

Market Analysis

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Summary and Recommended Investment Strategy.

The stockmarket outlook remains Neutral but share prices are depressed and this offers the opportunity to steadily add under-valued growth shares and under-valued cyclical shares to our portfolio. Remain close to fully invested, using small cash reserves to buy into new recommendations.

Investment Outlook.

Our Forecasts for the Australian and New Zealand stockmarkets remain Neutral. While this is not the *ideal* market environment there are still many attractive investment opportunities.

A *Raging Bull Market* - for example, the 1985-87 Investment and Property boom, the 1993 Gold Mining and Smaller Companies boom or the 1999 Technology boom - can offer the opportunity for substantial, short term gains. In that market environment, however, investors often need to hold fully valued or over-valued shares and watch them become more over-valued. Blind to the inevitable crash - which destroys these gains even more quickly - most investors are left with losses.

Making money in a *Bear Market* is almost impossible as both *good* and *bad* shares are clawed lower.

A major stockmarket decline, however, creates exceptional investment value - from which intelligent investors will ultimately be able to realise significant future gains. When the market is depressed it is not unusual to find quality growth companies selling near their cash asset value and/or at single digit Price/Earnings ratios. If in the next upturn both the company's *profits* and its stockmarket *valuation* triple, then investors will realise a *nine-fold* gain in value!

So, although the general stockmarket outlook is only Neutral, we are in a market low that offers exceptional buying opportunities. Growth company share prices have been severely depressed by the negative sentiment towards Technology shares since the peak in 2000 - and then further depressed by the global economic slowdown and pending Middle East war.

With a Neutral outlook for the general stockmarket we have the opportunity to steadily add under-valued growth shares and under-valued cyclical shares to our portfolio. Overall these shares should perform quite well in this Neutral environment - but could soar 5, 10 or 20 fold in value when the stockmarket environment becomes more favourable.

Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	40% (Neutral)	55% (Neutral)
New Zealand:	45% (Neutral)	42% (Neutral)



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
AMP Limited	C	921	1.43	12	6.8	Fletcher Build.	A	369	0.43	15	5.7	Pyne Gould G.	B	114	0.45	9	11.1
AMP NZ Office	C	87	8.88	14	8.2	GDC Communicat.	B	95	0.52	10	5.5	Renaissance	E	24	0.05	NE	Nil
AXA Asia Pac.	C	232	0.83	11	5.1	Genesis Res.	C	120	1.57	NE	Nil	Restaurant Brds	C	151	0.55	12	9.9
Advantage Group	E	19	0.25	7	Nil	Goodman Fielder	B	193	0.68	12	2.4	RetailX Limited	E	9.0	2.05	NE	Nil
Affco Holdings	D	19	0.04	9	Nil	Guinness Peat	C	148	0.75	6	2.3	Richina Pacific	E	51	0.06	11	Nil
Air New Zealand	D	54	0.35	NE	Nil	Hallenstein G.	B	280	0.94	14	9.9	Richmond Hold.	C	298	N/A	NE	Nil
Akd Int Airport	B	530	9.13	26	3.8	Hellaby Hold.	A	355	0.52	12	7.6	Rocom Wireless	D	16	0.24	NE	Nil
Allied Farmers	B	198	0.22	6	12.1	Heritage Mining*	N/R	5.0	N/A	NE	Nil	Rubicon Limited	D	71	2.68	NE	Nil
Apple Fields	C	4.0	3.42	17	Nil	Horizon Energy	B	360	3.45	12	7.0	Ryman Health.	C	154	2.49	14	3.6
Beauty Direct	D	10	3.07	NE	Nil	IT Capital Ltd	E	2.1	1.33	NE	Nil	Sanford Limited	B	479	1.16	12	6.2
Blis Technology	E	35	N/A	NE	Nil	Ind Newspapers	C	311	1.50	26	4.1	Savoy Equities	C	1.2	2.26	NE	Nil
Botry-Zen Ltd	D	16	N/A	NE	Nil	Infratil NZ	C	178	2.12	15	2.5	Scott Tech. Ltd	A	254	1.92	23	6.5
Brierley Invest	E	49	4.55	31	Nil	Kingsgate Int'l	E	20	1.00	7	Nil	Selecter Group	C	1.2	1.69	NE	Nil
Briscoe Group	B	259	2.14	31	3.7	Kirkcaldie & St	B	380	0.71	18	4.7	Shotover Jet	C	75	1.32	10	2.5
Broadway Ind	D	40	0.22	7	3.8	Kiwi Property	C	104	6.65	11	9.8	Skelmax Indust	B	107	1.06	9	9.8
CACI Group Ltd	E	38	0.53	NE	Nil	Lion Nathan Ltd	B	591	1.69	17	3.3	Sky City Leisur	B	185	0.21	17	Nil
CDL Hotel NZ	C	30	0.52	10	3.5	Lyttelton Port	B	160	2.63	10	10.3	Sky City Ltd	A	845	3.42	18	6.7
CDL Investments	C	22	2.03	55	Nil	Mainfreight Grp	C	110	0.20	12	8.8	Sky Network TV	D	349	4.66	NE	Nil
Cabletalk Group	E	19	0.15	NE	Nil	Metro. LifeCare	C	106	1.09	14	Nil	Software of Exc	D	85	1.32	NE	Nil
Cadmus Tech Ltd	E	7.5	1.62	NE	Nil	Michael Hill	B	570	1.02	18	4.5	South Port NZ	B	155	2.86	15	6.3
Calan Hlthcare	C	81	6.68	12	8.4	Mid.Cap Index *	N/R	195	N/A	NE	Nil	Southern Cap	D	59	3.07	9	Nil
Cap Properties	C	90	2.34	9	10.9	Mooring Systems	C	125	N/A	NE	Nil	Spectrum Res.	D	1.3	0.93	NE	Nil
Carter Holt	C	173	0.73	17	4.3	Mowbray Collect	C	82	1.51	NE	Nil	Steel & Tube	A	320	0.85	16	8.9
Cavalier Corp	A	370	1.41	18	7.3	Mr Chips Hold	B	130	1.13	36	4.0	Strathmore Grp	C	0.6	N/A	NE	Nil
Cedenco Foods	B	190	1.10	7	Nil	NGC Holdings	B	149	1.63	20	4.4	Submarines Aust	C	3.0	1.54	NE	Nil
Cert Organics	C	20	N/A	NE	Nil	NZ Experience	C	21	N/A	11	Nil	Summit Gold Ltd*	N/R	6.1	N/A	NE	Nil
Col FS Property	C	110	6.27	11	9.6	NZ Invest Trust*	N/R	427	N/A	NE	1.9	Tag Pacific Ltd	E	8.0	0.17	NE	Nil
Col Motor Co	A	328	0.24	11	9.6	NZ Oil and Gas *	N/R	31	2.47	NE	Nil	Taylor's Grp Ltd	C	157	0.71	12	8.1
Commssoft Group	D	0.3	0.04	NE	Nil	NZ Refining Co	B	1815	2.44	12	14.4	TeNZ *	N/R	85	N/A	NE	Nil
