

Market Analysis

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Summary and Recommended Investment Strategy.

Our Forecasts for the NZ and Australian stockmarkets remain slightly Bearish (unfavourable), but the decline in the exchange rates is certainly favourable for the corporate sector, especially exporters. Our Recommended Investments generally continue to perform well, so remain fully invested in the recommended shares.

Investment Outlook.

"Run! The sky is falling!" Well, actually its the NZ dollar that is falling and - as we have frequently pointed out - a low NZ dollar is actually *good* for the stockmarket.

Overall the *corporate* sector is a net exporter, while *consumers* are net importers. So a lower dollar transfers wealth from *consumers* to the owners of businesses (e.g. farmers and shareholders). Export businesses will immediately enjoy improved revenues and higher profit margins. Even importers, however, can quickly adjust their sales prices to pass on the higher import costs. Consumers, on the other hand, get their income from welfare benefits, salaries, pensions and/or interest on fixed deposits which can be adjusted only slowly to the loss of purchasing power caused by the lower dollar.

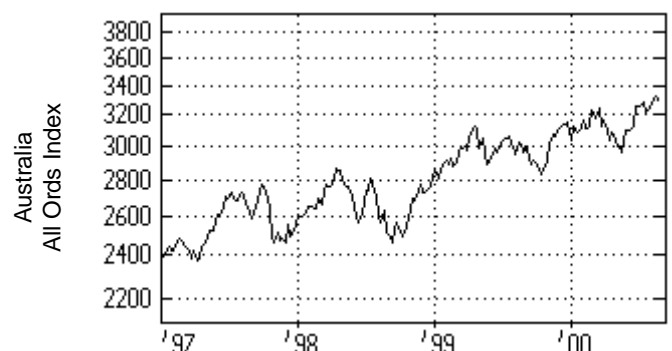
is **Bullish** at **66%**. Our One Year Forecast for Australia is also **slightly Bearish** at **39%**. Remain fully invested in recommended equities.



The NZ dollar has been falling since early 1997, but with every fall in the dollar matched with higher interest rates - and then the Asian crisis in 1997 and 1998 - the economy and stockmarket failed to respond positively.

Now we have a falling exchange rate and - as discussed last month - interest rates appear to have stabilised and are falling slightly. In this situation, even an anti-business government may be unable to prevent an export led recovery to the economy and a rally in share prices.

Our One Year Forecast does remain **slightly Bearish** at **35%**, but our **Short Term Trend Model**



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 Forecasts					Performance Forecasts					Performance Forecasts							
Company	Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company	Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company	Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	C	90	0.46	31	13.3	Goodman Fielder	B	165	0.47	15	5.7	Pure NZ Limited	E	11	3.68	NE	Nil
AMP Limited	A	2410	0.75	19	2.2	Grocorp Pacific	C	16	0.98	NE	Nil	Radio Works NZ	C	810	2.09	18	1.4
AMP NZ Office	C	94	6.72	12	8.2	Guinness Peat	C	157	2.50	13	2.0	Reid Farmers	A	82	0.53	10	9.1
AXA Asia Pac.	C	365	3.44	18	3.1	Hallenstein G.	C	220	0.81	13	11.5	Renaissance	C	98	0.28	79	1.5
Advantage HDS	D	272	2.57	94	Nil	Hellaby Hold.	C	170	0.50	6	12.3	Restaurant Brds	C	118	0.50	9	12.6
Affco Holdings	C	44	0.11	NE	Nil	Heritage Mining*	N/R	5.0	0.13	NE	Nil	Revesco Ltd*	N/R	48	6.34	NE	Nil
Air New Zealand	B	183	0.28	6	8.2	Horizon Energy	B	795	1.43	7	15.6	Richina Pacific	D	42	0.06	NE	Nil
Akd Int Airport	A	293	7.67	29	4.1	IT Capital Ltd	E	34	N/A	NE	Nil	Rocom Wireless	D	81	N/A	NE	Nil
Apple Fields	C	7.3	0.06	NE	Nil	Ind Newspapers	C	385	2.56	39	2.7	Roller Int'l *	N/R	40	0.21	NE	Nil
Aquaria 21	D	3.6	0.61	NE	Nil	Infratil NZ	C	123	7.35	9	8.5	Ryman Health.	C	186	4.00	15	2.8
Baycorp Hold	A	1290	N/A	65	2.2	Kingsgate Int'l	E	15	1.41	18	Nil	SE Utilities	D	91	N/A	26	8.2
Beauty Direct	D	9.0	N/A	NE	Nil	Kiwi Property	C	93	6.47	10	11.2	Sanford Limited	B	462	1.37	11	4.8
Bendon Limited	B	180	0.74	11	2.8	Kiwi Developmnt	E	227	N/A	NE	Nil	Savoy Equities	E	4.3	1.62	NE	Nil
Brierley Invest	D	43	0.65	11	7.0	Lion Nathan Ltd	A	475	1.34	18	4.4	Scott Tech. Ltd	B	250	1.78	17	6.6
Broadway Ind	D	29	0.07	NE	Nil	Lytelton Port	B	170	2.98	12	9.0	Seafresh Fish.	D	8.5	0.34	10	Nil
CDL Hotel NZ	E	23	0.49	13	4.5	Mainfreight Grp	C	150	0.35	12	6.0	Selector Group	D	47	N/A	NE	Nil
CDL Investments	E	22	1.36	7	17.0	Manor Inns Grp	D	13	0.52	NE	Nil	Shotover Jet	D	42	0.80	38	Nil
Calan Hlthcare	D	108	N/A	NE	Nil	Max Resources*	N/R	13	N/A	NE	Nil	Sky City Ltd	B	758	2.47	12	11.0
Cap Properties	C	91	0.98	3	12.7	Metro. LifeCare	C	120	1.17	11	7.5	Sky Network TV	D	396	5.52	NE	Nil
Carter Holt	C	179	0.95	19	3.4	Michael Hill	C	320	0.68	12	6.3	Southern Cap	C	85	6.26	13	Nil
Cavalier Corp	B	420	0.69	12	10.7	Mid-Cap Index*	N/R	185	N/A	NE	Nil	South Port NZ	C	102	1.13	24	8.0
Cedenco Foods	A	110	2.59	12	Nil	Montana Group	A	260	1.24	18	4.0	Spectrum Res.*	N/R	4.5	N/A	NE	Nil
Col FS Property	C	92	7.75	13	11.4	Mr Chips Hold	A	85	0.74	13	10.5	Steel & Tube	C	150	0.35	10	11.9
Col Motor Co	B	321	0.33	17	7.2	NZ Experience	D	12	0.98	NE	Nil	Strathmore Grp	E	29	N/A	NE	Nil
Contact Energy	C	255	7.37	13	9.2	NZ Invest Trust*	N/R	445	N/A	NE	1.9	Summit Gold Ltd*	N/R	8.5	N/A	NE	Nil
Cue Energy Ltd * N/R	N/R	6.8	3.56	NE	Nil	NZ Oil and Gas *	N/R	29	2.00	NE	Nil	Tag Pacific Ltd	E	31	0.44	NE	2.4
DB Group	B	330	0.52	11	7.2	NZ Refining Co	A	1145	1.33	48	6.1	Tasman Agric.	C	125	3.35	13	2.4
Dairy Brands	C	30	2.08	NE	Nil	Nat Property Tr	D	76	5.23	10	12.2	Taylor's Grp Ltd	B	114	0.71	12	7.9
Damba Hold Ltd	D	45	0.43	NE	Nil	National Mail	E	90	N/A	NE	Nil	TeNZ *	N/R	96	N/A	NE	Nil
Design Textiles	D	28	0.19	5	16.0	Natural Gas	B	155	1.67	24	8.2	Telecom Corp	D	638	2.59	15	10.8
Dorchester Pac	B	115	0.83	8	7.8	Newcall Group	D	22	7.05	NE	Nil	Tourism Hold.	C	263	0.99	17	2.8
E-Force Limited	D	20	1.15	NE	Nil	Newmarket Prop.	C	51	3.79	6	18.6	Tower Limited	B	510	0.94	22	2.9
E-Phone Ltd	D	25	N/A	NE	Nil	Northland Port	A	153	1.22	14	7.3	Trans-Tasman	E	19	1.04	4	Nil
E-Ventures NZ	E	46	0.66	NE	Nil	Nufarm Limited	B	440	0.47	11	5.7	Trans Alta NZ	C	283	1.63	19	5.4
E-cademy Hold.	E	5.5	N/A	NE	Nil	Nuhaka Forestry	D	1335	7.41	NE	Nil	Tranz Rail Hold	B	385	0.82	7	2.2
Ebos Group Ltd	B	347	1.15	22	5.6	Nuplex Indust	B	320	0.47	10	7.0	Trust Power Ltd	C	320	1.12	18	7.7
Eldercare NZ	D	30	1.77	8	Nil	Opio Forestry	D	51	N/A	40	Nil	United Networks	B	672	2.26	9	8.9
Evergreen	D	53	3.55	14	Nil	Otter Gold Mine*	N/R	57	0.36	12	Nil	Utilico Int'l	D	36	N/A	NE	Nil
FC - Building	C	225	0.32	7	10.6	Owens Investmts	C	100	0.16	15	6.7	Warehouse Group	B	590	1.79	31	4.8
FC - Forests	C	84	1.15	10	Nil	Ozzy (Tortis)*	N/R	275	N/A	NE	Nil	Waste Mgmt NZ	B	418	3.73	38	2.1
FC - Energy	A	871	1.91	18	3.1	PDL Holdings	C	445	0.17	11	Nil	Williams Kettle	B	248	0.35	16	7.8
Fisher & Paykel	B	742	1.05	16	5.0	Pacific Retail	D	145	0.20	8	Nil	World Index Fd *	N/R	252	N/A	NE	Nil
Force Corp.	C	35	1.70	7	17.1	Port Tauranga	C	560	6.12	22	5.9	Wrightsons Ltd	B	55	0.12	10	10.9
Frucor Bev.	B	223	1.55	23	Nil	Ports Auckland	C	390	3.35	12	6.9	Ave of 133 Coys	C	227	0.54	18	4.3
GDC Communicat.	B	470	N/A	55	Nil	Property F Ind.	C	81	8.39	16	8.4	Origin Energy	A	197	0.31	7	10.7
A.G.L.	A	1060	1.29	15	4.8	Crown Ltd	C	90	0.70	14	Nil	Orogen Minerals	A	157	2.06	7	4.4
AAPT	D	710	2.15	NE	Nil	David Jones	C	137	0.38	13	5.8	PMP Communicat.	C	203	0.34	9	10.0
AJ Indust Trust	B	144	8.26	13	9.0	E.R.G.	B	1025	5.08	60	0.2	Pacific Dunlop	C	156	0.28	11	6.4
AJ Office Group	B	116	N/A	26	4.5	Ecorp Limited	E	253	8.89	NE	Nil	Pacific Group	C	415	0.66	18	4.2
AMP Diver. Prop	B	235	2.42	12	7.9	Email Ltd	B	310	0.39	16	7.9	Paladin Com.	B	124	7.45	14	7.7
AMP Ltd	B	1804	0.71	19	2.3	Energy Develop.	A	1100	N/A	80	0.4	Paperlin X Ltd	B	362	0.49	13	1.4
AMP Office Trt	B	112	6.13	14	8.5	Fairfax (John)	C	505	2.79	16	2.1	Perp Trust Aust	A	2999	3.95	27	2.2
AMP Shop Centre	A	134	N/A	19	6.3	Faulding (F.H.)	A	925	0.71	24	2.3	Powerlan Ltd	E	170	N/A	NE	Nil
ANZ Bank	A	1299	1.85	14	4.3	Flight Centre	B	2270	1.00	66	0.8	PowerTel Ltd	E	153	1.49	NE	Nil
APN News Media	B	489	2.42	28	2.6	Foodland Assoc	C	742	0.18	6	6.6	Publishing & Br	C	1457	3.88	29	1.4
AXA Asia Pac	C	278	3.28	17	3.2	Foster's Brewin	B	411	2.06	16	3.5	O.B.E. Insur.	B	875	0.81	24	3.3
AXA Aust Div PT	B	113	7.87	13	7.8	Futura Corp.	C	162	0.19	12	4.9	O.C.T. Resource	C	132	1.15	NE	Nil
Advance Prop	B	177	8.40	14	6.9	GWA Internat'l	C	212	1.06	13	5.9	Qantas	B	385	0.50	10	15.3
Amcor Ltd	C	554	0.47	12	6.9	Gandel Retail T	B	112	8.72	13	7.6	Rio Tinto Ltd	B	2630	1.04	8	3.3
Aristocrat	C	606	2.28	18	4.6	General Prop Tr	B	263	6.38	15	7.3	Rural Press Ltd	B	580	1.48	13	2.4
Aust Stock Exch	B	1235	6.21	22	4.6	Ges Internat'l	C	159	0.89	36	0.6	Sausage Softwar	E	201	N/A	NE	Nil
Aust Pipeline	C	234	N/A	NE	Nil	Goodman Fielder	C	123	0.45	15	6.1	SecureNet Ltd	C	990	N/A	NE	Nil
Austar United	E	518	N/A	NE	Nil	Guinness Peat	B	116	2.53	11	0.5	Seven Network	A	744	2.93	NE	2.8
Australand Hold	B	146	0.87	6	8.2	Hardie (James)	B	358	0.83	10	5.0	Simsmetal Ltd	C	610	0.49	20	4.1
Axon Instrument	C	143	N/A	NE	Nil	Harvey Norman	C	390	2.34	9	3.8	Smith (Howard)	C	790	0.58	14	5.2
BA Tobacco Aust	C	1210	0.46	15	71.6	Hills Motorway	C	412	7.81	NE	8.1	Smorgon Steel	C	132	0.58	17	3.4
BRL Hardy Ltd	A	738	2.03	21	2.1	Hutchison Tel.	D	295	4.29	NE	Nil	Sonic Health	B	705	3.04	63	2.1
Bank of W.Aust	B	370	3.32	14	4.9	Incitec	C	494	0.61	17	4.3	Southcorp Ltd	C	447	1.04	14	4.7
Bidvest	B	300	0.20	16	2.6	Infomedia Ltd	C	201	N/A	NE	Nil	Spotless Group	B	625	0.80	27	2.8
Billabong Int'l	D	316	N/A	NE	Nil	Jupiters	B	335	1.19	12	5.1	St George Bank	B	1159	1.62	17	4.5
Boral Limited	B	212	0.47	10	8.5	Lang Corporatio	C	891	2.62	30	Nil	Stockland Trust	B	380	6.18	16	6.9
Brackbles Ind.	A	4989	2.33	31	1.6	Leighton Hold	B	641	0.47	13	5.1	Suncorp-Metway	B	907	0.83	9	5.1
Brickworks Ltd	B	4225	2.98	13	3.0	Lend Lease Corp	B	2010	0.79	24	3.2	TAB Ltd	B	275	0.28	23	4.0
C & W Optus	D	464	4.05	59	Nil	M.Y.O.B. Ltd	C	420	6.03	39	0.8	Tabcorp Holding	C	990	2.22	22	4.7
C'wth Prop Off.	B	95	7.16	12	8.2	Macquarie Infra	A	165	N/A	33	6.1	Telstra	C	644	2.08	10	2.8
C.S.R. Ltd	B	440	0.62	10	5.4	Macquarie Bank	A	2731	3.94	22	3.1	Ten Network	B	270	1.78	19	5.3
CSL Limited	A	3505	N/A	96	0.7	Macquarie Off.	B	114	7.90	12	9.4	Toll Holdings	A	1040	0.46	20	2.1
Cadbury Sch.	C	975	N/A	NE	3.5	Mayne Nickless	B	403	0.45	19	4.2	Transurban Grp	C	338	N/A	NE	Nil
Centro Prop.	B	280	7.58	13	8.5	Medical Imaging	D	128	N/A	NE	Nil	United Energy	A	371	2.27	NE	4.6
Challenger Int.	B	433	3.56	20	1.2	Mirvac Limited	A	360	2.45	16	5.6	Village Road.	C	222	0.66	7	4.5
Coal & Allied	A	1650	2.43	20	4.8	Mirvac Property	B	178	9.75	15	6.4	Wesfarmers Ltd	B	1454	1.10	19	5.0
Coca-Cola Bev.	E	240	N/A	NE	Nil	NRMA Insurance	D	287	N/A	NE	Nil	West Aust News	B	570	3.31	16	7.9
Coca-Cola Amatil	C	396	1.03	21	3.0	Nat'l Foods	B	209	0.53	11	11.5	Westfield Amer.	B	156	1.68	12	7.8
Cochlear Ltd	A	2789	9.75	62	1.1	Nat'l Aust Bank	A	2580	5.99	52	4.3	Westfield Hold.	B	1220	4.14	43	1.2

