

# Market Analysis

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## Inside Market Analysis

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## Summary and Recommended Investment Strategy.

The long term outlook for the NZ and Australian stockmarkets continues to improve rapidly - although we expect most world stockmarkets will remain depressed during 2001 with a slow recovery in 2002. We shall continue to hold a 15-20% cash reserve while waiting for buying opportunities in specific companies. 80-85% of portfolios should be in recommended equities.

## Investment Outlook.

Our forecasting models for the NZ and Australian stockmarkets continue to improve. The One Year Forecast for the NZ market has improved to a **Neutral to slightly Bullish 60%** (up from 50% in May and only 34% in April). Our **Short Term Trend Model is Bullish at 80%**. For Australia our One Year Forecast is **slightly Bullish at 66%** (down a little on May's high 70%, but up on April's 57%).

Despite these improvements we shall continue to hold a small cash reserve (i.e. equal to 15-20% of portfolios) which we shall invest in new companies as specific shares become attractive for purchase. Investors who are under-invested in equities, however, should add to recommended shares - especially those rated "Buy" and "Hold+".

While our One Year Forecasts have improved, we do remain cautious about the shorter term (i.e. 3-6 month) outlook. Many world stockmarkets have risen over the last two months in anticipation of a recovery in economic conditions. We expect that the recession will not end quickly, and that the eventual recovery will be slow. So stockmarkets may weaken over the next month or two and remain depressed for the remainder of 2001.

Most of our cash reserve will probably be re-invested in Australia where we can find more companies that meet our investment criteria (i.e. under-valued and neglected shares in cash flow positive companies with growth potential). We are watching several shares which continue to decline in price and become even better value each month! Obviously there is little point buying into such situations too early. Our *Comprehensive Share Selection Criteria* helps provide the discipline to avoid that mistake by requiring shares to have a *positive* Strength Rating (i.e. to be in an uptrend). So we shall continue to sit on a small pile of cash and wait for the right buying opportunity to develop.



# 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	80	0.42	18	Nil	GDC Communicat.	C	225	2.05	28	2.2	Powerco Limited	B	185	0.65	NE	Nil
AMP Limited	B	2546	0.81	19	2.2	Genesis Res.	D	387	3.41	NE	Nil	Property F Ind.	C	82	7.63	37	8.4
AMP NZ Office	C	84	6.01	11	9.2	Goodman Fielder	B	143	0.43	10	7.0	Pure NZ Limited	E	10	4.35	NE	Nil
AQL Holdings	D	2.0	0.90	NE	Nil	Grocorp Pacific	C	16	0.53	NE	Nil	Reid Farmers	B	110	0.71	13	6.8
AXA Asia Pac.	B	351	0.58	13	3.4	Guinness Peat	B	165	2.89	15	1.9	Renaissance	D	94	0.22	25	3.2
Advantage Group	D	69	0.65	24	Nil	Hallenstein G.	B	265	0.95	14	10.4	Restaurant Brds	B	148	0.58	11	10.1
Affco Holdings	E	38	0.08	7	Nil	Hellaby Hold.	A	208	0.40	9	10.0	Richina Pacific	C	64	0.06	10	Nil
Air New Zealand	C	109	0.17	3	13.8	Heritage Mining*	N/R	5.0	0.13	NE	Nil	Richmond Hold.	C	317	N/A	NE	Nil
Akd Int Airport	B	352	8.70	29	4.1	Horizon Energy	B	1160	2.40	12	10.9	Rocom Wireless	D	48	N/A	NE	Nil
Apple Fields	C	10	0.16	NE	Nil	IT Capital Ltd	E	19	N/A	NE	Nil	Roller Int'l	D	40	0.21	NE	Nil
Baycorp Hold	B	1230	N/A	62	2.3	Ind Newspapers	C	365	2.43	37	2.9	Rubicon Limited	C	57	0.08	NE	Nil
Beauty Direct	D	9.0	N/A	NE	Nil	Infratil NZ	C	142	3.31	16	7.4	Ryman Health.	C	186	4.00	15	2.8
Bendon Limited	B	191	0.70	18	7.0	Kingsgate Int'l	E	13	0.42	3	Nil	Sanford Limited	A	635	1.72	13	4.7
Brierley Invest	E	62	0.53	NE	Nil	Kirkcaldie & St	D	475	N/A	NE	Nil	Savoy Equities	C	7.8	0.28	NE	Nil
Broadway Ind	C	35	0.15	37	Nil	Kiwi Property	C	87	6.05	9	12.0	Scott Tech. Ltd	B	158	1.01	9	10.4
CACI Group Ltd	D	35	N/A	NE	Nil	Lion Nathan Ltd	B	500	1.28	17	3.7	Seafresh Fish.	D	7.2	0.43	NE	Nil
CDL Hotel NZ	D	19	0.27	46	5.5	Lytelton Port	B	180	3.15	12	8.5	Selector Group	C	4.2	N/A	NE	Nil
CDL Investments	E	20	1.36	9	12.2	Mainfreight Grp	B	115	0.27	9	7.8	Shotover Jet	D	50	0.95	45	Nil
Cabletalk Group	C	125	0.58	NE	Nil	Manor Inns Grp	C	10	0.34	NE	Nil	Sky City Ltd	A	1020	3.32	16	8.2
Cadmus Tech Ltd	E	14	N/A	NE	Nil	Max Resources	*N/R	13	N/A	NE	Nil	Sky Network TV	D	344	4.79	NE	Nil
Calan Hlthcare	C	78	6.40	12	9.1	Medical Care	D	143	N/A	92	Nil	Software of Exc	C	135	0.72	NE	Nil
Cap Properties	C	89	N/A	8	13.1	Metro. LifeCare	D	135	0.97	30	Nil	South Port NZ	B	118	1.99	20	7.0
Carter Holt	C	179	0.82	12	3.4	Michael Hill	B	370	0.78	14	5.4	Southern Cap	D	84	8.98	NE	Nil
Cavalier Corp	A	563	0.93	15	8.0	Mid-Cap Index *	N/R	191	N/A	NE	Nil	Spectrum Res.	D	3.0	N/A	NE	Nil
Cedenco Foods	A	180	2.19	10	Nil	Montana Group	A	480	2.29	34	2.2	Steel & Tube	A	179	0.42	11	10.0
Col FS Property	B	99	6.43	11	10.8	Mooring Systems	C	210	N/A	NE	Nil	Strathmore Grp	D	8.0	1.68	NE	Nil
Col Motor Co	C	289	0.28	11	9.6	Mr Chips Hold	B	105	0.91	16	8.5	Submarines Aust	D	42	0.19	NE	Nil
Commssoft Group	D	11	N/A	NE	Nil	NZ Experience	D	12	0.98	NE	Nil	Summit Gold Ltd*	N/R	12	N/A	NE	Nil
Compass Com.	E	40	N/A	NE	Nil	NZ Invest Trust*	N/R	470	N/A	NE	1.8	Tag Pacific Ltd	E	17	0.24	5	4.7
Contact Energy	C	290	2.02	28	8.9	NZ Oil and Gas *	N/R	39	2.48	NE	Nil	Tasman Agric.	C	142	6.06	23	2.1
Cue Energy Ltd * N/R	7.9	2.73	NE	Nil	NZ Refining Co	B	1750	1.41	6	21.3	Taylor's Grp Ltd	C	118	0.73	12	7.6	
DB Group	B	545	0.68	15	4.4	Nat Property Tr	B	90	6.20	12	10.3	TeNZ *	N/R	93	N/A	NE	Nil
Dairy Brands	C	52	3.61	NE	Nil	National Mail	D	6.0	0.66	NE	Nil	Telecom Corp	C	580	2.35	13	11.8
Damba Hold Ltd	C	40	0.36	31	Nil	Natural Gas	C	103	1.14	9	7.2	Tourism Hold.	C	142	0.66	8	9.0
Design Textiles	B	37	0.19	12	8.1	Newcall Group	D	5.6	0.34	NE	Nil	Tower Limited	B	540	0.56	12	5.6
Dorchester Pac	B	113	0.81	8	7.9	Newmarket Prop.	C	48	N/A	6	19.8	Trans-Tasman	D	23	1.30	6	Nil
E-Phone Ltd	D	8.1	N/A	NE	Nil	Northland Port	C	182	2.74	79	Nil	Tranz Rail Hold	C	365	0.77	6	2.3
E-Ventures NZ	D	29	N/A	NE	Nil	Nufarm Limited	C	375	0.31	8	5.2	Trust Power Ltd	B	347	1.25	27	7.4
Ecademy Hold.	D	2.0	N/A	NE	Nil	Nuhaka Forestry	E	1000	5.55	NE	Nil	United Networks	B	845	2.78	12	5.8
Ebos Group Ltd	C	253	0.84	16	7.7	Nuplex Indust	C	333	0.49	11	6.7	Utilico Int'l	C	45	N/A	NE	Nil
Eldercare NZ	D	14	0.83	4	Nil	Opio Forestry	E	50	N/A	39	Nil	Vending Tech.	C	305	5.38	22	Nil
Evergreen	E	49	3.28	13	Nil	Otter Gold Mine*	N/R	20	0.13	NE	Nil	WN Drive Tech.	D	58	N/A	NE	Nil
FC - Forests	E	31	0.51	4	Nil	Owens Group Ltd	D	91	0.13	10	8.2	Warehouse Group	B	570	1.48	23	3.3
Finzsoft Sol'ns	E	52	0.49	NE	Nil	Ozzy (Tortis) *	N/R	270	N/A	NE	Nil	Waste Mgmt NZ	B	390	2.77	27	2.9
Fisher & Paykel	A	1080	1.53	23	3.5	PDL Holdings	A	1000	0.38	25	Nil	Williams Kettle	B	380	0.35	13	5.9
Fletcher Build.	A	237	0.34	8	10.1	Pacific Retail	C	149	0.21	8	Nil	World Index Fd *	N/R	202	N/A	NE	Nil
Force Corp.	D	23	0.65	8	6.5	Port Tauranga	A	615	6.72	24	5.3	Wrightsons Ltd	C	76	0.17	14	7.9
Frucor Bev.	C	162	1.12	17	Nil	Ports Auckland	A	574	4.93	17	4.7	<b>Ave of 143 Cos</b>	C	228	0.49	18	3.6
A.G.L.	B	948	1.15	13	5.4	Crown Ltd	C	90	0.70	14	Nil	Orica Ltd	B	440	0.30	8	8.0
AMP Diver. Prop	B	239	7.40	13	8.0	Data Advantage	B	630	9.73	NE	0.6	Origin Energy	A	293	0.47	10	7.2
AMP Ltd	B	2048	0.82	20	2.3	Deutsche Office	C	134	N/A	NE	Nil	Pacific Hydro	A	437	N/A	94	0.7
AMP Office Trt	B	120	6.57	15	7.9	E.R.G.	C	127	1.89	22	1.6	Pacific Dunlop	C	94	0.17	7	10.6
AMP Shop Centre	B	136	N/A	19	6.3	Email Ltd	B	291	0.37	15	8.4	Pacific Group	B	347	0.46	16	5.5
ANZ Bank	A	1590	2.02	15	4.0	Energy Develop.	B	1055	N/A	56	0.5	Paladin Com.	B	124	7.45	14	7.7
APN News Media	C	390	1.59	19	3.8	Fairfax (John)	C	403	2.09	17	2.9	Paperlin X Ltd	B	415	0.56	15	1.2
AXA Aust Div PT	B	112	7.80	13	7.8	Faulding (F.H.)	A	1290	0.99	33	1.6	Perp Trust Aust	A	4010	5.28	37	1.6
AXA Asia Pac	C	283	0.59	13	3.4	Flight Centre	B	2600	0.88	53	1.0	Publishing & Br	C	930	2.47	19	2.2
Advance Prop	B	182	8.64	15	6.7	Foodland Assoc	B	933	0.23	12	5.9	O.B.E. Insur.	B	1090	1.35	45	1.5
Alintagas Ltd	C	335	1.98	NE	Nil	Foster's Brewin	A	533	2.67	21	2.7	Q.C.T. Resource	C	121	1.05	NE	Nil
Amcor Ltd	A	664	0.56	15	5.7	Futuris Corp.	B	243	0.29	18	3.3	Qantas	B	345	0.45	9	6.4
Aristocrat	C	675	5.20	44	1.6	GWA Internat'l	B	239	1.14	16	7.5	Rio Tinto Ltd	B	3581	1.41	10	2.5
Aust Stock Exch	B	1306	6.57	23	4.3	Gandel Retail Tr	B	112	8.72	13	7.6	Rural Press Ltd	C	441	1.13	10	3.2
Aust Pipeline	B	252	N/A	NE	Nil	General Prop Tr	B	268	6.50	15	7.1	Servcorp Ltd	B	620	7.93	69	0.6
Austar United	D	102	3.16	NE	Nil	Goodman Fielder	C	113	0.45	11	6.6	Seven Network	B	699	1.55	27	2.9
Austereo Group	D	197	N/A	NE	Nil	Guinness Peat	C	131	2.85	12	0.4	Silex Systems	C	441	N/A	93	Nil
Australand Hold	B	147	0.88	6	8.2	Hardie (James)	A	493	1.30	NE	3.9	Singleton Group	B	384	N/A	39	1.8
Axon Instrument	C	113	N/A	NE	Nil	Harvey Norman	B	417	N/A	NE	0.8	Smith (Howard)	B	998	0.73	18	4.1
BA Tobacco Aust	B	1771	0.70	19	4.8	Hills Motorway	B	475	9.01	NE	7.1	Smorgon Steel	C	85	0.28	9	10.6
BRL Hardy Ltd	B	987	2.36	24	1.8	ING Indust Trt	B	145	8.32	13	8.9	Sonic Health	C	760	3.28	68	2.0
Bank of W.Aust	A	408	3.78	16	4.4	ING Office Fund	B	109	N/A	24	4.8	Southcorp Ltd	B	657	1.52	20	3.2
Bendigo Bank	A	635	1.45	18	3.8	Incitec	B	560	0.74	20	4.1	Spotless Group	C	701	0.78	38	2.9
Bidvest	B	290	0.19	16	2.6	Infomedia Ltd	D	176	7.85	NE	Nil	St George Bank	A	1572	1.91	19	3.5
Billabong Int'l	C	492	N/A	NE	Nil	Investa Prop.	B	176	7.90	13	7.4	Stockland Trust	B	399	6.50	17	6.5
Boral Limited	A	260	0.58	12	6.9	Jupiters	B	380	1.35	14	4.5	Suncorp-Metway	A	1374	1.26	13	3.3
Brambles Ind.	A	4820	2.25	30	1.7	Kaz Computer	C	130	N/A	NE	0.7	TAB Ltd	C	294	0.30	25	3.7
Brickworks Ltd	A	550	3.89	17	2.3	Lang Corporatio	B	1005	2.33	24	1.4	Tabcorp Holding	C	940	2.10	21	5.0
C & W Optus	C	358	2.62	37	Nil	Leighton Hold	A	739	0.54	14	4.5	Telstra					

