

Market Analysis

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Inside Market Analysis

Raise 25-35% Cash Reserve in NZ:
 SELL Apple Fields, Designer Textiles, Owens Group,
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 SELL Hancock & Gore 9
 BUY Australian listed McPhersons 9, 10

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Summary and Recommended Investment Strategy.

Sell 25-35% of NZ shares to build a riskless cash reserve owing to the unfavourable outlook for the NZ stockmarket and an unfavourable economic environment for the non-export sector. The outlook for the Australian stockmarket remains Neutral - and we see good value in our investments - so remain fully invested in Australian shares.

Investment Outlook.

The outlook for the NZ stockmarket is unfavourable, with our **One-Year Forecast** predicting only a **25%** probability that share prices will rise over the next year. We therefore recommend selling 25-35% of NZ shares and holding the money in a riskless short term deposit earning interest. Our **Short Term Trend Model** is **Neutral at 40%**.

Worldwide this is an uncertain time to be holding shares. The NZ situation is even more uncertain owing to an *anti-business* government that is in denial about the impact its policies are having on business confidence, the exchange rate and the economy. The Reserve Bank has recently admitted making policy errors in the past. Setting policy, however, will remain solely at the discretion of the Reserve Bank Governor. So having (finally) *identified* a problem, the Bank lacks *ideas* on how to improve the situation and minimise the risk of making future errors. Recent statements suggest that the Bank considers that the NZ economy may be heading for either an export led *boom* or a *recession* caused by wage inflation (or, presumably, some combination of both!). The only certainty appears to be that *whichever way the economy is heading, the Reserve Bank will be unsure of the appropriate policy response!*

If the economic situation becomes too unfavourable or too uncertain, then NZ companies (like people with valuable skills) are able to "get up and leave". For example, Nufarm moved overseas (i.e. expanded offshore, sold its NZ operations, then became an Australian company), Bendon outsourced its manufacturing operations in Asia and Renaissance will float its e-commerce growth business in Singapore.

The sharp decline in the NZ dollar is favourable for the export/farming sectors, so we shall continue to hold shares that service these sectors. We also favour NZ shares with profitable niche markets, generating strong operating cashflows and offering higher Dividend Yields.

Our **Forecast** for Australia is **Neutral at 41%** and - being a bigger market - we are also able to find plenty of shares that meet our investment criteria.



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.

Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	B	87	0.44	30	13.7	GDC Communicat.	C	360	N/A	42	Nil	Ports Auckland	C	389	3.34	12	6.9
AMP Limited	B	2266	0.70	18	2.3	Genesis Res.	D	696	N/A	NE	Nil	Property F Ind.	C	77	7.97	15	8.9
AMP NZ Office	C	86	6.15	11	9.0	Goodman Fielder	B	153	0.46	11	6.5	Pure NZ Limited	E	9.4	4.09	NE	Nil
AXA Asia Pac.	C	359	3.39	17	3.1	Grocorp Pacific	C	14	0.84	NE	Nil	Radio Works NZ	C	760	1.96	16	1.5
Advantage HDS	D	195	1.84	68	Nil	Guinness Peat	C	148	2.36	12	2.1	Reid Farmers	A	80	0.52	10	9.3
Affco Holdings	D	41	0.10	NE	Nil	Hallenstein G.	C	210	0.75	11	13.1	Renaissance	C	105	0.30	85	1.4
Air New Zealand	B	185	0.28	6	8.1	Hellaby Hold.	C	170	0.33	7	12.3	Restaurant Brds	C	108	0.46	8	13.8
Akd Int Airport	B	267	6.60	22	5.4	Heritage Mining*	N/R	5.0	0.13	NE	Nil	Revesco Ltd*	N/R	43	N/A	83	Nil
Apple Fields	C	6.5	0.05	NE	Nil	Horizon Energy	B	800	1.44	7	15.5	Richina Pacific	E	39	0.06	NE	Nil
Aquaria 21	D	4.0	0.68	NE	Nil	IT Capital Ltd	E	25	N/A	NE	Nil	Rocom Wireless	D	85	N/A	NE	Nil
Baycorp Hold	A	1215	N/A	61	2.3	Ind Newspapers	C	343	2.28	35	3.0	Roller Int'l *	N/R	40	0.21	NE	Nil
Beauty Direct	D	7.0	9.72	NE	Nil	Infratil NZ	C	121	7.23	9	8.6	Ryman Health.	C	180	3.87	14	2.9
Bendon Limited	B	170	0.70	10	2.9	Kingsgate Int'l	E	13	1.27	16	Nil	SE Utilities	C	93	N/A	27	8.0
Brierley Invest	E	34	0.58	NE	Nil	Kiwi Property	C	90	6.26	10	11.6	Sanford Limited	B	455	1.35	11	4.9
Broadway Ind	D	26	0.10	26	Nil	Kiwi Developmnt	E	220	N/A	NE	Nil	Savoy Equities	E	4.0	1.50	NE	Nil
CDL Hotel NZ	E	20	0.42	11	5.4	Lion Nathan Ltd	A	494	1.39	18	4.2	Scott Tech. Ltd	B	227	1.62	15	7.2
CDL Investments	D	22	1.36	7	17.0	Lytelton Port	A	153	2.68	10	10.0	Seafresh Fish.	D	7.0	0.28	8	Nil
Calan Hlthcare	C	96	7.88	15	7.4	Mainfreight Grp	C	131	0.30	11	6.8	Selector Group	D	45	N/A	NE	Nil
Cap Properties	C	88	0.95	3	13.1	Manor Inns Grp	D	12	0.41	NE	Nil	Shotover Jet	D	44	0.83	39	Nil
Carter Holt	C	162	0.86	17	3.7	Max Resources*	N/R	13	N/A	NE	Nil	Sky City Ltd	B	680	2.22	11	12.3
Cavalier Corp	B	420	0.69	12	10.7	Metro. LifeCare	C	105	1.02	10	8.5	Sky Network TV	E	350	4.88	NE	Nil
Cedenco Foods	A	125	2.95	14	Nil	Michael Hill	C	300	0.63	12	6.7	Southern Cap	D	80	8.56	NE	Nil
Col FS Property	C	94	7.92	13	11.1	Mid-Cap Index*	N/R	180	N/A	NE	Nil	South Port NZ	B	120	2.03	20	6.8
Col Motor Co	A	335	0.32	13	8.2	Montana Group	A	326	1.56	23	3.2	Spectrum Res.*	N/R	4.1	N/A	NE	Nil
Commssoft Group	D	156	N/A	NE	Nil	Mr Chips Hold	A	85	0.74	13	10.5	Steel & Tube	C	140	0.33	9	12.8
Contact Energy	C	258	7.46	14	9.1	NZ Experience	D	10	0.81	NE	Nil	Strathmore Grp	E	21	N/A	NE	Nil
Cue Energy Ltd * N/R	N/R	5.4	1.87	NE	Nil	NZ Invest Trust*	N/R	450	N/A	NE	1.8	Summit Gold Ltd*N/R	N/R	6.5	N/A	NE	Nil
DB Group	B	310	0.49	11	7.7	NZ Oil and Gas *	N/R	30	1.91	NE	Nil	Tag Pacific Ltd	D	23	0.33	6	3.5
Dairy Brands	C	30	2.08	NE	Nil	NZ Refining Co	A	1120	1.30	47	6.3	Tasman Agric.	B	126	3.38	13	2.4
Damba Hold Ltd	D	44	0.78	21	Nil	Nat Property Tr	C	79	5.44	10	11.7	Taylor's Grp Ltd	C	110	0.68	12	8.1
Design Textiles	D	24	0.13	7	12.4	National Mail	D	73	N/A	NE	Nil	TeNZ *	N/R	86	N/A	NE	Nil
Dorchester Pac	B	120	0.86	9	7.5	Natural Gas	B	145	1.61	12	5.1	Telecom Corp	C	548	2.22	13	12.5
E-Force Limited	D	13	0.78	NE	Nil	Newcall Group	D	14	4.33	NE	Nil	Tourism Hold.	C	236	1.09	13	5.4
E-Phone Ltd	D	20	N/A	NE	Nil	Newmarket Prop.	D	48	N/A	6	19.8	Tower Limited	B	480	0.89	21	3.1
E-Ventures NZ	E	45	N/A	NE	Nil	Northland Port	A	180	1.44	17	6.2	Trans-Tasman	E	19	1.01	4	Nil
E-cademy Hold.	E	7.0	N/A	NE	Nil	Nufarm Limited	C	395	0.32	9	5.7	Trans Alta NZ	C	275	1.58	19	5.5
Ebos Group Ltd	C	304	1.01	19	6.4	Nuhaka Forestry	D	1305	7.24	NE	Nil	Tranz Rail Hold	B	375	0.80	6	2.3
Eldercare NZ	D	22	1.30	6	Nil	Nuplex Indust	B	301	0.44	9	7.4	Trust Power Ltd	C	300	1.05	17	8.2
Evergreen	C	51	3.42	13	Nil	Opio Forestry	D	51	N/A	40	Nil	United Networks	B	711	2.39	10	8.4
FC - Forests	C	67	0.92	8	Nil	Otter Gold Mine*	N/R	39	0.25	NE	Nil	Utilico Int'l	D	40	N/A	NE	Nil
FC - Energy	A	778	1.71	16	3.5	Owens Group	C	100	0.16	15	6.7	Warehouse Group	B	565	1.47	22	3.3
FC - Building	C	220	0.32	7	10.9	Ozzy (Tortis)*	N/R	276	N/A	NE	Nil	Waste Mgmt NZ	B	400	3.57	37	2.2
Fisher & Paykel	B	710	1.01	15	5.3	PDL Holdings	C	436	0.17	11	Nil	Williams Kettle	B	250	0.23	9	9.0
Force Corp.	D	29	0.82	10	5.1	Pacific Retail	C	157	0.22	9	Nil	World Index Fd *	N/R	250	N/A	NE	Nil
Frucor Bev.	B	220	1.53	23	Nil	Port Tauranga	B	540	5.90	21	6.1	Wrightsons Ltd	B	53	0.12	9	11.3
A.G.L.	A	1068	1.30	15	4.8	Corp Express	B	815	2.00	59	0.6	Ave of 135 Coys	C	219	0.51	17	4.2
AAPT	C	712	2.15	NE	Nil	Crown Ltd	C	90	0.70	14	Nil	Open Telecom.	D	205	N/A	NE	Nil
AJ Indust Trust	B	145	8.32	13	8.9	Data Advantage	B	540	8.34	NE	0.7	Orbital Engine	C	190	N/A	NE	Nil
AJ Office Group	B	114	N/A	25	4.6	David Jones	C	141	0.34	12	5.7	Orica Ltd	C	567	0.35	10	6.5
AMP Diver. Prop	B	242	2.49	13	7.7	E.R.G.	C	945	4.68	55	0.2	Origin Energy	A	193	0.31	7	10.9
AMP Ltd	C	1729	0.68	18	2.4	Email Ltd	B	306	0.39	16	8.0	Pacific Group	C	370	0.59	16	4.7
AMP Office Trt	B	118	6.46	15	8.1	Energy Develop.	A	1130	N/A	60	0.4	Pacific Dunlop	C	155	0.27	11	6.5
AMP Shop Centre	B	136	N/A	19	6.3	Envestra	B	85	2.08	NE	10.6	Paladin Com.	B	124	7.45	14	7.7
ANZ Bank	B	1355	1.93	14	4.1	Fairfax (John)	C	467	2.42	20	2.5	Paperlin X Ltd	B	345	0.46	12	1.4
APN News Media	B	495	2.45	29	2.5	Faulding (F.H.)	A	1008	0.77	26	2.1	Perp Trust Aust	A	3330	4.38	31	2.0
AXA Asia Pac	C	276	3.25	17	3.3	Flight Centre	B	2140	0.73	44	1.2	PowerTel Ltd	E	116	1.13	NE	Nil
AXA Aust Div PT	B	119	8.29	14	7.4	Foodland Assoc	C	776	0.19	10	7.2	Publishing & Br	C	1361	3.62	27	1.5
Advance Prop	B	173	8.21	14	7.0	Foster's Brewin	B	429	2.15	17	3.4	O.B.E. Insur.	B	910	0.84	24	3.2
Amcor Ltd	C	536	0.45	12	7.1	Futuris Corp.	C	161	0.19	12	5.0	O.C.T. Resource	C	131	1.14	NE	Nil
Aristocrat	C	675	2.54	20	4.1	GWA Internat'l	C	185	0.88	12	9.7	Qantas	B	354	0.46	9	16.7
Aust Stock Exch	B	1126	5.66	20	5.0	Gandel Retail T	B	115	8.96	14	7.4	Rio Tinto Ltd	C	2521	0.99	7	3.5
Aust Pipeline	C	225	N/A	NE	Nil	General Prop Tr	B	270	6.55	15	7.1	Rural Press Ltd	B	575	1.47	13	2.4
Austar United	E	464	N/A	NE	Nil	Ges Internat'l	C	139	0.51	24	0.8	SecureNet Ltd	C	990	N/A	NE	Nil
Australand Hold	B	144	0.86	6	8.3	Goodman Hardie	B	133	7.65	13	7.9	Seven Network	A	745	1.65	29	2.8
Axon Instrument	D	142	N/A	NE	Nil	Goodman Fielder	C	120	0.48	12	6.3	Simsmetal Ltd	B	600	0.48	20	4.2
BA Tobacco Aust	C	1200	0.46	15	72.2	Guinness Peat	B	107	2.33	10	0.5	Smith (Howard)	C	790	0.58	14	5.2
BRL Hardy Ltd	A	757	2.08	22	2.0	Hardie (James)	C	370	0.85	10	4.9	Smorgon Steel	C	115	0.38	12	7.8
BANK of W.Aust	B	368	3.30	14	4.9	Harvey Norman	C	449	8.77	41	0.8	Sonic Health	A	782	3.38	70	1.9
Bidvest	B	300	0.20	16	2.6	Hills Motorway	C	429	8.14	NE	7.8	Southcorp Ltd	C	525	1.22	16	4.0
Billabong Int'l	D	347	N/A	NE	Nil	Hutchison Tel.	E	300	4.36	NE	Nil	Spotless Group	B	679	0.75	36	2.9
Boral Limited	C	206	0.46	10	8.7	Incitec	C	490	0.60	16	4.3	St George Bank	B	1160	1.62	17	4.5
Brambles Ind.	B	5020	2.34	32	1.6	Infomedia Ltd	C	205	9.15	NE	Nil	Stockland Trust	B	383	6.24	17	6.8
Brickworks Ltd	B	4320	3.05	13	2.9	Jupiters	B	340	1.21	12	5.0	Suncorp-Metway	B	918	0.84	9	5.0
C & W Optus	D	412	3.60	53	Nil	Lang Corporatio	C	920	2.71	31	Nil	TAB Ltd	C	282	0.28	24	3.9
C'wth Prop Off.	B	100	7.54	13	7.8	Leighton Hold	B	632	0.46	12	5.2	Tabcorp Holding	C	976	2.18	21	4.8
C.S.R. Ltd	B	405	0.57	9	5.9	Lend Lease Corp	C	2105	0.83	25	3.0	Telstra	C	626	2.03	10	2.9
CSL Limited	A	3466	N/A	95	0.7	M.Y.O.B. Ltd	C	362	5.20	34	0.9	Ten Network	B	252	1.66	18	5.7
Cadbury Sch.	C	991	N/A	NE	3.4	Macquarie Off.	B	115	7.97	12	9.3	Toll Holdings	A	1084	0.47	17	2.6
Centro Prop.	B	295	7.99	14	8.1	Macquarie Bank	A	2876	4.15	23	3.0	Transurban Grp	C	375	N/A	NE	Nil
Challenger Int.	B	375	2.28	11	2.0	Macquarie Infra	A	185	N/A	37	5.4	Uecomm Limited	E	155	N/A	NE	Nil
Coal & Allied	A	1690	2.49	21	4.7	Mayne Nickless	A	425	0.48	20	4.0	United Energy	A	331	2.02	92	5.2
Coca-Cola Bev.	E	240	N/A	NE	Nil	Medical Imaging	C	127	3.54	67	0.5	Wesfarmers Ltd	B	1399	1.06	18	5.2
Coca-Cola Amatil	B	374	0.98	20	3.2	Mirvac Limited	B	364	2.50	16	6.6	West Aust News	C	514	2.98	15	8.8
Cochlear Ltd	A	2817	9.85	62	1.1	Mirvac Property	B	178	9.75	15	6.4	Westfield Hold.	B	1270	4.31	45	1.1
Col FS Property	B	209	N/A	25	4.3	NRMA Insurance	D	272	0.95	14	Nil	Westfield Trust	B	332	N/A	19	6.2
Coles Myer	C	726	0.36	19	3.5	Nat'l Aust Bank	B	2649	6.15	54	4.2	Westfield Amer.	B	167	1.80	13	7.3
Comwealth Bank	B	2780	3.09	20	4.7	Nat'l Foods	C	203	0.51	11	11.8	Weston (George)	B	600	0.46	16	3.2
Com. Inv. Trust	D	98	N/A	NE	Nil												

