

Value and Momentum Monitor

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TITANIUM
P L A N N E R S

Value and Momentum Monitor

2 June 2008

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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

FKP

Remove

TSI

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
30-May-08	div.	A\$	A\$	X	X	%	%	%			\$mn	\$'000
CURRENT INDEX:	5,655											
MARKET AVERAGE	18							14.5				
FKP PROPERTY GROUP	90	3.96	7.17	6.4	10.3	11	53%	20.8	+0	Add	1,042	3,824
MT GIBSON IRON	68	3.27	5.46	26.8	13.6	117	37%	16.8	+0	Add	2,593	16,265
TISHMAN SPEYER OFFICE	67	1.57	2.45	13.6	12.4	28	110%	20.6	+	Buy Now	539	2,390
WOODSIDE PETROLEUM	67	65.00	106.44	22.2	31.9	3	61%	10.0	+	Buy Now	44,741	115,490
GOODMAN FIELDER	59	1.75	2.66	11.3	16.1	10	85%	14.8	0	Watch	2,319	7,444
WESFARMERS	59	37.90	58.39	20.4	23.1	15	94%	10.3	0	Watch	24,013	93,760
VALAD PROPERTY GRP	55	1.01	1.43	9.8	13.1	6	116%	20.9	+	Buy Now	1,465	5,973
MACQUARIE OFF. TRUST	50	0.96	1.33	7.1	11.9	(10)	91%	20.3	0	Watch	1,948	7,532
DUET GROUP	47	3.25	4.50	16.6	21.9	9	139%	14.6	0	Watch	9,529	3,781
NATIONAL AUS.BANK	40	31.31	41.79	11.0	13.4	9	69%	13.8	+	Buy Now	49,860	220,403
TELSTRA	39	4.75	6.34	15.9	19.4	10	90%	9.2	+0	Add	59,105	177,120
CENTENNIAL COAL	36	5.10	6.86	5.6	15.2	(15)	23%	16.6	+	Buy Now	1,591	9,538
MACQUARIE BANK	36	54.50	70.89	9.0	10.4	1	56%	17.1	-0	Watch	14,964	141,821
MACARTHUR COAL	36	19.65	26.58	63.4	14.8	203	49%	18.9	+	Buy Now	3,682	13,349
BHP BILLITON	34	43.50	57.54	14.8	12.5	23	21%	10.0	+	Buy Now	243,203	519,145
PAN AUST. RESOURCES	31	1.07	1.39	12.7	9.6	41	0%	16.3	0	Watch	1,527	5,494
METCASH LTD.	28	4.11	5.07	16.1	17.5	10	77%	13.7	-0	Watch	3,138	9,820
COMMONWEALTH BK.	27	42.32	50.99	11.7	13.4	5	75%	14.3	0	Watch	55,396	185,440
EMECO HOLDINGS	15	1.15	1.28	10.6	11.2	10	41%	18.8	+	Hold	726	1,403

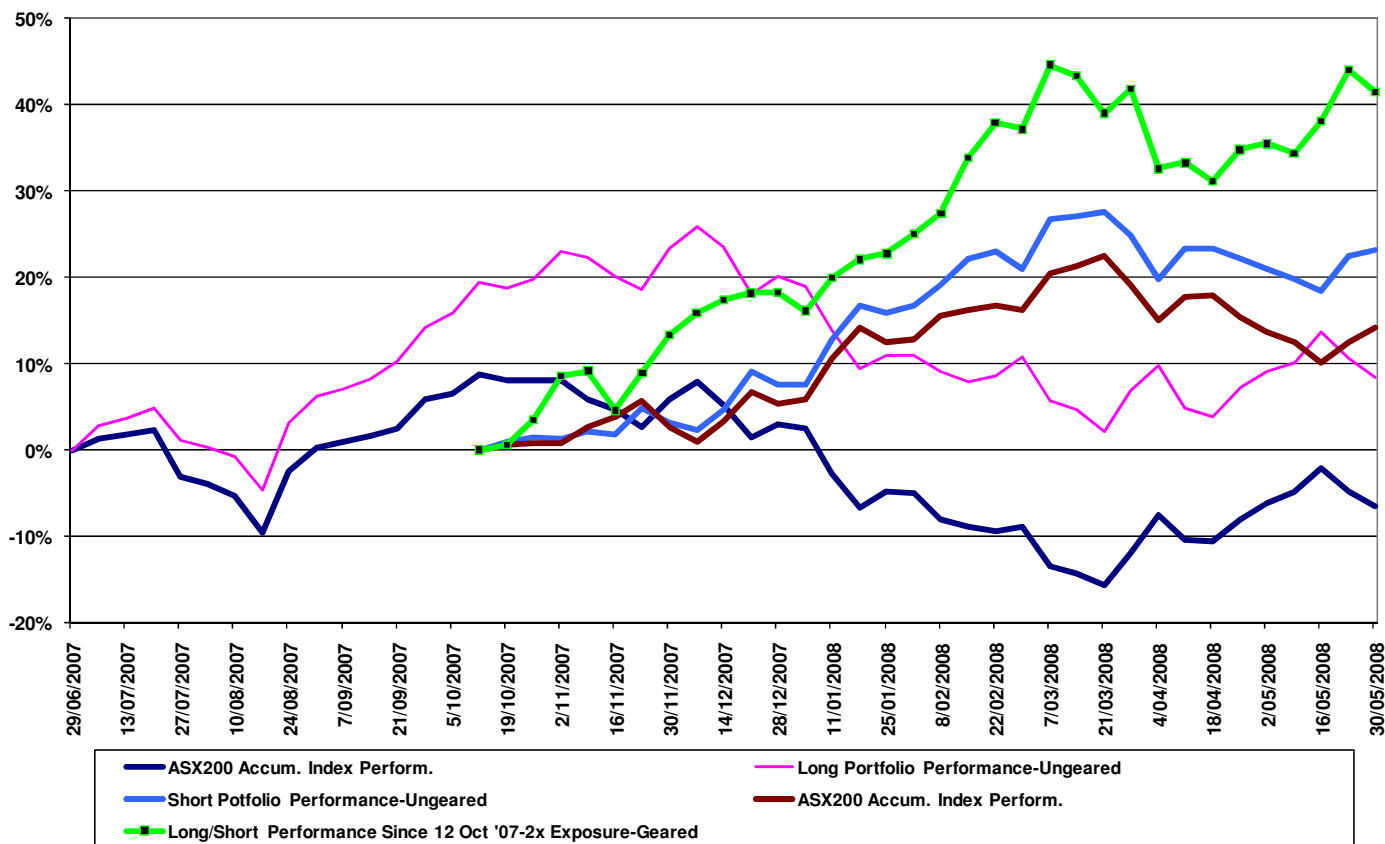
The Short Portfolio

Changes:

