

Market Analysis

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Summary and Recommended Investment Strategy.

Investors worry whether the recovery will continue, interest rates are rising and our Forecasts are only moderately Bullish (i.e. favourable) but we see excellent potential for long term capital appreciation from under-valued, emerging growth company shares in Australia and smaller company shares in NZ. Remain fully invested!

Investment Outlook.

Globally, investors have started to worry whether the stockmarket recovery has ended - which from a contrary opinion viewpoint is probably a sure sign that it hasn't. Our Forecasts, however, have also weakened slightly as interest rates rise.

We are, however, very optimistic about the potential to earn significant gains from our portfolio over the next several years. Over the last year we have cashed in some underperforming shares and some safe, cyclical holdings and invested in what can loosely be called "technology" shares. In fact, the actual business is of little importance, we look for attractive business characteristics: Non-capital intensive businesses (which can grow rapidly without the need to raise capital and dilute earnings per share growth), free cashflows, a strong niche and competitive advantage, low valuations and strong growth potential. Companies that create or use technology often fall into this category. Of course, valuations were at an extreme of over-valuation four years ago, but since then 90-95% have failed and the survivors (with another four years of business growth) now trade at just 5-25% of their earlier share prices.

With a more favourable economic environment (i.e. moderate growth) - and less competition - many of these companies are well placed to grow strongly over the next four years. Several could become ten-baggers (i.e. increase ten-fold in value). While we have made good investment gains over the last four years, there just wasn't the potential for spectacular gains!

While we struggle to find companies with growth potential on the NZ stockmarket, many of the NZ shares in our portfolio trade at moderate valuations and offer high income yields. With institutional investors now discovering these medium sized and smaller company shares, investors should be able to expect further above average returns over the next couple of years.

Remain fully invested in the recommended shares and hold for long term capital appreciation.

Stockmarket Forecasts

	One-Month	One-Year
Australia:	59% (Neutral)	62% (Bullish)
New Zealand:	66% (Bullish)	56% (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	482	0.91	8	12.9	Hirequip NZ Ltd	C	103	3.13	20	2.2	Richmond Hold.	B	270	0.09	8	4.1
AMP NZ Office	C	82	6.85	7	8.2	Horizon Energy	A	385	4.23	19	9.7	Rocom Wireless	C	14	0.31	NE	Nil
AXA Asia Pac.	B	285	1.02	14	4.2	ING Property	B	101	5.69	9	9.7	Rubicon Limited	C	75	N/A	15	Nil
Abano Health	E	17	0.57	31	Nil	Ind Newspapers	A	475	2.16	26	3.0	Ryman Health.	B	220	2.33	14	3.4
Afco Holdings	D	22	0.13	7	Nil	Infratil NZ	A	273	4.05	18	2.2	Sanford Limited	C	515	1.43	12	5.6
Air New Zealand	D	42	0.34	8	Nil	KidCorp	D	18	N/A	NE	Nil	Savoy Equities	D	2.0	5.88	NE	Nil
Akd Int Airport	B	661	8.82	26	5.0	Kingsgate Int'l	C	30	2.32	12	Nil	Scott Tech. Ltd	B	301	1.58	13	6.9
Allied Farmers	B	210	0.32	9	7.8	Kirkcaldie & St	B	318	0.57	17	6.7	Sealegs Corp	C	3.4	N/A	NE	Nil
Apple Fields	C	4.0	N/A	NE	Nil	Kiwi Property	C	107	8.31	13	8.0	Seeka Kiwifruit	D	428	N/A	NE	Nil
Beauty Direct	C	7.0	1.86	NE	Nil	Lion Nathan Ltd	B	675	1.74	18	4.5	Selector Group	E	2.0	3.92	NE	Nil
Blis Technology	D	17	N/A	NE	Nil	Loan & Building	D	360	1.32	NE	Nil	Shotover Jet	C	105	1.85	13	1.8
Botry-Zen Ltd	D	11	N/A	NE	Nil	Lytelton Port	C	168	2.81	13	9.8	Skellmax Indust	B	133	1.38	11	7.9
Brierley Invest	D	66	5.03	NE	Nil	MG Property Trt	C	102	5.89	18	10.3	Sky City Ltd	C	457	3.40	18	7.7
Briscoe Group	C	158	1.11	14	6.4	Mainfreight Grp	A	165	0.32	15	5.9	Sky Network TV	E	504	5.02	NE	Nil
Broadway Ind	B	89	0.49	13	2.2	Metro. LifeCare	B	245	2.10	20	Nil	SkyCity Leisure	E	120	2.03	40	Nil
CACI Group Ltd	C	36	0.40	13	Nil	Michael Hill	A	503	0.86	19	5.0	Smiths City	E	50	N/A	NE	Nil
CDL Hotel NZ	B	48	0.88	10	4.4	Mid-Cap Index *	N/R	208	N/A	NE	Nil	Software of Exc	D	153	1.95	NE	Nil
CDL Investments	C	32	2.51	10	7.5	Moorings Systems	B	258	N/A	NE	Nil	South Port NZ	C	150	2.68	15	6.7
Cabletalk Group	D	22	0.17	NE	Nil	Mowbray Collect	C	125	2.73	NE	2.4	Spectrum Res.	E	1.7	N/A	NE	Nil
Cadmus Tech Ltd	D	12	1.46	47	Nil	Mr Chips Hold	D	99	0.93	24	4.5	Steel & Tube	B	400	1.07	16	8.6
Calan Hilticare	C	89	7.63	16	9.0	NGC Holdings	B	222	2.58	23	4.1	Strathmore Grp	D	20	0.70	NE	Nil
Cap Properties	C	90	2.91	10	10.1	NZ Exchange Ltd	D	640	N/A	NE	Nil	Submarines Aust	C	0.5	0.26	NE	Nil
Carter Holt	C	189	0.79	18	4.0	NZ Experience	C	35	2.50	15	Nil	Summit Gold Ltd*	N/R	8.0	N/A	NE	Nil
Cavalier Corp	B	515	1.68	18	7.2	NZ Invest Trust*	N/R	560	N/A	NE	1.5	Tag Pacific Ltd	C	15	0.29	NE	Nil
Cert Organics	E	14	4.79	NE	Nil	NZ Oil and Gas *	N/R	41	N/A	NE	Nil	Taylor's Grp Ltd	A	285	1.21	16	5.5
Col Motor Co	B	287	0.20	12	9.6	NZ Refining Co	A	1600	2.37	11	14.0	TeNZ *	N/R	105	N/A	NE	Nil
Commssoft Group	D	0.3	0.34	NE	Nil	NZ Wine Company	D	242	N/A	NE	Nil	Telecom Corp	A	555	2.04	15	5.4
Convita	D	240	0.88	NE	Nil	Nat Property Tr	C	97	6.99	16	9.3	Tourism Hold.	C	144	0.72	57	3.1
Contact Energy	B	523	2.61	27	6.6	Newcall Group	D	2.0	0.12	NE	Nil	Tower Limited	D	133	0.53	NE	11.3
Cube Capital	D	5.9	0.20	NE	Nil	Norhland Port	A	320	N/A	32	3.9	Training Sol.	E	0.1	1.43	NE	Nil
Cue Energy Ltd *	N/R	6.7	2.93	32	Nil	Nuhaka Forestry	C	510	0.97	NE	17.8	Trans-Tasman	D	41	2.97	23	Nil
DB Breweries	B	820	1.30	17	6.1	Nuplex Indust	B	437	0.42	12	6.8	Tranz Rail Hold	C	145	0.50	NE	Nil
Design Textiles	C	91	0.49	8	6.8	Opio Forestry	E	52	9.32	NE	Nil	Trust Power Ltd	B	680	2.06	NE	2.8
Dorchester Pac	A	275	0.96	13	4.1	Owens Group Ltd	C	117	0.15	24	2.6	Turners Auction	A	465	1.78	20	4.8
Ebos Group Ltd	B	350	0.43	15	7.0	Oyster Bay	D	210	N/A	NE	Nil	Urbus Property	D	89	N/A	NE	Nil
Evergreen	E	46	1.88	NE	Nil	Ozzy (Tortis) *	N/R	205	N/A	NE	Nil	Utilico Int'l	C	72	7.38	NE	Nil
F & P Health.	B	1231	6.05	17	6.1	Pac Edge Bio.	E	4.0	4.55	NE	Nil	Vending Tech.	C	125	1.64	14	Nil
F & P Appliance	A	374	1.16	13	6.6	Pacific Retail	D	215	0.21	7	Nil	Vertex Group	B	138	0.51	12	15.4
FC - Forests	D	134	1.10	NE	Nil	Port Auckland	C	435	5.31	23	5.7	WN Drive Tech.	C	76	N/A	NE	Nil
Finmedia Ltd	C	103	N/A	NE	Nil	Ports Tauranga	C	770	4.87	18	6.6	Wakefield Hosp.	B	231	1.20	28	1.9
Finzsoft Solns	D	105	2.19	NE	Nil	Postie Plus Grp	D	99	0.51	13	Nil	Warehouse Group	C	508	0.76	19	4.3
Fletcher Build.	C	400	0.50	10	7.1	Powerco Limited	B	199	2.74	17	7.0	Waste Mgmt NZ	A	417	2.65	31	2.7
Forty Two Below	E	37	N/A	NE	Nil	Property F Ind.	C	91	N/A	16	7.7	Widespread Port	E	3.2	0.25	NE	Nil
Freightways Ltd	B	232	N/A	22	7.4	Provenco Group	C	49	0.84	39	Nil	Williams Kettle	C	470	0.42	10	7.6
GDC Communicat.	C	25	0.14	3	20.9	Pure NZ Limited	D	4.0	5.71	NE	Nil	Windflow Tech.	D	306	N/A	NE	Nil
Genesis Res.	E	85	1.43	NE	Nil	Pyne Gould G.	B	127	N/A	10	10.0	World Index Fd *	N/R	110	N/A	NE	Nil
Guinness Peat	C	191	0.76	9	1.6	Renaissance	B	68	0.23	NE	6.6	Wrighton Ltd	C	142	0.29	10	12.1
Hallenstein G.	C	290	0.96	15	9.5	Restaurant Brds	B	119	0.38	9	12.5	Zintel Comm.	E	100	N/A	NE	Nil
Hellaby Hold.	B	505	0.84	11	7.7	RetailX Limited	D	12	2.74	NE	Nil	Ave of 148 Cos	C	210	0.63	22	3.5
Heritage Mining*	N/R	5.0	N/A	NE	Nil	Richina Pacific	C	41	0.08	5	Nil						
AMP Ltd	C	440	1.28	NE	10.5	Energy Resource	A	350	2.53	25	3.1	Onesteel Ltd	B	180	0.63	21	6.1
ANZ Bank	C	1765	2.06	12	5.4	Envestra	B	103	2.69	59	9.2	Orica Ltd	B	1369	0.92	38	3.8
APN News Media	C	391	1.60	19	4.1	Fairfax (John)	B	356	2.54	25	3.7	Origin Energy	A	527	1.03	21	1.9
AWB Limited	A	450	0.64	46	5.6	Flight Centre	A	2084	3.11	28	2.1	Oxiana Ltd	C	85	N/A	NE	Nil
AXA Asia Pac	B	258	1.50	14	3.8	Foodland Assoc	A	1888	0.34	18	4.5	Pacifica Group	C	417	0.54	13	4.8
Adelaide Bank	C	821	1.35	14	4.5	Foster's Group	C	433	1.90	19	4.3	Paperlin X Ltd	A	447	0.51	14	6.2
Adelaide Bright	A	151	1.67	16	3.5	Futuris Corp.	C	155	0.41	10	5.2	Patrick Corp	A	1490	2.42	18	1.6
Alinta Limited	A	678	2.77	19	3.7	GWA Internat'l	B	292	1.22	15	5.3	Perp Trust Aust	A	4160	5.18	23	3.1
Alumina Ltd	B	578	N/A	28	3.5	Gandel R. (CFS)	B	136	8.85	16	7.1	Primary Health	A	540	3.04	43	2.3
Ameral Ltd	B	766	0.61	18	9.9	General Prop Tr	B	298	8.83	14	7.1	Prin. Amer Off	A	119	7.93	12	15.4
Aneka Tambang	B	20	6.17	51	43.9	Graincorp	E	1315	1.04	NE	Nil	Principal Off.	B	159	9.15	16	9.9
Ansell Ltd	A	640	0.91	24	1.7	Guinness Peat	B	172	0.79	10	1.5	Prinomia Group	D	330	N/A	NE	Nil
Aquarius Plat.	A	821	6.76	62	0.2	Gunns Ltd	B	1141	1.54	13	3.5	Publishing & Br	B	1237	2.80	20	2.0
Argo Investment	A	526	N/A	28	3.0	HHG Plc	D	106	N/A	NE	Nil	O.B.E. Insur.	B	1036	0.75	23	3.4
Aristocrat Leis	D	211	N/A	NE	Nil	Hardman Res.	B	118	N/A	NE	Nil	Qantas Airways	B	353	0.55	18	4.8
Aust Pharm. Ind	B	275	0.25	26	4.7	Harvey Norman	C	271	2.86	19	1.8	Ramsay Health	A	490	0.95	17	3.2
Aust Pipeline	C	273	2.58	16	7.9	Hills Motorway	C	620	N/A	NE	3.4	Reece Australia	B	740	0.99	16	2.8
Aust Gas Light	C	1082	1.04	17	5.1	Hills Indust.	B	390	0.78	19	5.4	Rinker Group	B	641	1.21	12	1.1
Aust Foundation	B	331	N/A	26	4.0	ING Indust Trt	B	176	9.84	13	7.8	Rio Tinto Ltd	B	3524	0.95	16	2.9
Aust Leis & Hos	D	236	N/A	NE	Nil	ING Office Fund	B	118	8.12	12	8.9	Ronin Property	B	112	9.55	13	8.4
Aust Stock Exch	A	1655	8.16	29	2.4	Iluka Resources	B	423	0.99	8	5.2	Rural Press Ltd	B	716	1.79	12	3.3
Austar United	C	70	1.96	NE	Nil	Incitec Pivot	D	1602	1.34	NE	Nil	SFE Corporation	A	520	4.59	25	3.0
Austereo Group	B	138	2.40	16	5.2	Insurance Aust.	A	425	1.54	47	2.7	Santos Ltd	A	614	2.31	11	4.9
Australand Prop	B	166	0.81	12	8.0	Interoil Corpor	C	340	N/A	NE	Nil	Seven Network	B	565	1.08	25	4.2
BHP Billiton	B	1141	2.82	25	1.7	Investo Prop.	B	193	8.66	13	8.1	Sigma Company	B	704	0.55	32	1.9
Bank of Oland	B	1020	1.73	17	3.1	Ivanhoe Mines	D	1200	N/A	NE	Nil	Sims Group Ltd	B	1111	0.64	14	4.9
Baycorp Advant.	C	272	3.42	NE	1.5	James Hardie	B	668	2.97	14	1.9	Smorgon Steel	B	91	0.31	8	8.8
Bendigo Bank	C	878	3.23	19	3.8	Jubilee Mines	B	429	3.42	11	6.5	Sonic Health	B	735	1.96	47	3.4
Bidvest	B	529	0.31	18	2.2	Leighton Hold	B	1063	0.58	21	4.1	Sons of Gwalia	C	340	0.94	16	Nil
Billabong Int'l	A	720	2.31	19	3.3	Legendase Corp	C	1010	0.44	NE	3.0	Soul Pattinson	B	632	3.49	17	2.7
Bluescope Steel	A	533	0.79	9	4.1	Lihir Gold	D	122	3.96	16	Nil	Southcorp Ltd	C	260	1.57	35	3.8
Boral Limited	B	546	0.81	11	4.2	Lionore Mining	D	730	N/A	NE	Nil	Spotless Group	C	428	0.37	17	5.4
Brambles Ind.	B	527	1.08	27	1.9	Macquarie Off.	C	118	9.78	11	9.3	St George Bank	C	1982	2.29	16	4.8
Brickworks Ltd	B	795	4.95	14	2.0	Macquarie Prol.	C	97	7.18	21	7.8	Sthn Cross Brd.	B	1095	1.76	37	5.2
Burns Philp	C	53	0.50	6	4.2	Macquaries C&I	C	322	3.47	NE	4.8	Sthn C. Fliers	A	11110	N/A	12	8.1
Burswood Ltd	B	128	1.74	52	1.4	Macquarie G Mgt	B	324	N/A	48	1.5	Stockland	A	530	6.35	19	6.1
C'wth Prop Off.	B	117	2.41	11	8.8	Macquarie Air.	C	180	N/A	35	3.1	Suncorp-Metway	B	1240	1.29	17	4.5
C.S.R. Ltd	B	180	0.23	3	9.4	Macquarie C'Wde	C	174	N/A	16							