Recommended Investments

Investment Strategy

Our general recommendation has been that investors hold about 30-40% of their total investments in NZ, 20-30% in Australia and 35-45% internationally. Earlier this year our *International Investor* newsletter recommended building up a 30-40% cash reserve. We now recommend that investors build a NZ cash reserve equal to about 25-35% of NZ investments.

Investors following these asset allocation suggestions should therefore aim to hold the following investments:

Asset Class	Percent of Total Portfolio
NZ shares	20-30%
Australian shares	20-30%
International funds	20-30%
Cash (in NZ)	10%
Cash (overseas)	15%
Total	100%

To build up this cash reserve in NZ we are recommending the sale of shares in **Apple Fields** (although these have little value), **Designer Textiles**, **Owens Group**, **PDL Holdings** and **Tourism Holdings**.

New Zealand Shares

Air New Zealand's cash issue will offer one new "A" share at 150 cents for every three existing "A" shares, or one new "B" share at 150 cents for every three "B" shares held. This cash issue favours the "B" shareholders as those shares are more valuable than the "A" shares. For example, rights to new "A" shares will be worth about 26 cents, while rights to the "B" shares should be worth about 80-95 cents.

The 1996 cash issue favoured the "A" shareholders by offering "B" shares to both *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/Sales Ratio	Price/Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares													
HOLD+	Air New Zealand "A"	AIRVA	08/10/96	257*	B	567.5	0.9	0.28	6	8.1	185	69.0	-1%
SELL	Apple Fields Limited	APF	10/03/92	237	C	29.2	3.4	0.05	NE	Nil	7	10.0	-93%
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	D	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	130.0	+76%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	A	27.9	0.8	0.32	13	8.2	335	187.3	+248%
SELL	Designer Textiles Ltd	DTL	12/01/99	47	D	32.8	2.0	0.13	7	12.4	24	5.0	-38%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	C	38.6	0.9	0.63	12	6.7	300	60.5	+684%
HOLD	Nufarm Limited	NUF	11/02/97	505	C	155.3	0.9	0.32	9	4.9	395	60.0	-10%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	B	56.3	1.0	0.44	9	7.4	301	29.0	-6%
SELL	Owens Group Limited	OWN	12/03/91	47*	C	56.5	1.2	0.16	15	6.7	100	81.8	+287%
SELL	PDL Holdings Ltd	PDL	13/02/96	810	C	13.6	0.9	0.17	11	Nil	436	123.0	-31%
HOLD	Radio Works NZ Ltd	RWL	08/12/92	205	C	12.1	0.5	1.96	16	1.5	760	121.0	+330%
BUY	Renaissance Corp	RNS	13/08/96	85*	C	35.3	2.1	0.30	85	1.4	105	5.4	+30%
HOLD	Richina Pacific	RCH	03/11/95	119*	E	72.2	1.8	0.06	NE	Nil	39	11.9	-57%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	32.4	1.1	2.03	20	6.8	120	35.3	+29%
BUY	Steel & Tube Holdings	STU	08/08/00	146	C	87.7	1.3	0.33	9	12.8	140	7.0	+1%
BUY	Taylors Group Ltd	TAY	09/11/99	102	C	24.3	1.3	0.68	12	8.1	110	6.0	+14%
SELL	Tourism Holdings Ltd	THL	14/07/92	149*	C	92.0	1.1	1.09	13	5.4	236	50.9	+93%
BUY	Wrightson Limited	WRI	13/01/98	83	B	134.1	1.7	0.12	9	11.3	53	10.3	-24%
Australian Shares (in Aust cents)													
HOLD+	Abigroup Limited	ABG	09/03/99	265	A	47.7	0.9	0.15	7	6.8	222	21.0	-8%
HOLD+	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	0.44	5	10.6	207	22.0	+9%
HOLD	Biron Corporation Ltd	BIC	12/04/94	178	C	21.8	2.1	1.36	NE	Nil	24	11.0	-80%
BUY	Campbell Brothers Ltd	CPB	12/10/99	435	B	31.3	0.7	0.54	12	5.7	477	27.0	+16%
HOLD	Central Equity Ltd	CEQ	09/02/94	154	B	82.1	0.8	0.81	6	8.4	215	79.0	+91%
BUY	C.S.R. Limited	CSR	11/07/00	436	B	1010.8	0.8	0.57	9	5.9	405	Nil	-7%
HOLD	Hamilton Island Ltd	HAM	09/11/99	205	B	45.0	0.9	1.16	8	3.8	234	9.0	+19%
SELL	Hancock & Gore	HNG	15/07/97	125*	C	46.2	1.0	0.57	9	7.0	115	15.8	+5%
BUY	McPherson's Ltd	MCP	10/10/00	125	B	39.2	1.0	0.20	5	9.6	125	Nil	+0%
HOLD+	PMP Communications	PMP	09/02/99	309	C	253.4	1.0	0.30	8	11.4	179	40.8	-29%
HOLD	Thakral Holdings	THG	10/11/98	65	C	576.1	1.4	1.20	9	10.7	59	12.1	+9%
HOLD+	Toll Holdings	TOL	08/09/98	240	A	60.5	0.7	0.47	17	2.6	1084	43.0	+370%
BUY	Utility Services Corp	USC	11/01/00	55*	B	103.4	1.4	0.97	20	Nil	75	Nil	+36%
HOLD+	Vision Systems Ltd	VSL	10/11/98	69*	A	143.3	0.9	1.98	37	1.5	200	4.2	+196%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +63.5%.

This is equal to an average annual rate of +16.5%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 34 current and 105 closed out) is +30.2%, compared with a market gain of +11.7% (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 23.5 cents.

Recommended Investments (Continued from Page 3)

classes of shareholder.

With rising fuel prices, Air New Zealand has performed well over the last year to maintain its profitability. Oil prices will likely remain high for a while but should slowly decline over the next 6-12 months - offering a more favourable trading environment. We consider the shares an attractive medium to long term investment and rate the shares as "Hold+".

Colonial Motor Company's revenues fell 2.1% to \$292.2 million - mainly owing to the Auckland motor dealerships being merged into a new associate company (and no longer included in group revenues). Adjusted for this change, revenues actually *rose* about 20%. Trading profits increased 25.0% to \$7,177,000 and earnings per share increased 39.4% to 25.8 cents (owing to the reduction of capital following the buy-back of 10% of its own shares). The annual dividend rate will rise 19.4% to 18.5 cents (plus full imputation tax credits). In addition, the company made a capital gain of \$676,000 on the sale of Property.

