

# Market Analysis

Issue No. 372

P.O. Box 34-162, Auckland

June 10, 2003

## Inside Market Analysis

Brazin's major shareholder seeks to buyout minorities <i>cheaply</i> .....	4	Neglect Ratings of NZ Shares .....	8
JM Ross buys Julia Ross Recruitment shares .....	5	Neglect Ratings of Australian Shares .....	10
Attractive major acquisition helps McPhersons lift this year's predicted dividend 40% .....	5	Readers Ask .....	11,12
		NEW ISSUE: NZ Exchange .....	12

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

## Summary and Recommended Investment Strategy.

The Australian and NZ stockmarkets have rallied over the last couple of months, steadily lifting the value of our *Recommended Portfolio*. Many of these shares still offer excellent value and potential for future gains, so remain close to fully invested.

## Investment Outlook.

Favourable Monetary indicators (i.e. falling interest rates) and Technical indicators (i.e. the market is rallying) provide a very Bullish (i.e. favourable) short term outlook for the NZ stockmarket - although the longer term Forecast is Neutral at 58%.

The short term outlook in Australia is favourable for the same reasons, but this market offers better Fundamental value which helps produce the Bullish One-Year Forecast of 76% (i.e. a 76% probability that the market will rise over the next year).

World stockmarkets are all in the early stages of a recovery, but many *individual* shares are still consolidating after long term declines, while most companies are still suffering from depressed trading conditions. This is an environment to be picking depressed shares, in *quality* companies, that will have recovery and growth potential. In many of the best situations, however, share prices may remain weak or volatile in the short term, and corporate profitability remains generally depressed.

We recommend that investors remain close to fully invested in the recommended shares - but with a small cash reserve to fund new recommendations. Many other shares have become depressed over the last 2-3 years and we shall probably realise a few existing share investments to help fund new investments in those depressed shares that offer good value and excellent recovery/growth potential.

### Stockmarket Forecasts

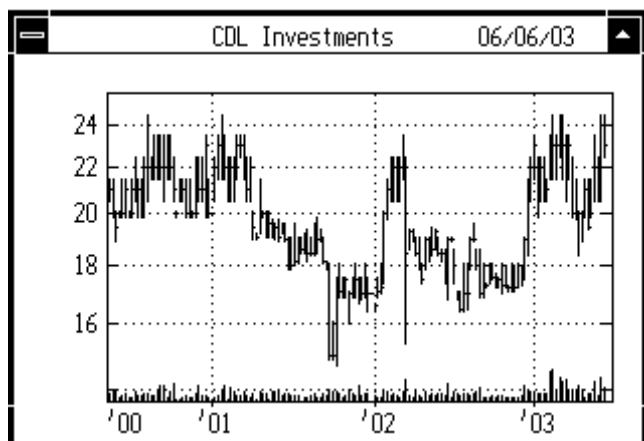
	<u>One-Month</u>	<u>One-Year</u>
Australia:	<b>77%</b> (Bullish)	<b>76%</b> (Bullish)
New Zealand:	<b>82%</b> (Bullish)	<b>58%</b> (Neutral)





# Recommended Investments

After a "good start" over the first four months, **CDL Investments** is "relatively confident" about the current



financial year. To meet demand the company is developing 137 new residential sections in Auckland and 115 lots in Hamilton. Nevertheless, the company also points out "early signs that the top end of the market may be overheated" and that lower immigration and a slowing economy will eventually impact upon demand for residential sections.

**Colonial Motor Company's** major shareholder, Malaysian based **SunMotors**, has sold all of its 6,930,000 shares (24.9% of the company) through a placement at 295 cents per share. Four directors took advantage of this placement to add to their own shareholdings in the company.

**Richina Pacific's** cash issue was 73.96% subscribed - with the underwriter, **Richina Enterprises Holdings**, taking up the (Continued on Page 4)

## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<b>NZ Shares</b>													
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	187.1	2.0	1.80	7	10.4	23	7.7	+23%
HOLD	Cavalier Corporation	CAV	05/12/95	156*	A	63.0	0.7	1.82	23	5.7	475	111.0	+276%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.6	0.21	10	10.6	295	240.8	+257%
BUY	Lyttelton Port Company	LPC	12/12/00	150	A	101.8	1.0	2.87	11	9.4	175	25.0	+33%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.5	0.5	0.80	14	5.7	449	127.0	+1152%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	A	59.7	0.8	0.54	12	6.6	384	77.5	+32%
HOLD	Renaissance Corp	RNS	13/08/96	85*	D	37.1	1.9	0.08	NE	19.5	23	10.4	-61%
BUY	Richina Pacific	RCH	03/11/95	94*	D	144.4	2.0	0.05	3	Nil	29	9.4	-59%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	1.0	2.75	15	6.5	149	65.0	+78%
BUY	Steel & Tube Holdings	STU	08/08/00	146	A	87.9	0.9	0.93	17	8.1	348	63.0	+182%
HOLD+	Taylor's Group Ltd	TAY	09/11/99	102	C	24.3	0.7	0.73	12	7.9	160	26.0	+82%
BUY	Wrightson Limited	WRI	13/01/98	83	C	134.2	1.3	0.23	7	14.7	117	33.3	+81%
<b>Australian Shares (in Aust cents)</b>													
BUY	Abigroup Limited	ABG	09/03/99	265	A	47.7	0.6	0.20	17	3.2	251	53.0	+15%
BUY	AJ Lucas Group	AJL	13/05/03	120	A	45.2	0.7	0.77	13	5.3	141	Nil	+17%
HOLD	Atlas Pacific Ltd	ATP	14/05/96	73	C	87.8	1.5	2.32	8	10.0	30	7.0	-49%
HOLD+	Auspine Limited	ANE	08/02/00	210	A	57.0	0.6	0.72	15	5.3	266	56.0	+53%
BUY	Austral Coal Ltd	AUO	16/01/01	19	C	154.5	1.4	0.74	5	Nil	48	Nil	+150%
HOLD	Biron Capital Ltd	BIC	12/04/94	171*	A	38.2	1.4	2.64	22	2.9	35	13.0	-72%
HOLD	Brazin Limited	BRZ	11/12/01	160	B	116.4	1.0	0.19	4	16.5	82	22.0	-35%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	418*	A	39.2	0.5	0.52	16	6.3	480	102.5	+39%
BUY	Candle Australia	CND	08/04/03	86	B	37.3	0.9	0.20	12	5.3	95	Nil	+10%
HOLD	Cellnet Group Ltd	CLT	12/02/02	152	C	49.5	1.1	0.09	4	13.8	65	9.0	-51%
BUY	Commander Comm.	CDR	11/09/01	92	A	145.1	1.0	0.64	13	3.1	88	6.8	+3%
BUY	IASbet Ltd	IAS	11/02/03	180	B	41.0	0.9	2.29	12	4.1	172	Nil	-4%
HOLD	Julia Ross Recruitment	JRR	14/08/01	92	C	57.4	1.4	0.21	5	10.7	56	12.0	-26%
HOLD+	McPherson's Ltd	MCP	10/10/00	125	B	41.0	0.5	0.48	13	3.8	318	31.0	+179%
HOLD	Nufarm Limited	NUF	11/02/97	418*	A	155.7	0.6	0.44	11	4.4	410	106.3	+24%
HOLD	OAMPS Limited	OMP	15/05/01	132*	A	71.7	0.6	0.44	15	7.3	275	24.3	+127%
BUY	Skilled Engineering	SKE	12/03/02	126	B	88.7	0.9	0.35	20	4.2	239	16.0	+102%
HOLD	Toll Holdings	TOL	08/09/98	60*	B	302.8	0.6	1.42	26	1.4	695	35.5	+1118%
HOLD	UXC Limited	UXC	11/01/00	55*	B	124.1	1.4	0.20	9	9.3	54	16.0	+27%
BUY	Villa World Ltd	VWD	11/06/02	68	B	102.9	0.8	0.51	8	8.5	106	10.0	+71%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	C	164.1	1.1	1.31	13	4.0	97	22.1	+73%
HOLD	Volante Group Ltd	VGL	13/03/01	132	B	68.1	1.0	0.18	15	8.2	97	13.0	-17%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +112.5%. This is equal to an average annual rate of +26.8%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 34 current and 118 closed out) is +28.4%, compared with a market gain of +8.3% (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) shortfall and increasing its holding from 25.5% to 38.5%. NZ investors took up "almost 100%" of their entitlement, so the major shareholder has increased its holding at the expense of other related foreign investors.