# Recommended Investments

## New Zealand Shares

**Air New Zealand** is doing so well that the company is to reward "selected senior executives" with a total of 12,850,000 share options (i.e. 6,553,500 "A" share options with an exercise price of \$1.00, plus 5,806,500 "B" share options at an exercise price of \$1.28 and 490,000 "B" share options with a \$1.00 exercise price). Based upon current market prices these options have an intrinsic value of \$1.86 million. If this a fair *performance bonus* in the current situation then we can only hope the company *never* recovers. How much extra would senior executives demand if they could run the company profitably!

One of the rules we have followed over recent years is to avoid companies associated with **Brierley Investments** - which fortunately now has little investment in NZ (or elsewhere!). In retrospect we clearly under-estimated the influence of Brierley

Investments on Air NZ - or that Air NZ would ever use Brierley Investments "skills" in negotiating (over-priced) acquisitions and in (mis)managing a major acquisition. With hindsight, Air NZ's purchase of Ansett Australia looks very much like Brierley's acquisition of Mt Charlotte/Thistle Hotels.

Fortunately with the Brierley's proposal that **Qantas** buy its Air NZ shares and build up a controlling shareholding - something that will *never* happen - Brierley's nominee has stood back from discussions of Air NZ's future. This, at least, now leaves Air NZ to pursue a long term strategy that favours Air NZ - not a short term exit strategy for its troubled major shareholder.

Air NZ has strategic importance to the NZ economy - especially the tourism industry - so this is a business that will not be allowed to fail. The company may well need some sort of *(Continued on Page 4)*

## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation Code	- 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	0.17	3	13.8	109	78.7	-23%
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	E	185.8	2.0	1.36	9	12.2	20	6.1	+2%
HOLD+	Cavalier Corporation	CAV	05/12/95	312	A	36.0	0.8	0.93	15	8.0	563	146.0	+127%
HOLD	Colonial Motor Company	CMO	10/11/92	150	C	27.9	0.7	0.28	11	9.6	289	202.8	+228%
HOLD+	Lyttelton Port Company	LPC	12/12/00	150	B	101.7	0.9	3.15	12	8.5	180	3.5	+22%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.6	0.8	0.78	14	5.4	370	74.5	+866%
HOLD	Nufarm Limited	NUF	11/02/97	505	C	155.3	0.9	0.31	8	5.2	375	85.0	-9%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	C	56.3	1.0	0.49	11	6.7	333	44.0	+8%
HOLD	Renaissance Corp	RNS	13/08/96	85*	D	36.7	1.9	0.22	25	3.2	94	7.4	+19%
HOLD+	Richina Pacific	RCH	03/11/95	119*	C	72.2	1.7	0.06	10	Nil	64	11.9	-36%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	1.2	1.99	20	7.0	118	41.3	+33%
BUY	Steel & Tube Holdings	STU	08/08/00	146	A	87.7	1.1	0.42	11	10.0	179	14.0	+32%
BUY	Taylors Group Ltd	TAY	09/11/99	102	C	24.3	1.2	0.73	12	7.6	118	9.0	+25%
BUY	Wrightson Limited	WRI	13/01/98	83	C	134.1	1.5	0.17	14	7.9	76	11.3	+5%
<b>Australian Shares (in Aust cents)</b>													
HOLD	Abigroup Limited	ABG	09/03/99	265	A	47.7	0.8	0.14	7	7.5	200	29.0	-14%
HOLD+	Atlas Pacific Ltd	ATP	14/05/96	73	B	56.3	1.9	1.89	6	Nil	25	Nil	-66%
BUY	Auspine Limited	ANE	08/02/00	210	B	57.0	0.8	0.45	5	10.2	215	28.0	+16%
BUY	Austral Coal Ltd	AUO	16/01/01	19	A	81.8	1.5	0.45	9	Nil	45	Nil	+134%
HOLD	Biron Corporation Ltd	BIC	12/04/94	178	C	21.8	1.8	1.99	NE	Nil	35	11.0	-74%
BUY	Campbell Brothers Ltd	CPB	12/10/99	418*	A	31.5	0.5	0.46	10	6.3	475	55.5	+27%
HOLD	Central Equity Ltd	CEQ	09/02/94	154	B	82.1	0.9	0.76	5	9.0	201	87.0	+87%
HOLD+	C.S.R. Limited	CSR	11/07/00	436	A	952.7	0.7	0.95	13	3.5	650	23.0	+54%
HOLD	Hamilton Island Ltd	HAM	09/11/99	205	B	45.0	0.7	1.14	8	3.9	229	9.0	+16%
HOLD+	McPherson's Ltd	MCP	10/10/00	125	B	39.2	0.9	0.18	4	10.9	110	6.0	-7%
BUY	OAMP Limited	OMP	15/05/01	198	B	31.7	0.8	1.00	10	5.3	225	Nil	+14%
HOLD	PMP Communications	PMP	09/02/99	309	C	253.4	1.5	0.08	2	41.2	50	40.8	-71%
HOLD+	Thakral Holdings	THG	10/11/98	65	B	592.3	1.1	1.31	10	9.8	64	15.1	+22%
HOLD+	Toll Holdings	TOL	08/09/98	240	A	61.3	0.6	0.79	28	1.6	1800	58.0	+674%
HOLD+	Utility Services Corp	USC	11/01/00	55*	C	102.4	1.7	0.81	17	Nil	62	7.0	+25%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	146.4	0.6	3.20	60	0.9	323	14.4	+389%
BUY	Volante Group Ltd	VGL	13/03/01	132	B	68.0	1.0	0.22	25	5.2	125	Nil	-5%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +81.2%.