Although Colonial Motors is an *importer* it may actually *benefit* from the lower exchange rate over the short to medium term (i.e. over the next 6-12 months). Consumers understand the import content in a motor vehicle, so expect to pay more as the dollar falls. In fact, the *expectation* that car prices will rise further as the dollar weakens may lead to a higher *volume* of sales - as consumers rush to buy ahead of future price increases. Profit margins may even increase - with less advertising and less price discounting needed to make sales.

Longer term the lower exchange rate *reduces* the purchasing power of consumers, so could lead to lower expenditure on motor vehicles.

Designer Textiles lifted revenues by 38.8% to \$62.4 million for the year to June 30 - aided by the acquisition of Moller Textiles. Trading profits, however, fell 37.3% to \$1,050,000 while earnings per share declined 42.8% to 3.2 cents owing to an increase in the issued capital. A final 1.0 cent dividend will reduce the annual rate by 33.3% to 2.0 cents.

International sales (i.e. outside of NZ and Australia) rose 30% to \$9 million and the company is seeking to increase its sales of Merino wool products and swimwear fabrics to European and American customers.

Nufarm has reported revenues 2.7% higher at A\$1,268.2 million for the year to July 31. Profits rose 0.6% to A\$57,410,000 (A\$0.37 per share). The dividend rate will lift 4.1% (annualised) to A\$0.17 for a 14-month period resulting from the change in balance date.

In March Nufarm placed about 2% of its capital with Australian institutions to raise cash to increase its stake in IAMA. Now Nufarm believes that its shares are under-valued and plans to re-purchase up to 5% on-market over the next six months.

Renaissance Corporation has further advanced its plans to float **Conduit** on the Singapore stockmarket. Singapore based **DBS Bank** will sponsor the listing, with a prospectus expected this year and the company listing in the first quarter of 2001. Conduit will seek to make a placement with a "value adding Asian investor" ahead of its float raising about NZ\$25 million in new equity for Conduit and perhaps a few million for

Renaissance from the partial sale of some of its Conduit shares. Renaissance will distribute 45% of the shares in Conduit (worth about NZ\$49 million) to its own shareholders at no cost (about 130 cents per Renaissance share) and retain about 15% of Conduit (worth about NZ\$16 million).

Successfully floating Conduit will therefore realise around \$65-70 million for Renaissance and its shareholders, yet the stockmarket is valuing the *whole* company at just NZ\$35-37 million. There may well be some uncertainty in this proposed share float, but \$35-37 million would appear to be simply the fair value of the NZ importing and distribution business - so the market is ignoring the potential gains from the Conduit float. If Conduit is successfully floated in Singapore, existing Renaissance shareholders will receive Conduit shares worth about 125% of their current investment in Renaissance. Buy.

South Port New Zealand has raised profits by 39.7% to \$1,958,000 (6.0 cents per share) although revenues - reflecting the sale of the non-port businesses - fell 34.4% to \$19.2 million. The annual dividend will remain steady at 5.5 cents (plus tax credits).

At the June 30 balance date the company had interest bearing debts of \$5.0 million - and cash of \$4.5 million - so those borrowings have now been repaid. South Port now plans to "establish a more commercial mix of debt and Shareholders Equity" and will probably use bank debt to make a pro-rata buy back of shares.

With Shareholders Equity at \$30.9 million, the company could borrow around \$15 million to be returned to shareholders. That would allow South Port, for example, to re-purchase 40% of its shares at \$1.15 per share. Earnings per share on the remaining capital would be approximately unchanged, but any further improvement in profit would lead to a significantly higher percentage growth in earnings per share. If the lower exchange rate boosts exports, South Port could benefit from higher volumes and from the provision of warehousing and storage facilities. Hold.

Tourism Holdings has lifted revenues by 17.7% to \$199.0 million for the year to June 30. Trading profits rose 61.9% to \$16,291,000 (17.7 cents per share), while the dividend rate rose 92.5% to 8.5555 cents (plus full imputation tax credits).

Australian Shares

Abigroup has reported a 9.8% fall in profits to A\$14,332,000 (30.1 cents per share). Revenues were unchanged (up 0.1%) at A\$705.7 million, but the annual dividend rate is being raised 7.1% to 15.0 cents.

Group profits fell only A\$1.5 million *after* A\$9.3 million of costs associated with its investment in the Sydney SuperDome. This facility - which Abigroup will operate until January 2031 - incurred operating losses of A\$3.5 million during its establishment phase, as well as costing A\$5.8 million in depreciation and interest funding costs. The facility is currently being used for the Olympics and will be handed back to Abigroup on November 23. While "confident of the SuperDome's long term future" this investment is not expected to be profitable during the current financial year.

To diversify away from the cyclical business of building construction, Abigroup has been establishing a new Asset Maintenance Business which will now

trade under the name **Abigroup Asset Services**. This division contributed A\$30 million in revenue over the last year (4% of group totals) but has long term contracts that will provide A\$80 million in revenues in each of the next three years (about 11-12% of total revenues). This includes revenue from a recently awarded A\$100 million five year contract to provide civil, mechanical and electrical maintenance for **Yarra Valley Water's** water and sewerage systems.

Abigroup is also seeking to participate in infrastructure projects worth up to A\$2 billion. The company currently has work on hand of A\$900 million - of which A\$420 million is in long term maintenance contracts. Revenue for the 2001 year is expected to be around \$670-720 million.

While expanding in other areas, Abigroup is selling its property syndicate business, **York Capital**. A recent property syndicate failed to raise the A\$24 million being sought, with **Australian Unity** subscribing A\$12 million on the understanding that it could also buy York Capital.

Abigroup is a good "income" share (funded by profits from its building/construction/maintenance businesses) but also has significant investments in listed **Hills Motorway** and in the Sydney SuperDome. We rate the shares an attractive "Hold+" for income and for future growth potential. That potential will come from (1) an earnings contribution from the Sydney SuperDome and/or (2) realising some or all of its Hills Motorway investment that will release A\$64 million (A\$1.35 per Abigroup share). **Macquaries Infrastructure** is planning a scrip takeover of Hills Motorway, after which Abigroup may decide to sell the Macquarie Infrastructure shares rather than remaining a small minority shareholder in a very big trust.

Atlas Pacific's revenue for the six months to June 30 rose 11-fold to A\$4,536,000 and generated a profit of A\$2,039,000 (3.7 cents per share), compared with a trading loss of A\$696,000 in the first half of last year.

A fourth harvest was completed in August, yielding 7,500 saleable pearls from 9,500 oysters. One joint venture partner (where Atlas Pacific supplied surplus oysters and will receive 50% of revenue after deducting the partner's costs) is currently harvesting 14,000 oysters. A second joint venture partner plans to harvest 13,000 oysters in October - but these sales may not be made until the New Year (i.e. in Atlas Pacific's next financial year).

Atlas Pacific had budgeted to nucleate 130,000 oysters - but has nucleated a record 143,544. The company has also made its first commercial sale of 20kg of dried oyster meat with this by-product expected to "bring in a steady and useful income" over time. The sale of 25,000 spat (i.e. small oysters), surplus to the company's own requirements, has realised A\$200,000 - and more may be sold.

The shares and convertible notes of Atlas Pacific appear to be depressed owing to unrest in Indonesia. The pearl farm, however, is located on a remote island away from major population areas and the company seeks to maintain good relations with the national government, local government and the local population. Atlas Pacific employs locals in all aspects of its operations and is the only source of paid employment for local

fishing villages.

At the present time there is a large *spread* between the buy and sell quotes on both the Atlas Pacific shares and convertible notes, so investors should place limit orders around the level of recent sales. The convertible notes - paying 1.875 cents interest per year - should be worth about two cents more than the ordinary shares.

Auspine has announced "subdued trading in the first quarter" with timber sales "substantially down on expectations". This is partially offset by strong demand for export woodchip. While this post-GST downturn may be worse than expected, residential building is generally expected to be down only 10-15% over the full year. Auspine shares trade at a very low Price/Earnings ratio and offer a high Dividend Yield, so are still an attractive "Buy".

Biron Corporation has reported a 40.0% drop in revenues to A\$3.9 million for the year to June 30. The trading loss improved to A\$151,000 (0.7 cent per share), compared with last year's trading loss of A\$241,000. In addition there were abnormal losses of A\$470,000 (compared with an abnormal gain of A\$726,000 last year). The profit includes an A\$270,000 capital gain on some of its investment in Atlas Pacific convertible notes. Last year there was a 2.0 cents dividend, but this year no dividend will be paid as the company conserves funds for new ventures.

As we have pointed out in previous years, the profit figure is a little misleading as it is *after* deducting substantial depreciation and amortisation. These non-cash expenses amounted to A\$1,330,000 in the latest year - so although the company traded "unprofitably" it did generate an A\$2,047,000 cash surplus from operations!

Biron Corporation currently holds cash of A\$3.0 million (13.8 cents per share), Atlas Pacific notes worth A\$1.3 million (6.2 cents per share) and other net assets used in its created emerald business with a book value of A\$6.2 million (28.6 cents per share). The directors are finalising a contract for the sale of the created emerald business - which will be subject to shareholder approval at an Extraordinary General Meeting to be held later this year. The company will also consider the sale of the intellectual property and plant associated with its *Bironite* project which produces pearl nuclei.

The board has "investigated a number of investment opportunities in both listed and non-listed companies. No investment has been made, but a number of investigations continue". This restructuring should realise a value closer to Biron Holdings net asset value of 50 cents, so the shares remain a sound "Hold".

Campbell Brothers has begun construction of its new A\$12 million head office which will be completed in April 2001 when the company will move from its existing building, sold to the Brisbane City Council for A\$14.1 million to make way for a by-pass road.

Although best known for is Soap & Chemicals, Campbell Brothers earns 35-40% of its profits from its Laboratory Services business. Listed competitor, **Scientific Services**, has recently reported a 40.7% increase in profits for the year to June 30 - suggesting a recovery in this sector.

Central Equity has received A\$35 million from settlements of apartments in (Continued on Page 6)

Recommended Investments (Continued from Page 5) its *Melbourne Condos* and A\$26 million in settlements for *The Plaza*. The remaining four towers which make up this *Central Gardens* development are now all pre-sold and will be completed at different times throughout the 2001 calendar year.

James Hardie Industries is to release a new fibre cement reinforced pipe product in the United States in competition with **C.S.R.** The James Hardie product is said to be "lower cost, easier to handle and quicker to install". C.S.R. currently has a 38% market share of the concrete pipe market in the South Eastern states, with James Hardie hoping to win a 20% market share.

Hamilton Island's revenue rose 24.9% to A\$90.5 million for the year to June 30. Trading profits almost doubled - up 83.4% - to A\$12,582,000. Earnings per share were 27.9 cents, up only 29.2% owing to the increase in issued capital following the cash issue in late 1999. In addition, the company reports an abnormal accounting tax gain of A\$7,594,000 relating to the treatment of income tax. Net cash flow from operations was A\$16.4 million.

As Hamilton Island has no imputation tax credits it will not pay a final dividend - so the annual payout falls 30.8% to 9.0 cents - but will retain cash to repay interest bearing debts. The directors will also look at other methods of distributing cash to shareholders (i.e. a share buy-back).

The fourth quarter was strong for the Resort (earnings before interest up 22% to A\$2.4 million) and the Airport (earnings up 67% to A\$1.7 million) but Land Sales recorded an A\$1.1 million loss (compared with an A\$2.0 million profit in 1999). The company had previously recorded the sale of the Southern Marina for A\$3.0 million (and a substantial profit), but the purchaser has failed to settle this transaction - so Hamilton Island has written back that previously reported profit in the final quarter of the June 2000 year.

Hamilton Island is set to experience further growth: The 40-berth expansion to the Hamilton Island marina is almost complete. The company has begun refurbishing its 60 room *Allamanda Lodge* - which has not been used since the downturn in tourism in 1996. This facility will be renamed *Coconut Palm Terraces* and open in December this year, in time for the peak season. A\$3.5 million will also be spent refurbishing the *Reef View Hotel* - the main hotel facility.

