

Value and Momentum Monitor

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TITANIUM
P L A N N E R S

Value and Momentum Monitor

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Favoured stocks are those that are both undervalued, and where the relative share price momentum is trending upwards, suggesting that the market is starting to recognise that value, with the reverse applicable to recommended short positions. We assess the ASX200 in our weekly review. For a detailed written explanation of our valuation methodology, email the author or your TFS representative.

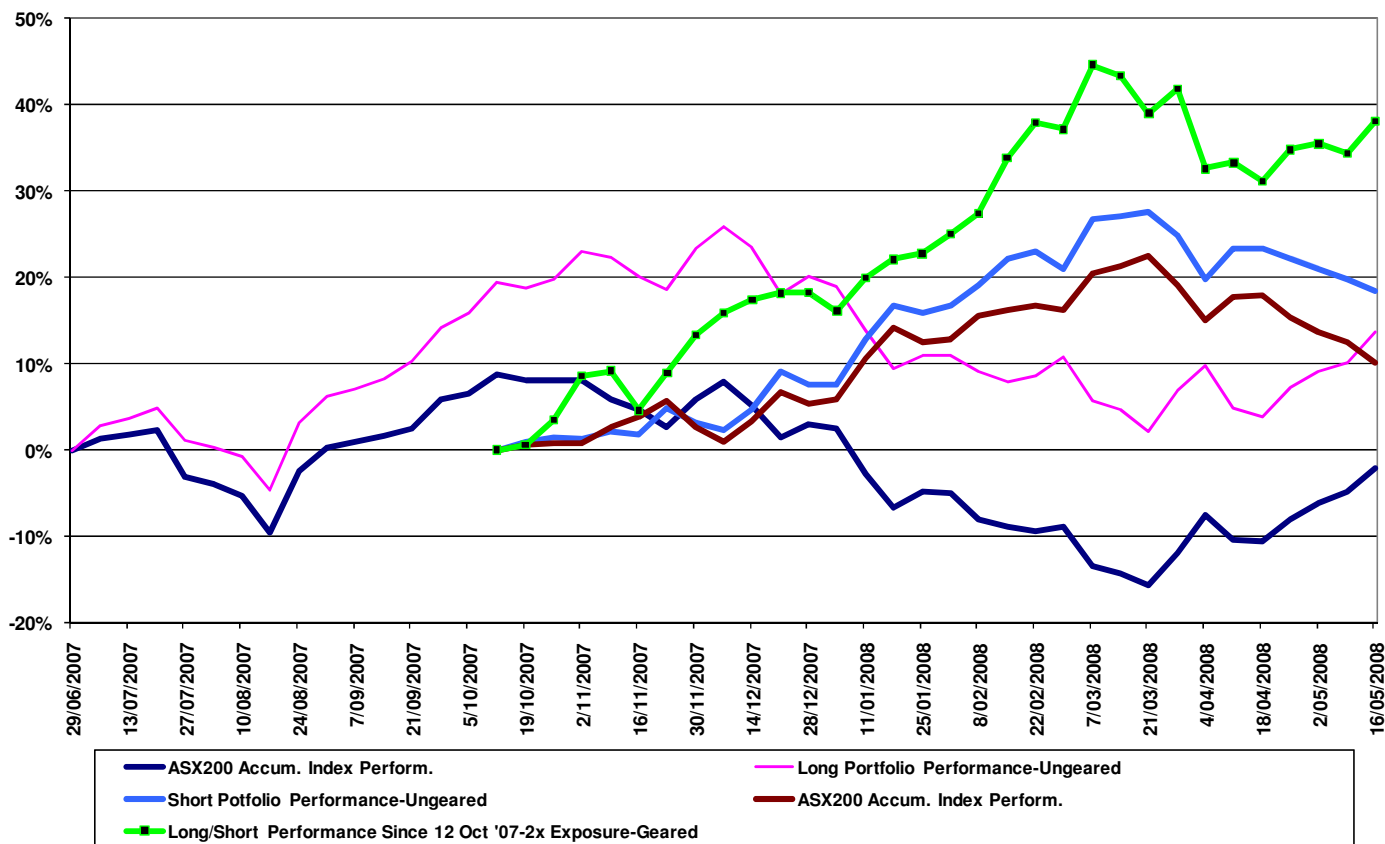
The Long Portfolio Changes: Add NAB, BNB, VPG, MOF Remove WBC, SGB, SGT, MMG

As At	Expect'd 12 mth return inc.	PRICE	Project'd Price 1 Yr.	Curr't PER	P/E in 1 year	EPS GR. Two Year CAGR	Div. POR Ratio	EST.D COE/ DISC. RATE	Relative Price Moment.	Recomm.	Mkt. Cap	Avg. Daily Trading Value
16-May-08	div. %	A\$	A\$	X	X	%	%	%			\$mn	\$'000
CURRENT INDEX:	5,931											
MARKET AVERAGE	16							14.5				
BABCOCK & BROWN	69	15.57	25.65	7.8	12.1	10	31%	14.7	+0	Add	4,579	60,290
DUET GROUP	57	3.30	4.93	16.9	24.0	9	139%	13.3	0	Watch	9,676	3,468
GOODMAN FIELDER	52	1.80	2.60	11.6	15.6	10	85%	15.1	-0	Watch	2,378	7,163
VALAD PROPERTY GRP	45	1.10	1.46	10.6	13.4	6	116%	20.3	+0	Add	1,596	6,263
TISHMAN SPEYER OFFICE	42	1.67	2.19	20.1	109.3	(15)	327%	16.5	+	Buy Now	571	2,326
WESFARMERS	44	40.00	55.59	21.5	22.0	15	93%	10.6	0	Watch	25,344	98,288
TRANSFIELD SERV. INFRA.	43	1.56	2.05	18.8	20.3	151	197%	16.2	-0	Watch	416	625
EMECO HOLDINGS	42	1.03	1.42	9.5	12.4	9	41%	16.8	+	Buy Now	650	1,822
MACQUARIE OFF. TRUST	38	1.09	1.39	8.0	12.4	(10)	91%	19.2	+0	Add	2,202	7,406
CENTENNIAL COAL	34	4.73	6.23	5.2	13.0	(17)	23%	17.4	+	Buy Now	1,476	12,188
MACQUARIE BANK	34	66.30	84.96	10.1	14.0	2	56%	15.5	+0	Add	17,973	164,347
NATIONAL AUS.BANK	33	34.02	43.30	12.0	13.9	9	69%	12.9	+0	Add	54,175	229,928
COMMONWEALTH BK.	30	44.95	55.88	12.3	14.4	6	75%	13.1	0	Watch	58,838	250,338
BHP BILLITON	29	48.70	62.36	16.0	13.3	22	21%	9.5	+	Buy Now	272,276	572,520
TELSTRA	29	4.75	5.87	15.9	18.0	10	90%	9.9	-0	Watch	59,105	177,120
WOODSIDE PETROLEUM	22	63.20	75.59	22.1	27.5	(3)	61%	8.9	+	Hold	43,502	110,559
METCASH LTD.	22	4.24	4.98	16.6	17.4	10	78%	13.9	-0	Neutral	3,237	9,054
MT GIBSON IRON	7	3.37	3.57	27.6	8.9	117	37%	16.3	+	Overpriced	2,673	15,375
MACARTHUR COAL	7	17.75	18.78	62.3	10.4	186	50%	20.4	+	Overpriced	3,326	13,350
PAN AUST. RESOURCES	(18)	1.18	0.97	13.7	6.5	41	0%	16.7	+	Overpriced	1,691	5,494

