

# Market Analysis

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## Inside Market Analysis

ACCEPT the cash takeover for MetLifeCare ..... 10	Campbell Brothers plans major acquisitions ..... 4, 5
SELL Citect Corporation ..... 9, 10	Neglect Ratings of NZ and Australian shares ..... 13, 14
International All Sports upgraded to BUY ..... 6, 7	NEW ISSUE: Goodman Fielder ..... 14

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## Summary and Recommended Investment Strategy.

Take some profits - through the MetLifeCare and Citect Corporation takeovers - to build up a small cash reserve. This will be used over the next few months to add some new, under-valued shares to our portfolio. Maintain holdings in the other recommended shares.

## Investment Outlook.

The Reserve Bank and government policy to stamp out residential property inflation and the consumer spending boom in New Zealand is having the usual side-effect of killing economic growth and depressing share prices. The "good" news from this "bad" news is (1) share prices *anticipate* economic changes, so hopefully the worst is over, and (2) we should be able to pick up some bargains over the months ahead.

Australia isn't experiencing the same conditions, but the *smaller companies* sector is out of favour and we are watching some small emerging company shares which may become very attractive for new investment.

It is difficult to predict short term movements, but pessimism is so widespread (i.e. everyone who wants to sell has *already* sold) that the stockmarket is probably near its low. The market seldom does what "everyone" expects.

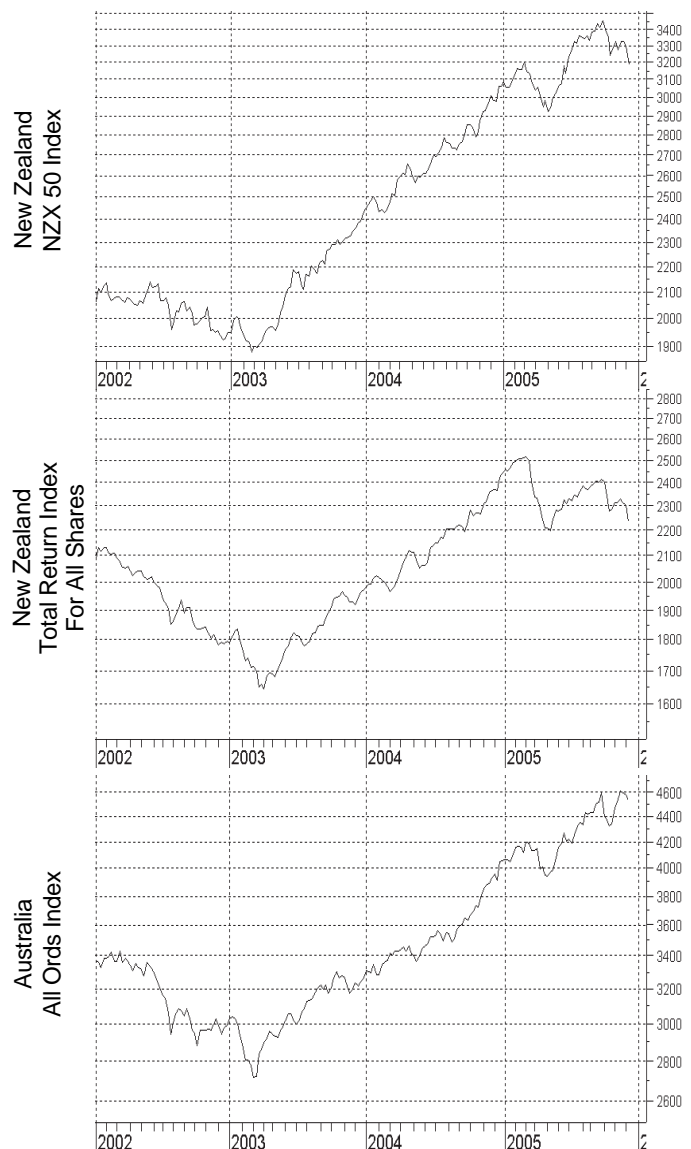
The media headlines say "Economy headed for a Fall" and "New Zealand's three-year stock market rally may be over". Well, actually that is a "fall" to a not too unhealthy +2.8% growth rate. They also failed to *predict* the rally and are only just waking up to the fact that share prices rose strongly in 2003 and 2004! This is forecasting by looking out the back window!

High interest rates and the high exchange rate are bad for the corporate sector - and the stockmarket - but the impact of policies on other sectors is less clear. The Reserve Bank wants to lower consumer spending *and* lower the exchange rate - but higher interest rates may eventually depress the former but will boost the latter. The government's desire to slow consumer spending won't be helped by increasing welfare payments to middle income families.

Investors need to avoid looking for easy answers or Peter Lynch's "*penultimate preparedness*". The market *has* dipped sharply over the last few months and "everyone" now expects it to fall sharply again. So that probably won't happen!

### Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	<b>62%</b> (Bullish)	<b>55%</b> (Neutral)
New Zealand:	<b>42%</b> (Neutral)	<b>34%</b> (Bearish)



