

Private Wealth Management

Investment Strategy Bulletin

Australian Equities: Portfolio Strategy Review

March 2007

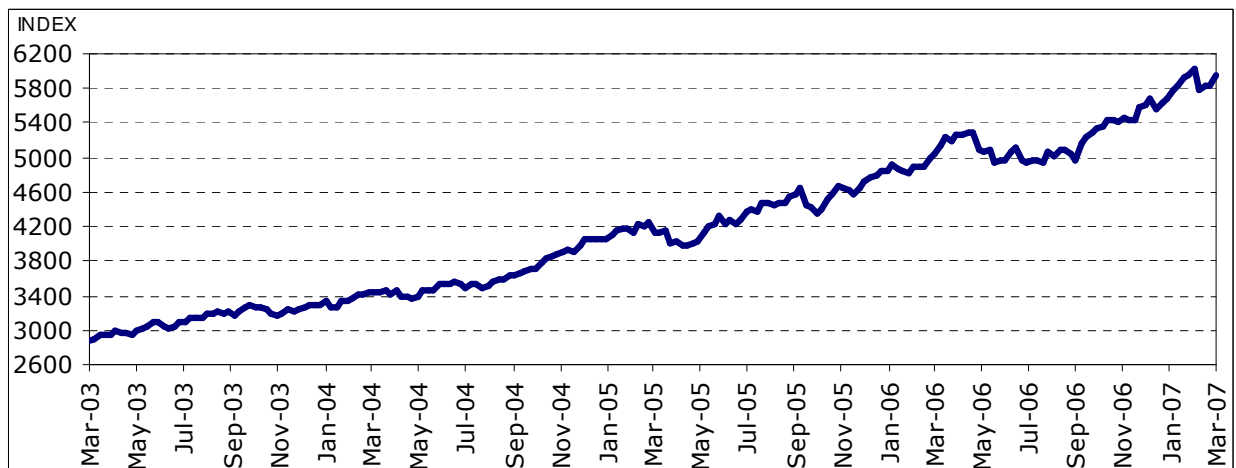
- The ASX200 finished what was a volatile month stronger, up 3.3% for March. The increase was driven by the Resources, up 7.6%. The Industrials Index also moved higher, up 2.2%. Over the 12 months to March, the Industrials have delivered a gain of 24.6% while the Resources are up 12.0%.
- The Australian equity market started the month weaker, continuing its sharp decline from late February on the back of falls in international markets (primarily China). Having recovered somewhat the market then fell again, following concerns in the US about the sub-prime mortgage market. However the ASX200 went on to finish at its peak for the month.
- The Energy, Materials and Telecommunication sectors outperformed, while the Financials, REITs and Utilities sectors lagged. The Australian Dollar ended March 2.45% higher at \$US80.73.

Accumulation Index Performance			
	1 Month	6 Month	12 Month
S&P/ASX 200	3.3%	18.6%	21.8%
S&P/ASX 200 Industrials	2.2%	18.6%	24.6%
S&P/ASX 200 Resources	7.6%	18.7%	12.0%
S&P/ASX Small Ordinaries	4.0%	24.0%	27.8%
Relative Index Performance to S&P/ASX 200			
Consumer Discretionary	1.3%	2.3%	5.5%
Consumer Staples	1.6%	3.2%	17.4%
Energy	2.8%	-4.0%	-13.9%
Financials	-2.6%	-3.3%	1.1%
Health Care	1.6%	5.7%	2.3%
Industrials	-0.2%	2.5%	5.4%
Information Technology	3.8%	17.0%	19.8%
Materials	3.1%	1.3%	-11.0%
REITs	-7.5%	-7.6%	6.6%
Telecommunications	5.9%	15.0%	11.9%
Utilities	-1.4%	-0.7%	8.6%

Source: GSJBW Research, IRESS

Australian Equity Market Performance: S&P/ASX 200 Index

(March 2003 – March 2007)



Source: IRESS

For important information relating to Goldman Sachs JBWere's interests in companies or trusts the subject of this report, please see the inside or outside back cover of this report.

Company Performance: Best and Worst Performing Large-Cap Equities

In March, the best and worst performing stocks (absolute share price returns) in the ASX 100 were as follows:

Best	% Change	Worst	% Change
Bendigo Bank	27.3	James Hardie Industries	-12.2
Cochlear	14.1	Centro Properties Group	-11.4
Telstra Instalment Receipts	13.4	CFS Retail Property Trust	-7.5
Bluescope Steel	12.5	Mirvac Group	-7.4
Tattersall's	12.0	Downer EDI	-7.1
Lend Lease	10.7	CSR	-6.1
BHP Billiton	10.2	Zinifex	-5.6
Macquarie Communications	10.1	Stockland	-5.6
Telstra	9.4	Westfield Group	-5.4
Harvey Norman	8.5	Macquarie Office Trust	-5.3

Source: IRESS

Significant Company/Economic News

Banks **Analyst: Ben Koo**

- ❑ **Bank of Queensland (BOQ): Short Term Not Rated; Long Term Not Rated**
Share Price as at 30/03/07: \$17.32; Valuation: \$15.15
- ❑ **Bendigo Bank (BEN): Short Term Not Rated; Long Term Not Rated**
Share Price as at 30/03/07: \$17.00; Valuation: \$13.00

Bendigo Bank received a merger proposal from Bank of Queensland, which offered 0.748 Bank of Queensland shares and \$5.50 cash per Bendigo Bank share. Bank of Queensland is targeting \$70m in cost saves over the next 3 years. The merged entity’s footprint will equate to 575 branches, which is the 5th largest footprint in the banking sector. In reply, Bendigo Bank’s board said it continues to assess Bank of Queensland's approach.