NONE

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
30-May-08	div.	A\$	A\$	X	X	%	%	%			\$mn	\$'000
CURRENT INDEX:	5,655											
MARKET AVERAGE	18							14.5				
CONNECTEAST GROUP	(51)	1.23	0.52	-161.7	-9.6	81	-309%	18.5	-	Sell	1,602	4,251
RESMED	(51)	4.10	2.00	24.2	9.8	16	0%	14.6	-	Sell	2,472	6,035
ILUKA RESOURCES	(51)	3.69	1.81	60.5	12.4	99	0%	19.0	-0	Sell	894	5,466
NEWCREST MINING	(50)	31.84	15.91	73.0	17.1	72	9%	12.2	-	Sell	14,435	68,481
AUSTAR UNITED COMM.	(37)	1.35	0.86	34.2	14.5	47	0%	14.3	-	Sell	1,710	2,141
ANSELL	(15)	11.00	9.07	15.4	11.4	12	36%	16.3	-	Sell	1,522	7,429
ENERGY DEVELOPMENTS	(15)	2.57	2.13	14.3	10.8	11	42%	19.8	+0	Overpriced	381	1,377
SEVEN NETWORK	(14)	9.00	7.40	13.9	12.0	1	54%	17.1	-	Sell	2,045	7,181
MACQUARIE INFRAST.	(10)	3.00	2.51	6.6	12.9	(37)	62%	16.4	+0	Overpriced	7,246	32,808
TELECOM NZ	(7)	3.25	2.75	10.2	10.5	(13)	89%	15.4	-	Sell	6,106	17,150
JB HI-FI	(3)	9.70	9.13	17.1	13.6	18	41%	16.5	-	Sell	1,027	6,271
SEEK	(3)	5.43	5.09	20.0	15.7	17	70%	14.2	-	Sell	1,555	7,435
AMP	(2)	7.34	6.76	16.6	13.2	11	97%	17.5	-	Sell	13,761	52,603
COCHLEAR	(1)	54.19	52.08	25.8	21.1	16	71%	12.6	-	Sell	2,960	14,337
AXA ASIA PACIFIC	(1)	5.28	4.98	15.9	12.0	18	68%	17.5	-	Sell	8,954	17,384
TOLL HOLDINGS	(0)	7.54	7.24	10.8	12.4	1	44%	16.6	-	Sell	4,862	32,586
ASCIANO GROUP	4	4.35	4.08	-21.6	39.7	#NUM!	-935%	18.9	+0	Overpriced	2,856	17,072
SIGMA PHARMS.	7	1.24	1.24	12.6	11.5	10	75%	19.1	-	Sell	1,065	2,402
AUST.PIPELINE TRUST	16	2.88	3.03	18.2	18.5	12	187%	17.9	-	Neutral	1,320	2,606
ENVESTRA	16	0.73	0.74	3.7	34.6	(61)	87%	16.9	-	Neutral	633	607
B&B POWER	21	1.34	1.36	10.8	43.8	(44)	327%	21.8	-	Neutral	947	8,193

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



Performance Commentary

After good returns from both portfolios last week, performance this week was more modest. **The Long Portfolio marginally beat the Index** (-1.88% v -1.90%), and the **Short Portfolio gave some back (under-performing by 1%)** after several weeks of substantial out-performance. The major shift came late in the week as the STO sale of a 40% stake in its Gladstone LNG project to Petronas, and continued speculation over the BG bid for ORG saw some major moves in that sector that more reflected strategic maneuvering than fundamental market value. Speculation over the possible sale of power plants by BBP also didn't help. Other resources stocks generally under-performed, which hurt us slightly.

If our market valuations are correct, **we should see a better week this week** (Page 5), with the correction seen over the past fortnight now bringing the Index back to our valuations. However, New York is likely to continue to be the major short-term influence (as usual). There is some concern about the spike in the A\$ 10-year bond yield, which is now at almost 6.6%, but our valuations are based on a 6.5% average yield through until the end of the year, so there is no change.

The oil price remains a key variable, and the softness in the price over the past week was a factor in the out-performance of **TOL** and the under-performance of **WPL**, but as yet, this appears to only be due to short term trading volatility.

Long Portfolio

The surprise best performer this week was **EHL** (+12.7%) thanks to take-over speculation. Other stocks that did well this week were the LPT's, with **VPG** up by 3.1% and **TSO** up by 1.3%. **CBA** and **DUE** were unchanged in a down market, while **GFF** fell by only 0.8% for the week.

Headline under-performers were the resources stocks, with **PNA** off by 9%, and **BHP** down by 8.4%. **MQG** was hurt by speculation over the motives for its A\$600m convertible preference share issue, falling by 6.7%, but we expect to see a rebound this week as the company makes more effort to allay market fears. **MOF** (-5%) was dragged down with its parent, and **WES** gave back some of its recent good gains, falling by 4.9%.

Short Portfolio

We were hurt most by the two stocks that did so well last week. **BBP** rose by 13.1% after a 41% fall last week, while **SIP** jumped by 10.3% after a 10.4% fall last week. **ENE** jumped by 7.1% along with others in that sector as mentioned above. **AUN** (+6.3%), **TEL** (+3.2%) and **SEV** (+2%) temporarily reversed recent downward trends.

On the positive side, **APA** fell by 11.9% and **NCM** and **ILU** fell by 6.5% and 4.4% respectively, in-line with the overall weakness in the resources sector outside of Oil and Gas. **MIG** fell by 3.8%, and **CEU** was down by 3.5%.