Compass Com.	C	41	N/A	58	Nil	NZIJ.co.nz	D	30	2.20	NE	Nil	Telecom Corp	C	445	1.51	12	6.7
Contact Energy	B	420	2.31	20	6.8	Nat Property Tr	C	84	5.15	13	10.7	Tourism Hold.	C	115	0.57	45	3.9
Cube Capital	D	8.0	0.46	NE	Nil	Newcall Group	D	3.7	0.27	NE	Nil	Tower Limited	D	210	0.64	NE	7.1
Cue Energy Ltd *	N/R	5.5	1.47	13	Nil	Newmarket Prop.	C	52	3.96	9	12.6	Trans-Tasman	D	29	1.63	9	Nil
DB Breweries	B	569	1.00	15	7.1	Northland Port	A	290	6.44	24	5.7	Tranz Rail Hold	D	137	0.36	NE	Nil
Dairy Brands	C	64	7.41	NE	Nil	Nuhaka Forestry	D	790	N/A	NE	Nil	Trust Power Ltd	C	386	1.17	NE	4.9
Design Textiles	A	113	N/A	12	4.0	Nuplex Indust	A	340	0.48	11	7.5	Turners Auction	C	285	N/A	NE	Nil
Dorchester Pac	C	151	0.63	8	6.5	Opio Forestry	D	54	9.68	NE	Nil	Utilico Int'l	D	59	5.99	7	Nil
Ecademy Hold.	E	0.3	5.00	NE	Nil	Otter Gold Mine*	N/R	29	0.68	NE	Nil	Vending Tech.	C	82	1.19	5	Nil
Ebos Group Ltd	A	300	0.39	13	7.2	Owens Group Ltd	D	89	0.12	11	3.9	Vertex Group	B	129	0.46	7	16.4
Eldercare NZ	E	18	0.86	NE	Nil	Ozzy (Tortis) *	N/R	175	N/A	NE	Nil	WN Drive Tech.	D	37	N/A	NE	Nil
Elect Trans Tec	D	4.0	N/A	NE	Nil	Pacific Retail	D	251	0.29	7	Nil	Wakefield Hosp.	C	144	0.59	19	3.1
Evergreen	D	61	4.07	13	Nil	Paramount Prop.	D	98	N/A	NE	Nil	Warehousing Group	B	588	0.95	22	3.4
F & P Appliance	A	1031	1.97	24	3.6	Port Tauranga	B	445	5.43	24	5.5	Waste Mgmt NZ	B	295	1.87	22	3.8
F & P Health.	B	1025	4.89	17	3.6	Ports Auckland	B	650	4.35	16	6.9	Williams Kettle	B	384	0.31	8	8.9
FC - Forests	D	110	0.92	8	Nil	Powerco Limited	C	140	1.91	9	14.0	World Index Fd *	N/R	100	N/A	NE	Nil
Feverpitch Int.	D	22	N/A	NE	Nil	Property F Ind.	C	91	8.19	15	7.6	Wrightsons Ltd	B	122	0.24	8	14.1
Finzsoft Sol'ns	C	55	1.25	NE	Nil	Pure NZ Limited	D	6.0	5.83	NE	Nil	Ave of 140 Cos	C	190	0.49	19	3.4
AMP Diver. Prop	A	267	9.89	14	7.3	Com'wealth Bank	C	2647	2.08	12	5.7	Newcrest Mining	C	648	3.82	NE	0.8
AMP Office Trt	B	112	9.89	13	8.2	Crane Group	A	876	0.27	13	5.7	Newmont Yandal	D	154	1.16	NE	Nil
AMP Shop Centre	A	143	7.19	14	7.8	DCA Group Ltd	B	161	2.19	18	3.4	Normandy NFM	A	2112	4.80	26	1.2
ANZ Bank	B	1647	1.55	11	5.2	Deutsche Div Tr	B	116	7.89	13	7.8	Nufarm Limited	B	330	0.35	9	5.5
AWB Limited	B	365	0.43	9	6.8	Deutsche Ind Tr	A	170	6.82	15	8.8	OPSM Group Ltd	B	323	0.88	17	4.5
Adelaide Bank	B	723	1.27	15	4.4	Deutsche Office	B	114	6.69	12	8.8	Oil Coy of Aust	A	390	4.14	16	6.2
Adelaide Bright	B	120	1.45	19	3.3	Djerriharrh	B	339	N/A	17	6.3	Oil Search Ltd	C	69	1.84	19	Nil
Alumina Ltd	B	480	2.52	23	6.0	Foodland Assoc	B	1683	0.40	19	4.5	Onesteel Ltd	B	183	0.33	21	3.6
Amcor Ltd	A	828	0.80	8	3.4	Foster's Group	B	439	1.80	16	3.9	Orica Ltd	B	879	0.58	11	5.0
Anaconda Nickel	E	7.5	0.65	NE	Nil	Futuris Corp.	B	133	0.11	13	9.0	Origin Energy	A	383	1.02	19	1.3
Anglogold Ltd	A	1110	0.32	3	16.3	GWA Internat'l	A	263	1.19	16	6.5	Oxiana NL	C	58	N/A	NE	Nil
Ansell Ltd	C	720	0.60	NE	Nil	Gandel Retail	A	132	8.72	15	6.8	Pacifica Group	B	395	0.49	NE	2.2
Aquarius Plat.	B	774	3.53	15	Nil	General Prop Tr	A	285	7.23	14	7.2	Paperlin X Ltd	B	509	0.52	13	5.3
Argo Investment	B	431	N/A	27	3.5	Goodman Fielder	B	180	0.74	13	4.2	Perp Trust Aust	C	3175	4.07	16	5.0
Aust Pharm. Ind	B	255	0.26	14	5.1	Guinness Peat	B	140	0.84	6	2.1	Principal Off.	C	143	N/A	NE	Nil
Aust Stock Exch	B	1156	5.60	20	3.5	Gunn's Ltd	A	935	1.43	14	2.9	Ramsay Health	B	342	0.78	14	3.2
Aust Foundation	B	319	N/A	29	4.5	Hills Indust.	A	330	0.71	17	6.1	Reece Australia	A	642	1.00	15	2.6
Australand Hold	B	148	0.67	9	8.1	ING Indust Trt	A	170	N/A	13	7.9	Rio Tinto Ltd	B	3332	0.90	15	3.1
BHP Billiton	C	927	1.05	10	2.6	ING Office Fund	A	117	6.51	12	9.0	Santos Ltd	A	603	2.24	8	5.0
BHP Steel Ltd	C	340	0.59	NE	Nil	ION Limited	B	209	1.26	15	3.5	Sigma Company	B	401	0.32	25	2.5
BRL Hardy Ltd	B	1033	2.31	25	1.9	Iluka Resources	B	419	0.98	14	5.3	Sims Group Ltd	A	865	0.55	16	4.2
Bank of O'land	A	699	2.61	16	4.1	Incitec	A	1060	1.41	21	3.5	Smorgon Steel	B	118	0.34	20	5.5
Bank of W.Aust	C	356	3.58	14	4.9	Investa Prop.	A	209	6.71	14	7.1	Sonic Health	A	613	1.84	47	3.3
Bendigo Bank	B	776	3.31	19	3.7	James Hardie	B	665	2.56	53	1.5	Soul Pattinson	B	527	3.19	17	2.7
Bidvest	B	350	0.19	12	2.9	Leighton Hold	A	1048	0.56	17	4.0	Southcorp Ltd	C	440	1.15	10	5.0
Billabong Int'l	B	646	2.58	21	2.9	Lend Lease Corp	B	858	0.30	16	2.1	St George Bank	B	1802	2.29	21	4.4
Boral Limited	B	431	0.70	13	4.4	Lend Lease US	B	98	N/A	9	11.8	Sthn C. Fliers	C%10490	N/A	NE	Nil	
Brickworks Ltd	B	647	5.12	16	2.4	Lihir Gold	B	150	3.85	21	Nil	Stockland	A	491	4.88	16	6.0
Burns Philp	C	49	0.28	3	Nil	M.I.M. Holdings	B	148	0.73	33	2.2	Suncorp-Metway	C	1039	1.21	18	5.2
C'wth Prop Off.	A	118	8.44	14	7.5	Macquarie Good.	A	153	5.99	13	7.7	Telstra	C	437	1.34	8	5.0
C.S.R. Ltd	B	619	0.81	10	3.9	Macquarie Off.	A	123	9.17	14	8.9	Thakral Holding	A	70	1.29	12	8.2
CPH Investment	B	49	0.88	52	Nil	Macquarie C'Wde	A	171	9.95	14	7.8	Tyndall Merid'n	A	114	5.25	11	7.5
CSL Limited	B	1560	1.83	20	2.2	Macquarie Bank	B	2430	2.02	17	3.8	WMC Resources	C	380	3.35	NE	Nil
Cabcharge Ltd	B	280	0.69	25	3.6	Mayne Group Ltd	B	306	0.48	14	4.6	Wesfarmers Ltd	A	2795	1.41	25	4.0
Caltex Australia	C	212	0.12	NE	Nil	McGuigan Simeon	B	480	4.39	39	3.1	Westfield Amer.	A	212	3.53	17	7.2
Centro Prop.	A	380	N/A	16	6.9	Metcash Trading	B	207	0.20	22	2.4	Westfield Trust	B	345	7.78	14	6.8
Challenger Int.	B	208	1.01	3	4.3	Mia Group Ltd	B	67	1.31	18	4.8	Westfield Hold.	B	1335	7.78	32	1.6
Coal & Allied	B	2500	1.74														