Healthcare **Analyst: Hamish Tadgell**

- ❑ **Sonic Healthcare (SHL): Short Term Marketperform; Long Term Hold**
Share Price as at 30/03/07: \$14.75; Valuation: \$14.82
- ❑ **Healthscope (HSP): Short Term Marketperform; Long Term Buy**
Share Price as at 30/03/07: \$5.50; Valuation: \$5.82

The Auckland High Court ruled that Sonic Healthcare’s legal challenge contesting the Auckland District Health Board’s (DHB) decision to award the Auckland pathology services contract to LabTests Auckland (76.67% owned by Healthscope) has been successful. The judicial review’s judgment was not based on the quality of the service to be provided by Labtest but rather on the processes that led to the decision of DHB awarding the contract to Labtest. Subsequently, DHB has now awarded this contract back to Sonic for the next 18 months, pending any appeal from Healthscope (Labtest).

Transport **Analyst: Paul Ryan**

- ❑ **Qantas (QAN): Short Term Marketperform; Long Term Hold**
Share Price as at 30/03/07: \$5.25; Valuation: \$5.12

Balanced Equity Mangement, a key shareholder in Australian takeover target Qantas Airways, announced in March that it did not plan to accept a A\$5.45 per share (A\$10.8 billion) bid for the airline. The Airline Partners Australia bid consortium, which needs 90 percent of shareholder acceptances, said it had extended the offer until April 20. It said shareholders owning about 29 percent of Qantas stock had accepted so far.

Domestic Media**Analyst: Christian Guerra****□ Media Reforms**

Australian media stocks rallied sharply on the last day of the month after the Government announced that its media reforms package will take effect from 4 April 2007, ending uncertainty about the timing of the changes which were passed through parliament in October 2006. Under the new regime, each state capital city market will have a minimum of five media owners and each regional market at least four. In each market, one owner can have a maximum of two of the media platforms of newspapers, radio and television. More than A\$17 billion of deals have already been announced in the sector since the changes were endorsed last year.

Utilities**Analyst: Kynwynn Strong****□ Alinta (AAN): Short Term Marketperform; Long Term Hold**

Share Price as at 30/03/07: \$14.52; Valuation: \$12.27

At the end of March Alinta recommended a A\$7.4 billion cash and script offer from Babcock & Brown Ltd. and Singapore Power to acquire all its assets. The transaction would be the biggest in the Australian utility and gas sector ever, topping the A\$6.5 billion asset swap Alinta carried out with AGL Energy Ltd last year and the biggest transaction announced so far this year. The bid includes a cash component of A\$8.50. In addition to the cash component, for every five Alinta shares held investors will receive 7.83 Babcock & Brown Infrastructure securities, 3.31 Babcock & Brown Power securities and 1.3 Babcock & Brown Wind securities.

Consumer Staples**Analyst: Phillip Kimber****□ Coles Group (CGJ): Short Term Marketperform; Long Term Hold**

Share Price as at 30/03/07: \$16.25; Valuation: \$13.65

After releasing details of a 1H07 result that saw underlying NPAT 9% lower than the previous corresponding period, the Coles Group announced that a formal process will now commence for the sale of the company with expressions of interest being invited for: (a) 100% of the Group; (b) Everyday Needs business (Food, Liquor, Coles Express & Kmart); (c) Target; and (d) Officeworks. The Board stated that they intend to fully explore all ownership options available.

Economics**Analyst: Tim Toohey****□ Interest Rates**

The interest rate markets re-evaluated the likelihood of a near term interest rate hike by the RBA, following a speech by Assistant Governor Malcolm Edey. The implied probability of a rate rise rose to as Mr Edey hinted that the RBA will continue to review inflation prospects on a month to month basis. As at the end of the month the futures market was pricing the probability of an April hike at 80% and a 100% probability was ascribed by mid-year.

Australian Equities: Key Issues for Portfolio Strategy

- A sharp contraction in housing activity is now hitting the US economy and this drag will be at its most material through the first half of 2007. To date, the balance of the economy (i.e. consumer & business spending) has not shown any material signs of being hurt by this slump. Outside the US, the global economy appears to on track for a 'happy slowdown', with Goldman Sachs forecasting world real GDP slowing from 4.8% in 2006 to 4.3% this year. This outcome rests on the view that the world has decoupled from the US as the sole engine of global growth, with increasing domestic consumption in China and Asia expected to take over from any slow down in the US economy.
- While US interest rates appear to have peaked for this cycle, the unfolding slowdown will need to clearly quell inflationary pressures for rates to fall through 2007. Outside the US, Goldman Sachs Research is looking for further policy tightening in Europe, Japan and China. As the process of 'policy normalization' continues, the test will be whether the global economy is able to sustain strong growth as interest rates broadly continue to rise. We remain comfortable that the basic fundamentals for global markets are sound (real bond yields remain low, earnings growth remains intact, strong corporate balance sheets) however performance is likely to be more subdued and volatility more pronounced as investors work through the macro-economic environment described above.
- Domestically, we continue to expect economic growth to peak around the middle of this year before retreating to below average in the second half of 2007. Our expectations for a flattening of the terms of trade (income injection from rising commodity prices starts to fade), a reversal of housing equity withdrawal and regulatory changes to superannuation (which incentivise saving over spending) all suggest that consumption growth is set to weaken. We believe these factors will ultimately prove sufficient to require interest rate reductions by late 2007 and into 2008 to prevent the economy from falling to below average growth for an extended period. As a result of softer domestic conditions, weakening global industrial production and a peaking in the terms of trade, we believe the Australian Dollar will weaken to 74 cents on a 12-month view.
- On the whole, results from the first half reporting season were largely in line with previous periods, coming in slightly ahead of GSJBW expectations. The overall Earnings Per Share (EPS) forecasts for the Industrial equities have not changed significantly for 2007 and 2008. EPS forecasts for the Resources sector in 2006/07 have declined from +19% growth to +15%, while the 2007/08 estimates remain unchanged at around +9.0%. Positive revisions were concentrated in service-based companies exposed to the growth segments of the economy (mining, Western Australia, financial services, employment). Costs continued to remain a key issue, particularly for manufacturing companies and the Resources sector (Energy in particular).
- The recent pull-back and quick recovery in equity markets shows just how much 'hot money' is floating around global financial markets and its sensitivity to any reassessment in the pricing of risk. Identifying value in this market remains a challenge. Diversified Resources (BHP Billiton, Rio Tinto) continue to remain attractive, particularly in light of our positive view on commodity prices and the low multiples the stocks are now trading on. Within the large-cap defensive universe, our analysis shows that Australian Infrastructure Fund, ConnectEast Group and Ramsay Healthcare provide the best long term relative value. Elsewhere, we continue to favour companies with offshore earnings given our cautious view on the Australian Dollar and the relative expensiveness of the Australian market. Stocks that we favour on this basis are: Brambles Industries, QBE Insurance, Orica, and Singapore Telecom.

