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

Market Analysis

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Inside Market Analysis

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Summary and Recommended Investment Strategy.

Companies and *insiders* are buying. The media sees government conspiracy and warns investors to sell. One of these groups has a track record of nearly always being right and one is nearly always wrong. Could things get any better?

Investment Outlook.

Your Editor started investing in the stockmarket in 1971 at the age of 12 (with just $600 of capital). Virtually throughout the last 39 years, the media and most people have had a very pessimistic opinion of the stockmarket . . . the exceptions being the 1986-87 Property and Investment boom and the 1999 Technology boom! When the media and general population become interested in shares then you can be sure we are in the latter stages of a boom . . . and we all know how that will end!

So with the local (and world stockmarkets) rallying strongly last month it is pleasing to see that the media isn't buying the global economic recovery story (and are ignoring inconvenient facts such as the 3.0% growth in the United States GDP over the last year) but instead proposing more conspiracy theories:

The latest, very popular theory is that the Federal Reserve is (to quote just one source) "plying brokerage firms with free money to prop up the stockmarket until the end of the month" (i.e. the end of September) to "protect against hedge funds receiving the flood of September quarter redemption requests that would otherwise come in a falling market". That report concludes "With tax-loss selling just around the corner . . . the downturn might not be far away" and "At least you've been warned".

At least <u>we</u> can now rest easy, knowing that the market will likely move higher, as a Wall Street maxim states, "Climbing a wall of worry".

There are some very smart people in stockbroking, investment banking and hedge fund management, so our guess is that *if* the Reserve Bank was plying them with cash to inflate stock prices, then this cash would probably end up being used to finance *short* sales.

In the United States, companies are repurchasing large volumes of their own shares on-market. Cheap money may help finance those repurchases with debt, but many are financed from the surplus cash holdings of debt-free, profitable companies!

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<u>Stockmarket Forecasts</u>

	<u>One-Month</u>	<u>One-Year</u>
Australia:	**82%** (Bullish)	**60%** (Bullish)
New Zealand:	**69%** (Bullish)	**47%** (Neutral)

Performance Forecasts

"Performance Forecasts" are computer generated predictions of the relative future price performance of a company's shares over the next three to six months. Performance Forecasts are calculated for **every** listed NZ share (except Investment Trusts) on a rating scale using the letters "A" (Highest potential for capital appreciation over the next 3-6 months), "B" (Above Average), "C" (Average), "D" (Below Average) and "E" (Lowest). These predictions are NOT buy or sell recommendations, but can be useful to help time planned purchases or sales, or to identify shares worthy of further study and analysis.

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
AMP Limited	C	691	1.10	18	2.9
AMP Onyx Mgmt	D	80	5.78	NE	8.8
Abano Health.	C	525	0.62	NE	5.7
Affco Holdings	D	37	0.17	7	Nil
Air New Zealand	B	130	0.34	17	7.7
Akd Int Airport	B	204	6.82	60	5.7
Allied Farmers	E	2.2	0.43	NE	Nil
Allied Work.	B	98	0.36	13	6.6
Barramundi Ltd	A	81	N/A	5	10.6
Blis Technology	D	9.0	6.87	NE	Nil
Briscoe Group	B	136	0.69	14	7.4
Broadway Ind	C	30	0.39	NE	Nil
Burger Fuel	C	42	2.90	NE	Nil
CDL Investments	E	26	N/A	50	1.1
CER Group Ltd	E	1.2	0.65	NE	Nil
Canty Bldg Soc.	D	275	1.03	28	Nil
Cavalier Corp	A	291	0.90	12	8.8
Cavotec MSL	C	270	0.68	17	1.1
Charlie's Group	E	11	1.01	13	Nil
Col Motor Co	A	237	0.18	15	9.0
Comvita	B	192	0.61	11	6.0
Connexion	D	10	0.67	NE	Nil
Contact Energy	C	569	1.61	22	6.3
Cynotech Hold.	E	3.5	0.29	NE	Nil
Delegat's Group	C	170	0.78	40	6.7
Dominion Fin.	C	1.0	0.01	0	149.3
Dorchester Pac	E	9.7	0.21	NE	Nil
Ebos Group Ltd	A	705	0.26	15	6.3
Ecoya Ltd	E	80	6.76	NE	Nil
F & P Appliance	D	58	0.36	NE	Nil
F & P Health.	B	313	3.19	22	5.7
Finzsoft Sol'ns	C	30	0.34	9	Nil
Fletcher Build.	B	805	0.72	18	4.4
Freightways Ltd	B	297	1.39	16	6.7
Genesis Res.	E	4.2	7.37	NE	Nil
Goodman Prop.	D	99	6.41	NE	8.6
Guinness Peat	E	71	0.49	NE	3.1
GuocoLeisure	C	62	1.60	12	2.5
Hallenstein G.	A	439	1.26	13	5.5
Hellaby Hold.	B	192	0.72	32	6.0
Heritage Gold *	N/R	3.5	N/A	NE	Nil
Horizon Energy	B	362	2.97	15	6.7
ING Med. Prop.	C	124	6.26	24	7.6
ING Property	D	73	5.05	NE	10.3
Infratil NZ	B	178	0.55	35	3.0
Inv Research Gr	E	1.1	0.42	NE	Nil
Jasons Media	C	40	0.54	14	8.9
Just Water Int.	E	17	0.43	NE	Nil
Kathmandu Ltd	C	191	1.55	41	5.2
Kermadec Prop.	C	54	3.67	NE	9.3
Kingfish Ltd	A	92	N/A	3	10.4
Kirkcaldie & St	B	265	0.60	26	4.3
Kiwi Property	C	105	4.49	NE	8.1
Life Pharmacy	C	35	3.26	NE	Nil
Lombard Group	D	3.0	0.40	NE	Nil
Lyttelton Port	B	244	2.86	28	2.6
Mainfreight Grp	A	701	0.61	19	3.8
Marlin Global	C	97	N/A	9	2.1
Media Tech.	E	3.0	0.41	NE	Nil
Methven Limited	A	172	0.88	15	9.1
Metro. LifeCare	C	215	4.19	4	Nil
Michael Hill	B	71	0.61	10	5.6
Mid-Cap Index	C	225	N/A	NE	Nil
Millennium & C.	C	41	1.32	12	4.2
Mowbray Collect	E	75	2.27	NE	Nil
NZ Experience	B	33	1.16	8	10.8
NZ Exchange Ltd	C	162	4.57	81	5.7
NZ Finance Hold	E	20	0.47	NE	Nil
NZ Farming Sys.	C	65	4.53	NE	Nil
NZ Oil & Gas *	N/R	132	5.23	NE	5.4
NZ Refining Co	C	381	4.27	45	Nil
NZ Windfarms	D	23	N/A	NE	Nil
NZ Wine Company	D	135	0.90	NE	2.1
NZ Wool Service	E	32	0.15	NE	Nil
NZSX 10 Fund	D	83	N/A	NE	Nil
NZSX 50 Port.	C	130	N/A	NE	Nil
NZX Aust MidCap	C	542	N/A	NE	Nil
Nat Property Tr	C	52	3.57	NE	8.7
New Image Group	D	30	0.87	9	7.1
Northland Port	A	170	N/A	22	4.6
Nuplex Indust	B	325	0.43	9	6.5
Opus Int'l Cons	D	173	N/A	NE	Nil
Oyster Bay	D	170	1.84	NE	Nil
Ozzy (Tortis)	C	370	N/A	NE	Nil
PGG Wrightsons	D	57	0.38	18	Nil
Pac Edge Bio.	E	22	N/A	NE	Nil
Pike River Coal	D	113	N/A	NE	Nil
Port Tauranga	B	704	6.37	21	5.9
Postie Plus Grp	D	29	0.10	28	Nil
Property F Ind.	D	123	8.40	NE	7.4
Propertyfinance	D	3.0	0.05	NE	Nil
Pumpkin Patch	B	190	0.83	12	7.1
Pyne Gould Corp	D	40	1.51	14	Nil
Rakon Ltd	C	122	1.61	NE	Nil
Renaissance	C	33	0.07	NE	Nil
Restaurant Brds	B	254	0.78	13	7.0
Rubicon Limited	E	80	0.48	NE	Nil
Ryman Health.	B	210	9.55	13	4.1
Salvus Strat.	C	78	N/A	NE	4.6
Sanford Limited	C	400	0.86	10	8.2
Satara Co-op	A	100	0.29	18	2.9
Savoy Equities	E	0.6	N/A	NE	Nil
Scott Tech. Ltd	C	130	1.30	NE	1.1
Sealegs Corp	D	24	1.96	NE	Nil
Seeka Kiwifruit	B	310	0.37	NE	9.2
Skellerup Hold.	A	93	0.98	15	6.9
Sky Network TV	B	500	2.62	19	4.0
Sky City Ltd	C	294	2.03	12	7.5
Smartpay NZ Ltd	C	3.2	0.69	NE	Nil
Smiths City	C	35	0.08	11	5.7
Sol. Dynamics	E	38	0.43	NE	Nil
South Port NZ	A	270	3.10	14	6.9
Speirs Group	D	15	0.14	NE	Nil
Steel & Tube	B	248	0.58	22	4.9
Sthn Travel	D	5.0	0.06	NE	Nil
Tag Pacific Ltd	E	18	0.22	NE	Nil
TeamTalk Ltd	B	225	1.61	13	12.7
Telecom Corp	C	205	0.75	9	11.7
Tenon Ltd	C	97	0.14	NE	Nil
Tourism Hold.	C	89	0.62	18	6.4
Tower Limited	C	180	0.89	9	7.1
Training Sol.	E	0.1	5.00	NE	Nil
Trust Power Ltd	B	744	3.09	20	7.3
Turners & Grow.	C	144	0.26	18	6.9
Turners Auction	B	140	0.54	12	12.2
VTL Group Ltd	C	1.5	0.01	0	Nil
Vector Ltd	B	230	1.93	12	8.7
WN Drive Tech.	D	9.0	2.27	NE	Nil
Wakefield Hlth	B	655	1.21	15	3.9
Warehouse Group	B	388	0.72	15	8.8
Widespread Port*	N/R	14	N/A	6	Nil
Windflow Tech.	D	110	0.55	NE	Nil
Wool Equities	C	17	N/A	NE	Nil
World Index Fd	D	106	N/A	NE	Nil
Xero Ltd	D	150	N/A	NE	Nil
Zintel Comm.	D	24	0.26	48	14.9
Ave of 136 Cos	**C**	160	0.25	6	4.7

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
AGL Energy Ltd	B	1666	1.13	21	3.5
AMP Ltd	C	528	0.93	15	3.0
ANZ Bank	A	2407	3.92	40	4.2
APA Group	A	405	2.22	22	5.2
APN News Media	A	200	1.16	13	2.0
ASX Limited	A	3380	7.98	18	5.1
AXA Asia Pac	A	520	1.76	16	3.6
Abacus Property	A	45	7.38	33	7.1
Adelaide Bright	A	352	2.26	97	3.8
Alumina Ltd	C	199	N/A	NE	1.0
Amalgamated Hld	B	610	1.19	10	6.1
Amcor Ltd	B	650	0.81	43	4.5
Andean Res.	C	615	N/A	NE	Nil
Aneka Tambang	C	120	N/A	NE	10.0
Ansell Ltd	B	1358	1.45	15	2.2
Aquarius Plat.	C	603	5.28	79	1.0
Aquila Res.	D	860	N/A	NE	Nil
Argo Investment	B	597	N/A	24	4.5
Aristocrat Leis	C	345	2.03	NE	7.0
Asciano Group	C	169	1.74	26	Nil
Atlas Iron Ltd	D	255	N/A	NE	Nil
Aust Foundation	B	483	N/A	26	4.3
Australand Prop	C	280	2.35	NE	1.8
Aust Infra.	B	188	N/A	6	5.3
Austar United	C	99	1.83	21	Nil
Avoca Resources	C	290	N/A	NE	Nil
BHP Billiton	B	4100	2.33	10	2.4
Bank of Q'land	A	1088	1.00	15	4.8
Bendigo Bank	A	916	1.11	14	4.7
Billabong Int'l	B	816	1.39	14	4.4
Bluescope Steel	B	224	0.47	32	2.2
Boart Longyear	D	330	1.38	NE	Nil
Boral Limited	C	447	0.60	NE	3.0
Bradken Ltd	B	832	1.14	16	4.1
Brambles Ltd	B	640	1.96	18	3.9
Brickworks Ltd	B	1158	2.60	12	3.5
C'wth Prop Off.	B	95	7.12	17	5.9
C.S.R. Ltd	B	181	0.73	16	4.7
CFS Retail Prop	B	189	7.62	15	6.6
CSL Limited	B	3286	4.56	19	2.4
Caltex Austrlia	B	1155	0.18	10	2.2
Campbell Bros	B	3316	2.53	28	3.0
Carsales.com	B	490	9.22	26	3.0
Centennial Coal	B	611	3.02	47	1.8
Chal Financial	B	436	1.35	8	3.3
Chart H Office	C	262	4.68	NE	0.7
Chart H Retail	A	292	5.85	15	1.8
Citadel Res Grp	C	43	N/A	NE	Nil
Coal & Allied	A%	11000	4.07	16	4.6
CocaCola Amatil	B	1213	2.00	20	3.6
Cochlear Ltd	B	6960	5.35	25	2.9
Com'wealth Bank	A	5112	2.01	14	5.7
Computershare	A	972	3.01	16	2.9
ConnectEast Grp	C	43	6.86	NE	Nil
Cons Media Hold	A	338	N/A	25	4.9
Crown Ltd	B	849	2.73	22	4.4
DUET Group	B	168	1.26	10	11.9
David Jones	A	493	1.21	15	6.1
Deutsche Div Tr	B	131	6.10	14	7.1
Dexus Property	B	83	5.55	NE	6.2
Djerriwarrh	B	396	N/A	34	6.6
Downer EDI Ltd	B	484	0.28	NE	6.0
Energy Resource	B	1450	3.54	10	2.7
Equinox Min.	C	579	N/A	NE	Nil
Extract Res.	E	612	N/A	NE	Nil
FKP Limited	B	87	2.81	19	1.7
Fairfax Media	B	152	1.43	13	1.7
Flight Centre	A	2346	1.30	17	3.0
Fortescue Metal	C	580	5.00	28	Nil
Foster's Group	B	614	2.66	17	2.0
GPT Group	B	293	9.95	47	1.5
GWA Internat'l	B	308	1.41	17	5.8
Gloucester Coal	B	1120	4.00	28	Nil
Goodman Fielder	B	137	0.71	12	7.9
Goodman Group	C	65	6.92	NE	5.2
Graincorp	A	717	0.82	23	1.0
Harvey Norman	B	372	2.94	17	3.8
Healthscope	B	602	1.04	19	3.9
Henderson Group	B	215	3.43	68	5.1
Hutchison Tel.	B	11	1.78	NE	Nil
ING Indust Trt	C	49	4.78	NE	3.3
ING Office Fund	B	62	7.92	39	6.3
IOOF Holdings	A	692	2.15	23	2.6
Iluka Resources	C	645	4.61	NE	Nil
Incitec Pivot	B	363	1.71	NE	1.2
Insurance Aust.	B	373	N/A	35	3.5
Intoll Group	B	149	N/A	NE	2.0
Iress Mkt Tech	B	877	6.34	25	3.9
JB Hi-Fi Ltd	B	2050	0.81	19	3.2
James Hardie	E	572	1.88	NE	Nil
Kardoon Gas	C	880	N/A	NE	Nil
Kingsgate Cons.	A	1195	6.79	16	2.9
Leighton Hold	B	3573	0.74	18	4.2
Lend Lease Grp	B	786	0.42	13	4.1
MAp Group	C	295	4.53	NE	7.1
Macarthur Coal	B	1310	4.97	27	1.9
Macquarie Group	C	3590	1.86	12	5.2
Medusa Mining	B	525	9.30	13	Nil
Metcash Ltd	B	434	0.29	14	6.0
Milton Corp.	B	1670	N/A	22	4.3
Minara Resource	C	83	2.17	20	Nil
Mineral Res.	A	1042	5.38	17	1.9
Mirvac Group	B	132	2.81	18	6.1
Monadelphous Gr	A	1616	1.09	17	5.1
Mt Gibson Iron	A	190	3.69	15	Nil
Myer Holdings	B	384	0.67	14	5.7
Nat'l Aust Bank	A	2575	1.59	20	5.7
Navitas Ltd	B	424	2.61	23	4.4
New Hope Corp.	B	510	5.67	23	1.9
Newcrest Mining	B	4191	7.23	36	0.6
News Corp.	B	1587	0.42	5	1.1
Nufarm Limited	C	375	0.45	17	Nil
OM Holdings	B	164	2.86	30	1.2
OZ Minerals Ltd	C	157	8.05	NE	Nil
Oil Search Ltd	B	627	N/A	54	1.4
Onesteel Ltd	C	288	0.62	15	3.8
Orica Ltd	A	2652	1.29	18	3.7
Origin Energy	B	1632	1.68	23	3.1
Pacific Brands	C	116	0.61	20	Nil
Paladin Energy	D	366	N/A	NE	Nil
Panaust Ltd	C	74	5.56	NE	Nil
Perpetual Ltd	B	3064	2.63	15	5.4
Platinum Asset	B	491	N/A	20	4.5
Premier Invest	B	710	1.22	21	5.1
Primary Health	C	349	1.32	13	7.2
Prime Infra.	C	455	3.21	NE	3.3
Q.B.E. Insur.	C	1727	1.02	9	7.4
Qantas Airways	C	290	0.48	59	Nil
REA Group Ltd	B	1202	7.94	31	1.3
Ramsay Health	B	1534	0.91	21	2.8
Reece Australia	B	2270	1.50	20	2.3
Rio Tinto Ltd	B	7955	0.98	9	0.6
Riversdale Min.	C	1072	N/A	NE	Nil
S/Tracks ASX200	A	4444	N/A	15	3.0
SP Ausnet	A	90	1.82	12	8.9
Santos Ltd	B	1277	4.87	24	3.3
Seek Ltd	B	767	9.16	29	1.6
Seven Group	C	710	4.03	NE	2.5
Sims Metal Mgmt	B	1761	0.48	28	1.9
Sonic Health	B	1100	1.43	15	5.4
Soul Pattinson	B	1323	3.83	14	2.6
Spark Infrastru	C	108	3.98	9	12.6
St Barbara Ltd	C	42	2.73	NE	Nil
Steamships Trad	A	2600	4.06	21	2.2
Sth Cross Media	B	213	1.98	41	4.6
Stockland	B	397	4.02	20	5.5
Suncorp-Metway	B	896	0.74	15	3.9
SuperCheap Auto	B	675	0.92	23	3.2
TPG Telecom Ltd	B	146	2.01	18	2.7
Tabcorp Holding	B	705	1.02	9	7.8
Tatts Group Ltd	B	242	0.94	29	8.7
Telstra	C	266	1.32	9	10.5
Ten Network	E	139	1.60	NE	Nil
Toll Holdings	B	686	0.69	17	3.6
Tower Australia	B	245	1.07	20	2.1
Transfield Serv	B	354	0.47	20	4.0
Transurban Grp	B	517	8.95	NE	4.6
TransPacific In	C	126	0.58	20	Nil
UGL Limited	B	1512	0.60	17	4.2
Virgin Blue	C	47	0.34	48	Nil
Wesfarmers Ltd	B	3400	0.76	25	3.7
Westfield Group	C	1239	6.94	NE	7.6
Westpac Banking	A	2318	4.07	54	5.0
West Aust News	A	714	3.77	16	6.3
Western Areas	A	657	6.93	83	0.9
Whitehaven Coal	A	623	7.56	56	0.9
Woodside Petrol	A	4443	7.93	19	2.5
Woolworths Ltd	A	2970	0.71	18	3.9
Worley Group	A	2315	1.12	19	3.3
Wotif.com Hold.	A	498	7.68	20	4.3
Zimplats Hold.	C	1150	2.74	9	Nil
Ave of 1913 Cos	**C**	156	0.23	11	1.7