### **Australian Shares**

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

**Abigroup** has won, by competitive tender, a 3-5 year extension to its current 2½ year maintenance contract for the **Energex** gas network. This contract will generate around \$6-7 million in annual revenues.

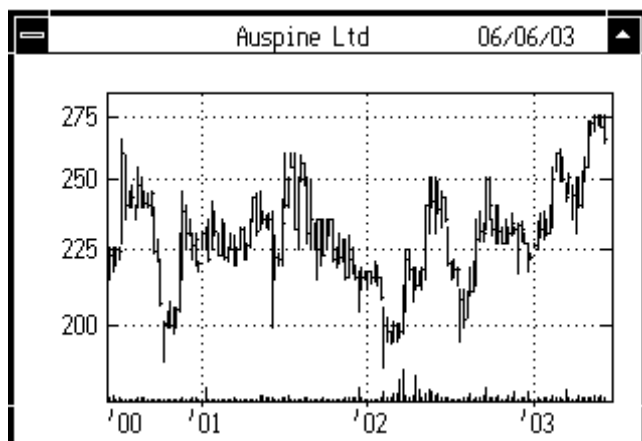
**Atlas Pacific** is restructuring its Indonesian business to reduce production costs. Alyui Bay was originally planned as a vertically integrated operation involving hatchery breeding through to pearl harvesting. As this is a very remote location, however, the company is required to provide employee accommodation and amenities. In future Atlas Pacific will use this site for seeding, pearl growth and harvesting, but will transfer breeding, the manufacture of boats and long lines, and accounting and administration to Northern Bali. Bali has easier access to Australia and sites throughout Indonesia, as well as a large source of local labour that does not require accommodation from the company.

Atlas Pacific is also looking to establish a second pearl production site "some distance from Alyui Bay" to reduce environmental and other risks.

SARS has shut down much of the Hong Kong pearl trade, so Atlas Pacific's marketing agent, **Pearlautre International**, is seeking to make sales in Europe and America. The strength of the Australian dollar will depress pearl revenues, although the company has currency hedges for this year's expected revenues - and half of the expected revenues for 2004.

**Auspine** and its joint venture partners have decided to scale down the proposed \$90 million, 60 MW biomass power plant at its Tarpeena mill, near Mt Gambier. The initial plant capacity is likely to be 20-24 MW, costing \$40-45 million and taking 12-18 months to construct, with the capacity to upgrade this to 45 MW in the future. The lower capacity will significantly reduce fuel costs as only the lowest quality wood waste will be required and the higher value woodchips will not now be burnt as fuel.

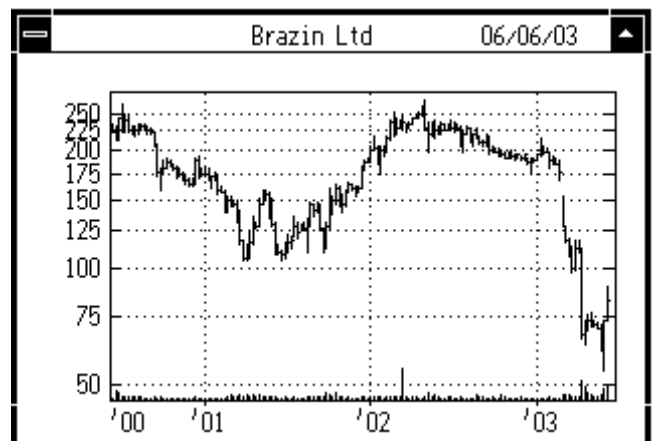
Auspine is still investigating logistical aspects of producing and collecting biomass from its forests and the marketing of electricity in excess of the company's own requirement of 7 MW.



**Brazin's** major shareholder **Yoda Holdings**, a company owned by the founder Brett Blundy, is seeking to privatise the company by buying out the 40% owned by other shareholders. Rather than make a takeover bid that would require 90% acceptances to become compulsory, Mr Blundy is proposing a "selective share buy-back" which will require approval by only 75% of all shareholders. Full details have yet to be announced, but it is proposed that the company will pay 78 cents to buy back the minority shareholders.

That payment *could* take the form of a franked dividend (which would be unattractive to NZ resident shareholders) and/or a capital repayment. Ideally we would like to see this privatisation offer rejected by the independent directors, and for Brazin to remain a listed company, so that we can profit from the recovery of the business over the next couple of years. As currently proposed, we recommend that shareholders vote against the capital reduction/minority shareholder buyout.

The most *likely* situation, however, is that the buyout price will be increased slightly and win sufficient support. That would still be a very good deal for the major shareholder - but we can always find some other shares in which to invest our money. "Hold", vote against the buyout.



**Campbell Brothers** lifted revenues 6.7% to \$360.3 million for the year to 31 March 2003. Profits rose 5.9% to \$11,896,000 (30.4 cents per share) and the annual dividend will remain steady at 30.0 cents.

The **Laboratory Services Division** lifted revenues 18.2% to \$114.4 million with earnings (before interest and tax) up 41.7% to \$16,350,000. Despite "initial disruption and commissioning delays" this division has now finalised the integration of Canada based **Bondar Clegg Laboratories**, acquired in December 2001, which has produced "substantial improvements in operating efficiencies". This division is one of the largest analytical laboratories in the world, with 41 laboratories and 1500 employees in 17 countries, providing services mainly for the mineral and environmental sectors.

Campbell Brothers expect to do even better with its Laboratory Services division this year, with further growth planned from the "expansion of analytical services" and the "expansion of the worldwide network".

This division has the potential to provide high profit margins, a high return on Shareholders Equity and strong *free* cash flows (i.e. cash that is not required to be

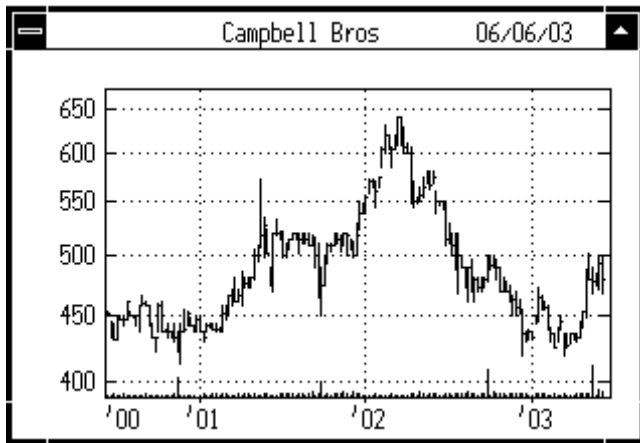
June 10, 2003.

re-invested to maintain the business, so is available to finance growth, acquisitions or to pay dividends).

The **Industrial Products Division** lifted revenues 12.6% to \$115.5 million with earnings up 27.9% to \$7,930,000.

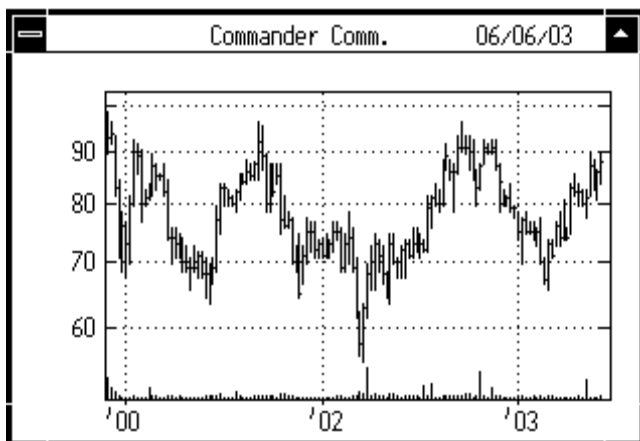
**Consumer Products Division** performed poorly with revenues down 4.9% to \$132.1 million and earnings falling 41.9% to \$5,900,000.

