Thirty 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.

Deferring the European debt crisis may help stockmarkets in the short to medium term, but the world faces a long period of major economic adjustment. At a micro-economic level this creates the potential for individual companies to exploit niche opportunities and grow strongly. At a macro-economic level, if uncertainty creates an extended period of *low share prices* then that is also extremely favourable as investment returns will compound at a higher rate - creating significant long term wealth!

Investment Outlook.

The US Federal Reserve, the European Central Bank, the Bank of England and the central banks in Japan, Canada and Switzerland have all agreed to provide low cost US dollar funding to European banks. This *defers* the current crisis into the future - hopefully giving enough time for governments to cut their deficits, for economic growth which will improve Debt/GDP ratios . . . and for inflation to erode the real value of those debts!

But without enough time for inflation to erode debts - allowing governments to "default by stealth" - what is the next step in resolving this crisis? Probably bringing in the International Monetary Fund.

The IMF used to bail out poorly run, often dictatorships in emerging economies - demanding the countries adopt necessary fiscal and economic policies as conditions for its loans. This may now be the only practical mechanism to *impose* sound policies on poorly run, democratic, developed countries where any government that even *considers* the necessary policy decisions can expect to be opposed in parliament and promptly voted out by the electorate!

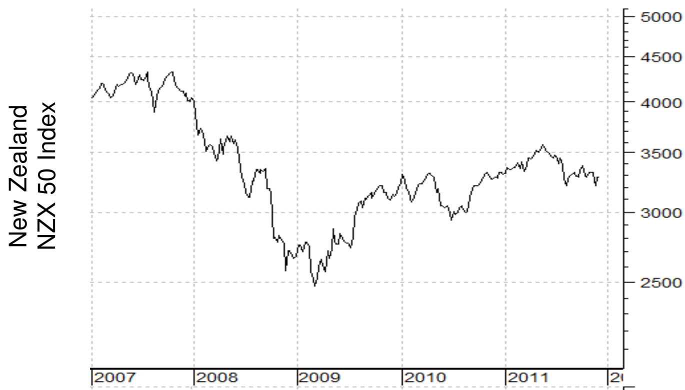
Germany is talking about lending to the IMF, which would also raise funds from other countries around the world, with the IMF then on-lending to Italy and Greece - presumably with loan conditions (imposing upon their national sovereignty) that Italy and Greece would not accept directly from Germany.

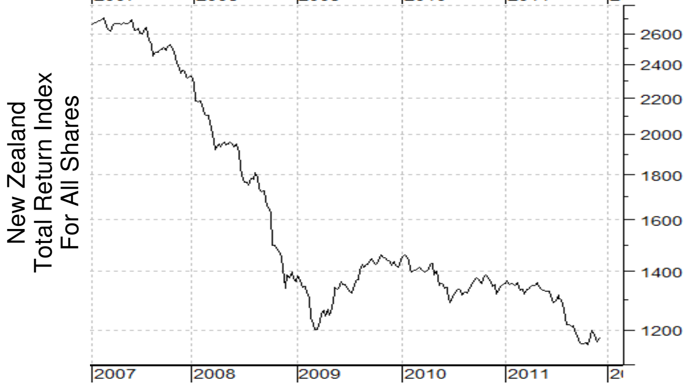
So, more importantly, what is being done about the US debt problem? The Japanese debt problem? And, yes, the Australian debt problem and the New Zealand debt problem? All of these economies have run up sizeable government debts over the last half century. Life expectancy has also increased significantly, but with at best only minor plans to extend working age. So in addition to "on-balance sheet" debts, these government's face significant "off-balance sheet" liabilities for superannuation and healthcare.

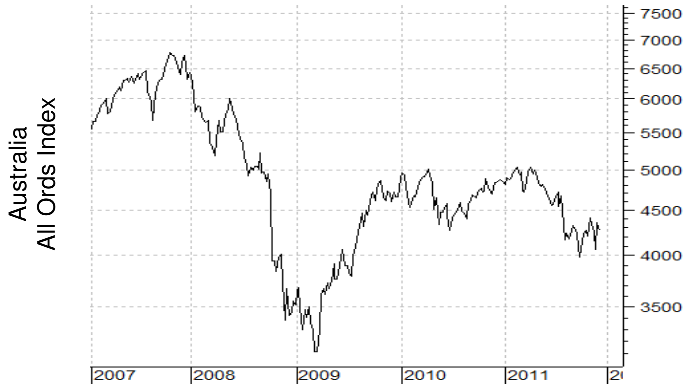
The problem with an "aging population" is not that we have larger numbers of *aged and infirm* people that require care, but that we have large numbers of *aged and healthy* people that do not expect to *(Continued on Page 12)*

Stockmarket Forecasts

	One-Month	One-Year
Australia:	**65%** (Bullish)	**65%** (Bullish)
New Zealand:	**75%** (Bullish)	**53%** (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	577	1.31	13	6.8
AMP Office Trt	C	83	6.04	80	9.4
Abano Health.	B	377	0.44	76	8.0
Air New Zealand	C	92	0.23	12	7.4
Akd Int Airport	B	238	7.90	31	5.2
Allied Farmers	E	3.0	0.01	NE	Nil
Allied Work.	B	195	0.53	16	7.5
Argosy Property	C	80	4.71	16	2.2
Barramundi Ltd	C	65	N/A	10	11.4
Blis Technology	E	4.4	3.46	NE	Nil
Briscoe Group	B	135	0.68	13	9.5
Burger Fuel	C	55	N/A	NE	Nil
CDL Investments	D	32	8.72	28	5.4
Cavalier Corp	C	223	0.66	9	11.5
Cavotec MSL	C	245	1.08	20	1.6
Charlie's Group	E	43	4.00	51	Nil
Chorus Ltd	D	300	2.29	NE	Nil
Claridge Cap'l	E	1.2	0.65	NE	Nil
Col Motor Co	A	265	0.18	11	10.2
Comvita	A	250	0.86	20	1.7
Contact Energy	C	540	1.70	25	6.6
Cynotech Hold.	D	0.7	0.13	NE	Nil
DNZ Property	C	123	N/A	NE	5.3
Delegat's Group	B	210	0.90	9	5.4
Diligent Board	B	192	N/A	60	Nil
Dorchester Pac	E	8.0	0.82	NE	Nil
Ebos Group Ltd	C	590	0.23	13	7.6
Ecoya Ltd	C	99	3.55	NE	Nil
F & P Appliance	D	35	0.23	8	Nil
F & P Health.	C	241	2.47	20	7.2
Finzsoft Sol'ns	C	34	0.41	5	Nil
Fletcher Build.	C	608	0.56	15	6.5
Freightways Ltd	A	345	1.50	18	5.9
Genesis Res.	E	3.4	0.39	NE	Nil
Goodman Prop.	B	97	6.59	25	8.0
Guinness Peat	C	61	0.09	2	2.5
GuocoLeisure	D	56	1.38	8	Nil
Hallenstein G.	A	344	1.00	11	12.9
Heartland BS	D	48	0.79	20	Nil
Hellaby Hold.	B	246	0.39	12	5.8
Heritage Gold *	N/R	2.0	N/A	NE	Nil
Horizon Energy	C	340	2.74	14	7.1
Infratil NZ	B	179	0.50	17	5.4
Insured Group	E	2.0	0.26	NE	Nil
Inv Research Gr	E	0.6	1.46	NE	Nil
Jasons Media	C	17	0.24	7	Nil
Just Water Int.	C	11	0.30	12	Nil
Kathmandu Ltd	A	245	1.60	13	5.8
Kermadec Prop.	B	63	6.23	11	4.8
Kingfish Ltd	B	90	N/A	8	9.7
Kirkcaldie & St	B	290	0.72	NE	2.7
Kiwi Property	C	102	5.18	NE	7.7
L&M Energy	E	9.0	N/A	NE	Nil
Lyttelton Port	C	204	2.27	17	Nil
Mainfreight Grp	A	985	0.72	23	2.9
Marlin Global	C	74	N/A	10	11.7
Mercer Group	D	7.0	0.09	NE	Nil
Methven Limited	C	108	0.59	15	12.0
Metro. LifeCare	C	223	4.20	13	Nil
Michael Hill	B	88	0.69	10	5.1
Mid-Cap Index	D	201	N/A	NE	Nil
Millennium & C.	C	39	1.18	11	4.4
Mowbray Collect	D	70	2.32	NE	Nil
NPT Limited	C	47	3.23	NE	9.6
NZ Experience	A	40	1.40	10	10.0
NZ Exchange Ltd	B	220	5.25	28	6.5
NZ Finance Hold	D	3.0	0.07	NE	Nil
NZ Farming Sys.	E	66	2.08	NE	Nil
NZ Oil & Gas *	N/R	71	2.63	12	4.1
NZ Refining Co	D	308	3.45	37	Nil
NZ Windfarms	E	15	N/A	NE	Nil
NZ Wine Company	C	100	0.67	NE	2.9
NZ Wool Service	D	50	0.23	NE	Nil
NZSX 50 Port.	D	122	N/A	NE	Nil
NZSX 10 Fund	D	86	N/A	NE	Nil
NZX Aust MidCap	D	490	N/A	NE	Nil
New Image Group	D	20	0.62	19	7.1
Northland Port	A	155	9.57	14	6.0
Nuplex Indust	C	240	0.30	7	8.8
Opus Int'l Cons	C	175	0.67	11	6.3
Ozzy (Tortis)	D	340	N/A	NE	Nil
PGG Wrightsons	E	36	0.22	NE	Nil
Pac Edge Bio.	E	21	N/A	NE	Nil
Pharmacybrands	C	71	6.62	NE	Nil
Pike River Coal	C	88	N/A	NE	Nil
Port Tauranga	B	1000	7.23	23	4.4
Postie Plus Grp	B	26	0.09	16	5.5
Property F Ind.	C	115	7.63	25	7.2
Pumpkin Patch	B	59	0.29	13	7.3
Pyne Gould Corp	D	35	2.64	NE	Nil
Rakon Ltd	D	48	0.48	11	Nil
Renaissance	D	10	0.03	NE	Nil
Restaurant Brds	B	210	0.63	9	11.6
Rubicon Limited	E	37	0.27	NE	Nil
Ryman Health.	B	264	N/A	13	1.4
Salvus Strat.	D	1.2	0.31	1	Nil
Sanford Limited	D	380	0.77	16	8.6
Satara Co-op	E	38	0.14	NE	Nil
Savoy Equities	C	1.3	N/A	NE	Nil
Scott Tech. Ltd	B	151	1.12	12	6.6
Sealegs Corp	E	13	1.06	NE	Nil
Seeka Kiwifruit	C	90	0.11	1	31.7
Skellerup Hold.	B	135	1.34	13	6.3
Sky City Ltd	B	345	2.48	16	6.2
Sky Network TV	B	517	2.52	17	5.1
Smartpay NZ Ltd	E	11	0.28	NE	Nil
Smiths City	A	42	0.10	12	4.8
Sol. Dynamics	B	35	0.40	32	Nil
South Port NZ	A	340	3.52	14	8.4
Speirs Group	C	10	0.09	NE	Nil
Steel & Tube	C	205	0.47	11	10.5
Sthn Travel	C	15	0.14	NE	Nil
Tag Pacific Ltd	E	12	0.15	NE	Nil
TeamTalk Ltd	B	219	1.58	11	13.0
Telecom Corp	B	212	2.16	21	12.2
Tenon Ltd	E	73	0.12	NE	Nil
Tourism Hold.	D	61	0.41	NE	Nil
Tower Limited	C	144	0.71	12	6.0
Training Sol.	E	0.1	N/A	NE	Nil
Trust Power Ltd	C	714	2.93	20	7.3
Turners & Grow.	C	178	0.24	17	3.4
Turners Auction	A	135	0.52	12	11.6
Vector Ltd	B	237	1.90	12	8.6
Velo Capital	D	3.0	0.41	NE	Nil
Vital Health PT	C	111	7.65	44	7.3
WN Drive Tech.	D	24	0.58	NE	Nil
Wakefield Hlth	B	488	0.91	14	4.4
Warehouse Group	B	311	0.46	10	10.1
Widespread Port*	N/R	16	7.62	1	Nil
Windflow Tech.	D	30	0.46	NE	Nil
Wool Equities	D	15	N/A	NE	Nil
World Index Fd	D	98	N/A	NE	Nil
Xero Ltd	D	267	N/A	NE	Nil
Zintel Comm.	C	23	0.22	24	6.2
Ave of 134 Cos	**C**	155	0.28	16	3.9

