent purchase order for 200 Mercedes vans for the NZ campervan and motorhome fleet, Tourism Holdings is to purchase a further 225 Mercedes vans (costing A$13.9 million) for Australia. Hopefully one of the synergies in buying the Britz business is the ability to negotiate a favourable price for large vehicle purchases!

Australian Shares

Biron Corporation's exclusive US distributor, **Kingstone Gems**, has failed to pay US$338,291 owing for the purchase of created emeralds. Legal action is being taken to recover this debt, while Biron has begun discussions with a number of other companies over the distribution of its emeralds.

Campbell Brothers has reported revenues up 25% for the first three months of the new financial year - aided by acquisitions - with profits ahead 10%.

Over the last month **CSR** has repurchased a further 5,692,356 shares on-market. This brings its purchases to 14,493,937 shares - costing A$63,645,713 - in its A$400 million buy-back that will continue until May 2001.

There have also been two more buy transactions by the directors: PM Kirby has bought 6,838 shares and CB Goode purchased 10,680 shares.

Data#3 has launched a new service, an IT Security Review. This will analyse and test a company's IT security and prepare a report and recommendation.

Hancock & Gore has further extended its on-market share buy-back from July 11, 2000 to January 11, 2001. While Hancock & Gore is cashed up, it is not actively re-purchasing shares and appears to only be buying enough to re-issue under its dividend re-investment scheme.

PMP Communications has renewed two magazine publishing contracts for another three years. The company will print 11 titles for **Australian Consolidated Press** and three titles for **Horwitz Publishing**.

PMP Communications has also announced plans to restructure its 21 print and distribution businesses into one large operation, **PMP Print**, and two smaller business units, **PMP Distribution** and book printer **Griffin Press**. The re-organisation will flatten the number of levels of management (from the shop floor to the Managing Director) from 12 to six. 25 of the top 100 managers have been made redundant (costing A$8 million in redundancy this year, but producing on-going cost savings of A$6.5 million annually). A further 67 middle management roles have also been abolished, while 50 new jobs have been created in sales & marketing, account management and centralised business planning. The print business aims to move from being "production driven" to "customer focused".

Toll Holdings has paid "less than A$500,000" to acquire a 75% shareholding in **Movinghome.com.au**. The company's announcement states that "this acquisition will greatly enhance and extend the service offered by Removals Australia and strengthen its ability to service the corporate relocations market" and "Movinghome.com.au *provides* a one-stop-shop for home movers". In fact, Movinghome.com.au is an internet start up that has yet to get its first customer. Their internet site states "We are moving in soon. Help us out. Let us know what services you would find useful" and you can leave your e-mail address to be "notified when Movinghome is ready".

This site will aim to offer all home moving services (e.g. Real estate, conveyancing, changes to telephone and utilities - and actual furniture removals!) from one web site, allowing customers to obtain a range of quotes from a range of independent service providers.

E*Trade Australia has taken an option to become a shareholder in the **Australian Wine Exchange** - a venture backed by Toll Holdings (which has a 20% shareholding). No details of the transaction have been disclosed but four months ago the venture announced plans to raise A$10 million "through a private share placement" and to list on the stock exchange in two to three years.

Rival transport company, **Linfox**, has built up a shareholding of over 10% in **Finemore Holdings** - with the likely intention of blocking Toll Holdings' A$119.4 million takeover bid for Finemore (by preventing Toll from reaching 90% acceptances).

Utility Services Corporation has received an A$102 million cash offer from UK based **Logica plc** which wants to buy the business and assets of MITS's "Systems Integration, Facilities Management, Real Time, Technology Support, Dataflow and e-commerce businesses". These businesses make up the core of Utility Services' business, generating around A$65 million in annual revenues.

This offer *excludes* E-mits (the group's other e-commerce investment), EPIC (A US joint venture), recently acquired Prospect Management Consulting and source code to the MOSAIC database although Logica would have a 60-day option to acquire these assets for a further A$40 million. We estimate these three businesses to be worth A$16-25 million, placing a value of A$15-24 million on the technology rights.

We also estimate that Utility Services' other business ventures - ILIF shelf labelling, U-tel (mobile telephones), Neo Design Synergy (industrial, graphic and web design), Malaysian telecommunications, Powerline Management Systems and Skilltech (meter reading, maintenance and management operations) - to be worth only A$10-20 million.

Utility Services and Logica have signed a Memorandum of Understanding and the transaction is subject to due diligence by both parties and approval by Utility Services shareholders.

Utility Services' issued capital is 101,464,465 shares, so this proposed sale will raise around A$1.00 per share in cash - or A$1.40 if Logica also acquires the other businesses and technology.

If this transaction proceeds Utility Services will be debt free, either (1) hold cash of $100 million, businesses worth $26-45 million and technology assets worth A$15-24 million or (2) hold cash of A$140 million and businesses worth A$10-20 million. In either situation, that adds up to a value of A$1.40-1.50 per share.

What will Utility Services do with A$100-140 million in cash? The Chief Executive has stated that "Most of the money will stay in the company to be invested in niche technology".

While there is considerable uncertainty over where the company may be heading, the bid for Utility Services' major subsidiary does significantly increase the value of the company and could see the shares worth around A$1.20-1.30 within the next several months. With the shares currently trading around 94 cents we continue to rate them a "Buy".

Vision Systems shares have been split - with each original share becoming ten new shares. This split highlights the importance of assessing the *value* of a share and ignoring its *price*.

Share Recommendation: Buy Steel & Tube Holdings

BUY Steel & Tube Holdings

We are formally recommending the purchase of **Steel & Tube Holdings** shares, which feature in the "Income Shares" section of our Comprehensive Share Selection Criteria.

This criteria selects *large company shares* that are *depressed, out of favour* and offer a *high dividend yield*. Companies selected by this *Income* criteria are usually experiencing a "glitch" or cyclical downturn in their businesses but, being large companies, have the financial resources to survive and maintain dividend payments. This situation offers investors the opportunity to buy into a company cheaply - which can produce very high income yields (and substantial capital appreciation) when the company's business *recovers* over the following several years.

Current Business

Steel & Tube Holdings businesses involve steel distribution and processing, and the fabrication and distribution of re-inforcing steel. The company also owns a 51% shareholding in **AJ Forsyth & Company**, a Canadian steel distributor. The other 49% of AJ Forsyth is held by **BHP** - which also owns 50.3% of Steel & Tube Holdings.

Steel & Tube is not a *growth* company and there is nothing glamorous or *high-tech* about these businesses - although the company does have a simple internet site where customers can place orders for steel. This is, however, a sound, cyclical business tied to the general economy and construction industry - where investors can earn significant investment profits by buying when the share price is depressed but the business is starting to experience a cyclical recovery. This, we believe, is the current situation.

Our Past Investments in Steel & Tube Holdings

While cyclical companies operate in the *old economy*, have *dull* names and equally *boring* businesses - there is nothing more exciting for an investor than the profit potential that can be achieved by correctly *timing* investments in cyclical shares. *Market Analysis* has twice before formally recommended investment in Steel & Tube Holdings shares.

We recommended buying the shares in 1982 and then sold during the 1985 boom for a total return of 119% (i.e. from dividends and capital appreciation). By 1992 the share price had fallen 63% and we again recommended buying Steel & Tube shares. That investment proved even more profitable - aided by several special dividends, *(Continued on Page 6)*

Buy Steel & Tube Holdings *(Continued from Page 5)*
a capital repayment *and* a strong rise in the share price - producing a total return of 462% when we sold in 1996 at 772 cents.

The company has since made a 2 for 1 share split, so at 146 cents the shares have again fallen 62% since we last sold. The shares are once again near a cyclical low while profits are starting to recover and the annual dividend rate is rising strongly.

Recent Results

Steel and Tube Holdings profits have been in a cyclical downturn since our decision to sell in May 1996.

For the eleven month period to May 31, 1997 (the company changed its balance date from June 30), revenues rose 18.9%, but profits were down 15.6% to $19,588,000 (24.5 cents per share, annualised and adjusted for the subsequent share split) although a steady dividend of 20.0 cents (plus full imputation tax credits) was paid.

The full year result to May 1998 showed a further 6.4% drop in revenues to $395.2 million with profits down 44.1% to $11,937,000 (13.6 cents per share). The annual dividend was cut 30.0% to 14.0 cents.

In the year to May 1999, revenues fell 14.5% while trading profits were down 16.4% to $9,975,000 (11.4 cents per share). In addition, there was a $6,611,000 unusual loss from closing down its Engineering division. The annual dividend rate was cut by a further 42.8% to 8.0 cents per share.

Steel and Tube is again changing its balance date, so will report for a thirteen month period to June 30. For the six months to November 1999, revenues rose 1.8% to $188.2 million but profits recovered 70.9% to $6,635,000 (7.6 cents per share) and the interim dividend was raised 50.0% to 6.0 cents (plus full imputation tax credits).

The results for the 13 month year to June 30, 2000 will be announced on September 8 - but the company has declared a final dividend of 7.0 cents. This will make 13.0 cents (plus tax credits) for the 13 month period, raising the dividend by 50.0% (annualised) and indicating that the profit recovery has continued.

The 12.0 cents annual dividend rate is still 40% *below* the 20.0 cents paid in the mid-1990's. At the top of the next cyclical peak the annual dividend rate *could* be around 20-35 cents per share!

Despite a cyclical downturn in profits over recent years, Steel & Tube has generated large operating cash surpluses (i.e. $32.8 million in 1998, $34.4 million in 1999 and $25.1 million in the six months to November 1999) which has reduced interest bearing debt to a moderate $50.7 million (as at November 1999). Debt levels rose to a peak of $78.8 million in 1997 when the company borrowed to fund the purchase of AJ Forsyth and Christchurch based **Southern Cross Engineering**.

Investment Criteria

Based upon the new dividend rate (equal to 12.0 cents for a normal 12 month period) Steel & Tube qualifies as a "Buy" under our "Income Shares" criteria owing to a very high gross Dividend Yield of 12.3%.

Based upon the 1999 result, the Price/Sales ratio is very low at 0.38 and the Price/Earnings ratio is 13. Assuming the June 2000 profit will be up about 50-70% the P/E ratio will drop to a very low 7½-8½.

The market capitalisation is $129 million, making Steel & Tube a medium to large NZ company.

Eight stockbrokers publish profit forecasts, which is a *moderate* level of interest.

Tubemakers (a subsidiary of **BHP**) owns 50.3% of the company. Institutional ownership has declined from a peak of about 30% in the mid-1990's to only about 20% at present. The Chief Executive, N Calavrias owns 580,000 shares (0.65% of the company).