Changes since Last Week

Long Portfolio:	Add	FKP	Increased Momentum
	Remove	TSI	Reduced Momentum
Short Portfolio:	Changes		NONE

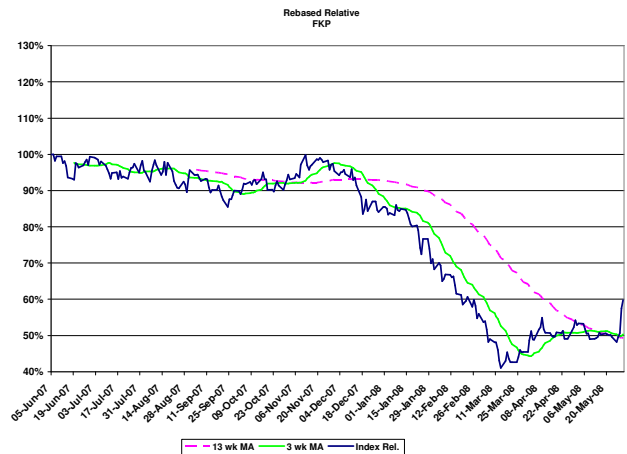
LONG PORTFOLIO

Additions

FKP Property Group (FKP)

- ▶ FKP, like the rest of the property sector, has performed appallingly since December. It is now trading on a particularly low P/E of 6.3x FY08 eps.
- ▶ The stock has a relatively low dividend payout ratio relative to the LPT's at around 50%, but it is still yielding almost 8.5%. The stock is not an LPT and has greater cash requirements, and higher growth prospects, than many in the sector. Earnings will fall this year (to June), but prospects are looking considerably better for FY09.
- ▶ The sharp jump in the share price in the last two trading days suggests that the market is starting to recognise that value at a critical time as far as our momentum indicator is concerned. It looks set to follow that performance up from here.

Increased Momentum

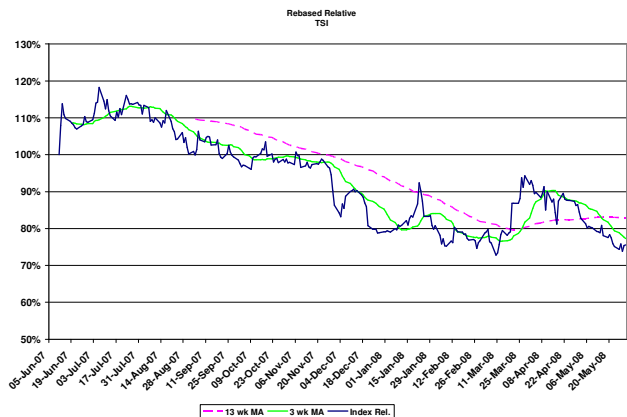


Removals

Transfield Services Infrastructure (TSI)

- ▶ TSI remains cheap based on current consensus forecasts, but eps is coming off a low of just \$0.02 for FY07, providing considerable uncertainty over the company's ability to reach the \$0.08 forecast, given high operational gearing.
- ▶ Dividends, like most of the infrastructure plays, present the major source of value, with dps forecast to be \$0.18 this year.
- ▶ There is increasing uncertainty over the ability of TSI to meet those expectations. If they can, then the stock is cheap; if not, then it could start to look very expensive.
- ▶ There is every reason to suspect that the recent market performance suggests that the risk associated with the forecast eps and dps is rising, and so we will step aside until the outlook becomes more certain.

Reduced Momentum



SHORT PORTFOLIO

Changes **NONE**

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	36.0%	14%	27%	15.2	29.7%	2.0%	Neutral
Consumer Goods	2.0%	29%	8%	14.6	79.7%	5.5%	Overweight
Consumer Services	10.9%	24%	11%	13.6	55.7%	4.1%	Overweight
Financials Ex Property & Ins.	16.0%	29%	10%	11.3	73.5%	6.5%	Overweight
Insurance	4.2%	6%	2%	14.7	92.9%	6.3%	Underweight
Property	5.4%	45%	-15%	12.1	96.0%	7.9%	Overweight
Healthcare	2.6%	-11%	24%	24.7	56.7%	2.3%	Underweight
Industrials	6.1%	8%	-3%	18.0	91.2%	5.1%	Underweight
Oil & Gas	6.5%	-7%	4%	21.7	51.2%	2.4%	Underweight
Technology	0.5%	6%	36%	18.5	54.2%	2.9%	Underweight
Telecomms.	7.5%	16%	-8%	16.6	77.6%	4.7%	Overweight
Utilities	2.5%	18%	-19%	13.6	119.2%	8.8%	Overweight