Recommended Investments

Air New Zealand is actually performing very well, despite difficult conditions which have seen fuel prices increase considerably.

Revenues rose 10.9% to \$3,723.7 million for the year to June 30, 2000. Profits were 13.2% lower at \$186,083,000 (32.8 cents per share), after a significant drop in profits from asset sales (down to \$8.2 million, from \$81.2 million in 1999).

An accounting change to the treatment of deferred taxation has seen an extraordinary charge of \$786.2 million - but this book entry has no economic impact on the company.

Operating cash flows remain very strong, with the net cash flow from operations up 18.2% to \$391.8 million. A final 9.0 cents dividend will be paid, keeping the annual payout at 15.0 cents (with *no* imputation tax

credits). Air NZ expects to begin paying income tax in 12-18 months, so may be able to attach imputation tax credits to the final dividend next year.

Air NZ has upgraded its estimates of the benefits of merging with **Ansett Australia** from \$250 million (before tax) to \$350 million annually - with 60% resulting from cost savings and 40% from higher revenues. Half of these annual merger benefits - \$175 million - are expected to be realised during the current financial year. The company sees "solid prospects for an improvement in group performance" in the current financial year.

Details of a cash issue to raise \$285 million are expected to be announced within the next two months.

At 183 cents, Air NZ shares trade on a low Price/Sales ratio of 0.28, a low *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares													
HOLD+	Air New Zealand "A"	AIRVA	08/10/96	257*	B	567.5	0.9	0.28	6	8.2	183	69.0	-2%
HOLD-	Apple Fields Limited	APF	10/03/92	237	C	29.2	3.1	0.06	NE	Nil	7	10.0	-93%
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	E	171.4	2.1	1.36	7	17.0	22	4.5	+6%
BUY	Cavalier Corporation	CAV	05/12/95	312	B	36.0	0.9	0.69	12	10.7	420	116.0	+72%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	30.9	0.8	0.33	17	7.2	321	187.3	+239%
HOLD	Designer Textiles Ltd	DTL	12/01/99	47	D	29.7	1.9	0.19	5	16.0	28	4.0	-32%
SELL	Ebos Group Ltd	EBO	12/10/99	290	B	26.8	0.8	1.15	22	5.6	347	15.5	+25%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	C	38.6	0.9	0.68	12	6.3	320	60.5	+727%
HOLD	Nufarm Limited	NUF	11/02/97	505	B	150.5	0.8	0.47	11	5.7	440	60.0	-1%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	B	56.3	1.0	0.47	10	7.0	320	29.0	-0%
HOLD	Owens Group Limited	OWN	12/03/91	47*	C	56.5	1.2	0.16	15	6.7	100	81.8	+287%
HOLD	PDL Holdings Ltd	PDL	13/02/96	810	C	13.6	0.9	0.17	11	Nil	445	123.0	-30%
HOLD	Radio Works NZ Ltd	RWL	08/12/92	205	C	12.1	0.5	2.09	18	1.4	810	121.0	+354%
BUY	Renaissance Corp	RNS	13/08/96	85*	C	35.3	2.1	0.28	79	1.5	98	5.4	+22%
HOLD	Richina Pacific	RCH	03/11/95	119*	D	72.2	1.7	0.06	NE	Nil	42	11.9	-55%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	32.4	1.1	1.13	24	8.0	102	35.3	+14%
BUY	Steel & Tube Holdings	STU	08/08/00	146	C	87.7	1.3	0.35	10	11.9	150	7.0	+8%
BUY	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	1.2	0.71	12	7.9	114	3.0	+15%
HOLD+	Tourism Holdings Ltd	THL	14/07/92	149*	C	92.0	1.0	0.99	17	2.8	263	50.9	+111%
BUY	Wrightson Limited	WRI	13/01/98	83	B	134.1	1.7	0.12	10	10.9	55	7.3	-25%
Australian Shares (in Aust cents)													
HOLD+	Abigroup Limited	ABG	09/03/99	265	B	47.7	0.9	0.13	6	7.0	200	21.0	-17%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	C	54.8	2.1	2.28	9	Nil	25	Nil	-66%
BUY	Auspine Limited	ANE	08/02/00	210	B	57.0	0.8	0.51	6	9.1	241	10.0	+20%
HOLD	Biron Corporation Ltd	BIC	12/04/94	178	B	21.8	2.0	0.88	NE	7.7	26	11.0	-79%
BUY	Campbell Brothers Ltd	CPB	12/10/99	435	B	31.3	0.7	0.54	12	5.6	478	27.0	+16%
HOLD	Central Equity Ltd	CEQ	09/02/94	154	B	82.1	0.8	0.85	6	8.0	226	73.0	+94%
BUY	C.S.R. Limited	CSR	11/07/00	436	B	1022.8	0.8	0.62	10	5.4	440	Nil	+1%
SELL	Data#3 Limited	DTL	09/02/99	285	C	14.6	1.0	0.11	33	2.5	102	14.5	-59%
HOLD+	Hamilton Island Ltd	HAM	09/11/99	205	B	45.0	0.8	1.13	12	5.2	250	9.0	+26%
HOLD	Hancock & Gore	HNG	15/07/97	125*	C	46.2	1.0	0.60	9	6.6	121	15.8	+9%
HOLD+	PMP Communications	PMP	09/02/99	309	C	253.4	1.0	0.34	9	10.0	203	30.8	-24%
HOLD	Thakral Holdings	THG	10/11/98	65	C	536.7	1.4	1.10	8	11.6	54	12.1	+2%
HOLD+	Toll Holdings	TOL	08/09/98	240	A	60.5	0.7	0.46	20	2.1	1040	43.0	+351%
BUY	Utility Services Corp	USC	11/01/00	55*	B	103.4	1.3	0.98	27	Nil	89	Nil	+62%
HOLD+	Vision Systems Ltd	VSL	10/11/98	69*	A	142.8	0.9	1.67	31	1.8	168	4.2	+150%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +60.8%. This is equal to an average annual rate of +16.8%, 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 30 cents.

Recommended Investments (Continued from Page 3) Price/Earnings ratio of 5.6 and offer a gross Dividend Yield of 8.2%. All of those statistics make the shares look under-valued - even though profits and dividends are at a cyclical low. Profitability and dividends should be able to increase considerably in a more favourable trading environment, while the ability to attach imputation tax credits to dividends will boost the gross yield by 49.3% - even *before* any recovery in the annual dividend rate.

Our investment in Air NZ has not been successful for us over the last four years, but could become very profitable for us over the next several years. In the immediate future Air NZ shares could remain depressed as the company seeks \$285 million in new equity from shareholders. Over the next 2-3 years, however, profits and dividends could recover strongly leading to a significant increase in the share price. We shall continue to rate Air NZ shares "Hold+" and may upgrade the shares to a "Buy" in early 2001. Existing investors, however, will probably want to take up their entitlements in the (yet to be finalised) October cash issue.

Cavalier Corporation lifted total revenues 8.5% to \$218.4 million for the year to June 30, but profits have increased 23.6% to \$13,097,000 (36.4 cents per share) and the annual dividend rate is being increased 15.4% to 30.0 cents.

The cash operating surplus was a very high \$41.2 million - as the Wool division was partially run down - allowing for a \$26.3 million reduction in interest bearing debt to just \$31.7 million (compared with Shareholders Equity of \$80.1 million).

The Carpet division experienced strong growth - with revenue up 22% to \$99.7 million and earnings (before overheads, interest and tax) up 39% to \$21.7 million. The Wool division increased revenues 1% to \$138.4 million, but earnings fell 60% to \$1.8 million.

Assets invested in the Wool division fell \$24.6 million (owing to the company starting to run down stock levels - ahead of its decision to exit this business) but there is still \$52.1 million invested in this division. Cavalier will continue wool scouring for its carpet business and as a service to other wool merchants, but will reduce the large stocks involved in wool trading.

The Microbial Technologies venture has completed initial trials and development work on its blowfly and lice applications, and will begin full scale registration field trials in Australia and NZ. Commercialisation of these sheep treatments is still 2-3 years away.

CDL Investments reports a 21.8% drop in revenues to \$10.9 million for the six months to June 30. Despite this, profits have risen 4.9% to \$2,262,000 (1.2 cents per share).

As the decline in revenues indicates, "the NZ residential market has slowed considerably during the first half of 2000" but CDL Investments focused on "higher margin developments and reducing costs" to earn the higher profit.

