

# Market Analysis

Issue No. 345

P.O. Box 34-162, Auckland

March 13, 2001.

## Inside Market Analysis

BUY Australian listed Volante Group..... 10, 11	Biron: Cash rich company ..... 6
Michael Hill International shows "ten-bagger" gain .... 4	Campbell, Toll, Vision all seek new growth ..... 6-9
Steel & Tube, Taylors: high cashflows, low debt ... 4, 5	Trans Tasman Properties offers Junk Bonds ..... 14
Austral Coal expects 20% increase in coal price ..... 6	Neglect Ratings of NZ and Australian Shares ..... 15

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

## Summary and Recommended Investment Strategy.

We are adding slightly to our Australian share portfolio, which will reduce our cash reserve to about 20-25% (from 25-30%). Stockmarkets will likely perform well in the second half of 2001, but we remain a little cautious about the immediate performance.

### Investment Outlook.

The outbreak of Foot and Mouth disease in the UK will have little impact upon the UK economy or UK stockmarket. The 1967-68 outbreak in the UK lasted eight months and affected over 2000 farms. So far less than 200 cases have been discovered, but livestock movements are now greater, so expect that number to rise quickly and significantly! Agriculture involving animals, however, accounts for only 1-2% of Gross Domestic Product and 1½% of exports in the UK. Although there will also be an impact upon the transport and tourism industries, the overall impact upon the UK economy will be negligible.

An outbreak in NZ would be a completely different story! Livestock agriculture and tourism are significantly more important to the NZ economy. Meat exports account for 11% of NZ's overseas income, while production of milk (14% of export income) and wool (3%) would also be affected by the disease. International tourists spend \$4.3 billion in NZ (16% of overseas income), while domestic tourism (\$3.5 billion) is also a significant industry.

An outbreak of Foot & Mouth disease would therefore devastate the NZ economy. The NZ dollar would likely lose half its value with the stockmarket experiencing a similar massive fall in value. This type of risk - resulting from our dependence upon the agricultural sector - is the main argument why NZ investors should have a significant proportion of their portfolios invested offshore.

We suggest that NZ investors hold 20-30% in NZ, 30-40% in Australia and 35-45% Internationally.

Our One-Year Forecast for the NZ stockmarket remains **slightly Bearish at 36%**, although our **Short Term Trend Model is slightly Bullish at 64%**.

The outlook for Australia has improved from a Neutral 46% last month to a still **Neutral 57%** at present, helped by lower interest rates and lower GDP statistics. That small improvement in the Forecast, however, is sufficient to encourage us to add one new share to our *Portfolio of Recommended Investments*.

This will lower our cash reserve to about 20-25% of NZ and Australian portfolios, and we shall probably add a further 4-6 new shares over the next 3-9 months as we move back towards being fully invested.



# 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	83	0.44	18	Nil	Force Corp.	C	26	0.73	9	5.7	Port Tauranga	B	595	6.50	23	5.5	
AMP Limited	B	2410	0.77	18	2.4	Frucor Bev.	C	205	1.42	21	Nil	Ports Auckland	A	555	4.77	16	4.8	
AMP NZ Office	C	87	6.22	12	8.9	GDC Communicat.	C	320	N/A	38	Nil	Powerco Limited	C	150	0.53	NE	Nil	
AXA Asia Pac.	C	356	0.59	13	3.3	Genesis Res.	D	440	3.88	NE	Nil	Property F Ind.	C	82	7.63	37	8.4	
Advantage Group	D	118	1.11	41	Nil	Goodman Fielder	B	168	0.50	12	6.0	Pure NZ Limited	D	10	4.48	NE	Nil	
Affco Holdings	E	38	0.08	7	Nil	Grocorp Pacific	C	14	0.46	NE	Nil	Reid Farmers	B	100	0.65	12	7.5	
Air New Zealand	C	141	0.23	5	10.6	Guinness Peat	C	151	2.41	13	2.1	Renaissance	C	120	0.28	32	2.5	
Akd Int Airport	B	350	8.65	29	4.1	Hallenstein G.	B	230	0.83	12	12.0	Restaurant Brds	B	142	0.55	10	10.5	
Apple Fields	D	4.5	0.07	NE	Nil	Hellaby Hold.	B	190	0.37	8	11.0	Richina Pacific	D	44	0.06	NE	Nil	
Aquaria 21	E	1.6	0.27	NE	Nil	Heritage Mining*	N/R	5.0	0.13	NE	Nil	Rocom Wireless	E	48	N/A	NE	Nil	
Baycorp Hold	B	1150	N/A	58	2.5	Horizon Energy	A	1027	1.85	9	12.1	Roller Int'l	D	40	0.21	NE	Nil	
Beauty Direct	D	9.0	N/A	NE	Nil	IT Capital Ltd	E	22	N/A	NE	Nil	Ryman Health.	B	205	4.41	16	2.5	
Bendon Limited	C	165	0.68	10	3.0	Ind Newspapers	C	375	2.49	38	2.8	SE Utilities	C	107	N/A	31	7.0	
Brierley Invest	D	37	0.64	NE	Nil	Infratil NZ	C	134	8.01	10	7.8	Sanford Limited	B	555	1.51	11	5.4	
Broadway Ind	D	29	0.12	29	Nil	Kingsgate Int'l	E	13	1.23	16	Nil	Savoy Equities	C	2.7	0.10	NE	Nil	
CACI Group Ltd	D	35	N/A	NE	Nil	Kiwi Developmnt	C	250	N/A	NE	Nil	Scott Tech. Ltd	B	182	1.16	10	9.0	
CDL Hotel NZ	D	19	0.41	11	5.5	Kiwi Property	C	91	6.33	10	11.5	Seafresh Fish.	D	5.5	0.33	NE	Nil	
CDL Investments	D	23	1.42	8	16.2	Lion Nathan Ltd	A	485	1.24	16	3.8	Selector Group	C	12	N/A	NE	Nil	
Cabletalk Group	C	108	0.50	NE	Nil	Lytelton Port	A	171	2.99	12	8.9	Shotover Jet	C	54	1.02	48	Nil	
Cadmus Tech Ltd	E	15	N/A	NE	Nil	Mainfreight Grp	B	120	0.28	10	7.5	Sky City Ltd	A	953	3.11	15	8.8	
Calan Hlthcare	C	80	6.56	12	8.9	Manor Inns Grp	D	10	0.34	NE	Nil	Sky Network TV	C	375	5.23	NE	Nil	
Cap Properties	C	90	0.97	3	12.8	Max Resources	*N/R	13	N/A	NE	Nil	Software of Exc	D	100	0.94	NE	Nil	
Carter Holt	D	186	0.99	20	3.2	Medical Care	C	135	N/A	87	Nil	South Port NZ	B	125	2.11	21	6.6	
Cavalier Corp	A	490	0.81	13	9.1	Metro. LifeCare	C	105	1.02	10	8.5	Southern Cap	E	71	7.59	NE	Nil	
Cedenco Foods	A	154	1.88	9	Nil	Michael Hill	B	385	0.81	15	5.2	Spectrum Res.	D	3.0	N/A	NE	Nil	
Col FS Property	C	98	8.26	14	10.7	Mid-Cap Index *	N/R	190	N/A	NE	Nil	Steel & Tube	B	155	0.37	10	11.6	
Col Motor Co	C	267	0.25	10	10.3	Montana Group	A	410	1.96	29	2.5	Strathmore Grp	D	13	2.69	NE	Nil	
Commssoft Group	E	89	N/A	NE	Nil	Mooring Systems	B	170	N/A	NE	Nil	Submarines Aust	D	35	0.16	NE	Nil	
Compass Com.	E	43	N/A	NE	Nil	Mr Chips Hold	B	110	0.95	17	8.1	Summit Gold Ltd*	N/R	12	N/A	NE	Nil	
Contact Energy	C	295	2.05	29	8.8	NZ Experience	D	10	0.81	NE	Nil	Tag Pacific Ltd	D	20	0.29	5	4.0	
Cue Energy Ltd *	N/R	4.7	1.63	NE	Nil	NZ Invest Trust*	N/R	475	N/A	NE	1.7	Tasman Agric.	C	150	4.02	15	2.0	
DB Group	A	540	0.68	15	4.4	NZ Oil and Gas *	N/R	30	1.91	NE	Nil	Taylor's Grp Ltd	C	112	0.70	12	8.0	
Dairy Brands	C	48	3.33	NE	Nil	NZ Refining Co	A	1791	1.45	6	20.8	TeNZ *	N/R	92	N/A	NE	Nil	
Damba Hold Ltd	C	40	0.71	19	Nil	Nat Property Tr	C	88	6.06	11	10.5	Telecom Corp	C	588	2.38	13	11.7	
Design Textiles	B	33	0.17	10	9.0	National Mail	E	7.0	0.77	NE	Nil	Tourism Hold.	C	160	0.74	9	8.0	
Dorchester Pac	B	111	0.80	8	8.1	Natural Gas	C	137	1.52	11	5.4	Tower Limited	B	545	0.56	12	5.5	
E-Force Limited	D	2.7	0.16	NE	Nil	Newcall Group	E	7.0	2.24	NE	Nil	Trans-Tasman	E	22	1.24	6	Nil	
E-Phone Ltd	D	11	N/A	NE	Nil	Newmarket Prop.	C	50	N/A	6	19.0	Tranz Rail Hold	B	420	0.89	7	2.0	
E-Ventures NZ	D	29	N/A	NE	Nil	Northland Port	B	174	1.39	16	6.4	Trust Power Ltd	C	317	1.11	18	7.8	
E-cademy Hold.	D	2.2	N/A	NE	Nil	Nufarm Limited	C	380	0.31	8	5.1	United Networks	B	870	2.87	12	5.7	
Ebos Group Ltd	B	272	0.90	17	7.1	Nuhaka Forestry	E	1090	6.05	NE	Nil	Utilico Int'l	D	40	N/A	NE	Nil	
Eldercare NZ	D	17	1.00	5	Nil	Nuplex Indust	B	355	0.52	11	6.3	Vending Tech.	C	281	0.27	NE	Nil	
Evergreen	E	50	3.35	13	Nil	Opio Forestry	D	56	N/A	44	Nil	WN Drive Tech.	D	68	N/A	NE	Nil	
FC - Energy	B	952	2.09	20	2.8	Otter Gold Mine*	N/R	35	0.23	NE	Nil	Warehouse Group	C	565	1.47	22	3.3	
FC - Forests	D	33	0.54	5	Nil	Owens Group Ltd	D	88	0.14	13	7.6	Waste Mgmt NZ	B	410	2.91	28	2.7	
FC - Building	B	207	0.30	7	11.5	Ozzy (Tortis) *	N/R	253	N/A	NE	Nil	Williams Kettle	A	325	0.30	11	6.9	
Finzsoft Sol'ns	C	50	0.47	NE	Nil	PDL Holdings	B	635	0.24	16	Nil	World Index Fd *	N/R	200	N/A	NE	Nil	
Fisher & Paykel	A	850	1.20	18	4.4	Pacific Retail	C	140	0.19	8	Nil	Wrightsons Ltd	B	74	0.17	13	8.1	
													<b>Ave of 144 Cos</b>	C	223	0.48	18	3.7
A.G.L.	A	1101	1.34	15	4.6	Data Advantage	B	650	N/A	NE	0.6	Nat'l Foods	B	230	0.58	12	10.4	
AMP Diver. Prop	B	247	2.54	13	7.5	David Jones	C	132	0.32	11	6.1	News Corporatio	C	1742	1.58	28	0.2	
AMP Ltd	B	1987	0.80	19	2.4	Deutsche Office	C	133	N/A	NE	Nil	One Tel Ltd	D	41	1.58	NE	2.5	
AMP Office Trt	B	123	6.73	15	7.7	E.R.G.	C	181	2.69	32	1.1	Open Telecom.	C	106	6.69	55	Nil	
AMP Shop Centre	B	133	N/A	19	6.4	Email Ltd	B	291	0.37	15	8.4	Orica Ltd	C	505	0.35	9	6.9	
ANZ Bank	A	1500	1.91	14	4.3	Energy Develop.	A	1350	N/A	71	0.4	Origin Energy	A	224	0.36	8	9.4	
APN News Media	C	384	1.57	19	3.8	Envestra	C	89	2.18	NE	10.1	Pacific Dunlop	C	126	0.22	9	7.9	
AXA Aust Div PT	B	117	8.15	13	7.5	Fairfax (John)	C	374	1.94	16	3.1	Paladin Com.	B	124	7.45	14	7.7	
AXA Asia Pac	B	298	0.62	14	3.2	Faulding (F.H.)	A	1030	0.79	26	2.0	Paperlin X Ltd	B	389	0.52	14	1.3	
Advance Prop	B	182	8.64	15	6.7	Flight Centre	B	2690	0.91	55	0.9	Perp Trust Aust	A	3800	5.00	35	1.7	
Alintagas Ltd	C	323	1.91	NE	Nil	Foodland Assoc	B	965	0.24	12	5.8	Publishing & Br	C	1181	3.14	24	1.7	
Amcort Ltd	B	575	0.49	13	6.6	Foster's Brewin	B	505	2.53	20	2.9	O.B.E. Insur.	B	1070	0.99	29	2.7	
Aristocrat	C	676	5.21	44	1.6	Futuris Corp.	B	208	0.25	16	3.8	Q.C.T. Resource	C	121	1.05	NE	Nil	
Aust Stock Exch	B	1270	6.38	22	4.4	GWA Internat'l	B	201	0.96	14	9.0	Qantas	B	308	0.40	8	19.2	
Aust Pipeline	C	247	N/A	NE	Nil	Gandel Retail T	B	114	8.88	14	7.5	Rio Tinto Ltd	B	3505	1.38	10	2.5	
Austar United	E	127	3.94	NE	Nil	General Prop Tr	B	274	6.64	15	7.0	Rural Press Ltd	C	458	1.17	10	3.1	
Australand Hold	B	128	0.76	5	9.4	Goodman Fielder	B	137	0.54	13	5.5	Servcorp Ltd	B	700	8.96	78	0.5	
Axon Instrument	C	143	N/A	NE	Nil	Guinness Peat	C	125	2.72	12	0.4	Seven Network	B	673	1.49	26	3.0	
BA Tobacco Aust	A	1760	0.69	18	4.8	Hardie (James)	B	394	0.91	11	4.6	Singleton Group	A	385	N/A	40	1.8	
BRL Hardy Ltd	A	908	2.17	22	2.0	Harvey Norman	C	372	N/A	NE	0.9	Smith (Howard)	B	900	0.66	16	4.6	
Bank of W.Aust	B	388	3.48	15	4.6	Hills Motorway	B	490	9.29	NE	6.8	Smorgon Steel	C	89	0.30	9	10.1	
Bendigo Bank	A	605	1.38	18	4.0	Hutchison Tel.	E	105	1.73	NE	Nil	Sonic Health	C	810	3.50	73	1.9	
Bidvest	B	290	0.19	16	2.6	ING Indust Trt	B	147	8.43	13	8.8	Southcorp Ltd	B	636	1.48	19	3.3	
Billabong Int'l	C	473	N/A	NE	Nil	ING Office Fund	B	115	N/A	26	4.6	Spotless Group	B	695	0.77	37	2.9	
Boral Limited	A	233	0.52	11	7.7	Incitec	B	530	0.70	19	4.3	St George Bank	A	1320	1.60	16	4.2	
Brambles Ind.	B	4600	2.15	29	1.8	Infomedia Ltd	D	173	7.72	NE	Nil	Stockland Trust	B	408	6.65	18	6.4	
Brickworks Ltd	A	570	4.03	17	2.2	Investa Prop.	B	178	7.99	13	7.4	Suncorp-Metway	A	1177	1.08	11	3.9	
C & W Optus	D	380	3.32	49	Nil	Jupiters	B	400	1.42	14	4.3	TAB Ltd	C	325	0.33	27	3.4	
C'wth Prop Off.	B	105	7.92	13	7.4	Kaz Computer	C	133	N/A	NE	0.6	Tabcorp Holding	C	931	2.08	20	5.0	
C.S.R. Ltd	A	507	0.71	11	4.7	Keycorp Ltd	C	680	4.62	36	Nil	Telstra	C	659	2.13	10	2.7	
CSL Limited	A	3680	N/A	NE	0.6	Lang Corporatio	B	1120	2.60	27	1.3	Ten Network	C	213	1.33	13	7.5	
Cadbury Sch.	C	991	N/A	NE	3.4	Leighton Hold	A	679	0.50	13	4.9	Toll Holdings	A	1660	0.73	26	1.7	
Centro Prop.	B	288	7.80	14	8.3	Lend Lease Corp	C	1499	0.59	18	4.3	Transurban Grp	C	414	N/A	NE	Nil	
Challenger Int.	B	392	2.39	12	1.9	Macquarie Infra	A	275	N/A	55	3.6	Uecomm Limited	E	138	N/A	NE	Nil	
Coal & Allied	A	2100	3.10	26	3.8	Macquarie Bank	A	2830	4.08	23	3.0	United Energy	B	348	2.13	96	5.0	
Coca-Cola Bev.	C	240	N/A	NE	Nil	Macquarie Off.	B	118	8.18	12	9.0	Wesfarmers Ltd	B	1886	1.42	24	3.9	
Coca-Cola Amatil	A	512	1.34	28	2.3	Macquarie Good.	B	133	7.65	13	7.9	West Aust News	C	492	2.86	14	9.1	
Cochlear Ltd	A	3841	N/A	85	0.8	Mayne Nickless	B	603	0.68	28	2.8	Western Mining	B	827	2.40	12	5.0	
Col FS Property	B	207	N/A	25	4.3	Medical Imaging	C	110	3.07	58	0.6	Westfield Hold.	B	1320	4.48	47	1.1	

