Twenty Eight Years of Independent Information and Unbiased Advice on the Australian and NZ Stockmarkets

Market Analysis

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Summary and Recommended Investment Strategy.

Share prices continue to hit new lows but are very under-valued. From these low levels - even with a longer than expected recession - shares will eventually realise far above average *future* rates of return when the economy recovers!

Investment Outlook.

The job of an investment adviser is not easy. If one is any good, then your wealth will come from following your own advice and backing your judgement in the market. No-one ever got rich selling newsletter subscriptions!

How does one express one's market view in a new and interesting way, month after month, year after year, decade after decade? Especially during those far too common times when the market explores new extremes of over-valuation or under-valuation!

In the booms one faces constant criticism for expressing caution: "Why aren't you recommending the most profitable entrepreneurial investment companies?" The ones borrowing like there is no tomorrow to invest in a speculative asset bubble in share and property prices? The one with that unique accounting method and manipulating prices through cross-shareholdings?

"Why aren't you recommending the new dot-com start-up with its *first mover* advantage?". The one that will never make a profit? That the underwriting broker calls "the next Microsoft"? That sells at an incredible valuation and won't be around in a couple of years? Hundreds of companies were promoted as "the next Microsoft", but sunk without trace like the "next *Titanic*".

Optimism in the downturns when share valuations are low draws the questions "Do you *really* think shares are a good investment?", "Why are you recommending JNA when it's down 40%?" and "Why are Vision Systems a buy when they have under-performed for three years?"

Of course, all of those people phone or email two years later and say "You were right. I should have listened". Yeah, right!

This month is the 28th anniversary of the first issue of "Market Analysis" - so to still be around (and living in a sunny tax-haven) we must have got *something* right over the years - but we might have to wait around for *another* 28 years to get *that* phone call or email!

What we do hear is "You might be right, but I'm still going to" [select as appropriate] "buy that high-flying investment company/buy the next Microsoft/ sell all my under-valued shares and wait until the market improves".

Beam me up, Scotty. There is no intelligent life down here!

Stockmarket Forecasts

	One-Month	One-Year
Australia:	**15%** (Bearish)	**67%** (Bullish)
New Zealand:	**40%** (Neutral)	**61%** (Bullish)

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
AMP Limited	B	506	2.98	15	8.8
AMP Onyx Mgmt	B	98	5.59	6	8.6
Abano Health.	B	429	0.80	13	6.3
Affco Holdings	E	36	0.19	NE	Nil
Air New Zealand	B	76	0.17	4	16.7
Akd Int Airport	B	171	5.95	19	7.2
Allied Farmers	D	50	0.09	28	Nil
Allied Work.	A	75	0.24	10	11.5
Apple Fields	C	4.0	1.18	2	Nil
Barramundi Ltd	D	34	N/A	NE	Nil
Blis Technology	D	4.6	6.87	NE	Nil
Botry-Zen Ltd	E	2.5	N/A	NE	Nil
Briscoe Group	C	60	0.31	6	19.9
Broadway Ind	C	40	0.17	7	5.0
Burger Fuel	E	28	3.15	NE	Nil
CDL Investments	E	22	N/A	32	Nil
Canty Bldg Soc.	A	380	1.25	23	3.1
Cavalier Corp	C	127	0.34	5	23.5
Cavotec MSL	D	270	0.58	9	Nil
CER Group Ltd	E	1.0	0.32	NE	Nil
Charlie's Group	E	9.4	0.91	NE	Nil
Col Motor Co	B	240	0.13	9	14.3
Comvita	D	90	0.48	NE	Nil
Connexion	C	15	1.00	NE	Nil
Contact Energy	B	555	1.16	14	7.5
Cynotech Hold.	B	16	0.97	7	11.7
Delegat's Group	A	195	1.18	10	4.6
Dominion Fin.	C	1.0	0.01	0	149.3
Dorchester Pac	D	5.0	0.03	NE	Nil
Eastern Hi-Fi	D	10	0.06	NE	Nil
Ebos Group Ltd	B	439	0.23	12	7.8
F & P Health.	C	338	4.81	49	4.9
F & P Appliance	D	52	0.11	3	45.4
Finzsoft Sol'ns	C	68	0.69	NE	6.6
Fletcher Build.	C	515	0.37	6	13.9
Freightways Ltd	B	294	1.17	12	9.5
Genesis Res.	E	3.0	0.68	NE	Nil
Goodman Prop.	B	88	6.23	7	11.2
Guinness Peat	E	61	0.25	NE	4.1
GuocoLeisure	D	28	0.59	22	18.8
Hallenstein G.	C	200	0.60	6	26.1
Hellaby Hold.	D	45	0.04	1	31.1
Heritage Gold *	N/R	2.0	N/A	NE	Nil
Horizon Energy	A	310	2.76	14	7.9
ING Property	B	58	2.89	4	17.0
ING Med. Prop.	B	113	6.50	18	8.7
Infratil NZ	C	153	0.60	NE	6.1
Inv Research Gr	E	3.1	1.19	NE	Nil
Jasons Media	C	70	1.02	14	3.2
Just Water Int.	C	35	0.85	60	15.3
Kermadec Prop.	B	44	3.13	5	19.7
Kingfish Ltd	C	63	N/A	NE	10.7
Kirkcaldie & St	B	200	0.44	17	7.5
Kiwi Property	B	101	4.87	7	9.1
Life Pharmacy	D	40	2.35	NE	Nil
Lion Nathan Ltd	A	1050	2.68	22	3.7
Livestock Imp.	B	193	0.48	4	19.3
Lombard Group	D	6.1	0.04	NE	Nil
Lyttelton Port	A	230	2.82	23	3.3
Mainfreight Grp	C	330	0.34	8	8.1
Marlin Global	E	47	N/A	NE	Nil
Media Tech.	D	5.0	0.79	5	Nil
Methven Limited	C	100	0.58	7	17.5
Metro. LifeCare	C	180	2.70	NE	10.6
Michael Hill	C	47	0.48	7	10.2
Mid-Cap Index	D	183	N/A	NE	Nil
Millennium & C.	D	37	1.04	7	4.8
Mowbray Collect	D	125	2.85	58	Nil
NZ Experience	C	19	0.74	5	23.6
NZ Exchange Ltd	B	525	3.98	13	6.0
NZ Finance Hold	C	35	1.00	7	4.3
NZ Farming Sys.	E	48	N/A	NE	Nil
NZ Oil & Gas *	N/R	131	N/A	21	Nil
NZ Refining Co	A	645	3.89	12	10.4
NZ Wine Company	A	175	1.42	16	6.0
NZ Windfarms	D	70	9.10	23	Nil
NZ Wool Service	C	42	0.20	20	Nil
NZSX 10 Fund	D	73	N/A	NE	Nil
NZSX 50 Port.	D	105	N/A	NE	Nil
NZX Aust MidCap	D	352	N/A	NE	Nil
Nat Property Tr	B	34	1.91	3	14.7
New Image Group	C	30	2.48	NE	Nil
Northland Port	A	237	8.40	11	6.9
Nuplex Indust	C	105	0.06	2	42.9
Opus Int'l Cons	D	110	N/A	NE	Nil
Oyster Bay	C	266	1.51	9	Nil
Ozzy (Tortis)	D	245	N/A	NE	Nil
PGG Wrightsons	C	97	0.23	4	24.6
Pac Edge Bio.	E	11	N/A	NE	Nil
Pike River Coal	E	73	N/A	NE	Nil
Plus SMS Hold.	D	1.8	1.29	NE	Nil
Port Tauranga	B	534	4.81	17	7.0
Postie Plus Grp	E	22	0.07	NE	Nil
Propertyfinance	D	10	0.08	NE	Nil
Property F Ind.	C	112	7.33	NE	6.4
ProvencoCadmus	E	5.0	0.06	NE	Nil
Pumpkin Patch	C	105	0.48	6	12.8
Pyne Gould Corp	C	159	0.65	3	21.6
Rakon Ltd	D	97	0.68	11	Nil
Renaissance	C	26	0.06	3	17.2
Restaurant Brds	B	70	0.22	6	13.9
Richina Pacific	C	36	0.11	3	4.2
Rubicon Limited	E	55	0.25	NE	Nil
Ryman Health.	C	122	8.04	8	4.1
Salvus Strat.	B	55	1.28	1	14.9
Sanford Limited	B	545	1.38	26	6.0
Satara Co-op	C	75	0.20	6	Nil
Savoy Equities	E	0.4	N/A	NE	Nil
Scott Tech. Ltd	C	75	0.63	6	17.9
Sealegs Corp	E	11	1.39	NE	Nil
Seeka Kiwifruit	B	221	0.26	11	Nil
Skellerup Hold.	D	56	0.33	NE	8.0
Sky City Ltd	C	256	1.36	11	12.5
Sky Network TV	B	385	2.27	15	5.4
Smartpay NZ Ltd	D	1.5	0.11	NE	Nil
Smiths City	C	25	0.05	4	18.0
Sol. Dynamics	D	27	0.23	NE	Nil
South Port NZ	A	209	3.57	22	6.8
Speirs Group	D	25	0.06	NE	Nil
Steel & Tube	B	280	0.49	11	10.1
Sthn Travel	C	17	0.08	4	26.3
Tag Pacific Ltd	D	15	0.09	1	6.3
Taylors Grp Ltd	B	131	0.46	13	13.7
TeamTalk Ltd	A	200	1.32	11	14.9
Telecom Corp	B	239	0.77	6	18.1
Tenon Ltd	E	50	0.07	8	Nil
Tourism Hold.	C	47	0.31	6	34.9
Tower Limited	B	137	0.51	7	6.5
Training Sol.	E	0.1	5.00	NE	Nil
Trust Power Ltd	B	715	3.31	23	5.9
Turners & Grow.	C	124	0.22	9	12.0
Turners Auction	C	53	0.19	13	8.2
VTL Group Ltd	C	1.5	0.01	0	Nil
Vector Ltd	A	215	1.82	15	9.2
WN Drive Tech.	E	9.7	2.86	NE	Nil
Wakefield Hlth	B	840	1.69	15	3.6
Warehouse Group	C	330	0.58	9	7.9
Widespread Port*	N/R	10	N/A	NE	Nil
Windflow Tech.	C	239	5.88	NE	Nil
Wool Equities	C	26	0.29	NE	Nil
World Index Fd	D	99	N/A	NE	Nil
Xero Ltd	C	74	N/A	NE	Nil
Zintel Comm.	C	19	0.26	4	17.7
Ave of 143 Cos	**C**	140	0.18	5	8.2

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
ABB Grain Ltd	A	534	0.41	19	3.9
AGL Energy Ltd	B	1345	1.10	19	3.9
AMP Ltd	B	383	2.65	13	9.9
ANZ Bank	A	1236	0.62	8	11.0
APA Group	A	264	1.40	18	4.1
ASX Limited	A	2624	7.31	12	7.3
AXA Asia Pac	B	291	0.82	NE	6.4
Adelaide Bright	A	155	0.83	7	9.7
Alumina Ltd	C	99	N/A	6	12.1
Amalgamated Hld	A	424	0.88	6	7.1
Amcor Ltd	B	390	0.35	13	8.7
Andean Res.	C	148	N/A	NE	Nil
Ansell Ltd	B	802	0.87	11	3.3
Aquarius Plat.	B	356	0.97	4	13.4
Aristocrat Leis	B	325	1.37	15	7.4
Arrow Energy	C	249	N/A	NE	Nil
Austar United	D	75	N/A	NE	Nil
Aust W'wide Exp	B	225	1.24	4	Nil
Aust Foundation	B	360	N/A	8	5.8
B & B Wind Part	A	82	1.33	23	17.7
BHP Billiton	A	2765	1.56	6	2.6
Bank of Q'land	A	644	0.44	8	11.3
Beach Petroleum	A	82	1.23	13	2.1
Bendigo Bank	A	600	0.57	8	9.7
Billabong Int'l	A	669	1.02	8	8.3
Bluescope Steel	C	228	0.17	3	21.5
Boral Limited	B	244	0.27	6	13.9
Brambles Ltd	B	483	1.47	10	7.1
Brickworks Ltd	A	960	2.30	13	4.1
Bunnings W/hse	B	168	7.72	NE	7.9
C'wth Prop Off.	B	87	4.70	4	10.6
C.S.R. Ltd	B	98	0.31	2	15.4
CFS Retail Prop	B	157	6.61	5	7.7
CSL Limited	A	3542	5.14	28	2.2
Cabcharge Ltd	B	578	4.03	12	5.5
Caltex Austrlia	A	884	0.10	13	4.1
Centennial Coal	B	168	0.75	9	12.5
Centamin Egypt	B	109	N/A	NE	Nil
Chal Financial	C	104	0.25	NE	12.0
Coal & Allied	B	7800	2.49	8	7.1
CocaCola Amatil	B	848	1.52	15	4.6
Cochlear Ltd	A	5330	4.92	26	2.8
Com'wealth Bank	A	2700	0.97	7	9.9
Computershare	A	737	2.51	14	2.8
ConnectEast Grp	D	28	N/A	NE	30.4
Cons Media Hold	B	189	N/A	1	8.7
Corp Express	B	280	0.42	8	7.7
Crown Ltd	B	511	1.59	26	10.6
DUET Group	B	137	0.89	17	19.7
David Jones	A	211	0.49	7	12.8
Deutsche Div Tr	A	131	6.10	14	7.1
Deutsche Ind Tr	A	196	6.49	12	8.1
Dexus Property	B	59	2.56	4	20.2
Djerriwarrh	B	306	N/A	9	8.5
Dominion Mining	A	500	5.25	15	2.4
Downer EDI Ltd	B	380	0.23	7	6.7
Energy Resource	A	1908	7.22	16	1.5
Equinox Min.	D	170	N/A	NE	Nil
Fairfax Media	C	85	0.47	4	23.5
Felix Resources	B	705	3.14	7	7.5
Fortescue Metal	E	250	N/A	NE	Nil
Foster's Group	B	527	2.22	91	5.0
GPT Group	C	27	0.61	0	101.9
GWA Internat'l	B	189	0.81	12	10.3
Goodman Fielder	B	102	0.51	49	13.2
Guinness Peat	B	44	0.19	2	5.2
Harvey Norman	B	208	1.55	6	6.7
Healthscope	A	390	0.64	15	5.0
Henderson Group	B	150	2.81	10	9.3
IBA Health Grp	B	72	1.55	39	Nil
Iluka Resources	B	433	2.88	27	Nil
Incitec Pivot	B	200	0.83	4	6.5
Insurance Aust.	C	322	0.78	NE	7.0
Iress Mkt Tech	A	520	3.84	18	6.0
JB Hi-Fi Ltd	A	985	0.57	16	2.6
James Hardie	C	304	0.85	NE	6.9
Leighton Hold	B	1813	0.49	8	8.0
Lend Lease Corp	B	506	0.14	8	15.2
Lihir Gold Ltd	B	315	6.51	5	Nil
Macarthur Coal	B	260	1.38	8	6.5
Macquarie Infra	C	104	N/A	3	19.2
Macquarie Air.	B	145	0.50	1	18.6
Macquarie Group	B	1726	0.34	3	20.0
Macquaries C&I	C	101	0.22	NE	45.8
Metcash Ltd	B	390	0.29	15	5.4
Milton Corp.	B	1202	N/A	8	7.3
Mirvac Group	C	72	0.32	1	44.3
Monadelphous Gr	B	684	0.60	8	10.5
Nat'l Aust Bank	A	1680	0.63	6	11.5
Navitas Ltd	B	220	2.18	20	5.0
New Hope Corp.	B	350	8.58	31	1.6
Newcrest Mining	A	3107	5.96	NE	0.3
News Corp.	B	970	0.83	5	1.3
Nufarm Limited	B	984	0.96	16	3.3
OM Holdings	B	109	0.91	5	6.0
OZ Minerals Ltd	C	61	N/A	NE	13.2
Oil Search Ltd	B	481	4.72	16	2.3
Onesteel Ltd	C	168	0.20	6	12.8
Orica Ltd	A	1288	0.71	9	6.9
Origin Energy	B	1360	1.44	32	1.8
Paladin Energy	C	283	N/A	NE	Nil
Perpetual Ltd	A	2280	1.93	7	14.5
Platinum Asset	A	295	5.85	10	8.1
Primary Health	A	395	2.26	NE	6.8
Q.B.E. Insur.	A	1630	1.12	9	5.8
Qantas Airways	B	148	0.17	3	23.7
Queensland Gas	B	575	N/A	19	Nil
Ramsay Health	A	1000	0.65	19	3.3
Reece Australia	B	1600	1.11	14	3.6
Rio Tinto Ltd	B	4570	0.26	3	4.2
Riversdale Min.	D	327	8.77	NE	Nil
S/Tracks ASX200	A	2971	N/A	NE	11.7
SP Ausnet	A	89	1.76	12	13.1
Salmat Ltd	A	325	0.63	23	5.7
Santos Ltd	A	1520	3.17	16	2.8
Seek Ltd	B	235	3.22	9	7.9
Seven Network	A	607	N/A	9	5.6
Sigma Pharm.	B	94	0.27	11	7.4
Sims Metal Mgmt	A	1595	0.23	4	7.5
Sino Gold Min.	C	507	7.47	NE	Nil
Sonic Health	B	1041	1.46	14	5.0
Soul Pattinson	A	770	2.70	20	3.9
Spark Infrastru	B	91	3.99	96	20.5
St George Bank	A	2210	1.06	10	9.6
Stockland	C	230	1.27	5	20.2
Straits Res.	B	91	1.21	6	10.5
Suncorp-Metway	B	495	0.38	9	21.6
Tabcorp Holding	B	630	0.82	6	7.5
Tatts Group Ltd	B	267	1.09	13	3.6
Telstra	B	321	1.60	11	8.7
Ten Network	B	64	0.59	7	21.1
Toll Holdings	B	560	0.65	14	4.5
Tower Australia	B	200	0.95	10	2.3
Transfield Serv	C	160	0.16	6	22.5
Transurban Grp	C	392	4.66	NE	14.5
TransPacific In	B	180	0.24	3	10.1
United Group	B	696	0.33	9	8.3
Wesfarmers Ltd	B	1705	0.43	14	11.7
Western Areas	D	321	8.86	NE	Nil
Westfield Group	B	920	1.77	3	11.6
West Aust News	B	389	1.73	7	13.6
Westpac Banking	A	1570	1.24	11	9.0
Whitehaven Coal	A	138	2.11	10	1.2
Woodside Petrol	A	3555	4.15	14	3.8
Woolworths Ltd	A	2599	0.67	19	3.5
Worley Group	A	1485	0.77	10	5.8
Wotif.com Hold.	A	320	7.08	19	4.7
Ave of 1947 Cos	**C**	96	0.13	6	11.3