GSJBW Market Forecasts:

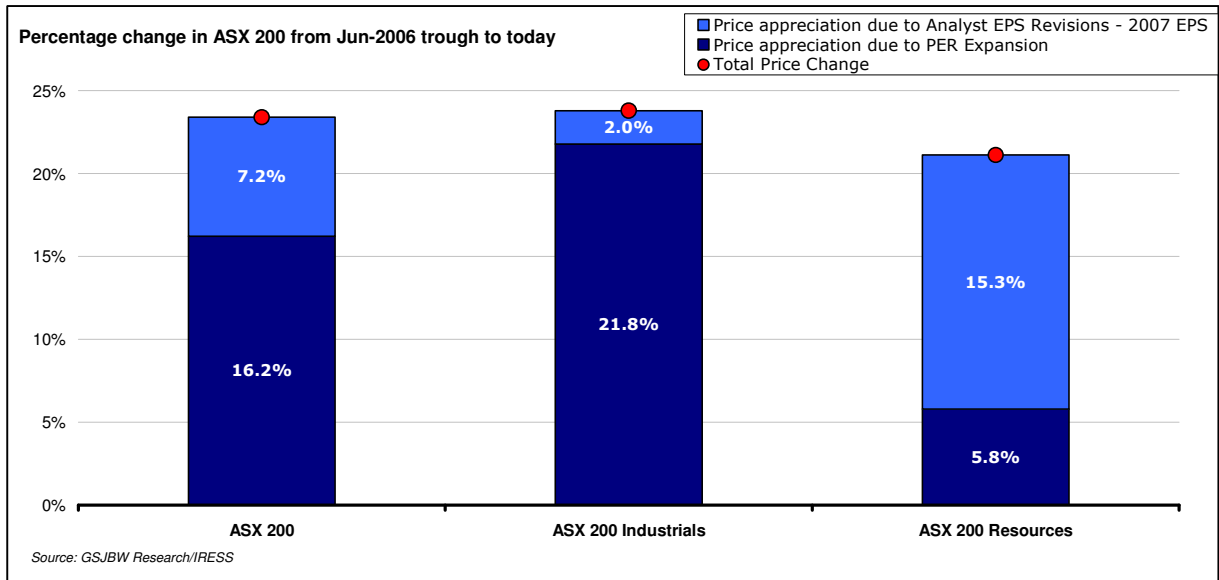
As at 31/03/2007	Price Earnings Ratio (PER)			Earnings Per Share Growth (%)			Dividend Yield (%)		
	FY06	FY07E	FY08E	FY06	FY07E	FY08E	FY06	FY07E	FY08E
S&P/ASX 300	17.0x	15.3x	14.0x	22.9	12.7	9.2	3.4	3.6	4.0
S&P/ASX 300 Industrials	19.4x	17.7x	16.1x	7.4	10.2	9.7	4.1	4.2	4.6
S&P/ASX 300 Resources	13.4x	11.6x	10.8x	52.0	16.1	8.3	2.0	2.3	2.6

Source: GSJBW Research estimates

Portfolio Management: Industrials - Paying More for Less

The ASX 200 is up +23.2% since June 14th last year (as at 28 March 2007) and over that time positive earnings revisions to 2007 numbers have accounted for 7.5% of the rise & the remaining 15.7% has been from PE expansion (i.e. increase in price). While this may not tell a compelling story in itself, it is when we break this down into the industrials and resources that an interesting picture emerges (refer Chart One).

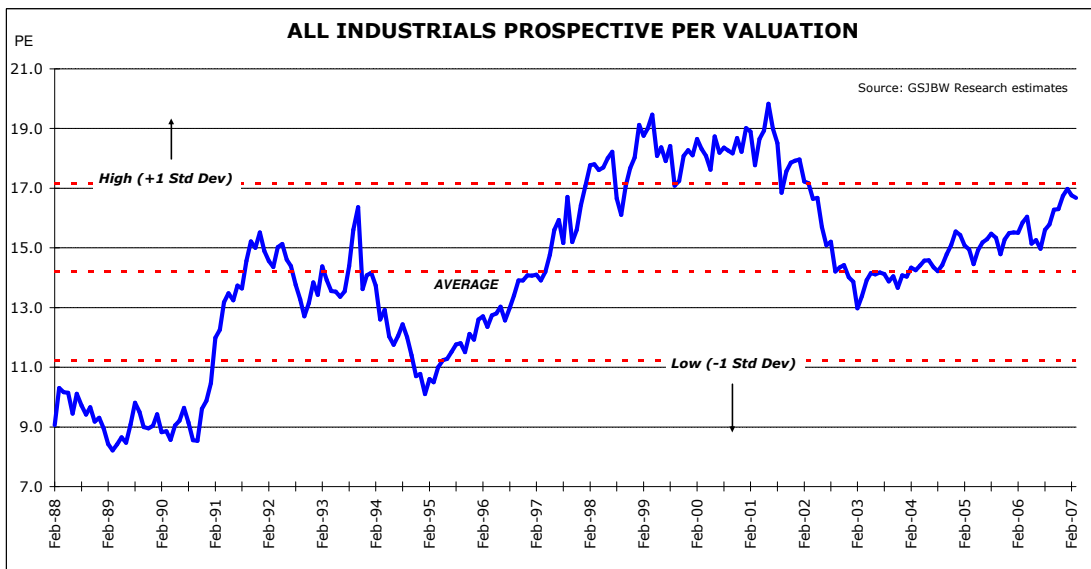
Chart 1



The ASX 200 Industrials are up 23.8% since June last year, however of that gain positive earnings revisions have accounted for only 2.0%, while the majority (21.8%) was from PE expansion. The resources, however, tell another story. Over the same period, the Resources have risen by +21.1%, but of that PE expansion has been just 5.8%, while the majority has been a +15.3% expansion due to positive revisions to expected earnings.