Recommended Investments

Michael Hill International has reported revenues up 14.6% to \$139.5 million for the half year to 31 December 2003. NZ revenues rose only 1.9% to \$46.3 million while Australian revenues lifted 18.9% to NZ\$89.9 million. The start-up Canadian operation would also appear to be performing reasonably well with revenues of NZ\$3.3 million. That is revenue of about \$830,000 per Canadian store, which is approaching the average of about \$1.0 million from established stores in NZ and Australia.

South Port NZ lifted revenues 4.7% to \$7.8 million for the six months to 31 December 2003, but profits slipped 5.8% to \$1,310,000 (5.0 cents per share). A steady interim dividend of 2.75 cents (plus full imputation tax credits) will be paid.

The lower profit reflects higher depreciation and

interest costs resulting from recent capital investments "to purchase a mobile container crane, an additional heavy lift container forklift, further paving of container storage areas and extra power points for refrigerated containers" in response to the 75% increase in container volumes. Unfortunately, as we reported last month, one shipping company is discontinuing its Trans-Tasman container service to Bluff.

As a result, South Port NZ has lowered its annual profit forecast to around \$1.9 million - down 15% on last year's result. The company, however, expects to maintain its annual dividend rate at 6.75 cents.

Tasman Orient Line has added an extra monthly call between Bluff and North Asia.

(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Perform- mance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares													
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	C	187.1	1.8	2.51	10	7.5	32	7.7	+59%
HOLD	Cavalier Corporation	CAV	05/12/95	156*	B	63.0	0.6	1.68	18	7.2	515	128.5	+313%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.20	12	9.6	287	250.3	+258%
BUY	Lyttelton Port Company	LPC	12/12/00	150	C	102.0	0.9	2.81	13	9.8	168	32.3	+34%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	46*	A	38.4	0.6	0.86	19	5.0	503	137.0	+1291%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	B	61.3	0.8	0.42	12	6.8	437	88.0	+50%
HOLD	Renaissance Corp	RNS	13/08/96	85*	B	37.1	1.2	0.23	NE	6.6	68	14.4	-3%
HOLD+	Richina Pacific	RPL	03/11/95	94*	C	144.4	1.6	0.08	5	Nil	41	9.4	-46%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	1.0	2.68	15	6.7	150	69.0	+83%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	B	87.9	0.8	1.07	16	8.6	400	85.0	+232%
HOLD	Taylors Group Ltd	TAY	09/11/99	102	A	24.3	0.7	1.21	16	5.5	285	32.0	+211%
HOLD	Wrightson Limited	WRI	13/01/98	83	C	136.2	1.2	0.29	10	12.1	142	41.3	+121%
Australian Shares (in Aust cents)													
Taken Over	Abigroup Limited	ABG	09/03/99	265	B	47.7	0.5	0.24	21	2.1	390	67.0	+72%
BUY	AJ Lucas Group	AJL	13/05/03	120	B	45.4	0.7	0.72	14	3.3	244	4.5	+107%
HOLD+	Atlas Pacific Ltd	ATP	14/05/96	73	A	87.8	1.7	1.66	5	14.0	22	7.0	-61%
SELL	Auspine Limited	ANE	08/02/00	210	B	53.9	0.5	0.74	12	5.3	320	56.0	+79%
HOLD	Austral Coal Ltd	AUO	16/01/01	19	C	154.5	1.2	1.08	8	Nil	70	Nil	+268%
BUY	Aust Infrastructure	AIX	07/10/03	158	B	179.1	0.7	N/A	10	6.5	168	5.5	+10%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	418*	B	39.2	0.5	0.67	20	4.9	613	116.5	+75%
BUY	Candle Australia	CND	08/04/03	86	A	37.6	1.0	0.36	16	4.2	156	6.0	+88%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	A	49.5	1.0	0.18	11	6.1	114	13.0	-16%
BUY	Circadian Technologies	CIR	10/02/04	188	D	40.3	1.2	N/A	NE	Nil	188	Nil	
BUY	Commander Comm.	CDR	11/09/01	92	B	145.1	0.8	0.56	12	3.4	129	9.1	+50%
BUY	Computershare Ltd	CPU	12/08/03	189	B	544.1	1.0	2.44	53	1.6	318	2.5	+70%
BUY	Health Communication	HCN	07/10/03	101	C	61.5	1.2	2.34	39	Nil	113	Nil	+12%
HOLD	IASbet Ltd	IAS	11/02/03	180	A	41.0	1.2	0.08	7	8.9	84	2.5	-52%
HOLD-	McPherson's Ltd	MCP	10/10/00	125	A	54.8	0.5	0.81	17	3.0	499	39.0	+330%
BUY	Melbourne IT	MLB	10/02/04	53	C	50.0	1.3	0.55	14	Nil	53	Nil	
HOLD-	Nufarm Limited	NUF	11/02/97	418*	B	155.8	0.6	0.60	11	3.5	566	119.3	+64%
HOLD+	OAMPS Limited	OMP	15/05/01	99*	B	92.9	0.5	0.46	16	5.3	320	25.8	+249%
BUY	Ross Human Directions	RHD	14/08/01	92	B	57.4	1.3	0.29	37	6.3	72	13.5	-7%
HOLD+	Skilled Engineering	SKE	12/03/02	126	B	90.4	0.7	0.35	14	6.2	251	25.5	+119%
BUY	Solution 6 Holdings	SOH	15/07/03	59	E	251.6	1.4	0.72	NE	Nil	63	Nil	+7%
BUY	Technology One Ltd	TNE	11/11/03	44	A	298.5	1.2	3.27	22	4.7	53	Nil	+20%
HOLD-	Toll Holdings	TOL	08/09/98	60*	A	309.8	0.6	1.04	26	1.6	880	43.5	+1439%
HOLD	UXC Limited	UXC	11/01/00	55*	B	125.1	1.1	0.94	16	5.7	87	19.0	+93%
HOLD	Villa World Ltd	VWD	11/06/02	68	B	103.2	0.7	0.87	7	8.7	127	16.0	+110%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	167.5	1.0	1.15	13	4.4	91	24.1	+67%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +160.7%. This is equal to an average annual rate of +38.0%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 38 current and 121 closed out) is +30.7%, compared with a market gain of +8.8% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues. * Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

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

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

Austral Coal has finalised the annual coking coal price negotiations with Japanese steel mills and received increases "exceeding the average 20-25% price increase" obtained by other coal producers. This price increase will largely offset the drop of the US dollar against the Australian currency.

Austral Coal also has foreign exchange contracts to sell US\$60 million at US\$0.663 and options to deliver a further US\$62 million at US\$0.675. With the current exchange rate of US\$0.777 Austral Coal has unrealised gains of A\$13 million and A\$12 million, respectively, on these currency hedges.

Australian Infrastructure Fund has raised a total of \$38.4 million from its institutional placement and 1 for 4 cash issue.

Computershare has made two further acquisitions: Firstly it has expanded into India, investing \$10 million for a 50% interest in the registry business owned by **Karvy Consultants**. The new joint venture will be called **Karvy Computershare Private**. The existing business is already the largest Share Registry in India with a 40% market share of *outsourced* registry services, with 205 corporate clients and 16 million shareholders. Almost 90% of Indian companies maintain their own share registry, so there is significant potential for this market to grow as this service is outsourced to a specialist registry company. The business is also the second largest Mutual Fund registry with a 30% market share.

Secondly, Computershare will pay Euro 11.4-17.4 million (A\$18.5-28.2 million), subject to performance during 2004, to acquire full ownership of the German company **Pepper Technologies AG**. Pepper is involved in *Customer, Shareholder and Employee Relationship Management*. Computershare already owns 27% of a joint venture with Pepper in the area of Shareholder Relationship Management. Pepper generated revenues of Euro 9.3 million in 2003 and this is expected to rise 50% to around Euro 14 million during 2004 and a further 40% to Euro 20 million in 2005. So this business is being acquired on a fairly high Price/Sales ratio of 2.0, but this is a high growth business that could grow even more rapidly owing to synergies with Computershare's existing customer base.

Over the last month Computershare has spent a further \$966,106 on its preference share re-purchase, bringing its total repurchases to date to \$1,271,232.

IASbet continues to receive bad press coverage with the police seeking "a few documents and some computer records" to investigate the embezzlement by the **Commonwealth Bank of Australia** employee.

The company expects its previously predicted first half loss will be around \$3.5 million. Cash flow statements show a *deficit* of \$1,539,000 for the half year, but the company is debt-free with cash of \$25.3 million in the bank.

We rate IASbet a "Hold" at present but will likely re-rate it once the current problems have passed.

Nufarm has paid Euro 42 million (A\$70 million) to

acquire the global phenoxy herbicides business of **BASF Aktiengesellschaft** of Germany. This business generates annual revenues of Euro 40 million and net profits of A\$7 million, so is being acquired on a Price/Sales ratio of 0.95 and a Price/Earnings ratio of 10.

The company has raised \$40.0 million from an institutional placement of 7.7 million new shares at \$5.20, and will raise \$10.0 million from a Share Purchase Plan (SPP). The SPP will allow investors to buy up to 960 shares at A\$5.20 (i.e. A\$4,992) or NZ\$5.95 (i.e. NZ\$5,712). As usual, however, this SPP could be significantly scaled back. Nufarm has 10-11,000 shareholders, so need only raise about \$1000 per investor to reach its target of \$10 million. Applications will therefore likely be scaled back to \$2000-2500 per investor.

As the SPP is at an 8% discount to market, it is probably worth applying for some shares under this plan, although we no longer see Nufarm as a long term holding and some investors may wish to realise partial profits to help fund our more recent share recommendations.

OAMPS has acquired Hobart based **Hadrill Insurance Brokers**. This business has 3000 mainly commercial and industrial clients, with insurance premium revenues of around \$6 million.

Technology One will release its results for the half year to December 2003 on 26 February, but has released some preliminary figures. Revenues would appear to be up marginally at about \$25 million, with pre-tax profits up around 16% to around \$5.5 million. This result is *after* expensing the \$4,747,000 of Research & Development on its new generation of software. The first upgraded product, *Finance One* is "nearing completion and on track for release in June".

Toll Holdings' 50% owned **Pacific National** rail joint venture has withdrawn from negotiations to buy the Victorian main rail operator **Freight Australia** from **Rail America**. Pacific National is reported to have offered \$290 million for the business, while the vendor was asking \$350 million.

The NZ rail business, **Tranz Rail**, will seek to raise NZ\$300-350 million in "hybrid equity" (e.g. a convertible bond), bonds and/or bank debt next year to repay existing debt (to outside lenders and Toll Holdings) and to finance NZ\$100 million of capital expenditure.

UXC has increased its shareholding in the rapidly growing, meter reading business **Skilltech Consulting Services** from 50% to 100%. Skilltech has expanded its business across Australia and internationally, plus is developing new technologies for real-time meter reading, data management and automatic meter reading.

UXC has also bought Sydney based **Red Rock Consulting**, a large consultancy, specialising in **Oracle** software. The business has 80 employees, revenues of around \$12 million and \$2.25 million in pre-tax profits. With financial support from UXC, Red Rock Consulting is seeking to expand its operations in Melbourne, Canberra and New Zealand. The consideration for this acquisition is not disclosed - although typically 3-4 times earnings - and will be in cash and shares based upon performance over the next three years.

Abigroup Taken Over

Bilfinger Berger became certain to succeed in acquiring 90% of **Abigroup** after four institutional investors accepted the takeover for 6.12% of the company. In an email update we therefore recommended either (1) selling on-market at 390 cents, (2) accepting the takeover or (3) waiting for compulsory acquisition (i.e. a cheque will arrive early March).

If you still own Abigroup shares then you will shortly receive cash under the compulsory acquisition.