Recommended Investments

CDL Investments suffered from an 88.6% drop in revenues to just $4.3 million for the full year to 31 December 2008. The company has been able to also significantly reduce costs, so remained profitable, although profits were down 88.8% to $1,683,000 (0.7 cents per share). No dividend will be paid for the year.

There was a net operating cash *deficit* of $3.4 million (compared with a *deficit* of $5.0 million in 2007), but the company remains debt-free and has $5.2 million of cash in the bank.

The *market* value of the company's land for development at balance date was $169.7 million - an $84.3 million surplus over book value of $85.4 million - but down from a $122.5 million surplus to book value a year earlier. The net asset value per share is 37.3 cents (at book values) or 71.9 cents (at market values).

Although the "current depressed market conditions were expected *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Initial Recommendation 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 %
	NZ Shares												
HOLD	CDL Investments Ltd	CDI	12/01/99	25	E	243.4	1.5	12.36	32	Nil	22	17.9	+60%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	C	67.1	0.9	0.34	5	23.5	127	230.0	+129%
HOLD	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.13	9	14.3	240	338.8	+286%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	A	102.3	0.7	2.82	23	3.3	230	68.4	+99%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	C	382.5	1.0	0.48	7	10.2	47	25.4	+1348%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	350	C	81.7	0.9	0.06	2	42.9	105	240.0	-1%
HOLD	Postie Plus Group	PPG	08/05/06	71	E	40.0	1.7	0.07	NE	Nil	22	8.5	-57%
HOLD	Renaissance Corp	RNS	13/08/96	85*	C	44.9	1.7	0.06	3	17.2	26	53.9	-6%
HOLD	Smiths City Group	SCY	09/10/06	64	C	53.0	1.7	0.05	4	18.0	25	11.0	-44%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.8	3.57	22	6.8	209	108.3	+164%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	B	88.2	0.8	0.49	11	10.1	280	212.0	+237%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	0.8	0.46	13	13.7	131	86.0	+113%
	Australian Shares (in Aust cents)												
BUY	AJ Lucas Group	AJL	13/05/03	120	B	59.3	0.7	0.38	12	2.6	272	30.5	+152%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	B	120.1	2.5	0.46	NE	25.3	8	17.5	-65%
HOLD	Breville Group Ltd	BRG	13/11/06	171	B	129.5	1.1	0.14	3	22.3	47	10.5	-66%
BUY	Campbell Brothers Ltd	CPB	12/10/99	406*	B	52.1	0.4	0.62	7	10.6	900	407.6	+222%
HOLD	Cellnet Group Ltd [1]	CLT	12/02/02	147*	D	76.8	1.9	0.03	NE	Nil	15	32.4	-61%
BUY	Challenger Wine Trust	CWT	12/01/09	30	B	170.3	1.5	1.20	3	40.9	23	Nil	-23%
HOLD	Circadian Technologies	CIR	10/02/04	188	C	40.1	1.0	3.20	NE	Nil	65	65.0	-31%
BUY	Clarius Group Ltd	CND	08/04/03	86	B	57.4	1.3	0.06	2	45.7	35	68.5	+20%
BUY	CPT Global Ltd	CGO	10/03/08	88	B	36.9	1.2	0.28	8	14.7	34	1.8	-59%
BUY	Devine Ltd	DVN	13/11/06	94	B	285.7	1.1	0.21	4	19.0	42	16.0	-38%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	C	102.8	2.4	0.13	4	Nil	10	Nil	-80%
HOLD	Fiducian Portfolio Ser	FPS	11/02/08	260	B	32.8	1.0	1.18	5	13.0	100	10.3	-58%
HOLD	Iluka Resources Ltd	ILU	12/10/04	471	B	380.7	0.6	2.88	27	Nil	433	64.0	+6%
BUY	Integrated Research	IRI	14/01/08	40	B	166.5	1.5	0.91	6	14.6	21	4.5	-38%
HOLD	Int'l AllSports	IAS	11/02/03	180	C	66.4	1.3	0.53	NE	Nil	36	4.0	-78%
BUY	M2 Telecommunications	MTU	09/10/06	33	B	78.9	1.1	0.37	8	9.8	51	10.5	+86%
HOLD	Mercury Brands Ltd	MCB	08/02/05	93	D	310.9	7.6	0.02	NE	Nil	1	7.0	-91%
HOLD	Mercury Mobility [1]	MMY			C	105.0	2.1	1.47	NE	Nil	7	Nil	
HOLD+	Melbourne IT	MLB	10/02/04	53	B	78.0	0.6	0.82	9	7.7	195	43.0	+349%
BUY	Photon Group Ltd	PGA	10/11/08	140	B	102.8	0.8	0.13	3	29.7	96	Nil	-31%
BUY	Probiotec Ltd	PBP	11/02/08	116	A	46.6	0.7	0.99	10	1.8	140	3.8	+24%
BUY	Prophecy International	PRO	08/09/08	26	A	45.1	1.3	2.93	9	10.5	38	2.0	+54%
HOLD	Ross Human Directions	RHD	14/08/01	92	A	83.5	1.8	0.03	3	21.9	16	33.3	-46%
BUY	Skilled Group Ltd	SKE	12/03/02	126	B	122.0	0.8	0.09	4	16.8	137	121.5	+105%
HOLD+	Technology One Ltd	TNE	11/11/03	44	B	298.9	1.0	1.68	11	6.6	62	17.2	+80%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	B	187.3	1.0	2.05	5	5.3	75	3.9	+75%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	A	25.7	0.4	0.75	16	4.7	1024	126.5	+348%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +84.1%. This is equal to an average annual rate of +13.6%, 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 144 closed out) is +26.7%, compared with a market gain of +4.3% (by the SRC Total Return Index).

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

* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

(1) Cellnet Group return includes 1½ shares in Mercury Mobility distributed to shareholders

Recommended Investments

(Continued from Page 3)

to continue" through 2009, CDL Investments is an asset-rich, debt-free company that can slow down its development activities during the recession and survive to again become profitable when the residential property market eventually recovers.

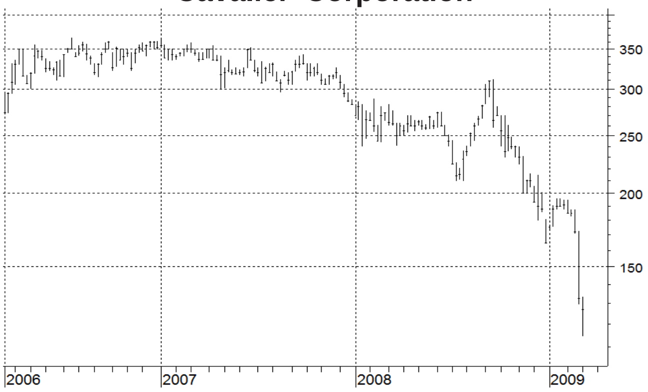
At 22 cents, CDL Investments trades at a signficant discount to its asset value!

Cavalier Corporation lifted revenues 18.0% to $131.6 million for the six months to 31 December 2008, but profits slipped 6.7% to $7,436,000 (11.1 cents per share). The second interim dividend will be cut 2.0 cents to 4.0 cents, reducing the dividends paid for the half year 22.2% to 7.0 cents (plus full imputation tax credits).

The net operating cash surplus was 52% lower at $7.8 million.

Cavalier Corporation directors (like many others today) now believe we are "entering into uncharted economic territory" with "no way of coming up with sensible or reliable earnings forecasts in this environment". Nevertheless, they have issued what presumably can only be a *silly* or *unreliable* full year profit estimate of $11-13 million (down 28-39% on the June 2008 result).

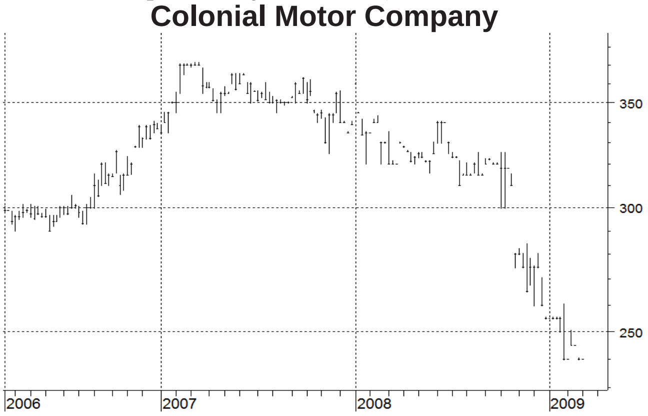
Cavalier Corporation



Colonial Motor Company's revenues were virtually unchanged (i.e. down 0.5%) at $264.7 million for the six months to 31 December 2008. Trading profits, however, fell 40.8% to $2,789,000 (10.0 cents per share). The interim dividend will be cut 45.5% to 6.0 cents (plus full imputation tax credits).

The business generated a strong operating cash surplus of $11.8 million (up from a *deficit* of $6.9 million in the same period a year earlier).

Colonial Motor Company



Lyttelton Port Company experienced a 6.1% increase in revenues, with profits up 17.5% to $5,659,000 (5.5 cents per share) for the six months to 31 December. A steady interim dividend of 1.5 cents (fully imputed) will be paid.

The net operating cash surplus slipped 13%, but was still strong at $9.6 million.

Trading has continued well into January and February but "the remainder of the year is uncertain" and the company predicts a full year result of "approximately $10 million" (i.e. similar to last year).

The company has completed its "two-year deferred wharf maintenance program" so annual maintenance costs and capital expenditure should be lower in future.

Michael Hill International lifted revenues 8.1% to $227.7 million for the six months to 31 December 2008. *Trading* profits fell 29.0% to $13,834,000 (3.6 cents per share). The interim dividend will be cut 16.7% to 1.0 cents (plus full imputation tax credits). In addition there was a gain of $51.8 million (net of consultancy fees) on restructuring the business to reduce future income tax on profits.

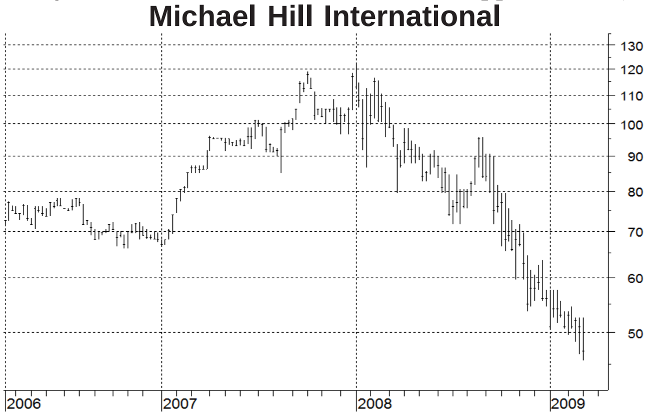
The net operating cash surplus increased over 2½-fold to $15.0 million.