The Short Portfolio Changes: Add ILU Remove ROC

As At	Expect'd 12 mth return inc.	PRICE	Project'd Price 1 Yr.	Curr't PER	P/E in 1 year	EPS GR. Two Year CAGR	Div. POR Ratio	EST.D COE/ DISC. RATE	Relative Price Moment.	Recomm.	Mkt. Cap	Avg. Daily Trading Value
16-May-08	div. %	A\$	A\$	X	X	%	%	%			\$mn	\$'000
CURRENT INDEX:	5,931											
MARKET AVERAGE	16							14.5				
CONNECTEAST GROUP	(52)	1.30	0.53	-170.9	-9.8	81	-325%	17.8	-	Sell	1,693	4,499
RESMED	(51)	4.30	2.09	25.4	10.2	16	0%	14.0	-	Sell	2,593	7,886
NEWCREST MINING	(50)	31.53	15.79	85.4	16.0	87	10%	12.3	-	Sell	14,294	62,788
ILUKA RESOURCES	(42)	3.81	2.20	62.5	19.6	78	0%	16.9	-0	Sell	923	5,510
AUSTAR UNITED COMM.	(32)	1.30	0.88	32.5	14.3	45	0%	12.8	-	Sell	1,640	2,424
MACQUARIE INFRAST.	(22)	3.09	2.21	6.8	11.3	(37)	62%	17.2	-	Sell	7,463	33,118
JB HI-FI	(19)	11.49	9.12	20.2	13.6	18	41%	16.2	0	Overpriced	1,216	7,395
TELECOM NZ	(13)	3.18	2.48	10.0	9.5	(13)	89%	17.4	-	Sell	5,974	19,595
AXA ASIA PACIFIC	(12)	5.91	4.94	17.7	11.8	17	68%	17.3	-0	Sell	10,023	19,395
ANSELL	(12)	11.13	9.54	15.7	12.0	12	36%	15.8	-	Sell	1,540	8,121
SEVEN NETWORK	(10)	8.78	7.58	12.5	11.2	4	50%	18.2	-	Sell	1,995	6,769
AMP	(8)	7.82	6.74	17.9	13.6	11	100%	17.5	-	Sell	14,661	53,379
COCHLEAR	(8)	58.00	52.08	27.5	20.8	16	70%	12.5	-	Sell	3,168	15,109
ASCIANO GROUP	(2)	4.93	4.39	43.6	42.8	24	427%	17.6	0	Overpriced	3,237	17,909
ENVESTRA	(2)	0.81	0.70	4.1	32.7	(61)	87%	17.9	-0	Sell	707	608
TOLL HOLDINGS	(1)	8.21	7.84	11.8	13.4	1	45%	15.2	-	Sell	5,294	30,481
ENERGY DEVELOPMENTS	1	2.46	2.41	13.7	12.2	11	48%	17.8	-	Sell	365	613
SEEK	3	5.84	5.81	21.5	17.7	18	72%	14.3	-	Sell	1,672	7,043
AUST.PIPELINE TRUST	13	3.14	3.24	19.8	20.1	12	189%	16.6	0	Neutral	1,439	2,141
B&B POWER	17	2.02	2.11	20.2	46.8	(42)	367%	17.8	0	Neutral	1,433	7,346
SIGMA PHARMS.	21	1.25	1.43	12.7	12.8	10	74%	16.7	-	Neutral	1,078	2,638

PERFORMANCE TO DATE: Long and Short Portfolio versus ASX200 Accumulation Index



Performance Commentary

The proposed merger between WBC and SGB was the big story in the market this week, with SGB being the best performing stock in the ASX200. That helped the performance of the Long Portfolio. However, the Short Portfolio also did very well again. The result was that both portfolios out-performed, with the Long Portfolio beating the ASX200 AI by almost 1%, and the Short Portfolio out-performing by 1% as well.

With the bank merger expected to go through (given SGB board support for the proposal), it has prompted more changes in the Long Portfolio than we would normally expect to see. **SGB** effectively becomes a WBC-proxy, while the magnitude of the merger will hurt the out-performance prospects of **WBC** until there are clearer indications of the profit performance of the merged entity. Unfortunately, that could take a year to finalise, and while we view the merger as highly positive for **WBC** in the long term, it will hurt it in the short to medium term. In the mean time, there seems to be signs of a more optimistic US market, and that is likely to help the stability of the local bourse over the next few months, or until we get a clearer indication of the performance of the economy in the latter part of the year.

Long Portfolio

The star performer for the week was **SGB** (+24.9%), but the spread of out-performers in a week where the index increased by 2.6% was considerable. **MQG** (+7.6%) confirmed the renewed sentiment in the financial sector, while other strong stocks were **WPL** (+6.3%), **WES** (+5.0%), **BHP** (+4.7%), **MCC** (+4.4%) and **MTS** (+4.2%).

WBC was the worst performer, as the market weighs up the long-term benefits of the merger and the short-term uncertainties. **DUE** (-2.4%) reversed some of last week's gains, while others to slide this week were **PNA** (-1.7%), **MMG** (-1.1%), **CEY** (-1.0%) and **GFF** (-0.3%).

Short Portfolio

Best of the Shorts this week was **APA** (-6.3%) after a strong week-or-so, followed by **TOL** (-4.0%), **ANN** (-3.0%), **AUN** (-2.6%), **SEV** (-1.6%), **SIP** (-0.8%) and **ENV** (-0.6%).

The worst performer for us this week was **ROC** (+11.1%), which is not surprising given the strong oil price, and it is the one stock that has broken the negative momentum trend and will come out of the portfolio (see below). Others that did not do so well (but have retained their down-trends) were **SEK** (+6.6%), **JBH** (+5.6%), **MIG** (+5.5%) and **AMP** (+4.7%).

Changes since Last Week

Long Portfolio:	Add	NAB	Increased Momentum and Value	
		BNB	Increased Momentum	
		VPG	Increased Momentum	
		MOF	Increased Momentum	
		Remove	WBC	Reduced Value and Momentum
			SGB	Reduced Value and Corporate Activity
			MMG	Reduced Momentum
Short Portfolio:	Add	ILU	Reduced Momentum	
		Remove	ROC	Increased Momentum

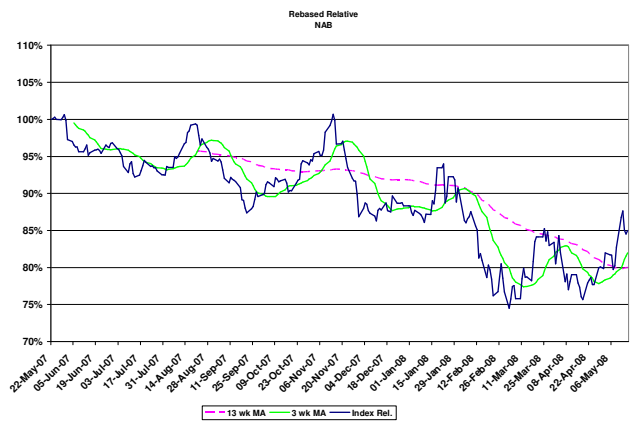
LONG PORTFOLIO

Additions

National Australia Bank (NAB)

- ▶ Like most of the sector, NAB has been undervalued for some time, but its strong interim results announcement last week, and particularly the performance of the oft-maligned UK operations, has seen sentiment towards the stock shift.
- ▶ It remains the cheapest of the Big 4, and we are already starting to see upgrades for both FY08 and FY09 since the results.
- ▶ While we continue to see little prospect of a counter bid for SGB, there will be some speculation. If they do bid, it will hurt the stock; if they don't, it will become a more attractive play given that SGB is now effectively gone from the Big Bank universe, and there will be medium-term dilution and under-performance expected from WBC.

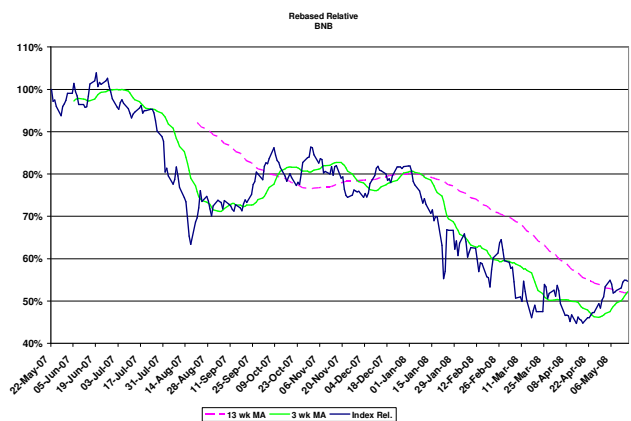
Increased Momentum and Value



Babcock and Brown (BNB)

- ▶ It may be a fraction early for BNB, so we will be watching it closely over the next week, but it does appear set to break above the main trend line. It is the cheapest stock in the sector based on current consensus earnings forecasts, but sentiment may be a touch fragile until it can prove that the worst is over. However, with the stock trading on only 7.8x FY08 consensus EPS, there is considerable margin for error.
- ▶ The under-performance over the past year has been substantial, but with MQG having seen a major shift in sentiment and performance over the past month or so, any positive news from BNB is likely to be taken well by the market.
- ▶ There seems little downside risk from here, unless there is substantial additional negative news.