Recommended Investments

Our investment strategy in "Market Analysis" has always been to (1) maintain a diversified portfolio to minimise risk while (2) seeking to identify and invest in shares that could appreciate "several fold in value over several years". These big winners lift the overall return of the portfolio and produce the above average returns available from intelligent, disciplined stockmarket investment.

Over 22 years this has been a remarkably successful strategy! Of course there have been periods of several years when stockmarkets weakened and our portfolios made little progress or went backwards - but over the medium to long term we have found enough big winners to boost our portfolio to new highs!

Finding big winners is a combination of both (1) share selection and (2) market timing. NZ Refining (up 34-fold) was bought in 1986 when stockmarkets were

over-valued owing to the Investment & Property boom - but the company was neglected and under-valued. Michael Hill (up 15-fold) is a successful growth company that just keeps on opening more stores and growing revenues and profits year in and year out - all funded internally without issuing new shares that would dilute this growth. Over 12 years that has become a very valuable holding. Toll Holdings was a dull transport company - neglected during the Technology boom - that used technology to improve its service and to turnaround unprofitable businesses acquired cheaply. We realised a 7-fold gain on ERG by selling near the peak of the Technology cycle when index funds bought into this then Top 100 Australian company (which has since lost 96% of its value). We made a 6-fold gain on Flight Centre in two years by identifying a quality growth company before it was discovered by *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<u>NZ Shares</u>													
BUY	CDL Investments Ltd	CDI	12/01/99	25	C	187.1	2.1	2.03	55	Nil	22	6.1	+12%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	A	63.0	0.7	1.41	18	7.3	370	103.5	+204%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	A	27.9	0.6	0.24	11	9.6	328	231.8	+273%
HOLD+	Lyttelton Port Company	LPC	12/12/00	150	B	101.8	1.0	2.63	10	10.3	160	21.3	+21%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.5	0.5	1.02	18	4.5	570	120.0	+1400%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	A	59.7	0.8	0.48	11	7.5	340	68.0	+17%
HOLD	Renaissance Corp	RNS	13/08/96	85*	E	37.1	2.0	0.05	NE	Nil	24	10.4	-60%
BUY	Richina Pacific	RCH	03/11/95	119*	E	72.2	1.7	0.06	11	Nil	51	11.9	-47%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	1.0	2.86	15	6.3	155	62.8	+81%
BUY	Steel & Tube Holdings	STU	08/08/00	146	A	87.9	1.0	0.85	16	8.9	320	52.0	+155%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	C	24.3	0.8	0.71	12	8.1	157	21.5	+75%
BUY	Wrightson Limited	WRI	13/01/98	83	B	134.2	1.3	0.24	8	14.1	122	29.8	+83%
<u>Australian Shares (in Aust cents)</u>													
HOLD+	Abigroup Limited	ABG	09/03/99	265	B	47.7	0.7	0.16	13	4.0	201	49.0	-6%
HOLD+	Atlas Pacific Ltd	ATP	14/05/96	73	A	87.8	1.3	2.64	7	10.5	38	6.0	-40%
HOLD+	Auspine Limited	ANE	08/02/00	210	B	57.0	0.6	0.63	13	6.0	233	48.0	+34%
BUY	Austral Coal Ltd	AUO	16/01/01	19	B	154.5	1.3	0.56	11	Nil	54	Nil	+184%
HOLD	Biron Capital Ltd	BIC	12/04/94	171*	B	38.2	1.6	2.33	19	3.2	31	11.5	-75%
HOLD	Brazin Limited	BRZ	11/12/01	160	B	116.4	0.8	0.44	10	7.3	186	13.5	+25%
HOLD	Campbell Brothers Ltd	CPB	12/10/99	418*	B	39.0	0.5	0.49	15	6.8	440	85.5	+26%
HOLD	Cellnet Group Ltd	CLT	12/02/02	152	C	49.5	1.0	0.13	6	9.9	91	9.0	-34%
HOLD+	Commander Comm.	CDR	11/09/01	92	B	145.1	1.0	0.54	11	3.7	75	5.3	-13%
HOLD+	C.S.R. Limited	CSR	11/07/00	436	B	938.9	0.7	0.81	10	3.9	619	47.0	+53%
BUY	IASbet Ltd	IAS	11/02/03	180	C	41.0	0.9	2.39	12	3.9	180	Nil	
HOLD	Julia Ross Recruitment	JRR	14/08/01	92	C	57.4	1.4	0.23	6	9.7	62	9.0	-23%
HOLD+	McPherson's Ltd	MCP	10/10/00	125	A	41.0	0.6	0.35	9	5.2	229	24.0	+102%
HOLD	Nufarm Limited	NUF	11/02/97	418*	B	155.7	0.6	0.35	9	5.5	330	99.3	+3%
HOLD	OAMPS Limited	OMP	15/05/01	132*	B	71.7	0.6	0.39	13	8.3	240	17.3	+95%
BUY	Skilled Engineering	SKE	12/03/02	126	A	88.7	1.0	0.27	15	5.5	182	10.0	+52%
HOLD	Toll Holdings	TOL	08/09/98	60*	B	302.8	0.6	1.34	24	1.5	658	29.0	+1045%
HOLD	UXC Limited	UXC	11/01/00	55*	C	124.1	1.4	0.22	10	8.5	59	14.0	+33%
BUY	Villa World Ltd	VWD	11/06/02	68	A	102.9	0.9	0.40	6	10.8	83	5.0	+29%
HOLD+	Vision Systems Ltd	VSL	10/11/98	69*	B	164.1	1.1	1.46	14	3.6	108	20.1	+86%
HOLD	Volante Group Ltd	VGL	13/03/01	132	C	68.1	0.9	0.20	16	7.6	105	13.0	-11%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +117.9%. This is equal to an average annual rate of +28.7%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 33 current and 117 closed out) is +29.0%, compared with a market gain of +8.6% (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.

Recommended Investments (Continued from Page 3) brokers and institutional investors. We have also multiplied our investment 3-4 fold on numerous cyclical and/or growth companies over the years.

Of course, very few investments have been immediately successful. JNA Telecommunications lost over half its value - before recovering 7-fold to produce a 3½ fold gain on our initial cost. NZ Refining rose from \$1.20 to about \$2 - fell to \$1 in the 1987 crash - but then recovered quickly and ultimately realised in excess of \$41 in capital appreciation and dividends over the next decade. ERG steadily declined in value for three years - losing half its value - before soaring to give us a 7-fold gain. Michael Hill rose to a peak of 270 cents in late 1992 - then lost two-thirds of its value over the next three years - before recovering and moving steadily higher ever since. On most of these shares an investor could have suffered a loss by giving up and selling at the wrong time!

The lesson for investors is that while the stockmarket can decline for a period of several years (with little or no increase in your investment wealth), if you use a sound investment criteria to pick shares - and stick with them - then eventually the gains will accrue.

We believe the current stockmarket environment offers outstanding potential. The bust that followed the Technology boom has produced exceptional value amongst the successful companies that have managed to survive. Many shares have also been depressed by the global economic slowdown - with investors placing little value on future growth potential. Shares are also depressed by the current uncertainty of a pending war.

With so many outstanding investment opportunities from which to choose, we anticipate making many new share recommendations over the next year. Of course, some of these shares may prove unsuccessful and lose 50-100% of their value - but we hope also to find shares that will appreciate 5, 10 or 20-fold in value. Ultimately the big winners have more impact on a portfolio than the losers. Invest \$10,000 in each of a loser (that becomes worthless) and a big winner (that increases 10-fold in value), and the \$20,000 investment grows to \$100,000 - considerably better than a couple of "average" shares that may grow to a total value of \$25,000 - 30,000.

So (1) choose your investments very carefully, (2) don't be afraid to lose on some shares, (3) HOLD through market volatility or temporary setbacks and (4) remain well diversified!

New Zealand Shares

Michael Hill International has disclosed that revenues for the half year to 31 December rose 5.3% to \$121.8 million. NZ revenues rose 6.7% to \$42.6 million while Australian sales rose 11.3% to A\$59.2 million. The higher exchange rate reduced the increase in Australian sales to 3.6% (NZ\$73.1 million) when expressed in NZ dollars. The new Canadian stores contributed \$688,000 in revenues.

South Port lifted revenues 7.6% to \$7.4 million for the six months to 31 December 2002, with trading profits up 5.5% to \$1,390,000 (5.3 cents per share). A steady interim dividend of 2.75 cents (plus full imputation tax credits) will be paid at the end of the month.

Cargo volumes fell 3.6% to 1,044,000 tonnes and the

company expects further declines in export volumes owing to the higher NZ dollar. The full year profit is expected to be "equal to or slightly behind" last year's \$2.7 million.

A new racking system has been installed in the company's No 2 cold store, increasing its storage capacity by 40% for cheese from **NZMP Edendale**. The No 4 berth on Island Harbour has been paved and a further 50 power points added for refrigerated containers.

Richina Pacific is delaying its US\$10.4 million cash issue by about one month to allow it to first release its results for the year to 31 December 2002. The directors expect a net profit of around \$8 million. Despite this profitability - and our expectation at about this time last year - Richina Pacific will not pay a dividend at this stage as funds are required to finance further rapid growth.

Richina Pacific has recently acquired "at a modest cost" a *Chinese Holding Company*. The company has no assets (its original paid up capital of US\$4.5 million has been lost) but has the right to engage in business activities without many of the restrictions placed upon foreign businesses. This company will "greatly facilitate operational flexibilities" in managing Richina Pacific's Chinese businesses.

In early December **Wrightson** announced that November had been a "poor trading month" and its share price promptly fell 10-15 cents. In late January it revealed "strong trading conditions in December". The problem for investors is to decide whether such information indicates meaningless, random fluctuations or developing trends and fundamental long term changes in a company's trading environment!

Australian Shares

(This section is in Australian currency, unless stated).

Austral Coal has reported record coal production over the year to 31 December 2002. Run of mine coal production rose 30.4% to 1,953,000 tonnes, with clean coal production up 30.2% to 1,479,000 tonnes. Unsold stocks at year end rose to 193,000 tonnes.

The thicker coal seam in underground coal Panel 20 has resulted in an 82.6% recovery of coking coal, up from 64.0% from Panel 19. Strong economic growth in China is supporting high levels of steel production throughout Asia, with strong demand for coking coals. Austral Coal believes that coal prices will "increasingly be determined by individual coal qualities" - which would be favourable for the company.

Biron Capital's quarterly cash flow figures indicate the property finance business is growing rapidly. Net operating cash flows for the three months to 31 December were \$693,207 - up from just \$770 in the three months to 30 September.

In this type of finance business, operating cash flow is a good indication of profitability. Operating cash flow consists of interest and loan establishment fees (\$992,614) less staff costs and other expenses (\$299,407), so the net surplus of \$693,207 is the "profit" generated on loans written during the quarter. If Biron Capital can maintain this level of business, annual pre-tax profits should quickly grow to around \$2.7 million. In fact, with \$8.25 million of cash, Biron should be able to significantly increase the volume of business written in

Reported profits will lag behind these operating cashflows as, for accounting purposes, establishment fees are *earned* over the 6-9 month period of a loan. So the upfront fees collected during the December quarter will be recognised as *income* over the next two or three quarters.

Biron may therefore show little profit for the half year to 31 December 2002 and only a small profit for the year to June 2003 - but the latest quarterly cashflow indicates that the company has established a very profitable business.

Commander Communications has signed a contract to provide maintenance on computer products sold by IT distributor **Synnex**.

CSR will seek shareholder approval for its demerger plans - that we discussed in December - at a meeting to be held on 25 March. Explanatory details of the demerger will be announced to the Australian stock exchange on 10 February and a booklet will be printed and mailed to shareholders in about two weeks.

OAMPS continues to expand through acquisition with the purchase of Sydney based general insurance broking business **Derek Beresford** which brings 250 clients and about \$1 million in insurance premiums to the group.

UXC has acquired **Planpower Pty**, a consulting business with "considerable expertise" helping large companies to establish "focused project management cultures" and to implement "major organisational change programs". Consulting and other service businesses can usually be purchased at a low valuation and this is the case with this acquisition which will boost UXC's

earnings per share. UXC will make an initial payment of \$6.6 million (i.e. \$4,968,000 in cash and the issue of 2,776,195 shares) plus further payments based upon growth in profits during 2003 and 2004. Planpower has earned revenues in excess of \$13 million and pre-tax profits of around \$2.5 million - so is being acquired on a Price/Sales ratio of 0.50 and a low Price/Earnings ratio of about 4.

Vision Systems is to close down its Malaysian business which has been trading unprofitably in recent years. One-off closure costs are expected to be about A\$400,000 - partially offset by a gain on the sale of land and buildings. Overall the closure should realise around A\$2.6 million in cash which can be re-invested elsewhere in the company, and remove annual trading losses of around \$130,000.

We are currently rating Vision Systems shares as "Hold+", anticipating a new uptrend within 3-6 months that will justify a new "Buy" recommendation.



Share Recommendation: Buy IASbet

(This section is in Australian currency, unless stated).