We had wanted to remain a shareholder in Abigroup, but once the bidder gets to 90% they can force the remaining shareholders to sell.

Not accepting the takeover early cost us nothing, except brokerage to sell on-market or a short delay in payment when eventually accepting the takeover or under the compulsory acquisition. Either way, we still receive the full 390 cents per share and the special 10.0 cents dividend (due in late February).

While our investment in Abigroup *failed* to yield the higher returns that we believed were possible from separating the asset rich **Hills Motorway** investment from the income producing construction business, this investment has still produced a reasonable return. Overall we will have collected 77 cents (29%) in cash dividends and a 47% capital gain over a little less than five years. That is better than money in the bank, and better than most stockmarket investments over that period!

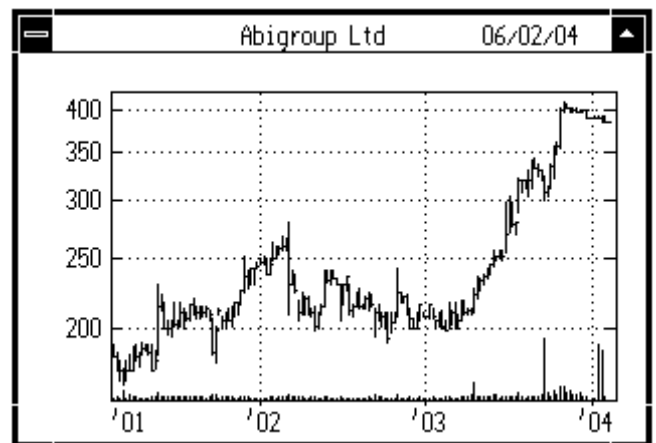
Investors who bought Abigroup in recent years - at lower prices - will have experienced an excellent gain. For example, we upgraded Abigroup shares to a "Buy" in April 2003 at 212 cents. Buying at that time has

produced 24 cents in dividends (11.3%) and an 84% capital gain in just 9-10 months!

Summary

We are *strategic* investors. We don't actively buy and sell, but prefer to carefully search out shares with the potential to appreciate several fold in value over several years. As Abigroup had failed to achieve its full potential - and still looked attractive - we wished to remain shareholders. Once Bilfinger Berger was certain to achieve 90% acceptances, however, we no longer had the choice. We have to sell, realise a capital gain, bank the money, move on and find new companies in which to invest our capital.

Fortunately, at this time there are a lot of undervalued, emerging growth shares in which we want to invest, so there is no problem finding places to re-invest this cash. In fact, many of these new shares will probably yield better future returns than we could have expected to earn in Abigroup!



Share Recommendation: Sell Auspine

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

SELL Auspine (code ANE).

We are recommending the sale of Auspine shares - principally to release funds that we believe can be better invested elsewhere for future growth.

Auspine is a capital intensive, cyclical business - involved in the ownership of plantation forestry and processing that into framing timber for residential construction. *Capital intensive* businesses do not make the very best *long term* investments as they need to re-invest cashflow in depreciating plant and machinery. Nevertheless, the shares of *cyclical* businesses can make excellent investments if bought when the company's profits and share price are depressed and held for the next recovery.

February 2000 - when we initially recommended Auspine shares - was the peak of the Technology boom. At that time the shares that we have bought into over

recent months sold at high prices: Computershare was \$6.86, Health Communication \$2.25, Melbourne IT \$10.00, Solution 6 \$11.00 and Technology One \$1.09. Informal recommendations Keycorp at \$11.00 and Macquarie Corporate Telecommunications was \$2.47. All of those shares can now be bought at 50-95% discounts to their February 2000 prices. In fact, in February 2000 we recommended the sale of **ERG** (for a 7-fold gain) and rated Auspine a "Buy" as a safe home for some of the "huge amount of cash" realised from the sale of this Technology investment!

Auspine also looked to be an attractive cyclical situation. The company had performed poorly from 1996-1999, but had restructured and profits were recovering strongly in a pre-GST housing boom. At the time, we saw the potential for Auspine to rise 50-70% over the next year. *(Continued on Page 6)*

Sell Auspine*(Continued from Page 5)*

We were wrong. With the post-GST housing bust and the global stockmarket downturn it has taken *four* years to achieve those returns.

Nevertheless, while most investors have suffered *negative* returns over the last four years, Auspine produced 56 cents (a 27% return) in cash dividends and the shares increased 52% in value. During a difficult investment environment, Auspine shares have been a *safe haven* for some of our Technology boom profits - and produced a much greater return than a bank deposit.

Our investment in Auspine has also significantly outperformed its closest NZ competitors. **Carter Holt Harvey** shares produced a lower income yield and are virtually unchanged in value. **Fletcher Forests** required a massive capital injection in late 2000 to remain solvent - and has steadily lost shareholder wealth.

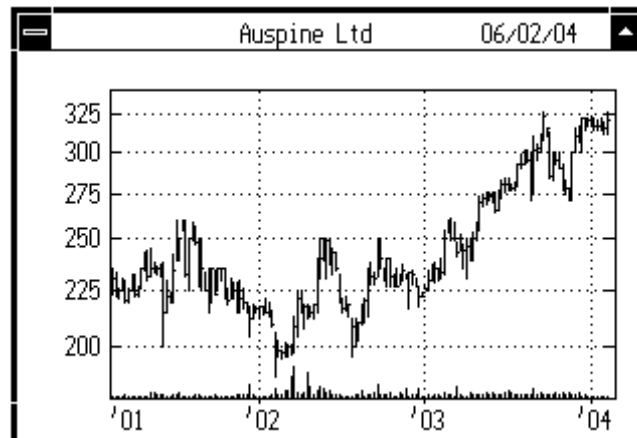
Summary and Recommendation

We have achieved a 23-year track record of earning far above average stockmarket returns (most of the time) by avoiding the popular, over-valued shares and investing in the under-valued sectors.

In 2000 that meant avoiding the over-valued Technology shares and cashing in profits on our investments in this sector. Instead we sought out *dull, safe, low-growth, cyclical* shares - which have kept our

portfolio safe from major losses during the stockmarket decline and yielded worthwhile returns as these shares steadily improved in value.

Today, we see the best valuations - and the best growth potential - in *under-valued, emerging growth* shares. Consequently the time has come to cash in Auspine. This money is needed to finance investments in shares like AJ Lucas, Cellnet, Circadian Technologies, Commander Communications, Computershare, Health Communication Network, Melbourne IT, Ross Human Directions, Solution 6, Technology One and Vision Systems which have the potential to become ten-baggers!



Share Recommendation: Buy Circadian Technologies

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

BUY Circadian Technologies (code CIR).

Circadian Technologies shares are attractive for investment owing to (1) the potential for the general stockmarket - and particularly Technology shares - to continue to recover and appreciate in value and (2) their significant discount to net asset value. The stockmarket values Circadian Technologies at just \$76 million but this debt-free company holds cash and shares worth \$118.9 million, plus significant unlisted investments and other technology projects that could develop into valuable companies.

Company History

This company was formed in late 1984 as **Circadian Pharmaceuticals** to acquire the business of **Biochemtec Pty** (from the current Managing Director, L Serry). The company listed in 1985 and changed its name to Circadian Technologies in 1987.

Listed Investments

The market value of Circadian Technologies' listed investments and cash was \$118.9 million or 296 cents per share at the end of January:

Listed Companies (% owned)	Market Value
Metabolic Pharmaceuticals (22%)	\$47.0 million
Axon Instruments (15%)	\$18.4 million
Amrad Corporation (22%)	\$18.1 million
Antisense Therapeutics (20%)	\$15.0 million
Optiscan Imaging (8%)	\$2.4 million
Cash	<u>\$18.0 million</u>
Total	\$118.9 million

Most of these listed investments started as research projects that Circadian Technologies eventually floated on the stockmarket while maintaining a significant shareholding.

Metabolic Pharmaceuticals (code MBP) was formed as a joint research project between Circadian Technologies and **Monash University** to "develop therapies for metabolic diseases that have high market potential such as obesity and adult onset diabetes". This has been expanded to include research into treatments for osteoporosis and iron overload diseases. The company was floated on the Australian stockmarket in November 1998. Metabolic's obesity drug AOD9604, discovered at Monash University, is "modelled on the active fat reducing portion of the human growth hormone molecule".

Circadian Technologies sold 6,000,000 Metabolic Pharmaceuticals shares on market at \$1.04 to realise \$6.2 million in cash in October 2003. This cash has helped finance Circadian Technologies' re-purchase of 1,275,120 of its own shares for \$2,047,823 (i.e. an average cost of 159 cents per share) last year.

Circadian Technologies first invested in **Axon Instruments** (code AXN) in 1985 and the company listed on the Australian stockmarket in March 2000. A further 1.5 million shares were bought on-market at about 35 cents per share in 2002. Axon Instruments is

February 10, 2004.

involved in the development and manufacture of High-Throughput Screening Systems for Drug Discovery and Instrumentation for Genomics and Cellular Neurosciences.

Amrad Corporation (AML) shares were acquired on-market as Circadian Technologies sought to gain control and change the management of this biotechnology company. There has been significant insider buying in Amrad Corporation shares (i.e. six buys and no sells) over the last year.

Circadian Technologies and its research partners listed **Antisense Therapeutics** (code ANP) on the Australian stockmarket in December 2001. The company seeks to "create, develop and commercialise novel antisense pharmaceuticals for large unmet markets". These therapeutic drugs are based on "small synthetic genetic molecules with the potential to treat a wide range of conditions and diseases including auto-immune, infectious, inflammatory, dermatological, metabolic and cardiovascular diseases as well as cancer." The company's two most advanced projects target multiple sclerosis and psoriasis.

A 25% interest in **Optiscan Imaging** (code OIL) was acquired in 1994 when that company purchased the cancer detection project and patents held by Circadian, Axon Instruments and other investors. That was diluted to 15% in the stock exchange float in 1997 and subsequently reduced to 8%. Axon Instruments (15% owned by Circadian) owns another 12.1% of Optiscan Imaging.

Unlisted Companies and Research Projects

Circadian Technologies holds a 42.4% interest in **Syngene** which is involved in DNA Therapeutics and Diagnostics. These shares were acquired between 1995 and 2001 at a total cost of only \$145,000, but worth at least \$3.2 million based upon the value of new Syngene shares issued to a subsidiary of **Consolidated Press** in February 2001. This valuation is also supported by the value of the 15% of **Antisense Therapeutics** (worth around \$7 million) owned by Syngene.

CancerProbe (30% owned by Circadian Technologies which contributed \$400,000 for research) is a joint venture with scientists which holds patents to a "potential novel method for rapid identification and detection of cancer-specific antigens".

Other research projects include:

Alzheimer's Research Project, 100% owned, seeks to develop "an inhibitor to the p75 nerve growth factor receptor" to "decrease the age-related death of nerve cells".

Analgesic Project, 85.7% owned, seeks to develop strong pain killers without the side effects of drowsiness, nausea or addiction associated with morphine or codeine.

Memory Enhancement Project (60% owned).

Neurodegenerative Diseases Project, 50% owned, with Circadian Technologies providing \$400,000 over five years for research to develop drugs for the treatment of disorders such as stroke, Parkinson's disease and Alzheimer's disease.

Cancers of Unknown Primaries Project (50% owned with an investment of \$500,000).

Yeast Medicated Reactions Project (60% owned),

Paracetamol Project, 50% owned, with a \$40,000 investment, seeks to modify the paracetamol molecule to reduce possible side effects.

Overall Circadian Technologies is spending around \$300,000 to \$500,000 annually on these research projects.

Investment Criteria

Being involved in developing new technology companies and as an investor in technology shares, Circadian Technologies has no meaningful revenues or profits and does not pay dividends. Its attraction to investors is that (1) it offers a *spread* of technology share investments, (2) the shares trade at a significant discount to the value of its listed investments, cash, unlisted investments and research projects, and (3) its ability to create wealth by developing research projects into valuable companies.

At 188 cents the shares trade at a 36% discount to the value of its listed investments and cash. Circadian Technologies' on-market repurchase of its own shares at a significant discount to net asset value further increases the value of the remaining shares.

As well as benefiting from any appreciation in Circadian Technologies' share price, investors *could* also receive preferential entitlements to shares and/or options in any new company that Circadian Technologies should float on the stockmarket in future. Note, however, that these entitlements may or may *not* be offered to NZ resident shareholders.

With an issued capital of 40,114,498 shares the market capitalisation is \$75 million, making this a medium sized Australian company. The value of Circadian Technologies shares trading on-market ranges from about \$10,000 to \$100,000 per day. So it may take a few months for all subscribers to acquire all the shares they want at prices around 190-210 cents.

Directors have substantial holdings in Circadian Technologies. The Chairman, Sir Peter Derham holds 500,001 shares (1.2% of the company) while the founder and Managing Director, L Serry, owns 2,588,000 shares (6.5%). Non-executive director I Davis has 578,667 shares (1.4%) and J Stocker owns 282,334 shares (0.7%). The major shareholder is Packer & Co with 5,785,329 shares (14.4%).

There have been four *insider* buys, and one sell, in Circadian Technologies shares over the last year. In addition, the major shareholder has been actively buying shares on-market. L Serry made three on-market purchases in March 2003 (12,000 at 120 cents, 2000 at 119 cents and 20,000 at 110 cents) and one *large* sale in August (687,900 shares at around 190-195 cents), while GR Kaufman purchased 5500 shares on-market last month at 205 cents. The major shareholder, **Packer & Co** has significantly increased its shareholding from 7.52% to 13.2% over the last year by steadily acquiring a further 2,225,033 shares on-market.

Circadian Technologies is *neglected* by brokers and by institutional investors who own only a few percent of the shares.

Circadian Technologies shares hit a low of 105 cents in April 2003 before recovering to a high of 244 cents in August 2003. Since then the shares have fallen back slightly and have recently

(Continued on Page 8)

Buy Circadian Technologies (Continued from Page 7) traded around 180-210 cents. The Relative Strength rating is +0.6%, ranked 63.