# 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
A2 Corporation	C	6.0	8.70	NE	Nil	Hellaby Hold.	C	450	0.57	11	12.9	Property F Ind.	B	111	9.43	18	7.1
ABS Canterbury	A	450	1.35	15	4.6	Heritage Gold *	N/R	5.4	N/A	NE	Nil	Provenco Group	C	79	0.69	9	5.7
AMP Lited	B	789	1.24	14	3.7	Hirequip NZ Ltd	C	80	0.92	10	7.0	Pumpkin Patch	A	345	2.05	23	3.5
AMP Onyx Mgmt	B	97	5.07	13	7.5	Horizon Energy	A	420	3.91	14	7.1	Pure NZ Limited	C	4.3	N/A	NE	Nil
AXA Asia Pac.	A	515	1.67	15	2.4	ING Property	B	117	8.13	15	9.2	Pyne Gould Corp	C	415	0.88	11	6.5
Abano Health.	C	160	0.65	NE	Nil	Infratil NZ	B	367	4.13	16	4.3	Renaissance	C	129	0.41	22	8.5
Affco Holdings	D	38	0.20	9	2.6	Jasons Media	D	42	N/A	NE	Nil	Restaurant Brds	D	127	0.39	11	11.8
Air New Zealand	B	118	0.32	7	6.3	Just Water Int.	D	90	2.95	19	5.4	Richina Pacific	D	49	0.12	15	4.1
Akd Int Airport	C	183	7.92	21	6.7	KidCorp	D	19	1.38	NE	Nil	Rubicon Limited	E	87	0.54	NE	Nil
Allied Farmers	B	235	0.50	13	6.7	Kingfish Ltd *	N/R	92	2.41	3	3.2	Ryman Health.	A	513	4.23	22	2.2
Allied Work.	D	125	N/A	NE	Nil	Kirkcaldie & St	C	250	0.57	21	4.8	Salvus Strat. *	N/R	81	9.69	18	3.7
Apple Fields	C	3.0	N/A	NE	Nil	Kiwi Property	A	126	9.84	17	6.9	Sanford Limited	C	395	1.01	12	8.3
Blis Technology	D	1.6	N/A	NE	Nil	Life Pharmacy	C	89	N/A	NE	2.0	Satara Co-op	D	66	0.31	15	13.6
Blue Chip Fin.	C	85	2.07	9	Nil	Lion Nathan Ltd	B	793	2.17	17	4.4	Savoy Equities	D	2.0	N/A	NE	Nil
Botry-Zen Ltd	C	5.6	N/A	NE	Nil	Livestock Imp.	B	130	0.41	8	15.2	Scott Tech. Ltd	D	191	1.18	NE	3.1
Brierley Invest	B	115	2.43	12	3.5	Loan & Building	B	446	1.33	15	5.0	Sealegs Corp	E	18	3.43	NE	Nil
Briscoe Group	B	126	0.83	14	8.3	Lytelton Port	C	178	2.74	15	9.2	Seeka Kiwifruit	E	340	0.53	10	8.8
Broadway Ind	B	95	0.45	20	5.2	MDSnews	D	0.3	N/A	NE	Nil	Skelimax Indust	C	121	1.02	10	8.6
CACI Group Ltd	B	26	0.33	59	Nil	MG Property Trt	B	117	N/A	23	9.7	Sky City Ltd	C	450	2.75	18	8.0
CDL Hotel NZ	C	58	1.22	9	3.6	Mainfreight Grp	A	330	0.37	23	2.9	Sky Network TV	C	595	4.73	22	Nil
CDL Investments	C	38	3.78	9	6.3	Media Tech.	D	6.0	0.25	NE	Nil	Smiths City	D	62	0.14	4	8.1
Cadetail Group	C	62	0.48	9	7.2	Methven Limited	B	128	1.20	10	8.9	Software of Exc	E	93	1.01	NE	Nil
Cadmus Tech Ltd	C	23	2.74	NE	Nil	Metro. LifeCare	A	390	3.10	19	1.4	Sol. Dynamics	E	50	0.37	NE	Nil
Calan Hlthcare	B	115	9.50	17	7.4	Michael Hill	A	780	1.11	18	4.4	South Port NZ	C	117	2.28	16	8.3
CanWest Media.	B	169	1.53	29	5.6	Mid-Cap Index *	N/R	231	N/A	NE	Nil	Speirs Group	C	106	0.20	10	11.3
Cap Properties	A	149	5.92	20	6.0	Mike Pero Mort.	B	85	1.61	13	10.5	Steel & Tube	C	388	0.78	9	12.3
Carter Holt	D	250	0.91	8	1.6	Mooring Systems	E	360	N/A	NE	Nil	Sthn Travel	D	80	0.26	9	11.9
Cavalier Corp	D	245	0.77	8	16.4	Mowbray Collect	C	160	4.39	NE	2.8	Summit Gold Ltd*	N/R	71	N/A	NE	Nil
Cert Organics	E	4.5	3.53	NE	Nil	Mr Chips Hold	D	70	0.48	12	8.5	Tag Pacific Ltd	D	22	0.25	5	2.5
Charlie's Group	E	15	1.61	NE	Nil	NZ Exchange Ltd	D	682	4.78	24	Nil	Taylor's Grp Ltd	B	175	0.65	12	11.1
Col Motor Co	C	297	0.21	11	11.1	NZ Experience	D	27	1.21	13	11.1	TeamTalk Ltd	C	211	2.11	14	12.7
Comvita	C	220	1.03	22	1.4	NZ Finance Hold	C	105	6.24	28	Nil	Telecom Corp	C	560	1.90	12	10.3
Connexion	E	44	2.59	65	Nil	NZ Invest Trust*	N/R	780	N/A	NE	1.1	Tenon Ltd	D	350	0.58	8	Nil
Contact Energy	C	627	2.83	25	6.0	NZ Oil and Gas *	N/R	97	N/A	NE	Nil	Toll NZ Ltd	C	330	1.02	17	Nil
Cube Capital	D	5.0	0.14	NE	Nil	NZ Refining Co	B	570	4.86	14	7.9	Tourism Hold.	D	146	0.80	14	11.2
Cynotech Hold.	E	14	0.77	NE	Nil	NZ Wine Company	B	200	1.92	19	3.7	Tower Limited	D	192	0.61	7	Nil
Dominion Fin.	B	110	2.46	8	9.4	NZ Wool Service	E	46	0.27	33	3.2	Training Sol.	D	0.1	0.71	NE	Nil
Dorchester Pac	B	248	0.63	8	6.2	NZSX 50 Port.	D	146	N/A	NE	Nil	Trans-Tasman	C	44	3.32	9	Nil
Eastern HI-FI	D	72	0.52	10	Nil	NZSX 10 Fund *	N/R	116	N/A	NE	Nil	Trust Power Ltd	B	600	3.08	26	4.9
Ebos Group Ltd	B	430	0.42	13	7.5	NZX Aust MidCap	C	495	N/A	NE	Nil	Turners Auction	B	201	0.70	8	14.9
Evergreen	E	30	1.42	NE	Nil	Nat Property Tr	B	97	6.59	19	9.4	Turners & Grow.	C	169	0.22	13	Nil
F & P Appliance	C	323	0.82	12	8.3	New Image Group	A	6.2	1.75	NE	Nil	Utilico Int'l	C	54	3.47	NE	Nil
F & P Health.	C	333	7.04	28	4.8	Northland Port	C	270	N/A	14	5.5	VTL Group Ltd	B	60	0.63	9	5.5
Feltex Ltd	C	48	0.24	6	18.7	Nuplex Indust	C	416	0.34	11	9.5	Vector Ltd	C	266	2.29	49	Nil
Finmedia Ltd	D	114	2.54	3	Nil	Opio Forestry	D	85	N/A	NE	Nil	WN Drive Tech.	D	35	N/A	NE	Nil
Finzsoft Solns	E	69	0.81	33	Nil	Oyster Bay	B	398	5.00	68	2.5	Wakefield Hlth	A	600	1.77	25	3.2
Fletcher Build.	C	691	0.69	10	6.9	Ozzy (Tortis) *	N/R	258	N/A	NE	Nil	Warehouse Group	A	346	0.48	27	6.3
Forty Two Below	E	54	5.57	NE	Nil	PGG Wrightsons	B	215	0.78	14	6.2	Waste Mgmt NZ	A	597	2.77	23	6.7
Freightways Ltd	B	323	1.74	18	7.4	POD Ltd	C	68	0.26	6	6.6	Widespread Port	E	1.6	N/A	NE	Nil
GDC Communicat.	D	3.4	0.05	NE	Nil	Pac Edge Bio.	E	20	N/A	NE	Nil	Windflow Tech.	E	220	N/A	NE	Nil
Genesis Res.	D	30	1.77	NE	Nil	Pacific Retail	D	200	0.13	NE	Nil	Wool Equities	D	60	0.65	NE	Nil
Guinness Peat	B	201	0.16	8	2.6	Plus SMS Hold.	C	64	N/A	NE	Nil	World Index Fd *	N/R	124	N/A	NE	Nil
Gullivers Trv.	C	130	0.31	11	11.2	Port Tauranga	C	425	3.91	17	7.0	Zintel Comm.	C	72	1.02	11	7.2
Hallenstein G.	B	440	1.40	13	10.2	Postie Plus Grp	D	57	0.20	14	7.9	<b>Ave of 161 Cos</b>	C	198	0.61	17	4.4
ABB Grain Ltd	A	705	1.24	57	3.5	Downer EDI Ltd	A	695	0.53	19	2.6	Oil Search Ltd	A	376	7.41	21	1.1
ABC Learning	A	723	6.18	35	1.5	Energy Resource	B	1052	6.26	39	1.6	Onesteel Ltd	B	326	0.47	14	4.1
AMP Ltd	B	748	1.28	15	3.6	Envestra	C	114	2.85	NE	8.4	Orica Ltd	B	2010	1.04	23	3.5
ANZ Bank	A	2290	4.49	29	4.4	Excel Coal Ltd	B	650	3.58	14	3.7	Origin Energy	B	726	1.17	22	2.1
APN News Media	B	462	1.74	17	4.8	FKP Limited	B	470	2.69	15	5.3	Oxiana Ltd	C	146	N/A	NE	Nil
AWB Limited	A	578	0.39	13	5.0	Fairfax (John)	B	396	1.94	14	4.7	Pacific Brands	B	272	0.89	22	5.5
AXA Asia Pac.	B	486	1.71	17	2.4	Flight Centre	C	960	1.01	16	5.3	Paladin Res.	C	197	N/A	NE	Nil
Adelaide Bright	B	196	1.52	13	3.8	Fortescue Metal	C	470	N/A	NE	Nil	Paperlin X Ltd	B	355	0.21	9	7.2
Adelaide Bank	A	1268	4.22	15	4.2	Foster's Group	C	556	2.80	12	3.6	Patrick Corp	A	712	2.06	29	1.1
Alinta Limited	B	1082	2.65	19	3.9	Futuris Corp.	C	184	0.38	13	4.9	Perp Trust Aust	B	6450	5.98	22	4.0
Alumina Ltd	B	684	N/A	29	2.9	GPT Group	C	387	9.99	18	5.7	Portman Limited	A	480	4.31	26	1.7
Amcor Ltd	C	705	0.56	14	4.8	GWA Internat'l	B	290	1.24	13	6.2	Primary Health	B	1113	6.49	47	2.2
Ansell Ltd	B	1040	1.50	NE	1.3	Gandel R. (CFS)	B	193	N/A	19	5.4	Promina Group	B	473	1.64	11	4.7
Aquarius Plat.	A	1101	4.05	43	0.7	Gt Sthn Plant'n	B	320	2.97	8	4.4	Publishing & Br	A	1650	3.16	23	3.2
Argo Investment	B	635	N/A	28	3.3	Guinness Peat	B	189	0.62	29	1.3	O.B.E. Insur.	A	1900	1.36	17	2.8
Aristocrat Leis	B	1200	5.04	33	0.7	Gunsns Ltd	B	305	1.48	10	4.1	Qantas Airways	A	367	0.55	9	5.4
Arrow Pharm.	A	292	2.74	48	3.4	Hardman Res.	E	189	N/A	NE	Nil	Ramsay Health	A	929	1.09	53	2.2
Aust Stock Exch	A	2953	N/A	28	3.2	Harvey Norman	B	285	2.35	18	2.3	Record Invest.	A	850	N/A	29	3.6
Aust Gas Light	A	1624	1.51	9	3.9	Healthscope	B	554	1.87	44	2.3	Reece Australia	B	1470	1.45	19	2.6
Aust Foundation	B	416	N/A	24	3.8	Henderson Group	C	154	0.50	45	Nil	Rinker Group	A	1595	2.57	26	1.3
Aust Pharm. Ind	B	302	0.23	26	4.3	Hills Indust.	B	467	0.93	21	5.1	Rio Tinto Ltd	A	6355	4.59	23	1.6
Aust Infra.	B	230	N/A	8	5.7	ING Indust Trt.	A	220	N/A	16	6.7	Rural Press Ltd	A	1100	2.29	12	3.9
Aust Pipeline	B	390	2.88	16	5.8	ING Office Fund	B	132	7.27	12	7.7	SFE Corporation	A	1235	8.06	31	2.7
Austar United	C	127	3.85	NE	Nil	Iluka Resources	B	816	2.24	21	2.7	Santos Ltd	A	1160	3.87	18	2.8
Australand Prop	B	198	1.39	12	8.3	Intcite Pivot	B	1700	0.91	NE	0.9	Seek Ltd	B	302	N/A	44	0.3
B & B Infrastr.	C	164	3.71	NE	6.6	Insurance Aust.	B	482	0.99	NE	5.5	Seven Network	B	835	1.45	20	2.8
BHP Billiton	A	2180	1.85	9	1.7	Investa Prop.	B	199	3.05	13	8.3	Sigma Company	A	1354	0.91	32	1.9
Babcock & Brown	C	1680	6.90	79	Nil	Ivanhoe Mines	D	1200	N/A	NE	Nil	Sims Group Ltd	B	1655	0.59	8	8.5
Bank of O'land	A	1412	1.67	16	3.4	James Hardie	B	855	2.49	24	0.9	Smorgon Steel	B	143	0.42	14	5.9
Baycorp Advant.	B	330	N/A	NE	4.2	Jubilee Mines	B	729	3.96	12	6.2	Sonic Health	C	1463	2.91	52	1.6
Bendigo Bank	A	1162	1.72	18	3.4	Leighton Hold	B	1611	0.69	21	3.1	Soul Pattinson	B	970	1.81	5	2.6
Billabong Int'l	C	1338	3.24	22	2.8	Lend Lease Corp	B	1365	0.57	26	4.2	Spotless Group	B	470	0.37	18	5.1
Bluescope Steel	C	687	0.61	5	6.1	Lihir Gold	B	217	9.35	7	Nil	St George Bank	A	2795	2.52	16	4.9
Boral Limited	A	790	1.05														

# Recommended Investments

**Cavalier Corporation** reports "more difficult than expected" conditions in the retail carpet market, although commercial carpet sales "remained busy". Earnings for the four months to the end of October were down 36% compared with last year's record result. Consequently the first interim dividend was cut 33.3% to 3.0 cents (plus full imputation tax credits).

The second half of 2005 was "relatively soft", so the company expects to perform closer to that result during the second half of the current financial year. Overall the company expects the June 2006 profit to be 20-30% below last year's \$19.5 million (i.e. \$13.7-15.6 million or 21-24 cents per share).

Cavalier Corporation shares have dropped significantly over the last two years, *anticipating* this cyclical downturn. At 245 cents they trade at a historical Price/Earnings ratio of just 8 and a gross Dividend Yield of 16.4%. Even with a 20-30% drop in profits this year the P/E will be just 10-12 and the Yield 11½-13% - so the shares are *already* too under-valued. *Insider* buying supports that view with 8 buys (and no sells) over the last year.

Unfortunately, the share price has been very weak recently and we are always cautious about trying to pick the bottom of a decline. The Relative Strength rating is -13.7%, ranked 91  
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## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/Sales Ratio	Price/Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
	<u>NZ Shares</u>												
HOLD	CDL Investments Ltd	CDI	12/01/99	25	C	200.5	1.5	3.78	9	6.3	38	11.3	+97%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	D	65.5	0.6	0.77	8	16.4	245	173.0	+168%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	C	27.9	0.5	0.21	11	11.1	297	281.8	+286%
BUY	Lyttelton Port Company	LPC	12/12/00	150	C	102.3	0.7	2.74	15	9.2	178	54.3	+55%
ACCEPT	Metlifecare Ltd	MET	10/08/04	236	A	86.5	0.7	3.10	19	1.4	390	7.7	+69%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	46*	A	38.7	0.4	1.11	18	4.4	780	173.0	+1972%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	C	76.7	0.6	0.34	11	9.5	416	127.5	+55%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	C	38.2	0.8	0.41	22	8.5	129	29.9	+87%
HOLD+	Richina Pacific	RPL	03/11/95	94*	D	148.7	1.3	0.12	15	4.1	49	11.4	-36%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	0.9	2.28	16	8.3	117	81.5	+65%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	D	88.1	0.6	0.78	9	12.3	388	132.0	+256%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	0.7	0.65	12	11.1	175	50.0	+121%
	<u>Australian Shares (in Aust cents)</u>												
HOLD	AJ Lucas Group	AJL	13/05/03	120	C	51.6	0.9	0.65	NE	3.7	95	20.5	-4%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	D	87.8	1.6	3.77	NE	Nil	25	7.0	-56%
BUY	Austin Group Ltd	ATG	08/02/05	93	B	62.2	1.0	0.72	11	8.5	71	4.0	-19%
BUY	Campbell Brothers Ltd	CPB	12/10/99	406*	B	49.5	0.4	0.94	21	3.9	1065	192.6	+210%
BUY	Candle Australia	CND	08/04/03	86	A	45.9	0.7	0.50	16	4.6	252	23.5	+220%
HOLD+	Cellnet Group Ltd	CLT	12/02/02	152	B	51.0	1.0	0.09	8	7.0	100	31.5	-13%
HOLD+	Centennial Coal Ltd	CEY	16/01/01	70*	B	268.5	0.6	1.56	20	3.4	377	13.0	+457%
HOLD	Circadian Technologies	CIR	10/02/04	188	D	40.1	1.1	N/A	0	Nil	110	65.0	-7%
SELL	Citect Corporation Ltd	CTL	12/04/05	110	A	52.3	0.8	1.30	26	3.6	153	2.5	+41%
HOLD+	Commander Comm.	CDR	11/09/01	92	B	170.2	0.8	0.53	14	3.1	193	17.2	+128%
BUY	Computershare Ltd	CPU	12/08/03	189	B	594.9	0.7	3.54	39	1.7	665	21.5	+263%
BUY	Int'l AllSports	IAS	11/02/03	180	C	66.4	1.5	0.04	NE	Nil	35	2.5	-79%
BUY	Iluka Resources Ltd	ILU	12/10/04	471	B	232.9	0.5	2.24	21	2.7	816	22.0	+78%
BUY	Keycorp Ltd	KYC	10/08/04	123*	C	81.6	1.1	0.87	19	Nil	150	Nil	+22%
BUY	LongReach Group Ltd <sup>1</sup>	LRX	11/01/05	23½	C	174.5	2.7	0.44	71	Nil	9	Nil	-62%
BUY	Melbourne IT	MLB	10/02/04	53	B	52.8	0.7	1.30	21	3.7	148	10.5	+199%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03	84*	B	386.1	0.9	3.51	42	2.0	114	2.3	+38%
HOLD	Ross Human Directions	RHD	14/08/01	92	B	81.7	1.3	0.12	8	7.7	52	21.0	-21%
BUY	Skilled Engineering	SKE	12/03/02	126	A	100.5	0.6	0.39	24	5.0	320	57.5	+200%
HOLD	Sonnet Corporation	SNN	07/09/04	31½	C	137.3	2.6	0.36	5	15.5	10	3.0	-60%
HOLD+	Technology One Ltd	TNE	11/11/03	44	B	299.4	1.2	3.00	16	5.5	56	6.0	+41%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	A	25.1	0.7	0.51	15	4.1	411	17.0	+67%
HOLD-	Toll Holdings	TOL	08/09/98	60*	B	330.2	0.4	1.20	22	1.9	1414	90.5	+2408%
HOLD	UXC Limited	UXC	11/01/00	55*	B	161.4	1.0	0.61	13	6.0	91	29.5	+119%
BUY	Vison Systems Ltd	VSL	10/11/98	69*	A	179.4	0.8	1.71	46	2.6	162	32.5	+181%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +203.6%. This is equal to an average annual rate of +41.1%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 37 current and 130 closed out) is +32.4%, compared with a market gain of +8.5% (by the SRC Total Return Index).

