

Market Analysis

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

Summary and Recommended Investment Strategy.

Our forecasts for the NZ and Australian stockmarkets are Neutral to slightly Bullish (i.e. favourable). We see good value in current shareholdings - many of which are performing well - so recommend that investors be 80-85% invested in shares while holding a 15-20% cash reserve.

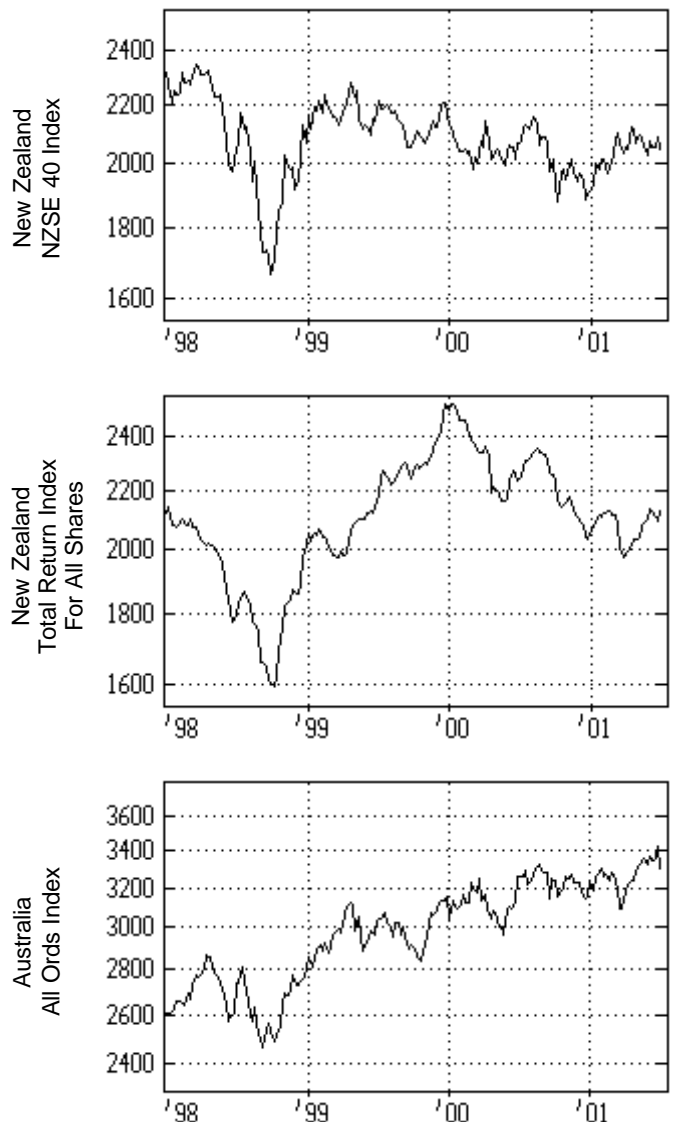
Investment Outlook.

Our *Insider Trades in Australian Shares* (see page 8) reveals abnormally high levels of buying: 89.1% of insider trades have been purchases (and only 10.9% sales) over the last month, with 85.2% buyers over the last three months. Owing to their intimate and detailed knowledge, insiders are the most knowledgeable investors. They are usually able to buy (or sell) shares at exactly the right time! Shares in companies where the insiders are buying have a tendency to outperform the stockmarket for up to two years. *Widespread* insider buying indicates that the whole stockmarket offers good value and could outperform other world stockmarkets.

Despite the favourable performance that insiders obviously expect from their companies, our forecasting model's One Year Forecast has slipped back slightly to a **Neutral 59%** for the Australian stockmarket. As previously, we are a little cautious about committing our remaining 15-20% cash reserve to new Australian share recommendations as we continue to expect the global economy - and world stockmarkets - to remain depressed in the immediate future, then recover only steadily in 2002. We shall invest this cash as and when specific opportunities become too good to ignore.

The outlook for the NZ stockmarket is unchanged at a **slightly Bullish 60%**. Our Short Term Trend Model remains **Bullish** at **75%**. We see good value in many NZ shares, and several of our holdings have appreciated in value over the last month.

When we become fully invested in equities we would expect to be holding around 14-16 NZ shares and 19-21 Australian shares.



Performance Forecasts

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

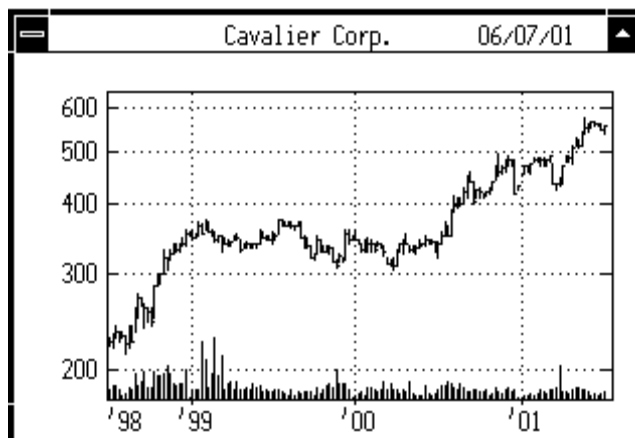
Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	C	89	0.47	20	Nil	Frucor Bev.	D	160	1.11	17	Nil	Powerco Limited	B	185	0.65	NE	Nil
AMP Limited	B	2555	0.82	20	2.2	GDC Communicat.	C	225	2.05	28	2.2	Property F Ind.	D	82	7.63	37	8.4
AMP NZ Office	C	84	6.01	11	9.2	Genesis Res.	C	385	3.40	NE	Nil	Pure NZ Limited	D	12	5.09	NE	Nil
AQL Holdings	D	2.1	0.94	NE	Nil	Goodman Fielder	C	136	0.41	10	7.4	Reid Farmers	B	129	0.84	16	5.8
AXA Asia Pac.	B	370	0.62	14	3.2	Grocorp Pacific	D	11	0.36	NE	Nil	Renaissance	E	72	0.17	19	4.1
Advantage Group	E	54	0.51	19	Nil	Guinness Peat	B	167	2.93	15	1.9	Restaurant Brds	B	147	0.57	11	10.2
Affco Holdings	E	37	0.08	7	Nil	Hallenstein G.	B	284	1.02	15	9.7	Richina Pacific	C	89	0.09	14	Nil
Air New Zealand	C	107	0.17	3	14.0	Hellaby Hold.	B	216	0.42	9	9.7	Richmond Hold.	D	240	N/A	NE	Nil
Akd Int Airport	B	350	8.65	29	4.1	Heritage Mining*	N/R	5.0	4.20	NE	Nil	Rocom Wireless	D	47	N/A	NE	Nil
Apple Fields	C	11	0.18	NE	Nil	Horizon Energy	A	1120	2.32	11	11.3	Rubicon Limited	C	74	0.11	NE	Nil
Baycorp Hold	B	1250	N/A	63	2.3	IT Capital Ltd	E	17	2.17	NE	Nil	Ryman Health.	C	202	3.38	14	2.8
Beauty Direct	D	11	3.95	NE	Nil	Ind Newspapers	C	390	2.59	40	2.7	Sanford Limited	B	635	1.72	13	4.7
Bendon Limited	B	192	0.70	18	7.0	Infratil NZ	C	156	3.64	18	6.7	Savoy Equities	C	7.8	0.28	NE	Nil
Brierley Invest	E	66	0.57	NE	Nil	Kingsgate Int'l	D	13	0.44	3	Nil	Scott Tech. Ltd	B	132	0.84	7	12.4
Broadway Ind	C	32	0.13	33	Nil	Kirkcaldie & St	D	490	N/A	NE	Nil	Seafresh Fish.	D	5.2	0.31	NE	Nil
CACI Group Ltd	C	48	N/A	NE	Nil	Kiwi Property	C	88	5.03	8	11.9	Selector Group	C	3.6	5.29	NE	Nil
CDL Hotel NZ	D	21	0.30	51	5.0	Lion Nathan Ltd	B	560	1.43	19	3.3	Shotover Jet	D	43	0.81	38	Nil
CDL Investments	E	18	1.27	8	13.1	Lytelton Port	B	180	3.15	12	8.5	Sky City Ltd	A	1103	3.59	18	7.6
Cabletalk Group	C	58	N/A	NE	Nil	Mainfreight Grp	C	117	0.21	24	8.3	Sky Network TV	D	333	4.64	NE	Nil
Cadmus Tech Ltd	E	13	N/A	NE	Nil	Medical Care	E	127	N/A	81	Nil	Software of Exc	B	150	0.80	NE	Nil
Calan Hlthcare	D	78	6.40	12	9.1	Metro. LifeCare	C	125	0.90	28	Nil	South Port NZ	C	123	2.08	20	6.7
Cap Properties	C	91	N/A	8	12.8	Michael Hill	B	380	0.80	15	5.3	Southern Cap	D	92	9.84	NE	Nil
Carter Holt	C	175	0.80	12	3.4	Mid-Cap Index *	N/R	195	N/A	NE	Nil	Spectrum Res.	D	3.2	N/A	NE	Nil
Cavalier Corp	A	555	0.91	15	8.1	Montana Group	A	452	2.16	32	2.3	Steel & Tube	A	189	0.45	12	9.5
Cedenco Foods	A	203	2.47	12	Nil	Mooring Systems	B	200	N/A	NE	Nil	Strathmore Grp	C	6.5	1.37	NE	Nil
Col FS Property	C	102	6.62	11	10.5	Mr Chips Hold	B	125	1.15	18	7.8	Submarines Aust	C	39	0.18	NE	Nil
Col Motor Co	B	280	0.27	11	9.9	NZ Experience	C	12	0.98	NE	Nil	Summit Gold Ltd*	N/R	10	N/A	NE	Nil
Comsoft Group	D	7.5	N/A	NE	Nil	NZ Invest Trust*	N/R	500	N/A	NE	1.7	Tag Pacific Ltd	D	15	0.21	4	5.3
Compass Com.	E	32	N/A	NE	Nil	NZ Oil and Gas *	N/R	40	2.54	NE	Nil	Tasman Agric.	B	178	7.60	29	1.7
Contact Energy	C	314	2.18	31	8.3	NZ Refining Co	A	1645	1.33	6	22.7	Taylor's Grp Ltd	C	126	0.78	13	7.1
Cube Capital	D	40	0.36	31	Nil	Nat Property Tr	C	93	6.40	12	10.0	TeNZ *	N/R	89	N/A	NE	Nil
Cue Energy Ltd *	N/R	11	3.63	NE	Nil	National Mail	D	7.0	0.77	NE	Nil	Telecom Corp	C	528	2.14	12	13.0
DB Group	B	536	0.67	15	4.5	Natural Gas	D	93	1.03	8	8.0	Tourism Hold.	C	153	0.71	9	8.3
Dairy Brands	C	60	4.16	NE	Nil	Newcall Group	D	5.0	0.31	NE	Nil	Tower Limited	B	530	0.54	12	5.7
Design Textiles	B	35	0.18	11	8.5	Newmarket Prop.	C	50	N/A	6	19.0	Trans-Tasman	E	20	1.11	5	Nil
Dorchester Pac	B	120	0.86	9	7.5	Northland Port	C	205	3.09	89	Nil	Tranz Rail Hold	C	400	0.85	7	2.1
Elect Trans Tec	D	8.0	6.15	NE	Nil	Nufarm Limited	C	365	0.30	8	5.3	Trust Power Ltd	C	320	1.16	25	8.0
E-Ventures NZ	D	29	N/A	NE	Nil	Nuhaka Forestry	D	875	2.31	NE	6.3	United Networks	B	890	2.93	12	5.5
E-cademy Hold.	D	1.6	N/A	NE	Nil	Nuplex Indust	C	350	0.51	11	6.4	Utilico Int'l	C	44	N/A	NE	Nil
Ebos Group Ltd	C	265	0.88	17	7.3	Opio Forestry	E	50	N/A	NE	Nil	Vending Tech.	C	306	5.40	22	Nil
Eldercare NZ	D	13	0.77	4	Nil	Otter Gold Mine*	N/R	16	0.10	NE	Nil	WN Drive Tech.	D	50	N/A	NE	Nil
Evergreen	E	51	3.42	13	Nil	Owens Group Ltd	C	90	0.13	10	8.3	Warehouse Group	C	535	1.39	21	3.5
FC - Forests	E	31	0.51	4	Nil	Ozzy (Tortis) *	N/R	264	N/A	NE	Nil	Waste Mgmt NZ	B	341	2.42	23	3.3
Finzsoft Sol'ns	E	52	0.10	NE	Nil	PDL Holdings	A	1030	0.40	43	1.4	Williams Kettle	A	370	0.34	13	6.1
Fisher & Paykel	A	1225	1.73	27	3.0	Pacific Retail	B	153	0.19	7	Nil	World Index Fd *	N/R	196	N/A	NE	Nil
Fletcher Build.	B	253	0.36	8	9.4	Port Tauranga	A	670	7.32	26	4.9	Wrightsons Ltd	B	99	0.22	18	6.0
Force Corp.	D	20	0.57	7	7.5	Ports Auckland	A	580	4.98	17	4.6	Ave of 140 Cos	C	234	0.51	18	3.7
A.G.L.	B	819	1.00	11	6.2	Crown Ltd	C	90	0.70	14	Nil	Orica Ltd	B	459	0.32	9	7.6
AMP Diver. Prop	B	237	7.34	13	8.1	Data Advantage	B	685	N/A	NE	0.6	Origin Energy	A	292	0.47	10	7.2
AMP Ltd	B	2000	0.80	19	2.4	Deutsche Div Tr	B	113	7.87	13	7.8	Pacific Hydro	A	409	N/A	88	0.7
AMP Office Trt	B	119	6.51	15	8.0	Deutsche Office	C	132	N/A	NE	Nil	Pacific Group	B	382	0.51	17	5.0
AMP Shop Centre	B	132	N/A	19	6.4	E.R.G.	C	121	1.80	21	1.7	Pacific Dunlop	C	78	0.14	6	12.8
ANZ Bank	A	1569	2.00	15	4.1	Email Ltd	B	291	0.37	15	8.4	Paladin Com.	B	124	7.45	14	7.7
APN News Media	C	410	1.67	20	3.6	Energy Develop.	B	905	9.47	48	0.5	Paperlin X Ltd	B	399	0.54	14	1.3
AXA Asia Pac	B	292	0.61	14	3.3	Fairfax (John)	C	436	2.26	19	2.6	Perp Trust Aust	A	3999	5.26	37	1.6
Adelaide Bank	A	585	1.17	17	5.1	Faulding (F.H.)	A	1245	0.95	32	1.7	Publishing & Br	C	1006	2.68	20	2.0
Advance Prop	B	182	8.64	15	6.7	Flight Centre	B	2750	0.93	56	0.9	O.B.E. Insur.	B	1093	1.35	45	1.5
Alintagas Ltd	C	333	1.97	NE	Nil	Foodland Assoc	B	1104	0.27	14	5.0	O.C.T. Resource	C	121	1.05	NE	Nil
Amcor Ltd	A	676	0.57	15	5.6	Foster's Brewin	B	538	2.69	21	2.7	Qantas	B	334	0.44	8	6.6
Aristocrat	C	674	5.19	44	1.6	Futuris Corp.	B	254	0.30	19	3.1	Rio Tinto Ltd	B	3470	1.37	10	2.5
Aust Stock Exch	B	1347	6.77	24	4.2	GWA Internat'l	B	239	1.14	16	7.5	Rural Press Ltd	C	481	1.23	11	2.9
Aust Pipeline	B	239	N/A	NE	Nil	Gandel Retail Tr	B	109	8.49	13	7.8	Servcorp Ltd	B	630	8.06	71	0.6
Aust Pharm. Ind	A	264	0.41	23	4.5	General Prop Tr	B	261	6.33	14	7.3	Seven Network	B	777	1.72	30	2.6
Austar United	D	72	2.23	NE	Nil	Global Int'l	C	164	N/A	NE	Nil	Silex Systems	C	450	N/A	95	Nil
Austereo Group	D	195	N/A	NE	Nil	Goodman Fielder	C	109	0.43	11	6.9	Simsmetal Ltd	B	575	0.46	19	4.3
Australand Hold	A	166	0.99	7	7.2	Guinness Peat	B	130	2.83	12	0.4	Singleton Group	B	410	N/A	42	1.7
BA Tobacco Aust	B	1771	0.70	19	4.8	Hardie (James)	A	554	1.47	NE	3.4	Smith (Howard)	A	1335	0.97	24	3.1
BRL Hardy Ltd	B	990	2.37	24	1.8	Harvey Norman	B	434	N/A	NE	0.8	Smorgon Steel	B	95	0.32	10	9.5
Bank of W.Aust	A	430	3.98	17	4.2	Hills Motorway	C	504	9.56	NE	6.6	Sonic Health	C	802	3.46	72	1.9
Bendigo Bank	A	650	1.48	19	3.7	ING Indust Trt	B	145	8.32	13	8.9	Southcorp Ltd	B	690	1.60	21	3.0
Bidvest	B	290	0.19	16	2.6	ING Office Fund	B	108	N/A	24	4.9	Spotless Group	B	753	0.84	40	2.7
Billabong Int'l	C	571	N/A	NE	Nil	Intcitec	B	578	0.76	21	4.0	St George Bank	A	1420	1.73	17	3.9
Boral Limited	A	309	0.69	14	5.8	Infomedia Ltd	D	185	8.26	NE	Nil	Stockland Trust	B	397	6.47	17	6.6
Brambles Ind.	A	4600	2.15	29	1.8	Investa Prop.	B	176	7.90	13	7.4	Suncorp-Metway	A	1500	1.38	14	3.1
Brickworks Ltd	A	626	4.42	19	2.0	Jupiters	B	402	1.43	14	4.2	TAB Ltd	C	306	0.31	26	3.6
C & W Optus	C	362	2.65	37	Nil	Kaz Computer	C	132	N/A	NE	0.6	Tabcorp Holding	C	948	2.12	21	5.0
C'wth Prop Off.	B	111	8.37	14	7.0	Lang Corporatio	B	1178	2.73								