Summary and Recommendation

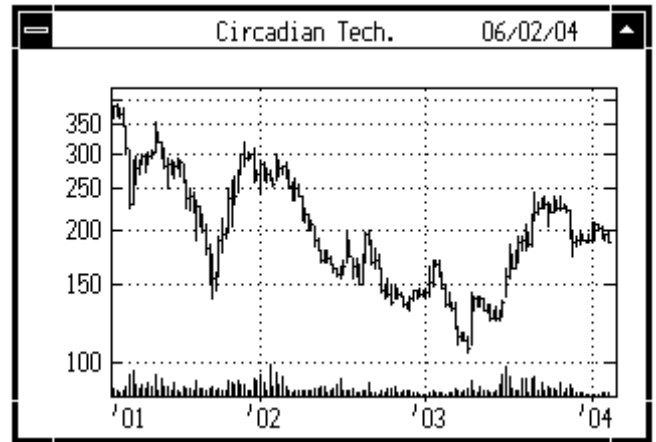
In general we avoid investing in start-up technology companies that have no meaningful revenues. Often these companies spend their cash and the shares decline in value.

Circadian Technologies, however, has a long term track record of taking research projects and developing them into valuable companies. Technology shares have already fallen significantly in value over recent years, so this may be a good time to invest in a sector that will continue to recover and perform well over the next several years.

Furthermore, Circadian Technologies shares trade at a significant discount to net asset value. So this is an *under-valued* situation: we get to invest in a spread of Technology shares at a discount *and* to own a company that has created significant shareholder wealth by developing research projects and promoting new

technology companies.

Circadian Technologies offers no income yield and involves above average risks but offers the potential for significant capital appreciation. The shares are therefore suitable for investors, with diversified portfolios, who do not require current income from this investment but seek capital appreciation.



Share Recommendation: Buy Melbourne IT

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

BUY Melbourne IT (code MLB).

We are formally recommending Melbourne IT shares as a "Buy". We reviewed the company just two months ago (see *Market Analysis* Issue No 378, December 2003), so will not repeat that review at this time.

Melbourne IT Update

Melbourne IT will release its report for the year ended 31 December 2003 in mid-March - but recent announcements suggest that the business is performing well with steady growth. The total number of .au domain names (in which Melbourne IT has about a 72% market share) has increased 10% over the five months to the end of November. Domain names "under management" increased to 2.3 million in December (up from 2.0 million a year ago and 2.2 million in June 2003) while the number of unique visitors to the company's website has more than doubled over the last year to 400,000 per month. Domain name renewals (i.e. an indicator of repeat business and recurring revenues) has improved to 60%, up from "over 50%" just two months earlier.

Melbourne IT has also expanded its range of "value added services" by forming a joint venture with **FulfilNET Australia** to offer a *We-Build-It-for-You* web design service for small to medium sized businesses.

Upgrading Melbourne IT to a "Buy"

We did not formally recommend Melbourne IT shares in December owing to the "limited marketability" making it difficult for subscribers to build up shareholdings. That situation, however, may have improved. The volume of Melbourne IT shares trading on market has increased over the last couple of months. Furthermore,

there would appear to be more sellers in the market - which not only drove the price down almost 20% to a recent low of 45½ cents (although they have since recovered to 53 cents) but should also make it easier for subscribers to build up a reasonable investment.

Melbourne IT is a very small company with a market capitalisation of just \$26 million, so some patience will still be required buying shares. Many *Market Analysis* subscribers have probably already acquired a few Melbourne IT shares, but even if some over-optimistic subscribers push the share price up sharply in the short term the shares will still offer excellent value.

At 53 cents the Price/Sales ratio is a low 0.55 and the Price/Earnings ratio a low 14. The company paid a maiden 1.0 cent dividend for the six months to June 2003, so will likely pay a further 1.0 cent final dividend for the full year to 31 December 2003. That would offer an income yield of 3.8%.

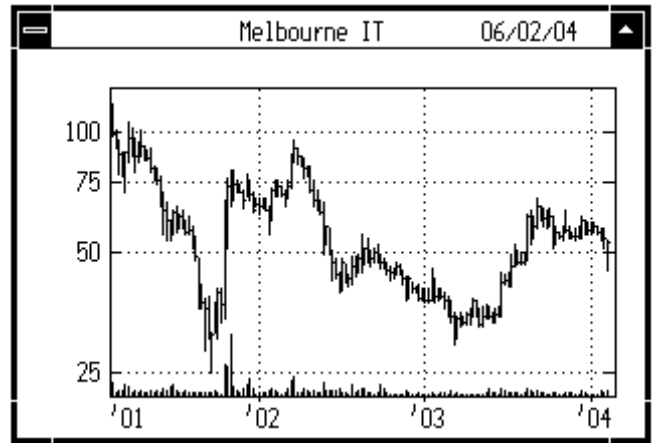
Even more importantly, Melbourne IT holds cash in the bank (as at June 2003) of \$16.8 million (33.6 cents per share), so the stockmarket is valuing its domain name registration business at around only \$9 million. That is an extremely low valuation with a P/S ratio of 0.20 and a P/E of 4.

Summary and Recommendation

The domain name industry changed significantly between 1999 and 2002, moving from high prices and monopoly profits, to lower pricing, competition and higher costs. Throughout these changes Melbourne IT has adapted, remained consistently profitable and generated healthy cash operating surpluses. With a strong balance sheet (i.e. a large cash holding and no

interest bearing debt) Melbourne IT is well placed to benefit from the long term growth of the internet. The number of customers and revenues will grow with the increased demand for domain names (i.e. for new websites), with recurring revenues generated from annual domain name renewal fees and from other value added services.

Melbourne IT should therefore be able to generate above average revenue, profit and dividend growth over a long period. The shares will appeal mainly to investors seeking long term capital appreciation. With its strong balance sheet and cashflows, however, the shares also offer a high current income yield and excellent potential for income growth.



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 to Earnings Ratio	Dividend Yield	Price to Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank 0-99									
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Owens Group Ltd	117	+8.0	-0.6	27	0-0	2	2.0	8	1.0	24	2.6	0.15	66
Renaissance	68	+28.7	+8.9	1	0-1	-	2.7	-	1.2	NE	6.6	0.23	25
Wrighton Ltd	142	+4.9	-2.5	43	0-1	3	1.6	15	1.2	10	12.1	0.29	193
Mainfreight Grp	165	+11.7	+4.0	19	0-1	2	2.5	17	0.8	15	5.9	0.32	133
Williams Kettle	470	+6.9	-2.7	35	0-0	-	1.4	13	0.5	10	7.6	0.42	70
Nuplex Indust	437	+6.6	-0.0	36	4-0	4	1.7	14	0.8	12	6.8	0.42	268
Ebos Group Ltd	350	+3.9	-0.8	45	0-1	-	2.2	15	0.7	15	7.0	0.43	96
Broadway Ind	89	+26.4	+9.0	2	1-0	-	1.9	15	0.8	13	2.2	0.49	17
Fletcher Build.	400	+1.2	-3.0	57	3-0	6	2.0	20	0.6	10	7.1	0.50	1,624
Tourism Hold.	144	+7.4	-4.7	31	6-0	3	0.8	1	1.1	57	3.1	0.72	132
Guinness Peat	191	+7.3	-1.1	33	0-0	-	1.1	12	0.9	9	1.6	0.76	1,188
Carter Holt	189	+5.7	+0.6	39	1-0	5	0.7	4	1.0	18	4.0	0.79	3,292
Hellaby Hold.	505	+7.1	-0.9	33	1-0	2	2.7	24	0.5	11	7.7	0.84	248
Michael Hill	503	+5.1	+2.8	41	8-0	3	3.9	20	0.6	19	5.0	0.86	193
CDL Hotel NZ	48	+20.6	+0.2	6	0-0	-	0.8	8	1.5	10	4.4	0.88	168
Dorchester Pac	275	+20.5	+3.9	7	0-0	-	2.3	18	0.9	13	4.1	0.96	53

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Broadway Ind	89	+26.4	+9.0	2	1-0	-	1.9	15	0.6	13	2.2	0.49	17
CDL Hotel NZ	48	+20.6	+0.2	6	0-0	-	0.8	8	1.1	10	4.4	0.88	168
Dorchester Pac	275	+20.5	+3.9	7	0-0	-	2.3	18	0.7	13	4.1	0.96	53
Mainfreight Grp	165	+11.7	+4.0	19	0-1	2	2.5	17	0.6	15	5.9	0.32	133
Guinness Peat	191	+7.3	-1.1	33	0-0	-	1.1	12	0.7	9	1.6	0.76	1,188
Hellaby Hold.	505	+7.1	-0.9	33	1-0	2	2.7	24	0.4	11	7.7	0.84	248
Williams Kettle	470	+6.9	-2.7	35	0-0	-	1.4	13	0.4	10	7.6	0.42	70
Nuplex Indust	437	+6.6	-0.0	36	4-0	4	1.7	14	0.7	12	6.8	0.42	268
Richina Pacific	41	+6.1	+3.8	37	0-0	-	0.5	10	1.2	5	Nil	0.08	59
Carter Holt	189	+5.7	+0.6	39	1-0	5	0.7	4	0.9	18	4.0	0.79	3,292
Michael Hill	503	+5.1	+2.8	41	8-0	3	3.9	20	0.5	19	5.0	0.86	193
Wrighton Ltd	142	+4.9	-2.5	43	0-1	3	1.6	15	1.0	10	12.1	0.29	193
Ebos Group Ltd	350	+3.9	-0.8	45	0-1	-	2.2	15	0.6	15	7.0	0.43	96
Affco Holdings	22	+2.4	-5.0	52	0-0	-	0.7	10	1.2	7	Nil	0.13	119
Fletcher Build.	400	+1.2	-3.0	57	3-0	6	2.0	20	0.5	10	7.1	0.50	1,624

INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													
NZ Refining Co	1600	-1.2	+0.7	70	0-0	2	1.2	12	0.1	11	14.0	2.37	384
AMP Limited	482	-7.5	-3.2	87	1-0	-	0.5	6	0.8	8	12.9	0.91	5,439
Restaurant Brds	119	-8.3	-0.5	89	1-0	3	2.2	23	0.9	9	12.5	0.38	113
Wrighton Ltd	142	+4.9	-2.5	43	0-1	3	1.6	15	1.0	10	12.1	0.29	193
Tower Limited	133	-2.1	+1.5	75	2-0	5	0.3	0	0.8	138	11.3	0.53	545
Pyne Gould G.	127	+1.8	-2.6	54	1-0	-	1.2	12	0.6	10	10.0	N/A	127
Lyttelton Port	168	-1.9	+1.3	74	4-1	5	3.5	27	0.6	13	9.8	2.81	171
Hallenstein G.	290	-1.4	-1.3	73	1-1	3	3.9	26	0.4	15	9.5	0.96	171
Steel & Tube	400	+3.3	-1.1	49	0-0	5	2.8	17	0.6	16	8.6	1.07	351
Skillmax Indust	133	+7.9	+1.5	28	0-0	-	5.1	49	0.7	11	7.9	1.38	133

Company	Share Price	STRENGTH RATING			Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price to Earnings Ratio	Dividend Yield	Price to Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank 0-99									
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Michael Hill	503	+5.1	+2.8	41	8-0	3	3.9	20	0.4	19	5.0	0.86	193
NZ Invest Trust	560	+5.9	+1.4	38	7-0	-	-	-	0.4	NE	1.5	N/A	57
Tourism Hold.	144	+7.4	-4.7	31	6-0	3	0.8	1	0.8	57	3.1	0.72	132
Nuplex Indust	437	+6.6	-0.0	36	4-0	4	1.7	14	0.6	12	6.8	0.42	268
Provenco Group	49	+23.9	-2.9	4	5-1	-	4.7	12	1.1	39	Nil	0.84	40
NGC Holdings	222	+14.7	+2.7	16	3-0	-	2.1	9	0.7	23	4.1	2.58	983
Fletcher Build.	400	+1.2	-3.0	57	3-0	6	2.0	20	0.4	10	7.1	0.50	1,624
F & P Appliance	374	+7.3	-1.9	32	3-0	4	1.7	13	0.6	13	6.6	1.16	972
Cue Energy Ltd	7	+6.8	+2.0	35	5-2	-	0.6	2	2.2	32	Nil	2.93	22
Metro. LifeCare	245	+24.2	-1.1	3	2-0	1	1.9	9	0.7	20	Nil	2.10	212

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Brierley Invest	66	-1.5	-0.1	73	0-0	-	0.7	-	1.0	NE	Nil	5.03	933
Cert Organics	14	-3.1	+9.6	76	0-0	-	0.9	-	1.7	NE	Nil	4.79	7
Lyttelton Port	168	-1.9	+1.3	74	4-1	5	3.5	27	0.6	13	9.8	2.81	171
South Port NZ	150	-1.3	-0.7	71	0-0	2	1.7	11	0.7	15	6.7	2.68	39
NZ Refining Co	1600	-1.2	+0.7	70	0-0	2	1.2	12	0.1	11	14.0	2.37	384
SkyCity Leisure	120	-3.2	+2.5	77	0-0	-	4.4	11	1.4	40	Nil	2.03	82

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Spectrum Res.	2	-58.3	-0.0	98	0-0	-	1.4	-	2.9	NE	Nil	N/A	5
Blis Technology	17	-18.4	-1.7	93	0-1	-	3.8	-	1.3	NE	Nil	N/A	16
Forty Two Below	37	-8.2	+0.8	88	2-0	-	-	-	0.9	NE	Nil	N/A	45
Briscoe Group	158	-8.2	-1.8	87	0-0	6	4.1	29	0.9	14	6.4	1.11	332
Postie Plus Grp	99	-7.0	-2.1	84	0-0	-	4.2	32	0.6	13	Nil	0.51	40
Genesis Res.	85	-6.3	-2.0	82	0-0	-	0.6	-	1.1	NE	Nil	1.43	22
Air New Zealand	42	-5.0	-0.8	81	5-0	4	1.2	16	1.0	8	Nil	0.34	1,228
Smiths City	50	-4.5	-1.6	79	0-0	-	-	-	0.4	NE	Nil	N/A	26
Kirkcaldie & St	318	-3.6	-1.1	78	0-0	-	1.4	9	0.4	17	6.7	0.57	24
Mr Chips Hold	99	-3.3	+1.2	77	0-0	-	2.1	9	0.7	24	4.5	0.93	24
SkyCity Leisure	120	-3.2	+2.5	77	0-0	-	4.4	11	1.4	40	Nil	2.03	82
Cert Organics	14	-3.1	+9.6	76	0-0	-	0.9	-	1.6	NE	Nil	4.79	7
Warehouse Group	508	-2.4	-2.4	75	0-0	7	4.5	23	0.6	19	4.3	0.76	1,552
Brierley Invest	66	-1.5	-0.1	73	0-0	-	0.7	-	0.9	NE	Nil	5.03	933
Design Textiles	91	-1.4	-2.1	72	1-5	-	2.3	27	0.8	8	6.8	0.49	29
South Port NZ	150	-1.3	-0.7	71	0-0	2	1.7	11	0.6	15	6.7	2.68	39

INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Design Textiles	91	-1.4	-2.1	72	1-5	-	2.3	27	0.7	8	6.8	0.49	29
Evergreen	46	-1.1	-0.4	69	0-2	-	0.8	-	0.6	NE	Nil	1.88	70
Allied Farmers	210	-0.1	-2.1	64	0-1	-	1.2	13	0.5	9	7.8	0.32	22
BotryZen Ltd	11	-0.6	-0.9	66	0-1	-	6.0	-	1.1	NE	Nil	N/A	18
Richmond Hold.	270	-6.7	-1.1	83	0-1	-	0.9	10	0.3	8	4.1	0.09	111
Blis Technology	17	-18.4	-1.7	93	0-1	-	3.8	-	1.3	NE	Nil	N/A	16
Abano Health.	17	-0.9	-5.6	69	0-0	-	0.8	3	1.2	31	Nil	0.57	34
Cert Organics	14	-3.1	+9.6	76	0-0	-	0.9	-	1.6	NE	Nil	4.79	7
Brierley Invest	66	-1.5	-0.1	73	0-0	-	0.7	-	0.9	NE	Nil	5.03	933
Property F Ind.	91	-0.7	+0.1	67	0-0	5	1.2	7	0.4	16	7.7	N/A	182

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

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

STRENGTH RATING													STRENGTH RATING																												
Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n														
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0																																									
Homeloans Ltd	33	-8.0	-1.3	89	1-1	-	1.3	-	0.6	NE	Nil	9.73	16	Voxson Limited	7	-19.0	-4.9	97	0-0	-	1.2	-	1.5	NE	Nil	0.31	8														
Int'l Wine Inv.	194	-7.9	+1.4	89	0-0	1	0.8	-	0.5	NE	5.7	9.13	113	Astro Mining NL	7	-18.6	-8.2	97	0-1	-	-	-	2.2	NE	Nil	5.20	10														
Pro Medicus Ltd	80	-1.4	+0.5	73	0-0	2	7.3	41	0.4	18	4.1	8.42	80	Panbio Ltd	50	-18.1	-6.1	96	1-0	1	2.4	-	1.0	NE	Nil	1.73	26														
Pacific Hydro	295	-4.9	-0.3	83	2-1	5	2.0	15	0.4	13	1.7	8.14	381	Pearl Healthcare	9	-17.1	-7.5	96	4-0	-	4.4	19	1.6	23	Nil	0.75	9														
Aspen Group Ltd	15	-3.0	+1.0	78	1-0	-	1.1	2	1.5	50	3.7	7.94	36	BresaGen Ltd	26	-17.0	-2.9	96	0-0	-	1.5	-	1.0	NE	Nil	2.69	14														
Amfri Limited	36	-12.6	+5.7	93	0-0	1	-	-	1.3	NE	Nil	7.71	19	Xanadu Wines	13	-16.8	-1.2	96	4-0	-	0.5	-	1.2	NE	Nil	1.10	20														
VRl Biomedical	19	-15.5	-4.6	95	3-1	-	9.3	-	1.4	NE	Nil	7.17	13	Aust Mining Inv	3	-16.5	-1.5	96	0-0	-	-	-	2.1	NE	Nil	N/A	8														
Amity Oil NL	69	-15.1	-10.4	95	7-4	-	-	-	0.7	383	Nil	7.06	110	ICE Corporation	2	-16.2	+0.7	96	0-0	-	-	-	2.5	1	Nil	0.27	6														
Eastern Corp	3	-13.8	-0.3	94	2-0	-	-	-	2.2	NE	Nil	7.05	10	Tech Star Ltd	16	-16.2	-2.2	96	0-0	-	-	-	1.1	NE	Nil	N/A	6														
Konekt Limited	113	-3.9	-11.4	81	1-0	-	-	-	0.4	NE	Nil	6.85	5	Johnson's Well	6	-16.1	-7.3	95	0-0	-	-	-	1.5	NE	Nil	N/A	8														
Easycall Int'l	8	-2.1	-15.6	75	0-1	-	1.1	-	1.4	NE	Nil	6.72	18	CMC Power Syst.	4	-15.9	+0.2	95	0-0	-	2.0	-	1.8	NE	Nil	N/A	10														
Westfield Hold.	1320	-2.9	-1.0	78	0-0	8	4.6	18	0.4	26	1.9	6.49	7,448	VRl Biomedical	19	-15.5	-4.6	95	3-1	-	9.3	-	1.3	NE	Nil	7.17	13														
Tantalum Aust.	7	-9.8	-10.1	91	0-0	-	-	-	1.6	NE	Nil	6.30	14	Amity Oil NL	69	-15.1	-10.4	95	7-4	-	-	-	0.7	383	Nil	7.06	110														
Atlantic Ltd	10	-15.0	-0.2	95	0-0	-	1.3	-	1.1	NE	Nil	6.17	5	MBF Carpenters	12	-15.0	+3.2	95	0-0	-	0.2	2	1.8	9	Nil	0.25	120														
Aneka Tambang	20	-2.0	+0.6	75	0-0	-	-	-	0.9	51	43.9	6.17	1,978	Atlantic Ltd	10	-15.0	-0.2	95	0-0	-	1.3	-	1.0	NE	Nil	6.17	5														
Biota Holdings	56	-3.9	-0.8	81	1-0	2	1.9	-	1.0	NE	Nil	5.67	42	Polartechnics	66	-14.9	-1.6	94	0-0	1	6.6	-	0.5	NE	Nil	N/A	31														
Scigen Ltd	8	-2.9	+0.3	78	0-0	-	2.8	-	1.5	NE	Nil	5.65	19	Prana Biotech.	51	-13.9	+1.5	94	0-0	-	10.2	-	0.6	NE	Nil	N/A	34														
Q-Mastor Ltd	14	-5.6	-1.5	85	0-0	-	2.3	-	0.9	NE	Nil	5.65	5	Eastern Corp	3	-13.8	-0.3	94	2-0	-	-	-	2.0	NE	Nil	7.05	10														
Transurban Grp	438	-0.1	+2.1	67	3-6	9	1.2	-	0.3	NE	4.6	5.53	2,271	Rand Mining	54	-13.5	-3.9	94	0-0	-	-	-	0.9	17	Nil	2.53	21														
China Converg.	1	-1.7	-7.3	74	0-0	-	-	-	5.0	NE	Nil	5.45	22	Go Connect Ltd	6	-13.5	-6.4	94	1-0	-	-	-	1.9	NE	Nil	N/A	18														
Astro Mining NL	7	-18.6	-8.2	97	0-1	-	-	-	2.3	NE	Nil	5.20	10	City View	10	-12.8	-0.2	94	0-0	-	-	-	1.1	NE	Nil	N/A	7														
Clover Corp.	38	-5.6	-5.6	85	0-2	-	3.4	3	1.5	121	Nil	5.10	56	Medical Monitor	6	-12.6	-15.5	94	0-0	-	-	-	1.4	NE	Nil	N/A	10														
Sino Gold Ltd	249	-0.4	-11.5	69	0-0	-	3.8	10	0.6	37	Nil	4.96	252	Plenty River	15	-12.6	+0.7	94	0-0	-	1.3	-	0.8	NE	Nil	N/A	8														
Gradipore Ltd	71	-7.8	+7.9	88	0-0	-	1.0	-	0.5	NE	Nil	4.95	34	Amfri Limited	36	-12.6	+5.7	93	0-0	1	-	-	1.2	NE	Nil	7.71	19														
Brickworks Ltd	795	-1.1	-3.1	72	7-0	1	1.7	12	0.3	14	2.0	4.95	1,047	AGD Mining	26	-12.5	-1.6	93	0-1	-	-	-	0.7	NE	Nil	N/A	6														
Macquarie Infra	307	-0.3	-0.1	68	3-0	3	1.4	12	0.4	12	2.4	4.84	5,837	Softlaw Corp	215	-11.3	-2.9	93	1-0	-	5.1	12	0.4	44	1.4	1.17	20														
Dolomatrix Int'l	9	-5.0	-8.3	84	0-0	-	8.6	-	1.4	NE	Nil	4.73	8	Jacobsen Ent.	21	-10.9	+2.6	93	0-0	-	5.3	-	0.8	NE	Nil	N/A	5														
Webjet NL	4	-7.0	+4.1	87	0-4	-	4.1	-	1.6	NE	Nil	4.56	7	Jumbuck Corp.	8	-10.8	+0.4	92	8-4	-	-	-	1.1	NE	Nil	N/A	9														
Afmindex Limited	2	-9.5	-2.5	90	6-0	-	-	-	2.4	NE	Nil	4.51	8	Sino Securities	34	-10.7	-14.5	92	0-0	-	1.7	-	0.9	NE	Nil	2.67	5														
Pinnacle VRB	11	-8.7	-9.9	90	1-0	-	-	-	1.7	NE	Nil	4.51	7	Catuity	265	-10.7	+3.4	92	3-1	-	5.9	-	0.8	NE	Nil	4.44	23														
Catuity	265	-10.7	+3.4	92	3-1	-	5.9	-	0.8	NE	Nil	4.44	23	Visionmed Group	6	-10.6	-9.2	92	1-0	-	-	-	1.7	NE	Nil	N/A	10														
Infomedia Ltd	84	-4.9	-3.8	84	0-0	4	16.8	-	0.6	15	4.0	4.35	273	Ind Practition.	5	-10.4	-1.2	92	4-0	-	-	-	1.7	NE	Nil	N/A	45														
Templeton Globa	115	-2.6	-1.5	77	1-0	-	1.0	-	0.6	NE	Nil	4.31	100	Data & Commerce	6	-10.4	+2.5	92	1-0	-	-	-	1.8	NE	Nil	1.41	8														
Camaron Pet.	3	-5.0	-5.1	84	3-0	-	-	-	2.1	NE	Nil	4.25	6	Optiscan Image	39	-10.2	-2.4	92	1-0	1	2.3	-	0.8	NE	Nil	N/A	13														
Axon Instrument	24	-2.8	-0.7	78	0-0	2	1.5	-	1.3	NE	Nil	4.11	113	Icon Energy	3	-10.2	-2.4	91	1-0	-	-	-	2.0	NE	Nil	3.26	5														
Bass Strait Oil	320	-0.6	-2.2	70	0-0	-	1.7	21	0.3	8	14.4	4.10	179	Iatvia Limited	5	-10.2	-2.0	91	0-0	-	-	-	1.4	NE	Nil	3.92	5														
Cochlear Ltd	2190	-15.9	-4.1	95	1-1	11	11.0	55	0.3	20	3.5	4.01	1,162	Corp Express	437	-10.0	-4.5	91	2-5	7	10.9	57	0.6	19	1.8	1.10	833														
Lihir Gold	122	-3.2	-6.5	79	1-0	10	2.4	15	0.4	16	Nil	3.96	1,394	Platinum Aust	21	-10.0	+0.2	91	1-0	-	-	-	0.9	NE	Nil	N/A	14														
World.net Serv.	30	-2.1	+0.7	75	0-0	-	3.8	-	1.0	NE	Nil	3.95	19	INSIDER SELLING: Most Insider Selling, Relative Strength < 0																											
Iatvia Limited	5	-10.2	-2.0	91	0-0	-	-	-	1.5	NE	Nil	3.92	5	Austin Group	70	-0.5	+0.9	69	0-8	-	3.2	30	0.4	11	5.7	0.79	44														
Alkane Explor.	34	-8.9	-4.6	90	4-4	-	-	-	1.0	NE	Nil	3.57	41	Maryborough Suga	610	-6.2	-1.5	86	0-7	-	0.7	13	0.3	6	3.3	0.56	19														
Prime Infra Grp	109	-1.7	-1.1	74	3-0	-	1.2	6	0.6	19	8.1	3.48	436	Millers Retail	176	-2.0	-1.6	75	0-5	4	4.6	34	0.6	14	5.4	0.39	414														
Tap Oil	148	-0.5	-0.0	69	0-2	5	-	-	0.6	10	Nil	3.44	229	SPC Ardmona Ltd	131	-2.6	-2.8	77	1-6	-	1.5	14	0.4	11	4.2	0.58	262														
Icon Energy	3	-10.2	-2.4	91	1-0	-	-	-	2.2	NE	Nil	3.26	5	Webjet NL	4	-7.0	+4.1	87	0-4	-	4.1	-	1.4	NE	Nil	4.56	7														
Stn Pacific	24	-3.4	-2.5	79	0-0	-	-	-	0.9	NE	Nil	3.15	110	Troy Resources	165	-3.4	-1.3	79	0-3	-	-	-	0.7	14	3.3	1.94	79														
Financial Res.	16	-1.3	-0.5	73	0-0	-	-	-	1.1	7	Nil	3.11	10	Croesus Mining	52	-4.3	-5.9	82	0-3	-	-	-	0.8	15	2.9	1.10	164														
Federation Grp	8	-6.5	+1.4	87	0-0	-	0.6	-	2.1	NE	Nil	3.07	7	Corp Express	437	-10.0	-4.5	91	2-5	7	10.9	57	0.6	19	1.8	1.10	833														
James Hardie	668	-3.5	-3.1	80	1-1	11	-	-	0.4	14	1.9	2.97	3,056	Crane Group	859	-6.0	-0.1	86	2-5	3	1.4	15	0.3	10	7.0	0.23	439														
Peter Lehman W.	370	-0.7	-2.4	70	0-0	3	2.9	11	0.4	25	2.4	2.96	138	Transurban Grp	438	-0.1	+2.1	67	3-6	9	1.2	-	0.3	NE	4.6	5.53	2,271														
Gasnet Aust Grp	230	-1.3	+2.4	72	0-0	3	1.1	10	0.4	11	5.6	2.81	299	Deep Sea Fish.	44	-1.1	-1.6	72	0-2	-	0.9	4	0.4	24	3.6	2.73	24														
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average																																									
Midwest Corp	52	-37.5	+6.2	99	0-0	-	0.1	-	0.7	NE	Nil	N/A	29	Peplin Biotech	81	-2.6	-0.8	77	0-2	-	9.0	-	0.6	NE	Nil	N/A	49														
Aust Magnesium	6	-31.1	+2.0	99	0-0	1	-	-	1.6	NE	Nil	0.32	23	Ridley Corp.	125	-8.7	+0.9	90	0-2	2	1.2	11	0.5	11	4.0	0.24	332														
Unwired Group	74	-30.6	-27.3	99	1-0	-	1.6	15	1.5	11	Nil	N/A	130	Sirius Telecom.	33	-1.6	-7.8	74	0-2	-	4.7	14	0.8	34	Nil	0.50	15														
Canbet Limited	4	-30.3	-5.3	98	0-0	-	0.7	3	1.8	25	Nil	1.04	12	Metal Storm Ltd	43	-2.6	-2.2	77	0-2	-	43.0	-	0.6	NE	Nil	N/A	189														
QED Occtech Ltd	3	-27.2	-1.9	98	1-0	-	1.5	-	1.9	NE	Nil	1.39	6	Vietnam Indust.	21	-2.2	+2.6	76	0-2	-	0.8	7	0.9	12	9.5	0.13	22														
Intermoco Ltd	5	-27.1	+2.6	98	2-2	-	-	-	1.4	NE	Nil	N/A	27	Gallery Global	5	-11.2	-1.4	93	0-2</																						