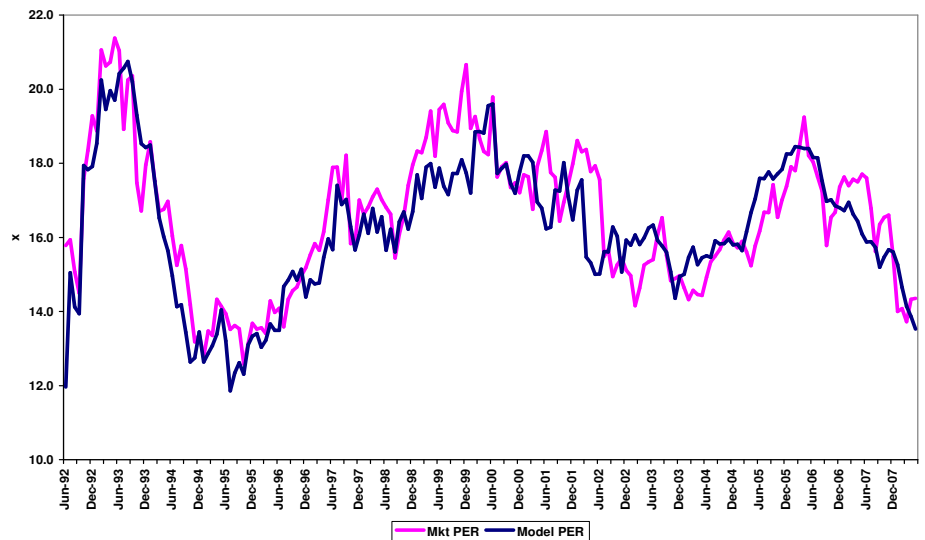
STOCKS TO WATCH

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
30-May-08	div. %	A\$	A\$	X	X	%	%	%			\$mn	\$'000
CURRENT INDEX:	5,655											
MARKET AVERAGE	18							14.5				
MACQUARIE DDR TRUST	69	0.56	0.85	5.6	9.4	(7)	91%	21.3	0	Watch	520	3,090
B&B JAPAN PROP. TRUST	63	1.14	1.72	5.7	11.2	(11)	77%	19.8	0	Watch	597	1,752
WOOLWORTHS	59	27.72	43.21	20.7	28.7	14	68%	8.6	-0	Watch	33,560	90,724
TRANSFIELD SERV. INFRA.	48	1.44	1.95	17.3	19.3	151	197%	17.3	-0	Watch	384	487
JUST GROUP	45	3.90	5.45	11.7	15.1	8	65%	14.1	0	Watch	785	2,701
TIMBERCORP	40	1.00	1.34	5.6	8.6	(1)	35%	21.7	-0	Watch	344	792
FOSTERS GROUP	39	5.50	7.38	14.7	18.7	7	69%	11.7	0	Watch	10,568	33,231
AUSTRALIAN INFR.FUND	32	2.58	3.23	4.5	10.3	(5)	39%	16.6	0	Watch	967	1,912
PAPERLINX	31	2.26	2.89	20.5	13.8	56	60%	20.6	-0	Watch	1,018	5,791
KAGARA ZINC	30	4.90	6.24	12.4	11.1	36	29%	16.8	0	Watch	1,058	5,266
PACIFIC BRANDS	30	2.12	2.57	9.1	10.3	7	76%	21.2	+0	Add	1,065	6,541
ONESTEEL	29	7.22	9.13	22.5	16.3	46	54%	13.2	+0	Add	6,328	26,065
ERA	29	24.70	31.48	53.9	30.6	103	55%	13.3	+0	Add	4,711	10,811
WESTPAC BANKING	27	23.25	28.02	11.0	13.2	6	69%	13.8	-0	Watch	43,363	177,483

ASX200 VALUATIONS: VALIDATING CRUCIAL VALUATION INPUTS

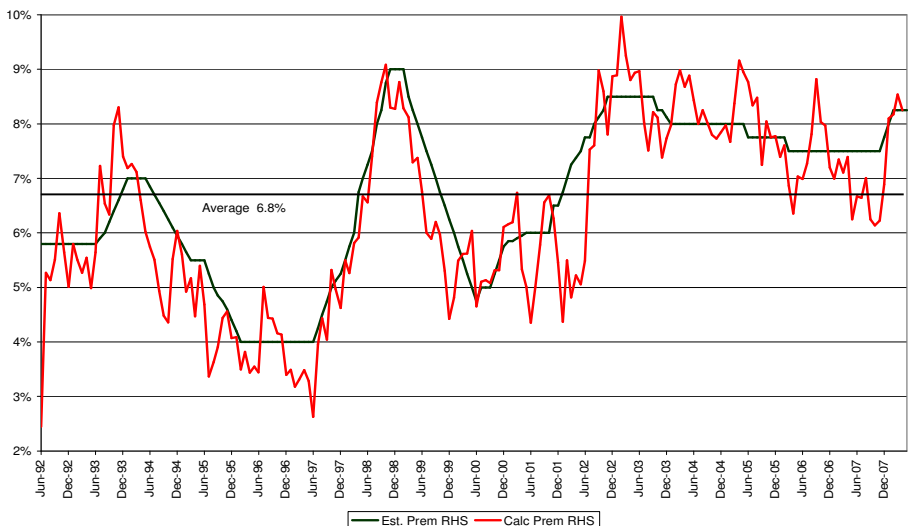
ASX200 Portfolio Valuations

- 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.



