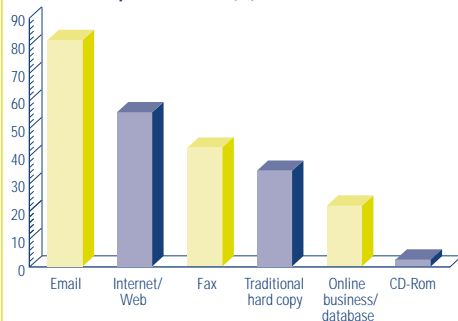




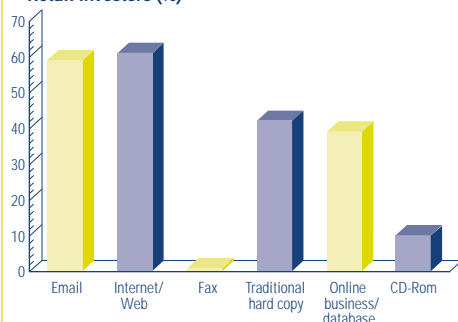
Westbrook *on the line*

Preferred delivery methods for corporate information

Investment professionals (%)*



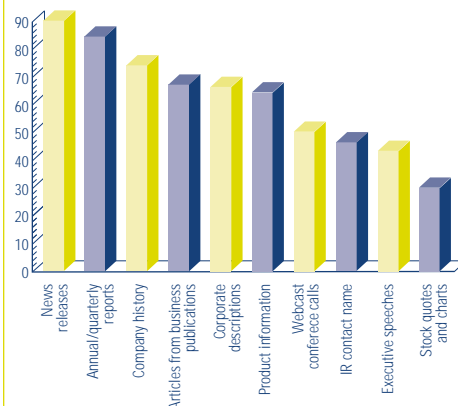
Retail investors (%)*



*Multiple responses
Source: 2000 Investor Relations Magazine US Awards

Use of corporate web sites

Investment professionals accessing information on the web (%)*



*Multiple responses
Source: 2000 Investor Relations Magazine US Awards

Online Information

As more investment information becomes available over the internet, both retail and professional investors are now rating the internet and email highly as critical information sources.

Corporate websites are also assuming greater importance as they provide information not previously available to investors.

The charts on this page illustrate how the internet rates as an information source with retail and professional investors in the US and what they look for in corporate websites.

Winning Websites

Recent awards for investor relations websites have identified the following characteristics for commendation:

- a well-designed home page with clear links to all facets of the business
 - clear directives on company strategy and outlook
 - placement of the company within its industry sector
 - links to a broad range of related information sites
 - up to date information relating to share price, recent announcements and current issues facing the company
 - photos, spreadsheets and charts to detail a company's position in its market
 - virtual tours of company operations.
- Overall, award judges were looking for websites that give investors a better understanding of how a company operates and performs.

Webcasting

By early 2001, 3000 US companies were using webcasts for company announcements, up from 500 companies a year ago.

Leading webcast companies in the US agree that the real target for webcasts are analysts, fund managers and brokers who are following numerous companies and do not have time to go and visit each one.

While this technology makes it possible for information to be broadcast to a potentially large audience, the real challenge is to make sure the audience knows when to listen to get the information it wants.

Directing Valuation

One US company that has taken an alternative approach to having investors understand the value of its business is Tredegar Corporation, a medical technology company.

The company's complex structure had led the board to believe its business was undervalued and not understood.

To solve this problem, the directors included in the 1999 annual report a section providing information about valuation.

The section gives details about each individual business including competitive positions, core strengths, growth strategies and primary risks.

A worksheet at the end of the report enables readers to tally up business unit valuations to reach their own estimate of a fair share price, which they can compare with the market value.

A reader response survey showed 90 per cent of respondents felt the report enhanced their understanding of the business and 80 per cent said the report was better than others.

Tredegar's 1999 and 2000 annual reports can be seen at www.tredegar.com

Biotech – What an Analyst Looks For

With biotech stocks increasing in popularity, Westbrook Communications' David Reid caught up with JP Morgan's Wayne Gentle to discuss what analysts look for in biotech.

Wayne Gentle has been an analyst with JP Morgan for nine years and for the past three, Wayne's world has been biotech and healthcare stocks.

Q Why would you recommend investment in a biotechnology stock?

A There is definitely a market for this type of investment but the important point is it has a place in an investment portfolio and should not comprise an entire portfolio.

Q How do you make money out of a biotechnology stock?

A You make money by getting in early enough that you participate in the upside of a successful product but you have to balance that against the risk of failure which in this sector is very high.

Q What criteria do you apply when choosing biotechnology stocks?

A My approach is to look at industry benchmarks in terms of failure rates, how many drugs are in portfolio, the stage they are at and the likely "news flow" which will have an influence on prices.