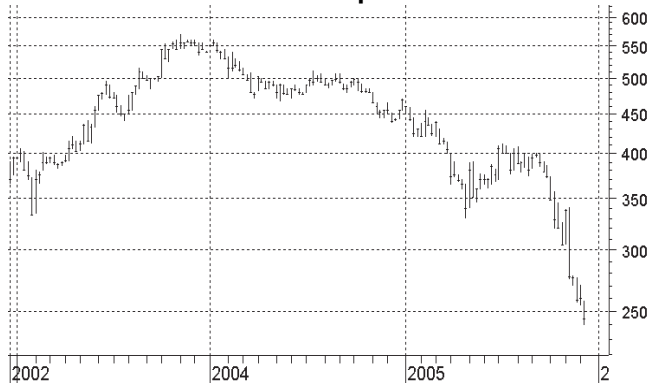
CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

\* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues. (1) LongReach notes (LRXGA) last traded at 9.2 cents

**Recommended Investments** (Continued from Page 3) (on a scale of 0-99). We prefer to buy shares in an *uptrend* - that is, with a *positive* strength rating, so in the current situation we rate the shares a "Hold+". When the current cyclical decline has ended, and the share price starts to recover, then we shall upgrade our recommendation on Cavalier Corporation shares.

We initially bought into the company *too early* in late 1995 and saw the shares lose 40% of their value over the next two years. Over the last two years we have again seen this share halve in value. Nevertheless, despite its cyclical nature - and our bad timing - Cavalier Corporation is a well managed company that has provided a sound return over the long term. "Hold+".

#### Cavalier Corporation



**Colonial Motor Company** reports its first three month profit is "comparable to the previous year". Revenues per branch are "slightly down" but there are additional revenues and a "positive contribution" to profits from *South Auckland Motors* (acquired in May). Heavy truck sales are ahead, but there is the loss of rental income following the sale of the CMC Building for \$11.6 million. The company is also cautious about the slowdown in activity and increased competition in the motor vehicle market.

The company, however, is continuing to invest in its business. It plans to redevelop and refurbish *South Auckland Motors* in Manukau City and upgrade the Dunedin dealership. *Southpac Trucks* requires new premises in Auckland to consolidate operations which have expanded over two sites and in Christchurch where the company plans to build new premises in Hornby. These property developments will be funded with the proceeds from the sale of the CMC Building.

**Nuplex Industries** has sold its *Environmental Services* businesses to Australian listed **Transpacific Industries Group** for \$56 million in cash. These operations contributed revenues of \$30 million and earnings (before interest and tax) of \$7.0 million last year.

The company has also invested \$44 million (plus a \$4 million incentive based on performance over the next 2½ years) to acquire **PML Holdings**. This business, trading as *Polychem Marketing* in NZ and *Multichem* in Australia, is the exclusive agent for many chemical and plastic raw material suppliers, with over 1000 product lines. Annual revenues are almost \$100 million, with earnings to December 2005 expected to be around \$7-8 million. Nuplex Industries sees "excellent opportunities for growth" from this business which is a good fit with its existing core businesses.

Nuplex Industries has steady growth potential and the shares trade on a low valuation (i.e. a Price/Sales ratio of 0.34, Price/Earnings ratio of 11 and Dividend Yield of 9.5%) so we continue to rate them a "Buy".

**Richina Pacific** suffered a *loss* of US\$234,000 (minus 0.16 US cents per share) in the third quarter to September 2005 on revenues of US\$133.9 million.

For the nine months the company has reported a profit of US\$4.2 million on revenues of US\$377.5 million. The company predicts the full year profit will exceed last year's US\$8.2 million.

*Mainzeal* continues to perform poorly in NZ, with continued losses on the *Scene Apartments* and *Auckland Arena* projects.

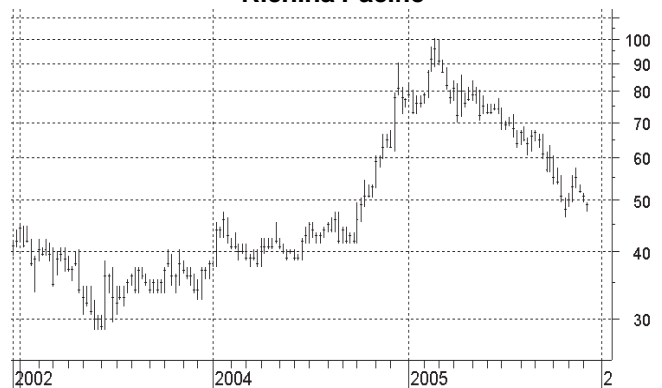
*Richina Industries* leather businesses have improved performance in upholstery leather tanning but will suffer a "sizeable loss" from old stock and provisions. Auto leather production volumes are increasing "at a fast pace", but garment and shoe operations are "below forecast expectations". Overall this division will also report a loss for 2005.

*Richina Services* reports "growing visitor numbers" at the *Blue Zoo* aquarium in Beijing, with "increasing operating profits and cashflow" contributing to a "significantly" improved performance.

*Richina Financial* - the holding company for acquired businesses and properties - was profitable in the third quarter and is expected to be even more profitable in the fourth quarter, generating "the bulk of the forecast annual profits".

Richina Pacific holds the potential for strong growth - but aspects of its business are volatile and that is reflected in its share price which has dropped 50% since February this year! The Relative Strength rating is -14.2%, ranked 91, so again we would look for an improvement in the share price trend before upgrading our recommendation from "Hold+".

#### Richina Pacific



**Taylor's Group** is still seeking to achieve synergy benefits and productivity improvements from its new 250 tonnes per week laundry in Pt Chevalier, Auckland, but is experiencing problems finding "suitably qualified and experienced production supervisory and management staff" owing to a tight labour market.

The company's 14-year contract with the *Auckland Regional Health Boards* expires in about two years, with the boards now seeking tenders for services beyond that date. Taylor's Group is preparing its tender, including "a number of elements to add value" to these operations.

For the current year, the directors are "hopeful of some modest improvement" on the 2005 profit of \$3.5 million (14.4 cents per share). That may not sound very exciting but the shares are attractive for investment owing to their very high operating cashflows (i.e. \$12.8 million last year) and low interest bearing debt (i.e. just \$3.3 million in June 2005).

### **Australian Shares**

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

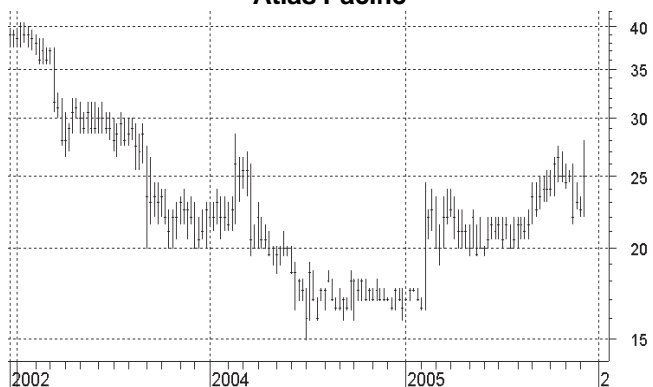
**A J Lucas Group** reports that after the first four months of the new financial year it is "on track to meet budget" which is for revenues to double to \$150 million and a return to profitability and paying dividends.

**Atlas Pacific** is predicting its profit to 31 December 2005 will be "not less than \$1.5 million" (1.7 cents per share) and has already declared a final fully franked dividend of 1.0 cent, payable 29 December.

This is in line with our estimate (see *Market Analysis* issue 400) after the company reported a first half profit of \$464,940. At that stage we estimated \$1.0-1.2 million for the second half, making \$1.46-1.66 million for the year "and a return to dividend payments".

The company is also predicting a 40% increase in revenues for 2006 and a "comparable increase in net profit".

**Atlas Pacific**



**Campbell Brothers** lifted revenues 15.0% to \$250.8 million for the six months to 30 September but profitability rose 57.2% to \$17,746,000 (42.6 cents per share). The interim dividend will be 16.7% higher at 21.0 cents. The net operating cash surplus fell 48% to \$8.1 million.

The **ALS Laboratory** division lifted revenues 20% to \$95.8 million, with earnings up 17% to \$23.9 million. **Campbell Chemicals** suffered a 7% drop in revenues to \$87.6 million with earnings down a similar 5% to \$4.7 million. **Reward Distribution** - aided by acquisitions - lifted revenues 36% to \$52.2 million and earnings 24% to \$2.7 million. **Campbell Brothers Services** reported revenues up 156% to \$16.4 million and earnings of \$0.5 million - up from a small loss the previous year.

**Campbell Brothers** is making a 1 for 5 renounceable cash issue at \$9.00 per share to raise \$75 million in new equity. This cash, plus potential borrowings, will give the company \$210 million for acquisitions and internal expansion. The company has "already identified potential acquisitions in Europe, North America, Australia and Asia". Furthermore "a number of these acquisitions are quite substantial" and will be funded from the cash issue and debt facilities.

The **ALS Laboratory** division is already the world's largest mineral samples tester for mining companies with 47 laboratories in 21 countries. The company is now seeking to expand into new markets through acquisitions that will bring new skills to the group. For example, it is "very interested in acquiring a lab that was very good in industrial hygiene services" and then expanding that expertise throughout its existing global network. Such an acquisition would have a significant impact on future revenue and earnings growth as the group expanded into a new market segment.

The division also sees the potential for acquisitions in environmental services. This market is worth around \$5 billion annually and many laboratories are privately owned. Laboratories require a significant capital investment and economies of scale. So the economics of the business favours a large group like **Campbell Brothers** acquiring these laboratories and realising efficiencies through better utilisation of the capital investment and through technology sharing.

Therefore we believe that expansion in the **ALS Laboratory** division could significantly increase profits and boost shareholder wealth, so recommend that investors take up their entitlement to this cash issue - if you have the cash and are not already too over-weighted in **Campbell Brothers** shares. Investors can also apply for additional shares - but as this issue is renounceable (i.e. investors can sell the valuable rights on-market) there is unlikely to be a significant shortfall of applications. You may, however, be able to get an extra 5-10% if there is a shortfall.

**Campbell Brothers**



**Candle Australia** is predicting that its six month profit to December 2005 will be around \$4.8 million - up over 45% on last year! That would increase earnings per share 33% to 10.5 cents. The company reports "the white collar recruitment sector continues to experience good demand, particularly in the information and communications technology area" and that the company is "well positioned for earnings and dividend growth".

**Candle Australia** shares trade on a Price/Sales ratio of 0.50, a Price/Earnings ratio of 16 and a Dividend Yield of 4.6%, which is a reasonable valuation. Earnings per share and dividends keep growing at 30% per annum and this growth will continue to drive the share price higher. The shares are in a long term uptrend, with a Relative Strength rating of +8.0%, ranked 25. There have been three insider buys (and no sells) on-market over the last year. So the shares still rate as an attractive "Buy" while investors (Continued on Page 6)

**Recommended Investments** (Continued from Page 5) who bought 2-2¾ years ago at much lower prices should let their profits run whilst collecting a high dividend return.