Technically, Steel & Tube shares are starting to show *signs* of a recovery. The Strength Rating of -4.7% ranks the shares at 63 (on a scale of 0-99). In a *Company Review* of Steel & Tube in August 1998 (*Market Analysis* Issue No 314) the Strength Rating was -20.3%, ranked 93, and we wrote "As very weak shares tend to under-perform the market, investors would probably do better to avoid rushing back in to purchase Steel & Tube shares immediately but wait until the technical outlook improves. We suggest that a *positive* four-week change in the Strength Rating and an improvement in the Rank (to *within* the range 0-60) would indicate a sufficient improvement in the currently unfavourable technical situation to justify starting to buy Steel and Tube shares". We have needed to wait almost two years, but the four-week change is now +2.5% (i.e. showing that the Strength Rating is increasing), while the rank (at 63) is near enough to the level (60) previously suggested.

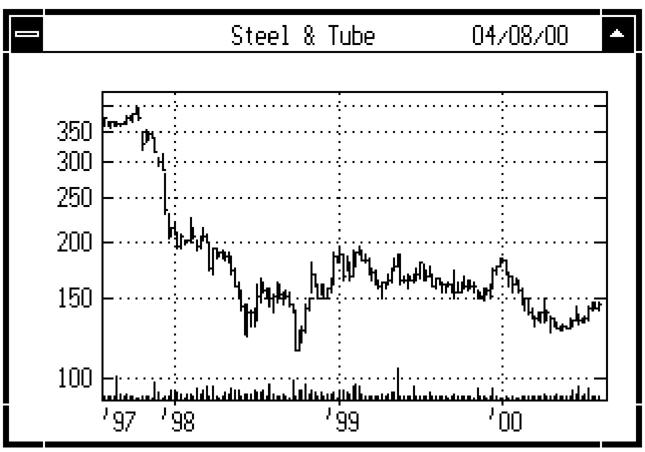
Steel & Tube Holdings shares are actively traded with about 6,800 shareholders.

Summary and Recommendation

We recommend that investors buy Steel and Tube Holdings shares for *high income*, plus strong *income growth* and *significant capital appreciation* if the business continues to improve and/or experience a cyclical upturn.

This type of share would be most suitable for older investors seeking a high income in retirement, but Steel & Tube shares would also be a suitable low risk investment for younger investors, with the potential for significant capital appreciation owing to the large cyclical swings in its share price.

The current profit recovery and dividend recovery, together with an improvement in the technical situation, suggests that the time is right to re-invest in Steel & Tube Holdings shares which are still depressed and under-valued.



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

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

Company	Share Price	STRENGTH RATING Current	STRENGTH RATING 4-Wk Chg.	STRENGTH RATING Rank 0-99	Brokers Following	Price to NTA	Return on Equity	Vola-tility	Price Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Renaissance	70	+14.0	-0.2	3	-	1.9	3	2.2	56	2.1	0.20	25
Col Motor Co	300	+8.6	+1.4	9	-	1.2	7	0.8	16	7.7	0.31	93
Williams Kettle	240	+4.5	+2.4	18	-	1.0	6	0.6	15	8.1	0.34	32
FC - Paper	250	+27.8	-7.7	0	9	1.0	0	1.4	266	0.9	0.45	1,592
DB Group	300	+4.6	+1.8	18	7	1.4	13	0.7	10	8.0	0.47	303
Reid Farmers	80	+9.0	+1.4	8	-	1.3	11	1.2	11	8.4	0.60	45
Mr Chips Hold	70	+5.0	-2.0	16	-	2.3	21	1.0	11	12.8	0.61	11
Trans Alta NZ	275	+3.7	+3.3	22	8	1.2	7	0.8	17	7.6	0.65	680
AMP Limited	2201	+3.4	+3.8	23	-	2.4	14	0.7	18	2.4	0.68	23,695
Cavalier Corp	388	+2.2	+1.3	26	3	1.9	15	0.9	13	10.0	0.69	140
Taylors Grp Ltd	115	+2.4	+2.4	26	-	1.5	10	1.2	15	5.8	0.73	28
Bendon Limited	194	+8.1	+1.0	11	4	1.7	15	1.1	11	2.6	0.80	59
Tranz Rail Hold	388	+4.5	+7.0	19	8	1.0	15	0.9	7	6.5	0.82	469
Dorchester Pac	131	+4.4	-3.2	20	-	1.7	18	1.4	9	6.8	0.94	24
Tower Limited	510	+2.1	+1.7	28	-	1.1	5	0.6	22	2.9	0.94	847
Tourism Hold.	252	+0.7	+2.8	33	6	1.5	10	1.1	16	3.0	0.95	232
Nobilo Wines	111	+10.2	+3.9	6	-	1.8	7	1.2	25	4.0	0.96	49
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0												
Reid Farmers	80	+9.0	+1.4	8	-	1.3	11	0.9	11	8.4	0.60	45
Col Motor Co	300	+8.6	+1.4	9	-	1.2	7	0.7	16	7.7	0.31	93
Bendon Limited	194	+8.1	+1.0	11	4	1.7	15	0.9	11	2.6	0.80	59
Mr Chips Hold	70	+5.0	-2.0	16	-	2.3	21	0.7	11	12.8	0.61	11
DB Group	300	+4.6	+1.8	18	7	1.4	13	0.6	10	8.0	0.47	303
Williams Kettle	240	+4.5	+2.4	18	-	1.0	6	0.5	15	8.1	0.34	32
Tranz Rail Hold	388	+4.5	+7.0	19	8	1.0	15	0.8	7	6.5	0.82	469
Dorchester Pac	131	+4.4	-3.2	20	-	1.7	18	1.2	9	6.8	0.94	24
Trans Alta NZ	275	+3.7	+3.3	22	8	1.2	7	0.7	17	7.6	0.65	680
AMP Limited	2201	+3.4	+3.8	23	-	2.4	14	0.6	18	2.4	0.68	23,695
Taylors Grp Ltd	115	+2.4	+2.4	26	-	1.5	10	1.0	15	5.8	0.73	28
Cavalier Corp	388	+2.2	+1.3	26	3	1.9	15	0.8	13	10.0	0.69	140
Tourism Hold.	252	+0.7	+2.8	33	6	1.5	10	0.9	16	3.0	0.95	232
INCOME SHARES: Highest Yields, Capitalisation > NZ$100 million												
Steel & Tube	146	-4.7	+2.5	63	7	1.1	9	1.0	13	12.3	0.38	129
Hallenstein G.	217	-2.2	+2.5	54	5	3.8	30	0.8	13	11.7	0.80	126
Cavalier Corp	388	+2.2	+1.3	26	3	1.9	15	0.8	13	10.0	0.69	140
Natural Gas	156	-0.7	+4.7	42	8	1.1	8	0.9	15	9.6	2.25	1,264
Telecom Corp	727	-6.2	-2.4	71	10	11.7	76	0.6	16	9.4	3.71	12,743
United Networks	656	+1.9	+1.7	29	-	1.3	14	0.4	9	9.1	2.21	994
Contact Energy	260	-2.7	+2.9	58	8	1.0	7	0.6	14	9.1	7.52	1,570
Sky City Ltd	728	-1.9	+3.4	51	10	4.7	31	0.5	15	8.8	2.72	714
Infratil Aust.	120	+13.4	+2.1	3	-	1.3	20	0.7	7	8.7	2.92	227
NZ Refining Co	1150	-0.8	-0.6	43	2	1.9	16	0.4	12	8.7	1.13	276

Company	Share Price	STRENGTH RATING Current	STRENGTH RATING 4-Wk Chg.	STRENGTH RATING Rank 0-99	Brokers Following	Price to NTA	Return on Equity	Vola-tility	Price Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												
Infratil NZ	130	-1.7	+2.7	49	6	1.7	19	0.5	9	8.0	7.77	246
Contact Energy	260	-2.7	+2.9	58	8	1.0	7	0.6	14	9.1	7.52	1,570
Port Tauranga	510	-2.4	+1.0	55	7	1.5	7	0.5	22	5.3	7.37	390
Advantage HDS	286	-8.8	-4.5	80	-	6.0	18	0.8	33	Nil	4.08	86
Ports Auckland	450	-6.3	+3.6	72	9	2.5	14	0.5	18	6.0	3.88	596
Pure NZ Limited	12	-18.2	-1.6	96	-	2.5	-	2.0	NE	Nil	3.85	3
Telecom Corp	727	-6.2	-2.4	71	10	11.7	76	0.5	16	9.4	3.71	12,743
Waste Mgmt NZ	410	-3.6	+4.1	60	3	2.7	7	0.4	38	2.2	3.66	399
Cue Energy Ltd	6	-15.3	-1.1	95	-	0.5	-	2.4	NE	Nil	3.19	18
Lyttelton Port	155	-1.7	+2.0	49	3	4.1	34	0.8	12	7.0	2.85	157
Sky City Ltd	728	-1.9	+3.4	51	10	4.7	31	0.5	15	8.8	2.72	714
Natural Gas	156	-0.7	+4.7	42	8	1.1	8	0.9	15	9.6	2.25	1,264
Force Corp.	45	-16.3	-0.9	95	5	1.2	13	1.4	9	13.3	2.19	70
Guiness Peat	131	-0.4	+2.1	40	5	0.8	7	0.7	11	2.4	2.09	677
NZ Oil and Gas	28	-15.0	+4.2	94	-	0.6	-	0.9	NE	Nil	1.93	30
Savoy Equities	5	-13.7	+2.6	91	-	0.2	-	3.1	NE	Nil	1.88	20
Scott Tech. Ltd	250	-1.8	+0.9	50	-	4.6	27	0.7	17	6.6	1.78	49
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Spectrum Res.	5	-48.7	-0.0	98	-	0.7	-	2.6	NE	Nil	N/A	4
Aquaria 21	4	-34.4	-3.0	98	-	1.0	-	2.8	NE	Nil	0.71	9
Beauty Direct	8	-28.0	-0.7	97	-	0.6	-	1.7	NE	Nil	N/A	2
Pure NZ Limited	12	-18.2	-1.6	96	-	2.5	-	1.8	NE	Nil	3.85	3
Cue Energy Ltd	6	-15.3	-1.1	95	-	0.5	-	2.3	NE	Nil	3.19	18
NZ Oil and Gas	28	-15.0	+4.2	94	-	0.6	-	0.8	NE	Nil	1.93	30
Trans-Tasman	20	-14.3	+0.8	93	5	0.3	7	1.5	4	Nil	1.06	117
E-Phone Ltd	29	-14.0	+0.7	92	-	5.9	-	2.0	NE	Nil	N/A	33
Savoy Equities	5	-13.7	+2.6	91	-	0.2	-	2.9	NE	Nil	1.88	20
Manor Inns Grp	10	-13.2	-8.2	90	-	0.7	-	1.9	NE	Nil	0.40	2
Otter Gold Mine	60	-13.2	+0.8	89	-	0.5	4	0.7	13	Nil	0.38	28
IT Capital Ltd	36	-12.8	+4.1	89	-	2.4	-	1.3	NE	Nil	N/A	53
Shotover Jet	47	-12.8	+1.4	88	-	1.6	21	1.0	8	5.3	0.85	20
CDL Hotel NZ	22	-11.6	+2.2	87	3	0.4	3	1.3	12	4.7	0.47	77
Eldercare NZ	39	-10.8	-0.2	86	-	1.7	0	1.4	3900	Nil	7.68	12
Metro. LifeCare	153	-10.3	-2.0	85	-	1.3	9	0.7	14	5.9	1.49	94
National Mail	84	-10.2	+1.6	84	-	-	-	0.9	NE	Nil	N/A	21
Tag Pacific Ltd	35	-9.9	-3.8	83	-	1.3	-	1.2	NE	2.1	0.49	20
Kingsgate Int'l	12	-9.3	+0.6	81	-	0.3	2	1.5	15	Nil	1.19	48
Air New Zealand	180	-9.1	+0.5	80	10	0.5	10	0.6	5	8.3	0.30	1,021