Campbell Brothers' profit levels are still too low. Nevertheless, the shares trade on a low valuation (i.e. a Price/Sales ratio of just 0.52, a Price/Earnings ratio of 16 and offer a Dividend Yield of 6.3%) and the attractive Laboratory Services division is growing rapidly with potential for significant gains over the medium to long term. The Relative Strength Rating is -0.1%, ranked 38, so the shares look to be in the early stages of a recovery. There has been one *insider* buy over the last year, although seven sells. These sells are from RC Campbell who appears to be very slowly, but steadily, selling down a large holding. Overall we are upgrading Campbell Brothers shares to a "Hold+".



**Commander Communications** and **Telstra** have put out a joint announcement describing their new relationship as "mutually beneficial" and an "exciting and important deal for Telstra Wholesale". In reality, however, the new arrangement is a big improvement for Commander Communications, reasonable for Telstra Wholesale and a big loss for Telstra Retail.

Previously Commander Communications was a captive re-seller of services bought from its former parent company Telstra, at retail prices - with attempts by Commander Communications to negotiate a better deal totally rejected by Telstra. This changed with



Commander Communications' acquisition of **RSL.COM**. Commander Communications will now buy all telecommunication services at wholesale prices through RSL.COM - which buys at the lowest prices from Telstra Wholesale or other telecommunication providers.

Commander Communications can now provide and earn a profit margin on a full range of equipment, on-site maintenance and telecommunication services to its customers.

Julia M Ross took advantage of the falling price of **Julia Ross Recruitment** shares in April with the purchase of 50,000 shares on-market at 65 cents each. During May she has been an even more aggressive buyer, picking up a total of 512,824 shares at prices of 48-50 cents. While the shares may remain depressed in the short term - so we rate them "Hold" as others are more attractive for new purchases at this time - this quarter of a million dollar additional investment by the major shareholder should help re-assure investors that the business is viable and that the shares are depressed and under-valued.

**McPhersons** has made a major acquisition with the purchase of **Cork Asia Pacific** for \$101 million in cash. To fund this McPhersons has raised \$26 million in an institutional share placement of 10,400,000 shares at \$2.50, will raise \$5 million from a *share purchase plan* which will offer all existing shareholders 2000 new shares at \$2.50 each and will borrow \$70 million.

Cork Asia Pacific generates annual revenues of \$106 million and earnings (before interest and tax) of around \$15 million from the importation and distribution of beauty and hair care products to pharmacies, department stores, supermarkets and discount stores. Its main brands include *Manicare*, *Lady Jane* and *Cameo* which all have a market share in excess of 50%. Sales are made in Australia, New Zealand and Singapore.

This business will be merged with McPhersons existing Housewares Division, approximately doubling the size of this division. Like McPhersons existing Housewares businesses, Cork Asia Pacific does not manufacture product - so requires no investment in depreciating manufacturing facilities. Both businesses source product from third parties or contract manufacturers, mainly in China, with product sourcing managed out of Hong Kong.

McPhersons is buying this business on a Price/Sales ratio of 0.95 and a Price/Earnings ratio of about 10. That valuation looks reasonable, but the acquisition is also attractive owing to (1) synergies with McPhersons existing Housewares business, (2) strong free cash flows and (3) increased earnings per share and dividends from the use of debt to fund this acquisition.

Cross selling opportunities, plus productivity gains in warehousing, logistics and administration are expected to generate annual cost savings of around \$6 million. This will effectively increase the profitability of the acquisition by 40% (i.e. lower the P/E to about 7), although it will be 12-18 months before these synergy benefits impact on profitability.

Cork Asia Pacific - like McPhersons existing businesses - generates high (Continued on Page 6)

**Recommended Investments** (Continued from Page 5) free cash flows that are not needed to maintain the business. So McPhersons "comfortably expects" to be able to repay at least \$10 million of interest bearing debt in each of the next three years. Interest bearing debt will peak at \$122 million after this acquisition, compared with Shareholders Equity of \$91 million, but debt levels (and the interest expense) should then reduce quickly over the next few years.

This expansion will have a favourable impact on earnings per share (before goodwill amortisation) and dividends per share - as the acquisition is mainly debt financed. As a result of the share placement and share purchase plan the issued capital will increase 30%, but revenues will increase 42%, earnings (before interest, tax and goodwill) will rise 71% and net profits (before goodwill) will increase 52% while operating cash flows will rise 67%.

Goodwill amortisation will rise 5-fold, so the bottom line net profit will rise only 19% with earnings per share down 8%. Goodwill amortisation, however, has no impact on cashflows and is simply an accounting entry.

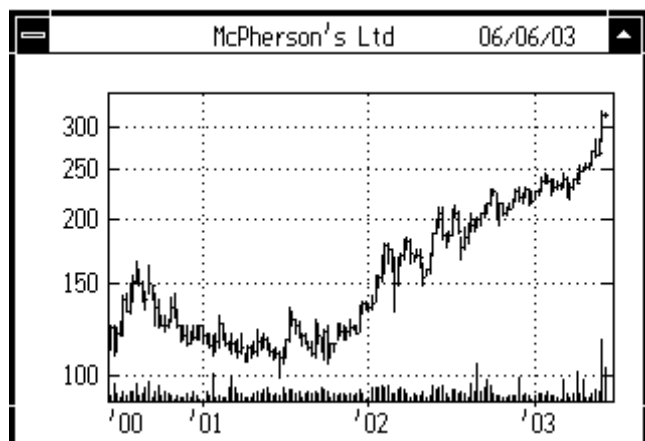
McPhersons had anticipated an annual dividend this year 14.6% higher at 13.75 cents, but is now forecasting a dividend rate 39.6% higher at 16.75 cents.

McPhersons share price has risen strongly in response to this acquisition, but at 318 cents the shares will still offer an attractive Dividend Yield of 5.3% and remain an attractive "Hold+".

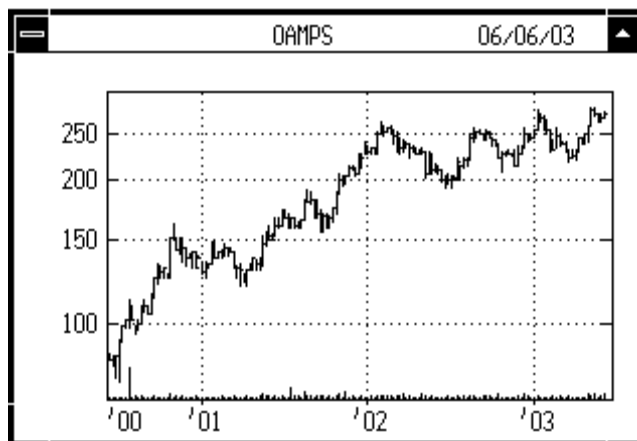
The shares have increased 2½ fold over the last 2½ years, so investors who are now a little over-weighted in McPhersons may wish to sell 2000 shares on market (at around 318 cents) and then take up their entitlement to the 2000 new shares at 250 cents each. That way you can realise a \$1360 gain while maintaining the same number of shares in McPhersons to benefit from further dividends and capital appreciation over future years.

Shareholders will have the option of buying 500 shares, 1000 shares or 2000 shares at 250 cents under the share purchase plan. We recommend taking up the maximum entitlement of 2000 shares. The Application Form is in the mail (and should be received in NZ this week). The completed application form and payment need to be returned to McPhersons by 24 June.

The only negative is the sale of 182,000 shares (at around 313 cents) on-market by the Managing Director, DJ Allman, reducing his holding to 356,500 shares.



**OAMPS'** monthly business acquisition for May was Sydney based **York Insurance Brokers**, which has 1300 clients and generates \$5 million in annual premium revenues.



**Toll Holdings** has acquired 21,234,153 shares in **Tranz Rail Holdings** on-market at an average cost of NZ\$0.76. This blocked a takeover offer from **Rail America**, which has since been withdrawn. Toll Holdings then made its own full takeover bid at NZ\$0.75, conditional on 50.1% acceptances.