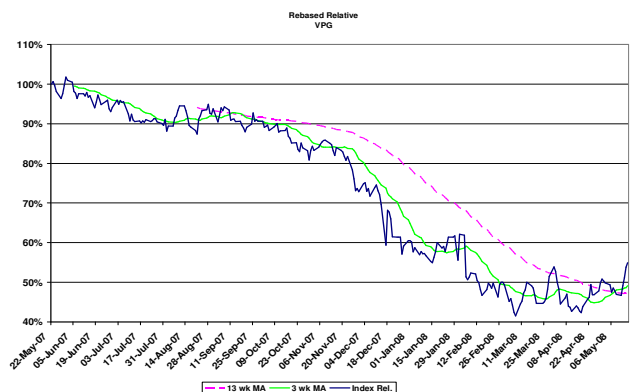
Increased Momentum



Valad Property Group (VPG)

- ▶ The stock has been an awful performer over the past year (as have many of its peers), but there has been evidence that the sector is starting to regain some recognition of value. We added TSO to the portfolio last week, and the process is also showing better prospects for MOF (see below) and also VPG.
- ▶ Yield is a major appeal now that there is increased confidence that many of the stocks in the sector are no longer at risk of being unable to finance themselves.
- ▶ There remains concern over the Group's exposure to the UK and European commercial markets, but the affirmation of previous solid growth guidance, and the ability to raise financing since January has helped confidence. Current yield is over 11%.

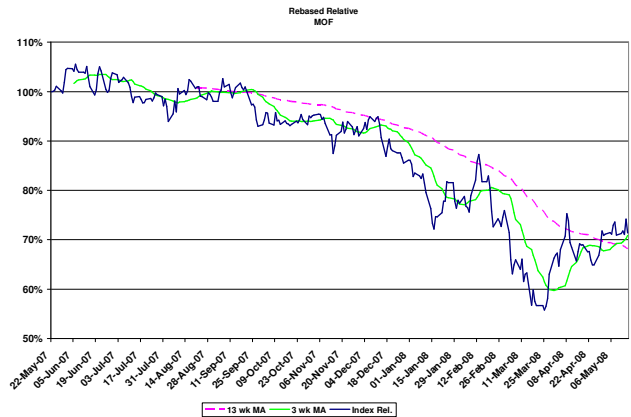
Increased Momentum



Macquarie Office Trust (MOF)

- ▶ MOF (like VPG and TSO last week) has performed extremely poorly over the past 12 months, but appears to have bottomed, and is showing evidence that the market is again starting to see value in the stock.
- ▶ Like VPG, MOF is now yielding just over 10%, which has become considerably more attractive as the risk of further capital losses has mitigated and sentiment has stabilised.
- ▶ The portfolio of MOF is of a high quality, and while there is considerable exposure to the US market (approximately 45% of gross assets), it is all high-class commercial and 97% let, so it appears relatively safe and well financed.

Increased Momentum

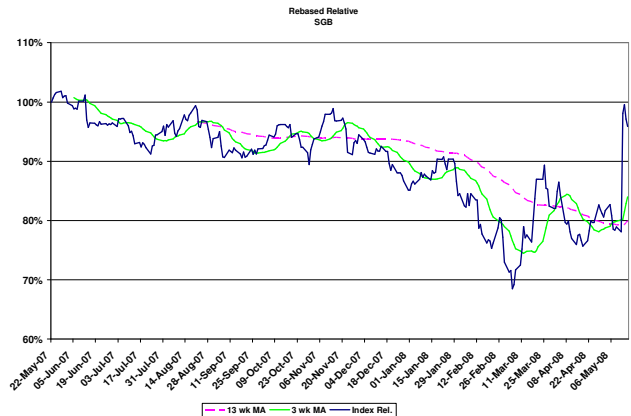


Removals

St George Bank (SGB)

- ▶ The 25% jump in the share price following the announcement of the merger proposal from WBC has removed any fundamental value from the stock, which is the primary reason why we believe that it is unlikely that there will be an alternative bid from a Big 4 bank, which means that SGB becomes a WBC-proxy until the deal is finalised.
- ▶ WBC is likely to see its share price under-perform until the concrete benefits of the merger become clear, which are likely to take 12 months or more, which means that SGB is likely to under-perform from here.
- ▶ It is time to take the money and run.

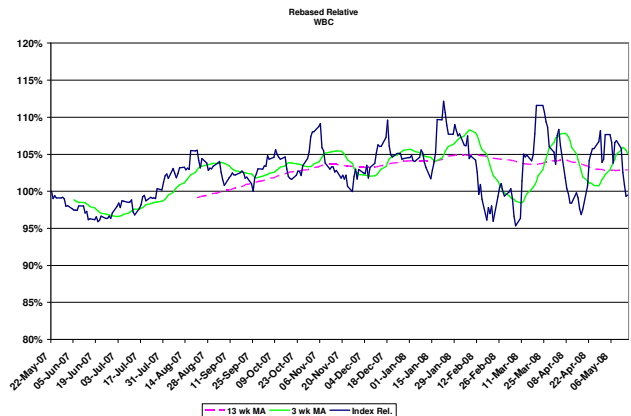
Reduced Value and Corporate Activity



Westpac Banking Corporation (WBC)

- ▶ We see the merger between WBC and SGB as a done-deal, and a corporate master-stroke that will have substantial long-term benefits for WBC. However, it will create short to medium term uncertainty over costs and revenue synergies that will hurt the performance of the stock.
- ▶ It remains our favoured bank, but becomes less favourable as a stock until the real benefits become concrete and obvious to the market.
- ▶ We expect that the benefits of the merger will become evident more quickly than the WBC management has indicated, in which case we will come back into the stock as and when that occurs, but there are better medium term prospects until then.

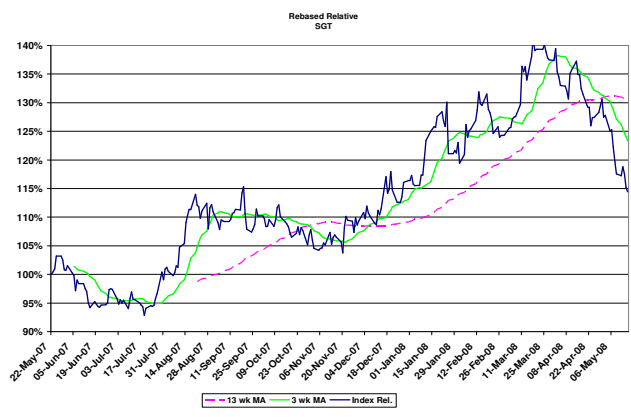
Reduced Momentum



Singapore Telecom (SGT)

- ▶ The share price of SGT has fallen sharply since the recent results announcement, and we have now seen significant downgrades in consensus earnings forecasts that have resulted in a major reduction in our valuations. As a result, the expected return has been cut from over 40%, to 12% despite the fall in the share price at the same time. With the market expected to return about 18%, it is no longer a buy.
- ▶ Key to the devaluation is the FY10 estimate of EPS that has dropped dramatically, with little growth expected in FY11.
- ▶ Given increased uncertainty over Optus earnings, prospects are looking difficult in the near future, although it only needs to fall another 10% against the market to look fairly priced.

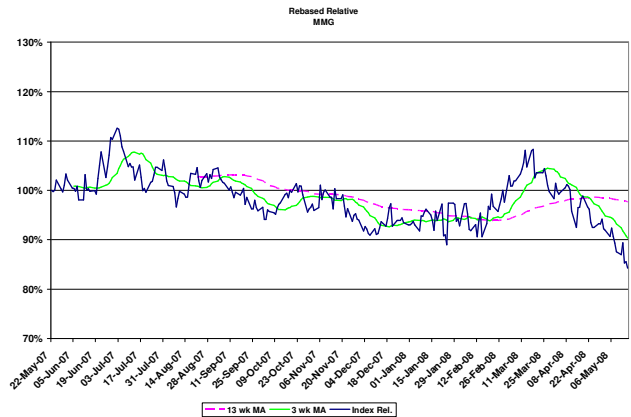
Reduced Value and Momentum



Macquarie Media Group (MMG)

- ▶ Our valuations have shown MMG as substantially under-priced for some time, but the key to that valuation is a substantial jump in earnings in FY11, and dividends exceeding EPS; both of which the market seems to be reluctant to believe.
- ▶ As the chart shows, the stock has held up well relative to the market until the past 6 weeks or so, and has broken through the trend line in the past couple of weeks. This suggests that the strong growth estimates evident in consensus earnings forecasts are looking more unlikely. The recent underperformance coincides with general concerns for advertising spending in the event of a consumer slow-down in the 2H08 and beyond.
- ▶ As such, we will move to the side-lines and wait for further evidence.