Candle Australia



**Cellnet Group** reports progress at restructuring its business - although profitability will be hurt in the short term by these restructuring costs, stock write-downs and discounting of old stock. The company has reduced its staff levels by 75 since June and lowered by 5000 units the number of items held in stock, reducing its investment in inventory by \$7.8 million. Vendor relationships are being reviewed, with agreements being terminated with seven manufacturers to allow Cellnet Group to "focus on those products and companies that are growing well and from whom we receive strong support". The company also reports "improving cash flows and working capital ratios" and increasing stock turnover.

Stock reduction has emptied two warehouses. One was owned and is now on the market, while the company is negotiating to terminate the lease on the second property.

Expansion of its e-commerce, web based ordering system, offers the "most significant opportunity to reduce costs and improve customer experience" and Cellnet Group is seeking to "dramatically grow the number of orders transacted" online. Additional investment is also being made in call management software to better process the growth in call volumes.

Concentrating on a smaller range of higher margin products is a strategy that released working capital and improved profitability for **Renaissance Corporation** in NZ so could be equally successful for Cellnet Group. There will, however, be depressed profitability this year. The benefits of the current changes are expected to show up in the June 2007 financial year.

**Centennial Coal** has closed its takeover for **Austral Coal**, with ownership at 85.79% of that company. The *Tahmoor* mine is "operating consistently", production should reach 2.7 million tonnes next year and - now that the mine has completed delayed deliveries at old contract prices - it is now able to earn full price for its coal. The Takeover Panel has ordered that **Glencore** pay about 5 cents per share to Austral Coal shareholders who sold on-market from 22 March to 4 April.

Centennial Coal is predicting its first half profit will be "substantially lower" than last year - mainly owing to the recent geological problems at its *Newstan* mine and the loss of almost one million tonnes of production - but

the full year result to June 2006 "will be significantly above" the 2005 result. Problems at *Newstan* have now been resolved and the new \$10 million conveyor will boost annual production to 3.5-4.5 million tonnes, compared with 2.5-3.0 million tonnes in the past.

Centennial Coal has completed a private debt placement in the United States, raising US\$205 million (with 20% issued in Australian dollars). The average interest rate is just 5.9% with maturities in 7-15 years. This, plus the A\$129 million of new equity financing raised in September, puts the company in a strong financial position and with funding for the development of its large *Anvil Hill* open cut mine.

"Hold+" for further medium to long term growth.

**Commander Communications** has made an institutional placement of 5,050,000 shares at 185 cents to raise \$9.3 million. The company expects to complete the purchase of a **Nortel** product and service business for around \$9 million on 15 December.

Commander Communications expects to earn just 25% of its annual profits in its first half year to December 2005. This is owing to start-up losses with *iBurst* (\$1.5 million), product management expenses (\$3 million) plus the benefits of other expansions not coming through until the second half.

**Computershare** has sold its *Markets Technology* business in Nordic markets to **OMX AB** for SEK 250 million (\$42 million), payable over five years and realising a non-recurring gain of about \$10 million on this no longer "strategically significant" business. This business is being sold on a high Price/Sales Ratio of about 2.50 but relatively low Price/Earnings ratio of 8-11.

Computershare benefits from increased turnover on stockmarkets and merger/takeover activity which generates transactions on which it earns fees from its share registry business. The company, for example, manages the share registry for **Cisco Systems** which is currently offering US\$9.4 billion to acquire **Scientific-Atlanta**. That generates a huge volume of transactions - mailing takeover documentation and processing acceptances - which adds millions of dollars of additional revenue for Computershare.

**International All Sports** shares were "cautiously" upgraded to a "Buy" in last month's *Market Analysis* but we did write "we would also like to see an improvement in the business (i.e. profits)". The recent AGM provides some evidence of that improvement with the Chairman stating "the company has returned to profitability" during the first four months of the new financial year and the slightly contradictory report that "the foundations are now in place for a return to profitability".

He also reported that since acquiring a 76% interest in Norfolk Island based **AUSTOTE Pty** in August, that company's revenues have doubled and margins have increased.

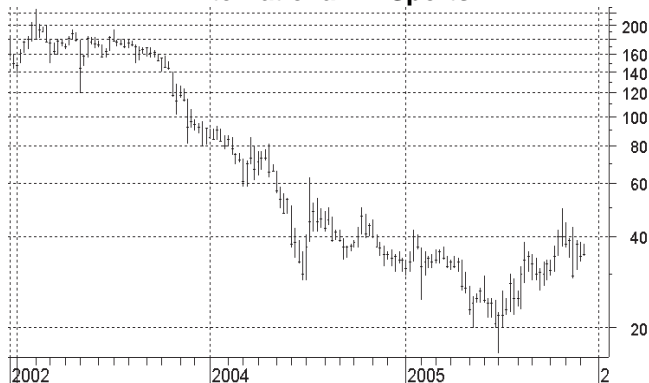
We initially bought into International All Sports in early 2003 at 180 cents - but the business suffered a downturn and the shares lost 90% of that value at the low of 17½ cents in July of this year. This is a volatile company. If successful it could grow to be worth hundreds of millions of dollars, but if unsuccessful is worthless.

Volatility, however, can work in favour of an investor

with a diversified portfolio. Firstly, your maximum loss is limited to 100%, while there is no limit on the return from a successful investment! So if you invest in two volatile situations and one does badly and one does well then you should come out far ahead. Secondly, an investor who bought \$1000 worth of International All Sports at 180 cents would have acquired 555 shares. Investing another \$1000 now (at 35-36 cents) will buy 2775-2850 shares. So the *average* cost of those 3330-3405 shares would be only 59-60 cents. If the shares get back to 180 cents that investor's position will have *tripled* in value. So volatility will have created a significant gain on a share that will show just a break-even in our *Recommended Portfolio*.

Please note that we are not advocating "averaging down" on unsuccessful investments. Some never recover, or recover at a below average rate, so an investor can be throwing more good money into a bad situation. When, however, a company suffers a set back, but survives and starts to recover *and is still attractive for new investment* then adding to a depressed position can be a very successful strategy. "Buy" for recovery.

#### International All Sports



**Iluka Resources** reports that the mineral separation plant at its *Douglas Project* is now expected to be completed in June 2006. The contract with **Roche Mining** was for completion in October 2005, but later slipped to March 2006. Hopefully there are significant penalties for late delivery!

Meanwhile the contract miner, **Abigroup**, has stockpiled 600,000 tonnes of heavy mineral bearing ore. The mining unit plant is currently being commissioned and will begin processing this ore to a high grade concentrate by the end of this month. This will then be stockpiled awaiting the completion of the separation plant - after which this project will begin to generate additional revenues and profits for the group.

A joint venture between Iluka Resources and Adelaide Resources has identified a very high grade Zircon deposit 90km to the southwest of Iluka Resources' similar *Jacinth and Ambrosia* deposits. Iluka Resources will earn a 51% interest in this *Tripitaka Prospect* having completed 2500 metres of drilling and by spending an additional \$1 million over the next five years. The deposit is 800 metres wide and 15 metres deep and begins just 6-20 metres below the surface. The heavy minerals content is 1-3%, with an average 63% of high value Zircon, and there is little clay, which makes processing easy.

These three high grade deposits follow the 40 million

year old shoreline of the Great Australian Bight which ran 200km north of the current coastline. The ocean current ran west to east, so the heavy minerals accumulated in J-shaped *westward* facing bays.

Other drill samples - still being processed by Iluka Resources - suggest that the Tripitaka mineralisation extends at least 1km north into a tenement 100% owned by Iluka and 1 km south into the joint venture area. Follow-up drilling is planned for early next year.

Iluka Resources has also announced plans for the staged closure of its Florida/Georgia operations, but will continue US operations in Virginia which are profitable. The Florida/Georgia operations will produce an operating *loss* (before interest and tax) this year of A\$23 million. Closure will result in about A\$60 million (non-cash) write-downs in asset values and about A\$20 million in closure costs. Land sales will realise A\$13-20 million over the next two years and avoid additional capital investment in these marginal operations as the company has better prospects for development.

Despite the delays with its new Australian processing plant and closure losses on its US businesses, Iluka Resources is extremely well placed to further expand its large global market share in the mineral sands business - especially high value Zircon - from its high quality South Australian deposits over the medium to long term. So this is a company with strong growth potential over many years. Still a "Buy" for capital growth.

#### Iluka Resources



**Keycorp's** investment in the consortium which is buying the intellectual property of *MULTOS* was US\$2.4 million.

Keycorp has received an order from the **Commonwealth Bank of Australia** for 10,000 new generation *K71XEFTPOS* terminals.

**LongReach Group's** 10% convertible notes will make an interest payment for the three months to the end of December (i.e. about 0.25 cents per note). The notes will trade ex-interest from 22 December, with the payment made on 9 January.

The LongReach convertible notes are more attractive than the ordinary shares *if they can be bought for no more than about 2 cents more* than the ordinary shares. At present they are a little expensive *relative to the ordinary shares*, trading around 3 cents higher.

**Melbourne IT** is predicting its revenue for the year to December 2005 will be at least 17% higher at \$70 million with earnings (before interest and tax) up 24-33% to \$5.6-6.0 million. The annual dividend rate should increase by a

(Continued on Page 8)

**Recommended Investments** (Continued from Page 7) similar percentage.

The company has also formed an alliance with **Computer Patent Annuities LP** to provide corporations and attorneys with domain name and online brand management.

At 148 cents the shares are on an historical P/E of 21 and Yield of 3.7%. 24-33% growth this year (i.e. to December 2005) would improve this to a P/E of 16-17 and a Yield of 4½-5%. So the shares still offer good value and this business should continue to experience above average growth over many more years. Therefore we are upgrading our recommendation from a "Hold+" to "Buy".



**M.Y.O.B.** is entering the Chinese market through what is called a "joint venture" although it will be 95% owned by MYOB, with an option to acquire the remaining 5%. The company will invest \$2 million (i.e. \$1 million now and up to another \$1 million based upon performance over the next two years) to acquire 95% of Chengdu based **Zhi Guan Technology**, which provides software to small and medium sized businesses. The business currently has 120 staff. MYOB will spend another \$15 million over the next three years to build brands and marketing channels. As a result a *loss* of around \$4 million is expected in 2006, with profitability expected in 2009 when revenues have reached \$10 million.

The company has been looking at the Chinese market "for some time" and is already experienced with bilingual English/Chinese MYOB software products in Hong Kong. There are around three million small to medium sized enterprises in China, with this number growing by 50% annually, plus an estimated 23 million self-employed people. The packaged software market was worth an estimated \$87 million in 2004 and growing by around 25% per year.

Meanwhile MYOB is disposing of its US sales and marketing operations, which have "diverged strategically from the rest of the group", through a management buy-out. The business will become an exclusive distributor of MYOB products. This operation generated revenues of A\$5.6 million for the year to December 2005 and a small loss.

MYOB will invest heavily in product development over the next few years as it expands in China, improves its *Customer Management Platform* and expands in the "mid-market" sector in its current geographic markets. Product development expenditure is forecast to rise

from \$18 million in the year to December 2004 to \$30 million this year (i.e. to December 2005) and \$34 million in 2006.

"Mid-market" developments - marketed by MYOB but provided by 75% owned **Exonet** and 35% owned **NetSuite** - will generate value from larger customers who would otherwise migrate to other software and give it access to a potential 90,000 mid-market businesses in Australia and NZ. While each SME generates under \$100 of revenues per year for MYOB, companies in this sector can be expected to spend over \$1500 annually.

MYOB expects to be able to "maintain double digit growth" in revenues over the medium to longer term plus "margin expansion" which would produce a higher growth rate in profits.

As reported last month, **Ross Human Directions** performed poorly in the first quarter leading the company to predict its first half profit would decline about 45% to \$1.5-1.6 million (1.8-2.0 cents per share). This was a result of hiring freezes by "a number of major clients" and a "slow start" for the non-recruitment businesses. The company reports that "both of these factors are now improving". The company intends to maintain the interim 2.0 cents dividend and expects the full June 2006 year result to exceed 2005.

**Sonnet Corporation** is experiencing a number of problems and will not pay a dividend this financial year. The company expects to report a *loss* (before interest, tax and depreciation) of \$0.1-0.6 million for the six months to December 2005. The second half should see a recovery with earnings of \$1.4-1.5 million - taking annual earnings to \$0.8-1.4 million for the year.

For the year to June 2007 the company predicts revenues of \$36-42 million and earnings of \$2.7-3.5 million. After interest and tax that could give earnings per share of about 1.0-1.5 cents.

