

Market Analysis

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

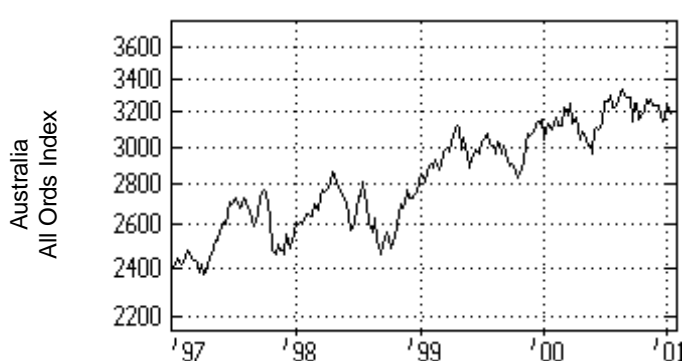
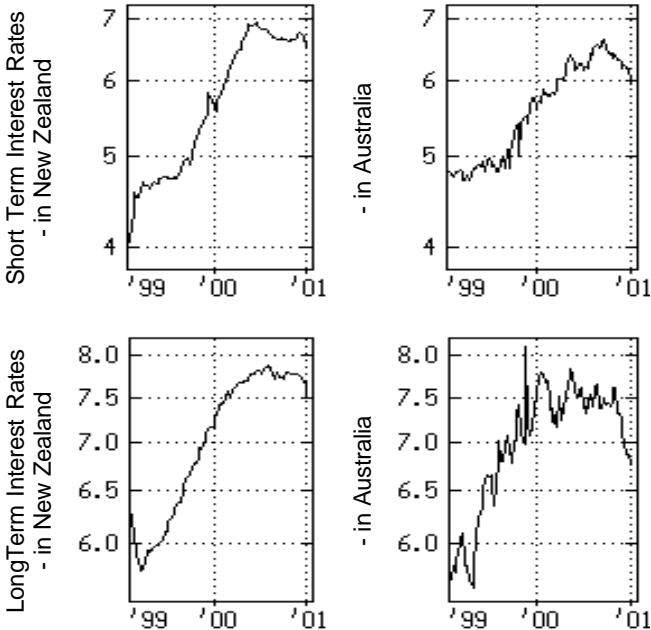
Summary and Recommended Investment Strategy.

Interest rates are starting to decline - improving the outlook for stockmarket investment! Our Forecasts are still Neutral, but on further improvement we should start re-investing our small cash reserve in under-valued shares.

Investment Outlook.

On January 3, 2001, the US Federal Reserve cut interest rates by 0.5% (or "50 basis points" in the jargon of economists and investment analysts seeking to mystify the public). While the NZ Reserve Bank knows not what to do next, interests rates *have* started to fall in NZ and Australia (especially *long term* interest rates) - improving our Forecasts for these stockmarkets over the next year.

leave our NZ holdings at about 15, but expand our Australian holdings to about 20. This is not a reflection of *macro-economic* conditions, simply that with *nine times* as many listed Australian companies we are able to identify more attractive investments in that country.



Our **One-Year Forecast** for the **New Zealand** stockmarket has jumped to a **Neutral 40%** (up from 24% in December), while **Australia** is up slightly at a **Neutral 46%** (from 39%). Our interest rate sensitive **Short Term Trend Model** (for NZ) is **Bullish** at **75%**.

We currently recommend holding about 12-15% of combined NZ and Australian portfolios in a riskless cash reserve - which will increase with the cash takeover of **RadioWorks**. Most of this money will probably be re-invested in Australia. Until recently our portfolio held about 35 shares - 20 in NZ and 15 in Australia. As the stockmarket outlook improves we shall probably

Performance Forecasts

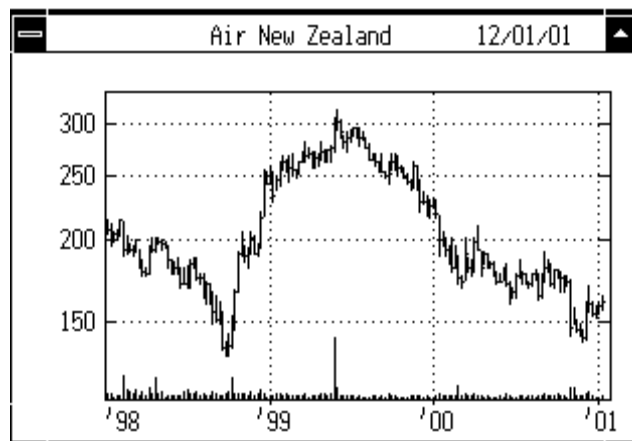
"Performance Forecasts" are computer generated predictions of the relative future price performance of a company's shares over the next three to six months. Performance Forecasts are calculated for every listed NZ share (except Investment Trusts) on a rating scale using the letters "A" (Highest potential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