Checkpoints include:

- management. How experienced is management in conducting clinical trials and its track record in commercialising other products?
- scientific advisory panels. It is important to know if leading industry figures from the area of therapy being targeted are involved.
- intellectual property. How innovative is the idea and how well is it patent protected?
- potential markets. They must be global and large to attract investor interest even at early stage.
- competitive advantage. How many other players are there? How advanced are they?
- sound business plan. Management must be strong scientifically but have a good head for business so that a drug can be commercialised if it reaches that point.
- project mix. Companies with a number of projects in varying stages of development are an attractive investment proposition. A company

like Novogen Limited is a good example in that it is lower risk because it has products already in the market place but has the advantage of blue sky with early stage development of new products in the development pipeline. Another positive angle is the fact that a number of products derive from the same technology platform and if one works there is a cascading impact on the value of other drugs in the portfolio.

Q How can you recommend a stock when you know it may never show a profit like a conventional business?

A The basic approach I take is to look at the market the company is targeting, look at the size of that market and make some broad assumptions about what a drug might earn and make a judgement about how long it may take to get to market.

I then risk weight those cash flows, depending on what stage the process has reached, usually by a very high rate of discounting.

News flow is another factor to consider when making investment recommendations. If the company does have an impressive market but is in a period of no news, it is unlikely that company will generate support for its share price.

Overlaying all this of course is the mood of the market.

Q On the issue of news flow, the market demands it, yet the media is suspicious of too much news. What is the balance?

A It is a very fine line and the market will read a lot into news releases from small cap companies because that is essentially the only thing that will drive value.

Q Can you profile for me the sort of retail investor suited to a biotechnology play?

A Generally, biotechnology suits those who have had some investment experience, definitely not for the faint hearted in terms of share price gyrations and the high risk nature of the sector.

Secondly, it is not a place for retirement funds or late stage superannuation money. It is good for long term investors

David Reid (left) and Wayne Gentle



Magazine Review

Shareholder Value Magazine

Kennedy Information Group, New York, NY,

Tel (212) 973 3720, <http://www.kennedyinfo.com>



who want an element of blue sky in their portfolios but understand risk and can mitigate it through understanding the checkpoints I have outlined.

I regard a 10 per cent exposure as reasonable, even more than sufficient, a 20 per cent exposure as quite aggressive.

The health care index is about three per cent of the total market. If you take out the top half dozen companies which make up 90 per cent of the index, you are looking at a very small component of the market overall. So even a 10 per cent weighting is quite heavy when considered in the context of the whole market.

Q Are there still worthwhile returns for retail investors if they invest in biotechnology through pooled or managed funds?

A I think this is an excellent strategy for retail investors. The problem for most retail investors looking at biotechnology stocks is a lack of access to information that a broker or analyst would have.

Listed trusts are also worthwhile.

Q What is the state of the biotechnology sector in Australia at the moment?

A I think we have gone through a stage where it has received a lot of publicity. It was confused a little bit with the internet run. Notwithstanding, Australia has great biotechnology intellectual property and I think the mapping of the human genome was just a signal that biotechnology was becoming a more important part of investment opportunities and that will continue to be the case. It will become more important for retail and institutional investors but it still has its place in the overall mix. In future, there will be less get rich quick and more emphasis on quality.

Q Can biotechnology also be a long term "play"?

A Definitely. Getting in early does maximise returns but the odds of failure vary at each stage of the development process in biotechnology.

Wayne Gentle is Healthcare Analyst Research, JP Morgan

A full transcript of this interview can be seen on www.westbrookfin.com.au

The US business publishing group, Kennedy Information, has started a new magazine focusing on investor relations, titled Shareholder Value.

The magazine, which has recruited prolific investor relations guru, Bill Mahoney, as executive editor, has a broad range of investor relations topics lined up for its bi-monthly issues.

A feature of each issue is the Shareholder Value 100 listing, which ranks companies according to an indicator of the contribution management makes to a company's total performance.

Management contribution is measured over five years by an increase in market capitalisation plus distributions to shareholders and compared with returns from a passive investment in an index fund of the same risk level.

Initial listings of the 100 have placed technology companies like Cisco at the top, a ranking likely to change significantly in coming issues.

In the current issue of the magazine, a case study of medical devices company, Medtronic, puts its annual 37 per cent gains in shareholder value down to two main factors.

Medtronic says its corporate culture, with a focus on saving lives through medical devices, is its main value driver, combined with listening to customers, who are mainly doctors, about the medical devices they need to do their jobs better.

Growth in shareholder value has become a by-product of these two principles, says Medtronic.