Australian Warrant / Option Analysis

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate	Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
AKD Limited	2	20	1-1	0.3	0.0	+999	0.86	3.94	1.00	+712	Exco Resources NL	24	20	2-6	10.5	16.4	-36	1.12	1.26	1.00	+10
Abelle Ltd	179	30	3-1	140.0	154.1	-9	0.53	1.16	1.00	-2	FSA Group Limited	5	20	1-10	0.6	2.2	-72	1.42	1.43	1.00	+116
Acclaim Explor.	9	20	0-2	0.1	0.1	+57	1.04	6.61	1.00	+999	Financial Resources	16	20	4-3	4.0	3.3	+23	0.27	2.84	1.00	+11
Adultshop.com	9	20	0-4	0.6	0.0	+999	0.62	8.56	1.00	+999	First Aust Resources	7	7	1-5	2.7	2.4	+11	0.63	2.11	1.00	+22
Aeris Technologies	101	20	1-4	80.0	82.7	-3	0.73	1.21	1.00	-1	Flinders Diamonds	4	20	1-0	1.1	0.4	+155	1.17	2.34	1.00	+402
Afininex Ltd	2	10	1-3	0.5	0.0	+999	0.53	5.58	1.00	+237	Flinders Resources	4	10	4-7	1.5	3.0	-50	1.17	1.17	1.00	+25
Alcaston Mining	4	15	3-7	1.4	1.2	+16	0.80	1.68	1.00	+48	Fox Resources Ltd	60	20	1-11	41.5	43.2	-4	0.66	1.33	1.00	+1
Alkane Explor.	34	35	1-1	11.5	6.2	+85	0.41	3.36	1.00	+34	Future Corporation	6	6	0-4	0.1	1.1	-91	0.92	2.96	1.00	+23
Amadeus Energy	37	25	0-9	18.0	14.5	+24	0.56	2.23	1.00	+22	Future Corporation	6	3	1-6	0.7	3.6	-80	0.92	1.41	1.00	-25
Ambition Group	40	100	0-7	0.1	0.0	+999	0.37	9.99	1.00	+382	GEC Asian Value Fund	95	100	1-0	9.0	4.6	+97	0.12	9.99	1.00	+15
Amity Oil Limited	69	100	0-6	12.0	2.4	+402	0.49	5.98	1.00	+163	Gateway Mining NL	16	30	3-0	8.0	3.9	+103	0.57	2.08	1.00	+33
Anitsense Therapeutic	12	20	2-11	6.0	3.8	+57	0.64	1.86	1.00	+30	Giant Reef Mining	8	10	0-4	1.0	0.3	+254	0.45	7.24	1.00	+160
Anvil Mining	45	12	0-2	30.5	33.1	-8	0.56	1.36	1.00	-29	Gippsland	7	9	3-10	3.6	5.2	-31	1.08	1.20	1.00	+15
Apollo Gold	16	20	1-9	6.3	7.3	-14	0.99	1.56	1.00	+33	Giralda Resources	18	15	0-1	2.5	2.9	-13	0.62	5.12	1.00	+0
Aquacarotene	4	5	1-4	1.0	1.1	-6	0.77	2.10	1.00	+41	Glenagary Resources Ltd	5	15	1-1	1.1	0.3	+337	0.74	3.33	1.00	+194
Argonaut Resources	16	30	3-4	6.0	6.4	-6	0.78	1.58	1.00	+29	Golden State Petroleum	34	65	2-10	10.0	22.2	-55	1.30	1.23	1.00	+32
Arrow Energy NL	32	20	0-4	10.5	14.0	-25	1.11	1.93	1.00	-9	Golden State Res	5	10	0-1	0.1	0.0	+999	0.85	9.99	1.00	+999
Astro Mining NL	7	75	5-10	2.6	6.2	-58	1.95	1.02	1.00	+53	Golden State Res.	5	10	3-4	1.5	2.5	-40	0.85	1.49	1.00	+25
Auridiam Consolidated	6	50	0-4	0.1	0.0	+999	0.74	1.00	1.00	+999	Golden Valley Mines	3	10	1-7	1.0	0.3	+220	0.91	2.28	1.00	+155
Aust Food & Fibre	30	32	2-4	4.0	7.0	-43	0.35	2.77	1.00	+8	Goldsearch	5	8	1-7	2.5	1.1	+132	0.79	2.10	1.00	+71
Aust Magnesium	6	125	1-5	0.4	0.5	-15	1.38	2.07	1.00	+755	Goldwana Resources	1	2	0-10	0.3	0.3	-0	0.99	2.21	1.00	+98
Aust Mines	25	20	0-1	4.0	5.3	-24	0.60	4.37	1.00	-39	Gutnick Resources	20	10	9-0	11.0	19.1	-42	1.15	1.03	1.00	+1
Autogen Ltd	54	125	6-0	18.5	32.5	-43	0.82	1.29	1.00	+18	Gutnick Resources	20	125	6-7	1.1	14.6	-92	1.15	1.15	1.00	+32
Aviva Corporation	4	10	1-10	1.3	0.9	+41	0.79	2.11	1.00	+67	Halcyon Group	4	3	1-1	1.6	1.3	+21	0.74	1.98	1.00	+29
Aztec Resources	15	20	0-11	3.4	3.1	+9	0.82	2.40	1.00	+69	Helix Resources	28	25	1-9	9.6	11.4	-16	0.69	1.80	1.00	+14
Barlow (Tony)	2	10	0-10	0.1	0.1	-25	1.34	2.37	1.00	+812	Hill End Gold	25	25	1-4	6.0	4.6	+31	0.36	3.37	1.00	+19
Barra Resources	7	20	2-6	1.7	2.8	-40	1.13	1.46	1.00	+62	Hillcrest Resources	4	20	0-11	0.3	0.1	+217	0.89	3.48	1.00	+488
Batavia Mining	13	20	2-7	4.6	7.9	-42	1.24	1.27	1.00	+30	Hugall & Hoile	10	11	1-2	1.4	1.8	-24	0.45	3.09	1.00	+19
Beach Petroleum	34	34	1-3	9.8	5.2	+88	0.25	4.37	1.00	+21	latia Ltd	5	25	2-1	0.7	0.8	-13	0.94	2.00	1.00	+122
Beach Petroleum NL	34	140	0-1	12.5	0.0	+999	0.25	9.99	1.00	+999	Imperial One	1	10	0-4	0.1	0.0	+999	1.53	4.28	1.00	+999
Beach Petroleum NL	34	20	0-2	0.2	14.2	-99	0.25	2.40	1.00	-96	Independence Gold	107	20	0-11	88.0	88.0	-0	0.63	1.21	1.00	+1
Berkeley Resources	25	20	2-9	12.0	13.3	-10	0.68	1.53	1.00	+9	Indophil Resources NL	34	25	0-10	9.1	14.8	-39	0.87	1.84	1.00	+0
Bioprospect	8	20	1-11	2.2	1.2	+87	0.68	2.43	1.00	+69	Integra Medical	2	20	0-10	1.0	0.0	+999	0.00	9.99	1.00	+999
Biotech Capital	47	55	2-8	9.3	11.0	-15	0.38	2.58	1.00	+13	JAM Developments	24	25	1-9	5.9	5.1	+15	0.39	2.87	1.00	+17
Biron Capital	32	40	0-3	1.0	0.1	+614	0.28	9.99	1.00	+169	Jackson Gold Ltd	20	20	0-11	5.9	5.0	+17	0.66	2.47	1.00	+36
Blink Models Ltd	4	10	0-11	0.4	0.7	-39	1.10	2.23	1.00	+192	Jervois Mining Ltd	2	5	1-0	0.4	0.2	+150	0.91	2.70	1.00	+218
Bolnisi Gold	35	40	0-10	5.5	4.6	+20	0.48	3.71	1.00	+39	Jindalee Resources	25	25	1-4	12.0	10.5	+14	0.90	1.72	1.00	+34
Boulder Steel	15	20	1-9	3.1	6.0	-48	0.91	1.68	1.00	+28	KCG Mines	8	20	0-9	1.5	2.1	-29	1.46	1.87	1.00	+262
Brandrill	2	10	1-7	0.4	0.2	+133	0.89	2.47	1.00	+183	KLM Group	29	200	0-7	0.9	0.0	+999	0.46	9.99	1.00	+999
Bullion Minerals	20	20	0-4	3.5	3.8	-8	0.80	3.19	1.00	+62	KLM Group	29	20	1-10	11.0	12.3	-10	0.46	1.98	1.00	+5
CP1 Ltd	325	150	2-1	174.0	192.9	-10	0.34	1.65	1.00	-0	Kanowna Lights	3	20	1-4	0.7	0.3	+103	1.21	2.08	1.00	+348
Cape Range Wireless	5	5	0-7	1.8	0.9	+106	0.70	2.99	1.00	+95	Kmberley Diamond	110	35	2-2	77.0	80.3	-4	0.57	1.33	1.00	+1
Cardia Technologies	8	20	0-4	0.8	0.0	+999	0.53	9.99	1.00	+999	Knights Insolvency	80	50	3-0	39.0	38.5	+1	0.25	1.98	1.00	+4
Carpathian Resources	10	20	1-2	3.0	1.8	+70	0.89	2.29	1.00	+110	Legend Mining Ltd	14	15	1-2	6.0	7.0	-14	1.25	1.50	1.00	+42
Central Asia Gold	82	12	1-9	55.0	72.2	-24	1.03	1.12	1.00	-11	Lindsay Australia	42	25	0-9	19.0	18.7	+1	0.52	2.08	1.00	+6
Central Equity	199	220	1-2	11.0	15.7	-30	0.22	6.17	1.00	+14	Lion Energy	1	3	0-12	0.1	0.0	+232	0.83	3.28	1.00	+280
Cervantes Seafood	5	20	1-6	0.4	0.7	-45	1.06	2.05	1.00	+174	Lodestone Explor.	11	20	0-9	4.0	0.7	+459	0.65	3.80	1.00	+177
Chameleon Mining	12	20	3-10	4.0	4.4	-10	0.65	1.67	1.00	+21	M2M Corporation	1	20	5-12	0.5	0.7	-29	1.36	1.14	1.00	+66
City Pacific	404	30	2-4	330.0	377.7	-13	0.45	1.07	1.00	-5	MFS Leveraged Inv	151	150	0-4	6.0	10.7	-44	0.25	8.42	1.00	+10
City Pacific	404	100	2-6	289.0	317.7	-9	0.45	1.26	1.00	-2	Macmin	20	12	1-7	10.5	10.1	+4	0.65	1.67	1.00	+9
Clover	38	30	0-5	9.8	9.9	-1	0.55	3.06	1.00	+15	Magna Pacific	57	32	0-0	25.0	10.1	+147	0.30	1.67	1.00	+0
Cockatoo Ridge Wines	64	55	1-10	25.0	18.2	+37	0.31	2.79	1.00	+13	Malachiti Resources	22	20	2-0	8.0	4.4	+83	0.19	3.91	1.00	+14
Comet Resources	8	8	0-10	2.5	1.7	+49	0.62	2.75	1.00	+47	Medical Monitors	6	20	1-4	1.5	0.9	+61	1.05	2.10	1.00	+174
Conquest Mining	31	20	1-4	1.4	15.1	-91	0.71	1.71	1.00	-23	Metal Storm Ltd	43	65	0-6	9.0	1.9	+371	0.57	5.12	1.00	+196
Cool or Cosy	33	20	4-3	11.0	18.7	-41	0.41	1.56	1.00	-1	Metex Resources	9	20	0-4	0.5	0.0	+999	0.64	8.02	1.00	+999
Cooper Energy	24	20	0-1	3.0	4.1	-26	0.69	4.77	1.00	-23	Metex Resources	9	10	2-7	4.0	3.6	+11	0.64	1.75	1.00	+19
Crown Diamonds	13	5	0-6	8.0	11.2	-29	3.22	1.10	1.00	-8	Midas Resources	23	25	2-9	6.2	10.2	-39	0.70	1.62	1.00	+13
DCA Group	237	235	1-7	30.0	45.1	-34	0.29	3.53	1.00	+7	Mikoh Corporation Ltd	5	20	0-5	1.3	0.2	+576	1.32	3.28	1.00	+999
Datafast Telecom	2	1	0-10	1.5	1.7	-13	1.52	1.26	1.00	+5	Millepede International	22	20	1-10	8.0	8.2	-2	0.61	1.93	1.00	+15
Datafast Telecom	2	20	1-9	1.0	0.8	+26	1.52	1.51	1.00	+245	Mineral Commodities	27	25	0-3	3.0	4.4	-32	0.60	4.13	1.00	+16
De Grey Mining Ltd	58	20	1-4	38.0	44.1	-14	1.21	1.23	1.00	+0	Molopo Australia	6	10	3-4	2.0	2.2	-11	0.66	1.72	1.00	+23
Deep Green Minerals	4	0	1-7	1.5	3.8	-61	0.72	1.05	1.00	-42	Monarch Resources	30	20	2-5	10.5	16.9	-38	0.68	1.51	1.00	+1
Denx Ltd	15	60	1-8	2.0	0.6	+244	0.64	3.30	1.00	+131	Natural Intelligence	4	3	2-10	1.4	2.7	-47	1.06	1.24	1.00	+5
Diamond Ventures	15	10	2-4	6.5	8.9	-27	0.87	1.38	1.00	+6	Navigator Resources	16	20	3-4	5.6	3.0	+90	0.30	2.94	1.00	+16
Didasko	11	10	0-8	2.0	3.6	-45	0.88	2.15	1.00	+14	New Hope Corporation	64	45	4-6	31.0	30.8	+1	0.26	1.91	1.00	+4
Dolomatrix Int'l	9	8	0-4	1.6	1.9	-16	0.80	3.01	1.00	+39	New Horizon Energy	16	20	2-4	5.0	6.2	-19	0.75	1.70	1.00	+23
Drillsearch Energy	5	8	0-11	1.2	0.2	+511	0.47	4.82	1.00</												