Recommended Investments

Lyttelton Port Company reports “significant damage to port infrastructure and facilities” - all fully insured - including damage to 40% of its wharves. At the container terminal, one of the five truck exchange lanes is unusable, but will be repaired this week.

The company is reviewing its “short and long term asset management and development plans”. Owing to the need to focus upon running the port and rebuilding facilities the company has “halted” merger negotiations with **Port Otago**. *(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	12.26	50	1.1	26	29.9	+124%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	A	67.8	1.0	0.90	12	8.8	291	249.0	+246%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	A	32.7	0.5	0.18	15	9.0	237	307.3	+325%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	B	102.3	0.6	2.86	28	2.6	244	74.8	+113%
BUY	Michael Hill Int’l Ltd	MHI	11/06/91	5*	B	382.5	0.9	0.61	10	5.6	71	29.4	+1908%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	523*	B	192.2	1.1	0.43	9	6.5	325	377.0	+34%
HOLD	Postie Plus Group	PPG	08/05/06	71	D	40.0	1.7	0.10	20	Nil	29	8.5	-47%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	C	44.2	1.6	0.07	NE	Nil	33	53.9	+2%
HOLD	Smiths City Group	SCY	09/10/06	64	C	53.0	1.5	0.08	11	5.7	35	13.0	-25%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.6	3.10	14	6.9	270	134.3	+237%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	B	88.4	0.7	0.58	22	4.9	248	234.5	+230%
	Australian Shares (in Aust cents)												
BUY	AJ Lucas Group	AJL	13/05/03	120	C	65.3	0.7	0.36	NE	2.8	195	41.0	+97%
HOLD	Ammtec Ltd	AEC	11/01/10	257	A	36.5	0.5	2.66	21	4.4	396	27.5	+65%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	D	89.2	2.1	1.42	NE	Nil	11	17.5	-61%
HOLD	Breville Group Ltd	BRG	13/11/06	171	A	129.5	0.6	0.79	15	4.3	258	27.0	+67%
HOLD	Campbell Brothers Ltd	CPB	12/10/99	389*	B	63.0	0.3	2.53	28	3.0	3316	539.0	+891%
BUY	Cardno Ltd	CDD	14/12/09	399*	A	90.5	0.5	0.86	11	6.4	455	28.6	+21%
HOLD	Cellnet Group Ltd [1]	CLT	12/02/02	147*	B	73.5	1.2	0.36	24	Nil	37	32.4	-49%
BUY	Challenger Wine Trust	CWT	12/01/09	30	C	190.8	1.9	0.97	NE	26.6	16	6.7	-25%
SELL	Charter Hall Group	CHC	06/04/09	30*	C	1162.4	0.9	8.95	0	5.4	60	2.6	+107%
HOLD+	Circadian Technologies	CIR	10/02/04	188	D	45.2	1.0	11.98	NE	Nil	60	65.0	-34%
HOLD+	Clarius Group Ltd	CND	08/04/03	82*	B	85.8	1.0	0.21	18	3.1	65	65.5	+59%
HOLD+	CPT Global Ltd	CGO	10/03/08	88	D	36.9	0.9	0.55	NE	Nil	57	7.3	-27%
BUY	CSG Limited	CSV	11/10/10	175	B	242.9	0.8	1.53	14	3.1	175	Nil	
BUY	Devine Ltd	DVN	13/11/06	84*	B	634.9	1.4	0.32	22	3.5	29	17.9	-45%
HOLD+	Ellex Medical Lasers	ELX	14/03/06	49	B	84.9	1.5	0.50	6	Nil	29	Nil	-42%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	B	32.2	0.8	1.87	11	6.3	135	21.8	-40%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	162.5	0.7	1.35	9	5.9	128	5.5	+26%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	C	418.7	0.4	4.61	NE	Nil	645	64.0	+51%
BUY	Integrated Research	IRI	14/01/08	40	B	166.8	1.3	1.34	9	8.3	30	10.0	+0%
HOLD	Mnet Group	MNZ			C	208.3	3.6	0.92	NE	Nil	4	Nil	
HOLD-	M2 Telecommunications	MTU	09/10/06	33	A	121.5	0.5	0.70	18	4.3	234	23.5	+680%
BUY	Melbourne IT	MLB	10/02/04	53	B	79.0	0.6	0.76	9	7.8	192	59.0	+374%
BUY	Nomad Building Solutio	NOD	16/08/10	15	C	138.1	1.9	0.09	2	Nil	15	Nil	+0%
HOLD-	Photon Group Ltd	PGA	10/11/08	132*	C	187.4	2.6	0.02	NE	40.0	8	11.8	-85%
BUY	Probiotec Ltd	PBP	11/02/08	116	B	52.8	0.8	0.67	9	3.7	95	9.8	-10%
HOLD+	Prophecy International	PRO	08/09/08	26	C	47.2	1.4	2.52	38	9.3	27	6.8	+30%
HOLD-	Ross Human Directions	RHD	14/08/01	92	A	83.5	0.9	0.16	9	4.9	72	37.8	+19%
HOLD	Skilled Group Ltd	SKE	12/03/02	126	C	190.7	0.7	0.16	22	Nil	146	132.0	+121%
HOLD	Technology One Ltd	TNE	11/11/03	44	B	300.3	0.8	2.43	19	3.8	99	21.4	+174%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	B	227.4	0.8	1.81	6	5.1	93	9.4	+128%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	B	26.0	0.2	0.99	20	3.7	1804	248.5	+699%
HOLD	Village Roadshow PREF	VRLPA	10/08/09	77	B	153.6	0.6	0.32	6	Nil	246	9.0	+231%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +164.4%. This is equal to an average annual rate of +24.5%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 42 current and 147 closed out) is +29.2%, compared with a market gain of +4.4% (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.

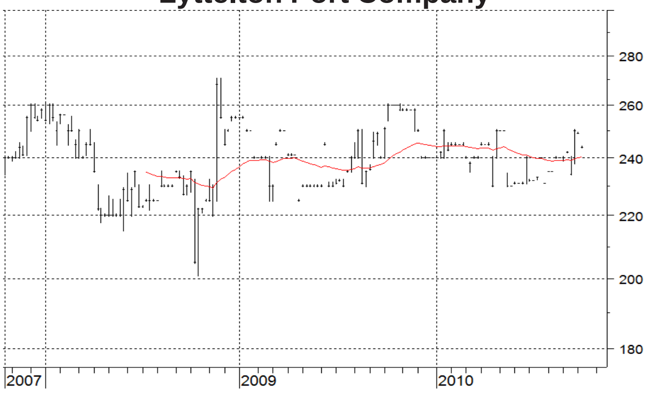
* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

(1) Cellnet Group includes1½ shares in Mnet Group distributed to shareholders.

Recommended Shares

(Contuned from Page 3)

Lyttelton Port Company



Michael Hill International has reported very strong revenue growth for the September quarter, with total revenues up 12.8% to $95.4 million.

Australian revenues were up 9.1% in local currency, or 11.1% in NZ dollars. Canadian revenues were up 28.0% (or 26.3% in NZ dollars), while United States revenues fell 21.5% (or 27.0% in NZ dollars) owing to the closure of eight stores. The remaining nine US stores *lifted* revenues 26.5% (or 17.5% in NZ dollars).

This is a seasonal business, however, so revenues and profit margins in the December quarter (i.e. in the pre-Christmas period) largely determine the results for the year.

The Hill family will not proceed with plans to buy shares on-market to raise their shareholding from 48% to 50.1% after the **Takeovers Panel** indicated that it would not give an exemption from the takeover rules. It will still seek shareholder approval to consolidate its shareholdings into one trust.

Michael Hill International

Postie Plus Group has reported a 3.1% lift in revenues to $113.8 million for the year to 1 August 2010. Net profits, however, slipped 7.0% to $572,000 (1.4 cents per share), before a one-off, non-cash adjustment to deferred tax owing to the tax rate change. This is still an unsatisfactory result and no dividend will be paid.

The net operating cash surplus, however, improved 12-fold to $4.1 million, helping to reduce interest bearing debt $2.5 million to $8.0 million.

The company sees difficult trading conditions until Christmas - and will focus upon building market share - but hopes for better trading in 2011 and to reinstate dividends at the end of the current financial year.

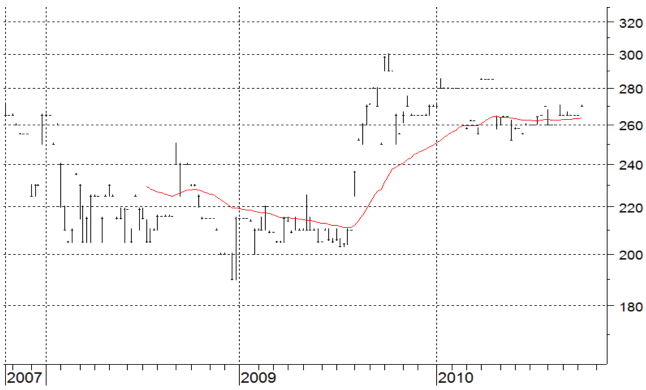
Postie Plus Group

Renaissance Corporation reports that **Apple Inc** has appointed an additional *Apple* distributor in New Zealand from 1 October. The company has not been an exclusive *Apple* distributor since 2006, so reports that "we do not expect this latest development to significantly impact on our business".

Renaissance Corporation

South Port NZ reports that exports of forestry, dairy products and other agricultural products remained "relatively strong" over the first three months of the new financial year. Forestry exports grew 177% last year to 182,000 tonnes and are expected to reach levels up to 250,000 tonnes annually in the future as eucalyptus planted in the 1990's add to woodchip exports.

South Port NZ



Australian Shares

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

We really can not understand why the **Ammtec** directors have gone from being so strongly opposed to the takeover offer from **Campbell Brothers** to supporting it and tendering their own shares. Perhaps Campbell Brothers has offered them a big retirement allowance!

The original opposed offer was 4 Campbell Brothers shares for 34 Ammtec shares. The recommended offer is 4 Campbell Brothers shares for 33 Ammtec shares (i.e. a 3.0% increase), plus 21 cents in dividends (worth another 5-6%). So shareholders accepting the current offer will be just 8-9% better off than if the Ammtec directors had meekly recommended the first offer. The directors continued to oppose the first improved offer (i.e. the 3% increase), so is it just the 21 cents dividends (i.e. about 5-6%) that has made the difference between total opposition and total acceptance?

Of course, the stockmarket has re-rated many mining shares and mining services companies like Campbell Brothers over the last couple of months, so the nominal value of the takeover offer has increased around 28%. If Ammtec was not the subject of a takeover, then those same market forces would have re-rated its shares by a similar amount. Fluctuating share prices, in themselves, do not warrant this change in the directors' recommendation.

We are quite happy being Ammtec shareholders. We believe it is a good company, that the shares were under-valued and with strong growth potential. It is not a surprise that Campbell Brothers would want to acquire this company.

We are also not unhappy with a Campbell Brothers takeover . . . and may eventually accept, in which case we would take the Campbell Brothers share alternative.

At this stage, however, this is just a conditional offer with no certainty that Campbell Brothers will buy any Ammtec shares offered to it. On 6 October the current "closing" date for the offer was extended from 13 October until 27 October . . . and may well be extended further. At this stage, there is no incentive to accept the offer until just before that closing date (or any subsequent extension).

Prior to accepting, we also have the option of selling some or all Ammtec shares on-market . . . an option that *could* be attractive to investors who need cash (or are already over-weighted in Campbell Brothers shares) ahead of the takeover *perhaps* becoming successful and *perhaps* being settled in early November or perhaps being extended and not settled until much later.

Campbell Brothers has disclosed takeover acceptances sufficient to raise its interest in Ammtec to 47.4%. If they make the offer "unconditional" but fail to reach the 90% level where they can compulsorily acquire 100% of Ammtec, then investors will also have the option of remaining an Ammtec shareholder - benefiting from the future growth of this company and any future takeover offer the Campbell Brothers may make to buy out those remaining minority shareholders. That will probably not be attractive to many shareholders, but it is a viable option.

The takeover should progress faster over the next few weeks, but there is still no rush to make an decision regarding our options for these shares. "Hold".

Ammtec

Campbell Brothers is to sell *Cleantec*, its chemical and cleaning solutions business, to **Ecolabs Pty**.

Campbell Brother

Cellnet Group is predicting a 55-80% increase in profits for the six months to December 2010, to around $1.4-1.6 million (2.0-2.3 cents per share).

Circadian Technologies has formed a partnership with **Cincinnati Children's Hospital Medical Centre** to develop and market a blood test using VEGF-D levels to diagnose lymphangioleiomyomatosis (LAM), a serious lung disease that strikes women of child bearing age. Worldwide around 250,000 women may have LAM, the current diagnostic test involves a surgical lung biopsy but the only treatment is a lung transplant.

Circadian Technologies also plans to sell shareholdings of "unmarketable parcels" (i.e. with a market value under $500 - or about 900 shares). This is to minimise administrative costs on small shareholdings.

Circadian Technologies

(Continued on Page 6)

Recommended Investments

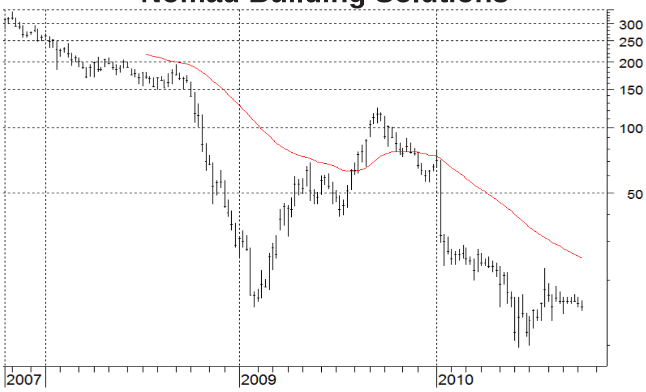
(Continued from Page 5)

M2 Telecommunications' subsidiary, M2 Commander Pty, has formed a strategic alliance with **Flexigroup** which will provide finance solutions for small and medium sized businesses.