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	
A. Barnett Ltd	C	87	0.46	19	Nil	Force Corp.	D	25	0.71	8	6.0	Port Tauranga	B	560	6.12	22	5.9	
AMP Limited	A	2440	0.75	20	2.2	Frucor Bev.	C	183	1.27	19	Nil	Ports Auckland	B	445	3.82	13	6.0	
AMP NZ Office	C	92	6.58	12	8.4	GDC Communicat.	C	350	N/A	41	Nil	Powerco Limited	C	142	0.50	NE	Nil	
AXA Asia Pac.	B	361	0.60	14	3.3	Genesis Res.	C	648	N/A	NE	Nil	Property F Ind.	C	82	8.49	16	8.3	
Advantage Group	E	125	1.18	43	Nil	Goodman Fielder	B	161	0.48	12	6.2	Pure NZ Limited	D	10	4.35	NE	Nil	
Affco Holdings	D	44	0.09	8	Nil	Grocorp Pacific	C	14	0.82	NE	Nil	Radio Works NZ	C	901	2.05	23	Nil	
Air New Zealand	C	161	0.26	5	9.3	Guinness Peat	B	143	2.28	12	2.2	Reid Farmers	B	85	0.55	10	8.8	
Akd Int Airport	B	323	7.98	27	4.5	Hallenstein G.	B	225	0.81	12	12.3	Renaissance	D	122	0.35	98	1.2	
Apple Fields	D	3.1	0.05	NE	Nil	Hellaby Hold.	B	178	0.35	8	11.7	Restaurant Brds	B	130	0.55	10	11.5	
Aquaria 21	E	1.8	0.31	NE	Nil	Heritage Mining*	N/R	5.0	0.13	NE	Nil	Richina Pacific	E	41	0.06	NE	Nil	
Baycorp Hold	A	1258	N/A	64	2.3	Horizon Energy	B	911	1.64	8	13.6	Rocom Wireless	E	51	N/A	NE	Nil	
Beauty Direct	D	6.6	9.17	NE	Nil	IT Capital Ltd	E	17	N/A	NE	Nil	Roller Int'l	D	40	0.21	NE	Nil	
Bendon Limited	B	177	0.73	10	2.8	Ind Newspapers	C	324	2.15	33	3.2	Ryman Health.	C	180	3.87	14	2.9	
Brierley Invest	D	32	0.55	NE	Nil	Infratil NZ	C	120	7.17	9	8.7	SE Utilities	C	105	N/A	31	7.1	
Broadway Ind	D	25	0.10	25	Nil	Kingsgate Int'l	E	12	1.20	15	Nil	Sanford Limited	B	475	1.29	10	6.3	
CACI Group Ltd	C	44	N/A	NE	Nil	Kiwi Developmnt	D	260	N/A	NE	Nil	Savoy Equities	C	6.0	0.23	NE	Nil	
CDL Hotel NZ	D	20	0.43	11	5.2	Kiwi Property	C	92	6.40	10	11.4	Scott Tech. Ltd	B	215	1.37	12	7.6	
CDL Investments	E	22	1.36	7	17.0	Lion Nathan Ltd	A	500	1.28	17	3.7	Seafresh Fish.	D	6.0	0.36	NE	Nil	
Cabletalk Group	E	85	0.39	NE	Nil	Lyttelton Port	A	176	3.08	12	8.7	Selector Group	C	17	N/A	NE	Nil	
Cadmus Tech Ltd	E	13	N/A	NE	Nil	Mainfreight Grp	B	126	0.29	10	7.1	Shotover Jet	D	41	0.78	37	Nil	
Calan Hlthcare	C	94	7.71	15	7.6	Manor Inns Grp	D	11	0.37	NE	Nil	Sky City Ltd	A	830	2.70	13	10.1	
Cap Properties	C	88	0.95	3	13.1	Max Resources	*N/R	13	N/A	NE	Nil	Sky Network TV	D	325	4.53	NE	Nil	
Carter Holt	C	160	0.85	17	3.8	Medical Care	D	158	N/A	NE	Nil	Software of Exc	C	102	0.96	NE	Nil	
Cavalier Corp	A	471	0.78	13	9.5	Metro. LifeCare	C	107	1.04	10	8.4	South Port NZ	B	112	1.89	19	7.3	
Cedenco Foods	A	136	1.66	8	Nil	Michael Hill	B	345	0.73	13	5.8	Southern Cap	D	78	8.34	NE	Nil	
Col FS Property	C	92	7.75	13	11.4	Mid-Cap Index *	N/R	187	N/A	NE	Nil	Spectrum Res.	D	3.4	N/A	NE	Nil	
Col Motor Co	C	280	0.27	11	9.9	Montana Group	A	385	1.84	27	2.7	Steel & Tube	B	146	0.34	9	12.3	
Commssoft Group	D	122	N/A	NE	Nil	Mooring Systems	B	91	N/A	NE	Nil	Strathmore Grp	D	15	3.05	NE	Nil	
Compass Com.	D	45	N/A	NE	Nil	Mr Chips Hold	A	91	0.79	14	9.8	Submarines Aust	C	52	0.24	NE	Nil	
Contact Energy	C	264	1.84	26	9.8	NZ Experience	C	11	0.86	NE	Nil	Summit Gold Ltd*	N/R	9.0	N/A	NE	Nil	
Cue Energy Ltd *	N/R	5.8	2.01	NE	Nil	NZ Invest Trust*	N/R	425	N/A	NE	1.9	Tag Pacific Ltd	E	22	0.32	6	3.6	
DB Group	A	512	0.64	14	4.7	NZ Oil and Gas *	N/R	33	2.10	NE	Nil	Tasman Agric.	C	131	3.51	13	2.3	
Dairy Brands	C	42	2.91	NE	Nil	NZ Refining Co	B	1410	1.64	60	5.0	Taylor's Grp Ltd	C	118	0.73	12	7.6	
Damba Hold Ltd	C	44	0.78	21	Nil	Nat Property Tr	C	77	5.30	10	12.0	TeNZ *	N/R	83	N/A	NE	Nil	
Design Textiles	C	30	0.16	9	10.0	National Mail	E	13	1.37	NE	Nil	Telecom Corp	C	508	2.06	12	13.5	
Dorchester Pac	B	113	0.81	8	7.9	Natural Gas	C	144	1.60	12	5.2	Tourism Hold.	C	184	0.85	10	6.9	
E-Force Limited	D	5.5	0.32	NE	Nil	Newcall Group	D	8.5	2.72	NE	Nil	Tower Limited	B	525	0.54	11	5.7	
E-Phone Ltd	D	8.0	N/A	NE	Nil	Newmarket Prop.	C	49	N/A	6	19.4	Trans-Tasman	E	19	1.00	4	Nil	
E-Ventures NZ	D	36	N/A	NE	Nil	Northland Port	B	172	1.38	16	6.5	Tranz Rail Hold	C	362	0.77	6	2.3	
E-cademy Hold.	D	2.1	N/A	NE	Nil	Nufarm Limited	B	390	0.32	8	5.0	Trust Power Ltd	C	305	1.07	17	8.1	
Ebos Group Ltd	B	280	0.93	18	6.9	Nuhaka Forestry	E	1210	6.71	NE	Nil	United Networks	B	775	2.61	11	7.7	
Eldercare NZ	D	17	0.97	4	Nil	Nuplex Indust	A	335	0.49	11	6.7	Utilico Int'l	D	36	N/A	NE	Nil	
Evergreen	D	49	3.28	13	Nil	Opio Forestry	E	48	N/A	38	Nil	Vending Tech.	C	225	0.21	NE	Nil	
FC - Energy	B	837	1.84	18	3.2	Otter Gold Mine*	N/R	38	0.25	NE	Nil	Warehouse Group	B	596	1.55	24	3.1	
FC - Forests	D	35	0.57	5	Nil	Owens Group Ltd	D	90	0.15	13	7.5	Waste Mgmt NZ	B	427	3.81	39	2.1	
FC - Building	C	218	0.31	7	11.0	Ozzy (Tortis) *	N/R	256	N/A	NE	Nil	Williams Kettle	A	302	0.28	11	7.4	
Finzsoft Sol'ns	C	51	0.48	NE	Nil	PDL Holdings	C	395	0.15	10	Nil	World Index Fd *	N/R	199	N/A	NE	Nil	
Fisher & Paykel	B	784	1.11	17	4.8	Pacific Retail	C	135	0.19	7	Nil	Wrightsons Ltd	B	67	0.15	12	8.9	
													Ave of 144 Cos	C	218	0.48	18	3.7
A.G.L.	A	1172	1.43	16	4.4	Corp Express	B	825	2.03	60	0.6	One Tel Ltd	D	41	1.60	NE	2.4	
AJ Indust Trust	B	144	8.26	13	9.0	Crown Ltd	C	90	0.70	14	Nil	Open Telecom.	E	117	N/A	NE	Nil	
AJ Office Group	B	116	N/A	26	4.5	Data Advantage	B	550	8.50	NE	0.7	Orbital Engine	D	174	N/A	NE	Nil	
AMP Diver. Prop	B	240	2.47	13	7.7	David Jones	B	135	0.32	11	5.9	Orica Ltd	C	589	0.41	11	5.9	
AMP Ltd	B	1951	0.77	20	2.1	Deutsche Office	C	132	N/A	NE	Nil	Origin Energy	A	206	0.33	7	10.2	
AMP Office Trt	B	119	6.51	15	8.0	E.R.G.	C	224	3.33	39	0.9	Pacific Dunlop	C	142	0.25	10	7.0	
AMP Shop Centre	B	133	N/A	19	6.4	Email Ltd	C	284	0.36	15	8.6	Paladin Com.	B	124	7.45	14	7.7	
ANZ Bank	A	1430	1.82	14	4.5	Energy Develop.	A	1267	N/A	67	0.4	Paperlin X Ltd	B	335	0.45	12	1.5	
APN News Media	C	430	2.13	25	2.9	Fairfax (John)	C	400	2.07	17	2.9	Perp Trust Aust	A	3300	4.34	30	2.0	
AXA Asia Pac	B	292	0.61	14	3.3	Faulding (F.H.)	A	1135	0.87	29	1.9	Publishing & Br	C	1341	3.57	27	1.5	
AXA Aust Div PT	B	117	8.15	13	7.5	Flight Centre	B	2315	0.79	47	1.1	O.B.E. Insur.	B	954	0.88	26	3.0	
Advance Prop	B	182	8.64	15	6.7	Foodland Assoc	B	890	0.22	11	6.2	O.C.T. Resource	C	121	1.05	NE	Nil	
Amcor Ltd	C	537	0.46	12	7.1	Foster's Brewin	B	467	2.34	19	3.1	Qantas	B	374	0.49	9	15.8	
Aristocrat	C	575	2.16	17	4.9	Futuris Corp.	B	190	0.23	14	4.2	Rio Tinto Ltd	B	2892	1.14	8	3.0	
Aust Stock Exch	B	1280	6.43	22	4.4	GWA Internat'l	C	201	0.96	14	9.0	Rural Press Ltd	C	505	1.29	11	2.8	
Aust Pipeline	C	258	N/A	NE	Nil	Gandel Retail T	B	113	8.80	13	7.5	Seven Network	B	605	1.34	24	3.4	
Austar United	E	232	7.20	NE	Nil	General Prop Tr	B	271	6.57	15	7.0	Smith (Howard)	B	871	0.63	15	4.7	
Australand Hold	C	120	0.72	5	10.0	Goodman Fielder	B	131	0.52	13	5.7	Smorgon Steel	C	105	0.35	11	8.6	
Axon Instrument	C	127	N/A	NE	Nil	Guinness Peat	B	116	2.53	11	0.5	Sonic Health	B	880	3.80	79	1.7	
BA Tobacco Aust	B	1290	0.49	16	67.2	Hardie (James)	B	383	0.88	10	4.7	Southcorp Ltd	B	509	1.18	15	4.1	
BRL Hardy Ltd	A	827	2.27	24	1.9	Harvey Norman	B	381	N/A	NE	0.9	Spotless Group	C	727	0.81	39	2.8	
Bank of W.Aust	B	375	3.36	14	4.8	Hills Motorway	B	478	9.07	NE	7.0	St George Bank	A	1417	1.72	17	3.9	
Bendigo Bank	A	557	1.27	16	4.3	Hutchison Tel.	D	144	2.09	77	Nil	Stockland Trust	B	404	6.58	17	6.5	
Bidvest	B	285	0.19	15	2.7	Incitec	B	520	0.69	19	4.4	Suncorp-Metway	A	1084	1.00	10	4.2	
Billabong Int'l	C	410	N/A	NE	Nil	Infomedia Ltd	D	180	8.03	NE	Nil	TAB Ltd	B	331	0.33	28	3.3	
Boral Limited	B	214	0.48	10	8.4	Investa Prop.	B	177	7.94	13	7.4	Tabcorp Holding	B	1108	2.48	24	4.2	
Brambles Ind.	B	4150	1.94	26	2.0	Jupiters	B	405	1.44	14	4.2	Telstra	C	678	2.19	11	2.7	
Brickworks Ltd	B	472	3.33	14	2.6	Kaz Computer	C	121	N/A	NE	0.7	Ten Network	B	219	1.37			

Recommended Investments

The bidding war between **Air New Zealand** and **Qantas** for **Hazelton Airlines** continues. As reported over the last two months, Air NZ acquired a 20% shareholding in Hazelton Airlines at A\$0.90 per share and bid for the whole company at that price. Qantas then bid A\$1.20 and Air NZ raised its bid to A\$1.35. Over the last month, Qantas has lifted its bid to A\$1.50 with Air NZ over-bidding at A\$1.60.

The final outcome of this situation won't make too much difference to our investment in Air NZ shares, but there is an important lesson here for investors: You should never rush to accept the first takeover offer. Usually the last investors to sell get the best price. At this stage acceptances of their respective bids would raise Air NZ's stake to 35.8% and give Qantas a 29.4% shareholding. Investors who have accepted either offer cannot accept a higher competing offer, nor can they



sell on market. If, for example, Air NZ becomes the clear winner, then Qantas (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	08/10/96 244*	C	756.7	0.9	0.26	5	9.3	161	74.7	-3%
HOLD+	CDL Investments Ltd	CDI	12/01/99 25	E	171.4	1.6	1.36	7	17.0	22	4.5	+6%
HOLD+	Cavalier Corporation	CAV	05/12/95 312	A	36.0	0.8	0.78	13	9.5	471	136.0	+95%
HOLD	Colonial Motor Company	CMO	10/11/92 150	C	27.9	0.6	0.27	11	9.9	280	196.8	+218%
HOLD+	Lyttelton Port Company	LPC	12/12/00 150	A	101.7	0.8	3.08	12	8.7	176	Nil	+17%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91 46*	B	38.6	0.7	0.73	13	5.8	345	68.0	+798%
HOLD	Nufarm Limited	NUF	11/02/97 505	B	155.3	0.8	0.32	8	5.0	390	74.7	-8%
BUY	Nuplex Industries Ltd	NPX	11/02/97 350	A	56.3	0.9	0.49	11	6.7	335	36.0	+6%
TENDER	Radio Works NZ Ltd	RWL	08/12/92 205	C	12.3	0.4	2.05	23	Nil	901	121.0	+399%
BUY	Renaissance Corp	RNS	13/08/96 85*	D	35.3	1.6	0.35	98	1.2	122	5.4	+50%
HOLD	Richina Pacific	RCH	03/11/95 119*	E	72.2	1.7	0.06	NE	Nil	41	11.9	-56%
HOLD	South Port New Zealand	SPN	13/02/96 120	B	26.2	1.0	1.89	19	7.3	112	38.8	+26%
BUY	Steel & Tube Holdings	STU	08/08/00 146	B	87.7	1.0	0.34	9	12.3	146	7.0	+5%
BUY	Taylors Group Ltd	TAY	09/11/99 102	C	24.3	1.0	0.73	12	7.6	118	6.0	+22%
BUY	Wrightson Limited	WRI	13/01/98 83	B	134.1	1.4	0.15	12	8.9	67	10.3	-7%
Australian Shares (in Aust cents)												
HOLD+	Abigroup Limited	ABG	09/03/99 265	B	47.7	0.7	0.13	6	7.9	190	29.0	-17%
BUY	Atlas Pacific Ltd	ATP	14/05/96 73	C	54.8	1.7	2.19	9	Nil	24	Nil	-68%
HOLD+	Auspine Limited	ANE	08/02/00 210	B	57.0	0.7	0.48	6	9.8	225	22.0	+18%
BUY	Austral Coal Ltd	AUO	16/01/01 19	A	81.3	1.8	0.20	7	Nil	19	Nil	
HOLD	Biron Corporation Ltd	BIC	12/04/94 178	C	21.8	1.7	1.36	NE	Nil	24	11.0	-80%
BUY	Campbell Brothers Ltd	CPB	12/10/99 435	B	31.3	0.5	0.51	12	6.0	450	40.0	+13%
HOLD	Central Equity Ltd	CEQ	09/02/94 154	C	82.1	0.8	0.77	6	8.7	206	83.0	+88%
BUY	C.S.R. Limited	CSR	11/07/00 436	A	981.0	0.6	0.70	11	4.8	496	11.0	+16%
HOLD	Hamilton Island Ltd	HAM	09/11/99 205	A	45.0	0.6	1.39	10	3.2	280	9.0	+41%
BUY	McPherson's Ltd	MCP	10/10/00 125	B	39.2	0.8	0.19	4	10.3	116	Nil	-7%
HOLD	PMP Communications	PMP	09/02/99 309	C	253.4	1.0	0.18	5	18.4	111	40.8	-51%
HOLD	Thakral Holdings	THG	10/11/98 65	B	576.1	1.0	1.31	10	9.8	64	12.1	+17%
HOLD+	Toll Holdings	TOL	08/09/98 240	A	61.3	0.6	0.56	20	2.2	1270	43.0	+447%
BUY	Utility Services Corp	USC	11/01/00 55*	C	104.5	1.5	0.88	19	Nil	68	5.0	+33%
HOLD+	Vision Systems Ltd	VSL	10/11/98 69*	B	143.9	0.6	2.49	47	1.2	251	12.8	+282%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +79.1%. This is equal to an average annual rate of +23.4%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 30 current and 111 closed out) is +30.7%, compared with a market gain of +11.1% (by the SRC Total Return Index).