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

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

Company	Share Price	STRENGTH RATING Current	STRENGTH RATING 4-Wk Chg.	STRENGTH RATING Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-tility	Price Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Caltex Austrlia	290	+3.3	+5.2	20	0-0	-	0.9	9	0.9	10	7.6	0.12	783
A.P. Eagers	433	+1.3	-0.0	26	0-0	1	0.9	7	0.8	14	6.0	0.13	66
A.V. Jennings	48	+2.6	+0.6	22	0-0	-	0.7	24	1.5	3	11.1	0.16	102
Roberts Ltd	210	+7.1	+1.4	13	0-0	-	0.8	6	1.0	13	7.1	0.18	22
Hudson Invest.	42	+19.7	+4.0	5	0-0	-	0.7	10	1.6	7	7.1	0.19	45
CMI Limited	118	+0.3	+2.1	31	0-0	2	1.8	37	1.1	5	6.8	0.19	32
Chiquita Brands	117	+4.5	+0.4	18	2-0	-	1.2	10	1.1	11	5.1	0.21	54
Penfold (WC)	177	+4.3	-2.3	18	0-0	-	1.4	7	1.0	21	5.6	0.21	19
Oldfields Hold	130	+4.9	-0.2	17	0-0	-	0.7	11	1.1	6	6.5	0.23	9
Downer Group	60	+9.0	+4.6	11	0-0	-	1.4	17	1.4	8	4.7	0.23	312
S.P.C. Ltd	90	+1.2	+0.8	27	0-0	-	1.2	16	1.2	7	3.3	0.25	63
Spicers Paper	217	+3.7	+2.1	19	0-0	8	1.2	7	1.0	17	4.1	0.25	301
Centennial Coal	70	+0.6	+5.8	29	0-1	-	0.5	5	1.3	10	7.9	0.27	24
Embelton Ltd	200	+2.2	-2.3	23	0-0	-	0.7	6	1.0	13	3.5	0.27	5
Finemore Hold	217	+12.3	+11.7	8	0-0	6	1.3	14	1.0	10	6.0	0.27	115
Crevet Ltd	68	+15.5	+0.2	7	1-0	3	0.9	-	1.3	NE	2.2	0.28	23
McPherson's Ltd	152	+1.0	+2.5	28	5-0	1	3.2	26	1.0	12	4.3	0.31	60

Company	Share Price	STRENGTH RATING Current	STRENGTH RATING 4-Wk Chg.	STRENGTH RATING Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-tility	Price Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
Colorado Group	128	+3.6	+4.5	19	0-0	-	2.0	28	1.1	7	1.6	0.32	108
Vietnam Indust.	17	+19.4	-2.9	5	0-0	-	0.7	16	2.2	5	5.9	0.34	18
G.U.D. Holdings	185	+4.2	+2.0	18	3-0	8	1.8	18	1.0	10	8.1	0.36	125
Aust Pharm. Ind	240	+1.8	-1.1	24	0-0	4	2.4	12	0.9	21	5.0	0.37	470
Woolworths Ltd	620	+7.4	+0.5	13	2-2	16	5.0	22	0.8	23	2.9	0.38	6,572
Shearer (John)	161	+0.1	-0.5	31	0-0	-	0.7	10	1.0	7	4.3	0.38	18
Email Ltd	309	+10.0	+0.1	10	2-1	9	1.8	11	0.9	16	7.9	0.39	840
Tempo Services	310	+7.2	-5.1	13	2-2	5	-	-	0.9	24	2.6	0.41	129
Plaspak Group	55	+3.4	+0.3	20	0-0	-	1.1	6	1.4	19	9.1	0.43	29
Toll Holdings	980	+18.6	-0.3	6	0-0	7	4.0	22	0.7	19	2.2	0.44	593
Citie Centre Lt	88	+1.0	+0.9	27	0-0	-	1.9	26	1.2	7	8.5	0.47	23
Southern Dental	42	+9.9	-1.2	10	0-0	-	1.4	17	1.6	8	4.8	0.49	10
Westral'n Fores	185	+4.9	+4.9	17	0-0	1	1.0	-	1.0	NE	1.1	0.53	113
Triako Res.	37	+4.0	-3.2	18	0-0	-	-	-	1.6	2	5.4	0.53	12
Campbell Bros	468	+1.2	+0.7	27	2-0	2	3.1	26	0.8	12	5.8	0.53	146
Portman Mining	93	+4.8	+4.2	17	2-0	3	-	-	1.2	18	5.4	0.54	164

(Continued on Page 8)

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
Balmoral Corp.	55	+3.5	+3.0	19	0-0	-	0.9	9	1.4	10	5.5	0.59	9
Auspine Ltd	243	+1.2	+1.7	27	11-0	3	0.9	6	0.9	14	4.9	0.60	138
East African Co	500	+18.0	-1.2	6	0-0	-	1.2	12	0.8	9	2.5	0.61	32
C.S.R. Ltd	432	+6.0	+2.7	15	8-0	12	1.3	14	0.8	10	5.5	0.61	4,433
OAMPS	155	+18.2	-0.3	6	6-0	-	3.8	24	1.0	16	3.2	0.61	36
BT Global Asset	99	+6.0	+2.1	15	0-2	-	1.0	-	1.2	NE	7.1	0.65	48
Gunns Ltd	230	+13.2	-2.5	8	0-0	2	1.9	13	0.9	15	4.3	0.66	83
Capral Alum.	240	+5.8	+2.3	15	0-0	13	1.1	4	0.9	25	7.5	0.66	494
Waterco Ltd	156	+0.0	+0.3	31	4-0	-	1.5	14	1.0	11	5.8	0.67	28
AMP Ltd	1717	+2.1	+2.5	23	1-0	12	3.9	22	0.7	18	2.4	0.68	18,785
Sunland Group	50	+2.8	+0.3	21	2-1	-	1.6	21	1.5	8	20.0	0.68	82
Desane Group	26	+7.4	-8.2	12	0-0	-	0.6	4	1.9	14	3.9	0.69	5
Suncorp-Metway	873	+2.4	+1.3	23	0-0	10	2.4	35	0.7	7	5.0	0.71	2,807
Goldfields	140	+7.0	+5.2	13	2-0	9	-	-	1.1	11	2.9	0.72	230
Gazal Corp	220	+1.3	+2.6	27	2-2	-	-	-	0.9	13	5.7	0.72	120
Finbar Intern'l	30	+2.5	+2.8	22	0-0	-	1.1	21	1.8	5	10.0	0.73	28
Q.C.T. Resource	107	+2.2	+7.4	23	0-0	7	1.1	7	1.1	15	6.5	0.73	737
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Carlovers	20	+30.6	+17.6	3	0-0	-	0.6	7	1.6	9	Nil	0.45	6
Murchison Un.	112	+30.5	+12.0	3	0-4	-	11.2	-	0.9	7	Nil	0.76	88
Hudson Invest.	42	+19.7	+4.0	5	0-0	-	0.7	10	1.2	7	7.1	0.19	45
Vietnam Indust.	17	+19.4	-2.9	5	0-0	-	0.7	16	1.7	5	5.9	0.34	18
Toll Holdings	980	+18.6	-0.3	6	0-0	7	4.0	22	0.6	19	2.2	0.44	593
OAMPS	155	+18.2	-0.3	6	6-0	-	3.8	24	0.9	16	3.2	0.61	36
East African Co	500	+18.0	-1.2	6	0-0	-	1.2	12	0.7	9	2.5	0.61	32
Strarch Int'l	10	+17.1	+0.8	6	0-0	-	-	-	2.1	5	Nil	0.58	5
Gunns Ltd	230	+13.2	-2.5	8	0-0	2	1.9	13	0.8	15	4.3	0.66	83
Finemore Hold	217	+12.3	+11.7	8	0-0	6	1.3	14	0.8	10	6.0	0.27	115
Email Ltd	309	+10.0	+0.1	10	2-1	9	1.8	11	0.8	16	7.9	0.39	840
Southern Dental	42	+9.9	-1.2	10	0-0	-	1.4	17	1.2	8	4.8	0.49	10
Downer Group	60	+9.0	+4.6	11	0-0	-	1.4	17	1.1	8	4.7	0.23	312
Pacific Energy	128	+7.5	+1.1	12	9-0	-	0.5	37	0.9	15	Nil	0.49	17
Desane Group	26	+7.4	-8.2	12	0-0	-	0.6	4	1.5	14	3.9	0.69	5
Burns Philp	47	+7.3	+2.9	13	2-0	-	-	-	1.2	5	Nil	0.16	254
Roberts Ltd	210	+7.1	+1.4	13	0-0	-	0.8	6	0.8	13	7.1	0.18	22
Goldfields	140	+7.0	+5.2	13	2-0	9	-	-	0.9	11	2.9	0.72	230
Nat'l Foods	315	+6.5	+3.4	14	3-0	11	3.5	20	0.8	18	4.1	0.76	876
C.S.R. Ltd	432	+6.0	+2.7	15	8-0	12	1.3	14	0.7	10	5.5	0.61	4,433
Wadepack Ltd	205	+5.7	+1.5	15	0-0	-	1.9	20	0.8	9	4.9	0.80	32
Queensl'd Tour.	25	+5.4	+4.5	16	0-0	-	0.8	39	1.5	2	Nil	0.37	4
Oldfields Hold	130	+4.9	-0.2	17	0-0	-	0.7	11	0.9	6	6.5	0.23	9
Portman Mining	93	+4.8	+4.2	17	2-0	3	-	-	1.0	18	5.4	0.54	164
MBF Carpenters	6	+4.7	-3.3	17	0-0	-	0.4	6	2.6	6	Nil	0.10	30
Chiquita Brands	117	+4.5	+0.4	18	2-0	-	1.2	10	0.9	11	5.1	0.21	54
G.U.D. Holdings	185	+4.2	+2.0	18	3-0	8	1.8	18	0.8	10	8.1	0.36	125
Q.B.E. Insur.	825	+4.1	+2.3	18	0-0	10	3.2	16	0.7	20	3.3	0.88	3,480
Triako Res.	37	+4.0	-3.2	18	0-0	-	-	-	1.3	2	5.4	0.53	12
Gold & Resource	79	+4.0	+1.4	18	0-0	-	-	-	1.0	5	Nil	1.00	73
Spicers Paper	217	+3.7	+2.1	19	0-0	8	1.2	7	0.8	17	4.1	0.25	301
Colorado Group	128	+3.6	+4.5	19	0-0	-	2.0	28	0.9	7	1.6	0.32	108
Siddons Ramset	611	+3.6	+0.1	19	0-0	3	2.0	13	0.7	15	4.1	0.86	330
Balmoral Corp.	55	+3.5	+3.0	19	0-0	-	0.9	9	1.1	10	5.5	0.59	9
Plaspak Group	55	+3.4	+0.3	20	0-0	-	1.1	6	1.1	19	9.1	0.43	29
Caltex Austrlia	290	+3.3	+5.2	20	0-0	-	0.9	9	0.8	10	7.6	0.12	783
Hazelton Air.	75	+3.1	+4.0	21	0-0	-	1.0	11	1.0	9	Nil	0.20	13
Sunland Group	50	+2.8	+0.3	21	2-1	-	1.6	21	1.2	8	20.0	0.68	82
A.V. Jennings	48	+2.6	+0.6	22	0-0	-	0.7	24	1.2	3	11.1	0.16	102