M2 Telecommunications

Nomad Building Solutions has signed a $17.8 million contract to build 37 houses in Newman, Western Australia, for **BHP Billiton Iron Ore**. Construction will begin immediately and be completed by September 2011. The company also won a $4 million contract to construct 14 houses for a private sector developer in Port Hedland.

Nomad Building Solutions



Ross Human Directions has announced that **Peoplebank Holdings** will increase its offer for the company 13.8% from 61½ cents to 70 cents.

Corom Pty has also begun due diligence, but has yet to make a competing offer. Corom, however, owns enough shares (i.e. 25%, some acquired through a put/call option arrangement, which could eventually return to the original holder) to enable it to block the Peoplebank scheme of arrangement at the up coming shareholders meeting. Corom may therefore either (1) support the sale to Peoplebank at 70 cents, (2) negotiate a higher price (for all shareholders) in return for supporting the Peoplebank acquisition, (3) defeat the Peoplebank acquisition or (4) make its own takeover (i.e. via a scheme of arrangement).

Investors requiring cash immediately (or a certain outcome) *could* sell on-market for about 72 cents, but this is still a potentially competitive bidding situation so in most cases we would favour holding to see what develops. If Corom does not make a competing bid, but supports the Peoplebank scheme of arrangement then we will get at least 70 cents. If Corom makes a competing bid it must offer at least 72 cents (as that is what they have paid to buy shares).

If Corom does not bid but simply chooses to defeat the Peoplebank scheme, then either (1) Peoplebank should negotiate with Corom to discover the price of their support . . . and make that offer to all shareholders or (2) Peoplebank could abandon its takeover plans and the Ross Human Directions share price *may* fall back to around 55-65 cents in the short term.

Ross Human Directions

TFS Corporation reports settlement of the 180 hectare plantation contracted to a US institution announced in May. The total value of that transaction was $20 million, with most to be paid up-front, plus annual management fees over coming years.

TFS Corporation

Village Roadshow has demonstrated that public (and institutional) investors really are stupid, overwhelmingly approving the proposal to strip the preference shares of their preferential entitlements and convert them to ordinary shares! It really is no surprise that many company directors and managers see shareholders as a source of cash for their own personal benefit. The "market", however, discounts share prices to a level that will provide reasonable returns to these stupid shareholders, despite the situation being biased in favour of directors and managers.

The upside, of course, is that our personal long term success in the stockmarket depends upon us being smarter than the average investor. If that "average investor" is stupid then any normal person, with a bit of common sense, can expect to outperform that competition and build a million dollar investment portfolio in half a life time.

Village Roadshow has completed its on-market buy-back, acquiring 5,344,800 ordinary shares and 7,576,680 preference shares, or 12,921,480 shares in total. That is just slightly more than the minimum 11 million shares necessary to enable the majority shareholder to retain absolute control. The preference shares will convert to ordinary shares in November.

Of more importance, the company plans to invest $80 million to develop a *Wet 'n' Wild Sydney* theme park on a 25-hectare site at Prospect. The site will be leased from the New South Wales Government and is expected to open in the summer of 2013/14. We estimate that this project (which would be largely debt funded) could add around $20 million to earnings (before interest, depreciation and tax), $12-13 million to the operating cash surplus and net profits of around $5-6 million (3-4 cents per share) annually - or increase group cash surpluses and net profits by about 5%.

The group's 40% owned Village Roadshow Class Cinemas LLC has entered a conditional contract to sell its assets to **IPic-Gold Glass Entertainment LLC**. The major shareholder will become **IPic Entertainment** and the new company will add more seats and reduce prices over the next 3-5 years. A Village Roadshow subsidiary will also invest US$8 million to acquire a 30% stake in the new company. The original venture had not been financially successful. While full details are not disclosed, the likely impact of this restructuring will be (1) the repayment of debt to Village Roadshow, (2) bringing in a new shareholder to finance the restructuring with (3) the existing investment (through a new company) diluted from 40% to 30%.

The group is also investigating floating its 40.89% owned film production and music division, **Village Roadshow Entertainment Group** (VREG), on an international stock exchange. *If* this is successful and the company raises new equity from an initial public share offer, then the business would probably repay its loan from Village Roadshow of US$60 million (about 40 cents per share). It would also convert Village Roadshow's current illiquid investment in an associate company (of unknown value) into tradeable shares in a listed company - although there would likely be restrictions on trading these shares in the first year. This would have a significant impact on improving Village Roadshow's financial position.

Village Roadshow

Share Recommendation: Buy CSG Limited

BUY CSG Limited (code CSV).

CSG Ltd is involved in two businesses: Information, Technology and Communications (ITC) consulting and Print Services. The ITC division has expanded across Australia through the acquisition of smaller ITC businesses, while Print Services has also expanded across Australia and with a major acquisition in New Zealand. Acquisitions have required the company to issue new capital, diluting earnings per share growth last year - but profits should grow this year (i.e. with a full year's contribution from new businesses) and both divisions have strong growth potential over the next several years.

Much of the company's revenues are recurring, with the ITC business involved in continuing services or large, multi-year contracts, while Print Services earns revenues from recurring fees on 4-5 year service contracts.

Company History

This business started in 1988 as a Xerox Business Centre in Darwin and expanded into ITC in the Northern Territory, focusing upon government and large corporates.

The company floated on the Australian stockmarket in March 2007, offering 60,532,336 shares (35.8% of the company) at 100 cents per share to raise $60.5 million. 72% of this cash went to the vendors, with $10.2 million used to buy the Xerox Business Centre in Brisbane.

Growth in the ITC Business

Since 2007, the ITC business has rapidly spread across Australia through acquisition and organic growth:

In September 2007 the company won a $30 million, five year contract with the Northern Territory Government's Education Department to provide service centre, facilities management and systems integration services to all NT schools and *(Continued on Page 8)*

BUY CSG Limited

(Continued from Page 7)

corporate business units covering 250 servers and 13,000 desktops.

CSG Ltd promptly acquired **Anadex Pty** for $3.4 million - a subcontractor on the NT education contract - which sells *HP ServeCenter*, *HP AssetCenter* and related software. This added "a critical niche business" and "significant new skills" to the group.

The same month it acquired **Bexton**, a Melbourne based IT Services company for $12.4 million.

In December 2007 it purchased Perth based **Change Corporation Pty**, a "premium business consulting and systems integration service provider" for $43 million.

In August 2008 it acquired **ATI Group Pty**, an outsourced printer management business in Canberra, for $2.3 million. The business consults for customers with a large number of computer printers and has a number of multi-year contracts where it totally manages a client's printer needs, including procurement, ownership, management, repairs and help desk services.

In October 2008, **CingleVue Pty** was acquired for $11.0 million. The company is an Oracle Independent Software Vendor to the education sector plus has its own software for schools.

In October 2008 it also purchased the Infrastructure Managed Services businesses of Commander/Volante Group (in receivership) which generated annual revenues of around $60 million. The company paid $24.3 million for computer equipment of $19.7 million and accounts receivable of $8.0 million, less amounts owing to employees of $2.6 million and $0.8 million for other liabilities.

In May 2009, CSG Ltd won the four year contract for the Victorian Ultranet for the Department of Education and Early Childhood Development. The contract is worth $47.5 million over the first two years and $17.1 million over the next two years. The company will provide the Oracle Student Learning portal for every Victorian government school, plus ongoing support, software maintenance, disaster recovery and helpdesk services.

In July 2009, **Delexian Pty**, an Oracle business partner in Perth, Melbourne and Canberra was acquired for $13.6 million.

ITC is a non-capital intensive business that can earn a high return on Shareholders Equity and expand rapidly without the need to raise new capital. CSG Ltd has been successful at winning new business as well as retaining existing customers. Much of this division's revenues comes from ongoing services, or large contracts covering 3-4 years, so the company has *recurring* revenues or contracts that cover future work and revenues. <u>This lowers risks by avoiding fluctuating workloads and revenues, which could otherwise lead to under utilisation of staff and erode profit margins</u>. CSG Ltd continues to win new ITC contracts - and projects such as the Victorian Ultranet could be repeated by education departments in other states - so this division will likely continue to experience strong organic growth.

<u>Growth in the Print Services Business</u>

In July 2007 the group acquired **Fuji Xerox Dealerships** in Cairns and Toowoomba.

The major acquisition - which has approximately quadrupled the size of this division - was the acquisition of 90% of **Konica Minolta Business Solutions New Zealand** (the remaining 10% is held by the equipment manufacturer) for NZ$107 million and the associated equipment financing business, **Leasing Solutions**, for $25 million. These businesses are expected to generate earnings of NZ$20 million and $5 million, respectively, so acquired on a P/E ratio of around 7-8 and with good growth expected over the coming years.

Leasing Solutions provides equipment finance leases with around NZ$130 million outstanding, mainly to large corporates or government departments, funded by a CBA securitisation facility. Profits are made as a margin - about NZ$5 million annually - between the cost of financing and the charges to customers. Acquiring the finance leasing business offers some operational synergies: The company is able to control all aspects of the customer relationship (i.e. sales, financing, service), the printer/copier dealer will be able to sell second hand equipment returned to the lease company and the Leasing Solutions infrastructure and business processes can be used to establish a similar in-house equipment finance company in Australia.

In May 2010 (but not setlled until 1 July), the Print Services increased its Australian business with the agreement with **Canon Australia** to become a Canon multi-function device (i.e. printers/copiers) dealer in Sydney, Melbourne, Canberra, Adelaide and Perth *and* to take over service contracts on 10,500 Canon devices. This acquisition - which will add $75 million to revenues annually - cost $31 million, with $6 million paid immediately and the balance of $25 million (plus interest) payable over the next two years. Only around 15% of the Canon service contracts are for colour equipment, so there is strong potential for service revenues to grow with the trend towards colour copiers and printers.

A year ago, the Print Service division had service contracts for 5,500 copiers/printers in Australia. The New Zealand acquisition added 17,000 machines and the Canon acquisition a further 10,500 machines - expanding this division six-fold to 33,000 machines under service contracts.

CSG Ltd has also become a dealer for *Develop*, a leading European copier brand.

In August **Fuji Xerox Australia** terminated the company's dealership agreements in Brisbane and Maroochydore - owing to the agreement with Canon - but has also applied to the court to determine whether this termination is valid and the obligation of parties.

The Print Service businesses sell multi-functional printers and copiers on low profit margins, but <u>then earns recurring high-margin revenues from 4-5 year service contracts</u>. Equipment sales account for about 50% of revenues but just 20-25% of earnings, with ongoing services accounting for 50% of revenues and 75-80% of earnings. Service revenues are tied to the number of prints/copies produced (and increase slightly as equipment ages) at about 1½ cents for black and white prints and 15 cents for colour. Profit margins are similar for black and white or colour, but colour generates around ten times the revenues and profits. The trend is for customers to replace old black and white only machines with new colour machines (which can also produce black and white prints).

In the original Australian business, around 23% of machines are colour and this is increasing by about 3% annually. In New Zealand, only about 9% of machines are colour, but with a similar rate of conversion to colour. The Canon business has only about 15% colour equipment, but with a similar trend towards colour capable machines. Even with a static number of printers/copiers, the trend to colour is adding around 15-30% per annum growth to the high profit margin service revenues!

The Print Services businesses in both Australia and New Zealand should therefore experience strong growth in their high margin service revenues over many years. The NZ business contributed only six months of revenues and profits to the June 2010 result and Canon only three months, so a full year's contribution from these new businesses should help group profits increase 45-50% this financial year.

While CSG Ltd has needed to raise new capital to help finance print services business *acquisitions* in NZ and Australia, this is again not a capital intensive business. Organic growth and revenue growth from the trend to colour will not require capital investments.

Share Issues

Since listing on the stockmarket, CSG Ltd issued a relatively insignificant number of shares to partially finance a few of its acquisitions.

Over the last year, however, its issued capital increased 38% through two large share placements and a Share Purchase Plan to finance the significant expansion of its Print Services businesses.

It raised $65.0 million from an institutional placement of 40,625,000 shares at 160 cents in December 2009 to help finance the Konica Minolta business and in May 2010 placed a further 21,000,000 shares at 190 cents to raise $40 million to help settle the acquisition of Leasing Solutions and the Canon business. The company also made a Share Purchase Plan at 190 cents, issuing a further 2,632,000 shares to raise $5 million.

These Print Services businesses were acquired at an attractive valuation (i.e. at P/E ratios of 7-8), with the potential for many years of future growth of 15-30% from their services revenues, which generates 75-80% of profits. There is also potential to improve efficiency through adopting “best practice” across the businesses and establishing an Australian finance business. New capital raised over the last year should therefore contribute to future strong growth.

Recent Results

Revenues rose 132.8% to $76.2 million for the year to June 2007, with profits up 209.6% to $10,974,000 (6.5 cents per share). No dividend was paid.

The net operating cash surplus was 222% higher at $14.8 million.

For the year to June 2008, revenues grew 74.2% to $132.7 million with profits up 71.3% at $18,799,000 (11.0 cents per share). The company paid dividends of 4.0 cents for the year.

The net operating cash surplus grew 59% to $23.6 million.

Over the year to June 2009, revenues again increased 47.7% to $197.3 million. Profits were up 23.6% at $23,243,000 (13.2 cents per share). The annual dividend rate was raised 12.5% to 4.5 cents.

The net operating cash surplus again grew strongly, up 81% to $42.6 million.

For the year to June 2010, revenues were 40.8% higher at $277.8 million with profits up 38.0% to $32,073,000. The issued capital, however, also increased 38.3% to 243,083,000 shares, so earnings per share were unchanged at 13.2 cents. The annual dividend rate was 22.2% higher at 5.5 cents.

The net operating cash surplus also slipped 17% to $35.2 million.

Over the year, interest bearing debts increased by $34.9 million to $74.2 million as a result of acquistions. Since balance date that has increased with a further $25 million payable to Canon. This is a modest debt level for a company with a market capitalisation of $425 million, and debt levels will likely decline over future years.

The Leasing subsidiary also has $114.3 million in receivables, financed with $101.5 million of related debt. The current facility expires in July 2011 but the lease portfolio is a high quality asset, rated AA-, so it should not be difficult to renew financing.

Investment Criteria

At 175 cents CSG Ltd shares trade on a Price/Earnings ratio of 1.53, a Price/Earnings ratio of 14 and offer a Dividend Yield of 3.1%. Profit growth of 45-50% this year, however, would lower the P/E ratio to around 9-9½ and could see the annual dividend raised 27-36% to 7-7½ cents (increasing the yield to 4.0-4.2%).

The issued capital is 244,319,695 shares, giving the company a market capitalisation of $425 million. This makes CSG Ltd a large Australian company. The shares are very actively traded, with turnover of around 150,000 to 1,700,000 shares, worth $200,000 to $3 million, every day! The shares are in the All Ordinaries Index (so not subject to NZ's 5% *Fair Dividend Tax* rate but taxed on the lower actual dividends paid).

One director has a very large investment in CSG Ltd and the others have sizeable investments in the company.

There have been four *insider* buys (and no sells) over the last year. In January 2010, the Chairman, PC Chamber, purchased 12,500 shares on-market at 211 cents to raise his holding to 191,000 shares. Non-Executive Director AJ Kroger bought 50,000 shares on-market at 198 cents and then 150,000 shares at 197-202 cents in December 2009, taking his holding to 1,299,000 shares (0.5% of the company). Another non-executive director, P Bullock bought 15,000 shares at 198 cents in December 2009 - and with 5920 shares purchased in the SPP at 190 cents - has 33,420 shares.

Non-executive director I Kew also bought 5920 shares in the SPP to hold 57,920 shares.

The Chief Executive has *(Continued on Page 10)*

Recommended Investments

(Continued from Page 9)

made no on-market trades but acquired 7,500,000 shares for $12 million (i.e. 160 cents per share) in the December 2009 share placement and exercised 1,000,000 options (at 100 cents) last month, lifting his holding to 59,791,495 shares or 23.7% of the company.

Founding shareholders who retain significant investments in CSG Ltd include the Boller family with 15,779,915 shares (6.5% of the company), the Brodie family with 15,391,053 shares (6.3%) and the Phillips family with 14,779,915 shares (6.1%).

The shares are followed by two brokers (i.e. who publish profit forecasts) and several institutional investors own almost half of the company. Around 2000 smaller shareholders own the remaining 17%.

Technically the shares are drifting sideways. The Relative Strength rating is -2.3%, ranked 51 (on a scale of 0-99).

Summary and Recommendation

CSG Ltd is a larger company that is growing rapidly - through both acquisition and internally - with good potential to continue to grow at an above average rate for many years.

The shares trade at a fair valuation for a *no growth* company, but profits should grow 45-50% this year, with future earnings per share growth of around 20-25% likely over many years. The shares are therefore an attractively priced *growth* investment.

