

Value and Momentum Monitor

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TITANIUM
P L A N N E R S

Value and Momentum Monitor

10 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

RIO, PBG

Remove

GFF

As At	Expect'd 12 mth return inc. div.	PRICE A\$	Project'd Price 1 Yr. A\$	Curr't PER X	P/E in 1 year X	EPS GR. Two Year CAGR %	Div. POR Ratio %	EST.D COE/ DISC. RATE %	Relative Price Momentum	Recomm.	Mkt. Cap \$mn	Avg. Daily Trading Value \$'000
6-Jun-08												
CURRENT INDEX:												
5,592	%											
MARKET AVERAGE	21							14.5				
FKP PROPERTY GROUP	101	3.70	7.09	6.0	10.1	11	53%	20.9	+0	Add	974	3,514
MT GIBSON IRON	72	2.95	5.03	26.6	13.0	126	39%	17.6	0	Watch	2,340	14,339
WOODSIDE PETROLEUM	68	60.58	100.07	21.1	32.8	1	65%	10.4	+	Buy Now	41,699	114,770
TISHMAN SPEYER OFFICE	61	1.64	2.47	14.2	12.5	28	110%	20.4	+	Buy Now	561	2,273
MACQUARIE OFF. TRUST	58	0.99	1.46	7.3	13.0	(10)	91%	18.5	+0	Add	2,009	7,936
TELSTRA	58	4.60	7.00	15.4	21.5	10	90%	9.3	0	Watch	57,238	177,120
NATIONAL AUS.BANK	58	29.52	44.62	10.8	14.6	11	70%	12.9	-0	Watch	47,009	217,175
VALAD PROPERTY GRP	57	0.99	1.43	9.6	13.1	6	116%	21.0	+	Buy Now	1,443	6,107
WESFARMERS	50	38.10	55.17	20.5	21.8	15	94%	10.9	0	Watch	24,140	90,579
DUET GROUP	48	3.40	4.75	17.4	23.2	14	139%	13.8	+	Buy Now	9,969	3,498
MACQUARIE BANK	44	55.99	77.04	9.2	11.7	(1)	56%	15.7	-0	Watch	15,373	132,613
CENTENNIAL COAL	43	5.10	7.21	5.6	16.0	(15)	23%	16.9	+	Buy Now	1,591	9,127
BHP BILLITON	40	44.00	60.98	15.2	13.7	24	21%	9.9	+	Buy Now	245,999	510,234
MACARTHUR COAL	38	19.95	27.47	58.3	15.1	198	48%	19.1	+	Buy Now	3,738	15,752
COMMONWEALTH BK.	35	43.40	55.91	12.1	14.7	5	75%	12.9	0	Watch	56,809	169,176
PACIFIC BRANDS	33	2.07	2.58	8.9	10.4	7	76%	21.1	+0	Add	1,040	6,133
PAN AUST. RESOURCES	31	1.03	1.35	12.3	9.8	42	0%	16.6	-0	Watch	1,476	5,364
RIO TINTO	30	137.53	177.34	11.7	12.1	11	16%	10.3	+	Buy Now	176,451	178,384
METCASH LTD.	25	4.25	5.10	15.0	16.4	9	80%	13.4	+0	Neutral	3,250	11,192
EMECO HOLDINGS	8	1.18	1.22	10.9	10.7	10	41%	18.7	+	Overpriced	742	1,295

The Short Portfolio

Changes:

Add

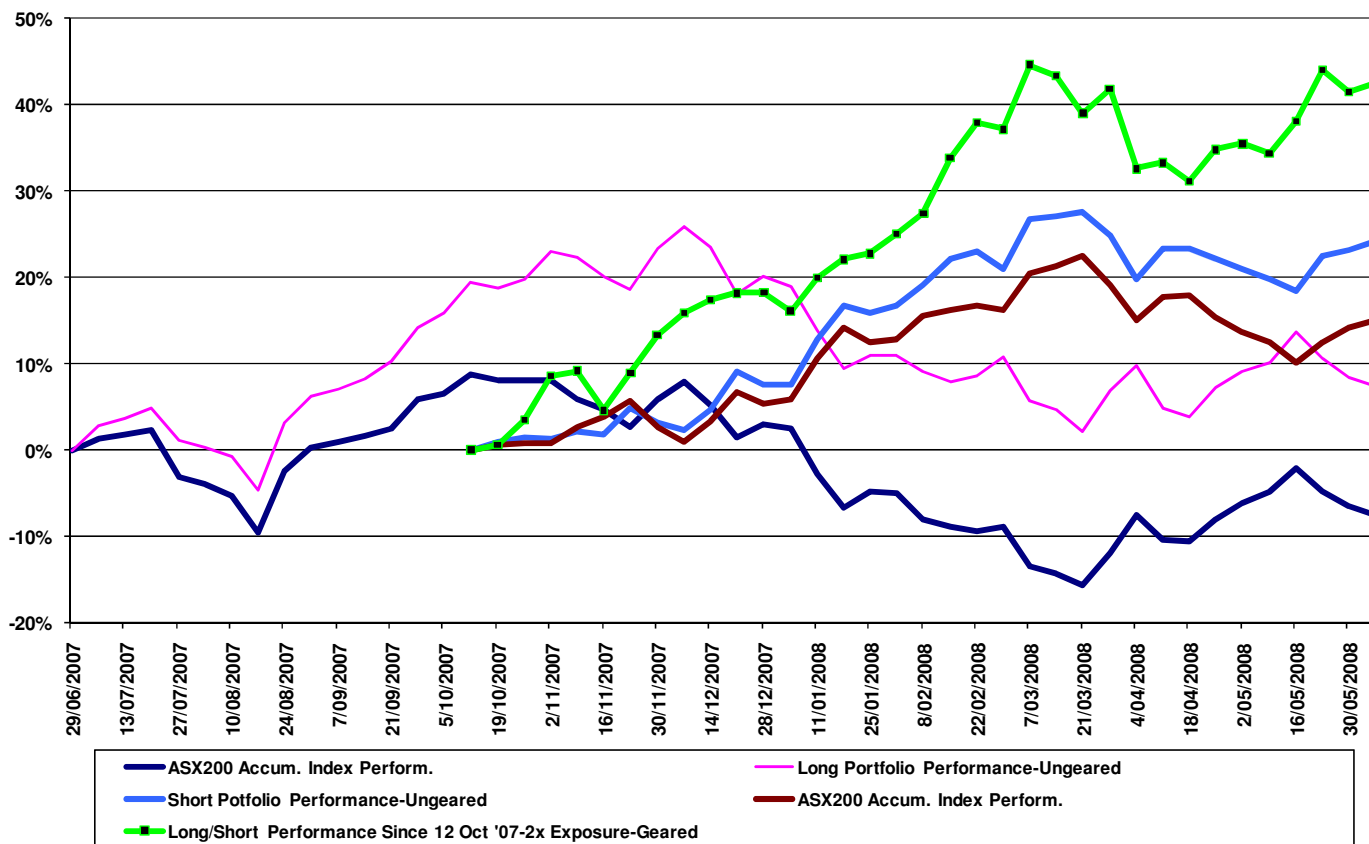
SGX

Remove

AIO

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6-Jun-08												
CURRENT INDEX:												
5,592	%											
MARKET AVERAGE	21							14.5				
ILUKA RESOURCES	(57)	3.62	1.56	59.8	12.4	74	0%	17.9	-0	Sell	877	5,953
RESMED	(53)	4.18	1.97	27.5	10.8	9	0%	13.3	-	Sell	2,521	6,770
NEWCREST MINING	(52)	29.95	14.41	59.5	16.1	53	9%	13.2	-	Sell	13,578	65,932
CONNECTEAST GROUP	(44)	1.13	0.53	-147.9	-9.9	81	-325%	18.0	-	Sell	1,465	4,120
SINO GOLD MINING	(42)	5.00	2.92	34.1	10.4	67	0%	19.3	-	Sell	1,368	6,185
AUSTAR UNITED COMM.	(27)	1.32	0.97	33.3	16.4	47	0%	12.9	-	Sell	1,665	2,141
ANSELL	(19)	11.05	8.70	15.5	11.2	9	36%	16.3	-	Sell	1,528	7,641
SEVEN NETWORK	(14)	8.89	7.27	13.7	11.7	1	54%	17.3	-	Sell	2,020	6,429
ENERGY DEVELOPMENTS	(13)	2.67	2.25	14.9	11.4	11	42%	18.7	+0	Overpriced	396	1,324
TELECOM NZ	(6)	3.09	2.63	9.7	10.1	(13)	89%	16.4	-	Sell	5,805	16,558
JB HI-FI	(5)	9.60	8.84	16.9	13.2	18	41%	17.0	-	Sell	1,016	6,468
COCHLEAR	(4)	50.50	47.22	24.2	19.1	14	71%	13.0	-	Sell	2,758	14,682
TOLL HOLDINGS	(3)	7.26	6.74	10.5	11.6	(2)	45%	17.1	-	Sell	4,682	31,669
SEEK	(3)	5.44	5.10	19.9	15.7	17	70%	14.3	-	Sell	1,558	7,572
MACQUARIE INFRAST.	(2)	2.97	2.71	6.0	10.6	(40)	53%	15.6	+0	Overpriced	7,173	32,266
AXA ASIA PACIFIC	(1)	5.30	4.99	17.0	12.0	21	70%	17.1	-	Sell	8,988	15,936
AMP	9	7.61	7.80	17.2	15.2	15	97%	15.9	-	Sell	14,268	49,778
SIGMA PHARMS.	14	1.16	1.24	11.8	11.4	10	75%	19.0	-	Sell	996	2,385
ENVESTRA	14	0.73	0.74	3.7	34.4	(61)	87%	17.1	-	Neutral	637	564
AUST.PIPELINE TRUST	15	3.07	3.23	19.4	19.7	12	187%	16.7	0	Neutral	1,407	2,947
B&B POWER	22	1.31	1.33	8.8	63.5	(57)	288%	21.1	-	Neutral	926	7,748

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



Performance Commentary

It was a mixed-up kind of week, with the oil price being a major contributor to major swings in economic sentiment. The market ended down by 1%, with the Long Portfolio breaking even, and the Short Portfolio again doing well by falling by 1.4%. Wild swings in the oil price were a major factor, with the softness in the price hitting WPL for most of the week, and then boosting it on Friday in the Longs, and the opposite occurring for stocks such as TOL and AIO amongst the Shorts.

Oil looks set to be the main influence over the market again this week following the sharp rise on Friday, and continued rhetoric between the US and Iran. The overweight position in the Long Portfolio in oil through WPL looks good, as does the opposite position in the Shorts with TOL. If anything, the volatility should add to the appeal of the banks which are starting to look increasingly defensive, which again fits with our position, but the magnitude of the positions is modest in a market that is going to continue to be choppy. This is not the time for making large sectoral bets on either side of the ledger, and our portfolios reflect that uncertainty.

Long Portfolio

Best performers for the week were our defensive plays (including LPT's) and the banks as the market continued to rotate performance. DUE (+4.6%) was the best performer, followed by TSO (+4.1%), MTS (+3.4%) and MOF (+3.1%). MQG rebounded by 2.7%, while CBA was up by 2.6%. EHL continued to attract attention, increasing by 2.2% for the week.

The under-performers were dominated by resources stocks. MGX was down by 9.8%, WPL fell by 6.8%, and PNA was down by 3.3%. FKP dropped back by 6.6% after its strong run last week, and NAB came back to the banking pack with a fall of 5.7%. GFF is the one stock that will come out of the portfolio (see below) after a fall of 6.3%.

Short Portfolio

Stocks that did best this week were CEU (-8.5%), COH (-6.8%), SIP (-6.5%), NCM (-5.9%), TEL (-4.9%) and TOL (-3.7%) as the rotational market behaviour affected the Shorts as much as the Longs this week. The outperformers were a mixture, and this suggests again that taking major sectoral bets in this market is dangerous.

Amongst the under-performers, the main detractors from the portfolio were APA (+6.6%), ENE (+3.9%), AMP (+3.7%, after announcing a deal with CGF to purchase its financial planning operations), AIO (+2.3%) and RES (+2.0%).

Overall, though, the Short Portfolio continues to perform well as the market is tending towards sustained under-performance trends for over-priced stocks relative to the choppy out-performance trends seen in the Long Portfolio stocks.

Changes since Last Week

Long Portfolio:	Add	RIO	Increased Valuation
	Remove	PBG	Increased Valuation and Momentum
Short Portfolio:	Add	SGX	Reduced Momentum
	Remove	AIO	Increased Valuation and Momentum

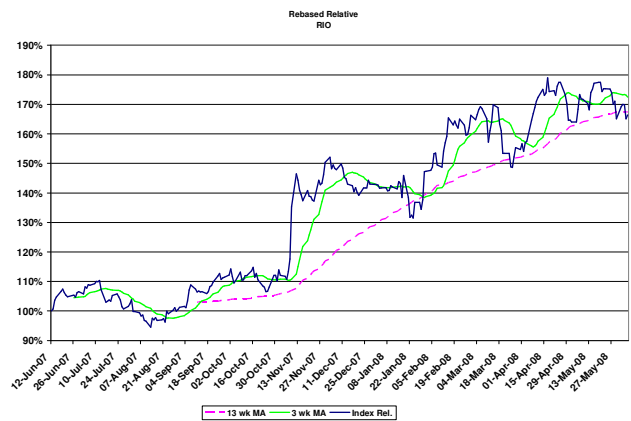
LONG PORTFOLIO

Additions

Rio Tinto (RIO)

- ▶ RIO has been a stellar performer over the past year, but it has taken until now for earnings forecasts to catch up with the share price. Upgrades in the medium term outlook for the stock have been upgraded to the point where the current price is more than justified.
- ▶ Despite the strong performance over the past year, RIO is still trading on a P/E multiple of 11.7x FY08 earnings. The rating is hurt by a low dividend payout ratio (as with BHP) of only 16%, but EPS growth this year of 86%, with a conservative forecast of 25% next year, suggest that further re-rating is likely.
- ▶ The BHP takeover bid has been a factor in the share price, but less-so now as the prospects of a full merger on the current terms seems unlikely, and any announcement will take months.