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
Finbar Intern'l	30	+2.5	+2.8	22	0-0	-	1.1	21	1.4	5	10.0	0.73	28
Suncorp-Metway	873	+2.4	+1.3	23	0-0	10	2.4	35	0.7	7	5.0	0.71	2,807
Embelton Ltd	200	+2.2	-2.3	23	0-0	-	0.7	6	0.8	13	3.5	0.27	5
Q.C.T. Resource	107	+2.2	+7.4	23	0-0	7	1.1	7	1.0	15	6.5	0.73	737
AMP Ltd	1717	+2.1	+2.5	23	1-0	12	3.9	22	0.6	18	2.4	0.68	18,785
A.P. Eagers	433	+1.3	-0.0	26	0-0	1	0.9	7	0.7	14	6.0	0.13	66
Reece Australia	1775	+1.3	-0.8	26	0-0	-	2.5	19	0.6	13	3.1	0.75	354
Gazal Corp	220	+1.3	+2.6	27	2-2	-	-	-	0.8	13	5.7	0.72	120
Campbell Bros	468	+1.2	+0.7	27	2-0	2	3.1	26	0.7	12	5.8	0.53	146
Auspine Ltd	243	+1.2	+1.7	27	11-0	3	0.9	6	0.8	14	4.9	0.60	138
S.P.C. Ltd	90	+1.2	+0.8	27	0-0	-	1.2	16	1.0	7	3.3	0.25	63
INCOME SHARES: Highest Yields, Capitalisation > A$250 million													
BA Tobacco Aust	1154	-7.0	+1.4	58	0-0	3	6.7	46	0.6	15	75.1	0.44	1,737
HIH Insurance	103	-11.7	-0.0	70	9-0	10	1.4	25	0.9	6	15.5	0.14	486
Delta Gold NL	132	-18.6	-0.6	83	1-0	13	-	-	0.8	7	15.2	1.38	348
Envestra	83	-4.5	+1.6	50	1-0	7	-	-	0.9	NE	9.8	1.89	489
PMP Communicat.	210	-7.8	+3.1	61	3-0	10	-	-	0.8	9	9.7	0.45	532
Thakral Holding	61	-6.4	+0.2	57	0-0	4	0.9	9	1.0	10	9.5	1.39	327
AMP Ind Prop Tr	100	-0.7	+1.0	36	0-0	5	1.0	9	0.9	11	9.4	7.50	339
Macquarie Off.	114	+0.2	+0.3	31	0-0	6	1.1	9	0.9	12	9.3	8.33	630
Pacific Dunlop	152	-9.9	+2.5	65	0-0	13	1.5	20	0.8	8	9.2	0.24	1,564
Macquarie C'Wde	140	-0.7	+0.1	36	0-0	5	1.2	10	0.8	12	9.0	8.55	361
Macquarie Ind.	103	+1.1	+1.2	27	0-0	5	1.1	8	0.9	13	9.0	9.40	280
AJ Retail	82	+1.0	+1.5	27	0-0	6	1.0	8	0.9	12	9.0	6.30	280
AJ Indust Trust	148	+2.8	+1.0	21	0-0	-	1.1	8	0.8	13	8.7	8.49	783
Mayne Nickless	357	-6.5	+3.1	57	1-0	13	2.7	24	0.7	11	8.4	0.31	1,261
Australand Hold	143	+0.5	+1.7	30	0-0	-	1.2	20	0.8	6	8.4	0.85	692
Goodman Hardie	126	+0.6	+0.6	29	0-0	4	1.0	8	0.8	12	8.3	7.25	443
Advance Prop	147	+2.0	+1.4	24	0-0	6	0.9	8	0.8	12	8.3	6.98	693
AMP Office Trt	116	+0.5	+0.4	30	0-0	7	1.0	7	0.9	15	8.2	6.35	740
Centro Prop.	280	+1.8	+0.2	24	0-0	6	1.2	9	0.7	13	8.1	6.68	720
Aust Infra.	197	-4.4	-0.9	50	1-0	4	0.9	10	0.8	9	8.1	7.02	279
Burswood Ltd	74	-4.3	+2.4	49	3-0	11	1.4	15	0.9	10	8.1	0.80	298
West Aust News	557	-0.3	+0.6	34	0-0	13	19.2	-	0.7	16	8.1	3.23	1,145
BT Property	186	+3.7	+2.8	19	0-0	6	1.0	7	0.8	15	8.0	7.95	500
Email Ltd	309	+10.0	+0.1	10	2-1	9	1.8	11	0.7	16	7.9	0.39	840
Westpac Prop Tr	164	+1.9	+0.7	24	0-0	7	1.0	5	0.8	21	7.9	7.20	744
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Auspine Ltd	243	+1.2	+1.7	27	11-0	3	0.9	6	0.7	14	4.9	0.60	138
Pacific Energy	128	+7.5	+1.1	12	9-0	-	0.5	37	0.8	15	Nil	0.49	17
C.S.R. Ltd	432	+6.0	+2.7	15	8-0	12	1.3	14	0.7	10	5.5	0.61	4,433
OAMPS	155	+18.2	-0.3	6	6-0	-	3.8	24	0.8	16	3.2	0.61	36
Perp Trust Aust	2810	+11.2	+0.9	9	7-1	7	8.6	24	0.6	36	2.1	5.10	1,037
Adsteam Marine	260	+1.7	+2.7	25	5-0	5	3.5	29	0.7	12	5.4	2.82	244
McPherson's Ltd	152	+1.0	+2.5	28	5-0	1	3.2	26	0.8	12	4.3	0.31	60
Brickworks Ltd	4100	+1.2	-1.3	27	4-0	4	1.2	9	0.6	14	2.7	3.66	540
Schaffer Corp	360	+6.6	-1.6	14	4-0	-	1.2	5	0.7	23	3.3	0.84	40
Waterco Ltd	156	+0.0	+0.3	31	4-0	-	1.5	14	0.8	11	5.8	0.67	28
Nat'l Aust Bank	2515	+5.7	-0.1	15	5-1	16	2.6	5	0.6	51	4.5	5.84	37,774
Milton Corp.	915	+0.4	+0.0	30	5-1	-	0.9	4	0.6	22	4.5	6.89	465
Nat'l Foods	315	+6.5	+3.4	14	3-0	11	3.5	20	0.7	18	4.1	0.76	876
Housewares Int.	84	+1.3	+1.6	26	3-0	-	1.6	3	0.9	58	1.2	2.71	60
G.U.D. Holdings	185	+4.2	+2.0	18	3-0	8	1.8	18	0.7	10	8.1	0.36	125
Western Mining	810	+3.3	+1.6	20	3-0	15	2.3	7	0.6	33	1.6	3.81	9,146
Hamilton Island	255	+3.3	-0.0	20	3-0	-	0.9	8	0.7	12	5.1	1.15	115
Ticor Ltd	148	+10.5	+2.9	10	3-0	7	1.0	10	0.8	10	4.1	1.15	364
Platinum Cap'l	145	+5.2	+0.5	17	3-0	-	1.0	5	0.8	21	6.9	1.07	152

Australian Company Analysis: Pacific Energy

Pacific Energy (code PEA) is a small Australian listed company involved in the energy and infrastructure sector. The company was restructured a year ago and has been the subject of substantial insider buying since that time . . .

Company History

The company originally listed on the Australian Stock Exchange in 1987 as a gold explorer with the name **Arboyne NL**. Later the focus changed to nickel exploration and the company was renamed **Pacific Nickel**. In mid 1998 the company changed its focus from mineral exploration to energy production and infrastructure development. The name was changed to **Pacific Energy**.

This change continued in July 1999 with a major restructuring in which Pacific Energy re-purchased 4.0 million of its own shares (27% of its capital) from Anglo-Norwegian engineering and construction group, **Kvaerner Group**, at A$1.88 per share (a significant premium to the then market price of A$0.60). As part of that transaction, Kvaerner transferred **Atlantic Pacific Infrastructure Limited** (an infrastructure, investment and development company) to Pacific Energy, with 25% of Atlantic Pacific then on-sold to **Macquarie Infrastructure Group**. As a result of this series of transactions Pacific Energy obtained a 75% interest in a range of infrastructure projects (all at an early stage) plus unspecified "cash and listed securities" but also took over (off balance sheet) contingent liabilities related to these projects. These transactions therefore significantly increased Pacific Energy's range of business interests and show a substantial increase in net assets. Pacific Energy has since invested US$6 million in Atlantic Pacific Infrastructure (and Macquarie Infrastructure Group US$2 million) to allow it to meet its obligations developing these projects.

In October 1999, Macquarie Infrastructure Group also acquired non-European assets from **Kvaerner** for A$212.1 million. The package included 24 projects, but only seven were of interest to Macquarie. The 17 remaining unwanted assets were *given* to Atlantic Pacific Infrastructure (which also assumed future obligations relating to these projects). In addition, Macquarie Infrastructure Group also issued A$18.8 million of its own units to Pacific Energy.