The $5.6 million (after tax) drop in net profit directly relates to three items: The $1.0 million (pre-tax) cost of acquiring the US business, the $2.4 million (pre-tax) operating loss of the US stores over the four months and the $4.3 million (pre-tax) loss of margin on Christmas stock owing to the decline of currencies against US dollars. The large exchange rate fluctuation on stock purchases are a one-off event, as are the US acquisition costs, while the US operating losses are a relatively low cost of entry into the large US market.

The company's tax restructuring will significantly boost net profits by around $7½ million annually and the operating cash surplus by around $9 million in future years!

Michael Hill International has $77.8 million in interest bearing debts, partially offset by $19.9 million cash in the bank, which is a manageable debt level. The company will likely expand store numbers more slowly over the next year - owing to the recession - which will remove the capital cost of opening and stocking new stores. This slower growth - plus lower tax liabilities - will help boost cashflow which will be available to rapidly reduce debt levels (i.e. the company *could* be debt-free within just a few years if it lacked better investment opportunities).

Michael Hill International



Nuplex Industries' share price has fallen sharply after speculation and then the confirmation that it had breached a loan convenant. Such breaches are fairly common in a recession and, in most cases, not really too serious. Nuplex Industries, for example, had agreed with its bankers that Senior Debt would not exceed 3.00 times earnings before interest, tax and depreciation. Two factors have caused it to reach 3.46 times, technically breaching the loan convenant.

Firstly, earnings have dipped in the current recession. No surprise there. Everyone (except, of course, paid up members of the *Doom and Gloom Society* - which, apparently *does* have a large membership) can agree that this is a temporary situation and that the world will still want the products that Nuplex Industries supplies. The only question is how long the recession will last and when will the company's earnings recover?

Secondly, Nuplex Industries prudently borrows in a range of currencies, matching its interest and debt repayment liabilities to its revenues in US dollars, Australian dollars, Euros and Pounds Sterling. It does, however, report in NZ dollars, so a decline in the NZ dollar exchange rate *increases* the (NZ dollar) value of its liabilities (and also its foreign assets and foreign businesses).

The drop in earnings took the ratio of senior debt to earnings to 3.10, while the exchange rate impact raised it to 3.46.

<u>These loans are NOT in default and Nuplex Industries is still paying interest. In fact, at the current depressed level, pre-tax profits exceed interest costs by 2.0 times! More importantly, net operating cash flows cover interest costs 4.5 times! Even in the current downturn, Nuplex Industries is able to service its borrowings</u>!

Nuplex Industries is negotiating with its range of bankers to either amend the convenant or obtain a temporary waiver and is "confident of satisfying contrasting needs" of its various bankers.

Nuplex Industries recorded revenues 6.3% higher at $795.1 million for the six months to 31 December 2008, but net profits fell 75.8% to $5,959,000 (7.3 cents per share). No interim dividend will be paid.

The business, however, continued to generate a strong net operating cashflow of $44.3 million.

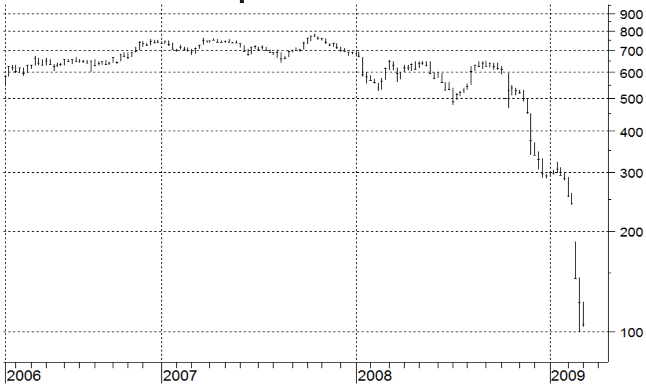
The company has indicated that it is considering making a cash issue to shareholders.

Nuplex Industries' share price has fallen around two-thirds over the last month and has fallen around 84% in value over the last year. This decline significantly over-estimates the risks in the current situation and under-estimates the company's long term profit potential. The business generates strong cash flows, but debt levels increased to finance the major acquisition of the Coating Resins business in late 2004. Over the following years, cashflows were used to finance increases in production capacity - so debt levels remained relatively high.

The real danger to investors' wealth is <u>not</u> that the company will fail or be taken over by its bankers, but that the shares will be diluted via a placement to an outside investor or through a cash issue (where an individual shareholder may be unable to take up their entitlement).

<u>There is excellent investment value in Nuplex Industries shares at current prices - but the shares will likely remain depressed in the short to medium term owing to the potential for a cash issue or dilutive share placement</u>. "Hold+".

Nuplex Industries



<u>Renaissance Corporation</u>'s revenues rose 1.3% to $189.6 million for the year to 31 December 2008. *Trading* profits were down only about 8.3% to $3,105,000 (6.9 cents per share), but the company wrote off two expansion projects (i.e. its online data insurance and the widget digital media) worth $2.1 million.

This non-cash asset write-off actually puts the company in breach of one of its bank convenants!

The company paid a 3.0 cents interim dividend, but will not pay a final dividend for 2008.

There was a net operating cash *deficit* of $6.0 million (mainly owing to a reduction in trade creditors).

<u>Steel & Tube Holdings</u> experienced an 11.5% increase in revenues to $273.8 million for the six months to 31 December, but profits recovered strongly to be 142.8% higher at $20,794,000 (23.6 cents per share).

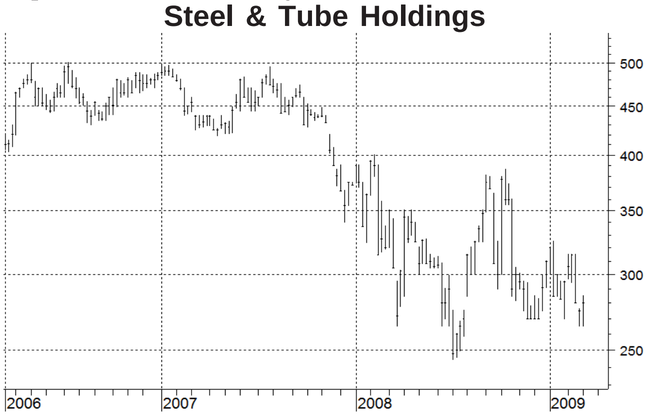
Profits *would* have been up 180.0% to $24.0 million, except for a provision for a bad debt.

The interim dividend will be raised 11.1% to 10.0 cents (plus full imputation tax credits).

There was a net operating cash *deficit* of $8.8 million (compared with a surplus of $22.6 million in the period a year earlier) owing to the very large $46.2 million increase in inventories to $134.0 million over the period. The company expects stock levels to have reduced to normal levels by April. This would generate a large cash surplus (i.e. over $45 million), enabling the company to significantly reduce interest bearing debts.

Uncertainty and difficult trading conditions are expected to "substantially" reduce the second half result.

Steel & Tube Holdings



<u>Taylors Group</u>'s revenues rose just 2.8% to $35.3 million for the half year to the end of December 2008, but profitability recovered, up 51.8% to $1,755,000 (7.2 cents per share). The company maintained the interim dividend last year when profits dipped, so will again pay a steady 6.0 cents *(Continued on Page 6)*

Recommended Investments

(Continued from Page 5)

(plus tax credits) this year.

The net operating cash surplus was 18% higher at $7.2 million.

Productivity per production hour across its six laundry sites improved nearly 10%, but this was partially offset by an 18% increase in average hourly wage costs. The company earns a "significant portion" of its revenues from long term contracts, so expects to maintain revenues despite the current economic downturn. The second half profit should be "broadly consistent" with the first half, which would lift the annual profit around 50% to about $3.5 million (14 cents per share) and allow the company to maintain its 12.0 cents annual dividend payout.

Taylors Group

<u>Australian Shares</u>

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

<u>AJ Lucas Group</u> reported *trading* revenues up 42.6% to $292.8 million for the six months to 31 December 2008, but *trading* profits slipped 11.1% to $7,326,000 (10.8 cents per share). Oh, yes, and there was the sale of its coal seam gas assets for a further $218.4 million and an after tax profit of $153.0 million (225 cents per share). The interim dividend will be raised 42.9% to 5.0 cents per share.

The cash operating surplus was just $0.6 million (down from $24.2 million a year earlier) *plus* that couple of hundred million from the sale of assets!

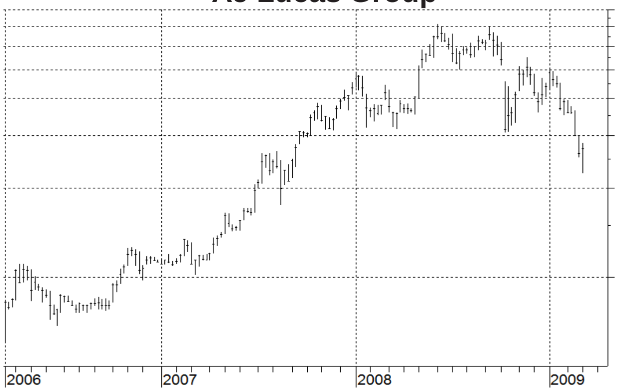
<u>Drilling</u> revenues were 78% higher at $103.4 million with earnings up 92% to $22.0 million. <u>Construction & Infrastructure</u> revenues grew 29% to $189.4 million, with earnings steady at $9.1 million. This growth was offset by higher depreciation (up 96% to $8.1 million), amortisation of goodwill (up 137% to $3.3 million) and higher interest costs (up 198% to $8.7 million) - mostly relating to the acquisition of **Mitchell Drilling**.

At 31 December the company had cash of $234.0 million (i.e. mainly from the sale of CSG assets) and since then has realised a further $34.2 million from the sale of its **Sydney Gas** shares. $45.0 million has been used to repay debts and a few million to repurchase shares on-market. That leaves the company with around $223 million in cash, interest bearing debts of about $127 million, convertible notes of $45 million and a tax liability (on the profit from the asset sale) of $66 million . . . or with <u>virtually no net debt</u>. AJ Lucas Group "is also considering various capital management initiatives" - which is corporate jargon for reviewing its capital structure which *could* lead to a capital repayment or special dividend to distribute some of the large gain from its CSG asset sale.

The full year forecast has been slightly downgraded, with revenues of $530-560 million and earnings of around $70-72 million (from previous forecasts of $600 million in revenues and $80 million in earnings). That could equal a net profit 85-100% higher at about $25-27 million (37-40 cents per share).

At 272 cents, AJ Lucas Group shares trade at just 7 times this year's forecast profits. That is pretty good value for a company with no net debt and expected to continuing growing well owing to its energy and infrastructure related businesses. "Buy".

AJ Lucas Group



<u>Atlas South Sea Pearl</u>'s total revenues were 26.1% lower at $15.5 million for the year to 31 December 2008. Foreign exchange losses on Yen loans and forward exchange contracts totalling $3.8 million depressed the company to a *loss* of $509,445 (*minus* 0.6 cents), compared with a profit of $8.0 million in 2007.

No final dividend will be paid, leaving the annual dividend at 2.0 cents.

There was a small cash operating *deficit* of $34,264 compared with a cash surplus of $2.1 million in 2007.

<u>Atlas South Sea Pearl started the year virtually debt-free</u> (i.e. with under $0.5 million of debt), but with the decline in expected cashflows effectively had to borrow to finance its $1.8 million dividend (i.e. 2.0 cents per share) and capital expenditure of $0.85 million. That *could* have left the company with interest bearing debts of around $3.2 million - but it borrowed in Japanese Yen *and* further currency contracts - with losses taking total borrowing and hedging liabilities to $7.4 million (8.2 cents per share).

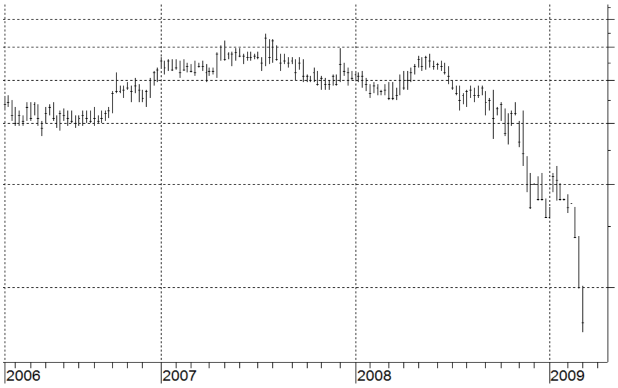
<u>This outcome does not look like currency hedging</u> (i.e. to *reduce* risks) <u>nor an unfortunate loss from borrowing in the wrong currency . . . but it does look a lot like deliberate currency speculation</u>. Unfortunately - as is so often the case - the directors or management's currency speculation skills failed to save the company from a downturn in the pearl business, and have only dug it into a much deeper hole!

Probably under pressure from its bankers (or foreign exchange broker) the company is making a 1 for 3 non-renounceable (i.e. you can NOT sell rights) cash issue at 8 cents per share, seeking to raise up to $2.38 million from shareholders. The shares traded ex-entitlement on 6 March, with <u>payment due by 31 March 2009</u>. Investors may also apply for additional shares from any entitlements not taken up by other investors.

Pearl farming - like any agricultural business - involves production and commodity risks, but overall it is one which produces high profit margins and significant cash flows that can support high dividend payments. The current result - and the need to raise cash from shareholders - appears to relate more to an unsuccessful plunge into currency speculation!

If Atlas South Sea Pearl can just stick to its core business (i.e. producing better pearls more economically, plus value added jewellery) then it will remain an attractive, high income producing investment. Unfortunately, it is shareholders who have to step in and recapitalise the company when something goes badly wrong. Given the longer term growth and income from the pearling business, we recommend that shareholders take up their entitlement of new shares (and/or buy shares on market as a cash issue in the current market significantly depresses a company's share price).

Atlas South Sea Pearl



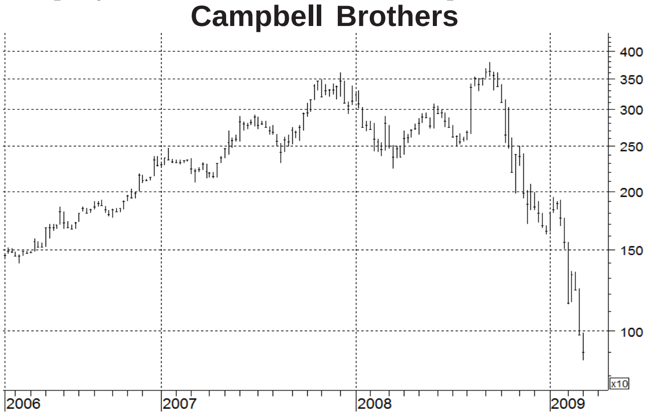
Breville Group reports revenues up 3.2% to $255.8 million for the half year to 31 December, but profits fell 33.7% to $10,766,000 (8.3 cents per share). Most of the decline relates to foreign exchange losses and "mark to market" losses on interest rate swaps. The interim dividend will be reduced 52.9% to 4.0 cents.

