Goldman Sachs JBWere

Private Wealth Management

Investment Strategy Bulletin

Australian Equities: Portfolio Strategy Review April 2007

- The ASX200 continued its strong run in April, up 2.9% for the month. Stronger global equity markets and commodity prices, in addition to a supportive liquidity environment, helped push the market into record territory.

- The increase was driven by the Industrials, up 3.3%. The Resources Index also moved higher, up 1.2%. Over the 12 months to April, the Industrials have delivered a gain of 26.0% while the Resources are up 9.4%.

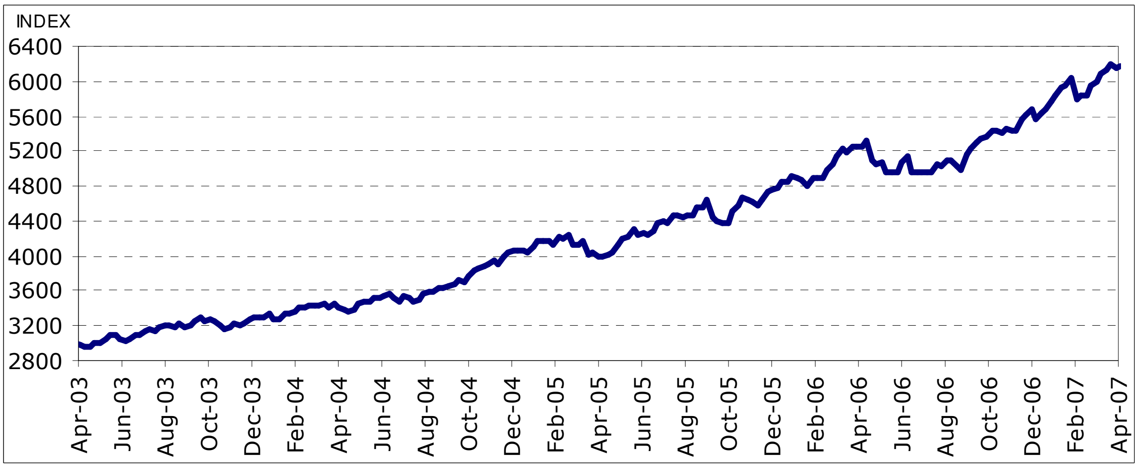
- The Financials, REITs and Consumer Discretionary sectors outperformed, while the Energy, Telecommunication and Healthcare sectors lagged. The Australian Dollar ended April 2.59% higher at $US82.99.

	Accumulation Index Performance		
	1 Month	**6 Month**	**12 Month**
S&P/ASX 200	2.9%	16.7%	22.2%
S&P/ASX 200 Industrials	3.3%	17.8%	26.0%
S&P/ASX 200 Resources	1.2%	12.6%	9.4%
S&P/ASX Small Ordinaries	5.1%	21.9%	32.9%
	Relative Index Performance to S&P/ASX 200		
Consumer Discretionary	0.8%	1.2%	8.8%
Consumer Staples	0.2%	9.8%	17.7%
Energy	-2.0%	-1.3%	-15.8%
Financials	0.8%	-1.9%	2.0%
Health Care	-2.4%	4.6%	1.2%
Industrials	0.4%	5.3%	9.5%
Information Technology	-4.8%	14.7%	8.7%
Materials	-0.7%	-4.5%	-13.1%
REITs	0.6%	-2.7%	11.1%
Telecommunications	-2.5%	9.1%	6.1%
Utilities	-1.6%	2.9%	7.3%

Source: GSJBW Research, IRESS

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

(April 2003 – April 2007)



Source: IRESS

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Company Performance: Best and Worst Performing Large-Cap Equities

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

Best	% Change	Worst	% Change
Orica Limited	24.3	Resmed Inc	-16.4
United Group.Limited	15.2	Foster's Group	-6.7
Bluescope Steel Ltd	14.3	Bendigo Bank Limited	-6.3
Symbion Health Ltd	13.2	PaperlinX Limited	-6.2
Futuris Corporation	11.1	AGL Energy Limited	-4.7
Challenger F.S.G.Ltd	10.9	A.B.C. Learning	-3.9
OneSteel Limited	10.9	Ansell Limited	-3.7
Santos Ltd	10.7	Computershare Ltd	-3.7
Investa Property	9.9	Oil Search Ltd	-3.5
Downer EDI Limited	9.8	Sonic Healthcare	-3.1