Over summer, 263 new sections were developed in eight stages from the company's land holdings. \$6.4 million was also spent to acquire three new residential sites, raising the land holdings to 292 hectares "with a conservative market value of over \$60 million" compared

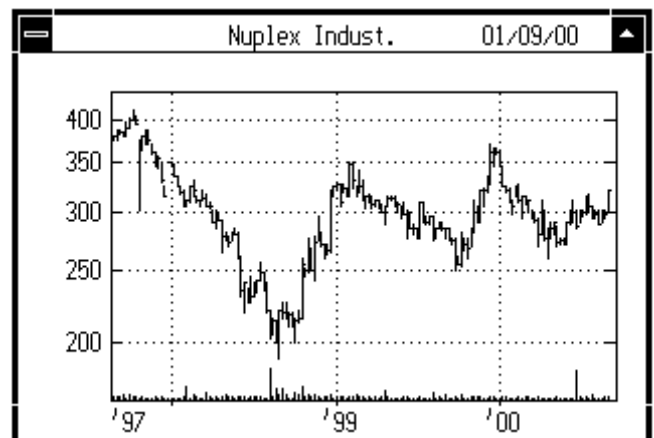
with a book value of \$43.7 million. These land purchases have slightly increased debt levels - up \$2.6 million to \$10.2 million - but this is low compared with Shareholders Equity of \$40.3 million. Overall this is a good result in a continuing difficult market environment. CDL Investments is a very profitable company, with a strong balance sheet and offering a very high Dividend Yield, so the shares remain an attractive "Hold+" for income and - eventually - capital appreciation when the shares are re-rated in value from their current under-valuation.

Nufarm is to provide A\$2.0 million of research funding over the next three years to a project being conducted by the **James Cook University** and the **Australian Institute of Marine Science** to identify natural herbicides in marine organisms living on the Great Barrier Reef. These organisms are believed to produce chemicals that disrupt the photosynthesis process in "C4" plants (which includes most of the world's worst weeds) but harmless to "C3" plants (which includes most major crop species). A number of these chemicals are now being isolated and evaluated, with the objective of finding one suitable for large scale production as a herbicide. Nufarm will obtain the exclusive, world wide rights to commercialise the findings of this research project.

Nuplex Industries has had an excellent year - as the benefits of the March 1998 major acquisition of **Australian Chemical Holdings** start to yield strong earnings growth! Earnings per share initially fell 35% in 1998 (to 12.8 cents per share), mainly owing to the increase in Nuplex's issued capital to partially fund the acquisition, although the dividend remained steady at 10.5 cents. Synergies and cost savings returned earnings per share to 21.0 cents in 1999, with the dividend still held at 10.5 cents.

For the full year to June 30, 2000, revenues rose 22.1% to \$386.5 million, with half of this growth from existing businesses and half from recent, smaller acquisitions. Trading profits jumped 53.2% to \$17,844,000 - although there was an abnormal loss of \$1,162,000 from writing down the value of obsolete plant in the Special Wastes business. Earnings per share are up to 31.7 cents and the annual dividend rate will be raised 42.9% to 15.0 cents (plus full imputation tax credits).

Nuplex's **Resin** business now generates 86% of revenues and 82% of earnings (before goodwill, interest and tax). **Construction** materials accounts for 8% of revenue and 10% of earnings, while the **Special Wastes**



business brings in 6% of revenue and 8% of earnings.

The directors are confident of continued profit growth this year, with growth in construction materials in Australia and a recovery in the Special Wastes business "expected to contribute significant improvement".

PDL Holdings is building new manufacturing facilities in Christchurch for its "innovative electronic building operating system" **e.BOS**. This software based system will control all electrical functions (e.g. lighting, heating) in domestic and commercial buildings automatically, with sensors and thermostats monitoring movement and temperature. Users will be able to fine tune settings from a wall-mounted key pad or regular TV/VCR remote. PDL Holdings believes this product offers "significant growth opportunities", including exporting the system's components or licensing the technology internationally. e.BOS is also an example of PDL Holdings move towards hi-tech, high profit margin products for which the company can build large international markets.

RadioWorks New Zealand reports that it is working with **CanWest's More FM Group** to generate synergies "with the understanding that benefits must accrue to both parties". While that *could* offer significant benefits to RadioWorks (72% owned by CanWest - and 28% owned by public shareholders) we must confess to being a little sceptical. Perhaps we would have a better feeling about this if the quote had included the word "fairly" ahead of "to both parties". Nevertheless, the two companies have a joint strategy to enhance their positions in the main centres where their major competitor, **The Radio Network**, is relatively stronger.

RadioWorks is changing its balance date to August 31, so will report for the five months to that date in early November - although revenue is reported to have exceeded budgets.

The company expects "an improving export sector" - helped further by the recent fall in the exchange rate - to "continue to help the company's performance in its core regional markets".

Renaissance Corporation has made two announcements over the last month that have increased its share price and which could lead to further increases in shareholder value:

Firstly, it will acquire **Insite Technology**, a Christchurch based importer and distributor. Renaissance will pay \$5.2 million for this acquisition, with about 25% settled in shares and the rest paid in cash. Insite Technology is forecast to generate annual sales of \$40 million - valuing the company at a very low Price/Sales ratio of 0.13. "Substantial benefits" are expected by applying Renaissance's **Conduit** eBusiness-to-Business technology to the new subsidiary.

Secondly, Renaissance's **Conduit** subsidiary will open offices in Singapore and offer its services in the high growth Singapore, Malaysia and Hong Kong markets - with the help of local joint venture partners. Conduit is currently negotiating a joint venture in Malaysia and also seeking an equity partner. Conduit *may* also be floated on the Singapore stockmarket - "should market conditions be favourable". If floated some of the Conduit shares would be distributed to Renaissance shareholders - although it is not made clear whether as a preference entitlement in the float

or as a free distribution of shares. Renaissance has spent about NZ\$1 million developing Conduit - and remains its biggest customer. However, the NZ stockmarket places a very low \$34½ million valuation upon Renaissance. So *if* Conduit can expand its business - both in NZ and Asia - *and* be listed at a significant price then significant benefits would flow back to the NZ parent company and its shareholders.

Richina Pacific has recorded a strong profit recovery for the six months to June 30. Revenues are up 34.1% to \$351.6 million while profits rose 1295.8% (from a low result last year) to \$2,038,000 (2.8 cents per share).

The Leather business contributed 70% of earnings (before interest and overheads) - mainly from the NZ operations - followed by Mainzeal Construction (14% of earnings), Venison (11% of earnings) and the Beijing *Blue Zoo* Aquarium (5% of earnings).

High debt levels remain a problem. Richina Pacific has interest bearing debt of \$94.4 million, which exceeds Shareholders Equity of \$87.1 million. More importantly, its businesses generated earnings of \$9.4 million in the half year, but with most of this going in interest payments of \$4.9 million. Overheads took another \$1.9 million and losses on discontinued businesses were \$0.6 million. Most of these interest bearing debts could be repaid if Richina Pacific sold its *Mobil-on-the-Park* property development. Construction is now complete, and this building is fully leased, so at least there should be an increase in rental income in the future.

Steel & Tube Holdings has reported a trading profit 37.3% higher at \$14,835,000 for the 13-month financial year to June 30. This equals annualised earnings per share of 15.6 cents. Revenue was \$403.1 million, up 10.1% (annualised). As reported last month, the (annualised) dividend rate is 50.0% higher at 12.0 cents (plus full imputation tax credits).

The performance is actually better than the figures above indicate, as last year's revenue included \$32.5 million from a discontinued business. Annualised (to remove the impact of the 13 month "year"), the NZ revenue (from ongoing businesses) rose 21.2% to \$264.7 million with earnings (before interest and tax) up 26.1% to \$21.4 million. The Canadian business lifted revenues 23.5% to \$107.4 million and earnings by 167.8% to \$7.7 million.

BHP is transferring all of its steel assets - including its 50.1% shareholding in Steel & Tube - into a new company, **Steel One**, which will be "spun-off" to existing BHP shareholders (i.e. BHP will distribute Steel One shares to its own shareholders). This transaction simply splits BHP into two businesses - BHP with the non-steel assets and Steel One with the steel assets - so should have no impact on the ownership or management of Steel & Tube Holdings.

Taylor's Group lifted revenues just 2.2% to \$39.1 million in the year to June 30, but control of costs enabled the company to raise profits 27.3% to \$2,310,000 (9.5 cents per share). The final dividend is being raised half a cent to 3.0 cents which, together with the increased interim dividend, lifts the annual payout 33.3% to 6.0 cents (plus tax credits).

This strong growth is in line with our expectations and the directors "are confident (*Continued on Page 6*)

Recommended Investments (Continued from Page 5) of continuing growth into the 2001 year". Therefore we continue to rate the shares a "Buy".

Wrightsons has returned to profitability - aided both by an upturn in the rural sector and progress at improving the company's operations. Revenues for the year to June 30 rose 5.7% to \$596.1 million, with trading profits of \$7,543,000 (5.6 cents per share), compared with a \$1,029,000 loss in 1999. A final 3.0 cents dividend will make a 4.0 cents (plus full imputation credits) payout for the year (nil in 1999).

Wrightsons continues to have a very strong, under-gearred balance sheet. Cash on hand is \$12.2 million (9.1 cents per share), interest bearing debt is just \$6.1 million, while Shareholders Equity is \$104.1 million (77.6 cents per share). The low debt level means the company could increase its debt levels - to fund a significant acquisition, expansion or another share buy-back. A low debt level also suggests that Wrightsons will continue to distribute a high percentage of its profits to shareholders by way of a dividend - with this year's 71% payout actually looking conservative.

At 55 cents, Wrightsons shares trade on a Price/Sales ratio of 0.12, a Price/Earnings ratio of 9.8 and offer a gross Dividend Yield of 10.9%. That looks very under-valued - and the company should be able to profit further from higher rural activity and the positive impact that the lower exchange rate will have on the rural sector. Although our investment in Wrightsons is showing a 25% loss since our initial recommendation in January 1998, the shares now look very attractive and could increase substantially in value over the next 6-18 months. We are upgrading Wrightsons shares from a "Hold+" to a "Buy".



Australian Shares

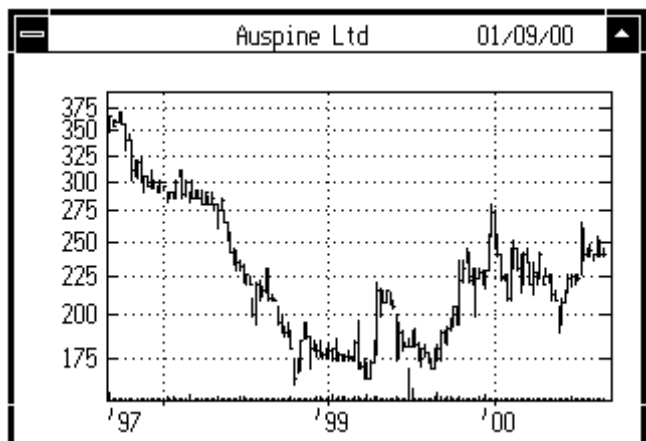
Atlas Pacific will make an interest payment of 0.9452 cents per convertible note, being 12½% interest for the 184 days to September 23. The notes will trade ex-interest from September 11, payable September 25.

Auspine's result for the year to June 30 is in line with our expectations of a return to 1995 profit levels (i.e. when the profit was A\$18.8 million and the dividend 24.0 cents). Revenues for the last year rose 15.9% to A\$269.2 million while profits increased 141.3% to A\$22,554,000 (39.6 cents per share) and a final dividend of 12.0 cents will lift the annual payout 83.3% to 22.0 cents.

The result for the year to June 30 was, of course, helped by a pre-GST home building boom, allowing

Auspine to improve profit margins on framing timbers. The company states that "as expected, it is experiencing a slow start to the new financial year" and that profitability "may be affected by a forecast cyclical downturn in the Australian economy". However, the sale of non-core assets is "expected to significantly contribute to cash flows" during the six months to December 2000. Auspine is seeking growth opportunities and looking for "expansion and to substantially increase the scale of our operations". Debt levels are modest at A\$52 million (compared with Shareholders Equity of A\$187 million). Cash on hand is A\$7.7 million, the company has unutilised bank facilities of A\$29 million and an A\$50 million facility to fund "external business acquisitions" or major development projects. With 44,000 hectares of plantation forestry, Auspine will benefit from legislation introducing tradeable *carbon credits*.

While there may be a slight decline in profits this coming year, Auspine continues to seek to improve shareholder value through improving internal efficiencies, new growth opportunities and selling redundant assets - so we see this as a sound long term investment. At A\$2.45 the shares trade on a Price/Sales ratio of 0.52, a Price/Earnings ratio of just 6.2 and a Dividend Yield of 9.0%. *Insiders* are buying Auspine, and we recommend that investors do the same: Buy.



Biron Corporation will receive US\$260,000 of the US\$338,291 that it was seeking from **Kingstone Gems**, with the balance being made up by the return of stock. The distribution agreement with Kingstone Gems has been cancelled.

A new distribution agreement for Biron emeralds has been negotiated with Indian based **Gupta Gemhouse Pvt Ltd**, which has offices in Mumbai, India as well as New York and Bangkok.