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

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

(1) Atlas Pacific notes (ATPG) last traded at 21 cents.

Recommended Investments (Continued from Page 3) would be within its rights to buy the 29.4% of the company offered to it, paying A\$1.50 per share and then sell the shares to Air NZ (at A\$1.60). So (in this case) investors who had accepted the Qantas offer would get 10 cents per share less than those who waited to see how things developed before accepting the highest successful bid. Alternatively, the **Australian Competition and Consumer Commission** may refuse both bids and the price of Hazelton Airlines shares could fall back to around A\$1.00. Investors who have already accepted either bid would get back their shares and do not have the opportunity to sell on market (where they could currently get A\$1.51). A third outcome is that both Air NZ and Qantas end up holding 35-45% of Hazelton Airlines. That situation could lead to an on-market bidding war in the future as both parties pay significantly higher prices for the last few shares that would take their holding above 50% and give them control of Hazelton Airlines. Once you accept a takeover offer you cannot accept a higher bid, sell on market or withdraw your acceptance and remain a shareholder - but if the takeover is withdrawn you will have the shares returned to you. Never rush to accept a takeover offer.

CanWest is bidding for the remaining 28% of **RadioWorks New Zealand**, offering \$9.35 per share. That is \$1.10 (or 13.3%) more than CanWest paid to acquire 72% of RadioWorks seven months ago and exactly in line with our prediction at the time that they would "make a full takeover in the range \$8.50 to \$10.00". We recommend that investors accept this offer, realising a 415% gain from our eight year investment in this company.

We would have preferred to hold RadioWorks shares as a long term investment but NZ investors "rewarded" this successful growth company by selling 72% of it to CanWest last year. Since then RadioWorks shares have been very inactively traded. If shareholders had not handed CanWest control of RadioWorks so cheaply last June, then the RadioWorks directors may have negotiated a better price - perhaps \$11 to \$13 per share - owing to the merger benefits from combining these two large radio companies. Once CanWest gained control, there was no prospect of realising this full value.

Loyal (and smart) investors who are still holding RadioWorks should therefore accept this \$9.35 per share - rather than endure further *scorched earth*

treatment (see *Market Analysis*, July 2000, Issue No 337) from CanWest.

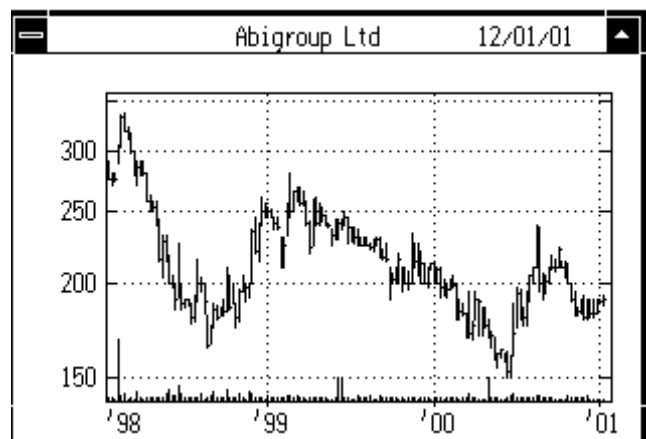
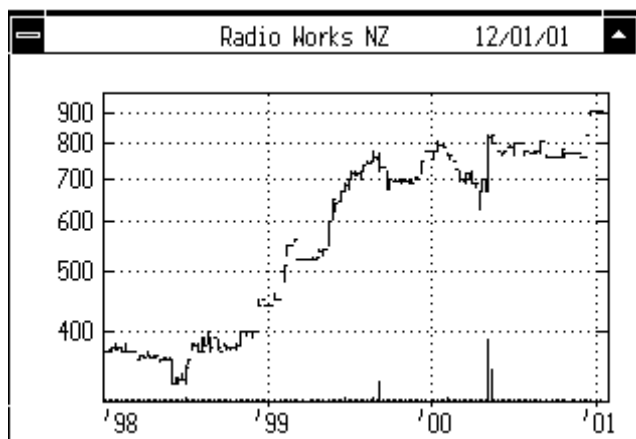
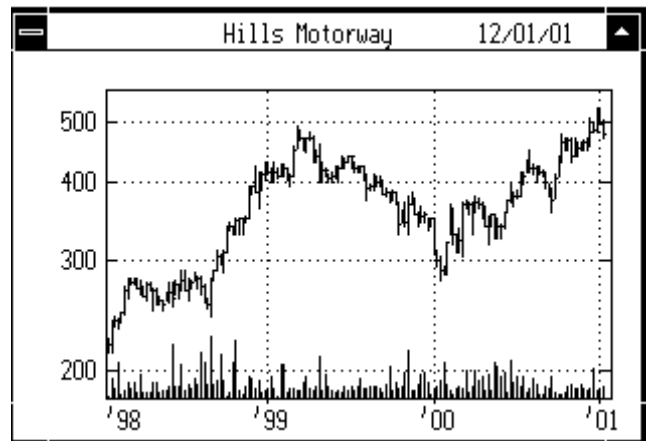
Renaissance Corporation has moved a step closer to successfully floating its **Conduit International** e-commerce business in Singapore. The **Development Bank of Singapore** - which is sponsoring the initial public share offering, scheduled for the first quarter of 2001 - will invest S\$5 million (NZ\$6.6 million) in Conduit immediately for a 16.7% shareholding, ahead of the public issue. This investment values Renaissance Corporation's remaining 83.3% of Conduit at NZ\$32.9 million - equal to 93 cents per Renaissance share.

The public share offer will probably be priced at a premium to the price paid by DBS - possibly valuing the Renaissance investment at \$36-40 million (102-113 cents per share). The NZ importing and distribution business is probably worth \$20-30 million (55-85 cents per share) - so at 120 cents Renaissance shares appear to be under-valuing these developments. "Buy".

Australian Shares

Abigroup has acquired a 7,427m² site in Sydney for A\$6,375,000 where it will build itself a new three storey corporate headquarters.

Abigroup's **Sydney SuperDome** is frequently described in the Australian newspapers as "struggling" and is the subject of disputes between Abigroup and the Olympic Co-ordination Authority (OCA). Abigroup, however, has little financial exposure to any problems at the A\$197.2 million SuperDome. The OCA paid A\$141.5 million of the construction cost and Abigroup contributed A\$55.7 million. Abigroup's contribution, however, is just A\$15.7 million of its own funds - with the remaining A\$40 million financed through "non-recourse" loans. The banks providing these loans can only receive interest and repayment from the



SuperDome subsidiary, not from the Abigroup parent company. So if Abigroup's 30 year management rights to the SuperDome turn out to be worthless then its loss is a relatively insignificant A\$15 million.

The upside for Abigroup, however, is much larger. Firstly, Abigroup *built* the SuperDome - so it provided profitable construction work for the company. Secondly, SuperDome losses from interest and depreciation have no cash cost to Abigroup, but it can obtain a tax saving from including these as a deduction in its group accounts. Thirdly, Abigroup is extracting additional cash from the OCA. Apparently the OCA "paid Abigroup at least A\$3 million as the first part of a settlement" of a range of issues. Last week the OCA made a further payment of A\$1 million to settle additional claims. Outstanding claims against the OCA are believed to exceed A\$9.5 million.

We hope that the management of SuperDome over the next 30 years becomes a successful and profitable venture - but it involves little financial risk to Abigroup.

Abigroup's considerably more successful venture - building the **Hills Motorway** and taking an 8.1% investment (15,000,000 units costing A\$15 million) - now has a market value of A\$71.7 million. Hills Motorway units appreciated over 40% last year and are now worth A\$1.50 per Abigroup share, equal to 79% of Abigroup's own share price. That means investors are paying just 40 cents for Abigroup's construction business which earns most of its profits and allows the company to pay a 15 cents annual dividend.

So the media spotlight on problems at the SuperDome appears to be depressing Abigroup's share price while the successful investment in Hills Motorway and its construction business are being ignored. Abigroup is a very under-valued situation that we continue to rate as a "Hold+".

Atlas Pacific's joint venture partners have both harvested pearls. The **Sumbawa** partners harvested and sold their pearls in November, with Atlas Pacific receiving A\$210,000 in December. The **Padamarang** venture has sent pearls to Japan for processing and sale. A further 18,000 joint venture oysters will be harvested in January - 13,500 later this year and 17,000 in 2002.

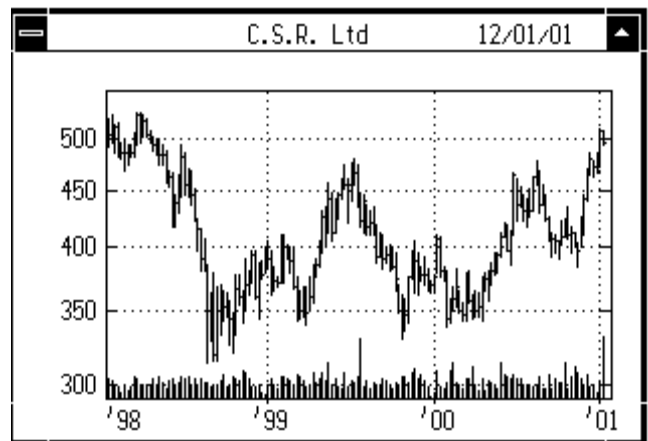
Atlas Pacific intends to buy back shareholdings of less than 1000 shares (subject to the approval of the shareholders) which will remove up to 622 shareholders who own a total of just 0.32% of the company. This will reduce the company's printing and postage costs.

Central Equity and "interests associated with its directors" will pay a total of A\$20 million to acquire land and buildings in Southbank from the **Australian Red Cross Society** at public tender. One-quarter of the site, which includes the *Blood Bank* building that will be leased back to the Red Cross, will be purchased by the directors. The remainder of the site is being acquired by Central Equity and the company will develop it as high rise residential apartments.