Atlantic Pacific Infrastructure (75% owned)

The main projects held by this company include:

1. 27% of **North West Utilities** venture formed to *pursue* power and other utility business opportunities in the West Pilbara region of Western Australia.
2. 82% of the **Mt Hope Hydro Power** partnership which is *planning* a 2,000 MW advanced pumped storage facility located in New York. The partnership has Federal Government authority to develop and operate the project, but construction of the US$2 *billion* plant is dependant on both further deregulation of the US electricity market *and* an industry partner to provide funding!
3. A 37% interest in the **Izmit Bay Crossing** consortium which has been selected as the preferred bidder to build and operate a US$1.4 billion bridge crossing and connecting motorway in Turkey. This project also requires legal changes (although the Turkish Government has announced its intention to implement the necessary changes and to encourage private sector involvement in infrastructure) as well as project financing!
4. 34% of an **Indonesian Toll Road** venture that has a concession to build and operate a 66km toll road between Cikampek and Padalarang for 27 years. However, given economic and political instability the company is seeking to re-negotiate the concession.
5. 100% of **Ausi Iron** and 38% of **Ausi Ltd**. Ausi Iron *was* planning the development of a DRI and Electric Arc Furnace Steel plant in Pilbara, Western Australia which has been deferred owing to the downturn in steel demand over recent years.
6. 50% of **Philnico Developments Ltd**. This company has an *option* to acquire the **Nonoc Nickel Project** in the Philippines. Kvaerner has conducted a feasibility study for the project. If the project goes ahead, Atlantic Pacific Infrastructure will make a payment of £12.0 million to Kvaerner under the option agreement.

Philnico Developments recently entered into a Memorandum of Understanding with **Impala Platinum Holdings** of South Africa which will become the "industrial partner and a major investor" in this large scale nickel and cobalt project. Impala Platinum Holdings will contribute US$6 million to produce a bankable feasibility study for the project and, subject to obtaining other project financing, Impala Platinum Holdings will invest US$75 million cash (plus some nickel and cobalt resources in South Africa) for a 25% shareholding in Philnico Developments.

This would dilute Atlantic Pacific Infrastructures shareholding to 37.5% - giving Pacific Energy a 28.125% interest worth around A$150 million or about A$5½ per share (diluted for the exercise of Pacific Energy options).

Recent Results

After many years of losses, Pacific Energy has recently begun making operating profits. In the eighteen months to December 1997, operating as a mining company, Pacific Energy lost A$2.96 million (before abnormal items) with revenue of only A$1.76 million. Asset write-downs increased this loss to A$6.0 million

For the half year to June 1998 the company recorded only A$177,000 in revenue and posted a A$461,000 loss. However, full year revenue to December 1998 was A$2.0 million and the company earned a A$286,000 profit, due to the newly acquired power generation assets.

Pacific Energy reported further significantly increased operating earnings of A$1,156,000 (8.8 cents per share) for the year ended December 31, 1999. In addition, the company also enjoyed a massive $25.3 million abnormal gain as the result of the Kvaerner/ Macquarie transactions. However, as mentioned before, this accounting treatment does not take into account the contingent liabilities that Atlantic Pacific Infrastructure has assumed.

Listed Investments

In December 1999, Pacific Energy sold its 45.6% interest in the **Woolgar Gold Project** to **Strategic Mining** for 36,644,978 shares (or 22.5% of the company). These shares have a current market value of A$2,748,000. Strategic Mining, however, appears to need on-going financing from Pacific Energy - with Pacific Energy recently subscribing A$320,000 (via a short term converting note issue) for a further 4,000,000 Strategic Mining shares (8 cents per share).

Pacific Energy also holds 12,804,420 Macquarie Infrastructure Group units with a current market value of A$18,822,000.

Insider Buying

Substantial insider buying initially drew our attention to Pacific Energy - and may be one of the best indications of the value of the company's infrastructure *development* projects.

There have been *nine* *(Continued on Page 10)*

Pacific Energy *(Continued from Page 9)*
insider buys and no sells over the past twelve months. Director JWS Fletcher owns 1,004,115 shares (7.68% of the company), having purchased 56,000 shares in November 1999, 38,132 shares in January 2000, 229,687 shares in February, 43,811 shares in March and 20,000 shares in April at prices between A$1.00 and A$1.43. AS Foster holds 987,000 shares (7.55% of the company) following recent purchases of 10,000 shares in December 1999 and 148,874 shares in February 2000. SWG Elliott has 1,986,478 shares (15.2% of the company), after making two purchases totalling 906,478 shares (at A$1.05-1.10 per share) in February. **Energy World International**, which is associated with SWG Elliott, plans to increase its shareholding in Pacific Energy from 17.5% to 29.9%.

Investment Criteria

Pacific Energy is a smaller company with a market capitalisation of A$16.7 million. The shares trade at a Price/Sales ratio of 0.49 and a Price/Earnings ratio of 15 and pay no dividend. However, these revenues and profits include amounts from asset sales, not from on-going revenue. These fundamental valuations are therefore of little use owing to the company's businesses being in the development stage with little meaningful revenue or profits.

Shareholders Equity is shown in the balance sheet at A$28.5 million or A$2.33 per share. The issued capital is currently only 13,077,959 shares, but there are 11,486,000 unlisted options (to buy shares at A$0.50 until January 2005) and 1,800,000 options (to buy shares at A$1.00 until November 2004). The exercise of those options would increase the issued capital to 26,363,959 shares, increase Shareholders Equity to A$36.0 million, but dilute the net asset value to A$1.36.

Pacific Energy's need to raise cash to fund its projects is also revealed by plans to issue up to 10,000,000 shares (at a minimum of A$1.50 per share) to raise A$15.0 million in cash.

The real value of Pacific Energy lies in the assets (less contingent liabilities) it was *paid* to take over and potentially significant businesses that may be developed.

The *insider* buying described above is one of the best indications that Pacific Energy shares are under-valued and attractive for investment: the people who know the company best (i.e. its directors) have been actively buying shares!

Technically the shares are in an uptrend, having risen strongly over the past eighteen months. The Strength Rating is +7.5%, ranked 13 (on a scale of 0-99).

Company Risks and Liabilities

Pacific Energy is a high risk/high return investment. Its projects are in the development stage so have little value now, but *could* become very valuable if they prove to be viable and can attract outside financing. For example, Atlantic Pacific Infrastructure's Philnico Developments investment *could* become worth A$200 million, less the £12.0 million (A$30.6 million) that would be payable to Kvaerner.

On the other hand there are significant financial risks. Pacific Energy needs to raise additional cash to fund further investigation of the projects being developed by Atlantic Pacific Infrastructure. Issuing new equity will *dilute* existing shareholders' interest in the company. A collapse of the share price could make it expensive - or impossible - to raise this new equity. Pacific Energy is a small company, so cannot fund its billion dollar development projects and will always need to rely on bringing in outside partners to finance the construction of any project.

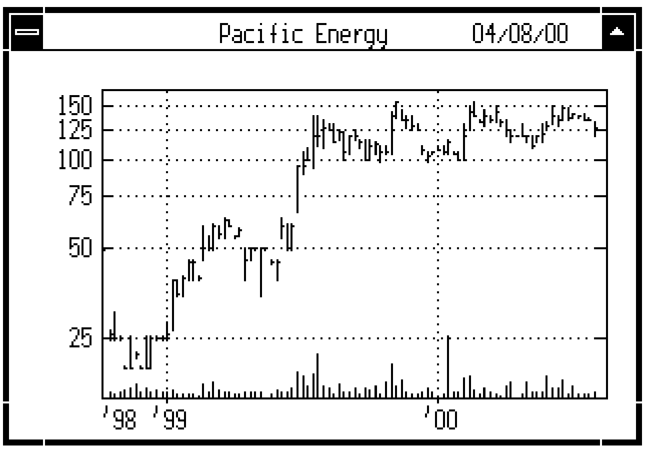
As part of the restructuring/acquisition agreement, Pacific Energy has also "granted the vendors of the Atlantic Pacific Infrastructure assets various guarantees in relation to certain liabilities". These potential and contingent liabilities are unquantifiable at present - but if things go wrong these liabilities could cause the company to fail.

Summary and Recommendation

Pacific Energy is a small company attempting to sponsor some big projects. Projects other companies (i.e. Kvaerner and Macquarie Infrastructure Group) considered *too risky*, or *too much trouble* or to involve *too many contingent liabilities* that they *paid* Pacific Energy to take over them off their balance sheets. That suggests that there are very significant risks involved with an investment in Pacific Energy shares. On the other hand, just one successful project - such as the Philnico Development which is proceeding well - could add very significant value (i.e. around A$5 per share) to Pacific Energy.

So Pacific Energy shares are an investment that could do *very well* or *very poorly*. Investors, however, should note that investment losses are limited (i.e. to a 100% loss, if the company fails), while there is no upside limit on gains. A portion of a *diversified* portfolio in high risk investments (some of which become worthless, some of which increase several fold in value) is therefore a successful investment strategy. *Insider* buying would also suggest that things are working out favourably at the present time, and Pacific Energy is unlikely to fail in the immediate future!

Investors with a high risk tolerance and holding well diversified portfolios can therefore consider making a small investment in Pacific Energy shares.



New Zealand Warrant / Option Analysis

Warrant	Share Price	Exercise Price	Years & Months to Expiry	Warrant Price (NZ cents)	Black-Scholes Valuation (NZ cents)	Warrant Over/Under Valued (%)	Share Vola-tility	Warrant Leverage	No. Warrants to Buy One Share	Break-Even Rate
Aquaria 21	$0.04	$0.20	0-1	0.2	0.0	+9999	0.854	+999.9	1.0000	+9999%
IT Capital	$0.36	$0.18	0-2	19.7	18.8	+5	0.947	1.9	1.0000	+22%
NZ Oil & Gas Options	$0.28	$0.70	1-2	5.1	1.9	+165	0.683	3.2	1.0000	+133%
Otter Gold Mines 2001	$0.60	$2.75	1-2	1.2	0.1	+2078	0.485	6.9	1.0000	+270%
Otter Gold Mines 2003	$0.60	$2.00	2-10	5.4	4.0	+36	0.485	3.1	1.0000	+54%
WDR FC - Building	$2.37	$2.75	0-3	8.6	2.7	+220	0.339	10.8	2.0000	+131%
WDR FC - Energy	$7.68	$5.50	0-3	122.0	114.1	+7	0.349	3.3	2.0000	+14%
WDR Telecom NZ	$7.27	$9.00	0-4	13.5	2.1	+541	0.239	16.4	2.0000	+107%

Australian Warrant / Option Analysis

While there are no NZ based options that are attractive for *investment* or *speculation* there are so many Australian options that it is not difficult to find many *under-valued* options that offer good *leverage*.