Biron Corporation is also negotiating to sell its emerald production business to Gemhouse Online.com Inc, a Canadian company which owns 51% of Gupta Gemhouse. Any sale would be subject to shareholder approval. Biron Corporation has a net asset backing of about A\$0.49, so selling the business *may* unlock some of this value and improve the share price. Biron's board is "still actively looking for alternative investments which measure up to their investment criteria".

Advent Investors - a group of investors which last year we suggested may have been seeking to use Biron Corporation as a shell to list a new business - have recently purchased an additional 565,788 shares on-

market. This gives them a shareholding of 4,882,711 shares or 22.5% of Biron Corporation.

Central Equity has recorded further growth for the year to June 30, 2000. Revenues rose 23.1% to A\$209.4 million, while profits are up 7.5% to A\$30,266,000 (36.9 cents per share) and the annual dividend rate will be lifted 12.5% to 18.0 cents.

Pre-sales (i.e. off-the-plan apartment sales which will be constructed and settled over the next 12-18 months) are around A\$275 million. This compares with pre-sales of A\$260 million in December 1999 and A\$240 million at June 1999. Pre-sales indicate a steady workload and the company has begun pre-selling its latest project, the 26 storey apartment building, *The Summit*. Central Equity has another Melbourne apartment project planned for later this year, after which it is expected to diversify into the development of a retirement village and housing estate on land recently acquired at Bundoora.

C.S.R. has re-purchased a further 7,341,214 shares on-market over the last month, bringing the total number of shares bought back to 21,835,151 - costing A\$94.2 million.

PMP Communications lifted revenues by 27.7% to A\$1,523.1 million for the year to June 30. Trading profits fell 3.5% to A\$59,075,000 (23.3 cents), although there were abnormal losses totalling A\$62,515,000 (mainly being an A\$26.4 million loss on the sale of **Pacific Mirror Image** and A\$19.9 million in restructuring costs). Most importantly, the businesses continue to generate a strong cash surplus from operations, up 60.2% to A\$117.2 million, and the annual dividend will be maintained at 20.4 cents.

PMP Communications has sold its video duplication, CD and DVD manufacturing business, **Pacific Mirror Image** (PMI). **Southern Star Group** will pay A\$28 million in cash and take over responsibility for A\$11 million of capital expenditure commitments undertaken by PMI. PMP Communications also expects to receive a further A\$3 million from the sale of surplus plant, equipment and real estate assets not included in the PMI sale. The sale, however, results in an A\$26 million abnormal loss (included in the June 2000 result above) from writing off goodwill and trademarks.

Thakral Holdings Group has increased revenue 21.6% to A\$262.3 million, lifted profits 10.7% to A\$34,363,000 (6.4 cents per unit) and will raise the annual dividend rate 7.8% to 6.25 cents. In addition there was an abnormal *gain* of A\$7,625,000 (i.e. an A\$10 million gain on the sale of **All Seasons Hotel Management**, less some restructuring costs).

While earning rents from the ownership of hotels and related retail and commercial properties are the group's main business activities, it is the new ventures - installing gaming machines in their hotels and property development - that are generating most of the growth. Gaming profits (before interest and tax) rose 150% to A\$5.0 million and Property Development profits rose 31% to A\$6.3 million.

Thakral Holdings has recently acquired two new property developments: Firstly, a small A\$15 million retail development adjacent to the Coolangatta Airport and Gold Coast Highway which is 50% pre-leased. Secondly, the company has taken over a 21 residential

unit development in Fitzroy Street, St Kilda. This project, which has pre-sold 12 units, will start construction shortly, with a completion date in the third quarter of next year.

Utility Services Corporation has established a new US subsidiary, **Percipience Inc.** The business will seek to combine its real-time MOSAIC database technology with *Darwin* retrieval technology (licensed from **80-20 Software**) to offer e-commerce services in "knowledge management" (i.e. information capture, storage, cataloging, access and dissemination).

Vision Systems has reported for the year to June 30. Total revenues rose 13.4% to A\$147.7 million, with revenues from continuing businesses (i.e. excluding the recently sold Defence division) up 16.1% to A\$120.2 million. Trading profits (excluding abnormal gains and after deducting the preference share dividend) fell 16.6% to A\$5,743,000 - mainly owing to an increase in income tax. The increase in issued capital, from the partial conversion of the preference shares, resulted in earnings per share declining 27.6% to 40.2 cents. (Note: All *per share* figures relate to the issued capital *after* the recent 10 for 1 share split.)

In addition there were abnormal gains of A\$4,429,000 (after tax) from the sale of investments, subsidiary companies and fixed assets. A final 1.6 cents dividend lifts the annual dividend 7.1% to 3.0 cents.

The sale of the Defence division has boosted Vision Systems' cash holding to A\$57.5 million (40.3 cents per share in cash) - up from just \$7.4 million last year. Fixed assets have declined to A\$29.0 million, Intangible assets are down A\$76.9 million (to just A\$11.2 million) and debts are down A\$66.0 million (to A\$13.4 million). This Defence sale removes most of the intangible assets and associated liabilities from Vision Systems' balance sheet, *plus* leaves the company cashed up with A\$57.5 million to "expand core businesses through acquisition and accelerate new product development".

Vision Systems has also confirmed that UK based **TTP Communications** plans to list on the stockmarket in October this year. Vision Systems owns 11.3% of TTP Communications, which should be worth about A\$30-60 million (20-40 cents per Vision Systems share).

Despite a drop in *trading* profits over the last two years, Vision Systems expects strong revenue and profit growth from its remaining hi-tech businesses: **Fire & Security** (hi-tech Fire Detection and Video Security Surveillance) and Vision Technologies (contract technology development, Medical Instrument design and manufacture).

In addition, despite the decline in trading profits, Vision Systems has been successful at extracting significant value from its businesses. The company has earned significant abnormal profits (from the sale of investments, assets and technology), the sale of the Defence division has generated a huge quantity of cash and the TTP Communications float will realise a further significant cash sum from an initial small seed investment. In fact, cash (40.3 cents per share) and the expected market value of TTP Communications (20-40 cents per share), account for 40-50% of the value of Vision Systems current share price.

We continue to rate Vision Systems shares an attractive "Hold+".

Share Recommendations:

Sell Ebos Group

SELL Ebos Group

We are recommending the sale of **Ebos Group** shares. While this is a good quality company and the shares are up strongly, profits are down and will probably weaken further in the short term owing to the lower NZ dollar. So we recommend taking profits by selling Ebos Group shares.

Revenues for the year to June 2000 rose 11.8% to \$80.8 million while profits were down slightly (0.3%) to \$4,238,000. While profits are unchanged, earnings per share are down 31.0% to 15.8 cents owing to a 1 for 2 cash issue in June 1999 (raising \$10.5 million to invest in a 50% shareholding in **Health Support**) and the issue of 3.5 million shares to acquire **Medic Corporation**. The annual dividend rate will fall 27.8% to 13.0 cents (plus full imputation tax credits).

The company's \$10 million investment in Health Support has generated only \$188,000 in profits (i.e. a 1.9% return on investment). Ebos expects "strong profit growth in the future" from this investment, but from such a low return it would take many, many years of strong growth to provide shareholders with an adequate return on their investment. This is the sort of *growth* investment (i.e. low initial return, *hopefully* a higher return at some stage in the future) that we seek to avoid!

Ebos states that its lower profit margins result from "a weak dollar" and "an industry" (i.e. healthcare) "that cannot absorb the full flow on effects of price adjustments in a short time frame". Unfortunately, since the June 30 balance date the NZ dollar has fallen even further

against the US dollar. This will result in further pressure on the company's profit margins which cannot be quickly passed on to its customers.

Summary and Recommendation

The moderate increase in Ebos Group's share price since our initial recommendation combined with a 28-30% fall in earnings and dividends has reduced the *value* that we originally saw in the shares. In the short term, Ebos will face further pressure on profit margins. This is certainly an unfavourable situation for the company and its investors. Falling profits could eventually lead to further declines in the share price over the next 6-12 months. We recommend realising a small profit on these shares which are now less attractive to continue holding. Take profits.



Sell Data#3 Limited

SELL Data#3 Limited

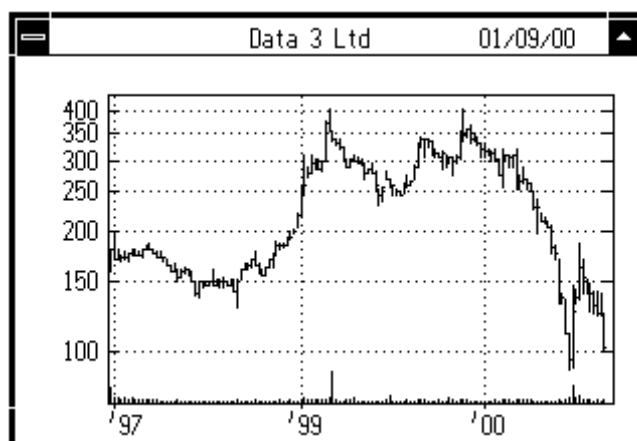
We are recommending the sale of **Data#3** shares as the company continues to disappoint and under-perform our expectations - with no signs of improvement.

We initially recommended investing in Data#3 shares in February 1999. At that time the share price was rising strongly although the shares still looked under-valued on a Price/Earnings ratio of 15 and a Yield of 4.0%. Furthermore, the acquisition of **CICtechnology** was expected to increase earnings per share by around 33%.

Unfortunately, the original Data#3 business and CICtechnology did not generate the profits that could have been expected. The business then suffered from the one-off, pre-millennium downturn in computer equipment sales. Instead of a post-millennium recovery the company was hit by the one-off pre-GST downturn in computer equipment sales (i.e. replacing sales taxes with GST would make computers cheaper to business users). Data#3 has argued that there was nothing fundamentally wrong with its business, but the downturn in sales was due to these external events. If

that were the case then one would expect a post-GST sales boom.

For the year to June 30, 2000, revenues have dipped 1.8% to A\$130.7 million but trading profits have plunged 82.5% to A\$449,000 (3.1 cents per share). The annual dividend rate has been cut 79.2% to 2.5 cents.



There is, however, little sign of a post-GST sales boom, with the directors describing the outlook for the current September quarter as only "promising".

All five of the executive directors plan to resign from the nine person board on September 1st "to concentrate on their respective executive functions and responsibilities". As the company does not acknowledge a problem with its internal management - poor sales and profits being blamed on external factors - there would appear to be little need for these board changes. An alternative explanation may be that the executive directors are seeking to distance themselves from the overall responsibility for the business and/or avoid facing up to unhappy shareholders at the Annual

General Meeting. So we see these resignations as a negative sign.

Summary and Recommendation

A service business like Data#3 is *not* capital intensive, so can perform very well - or very poorly - depending upon the ability of management to generate revenue and profits. It is not uncommon for companies to experience unfavourable conditions and to under-perform expectations. However, Data#3 has under-performed in several areas - which casts serious doubt upon management's ability to successfully adapt and to profitably grow the business over the longer term. With little sign of an improvement, we recommend cutting losses and selling Data#3 shares.