The company has recently completed and received settlement on two other tower developments: *Rivergarden Condos* realising around A\$48 million and *Parkside* A\$38 million.

CSR is to sell its **Gove Aluminium** interest to **Alcan Aluminium** (which is exercising its pre-emptive purchase rights) for US\$275 million with settlement expected by the end of January.

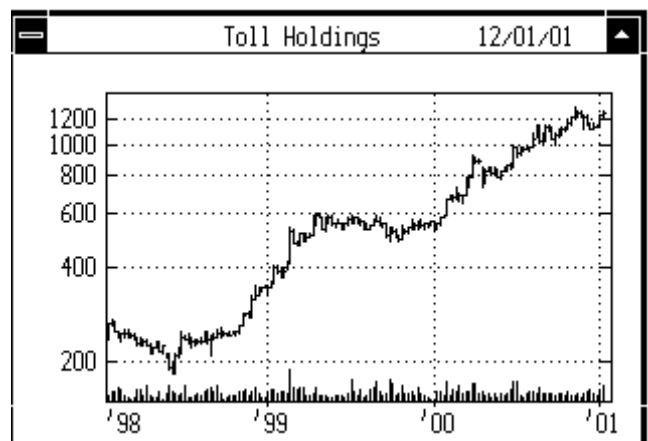
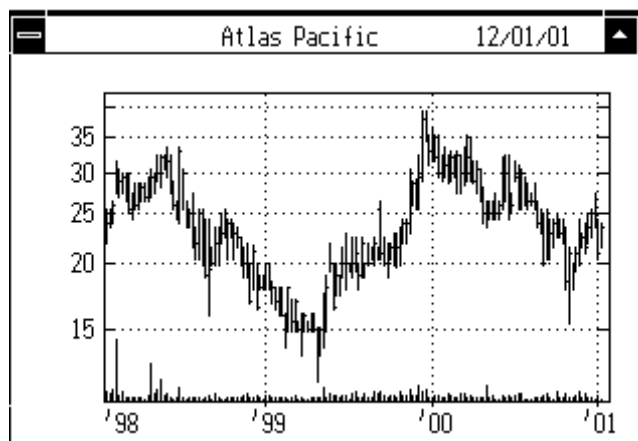
CSR and **Boral** are forming a joint venture to "investigate opportunities to establish an e-commerce selling hub" in Australia for the building and construction industries.



As part of its continuous review of assets, **Thakral Holdings Group** is to sell its Novotel Launceston Hotel for \$A12,250,000.

Toll Holdings has moved closer to acquiring full control of **Finemore Holdings**. In the unlikely event that a scheme of arrangement to acquire Finemore (requiring 75% shareholder support) at A\$2.25 per share is not successful then Finemore has entered an agreement to sell all of its businesses and assets (subject to 50% shareholder approval) to Toll Holdings for A\$119.9 million (equal to A\$2.25 per Finemore share).

Toll Holdings is also expanding its Relocations business by acquiring a majority (*Continued on Page 6*)



Recommended Investments (Continued from Page 5) shareholding in Sydney based **International Corporate Relocations** and in Melbourne based **Executive Relocations**.

Toll Holdings plans to form a **Hub Port Australia** consortium "likely to include an international partner with container handling experience" to tender for the job of operating the A\$270 million **BHP** multi-purpose terminal. The State Government, which is to acquire the port from BHP, is seeking expressions of interest from potential port operators and calling for tenders in March.

Vision Systems reports very strong growth from its Fire & Security division. For the six months to December 2000, revenues from this division are expected to increase 50% to A\$46.5 million, with earnings (before tax) expected to rise 160% to A\$12.3 million. Vision Technologies is expected to generate steady revenues (about A\$21.7 million) and earnings (A\$3.2 million). In

addition, there will be interest earnings from cash on deposit and an A\$4-5 million profit on the sale of 8% of the company's TTP Communications shares. Commission from the previously sold Defence division was "modest" for the half year, but "expected to be material" for the six months to June 2001.

One of the best performing high-technology shares of 2000 (up 264%), Vision Systems share price was helped in mid-December with the announcement that the company will be included in the S&P/ASX 200 Index from January 1. This will generate increased institutional and broker interest in the shares. At present, not a single broker follows this successful company! Neglected shares that are discovered by institutions and brokers can be expected to outperform the stockmarket by a considerable margin. We would not be surprised for Vision Systems shares to rise a further 100-200% (i.e. to A\$5.50-7.50) in 2001 - making this a potential "ten-bagger" investment for us.

Share Recommendation: Buy Australian listed Austral Coal

BUY Australian listed Austral Coal

Austral Coal (code AUO) has suffered a sharp drop in profits over the last three years as the price of its coking coal fell 45%. To survive the company has increased efficiency and reduced operating costs. The price of coal is expected to rise this year, the lower exchange rate improves profitability and Austral Coal has plans to double production volumes over the next four years. That all makes Austral Coal an attractive recovery situation . . .

Company History

Austral Coal listed on the Australian stockmarket in late 1997 after a public share issue (at 50 cents per share) to raise fund to acquire the underground **Tahmoor Colliery** in New South Wales which produces coking coal used in steel production.

The company immediately set about improving productivity and mining efficiency, but falling coal prices have more than offset cost savings resulting in a very significant decline in profitability.

Recent Profit Results

Here is Austral Coal's profit history:

Year (to Dec)	Revenue (million)	Operating Net Profits	Earnings per Share	Dividends per Share
1997	A\$86.5	A\$10,391,000	13.0	3.0
1998	A\$70.8	A\$4,627,000	5.7	1.0
1999	A\$78.6	A\$2,064,000	2.5	Nil

While operating profits have fallen 55% in each of the last two years, Austral Coal has also suffered considerable abnormal losses. In the year to December 1997 it wrote off Indonesian projects to a value of A\$2,374,000. In 1998 there were abnormal losses of \$1,493,000 (after tax) from retrenchment costs, and in 1999 abnormal losses totalled A\$1,348,000.

The six months to June 30, 2000 saw revenue fall 33.8% to A\$28.5 million resulting in a trading loss of

A\$511,000. In addition, there was an abnormal loss of A\$12,017,000 (after tax) from valuing foreign exchange hedge contracts at the market exchange rate of US\$0.5986. The lower result mainly reflects disruption to production during May and June as the company changed from mining one underground coal panel to another.

The good news is that profitability has since improved significantly with the company indicating pre-tax profits at about A\$2.5 million in each of the September and December quarters. That would lift profits for the December 2000 year to about A\$2.8 million. Four quarters of profits at that rate would lift annual profits to A\$6.7 million.

Loading charges for coal at the Port Kembla Coal Terminal have been lowered by A\$0.70/tonne - which will reduce annual costs to the company by around A\$1.4 million.

Expansion

In addition to its Tahmoor coal deposit the company owns the **Tahmoor North** deposit. In early 2000, Austral Coal agreed to acquire the **Bargo** coal interest (including 275 hectares on freehold land) immediately south of Tahmoor for a cash sum of A\$1.3 million.

Both Tahmoor North and Bargo have thicker coal seams - up to 3½ metres deep compared with 1.8 metres at Tahmoor - which will be more efficient to mine. Tahmoor North has estimated *mineable* reserves of 25 million tonnes, Bargo has at least 44 million tonnes and Tahmoor has about 10 million tonnes. These will give the company a greater than 20 year mine life at *double* current production level of about two million tonnes.

International Mining Consultants have prepared a report on the optimal future development of the Tahmoor Colliery recommending the development

January 16, 2001.

of Tahmoor North ahead of Bargo. Production from Tahmoor North is expected to begin in early 2004 and continue for at least ten years.

Processing coal from Tahmoor North and Bargo will require only "minimal capital expenditure" to upgrade surface facilities to handle higher volumes.

An Efficient Coal Mining Operation

As previously stated, Austral Coal was established to acquire the Tahmoor Colliery and improve productivity. The company has successfully achieved this, although the significant drop in coal prices has depressed profitability.

Manning levels have been reduced by 25% and production per employee has risen to 10,000 tonnes per annum. Flexible working arrangements allow the company to increase production, when required, to meet high shipping demand. The recovery of clean coal has improved from an historical average of 77% to 85% during the last year.

Production equipment is regularly upgraded to improved efficiency. Cable driven shuttle cars (for transporting coal underground) have been replaced by battery powered coal haulage cars. These can operate at greater distances from the coal conveyor belt systems (resulting in less downtime during the extension of the conveyor belts), are more efficient and cheaper to run.

Holes are drilled to drain methane gas from the underground coal panels ahead of mining and this drilling would also highlight any breaks in the coal panels that would disrupt mining. Previously the methane gas was lost, but an A\$8 million joint venture between Austral Coal, **Envirogen** and **Great Southern Energy** now operates five one-megawatt methane powered electricity generators. This project will result in a "significant reduction in the cost of power used to operate the mine" with excess electricity fed into the national electricity grid.

Investment Criteria

At 19 cents, Austral Coal shares trade on a low Price/Sales ratio of 0.20 and a low Price/Earnings ratio of 7.6. Trading profits for the year just ended (December 2000) could be up about 20%, reducing the P/E ratio to 6.3, while a continuation of profit levels experienced over the last six months would *double* profits over a full year. Lower operating costs and a higher coal price will also lead to a significant improvement in profit levels during 2001. The shares therefore look under-valued and could appreciate significantly in value.

No dividend was paid last year owing to low profits. Nevertheless, the existing coal mining generates a very strong operating cash flow (A\$12.7 million in 1998, A\$12.0 million in 1999 and A\$7.2 million in the six months to June 2000). This cash flow will fund development of the Tahmoor North deposit and should enable the company to reinstate a final dividend for the December 2000 financial year. The company has no interest bearing debt.

With a market capitalisation of just A\$15½ million, this is a very small Australian listed company. Not surprisingly, the shares are *neglected*. No brokers follow the company and there are no significant institutional shareholders. Despite the small size of the company the shares trade actively in large volumes.

Management and directors hold reasonable investments

in the company. Chairman VH Pental holds 1,000,000 shares (1.23% of the company), M Blackham has 1,200,000 shares (1.48%), GM Smith has 345,000 shares (0.42%) while AG Sherlock has just 10,000 shares. The Managing Director and one other non-executive director do not hold shares. There have been two insider purchases over the last year: M Blackham purchased 160,100 shares in March 2000 and 95,635 shares in July (both accurately timed at the market bottom with shares bought at a price of about 11 cents).

Technically, Austral Coal shares are looking very attractive with a Relative Strength rating of +14.8% - ranking them at 6 (on a scale of 0-99) and making them one of the best performing Australian shares. Austral Coal shares rate as a "Buy" under the *Best Performing Shares* section of our *Comprehensive Share Selection Criteria*. The shares are in a strong uptrend, having almost doubled from their June 2000 low of 10 cents.

