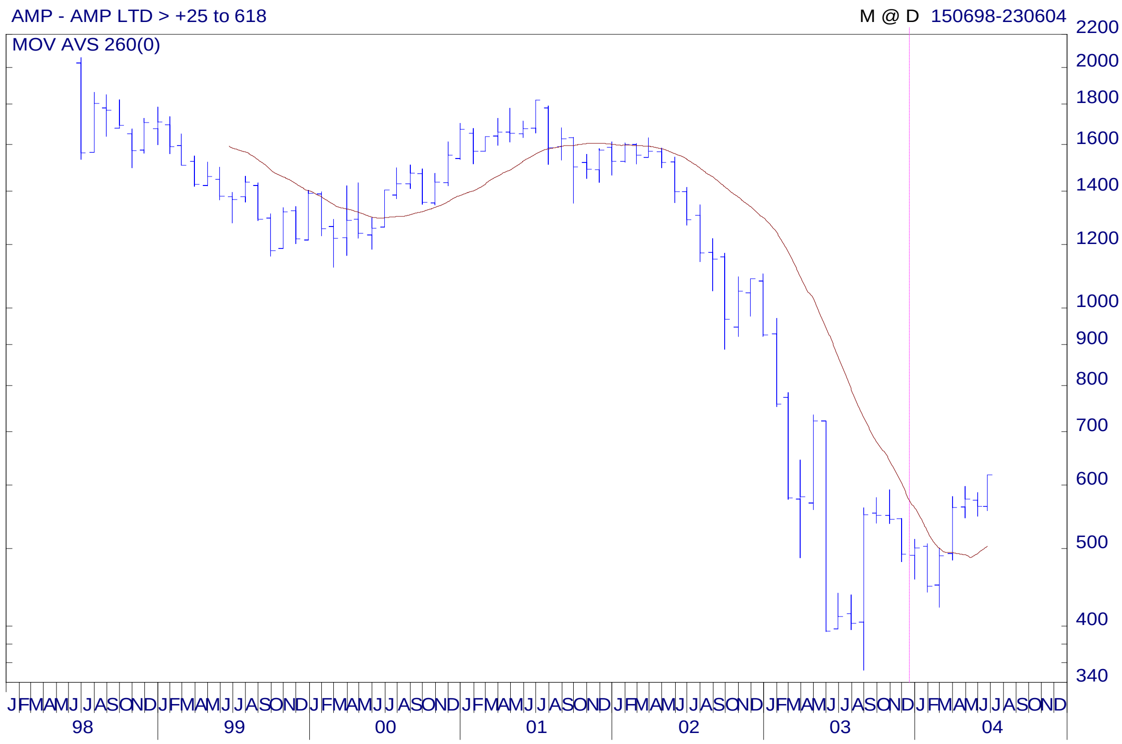
Technical Analysis Filter

This file contains the discussion of the 67 shares that came out of the June 23 2004 technical analysis filter that is described in chapter 11 of ***Building Wealth in the Stock Market***.

AMP (AMP)



Analysis AMP was first listed in 1998. By 2001 it seemed to be a value model chart that had completed an accumulation phase and was beginning a mark up phase. However, that turned out to be only a rally in a much larger pattern. It appears to have completed a mark down phase in 2003. It may also have now completed a roughly year-long accumulation phase. It is clearly trending up, having made a higher trough in early 2004 and to have now moved above the highs of the 2003 peak. The moving average has turned up and the price is well above it. The chart is therefore of considerable interest, so we need to examine the key fundamental tests.

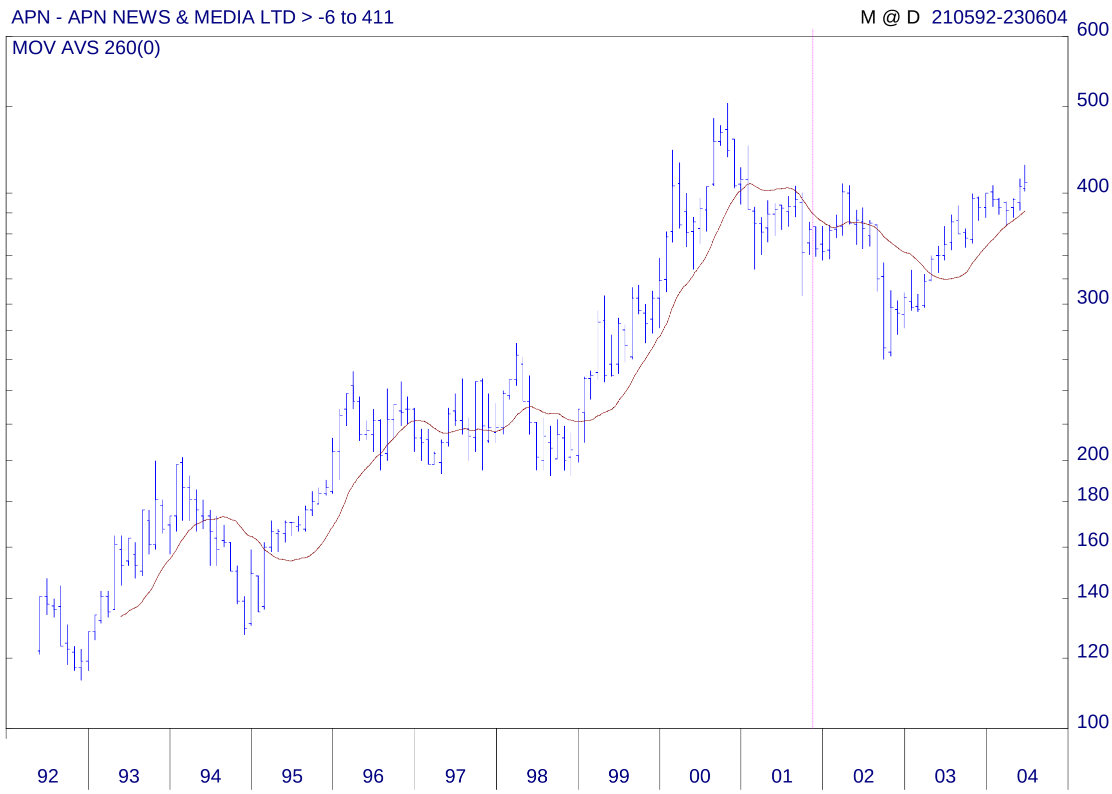
Profits AMP made a loss in the last year
PE Ratio No earnings, so no ratio is available
Dividend Yield 2.3%, well below the market average of 3.84%

Assessment This discounts it as far as my investment plan is concerned. However, most readers will be aware that this is a potential turn-around story. The chart is saying that the smart money is on the new management getting this once great company back on track. However, insurance is a tricky game from an accounting point of view and trying to estimate future earnings is an exercise in crystal ball gazing that is best left to expert fundamental analysts. This makes it a speculation, rather than an investment, unless we have inside knowledge, are very expert analysts, or both.

Conclusion If the fundamentals improve and a strong uptrend develops there will be plenty of time to buy this share.

Postscript
AMP announced its results for the half year to June 2004 on August 18 2004, showing a return to profitable operation. Assuming they are able to double the half year profit in the full year and also pay a final dividend the same as the interim one, the PE ratio on August 18 was 15.12, right on the market average and the dividend yield would be 4.19%, which is above the market average. This makes AMP more attractive and maybe worth monitoring. However, it is not outstanding value in an industry that is difficult to analyse. There are plenty of better situations on offer to consider making any kind of exception for this share, which remains outside my investment plan.

APN News & Media (APN)



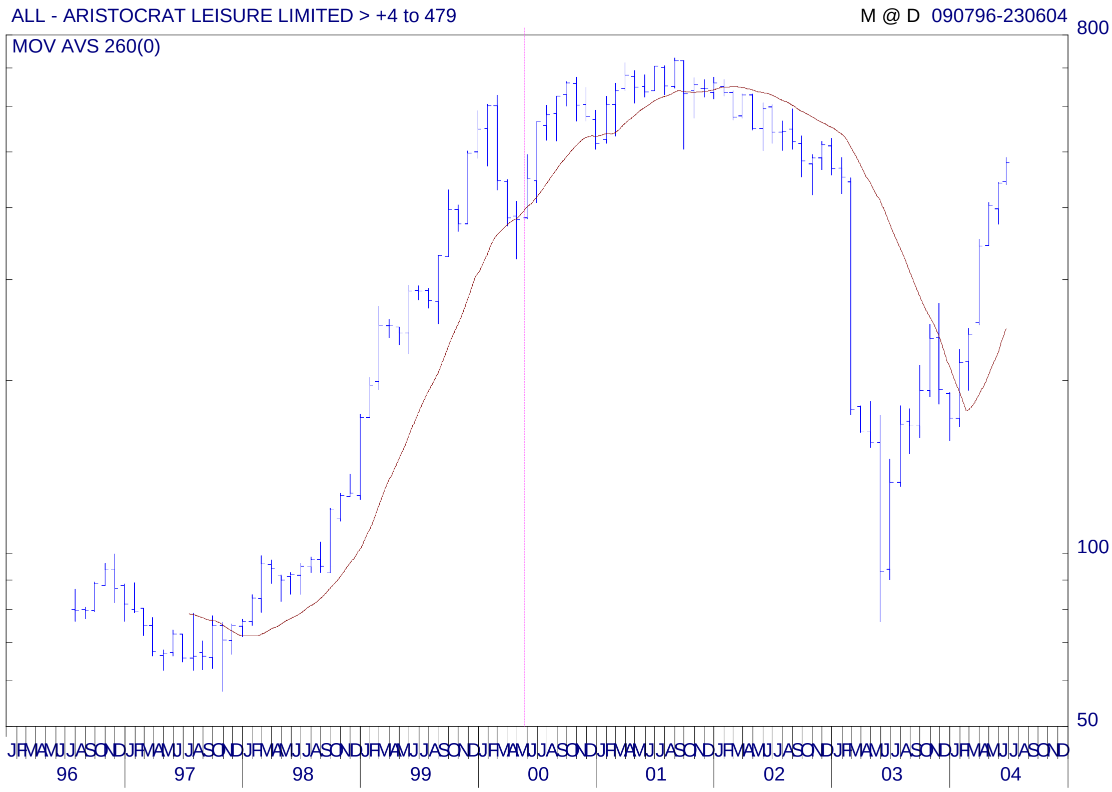
Analysis APN News & Media was listed in 1992. Through to 2000, it seemed to be either a growth model chart or a value model chart which was in an extended mark up phase. The decline from the 2000 peak near $5 to the 2003 trough near $2.60 was close to a 50% fall and rather too much for a consolidation phase in a growth model chart. However, it is quite possible that all of the price action between 2001 and 2004 was a large consolidation pattern below about $4 (the peaks in 2001, 2002 and 2004). This would be an easy conclusion without the sharp dip in 2002. That period might then look much like the 1996-98 consolidation. So, if we give it the benefit of the doubt that the dip in 2002 was exaggerated by a strong bear market, the last month is looking like a breakout from a multi-year consolidation.

Profits Grew every year since 1994 except for a slight dip in 2001
PE Ratio 19.95, moderately higher than the market average of 15.19
Dividend Yield 4.45%, reasonably above the market average of 3.84%

Assessment Although the accumulation pattern is not ideal, this share meets most of my criteria. It is also trending nicely above the 260-day moving average.

Conclusion APN News & Media was added to my portfolio in June 2004 when it broke above the 2001, 2002 and 2004 peaks.

Aristocrat Leisure (ALL)



Analysis Aristocrat Leisure was listed in 1996. One glance at the chart and the moving average tells us it is a value model chart. It seems to have completed a very volatile accumulation phase and be well advanced on a new mark up phase.

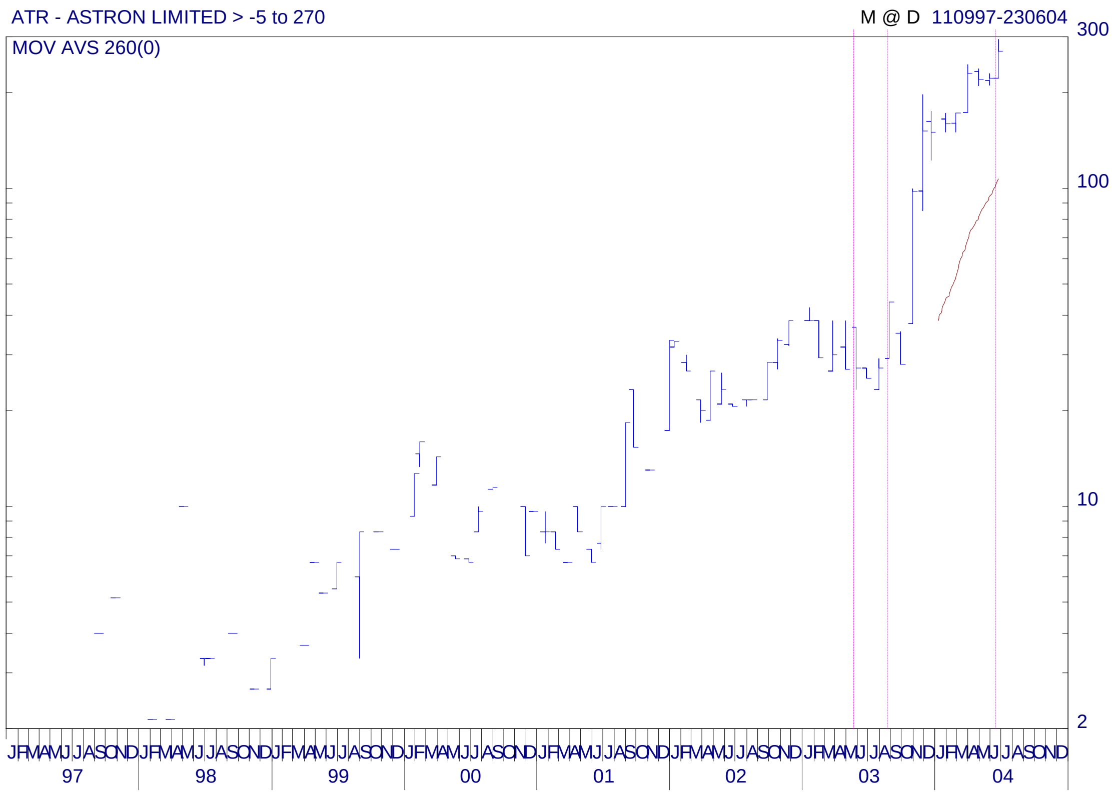
Profits Made a loss in the last year
PE Ratio No earnings, so no ratio is available.
Dividend Yield 1.25%, well below the market average of 3.84%

Assessment This is a very similar situation to AMP. It has had very dramatic and public problems and is a potential turn-around story. Like AMP, it is a fascinating situation, but one for the expert analysts and crystal ball gazers. The chart suggests that the smart money is backing the new management to quickly restore the fortunes of the company.

From a chart point of view, the huge distribution pattern formed in 2000 to 2002 can be expected to be a strong resistance range, because it represents a great number of losing investors who will want to get out even if prices return to those levels. The present rise is approaching this resistance area.

Conclusion If the fundamentals improve and the uptrend continues through the resistance zone to new all-time highs, this share may again become of interest.

Astron (ATR)



Analysis This is a typical growth model chart. However, it was extremely thinly traded prior to 2002. Although the monthly bar chart looks more liquid in the last two years, a check of the daily bar chart shows that it is still a thinly traded share. Its capitalisation is reasonable at $78 million. For me this is a borderline liquidity.

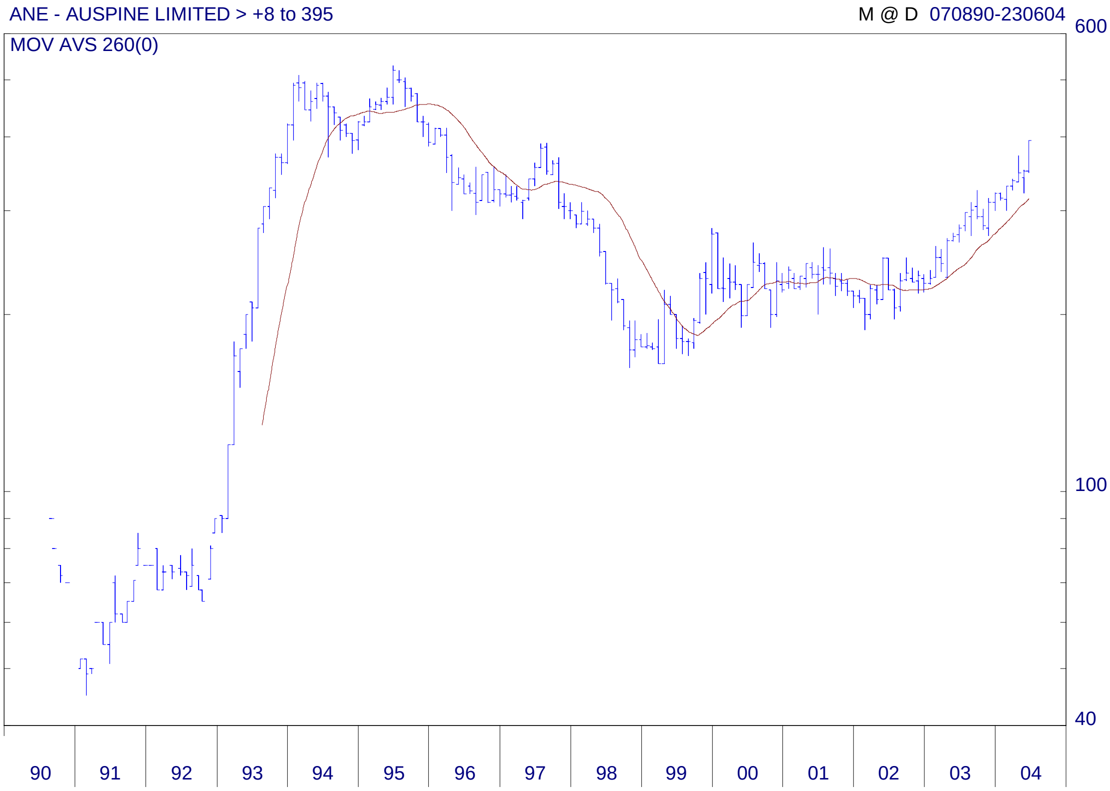
Aspect Huntley Equity Review shows that Astron is a Chinese chemical manufacturer with mineral exploration interests in Australia.

Profits Patchy. Made a loss in the last year
PE Ratio Shown as 9.2, which is attractive compared to the market average of 15.19, however, this ratio is based on earnings before a write-off that plunged the company into losses
Dividend Yield Does not pay a dividend

Assessment This share is outside my investment plan on the basis of liquidity, though I would consider it if everything else was very good. It is also outside my investment plan on all three fundamental tests and also because it is a foreign company.

Conclusion I am happy to leave this one to the speculators.

Auspine (ANE)



Analysis This is clearly a value model chart. An accumulation phase seems to have been completed and Auspine is in a new mark up phase.

Profits Patchy, but made a profit in nine of the last ten years
PE Ratio 7.82, attractive, compared to the market average of 15.19
Dividend Yield 4.69%, above the market average of 3.84%

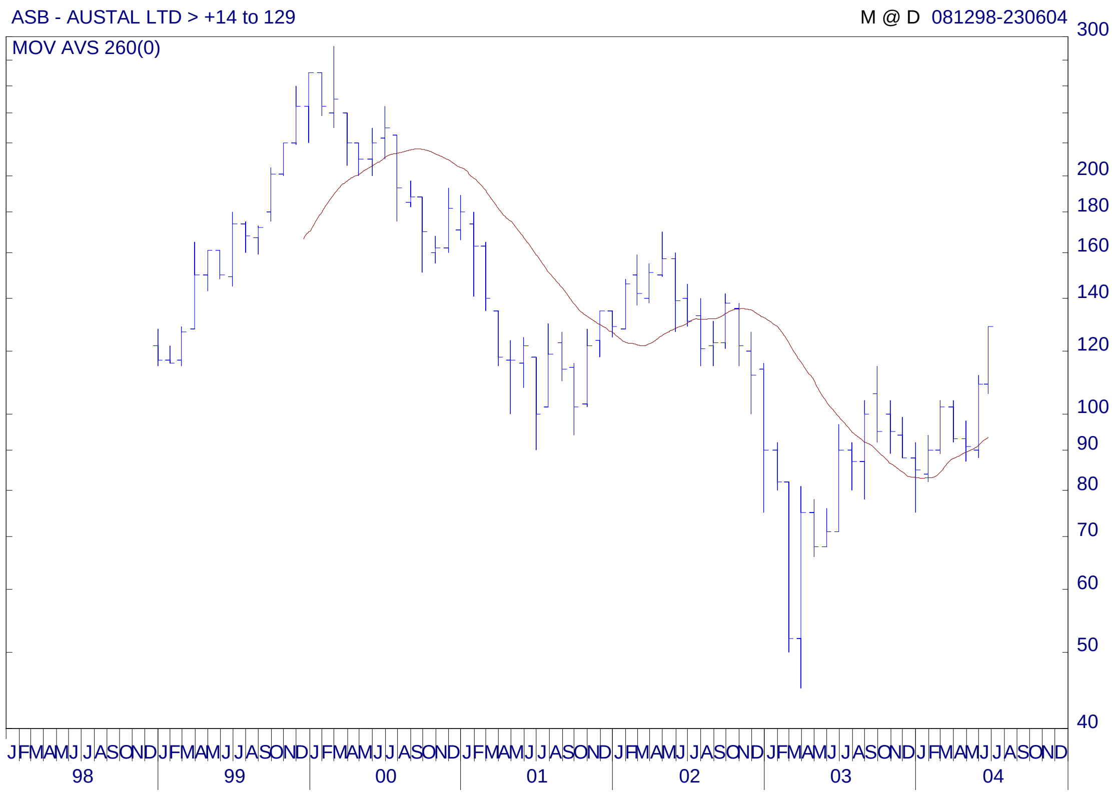
Assessment Auspine is a cyclical business tied to Australian building activity for timber and economic conditions, in Japan especially, for wood chip. The low PE ratio and high dividend yield probably reflects the level of cyclical risk, especially with a housing boom at or past its peak.

From a chart viewpoint, Auspine is nearing the $4 to $5 band where heavy resistance might be expected from buyers at the top of the last cycle in 1994 and 1995.

Auspine has some near term risk in both technical and fundamental analysis terms. This is why I have not so far added it to my portfolio. However, when it first broke upward out of the accumulation phase in 2003, I was very close to buying it. The risk in the housing boom was the decisive factor. Clearly events have shown my concerns to have been unfounded so far.

Conclusion It is worth reviewing, if it can break above the 1995 peak, and if it still represents good value at that time, so affording a margin of safety.

Austal (ASB)



Analysis This chart does not really fit either the value model or the growth model. It is clearly trending down long term, with a series of lower peaks and troughs.

It could be seen to be technically trending up now, because there is evidence of a rally, a lower trough and a move above the last peak. If we accept this, then it could be a value model chart beginning a mark up phase.

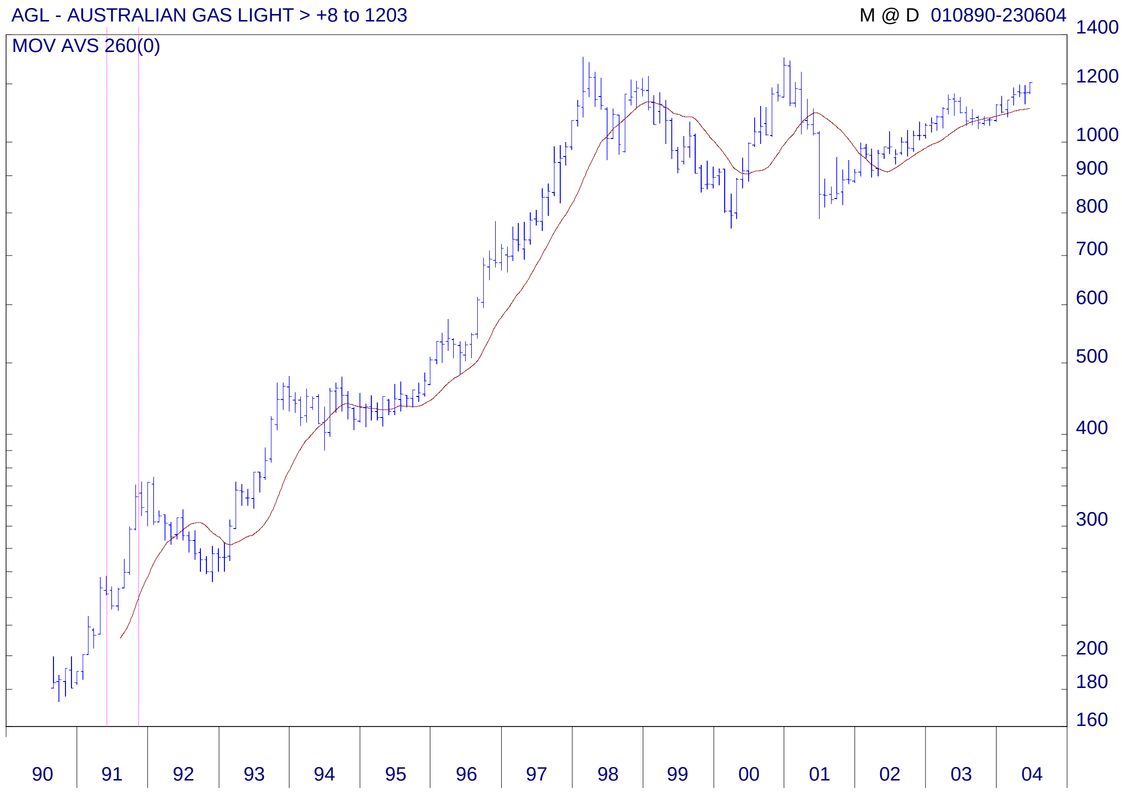
However, this is all rather speculative.

Profits Five years available. Patchy, with a big dip in 2001 and a big loss in 2003
PE Ratio Made a large loss in 2003. *Aspect Huntley Equity Review* shows a PE ratio of about 20, but this reflects estimated earnings
Dividend Yield Did not pay a dividend

Assessment As I am seeing it, Austal's chart does not fit one of my models, which places it outside my investment plan. Its fundamentals are not attractive either.

Conclusion Move on to the next one.

Australian Gas Light (AGL)



Analysis This is clearly a growth model chart. We could be looking at a large consolidation phase. Then again, it could be a large top reversal pattern.

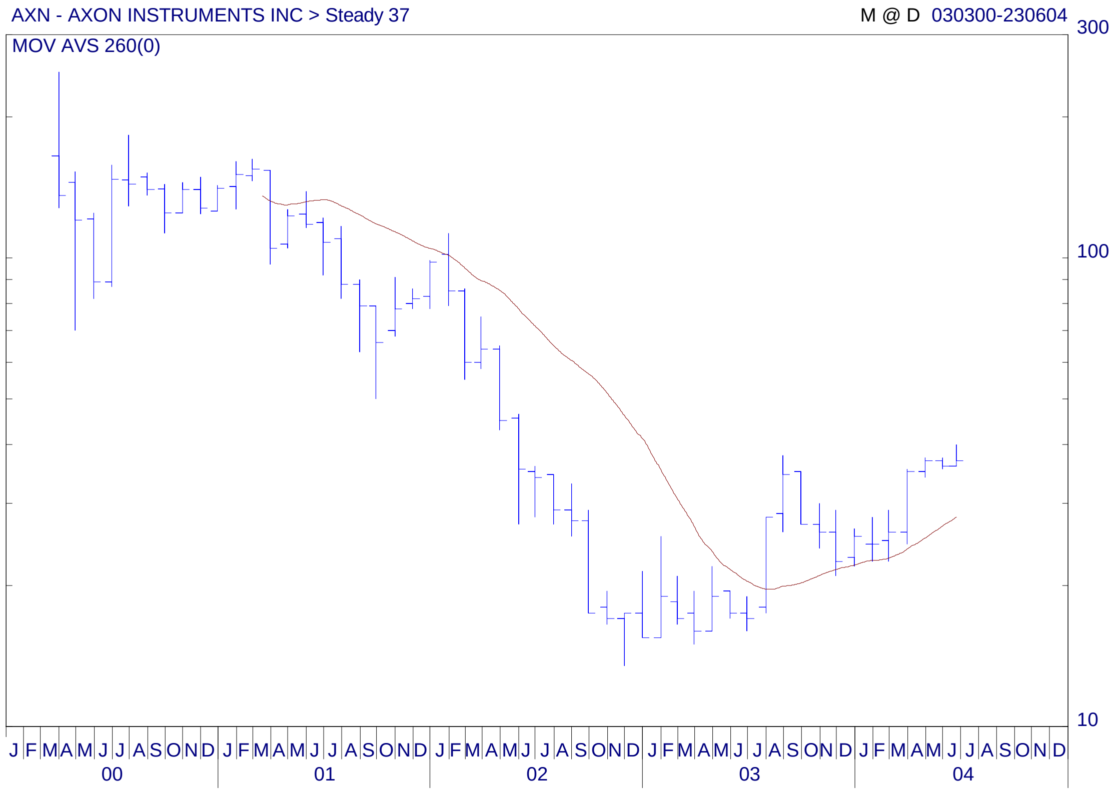
Profits Makes consistent profits
PE Ratio 17.54, which is moderately above the market average of 15.19
Dividend Yield 4.82%, which is above the market average of 3.84%

Assessment AGL is a power utility. It is a big safe company. In the past, it has shown enough growth to trade consistently above the 260-day moving average in good trends.