AGL Energy Ltd	B	1442	0.94	12	4.2
AMP Ltd	B	430	1.16	12	7.0
ANZ Bank	A	2085	1.17	10	6.7
APA Group	A	461	2.65	27	5.2
ASX Limited	A	3081	N/A	25	5.9
Adelaide Bright	A	294	1.74	12	5.6
Alacer Gold	B	1162	N/A	NE	Nil
Allied Gold Min	C	267	N/A	NE	Nil
Alumina Ltd	C	134	N/A	92	4.6
Amalgamated Hld	B	556	1.13	11	6.7
Amcor Ltd	A	734	0.73	25	4.8
Aneka Tambang	C	125	N/A	NE	Nil
Ansell Ltd	A	1428	1.55	15	2.2
Aquarius Plat.	B	269	1.99	9	2.8
Aquila Res.	D	641	N/A	NE	Nil
Argo Investment	B	509	N/A	18	5.1
Aristocrat Leis	B	236	1.85	16	2.1
Asciano Limited	B	153	1.46	31	1.3
Aston Resources	C	976	N/A	NE	Nil
Atlas Iron Ltd	B	298	4.21	15	1.0
Aurora Oil Gas	C	320	N/A	NE	Nil
Ausdrill Ltd	B	290	1.04	12	4.1
Austar United	B	124	2.22	16	Nil
Aust Infra.	B	195	N/A	6	5.1
Australand Prop	B	265	2.04	9	7.7
Aust Foundation	B	408	N/A	18	5.1
BHP Billiton	B	3586	1.73	5	2.6
BWP Trust	B	174	N/A	11	6.9
Bank of Q'land	A	793	0.62	11	6.8
Beach Energy	A	140	3.10	NE	1.3
Bendigo Bank	A	922	0.92	10	6.5
Billabong Int'l	A	392	0.59	8	7.4
Bluescope Steel	C	43	0.10	NE	4.7
Boart Longyear	D	328	1.37	NE	Nil
Boral Limited	B	369	0.58	16	3.9
Bradken Ltd	B	751	1.05	18	4.5
Brambles Ltd	B	705	2.40	24	3.7
Brickworks Ltd	A	1092	2.54	11	3.7
C'wth Prop Off.	B	95	7.49	12	5.8
C.S.R. Ltd	B	208	0.55	12	4.0
CFS Retail Prop	B	185	7.46	10	6.9
CSL Limited	B	3209	4.02	31	2.5
Caltex Austrlia	A	1277	0.18	11	4.7
Campbell Bros	A	5076	3.09	26	2.8
Carsales.com	B	461	7.04	19	4.3
Challenger Ltd	B	435	1.42	8	3.8
Chart H Office	A	356	N/A	16	5.7
Chart H Retail	B	324	4.95	16	7.7
Coal & Allied	A	12451	4.17	15	4.7
Coalspur Mines	C	166	N/A	NE	Nil
CocaCola Amatil	B	1155	1.94	12	3.9
Cochlear Ltd	B	5481	3.84	17	4.1
Com'wealth Bank	A	4884	1.73	12	6.5
Computershare	A	797	2.97	18	3.5
Cons Media Hold	A	262	N/A	14	6.3
Crown Ltd	B	816	2.55	18	4.5
DUET Group	A	179	1.34	13	16.8
David Jones	A	267	0.70	8	10.5
Deutsche Div Tr	B	131	6.10	14	7.1
Dexus Property	B	87	N/A	36	0.3
Downer EDI Ltd	D	313	0.27	NE	Nil
DuluxGroup Ltd	B	286	1.05	11	5.2
Echo Ent Group	B	373	1.51	11	Nil
Eldorado Gold	B	1593	N/A	46	0.6
Energy World	C	67	N/A	43	Nil
Envestra	B	70	2.42	23	8.1
Extract Res.	C	847	N/A	NE	Nil
Fairfax Media	B	79	0.75	7	3.8
Flight Centre	A	1841	0.99	13	4.6
Fortescue Metal	B	472	2.91	15	1.5
Foster's Group	A	538	4.32	13	4.7
GPT Group	B	316	7.08	14	5.2
Gloucester Coal	C	800	4.33	24	Nil
Goodman Group	B	58	6.16	9	6.0
Goodman Fielder	C	53	0.32	NE	14.8
Graincorp	B	775	0.55	9	3.9
Harvey Norman	B	209	1.43	9	5.7
Hast Div Util	B	179	6.03	NE	6.7
Henderson Group	B	172	4.50	28	5.8
IOOF Holdings	A	556	2.01	13	7.7
Iluka Resources	A	1685	7.26	NE	0.5
Incitec Pivot	A	313	1.31	11	3.7
Independ. Group	A	435	5.43	NE	1.6
Insurance Aust.	B	309	0.81	26	5.2
Investa Office	B	61	8.28	11	6.4
Iress Mkt Tech	B	752	5.18	19	4.7
JB Hi-Fi Ltd	B	1567	0.52	14	4.9
James Hardie	C	678	2.49	NE	Nil
Jupiter Energy	E	48	N/A	NE	Nil
Kardoon Gas	C	503	N/A	NE	Nil
Kingsgate Cons.	B	688	5.37	44	2.2
Laguna Res.	C	363	N/A	NE	Nil
Leighton Hold	C	2102	0.45	NE	2.9
Lend Lease Grp	B	737	0.47	1	4.7
Lynas Corp Ltd	E	130	N/A	NE	Nil
MAp Group	B	355	6.57	NE	9.4
Macarthur Coal	B	1601	7.04	20	2.6
Macquarie Group	B	2438	0.72	9	7.6
Medusa Mining	B	524	7.10	10	1.9
Mesoblast Ltd	C	734	N/A	NE	Nil
Metcash Ltd	B	406	0.25	13	7.9
Milton Corp.	A	1480	N/A	19	5.1
Mineral Res.	B	1178	3.27	13	3.6
Mirvac Group	A	128	7.12	9	4.8
Monadelphous Gr	A	2042	1.23	19	4.7
Mt Gibson Iron	B	126	1.96	6	3.2
Myer Holdings	B	247	0.46	9	9.1
Nat'l Aust Bank	A	2402	1.29	10	7.2
Navitas Ltd	B	339	1.98	16	6.1
New Hope Corp.	B	581	7.28	NE	1.8
Newcrest Mining	B	3305	6.16	28	0.9
News Corp.	A	1752	0.45	6	0.9
Nufarm Limited	C	444	0.56	NE	Nil
OZ Minerals Ltd	B	1088	3.12	7	0.6
Oil Search Ltd	B	636	N/A	44	1.3
Onesteel Ltd	B	81	0.15	5	12.3
Orica Ltd	A	2554	1.59	7	3.7
Origin Energy	B	1429	1.47	82	3.5
Paladin Energy	D	162	5.05	NE	Nil
Panaust Ltd	C	332	3.35	13	Nil
Perpetual Ltd	B	2039	1.77	15	9.1
Perseus Mining	C	290	N/A	NE	Nil
Platinum Asset	B	370	7.85	14	6.8
Premier Invest	B	533	0.92	20	6.8
Primary Health	B	323	1.22	20	2.5
Q.B.E. Insur.	B	1386	0.94	11	9.2
QR National Ltd	A	339	2.59	24	1.9
Qantas Airways	C	159	0.24	14	Nil
Qube Logistics	B	142	3.06	13	1.3
REA Group Ltd	A	1222	6.68	24	2.1
Ramsay Health	A	1866	1.01	19	2.8
Reece Australia	B	1843	1.17	15	3.3
Regis Resources	B	353	N/A	42	Nil
Resolute Mining	B	194	4.08	30	Nil
Rio Tinto Ltd	B	6374	0.45	2	1.7
S/Tracks ASX200	A	4020	N/A	8	4.4
SAI Global Ltd	A	479	2.22	21	3.0
SP Ausnet	B	94	1.72	10	8.6
Sandfire Res.	D	675	N/A	NE	Nil
Santos Ltd	B	1281	5.03	22	2.9
Seek Ltd	B	598	5.84	21	2.4
Seven Group	B	715	0.69	25	5.0
Seven West Med.	B	338	2.84	18	13.3
Sims Metal Mgmt	B	1325	0.31	14	3.5
Sonic Health	B	1154	1.45	15	5.1
Soul Pattinson	A	1364	4.29	20	2.9
Spark Infrastru	B	127	5.81	21	10.7
Sth Cross Media	B	117	1.68	15	8.5
Stockland	B	336	3.39	11	7.1
Suncorp Group	A	834	0.56	24	4.2
Sundance Res.	D	37	N/A	NE	Nil
Super Retail Gr	B	582	0.73	14	5.0
TPG Telecom Ltd	B	139	1.89	14	3.2
Tabcorp Holding	B	272	0.63	6	15.8
Tatts Group Ltd	B	236	0.85	11	9.1
Telstra	A	323	1.59	12	8.7
Ten Network	C	91	0.94	67	6.1
Toll Holdings	B	467	0.40	11	5.4
Transfield Serv	B	234	0.47	29	6.0
Transurban Grp	A	557	7.76	72	4.8
TransPacific In	D	79	0.39	NE	Nil
Treasury Wine	A	371	1.63	37	1.6
UGL Limited	B	1233	0.48	13	5.7
Viterra Inc.	C	1015	N/A	NE	Nil
Wesfarmers Ltd	B	3148	0.58	16	4.8
Western Areas	B	553	2.12	7	4.5
Westfield Group	B	795	5.06	16	8.0
Westpac Banking	A	2107	1.48	9	7.4
Whitehaven Coal	A	582	4.62	39	1.3
Woodside Petrol	A	3189	5.82	16	3.4
Woolworths Ltd	A	2561	0.57	15	4.8
Worley Group	A	2682	1.16	18	3.2
Wotif.com Hold.	B	381	5.82	16	5.8
Zimplats Hold.	B	1110	2.44	6	Nil
Ave of 1959 Cos	**C**	138	0.30	11	1.8

Recommended Investments

Cavalier Corporation reports carpet sales volumes down 18% over the first four months of the current financial year - which is a slight improvement on the 20% drop over the first three months reported last month! Overall the company expects the full year profit to be 40-50% lower at $8.5-10.5 million (12½-15½ cents per share). The company will not pay its first interim dividend this year.

The company believes this decline is the result of several factors: Firstly, a sharp fall in business and consumer confidence owing to the European debt crisis which had led to the *deferral* of many commercial refurbishment projects (which should boost sales *next* year). Secondly, a soft market for residential carpets in Australia and building activity "near historical lows" in New Zealand. Again, the rebuilding of Christchurch should boost sales next year. Thirdly, the 80% increase in wool prices has made wool carpets less competitive with synthetic carpets at the budget end of the market.