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 30/04/07: $18.40; Valuation: $16.20
- **Bendigo Bank (BEN): Short Term Not Rated; Long Term Not Rated**
  Share Price as at 30/04/07: $15.93; Valuation: $14.30

The board of Bendigo Bank (BEN) has rejected the Bank of Queensland's (BOQ) offer of $5.50 cash + 0.748 BOQ shares for each BEN share. The board rejected the bid on a number of grounds including the negative feedback received from customers, only a 1/3 of its shareholder base surveyed believed the offer created value and an 'insufficient premium' offered to BEN shareholders 'given the execution risk involved'.

Healthcare **Analyst: Hamish Tadgell**

- **Resmed (RMD): Short Term Marketperform; Long Term Buy**
  Share Price as at 30/04/07: $5.22; Valuation: $6.01

In releasing details of its 3Q07 result, Resmed (RMD) announced it has made a provision of US$59.7m to cover all forecasted expenses arising from a voluntary recall of 300,000 S8 flow generators. Excluding the impact of the provision, pro-forma NPAT increased by 3% on the previous corresponding period with management acknowledging the impact on the result as a result of price discounting from a major competitor.

Transport **Analyst: Paul Ryan**

- **Toll Holdings (TOL): Short Term Outperform; Long Term Buy**
  Share Price as at 30/04/07: $22.05; Valuation: $19.20

The ACCC consented to a variation of the proposed spin off of Toll Holding's (TOL) infrastructure assets into a newly listed entity, Asciano Ltd. To ensure the complete operational independence between the two entities, the ACCC outlined a number of undertakings that the two entities must implement. The key points being the cancellation of a shared services agreement, TOL granting Asciano the right to unilaterately terminate any agreement between the companies, all directors of both vehicles must sell down any cross shareholding while Asciano must provide the East-West Starter Kit and not discriminate in the operation of Pacific National or the container port terminals.

Diversified Resources **Analyst: Neil Goodwill**

- **BHP Billiton (BHP): Short Term Outperform; Long Term Buy**
  Share Price as at 30/04/07: A$29.51; Valuation: $27.41

In BHP Billiton's (BHP) 3Q07 production report, management commented that aside from the impact on iron ore and petroleum production by cyclones in the Pilbara region, it was pleased with the record year to date production in natural gas, alumina, aluminium copper, nickel, iron and manganese ore. Management commented that it hadn't experienced any further delays in its major projects and stated that Ravensthorpe is still on track to commence production in 1Q CY08.

Banks **Analyst: James Freeman**

- **ANZ Banking Group (ANZ): Short Term Marketperform; Long Term Hold**
  Share Price as at 30/04/07: $30.60; Valuation: $27.16

ANZ Banking Group (ANZ) reported cash earnings of $1.92bn in its 1H07 result. The Retail Banking division reported a 22% increase in profit ($709m) on pcp while the Institutional Banking division delivered an 11% profit increase on pcp to $750m, assisted by a large bad debt recovery. Management maintained its previous guidance of 7-10% revenue growth with 5-7% cost growth.

Building Materials **Analyst: Matthew McNee**

- **Rinker Group (RIN): Short Term Marketperform; Long Term Hold**
  Share Price as at 30/04/07: $18.60; Valuation: $19.48

After receiving conditional anti-trust approval from the Department of Justice for the acquisition of Rinker Group (RIN), Cemex increased its cash offer from US$13 per share to US$15.85. The 22% increase in the offer price brings the price in line with the bottom end of the independent expert's valuation range of US$15.85 to US$17.74. Subsequently, the Rinker board recommended that in the absence of a higher offer, shareholders should accept the Cemex bid.

Infrastructure **Analyst: Alison Booth**

- **Macquarie Communications Group (MCG): Short Term Outperform; Long Term Buy**
  Share Price as at 30/04/07: $6.61; Valuation: $7.45

Arqiva, a majority controlled subsidiary of MCG, announced the acquisition of National Grid Wireless (NGW) for a total consideration of £2.5bn (A$6.2bn). This transaction will now see Arqiva responsible for the operation of all of the TV and radio broadcast towers in the UK. MCG will contribute A$740m to the acquisition, to be financed by a convertible bond offering.