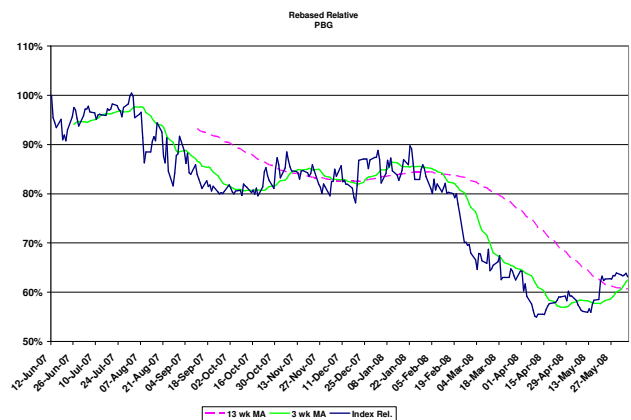
Increased Valuation



Pacific Brands Group (PBG)

- ▶ PBG has been an awful performer over the past year, with substantial under-performance since the beginning of this year. There has not been any reason to buy it based on earnings forecasts until now, with the current multiple of less than 9x FY08 earnings simply too low, given a 75+% dividend payout ratio.
- ▶ It is not a high growth stock, with EPS increases running only marginally ahead of nominal GDP at around 7%, but its earnings are very defensive in nature.
- ▶ In the current environment, it is worth having as part of the portfolio at the current price, but we are only looking at around 15-20% out-performance over the next year, which would still leave it trading at below 11x FY09 earnings.

Increased Value and Momentum

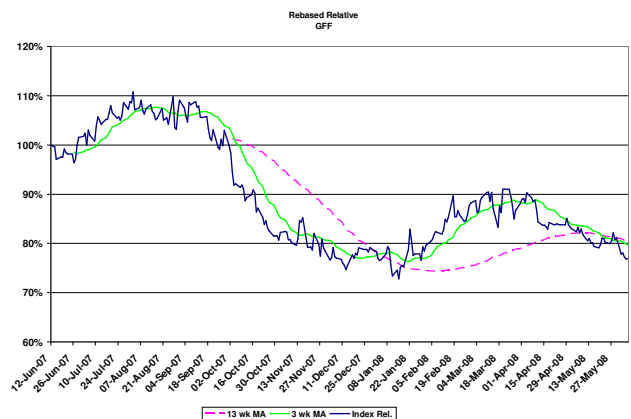


Removals

Goodman Fielder (GFF)

- ▶ As global wheat prices have continued to remain high, and oil prices have raised the prospect of substantially higher transport costs in a sector where there is little pricing power, fears of a hit to the profitability of GFF have increased.
- ▶ We are starting to see modest downgrades in earnings forecasts starting to come through, although we are yet to see those downgrades enough to make the stock look expensive.
- ▶ However, there is increasing downside risk, and this is being reflected in the recent under-performance of the stock.
- ▶ In the medium term, we see little likelihood that either the wheat or oil prices will trend downwards for any length of time, which suggests that further downgrades in earnings are likely, so we will now take a small profit and run.

Reduced Momentum



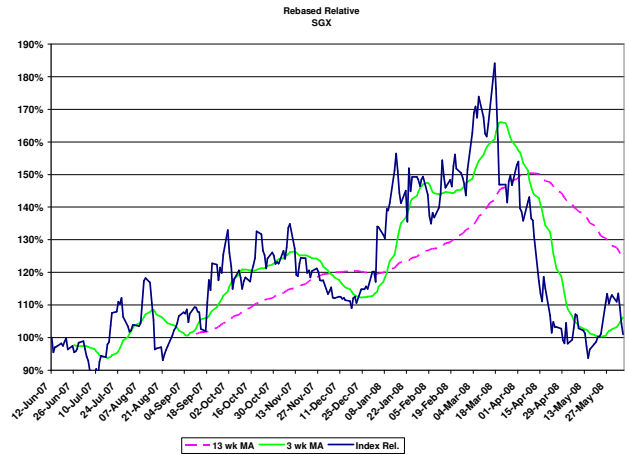
SHORT PORTFOLIO

Additions

Sino Gold (SGX)

- ▶ SGX has been on our list of potential additions to the short portfolio for some time, and we now have room to include it.
- ▶ The stock has been substantially over-priced for some time, like many of the gold stocks, relative to other resources stocks with similar profiles (mine life, period to production, dividend payout, etc.), and that has been starting to unwind recently.
- ▶ There is little justification for gold to be treated any differently than other resources from a valuation perspective, and as such, the premium that has been afforded these stocks in Australia is increasingly looking difficult to justify.
- ▶ Despite the fall in the share price since the end of February, SGX is still substantially over-priced, and it looks set to continue its recent under-performance.

Reduced Valuation

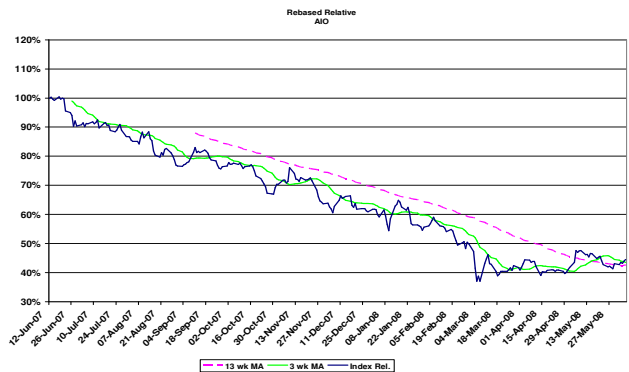


Removals

Asciano (AIO)

- ▶ AIO has been one of our best-performing shorts, having under-performed the market consistently and substantially since being included in the portfolio at inception.
- ▶ However, the share price has fallen to the point where it is no longer excessively priced. That has been the case for a few weeks, but we have been waiting for the momentum trend to stabilise. That has now happened.
- ▶ The stock hasn't fallen to the point where it is cheap: it just isn't expensive any longer.