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

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

Company	Share Price	STRENGTH RATING			Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank 0-99								
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Wrightsons Ltd	55	+13.0	+5.3	5	-	0.7	7	1.7	10	10.9	0.12	74
Renaissance	98	+19.0	+5.1	2	-	2.6	3	2.1	79	1.5	0.28	35
Col Motor Co	321	+9.8	+1.2	10	-	1.3	7	0.8	17	7.2	0.33	99
Williams Kettle	248	+8.2	+3.7	12	-	1.0	6	0.6	16	7.8	0.35	33
Nuplex Indust	320	+0.6	+1.6	46	7	1.5	15	1.0	10	7.0	0.47	180
Nufarm Limited	440	+1.9	+3.0	37	2	1.5	14	0.8	11	5.7	0.47	662
DB Group	330	+7.5	+2.9	15	6	1.5	13	0.7	11	7.2	0.52	333
Reid Farmers	82	+11.9	+2.9	6	-	1.3	13	1.2	10	9.1	0.53	46
Michael Hill	320	+0.5	+1.9	46	4	2.9	23	0.9	12	6.3	0.68	123
Cavalier Corp	420	+5.7	+3.5	19	4	1.9	16	0.9	12	10.7	0.69	151
Taylor's Grp Ltd	114	+3.3	+0.9	29	-	1.4	12	1.2	12	7.9	0.71	28
Mr Chips Hold	85	+8.8	+3.8	12	-	2.7	21	0.9	13	10.5	0.74	13
Bendon Limited	180	+7.5	-0.5	15	3	1.6	15	1.1	11	2.8	0.74	55
AMP Limited	2410	+7.2	+3.8	16	-	2.7	14	0.7	19	2.2	0.75	25,946
Hallenstein G.	220	+0.2	+2.3	47	5	3.9	30	1.0	13	11.5	0.81	128
Tranz Rail Hold	385	+9.3	+4.8	11	9	1.0	15	0.9	7	2.2	0.82	465
Dorchester Pac	115	+1.4	-3.1	41	-	1.5	18	1.4	8	7.8	0.83	21
Tower Limited	510	+1.0	-1.0	44	6	1.1	5	0.6	22	2.9	0.94	847
Tourism Hold.	263	+2.5	+1.8	33	8	1.6	10	1.0	17	2.8	0.99	242
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0												
Wrightsons Ltd	55	+13.0	+5.3	5	-	0.7	7	1.4	10	10.9	0.12	74
Reid Farmers	82	+11.9	+2.9	6	-	1.3	13	0.9	10	9.1	0.53	46
Col Motor Co	321	+9.8	+1.2	10	-	1.3	7	0.7	17	7.2	0.33	99
Tranz Rail Hold	385	+9.3	+4.8	11	9	1.0	15	0.8	7	2.2	0.82	465
Mr Chips Hold	85	+8.8	+3.8	12	-	2.7	21	0.7	13	10.5	0.74	13
Williams Kettle	248	+8.2	+3.7	12	-	1.0	6	0.5	16	7.8	0.35	33
Bendon Limited	180	+7.5	-0.5	15	3	1.6	15	0.9	11	2.8	0.74	55
DB Group	330	+7.5	+2.9	15	6	1.5	13	0.6	11	7.2	0.52	333
AMP Limited	2410	+7.2	+3.8	16	-	2.7	14	0.6	19	2.2	0.75	25,946
Cavalier Corp	420	+5.7	+3.5	19	4	1.9	16	0.8	12	10.7	0.69	151
Taylor's Grp Ltd	114	+3.3	+0.9	29	-	1.4	12	1.0	12	7.9	0.71	28
Tourism Hold.	263	+2.5	+1.8	33	8	1.6	10	0.9	17	2.8	0.99	242
Nufarm Limited	440	+1.9	+3.0	37	2	1.5	14	0.7	11	5.7	0.47	662
Dorchester Pac	115	+1.4	-3.1	41	-	1.5	18	1.2	8	7.8	0.83	21
Nuplex Indust	320	+0.6	+1.6	46	7	1.5	15	0.9	10	7.0	0.47	180
Michael Hill	320	+0.5	+1.9	46	4	2.9	23	0.8	12	6.3	0.68	123
Hallenstein G.	220	+0.2	+2.3	47	5	3.9	30	0.9	13	11.5	0.81	128

Company	Share Price	STRENGTH RATING			Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank 0-99								
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million												
Restaurant Brds	118	-4.6	+1.0	70	7	3.7	42	1.0	9	12.6	0.50	109
Steel & Tube	150	-1.0	+3.7	55	8	1.0	11	1.0	10	11.9	0.35	132
Hallenstein G.	220	+0.2	+2.3	47	5	3.9	30	0.8	13	11.5	0.81	128
Sky City Ltd	758	+2.8	+4.7	32	10	4.6	38	0.5	12	11.0	2.47	730
<u>Telecom Corp</u>	638	-7.7	-1.5	77	10	9.9	68	0.6	15	10.8	2.59	11,200
Cavalier Corp	420	+5.7	+3.5	19	4	1.9	16	0.8	12	10.7	0.69	151
FC - Building	225	-0.8	+1.7	54	9	0.8	11	1.1	7	10.6	0.32	771
Contact Energy	255	-3.2	-0.4	63	10	1.0	7	0.6	13	9.2	7.37	1,540
Lyttelton Port	170	+2.4	+4.0	35	5	5.2	45	0.8	12	9.0	2.98	173
United Networks	672	+4.7	+2.8	23	6	1.3	14	0.4	9	8.9	2.26	1,018
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												
Contact Energy	255	-3.2	-0.4	63	10	1.0	7	0.6	13	9.2	7.37	1,540
Newcall Group	22	-11.5	-4.0	89	-	1.7	-	1.7	NE	Nil	7.05	21
Port Tauranga	560	-1.7	+0.7	59	9	1.7	8	0.4	22	5.9	6.12	428
Pure NZ Limited	11	-18.4	-0.2	96	-	2.4	-	2.0	NE	Nil	3.68	3
Cue Energy Ltd	7	-14.3	+0.9	95	-	0.5	-	2.4	NE	Nil	3.56	20
Ports Auckland	390	-4.3	+2.0	66	10	2.1	19	0.5	12	6.9	3.35	517
<u>Telecom Corp</u>	638	-7.7	-1.5	77	10	9.9	68	0.5	15	10.8	2.59	11,200
Advantage HDS	272	-8.4	+0.4	80	-	2.6	3	0.8	94	Nil	2.57	164
NZ Oil and Gas	29	-10.7	+4.3	86	-	0.6	-	0.9	NE	Nil	2.00	31
Scott Tech. Ltd	250	-0.7	+1.1	53	-	4.6	27	0.7	17	6.6	1.78	49
Force Corp.	35	-16.1	+0.2	95	6	0.9	13	1.4	7	17.1	1.70	54
Savoy Equities	4	-10.2	+3.5	85	-	0.2	-	3.3	NE	Nil	1.62	17
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Spectrum Res.	5	-48.7	-0.0	98	-	0.7	-	2.7	NE	Nil	N/A	4
Aquaria 21	4	-33.7	+0.7	98	-	0.9	-	2.9	NE	Nil	0.61	7
Beauty Direct	9	-27.8	+0.2	97	-	0.7	-	1.7	NE	Nil	N/A	3
Pure NZ Limited	11	-18.4	-0.2	96	-	2.4	-	1.9	NE	Nil	3.68	3
Cue Energy Ltd	7	-14.3	+0.9	95	-	0.5	-	2.2	NE	Nil	3.56	20
Metro. LifeCare	120	-13.0	-2.7	94	-	1.0	9	0.7	11	7.5	1.17	74
E-Phone Ltd	25	-12.2	+1.8	93	-	5.1	-	2.1	NE	Nil	N/A	28
Otter Gold Mine	57	-12.2	+1.0	92	-	0.5	4	0.7	12	Nil	0.36	27
Trans-Tasman	19	-12.2	+2.2	92	5	0.3	7	1.5	4	Nil	1.04	114
Shotover Jet	42	-11.6	+1.2	91	-	1.4	4	1.1	38	Nil	0.80	18
E-Force Limited	20	-11.6	-3.3	90	-	2.6	-	1.9	NE	Nil	1.15	6
Newcall Group	22	-11.5	-4.0	89	-	1.7	-	1.6	NE	Nil	7.05	21
Eldercare NZ	30	-11.5	-0.6	89	-	1.2	15	1.5	8	Nil	1.77	45
Manor Inns Grp	13	-11.0	+2.3	87	-	1.0	-	1.8	NE	Nil	0.52	2
Seafresh Fish.	9	-10.9	-2.2	86	-	0.4	4	2.1	10	Nil	0.34	6
NZ Oil and Gas	29	-10.7	+4.3	86	-	0.6	-	0.8	NE	Nil	2.00	31
Savoy Equities	4	-10.2	+3.5	85	-	0.2	-	3.1	NE	Nil	1.62	17
E-Ventures NZ	46	-9.4	-1.4	83	-	1.0	-	1.2	NE	Nil	0.66	115
National Mail	90	-9.0	+1.2	83	-	-	-	0.9	NE	Nil	N/A	23
IT Capital Ltd	34	-8.8	+4.1	82	-	2.3	-	1.3	NE	Nil	N/A	50

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.

STRENGTH RATING													STRENGTH RATING																																
Company	Share Price	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n																		
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													INCOME SHARES: Highest Yields, Capitalisation > AS\$250 million																																
Adtrans Group	213	+0.6	+3.9	35	5-0	1	2.1	29	1.0	7	8.5	0.12	47	Pacific Energy	135	+7.7	+0.2	15	9-0	-	0.6	4	0.9	15	Nil	0.52	18	BA Tobacco Aust	1210	-4.2	+2.8	56	0-0	3	6.8	44	0.6	15	71.6	0.46	1,821				
Caltex Australia	287	+8.0	+4.7	14	0-0	7	0.9	9	0.9	10	7.7	0.12	775	C.S.R. Ltd	440	+7.6	+1.6	15	7-0	11	1.3	14	0.7	10	5.4	0.62	4,501	Qantas	385	-1.0	+4.4	43	0-0	15	1.4	15	0.7	10	15.3	0.50	4,663				
A.P. Eagers	436	+1.4	+0.1	31	0-0	1	0.9	7	0.8	14	6.0	0.13	66	Electrotech Inv	26	+7.5	+9.1	15	0-0	-	2.2	12	1.4	18	Nil	0.51	61	HIH Insurance	105	-11.5	+0.2	74	9-0	11	1.4	25	0.9	6	15.2	0.14	495				
A.V. Jennings	48	+0.5	-2.0	35	0-0	-	0.7	24	1.5	3	10.9	0.16	103	Spicers Paper	230	+7.2	+3.5	16	0-0	6	1.3	11	0.8	12	4.3	0.24	319	Delta Gold NL	137	-16.7	+1.9	84	1-0	12	-	-	0.8	7	14.6	1.44	361				
Danks Holdings	925	+0.2	+1.0	37	0-0	-	1.5	14	0.7	10	7.0	0.17	60	Schaffer Corp	375	+7.1	+0.5	16	4-0	-	1.3	27	0.7	5	3.5	0.68	42	Natl Foods	209	+3.3	-3.2	24	3-0	10	2.3	21	0.8	11	11.5	0.53	581				
Roberts Ltd	220	+8.1	+1.0	14	0-0	-	0.8	10	0.9	8	8.2	0.18	23	Balmoral Corp.	50	+6.3	+2.8	17	0-0	-	0.8	9	1.2	9	6.0	0.54	8	Origin Energy	197	+12.2+12.2	9	0-0	-	1.0	14	1.0	7	10.7	0.31	1,119					
CMI Limited	121	+4.1	+3.8	22	0-0	2	1.9	37	1.1	5	6.6	0.19	33	Centennial Coal	68	+6.1	+5.5	18	0-1	-	0.5	5	1.1	10	8.1	0.26	24	Origin Energy	197	+12.2+12.2	9	0-0	-	1.0	14	1.0	7	10.7	0.31	1,119					
Bidvest	300	+0.8	+0.5	33	0-0	-	2.8	18	0.9	16	2.6	0.20	588	TAB Ltd	275	+0.9	+2.4	33	1-0	12	-	-	0.9	23	4.0	0.28	1,375	Central Equity	226	+4.1	+4.5	22	1-0	-	1.5	25	0.8	6	8.0	0.85	185				
Hudson Invest.	46	+19.9	+0.2	4	0-0	-	0.7	10	1.5	7	6.5	0.21	50	Creyet Ltd	68	+11.7	-3.8	10	1-0	1	0.9	-	-	1.3	2.2	0.28	23	Auspine Ltd	241	+4.1	+2.8	22	1-0	3	0.9	15	0.8	6	9.1	0.51	137				
K&S Corporation	173	+2.5	+4.8	27	0-0	3	1.1	10	1.0	12	6.9	0.21	52	Embelton Ltd	210	+1.1	-1.1	32	0-0	-	0.8	6	1.0	13	3.3	0.29	5	New Hampton Gol	26	+3.9	+4.6	23	1-0	-	-	-	-	1.4	12	Nil	0.53	53			
Oldfields Hold	122	+3.9	-1.0	23	0-0	-	0.6	11	1.1	6	7.0	0.21	8	McPherson's Ltd	140	+5.6	+4.6	19	5-0	1	2.9	26	1.1	11	4.6	0.29	55	Oldfields Hold	122	+3.9	-1.0	23	0-0	-	0.6	11	0.9	6	7.0	0.21	8				
Chiquita Brands	122	+5.1	+0.6	20	2-0	-	1.2	10	1.1	12	4.9	0.22	76	Gazal Corp	230	+5.5	+4.2	20	2-2	-	-	-	0.8	13	6.0	0.76	125	Suncorp-Metway	907	+3.7	+1.3	23	0-0	8	2.5	29	0.7	9	5.1	0.83	2,915				
Penfold Print.	79	+2.8	+5.1	25	0-0	-	1.3	9	1.3	16	6.3	0.22	13	G.U.D. Holdings	176	+5.2	+1.0	20	3-0	6	1.7	16	0.9	10	8.5	0.35	119																		
Downer Group	58	+11.6	+2.6	10	0-0	-	1.3	18	1.4	7	4.8	0.24	301	Chiquita Brands	122	+5.1	+0.6	20	2-0	-	1.2	10	0.9	12	4.9	0.22	76																		
S.P.C. Ltd	85	+1.5	+0.3	30	0-0	-	1.1	16	1.2	7	3.5	0.24	60	Leighton Hold	641	+5.0	+5.1	21	0-0	12	2.6	21	0.7	13	5.1	0.47	1,683																		
Crane Group	850	+0.2	+2.2	37	2-0	5	1.3	13	0.7	10	7.4	0.24	347	Snack Foods Ltd	84	+5.0	+6.6	21	1-1	-	4.4	52	1.0	9	3.8	0.40	104																		
Penfold (WC)	200	+4.0	-0.3	22	0-0	-	1.6	7	1.0	24	5.0	0.24	21	Paperlin X Ltd	362	+4.9	+3.4	21	0-0	-	-	-	-	0.7	13	1.4	0.49	931																	
Spicers Paper	230	+7.2	+3.5	16	0-0	6	1.3	11	0.9	12	4.3	0.24	319	AMP Ltd	1804	+4.9	+2.8	21	1-0	12	4.1	22	0.6	19	2.3	0.71	19,741																		
Centennial Coal	68	+6.1	+5.5	18	0-1	-	0.5	5	1.3	10	8.1	0.26	24	Hardie (James)	358	+4.8	+0.2	21	0-0	9	2.4	25	0.7	10	5.0	0.83	1,457																		
TAB Ltd	275	+0.9	+2.4	33	1-0	12	-	-	0.9	23	4.0	0.28	1,375	Ramsay Health	113	+4.5	+4.9	21	1-0	7	0.6	5	0.9	12	6.5	0.42	123																		
Creyet Ltd	68	+11.7	-3.8	10	1-0	1	0.9	-	-	1.3	2.2	0.28	23	Paspak Group	55	+4.3	+0.9	22	0-0	-	1.1	11	1.1	10	10.0	0.42	29																		
Embelton Ltd	210	+1.1	-1.1	32	0-0	-	0.8	6	1.0	13	3.3	0.29	5	CMI Limited	121	+4.1	+3.8	22	0-0	2	1.9	37	0.9	5	6.6	0.19	33																		
McPherson's Ltd	140	+5.6	+4.6	19	5-0	1	2.9	26	1.1	11	4.6	0.29	55	Central Equity	226	+4.1	+4.5	22	1-0	-	1.5	25	0.8	6	8.0	0.85	185																		
Finemore Hold	222	+22.6+10.3	3	0-0	4	1.3	6	0.9	21	2.3	0.31	118	Auspine Ltd	241	+4.1	+2.8	22	1-0	3	0.9	15	0.8	6	9.1	0.51	137																			
Origin Energy	197	+12.2+12.2	9	0-0	-	1.0	14	1.0	7	10.7	0.31	1,119	Newfields Hold	122	+3.9	-1.0	23	0-0	-	0.6	11	0.9	6	7.0	0.21	8																			
Folkestone Ltd	64	+0.0	+1.4	38	0-0	-	0.9	10	1.3	5	7.8	0.32	11	Suncorp-Metway	907	+3.7	+1.3	23	0-0	8	2.5	29	0.7	9	5.1	0.83	2,915																		
Tempo Services	330	+3.5	-3.6	24	2-2	4	-	-	0.9	20	3.2	0.33	138																																
Colorado Group	132	+9.1	+5.5	13	0-0	-	2.1	28	1.1	7	1.5	0.33	111																																
Vietnam Indust.	17	+13.1	-6.4	8	0-0	-	0.7	16	2.2	5	5.9	0.34	18																																
G.U.D. Holdings	176	+5.2	+1.0	20	3-0	6	1.7	16	1.0	10	8.5	0.35	119																																
Woolworths Ltd	700	+8.6	+1.2	14	2-2	15	5.7	27	0.7	21	3.3	0.36	7,420																																
Aust Pharm. Ind	240	+3.0	+1.2	25	0-0	3	2.4	12	0.9	21	5.0	0.37	470																																
Email Ltd	310	+9.0	-1.0	13	2-1	6	1.8	11	0.9	16	7.9	0.39	843																																
Snack Foods Ltd	84	+5.0	+6.6	21	1-1	-	4.4	52	1.2	9	3.8	0.40	104																																
Paspak Group	55	+4.3	+0.9	22	0-0	-	1.1	11	1.4	10	10.0	0.42	29																																
Ramsay Health	113	+4.5	+4.9	21	1-0	7	0.6	5	1.1	12	6.5	0.42	123																																
Toll Holdings	1040	+21.1	+2.6	4	0-0	5	4.3	22	0.7	20	2.1	0.46	629																																
Leighton Hold	641	+5.0	+5.1	21	0-0	12	2.6	21	0.8	13	5.1	0.47	1,683																																
Citie Centre Lt	88	+2.5	+1.5	26	0-0	-	1.9	26	1.2	7	8.5	0.47	2																																
Trust Co of Aus	345	+0.9	+1.1	33	0-0	-	34.5	-	0.9	3	39.9	0.47	2																																
Simsmetal Ltd	610	+0.6	+3.2	34	2-0	8	2.4	12	0.8	20	4.1	0.49	529																																
Paperlin X Ltd	362	+4.9	+3.4	21	0-0	-	-	-	0.8	13	1.4	0.49	931																																
Southern Dental	50	+11.0	+1.1	10	0-0	-	1.6	27	1.5	6	6.1	0.50	12																																
Auspine Ltd	241	+4.1	+2.8	22	1-0	3	0.9	15	0.9	6	9.1	0.51	137																																
Coffey Int'l	190	+2.0	+2.9	29	0-0	-	2.0	14	1.0	14	6.6	0.52	22																																
TDG Logistics	95	+3.2	+3.6	24	2-0	2																																							