BUY Australian listed IASbet (code IAS).

IASbet is a smaller to medium sized Australian company that has built a racing and sports betting business using the internet to achieve a significant cost advantage over its competitors. IASbet has proved the viability of its technology and business over the last eighteen months with huge growth in revenues, cashflows, profits and dividends and a growing cash hoard. The internet offers the business *scalability* - the potential to grow rapidly without major capital investment or significantly higher operating costs, so revenues can expand rapidly but profits will grow even faster! This cost advantage gives IASbet a strong competitive advantage relative to the very large established TAB companies from whom IASbet should be able to gain significant market share over the next decade.

Company History

This company was formed in 1994 as **International All Sports**. To expand its bookmaking, racing and sports betting businesses via the internet the company sought

to raise \$10 million from a public issue at \$2.00 per share in mid-1999. That issue was over-subscribed with the public contributing \$15 million in new equity to the company in exchange for 7,500,000 new shares (about 18% of the company). All of this new money went to the company to finance growth.

The shares initially listed around their \$2 issue price but fell to lows around 15-20 cents in 2001 as the company experienced a number of problems: (1) the stockmarket lost interest in *internet* stocks, (2) uncertainty over Federal legislation controlling internet sports betting, (3) after trading profitably in 1999 and 2000 the company suffered a trading loss for the year to June 2001, (4) several development projects were written off or written down in value and (5) the Chief Executive resigned. The company was renamed as **IASbet** in November 2001.

The business, however, has since generated growth in both revenues and profits. The company's investment in an internet service is just *(Continued on Page 6)*

Buy IASbet*(Continued from Page 5)*

starting to yield significant returns. The internet "provides transactions at a significantly lower cost and higher yield" but accounted for only 16% of IASbet's business for the year to June 2002. This increased to 26% in the quarter to September 2002 and reached 34% in the six months to December 2002.

Most of IASbet's business is based in Australia - mainly traditional race betting - but it offers a wide range of sports betting and is seeking to expand internationally. About 11% of revenue comes from US sports betting and the company wants to expand in Asia. IASbet plans to expand into the UK market - either through an acquisition or by starting a new business - where its proprietary technology will be used to enter the UK and European racing and sports betting markets.

Recent Results

In the year to June 2000 (i.e. its first year as a public company) revenues rose only 33.7% to \$9.4 million and profits rose 160.9% to \$994,000 (2.4 cents per share). About two-thirds of this profit increase came from interest earned on some of the cash raised in the public share issue. A maiden dividend of 1.5 cents was paid.

Revenues rose just 22.9% to \$12.5 million in the year to June 2001 but the company suffered a trading loss of \$1,710,000 (4.2 cents per share) and wrote off technology and product development costs of another \$3,017,000. No dividend was paid.

IASbet started to realise its potential in the year to June 2002 when revenues soared 145.5% to \$30.8 million and profits jumped to \$6,040,000 (14.8 cents per share). Dividends were re-instated at 7.0 cents per share.

The half year to December 2002 has shown further significant growth. Revenues rose 89.6% to \$14.58 million, with profits up 558.7% to \$3,221,000 (7.9 cents per share) and an interim dividend of 5.0 cents will be paid on 21 March (ex-dividend 21 February).

The directors report that "Traditionally, the second half of the financial year experiences stronger turnover and revenues than the first and this is expected for the current year". We calculate that over the last four years the company has earned 50-70% of annual revenues *and around 90% of profits* in the second half of the year - although we would expect a more even spread in the future.

Investment Criteria

Evaluating emerging growth companies is always difficult as historical figures for revenues, profits and dividends can quickly be exceeded if a company can rapidly expand its business.

The great advantage of the internet is, of course, *scalability*. A computerised, internet based business that can handle one hundred transactions per day should be able to handle 10,000 transactions per day. Without premises, staff, telephones and other overheads an internet business can expand rapidly *without the need for additional capital investments and without significant increases in operating costs*. An internet business can therefore grow rapidly with significant *economies of scale*. Costs will be relatively fixed, so revenue growth leads to significantly faster growth in profits.

Betting is an *information* business, so is ideally suited to the internet - with lower cost internet betting likely to replace telephone betting and betting shops. So this is a very attractive niche in the market and IASbet can expect to gain market share relative to the traditional TABs. IASbet appears to be able to create the necessary technology to run its business over the internet - and should be competitive against other emerging internet betting companies. Over the last couple of years the company has grown to generate significant revenues, profits and cashflows - which will enable it to finance continued development and compete against or acquire other companies that seek to grow in this market sector.

So IASbet has established a successful business in a sector with huge growth potential and with the potential to generate significant cash flows and profits.

At 180 cents, IASbet shares trade on a Price/Sales ratio of 2.39, a low Price/Earnings ratio of 12 and a Dividend Yield of 3.9%. This is potentially a high profit margin business, so a relatively high P/S ratio still indicates good value, while the P/E and Yield offer good value for an emerging growth company share. This low valuation for a successful/internet company is extremely attractive - and in stark contrast to the extremely high valuations at which *unproven* internet start-ups traded on the stockmarket just a few years ago!

Revenues, profits and the dividend have all increased substantially over the first half of the current financial year, further improving the valuation of IASbet shares.

IASbet is debt-free with \$21.3 million (52 cents per share) of cash in the bank as the business starts to generate strong cash earnings.

With an issued capital of 40,966,945 shares the market capitalisation is \$73.7 million. This makes IASbet a smaller to medium sized company - yet it could grow significantly by winning even small amounts of market share from companies like **TAB** (market capitalisation \$1,394 million), **Tabcorp** (\$3,692 million) and **UNITAB** (\$602 million).

IASbet is neglected by brokers and institutional investors. Only one broker follows the company closely enough to publish profit forecasts and there is just one institutional investor owning 3.2% of the company. Shares that are neglected tend to be under-valued - and therefore tend to outperform widely followed, fully valued shares. Neglected shares can also perform very strongly in the future when *discovered* by brokers and institutions.

Also favourable is that management have a large investment in the company - so are motivated to grow the business for the benefit of all shareholders, rather than maximise salaries and bonuses at the expense of the shareholders. The Chairman and Chief Financial Controller, Mark Read, owns 17,818,375 shares or 43.6% of the company. The Deputy Chairman, Dr Neil Conn, owns 20,000 shares.

There has been one small insider buy over the last year - when Dr N Conn purchased 5,000 shares on-market in July 2002.

Technically, the shares are in a very strong uptrend. The shares dropped very low in late 2001 - when the business looked uncertain. Since then the shares have recovered strongly reflecting the strong growth in

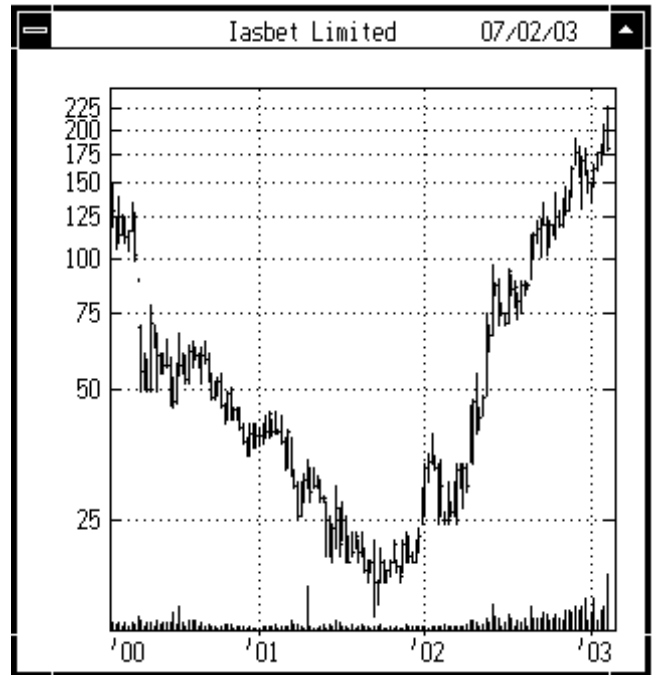
revenues, profits and cash in the bank! The Relative Strength rating is +45.1%, ranked 1 (on a scale of 0-99), making IASbet one of the best performing shares listed on the Australian stockmarket.

Summary and Recommendation

Although IASbet shares have risen ten-fold in value over the last eighteen months the shares are still undervalued. A year and a half ago the business was unprofitable and its future was very uncertain. Since then IASbet has established a profitable, rapidly growing business and built up a large cash holding. IASbet is a small company, but operates in a very large industry. The internet gives it a competitive advantage that could enable it to gain significant market share over the medium to long term. Every 1% gain in market share could boost the value of IASbet by as much as 100% - so if the company can continue successfully building its business then potential gains to investors will be huge!

Any emerging growth company involves above average risks - but those risks are always limited (i.e. to 100% - if the company fails) while there is no limit to potential gains! Therefore, an investment in IASbet shares needs to be just a small percentage of a diversified share portfolio. Although the shares offer a good current

income yield - and have excellent potential for income growth - IASbet shares are most suitable for investors seeking maximum long term capital appreciation.