Recommended Investments

New Zealand Shares

Air New Zealand is hoping to strengthen its balance sheet with additional capital raised through a share placement to **Singapore Airlines** - but this will require the NZ government raising the restrictions on foreign ownership. Air NZ hopes to issue an undisclosed number of "B" shares at \$1.31. Raising Singapore Airline's shareholding from 25% to 35% would raise \$151 million in new cash for Air NZ.

Cavalier Corporation has completed its pro-rata share buy back, re-purchasing 1 share in every 8 held at a price of \$5.60 per share. As the shares were re-purchased at close to market price (i.e. the shares traded at \$5.45 prior to the buy back) we do not need to make an adjustment to our portfolio to reflect this arrangement which simply realises 12½% of our investment in Cavalier while maintaining our full percentage ownership.



In May, **Nufarm** acquired the US business of **Agrotrol International**. Subsequently Nufarm has obtained regulatory approval to acquire the European operations which are mainly involved (Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Perform- ance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares													
HOLD	Air New Zealand "A"	AIRVA	08/10/96	244*	C	756.7	1.2	0.17	3	14.0	107	78.7	-24%
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	E	185.8	2.1	1.27	8	13.1	18	6.1	-3%
HOLD+	Cavalier Corporation	CAV	05/12/95	312	A	36.0	0.8	0.91	15	8.1	555	146.0	+125%
HOLD	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.7	0.27	11	9.9	280	202.8	+222%
HOLD+	Lytelton 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	0.80	15	5.3	380	74.5	+888%
HOLD	Nufarm Limited	NUF	11/02/97	505	C	155.3	0.9	0.30	8	5.3	365	85.0	-11%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	C	56.3	1.0	0.51	11	6.4	350	44.0	+13%
HOLD	Renaissance Corp	RNS	13/08/96	85*	E	36.7	2.0	0.17	19	4.1	72	7.4	-7%
HOLD+	Richina Pacific	RCH	03/11/95	119*	C	72.2	1.5	0.09	14	Nil	89	11.9	-15%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	1.2	2.08	20	6.7	123	41.3	+37%
BUY	Steel & Tube Holdings	STU	08/08/00	146	A	87.7	1.1	0.45	12	9.5	189	14.0	+39%
BUY	Taylors Group Ltd	TAY	09/11/99	102	C	24.3	1.2	0.78	13	7.1	126	9.0	+32%
BUY	Wrightson Limited	WRI	13/01/98	83	B	134.1	1.4	0.22	18	6.0	99	11.3	+33%
Australian Shares (in Aust cents)													
HOLD+	Abigroup Limited	ABG	09/03/99	265	A	47.7	0.8	0.14	7	7.3	205	29.0	-12%
BUY	Atlas Pacific Ltd ¹	ATP	14/05/96	73	B	56.3	2.0	1.97	6	Nil	26	Nil	-64%
BUY	Auspine Limited	ANE	08/02/00	210	B	57.0	0.8	0.51	6	9.2	240	28.0	+28%
BUY	Austral Coal Ltd	AUO	16/01/01	19	B	81.8	1.5	0.46	9	Nil	45	Nil	+137%
HOLD	Biron Corporation Ltd	BIC	12/04/94	178	C	21.8	1.8	2.04	NE	Nil	36	11.0	-74%
BUY	Campbell Brothers Ltd	CPB	12/10/99	418*	A	31.5	0.5	0.49	11	6.0	500	55.5	+33%
HOLD	Central Equity Ltd	CEQ	09/02/94	154	B	82.1	0.9	0.77	6	8.8	204	91.0	+92%
HOLD+	C.S.R. Limited	CSR	11/07/00	436	A	956.3	0.7	0.99	14	3.4	675	23.0	+60%
HOLD	Hamilton Island Ltd	HAM	09/11/99	205	B	45.0	0.8	1.12	8	4.0	225	9.0	+14%
HOLD+	McPherson's Ltd	MCP	10/10/00	125	B	39.2	0.9	0.19	4	10.3	117	6.0	-2%
BUY	OAMPS Limited	OMP	15/05/01	198	A	31.7	0.8	1.11	11	4.8	250	Nil	+26%
HOLD	PMP Communications	PMP	09/02/99	309	C	253.4	1.6	0.07	2	47.4	43	40.8	-73%
HOLD+	Thakral Holdings	THG	10/11/98	65	B	592.3	1.2	1.29	10	9.9	63	15.1	+20%
HOLD	Toll Holdings ²	TOL	08/09/98	240	A	61.3	0.6	0.90	32	1.4	2048	58.0	+777%
HOLD	Utility Services Corp	USC	11/01/00	55*	C	102.4	1.8	0.81	17	Nil	62	7.0	+25%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	146.4	0.6	3.51	66	0.8	354	14.4	+434%
BUY	Volante Group Ltd	VGL	13/03/01	132	B	68.0	1.0	0.24	27	4.8	135	Nil	+2%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +89.5%.

This is equal to an average annual rate of +26.4%, 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 +31.7%, compared with a market gain of +10.8% (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 2115 cents.

Recommended Investments (Continued from Page 3) in the marketing of copper based fungicides for use in grape growing and horticulture.

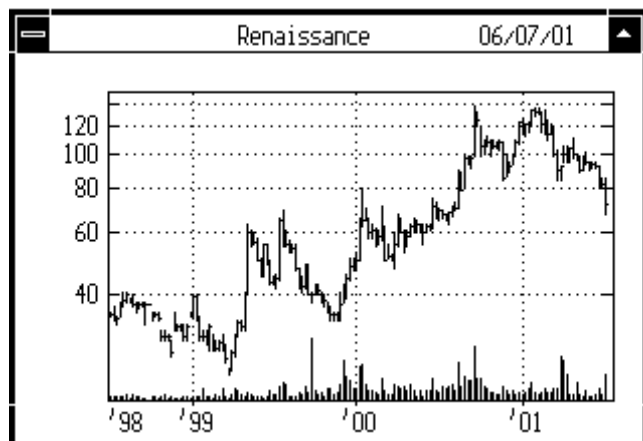
Nufarm also plans to complete its migration to Australia by delisting its shares from the NZ Stock Exchange. This will concentrate all trading on the Australian Stock Exchange which will help the company achieve sufficient turnover of shares to be included in the Australian share indices. Inclusion in the index will encourage institutional investors - especially *index funds* - to invest in Nufarm shares.