Being a larger company and having two different businesses, both generating recurring revenues and strong cashflows all help to significantly reduce company specific risks - so CSG Ltd should appeal to more conservative, lower risk investors who still seek above average dividend growth and capital appreciation.

CSG Limited

Share Recommendation: Sell Charter Hall Group

Sell Charter Hall Group (code CHC).

We are recommending the sale of Charter Hall Group which has changed its business and the shares have been re-rated to a level we consider more fairly valued.

When we recommended Charter Hall Group shares 18 months ago the shares traded at a 72% discount to net asset value - so we saw this as a counter-cyclical, recovery investment in the depressed Property sector. Obviously we expected some further decline in property values to further erode net assets but, as we wrote, " a 72% discount would appear to *over-anticipate* even the most pessimistic view of the recession".

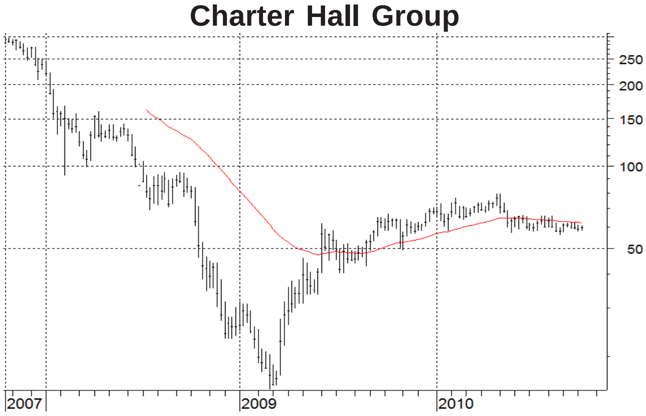
Charter Hall Group also significantly diluted its net asset value through several cash issues and share placements and through the issue of shares to acquire property management businesses. While this diluted the net assets per share and perhaps the ultimate recovery value, it also improved the company's financial position so helped to re-rate the share price. Taking up entitlements to those cash issues also boosted our shareholding and our investment gains as the shares appreciated in value.

Currently the shares trade closer to their net asset value, so we no longer see a big discount and an asset recovery situation. The company has an expanded property management business, but while that is a fine business we just don't see the potential for strong recovery and growth.

The stockmarket downturn of the last few years has allowed us to acquire under-valued shares in a large number of high quality companies with good recovery and growth potential. Charter Hall Group is still a good company, but at current valuations its shares just look less attractive than many other of our other recommended investments (or potential new investments).

We have been rating Charter Hall Group shares as "Hold-" over the last 13 months - indicating that we saw them as less attractive than other recommended shares and suitable for some partial profit-taking. We are now recommending the sale of the remaining shares to provide cash for re-investment elsewhere. Overall we have better than doubled our money in this investment over 18 months.

Charter Hall Group



Investor Strategies for Takeover Offers

Many investors rush to accept a takeover offer - and a quick capital gain - but that is seldom the best strategy. To maximise both your *investment gains* in a takeover situation, and to maximise your options and flexibility, this is our recommended strategy for dealing with takeover offers.

Why Would You Want to Sell Your Best Shares?

Takeover offers are usually received for your *most undervalued, best quality, growth* company investments. No-one ever offers a premium to buy you out of your poor share investments which are falling in value! If an acquirer wants to buy your company for a dollar it is because they see $1.50 of value! Many investors welcome takeover offers as they offer a small, short term capital gain - but selling off your *best growth* companies in a takeover is not really the best strategy for building significant long term wealth!

The Last to Sell Gets the Best Price

It is NEVER a good idea to accept a takeover quickly, or to sell too quickly on-market . . . and there are many reasons for this.

Often the directors of the target company can negotiate a higher price, or the acquiring company may raise its offer to encourage investors to accept its takeover. If investors rush to accept the first offer, then there is no incentive for the acquirer to improve its offer. This is basic bargaining strategy: never look too eager to sell (and as these are often our best shares, we do not want to sell and would often prefer to remain shareholders in the company).

If the bidder is buying on-market and off-market, then if the offer is raised investors who sold on-market will not receive the higher price. Investors accepting the off-market takeover will receive any increase in that offer. That is potentially still not the best price, as the first takeover may be only partially successful (i.e. acquire just part of the company cheaply) and then there may be a second takeover to the remaining shareholders some months later. If a takeover is only partially successful (i.e. acquires less than 90%), then it may be best to remain a minority shareholder and wait to be bought out in a later takeover.

A takeover offer can often encourage a third party to make a higher, rival takeover offer. This can lead to many interesting situations. *If* two parties each acquire close to a 50% controlling interest (either from on-market purchases or from declaring off-market offers unconditional) then there can be an on-market fight for those few remaining shares needed to take their holding over 50% to gain control. If, for example, most of the shares are acquired at prices from 100 cents to 150 cents, then the rival bidders may pay $2, $3 or even $5 per share for the last small number of shares needed to gain control (after which the party with the 49.99% shareholding will probably make a deal to sell out to the successful, controlling party with the 50.01% shareholding).

If you accept too early in a competitive bidding situation then you can end up not receiving the highest offer. After many rounds of competitive bidding, one party may declare their offer of 190 cents unconditional and the second party may declare their offer of 200 cents unconditional. If you have already accepted with the first party then you will only receive 190 cents (and they may turn around and sell to the second party at 200 cents - being unsuccessful in their takeover, but still making a profit on *your* shares!).

Other important reasons against accepting too early are that (1) offers are virtually always conditional and (2) the "closing date" will usually be extended several times.

Takeovers are usually conditional on 90% acceptances (i.e. which allows for compulsory acquisition of the remaining shares), plus financial conditions (i.e. to protect the bidder from the target company distributing cash via dividends, issuing new shares or taking on new debt), other general conditions whose primary purpose is probably to allow the bidder to walk away if it changes its mind (e.g. if the stockmarket collapses and it finds it is paying too much) and there may be regulatory conditions (i.e. subject to approval by government bodies concerned with consumer competition or foreign investment).

So there is no certainty that when you accept a conditional offer that the bidder will actually buy your shares. They could extend the offer month after month after month . . . and in the end simply return your shares and walk away from the takeover.

So if you believe a takeover is a really good deal, then accepting the *conditional* takeover offer is not a really good idea. The only certain way to realise close to the value of the takeover would be to sell on-market (usually at a discount of a few percent).

Takeovers can also be extended for months. So accept too early and your shares are tied up (i.e. you cannot sell on-market or accept a rival bid) and could remain tied up and outside of your control for some months . . . perhaps only to be returned if the bidder does not proceed.

Investors who have not accepted a takeover can always sell on-market - if they needed the cash or if they believe the takeover will fail and the share price fall.

It is therefore NOT a good strategy to accept a *conditional* takeover in the early stages. If you want to accept a takeover, then you could consider accepting a conditional offer once the company has at least a 50% controlling holding or perhaps when it reaches 75% or 80% acceptances, anticipating that it will reach the 90% level and become unconditional.

In the latter stages of a takeover, companies will often declare an offer "unconditional" to encourage investors to accept. Only when an offer becomes unconditional will the bidder actually accept and pay for shares offered to it by investors. At this stage you can accept the offer knowing that a binding transaction is taking place.

The danger for the bidder here is that an unconditional offer may fall short of 90%. In that case the target company will remain listed on the stockmarket with minority public shareholders. This can be costly and inconvenient, so in many cases the bidder will make another, higher takeover offer 6-12 months later to buy out the remaining minorities. Most of the shares were acquired cheaply in the first takeover, so *(Continued on Page 12)*

Strategies for Takeover Offers

(Contuinued from Page 11)

the bidder can afford to pay the few remaining shareholders a higher price to obtain 100% control.

If you believe a share is under-valued, and you are happy to hold an inactively traded share, then remaining a minority shareholder and waiting for a new, higher takeover may be a sound investment strategy.

On the other hand, it is often unattractive to remain a minority shareholder once a bidder has acquired a controlling shareholding over 50%. The controlling shareholder *could* cut dividend payments to shareholders, while effectively having access to the cashflows of its 50.1% owned subsidiary. The controlling shareholder *could* direct profitable investment opportunities and growth to other 100% owned subsidiaries, leaving minority shareholders with non-dividend paying shares in a company which may experience slower future growth. There are, of course, laws against treating minority shareholders "unfairly", but it is difficult to define or prove "unfair" treatment and expensive to take legal action.

Also in the latter stages of a takeover a bidder may declare their offer as "final". That prevents the bidder from improving their offer and tells investors that this is the best offer they will receive and either accept it or reject it. The danger here for the bidder is that a rival could appear at this stage and offer just 1 cent more and the original bidder would not be able to over-bid and would probably lose the takeover!

If a bidder is offering the option of cash or its own shares, then obviously the relative value of the two considerations can vary as share prices fluctuate. That is another reason to wait as long as possible before deciding which option to choose when you accept the takeover.

Strategies for dealing with a Takeover Offer

Firstly, do nothing. Wait for the bidder to increase its offer. Wait for competitive bids. A shareholder owning over 5% is required to disclose every 1% change in its shareholding, so you can easily monitor the bidder's success and level of acceptances.

Secondly, decide whether or not you want to sell to the bidder or remain a shareholder.

If you really want to get out and cash in your gain it is still usually best to wait 4-8 weeks to ensure that a competitive bidder is unlikely (although sometimes they don't appear until much later!). After that, your only certain exit is probably to sell on-market. Accepting a conditional offer just gives the bidder an *option* to buy your shares and they may hold that option for many months and then return your shares.

If you want to remain a shareholder - and don't want to accept the takeover - then simply do nothing.

Thirdly - as we have no control over how a takeover will play out - just wait and see what happens. Is there a competitive bidder? Does the bidder raise its price? Are other shareholders accepting the offer? Most takeovers drag on for a few months and most experience some improvement in the initial offer terms. Just a few become competitive bidding situations where the prices can rise a further 25-50% and some takeovers will fail (usually owing to failure to gain regulatory approval).

Fourthly, as already discussed, it is unwise to accept a conditional offer where the bidder has only a few acceptances and the takeover could drag on for months - but once the bidder gets to a controlling 50% interest you should re-evaluate your position.

While there is still no absolute certainty that the offer will proceed, once a bidder has a controlling interest the chances of success improve considerably. If you want to accept the offer and/or you don't want to be a minority shareholder, then now is a time to *consider* accepting the offer (or selling your shares on-market).

Fifthly, from this point, acceptances usually increase quickly and eventually the bidder often declares the offer "unconditional" to encourage the reaming shareholders to accept. This means the bidder will proceed with its offer and pay for the shares. It can no longer cancel the offer and return shares to investors. Cautious investors may wish to wait for the offer to become unconditional before accepting.

Sixthly, if you want to hold on - and remain a shareholder (and perhaps receive a higher offer later) - then continue to do nothing and hold your shares. You can remain a shareholder if the bidder ends up with *less* than 90% of the shares. Usually the bidder will threaten to delist the target company from the stockmarket - which is possible, but difficult to achieve, so unlikely. The bidder will warn of an inactive market in the shares - but if you put yourself in this situation, presumably you are a long term investor wanting to own shares in the company, not a share trader.

Finally, whether you want to accept the takeover or not, once the bidder reaches 90% it is all over. The bidder can then apply to the courts to compulsorily acquire your shares. Invariably, when a bidder reaches 90% it will extend the offer to allow the remaining shareholders to accept. If you haven't done already, you should accept at this time.

Compulsory acquisitions can take several months, so you want to avoid waiting this extra time for your money. In theory, the company must acquire your shares at "fair value". In practice, the courts will determine that the fair value at which investors are forced to sell will not be lower than the highest price the bidder paid in its acquisition of shares from voluntary sellers.

How To Accept a Takeover Offer

Bidders will mail shareholders an "Acceptance Form" for an off-market takeover. As we have mentioned previously, you can virtually ignore the first few "closing dates" for the takeover offer!

Furthermore, if your shares are "CHESS sponsored" (in Australia) then you do not need to worry about postal delivery times returning the Acceptance Form. You *can* accept a takeover by returning the Acceptance Form to the share registry, but the *correct* method is to notify your CHESS "Controlling Participant" (i.e. normally your stockbroker) and instruct them to "initiate acceptance of the offer on your behalf".

Your controlling participant would probably appreciate being notified at least 24 hours before a closing date. So if in early January a bidder makes an offer with a "closing date" of 31 January, then the *earliest* that you need to make a decision or take any action is 30 January when you should telephone your broker if you wish to accept the takeover. In all likelihood, somewhere around 25 January the closing date will be extended to mid February - and about a week before that extended again and again - and if ultimately success, may finally close in late March or April.

The bidder will seek to rush shareholders into accepting, but a takeover is a situation where there is seldom any urgency. Going slowly and taking your time will likely improve your rewards *and* improve your range of options.

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

For an explanation of this table see the *Share Selection Methods* report 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	4-Wk Chg.	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
Col Motor Co	237	+3.4	+1.8	16	1-0	-	0.7	4	0.5	15	9.0	0.18	77
Ebos Group Ltd	705	+5.9	+2.2	11	0-3	1	2.0	13	0.4	15	6.3	0.26	358
Satara Co-op	100	+18.4	+10.4	2	0-0	-	0.5	3	0.9	18	2.9	0.29	16
Air New Zealand	130	+0.8	+4.8	28	0-3	1	0.9	5	0.9	17	7.7	0.34	1,400
Allied Work.	98	+6.8	+2.2	10	1-0	-	1.4	11	0.9	13	6.6	0.36	26
Seeka Kiwifruit	310	+1.2	+0.1	24	1-0	-	0.7	1	0.4	121	9.2	0.37	45
Nuplex Indust	325	+2.6	+3.2	20	6-0	1	1.2	14	1.1	9	6.5	0.43	625
Infratil NZ	178	+1.5	+2.6	23	6-2	-	1.1	3	0.8	35	3.0	0.55	1,010
Mainfreight Grp	701	+7.8	+2.2	7	0-1	-	2.3	12	0.5	19	3.8	0.61	690
Hellaby Hold.	192	+14.9	+6.2	3	7-0	-	2.9	9	1.3	32	6.0	0.72	140
Restaurant Brds	254	+12.5	-1.7	4	4-0	-	5.1	40	0.5	13	7.0	0.78	247
Methven Limited	172	+0.8	+2.4	28	1-1	-	2.1	15	0.9	15	9.1	0.88	115
Cavalier Corp	291	+5.6	+5.9	12	1-0	1	2.2	18	1.0	12	8.8	0.90	197
Skellerup Hold.	93	+21.6	+4.8	1	0-0	-	1.8	12	1.0	15	6.9	0.98	178

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

Company	Share Price	Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Finzsoft Sol'ns	30	+26.1	-1.6	1	0-0	-	1.0	11	0.9	9	Nil	0.34	2
Skellerup Hold.	93	+21.6	+4.8	1	0-0	-	1.8	12	0.8	15	6.9	0.98	178
Satara Co-op	100	+18.4	+10.4	2	0-0	-	0.5	3	0.7	18	2.9	0.29	16
Restaurant Brds	254	+12.5	-1.7	4	4-0	-	5.1	40	0.4	13	7.0	0.78	247
Mainfreight Grp	701	+7.8	+2.2	7	0-1	-	2.3	12	0.5	19	3.8	0.61	690
Allied Work.	98	+6.8	+2.2	10	1-0	-	1.4	11	0.7	13	6.6	0.36	26
Ebos Group Ltd	705	+5.9	+2.2	11	0-3	1	2.0	13	0.3	15	6.3	0.26	358
Cavalier Corp	291	+5.6	+5.9	12	1-0	1	2.2	18	0.9	12	8.8	0.90	197
Col Motor Co	237	+3.4	+1.8	16	1-0	-	0.7	4	0.4	15	9.0	0.18	77
Nuplex Indust	325	+2.6	+3.2	20	6-0	1	1.2	14	1.0	9	6.5	0.43	625
Air New Zealand	130	+0.8	+4.8	28	0-3	1	0.9	5	0.7	17	7.7	0.34	1,400
Methven Limited	172	+0.8	+2.4	28	1-1	-	2.1	15	0.8	15	9.1	0.88	115

INCOME SHARES: Highest Yields, Capitalisation > NZ$100 million

Company	Share Price	Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Telecom Corp	205	-3.3	+2.8	65	0-3	1	1.6	16	0.5	9	11.7	0.75	3,937
ING Property	73	-1.8	+2.2	57	0-0	-	0.8	-	0.5	NE	10.3	5.05	394
Methven Limited	172	+0.8	+2.4	28	1-1	-	2.1	15	0.7	15	9.1	0.88	115
Cavalier Corp	291	+5.6	+5.9	12	1-0	1	2.2	18	0.8	12	8.8	0.90	197
Warehouse Group	388	-0.8	+3.0	48	4-2	1	4.0	27	0.4	15	8.8	0.72	1,207
AMP Onyx Mgmt	80	-0.1	+2.6	38	2-1	-	1.0	-	0.5	NE	8.8	5.78	798
Vector Ltd	230	+1.9	+0.5	22	1-2	1	1.1	10	0.5	12	8.7	1.93	2,290
Nat Property Tr	52	+5.8	-1.5	12	0-0	-	0.8	-	0.6	NE	8.7	3.57	101
Goodman Prop.	99	-1.2	+2.1	52	0-2	-	1.0	-	0.5	NE	8.6	6.41	850
Sanford Limited	400	-5.8	+1.2	75	0-1	1	0.7	7	0.3	10	8.2	0.86	375