Company Analysis: Sell Telecom NZ

Telecom NZ has been a very successful company. For most of the last decade it has successfully held back its competition and successfully extracted monopoly rents from its network. In addition to successfully maximising its cashflow from customers, it has successfully minimised its operating costs and successfully minimised its re-investment within the business. This allowed its two large US shareholders, **Ameritech** and **Bell Atlantic**, to successfully extract the maximum amount of cash from the NZ business, with a dividend payout ratio of almost 100% (i.e. 100% of profits paid to shareholders as a dividend). Telecom NZ also successfully increased its debt levels to finance a share buy-back to successfully transfer more cash to its shareholders and to successfully inflate its share price.

What should one do with such a successful company? In January 1998 (Market Analysis, Issue No 307) we recommended that private investors follow the example of Telecom NZ's two US shareholders and sell Telecom NZ! Having successfully extracted huge amounts of cash from Telecom NZ - and inflated the share price to NZ\$8.85 - the two US companies sold out. Private NZ investors and NZ institutional investors are now left holding the shares of Telecom NZ which faces a more difficult future.

The Decline of Telecom NZ

Over the last month, Telecom NZ has announced that its future dividend policy will be to cut the payout ratio from almost 100% of profits to just 50% of profits.

Just three months ago (*Market Analysis*, Issue No 336) we reviewed a book called *Future Wealth* (McInerney and White) and wrote "If you currently sleep soundly at night knowing that your portfolio is invested in *blue chip* companies like Telecom NZ, Sky TV or Property shares then *Future Wealth* will cause you to wake up screaming in a cold sweat!".

Telecom NZ's reason for cutting the dividend is to provide finance for investment in new *growth* businesses. Unfortunately, we believe that these *growth* investments will actually *depress* profitability. So, instead of the new policy delivering profit growth, dividend growth and capital appreciation, investors may get *further dividend cuts* and *further declines* in the value of Telecom NZ shares over the medium to long term.

Telecom NZ Reaches "Terminal Velocity"

Most Telecommunications (and other technology) businesses are in a situation that *Future Wealth* describes as "Terminal Velocity". This is where the costs of providing new technology and services exceeds the growth in total revenues. The problem is the rapid fall in prices that companies can charge for their services.

Telecom's profit announcement for the year to June 30 discloses a 44.8% growth in cellular connections, but total mobile revenues rose only 8.8%. So the company will need to invest heavily to increase network capacity

owing to the increased demand, but is receiving very little extra revenue. Since then, competitive pressure has reduced the *minimum* cost of operating a pre-paid mobile phone by 83% (i.e. the minimum charge has fallen from \$10/month to \$20/year). We have heard advertisements offering a Telecom mobile phone *and* \$100 pre-paid card for just \$64.95. After paying for phone manufacturer and re-seller margin, how much revenue (if any) does this leave for Telecom?

The report also shows that Internet usage hours rose 81.8% in the year to June 30, with Xtra increasing their customer numbers by 39.3%. Data revenues, however, were up only 21%. Since then, Xtra's unlimited internet access fee has fallen 37.5% to \$24.95 per month. Once again, Telecom NZ will need to increase local network capacity and international data links, but while demand will continue to expand rapidly, revenue growth will be much slower.

Telecom NZ - and most other competitors - therefore face massive capital expenditure to increase capacity but this investment will generate little or no additional revenue. Almost certainly the interest cost of financing this capital expenditure and depreciation costs will exceed the growth in revenue - so profitability will decline! Telecom is trapped in this situation of either making these uneconomic investments to expand capacity or rapidly losing market share and revenue to competitors.

Our Comprehensive Share Selection Criteria

Telecom NZ shares qualify as both a "Buy" and a "Sell" under our *Comprehensive Share Selection Criteria*. The shares rate as a "Buy" as an *Income Share*, with a gross Dividend Yield of 10.8%. However, it has always been obvious that Telecom NZ could not continue this 100% dividend payout policy and that sooner or later it would need to reduce the dividend. With the massive 50% dividend cut now planned, Telecom NZ shares will no longer qualify under this *Income* criteria.

Telecom NZ shares have also qualified as a "Sell" under the *Over-Valued Shares* section owing to their high Price/Sales ratio and negative price trend.

Telecom NZ is also a *very large* company and *widely followed* by brokers. Such companies seldom make the best investments.

AAPT Acquisition

Telecom NZ is investing over 1½ *billion* dollars to acquire **AAPT**. This acquisition started in May 1999 and Telecom NZ is currently bidding for 100% ownership which will take the total cost of this acquisition to A\$1,620 million.

Is this a *growth* investment? Judge for yourself:

This acquisition is debt funded, so increases Telecom's interest expense by about A\$130 million annually. AAPT generates pre-tax trading profits of A\$34.2 million, so this acquisition depresses Telecom's pre-tax profits by A\$96 million. The amortisation of goodwill on the AAPT acquisition will also depress *reported* profits.

Furthermore, while AAPT generates a cash surplus from trading (A\$17.7 million) it needs to invest heavily to *maintain* and *grow* its business - investing A\$218.1 million in property, plant and equipment over the last year. So in addition to its initial investment of A\$1,620 million to buy AAPT, Telecom NZ will be required to find A\$130 million to pay its interest holding costs and an additional A\$100-200 million per year to finance AAPT's capital expenditure.

In the foreseeable future, this *growth* investment will depress Telecom NZ's profitability *and* drain away huge amounts of cash for many years!

Cash Issue

Telecom NZ *may* be planning a cash issue to raise additional equity. This would reduce the need to borrow but would it improve the situation for shareholders? Unfortunately not . . .

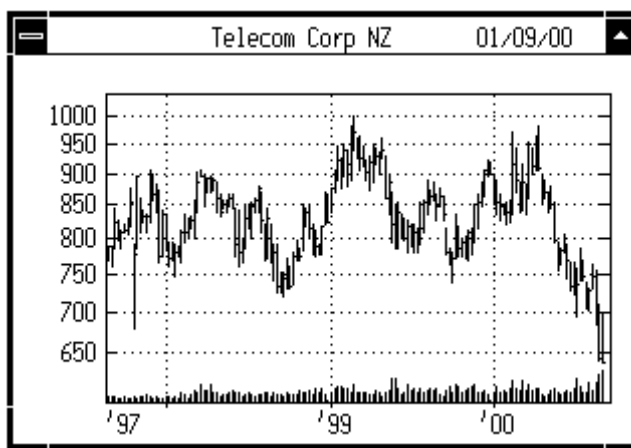
Funding uneconomical (but necessary) capital expenditure from debt will depress profits and depress earning per share - resulting in further dividend cuts if Telecom NZ follows its new 50% dividend payout policy. Funding the expenditure with new equity will have less impact on profit levels, but will *reduce* earnings per share owing to the higher number of shares outstanding. The lower earnings per share will again result in future dividend cuts.

Summary & Recommendation

Back in the mid-1980's, many investors accused *Market Analysis* of being "anti-Brierley Investments" as we recommended the sale of these popular, widely owned shares. Not so. In fact, we formally recommended Brierley Investments shares as a Buy in 1981 and

formally recommended their sale at \$4.45 in early 1984 - realising a 342% gain. In retrospect, we *did* sell a little early, as Brierley doubled over the next 3½ years - but look what has since happened to the company!

Over the last few years, our caution towards popular Technology shares, Sky TV and Telecom NZ has similarly be unwelcomed by a large number of investors. Telecom NZ's plan to cut its dividend is just the first step in the company's long term decline and the long term under-performance of its shares. Although Telecom NZ's shares are now trading near a three year low of \$6.39, we see little prospect of the company escaping from the problem of "Terminal Velocity" and the resulting continued loss of shareholder value. If you are still holding Telecom NZ shares, cut your losses and sell (although if you originally bought in before 1996/97 you will be actually be realising a capital gain).