Renaissance Corporation's drop in share price reflects delays in its ability to float **Conduit** on the Singapore stockmarket owing to depressed technology share prices. Stockmarket sentiment has also been hurt by rumours that Conduit is laying off 10 of its 48 staff - but this probably reflects the completion of the development and less work involved installing and supporting established systems.

The "major Australian customer" won by Conduit in May has been named as food wholesaler **Bidvest**. This three year contract will earn Conduit \$500,000 - mostly in the first year.

Conduit is also installing a system for consumer electronics distributor **Monaco Corporation** (the operating subsidiary of a former *Market Analysis* recommendation, **Transmark Corporation**, that was taken over in 1996).

We downgraded Renaissance Corporation shares to a "Hold" last month owing to expected delays realising value from the Conduit listing, and the shares may remain weak in the short term. Renaissance Corporation, however, remains an attractive long term investment and the Conduit business is continuing to grow.



Australian Shares

This section is in Australian currency, unless stated.

Atlas Pacific has confirmed its plan to pay a maiden dividend. Previously it had indicated the payment would be in "late 2001 or early 2002" but it now expects to pay a dividend "this calendar year". 50,000 pearls have been harvested so far this year - so Atlas Pacific is operating very profitably and generating large cash surpluses. Full production capacity of 100,000 pearls per year will be reached within 2-3 years.

150,000 oysters will be nucleated this year, of which 141,000 operations have already been successfully completed. 108,000 of these were new oysters and 33,000 on older oysters from which pearls have been

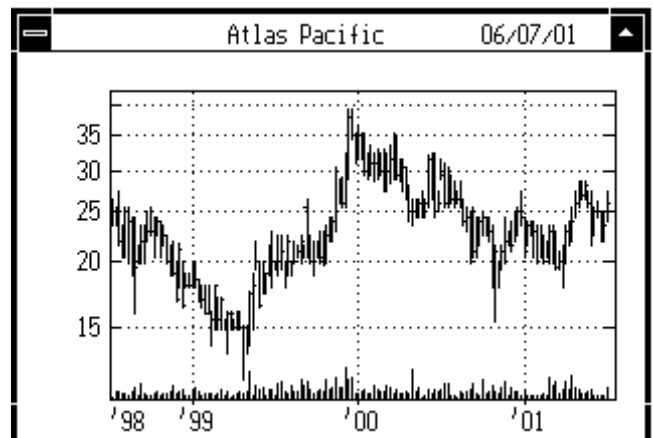
harvested. A larger nucleus is inserted at the second operation, so the oyster produces a larger, more valuable pearl.

Pearl colour also has a major impact on value. Atlas Pacific is currently obtaining 85% silver pearls and 5% gold pearls, compared with historical results where 85% were the lower value yellow/cream.

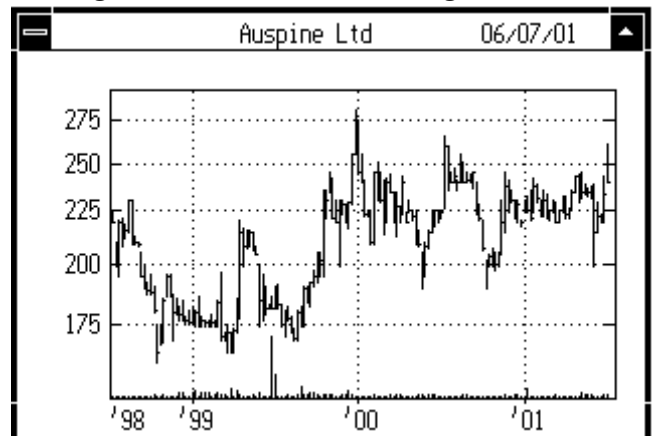
Atlas Pacific has also worked to produce revenue from pearl-meat by-product. 300 pieces per day are now dried, frozen, shipped to Australia and then sold into the Asian market for \$460/kilogram.

We originally bought into Atlas Pacific *too early* (i.e. in May 1996) and paid *too much* (i.e. 73 cents on our original shares, although we have bought many more at prices as low as 15 cents). Reaching commercial pearl production took longer - and was more expensive - than we originally expected but the company is now profitable and generating large cash surpluses. Profits are forecast at \$5.6 million (10 cents per share) this year with a 3-5 cents dividend likely. Around 25 cents, that puts the shares/convertible notes on a prospective Price/Earnings ratio of 2.5 and should produce a Dividend Yield of 12-20%. We are again upgrading Atlas Pacific to a "Buy".

At the present time we have all of our personal investment in Atlas Pacific in the 12½% convertible notes. Our intention is to hold these until late September (to receive the next half yearly interest payment) and then exercise the conversion rights to change them into ordinary shares (to capture the expected dividend on the ordinary shares). Investors can elect to convert the notes to ordinary shares at any time or at the March 22, 2002 redemption date choose to receive either (1) 15 cents in cash or (2) one ordinary share.



Auspine's main business is the production of timber framing used in residential buildings. That market



July 10, 2001.

boomed ahead of the introduction of GST in July 2000, but residential construction has since been depressed. That slump now appears to have ended! May's building approvals jumped 25.9% (compared with April), which should lead to increased demand for Auspine's framing timber over future months.

"Buy" Auspine for a high current income and capital appreciation from a re-rating of the shares.

Austral Coal has arranged debt funding of \$7 million towards bringing its Tahmoor North expansion into production. The company is currently seeking tenders from a short-list of suppliers for a new 4000 tonnes/hour high capacity trunk conveyor belt (to be installed in the last quarter of 2001) and a new continuous miner (to begin production for the March 2002 quarter).

Underground development of the first Tahmoor North panel will begin in January 2002 - with coal extraction beginning in January 2004.

Austral Coal's share price will likely remain volatile, but the higher coal price will boost operating profits 3-4 fold and the expansion project has enormous value. "Buy" (and then "Hold", don't "Sell") for capital appreciation and a very high income in 3-4 years time as the expansion adds to profits and cashflow.

Biron Corporation has produced a cash flow statement showing its cash on hand at May 31 was \$6,460,000 (up from \$5,314,000 at April 30). \$1,027,000 was received from product sales (less operating costs of \$144,000) and \$469,000 from asset sales.

CSR has acquired the western Florida based **Mid-Coast Concrete Company** for an undisclosed sum. The business, which operates three concrete plants and two concrete block plants, "is expected to generate substantial synergies with CSR America's existing businesses".

OAMPS has continued its expansion with the acquisition of four insurance broking businesses which will add a total of \$1,370,000 in commissions and fees. The businesses are **Broome Insurance Services** (based in Broome and generating annual commissions and fees of \$440,000), Coome based **Galloway Insurance Agencies** (income \$140,000), New South Wales based **Paul Cook & Associates** (\$230,000) and West Australian based **Lindsay Martin & Associates** (\$560,000).

The company believes that all of these businesses have "opportunities for substantial growth" and for achieving "economies of scale" becoming part of the OAMPS group.

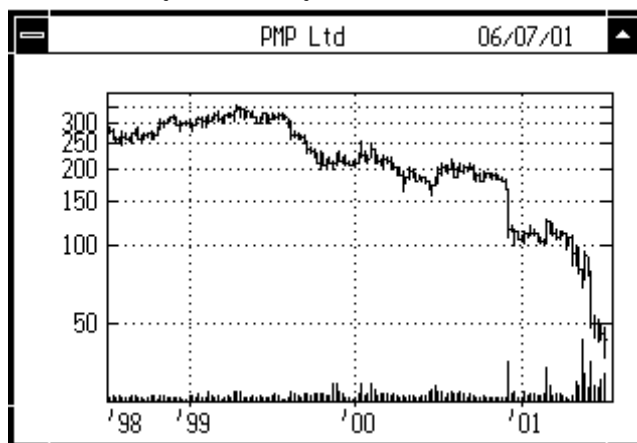
PMP shares continue to take a battering on the stockmarket - but at 43 cents have *already* lost 86% of their value. The "good" news is that an initial \$10,000 investment in PMP is now worth only \$1,392 - so nothing that happens can hurt us much more in the future! By comparison, a \$10,000 investment in Toll Holdings would have grown to \$85,333.

Tax loss selling and **Standard & Poors** downgrading of PMP's credit rating to BB+ last month probably helped depress PMP shares to their ultimate lows in June, so things may actually get better from here. In fact, there have been five insider buys reported in PMP shares during June. JR Donnelley purchased

76,597 shares (at around 92 cents) and 27,777 shares (at 54 cents), lifting his holding to 251,826 shares. PG Chegwyn bought 10,000 shares and 50,000 shares (around 46-47 cents), to build up a holding of 82,146 shares, DJ Fraser made an initial investment in the company with the purchase of 50,000 shares (at about 47 cents).

PMP is currently negotiating new facilities with its four Australian bankers to replace existing facilities. The company reports current undrawn bank facilities stand at \$47 million and a cash holding of \$58 million, so while there are problems, PMP does not have a cash shortage that would cause the company to fail.

We recommend investors "Hold" for recovery, but - despite the insider buying - we do not have the confidence to commit any new money to these shares at this time.



Toll Holdings has increased its ownership in **Movinghome.com.au** to 100% (from 75%) and will merge this business with its wholly owned **Removals Australia** to form a new division under the name **Toll Transitions**.

Toll Transitions will employ 100 people and expects a "significant share" of the \$120 million relocations market. Services range from simply moving furniture through to home search, school search and immigration services.

The shares are up \$2.48 over the last month and the convertible notes are up \$2.35. That's another 100% gain on our initial cost of this investment just three years ago! The convertible notes - with their higher income yield (5.2% on their current price) and the option of a cash redemption at \$17 after five years - are our much preferred way to invest in Toll Holdings. One day it may become prudent to realise some profits - but for now we shall let our profits run on this investment which is performing so exceptionally well and where we were recently able to reduce our risks by selling the ordinary shares and re-investing in the convertible notes.

Vision Systems' Fire & Security division (in partnership with its Chinese distributors) has won a \$7.5 million contract to provide its VESDA laser based early warning fire detection systems to protect **China Postel Mobile Communications Equipment's** network.

The Fire & Security division has also launched a new premium video transmission product, **ADPRO FastVu**, which is expected to generate revenues of \$20 million over the next three years.