In a separate transaction, a joint venture between MCG and Macquarie European Infrastructure Fund II has acquired Airwave O2 Ltd, the UK's primary provider of secure digital radio communications to the emergency services and public safety customers. Airwave has secure, long term contracts totalling (~$9.9bn) in future revenue. MCG will contribute $637m to the total acquisition price of ~$4.7bn, for a 50% stake in the business.

Economics **Analyst: Tim Toohey**

- **Inflation data**

During the March quarter, the Consumer Price Index (CPI) rose by +0.1%, to be 2.4% over the year. The 33.8% fall in fruit prices detracted 0.6% from inflation while the rent component added 1.4%, the highest rate in 16 years. The RBA's preferred measures of inflation (trimmed mean and weighted median) both rose by 0.5%qoq, to be 2.7%yoy, around 25bps lower than the previous quarter (4Q06).

Retail/Diversified Industrials **Analysts: Matthew McNee & Phillip Kimber**

- **Coles Group (CGJ): Short Term Marketperform; Long Term Hold**
  Share Price as at 30/04/07: $17.25; Valuation: $13.51
- **Wesfarmers (WES): Short Term Outperform; Long Term Hold**
  Share Price as at 30/04/07: $39.15; Valuation: $36.58

Wesfarmers (WES) have announced it intends to make an offer to acquire all the issued capital of Coles Group (CGJ) for a consideration of $16.47 per share, to be implemented by a scheme of arrangement. CGJ shareholders will have the option of either receiving a 100% cash consideration or a combination of WES scrip and cash. WES intend to restructure CGJ by splitting the Everyday Needs business into a non-recourse entity that will be owned by a consortium involving WES (50% stake), Macquarie Bank and Private Equity. The Target and Officeworks businesses will be retained 100% by WES.

Australian Equities: Key Issues for Portfolio Strategy

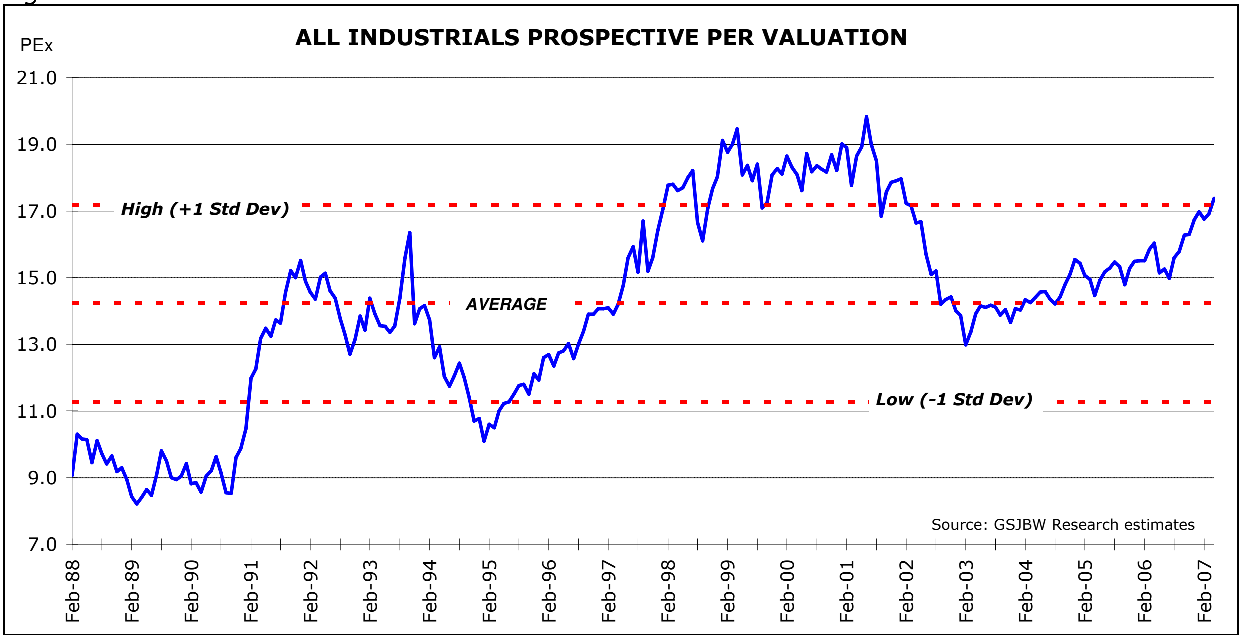
- A sharp contraction in housing activity is now hitting the US economy and this drag will be at its most material through the first half of 2007. To date, the balance of the economy (i.e. consumer & business spending) has not shown any material signs of being hurt by this slump. Outside the US, the global economy appears to on track for a 'happy slowdown', with Goldman Sachs forecasting world real GDP slowing from 4.9% in 2006 to 4.4% 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 rising interest rates 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 76 cents on a 12-month view.