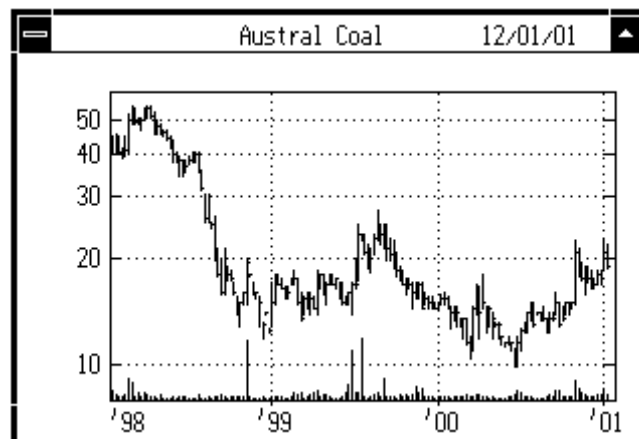
While we expect an investment in Austral Coal shares to perform very well over the next year, these shares do involve above average risks. The company produces one commodity (i.e. coking coal) and operates from just one location. The Tahmoor deposit holds large quantities of methane gas, which could possibly disrupt production.

Summary and Recommendation

We are recommending Austral Coal shares for investment as many factors are combining to make this an attractive recovery situation that would yield a high income and significant capital appreciation. Firstly, three difficult years have forced the company to significantly improve productivity and lower operating costs. Secondly, coal is exported and priced in US dollars, so over the last six months the lower exchange rate has resulted in a significant improvement in profit margins. Thirdly, the expected increase in the price of coal will further improve profit margins. Fourthly, Austral Coal has plans to double the size of its operation, so has real growth potential. Finally, the shares trade on a low valuation, so share price appreciation could exceed profit growth as the shares are re-rated.

We expect that Austral Coal will restore dividend payments (with a final dividend for the December 2000 year likely to be announced in March) and that the share price could double over the next 12 months and increase about five-fold over the next five years.

Owing to the risks involved in this type of small business, Austral Coal shares are only suitable for investors holding a *diversified* portfolio and prepared to accept high risks on some individual shareholdings.



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 Equity	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Current	4-Wk Chg.	Rank	Brokers Following	NTA	Equity							
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0														
Wrightsons Ltd	67	+13.0	+2.9	6	-	0.9	7	1.6	12	8.9	0.15	90		
Williams Kettle	302	+11.9	+2.0	8	-	1.2	11	0.6	11	7.4	0.28	44		
Renaissance	122	+20.6	-6.3	1	-	3.3	3	1.8	98	1.2	0.35	43		
Goodman Fielder	161	+0.3	+0.3	37	2	1.2	10	0.8	12	6.2	0.48	2,055		
Nuplex Indust	335	+5.1	+1.9	19	7	1.5	15	1.0	11	6.7	0.49	189		
Restaurant Brds	130	+4.7	+3.7	19	8	4.0	42	1.3	10	11.5	0.55	120		
Reid Farmers	85	+7.5	+1.1	12	-	1.3	13	1.3	10	8.8	0.55	48		
AXA Asia Pac.	361	+7.2	-0.2	14	-	1.6	12	0.8	14	3.3	0.60	6,362		
DB Group	512	+14.6	+2.3	3	6	2.3	17	0.6	14	4.7	0.64	258		
Bendon Limited	177	+1.4	+0.1	32	5	1.5	15	1.0	10	2.8	0.73	54		
Michael Hill	345	+3.2	+2.4	25	5	3.1	23	0.8	13	5.8	0.73	133		
AMP Limited	2440	+6.9	+1.1	15	-	2.7	14	0.6	20	2.2	0.7526,269			
Cavalier Corp	471	+10.8	-1.0	8	4	2.1	16	0.9	13	9.5	0.78	170		
Mr Chips Hold	91	+16.3	-3.0	3	-	2.9	21	0.9	14	9.8	0.79	14		
Hallenstein G.	225	+2.7	+0.6	28	6	3.9	34	0.8	12	12.3	0.81	130		
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0														
Mr Chips Hold	91	+16.3	-3.0	3	-	2.9	21	0.7	14	9.8	0.79	14		
DB Group	512	+14.6	+2.3	3	6	2.3	17	0.5	14	4.7	0.64	258		
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AMP Limited	2440	+6.9	+1.1	15	-	2.7	14	0.5	20	2.2	0.7526,269			
Nuplex Indust	335	+5.1	+1.9	19	7	1.5	15	0.9	11	6.7	0.49	189		
Restaurant Brds	130	+4.7	+3.7	19	8	4.0	42	1.1	10	11.5	0.55	120		
Affco Holdings	44	+4.7	-1.0	20	-	0.8	9	1.0	8	Nil	0.09	90		
Michael Hill	345	+3.2	+2.4	25	5	3.1	23	0.7	13	5.8	0.73	133		
Hallenstein G.	225	+2.7	+0.6	28	6	3.9	34	0.7	12	12.3	0.81	130		
Bendon Limited	177	+1.4	+0.1	32	5	1.5	15	0.8	10	2.8	0.73	54		
Goodman Fielder	161	+0.3	+0.3	37	2	1.2	10	0.6	12	6.2	0.48	2,055		
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million														
Telecom Corp	508	-13.0	-0.0	82	9	7.9	68	0.7	12	13.5	2.06	8,918		
Hallenstein G.	225	+2.7	+0.6	28	6	3.9	34	0.6	12	12.3	0.81	130		
Steel & Tube	146	-0.6	+1.3	46	8	1.0	11	0.9	9	12.3	0.34	128		
Restaurant Brds	130	+4.7	+3.7	19	8	4.0	42	1.0	10	11.5	0.55	120		
FC - Building	218	-7.0	-0.6	72	9	0.8	11	1.1	7	11.0	0.31	747		
Sky City Ltd	830	+6.4	+2.4	17	9	5.1	38	0.5	13	10.1	2.70	799		
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0														
Calan Hlthcare	94	-5.3	-0.0	68	-	0.8	6	0.6	15	7.6	7.71	117		
Infracor NZ	120	-1.3	-0.3	51	6	1.6	19	0.6	9	8.7	7.17	227		
Nuhaka Forestry	1210	-2.1	-1.2	57	-	0.7	-	0.3	NE	Nil	6.71	21		
Kiwi Property	92	-1.2	-0.3	50	8	0.8	8	0.8	8	0.6	10	11.4	6.40	317
Nat Property Tr	77	-0.3	+0.1	45	-	0.8	8	0.5	10	12.0	5.30	30		
Sky Network TV	325	-9.7	+0.3	80	9	29.8	-	0.8	NE	Nil	4.53	1,189		
Ports Auckland	445	-0.0	+2.6	39	9	2.4	19	0.6	13	6.0	3.82	590		
Strathmore Grp	15	-22.0	-2.2	89	-	0.9	-	2.3	NE	Nil	3.05	29		
Newcall Group	9	-32.9	-0.7	97	-	0.7	-	2.3	NE	Nil	2.72	8		
Ind Newspapers	324	-3.9	-0.7	62	8	1.3	4	0.7	33	3.2	2.15	1,255		
NZ Oil and Gas	33	-2.9	+1.6	59	-	0.8	-	1.2	NE	Nil	2.10	38		
Telecom Corp	508	-13.0	-0.0	82	9	7.9	68	0.7	12	13.5	2.06	8,918		
Cue Energy Ltd	6	-16.3	+0.4	84	-	0.6	-	2.4	NE	Nil	2.01	17		
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average														
Newcall Group	9	-32.9	-0.7	97	-	0.7	-	2.2	NE	Nil	2.72	8		
E-Phone Ltd	8	-30.9	-4.1	94	-	1.6	-	2.9	NE	Nil	N/A	9		
FC - Forests	35	-27.2	-3.4	93	9	0.2	4	1.4	5	Nil	0.57	897		
Eldercare NZ	17	-26.0	+0.5	92	-	0.7	15	1.8	4	Nil	0.97	25		
Advantage Group	125	-23.7	-1.3	91	7	1.2	3	1.2	43	Nil	1.18	75		
IT Capital Ltd	17	-22.3	-1.2	90	-	1.2	-	2.2	NE	Nil	N/A	25		
Strathmore Grp	15	-22.0	-2.2	89	-	0.9	-	2.2	NE	Nil	3.05	29		
Force Corp.	25	-20.8	+0.7	88	5	0.7	9	1.6	8	6.0	0.71	39		
Tag Pacific Ltd	22	-17.3	+0.8	86	-	0.6	10	1.3	6	3.6	0.32	14		
E-Ventures NZ	36	-16.5	+0.8	85	-	1.6	-	1.2	NE	Nil	N/A	90		
Cue Energy Ltd	6	-16.3	+0.4	84	-	0.6	-	2.2	NE	Nil	2.01	17		
Tourism Hold.	184	-10.0	-2.5	81	7	1.0	9	0.7	10	6.9	0.85	169		
Sky Network TV	325	-9.7	+0.3	80	9	29.8	-	0.7	NE	Nil	4.53	1,189		
Mainfreight Grp	126	-8.7	+1.2	79	7	1.9	18	0.6	10	7.1	2.29	91		
Ebos Group Ltd	280	-8.7	+0.7	78	-	2.1	12	0.6	18	6.9	0.93	75		
CDL Hotel NZ	20	-8.3	+1.5	77	2	0.3	3	1.3	11	5.2	0.43	70		
Summit Gold Ltd	9	-8.2	+4.3	76	-	1.8	-	1.8	NE	Nil	N/A	8		
Brierley Invest	32	-7.5	-0.1	75	6	0.4	-	1.1	NE	Nil	0.55	876		
Shotover Jet	41	-7.4	+2.2	74	-	1.4	4	0.9	37	Nil	0.78	18		
Rocom Wireless	51	-6.7	-5.9	72	-	-	-	0.9	NE	Nil	N/A	8		