# Recommended Investments

## New Zealand Shares

**Air New Zealand's** result for the six months to December 2000 shows a 139.0% increase in revenues to \$4,311.5 million - mainly owing to the inclusion of **Ansett Australia**. Trading profits (i.e. before extraordinary items) fell 76.2% to \$24,756,000 (3.3 cents per share). The interim dividend will be cut 33.3% to 4.0 cents (with no tax credits).

The company has not disclosed figures for NZ and Australia, but it is believed that Ansett Australia lost around \$140 million - which would mean that the NZ operations (i.e. Air NZ) experienced a strong recovery in profitability.

Despite any other problems, Ansett Australia has received ACCC approval for its takeover of **Hazelton Airlines** and acceptances for 85.21% of the shares.

**Cavalier Corporation** is closing down *most* of its

Wool business. For the six months to December 2000, its Carpet business generated revenues 0.6% higher at \$51.9 million. The Wool operations (that are to be retained) produced revenues of \$5.9 million.

Profits (94% from the Carpet business) were 0.4% lower at \$6,683,000 (18.6 cents per share). A steady second interim dividend of 10.0 cents (plus full imputation tax credits) will be paid this month. There was also an extraordinary cost of \$2,045,000 from closing the Wool business.

Cash flow from operations remained very strong at \$23.8 million (as inventory and assets used in the Wool business were sold) which reduced interest bearing debts by \$11.2 million to \$20.6 million. The company will be debt-free once the remaining \$23.5 million of assets from discontinued Wool businesses have been realised.

(Continued on Page 4)

## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date - Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<b>NZ Shares</b>												
HOLD+	Air New Zealand "A"	AIRVA	08/10/96 244*	C	756.7	1.1	0.23	5	10.6	141	74.7	-12%
HOLD+	CDL Investments Ltd	CDI	12/01/99 25	D	171.4	1.9	1.42	8	16.2	23	4.5	+10%
HOLD+	Cavalier Corporation	CAV	05/12/95 312	A	36.0	0.9	0.81	13	9.1	490	136.0	+101%
HOLD	Colonial Motor Company	CMO	10/11/92 150	C	27.9	0.7	0.25	10	10.3	267	196.8	+209%
HOLD+	Lyttelton Port Company	LPC	12/12/00 150	A	101.7	0.9	2.99	12	8.9	171	Nil	+14%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91 46*	B	38.6	0.8	0.81	15	5.2	385	68.0	+885%
HOLD	Nufarm Limited	NUF	11/02/97 505	C	155.3	0.9	0.31	8	5.1	380	74.7	-10%
BUY	Nuplex Industries Ltd	NPX	11/02/97 350	B	56.3	1.0	0.52	11	6.3	355	36.0	+12%
BUY	Renaissance Corp	RNS	13/08/96 85*	C	36.7	1.8	0.28	32	2.5	120	5.4	+48%
HOLD	Richina Pacific	RCH	03/11/95 119*	D	72.2	1.9	0.06	NE	Nil	44	11.9	-53%
HOLD	South Port New Zealand	SPN	13/02/96 120	B	26.2	1.2	2.11	21	6.6	125	38.8	+36%
BUY	Steel & Tube Holdings	STU	08/08/00 146	B	87.7	1.2	0.37	10	11.6	155	14.0	+16%
BUY	Taylors Group Ltd	TAY	09/11/99 102	C	24.3	1.2	0.70	12	8.0	112	6.0	+16%
BUY	Wrightson Limited	WRI	13/01/98 83	B	134.1	1.6	0.17	13	8.1	74	10.3	+2%
<b>Australian Shares (in Aust cents)</b>												
HOLD	Abigroup Limited	ABG	09/03/99 265	B	47.7	0.9	0.11	6	8.8	170	29.0	-25%
HOLD+	Atlas Pacific Ltd	ATP	14/05/96 73	C	54.8	2.1	2.09	8	Nil	23	Nil	-69%
HOLD+	Auspine Limited	ANE	08/02/00 210	B	57.0	0.8	0.48	6	9.8	225	22.0	+18%
BUY	Austral Coal Ltd	AUO	16/01/01 19	A	81.3	1.8	0.29	6	Nil	29	Nil	+53%
BUY	Biron Corporation Ltd	BIC	12/04/94 178	D	21.8	2.0	1.53	NE	Nil	27	11.0	-79%
BUY	Campbell Brothers Ltd	CPB	12/10/99 435	B	31.5	0.5	0.55	12	5.6	485	40.0	+21%
HOLD	Central Equity Ltd	CEQ	09/02/94 154	B	82.1	0.9	0.79	6	8.5	211	83.0	+91%
BUY	C.S.R. Limited	CSR	11/07/00 436	A	969.4	0.7	0.71	11	4.7	507	11.0	+19%
HOLD	Hamilton Island Ltd	HAM	09/11/99 205	A	45.0	0.7	1.29	9	3.5	260	9.0	+31%
BUY	McPherson's Ltd	MCP	10/10/00 125	B	39.2	0.9	0.19	4	10.4	115	Nil	-8%
HOLD	PMP Communications	PMP	09/02/99 309	C	253.4	1.1	0.20	5	16.9	121	40.8	-48%
HOLD	Thakral Holdings	THG	10/11/98 65	B	576.1	1.1	1.39	11	9.2	68	12.1	+23%
HOLD+	Toll Holdings	TOL	08/09/98 240	A	61.3	0.7	0.73	26	1.7	1660	43.0	+610%
HOLD+	Utility Services Corp	USC	11/01/00 55*	C	104.9	1.7	0.88	19	Nil	68	5.0	+33%
HOLD+	Vision Systems Ltd	VSL	10/11/98 69*	B	146.3	0.7	2.83	53	1.1	285	12.8	+332%
BUY	Volante Group Ltd	VGL	13/03/01 132	B	67.9	1.0	0.23	27	4.9	132	Nil	

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +78.3%. This is equal to an average annual rate of +23.9%, 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 112 closed out) is +31.2%, compared with a market gain of +11.0% (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 20 cents.

**Recommended Investments** (Continued from Page 3)

**Lyttelton Port Company** has reported a 2.9% increase in revenues to \$29.1 million for the six months to December 2000, but profits fell 7.4% to \$6,558,000 (6.4 cents per share). "Tight trading conditions, increased dredging costs and higher fuel costs" are blamed for the lower profit. A steady interim dividend of 3.5 cents (plus full tax credits) will be paid.

Lyttelton Port Company shares are a low risk, high yielding investment that would be suitable for retired investors seeking income. We are currently rating the shares a "Hold+", but would upgrade that to a strong "Buy" if the share price dipped back to 150-160 cents.

The merger of **IAMA** and **Wesfarmers Dalgety** offers minority shareholders a buy-back option which **Nufarm** will accept to sell its 19.9% stake in IAMA. This will realise around A\$32.5 million in cash.

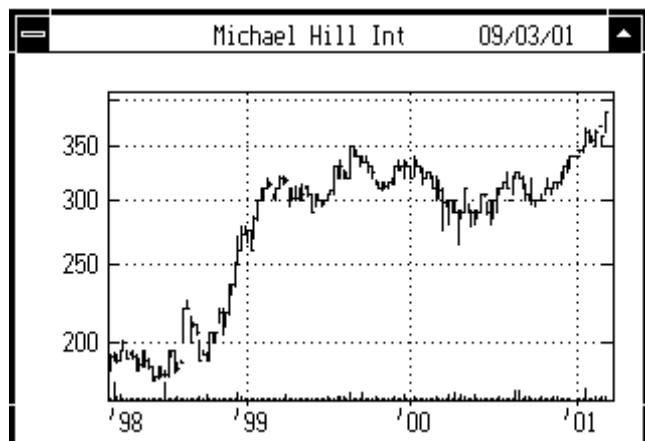
Despite difficult trading conditions in Australia, **Michael Hill International** has reported small increases in revenues and profits for the six months to December 2000. Revenues rose 4.2% to \$104.8 million, profits were up 3.3% at \$7,745,000 (20.1 cents per share) and the interim dividend will be 8.3% higher at 6.5 cents (plus full tax credits).

Australian revenues rose just 0.6% to NZ\$67.3 million, with earnings (before interest and tax) down 1.7% at NZ\$7.9 million. Five Australian stores opened during the period, bring the total to 71, with three more planned for the second half of the current financial year. NZ revenues rose 11.2% to \$37.4 million with earnings up 12.1% at \$5.3 million. With one large store opened during the half year there are now 40 stores in NZ, with one conventional store planned to open in May.

Most future growth will come from Australia, where an additional 40 conventional stores will be opened over the next 4-5 years.

On a Price/Earnings ratio of 15 and a Dividend Yield of 5.2%, Michael Hill International shares appear to be fairly valued. We prefer *under-valued*, but nevertheless, this company has consistently produced steady profit growth (since getting rid of those shoe stores). Institutional investors are now taking a greater interest, so we are happy to let institutional buying push the price higher while sitting back and collecting our dividends.