Hamilton Island's profit would have been up about 40% were it not for the unsettled property sale that has required the company to write back a substantial profit reported earlier in the year. Medium to long term the company will continue to benefit considerably from the opening up of its airport which is bringing in a greater number of tourist visitors. Many of the costs of operating a resort and airport are fixed, so a small percentage increase in tourists (i.e. revenue) will result in a larger percentage increase in profitability.

Toll Holdings has continued to improve the performance of its transport operations - most of which have been acquired over recent years from other operators unable to run the businesses profitably. In a year of consolidation, revenues rose only 4.2% to A\$1,384.3 million while profits (before small abnormal

gains) rose 35.6% to A\$39,605,000 (65.4 cents per share). The final dividend will be raised 3.0 cents to 15.0 cents, lifting the annual rate by 27.3% to 28.0 cents.

Toll Holdings' takeover offer for **Finemore Holdings** has lapsed. Rival transport firm **Linfox** purchased more than 10% of Finemore, preventing Toll from achieving 90% acceptances (and compulsory acquisition of the remaining shares) that would allow it to integrate Finemore and achieve operational efficiencies.

The NSW government has announced plans to privatise its freight business, **FreightCorp**, along with the privatisation of **National Rail Corporation** (which is jointly owned by the Federal, NSW and Victorian governments). Toll Holdings will be a member of a consortium bidding for these rail businesses.

Toll Logistics and **Australia Post** have been selected by **Harris Scarfe** to supply warehousing and deliveries for its new online clothing retailing operation.

Despite the share price having risen 4½ fold since our initial recommendation just two years ago, Toll Holdings is not looking too expensive. The Price/Sales ratio at 0.47 and the Price/Earnings ratio of 16.6 both look reasonable, although the Dividend Yield is a little low at 2.6%.

Toll Holdings has a successful track record of cheaply acquiring transport businesses that others could not run efficiently - then turning them into profitable operations and quickly repaying the money borrowed to finance the acquisition out of operating cash flows.

Toll Holdings is also an excellent example of how to make money from technology. Toll Holdings isn't a "technology" company involved in creating and selling technology. It is an *old economy* company that *uses technology* to be more efficient, and to provide better services to its customers, than its competitors. It has purchased and developed technology to run its business better and can now grow its profits by acquiring less efficient competitors, merging those operations and applying its technology to run those businesses better.

While Toll Holdings has been unable to expand its business by taking over Finemore, its involvement in the privatisation of rail could offer significant growth opportunities. Therefore we continue to rate Toll Holdings shares as a very attractive investment (i.e. "Hold+") that has the potential to yield significant further gains!

[Editor's Note: A competitor investment advisory service - which I will not name - rated Toll Holdings a Sell at about A\$6.50 early this year owing to "rising fuel costs".]

Utility Services Corporation lifted revenues 17.4% to A\$79.6 million in the year to June 30, but profits rose 26.7% to A\$3,786,000. Adjusted for cash issues, earnings per share were 12.6% higher at 3.7 cents. The company will not pay a dividend, retaining all of its funds to finance growth and acquisitions.

Logica plc has completed due diligence and confirmed its interest in acquiring the majority of the MITS business but the terms of the sale have not been finalised. The structure of the sale is important to minimise tax payable by Utility Services on the sale. The sale will need shareholder approval - but should

October 10, 2000.

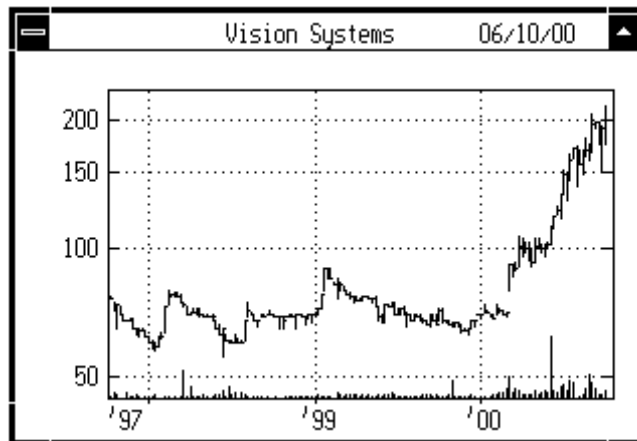
realise around A\$1 per share in cash for Utility Services. With the shares trading around 75 cents, Utility Services must rate a "Buy" simply on the cash holding that will be generated by the business sale.

Vision Systems has received an A\$8.1 million (plus GST) commission after its recently sold Defence business was awarded the Australian Army's NINOX Ground Surveillance Radar Project. This will have little impact on profitability as A\$8.0 million had *already* been accounted for in Vision Systems' sale of the Defence business. The company, however, has now received that money, raising its cash holding to A\$65 million (45 cents per share).

Vision Systems has also announced that its 9.9% shareholding in TTP Communications could be worth almost double its original estimate. That would value this investment at A\$0.40-0.80 per Vision Systems share! Vision Systems will sell 8% of its TTP Communications shares in the stockmarket float, with its remaining 9.1% shareholding held in escrow (i.e. unable to be traded) for twelve months. Vision Systems has again indicated that "the benefits of the investment in TTPCom be passed on to shareholders" but will realise only A\$4-9 million in the float with the remaining

A\$50-105 million investment not available for sale until after November 2001. TTPCom is expected to begin trading on the London Stock Exchange shortly after October 13.

While Vision Systems' profit growth has been disappointing, the company has been able to surprise by generating significant value from its businesses (i.e. the sale of the Defence division) and its technology (i.e. TTPCom). We therefore rate the shares a "Hold+" and will let our profits run.



Share Recommendations

Owing to the deterioration in our stockmarket forecast for New Zealand we have decided to sell some of our local investments and build up a cash reserve.

Sell Apple Fields

SELL Apple Fields

We shall take the opportunity to clean Apple Fields out of our Recommended Portfolio. This company has been a disappointment but long ago lost virtually all of its value.

Sell Designer Textiles

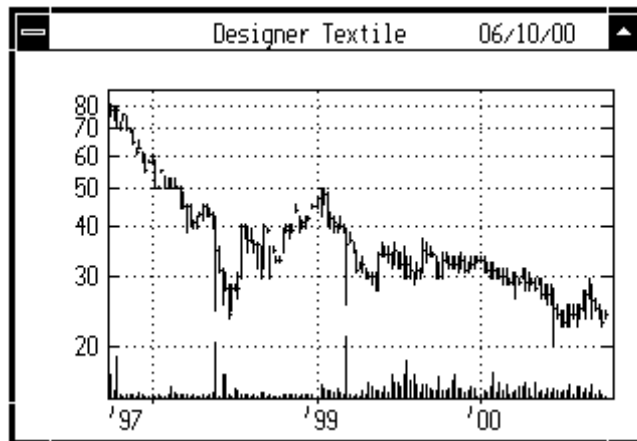
Sell Designer Textiles

Designer Textiles has failed to achieve the recovery potential that we saw in the company. Designer Textiles had talked about realising some of the \$11 million invested in land and buildings, as well as some of the \$13 million in working capital. This money was to be used to fund expansion or to be returned to shareholders. Unfortunately, the investment in land and buildings is still around \$10 million, while working capital has expanded to \$17 million! So Designer Textiles has failed to invest these funds more profitably.

Designer Textiles has made one major acquisition - Moller Textiles, but that business was not particularly cheap - so has had little impact on profitability. The Moller Textiles business was also funded with new borrowings - so did not represent a better use of the company's existing funds.

There still remains potential to run this business

better and increase Shareholders wealth. The existing management - in the existing business environment - have, however, been unable to make any significant progress. Sell.



Sell Owens Group

SELL Owens Group

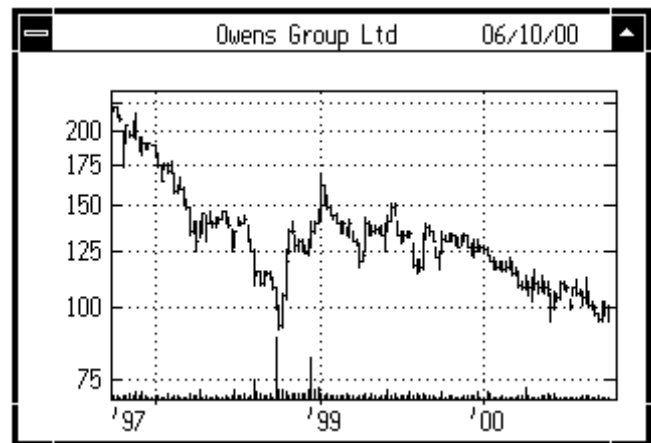
Our investment in Owens Group peaked in January 1997 at 240 cents - and the shares have since lost half

of their value (although we have received quite a bit of cash from capital repayments and special dividends over the last few years). Despite *(Continued on Page 8)*

Share Recommendations (Continued from Page 7) this decline in value over the last three years, Owens Group has been a very successful investment for us. Our initial 47 cents cost price has yielded cash dividends of 81.8 cents - so we have more than recouped our investment (and a return on our capital) from dividends over the last 9½ years. In addition, the current share price is more than double our initial cost. Overall, Owens Group has increased 3.9-fold in value!

Over the last few years Owens Group has not performed well, with profitability declining. The company appears to be seeking improvements and new growth opportunities, but will probably struggle in the short term given high fuel prices, a very competitive market and the downturn in the NZ economy.

In this situation, we shall realise this investment.



Sell PDL Holdings

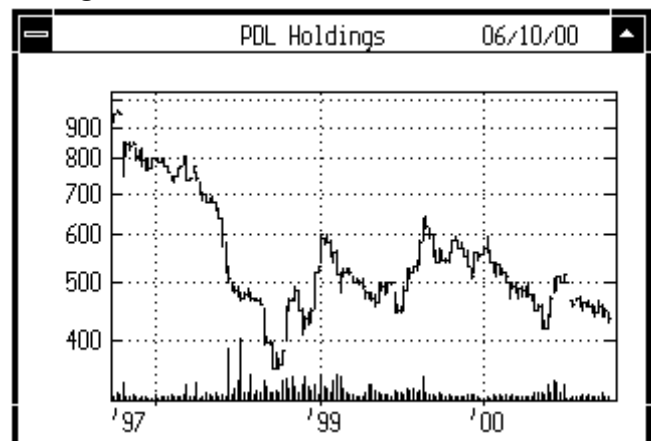
SELL PDL Holdings

PDL Holdings shares continue to trade at a low valuation, but this company has disappointed in its ability to turn its technology, manufacturing expertise, marketing skill and export potential into the growth and profitability that could have been possible.

After the Asian crisis, PDL Holdings closed many of its Asian manufacturing operations. That suggested that they were manufacturing for Asian markets, when these should have been used as low cost manufacturing plants for PDL Holdings' Australasian or European markets. Restructuring over the last few years has been slow to yield results - with profits still below levels earned in the early and mid- 1990's. The company had planned to boost profits by reducing operating costs and interest costs (through better management of stock and debtors) but has yet to realise any profitability gains. New, higher margin products hold out the promise of better returns in the future - but

the company has yet to make any meaningful changes in its product mix.

The *potential* to do significantly better remains, but PDL Holdings is making very little progress, so we are cutting our losses on this investment.



Sell Tourism Holdings

SELL Tourism Holdings

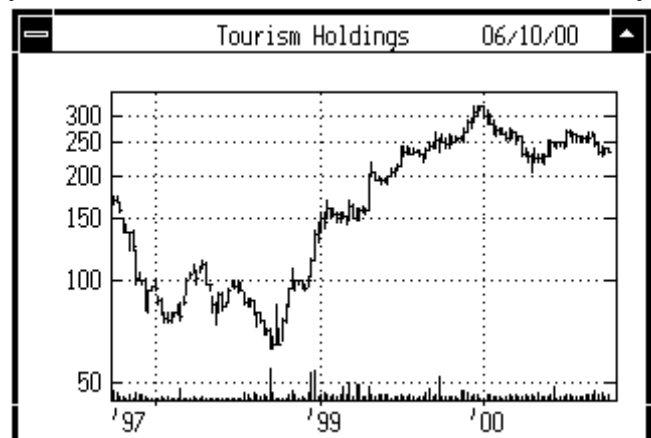
We have held Tourism Holdings for so long - and there have been so many changes - that it is difficult to summarise this investment. We originally bought into the company early in the 1992/93 smaller companies boom and the shares *tripled* in value over the next two years. Our mistake was not selling in 1994 or 1995.