At the AGM, the Chairman *(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												
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	252.8	1.4	8.72	28	5.4	32	20.3	+109%
BUY	Cavalier Corporation	CAV	05/12/95	156*	C	68.3	1.1	0.66	9	11.5	223	278.0	+221%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	A	32.7	0.4	0.18	11	10.2	265	337.3	+371%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	C	102.3	0.7	2.27	17	Nil	204	77.7	+88%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	B	382.7	0.9	0.69	10	5.1	88	36.4	+2388%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	523*	C	196.7	1.1	0.30	7	8.8	240	409.0	+24%
HOLD	Postie Plus Group	PPG	08/05/06	71	B	40.0	1.9	0.09	16	5.5	26	8.5	-51%
HOLD	Renaissance Corp	RNS	13/08/96	85*	D	45.7	3.3	0.03	NE	Nil	10	53.9	-25%
HOLD	Smiths City Group	SCY	09/10/06	64	A	53.0	1.3	0.10	12	4.8	42	15.0	-11%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.5	3.52	14	8.4	340	154.3	+312%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	C	88.4	0.8	0.47	11	10.5	205	254.6	+215%
	Australian Shares (in Aust cents)												
HOLD	AJ Lucas Group	AJL	13/05/03	120	C	65.3	0.7	0.63	NE	Nil	135	41.0	+47%
BUY	Atlas South Sea Pearl	ATP	14/05/96	73	C	136.4	2.2	0.97	6	Nil	10	17.5	-62%
HOLD	Campbell Brothers Ltd	CPB	12/10/99	389*	A	67.5	0.2	3.09	26	2.8	5076	679.0	+1379%
BUY	Cardno Ltd	CDD	14/12/09	399*	B	107.4	0.4	0.68	10	6.4	530	62.6	+49%
HOLD	Cellnet Group Ltd [1]	CLT	12/02/02	147*	B	61.3	1.2	0.29	18	10.0	35	35.9	-49%
BUY	Chandler Macleod Group	CMG	14/08/01	51*	B	467.9	1.3	0.14	14	5.7	35	22.9	+14%
HOLD+	Circadian Technologies	CIR	10/02/04	188	D	46.4	1.0	11.39	NE	Nil	45	65.0	-41%
BUY	Clarius Group Ltd	CND	08/04/03	82*	B	88.2	1.1	0.16	10	8.5	47	69.5	+42%
BUY	CPT Global Ltd	CGO	10/03/08	88	B	36.9	0.9	0.51	27	4.7	53	9.8	-29%
BUY	CSG Limited	CSV	11/10/10	175	A	282.6	0.8	0.74	7	5.4	102	5.5	-39%
BUY	Customers Ltd	CUS	11/07/11	83	A	134.9	0.8	1.25	8	4.3	115	2.0	+41%
HOLD+	Devine Ltd	DVN	13/11/06	84*	B	158.7	0.8	0.30	6	2.5	80	18.9	+18%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	D	84.9	2.1	0.24	NE	Nil	13	Nil	-74%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	B	32.2	0.8	1.47	8	7.8	112	31.8	-45%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	207.7	0.7	3.55	8	9.2	93	11.0	-2%
HOLD	Iluka Resources Ltd	ILU	12/10/04	471	A	415.5	0.3	7.26	0	0.5	1685	92.0	+277%
BUY	Integrated Research	IRI	14/01/08	40	A	166.9	1.0	1.81	11	8.2	49	14.0	+56%
HOLD	Mnet Group [1]	MNZ			C	208.3	4.4	0.41	NE	Nil	2.5	Nil	
HOLD	M2 Telecommunications	MTU	09/10/06	33	B	123.7	0.5	0.80	12	5.8	275	39.5	+853%
BUY	Melbourne IT	MLB	10/02/04	53	B	80.0	0.6	0.55	6	11.5	130	74.0	+285%
BUY	Nomad Building Solutio	NOD	16/08/10	13*	D	277.5	2.3	0.16	NE	Nil	10	Nil	-23%
BUY	Novarise Renewable Res	NOE	14/03/11	25	B	399.3	1.9	0.94	5	5.7	18	Nil	-30%
BUY	Penrice Soda Holdings	PSH	11/07/11	17	D	91.4	2.0	0.07	NE	Nil	12	Nil	-29%
BUY	Probiotec Ltd	PBP	11/02/08	116	C	52.9	1.2	0.26	18	Nil	35	9.3	-62%
HOLD+	Prophecy International	PRO	08/09/08	26	C	47.2	1.7	1.84	NE	2.6	19	7.3	+1%
HOLD	Skilled Group Ltd	SKE	12/03/02	126	B	233.1	0.6	0.25	18	1.5	200	135.0	+166%
HOLD	Technology One Ltd	TNE	11/11/03	44	B	303.4	0.7	2.05	16	4.4	106	27.3	+203%
HOLD+	TFS Corporation Ltd	TFC	08/01/07	45	B	276.5	0.9	1.59	9	7.4	64	14.2	+74%
BUY	The Reject Shop Ltd	TRS	11/01/05	257	B	26.0	0.3	0.51	17	3.0	1030	279.5	+410%
HOLD	Village Roadshow	VRL	10/08/09	77	B	151.5	0.5	0.49	16	5.3	302	137.0	+470%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +193.8%. This is equal to an average annual rate of +25.0%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 40 current and 152 closed out) is +29.1%, compared with a market gain of +3.7% (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 Grouop includes 1½ shares of Mnet Group distributed to shareholders.

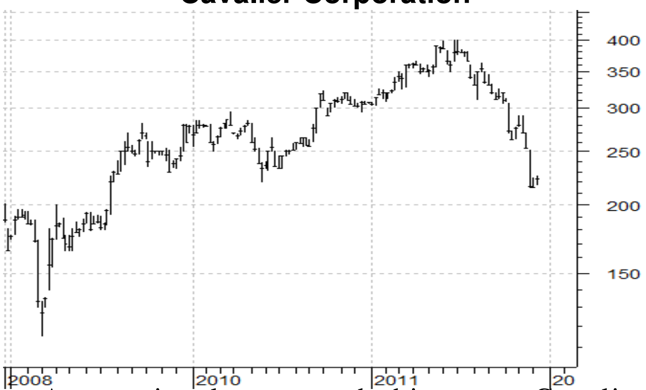
Recommended Investments

(Continued from Page 3)

pointed out that "a carpet is a consumer durable" and "carpet purchase is generally deferred rather than lost". The company's "experience in the past" is that "a feast generally follows a famine".

The downturn in the current year's profitability could also result in a lower dividend rate, but profits (and dividends) should recover in the future. So the downturn in profits - and the share price - should therefore offer a *buying opportunity* for investors to add to their holdings in this company. The share price can hit lows and then recover quickly, so picking the ultimate bottom of the decline is very difficult. A better strategy would be to split any planned investment (or additional investment) into 3-4 amounts of approximately equal dollar value and then make 3-4 buy transactions over the next 6-9 months (i.e. buy a few shares every couple of months, averaging out the purchase price over a period when the price is expected to be depressed). "Buy".

Cavalier Corporation



As previously reported this year, Cavalier Corporation's 50% owned wool scouring business, **Cavalier Wool Holdings**, had obtained **Commerce Commission** approval to acquire the wool scouring business of **Wool Services International** (although has yet to negotiate any acquisition or merger). This decision was appealed by **Godfrey Hirst**, but the High Court has dismissed that appeal. A merger of these two businesses would leave only one NZ wool scouring business, but that would still face competition from Chinese wool scours which currently process over 21% of NZ's wool exports and which have "decimated the Australian scouring industry".

Nuplex Industries is to purchase German based **Viverso GmbH** for •75 million from **Bayer Material Science**. This business is expected to generate earnings (before interest, depreciation and tax) of around •11.5 million.

This acquisition will make Nuplex Industries one of the four largest resin manufacturers in Europe, as well as expanding into some new product groups. Viverso has a "world class production facility", built in 1995, and gives Nuplex Industries better access to markets in Germany, Central and Eastern Europe.

Postie Plus Group reports first quarter sales down 4.3% to $24.0 million. In part this is the result of lower school uniform sales during October, with the change in school terms as a result of the Rugby World Cup. Inventories are "well managed" and around 5% below last year.

Renaissance Corporation lifted revenues 18.0% to $181.8 million over the year to 30 September 2011, but operated at a *loss* of $4,347,000 (*minus* 9.5 cents per share). This result includes the receipt of $1.0 million in earthquake insurance claims, but makes no provision for a further $3.6 million (pre-tax) in insurance claims that have not yet been accepted by its insurance company.

There was a net operating cash *deficit* of $5.3 million.

Based upon trading in October, the company will probably need to downgrade the 2012 profit forecast made in September. The company is compliant with a new banking covenant (which runs to May 2012) but will "need to see a substantial improvement in trading performance". The business is also under-capitalised "without the speedy restitution of our insured losses".

Australian Shares

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

AJ Lucas Group is to increase its recapitalisation to $151 million (from the $95-100 million proposed in September) and retain its drilling business which is "now performing to expectations". The two year loan from **Kerogen Investments** will be increased from $66.5 million to $86.5 million (plus 11.3-18.6 million options to buy shares at 135-170 cents) while the cash issue to shareholders will increase from $30-35 million to $51.3 million.

The company will offer existing shareholders one new share at 135 cents for every two shares currently held. The cash issue is non-renounceable, but shareholders will be able to apply for an over-allotment of shares.

The EGM to approve this recapitalisation is expected on 22 December, with the cash issue opening on 10 January and closing on 27 January.

The Drilling Division has won a $240 million, three-year contract with **Xstrata Coal** for gas drainage from its *Newlands* and *Oaky North* and *Oaky One* coal mines - lifting the backlog of work to over $500 million.

Cuadrilla Resources is drilling the *Becconsall #1* well - now at 9,400 feet, with a target depth of 10,500 feet - in the Bowland Basin Shale prospect. The company hopes to restart fraccing in the first quarter of 2012. AJ Lucas Group hopes to "realise some of the value" in this investment with "the commercialisation of the first Cuadrilla asset expected during 2012".

Drilling is about to begin at the *Monument Prospect* in East Texas. The primary oil targets are at 10,000 feet and from 18,750-21,500 feet (plus "one promising deep well location"). Other companies drilling nearby have recently discovered oil at 7,450 feet and 7,600 feet. The drilling program will take 12-18 months.

Atlas South Sea Pearl reports that after eight years of successfully transporting oysters from Bali to Alyui Bay in West Papua, a load of 32,000 oysters have died. This was not the result of human error or mechanical failure and the company is investigating further to identify the cause of this event.

This will cause no immediate impact on cashflows (i.e. the ability to finance growth plans) but the current book value of $415,000 (cost $100,000) will be written off and lower the 2011 reported profit. These oysters would have been harvested in 2013, so will slightly lower revenues, cashflows and potential profits for 2013 and 2014.

Campbell Brothers lifted revenues 21.9% to $667.5 million for the six months to 30 September 2011 and net profits were 54.5% higher at $102,342,000. Earnings per share were 45.1% higher at 151.6 cents and the interim dividend will be raised 46.2% to 95.0 cents.

The net operating cash surplus was 28% higher at $82.9 million.

The ALS Minerals division lifted revenues 75% to $276.7 million and earnings 79% to $95.0 million - helped by the acquisitions of **Ammtec** and **Stewart Group** (for three months). The ALS Environmental division lifted revenues 11% to $173.0 million and earnings 13% to $40.0 million. These two divisions generate 66% of group revenues and 84% of earnings.

During the period ALS Environmental commissioned a new laboratory in Bangkok and started construction of a new 42,000 ft^2 laboratory in Calgary, Canada.

Trading in October and November "has remained very strong", with the company forecasting a full year profit 51-66% higher at $200-220 million (295-325 cents per share). At the current share price of $50.76 that would give a Price/Earnings ratio of 15½-17 - which is still good value for a company with favourable business economics and growing very rapidly. Therefore, although our investment in Campbell Brothers has grown almost 15-fold (including dividends) over the last 12 years we are not in any hurry to sell out or to reduce our holding in this company.

Of course, if some investors portfolios are becoming very over-weighted in Campbell Brothers shares then it is a sound investment strategy to realise some partial profits and to re-invest in other recommended shares, to improve diversification.

Cellnet Group expects that "challenging trading conditions and subdued consumer sentiment" will result in a lower profit of around $700,000 for the six months to 31 December 2011. Last year the company earned a first half profit of $1.5 million but (after a small second half loss) a full year profit of $1.2 million.

The company, however, will pay a steady 1.0 cent interim dividend *and* a 9.0 cents return of capital. The dividend will be paid on 23 December but the return of capital will require shareholder approval. Cellnet Group is debt-free and the dividend and capital return will distribute only about 30% of its cash to shareholders.

Circadian Technologies has released more information about potential future royalty earnings:

The LAM VEGF-D biomarker test (for degenerative lung disease) has seen "sales significantly increase over the past two months" and the company expects this to "expand to 25-50,000 tests per annum within 2-3 years". That would generate US$10-20 million of revenues with Circadian Technologies receiving a 20-25% royalty - or US$2-5 million annually (4-10 cents per share).

This test could also be used as a biomarker to monitor mTOR therapy. The lead drug in that class, *Affinitor*, is expected to have annual sales of US$3000 million within 2-3 years - offering a significant market for Circadian Technologies' test, perhaps from around 2014.

The Cancers of Unknown Primary Origin test will be launched by **Healthscope** in early 2012 in Australia, New Zealand, Malaysia and Singapore, with an expected market of 10,000 tests annually at $1000-1500 per test (compared with an existing test selling for $3000). Circadian Technologies' royalty of over 15% would generate annual revenues of $1.5-2.5 million (3-5 cents per share).

Circadian Technologies also retains all rights to market this test in the rest of the world and estimates a market for 150,000 tests in the US, Europe and Japan. The company expects to have partnerships in place for the rest of the world by the first half of 2013 - and we estimate this could generate annual royalties of $10-15 million (22-36 cents per share).

The company is also "accelerating" the development of a VEGF-C diagnostic test as a biomarker of resistance to anti-agiogenic therapy. The potential worldwide market would be around 250,000 tests annually, at US$200-300 per test, or US$50-75 million. That could generate further significant royalties from 2015!