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

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Company	STRENGTH RATING							Market Cap'n				
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity		Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Design Textiles	35	+9.8	+1.5	18	-	0.4	4	1.8	11	8.5	0.18	11
Wrightsons Ltd	99	+13.8	+7.7	8	-	1.3	7	1.5	18	6.0	0.22	133
Williams Kettle	370	+10.5	+2.7	16	-	1.4	11	0.6	13	6.1	0.34	54
Fletcher Build.	253	+4.3	+0.32	33	7	0.9	11	1.3	8	9.4	0.36	867
PDL Holdings	1030	+43.2	+10.7	1	-	1.6	4	0.8	43	1.4	0.40	140
Hellaby Hold.	216	+6.4	+1.0	24	3	1.6	17	1.0	9	9.7	0.42	108
Steel & Tube	189	+9.0	+4.1	20	5	1.3	11	1.1	12	9.5	0.45	166
Nuplex Indust	350	+1.1	-1.3	48	6	1.6	15	1.0	11	6.4	0.51	197
Tower Limited	530	+1.9	-1.5	43	4	1.0	9	0.6	12	5.7	0.54	936
Restaurant Brds	147	+6.8	+1.4	22	6	4.9	45	1.3	11	10.2	0.57	135
AXA Asia Pac.	370	+1.3	+1.5	46	-	1.7	12	0.8	14	3.2	0.62	6,521
DB Group	536	+6.8	-1.8	23	5	2.4	17	0.6	15	4.5	0.67	270
Bendon Limited	192	+2.9	+3.6	38	1	1.1	6	1.0	18	7.0	0.70	59
Taylor's Grp Ltd	126	+2.6	+1.0	40	-	1.6	12	1.2	13	7.1	0.78	31
Carter Holt	175	+0.3	-1.2	52	8	0.6	5	1.3	12	3.4	0.80	3,043
Michael Hill	380	+5.2	-0.7	29	4	3.4	23	0.8	15	5.3	0.80	147
AMP Limited	2555	+4.6	+0.7	32	-	2.8	14	0.6	20	2.2	0.82	27,507
Reid Farmers	129	+12.6	+6.2	9	-	2.0	13	1.2	16	5.8	0.84	72
Cavalier Corp	555	+11.3	+3.1	14	3	2.5	16	0.8	15	8.1	0.91	200

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0												
Richina Pacific	89	+26.5	+15.9	3	-	0.7	5	1.3	14	Nil	0.09	64
Wrightsons Ltd	99	+13.8	+7.7	8	-	1.3	7	1.2	18	6.0	0.22	133
Reid Farmers	129	+12.6	+6.2	9	-	2.0	13	1.0	16	5.8	0.84	72
Cavalier Corp	555	+11.3	+3.1	14	3	2.5	16	0.7	15	8.1	0.91	200
Williams Kettle	370	+10.5	+2.7	16	-	1.4	11	0.5	13	6.1	0.34	54
Design Textiles	35	+9.8	+1.5	18	-	0.4	4	1.4	11	8.5	0.18	11
Steel & Tube	189	+9.0	+4.1	20	5	1.3	11	0.9	12	9.5	0.45	166
Restaurant Brds	147	+6.8	+1.4	22	6	4.9	45	1.1	11	10.2	0.57	135
DB Group	536	+6.8	-1.8	23	5	2.4	17	0.5	15	4.5	0.67	270
Hellaby Hold.	216	+6.4	+1.0	24	3	1.6	17	0.9	9	9.7	0.42	108
Michael Hill	380	+5.2	-0.7	29	4	3.4	23	0.7	15	5.3	0.80	147
AMP Limited	2555	+4.6	+0.7	32	-	2.8	14	0.5	20	2.2	0.82	27,507
Fletcher Build.	253	+4.3	+0.32	33	7	0.9	11	1.2	8	9.4	0.36	867
Bendon Limited	192	+2.9	+3.6	38	1	1.1	6	0.8	18	7.0	0.70	59
Taylor's Grp Ltd	126	+2.6	+1.0	40	-	1.6	12	1.0	13	7.1	0.78	31
Tower Limited	530	+1.9	-1.5	43	4	1.0	9	0.5	12	5.7	0.54	936
AXA Asia Pac.	370	+1.3	+1.5	46	-	1.7	12	0.7	14	3.2	0.62	6,521
Nuplex Indust	350	+1.1	-1.3	48	6	1.6	15	0.9	11	6.4	0.51	197
Carter Holt	175	+0.3	-1.2	52	8	0.6	5	1.1	12	3.4	0.80	3,043

Company	STRENGTH RATING							Market Cap'n				
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity		Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million												
NZ Refining Co	1645	+9.1	+0.1	19	4	1.3	23	0.3	6	22.7	1.33	395
Air New Zealand	107	-15.3	+1.5	89	7	0.4	11	0.9	3	14.0	0.17	810
Telecom Corp	528	-2.1	-1.1	63	8	8.2	68	0.7	12	13.0	2.14	9,269
Restaurant Brds	147	+6.8	+1.4	22	6	4.9	45	1.0	11	10.2	0.57	135
Hallenstein G.	284	+7.9	+2.6	21	5	4.9	34	0.6	15	9.7	1.02	165
Hellaby Hold.	216	+6.4	+1.0	24	3	1.6	17	0.8	9	9.7	0.42	108
Steel & Tube	189	+9.0	+4.1	20	5	1.3	11	1.1	12	9.5	0.45	166
Fletcher Build.	253	+4.3	+0.2	33	7	0.9	11	1.1	8	9.4	0.36	867
Lyttelton Port	180	+4.6	-0.0	31	4	5.5	45	0.6	12	8.5	3.15	183
Tourism Hold.	153	-12.1	+1.9	84	6	0.8	9	0.8	9	8.3	0.71	141

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												
Elect Trans Tec	8	-21.3	+1.0	91	-	13.1	-	3.1	NE	Nil	6.15	11
Sky Network TV	333	-0.5	-0.8	56	7	30.5	-	0.8	NE	Nil	4.64	1,218
Genesis Res.	385	-16.7	+3.0	89	-	1.7	1	0.9	135	Nil	3.40	97
Waste Mgmt NZ	341	-4.3	+0.7	71	6	2.2	9	0.6	23	3.3	2.42	333
Nuhaka Forestry	875	-9.5	-0.4	79	-	0.7	-	0.4	NE	6.3	2.31	16
IT Capital Ltd	17	-12.9	+0.6	86	-	1.3	-	2.3	NE	Nil	2.17	29
Telecom Corp	528	-2.1	-1.1	63	8	8.2	68	0.7	12	13.0	2.14	9,269
GDC Communicat.	225	-13.1	-0.7	87	2	6.1	22	0.9	28	2.2	2.05	85

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Newcall Group	5	-33.1	+2.4	96	-	-	-	2.6	NE	Nil	0.31	6
Advantage Group	54	-27.8	-1.0	94	5	0.5	3	1.4	19	Nil	0.51	33
Strathmore Grp	7	-27.7	+1.8	93	-	0.4	-	2.7	NE	Nil	1.37	13
Eldercare NZ	13	-21.9	+1.5	91	-	0.5	15	1.9	4	Nil	0.77	20
Elect Trans Tec	8	-21.3	+1.0	91	-	13.1	-	2.9	NE	Nil	6.15	11
Genesis Res.	385	-16.7	+3.0	89	-	1.7	1	0.9	135	Nil	3.40	97
E-Ventures NZ	29	-13.3	+2.8	87	-	1.3	-	1.3	NE	Nil	N/A	73
GDC Communicat.	225	-13.1	-0.7	87	2	6.1	22	0.9	28	2.2	2.05	85
IT Capital Ltd	17	-12.9	+0.6	86	-	1.3	-	2.2	NE	Nil	2.17	29
Rocom Wireless	47	-12.0	+2.4	83	-	1.5	-	1.0	NE	Nil	N/A	7
FC - Forests	31	-10.8	+0.8	82	8	0.2	4	1.5	4	Nil	0.51	795
Nuhaka Forestry	875	-9.5	-0.4	79	-	0.7	-	0.3	NE	6.3	2.31	16
Brierley Invest	66	-4.7	-0.2	73	4	0.8	-	0.9	NE	Nil	0.57	903
Waste Mgmt NZ	341	-4.3	+0.7	71	6	2.2	9	0.6	23	3.3	2.42	333

"Strongest" Shares

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

Company	STRENGTH RATING							Market Cap'n				
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Brokers Following	Price to NTA	Return on Equity		Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio
50 Strongest NZ Shares												
Mooring Systems	200	+45.1	-12.6	0	-	5.9	-	0.9	NE	Nil	N/A	11
PDL Holdings	1030	+43.2	+10.7	0	-	1.6	4	0.8	43	1.4	0.40	140
Apple Fields	11	+37.5	+1.5	1	-	1.9	-	2.5	NE	Nil	0.18	3
Tasman Agric.	178	+32.7	+10.5	2	2	1.2	4	0.8	29	1.7	7.60	112
Richina Pacific	89	+26.5	+15.9	3	-	0.7	5	1.6	14	Nil	0.09	64
Vending Tech.	306	+22.1	-6.0	3	-	8.9	40	0.8	22	Nil	5.40	90
Cedenco Foods	203	+17.3	+6.8	4	-	1.2	11	0.9	12	Nil	2.47	32
Fisher & Paykel	1225	+16.0	+6.9	5	8	3.7	14	0.6	27	3.0	1.73	1,447
Rubicon Limited	74	+15.8	+8.0	5	-	0.3	-	1.4	NE	Nil	0.11	N/A
Montana Group	452	+15.6	+0.2	6	7	3.5	11	0.9	32	2.3	2.16	970
Dairy Brands	60	+15.4	+2.1	7	-	1.3	0	1.3	333	Nil	4.16	29
Wrightsons Ltd	99	+13.8	+7.7	8	-	1.3	7	1.5	18	6.0	0.22	133
Utilico Int'l	44	+12.8	+0.9	8	-	1.0	-	1.5	NE	Nil	N/A	26
Reid Farmers	129	+12.6	+6.2	9	-	2.0	13	1.2	16	5.8	0.84	72
Powenco Limited	185	+12.2	+2.4	10	-	0.5	-	0.9	NE	Nil	0.65	N/A
Cabletalk Group	58	+12.1	-1.8	10	-	1.1	-	1.4	NE	Nil	N/A	7
NZ Oil and Gas	40	+11.9	+2.1	11	-	0.9	-	1.8	NE	Nil	2.54	46
Sanford Limited	635	+11.9	-1.5	12	5	1.6	12	0.9	13	4.7	1.72	607
Horizon Energy	1120	+11.6	-1.0	12	3	1.9	17	0.5	11	11.3	2.32	56
Sky City Ltd	1103	+11.6	+1.5	13	6	6.7	38	0.6	18	7.6	3.59	1,062
Cavalier Corp	555	+11.3	+3.1	14	3	2.5	16	0.8	15	8.1	0.91	200
Ports Auckland	580	+10.7	-0.2	15	6	3.2	19	0.7	17	4.6	4.98	769
Software of Exc	150	+10.6	+12.6	15	-	1.1	-	1.0	NE	Nil	0.80	8