Company	Yr/Mth			Black-Option	Share	Option	Options	Break-		
	Share	Exercise	to						Price	Valuation
Patrick Corporation	1490	875	0-10	620.0	655.4	-5	0.26	2.26	1.00	+0
Penfold Buscombe Ltd	84	100	1-1	3.5	22.4	-84	0.75	2.24	1.00	+21
Pilbara Mines	19	20	1-1	5.0	4.7	+7	0.60	2.54	1.00	+29
Platinum Australia	21	20	0-6	4.3	4.5	-5	0.72	2.88	1.00	+41
Plexus International	8	10	4-3	2.7	6.3	-57	1.21	1.14	1.00	+12
Precious Metals	7	200	1-9	0.4	0.0	+999	0.00	9.99	1.00	+564
Premier Bionics Ltd	34	20	2-10	13.0	18.3	-29	0.41	1.69	1.00	-1
Prima BioMed	27	20	0-4	8.4	7.9	+6	0.59	2.98	1.00	+19
Q-Mastor	14	25	1-10	1.0	2.7	-62	0.64	2.38	1.00	+40
QED Corporation	3	20	0-6	0.8	0.0	+999	0.68	9.71	1.00	+999
QRScience Holdings	21	20	0-11	7.3	5.0	+47	0.53	2.84	1.00	+35
QRScience Holdings	21	40	1-11	5.0	2.5	+97	0.53	2.90	1.00	+50
Quantum Resources	5	10	6-8	1.8	4.7	-61	1.47	1.04	1.00	+14
Quiktrak Networks Ltd	0	10	0-10	1.5	0.0	+999	1.25	3.70	1.00	+999
Quiktrak Networks Ltd	0	10	0-10	0.1	0.0	+999	1.25	3.70	1.00	+999
RMG Limited	5	3	0-8	2.3	2.3	+1	0.79	1.88	1.00	+12
Ramelius Resources	12	20	3-10	4.0	4.7	-14	0.68	1.62	1.00	+21
Range Resources	5	10	0-4	0.6	0.6	+5	1.24	3.01	1.00	+656
Range River Gold NL	31	25	0-7	11.5	9.4	+23	0.69	2.47	1.00	+36
Resolute Mining Ltd	139	80	1-4	63.0	66.9	-6	0.43	1.95	1.00	+2
Resource Mining	1	10	0-4	0.1	0.0	+999	1.58	4.20	1.00	+999
Resources Mining	1	2	2-4	0.2	0.5	-63	1.58	1.21	1.00	+54
Revesco Group Ltd	17	12	7-9	13.5	12.3	+9	0.63	1.21	1.00	+6
Rimfire Pacific	4	20	0-7	0.8	0.1	+967	1.10	3.61	1.00	+999
Rusina Mining Ltd	8	30	0-11	0.7	0.6	+19	1.04	2.68	1.00	+352
S8 Ltd	93	300	3-2	8.0	0.3	+999	0.25	7.07	1.00	+46
SP Telecommunications	126	25	2-3	100.0	103.9	-4	0.33	1.21	1.00	-0
Saracen Mineral Hold.	11	10	9-4	4.2	10.9	-61	1.58	1.01	1.00	+3
Sevel Vaccines	50	20	4-3	27.0	40.9	-34	0.89	1.15	1.00	-1
Senetas Corporation	6	20	0-3	0.2	0.0	+999	0.57	9.99	1.00	+999
Simon Gilbert	3	100	0-10	0.1	0.1	+70	1.53	2.68	1.00	+999
Solagran	14	20	0-4	2.2	3.8	-42	1.69	2.04	1.00	+299
Solagran Ltd	14	80	0-9	0.1	2.4	-96	1.69	1.92	1.00	+923
Solar Energy Systems	16	30	0-10	1.5	1.3	+19	0.69	3.45	1.00	+125
Sphere Investments	23	29	0-4	3.5	3.7	-5	1.04	2.97	1.00	+182

Company	Yr/Mth			Black-Option	Share	Option	Options	Break-		
	Share	Exercise	to						Price	Valuation
St Barbara Mines	6	30	0-0	0.1	3.7	-97	0.82	2.97	1.00	+999
Sthn Pacific Petrol.	24	55	0-9	1.1	0.2	+354	0.53	6.09	1.00	+227
Stratatel Limited	10	25	1-6	2.2	1.7	+28	0.84	2.24	1.00	+95
Striker Resources	5	15	1-9	1.9	0.5	+267	0.68	2.69	1.00	+96
Sun Resources NL	12	15	1-4	4.9	1.7	+186	0.48	3.17	1.00	+51
Sunshine Gas Ltd	33	20	0-4	12.5	13.5	-8	0.76	2.20	1.00	+0
Swiftel Ltd	13	10	1-1	5.8	5.0	+16	0.74	1.94	1.00	+25
Sylvania	43	20	1-4	22.0	24.6	-11	0.40	1.71	1.00	-2
Synergy Equities Group	1	20	0-4	0.1	0.0	+999	0.93	9.99	1.00	+999
Tasgold Ltd	17	20	3-9	6.5	10.5	-38	0.88	1.32	1.00	+13
Tasman Resources	10	20	2-0	4.0	3.3	+22	0.92	1.73	1.00	+56
Tawana Resources	165	75	1-9	103.0	107.3	-4	0.76	1.41	1.00	+4
Technology Invest Fund	43	50	0-9	1.0	2.2	-55	0.27	7.03	1.00	+26
Tectonic Resources	28	20	0-4	7.6	10.0	-24	0.87	2.33	1.00	-4
Telezon	6	20	0-10	1.8	0.0	+999	0.00	9.99	1.00	+370
Terraplanet Ltd	1	10	1-3	0.1	0.0	+999	0.00	9.99	1.00	+999
Terraplanet.com	1	100	0-9	0.2	0.0	+999	0.00	9.99	1.00	+999
Thundelarra Explor.	44	23	1-2	27.0	23.7	+14	0.58	1.72	1.00	+12
Tiger Resources	7	10	1-4	3.0	1.6	+87	0.80	2.15	1.00	+68
Union Capital	4	100	1-1	0.6	0.0	+999	0.69	9.99	1.00	+999
Universal Resources Ltd	17	20	1-5	5.3	4.4	+21	0.67	2.24	1.00	+36
VRI Biomedical	19	75	2-0	4.5	0.6	+693	0.56	3.53	1.00	+107
Virax Holdings	73	25	1-11	50.0	53.9	-7	0.85	1.28	1.00	+1
Virax Holdings Ltd	73	50	1-10	33.0	41.2	-20	0.85	1.49	1.00	+7
Visionmed Group	6	20	0-7	0.7	0.2	+205	0.97	3.60	1.00	+648
Vulcan Resources	13	25	1-10	4.0	6.5	-39	1.33	1.38	1.00	+58
WAM Capital	155	155	1-4	10.5	15.6	-33	0.14	7.02	1.00	+5
WRF Securities	22	35	0-10	0.1	2.9	-97	0.74	2.95	1.00	+75
Webpsy Ltd	2	8	2-3	1.0	1.7	-42	1.82	1.16	1.00	+80
West Aust Metals	4	20	1-1	0.4	0.1	+253	0.85	3.33	1.00	+350
Westonia Mines Ltd	35	20	2-6	18.0	21.3	-16	0.68	1.45	1.00	+3
Wine Investment Fund	9	25	2-10	5.0	2.6	+93	0.78	1.80	1.00	+52
Winepros Ltd	32	40	3-10	9.0	16.1	-44	0.70	1.49	1.00	+12
Yamarna Goldfields	1	20	0-11	0.2	0.0	+999	0.77	6.24	1.00	+999
Yilgam Gold Ltd	7	10	1-3	2.5	2.1	+17	0.86	2.01	1.00	+54
Zylotech Limited	1	6	1-1	0.2	0.1	+79	1.11	2.39	1.00	+355

Our **Magna Pacific** options expire at the end of this month - so investors must either (1) pay 32 cents to the company to exercise the option and purchase a share or (2) sell the options on-market.

As outlined last month, this is an attractive emerging growth company so we favour exercising the options and continuing our investment in this company. Investors *without* the cash to exercise the options *must sell on-market* or they will become worthless. There are many buyers, seeking hundreds of thousands of options on-market at 25 cents - so there is no problem with marketability.

Attractive options for purchase at present include DCA Group, Datafast, Euroz and our latest selection, WAM Capital.

Review of Options

Beach Petroleum (code BPT and BPTOC).

While Beach Petroleum's business continues to perform well with record oil production in the December quarter and a 1.0 cent dividend paid to shareholders, the share price fell 10.5% to 34 cents and the options 6.7% to 9.8 cents.

At this time the options are *over-valued* but offer a very high 4.37 times leverage. At present, at this price we wouldn't recommend the purchase of Beach Petroleum options as they may fall back towards their fair value around 5 cents. We also shall not attempt to *trade* these options (i.e. sell and try to buy back later) as this situation is just too volatile. Share and option prices *could* quickly recover.

The options still have 15 months until their final exercise date, so we rate these a "Hold".

Datafast Telecommunications (codes DFT and DFTOA).

These shares have been extremely volatile over the last three months - rising from 2.0 cents to a peak of 5.8 cents and then back to 2.4 cents. The options went from 1.0 cent to 3.2 cents and back to 1.5 cents.

Along the way the company raised \$1.0 million from a Share Purchase Plan, issuing 23.4 million new shares at 4.2726 cents.

Cash receipts for the December quarter were \$3,566,000 (down slightly from the September quarter's \$3,865,000), but the net operating surplus rose 122.5% to \$267,000. Cash on hand (including the SPP money, not included in the quarterly cashflow statement) rose to \$2,236,000. So Datafast is making good progress at improving its financial position.

At around 1.5-1.6 cents the January 2005 options (to buy shares at 1.0 cent) are still an attractive speculative holding.

DCA Group (code DVC and DVCO).

DCA Group is a medium to large company involved in retirement homes, hospital care for older people and radiology services.

The shares rose 6 cents to 237 cents over the last three months, with the options *down* 2 cents to 30 cents. These September 2005 options trade at a 34% discount to *fair* value and offer high leverage of 3.5 times, with a *low break-even rate* of just 7%.

This makes them an attractive, good quality, leveraged investment. The only disadvantage is that the options can be *inactively* traded (i.e. difficult to

acquire) at times. At present, however, there is a seller of 50,000 options in the market at 32 cents.

Investors seeking to slightly leverage their portfolio with options should seriously consider acquiring some DCA Group options.

Euroz (codes EZL and EZLO).

Euroz options have been an excellent investment and remain a sound "Hold". The options to buy shares at 50 cents in November this year offer a 2.1 times leverage, while shares in this stockbroking company could continue to perform well during the current stockmarket recovery.

Hold for further gains over the next 9½ months - at which stage we shall decide whether to exercise these options to continue our investment in Euroz, or sell the options to realise our capital gain, or a combination (i.e. perhaps sell some options on-market to finance the exercise of the remainder).

Orchid Capital (codes ORC and ORCO).

When we first reviewed Orchid Capital in August 2003 the net asset backing of this investment company was 6.96 cents per share, the shares traded at 3.2 cents and the options at 0.8 cents. Over the last six months, net asset value has fallen 13% to 6.04 cents, but the shares are up 66% to 5.3 cents and the options up 150% at 2.0 cents.

Clearly the decline in net assets - and the increase in the option price - reduces the *future* profit potential of the options. We wouldn't buy further Orchid Capital options at this time, but will hold our existing options.

Sunshine Gas (codes SHG and SHGO).

In November we recommended selling these options on rallies as they expire in June 2004. The shares are now back up to 33 cents and the options trade around 12½ cents. So investors still holding Sunshine Gas options should sell on-market now. These options have risen 127% since first reviewed in February last year.

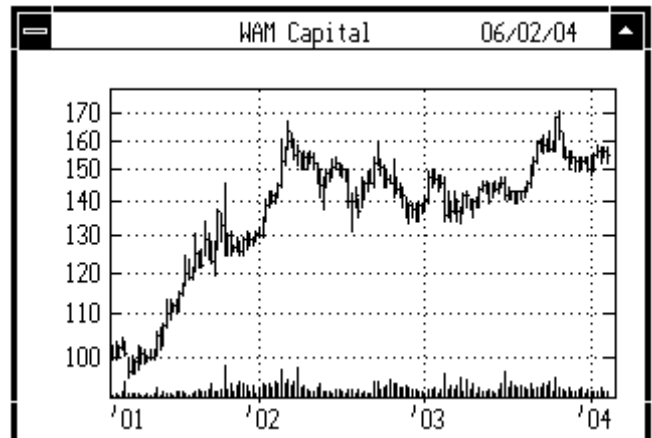
WAM Capital (code WAM and WAMO).

Options (to buy shares at 155 cents on 17 June 2005) in this listed investment company offer an *extremely high leveraged* investment opportunity.

Net asset backing per share is 152 cents (or 140 cents, after allowing for future capital gains taxes), but this company has performed well and will likely continue to trade at a small premium to net asset value. The options trade at a 33% discount to their *fair* value, and offer the potential for huge gains over the next 16 months owing to their extreme leverage.