Reduced Momentum



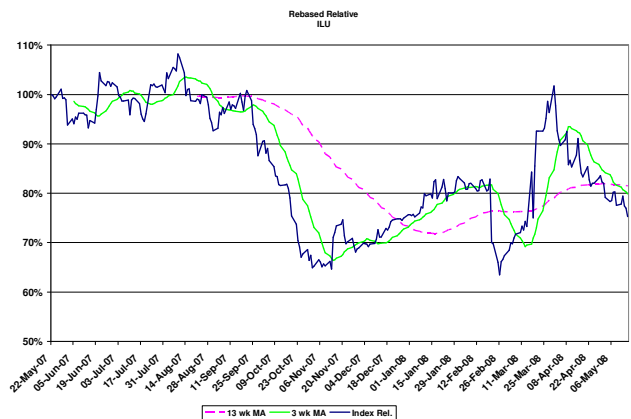
SHORT PORTFOLIO

Additions

Iluka Resources Limited (ILU)

- ▶ We have had ILU in the Short Portfolio before (we bought-back on 4th January), and the same valuation argument applies again now. We have seen little change in earnings forecasts for the stock since then.
- ▶ ILU is a producer, and must therefore be valued based on its ability to generate profits and dividends.
- ▶ There are reasonable growth prospects from FY11 onwards, but that is still some way off. To be paying over 60x FY08 earnings for growth that is still at least 3 years off (based on consensus forecasts) simply looks too much.
- ▶ The result is likely to be a choppy share price, but any sign of disappointing news at a macro or micro level is likely to hit the stock hard.

Reduced Momentum

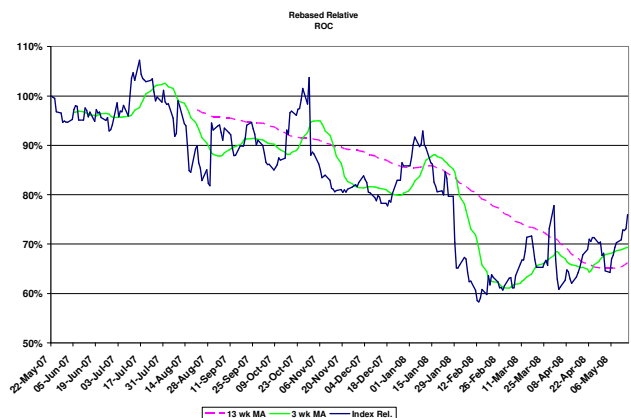


Removals

ROC Oil Limited (ROC)

- ▶ ROC has been a major performer in our Short Portfolio over the past few months, despite the strength of the oil price, and that has seen valuations improve as the stock has under-performed.
- ▶ However, it still has not fallen enough for the stock to start to look reasonable value, and we continue to view it as significantly over-priced.
- ▶ Despite that, the market is suggesting that it is now worth buying, and the price has jumped sharply in the past couple of weeks.
- ▶ We remain unconvinced, but will wait for the market to come back to the view that there is little value in a stock that will show profits this year after losses in FY07, but is still on over 20x FY08 earnings with limited growth prospects, and with no real expectation of paying a dividend in the near future.

Increased Momentum



VALUE AND MOMENTUM MONITOR

AVERAGE SECTOR EXPECTED RETURNS AND VALUE-BASED RECOMMENDED WEIGHTINGS

The following represent the weighted average expected returns across each major sector of the ASX200, and recommended weightings. These weightings and recommendations are based **purely** on the weighted average of the expected return of **all** stocks in that sector. They make no allowance for momentum indications of the stocks in the sector; nor do they make any allowance for the overall relative performance of the sector; neither do they reflect the weightings in either of the model portfolios, which reflect the valuation attractiveness and momentum of individual stocks rather than on the sector as a whole. **The sole purpose of this analysis is to indicate only the weighted average expected returns relative to current prices of all stocks in the sector.**

	Std Weight	W'ghted Expected Return	W'ghted 2YR EPS Growth	W'ghted P/E	W'ghted POR	W'ghted Yield	Recomm. %
	%	%	%	X	%	%	%
Basic Materials	37.0%	2%	29%	16.1	29.7%	1.8%	Underweight
Consumer Goods	1.9%	26%	9%	14.3	80.0%	5.6%	Overweight
Consumer Services	10.8%	22%	13%	14.1	55.7%	3.9%	Overweight
Financials Ex Property & Ins.	16.3%	26%	12%	11.9	72.1%	6.1%	Overweight
Insurance	4.2%	-2%	2%	15.8	93.8%	5.9%	Underweight
Property	5.4%	44%	-15%	12.5	94.3%	7.6%	Overweight
Healthcare	2.5%	-5%	25%	25.0	57.6%	2.3%	Underweight
Industrials	6.1%	2%	-1%	18.4	90.3%	4.9%	Underweight
Oil & Gas	5.9%	-27%	-3%	21.1	47.6%	2.3%	Underweight
Technology	0.4%	2%	39%	17.4	53.8%	3.1%	Underweight
Telecomms.	7.1%	17%	-12%	16.5	79.9%	4.8%	Overweight
Utilities	2.4%	15%	-20%	14.1	120.0%	8.5%	Neutral

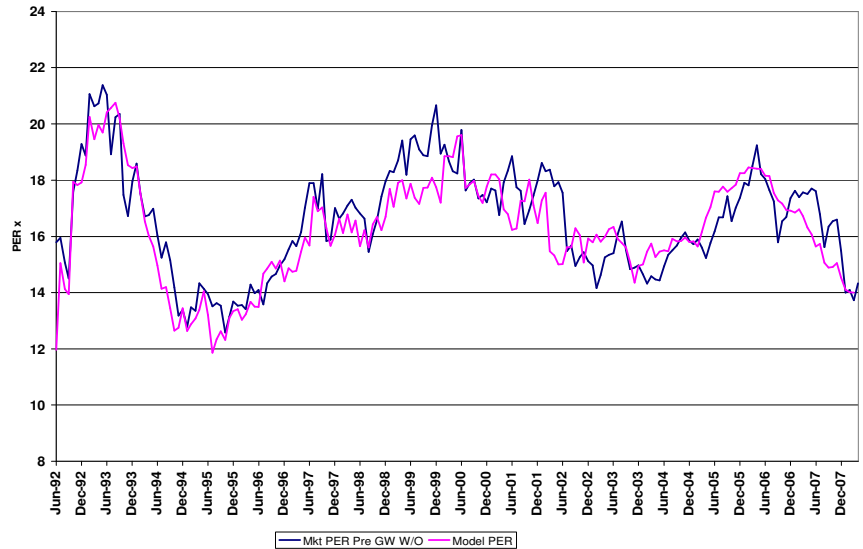
STOCKS TO WATCH

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MACQUARIE C'TRY.TRUST	55	1.36	1.95	9.0	12.7	2	98%	18.5	0	Watch	1,809	8,322
SP AUSNET	45	1.25	1.69	17.8	20.0	11	152%	16.1	-0	Watch	2,605	2,533
GOODMAN GROUP	43	4.35	5.88	12.8	15.9	7	99%	15.9	-0	Watch	7,284	25,638
BILLABONG INT'L	38	12.26	16.33	14.5	17.4	14	66%	14.4	-0	Watch	2,543	12,472
ERA	38	21.40	29.18	46.7	28.3	103	55%	14.1	-0	Watch	4,082	10,322
ING INDL.FUND	37	2.06	2.65	11.5	14.5	3	100%	16.8	-0	Watch	2,301	6,388
BORAL	36	6.10	7.98	15.4	19.2	18	84%	15.4	-0	Watch	3,676	17,174
JUST GROUP	35	4.00	5.19	12.0	14.4	8	65%	14.7	-0	Watch	805	2,532
AED	33	2.89	3.83	2.1	5.2	(13)	0%	17.7	+	Buy Now	445	2,139
OXIANA	31	3.51	4.51	18.3	9.2	57	26%	12.7	-0	Watch	5,424	42,810
PAPERLINX	28	2.60	3.26	23.6	15.6	58	61%	18.8	-0	Neutral	1,172	4,710