With dividends and capital appreciation, this investment had increased 9.85-fold in value - which is close enough to call a "ten-bagger". Dividends (after tax) have repaid our initial investment 1½ times. Hold.



**Nuplex Industries'** report for the half year to December 2000 shows an increase in revenues but a fall in profits. Both are the result of a *partial* recovery of higher raw material costs (i.e. selling prices rose, but not enough to cover cost increases, so profit margins declined). Revenues were up 8.1% to \$207.7 million, while profits fell 4.6% to \$8,675,000 (15.2 cents per share). The interim dividend will remain steady at 8.0 cents (plus full tax credits).

**Renaissance Corporation** has raised profits by 210.7% to \$1,364,000 (3.7 cents per share) for the year to December 2000. Revenues rose 28.0% to \$157.2 million. A final dividend of 2.0 cents (plus tax credits) is up 100.0%.

40% of sales are now being made through the company's website - up from just 16% in 1999. Better utilisation of its website would result in further significant improvements in Renaissance Corporation's profitability.

The group has been divided into three business units: Distribution, Education and eBusiness (i.e. Conduit which will become a separate company).

Despite the significant increase in profits Renaissance Corporation shares are trading on a high Price/Earnings ratio of 32. The company's investment in Conduit (which will be floated off as a separate company) is worth about \$33 million or 90 cents per Renaissance share. The computer re-selling business generates all of the profits, so is being valued at only about 30 cents - or a P/E of 8.1 and a Yield of 10.0%.

**Steel & Tube Holdings** continues to make steady progress "despite a difficult trading period". For the six months to December 2000, revenues rose 4.5% to \$195.1 million with profits up 4.4% to \$6,738,000 (7.7 cents per share). The interim dividend will be raised 16.7% to 7.0 cents (plus full tax credits).

Operating cashflows fell slightly (2.2%) but are very strong at \$17.5 million. This has allowed the company to pay high dividends as well as reducing interest bearing debts by \$16.4 million over the last year. Interest bearing debts are relatively low at \$39.0 million, compared with Shareholders Equity of \$127.5 million.

We have twice previously made successful investments in Steel & Tube shares. Last time (i.e. from January 1992 to May 1996) the company made significant capital repayments and special dividends which helped boost our total return (100% from tax-paid cash distributions, plus 362% from capital appreciation). Steel & Tube is continuing to generate significant cash flows - which must ultimately either be



March 13, 2001.

paid to shareholders or used to finance acquisitions which increase profits and the share price. In between times, Steel & Tube is a cyclical business with a cyclical share price. So we have twice been able to sell out of the company when business was booming and the shares *fully valued* and later buy back in - *at one-third the price* - when the business and share price were depressed. The current strong cash flows suggest that history will continue to repeat!

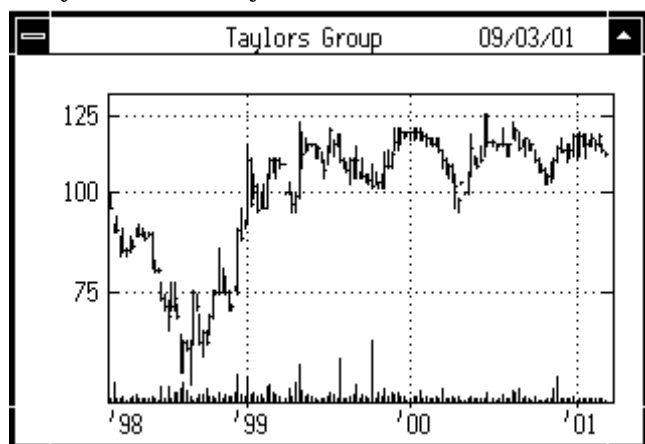
In addition to those strong cashflows and low debt levels, Steel & Tube shares qualify as a "Buy" under the Under-Valued Shares, Best Performing Shares and Income Shares sections of our Comprehensive Share Selection Criteria. What more can we say? "Buy".

**Taylor's Group** has continued to make steady progress. For the six months to December 2000, revenues rose 8.8% to \$21.4 million and profits increased 5.3% to \$1,385,000 (5.7 cents per share). A steady interim dividend of 3.0 cents (plus full tax credits) will be paid.

Operating cash flows remain strong, up 122.6% to \$2.9 million. This strong cash flow has allowed interest bearing debts to decline to a very low \$3.3 million. In fact, Taylor's Group will likely become debt-free within the next 12-18 months.

This is a fairly stable business, so could support debt levels equal to 50-100% of Shareholders Equity of \$20.2 million. Therefore the company has the financial capacity to make a major (i.e. \$10-20 million) debt funded acquisition. Alternatively, it *could* distribute up to \$7-10 million (30-40 cents per share) to shareholders as a capital repayment or share buy-back. Even without taking on new debt, Taylor's Group will need to make acquisitions or increase its dividend rate if it is to avoid accumulating a large cash holding.

There is nothing exciting Taylor's Group's dirty laundry business, but hospitals need to get their sheets cleaned somewhere and this is the sort of business that generates reliable cashflows. Debt levels have been reduced, so cash distributions to shareholders will likely increase. "Buy".



**Wrightson** lifted revenues 22.7% to \$351.3 million for the six months to December 2000, but profits fell 34.3% to \$962,000 (0.7 cents per share). A steady 1.0 cent dividend (plus full tax credits) will be paid.

The NZ businesses have actually performed very well with revenues up 23.4% to \$347.0 million and tax paid profits up 141.7% to \$6.0 million (4.5 cents per share). The problem was Australia which produced a pre-tax loss of NZ\$5.4 million and where the company

has not accounted for the future benefit of these tax losses. The Australian problems were in its Potato business which has been sold (with the six month result *including* costs of exiting this business) and in Seeds (which performed poorly, but where 80% of annual business is in the second half of the year).

The Australian losses are a large, one-off event, and the NZ profits (i.e. 4.5 cents per share over the half year) are a better indication of the profit potential of Wrightson. On that basis the shares are trading on a low P/E ratio. We continue to rate the shares a "Buy".

### **Australian Shares**

*This section is in Australian currency, unless stated.*

**Abigroup** managed to lift revenues by 30.5% to \$425.4 million for the six months to December 2000, but profits fell 21.4% to \$6,116,000 (12.8 cents per share). A steady 7.0 cents dividend will be paid.

The lower profit was a result of a subdued building market and greater competition reducing margins.

Abigroup is an asset-rich company *and* offers an attractive Dividend Yield of 8.8% - so we believe the shares are under-valued. The share price, however, may not recover quickly, so we are rating the shares as only a "Hold".

**Atlas Pacific** convertible notes - our preferred investment in this company - are now trading entitlement to their half yearly interest payment of 0.92466 cents. Cheques will be mailed on March 23.

A year ago the Australian building industry was booming, and now it is in a slump, so **Auspine's** result for the six months to December 2000 is quite outstanding. Revenues fell 21.0% to \$108.4 million, but pre-tax profits rose 28.2%. Income tax increased five-fold (to full tax rates), so net profit was down 6.0% to \$9,717,000 (17.1 cents per share). The interim dividend, however, will be cut 40.0% to 6.0 cents.

While Auspine's main business - timber framing - is experiencing sales down 40% on last year, the company is doing well in other areas. Valuation income from its forest plantations rose strongly, up 234% to \$15.2 million. Woodchip export volumes are up 40% with profitability boosted by the lower Australian dollar exchange rate. Auspine is currently negotiating a long term woodchip supply contract and a price increase which will further increase profit margins. Demand for Treated Rounds for vineyards and farming has recovered strongly after a two year slump. Prices are forecast to rise and Auspine is increasing production and inventory to meet this higher demand.

Auspine also believes that the "full benefits are yet to be realised" from the significant restructuring of the company over recent years. To reduce its dependence on housing and to extract greater returns from its forests, Auspine is seeking to expand woodchip exports through long term contracts and has commissioned a feasibility study of co-generation plants fuelled by sawmill and plantation residues.

Auspine shares trade on a very low Price/Earnings ratio, so any upturn in the residential building market (which has been in a post-GST slump since July 2000) that improved profitability - and investor sentiment - could see the shares appreciate significantly in value. "Hold+".

*(Continued on Page 6)*

**Recommended Investments** (Continued from Page 5)

**Austral Coal** increased revenue 1.9% to \$80.1 million with trading profits up 98.4% to \$4,096,000 (5.0 cents per share). There was, however, an extremely large extraordinary loss on foreign exchange contracts of \$22,751,000 (after tax).

The cash operating surplus increased 21.2% to \$14.5 million - but a similar amount was spent on mine development. Contrary to our expectation, no dividend will be paid.

The coal industry reports benchmark coking coal prices will increase 7½% for 2001 contracts although price increases for semi-hard coals - as produced by Austral Coal - are "in excess of 20%". That would add around \$16 million to the company's revenues - all of which would flow through into higher profits! As a result, Austral Coal shares are appreciating rapidly in value, ending last week at 29 cents (after an early high at 34 cents).

This is a company which isn't at risk from a possible slowdown in the Australian economy but will reap enormous benefits from the lower exchange rates and the significantly higher price of coal. A strong "Buy" for capital appreciation.



**Biron Corporation** has lifted revenues 45.7% to \$1,888,000 for the six months to December 2000 and earned a profit of \$547,000 (2.5 cents per share), compared with a loss of \$366,000 last year. No interim dividend will be paid, although Biron will "consider a dividend, cash return to shareholders or a buy-back of shares" after the end of this financial year.

While Biron Corporation has struggled to generate profits over recent years, *cash flow* has consistently been positive - resulting in the build up of a significant cash holding. With a profit in the latest period, operating cash flows soared six-fold to \$1,263,000 for the period. The cash holding is currently \$4.2 million (19 cents per share).

Biron Corporation has concluded an agreement with **Gemhouseonline.com Inc** for the sale of its "considerable inventory of rough product [emeralds]" with payment secured by Letters of Credit. Realising inventories will generate a further \$1.8 million in cash. Biron will wind down production at its current premises and offer the production plant for sale by tender. Production assets have been written down to only \$0.3 million, but winding down the business will realise \$1.4 million in cash from trade debtors, less \$0.5 million owing to creditors. The company will then sell its commercial premises worth \$2.6 million. All of this will

realise around \$5.6 million and raise the cash holding to \$9.8 million (45 cents per share).

The company's only other significant asset is its 5.4 million Atlas Pacific convertible notes. Those are currently worth \$1.1 million. That gives Biron Corporation an asset backing - which will soon nearly all be in cash and shares - of about 50 cents per share. While directors are considering the purchase of a listed or unlisted company, simply returning cash to shareholders would be more than *double* the current market value of our investment in Biron.

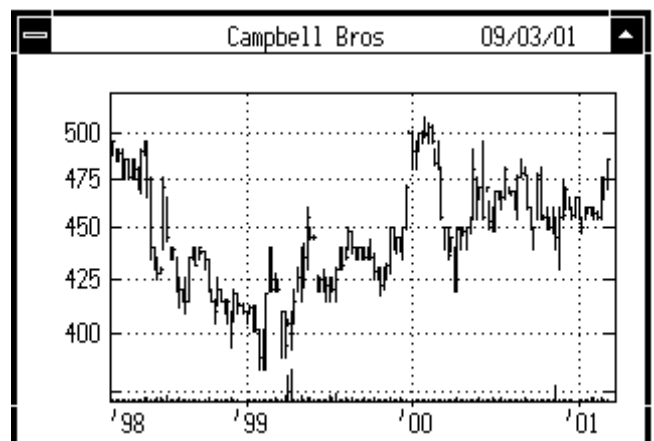
Now that Biron Corporation is close to realising its assets and returning funds to shareholders, we are upgrading the shares in the cash-rich company to a "Buy".

Advent Investors have increased their holding in Biron by 252,052 shares to 5,134,763 shares (23.7% of the company).

**Campbell Brothers** has started a new business in joint venture with US based **Crossmark Holdings Inc**. The joint venture, **Crossmark Asia Pacific**, will combine Crossmark's proprietary systems and intellectual capital with Campbell Brothers local knowledge and consumer products experience to offer outsourcing to grocery sectors. Services offered will include advertising and promotion, sales and marketing, retail service, data analysis, technology and integration and order processing. Crossmark is the "recognised leader in this field in the United States" where 65% of packaged consumer goods are represented by third parties, compared with only 10% in Australia. The joint venture partners see "significant opportunities for expansion" in this business which offers high profit margins.

Campbell Brothers will transfer 60 staff from its Consumer Products division to the joint venture and then outsource work from that division to the joint venture. Eighty Australian companies, with annual sales of \$10 billion, have been identified as potential customers. The venture hopes to sign up a "significant number" of customers within weeks and to build annual revenues of more than \$100 million within 2-3 years.

Two Campbell Brothers *insiders* made small share purchases during February. Director AJ Love bought 5,233 shares (raising his holding to 42,357 shares) while Deputy Chairman RC Campbell bought 3,233 shares (to hold 717,664 shares). Another director purchased shares in May 2000, making three buy transactions over the last year.



Campbell Brothers' Soap division is a profitable business, generating reliable cash flows, while its Laboratory Services business and this new outsourcing business offer the potential for strong revenue growth and high profit margins. Overall we consider this a relatively low risk investment (owing to the Soap business) with excellent potential for above average profit growth - so rate the shares a strong "Buy".