The situation, however, changed late last week when the NZ Government became involved. The government will immediately lend NZ\$44 million to Tranz Rail to enable this virtually insolvent company to meet lease payments due this month. Then, subject to shareholder approval, the government will buy 113 million new shares in Tranz Rail (i.e. 35% of the company) for NZ\$76 million (67 cents per share) and buy back the rail track for one dollar and surrounding assets for NZ\$50 million. The government will spend an estimated NZ\$75-90 million annually maintaining and upgrading track, with Tranz Rail receiving exclusive access at a cost of about NZ\$55-70 million per year.

By removing the immediate threat of insolvency, and with the government providing an on-going subsidy to track maintenance, Tranz Rail's share price may rise to 100-125 cents over the next several weeks - so Toll Holdings may decide to sell out and realise a small capital gain. The government's injection of new capital does nothing, however, to improve the *operations* and *efficiency* of Tranz Rail's business. Nor does it change Tranz Rail's long term funding needs and the on-going problem of negative *free* cash flows. Tranz Rail badly needs Toll Holdings' experience at turning around poorly performing businesses - although we feel there must be better places for Toll Holdings to invest its money! The government does not intend to be a long term investor in Tranz Rail - which means they hope to get their short term loan repaid and to sell off their discount priced shares before Tranz Rail's next financial crisis.

Toll Holdings' 50% owned **Pacific National** rail investment generated total revenues of \$809 million, earnings (before interest and tax) of \$84.9 million and a net profit of \$40.8 million for the nine months to 31 March 2003. That is about *double* the net profit earned by the business prior to it being acquired by Toll Holdings

**and Patrick Corporation.**

We continue to rate Toll Holdings a “Hold” (and Tranz Rail a “Sell/Avoid”).

**Villa World** reports “sales significantly in advance of construction” at its *Brooklyn Park* and *Church Point* projects in Brisbane. Construction has begun at the 231 site *North Point* project, earthworks have begun at the 98 site *Bellbowrie* project and the company will begin building homes in September. Another Brisbane site has been acquired at Carseldine which will be developed into 192 residential lots.

Construction has started at the *Millbrook* 118 home project 8km from the Brisbane CBD, and earthworks have begun at the *Cosmopolitan* 31 house and land project at Robertson, near Griffith University Campus.

On the Gold Coast, Villa World has begun earthworks for its 214 lot subdivision, *The Reserve*, at Oxenford. Another development site has been acquired at Coomera, where the company paid \$8.4 million for 33 hectares which will be developed into a \$60 million, 197 lot, subdivision.

Pre-sales of Villa World's 6½ hectare *Friday Island* residential subdivision in New South Wales have exceeded \$10 million with 37 of the 38 sites pre-sold. The company has also started construction on 50 townhouses, which it will begin pre-selling in July.

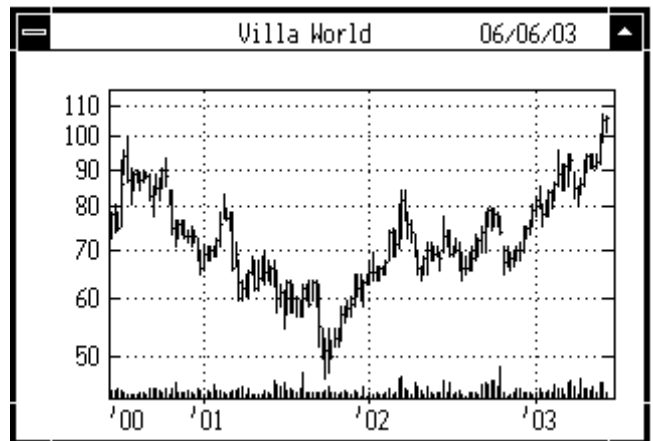
There have been delays with the *Wild Ash Grove*, 128 home development at Westleigh, Sydney, owing to a shortage of quality subcontractors. The first stage of 21 homes, however, is now close to completion and go on sale this month with “healthy sales” expected.

The 59 lot subdivision at Mona Vale, Sydney, has also been delayed and is now expected to begin in early 2004.

The Shanghai, China, project to built 14 high value homes is still at the planning stage - but should be completed in the June 2004 financial year.

Villa World is also preparing its development application for the *Dolphin Arcade* shopping centre in Surfers Paradise where it plans to build two apartment towers, starting in 2005. Meanwhile the company is receiving a good rental return on its investment from the existing shopping centre. The Dolphin project and the 2,100 residential lot development at *Eynesbury Station* will “provide medium to long term benefits and underpin profits from 2005 onwards”.

Villa World now expects to “achieve or slightly exceed” its recently upgraded profit forecast of \$18 million (17½ cents per share) for the current year to 30 June - subject to “several projects being completed and sold” by year end.



## “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	Share Price	Cur. rent	4-Wk Chg.	Rank 099	Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
Finzsoft Sol'ns	100	+39.2	-4.9	-0	0.0	-	2.5	-0.8	NE	Nil	2.08	8	
Richmond Hold.	312	+16.8	-4.0	0	0.0	-	-	-0.6	NE	Nil	N/A	N/A	
Ind Newspapers	427	+13.1	+7.0	1	0.1	5	1.6	4	1.1	36	3.0	2.06	1,804
Hellaby Hold.	383	+12.1	+1.4	2	0.0	1	2.3	17	0.7	13	7.0	0.56	190
Scott Tech. Ltd	271	+11.8	-0.3	3	0.0	-	3.9	16	0.7	25	6.1	2.04	60
KidiCorp	21	+11.6	-2.5	3	0.0	-	0.1	-	2.2	NE	Nil	N/A	1
Cavalier Corp	475	+10.6	+2.1	4	0.0	2	2.6	12	0.7	23	5.7	1.82	299
Trust Power Ltd	445	+9.4	+0.1	5	0.0	2	1.4	-	0.6	NE	4.3	1.35	816
Broadway Ind	55	+8.6	+1.6	5	0.0	-	1.3	14	1.1	10	2.7	0.30	11
Turners Auction	305	+8.1	+1.2	6	0.0	2	-	-	0.7	NE	Nil	N/A	N/A
Sky Network TV	448	+7.9	+5.2	7	0.0	4	31.8	-	1.0	NE	Nil	5.98	1,744
Shotover Jet	76	+7.8	-4.1	8	0.0	-	1.5	16	1.1	10	2.5	1.34	33
Contact Energy	483	+7.2	-0.3	8	0.0	6	1.8	8	0.6	23	5.9	2.66	2,917
Savoy Equities	2	+7.2	+16.1	9	0.0	-	8.7	-	7.8	NE	Nil	5.88	2
Affco Holdings	22	+7.1	-0.8	10	0.0	-	0.4	4	1.8	10	Nil	0.05	108
Brierley Invest	77	+6.9	+14.5	10	0.0	1	0.7	1	1.5	49	Nil	7.14	1,088
Metro. LifeCare	140	+6.2	+5.3	11	0.0	1	1.1	9	1.1	12	Nil	1.20	121
Mainfreight Grp	130	+5.5	+5.4	12	0.1	5	2.0	17	1.0	12	7.5	0.25	104
DB Breweries	680	+5.4	+3.0	12	0.0	3	2.5	14	0.5	17	5.9	1.19	343
NGC Holdings	162	+5.4	+2.0	13	0.0	-	1.9	9	1.1	22	4.0	1.77	1,255
F & P Appliance	1300	+5.2	+4.3	14	0.0	7	1.5	13	0.7	12	7.6	1.01	845
Sanford Limited	520	+5.2	+1.4	15	2.0	2	1.2	9	0.7	13	5.7	1.26	497
Southern Cap	65	+4.9	+1.9	15	0.0	-	1.4	14	1.1	10	Nil	3.38	51
Kingsgate Int'l	21	+4.7	+0.2	16	0.0	-	0.6	7	2.0	8	Nil	1.62	83
Steel & Tube	348	+4.5	+0.9	17	0.0	5	2.5	15	0.9	17	8.1	0.93	306
Waste Mgmt NZ	347	+4.4	+2.7	17	0.3	5	2.0	8	0.8	26	3.2	2.20	340
Trans-Tasman	29	+4.2	+1.8	18	0.0	2	0.5	3	1.9	16	Nil	2.10	172
Ports Auckland	719	+4.1	+1.9	19	0.0	5	2.2	13	0.6	18	6.2	4.81	762
CDL Investments	23	+4.0	-1.4	20	0.0	-	1.0	13	2.1	7	10.4	1.80	43
Kiwi Property	110	+4.0	+0.6	20	0.0	5	1.0	7	0.9	14	7.8	8.54	608
Nat Property Tr	96	+3.9	+2.7	21	0.0	-	0.9	6	0.8	15	9.4	5.89	56
Sky City Ltd	870	+3.7	-1.6	22	0.0	5	7.2	38	0.5	19	6.5	3.52	1,806
Cap Properties	90	+3.7	+0.5	22	0.0	5	1.0	10	0.9	10	10.1	2.79	158
NZ Experience	19	+3.4	-5.0	23	0.0	-	1.4	14	2.1	10	Nil	N/A	11
F & P Health.	1150	+3.3	+2.5	24	0.0	7	6.1	38	0.7	16	6.5	5.65	1,178
Fletcher Build.	366	+3.1	-1.7	25	0.0	4	2.2	16	0.8	14	5.7	0.43	1,268
Lion Nathan Ltd	664	+2.8	+2.8	25	0.0	1	1.5	8	0.4	19	2.9	1.90	3,547
Col Motor Co	295	+2.6	-2.0	26	4.1	-	1.0	10	0.6	10	10.6	0.21	82
Hallenstein G.	290	+2.4	+2.1	27	1.0	4	4.0	27	0.7	15	9.5	0.97	171
Skellmax Indust	115	+2.4	+1.5	27	0.0	-	6.4	69	1.1	9	9.1	1.14	115
Infratil NZ	202	+2.1	+4.2	28	3.0	3	1.1	9	0.8	13	3.0	2.99	370
Nuplex Indust	384	+2.0	+1.5	29	1.0	3	1.8	15	0.8	12	6.6	0.54	229
Lyttelton Port	175	+1.9	+2.4	29	4.0	4	6.3	58	1.0	11	9.4	2.87	178
Mowbray Collect	76	+1.5	-1.0	30	0.1	-	1.6	1	1.0	271	3.9	1.66	7
CDL Hotel NZ	26	+1.4	-4.8	31	0.0	1	0.4	8	1.9	5	8.0	0.48	91
Telecom Corp	509	+1.4	+4.3	32	1.0	8	7.2	51	0.8	14	5.9	1.72	9,536
TeNZ	94	+1.1	+2.0	32	0.0	-	-	-	1.2	NE	Nil	N/A	164
Property F Ind.	94	+1.1	+0.3	33	0.0	4	1.2	7	0.9	16	7.4	N/A	188
Vertex Group	146	+1.1	+1.2	34	0.0	2	2.1	17	1.2	13	14.5	0.54	47
NZU.co.nz	30	+1.0	-0.3	34	0.0	-	3.2	-	1.5	NE	Nil	2.33	1