There was a net operating cash *deficit* of $19.9 million, compared with a *deficit* of $3.1 million in the previous period a year earlier.

Campbell Brothers has downgraded its profit forecast from 70% growth to 49% growth to around $106 million (205 cents per share) for the full year to 31 March 2009.

The company has debt facilities totalling $410 million, of which $224 million (about 55%) was drawn down at the end of January. $200 million of these facilities expire in November this year and the company expects to have negotiated extensions to that facility by May. So the company remains in a sound financial position.

Campbell Brothers



At 900 cents, Campbell Brothers shares trade at under 4½ times this year's earnings. "Buy!"

Cellnet Group's revenues fell 50.0% to $94.7 million for the half year to 31 December 2008. This was all from the termination of its contract with **Telecom NZ** (34%) and discontinuing the distribution of notebooks and desktop computers (16%). The *trading* loss from continuing operations was $2,588,000 *(minus* 3.3 cents per share). There was also a $7.9 million loss on the *discontinued* operations. No interim dividend will be paid.

The net operating cash surplus rose 3-fold to $8.8 million - enabling the company to repay its $10.0 million in interest bearing debts (i.e. to become debt-free) *and* end the period with $10.2 million (13.2 cents per share) of cash in the bank.

Clarius Group's revenues fell 3.6% to $157.2 million for the six months to 31 December 2008, but profits plunged 81.6% to $970,000 (1.6 cents per share). No interim dividend will be paid this year.

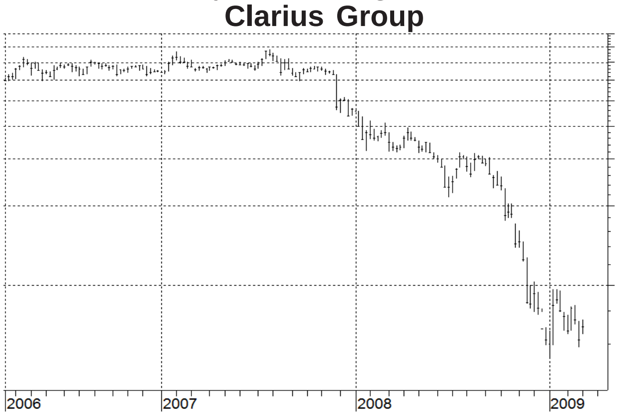
There was a cash operating *deficit* of $5.3 million for the period, up from a *deficit* of $4.1 million a year earlier.

The company had $25.1 million of interest bearing debt at the end of December, but has since repaid $5 million.

While the company doesn't give exact figures, *permanent placement* revenues appear to have fallen 25-35% while *contracting and temporary* revenues are down only slightly. Permanent revenues account for only around 10% of the total business , but "is nearly all profit margin", compared with 12-20% profit margin on temporary staff revenues.

Costs also rose $1.3 million over the period for redundancy to downsize the business and reduce internal staff numbers by around 10%. This will generate around $4 million annually in cost savings.

Clarius Group



CPT Global experienced a 6.0% drop in revenues to $21.7 million for the half year to December 2008. Profits were down 22.1% to $1,044,000 (2.8 cents per share). The interim dividend will be 23.1% lower at 2.5 cents.

The net operating cash surplus increased 8-fold (from a low level last year) to $1.6 million.

The company reports increased interest in its *Risk Reward* pricing as "the service is self funding by definition" (i.e. sharing the savings) and cost cutting "remains a priority across all industry sectors" (i.e. all potential clients).

The company believes "the inherent growth potential remains considerable" and is exploring new markets in Canada and South America. *(Continued on Page 8)*

Recommended Investments

(Continued from Page 7)

CPT Global

Devine's revenues fell 17.6% to $204.0 million for the six months to 31 December but profits rose 15.4% to $11,595,000 (4.0 cents per share). The interim dividend will be reduced 25.0% to 3.0 cents, with the company retaining greater cash to help finance future expansion.

The net operating cash surplus (which can vary widely owing to the construction or settlement of major projects) was down 5% but still extremely high at $42.4 million.

The full year profit to June 2009 is predicted to be 22-28% lower at around $23-25 million (7.8-8.6 cents per share).

Ellex Medical Lasers lifted revenues 20.5% to $30.4 million for the six months to 31 December 2008, but recorded a *loss* of $798,000 (*minus* 1.2 cents per share) compared with a profit of $1,238,000 in the previous period. The major factor in this reversal of profitability was the $3.6 million unrealised losses on foreign exchange positions which were written off for the period.

There was a net operating cash surplus of $2.1 million, compared with a *deficit* of $2.0 million previously.

The company has restructured to "materially reduce operating costs, improve profitability and cash flow going forward".

Accounting policies requiring the write-off of "mark-to-market" foreign exchange losses - and the non-cash write off of all intangible assets - helped to breach two bank convenants which in turn led to the requirement for the recent cash issue which raised $1.5 million in new equity to help reduce debt.

Iluka Resources recorded revenues 14.4% higher at $1,052.4 million for the year to 31 December 2008. Profits were 51.7% higher at $77,500,000 (20.4 cents per share). No dividend will be paid as the company retains cash to finance its major expansion projects.

The net operating cash surplus increased almost 2½-fold to $233.0 million.

The $209 million *Murray Basin Stage II* should begin production in the June 2009 quarter, while the $420 million *Jacinth-Ambrosia* is scheduled to begin production in mid-2010.

Iluka Resources

Integrated Research's revenues slipped 2.0% to $19.7 million over the six months to the end of December, with profits down 31.4% to $2,890,000 (1.7 cents per share). A steady 1.5 cents interim dividend will be paid.

The net operating cash surplus *tripled* to $1.6 million.

New licence fees were down 24% to $8.8 million, while maintenance fees rose 17% to $9.6 million and consulting fees *tripled* to $1.3 million.

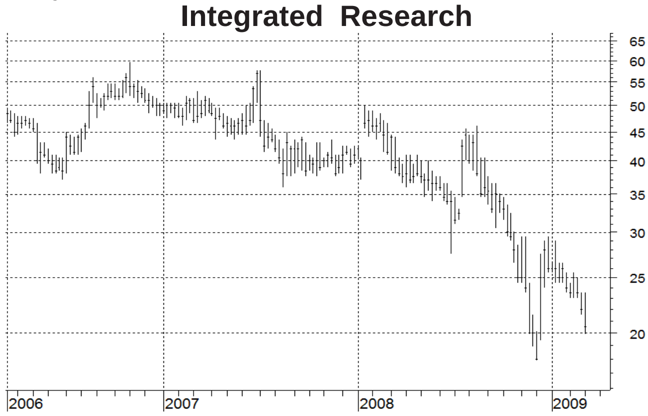
The decline in profits reflects a particularly strong half year to December 2007 - where several large sales contributed to revenues and profits - rather than a poor performance in the recent half year to December 2008. Comparing the half year to December 2008 with the six month period to June 2008 shows revenues up 14.2% and profits up 84.7%!

The company remains debt-free, with $11.2 million (6.7 cents per share) of cash in the bank.

As we all know, the global economy is in recession and this could depress new licence sales in the short to medium term, but the company earns 97% of revenues overseas so will benefit significantly from the decline in the Australian dollar.

At 21 cents, Integrated Research shares trade on a Price/Earnings ratio of just 6 and offer a fairly reliable Dividend Yield of 14.6%. The company is debt-free, with plenty of cash in the bank, so should at least maintain its current 3.0 cents annual dividend. Medium to long term we are investing in Integrated Research not just for that high dividend but from its potential to generate above average revenue and profit growth. This is another high quality company where we rate the shares a strong "Buy".

Integrated Research



International All Sports recorded a 2.7% increase in wagering turnover for the six months to 31 December 2008, but its win rate improved to lift company revenues

23.9% to $28.8 million. Net profits recovered 3¾-fold to $1,346,000 (2.0 cents per share).

The net operating cash surplus was $0.8 million, down from an unusually high $3.8 million a year earlier.

The Takeovers Panel has refused **Centrebet International**'s application to be released from confidentiality and stand still agreements - with Centrebet appealing that decision . . . and again losing.

Meanwhile, however, *another* Australian internet and telephone gaming firm, **Sportsbet**, has been aggressively buying International All Sports shares on-market at prices from 28-40 cents and has acquired a 12.34% shareholding. Sportsbet's plans are unclear, but there could be synergies in merging these two similar companies into a single larger unit. If nothing else, Sportsbet's buying indicates that a competitor (i.e. someone who knows the business well) sees value in International All Sports shares at current prices!

The Managing Director, MJ Read, has also purchased further shares, lifting his holding to around 28.7% of the company.

M2 Telecommunications lifted revenues 114.2% to $87.3 million for the six months to 31 December 2008. Profits were up 63.5% to $3,193,000 (4.1 cents per share). The interim dividend will be raised 25.0% to 2.5 cents.

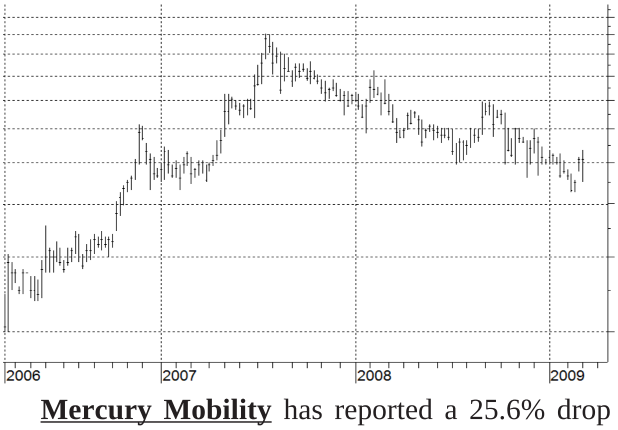
The net operating cash surplus was 9% higher at $4.7 million.

Revenue from its Retail division rose 49% to $43.0 million, but earnings *fell* 25% to $3.8 million as margins were squeezed by higher charges on telecommunication services from network operators. The Wholesale division (aided by the acquisition of **Unitel Australia** from **Commander Communications**) lifted revenues 3¾-fold to $44.2 million and earnings almost 2½-fold to $4.8 million.

Unitel Australia was purchased in February 2008 for $10.0 million in cash plus up to a further $2.5 million based upon performance. Although that business appears to be making a strong contribution, last month the company negotiated to reduce the earn-out payment to zero.

For the full year to June 2009, M2 Telecommunications is predicting revenues up 36-50% to $148-164 million and net profit up 38-54% to $7.2-8.0 million. This will include three months trading of **People Telecom** which is being acquired via a scheme of arrangement. That acquisition will also increase the issued capital by around 34%, so fully diluted earnings per share for the current year will be up 3-15% - with the benefits of the acquisition coming through in the June 2010 financial year.

M2 Telecommunications



Mercury Mobility has reported a 25.6% drop in revenues to $2.8 million for the six months to December 2009 and a *trading* loss of $631,764 (*minus* 0.6 cents per share) - up from a $219,280 *loss* in the period to December 2007.

There was a cash operating *deficit* of $160,078 compared with a surplus of $907,136 a year earlier.

The bottom line *loss* was $2.7 million - which includes many of the new but misleading accounting standards which tend to boost reported company profits during an economic boom but which depress results in a recession!

For example, the company has written-off all of its intangibles and recorded an impairment charge of $1.1 million. Based upon the current International Accounting Standards, companies need to constantly assess intangible asset values and write down their value if there is any doubt. Invariably that means few if any write downs in a boom, but massive write-offs in a recession where *everything* must be in doubt!

Similarly the company has written off $1.0 million of prior period deferred tax assets. Accounting standards require companies to recognise the value of these deferred tax assets during normal economic times when there is the likelihood of becoming profitable in the near future, but in a period of high uncertainty? Well, it is only prudent to write them all off, isn't it! Which means if the company survives and if it finally becomes profitable, then it can again reclaim these tax benefits through its profit statement. In theory, this could be repeated a third or fourth time! So *reported* profits become higher in booms and lower (or losses become bigger) in an economic downturn. That doesn't make any sense to us!

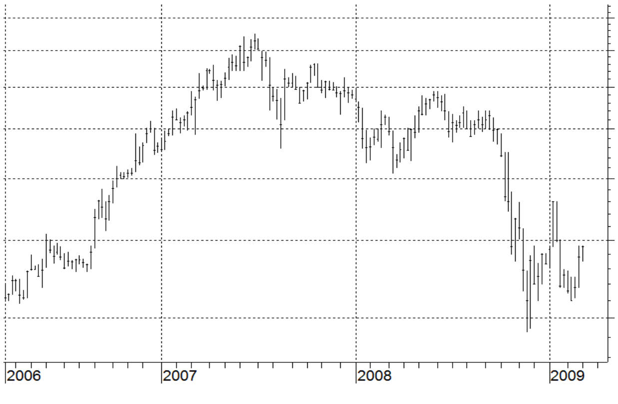
Melbourne IT recorded steady growth for the full year to 31 December 2008. Revenues were 20.6% higher at $185.2 million, while profits rose 16.8% to $16,193,000 (20.8 cents per share). Both the interim and final dividend (of 8.0 cents) were raised 1.0 cent, lifting the annual dividend rate 15.4% to 15.0 cents.

The net operating cash surplus was 7% higher at a healthy $26.4 million.

The favourable exchange rate (i.e. the lower Australian dollar against the US dollar and other currencies in which the company earns its revenues and profits) will "strongly contribute to improved" earnings during 2009.

The **DBMS** acquisition will also make a larger contribution in 2009, with further growth in future years.

Melbourne IT



Photon Group lifted revenues 35.7% to $333.2 million for the six months to December 2008. Trading profits were 9.6% higher at $9,471,000. Earnings per share were 18.6% lower at *(Continued on Page 10)*

Recommended Investments

(Continued from Page 9)

9.2 cents per share owing to the 1 for 3 cash issue in July 2008.

There was also a non-cash write-down of $4.2 million in the value of its shareholding in listed **Dark Blue Sea**, but that has no impact on on-going performance of the main business.

The interim dividend will be cut 47.8% to 6.0 cents per share, with the company targeting a reduction in the payout ratio from 96% in 2007 to around 50% over the next two years as it seeks to repay interest bearing debts. This is in line with our expectations at the time of initially recommending Photon Group shares in November 2008.

The net operating cash surplus was 41% lower at $7.9 million for the half year.