**Central Equity** has reported a 2.1% drop in revenue to \$116.1 million for the six months to December 2000. Profits fell 14.4% to \$13,123,000 (16.0 cents per share) as the company initially absorbed GST, reducing profit margins. A steady second quarter dividend of 4.0 cents will be paid.

Pre-sales at December 2000 were \$310 million (compared with \$275 million at June 2000 and \$260 million at December 1999), ensuring a steady stream of revenue and profits over the next 18-24 months.

**Hamilton Island** has lifted revenues 15.6% to \$52.2 million for the six months to December 2000, with profits up 7.9% to \$6,843,000 (15.2 cents per share).

Most operations performed well, but land sales - which generate 75-80% profit margins - fell 36% to \$2.0 million, reducing earnings from this division by 40% to \$1.5 million. The Airport had 10% fewer passengers (owing to other resorts being closed for refurbishment) but revenues rose 290% and earnings 74%. This increase mainly reflects the increased ownership (from 50% to 100%) but was offset by a higher (unallocated) interest cost.

The 60-room *Palm Terrace* was refurbished ahead of schedule and opened in December and the *Reef View Hotel* is now being refurbished two floors at a time. The company has expanded the number of marina berths by 37 and purchased three businesses on the island previously operated by concessionaires. Capital expenditure for the six months was \$7.7 million, while interest bearing debt has been reduced by \$6.3 million.

**McPhersons** lifted revenues by 17.1% to \$146.9 million for the six months to December 2000, but profits slipped 3.5% to \$6,717,000 (17.1 cents). The interim dividend will be a steady 6.0 cents.

The Housewares division experienced a 38% increase in revenues to \$75.2 million with earnings (before interest) up 6% to \$5.0 million. Printing revenues slipped 2% to \$68.2 million with earnings 1% lower at \$5.2 million. Offsetting the gains were borrowing costs 52% higher at \$1.8 million. Profits from printing telephone directories were down "due to timing differences" but book and general printing turned in "an excellent performance". Although we see McPhersons greatest growth potential in the Housewares division, the company sees "significant potential for further earnings growth from expanding investment in the printing industry".

What is there that we like about McPhersons? Well, can any investor fail to be interested in a share that trades on a P/E ratio of only 4.2 and offers a 10.4% dividend yield? The Housewares division is a cashflow business that requires very limited capital, so those profits don't need to be re-invested to replace depreciating fixed assets. Cashflow from this business can be used to fund acquisitions, buyback shares or increase dividend payments. We see McPhersons

shares as a "Buy" for long term capital appreciation - as the company funds acquisitions and expansion from its cashflow and as the market re-rates the shares (e.g. up to a P/E ratio of 8-12) - but, in the meantime, you can never go broke banking those big dividend cheques that keep coming in every half year!



**PMP** has announced major restructuring plans. The biggest change involves merging with unlisted **Independent Print Media Group (IPMG)** which will be achieved through a takeover bid offering 142.5 million PMP shares for IPMG. IPMG shareholders will therefore own 36% of the merged company and will also receive 26.4 million options to buy PMP shares over the next two years at an exercise price that varies from nil (i.e. they get extra shares for *nothing* if PMP's share price is below \$1.50) through to \$1.59 (if PMP's share price is \$1.77 or more). This *will* raise IPMG shareholders ownership to 40% and *could* inject \$42 million of new cash into the group.

IPMG, owned by the Hannan and Fairfax families, was established in 1932 and is a publishing, printing and media business. Merging with PMP will realise synergies from two companies "complementary mix of publishing, printing and distribution businesses" and result in a group with 70% of the contract printing and 80% of the magazine distribution markets.

The **Australian Competition and Consumer Commission (ACCC)** is, of course, investigating the impact of this proposed merger. **News Corporation** (which floated PMP in 1991 and sold out completely in 1997) is openly opposed to the merger and "concerned it will consolidate the number of commercial printing operations and therefore make it difficult to meet our production requirements at a competitive price". PMP Chairman Ken Cowley, who is also a News Corporation director, has resigned from PMP "due to potential related-party issues". If News Corporation cannot get the ACCC to block the merger there are rumours that News Corporation may bid for PMP.

PMP also plans to sell off its UK publishing business, **Attic Futura**. In preparation for this the company has negotiated an asset swap with European partner, **North South Publishing**. Under the swap PMP will receive full ownership of joint venture titles *Sugar* and *B* magazine in the UK and *B* magazine in Australia. North South Publishing will receive full ownership of the German titles *Hit Stars* and *FHM*, plus \$50 million in cash in two years time.

PMP has also sold its internet real estate business, **property.com.au**, to **RP Data**. (Cont'd on Page 8)

**Recommended Investments** (Continued from Page 7)

PMP will receive \$3 million in cash immediately, plus \$500,000 over two years for the provision of content. property.com.au lost \$2.8 million in the six months to December 2000, so the sale will realise some cash and remove future development costs.

For the six months to December 2000, PMP recorded a 6.1% drop in revenues to \$718.7 million, while profits fell 45.2% to \$18,714,000 (7.4 cents per share). No interim dividend will be paid.

PMP's Media production business performed reasonably well with revenues down 7% to \$459 million and earnings (before interest and tax) down just 5% to \$59.2 million. Publishing revenues were steady at \$77 million but earnings plunged 88% to \$1.8 million. Magazine distribution also produced steady revenues of \$176 million but produced a loss of \$0.3 million (compared with a profit of \$3.3 million in 1999). Emerging businesses lifted revenue 30% to \$5 million but recorded a 25% higher loss of \$6.5 million.

PMP has not been a successful investment for us, but the shares look depressed so we shall continue to "Hold" while the company restructures its business.

**Thakral Holdings Group** increased revenues by 17.4% to \$142.3 million for the six months to December 2000. Profits rose 14.3% to \$19,478,000 (3.4 cents per share) and the interim dividend will be raised 9.1% to 3.0 cents.

Thakral Holdings has brought in **Sunland Group** as a joint venture partner to develop its *The Glades* residential property estate on the Gold Coast. Thakral Holdings bought *The Glades* and golf course last year for \$27 million and have since sold the golf course for \$10 million. The remaining land will be contributed to the joint venture, with Sunland Group undertaking project management and construction. This five stage, three year, 282 luxury home residential development will have a final value of \$85 million. Stage One will consist of 45 homes, priced from \$280,000 to \$550,000.

Thakral Holdings is continuing discussions which may lead to a full takeover offer for the company - but we are happy to "Hold".

**Toll Holdings** continues to perform extremely well - continuing to justify holding this investment which has already increased over 7-fold in value. For the six months to December 2000, group revenues rose 6.5% to \$738.0 million while profits rose 20.8% to \$27,098,000 (44.2 cents per share). The interim dividend will be 15.4% higher at 15.0 cents.

Toll Holdings was effectively debt free at December 2000 (i.e. its cash of \$41.7 million exceeded its interest bearing debts of \$40.0 million). Since then the company has taken over **Finemore Holdings** for \$120 million (and assumed Finemore's debts of \$40 million), purchased **ARN Logistics** \$12 million and sold its Altona property for \$19 million. This has increased net debt to about \$150 million, which is a manageable level. Shareholders Equity is \$185 million and the company has a market capitalisation of \$980 million. The integration of Finemore Holdings is expected to yield synergy benefits of \$10 million per annum.

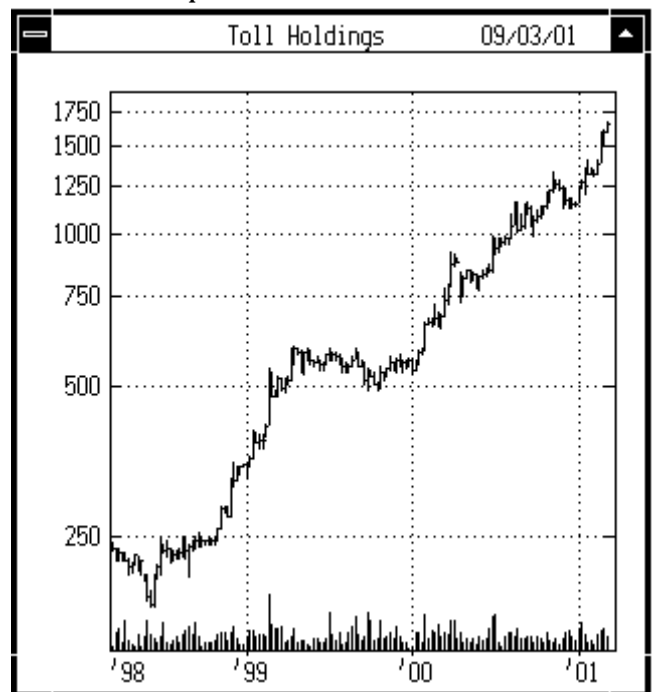
While the Australian economy is slowing, Toll Holdings "plans to maintain earnings growth by focusing on cost controls and technology based cost reductions"

as well as "expanding its revenue base as outsourcing by major customers continues".

The South Australian Government is calling for tenders for the **South Australia Ports Corporation**. Bidders will be offered a 99-year lease of land and sale of infrastructure assets (i.e. buildings, wharves, roads, plant and equipment) at the Port of Adelaide (the first capital city port to be privatised) and six regional ports. Stevedore companies with rival ports, P&O and Patrick's are excluded from bidding, leaving Toll Holdings, Adsteam Marine and AusBulk (the SA grain handling co-operative) as the leading Australian bidders, and Cheung Kong Infrastructure and Mersey Docks & Harbour as interested foreign bidders. SA Ports earned \$14 million (before interest and tax) for the year to June 2000 and is expected to sell for \$100-170 million. The successful bidder will also need to finance a \$35 million deep-sea wharf at Adelaide's outer harbour.

Toll Holdings has also indicated an interest "in participating in the consolidation of the New Zealand transport and logistics industry" and may consider a takeover of **Mainfreight** or **Owens Group**.

Toll Holdings shares are beginning to look rather expensive with a Price/Earnings ratio of 26 and a Dividend Yield of just 1.7%. Nevertheless, it isn't wise to sell good investments too early - so we are not even recommending some profit taking at this stage. With rapid profit growth, fundamental statistics can quickly improve. On the positive side, two insiders have purchased shares over the last year and the shares have a Relative Strength Rating of +17.7 and are ranked 5 (on a scale of 0-99). This is one of the best performing shares listed on the Australian stockmarket. As long as the shares aren't *too over-valued*, the business is performing well and the share price is appreciating rapidly in value, the best thing an investor can do is "Hold" and let profits run!



**Utility Services Corporation** is seeking to repurchase up to 20,000,000 of its own shares. To date the company has acquired 1,579,911 shares for \$1,073,432 or an average price of just under 68 cents. Prior to the buy-back the company was debt-free with cash per



March 13, 2001.

share of 78 cents - so re-purchasing shares at a discount to the cash asset backing increases the cash backing and asset backing of the remaining shares. In addition to its cash, Utility Services hold businesses worth 35-45 cents per share and other assets worth about 18 cents per share.

After completing its share buy-back, Utility Services will still have \$70 million in cash to acquire niche technology businesses - and ultimately the success of our investment in these shares will depend upon where this money is invested. At present, however, the shares trade at less than their cash backing and at less than half the value of their cash, businesses and other assets. "Hold+".

**Vision Systems'** revenues rose 22.5% to \$83.7 million for the six months to December 2000. This comparison, however, is misleading as the 1999 result included \$20.0 million in revenues from the Defence business (and other discontinued activities) which have been sold. Revenues from the company's current businesses rose 41.9%. Trading profits (after the convertible preference dividend) were 32.8% higher at \$6,699,000 (4.7 cents per share) but the interim dividend will rise only 14.3% to 1.6 cents.

In addition, of course, there was the \$134.7 million gain received in the form of **TTP Communications** shares.

Vision Systems operates two main divisions: Fire & Security and Technologies. Fire & Security has been an excellent performer, with revenues up 67.7% to \$52.2 million and earnings (before interest and tax) up 169.3% to \$12.7 million. Technologies yielded a steady 6.6% rise in revenues and 2.8% fall in earnings to \$3.2 million.

The Fire & Security business offers *VESDA* high sensitivity fire detection systems used in over 50% of new internet infrastructure sites and many semiconductor manufacturing plants as well as other sites. The high value, high technology end of the Fire & Security market (in which Vision operates) is currently growing at over 50% per annum. Security products are marketed under the name *ADPRO* and involve *smart* video security and surveillance products. A new product, *NetVu*, currently being tested, will be launched later this month and is expected to "be a significant driver of sales growth". Vision Fire & Security does not expect any slowdown in sales growth which has remained strong during January and February. Internet infrastructure equipment suppliers are forecasting 40% growth rates - which should produce strong demand for the company's fire protection equipment.

Vision Technologies includes a range of businesses involved in product design, process innovation and development, and high value manufacturing. As reported in November (*Market Analysis* issue No 341) with a boom in biotechnology, "Vision Systems has begun a three year program to *capture and release* shareholder value from its biomedical instrument business". As part of this strategy, Vision Instruments has been re-named **Vision Biosystems**. Seeking "higher revenue growth and improved margins" the business will expand from high value, automated instrument manufacture to include (1) new products with recurring income streams and high margin

consumables and (2) the active pursuit of technology collaboration opportunities with leading biotechnology research organisations. The company has "commenced development of a new automated staining system used in the detection of cancer and infectious diseases on tissue biopsy specimens" with this new technology leading to "considerable income in the form of high margin (chemical) reagent sales".