To be sure that we are looking at a consolidation phase, we need a breakout above the 1998 and 2001 peaks. Ideally, my investment plan would call for me to await such a breakout. However, the pattern is so large, that it also seems there is opportunity to trade the trend within the pattern, which would provide a good platform to enjoy the next mark up phase.

Conclusion I took a small position, which I have built on as it made new highs for the trend. I will sell quickly if the three-year-old uptrend falters. I have already sold out of it once at a profit when it triggered one of my selling rules in 2003, but I re-established the position when the trend re-asserted itself.

Axon Instruments (AXN)

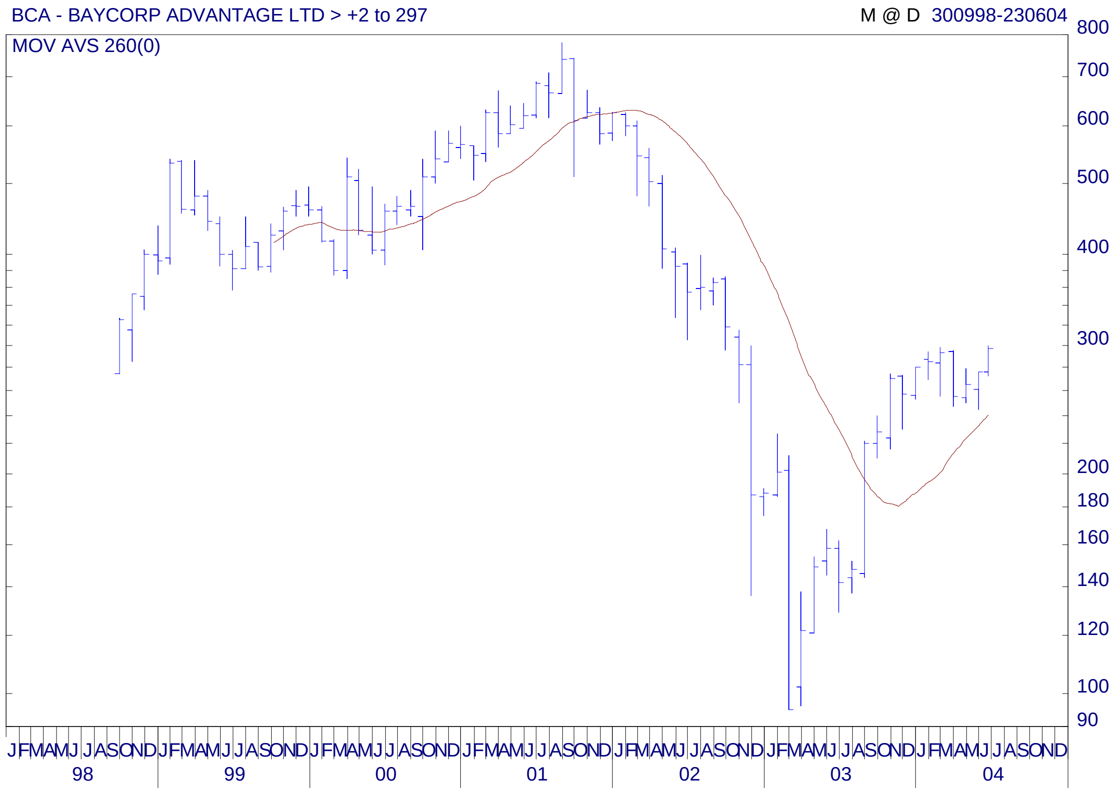


Analysis Axon was listed right at the very top of the technology and internet boom. It looks to be a survivor. It seems to be a value model chart. It appears to have broken upward out of an accumulation phase in 2003, but then spent a frustratingly long time in a second, higher, period of accumulation. The recent 52-week new high establishes an uptrend when it exceeded the 2003 peak after the 2003/04 trough was higher than the 2002 trough.

Profits Some sources show a small profit last year, others show a loss. Previous results were patchy
PE Ratio Since some sources show a loss, there is no ratio. The annual report (I went to their web site for it) shows earnings per share of 0.2c, which at a price of 37c indicates a PE ratio of 185. *Aspect Huntley Equity Review* shows a PE ratio of 124, based on estimated earnings per share of 0.3c
Dividend Yield Has never paid a dividend

Conclusion While the chart is interesting, this company is yet to prove it can make consistent and substantial profits and financial information about it is very confusing. It is all too difficult. Moreover, it is way outside the margin of safety even on a cursory look. As such, it is a high risk, speculative situation that is way outside my investment plan. Move on to the next one.

Baycorp Advantage (BCA)



Analysis A possible view is that Baycorp appears to be a value model chart, which formed a distribution phase in 2001-02, fell sharply in a mark-down phase into early 2003, formed a short accumulation phase and has begun to trend upwards. Ideally, we would like to see a more prolonged accumulation phase.

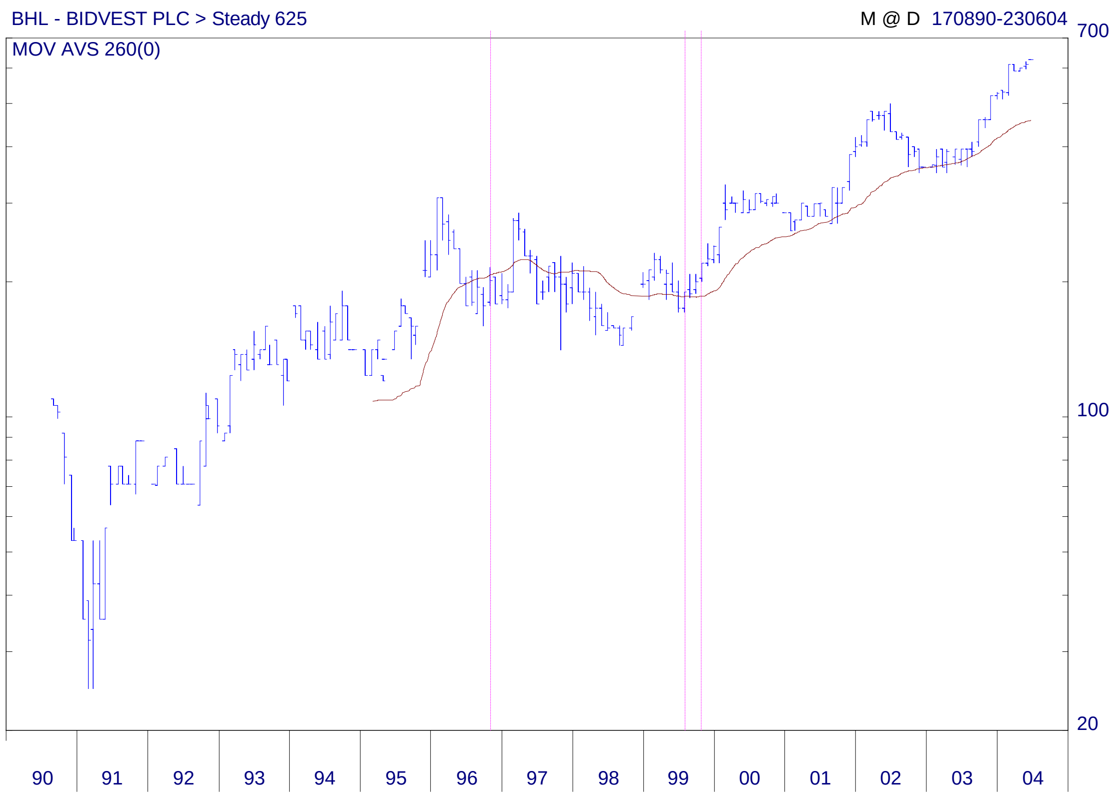
The Baycorp chart can be compared with the charts of AMP and Aristocrat Leisure, which are other turn-around situations.

Profits Patchy, with losses in the last two years
PE Ratio No earnings, so no PE ratio is available
Dividend Yield Did not pay a dividend

Assessment While it is possible to see a value model chart here, this could be rather speculative. The fundamentals place it well outside my investment plan.

Conclusion If the fundamentals improve and a strong uptrend unfolds, this stock may come into range of my investment plan.

Bidvest (BHL)



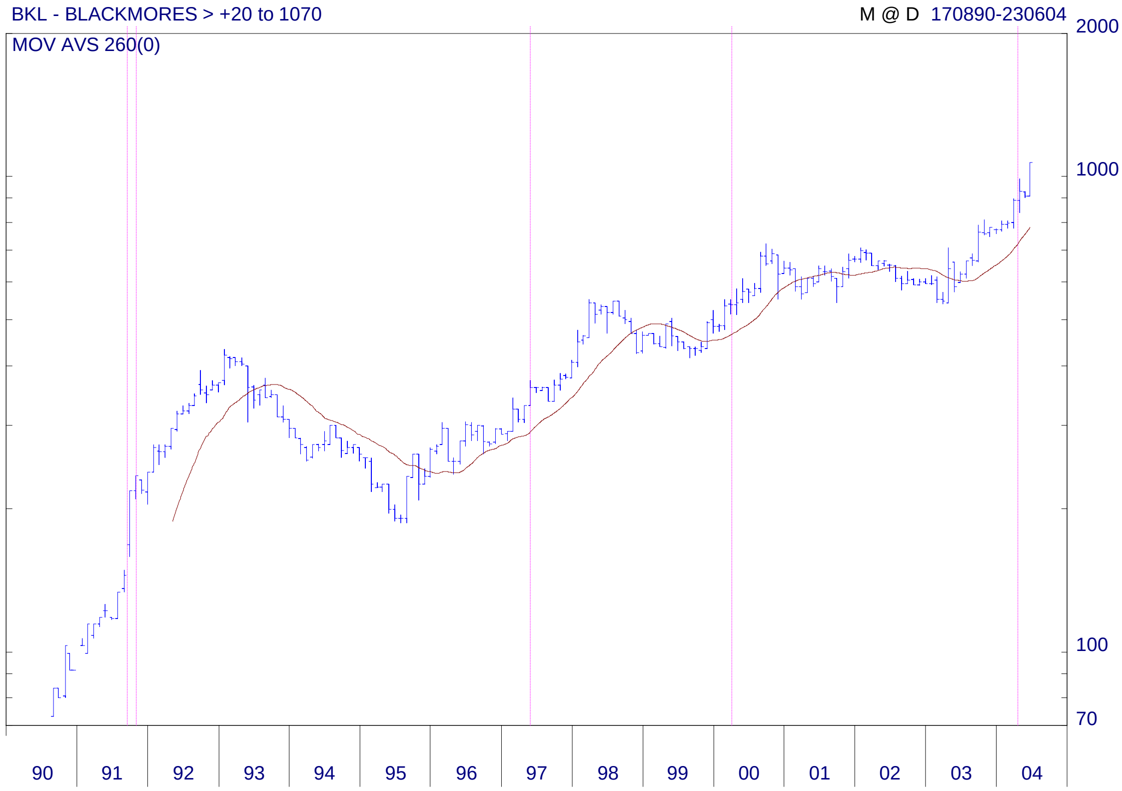
Analysis Since the early 1990s, Bidvest has clearly been a growth model chart. Since 2000, it has trended nicely just above the 260-day moving average.

Profits Patchy, but solid and growing in the last three years
PE Ratio 18.4, only moderately higher than market average of 15.19
Dividend Yield 1.92, well below market average of 3.84%

Assessment This is a foreign company listed in Australia. As such, it is outside my investment plan. It is a holding company with investments in foodservice companies in UK, Australia and NZ. I only looked at the fundamentals for interest. Normally, I would not have gone beyond the chart and its foreign status. Readers may of course have a different investment plan to me and require some exposure to foreign shares.

Conclusion Move on to the next chart.

Blackmores (BKL)



Analysis The fall in 1993-95 is too much to be a growth model chart at that time and it would have been seen as a Value model chart. However, since the 1995 trough, Blackmores resembles a growth model chart.

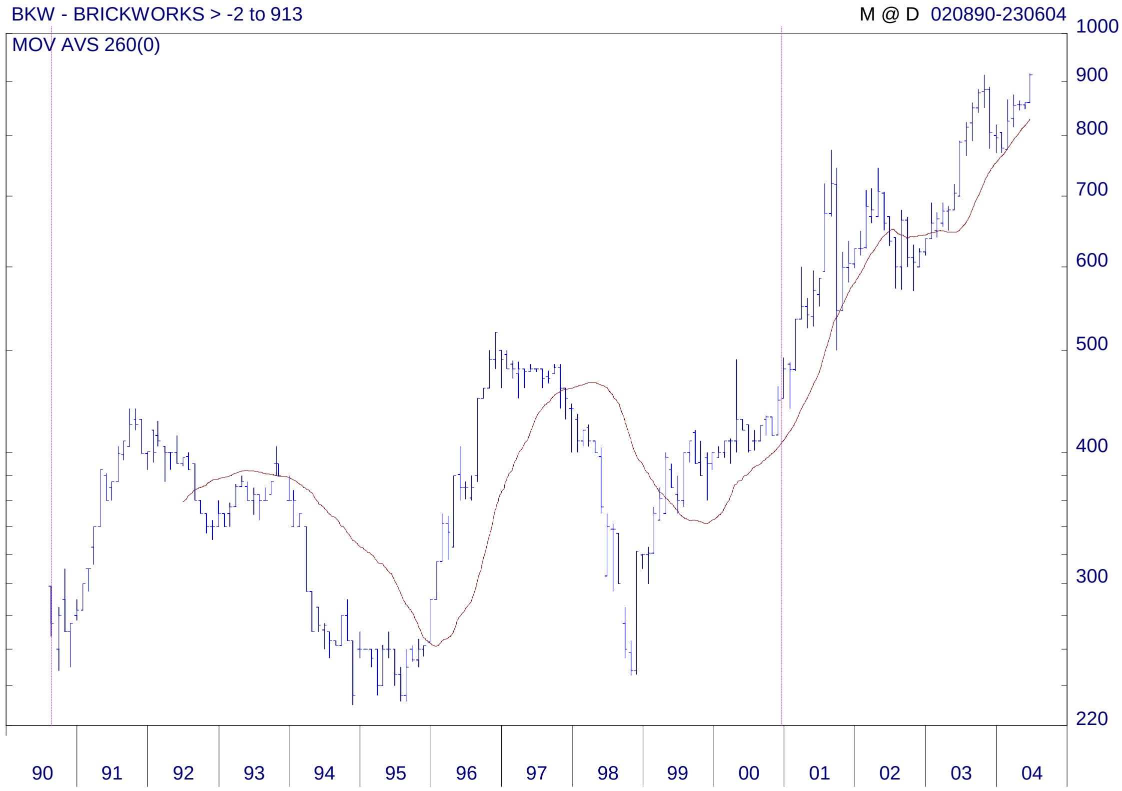
The rate of growth in 1996-98 was quite fast as it trended up nicely above the 260-day moving average. However, since then it has traded in a couple of extensive consolidation phases. It is now trending again nicely above the moving average.

Profits Reasonably consistent and growing well over the last 10 years
PE Ratio 14.3, which is just below the market average of 15.19
Dividend Yield 3.82, which is right on the market average of 3.84%

Assessment This is clearly an interesting share. It is trending well and above the moving average. The fundamentals are quite attractive for a growth model chart.

Conclusion This share has been on my short list for some time. I have not bought it only because my funds have been otherwise employed in value model charts with good trends and high dividend yields. It was more attractive at the start of the present trend, but at that time I did not like the slow rate at which it had been rising in recent years.

Brickworks (BKW)



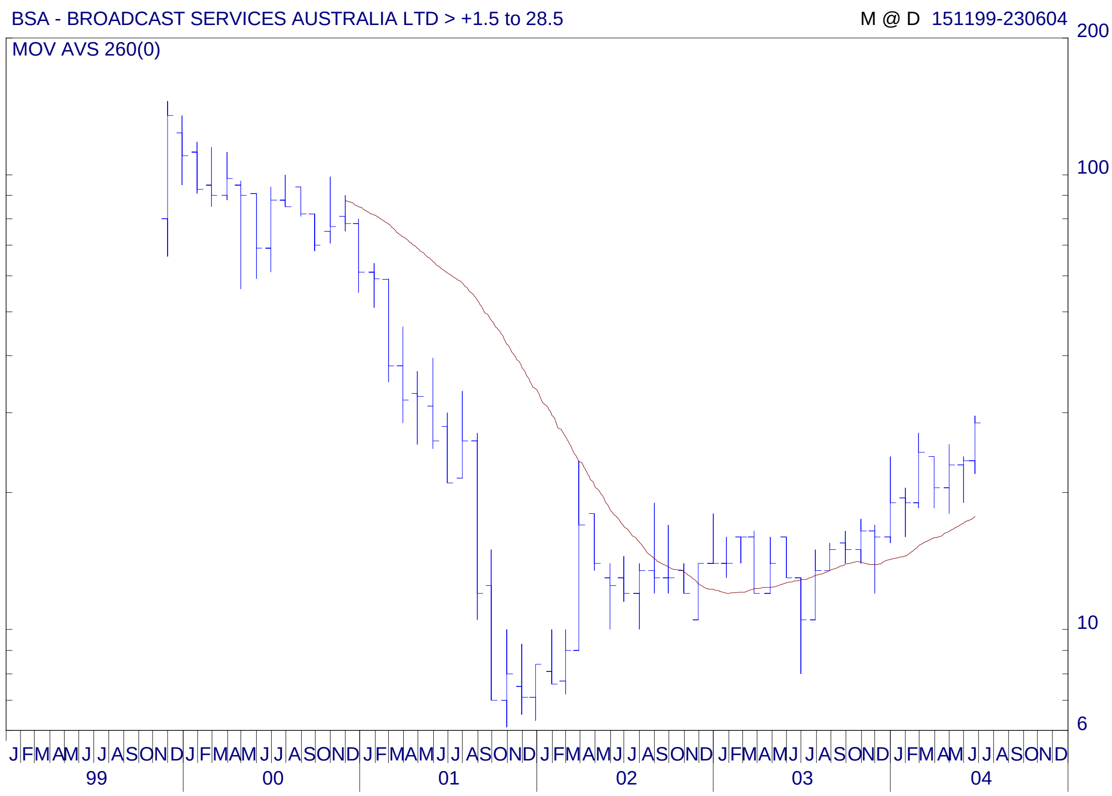
Analysis Until 2000, it was easy to see Brickworks as a value model chart. It now seems to be in a very strong mark-up phase. My judgement is that this is still a value model chart. However, it is also reasonable to suspect that it may become a growth model chart. My judgement is based on the short time it has been trending up and the cyclical nature of the interest the company is in.

Profits Solid and growing over 10 years, but patchy, with some big yearly swings
PE Ratio 8.3, which is well below the market average of 15.19. This is undoubtedly partly a discount reflecting the cyclicality of its industry and earnings
Dividend Yield 2.41%, which is well below the market average of 3.84%

Assessment The chart is trending strongly and the PE ratio is low. However, the low dividend yield makes it less attractive on a margin of safety basis. I have been extremely wary of companies tied to the fortunes of the building industry which is towards the end of a multi-year boom.

Conclusion I have seen other companies as representing better value and lower risk than Brickworks. Its competitor, Boral represents better value, though it did not come up in this filter. However, it has come up consistently and did again in July. It just happened to be in a correction when the filter was run.

Broadcast Services Australia (BSA)



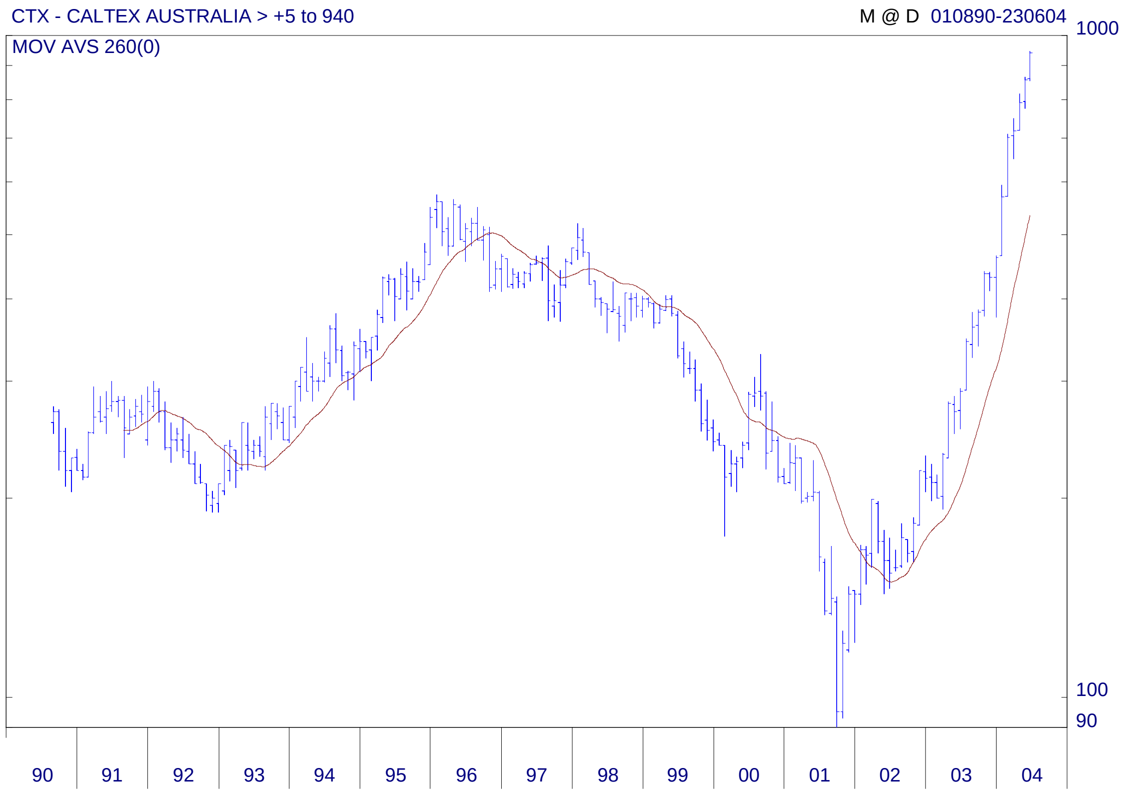
Analysis BSA was listed near the top of the technology and internet boom. It appears to be a value model chart which traced out an accumulation zone in 2002-03 and now appears to be trending up.

Profits Has lost more money in loss years than it has made in profitable years since it was listed
PE Ratio 35.4, which is heroic compared to the market average of 15.19 and implies buyers need great faith in it making its business plan work in the future
Dividend Yield Has never paid a dividend

Assessment A promising chart, but it is an unproven company and too risky for my investment plan. I see it as a pure speculation.

Conclusion Move on to the next chart.

Caltex (CTX)



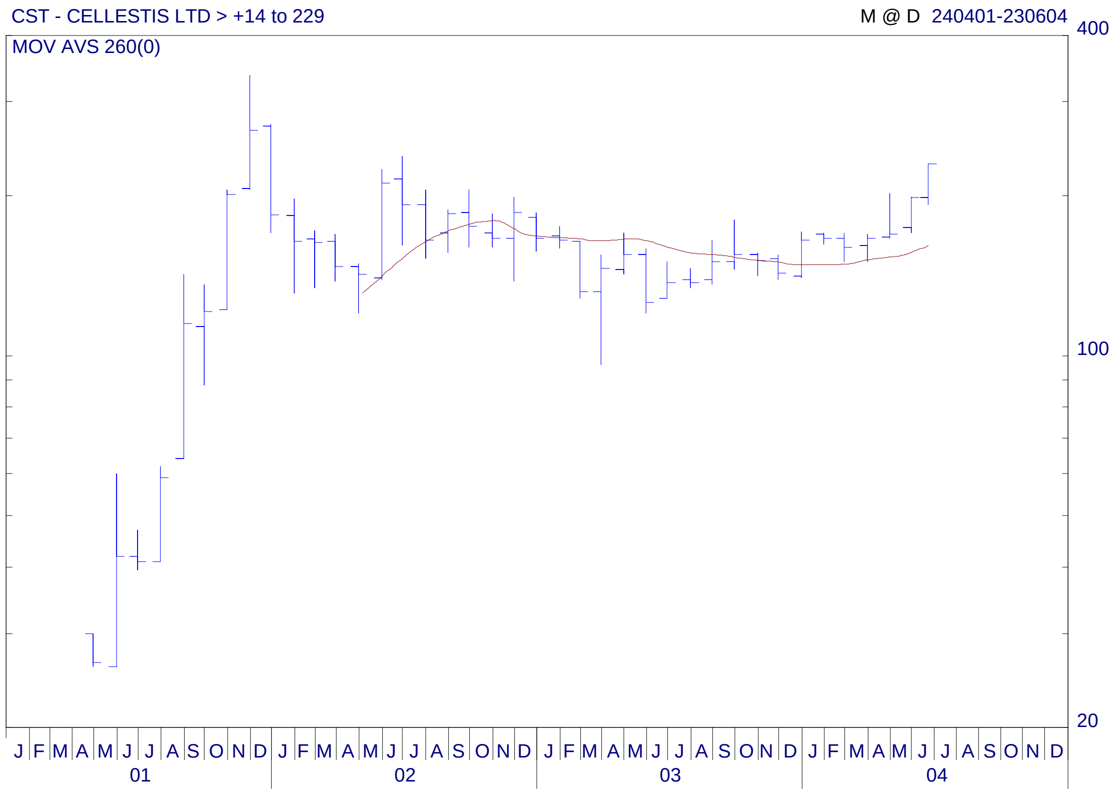
Analysis Clearly a value model chart.

Profits Patchy. Fell sharply in 2000 and made loss in 2001
PE Ratio 12.8, which is below the market average of 15.19
Dividend Yield 1.28%, which is well below the market average of 3.84%

Assessment This has been a turn-around situation, which has richly rewarded a trend follower. In hindsight this would have been a very good share to have bought late in 2002 after it returned to profit in the year ended June 2002 and broke above a good accumulation area. Despite looking at it many times, I could not bring myself to accept the risk. The lack of a dividend put it outside my investment plan.

Conclusion I feel that it is a bit late now. The value is no longer there. 12.8 is not a very cheap PE ratio for a company in a very cyclical industry. I think there is better value elsewhere, though the trend is outstanding. Maybe I just do not understand this situation.