Ellex Medical Lasers is the world leader (outside of the United States) in the supply of *Selective Trabeculoplasty Treatment* (SLA) lasers, which is the primary therapy for glaucoma in most developed markets. **Lumenis** (an Israeli company) has a 100% share of the lucrative United States market owing to patent protection - but that patent expires in July 2013 when Ellex Medical Lasers will be able to compete for US sales.

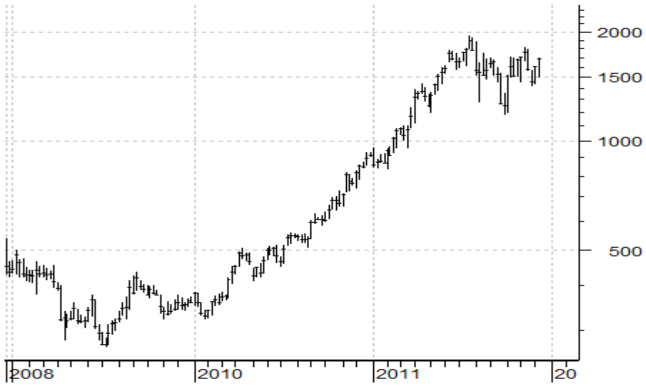
Iluka Resources believes that urbanisation and GDP growth in China and other developing economies will "underpin Zircon demand growth" but uncertain market conditions *may* lead to "a relatively soft Zircon sales quarter or two". That would temporarily depress revenues and profits.

While warning about a "soft market", Iluka Resources has negotiated a further 80-85% increase in high grade titanium dioxide prices over the next six months. Compared with the current half year, rutile prices will rise 80-85% (to around US$2410-2480/tonne) and synthetic rutile will rise 85-90% to US$1990-2045/ tonne.

These prices are 210-220% higher (i.e. more than *tripling* Iluka Resources' revenues per tonne) compared with the first half of the current financial year! Most of the extra revenues will flow straight through to significantly higher net profits and net operating cashflows.

Iluka Resource has completed a ten-day trial to test its rail load and unloading infrastructure by transporting mineral sands from its Murray Basin operations to the Hamilton Mineral Separation plant by train, rather than by truck. The concentrate was transported by truck to the Hopetoun rail lines, then transported 300km by rail to the processing facility. Rail transportation will be used permanently from early 2012, once the company has completed building some walls at the rail depots. This will improve efficiency and remove heavy trucks from the highways and roads.

Iluka Resources



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Recommended Investments

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Melbourne IT has signed an agreement with Philippine based **PDB SME Solutions** which offers online resources and online banking for small businesses in the Philippines. Under the agreement, Melbourne IT will provide domain name registration, webhosting, email and create e-commerce websites for PDB SME Solutions' customers.

Many of Melbourne IT's core operations are competitive, "commodity businesses" (i.e. domain name registration) where efficiency and a low-cost structure are important for success, although it also has some higher margin, value added businesses (i.e. web hosting, brand services). This is why its major investment in its transformation projects - *Integrated Web Services* and *Operational Support Systems* - are important to ensure the future efficient operation of the business as well as maximise the potential to cross-sell value added services to existing customers. These development costs, plus the higher Australian dollar and slower global economy, have depressed profits in the short term.

At 130 cents, Melbourne IT shares trade on a Price/Sales ratio of 0.55, a Price/Earnings ratio of 6½ and a Dividend Yield of 11.5%. The current year dividend is forecast at 14-15 cents, which will yield 10.8-11.5%.

The company has cash in the bank of $19.7 million (24.6 cents per share) and interest bearing debts of $41.5 million (i.e. a five year US$44.0 million loan at 3.1%, repayable at US$6.0 million annually through to April 2013 when the balance of US$33.5 million will need to be repaid or refinanced).

When we initially recommended Melbourne IT shares in February 2004 at 52 cents the P/S ratio was 0.55, the P/E ratio 14 and the company had just paid a 1.0 cent maiden dividend (so a Yield of 3.8% was expected). The company held cash of $16.8 million - or 33.6 cents per share!

Melbourne IT remains in a sound financial position today - with cash in the bank and moderate debt levels (resulting from the acquisition of part of the Digital Brand Services business). Despite flat profits over the last few years, Melbourne IT has grown profits significantly since we first bought in almost eight years ago. The share price is up 2½-fold, but earnings per share have risen 4¾-fold, so the P/E ratio has dropped from a reasonable 14 to a very low 6½. Improving earnings and cash in the bank have allowed the dividend rate to rise 7½-fold, so despite the higher share price the Yield has *tripled*.

Profits have declined slightly over the last few years, but this reflects difficult business conditions rather than any problems with the business. While the company operates in a competitive environment, it is in businesses that provide recurring revenue streams - so the company should generate fairly reliable cashflows and profits. Those cashflows will enable the company to pay generous cash dividends to shareholders, while also financing both organic growth and some growth through acquisition.

Over the medium to longer term, we would expect a company like Melbourne IT to be able to continue to grow profits and dividends at an above average rate. Perhaps Melbourne IT will not be able to grow earnings per share by a further 4¾-fold over the *next* eight years, but a 2-3 fold increase would equal an annual growth of 9-15% per annum. Investors' *long term* return is the dividend yield (i.e. 11%) plus the *growth* rate (i.e. perhaps 9-15%) which would indicate a total return to investors of around 20-26% per annum.

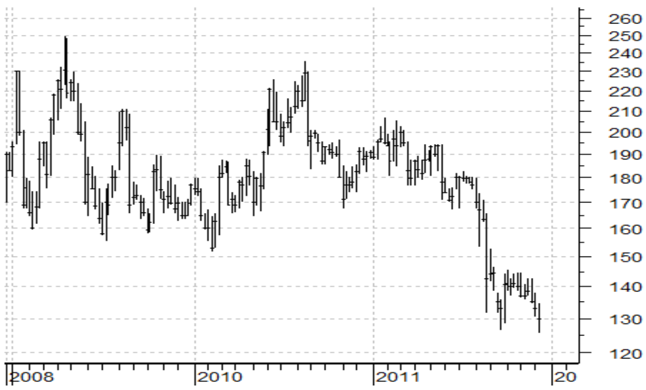
If, over the next eight years, the shares were again re-rated from a P/E of 6¾ to 14, then the share price would rise a further 100% (i.e. 4-6 fold in total). That would equal an average 18-25% per annum capital appreciation *plus* an 11% income yield - or a total return of 29-36% per annum.

Some large Wealth Management (wealth *mis*management?) companies are predicting zero returns from stockmarkets over the next 5-10 years. We should, however, point out that at the top of a boom (e.g. the Technology boom in 1999) they predicted strong growth in the years ahead - so we place little value (and certainly none of our money) on these predictions. Nevertheless, even *if* stockmarkets perform poorly in the years ahead, then a soundly financed business with recurring cashflows and offering an 11% cash dividend yield should significantly outperform the market, even with no growth in profits and no appreciation of its share price.

So - if economic conditions remain really tough - then an 11% yield from an investment in Melbourne IT shares looks pretty good. And if things improve slightly and the business grows, then an 11% income yield *plus* income growth *plus* a 2-3 fold, or even a 4-6 fold, increase in the share price would be more than acceptable!

It is not often that investors can buy a high quality growth company like Melbourne IT on a P/E ratio of 6½ and a Yield of 11%. This is why we find the stockmarket downturn of the last few years so exciting . . . but some of the best shares to buy now are in companies already in our portfolio! Buy.

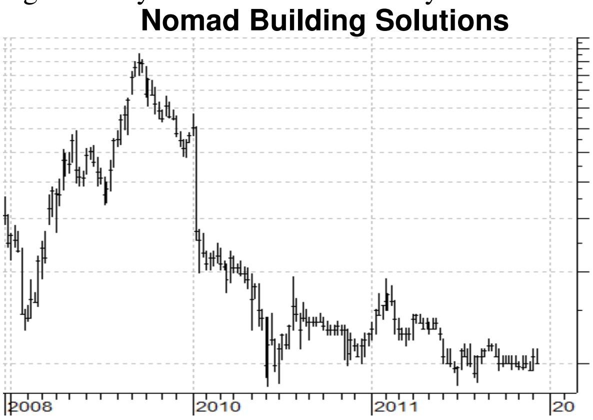
Melbourne IT



Nomad Building Solutions has $13.3 million invested in transportable rental buildings and recently announced plans to invest a further $5 million in this business. A significant part of this (187 four-person units and ten laundries) had been rented by **Newmont Boddington** which will now purchase these facilities for $8.5 million. This will release a profit over depreciated book value and the proceeds will be used to "reduce debt, to invest in new hire fleet assets and other suitable projects".

The company "anticipates operations will return to profitability" this financial year (i.e. to June 2012).

Nomad Building Solutions is a *recovery situation* - so a return to profitability (and, at an appropriate time, the reinstatement of dividends) should see the shares significantly re-rated in value! "Buy".



Penrice Soda Holdings reports a trading *loss* of $2.6 million for the first four months of the new financial year, plus "one-off" costs of $1.7 million from its strategic review and the temporary closure of the Gawler rail line. For the full year to June 2012 the company is aiming to break-even.

The high exchange rate has reduced export receipts as well as reducing the demand from glass customers. A downturn in construction has resulted in lower quarry sales.

The company expects improved performance in the second half, helped by agreed price rises. The *Selective Salts Recovery* pilot plant (to treat coal seam gas water) "will make a positive impact on earnings in the current financial year". The company believes that "if the pilot plant is successful, it may lead to a commercial scale plant" and that this new business could be a "company transforming project that would diversify income streams and access a high growth market".

To reduce debt levels the company *may* need to sell off its mine (although the directors would prefer to keep it), raise additional equity capital (perhaps in the form of a convertible note) or "transfer ownership of the entire business to a larger group with a larger balance sheet that could negotiate the economic and commodity cycles" (i.e. find someone to take over the company). Penrice Soda is holding "preliminary discussions with a number of parties".

The sodium bicarbonate business "provides the greatest potential return on capital" so annual production will be increased by 25,000 tonnes. This will require a capital investment of $8 million, but increase earnings by $3.5 million annually, which is a "highly attractive payback period".

London City Equities (and a few other shareholders), calling itself the *Penrice Shareholder Action Group*, has required the company to hold an EGM where it will seek to remove four existing directors and install three of its own nominees. Two of the directors its seeks to remove were re-elected at the AGM last week (with 63-65% of votes cast on a poll) and one of its nominees has previously been *invited* to join the Penrice Soda board.

While the board of directors *could* perhaps benefit from a bit of a shake-up, London City Equities' nominees for the board do not have any specific plans or ideas on how to run the company better. London City Equities does not have the financial resources to support Penrice Soda and there must be doubts about its long term commitment to this company, having sold 490,000 Penrice Soda shares over the last month, reducing their holding to 4,507,811 shares.

Probiotec reports revenues up 4% to $22.9 million for the first four months of the new financial year, with a small pre-tax profit of $300,000 (up from a pre-tax *loss* of $1.4 million for the same period a year earlier).

The company has announced the sale of its surplus Bundaberg production site for $1.05 million (book value $1.0 million), with settlement in January. Proceeds will be used to reduce debts.

The company has also sold is *Milton* antibacterial and baby care brand to **Rivadis Australia** for $6.0 million in cash plus around $150,000 for stock (plus an earn-out of up to $750,000 based upon achieving sales targets over the next 18 months). This business - which is now considered "non-core" - generates revenues of about $2.57 million and we estimate net profits of about $6-700,000. So the business is being sold on a Price/Sales ratio of 2.4-2.7 and a Price/Earnings ratio of 9-10. This loss of profits will be partially offset by repaying interest bearing debt.

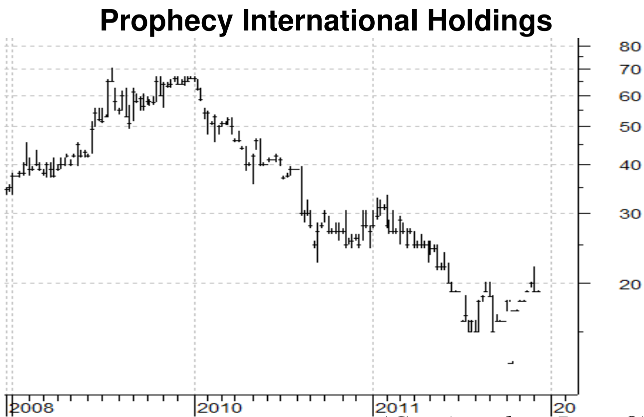
The *Milton* business was purchased in 2005 and has a book value of $3.1 million, so will generate a non-recurring pre-tax profit of $2.9 million in the current half year.