Vision Systems is also planning to develop a *Technology Centre* to "identify and then fast track the development of small businesses in technology areas allied to Vision's current technology portfolio". The centre is expected to provide short term benefits from the provision of technology and services, and medium term wealth creation from equity investments.

Vision Systems owns some valuable assets (i.e. \$63 million in cash, \$106 million in TTP Communications shares, no interest bearing debt), good technologies and has some profitable technology businesses, so the shares remain an attractive "Hold+" for further gains.

---

## *Internet Access to "Market Analysis"*

Access to "Market Analysis" on the internet now requires subscribers to use their individual User Name and Password. We can also e-mail the newsletter (at no additional cost) on Tuesday in addition to posting a print copy.

### Where do I get an individual User Name and Password?

These were mailed with the newsletter in February. If you have lost them, contact us, but (for security reasons) we will only re-issue them by mail.

### How do I get e-mail delivery?

1. Go to [www.stockmarket.co.nz](http://www.stockmarket.co.nz)
2. Click on the link *Subscribers: Log on with your individual User Name and Password to access your account* to run the script to access the database.
3. Then click on *Access Your Account*.
4. Then type in your User Name and Password (being sure to use upper and lower case letters correctly), select *Modify your account information* and click on *Continue*.
5. You will now be able to change your account information. Then click *Go* to save the changes.

### Help! I still can't do it.

Incorrect use of upper and lower case letters, or a bad internet connection, are usually the problems. Try again later. If all else fails, email us your current *user name*, *email address* and a *new password* and we shall update your record for you.

### I updated my record, but forgot my new password.

No problem. Just log on with your User Name and select *E-mail my account Password to me* and click *Continue*. Your password will be e-mailed to you.

# Share Recommendation: Buy Volante Group

*This section is in Australian currency, unless stated.*

## BUY Australian listed Volante Group.

**Volante Group** (code VGL) has quickly grown to become the largest company selling computers in Australia. This gives it a base from which to expand into the higher profit margin businesses of technical services and consulting. The company operates a *low cost, high service* business, and the shares meet all of our investment criteria.

### Company History

This computer business began in 1992 under the name of **PC Express** and has grown rapidly. Volante Group offered 17,527,268 shares to the public share at \$1.70 per share in November 1999. Most of these shares were from existing shareholders (who received \$23.7 million), with the issue of new shares raising \$6.1 million for the company.

### Internal Growth and Acquisitions

Since listing on the Australian stockmarket in late 1999, Volante Group has continued to expand rapidly through acquisition and internal growth.

Volante Group believes that the computer re-seller market is fragmented, with many companies generating revenues of \$15-60 million. Acquiring or merging with such competitors offers benefits from introducing Volante Group's efficient stock management systems as well as other synergy benefits.

In early 1998, Volante Group entered an agreement with **IBM Global Financing Australia** to re-market end-of-lease computers.

In February 2000, Volante Group spent \$8.0 million (i.e. 1,429,987 shares issued at \$1.69, plus \$2.0 million cash paid on acquisition and up to \$3.6 million cash payable in February 2001) to acquire the assets of **Connections**, a Sydney based computer re-seller with consulting and network integration services. Connections was established in 1984, generated annual revenues of \$46 million in the year to June 1999 and has a large government customer base.

In May 2000, ownership of **In-Tellect Computer Services** was raised from 50% to 100%. Full ownership of this systems integration business added skills and expanded the range of services provided through the Volante Group.

In August 2000, Volante Group made a takeover offer for **AAG Technology Services** which doubled the size of the business. This acquisition was funded through the issue of 30,055,432 new shares at \$1.00 per share, increasing Volante Group's issued capital to 67,952,878 shares. AAG Technology generated revenues of \$195 million in the year to June 2000 from its core businesses of **Applied Micro Systems** (a computer re-seller with annual revenues of \$154 million), **Netbridge** (technical services generating \$30 million in revenue), and **Affinity Contracting & Search** (IT recruitment generating \$11 million in revenues). AAG Technology was owned by its employees and founder, Allan Brackin,

who has taken over as Chief Executive of the merged group.

### Current Business

Volante Group currently operates in four sectors:

1. **Computer hardware:** This operates in the market under the names *Volante Integrated Technology*, *Volante Online* and *Applied Micro Systems*. "Rationalisation benefits", from the recent acquisition of the Applied Micro Systems business, "in warehousing, integration, systems, purchasing, finance and administration" are expected to result in cost savings "in excess of \$2 million per annum" starting during the June 2002 financial year.
 

Volante Group has grown to be the biggest company in this sector - with competitive advantages in both size and its low cost, high service, online system. This business generates most of the group's revenue and profits.
2. **Technical Services and Consulting:** This provides network design, e-commerce solutions and support services. Volante Group's *In-Tellect* business has been merged into the recently acquired *Netbridge* business, increasing the number of employees to 180. This will give the company the "scale necessary to win major consulting and services contracts". Netbridge is currently operating at a small loss, but this business offers the potential to generate very high profit margins. The business needs to improve its utilisation rates (i.e. be able to bill customers for a higher percentage of its employees time).
3. **Recycling computers:** *Global Remarketing* refurbishes and markets end-of-lease computers. Profit margins are relatively high (at 10% of sales) and this business is growing rapidly.
4. **IT Recruitment:** *Affinity Contracting & Search* was originally established to recruit employees for AAG Technology but now offers its services to external customers.

### Recent Results

For the six months to December 1999 (i.e. mainly leading up to the public share issue), Volante Group performed well. Revenues rose 114.8% to \$107.3 million, trading profits were up 49.3% to \$1,097,000 (3.0 cents per share) and a maiden interim dividend of 3.0 cents was paid.

During the second half of the year the company was hit with the industry wide downturn in sales, resulting from Y2K and then the introduction of GST. For the full year to June 2000, revenues were up 85.0% to \$217.2 million but profits were down 21.5% to \$1,888,000. Earnings per share were down 32.4% (owing to issued capital increased in the share float and to acquire businesses) to 5.0 cents. A final dividend of 3.5 cents made the annual payout 6.5 cents (i.e. 128% of profits).

Despite this downturn Volante Group has

March 13, 2001.

significantly improved profitability during the current financial year. Both Volante Group and AAG Technology reported "quite strong first quarters" (i.e. to September 2000). Volante Group's first quarter profit was "more than double" the previous year, with "results for October and November strong and above budget". The full result to June 2001 for the enlarged Volante Group (including eight months trading of AAG Technology) was expected to "achieve revenue of \$380 million and a net profit of \$7.0 million". This equals earnings per share (on the increased capital) of 10.3 cents, while a full twelve months trading by AAG Technology would have seen earnings at 12.4 cents per share. As previously stated, rationalisation benefits are expected to yield cost savings of \$2 million per annum from the next financial year.

For the six months to December 2000 (and including two months trading by AAG Technology), revenues rose 51.9% to \$162.8 million and profits rose 208.9% to \$3,120,000 (up 53.3%, fully diluted, to 4.6 cents). A steady 3.0 cents dividend (ex-entitlement March 8) will be paid.

### **Investment Criteria**

At \$1.32, Volante Group shares are trading on a Price/Sales ratio of 0.23, the Price/Earnings ratio is high at 27 and a healthy Dividend Yield of 4.9%. The very low P/S ratio and the dividend yield are the most reliable indicators that the shares are under-valued, while the high P/E ratio reflects the low profits in the year to June 2000, not a high share price. Achieving this year's expected \$7 million profit will put the shares on a P/E ratio of about 12-13. Volante Group shares qualify as a "Buy" under the *Under-Valued Shares* section of our *Comprehensive Share Selection Criteria*.

The market capitalisation is \$96 million, making Volante Group a medium sized listed Australian business. Nevertheless, Volante Group is the market leader in its industry and operates an efficient, low cost business - giving it a clear competitive advantage.

Volante Group is *neglected* by brokers and institutions. No brokers *follow* the company (i.e. publish profit forecasts) and there are only four institutional investors owning only 13.2% of the company. *Neglect* is a favourable investment criteria.

Management, however, have a large investment in the company. This is also favourable as it aligns management's interests with the interests of shareholders (i.e. growing the business to maximise its value for the benefit of all shareholders). AAG Technology shareholders - who were all employees of the company - now own 44.2% of the combined group. This figure includes the 8,963,616 shares (13.2%) held by the new Managing Director, A Brackin. The Chairman, R Crawford, holds 1,898,018 shares (2.8%).

There have been two trades by insiders over the last year: R Crawford purchased 72,485 shares in September 2000 (at about \$0.94) and 30,000 shares in November 2000 (at about \$0.98). Buying or selling by insiders - who best understand the business and its value - is one of the most significant indicators of the future performance of a company's share price!

After listing on the stockmarket, Volante Group shares rose to a high of \$2.03 before falling to a low of \$0.60 in May 2000 as computer sales slumped and

profitability fell sharply. The shares then recovered to fluctuate around \$0.90 to \$1.20, before breaking upwards last month. The Relative Strength Rating is +2.5%, ranking the shares at a very strong 25 (i.e. on a scale of 0-99). This is a very favourable technical situation with the shares appearing to be in the early stages of a new uptrend.

Volante Group is similar to companies like **Renaissance Corporation** and **Data#3**. Both Volante Group and Renaissance Corporation have developed online systems for providing customers with information and making sales. Renaissance has been an excellent investment over the last two years - owing to development of its online system - but, unfortunately, we originally bought in too early and paid too much. Data#3 was an unsuccessful investment for us. That company suffered from the Y2K and GST downturn in sales but failed to recover. Ultimately, the success or failure of these businesses depends upon management's ability to build and run an efficient, low cost business.

### **Summary and Recommendation**

Selling computer hardware is a competitive business with low profit margins - but Volante Group has important competitive advantages in *economies of scale* (i.e. it is the biggest company in this market) and its *low cost, high service* business model that should ensure continued profitable trading. Other businesses (i.e. technical services, consulting) can use the group's large customer base to offer other IT services that hold the potential to contribute considerably higher profit margins.

This is a well run business with competitive advantages. The shares are also attractive under all of our investment criteria (i.e. under-valued, *neglected*, large management shareholding, *insider* buying and favourable technical trend) so we are formally rating Volante Group shares as a "Buy". This business does involve higher than average risks, but the shares would be suitable for investors seeking mainly capital appreciation and holding a well diversified portfolio.

The shares are usually actively traded, although weekly turnover can vary from as low as 125-200,000 shares to as much as 3-3½ million shares. Depending upon market sentiment to *technology* related shares over the next several weeks, investors should be able to acquire any number of Volante Group shares at prices between \$1.20 and \$1.50.



# 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	Current	4-Wk Chg.	Rank	Brokers Following							
<b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Wrightsons Ltd	74	+16.9	+2.8	4	-	1.0	7	1.6	13	8.1	0.17	99
Design Textiles	33	+9.2	+5.0	12	-	0.4	4	1.8	10	9.0	0.17	11
Renaissance	120	+21.9	+0.8	2	-	2.8	9	1.8	32	2.5	0.28	44
Williams Kettle	325	+11.6	-0.2	8	-	1.3	11	0.6	11	6.9	0.30	48
Steel & Tube	155	+2.6	+1.6	33	8	1.1	11	1.1	10	11.6	0.37	136
Hellaby Hold.	190	+1.6	+1.2	39	5	1.4	17	1.0	8	11.0	0.37	95
Goodman Fielder	168	+0.7	+0.8	42	1	1.2	10	0.8	12	6.0	0.50	2,144
Nuplex Indust	355	+6.8	+0.6	18	7	1.6	15	1.0	11	6.3	0.52	200
Restaurant Brds	142	+6.9	-0.5	17	8	4.7	45	1.3	10	10.5	0.55	131
Tower Limited	545	+1.8	+1.1	35	5	1.1	9	0.6	12	5.5	0.56	962
AXA Asia Pac.	356	+0.9	-2.7	41	-	1.6	12	0.8	13	3.3	0.59	6,274
Reid Farmers	100	+8.0	+1.2	15	-	1.6	13	1.2	12	7.5	0.65	56
DB Group	540	+16.5	-1.4	5	6	2.5	17	0.6	15	4.4	0.68	272
Taylor's Grp Ltd	112	+1.5	+0.0	39	-	1.4	12	1.2	12	8.0	0.70	27
AMP Limited	2410	+4.4	-1.6	27	-	2.7	14	0.6	18	2.4	0.7725	9,466
Cavalier Corp	490	+8.5	-1.8	14	4	2.2	16	0.8	13	9.1	0.81	176
Michael Hill	385	+7.5	+1.9	16	5	3.5	23	0.8	15	5.2	0.81	148
Hallenstein G.	230	+3.3	-0.1	29	7	4.0	34	0.8	12	12.0	0.83	133
Tranz Rail Hold	420	+2.9	+3.0	32	8	1.1	15	0.8	7	2.0	0.89	507
Mr Chips Hold	110	+9.4	-0.6	12	-	3.5	21	0.9	17	8.1	0.95	17