ASX200 VALUATIONS: VALIDATING CRUCIAL VALUATION INPUTS

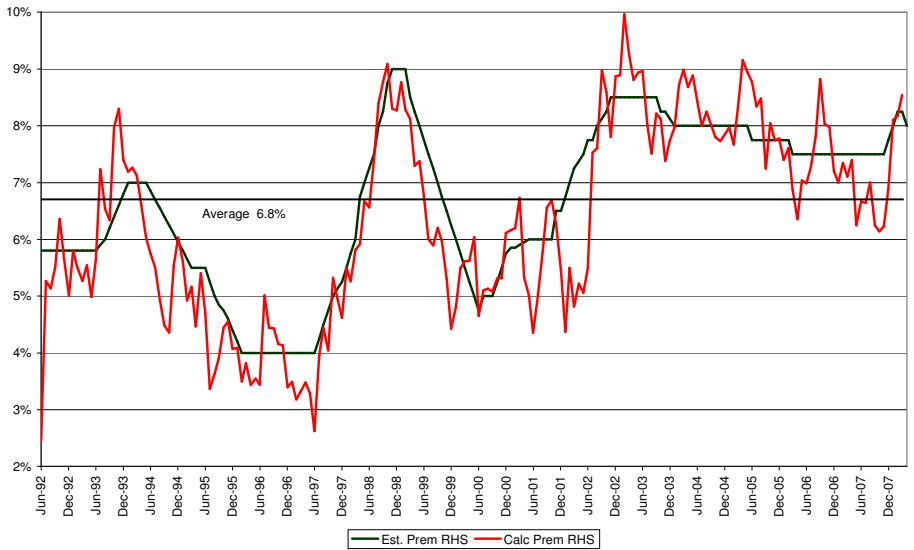
ASX200 Portfolio Valuations

- The ultimate test of our valuation process is the **ability to explain the valuation of the overall market portfolio**. This process **explains both absolute levels for the Index, plus 85% of movement in the pricing of the market over the past 15+ years**. Explaining both is crucial.
- Valuation of the market = sum of the valuations of the component stocks of the ASX200. The close link to the actual market pricing **validates critical macro inputs such as the risk premium and, interest rates**. EPS and DPS growth averages are bottom-up averages, while market relative risk is factors are stock-specific.



ASX200 Risk Premium Estimates Based On Valuation Model

- The most controversial aspect of this work is the estimate of the market equity risk premium.
- This ASX200 P/E suggests that the **ERP is, in fact, over 8% at present**, based on this process.
- This is well above what many estimates suggest, but it is **consistent with the long term average excess return estimate for the Australian market of 6.5%**.
- This approach **allows for a current estimate**, rather than simply applying a long term average.



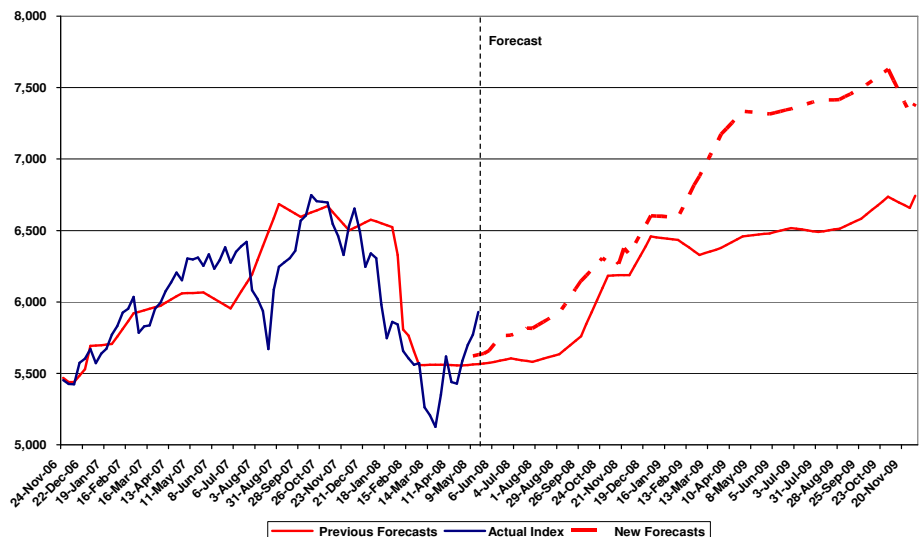
Index Forecast

- The estimates are based on the following new assumptions:

	FY08	FY09	FY10
	%	%	%
EPS Growth#	3	13	11
DPS Growth#	0	9	12
Div. POR#	62	58	56
10 yr bond yld	6.35	6.1	6
ERP	8	7.5	7.5

= Based on Reuters Consensus Data.

Changes are detailed in a separate BBY research report. See the BBY Research website.



Explanation of Momentum Indicator

Momentum is measured using the share price performance relative to the ASX200 Index. Charts show the stock closing price, divided by the closing ASX200 Index on that day. The **major trend indicator** is the 13 week moving average of the ASX200-relative.

- ▶ If the slope of that trend line is $>0.75\%$ per month, and the 3 week moving average of the relative is >13 week moving average, momentum is positive (+).
- ▶ If the slope is $<0.75\%$ per month, and $>-0.75\%$ per month, the trend is neutral (0). However, if the 3 week moving average is >13 week moving average, the trend is shown as (+0). If it is <13 week moving average, it is (-0).
- ▶ If the slope of that trend line is $<-0.75\%$ per month, and the 3 week moving average of the relative is <13 week moving average, momentum is negative (-).

ASX200 Valuations

The following tables show our valuations for all of the ASX200 stocks, based on an **equity-valuation approach** (as against a corporate valuation approach), and as such, **seem to explain more accurately and consistently, the performance of stocks in the ASX200**. Therefore, we believe that these valuations give a far better indicator of medium term (3-12 month) share price performance than valuation methodologies generally used in the market. Key aspects of the valuation process are:

- ▶ A fundamentally-based estimate of the cost of equity (COE) used in the valuation of each stock, rather than a weighted average cost of capital (WACC) as is conventionally used;
- ▶ An assumption that total expected return used by the market to set prices, is based on eps plus dps growth (due to the tendency for stocks to retrace dividends quickly after going ex-div.), rather than the assumption that total expected return is a function of cash flow (as per DCF).

A detailed explanation of the process, including supporting empirical evidence on the ASX200 Index and other major markets, is available on request either directly from the author by email, or from a TFS representative.