“Neglect” Ratings of NZ Shares

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

Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)
AMP NZ Office	7	235	Fisher & Paykel	10	876	NZ Refining Co	4	275	Sanford Limited	7	81
Air New Zealand	9	1,039	Force Corp.	6	54	Natural Gas	9	1,059	Sky City Ltd	10	730
Akd Int Airport	9	1,231	Guinness Peat	6	811	Northland Port	2	63	Sky Network TV	10	1,448
Baycorp Hold	9	1,027	Hallenstein G.	5	128	Nufarm Limited	2	662	Steel & Tube	8	132
Bendon Limited	3	55	Hellaby Hold.	5	86	Nuplex Indust	7	180	Tasman Agric.	2	132
Brierley Invest	8	1,284	Horizon Energy	3	40	Owens Investmts	6	57	Telecom Corp	10	11,200
CDL Hotel NZ	1	80	Ind Newspapers	10	1,492	PDL Holdings	2	60	Tourism Hold.	8	242
Cap Properties	2	109	Infratil NZ	6	233	Pacific Retail	3	73	Tower Limited	6	847
Carter Holt	10	3,108	Kiwi Property	8	320	Port Tauranga	9	428	Trans-Tasman	5	114
Cavalier Corp	4	151	Lion Nathan Ltd	10	2,601	Ports Auckland	10	517	Trans Alta NZ	9	699
Contact Energy	10	1,540	Lytelton Port	5	173	Property F Ind.	4	145	Tranz Rail Hold	9	465
DB Group	6	333	Mainfreight Grp	6	109	Ryman Health.	3	186	Trust Power Ltd	9	481
FC - Building	9	771	Michael Hill	4	123				United Networks	6	1,018
FC - Forests	9	718	Montana Group	8	558				Warehouse Group	9	1,689
FC - Energy	10	2,990							Waste Mgmt NZ	7	407

Neglect Ratings

Our *Neglect Ratings* are difficult for many investors to understand. They are based upon several research studies that have shown that shares that are widely followed by brokers tend to under-perform the market, while neglected shares tend to outperform the market. The difference in performance between these groups is very significant (see our booklet *Share Selection Methods*

used in Market Analysis for full details).

Why the difference in performance? *Widely followed* shares tend to be fully priced, while *neglected* shares tend to be under-valued. The *most neglected* shares are those which are not included in our table as no brokers follow them and publish profit forecasts.

Neglect of a company's shares by brokers is also a proxy for *institutional* (Continued on Page 14)

"Neglect" Ratings of Australian Shares

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

Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)
A.G.L.	13	3,625	Centaur Mining	4	65	Incitec	3	627	Ramsay Health	7	123
A.P. Eagers	1	66	Centro Prop.	5	720	Indust Inv Trt	5	212	Ranger Minerals	6	123
AAPT	12	2,166	Challenger Int.	3	936	Ipoth Garden	2	204	Rebel Sport	3	47
AJ Retail	5	290	Cinema Plus	2	8	Jupiters	11	809	Reinsurance Aus	1	25
AMP Ind Prop Tr	4	339	Cleland	1	35	Just Jeans Grp	4	78	Resolute Saman.	6	31
AMP Ltd	12	19,741	Clough Limited	1	212	K&S Corporation	3	52	Ridley Corp.	7	138
AMP Office Trt	5	715	Coal & Allied	2	1,429	Keycorp Ltd	2	423	Rio Tinto Ltd	12	13,097
ANZ Bank	14	19,845	Coates Hire	3	174	Kidston Gold	2	24	Rock Building	1	36
APN News Media	10	1,216	CocaCola Amatil	13	4,116	Lang Corporatio	7	1,096	Ross Mining NL	4	74
ARB Corporation	2	75	Cochlear Ltd	7	1,426	Leighton Hold	12	1,683	Rural Press Ltd	8	664
AXA Asia Pac	10	4,900	Coles Myer	14	8,476	Lend Lease Corp	13	10,296	Santos Ltd	16	3,482
AXA Aust Div PT	7	1,020	Comwealth Bank	14	35,161	Lihir Gold	11	788	Scientific Serv	1	26
Adelaide Bright	5	180	Computer Share	7	4,375	M.I.M. Holdings	15	1,924	Seven Network	10	1,915
Adelaide Bank	9	438	Cons Rutile	1	149	MacMahon Hold	2	21	Siddons Ramset	2	330
Adsteam Marine	6	232	Corp Express	3	699	Macquarie Infra	6	1,453	Simeon Wines	10	191
Adtrans Group	1	47	Coventry Group	1	143	Macquarie Ind.	5	285	Simsmetal Ltd	8	529
Advance Prop	5	842	Crane Group	5	347	Macquarie C'Wde	5	367	Skilled Eng.	9	144
Amalgamated Hld	3	393	Cranswick Wines	5	117	Macquarie Bank	7	4,714	Smith (Howard)	12	1,552
Ancor Ltd	13	3,458	Crevet Ltd	1	23	Macquarie Off.	5	630	Smorgon Steel	4	998
Ammtec Ltd	1	15	Croesus Mining	1	37	Maxi TRANS	1	24	Solution 6	5	386
Amrad Corp.	1	140	Data 3 Ltd	1	15	Mayne Nickless	13	1,424	Sonic Health	6	1,185
Anaconda Nickel	7	1,191	David Jones	12	539	McGuigan Wines	5	127	Sons of Gwalia	13	617
Aristocrat	3	2,546	Davids	3	232	McPherson's Ltd	1	55	Soul Pattinson	3	931
Ashton Mining	6	664	Delta Gold NL	12	361	Micromedical	1	42	Southcorp Ltd	15	2,792
Asia Pac Spec	4	40	Dev Capital Aus	1	68	Millers Retail	4	295	Spicers Paper	6	319
Atkins Carlyle	5	106	Devine	1	16	Namoi Cotton	2	75	Spotless Group	6	1,100
Aurora Gold	7	35	E.R.G.	7	2,112	Nat'l Can	1	73	St George Bank	13	5,276
Ausdoc Group	7	172	ETRADE Aust.	2	143	Nat'l Foods	10	581	Sthn Cross Brd.	6	306
Auspine Ltd	3	137	East'n Aluminu	3	176	Nat'l Aust Bank	14	38,749	Sthn Star	1	56
Aust Oil & Gas	1	83	Email Ltd	6	843	Nautronix Ltd	4	36	Stockland Trust	6	1,927
Aust Stock Exch	7	1,250	Emperor Mines	3	32	Newcrest Mining	15	1,007	Straits Res.	1	23
Aust Com Prp Tr	4	166	Energy Equity	1	32	News Corporatio	14	47,185	Strathfield Grp	3	108
Aust Gth Prop.	2	118	Energy Resource	7	393	Norm Mt Leyshon	8	71	Suncorp-Metway	8	2,915
Aust Hospital	7	107	Energy Develop.	7	1,022	Norman Wines	2	34	Sunland Group	1	79
Aust Pharm. Ind	3	470	Envestra	8	489	Normandy Mining	15	1,926	Sydney Aquarium	2	91
Aust Infra.	5	284	Evans Deakin	2	188	Normandy NFM	7	343	TAB Ltd	12	1,375
Aust Magnesium	3	924	Fairfax (John)	12	3,689	North Ltd	13	3,521	TDG Logistics	2	44
Austrim Nylex	3	479	Faulding (F.H.)	7	1,500	Novogen Ltd	2	335	Tabcorp Holding	11	3,679
Australand Hold	4	707	Finemore Hold	4	118	Novus Petroleum	7	303	Tap Oil	5	135
B.H.P.	7	33,745	First Aust Bldg	1	135	OPSM Protector	5	333	Telecasters Aus	6	156
BA Tobacco Aust	3	1,821	Fleetwood Corp	2	40	Oil Search Ltd	10	957	Telemedia Serv.	4	0
BRL Hardy Ltd	13	1,109	Flight Centre	4	1,861	Orbital Engine	2	678	Telstra	16	41,349
BT Office	5	0	Foodland Assoc	8	703	Orica Ltd	10	1,721	Tempo Services	4	138
BT Property	4	486	Forest Place Gr	1	49	Orogen Minerals	6	504	Ten Network	8	1,028
Bank of W.Aust	8	1,926	Forrester Kurts	2	113	PMP Communicat.	9	514	Thakral Holding	3	290
Bank of Q'land	9	318	Foster's Brewin	15	7,015	Pacific Dunlop	11	1,605	Ticor Ltd	6	354
Beaconsfield GI	1	29	Franked Income	3	1,395	Pacific Hydro	3	229	Toll Holdings	5	629
Bendigo Bank	6	407	Freedom Group	8	91	Pacific Mining	2	184	Tourism Aust.	3	159
Beyond Int'l	2	40	Futuris Corp.	7	983	Pacific Group	8	616	United Group	4	99
Biota Holdings	3	315	G.U.D. Holdings	6	119	Paladin Ind.	4	170	United Energy	9	1,553
Blackmores Ltd	1	103	GWA Internat'l	6	588	Paladin Com.	5	517	Village Road.	7	524
Boag (J) & Son	2	93	Gandel Retail T	8	1,379	Pasminco Ltd	15	1,068	Villa World	2	90
Brambles Ind.	13	11,460	General Prop Tr	8	4,333	Perilya Mines	1	27	WRF Securities	1	24
Brandrill	4	143	Goldfields	7	243	Perp Trust Aust	8	1,107	Watpac Ltd	1	21
Brazin Limited	6	254	Goodman Fielder	12	1,570	Perseverance	1	4	Wattyl Ltd	7	239
Breakwater Is.	2	43	Goodman Hardie	5	475	Petaluma Ltd	9	108	Wesfarmers Ltd	11	3,834
Brickworks Ltd	3	557	Graincorp	2	279	Peter Lehman W.	7	75	West Aust News	9	1,171
Bristile Ltd	3	205	Grand Hotel	5	206	Petroz NL	4	75	West'n Metals	10	82
Burns Philp	2	251	Gunns Ltd	2	96	Pipers Brook	2	34	Western Mining	15	9,218
Burswood Ltd	10	306	Gympie Gold	1	47	Polartechncs	2	164	Westfield Amer.	4	1,594
C & W Optus	13	17,512	HIH Insurance	11	495	Portman Mining	3	173	Westfield Hold.	%123	6,411
C.S.R. Ltd	11	4,501	Hardie (James)	9	1,457	PowerTel Ltd	2	893	Westfield Trust	7	5,684
CI Technologies	4	323	Harris Scarfe	4	87	Pracorn Ltd	4	296	Westpac Banking	14	23,191
CMI Limited	2	33	Harvey Norman	10	3,971	Prime Retail	1	80	Westpac Prop Tr	7	748
CPI Group	6	83	Heggies Bulk.	1	17	Prime TV	7	202	Westral'n Fores	1	113
CSL Limited	8	5,225	Hill 50 Gold	4	120	Prophecy Int'l	3	63	White (J) Malt	1	60
Caltex Austrlia	7	775	Hills Motorway	7	762	Publishing & Br	11	9,492	Wide Bay Cap'n	1	68
Campbell Bros	1	150	Hills Indust.	2	308	Q.B.E. Insur.	11	3,691	Woodside Petrol	15	9,439
Candle Aust.	7	87	Homemaker Prop.	4	165	Q.C.T. Resource	7	909	Woolworths Ltd	15	7,420
Capral Alum.	12	445	IAMA Ltd	3	133	Qantas	15	4,663	Yates (Arthur)	5	44
Catuity	1	108	Illuka Resource	10	987	Queens'd Cotton	3	113			

Neglect Ratings (Continued from Page 12)
neglect. Shares which institutional investors *don't* own tend to be under-valued relative to shares which are *widely held* by institutions. Look how institutional buying helped boost the share price of **ERG** from A\$1 to A\$10 during 1999. For maximum capital appreciation, investors need to find shares which are *neglected* by brokers and institutions - and wait for the company to be discovered!

So how should an investor use these statistics? Obviously you should not buy a share simply because it is *neglected*. Similarly, you should not sell a share for the sole reason that 9-10 brokers are following that company. However, investors should *tend to favour* the *neglected* shares, and *tend to avoid* the *widely followed*

shares. All other things being equal, we would invest in a *neglected* share rather than a *widely followed* share.

If your portfolio is full of *widely followed* shares - Telecom, Carter Holt, Contact, FC - Energy, Fisher & Paykel, Independent Newspapers, Lion Nathan, Ports of Auckland, Sky City, Sky TV - then you can't really expect to get any ten-baggers (i.e. shares that increase ten-fold in value). These widely followed shares are *already* fully (or, perhaps, more than fully) priced.

If you want to increase your long term investment returns then you need to reduce your exposure to these *widely followed*, larger, fully priced shares and re-invest in *neglected*, smaller shares that are more likely to be undervalued and therefore yield higher future investment returns.