<b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0												
Wrightsons Ltd	74	+16.9	+2.8	4	-	1.0	7	1.3	13	8.1	0.17	99
DB Group	540	+16.5	-1.4	5	6	2.5	17	0.5	15	4.4	0.68	272
Williams Kettle	325	+11.6	-0.2	8	-	1.3	11	0.5	11	6.9	0.30	48
Mr Chips Hold	110	+9.4	-0.6	12	-	3.5	21	0.6	17	8.1	0.95	17
Design Textiles	33	+9.2	+5.0	12	-	0.4	4	1.4	10	9.0	0.17	11
Cavalier Corp	490	+8.5	-1.8	14	4	2.2	16	0.7	13	9.1	0.81	176
Reid Farmers	100	+8.0	+1.2	15	-	1.6	13	1.0	12	7.5	0.65	56
Michael Hill	385	+7.5	+1.9	16	5	3.5	23	0.7	15	5.2	0.81	148
Restaurant Brds	142	+6.9	-0.5	17	8	4.7	45	1.1	10	10.5	0.55	131
Nuplex Indust	355	+6.8	+0.6	18	7	1.6	15	0.9	11	6.3	0.52	200
AMP Limited	2410	+4.4	-1.6	27	-	2.7	14	0.5	18	2.4	0.7725	9,466
Hallenstein G.	230	+3.3	-0.1	29	7	4.0	34	0.7	12	12.0	0.83	133
Tranz Rail Hold	420	+2.9	+3.0	32	8	1.1	15	0.8	7	2.0	0.89	507
Steel & Tube	155	+2.6	+1.6	33	8	1.1	11	1.0	10	11.6	0.37	136
Tower Limited	545	+1.8	+1.1	35	5	1.1	9	0.5	12	5.5	0.56	962
PDL Holdings	635	+1.7	+8.9	37	3	1.0	6	0.8	16	Nil	0.24	86
Hellaby Hold.	190	+1.6	+1.2	39	5	1.4	17	0.9	8	11.0	0.37	95
Taylor's Grp Ltd	112	+1.5	+0.0	39	-	1.4	12	1.0	12	8.0	0.70	27
AXA Asia Pac.	356	+0.9	-2.7	41	-	1.6	12	0.7	13	3.3	0.59	6,274
Goodman Fielder	168	+0.7	+0.8	42	1	1.2	10	0.6	12	6.0	0.50	2,144

Company	STRENGTH RATING					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	Brokers Following							
<b>INCOME SHARES:</b> Highest Yields, Capitalisation > NZ\$100 million												
NZ Refining Co	1791	+17.1	+5.5	3	5	1.4	23	0.3	6	20.8	1.45	430
Hallenstein G.	230	+3.3	-0.1	29	7	4.0	34	0.6	12	12.0	0.83	133
Telecom Corp	588	-10.7	+1.0	80	9	9.1	68	0.7	13	11.7	2.3810	3,222
Steel & Tube	155	+2.6	+1.6	33	8	1.1	11	0.9	10	11.6	0.37	136
FC - Building	207	-1.6	+2.7	59	9	0.7	11	1.1	7	11.5	0.30	709
Air New Zealand	141	-5.7	+0.8	74	9	0.5	11	0.8	5	10.6	0.23	1,067
Restaurant Brds	142	+6.9	-0.5	17	8	4.7	45	1.0	10	10.5	0.55	131
Cavalier Corp	490	+8.5	-1.8	14	4	2.2	16	0.7	13	9.1	0.81	176
Lyttelton Port	171	+6.3	+2.1	19	6	5.3	45	0.6	12	8.9	2.99	174
Contact Energy	295	+0.2	+0.3	46	9	1.1	4	0.7	29	8.8	2.05	178

<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0												
Southern Cap	71	-0.3	-1.7	51	-	2.0	-	0.8	NE	Nil	7.59	52
Nuhaka Forestry	1090	-4.8	-1.7	70	-	0.6	-	0.3	NE	Nil	6.05	19
Genesis Res.	440	-2.1	-5.1	62	-	1.9	1	0.9	154	Nil	3.88	111
Strathmore Grp	13	-21.6	+0.7	90	-	0.8	-	2.4	NE	Nil	2.69	26
Telecom Corp	588	-10.7	+1.0	80	9	9.1	68	0.7	13	11.7	2.3810	3,222
Newcall Group	7	-34.5	-1.0	96	-	0.5	-	2.5	NE	Nil	2.24	7

<b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Newcall Group	7	-34.5	-1.0	96	-	0.5	-	2.3	NE	Nil	2.24	7
E-Phone Ltd	11	-30.4	+1.7	94	-	2.1	-	2.7	NE	Nil	N/A	12
Eldercare NZ	17	-23.5	+2.0	92	-	0.7	15	1.8	5	Nil	1.00	26
Advantage Group	118	-22.1	+2.2	91	7	1.1	3	1.2	41	Nil	1.11	71
Strathmore Grp	13	-21.6	+0.7	90	-	0.8	-	2.3	NE	Nil	2.69	26
FC - Forests	33	-19.6	+4.3	89	9	0.2	4	1.4	5	Nil	0.54	846
Force Corp.	26	-16.9	+2.0	88	5	0.8	9	1.6	9	5.7	0.73	40
E-Ventures NZ	29	-16.6	+0.7	87	-	1.3	-	1.2	NE	Nil	N/A	73
IT Capital Ltd	22	-15.1	+3.7	86	-	1.5	-	2.1	NE	Nil	N/A	32
Tag Pacific Ltd	20	-13.5	+1.4	85	-	0.5	10	1.3	5	4.0	0.29	13
Cue Energy Ltd	5	-12.8	+1.0	83	-	0.5	-	2.4	NE	Nil	1.63	14
Rocom Wireless	48	-11.3	-3.5	81	-	-	-	1.0	NE	Nil	N/A	7
Software of Exc	100	-8.0	-2.9	78	-	1.0	-	0.7	NE	Nil	0.94	5
Damba Hold Ltd	40	-6.0	-0.4	74	-	0.5	3	0.7	19	Nil	0.71	7
CDL Hotel NZ	19	-5.7	+0.9	72	2	0.3	3	1.3	11	5.5	0.41	66
Ebos Group Ltd	272	-5.3	+1.5	71	-	2.1	12	0.6	17	7.1	0.90	73
Nuhaka Forestry	1090	-4.8	-1.7	70	-	0.6	-	0.3	NE	Nil	6.05	19

## Readers Ask . . .

**Question:** Have you got a book in stock which deals with investing in fixed interest securities? The dos and don'ts. How to construct a portfolio of them and basic knowledge.

**Answer:** No, I haven't found a book that deals with this subject in a useful way. Like most forms of investment, you really just need to use some common sense.

Firstly, why invest in fixed interest investments? The answer must be for security of capital and certainty of income. A diversified portfolio of high yielding shares (i.e. property shares, CDL, Cavalier, Lyttelton Port, Steel & Tube) can offer a higher income, but with some uncertainty and a volatile capital value. So if security and certainty are two important factors in deciding to invest in fixed interest, then you should stick with high quality investments (i.e. bank term deposits, major finance company term deposits and high quality corporate bonds).

It is often worth taking risks in the stockmarket.

Your maximum loss on any individual share is 100% of your investment, but a successful investment may increase 5-fold or 10-fold in value! This is not the case with fixed interest investments. You can still risk losing 100% of your investment, but stand to gain just an extra 1-2% interest per year. That is not an attractive return for taking risk! So stick with high quality, low risk fixed interest investments.

Also watch out for major NZ corporate "capital notes". These are unsecured "junk bonds". If the company has problems, capital notes will be repaid *after* secured borrowers and *after* all other *unsecured* debtors. In other words, you would be lucky to get back a few cents in the dollar.

Secondly, diversify your fixed interest investments in the same way that you would diversify your share portfolio. Depending upon the funds available, invest your fixed interest portfolio with 3-10 different banks, large finance companies and large corporates, and spread the investments over a range of maturities (i.e. 1, 2, 3 and 5 years).