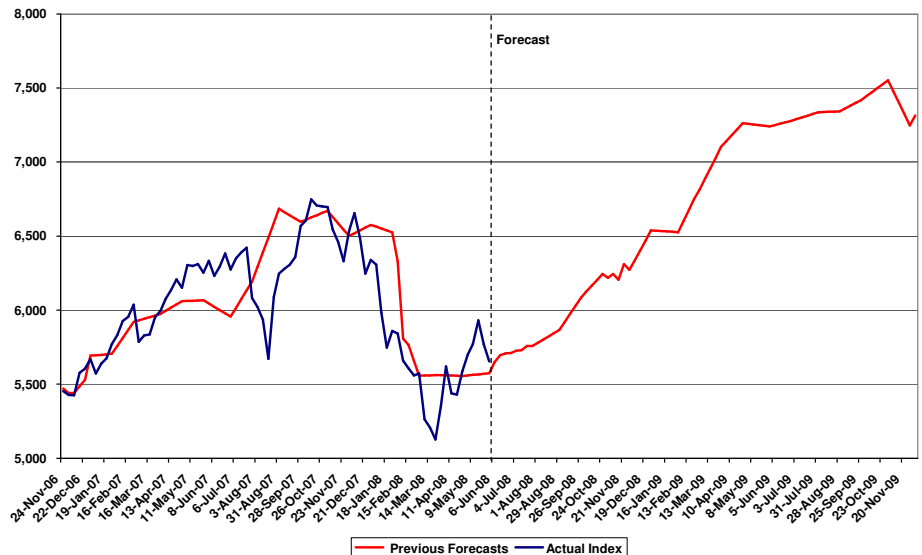
Index Forecast

- 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	6.5	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. 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	Avg. Daily Trading Value
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CURRENT INDEX:	5,655											
MARKET AVERAGE	18							14.5				
Basic Materials												
PERILYA	108	0.79	1.62	7.4	10.0	63	22%	21.1	-	L.T. Buy	153	1,826
MT GIBSON IRON	68	3.27	5.46	26.8	13.6	117	37%	16.8	+0	Add	2,593	16,265
OXIANA	62	3.09	4.91	16.1	10.7	54	28%	12.3	-	L.T. Buy	4,775	44,858
ST BARBARA LTD	61	0.61	0.98	-61.0	12.2	#NUM!	0%	17.4	-	L.T. Buy	606	2,907
EQUINOX MINERALS	58	4.93	7.77	14.2	7.4	82	9%	18.5	-	L.T. Buy	2,920	8,144
ALUMINA	53	5.68	8.47	18.0	20.5	15	66%	13.3	-0	Watch	6,413	38,300
TIMBERCORP	40	1.00	1.34	5.6	8.6	(1)	35%	21.7	-0	Watch	344	792
CENTENNIAL COAL	36	5.10	6.86	5.6	15.2	(15)	23%	16.6	+	Buy Now	1,591	9,538
MACARTHUR COAL	36	19.65	26.58	63.4	14.8	203	49%	18.9	+	Buy Now	3,682	13,349
BHP BILLITON	34	43.50	57.54	14.8	12.5	23	21%	10.0	+	Buy Now	243,203	519,145
PAPERLIX	31	2.26	2.89	20.5	13.8	56	60%	20.6	-0	Watch	1,018	5,791
PAN AUST. RESOURCES	31	1.07	1.39	12.7	9.6	41	0%	16.3	0	Watch	1,527	5,494
KAGARA ZINC	30	4.90	6.24	12.4	11.1	36	29%	16.8	0	Watch	1,058	5,266
ONESTEEL	29	7.22	9.13	22.5	16.3	46	54%	13.2	+0	Add	6,328	26,065
ERA	29	24.70	31.48	53.9	30.6	103	55%	13.3	+0	Add	4,711	10,811
BLUESCOPE STEEL	16	11.35	12.73	14.2	14.0	7	57%	13.9	+0	Neutral	8,427	32,697
RIO TINTO	16	138.00	157.72	11.8	11.2	10	16%	10.1	0	Neutral	177,054	179,551
MINCOR RESOURCES	9	3.22	3.40	8.3	7.8	(4)	33%	15.1	-0	Sell	635	3,494
ORICA	8	30.30	31.78	19.0	16.8	18	61%	12.3	0	Overpriced	9,547	29,011
STRAITS RESOURCES	(1)	7.80	7.61	24.6	7.5	87	17%	17.0	+0	Overpriced	1,789	10,854
MINARA RESOURCES	(3)	4.74	4.31	9.1	8.3	(9)	56%	16.2	-	Sell	2,204	8,718
INCITEC PIVOT	(8)	174.00	152.93	15.1	11.5	2	62%	13.4	+	Overpriced	8,774	69,461
SALLY MALAY	(9)	4.80	4.21	11.6	5.4	39	34%	15.4	-0	Sell	910	4,344
FORTESCUE METALS	(16)	10.65	8.97	-31.0	20.3	#NUM!	0%	11.2	+	Overpriced	27,007	43,987
GREAT STHN.PLANTATIONS	(19)	1.46	1.11	18.0	10.1	33	63%	21.2	-	Sell	461	1,420
FELIX RESOURCES	(20)	23.10	18.45	25.0	11.1	32	18%	16.3	+	Overpriced	4,533	6,337
NUFARM	(28)	16.85	11.75	23.3	11.1	29	41%	16.3	-0	Sell	3,113	11,254
ZINIFEX	(36)	9.50	5.40	3.2	9.3	(54)	30%	17.2	-0	Sell	4,626	39,654
INDEPENDENCE GROUP	(38)	6.45	3.90	12.0	7.5	(1)	22%	16.2	-	Sell	740	2,868
WESTERN AREAS NL	(41)	10.07	5.91	-104.9	16.6	#NUM!	66%	19.8	+	Overpriced	1,678	6,658
MURCHISON METALS	(41)	4.14	2.43	-106.2	89.9	#NUM!	0%	21.0	0	Overpriced	1,684	4,466
PALADIN RESOURCES	(46)	5.84	3.17	-166.9	31.7	#NUM!	0%	11.6	+0	Overpriced	3,580	18,730
SINO GOLD MINING	(47)	5.66	3.02	38.6	10.8	67	0%	18.9	-	Sell	1,548	6,589