Cellestis (CST)



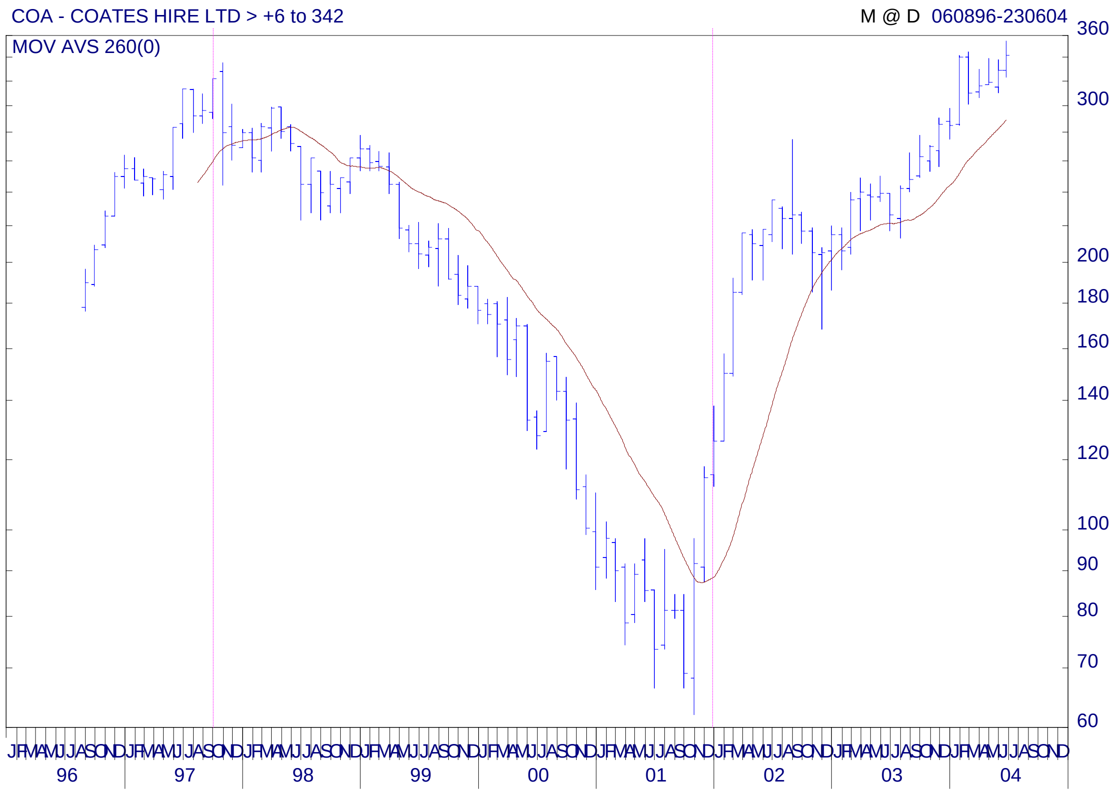
Analysis This is a difficult chart to classify, because there is so little historical data. I am strongly inclined to see a growth model chart here. The nearly three year old trading range looks like consolidation after a mark-up phase.

Profits Has not made a profit since listing
PE Ratio No profits, so no PE ratio is available
Dividend Yield Does not pay dividends

Assessment This is a tempting chart, especially as it is threatening to break out above the consolidation area. However, the lack of profits and dividends make it a pure speculation and outside my investment plan.

Conclusion Keep an eye on the chart in case it starts to earn profits and pay dividends.

Coates Hire (COA)



Analysis Clearly this is a value model chart.

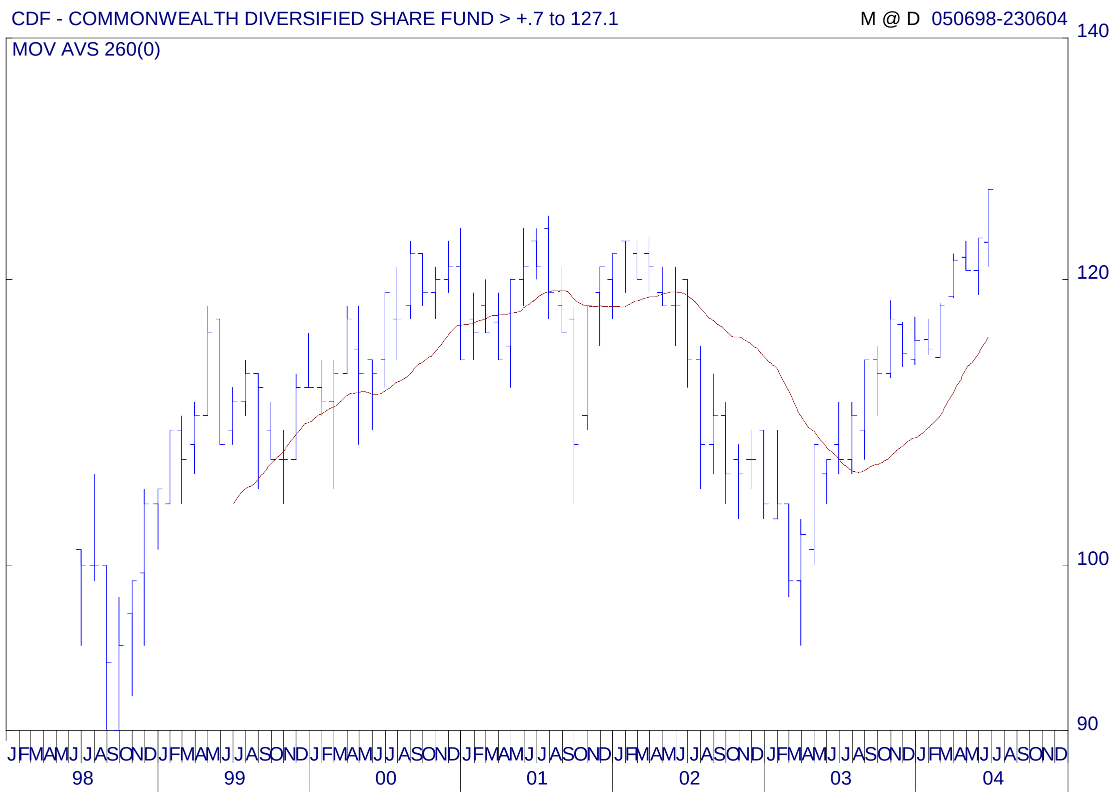
Profits Solid before a three-year dip. Little growth over seven years
PE Ratio 17.6, which is above the market average of 15.19
Dividend Yield 3.57%, which is just below the market average of 3.84%

Assessment This company is situated in a cyclical industry and its profits and chart reflect that. From late 2001, it was an excellent turn around story. I looked at it several times and was sorely tempted to buy it, but I did not because of the poor fundamentals. There were better value situations that were also taking advantage of the cycle.

It now appears to be fully priced, though it remains tempting as it heads higher into clear air on the chart.

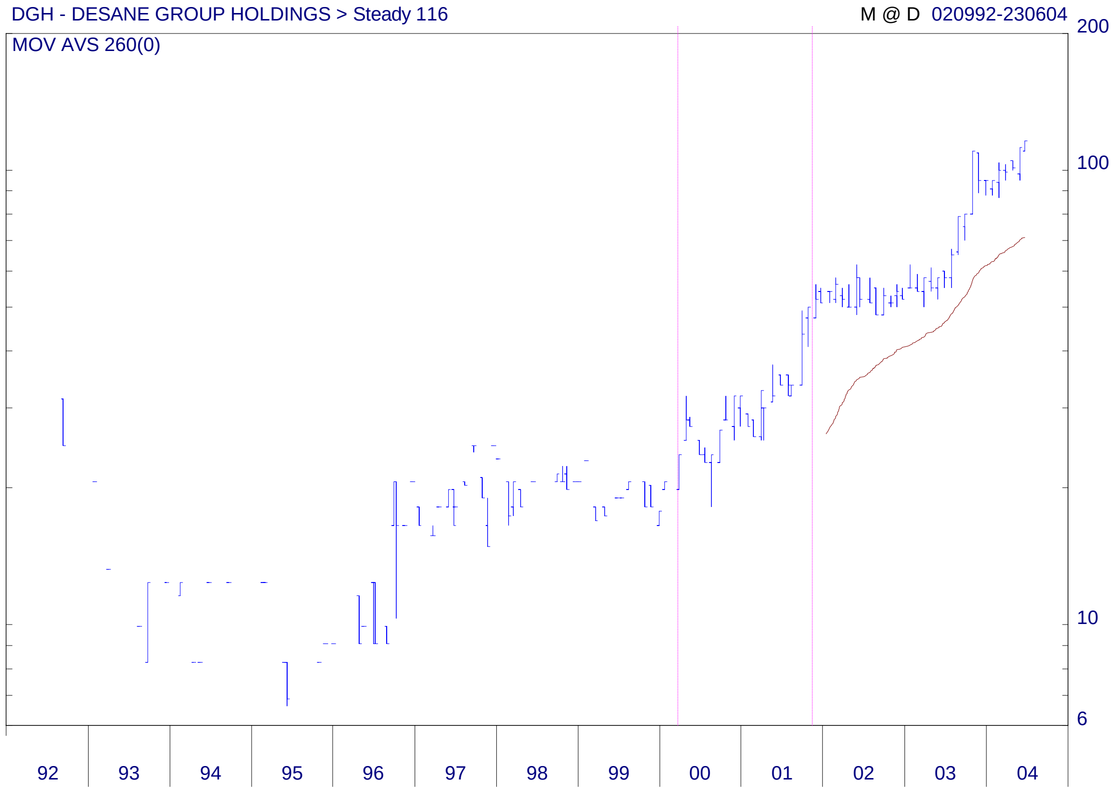
Conclusion I am holding some stocks already which are leveraged against the same cycle in mining and construction and which seem to me to be better value.

Commonwealth Diversified Share Fund (CDF)



Conclusion This is an investment trust. Trusts are outside my investment plan. Move on to the next chart.

Desane Group Holdings (DGH)

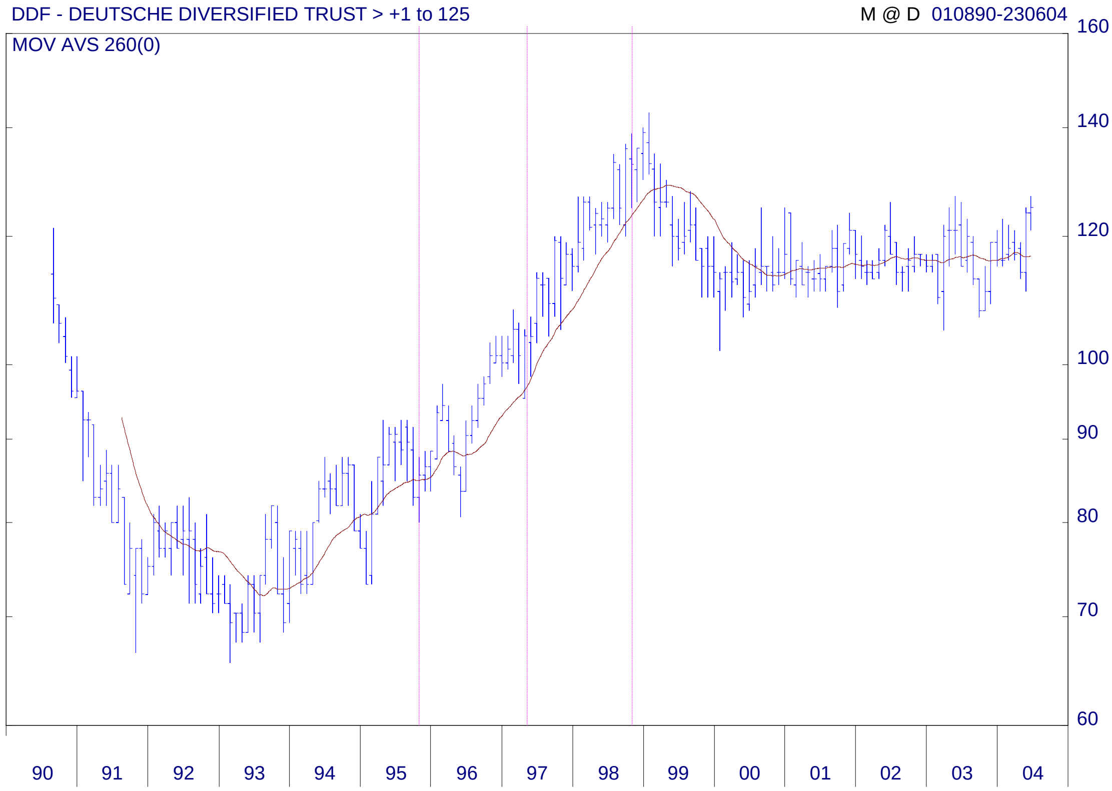


Analysis Although the monthly chart makes this share look as though it trades frequently in recent years, inspection of a daily chart shows that it does not really trade often enough or in enough volume for me to entertain.

Readers who may be interested in it will see it as a growth model chart. However, if they research the fundamentals, they will find that it is fairly fully priced, so must keep growing quite fast to justify its high PE ratio and low dividend yield. It is a real estate developer, so it is in an industry near or even already past the top of its cycle.

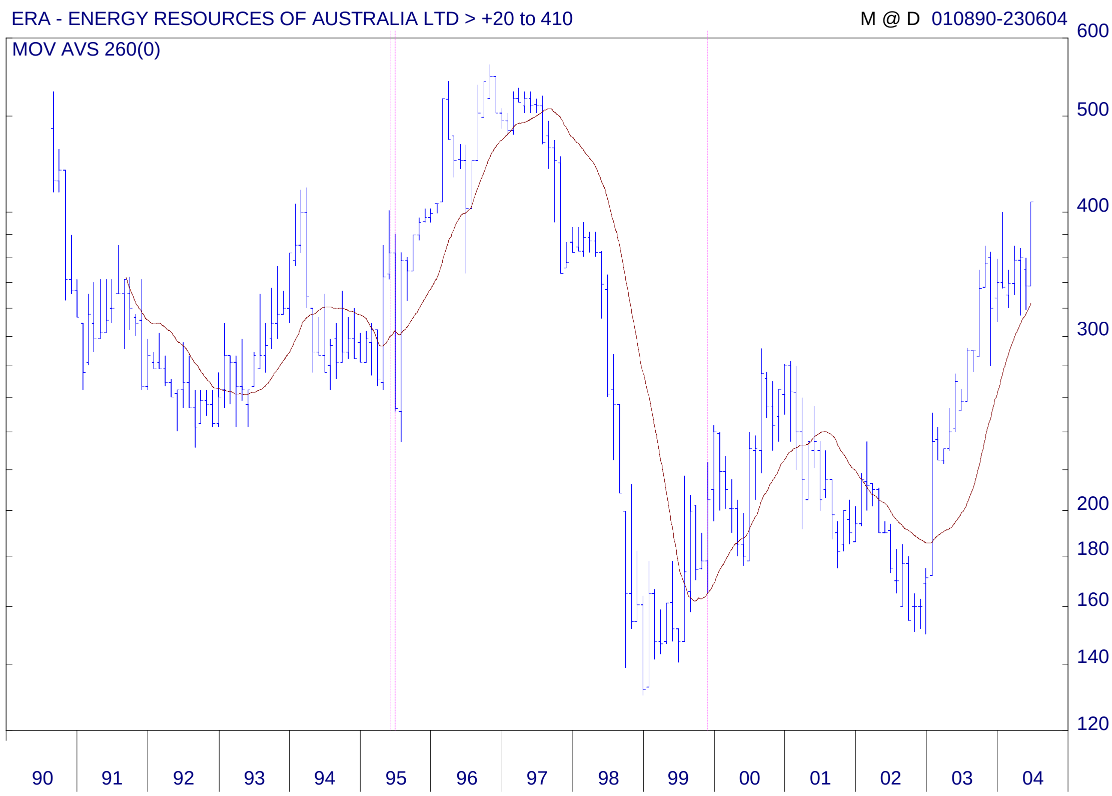
Conclusion Not liquid enough.

Deutsche Diversified Trust (DDF)



Conclusion This is an investment trust. Trusts are outside my investment plan. Move on to the next chart.

Energy Resources of Australia (ERA)



Analysis This is clearly a value model chart. This is not surprising for a resources company, which is in a cyclical industry. Appears to be moving up after a pause in a strong mark-up phase.

Profits Makes a profit each year, but the pattern is cyclical with a decline of about 70% from peak to trough
PE Ratio and Dividend Yield are not appropriate for a resources company

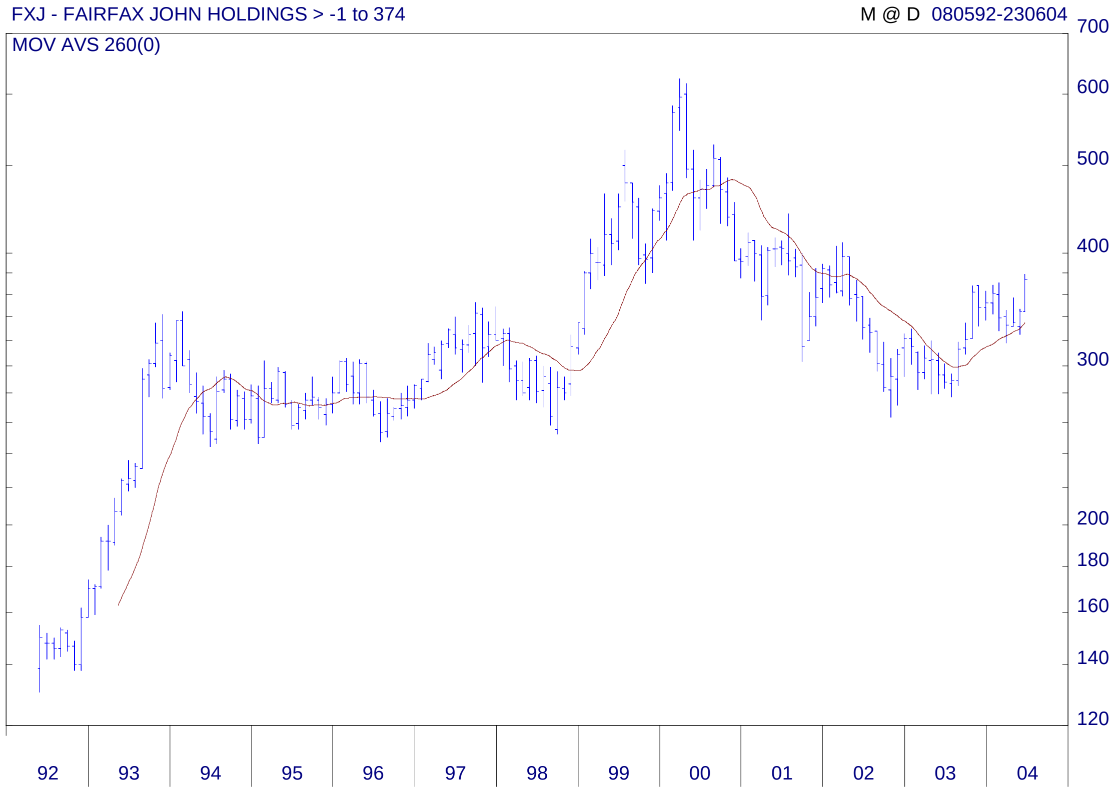
Assessment Resources companies are generally outside my investment plan. However, I will invest in some producing miners at the start of a cycle, when they may be quite cheap. This one is well past the bottom of its cycle and would now be a speculation on how long the cycle will last. As a uranium miner it also has significant political risk.

Conclusion Not in my investment plan. Move on to the next chart.

Equatorial Mining (EQM)

Conclusion Extremely thinly traded, so outside my investment plan. Has just made a profit for the first time in ten years. May be an emerging miner. Evaluating these situations could be rewarding, but is a job for experts. This is too speculative for me. Move on to the next chart.

John Fairfax Holdings (FXJ)



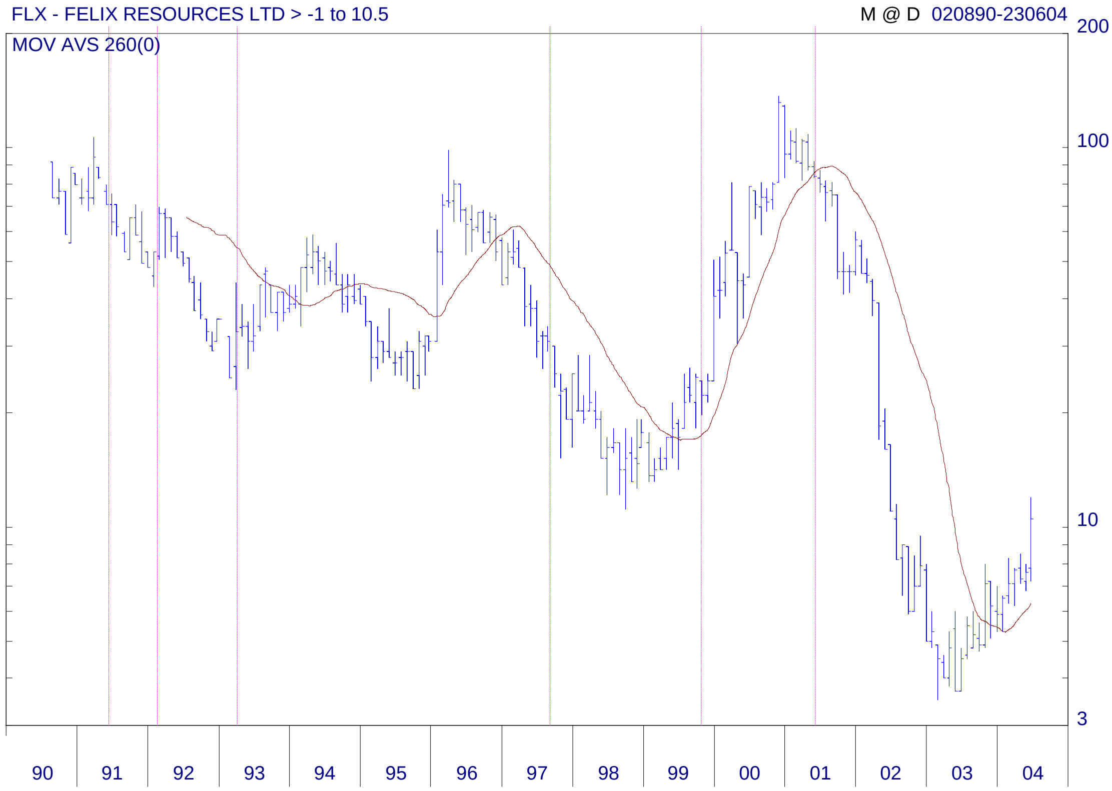
Analysis Up until the top of the technology and internet boom in 2000, this looked like a growth model chart. However, it is now clearly a value model chart which seems to be just on the point of breaking out of an accumulation phase.

Profits Patchy as expected for a cyclical media company
PE Ratio 15.6, which is just above the market average of 15.19
Dividend Yield 3.68%, which is just below the market average of 3.84%

Assessment Fairfax is clearly starting to trend upward from an accumulation zone. However, it is not a strong growth company and it is at about market average valuation. There are better-looking charts of media shares at present and some represent better value on the fundamental ratios. Two of them are already in my portfolio – TEN Network Holdings and APN News and Media.

Conclusion An interesting chart but not compelling.

Felix Resources (FLX)



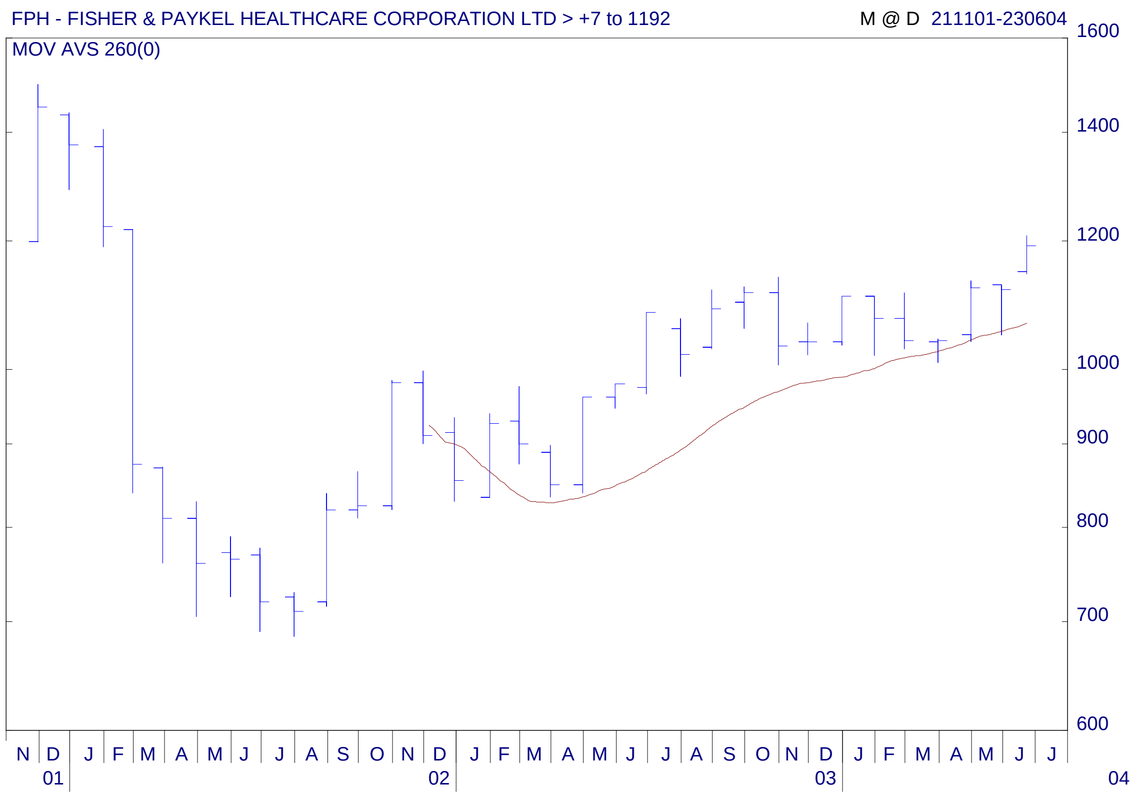
Analysis This is clearly a value model chart. It appears to have completed an accumulation phase and have broken out above it.

Profits Ten years of losses
PE Ratio and Dividend Yield are not appropriate for a resources company

Assessment Highly speculative situation that is clearly way outside my investment plan.

Conclusion Move on to the next chart.

Fisher & Paykel Healthcare Corporation (FPH)



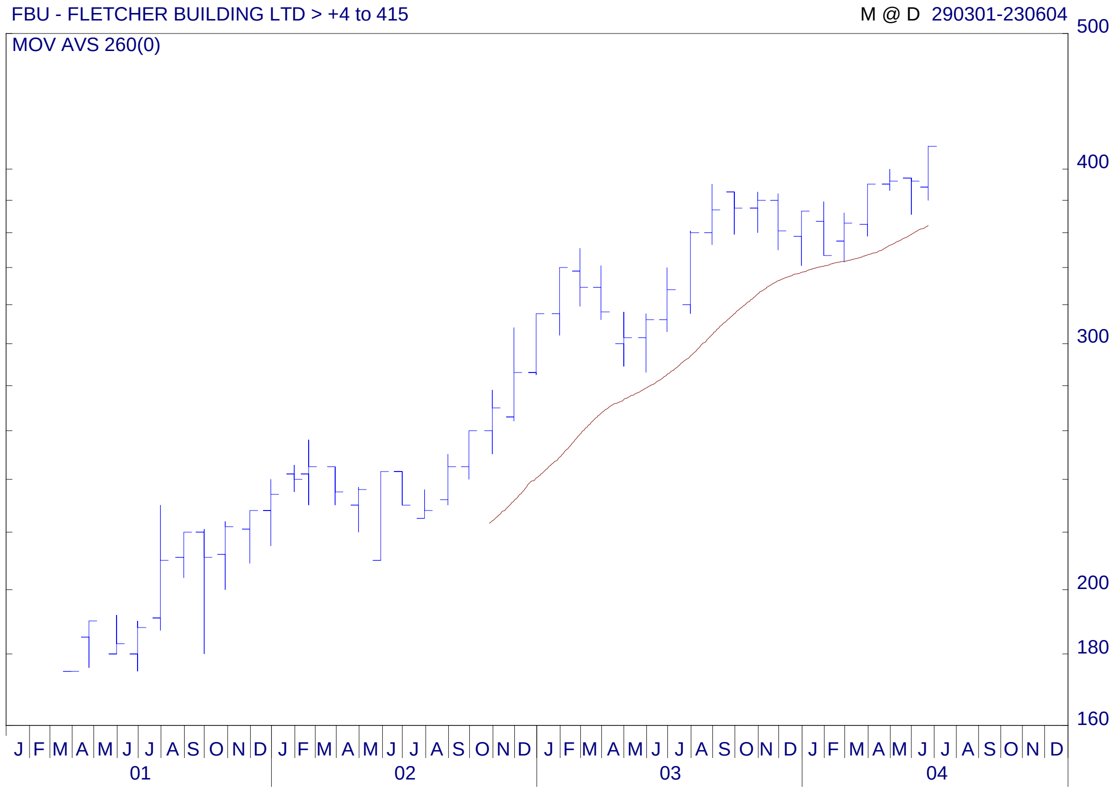
Analysis Insufficient history to judge this chart. It could be a mark-up phase on a value model chart, but the accumulation phase was very short, so the whole thing is rather uncertain.