VALUE AND MOMENTUM MONITOR

ASX200 Stock Valuations

As At	Expect'd 12 mth return inc.	PRICE	Project'd Price 1 Yr.	Curr't PER	P/E in 1 year	EPS GR. Two Year CAGR	Div. POR Ratio	EST.D COE/ DISC. RATE	Relative Price Moment.	Recomm.	Mkt. Cap	Avg. Daily Trading Value
16-May-08	div. %	A\$	A\$	X	X	%	%	%			\$mn	\$'000
CURRENT INDEX:	5,931											
MARKET AVERAGE	16							14.5				
Basic Materials												
PERILYA	78	0.99	1.74	9.3	10.7	63	22%	19.3	-	L.T. Buy	192	2,358
EQUINOX MINERALS	42	5.18	7.34	14.9	6.9	82	9%	19.4	-	L.T. Buy	3,068	7,115
ST BARBARA LTD	38	0.66	0.90	-65.5	11.3	#NUM!	0%	18.6	-	L.T. Buy	651	3,176
ERA	38	21.40	29.18	46.7	28.3	103	55%	14.1	-0	Watch	4,082	10,322
CENTENNIAL COAL	34	4.73	6.23	5.2	13.0	(17)	23%	17.4	+	Buy Now	1,476	12,188
OXIANA	31	3.51	4.51	18.3	9.2	57	26%	12.7	-0	Watch	5,424	42,810
BHP BILLITON	29	48.70	62.36	16.0	13.3	22	21%	9.5	+	Buy Now	272,276	572,520
PAPERLIX	28	2.60	3.26	23.6	15.6	58	61%	18.8	-0	Watch	1,172	4,710
FELIX RESOURCES	24	16.91	20.81	18.9	13.1	29	18%	16.1	+	Buy Now	3,319	4,508
ONESTEEL	22	6.70	7.96	20.1	14.4	46	54%	14.8	-	Neutral	5,873	31,617
BLUESCOPE STEEL	20	11.15	12.93	13.9	14.9	9	59%	13.9	0	Neutral	8,278	37,740
STRAITS RESOURCES	15	7.42	8.45	23.3	8.3	87	17%	15.3	+	Hold	1,702	12,722
TIMBERCORP	14	1.14	1.23	5.6	6.4	(9)	35%	22.2	-0	Neutral	390	845
KAGARA ZINC	7	5.75	6.05	14.5	10.7	36	29%	17.2	+	Overpriced	1,242	5,981
MT GIBSON IRON	7	3.37	3.57	27.6	8.9	117	37%	16.3	+	Overpriced	2,673	15,375
MACARTHUR COAL	7	17.75	18.78	62.3	10.4	186	50%	20.4	+	Overpriced	3,326	13,350
MINCOR RESOURCES	5	3.50	3.54	8.6	7.8	(5)	31%	14.8	+	Overpriced	691	3,676
RIO TINTO	4	155.35	159.93	13.0	11.0	9	16%	10.1	+	Overpriced	199,314	216,915
ORICA	(2)	30.08	28.61	19.2	15.4	19	62%	13.5	-0	Sell	9,477	25,150
FORTESCUE METALS	(3)	9.29	9.01	-23.4	27.3	#NUM!	0%	10.3	+	Overpriced	23,558	41,600
ALUMINA	(7)	6.38	5.69	19.8	13.7	14	65%	13.9	+	Overpriced	7,203	44,294
MINARA RESOURCES	(18)	5.91	4.58	11.2	8.8	(10)	56%	14.7	-0	Sell	2,749	8,572
PAN AUST. RESOURCES	(18)	1.18	0.97	13.7	6.5	41	0%	16.7	+	Overpriced	1,691	5,494
GREAT STHN.PLANTATIONS	(22)	1.56	1.10	19.3	10.0	33	89%	21.2	-	Sell	495	1,714
SALLY MALAY	(24)	5.91	4.31	14.2	5.6	39	34%	14.8	+	Overpriced	1,120	4,213
NUFARM	(29)	16.85	11.54	23.3	10.9	29	41%	16.5	0	Overpriced	3,113	10,349
INCITEC PIVOT	(34)	174.65	108.58	15.2	8.2	(1)	63%	15.9	+	Overpriced	8,807	66,081
SINO GOLD MINING	(38)	5.21	3.23	42.5	11.5	101	0%	18.9	-	Sell	1,257	7,260
ILUKA RESOURCES	(42)	3.81	2.20	62.5	19.6	78	0%	16.9	-0	Sell	923	5,510
INDEPENDENCE GROUP	(46)	7.55	3.99	14.0	7.7	(1)	22%	15.6	-0	Sell	866	3,718
WESTERN AREAS NL	(46)	11.65	6.33	-121.4	17.8	#NUM!	66%	17.2	+	Overpriced	1,941	4,874
ZINIFEX	(47)	10.72	5.09	3.7	8.0	(51)	32%	19.3	-0	Sell	5,220	43,679
PALADIN RESOURCES	(48)	5.40	2.78	-186.3	20.7	#NUM!	0%	14.0	-	Sell	3,310	18,233
NEWCREST MINING	(50)	31.53	15.79	85.4	16.0	87	10%	12.3	-	Sell	14,294	62,788
LIHIR GOLD	(56)	3.10	1.38	29.7	9.5	22	0%	15.5	-	Sell	6,405	46,878
Consumer Goods												
GOODMAN FIELDER	52	1.80	2.60	11.6	15.6	10	85%	15.1	-0	Watch	2,378	7,163
ALESCO	43	8.00	10.71	10.9	13.6	11	96%	19.4	-	L.T. Buy	717	1,982
BILLABONG INT'L	38	12.26	16.33	14.5	17.4	14	66%	14.4	-0	Watch	2,543	12,472
FOSTERS GROUP	37	5.40	7.13	14.4	18.1	7	69%	12.1	-	L.T. Buy	10,376	35,989
PACIFIC BRANDS	34	2.03	2.55	8.7	10.3	7	76%	21.2	-	L.T. Buy	1,020	6,144
GUD HOLDINGS	29	9.02	11.00	14.5	14.3	14	99%	16.5	-	L.T. Buy	540	2,544
COCA-COLA AMATIL	27	8.27	10.07	15.4	16.9	10	75%	13.6	-	L.T. Buy	6,065	23,040
LION NATHAN	7	8.46	8.62	16.5	14.9	11	80%	15.2	-	Sell	4,520	11,188
FUTURIS	(12)	1.87	1.55	14.3	11.1	9	72%	18.0	-	Sell	1,416	5,811
AWB	(41)	3.40	1.91	19.0	9.2	15	54%	22.2	+	Overpriced	1,178	3,098
Consumer Services												
MACQUARIE MEDIA	98	3.50	6.41	11.0	15.6	26	148%	20.2	-	L.T. Buy	734	1,531
QANTAS AIRWAYS	90	3.62	6.53	6.9	16.2	(8)	73%	13.4	-	L.T. Buy	7,186	45,004
JOHN FAIRFAX	58	3.53	5.33	13.3	17.9	11	79%	13.6	-	L.T. Buy	5,343	25,920
ARISTOCRAT LEISURE	55	7.86	11.57	15.2	17.8	18	104%	15.3	-	L.T. Buy	3,649	18,477
WOOLWORTHS	49	28.95	42.13	21.6	28.0	14	68%	8.9	-	L.T. Buy	35,050	112,404
WESFARMERS	44	40.00	55.59	21.5	22.0	15	93%	10.6	0	Watch	25,344	98,288
ABC LEARNING CENTRES	35	1.52	1.97	7.8	8.9	22	41%	20.3	-	L.T. Buy	719	8,006
JUST GROUP	35	4.00	5.19	12.0	14.4	8	65%	14.7	-0	Watch	805	2,532
DAVID JONES	32	3.79	4.76	12.8	16.3	4	87%	15.6	-	L.T. Buy	1,820	9,443
CROWN LIMITED	29	11.00	13.64	20.4	22.8	15	98%	14.1	-	L.T. Buy	7,586	14,108
CABCHARGE AUSTRALIA	27	9.01	11.08	17.1	17.9	14	66%	13.1	-	L.T. Buy	1,073	2,869
APN NEWS & MEDIA	26	4.02	4.76	11.5	13.7	2	90%	16.8	-	L.T. Buy	1,966	1,963
WEST AUST.NEWSPAPER HDG	26	9.99	12.06	18.7	17.1	18	98%	15.5	-	L.T. Buy	2,051	4,697
TABCORP HOLDINGS	23	11.46	13.12	11.6	12.4	6	96%	14.7	-	L.T. Buy	6,016	33,878
METCASH LTD.	22	4.24	4.98	16.6	17.4	10	78%	13.9	-0	Neutral	3,237	9,054
FLIGHT CENTRES INTL.	20	20.20	23.38	13.6	13.3	15	60%	15.1	-	Neutral	2,012	6,476
HARVEY NORMAN HOLDINGS	12	4.08	4.45	11.8	13.5	1	43%	14.9	-	Neutral	4,334	20,227
CONSOLIDATED MEDIA	8	3.56	3.67	20.7	18.2	17	107%	16.5	-	Sell	2,455	10,406
TATTERSALL'S	8	2.83	2.85	13.7	12.3	13	94%	16.4	-	Sell	3,581	12,395
INVOCARE	(9)	6.87	5.99	23.0	18.2	10	80%	13.0	-0	Sell	689	1,107
SEVEN NETWORK	(10)	8.78	7.58	12.5	11.2	4	50%	18.2	-	Sell	1,995	6,769
TEN NETWORK	(13)	2.24	1.81	16.7	13.3	6	100%	17.1	-	Sell	2,078	2,882
JB HI-FI	(19)	11.49	9.12	20.2	13.6	18	41%	16.2	0	Overpriced	1,216	7,395
NEWS CORP.	(26)	21.11	15.46	11.1	10.2	(6)	8%	13.1	-	Sell	55,245	35,426
AUSTAR UNITED COMM.	(32)	1.30	0.88	32.5	14.3	45	0%	12.8	-	Sell	1,640	2,424