INSIDER BUYING: Most Insider Buying, Relative Strength>0

Company	Share Price	Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Hellaby Hold.	192	+14.9	+6.2	3	7-0	-	2.9	9	1.0	32	6.0	0.72	140
Nuplex Indust	325	+2.6	+3.2	20	6-0	1	1.2	14	0.9	9	6.5	0.43	625
Restaurant Brds	254	+12.5	-1.7	4	4-0	-	5.1	40	0.3	13	7.0	0.78	247
Infratil NZ	178	+1.5	+2.6	23	6-2	-	1.1	3	0.6	35	3.0	0.55	1,010
Pike River Coal	113	+3.7	+5.4	15	2-0	-	1.7	-	0.9	NE	Nil	N/A	458
GuocoLeisure	62	+2.4	+4.1	20	2-0	-	0.6	5	0.6	12	2.5	1.60	848
Allied Work.	98	+6.8	+2.2	10	1-0	-	1.4	11	0.6	13	6.6	0.36	26
Sky Network TV	500	+2.0	+1.0	21	1-0	1	19.7	-	0.3	19	4.0	2.62	1,946
Rakon Ltd	122	+7.6	+7.8	9	1-0	-	1.2	-	0.7	NE	Nil	1.61	233
Seeka Kiwifruit	310	+1.2	+0.1	24	1-0	-	0.7	1	0.2	121	9.2	0.37	45

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength<0

Company	Share Price	Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Property F Ind.	123	-0.2	+0.8	41	0-0	-	1.1	-	0.4	NE	7.4	8.40	264
Goodman Prop.	99	-1.2	+2.1	52	0-2	-	1.0	-	0.5	NE	8.6	6.41	850
Port Tauranga	704	-0.0	+0.8	35	4-0	-	1.4	7	0.4	21	5.9	6.37	944
ING Med. Prop.	124	-58.3	+0.0	98	0-0	-	1.1	5	0.4	24	7.6	6.26	178
AMP Onyx Mgmt	80	-0.1	+2.6	38	2-1	-	1.0	-	0.4	NE	8.8	5.78	798
NZ Oil & Gas	132	-8.5	+2.7	81	1-0	-	1.2	-	0.4	NE	5.4	5.23	519
ING Property	73	-1.8	+2.2	57	0-0	-	0.8	-	0.4	NE	10.3	5.05	394
NZ Exchange Ltd	162	-8.9	+3.6	82	0-3	-	2.1	3	0.6	81	5.7	4.57	195
NZ Refining Co	381	-3.9	+6.2	68	1-0	-	2.0	4	0.3	45	Nil	4.27	1,067
Metro. LifeCare	215	-2.7	+3.1	61	0-0	-	0.5	13	0.5	4	Nil	4.19	263
F & P Health.	313	-5.1	+1.0	70	0-3	2	5.5	24	0.3	22	5.7	3.19	1,604
TrustPower Ltd	744	-0.0	+0.6	36	0-1	-	1.6	8	0.3	20	7.3	3.09	2,347
WN Drive Tech.	9	-1.0	-1.1	49	5-0	-	2.0	-	1.1	NE	Nil	2.27	51
Mowbray Collect	75	-8.1	+2.1	81	0-0	-	2.0	-	0.5	NE	Nil	2.27	8
Sky City Ltd	294	-3.1	+0.9	64	7-0	1	2.2	19	0.5	12	7.5	2.03	1,691

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio>0.25, Yield<Twice Average

Company	Share Price	Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
ING Med. Prop.	124	-58.3	+0.0	98	0-0	-	1.1	5	0.3	24	7.6	6.26	178
Charlie's Group	11	-58.3	+0.0	97	0-0	-	2.0	15	1.3	13	Nil	1.01	32
Allied Farmers	2	-40.4	+0.5	97	0-0	-	1.0	-	2.2	NE	Nil	0.43	45
Just Water Int.	17	-20.7	-1.0	95	1-0	-	5.6	-	0.7	NE	Nil	0.43	15
NZ Windfarms	23	-17.4	+4.6	94	0-0	-	0.6	-	1.2	NE	Nil	N/A	66
Jasons Media	40	-13.7	+1.9	89	0-0	-	2.3	16	0.6	14	8.9	0.54	8
NZ Wine Company	135	-12.0	+2.0	89	0-0	-	0.6	-	0.5	NE	2.1	0.90	12
New Image Group	30	-11.7	+1.9	88	7-1	-	2.8	30	0.9	9	7.1	0.87	70
Oyster Bay	170	-10.6	+3.5	86	0-0	-	0.3	-	0.3	NE	Nil	1.84	15
Pyne Gould Corp	40	-9.8	+2.9	84	5-3	-	0.7	5	0.8	14	Nil	1.51	309
Kathmandu Ltd	191	-9.7	-0.7	84	1-0	-	1.6	4	0.5	41	5.2	1.55	382
Ecoya Ltd	80	-9.0	+1.0	83	0-0	-	19.9	-	0.8	NE	Nil	6.76	26
NZ Exchange Ltd	162	-8.9	+3.6	82	0-3	-	2.1	3	0.6	81	5.7	4.57	195
NZ Oil & Gas	132	-8.5	+2.7	81	1-0	-	1.2	-	0.3	NE	5.4	5.23	519
Mowbray Collect	75	-8.1	+2.1	81	0-0	-	2.0	-	0.4	NE	Nil	2.27	8
CER Group Ltd	1	-7.4	-0.6	78	0-0	-	1.8	-	3.4	NE	Nil	0.65	30
AMP Limited	691	-6.6	+2.0	76	0-0	-	1.6	9	0.4	18	2.9	1.10	13,999
Delegat's Group	170	-6.2	+5.3	76	0-0	-	1.3	3	0.4	40	6.7	0.78	171
Sanford Limited	400	-5.8	+1.2	75	0-1	1	0.7	7	0.2	10	8.2	0.86	375
Wakefield Hlth	655	-5.8	+0.7	74	0-0	1	1.0	6	0.2	15	3.9	1.21	93

INSIDER SELLING: Most Insider Selling, Relative Strength<0

Company	Share Price	Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
PGG Wrightsons	57	-3.4	+4.1	66	0-6	1	0.7	4	0.5	18	Nil	0.38	432
F & P Health.	313	-5.1	+1.0	70	0-3	2	5.5	24	0.3	22	5.7	3.19	1,604
Telecom Corp	205	-3.3	+2.8	65	0-3	1	1.6	16	0.4	9	11.7	0.75	3,937
NZ Exchange Ltd	162	-8.9	+3.6	82	0-3	-	2.1	3	0.6	81	5.7	4.57	195
Fletcher Build.	805	-0.7	+1.8	47	4-7	2	1.6	9	0.3	18	4.4	0.72	4,886
Goodman Prop.	99	-1.2	+2.1	52	0-2	-	1.0	-	0.4	NE	8.6	6.41	850
Pumpkin Patch	190	-5.3	+1.2	71	0-1	1	3.9	32	0.4	12	7.1	0.83	317
TrustPower Ltd	744	-0.0	+0.6	36	0-1	-	1.6	8	0.3	20	7.3	3.09	2,347
Sanford Limited	400	-5.8	+1.2	75	0-1	1	0.7	7	0.2	10	8.2	0.86	375
Guinness Peat	71	-5.6	+2.7	73	1-2	-	0.6	-	0.7	NE	3.1	0.49	1,268

"Insider" Trades in NZ Shares

The table below shows the number of Purchases and Sales of a company's shares by its Directors over the last twelve months (excluding "Neutral" situations where the number of Buyers and Sellers were equal). Shares where many "insiders" have been buying can outperform the market for up to two years, while shares where many "insiders" have sold can under-perform for a similar period.

"Insider" Indicators

Last 5 wks: 84.6% Buyers

Last 13 wks: 82.9% Buyers

Company	Insider Buyers-Sellers
AMP Onyx Mgmt	2-1
Affco Holdings	1-0
Air New Zealand	0-3
Akd Int Airport	0-1
Allied Work.	1-0
Blis Technology	0-1
Briscoe Group	5-0
Cavalier Corp	1-0
Cavotec MSL	1-0
Col Motor Co	1-0
Comvita	6-0
Dorchester Pac	1-0
Ebos Group Ltd	0-3
F & P Appliance	4-0
F & P Health.	0-3
Fletcher Build.	4-7
Freightways Ltd	2-0
Goodman Prop.	0-2
Guinness Peat	1-2
GuocoLeisure	2-0
Hellaby Hold.	7-0
Infratil NZ	6-2
Just Water Int.	1-0
Kathmandu Ltd	1-0
Kiwi Property	0-1
Mainfreight Grp	0-1
Michael Hill	4-0
NZ Exchange Ltd	0-3
NZ Farming Sys.	0-1
NZ Oil & Gas	1-0
NZ Refining Co	1-0
New Image Group	7-1
Nuplex Indust	6-0
PGG Wrightsons	0-6
Pike River Coal	2-0
Port Tauranga	4-0
Pumpkin Patch	0-1
Pyne Gould Corp	5-3
Rakon Ltd	1-0
Restaurant Brds	4-0
Ryman Health.	3-2
Salvus Strat.	1-0
Sanford Limited	0-1
Scott Tech. Ltd	8-0
Sealegs Corp	0-1
Seeka Kiwifruit	1-0
Sky Network TV	1-0
Sky City Ltd	7-0
Telecom Corp	0-3
Tourism Hold.	1-0
Trust Power Ltd	0-1
Turners Auction	2-0
Vector Ltd	1-2
WN Drive Tech.	5-0
Warehouse Group	4-2
Xero Ltd	3-0
Zintel Comm.	6-0