Increased Momentum and Valuation



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 Growth	W'ghted P/E	W'ghted POR	W'ghted Yield	Recomm. %
	%	%	%	X	%	%	%
Basic Materials	36.3%	16%	30%	15.2	30.0%	2.0%	Overweight
Consumer Goods	2.0%	29%	7%	14.3	79.8%	5.6%	Overweight
Consumer Services	10.9%	23%	11%	13.5	55.7%	4.1%	Overweight
Financials Ex Property & Ins.	15.7%	39%	10%	11.5	76.8%	6.7%	Overweight
Insurance	4.3%	8%	2%	15.1	93.1%	6.2%	Underweight
Property	5.5%	44%	-18%	12.7	97.5%	7.7%	Overweight
Healthcare	2.6%	-6%	23%	24.9	58.1%	2.3%	Underweight
Industrials	6.1%	7%	-3%	17.6	90.4%	5.1%	Underweight
Oil & Gas	6.3%	-1%	5%	21.6	53.7%	2.5%	Underweight
Technology	0.5%	3%	36%	17.9	54.2%	3.0%	Underweight
Telecomms.	7.4%	36%	-3%	14.6	75.4%	5.2%	Overweight
Utilities	2.5%	22%	-19%	13.2	113.3%	8.6%	Overweight

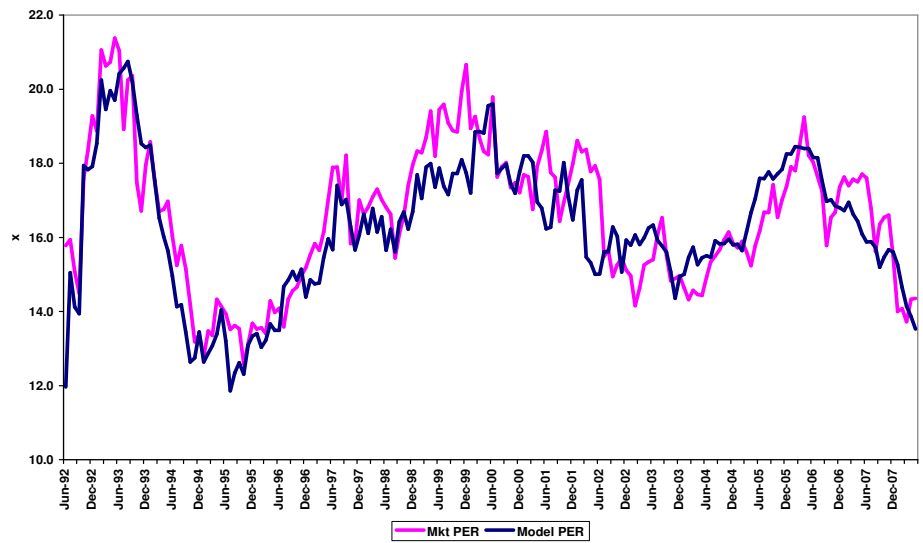
STOCKS TO WATCH

As At	Expect'd 12 mth return inc. div.	PRICE A\$	Project'd Price 1 Yr. A\$	Curr't PER X	P/E in 1 year X	EPS GR. Two Year CAGR %	Div. POR Ratio %	EST.D COE/ DISC. RATE %	Relative Price Moment.	Recomm.	Mkt. Cap \$mn	Avg. Daily Trading Value \$'000
6-Jun-08												
CURRENT INDEX:	5,592											
MARKET AVERAGE	21						14.5					
ABACUS PROP. GROUP	83	1.33	2.30	7.2	12.1	4	74%	17.4	0	Watch	722	1,660
MACQUARIE DDR TRUST	78	0.54	0.87	5.4	9.6	(7)	91%	21.0	+0	Add	502	2,765
NEXUS ENERGY	62	1.75	2.83	33.9	-105.6	39	0%	19.0	+	Buy Now	968	2,642
JUST GROUP	45	3.72	5.20	11.5	14.7	8	66%	14.2	-0	Watch	749	2,465
AUSTRALIAN INFR.FUND	39	2.44	3.24	4.3	10.2	(5)	38%	17.7	-0	Watch	914	2,062
FOSTERS GROUP	37	5.39	7.12	14.4	18.1	6	69%	11.9	+0	Add	10,356	33,445
PAPERLINX	37	2.33	3.11	21.3	15.6	55	61%	19.2	-0	Watch	1,050	6,634
ERA	33	23.33	30.68	50.9	29.8	100	55%	13.6	+0	Add	4,450	10,811
KAGARA ZINC	30	4.85	6.16	12.3	11.0	36	29%	17.2	0	Watch	1,047	5,266
NRW HOLDINGS	29	2.22	2.78	16.7	14.6	28	56%	15.1	-0	Watch	558	1,049
BEACH PETROLEUM	28	1.52	1.93	14.2	16.1	16	17%	15.2	+	Buy Now	1,352	6,668
ONESTEEL	27	7.55	9.39	23.6	16.8	42	57%	12.6	+0	Neutral	6,618	24,996

ASX200 VALUATIONS: VALIDATING CRUCIAL VALUATION INPUTS

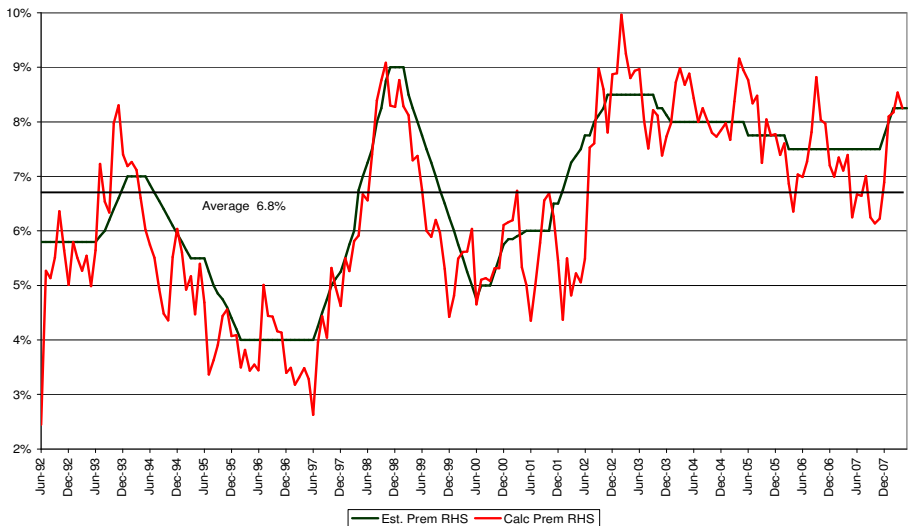
ASX200 Portfolio Valuations

- 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.