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

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Company	Share Price	STRENGTH RATING				Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Current	4-Wk Chg.	Rank 0-99	Brokers Following							
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Col Motor Co	328	+7.0	-0.1	13	-	1.1	10	0.6	11	9.6	0.24	91
Wrightsons Ltd	122	+0.8	-2.7	35	1	1.4	18	1.3	8	14.1	0.24	164
Williams Kettle	384	+1.5	-2.2	29	-	1.2	15	0.5	8	8.9	0.31	57
Fletcher Build.	369	+10.2	+1.7	7	5	2.3	16	0.7	15	5.7	0.43	1,279
Nuplex Indust	340	+6.4	+1.0	15	3	1.6	15	0.8	11	7.5	0.48	203
Hellaby Hold.	355	+11.5	+3.5	5	1	2.1	17	0.7	12	7.6	0.52	176
CDL Hotel NZ	30	+6.9	+4.1	14	-	0.5	5	1.7	10	3.5	0.52	105
GDC Communicat.	95	+4.4	+1.5	18	-	2.2	22	1.4	10	5.5	0.52	36
Tourism Hold.	115	+8.2	+5.3	11	3	0.6	1	1.2	45	3.9	0.57	106
Dorchester Pac	151	+1.2	-0.7	32	-	1.4	18	1.1	8	6.5	0.63	29
Goodman Fielder	193	+1.4	+3.7	31	-	1.8	15	0.9	12	2.4	0.68	2,364
Steel & Tube	320	+5.6	-1.0	16	3	2.3	15	1.0	16	8.9	0.85	281
Hallenstein G.	280	+0.7	+0.0	35	3	3.8	27	0.7	14	9.9	0.94	165

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0												
Sky City Leisur	185	+11.5	+1.7	4	-	19.0	-	1.4	17	Nil	0.21	11
Hellaby Hold.	355	+11.5	+3.5	5	1	2.1	17	0.6	12	7.6	0.52	176
Fletcher Build.	369	+10.2	+1.7	7	5	2.3	16	0.6	15	5.7	0.43	1,279
Col Motor Co	328	+7.0	-0.1	13	-	1.1	10	0.5	11	9.6	0.24	91
CDL Hotel NZ	30	+6.9	+4.1	14	-	0.5	5	1.3	10	3.5	0.52	105
Nuplex Indust	340	+6.4	+1.0	15	3	1.6	15	0.7	11	7.5	0.48	203
Steel & Tube	320	+5.6	-1.0	16	3	2.3	15	0.8	16	8.9	0.85	281
GDC Communicat.	95	+4.4	+1.5	18	-	2.2	22	1.2	10	5.5	0.52	36
Williams Kettle	384	+1.5	-2.2	29	-	1.2	15	0.4	8	8.9	0.31	57
Goodman Fielder	193	+1.4	+3.7	31	-	1.8	15	0.7	12	2.4	0.68	2,364
Dorchester Pac	151	+1.2	-0.7	32	-	1.4	18	0.9	8	6.5	0.63	29
Wrightsons Ltd	122	+0.8	-2.7	35	1	1.4	18	1.1	8	14.1	0.24	164
Hallenstein G.	280	+0.7	+0.0	35	3	3.8	27	0.6	14	9.9	0.94	165
DB Breweries	569	+0.2	-0.8	37	1	2.1	14	0.4	15	7.1	1.00	287

Company	Share Price	STRENGTH RATING				Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Current	4-Wk Chg.	Rank 0-99	Brokers Following							
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million												
NZ Refining Co	1815	+4.4	+0.4	19	1	1.3	11	0.2	12	14.4	2.44	436
Wrightsons Ltd	122	+0.8	-2.7	35	1	1.4	18	1.0	8	14.1	0.24	164
Powerco Limited	140	-9.6	-0.8	78	2	0.7	8	0.5	9	14.0	1.91	311
Pyne Gould G.	114	-0.0	+1.4	42	-	1.1	12	0.6	9	11.1	0.45	114
Lyttelton Port	160	-2.2	+3.3	56	3	5.8	58	0.8	10	10.3	2.63	163
Restaurant Brds	151	-9.0	+1.3	76	4	3.4	29	0.8	12	9.9	0.55	141
Hallenstein G.	280	+0.7	+0.0	35	3	3.8	27	0.5	14	9.9	0.94	165
Skellmax Indust	107	+1.3	+2.8	32	-	5.9	69	0.8	9	9.8	1.06	107
Steel & Tube	320	+5.6	-1.0	16	3	2.3	15	0.8	16	8.9	0.85	281
Hellaby Hold.	355	+11.5	+3.5	5	1	2.1	17	0.5	12	7.6	0.52	176

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												
Opio Forestry	54	-0.7	+0.8	47	-	0.6	-	0.6	NE	Nil	9.68	8
F & P Health.	1025	-1.5	-1.5	50	6	6.1	37	0.6	17	3.6	4.89	1,049
Sky Network TV	349	-5.7	+2.5	71	5	24.7	-	0.8	NE	Nil	4.66	1,359
Brierley Invest	49	-5.1	-2.3	67	1	0.4	1	1.2	31	Nil	4.55	693
Evergreen	61	-0.3	+2.5	44	-	0.7	5	0.8	13	Nil	4.07	89
South Port NZ	155	-1.2	+0.6	49	-	3.1	20	0.7	15	6.3	2.86	41
Lyttelton Port	160	-2.2	+3.3	56	3	5.8	58	0.7	10	10.3	2.63	163
Infratil NZ	178	-0.6	+0.3	46	1	1.0	7	0.6	15	2.5	2.12	331

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Advantage Group	19	-23.0	-4.0	90	3	1.0	14	1.6	7	Nil	0.25	16
Software of Exc	85	-22.8	-0.7	89	-	2.8	-	0.9	NE	Nil	1.32	18
Tranz Rail Hold	137	-22.2	+6.5	88	4	0.5	-	0.9	NE	Nil	0.36	307
Summit Gold Ltd	6	-21.1	+1.4	87	-	1.5	-	1.8	NE	Nil	N/A	6
Genesis Res.	120	-19.0	+1.2	85	-	0.6	-	0.9	NE	Nil	1.57	31
Vending Tech.	82	-15.5	-8.6	83	-	1.5	34	0.8	5	Nil	1.19	24
Blis Technology	35	-14.6	+2.4	82	-	4.2	-	0.9	NE	Nil	N/A	22
AXA Asia Pac.	232	-9.4	-0.8	77	-	1.2	10	0.5	11	5.1	0.83	4,089
Eldercare NZ	18	-8.6	+0.4	75	-	0.8	-	1.3	NE	Nil	0.86	35
Ozzy (Tortis)	175	-7.1	-0.8	73	-	-	-	0.6	NE	Nil	N/A	58
Elect Trans Tec	4	-6.3	+4.8	72	-	-	-	3.1	NE	Nil	N/A	9
Cadmus Tech Ltd	8	-6.2	-2.5	71	-	2.6	-	2.0	NE	Nil	1.62	10
Sky Network TV	349	-5.7	+2.5	71	5	24.7	-	0.8	NE	Nil	4.66	1,359