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

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

STRENGTH RATING													STRENGTH RATING															
Company	Share Price	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n	
<b>UNDER-VALUED SHARES: Lowest Price/Sales, Yld &gt; 0, Rel Strength &gt; 0</b>																												
Multispares Hld	15	+5.9	-1.5	16	0.0	-	0.5	8	2.2	6	3.3	0.14	3	Goldfields	155	+7.3	-3.8	12	0.0	9	-	-	0.9	10	3.2	0.82	293	
Merchant House	10	+5.4	-4.8	16	0.0	-	0.9	15	2.7	6	10.2	0.18	9	Clough Limited	72	+7.2	+2.1	13	0.0	1	2.1	22	1.0	10	6.3	0.48	248	
Hudson Invest.	43	+2.5	+1.2	24	0.0	-	0.3	5	1.5	7	7.0	0.19	47	Chalmers	180	+7.1	-0.0	13	0.0	-	0.7	5	0.8	13	6.7	0.40	10	
K&S Corporation	160	+3.5	+2.0	21	1.0	3	0.9	8	1.0	11	7.5	0.19	48	AMP Ltd	1987	+6.6	-0.7	14	1.0	15	2.8	15	0.6	19	2.4	0.80	21,949	
CMI Limited	121	+1.8	-0.4	26	0.0	-	1.9	37	1.1	5	6.6	0.19	33	Futuris Corp.	208	+6.5	+1.8	14	1.0	7	2.5	16	0.8	16	3.8	0.25	1,262	
Angus & Cootie	340	+1.8	-1.2	27	1.0	-	1.0	13	0.8	8	7.1	0.19	41	Housewares Int.	87	+6.0	-2.6	15	3.0	-	1.6	23	1.0	7	9.2	0.37	63	
A.V. Jennings	66	+4.4	+2.1	18	0.0	-	1.0	22	1.3	4	8.0	0.22	142	Multispares Hld	15	+5.9	-1.5	16	0.0	-	0.5	8	1.7	6	3.3	0.14	3	
Ludowici Ltd	145	+0.1	+2.5	34	4.0	-	0.6	7	1.0	9	14.8	0.22	20	Leighton Hold	679	+5.5	-0.9	16	0.0	12	2.8	21	0.7	13	4.9	0.50	1,796	
Volante Group	132	+3.2	+5.2	22	2.0	-	9.4	36	1.1	27	4.9	0.23	90	Merchant House	10	+5.4	-4.8	16	0.0	-	0.9	15	2.0	6	10.2	0.18	9	
Pirelli Cables	83	+8.5	-2.2	11	1.0	-	1.8	10	1.2	18	4.2	0.23	71	Foodland Assoc	965	+5.3	+0.4	17	1.0	10	3.1	25	0.6	12	5.8	0.24	924	
Penfold Print.	80	+3.2	+1.8	21	0.0	-	1.3	17	1.2	7	10.0	0.23	13	Gazal Corp	240	+5.1	-2.9	17	1.3	-	3.5	25	0.8	14	5.7	0.80	132	
McConnell Dowel	160	+2.8	-0.7	23	0.0	-	0.7	13	1.0	5	8.3	0.24	67	MBF Carpenters	4	+5.0	+6.4	17	0.0	-	0.2	6	2.9	4	Nil	0.07	20	
Palm Corp	42	+7.8	+8.5	12	0.0	-	1.0	13	1.5	8	7.2	0.24	15	Pro Maintenance	182	+4.7	+1.3	18	0.0	-	2.1	23	0.8	9	2.7	0.97	117	
S.P.C. Ltd	85	+1.4	+2.1	28	0.0	-	1.0	15	1.2	6	4.7	0.24	61	Triako Res.	40	+4.5	-6.3	18	3.0	-	-	1.2	7	Nil	0.76	13		
Foodland Assoc	965	+5.3	+0.4	17	1.0	10	3.1	25	0.7	12	5.8	0.24	924	A.V. Jennings	66	+4.4	+2.1	18	0.0	-	1.0	22	1.1	4	8.0	0.22	142	
Futuris Corp.	208	+6.5	+1.8	14	1.0	7	2.5	16	0.9	16	3.8	0.25	1,262	Coffy Int'l	210	+4.2	+1.6	19	0.0	-	2.5	29	0.8	9	9.5	0.36	24	
United Group	153	+4.1	+4.2	19	1.0	4	2.4	25	1.0	9	5.9	0.27	124	United Group	153	+4.1	+4.2	19	1.0	4	2.4	25	0.9	9	5.9	0.27	124	
Crevet Ltd	68	+2.4	-0.6	25	0.0	-	0.9	-	1.3	NE	2.2	0.28	23	Paperlin X Ltd	389	+3.9	+1.4	20	2.0	-	1.1	8	0.7	14	1.3	0.52	1,242	
Evans Deakin	230	+1.8	+1.6	26	0.1	3	1.5	8	0.9	18	8.3	0.28	217	Vietnam Indust.	21	+3.6	-0.5	20	3.0	-	0.8	15	1.5	6	4.8	0.43	22	
Vealls Ltd	90	+0.7	-1.5	31	0.0	-	-	-	1.2	3	8.4	0.29	4	K&S Corporation	160	+3.5	+2.0	21	1.0	3	0.9	8	0.9	11	7.5	0.19	48	
CDK Tectonics	100	+3.0	-0.2	22	0.0	-	1.9	35	1.1	5	9.0	0.30	12	Penfold Print.	80	+3.2	+1.8	21	0.0	-	1.3	17	1.0	7	10.0	0.23	13	
290	+0.8	-1.0	31	0.0	-	1.0	-	0.9	NE	0.7	0.30	60	F.F.I. Holdings	115	+3.1	+0.7	22	0.0	-	1.4	9	0.9	15	5.2	0.67	7		
TAB Ltd	325	+6.9	-2.8	14	1.0	12	-	-	0.9	27	3.4	0.33	1,625	Prudential Inv.	51	+3.1	+1.1	22	0.0	-	1.0	6	1.1	17	Nil	0.34	4	
Lemvest Ltd	410	+0.8	-0.7	31	0.0	-	1.5	17	0.8	9	7.3	0.34	41	CDK Tectonics	100	+3.0	-0.2	22	0.0	-	1.9	35	0.9	5	9.0	0.30	12	
Nufarm Limited	320	+0.8	+1.1	30	2.2	-	1.8	19	0.9	9	5.3	0.35	494	McConnell Dowel	160	+2.8	-0.7	23	0.0	-	0.7	13	0.9	5	8.3	0.24	67	
Spicers Paper	326	+19.0	-1.6	5	0.0	5	1.8	10	0.9	17	3.1	0.35	452	Boral Limited	233	+2.8	+3.6	23	2.0	-	0.8	8	0.8	11	7.7	0.52	1,324	
Colorado Group	138	+2.7	+1.3	24	0.0	-	2.2	28	1.0	8	1.4	0.35	116	AXA Asia Pac	298	+2.8	-1.9	23	0.0	-	1.7	12	0.8	14	3.2	0.62	5,252	
Tempo Services	177	+3.0	+0.1	22	3.3	5	-	-	1.0	21	5.9	0.35	147	Corasado Group	138	+2.7	+1.3	24	0.0	-	2.2	28	0.9	8	1.4	0.35	116	
G.U.D. Holdings	177	+0.1	+1.7	34	2.0	6	1.7	16	1.0	10	8.5	0.36	118	Burns Philp	48	+2.7	-2.4	24	0.0	-	4	-	-	1.2	3	Nil	0.20	333
Origin Energy	224	+11.0	-1.9	8	0.0	-	1.7	22	0.9	8	9.4	0.36	1,287	Oroton Int'l	270	+2.6	+1.6	24	0.1	-	3.6	36	0.8	10	5.6	0.75	49	
Coffey Int'l	210	+4.2	+1.6	19	0.0	-	2.5	29	0.9	9	9.5	0.36	24	Hudson Invest.	43	+2.5	+1.2	24	0.0	-	0.3	5	1.2	7	7.0	0.19	47	
Email Ltd	291	+0.5	+0.6	32	0.0	7	1.8	12	0.9	15	8.4	0.37	791	St Barbara Mine	14	+2.4	-1.3	24	0.0	-	-	-	1.8	8	Nil	0.42	28	
Housewares Int.	87	+6.0	-2.6	15	3.0	-	1.6	23	1.2	7	9.2	0.37	63	Hills Indust.	239	+2.4	-0.5	24	1.0	4	2.6	20	0.8	13	5.9	0.63	283	
Aust Pharm. Ind	241	+2.3	+0.0	25	0.0	3	2.5	12	0.9	21	5.0	0.38	473	Energy Equity	14	+2.4	+11.0	24	0.0	1	0.4	6	1.8	7	Nil	0.86	43	
Ridley Corp.	80	+9.2	+1.3	10	0.0	5	1.0	3	1.2	30	9.4	0.38	191	Goodman Fielder	137	+2.3	+1.5	25	2.0	14	2.7	21	0.9	13	5.5	0.54	1,753	
Capral Alum.	224	+0.8	-0.9	30	1.0	8	0.9	12	0.9	8	8.0	0.38	461	Troy Resources	60	+2.2	-1.7	25	0.0	-	-	-	1.1	3	6.7	0.79	27	
Comb Communicat	80	+3.9	+0.8	20	0.0	-	-	-	1.2	38	2.4	0.40	123	TDG Logistics	99	+2.1	-2.9	25	0.0	2	0.9	7	1.0	13	5.5	0.49	47	
Chalmers	180	+7.1	-0.0	13	0.0	-	0.7	5	1.0	13	6.7	0.40	10	Evans Deakin	230	+1.8	+1.6	26	0.1	3	1.5	8	0.8	18	8.3	0.28	217	
Vietnam Indust.	21	+3.6	-0.5	20	3.0	-	0.8	15	1.9	6	4.8	0.43	22	CMI Limited	121	+1.8	-0.4	26	0.0	-	1.9	37	0.9	5	6.6	0.19	33	
Woolworths Ltd	840	+10.8	-1.6	9	1.0	17	9.8	39	0.7	25	2.7	0.43	8,988	SDI Limited	48	+1.8	-8.1	27	0.0	-	1.4	25	1.2	6	6.3	0.48	11	
WAM Capital Ltd	103	+1.1	+0.2	29	1.0	-	0.8	17	1.1	5	3.9	0.45	22	Angus & Cootie	340	+1.8	-1.2	27	1.0	-	1.0	13	0.7	8	7.1	0.19	41	
Plaspak Group	60	+1.8	-1.2	27	0.1	-	1.2	11	1.3	11	9.2	0.46	32	Plaspak Group	60	+1.8	-1.2	27	0.1	-	1.2	11	1.1	11	9.2	0.46	32	
Snack Foods Ltd	97	+10.4	-1.9	9	1.1	-	3.6	36	1.2	10	3.3	0.46	121	Reece Australia	1885	+1.7	-1.8	27	0.0	-	2.6	27	0.6	10	6.6	0.63	375	
Citie Centre Lt	88	+1.3	-0.3	28	0.0	-	1.9	26	1.2	7	8.5	0.47	23	Fleetwood Corp	135	+1.6	-1.2	27	0.0	2	2.0	24	0.9	9	8.1	0.53	41	
Auspine Ltd	225	+0.7	-0.6	31	6.0	2	0.7	12	0.9	6	9.8	0.48	128	Burswood Ltd	78	+1.5	-0.6	28	7.0	11	1.4	13	1.0	11	7.1	0.85	314	
SDI Limited	48	+1.8	-8.1	27	0.0	-	1.4	25	1.4	6	6.3	0.48	11	Tamastwood Ltd	56	+1.4	+2.5	28	1.0	-	-	-	1.1	10	9.8	0.80	12	
Clough Limited	72	+7.2	+2.1	13	0.0	1	2.1	22	1.3	10	6.3	0.48	248	Fantastic Ltd	51	+1.4	-0.2	28	0.0	-	-	-	1.1	13	3.9	0.81	27	
Amcor Ltd	575	+0.6	+2.3	32	5.0	15	2.3	18	0.8	13	6.6	0.49	3,597	S.P.C. Ltd	85	+1.4	+2.1	28</										

# *Trans Tasman Properties Restructuring Offers Minority Shareholders “Junk Bonds”*

**Trans Tasman Properties** is proposing a capital restructuring. This will result in the major shareholder **SEA Holdings** owning 100% of the equity, with the shares held by minority shareholders converted into ten year *junk bonds*.

### The Proposal

Trans Tasman Properties ordinary shareholders will be offered 35 \$1.00 bonds, paying interest at 10%, for every 100 shares. So for every share currently held, investors will receive an annual income of 3.5 cents interest for ten years and then 35 cents in cash.

These are called “secured” bonds, but will rank behind borrowings secured by mortgages over the company's properties but ahead of shareholders (i.e. SEA Holdings). During the next ten years the company could take on additional debt that would also be secured ahead of these bonds. In other words, these are effectively “junk bonds”.

### How Financially Secure is Trans Tasman Properties

Trans Tasman Properties currently has secured borrowings of \$626.6 million and total capital funds of \$654.4 million. That is a reasonably high, but not excessive, debt level. Nevertheless, the company has

experienced considerable declines in property values over recent years. If property values continue to fall over the next ten years, then equity would dwindle and leave debt holders in a very insecure position.

The proposed restructuring will change all of the convertible notes and 45% of the ordinary capital into approximately \$150 million of the new junk bonds. That will give the company a total of \$776 million in interest bearing debts and just \$505 million in capital funds.

The new bonds will require interest of \$15 million per year, so the current operating profit (before property devaluations) would fall from \$21-24 million to \$6-9 million. The total annual interest bill would be around \$70-71 million. Gross rental income is only about \$100 million.

### Recommendation

This is certainly not an investment for a person looking for a safe, fixed interest investment! While the company *may* be able to meet all interest payments and repay these bonds in full at maturity, that is far from certain.

On the other hand, Trans Tasman Properties has consistently performed poorly, so the current proposal may be an improvement on owning shares and watching the company decline. Over recent months the shares have traded around 18-19 cents. Based upon that price the reconstruction offers an interest yield of 18-19% and the prospect of an 84-94% gain (i.e. 6-7% per annum) over the next ten years. Based upon the current share price of 22 cents, the yield is 16% and the potential gain 59% (5% per annum).

Investors unable to take high risks should sell on-market at 22 cents, realising a higher price than has been available recently. Others, with a widely diversified portfolio and prepared to accept high risks, may hold for the high cash returns promised.

## *Current Issues*

### CAPITAL RECONSTRUCTIONS

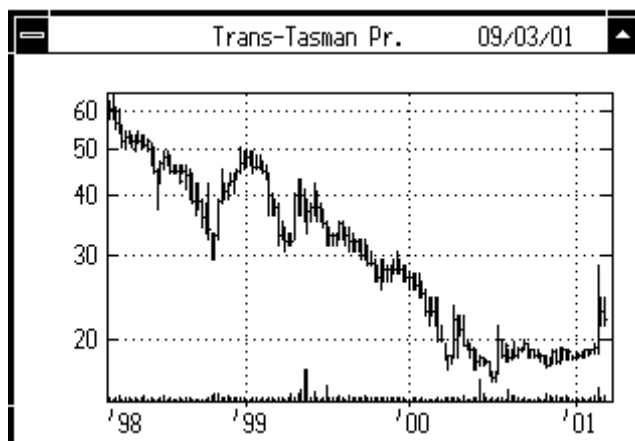
	Ex-Date
Brierley Investments (1)	-
(1) Brierley will consolidate 2 existing shares into 1 new share.	

### 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

### CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
Cue Energy (1)	1:4	A\$0.04	05-03	30-03
(1) Plus attached options.				



# "Neglect" Ratings of NZ Shares

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

Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)
AMP NZ Office	6	217	FC - Building	9	709	Mainfreight Grp	7	87	Restaurant Brds	8	131
Advantage Group	7	71	Fisher & Paykel	9	1,004	Metro. LifeCare	5	65	Ryman Health.	4	205
Air New Zealand	9	1,067	Force Corp.	5	40	Michael Hill	5	148	Sanford Limited	6	531
Akd Int Airport	9	1,470	Frucor Bev.	6	256	Montana Group	7	880	Sky City Ltd	9	918
Baycorp Hold	9	915	GDC Communicat.	3	121	NZ Refining Co	5	430	Sky Network TV	9	1,371
Bendon Limited	4	50	Goodman Fielder	1	2,144	Natural Gas	7	617	Steel & Tube	8	136
Brierley Invest	6	1,012	Guinness Peat	5	780	Northland Port	3	72	Tasman Agric.	3	158
CDL Hotel NZ	2	66	Hallenstein G.	7	133	Nufarm Limited	3	590	Telecom Corp	9	10,322
Cap Properties	4	107	Hellaby Hold.	5	95	Nuplex Indust	7	200	Tourism Hold.	7	147
Carter Holt	9	3,230	Horizon Energy	3	51	Owens Group Ltd	7	50	Tower Limited	5	962
Cavalier Corp	4	176	Ind Newspapers	8	1,453	PDL Holdings	3	86	Trans-Tasman	4	132
Contact Energy	9	178	Infratil NZ	6	254	Pacific Retail	5	71	Tranz Rail Hold	8	507
DB Group	6	272	Kiwi Property	8	313	Port Tauranga	8	454	Trust Power Ltd	8	477
FC - Energy	7	3,268	Lion Nathan Ltd	7	2,591	Ports Auckland	9	735	United Networks	5	1,318
FC - Forests	9	846	Lytelton Port	6	174	Property F Ind.	6	147	Warehouse Group	8	1,626
									Waste Mgmt NZ	7	400