The IT services business is seeking to generate greater annuity income from project revenues but this will require "another two years of client acquisition". The division is suffering from at least two major clients suspending IT projects, but expects to begin other major projects in February 2006. A return to profitability is expected in the June 2006 quarter.

The new Virtel Group is also performing poorly with "significant non-cash write downs" in the value of goodwill and intangible assets expected this year. While the business has "strong gross margins and comparatively low operating costs" it is suffering from high fixed costs. Cashflow is tight owing to the need to buy handsets which are bundled with two year contracts. The company is therefore seeking to "substantially extend" repayment terms on its \$8.4 million of debt owing to **Vodafone**. Sonnet Corporation has no liability on this debt, which is a non-recourse loan to **Reward Mobile Pty**, a subsidiary of Virtel Group.

On a positive note, Virtel has completed a *Vodafone Pre-Paid Mobile* solution for **Dodo Australia Pty** which will enable that ISP/fixed line telephone company to offer mobile telephone services to its 270,000 customers. Dodo plans "an aggressive marketing campaign early in 2006". This will only make a "marginal



contribution" to Virtel in the current financial year but revenues and margins will grow in future years based on the volume of minutes utilised by Dodo customers.

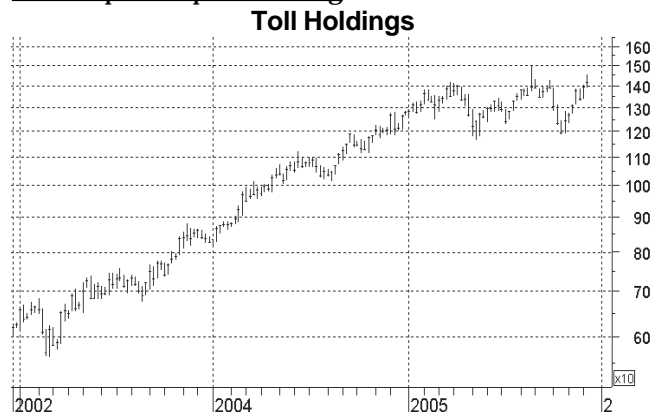
The performance of this company has deteriorated significantly over the last six months, but the share price has also been marked down severely, reflecting that situation. At current prices we rate the shares a "Hold" and will monitor the performance of the company over the next six months.

**Patrick Corporation's** dispute with **Toll Holdings** over their joint venture, **Pacific National**, has been to arbitration with the independent arbitrator supporting Toll Holdings and ordering Patrick Corporation to pay costs.

We still see the potential for further above average growth in Toll Holdings but this is a mature investment in our portfolio. The shares have increased 23½-fold in value and our initial investment has been re-paid 1½ times by regular dividend payments over the last eight years. We did formally recommend selling 20-25% of these shares in November 2001 at 726 cents (adjusted for the 4:1 split) and subscribers have probably taken further partial profits at other times to help fund new investments.

Toll Holdings shares have risen so strongly over the years - making all of us a lot richer - that even with some profit-taking in the past a lot of subscribers are probably

still very over-weighted in these shares. We are not suggesting selling out completely but, depending upon an investor's individual portfolio, the recent rise in the share price may make it an appropriate time to consider further partial profit taking.



**UXC** reports it is "comfortably ahead of last year and ahead of budget" for the first four months of the current financial year. The company is continuing to expand through acquisition with exclusive negotiations currently taking place to acquire two small businesses and one "substantial business" for a total of about \$20 million, and internally with \$22 million of tenders for new work for utility companies.

## *Sell Citect Corporation*

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

### **Sell Citect Corporation (code CTL).**

Citect Corporation is mailing shareholders a 216 page *Scheme Book* for its negotiated takeover by the French company **Schneider Electric**. Please be sure to read this document carefully when it comes crashing through your letterbox... or at least note the following important details:

Firstly, the shareholders' meeting will be held on 12 January.

Secondly, as this is a *scheme of arrangement* it becomes binding on all shareholders if (1) 50% of shareholders at the meeting and (2) just 75% of the votes cast at the meeting are in favour. Note that this is significantly easier than a regular takeover that requires that shareholders with 90% of *all* shares actually accept before it becomes compulsory on the remaining shareholders. By agreeing to a *scheme of arrangement* Citect Corporation's directors are making it very easy for Schneider Electric to gain full control of the company.

Thirdly, the Citect Corporation directors have negotiated a healthy 42% premium over market value for shareholders in this takeover. In most cases, even a hostile takeover *opposed* by the target company directors would still be successful at a 40% premium.

Fourthly, payment - 150 cents cash for the shares plus a 5.0 cents fully franked dividend - will be made around the second week of February.

Fifth, the "independent" report values Citect Corporation at \$75-95 million or 139-176 cents per share. The 155 cents - mid-way in that range - is therefore considered to be "fair".

### **Summary and Recommendation**

While we would have liked to hold Citect Corporation as a long term investment as the shares offered a high current income and good long term growth potential, it is virtually certain that the company will soon be taken over. At least we shall realise a 41% gain over just eight months! Our choice is therefore (1) to sell on-market for about 153 cents or (2) to wait for the scheme payout of 150 cents capital and a 5 cents dividend. The second option would also allow us to benefit if a second bidder appeared over the next month, but it is two months since the bid was announced so that is unlikely at this late stage.

Assuming there is no second bidder, then selling on-market is slightly better for NZ resident investors who will receive 153 cents of tax-free capital *now* rather than 150 cents of capital in

*(Continued on Page 10)*

**SELL Citect Corporation** (Continued from Page 9)

February and a 5 cents taxable dividend (i.e. worth only 3 cents after tax). For Australian resident investors the 150 cents capital (i.e. a slightly lower taxable capital gain) and 5 cents fully franked (i.e. tax-paid) is slightly better, although not payable for another two months.

In this situation, we favour NZ investors simply selling the shares on-market for 153 cents now which provides cash available for re-investment elsewhere early in 2006. Australian investors can either sell on-market (i.e. to get the money more quickly) or wait for the scheme pay-out (i.e. for slight tax advantages).

**Citect Corporation**

## Accept the Takeover Offer for MetLifeCare

**Accept the \$3.90 cash takeover offer for MetLifeCare.** Over the last month we sent out an email to subscribers repeating our earlier advice not to accept the MetLifeCare takeover . . . but in preparing this month's issue of *Market Analysis* we have reassessed the situation and we now recommend accepting this takeover which has been extended until 17 December.

We believe that we could still *maximise our profits on MetLifeCare* by remaining as investors in the company. MetLifeCare is a sound company with good growth prospects. Obviously the bidder sees the potential to add value to this company. There are, as always, some risks in remaining a shareholder: Firstly, there will be limited marketability as there will be few shares not held by the major shareholders. That *could* see the share price fall if some investors need to sell and there are no buyers in the market. On the other hand, if the company does well then a "tight script" situation may develop and the share price could rise strongly! Secondly, we could be forced out for just a *small* additional gain without realising the full value that the bidders will be seeking to extract from MetLifeCare. If the bidder can negotiate to buyout the largest institutional investor (i.e. with a special dividend and another 390 cents bid, or a slightly higher bid after a year) then it can force out the remaining minority shareholders. So we *may* be limited to just a 5-15% additional gain over the next year.

Our main reason, however, for deciding to accept the takeover is that recent falls on the NZ stockmarket are creating some under-valued situations which could prove to be better *future* investments than continuing to hold MetLifeCare shares. So to *maximise our overall investment profits* we recommend accepting the takeover cash which will then allow us to pick up some new bargains over the coming months.

A large number of industrial, cyclical and retail NZ company shares have declined sharply in value over recent months, both in *response* to higher interest rates and in *anticipation* of the eventual slowdown in the residential property market and consumer spending.

Given the improving value emerging in these shares, the cash offered for our MetLifeCare is looking more attractive to enable us to pick up these new bargains.

**Summary and Recommendation**

We seek to invest long term, buying under-valued or reasonably priced shares in well managed companies with good growth potential - and then sitting back and watching the investment gains accrue. So we are never in a hurry to sell out of an investment. Continuing to remain a shareholder in MetLifeCare therefore is attractive, although with some risks, and would normally be our recommended action.

In the current situation, however, it is difficult to ignore the impact of the Reserve Bank and government policies. Actions directed at depressing the residential property market and consumer spending boom are having a greater impact on the corporate sector (i.e. by depressing profitability owing to high interest rates and the high exchange rate) and on the more volatile stockmarket. While we believe such periodic excessive tightening of monetary conditions, and the resulting boom/bust cycle, damages the long term development and growth of the NZ economy, it does create regular opportunities to pick up depressed shares in depressed companies in depressed sectors.

We want to have plenty of cash on hand to take advantage of these under-valued situations - so we recommend accepting the MetLifeCare takeover to boost our cash holding.

**MetLifeCare**

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

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

Company	Share Price	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank	0.99									
<b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0														
Guinness Peat	201	+2.3	-0.4	28	0.0	-	0.3	4	0.7	8	2.6	0.16	1,939	
Speirs Group	106	+1.6	-4.2	32	0.0	-	0.9	10	1.0	10	11.3	0.20	9	
Mainfreight Grp	330	+12.4	-4.9	6	6.5	5	3.6	15	0.5	23	2.9	0.37	316	
Renaissance	129	+7.2	-2.3	9	0.0	-	5.0	23	0.8	22	8.5	0.41	49	
Ebos Group Ltd	430	+1.2	-2.8	36	0.1	2	2.4	18	0.5	13	7.5	0.42	119	
Broadway Ind	95	+5.0	-0.0	15	0.0	-	1.0	5	0.8	20	5.2	0.45	19	
Warehouse Group	346	+2.8	-1.5	23	1.3	5	3.0	11	0.6	27	6.3	0.48	1,057	
Kirkcaldie & St	250	+0.6	-1.9	40	0.1	1	1.1	5	0.6	21	4.8	0.57	25	
Fletcher Build.	691	+6.5	-3.1	12	4.5	4	2.2	23	0.4	10	6.9	0.69	3,207	
Provenco Group	79	+0.7	-5.8	39	0.0	-	2.6	27	1.1	9	5.7	0.69	80	
PGG Wrightsons	215	+13.3	-3.0	5	5.3	-	1.9	13	0.6	14	6.2	0.78	430	
Briscoe Group	126	+2.3	-2.0	27	1.1	4	2.8	19	1.0	14	8.3	0.83	267	
Carter Holt	250	+6.7	-3.2	11	1.4	3	0.8	11	0.7	8	1.6	0.91	3,272	

<b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0													
PGG Wrightsons	215	+13.3	-3.0	5	5.3	-	1.9	13	0.5	14	6.2	0.78	430
Carter Holt	250	+6.7	-3.2	11	1.4	3	0.8	11	0.6	8	1.6	0.91	3,272
Fletcher Build.	691	+6.5	-3.1	12	4.5	4	2.2	23	0.3	10	6.9	0.69	3,207
Broadway Ind	95	+5.0	-0.0	15	0.0	-	1.0	5	0.5	20	5.2	0.45	19
Briscoe Group	126	+2.3	-2.0	27	1.1	4	2.8	19	0.8	14	8.3	0.83	267
Guinness Peat	201	+2.3	-0.4	28	0.0	-	0.3	4	0.6	8	2.6	0.16	1,939
Speirs Group	106	+1.6	-4.2	32	0.0	-	0.9	10	0.8	10	11.3	0.20	9
Ebos Group Ltd	430	+1.2	-2.8	36	0.1	2	2.4	18	0.4	13	7.5	0.42	119
Provenco Group	79	+0.7	-5.8	39	0.0	-	2.6	27	0.9	9	5.7	0.69	80

<b>INCOME SHARES:</b> Highest Yields, Capitalisation > NZ\$100 million													
Cavalier Corp	245	-13.7	-6.2	90	8.0	3	2.6	31	0.4	8	16.4	0.77	160
Hellaby Hold.	450	-8.4	-4.1	80	1.0	3	2.2	21	0.3	11	12.9	0.57	221
Steel & Tube	388	-4.2	-4.2	66	2.2	4	2.5	27	0.4	9	12.3	0.78	342
Restaurant Brds	127	-6.5	-3.2	75	0.0	4	2.4	21	0.7	11	11.8	0.39	123
Tourism Hold.	146	-6.0	-6.0	74	4.2	4	0.9	6	0.6	14	11.2	0.80	143
Gullivers Trv.	130	-2.0	-1.1	54	0.0	-	0.8	7	0.7	11	11.2	0.31	130
Telecom Corp	560	-2.4	-0.9	58	3.26	6	4.5	38	0.4	12	10.3	1.90	10,962
Hallenstein G.	440	+9.9	-1.5	6	1.0	2	4.5	33	0.3	13	10.2	1.40	260
Nuplex Indust	416	-4.7	-0.8	69	2.0	4	1.3	12	0.5	11	9.5	0.34	319
Lytellton Port	178	+1.3	-2.7	35	0.0	3	1.3	9	0.5	15	9.2	2.74	182