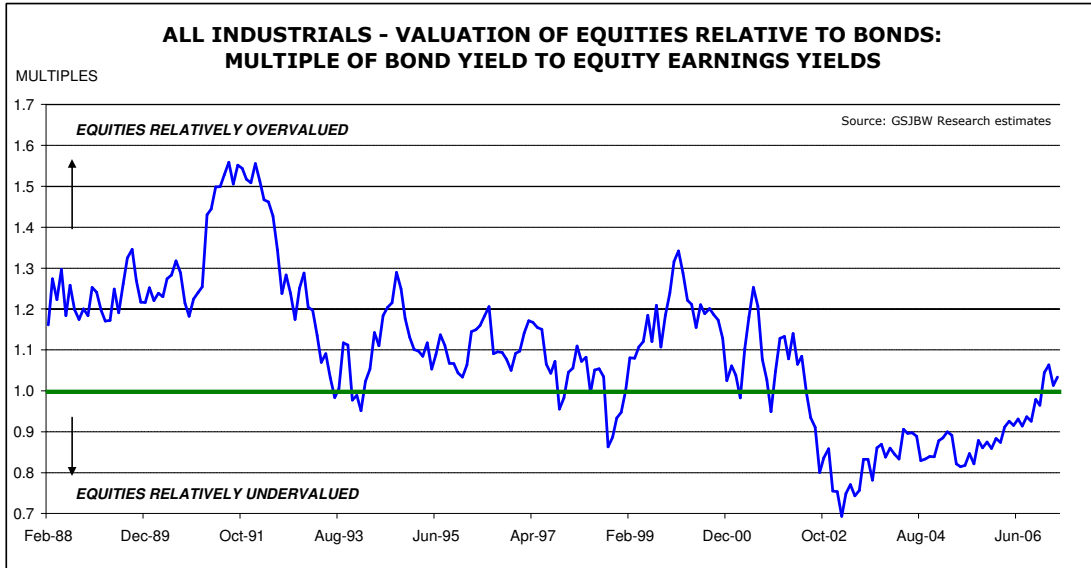
Investors have clearly increased the multiple they are prepared to pay for future earnings, reflecting the strong liquidity in the market and the fact that earnings appeared to hold up well during the reporting season. These changes are best reflected in the prospective PE ratio for the Industrials (refer Chart Two below).

Chart 2



We continue to believe the Industrials are fully priced both in absolute terms and relative to the level of interest rates (refer Chart Three). Valuation multiples are approaching levels which have, in the past, proved unsustainable. While of the current high levels of merger and acquisition activity account for a portion of the valuation premium, at some point this theme will dissipate. If, in the interim, long term interest rates have edged higher (a global risk for 2007) and profit estimates for FY08 and FY09 have eased (rising cost pressures), the market will be vulnerable.

Chart 3



Portfolio Management: Building Positions - Diversified Resources

Diversified Resources

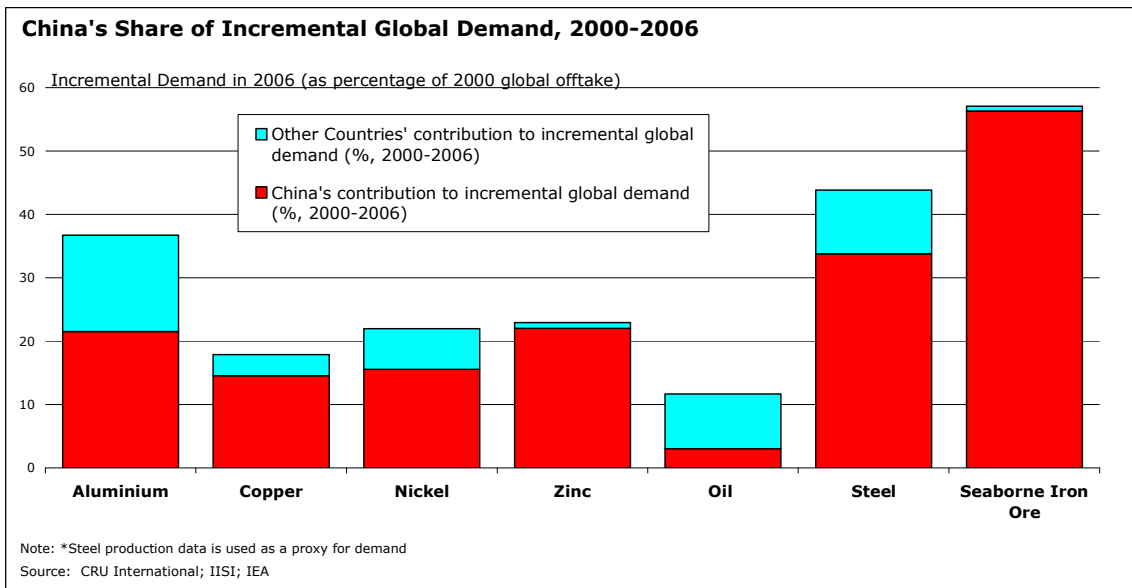
Analyst: Neil Goodwill

- ❑ **BHP Billiton (BHP): Short Term Outperform; Long Term Buy**
Share Price as at 30/03/07: \$29.89; Valuation: US\$19.68 (A\$26.95)
- ❑ **Rio Tinto (RIO): Short Term Outperform; Long Term Buy**
Share Price as at 30/03/07: \$78.81; Valuation: US\$58.00 (A\$80.11)

China remains the main global driver of demand for key raw materials. We believe that recent policy reiterations coming from the Chinese government remain very supportive for strong growth in industrial production, and for infrastructure and construction in particular.