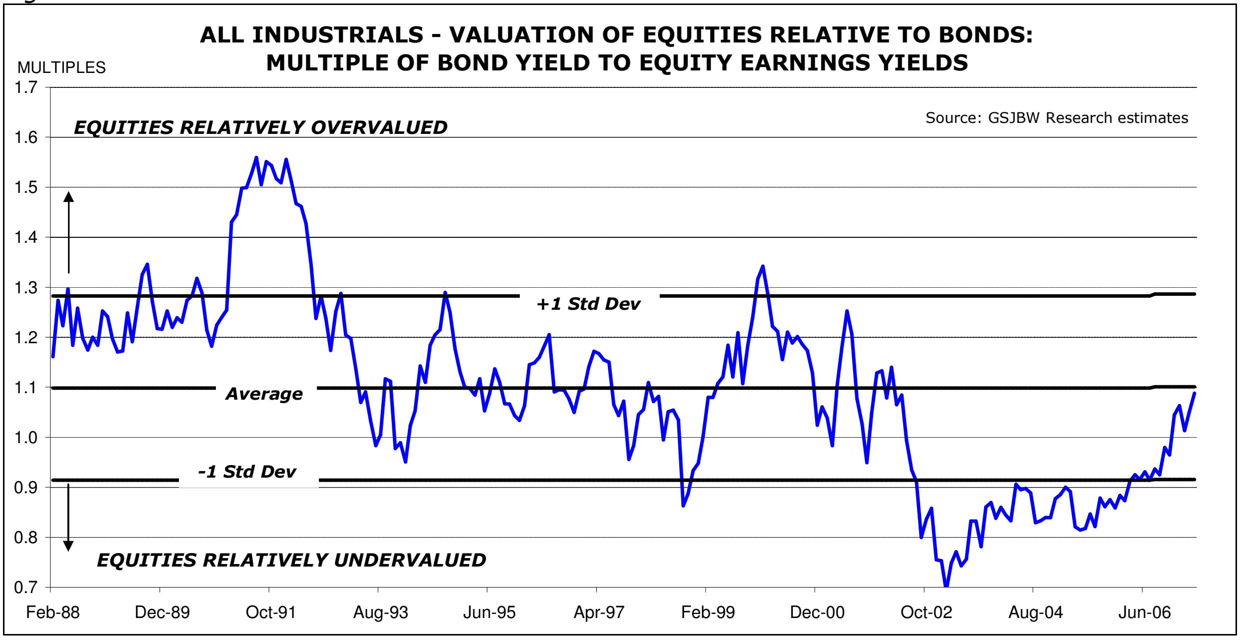
- Liquidity continues to dominate the domestic equity market with upwards of $45-50bn of cash we expect for re-investment over the next 6-9 months (as a result of cash takeovers, future fund allocation to domestic equities and accelerated superannuation investments). While this is supportive in a supply-demand sense, the market has been driven to valuation levels that have in the past proven unsustainable (refer Figure One below).

Figure 1



- We remain of the view that the Industrials are fully priced both in absolute terms and relative to the level of interest rates. Another measure of valuation is to assess the relative value of bonds versus equities by comparing the yield on a 10 year government bond with the prospective earnings yield of the equity market. On this basis the market appears fully valued (refer Figure Two below), having reverted back to long term averages and reducing the favourable environment which has prevailed for domestic equities relative to bonds over the last 4 years.

Figure 2



- While we expect liquidity to remain a dominant force in the short-term, the equity market now appears to be priced for perfection (low risk sustained growth) and at some point this theme will likely dissipate. If, in the interim, long-term interest rates edge higher (a global risk for 2007) and profit estimates for FY08 and FY09 ease (rising cost pressures), the market would be vulnerable.