<b>INSIDER BUYING:</b> Most Insider Buying, Relative Strength > 0													
Michael Hill	780	+1.1	+0.7	37	12.1	2	4.6	25	0.3	18	4.4	1.11	302
Comvita	220	+2.1	-1.1	28	8.3	-	1.8	8	0.4	22	1.4	1.03	28
Pacific Retail	200	+1.9	-0.4	29	3.0	1	1.1	-	0.7	NE	Nil	0.13	125
MG Property Trt	117	+1.5	-0.8	34	3.0	5	1.1	5	0.4	23	9.7	N/A	400
Kiwi Property	126	+4.5	+2.3	17	2.0	5	1.0	6	0.4	17	6.9	9.84	888
Botry-Zen Ltd	6	+3.1	-4.6	23	2.0	-	9.2	-	1.7	NE	Nil	N/A	19
PGG Wrightsons	215	+13.3	-3.0	5	5.3	-	1.9	13	0.4	14	6.2	0.78	430
Wakefield Hlth	600	+22.0	-5.3	2	1.0	-	2.5	10	0.2	25	3.2	1.77	77
Hallenstein G.	440	+9.9	-1.5	6	1.0	2	4.5	33	0.3	13	10.2	1.40	260
Summit Gold Ltd	71	+26.8	-17.7	1	1.0	-	11.0	-	0.8	NE	Nil	N/A	133

Company	Share Price	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank	0.99									
<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0														
Salvus Strat.	81	-1.1	-2.7	49	0.0	-	0.8	4	0.6	18	3.7	9.69	16	
Akd Int Airport	183	-4.2	-2.4	65	0.4	6	4.9	23	0.4	21	6.7	7.92	2,238	
Forty Two Below	54	-2.9	-4.5	61	0.3	-	5.6	-	0.7	NE	Nil	5.57	70	
NZ Exchange Ltd	682	-7.4	+0.7	79	0.0	1	2.9	12	0.4	24	Nil	4.78	87	
Port Tauranga	425	-6.8	+0.0	77	4.1	5	1.3	8	0.3	17	7.0	3.91	569	
Sealegs Corp	18	-10.9	-1.4	88	2.2	-	6.9	-	2.0	NE	Nil	3.43	11	
Contact Energy	627	-2.9	-3.1	61	0.0	4	1.2	5	0.2	25	6.0	2.83	3,615	
Waste Mgmt NZ	597	-2.1	-0.4	56	2.9	5	3.1	14	0.3	23	6.7	2.77	594	
Sky City Ltd	450	-1.5	-1.2	52	0.5	7	9.9	55	0.3	18	8.0	2.75	1,879	
Connexion	44	-6.5	+5.3	76	0.0	-	14.6	23	0.8	65	Nil	2.59	8	
Finmedia Ltd	114	-4.1	+0.8	64	0.0	-	1.0	32	0.3	3	Nil	2.54	14	
Kingfish Ltd	92	-1.2	+0.4	51	0.0	-	0.7	22	0.6	3	3.2	2.41	54	
Vector Ltd	266	-2.7	-3.8	58	2.0	-	1.8	4	0.7	49	Nil	2.29	2,566	
South Port NZ	117	-0.7	-2.0	47	0.0	-	1.3	8	0.5	16	8.3	2.28	31	
TeamTalk Ltd	211	-3.2	-1.5	63	0.4	1	2.0	14	0.5	14	12.7	2.11	42	
Blue Chip Fin.	85	-5.5	+1.7	71	0.0	-	4.8	52	0.9	9	Nil	2.07	45	

<b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Charlie's Group	15	-58.3	+0.0	98	0.0	-	20.3	-	1.0	NE	Nil	1.61	45
Life Pharmacy	89	-19.8	+0.5	95	0.2	-	17.8	-	0.7	NE	2.0	N/A	479
VTL Group Ltd	60	-15.7	+3.8	93	0.1	-	1.0	11	0.9	9	5.5	0.63	18
New Image Group	6	-15.3	+3.0	93	0.0	-	1.4	-	2.1	NE	Nil	1.75	12
Mr Chips Hold	70	-13.0	-0.3	90	0.0	-	1.3	11	0.6	12	8.5	0.48	17
Scott Tech. Ltd	191	-11.3	-2.7	88	1.0	1	3.2	2	0.4	152	3.1	1.18	48
Sealegs Corp	18	-10.9	-1.4	88	2.2	-	6.9	-	1.9	NE	Nil	3.43	11
POD Ltd	68	-10.7	-8.2	87	1.0	1	1.1	17	0.6	6	6.6	0.26	22
Zintel Comm.	72	-10.4	+0.5	86	0.1	-	5.4	51	0.5	11	7.2	1.02	36
Air New Zealand	118	-9.4	+2.2	84	9.3	5	0.8	12	0.6	7	6.3	0.32	1,180
Software of Exc	93	-9.2	-4.0	84	0.1	1	4.7	5	0.9	103	Nil	1.01	21
Finzsoft Solns	69	-8.9	+1.4	83	0.0	-	1.7	5	0.5	33	Nil	0.81	6
Eastern Hi-Fi	72	-8.9	-1.0	82	0.0	-	0.9	9	0.6	10	Nil	0.52	7
Hirequip NZ Ltd	80	-8.9	-2.7	82	0.0	4	1.1	11	0.4	10	7.0	0.92	94
Widespread Port	2	-8.5	-0.2	81	0.0	-	0.7	-	2.5	NE	Nil	N/A	5
NZ Exchange Ltd	682	-7.4	+0.7	79	0.0	1	2.9	12	0.4	24	Nil	4.78	87
Wool Service	46	-6.9	-3.2	78	1.0	-	1.2	4	0.7	33	3.2	2.72	32
Port Tauranga	425	-6.8	+0.0	77	4.1	5	1.3	8	0.3	17	7.0	3.91	569
Jasons Media	42	-6.7	-2.6	76	0.1	-	-	-	0.9	NE	Nil	N/A	7
Connexion	44	-6.5	+5.3	76	0.0	-	14.6	23	0.7	65	Nil	2.59	8

<b>INSIDER SELLING:</b> Most Insider Selling, Relative Strength < 0													
Telecom Corp	560	-2.4	-0.9	58	3.26	6	4.5	38	0.3	12	10.3	1.90	10,962
Waste Mgmt NZ	597	-2.1	-0.4	56	2.9	5	3.1	14	0.3	23	6.7	2.77	594
Sky City Ltd	450	-1.5	-1.2	52	0.5	7	9.9	55	0.3	18	8.0	2.75	1,879
Akd Int Airport	183	-4.2	-2.4	65	0.4	6	4.9	23	0.4	21	6.7	7.92	2,238
TeamTalk Ltd	211	-3.2	-1.5	63	0.4	1	2.0	14	0.5	14	12.7	2.11	42
Forty Two Below	54	-2.9	-4.5	61	0.3	-	5.6	-	0.6	NE	Nil	5.57	70
Mooring Systems	360	-4.5	-1.1	68	0.3	-	8.4	-	0.3	NE	Nil	N/A	46
NZ Experience	27	-3.1	-4.6	63	0.2	-	2.1	17	0.8	13	11.1	1.21	10
Sanford Limited	395	-2.4	-1.7	57	0.2	2	0.7	6	0.3	12	8.3	1.01	370
Life Pharmacy	89	-19.8	+0.5										

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

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Company	STRENGTH RATING				Insider Buy/Sell	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank								
<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0												
QRSciences Hold	10	-10.1	+3.1	83	1.0	- 4.9	- 1.1	NE	Nil	9.51	21	
DenX Ltd	9	-9.6	-3.9	82	5.0	- 0.1	- 1.2	NE	Nil	9.29	15	
Optima Corp Ltd	10	-8.6	-0.5	80	2.0	- 5.0	- 1.6	NE	Nil	9.26	8	
Prana Biotech.	19	-13.0	+4.7	87	0.0	- 1.3	- 1.0	NE	Nil	9.18	24	
Sun Capital Grp	5	-6.6	-0.3	75	2.0	- 5.4	- 1.9	NE	Nil	9.15	7	
Select Vaccines	14	-24.3	-0.9	97	2.0	- 4.7	- 1.1	NE	Nil	9.10	5	
Dwyka Diamonds	65	-6.2	+0.5	75	0.0	-	- 0.8	NE	Nil	9.03	52	
Cygenics Ltd	37	-10.2	-1.3	83	5.0	- 2.1	- 0.8	NE	Nil	8.79	19	
Hunter Hall Int	695	-0.6	+2.6	56	0.2	-11.4	60 0.5	19	5.2	8.68	167	
Innaminka Pet.	44	-11.1	-3.2	85	0.0	-	- 0.8	NE	Nil	8.56	5	
Unwired Group	45	-0.5	-5.3	55	2.0	2 2.3	- 1.2	NE	Nil	8.54	113	
Eastn Star Gas	13	-11.2	-0.0	85	0.0	-	- 1.1	NE	Nil	7.96	32	
Mariner Retire.	25	-11.7	+6.1	85	0.0	- 5.0	- 1.0	NE	Nil	7.81	33	
CMC Power Syst.	2	-0.6	+0.2	56	0.0	-	- 2.9	NE	Nil	7.73	5	
Electro Optic	354	-7.0	-0.1	77	0.0	-	- 0.6	NE	Nil	7.72	123	
Cleland (P) Ent	36	-0.1	+0.1	53	0.0	- 0.7	0 0.9	200	Nil	7.55	6	
Metals Exp.	90	-3.9	+0.3	68	2.0	-	- 0.8	14	Nil	7.53	48	
API Fund	200	-0.1	-0.8	54	0.0	-	- 0.7	32	8.0	7.38	12	
Tasmanian Perp	595	-0.0	-2.9	53	1.0	- 7.5	33 0.3	23	3.7	7.35	136	
Anadis Limited	46	-4.7	+4.3	70	0.0	- 6.6	- 0.9	NE	Nil	7.30	42	
Analytica Ltd	4	-11.3	-1.2	85	5.0	- 3.9	- 2.0	NE	Nil	7.09	6	
Bluestone Tin	19	-39.6	-4.1	99	3.0	-	- 1.5	NE	Nil	6.98	72	
Namakwa Diamond	9	-19.5	+0.2	94	1.0	-	- 1.4	NE	Nil	6.88	9	
Ezenet Limited	13	-0.1	+1.2	54	0.0	-12.5	- 1.4	NE	Nil	6.87	8	
Medical Dev Int	65	-7.0	-0.7	77	6.0	-21.7	10 0.7	224	Nil	6.86	37	
Victoria Petrol	3	-0.2	-0.3	54	0.0	-	- 2.4	NE	Nil	6.82	51	
Xceed Biotech.	18	-3.2	+4.8	66	4.0	- 1.6	- 0.9	NE	Nil	6.79	15	
Eiffel Tech.	3	-11.8	+4.0	86	0.0	- 3.0	- 2.5	NE	Nil	6.67	7	
Finbar Intern'l	41	-1.3	-3.2	59	5.1	- 1.1	18 0.7	6	7.4	6.52	40	
Asset Loans Ltd	42	-6.8	+0.1	76	0.0	-	- 0.8	27	2.4	6.21	20	
QED Occtech Ltd	4	-8.1	-5.7	79	0.0	- 3.6	- 2.3	NE	Nil	6.10	7	
Pan Palladium	20	-9.6	+6.2	82	0.0	-	- 1.1	NE	Nil	6.02	21	
Thundelarra Exp	18	-11.0	-4.8	84	5.0	-	- 1.1	NE	Nil	5.88	13	
IBT Education	180	-2.3	+0.5	62	0.1	1	- 0.5	21	4.7	5.88	624	
Treasury Group	1240	-0.7	-2.2	57	0.6	1 7.8	36 0.2	21	3.2	5.77	269	
Kip McGrath EC	125	-11.7	+1.1	85	2.0	-	- 0.5	41	4.4	5.76	22	
STW Comm Group	303	-2.2	-1.4	62	0.2	3 4.3	19 0.5	23	3.0	5.70	527	
Gallery Gold	43	-3.9	+3.4	69	0.0	1 0.2	- 0.6	NE	Nil	5.68	185	
Virax Holdings	15	-22.0	-4.6	96	0.0	- 3.6	- 1.5	NE	Nil	5.64	12	
Connxon Ltd	16	-2.0	-9.7	61	0.0	-	- 1.3	123	Nil	5.56	15	
Probiomics Ltd	7	-15.0	+3.9	90	0.0	-	- 1.6	NE	Nil	5.45	8	
Argus Solutions	6	-22.2	+1.9	96	0.0	- 1.2	- 1.7	NE	Nil	5.04	11	
Desane Group	95	-2.9	-1.8	65	0.2	- 1.0	6 0.6	18	2.1	5.03	25	
Community Life	23	-24.1	+1.0	97	9.0	- 0.4	0 1.0	96	Nil	5.00	11	
Sipa Resources	7	-9.8	-0.0	82	0.0	-	- 1.5	NE	Nil	4.96	16	
Pan Pacific Pet	11	-3.4	-5.3	67	0.0	-	- 1.3	NE	Nil	4.92	39	
Peptech Limited	141	-6.6	+1.0	76	1.0	1 3.1	36 0.5	9	Nil	4.60	225	
West Aust News	809	-1.2	-1.1	59	2.0	6 19.3	- 0.3	19	5.3	4.53	1,693	
Proteome Syst	24	-11.7	-2.1	85	1.0	- 4.0	- 1.0	NE	Nil	4.45	24	
Hast Div Util	247	-2.2	-1.2	62	0.0	2	- 0.5	25	0.5	4.27	366	