This is equal to an average annual rate of +24.6%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 31 current and 112 closed out) is +31.3%, compared with a market gain of +10.9% (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 24 cents. (2) Toll Holdings notes (TOLG) last traded at 1880 cents.

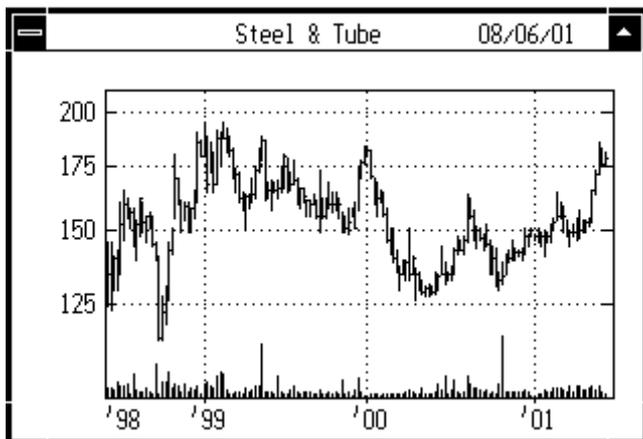
**Recommended Investments** (Continued from Page 3) re-capitalisation, but the major problem is that its major shareholder (i.e. Brierley Investments) is not in a position to provide financial support (i.e. take up entitlements in a cash issue), needing cash even more than Air NZ.

Residential land developer **CDL Investments** reported at its AGM that the current year results are "ahead of expectation". Despite market uncertainty and economic conditions the company "remains confident of ongoing profitability".

**Steel & Tube Holdings'** share price has risen to a two year high in recent weeks. This simply makes the shares a *stronger* "Buy" at the present time as this cyclical upturn will probably take the shares up to 300-600 cents over the next 2-5 years. The shares are also very attractive for current income with a gross Dividend Yield of 10.0%. It is this high income - plus dividend growth as profits recover with the economic cycle - that will drive the share price higher.

"Buy" for income. "Buy" for capital appreciation.

Unlike Wrightson (see comments below) it would appear that we timed our initial buy recommendation in Steel & Tube quite accurately - about nine months ahead of the current upturn (i.e. long enough for subscribers to build up shareholdings). Long term subscribers will be aware that we have successfully invested in this company on two previous occasions, most recently selling in 1996 for a 462% return. After the shares lost 75% of their value in 1997/98, we published a *Company Review* of Steel & Tube in August 1998 but did not formally recommend purchase at that time as the share price was weak and likely to underperform the market. We then waited and watched the company and the share price for another two years before formally recommending investment in August last year.



Editor's Note: We are currently watching a number of companies, some of which will become attractive for purchase later this year, during 2002 or perhaps not until 2003. Our *long term investment* in a company often begins years ahead of when we first buy its shares. The main focus of our stockmarket research is to identify a small number (perhaps 30-50) of the companies that can offer the potential of outstanding investment returns and then to identify the right time in the economic cycle or share price cycle to be buying into those companies. Sometimes we get things right, sometimes we make mistakes, but overall this has

enabled us to identify many big winners that have boosted our investment returns substantially! A consequence of our technique, however, is that we don't waste time on companies that are unlikely to meet our investment criteria. So, unlike every other stockmarket publication, *Market Analysis* doesn't devote much space to Telecom, Carter Holt, Telstra or One-Tel. If you want to know about those companies - buy *any* newspaper or look at *any* investment internet site. Our niche in the investment advisory business is to identify shares with the potential to rise several fold in value over the next several years!

**Wrightson** reports a very strong March quarter with earnings (before interest and tax) of \$15.1 million taking total earnings for the nine months to \$19.4 million (up 104% on the nine months to March 2000). The full year result to June 2001 is "expected to maintain the current momentum".

Buoyant conditions in the rural sector are expected to continue into 2002, so this is a very favourable environment for Wrightson. The current strong profit improvement will put the shares on a low P/E - and allow the company to increase its dividend - so the share price is likely to perform strongly over the next 6-18 months.

In retrospect we clearly bought into Wrightson too early in January 1998 after it sold its Finance division for a huge stack of cash. The stockmarket was excessively hard on the company - which also made some initial mistakes - and the share price fell to a low of 30 cents by October 1998. That decline, however, offered the company the opportunity to re-purchase some shares cheaply - and also for us to add to our investment in the company at much lower prices! We have never expected Wrightson to ever do anything too great, but if management can do a half reasonable job of running the business then the shares were always going to be worth considerably more than our initial 83 cents recommendation price. The fall in the NZ dollar (during 1997/98 and 2000) has helped boost farm incomes and is finally allowing Wrightson to achieve the profit recovery we were looking for when we originally bought into the company!

We continue to rate Wrightson shares a strong "Buy" and look forward to building a significant investment gain on these shares over the next 6-18 months.



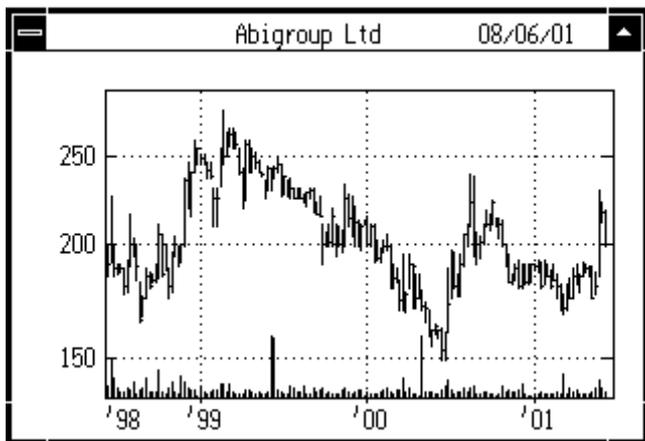
**Australian Shares**

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

**Abigroup's** share price jumped 30 cents recently, probably in response to a favourable write up in "Shares" magazine - but has since re-traced most of that advance. The article highlighted many positive factors including:

- Abigroup is involved in consortiums bidding for \$3.6 billion of roadworks, including the \$1.2 billion *Western Orbital Freeway* (linking to the M2 Motorway).
- Abigroup's sponsorship of the Federal Government's planned high-speed rail link between Darwin, Brisbane, Sydney and Melbourne. The magazine suggests that while this project is currently on hold, "the Government may see it as a vote winner" ahead of the next Election.
- Abigroup's experience in Telecommunications infrastructure (e.g. last year Abigroup won a contract to install 700km of fibre-optic cable along rail lines). 3G telecommunication expenditure is expected to total around \$9 billion over the next three years.

Magazine articles and broker/newsletter recommendations can have a short term impact on share prices. Longer term the value of Abigroup's businesses and valuable investments will show through in returns to shareholders.



**Auspine** has indicated that its profits for the year to June 2001 will be "approximately half last year's record result" but "are optimistic of improved conditions emerging in the early part of the new financial year". Residential building remains depressed since the introduction of GST last July. Housing starts are expected to recover in the next few months - helped by the government's \$14,000 new home grant and lower interest rates - and are forecast to reach 125-130,000 for the year to March 2002. **"Buy" for income and recovery.**

After completing its three year planned expansion, **Austral Coal** estimates cash operating costs will fall as low as A\$30 per tonne. This will make it one of the lowest cost Australian coal producers and ensure long term profitability. In the first five years following the expansion the company expects annual net profits of around \$25 million or about 30 cents per share (although that will be diluted if the company needs to raise additional capital).

No dividends will be paid over the next three years as the company uses internally generated cash flows to fund the expansion. All contract negotiations for the year (from April 1, 2001) have now been completed with "an average increase of over 25%" in the US dollar price

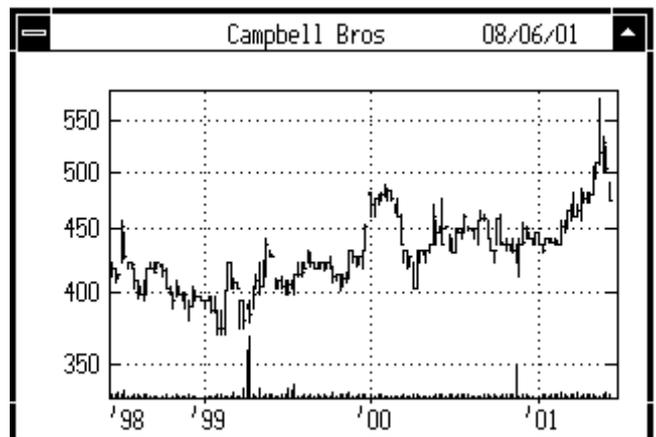
of coal. This will contribute towards "strong cash flows over the next three years" and fund much of the expansion. Austral Coal is also negotiating funding for "a number of significant capital items" and, with the recently completed feasibility study, the company is examining a range of external funding options.

Despite the current world economic slowdown, "coking coal remains in very short supply" owing to mine closures in Australia and internationally last year. Despite the world economic slowdown, buoyant steel production is creating strong demand for coking coal - with this situation expected to continue "beyond the end of 2001".

For the year to March 2001, **Campbell Brothers** has reported an 18.0% increase in revenues to \$321.9 million, with trading profits up 4.1% to \$12,558,000 (39.9 cents per share). The final dividend of 17.0 cents lifts the annual rate 11.1% to 30.0 cents. In addition the company made a net abnormal gain of \$5,427,000 (i.e. gains from the sale of the Bowen Hills site and the soap business, less relocation costs and asset write-downs).

The Consumer division lifted revenues 25% to \$123.4 million but earnings (before interest and tax) fell 4% to \$10.6 million. The relocation of manufacturing and difficult retail conditions contributed to the lower earnings. Revenues for the Industrial division rose 10% to \$96.0 million, with earnings up 15% to \$7.1 million owing to tight cost controls and despite "very competitive markets". Laboratory Services revenues increased 13% to \$61.0 million (with a full year's contribution from Canadian based **Chemax**) and earnings rose 7% to \$8.7 million. Depressed mineral exploration continues to impact on this division.