The **AP Eagers** options, for example trade at a 53% discount to their fair value, have a leverage of 3.37 (i.e. will rise or fall 3.37 *times* the percentage of the shares) and have a *break-even rate* of only 2% (i.e. the share price needs to rise by just 2% per annum until their Exercise/Expiry date for the options to become valuable).

The **Auspine** options are also an attractive - although more *speculative* - situation. The options are 67% under-valued, offer a higher leverage but do have a higher break-even rate of 25%.

The options of **Advanced Engine**, **Ambition Group**, **Amlink Technologies**, **Cardia Technology**, **Chariot Internet**, **Cranswick Premium Wines**, **Franked Income**, **Global Business** (12/2006 options), **Lang Corporation**, **M2M Corporation** and **Technology Investment** are all *under-valued relative to the shares*. [Editor's Note: Investors do need to assess whether the underlying *share* is attractive or not before buying any of these options.]

Investors should find potential share investments, *then* check to see if there is an option that offers a more attractive entry into the company.

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Vola-tility	Option Lever-age	Options to Buy 1 Share	Break-Even Rate
AP Eagers Ltd	433	400	2-5	50.0	105.6	-53	0.20	3.37	1.00	+2
Acclaim Uranium NL	9	20	2-1	0.2	5.1	-96	1.43	1.29	1.00	+50
Adultshop.com	56	20	3-10	38.0	48.9	-22	1.14	1.09	1.00	+1
Adultshop.com	56	175	3-4	5.3	30.9	-83	1.14	1.31	1.00	+42
Advanced Engine	34	35	2-4	9.6	17.4	-45	0.85	1.50	1.00	+12
Alacaston	23	20	0-2	4.5	6.3	-29	1.31	2.58	1.00	+46
Allegiance Mining	11	20	3-4	5.4	6.1	-12	0.98	1.35	1.00	+29
Allied Mining	10	20	0-6	2.2	2.3	-3	1.52	2.06	1.00	+393
Amadeus Petroleum	13	20	3-3	4.9	4.8	+3	0.63	1.76	1.00	+22
Ambition Group	97	100	4-1	25.0	38.6	-35	0.40	1.90	1.00	+6
Amity Oil	29	35	2-1	14.0	12.2	+14	0.81	1.66	1.00	+29
Amlink Technologies	30	45	3-10	5.0	15.8	-68	0.79	1.42	1.00	+14
Asset Backed	62	35	2-0	25.0	49.4	-49	1.47	1.15	1.00	-2
Astro Mining NL	44	120	2-4	15.0	25.3	-41	1.42	1.29	1.00	+64
Astro Mining NL	44	25	9-4	17.0	42.8	-60	1.42	1.01	1.00	-0
Audax Resources	27	50	0-7	5.0	2.8	+76	0.93	3.02	1.00	+243
Auridiam Consolidated	7	20	1-5	3.0	1.1	+183	0.86	2.33	1.00	+127
Auridiam Consolidated	7	50	3-10	3.0	1.9	+62	0.86	1.68	1.00	+68
Auspine Ltd	243	400	2-4	10.0	30.6	-67	0.40	3.15	1.00	+25
Aust Kimb Diamonds	4	20	2-1	1.4	0.9	+59	1.09	1.75	1.00	+132
Aust Mineral	7	20	2-7	3.0	2.8	+7	1.07	1.49	1.00	+61
Barron Enter.	6	25	0-1	0.3	0.0	+999	1.45	9.63	1.00	+999
Beach Petroleum NL	4	20	3-8	1.8	0.9	+93	0.83	1.72	1.00	+63
Bionomics Ltd	115	50	1-3	78.0	74.4	+5	0.84	1.43	1.00	+9
Biotech Int'l	35	20	0-3	13.5	14.8	-9	0.50	2.30	1.00	-11
Bolnisi Gold NL	14	20	0-10	2.2	2.7	-18	0.86	2.45	1.00	+82
Burns Philp	47	20	2-12	27.5	32.2	-15	0.56	1.37	1.00	+0
CMC Power Systems	15	25	1-11	6.0	5.4	+11	0.93	1.68	1.00	+49
Canbet	21	20	1-7	10.5	11.0	-4	1.08	1.46	1.00	+29
Cardia Technologies	17	20	3-10	7.0	12.8	-45	1.15	1.17	1.00	+13
Carnarvon Petroleum	6	400	0-11	0.7	0.0	+999	0.77	1.00	1.00	+999
Carnarvon Petroleum	6	25	1-11	1.7	0.7	+153	0.77	2.43	1.00	+112
Centamin	14	20	2-7	4.7	5.7	-17	0.76	1.66	1.00	+25
Central Kalgoolie	7	25	0-4	0.6	0.4	+34	1.61	2.85	1.00	+999
Chariot Internet	113	100	2-4	35.0	61.8	-43	0.84	1.47	1.00	+8
Charter Pacific	100	50	2-2	74.0	68.8	+8	0.89	1.31	1.00	+10
Chiquita Brands	117	110	2-5	32.0	32.1	-0	0.29	2.78	1.00	+8
Citie Centre Ltd	88	100	1-11	10.0	18.3	-45	0.38	2.89	1.00	+12
Citistate Corp	8	25	1-1	0.2	2.9	-93	1.57	1.57	1.00	+188
Clover	49	30	3-11	31.0	26.9	+15	0.32	1.70	1.00	+6
Cluff Resources	5	20	1-4	1.5	1.7	-11	1.59	1.50	1.00	+223
Cobra Resources NL	9	20	2-4	3.1	3.3	-7	0.97	1.59	1.00	+52
Consolidated Mineral	47	20	1-7	25.0	30.0	-17	0.60	1.49	1.00	-3
Cranswick Premium	275	195	1-10	80.0	107.2	-25	0.30	2.33	1.00	+0
Craton Resources	27	25	2-7	13.5	14.7	-8	0.81	1.46	1.00	+15
Deepgreen Minerals	1	20	0-10	5.0	0.0	+999	1.09	3.92	1.00	+999
Defiance Mining NL	3	20	2-10	0.9	0.7	+25	1.00	1.70	1.00	+101
Diamond Ventures NL	9	20	1-10	4.0	2.8	+40	1.03	1.69	1.00	+76
Dioro Exploration	6	20	3-5	2.4	3.5	-32	1.16	1.30	1.00	+46
Downer Group Ltd	60	50	0-6	6.1	17.5	-65	0.71	2.57	1.00	-13
E-Financial Capital	31	50	2-8	8.0	0.9	+743	0.20	6.43	1.00	+27
ECAT Development	9	30	1-0	1.7	1.2	+44	1.08	2.32	1.00	+252
Eftnet Technologies	83	20	4-1	70.0	74.8	-6	1.09	1.08	1.00	+2
Empire Oil & Gas	13	20	2-4	3.8	4.4	-14	0.77	1.76	1.00	+32
Euroz	57	50	4-3	15.0	50.4	-70	1.42	1.07	1.00	+3
Federation Res.	314	400	1-8	110.0	141.0	-22	1.01	1.57	1.00	+34
Fimiston Mining NL	14	30	1-1	4.6	4.5	+2	1.33	1.69	1.00	+138
Franked Income Fd	414	580	2-4	16.0	27.0	-41	0.22	5.31	1.00	+17
Frontier Petroleum	26	20	0-10	11.0	10.1	+9	0.80	1.97	1.00	+26
GPS Online.com	24	40	1-10	6.5	12.2	-47	1.25	1.40	1.00	+45
General Gold Res.	4	20	1-10	1.3	0.1	+867	0.69	3.11	1.00	+160
Giants Reef Mining	5	20	0-10	0.8	0.1	+726	0.87	3.69	1.00	+528
Glengarry Resources	5	75	1-8	1.4	0.6	+136	1.28	1.94	1.00	+413
Glengarry Resources	5	20	0-4	0.6	0.1	+572	1.28	3.96	1.00	+999
Global Business	21	20	5-4	11.5	17.1	-33	1.11	1.11	1.00	+8
Global Business	21	100	1-9	7.5	4.4	+72	1.11	1.84	1.00	+158
Globe Securities	12	20	3-4	4.3	8.6	-50	1.28	1.18	1.00	+24
Gold Partners NL	7	20	1-10	3.5	3.8	-7	1.54	1.32	1.00	+97
Golden Triangle	10	20	2-4	2.5	4.1	-39	0.97	1.56	1.00	+42
Golden Valley Mines	5	20	1-10	2.0	0.9	+132	0.99	1.96	1.00	+135
Goldsearch Limited	10	20	1-11	4.7	5.4	-13	1.34	1.36	1.00	+60
Goldstream Mining	44	20	1-1	25.5	26.0	-2	0.59	1.62	1.00	+3
Gradipore Ltd	580	250	1-4	355.0	358.0	-1	0.56	1.56	1.00	+3
Greater Pacific	7	20	2-2	2.9	3.9	-25	1.33	1.35	1.00	+68
Green's Foods Ltd	46	50	1-6	10.0	7.6	+32	0.33	3.60	1.00	+19
Greenstone	5	20	0-10	1.3	0.6	+115	1.25	2.30	1.00	+469
Gutnick Resources	35	38	2-7	25.0	36.7	-32	0.86	1.46	0.50	+15
Gympie Gold Limited	38	80	0-10	5.0	0.7	+570	0.51	5.38	1.00	+163
Hill 50 Gold NL	105	70	1-9	40.0	44.7	-10	0.34	2.15	1.00	+3

(Continued on Page 12)