Tourism Holdings suffered during the mid-1990's owing to high interest rates (which eroded profits owing to its high debt levels) and the high exchange rate (which depressed tourism). The shares fell particularly sharply (i.e. lost over half their value) in response to the October 1997 Asian crisis as the market over-estimated the impact that this would have on the company! Since late 1998 the shares have recovered strongly.

Along the way the company has changed significantly and is now mainly involved in the rental of campervans in NZ and Australia. That is a nice business, but very capital intensive. Much of the company's operating cashflows now need to be re-invested in continuously replacing and updating its fleet of campervans. We believe that the best investments are in companies that

are not capital intensive and which generate large *free* cash flows - such companies being able to rapidly expand without the need to keep raising capital from shareholders or increasing their interest bearing debt.

Given Tourism Holdings' current business, we believe the shares are reasonably fully priced and recommend realising this investment. Our Recommended Portfolio shows a 111% gain over eight years, but our actual returns have been boosted by



additional share purchases in recent years - including taking up entitlements to a 2 for 7 cash issue at just 70 cents (May 1998) and a 1 for 3 cash issue at 215 cents

(October 1999) which were followed by a 1 for 8 bonus issue in March this year.

Sell Hancock & Gore

SELL Hancock & Gore

This is another company from which we expected big things but ultimately has been a disappointment.

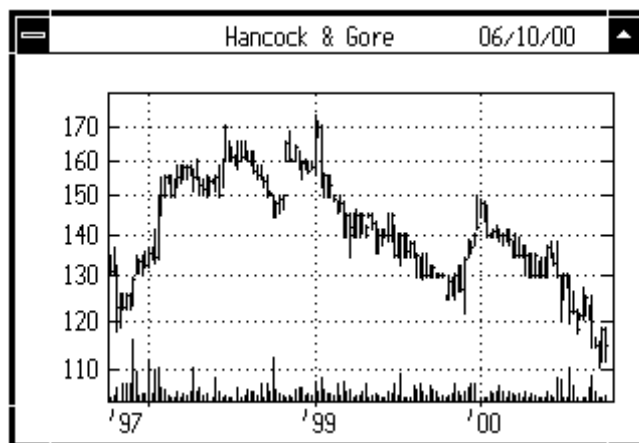
Hancock & Gore has a very attractive investment style. The company buys under-performing businesses, turns them around and then sells off 50% of the equity to its management or an industry partner. This 50% sale frees up most of Hancock & Gore's original capital and its own management to find new turn around situations, while building a portfolio of 50% owned businesses run by their own management.

What went wrong? Firstly, Hancock & Gore's management have not been able to identify potential new investments - with no *major* acquisitions over the last few years. Over the last year, the company has been cashed up and actively - but unsuccessfully - searching for a suitable acquisition. It is, of course, better to make *no acquisitions* than to make the *wrong acquisition*, but to fulfil its potential Hancock & Gore does need to buy companies and turn them around, not just sit on a pile of cash.

Secondly, Hancock & Gore's main business - GMA Garnet - has not performed as well as expected. Soon after we bought into Hancock & Gore it upgraded the plant and machinery in GMA Garnet to double

production volumes. This increased interest and depreciation costs, but demand for garnet (an industrial abrasive) has not increased and prices have been weak owing to foreign competition. A slowdown in world economic growth rates may cause this situation of slow demand growth and low prices to continue.

There is no shortage of *other* attractive investment opportunities, and therefore we are recommending that investors realise this investment and re-invest the money elsewhere.



Buy Australian listed McPhersons Ltd

BUY Australian listed McPhersons

McPhersons (MCP) shares qualify as a Buy under three sections of our *Comprehensive Share Selection Criteria*. In addition, profits have recovered strongly over the last year and the dividend payout has been raised significantly following the company's successful restructuring over the last several years. McPhersons is now focused upon high cash flow businesses, capable of earning a high return on Shareholders Equity. What more could we want in a "perfect investment" except stockbroker and institutional neglect - and yes, McPhersons offers that too.

Company History

McPhersons was incorporated as a private company in 1913 and converted to a public company in 1944. Over the years the company has been involved in many businesses - mainly involving consumer products, printing, fasteners, metals and pumps.

Current Business

The company performed poorly during the late 1980's and the early 1990's, restructuring and selling off all of its businesses to concentrate on **Housewares** (operating in Australia, North America and Europe and marketing kitchen knives, kitchen utensils, glassware) and **Printing** (in Victoria and New South Wales, producing books, greeting cards, stamps and telephone directories).

As a result of losses in the 1980's and 1990's McPhersons has "considerable Australian tax losses".

While the Housewares and Printing divisions each

produce about half of the group's total revenues and profits, it is the Housewares division that offers the best potential for continued growth. For the year to June 2000, the Housewares Division generated revenues of A\$114.6 million (up 61.3%) and earnings (before interest) of A\$8.4 million (up 442.8%, recovering from a low base), while Printing generated revenues of A\$121.2 million (up 2.6%) and earnings of A\$8.9 million (up 28.4%).

Recent Results

For the year to June 1998, revenues fell 4.5% to A\$221.0 million while trading profits rose 30.3% to A\$7,262,000 (18.5 cents per share). There were, however, abnormal losses of A\$4,561,000 and the annual dividend rate was cut 31.5% to 6.5 cents.

Revenues again fell slightly for the June 1999 year: down 8.2% to A\$193.8 million. Trading profits fell 32.9% to A\$4,873,000 (12.4 cents per share) and abnormal losses fell to just A\$1,491,000. The annual dividend remained steady at 6.5 cents. The lower profit resulted from problems with the European and North American housewares businesses adapting to lower cost Asian imports. While the North American business has since improved, McPhersons continues to lose money in the UK where retail sales have slumped and the company has a high cost manufacturing plant.

For the year to June 2000, revenues rose 23.5% to A\$239.3 million with profits up 118.2% to A\$10,631,000 (27.1 cents per share). The annual dividend rate has been raised 84.6% to 12.0 cents, (*Continued on Page 10*)

BUY McPhersons (Continued from Page 9) with a final 6.0 cents dividend payable on October 27 (ex-dividend September 29).

Growth Strategy

McPhersons sees most of its future growth coming from its Housewares division. The company has moved away from manufacturing to sourcing product from cheaper Asian markets. A Hong Kong based sourcing business was established in 1996 - originally as a defensive move against cheap Asian imports - but this has developed into a "well managed and highly skilled sourcing operation" with "almost infinite capacity" and which "can be extended into a broader range of products". The strong sales and distribution operation in NZ and Australia have "the capacity to handle a wider range of products". Moving to outsourced manufacturing has had the added advantage of requiring very little capital investment by McPhersons. The Housewares businesses generate a high level of cash flow but very little of this needs to be re-invested in the existing businesses - so this money is available to fund acquisitions. McPhersons is therefore seeking to acquire "compatible, high cash flow businesses" which can be acquired at attractive P/E multiples.

Recent Acquisitions

McPhersons main criteria for identifying compatible acquisitions is "a sustainable return of 20% (before interest and tax) to funds employed".

CPS Housewares was acquired in July 1999 for A\$21 million. That business was expected to add A\$35 million to revenues, so was purchased at a Price/Sales ratio of 0.60. In fact, merging CPS Housewares with the company's original Housewares division has been extremely successful and generated higher than expected cost savings and profits. Following initial restructuring costs, this acquisition will more than achieve a 20% return on assets.

In November 1999, **Paramount Trading Company**, an Auckland based company marketing kitchenware and other household products, was purchased for less than NZ\$3 million.

In February 2000, McPhersons invested A\$17 million in **Crown Glassware** - A\$12 million to buy the business from **Australian Consolidated Industries** and A\$5 million for new working capital. Crown Glassware's business is in the hospitality industry where it supplies over 80% of the Australian beer glass market. This is a fairly steady business (i.e. selling glasses to replace normal breakages) but McPhersons believes it can add value to this acquisition by using Crown Glassware's

distribution system to sell other houseware products to the hospitality industry. Crown Glassware generates annual sales of A\$25 million and we estimate profits at A\$1.5-2.0 million, so this business was acquired at a P/S ratio of 0.68 and a P/E ratio of 8-11.

Possible Share Buy-Back?

The three acquisitions over the last year suggest that McPhersons is successful at identifying and acquiring suitable businesses at attractive prices. The directors, however, stated in November 1999 that "in the event that further value-adding opportunities do not arise, or do not arise often enough, the Board will have little hesitation in seeking appropriate means to return accumulated cash to shareholders". Given that the company has no franking credits (owing to accumulated tax losses) the most *appropriate means* to distribute cash could be via a share buy-back. Following the Crown Glassware acquisition, however, a share buy-back is unlikely during the next 6-18 months. Nevertheless, the directors have significantly raised the annual (unfranked) dividend rate in line with the profit increase for the June 2000 year.

Investment Criteria

At A\$1.25, McPhersons shares are trading on a very low Price/Sales ratio of 0.20, a low Price/Earnings ratio of 4.6 and offer a Dividend Yield of 9.6%. Those statistics look very under-valued, with our *Comprehensive Share Selection Criteria* rating McPhersons shares as a "Buy" under the Under-Valued Shares criteria.

As previously discussed, McPhersons operates businesses that generate a high cash flow that is not needed in the existing business. This will fund future acquisitions and, as the company seeks a high return from these acquisitions, any funds retained within the business should generate strong growth in profits.

With a capitalisation of A\$51 million, McPhersons is a *smaller* listed company. The shares are *neglected* by institutional investors and by brokers. The five largest institutional investors own just 16% of the company and only one stockbroker publishes profit forecasts for McPhersons.

In addition, there have been four *insider* purchases during the last year which qualifies the shares as a "Buy" under our *Insider Buying* criteria. Chairman RC King purchased 100,000 shares in October 1999, 90,000 shares in November 1999, 100,000 shares in April 2000 and another 100,000 shares last month. This gives him a holding of 1,387,956 shares or 3.5% of the company.

McPhersons shares also qualify as a "Buy" under the *Best Performing* section of our *Selection Criteria*. With a Relative Strength Rating of 7.9% the shares are ranked 17 (on a scale of 0-99) - indicating that the shares are at the start of a new uptrend.

Summary and Recommendation

The best investments are companies that generate a high free cash flow that is not needed in the business but available for distribution to shareholders or to fund acquisitions to generate future growth. McPhersons is one such company

We recommend McPhersons shares for investment owing to their high current income plus their potential for above average long term capital growth (as the shares are re-rated and as profits grow from internal expansion and acquisitions).