Campbell Brothers is currently seeking to raise \$26.9 million from shareholders through a 1 for 5 cash issue at \$4.35 per share. This money will be used to repay some of the debt incurred on recent acquisitions (i.e. Aurora Laboratories, the Crossmark joint venture). We would prefer to see Campbell Brothers growing at a *faster* rate - with an upturn in its depressed but potentially high profit margin Laboratory Services business. The company, however, is recording steady growth, so we are certainly not unhappy with its performance. **We continue to rate Campbell Brothers shares a "Buy" - so investors should take up their entitlement to the new shares in the current cash issue.**



**Central Equity** will pay its third quarterly dividend of 4.0 cents on June 29. The company predicts its profit for the full year (to June 30) will *(Continued on Page 6)*

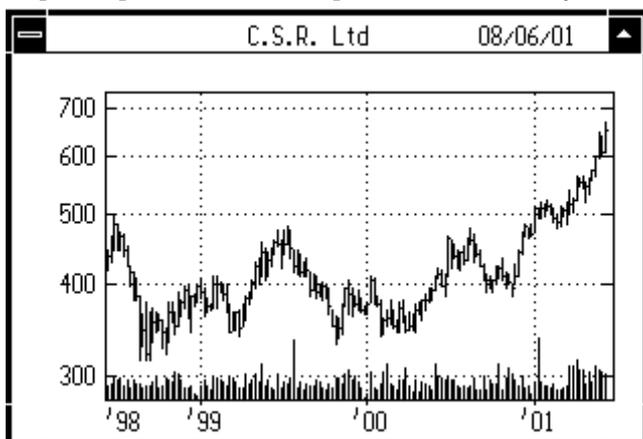
**Recommended Investments** (Continued from Page 5) be around \$20 million - down 33% on last year's \$30.3 million profit. As previously announced, this drop in profit results from higher construction costs and the introduction of GST which the company could not pass on in higher pre-sales prices (i.e. market prices for property did not increase immediately with GST). Initially the company has needed to absorb the GST cost - resulting in lower profit margins in the current year.

**CSR's** revenues for the year to March were down 3.9% at \$7,087.4 million (mainly as a result of business sales) but trading profits rose 7.1% to \$504.9 million (48.7 cents per share). A final 12.0 cents dividend will maintain the annual dividend at a steady 23.0 cents. In addition there was a \$129 million abnormal gain from the sale of businesses.

As a result of restructuring over recent years the group now generates 75% of earnings (before interest and tax) from international building materials. CSR America, which now contributes 56% of group earnings, expects to continue to spend around US\$200 million per year on acquisitions, adding to its aggregates and concrete pipes & products businesses. Housing activity is slowing, but infrastructure spending is planned to increase and "recent interest rate cuts should have a positive impact".

CSR has been unable to negotiate a trade sale of its Sugar business - at a satisfactory price that adds value to shareholders. The most likely buyer - a consortium of cane farmers - was unable to find a large equity partner to help fund the acquisition. The Sugar business earned only \$16 million in the last year, but should return to more normal profit levels (i.e. which should be around \$100 million) this year. CSR is likely to eventually spin off the business as a separate company that will be floated on the stockmarket.

As the company earns most of its profits in the US, it has a low level of franking credits attached to dividends. Therefore the company is focusing on generating capital gains for its shareholders rather than paying high dividends. In part this can be achieved by using its cash to re-purchase shares instead of paying cash dividends. Over the last year the company re-purchased 89 million of its own shares (8.6% of its capital) on-market at a cost of \$402 million (i.e. an average cost of \$4.52 per share). CSR will continue this on-market buy-back with plans to again acquire up to 10% of the capital over the next year.



**OAMP** has declared a second interim dividend of 5.0 cents - mainly being a part payment of the final dividend (that will be paid in September) prior to July when the franking tax credit rate will fall from 34% to 30% (in line with the lower corporate tax rate).

OAMP directors have actively purchased shares on-market over the last month - with four directors buying a total of 448,585 shares.

**PMP** has issued a warning that its trading profit for the year to June 2000 is expected to be only \$20-25 million (8-10 cents per share) owing to continued weak advertising volumes and a 32% drop in print volumes. These difficult trading conditions have led to the failure of **Diamond Press**, described by PMP management as "an aggressive competitor" - which should remove some of the pressure on profit margins.

The sale of the UK publishing assets should realise \$100-110 million - which will be used to reduce debt levels.

PMP has been an unsuccessful investment for us - and things seem to get worse and worse. However, we have already lost most of our investment in these shares, so there is little more we can lose by holding on for an improvement. With all of the bad news, the shares appear to be over-sold and depressed. "Hold".

**Thakral Holdings Group** is planning two residential developments, valued at \$64 million, on land adjacent to its *Melbourne Hilton* hotel. The Victorian-era, two level *MCG Hotel* (adjacent to the Hilton) will be refurbished but the back two-thirds demolished to make room for an 83 apartment tower. On the other side of the Hilton the company will build a 36 apartment development and refurbish a period home into a further four apartments. Thakral bought the Hilton and adjacent land in 1996 for \$59 million. The original builder included the adjacent land to allow for future hotel expansion, but it has greater value as a residential development.

**Utility Services'** subsidiary **Skilltech** has won a two year contract to provide meter reading and field services to **CitiPower**. As a result of this new contract, Skilltech will now be making a total of 13 million meter reads annually.

**Vision Systems** reports that earnings (before interest and tax) are "approximately 100% up" for the nine months to March 2001.

In July the company's Converting Preference shares will convert into 10,670,864 ordinary shares - but these new shares will not receive the final dividend (usually paid in November) or "any other dividend declared" within six months of the conversion. That "any other dividend" may include up to A\$130 million (88 cents per share) that *may* be realised from the sale of **TTP Communications** shares and which *maybe* distributed to existing ordinary shareholders.

The new ordinary shares increase the issued capital by only 6.8%, so if a special dividend is not paid the dilution to existing shareholders is not significant. The new shares, however, *may* miss out on a large special dividend, so investors should probably purchase the (existing) ordinary shares rather than the "new" ordinary shares which will trade under a different stock exchange code.

# Taxation of Australian Dividends for the NZ Investor

Australia operates a similar dividend tax system as NZ, where company income tax credits can be passed through to shareholders with dividend payments. In NZ those tax credits are called *imputation tax credits*, while in Australia they are called *franking credits*.

Australian franking credits, however, are of no value to the NZ investor. The NZ Inland Revenue does not recognise these Australian tax credits, so you need to pay income in NZ at your marginal tax rate (i.e. at 19.5%, 33% or 39%).

When an Australian company has insufficient franking credits to distribute with a dividend, then the dividend may be “partially franked” or “unfranked”. In this situation the Australian company is required to deduct a 15% withholding tax on the unfranked dividend paid to a NZ investor. This withholding tax can be claimed as a tax credit on your income tax return.

So the tax treatment of Australian dividends is simple:

1. If the dividend is fully franked, ignore the franking credit but declare the amount of the cash dividend on your NZ tax return, or
2. If the dividend is partially franked or unfranked, declare the cash dividend and withholding tax as income, but claim the withholding tax as a tax credit.

The tax situation is identical whether you take your dividend in cash or participate in dividend re-investment schemes and receive additional shares. In either case, the value of the cash or shares, plus any withholding

tax, is “income” and must be declared on your tax return.

Whether you choose to take cash or re-invest to receive additional shares (where such schemes are available) is a matter of personal choice. Your Editor prefers to take cash dividends - and choose where to re-invest the money. Other investors may choose a dividend re-investment scheme - especially in preference to receiving small Australian dollar cheques.

In *Market Analysis* we show gross Dividend Yields (i.e. including imputation tax credits) for NZ shares, but just the cash Dividend Yields for Australian shares. The yields we quote have the same after tax return for NZ investors, so an 8.5% yield from Lyttelton Port Company (including imputation tax credits) and an 8.5% yield from Central Equity (*excluding* franking credits) both produce the same after tax return to the NZ investor. (Of course, the situation is reversed for an Australian resident investor who - with franking credits - receives a 12.1% gross return from Central Equity, but not the full benefit of the tax credits from Lyttelton Port.)

Despite not being able to benefit from Australian franking credits - NZ is a “tax haven” for an investor in Australian shares. While an Australian resident investor receives the benefit of franking credits, they are also subject to capital gains taxes. The NZ resident investor needs to pay income tax on Australian dividends but is not subject to any capital gains tax.