Profits Made solid profits for first three years of its listing
PE Ratio 25.5, which is well above the market average of 15.19
Dividend Yield 3.98%, which is just above the market average of 3.84%

Assessment With the limited history it is difficult to be certain about the chart as far as whether it fits a model. However, it looks as though it was trending up. The fundamentals are not compelling. If they were, especially if they showed good value, it might be worth further research and/or monitoring.

Conclusion There are plenty of easier ones around. If it is a good uptrend that is developing, it will come up again, when it may be possible to feel more confident about the chart.

Fletcher Building (FBU)



Analysis Although there is not very much historical data to consider, there is no doubt that we are looking at a mark-up phase. Whether it is part of a value model or growth model chart can not be definitely established. However, bearing in mind the cyclicality of the building and construction industry, we could make a working assumption that it will most likely be a value model chart.

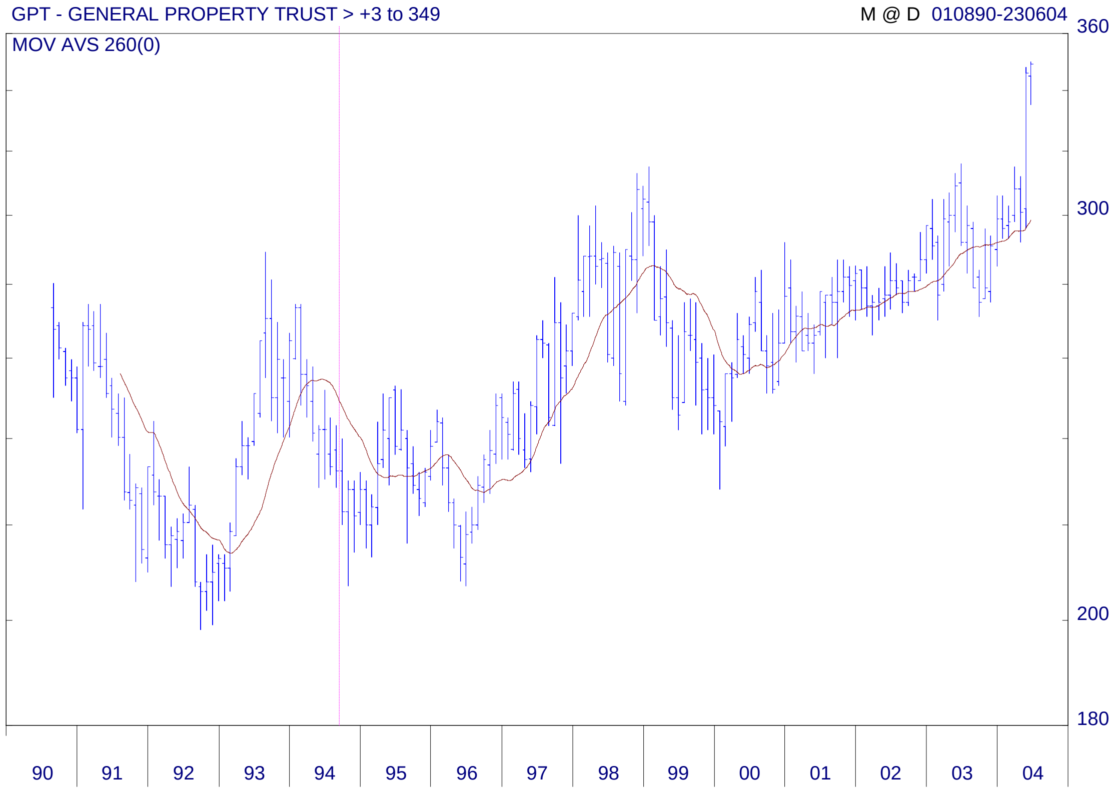
Profits Patchy, but improved in the last two years
PE Ratio 10.4, which is well below the market average of 15.19
Dividend Yield 5.7%, which is well above the industry average of 3.84%

Assessment This is a foreign company and so it is outside my investment plan. However, of all foreign companies, New Zealand companies might be the ones I would consider because of the good information flow and the similarity in legal systems.

The fundamentals look encouraging, however, Fletcher has had a chequered past. My inclination is to keep away from the building and construction industry at present because it seems so obviously near or even past its cycle peak.

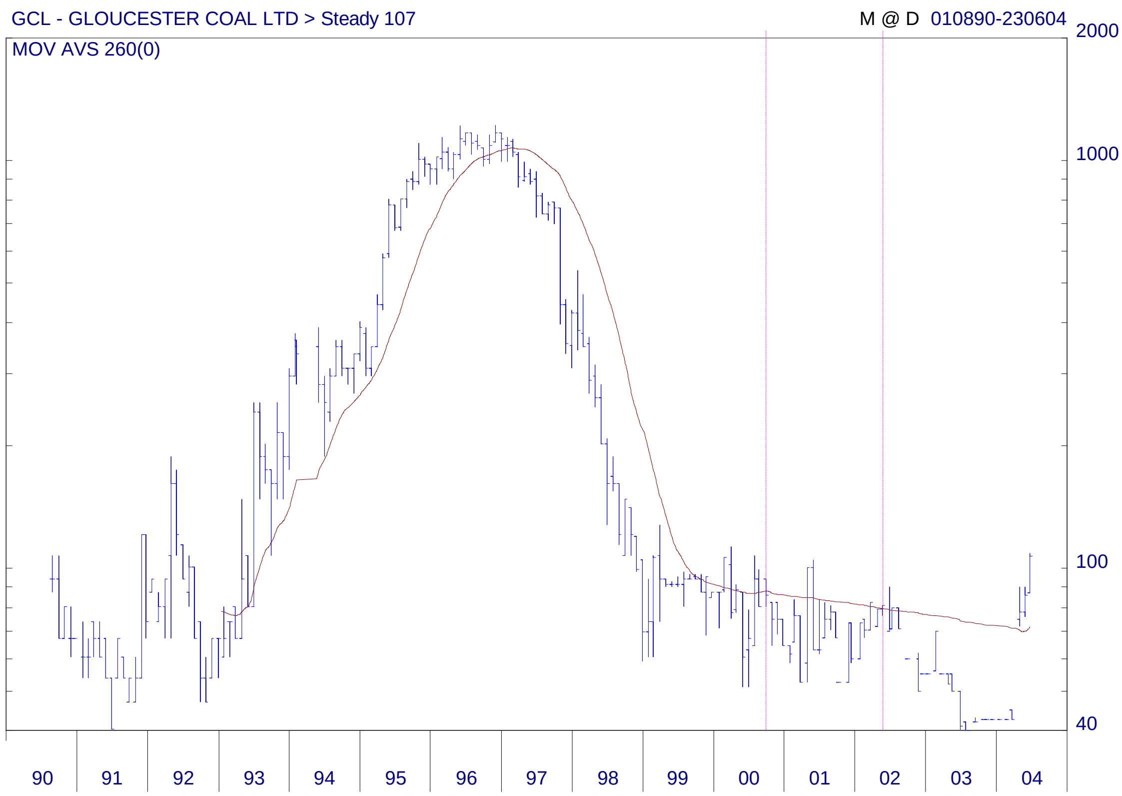
Conclusion Not in my investment plan and no compelling case to make an exception.

General Property Trust (GPT)



Conclusion This is a real estate trust. Trusts are outside my investment plan. Move on to the next chart.

Gloucester Coal (GCL)



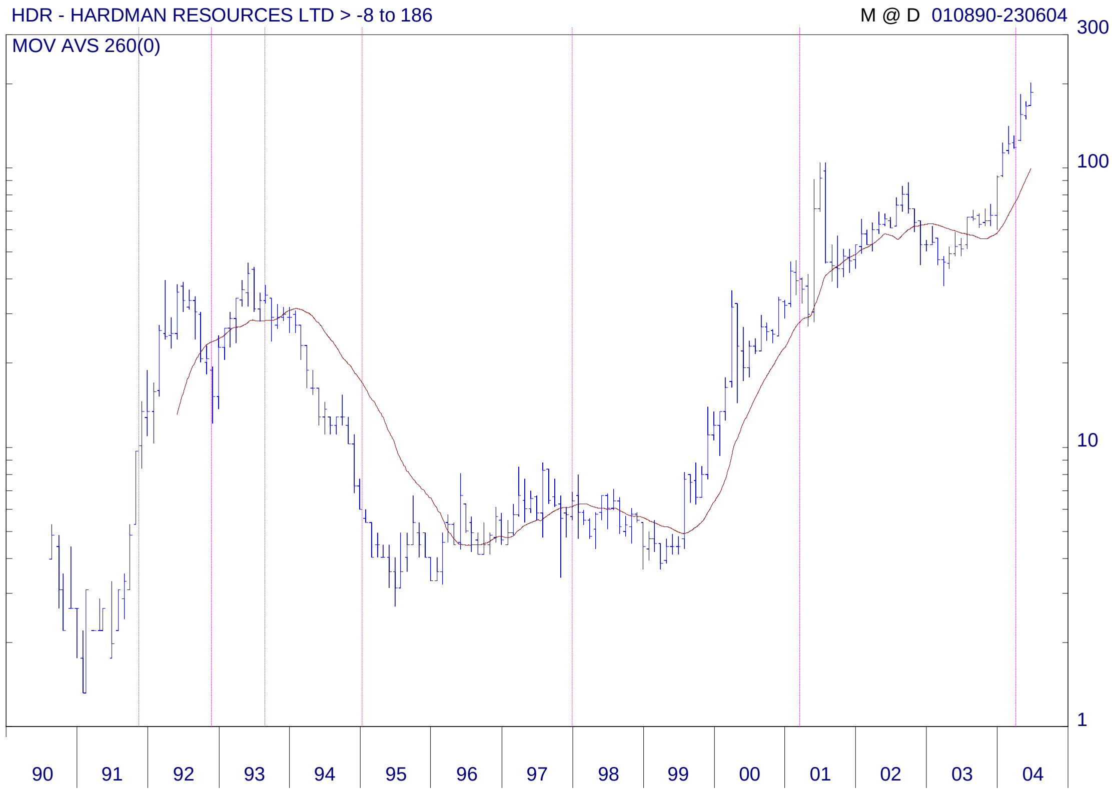
Analysis This looks to be a value model chart. The recent price action is confusing, though, with a sharp break below an accumulation area, followed by a jump up to what may be an upward breakout.

Profits Has not made a profit since 1998
PE Ratio and Dividend Yield are not appropriate for a resources company

Assessment This is way outside my investment plan.

Conclusion Move on to the next chart.

Hardman Resources (HDR)



Analysis This has clearly been a value model chart through until 2003. However, the recent move way above the historical price range, after a consolidation phase in 2001 to 2003, is suggesting that it might now be moving into a growth model period.

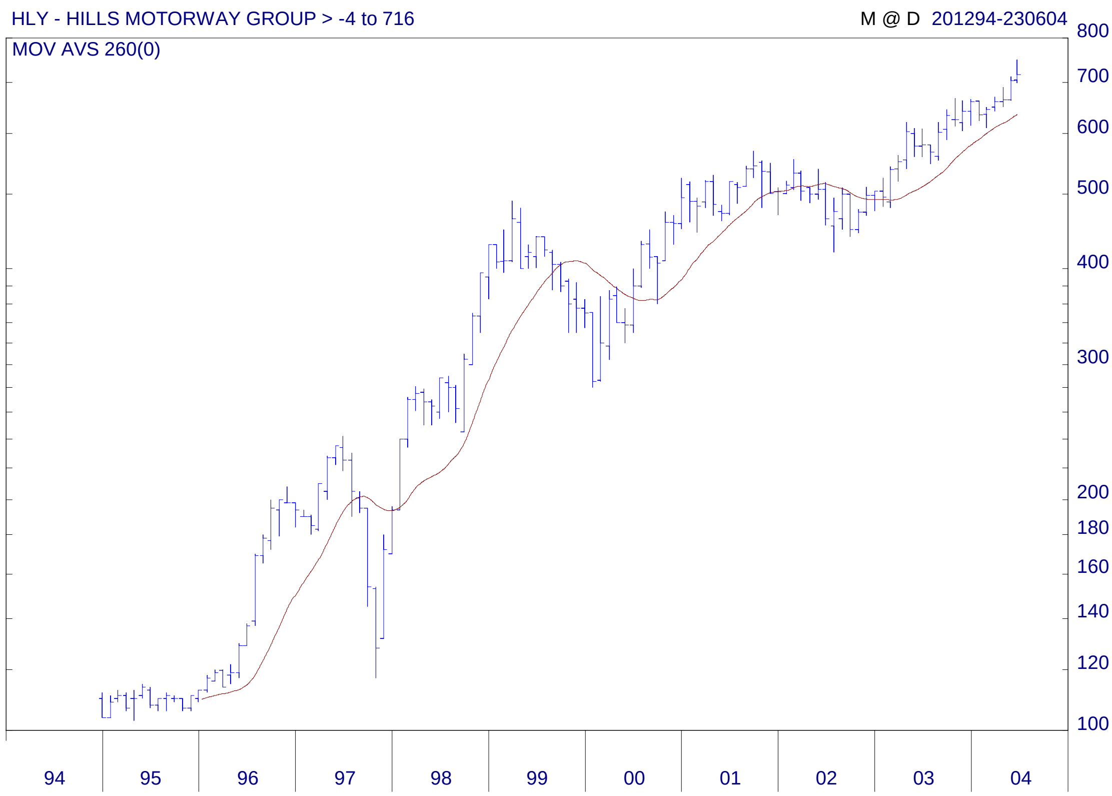
Profits Only one miniscule profit in ten years
PE Ratio and Dividend Yield are not appropriate for a resources company

Assessment This is an exciting chart, driven by recent oil and gas exploration successes. It could become a major producer. However, it is outside my investment plan.

Conclusion Reluctantly leave this one to others who can better assess such a speculative situation.

Note: This will trouble some readers – especially those who hold this share. They will want me to validate their view of this company. Many will also want to argue that I should change my investment plan or make an exception in this case. I am not arguing with their view, though I think that making exceptions is dangerous. All I am saying is that it is not my investment plan to invest in this sort of situation. That is not a reflection on those readers' investment plans, who may be taking less risk in other parts of their plan to balance the high specific risk in such a share.

Hills Motorway Group (HLY)



Analysis This appears to be a growth model chart.

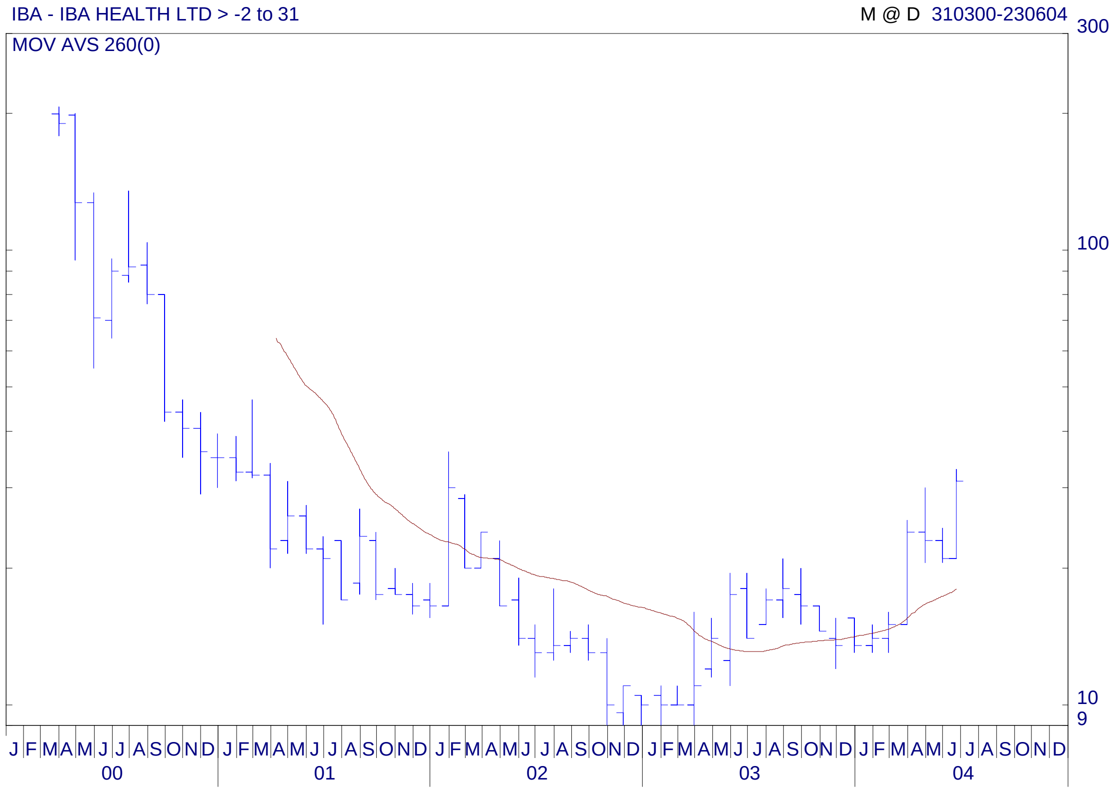
Profits Seven consecutive years of losses
PE Ratio No earnings, so PE Ratio is unavailable, although it is shown as 221.3 in some places, based on earnings before certain large items
Dividend Yield 3.86%, right on the market average of 3.84%. Dividends are being paid out of capital as has been the case in six of the last nine years

Assessment This is a utility. Its capital structure is unusual. I do not understand this type of security, which is best left to the specialist experts.

Conclusion Nice chart, but outside my investment plan.

Note: Again, some readers will want to argue with me. They will want me to learn how to analyse this security or to just invest in such a good chart. My only defence is that the effort is not proportional to the reward. I have something that I understand and that works. Why should I worry about the exotic things that will take a lot of time and effort to exploit? They are simply one of life's temptations that are best left to others. I have no wish to use my savings to try to prove how clever I am.

IBA Health (IBA)



Analysis This is clearly a value model chart. I see a mark-down phase, followed by a broad accumulation area from which it is now trending up.

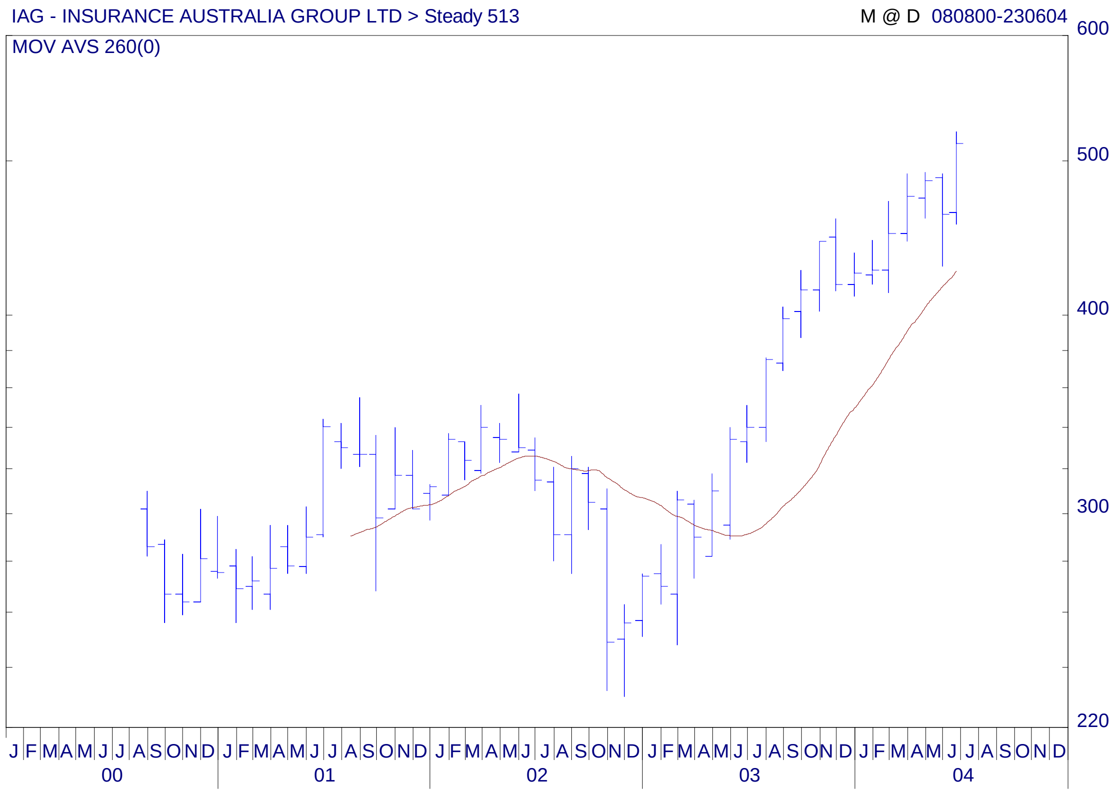
Chart analysts will see an inverse head and shoulders pattern and I can see a clear saucer or rounding bottom pattern. These are interesting, but the main game is the simple analysis in the previous paragraph.

Profits Coming off four years of losses. Prior to that made some profits
PE Ratio No earnings, so PE Ratio not available
Dividend Yield Has never paid a dividend

Assessment This is a speculative situation that is outside my investment plan. The chart is very interesting and so is the news coming out, but it is more speculative than is allowed by my plan.

Conclusion Leave this one to the speculators.

Insurance Australia Group (IAG)



Analysis There is not quite enough history here to say if this is a value or growth model chart. However, it is clearly in a mark-up phase.

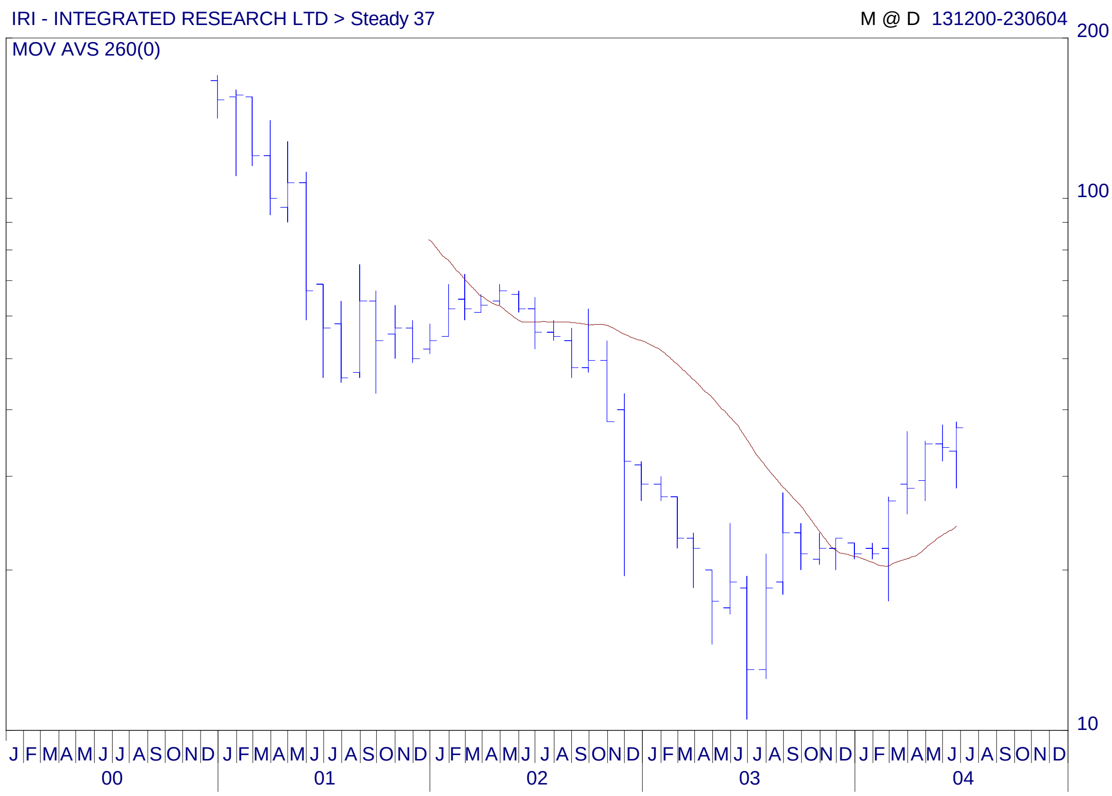
Profits Solid except for a loss in 2002
PE Ratio 22.7, which is well above the market average of 15.19
Dividend Yield 2.99%, which is well below the market average of 3.84%

Assessment Although we cannot pin down the model for this chart, a working assumption is that it will turn out to be a value model chart because insurance is a cyclical industry. Its returns tend to follow the cycle of the stock market.

As already discussed for AMP, insurance is a game for expert analysts. However, I have and probably will again invest in insurance companies if the chart is attractive and the fundamental numbers suggest a large margin of safety. The fundamentals above are not particularly interesting for me.

Conclusion Nice chart, but it does not represent good value.

Integrated Research (IRI)



Analysis Although it is difficult to be certain, this could be a value model chart that is just starting a mark-up phase. However, it could also be argued that it is in a long term downtrend.

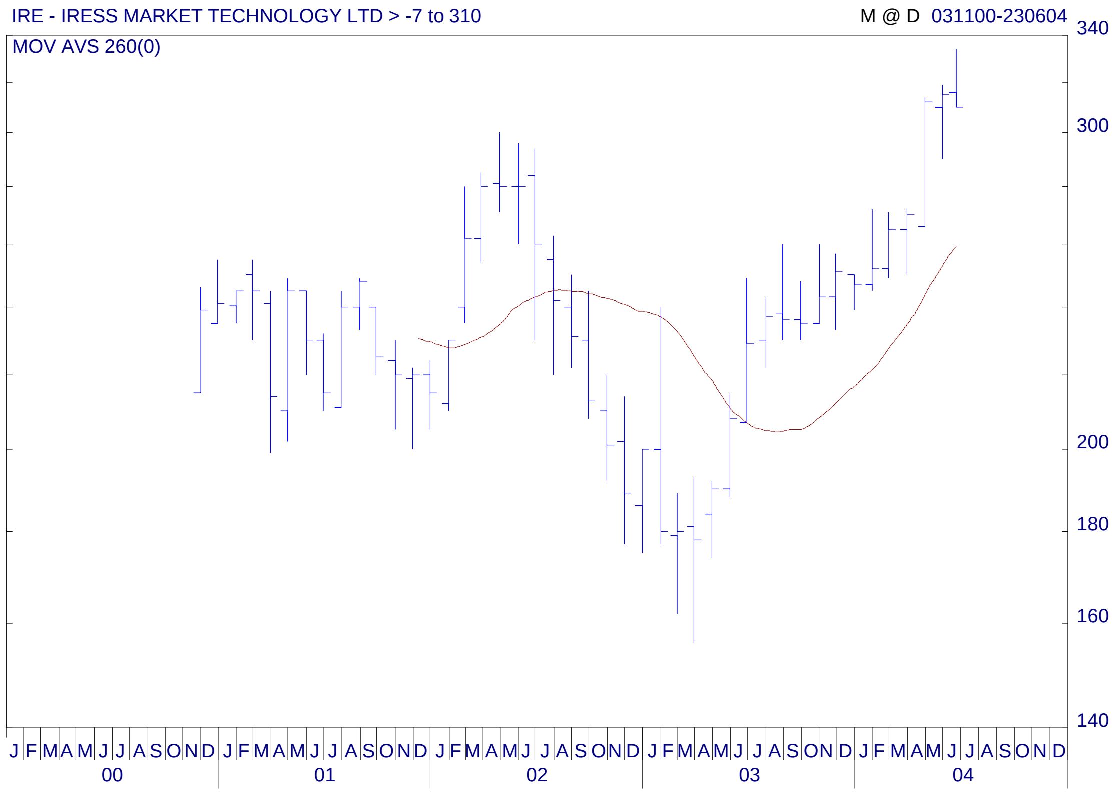
Profits Quite solid except for sharp dip in 2003
PE Ratio 41.8, which is well above the market average of 15.19
Dividend Yield 2.11%, which is well below the market average of 3.84%

Assessment An interesting chart. If it is the start of a mark-up phase, it would allow an early entry.

The fundamentals require quite heroic growth to justify them.

Conclusion While the chart is interesting, there are much better ones, so leave this one to the punters, especially when the fundamentals are not attractive.