<b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Ent Media & Tel	1	-51.1	+1.2	99	0.5	-	- 3.0	NE	Nil	0.93	8	
Bluestone Tin	19	-39.6	-4.1	99	3.0	-	- 1.4	NE	Nil	6.98	72	
Bonaparte Diam.	10	-39.4	+3.7	99	0.0	-	- 1.5	NE	Nil	N/A	6	
Brandrill	11	-34.1	+7.0	98	5.0	- 2.2	9 1.3	24	Nil	0.40	29	
Orchid Capital	4	-32.4	+1.4	98	5.0	- 1.0	- 1.9	NE	Nil	0.51	7	
Quantum Energy	7	-31.1	+2.0	98	1.0	- 6.7	- 1.6	NE	Nil	3.90	60	
Reefton Mining	3	-28.6	+0.5	98	0.1	-	- 2.2	NE	Nil	N/A	10	
Sherlock Bay N.	4	-28.6	+1.8	98	0.1	-	- 2.3	NE	Nil	N/A	16	
Minerals Corp.	3	-26.7	-0.0	97	3.0	- 0.2	- 1.8	NE	Nil	1.22	16	
Polartechnics	12	-25.0	-2.2	97	1.0	- 1.9	- 1.2	NE	Nil	1.28	8	
E.R.G.	13	-24.9	-2.3	97	1.0	- 0.6	- 1.4	NE	Nil	0.30	107	
IT & e Limited	10	-24.7	+1.2	97	2.0	-	- 2.1	NE	Nil	1.62	17	
Select Vaccines	14	-24.3	-0.9	97	2.0	- 4.7	- 1.0	NE	Nil	9.10	5	
Community Life	23	-24.1	+1.0	97	9.0	- 0.4	0 0.9	96	Nil	5.00	11	
QPSX Limited	5	-23.4	+2.5	96	0.0	- 2.5	- 1.6	NE	Nil	2.43	9	
Hitech Energy	2	-23.2	-0.0	96	0.0	- 1.9	- 2.9	NE	Nil	N/A	9	
Longreach Group	9	-22.9	-1.7	96	0.1	- 1.8	3 1.2	71	Nil	0.44	16	
Aust Mining Inv	16	-22.2	+2.8	96	0.0	-	- 1.4	NE	Nil	N/A	55	
Argus Solutions	6	-22.2	+1.9	96	0.0	- 1.2	- 1.5	NE	Nil	5.04	11	
HLT Limited	19	-22.0	-3.8	96	0.0	-	- 1.6	NE	Nil	1.54	6	
Virax Holdings	15	-22.0	-4.6	96	0.0	- 3.6	- 1.4	NE	Nil	5.64	12	
Autron Corp	11	-21.9	-2.5	95	0.0	- 1.8	8 1.3	21	Nil	0.34	73	
Palm Springs	5	-21.8	+3.3	95	0.0	- 2.3	- 1.8	NE	Nil	0.59	14	
Admerex Ltd	6	-21.5	+2.6	95	2.0	- 1.2	2 1.4	56	Nil	0.54	16	

Company	STRENGTH RATING				Insider Buy/Sell	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank								
Open Telecom.	20	-20.6	-6.0	95	0.0	-	- 0.9	NE	Nil	0.36	7	
United Kimberly	9	-20.3	+0.9	95	5.0	-	- 1.3	NE	Nil	N/A	8	
Konekt Limited	45	-19.8	-2.0	95	1.0	-	- 0.6	NE	Nil	0.61	18	
Cape Range Wire	2	-19.7	-0.3	95	0.0	-	- 2.5	NE	Nil	N/A	40	
Sam's Seafood	50	-19.5	+3.6	95	0.1	- 1.1	- 0.7	NE	Nil	N/A	12	
Great Gold Mine	6	-19.5	-1.3	94	0.0	-	- 1.9	NE	Nil	N/A	13	
Namakwa Diamond	9	-19.5	+0.2	94	1.0	-	- 1.3	NE	Nil	6.88	9	
Tritton Res.	40	-19.3	-3.4	94	0.0	-	- 0.9	NE	Nil	2.10	59	
Tomahawk Energy	66	-19.2	-1.9	94	2.0	-	- 0.7	NE	Nil	N/A	36	
Uscom Limited	85	-19.2	+2.1	94	4.0	- 2.8	- 0.3	NE	Nil	N/A	14	
Compumedics Ltd	14	-18.9	-0.8	94	1.0	- 2.3	- 1.1	NE	Nil	0.51	20	
MXL Limited	9	-18.7	-6.0	94	5.0	- 8.6	- 1.6	NE	Nil	N/A	48	
Epitan Limited	40	-18.7	+0.0	94	2.0	-	- 1.0	NE	Nil	N/A	51	
Sonnomed Ltd	20	-18.6	-0.4	94	2.0	- 3.3	- 1.0	NE	Nil	N/A	13	
Sunshine Heart	20	-18.4	+2.1	94	1.0	- 1.3	- 1.0	NE	Nil	N/A	13	
Po Valley Ener.	63	-18.4	+5.8	94	0.0	-	- 0.7	NE	Nil	N/A	44	
Coltech Aust	8	-18.3	-3.8	93	0.0	- 2.8	- 1.4	NE	Nil	N/A	7	
MultiMedia Ltd	1	-18.1	-5.1	93	0.0	-	- 3.5	NE	Nil	1.57	32	
Avantogen Ltd	14	-18.1	-0.3	93	0.0	- 6.8	- 1.1	NE	Nil	N/A	30	
Ambri Limited	9	-17.8	-0.9	93	2.0	- 1.5	- 1.5	NE	Nil	N/A	16	
Bone Medical	25	-17.6	+1.0	93	1.0	- 3.1	- 0.8	NE	Nil	N/A	15	
Antisense T.	4	-17.5	-2.9	93	0.0	- 1.2	- 2.2	NE	Nil	N/A	13	
Centralian Min.	3	-17.3	+3.4	92	0.0	-	- 2.2	NE	Nil	0.59	22	
Two Way TV Aust	62	-17.1	-1.9	92	3.2	- 2.8	- 0.7	NE	Nil	N/A	56	
Resonance Hlth	9	-16.7	-5.1	92	0.0	- 9.0	- 1.4	NE	Nil	N/A	17	
Cluff Resource	1	-16.6	-0.8	92	0.1	-	- 3.2	NE	Nil	N/A	11	

<b>INSIDER SELLING:</b> Most Insider Selling, Relative Strength < 0												
Treasury Group	1240	-0.7	-2.2	57	0.6	1 7.8	36 0.2	21	3.2	5.77	269	
Ten Network	327	-4.4	-1.4	70	0.5	6	- 0.3	13	6.6	1.37	1,304	
Ent Media & Tel	1	-51.1	+1.2	99	0.5	-	- 2.8	NE	Nil	0.93	8	
De Grey Mining	20	-14.4	+0.7	89	0.4	-	- 0.9					