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

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STRENGTH RATING														STRENGTH RATING																																																																																			
Company	Share Price	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price NTA	Return on Equity	Volatility	Price Earnings	Dividend Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price NTA	Return on Equity	Volatility	Price Earnings	Dividend Yield	Price Sales Ratio	Market Cap'n																																																																						
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UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0																																																																																																	
Watpac Ltd	30	+0.4	+2.2	31	00	1	1.1	13	1.7	8	10.2	0.12	21	St Barbara Mine	16	+7.9	+6.4	12	00	-	-	1.7	9	Nil	0.50	35	Amcor Ltd	676	+7.8	+2.1	12	70	10	2.7	18	0.7	15	5.6	0.57	4,279																																																									
A.P. Eagers	400	+0.7	+0.6	30	00	1	0.8	6	0.8	14	6.0	0.12	62	Pro Maintenance	197	+7.1	+2.8	14	00	-	2.1	21	0.8	10	4.6	0.87	127	Snack Foods Ltd	119	+6.9	+3.4	14	00	-	4.4	36	0.9	12	2.7	0.57	149																																																								
Abigroup Ltd	205	+2.7	+2.2	23	00	-	1.6	23	0.9	7	7.3	0.14	98	Barlow	4	+6.7	-0.3	14	00	-	1.3	9	2.9	15	Nil	0.20	9	Folkestone Ltd	56	+6.6	+2.0	14	00	-	0.9	21	1.1	4	8.9	0.28	12	Tamawood Ltd	60	+6.4	+1.6	14	40	-	5.5	53	1.1	10	9.2	0.85	13	Paspak Group	70	+6.1	+2.0	15	01	-	1.4	11	1.0	13	7.9	0.54	39																												
Multispares Hld	17	+2.9	+2.0	23	00	-	0.5	8	2.1	7	2.9	0.15	3	Australand Hold	166	+6.0	+4.4	15	00	-	4.3	19	0.8	7	7.2	0.99	805	Campbell Bros	500	+6.0	+0.8	15	30	2	3.2	29	0.7	11	6.0	0.49	157	Queens'd Tour.	36	+5.9	-2.7	15	00	-	0.9	33	1.3	3	Nil	0.74	6	Canberra Invest	40	+5.2	-1.1	17	00	-	0.7	15	1.2	5	10.0	0.43	12	Roberts Ltd	240	+5.0	+2.6	17	00	-80.0	-	-	0.8	9	7.5	0.19	25	Troy Resources	70	+5.0	+1.7	17	00	-	-	-	-	3	5.7	0.92	31
Skydome Holding	23	+4.3	+2.4	19	00	-	1.0	19	1.9	6	4.3	0.17	3	Goldfields	176	+4.9	+3.9	18	00	8	-	-	1.0	11	2.8	0.93	332	Foodland Assoc	1104	+4.8	+3.6	18	20	7	3.4	25	0.6	14	5.0	0.27	1,050	AMP Ltd	2000	+4.8	-0.3	18	10	11	2.5	13	0.6	19	2.4	0.80	22,315																																										
Ridley Corp.	73	+0.5	-0.4	31	01	3	0.8	6	1.3	13	5.5	0.17	176	Hills Indust.	290	+3.4	+3.0	20	30	3	3.1	20	0.8	16	4.8	0.77	350	Palm Corp	42	+4.6	-1.2	18	00	-	1.0	13	1.5	8	7.2	0.24	15	CDK Technonics	110	+3.4	+1.8	21	00	-	2.1	35	0.9	6	8.2	0.33	13																																										
Widgways Aust	37	+1.7	+2.3	26	00	-	0.8	-	1.6	6	10.8	0.17	12	Evans Deakin	230	+3.3	-0.8	21	01	2	1.5	8	0.9	18	8.3	0.28	217	Pirelli Cables	83	+3.2	-0.8	21	00	-	1.8	10	1.0	18	4.2	0.23	71																																																								
Sigma Company	240	+22.9	+6.4	2	00	-	2.1	11	0.9	20	3.1	0.19	329	Evans Deakin	230	+3.3	-0.8	21	01	2	1.5	8	0.9	18	8.3	0.28	217	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
Bidvest	290	+0.3	-0.2	32	00	-	2.4	16	0.9	16	2.6	0.19	570	New Hampton Gol	28	+3.0	-0.6	22	00	-	-	-	1.4	13	Nil	0.57	57	Trust Co of Aus	480	+3.0	+2.2	23	00	-	2.5	62	0.7	4	5.2	0.81	16																																																								
CMI Limited	121	+0.7	-0.2	29	00	-	1.9	37	1.1	5	6.6	0.19	33	Carlovers	20	+2.9	-0.7	23	00	-	2.2	26	1.5	9	Nil	0.45	14	Multispares Hld	17	+2.9	+2.0	23	00	-	0.5	8	1.6	7	2.9	0.15	3																																																								
Roberts Ltd	240	+5.0	+2.6	17	00	-80.0	-	0.9	9	7.5	0.19	25	AI Group	18	+2.9	+1.7	23	00	-	1.2	7	1.6	17	Nil	0.22	22	Abigroup Ltd	205	+2.7	+2.2	23	00	-	1.6	23	0.8	7	7.3	0.14	98																																																									
Downer EDI Ltd	54	+1.9	+3.7	26	00	-	1.2	18	1.4	7	5.2	0.22	423	WAM Capital Ltd	112	+2.7	+2.4	23	10	-	0.9	17	0.9	5	3.6	0.49	24	McCConnell Dowel	171	+2.7	+3.0	24	00	-	0.7	13	0.8	6	7.8	0.25	72																																																								
Rebel Sport	83	+10.1	+2.8	9	00	2	2.0	10	1.2	21	3.6	0.23	52	McCConnell Dowel	171	+2.7	+3.0	24	00	-	0.7	13	0.8	6	7.8	0.25	72	Breakwater Is.	28	+2.6	+1.8	24	00	2	0.7	9	1.4	8	9.3	0.78	40																																																								
Pirelli Cables	83	+3.2	-0.8	21	00	-	1.8	10	1.2	18	4.2	0.23	71	Haoma Mining NL	12	+2.3	+3.0	25	00	-	-	-	1.9	7	8.7	0.55	21	Astron Ltd	30	+2.3	+4.3	25	00	-	0.2	7	1.3	3	Nil	0.17	4																																																								
Volante Group	135	+5.7	-0.1	16	20	-	5.9	22	1.0	27	4.8	0.24	92	Shearer (John)	155	+2.0	-3.3	25	00	-	0.6	10	0.9	7	4.5	0.37	17	CCI Holdings	24	+1.9	+9.7	25	00	-	1.4	8	1.4	19	Nil	0.49	16																																																								
Palm Corp	42	+4.6	-1.2	18	00	-	1.0	13	1.5	8	7.2	0.24	15	Downer EDI Ltd	54	+1.9	+3.7	26	00	-	1.2	18	1.1	7	5.2	0.22	423	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23																																																								
Angus & Coote	440	+13.9	+1.9	5	10	-	1.1	10	0.8	10	5.5	0.25	53	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
McCConnell Dowel	171	+2.7	+3.0	24	00	-	0.7	13	1.0	6	7.8	0.25	72	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
Ludowici Ltd	169	+15.3	+3.1	5	30	-	0.8	8	1.0	10	5.0	0.26	24	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
K&S Corporation	215	+9.5	+6.3	10	10	3	1.2	8	0.9	15	5.6	0.26	64	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
United Group	153	+4.2	-1.1	19	10	4	2.4	25	1.0	9	5.9	0.27	124	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
Foodland Assoc	1104	+4.8	+3.6	18	20	7	3.4	25	0.7	14	5.0	0.27	1,050	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
Folkestone Ltd	56	+6.6	+2.0	14	00	-	0.9	21	1.4	4	8.9	0.28	12	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
Freedom Group	118	+0.7	+2.2	30	00	7	3.8	43	1.1	9	6.8	0.28	102	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
Crevet Ltd	68	+1.0	-0.2	28	00	-	0.9	-	1.3	NE	2.2	0.28	23	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
Evans Deakin	230	+3.3	-0.8	21	01	2	1.5	8	0.9	18	8.3	0.28	217	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
Coles Myer	626	+1.3	+0.8	27	20	14	2.2	14	0.8	15	4.3	0.29	7,374	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
Futuris Corp.	254	+12.0	+2.2	7	10	7	3.1	16	0.9	19	3.1	0.30	1,541	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																								
Vealls Ltd	95	+1.7	-1.9	26	00	-	-	1.2	3	8.0	0.31	5	Finbar Internl	25	+1.9	+0.7	26	00	-	0.9	21	1.4	4	12.0	0.60	23	OPSM Protector	272	+3.0	+6.3	22	00	5	5.1	34	0.8	15	6.1	0.65	363																																																									
Just Jeans Grp	134	+10.6	+2.7	9	00	4	2.4	18	1.0	13	6.7	0.31	108	Finbar Internl	25	+1.9	+																																																																																

"Insider" Trades in Australian Shares

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

"Insider" Indicators

Last 5 wks: 89.1% Buyers

Last 13 wks: 85.2% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
A.G.L.	2-0	Cent. Kalgoorie	1-0	Grow Force Aust	1-2	Mobile Innov.	3-0	Sausage Softwar	0-1
AMCIL Limited	1-0	Centennial Coal	5-0	HIH Insurance	12-4	Monto	1-0	Schaffer Corp	3-0
AMP Ltd	1-0	Chiquita Brands	2-0	HP JDV Limited	1-0	Mosaic Oil NL	2-0	Scientific Serv	0-1
APN News Media	1-0	Circadian Tech	2-1	Hallmark Gold	7-1	Mt Burgess Gold	4-0	SecureNet Ltd	1-0
ARC Energy	8-0	Citadel Pooled	1-0	Hansen Tech.	0-1	Mt Grace Res.	0-1	Seven Network	1-0
Acclaim Explor	1-0	Cleland	3-0	Hardman Res.	7-2	Murchison Un.	3-1	Sharon Austen	2-0
Acma Engineer.	1-0	Coates Hire	3-0	Harvey Norman	0-2	Nat'l Aust Bank	3-0	Shield Telecom.	5-0
Adacel Tech.	1-2	Cobra Resources	1-0	Healthscope	12-4	Nat'l Foods	2-0	Simeon Wines	1-0
Adsteam Marine	3-0	CocaCola Amatil	1-0	Helix Resources	2-0	Nat'l Forge	0-1	Skilled Eng.	2-1
Adtrans Group	4-1	Coles Myer	2-0	Herald Resource	8-0	National Hire	2-0	Smith (Howard)	3-0
Allegiance Min.	2-0	Com'wealth Bank	5-0	Hillcrest Res.	2-0	Nautronix Ltd	1-0	Sonic Health	0-4
Ambition Group	4-0	ComOps Limited	1-0	Hills Indust.	3-0	Neverfall Spr.	0-1	Sons of Gwalia	0-1
Amcort Ltd	7-0	Comb Communicat	2-1	Horizon Mining	1-0	New Tel Ltd	1-2	Soul Pattinson	2-0
Amity Oil NL	4-1	Commsecure Ltd	6-0	Housewares Int.	2-0	Newcrest Mining	3-0	Southcorp Ltd	3-0
Amrad Corp.	3-0	Commsoft Group	0-1	Huntley Bus Net	1-0	News Corporatio	4-0	Spencer Gulf TV	4-0
Anaconda Nickel	1-0	Computer Share	4-7	Huntley Invest	1-4	Noni B Limited	1-0	Sphere Invest.	1-0
Angus & Coote	1-0	Corp Express	1-3	Hydromet Corp.	2-0	Normandy Mining	4-0	St Frances Min.	2-0
Aquila Res.	2-0	Crane Group	1-0	IXLA Limited	0-1	Normandy NFM	2-0	St George Bank	2-0
Argo Investment	4-2	Craton Res.	2-0	Illuka Resource	1-0	North Ltd	1-0	Sthn Cross Brd.	4-0
Ashburton Min.	1-0	Croesus Mining	0-3	Iindex NL	1-2	Nufarm Limited	2-3	Sthn Star	2-0
Atkins Carlyle	4-0	DCA Group Ltd	3-1	Institute Drug	6-3	OAMPS	12-1	Straits Res.	1-0
Atlas Pacific	0-2	Dalrymple Res.	2-0	Int'l Contract	0-1	Olea Australia	1-0	Strategic Poole	1-0
Ausdoc Group	1-2	Darowa Corp	9-0	Int'l Allsports	0-1	Online Trading	2-0	Sun Resources	4-1
Auspine Ltd	3-0	David Jones	7-1	Int. Workforce	1-0	Online Advant.	3-1	Suncorp-Metway	2-1
Aussie Online	0-1	Davids	1-0	Intermin Res	2-0	Orbital Engine	1-0	Swish Group	2-0
Aust United In	1-0	Day Trader HQ	3-0	Internet Travel	2-0	Orica Ltd	6-0	TAB Ltd	1-0
Aust Stock Exch	2-1	Delta Gold NL	1-0	Investor Info	1-0	Oroton Int'l	0-1	TAB Queensland	3-0
Aust Rural	4-0	Diamond Rose	1-0	Investor Web	1-0	Oxiana NL	3-0	Takoradi Gold	1-0
Aust Foundation	6-0	Div. United Inv	1-0	Investor Group	0-4	PCH Group	1-0	Tamawood Ltd	4-0
Austar United	1-0	Djerriwarrh	4-1	locom Limited	3-1	PMP Limited	6-1	Tap Oil	3-0
Austindo Res	1-0	E-Star Online	1-0	Joyce Corp.	1-0	Pac Strategic	5-0	Tassal Ltd	1-2
Austin Group	1-0	ETRADE Aust.	2-0	Jubilee Mines	1-3	Pacific Group	4-0	Technology One	0-3
Austrim Nylex	5-0	Efinancial	1-0	Julia Ross Rec.	4-0	Pacific Dunlop	8-0	Tectonic Res.	0-1
Austral Coal	2-0	Ehyou.com	2-0	K&S Corporation	1-0	Paperlin X Ltd	3-0	Text Media Grp	8-0
Auto Group Ltd	1-0	Emitch Limited	1-0	Kagara Zinc Ltd	6-3	Payce Consol.	6-0	Ticor Ltd	1-0
Automotive Ind.	4-1	Energy Develop.	1-3	Kimberley Diam.	0-1	Perilya Mines	1-0	Timbercorp	2-0
B.H.P.	3-1	Energy Equity	1-0	Kingsgate Cons.	2-0	Perp Trust Aust	6-4	Toll Holdings	2-0
BRL Hardy Ltd	9-7	Equigold NL	3-2	Kingstream St'l	1-0	Peter Lehman W.	4-2	Tourism Assets	6-4
BT Aust Equity	5-1	Equs Limited	2-0	Lafayette Min.	1-0	Phoenix Mining	0-1	Travel.com.au	2-0
BT Resources	5-0	Euroz Limited	1-0	Lakes Oil NL	3-0	Plaspak Group	2-0	Triako Res.	3-1
Bank of W.Aust	1-0	Evans Deakin	0-1	Legalco Limited	1-0	Platinum Aust	0-1	Union Capital	0-3
Barton Capital	1-0	Evans & Tate	2-5	Lemarne Corp	1-0	Platinum Cap'l	3-0	United Group	1-0
Beacon Fin Serv	10-1	Fairfax (John)	10-0	Lend Lease Corp	3-0	Poltech Int'l	3-2	Utility Serv.	3-0
Bendigo Bank	5-1	First Aust Res.	0-1	Lion Selection	1-0	Portman Mining	2-0	Vietnam Indust.	3-1
Billabong Int'l	0-2	Flight Centre	0-1	Ludowici Ltd	3-0	Powerlan Ltd	1-0	Village Road.	0-1
Biota Holdings	1-0	Foodland Assoc	2-0	M.I.M. Holdings	3-0	Precious Metals	1-0	Villa World	1-0
Biron Corp	8-0	Formida Holding	1-2	M.Y.O.B. Ltd	3-1	Prime Life Corp	2-0	Vision Systems	1-2
Blackmores Ltd	1-0	Fortland Hotel	4-0	MXL Limited	1-0	Prime TV	1-0	Volante Group	2-0
Boral Limited	5-0	Foster's Brewin	2-0	MacMahon Hold	3-0	Publishing & Br	2-3	Vostech Limited	1-0
Brandrill	0-1	Futuris Corp.	1-0	Macmin NL	4-0	Q Multimediu	1-0	WAM Capital Ltd	1-0
Brazin Limited	4-0	G.U.D. Holdings	2-0	Macquarie Bank	4-2	Q.B.E. Insur.	1-0	WRF Securities	1-0
Brickworks Ltd	7-0	GME Resources	1-0	Macro Corp.	1-0	Qantas	1-2	Waterco Ltd	6-0
Buderim Ginger	1-0	GWA Internat'l	4-0	Magellan Petrol	1-0	Queens'd Cotton	3-0	Wattyl Ltd	5-0
Buka Minerals	2-0	Garratt's Ltd	3-1	Magnetic Min.	0-2	Queensland Opal	3-0	Wedgetail Exp.	1-0
Bunnings W/hse	3-0	Gazal Corp	2-3	Majestic Res.	3-0	R M Williams	4-0	Wells Gold Corp	2-1
Burswood Ltd	9-0	Gemstone Corp	1-0	Marymia Explor.	2-0	RCR Tomlinson	1-0	Werrie Gold Ltd	0-1
C & W Optus	2-0	Genetic Tech.	1-0	Maxi TRANS	2-0	Ramsay Health	1-0	Westfarmers Ltd	12-0
C.S.R. Ltd	10-1	Ges Internat'l	0-1	Mayne Nickless	1-0	Ranger Minerals	1-0	West Oil NL	3-0
CI Technologies	3-0	Gippsland Ltd	3-0	McGuigan Wines	4-0	Range Resources	1-0	West'n Metals	6-0
CSL Limited	0-1	Giralia Res.	1-0	McPherson's Ltd	1-0	Recruiters Aust	3-0	Westel Group	0-2
Cabonne Limited	0-1	Glengarry Res.	1-2	Metroland Aust	6-0	Redflex Holding	2-0	Westfield Hold.	3-8
Campbell Bros	3-0	Global Doctor	0-1	Michealago Res.	4-0	Reinsurance Aus	6-0	Westpac Banking	0-2
Canbet Limited	1-0	Gold & Resource	0-1	Micromedical	1-0	Ridley Corp.	0-1	Wet Dreams Ltd	3-0
Cape Range Wire	1-0	Goldstream Min.	1-0	Millers Retail	0-1	Rio Tinto Ltd	1-0	Whitefield Ltd	0-2
Capral Alum.	4-0	Goodman Fielder	2-0	Milton Corp.	5-0	Rural Press Ltd	1-0	Wide Bay Cap'n	0-1
Carnegie Min'ls	1-0	Grand Hotel	13-0	Mineral Commod.	0-2	S.P.C. Ltd	4-1	Wine Investment	1-0
Catalyst Rec'mt	2-0	Greater Pacific	2-0	Minotaur Gold	2-0	SME Growth	1-0	Woolworths Ltd	1-0