Iress Market Technology (IRE)



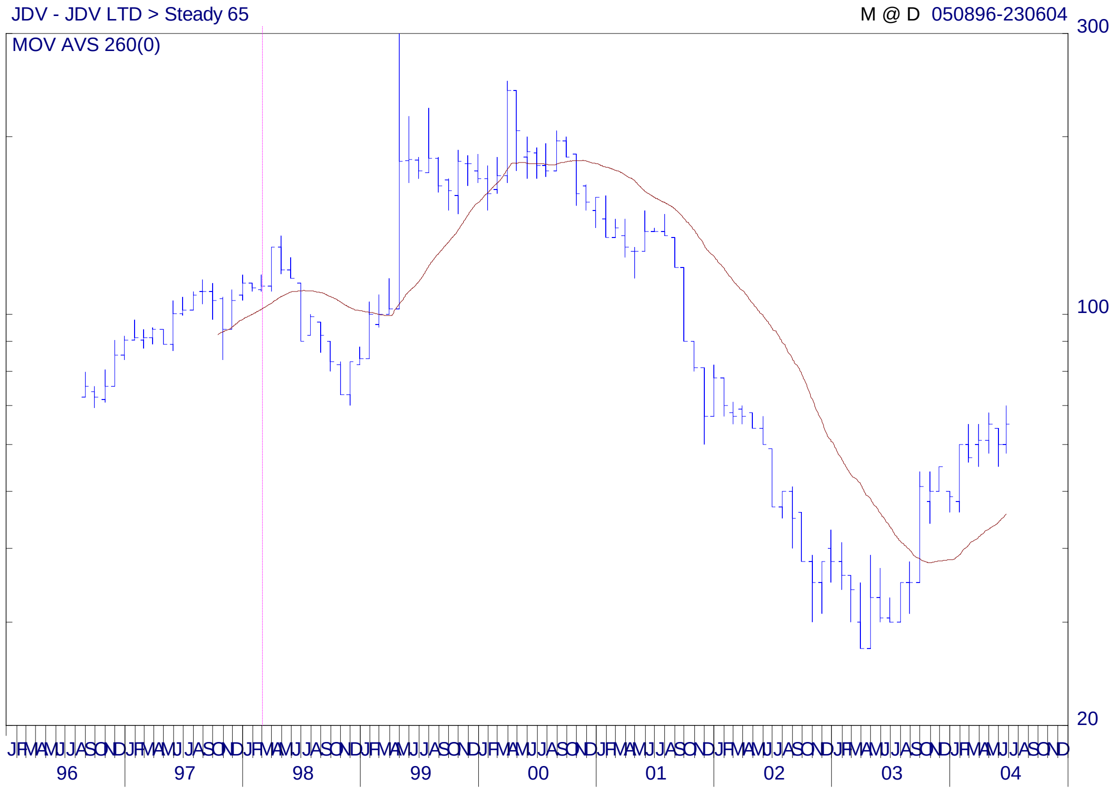
Analysis This is another chart with insufficient history to say whether it is a value or growth model chart. If you held a gun to my head, I would say value model, because the 2002-03 dip is more than I am comfortable with. However, see the APN News and Media chart.

Profits Good growth, except for a dip on 2002
PE Ratio 20.3, which is well above the market average of 15.19
Dividend Yield 4.03%, which is above the market average of 3.84%

Assessment The fundamentals are suggesting that this may be a growth model chart. The high PE ratio is suggesting that the smart money expects growth. The dividend yield indicates that it represents good value for a growth model share.

Conclusion This is definitely the kind of share I am looking for. The only reason it is not in my portfolio is that I am fully invested in shares that represent better value on the criteria in my investment plan.

JDV (JDV)



Analysis This looks quite clearly to be a value model chart. It appears to be in a mark-up phase after a short accumulation period.

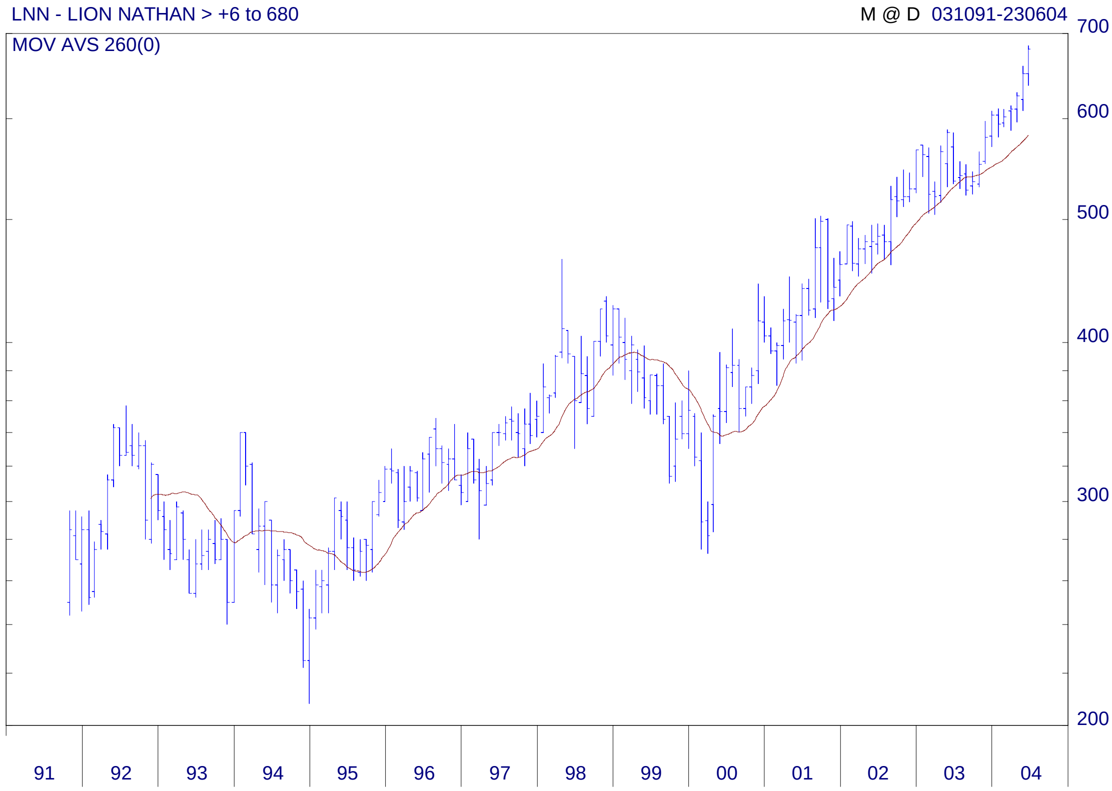
Profits Losses in the last three years after some years of erratic profits
PE Ratio No earnings, so PE Ratio is not applicable
Dividend Yield Has not paid a dividend for three years

Assessment The lack of profits takes it outside my investment plan. To invest in JDV would be a speculation on the management successfully turning the company around. I would want some clear evidence that it was a reality, before considering it.

It can be argued that by waiting for evidence, most of the trend will be over. This can be debated either way. However, even if it is true, there are other turn around situations where the margin of safety is much greater.

Conclusion Outside my investment plan. Move to the next chart.

Lion Nathan (LNN)



Analysis This appears to be a growth model chart, though the extent of the two dips in 1994 and 1999 are unsettling.

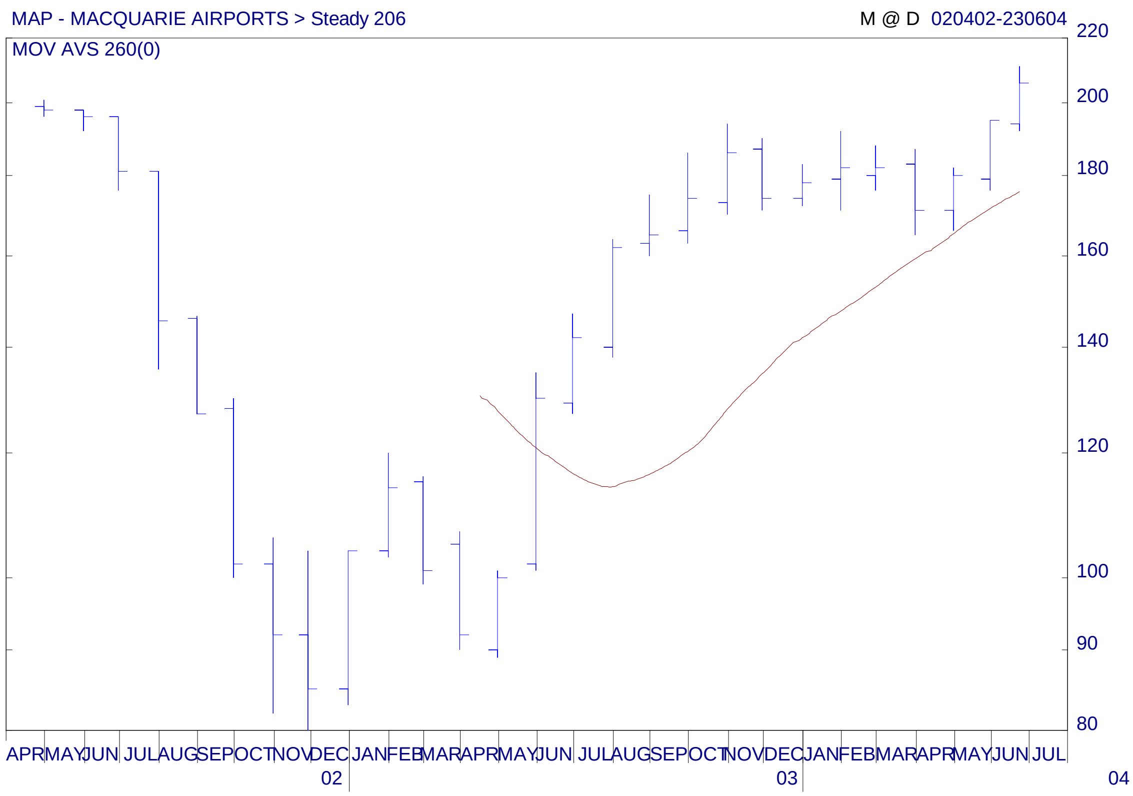
Profits Erratic, but growing in the last three years
PE Ratio 23.5, which is well above the market average of 15.19
Dividend Yield 4.13%, which is above the market average of 3.84%

Assessment The profit history suggests that this might better be classed as a value model share, in which case its PE ratio is too high for my plan. However, if it is a growth model share that has some problems in the past, it is reasonable value, but not outstanding.

Also important for me is that it is a NZ company, though most of its operations are in Australia. This would probably not stop me investing if it looked to be an outstanding situation.

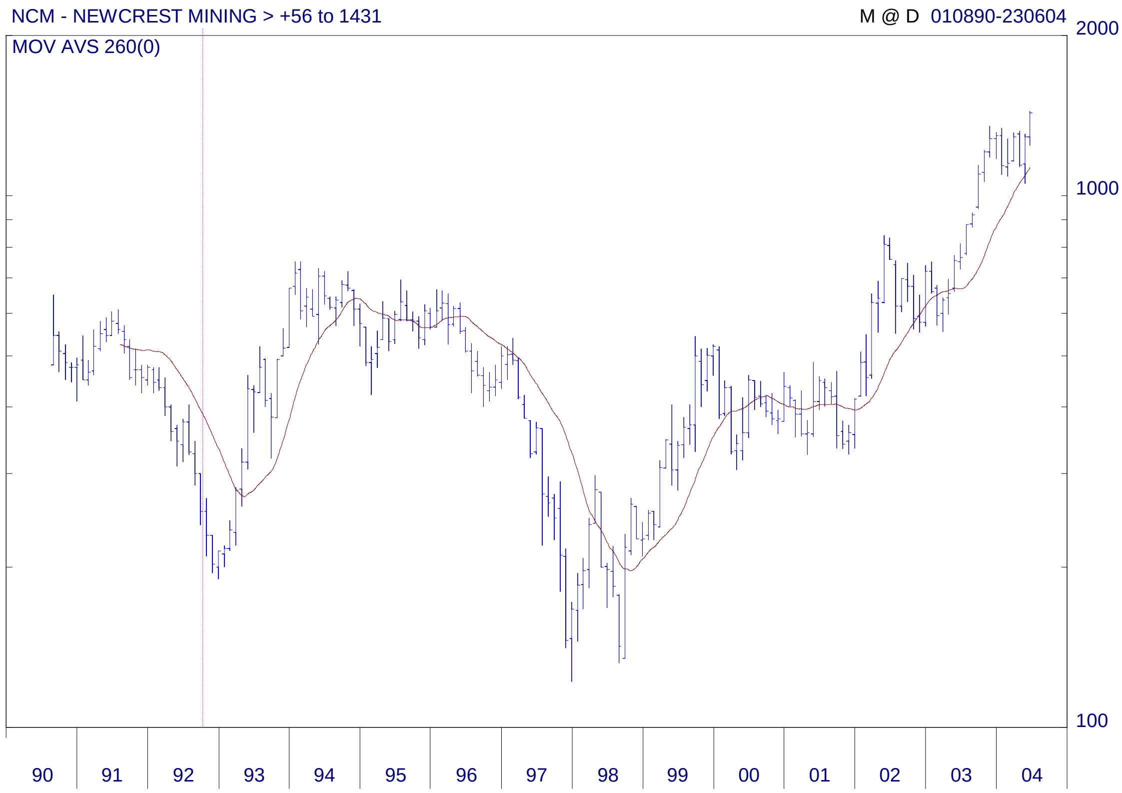
Conclusion The chart looks good and it is close enough to my investment plan, but being a foreign company tips me against investing in it when there are better home-grown opportunities.

Macquarie Airports (MAP)



Conclusion This is a stapled security of two trusts and a company. It is clearly outside my investment plan.

Newcrest Mining (NCM)



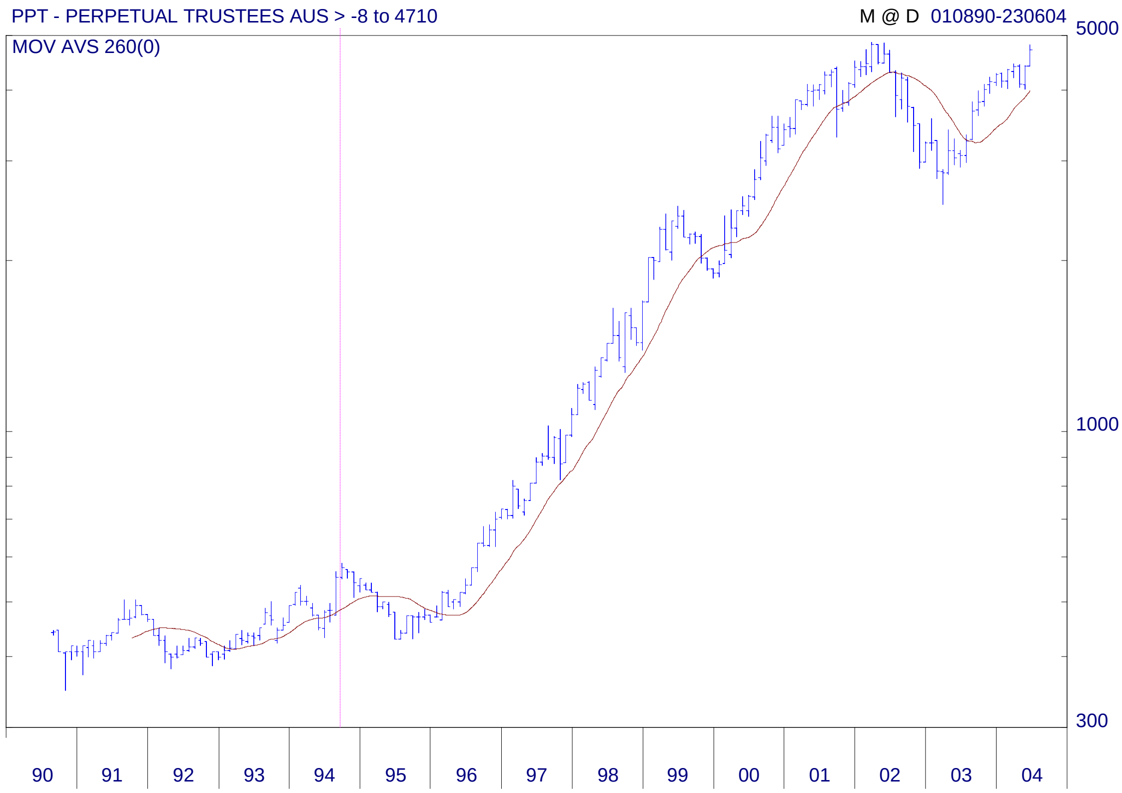
Analysis This is clearly a value model chart. However, the recent upswing above the past range suggests scope to reclassify it as a growth model chart.

Profits Erratic with occasional losses among good profits
PE Ratio and Dividend Yield are not appropriate for a resources company

Assessment My investment plan allows investment in producing miners. This one has a very strong chart.

Conclusion Tempting chart, but I prefer a resources share to be closer to the start of the mark-up phase, since all resources shares tend to be cyclical.

Perpetual Trustees (PPT)



Analysis This looks as though it is a growth model chart. There is scope to argue that the growth has finished with the 2002-03 dip and is now a value model chart. However, on balance I see it as a growth model chart on the available evidence.

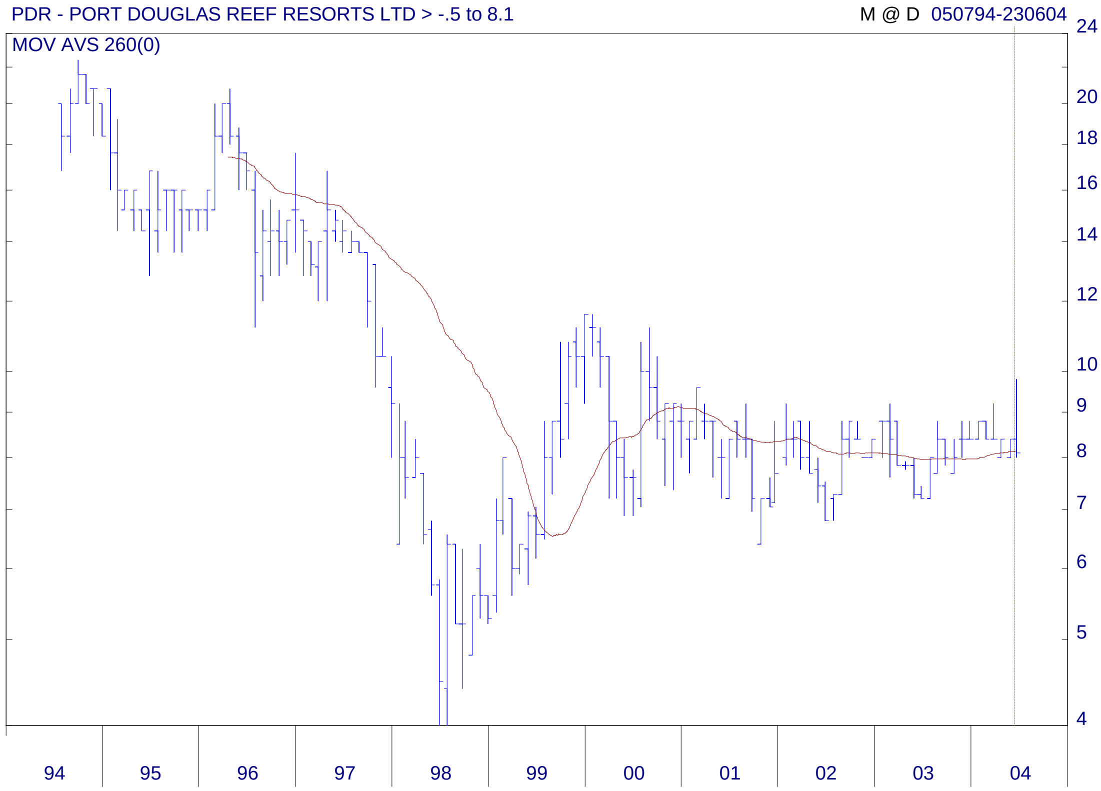
Profits Impressive growth story, though with a flat result last year
PE Ratio 23.4, which is above the market average of 15.19
Dividend Yield 2.92%, which is well below the market average of 3.84%

Assessment The fundamental ratios are alright for a growth model share, which this has been except for last year. If the growth can be continued they are quite acceptable. It is not possible to buy great companies much cheaper than this.

However, the question is whether it can keep growing. The chart is not conclusive, as we may be looking at a double top reversal pattern. I would not be interested in this chart until it clearly breaks above the 2002 peak.

Conclusion Interesting chart. If it breaks above the 2002 peak it will keep coming up on the filter and I can consider it again then.

Port Douglas Reef Resorts (PDR)



Analysis This is probably a value model chart, which is presently in an accumulation phase. It looks as though it may be breaking out upwards.

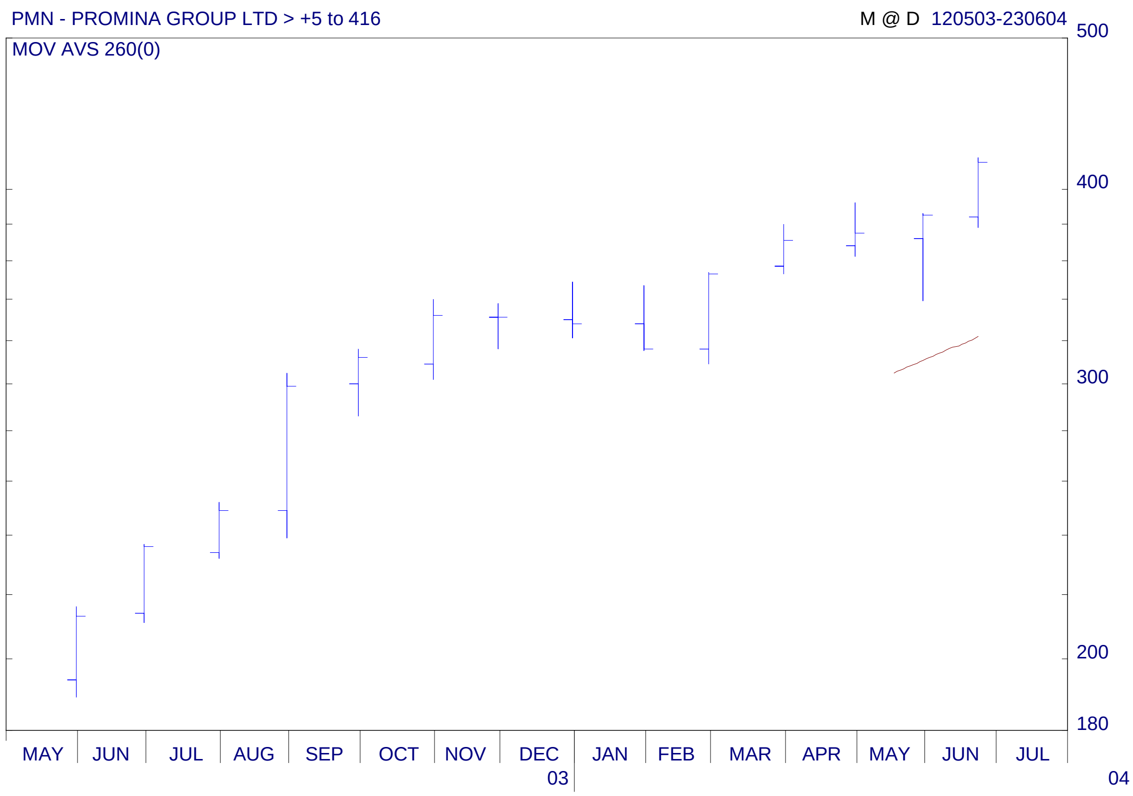
Profits Very erratic and with losses in the last two years
PE Ratio No earnings, so PE ratio is inappropriate
Dividend Yield Has never paid a dividend

Assessment Although it is not apparent from the monthly chart, a daily chart shows it to be very thinly traded.

It fails to meet the criteria of my investment plan on fundamentals.

Conclusion Not a very exciting chart and overall well outside my investment plan. Move on to the next chart.

Promina Group (PMN)



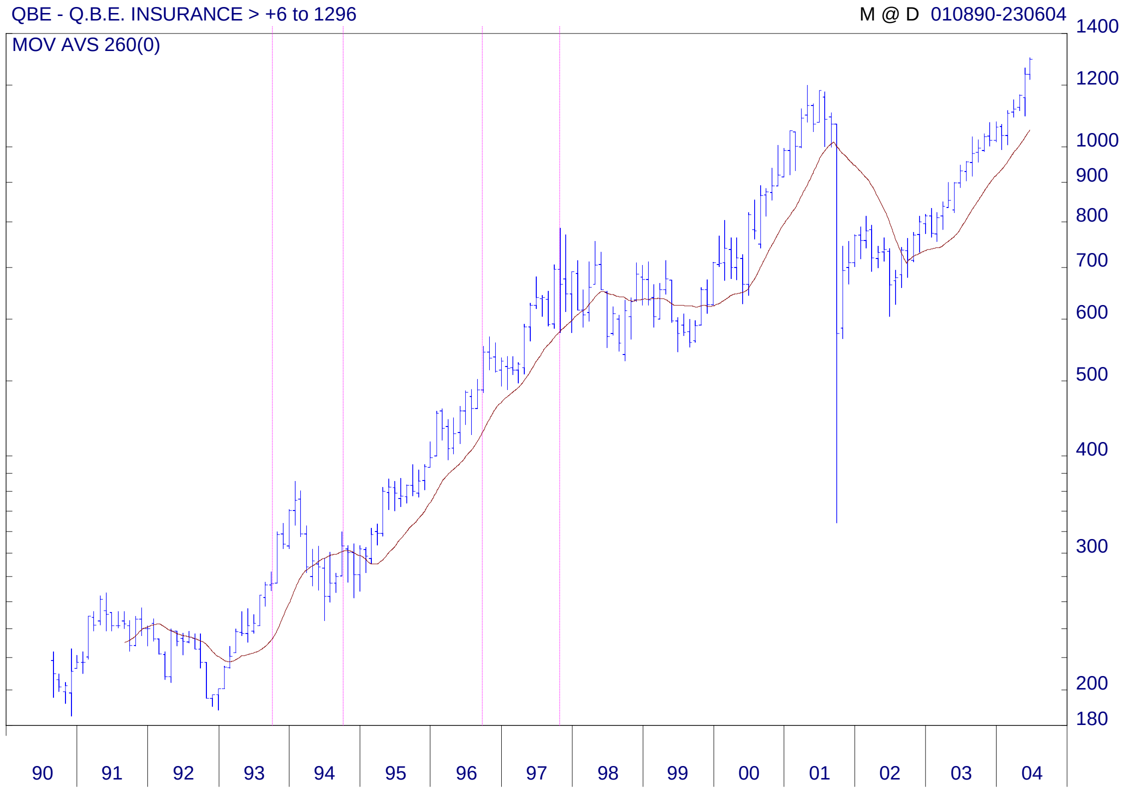
Analysis Insufficient history to judge whether it is a value or growth model chart, but it appears to be in a mark-up phase. Other insurance shares tend to be value model charts, so that might be a useful working assumption here too.

Profits Only three years data available, a profit, a big loss and another profit
PE ratio 12.6, which is below the market average of 15.19
Dividend Yield 3.07, which is below the market average of 3.84%

Assessment With the limited history, it is difficult to make a judgement here. Since there is a clear and strong uptrend and the fundamental ratios are reasonable, it could fit in my investment plan.

Conclusion If I were not fully invested already, I might buy some and build the position if the trend continued to unfold strongly.

QBE Insurance (QBE)



Analysis This is clearly a growth model chart, but with a massive interruption caused by losses from the 2001 terrorist attack on New York and Washington.