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

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

Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0													
Lion Selection	67	-5.7	-0.1	49	1.0	-	0.6	-	0.8	NE	Nil	9.70	67
Charter Pacific	82	-1.3	+0.4	38	0.0	-	4.8	-	0.8	NE	Nil	9.06	53
Payce Consol.	65	-5.0	-2.0	48	5.0	-	0.7	1	0.8	69	Nil	8.86	22
Computer Share	640	-6.5	-0.6	51	3-7	12	-	-	0.6	90	0.2	8.36	3,502
Premier Hld	11	-1.7	+8.0	40	0.0	-	-	-	1.4	NE	Nil	8.27	19
Seminar Invest	164	-9.5	-0.3	58	0.0	-	0.5	2	0.7	29	3.0	8.10	148
Metroland Aust	12	-16.6	+6.0	72	6.0	-	1.5	-	1.3	NE	Nil	8.05	9
Julia Mines	9	-18.6	+2.0	76	0.0	-	-	-	1.5	NE	Nil	7.92	11
Infomedia Ltd	176	-7.2	-1.5	53	0.0	-	35.2	-	0.7	NE	Nil	7.85	564
Electrometals	17	-1.2	-0.7	38	0.0	-	-	-	1.2	NE	Nil	7.81	9
Poltech Intl	165	-1.4	+1.0	39	3.2	-	7.2	19	0.7	38	Nil	7.24	33
Novogon Ltd	221	-13.0	-5.9	65	0.0	3	4.7	-	0.7	NE	Nil	7.07	188
E-Bet Limited	27	-6.2	+7.9	50	0.0	-	2.1	-	1.0	NE	Nil	6.87	23
Bridge DFS Ltd	226	-3.3	-0.0	44	0.0	-	28.3	-	0.7	23	3.2	6.80	226
PowerTel Ltd	35	-27.3	-0.9	89	0.0	3	2.5	-	1.0	NE	Nil	6.12	301
Tectonic Res.	11	-4.1	-4.7	46	0.1	-	-	-	1.4	NE	Nil	6.11	15
Huada City	70	-2.8	+0.2	43	0.0	-	70.0	-	0.8	6	14.7	5.96	26
Zeolite Aust.	25	-20.7	+0.5	80	0.0	-	8.3	-	1.1	NE	Nil	5.73	6
Tennison Netwks	40	-23.9	-0.1	84	0.0	-	8.0	-	0.9	NE	Nil	5.41	18
Earth Sanct.	76	-15.6	-5.0	70	1.1	-	0.9	9	0.8	10	0.7	5.32	21
Primary Health	450	-6.4	-0.4	51	0.0	-	-	-	0.6	68	1.6	5.31	374
Aristocrat	675	-5.5	+1.9	49	0.0	6	18.8	43	0.6	44	1.6	5.20	2,865
Aust Pure Fruit	45	-16.4	-5.7	72	0.0	-	1.6	-	0.9	NE	Nil	5.15	6
Healthpoint Tec	7	-21.5	-0.5	80	0.0	-	-	-	1.6	NE	Nil	5.04	7
Adultshop.com	18	-22.1	-0.2	81	0.0	-	3.0	-	1.2	NE	Nil	4.86	36
Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
H-G Ventures	80	-5.2	-2.3	48	0.0	-	0.6	11	0.8	5	10.0	4.86	30
E-Sec Limited	12	-28.2	-3.6	90	0.1	-	2.9	-	1.3	NE	Nil	4.75	6
Aust Overseas	17	-5.8	+14.2	50	0.0	-	4.3	-	1.2	NE	Nil	4.72	9
Orbital Engine	69	-23.9	-6.1	84	1.0	3	9.9	-	0.8	NE	Nil	4.72	245
Working Systems	14	-21.5	-6.0	80	0.0	-	2.3	5	1.3	44	Nil	4.68	11
Pie Networks	12	-12.7	+1.5	64	0.0	-	1.7	-	1.3	NE	Nil	4.62	8
Senetas Limited	16	-27.4	-3.2	89	0.0	-	3.9	-	1.2	NE	Nil	4.59	6
Senetas Corp	14	-28.7	-0.5	90	0.0	-	0.7	-	1.3	NE	Nil	4.53	25
Biota Holdings	92	-27.8	-4.8	89	0.0	4	1.6	6	0.8	27	Nil	4.50	69
SecureNet Ltd	138	-33.6	-3.3	95	1.0	-	0.7	1	0.7	66	Nil	4.46	108
Autron Corp	54	-10.9	+3.6	60	0.0	-	6.8	17	0.9	39	5.1	4.45	271
CDS Tech	186	-2.0	-2.4	41	0.0	-	-	-	0.7	NE	Nil	4.23	56
Zylotech	6	-25.1	-1.5	86	0.0	-	2.0	-	1.7	NE	Nil	4.18	5
Hillgrove Gold	8	-3.9	-0.7	45	0.0	-	-	-	1.5	NE	Nil	4.17	26
New Tel Ltd	37	-32.2	+2.3	94	1.2	-	0.7	-	1.0	NE	Nil	4.13	53
PEG Technology	15	-25.6	-5.3	87	0.0	-	2.1	6	1.2	38	Nil	4.05	17
World.net Serv.	43	-5.3	+1.3	49	0.0	-	3.9	-	0.9	NE	Nil	4.02	7
Asset Backed	18	-16.6	+1.6	72	0.0	-	1.1	-	1.2	NE	Nil	3.90	6
Lake Technology	32	-22.6	-2.3	82	0.0	-	6.4	-	1.0	NE	Nil	3.88	9
Dominion Mining	33	-5.4	+2.7	49	0.0	-	-	-	1.0	NE	Nil	3.86	22
CPT Global Ltd	100	-6.1	+0.5	50	1.2	-	-	-	0.8	85	9.0	3.84	29
Deep Sea Fish.	51	-17.2	+3.1	73	0.0	-	1.0	2	0.9	46	3.1	3.68	28
Aust Sandstone	9	-7.7	-0.2	54	0.0	-	1.8	6	1.5	28	Nil	3.49	7
BMCMedia.com	16	-36.9	-0.9	97	0.0	-	3.1	-	1.2	NE	Nil	3.44	15
Atlantic Ltd	20	-12.2	+0.9	63	0.0	-	1.2	-	1.1	NE	Nil	3.44	7

(Continued on Page 8)

Company	Share Price	STRENGTH RATING			Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank 0-99									
<b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Commssoft Group	9	-42.4	-8.0%	100	0-1	-	0.4	-	1.4	NE	Nil	N/A	5
Emitch Limited	9	-40.6	+0.4	99	0-0	-	1.5	-	1.4	NE	Nil	0.67	5
Digital Now	8	-40.5	-0.7	99	0-0	-	4.2	-	1.4	NE	Nil	0.28	9
Tuart Resources	2	-40.1	-12.1	99	0-0	-	-	-	2.4	NE	Nil	N/A	6
Telemedia Netwk	73	-39.8	+1.5	99	0-0	-	4.1	-	0.8	NE	Nil	2.06	51
Access 1 Ltd	5	-39.7	-2.1	99	0-0	-	0.8	-	1.7	NE	Nil	3.36	6
Techniche Ltd	34	-39.5	-1.0	99	0-0	-	0.5	-	0.9	NE	Nil	0.34	12
Citadel Securix	15	-38.7	-2.1	98	0-0	-	0.9	-	1.2	NE	Nil	N/A	6
IXLA Limited	8	-38.4	-1.3	98	0-1	-	1.0	-	1.4	NE	Nil	0.48	7
China Converg.	4	-37.7	+0.1	98	0-0	-	-	-	1.8	NE	Nil	1.23	79
Voicenet (Aust)	14	-37.6	-0.2	98	0-0	-	0.6	-	1.2	NE	Nil	0.65	16
Circle Com Ltd	5	-36.9	-1.9	97	0-0	-	-	-	1.7	NE	Nil	2.45	9
BMCMedia.com	16	-36.9	-0.9	97	0-0	-	3.1	-	1.2	NE	Nil	3.44	15
Austar United	102	-36.5	+1.0	97	0-0	-	25.5	-	0.8	NE	Nil	3.16	510
Formida Holding	30	-36.0	-3.5	96	1-2	-	-	-	1.0	NE	Nil	0.69	7
Hutchison Tel.	29	-35.9	-3.5	96	0-0	-	2.1	-	1.0	NE	Nil	0.48	197
Melbourne IT	64	-35.5	+0.9	96	0-0	-	3.6	28	0.8	13	Nil	0.72	32
Open Telecom.	14	-35.4	-4.1	96	0-0	-	1.2	17	1.2	7	Nil	0.85	78
Pilbara Mines	14	-35.0	-1.6	96	0-0	-	-	-	1.2	NE	Nil	N/A	5
Nugold	13	-34.9	-6.7	96	0-0	-	-	-	1.2	NE	Nil	N/A	10
Liberty One	6	-34.9	+1.9	95	0-0	-	3.2	-	1.6	NE	Nil	0.67	20
ETRADE Aust.	42	-34.1	-3.1	95	2-0	2	2.0	-	0.9	NE	Nil	1.17	31
Reckon Limited	15	-33.9	+1.4	95	0-0	-	-	-	1.2	NE	Nil	0.40	15
Multi-Emedia	4	-33.7	-1.1	95	0-0	-	1.3	2	1.9	63	Nil	1.61	12
SecureNet Ltd	138	-33.6	-3.3	95	1-0	-	0.7	1	0.7	66	Nil	4.46	108
Union Capital	4	-33.1	-0.8	94	0-4	-	-	-	1.8	NE	Nil	0.67	22
Sausage Softwar	43	-32.5	+1.7	94	0-1	-	3.6	-	0.9	NE	Nil	2.04	123
Morning Star	20	-32.2	+1.2	94	0-0	-	0.8	-	1.1	NE	Nil	1.63	13
New Tel Ltd	37	-32.2	+2.3	94	1-2	-	0.7	-	0.9	NE	Nil	4.13	53
Webspy Limited	5	-31.9	-0.5	93	0-0	-	1.0	-	1.7	NE	Nil	N/A	5
Allstate Explor	13	-31.7	-2.1	93	0-0	-	-	-	1.2	NE	Nil	N/A	8
Analystica Ltd	10	-31.7	+0.5	93	0-0	-	1.4	-	1.4	NE	Nil	N/A	8
Easycall Group	7	-31.5	-2.4	93	0-0	-	0.4	11	1.5	4	Nil	0.47	17
Waivcom W'wide	8	-31.5	-0.7	93	0-0	-	1.5	-	1.5	NE	Nil	0.56	5
Clarity Int'l	38	-31.3	-15.2	93	0-0	-	12.7	-	0.9	NE	Nil	N/A	119
Surfboard Ltd	10	-31.1	+3.1	93	0-0	-	-	-	1.3	NE	Nil	0.45	7
Voxson Limited	27	-31.0	-1.7	93	0-0	-	0.8	-	1.0	NE	Nil	1.36	8
TVSN Limited	10	-31.0	-6.2	93	0-0	-	-	-	1.3	NE	Nil	0.76	13