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Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
	Share Price	Current	4-Wk Chg.	Rank	Insider Buy-Sell									Brokers Following	Current	4-Wk Chg.	Rank	Insider Buy-Sell								Brokers Following	Share Price
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0																											
Herald Resource	45	-6.0	+2.0	58	0.0	-	0.8	NE	Nil	9.91	23	Argosy Minerals	15	-30.1	+4.5	96	0.0	-	1.1	NE	Nil	N/A	13				
Travel.com.au	13	-30.1	-0.3	96	0.0	-	1.3	-	1.1	NE	0.49	7	Renison Cons	3	-30.0	-8.1	96	8.0	-	2.2	NE	Nil	1.54	7			
Premier Invest	195	-2.7	-1.7	48	2.0	-	0.6	1	0.3	71	1.0	9.62	176	Tox Free Sol.	5	-28.9	-5.1	95	2.1	-	0.5	-	1.5	NE	Nil	1.64	9
Huada City	95	-0.9	-2.6	41	0.0	-	0.7	7	0.4	10	10.1	9.54	35	Lindsay Aust	23	-27.7	-3.5	95	0.0	-	1.1	-	0.6	NE	Nil	0.63	23
Pro Medicus Ltd	98	-1.4	-0.4	43	0.0	1	9.8	48	0.4	20	2.6	9.41	98	Data & Commerce	7	-27.2	+1.1	94	13.2	-	-	-	1.6	NE	Nil	0.88	10
Chrome Global	3	-0.7	+0.2	41	0.0	-	-	-	1.6	NE	Nil	8.95	10	FutureOne Ltd	53	-27.0	+1.4	94	0.0	-	-	-	0.7	NE	Nil	N/A	10
Go Connect Ltd	10	-7.4	-5.5	63	0.0	-	-	-	1.5	NE	Nil	8.88	29	Compass Res	17	-26.7	+3.0	94	0.0	-	-	-	1.1	35	Nil	4.38	7
Marlborough Res	5	-7.8	+4.2	63	0.0	-	-	-	1.8	NE	Nil	8.73	11	DenX Ltd	53	-26.3	-9.6	93	0.0	-	0.7	-	0.4	NE	Nil	N/A	52
Carnarvon Pet.	5	-3.4	-8.3	52	3.1	-	-	-	1.4	NE	Nil	8.07	8	Maxis Corp Ltd	2	-25.8	-9.2	93	3.0	-	-	-	2.0	NE	Nil	0.86	9
ABC Learning	236	-0.4	+1.1	39	1.2	-	5.9	21	0.5	28	11.9	7.91	214	Poltech Int'l	38	-25.6	-2.3	93	5.0	-	1.3	-	0.8	NE	Nil	0.76	8
MFS Lev Invest.	115	-2.4	+0.2	47	3.0	-	1.2	3	0.6	34	2.8	7.84	16	RMG Limited	4	-25.6	+3.7	92	3.2	-	-	-	1.4	NE	Nil	0.53	28
Westfield Hold.	1335	-1.2	+2.9	43	3.5	7	5.1	16	0.4	32	1.6	7.78	7,532	Matrix Oil NL	4	-25.1	+3.9	92	0.0	-	-	-	1.5	NE	Nil	0.82	19
Solbec Pharm.	10	-10.8	+1.1	71	0.1	-	-	-	1.3	NE	Nil	7.73	16	Ariel Comm.	2	-25.0	-2.8	92	0.0	-	-	-	1.9	NE	Nil	2.29	6
Xcell Diagnost.	7	-9.8	+3.9	69	4.0	-	-	-	1.4	NE	Nil	7.58	6	Axon Instrument	20	-24.8	+6.6	92	0.0	2	1.0	2	1.1	63	Nil	1.33	94
Aust Net.com	18	-0.0	+0.2	37	0.0	-	0.4	-	1.1	NE	Nil	7.54	8	Dolomatrix Intl	10	-24.6	-1.4	92	5.1	-	-	-	1.4	NE	Nil	5.36	7
Cockatoo Wines	60	-10.4	+0.4	70	4.0	-	3.0	14	0.7	22	Nil	7.18	28	Takoradi Ltd	1	-24.5	-5.4	92	1.0	-	-	-	3.5	NE	Nil	N/A	8
Q-Mastor Ltd	18	-2.6	+2.0	48	1.1	-	-	-	0.8	43	5.7	7.17	6	Enviscall Int'l	5	-24.3	-0.8	91	6.0	-	0.5	-	1.5	NE	Nil	1.77	11
Bionomics Ltd	37	-15.0	-1.5	80	3.1	-	1.2	-	1.0	NE	Nil	7.06	15	Envirostar E.	9	-24.2	+3.9	91	0.1	-	0.9	-	1.3	NE	Nil	N/A	5
Renew. Energy	8	-30.8	+3.5	96	3.0	1	0.8	-	1.3	NE	Nil	7.02	11	Equity 1 Res.	2	-24.2	+0.8	91	0.0	-	-	-	2.4	NE	Nil	N/A	6
Auiron Energy	4	-34.1	-0.2	97	0.0	-	-	-	1.8	NE	Nil	6.84	13	Barra Resources	13	-24.1	-1.1	91	2.0	-	-	-	0.9	NE	Nil	0.44	7
SSH Medical Ltd	12	-22.6	+2.1	90	3.0	-	-	-	1.1	NE	Nil	6.28	10	Austpac Res	3	-23.6	-0.4	91	0.0	-	-	-	1.5	NE	Nil	N/A	12
Catuity	345	-11.5	+1.7	73	5.0	-	3.5	-	0.6	NE	Nil	6.26	31	Namakwa Diamond	9	-23.3	-2.2	91	2.0	-	-	-	1.0	NE	Nil	N/A	5
Infomedia Ltd	85	-3.2	+1.0	50	0.0	5	8.5	41	0.5	21	3.2	6.20	276	Orbital Engine	17	-23.3	+5.3	90	1.0	1	-	-	1.0	NE	Nil	1.16	61
Gold Mines Sard	35	-0.6	+2.0	40	0.1	-	-	-	0.8	NE	Nil	6.12	92	SMS Mgmt & Tech	23	-23.1	-4.5	90	2.0	1	1.1	-	1.3	NE	Nil	0.57	71
Perilya Mines	53	-11.9	+5.5	74	0.0	-	-	-	0.7	NE	Nil	5.77	84	Optiscan Image	36	-23.0	+2.8	90	0.1	1	1.8	-	1.1	NE	Nil	4.17	29
Mosaic Oil NL	15	-8.3	+3.6	65	0.0	1	-	-	0.9	NE	Nil	5.68	51	Antisense T.	8	-22.9	+1.8	90	0.0	-	-	-	1.1	NE	Nil	N/A	11
Wilson Invest.	100	-4.9	-1.2	56	2.0	-	0.9	-	0.4	NE	3.7	5.67	13	Kaz Group Ltd	21	-22.7	+3.5	90	3.0	4	2.1	13	1.1	16	3.3	0.64	163
Aust Stock Exch	1156	-3.1	+1.8	50	0.6	6.1	31	0.6	20	3.5	5.60	1,179	Aust Growth Ltd	13	-22.7	+2.5	90	2.0	-	0.4	32	1.5	1	Nil	0.44	5	
Anadis Limited	15	-14.4	+0.1	79	0.1	-	1.5	-	1.1	NE	Nil	5.51	12	SSH Medical Ltd	12	-22.6	+2.1	90	3.0	-	-	-	1.1	NE	Nil	6.28	10
Dolomatrix Intl	10	-24.6	-1.4	92	5.1	-	-	-	1.5	NE	Nil	5.36	7	Energy Develop.	190	-22.3	+2.1	89	7.0	5	0.6	6	0.5	11	1.4	1.87	218
Platinum Cap'l	204	-3.1	-0.4	50	0.7	-	1.3	11	0.4	11	7.4	5.31	230	Jacobsen Ent.	50	-22.3	-3.1	89	0.0	-	-	-	0.8	NE	Nil	N/A	12
Institute Drug	260	-1.2	+6.8	42	3.1	1	5.2	20	0.6	26	1.9	5.22	111	Pinnacle VRB	9	-22.3	+3.2	89	0.0	-	-	-	1.1	NE	Nil	N/A	6
First Aust Res.	5	-16.2	-2.9	81	0.0	-	-	-	1.5	470	Nil	5.16	7	Dark Blue Sea	20	-22.2	-10.4	89	0.0	-	2.0	-	0.7	NE	Nil	N/A	5
Tap Oil	131	-3.8	-1.6	53	0.2	5	-	-	0.6	17	Nil	5.01	203	Ainsworth Game	56	-22.1	-2.5	89	1.1	3	1.9	-	0.6	NE	Nil	1.62	37
Neighbourhood C	7	-11.3	-0.3	73	1.0	-	0.7	-	1.7	NE	Nil	4.85	12	Metal Storm Ltd	46	-22.1	+2.0	89	0.1	-	-	-	0.5	NE	Nil	N/A	202
Meditech Rsrch	11	-30.2	-0.8	96	4.0	-	-	-	1.2	NE	Nil	4.41	11	Peptech Limited	178	-22.0	+7.7	89	2.0	1	5.9	-	0.5	NE	Nil	N/A	272
Compass Res	17	-26.7	+3.0	94	0.0	-	-	-	1.2	35	Nil	4.38	7	Garrisons Acctg	7	-21.7	+2.2	88	0.0	-	-	-	1.3	NE	Nil	0.48	6
Iress Mkt Tech	175	-10.9	+0.6	71	1.0	3	8.8	60	0.3	15	3.4	4.28	177	INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Hunter Hall Int	410	-5.1	+0.2	56	4.8	-	10.3	45	0.5	23	4.8	4.27	94	Gindalbie Gold	23	-1.5	+2.0	44	0.10	-	-	-	0.8	4	Nil	1.16	25
Carpenter Pac.	30	-0.4	+3.2	39	3.0	-	-	-	0.6	NE	Nil	4.24	8	Atlas Pacific	38	-4.0	+2.0	53	0.10	-	1.3	18	0.5	7	10.5	2.64	33
Horizon Oil NL	11	-8.0	+7.1	64	0.0	-	-	-	1.1	NE	Nil	4.22	38	Selwyn Mines	23	-34.8	+2.2	97	0.9	-	-	-	0.7	19	Nil	0.35	22
Optiscan Image	36	-23.0	+2.8	90	0.1	1	1.8	-	1.1	NE	Nil	4.17	29	Leighton Hold	1048	-1.7	+3.0	45	0.7	8	3.7	22	0.3	17	4.0	0.56	2,839
Oil Coy of Aust	390	-3.6	+3.8	52	0.0	-	-	-	0.2	16	6.2	4.14	459	Platinum Cap'l	204	-3.1	-0.4	50	0.7	-	1.3	11	0.4	11	7.4	5.31	230
Amrad Corp.	41	-11.7	+5.6	74	16.0	1	0.8	-	0.5	NE	Nil	4.13	54	WAM Capital Ltd	146	-1.1	+0.9	42	1.8	-	1.1	13	0.3	9	5.5	0.66	65
Mineral Commod.	14	-2.9	+1.8	49	0.0	-	-	-	1.2	NE	Nil	4.10	6	Oakton Limited	100	-1.7	-2.7	45	0.6	-	5.0	45	0.9	11	9.0	2.57	79
Trust Co of Aus	523	-2.1	-3.4	46	5.0	-	3.3	17	0.3	20	11.5	4.07	169	BRL Hardy Ltd	1033	-2.9	+9.3	49	0.6	9	2.6	10	0.3	25	1.9	2.31	1,836
Perp Trust Aust	3175	-9.4	+2.5	68	1.1	8	6.5	41	0.2	16	5.0	4.07	1,196	Autron Corp	19	-10.7	-0.6	71	3.9	-	-	-	0.8	NE	Nil	0.62	108
Sydney Aquarium	460	-3.0	+0.7	49	3.0	2	6.6	41	0.3	16	6.1	4.04	99	Campbell Bros	440	-6.5	+0.6	60	1.6	1	2.8	18	0.3	15	6.8	0.49	171
Zeolite Aust.	16	-5.5	+1.5	57	0.0	-	-	-	1.0	NE	Nil	3.97	6	Ipoh Limited	153	-2.8	+0.8	48	0.4	-	0.9	9	0.3	10	9.8	4.19	229
BresaGen Ltd	43	-9.3	+10.1	67	1.0	-	1.4	-	0.9	NE	Nil	3.87	23	Redflex Holding	52	-19.3	+2.3	86	0.4	-	0.9	1	0.8	80	Nil	0.88	25
Reed Resources	18	-9.3	-0.6	67	1.0	-	-	-	0.9	NE	Nil	3.81	6	Hunter Hall Int	410	-5.1	+0.2	56	4.8	-	10.3	45	0.5	23	4.8	4.27	94
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average																											
Hire Intell.	10	-40.8	+1.8	99	1.0	-	1.0	5	1.0	22	Nil	1.47	8	Challenger Int.	208	-16.0	+5.3	81	10.14	3	0.8	25	0.7	3	4.3	1.01	605
Advantage Tele.	7	-35.9	-4.7	98	2.0	-	-	-	1.1	NE	Nil	1.25	9	Ausmelt Ltd	78	-10.3	+0.5	70	0.3	-	3.9	19	0.8	21	9.0	1.40	30
Ellex Medical	36	-35.4	-4.1	97	3.4	1	1.8	26	1.2	7	Nil	0.78	22	Wrigdways Aust	86	-0.1	+0.0	38	0.3	-	-	-	0.5	11	5.2	0.39	28
Selwyn Mines	23	-34.8	+2.2	97	0.9	-	-	-	0.7	19	Nil	0.35	22	Austal Limited	73	-18.2	-3.8	85	0.3	4	-	-	0.4	5	6.8	0.41	141
Auiron Energy	4	-34.1	-0.2	97	0.0	-	-	-	1.6	NE	Nil	6															

Australian Warrant / Option Analysis

Leveraged investments are not for everyone. In fact, most investors would do well to avoid investing in options. Shares are risky enough. Why buy even more risky securities that have a limited life and which often expire worthless?