VALUE AND MOMENTUM MONITOR

As At	Expect'd 12 mth return inc. div. %	PRICE	Project'd Price 1 Yr.	Curr't PER	P/E in 1 year	EPS GR. Two Year CAGR	Div. POR Ratio	EST.D COE/ DISC. RATE	Relative Price Moment.	Recomm.	Mkt. Cap	Avge. Daily Trading Value
16-May-08		A\$	A\$	X	X	%	%	%			\$mn	\$'000
CURRENT INDEX:	5,931											
MARKET AVERAGE	16							14.5				
Financials ex Property												
ALLCO FINANCE GROUP	70	0.51	0.87	2.1	2.7	24	28%	27.2	-	L.T. Buy	188	2,609
BABCOCK & BROWN	69	15.57	25.65	7.8	12.1	10	31%	14.7	+0	Add	4,579	60,290
CHALLENGER FINL.SVS.	49	2.11	3.02	6.7	8.3	14	37%	22.9	-	L.T. Buy	1,227	12,299
PERPETUAL	43	54.70	74.62	15.6	21.6	(1)	102%	13.1	-	L.T. Buy	2,270	7,125
MACQUARIE BANK	34	66.30	84.96	10.1	14.0	2	56%	15.5	+0	Add	17,973	164,347
NATIONAL AUS.BANK	33	34.02	43.30	12.0	13.9	9	69%	12.9	+0	Add	54,175	229,928
COMMONWEALTH BK.	30	44.95	55.88	12.3	14.4	6	75%	13.1	0	Watch	58,838	250,338
ANZ BANKING GP.	26	22.95	27.63	11.3	12.2	1	66%	13.8	-	L.T. Buy	44,095	211,146
PLATINUM ASSET MGMT.	23	4.35	5.11	15.0	19.1	#NUM!	83%	13.5	-	L.T. Buy	2,440	1,685
AUSTRALIAN STOCK EX.	22	37.02	43.41	17.3	19.1	10	90%	13.8	-	Neutral	6,331	51,065
WESTPAC BANKING	20	24.86	28.30	11.7	13.2	7	69%	13.6	0	Neutral	46,366	187,292
BENDIGO BANK	18	13.70	15.49	14.6	14.6	12	69%	16.0	+0	Neutral	3,601	10,241
ST GEORGE BANK	14	33.28	36.26	15.3	14.6	6	80%	13.4	+0	Neutral	18,661	75,471
AUSTRALIAN INFR.FUND	12	3.03	3.22	5.3	10.2	(5)	38%	16.5	+	Hold	1,136	1,854
AUST. WEALTH MGMT.	(2)	1.91	1.76	15.6	13.5	13	85%	19.7	0	Overpriced	1,079	3,126
BANK OF QLND.	(18)	16.36	12.60	16.7	11.8	7	76%	18.6	0	Overpriced	2,392	6,409
IOOF HOLDINGS	(19)	5.62	4.19	24.8	14.5	27	128%	21.7	-	Sell	387	846
TOWER AUSTRALIA	(29)	2.75	1.90	15.1	9.5	11	30%	18.4	+	Overpriced	644	1,437
B&B CAPITAL LIMITED	(50)	4.25	2.13	8.7	9.4	(14)	0%	15.2	-0	Sell	850	2,854
Insurance												
QBE INSURANCE GROUP	22	25.55	29.81	11.8	13.1	3	60%	15.4	0	Neutral	22,504	117,129
SUNCORP-METWAY	17	15.39	16.94	16.9	13.6	23	102%	17.5	+0	Neutral	14,329	46,914
INSURANCE AUS.GROUP	(8)	4.43	3.81	30.9	12.7	50	130%	18.9	+	Overpriced	8,209	27,828
AMP	(8)	7.82	6.74	17.9	13.6	11	100%	17.5	-	Sell	14,661	53,379
AXA ASIA PACIFIC	(12)	5.91	4.94	17.7	11.8	17	68%	17.3	-0	Sell	10,023	19,395
Property												
CENTRO RETAIL GP.	173	0.41	1.12	3.1	6.3	5	40%	22.9	+	Buy Now	473	2,877
FKP PROPERTY GROUP	106	3.49	6.86	5.6	9.8	11	53%	21.5	-	L.T. Buy	918	4,661
ABACUS PROP. GROUP	75	1.34	2.21	7.3	11.6	4	74%	18.2	-	L.T. Buy	728	2,206
MACQUARIE DDR TRUST	70	0.56	0.85	5.6	9.4	(7)	91%	21.0	-	L.T. Buy	516	2,479
MACQUARIE C'TRY.TRUST	54	1.36	1.94	9.0	12.7	2	98%	18.5	0	Watch	1,809	8,322
MIRVAC GROUP	54	3.52	5.09	10.3	15.0	5	96%	18.2	-	L.T. Buy	3,843	20,441
SUNLAND GROUP	52	2.90	4.25	9.7	12.0	31	46%	20.9	-	L.T. Buy	933	2,588
B&B JAPAN PROP. TRUST	48	1.18	1.61	5.9	10.5	(11)	77%	21.1	-	L.T. Buy	618	2,203
BUNNINGS WAREHOUSE	46	1.94	2.69	7.5	10.3	2	53%	18.4	-	L.T. Buy	585	973
VALAD PROPERTY GRP	45	1.10	1.46	10.6	13.4	6	116%	20.3	+0	Add	1,596	6,263
GOODMAN GROUP	43	4.35	5.88	12.8	15.9	7	99%	15.9	-0	Watch	7,284	25,638
TISHMAN SPEYER OFFICE	42	1.67	2.19	20.1	109.3	(15)	327%	16.5	+	Buy Now	571	2,326
AUSTRALAND PR.GP.	40	1.68	2.18	9.3	11.8	4	94%	18.6	-	L.T. Buy	1,554	1,880
MACQUARIE OFF. TRUST	38	1.09	1.39	8.0	12.4	(10)	91%	19.2	+0	Add	2,202	7,406
ING INDL.FUND	37	2.06	2.65	11.5	14.5	3	100%	16.8	-0	Watch	2,301	6,388
WESTFIELD GROUP	22	17.63	20.37	16.7	18.1	9	98%	13.1	-	Neutral	34,241	136,668
CFS RETAIL PR.TST.	21	2.19	2.52	9.7	14.5	(11)	61%	16.0	-0	Neutral	4,953	17,047
STOCKLAND	20	6.59	7.42	14.3	15.2	6	100%	17.0	-	Neutral	9,593	39,627
GPT GROUP	20	3.25	3.60	11.9	13.1	3	105%	17.8	-	Neutral	6,824	33,575
ING OFFICE FUND	17	1.36	1.49	11.8	13.3	(0)	95%	17.8	+	Hold	1,718	4,423
DEXUS PROPERTY GROUP	13	1.66	1.76	13.9	14.4	2	100%	17.1	-0	Neutral	1,361	15,433
COMMONWEALTH PR.OFF.	7	1.36	1.36	14.4	14.6	(0)	99%	17.0	-0	Sell	2,175	8,503
HENDERSON GROUP CDI.	(7)	2.81	2.47	11.4	10.1	6	54%	20.2	+	Overpriced	2,115	5,390
Health Care												
SIGMA PHARMS.	21	1.25	1.43	12.7	12.8	10	74%	16.7	-	Neutral	1,078	2,638
SONIC HEALTHCARE	17	14.34	16.28	19.6	19.2	16	68%	12.0	-	Neutral	4,779	16,439
HEALTHSCOPE	15	4.87	5.43	15.4	14.9	14	60%	15.2	-0	Neutral	1,157	3,412
PRIMARY HEALTHCARE	10	5.75	6.06	19.8	16.9	30	89%	17.0	-	Neutral	2,127	5,511
CSL	(5)	40.25	37.73	31.6	23.5	25	37%	9.6	+	Overpriced	22,150	68,150
RAMSAY HEALTH CARE	(5)	11.24	10.31	20.4	14.7	23	56%	15.9	-0	Sell	1,953	3,334
COCHLEAR	(8)	58.00	52.08	27.5	20.8	16	70%	12.5	-	Sell	3,168	15,109
ANSELL	(12)	11.13	9.54	15.7	12.0	12	36%	15.8	-	Sell	1,540	8,121
RESMED	(51)	4.30	2.09	25.4	10.2	16	0%	14.0	-	Sell	2,593	7,886
Industrials												
GWA INTERNATIONAL	46	2.84	3.92	13.7	15.9	14	104%	17.3	-	L.T. Buy	795	1,349
LEND LEASE	44	13.01	17.90	11.7	14.7	10	73%	15.7	-	L.T. Buy	4,824	20,474
EMECO HOLDINGS	42	1.03	1.42	9.5	12.4	9	41%	16.8	+	Buy Now	650	1,822
PMP	41	1.19	1.64	6.1	10.0	(3)	20%	18.7	-	L.T. Buy	404	1,424
BORAL	36	6.10	7.98	15.4	19.2	18	84%	15.4	-0	Watch	3,676	17,174
SPOTLESS GROUP	32	3.55	4.45	15.7	15.1	20	86%	15.9	-	L.T. Buy	771	1,926
BRAMBLES INDUSTRIES	27	8.91	10.98	18.0	20.9	9	68%	10.6	-	L.T. Buy	12,600	55,922