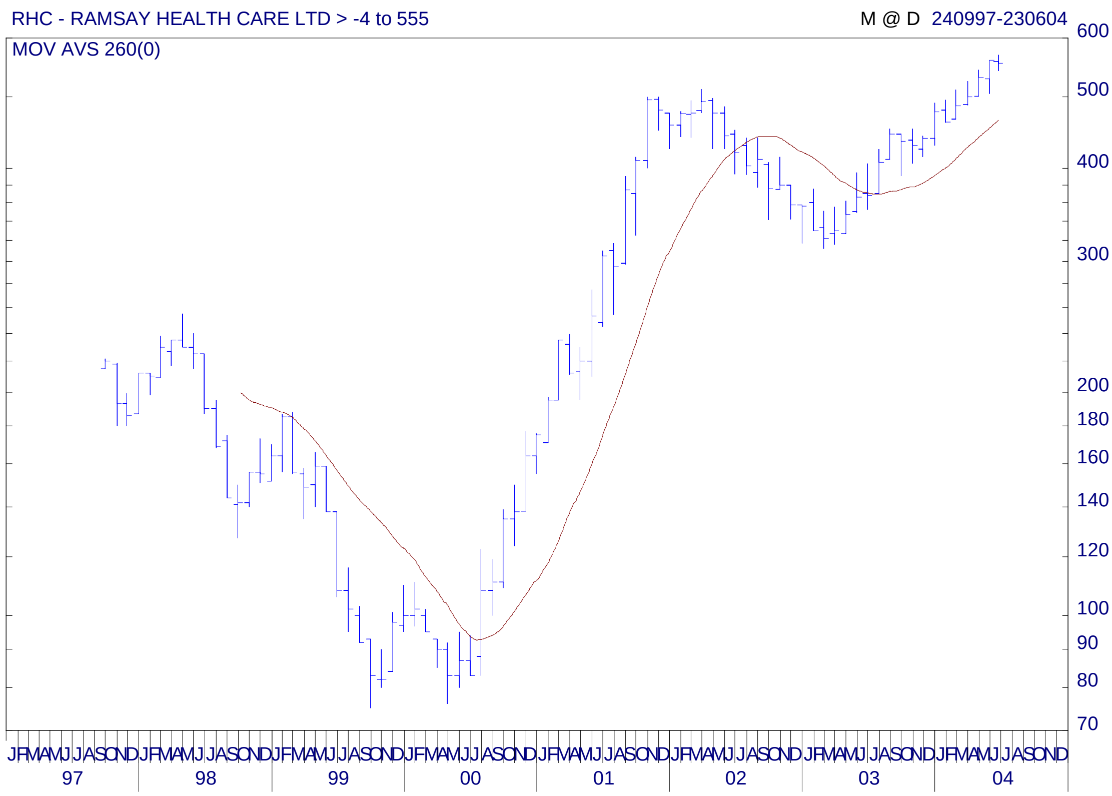
Profits Slightly patchy growth until the small loss in 2001. Since then two record profits
PE Ratio 15.0, which is right on the market average of 15.19
Dividend Yield 3.23%, which is below the market average of 3.84%

Assessment An outstanding chart, which was difficult to analyse because of the huge over-reaction to the 2001 disaster, which led to only a small loss for QBE. The new all time high confirms its growth pattern.

For a growth company, the fundamentals are very cheap, but maybe there is some doubt whether its recent growth can be continued.

Conclusion This is just the sort of growth model chart and fundamentals I am looking for. It has been on my short list for a while and is my choice of insurance shares. The only reason I have not bought it is because I have seen better potential shares that are already in my portfolio.

Ramsay Health Care (RHC)



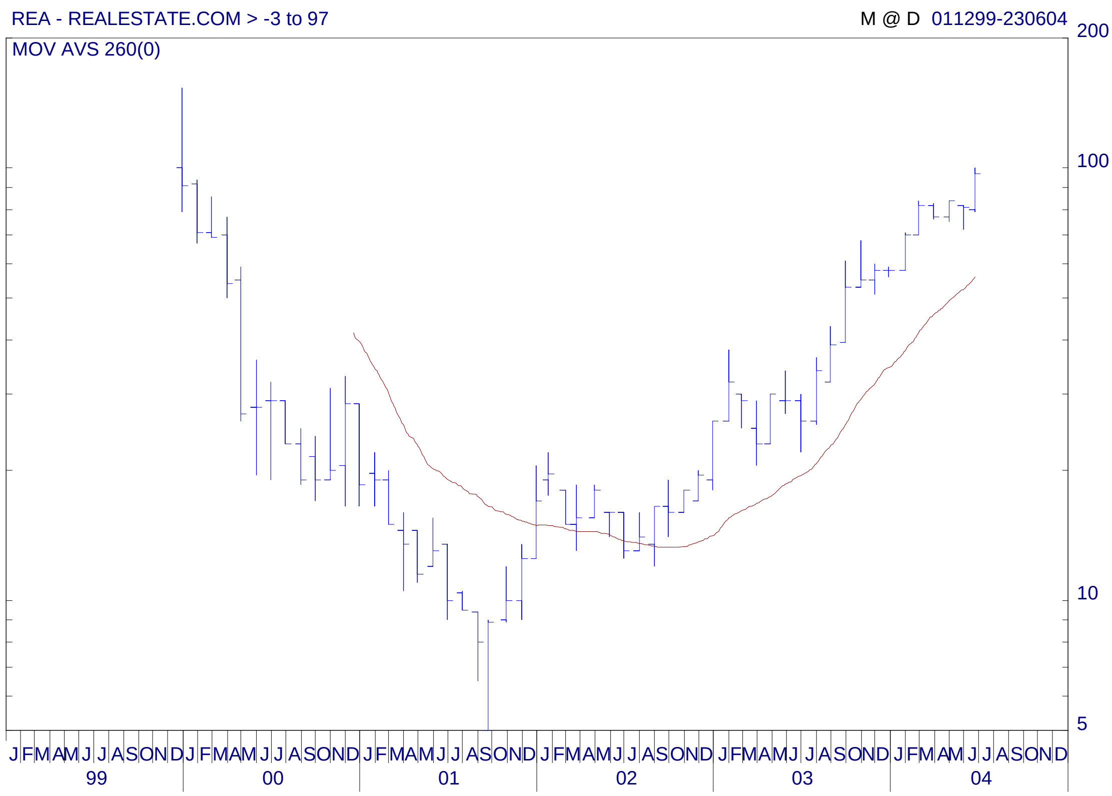
Analysis Until 2003, I would have seen this as indisputably a value model chart. However, while that is still my best judgement, it is possible to argue that it is now a growth model chart in a new mark-up phase.

Profits Significant setback in 1999 and 2000, but since then it has resumed a good growth in the last three years
PE Ratio 18.3, which is a bit higher than the market average of 15.19
Dividend Yield 3.1%, which is a below the market average of 3.84%

Assessment The chart is trending up strongly above the last major peak. The fundamental ratios do not look too demanding for a growth model chart.

Conclusion This is what I am looking for in my investment plan. It has been on my short list for a while. Again, the only reason I have not bought it is that I see better potential in my existing portfolio.

Real Estate.Com (REA)



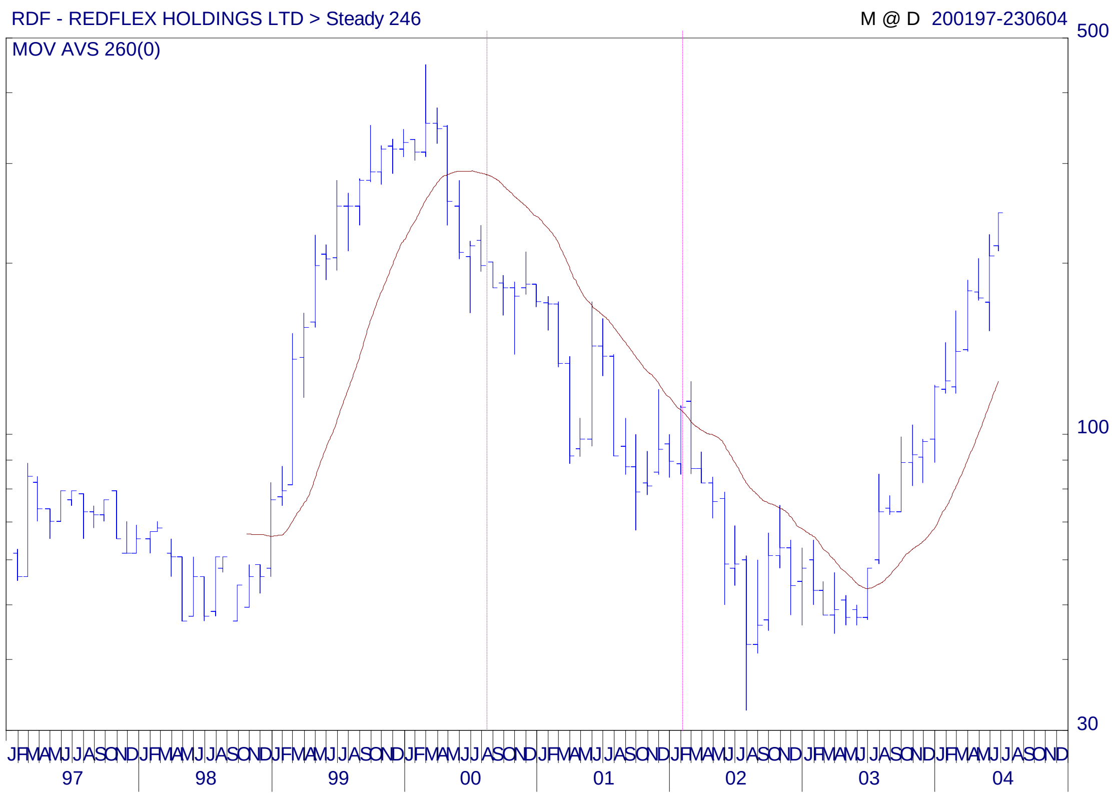
Analysis Clearly a value model chart that is well advanced in a strong mark-up phase.

Profits Has been trying to make a profit for five years
PE Ratio No earnings, so PE ratio is non-existent, although there was a small first half 2004 profit which shows a PE ratio of 62.2
Dividend Yield Is yet to pay a dividend

Assessment While the chart shows an excellent uptrend, the fundamentals are way outside my investment plan. This is a pure speculation on an unproven business plan.

Conclusion Outside my investment plan. Move on to the next chart.

Redflex Holdings (RDF)



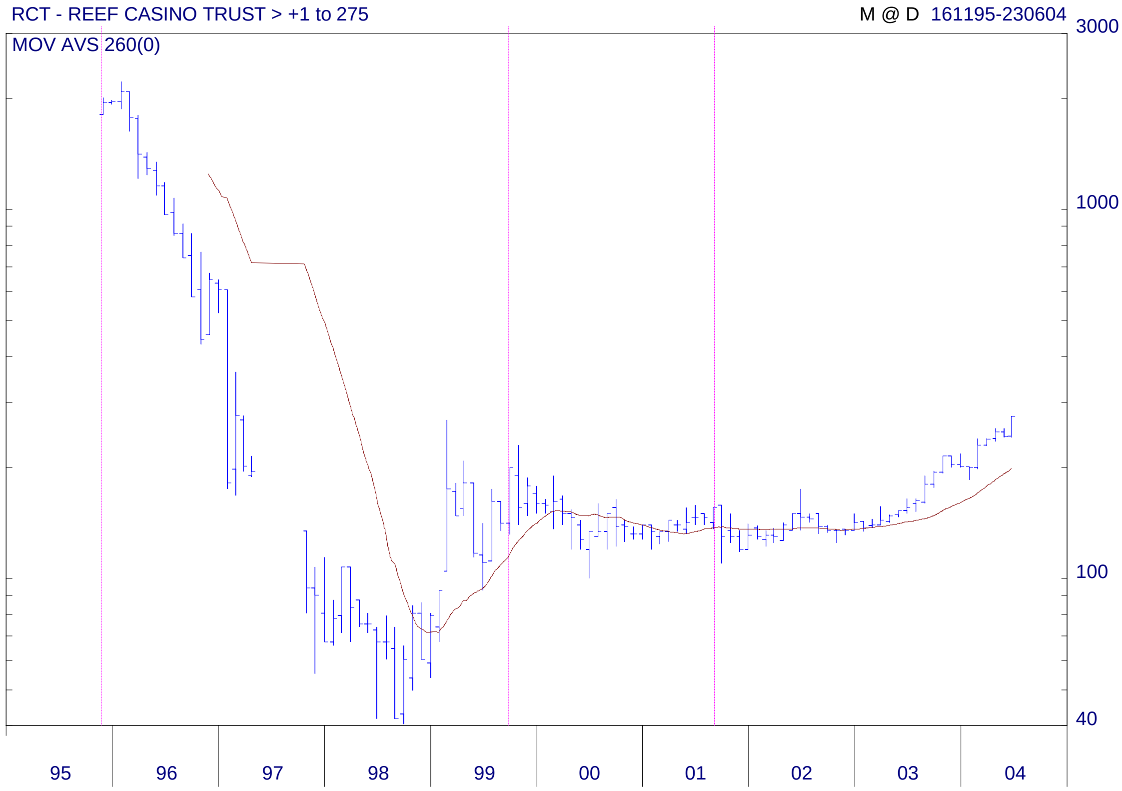
Analysis A good example of a value model chart.

Profits Patchy, with three large losses nowhere near offset by four small profits
PE Ratio No earnings, so PE ratio is inappropriate
Dividend Yield Is yet to pay a dividend

Assessment While the chart shows an excellent uptrend, the fundamentals are way outside my investment plan. This is a pure speculation on an unproven business plan.

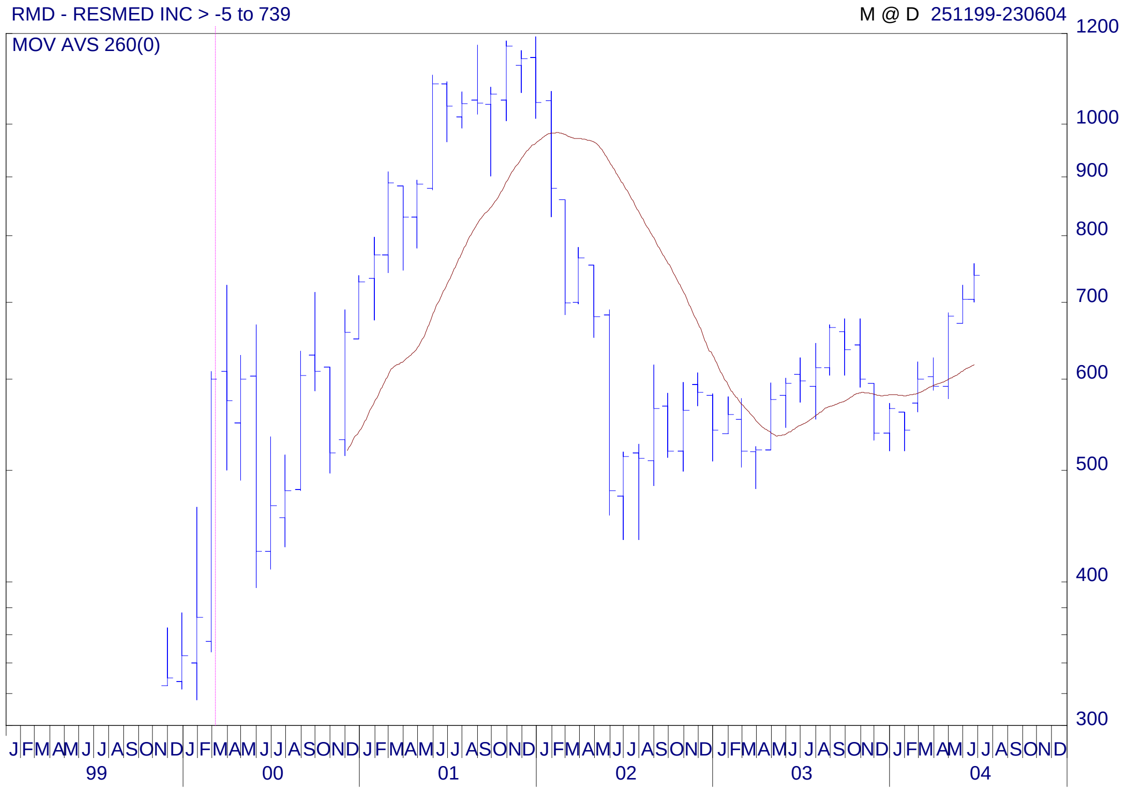
Conclusion Outside my investment plan. Move on to the next chart.

Reef Casino Trust (RCT)



Conclusion This is a trust. Trusts are outside my investment plan. Move on to the next chart.

Resmed Inc (RMD)



Analysis This is clearly a value model chart, which is just beginning a mark-up phase.

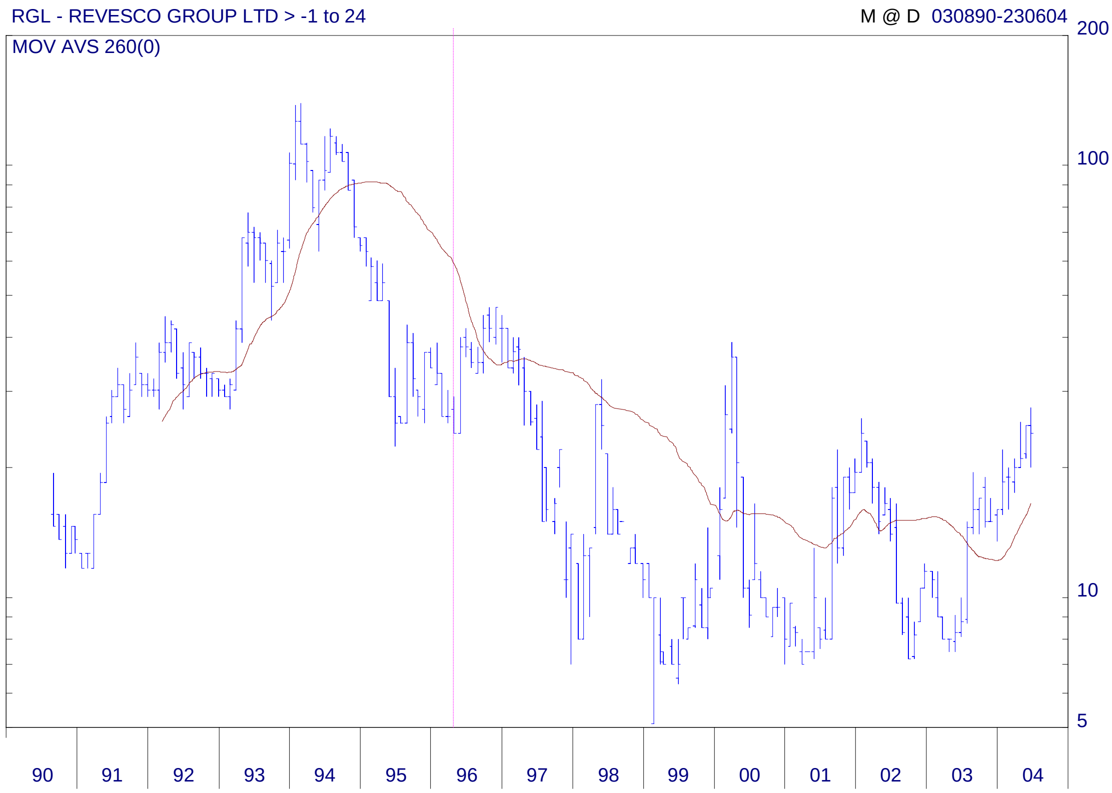
Profits In its fifth year of fairly solid profits
PE Ratio 35.5, which is way above the market average of 15.19
Dividend Yield Is yet to pay a dividend

Assessment The fundamentals seem to be anticipating growth which has not been evident in the past. The breakout on the chart suggests anticipation of some growth on the way.

This is a US share and is therefore outside my investment plan. I would not invest in it for that reason and have only it discussed here for the interest of readers.

Conclusion Outside my investment plan, even if it was not a foreign company.

Revesco Group (RGL)



Analysis This looks like a value model chart, which is in a prolonged accumulation phase.

Profits Has never made a profit
PE Ratio No earnings, so PE ratio is inappropriate.
Dividend Yield Yet to pay a dividend

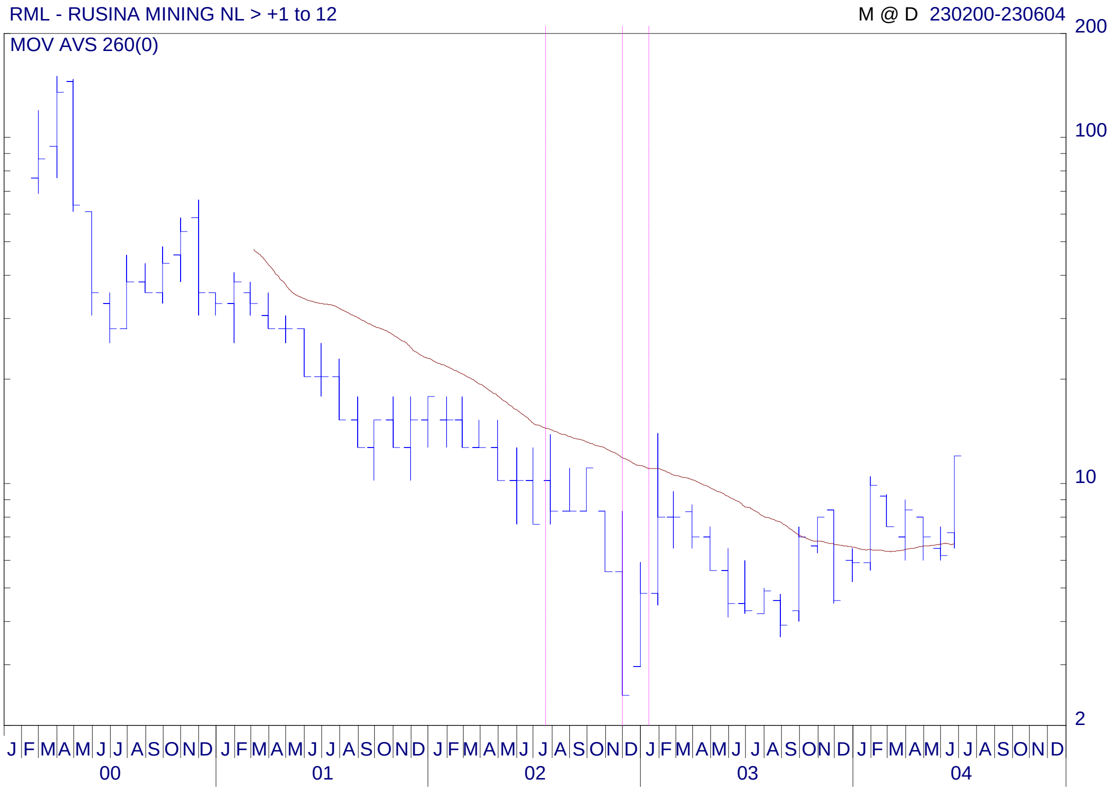
Assessment Chart is still in accumulation.

The fundamentals are way outside my investment plan.

It is also a resources explorer, which is outside my investment plan, being a pure speculation.

Conclusion Move on to the next chart.

Rusina Mining (RML)



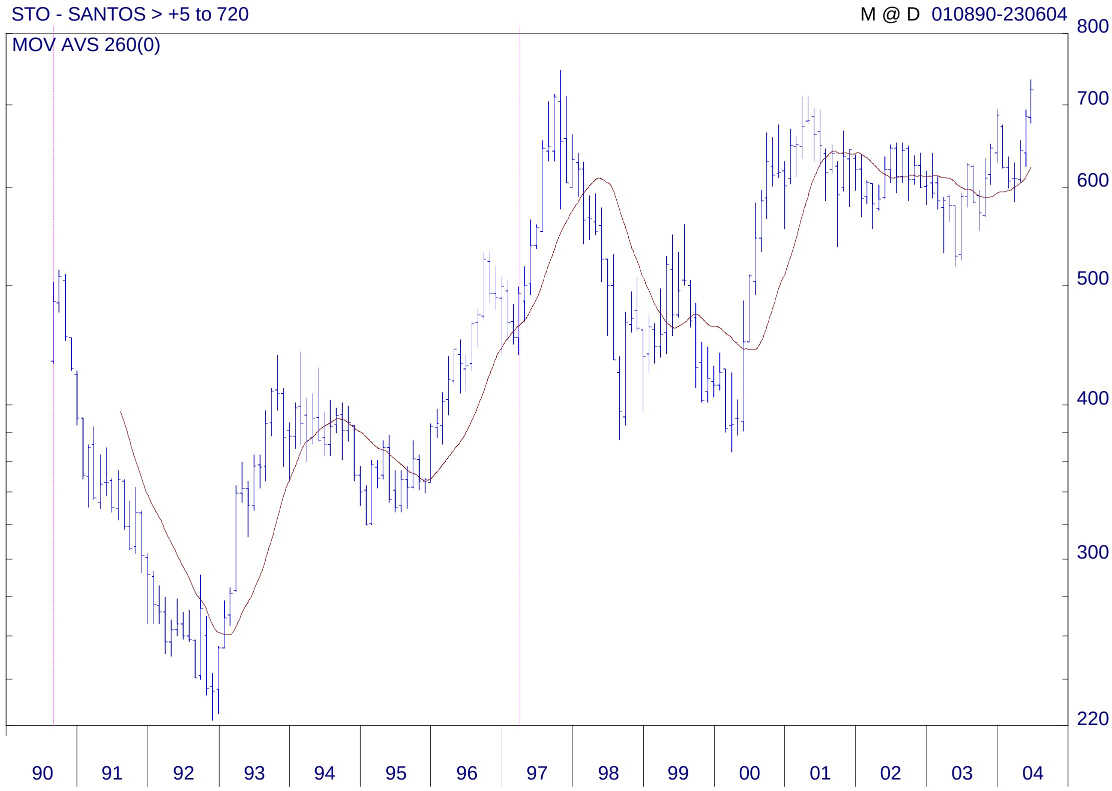
Analysis Possibly a value model chart, but there is really insufficient history to be certain.

Profits Makes losses
PE Ratio and Dividend Yield are not appropriate for a resources company

Assessment A resources share that is way outside my investment plan.

Conclusion Move on to the next chart.

Santos (STO)



Analysis This is a very difficult chart to classify. It has elements of a growth model chart. However, the difficulty is that the 1997-2000 decline is rather too much to be a consolidation phase. On the other hand, the recent rise is coming off what might correctly be seen as a consolidation, so maybe it is evolving into a growth model chart.

Profits Solid, though somewhat variable
PE Ratio 13.63, which is below the market average of 15.19
Dividend Yield 4.23%, which is a bit higher than the market average of 3.84%

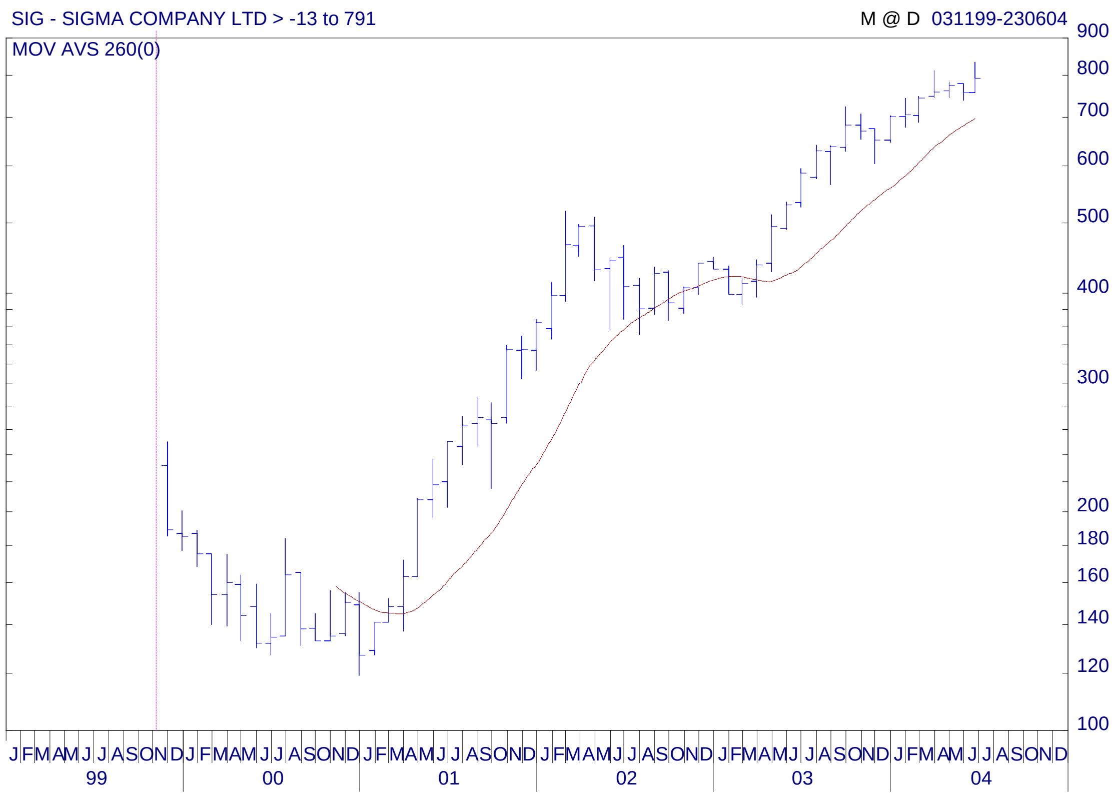
Assessment If this really is a growth situation, then it looks good value.