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	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Brokers Following							
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Wrightsons Ltd	53	+15.0	+1.0	6	-	0.7	7	1.7	9	11.3	0.12	71
Williams Kettle	250	+9.7	+0.7	11	-	1.0	11	0.6	9	9.0	0.23	37
Renaissance	105	+31.1	+10.0	1	-	2.8	3	2.1	85	1.4	0.30	37
FC - Building	220	+1.0	+1.3	43	9	0.8	11	1.3	7	10.9	0.32	754
Col Motor Co	335	+8.7	-0.6	14	-	1.3	10	0.8	13	8.2	0.32	93
Nufarm Limited	395	+0.5	-1.9	49	2	1.2	14	0.8	9	5.7	0.32	613
Steel & Tube	140	+0.7	+1.3	46	8	1.0	11	1.3	9	12.8	0.33	123
Nuplex Indust	301	+1.0	+0.1	42	7	1.4	15	1.0	9	7.4	0.44	169
DB Group	310	+10.0	+1.6	11	6	1.4	13	0.7	11	7.7	0.49	313
Reid Farmers	80	+10.8	-1.5	9	-	1.3	13	1.2	10	9.3	0.52	45
Michael Hill	300	+0.8	+0.3	44	4	2.7	23	0.9	12	6.7	0.63	116
Taylor's Grp Ltd	110	+2.0	-1.4	37	-	1.4	12	1.2	12	8.1	0.68	27
Cavalier Corp	420	+10.1	+3.2	10	4	1.9	16	0.9	12	10.7	0.69	151
Bendon Limited	170	+4.7	-2.0	28	3	1.5	15	1.1	10	2.9	0.70	52
AMP Limited	2266	+7.3	-0.4	17	-	2.5	14	0.7	18	2.3	0.70	24,395
Mr Chips Hold	85	+14.9	+4.3	6	-	2.7	21	0.9	13	10.5	0.74	13
Hallenstein G.	210	+2.2	+1.4	36	5	3.6	34	1.0	11	13.1	0.75	122
Tranz Rail Hold	375	+7.9	-1.3	15	9	1.0	15	0.9	6	2.3	0.80	453

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0												
Wrightsons Ltd	53	+15.0	+1.0	6	-	0.7	7	1.4	9	11.3	0.12	71
Mr Chips Hold	85	+14.9	+4.3	6	-	2.7	21	0.7	13	10.5	0.74	13
Reid Farmers	80	+10.8	-1.5	9	-	1.3	13	0.9	10	9.3	0.52	45
Cavalier Corp	420	+10.1	+3.2	10	4	1.9	16	0.8	12	10.7	0.69	151
DB Group	310	+10.0	+1.6	11	6	1.4	13	0.6	11	7.7	0.49	313
Williams Kettle	250	+9.7	+0.7	11	-	1.0	11	0.5	9	9.0	0.23	37
Col Motor Co	335	+8.7	-0.6	14	-	1.3	10	0.6	13	8.2	0.32	93
Tranz Rail Hold	375	+7.9	-1.3	15	9	1.0	15	0.8	6	2.3	0.80	453
AMP Limited	2266	+7.3	-0.4	17	-	2.5	14	0.6	18	2.3	0.70	24,395
Bendon Limited	170	+4.7	-2.0	28	3	1.5	15	0.9	10	2.9	0.70	52
FC - Forests	67	+3.3	-1.6	33	9	0.4	5	1.3	8	Nil	0.92	573
Hallenstein G.	210	+2.2	+1.4	36	5	3.6	34	0.9	11	13.1	0.75	122
Taylor's Grp Ltd	110	+2.0	-1.4	37	-	1.4	12	1.0	12	8.1	0.68	27
Nuplex Indust	301	+1.0	+0.1	42	7	1.4	15	0.9	9	7.4	0.44	169
FC - Building	220	+1.0	+1.3	43	9	0.8	11	1.2	7	10.9	0.32	754
Michael Hill	300	+0.8	+0.3	44	4	2.7	23	0.8	12	6.7	0.63	116
Steel & Tube	140	+0.7	+1.3	46	8	1.0	11	1.1	9	12.8	0.33	123
Nufarm Limited	395	+0.5	-1.9	49	2	1.2	14	0.7	9	5.7	0.32	613

INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million												
Hallenstein G.	210	+2.2	+1.4	36	5	3.6	34	0.8	11	13.1	0.75	122
Steel & Tube	140	+0.7	+1.3	46	8	1.0	11	1.0	9	12.8	0.33	123

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Brokers Following							
Telecom Corp	548	-10.2	-2.0	84	10	8.5	68	0.6	13	12.5	2.22	9,620
Sky City Ltd	680	+5.4	+1.8	26	10	4.2	38	0.5	11	12.3	2.22	655
FC - Building	220	+1.0	+1.3	43	9	0.8	11	1.1	7	10.9	0.32	754
Cavalier Corp	420	+10.1	+3.2	10	4	1.9	16	0.7	12	10.7	0.69	151
Lyttelton Port	153	+5.0	+1.6	27	5	4.7	45	0.9	10	10.0	2.68	156
Contact Energy	258	-4.9	-1.2	71	10	1.0	7	0.6	14	9.1	7.46	1,558
Infratil NZ	121	+1.0	+0.6	44	6	1.6	19	0.6	9	8.6	7.23	229
United Networks	711	+6.8	+1.9	19	6	1.4	14	0.4	10	8.4	2.39	1,077

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												
Beauty Direct	7	-25.8	+1.5	97	-	0.6	-	2.0	NE	Nil	9.72	2
Contact Energy	258	-4.9	-1.2	71	10	1.0	7	0.6	14	9.1	7.46	1,558
Newcall Group	14	-20.9	-7.1	96	-	1.0	-	1.9	NE	Nil	4.33	13
Pure NZ Limited	9	-20.6	-2.1	95	-	4.1	-	2.1	NE	Nil	4.09	3
Ports Auckland	389	-3.9	+0.1	67	10	2.1	19	0.5	12	6.9	3.34	515
Telecom Corp	548	-10.2	-2.0	84	10	8.5	68	0.6	13	12.5	2.22	9,620
NZ Oil and Gas	30	-5.2	+3.9	72	-	0.7	-	0.9	NE	Nil	1.91	35
Cue Energy Ltd	5	-12.4	+1.1	90	-	0.6	-	2.5	NE	Nil	1.87	16
Advantage HDS	195	-12.1	-3.3	89	-	1.9	3	0.9	68	Nil	1.84	118
Savoy Equities	4	-6.8	+3.1	79	-	0.2	-	3.3	NE	Nil	1.50	16

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Spectrum Res.	4	-48.7	+0.0	98	-	2.3	-	2.7	NE	Nil	N/A	4
Aquaria 21	4	-33.1	+0.6	98	-	1.0	-	2.8	NE	Nil	0.68	8
Beauty Direct	7	-25.8	+1.5	97	-	0.6	-	1.8	NE	Nil	9.72	2
Newcall Group	14	-20.9	-7.1	96	-	1.0	-	1.8	NE	Nil	4.33	13
Pure NZ Limited	9	-20.6	-2.1	95	-	4.1	-	1.9	NE	Nil	4.09	3
Eldercare NZ	22	-18.8	-6.5	95	-	0.9	15	1.5	6	Nil	1.30	33
E-Force Limited	13	-17.9	-5.0	94	-	1.8	-	2.1	NE	Nil	0.78	4
Force Corp.	29	-16.8	-0.6	93	6	0.9	9	1.4	10	5.1	0.82	45
Orter Gold Mine	39	-13.0	-0.9	92	-	0.5	-	0.8	NE	Nil	0.25	20
National Mail	73	-12.7	-2.8	91	-	-	-	0.9	NE	Nil	N/A	18
E-Phone Ltd	20	-12.7	-0.1	90	-	4.1	-	2.1	NE	Nil	N/A	23
Cue Energy Ltd	5	-12.4	+1.1	90	-	0.6	-	2.3	NE	Nil	1.87	16
Advantage HDS	195	-12.1	-3.3	89	-	1.9	3	0.9	68	Nil	1.84	118
IT Capital Ltd	25	-11.8	-2.5	88	-	1.7	-	1.4	NE	Nil	N/A	37
E-Ventures NZ	45	-11.3	-1.2	87	-	2.0	-	1.2	NE	Nil	N/A	113
Summit Gold Ltd	7	-10.8	-2.4	86	-	1.3	-	2.1	NE	Nil	N/A	6
Shotover Jet	44	-10.4	+0.8	85	-	1.5	4	1.0	39	Nil	0.83	19
Seafresh Fish.	7	-10.4	+0.6	84	-	0.3	4	2.2	8	Nil	0.28	5
Tag Pacific Ltd	23	-9.9	-1.4	83	-	0.6	10	1.3	6	3.5	0.33	15
Trans-Tasman	19	-8.7	+2.8	82	5	0.3	7	1.5	4	Nil	1.01	111

"Strongest" Shares

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

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Brokers Following							
Strongest NZ Shares												
GDC Communicat.	360	+49.6	-5.6	0	-	-	-	0.9	42	Nil	N/A	136
Frucor Bev.	220	+32.6	+12.3	0	-	8.7	38	1.0	23	Nil	1.53	275
Renaissance	105	+31.1	+10.0	1	-	2.8	3	2.1	85	1.4	0.30	37
FC - Energy	778	+28.3	+1.0	2	10	1.1	6	0.8	16	3.5	1.71	2,671
Tasman Agric.	126	+20.8	+4.7	3	2	0.9	7	1.1	13	2.4	3.38	133
Baycorp Hold	1215	+19.3	-2.3	3	9	15.9	26	0.7	61	2.3	N/A	967
Warehouse Group	565	+17.8	-0.4	4	9	9.1	41	0.7	22	3.3	1.47	1,626
Montana Group	326	+16.0	+5.3	5	8	2.5	11	1.0	23	3.2	1.56	700
Wrightsons Ltd	53	+15.0	+1.0	6	-	0.7	7	1.7	9	11.3	0.12	71
Mr Chips Hold	85	+14.9	+4.3	6	-	2.7	21	0.9	13	10.5	0.74	13
Cedenco Foods	125	+13.3	+1.3	7	-	0.9	7	1.2	14	Nil	2.95	19
Norland Port	180	+12.0	+3.0	8	2	1.6	9	1.0	17	6.2	1.44	75
Southern Cap	80	+10.9	+2.5	8	-	2.2	-	1.2	NE	Nil	8.56	58
Reid Farmers	80	+10.8	-1.5	9	-	1.3	13	1.2	10	9.3	0.52	45
Cavalier Corp	420	+10.1	+3.2	10	4	1.9	16	0.9	12	10.7	0.69	151
DB Group	310	+10.0	+1.6	11	6	1.4	13	0.7	11	7.7	0.49	313
Williams Kettle	250	+9.7	+0.7									