As a theme we expect stronger base metal prices in 2007 than 2006. The Chinese growth story has not faltered and neither has its demand for commodities (refer Chart One). The theme of higher copper prices, based on Chinese de-stocking ending and production difficulties at mining operations, is currently very much intact. Chinese demand for imported iron ore remains robust, while spot prices have risen on the back of India's introduction of an export tax. Nickel is expected to remain strong over 2007, although we believe that the continuing development of China's low grade ferronickel industry could potentially lead to a global surplus in 2008. We do expect weaker aluminium pricing as the year progresses, due to continuing growth in China's exports of semi-manufactured metal. We remain positive on the outlook for oil.

Chart 1



We continue to believe the market is yet to accept higher commodity prices as 'normal prices', with the current multiples of the diversified miners reflecting the market's fears of earnings downgrades to come. We remain of the view that China is providing a once in a generation structural change for the resources industry, driving sustained demand growth for commodities, while the supply side is not equipped to quickly respond. We believe higher than historical average commodity prices will persist, providing a very strong earnings environment for the major diversified resources given their large scale, high quality mineral reserves. Increasing volumes from both the expansion of existing assets and the development of new projects provides further upside to long term earnings.

We believe that BHP Billiton (BHP) and Rio Tinto (RIO) are being priced on the fear that commodity prices retreat in 2007 and that their earnings estimates have entered 'downgrade mode'. We don't believe this is the case given the fundamentals of the Chinese story – i.e. demand continuing to outweigh supply – remain very much intact. In our view, long term value has emerged within the sector for investors prepared to look through short term cyclicity. On that basis, we remain comfortable increasing our exposure to the diversified miners BHP and RIO.

Portfolio Management: Reduce Exposure**Energy****Analyst: Anthony Bishop****□ Santos (STO): Short Term Underperform; Long Term Sell**

Share Price as at 30/03/07: \$10.15; Valuation: \$8.54

Year End June	2006 Actual	2007 Estimate	2008 Estimate
Net Profit (\$m)	652.6	434.2	290.6
EPS Growth (%)	6.7	-33.6	-33.1
PER (x)	9.3	14.0	20.9
Yield (%)	3.9	2.5	1.7

Source: Company data, GSJBW Research estimates

Santos Limited (STO) is an oil and gas exploration and production company, supplying natural gas, liquefied natural gas, crude oil, ethane and liquefied petroleum gas for domestic and export markets. The company's assets within the onshore Cooper Basin have been the mainstay of the business' production for several decades.

The company's recent 2006 result was in line with our expectations at the EBITDA level, although Net Profit After Tax was lower than our estimates, largely due to higher than expected depreciation, depletion and amortisation charges. In addition STO revised its capital expenditure forecasts higher, mainly due to the Cooper oil program and the accelerated development of the Fairview coal seam gas project. Having incorporated these changes into our earnings estimates we do not believe the stock's valuation metrics are attractive and when combined with the uncertainty of mud flow liabilities our short-term recommendation is Underperform.

Longer term we remain concerned by the company's production profile and the value attaching to its growth options. Production from STO's main asset, the Cooper Basin, is in structural decline. Whilst the company is chasing growth through drilling, development and acquisitions the value of the new growth options is lower and/or not of significant size to materially increase production for the next couple of years. In summary we believe large, high value, long term production growth options are lacking and as such we have a long-term Sell recommendation.

Infrastructure**Analyst: Alison Booth****□ Transurban Group (TCL): Short Term Underperform; Long Term Sell**

Share Price as at 30/03/07: \$7.76; Valuation: \$6.01

Year End June	2006 Actual	2007 Estimate	2008 Estimate
Net Profit (\$m)	-60.9	-148.9	-129.4
EPS Growth (%)	-49.0	-126.0	-18.4
PER (x)	N/A	N/A	N/A
Yield (%)	6.5	7.0	7.4

Source: Company data, GSJBW Research estimates

The Transurban Group (TCL) is involved in the development and management of electronic toll roads. Initially, TCL was created as a single purpose entity to build, own and operate CityLink, an electronically tolled expressway running through the City of Melbourne that connects three major freeways. In 2005 the company launched a successful takeover offer for Hills Motorway, the controlling entity of the M2 Motorway in Sydney. Other assets include the Weslink M7 toll road in Sydney and Pocahontas Parkway, TCL's first toll road acquisition in the US.

TCL's recent interim result was slightly below our expectations, mainly due to higher corporate/development costs. Traffic growth on Pocahontas has also been disappointing, leading to downgrades of our earnings estimates for this asset. In addition, TCL has announced it is establishing a wholesale unlisted Fund in the US which will invest in US toll roads. The success of this Fund clearly depends on TCL's ability to source new US investment opportunities at reasonable prices, something we believe will be difficult in the current competitive acquisition environment in the US.

We continue to believe that the majority of Transurban's toll roads are high quality assets. However, we believe that investment in the stock at current prices remains unattractive given the stretched valuation metrics and long term imperative to maintain distribution growth through either new acquisitions (the market for which is becoming increasingly competitive) and/or further regearings (increasing the debt associated with particular assets in order to 'pull forward' cashflows from future periods). As a result, we retain our long term Sell recommendation on the stock.

Portfolio Management: Emerging Companies**Emerging Companies****Analyst: Greg Ward****Macquarie Leisure Trust (MLE): Short Term Outperform; Long Term Buy**

Share Price as at 30/03/07: \$3.05; Valuation: \$3.35

Year End June	2006 Actual	2007 Estimate	2008 Estimate
Net Profit (\$m)	21.1	27.5	34.6
EPS Growth (%)	11.5	15.5	22.4
PER (x)	26.2	22.7	18.5
Yield (%)	4.8	5.5	6.5

Source: Company data, GSJBW Research estimates

Macquarie Leisure Trust Group (MLE) is a sector specific property development and investment group, with investments in leisure and entertainment assets in Australia. The main assets held in the trust include Theme Parks (Dreamworld and WhiteWater World), Bowling Centres (AMF and King Pin), the US based Main Event Entertainment Centres and Marinas (d'Albora in NSW and Victoria Harbour and Pier 35 in Melbourne).