- 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 Ramsay Healthcare and Macquarie Communications Group 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, News Corporation, and Singapore Telecom.

GSJBW Market Forecasts:

As at 31/04/2007	**Price Earnings Ratio (PER)**			**Earnings Per Share Growth (%)**			**Dividend Yield (%)**		
	FY06	**FY07E**	**FY08E**	**FY06**	**FY07E**	**FY08E**	**FY06**	**FY07E**	**FY08E**
S&P/ASX 300	17.5x	15.6x	14.5x	23.0	13.4	8.6	3.3	3.5	3.9
S&P/ASX 300 Industrials	20.1x	18.3x	16.7x	7.6	10.2	9.2	4.0	4.1	4.4
S&P/ASX 300 Resources	13.7x	11.7x	11.0x	52.0	17.8	7.6	2.0	2.3	2.5

Source: GSJBW Research estimates

Portfolio Management: Building Positions

Healthcare **Analyst: Hamish Tadgell**

- **Ramsay Health Care (RHC): Short Term Marketperform; Long Term Buy**
  Share Price as at 30/04/07: $11.57; Valuation: $10.83

Year End June	2006 Actual	2007 Estimate	2008 Estimate
Net Profit ($m)	77.2	93.7	115.1
EPS Growth (%)	16.9	19.8	21.9
PER (x)	25.5	21.3	17.5
Yield (%)	2.1	2.4	3.0

Source: Company data, GSJBW Research estimates

Ramsay Health Care (RHC) is Australia's largest private hospital operator, focused upon general medical/surgical, rehabilitation and psychiatric services. The company is focused on providing high quality patient care and targets strong relationships with key stakeholders such as doctors, specialists, employees and allied services providers. All of Ramsay's core hospitals are fully accredited by the Australian Council on Healthcare Standards.

RHC continues to be one of our preferred stocks in the healthcare sector and provides an attractive investment with improving long term fundamentals. The company's recent interim result highlighted the strong, largely organic, earnings growth profile over the next 2-3 years driven by the ongoing integration of Affinity group and brownfield expansions (expansion or development of existing hospitals). The industry structure for large scale hospital operators, if anything, is improving (negotiating with health funds and service providers).

We expect profit margins from the Affinity assets to further expand in 2H07 and the roll-off of the exclusivity with the Department of Veterans Affairs hospitals to base in FY07, resulting in Group margin expansion into FY08 as brownfield developments start to contribute. Longer term, the company continues to explore offshore growth options, albeit it has no firm plans currently and appears to be more undertaking due diligence to explore the potential opportunities. RHC continues to provide solid defensive domestic earnings and we remain comfortable buying the stock on a longer term view.

Insurance **Analyst: Ryan Fisher**

- **QBE Insurance Group (QBE): Short Term Outperform; Long Term Buy**
  Share Price as at 30/04/07: $30.86; Valuation: $32.50

Year End June	2006 Actual	2007 Estimate	2008 Estimate
Net Profit ($m)	1483.0	1831.2	2094.4
EPS Growth (%)	33.1	17.2	13.1
PER (x)	17.8	15.2	13.5
Yield (%)	3.1	3.4	3.8

Source: Company data, GSJBW Research estimates

QBE Insurance (QBE) operates in domestic and international general insurance, as well as worldwide reinsurance. The company is a conservative risk manager with strong provisioning policies and a well-established model for acquisitive growth.

QBE has the lowest exposure to equity markets of all the insurers (less than 10% of total investments, ~25% of shareholders fund investments) and ~60% of its equity investments are in offshore markets. Its fixed income investments are of high quality (92% rated Moody's Aa3 or better) and relatively short duration (average 0.8 years).

The business is well diversified by product and geography. Revenues are earned from a diversified global presence spanning the UK, Europe, Asia, the Americas' and the Pacific. QBE has a well established model and track record of making acquisitions that deliver earnings accretion and long term growth. With capacity to fund further acquisitions, we believe this model will continue to provide the business with ongoing growth opportunities. Management also has a record of providing conservative guidance on margins.