Photon Group does have significant debts. Interest bearing debts total $283.4 million with a further $81.2 million payable on earn-outs from past acquisitions. The company is currently negotiating to roll-over and extend the $100 million of current debts maturing in July 2009 and "confident" of announcing an extension shortly. From the end of March, 76% of debt will be at floating rates with the company enjoying the benefit of "materially lower" interest costs in future periods.

The company continues to predict full year earnings per share "up approximately 10%" on last year (i.e. to around 32½ cents). It forecasts a 50% payout ratio which would equal an annual dividend rate of around 16 cents, down 44%, but to a more prudent level that still offers an extremely high income yield to shareholders but also allows for the reduction in debt levels.

Photon Group

Probiotec lifted revenues 41.3% to $46.5 million for the half year to 31 December 2008, with profits up 73.5% to $4,267,637 (9.1 cents per share). The interim dividend will be raised 25.0% to 1.25 cents.

The net operating cash surplus was 55% lower at $2.3 million.

The rapid growth in profits reflects the significant increase in higher margin brands owned by the company. Own-branded product sales increased 86.0% to $34.7 million, expanding from 56.7% of total revenues in the half year to December 2007 to 74.7% in the latest period. A new range of *The Biggest Loser Club* meal replacement products was launched in December 2008 through 1500 Coles and Woolworths outlets and is expected to generate "significant orders" from the current quarter.

Export markets for it branded products are also being developed in New Zealand, Asia and Europe.

The directors continue to forecast net profit growth of around 20% for the full year to June 2009.

Probiotec has interest bearing debts of $32.5 million which have been drawn down over recent years to help finance property, plant and equipment to increase production capacity and to also help finance higher working capital (i.e. stock and debtors) as revenues have grown. This is a reasonable level of debt for the business. $7.3 million of term loans were renewed in February, with loans now maturing in November 2010, and during 2011 and 2012.

Prophecy International has reported a 4.4% increase in *trading* revenues to $2.8 million over the six month period to 31 December 2008. *Trading* profits appear to be 10.7% lower at $899,241 (2.0 cents per share), but there was also a net foreign exchange gain (i.e. from holding foreign currency receivables or cash as the Australian dollar depreciated) of $434,107. The board, however, "is working to minimise" the future "profit impact from currency movements".

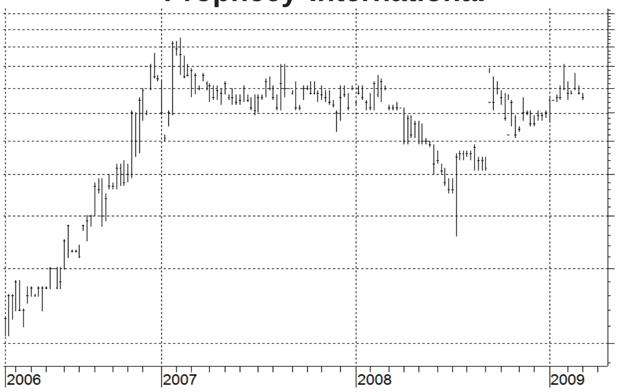
A steady 2.0 cents (unfranked) interim dividend will be paid.

The net operating cash surplus (including the exchange rate impact) was $970,751 - up 2½-fold on the December 2007 half year.

The company has no interest bearing debt, while surplus cash on hand is up 13.9% on a year earlier at $5.4 million (11.8 cents per share).

The company predicts that revenues will "continue to be strong in the second half, resulting in an expected increased profit for the year" that will "exceed original budgets". It also predicts "a solid sales pipeline" going into the June 2010 financial year.

Prophecy International



Ross Human Directions lifted revenues 0.3% to $203.7 million over the half year to December 2008, with profits slipping just 8.4% to $2,303,000 (2.8 cents per share). The interim dividend, however, will be cut 62.5% to just 0.75 cents as "the uncertainties in current economic and financial markets require the utmost prudence in cash management until these markets stabilise".

The cash operating surplus was an extremely high $10.3 million (compared with a *deficit* of $8.6 million in the previous period). This enabled the company to repay $8.5 million in borrowings and reduce interest bearing debts to $23.7 million.

In mid-February, the company was unsuccessful in litigation relating to a contract dispute and expects to incur after tax legal costs of around $380,000.

Skilled Group lifted revenues 16.4% to $1,067.4 million over the six months to 31 December 2008. Profits were 47.8% higher at $21,409,000 (17.4 cents per share). The interim dividend will remain steady at 9.0 cents.

The business generated a very healthy cash operating surplus of $50.7 million, compared with a *deficit* of $33.2 million a year earlier.

Skilled Group has reduced its permanent staff numbers by around 140 people (or 10%), incurring redundancy costs of $1.7 million but annual savings of around $12 million. Short term objectives are to maximise cash generation and reduce interest bearing debts, while long term it seeks to continue to grow both its existing businesses and through acquisition. Skilled Group is the largest labour hire business in Australia with an estimated 12% market share, but this industry remains highly fragmented with over 3000 businesses, many of which are small, specialist or regional businesses.

The first four months "were very strong", but with "conditions weakening in November and December". As reported last month, the company expects a full year profit around $34-41 million - similar to the actual June 2008 result of $39.3 million.

Skilled Group shares are an attractive "Buy" owing to their low valuation - a Price/Earnings ratio of 4 and Dividend Yield of 16.8%.

TFS Corporation's results are very seasonal, so half yearly results can be misleading. Nevertheless, the company reported revenues 61.3% higher at $24.5 million for the six months to 31 December 2008, with profits up 65.9% to $5,157,519 (2.7 cents per share). The interim dividend will be raised 25.0% to 1.25 cents.

There was a cash operating *deficit* of $2.2 million for the period, compared with a *deficit* of $12.3 million in the period a year earlier.

The company was prevented from selling any of its 2008 Indian Sandalwood Plantation during the period owing to a tax change on forestry *Managed Investment Schemes*. The 2009 MIS has been approved by the Australian Tax Office and the company is confident of selling at least 930 hectares of the 950 hectares being developed. These MIS sales are still the major source of revenue and profits at this stage of the company's growth and development.

Recurring management fees on plantations owned by investors grew 63.6% to $6.3 million for the half year. These recurring fees are an important and rapidly growing source of revenue and profits as the company expands its operation and has increasing hectares of Indian Sandalwood plantations under management. Around 80% of these fees, however, are "deferred" (and accumulate interest) to be paid to TFS Corporation when the trees are finally harvested.

The company's own investment in Indian Sandalwood trees was revalued by $10.7 million during the period, up from just $0.6 million in the first half of 2007. This increased value of *existing* trees also supports a higher value (i.e. higher selling prices and higher profit margin) on the MIS sale of the new trees being planted this year.

The current period also included $5.7 million of revenue and earnings of $2.1 million (before tax, depreciation and interest) from the acquisition of **Mt Romance**.

The company calculates its first half "cash" *loss* at $5,968,690 (compared with a "cash" profit of $699,286 in 2007) but this is the company's off-season and the full year "cash" profit is forecast to rise at least 15% to around $26.3 million for the full year.

"Non-cash" profits contributed just $1.3 million (after tax) in the year to June 2008 and have already contributed $11.1 million (after tax) in the first half of the current year.

TFS Corporation has contracted to acquire a commercial site in Kununurra for $1.6 million which will become a Mt Romance showroom and tourism facility, as well as the main equipment service site for the company.

Despite the economic downturn, the demand and value of Indian Sandalwood continues to increase. TFS Corporation is a high quality, growth business, with shares trading on a Price/Earnings ratio of 5 and offering an attractive Dividend Yield. A "Buy" for both income a capital growth.

The Reject Shop lifted revenues 16.6% to $221.7 million for the half year to December 2008, with profits up 10.1% to $15,561,000 (60.3 cents per share). The 2007 period covered 27 weeks trading, so excluding the extra week the company estimates revenues up 20.4% and profits up 20.0%. The interim dividend will be increased 10.3% to 32.0 cents.

The net operating cash surplus rose 4% to $20.1 million.

The full year profit to June 2009 is forecast to be 11.6-12.8% higher at $18.6-18.8 million.

The Reject Shop continues to hold potential for steady, but significant, growth over the next 20 years. During the recent half year it *(Continued on Page 12)*

Recommended Investments

(Continued from Page 11)

opened 15 new stores and closed two, giving it 164 stores at present, and plans to open a further eight stores in the current half year. Long term it plans to open around 20 stores annually with the potential to grow to over 400 stores throughout Australia.

A new computer system - to help to further improve stock management - will go live in the near future. The company has begun consolidating freight overseas for shipment to Australia and the new Queensland distribution centre is scheduled to open in July 2010.

At 1024 cents, The Reject Shop shares trade on a Price/Earnings ratio of 16 and offer a Dividend Yield of 4.7%. Under normal circumstances we would say that was extremely cheap for a company with steady, long term growth potential that could growth 10-20 fold in value over the next 10-15 years.

In the current market, however, we can buy other quality shares at lower valuations (e.g. CPB on a P/E of 4½ and Yield of 11-13%, IRI on a P/E of 6 and Yield of 15% or SKE on a P/E of 4 and Yield of 17%) so we would tend to favour those lower valued shares for *new purchases* (subject, as always to maintaining a diversified portfolio, not heavily weighted in a small number of shares). That, leads investors to ask, "Should we sell TRS to invest in these other more under-valued shares". We, however, are NOT in favour of selling a company with excellent long term growth potential and which, by retailing a lot of fast moving consumer goods, could prove to be relatively recession-proof. So profits will likely continue to grow steadily over the next year or two - and over the next 10-15 years!

Despite the odd set back, no-one ever got rich selling their winning shares for a small profit! The Reject Shop remains a "Hold+" for long term wealth creation!

The Reject Shop

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

For an explanation of this table see the *Share Selection Methods* report sent to all new subscribers or available from our website. 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 Cur-rent	STRENGTH RATING 4-Wk Chg.	STRENGTH RATING Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld>0, Rel Strength>0													
Cynotech Hold.	16	+4.3	+2.2	2	2-0	-	1.2	17	2.0	7	11.7	0.97	17
BEST PERFORMING SHARES: Strongest Shares, P/E<20, P/S<1.0													
Cynotech Hold.	16	+4.3	+2.2	2	2-0	-	1.2	17	1.5	7	11.7	0.97	17
Media Tech.	5	+3.2	+4.9	3	0-0	-	17.9	-	2.2	5	Nil	0.79	4
INCOME SHARES: Highest Yields, Capitalisation>NZ$100 million													
F & P Appliance	52	-24.6	-5.8	84	0-0	5	0.2	8	1.0	3	45.4	0.11	148
Hallenstein G.	200	-12.9	+1.2	59	2-0	2	1.8	32	0.4	6	26.1	0.60	119
PGG Wrightsons	97	-24.9	-3.1	85	13-0	4	0.6	15	0.6	4	24.6	0.23	281
Pyne Gould Corp	159	-16.8	-7.7	68	1-0	-	0.6	17	0.6	3	21.6	0.65	156
Briscoe Group	60	-11.2	-0.7	50	0-0	3	1.1	19	0.6	6	19.9	0.31	127
Guoco Leisure	28	-24.3	+1.9	83	11-0	-	0.3	1	0.9	22	18.8	0.59	383
Telecom Corp	239	-10.2	+3.1	44	5-6	11	1.6	26	0.6	6	18.1	0.77	4,364
ING Property	58	-10.2	+0.9	44	5-0	2	0.4	10	0.5	4	17.0	2.89	298
Air New Zealand	76	-11.3	+1.6	50	6-1	6	0.5	14	0.7	4	16.7	0.17	803
Pumpkin Patch	105	-18.4	+2.7	75	2-1	3	1.6	25	0.7	6	12.8	0.48	175
INSIDER BUYING: Most Insider Buying, Relative Strength>0													
ING Med. Prop.	113	+1.3	+2.4	7	2-0	2	0.9	5	0.5	18	8.7	6.50	158
Cynotech Hold.	16	+4.3	+2.2	2	2-0	-	1.2	17	1.2	7	11.7	0.97	17
Vector Ltd	215	+2.1	+2.8	5	1-0	3	1.1	7	0.6	15	9.2	1.82	2,150
Apple Fields	4	+10.1	-17.0	1	1-0	-	0.9	41	3.2	2	Nil	1.18	3
Sanford Limited	545	+0.5	-0.2	9	0-0	3	1.0	4	0.2	26	6.0	1.38	510
Connexion	15	+2.2	-0.7	4	0-0	-	25.9	-	1.2	NE	Nil	1.00	4
Lyttelton Port	230	+2.7	-2.6	3	0-0	2	1.8	8	0.4	23	3.3	2.82	235
New Image Group	30	+18.2	+20.0	0	0-0	-	-	-	1.3	NE	Nil	2.48	63
Pac Edge Bio.	11	+0.9	-0.6	8	0-0	-	4.4	-	1.2	NE	Nil	N/A	12
Media Tech.	5	+3.2	+4.9	3	0-0	-	17.9	-	1.6	5	Nil	0.79	4
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength<0													
NZ Windfarms	70	-12.6	+1.4	58	0-0	-	0.7	3	0.9	23	Nil	9.10	55
Northland Port	237	-3.6	-1.4	24	0-0	-	0.6	6	0.4	11	6.9	8.40	103
Ryman Health.	122	-9.5	-0.8	41	1-0	4	1.6	20	0.5	8	4.1	8.04	607
Property F Ind.	112	-1.8	+2.5	17	0-0	3	0.9	-	0.4	NE	6.4	7.33	238
Blis Technology	5	-3.3	+2.2	21	0-0	-	2.8	-	1.6	NE	Nil	6.87	6
Goodman Prop.	88	-10.9	-0.5	47	0-0	3	0.7	9	0.5	7	11.2	6.23	734
Akd Int Airport	171	-5.5	+3.2	30	2-1	7	1.1	6	0.5	19	7.2	5.95	2,090
Windflow Tech.	239	-8.4	-0.9	37	0-0	-	3.5	-	0.3	NE	Nil	5.88	20
AMP Onyx Mgmt	98	-6.0	+0.8	32	2-0	3	0.7	12	0.4	6	8.6	5.59	674
Kiwi Property	101	-6.3	+0.7	33	3-0	3	0.7	11	0.5	7	9.1	4.87	840
Port Tauranga	534	-5.6	-1.3	30	1-0	4	1.1	7	0.4	17	7.0	4.81	715
NZ Exchange Ltd	525	-11.1	+1.9	49	0-0	2	3.7	29	0.6	13	6.0	3.98	128
NZ Refining Co	645	-2.4	+3.3	18	1-0	2	2.6	21	0.4	12	10.4	3.89	1,548
South Port NZ	209	-2.3	+1.5	17	0-0	1	2.0	9	0.5	22	6.8	3.57	55
Trust Power Ltd	715	-5.7	+1.1	32	0-1	4	1.8	8	0.5	23	5.9	3.31	2,255
Burger Fuel	28	-19.6	-1.5	78	0-0	-	3.2	-	0.8	NE	Nil	3.15	15
Kermadec Prop.	44	-13.2	+0.6	60	0-0	-	0.4	7	0.7	5	19.7	3.13	34
AMP Limited	506	-11.4	+1.4	53	3-0	-	4.2	28	0.6	15	8.8	2.98	10,084
ING Property	58	-10.2	+0.9	44	5-0	2	0.4	10	0.4	4	17.0	2.89	298
WN Drive Tech.	10	-30.2	-2.1	91	0-0	-	2.0	-	1.1	NE	Nil	2.86	42
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio>0.25, Yield<Twice Average													
Charlie's Group	9	-58.3	+0.0	98	0-0	-	1.8	-	1.2	NE	Nil	0.91	27
Sealegs Corp	11	-37.9	+1.9	95	0-0	-	4.3	-	1.6	NE	Nil	1.39	8
Plus SMS Hold.	2	-35.6	+1.8	94	1-3	-	1.0	-	3.1	NE	Nil	1.29	7
NZ Farming Sys.	48	-33.1	-2.0	93	14-0	-	0.5	-	0.7	NE	Nil	N/A	117
Rakon Ltd	97	-32.5	-0.2	91	1-3	4	0.9	8	0.9	11	Nil	0.68	119
WN Drive Tech.	10	-30.2	-2.1	91	0-0	-	2.0	-	1.1	NE	Nil	2.86	42
Metro. LifeCare	180	-26.2	-4.2	86	0-0	-	0.3	-	0.3	NE	10.6	2.70	157
Comvita	90	-24.3	-1.1	84	2-0	-	0.4	-	0.5	NE	Nil	0.48	25
Pike River Coal	73	-20.2	+1.8	79	1-0	2	0.9	-	0.8	NE	Nil	N/A	192
Guinness Peat	61	-19.9	-2.1	79	0-0	2	0.4	-	0.6	NE	4.1	0.25	864
Burger Fuel	28	-19.6	-1.5	78	0-0	-	3.2	-	0.8	NE	Nil	3.15	15
Pumpkin Patch	105	-18.4	+2.7	75	2-1	3	1.6	25	0.7	6	12.8	0.48	175
Mainfreight Grp	330	-18.1	-1.4	74	0-8	5	1.3	16	0.5	8	8.1	0.34	319
Barramundi Ltd	34	-17.9	-0.0	73	0-0	-	0.4	-	0.8	NE	Nil	N/A	34
Michael Hill	47	-17.8	+0.8	72	0-0	2	2.0	28	0.4	7	10.2	0.48	180
Millennium & C.	37	-17.4	-0.7	70	0-0	-	0.3	4	0.4	7	4.8	1.04	129
INSIDER SELLING: Most Insider Selling, Relative Strength<0													
Mainfreight Grp	330	-18.1	-1.4	74	0-8	5	1.3	16	0.5	8	8.1	0.34	319
Warehouse Group	330	-7.4	+0.5	35	0-3	8	3.0	34	0.5	9	7.9	0.58	1,026
Plus SMS Hold.	2	-35.6	+1.8	94	1-3	-	1.0	-	2.9	NE	Nil	1.29	7
Rakon Ltd	97	-32.5	-0.2	91	1-3	4	0.9	8	0.9	11	Nil	0.68	119
TeamTalk Ltd	200	-0.7	+1.7	12	0-1	-	1.9	18	0.4	11	14.9	1.32	40
Trust Power Ltd	715	-5.7	+1.1	32	0-1	4	1.8	8	0.4	23	5.9	3.31	2,255
Telecom Corp	239	-10.2	+3.1	44	5-6	11	1.6	26	0.5	6	18.1	0.77	4,364