The chart is also quite interesting in that it could be breaking out of a wide consolidation area. Much depends on one's view of the price of oil, which is historically very high. We may be near the top of a cycle.

One problem with this is that Santos is a resources company and the fundamentals should be used with great caution for a company exploiting a wasting asset.

Conclusion While interesting, this is not a convincing situation.

Sigma Company (SIG)



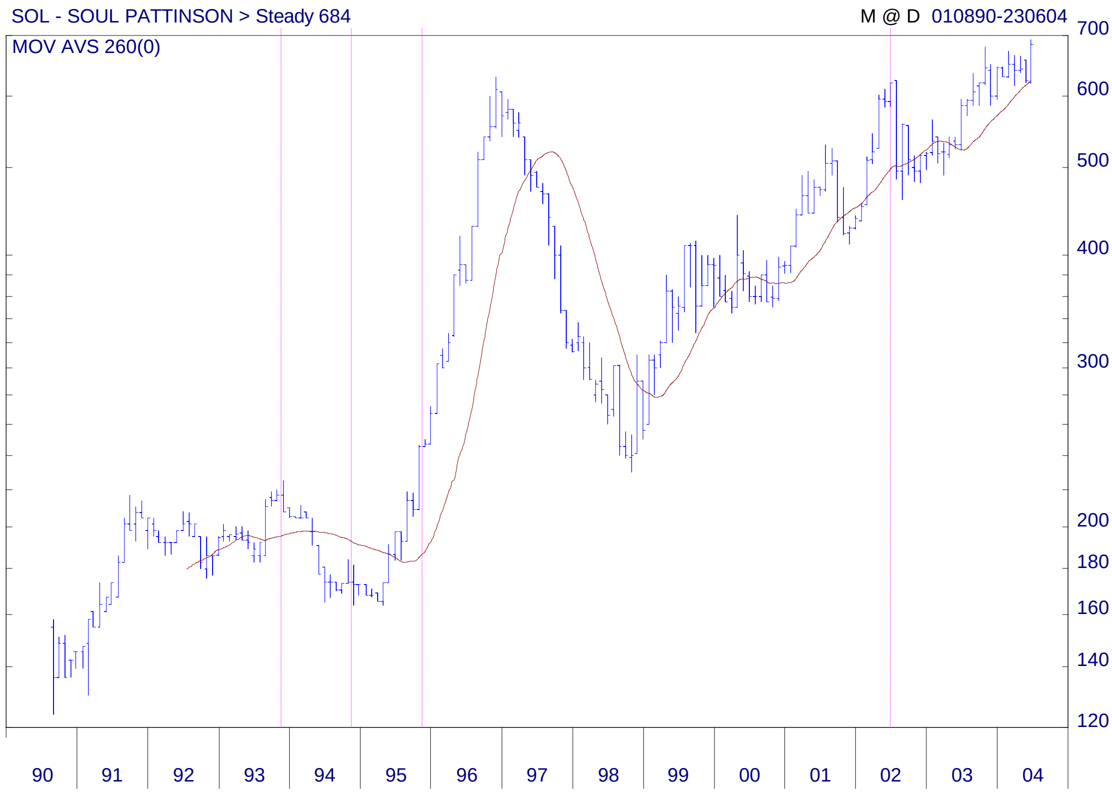
Analysis This is very clearly a growth model chart.

Profits Solid and growing very strongly in recent years
PE Ratio 25.1, which is well above the market average of 15.19
Dividend Yield 2.54%, which is well below the market average of 3.84%

Assessment Everything about this chart and its fundamentals say growth. The key is whether the price is too high. My judgement is that it is fully priced. There is no room for a slip here. Nevertheless, it is a great chart and may well go much higher before its growth cycle ends. I have other shares like this in my portfolio. Though mostly the fundamentals suggest better value.

Conclusion This share has been on my short list for a while and I would buy it now if I was not already fully invested in shares I think are marginally better value.

Soul Pattinson (SOL)



Analysis This is a slightly tricky one, but I see it as a value model chart that is in a strong mark-up phase. There is scope to argue that it has evolved into a growth model chart, but I am far from convinced on what I can see, based on the extent of the decline in 1996-98.

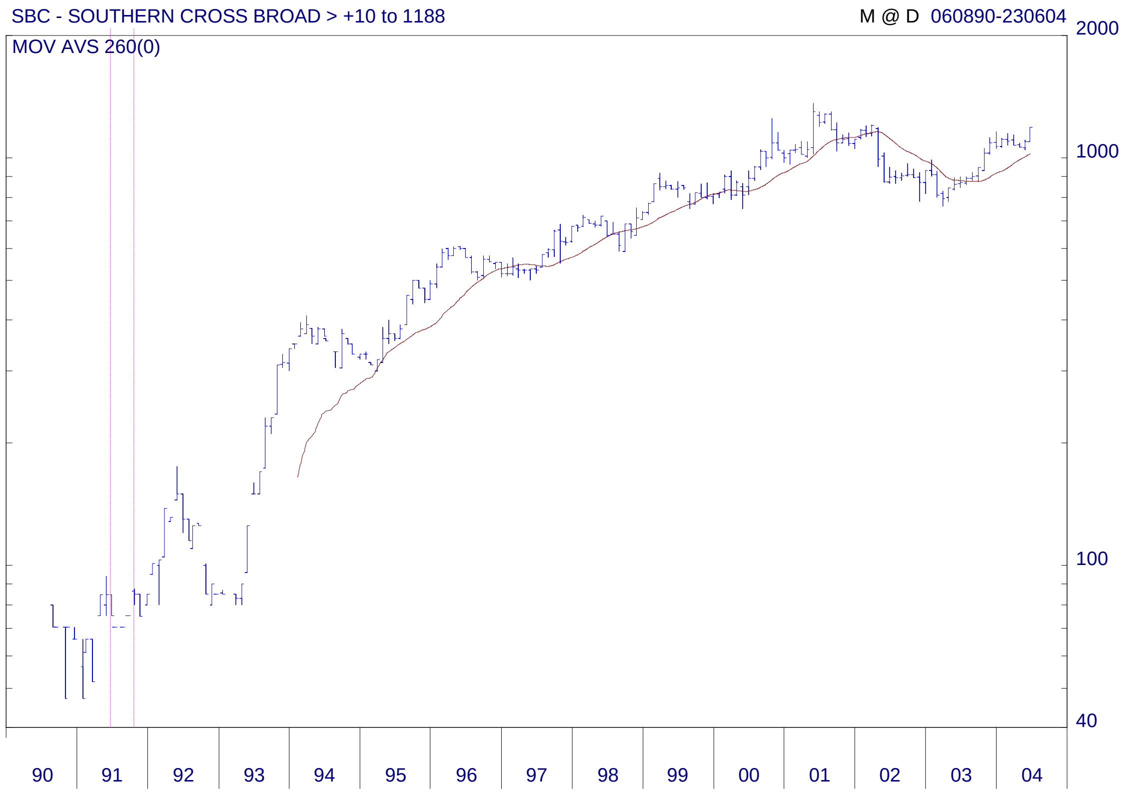
Profits Consistent and growing steadily
PE Ratio 11.5, which is below the market average of 15.19
Dividend Yield 2.64%, which is also below the market average of 3.84%

Assessment This is strictly an investment company. As an investor, one has to think whether the company is not doing what we are trying to do.

It is also heavily invested (through Brickworks) in the building and construction industry, which might be at or past its cycle peak.

Conclusion I find this one a bit too equivocal on several issues. It is best left to the experts and those who want to tackle the difficult ones.

Southern Cross Broadcasting (SBC)



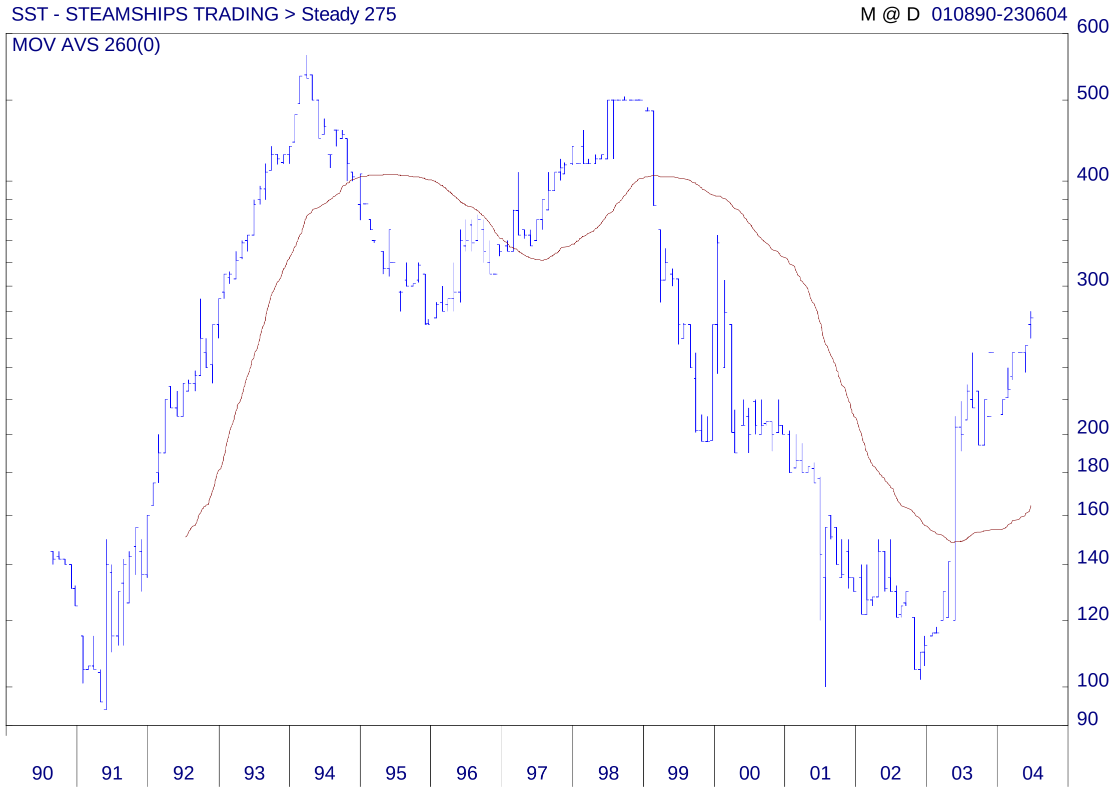
Analysis This may have been a value model chart before 1993, but since then it has clearly been a growth model chart.

Profits Have grown quite consistently, with only a few dips, the latest being 2003
PE Ratio 30.5, which is rather demanding compared to the market average of 15.19
Dividend Yield 4.81%, which is well above the market average of 3.84%

Assessment Looks to be on track to resume its great growth. However, for me, it needs to get above the 2001 peak to be sure it is not forming a top reversal pattern.

Conclusion I have had this share on my watch list for a while. However, I have bought two other media shares that have looked rather better already, so this one will probably not find its way into my portfolio. The ones that start up first in each cycle are usually the best of the sector.

Steamships Trading (SST)



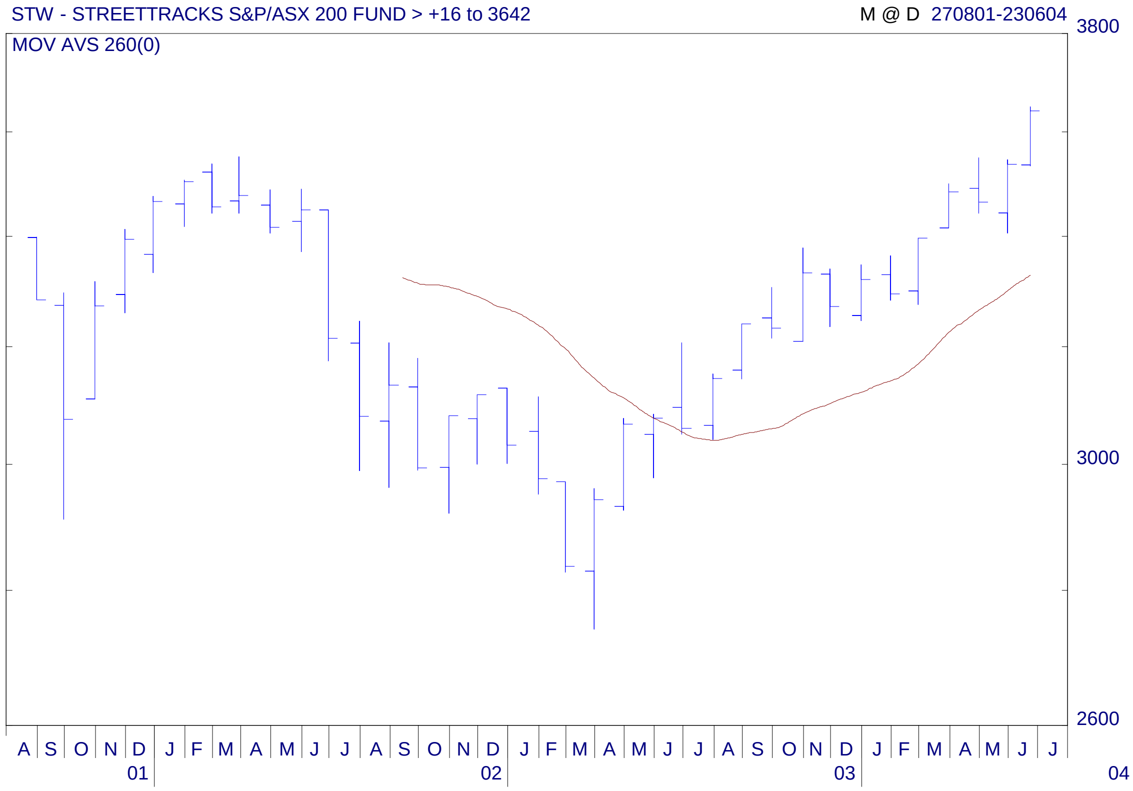
Analysis This is clearly a value model chart. It seems to be well on the way up in another mark-up phase.

Profits Quite variable. The last three years have been quite weak
PE Ratio 30.9, which is well above the market average of 15.19
Dividend Yield 1.49%, which is well below the market average of 3.84%

Assessment Even the monthly chart indicates how thinly traded this share is. As such it is outside my investment plan.

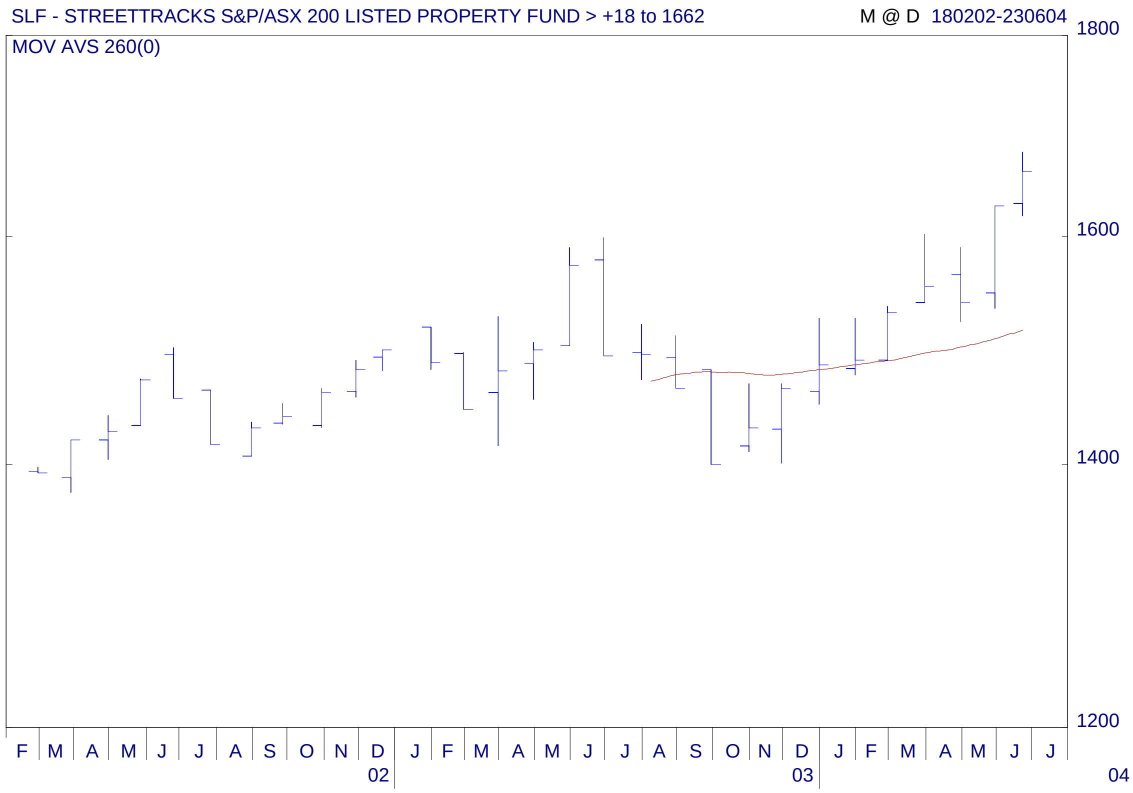
Conclusion Outside my investment plan. Move to the next chart.

Streettracks S&P/ASX 200 Fund (STW)



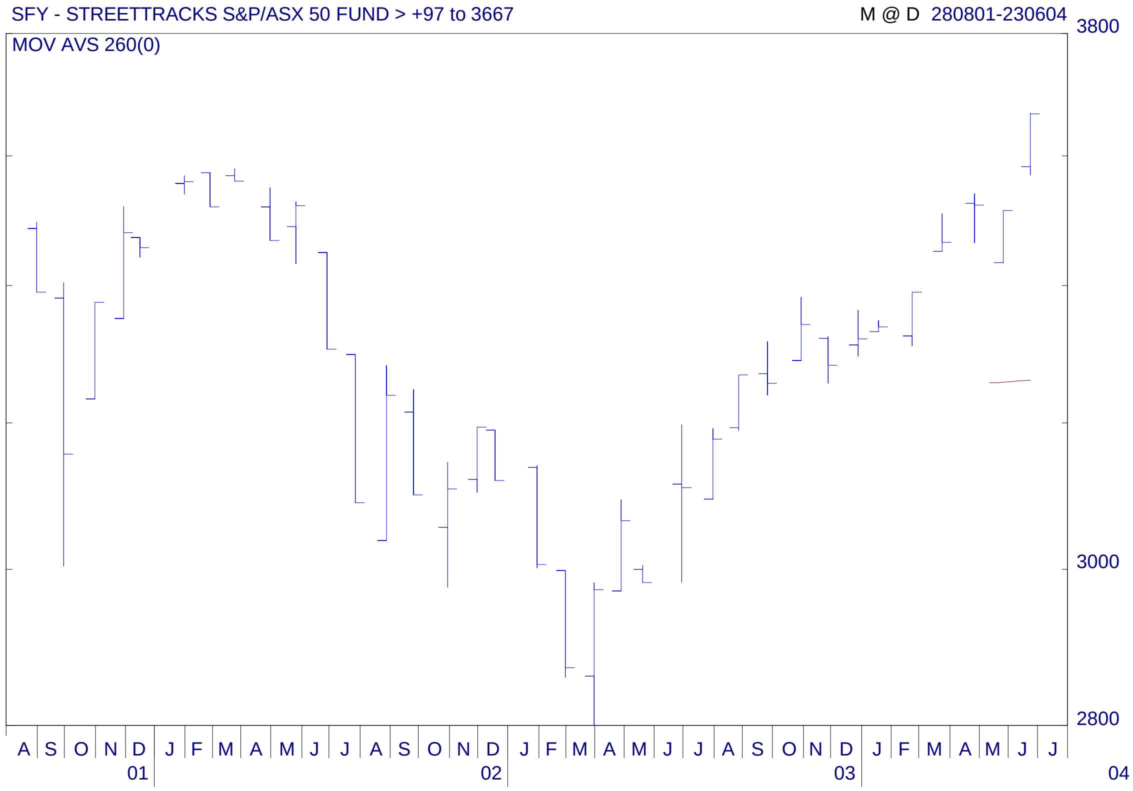
Conclusion This is a fund and therefore outside my investment plan.

Streettracks S&P/ASX 200 Listed Property Fund (SLF)



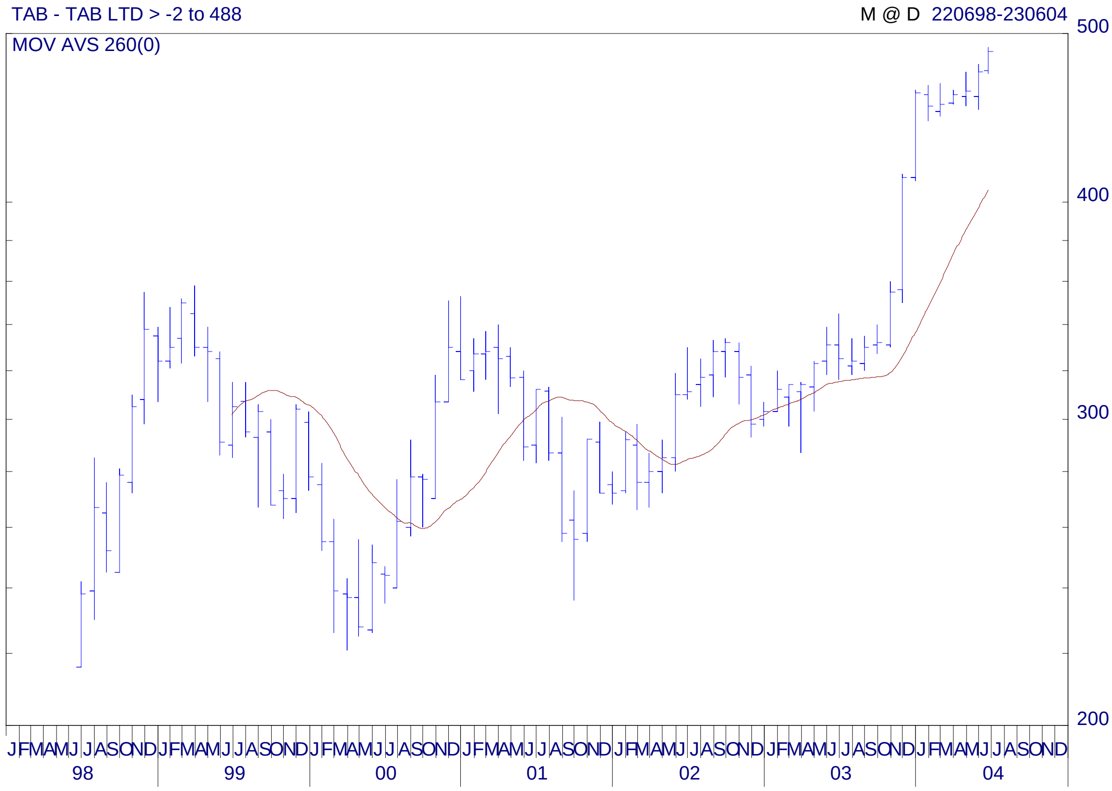
Conclusion This is a fund and therefore outside my investment plan.

Streettracks S&P/ASX 50 Fund (SFY)



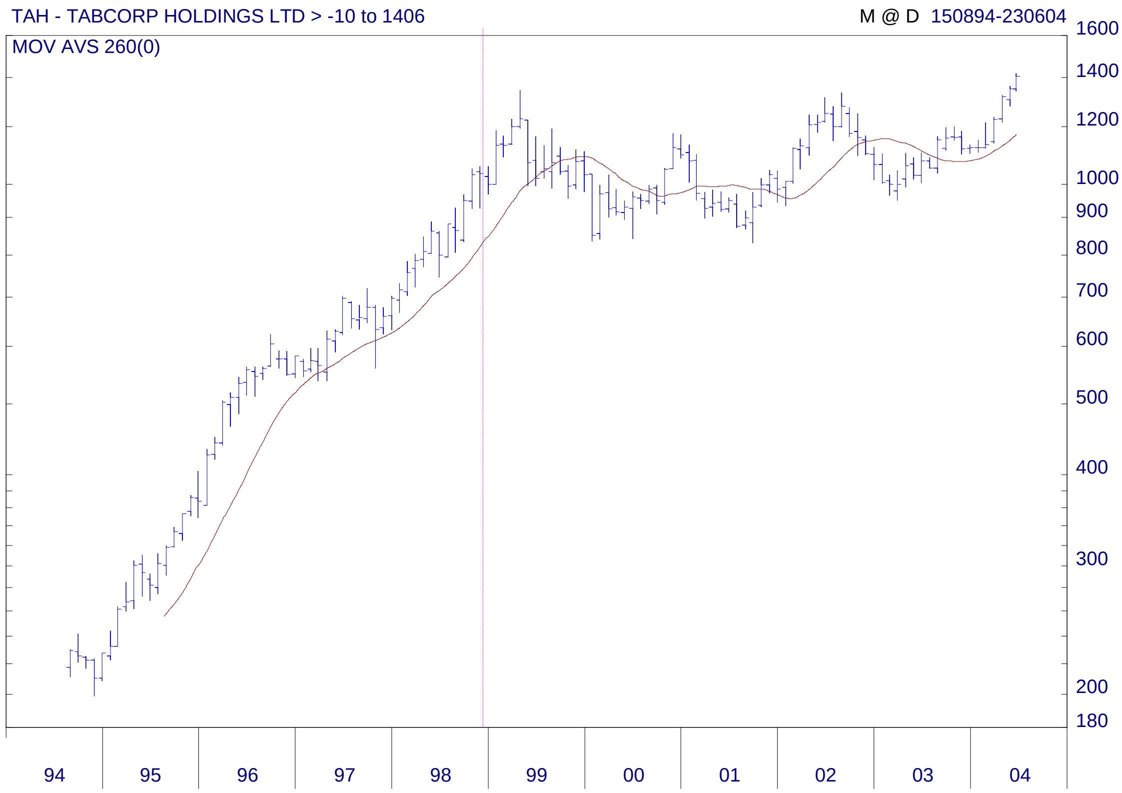
Conclusion This is a fund and therefore outside my investment plan.

TAB (TAB)



Conclusion This company is in the process of being taken over. The action is over. Move to the next chart.

Tabcorp Holdings (TAH)



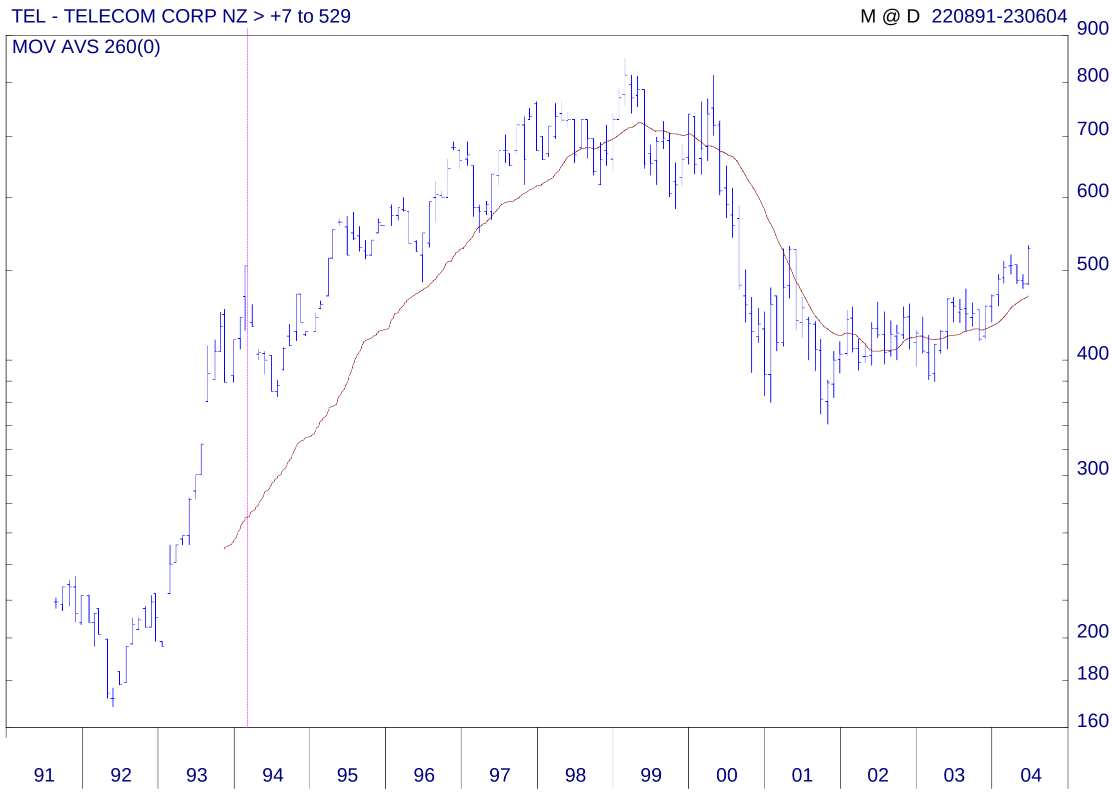
Analysis This is clearly a growth model chart. It seems to have completed a major consolidation area and be in a new mark-up phase.