QBE is now trading at a discount to our base valuation of $32.50 and on a P/E ratio in line with its peers, despite our forecasts for revenue growth and margins above that of the domestic general insurers. The company continues to offer a strong return profile and defensive characteristics with upside potential. We maintain our long-term BUY recommendation and view QBE as an attractive stock in an expensive market.

Portfolio Management: Emerging Companies – Resources

Within the resources sector, we remain comfortable building exposure to the diversified conglomerates, BHP Billiton (BHP) and Rio Tinto (RIO). For clients with a higher risk appetite, our preferred small-cap exposures to the resources sector are those that are leveraged to our favoured commodities, in addition to offering increasing production profiles. On this basis we recommend Pan Australian Resources (PNA) and Kagara Zinc (KZL).

- **Pan Australian Resources (PNA): Short Term Outperform; Long Term Buy**
  Share Price as at 30/04/07: $0.545; Valuation: $0.59

Pan Australian Resources Limited (PNA) is a minerals exploration and development company. The company is focused on developing the Phu Kham copper/gold Project in Laos. Gold is already being produced from the Phu Bia Heap Leach Project and the company anticipates production of ~24,000oz of gold per year from this project. The Phu Kham operation is set to produce 50ktpa of copper and 50kozpa of gold.

PNA recently released a strong 1Q07 production report. All facets of the company's operations including current production at the Phu Bia gold mine, its future project at Phu Kham and exploration news flow was positive. Construction of the Phu Kham (copper/gold) project remains ahead of schedule for a mid 2008 start and remains within budget.

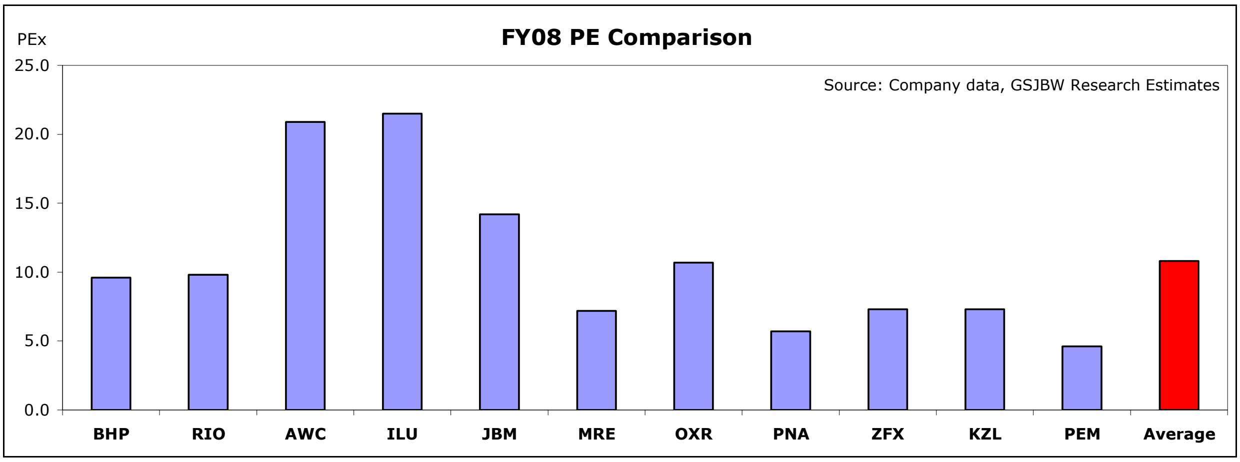
We believe once the market shifts its focus from FY07 to FY08 earnings, PNA will become a very attractive investment due to the magnitude of earnings growth driven by the start of copper production from Phu Kham. Our positive view on the stock is driven by its exposure to two of our most preferred metals – copper and gold. On our analysis PNA is not only inexpensive compared to its resource peers (refer chart below), but it is also currently trading at a discount to our valuation (which is rare in the current environment).

- **Kagara Zinc (KZL): Short Term Outperform; Long Term Buy**
  Share Price as at 30/04/07: $6.23; Valuation: $4.51

Kagara Zinc Limited (KZL) is an exploration, development and mining company primarily focused on zinc and copper production. The company's primary asset is the Mt Garnet plant in north Queensland. In addition to Mt Garnet open pit, ore is also sourced from the nearby Balcooma and Dry River South deposits. Regional exploration is ongoing.