VALUE AND MOMENTUM MONITOR

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16-May-08		A\$	A\$	X	X	%	%	%			\$mn	
CURRENT INDEX:	5,931											
MARKET AVERAGE	16							14.5				
Industrials												
CORPORATE EXPRESS	26	5.64	6.81	13.9	14.8	10	66%	14.0	-	L.T. Buy	945	964
JAMES HARDIE INDS.CDI.	26	5.85	7.06	25.8	20.4	28	97%	15.5	-	L.T. Buy	2,541	13,978
AMCOR	23	6.56	7.72	16.4	15.3	20	79%	15.8	-	L.T. Buy	5,793	26,269
GUNNS	20	3.04	3.51	14.1	14.2	12	60%	16.3	-	Neutral	1,223	3,749
CRANE GROUP	11	14.37	15.28	14.3	13.6	9	72%	15.7	-	Neutral	872	2,358
MACQUARIE AIRPORTS	10	3.26	3.32	17.9	16.5	11	143%	17.9	-	Neutral	5,603	21,520
MONODELPHOUS GRP.	9	13.60	14.19	18.1	17.4	10	89%	14.6	0	Neutral	1,130	2,993
LEIGHTON HOLDINGS	8	55.68	58.78	25.6	23.4	20	66%	10.0	+0	Overpriced	15,484	39,535
TRANSPACIFIC INDS.GP.	4	8.19	8.30	13.4	11.3	17	31%	16.8	-0	Sell	2,331	7,334
SEEK	3	5.84	5.81	21.5	17.7	18	72%	14.3	-	Sell	1,672	7,043
TOLL HOLDINGS	(1)	8.21	7.84	11.8	13.4	1	45%	15.2	-	Sell	5,294	30,481
UNITED GROUP	(2)	13.45	12.60	16.4	13.4	13	69%	16.4	0	Overpriced	2,193	13,967
BOART LONGYEAR	(3)	1.95	1.84	13.6	11.1	11	33%	15.0	-0	Sell	2,931	11,865
TRANSFIELD SERVICES	(3)	10.00	9.29	21.0	15.4	22	75%	15.9	0	Overpriced	1,981	6,813
CSR	(5)	3.04	2.72	13.2	9.7	14	65%	17.8	-0	Sell	2,987	17,417
BRADKEN	(6)	8.80	7.95	16.8	13.0	16	67%	17.3	+	Overpriced	933	4,927
DOWNER EDI	(7)	7.26	6.55	14.6	12.0	9	47%	16.1	+	Overpriced	2,349	9,423
SIMS GROUP	(9)	36.95	32.42	17.1	13.6	2	55%	14.8	+	Overpriced	4,674	30,308
McMAHON HOLDINGS	(12)	1.79	1.53	21.3	14.1	24	53%	15.7	+	Overpriced	949	2,405
ADEL.BRIGHTON	(16)	3.86	3.08	16.9	11.8	12	74%	13.2	0	Overpriced	2,234	2,885
HILLS INDS.	(22)	3.94	2.80	14.3	9.4	6	101%	17.1	-	Sell	736	725
TRANSURBAN GROUP	(24)	6.19	4.14	-221.1	-43.6	95	-935%	14.5	-0	Sell	6,705	23,502
AUSENCO LIMITED	(30)	16.20	10.99	23.1	12.8	14	60%	17.2	+	Overpriced	1,448	2,425
DYNO NOBEL	(46)	3.16	1.63	21.8	9.3	14	43%	19.1	+	Overpriced	1,926	21,857
CONNECTEAST GROUP	(52)	1.30	0.53	-170.9	-9.8	81	-325%	17.8	-	Sell	1,693	4,499
Oil & Gas												
AED	33	2.89	3.83	2.1	5.2	(13)	0%	17.7	+	Buy Now	445	2,139
CALTEX AUSTRALIA	31	13.20	16.57	10.2	11.9	9	53%	16.5	-	L.T. Buy	3,564	13,892
WOODSIDE PETROLEUM	22	63.20	75.59	22.1	27.5	(3)	61%	8.9	+	Hold	43,502	110,559
NEXUS ENERGY	15	1.85	2.13	34.3	44.4	28	0%	17.2	+	Hold	1,026	2,327
BEACH PETROLEUM	(13)	1.37	1.17	11.9	10.1	3	16%	14.0	-	Sell	1,218	5,386
WORLEYPARSONS	(19)	41.13	32.54	29.5	19.4	20	61%	12.3	+	Overpriced	9,944	29,908
ORIGIN ENERGY	(28)	14.66	10.30	23.6	18.3	1	43%	11.3	+	Overpriced	12,835	28,265
SANTOS	(28)	18.50	12.86	21.9	16.5	(11)	49%	10.0	+	Overpriced	10,838	47,937
AUST.WORLDWIDE EXP.	(46)	4.15	2.25	7.2	4.9	(19)	0%	13.7	+	Overpriced	1,861	7,408
OIL SEARCH	(47)	6.10	3.12	26.1	14.6	(5)	38%	10.6	+	Overpriced	6,831	27,659
ROC OIL COMPANY	(49)	2.51	1.29	20.1	9.2	19	0%	15.7	+	Overpriced	750	2,919
QUEENSLAND GAS	(91)	5.91	0.50	139.7	9.4	30	0%	17.1	+	Overpriced	4,852	8,256
Technology												
IRESS MARKET TECH.	13	6.14	6.64	21.5	19.3	20	107%	14.7	-	Neutral	728	1,940
WOTIF	11	4.08	4.37	23.6	19.3	25	86%	15.2	-	Neutral	830	1,056
COMPUTERSHARE	(4)	9.16	8.60	16.4	14.6	8	37%	12.8	-0	Sell	5,412	16,198
Telecommunications												
TELSTRA	29	4.75	5.87	15.9	18.0	10	90%	9.9	-0	Watch	59,105	177,120
SING TELECOM	12	2.86	3.14	18.7	19.0	10	54%	10.2	-0	Neutral	50,982	8,012
TELECOM NZ	(13)	3.18	2.48	10.0	9.5	(13)	89%	17.4	-	Sell	5,974	19,595
Utilities												
DUET GROUP	57	3.30	4.93	16.9	24.0	9	139%	13.3	0	Watch	9,676	3,468
B&B INFRASTRUCTURE	46	1.19	1.58	19.8	33.6	6	290%	16.4	-	L.T. Buy	2,639	11,121
SP AUSNET	45	1.25	1.69	17.8	20.0	11	152%	16.1	-0	Watch	2,605	2,533
TRANSFIELD SERV. INFRA.	43	1.56	2.05	18.8	20.3	151	197%	16.2	-0	Watch	416	625
MACQUARIE COMM. INFR.	29	4.06	4.79	37.6	28.9	7	354%	17.6	-	L.T. Buy	2,083	7,081
B&B POWER	17	2.02	2.11	20.2	46.8	(42)	367%	17.8	0	Neutral	1,433	7,346
AUST.PIPELINE TRUST	13	3.14	3.24	19.8	20.1	12	189%	16.6	0	Neutral	1,439	2,141
AUST.GAS LIGHT	3	13.60	13.49	17.6	16.0	10	67%	13.6	+	Overpriced	5,896	18,469
ENERGY DEVELOPMENTS	1	2.46	2.41	13.7	12.2	11	48%	17.8	-	Sell	365	613
ENVESTRA	(2)	0.81	0.70	4.1	32.7	(61)	87%	17.9	-0	Sell	707	608
ASCIANO GROUP	(2)	4.93	4.39	43.6	42.8	24	427%	17.6	0	Overpriced	3,237	17,909
MACQUARIE INFRAS.	(22)	3.09	2.21	6.8	11.3	(37)	62%	17.2	-	Sell	7,463	33,118
B&B WIND PARTNERS	(47)	1.65	0.72	-56.9	-12.9	40	-353%	15.8	+	Overpriced	1,111	4,587

VALUE AND MOMENTUM MONITOR

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