Company	Share Price	STRENGTH RATING			Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank 0-99									
Commsecure Ltd	7	-30.7	-3.5	92	6-0	-	0.4	-	1.5	NE	Nil	N/A	5
Forest Ent Aust	8	-30.4	-3.2	92	0-0	-	0.2	16	1.4	1	Nil	0.35	17
Technology One	87	-30.3	+1.5	92	0-3	-10.9	71	0.8	15	1.7	3.05	276	
Healthpoint Ltd	36	-29.6	+3.8	91	0-0	-	-	-	0.9	NE	Nil	1.77	16
Health Com Ntwk	27	-29.5	-3.1	91	0-0	-	5.3	-	1.0	NE	Nil	0.63	11
IBA Technology	18	-29.5	-1.4	91	0-0	-	0.9	-	1.1	NE	Nil	1.61	22
Datafast Tel.	4	-29.3	+2.3	91	0-0	-	0.5	-	1.8	NE	Nil	1.01	6
Gutnick Res.	5	-29.3	-5.5	91	0-0	-	-	-	1.7	NE	Nil	N/A	8
Smart Comm.	13	-29.0	+0.9	91	0-0	-	1.1	3	1.2	36	Nil	0.70	8
Senetas Corp	14	-28.7	-0.5	90	0-0	-	0.7	-	1.2	NE	Nil	4.53	25
Uecomm Limited	24	-28.7	-9.8	90	0-0	-	0.7	-	1.0	NE	Nil	N/A	121
E-Sec Limited	12	-28.2	-3.6	90	0-1	-	2.9	-	1.3	NE	Nil	4.75	6
<b>INSIDER SELLING:</b> Most Insider Selling, Relative Strength < 0													
Union Capital	4	-33.1	-0.8	94	0-4	-	-	-	1.7	NE	Nil	0.67	22
<b>Computer Share</b>	640	-6.5	-0.6	51	3-7	12	-	-	0.6	90	0.2	8.36	3,502
Croesus Mining	31	-0.6	-2.4	35	0-3	-	-	-	0.9	25	Nil	1.41	34
Technology One	87	-30.3	+1.5	92	0-3	-10.9	71	0.8	15	1.7	3.05	276	
Evans & Tate	116	-0.8	-0.5	37	2-5	6.1	30	0.7	20	5.9	2.46	49	
WesTel Group	16	-19.3	+5.6	77	0-2	-1.9	-	-	1.1	NE	Nil	3.35	43
Energy Develop.	1055	-2.7	-2.7	42	1-3	8	5.1	9	0.6	56	0.5	N/A	1,082
Global Doctor	2	-22.4	-0.6	82	0-1	-	-	-	2.2	NE	Nil	N/A	7
Int'l Allsports	21	-22.7	-1.5	82	0-1	-	0.5	6	1.0	9	7.1	0.84	9
Village Road.	147	-12.4	+0.6	63	0-1	6	0.7	15	0.7	5	4.9	0.53	347
Gas Internat'l	80	-21.0	-2.4	80	0-1	-	1.9	13	0.8	14	1.5	0.30	362
Tectonic Res.	11	-4.1	-4.7	46	0-1	-	-	-	1.2	NE	Nil	6.11	15
Brandrill	195	-3.7	-3.7	45	0-1	5	3.7	8	0.7	49	1.3	1.25	184
Cabonne Limited	60	-5.5	-3.2	49	0-1	-	0.6	9	0.8	7	6.7	1.64	37
E-Sec Limited	12	-28.2	-3.6	90	0-1	-	2.9	-	1.2	NE	Nil	4.75	6
Sausage Softwar	43	-32.5	+1.7	94	0-1	-	3.6	-	0.9	NE	Nil	2.04	123
IXLA Limited	8	-38.4	-1.3	98	0-1	-	1.0	-	1.4	NE	Nil	0.48	7
Commssoft Group	9	-42.4	-8.0%	100	0-1	-	0.4	-	1.3	NE	Nil	N/A	5
AMX Resources	38	-0.2	+0.0	34	0-1	-	-	-	0.9	NE	Nil	N/A	85
Hansen Tech.	175	-2.2	-4.4	41	0-1	-	-	-	0.7	380	Nil	N/A	140
Adacel Tech.	156	-15.4	+0.4	69	1-2	-	2.2	5	0.7	42	Nil	2.24	78
Formida Holding	30	-36.0	-3.5	96	1-2	-	-	-	0.9	NE	Nil	0.69	7
Ausdoc Group	146	-6.6	+4.0	51	1-2	6	-	-	0.7	16	6.2	0.34	127
CPT Global Ltd	100	-6.1	+0.5	50	1-2	-	-	-	0.7	85	9.0	3.84	29
Grow Force Aust	185	-17.3	-0.4	73	1-2	-	0.7	-	0.7	NE	Nil	0.03	16

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

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

Company	Share Price	STRENGTH RATING			Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank 0-99								
<b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Wrightsons Ltd	76	+6.1	-2.7	23	-	1.0	7	1.6	14	7.9	0.17	102
Design Textiles	37	+8.3	-0.3	15	-	0.5	4	1.7	12	8.1	0.19	12
Fletcher Build.	237	+4.1	+1.2	30	7	0.8	11	1.3	8	10.1	0.34	812
Williams Kettle	380	+7.8	-0.7	17	-	1.5	11	0.6	13	5.9	0.35	56
Hellaby Hold.	208	+5.3	+1.4	25	3	1.6	17	1.0	9	10.0	0.40	104
Steel & Tube	179	+4.9	+2.2	27	5	1.3	11	1.1	11	10.0	0.42	157
Nuplex Indust	333	+2.3	-1.8	37	6	1.5	15	0.9	11	6.7	0.49	187
Tower Limited	540	+3.4	-0.2	33	4	1.1	9	0.6	12	5.6	0.56	953
Restaurant Brds	148	+5.4	+0.4	24	6	4.9	45	1.3	11	10.1	0.58	136
DB Group	545	+8.5	-2.1	13	5	2.5	17	0.6	15	4.4	0.68	275
Reid Farmers	110	+6.3	-1.5	22	-	1.7	13	1.2	13	6.8	0.71	62
Taylors Grp Ltd	118	+1.6	+0.3	43	-	1.5	12	1.2	12	7.6	0.73	29
Tranz Rail Hold	365	+1.1	-2.9	47	7	1.0	15	1.0	6	2.3	0.77	441
Michael Hill	370	+5.9	-1.1	24	4	3.3	23	0.8	14	5.4	0.78	143
AMP Limited	2546	+3.9	+0.2	31	-	2.8	14	0.6	19	2.2	0.81	27,410
Carter Holt	179	+1.4	-0.1	44	8	0.6	5	1.3	12	3.4	0.82	3,113
Mr Chips Hold	105	+5.0	-3.4	26	-	3.4	21	0.9	16	8.5	0.91	16
Cavalier Corp	563	+8.2	+1.7	16	3	2.5	16					

# "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 Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)
AMP NZ Office	7	210	Fletcher Build.	7	812	Michael Hill	4	143	Sanford Limited	5	607
Advantage Group	5	42	Force Corp.	2	36	Montana Group	7	1,030	Sky City Ltd	6	982
Air New Zealand	7	825	Frucor Bev.	6	202	NZ Refining Co	4	420	Sky Network TV	7	1,258
Akd Int Airport	8	1,478	GDC Communicat.	2	85	Natural Gas	7	464	Steel & Tube	5	157
Baycorp Hold	7	979	Guinness Peat	3	937	Northland Port	2	75	Tasman Agric.	2	90
Bendon Limited	1	59	Hallenstein G.	5	154	Nufarm Limited	5	582	Telecom Corp	8	10,181
Brierley Invest	4	848	Hellaby Hold.	3	104	Nuplex Indust	6	187	Tourism Hold.	6	131
Cap Properties	4	106	Horizon Energy	3	58	Owens Group Ltd	4	51	Tower Limited	4	953
Carter Holt	8	3,113	Ind Newspapers	7	1,414	Pacific Retail	4	75	Trans-Tasman	5	138
Cavalier Corp	3	203	Infratil NZ	5	264	Port Tauranga	5	470	Tranz Rail Hold	7	441
Contact Energy	6	175	Kiwi Property	8	299	Ports Auckland	6	761	Trust Power Ltd	5	636
DB Group	5	275	Lion Nathan Ltd	5	2,671	Property F Ind.	5	147	United Networks	5	1,280
FC - Forests	8	795	Lytelton Port	4	183	Restaurant Brds	6	136	Warehouse Group	7	1,641
Fisher & Paykel	8	1,276	Mainfreight Grp	6	83	Ryman Health.	1	186	Waste Mgmt NZ	6	380
			Metro. LifeCare	1	117						