# "Neglect" Ratings of Australian Shares

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

Company	No. of Brokers Following	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (A\$ Mill.)
A.G.L.	14	3,918	Centaur Mining	2	25	Jupiters	11	965	RamsayHealth	7	258
A.P. Eagers	1	57	Centro Prop.	6	915	Just Jeans Grp	5	71	Ranger Minerals	5	61
AJ Retail	3	324	Challenger Int.	4	950	K&S Corporation	3	48	Rebel Sport	4	44
AMP Ind Prop Tr	5	335	Cinema Plus	1	8	Keycorp Ltd	4	518	Resolute Saman.	3	20
AMP Ltd	15	21,949	Clough Limited	1	248	Kidston Gold	1	20	Ridley Corp.	5	191
AMP Office Trt	7	867	Coal & Allied	2	1,818	Lang Corporatio	7	1,568	Rio Tinto Ltd	16	17,468
ANZ Bank	19	22,344	Coates Hire	5	105	Leighton Hold	12	1,796	Rural Press Ltd	9	525
APN News Media	11	968	Coca Cola Amatl	14	5,352	Lend Lease Corp	13	6,420	Santos Ltd	17	4,232
ARB Corporation	1	102	Cochlear Ltd	9	1,998	Lihir Gold	14	777	Scientific Serv	1	35
Adelaide Bright	4	194	Coles Myer	17	7,673	M.I.M. Holdings	17	2,051	Seven Network	12	1,745
Adelaide Bank	11	470	Comwealth Bank	18	39,316	MacMahon Hold	1	37	Simeon Wines	10	228
Adsteam Marine	6	222	Computer Share	9	4,229	Macquarie Ind.	5	301	Sims metal Ltd	9	436
Adtrans Group	1	42	Cons Rutile	2	130	Macquarie Infra	8	2,449	Singleton Group	2	504
Advance Prop	3	866	Corp Express	8	906	Macquarie CWde	7	380	Skilled Eng.	7	56
Amalgamated Hld	1	271	Crane Group	6	323	Macquarie Bank	8	4,967	Smith (Howard)	14	1,778
Ancor Ltd	15	3,597	Cranswick Wines	4	75	Macquarie Off.	6	681	Smorgon Steel	6	673
Ammtec Ltd	1	14	DCA Group Ltd	1	114	Maxi TRANS	1	23	Solution 6	8	170
Amrad Corp.	1	117	Data 3 Ltd	1	8	Mayne Nickless	11	2,647	Sonic Health	8	1,648
Anaconda Nickel	5	675	David Jones	14	520	McGuigan Wines	6	124	Sons of Gwalia	16	1,022
Aristocrat	8	2,860	Delta Gold NL	13	352	Micromedical	1	58	Soul Pattinson	2	1,169
Ashton Mining	5	656	E.R.G.	6	1,122	Millers Retail	5	508	Southcorp Ltd	16	3,991
Asia Pac Spec	2	20	ETRADE Aust.	2	71	Namoi Cotton	2	47	Spicers Paper	5	452
Atkins Carlyle	5	78	East'n Aluminu	3	176	Nat'l Aust Bank	18	45,581	Spotless Group	7	1,335
Aurora Gold	4	28	Email Ltd	7	791	Nat'l Foods	12	645	St George Bank	15	6,022
Ausdoc Group	8	114	Emperor Mines	2	30	Nautronix Ltd	4	39	Sthn Cross Brd.	7	341
Auspine Ltd	2	128	Energy Equity	1	43	Newcrest Mining	17	944	Stockland Trust	8	2,922
Aust Com Prp Tr	3	173	Energy Resource	4	357	News Corporatio	13	35,609	Straits Res.	1	24
Aust Oil & Gas	1	84	Energy Develop.	9	1,383	Norm Mt Leshyon	8	36	Strathfield Grp	2	79
Aust Infra.	6	280	Envestra	9	524	Normandy NFM	9	484	Suncorp/Metway	13	3,786
Aust Stock Exch	10	1,285	Evans Deakin	3	217	Norman Wines	2	21	Sydney Aquarium	1	83
Aust Hospital	6	198	Fairfax (John)	12	2,731	Normandy Mining	17	1,712	TAB Ltd	12	1,625
Aust Gth Prop.	1	118	Faulding (F.H.)	10	1,679	Novogen Ltd	3	309	TDG Logistics	2	47
Aust Pharm. Ind	3	473	Fleetwood Corp	2	41	Novus Petroleum	9	282	Tabcorp Holding	13	3,465
Australand Hold	5	620	Flight Centre	5	2,226	OPSM Protector	7	270	Tap Oil	7	154
Austrim Nylax	3	306	Foodland Assoc	10	924	Oil Search Ltd	12	853	Telecasters Aus	7	173
B.H.P.	15	36,977	Forrester Kurts	2	89	Orbital Engine	1	472	Telemmedia Serv.	6	0
BA Tobacco Aust	2	2,649	Foster's Brewin	17	9,645	Orica Ltd	11	1,393	Telstra	18	42,312
BRL Hardy Ltd	12	1,387	Franked Income	2	2,238	Orogen Minerals	7	459	Tempo Services	5	147
BT Office	7	0	Freedom Group	8	101	PMP Limited	9	307	Ten Network	10	811
BT Property	1	488	Futuris Corp.	7	1,262	Pacific Mining	3	152	Thakral Holding	4	392
Bank of W. Aust	11	2,063	G.U.D. Holdings	6	118	Pacific Group	12	489	Ticor Ltd	7	295
Beaconsfield Gl	1	21	GWA Internat'l	5	557	Pacific Hydro	4	394	Toil Holdings	9	1,017
Bendigo Bank	7	674	Gandel Retail T	10	1,433	Pacific Dunlop	13	1,169	Tourism Aust.	1	178
Biota Holdings	4	188	General Prop Tr	9	4,884	Pasminco Ltd	16	765	United Energy	10	1,458
Brambles Ind.	12	10,646	Goldfields	9	293	Perp Trust Aust	9	1,419	United Group	4	124
Brandrill	4	187	Goodman Fielder	14	1,753	Petaluma Ltd	10	121	Village Road.	7	378
Brazin Limited	6	160	Graincorp	1	371	Peter Lehman W.	7	87	Villa World	2	68
Breakwater Is.	2	37	Grand Hotel	5	196	Petroz NL	2	147	Watpac Ltd	1	20
Brickworks Ltd	3	751	Gunns Ltd	2	117	Pipers Brook	2	32	Wattyl Ltd	4	151
Bristle Ltd	3	234	Gympie Gold	1	66	Polartechnics	2	103	Wesfarmers Ltd	13	5,125
Burns Philp	4	333	HIH Insurance	11	84	Portman Mining	5	214	West Aust News	12	1,018
Burswood Ltd	11	314	Hardie (James)	10	1,638	Power Tel Ltd	4	434	West'n Metals	9	46
C & W Optus	17	14,341	Harris Scarfe	5	60	Pracom Ltd	5	208	Western Mining	17	9,077
C.S.R. Ltd	12	4,915	Harvey Norman	12	3,788	Prime Retail	1	87	Westfield Hold.	11	6,970
CI Technologies	5	73	Hill 50 Gold	4	88	Prime TV	3	171	Westfield Amer.	6	1,855
CPI Group	5	66	Hills Indust.	4	283	Progen Indust.	1	45	Westfield Trust	10	5,979
CSL Limited	13	5,507	Hills Motorway	7	907	Prophecy Int'l	3	26	Westpac Banking	19	23,447
Caltex Austria	6	589	Homemaker Prop.	5	180	Publishing & Br	13	7,721	Westral'n Fores	1	121
Campbell Bros	1	153	IAMA Ltd	2	162	Q.B.E. Insur.	9	4,591	Wide Bay Cap'n	1	72
Candle Aust.	7	59	Illuka Resource	11	963	Q.C.T. Resource	2	834	Woodside Petrol	15	9,400
Capral Alum.	8	461	Incitec	3	686	Qantas	15	3,963	Woolworths Ltd	17	8,988
Catuity	1	63	Ipoh Garden	1	241	Queens'd Cotton	4	97	Yates (Arthur)	3	11

# "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
<b>09/02/2001</b>					
Kiwi Development	AXA Asia Pacific	Sell	-0.528	8.83%	7.73%
<b>16/02/2001</b>					
Kiwi Development	Kiwi Income	Buy	+5.285	39.22%	50.23%
Lion Nathan	Maple-Brown Abbott	Buy	+5.453	7.68%	8.70%
Montana Group (NZ)	Lion Nathan	Buy	+39.041	28.26%	46.45%
Montana Group (NZ)	The Capital Group	Sell	-15.200	7.08%	0.0%
PDL Holdings	Schneider Electric	Buy	+2.297	0.0%	16.90%
<b>23/02/2001</b>					
Capital Properties	Courtenay Nominees	Sell	-6.000	8.37%	5.90%
Designer Textiles	The Napoleon Trust	Sell	-2.000	11.19%	5.60%
Kiwi Development	Kiwi Income Property	Buy	+2.301	55.48%	60.28%
Montana Group (NZ)	Lion Nathan	Buy	+9.767	46.45%	51.00%
PDL Holdings	Schneider Electric	Buy	+0.158	16.90%	18.10%
Sky TV Network	Telecom NZ	Buy	+46.744	0.0%	12.12%
Tourism Holdings	AXA Asia Pacific	Sell	-1.370	5.99%	4.50%
<b>02/02/2001</b>					
Kiwi Development	Kiwi Income Property	Buy	+1.056	60.28%	62.48%
National Mail	Armstrong Jones	Sell	-1.800	6.06%	0.0%
PDL Holdings	Clipsal Industries	Buy	+0.694	0.0%	5.11%
<b>09/02/2001</b>					
Kiwi Development	Kiwi Income Property	Buy	+3.552	62.48%	69.88%

Lion Nathan acquired a controlling 51% of **Montana Group** (as discussed last month), but we do not believe that it is attractive for investors to remain minority shareholders. Where the major shareholder has a bad record of dealing with minorities it is best to sell and re-invest elsewhere.

French based Schneider Electric built up an 18.1% shareholding in **PDL Holdings** after which a Hong Kong group of companies (including Clipsal Industries) entered the market to acquire a 5.1% shareholding. This has pushed the share price up considerably, but a full takeover is unlikely (as the bidder would have first sought to acquire the 65% held by the Stewartson family) and the company's revenues and profits are still showing no signs of improvement. If you are still holding shares, take profits.

## Total Return Index for All Listed Shares

Feb 12	2129.83	Feb 19	2121.39
Feb 13	2127.66	Feb 20	2120.96
Feb 14	2118.04	Feb 21	2127.65
Feb 15	2117.38	Feb 22	2124.00
Feb 16	2125.88	Feb 23	2132.68
Feb 26	2123.08	Mar 5	2107.22
Feb 27	2128.35	Mar 6	2108.72
Feb 28	2109.17	Mar 7	2108.34
Mar 1	2109.78	Mar 8	2113.62
Mar 2	2107.26	Mar 9	2112.67

# Dividend \$

Company	Cents per Share	Ex- Date	Pay- able	Tax Credit
Air New Zealand	4.00	19-03	30-03	Nil
AMP Office Trust	3.50	05-03	09-03	Nil
Auckland Int'l Airport	5.00	26-03	30-03	Full
Baycorp Holdings	9.00	19-03	23-03	Full
Capital Properties	2.40	05-03	16-03	0.5125
Cavalier Corporation	10.00	12-03	16-03	Full
Cedenco Foods	6.00	12-03	19-03	Full
Col FS Property	2.33	05-03	16-03	0.3463
Designer Textiles	1.00	12-03	23-03	Full
Ebos Group	8.50	19-03	26-03	Full
FC - Buildings	6.00	09-04	24-04	Full
Frucor Beverages	4.00	19-03	23-03	Full
Hellaby Holdings	7.00	09-04	12-04	Full
Independent Newspapers	4.00	19-03	30-03	Full
Lyttelton Port Company	3.50	26-03	30-03	Full
Michael Hill International	6.50	19-03	26-03	Full
Mr Chips Holdings	2.50	26-03	30-03	Full
National Property	2.2573	26-02	09-03	0.4015
Natural Gas Corporation	3.00	12-03	19-03	Full
NZ Refining Company	200.00	19-03	29-03	Full
Nuplex Industries	8.00	26-03	04-04	Full
Port of Tauranga	9.00	12-03	23-03	Full
Ports of Auckland	9.00	12-03	21-03	Full
Property For Industry	1.53876	12-03	16-03	0.19347
Renaissance Corporation	2.00	19-03	23-03	Full
Restaurant Brands	5.50	19-03	28-03	Full
Sky City	28.00	19-03	06-04	Full
South Port NZ	2.50	19-03	23-03	Full
Steel & Tube Holdings	7.00	05-03	16-03	Full
Taylors Group	3.00	12-03	23-03	Full
Telecom NZ	5.00	05-03	16-03	Full
Tourism Holdings	4.00	19-03	23-03	Full
Tranz Rail Holdings	8.50	19-03	02-04	Nil
United Networks	17.00	02-04	05-04	Full
Waste Management NZ	5.00	19-03	23-03	Full
Williams & Kettle	9.00	23-04	30-04	Full
Wrightson Ltd	1.00	19-03	30-03	Full

## Australian Shares

Abigroup	7.00	12-04	27-04
Atlas Pacific conv notes	0.92466	02-03	26-03
Auspine Ltd	6.00	21-03	02-04
Central Equity	4.00	29-03	05-04
McPhersons	6.00	06-04	27-04
Thakral Holdings Group	3.00	13-03	23-03
Toll Holdings	15.00	16-06	30-03
Vision Systems	1.60	16-03	06-04

## Next Issue

The next issue of "Market Analysis" will be posted in four weeks time on Tuesday April 10, 2001 (and delivered in most areas on Wednesday 11).

Subscribers who have updated their account online with an e-mail address will also receive the Electronic version in their e-mail Tuesday morning.

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Birkenhead, Auckland. (66 Stanaway Street. Telephone 64-9-4199 427 Facsimile 64-9-4199 428 Internet: [www.stockmarket.co.nz](http://www.stockmarket.co.nz) or [www.stockmarket-research.com](http://www.stockmarket-research.com) or [www.stockmarket-research.co.uk](http://www.stockmarket-research.co.uk) Email: [james@stockmarket.co.nz](mailto:james@stockmarket.co.nz)). Subscription Rate NZ\$205 (including GST) per year.

Readers are advised that they should not assume that every recommendation made in the future will be profitable or equal the performance of recommendations made in the past. A summary of All prior recommendations is available to any current subscriber, free of charge, upon request. The information presented has been obtained from original and published sources believed to be reliable, but its accuracy cannot be guaranteed. The entire contents are copyright. Reproduction in whole or part is strictly forbidden.