"Insider" Trades in Australian Shares

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

Rank	Industry Group	Insider Buy-Sell	No. of Buyers-Coys	Average Sellers	Rank	Industry Group	Insider Buy-Sell	No. of Buyers-Coys	Average Sellers	Rank	Industry Group	Insider Buy-Sell	No. of Buyers-Coys	Average Sellers
1	Insurance	32-5	8	+3.38	24	Light Engineering	8-1	14	+0.50	47	Other Telecommunications	8-3	24	+0.21
2	Hospital Management	13-4	4	+2.25	25	Brewer	2-0	4	+0.50	48	Gold Producer	12-5	44	+0.16
3	Diversified Industrial	54-3	23	+2.22	26	Vintner	24-16	18	+0.44	49	Health & Related Products	3-0	21	+0.14
4	Building Materials	34-1	15	+2.20	27	Equity Investor	41-10	71	+0.44	50	Computer & Office Serv.	28-18	77	+0.13
5	Publishers	19-1	10	+1.80	28	Gold Explorer	62-10	120	+0.43	51	Mineral Sands	3-2	11	+0.09
6	Trustee Company	16-5	7	+1.57	29	Pharmaceutical	11-5	14	+0.43	52	Biotechnology	2-0	31	+0.06
7	Diversified Mining	8-1	5	+1.40	30	Misc Industrial	21-5	39	+0.41	53	Other Utilities	0-0	2	+0.00
8	Banking	24-8	16	+1.00	31	Mineral Exploration	28-8	51	+0.39	54	Other Infrastructure	0-0	7	+0.00
9	Chemical & Fertiliser	11-3	9	+0.89	32	Property Trust	26-4	61	+0.36	55	Energy/Electricity	3-3	13	+0.00
10	Base Metals	22-4	22	+0.82	33	Food	13-4	27	+0.33	56	Soft Drink/Confectionery	1-1	9	+0.00
11	Television	7-0	9	+0.78	34	Engineering Contractor	2-0	6	+0.33	57	Diamonds	2-2	15	+0.00
12	Casinos/Gaming	15-2	17	+0.76	35	Retail	24-13	34	+0.32	58	Gold/Copper	0-0	2	+0.00
13	Misc Services	37-6	43	+0.72	36	Manufacturer/Retailer	10-6	13	+0.31	59	Leisure Activities	2-2	11	+0.00
14	Coal	7-0	10	+0.70	37	Property Dev't/Manager	6-0	20	+0.30	60	Advertising/Marketing	0-0	9	+0.00
15	Property Investor	6-0	9	+0.67	38	Transport	6-3	10	+0.30	61	Mining Investment	0-0	4	+0.00
16	Wholesaler/Retail	6-0	9	+0.67	39	Automotive	5-1	14	+0.29	62	Hotel/Resort	0-0	7	+0.00
17	Oil/Gas Exploration	32-5	41	+0.66	40	Misc Financial	22-13	33	+0.27	63	Machinery Manufacturer	0-0	3	+0.00
18	Diversified Media	25-3	34	+0.65	41	Entrepreneurial Investor	2-0	8	+0.25	64	Uranium	0-0	2	+0.00
19	Forest Products	6-0	11	+0.55	42	Network Operator	2-0	8	+0.25	65	Oil/Gas Investor	0-0	2	+0.00
20	Mining Producer	10-2	15	+0.53	43	Gold/Other Mining	1-0	4	+0.25	66	Equipment/Services	3-4	53	-0.02
21	Investment Trust/Company	17-2	29	+0.52	44	Building Contractor	3-0	12	+0.25	67	Mining Services	1-3	12	-0.17
22	High Technology	21-5	31	+0.52	45	Oil/Gas Producer	4-0	17	+0.24	68	Health/Medical Services	0-5	16	-0.31
23	Residential Developer	5-0	10	+0.50	46	Agricultural	9-5	18	+0.22	69	Heavy Engineer	0-2	6	-0.33
										70	Gold/Investment	0-1	2	-0.50

Australian Insiders Buy "Misc. Services" Shares

The chart of the Australian share index shows that the stockmarket has fluctuated only slightly over recent years while steadily moving to new highs. Our own experience with Australian investments has been even better - with several big winners (e.g. JNA, ERG, Flight Centre, Toll, Vision) producing outstanding returns from this sector of our investment portfolio!

There is, however, another side to the Australian stockmarket. Investors will be aware that the Technology sector has fallen sharply (e.g. profitable **Melbourne IT** is down 96% from its peak), but other sectors have also fallen significantly. Several good examples can be found in the **Misc Services** sector. Our *Insider Trades* reveals that insiders have been buying shares in this depressed sector, with 37 buys and only 6 sells over the last year among the 43 companies that make up this diverse industry group. Some of these shares *could* become attractive buying over the next year with an upturn in their businesses and as their share prices start to recover.

As one would expect, Misc Services covers a wide range of companies, including internet companies and cleaning companies, but two cyclical businesses are Equipment Hire and Recruitment.

Equipment Hire

Equipment Hire is a capital intensive, high fixed cost

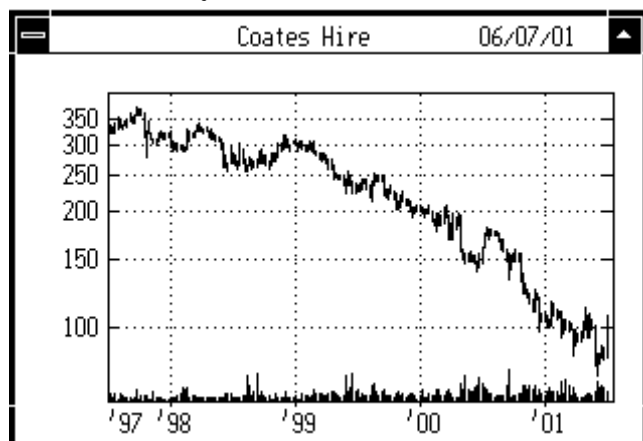
business - while revenues are tied to the cyclical construction/building industries. This makes Equipment Hire a very cyclical business where profitability will vary widely over the economic cycle. Cyclical shares can make excellent investments. Profits and share prices fall significantly during an economic slowdown, but will recover very strongly when economic activity improves. So with the construction and building industries depressed, we are waiting for the right opportunity to consider buying into Equipment Hire shares.

Two Equipment Hire companies worth watching are:

Company	Market Cap'n	P/E Ratio	Div. Yield	P/S Ratio	Decline from Peak	Insider Buy-Sell
Coates Hire	\$108 mil	5	15.5%	0.41	-72%	3-0
National Hire	\$7 mil	2	18.5%	0.15	-70%	2-0

Not surprisingly Coates Hire is experiencing lower profits during the current financial year. The interim profit and dividend were down 50%, with similar declines expected for the full year. This would increase the P/E to 9 and lower the Yield to 8% - which are still attractive valuations! Owing to cost reductions the company expects profits to recover 20-25% in the June 2002 year with a "strong upturn" in the June 2003 year. The low fundamental valuation and insider buying are positive but technically the shares (Continued on Page 10)

Insiders Buy Misc Services (Continued from Page 9) are very weak so could continue to under-perform in the immediate future. Coates Hire shares could become an attractive buy in mid 2002.