# "Neglect" Ratings of Australian Shares

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

Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)
A.G.L.	11	3,411	Cinema Plus	1	8	Kidston Gold	1	35	Rebel Sport	2	53
A.P. Eagers	1	63	Clough Limited	1	337	Lang Corporatio	6	1,623	Resolute Saman.	1	19
AJ Retail	1	324	Coal & Allied	1	2,230	Leighton Hold	8	1,958	Ridley Corp.	3	164
AMP Ind Prop Tr	5	342	CocaCola Amatil	11	4,890	Lend Lease Corp	11	5,263	Rio Tinto Ltd	12	17,849
AMP Ltd	11	22,721	Cochlear Ltd	7	1,902	Lihir Gold	9	925	Rock Building	1	38
AMP Office Trt	7	869	Coles Myer	14	8,572	M.I.M. Holdings	14	2,172	Rural Press Ltd	8	505
ANZ Bank	15	23,576	Com'wealth Bank	13	39,784	MacMahon Hold	1	21	Santos Ltd	14	4,175
APN News Media	9	987	Computer Share	12	3,502	Macquarie Infra	5	2,680	Scientific Serv	1	33
ARB Corporation	1	95	Cons Rutile	2	187	Macquarie Ind.	5	301	Sea World PT	1	173
Adelaide Bright	4	251	Corp Express	8	424	Macquarie Off.	5	778	Seven Network	8	1,813
Adelaide Bank	8	494	Crane Group	5	315	Macquarie C'Wde	5	400	Simeon Wines	8	205
Adsteam Marine	5	410	Cranswick Wines	4	62	Macquarie Bank	6	5,909	Simsmetal Ltd	6	473
Adtrans Group	1	41	DCA Group Ltd	2	118	Maxi TRANS	1	18	Singleton Group	2	518
Advance Prop	3	866	Data 3 Ltd	1	7	Mayne Nickless	10	2,814	Skilled Eng.	7	76
Amalgamated Hld	1	239	David Jones	12	437	McGuigan Wines	5	136	Smith (Howard)	7	1,972
Ancor Ltd	10	4,202	Delta Gold NL	10	392	Micromedical	2	82	Smorgon Steel	5	643
Ammtec Ltd	1	14	E.R.G.	9	794	Millers Retail	6	634	Solution 6	5	178
Amrad Corp.	1	108	ETRADE Aust.	2	31	Namoi Cotton	2	39	Sonic Health	8	1,729
Anaconda Nickel	2	603	East'n Aluminu	3	176	Nat'l Aust Bank	14	51,029	Sons of Gwalia	10	1,159
Aristocrat	6	2,865	Email Ltd	6	791	Nat'l Foods	8	534	Soul Pattinson	3	1,124
Ashton Mining	5	656	Emperor Mines	2	27	Nautronix Ltd	4	35	Southcorp Ltd	13	4,748
Asia Pac Spec	2	30	Energy Develop.	8	1,082	Newcrest Mining	13	971	Spicers Paper	5	452
Atkins Carlyle	4	93	Energy Equity	1	43	News Corporatio	11	38,156	Spotless Group	6	1,347
Aurora Gold	2	24	Energy Resource	2	329	Norm Mt Leyshon	7	37	St George Bank	13	7,264
Ausdoc Group	6	127	Envestra	8	493	Normandy Mining	14	2,069	Sthn Cross Brd.	5	437
Auspine Ltd	2	122	Evans Deakin	2	217	Norman Wines	1	6	Stockland Trust	7	2,857
Aust Oil & Gas	1	80	Fairfax (John)	9	2,946	Normandy NFM	8	518	Straits Res.	1	33
Aust Infra.	6	291	Faulding (F.H.)	9	2,113	Novogen Ltd	3	188	Strathfield Grp	2	62
Aust Stock Exch	9	1,325	Fleetwood Corp	2	39	Novus Petroleum	7	314	Suncorp-Metway	11	4,419
Aust Hospital	1	198	Flight Centre	4	2,159	OPSM Protector	5	323	Sydney Aquarium	2	76
Aust Com Prp Tr	4	160	Foodland Assoc	7	893	Oil Search Ltd	10	790	TAB Ltd	5	1,470
Aust Gth Prop.	1	129	Forrester Kurts	3	86	Orbital Engine	3	245	TDG Logistics	2	38
Aust Pharm. Ind	4	479	Foster's Brewin	15	10,269	Orica Ltd	8	1,213	Tabcorp Holding	11	3,499
Australand Hold	4	713	Franked Income	2	2,604	Orogen Minerals	5	344	Tap Oil	5	171
Austrim Nylex	2	102	Freedom Group	7	104	PMP Limited	6	125	Telecasters Aus	6	260
B.H.P.	12	40,310	Futuris Corp.	7	1,474	Pacific Hydro	5	560	Telemedia Serv.	4	0
BRL Hardy Ltd	10	1,528	G.U.D. Holdings	4	114	Pacific Dunlop	9	873	Telstra	13	43,082
BT Office	6	0	GWA Internat'l	5	663	Pacificifica Group	9	522	Tempo Services	6	178
BT Property	1	488	Gandel Retail T	8	1,408	Pacific Mining	2	119	Ten Network	8	720
Bank of W.Aust	7	2,170	General Prop Tr	6	4,871	Pasminco Ltd	14	478	Thakral Holding	4	379
Bendigo Bank	6	713	Goldfields	8	321	Perp Trust Aust	7	1,499	Ticor Ltd	7	273
Biota Holdings	4	69	Goodman Fielder	11	1,448	Petaluma Ltd	7	144	Toll Holdings	7	1,103
Brandrill	5	184	Graincorp	2	429	Peter Lehman W.	5	87	United Group	4	124
Brazin Limited	4	121	Grand Hotel	4	201	Petroz NL	1	158	United Energy	8	1,040
Breakwater Is.	2	40	Gunns Ltd	2	150	Pipers Brook	1	26	Villa World	2	66
Brickworks Ltd	4	724	Gympie Gold	1	100	Polartechnics	2	79	Village Road.	6	347
Bristle Ltd	5	274	HIH Insurance	1	84	Portman Mining	3	225	Watpac Ltd	1	21
Burns Philp	2	290	Hardie (James)	8	2,050	PowerTel Ltd	3	301	Wattyl Ltd	3	126
Burswood Ltd	7	322	Harris Scarfe	2	48	Pracom Ltd	5	112	Wesfarmers Ltd	10	8,991
C & W Optus	11	13,557	Harvey Norman	9	4,246	Prime TV	4	190	West Aust News	9	1,016
C.S.R. Ltd	10	6,193	Hill 50 Gold	3	98	Prime Retail	2	88	West'n Metals	7	41
CI Technologies	4	110	Hills Motorway	6	879	Progen Indust.	1	35	Western Mining	14	10,375
CPI Group	4	47	Hills Indust.	3	313	Prophecy Int'l	2	17	Westfield Hold.	9	7,068
CSL Limited	10	5,837	Homemaker Prop.	3	187	Publishing & Br	9	6,089	Westfield Trust	8	5,924
Caltex Australia	5	537	Illuka Resource	9	1,027	Q.B.E. Insur.	7	4,998	Westfield Amer.	4	1,867
Campbell Bros	2	150	Incitec	1	725	Q.C.T. Resource	2	834	Westpac Banking	15	24,070
Candle Aust.	6	40	Jupiters	9	917	Qantas	12	4,515	Westra'n Fores	1	121
Capral Alum.	3	146	Just Jeans Grp	4	93	Queens'd Cotton	5	95	Wide Bay Cap'n	1	76
Centro Prop.	6	942	K&S Corporation	3	55	Ramsay Health	10	338	Woodside Petrol	12	10,473
Challenger Int.	3	930	Keycorp ltd	5	153	Ranger Minerals	4	43	Woolworths Ltd	14	10,671
									Yates (Arthur)	1	13

# Australian Company Analysis: Computershare

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

Australian listed **Computershare** (code CPU) has been one of the most successful growth stocks over the last decade, after developing a strong competitive advantage in its core business of operating share registries. Our *Comprehensive Share Selection Criteria*, however, now rates these shares a "Sell" under both the *Over-Valued Shares* and the *Insider Selling* criteria. In addition, the company's debt levels have increased rapidly over the last two years.

## Company History

In 1975 Chris Morris (the current Managing Director) and Michele O'Halloran formed a small business to develop a computer bureau registry system. The business incorporated in 1978 as **Halifax Computer-share** and changed to **Computershare** in 1981.

Computershare's growth is an excellent example of how *technology* can be used to run a business more efficiently and how that business will generate very significant shareholder wealth by expanding and winning market share from less efficient competitors.

From initially providing a computer bureau service, the company developed registry software to better serve its registry customers. It then entered the share registry business, providing the share registry services for a range of large Australian companies: **Western Mining** and **North Broken Hill** (from 1979), **ANZ Bank** (1980), **Pacific Dunlop** and **MIM Holdings** (1981), **Westpac Banking** (1983), **Coles Myer** and **National Australia Bank** (1984) and **Ancor** (1985).

Next the company offered its superior registry processing services to competitors. Computershare began providing outsourced registry computer processing to **Coopers & Lybrand** in 1987 and to **Registry Managers Australia** (now **Ernest & Young Registry Services**) in 1992. Eventually - in 1997 - Computershare took over two competitors **Ernest & Young Registry Services** and **KPMG Registrars**.

A NZ subsidiary was formed in 1988 and United Kingdom operations were established in 1994 - initially to service Australian companies listed in the UK.

Computershare also expanded to develop and provide software related to its share registry business. This included software to interface with scripless trading (i.e. CHES in Australia, CREST in the UK), client accounting software for brokers and automated trading systems for stock exchanges.

In 1997 - following the purchase of the two registries in Australia - the company acquired the registry business of **Royal Bank of Scotland** for £23 million - paid for by the issue of 14,149,729 new shares. It then acquired the registry business of **Allied Irish Bank** and **CMG National Registries**, giving it a 52% share of the Irish market. In 1998 it expanded into South Africa with the acquisition of both **Consolidated Share Registrars** and **Optimum Registrars**.

Further international expansion came in 1999 with the acquisition of a 50% share in Hong Kong based

**Central Registration HK** for HK\$190 million (A\$38 million) in cash. Ownership was increased to 100% in March 2001 on payment of a further HK\$164 million (A\$40 million).

The company entered the North American market in early 2000 with the purchase of the stock transfer businesses of **Harris Bank** and **Montreal Trust** for C\$85 million in cash.

## Recent Results

Computershare has grown extremely rapidly since the mid 1990's:

Year	Revenue (million)	Net Profit	Earnings per Share	Dividends per Share
1995	\$13.3	\$5,014,000	1.56	1.0
1996	\$14.6	\$4,514,000	1.28	1.0
1997	\$21.2	\$4,922,000	1.37	1.0
1998	\$146.4	\$7,515,000	2.30	1.0
1999	\$293.9	\$16,801,000	3.59	1.0
2000	\$394.9	\$38,193,000	7.15	1.0

This is an outstanding result. Revenues are up 30-fold (mainly as a result of acquisitions) but profits have risen only 7½-fold (as the company moved into lower profit margin businesses, i.e. full share registry services). Many acquisitions have been financed directly with the issue of new shares (or indirectly, with cash raised in new share placements). Fortunately Computershare's share price rose very strongly in 1997, 1998 and 1999 which has allowed the company to issue new shares at favourable (i.e. high) prices. As a result, the dilution effect of issuing new shares has not been too great. Earnings per share have risen over 4½-fold over the last five years.

The share price, however, has failed to rise over the last eighteen months and recent acquisitions have been funded with cash raised by taking on interest bearing debt. Computershare has gone from being virtually debt-free in 1996 to owing \$45.4 million in June 1999, \$149.5 million in June 2000 and \$187.2 million last December. Since then the company has paid \$40 million for the balance of Central Registration HK - so debts are probably around \$200-220 million. This is not a *high* debt level, but is a rapid build up and a deterioration in the company's financial position. In future, interest will become a significant operating cost for the company.

For the six months to December 2000 the company reported a 94.2% increase in revenues to \$339.0 million with trading profits up 160.5% to \$27,019,000 (5.0 cents per share). In addition the company suffered a loss of \$8.75 million (after tax) from writing down its 9,010,682 shares (13.1%) in **E\*Trade Australia** to \$1.50 per share. That value, however, is far in excess of the E\*Trade share price at the time (77 cents) and their current market value (around 40-50 cents).

## Investment Criteria

At \$6.40, Computershare shares trade on an extremely high Price/Sales ratio of 8.36, a very high Price/Earnings

ratio of 90 and offer a Dividend Yield of 0.2%. Even with profits rising strongly in the current year the P/E ratio will probably still be well over 50.

This is a very high valuation - and would be justified only if the company can continue to grow rapidly. That may well be the case, but the current share price *anticipates* the next 3-4 year's expected growth. Brokers (whose forecasts can often be wrong) expect earnings per share of 11.5 cents (up 60%) this year and 16.2 cents (up 45%) for the year to June 2002. A good rule is growth stocks should trade at a P/E ratio lower than the expected growth rate (i.e. a P/E is less than 45-60).

With a market capitalisation of \$3,500 million Computershare is already a very large company, so the potential for significant capital appreciation is less than for a smaller company with more room for expansion.

On the positive side, the directors do have a very large investment in the company. Managing Director and founder, CJ Morris, owns 52,685,942 shares (9.8% of the company), AN Wales has 32,592,384 shares (6.1%) and PJ Maclagan holds 16,213,058 shares (3.0%). PJ Griffin has 2,250,000 shares, ME Elliott 1,000,000 shares and AS Murdoch 609,800 shares.