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

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

Company	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	
	Share Price	Current	4-Wk Chg.	Rank 0-99										
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0														
Zeolite Aust.	43	-11.5	+0.6	76	0.0	-	5.4	-	0.9	NE	Nil	9.86	9	
Canada Land	7	-6.9	+1.8	65	0.0	-	0.1	-	1.7	NE	Nil	9.86	7	
Premier Invest	199	-6.4	+1.9	64	0.0	-	0.8	2	0.7	35	2.5	9.83	185	
Lake Technology	77	-10.3	-1.8	72	0.0	-	11.0	-	0.8	NE	Nil	9.34	22	
Electrometals	20	-2.1	+2.8	50	0.0	-	-	-	1.2	NE	Nil	9.18	8	
CCK Financial	170	-1.0	-0.7	46	0.0	-	2.4	3	0.7	79	Nil	8.86	40	
Payce Consol.	65	-2.9	-0.8	53	2.0	-	0.6	1	0.9	69	Nil	8.86	22	
Templeton Globa	159	-0.9	+0.6	45	3.1	-	0.9	1	0.7	74	10.7	8.61	135	
Ambition Group	85	-5.7	-0.4	62	4.0	-	-	-	0.8	NE	Nil	8.47	8	
FTR Holdings	33	-6.7	-0.4	65	0.0	-	-	-	1.0	NE	Nil	8.21	47	
Anglo Pacific	42	-6.2	+5.6	63	0.0	-	-	-	0.9	19	0.6	8.05	35	
Sausage Softwar	168	-19.1	-1.9	89	0.5	-	9.3	-	0.7	NE	Nil	7.97	481	
ZyloTech	14	-6.1	+0.5	63	0.0	-	3.5	-	1.3	NE	Nil	7.91	10	
Sedimentary Hld	11	-7.3	-3.1	66	0.0	-	1.8	-	1.4	NE	Nil	7.89	15	
Melbourne IT	235	-20.3	-12.2	91	0.0	-	12.4	11	0.7	115	0.8	7.88	117	
Kaz Computer	95	-34.9	+2.1	98	0.0	-	47.5	43	0.8	110	0.9	7.86	483	
Micromedical	30	-4.4	+0.6	58	1.0	-	5.9	-	1.0	NE	Nil	7.64	31	
Multi-Emedia	17	-23.2	-0.5	93	0.0	-	2.8	1	1.2	283	Nil	7.20	46	
Huada City	66	-9.2	-1.7	70	0.0	-	0.5	6	0.9	8	12.6	7.06	24	
Aust United In	310	-0.3	-0.9	42	1.0	-	0.8	4	0.7	22	4.0	6.75	199	
E-Bet Limited	27	-12.6	-2.7	78	0.0	-	2.9	-	1.1	NE	Nil	6.74	18	
FlowCom Limited	38	-4.2	-4.2	57	0.0	-	-	-	1.0	NE	Nil	6.66	29	
Quadtel NL	47	-3.8	-7.1	56	0.0	-	-	-	0.9	NE	Nil	6.55	28	
Objectif Tele.	38	-17.0	-14.3	86	0.0	-	12.7	41	1.0	31	Nil	6.53	46	
CI Technologies	609	-5.6	+3.5	62	0.2	-	43.21	-	0.6	31	2.7	6.37	317	
Pie Networks	16	-15.4	+1.9	84	0.0	-	1.8	-	1.2	NE	Nil	6.15	8	
Ecorp Limited	175	-14.5	-0.8	82	0.0	-	10.3	-	0.7	NE	Nil	6.15	369	
Hillgrove Gold	8	-10.9	+3.2	74	0.0	-	1.5	-	1.6	NE	Nil	6.15	24	
Aust Infra.	179	-1.5	+0.4	47	0.0	-	5	0.8	12	0.7	6	8.9	6.11	256
Objective Corpo	61	-5.0	-4.2	60	0.0	-	15.3	96	0.9	16	Nil	5.99	82	
ETRADE Aust.	211	-12.5	+3.3	78	1.0	-	5.7	-	0.7	NE	Nil	5.87	127	
Westel Group	27	-18.4	+0.5	88	0.2	-	-	-	1.1	NE	Nil	5.74	42	
Aust Stock Exch	1126	-0.7	-0.1	44	1.4	-	7	8.1	41	0.6	20	5.0	5.66	1,139
RP Data Limited	46	-2.9	-1.9	52	0.0	-	1.0	2	0.9	60	1.6	5.58	63	
Burdekin Pacifi	7	-18.5	-1.2	88	2.1	-	-	-	1.7	NE	Nil	5.36	24	
Entertain't Wld	31	-12.6	+0.3	78	1.0	-	5.2	-	1.0	NE	Nil	5.35	10	
Armourglass Ltd	2	-18.6	+0.4	88	0.0	-	0.4	-	2.5	NE	Nil	5.33	5	
M.Y.O.B. Ltd	362	-26.7	-0.2	95	0.0	-	72.4	-	0.7	34	0.9	5.20	889	
M2M Corporation	21	-0.6	-0.5	44	0.0	-	1.2	6	1.1	21	Nil	5.12	23	
Oil Search Ltd	156	-3.7	-1.3	56	0.0	10	-	-	0.7	49	Nil	4.89	899	
World.net Serv.	52	-4.5	-3.2	58	0.0	-	-	-	0.9	NE	Nil	4.86	9	
Pocket Mail Grp	11	-18.3	+2.7	88	0.0	-	-	-	1.4	NE	Nil	4.79	7	
Beston Wine Ind	84	-3.2	+2.6	53	0.0	-	84.0	-	0.8	9	10.2	4.78	13	
Harvest Road	40	-19.9	+0.1	90	1.0	-	1.3	-	1.0	NE	Nil	4.73	14	
Deep Sea Fish.	64	-32.9	+2.0	98	0.0	-	1.3	2	0.9	57	2.5	4.62	35	
CPT Global Ltd	120	-1.6	-1.6	48	0.0	-	10.0	10	0.8	102	7.5	4.61	34	
Terraplanet.com	44	-3.6	-2.9	55	0.0	-	2.1	5	0.9	46	Nil	4.58	37	
Quantum Res.	8	-15.4	+0.9	83	0.0	-	-	-	1.6	NE	Nil	4.53	14	
Dominion Mining	38	-1.4	-3.2	47	0.0	-	-	-	1.0	NE	Nil	4.51	25	

Company	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Current	4-Wk Chg.	Rank 0-99									
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Plexus Int'l	10	-47.4	+0.0	99	0.0	-	-	-	1.4	NE	Nil	2.87	8
Timbercorp	195	-41.2	+0.8	99	0.0	-	3.6	54	0.7	7	3.6	2.35	384
Eisa Ltd	14	-40.9	+0.2	99	0.0	-	-	-	1.2	NE	Nil	0.56	9
Copper Mines	2	-40.6	+1.5	99	0.0	-	-	-	2.9	7	Nil	0.58	6
Online Trading	14	-40.1	-0.1	99	3.0	-	2.8	11	1.2	25	Nil	0.92	7
Liberty One	7	-39.9	-1.7	99	0.0	-	3.4	-	1.6	NE	Nil	0.72	19
Kaz Computer	95	-34.9	+2.1	98	0.0	-	47.5	43	0.8	110	0.9	7.86	483
ECAT Dev Capl	6	-34.4	+0.3	98	0.0	-	1.0	-	1.6	NE	Nil	N/A	10
Deep Sea Fish.	64	-32.9	+2.0	98	0.0	-	1.3	2	0.8	57	2.5	4.62	35
BMCMedia.com	42	-32.5	-0.7	98	0.0	-	7.0	-	0.9	NE	Nil	N/A	23
I-Sec Ltd	20	-32.4	+0.7	98	0.0	-	2.0	-	1.1	NE	Nil	3.04	16
Channel E Ltd	15	-32.3	+0.2	98	0.1	-	1.5	-	1.2	NE	Nil	1.61	6
Realestate.com	26	-32.2	+1.0	98	3.0	-	6.5	-	1.0	NE	Nil	2.45	6
Emitch Limited	45	-31.6	+0.7	97	0.0	-	5.6	-	0.9	NE	Nil	3.33	25
B2B.Net Tech.	27	-31.3	-0.0	97	0.0	-	-	-	1.0	NE	Nil	N/A	8
Open Telecom.	205	-29.5	+3.3	97	0.0	-	22.8	-	0.7	NE	Nil	N/A	1,181
Spike Networks	40	-29.1	-2.0	96	0.0	-	-	-	0.9	NE	Nil	0.94	18
POS Media	9	-29.1	-1.8	96	0.0	-	3.0	-	1.4	NE	Nil	N/A	6
Winepros Ltd	27	-29.0	+0.3	96	0.0	-	-	-	1.0	NE	Nil	N/A	7
Travelshop Ltd	23	-28.6	-2.7	96	0.0	-	3.2	-	1.1	NE	Nil	N/A	7
Surfboard Ltd	12	-28.5	-4.3	96	0.0	-	-	-	1.3	NE	Nil	0.53	9
Aristocrat	675	-27.9	+3.7	96	0.0	319.9	-	-	0.6	20	4.1	2.54	2,838
Werrie Gold Ltd	9	-27.6	+0.0	96	0.0	-	-	-	1.4	NE	Nil	N/A	6
ICS Global Ltd	50	-27.5	+0.7	96	0.0	-	1.8	-	0.9	NE	Nil	1.90	13
Trans-Global Re	5	-27.4	+0.2	96	0.0	-	-	-	1.8	NE	Nil	1.32	5
Solution 6	238	-27.1	-0.0	95	0.0	5	2.5	-	0.7	NE	Nil	1.78	347
Kidz.net Ltd	14	-26.9	+0.9	95	0.0	-	1.1	-	1.2	NE	Nil	2.13	15
PharmNet Online	17	-26.7	+1.5	95	0.0	-	-	-	1.2	NE	Nil	N/A	5
M.Y.O.B. Ltd	362	-26.7	-0.2	95	0.0	-	72.4	-	0.6	34	0.9	5.20	889
Datafay Tel.	10	-26.1	-2.0	95	0.0	-	-	-	1.4	NE	Nil	2.48	13
Eastern Corp	7	-26.1	+0.1	95	0.0	-	6.9	-	1.5	NE	Nil	1.29	5
Mikoh Corp.	14	-25.7	+0.3	95	2.0	-	1.4	-	1.2	NE	Nil	N/A	8
Webspy Limited	10	-25.2	-1.8	94	0.0	-	1,139	-	1.4	NE	Nil	N/A	11
GTN Resources	28	-24.8	-4.9	94	0.0	-	-	-	1.0	32	Nil	0.67	6
Chaos Music Ltd	36	-24.5	+3.7	94	0.0	-	-	-	0.9	NE	Nil	1.01	6
Shield Telecom.	10	-24.2	-1.5	94	0.0	-	0.8	-	1.4	NE	Nil	N/A	31
Voxson Limited	81	-23.9	-2.4	94	0.0	-	0.0	-	0.8	NE	Nil	4.08	23
Multi-Emedia	17	-23.2	-0.5	93	0.0	-	2.8	1	1.2	283	Nil	7.20	46
IBA Technology	36	-23.1	-2.9	93	0.0	-	1.1	-	0.9	NE	Nil	3.17	38
Waivcom Wwide	19	-22.8	-1.5	93	0.0	-	3.7	-	1.1	NE	Nil	1.38	12
Beyond Online	36	-22.6	+0.2	93	0.0	-	1.9	-	0.9	NE	Nil	3.38	6
Crest Resources	7	-22.5	+2.4	93	1.2	-	-	-	1.5	NE	Nil	N/A	14
Prophecy Int'l	115	-22.4	-0.6	93	0.0	3	3.0	-	0.7	NE	Nil	3.85	49
CCI Holdings	17	-22.3	+3.5	93	0.0	-	1.0	8	1.2	13	Nil	0.34	11
Int'l Allsports	52	-22.1	+2.2	93	0.0	-	-	-	0.9	21	2.9	2.08	21
Mobile Innov.	29	-22.1	+2.8	93	0.0								