NEWCREST MINING	(50)	31.84	15.91	73.0	17.1	72	9%	12.2	-	Sell	14,435	68,481
ILUKA RESOURCES	(51)	3.69	1.81	60.5	12.4	99	0%	19.0	-0	Sell	894	5,466
LIHIR GOLD	(52)	2.98	1.42	29.4	10.1	22	0%	14.7	-	Sell	6,157	57,306
Consumer Goods												
GOODMAN FIELDER	59	1.75	2.66	11.3	16.1	10	85%	14.8	0	Watch	2,319	7,444
BILLABONG INT'L	53	12.08	17.91	14.3	19.1	14	66%	13.3	-	L.T. Buy	2,506	11,753
ALESCO	43	7.84	10.49	10.7	13.3	11	96%	20.0	-	L.T. Buy	703	2,068
FOSTERS GROUP	39	5.50	7.38	14.7	18.7	7	69%	11.7	0	Watch	10,568	33,231
GUD HOLDINGS	33	8.81	11.05	14.3	14.6	14	99%	16.4	-	L.T. Buy	528	1,950
COCA-COLA AMATIL	31	8.09	10.21	15.0	17.3	10	73%	13.5	-	L.T. Buy	5,933	21,138
PACIFIC BRANDS	30	2.12	2.57	9.1	10.3	7	76%	21.2	+0	Add	1,065	6,541
LION NATHAN	8	9.66	10.02	18.8	17.5	11	80%	13.1	0	Overpriced	5,146	10,624
FUTURIS	(11)	1.79	1.50	14.3	10.2	15	71%	18.9	-	Sell	1,356	5,575
AWB	(36)	3.11	1.90	20.3	8.4	27	50%	23.2	+	Overpriced	1,077	3,672
Consumer Services												
MACQUARIE MEDIA	103	3.63	6.85	11.4	16.7	26	148%	19.3	-	L.T. Buy	761	1,540
ARISTOCRAT LEISURE	80	7.45	12.86	14.5	19.9	19	104%	13.9	-	L.T. Buy	3,459	20,236
WESFARMERS	59	37.90	58.39	20.4	23.1	15	94%	10.3	0	Watch	24,013	93,760
WOOLWORTHS	59	27.72	43.21	20.7	28.7	14	68%	8.6	-0	Watch	33,560	90,724
ABC LEARNING CENTRES	54	1.54	2.30	7.9	10.4	22	41%	17.4	0	Watch	731	6,870
JOHN FAIRFAX	54	3.46	5.07	13.1	17.2	11	78%	14.4	-	L.T. Buy	5,237	23,830
CROWN LIMITED	48	10.53	15.07	19.2	25.8	15	98%	12.9	-	L.T. Buy	7,262	11,521
JUST GROUP	45	3.90	5.45	11.7	15.1	8	65%	14.1	0	Watch	785	2,701
QANTAS AIRWAYS	43	3.47	4.62	6.6	13.3	(16)	76%	14.4	-	L.T. Buy	6,888	50,687
DAVID JONES	39	3.66	4.84	12.5	16.6	4	87%	15.6	-	L.T. Buy	1,758	8,289
WEST AUST.NEWSPAPER HDO	39	9.45	12.56	17.8	18.2	18	99%	14.8	-	L.T. Buy	1,940	4,510
FLIGHT CENTRES INTL.	28	19.00	23.48	12.8	13.3	15	60%	15.1	-	L.T. Buy	1,892	4,697
METCASH LTD.	28	4.11	5.07	16.1	17.5	10	77%	13.7	-0	Watch	3,138	9,820
APN NEWS & MEDIA	25	4.04	4.75	11.5	13.7	2	89%	16.9	-	L.T. Buy	1,976	1,895
CABCHARGE AUSTRALIA	21	8.98	10.51	17.1	17.3	14	67%	13.8	-	Neutral	1,069	2,543
HARVEY NORMAN HOLDINGS	19	3.69	4.27	10.7	13.2	1	43%	16.0	-	Neutral	3,920	19,160
TABCORP HOLDINGS	19	11.24	12.45	11.4	11.7	6	96%	15.4	-	Neutral	5,900	28,602
TATTERSALL'S	18	2.62	2.90	12.7	12.5	13	93%	16.2	-	Neutral	3,315	13,196
JB HI-FI	(3)	9.70	9.13	17.1	13.6	18	41%	16.5	-	Sell	1,027	6,271
TEN NETWORK	(7)	2.10	1.81	15.7	13.3	3	98%	17.1	-	Sell	1,948	2,654
INVOCARE	(8)	6.70	5.96	22.4	18.1	10	80%	13.1	-0	Sell	672	1,195
CONSOLIDATED MEDIA	(8)	3.60	3.14	20.9	15.9	15	96%	16.2	-	Sell	2,483	10,310
NEWS CORP.	(8)	19.78	18.01	10.7	12.3	(6)	8%	11.0	-	Sell	51,764	38,586
SEVEN NETWORK	(14)	9.00	7.40	13.9	12.0	1	54%	17.1	-	Sell	2,045	7,181
AUSTAR UNITED COMM.	(37)	1.35	0.86	34.2	14.5	47	0%	14.3	-	Sell	1,710	2,141