"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 Equity	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Current	4-Wk Chg.	Rank	Brokers Following	NTA	Equity							
50 Strongest NZ Shares														
Montana Group	385	+26.5	-0.2	0	7	3.0	11	0.9	27	2.7	1.84	826		
Dairy Brands	42	+22.6	+1.5	0	-	0.9	0	1.5	233	Nil	2.91	20		
Renaissance	122	+20.6	-6.3	1	-	3.3	3	1.8	98	1.2	0.35	43		
Vending Tech.	225	+19.9	+10.0	2	-	0.9	-	0.8	NE	Nil	0.21	66		
Mr Chips Hold	91	+16.3	-3.0	2	-	2.9	21	0.9	14	9.8	0.79	14		
DB Group	512	+14.6	+2.3	3	6	2.3	17	0.6	14	4.7	0.64	258		
Tasman Agric.	131	+14.3	-4.0	4	3	0.9	7	0.9	13	2.3	3.51	138		
Cedenco Foods	136	+13.5	-0.5	5	-	0.8	11	1.0	8	Nil	1.66	22		
Wrightsons Ltd	67	+13.0	+2.9	5	-	0.9	7	1.6	12	8.9	0.15	90		
FC - Energy	837	+12.9	-4.1	6	7	1.2	6	0.8	18	3.2	1.84	2,874		
Utilico Int'l	36	+12.6	-3.3	7	-	0.8	-	1.6	NE	Nil	N/A	21		
Williams Kettle	302	+11.9	+2.0	7	-	1.2	11	0.6	11	7.4	0.28	44		
Cavalier Corp	471	+10.8	-1.0	8	4	2.1	16	0.9	13	9.5	0.78	170		
Warehouse Group	596	+10.1	-1.5	9	8	9.6	41	0.7	24	3.1	1.55	1,716		
United Networks	775	+9.9	+0.0	9	5	1.5	14	0.4	11	7.7	2.61	1,174		
Frucon Bev.	183	+8.7	-8.2	10	6	7.2	38	1.1	19	Nil	1.27	229		
Northland Port	172	+7.9	-2.3	11	3	1.5	9	0.9	16	6.5	1.38	71		
NZ Refining Co	1410	+7.7	+3.1	11	5	2.5	4	0.3	60	5.0	1.64	338		
Reid Farmers	85	+7.5	+1.1	12	-	1.3	13	1.3	10	8.8	0.55	48		
Horizon Energy	911	+7.3	+1.0	13	2	1.6	21	0.5	8	13.6	1.64	46		
AXA Asia Pac.	361	+7.2	-0.2	13	-	1.6	12	0.8	14	3.3	0.60	6,362		
Lion Nathan Ltd	500	+7.0	-0.6	14	7	1.2	7	0.6	17	3.7	1.28	2,671		
AMP Limited	2440	+6.9	+1.1	15	-	2.7	14	0.6	20	2.2	0.7526,269			
Akd Int Airport	323	+6.5	+2.4	16	9	2.7	10	0.8	27	4.5	7.98	1,357		
Sky City Ltd	830	+6.4	+2.4	16	9	5.1	38	0.6	13	10.1	2.70	799		
SE Utilities	105	+5.2	+1.7	17	-	1.0	3	1.0	31	7.1	N/A	63		
Baycorp Hold	1258	+5.1	-0.4	18	9	16.5	26	0.7	64	2.3	N/A	1,001		
Nuplex Indust	335	+5.1	+1.9	18	7	1.5	15	1.0	11	6.7	0.49	189		
Restaurant Brds	130	+4.7	+3.7	19	8	4.0	42	1.3	10	11.5	0.55	120		
Affco Holdings	44	+4.7	-1.0	20	-	0.8	9	1.4	8	Nil	0.09	90		
Fisher & Paykel	784	+4.5	+1.4	20	9	2.4	14	0.7	17	4.8	1.11	926		
South Port NZ	112	+4.4	-1.8	21	-	1.2	6	1.2	19	7.3	1.89	29		

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.

Table with columns for Company, Share Price, Strength Rating (Cur, 4-Wk, Rank), Insider Buy/Sell (Buy, Sell, Brokers Following), Price to NTA, Return on Equity, Volatility, Price to Earnings, Dividend Yield, Price to Sales, and Market Cap'n. Includes sections for Under-valued Shares, Income Shares, Best Performing Shares, and Insider Buying.

"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). 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 (on the facing page) 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: 77.8% Buyers
Last 13 wks: 77.9% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
AMP Ltd	1-0	Cabonne Limited	0-1	Golden State	0-1	Metroland Aust	3-0	Sapphire Mines	0-1
AMX Resources	0-4	Cambooya Inv.	1-0	Golden Heritage	2-1	Michealago Res.	5-1	Sausage Softwar	0-2
ANZ Bank	0-1	Campbell Bros	1-0	Goldsearch Ltd	0-1	Micromedical	1-0	Schaffer Corp	2-0
ARC Energy	2-0	Cape Range Wire	3-0	Goodman Fielder	1-0	Mikoh Corp.	2-0	SecureNet Ltd	2-0
Access 1 Ltd	0-2	Capral Alum.	1-0	Grand Hotel	5-0	Millers Retail	0-1	Silex Systems	2-1
Acclaim Explor	1-0	Carnarvon Pet.	1-0	Greater Pacific	0-1	Milton Corp.	5-1	Simeon Wines	2-0
Adelaide Res.	0-1	Carnegie Min'ls	1-0	Greenstone Res.	0-1	Mineral Commod.	0-1	Simsmetal Ltd	1-0
Adelaide Bank	1-0	Central Equity	1-0	Grimwood Davies	3-0	Minotaur Gold	2-0	Smith (Howard)	5-0
Adsteam Marine	3-0	Channel E Ltd	0-1	HIH Insurance	19-4	Monto	1-0	Sonic Health	0-3
Adtrans Group	7-1	Chiquita Brands	2-0	HP JDV Limited	1-0	Murchison Un.	2-4	Spencer Gulf TV	4-0
Aerodata Hold *	2-0	Circadian Tech	5-3	Hallmark Gold	4-1	Nat'l Forge	0-1	St Frances Min.	1-0
Allegiance Min.	1-0	Citadel Pooled	2-0	Hamilton Island	2-0	Nat'l Aust Bank	1-0	Sthn Cross Brd.	5-0
Ambition Group	4-0	Cleland	8-0	Hansen Tech.	0-1	Nat'l Foods	1-0	Straits Res.	1-0
Amcor Ltd	10-0	Coates Hire	1-0	Hardman Res.	4-2	Neverfall Spr.	0-1	Strategic Min.	0-1
Amrad Corp.	2-0	Cobra Resources	2-0	Harvest Road	1-0	New Hampton Gol	1-0	Stuart Petrol.	1-0
Angus & Coote	1-0	CocaCola Amatil	3-0	Harvey Norman	0-1	New Tel Ltd	1-0	Sun Resources	3-0
Anvil Mining	0-1	Com'wealth Bank	2-0	Healthscope	1-0	Newcrest Mining	3-0	Swish Group	2-0
Argo Investment	6-1	ComOps Limited	1-0	Helix Resources	2-0	News Corporatio	4-1	TAB Ltd	2-0
Ariadne Aust	1-0	Commsecure Ltd	3-0	Herald Resource	8-0	Norgard C.	3-4	TAB Queensland	3-1
Ashburton Min.	1-0	Commsoft Group	0-1	Hillcrest Res.	2-0	Normandy Mining	7-0	Taborcorp Holding	3-0
Ashton Mining	1-0	Computer Share	0-6	Hills Indust.	1-0	North Ltd	1-0	Takoradi Gold	4-7
Asia Pac Spec	1-0	Corp Express	2-4	Housewares Int.	3-0	OAMPS	10-0	Tamawood Ltd	1-0
Atkins Carlyle	3-0	Crane Group	1-0	Huntley Bus Net	1-0	Online Trading	2-0	Tap Oil	1-0
Atlas Pacific	1-0	Craton Res.	3-1	IAMA Ltd	0-1	Optum Group	2-0	Tech Investment	1-0
Auridiam Cons.	1-0	Croesus Mining	1-2	IXLA Limited	0-1	Orica Ltd	4-0	Technology One	0-3
Auspine Ltd	8-0	DCA Group Ltd	2-1	Illuka Resource	1-0	Oroton Int'l	0-1	Tectonic Res.	0-1
Aussie Online	0-3	Dalrymple Res.	2-0	Imdex NL	3-1	PCH Group	3-0	Templeton Globa	3-0
Aust Foundation	7-0	Darowa Corp	5-0	Indian Mining	1-0	Pac Strategic	5-0	Tempo Services	3-2
Aust United In	1-0	Data 3 Ltd	0-2	Institute Drug	5-1	Pacific Energy	7-0	Text Media Grp	4-0
Aust Stock Exch	1-4	David Jones	3-1	Intermin Res	2-0	Pacifica Group	4-1	Ticor Ltd	2-0
Aust Hospital	2-0	Davids	2-0	Internet Travel	2-0	Pacrim Energy	2-1	Timbercorp	1-0
Aust Food Fibre	1-0	Day Trader HQ	3-0	Investor Info	2-0	Payce Consol.	2-0	Titan Resources	0-1
Aust Rural	2-3	Delta Gold NL	1-0	Investor Group	0-4	Perp Trust Aust	6-2	Toll Holdings	2-0
Aust Gold Res.	1-0	Div. United Inv	1-0	Investor Web	0-1	Phoenix Mining	1-0	Tourism Aust.	6-0
Austin Group	1-0	Djerriwarrh	2-1	Joyce Corp.	3-0	Pirelli Cables	1-0	TransMetro Corp	1-0
Austrim Nylex	4-1	E-Sec Limited	0-2	Jubilee Mines	0-2	Platinum Aust	0-1	Triako Res.	2-0
Australasia Gld	1-0	E.R.G.	0-3	Julia Ross Rec.	1-0	Polartechinics	0-1	Union Capital	0-7
Austral Coal	2-0	ETRADE Aust.	2-0	Just Jeans Grp	1-0	Poltech Int'l	1-2	United Group	1-0
Auto Group Ltd	1-0	Earth Sanct.	2-0	K&S Corporation	1-0	Portman Mining	1-0	Utility Serv.	3-0
Automotive Ind.	4-1	Ehyou.com	1-0	Kagara Zinc Ltd	0-3	Powerlan Ltd	1-0	Vietnam Indust.	1-0
BRL Hardy Ltd	8-3	Energy Develop.	0-1	Kimberley Oil	1-0	Prime TV	1-0	Vision Systems	1-3
BT Aust Equity	0-2	Equigold NL	2-1	Kingsgate Cons.	2-0	Prime Life Corp	1-0	Volante Group	2-0
BT Resources	6-0	Equus Limited	1-0	Lafayette Min.	1-0	Publishing & Br	0-2	Vostech Limited	1-0
Bank of W.Aust	0-1	Evans & Tate	1-5	Lakes Oil NL	2-0	Qantas	1-2	WAM Capital Ltd	1-0
Beacon Fin Serv	6-0	Exodus	0-1	Lang Corporatio	0-1	Quadrant Aust.	4-1	WRF Securities	1-0
Bendigo Bank	3-1	Fairfax (John)	10-0	Lemarne Corp	1-0	Queens'd Cotton	2-0	Waterco Ltd	3-0
Billabong Int'l	0-2	First Aust Res.	2-1	Lion Selection	2-0	Queensland Opal	3-0	Wattyl Ltd	2-0
Boral Limited	1-0	Flight Centre	1-0	Ludowici Ltd	3-0	R M Williams	1-0	Wedgetail Exp.	2-1
Brambles Ind.	0-1	Foodland Assoc	1-0	Lumacom	1-0	Ramsay Health	1-0	Wells Gold Corp	0-1
Brandrill	0-1	Formida Holding	0-2	M.I.M. Holdings	4-0	Range Resources	0-2	Wesfarmers Ltd	1-0
Brazin Limited	3-0	Foster's Brewin	1-0	M.Y.O.B. Ltd	2-1	Realestate.com	3-0	West Oil NL	1-0
Brickworks Ltd	2-0	Futuris Corp.	1-0	MXL Limited	1-0	Rec. Solutions	2-0	West'n Metals	3-0
Bristile Ltd	3-0	G.U.D. Holdings	1-0	MacMahon Hold	2-0	Recruiters Aust	8-0	Westel Group	0-2
Britannia Gold	1-0	GME Resources	2-0	Macmin NL	2-1	Redfire Res.	2-5	Western Mining	3-0
Buka Minerals	1-0	GPS Online	1-0	Macquarie Bank	3-1	Redflex Holding	2-0	Westfield Hold.	3-9
Burdekin Pacifi	2-1	GWA Internat'l	6-0	Magellan Petrol	1-0	Reinsurance Aus	6-0	Westpac Banking	0-1
Burswood Ltd	7-0	Gazal Corp	1-2	Majestic Res.	3-0	Rio Tinto Ltd	2-0	Wet Dreams Ltd	2-0
C.S.R. Ltd	9-1	Gemstone Corp	1-0	Marymia Explor.	1-0	Roc Oil Company	1-0	Whitefield Ltd	0-1
CDS Tech	1-0	Ges Internat'l	0-1	Maxi TRANS	3-0	Rural Press Ltd	1-0	Wide Bay Cap'n	1-2
CI Technologies	0-2	Gippsland Ltd	3-0	McGuigan Wines	1-0	Sabre Group	2-0	Wine Investment	6-0
CPT Global Ltd	1-0	Giralia Res.	1-0	McPherson's Ltd	2-0	Sales Pursuit	2-0	Woolworths Ltd	2-0
CSL Limited	0-2			Menzies Court	2-0			Worldschool Ltd	1-0