We expect short-term outperformance to be driven by positive news flow for the Group. Specifically, we believe there is considerable upside to our forecast margins and earnings from the recent opening of the new WhiteWater World water park on the Gold Coast (and resultant attendance increases at Dreamworld), the refurbishment of AMF bowling centres, and ongoing rollout of the highly attractive US Main Event Entertainment Centre model in the US.

We remain comfortable with our Long Term Buy recommendation. MLE's management team is successfully turning around an existing portfolio of assets with long-term growth options and has significant industry structure appeal (monopoly or duopoly assets, with high barriers to entry). We believe the nature of the leisure sector, and its history in attracting operators with little capital discipline, will ultimately offer MLE a long-term attractive business model of buying and turning around underperforming assets selected by a value-focused management team with strict cost and capital disciplines.

Emerging Companies**Analyst: Greg Ward****Tassal Group (TGR): Short Term Outperform; Long Term Buy**

Share Price as at 30/03/07: \$2.59; Valuation: \$2.76

Year End June	2006 Actual	2007 Estimate	2008 Estimate
Net Profit (\$m)	10.9	15.6	21.4
EPS Growth (%)	67.2	41.2	35.8
PER (x)	26.7	18.9	13.9
Yield (%)	1.9	2.0	4.0

Source: Company data, GSJBW Research estimates

Tassal Group (TGR) is involved in the farming, marketing and distribution of Tasmanian Salmon in Australia, as well as exports to Japan, and SE Asia. TGR has approximately 60% domestic market share of fresh salmon, and the largest supplier of value added Atlantic salmon products to supermarket chains Woolworth's and Coles (twice-a-week).

TGR management have successfully consolidated the industry into a stable duopoly, delivering large cost and efficiency gains, lifting price and weight per fish, as well as significantly reducing the associated agricultural risks. The domestic salmon market has grown strongly over recent years, reflecting the continuing preference of consumers to make a 'healthy choice'. At the same time, demand for imported seafood has fallen sharply since the recent requirement for supermarkets to label imported vs. local seafood.

We believe that the strong momentum in both fish size (improving yield) and cost savings (through the introduction of underwater lighting and automatic feeders) will result in 30+% EPS growth over each of the next three years. Given the earnings growth, favourable industry structure and quality management, we retain our long-term Buy recommendation.

GSJBW Model Portfolios

Income Portfolio – (Inception Date: October 2002)

Westpac Banking Corporation	Coca-Cola Amatil
Commonwealth Bank of Australia	Tabcorp Holdings
Macquarie Communications Infrastructure Group	Hills Industries
Rio Tinto	Suncorp-Metway
St. George Bank	AMP
Wesfarmers	Foster's Group
Woolworths	Crane Group
AGL Energy	David Jones
Australian Infrastructure Fund	Publishing & Broadcasting
Alesco Corporation	Rural Press

Our changes to the Income Portfolio during March 2007:

Reduced: West Australian Newspaper Holdings, Promina,
Increased: AMP, Suncorp-Metway, AGL Energy

Income Portfolio Summary: Fiscal 2007 (*Please note MCG is excluded from the calculation of the EPS growth rate and PER)

Earnings per Share Growth	4.6%
Price to Earnings Ratio	17.2x
Average Yield	4.7%
Franking	89%

Source: GSJBW Research estimates

Defensive Portfolio – (Inception Date: October 2002)

BHP Billiton	Wesfarmers
Westpac Banking Corporation	AGL Energy
Macquarie Communications Infrastructure Group	Foster's Group
National Australia Bank	Mirrabooka Investments
Rio Tinto	Rinker Group
Woolworths	Suncorp-Metway
Australian Infrastructure Fund	Publishing & Broadcasting Limited
Brambles	Sonic Healthcare
Ramsay Health Care	Coca-Cola Amatil
St. George Bank	Origin Energy
Tabcorp Holdings	

Our changes to the Defensive Portfolio during March 2007:

Reduced: Macquarie Communications Infrastructure Group, Woolworths, Promina
Increased: Wesfarmers, Suncorp-Metway, AGL Energy

Defensive Portfolio Summary: Fiscal 2007 (*Please note MCG and AIX are excluded from the calculation of the EPS growth rate and PER)

Earnings per Share Growth	7.2%
Price to Earnings Ratio	16.1x
Average Yield	3.8%
Franking	84%

Source: GSJBW Research estimates

*All figures or amounts stated in the table above are an estimate only and provided by way of illustration.
Actual figures or amounts may vary from those figures or amounts*

Balanced Portfolio – (Inception Date: October 2002)

BHP Billiton	Suncorp-Metway
Macquarie Communications Infrastructure Group	Wesfarmers
National Australia Bank	Aristocrat Leisure
Woolworths	Computershare
Rio Tinto	Healthscope
Westpac Banking	Publishing & Broadcasting
Brambles	St. George Bank
Alesco Corporation	Sonic Healthcare
AXA Asia-Pacific Holdings	AGL Energy
News Corporation, Inc.	Billabong International
Rinker Group	Origin Energy

Our changes to the Balanced Portfolio during March 2007:

Reduced: Macquarie Communications Infrastructure Group, Promina

Increased: Brambles, Wesfarmers, Suncorp-Metway

Balanced Portfolio Summary: Fiscal 2007 (Please note MCG is excluded from the calculation of the EPS growth rate and PER)

Earnings per Share Growth	12.2%
Price to Earnings Ratio	16.2x
Average Yield	3.3%
Franking	78%

Source: GSJBW Research estimates

Growth Portfolio – (Inception Date: October 2002)