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

For an explanation of this table see the *Share Selection Methods* report 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-tility	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Future Corp	0	-19.6	+5.7	90	3-0	-	-	-	8.1	NE	Nil	N/A	6
Admiralty Res.	1	-20.6	+3.0	91	5-1	-	-	-	4.1	NE	Nil	9.55	8
Un. Biosensors	140	-2.6	-1.4	52	0-1	-	4.5	-	0.6	NE	Nil	9.24	220
A1 Minerals Ltd	13	-23.3	-2.4	93	0-3	-	-	-	1.0	NE	Nil	9.22	26
Charter Hall GR	60	-4.0	+0.4	57	1-1	1	1.1	1	0.5	135	5.4	8.95	692
Eden Energy Ltd	5	-14.4	+0.9	82	0-0	-	-	-	2.0	NE	Nil	8.93	7
Aurora Sand Div	100	-2.2	+0.7	50	0-0	-	1.0	-	0.3	NE	9.8	8.92	44
Biotech Capital	15	-18.7	-2.8	89	0-0	-	0.5	-	0.9	NE	Nil	8.84	11
Aust Leaders Fd	108	-2.3	+0.4	51	5-0	-	0.8	15	0.4	5	7.4	8.82	70
Patrys Ltd	7	-15.6	-3.1	84	0-0	-	1.2	-	1.4	NE	Nil	8.78	13
FAR Ltd	5	-11.1	-3.7	74	0-0	-	-	-	1.6	NE	Nil	8.21	25
Mikoh Corp.	4	-15.0	-6.8	83	0-0	-	4.1	-	1.6	NE	Nil	8.04	13
ASX Limited	3380	-3.1	+3.5	54	2-3	4	9.7	54	0.3	18	5.1	7.98	5,867
IMF (Aust) Ltd	141	-4.3	-1.3	58	0-1	-	5.4	38	0.3	14	3.5	7.93	172
Woodside Petrol	4443	-1.9	+1.6	49	1-2	4	2.6	14	0.3	19	2.5	7.93	34,533
Phoslock Water	7	-16.9	-2.1	86	0-0	-	3.3	-	1.3	NE	Nil	7.76	12
Metals Finance	7	-16.7	+0.4	86	2-0	-	0.4	-	1.3	NE	Nil	7.74	5
Wotif.com Hold.	498	-12.0	+0.2	77	0-3	6	-	-	0.3	20	4.3	7.68	1,044
Somerton Energy	13	-14.0	-2.5	81	0-0	-	-	-	1.3	NE	Nil	7.65	6
Orion Petroleum	4	-20.1	+2.0	90	0-0	-	-	-	1.6	NE	Nil	7.54	7
I-Cash Payment	37	-10.0	-2.9	72	0-0	-	18.3	26	0.6	69	Nil	7.48	312
Quest Minerals	3	-14.1	+3.6	81	3-0	-	-	-	2.1	NE	Nil	7.36	5
Norwest Energy	3	-3.5	+3.6	55	0-0	-	-	-	2.4	NE	Nil	7.25	19
NSX Limited	19	-5.2	-1.1	61	9-0	-	2.1	-	0.9	NE	Nil	7.17	19
Cougar Metals	2	-1.1	+0.7	47	1-0	-	-	-	2.4	NE	Nil	7.16	7
Horizon Oil Ltd	31	-2.8	+2.1	53	0-0	2	1.6	10	0.8	17	Nil	7.01	377
Aberdeen Leader	130	-3.1	+1.7	54	2-3	-	1.0	8	0.4	13	7.3	6.79	78
King Solomon M.	6	-6.0	+7.8	63	0-0	-	-	-	1.3	NE	Nil	6.78	6
AMP Cap China	85	-0.1	+3.8	42	0-0	-	0.9	11	0.5	9	10.0	6.77	270
Deutsche Ind Tr	196	+0.0	+0.0	40	0-0	-	1.2	10	0.2	12	8.1	6.49	663
Caspian Oil & G	1	-10.3	+5.1	73	2-0	-	-	-	3.7	NE	Nil	6.43	9
Austpac Res	3	-3.0	+1.8	54	0-0	-	-	-	1.7	23	Nil	6.42	32
Iress Mkt Tech	877	-0.4	-0.6	44	4-0	3	11.5	46	0.2	25	3.9	6.34	1,086
Hastings Hi-Yld	126	-1.0	+2.4	46	0-0	-	0.7	3	0.5	25	12.0	6.31	139
Strike Energy	23	-8.8	+3.2	70	0-0	1	-	-	0.8	NE	Nil	6.22	63
Adelaide Energy	9	-17.6	+2.1	87	0-0	-	-	-	1.2	NE	Nil	6.13	21
Deutsche Div Tr	131	+0.0	+0.0	40	0-0	-	1.1	8	0.3	14	7.1	6.10	1,306
Orion Equities	42	-7.0	+1.1	65	0-0	-	0.4	6	0.5	7	Nil	6.07	7
Jervois Mining	0	-14.7	+3.3	82	2-0	-	-	-	6.5	NE	Nil	6.00	9
Sino Securities	28	-19.6	+5.0	90	0-0	-	-	-	0.7	NE	Nil	6.00	19
Cellestis Ltd	249	-9.2	-2.3	70	0-1	-	8.9	31	0.4	29	2.0	5.93	239
Info Choice Ltd	45	-3.7	+0.1	56	0-0	-	15.0	-	0.7	NE	Nil	5.84	19
Neon Energy Ltd	14	-4.4	+5.9	58	4-0	-	1.5	-	1.1	NE	Nil	5.77	44
Heron Resources	21	-5.6	+4.7	62	2-0	-	-	-	0.9	NE	Nil	5.77	43
Metal Storm Ltd	1	-24.7	+0.5	94	1-0	-	-	-	3.7	NE	Nil	5.71	8
Ale Property	206	-3.5	+0.5	56	0-0	-	1.0	-	0.3	NE	11.7	5.36	316
Cochlear Ltd	6960	-0.0	-1.6	40	1-0	4	17.4	69	0.1	25	2.9	5.35	3,931
Aquarius Plat.	603	-11.4	+1.8	75	0-0	1	-	-	0.4	79	1.0	5.28	2,792
Comet Ridge Ltd	15	-23.2	+1.9	93	0-0	-	-	-	0.9	NE	Nil	5.27	23
Diversa Ltd	10	-4.8	+1.6	59	0-0	-	4.8	-	1.1	NE	Nil	5.19	10
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Prime Infra.	455	-56.3	+0.6	99	2-0	-	-	-	0.2	NE	3.3	3.21	1,601
I-SOFT Group	13	-41.5	+0.7	99	1-4	2	-	-	0.9	NE	Nil	0.30	130
Enerji Ltd	2	-40.3	+0.1	99	0-0	-	2.0	-	2.3	NE	Nil	N/A	11
Po Valley Ener.	24	-40.2	+1.2	99	3-0	-	-	-	0.8	NE	Nil	N/A	22
Van Eyk Three P	105	-38.9	-15.9	98	0-0	-	1.1	-	0.4	1	2.4	1.47	6
Avexa Limited	3	-38.6	+2.7	98	0-0	-	1.1	-	1.6	NE	Nil	N/A	27
Novogen Ltd	13	-38.2	+1.8	98	0-0	-	0.7	-	1.0	NE	Nil	1.34	13
Panax Geotherm.	5	-34.8	-1.8	98	0-0	-	-	-	1.5	NE	Nil	N/A	12
Jindalee Res.	46	-32.1	-10.1	97	0-2	-	-	-	0.7	NE	Nil	N/A	15
Every Day Mine	5	-32.1	-0.6	97	0-0	-	0.4	-	1.5	NE	Nil	0.38	10
Bone Medical	6	-31.5	-2.5	97	0-0	-	-	-	1.3	NE	Nil	N/A	5
Korab Resources	15	-30.5	-10.4	97	0-0	-	-	-	1.0	NE	Nil	N/A	10
Panorama Syn.	9	-29.9	-0.2	97	0-0	-	-	-	1.3	NE	Nil	N/A	11
Marion Energy	4	-29.2	+8.5	97	1-0	-	-	-	1.6	NE	Nil	N/A	10
Nufarm Limited	375	-28.8	-0.2	96	8-0	3	1.2	7	0.3	17	Nil	0.45	982
White Canyon Ur	8	-28.1	+2.9	96	2-0	-	-	-	1.2	NE	Nil	N/A	14
Raisama Ltd	19	-27.8	+1.7	96	0-0	-	-	-	0.9	NE	Nil	2.37	45
ZYL Ltd	3	-27.8	+4.3	96	0-0	-	-	-	1.9	NE	Nil	N/A	10
Key Petroleum	4	-27.6	-0.1	96	0-0	-	-	-	1.5	NE	Nil	N/A	6
Carnavale Res.	13	-27.3	-19.2	96	2-0	-	-	-	1.1	NE	Nil	N/A	7
Cougar Energy	4	-27.2	-7.7	96	0-0	-	0.9	-	2.1	NE	Nil	N/A	34
Antisense T.	2	-27.1	+3.4	96	0-0	-	-	-	2.5	3	Nil	N/A	9
Northern Mining	7	-27.0	+3.7	96	1-2	-	-	-	1.1	NE	Nil	N/A	9
Nexbis Ltd	8	-26.9	+3.7	96	5-0	-	0.9	-	1.2	NE	Nil	N/A	38
Xiaoxiao Educat	10	-26.7	-5.7	95	0-0	-	-	-	1.3	NE	Nil	N/A	11
Nullarbor Hold	50	-26.6	+0.6	95	0-0	-	-	-	1.0	NE	Nil	N/A	37
Bioprospects	1	-26.3	-0.3	95	0-1	-	-	-	3.2	NE	Nil	N/A	6
Eneabba Gas Ltd	9	-25.7	+0.8	95	1-0	-	1.8	-	1.4	NE	Nil	N/A	7
Digislide Hold.	10	-25.6	-2.2	95	0-0	-	5.0	-	1.1	NE	Nil	4.85	5
Stirling Res.	5	-25.4	+1.9	95	5-0	-	-	-	1.7	NE	Nil	N/A	40
Aurora Minerals	40	-25.0	+3.6	95	0-0	-	-	-	0.5	NE	Nil	N/A	26
Metal Storm Ltd	1	-24.7	+0.5	94	1-0	-	-	-	3.3	NE	Nil	5.71	8
TZ Limited	46	-24.7	+3.6	94	0-0	-	-	-	0.8	NE	Nil	1.64	29
Triausmin Ltd	6	-24.4	+1.0	94	0-0	-	-	-	1.4	NE	Nil	N/A	6
Marenica Energy	7	-24.3	-0.7	94	0-2	-	-	-	1.4	NE	Nil	N/A	14
Biota Holdings	97	-24.3	+3.0	94	3-0	-	1.8	17	0.5	11	Nil	2.57	174
Karmelsonix Ltd	2	-24.2	+1.4	94	2-1	-	2.0	-	2.1	NE	Nil	N/A	14
Port Bouvard	10	-24.1	-2.0	94	0-0	-	0.4	-	1.2	NE	Nil	2.86	59
Uscom Limited	32	-23.9	+1.0	94	0-0	-	4.6	-	0.6	NE	Nil	N/A	13
Austock Group	12	-23.8	-0.2	94	2-0	-	0.5	-	1.0	NE	Nil	0.34	17
Golden State	4	-23.5	+2.4	93	0-0	-	-	-	2.1	NE	Nil	N/A	7
Clean Seas Tuna	12	-23.4	+6.4	93	0-0	-	0.5	-	0.9	NE	Nil	1.27	50
Carpathian Res.	2	-23.4	+1.3	93	0-0	-	-	-	2.3	NE	Nil	0.90	5
ORH Limited	2	-23.4	+1.1	93	10-3	-	0.9	-	2.2	NE	Nil	0.49	7
A1 Minerals Ltd	13	-23.3	-2.4	93	0-3	-	-	-	1.0	NE	Nil	9.22	26
Excelsior Gold	4	-23.2	+3.5	93	0-0	-	-	-	2.0	NE	Nil	N/A	7
Comet Ridge Ltd	15	-23.2	+1.9	93	0-0	-	-	-	0.9	NE	Nil	5.27	23
Forte Energy NL	8	-23.1	-1.6	93	0-0	-	-	-	1.3	NE	Nil	N/A	29
ComOps Limited	5	-22.3	+1.0	93	0-0	-	1.7	58	1.3	3	Nil	0.31	6
Clancy Expor.	9	-22.2	-3.1	92	0-0	-	-	-	1.1	NE	Nil	4.76	6
INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Leighton Hold	3573	-3.4	+4.0	55	1-12	5	4.4	25	0.2	18	4.2	0.74	10,744
Platinum Asset	491	-0.1	+1.0	42	0-4	4	-	-	0.3	20	4.5	N/A	2,756
Dominion Mining	290	-11.6	+1.6	76	0-3	5	2.8	3	0.4	108	2.1	3.07	300
A1 Minerals Ltd	13	-23.3	-2.4	93	0-3	-	-	-	0.9	NE	Nil	9.22	26
Quickstep Hold.	36	-3.5	+6.4	55	0-3	-	5.1	-	0.5	NE	Nil	N/A	89
Liq Natural Gas	49	-8.5	+6.5	69	0-3	-	-	-	0.6	NE	Nil	N/A	83
Tox Free Sol.	239	-1.6	+1.1	48	0-3	3	3.6	13	0.2	27	0.8	2.22	219
BT Invest Mgmt	243	-2.6	-0.2	52	0-3	2	7.6	31	0.4	24	3.3	2.66	308
Wotif.com Hold.	498	-12.0	+0.2	77	0-3	6	-	-	0.3	20	4.3	7.68	1,044
I-SOFT Group	13	-41.5	+0.7	99	1-4	2	-	-	0.8	NE	Nil	0.30	130
Computershare	972	-7.9	-0.3	67	2-5	3	-	-	0.2	16	2.9	3.01	5,401
Advanced Energy	5	-18.5	-1.8	88	0-2	-	5.0	-	1.4	NE	Nil	N/A	22
Hunter Hall Int	604	-5.7	+3.1	62	0-2	1	3.5	26	0.4	13	7.5	4.43	157
Pepinnini Min.	23	-0.1	+11.9	42	0-2	-	-	-	0.9	NE	Nil	N/A	15
Marenica Energy	7	-24.3	-0.7	94	0-2	-	-	-	1.3	NE	Nil	N/A	14
Aquila Res.	860	-4.1	+2.9	57	0-2	2	-	-	0.3	NE	Nil	N/A	2,772
WCP Resources	9	-1.6	+8.2	48	0-2	-	-	-	1.0	NE	Nil	N/A	14
James Hardie	572	-11.3	-0.4	75	0-2	4	-	-	0.3	NE	Nil	1.88	2,486
TPL Corporation	2	-3.7	+0.0	56	0-2	-	-	-	2.0	NE	Nil	N/A	8
Jindalee Res.	46	-32.1	-10.1	97	0-2	-	-	-	0.7	NE	Nil	N/A	15
CSL Limited	3286	-0.9	+0.1	46	0-2	4	5.5	29	0.2	19	2.4	4.56	18,063
Barra Resources	5	-14.8	+3.2	83	0-2	-	-	-	1.5	NE	Nil	N/A	15
Alchemy Res.	39	-16.4	+1.8	85	0-2	-	-	-	0.8	NE	Nil	N/A	29
Iron Ore Hold.	158	-10.1	+2.3	72	1-3	-	-	-	0.6	NE	Nil	N/A	183
Slater & Gordon	171	-1.1	+3.3	47	1-3	2	1.6	15	0.4	11	2.9	1.64	205

"Insider" Trades in Australian Shares

The table below shows the number of Purchases and Sales of a company's shares by its Directors over the last twelve months (excluding "Neutral" situations where the number of Buyers and Sellers were equal). Shares where many "insiders" have been buying can outperform the market for up to two years, while shares where many "insiders" have sold can under-perform for a similar period.

"Insider" Indicators

Last 5 wks: 71.8% Buyers
Last 13 wks: 75.2% Buyers

Company	Insider Buyers-Sellers
1300 Smiles Ltd	0-1
A.P. Eagers	5-0
A1 Minerals Ltd	0-3
AACL Holdings	4-0
ADX Energy Ltd	7-1
AED Oil Ltd	5-0
AGL Energy Ltd	2-0
AJ Lucas	2-0
AMA Group Ltd	10-0
ANZ Bank	7-0
APA Group	4-0
APN Property	4-0
APN News Media	5-1
ARB Corporation	2-0
ASG Group Ltd	0-1
ASX Limited	2-3
AV Jennings	1-0
AWB Limited	1-0
Abacus Property	0-1
Aberdeen Leader	2-3
Acclaim Explor	3-0
Acrux Ltd	0-2
Acuvax Ltd	1-0
Ad Braking Tech	1-0
Adamus Resource	1-0
Adcorp Aust.	3-0
Adelaide Res.	3-1
Admiralty Res.	5-1
Adtrans Group	3-0
Adultshop.com	1-0
Adv Share Reg.	0-1
Adv. Magnesium	0-1
Advanced Energy	0-2
Advance Energy	3-0
Ainsworth Game	1-0
Alchemy Res.	0-2
Alchemia Ltd	2-1
Alesco Corp Ltd	3-0
Alexium Int'l	4-0
Alliance Res.	0-1
Allied Brands	3-0
Allied Gold Ltd	2-0
Altium Limited	6-0
Altura Mining	5-0
Alumina Ltd	1-0
Amalgamated Hld	6-0
Ambertech Ltd	3-0
Amcor Ltd	4-1
Amex Resources	2-0
Ammtec Ltd	0-1
Ampella Mining	0-7
Anaeco Limited	2-0
Analytica Ltd	0-1
Andean Res.	0-5
Aneka Tambang	1-0
Antaria Ltd	1-0
Antares Energy	3-0
Anteo Diagnost.	2-3
Anvil Mining	5-0
Apex Minerals	1-0
Aphrodite Gold	1-0
Apollo Minerals	1-0
Aquila Res.	0-2
Arafura Res.	1-0
Arafura Pearls	1-0
Aragon Res.	1-0
Archer Explor.	1-0
Ardent Leisure	7-0
Argent Minerals	3-1
Artist & Enter.	1-0
Artimis Res.	1-0
Arturus Capital	3-0
Ascent Pharm.	1-0
Asciano Group	5-0
Ask Funding Ltd	2-0
Aston Resources	1-0
Astro Japan Pro	1-0
Astra Capital	1-0
Astro Resources	0-1
Atlas SS Pearl	9-1
Atticus Res.	2-0
Augustus Min.	3-0
Aurora Oil Gas	1-2
Ausdrill Ltd	2-0
Ausenco Ltd	2-0
Aussie Q Res.	0-2
Austex Oil Ltd	2-0
Aust Foundation	7-0
Austock Group	2-0
Austin Eng.	0-2
Aust Oil Coy	3-0
Aust Bauxite	4-0
Aust Vintage	2-0
Aust Agricult.	8-0
Aust Infra.	1-0
Aust Mines Ltd	0-1
Aust United In	7-0
Aust Enh Income	2-0
Aust Pharm. Ind	3-0
Aust Power Gas	1-0
Aust Leaders Fd	5-0
Austral Gold	0-1
Aust Ethical In	1-0
Auto Technology	9-0
Auzex Resources	0-2
Avalon Minerals	3-0
Avita Medical	2-0
Avoca Resources	0-1
Avonlea Mineral	2-0
Azumah Res.	1-0
BC Iron Ltd	0-3
BCD Resources	0-1
BHP Billiton	7-4
BKI Invest Coy	3-0
BSA Ltd	3-0
BT Invest Mgmt	0-3
Bailey Minerals	1-0
Bandanna Energy	2-0
Bannerman Res.	1-0
Baraka Petrol.	0-1
Barra Resources	0-2
Base Resources	1-0
Bassari Res.	2-0
Bathurst Res.	2-0
Bauxite Res.	0-2
Beach Energy	2-0
Beadell Res.	2-0
Bell Financial	11-0
Bendigo Mining	1-0
Bentley Capital	1-0
Berklee Ltd	1-0
Berkeley Res.	0-1
Bigair Group	3-0
Bioprospects	0-1
Biotron Limited	1-0
Biota Holdings	3-0
Blackthorn Res.	6-0
Black Ridge Min	2-1
Bluescope Steel	2-0
Blue Energy Ltd	3-0
Bluglass Ltd	1-0
Boart Longyear	1-0
Boom Logistics	1-0
Boral Limited	4-0
Botswana Metals	2-0
Bow Energy Ltd	5-0
Bradken Ltd	0-3
Bravura Sol.	1-0
Brickworks Ltd	4-0
Brierty Ltd	3-0
Brockman Res.	0-5
Brumby Resource	0-1
Buccaneer En.	2-0
Bunnings W/hse	1-0
Burey Gold Ltd	2-0
Burleson Energy	3-0
Buxton Res.	1-0
C.S.R. Ltd	1-0
CL Asset Hold.	1-0
CMI Limited	1-0
CO2 Group Ltd	0-1
CSG Ltd	4-0
CSL Limited	0-2
CTI Logistics	2-0
Cadence Capital	6-1
Calliden Group	1-0
Calzada Ltd	1-0
Canada Land	3-0
Cape Lambert R.	7-0
Cape Range Ltd	3-0
Capital Mining	0-2
Capral Limited	3-0
Carbon Con	3-0
Carbon Energy	2-3
Cardno Ltd	1-2
Careers Multi.	1-0
Carnegie Wave E	0-1
Carnarvon Pet.	2-1
Carnavale Res.	2-0
Carpentaria Exp	1-4
Carrick Gold	4-0
Cash Converters	2-0
Caspian Oil & G	2-0
Castle Minerals	0-1
Catalyst Metals	5-0
Cazaly Res Ltd	8-0
Cedar Woods Prp	1-0
Cellnet Group	0-3
Cellmid Ltd	1-0
Cellestis Ltd	0-1
Centro Retail	1-0
Centrepoint All	1-0
Centrex Metals	3-0
Century Aust In	3-0
Centaurus Netal	1-0
Cent. Asia Res.	1-0
Ceramic Fuel C.	3-0
Cervantes Corp.	1-0
Chalice Gold	2-0
Chal Financial	3-2
Chal Div Prop	2-0
Chandler McLeod	1-0
Chart H Retail	1-0
Chesser Res.	4-0
China Y Copper	1-0
China Century	4-0
Chrysalis Res.	1-0
Circadian Tech	5-0
Citadel Res Grp	1-0
Clarius Group	2-0
Clearview Wlth	2-0
Clever Com Aust	4-0
Clime Inv Mgmt	4-0
Clime Capital	2-0
Clinuvel Pharm.	1-0
Clough Limited	0-1
Clover Corp.	3-0
Cluff Resource	2-1
Cobar Cons Res.	2-0
Coca Cola Amatil	1-3
Cochlear Ltd	1-0
Codan Ltd	1-0
Coffey Int'l	1-0
Collection Hse	4-0
Com'wealth Bank	2-1
Computershare	2-5
Condor Nickel	7-0
ConnXion Vent.	9-0
Connect East Grp	2-0
Conquest Mining	9-0
Convergent Min.	1-0
Cool or Cosy	2-0
Copper Strike	1-0
Copper Range	2-0
Coretrack Ltd	10-2
Corum Group Ltd	3-0
Corvette Res.	1-0
Cougar Metals	1-0
Count Financial	1-0
Coventry Res.	1-0
Coventry Group	4-0
Credit Corp	15-1
Crescent Gold	3-0
Cromwell Group	1-2
Crown Ltd	1-0
Cryosite Ltd	3-0
CuDeco Ltd	8-0
Customers Ltd	2-0
Cyclopharm Ltd	3-0
DUET Group	0-1
Dart Energy Ltd	2-0
Datadot Tech.	1-0
Datamotion A/P	0-3
Data 3 Ltd	0-2
Decmil Group	2-1
Deep Yellow Ltd	2-0
Diatreme Res.	2-0
Discovery Metal	0-4
Div. United Inv	2-0
Djerriwarrh	1-0
Dolomatrix Intl	2-0
Dominion Mining	0-3
Domino's Pizza	0-1
Downer EDI Ltd	4-0
Dragon Mining	2-1
Dragon Mountain	1-0
Drillsearch	6-0
Drummond Gold	2-4
Dulhunty Power	4-0
Dulux Group Ltd	1-0
Dynasty Metals	0-1
E & A Limited	4-0
E-Bet Limited	8-1
E-Com Multi Ltd	1-0
E-pay Asia Ltd	3-0
EVZ Ltd	3-0
Eagle Eye Metal	3-0
Earth Heat Res.	2-0
East Energy Res	1-0
Echo Resources	3-0
Eco Quest Ltd	1-0
Elders Limited	6-0
Eldorado Gold	0-1
Eldore Mining	2-0
Electro Optic	1-0
Electrometals	1-0
Elementos Ltd	2-0
Elemental Min.	1-0
Ellex Medical	1-0
Embelton Ltd	1-0
Emeco Holdings	2-0
Emerg. Leaders	1-0
Emerald Oil & G	4-0
Emerson Stewart	7-0
Emmerson Res.	2-0
Empire Sec.	1-0
Empire Beer Grp	3-0
Emu Nickel NL	4-0
Eneabba Gas Ltd	1-0
Energia Mineral	1-0
Energio Ltd	3-0
Energy One Ltd	3-0
Entek Energy	7-0
Enterprise Met.	1-0
Envirogold Ltd	3-0
Equity Trustees	4-0
Equities & Free	3-0
Eserv Global Ltd	0-2
Eureka Energy	2-0
Eurogold Ltd	3-0
Everest Fin Grp	2-0
Excalibur Min.	0-5
Excela Limited	1-0
Extract Res.	2-0
Eyecare Partner	1-0
Fairfax Media	0-1
Fairstar Res.	2-0
Falcon Minerals	1-0
Fat Prophets	3-1
Ferrum Crescent	3-0
Ferraus Ltd	1-2
Fiducian P Serv	4-2
Finbar Group	4-0
Firestone En.	0-1
Flat Glass Ind.	2-1
Flight Centre	1-0
Flinders Mines	0-2
Focus Minerals	1-0
Foster's Group	2-0
Fox Resources	3-0
Freshtel Hold.	1-0