Profits It has shown consistent growth, before having flattened out for a few years
PE Ratio 19.1, which is moderately above the market average of 15.19
Dividend Yield 4.9%, which is well above the market average of 3.84%

Assessment Starting a new mark-up phase and with attractive fundamentals for a growth business.

Conclusion I have been building a position in this share as it seemed to be rising out of its consolidation area.

Telecom Corp NZ (TEL)



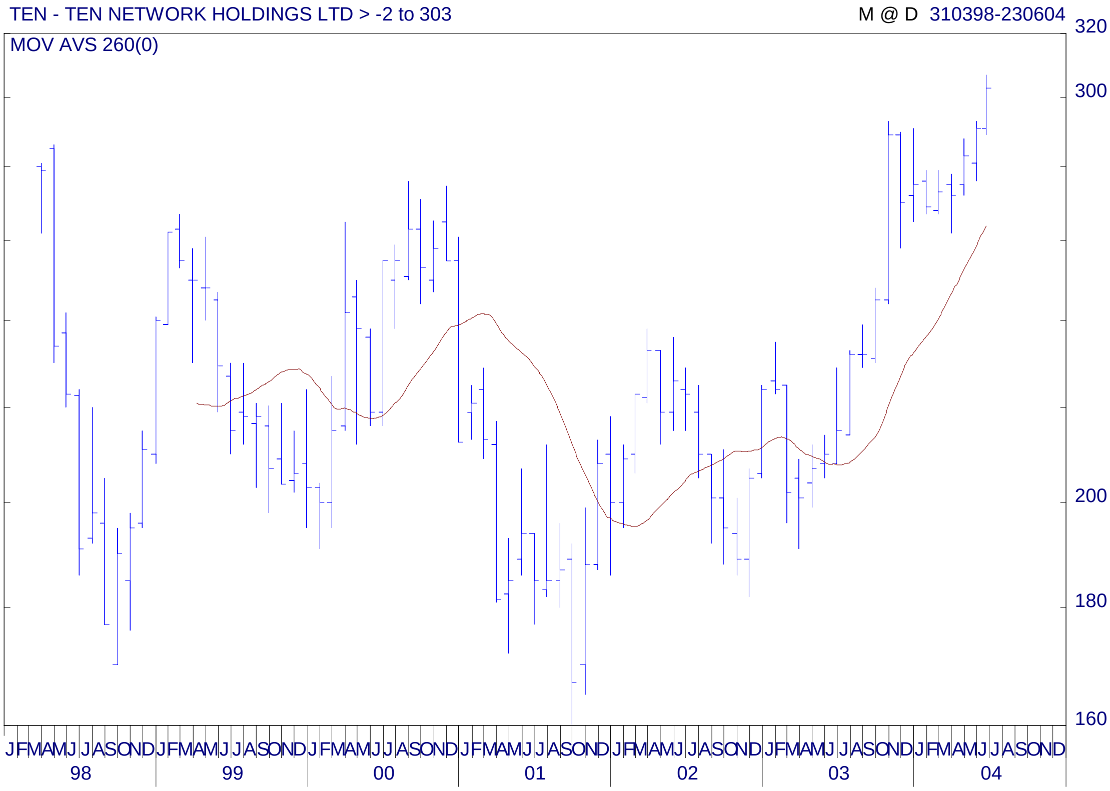
Analysis This is quite clearly a value model chart, which seems to be just beginning a new mark-up phase.

Profits Good growth until recent years and included a big loss in 2002
PE Ratio 10.8, which is well below the market average of 15.19
Dividend Yield 3.80%, which is right on the market average of 3.84%

Assessment This is a very attractive chart and I would be very tempted to buy it, if it was not a foreign company. As a New Zealand company, I might entertain it if it was an outstanding situation in view of the reasonable information flow and similar legal and regulatory system.

Conclusion While it has been on my watch list, I feel that I have more attractive shares in my portfolio already and this one is not so attractive as to persuade me to invest in a foreign company.

TEN Network Holdings (TEN)



Analysis I am seeing 1998 through 2003 as a large accumulation area in a value model chart that has now started a strong mark-up phase.

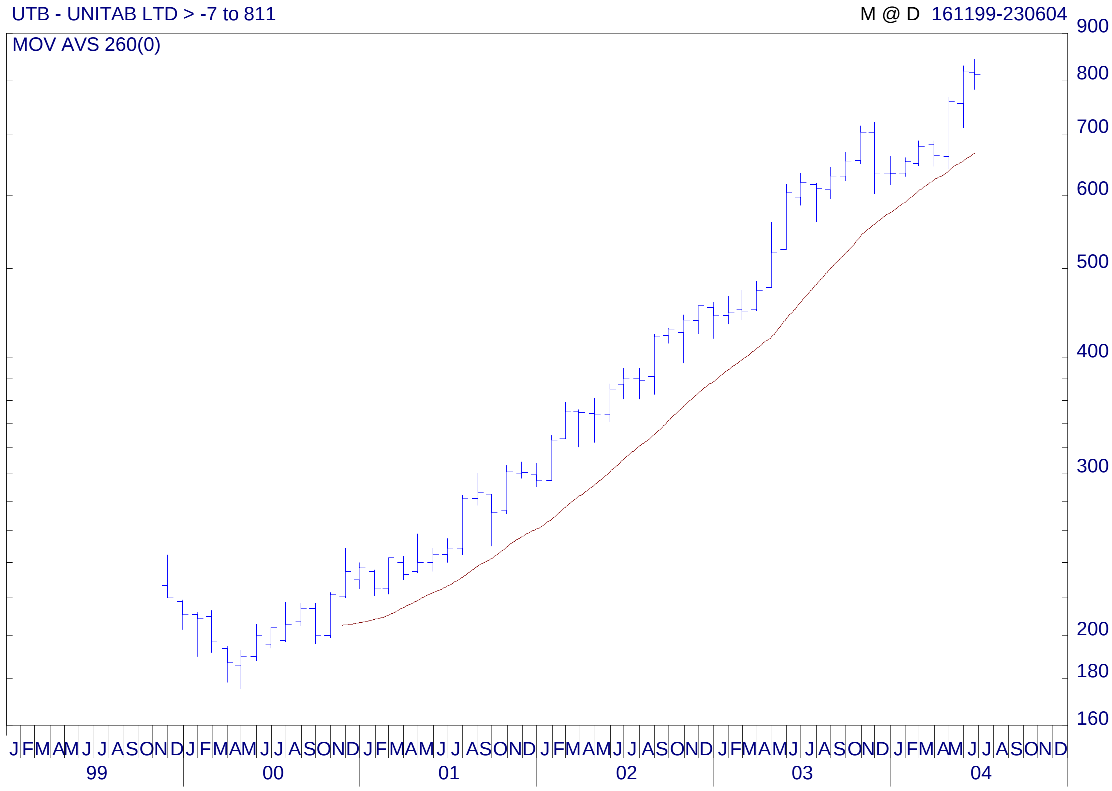
Profits Patchy, but seems to be coming off a media cycle low
PE Ratio 11.7, which is well below the market average of 15.19
Dividend Yield 4.82%, which is well above the market average of 3.84%

Assessment If you accept my view of the chart it is an outstanding opportunity.

The fundamentals also show that this is a cheap share.

Conclusion This is the sort of share I am looking for. I have built a significant position in this share, which I have found irresistible on charting and fundamental grounds.

Unitab (UTB)



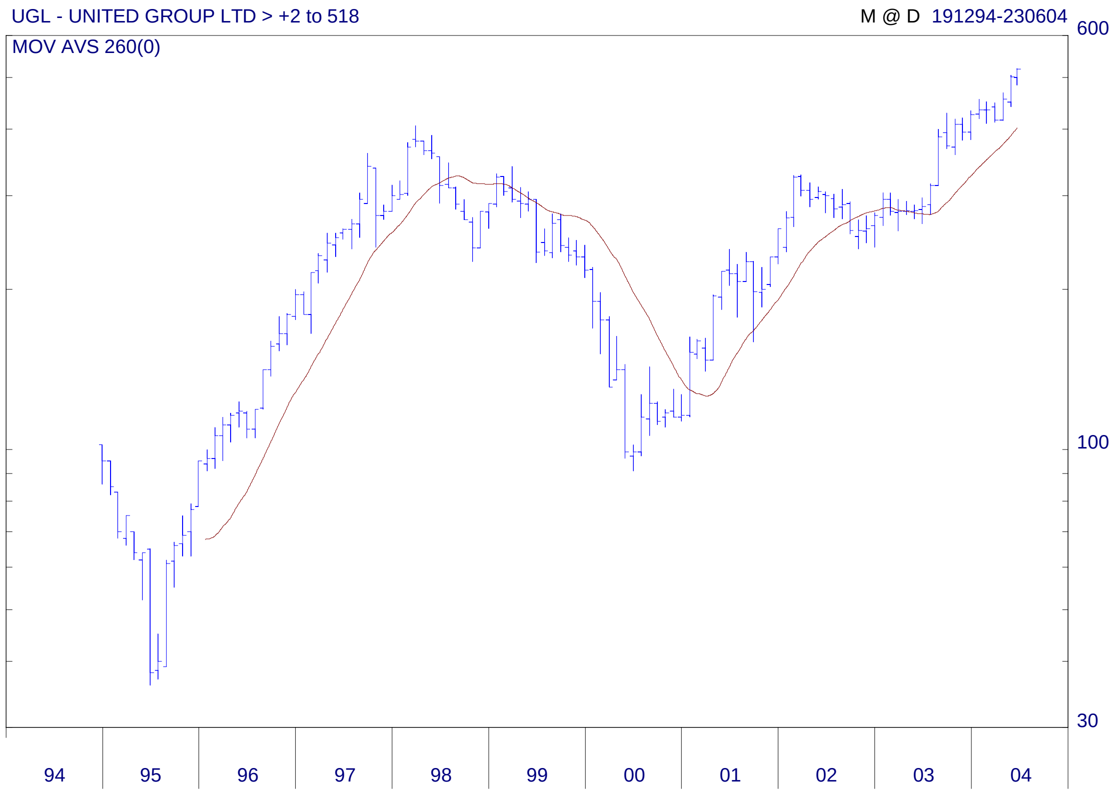
Analysis I am seeing this as a very strong growth model chart. The way it rises consistently above the moving average makes it an ideal example.

Profits Solid and showing fairly consistent growth
PE Ratio 20, which is moderately above the market average of 15.19
Dividend Yield 4.36%, which is well above the market average of 3.84%

Assessment This seems to be an ideal example of what I am looking for and has been for several years. The chart is perfect. The PE ratio is not overly demanding for a growth company. The yield is excellent.

Conclusion I have been on the point of buying this share several times, but have preferred its competitor Tabcorp, which is still in my portfolio.

United Group (UGL)



Analysis This is quite clearly a value model chart, which is in a strong mark-up phase.

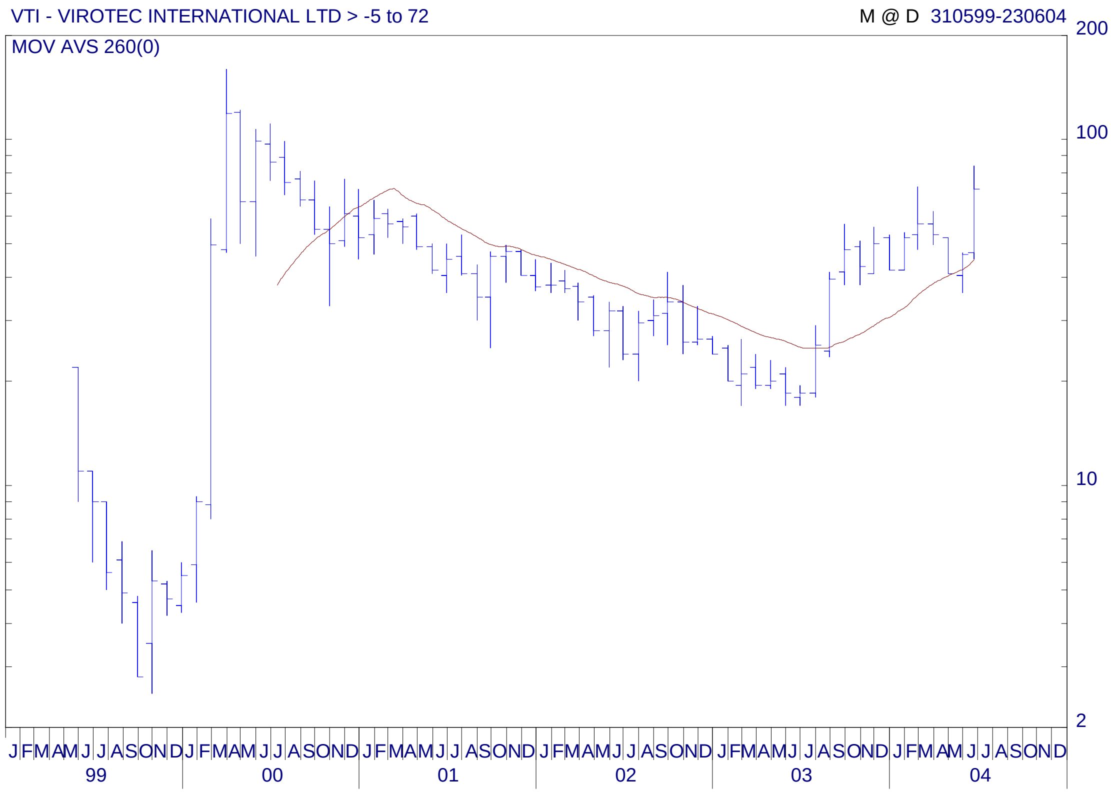
Profits Lost its way 2000-01, but otherwise is a strong growth story in a cyclical industry
PE Ratio 20, which is moderately above the market average of 15.19
Dividend Yield 3.1%, which is rather low compared to the market average of 3.84%

Assessment While my investment plan would ideally have put me in this share earlier in the great mark-up phase, my market exposure strategy did not allow me enough exposure to the market to include this share.

It may be rather late in the mark-up phase now and the value not quite so good, but I have built a moderate position in the last year.

Conclusion Should have been in my portfolio earlier if I had the funds strategically available.

Virotec (VTI)



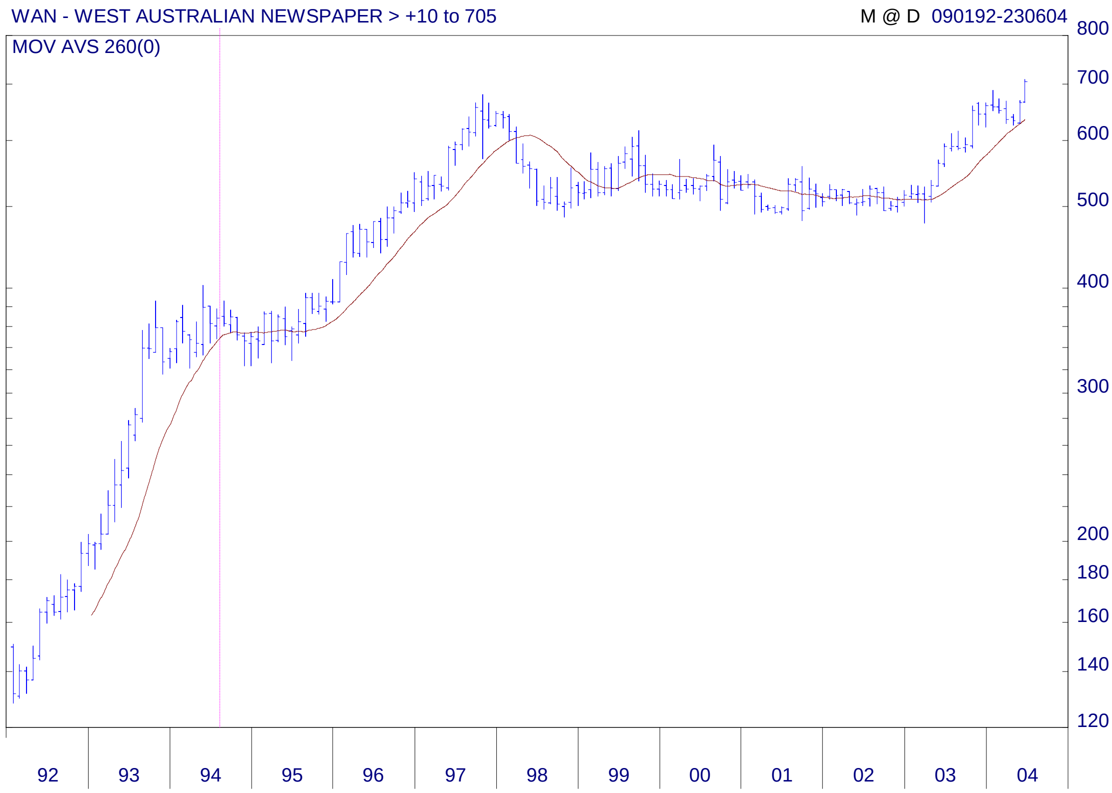
Analysis This is clearly a value model chart, that has just started to trend in a new mark-up phase.

Profits Patchy with the last five years all being large losses
PE Ratio No earnings, so PE ratio is inappropriate
Dividend Yield Has not paid a dividend in the last ten years

Assessment This is a pure speculation on a turnaround and so well outside my investment plan.

Conclusion Move on to the next chart.

Western Australian Newspapers Holdings (WAN)



Analysis This is clearly a growth model chart coming off a multi-year consolidation period.

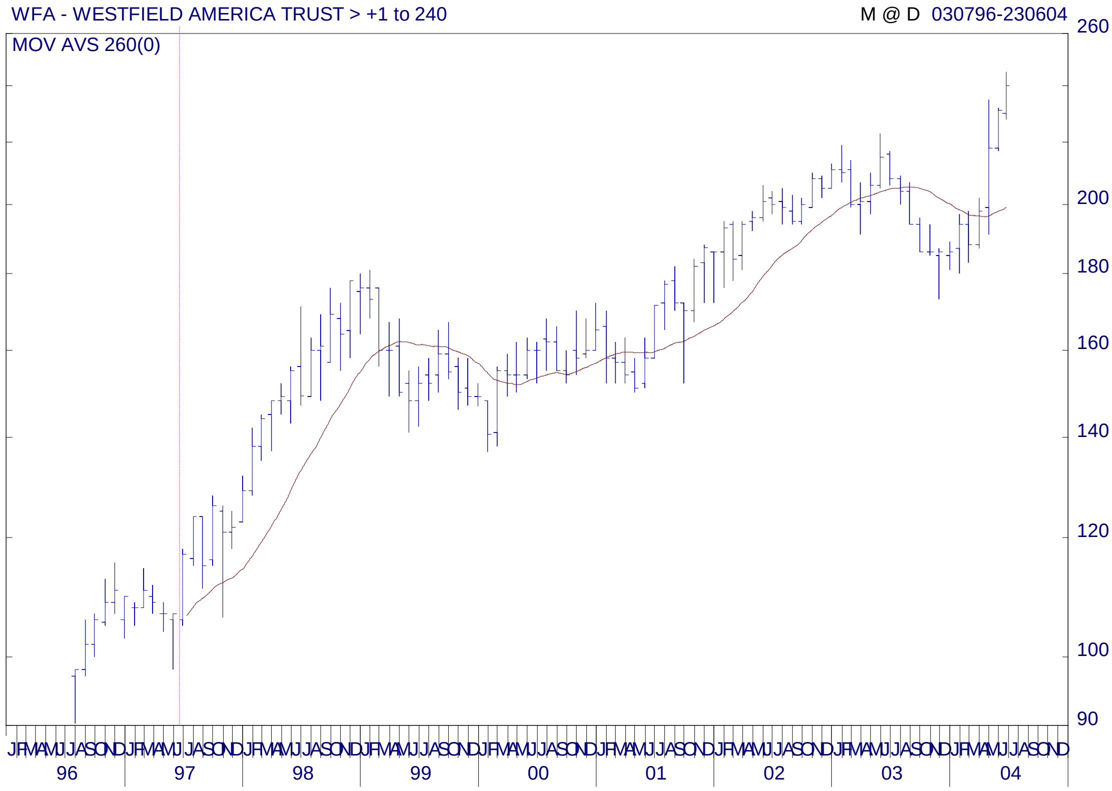
Profits Patchy, but solid rather than spectacular
PE Ratio 20.7, which is moderately higher than the market average of 15.19
Dividend Yield 4.82%, which is well above the market average of 3.84%

Assessment This is a textbook-perfect chart for my investment plan.

However, the fundamentals are echoing that it is a monopoly in a mature market. Maybe I know too much about the company and am not relying enough on the chart.

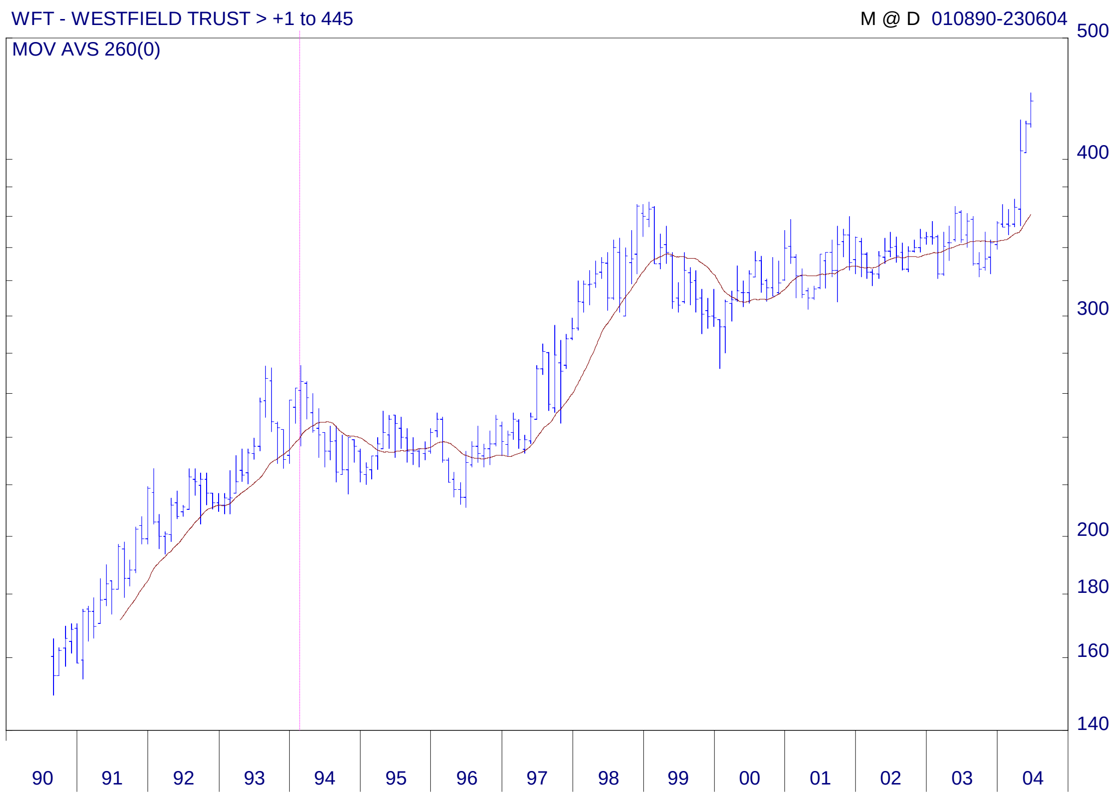
Conclusion Although it has been on my watch list, it has never been a compelling buy, so I have better prospects in my portfolio.

Westfield America Trust (WFA)



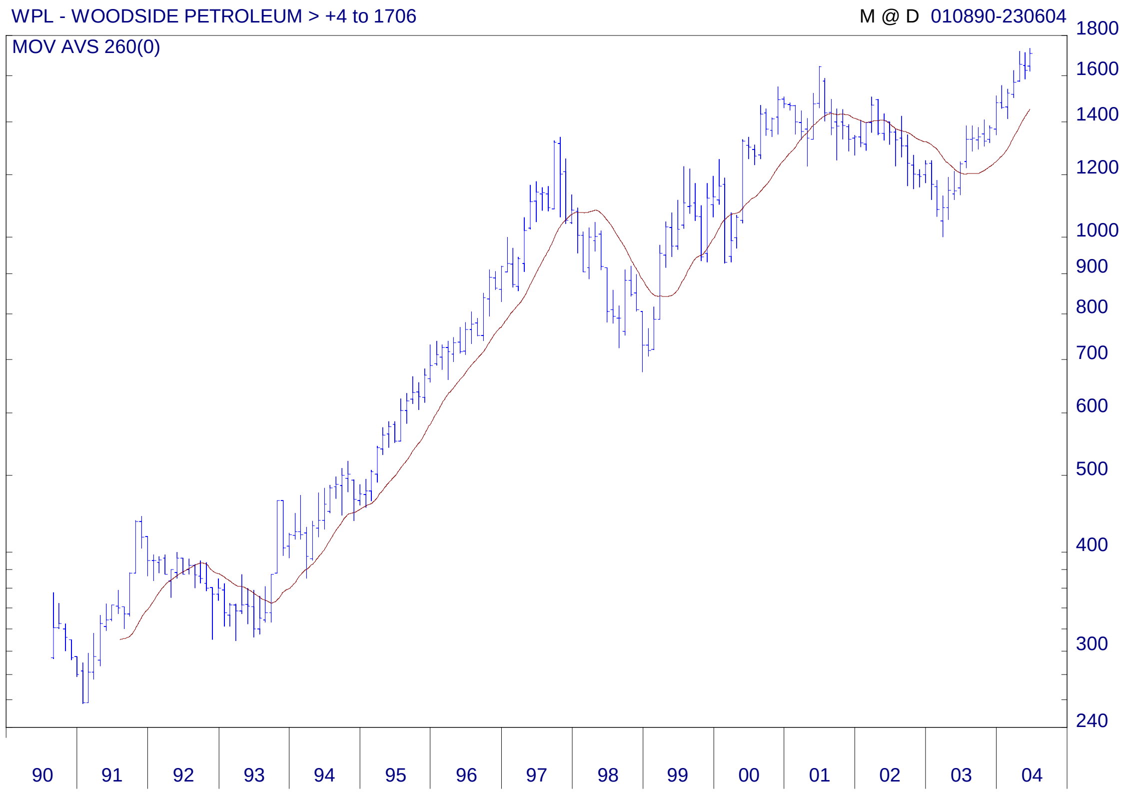
Conclusion This is a trust and therefore outside my investment plan. It was also in the process of being merged with the parent Westfield Holdings.

Westfield Trust (WFT)



Conclusion This is a trust and therefore outside my investment plan. It was also in the process of being merged with the parent Westfield Holdings.

Woodside Petroleum (WPL)



Analysis Like Santos, this has been a difficult chart to classify. It resembles the growth model, but the declines are rather too big. On balance, I would be inclined to treat it as a value model chart, but with a strong upward tilt to the cycles.

Profits A great growth story until a loss was recorded in 2002, and only a moderate recovery in 2003. Management have flagged further recovery in 2004
PE Ratio and Dividend Yield are not appropriate for a resources company

Assessment This is a resources company enjoying the highs of the oil price cycle, which may be near a peak.

Conclusion This has been on my watch list for a while and I have owned it in the past, however, the picture has not been sufficiently compelling compared to the shares in my portfolio.