Prophecy International Holdings reports results from its newly acquired **Inersect Alliance** "above expectations" and with "growth projections looking very positive". Version 6 of its *Snare* monitoring software will be released in 2012 and Prophecy plans to grow this business via its existing international sales channels.

The groups' *Promadis* business has won two major projects: A major upgrade Registry software system for the **Australian Capital Territory** *Births, Deaths and Marriages Registry* plus the ACT's *Office of Regulatory Services* has commissioned the company to develop and supply a specialist *Workplace Checking* software module. These contracts are worth around $500,000.

The company is "in the process of completing the final paperwork" on two *basis2* Utility software sales - although these are small projects worth in excess of $1.5 million in total. This division is also continuing to develop its Billing solutions under a *Software as a Service* model using Cloud computing. This service will be marketed by "two large partners".

Overall the company expects first half revenues to be up 50% with profits tripling to around $750,000 and allowing it to reinstate an interim dividend. Full year revenues are expected to rise 45% with a net profit of about $1.25 million (2½ cents per share), up from a small loss in 2011.



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Recommended Investments

(Continued from Page 7)

Skilled Group has sold its **Tradeforce NZ** business to **AWF Group** for NZ$3.2 million in cash, plus up to NZ$300,000 payable in 2012, subject to achieving revenue targets. The business has a book value of NZ$700,000.

Technology One lifted revenues 15.3% to $156.7 million for the year to 30 September 2011 and net profits 14.1% to $20,326,000 (6.8 cents per share). A final dividend of 3.16 cents will lift the regular dividend rate 10.0% to 4.62 cents and in addition the company will again pay a special dividend of 1.5 cents.

The net operating cash surplus was 33% lower, but still a healthy $21.2 million.

The company holds cash of $43.4 million (14.5 cents per share) and has no bank debt, although does have finance lease borrowings of $7.4 million.

With Research & Development expenditure of $31.8 million, Technology One shares trade on a Price/Research ratio of 10 - which is reasonable value.

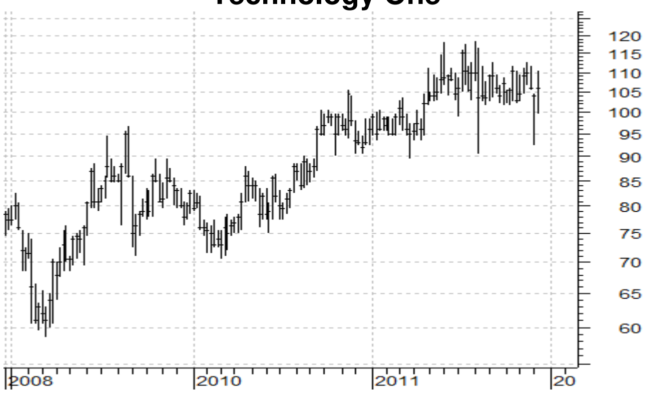
Technology One has over 500 staff at its new Brisbane R&D centre and established a small offshore R&D centre in Indonesia in July 2011. This is currently being trialled with just over 30 people until June 2012. If successful, it will be expanded to help contain the group's high R&D costs.

The business is also continuing to focus upon improving its profit margins which have declined over the last decade. Profit margins have been steady around 17% over the last few years, but the company will seek to raise these to around 25-30%.

The business also generates 77% of earnings from Financial, Supply Chain and Corporate Performance Management software, so looks to grow revenues and earnings from its Asset Management, Enterprise Content Management, HR & Payroll, Customer Relationship Management, Mobile and Property & Rating software.

The United Kingdom business *lost* $1.5 million and generated only 0.4% of new licence revenues, but Technology One is trying new strategies and has a new structure and new personnel and "remains committed to the UK market". Success in this market would offer huge growth potential for the company and significantly improve margins and its return on its massive investments in R&D.

Technology One



TFS Corporation is required under the terms of its US$150 million Senior Secured Notes to report unaudited quarterly results. These will largely be meaningless, owing to large and irregular institutional plantation investments which will cause fluctuations in reported revenues from quarter to quarter.

Some figures, however, are of interest. The interest expense is up 4¼-fold to $4.4 million (owing to the high interest US$150 million notes) while interest income (i.e. interest earned on this uninvested cash at lower interest rates) was only $877,000. Company owned plantations increased $7.5 million in value (mainly owing to the rise of the US dollar over the quarter), which was offset by the $8.6 million exchange rate *loss* on the US$150 million of borrowings.

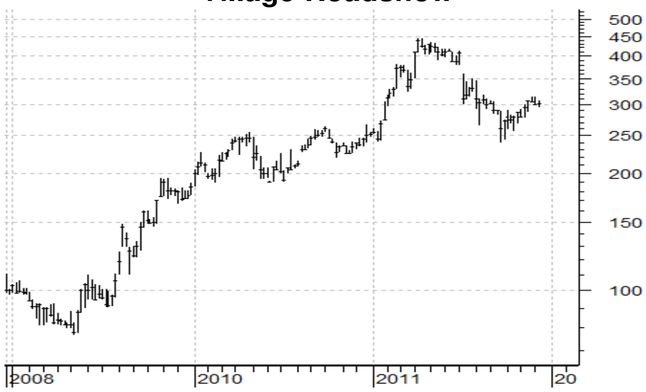
The US dollar borrowing are a *natural hedge* for the company's plantation assets and future export revenues - but accounting standards will require significant gains and losses in future quarterly reports as exchange rates fluctuate!

What is also significant - as a measure of the growth of the business - is the 76% growth in recurring management fees to $8.8 million. $2.5 million was received in cash and $6.3 million is deferred and TFS Corporation will be paid from the eventual harvest and sale of trees.

Village Roadshow AGM has reported many favourable developments. At the *Village Cinemas* division "Business is GREAT!", with the conversion to digital projection having a "positive impact on the whole industry's economics and competitive power of the cinema medium". The *Roadshow Film Distribution* is performing well and in the home market "sees real growth in direct internet streaming". The *Theme Parks* are enjoying "strong" business and (subject to weather conditions) should experience "another successful trading year". The group is still investigating listing **Village Roadshow Entertainment Group** (i.e. film production), "possibly in Asia", as increased equity would enable the company to "more fully utilise our very advantageous US$1000 million film finance facility and produce a broader portfolio of films each year".

The company is making "very good progress to build and operate a world class theme park in China" which "will be an enormous undertaking" but "without any heavy investment burden". That suggests the company is looking at a joint venture where it contributes brands, know-how, project management and on-going management while a partner contributes the equity financing. The company would then probably earn an annual management fee to run the theme park, plus own an equity interest and a share of the profits. That is the kind of deal that can create significant Shareholder wealth by utilising the company's existing intellectual property and skills, but requiring little capital investment.

Village Roadshow



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
Smiths City	42	+12.6	+0.7	4	8-0	-	0.5	4	1.3	12	4.8	0.10	22
Col Motor Co	265	+3.5	-0.1	15	1-0	-	0.7	7	0.4	11	10.2	0.18	87
Turners & Grow.	178	+1.2	+0.9	25	1-0	-	0.7	4	0.8	17	3.4	0.24	201
Hellaby Hold.	246	+7.7	-3.5	9	0-0	-	1.4	11	1.2	12	5.8	0.39	182
Infratil NZ	179	+0.4	+1.4	29	0-1	-	1.1	6	0.8	17	5.4	0.50	1,076
Allied Work.	195	+9.0	-3.0	6	0-0	-	2.6	16	0.8	16	7.5	0.53	51
Kirkcaldie & St	290	+5.5	+1.9	13	0-0	-	1.5	-	0.5	NE	2.7	0.72	30
Mainfreight Grp	985	+3.2	+0.0	16	0-7	-	3.2	14	0.5	23	2.9	0.72	970
Comvita	250	+29.6	+8.7	1	6-1	-	1.0	5	0.8	20	1.7	0.86	70
Delegat's Group	210	+1.6	+1.5	24	0-0	-	1.3	14	0.7	9	5.4	0.90	213

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

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
Comvita	250	+29.6	+8.7	1	6-1	-	1.0	5	0.6	20	1.7	0.86	70
Smiths City	42	+12.6	+0.7	4	8-0	-	0.5	4	1.0	12	4.8	0.10	22
Just Water Int.	11	+10.2	+7.0	5	0-0	-	2.6	21	2.2	12	Nil	0.30	10
Allied Work.	195	+9.0	-3.0	6	0-0	-	2.6	16	0.6	16	7.5	0.53	51
Hellaby Hold.	246	+7.7	-3.5	9	0-0	-	1.4	11	1.1	12	5.8	0.39	182
Finzsoft Sol'ns	34	+3.5	-0.2	15	0-0	-	1.0	19	0.9	5	Nil	0.41	3
Col Motor Co	265	+3.5	-0.1	15	1-0	-	0.7	7	0.3	11	10.2	0.18	87
Delegat's Group	210	+1.6	+1.5	24	0-0	-	1.3	14	0.6	9	5.4	0.90	213
Turners & Grow.	178	+1.2	+0.9	25	1-0	-	0.7	4	0.6	17	3.4	0.24	201
Infratil NZ	179	+0.4	+1.4	29	0-1	-	1.1	6	0.7	17	5.4	0.50	1,076

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

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
Hallenstein G.	344	-0.8	+2.5	37	0-0	-	3.3	29	0.3	11	12.9	1.00	205
Telecom Corp	212	+5.5	-1.1	12	1-0	3	1.8	8	0.6	21	12.2	2.16	4,071
Restaurant Brds	210	-7.2	-0.1	68	0-0	-	3.5	41	0.5	9	11.6	0.63	205
Cavalier Corp	223	-14.0	-5.4	80	0-0	1	1.5	17	0.9	9	11.5	0.66	152
Warehouse Group	311	-5.2	-0.8	55	4-4	2	2.8	29	0.4	10	10.1	0.46	759
Briscoe Group	135	-0.8	+0.2	38	3-0	-	2.2	16	0.6	13	9.5	0.68	286
AMP Office Trt	83	+2.4	-1.5	18	3-0	-	0.9	1	0.5	80	9.4	6.04	828
Sanford Limited	380	-6.3	-3.1	60	0-0	-	0.6	4	0.3	16	8.6	0.77	356
Vector Ltd	237	+2.0	+0.2	21	0-0	1	1.1	10	0.5	12	8.6	1.90	2,360
Goodman Prop.	97	+1.7	-0.4	24	0-2	-	1.0	4	0.5	25	8.0	6.59	905

INSIDER BUYING: Most Insider Buying, Relative 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
Smiths City	42	+12.6	+0.7	4	8-0	-	0.5	4	0.8	12	4.8	0.10	22
Port Tauranga	1000	+5.7	-1.3	11	5-0	-	1.9	8	0.4	23	4.4	7.23	1,340
Comvita	250	+29.6	+8.7	1	6-1	-	1.0	5	0.6	20	1.7	0.86	70
AMP Office Trt	83	+2.4	-1.5	18	3-0	-	0.9	1	0.5	80	9.4	6.04	828
Xero Ltd	267	+7.8	-2.2	8	2-0	-	11.1	-	0.9	NE	Nil	N/A	241
Skellerup Hold.	135	+4.6	+1.6	13	2-0	-	2.4	18	0.8	13	6.3	1.34	260
Pharmacybrands	71	+27.7	-3.3	1	1-0	-	1.3	0	0.8	797	Nil	6.62	48
Freightways Ltd	345	+1.0	+1.0	27	1-0	-	3.2	18	0.5	18	5.9	1.50	530
Turners & Grow.	178	+1.2	+0.9	25	1-0	-	0.7	4	0.5	17	3.4	0.24	201
Telecom Corp	212	+5.5	-1.1	12	1-0	3	1.8	8	0.5	21	12.2	2.16	4,071