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

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

Company	Share Price	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank	0.99												Cur. rent	4-Wk Chg.	Rank	0.99									
<b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0																													
Col Motor Co	295	+2.6	-2.0	26	4-1	-	1.0	10	0.6	10	10.6	0.21	82	Restaurant Brds	143	-7.1	+1.4	72	0-0	5	2.6	23	0.8	11	10.4	0.45	136		
Mainfreight Grp	130	+5.5	+5.4	12	0-1	5	2.0	17	1.0	12	7.5	0.25	104	Hallenstein G.	290	+2.4	+2.1	27	1-0	4	4.0	27	0.5	15	9.5	0.97	171		
Broadway Ind	55	+8.6	+1.6	6	0-0	-	1.3	14	1.1	10	2.7	0.30	11	Lyttelton Port	175	+1.9	+2.4	30	4-0	4	6.3	58	0.7	11	9.4	2.87	178		
Fletcher Build.	366	+3.1	-1.7	25	0-0	4	2.2	16	0.8	14	5.7	0.43	1,268	Tower Limited	163	-16.6	-0.4	86	1-0	3	0.4	0	1.0	128	9.2	0.49	286		
CDL Hotel NZ	26	+1.4	-4.8	31	0-0	1	0.4	8	1.9	5	8.0	0.48	91	Skellmax Indust	115	+2.4	+1.5	28	0-0	-	6.4	69	0.8	9	9.1	1.14	115		
Nuplex Indust	384	+2.0	+1.5	29	1-0	3	1.8	15	0.8	12	6.6	0.54	229	Steel & Tube	348	+4.5	+0.9	17	0-0	5	2.5	15	0.8	17	8.1	0.93	306		
Vertex Group	146	+1.1	+1.2	34	0-0	2	2.1	17	1.2	13	14.5	0.54	47	<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0															
Hellaby Hold.	383	+12.1	+1.4	2	0-0	1	2.3	17	0.7	13	7.0	0.56	190	Akd Int Airport	545	-0.7	+0.5	49	0-1	6	3.1	12	0.4	26	3.7	9.39	1,656		
Guinness Peat	149	+0.9	+1.5	36	0-0	2	0.8	12	1.1	7	2.0	0.59	927	Opio Forestry	52	-2.6	-1.1	61	0-0	-	0.6	-	0.6	NE	Nil	9.32	8		
Taylors Grp Ltd	160	+0.2	-0.0	40	0-0	-	1.7	14	0.8	12	7.9	0.73	39	Ecademy Hold.	0	-10.3	+9.7	78	0-0	-20.0	-	-	8.8	NE	Nil	5.71	5		
Wakefield Hosp.	147	+0.3	+0.4	40	1-0	-	0.9	5	0.8	18	3.0	0.77	19	Port Tauranga	435	-0.1	+0.3	44	2-2	5	1.4	6	0.3	23	5.7	5.31	582		
Steel & Tube	348	+4.5	+0.9	17	0-0	5	2.5	15	0.9	17	8.1	0.93	306	Evergreen	55	-0.9	-1.7	52	0-2	2	0.6	5	0.8	12	Nil	3.67	80		
Hallenstein G.	290	+2.4	+2.1	27	1-0	4	4.0	27	0.7	15	9.5	0.97	171	South Port NZ	149	-3.2	-0.2	62	0-0	1	3.0	20	0.7	15	6.5	2.75	39		
<b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0														<b>Worst Performing Shares:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average															
Hellaby Hold.	383	+12.1	+1.4	2	0-0	1	2.3	17	0.6	13	7.0	0.56	190	Spectrum Res.	2	-58.3	+0.0	98	0-0	-	1.3	-	3.3	NE	Nil	1.29	6		
Broadway Ind	55	+8.6	+1.6	6	0-0	-	1.3	14	0.8	10	2.7	0.30	11	Vending Tech.	115	-23.7	+9.6	92	0-1	1	1.9	14	0.8	13	Nil	1.78	34		
Affco Holdings	22	+7.1	-0.8	10	0-0	-	0.4	4	1.3	10	Nil	0.05	108	GDC Communicat.	85	-17.4	+0.9	88	1-2	2	2.0	22	1.0	9	6.1	0.47	32		
Mainfreight Grp	130	+5.5	+5.4	12	0-1	5	2.0	17	0.8	12	7.5	0.25	104	Warehouse Group	437	-16.7	-1.5	87	0-0	5	4.2	26	0.4	16	4.6	0.71	1,333		
Steel & Tube	348	+4.5	+0.9	17	0-0	5	2.5	15	0.8	17	8.1	0.93	306	Botry-Zen Ltd	14	-15.3	+3.6	85	0-0	-	7.7	-	1.2	NE	Nil	N/A	23		
Fletcher Build.	366	+3.1	-1.7	25	0-0	4	2.2	16	0.6	14	5.7	0.43	1,268	Genesis Res.	125	-13.2	+5.8	83	0-0	-	0.8	-	0.9	NE	Nil	2.10	33		
Col Motor Co	295	+2.6	-2.0	26	4-1	-	1.0	10	0.5	10	10.6	0.21	82	Briscoe Group	206	-12.5	-1.2	82	0-0	6	5.4	29	0.6	18	4.9	1.45	433		
Hallenstein G.	290	+2.4	+2.1	27	1-0	4	4.0	27	0.6	15	9.5	0.97	171	Michael Hill	449	-12.1	-0.2	80	2-0	3	3.9	28	0.4	14	5.7	0.80	173		
Nuplex Indust	384	+2.0	+1.5	29	1-0	3	1.8	15	0.7	12	6.6	0.54	229	Ecademy Hold.	0	-10.3	+9.7	78	0-0	-20.0	-	-	8.0	NE	Nil	5.71	5		
CDL Hotel NZ	26	+1.4	-4.8	31	0-0	1	0.4	8	1.4	5	8.0	0.48	91	NZ Oil and Gas	28	-9.1	+0.7	76	0-0	-	1.0	-	1.0	NE	Nil	2.73	32		
Vertex Group	146	+1.1	+1.2	34	0-0	2	2.1	17	1.0	13	14.5	0.54	47	Blis Technology	34	-8.9	+1.0	76	0-0	-	7.6	-	1.0	NE	Nil	N/A	22		
Guinness Peat	149	+0.9	+1.5	36	0-0	2	0.8	12	1.0	7	2.0	0.59	927	Cedenco Foods	169	-8.3	+1.3	75	7-0	-	0.9	15	0.5	6	Nil	0.97	26		
Wakefield Hosp.	147	+0.3	+0.4	40	1-0	-	0.9	5	0.6	18	3.0	0.77	19	Air New Zealand	52	-7.8	-0.8	74	5-0	6	1.7	-	1.4	NE	Nil	0.34	1,518		
Taylors Grp Ltd	160	+0.2	-0.0	40	0-0	-	1.7	14	0.6	12	7.9	0.73	39	Eldercare NZ	16	-7.3	+1.4	73	0-0	-	0.7	-	1.4	NE	Nil	0.76	31		
<b>INCOME SHARES:</b> Highest Yields, Capitalisation > NZ\$100 million														<b>Cadmus Tech Ltd</b>															
Wrightsons Ltd	117	-2.8	+0.9	61	0-0	3	1.3	18	1.0	7	14.7	0.23	157	8	-7.3	+3.5	73	0-0	-	2.8	-	1.9	NE	Nil	1.73	11			
NZ Refining Co	1630	-4.8	-1.2	66	0-0	-	1.3	12	0.2	11	13.7	2.42	391	Kirkcaldie & St	330	-6.3	-1.2	71	0-0	-	1.5	10	0.4	15	5.4	0.62	25		
Pyne Gould G.	109	-2.1	-0.0	58	1-0	-	1.1	12	0.7	9	11.6	0.43	109	AXA Asia Pac.	250	-6.3	+2.6	71	0-0	-	1.2	10	0.5	12	4.8	0.89	4,406		
AMP Limited	580	-26.2	-1.2	92	1-0	-	0.6	7	0.6	8	10.7	0.90	6,545	Cue Energy Ltd	5	-6.0	+1.2	70	1-1	-	0.5	4	2.2	12	Nil	1.39	17		