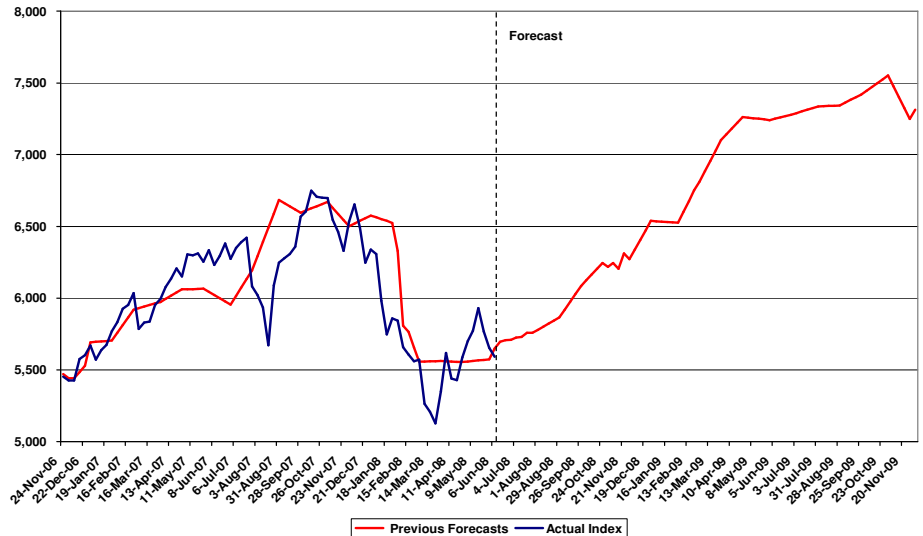
Index Forecast

- 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

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EQUINOX MINERALS	60	4.69	7.51	13.6	7.1	83	9%	18.9	-	L.T. Buy	2,778	8,449
TIMBERCORP	52	0.99	1.45	5.3	9.1	(1)	35%	21.0	-	L.T. Buy	341	746
ALUMINA	50	5.52	8.06	18.6	20.0	19	69%	14.6	-	L.T. Buy	6,232	34,262
OXIANA	45	2.97	4.23	15.5	9.1	54	28%	13.5	-	L.T. Buy	4,590	42,471
CENTENNIAL COAL	43	5.10	7.21	5.6	16.0	(15)	23%	16.9	+	Buy Now	1,591	9,127
PLATINUM AUSTRALIA	42	2.80	3.98	-62.2	21.7	#NUM!	0%	18.3	+0	Add	581	933
BHP BILLITON	40	44.00	60.98	15.2	13.7	24	21%	9.9	+	Buy Now	245,999	510,234
MACARTHUR COAL	38	19.95	27.47	58.3	15.1	198	48%	19.1	+	Buy Now	3,738	15,752
PAPERLINX	37	2.33	3.11	21.3	15.6	55	61%	19.2	-0	Watch	1,050	6,634
ERA	33	23.33	30.68	50.9	29.8	100	55%	13.6	+0	Add	4,450	10,811
PAN AUST. RESOURCES	31	1.03	1.35	12.3	9.8	42	0%	16.6	-0	Watch	1,476	5,364
RIO TINTO	30	137.53	177.34	11.7	12.1	11	16%	10.3	+	Buy Now	176,451	178,384
KAGARA ZINC	30	4.85	6.16	12.3	11.0	36	29%	17.2	0	Watch	1,047	5,266
ONESTEEL	27	7.55	9.39	23.6	16.8	42	57%	12.6	+0	Neutral	6,618	24,996
MINCOR RESOURCES	14	3.10	3.43	8.1	7.9	(4)	33%	15.0	-0	Neutral	612	3,411
BLUESCOPE STEEL	14	12.00	13.20	15.0	14.6	7	57%	13.3	+0	Neutral	8,909	32,697
ORICA	11	30.10	32.51	18.9	17.2	18	61%	12.1	+0	Overpriced	9,484	29,313
STRAITS RESOURCES	5	7.50	7.80	23.6	7.7	87	17%	16.6	+0	Overpriced	1,721	10,329
FELIX RESOURCES	5	19.65	20.57	20.9	12.4	45	23%	16.5	+	Overpriced	3,856	7,760
MINARA RESOURCES	(6)	3.86	3.34	7.6	6.5	(15)	57%	17.3	-	Sell	1,795	8,468
SALLY MALAY	(12)	4.62	3.89	11.2	5.3	21	36%	16.1	-0	Sell	875	4,512
INDEPENDENCE GROUP	(12)	5.40	4.63	10.0	9.7	2	21%	17.2	-	Sell	619	2,818
FORTESCUE METALS	(14)	10.00	8.63	-29.2	19.6	#NUM!	0%	11.6	+	Overpriced	25,359	49,593
INCITEC PIVOT	(17)	189.21	150.04	16.5	11.1	2	61%	13.6	+	Overpriced	9,541	63,062
NUFARM	(24)	16.70	12.29	23.1	11.8	29	41%	15.3	-0	Sell	3,085	11,316
GREAT STHN.PLANTATIONS	(27)	1.34	0.90	28.1	8.7	59	102%	22.1	-	Sell	425	1,263
MURCHISON METALS	(34)	3.90	2.59	-100.0	96.0	#NUM!	0%	20.1	0	Overpriced	1,587	5,195
ZINIFEX	(34)	9.37	5.56	3.2	8.8	(52)	30%	17.4	-	Sell	4,562	36,898
WESTERN AREAS NL	(39)	9.67	5.86	-103.9	16.9	#NUM!	63%	20.2	+	Overpriced	1,611	7,454
SINO GOLD MINING	(42)	5.00	2.92	34.1	10.4	67	0%	19.3	-	Sell	1,368	6,185
PALADIN RESOURCES	(50)	5.40	2.68	-154.3	26.8	#NUM!	0%	13.6	+0	Overpriced	3,310	20,205
NEWCREST MINING	(52)	29.95	14.41	59.5	16.1	53	9%	13.2	-	Sell	13,578	65,932
LIHIR GOLD	(54)	2.97	1.35	29.3	9.6	22	0%	15.3	-	Sell	6,136	60,561
ILLUKA RESOURCES	(57)	3.62	1.56	59.8	12.4	74	0%	17.9	-0	Sell	877	5,953