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative 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
Northland Port	155	-5.5	+1.9	58	0-0	-	0.5	4	0.3	14	6.0	9.57	64
Vital Health PT	111	-58.3	+0.0	97	0-1	-	1.1	2	0.4	44	7.3	7.65	322
Property F Ind.	115	-1.2	-0.1	40	0-0	-	1.1	4	0.4	25	7.2	7.63	248
Charlie's Group	43	-58.3	+0.0	98	0-0	-	7.7	15	1.0	51	Nil	4.00	126
Blis Technology	4	-18.8	-0.6	86	0-0	-	-	-	1.9	NE	Nil	3.46	6
NZ Refining Co	308	-10.8	+0.5	77	0-0	-	1.6	4	0.5	37	Nil	3.45	862
NPT Limited	47	-2.2	+0.6	43	0-0	-	0.7	-	0.6	NE	9.6	3.23	91
Trust Power Ltd	714	-0.6	+0.3	34	0-0	-	1.6	8	0.3	20	7.3	2.93	2,247
Horizon Energy	340	-4.4	+1.0	52	0-0	-	1.5	11	0.3	14	7.1	2.74	85
Pyne Gould Corp	35	-3.7	+3.7	49	0-1	-	0.5	-	1.0	NE	Nil	2.64	76
NZ Oil & Gas	71	-10.2	+3.9	77	0-0	-	0.8	7	0.7	12	4.1	2.63	280
Sky Network TV	517	-2.6	-1.3	45	1-0	2	1.6	9	0.4	17	5.1	2.52	2,012
Sky City Ltd	345	-0.7	-0.4	36	1-1	2	2.6	16	0.5	16	6.2	2.48	1,991
F & P Health.	241	-6.3	+3.2	61	1-4	2	4.0	20	0.4	20	7.2	2.47	1,252
Mowbray Collect	70	-2.1	+9.6	42	0-0	-	1.9	-	0.4	NE	Nil	2.32	8
Chorus Ltd	300	-0.6	-0.6	35	0-0	3	2.5	-	0.5	NE	Nil	2.29	1,155
Lyttelton Port	204	-5.3	+1.0	55	0-0	-	1.3	8	0.4	17	Nil	2.27	209

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

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
Vital Health PT	111	-58.3	+0.0	97	0-1	-	1.1	2	0.4	44	7.3	7.65	322
Charlie's Group	43	-58.3	+0.0	98	0-0	-	7.7	15	1.0	51	Nil	4.00	126
Rubicon Limited	37	-25.3	-0.1	92	4-0	-	0.6	-	0.5	NE	Nil	0.27	105
WN Drive Tech.	24	-23.9	+5.9	91	2-0	-	17.6	-	1.0	NE	Nil	0.58	16
Pumpkin Patch	59	-23.8	-1.8	91	5-0	1	3.1	23	0.8	13	7.3	0.29	99
Rakon Ltd	48	-22.1	-2.9	89	0-0	-	0.5	4	1.0	11	Nil	0.48	91
Smartpay NZ Ltd	11	-22.1	-1.4	88	0-0	-	-	-	0.9	122	Nil	0.28	13
L&M Energy	9	-19.2	+0.4	87	0-0	-	-	-	1.4	NE	Nil	N/A	68
Blis Technology	4	-18.8	-0.6	86	0-0	-	-	-	1.8	NE	Nil	3.46	6
NZ Wine Company	100	-18.3	+1.5	85	0-0	-	0.5	-	0.5	NE	2.9	0.67	9
Heartland BS	48	-15.4	+0.5	82	0-0	-	0.1	0	0.9	20	Nil	0.79	144
Fletcher Build.	608	-12.0	-2.9	78	7-1	3	1.1	8	0.5	15	6.5	0.56	4,126
NZ Refining Co	308	-10.8	+0.5	77	0-0	-	1.6	4	0.4	37	Nil	3.45	862
NZ Oil & Gas	71	-10.2	+3.9	77	0-0	-	0.8	7	0.7	12	4.1	2.63	280
Claridge Cap'l	1	-10.2	+8.7	76	0-0	-	1.8	-	3.6	NE	Nil	0.65	30
New Image Group	20	-9.6	-0.6	74	1-0	-	2.0	11	1.4	19	7.1	0.62	47
Sealegs Corp	13	-8.9	-0.7	73	0-0	-	2.2	-	1.4	NE	Nil	1.06	12
Dorchester Pac	8	-8.7	+1.4	72	2-0	-	0.3	-	1.7	NE	Nil	0.82	8
Cavotec MSL	245	-7.8	-1.0	71	3-0	-	2.0	10	0.6	20	1.6	1.08	156
AMP Limited	577	-7.7	+2.6	71	0-0	-	3.4	26	0.6	13	6.8	1.31	11,933

INSIDER SELLING: Most Insider Selling, Relative 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
Air New Zealand	92	-6.6	-1.6	65	2-10	1	0.6	5	0.7	12	7.4	0.23	1,004
F & P Health.	241	-6.3	+3.2	61	1-4	2	4.0	20	0.4	20	7.2	2.47	1,252
Ebos Group Ltd	590	-4.7	-0.9	52	0-1	1	1.5	12	0.3	13	7.6	0.23	307
Pyne Gould Corp	35	-3.7	+3.7	49	0-1	-	0.5	-	0.9	NE	Nil	2.64	76
PGG Wrightsons	36	-13.2	-1.9	80	0-1	1	0.5	-	0.9	NE	Nil	0.22	272
Tower Limited	144	-7.1	+2.5	67	0-1	2	0.8	7	0.6	12	6.0	0.71	382
Vital Health PT	111	-58.3	+0.0	97	0-1	-	1.1	2	0.4	44	7.3	7.65	322

"Neglect" Ratings of NZ Shares

"Neglected" Shares = 0-1 Brokers, "Moderately Followed" Shares = 2 Brokers, "Widely Followed" Shares = 3 or more Brokers.

Company	No. of Brokers Following Company	Market Capital-isation (NZ$ Mill.)	Company	No. of Brokers Following Company	Market Capital-isation (NZ$ Mill.)
Air New Zealand	1	1,004	Nuplex Indust	1	472
Akd Int Airport	2	3,140	Pumpkin Patch	1	99
Cavalier Corp	1	152	Ryman Health.	1	1,313
Contact Energy	2	3,753	Sky City Ltd	2	1,991
Ebos Group Ltd	1	307	Sky Network TV	2	2,012
F & P Appliance	1	253	Telecom Corp	3	4,071
F & P Health.	1	1,252	Tower Limited	2	382
Fletcher Build.	3	4,126	Vector Ltd	1	2,360
Michael Hill	1	337	Warehouse Group	2	759

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

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OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative 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-tility	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Shell Villages	10	-0.0	+0.0	21	0-0	-	-	-	0.9	NE	Nil	9.90	8
Clime Capital	93	-1.9	-0.4	28	0-0	-	0.8	9	0.4	9	4.3	9.83	47
Republic Gold	0	-19.7	+1.7	80	0-0	-	-	-	5.0	NE	Nil	9.76	13
Truscott Mining	10	-24.7	-2.4	89	0-0	-	-	-	1.1	24	Nil	9.71	7
Biota Holdings	77	-14.6	-0.7	67	1-0	-	1.9	-	0.4	NE	Nil	9.57	140
Century Aust In	63	-5.8	+0.9	41	0-0	-	0.8	3	0.4	23	Nil	9.56	50
Burleson Energy	3	-20.4	-0.7	82	5-0	-	-	-	1.6	NE	Nil	9.41	13
Genera Bio.	11	-25.4	+1.9	90	0-0	-	3.7	-	1.0	NE	Nil	9.32	8
Van Eyk Blue AP	745	-2.3	-1.7	30	0-0	-	0.9	13	0.2	7	8.7	9.17	120
Aurora Prop B-W	500	-2.7	+0.3	31	0-0	-	1.0	8	0.2	12	8.8	9.12	15
Bauxite Res.	13	-16.6	-0.8	72	3-0	-	-	-	0.9	NE	Nil	9.03	31
Finders Res.	37	-6.5	-2.0	44	0-0	-	-	-	0.6	NE	Nil	8.83	100
ASF Group Ltd	12	-1.8	+2.5	28	0-0	-	4.0	-	0.8	NE	Nil	8.82	37
Monax Mining	5	-4.4	+0.3	36	0-0	-	-	-	1.4	NE	Nil	8.77	7
Patrys Ltd	4	-27.0	-2.8	92	0-1	-	1.9	-	1.6	NE	Nil	8.62	9
Treasury Group	365	-8.4	+2.7	50	3-0	1	1.4	16	0.2	9	9.3	8.42	84
Investa Office	61	-0.4	+0.3	24	3-0	4	0.8	7	0.4	11	6.4	8.28	1,651
Living Cell T.	5	-18.5	+3.0	77	2-0	-	2.6	-	1.3	NE	Nil	8.23	17
Webfirm Group	6	-19.8	+1.2	80	1-0	1	2.1	-	1.2	NE	Nil	8.10	44
Pryme Energy	9	-20.5	-10.7	82	3-0	-	-	-	1.0	NE	Nil	8.06	21
WAM Active Ltd	101	-1.7	-0.0	28	0-0	-	0.9	7	0.5	13	7.9	8.02	16
Platinum Asset	370	-5.4	+1.2	40	0-0	3	-	-	0.3	14	6.8	7.85	2,077
Goldsearch Ltd	3	-13.1	+1.0	63	0-0	-	-	-	2.0	NE	Nil	7.84	9
GBM Gold Ltd	2	-4.9	+0.3	38	1-0	-	-	-	2.2	NE	Nil	7.69	7
Blackthorn Res.	50	-6.6	+3.5	44	5-0	-	-	-	0.5	46	Nil	7.69	53
WPG Resources	9	-35.4	-23.8	97	2-2	-	-	-	1.2	NE	Nil	7.68	21
Aust Leaders Fd	104	-6.0	-0.9	42	1-0	-	0.8	17	0.3	5	10.6	7.68	67
Carindale Prop	395	-3.3	+1.7	33	0-0	-	0.7	5	0.2	14	7.0	7.63	277
Austin Explor.	3	-6.7	+0.9	44	0-0	-	-	-	1.9	NE	Nil	7.37	10
Pepinnini Min.	7	-27.6	+0.5	92	0-0	-	-	-	1.3	NE	Nil	7.20	6
Medusa Mining	524	-6.1	-7.0	42	2-1	1	3.8	40	0.2	10	1.9	7.10	986
Hastings Hi-Yld	114	-0.8	+1.4	25	0-0	-	0.7	-	0.4	NE	13.0	7.09	128
Oakajee Corp.	16	-20.1	-0.6	81	4-0	-	0.6	4	0.9	14	Nil	6.87	5
Phoslock Water	6	-16.5	-1.8	71	6-0	-	5.6	-	1.3	NE	Nil	6.83	12
WAM Research	67	-2.9	-0.4	32	2-0	-	0.7	9	0.4	8	9.0	6.77	79
Gowing Brothers	222	-3.5	+1.2	33	0-0	-	0.7	4	0.2	17	5.0	6.59	109
Indo Mines Ltd	25	-21.8	-10.8	84	0-0	-	-	-	0.6	NE	Nil	6.58	57
Altura Mining	16	-2.5	-1.8	30	0-0	-	-	-	0.8	NE	Nil	6.56	52
Deutsche Ind Tr	196	+0.0	+0.0	20	0-0	-	1.2	10	0.2	12	8.1	6.49	663
Un. Biosensors	72	-14.2	-0.4	66	1-0	-	2.9	-	0.5	NE	Nil	6.29	114
Macquarie Atlas	143	-8.7	+1.2	51	1-0	3	-	-	0.5	NE	Nil	6.28	647
RXP Services	55	-0.1	-0.1	23	0-0	-	-	-	0.9	NE	Nil	6.24	61
DGR Global Ltd	10	-9.9	+5.4	54	0-0	-	-	-	1.2	NE	Nil	6.24	32
Newcrest Mining	3305	-6.0	-2.1	42	0-0	7	2.5	9	0.2	28	0.9	6.16	25,283
Goodman Group	58	-6.3	+0.0	43	1-0	4	1.2	13	0.5	9	6.0	6.16	4,289
Strike Res.	20	-16.6	-3.5	72	0-0	-	-	-	0.7	NE	Nil	6.12	27
Citigold Corp	7	-8.7	-0.1	51	0-0	-	-	-	1.2	NE	Nil	6.11	73
Deutsche Div Tr	131	+0.0	+0.0	20	0-0	-	1.1	8	0.2	14	7.1	6.10	1,306
Sino Securities	28	-0.4	+0.1	24	0-0	-	-	-	0.6	NE	Nil	6.00	19
Seek Ltd	598	-5.0	+3.8	38	1-0	7	-	-	0.2	21	2.4	5.84	2,013