An interview with John Kotter, Professor of Leadership at the Harvard Business

School, looks at how companies create value through the effectiveness of their business leaders and employees.

Kotter says the best link of superior financial performance and corporate behaviour is when leaders develop a work culture which focuses equally on three audiences - employees, customers and investors - and that over-emphasis on any of the three, such as shareholder returns, does not work in the long term.

Lack of sincerity in corporate values will lead to failure and at the same time, values can't be too soft as to be unconnected with any notion of financial performance, Kotter says.

The magazine also gives considerable coverage to new SEC regulations on fair disclosure which require simultaneous release of information to all investors.

Shareholder Value points out that one effect of the regulation can be to codify the obvious - that ubiquitous and abundant information can make it worthless.

The challenge exists for analysts and investors to use information to make superior judgements and the opportunity is there for companies to provide insights with the information and define new criteria for how they are assessed by Wall Street.

Forthcoming issues of Shareholder Value might be worth the investment.

Cartoon Corner



"The Age" / Michael Leunig

Client Clips

A major Japanese metals group is to buy 40 per cent of **Alkane Exploration's** zirconia project at Dubbo. **Brickworks** has acquired Bowral Bricks and lifted dividend for the half year to December 2000 as well as paying its seventh successive special dividend. **CCH** has made four strategic investments in the past six months to expand its internet-based information business. An alliance between **Clover Corporation** and the CSIRO is putting nutritious fish oil on the menu. **Commonwealth Property Fund** now owns 100 per cent of Indooroopilly Shopping Centre. **Commonwealth Property Hotel Fund** has acquired Rockman's Regency Hotel in Melbourne and the Sydney Renaissance Hotel. **Gradipore** is in discussions with the world's major blood fractionation companies regarding possible adoption of the Gradiflow biological separation technology. **Huntley Investment Company** has raised interim dividend and outperformed the All Ords Accumulation Index for the fifth consecutive year. **Macquarie CountryWide** has boosted income and assets over the six months to December 2000 and formed a partnership for investment in the US. **Macquarie Leisure's** Dreamworld is hosting the reality television show, 'Big Brother'. **Milnes** has won product supply contracts from Telstra. **Neville Ward Direct** has produced a DIY investor pack to enhance no front-end fee investment choices. **Novogen** has received FDA approval for human clinical testing in the US of its anti-cancer drug phenoxodiol. "Fudge" global sales have lifted **Sabre's** interim profit and dividend. **SP Telecommunications** has raised \$20m and listed on ASX. The **Stock Exchange of Newcastle** has initiated a capital raising to fund expanded marketing. **W H Soul Pattinson** half year sales and profit were steady and dividend up for the period to January 2001.

Facts and Figures

- Supporting a well established link between share price and good reputation, a recent US survey identified eight key components of corporate reputation:
 1. Innovativeness
 2. Quality of Management
 3. Employee Talent
 4. Financial Soundness
 5. Use of Corporate Governance
 6. Long-term Investment Value
 7. Social Responsibility
 8. Quality of Products/Services
- Even though brand power is on the rise, 78 per cent of analysts and 72 per cent of companies in London say there is not enough information on key brands
- 52 per cent of adult Australians are now shareowners, either indirectly or directly, with 40 per cent of adults being direct shareowners, and half of these have not traded in the last 12 months
- Male investors trade 45 per cent more often than their female counterparts but their annual risk-adjusted net returns are 1.4 per cent less than those earned by women
- 50 per cent of Australian companies deviated from basic accounting procedures in the preparation of their 1999 financial reports – in 50 per cent of these cases auditors or directors asked for explanations
- One in three executives catch up on sleep during meetings – and nearly 90 per cent admit to daydreaming while attending meetings
- Meetings consume 20 per cent of the working day in Australia and cost \$21 billion a year in time and wages
- Executives in the US and UK attend more than three times the number of meetings of Australian executives
- Australian listed companies are 25 per cent owned by retail investors, up from 15 per cent four years ago
- 59 per cent of people assume a company is "probably guilty" if it is being sued, and 69 per cent believe that a "no comment" approach to the media confirms guilt

www.westbrookfin.com.au

Westbrook Communications' web site has been established as an information centre for ASX and NSX listed companies and our clients.

The site provides stock exchange announcements and corporate profiles, accessible free of charge by the media, investors and the investment community.



Westbrook *communications*

Westbrook communications specialises in financial public relations and investor relations.

International affiliates include London, New York and Hong Kong

Contact Ian Westbrook, Cherry Dinh, David Reid, John Burke or Rebecca Hall if you would like to discuss our activities further.

Westbrook Communications
23 Hunter Street
Sydney NSW 2000

Telephone 61 2 9231 0922
Facsimile 61 2 9231 0131
info@westbrookfin.com.au