Despite a large number of purchases and sales over the last year the directors have been net sellers of Computershare shares. CJ Morris sold 902,800 shares in September 2000 and 99,270 shares in December, and more recently has purchased 200,000 in February and 150,000 shares in May. PJ Maclagan sold 550,000 shares in September, 22,870 shares in December, 10,000 shares in January, but purchased 7,000 shares in May. AN Wales sold 1,800,000 shares in September, while PJ Griffin sold 250,000 shares in September. While this buying and selling sends conflicting messages, the directors have been net sellers of 3.28 million shares

over the last year. The three buy trades are outnumbered by the seven sell trades. This must rate unfavourably.

Comptershare is widely followed by brokers, with 12 firms publishing profit forecasts. As one would expect with a very large company, institutional investors already have reasonable holdings in Computershare.

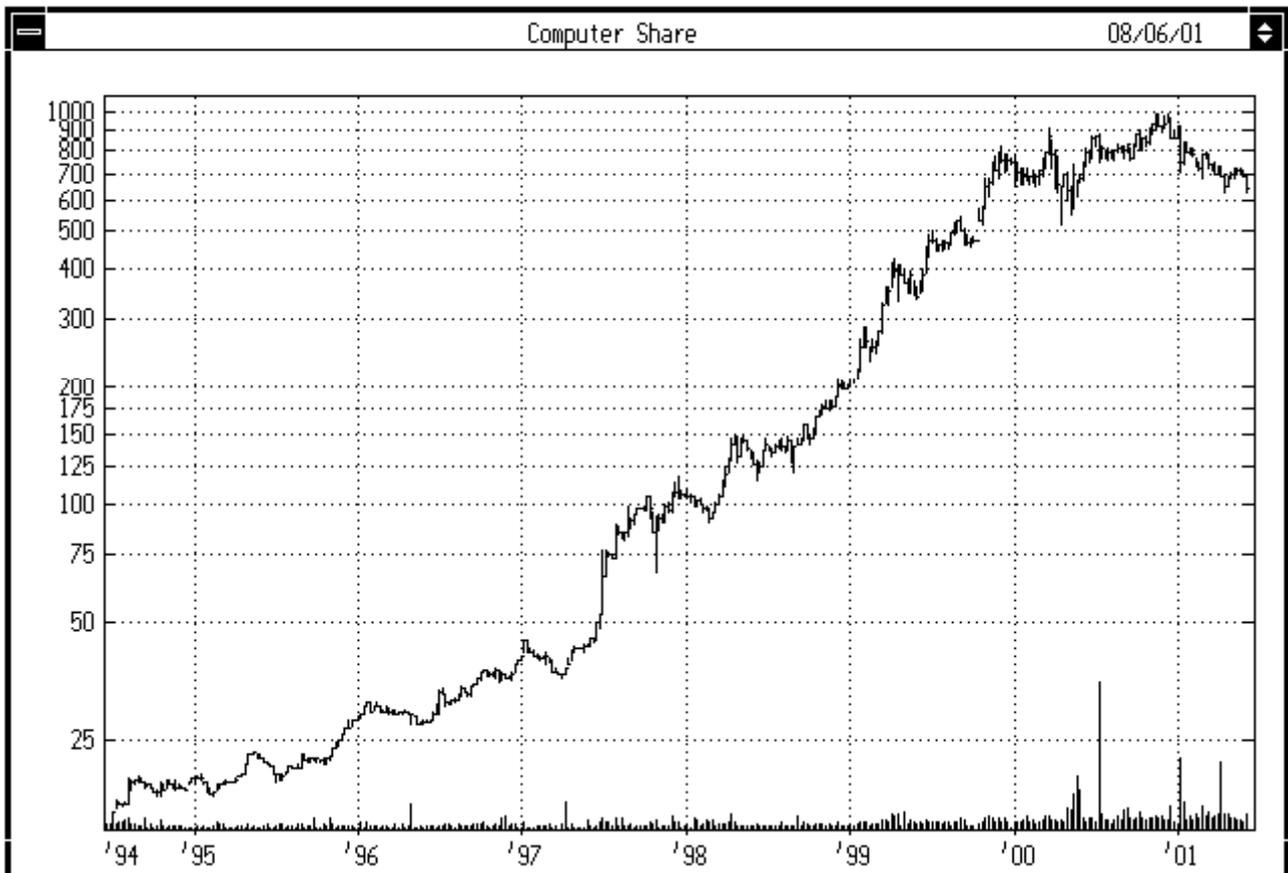
Technically, the shares are neutral to slightly unfavourable with a Relative Strength Rating of -6.5% and ranked 51 (on a scale of 0-99). The shares peaked at \$9.90 last November and have since eased back to \$6.80. Technically this could be either (1) a short term correction (from which the shares move back to new highs) or (2) the start of a period of under-performance (with the shares falling further or fluctuating around current levels for several years.

**Summary and Recommendation**

Computershare is a high quality company with a competitive advantage in its field. The shares have risen extremely strongly over 1996/97. As a result the shares now trade at a very high valuation which probably *over-anticipates* future growth potential. The company will probably continue to grow rapidly, but from the current high valuation the shares will likely under-perform for several years.

Given the fundamental over-valuation of these shares, the rapid build up of interest bearing debt and recent insider selling, we would expect the current share price weakness to be more than a short term correction. The shares could decline further - perhaps as low as \$2-4 - or at least under-perform the market and remain at around \$6-8 over the next 2-3 years as the business grows to catch up with the high share valuation.

Investors with shares in Computershare should therefore consider following the example of the directors and at least realising partial profits on this investment.



# "Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held	
				Before	After
<b>18/05/2001</b>					
Auckland Airport	CBA	Buy	+7.280	8.45%	10.18%
Baycorp Holdings	CBA	Buy	+12.593	0.0%	14.95%
Colonial Motor Coy	Main Line Enterprises	Sell	-0.700	5.12%	2.60%
Colonial Motor Coy	RC Gibbons	Buy	+0.126	4.14%	4.60%
Montana Group (NZ)	Allied Domecq	Buy	+21.466	0.0%	10.00%
Montana Group (NZ)	Lion Nathan	Buy	+3.354	51.00%	52.49%
Montana Group (NZ)	Masfen Holdings	Sell	-7.200	19.95%	16.29%
Port of Tauranga	Rotorua Charitable	Buy	+2.063	0.0%	5.00%
Richmond	PPCS	Buy	+6.299	1.36%	16.73%
Richmond	Toncooya Nominees	Sell	-4.084	9.97%	0.0%
Scott Technology	National Bank UT	Sell	-1.031	5.23%	0.0%
Scott Technology	AMP	Sell	-1.382	10.93%	3.87%
Waste Management NZ	AMP	Buy	+0.629	4.96%	5.60%
<b>25/05/2001</b>					
Cedenco Foods	MG McPhail	Buy	+0.823	0.0%	5.28%
Medical Care Services	Principal Mutual	Buy	+2.351	12.82%	13.87%
Montana Group (NZ)	Masfen Holdings	Sell	-34.900	16.29%	0.03%
Montana Group (NZ)	Allied Domecq	Buy	+35.991	10.00%	26.77%
PDL Holdings	Schneider Electric	Buy	+0.122	26.30%	27.20%
<b>01/06/2001</b>					
Contact Energy	Edison Mission	Buy	+43.056	40.73%	47.86%
GDC Communications	HP Honnor	Sell	-0.503	12.51%	11.26%
Montana Group (NZ)	Lion Nathan	Buy	+20.093	52.49%	61.85%
Richmond	Waitotara Farmers	Sell	-0.820	9.26%	7.26%
PDL Holdings	Schneider Electric	Buy	+0.150	27.20%	28.30%
Port Of Tauranga	Infratil	Sell	-3.568	24.67%	19.99%
Sky Network TV	Ind Newspapers	Buy	+22.595	49.96%	55.32%
Tasman Agriculture	Hidden Lake Station	Buy	+14.610	8.85%	22.74%
Tasman Agriculture	Dairy Holdings	Sell	-23.200	66.10%	44.07%
Tower Ltd	CBA	Buy	+8.415	0.0%	5.58%
<b>08/06/2001</b>					
Rubicon	Perry Corp	Sell	-18.650	10.18%	4.90%
Telecom NZ	Brandes Investment	Buy	+5.266	9.80	10.10%
Tourism Holdings	Oliham Investments	Buy	+6.200	0.0%	6.70%
Tourism Holdings	Newton & Sykes	Sell	-6.200	11.40%	6.70%

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# Dividend \$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Bendon Ltd	4.00	09-07	11-07	Full
Capital Properties	2.40	05-06	15-06	0.5125
Col FS Property	2.32	11-06	22-06	0.3496
DB Group	11.50	11-06	20-06	Full
Dorchester Pacific	3.00	-	-	Full
Fisher & Paykel	18.00	25-06	29-06	Full
Horizon Energy	45.00	11-06	14-06	Full
Infratil	3.00	05-06	08-06	Full
Infratil (1)	2.25	05-06	08-06	Full
Lion Nathan	8.00	11-06	29-06	Nil
National Property	2.6463	28-05	08-06	0.4580
Owens Group	3.00	16-07	24-07	Full
Powerco Ltd	7.70	18-06	-	Full
Tasman Agriculture (1)	43.00	14-05	14-06	Nil
Telecom NZ	5.00	05-06	15-06	Full
Tower Corporation	14.00	16-07	16-07	1.00
Trust Power	8.00	20-08	31-08	Nil
(1) Special Dividend				
<u>Australian Shares</u>				
Campbell Brothers	17.00	08-06	29-06	
Central Equity	4.00	25-06	29-06	
C.S.R.	12.00	07-06	05-07	

## Current Issues

SHARE REPURCHASES	Details
Hellaby Holdings	5%, on-market
Warehouse Group	2½%, on-market

CASH ISSUES	Ratio	Price	Ex-Date	Appln Date
Broadway Industries	1:3	25	21-05	28-06
Submarines Aust	1:5	30	-	-

### Total Return Index for All Listed Shares

May 14	2062.19	May 21	2091.86
May 15	2062.91	May 22	2096.14
May 16	2070.20	May 23	2081.47
May 17	2081.53	May 24	2084.42
May 18	2087.50	May 25	2083.30
May 28	2084.19	Jun 4	Holiday
May 29	2098.92	Jun 5	2130.17
May 30	2103.35	Jun 6	2134.02
May 31	2093.37	Jun 7	2136.58
Jun 1	2107.34	Jun 8	2138.54

## Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday July 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.

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