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

For an explanation of this table see the *Share Selection Methods* report sent to all new subscribers or available from our website. 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.

UNDER-VALUED SHARES: Lowest Price/Sales, Yld>0, Rel Strength>0

Company	Share Price	STRENGTH RATING Cur-rent	STRENGTH RATING 4-Wk Chg.	STRENGTH RATING Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Lindsay Aust	16	+2.0	+3.2	5	1-0	1	0.8	7	1.3	12	5.6	0.12	24
Namoi Cotton	37	+4.2	+0.1	4	1-0	-	0.3	4	1.0	9	2.7	0.15	39
Manaccom Corp.	20	+6.7	+8.5	3	1-0	-	3.3	-	1.5	3	5.0	0.23	9
Metcash Ltd	390	+1.0	-0.2	6	0-1	14	24.4	-	0.6	15	5.4	0.29	2,983
Salmat Ltd	325	+1.3	+2.7	6	6-0	6	-	-	0.4	23	5.7	0.63	516
Probiotec Ltd	140	+4.2	+0.3	4	2-0	-	2.2	21	0.6	10	1.8	0.99	65

BEST PERFORMING SHARES: Strongest Shares, P/E<20, P/S<1.0

Company	Share Price	STRENGTH RATING Cur-rent	STRENGTH RATING 4-Wk Chg.	STRENGTH RATING Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
RHG Ltd	25	+11.4	+14.4	2	0-0	-	-	-	1.0	3	Nil	0.08	87
Electro Optic	28	+9.2	+5.2	3	0-0	-	2.8	39	0.8	7	Nil	0.40	16
Manaccom Corp.	20	+6.7	+8.5	3	1-0	-	3.3	-	1.2	3	5.0	0.23	9
Adacel Tech.	38	+5.3	+1.6	4	0-0	-	2.9	17	0.8	18	Nil	0.86	32
Probiotec Ltd	140	+4.2	+0.3	4	2-0	-	2.2	21	0.5	10	1.8	0.99	65
Namoi Cotton	37	+4.2	+0.1	4	1-0	-	0.3	4	0.8	9	2.7	0.15	39
Lindsay Aust	16	+2.0	+3.2	5	1-0	1	0.8	7	0.9	12	5.6	0.12	24
Metcash Ltd	390	+1.0	-0.2	6	0-1	14	24.4	-	0.5	15	5.4	0.29	2,983
Planet Platinum	11	+0.8	+1.5	6	0-0	-	0.6	7	1.5	9	Nil	0.68	4
Symex Holdings	43	+0.8	-0.3	6	23-0	-	2.2	33	0.6	7	Nil	0.31	54
Int'l Equities	7	+0.6	-0.2	6	0-0	-	0.6	3	1.6	18	Nil	0.25	9
Espreon Ltd	49	+0.4	+10.1	6	0-0	-	-	-	1.0	9	Nil	0.33	46
Treyo Leisure	26	+0.0	+0.0	7	0-0	-	0.4	7	1.2	6	Nil	0.10	13
China Cons	3	+0.0	+0.0	8	0-0	-	0.0	0	2.2	16	Nil	0.76	16

INCOME SHARES: Highest Yields, Capitalisation>A$250 million

Company	Share Price	STRENGTH RATING Cur-rent	STRENGTH RATING 4-Wk Chg.	STRENGTH RATING Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Goodman Group	18	-43.8	-1.8	92	2-0	8	0.1	20	1.0	0	175.0	0.36	297
GPT Group	27	-36.0	-2.4	78	1-0	10	0.1	18	0.8	0	101.9	0.61	551
Asciano Group	49	-40.9	-1.3	88	2-0	-	-	-	0.7	NE	93.9	0.11	322
Australand Prop	20	-37.5	+1.4	82	0-0	4	0.1	6	0.7	2	55.0	0.41	339
ING Office Fund	21	-34.7	-8.9	75	1-2	9	0.1	10	0.8	1	51.2	1.28	357
Macquaries C&I	101	-37.7	+3.5	82	0-0	4	-	-	0.3	NE	45.8	0.22	527
Mirvac Group	72	-32.6	-0.6	70	1-0	10	0.2	15	0.5	1	44.3	0.32	717
ABC Learning	54	-26.7	+3.9	57	0-1	-	-	-	0.6	2	31.5	0.15	253
ConnectEast Grp	28	-25.9	-1.4	55	1-0	9	0.3	-	0.8	NE	30.4	N/A	609
Envestra	32	-30.5	-1.4	66	1-0	6	-	-	0.6	2	29.7	0.82	399
Chal Infra Fund	137	-16.1	+0.8	34	1-0	3	-	-	0.4	NE	24.8	1.17	477
Qantas Airways	148	-18.7	-2.1	39	3-1	13	0.5	18	0.4	3	23.7	0.17	2,794
APN News Media	95	-25.4	-5.9	54	1-2	10	-	-	0.4	NE	23.7	0.38	466
Fairfax Media	85	-28.7	-0.5	62	2-0	13	-	-	0.4	4	23.5	0.47	2,058
Flight Centre	374	-34.7	-1.4	75	2-0	7	1.9	72	0.2	3	23.0	0.26	373
Transfield Serv	160	-34.6	+1.9	75	8-0	9	-	-	0.6	6	22.5	0.16	634
Suncorp-Metway	495	-20.0	-0.9	42	1-1	12	0.9	10	0.3	9	21.6	0.38	5,676
Bluescope Steel	228	-32.6	+0.6	71	6-0	13	0.6	21	0.5	3	21.5	0.17	1,733
Ten Network	64	-23.5	-1.3	50	1-1	13	-	-	0.5	7	21.1	0.59	592
Spark Infrastru	91	-13.7	-1.1	29	0-1	8	-	-	0.6	96	20.5	3.99	913
Hills Indust.	136	-25.3	-6.9	54	2-0	4	0.9	16	0.4	5	20.2	0.21	254
Stockland	230	-21.4	-2.6	45	0-0	10	0.4	9	0.3	5	20.2	1.27	3,405
Dexus Property	59	-23.2	+1.6	49	0-0	9	0.3	8	0.5	4	20.2	2.56	1,794
Cromwell Group	50	-17.6	-2.6	37	9-0	2	0.5	15	0.4	3	20.0	1.67	354
Macquarie Group	1726	-23.7	-1.1	51	3-0	11	0.6	24	0.3	3	20.0	0.34	4,739

INSIDER BUYING: Most Insider Buying, Relative Strength>0

Company	Share Price	STRENGTH RATING Cur-rent	STRENGTH RATING 4-Wk Chg.	STRENGTH RATING Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Symex Holdings	43	+0.8	-0.3	6	23-0	-	2.2	33	0.4	7	Nil	0.31	54
Bow Energy Ltd	75	+33.0	+31.3	1	15-0	-	-	-	0.9	NE	Nil	N/A	80
Customers Ltd	164	+15.2	+7.7	2	12-0	-	-	-	0.6	NE	Nil	2.53	203
Hudson Res. Ltd	25	+20.1	-3.1	1	10-0	-	2.8	-	0.6	NE	Nil	N/A	25
Coretrack Ltd	15	+9.0	+13.6	3	7-0	-	4.8	-	1.0	NE	Nil	0.03	4
E-pay Asia Ltd	7	+59.3	+62.5	0	7-0	-	1.6	-	1.6	NE	Nil	0.18	2
Pan Pacific Pet	29	+22.4	+7.4	1	7-0	-	-	-	0.9	3	Nil	1.09	168
Ansearch Ltd	6	+162.1	+63.2	0	8-1	-	5.9	-	1.4	NE	Nil	3.03	37
Cogstate Ltd	22	+16.8	+2.3	1	6-0	-	7.3	-	0.7	NE	Nil	5.87	10
Salmat Ltd	325	+1.3	+2.7	6	6-0	6	-	-	0.3	23	5.7	0.63	516
Lihir Gold Ltd	315	+13.9	+11.5	2	6-0	15	2.5	55	0.6	5	Nil	6.51	6,889
CI Resources	100	+3.0	+2.4	5	5-0	-	5.3	21	0.6	25	Nil	N/A	73
Beaconsfield Gl	17	+4.9	+12.9	4	4-0	-	2.8	-	0.7	NE	Nil	1.94	62
Silver Lake Res	37	+15.5	+22.0	1	4-0	-	-	-	0.7	NE	Nil	N/A	N/A
Hillcrest Litig	8	+1.9	+6.7	5	3-0	-	-	-	1.3	4	Nil	1.98	4
Quantum Energy	10	+19.5	+2.0	1	3-0	-	10.0	-	0.9	NE	Nil	0.40	102
Centamin Egypt	109	+2.4	+10.8	5	3-0	-	-	-	0.5	102	Nil	N/A	824
Clover Corp.	19	+1.5	+0.0	6	3-0	-	1.2	17	0.9	7	5.4	1.34	31
Redflex Holding	245	+5.4	-4.8	4	5-2	4	-	-	0.5	29	1.4	3.11	218
Navitas Ltd	220	+2.4	+0.5	5	2-0	6	-	-	0.3	20	5.0	2.18	755
Cash Converters	32	+5.9	+6.2	3	2-0	-	4.0	78	0.6	5	9.4	1.04	77
Mint Wireless	5	+0.4	+13.7	6	2-0	-	2.5	-	1.6	NE	Nil	0.71	3
Eurogold Ltd	10	+0.6	-16.8	6	2-0	-	-	-	0.9	NE	Nil	N/A	32
Nanosonics Ltd	28	+4.7	+14.6	4	2-0	-	2.2	-	0.9	NE	Nil	N/A	55
AGL Energy Ltd	1345	+0.4	-3.5	6	2-0	12	3.3	17	0.3	19	3.9	1.10	5,963
Victoria Petrol	32	+16.6	+15.4	1	2-0	-	-	-	0.7	NE	Nil	8.60	70
Uscom Limited	55	+51.9	+11.0	0	2-0	-	6.9	-	0.4	NE	Nil	N/A	21
Prophecy Int'l	38	+10.0	+1.6	2	2-0	-	3.2	36	0.7	9	10.5	2.93	17
Pac Environment	45	+2.8	+5.9	5	2-0	-	-	-	0.9	NE	Nil	N/A	35
Tanami Gold NL	3	+26.8	+19.7	1	2-0	-	-	-	1.8	NE	Nil	7.62	77
Probiotec Ltd	140	+4.2	+0.3	4	2-0	-	2.2	21	0.4	10	1.8	0.99	65
Cool or Cosy	7	+24.2	+11.6	1	2-0	-	-	-	1.1	NE	Nil	0.25	4
Allied Gold Ltd	43	+3.0	+14.9	5	3-1	-	-	-	0.8	NE	Nil	N/A	144
Queensland Gas	575	+14.2	-5.9	2	3-1	1	4.6	24	0.4	19	Nil	N/A	4,722
Catalpa Res.	9	+13.1	+28.7	2	1-0	-	-	-	1.2	NE	Nil	N/A	40
Metal Storm Ltd	4	+3.9	+6.9	4	1-0	-	-	-	1.5	NE	Nil	7.04	23
Rockeby Biomed	3%	+100.1	+95.8	0	1-0	-	-	-	2.2	NE	Nil	N/A	37
Newcrest Mining	3107	+13.6	+7.0	2	1-0	18	4.3	4	0.4	105	0.3	5.96	14,084
RCG Corporation	26	+3.6	+0.7	4	1-0	-	2.0	19	0.6	11	Nil	2.18	52
Blackthorn Res.	10	+58.8	+42.8	0	1-0	-	-	-	1.2	NE	Nil	N/A	75
Solco Ltd	5	+8.4	+13.3	3	1-0	-	1.7	2	1.6	83	Nil	0.60	10
Namoi Cotton	37	+4.2	+0.1	4	1-0	-	0.3	4	0.6	9	2.7	0.15	39
1300 Smiles Ltd	265	+2.3	+2.4	5	1-0	-	-	-	0.7	23	3.2	3.50	53
Bandanna Energy	19	+1.6	-6.3	6	1-0	-	-	-	0.9	NE	Nil	N/A	31
HealthLinx Ltd	5	+5.1	+5.6	4	1-0	-	4.6	-	1.4	NE	Nil	6.97	4
Lindsay Aust	16	+2.0	+3.2	5	1-0	1	0.8	7	0.7	12	5.6	0.12	24
Tissue Therapy	12	+7.1	+10.6	3	1-0	-	1.1	-	0.9	NE	Nil	N/A	6
Transerv Energy	3	+4.2	+10.6	4	1-0	-	-	-	1.8	NE	Nil	N/A	18
Citigold Corp	21	+1.6	+1.1	5	1-0	-	-	-	0.8	NE	Nil	N/A	132
Icon Energy	20	+12.2	+10.5	2	1-0	-	-	-	0.9	NE	Nil	N/A	56
Polartechnics	8	+4.0	+5.7	4	1-0	-	4.2	-	1.4	NE	Nil	N/A	20
Aquacarotene	1	+5.5	+5.6	3	1-0	-	1.0	-	3.1	NE	Nil	N/A	2
Iluka Resources	433	+2.0	-0.9	5	1-0	12	1.4	5	0.4	27	Nil	2.88	1,648
Intl All Sports	36	+14.4	+23.5	2	1-0	-	-	-	0.6	NE	Nil	0.53	24
Manaccom Corp.	20	+6.7	+8.5	3	1-0	-	3.3	-	0.9	3	5.0	0.23	9
Firstfolio Ltd	4	+3.2	+11.0	5	1-0	-	-	-	1.9	NE	Nil	0.32	13
Nullarbor Hold	105	+39.6	+17.1	1	1-0	-	-	-	1.2	NE	Nil	N/A	78
Andean Res.	148	+8.1	+22.1	3	3-2	-	-	-	1.1	NE	Nil	N/A	512