If the share price rises at just 10% per annum (i.e. 13.5% to 176 cents) until June 2005 then the options will have a final value of 21 cents (up 90%). A 20% per annum gain will boost the option value to 42 cents (up 280%) and 30% per annum will lift the options to 64 cents (up 480%). On the other hand, if the share price fails to appreciate above their current value of 155 cents the options will be valueless.

This is therefore a very high risk, very high return situation. If the stockmarket falls, or even just fails to rise, over the next 16 months then investors will lose 100% of their investment in WAM Capital options, but if the market rises they will very quickly start to realise significant gains! These options are attractive for a very small speculative investment.



Total Return Index for All Listed Shares

Jan 12	1996.37	Jan 19	1997.97
Jan 13	1995.68	Jan 20	1999.04
Jan 14	1991.40	Jan 21	2007.82
Jan 15	1989.52	Jan 22	2013.80
Jan 16	1992.19	Jan 23	2013.26
Jan 26	2026.32	Feb 2	2026.94
Jan 27	2029.78	Feb 3	2030.69
Jan 28	2025.83	Feb 4	2020.95
Jan 29	2025.31	Feb 5	2019.33
Jan 30	2025.06	Feb 6	Holiday

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Seeka Kiwifruit	9.00	16-02	18-02	Full
Smiths City Market	1.00	09-02	13-02	Full
South Port NZ	2.75	-	-	Full
<i>Australian Shares</i>				
Abigroup (special)	10.00	17-12	20-02	
Australian Infrastructure	5.50	23-12	25-02	

Current Issues

SHARE RECONSTRUCTIONS

Williams & Kettle.

NEW ISSUES

	Price	Date	EPS	DPS
Kingfisher	100	-	-	-
Salvus Strategic	100	-	-	-

Company Review: Macquarie Corporate Telecommunications

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

Macquarie Corporate Telecommunications (code MAQ) is building an attractive business which already generates strong operating cash flows and appears to be approaching profitability. The potential for future profit growth is excellent. The shares have lost 90% of their value since being floated at \$2 in 1999.

So at around 20 cents this looks like an *undervalued, emerging growth company* investment. The high risk involved in establishing the business is now offset by the debt free (i.e. low risk) balance sheet and the low share price relative to the company's cash holding of \$30 million (14.6 cents per share). These shares will therefore appeal to higher risk investors seeking maximum capital appreciation.

Company History

Macquarie Corporate Telecommunications was formed in 1992 and listed on the Australian stockmarket in late 1999 after an initial public offering of 75 million shares at \$2.00. This raised \$100 million for the company and \$50 million went to the existing shareholder, **Claiward**, which also retained a major shareholding.

In May 2001, listed **PowerTel** acquired 20,370,000 shares in Macquarie Corporate Telecommunications (10% of the company). This led to a strategic alliance

with Macquarie Corporate Telecommunications mainly using PowerTel's fibre optic network for voice traffic.

Originally the company provided voice telephone services with infrastructure consisting of data switching exchanges connected to other telecommunication suppliers networks, plus sophisticated information services so that companies can analyse and control telecommunications costs. The proceeds from the public share issue helped finance expansion of these exchanges and expand the range of services.

Expansion included offering data services and online services through its \$35 million *Intellicentre* opened in January 2001. Macquarie Corporate Telecommunications also established its business in Singapore and will seek to expand further into Asia. Mobile telephone services - supplied by **Vodafone Australia** - were added from August 2002.

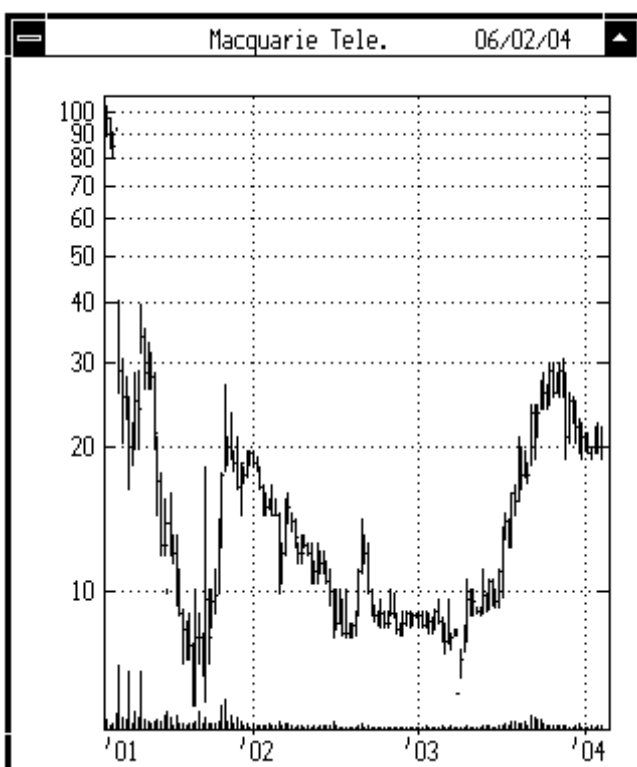
Recent Results

In the year to June 2000 (i.e. its first as a public company) revenues rose 68.1% to \$197.7 million with profits up 10-fold to \$8,967,000 (4.4 cents per share). A dividend of 2.0 cents was paid. The business produced a cash operating surplus of \$4.9 million, with the company ending the year with \$79.2 million of cash.

The year to June 2001 saw revenues rise 13.9% to \$225.2 million, but a loss of \$13,741,000 (*minus* 6.7 cents per share) and no dividend was paid. The operating loss resulted from costs and depreciation from major expansions including the *Intellicentre* and establishing its business in Singapore. The business operated at a cash *deficit* of \$4.5 million while \$36.0 million invested in plant and equipment helped reduce the company's cash holding to \$34.7 million.

The June 2002 year produced just 5.2% revenue growth to \$236.8 million while the loss increased to \$17,727,000 (*minus* 8.7 cents per share), although this included a \$10 million write-down in the value of its data hosting facility. There was a small operating cash surplus of \$1.2 million, while cash fell to \$25.9 million.

The year to June 2003 showed a significant improvement in *cash operating surplus* although revenues fell 0.5% to \$235.5 million and the company still traded at a loss of \$4,724,000 (*minus* 2.3 cents per share). The cash operating surplus was very strong at \$10.1 million, boosting the cash on hand to \$29.9 million (14.6 cents per share).



Investment Criteria

Macquarie Corporate Telecommunications currently trades *unprofitably* and does not pay a dividend, so we cannot assess the value of these shares by reference to the Price/Earnings ratio or the Dividend Yield. The Price/Sales ratio, however, is very low at 0.17.

The net operating cash surplus of \$10.1 million (4.9 cents per share) would suggest the shares offer very good value at just 20 cents. Operating cashflows, however, can be volatile from year to year and this *may* have been an abnormally high surplus.

Macquarie Corporate Telecommunications is debt free and also holds cash in the bank of \$29.9 million (14.6 cents per share). This also suggests that the stockmarket is significantly under-valuing the shares at 20 cents. Further capital expenditure will, however, be necessary to further expand the business and this may reduce the company's cash balance in future.

Ultimately, of course, the value of the shares will depend upon the ability of the business to continue to generate cash surpluses and to become profitable. The voice business offers little growth potential but is profitable with earnings of \$9.1 million, while the data business offers "higher margin, higher value data services business" and strong growth potential but has yet to become profitable. Data revenues rose 50% in the year to June 2003, while the 2002 loss of \$18.2 million improved to a loss of \$8.5 million. That suggests that 30% revenue growth to around \$50-55 million this year should result in a break-even for Data (i.e. the company would be profitable overall) with future revenue growth contributing strongly to profitability.

Start-up losses in Singapore (revenues up 67% to \$11.2 million) and mobile services have also depressed recent results but revenue growth in these sectors should also lead to an improvement in profits over the next several years.

With an issued capital of 204,855,258 shares Macquarie Corporate Telecommunications currently has a market capitalisation of just \$41 million - making this a *smaller* listed company. When the company was listed - during the Technology boom - it had a capitalisation of \$400 million and this rose to \$650 million by March 2000 when the stockmarket valued Macquarie Corporate Telecommunications as a very *big* company!

The original founders still manage the business and own 61.0% of the company. Chief Executive D Tudehope owns 84% of **Claiward Pty** which owns 125,013,900 shares in Macquarie Corporate Telecommunications. Chief Operating Officer, A Tudehope, owns the other 16% of Claiward. Chairman J Priest owns 1,549,727 shares (0.8% of the company) while the non-executive directors, R Kaye and J Craig, each own 50,000 shares.

There has been just one *insider* buy, in June 2003 when J Craig purchased her 50,000 shares on-market

at 10 cents.

The shares are *neglected* by brokers and by institutional investors. No brokers publish profit forecasts and there are only two small institutional investors holding about 2% of the capital (i.e. a total institutional investment of less than \$1 million).

The shares lost 97½% of their value in 2000-2001, falling to a low of 5.9 cents in August 2001, before recovering 4½ fold in value to 26½ cents by November of that year. Over the next year and a half the shares again lost most of their value, briefly hitting a low of 6.1 cents in March 2003 and again recovering 5 fold in value to 30 cents in November 2003. Over the last three months the shares have drifted back to trade around 19-22½ cents. The Relative Strength rating of +6.0%, ranked 43, is favourable and could indicate a long term uptrend.

High Risk Shares in a Diversified Portfolio

Very high risk shares (in companies that *do* have real businesses, with real potential) can be very attractive investments *in a very well diversified portfolio.* The maximum loss is limited to 100%, if the company fails completely and goes bust. This unfavourable outcome is unlikely in the foreseeable future with Macquarie Corporate Telecommunications as it has no interest bearing debts and significant cash in the bank. On the other hand, there is *no limit* to the potential gains from a successful share investment which could rise 200%, 500% or more in value. So a diversified portfolio of risky shares - some of which go bust, some of which increase several fold in value - will produce far above average overall returns for an investor!

Summary and Recommendation

Macquarie Corporate Telecommunications shares have been *extremely* volatile - both during the Technology boom and bust, and over the last few years. While the early valuations (e.g. P/S ratios of 1.7-3.3) clearly indicate unrealistic over-optimism, the current valuations (i.e. a P/S ratio of 0.17 and the shares trading at little more than the cash in the bank) demonstrate the opposite extreme of excessive pessimism.

As a start-up company that has yet to achieve profitability (except during the boom) an investment in Macquarie Corporate Telecommunications involves high risk. Nevertheless it also holds excellent potential for capital growth, and last year's high cash operating surplus suggests that the company is rapidly approaching profitability.

We are not formally recommending these shares at this time, and *conservative* investors should probably wait until the company becomes profitable before considering an investment. Aggressive investors seeking maximum capital appreciation, however, should seriously consider an investment in Macquarie Corporate Telecommunications shares.

Institutional Investors “discover” Smaller NZ Listed Shares

Three new investment funds are to focus on *smaller* New Zealand company shares - a sector that has historically been largely ignored by institutional investors and other investment professionals.

Firstly the **NZ Superannuation Fund** (which is often called the “Cullen Fund”) will allocate 1.25% of its portfolio to *smaller* listed NZ shares. In this case “smaller” means any shares outside of the Top 10 biggest listed companies. The amount of money involved here is relatively significant - about \$40 million per year - building up to \$1,250 million in *smaller* company shares after 20 years.

Secondly, a new listed investment company, **Kingfisher**, will seek to raise \$50-75 million in the near future - with share options to hopefully allow it to raise a similar amount after a few years. This company will invest in “small listed and unlisted” NZ shares.

Thirdly, another new listed investment company, **Salvus Strategic Investment** will also seek to raise \$50 million (half immediately, with the balance payable later) and a further \$12.5 million from the exercise of warrants in 2007. This fund will invest in listed shares outside of the NZSX 40 as well as unlisted companies.

Historically, *smaller* listed NZ companies have been *neglected* and we have been able to find some outstanding investment opportunities within this sector. One smaller companies unit trust was formed during the 1991/92 smaller companies stockmarket boom. The strong rise in smaller companies at that time resulted in a good performance for the unit trust. That resulted in the rapid inflow of new money, which further boosted the prices of smaller company shares and the performance of the fund. When the boom ended, the massive cash inflow turned to an outflow. Selling by the fund to raise cash pushed down share prices, depressing its performance and leading to further cash outflows. This is the classic boom/bust cycle fed by the inflow and outflow of money.

The current situation *should* be favourable for *smaller* NZ listed shares and will hopefully avoid a boom/bust cycle - at least in the short term. The NZ Superannuation Fund will invest taxpayer raised funds for twenty years, then seek to liquidate those investments to help finance superannuation payments. That suggests that smaller companies could benefit from a 10-15 year boom, then collapse as the NZSF approaches the stage where it will need to sell these over-valued shares.

The two investment companies will also avoid the massive cash inflows and outflows involved with unit trusts. If the smaller companies sector - or the fund manager - performs poorly, investors can sell their shares on-market *to other investors*, but the fund manager is never forced to liquidate portfolio holdings and refund cash to shareholders.

Impact on the Stockmarket

This new found interest in *smaller* companies could lead to another longer term boom in this sector. Unfortunately, many smaller NZ companies do not offer the under-valuation that was seen in this sector 10-25 years ago. A large number of smaller NZ companies (i.e. below the top 50) have a market capitalisation of tens of millions of dollars, *lose* millions of dollars per year and have revenues of just a few hundred thousand dollars. That is excessive *over-valuation*. Any fund investing in those companies *may* be able to boost its short term performance (i.e. its buying could initially push up share prices) but will suffer significant losses within a few years. *Medium* sized company shares (i.e. in the Top 50 or 60, but below the Top 10) are more attractive, but few of these can seriously be considered *growth* companies. Many are relatively mature businesses that offer good income yields. Nevertheless, the inflow of cash into smaller company shares may help inflate valuations in this sector over the next 12-24 months.

A *contrary opinion* approach to investment suggests that when institutional fund managers *discover* a sector it is probably time for us to start selling out. We still see value in many medium and smaller NZ company shares, but if prices were to rise sharply over the next year or two then it could make sense to take some profits and look for better value in sectors that remain out of favour with institutional investors.

Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday March 9, 2004 (and delivered in most areas on Wednesday 10).

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