BHP Billiton	Symbion Health
National Australia Bank	Toll Holdings
Rio Tinto	Aristocrat Leisure
Brambles	Computershare
Woolworths	Macquarie Capital Alliance Group
News Corporation, Inc.	Suncorp-Metway
Rinker	Alinta
Alesco Corporation	Billabong International
ConnectEast	Origin Energy
Healthscope	Sonic Healthcare
Publishing & Broadcasting	Cochlear
St. George Bank	

Our changes to the Growth Portfolio during March 2007:

Reduced: Woolworths, St. George Bank, Promina, Sonic Healthcare,

Increased: Publishing & Broadcasting, Brambles, Toll Holdings, Symbion Health, Suncorp-Metway

Growth Portfolio Summary: Fiscal 2007 (*Please note AAN and CEU are excluded from the calculation of the EPS growth rate and PER)

Earnings per Share Growth	15.2%
Price to Earnings Ratio	16.6x
Average Yield	2.8%
Franking	85%

Source: GSJBW Research estimates

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Core Plus Portfolio – (Inception Date: November 2006)

BHP Billiton	Suncorp-Metway
Brambles	Australian Worldwide Exploration
Westpac Banking Corporation	Crane Group
Woolworths	Macquarie Leisure Trust Group
Aristocrat Leisure	Minara Resources
Rio Tinto	Photon Group
St George Bank	Pan Australian Resources
Sonic Healthcare	Reckon
Wesfarmers	Seven Network
AGL Energy	Treasury Group
Rinker Group	Transfield Services

Our changes to the Core Plus Portfolio during March 2007:

Reduced: Promina

Increased: Wesfarmers, Suncorp-Metway

Income Portfolio Summary: Fiscal 2007

Earnings per Share Growth	19.3%
Price to Earnings Ratio	16.0x
Average Yield	3.4%
Franking	84%

Source: GSJBW Research estimates

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GSJBW Recommendation Changes in March

STOCK	ASX CODE	SHORT-TERM Recommendation		LONG-TERM Recommendation	
		NEW	OLD	NEW	OLD
Macquarie Countrywide Trust	MCW	-	-	Buy	Hold
ING Industrial Fund	IIF	Outperform	Marketperform	Buy	Hold
Avoca Resources	AVO	Outperform	-	Buy	-
Energy Resources of Australia	ERA	Marketperform	-	Sell	-
Centennial Coal Company	CEY	Marketperform	Underperform	Hold	Sell
PapaerLinX	PPX	Outperform	Marketperform	-	-
Alumina	AWC	Marketperform	Underperform	-	-
West Australian Newspapers Holdings	WAN	Marketperform	Outperform	-	-
Reckson New York Property Trust	RNY	Marketperform	Outperform	-	-
Wesfarmers	WES	Outperform	Marketperform	-	-
Ausbroskers	AUB	Marketperform	Outperform	-	-

Source: GSJBW Research

GSJBW Initiation of Coverage in March

STOCK	ASX CODE	SHORT-TERM Recommendation		LONG-TERM Recommendation	
		NEW	OLD	NEW	OLD
Avoca Resources	AVO	Outperform	-	Buy	-
Energy Resources of Australia	ERA	Marketperform	-	Sell	-

Source: GSJBW Research

Referred to in Document:

Company Name	Stock Code	Share Price (as at 30 Mar 2007)	Valuation	Short Term Recommendation	Long Term Recommendation
Alinta Limited	AAN	\$14.52	\$12.27	Marketperform	Hold
AGL Energy	AGK	\$16.13	\$16.79	Marketperform	Buy
Australian Foundation Inv. Co.	AFI	\$5.33	\$5.45	-	Buy
Australian Infrastructure Fund	AIX	\$2.76	\$2.49	Marketperform	Hold
Aristocrat Leisure	ALL	\$16.40	\$15.33	Marketperform	Buy
Alesco Corporation	ALS	\$12.50	\$11.58	Marketperform	Buy
AMP	AMP	\$10.39	\$8.80	Marketperform	Hold
Australian Worldwide Exploration Ltd.	AWE	\$2.85	\$2.24	Outperform	Buy
AXA Asia Pacific	AXA	\$7.22	\$7.30	Marketperform	Buy
Billabong International	BBG	\$16.70	\$16.57	Outperform	Buy
Bendigo Bank	BEN	\$17.00	\$13.00	Not Rated	Not Rated
BHP Billiton	BHP	\$29.89	\$26.95	Outperform	Buy
Bank of Queensland	BOQ	\$17.32	\$15.15	Not Rated	Not Rated
Brambles	BXB	\$13.61	\$13.20	Outperform	Buy
Commonwealth Bank of Aust.	CBA	\$50.26	\$43.90	Underperform	Hold
Coca-Cola Amatil	CCL	\$8.80	\$7.90	Marketperform	Hold
Connecteast	CEU	\$1.50	\$1.56	Marketperform	Buy
Cochlear	COH	\$64.72	\$59.25	Marketperform	Buy
Computershare	CPU	\$10.85	\$9.35	Outperform	Buy
Crane Group	CRG	\$16.42	\$15.90	Outperform	Buy
David Jones	DJS	\$4.55	\$3.72	Marketperform	Hold
Fosters Group	FGL	\$6.85	\$6.55	Marketperform	Buy
Hills Industries	HIL	\$5.53	\$4.56	Marketperform	Hold
Healthscope	HSP	\$5.50	\$5.82	Marketperform	Buy
Harvey Norman	HVN	\$4.72	\$3.92	Marketperform	Hold
JB Hi-Fi	JBH	\$7.56	\$6.95	Outperform	Buy
Macquarie Communications	MCG	\$6.54	\$6.68	Marketperform	Buy
Macquarie Capital Alliance	MCQ	\$4.07	\$5.29	Marketperform	Buy
Mirabooka Investments	MIR	\$2.07	\$2.32	-	Buy
Macquarie Leisure Trust	MLE	\$3.05	\$3.35	Outperform	Buy
Minara Resources	MRE	\$7.39	\$5.72	Outperform	Buy
Metcash	MTS	\$4.93	\$4.95	Outperform	Buy
National Australia Bank	NAB	\$40.40	\$39.20	Marketperform	Buy
News Corporation	NWS	\$30.40	\$31.35	Outperform	Buy
Origin Energy	ORG	\$9.01	\$7.83	Marketperform	Hold
Publishing & Broadcasting	PBL	\$19.85	\$22.05	Outperform	Buy
Photon Group	PGA	\$5.80	\$6.02	Outperform	Hold
Ramsay Healthcare	RHC	\$11.50	\$10.83	Marketperform	Buy
Rinker Group Ltd	RIN	\$18.05	\$19.35	Marketperform	Hold
Rio Tinto	RIO	\$78.81	\$80.11	Outperform	Buy
Reckon	RKN	\$1.06	\$1.27	Outperform	Buy
Seven Network	SEV	\$11.42	\$10.60	Outperform	Hold
St.George Bank	SGB	\$35.03	\$33.65	Marketperform	Hold
Sonic Healthcare	SHL	\$14.75	\$14.82	Marketperform	Hold
Santos	STO	\$10.15	\$8.54	Underperform	Sell
Suncorp-Metway	SUN	\$20.80	\$20.05	Outperform	Hold
Symbion Health	SYB	\$3.63	\$3.81	Marketperform	Buy
Tabcorp Holdings	TAH	\$16.49	\$16.72	Marketperform	Hold
Transurban	TCL	\$7.76	\$6.01	Underperform	Sell
Tassal Group	TGR	\$2.59	\$2.76	Outperform	Buy
Toll Holdings	TOL	\$20.50	\$18.95	Outperform	Buy
Transfield Services	TSE	\$11.92	\$10.43	Marketperform	Buy
United Group	UGL	\$13.63	\$15.09	Marketperform	Buy
Westpac Bank	WBC	\$26.35	\$25.40	Outperform	Hold
Wesfarmers	WES	\$37.75	\$36.36	Outperform	Hold
Woolworths	WOW	\$27.19	\$21.36	Outperform	Buy