The answer is that (1) *sometimes* an investment in options can be structured to be *less risky than buying shares* and (2) some investors can afford to increase the overall risk exposure of their portfolio in the search for higher returns.

Most of the leveraged investment products sold through stockbrokers or financial planners - for example, protected margin loans, endowment warrants - have large fees and other costs hidden in their pricing, so are unattractive. Investors who wish to increase their risk exposure should look to the company issued options covered in the section.

Below we discuss eight options. Four would be attractive to investors and two may appeal to speculators. Two start-up companies lack investment quality, but their options demonstrate how they could be used to reduce risk.

Aeris Technologies (codes AEI and AEIO).

Aeris Technology options to buy shares on 1 July 2005 at 20 cents offer a leveraged entry into this company, but Aeris Technology has no meaningful revenues or assets. The company is seeking to commercialise its technology to improve air quality in buildings.

The Aeris Technology options still have two years and four months until their final exercise/expiry date, so could appreciate strongly *if* the company can make progress developing its business over the next couple of years. At 11½-12 cents an investor risks only 40% of the cost of buying the shares (at 30 cents), with another 20 cents to pay in 2005 only if the company is successful.

In fact, 18 cents invested in a bank deposit will grow to 20 cents over the next two years. So investing via the options and a bank deposit has the same cost as buying the shares, but with considerably less risk!

Unfortunately this is still a very speculative start-up business - so our recommendation is to "Avoid". We mention this company simply to demonstrate how options can sometimes offer a *lower risk* alternative to investing in shares.

City Pacific (codes CIY and CIYOA).

City Pacific's options to buy shares on 1 September 2006 at \$1.00 continue to offer an attractive leveraged investment in this rapidly growing financial services company. Over the last three months the shares have risen 19% to 195 cents, with the options up 52% to 105 cents - which is still an 18% discount to their fair value.

The options continue to offer a slightly leveraged investment in this company.

Euroz (codes EZL and EZLO).

Euroz shares have weakened slightly over the last three months but the options are unchanged although continue to trade at a large 51% discount to fair value. This offers a highly leveraged investment opportunity.

Euroz is expanding its stockbroking business with the formation of a new subsidiary, **Euroz Corporate Finance**.

The options of this cash-rich stockbroking firm will be attractive to investors seeking to leverage their portfolio with an investment in options.

Magna Pacific (code MPH and MPHOB).

The Magna Pacific options allow investors to buy one share on 28 February 2004 at 32 cents. With the shares trading around 46 cents, the options should be worth *at least* 14 cents (i.e. the 46 cents value of the shares less the cost of exercising the options next year) but trade around 11 cents.

The *fair value* of the option is 18.6 cents - which takes into account that 30½ cents is the *present value* of 32 cents in February next year (i.e. 30½ cents placed in a bank term deposit now will grow to 32 cents over the next year) and the *leverage* (i.e. the potential to earn leveraged gains from the options *and* the need for investors to risk only 11 cents buying the options but to risk 46 cents buying the shares).

Magna Pacific options are also very attractive as the company is in a strong growth phase and the shares are in a strong uptrend. The shares have risen 12% over the last quarter, with the option price up just 16%. The shares, however, trade on a fairly high valuation (i.e. a P/S ratio of 1.66, a P/E of 33 and a Yield of 2.2%).

At the AGM in late November the company was "confident of achieving" its projected 70% growth in profits for the year to June 2003. That projection, however, may be too conservative as other company reports suggest it could be doing significantly better: (1) First quarter revenues rose 72% with profits up 122%, (2) that growth continued in the second quarter with October's revenue budget achieved in the first two weeks and (3) the company will release 500 DVD titles over the next year, up from 140 over the last year.

Magna Pacific is debt free, holds over \$6 million in cash and has recently acquired a further 676,984 shares in listed **Becker Group**, building this to 6,613,673 shares (or 9.1% of the company, worth about \$1.0 million).

Magna Pacific options will be attractive to investors seeking a leveraged investment opportunity.

Sunshine Gas (codes SHG and SHGO).

This is an exploration company involved in seeking coalbed methane and natural gas exploration. The company plans to drill nine exploration wells with the proceeds from its mid-2002 initial public share issue.

In addition, the company holds 19.9 million options to buy shares in listed **Sydney Gas Company** at 27.9 cents per share on 21 August 2003.

Sunshine Gas appears to have had some success with its first well which will be production tested over the next several weeks.

Shares in an exploration company like Sunshine Gas obviously involve significant risk. In this situation the options can be an attractive alternative entry into the

(Continued on Page 10)

Warrant/Option Analysis (Continued from Page 9)

company. Buying the options involves risking a significantly smaller initial amount of capital to gain an exposure to the company. In this case, options purchased at 5½-6 cents involve only about 25% of the investment needed to buy shares at 21½-22 cents.

Of course, on 30 June 2004 the options must either be exercised at 20 cents (to buy shares) or allowed to expire worthless. Sunshine Gas options trade at a 44% discount to their *fair value* of 9.9 cents, so are a far more attractive alternative to buying the shares directly. With a much smaller initial investment, investors have another sixteen months to assess the success (or otherwise) of Sunshine Gas's exploration program.

This limited risk - and full participation in any gains - makes the Sunshine Gas options an attractive, albeit very speculative, investment.

Safe Effect Technologies (code SAF and SAFO).

Safe Effect Technologies is another very speculative, start-up business. The company has no meaningful revenues, but is seeking to commercialise its emergency braking systems. The options (to buy shares on 31 December 2003 at 20 cents) offer an even more speculative, short term investment!

The Safe Effect Technologies options have only ten months to expiry, but require only a small initial investment (i.e. 2.6 cents for an option, compared with 19 cents for a share), so a speculator will risk only 14% of the cost of buying the shares.

Once again, this company has yet to prove it can generate revenues and profits from its business, so is highly speculative and lacks investment quality. The options have only ten months to expiry, so are extremely risky. Therefore we rate these options "Avoid". Nevertheless, this situation demonstrates how options can minimise risk (i.e. the amount of risk capital invested) if one chooses to invest in a high risk company.

Company	Share Price	Yr/Mth Exercise Price	to Expiry	Option Price	Black Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
AGD Mining	1	1	0-1	0.2	0.1	+63	0.67	5.16	1.00	+311
AKD Limited	2	20	2-1	0.3	0.0	+999	0.72	3.30	1.00	+229
Aberdeen Leaders	91	118	0-11	1.5	1.8	-17	0.22	9.36	1.00	+35
Acclaim Explor.	3	20	1-2	0.3	0.0	+999	0.66	4.93	1.00	+401
Adamus Resources	30	20	0-4	8.8	10.4	-15	0.62	2.57	1.00	-7
Adultshop.com	7	100	0-11	0.2	0.1	+107	1.19	3.11	1.00	+999
Adultshop.com	7	175	0-10	0.1	0.0	+519	1.19	3.77	1.00	+999
Adultshop.com	7	20	1-4	4.0	1.9	+106	1.19	1.79	1.00	+149
Aeris Technologies	24	20	2-4	9.0	12.0	-25	0.71	1.59	1.00	+8
Afinex Ltd	3	50	0-1	0.1	0.0	+999	0.68	9.99	1.00	+999
Afinex Ltd	3	10	2-3	0.7	0.4	+69	0.68	2.40	1.00	+71
Alkane Explor.	37	35	2-1	18.5	16.4	+13	0.72	1.69	1.00	+19
Allegiance Mining	7	20	0-10	1.0	0.4	+141	0.88	3.15	1.00	+280
Allied Mining	8	20	0-4	0.2	0.1	+51	1.00	4.70	1.00	+999
Amadeus Energy	10	25	1-9	1.6	0.1	+999	0.38	5.52	1.00	+80
Amadeus Energy Ltd	10	20	0-9	1.0	0.0	+999	0.38	9.20	1.00	+188
Ambition Group	25	100	1-7	1.0	0.0	+999	0.37	7.85	1.00	+142
Amity Oil Limited	70	100	1-6	16.0	7.8	+106	0.43	3.52	1.00	+40
Amlink Technologies	6	45	1-4	0.2	0.4	-52	1.07	2.41	1.00	+355
Anitsense Therapeutic	8	20	3-11	3.5	2.7	+31	0.70	1.69	1.00	+32
Antisense Therapeutics	8	20	3-11	9.6	2.7	+258	0.70	1.69	1.00	+40
Argonaut Resources	10	30	4-4	2.3	7.6	-70	1.46	1.11	1.00	+33
Arrow Energy NL	14	20	1-4	1.5	2.1	-29	0.55	2.94	1.00	+38
Astro Mining NL	3	75	6-10	0.9	3.1	-71	1.97	1.02	1.00	+59
Audax Resources	70	30	0-10	47.0	41.6	+13	0.57	1.64	1.00	+12
Auridian Consolidated	3	50	1-4	0.3	0.0	+777	1.04	3.02	1.00	+797
Aust Food & Fibre	27	32	3-4	1.3	5.8	-77	0.30	2.82	1.00	+6
Aust Magnesium	45	125	2-5	6.0	0.7	+707	0.35	4.90	1.00	+56
Aust Mining Invest.	5	20	0-7	0.8	0.0	+999	0.73	5.87	1.00	+942
Aust Silicon	8	20	0-11	0.6	0.5	+24	0.76	3.33	1.00	+181
Aust United Gold	1	5	0-4	0.1	0.0	+999	1.07	6.20	1.00	+999

Swiftel (code SWT and SWTOA).