At the request of subscribers, this table has been expanded to include all Australian companies where *insiders* have bought or sold shares (except Neutral situations with the same number of buyers and sellers).

"Insider" Trades in Australian Shares

Rank	Industry Group	Insider Buy-Sell	No. of Buyers-Coys	Average Sellers	Rank	Industry Group	Insider Buy-Sell	No. of Buyers-Coys	Average Sellers	Rank	Industry Group	Insider Buy-Sell	No. of Buyers-Coys	Average Sellers
1	Insurance	36-4	8	+4.00	24	Mineral Sands	4-0	11	+0.36	47	Base Metals	10-7	21	+0.14
2	Publishers	14-1	9	+1.44	25	Mining Services	6-2	12	+0.33	48	Entrepreneurial Investor	1-0	8	+0.13
3	Trustee Company	12-2	7	+1.43	26	Equity Investor	29-8	67	+0.31	49	Other Telecommunications	4-2	21	+0.10
4	Diversified Industrial	32-2	22	+1.36	27	Banking	12-7	16	+0.31	50	Residential Developer	2-1	12	+0.08
5	Building Materials	23-2	17	+1.24	28	Misc Industrial	14-3	36	+0.31	51	Transport	4-3	12	+0.08
6	Forest Products	22-4	16	+1.13	29	Gold Producer	15-3	45	+0.27	52	Retail	15-13	37	+0.05
7	Wholesaler/Retail	9-0	9	+1.00	30	High Technology	17-9	31	+0.26	53	Health & Related Products	1-0	20	+0.05
8	Hospital Management	4-0	4	+1.00	31	Brewer	1-0	4	+0.25	54	Network Operator	1-1	7	+0.00
9	Diversified Mining	5-0	5	+1.00	32	Oil/Gas Producer	4-0	17	+0.24	55	Other Infrastructure	0-0	7	+0.00
10	Casinos/Gaming	17-3	16	+0.88	33	Soft Drink/Confectionery	4-2	9	+0.22	56	Biotechnology	0-0	24	+0.00
11	Investment Trust/Company	26-2	28	+0.86	34	Vintner	15-12	14	+0.21	57	Mining Producer	8-8	14	+0.00
12	Misc Services	38-7	39	+0.79	35	Property Investor	2-0	10	+0.20	58	Gold/Copper	0-0	3	+0.00
13	Chemical & Fertiliser	8-2	9	+0.67	36	Diamonds	2-0	10	+0.20	59	Machinery Manufacturer	0-0	3	+0.00
14	Automotive	8-1	14	+0.50	37	Gold/Other Mining	1-0	5	+0.20	60	Uranium	0-0	2	+0.00
15	Energy/Electricity	7-1	12	+0.50	38	Coal	2-0	10	+0.20	61	Mining Investment	0-0	4	+0.00
16	Gold/Investment	1-0	2	+0.50	39	Mineral Exploration	17-8	49	+0.18	62	Advertising/Marketing	0-0	9	+0.00
17	Diversified Media	20-4	33	+0.48	40	Leisure Activities	2-0	11	+0.18	63	Other Utilities	0-0	3	+0.00
18	Light Engineering	8-1	15	+0.47	41	Property Trust	11-0	61	+0.18	64	Oil/Gas Investor	0-0	2	+0.00
19	Pharmaceutical	12-6	13	+0.46	42	Agricultural	7-4	18	+0.17	65	Computer & Office Serv.	16-19	70	-0.04
20	Television	4-0	9	+0.44	43	Engineering Contractor	1-0	6	+0.17	66	Equipment/Services	0-6	51	-0.12
21	Property Dev'tment/Manager	9-0	21	+0.43	44	Gold Explorer	56-35	132	+0.16	67	Heavy Engineer	0-1	6	-0.17
22	Oil/Gas Exploration	19-5	36	+0.39	45	Building Contractor	2-0	13	+0.15	68	Manufacturer/Retailer	3-5	11	-0.18
23	Hotel/Resort	3-0	8	+0.38	46	Food	5-1	27	+0.15	69	Misc Financial	10-16	29	-0.21
										70	Health/Medical Services	0-4	14	-0.29

Australian Company Analysis: Harvey World Travel

Flight Centre was a very successful investment for us last year (realising a six-fold gain in less than two years) so we thought subscribers would be interested to learn about another Australian listed travel agency business: **Harvey World Travel** (code HWT). We are not recommending these shares for investment, believing the immediate outlook is not too favourable, but - if the business performs well - these shares *may* become attractive for purchase in 9-18 months time.

Company History

This travel agency business was started in 1951 and grew to six family owned outlets by 1979 when the decision was made to grow the business through a franchise. Harvey World Travel (the listed company) is therefore a franchiser, with the travel agency business conducted through the **Harvey World Travel Network** which consists of about 300 franchisees.

Harvey World Travel listed on the Australian stockmarket in December 1999 after issuing 18,620,361 shares to the public at A\$1.00 per share. Of the A\$18.6 million raised, A\$12.2 million went to the original owners (who sold shares, reducing their ownership to 46.9%) and A\$6.4 million went to the company to finance growth.

A Comparison of Harvey World Travel and Flight Centre

Before we can discuss Harvey World Travel further, we need to compare the business to Flight Centre.

Flight Centre currently generates around A\$2,360 million in revenues and A\$40.3 million in profits from

600 outlets in Australia, NZ, South Africa and the UK. The Harvey World Travel Network (after a planned acquisition - see details later) will generate revenues of A\$1,250 million and profits of A\$3.0 million from 560 outlets in Australia, NZ and South Africa. Both companies therefore compete in the same markets, although Flight Centre generates 90% higher revenues from only a 7% larger number of outlets and is 13 times more profitable than Harvey World Travel. High revenue per outlet may indicate greater efficiency in the Flight Centre business, while higher profits may be a result of owning the whole business rather than sharing it with franchisees.

Flight Centre is valued by the stockmarket at A\$1,905 million. Its shares trade on a Price/Earnings ratio of 47 and the Dividend Yield is only 1.1%. Harvey World Travel has a market capitalisation of only A\$31 million and its shares trade on a Price/Earnings ratio of 10 and offer a Dividend Yield of 4.8%. We believe that Flight Centre shares have become over-valued (which is why we sold out last year) while Harvey World Travel shares appear to be under-valued. However, Flight Centre is a proven and successful business, while Harvey World Travel is seeking to revitalise its existing business and expand its internet business. Flight Centre is likely to generate strong profit growth, while the performance of Harvey World Travel is less certain.

Recent Developments

Harvey World Travel is spending A\$1 million of the money raised in its float to *(Continued on Page 12)*

Harvey World Travel (Continued from Page 11)

upgrade its website and running an online booking system linked to its existing booking system used by franchisees. This internet service will both compete *against* the franchisee (i.e. the parent company will make the sale directly) or allow the customer to go to a local franchisee to complete the transaction. Initially customers are likely to take the second option, although over the long term the company could build a significant online business.

Harvey World Travel is also using some of the money raised to help franchisees move to high profile shopping centres or establish new outlets in these locations which will later be sold to new franchisees.

In August the company entered an exclusive strategic alliance which allows **Thomas Cook** to establish and operate foreign exchange bureaux inside existing Harvey World Travel franchise outlets. Harvey World Travel and the franchisee will each earn fee income from this alliance. **Travellex** subsequently took over Thomas Cook's Australian and NZ foreign exchange business - so has become the partner in this venture. Currently only four foreign exchange booths have been established, but this is expected to increase to 12 by March 2001 and grow to 50 over the next four years.

In December, Harvey World Travel announced that it was to take over **Thomas Cook's** Australian and NZ retail travel agency businesses, consisting of 97 travel agency outlets (83 of which offer foreign exchange), a call centre and a travel insurance claims handling business. The cost of this acquisition and converting the outlets into franchises will be less than A\$10 million - to be funded from the company's A\$5 million cash holding and A\$5 million in borrowings. This acquisition advances the group's plans to become involved in foreign exchange services, and the company's existing internet business will refer customers to the Call Centre to complete travel bookings. One-off operating expenses associated with the integration of these new outlets is expected to depress this year's profits from an expected A\$3.3 million to about A\$2 million but to "materially enhance the group's profitability" in subsequent years.

Profit Result

In the year to June 2000, Harvey World Travel generated revenue of A\$13.6 million and a profit of A\$3,256,000 (8.7 cents per share) and paid a dividend of 4.0 cents.

Investment Criteria

At 83 cents, Harvey World Travel shares trade on an historical Price/Earnings ratio of 10 and offer a Dividend Yield of 4.8%. Both of those statistics look very attractive, but if profits decline to A\$2 million this year (owing to cost of the Thomas Cook acquisition) the P/E will rise to 16. That suggests that the shares may under-perform in the short term. Indications of a good financial performance during the June 2002 financial year *could* offer a buying opportunity (perhaps in late 2001 or early 2002).

As Harvey World Travel is a franchiser, the parent company only receives about 1% of the revenue earned by the franchisees. The Price/Sales ratio (of 2.29) is therefore not meaningful, as the company is earning *fee income* (on which there is a very high profit margin),

not gross revenues.

With a market capitalisation of A\$31.6 million, Harvey World Travel is a smaller listed company. The shares are also very *neglected*. No brokers follow the company and institutions own very little of the company.