Consumer Goods												
GOODMAN FIELDER	61	1.64	2.50	10.8	15.4	10	87%	15.7	-	L.T. Buy	2,173	6,997
ALESCO	44	7.77	10.47	10.6	13.3	11	96%	20.0	-	L.T. Buy	696	2,278
BILLABONG INT'L	42	12.30	16.90	14.6	18.0	14	66%	14.0	-	L.T. Buy	2,551	11,054
FOSTERS GROUP	37	5.39	7.12	14.4	18.1	6	69%	11.9	+0	Add	10,356	33,445
PACIFIC BRANDS	33	2.07	2.58	8.9	10.4	7	76%	21.1	+0	Add	1,040	6,133
COCA-COLA AMATIL	32	7.97	10.13	14.7	17.1	10	73%	13.5	-	L.T. Buy	5,845	20,782
GUD HOLDINGS	29	8.77	10.62	14.3	14.1	13	99%	16.6	-	L.T. Buy	525	1,796
LION NATHAN	13	9.13	9.91	17.7	17.5	10	80%	13.1	+0	Overpriced	4,863	11,568
FUTURIS	(9)	1.82	1.56	14.6	10.6	15	71%	18.1	-	Sell	1,378	5,457
AWB	(37)	3.21	1.95	20.8	8.4	26	49%	22.3	+	Overpriced	1,112	4,251
Consumer Services												
MACQUARIE MEDIA	88	3.64	6.32	10.3	14.4	19	136%	18.3	-	L.T. Buy	763	1,470
ABC LEARNING CENTRES	72	1.35	2.25	6.9	10.2	22	41%	17.7	-	L.T. Buy	641	6,649
WOOLWORTHS	53	28.32	42.40	21.3	28.1	14	68%	8.6	-	L.T. Buy	34,287	82,438
ARISTOCRAT LEISURE	53	7.18	10.39	14.0	16.1	19	104%	15.1	-	L.T. Buy	3,334	22,413
DAVID JONES	51	3.44	4.94	11.8	17.0	4	87%	15.3	-	L.T. Buy	1,652	6,878
JOHN FAIRFAX	51	3.40	4.88	13.1	17.4	9	80%	14.3	-	L.T. Buy	5,146	22,727
WESFARMERS	50	38.10	55.17	20.5	21.8	15	94%	10.9	0	Watch	24,140	90,579
JUST GROUP	45	3.72	5.20	11.5	14.7	8	66%	14.2	-0	Watch	749	2,465
CROWN LIMITED	45	10.20	14.30	18.6	24.4	15	99%	13.7	-	L.T. Buy	7,035	10,653
WEST AUST.NEWSPAPER HDO	42	9.39	12.75	17.7	18.5	18	99%	14.5	-	L.T. Buy	1,928	4,186
QANTAS AIRWAYS	38	3.49	4.47	6.7	13.0	(17)	76%	14.2	-	L.T. Buy	6,928	56,693
FLIGHT CENTRES INTL.	36	17.70	23.15	11.9	13.2	15	60%	15.3	-	L.T. Buy	1,763	4,363
APN NEWS & MEDIA	32	3.98	4.94	11.4	14.2	2	89%	16.2	-	L.T. Buy	1,947	2,069
HARVEY NORMAN HOLDINGS	28	3.35	4.14	9.7	12.8	1	43%	16.5	-	Neutral	3,559	18,554
METCASH LTD.	25	4.25	5.10	15.0	16.4	9	80%	13.4	+0	Neutral	3,250	11,192
TABCORP HOLDINGS	23	11.00	12.54	11.2	11.9	7	96%	15.4	-	Neutral	5,774	26,485
CABCHARGE AUSTRALIA	22	8.52	10.00	16.2	16.4	14	67%	14.4	-	Neutral	1,014	2,505
TATTERSALL'S	15	2.56	2.76	12.4	12.0	12	94%	17.3	-	Neutral	3,239	12,372
CONSOLIDATED MEDIA	(4)	3.43	3.11	19.9	15.8	15	96%	16.2	-	Sell	2,366	10,433
INVOCARE	(5)	6.50	5.94	21.7	18.1	9	80%	13.1	-0	Sell	652	1,158
JB HI-FI	(5)	9.60	8.84	16.9	13.2	18	41%	17.0	-	Sell	1,016	6,468
TEN NETWORK	(8)	2.10	1.80	15.7	13.2	3	99%	17.2	-	Sell	1,948	2,727
NEWS CORP.	(10)	19.45	17.32	10.5	11.8	(6)	8%	11.5	-	Sell	50,901	38,074
SEVEN NETWORK	(14)	8.89	7.27	13.7	11.7	1	54%	17.3	-	Sell	2,020	6,429
AUSTAR UNITED COMM.	(27)	1.32	0.97	33.3	16.4	47	0%	12.9	-	Sell	1,665	2,141