Readers Ask . . .

Question: Is it possible for all companies listed on the stock exchange to fail?

Question: I wonder if we're making a mistake by staying in the stockmarket. In 3 or 4 years time, will HSN, TFC & PRO (for example) still have enough of a market to show an income? Slim down they might, but how far can they go? And CPB, will they still have customers?

Question: My husband and father in law have decided that its time to sell all the shares and stop any further losses as things are getting so very bad. It seems impossible with the latest American news to see things improving in the next 2 years and if anything turning completely to custard. This crisis would have to be so unique to any other in history. I have just started reading the Intelligent Investor which of course tells me only crazy investors and those influenced by others would sell now. But this scenario just seems so different.

Also is there a chance that Nuplex could collapse under debt pressure!!

Answer: First of all we should disclose that we have been waiting for this event: The cluster of "Should we panic and sell everything" emails and questions that over the last 28 years of publishing this newsletter has happened *very* close to the bottom of *every* stockmarket decline. This panic, close to the market low, is a contrary opinion "Buy" signal.

But let's deal with the questions in greater detail. *Any* company can fail at any time, and quite a few do! By extension, it is possible for all listed companies to fail. Around one-third of New Zealand listed companies failed after the 1987 crash (which, in retrospect, is just a little dip on the long term share charts) but at that stage many were in the business of borrowing to buy shares or property. These companies were heavily indebted and seeking to profit from the asset price appreciation of shares and properties. Many lacked a "business" producing a product or service, and lacked real revenues, cashflows and profits. Most listed companies today are involved in running a proper business, unlike the asset speculation of 22 years ago.

Still, it <u>is</u> possible that in a severe depression a large number of listed companies could eventually fail. However, listed companies tend to be bigger and better financed than smaller and medium sized unlisted companies and small owner operated businesses. If <u>all</u> listed companies failed (or even a high percentage), then almost certainly the whole financial and political system on the planet will have collapsed . . . so your investments will be the least of your worries!

Almost certainly there would be no food in the supermarkets (i.e. the supermarkets, international shipping lines and local transport firms, manufacturers and producers will all have failed), no petrol at gas stations (i.e. how could we pay the oil producers? and the tankers and refineries would be out of business) and no electricity or water.

If you are lucky enough to live on a farm and feel self-sufficient in food, please prepare a table for the 10,000 hungry city folk that will be knocking down your front door to claim their share!

We do <u>not</u> expect this to happen. But it is unreasonable to expect companies listed on the stockmarket to fail, but <u>not</u> the local businesses that provide you with food, goods and services.

Should you sell now . . . and buy back cheaper in a few years? Attempting to time the market like this is always a dangerous strategy. At best you need to make <u>two</u> decisions at the <u>right time</u>. You need to sell high *and* to buy low. OK, if you still own shares then we have got the first part of that wrong! And almost certainly you will get the second part wrong too! By the time the economy looks "healthy", share prices will have long ago recovered and probably be over-valued ahead of the next economic peak!

Investors are driven here by emotions and a "crowd mentality". When share prices had been rising for many years and hit high valuations in the 1980's boom and the Technology boom, then investors became more and more optimistic. Existing investors wanted to leverage their portfolios to make "real money", while people who had never before owned shares started investing on the stockmarket.

In a decline, shares become less and less attractive to investors as prices fall and shares offer better and better value. Eventually - usually right on the market low - investors can't take it any longer and sell out to avoid further losses!

If you look at a long term stockmarket chart you will probably ask yourself "Why did investors sell in the lows of the 1930's or the lows of 1973/74?" and "Why did investors buy at the highs in 1987 and 1999?". The answer is that shares looked very unattractive to most investors at the depression/recession lows when the economic situation was dire with no hope of ever recovering. And shares looked very attractive in the boom highs as we entered a new age of prosperity and wealth for all!

This is why we have always said that "bad" economic news (i.e. bank failures, recessions, etc) is good news for share investors (as share prices will be low) while "good" economic news (i.e. a boom, a golden age of strong economic growth) is bad news (as share prices will reflect those inflated expectations and be over-valued).

It is difficult to avoid becoming optimistic in a boom when the shoe shine boys and taxi drivers are getting rich on the market and the expectation is a new golden age of prosperity! It is even more difficult to avoid getting caught up in the pessimism of a decline, when your wealth is dwindling and all your friends and family are selling.

What if it takes several years for the economy to recover? In every recession, some people have predicted doom . . . and an endless downwards spiral in economic activity. That has never happened. At present, the general expectation is that the recession will hit its low in late 2009 to early 2010. Stockmarkets will *anticipate* the economic recovery by 6-9 months, so shares should be around their lows from about now through to perhaps September this year. So it is *way* too late to be selling. The current months will likely be the low of the cycle and a period to be BUYING shares!

We all know that most good companies will survive and eventually recover to normal valuations. What is always uncertain is the *timing* of that recovery. The recovery would see many share prices rise 100-200% in value. Even if that takes two years, that is a 41-73% per annum compound rate of return from current valuations. If the recovery took five years - far longer than anyone is predicting - that is still an historically very high 15-25% per annum compound rate of capital appreciation! Plus dividend income, also at historically high yields.

So shares purchased now - even if they drop further in value next week or next month, and even if the recession drags on far longer than expected - should produce high rates of returns to investors over the next several years!

In addition, the recession will force weaker firms to close, removing excess competition which depresses profit margins. So good companies that survive will be able to expand both their market shares (i.e. total revenues) and profit margins during the eventual economic recovery. Wage inflation and labour shortages - two major problems facing many companies over recent years, holding back growth and squeezing profit margins - are also eliminated by the recession!

Could Nuplex and other companies experiencing a drop in profitability during the recession and with high debt levels fail? Yes, and many will, although we would expect Nuplex to survive.

Breaching a loan convenant is not the same as defaulting on the interest or capital repayments on a loan. Convenants usually limit debt levels relative to earnings or relative to net assets, so prevent borrowers from taking on too much debt. Breaching a loan convenant is common in a recession when earnings (at least temporarily) fall. NZ and Australian companies have also been hit by the falling exchange rate, which increases the local currency value of foreign loans - which may breach a convenant based upon debt to net assets. (Those foreign loans will often be repaid from foreign income, so the exchange rate fluctuation does not impact upon the company's long term ability to service the debt, but does have a negative impact upon the balance sheet ratios.)

Usually banks will waive or renegotiate any breach of a convenant where the business is otherwise sound. In fact, it is probably a good excuse to just raise the interest rate for this "risky" borrower!

The recession also makes it more difficult for a bank to foreclose, even when a borrower actually defaults and is unable to pay interest or loan repayments. In normal times, a bank could take over a company and probably expect to be able to sell the business or at least its assets. Today, there is little market value in even sound businesses or properties - so banks could expect even lower prices from a receivership sale. If banks started forcing *numerous* companies to close - and putting tens of thousands of people out of work - then expect politicians to rush through some sort of US-style, Chapter 11 bankruptcy protection to enable distressed companies to avoid receivership and continue trading their way out of trouble (i.e. through the recession). That would allow the government to avoid having to step in with cash to support companies, while preventing banks from destroying (locally owned, tax-paying) businesses and putting people (i.e. tax-payers, voters) out of work.

In fact, in the current economic environment, banks will usually achieve higher debt repayments by avoiding their strict legal right to appoint a receiver to defaulting companies. Much better to simply pressure the company to (1) cut dividends - diverting all available cash flow to debt repayment, (2) raise new capital from existing or new shareholders - which can again be used to repay debt or, as a final resort, (3) seek subsidies or cash from the government "to keep operating and maintain employment" (i.e. read "to continue making interest and debt repayments to the banks").

But isn't the current crisis unique? Wait for it . . . we can hear the magic words coming . . . "Things are different this time".

Every boom (with over-valued shares) and every bust (with under-valued shares) is rationalised with those five magic words! Yes, every boom and every bust is different (i.e. driven by different factors) . . . but, in many ways all are the same!

Perhaps the Technology boom was the ultimate example of how "things are different this time" and (as we expected at the time) the internet has significantly changed the way we all work, play, communicate, plan holidays, research new products, pay bills, etc. But investment fundamentals didn't change. Overly optimistic forecasts of 50-200% p.a. growth were unrealistic, as was Price/Sales ratios of 100. But those unrealistic expectations were widely accepted at the time . . . and those who questioned them were ridiculed as "Not understanding *internet* economics".

Today, we are in a recession. Statements such as "Worse than the Great Depression" and "Things will get much worse" are widely offered without justification and just as widely accepted without question. Yes, its a recession . . . but will economic activity really decline by 30% with a similar level of unemployment as it did in the 1930's? We don't think so . . . and there is certainly no evidence or serious suggestion that things will get that bad . . . but even if that was the case, that is not necessarily unfavourable for share prices (which, as we have discussed in recent months, actually performed extremely well during the Great Depression).

“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 Company	Market Capital-isation (NZ$ Mill.)	Company	No. of Brokers Following Company	Market Capital-isation (NZ$ Mill.)	Company	No. of Brokers Following Company	Market Capital-isation (NZ$ Mill.)	Company	No. of Brokers Following Company	Market Capital-isation (NZ$ Mill.)
AMP Onyx Mgmt	3	674	Fletcher Build.	6	2,592	Michael Hill	2	180	Skellerup Hold.	2	74
Abano Health.	1	99	Freightways Ltd	4	378	NZ Exchange Ltd	2	128	Sky City Ltd	8	1,207
Air New Zealand	6	803	Goodman Prop.	3	734	NZ Refining Co	2	1,548	Sky Network TV	7	1,498
Akd Int Airport	7	2,090	Guinness Peat	2	864	Nat Property Tr	12	64	South Port NZ	1	55
Allied Work.	1	20	Hallenstein G.	2	119	Nuplex Indust	5	86	Steel & Tube	4	247
Briscoe Group	3	127	Hellaby Hold.	2	23	PGG Wrightsons	4	281	Telecom Corp	11	4,364
Cavalier Corp	3	85	Horizon Energy	1	77	Pike River Coal	2	192	Tenon Ltd	1	33
Cavotec MSL	4	172	ING Property	2	298	Port Tauranga	4	715	Tourism Hold.	3	46
Col Motor Co	1	67	ING Med. Prop.	2	158	Property F Ind.	3	238	Tower Limited	5	259
Contact Energy	6	3,201	Infratil NZ	1	813	Pumpkin Patch	3	175	Trust Power Ltd	4	2,255
Delegat’s Group	3	196	Kiwi Property	3	840	Rakon Ltd	4	119	Turners & Grow.	3	124
Ebos Group Ltd	1	206	Lyttelton Port	2	235	Restaurant Brds	2	68	Vector Ltd	3	2,150
F&P Health.	6	1,722	Mainfreight Grp	5	319	Ryman Health.	4	607	Wakefield Hlth	1	119
F&P Appliance	5	148	Methven Limited	3	67	Sanford Limited	3	510	Warehouse Group	8	1,026