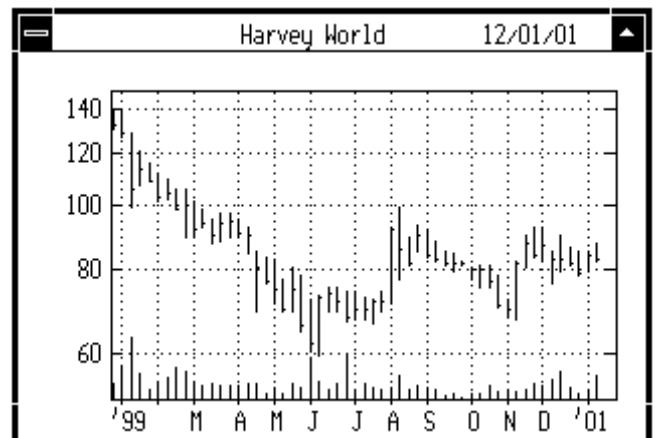
Management have significant shareholdings in the business. 17,637,296 shares (46.88% of the company) are held by **HW Holdings** which represents the original shareholders. Managing Director, PR Fleming owns 3,321,318 shares (2,853,843 shares indirectly through HW Holdings and 467,475 shares directly) or 8.83% of Harvey World Travel. Non-executive directors SD Kaleel and PD Kearin each own (indirectly through HW Holdings) about 1.5 million shares or 3.91% of the company. Executive directors TAC Dodds and BLA Mayo each own 304,630 shares (0.81%).

This small company size, broker and institutional neglect, and high management shareholdings is exactly the situation that made Flight Centre such a profitable investment. *If* the company performs well then it will eventually attract institutional buying. With a small company - and relatively tightly held shares (although actively traded in the volumes that private investors would seek to purchase) - institutional buying will significantly inflate the share price!

Harvey World Travel shares were issued at A\$1.00 each in the initial public offering, listed at \$1.33, traded as high as A\$1.45 but then declined to a low of 60 cents in June 2000. The shares jumped back to 99 cents in August, but have traded between 68 cents and 93 cents over recent months. With a Relative Strength Rating of -3.6% the shares are ranked 47 (on a scale of 0-99) - which is right in the middle of the market in terms of their long term trend! Technically the trend is neutral, with the shares likely to stay within the 65-100 cents price range over the next several months.

Summary and Recommendation

While Harvey World Travel *may* eventually develop into an attractive investment it is too soon to assess how successful the company will be with its plans to revitalise and grow the business. The Thomas Cook acquisition will depress profits (and the dividend?) in the short term, while a slowdown in the Australian economy may depress the business. It is therefore unlikely that the share price will appreciate strongly in the next 6-9 months. We shall therefore continue to monitor this company, looking for signs of success with its plans and improved financial results over the next 9-18 months.



“Market Analysis” turns Twenty!

The first issue of *Market Analysis* was published in March 1981. Back then it was impossible to invest internationally, only a couple of dozen countries even had stockmarkets, the Internet hadn't been invented and even most *large* companies *didn't* have a computer!

As we approach the start of our third decade of publishing this stockmarket investment advisory newsletter a few changes become necessary in the way we continue to provide our service to investors. The objective? To *improve* our service and to continue to bring you the *best* investment advisory service over the next 20 years . . .

Planned Communications Changes

Technology has always had a major impact upon the way this business operated. Almost two decades before anyone heard the term “e-commerce” Securities Research began using computers to manage and analyse information. Not only is computer power cheaper than labour but it ensured that information was processed and evaluated consistently, free from human bias. Over the years, extensive databases of information have been built up on all NZ and Australian shares, most world stockmarkets and over 1200 investment funds - together with our own programs to collect, store and process this information. While this process continues, the next major step is to use internet technology to improve our communications with subscribers.

Over the next couple of months our subscriber database will be moved on to the internet. Programming for this is complete, but a few offline, internal office functions still need to be integrated with that new database. All subscribers will be allocated an individual User Name and Password - after which you will need to update your online record by adding an e-mail address. This will enable us to e-mail newsletters and updates.

While we shall continue to print and mail newsletters to all subscribers, e-mail delivery offers many advantages. Firstly, it brings subscribers closer by removing the expensive and time consuming processes of printing and mailing. This will make it easier to provide updates between regular newsletters, when required. Secondly, the e-mailed version of the newsletter will be available earlier each month (at no additional charge) - providing more up-to-date advice without the delay from printing, collating, inserting and mailing newsletters. The regular print newsletter will still arrive in Wednesday's postal delivery. Thirdly, if a subscriber later decides to renew for the *e-mail only* service it will reduce our printing and postage costs which we can pass on in a lower subscription rate!

The use of existing technology helps to make Securities Research an efficient, low cost research organisation. As a result, we are able to price *Market Analysis* at about *half* the annual subscription cost of most other NZ and Australian newsletters - and we believe *Market Analysis* is a *better* newsletter than any of our competitors! We need to continuously adapt and to use new technologies to further raise quality, improve

efficiency and minimise operating costs to maintain this competitive advantage!

Greater use of the internet for communication will also allow us to keep in touch with subscribers when away from the office or even overseas!

An online database will reduce the work involved in maintaining subscription records. New subscribers signing up via the internet will type their details directly into our database, removing the need for us to try to interpret handwriting and re-typing the information. Existing subscribers will be able to change their mailing address or e-mail address online, saving us the administrative work processing these changes.

For the minority of subscribers not on the internet - and unable to access cheap internet stockbroking services or obtain Australian share quotes and news - you won't miss out too much as we shall always continue to provide a print newsletter by mail. But you really should consider getting *connected*, even if you only obtain internet access via a “cyber cafe”.

Planned Investment Management Changes

Paradoxically, the two things that you should look for from an investment adviser - (1) a successful track record of profitable stockmarket investment and (2) an adviser with the confidence to follow his own advice - can work against the continuation of the service. If your adviser is any good, after a decade or two his investment income grows far beyond the income earned running the business!

My policy has been to invest my own money in every recommendation ever published - after giving subscribers the chance to buy or sell first. Putting subscribers interests ahead of my own hasn't prevented my portfolio expanding 100-fold in value over the last two decades (mainly from re-invested dividends and capital gains, but helped by some new savings). However, the *opportunity cost* of this policy and of sharing my research has increased 100-fold along with the size of these investments!

As this opportunity cost now probably exceeds the income from owning Securities Research Company and working full time in the business, the only sensible solutions are to either (1) cease publication of *Market Analysis* and *International Investor* and to run Securities Research Company for my sole benefit or (2) remove the self imposed restrictions on buying and selling long term investments for my family's portfolios (to minimise the opportunity cost of sharing share recommendations with other investors). As it is my intention to continue providing other private investors with an advisory service through *Market Analysis* and *International Investor*, the second option will be taken.

Needless to say, persons associated with this newsletter will not be engaging in short term share trading. We will never buy or sell in *conflict* with published advice (i.e. we will never be selling a share that is rated as a “Buy” in the newsletter, or vice-versa).

"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
08/12/2000					
Spectrum Resources	Momentum Invest	Sell	-15.300	10.79%	4.92%
Tranz Rail Holdings	Franklin Resources	Sell	-1.015	5.72%	4.88%
15/12/2000					
FC - Building	Franklin Resources	Sell	-5.100	6.01%	4.53%
FC - Forests	AMP	Buy	+142.697	0.0%	5.12%
FC - Forests	Credit Suisse	Buy	+267.149	0.0%	9.16%
Strathmore Group	Siesta	Sell	-2.122	8.08%	6.18%
22/12/2000					
FC - Energy	The Capital Group	Sell	-3.247	6.47%	5.46%
Kiwi Development	Kiwi Income Prop	Buy	+2.429	34.16%	39.22%
Newcall Group	Colliseum Invest	Buy	+10.900	0.0%	8.20%
Waste Mgmt NZ	AMP	Sell	-0.750	5.73%	4.96%
05/01/2000					
Strathmore Group	Advantage Group	Sell	-26.585	16.18%	0.0%
Strathmore Group	Saree Holdings	Buy	+26.585	0.0%	16.18%

"Insiders" have reported selling shares in e-commerce companies (or at least "e-commerce hopefuls") over the last month. Momentum sold shares in **Spectrum**, while Advantage and Siesta both sold shares in **Strathmore Group**.

Total Return Index for All Listed Shares

	Dec 11	2101.13		
	Dec 12	2085.84		
	Dec 13	2073.11		
	Dec 14	2069.85		
	Dec 15	2067.00		
Dec 18	2050.78	Dec 25	Holiday	
Dec 19	2044.57	Dec 26	Holiday	
Dec 20	2035.21	Dec 27	2026.40	
Dec 21	2022.63	Dec 28	2029.37	
Dec 22	2028.09	Dec 29	2040.54	
Jan 1	Holiday	Jan 8	2066.07	
Jan 2	Holiday	Jan 9	2068.40	
Jan 3	2043.25	Jan 10	2068.09	
Jan 4	2053.57	Jan 11	2070.62	
Jan 5	2067.87	Jan 12	2084.82	

Current Issues

CAPITAL RECONSTRUCTIONS Ex-Date

Brierley Investments (1) -
(1) Brierley will consolidate 2 existing shares into 1 new share.

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
Warehouse Group	2½%, on-market

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Dividend \$

Company	Cents per Share	Ex- Date	Pay- able	Tax Credit
Contact Energy	12.36	11-12	15-12	Full
DB Group	16.00	05-02	16-02	Full
Tower Corporation	14.00	15-01	25-01	1.00

Problems Viewing Online Newsletters

Some subscribers have experienced a problem downloading the internet version of our newsletters and see a blank window or only partial image. This, the webmaster at our Internet Service Provider tells us, "is a bug in Microsoft's Internet Explorer".

Here are the three suggestions that Microsoft's website offers to avoid this problem:

1. Upgrade to Internet Explorer version 5.5 which "resolves this issue".
2. Alternatively, retain your earlier version of IE and lower the Security level. Open your browser, click on *Internet Options* in the *View* or *Tools* menu (depending upon which version of IE you have) and change the security level to *Medium*, *Medium-Low* or *Low*.
3. Another option is to save the pdf file to your hard drive and then read it offline using the Adobe Acrobat Reader. This avoids IE's bug opening Acrobat Reader. Use the *right mouse button* to click on the link to the newsletter file you wish to access and then *left click* on "Save Target as ..." in the box that opens. This will prompt you to save the file to your hard drive.

Of course, the fourth option (not suggested by Microsoft) is to simply avoid the Microsoft bugs and use a Netscape browser!

Internet Password

"Market Analysis" is published on the Internet in full (www.stockmarket.co.nz) but password protected to prevent unauthorised access by non-subscribers. That password will be changed every month:

January's Password February's Password

See Print Newsletter
for Passwords

Please keep these passwords confidential!

Next Issue

The next issue of "Market Analysis" will be posted in four weeks time on Tuesday February 13, 2001 and on our internet sites on Wednesday February 14.