VALUE AND MOMENTUM MONITOR

As At	Expect'd 12 mth return div. 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	Avge. Daily Trading Value
30-May-08		A\$	A\$	X	X	%	%	%			\$mn	\$'000
CURRENT INDEX:	5,655											
MARKET AVERAGE	18							14.5				
Financials ex Property												
ALCO FINANCE GROUP	110	0.44	0.92	8.1	2.8	168	41%	26.6	-	L.T. Buy	162	2,486
BABCOCK & BROWN	70	12.46	20.58	6.2	9.6	10	31%	18.1	-	L.T. Buy	3,664	54,697
CHALLENGER FINL.SVS.	65	1.98	3.15	6.8	8.7	18	37%	22.1	-	L.T. Buy	1,151	8,611
NATIONAL AUS.BANK	40	31.31	41.79	11.0	13.4	9	69%	13.8	+	Buy Now	49,860	220,403
PERPETUAL	38	51.50	67.76	14.7	20.2	(3)	98%	14.4	-	L.T. Buy	2,138	5,062
MACQUARIE BANK	36	54.50	70.89	9.0	10.4	1	56%	17.1	-0	Watch	14,964	141,821
COMMONWEALTH BK.	27	42.32	50.99	11.7	13.4	5	75%	14.3	0	Watch	55,396	185,440
WESTPAC BANKING	27	23.25	28.02	11.0	13.2	6	69%	13.8	-0	Watch	43,363	177,483
ANZ BANKING GP.	24	21.68	25.62	10.7	11.7	(1)	67%	14.4	-	Neutral	41,655	225,330
AUSTRALIAN STOCK EX.	18	34.38	38.80	16.1	17.3	9	90%	15.8	-	Neutral	5,879	45,356
BENDIGO BANK	16	14.12	15.77	15.0	14.8	12	69%	14.8	+	Hold	3,712	9,825
PLATINUM ASSET MGMT.	12	4.58	4.90	16.0	19.5	#NUM!	83%	13.1	-	Neutral	2,569	1,550
AUST. WEALTH MGMT.	7	1.73	1.74	14.1	13.4	13	85%	20.0	-0	Sell	974	2,802
ST GEORGE BANK	1	34.22	32.69	15.9	13.3	5	81%	15.0	+	Overpriced	19,188	75,820
BANK OF QLND.	(10)	15.93	13.58	16.1	12.8	6	76%	17.4	0	Overpriced	2,329	7,500
IOOF HOLDINGS	(20)	5.45	4.04	24.1	14.0	27	128%	22.7	-0	Sell	375	715
TOWER AUSTRALIA	(36)	2.92	1.82	16.0	9.1	11	31%	19.4	+	Overpriced	684	1,914
B&B CAPITAL LIMITED	(48)	4.20	2.20	8.6	9.7	(14)	0%	17.9	0	Overpriced	840	2,030
Insurance												
QBE INSURANCE GROUP	21	24.44	28.26	11.2	12.5	3	60%	16.3	0	Neutral	21,526	104,706
SUNCORP-METWAY	18	14.43	15.98	15.9	13.3	21	104%	18.6	+0	Neutral	13,435	49,810
INSURANCE AUS.GROUP	5	4.02	3.94	28.0	13.1	50	124%	18.3	0	Overpriced	7,449	34,908
AXA ASIA PACIFIC	(1)	5.28	4.98	15.9	12.0	18	68%	17.5	-	Sell	8,954	17,384
AMP	(2)	7.34	6.76	16.6	13.2	11	97%	17.5	-	Sell	13,761	52,603
Property												
FKP PROPERTY GROUP	90	3.96	7.17	6.4	10.3	11	53%	20.8	+0	Add	1,042	3,824
ABACUS PROP. GROUP	89	1.32	2.36	7.2	12.4	4	74%	17.1	-	L.T. Buy	717	1,723
MACQUARIE C'TRY.TRUST	78	1.18	1.95	7.8	12.7	2	98%	18.6	-	L.T. Buy	1,576	8,246
SUNLAND GROUP	71	2.64	4.37	8.8	12.4	31	46%	20.5	-	L.T. Buy	849	1,907
MACQUARIE DDR TRUST	69	0.56	0.85	5.6	9.4	(7)	91%	21.3	0	Watch	520	3,090
MIRVAC GROUP	69	3.29	5.22	10.3	16.3	6	103%	17.6	-	L.T. Buy	3,591	18,964
TISHMAN SPEYER OFFICE	67	1.57	2.45	13.6	12.4	28	110%	20.6	+	Buy Now	539	2,390
B&B JAPAN PROP. TRUST	63	1.14	1.72	5.7	11.2	(11)	77%	19.8	0	Watch	597	1,752
WESTFIELD GROUP	60	17.06	26.16	16.2	23.2	9	98%	10.4	-	L.T. Buy	33,134	135,483
AUSTRALAND PR.GP.	56	1.60	2.33	8.9	12.6	4	94%	17.5	-	L.T. Buy	1,484	1,880
VALAD PROPERTY GRP	55	1.01	1.43	9.8	13.1	6	116%	20.9	+	Buy Now	1,465	5,973
GOODMAN GROUP	53	4.00	5.80	11.8	16.0	6	100%	16.1	-	L.T. Buy	6,698	23,936
MACQUARIE OFF. TRUST	50	0.96	1.33	7.1	11.9	(10)	91%	20.3	0	Watch	1,948	7,532
ING INDL.FUND	49	2.00	2.78	11.2	15.2	2	100%	16.0	-	L.T. Buy	2,228	6,184
BUNNINGS WAREHOUSE	42	1.93	2.60	7.5	9.9	(2)	52%	18.2	-	L.T. Buy	580	1,028
STOCKLAND	35	6.31	8.03	13.6	16.5	6	100%	15.7	-	L.T. Buy	9,185	34,090
ING OFFICE FUND	25	1.33	1.55	11.5	13.9	(0)	95%	17.2	0	Neutral	1,674	4,437
DEXUS PROPERTY GROUP	20	1.58	1.78	13.3	14.6	2	100%	17.0	-	Neutral	1,296	13,855
GPT GROUP	20	2.88	3.16	10.9	11.7	2	108%	19.7	-	Neutral	6,047	32,020
CFS RETAIL PR.TST.	15	2.08	2.27	11.8	18.4	(14)	82%	15.2	-0	Neutral	4,704	18,378
COMMONWEALTH PR.OFF.	13	1.30	1.37	13.8	14.8	(0)	99%	17.0	-0	Neutral	2,087	7,467
CENTRO RETAIL GP.	7	0.42	0.44	3.3	3.4	4	49%	24.8	0	Overpriced	478	2,102
HENDERSON GROUP CDI.	6	2.73	2.77	10.7	11.0	4	52%	18.3	+	Overpriced	2,055	5,098
Health Care												
SONIC HEALTHCARE	13	14.40	15.77	19.7	18.6	16	68%	12.5	-	Neutral	4,799	14,081
HEALTHSCOPE	12	4.53	4.86	14.5	13.4	14	60%	17.1	-	Neutral	1,077	3,647
SIGMA PHARMS.	7	1.24	1.24	12.6	11.5	10	75%	19.1	-	Sell	1,065	2,402
PRIMARY HEALTHCARE	2	6.10	5.92	22.0	16.5	34	85%	17.3	-	Sell	2,256	6,880
COCHLEAR	(1)	54.19	52.08	25.8	21.1	16	71%	12.6	-	Sell	2,960	14,337
RAMSAY HEALTH CARE	(7)	10.98	9.92	20.0	14.1	23	56%	16.7	-0	Sell	1,908	3,864
CSL	(13)	39.80	34.05	31.2	21.3	24	37%	11.0	+	Overpriced	21,902	54,208
ANSELL	(15)	11.00	9.07	15.4	11.4	12	36%	16.3	-	Sell	1,522	7,429
RESMED	(51)	4.10	2.00	24.2	9.8	16	0%	14.6	-	Sell	2,472	6,035
Industrials												
LEND LEASE	51	12.17	17.54	10.9	14.4	10	73%	16.2	-	L.T. Buy	4,513	18,955
GWA INTERNATIONAL	45	2.82	3.87	13.6	15.7	14	104%	17.6	-	L.T. Buy	789	1,343
MACQUARIE AIRPORTS	44	2.90	3.90	15.8	18.7	17	140%	16.2	-	L.T. Buy	4,984	19,924
AMCOR	38	6.09	8.05	15.4	16.4	18	78%	14.6	-	L.T. Buy	5,378	23,118
CORPORATE EXPRESS	35	5.38	6.98	13.3	15.6	10	66%	13.7	-	L.T. Buy	902	748
BORAL	34	6.03	7.76	15.3	19.0	17	85%	14.8	-	L.T. Buy	3,633	16,106
SPOTLESS GROUP	34	3.04	3.86	13.5	13.1	20	85%	18.0	-	L.T. Buy	660	2,038