“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 Capital-isation (NZ$ Mill.)	Company	No. of Brokers Following Company	Market Capital-isation (NZ$ Mill.)	Company	No. of Brokers Following Company	Market Capital-isation (NZ$ Mill.)	Company	No. of Brokers Following Company	Market Capital-isation (NZ$ Mill.)
A.P. Eagers	1	135	Arrow Energy	5	1,390	Billabong Int’l	12	1,388	Clarius Group	5	20
ABB Grain Ltd	13	915	Aspen Group Ltd	4	65	Blackmores Ltd	4	179	Clinuvel Pharm.	1	59
AED Oil Ltd	3	120	Atlas Iron Ltd	3	239	Bluescope Steel	13	1,733	Clive Peeters	3	11
AGL Energy Ltd	12	5,963	Ausdrill Ltd	2	143	Boom Logistics	7	66	Clough Limited	3	291
AJ Lucas	6	161	Ausenco Ltd	7	188	Bradken Ltd	9	104	Coal & Allied	3	6,754
AMP Ltd	13	7,633	Australand Prop	4	339	Brambles Ltd	13	6,683	Coca Cola Amatil	12	6,238
ANZ Bank	17	25,223	Aust Pharm. Ind	10	104	Breville Group	5	61	Cochlear Ltd	13	2,959
APA Group	9	1,236	Aust Wealth Mgt	9	448	Brickworks Ltd	3	1,274	Codan Ltd	3	94
APN Property	2	14	Austal Limited	4	301	Bunnings W/hse	4	506	Coffey Int’l	4	205
APN Euro Prop.	2	9	Austar United	11	956	C’wth Prop Off.	9	1,395	Collection Hse	1	47
APN News Media	10	466	Aust Education	1	24	C.S.R. Ltd	13	1,198	Com’wealth Bank	17	35,590
ARB Corporation	3	181	Austbrokers	5	180	CBH Resources	2	31	Computershare	13	4,095
ASG Group Ltd	2	54	Aust W’wide Exp	14	1,015	CFS Retail Prop	10	3,549	ConnectEast Grp	9	609
ASX Limited	13	4,491	Austereo Group	13	378	CPI Group	2	12	Cons Rutile	2	99
AWB Limited	12	248	Aust Agricult.	3	345	CSG Ltd	3	84	Cooper Energy	1	66
AXA Asia Pac	13	4,922	Aust Vintage	2	21	CSL Limited	13	19,495	Corp Express	8	516
Abacus Property	5	187	Automotive Hold	2	118	Cabcharge Ltd	11	696	Count Financial	4	236
Acrux Ltd	2	69	Avexa Limited	2	30	Caltex Austrlia	9	2,387	Coventry Group	2	36
Adcorp Aust.	1	11	Avoca Resources	7	357	Campbell Bros	8	469	Crane Group	11	478
Adelaide Bright	12	854	B & B Infrastr.	4	95	Cardno Ltd	3	210	Credit Corp	4	30
Aditya Birla	2	31	B & B Wind Part	4	552	Carindale Prop	1	222	Cromwell Group	2	354
Aevum Ltd	3	68	B&B Japan Prop.	4	89	Centro Retail	3	66	DKN Financial	1	58
Albidon Ltd	10	6	B&B Power	3	27	Centennial Coal	13	572	DUET Group	8	867
Ale Property	1	156	B&B Capital Ltd	1	105	Centro Property	2	54	DWS Adv Bus Sol	4	70
Alesco Corp Ltd	10	63	BHP Billiton	17	92,796	Centrebet Int’l	3	105	Dark Blue Sea	1	16
Alumina Ltd	13	1,445	Babcock & Brown	1	67	Chal Infra Fund	3	477	Data 3 Ltd	2	70
Amadeus Energy	2	46	Bank of Q’land	16	966	Chal Div Prop	4	178	David Jones	14	1,020
Amcor Ltd	12	3,259	Beach Petroleum	7	840	Chal Financial	10	605	Devine	1	120
Amcom Telecom.	1	65	Becton Prop Grp	5	11	Chandler McLeod	1	44	Dexion Ltd	3	26
Ansell Ltd	11	1,086	Bendigo Bank	18	1,648	Charter Hall GR	5	68	Dexus Property	9	1,794
Aristocrat Leis	11	1,480	Berkeley Res.	1	44	ChemGenex Pharm	2	60	Domino’s Pizza	8	202

Company	No. of Brokers Following Company	Market Capital-isation (NZ$ Mill.)
Dominion Mining	3	512
Downer EDI Ltd	10	1,235
Emeco Holdings	8	189
Energy Resource	12	3,639
Energy Develop.	4	215
Envestra	6	399
Equity Trustees	3	97
Everest Fin Grp	1	16
FKP Limited	5	86
Fairfax Media	13	2,058
Fantastic Hold.	7	164
Felix Resources	9	1,383
Fleetwood Corp	5	197
Flexicorp Ltd	3	105
Flight Centre	7	373
Forest Ent Aust	1	73
Fortescue Metal	8	6,996
Foster's Group	13	10,131
Funtastic Ltd	2	20
Futuris Corp.	8	172
G.R.D.NL	2	40
G.U.D.Holdings	9	314
GBST Holdings	1	32
GEO Property	1	32
GPT Group	10	551
GWA Internat'l	8	528
Gale Pacific	1	8
Galileo Japan	3	8
Geodynamics Ltd	1	238
Gindalbie Met.	2	258
Globe Int'l Ltd	1	7
Gloucester Coal	8	382
Goodman Fielder	10	1,352
Goodman Group	8	297
Graincorp	10	334
Great Southern	2	27
Gunns Ltd	7	467
HFA Holdings	2	20
Harvey Norman	13	2,210
Hastie Group	8	181
Hast Div Util	4	113
Healthscope	15	952
Heartware Inc.	3	254
Henderson Group	8	2,925
Hills Indust.	4	254
Horizon Oil Ltd	4	88
Hutchison Tel.	6	66
IBA Health Grp	4	559
IMD Group	5	52
ING Office Fund	9	357
ING Real Estate	2	10
ING Indust Trt	6	73
IOOF Holdings	8	178
iiNet	5	189
Iluka Resources	12	1,648
Incitec Pivot	13	2,428
Independ. Group	8	263
Indophil Res.	2	98
Innamincka Pet.	1	26
Insurance Aust.	13	6,047
Int Research	2	34
Invocare Ltd	12	471
Iress Mkt Tech	12	634
JB Hi-Fi Ltd	13	1,043
James Hardie	11	1,316
Jumbuck Enter.	1	22
K&S Corporation	3	162
Kagara Ltd	9	70
Korvest Ltd	1	33
Leighton Hold	11	5,402
Lend Lease Corp	9	2,029
Lihir Gold Ltd	15	6,889
Lindsay Aust	1	24
Lycopodium Ltd	3	61
Lynas Corp Ltd	2	65
Mac Services	4	116
MacMahon Hold	7	171
Macarthur Coal	13	552
Macarthur Cook	1	4
Macquarie DDR	6	25
Macquarie Leis.	8	208
Macquarie Infra	5	2,500
Macquarie Media	5	148
Macquarie Off.	8	153
Macquarie Air.	10	2,492
Macquarie C'Wde	8	190
Macquarie Group	11	4,739
Macquaries C&I	4	527
Marybor'gh Suga	1	50
Maxi TRANS	3	27
McMillan Shake.	1	155
McPherson's Ltd	2	26
Melbourne IT	4	152
Mermaid Marine	5	211
Mesoblast Ltd	1	94
Metcash Ltd	14	2,983
Minara Resource	7	397
Mincor Resource	5	123
Mineral Deposit	2	312
Mineral Res.	3	283
Mirabela Nickel	2	159
Mirvac Ind Trt	1	22
Mirvac Group	10	717
Mirvac REIT	1	125
Mitchell Comm.	4	121
Moly Mines Ltd	2	15
Monadelphous Gr	11	577
Mortgage Choice	5	87
Mt Gibson Iron	5	354
Murchison Metal	3	240
Nat'l Aust Bank	16	28,136
Navitas Ltd	6	755
Neptune Marine	3	62
New Hope Corp.	3	2,830
Newcrest Mining	18	14,084
News Corp.	7	28,500
Nexus Energy	8	201
Nick Scali Ltd	2	36
Nufarm Limited	12	1,688
OZ Minerals Ltd	13	838
Oaks Hotel	2	45
Oakton Limited	11	49
Oil Search Ltd	10	5,386
Onesteel Ltd	12	1,472
Orchard Indust.	1	38
Orica Ltd	13	4,626
Origin Energy	13	11,979
Oroton Group	2	91
Over Fifty Grp	1	18
PMP Limited	7	97
Pacific Brands	10	75
Panaust Ltd	6	251
Panoramic Res.	4	161
Paperlin X Ltd	9	374
Patties Foods	2	75
Peet Ltd	2	222
Penrice Soda	2	29
Perilya Mines	3	30
Perpetual Ltd	12	957
Petsec Energy	2	22
Pharmaxis Ltd	4	233
Photon Group	5	99
Pipe Networks	4	152
Platinum Asset	8	1,655
Primary Health	16	1,466
Prime Media Grp	8	70
Pro Maintenance	11	163
Pro Medicus Ltd	2	72
Q.B.E. Insur.	14	13,243
Qantas Airways	13	2,794
Queensland Gas	1	4,722
RCR Tomlinson	3	50
REA Group Ltd	4	472
RNY Property Tr	3	11
RP Data Ltd	2	57
RR Australia	1	53
Ramsay Health	15	1,742
Reckon Limited	4	143
Redflex Holding	4	218
Reef Casino Trt	1	44
Regional Exp.	1	103
Resolute Mining	2	176
Retail Food Grp	3	130
Reverse Corp	3	66
Ridley Corp.	5	220
Rio Tinto Ltd	15	20,876
Riversdale Min.	5	612
Rivercity M'way	2	89
Roc Oil Company	8	105
Ross Human Dir.	1	13
Ruralco Hold.	2	135
SAI Global Ltd	7	319
SDI Limited	1	27
SMS Mgmt & Tech	10	128
SP Ausnet	11	1,852
SP Telemedia	1	89
STW Comm Group	7	76
Salmat Ltd	6	516
Santos Ltd	13	8,889
Schaffer Corp	1	63
Sedgman Ltd	3	83
Seek Ltd	15	677
Select harvest	4	118
Servcorp Ltd	2	187
Service Stream	1	59
Seven Network	12	1,251
Sigma Pharm.	15	810
Sims Metal Mgmt	11	2,879
Sino Gold Min.	8	1,479
Sirtex Medical	1	126
Skilled Group	3	167
Slater & Gordon	2	152
Snowball Group	1	61
Sonic Health	15	3,472
Spark Infrastru	8	913
Spec Fashion	4	49
Spotless Group	11	365
St Barbara Ltd	5	458
Stockland	10	3,405
Straits Res.	2	994
Structural Syst	1	30
Suncorp-Metway	12	5,676
Sunland Group	3	100
SuperCheap Auto	5	245
Swick Min Serv	1	34
Talent2 Int'l	2	54
Tap Oil	6	104
Tassal Group	9	252
Tatts Group Ltd	12	3,378
Technology One	4	185
Telstra	17	39,942
Ten Network	13	592
Terramin Aust	2	38
Thakral Holding	1	179
The Reject Shop	11	263
Timbercorp	5	39
Tishman Speyer	8	16
Toll Holdings	13	3,630
Tower Australia	5	675
Tox Free Sol.	2	87
Transfield Serv	9	634
Transfield S In	5	149
Transurban Grp	12	4,776
TransPacific In	11	522
Treasury Group	3	56
Trinity Group	2	32
Trust Company	1	134
Tutt Bryant Grp	1	39
UXC Limited	2	64
Un. Biosensors	1	58
United Group	11	1,142
VDM Group Ltd	2	20
Valad Property	6	39
Ventracor Ltd	1	25
Virgin Blue	8	194
Viridis Clean E	3	64
Vision Group	6	32
W'bool Cheese	2	114
WDS Limited	2	78
WHK Group Ltd	7	210
Watpac Ltd	1	96
Wattyl Ltd	7	37
Wellcom Group	2	66
Wesfarmers Ltd	15	19,472
Western Areas	5	538
Westfield Group	12	16,327
West Aust News	16	814
Westpac Banking	19	41,407
Wide Bay Aust.	1	190
Windimurra Van.	1	17
Woodside Petrol	14	24,837
Woolworths Ltd	13	31,634
Worley Group	10	3,590
Wotif.com Hold.	10	666

Dividend$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Air New Zealand	3.00	13-03	27-03	Full
Auckland Int'l Airport	3.75	13-03	27-03	Full
Cavalier Corporation	4.00	06-03	13-03	Full
Colonial Motor Company	6.00	20-03	06-04	Full
Contact Energy	11.00	10-03	31-03	Full
Cynotech Holdings	0.75	24-04	01-05	Full
Ebos Group	10.50	09-04	11-05	Full
Fletcher Building	24.00	18-03	08-04	6.00
Freightways	8.00	13-03	31-03	Full
GPG	1.0 pence	-	-	
ING Medical Properties	2.125	24-02	10-03	-
Just Water International	1.60	02-04	09-04	Full
Lyttelton Port Company	1.50	20-03	27-03	Full
Michael Hill International	1.00	20-03	02-04	Full
Millennium & Cop.	1.20	08-05	15-05	Full
NZ Refining Company	30.00	19-03	26-03	Full
NZ Wine Company	2.00	27-03	03-04	Full
Northland Port	2.50	27-02	06-03	Full
Port of Tauranga	9.00	13-03	27-03	Full
Property For Industry	2.425	09-03	18-03	Full
Pumpkin Patch	3.00	09-04	23-04	1.2857
Pyne Gould Corporation	5.00	-	27-03	Full
Skellerup Holdings	2.50	17-04	30-04	Full
Sky City Entertainment	9.00	04-03	27-03	Full
Sky Network TV	7.00	06-03	13-03	Full
Steel & Tube Holdings	10.00	13-03	30-03	Full
Taylors Group	6.00	13-03	27-03	Full
TeamTalk	10.00	17-04	24-04	Full
Telecom NZ	6.00	-	-	-
Turners & Growers	10.00	-	-	Full
Turners Auctions	0.40	02-04	09-04	Full
Turners Auctions special	4.60	02-04	09-04	Full
Vector	6.50	31-03	14-04	2.7857

Company	Cents per Share	Ex-Date	Pay-able
Australian Shares			
AJ Lucas Group	5.00	11-03	27-03
Breville Group	4.00	19-03	08-04
CPT Global	2.50	10-03	31-03
Devine	3.00	31-03	30-04
Fiducian Portfolio Services	3.75	04-03	16-03
Integrated Research	1.50	17-02	09-03
M2 Telecommunications	2.50	04-03	31-03
Melbourne IT	8.00	10-03	03-04
Photon Group	6.00	23-03	07-04
Probiotec	1.25	26-02	27-03
Prophecy International	2.00	24-02	18-03
Ross Human Directions	0.75	02-03	27-03
Skilled Group	9.00	25-03	15-04
TFS Corporation	1.25	01-06	19-06
The Reject Shop	32.00	26-03	17-04

Total Return Index for All Listed Shares

Feb 9	1328.37	Feb 16	1294.55
Feb 10	1318.10	Feb 17	1292.25
Feb 11	1310.21	Feb 18	1274.39
Feb 12	1305.80	Feb 19	1261.82
Feb 13	1304.65	Feb 20	1242.65
Feb 23	1225.13	Mar 2	1211.31
Feb 24	1204.49	Mar 3	1193.50
Feb 25	1205.78	Mar 4	1200.29
Feb 26	1208.02	Mar 5	1209.94
Feb 27	1220.25	Mar 6	1203.24

Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday April 6, 2009.
The print version will be delivered later that week, depending upon printing and postal delivery times.

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