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/ Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Hunter Exploration	8	25	0-10	1.2	1.3	-8	1.29	2.12	1.00	+335
Huntley Investment	56	50	0-9	7.5	8.7	-14	0.15	5.78	1.00	+4
IHG Limited	35	20	0-10	19.5	18.2	+7	0.90	1.65	1.00	+18
Imperial	8	20	2-11	3.7	0.9	+297	0.46	2.81	1.00	+43
Impress Technologies	12	20	0-8	3.5	2.0	+74	0.98	2.55	1.00	+174
Infosentials	33	75	2-7	7.0	10.8	-35	0.82	1.72	1.00	+42
Infosentials Limited	33	25	0-4	13.5	10.7	+26	0.82	2.49	1.00	+59
Intercontinental Gold	6	20	2-10	2.1	2.4	-13	1.04	1.49	1.00	+59
Isis	89	125	0-4	21.0	12.4	+69	1.08	3.02	1.00	+341
JAM Developments	26	25	5-3	12.5	19.9	-37	0.93	1.17	1.00	+7
Jervois Mining NL	4	20	1-6	1.4	0.1	+999	0.69	3.42	1.00	+191
KCG Mines	30	20	4-3	13.0	28.7	-55	1.82	1.02	1.00	+2
Kalrez Energy NL	3	20	2-10	1.2	1.3	-7	1.15	1.48	1.00	+91
Kanowna Lights NL	13	20	1-5	4.8	6.4	-25	1.39	1.42	1.00	+62
Kimberley Diamond	18	130	2-11	4.0	2.1	+87	0.79	2.13	1.00	+99
Kimberley Oil NL	13	20	1-3	3.0	4.3	-29	1.06	1.78	1.00	+63
Kingstream Steel	23	110	1-11	8.1	1.6	+396	0.74	2.66	1.00	+135
Lafayette Mining NL	13	20	1-1	3.4	2.9	+16	0.84	2.26	1.00	+72
Lang Corporation	910	875	4-4	203.0	334.7	-39	0.29	2.17	1.00	+4
Legend Mining NL	15	20	1-7	3.2	5.6	-42	0.89	1.76	1.00	+32
Lumacom	33	20	2-10	16.5	23.7	-30	0.97	1.24	1.00	+4
M2M Corporation	33	20	9-6	19.0	31.3	-39	1.20	1.02	1.00	+2
Macmin NL	8	20	0-6	2.0	0.2	+865	0.85	4.30	1.00	+696
Magna Pacific	40	5	2-9	10.0	36.9	-73	1.17	1.07	1.00	-30
Magna Pacific	40	25	0-10	23.0	22.4	+3	1.17	1.51	1.00	+24
Majestic Resources	23	20	2-10	13.0	12.7	+2	0.75	1.46	1.00	+14
Medica	95	75	0-9	40.0	35.6	+12	0.78	2.07	1.00	+29
Menzies Court	17	20	0-7	0.9	0.9	+1	0.33	6.75	1.00	+42
Mermaid Marine Ltd	30	75	0-3	0.5	0.1	+506	0.81	7.68	1.00	+999
Metabolic	59	20	2-11	41.0	46.5	-12	0.85	1.20	1.00	+1
Metex Resources	10	20	3-10	3.5	3.9	-11	0.74	1.57	1.00	+27
Metroland Australia	22	20	0-9	5.5	8.9	-38	1.08	1.81	1.00	+22
Micromedical Indust.	42	20	0-2	21.0	21.7	-3	0.76	1.90	1.00	-7
Mineral Commodities	12	20	0-7	1.7	2.1	-21	1.09	2.46	1.00	+176
Minerals Corporation	26	20	1-3	10.0	11.8	-15	0.83	1.71	1.00	+14
Minotaur Gold NL	21	20	1-4	7.0	12.8	-45	1.40	1.33	1.00	+21
Molopo Australia NL	13	20	3-1	6.8	5.9	+15	0.84	1.50	1.00	+28
Mosaic Oil NL	17	25	1-10	5.2	2.9	+80	0.49	2.77	1.00	+37
Mt. Grace Resources	24	20	0-3	4.0	5.8	-31	0.73	3.20	1.00	+0
My Money Group	18	21	0-6	2.3	4.2	-45	0.85	2.79	0.83	+60
New Hampton Gldflds	23	23	0-8	6.1	4.6	+33	0.56	3.14	1.00	+42
New Holland Mining	3	20	2-1	0.9	1.9	-51	1.85	1.22	1.00	+154
Nexus Minerals	18	20	0-10	7.4	6.4	+16	1.05	1.88	1.00	+66
Nexus Minerals	18	20	3-8	9.2	12.7	-28	1.05	1.21	1.00	+14
Nonferral Recyclers	30	50	0-11	3.5	1.3	+178	0.46	4.93	1.00	+88
Normandy Mining	104	250	0-8	2.0	0.0	+999	0.37	11.64	1.00	+277
Norwest	23	20	1-10	13.0	12.7	+2	1.02	1.42	1.00	+23
One Three One Shop	9	75	1-5	2.0	0.8	+153	1.14	2.23	1.00	+362
Optiscan Imaging Ltd	210	20	1-7	170.0	192.1	-12	0.83	1.09	1.00	-6
PEG Technology	52	50	0-9	8.1	5.6	+46	0.17	7.03	1.00	+16
Pacific Strategic	20	30	3-7	3.1	6.7	-54	0.54	1.88	1.00	+15
Pahth Telecom.	26	20	2-10	12.5	19.9	-37	1.24	1.17	1.00	+8
Paladin Resources NL	5	20	0-2	0.2	0.0	+999	0.96	10.95	1.00	+999

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/ Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Pancontinental	5	20	1-7	1.5	0.8	+83	0.99	2.08	1.00	+151
Pima Mining NL	37	20	1-7	24.0	20.5	+17	0.64	1.60	1.00	+13
Pima Mining NL	37	20	0-1	16.5	16.6	-1	0.64	2.20	1.00	+0
Pinnacle VRB Limited	58	20	0-5	37.5	38.6	-3	0.81	1.49	1.00	-2
Platgold Pacific NL	27	20	0-10	12.0	16.5	-27	1.58	1.37	1.00	+23
Platsearch NL	11	25	0-3	0.3	0.1	+335	0.88	6.52	1.00	+999
Plenty River	34	20	1-11	20.0	21.3	-6	0.88	1.39	1.00	+9
Pocketmail	15	40	0-4	2.0	2.7	-27	1.95	2.13	1.00	+999
Precious Metals	22	65	0-10	2.3	0.1	+999	0.48	7.27	1.00	+283
Prima Resources NL	13	20	1-3	3.6	4.1	-11	1.02	1.82	1.00	+66
Pulsat Communicat.	37	200	2-5	8.0	10.1	-21	1.06	1.67	1.00	+104
Pulsat Communicat.	37	20	3-1	19.5	28.7	-32	1.06	1.18	1.00	+2
Quadrant Australia	8	20	0-10	2.6	1.8	+48	1.28	2.00	1.00	+248
Quiktrak Networks Ltd	18	20	1-7	6.8	7.5	-9	0.87	1.70	1.00	+29
Rand Mining	58	20	0-10	30.0	40.6	-26	1.01	1.36	1.00	-16
Redfire Resources NL	18	20	0-5	5.0	4.2	+20	1.09	2.44	1.00	+135
Redflex Holdings	207	350	2-4	66.0	24.9	+165	0.40	3.17	1.00	+35
Reefton Mining NL	8	20	3-3	2.7	5.1	-47	1.24	1.24	1.00	+38
Ridley Corporation	64	65	1-8	15.0	14.4	+4	0.36	2.96	1.00	+14
SSH Medical	33	40	1-10	19.0	8.6	+121	0.56	2.28	1.00	+38
Sabre Resources	37	20	1-3	4.0	34.9	-89	3.12	1.03	1.00	-29
Seafood Online.com	12	20	3-0	4.5	2.7	+65	0.52	2.20	1.00	+29
Senetas Corporation	69	30	3-9	56.0	60.7	-8	1.27	1.08	1.00	+6
Shield Equities	15	20	1-1	3.6	6.3	-43	1.29	1.58	1.00	+57
Sirocco Resources NL	29	20	0-4	12.0	11.9	+0	1.13	2.00	1.00	+34
Stericorp	38	40	1-2	10.0	12.0	-17	0.73	2.10	1.00	+27
Strata Mining	4	20	2-4	1.7	0.8	+123	0.87	1.99	1.00	+100
Sun Resources NL	13	25	1-10	7.5	3.1	+138	0.80	2.00	1.00	+68
Sydney Gas Company	56	20	0-10	40.0	37.6	+6	0.77	1.44	1.00	+9
Sydney Gas Company	56	100	2-1	22.0	16.7	+32	0.77	1.89	1.00	+45
Tanami Gold NL	13	20	1-3	3.6	2.6	+37	0.76	2.32	1.00	+66
Technology Invest.	111	110	0-4	6.7	9.9	-32	0.32	6.74	1.00	+16
Technology Licencing	24	50	1-5	10.0	3.2	+213	0.69	2.66	1.00	+91
Telco Australia Ltd	50	25	0-4	32.0	27.7	+15	1.28	1.64	1.00	+48
Tiger Resources	21	23	1-1	20.5	10.7	+92	1.32	1.48	1.00	+94
Timemac	15	20	3-10	5.9	13.7	-57	1.75	1.05	1.00	+15
Travelshop Ltd	36	20	4-3	20.0	24.6	-19	0.61	1.32	1.00	+3
Union Capital	32	20	1-5	18.0	24.6	-27	1.69	1.17	1.00	+13
Viagold	22	35	0-2	3.1	3.0	+3	1.74	2.84	1.00	+999
Vincorp Wineries	14	40	1-3	1.2	0.8	+44	0.69	3.23	1.00	+137
Vital Capital	34	20	8-9	20.0	30.5	-35	0.95	1.06	1.00	+2
Voicenet (Aust)	204	50	0-4	154.0	155.2	-1	1.05	1.31	1.00	+0
Vos Industries Ltd	22	50	1-11	12.0	2.6	+361	0.59	2.75	1.00	+72
WRF Securities	66	35	4-4	28.5	45.9	-38	0.60	1.31	1.00	-1
Wells Gold	2	20	2-7	0.7	0.7	+7	1.17	1.58	1.00	+134
West Australian Metals	8	20	2-1	4.2	3.0	+39	1.06	1.60	1.00	+71
West Oil NL	19	30	0-10	7.3	3.7	+98	0.90	2.42	1.00	+125
Westel Group Ltd	31	20	0-2	13.0	11.9	+9	1.18	2.24	1.00	+60
Wet Dreams	13	20	2-4	2.7	8.6	-69	1.46	1.21	1.00	+29
Wet Dreams	13	50	0-5	2.7	0.7	+275	1.46	2.89	1.00	+999
Willhart	27	35	3-2	12.5	18.1	-31	1.12	1.24	1.00	+20
Yamarna Goldfields	4	20	1-10	1.7	0.6	+188	0.96	2.08	1.00	+152
Zylotech Limited	22	20	1-1	9.5	12.2	-22	1.34	1.43	1.00	+31

Readers Ask . . .

Question: I have contributed to a pension scheme for 35 years and plan to retire in 5-8 years time when I will receive a lump sum of about $350,000.

<u>How should I spread this between fixed interest and shares to provide an income plus capital protection</u>? I view protection against another phase of rampant inflation as important.

<u>Should I put the lump sum in a trust so that it doesn't form part of my personal assets</u>?

<u>How can I make provision for managing the portfolio should I lose my marbles</u>?

My wife and I also have a mortgage free home, a rental property ($250,000) and a few shares ($20,000).

Answer: Firstly, let me state that I believe your fears about "rampant inflation" are unfounded. Nevertheless, the highest rate of price increase will probably come in areas such as healthcare - which you will consume more of as you age. Secondly, while shares are a good *long term* hedge against inflation, they are a poor *short term* hedge. So rampant inflation would initially depress the value of share investments - even though these would ultimately be the best investments (i.e. if you can live long enough - or defer consumption long enough - to enjoy the gains!).