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Frigrite Ltd	3-0	IiNet	5-0	Mac Services	0-1	Nido Petroleum	6-1	Promesa Ltd	2-0
Funtastic Ltd	7-0	Iluka Resources	1-0	Mac. Harbour M.	1-0	Niplats Aust.	9-0	Proto Resources	7-1
Future Corp	3-0	Image Resources	6-0	MacMahon Hold	0-1	Noble Mineral	1-0	Provet Holdings	1-0
GB Energy Ltd	1-0	Impress Energy	7-0	Macarthurcook P	2-0	Nomad Building	3-0	Pryme Oil & Gas	4-0
GBST Holdings	7-4	Ind Minerals	7-0	Macarthur Coal	6-1	Norfolk Group	1-0	Public Holdings	1-0
GME Resources	1-0	Indago Res.	1-0	Macquarie Group	2-1	Northern Mining	1-2	Pulse Health	1-0
GPT Group	3-0	Independ. Group	1-3	Macquarie C Tel	0-1	Northern Iron	1-0	Q Ltd	2-0
Galaxy Res.	2-1	India Resources	3-0	Macquarie Atlas	1-0	Nth Qld Metals	0-2	Q-Mastor Ltd	1-0
Galilee Energy	1-0	Industrea Ltd	0-1	Magellan Flag.	1-0	Nthn Star Res.	3-0	Q.B.E. Insur.	8-1
Garratt's Ltd	7-0	Infomedia Ltd	4-0	Magellan Fin Gp	3-0	Nthn Uranium	0-1	QRSciences Hold	1-0
General Mining	1-0	Insurance Aust.	2-0	Magnetic Res.	6-0	Nufarm Limited	8-0	Qantas Airways	1-0
Genesis Res Ltd	3-0	Intermoco Ltd	1-0	Malagasy Min.	3-0	Nusep Ltd	2-0	Qld Mining Corp	1-0
Genera Bio.	1-0	Integra Mining	1-2	Manaccom Corp.	2-0	Nyoto Minerals	4-0	Quay Magnesium	0-1
Geodynamics Ltd	2-0	Intermin Res	8-0	Manas Resources	2-0	OBJ Limited	0-1	Quest Investm't	2-0
Geopacific Res.	3-0	Intrapower Ltd	1-0	Manhattan Corp	3-0	OM Holdings	0-1	Quest Minerals	3-0
Gerard Lighting	2-0	Investorfirst	2-0	Mantra Res.	0-1	ORH Limited	10-3	Quickstep Hold.	0-3
Gindalbie Met.	0-1	Inventis Ltd	2-0	Mantle Mining	1-0	OZ Minerals Ltd	5-0	RCR Tomlinson	1-2
Gippsland Ltd	0-3	Ipernica Ltd	6-0	Marenica Energy	0-2	Oaks Hotel	2-1	RHG Ltd	1-4
Gladiator Res.	1-0	Iress Mkt Tech	4-0	Marine Produce	1-0	Oakton Limited	0-1	RTL Corporation	1-2
Global Master F	0-1	Ironclad Mining	1-0	Marion Energy	1-0	Oil Search Ltd	2-0	Rabinov Prop Tr	1-0
Globe Int'l Ltd	3-0	Iron Mountain	2-0	Marmota Energy	1-0	Oil Basins Ltd	1-0	Raffles Capital	0-1
Global Con Serv	0-1	Iron Road Ltd	0-1	Marybor'gh Suga	2-0	Oncard Int'l	1-0	Ramelius Res.	1-2
Global Mining I	2-0	Iron Ore Hold.	1-3	Matrix Comp.	0-3	Onesteel Ltd	1-0	Ramsay Health	2-1
Global Petrol.	9-1	Ironbark Gold	4-0	Matsa Resources	3-0	Optiscan Image	4-0	Range River Gld	1-0
Global Nickel	7-0	JB Hi-Fi Ltd	1-2	Maximus Res	3-0	Orbital Corp	2-0	Rarn Resources	2-0
Gloucester Coal	1-0	Jacka Resources	1-0	Maxi TRANS	1-0	Orchid Capital	1-0	Razor Risk Tech	1-0
Golden Rim Res.	1-0	Jackgreen Ltd	1-0	McPherson's Ltd	2-0	Oriental Tech.	1-0	Red Hill Iron	1-0
Gold One Int'l	1-0	James Hardie	0-2	Medical Dev Int	12-0	Origin Energy	2-4	Red Sky Energy	1-0
Goldsearch Ltd	1-0	Jatoil Limited	1-0	Media Group Int	3-0	Orion Metals	0-2	Red River Res.	0-1
Goodman Group	0-1	Jervois Mining	2-0	Melbourne IT	2-0	Orocobre Ltd	1-0	Red Metal Ltd	2-0
Gowing Brothers	1-0	Jindalee Res.	0-2	Merchant House	1-0	Oroton Group	1-0	Red Fork Energy	3-0
Graincorp	1-0	Jumbuck Enter.	10-1	Mermaid Marine	0-7	Ottoman Energy	3-0	Redcape Prop.	2-0
Grange Resource	1-0	Jupiter Energy	3-0	Mesa Minerals	1-0	Over Fifty Grp	6-0	Reece Australia	3-0
Greencap Ltd	3-0	Jupiter Mines	5-7	Mesbon China N.	3-0	P MacGregor Inv	1-0	Refresh Group	5-0
Groote Res.	1-0	K2 Energy Ltd	5-1	Metals X Ltd	2-0	PMP Limited	3-0	Regis Resources	1-0
Growthpoint Pro	3-0	Kagara Ltd	2-0	Metals Finance	2-0	PPK Group Ltd	7-0	Renaissance Min	1-0
Gryphon Mineral	0-1	Kardoon Gas	0-1	Metal Storm Ltd	1-0	PTB Group Ltd	1-0	Renison Cons	0-1
Gt Western Exp.	2-0	Karmelsonix Ltd	2-1	Metallica Min.	3-0	Pac. Enviromin	1-0	Republic Gold	1-0
Gujarat NRE	8-0	Kasbah Resource	0-1	Metcash Ltd	1-2	Pacrim Energy	6-0	Res & Invest NL	2-0
Gulf Industrial	0-1	Kentor Gold Ltd	3-1	Meteoric Res.	3-0	Paladin Energy	3-0	Resource Star	3-0
Gunns Ltd	2-1	KeyBridge Cap'l	1-0	Metgasco Ltd	2-1	Pan Pacific Pet	4-0	Resources Min.	1-0
HFA Holdings	1-0	Kilgore Oil Gas	1-0	Metrocoal Ltd	2-0	Panoramic Res.	0-2	Retail Food Grp	1-3
HGL Limited	4-0	Kimberley Metal	3-0	Miclyn Express	7-0	Papillon Res.	1-0	Reverse Corp	1-0
Hampton Hill	3-0	Kingsgate Cons.	0-3	Midas Resources	2-0	Paragon Care	5-0	Reward Minerals	1-2
Hannans Reward	2-0	Kingrose Mining	1-0	Minara Resource	1-0	Patties Foods	20-0	Rey Resources	1-0
Hansen Tech.	0-2	Kip McGrath EC	4-0	Mindax Limited	2-0	Peak Resources	1-0	Rialto Energy	1-0
Hastie Group	3-0	Konekt Limited	1-0	Mineral Deposit	0-2	Pearl Heathcare	2-0	Richmond Mining	0-4
Hast Div Util	1-0	Kresta Holdings	2-0	Minemakers Ltd	0-3	Peel Explor.	2-0	Ridley Corp.	3-0
Havilah Res.	2-0	Krucible Metals	4-0	Mineral Commod.	4-0	Pelorus Prop.	3-0	Riversdale Min.	1-2
Hawkley Oil Gas	1-0	Kuth Energy Ltd	3-0	Mining Projects	1-0	Penrice Soda	4-0	Rivercity M'way	0-1
Headline Group	1-0	LBT Innovations	5-1	Mintails Ltd	1-0	Pepinnini Min.	0-2	Roc Oil Company	4-0
Healthzone Ltd	2-0	Lachlan Star	4-0	Mint Wireless	1-0	Perilya Mines	2-0	Rock Build Soc.	2-0
Healthscope	3-2	Laconia Res.	1-0	Mirvac Group	3-0	Perpetual Ltd	3-0	Rocklands Rich.	15-2
Heartware Inc.	0-2	Lakes Oil NL	1-0	Modena Res. Ltd	2-0	Perseus Mining	1-5	Royalco Res.	2-0
Heemskirk Cons.	0-1	Lefroy Res.	4-0	Monadelphous Gr	2-0	Pharmaxis Ltd	0-1	Rubicor Group	4-0
Helicon Group	1-0	Legend Mining	1-0	Montec Int'l	1-0	Photon Group	3-0	Rum Jungle Uran	3-0
Hemisphere Res.	1-0	Legend Corp.	3-1	Morn. Star Gold	0-2	Phylogica Ltd	2-0	Run Corporation	1-0
Henderson Group	0-1	Leighton Hold	1-12	Mortgage Choice	0-1	Pie Networks	1-0	Runge Ltd	4-0
Heron Resources	2-0	Lend Lease Grp	0-1	Mt Gibson Iron	1-3	Pilbara Mineral	2-0	S/Tracks Prop.	1-0
Hexima Ltd	1-0	Leyshon Res.	3-0	Mungana Gold.	4-0	Pioneer Res.	3-1	S/Tracks ASX200	2-0
Highland Pac.	1-2	Liberty Res.	3-0	My Net Fone Ltd	2-0	Planet Platinum	0-1	SMS Mgmt & Tech	0-1
Hill End Gold	3-0	Linc Energy Ltd	0-1	Mystate Ltd	6-0	Platinum Asset	0-4	SP Ausnet	1-2
Hillcrest Litig	6-0	Lindian Res.	3-0	NRW Holdings	1-0	Platinum Aust	0-1	STW Comm Group	2-1
Hills Indust.	1-0	Lindsay Aust	1-0	NSL Cons. Ltd	4-0	Platsearch NL	6-0	Saferoads Hold.	1-0
Hodges Res.	4-0	Liontown Res.	5-0	NSX Limited	9-0	Pluton Resource	6-0	Salmat Ltd	1-0
Hunter Hall Int	0-2	Liq Natural Gas	0-3	Nat'l Aust Bank	1-0	Po Valley Ener.	3-0	Saracen Mineral	1-0
Hutchison Tel.	2-0	Little World B.	0-1	National Hire	6-0	Powerlan Ltd	1-0	Senetas Corp	2-0
Hyperion Flag.	7-4	Lodestar Min.	1-0	Navigator Res	2-0	Praemium Ltd	2-0	Servcorp Ltd	2-0
Hyro Limited	4-0	Lodestone En.	0-1	Neon Energy Ltd	4-0	Prairie Downs	2-0	Seven Group	4-0
I-SOFT Group	1-4	Logicamms Ltd	0-1	Neptune Marine	2-0	Premier Invest	2-0	Shree Minerals	1-0
ICS Global Ltd	2-0	Lonhro Mining	1-0	Netcomm Limited	0-3	Premium Invest.	0-1	Sierra Mining	0-1
IMD Group	2-0	Ludowici Ltd	2-0	Neurodiscovery	1-0	Primeag Aust.	1-0	Sietel Ltd	8-0
IMF (Aust) Ltd	0-1	Lycopodium Ltd	2-0	New Standard En	2-0	Prima Biomed	2-0	Signature Cap't	1-0
ING Indust Trt	1-0	Lynas Corp Ltd	1-4	New Hope Corp.	4-1	Prime Media Grp	1-0	Sihayo Gold Ltd	1-0
ING Priv Equity	1-0	M2 Telecom. Grp	1-4	New Guinea En.	3-1	Prime Infra.	2-0	Silver Mines	2-0
IOOF Holdings	0-1	MAp Group	0-1	Newhaven Hotels	1-0	Pro Medicus Ltd	4-0	Sims Metal Mgmt	5-1
IPGA Ltd	2-3	MCM Entertain.	2-0	Nexbis Ltd	5-0	Pro-Pac Pack.	2-1	Sirius Res. NL	4-0
Icon Energy	3-0	MEO Australia	7-0	Nexus Energy	4-0	Probiotec Ltd	5-1	Skywest Airline	0-2
Ideas Intern'l	1-0	MOKO.mobi Ltd	1-0	Nib Holdings	6-0	Probiomics Ltd	2-0	Slater & Gordon	1-3

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Smart Trans	0-1	Structural Syst	1-0	Terramin Aust	1-0	UGL Limited	1-0	Webfirm Group	0-1
Snowball Group	1-0	Style Limited	4-0	Terrain Mineral	4-0	US Nickel Ltd	1-0	Webjet NL	2-6
Somnomed Ltd	0-7	Suncorp-Metway	2-0	Thakral Holding	1-0	Un. Biosensors	0-1	Webster Ltd	1-0
Sonic Health	1-0	Sunland Group	2-0	The Reject Shop	0-1	Uramet Minerals	2-0	Wellcom Group	1-0
Souls Priv Equ	1-0	Sunshine Heart	1-0	Thomas & Coffey	2-1	Uranium Equitie	5-0	Wentworth Hold.	0-1
Soul Pattinson	7-0	Sunset Energy	2-0	Thorn Group Ltd	3-0	Uranex NL	1-0	Westside Corp.	2-0
Southern Gold	4-1	Symex Holdings	2-0	Thundelarra Exp	1-2	Venturex Res.	2-0	Westgold Res.	2-0
Sphere Minerals	0-1	Syndicated Met.	2-0	Tidewater Inv	2-0	Venture Min.	0-1	Westfield Group	1-0
Spitfire Res.	1-0	Syngas Ltd	1-0	Tissue Therapy	1-0	Venus Metals	0-1	Western Desert	0-2
Spotless Group	2-0	TFS Corporation	3-1	Toll Holdings	2-0	Verus Investm't	2-0	Westpac Banking	2-1
St Barbara Ltd	0-1	TMA Group of Co	2-0	Toro Energy Ltd	1-0	Vesture Limited	0-1	West Aust News	2-0
Stanfield Funds	0-3	TPG Telecom Ltd	1-2	Torrens Energy	1-0	Victoria Petrol	3-0	Western Areas	1-3
SteriHealth Ltd	1-0	TPL Corporation	0-2	Tox Free Sol.	0-3	Victory West M.	1-0	White Cliff Nkl	1-0
Sth Cross Media	0-2	TSV Holdings	1-0	Trafalgar Corp.	3-0	Victorian Gold	1-0	White Canyon Ur	2-0
Sth Amer Iron	0-1	Tag Pacific	0-1	Trafford Res.	2-1	Virgin Blue	2-0	Whitefield Ltd	6-0
Sth Boulder Min	4-0	Talent2 Int'l	2-0	Traffic Tech.	2-0	Vision Group	2-3	White Energy Co	2-0
Sthn Cross Gold	1-0	Tamawood Ltd	0-2	Transfield Serv	3-0	Vita Group Ltd	3-0	Wild Acre Metal	1-0
Sthn Uranium	2-0	Tango Petroleum	1-0	Transit Hold.	2-1	Vita Life Sci.	3-0	Wilson HTM Inv.	2-0
Stirling Prod.	1-0	Tap Oil	3-1	Transurban Grp	6-0	Vmoto Ltd	8-0	Wilson Inv Fund	1-0
Stirling Res.	5-0	Target Energy	2-0	Tranzact Fin.	1-0	Vocus Comm.	2-0	Woodside Petrol	1-2
Stockland	0-1	Tasman Goldflds	1-0	Treasury Group	4-0	Voyager Res Ltd	2-0	Worley Group	2-0
Stokes (Aust)	1-0	Tassal Group	1-0	Triangle Energy	1-0	WAM Capital Ltd	1-0	Wotif.com Hold.	0-3
Stonehenge Met.	1-0	Tatts Group Ltd	2-0	Trinity Group	5-0	WAM Active Ltd	7-0	XRF Scientific	2-1
Stratetel Ltd	2-0	Techniche Ltd	2-0	Triton Gold Ltd	2-0	WCP Resources	0-2	Xceed Capital	1-0
Strategic Min.	1-0	Tectonic Res.	1-0	Troy Resources	1-8	WDS Limited	1-0	Xtek Ltd	3-0
Strat. Energy	3-0	Tel.Pacific Ltd	4-0	Truscott Mining	1-0	Wasabi Energy	7-0	YTC Resources	1-0
Strike Res.	4-0	Telezon Limited	2-1	Two Way Limited	1-0	Watpac Ltd	1-0	Zicom Group	5-0
		Telstra	4-0			Wavenet Int'l	8-0		

Company Review: Insiders Buy Patties Foods

Patties Foods (code PFL).