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	Avg. Daily Trading Value
6-Jun-08	%	A\$	A\$	X	X	%	%	%			\$mn	\$'000
CURRENT INDEX:	5,592											
MARKET AVERAGE	21						14.5					
Financials ex Property												
ALCO FINANCE GROUP	138	0.39	0.93	-0.2	2.8	#NUM!	-11%	26.3	-	L.T. Buy	143	2,072
BABCOCK & BROWN	63	11.16	17.62	5.7	8.5	8	31%	18.8	-	L.T. Buy	3,282	52,422
NATIONAL AUS.BANK	58	29.52	44.62	10.8	14.6	11	70%	12.9	-0	Watch	47,009	217,175
CHALLENGER FINL.SVS.	47	2.10	3.01	61.1	8.3	239	51%	22.6	-	L.T. Buy	1,221	8,279
MACQUARIE BANK	44	55.99	77.04	9.2	11.7	(1)	56%	15.7	-0	Watch	15,373	132,613
WESTPAC BANKING	40	22.75	30.44	10.8	14.4	6	69%	12.6	-	L.T. Buy	42,431	172,207
ANZ BANKING GP.	38	20.74	27.20	10.3	12.7	(2)	68%	13.5	-	L.T. Buy	39,849	205,624
COMMONWEALTH BK.	35	43.40	55.91	12.1	14.7	5	75%	12.9	0	Watch	56,809	169,176
PERPETUAL	30	49.93	61.54	15.6	19.3	(5)	104%	14.2	-	L.T. Buy	2,072	4,808
AUSTRALIAN STOCK EX.	22	32.67	37.99	15.4	17.7	7	91%	15.7	-	Neutral	5,587	40,522
PLATINUM ASSET MGMT.	19	4.04	4.59	14.1	18.2	#NUM!	83%	14.1	-	Neutral	2,266	1,540
ST GEORGE BANK	15	30.80	33.65	14.3	13.8	5	81%	14.5	+	Hold	17,270	74,679
AUST. WEALTH MGMT.	15	1.63	1.76	13.3	13.6	13	87%	20.3	-0	Neutral	921	2,301
BENDIGO BANK	15	13.50	14.84	14.4	13.9	12	69%	15.8	+	Hold	3,549	9,825
IOOF HOLDINGS	(14)	5.18	4.12	22.4	13.9	28	123%	22.5	-0	Sell	356	644
BANK OF QLND.	(14)	15.41	12.45	15.6	11.7	6	76%	18.9	-0	Sell	2,253	6,949
TOWER AUSTRALIA	(31)	2.95	1.98	15.3	9.2	12	32%	19.1	+	Overpriced	691	2,158
B&B CAPITAL LIMITED	(41)	4.17	2.48	8.5	10.9	(14)	0%	15.9	0	Overpriced	834	1,429
Insurance												
SUNCORP-METWAY	21	14.90	16.96	16.4	14.2	21	104%	17.4	+0	Neutral	13,873	45,212
QBE INSURANCE GROUP	18	24.62	27.71	11.3	12.1	4	59%	15.7	+0	Neutral	21,685	97,040
AMP	9	7.61	7.80	17.2	15.2	15	97%	15.9	-	Sell	14,268	49,778
INSURANCE AUS.GROUP	3	4.05	3.92	28.2	13.1	50	122%	18.1	0	Overpriced	7,505	35,111
AXA ASIA PACIFIC	(1)	5.30	4.99	17.0	12.0	21	70%	17.1	-	Sell	8,988	15,936
Property												
FKP PROPERTY GROUP	101	3.70	7.09	6.0	10.1	11	53%	20.9	+0	Add	974	3,514
ABACUS PROP. GROUP	83	1.33	2.30	7.2	12.1	4	74%	17.4	0	Watch	722	1,660
MACQUARIE DDR TRUST	78	0.54	0.87	5.4	9.6	(7)	91%	21.0	+0	Add	502	2,765
MACQUARIE C'TRY.TRUST	77	1.17	1.92	7.7	12.5	2	98%	18.9	-	L.T. Buy	1,556	7,969
B&B JAPAN PROP. TRUST	67	1.10	1.70	5.5	11.1	(11)	77%	20.2	-	L.T. Buy	576	1,638
SUNLAND GROUP	65	2.70	4.30	9.0	12.2	31	46%	20.8	-	L.T. Buy	868	1,560
MIRVAC GROUP	64	3.31	5.11	10.3	16.0	6	103%	17.9	-	L.T. Buy	3,613	18,470
TISHMAN SPEYER OFFICE	61	1.64	2.47	14.2	12.5	28	110%	20.4	+	Buy Now	561	2,273
MACQUARIE OFF. TRUST	58	0.99	1.46	7.3	13.0	(10)	91%	18.5	+0	Add	2,009	7,936
AUSTRALAND PR.GP.	58	1.48	2.17	8.2	11.8	4	94%	18.7	-	L.T. Buy	1,373	1,661
VALAD PROPERTY GRP	57	0.99	1.43	9.6	13.1	6	116%	21.0	+	Buy Now	1,443	6,107
GOODMAN GROUP	53	3.95	5.71	11.6	16.0	5	100%	16.1	-	L.T. Buy	6,614	25,369
ING INDL.FUND	48	1.98	2.75	11.0	15.0	2	100%	16.2	-	L.T. Buy	2,206	6,538
WESTFIELD GROUP	45	17.45	24.19	16.5	21.5	4	98%	10.7	-	L.T. Buy	33,891	135,821
BUNNINGS WAREHOUSE	38	1.94	2.55	7.5	9.7	(2)	52%	18.7	-	L.T. Buy	585	922
CFS RETAIL PR.TST.	28	2.11	2.57	17.8	20.8	4	101%	14.9	-	Neutral	4,772	17,804
CENTRO RETAIL GP.	27	0.40	0.51	3.0	2.9	5	40%	23.0	0	Neutral	461	2,011
ING OFFICE FUND	23	1.34	1.54	12.4	13.9	2	99%	17.3	+0	Neutral	1,693	4,366
DEXUS PROPERTY GROUP	19	1.61	1.80	13.5	14.7	2	100%	16.7	-	Neutral	1,316	12,693
GPT GROUP	18	2.97	3.20	11.2	11.9	2	108%	19.3	-	Neutral	6,236	30,797
COMMONWEALTH PR.OFF.	15	1.29	1.39	13.7	14.9	(0)	99%	16.9	-	Neutral	2,071	8,019
STOCKLAND	8	6.17	6.32	17.3	17.1	5	100%	15.0	-	Sell	8,981	36,435
HENDERSON GROUP CDI.	(1)	2.56	2.40	10.3	9.7	3	53%	20.3	+	Overpriced	1,927	5,786
Health Care												
SONIC HEALTHCARE	25	14.69	17.91	20.1	21.3	14	69%	11.3	0	Neutral	4,896	13,000
RAMSAY HEALTH CARE	15	10.75	11.95	17.3	15.3	23	56%	15.9	-0	Neutral	1,868	3,716
SIGMA PHARMS.	14	1.16	1.24	11.8	11.4	10	75%	19.0	-	Sell	996	2,385
HEALTHSCOPE	14	4.45	4.87	14.3	13.5	14	61%	16.8	-	Sell	1,058	3,591
PRIMARY HEALTHCARE	4	6.04	5.98	21.3	16.4	32	90%	17.3	0	Overpriced	2,234	5,922
CSL	(2)	41.00	39.68	32.1	24.8	24	37%	9.7	+	Overpriced	22,563	49,762
COCHLEAR	(4)	50.50	47.22	24.2	19.1	14	71%	13.0	-	Sell	2,758	14,682
ANSELL	(19)	11.05	8.70	15.5	11.2	9	36%	16.3	-	Sell	1,528	7,641
RESMED	(53)	4.18	1.97	27.5	10.8	9	0%	13.3	-	Sell	2,521	6,770
Industrials												
LEND LEASE	55	11.70	17.25	10.5	14.1	10	73%	16.0	-	L.T. Buy	4,338	17,292
GWA INTERNATIONAL	45	2.81	3.85	13.7	15.6	15	104%	17.6	-	L.T. Buy	787	1,323
MACQUARIE AIRPORTS	40	2.79	3.63	15.2	17.4	17	140%	17.2	-	L.T. Buy	4,795	18,721
BORAL	33	5.95	7.55	15.3	18.5	17	85%	15.1	-	L.T. Buy	3,585	15,629
PMP	32	1.03	1.33	10.7	8.8	30	28%	20.7	-	L.T. Buy	348	1,190
AMCOR	31	5.95	7.44	15.0	15.2	17	78%	15.5	-	L.T. Buy	5,255	21,780
NRW HOLDINGS	29	2.22	2.78	16.7	14.6	28	56%	15.1	-0	Watch	558	1,049