Readers Ask: What is Wrong with a Company being Debt-Free?

Question: What is wrong with a debt free, over-capitalised company? Why would it want to go back into debt to pay a special dividend to shareholders? Would it not be better to be debt free, pay no interest, make more profits and pay bigger dividends? Could you please explain.

Answer: The reason why a company such as Cavalier or Wrightsons, after selling an asset/business and becoming debt free may then turn around and borrow money to distribute cash to its shareholders has to do with "maximising shareholder value".

This situation is best explained by considering an example. Assume that a debt free company can earn \$10 million in tax paid profits. As the company has no interest expense, its profits would not be *leveraged* and would be relatively stable and able to withstand a difficult trading environment. There is certainly nothing wrong with that! The stockmarket, however, may value this company on a Price/Earnings ratio of 10 - so the debt free company would be worth \$100 million.

The company, however, can borrow money from its bank at 8% - which, being tax deductible, is an after tax cost of only 5.36%. So the company borrows \$100 million and distributes that (tax free) to its shareholders as a repayment of capital. Owing to the interest cost, after tax profits are now reduced to \$4.64 million, but the market continues to value the shares on a P/E of 10, so the total value placed upon the company is \$46.4 million. Shareholders are therefore 46.4% better off as they now own \$46.4 million worth of shares plus have \$100 million in cash, so have a total of \$146.4 million instead of the original \$100 million.

If the company remains debt free, a competitor or corporate raider will eventually unlock this \$146.4 million of shareholders value (mainly for themselves) by making a \$110 million takeover bid.

There are, in fact, two other advantages of increasing debt levels: Firstly, the investors risk has been reduced. Instead of owning \$100 million of *risky* shares, they

now hold \$100 million of risk-free cash and \$46.4 million of slightly more risky shares. Limited liability, however, means that even if the company gets into trouble and goes bust, the shareholders can never be asked to pay back that \$100 million.

Secondly, the management of the low risk, debt free company would probably become complacent and profits may have started to decline after a few years. Having borrowed \$100 million they now have the bank manager breathing down their necks wanting \$8 million (pre tax) in interest payments as well as some principal repayments. Higher debt levels can therefore motivate management to run the business efficiently, to minimise costs and seek growth in profits.

A debt-free capital structure would be appropriate in a high risk business or for a company in a development phase that is not yet generating revenues, cash flows or profits. Once a company has an established business, and fairly reliable cash flows, then it can maximise shareholder value by using lower cost debt and return some equity to its shareholders.

Please note that there is a difference between a *company* having high debt levels and an *investor* using debt to buy shares. Company debt is "good" as investors are protected by the "limited liability" and the risk of individual companies failing can be minimised through good diversification. Margin debt - held by an investor to finance share investment - is "bad". A company borrows against *future cash flow* so is in a better position to borrow than an investor who borrows against *fluctuating asset values*. If you use 50% margin (i.e. 50% equity, 50% debt) then a 50% decline in the stockmarket will completely wipe out your equity - and your lender will force you to sell your depressed shares to repay the debt. It is much better for an investor to remain debt-free but own a portfolio of high debt companies. In a recession, some of these companies may fail, but most will survive and ultimately recover in value. If well diversified, your portfolio can never lose all of its value!

Current Issues

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.

CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
Otter Gold Mines (1)	2:5	39	25-09	27-10

(1) Otter Gold Mines shares and the 2003 options will qualify for the cash issue.

NEW ISSUES

	Price	Date	EPS	DPS
Genesis Research	460	14-09	Nil	Nil

New Issue

Genesis Research & Development Corporation is seeking to raise \$26,450,000 from the issue of 5,750,000 shares at \$4.60 per share.

Formed in 1994, Genesis currently has an issued capital of 12,359,889 shares and 4,207,500 options (exercisable at prices of \$1.00-2.75). Revenue for the year to December 1999 was \$7,195,000 - of which 95.7% was from Research Grants, 1.3% from interest and only 3.0% from Licence Fees. Accumulated losses are \$7,150,000 and the net asset backing of the existing shares is 13 cents.

After this share float the company will have an issued capital of 18,109,889 shares with an asset backing of 155 cents. The \$26 million raised in this float will be used to "fund our research and development".

Since the Internet bubble burst, Biotechnology has once again become the hottest thing on the stockmarket, leading to a rush of floats from companies eager for their share of the cash that investors are throwing at the industry. So Genesis shares *may* actually list on the stockmarket at a premium!

We believe that biotechnology will have a major impact upon our lives and the economy, and that Genesis is a high quality *research organisation*. But Genesis isn't a *business*: it doesn't generate any *significant* revenue (just \$215,000 in licence fees) and is unlikely to make a profit or pay a dividend in the foreseeable future, if ever. Hundreds of other Biotechnology companies have gone public, and almost without exception they have taken investors money and conducted important research until all of the cash was gone. Then the company fails or is merged into another company.

Investors paying \$4.60 for Genesis shares in this float will immediately see the asset backing of their shares reduce 66% to 155 cents.

Summary and Recommendation

If you have plenty of money and would like to make a

donation to the advancement of science, then Genesis Research is probably a good organisation to sponsor by buying shares in this float. However, if you are looking for an *investment* that will increase your wealth over the medium to long term (by generating revenues, making profits, paying dividends and increasing in value), then Genesis Research will not match your investment criteria! **Avoid.**

Cash Issue

Otter Gold Mines is making a cash issue, offering two new shares at 39 cents for every five existing shares held. An unusual feature of this cash issue is that the company will also offer the two new shares to holders of the 2003 options (but not to holders of the 2001 options).

With Otter Gold Mines shares currently trading at 57 cents, the theoretical ex-issue price of the shares will be 51.85 cents - which in turn values the "rights" to the new shares at 12.85 cents.

An opportunity may exist for investors to buy the 2003 options on the market to obtain these valuable "rights" to the cash issue. The investor could then either take up the new shares or simply sell the "rights" on the market. The 2003 options last traded at 6 cents. At that price every five options (costing a total of 30 cents) would yield two "rights" worth a total of 25.7 cents.

Unfortunately, the 2003 options are currently being offered at 10.9 cents, so every five 2003 options would cost a total of 54.8 cents.

If the 2003 options can be bought around 7-9 cents then they may be an attractive speculative investment. However, their exercise price is \$2.00 per share in June 2003 - so, unless the share price rallies very strongly, will probably expire worthless at that date.

Stockmarket Books

We are out of stock of **Stock Market Logic** by Norman Fosback and **The Midas Touch** by John Train. Both books are also out of print, so we probably won't be able to re-stock.

For the last 25 years, Fosback has been involved in writing stockmarket newsletters for the *The Institute For Econometric Research Inc*, with his book re-printed dozens of times and distributed free to subscribers of those publications. Some years ago, the institute was sold to **Time Warner** and Fosback appears to have left the company (without any explanation to subscribers) in mid 1999.

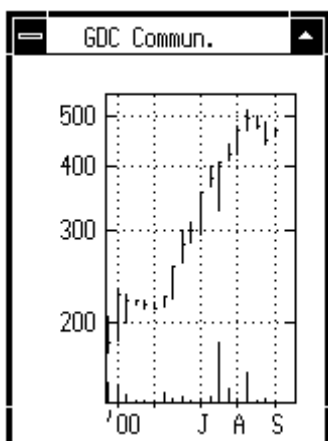
The new Editors seem to be moving away from Fosback's methods, and show more interest in popular technology shares! So *Stock Market Logic* - which inspired the scientific approach to stockmarket analysis adopted and developed by Securities Research Company and used successfully in *Market Analysis* and *International Investor* - will probably not be reprinted again.

"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held Before	% of Coy Held After
04/08/2000					
Spectrum Resources	Momentum	Sell	-1.563	11.30%	10.79%
11/08/2000					
Advantage Group	AXA Asia Pacific	Buy	+0.841	8.11%	9.50%
GDC Communications	GWD Richards	Sell	-0.500	7.85%	6.53%
GDC Communications	IS Singleton	Sell	-0.755	5.43%	3.43%
GDC Communications	RW Singleton	Sell	-0.600	6.75%	4.81%
GDC Communications	MA Norton	Sell	-0.800	8.72%	6.60%
Kiwi Income Property	FCMI Financial	Sell	-3.686	8.15%	7.08%
Mainfreight Ltd	AXA Asia Pacific	Sell	-0.347	5.25%	4.77%
Nobilo Wines	BRL Hardy	Buy	+0.883	97.00%	98.88%
Renaissance Corp	MR Thompson	Sell	-1.000	54.20%	51.37%
Telecom NZ	Brandes Inv Partners	Buy	+24.576	6.20%	7.60%
Tranz Rail	Franklin Resources	Sell	-0.954	9.52%	8.73%
18/08/2000					
Affco Holdings	UBS Nominees	Sell	-2.060	8.54%	7.52%
Bendon Group	UBS Nominees	Sell	-0.354	10.75%	9.60%
Capital Properties	Todd Corporation	Sell	-2.432	5.53%	4.53%
Southern Capital	AXA Asia Pacific	Buy	+1.263	5.22%	6.95%
25/08/2000					
Spectrum Resources	Velocity Partners	Buy	+17.656	0.0%	5.76%
01/09/2000					
Lion Nathan	Maple-Brown Abbott	Buy	+41.055	0.0%	7.68%

In last months newsletter we reported that one **GDC Communications insider** sold 500,000 shares - but no less than four insiders have sold a total of 2,655,000 shares over the last four weeks. If *so many* insiders - who know the company best - think GDC Communications is a "Sell" then it a fairly safe guess that the stock-market has over valued the shares since they listed in April. Take



Dividend \$

Company	Cents per Share	Ex- Date	Pay- able	Tax Credit
Air New Zealand	9.00	16-10	27-10	Nil
Baycorp Holdings	10.00	18-09	22-09	Full
Bendon Industries	4.00	28-08	30-08	Full
Calan Healthcare	1.3324	14-08	01-09	Nil
Capital Properties	2.40	04-09	15-09	0.5125
Cavalier Corporation	14.00	02-10	06-10	Full
Col First State Property	2.45	11-09	22-09	0.2242
Ebos Group	6.50	16-10	20-10	Full
FC - Building	8.00	02-10	12-10	Full
FC - Energy	10.00	02-10	12-10	Full
GDC Communications	1.50	28-08	01-09	Full
Lyttelton Port	6.75	25-09	29-09	Full
Lyttelton Port (special)	10.00	25-09	29-09	Full
Michael Hill International	7.50	16-10	24-10	Full
Montana Group NZ	3.50	30-10	17-11	Full
National Property Trust	2.4233	28-08	08-09	0.3623
Natural Gas Corporation	3.50	11-09	18-09	Full
NZ Refining Company	50.00	11-09	20-09	Nil
Nuplex Industries	7.00	09-10	20-10	Full
Port of Tauranga	14.00	23-10	03-11	Full
Ports of Auckland	9.00	09-10	20-10	Full
Reid Farmers	5.00	11-09	22-09	Full
Restaurant Brands	4.50	01-09	22-09	Full
South Eastern Utilities	3.00	11-09	15-09	Full
Sky City	32.00	25-09	06-10	Full
Steel & Tube Holdings	7.00	21-08	28-08	Full
Tasman Agriculture	3.00	25-09	29-09	Nil
Taylors Group	3.00	02-10	20-10	Full
Telecom NZ	11.50	04-09	15-09	Full
Trans Alta NZ	5.10	11-09	18-09	Full
Tranz Rail	8.50	11-09	22-09	Nil
United Networks	16.00	28-08	08-09	Full
Waste Management NZ	2.50	28-08	01-09	Full
Wrightsons	3.00	18-09	29-09	Full
<u>Australian Shares</u>				
Atlas Pacific conv notes	0.9452	11-09	25-09	-
Auspine	12.00	18-09	29-09	-
Central Equity	6.00	19-09	02-10	-
PMP Communications	10.00	19-09	04-10	-
Thakral Group Holdings	3.50	25-08	13-09	-
Vision Systems	1.60	30-10	-	-

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Next Issue

The next issue of "Market Analysis" will be posted in five weeks time on Tuesday October 10, 2000 and on our internet sites on Wednesday October 11.

Total Return Index for All Listed Shares

Aug 7	2336.42	Aug 14	2342.50
Aug 8	2337.19	Aug 15	2352.40
Aug 9	2338.79	Aug 16	2359.91
Aug 10	2343.98	Aug 17	2364.10
Aug 11	2332.55	Aug 18	2348.06
Aug 21	2347.98	Aug 28	2342.86
Aug 22	2342.17	Aug 29	2347.19
Aug 23	2343.00	Aug 30	2341.46
Aug 24	2333.41	Aug 31	2340.45
Aug 25	2336.50	Sep 1	2343.44

Office Closed: September 16-27

The office will be closed for a short period this month while your Editor and family take a short holiday.

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