# "Neglect" Ratings of Australian Shares

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

Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)
A.P. Eagers	1	162	Cochlear Ltd	7	2,142	K&S Corporation	3	198	Ridley Corp.	4	356
ABB Grain Ltd	2	984	Codan Ltd	3	201	Kagara Zinc Ltd	2	359	Rinker Group	6	15,013
ABC Learning	6	1,810	Coles Myer	8	12,184	Keycorp Ltd	2	122	Rio Tinto Ltd	7	87,648
AMP Ltd	8	13,914	Collection Hse	1	135	Kimberley Diam.	3	350	Roc Oil Company	2	478
ANZ Bank	9	41,641	Colorado Group	4	384	Kingsgate Cons.	2	326	Rural Press Ltd	6	1,308
APN News Media	6	2,229	Com'wealth Bank	9	51,232	Lafayette Min.	1	63	S&B Limited	1	195
ARB Corporation	3	193	Commander Comm.	6	328	Leighton Hold	5	4,393	SAI Global Ltd	3	282
ARC Energy	1	345	Computershare	4	3,956	Lend Lease Corp	6	5,441	SDI Limited	3	98
AWB Limited	4	1,991	Cons Rutile	1	264	Lihir Gold	6	2,787	SFE Corporation	6	1,653
AXA Asia Pac	7	8,467	Cons Minerals	2	602	Lipa Pharm.	2	123	SP Telecom.	2	431
Acrux Ltd	2	82	Corp Express	5	1,149	M.Y.O.B. Ltd	3	440	STW Comm Group	3	527
Adcorp Aust.	1	42	Count Financial	1	481	Macarthur Coal	7	963	Sally Malay Min	1	119
Adelaide Bright	4	1,062	Coventry Group	2	213	Macquarie C'Wde	4	2,333	Salmat Ltd	4	414
Adelaide Bank	9	1,191	Crane Group	3	565	Macquarie Prof.	4	936	Santos Ltd	9	6,790
Adsteam Marine	3	509	Credit Corp	1	197	Macquarie Air.	2	4,421	Seek Ltd	4	848
Ainsworth Game	1	98	Croesus Mining	1	99	Macquarie Infra	2	7,813	Select harvest	2	570
Alesco Corp Ltd	4	672	DB Rreef Trust	3	3,757	Macquarie Good.	3	6,294	Servcorp Ltd	1	306
Alinta Limited	4	2,662	DCA Group Ltd	4	1,724	Macquarie C Tel	2	22	Seven Network	7	1,829
Alumina Ltd	8	7,955	David Jones	6	1,041	Macquaries C&I	4	2,243	Sigma Company	5	1,932
Amcor Ltd	7	6,192	Dexion Ltd	2	0	Macquarie Off.	3	2,151	Sims Comm Ltd	6	1,507
Ansell Ltd	3	1,665	Div. Utility	3	1,072	Macquarie Leis.	2	419	Sino Gold Ltd	2	358
Aquarius Plat.	1	911	Domino's Pizza	2	195	Macquarie Bank	6	15,278	Skilled Group	5	321
Aristocrat Leis	8	5,723	Downer EDI Ltd	3	2,027	Macquarie DDR	3	960	Smorgon Steel	5	1,265
Arrow Energy	1	89	ETRADE Aust.	1	365	Maxi TRANS	4	133	Sonic Health	5	4,019
Arrow Pharm.	2	923	Emperor Mines	1	68	McGuigan Simeon	4	335	Soul Pattinson	1	2,315
Aust Stock Exch	6	3,034	Energy Develop.	3	568	McPherson's Ltd	4	137	Spotless Group	5	995
Aust Education	2	117	Envestra	5	874	Metabolic Phar.	1	120	St George Bank	6	14,545
Aust Gas Light	8	7,415	Equigold NL	2	227	Millers Retail	6	284	Stargames Ltd	1	145
Aust Agricult.	3	410	Excel Coal Ltd	7	1,299	Minara Resource	3	806	Sthn Comm Brd.	8	814
Aust Pharm. Ind	4	777	FKP Limited	3	827	Mincor Resource	2	127	Stockland	4	8,455
Aust Infra.	2	831	Fairfax (John)	7	3,661	Mirvac Group	4	3,458	Straits Res.	2	307
Aust Pipeline	3	1,088	Felix Resources	2	394	Mortgage Choice	4	178	Suncorp-Metway	6	10,666
Aust W'wide Exp	3	698	Fleetwood Corp	2	349	Multiplex Group	4	2,931	Sunland Group	1	358
Austal Limited	2	420	Flight Centre	4	907	Nat'l Aust Bank	9	49,519	SuperCheap Auto	3	309
Austar United	3	1,509	Foster's Group	6	11,136	New Hope Corp.	1	989	Sydney Gas Ltd	1	113
Austereo Group	6	594	Funtastic Ltd	3	230	Newcrest Mining	7	7,302	Sydney Attract.	3	128
Australand Prop	2	1,714	Futuris Corp.	3	1,217	News Corp.	3	71,874	Symbion Health	4	2,182
B & B Infrastr.	4	1,604	G.R.D. NL	2	496	Nick Scall Ltd	3	111	Symex Holdings	1	128
B Digital Ltd	1	150	G.U.D. Holdings	4	435	Noni B Limited	1	115	Tabcorp Holding	5	8,058
B&B Japan Prop.	1	718	GPT Group	4	7,805	Nufarm Limited	4	1,883	Talent2 Int'l	1	117
BHP Billiton	8	78,203	GWA Internat'l	3	807	Nyflex Ltd	2	146	Tap Oil	5	445
Babcock & Brown	2	3,880	Gale Pacific	1	85	OAMPS	2	465	Tassal Group	1	131
Ballarat Gold	2	278	Galileo Shop Am	5	552	Oakton Limited	2	195	Technology One	3	168
Bank of Q'land	8	1,428	Gallery Gold	1	185	Oceana Gold Ltd	2	241	Telstra	10	48,240
Baxter Group	1	201	Gandel R. (CFS)	4	3,943	Oil Search Ltd	5	4,190	Ten Network	6	1,304
Baycorp Advant.	4	753	Gasnet Aust Grp	3	363	Onesteel Ltd	6	1,838	Thakral Holding	2	522
Bendigo Bank	6	1,616	Geodynamics Ltd	1	123	Orica Ltd	4	5,489	The Reject Shop	1	103
Bendigo Mining	1	346	Globe Int'l Ltd	3	122	Origin Energy	6	5,733	Timbercorp	2	704
Billabong Int'l	4	2,763	Gloucester Coal	1	205	Oroton Group	2	77	Tishman Speyer	2	548
Bluescope Steel	7	4,865	Graincorp	2	432	Oxiana Ltd	6	1,870	Toll Holdings	7	4,669
Boom Logistics	4	473	Grand Hotel	2	193	PMP Limited	3	436	Total Com Infra	1	178
Boral Limited	6	4,572	Gt Sthn Plant'n	2	949	Pacific Group	4	335	Transurban Grp	4	5,342
Brambles Ind.	8	16,621	Gunns Ltd	5	1,034	Pacific Brands	5	1,368	TransPacific In	4	1,074
Brazin Limited	3	208	Hardman Res.	3	1,241	Pan Australian	1	130	Transfield Serv	4	1,241
Brickworks Ltd	1	1,697	Harvey Norman	6	3,015	Paperlin X Ltd	5	1,584	Treasury Group	1	269
Bunnings W/hse	4	609	Hast Div Util	2	366	Patrick Corp	6	4,929	Trinity Cons	2	109
Burns Philp	3	2,255	Healthscope	5	1,117	Peet & Company	1	502	Trust Co of Aus	1	324
C'wth Prop Off.	5	1,901	Henderson Group	4	4,174	Peptech Limited	1	225	UNITAB Ltd	6	1,734
C.S.R. Ltd	7	2,913	Highland Pac.	1	298	Perilya Mines	1	189	UXC Limited	1	147
CBH Resources	1	108	Hills Indust.	3	771	Perp Trust Aust	6	2,588	United Group	4	1,316
CH4 Gas Ltd	2	126	Housewares Int.	4	189	Perseverance	1	183	Unwired Group	2	113
CMI Limited	1	46	Hpal Limited	2	198	Phosphagenics	1	125	Valad Property	2	708
CPI Group	1	35	Hutchison Tel.	4	187	Photon Group	2	214	Ventracor Ltd	1	218
CSL Limited	6	7,550	IBA Health Ltd	1	119	Portman Limited	7	843	Villa World	1	163
Cabcharge Ltd	5	710	IBT Education	1	624	PowerTel Ltd	2	159	Village Road.	1	754
Caltex Australia	5	5,316	ING Indust Trt	3	1,709	Primary Health	2	1,324	Virgin Blue	5	1,625
Campbell Bros	1	527	ING Office Fund	4	1,319	Prime TV	5	423	Vision Group	1	306
Candle Aust.	3	116	IOOF Holdings	5	430	Pro Medicus Ltd	2	149	Vision Systems	1	290
Capral Alum.	1	142	liNet	3	192	Pro Maintenance	5	237	Volante Group	2	89
Cardno Ltd	1	151	Iluka Resources	6	1,901	Promina Group	8	5,023	W'bool Cheese	1	142
Carindale Prop	2	245	Incitec Pivot	3	991	Publishing & Br	7	11,106	WHK Group Ltd	4	395
Cellnet Group	1	51	Independ. Group	1	178	Q.B.E. Insur.	8	14,161	Watpac Ltd	1	130
Centennial Coal	6	1,012	Indophil Res.	1	140	Qantas Airways	7	6,964	Wattyl Ltd	3	213
Centro Property	4	4,796	Insurance Aust.	6	7,683	Queens'd Cotton	1	102	Wesfarmers Ltd	6	13,439
Chal Financial	6	2,024	Integrated Grp	2	121	Ramsay Health	4	1,583	West Aust News	6	1,693
Chemeq Ltd	1	86	Investa Prop.	4	2,971	Reckon Limited	2	106	Westfield Group	5	28,680
Chiquita Brands	2	98	Invocare Ltd	3	378	Record Invest.	4	1,525	Westpac Banking	9	38,582
Citec Corp Ltd	1	80	Iress Mkt Tech	5	480	Record Realty	1	115	Willmott Forest	1	89
Clough Limited	1	182	JB Hi-Fi Ltd	5	402	Redflex Holding	3	282	Woodside Petrol	10	24,280
Coal & Allied	1	4,476	James Hardie	6	3,941	Reece Australia	1	1,464	Woolworths Ltd	8	17,794
Coates Hire	5	2,127	Jubilee Mines	2	933	Repco Corp Ltd	4	454	Worley Group	3	2,254
CocaCola Amatil	5	5,251	Just Group Ltd	5	521	Resolute Mining	1	276	Zinifex Ltd	5	2,928

# "Neglect" Ratings of NZ Shares

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

Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)
AMP Onyx Mgmt	5	449	F & P Health.	6	1,694	Methven Limited	2	66	Sanford Limited	2	370
AXA Asia Pac.	7	8,972	Feltex Ltd	2	72	MetLifeCare	3	338	Scott Tech. Ltd	1	48
Abano Health.	2	43	Fletcher Build.	4	3,207	Michael Hill	2	302	Skellmax Indust	4	121
Air New Zealand	5	1,180	Freightways Ltd	4	407	NZ Exchange Ltd	1	87	Sky City Ltd	7	1,879
Akd Int Airport	6	2,238	Hallenstein G.	2	260	NZ Refining Co	2	1,368	Sky Network TV	1	2,315
Briscoe Group	4	267	Hellaby Hold.	3	221	Nat Property Tr	3	117	Software of Exc	1	21
Cabletalk Group	1	20	Hirequip NZ Ltd	4	94	Nuplex Indust	4	319	Steel & Tube	4	342
Calan Hlthcare	5	156	Horizon Energy	2	105	POD Ltd	1	22	TeamTalk Ltd	1	42
CanWest Media.	4	383	ING Property	4	281	Pacific Retail	1	125	Telecom Corp	6	10,962
Cap Properties	5	354	Infratil NZ	2	805	Port Tauranga	5	569	Tenon Ltd	4	244
Carter Holt	3	3,272	Kirkcaldie & St	1	25	Postie Plus Grp	1	23	Tourism Hold.	4	143
Cavalier Corp	3	160	Kiwi Property	5	888	Property F Ind.	5	226	Tower Limited	4	688
Contact Energy	4	3,615	Lion Nathan Ltd	7	4,237	Pumpkin Patch	2	574	Trust Power Ltd	5	1,889
Ebos Group Ltd	2	119	Lytelton Port	3	182	Restaurant Brds	4	123	Turners Auction	1	55
Evergreen	2	47	MG Property Trt	5	400	Rubicon Limited	1	247	Warehouse Group	5	1,057
F & P Appliance	6	852	Mainfreight Grp	5	316	Ryman Health.	3	513	Waste Mgmt NZ	5	594

## Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Affco Holdings	1.00	05-12	16-12	Nil
Cavalier Corporation	3.00	05-12	09-12	Full
F & P Appliances	9.00	24-11	05-12	Full
F & P Healthcare	5.40	01-12	09-12	Full
ING Property	2.265	28-11	09-12	0.2225
Infratil NZ	5.00	28-11	02-12	Full
Jasons Travel Media	1.50	21-01	31-01	Full
Kirkcaldie & Stains	5.00	05-12	12-12	Nil
Kiwi Income Property	3.85	07-12	16-12	0.70
MG Property Trust	2.26615	05-12	16-12	0.19885
Mainfreight Group	5.00	12-12	16-12	Full
Methven	4.12	12-12	16-12	Full
Mowbray Collectibles	1.50	12-12	16-12	Full
Postie Plus Group	3.00	11-11	12-12	Full
Ryman Healthcare	8.00	02-12	09-12	Nil
Sanford Ltd	13.00	05-12	14-12	Full
Seeka Kiwifruit	10.00	10-02	20-02	Full
Speirs Group	4.00	28-11	09-12	Full
TrustPower	11.00	05-12	16-12	Full
Zintel Communications	1.74	06-12	16-12	Full
<u>Australian Shares</u>				
Campbell Brothers	21.00	25-11	20-12	
LongReach conv notes	0.25?	22-12	09-01	

## Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday January 10, 2006 (and delivered in most areas on Wednesday 11).

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

## New (or at least a recycled) Issue: Goodman Fielder.

Goodman Fielder is seeking to issue 927.5-1060 million shares at a price between A\$1.85 and \$2.00 per share. This will raise \$1,720-\$1,860 million and Burns Philp will retain a 20-30% shareholding in the company.

There are two basic ways to attempt to predict the future performance of a New Issue: Firstly, is this a new business in a growth phase? Or an older, mature business? New companies may be more risky, but have the best future growth potential. Mature businesses are safe, but probably offer only limited growth prospects. We assume you know in which category Goodman Fielder falls.

Secondly, is the money being raised from the new public shareholders going to the company to finance future growth or expansion? Or is the money going to existing investors (who are selling all or part of the company) or to repay existing debt? When all or most of the money goes to the company then the shares will usually perform better than when the money goes to the existing investors and to repay debt. Unfortunately, all of the A\$1,720,000,000 to A\$1,860,000,000 raised in this New Issue will go to Rank or to Burns Philp.

The prospectus does predict 10-12% profit growth over the next few years - but all of that comes from expanding profit margins. Unfortunately - in a competitive market - generating growth is not always as easy as increasing your prices to boost profit margins. At best this can only provide short term growth.

The company predicts a dividend of A\$0.05½ for the six months to June 2006 - equal to an annual dividend yield of 5.5-5.9% - rising to 13.5 cents (6.75-7.3%) to June 2007.

Goodman Fielder offers a reasonable, but not high, dividend yield. As this is an Australian company there are no imputation tax credits available for NZ investors. Overall we are not optimistic about the long term growth prospects.

Avoid - better income and better growth potential elsewhere.

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