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
6-Jun-08	%	A\$	A\$	X	X	%	%	%			\$mn	\$'000
CURRENT INDEX:	5,592											
MARKET AVERAGE	21							14.5				
Industrials												
BRAMBLES INDUSTRIES	26	8.16	9.96	17.4	19.6	11	68%	11.5	-	Neutral	11,540	56,410
CORPORATE EXPRESS	25	5.73	6.88	14.3	15.6	9	67%	13.8	0	Neutral	961	733
GUNNS	24	2.90	3.45	13.4	13.8	14	60%	16.8	-	Neutral	1,167	4,123
JAMES HARDIE INDS.CDI.	23	5.32	6.34	24.4	20.3	47	81%	16.1	-	Neutral	2,303	13,806
LEIGHTON HOLDINGS	15	53.35	59.76	24.6	23.3	22	66%	10.6	+	Hold	14,836	37,051
MONDELPHOUS GRP.	13	13.26	14.30	17.8	17.4	11	89%	14.5	0	Overpriced	1,101	2,484
CRANE GROUP	10	13.87	14.54	13.9	13.0	10	72%	16.6	-	Sell	842	2,164
TRANSPACIFIC INDS.GP.	9	7.52	7.97	12.3	11.0	17	31%	16.3	-	Sell	2,140	5,822
UNITED GROUP	8	12.26	12.67	15.0	13.5	13	69%	16.3	-0	Sell	1,999	10,194
EMECO HOLDINGS	8	1.18	1.22	10.9	10.7	10	41%	18.7	+	Overpriced	742	1,295
CSR	7	2.82	2.87	13.8	10.7	21	66%	17.1	-	Sell	2,771	16,913
BOART LONGYEAR	6	2.29	2.37	14.8	13.4	11	31%	12.7	+	Overpriced	3,442	12,394
DOWNER EDI	(1)	7.13	6.80	14.3	12.6	9	49%	15.5	+	Overpriced	2,307	13,102
SEEK	(3)	5.44	5.10	19.9	15.7	17	70%	14.3	-	Sell	1,558	7,572
TOLL HOLDINGS	(3)	7.26	6.74	10.5	11.6	(2)	45%	17.1	-	Sell	4,682	31,669
TRANSFIELD SERVICES	(4)	9.02	8.31	20.3	14.5	23	75%	16.8	-	Sell	1,787	6,143
BRADKEN	(4)	8.65	7.93	16.5	13.0	16	67%	17.4	+	Overpriced	918	4,259
SIMS GROUP	(4)	38.33	35.50	17.2	15.4	(1)	55%	13.5	+	Overpriced	4,849	23,197
TRANSURBAN GROUP	(7)	5.38	4.43	-144.7	-66.9	54	-111%	14.3	-	Sell	5,828	24,442
McMAHON HOLDINGS	(13)	1.75	1.48	19.9	13.4	23	52%	16.7	+	Overpriced	925	2,332
ADEL.BRIGHTON	(16)	3.71	2.96	16.2	11.4	12	74%	13.6	+	Overpriced	2,147	2,947
HILLS INDS.	(23)	3.66	2.55	13.3	8.7	6	101%	19.2	-	Sell	684	845
AUSENCO LIMITED	(23)	15.04	11.17	21.4	13.0	20	60%	17.7	+	Overpriced	1,344	3,630
AUSENCO LIMITED	(23)	15.04	11.17	21.4	13.0	20	60%	17.7	+	Overpriced	1,344	3,630
DYNO NOBEL	(39)	3.13	1.84	22.6	10.8	15	43%	17.6	+	Overpriced	1,908	22,129
CONNECTEAST GROUP	(44)	1.13	0.53	-147.9	-9.9	81	-325%	18.0	-	Sell	1,465	4,120
Oil & Gas												
WOODSIDE PETROLEUM	68	60.58	100.07	21.1	32.8	1	65%	10.4	+	Buy Now	41,699	114,770
NEXUS ENERGY	62	1.75	2.83	33.9	-105.6	39	0%	19.0	+	Buy Now	968	2,642
BEACH PETROLEUM	28	1.52	1.93	14.2	16.1	16	17%	15.2	+	Buy Now	1,352	6,668
CALTEX AUSTRALIA	27	14.58	17.78	11.3	12.3	4	52%	16.2	+0	Neutral	3,937	15,209
AUST.WORLDWIDE EXP.	(14)	4.04	3.47	6.6	6.8	(15)	0%	14.8	+	Overpriced	1,812	9,407
WORLEYPARSONS	(19)	37.85	29.84	26.9	17.3	20	59%	13.4	+	Overpriced	9,151	31,493
SANTOS	(37)	21.35	13.02	25.2	13.6	4	44%	11.2	+	Overpriced	12,507	60,392
OIL SEARCH	(38)	5.87	3.58	23.9	16.4	(4)	36%	11.7	+	Overpriced	6,573	31,467
ORIGIN ENERGY	(42)	15.60	8.77	25.1	15.5	5	43%	13.3	+	Overpriced	13,658	41,222
ROC OIL COMPANY	(61)	2.24	0.87	15.1	6.2	(4)	0%	17.3	+	Overpriced	670	2,927
QUEENSLAND GAS	(82)	5.04	0.93	119.1	17.2	32	0%	18.8	+	Overpriced	4,138	9,705
Technology												
WOTIF	19	3.78	4.33	21.7	19.3	27	86%	15.4	-	Neutral	769	989
IRESS MARKET TECH.	10	6.52	6.85	23.4	20.6	21	111%	14.3	-	Sell	773	2,172
COMPUTERSHARE	(3)	9.19	8.67	16.9	15.1	8	38%	12.3	+	Overpriced	5,430	12,436
Telecommunications												
TELSTRA	58	4.60	7.00	15.4	21.5	10	90%	9.3	0	Watch	57,238	177,120
SING TELECOM	28	2.85	3.56	14.4	16.5	9	50%	10.5	-	L.T. Buy	50,804	7,321
TELECOM NZ	(6)	3.09	2.63	9.7	10.1	(13)	89%	16.4	-	Sell	5,805	16,558
Utilities												
B&B INFRASTRUCTURE	66	1.08	1.64	18.0	32.0	9	279%	16.2	-	L.T. Buy	2,405	8,606
DUET GROUP	48	3.40	4.75	17.4	23.2	14	139%	13.8	+	Buy Now	9,969	3,498
AUSTRALIAN INFR.FUND	39	2.44	3.24	4.3	10.2	(5)	38%	17.7	-0	Watch	914	2,062
MACQUARIE COMM. INFR.	36	3.72	4.60	33.8	26.6	(0)	343%	18.2	-	L.T. Buy	1,909	7,230
SP AUSNET	32	1.22	1.50	14.4	17.4	2	141%	14.8	-	L.T. Buy	2,553	2,737
B&B POWER	22	1.31	1.33	8.8	63.5	(57)	288%	21.1	-	Neutral	926	7,748
AUST.PIPELINE TRUST	15	3.07	3.23	19.4	19.7	12	187%	16.7	0	Neutral	1,407	2,947
ENVESTRA	14	0.73	0.74	3.7	34.4	(61)	87%	17.1	-	Neutral	637	564
ASCIANO GROUP	9	4.45	4.40	-22.1	42.8	#NUM!	-935%	17.6	+0	Overpriced	2,922	14,395
AUST.GAS LIGHT	7	13.78	14.21	17.8	16.7	9	66%	12.8	+	Overpriced	5,974	20,643
MACQUARIE INFRAS.	(2)	2.97	2.71	6.0	10.6	(40)	53%	15.6	+0	Overpriced	7,173	32,266
ENERGY DEVELOPMENTS	(13)	2.67	2.25	14.9	11.4	11	42%	18.7	+0	Overpriced	396	1,324
B&B WIND PARTNERS	(46)	1.76	0.79	-83.6	-22.1	21	-526%	16.4	+	Overpriced	1,181	4,551

VALUE AND MOMENTUM MONITOR

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