## "Neglect" Ratings of NZ Shares

"Neglected" Shares = 1-2 Brokers, "Moderately Followed" Shares = 3-4 Brokers, "Widely Followed" Shares = 5 or more Brokers.

Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)
AMP NZ Office	4	410	F & P Appliance	7	845	Metro. LifeCare	1	121	Sky Network TV	4	1,744
Air New Zealand	6	1,518	FC - Forests	6	562	Michael Hill	3	173	South Port NZ	1	39
Akd Int Airport	6	1,656	Fletcher Build.	4	1,268	Northland Port	1	118	Steel & Tube	5	306
Brierley Invest	1	1,088	GDC Communicat.	2	32	Nuplex Indust	3	229	Telecom Corp	8	9,536
Briscoe Group	6	433	Guinness Peat	2	927	Owens Group Ltd	3	52	Tourism Hold.	3	93
CDL Hotel NZ	1	91	Hallenstein G.	4	171	Pacific Retail	2	140	Tower Limited	3	286
Calan Hlthcare	3	117	Hellaby Hold.	1	190	Port Tauranga	5	582	Trans-Tasman	2	172
Cap Properties	5	158	Horizon Energy	2	99	Ports Auckland	5	762	Tranz Rail Hold	6	180
Carter Holt	5	2,926	Ind Newspapers	5	1,804	Powerco Limited	4	553	Trust Power Ltd	2	816
Cavalier Corp	2	299	Infratil NZ	3	370	Property F Ind.	4	188	Turners Auction	2	0
Col FS Property	5	146	Kiwi Property	5	608	Provenco Group	1	24	Vending Tech.	1	34
Contact Energy	6	2,917	Lion Nathan Ltd	1	3,547	Restaurant Brds	5	136	Vertex Group	2	47
DB Breweries	3	343	Lyttelton Port	4	178	Ryman Health.	2	180	Warehouse Group	5	1,333
Evergreen	2	80	Mainfreight Grp	5	104	Sanford Limited	2	497	Waste Mgmt NZ	5	340
F & P Health.	7	1,178				Sky City Ltd	5	1,806	Wrightsons Ltd	3	157