This is a *micro-cap* Telecom company that has to date traded unprofitably. However, there were a couple of *insider* buys in mid-2001 and the company has just announced November 2002 was its first month of positive earnings (before interest). That, of course, may have been an unusual month - and the company may slide back into losses - but it does look as though the company is steadily building a profitable business.

The options allow investors to buy shares on 13 March 2005 at 10 cents, so the company will have to recover strongly over the next 25 months if the options are to have any value. The main advantage relative to buying the shares directly is that one risks only 30% as much capital initially. The disadvantages are (1) the high break-even rate (so the company needs to recover strongly before the options will have any value) and (2) the options are inactively traded and available in only small quantities.

Higher risk speculators may consider this situation.

Virax Holdings (code VHL and VHLO).

This biotechnology company is awaiting results from clinical testing of its HIV treatment which "will have a major impact on how the company shapes future programs".

One way for investors to minimise risk in this type of very risky situation is to minimise one's investment. Buying the shares requires risking 49 cents, while buying the options places only 20 cents at risk. The 50 cents exercise price need be invested - in three years - *only* if the company makes progress and the shares have appreciated in value. As is often the case, the options can be inactively traded and only available in small quantities!

This is another situation that high risk speculators may wish to consider.

Company	Share Price	Yr/Mth Exercise Price	to Expiry	Option Price	Black Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Autogen Ltd	25	125	7-0	8.1	12.7	-36	0.80	1.34	1.00	+27
Automotive Ind.	10	15	0-4	0.1	0.7	-86	0.85	4.08	1.00	+244
Aztec Resources	3	20	1-11	1.0	0.1	+999	0.67	3.34	1.00	+171
Bara Resources	13	25	0-6	0.7	0.3	+155	0.66	5.27	1.00	+323
Barlow (Tony)	0	10	1-10	0.1	0.0	+657	1.08	2.43	1.00	+482
Beach Petroleum NL	32	140	1-1	12.5	31.5	-60	7.74	1.00	1.00	+329
Bioprospect	11	20	2-11	3.3	2.7	+21	0.62	2.01	1.00	+31
Biotech Capital	28	50	0-7	1.5	0.0	+999	0.25	19.09	1.00	+184
Biron Capital	31	40	1-3	6.0	2.2	+168	0.32	4.95	1.00	+37
Blaze International	4	20	0-3	0.6	0.0	+999	1.12	6.80	1.00	+999
Blink Models Ltd	1	10	1-11	0.2	0.0	+663	0.80	2.92	1.00	+236
Bounty Oil	9	20	0-11	2.3	0.8	+204	0.77	3.12	1.00	+166
Bullion Minerals	8	20	1-4	1.5	1.1	+31	0.89	2.31	1.00	+120
Burns Philp	49	20	0-6	28.5	29.4	-3	0.31	1.66	1.00	-2
Cape Range Wireless	3	5	1-7	1.0	0.8	+20	0.91	1.86	1.00	+62
Captch Group	1	25	0-2	0.6	0.0	+999	0.97	9.99	1.00	+999
Cardia Technologies	10	20	1-4	2.2	1.9	+14	0.89	2.17	1.00	+89
Centamin	29	20	0-1	8.5	9.1	-6	0.47	3.19	1.00	-19
Central Equity	156	220	2-2	5.0	1.9	+157	0.14	9.99	1.00	+18
City Pacific	195	100	3-6	105.0	127.8	-18	0.60	1.38	1.00	+1
Clearwater Group Ltd	23	20	1-11	8.3	12.5	-34	0.95	1.46	1.00	+12
Clover	29	30	1-5	9.2	7.5	+23	0.52	2.50	1.00	+24
Cluff Resources	1	4	0-10	0.1	0.0	+999	0.48	8.99	1.00	+444
Cobra Resources	1	10	1-4	0.1	0.0	+999	0.83	3.83	1.00	+570
Cockatoo Ridge Wines	60	55	2-10	15.0	18.0	-17	0.31	2.52	1.00	+6
Conquest Mining	1	20	2-4	0.3	0.1	+296	0.97	2.23	1.00	+236
Cooper Energy	11	20	1-1	3.2	0.4	+618	0.47	4.64	1.00	+99
Customers Ltd	4	20	0-7	0.8	0.0	+999	0.61	9.03	1.00	+999
Datafast Telecom.	1	20	2-9	0.1	0.1	-21	1.33	1.59	1.00	+259
De Grey Mining Ltd	15	20	2-4	3.5	3.8	-9	0.56	2.17	1.00	+23
Deep Green Minerals	0	0	2-7	0.1	0.2	-38	1.56	1.13	1.00	+17

"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Before	Held After
10/01/2003					
Nuplex Industries	Tower Asset Mgmt	Sell	-0.654	9.43%	8.35%
Richmond Ltd	GES Lowe	Buy	+3.164	0.04%	8.00%
17/01/2003					
Kiwi Income Properties	FCMI Financial	Sell	-40.770	7.77%	0.17%
Port of Tauranga	Infratil Ltd	Sell	-1.880	12.36%	10.96%
Richmond Ltd	Waitotara Farmers	Sell	-1.487	7.26%	3.63%
24/01/2003					
Cadmus Technology	Coromandel Gold	Sell	-0.770	13.43%	11.84%
Certified Organics	JC Wallis	Buy	+0.945	7.96%	10.84%
Fisher & Paykel	AXA Asia Pacific	Sell	-0.884	8.41%	7.05%
Port of Tauranga	Infratil	Sell	-1.30	10.96%	9.99%
Tower Corporation	AXA Asia Pacific	Sell	-2.160	8.95%	7.72%
Waste Management NZ	AXA Asia Pacific	Buy	+1.100	7.47%	8.59%
31/01/2003					
Affco Holdings	Hugh Green Invest.	Buy	+5.877	9.99%	11.08%
Kirkcaldie & Stains	ING	Sell	-0.150	7.09%	5.09%
Rubicon Ltd	Perry Corp	Buy	+9.738	16.32%	19.81%
Southern Capital	ING	Sell	-1.429	6.76%	4.99%
Tranz Rail Holdings	CBA	Sell	-2.108	10.32%	9.31%
07/02/2003					
Goodman Fielder	Burns Philp	Buy	+13.569	14.91%	15.94%
Kiwi Income Properties	Colonial Mutual	Buy	+40.770	0.0%	7.38%
Skellmax Industries	AXA Asia Pacific	Sell	-1.200	8.21%	7.01%
Tower Corporation	Guinness Peat	Buy	+17.458	0.0%	9.93%

"Insider" Trades in NZ Shares

We believe that it is necessary to accumulate 6-12 months of *insider* trading to identify trends, but this data has been disclosed only since the start of the year.

While the small amount of data collected to date may not be too significant, we have identified the following trades:

Company	Insider Buyers- Sellers	Company	Insider Buyers- Sellers
Infratil NZ	2:0	Port Tauranga	0:2
Mainfreight Grp	0:1	Sanford Limited	2:0
NZ Invest Trust	2:0	Vending Tech.	0:1
Northland Port	0:2	Wakefield Hosp.	1:0

Total Return Index for All Listed Shares

Jan 13	1813.67	Jan 20	1826.22
Jan 14	1826.41	Jan 21	1830.77
Jan 15	1826.95	Jan 22	1826.07
Jan 16	1829.15	Jan 23	1826.17
Jan 17	1827.54	Jan 24	1835.31
Jan 27	1832.40	Feb 3	1804.75
Jan 28	1823.08	Feb 4	1802.03
Jan 29	1811.72	Feb 5	1787.16
Jan 30	1807.80	Feb 6	Holiday
Jan 31	1799.20	Feb 7	1771.53

NZSE 50 Index

The NZ Stock Exchange has finalised its new NZSE 50 Index which it will begin publishing - a couple of months later than expected - from the beginning of March.

The main surprise in the new index is the *exclusion* of **AMP Office Trust** (market capitalisation \$430 million), **DB Breweries** (\$292 million) and **Cavalier Corporation** (\$210 million). Instead, the index will skip over 15-20 medium sized listed companies to include **NZ Refining** (\$436 million, but only \$57 million worth of shares not owned by foreign oil companies), **Mainfreight** (\$80 million) and **National Property Trust** (\$76 million).

These three smallest companies will make up an insignificant 0.19% of the NZSE 50 index. That is just \$19 dollars for every \$10,000 investment in the index.

Around 27% of the new NZSE 50 Index will be invested in **Telecom**, with the largest five shares accounting for 56% of the index. The next five biggest companies make up 17% of the value of the index, with the next fifteen largest companies making up about 18% of the value of the index. That leaves the bottom *half* of the index (i.e. the next 25 companies) with a weighting of slightly less than 8½% of the index value! This is *not* what we call *good diversification!*

Current Issues

SHARE REPURCHASES

	Details
Designer Textiles	15%, off market
Hellaby Holdings	4%, on-market
Sky City Entertainment	2½-3¾%, on-market
Steel & Tube	9.99%, on-market

CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
Mowbray Collectibles	1:8	50	10-02	14-03
Richina Pacific	1:1	US\$0.145	-	-

Dividends

Company	Cents per Share	Ex- Date	Pay- able	Tax Credit
Calan Healthcare	1.4681	17-02	03-03	0.5319
Carter Holt Harvey	3.00	17-02	03-03	Full
South Port NZ	2.75	24-02	28-02	Full
Telecom NZ	5.00	03-03	14-03	Full
<u>Australian Shares</u>				
IASbet	5.00	21-02	21-03	

Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday March 11, 2003 (and delivered in most areas on Wednesday 12). 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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