National Hire is a very small company (probably too small to consider as a possible recommendation), but is experiencing a similar trading downturn. Insider buying in this company *confirms* the view that Equipment Hire shares are becoming attractive for investment.

Recruitment

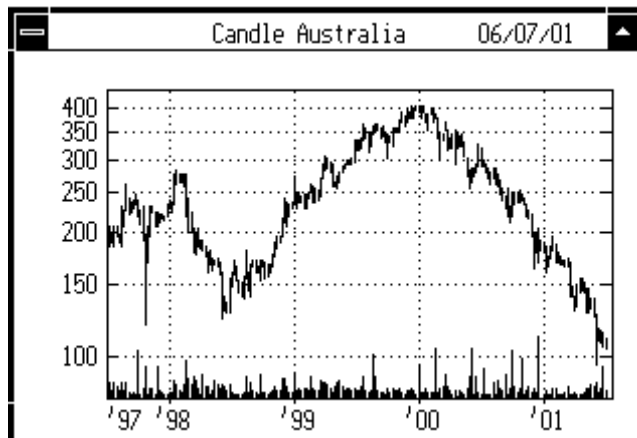
Another cyclical business included in Misc Services (with different investment characteristics) that interests us is Recruitment (i.e. employment agencies). Demand for staff is lower during a recession and people change jobs less frequently, so this sector is currently experiencing a slight decline in revenues and profits - although share prices have fallen very sharply! A favourable characteristic of this business is that it is not capital intensive - so companies can distribute a higher percentage of their profits to shareholders as a dividend. This sector therefore offers a high current income as well as the potential for significant capital appreciation as shares recover from cyclical lows. A well managed company could also expand very rapidly with little new capital investment, so the sector offers the potential for real long term growth.

Many Recruitment firms have listed on the Australian stockmarket over recent years, so we have a very wide range of potential investments:

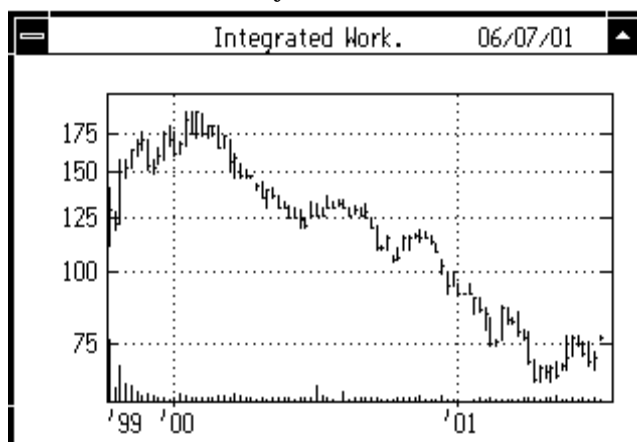
Company	Market Cap'n	P/E Ratio	Div. Yield	P/S Ratio	Decline from Peak	Insider Buy-Sell
Candle Australia	\$37 mil	7	10.8%	0.18	-73%	0-0
Catalyst Recruit.	\$6 mil	4	8.3%	0.11	-80%	2-0
Integrated W/force	\$33 mil	8	8.4%	0.23	-59%	1-0
Julia Ross Rec.	\$42 mil	10	Nil	0.34	-26%	4-0
Recruiters Aust.	\$6 mil	4	20.0%	0.14	-100%	3-0
Recruitment Soln	\$6 mil	2	29.6%	0.11	-89%	0-0
Skilled Engineer.	\$76 mil	5	15.0%	0.11	-77%	2-1

The low P/E ratios and high Yields indicate that this sector is near its cyclical lows - although a sustained recovery may still be 6-12 months away.

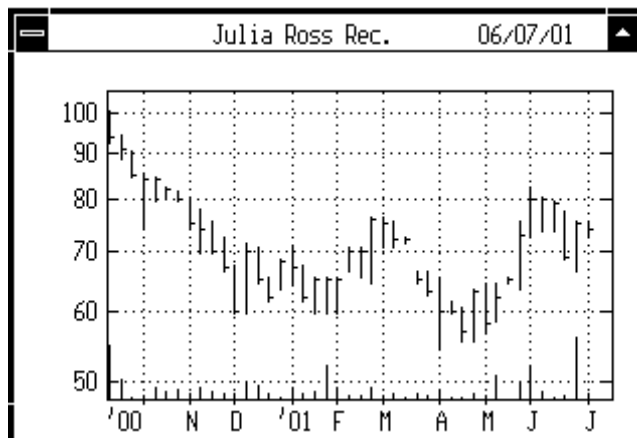
Candle Australia's first half profit rose 5% but the interim dividend was steady at 5.5 cents. The full year profit is expected to fall 33%. Candle Australia has very low debt levels - just \$4.3 million of interest bearing debt - making this a financially strong company. Operating cash flows are available to pay dividends or fund acquisitions.



Integrated Workforce's half year profit slipped 6% with a steady 3.25 cents interim dividend. The company has just spent \$600,000 cash on an acquisition. Debt levels (\$5.4 million) are low, making Integrated Workforce a financially sound business.



Julia Ross Recruitment is a recent listing, so comparative figures are not available, but the company has introduced some innovative services (e.g. a *talking CV*, using webcam to store a candidate's video clip online) and recently made its first acquisition (for cash and options), so is well worth watching. Managing Director Julia Ross - who owns over half of the company - has purchased additional shares on-market four times over the last year. This company also has a low level of interest bearing debts (\$4.9 million).



Catalyst Recruitment and Recruitment Solutions are too small for us to consider ever recommending, but insider buying at Catalyst confirms the industry trend.

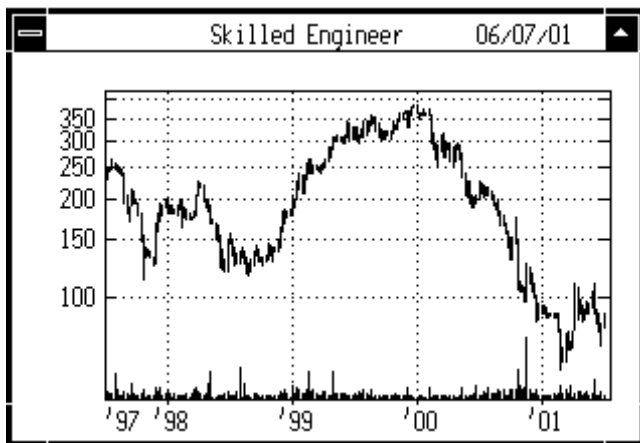
Unfortunately, Recruiters Australia was placed in receivership in May after running out of cash (and the

July 10, 2001.

business has subsequently been sold), so the shares are probably now worthless. In this case, insider buying probably indicated good value in the shares, but this very small company lacked the financial resources to survive the downturn.

Unlike the other companies, Skilled Engineering not only runs an employment agency but employs its own staff to provide outsourced services for other businesses and is involved in the manufacture of fire fighting equipment and other heavy industrial engineering services. The half year result showed a \$4.5 million loss (compared with a \$7.0 million profit the previous year) and the dividend was cut to zero. The full year is expected to show a smaller loss (a \$13.3 million profit last year) and no dividend.

Skilled Engineering's interest bearing debt is high at \$57.4 million (compared with Shareholders Equity of \$39.3 million). This makes the company more risky, but also more cyclical. Interest costs will have contributed to the recent half year loss, but a leveraged capital structure can result in greater profit recovery and growth when the business improves.



Technically all of these Recruitment shares are very weak - so will probably remain depressed and underperform the stockmarket over the next 6-12 months.

Summary and Recommendation

While it may still be a little early to buy into Equipment Hire and Recruitment companies, these shares are probably close to their cyclical lows.

These are attractive cyclical sectors in which we expect to eventually make an investment or two! The only questions are (1) when will a sustainable cyclical recovery in share prices begin? (e.g. probably mid to late 2002) and (2) which company's shares will offer the best recovery and growth potential?

Insider buying, low fundamental valuations and recovery potential in 2002/2003 make Coates Hire an attractive situation.

Similarly we like the insider buying in Julia Ross, although Candle Australia and Integrated Workforce appear to offer better fundamentals (i.e. low P/E, lower P/S and high Dividend Yields). All three are quality businesses.

On the other hand, lower quality businesses - Skilled Engineering with its high debt levels and problem contracts - are often the best cyclical investments. Often shares in lower quality businesses can be purchased very cheaply and so offer outstanding potential for capital appreciation when profits recover.

NZ Shareholders Association Inc

The NZ Shareholders Association was formed earlier this year to protect the interests of minority public shareholders. Your Editor is a founding member and was elected to the five member executive committee. The details of the full committee and contact details are listed on the Association's website.

The Association's main objective is "to support and encourage ethical management of listed companies for the benefit of all shareholders". The Association's "Research" activities will monitor NZ listed companies and its "Advocacy" function will question companies engaged in activities that may not be in the best interests of shareholders. The Association will also be active in attending Annual General Meetings to question directors. Future activities will include organising proxies from minority shareholders to vote at meetings.

What impact can the NZ Shareholders Association have on standards of corporate management in NZ? Perhaps very little - although, given the excessive abuses of the past, any improvement may be significant. The Association has already written to several listed companies and these letters - together with the replies - are being published on the website for all investors to read. As this database develops investors will be able to judge for themselves whether a company is working for its minority public shareholders or pacifying them with meaningless (and misleading) platitudes!

Your Editor's main area of responsibility is *Communications & Membership* for the NZ Shareholders Association. Many Association members have volunteered their services in *Research* and *Advocacy*, while your Editor is working to utilise internet technology to administer communications and membership functions.

The NZ Shareholders Association website address is www.nzshareholders.co.nz. Membership of the Association is open to all investors for a fee of \$80/year. There are currently around 140 members.

Ordinary Share Certificate

NZ Shareholders' Association Inc

This is to certify that the person named herein is the registered holder of the number of FULLY PAID ORDINARY SHARES specified subject to the Memorandum and Articles of Association of the Company



Sign Up as a Member	Shareholder Advocacy.	
What is the NISA	The Association has written to the following NZ listed companies.	
What's New	Association Letter to:	Company Reply:
Calendar of Events	The Warehouse 18/9/2001	
Shareholder Advocacy	Air New Zealand 14/9/2001	
Shareholder Rights	Telecom NZ 29/5/2001	Bank 29/5/2001
Executive Board	Telecom NZ 29/5/2001	

Readers Ask . . .

Question: I have been one of your subscribers for some time. Successful Australian investments (recommended by you) have now prompted me to open a broker account with Sanford in Australia. Everything seems to be operating OK, but I am puzzled by the nature of the three accounts shown, i.e. "Cash Management", "Trading", and "Trust". I think you also use Sanford and thought you may be able to explain the following:

1. Will I have a Trust Account already set up for me?
2. What is the difference between the operation of each account?
3. How can I find out (using the Internet) what the current interest rate applying to each account is at any time?
4. Do I need to shift money between them, and if so, how do I do this?

Answer: Most internet brokers operate this type of system for managing your cash and it will all be set up when you open your account.

Most of the time all of your money will be in the Cash Management Account - which in this case is managed by National Australia Bank with the broker having access to withdraw or deposit funds to meet settlements from shares you buy or sell. NAB will send you quarterly statements showing the interest rate and you can probably also find this information from their website.

When you buy shares, however, the money will remain in the Cash Management account until the settlement date - which is the third business day after the trade. To keep your accounting records straight (i.e. so your account doesn't show the shares you have bought *and* the cash that has not been taken to pay for them) the broker will show a negative balance in your Trading Account - which is basically nothing more than a note to show this money is owing but has not yet been taken to pay for the shares. On the settlement date the broker will withdraw money from your Cash Management account to pay for the shares, and reverse the accounting entry to the Trading Account.

The opposite accounting entry is made to the Trading Account when you sell shares. Prior to settlement the broker will show a positive balance in the Trading Account, which is money to be received at settlement. You are able to re-invest funds in the Trading Account in new purchases.

The Trust Account is a clearing account and will normally have a zero balance at the end of the day. To make settlement for the purchase of shares, the broker will withdraw money from your Cash Management account and credit your Trust account. They will then settle with the selling broker and debit your Trust account - leaving a zero balance.