# "Neglect" Ratings of Australian Shares

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

Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)
A.P. Eagers	1	95	Chiquita Brands	1	105	Investa Prop.	4	1,772	Q.B.E. Insur.	8	5,656
AMP Diver. Prop	4	1,613	Citec Corp Ltd	3	78	Iress Mkt Tech	4	223	Qantas Airways	7	5,973
AMP Ind Prop Tr	3	438	Clough Limited	1	192	James Hardie	8	3,156	Queens'd Cotton	1	96
AMP Ltd	5	5,832	Coal & Allied	2	1,905	Jubilee Mines	1	240	RG Capt'l Radio	4	140
AMP Office Trt	4	1,086	Coates Hire	6	466	Julia Ross Rec.	2	32	Ramsay Health	8	474
AMP Shop Centre	4	1,281	CocaCola Amatil	9	3,843	Jupiters	8	1,261	Rebel Sport	1	150
ANZ Bank	10	28,442	Cochlear Ltd	9	1,640	K&S Corporation	3	91	Reece Australia	1	667
APN News Media	9	1,561	Coles Myer	10	8,206	Kaz Group Ltd	3	127	Ridley Corp.	3	396
ARB Corporation	4	149	Collection Hse	6	152	Keycorp Ltd	1	93	Rio Tinto Ltd	7	15,803
AWB Limited	3	1,091	Colorado Group	4	277	Leighton Hold	7	2,432	Roc Oil Company	2	125
AXA Asia Pac	7	3,794	Com'wealth Bank	9	36,793	Lend Lease Corp	7	3,605	Rock Build Soc.	1	51
Adacel Tech.	1	32	Commander Comm.	2	128	Lend Lease US	2	502	Rural Press Ltd	5	686
Adcorp Aust.	2	50	Computer Share	7	951	Lihir Gold	6	1,634	SMS Mgmt & Tech	3	56
Adelaide Bank	6	711	Cons Rutile	1	147	M.I.M. Holdings	3	3,296	SP Telecom.	1	80
Adelaide Bright	6	596	Corp Express	7	858	M.Y.O.B. Ltd	3	206	STW Comm Group	3	424
Adsteam Marine	4	298	Count Financial	2	100	MTM Entert'ment	1	20	Santos Ltd	7	3,089
Adtrans Group	1	71	Crane Group	3	513	Macarthur Coal	2	131	SecureNet Ltd	2	67
Ainsworth Game	2	26	DCA Group Ltd	3	511	Macquarie Infra	4	6,727	Servcorp Ltd	2	116
Alesco Corp Ltd	2	181	David Jones	4	481	Macquarie Leis.	1	120	Seven Network	11	1,219
Alinta Limited	6	859	Deutsche Office	3	1,309	Macquarie Good.	3	1,500	Sigma Company	6	746
Altium Limited	4	39	Deutsche Div Tr	3	1,154	Macquarie Off.	4	1,022	Silex Systems	2	48
Amalgamated Hld	1	292	Deutsche Ind Tr	3	614	Macquarie C'Wde	5	842	Sims Group Ltd	4	769
Ambri Limited	1	16	Downer EDI Ltd	4	723	Macquarie Bank	7	5,902	Skilled Eng.	3	212
Amcor Ltd	9	6,843	E.R.G.	1	83	Macquarie G Mgt	2	408	Smorgon Steel	6	941
Amrad Corp.	1	59	ETRADE Aust.	1	36	Mayne Group Ltd	9	2,259	Solution 6	3	121
Anaconda Nickel	1	480	Ellex Medical	1	20	McGuigan Simeon	5	375	Sonic Health	7	1,727
Aristocrat	9	452	Emperor Mines	2	73	McPherson's Ltd	2	130	Sons of Gwalia	6	347
Auspine Ltd	1	152	Energy Resource	1	360	Mermaid Marine	1	19	Soul Pattinson	1	1,258
Aust Pharm. Ind	5	535	Energy Develop.	5	195	Metabolic Phar.	1	93	Southcorp Ltd	8	2,024
Aust Gas Light	7	4,960	Envestra	4	783	Metcash Trading	2	1,425	Spotless Group	7	700
Aust Agricult.	2	177	Evans & Tate	1	42	Mia Group Ltd	7	488	St George Bank	9	10,813
Aust Infra.	3	263	FKP Limited	2	224	Millers Retail	5	416	Stargames Ltd	1	86
Aust Stock Exch	7	1,302	Fairfax (John)	9	2,176	Mirvac Group	4	2,817	Starpharma Pool	2	29
Aust W'wide Exp	3	180	Fantastic Hold.	1	187	Mosaic Oil NL	1	45	Sthn Cross Brd.	5	510
Aust Magnesium	1	36	Flight Centre	3	1,771	Nat'l Foods	7	1,100	Sthn Star	1	49
Aust Pipeline	4	722	Foodland Assoc	6	2,234	Nat'l Aust Bank	11	50,129	Stockland	3	4,399
Austar United	3	214	Foster's Group	10	8,861	Nat'l Telecom	2	6	Straits Res.	1	45
Austal Limited	3	149	Freedom Group	5	193	Neverfall Spr.	4	227	Strathfield Grp	1	10
Austereo Group	9	620	Futuris Corp.	6	976	Newcrest Mining	5	2,412	Suncorp-Metway	7	5,955
Austrim Nylex	1	56	G.U.D. Holdings	1	259	News Corporatio	4	25,299	Sydney Aquarium	3	91
Australand Hold	3	865	GWA Internat'l	4	725	Norwood Abbey	1	47	Symex Holdings	2	90
Axon Instrument	2	84	Gandel Retail	3	2,494	Novogen Ltd	1	422	TAB Ltd	8	1,439
BHP Billiton	6	32,944	Gasnet Aust Trt	2	316	Novus Petroleum	3	204	Tabcorp Holding	8	3,780
Bank of W.Aust	7	2,466	General Prop Tr	3	5,966	Nufarm Limited	5	638	Tap Oil	3	214
Bank of Q'land	7	601	Globe Int'l Ltd	3	122	OPSM Group Ltd	4	520	Technology One	5	105
Baycorp Advant.	5	356	Goodman Fielder	4	1,962	Objective Corp	1	24	Telstra	10	28,507
Bendigo Bank	7	982	Graincorp	2	430	Oil Search Ltd	5	762	Tempo Services	6	178
Beston Wine Ind	1	48	Grand Hotel	2	103	Onesteele Ltd	6	954	Ten Network	9	835
Billabong Int'l	8	1,222	Gribbles Group	5	211	Optiscan Image	1	27	Thakral Holding	2	363
Biota Holdings	1	37	Gunns Ltd	4	887	Orbital Engine	1	46	Ticor Ltd	1	406
Boral Limited	7	2,803	Gympie Gold	1	66	Orica Ltd	8	2,928	Timbercorp	1	172
Brambles Ind.	8	4,487	Harvey Norman	7	2,671	Origin Energy	9	2,851	Toll Holdings	9	2,105
Brazin Limited	2	95	Healthscope	4	220	Oroton Group	1	84	Transfield Serv	5	446
Brickworks Ltd	2	930	Henry Walker E.	2	111	PMP Limited	5	195	Transurban Grp	5	2,425
Bristle Ltd	3	526	Hills Motorway	8	1,108	Pacifica Group	6	503	Uecomm Limited	2	96
Bunnings W/hse	3	397	Hills Indust.	2	454	Pacific Hydro	5	410	United Energy	6	1,318
Burns Philp	4	727	Horizon Energy	1	25	Panbio Ltd	1	41	United Group	4	254
Burswood Ltd	7	367	Hpal Limited	2	148	Paperlin X Ltd	8	1,649	Village Road.	4	273
C'wth Prop Off.	4	1,661	Hutchison Tel.	7	190	Patrick Corp	7	2,322	Villa World	1	109
C.S.R. Ltd	7	1,738	ING Indust Trt	3	1,126	Peptech Limited	1	255	Vision Systems	3	159
CMI Limited	1	44	ING Office Fund	3	953	Perp Trust Aust	7	1,132	Volante Group	2	66
CPI Group	5	48	ION Limited	5	427	Peter Lehman W.	3	107	Wattyl Ltd	4	277
CSL Limited	8	1,938	liNet	1	61	Polartechincs	1	39	Wesfarmers Ltd	9	9,611
Cabcharge Ltd	6	425	Iluka Resources	7	884	Portman Limited	3	171	West Aust News	9	1,218
Caltex Australia	1	699	Infomedia Ltd	5	246	PowerTel Ltd	2	80	West'n Metals	1	37
Campbell Bros	1	188	Institute Drug	1	82	Primary Health	3	401	Westfield Trust	3	7,086
Candle Aust.	1	35	Insurance Aust.	9	5,482	Prime TV	4	298	Westfield Amer.	4	7,098
Capral Alum.	1	195	Int Research	3	31	Prime Retail	1	149	Westfield Hold.	7	8,508
Carindale Prop	2	182	Int'l Wine Inv.	1	172	Prime Life Corp	1	105	Westpac Banking	12	28,675
Cellnet Group	1	32	Integrated Grp	1	89	Pro Maintenance	5	151	Woodside Petrol	6	7,720
Centennial Coal	3	363	Intellect Hold	1	38	Pro Medicus Ltd	1	88	Woolworths Ltd	10	13,276
Centro Prop.	3	1,893	Investor Group	3	86	Publishing & Br	8	6,400	Yates Limited	1	24
Challenger Int.	2	654							Zimbabwe Plat.	1	329

# Readers Ask . . .

**Question:** Something that you might like to address in your bulletin is the question of when to sell. Since I've been a subscriber (November 2000) I struggle to recall a sell recommendation. Please don't take this as a criticism, I'm generally happy with your picks, particularly when I compare them to my managed funds investments. My portfolio which now includes ten of your picks, six have increased in value and four have decreased. I guess I'm a sceptic - share market advisors are quick to recommend a buy and hold, but few tell you when to sell.

**Answer:** It is good for an investor to be sceptical - but you do need to work on your memory problem! For the record, there have been six "Sell" recommendations in *Market Analysis* since November 2000 - PMP in August 2001, Air NZ and Hamilton Island in October 2001, Thakral Holdings in May 2002, Central Equity in June 2002 and CSR just three months ago. There was also the recommendation to sell 20-25% of Toll Holdings in November 2001.

In fact, before publishing the first issue of *Market Analysis* in March 1981, I designed the *Portfolio of Recommended Investments* so that every share formally recommended as a "Buy" must be followed up each month until it becomes a "Sell". The newsletter, however, aims for *long term investment*, not share trading, so some shares can remain in the portfolio for years - and may be rated a "Buy" in many monthly newsletters.

Although individual investors circumstances are different there are (1) always new subscribers and (2) existing investors with new monthly savings. These investors want to know which shares from the *Recommended Portfolio* are most attractive to purchase, so I rate them "Buy" and "Hold+".

After I have recommended a share for sale it is removed from the *Portfolio*. It simply doesn't make sense to rate a share as "Sell" month after month. Brokers often upgrade a "Sell" to a "Hold" - but that is totally illogical! An investor can buy some shares, and later (when more cash is available) buy some more to add to that holding, but if you sold all of a share last month you can't sell it again to raise more cash!

So while every share rated "Buy" must eventually be rated "Sell", a share may be rated as "Buy" in one to one hundred monthly issues but can only be rated as "Sell" once!