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

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-tility	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
View Resources	1	-46.4	+1.9	99	0-0	-	-	-	2.4	NE	Nil	N/A	11
Lonhro Mining	1	-40.0	-2.4	99	0-0	-	-	-	3.3	NE	Nil	N/A	9
Marathon Res.	8	-38.5	+1.9	98	0-0	-	-	-	1.2	NE	Nil	N/A	7
Stonehenge Met.	3	-37.3	-4.2	98	0-0	-	-	-	1.6	NE	Nil	N/A	6
Platinum Aust	11	-36.7	-2.0	98	0-0	-	-	-	1.1	NE	Nil	0.98	41
Murchison Metal	39	-36.1	-0.5	98	0-0	2	-	-	0.6	NE	Nil	N/A	168
Burey Gold Ltd	5	-35.7	-1.5	98	1-0	-	-	-	1.4	NE	Nil	N/A	14
FAR Ltd	3	-35.6	+2.8	98	0-0	-	-	-	1.6	NE	Nil	N/A	21
WPG Resources	9	-35.4	-23.8	97	2-2	-	-	-	1.1	NE	Nil	7.68	21
Avalon Minerals	8	-34.9	+0.2	97	0-0	-	-	-	1.1	NE	Nil	N/A	16
Water Resources	3	-34.4	-1.4	97	2-0	-	-	-	1.8	NE	Nil	N/A	6
Neptune Marine	3	-33.4	+4.2	97	3-1	-	0.9	-	1.7	NE	Nil	0.42	49
Renaissance Ur.	5	-32.7	+2.5	97	1-0	-	-	-	1.4	NE	Nil	N/A	6
Magma Metals	10	-32.3	-3.0	97	1-0	-	-	-	1.1	NE	Nil	N/A	27
New Guinea En.	5	-32.2	-6.3	97	0-0	-	-	-	1.3	NE	Nil	N/A	40
Cordlife Ltd	10	-32.1	+7.9	96	0-0	-	1.4	-	1.1	NE	Nil	3.16	15
Waratah Res.	23	-32.0	+0.2	96	0-0	-	-	-	0.7	NE	Nil	N/A	41
Malachite Res.	2	-31.8	-5.9	96	0-1	-	-	-	2.2	NE	Nil	N/A	8
Cont'l Coal	19	-31.6	+0.1	96	6-0	-	-	-	0.6	NE	Nil	N/A	607
Cbio Limited	18	-31.3	+0.9	96	0-2	-	-	-	0.9	NE	Nil	N/A	38
Ferrum Crescent	7	-31.0	-3.6	96	2-0	-	-	-	1.1	NE	Nil	N/A	20
Ferrowest Ltd	5	-30.8	-1.2	96	0-0	-	-	-	1.3	NE	Nil	N/A	5
Quantum Energy	2	-30.7	+1.2	96	0-0	-	2.0	-	2.0	NE	Nil	0.47	20
Thundelarra Exp	16	-30.6	-3.9	96	0-0	-	-	-	0.8	NE	Nil	N/A	15
Paynes Find Gld	6	-30.6	+1.5	96	2-0	-	-	-	1.3	NE	Nil	N/A	6
Bandanna Energy	54	-30.5	-0.9	96	0-0	1	-	-	0.6	NE	Nil	N/A	262
Venus Metals	46	-30.4	-1.0	96	3-0	-	-	-	0.6	NE	Nil	N/A	18
White Energy Co	46	-30.3	-10.6	95	5-0	2	-	-	0.4	NE	Nil	N/A	145
Orion Metals	8	-30.2	-4.7	95	0-1	-	-	-	1.1	NE	Nil	N/A	6
Forte Energy NL	3	-30.2	-1.3	95	0-0	-	-	-	1.7	NE	Nil	N/A	19
Hampton Hill	10	-30.0	+3.0	95	0-0	-	-	-	1.1	NE	Nil	N/A	13
Eclipse Uranium	7	-30.0	+0.2	95	0-0	-	-	-	1.4	NE	Nil	N/A	5
Mundo Minerals	5	-29.8	-4.5	95	1-0	-	-	-	1.4	NE	Nil	0.29	9
Terramin Aust	13	-29.6	-2.2	95	0-0	-	0.3	-	0.9	NE	Nil	0.37	22
Sherwin Iron	6	-29.4	-1.3	95	1-1	-	-	-	1.2	NE	Nil	N/A	23
Mithril Res.	7	-29.3	+1.7	95	0-0	-	-	-	1.2	NE	Nil	N/A	8
Nido Petroleum	4	-29.2	+0.9	94	5-1	1	-	-	1.5	NE	Nil	0.85	51
Carbon Energy	9	-28.8	-5.8	94	1-0	2	-	-	0.9	NE	Nil	N/A	63
Pluton Resource	22	-28.7	+1.5	94	4-0	-	-	-	0.7	NE	Nil	N/A	41
Boulder Steel	4	-28.5	-4.5	93	0-0	-	-	-	1.4	NE	Nil	N/A	23
Marenica Energy	2	-28.4	-1.1	93	1-0	-	-	-	1.9	NE	Nil	3.16	12
Paladin Energy	162	-28.2	+1.4	93	3-0	6	1.0	-	0.4	NE	Nil	5.05	1,260
Mission New En.	280	-28.2	+1.2	93	0-0	-	-	-	0.3	NE	Nil	1.43	24
Matrix Comp.	326	-28.1	+0.4	93	4-0	3	2.2	29	0.3	7	2.5	1.34	251
Hill End Gold	3	-28.1	-3.2	93	2-0	-	-	-	1.7	NE	Nil	N/A	13
My ATM Holdings	4	-28.0	+10.5	93	0-0	-	-	-	1.8	NE	Nil	0.72	8
Gujarat NRE	20	-28.0	+2.0	93	11-0	-	0.4	4	0.7	9	Nil	0.87	198
Carpentaria Exp	20	-27.8	+0.3	93	1-0	-	-	-	0.8	NE	Nil	N/A	21
Berkeley Res.	43	-27.8	+4.3	93	0-0	-	-	-	0.6	NE	Nil	N/A	75
Gulf Industrial	2	-27.7	-0.8	92	0-0	-	-	-	2.2	NE	Nil	3.60	8

INSIDER SELLING: Most Insider Selling, Relative 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-tility	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Heartware Inc.	185	-3.8	+3.7	34	1-12	1	3.8	-	0.3	NE	Nil	2.16	122
Austral Gold	28	-4.7	-0.0	37	0-7	-	-	-	0.6	7	Nil	5.62	47
Anteo Diagnost.	8	-5.7	+2.8	40	0-7	-	8.0	-	1.1	NE	Nil	N/A	61
Computershare	797	-6.1	+3.8	42	1-6	4	-	-	0.2	18	3.5	2.97	4,429
Reward Minerals	101	-6.0	-4.2	42	1-6	-	-	-	0.4	NE	Nil	N/A	69
Austin Eng.	409	-7.7	+0.6	48	0-4	4	8.9	65	0.3	14	2.8	1.44	294
Tamawood Ltd	191	-5.2	-1.4	39	0-4	-	2.0	18	0.2	11	11.0	0.66	75
Atlas Iron Ltd	298	-8.0	-3.6	49	0-3	7	1.5	10	0.3	15	1.0	4.21	2,461
Alcyone Res Ltd	8	-1.9	-4.9	28	0-3	-	-	-	0.9	NE	Nil	N/A	105
Baraka Energy	1	-14.5	-9.1	67	0-3	-	-	-	2.7	NE	Nil	N/A	19
Hunter Hall Int	392	-11.8	-0.2	60	0-3	-	2.8	34	0.3	8	11.5	2.45	103
Xanadu Mines	36	-12.0	-1.0	60	0-3	-	-	-	0.7	NE	Nil	N/A	67
Little World B.	325	-3.6	-1.7	34	0-3	-	5.2	23	0.2	23	3.1	3.03	212
Tox Free Sol.	211	-0.1	-1.0	23	0-3	4	2.7	16	0.2	16	1.4	1.36	196
Kardoon Gas	503	-11.6	+10.4	59	0-3	-	-	-	0.3	NE	Nil	N/A	1,114
M2 Telecom. Grp	275	-5.7	-0.5	41	0-3	3	-	-	0.2	12	5.8	0.80	340
Credit Corp	437	-6.3	+1.0	43	1-4	-	1.9	20	0.2	9	3.4	1.74	198
Proto Resources	3	-18.0	-3.0	76	1-4	-	-	-	1.6	NE	Nil	N/A	11
Mermaid Marine	306	-0.3	-1.0	23	1-4	5	2.4	16	0.2	15	2.9	2.28	659
Sundance Energy	43	-20.2	-1.0	81	3-6	-	-	-	0.7	16	Nil	4.02	118
Mineral Res.	1178	-1.8	+1.0	28	0-2	2	3.4	26	0.2	13	3.6	3.27	1,993
K2 Asset Mgmt	54	-18.1	+1.2	76	0-2	-	13.5	-	0.5	8	13.5	3.01	125
Sth Hemi Mining	24	-13.7	-5.3	65	0-2	-	-	-	0.6	NE	Nil	N/A	37
Slater & Gordon	180	-8.5	-0.8	50	0-2	2	2.0	20	0.3	10	3.1	1.53	279
Whitehaven Coal	582	-5.5	-1.0	40	0-2	3	2.9	7	0.2	39	1.3	4.62	2,874