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 \$'000
30-May-08		A\$	A\$	X	X	%	%	%			\$mn	
CURRENT INDEX:	5,655											
MARKET AVERAGE	18							14.5				
Industrials												
BRAMBLES INDUSTRIES	34	8.20	10.66	17.4	20.7	11	68%	11.0	-	L.T. Buy	11,596	55,801
PMP	31	1.00	1.28	10.4	8.5	30	28%	21.6	-	L.T. Buy	339	1,308
JAMES HARDIE INDS.CDI.	30	5.45	6.85	26.9	21.9	53	85%	15.1	-	L.T. Buy	2,359	13,392
LEIGHTON HOLDINGS	17	53.30	60.73	24.6	23.7	22	66%	10.5	+	Hold	14,822	37,310
MONODELPHOUS GRP.	16	13.18	14.59	17.5	17.9	10	89%	14.3	-0	Neutral	1,095	2,613
EMECO HOLDINGS	15	1.15	1.28	10.6	11.2	10	41%	18.8	+	Hold	726	1,403
GUNNS	14	3.02	3.29	13.9	13.2	14	60%	17.1	-	Neutral	1,215	4,222
CSR	11	2.92	3.08	14.3	11.5	21	66%	16.1	-	Sell	2,870	18,500
CRANE GROUP	9	13.90	14.46	13.8	12.9	9	72%	16.7	-	Sell	843	2,158
TRANSPACIFIC INDS.GP.	1	8.05	7.97	13.2	11.0	17	31%	16.4	-	Sell	2,291	7,181
UNITED GROUP	0	13.24	12.72	16.2	13.6	13	69%	16.3	0	Overpriced	2,159	11,608
TOLL HOLDINGS	(0)	7.54	7.24	10.8	12.4	1	44%	16.6	-	Sell	4,862	32,586
TRANSURBAN GROUP	(1)	5.69	5.09	-153.1	-76.8	54	-111%	12.4	-	Sell	6,163	25,730
SIMS GROUP	(1)	37.60	35.88	17.1	15.1	1	55%	13.5	+	Overpriced	4,757	27,116
BOART LONGYEAR	(2)	2.07	1.97	14.9	12.2	11	33%	13.7	+0	Overpriced	3,111	12,105
SEEK	(3)	5.43	5.09	20.0	15.7	17	70%	14.2	-	Sell	1,555	7,435
BRADKEN	(5)	8.91	8.12	17.0	13.3	16	67%	17.0	+	Overpriced	945	4,270
DOWNER EDI	(5)	7.21	6.60	14.5	12.1	9	47%	16.1	+	Overpriced	2,333	12,601
TRANSFIELD SERVICES	(7)	9.35	8.38	21.1	14.6	23	75%	16.8	-	Sell	1,852	5,928
McMAHON HOLDINGS	(10)	1.73	1.51	19.7	13.7	23	52%	16.4	+	Overpriced	917	2,481
ADEL.BRIGHTON	(14)	3.65	2.97	15.9	11.4	12	74%	13.8	0	Overpriced	2,112	2,897
HILLS INDS.	(17)	3.43	2.56	12.4	8.7	6	101%	19.2	-	Sell	641	769
AUSENCO LIMITED	(26)	16.30	11.67	23.2	13.6	16	60%	16.6	+	Overpriced	1,457	3,541
DYNO NOBEL	(42)	3.17	1.77	22.5	10.4	14	43%	17.4	+	Overpriced	1,932	21,857
CONNECTEAST GROUP	(51)	1.23	0.52	-161.7	-9.6	81	-309%	18.5	-	Sell	1,602	4,251
Oil & Gas												
WOODSIDE PETROLEUM	67	65.00	106.44	22.2	31.9	3	61%	10.0	+	Buy Now	44,741	115,490
NEXUS ENERGY	59	1.86	2.96	34.8	-110.4	37	0%	18.2	+	Buy Now	1,032	2,390
AED	52	2.61	3.97	2.3	5.4	(0)	0%	17.5	+	Buy Now	402	1,259
CALTEX AUSTRALIA	24	14.95	17.79	11.3	12.8	8	53%	16.4	+0	Neutral	4,037	14,398
BEACH PETROLEUM	18	1.67	1.96	15.6	16.1	21	17%	15.0	+0	Neutral	1,485	6,535
WORLEYPARSONS	(16)	37.30	30.57	26.5	17.8	20	59%	13.2	0	Overpriced	9,018	31,641
AUST.WORLDWIDE EXP.	(17)	4.29	3.54	7.0	6.9	(15)	0%	14.4	+	Overpriced	1,924	9,856
SANTOS	(30)	21.08	14.31	24.3	16.7	1	46%	11.0	+	Overpriced	12,349	56,762
OIL SEARCH	(33)	6.14	4.03	27.0	18.5	6	37%	11.0	+	Overpriced	6,876	31,122
ORIGIN ENERGY	(43)	15.60	8.66	25.4	15.5	2	44%	13.4	+	Overpriced	13,658	41,222
ROC OIL COMPANY	(62)	2.40	0.91	19.2	6.5	4	0%	17.8	+	Overpriced	717	2,772
QUEENSLAND GAS	(92)	6.13	0.50	144.9	9.3	32	0%	17.9	+	Overpriced	5,033	9,064
Technology												
WOTIF	18	4.00	4.55	23.1	20.2	25	86%	14.7	-	Neutral	814	1,064
IRESS MARKET TECH.	11	6.54	6.95	23.4	20.9	21	111%	14.2	-	Sell	776	1,970
COMPUTERSHARE	2	9.54	9.49	17.5	16.6	8	38%	11.4	+	Overpriced	5,637	13,692
Telecommunications												
TELSTRA	39	4.75	6.34	15.9	19.4	10	90%	9.2	+0	Add	59,105	177,120
SING TELECOM	3	2.87	2.87	18.9	17.6	8	51%	10.1	-	Sell	51,160	7,722
TELECOM NZ	(7)	3.25	2.75	10.2	10.5	(13)	89%	15.4	-	Sell	6,106	17,150
Utilities												
B&B INFRASTRUCTURE	61	1.05	1.53	17.4	30.3	9	281%	17.6	-	L.T. Buy	2,327	10,673
TRANSFIELD SERV. INFRA.	48	1.44	1.95	17.3	19.3	151	197%	17.3	-0	Watch	384	487
DUET GROUP	47	3.25	4.50	16.6	21.9	9	139%	14.6	0	Watch	9,529	3,781
MACQUARIE COMM. INFR.	38	3.56	4.46	32.4	26.9	6	351%	19.1	-	L.T. Buy	1,827	6,993
AUSTRALIAN INFR.FUND	32	2.58	3.23	4.5	10.3	(5)	39%	16.6	0	Watch	967	1,912
SP AUSNET	24	1.25	1.43	14.7	16.8	2	142%	15.7	-	Neutral	2,605	2,450
B&B POWER	21	1.34	1.36	10.8	43.8	(44)	327%	21.8	-	Neutral	947	8,193
ENVESTRA	16	0.73	0.74	3.7	34.6	(61)	87%	16.9	-	Neutral	633	607
AUST.PIPELINE TRUST	16	2.88	3.03	18.2	18.5	12	187%	17.9	-	Neutral	1,320	2,606
AUST.GAS LIGHT	6	14.41	14.79	18.6	17.3	9	66%	12.4	+	Overpriced	6,248	20,643
ASCIANO GROUP	4	4.35	4.08	-21.6	39.7	#NUM!	-935%	18.9	+0	Overpriced	2,856	17,072
MACQUARIE INFRAS.	(10)	3.00	2.51	6.6	12.9	(37)	62%	16.4	+0	Overpriced	7,246	32,808
ENERGY DEVELOPMENTS	(15)	2.57	2.13	14.3	10.8	11	42%	19.8	+0	Overpriced	381	1,377
B&B WIND PARTNERS	(48)	1.70	0.74	-81.0	-20.5	21	-526%	17.6	+	Overpriced	1,144	5,188

VALUE AND MOMENTUM MONITOR

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