"Insider" Trades in Australian Shares

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

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

"Insider" Indicators

Last 5 wks: 71.8% Buyers
Last 13 wks: 72.0% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
AMX Resources	0-4	Burswood Ltd	5-0	GWA Internat'l	4-0	Nat'l Foods	2-0	Sabre Group	2-0
ARC Energy	2-0	C.S.R. Ltd	8-0	Gippsland Ltd	3-0	Normandy NFM	2-0	Sausage Softwar	0-5
Access 1 Ltd	0-2	CI Technologies	0-2	Goodman Fielder	4-0	Normandy Mining	6-0	Schaffer Corp	3-0
Acclaim Explor	3-0	Cape Range Wire	3-0	Grand Hotel	3-0	OAMPS	8-0	Simsmetal Ltd	2-0
Adacel Tech.	2-4	Chiquita Brands	2-0	Grimwood Davies	4-0	Online Trading	3-0	Smith (Howard)	5-0
Adsteam Marine	4-0	Citadel Pooled	3-0	HIH Insurance	17-0	Optum Group	2-0	Sonic Health	0-3
Adtrans Group	8-0	Cleland	9-0	Hallmark Gold	3-0	Orica Ltd	3-0	Soul Pattinson	5-0
Aerodata Hold *	2-0	Cobra Resources	2-0	Hamilton Island	2-0	PCH Group	4-0	St Frances Min.	2-0
Allegiance Min.	3-0	CocaCola Amatil	3-0	Hardman Res.	4-1	PMP Communicat.	2-0	Sthn Cross Brd.	2-0
Ambition Group	4-0	Computer Share	2-6	Healthscope	3-0	Pac Strategic	5-0	Sun Resources	3-0
Ancor Ltd	7-0	Corp Express	1-3	Housewares Int.	3-0	Pacifica Group	5-1	Swish Group	2-0
Argo Investment	4-2	Crane Group	2-0	Imdex NL	3-1	Pacific Energy	9-0	Tabcorp Holding	2-0
Asia Pac Spec	2-0	Craton Res.	3-1	Infosentials	2-0	Payce Consol.	2-0	Takoradi Gold	3-7
Atkins Carlyle	3-0	Darowa Corp	3-0	Investor Info	2-0	Perp Trust Aust	6-1	Technology One	0-2
Atlas Pacific	4-0	Data 3 Ltd	0-3	Joyce Corp.	3-0	Platinum Cap'l	3-0	Templeton Globa	3-1
Auspine Ltd	9-0	Davids	2-0	Lion Selection	2-0	Polartechinics	0-2	Text Media Grp	2-0
Aussie Online	0-3	David Jones	2-0	Ludowici Ltd	3-0	Portman Mining	3-0	Ticor Ltd	3-0
Aust Foundation	7-0	Day Trader HQ	3-0	M.I.M. Holdings	4-0	Quadrant Aust.	4-1	Tourism Aust.	5-0
Aust Stock Exch	1-4	E-Sec Limited	0-2	Macro Corp.	2-0	Queens'd Cotton	2-0	Union Capital	0-7
Aust Hospital	2-0	E.R.G.	1-6	Majestic Res.	2-0	Range Resources	0-2	Vision Systems	0-3
Austin Group	2-0	Energy Develop.	0-4	Maxi TRANS	2-0	Ranger Minerals	0-3	Vos Industries	2-0
Austral Coal	3-0	Evans & Tate	1-4	McPherson's Ltd	4-0	Realestate.com	3-0	Waterco Ltd	4-0
Automotive Ind.	3-0	Fairfax (John)	6-0	Menzies Court	2-0	Recruiters Aust	5-0	West'n Metals	3-0
BT Global Asset	0-2	First Aust Res.	2-0	Michealago Res.	3-1	Redfire Res.	2-5	Western Mining	3-0
BT Resources	3-1	Foodland Assoc	3-0	Mikoh Corp.	2-0	Reinsurance Aus	4-0	Westel Group	0-2
Billabong Int'l	0-2	Futuris Corp.	2-0	Milton Corp.	4-1	Resource Exp.	2-12	Westfield Hold.	1-5
Brambles Ind.	0-2	G.U.D. Holdings	2-0	Minotaur Gold	2-0	Rio Tinto Ltd	2-0	Wine Investment	7-0
Brickworks Ltd	4-0	GME Resources	4-0	Murchison Un.	0-4	SME Growth	3-1	Woolworths Ltd	2-0
Bristile Ltd	4-0			Nat'l Aust Bank	2-0				

Rank	Industry Group	Insider Buy-Sell	No. Average of Buyers-Coys Sellers	Rank	Industry Group	Insider Buy-Sell	No. Average of Buyers-Coys Sellers	Rank	Industry Group	Insider Buy-Sell	No. Average of Buyers-Coys Sellers
1	Insurance	30-0	8 +3.75	24	Diversified Media	14-4	30 +0.33	47	Retail	10-8	37 +0.05
2	Diversified Mining	10-0	6 +1.67	25	Agricultural	10-4	18 +0.33	48	Other Telecommunications	4-3	20 +0.05
3	Hospital Management	6-0	4 +1.50	26	Coal	3-0	10 +0.30	49	Biotechnology	1-0	22 +0.05
4	Building Materials	25-1	17 +1.41	27	Equity Investor	28-10	66 +0.27	50	Gold Explorer	44-38	136 +0.04
5	Wholesaler/Retail	12-0	9 +1.33	28	Leisure Activities	3-0	11 +0.27	51	Gold/Copper	0-0	3 +0.00
6	Diversified Industrial	29-3	20 +1.30	29	Property Dev'tment/Manager	6-0	22 +0.27	52	Television	0-0	9 +0.00
7	Publishers	11-2	9 +1.00	30	Brewer	1-0	4 +0.25	53	Uranium	1-1	2 +0.00
8	Forest Products	19-4	15 +1.00	31	Gold Producer	15-4	45 +0.24	54	Oil/Gas Investor	0-0	2 +0.00
9	Trustee Company	7-1	7 +0.86	32	Oil/Gas Producer	4-0	17 +0.24	55	Other Infrastructure	0-0	7 +0.00
10	Chemical & Fertiliser	8-2	9 +0.67	33	Property Investor	2-0	9 +0.22	56	Building Contractor	0-0	13 +0.00
11	Misc Services	34-8	40 +0.65	34	Soft Drink/Confectionery	4-2	9 +0.22	57	Machinery Manufacturer	0-0	3 +0.00
12	Casinos/Gaming	12-3	16 +0.56	35	Diamonds	2-0	9 +0.22	58	Residential Developer	1-1	12 +0.00
13	Energy/Electricity	9-4	9 +0.56	36	Health & Related Products	3-0	18 +0.17	59	Transport	3-3	11 +0.00
14	Automotive	8-0	15 +0.53	37	Engineering Contractor	1-0	6 +0.17	60	Advertising/Marketing	0-0	8 +0.00
15	Investment Trust/Company	27-14	25 +0.52	38	Heavy Engineer	1-0	6 +0.17	61	Mining Investment	0-0	4 +0.00
16	Light Engineering	8-0	16 +0.50	39	Base Metals	7-4	21 +0.14	62	Other Utilities	0-0	2 +0.00
17	Mining Services	7-2	10 +0.50	40	Gold/Other Mining	1-0	7 +0.14	63	Vintner	8-8	12 +0.00
18	Gold/Investment	1-0	2 +0.50	41	Mineral Exploration	13-7	45 +0.13	64	High Technology	11-12	29 -0.03
19	Mineral Sands	4-0	10 +0.40	42	Banking	8-6	15 +0.13	65	Misc Financial	13-15	25 -0.08
20	Misc Industrial	15-2	33 +0.39	43	Property Trust	8-0	61 +0.13	66	Network Operator	0-1	8 -0.13
21	Hotel/Resort	3-0	8 +0.38	44	Entrepreneurial Investor	1-0	8 +0.13	67	Computer & Office Serv.	7-16	63 -0.14
22	Food	10-0	27 +0.37	45	Pharmaceutical	10-9	13 +0.08	68	Equipment/Services	1-9	47 -0.17
23	Oil/Gas Exploration	14-2	34 +0.35	46	Mining Producer	8-7	14 +0.07	69	Manufacturer/Retailer	2-4	11 -0.18
								70	Health/Medical Services	0-5	13 -0.38

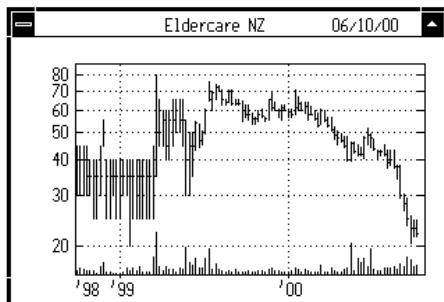
"Insider" Insights

Dividend \$

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held Before	% of Coy Held After
01/09/2000					
Tourism Holdings	Ivy Mackenzie	Sell	-3.956	7.80%	3.50%
08/09/2000					
Fisher & Paykel	AMP Asset Mgmt	Sell	-1.226	8.15%	7.07%
Nuplex Industries	Tower Asset Mgmt	Buy	+1.357	8.12%	10.57%
Telecom NZ	Franklin Resources	Buy	+18.411	6.04%	7.09%
15/09/2000					
Fisher & Paykel	Mercator Asset	Sell	-2.717	7.28%	4.98%
IT Capital	Armstrong Jones	Sell	-5.550	7.60%	3.82%
Mainfreight	BG Plested	Sell	-1.500	31.40%	29.40%
Montana Group (NZ)	Lion Nathan	Buy	+7.074	24.96%	28.26%
Natural Gas Holdings	AGL	Buy	+19.132	71.60%	74.40%
Tranz Rail	Franklin Resources	Sell	-3.636	8.73%	5.72%
22/09/2000					
Bendon Group	Tower Asset Mgmt	Buy	+0.120	13.76%	14.37%
Brierley Investments	BD Trustees	Sell	-71.330	15.55%	12.94%
Carter Holt Harvey	Franklin Resources	Sell	-17.600	7.15%	6.14%
Ebos Group	AXA Asia Pacific	Buy	+0.276	5.93%	6.96%
Eldercare Group	EJ Watson	Sell	-15.239	67.06%	57.40%
Eldercare Group	CO Gibbs	Sell	-1.651	6.43%	4.40%
Eldercare Group	TC Brandon	Sell	-1.429	7.84%	5.74%
Fisher & Paykel	AXA Asia Pacific	Buy	+1.300	5.01%	6.11%
Sky City Ltd	Colonial FS	Buy	+13.959	11.84%	14.50%
Tourism Holdings	Armstrong Jones	Sell	-1.150	5.68%	4.43%
Tranz Rail	Infratil	Buy	+2.570	5.10%	7.22%
29/09/2000					
Force Corporation	Armstrong Jones	Sell	-2.756	6.40%	4.62%
Genesis Research	Armstrong Jones	Buy	+1.345	0.0%	5.45%
Genesis Research	AXA Asia Pacific	Buy	+1.475	0.0%	5.98%
Waste Mgmt NZ	AMP Asset Mgmt	Sell	-1.074	6.83%	5.73%
06/10/2000					
Capital Properties	Courtney Nominees	Sell	-5.000	13.68%	11.63%
Guinness Peat Group	NZ Guardian Trust	Sell	-1.474	5.01%	4.70%
Otter Gold Mines	NZ Guardian Trust	Sell	-0.513	8.57%	7.58%
Southern Capital	AXA Asia Pacific	Buy	+1.270	6.95%	8.69%
Telecom NZ	Brandes Inv Mgmt	Buy	+19.280	7.60%	8.70%

The significant transactions reported over the last month are a director of **Mainfreight** has sold 1,500,000 shares and three **Eldercare Group** insiders selling shares. The Eldercare sales were made in March, May and July, with the insiders taking 2-6 months to meet their legal obligation to "immediately" file a substantial security holder notice.



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Company	Cents per Share	Ex- Date	Pay- able	Tax Credit
Air New Zealand	9.00	16-10	27-10	Nil
AMP Office Trust	3.65	25-09	29-09	Nil
Auckland Int'l Airport	5.20	13-11	21-11	Full
Col First State Property	2.45	11-09	22-09	0.2242
Colonial Motor Company	9.50	30-10	06-11	Full
Designer Textiles	1.00	25-09	06-10	Full
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
Fisher & Paykel	12.00	25-09	29-09	Full
Hallenstein Glasson	9.50	11-12	15-12	Full
Hellaby Holdings	7.00	09-10	13-10	Full
Michael Hill International	7.50	16-10	24-10	Full
Montana Group NZ	3.50	30-10	17-11	Full
Mr Chips Holdings	2.00	25-09	29-09	Full
Newmarket Property Trust	3.86631	25-09	29-09	0.88369
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
South Port New Zealand	3.50	16-10	03-11	Full
Taylor's Group	3.00	02-10	20-10	Full
Tourism Holdings	5.00	16-10	27-10	Full
Warehouse Group	4.00	13-11	27-11	Full
Williams & Kettle	8.00	13-11	27-11	Full

Australian Shares

Abigroup	8.00	25-10	15-11	-
Nufarm	11.00	-	03-11	-
Vision Systems	1.60	23-10	20-11	-

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
Nufarm	5%, on-market
Utilico International	40%, off-market at 50c each
Warehouse Group	2½%, on-market

CASH ISSUES

Appln

	Ratio	Price	Ex-Date	Date
Air New Zealand	1:3	150	09-10	03-11
Otter Gold Mines	2:5	39	25-09	27-10

Next Issue

The next issue of "Market Analysis" will be posted in four weeks time on Tuesday November 7, 2000 and on our internet sites on Wednesday November 8.

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