## **When to Sell**

The question of when to sell is simply an extension of the question of when to buy. The *Comprehensive Share Selection Criteria* seeks to identify shares with attractive characteristics that have the potential to outperform the market (i.e. potential "Buys") - and then reverses those criteria to find shares that will likely underperform (i.e. potential "Sells").

There are really only two reasons to sell:

Firstly, a share may still be attractive and likely to outperform the market *in the future* but it has appreciated so much that it dominates your portfolio which has become poorly diversified. In this case you need to sell 20-50% of the holding and re-invest elsewhere to *improve diversification and reduce risk* (i.e. to ensure you hold onto most of your gains if something goes wrong in the future).

I advocate that investors be very well diversified by holding shares in up to 20-40 different companies. That

suggests an initial investment of just 2½-5% of your portfolio in any one share. One advantage of this is that you can *let your profits run* on successful investments that can increase 5-10 fold in value before they grow so large (i.e. 20-25% of your portfolio) that you feel you need to start selling out of a successful company.

Secondly, any share should be sold if you feel there is a better place to invest your money (subject to the uncertainty of predicting the future performance of shares). Selling and re-investing is never easy - partly as it requires that you make *two* decisions correctly: The decision to sell *and* your choice of what to buy.

Many investors buy shares rather indiscriminately based upon news items or brokers reports - with the result that there is a constant need to sell underperformers to buy into this month's favourite. I prefer to spend more time with the initial "buy" decision. If you buy *good* companies, at a low valuation, then it is often a sound strategy to continue to hold if the company hits a glitch and the share price declines. So the fact that some of your shares have increased in value or that some have fallen in value is not, by itself, a sign that any action is required. Shares - whether they have increased or decreased in value - need to be assessed on an individual basis, based upon their current valuation and the future potential for the company.

---

**Question:** I enclose a copy of my NZ and Australian share portfolio and other odd investments, plus some planned share purchases. I would very much like your advice as to a reshuffle of my portfolio, which I am sure is long overdue. I tend to buy and hold - thereby often missing out on some good profits. I would like to get rid of some rubbish and re-invest in better stocks. I would probably like to be in a position to cash up in a couple of years, hopefully with some good capital gains to leave to my family.

**Answer:** The main problems with this portfolio are (1) you don't appear to have ever sold anything and (2) there are too many holdings that are *too small* for the portfolio.

There are about 55 shares (plus some funds and fixed interest investments). The 10 biggest holdings make up about 50% of your equities, there are 10 mid-sized investments and about 35 shares that individually account for less than 1% of your equity portfolio. *Many of your planned purchases will also fall into this small category and will represent only about 1% of your portfolio.*

Much of the problem will be solved, and a tidier portfolio will result, if you set a minimum investment per share at about 2% of your portfolio (i.e. about \$10,000 in your situation).

So go through your portfolio and look at all of the investments worth less than \$10,000. In most cases sell off these small holdings (as they are relatively insignificant to you) or buy more shares to bring them up to \$10,000 in value. Also apply the \$10,000 limit to your new planned purchases.

Applying this minimum investment rule should help you *clean out* most of your existing small holdings and provide the cash to increase your new purchases to a level where they will have some significance to your portfolio. A small number of companies (Continued on Page 12)

# Current Issues

## SHARE REPURCHASES

Details

Hellaby Holdings	4%, on-market
NGC Holdings	1 in 3, off-market at 184 cents
Provenco	16%, on-market
Sky City Entertainment	2½-3¾%, on-market
Steel & Tube	9.99%, on-market

## CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
Capital Properties	1:3	75	16-06	11-07
NZ Exchange	1:2	150	02-06	04-07

## NEW ISSUES

	Price	Date	EPS	DPS
NZ Exchange	-	-	-	-

**NZ Exchange** - previously the NZ Stock Exchange - has listed its existing shares on the stockmarket and is making a 1 for 2 cash issue at 150 cents to existing shareholders to raise \$5 million in cash. A further \$120 million will be raised from an *initial public offering*, although as the shares are now listed this is more like a *secondary offering* (i.e. a share placement).

The *indicative* price for the new shares is 250-325 cents, but with the shares currently trading on-market at 420 cents the actual price for the new shares will likely be above this range.

The company operated at a loss of \$515,000 in the year to June 2002 from revenues of \$10.3 million. For the six months to December 2002, however, it recorded a profit of \$1,914,000 from revenues of \$5.2 million which included a special, non-recurring fee of \$2,069,000 charged to stockbrokers.

Issued capital after the cash issue and public offering will be about 13 million shares, giving the company a market capitalisation of about \$55 million. The company makes no forecasts of its future profitability, but \$55 million (i.e. a Price/Sales ratio of 5.50) looks expensive for a company where revenues and profit potential are uncertain. Avoid.

## Next Issue

The next issue of *Market Analysis* will be posted in five weeks time on Tuesday July 15, 2003 (and delivered in most areas on Wednesday 16).

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

## Virtual Office

Our physical office will close from June 11 to June 29, while your Editor is overseas, but Securities Research will continue to operate from a *virtual office* (i.e. portable computer with global internet access).

## Readers Ask

(Continued from Page 11)

will make it easier to focus your attention on the bigger investments that *are* important to your portfolio.

You will also need to review your portfolio periodically (i.e. quarterly, six-monthly or annually) to sell off shares that are fully valued or which are no longer attractive. In the case of the *Market Analysis* recommendations (i.e. you have some shares that we recommended selling a long time ago) you should seek to sell off shares soon after we rate them as "Sell". This will keep your portfolio tidy and provide cash for new recommendations which will avoid making new small investments. In the case of the many other shares in your portfolio, you need to look at your initial reasons for buying - and decide if these shares are still appropriate for you.

Many of your larger investments are bank shares, property shares and other high yielding shares which would appear appropriate for a retired person seeking income, medium to low risk, and some potential for capital appreciation.

# Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
AMP Office Trust	3719178084	23-06	27-06	Nil
Capital Properties	1.90	01-06	11-06	0.35
Col FS Property	2.33	09-06	06-06	0.30
DB Breweries	13.00	26-05	04-06	Full
Dorchester Pacific	3.90	TBA	TBA	Full
F & P Appliances	32.00	16-06	20-06	Full
F & P Appliances (special)	8.00	16-06	20-06	Full
F & P Healthcare	27.00	16-06	20-06	Full
Horizon Energy	11.00	26-06	26-06	Full
Infratil NZ	4.00	23-06	27-06	Full
Kiwi Income Properties	3.513	16-06	27-06	0.89799
Mainfreight Group	3.50	14-07	18-07	Full
Mowbray Collectibles	2.00	16-06	30-07	Full
Mr Chips Holdings	1.50	30-06	04-07	Full
Nuhaka Farm Forestry	91.00	23-06	27-06	Nil
Owens Group	2.00	28-07	30-07	Full
Paramount Property	2.88	16-06	20-06	0.40
Powerco	8.00	09-06	20-06	Nil
Richmond Holdings	5.00	26-05	30-05	Full
Ryman Healthcare	4.50	16-06	27-06	Nil
Sanford	9.00	16-06	25-06	Full
Telecom NZ	5.00	01-06	13-06	Full
Vertex Group	8.10	18-08	22-08	Full
Wakefield Hospital	3.00	16-06	23-06	Full
	<u>Australian Shares</u>			
Campbell Brothers	17.00	04-06	01-07	

## Total Return Index for All Listed Shares

May 12	1691.16	May 19	1711.58
May 13	1693.44	May 20	1710.02
May 14	1690.98	May 21	1707.02
May 15	1701.35	May 22	1716.23
May 16	1705.64	May 23	1723.20
May 26	1726.53	Jun 2	Holiday
May 27	1724.80	Jun 3	1742.61
May 28	1732.18	Jun 4	1747.92
May 29	1735.75	Jun 5	1761.19
May 30	1743.22	Jun 6	1766.98

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Birkenhead, Auckland. (66 Stanaway Street. Telephone 64-9-4199 427 Facsimile 64-9-4199 428 Internet: [www.stockmarket.co.nz](http://www.stockmarket.co.nz) or [www.australia-stockmarket.com](http://www.australia-stockmarket.com) Email: [james@stockmarket.co.nz](mailto:james@stockmarket.co.nz)). Subscription Rate NZ\$265 (including GST) per year.

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