"Neglect" Ratings of Australian Shares

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

Company	No. of Brokers Following Company	Market Capital-isation ($ Mill.)
AGL Energy Ltd	4	6,652
AMP Ltd	4	8,893
ANZ Bank	4	54,815
APA Group	4	2,923
APN News Media	3	445
ARB Corporation	1	589
ASG Group Ltd	2	140
ASX Limited	3	5,396
AWE Limited	4	746
Abacus Property	4	729
Acrux Ltd	1	478
Adelaide Bright	5	1,867
Aditya Birla	1	241
Alesco Corp Ltd	4	110
Alumina Ltd	6	3,270
Amadeus Energy	21	60
Amalgamated Hld	2	888
Amcor Ltd	3	9,014
Amcom Telecom.	6	207
Ampella Mining	2	349
Ansell Ltd	4	1,899
Antares Energy	1	116
Aquarius Plat.	2	1,265
Aquila Res.	6	2,400
Ardent Leisure	3	344
Aristocrat Leis	3	1,260
Asciano Limited	6	4,462
Aspen Group Ltd	2	252
Atlas Iron Ltd	7	2,461
Aurora Oil Gas	2	811
Ausdrill Ltd	5	874
Ausenco Ltd	6	337
Austal Limited	3	404
Austin Eng.	3	294
Austar United	4	1,576
Aust Infra.	3	1,207
Australand Prop	5	1,529
Aust Pharm. Ind	2	110
Aust Education	1	165
Automotive Hold	1	486
BHP Billiton	5	115,164
BT Invest Mgmt	2	459
BWP Trust	6	905
Bandanna Energy	2	262
Bank of Q'land	4	1,787
Bannerman Res.	1	66
Beach Energy	3	1,539
Bendigo Bank	4	3,385
Billabong Int'l	4	996
Blackmores Ltd	3	461
Bluescope Steel	3	1,409
Boart Longyear	4	1,504
Boom Logistics	1	114
Boral Limited	4	2,693
Bow Energy Ltd	1	528
Bradken Ltd	7	1,215
Brambles Ltd	3	10,430
Brickworks Ltd	2	1,611
Brockman Res.	1	308
C'wth Prop Off.	4	2,326
C.S.R. Ltd	4	1,052
CGA Mining Ltd	1	707
CSG Ltd	3	288
CSL Limited	5	16,842
Cabcharge Ltd	3	553
Caltex Austrlia	2	3,448
Campbell Bros	4	3,426
Cape Lambert R.	1	272
Carbon Energy	2	63
Cardno Ltd	2	569
Carnarvon Pet.	3	72
Carsales.com	6	1,080
Cash Converters	2	209
Cedar Woods Prp	1	223
Chal Infra Fund	2	360
Chal Div Prop	3	453
Challenger Ltd	4	2,165
Chalice Gold	2	65
Chandler McLeod	4	164
Charter Hall GR	2	596
Chart H Office	4	1,756
Chart H Retail	4	979
Clarius Group	3	41
Coalspur Mines	1	962
CocaCola Amatil	5	8,732
Cochlear Ltd	4	3,107
Cockatoo Coal	2	406
Codan Ltd	2	199
Com'wealth Bank	3	75,813
Computershare	5	4,429
Cons Media Hold	4	1,472
Cooper Energy	3	111
Cromwell Prop.	3	637
Crown Ltd	3	6,154
Cue Energy Res.	1	156
Customers Ltd	3	155
DUET Group	3	1,624
DWS Limited	4	161
Data 3 Ltd	1	183
David Jones	7	1,368
Decmil Group	4	381
Dexus Property	4	4,186
Domino's Pizza	4	538
Downer EDI Ltd	6	1,343
DuluxGroup Ltd	5	1,051
Dyesol Ltd	1	46
Elders Limited	4	96
Emeco Holdings	4	672
Energy Resource	4	712
Envestra	4	1,028
Evolution Min.	2	429
Extract Res.	3	2,126
FKP Limited	3	557
Fairfax Media	3	1,858
Fantastic Hold.	2	229
Fleetwood Corp	5	703
Flexicorp Ltd	4	566
Flight Centre	4	1,840
Focus Minerals	2	203
Fortescue Metal	7	14,696
Foster's Group	1	10,446
G.U.D. Holdings	3	504
GPT Group	5	5,863
GWA Group Ltd	3	712
Geodynamics Ltd	2	61
Gerard Lighting	1	124
Gindalbie Met.	5	468
Gloucester Coal	4	1,328
Gold One Int'l	1	448
Goodman Group	4	4,289
Goodman Fielder	3	1,027
Graincorp	5	1,535
Grange Resource	2	565
Growthpoint Pro	1	463
Gryphon Mineral	2	387
Gunns Ltd	3	136
Hansen Tech.	2	148
Harvey Norman	5	2,220
Hastie Group	4	45
Hast Div Util	3	929
Heartware Inc.	1	122
Henderson Group	2	3,354
Hills Holdings	3	273
Horizon Oil Ltd	3	243
IMD Group	4	411
IMF (Aust) Ltd	1	165
IOOF Holdings	4	1,289
Iluka Resources	4	7,001
Incitec Pivot	4	5,098
Independ. Group	5	883
Industrea Ltd	3	419
Infigen Energy	1	183
Insurance Aust.	3	6,396
Int Research	1	81
Investa Office	4	1,651
Invocare Ltd	4	749
Iress Mkt Tech	3	948
JB Hi-Fi Ltd	7	1,544
James Hardie	4	2,965
Jupiter Mines	1	574
Kagara Ltd	2	241
Kingrose Mining	1	87
Kingsgate Cons.	4	931
Leighton Hold	5	7,074
Lend Lease Grp	4	4,208
Linc Energy Ltd	1	689
Liq Natural Gas	1	62
Logicamms Ltd	3	48
Lycopodium Ltd	1	228
Lynas Corp Ltd	2	2,228
M2 Telecom. Grp	3	340
MAp Group	3	6,607
MSF Sugar Ltd	1	275
MacMahon Hold	5	422
Macquarie Atlas	2	647
Macquarie C Tel	2	155
Macquarie Group	4	8,455
Matrix Comp.	3	251
Maxi TRANS	1	60
Mayne Pharma Gr	1	68
McMillan Shake.	2	590
McPherson's Ltd	1	132
Melbourne IT	2	104
Mermaid Marine	4	659
Metcash Ltd	5	3,122
Mincor Resource	2	147
Mineral Res.	2	1,993
Mirabela Nickel	2	742
Mirvac Group	4	4,364
Molopo Energy	1	156
Monadelphous Gr	7	1,788
Mt Gibson Iron	5	1,359
Myer Holdings	7	1,440
NRW Holdings	6	795
Nat'l Aust Bank	4	51,714
Navitas Ltd	3	1,272
New Hope Corp.	4	4,824
Newcrest Mining	7	25,283
News Corp.	2	13,990
Nexbis Ltd	1	65
Nexus Energy	2	358
Nick Scali Ltd	1	138
Nido Petroleum	1	51
Noble Mineral	1	220
Norfolk Group	3	175
Nufarm Limited	4	1,163
OZ Minerals Ltd	7	3,524
Oakton Limited	3	125
Oil Search Ltd	6	8,350
Onesteel Ltd	4	1,084
Orica Ltd	5	9,248
Origin Energy	4	15,212
Orocobre Ltd	1	170
Oroton Group	3	342
Pacific Brands	6	512
Paladin Energy	6	1,260
Panaust Ltd	4	1,968
Panoramic Res.	2	287
Paperlin X Ltd	3	46
Patties Foods	3	231
Peet Ltd	2	259
Perilya Mines	2	300
Perpetual Ltd	3	911
Platinum Asset	3	2,077
Premier Invest	4	826
Primary Health	4	1,607
Prime Media Grp	2	238
Q.B.E. Insur.	3	14,577
QRXPharma Ltd	2	174
Qantas Airways	4	3,602
RCG Corporation	2	89
RCR Tomlinson	4	223
REA Group Ltd	6	1,594
Ramsay Health	5	3,771
Reckon Limited	3	312
Regis Resources	3	1,525
Regional Exp.	1	115
Resolute Mining	3	907
Resource Equip.	2	81
Retail Food Grp	4	271
Rex Minerals	2	204
Ridley Corp.	4	323
Rio Tinto Ltd	5	27,775
Roc Oil Company	4	196
SAI Global Ltd	4	955
SDI Limited	1	18
SMS Mgmt & Tech	4	300
SP Ausnet	4	2,529
STW Comm Group	1	311
Salmat Ltd	3	399
Sandfire Res.	1	1,008
Santos Ltd	3	11,209
Sedgman Ltd	5	409
Seek Ltd	7	2,013
Select harvest	1	107
Service Stream	1	79
Seven West Med.	6	2,063
Sigma Pharm.	4	731
Silex Systems	2	322
Sims Metal Mgmt	4	2,721
Sirtex Medical	1	241
Skilled Group	3	466
Slater & Gordon	2	279
Sonic Health	5	4,482
Soul Pattinson	1	3,255
Spark Infrastru	4	1,678
Spec Fashion	3	110
St Barbara Ltd	4	739
Starpharma Hold	2	291
Sth Cross Elect	1	137
Sth Cross Media	3	826
Stockland	5	8,002
Strike Energy	1	41
Suncorp Group	4	10,730
Sundance Res.	1	1,062
Sunland Group	1	186
Super Retail Gr	5	1,115
Swick Min Serv	2	79
TFS Corporation	2	177
TPG Telecom Ltd	6	1,085
Tabcorp Holding	3	1,871
Talent2 Int'l	2	147
Tap Oil	2	152
Tassal Group	4	219
Tatts Group Ltd	3	3,112
Technology One	3	322
Telstra	5	40,191
Ten Network	3	946
The Reject Shop	8	268
Thorn Group Ltd	4	251
Toll Holdings	4	3,316
Tox Free Sol.	5	196
Transfield Serv	6	1,286
Transurban Grp	4	8,039
TransPacific In	4	1,247
Troy Resources	2	402
Trust Company	2	173
UGL Limited	6	2,038
UXC Limited	2	135
VDM Group Ltd	3	9
Virgin Aust	4	740
WDS Limited	3	95
WHK Group Ltd	1	223
Watpac Ltd	2	215
Webfirm Group	1	44
Webjet NL	6	189
Wellcom Group	1	91
Wesfarmers Ltd	5	31,659
Western Areas	5	994
Westfield Group	4	18,356
Westpac Banking	4	63,842
Whitehaven Coal	3	2,874
Wide Bay Aust.	1	263
Woodside Petrol	5	24,983
Woolworths Ltd	5	31,155
Worley Group	7	6,597
Wotif.com Hold.	7	805

Investment Outlook

(Continued from Page 1)

make any further *economic* contribution to society. In 1950, life expectancy at age 65 was about 15 years for men and 17 years for women. Today it is around 21 (for men) and 24 years (for women), and likely to be 24-28 years by 2050. All of these extra years are going into retirement - funded by the state from taxes on an ever smaller percentage of the working population.

In 1950, a person would spend around three quarters of their adult life working and one-quarter in retirement. Applying that ratio would suggest a current retirement age around age 69-72, rising to age 72-75 in 2050 - although given the state of government finances in developed countries there probably will be no state funded retirement benefits (i.e. no official retirement age) by 2050!

In a democracy, governments (who don't want to find themselves suddenly in opposition) simply ignore these problems. Let's just pretend the problem doesn't exist, wait for a crisis before doing anything and then, eventually, call in the IMF!

There are many important lessons here for investors. Firstly, if you are under 30 years of age and you don't save and invest now, there will likely be no government retirement income and you will probably have to work until you die at age 90. Even if you are 60 now, the IMF might get called in when you are 70 or 75 and - regrettably, as there is no other option - your government funded retirement income might get cut significantly or completely. For anyone without some private capital and investment income, retirement isn't going to be too great!

Secondly, we can expect a whole lot of European style sovereign debt crises over the next two decades. These will cause disruption to financial markets and a significant decline in the standard of living in the countries involved. This is, of course, part of the transfer of economic power from developed countries to developing countries.

Thirdly, disruptions to financial markets does NOT mean that shares will be a poor investment. Over recent years, stockmarket values have adjusted downwards to reflect this on-going uncertainty. And in 15-20 years time "just another developed country" financial crisis will be as unimportant to the global economy as "just another emerging country" financial crisis was in the 1980's. A period of low share prices is also extremely attractive for building investment wealth. If we have a period of high share valuations (i.e. a P/E of 30, which is a 3.3% earnings yield) then, re-invested in the stockmarket, it takes 21 years for money to double. With a period of low share valuations (i.e. a P/E of 8 or an earnings yield of 12.5%) it takes only 6 years. Over 21 years, capital increases 12-fold!! The best thing for investors is an extended period of depressed share prices!!

Fourthly, managing every crisis by printing money will be inflationary - which, of course, is an important part of treating the problem by eroding the value of debt and reducing its value over the medium to long term (at the cost of investors holding those fixed interest investments). Shares are the best hedge against inflation - so investors should look to companies that have pricing power and can pass on price increases to consumers and maintain the *real* value of their profits.

Fifthly, if governments are unable to protect the vested interests of its citizens, then they will be unable to protect local businesses that are uneconomic. The global market may be a "jungle", but investors need to look to companies that can compete and operate globally, avoiding "national champions" dependent upon government subsidies or protection from foreign competition. Companies operating globally will also benefit from the growth in developing economies, ideally combining the best of the developed world (i.e. professional management, sound legal structures, transparent accounting standards and access to global capital) and combining it with the best of the developing world (i.e. growing consumer markets, lower compliance costs, lower costs of labour and land, greater availability of labour resources).

Deferring the European debt crisis could help stockmarkets in the short to medium term, but ultimately individual stock selection is important as some companies will adapt and prosper and others will fail. We recommend remaining fully invested in the recommended shares.

Dividend$

Company	Cents per Share	Ex-Date	Payable	Tax Credit
Argosy Property	1.50	06-12	20-12	-
FP Healthcare	5.40	02-12	16-12	Full
Goodman Property Trust	1.5625	01-12	19-12	0.1737
Horizon Energy	8.00	05-12	15-12	3.4286
Kiwi Income Properties	1.67143	01-12	20-12	0.0065
Mainfreight	12.00	09-12	16-12	Full
Methven Ltd	4.50	16-12	30-12	1.125
Postie Plus Group	1.00	07-12	14-12	0.4286
Ryman Healthcare	3.90	02-12	09-12	-
Salvus Strategic	1.20	16-12	23-12	-
Sanford Ltd	14.00	14-12	19-12	Full
Scott Technology	5.00	23-11	02-12	2.1429
Tower Group	2.00	20-01	01-12	Full
TrustPower	20.00	25-11	09-12	Full
Australian Shares				
Campbell Brothers	95.00	07-12	19-12	
Cellnet Group	1.00	05-12	23-12	
Cellnet Group Capital	9.00	-	-	
Technology One	3.16	28-11	16-12	
Technology One Special	1.50	28-11	16-12	

Total Return Index for All Listed Shares

Nov 14	1198.91	Nov 21	1187.50
Nov 15	1196.28	Nov 22	1178.67
Nov 16	1187.80	Nov 23	1187.16
Nov 17	1188.64	Nov 24	1181.18
Nov 18	1185.69	Nov 25	1177.99
Nov 28	1174.57	Dec 5	1168.28
Nov 29	1168.88	Dec 6	1166.79
Nov 30	1166.47	Dec 7	1180.72
Dec 1	1165.46	Dec 8	1179.52
Dec 2	1165.46	Dec 9	1181.31

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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