There has been significant *insider* buying in Patties Foods shares over the last year. As *insiders* are the most knowledgeable investors, and often the most successful, this company warrants some attention from investors (although we are not formally recommending these shares for investment).

The company is the largest pie company in Australia. This is a "slow growth" business but with competitive advantages and barriers to the entry of competitors. Patties Foods is seeking to grow shareholder wealth with a four year strategic plan involving production efficiencies, capital investment to increase production capacity, new products and new distribution channels.

Company History

This business was started in 1966 as a single cake shop and grew organically and through acquisition until it was floated on the Australian stockmarket in late 2006 when the company offered 58,700,228 shares (42.2% of the capital) at 175 cents to raise $102.7 million. All of this money went to existing investors.

In May 2007, Patties Foods paid $25 million in cash to acquire **Chefs Pride Pty** and **Creative Gourmet Pty**, the two leading businesses in the provision of frozen fruit to the foodservice and retail markets in Australia. In August 2009 the company closed these businesses in Silverwater, NSW, and relocated them to its main production facility in Bairnsdale, Victoria, together with $1.1 million of capital expenditure to integrate the frozen fruit plant. The relocation will result in ongoing cost savings from operational efficiencies in distribution, manufacturing and overheads of $750,000 annually.

Products and Brands

Patties Foods is the largest pie company in Australia, with pies generating 46% of group revenues. Sausage rolls and pastries generate 30% of revenues, with 11% from Dessert pastries and 13% from frozen fruit. In pies, pastries and sausage rolls the company owns three of the four leading brands including *Four'N Twenty* (the leading brand, targeting regular consumers), *Patties Pies* (the third largest brand, with products for special occasions) and *Herbert Adams* (the fourth largest selling brand targeting the premium market segment). These four brands give Patties Foods over a 50% market share. It also has *Snowy River* (the 8th biggest brand, targeting the value segment). In the frozen desserts sector, its *Nanna's* brand is ranked as the second largest, giving its about a 25% market share.

Competitive Advantages and Barriers to Competition

Patties Foods operates in a price competitive industry, but does enjoy several competitive advantages and there are barriers to the entry into the business by potential new competitors. *(Continued on Page 18)*

Company Review: Patties Foods

(Continued from Page 17)

As mentioned above, the company owns several leading consumer brands. It has efficient production facilities and distribution networks, making it a low cost competitor and able to earn industry-leading profit margins. The company has strong capabilities in innovation and product development, plus a long history and strong relationships with customers and suppliers.

Patties Foods is the largest - or second largest - manufacturer in most of its products, with economies of scale in product development, purchasing, manufacturing and distribution. To maximise the returns on shelf space, supermarkets are reducing the number of branded product lines offered, which favours the larger producers (i.e. Patties Foods) and acts as a barrier to the development of potential competitors who would struggle to get their products into supermarkets.

Growth Strategy

Food is a "slow growth" business - which can often be better investment than high growth businesses. High growth businesses can attract competitors, depressing potential profit margins (e.g. computer manufacturers). High growth also needs large additional investments in production facilities and working capital, so all profits need to be retained *and* companies usually need to raise additional capital which dilutes earnings per share growth.

In comparison, a "slow growth" business can often earn good profit margins and strong cashflows. This can enable it to finance growth in the business while also returning cash to shareholders via dividends and without the need to issue new shares and dilute earnings per share growth (e.g. Michael Hill International).

In the year to June 2011, Patties Foods was able to earn a 14% return on Shareholders Equity and generates strong cashflows. Over 60% of the net operating cash surplus is "free cash flow" - or money not needed to maintain existing operations but available to pay dividends, repay debts or finance expansion.

Patties Foods has a four year strategic plan to grow the business to increase shareholder wealth. This is divided into three parts:

Firstly "Build the base" of the business - which is about 75% completed - and involves low costs (i.e. maximum production efficiencies), high customer service (i.e. on-time delivery to always meet consumer demand), a strong balance sheet and working capital optimisation (to enable future growth) and leadership (i.e. understand consumer behaviour and identify opportunities for sustained growth.

Secondly, "Develop and Grow" - which the company considers to be only about 25% achieved to date - and includes innovative new high quality product development, extending brands into new product areas, maximise products across all retailers (i.e. so the consumer can buy all of the company's products at every retail location) and expand the range of retailers stocking the company's products for both "out of home" and "in home" consumption.

Thirdly, the company seeks to "Expand and Extend" which will involve identifying new marketing channels, expand existing products outside the existing distribution network, expand brands into new products and build operational skills to enable the company to operate new manufacturing facilities making different products.

Recent Results

For the year to June 2007 the company reported a 1.6% rise in revenues to $126.6 million, with profits steady (i.e. up 0.2%) at $12,744,000 (9.2 cents per share). An annual dividend of 7.2 cents was paid.

The net operating cash surplus was unchanged at $11.6 million.

For the year to June 2008, revenues rose 29.5% to $164.0 million with profits up 8.6% to $13,846,000 (10.0 cents per share). The annual dividend rate was 1.4% higher at 7.3 cents per share.

The net operating cash surplus was 54% higher at $18.3 million. Capital expenditure of $21.2 million included a new 10,000 pallet freezer warehouse (reducing reliance on third party warehousing and with better stock management and distribution), a new savoury pie production line (to increase capacity) and replacing a fruit pie production line (significantly reducing waste and increasing efficiency and capacity). This capital expenditure - plus a small on-market share buy back totalling 380,000 shares at an average of 105 cents each - helped lift interest bearing debts $15.8 million to $70.7 million.

Revenues rose 9.3% to $179.2 million over the year to June 2009, but profits fell 18.7% to $11,262,000 (8.1 cents per share) and the annual dividend was cut 38.4% to 4.5 cents.

The net operating cash surplus fell 27% to $13.2 million. Capital expenditure was only $5.2 million and interest bearing debts remained relatively steady at $70.5 million at year end.

The lower profit resulted from problems commissioning new bakery plant in the first half, leading to some cancelled orders and higher production costs. The second half experienced "significant improvement in manufacturing efficiencies", but increased advertising and promotional expenses to regain market share. The company also secured a major contract with petrol and convenience stores near the end of the period (which would improve revenues and profits in the following year).

In the year to June 2010, revenues grew 9.9% to $196.9 million, with profits recovering 39.7% to $15,733,000 (11.3 cents per share). The annual dividend rate was raised 44.4% to 6.5 cents.

The net operating cash surplus improved 67% to $22.1 million. Capital expenditure was $8.1 million, with interest bearing debts reduced $7.4 million to $63.2 million.

Investment Criteria

At 136 cents, Patties Foods shares trade on a Price/Sales ratio of 0.96, a Price/Earnings ratio of 12 and offer a current Dividend Yield of 4.8%.

With an issued capital of 138,908,853 shares the company has a market capitalisation of $189 million, making this a medium sized listed company. The shares are included in the All Ordinaries Index.

The directors and management (and most staff) have significant investments in Patties Foods . . . and have been actively buying more shares with 20 *insider* buys (plus some small buys that we don't count) and no sells over the last year.

The Chairman, CJ Riordan, bought 25,000 shares on-market at 128 cents and 60,289 shares at 116-123 cents in December 2009, 10,000 shares at around 124 cents in February 2010, 6500 shares at 120-122 cents in March 2010 (which is a small trade under $10,000 which we don't count) and 30,000 shares at 127 cents in August. This lifts his holding to 130,372 shares. Deputy Chairman, JC Leonard, purchased 38,000 shares at 101 cents on-market in October 2009 plus two other small trades over the last year to lift his holding to 2,163,547 shares (1.6% of the company). The Managing Director, G J Bourke, purchased 58,296 shares at 129½ cents in December 2009, 36,200 shares at 125½ cents in February this year and 15,704 shares at 129½ cents in August to raise his holding to 307,000 shares.

Executive Director HJ Rijs purchased 9,551 shares at 122 cents and 99,850 shares at 121-124 cents in December 2009, 58,649 shares at 131 cents in August this year and a further 104,909 shares at 130-133 cents and 102,277 shares at 130 cents last month. That takes his holding to 8,602,277 shares or 6.1% of the company.

Non-Executive Director, EW Barr bought 37,375 shares on-market at 126 cents in November 2009 and 50,000 shares at 122 cents in March, lifting his holding to 4,000,000 shares (2.9% of the company). Another Non-Executive Director, JP Schmoll, acquired 20,000 shares on-market at 128 cents and 10,000 shares at 116 cents in December 2009, 10,000 shares at 125 cents in February, 10,000 shares at 121-122 cents in March 2010 plus 15,000 shares at 128-130 cents in August. This lifts his investment to 90,000 shares.

The Chief Financial Officer, M Knaap, owns 114,839 shares.

Other shareholdings related to the founders include A & L Rijs with 11,311,503 (8.1%), N & F Rijs with 9,345,348 shares (6.7%) and the Myer family with 13,907,957 shares (10.0%).

The shares are *neglected*, with just one stockbroker publishing profit forecasts and with only a small number of institutional shareholders.

Technically the shares are in a long term uptrend, with a Relative Strength rating of +7.9%, ranked 20 (on a scale of 0-99).

Summary and Recommendation

We are not formally recommending Patties Foods shares for investment, but this is a low risk, "slow growth" company whose shares trade on a relatively low valuation which could appeal to many low risk investors.

Significant on-market buying from *insiders* - who already have large investments in the company - indicates potential for revenues and profits to increase substantially over the company's current four year strategic plan.

The successful implementation of that growth plan would not only raise profitability (and dividends and the share price), but could increase institutional interest in the company and lead to further re-rating of the share price over the next few years.

This is a lower risk investment offering a reasonable current income yield, plus the potential for above average growth over the medium term.

Patties Foods

Dividend$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Air NZ	4.00	-	-	0.017143
Barramundi	1.71	10-09	24-10	0.3943
Cavalier Corporation	11.00	01-10	15-10	Full
Delegat's Group	8.00	01-10	15-10	Full
Fletcher Building	15.00	01-10	20-10	3.2143
Goodman Property Trust	1.935	16-09	30-09	Nil
Hallensteins Glasson	17.00	30-11	07-12	Full
Hellaby Holdings	5.00	05-11	12-11	Full
ING Medical Properties	2.125	-	-	0.51
Kathmandu	7.00	15-11	25-11	Full
Kingfish Ltd	2.12	10-09	24-09	-
Lyttleton Port Company	2.90	15-10	28-10	Full
Marlin Global	2.00	10-09	24-10	-
Michael Hill International	2.50	01-10	11-10	Nil
NZ Oil & Gas	5.00	17-09	01-10	Full
NZX Ltd	6.50	22-10	29-10	Full
New Image	0.50	-	-	Full
Pumpkin Patch	5.00	07-10	21-10	Full
Salvus Strategic	2.50	08-10	22-10	-
Skellerup Holdings	2.50	08-10	21-10	Full
Sky City	9.25	10-09	17-10	Full
Sky Network TV	7.00	-	-	Full
South Port NZ	12.50	24-09	02-11	Full
TeamTalk	10.00	08-10	15-10	4.2857
Tourism Holdings	2.00	22-10	29-10	Full
Turners Auctions	5.00	14-09	21-09	Ful
Warehouse Group	8.50	05-11	17-11	Full
Warehouse Group special	8.00	05-11	17-11	Full
Australian Shares				
Ammtec	11.00	15-10	29-10	
Ammtec special	10.00	15-10	29-10	
Cardno	15.00	13-09	15-10	
Devine	1.00	29-09	22-10	
M2 Telecommunications	5.00	01-10	29-10	
TFS Corporation	3.50	25-11	22-12	
The Reject Shop	28.00	21-09	11-10	

Investment Outlook

(Continued from Page 1)

In Australia and New Zealand, *insiders* - the most knowledgeable investors - are strong net *buyers* of their own company's shares (see pages 13 and15)! *Insiders* are usually right, and the media is usually wrong . . . so need we say more?

It is also being widely reported that the Australian dollar is about 25-30% *over-valued* relative to the United States dollar based upon purchasing parity (i.e. if you converted Australian dollars to US dollars and went to the United States - enduring their unfriendly border protection - you could buy 25-30% *more* for your money than in Australia). Such over/under-valuations, however, can continue for many years - so this is not a valid argument to sell Australian shares or to buy gold which *could* go up in Australian dollar terms *if* the Australian dollar fell. If that was likely, then investors could just as easily simply buy US dollars. (In fact, *if* the US dollar rose, then the gold price - in US dollars - would likely fall.)

But the weak US dollar is a deliberate policy . . . and consistent with the long term trends necessary to ultimately improve global imbalances. In the short term, the low US dollar is a "competitive devaluation" boosting the competitiveness (and profitability) of US companies relative to international competitors. The only danger here is, as happened after the Second World War, other countries seek to devalue their currencies to regain international competitiveness. This can lead to further rounds of devaluations and currency instability as every country seeks to devalue its own currency more than its trading partners. Devaluing your currency effectively "exports" your unemployment and recession to other countries - but this is obviously a single country policy solution, not a global solution!

Short to medium term, a lower US dollar is a natural free market response to "quantitative easing" and the expansion of US money supply. Increase the *supply* of anything and the price will go down, so creating more US dollars is, as economic theory predicts, depressing the exchange rate . . . and will continue to do so. So an under-valued US dollar will likely become more under-valued. The purchasing parity paradox will likely resolve through lower retail prices in Australia (as imports will be cheaper) and higher retail prices in the United States (as imports become more expensive).

Medium to long term, a falling US dollar depresses the real wealth and real spending power of US consumers. If, as is widely accepted, US consumers over-spend then the easiest way to lower that consumption is to simply lower the real value of their wealth and income through a lower exchange rate for the US dollar.

So let's not worry too much about exchange rates or the "over-valued Australian dollar". Australian companies may complain about the high Australian dollar and its impact on exports in US dollars, but we live in a world where the US dollar may continue to depreciate and companies will need to adapt to that environment (i.e. by regularly lifting US dollar prices as the US dollar depreciates, or pricing in Australian dollars or some other currency or financing mine development with US dollar loans which is a natural hedge - although will probably run into some financial reporting problems).

As investors, we want to have our money invested in strong currencies, such as Australian shares priced in appreciating Australian dollars. Only if that valuation reached as extreme - or looked unsustainable - would it be necessary to make changes.

We continue to recommend investors remain fully invested in the recommended shares.

Total Return Index for All Listed Shares

Sep 13	1347.30	Sep 20	1359.71
Sep 14	1354.70	Sep 21	1366.35
Sep 15	1353.00	Sep 22	1363.79
Sep 16	1355.95	Sep 23	1369.93
Sep 17	1361.80	Sep 24	1371.55
Sep 27	1377.33	Oct 4	1379.85
Sep 28	1373.19	Oct 5	1369.31
Sep 29	1373.59	Oct 6	1376.78
Sep 30	1368.37	Oct 7	1372.47
Oct 1	1377.96	Oct 8	1368.88

Next Issue:

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The print version will be delivered later that week, depending upon printing and postal delivery times.

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