We have a positive view of the copper market through to 2009 but see a deficit in the zinc market in 2007, moving to a surplus in 2008 (i.e. we expect prices to fall as supply increases). Over the coming year, the key driver for KZL is the increase in copper volumes rather than zinc. We believe the market has stereotyped KZL as primarily a pure-play zinc stock, therefore expecting earnings to decline with a forecasted fall in zinc price. We suggest investors re-look at KZL taking account of earnings growth driven by increasing copper production (~70% of profit in FY08), particularly due to our more positive outlook on copper prices.

KZL has a superior earnings growth to the market and yet is trading at a significant discount. The stock also appears attractive on a valuation basis relative to peers (refer chart below). Given the exposure to our favoured base metal (copper) and our expectation of a large increase in copper production over the coming year, we have recently upgraded our long term recommendation to Buy.



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 April 2007:
Reduced:
Increased:

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

Earnings per Share Growth	9.7%
Price to Earnings Ratio	15.4x
Average Yield	4.8%
Franking	90%

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 April 2007:
Reduced:
Increased:

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	9.2%
Price to Earnings Ratio	14.6x
Average Yield	4.0%
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 April 2007:
Reduced:
Increased:

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

Earnings per Share Growth	11.1%
Price to Earnings Ratio	14.8x
Average Yield	3.7%
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 April 2007:
Reduced:
Increased:

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	14.3%
Price to Earnings Ratio	16.0x
Average Yield	3.1%
Franking	85%

Source: GSJBW Research estimates

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Actual figures or amounts may vary from those figures or amounts

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	Tassall Group
Rinker Group	Transfield Services

Our changes to the Core Plus Portfolio during April 2007:
Reduced:
Increased:

Income Portfolio Summary: Fiscal 2007

Earnings per Share Growth	31.6%
Price to Earnings Ratio	12.9x
Average Yield	3.8%
Franking	84%

Source: GSJBW Research estimates

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GSJBW Recommendation Changes in April

STOCK	ASX CODE	SHORT-TERM Recommendation		LONG-TERM Recommendation	
		NEW	OLD	NEW	OLD
Jubilee Mines	JBM	Marketperform	Outperform	Hold	-
Minara Resources	MRE	Marketperform	Outperform	Hold	Buy
Independence Group	IGO	Marketperform	Outperform	Hold	-
Orica	ORI	Marketperform	Outperform	Hold	-
Telecom Corporation of New Zealand	TEL	Underperform	Marketperform	Sell	-
Macquarie Communications Group	MCG	Outperform	Marketperform	Buy	-
Valad Property Group	VPG	Marketperform	Outperform	Hold	Buy
Kingsgate Consolidated	KCN	Marketperform	Outperform	Hold	Buy
Kagara Zinc	KZL	Outperform	-	Buy	Hold
AGL Energy	AGK	Marketperform	-	Hold	Buy

Source: GSJBW Research

GSJBW Initiation of Coverage in April

STOCK	ASX CODE	SHORT-TERM Recommendation		LONG-TERM Recommendation	
		NEW	OLD	NEW	OLD
Independence Group	IGO	Marketperform	-	Hold	-
Paladin Resources	PDN	Underperform	-	Sell	-

Source: GSJBW Research

Referred to in Document:

Company Name	Stock Code	Share Price (as at 30 Apr 2007)	Valuation	Short Term Recommendation	Long Term Recommendation
Alinta Limited	AAN	Marketperform	Not Rated	$14.98	$13.00
AGL Energy	AGK	Marketperform	Hold	$15.38	$16.45
Australian Infrastructure Fund	AIX	Marketperform	Hold	$2.92	$2.49
Aristocrat Leisure	ALL	Marketperform	Buy	$16.60	$15.33
Alesco Corporation	ALS	Marketperform	Buy	$13.50	$11.64
AMP	AMP	Marketperform	Hold	$10.75	$10.05
Australian Worldwide Exploration Ltd.	AWE	Outperform	Buy	$3.04	$2.31
AXA Asia Pacific	AXA	Marketperform	Buy	$7.39	$7.30
Billabong International	BBG	Outperform	Buy	$16.50	$16.77
Bendigo Bank	BEN	Not Rated	Not Rated	$15.93	$14.30
BHP Billiton	BHP	Outperform	Buy	$29.51	$27.41
Bank of Queensland	BOQ	Not Rated	Not Rated	$18.40	$16.20
Brambles	BXB	Outperform	Buy	$13.19	$13.25
Commonwealth Bank of Aust.	CBA	Underperform	Hold	$52.76	$43.90
Coca-Cola Amatil	CCL	Not Rated	Not Rated	$9.51	$8.50
Coles Group	CGJ	Marketperform	Hold	$17.25	$13.51
Connecteast	CEU	Marketperform	Buy	$1.54	$1.57
Cochlear	COH	Marketperform	Buy	$63.45	$59.69
Computershare	CPU	Outperform	Buy	$10.45	$9.30
Crane Group	CRG	Outperform	Buy	$16.79	$15.90
David Jones	DJS	Marketperform	Hold	$4.97	$3.72
Fosters Group	FGL	Marketperform	Buy	$6.39	$6.75
Hills Industries	HIL	Marketperform	Hold	$5.86	$4.56
Healthscope	HSP	Marketperform	Buy	$5.66	$5.82
Kagara Zinc	KZL	Outperform	Buy	$6.23	$4.51
Macquarie Communications	MCG	Outperform	Buy	$6.61	$7.45
Macquarie Capital Alliance	MCQ	Marketperform	Buy	$4.12	$5.29
Macquarie Leisure Trust	MLE	Outperform	Buy	$3.10	$3.35
Minara Resources	MRE	Marketperform	Hold	$7.43	$6.04
National Australia Bank	NAB	Marketperform	Buy	$43.00	$39.20
News Corporation	NWS	Outperform	Buy	$29.62	$31.35
Origin Energy	ORG	Marketperform	Hold	$9.10	$8.47
Publishing & Broadcasting	PBL	Outperform	Buy	$20.50	$22.10
QBE Insurance	QBE	Outperform	Buy	$30.86	$32.50
Photon Group	PGA	Outperform	Hold	$5.86	$6.02
Pan Australian Resources	PNA	Outperform	Buy	$0.55	$0.59
Ramsay Healthcare	RHC	Marketperform	Buy	$11.57	$10.83
Rinker Group Ltd	RIN	Marketperform	Hold	$18.60	$19.48
Rio Tinto	RIO	Outperform	Buy	$82.87	$80.91
Reckon	RKN	Outperform	Buy	$1.16	$1.27
Resmed	RMD	Marketperform	Buy	$5.22	$6.01
Seven Network	SEV	Outperform	Hold	$11.34	$10.60
St.George Bank	SGB	Marketperform	Hold	$36.01	$33.65
Singapore Telecommunications	SGT	Marketperform	Hold	$2.65	$2.65
Sonic Healthcare	SHL	Marketperform	Hold	$14.29	$14.86
Suncorp-Metway	SUN	Outperform	Hold	$21.45	$20.20
Symbion Health	SYB	Marketperform	Buy	$4.11	$3.81
Tabcorp Holdings	TAH	Marketperform	Hold	$18.10	$16.77
Tassal Group	TGR	Outperform	Buy	$3.12	$2.76
Toll Holdings	TOL	Outperform	Buy	$22.05	$19.20
Westpac Bank	WBC	Outperform	Hold	$27.05	$25.40
Wesfarmers	WES	Outperform	Hold	$39.15	$36.58
Woolworths	WOW	Outperform	Buy	$28.30	$29.18

All valuations and Prices in A$ unless otherwise stated

Source: IRESS, GSJBW Research

Disclosure of Interests:

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Short Term

Underperform (UP)	Stock is expected to underperform the S&P/ASX 200 on a 0-6 month timeframe
Marketperform (MP)	Stock is expected to perform in line with the S&P/ASX 200 on a 0-6 month timeframe
Outperform (OP)	Stock is expected to outperform the S&P/ASX 200 on a 0-6 month timeframe

Long Term

Sell (S)	Stock is expected to underperform the S&P/ASX 200 for beyond 6 months
Hold (H)	Stock is expected to perform in line with the S&P/ASX 200 for beyond 6 months
Buy (B)	Stock is expected to outperform the S&P/ASX 200 for beyond 6 months

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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.

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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.

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

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Marketperform	65%	62%	Hold	60%	61%
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