All valuations and Prices in A\$ unless otherwise stated

Source: IRESS, GSJBW Research

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RECOMMENDATION DEFINITIONS

Short Term

Underperform (UP)
Marketperform (MP)
Outperform (OP)

Stock is expected to underperform the S&P/ASX 200 on a 0-6 month timeframe
Stock is expected to perform in line with the S&P/ASX 200 on a 0-6 month timeframe
Stock is expected to outperform the S&P/ASX 200 on a 0-6 month timeframe

Long Term

Sell (S)
Hold (H)
Buy (B)

Stock is expected to underperform the S&P/ASX 200 for beyond 6 months
Stock is expected to perform in line with the S&P/ASX 200 for beyond 6 months
Stock is expected to outperform the S&P/ASX 200 for beyond 6 months

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NR

Not rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or Goldman Sachs JBWere policies in circumstances when Goldman Sachs JBWere is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

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SHORT TERM (0-6 MONTHS)

Relative Earnings Outlook: Forward looking assessment of risk to consensus EPS estimates relative to estimated EPS risk across the market.

Earnings Revision: The percentage change in the current consensus EPS estimate for the stock (year 1) over the consensus EPS estimate for the stock 3 months ago. Stocks are rated according to their relative rank, effectively making it a market relative measure.

News Flow: The consideration of stock specific news flow, market and/or cyclical thematic and other issues such as index changes. Addresses two issues: (1) What is the potential news flow; and (2) What is the share price reflecting?

Relative Performance: Historic rolling 3 month performance versus the broader market. Stocks are rated according to their relative ranking.

Valuation Support: Considers a range of valuation methodologies, including discounted cash flow (DCF) valuation, PER, dividend yield and any other relevant measure.

LONG TERM (> 6 MONTHS)

Industry Structure: Based on Goldman Sachs JBWere industry structure ranking. All industries relevant to the Australian equity market are ranked, based on a combination of Porter's Five Forces of industry structure as well as an industry's growth potential, relevant regulatory risk and probable technological risk. A company's specific ranking is based on the proportion of funds employed in particular industry segments, aggregated to determine an overall company rating, adjusted to reflect a view of the quality of a company's management team.

EVA™ Trend: ¹ EVA™ trend forecast for coming two years. Designed to reflect "turnaround stories" or to highlight companies Goldman Sachs JBWere analysts believe will allocate capital poorly in the estimated timeframe. (An ROE measure is used for insurance stocks in conjunction with an assessment of the strength of an insurer's balance sheet).

Growth Option: A qualitative and quantitative assessment of a company's long term growth options that the analyst believes should be considered and possibly recognised by the market.

Price:Base Case DCF: The premium or discount to base case DCF valuation at which the stock is trading relative to the average premium or discount across the market.

¹ EVA™ is a registered trademark of the U.S. consultancy firm Stern Stewart

For Insurers

Return On Equity: Rating taking into account the expected level and trend of ROE over the next two to three years.

Balance Sheet: Analyst's assessment of the quality and strength of the insurer's balance sheet, including conservatism of provisioning, sufficiency of capital, and quality of capital.

For REITs

EPU Growth: Ranking of Earnings Per Unit growth relative to other listed Real Estate Investment Trusts. Used instead of EVA™ Trend.

Strategy: Used instead of industry structure as many REIT investors are intra rather than inter sector focussed.

Yield: Yield relative to the REIT sector average. Used instead of Valuation Support.

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Short Term	Overall	Corporate relationship* in last 12 months	Long Term	Overall	Corporate relationship* in last 12 months
Underperform	14%	11%	Sell	3%	3%
Marketperform	61%	63%	Hold	61%	60%
Outperform	25%	26%	Buy	35%	36%

* No direct linkage with overall distribution as the latter relates to the full GSJBW stock coverage (>200 companies). The above table combines the corporate relationships and recommendations of both Goldman Sachs JBWere Pty Ltd and its affiliate in New Zealand, Goldman Sachs JBWere (NZ) Limited.

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