Your rental property should be a good income producing investment with inflation protection although at some stage you will probably prefer to switch from direct property ownership (and the management involved in this) to investment through a range of listed and/or unlisted property trusts. Property trusts probably offer a higher income - and with more security - than a single residential rental property, so you may wish to consider selling this property (when you can get a good price) and re-investing in managed property trusts.

Assuming you have about <u>35-40% (i.e. up to $250,000) of your total investments in property</u> (and that this provides a reasonable income), <u>I would suggest investing about 20% ($125,000) in a range of fixed interest investments</u> (i.e. bank and finance company term deposits, corporate bonds) about 35-40% ($215,000-250,000) in shares and holding about 5% ($30,000) in cash (i.e. an "at call" deposit).

The shares could be spread between NZ shares ($90,000-$160,000), Australian shares ($60,000-$90,000) and a few International equity funds ($30,000-$60,000).

I am not sure what potential benefit you hope to achieve by placing investments in a trust rather than being part of your personal assets. Income splitting can be achieved by owning investments jointly with your wife (or by putting approximately half of the investments in her name). If you seek to avoid means tested government charges then you need to transfer *all* of your assets (about $900,000 including the family home) to a trust in return for a debt from the trust. With both you and your wife gifting $30,000 annually to the trust it will take 15 years to clear that debt - and then another seven years to avoid current "claw back" provisions. So it will be 22 years before you can avoid any means tested charges *under current legislation*. And the only thing you can be *sure* about is that the current rules on means testing will change significantly over that period!

A trust, however, may help if you have concerns about your future mental state. If the investments are held in a trust with *at least three trustees* (e.g. yourself, your wife, an adult son or daughter) then you will be able to influence control over the investments while you remain sane, but can be out-voted by the other trustees if you should start to act irrationally.

Question: Is there any advantage in holding my shares through a private company or a trust? Should one purchase protection against a fall in share prices?

Answer: There is a definite disadvantage investing in shares through a company - if that is the company's *sole purpose*. In this situation, the Inland Revenue will likely say that the company is in the *business* of "share investment" - and seek to tax it on capital gains. If you hold your share investments in your own name or through a trust, then the capital gains on investments will be tax free.

A trust *may* have some advantages, but also involves cost and administration. If your spouse is on a lower income tax rate, then a trust will allow income to be paid to that beneficiary. The same income splitting can be achieved by simply owning shares in joint names (and each receiving half the income) or by putting high income investments in the name of the lower income earner. Unless you have a specific need to set up a trust for some specific purpose (i.e. to provide for children, protection against creditors) then I suggest you avoid the $1-2000 in legal fees to set up a trust, the $500 per year in legal fees for a gifting program, the administration and the extra annual tax return that you will need to file. If you employ lawyers, accountants or investment managers to run the trust then the annual expenses could erode much of your capital!

Buying "protection against a fall in share prices" always sounds good, but cannot be done at a reasonable price. That *protection* is usually in the form of:

1. "Capital guaranteed loans" - where you pay for that protection in the form of a huge margin in the interest cost compared with regular loans.
2. Buying Put options - where the cost of the options will erode 15-20% of your capital each year.
3. Selling short Share Index Futures contracts - which protect you against a decline in the market but also "protect" you against any *increase* in the stockmarket!

The costs of this *protection* will exceed the risks that you are trying to avoid, so it is unattractive.

To successfully invest in the stockmarket you must understand that there are risks - and accept them! You can minimise the risk involved in *individual companies* through diversification over a wide range of shares and by including international investments in your portfolio. The general *market* risk can be reduced by including low risk investments (e.g. fixed interest) in the portfolio - although at the *cost* of a lower expected long term return.

It is necessary to assess your own personal risk tolerance and decide how much risk you are prepared to accept. This will depend upon personal factors, including your age, income, the value of your assets and liabilities, and your long term financial goals. Over the medium to long term, you can expect to be well rewarded for accepting *sensible* risks in the stockmarket.

Question: I have about $60,000 in fixed interest and share investments at present, but plan to redeem a $120,000 balanced fund investment and sell a holiday home for about $170,000. What asset spread do you suggest for my portfolio? I am 66, retired, with no family, and require an income of about $26,000 per year from investments.

Answer: The sale of these two assets will give you around $350,000 in total for investment. By owning the investment directly - rather than through a balanced unit trust (as at present) - you will avoid management fees and capital gains taxes on the equities and property investments.

Your main investment objectives need to be (1) generating an income, (2) preservation of capital (i.e. not taking too many risks) and (3) some long term growth in income and capital (to protect against inflation, even at a low annual rate). I would therefore suggest a portfolio spread consisting of:

Asset Class		Percent of Portfolio	Reason For Investments
Fixed Interest		30%	Income, Security of capital
Cash		5%	For living expenses
Property Trusts		30%	Income, some Growth
Equities:	NZ Shares	20%	Income and Growth
	Aust Shares	10%	Growth and Income
	Int'l Funds	5%	Long term Growth

Fixed interest would consist of a spread of bank and finance company term deposits and corporate bonds. Property Trusts would consist of a spread of listed trusts (e.g. Capital Properties, Kiwi Income, Property For Industry). NZ and Australian shares you can pick from *Market Analysis* and for the International funds you simply "buy and hold" some of the UK listed investment trusts that are listed in NZ (e.g. Foreign & Colonial Investment, Anglo & Overseas, Fleming Overseas).

This balanced portfolio will produce a gross income of about 6½-7% - or about $18,000-20,000 after tax - which will fund 70-75% of your requirement for living expenses. Even a low rate of capital appreciation (e.g. assuming 2% from Property, 5% from NZ shares, 10% from Australian shares and 15% from International funds over the medium to long term) will provide an average of around $11,500-$12,000 per year in tax free capital appreciation (although, obviously, capital values will fluctuate from year to year). That is a total return of at least $29,500-32,000 per year - achieving the required annual cash living expenses and approximately maintaining the inflation adjusted value of your initial capital.

"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held Before	After
07/07/2000					
FC - Forests	Xylem Fund	Buy	+9.314	6.84%	7.93%
FC - Paper	UBS Nominees	Buy	+1.210	10.13%	11.34%
14/07/2000					
AMP NZ Office Trust	AMP	Sell	-19.150	31.17%	27.94%
Carter Holt Harvey	Franklin Resources	Sell	-17.886	9.26%	8.23%
FC - Energy	Franklin Resources	Sell	-3.057	5.83%	4.94%
Nobilo Wines	BRL Hardy	Buy	+1.352	92.91%	95.81%
Restaurant Brands	TowerCorporation	Sell	-1.050	5.10%	3.96%
Telecom NZ	The Capital Group	Sell	-7.890	5.44%	4.99%
Tranz Rail Holdings	AXA Asia Pacific	Buy	+6.320	0.0%	5.23%
Waste Management NZ	AMP	Sell	-1.549	8.42%	6.83%
21/07/2000					
Dorchester Pacific	PR & PA Briggs	Sell	-0.295	11.09%	9.46%
28/07/2000					
Advantage Group	AXA Asia Pacific	Buy	+0.980	6.54%	8.11%
GDC Communications	AR Jamieson	Sell	-0.500	13.50%	12.18%
Kiwi Development	AXA Asia Pacific	Sell	-0.750	10.39%	8.83%
Lion Nathan	The Capital Group	Buy	+5.800	4.40%	5.46%
Nobilo Wines	BRL Hardy	Buy	+1.408	95.81%	97.00%
04/08/2000					
Carter Holt Harvey	Franklin Resources	Sell	-18.825	8.23%	7.15%
Frucor Beverages	Arcus Inv Mgmt	Sell	-0.950	5.00%	4.24%
Guinness Peat Group	NZ Guardian Trust	Buy	+24.209	0.0%	5.01%
Hallenstein Glasson	AMP Asset Mgmt	Sell	-0.852	16.47%	15.00%
Kiwi Development	NZ Guardian Trust	Buy	+3.000	5.40%	11.64%
Mainfreight Group	NZ Guardian Trust	Sell	-0.484	6.56%	5.89%
Met Life Care	NZ Guardian Trust	Buy	+4.433	0.0%	7.19%
Nuplex Industries	NZ Guardian Trust	Buy	+1.086	6.95%	8.88%
Spectrum Resources	Momentum	Sell	-66.260	33.96%	11.30%

Dorchester Pacific director, PR Briggs, has sold a further 295,000 shares (after selling 2,118,238 shares in the months leading up to February 2000).

GDC Communications shares have more than doubled in value since listing in April - leading a major shareholder to start taking profits!

Spectrum's major shareholder *continues* to indicate its interest in *share trading* (i.e. cashing in gains since it turned Spectrum dot-com) rather than *investment* in its new e-commerce businesses. Momentum sold about 66 million shares and/or rights recently - investing none of its own cash in Spectrum's cash issue. Unfortunately, the recent bursting of the internet bubble took the *momentum* out of Spectrum's share price - leaving Momentum with just a small gain on its plans to turn Spectrum dot-com, dump the shares on the public and become instant multi-millionaires. Bad luck!

Total Return Index for All Listed Shares

Jul 10	2273.85	Jul 17	2303.85
Jul 11	2275.00	Jul 18	2306.91
Jul 12	2288.14	Jul 19	2311.06
Jul 13	2301.96	Jul 20	2306.24
Jul 14	2304.63	Jul 21	2319.30
Jul 24	2318.74	Jul 31	2312.56
Jul 25	2312.35	Aug 1	2320.80
Jul 26	2312.31	Aug 2	2320.30
Jul 27	2313.68	Aug 3	2324.50
Jul 28	2319.15	Aug 4	2329.06

D i v i d e n d $

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Calan Healthcare	1.3324	14-08	01-09	Nil
Dorchester Pacific	3.00	10-07	23-08	Full
GDC Communications	1.50	28-08	01-09	Full
Property For Industry	1.30	07-08	11-08	0.30
Restaurant Brands	4.50	01-09	22-09	Full
Trust Power	7.85021	14-08	25-08	Full
United Networks	16.00	28-08	08-09	Full
Waste Management NZ	2.50	28-08	-	-

Current Issues

CAPITAL RECONSTRUCTIONS	Ex-Date
Bendon (1)	24-07
Heritage Gold (2)	-

(1) Bendon cancelled one share in every four, repaying 159 cents.
(2) Heritage will distribute 2 Hi Tech Investments shares for every 5 Heritage shares held.

SHARE REPURCHASES	Details
Contact Energy	5%, on-market
Hellaby Holdings	5%, on-market
Infratil Australia	15%, on-market
Infratil NZ	5%, on-market
Lion Nathan	5%, on-market
Newmarket Properties	10%, on-market
Strathmore Group (1)	15%, off-market
Warehouse Group	2½%, on-market

(1) Strathmore plans to buy back up to 15% of its shares, distributing CommSoft Group shares in payment.

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