All of your cash will stay in the Cash Management account and the broker will automatically transfer funds between the other two accounts as part of their accounting and settlement procedures.

Question: Can you look at our Share Club portfolio and make any suggestions? We have recently sold Montana for a big profit (and have cash for re-investment) but many other shares have performed poorly. We have been following a broker's advice but are currently reviewing this situation and the portfolio.

Answer: The performance of this share club portfolio has not been good. Of the 17 remaining holdings, only one shows a profit and there are many large losses!

The portfolio consists of a mix of mainly (1) large, blue chip shares and (2) speculative tech shares. It is also poorly diversified with the five largest holdings making up about half of the portfolio. To improve the performance of this portfolio:

1. Improve diversification. This will avoid the very big losses. Individual shareholdings should be limited to no more than 10% of the portfolio (at the time of purchase), while speculative shares should be no greater than 5%.
2. Develop an Investment Strategy and Share Selection Criteria. The whole purpose of a share club is that members get together to share ideas, to discuss investments and to learn. If you are simply going to follow a broker's advice, why bother joining a club or attending monthly meetings?

Your club needs to develop its own investment strategy and some guidelines for share selection. Perhaps a good place to start would be to read my *Share Selection Methods used in Market Analysis* report and look at some of the stock market books that I import for my newsletter subscribers. Your group may not agree with all of my methods, but it does need to decide for itself how it wants to invest.

I would suggest that your share club consider companies that are somewhere between the blue chip and the speculative shares in which the portfolio is currently invested. Blue chip shares are widely followed, so are seldom under-valued and therefore do not offer the best returns. Most of the speculative companies simply don't have viable businesses that will survive over the longer term.

Medium sized listed companies offer better potential. These shares are not so widely followed, so tend to be under-valued. They are often younger, growing companies, so have better growth potential. These companies are also big enough to be viable and to be able to survive and grow.

For example, Australian listed **Auspine** is probably a better investment than **Carter Holt Harvey**. The companies are similar (i.e. grow trees and sell logs, wood chips and other timber products) but Auspine shares trade on a low P/E of 6 and a Yield of 9%, while Carter Holt trades on a P/E of 12 and Yields just 3½%.

Several other of the larger company shares (e.g. Contact Energy, Natural Gas) offer a good income, but probably limited potential for capital appreciation. Other shares (e.g. Nuplex, Steel & Tube, Campbell Bros, McPhersons, OAMPS) offer a higher income and have better potential for capital growth.

Investment Risks and Returns: The Theory and Practice

All investors are exposed to two different *types* of risk. Exposure to one of these types of risk offers investors higher expected returns! Exposure to the other type of risk does not offer higher returns. Becoming a successful stockmarket investor requires *understanding* and *managing* risk exposure.

“Systematic Risk”

The first type of risk is called *systematic risk*. While that is a very boring name, this is a very interesting type of risk as investors are paid high returns for holding investments that are considered to have high *systematic* risk. This type of risk is related to two factors:

1. *Asset classes* (i.e. fixed interest, local shares, international shares), and
2. An individual's *investment horizon* (i.e. the period of time over which you are investing to achieve your financial goals).

The concept of *investment horizons* does not comply with (simple) academic theories of “risk and return” so is usually ignored. To make their theories work, academics conveniently assume one year investment horizons (i.e. annual returns) although, in practice, many investors have much longer investment horizons and - as we shall soon see - therefore have a much lower exposure to *systematic* risk.

Systematic risk tells us that Fixed Interest investments have low risks but offer low returns (e.g. historically averaging around 5% per annum). Local Shares involve high risks, but offer high returns (e.g. around 10% p.a.), while International Shares have higher risks but offer even higher returns (e.g. 12% p.a.).

Investors can manage systematic risk by choosing in which asset classes they will invest. A person with a low tolerance for risk should therefore choose to invest all or most of their portfolio in low risk fixed interest investments, but will earn only a low return. A person with greater risk tolerance can invest all or most of their portfolio in local and international shares. While there is the risk that 30-40% of years will be unprofitable, the average *expected* return will be higher! Investors exposed to higher systematic risks therefore earn higher expected returns.

The importance of a person's *investment horizon* on managing *systematic risk* is usually ignored! Economic theory assumes annual stockmarket returns are random, when they tend to be *mean reverting* (i.e. periods of high returns tend to be followed by periods of low returns) so good and bad years returns tend to net out, leaving investors with just the higher *expected* returns. *In theory*, investing in shares over a 20 year period should still be more risky than investing in fixed interest investments. In practice, however, 20-year returns from shares are less volatile than 20-year returns from fixed interest investments.

So, paradoxically, shares have high *systematic risk* in the short term (i.e. over one year) but low *systematic risk* over the very long term (i.e. 10-20 years).

There are actually three ways to manage and control *systematic risk*:

1. In the short term the choice is between low systematic risk and low returns (i.e. fixed interest) or high systematic risk and high returns (i.e. shares). Short term investors therefore have to accept higher risk to earn higher returns.
2. Diversification between asset classes can reduce systematic risk. For example, international shares have higher systematic risk and offer higher returns than local shares. However, a share portfolio with 20-60% International shares will have *lower* systematic risk and produce slightly *higher* returns than a portfolio of just local shares.
3. Over the long term the systematic risk in shares reduces. Over 10 years, shares are only slightly more risky than fixed interest, and over 20 years shares are less risky. So, for very long term investors, shares have lower *systematic risk* than fixed interest - but still offer those higher expected returns! Investors should therefore seek to take a very long term approach to investing. Investing in the stockmarket over many years is sometimes called *time diversification*.

“Unsystematic Risk”

The second type of risk, called *unsystematic risk*, does not pay investors higher returns. This is the risk involved in making individual investments within any asset class.

For example, if you put \$100,000 in a fixed interest bond and the company gets into financial trouble it may default on the payment of interest and the repayment of your capital. You, however, receive no higher expected return from putting all of your money in just one company. Investing \$20,000 in each of five different fixed interest bonds will produce the same interest rate from each investment, but reduces the *unsystematic risk* of a company defaulting.

Spreading your money over many different companies to diversify away *unsystematic risk* is even more important on the stockmarket where the performance of individual shares will vary widely. Academic studies have shown that an eight share portfolio will *on average* remove 90% of *unsystematic risk*. Actual eight share portfolios may remove more *or less* than 90% of *unsystematic risk*, so in practice a *greater* number of shares is preferred.

In fact, the degree of diversification will often depend upon the amount of money available for investment. With just \$5000 we suggest investing \$1000 in five different shares. With a \$20,000 portfolio, invest \$1500-2500 in 8-12 shares and with \$500,000 to invest, put about \$10,000-20,000 in 25-50 shares and international funds.

Exposure to *unsystematic risk* does not produce higher expected returns - so investors should seek to eliminate this type of risk by diversifying their portfolio over a large number of securities.

"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held	
				Before	After
15/06/2001					
AQL Holdings	Cullen Investments	Sell	-19.000	9.17%	0.0%
Beauty Online	GK Ritson	Buy	+7.300	0.0%	26.07%
Broadway Industries	Duxford Investments	Buy	+0.162	40.00%	41.10%
Fisher & Paykel	AXA Asia Pacific	Sell	-1.583	6.11%	4.77%
Richmond	PPCS	Buy	+14.663	16.73%	52.54%
Sky Network TV	Ind Newspapers	Buy	+42.537	55.32%	66.25%
Telecom NZ	Franklin Resources	Buy	+20.942	7.09%	8.22%
22/06/2001					
Broadway Industries	Widespread Portfolio	Buy	+0.030	4.86%	5.06%
Ind Newspapers	Todd Capital	Buy	+42.537	5.00%	14.40%
PDL Holdings	Schneider Electric	Buy	+8.100	28.30%	87.90%
Sky Network TV	Todd Capital	Sell	-42.537	11.36%	0.0%
Spectrum Resources	Momentum Invest	Sell	-41.385	13.50%	0.0%
Tasman Agriculture	Brierley Investments	Sell	-41.796	66.18%	0.0%
Tower Ltd	Perpetual Trustees	Sell	-2.170	7.01%	5.79%
29/06/2001					
Carter Holt Harvey	Franklin Resources	Sell	-2.435	5.12%	4.98%
E-Ventures	AMP	Buy	+4.686	0.0%	5.21%
Fisher & Paykel	The Capital Group	Sell	-11.628	7.65%	6.61%
Utilico International	Hettinger Nominees	Sell	-1.025	6.72%	5.32%
06/07/2001					
Broadway Industries	Duxford Investments	Buy	+1.715	41.10%	50.33%
Broadway Industries	Widespread Portfolio	Sell	-1.000	5.06%	0.0%
Contact Energy	Edison Mission	Buy	+2.700	47.86%	48.90%
Cue Energy	Cable & Telecom	Sell	-87.000	30.91%	0.68%
Cue Energy	Todd Petroleum	Sell	-4.875	6.90%	5.44%
Cue Energy	Octanex NL	Buy	+21.976	0.0%	8.51%
Cue Energy	EG Albers	Sell	-1.395	2.04%	1.40%
Evergreen Forests	Teachers Pension	Buy	+4.743	6.35%	10.12%
Fletcher Forests	AMP	Sell	-7.223	5.12%	4.93%
Seafresh NZ	Lim Family	Sell	-0.855	57.87%	56.58%

Total Return Index for All Listed Shares

Jun 11	2137.93	Jun 18	2124.89
Jun 12	2136.78	Jun 19	2113.21
Jun 13	2131.14	Jun 20	2106.81
Jun 14	2124.42	Jun 21	2095.34
Jun 15	2119.56	Jun 22	2097.07
Jun 25	2094.52	Jul 2	2114.39
Jun 26	2087.68	Jul 3	2127.20
Jun 27	2078.11	Jul 4	2134.41
Jun 28	2091.73	Jul 5	2133.78
Jun 29	2102.91	Jul 6	2132.70

Current Issues

SHARE REPURCHASES

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

CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
Cabletalk	9:1	50	25-06	13-07

Dividend \$

Company	Cents per Share	Ex- Date	Pay- able	Tax Credit
Bendon Ltd	4.00	09-07	11-07	Full
Kiwi Development (1)	7.00	-	-	Nil
Dorchester Pacific	3.00	16-07	22-07	Full
Mainfreight	3.50	16-07	20-07	Full
Nuhaka Farm Forestry	35.00	16-07	22-07	Nil
Owens Group	3.00	16-07	24-07	Full
Powerco Ltd	7.70	18-06	28-06	Full
Ryman Healthcare	2.80	02-07	06-07	Nil
Tower Corporation	14.00	16-07	16-07	1.00
Trust Power	8.00	20-08	31-08	Nil

(1) Payable to shareholders who accepted the takeover offer from Kiwi Income Properties.

Company Review

Just Jeans featured as a *Company Analysis* in the May issue of *Market Analysis* (at \$1.01) as a share "attractive to investors seeking a high income plus the potential for 20-25% p.a. capital appreciation over several years".

At the end of June **Catalyst Investment Managers** revealed its plans to privatise the company (subject to due diligence and shareholder approval) at A\$1.35 per share. The Kimberley family, who own 59% of Just Jeans, immediately announced their intention to accept the offer and the directors hastily recommended acceptance "in the absence of a higher offer" despite also disclosing earnings (before interest and tax) "up around 50% on the previous year".

Due diligence, shareholder approval and court approval for the scheme of arrangement may take some time, so investors will probably not be paid until at least late September or early October. As the major shareholders have emerged as eager sellers and the directors have already recommended acceptance it is very unlikely this \$1.35 offer will be increased - unless a rival bidder comes forward.

In the meantime Just Jeans shares are quoted at 133-134 cents, with 108,741 shares trading Friday at 134-135 cents. Therefore investors who bought Just Jeans shares will probably do better selling on-market for 133-134 cents now, rather than the slight uncertainty and delay involved in waiting for 135 cents in the takeover.

Next Issue

The next issue of *Market Analysis* will be posted in five weeks time on Tuesday August 14, 2001 (and delivered in most areas on Wednesday 15).

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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