Goldman Sachs JBWere

Private Wealth Management

Investment Strategy Bulletin

Australian Equities: Portfolio Strategy Review — October 2007

- The Australian equity market remained strong during October with the S&P/ASX200 continuing its upward trend, gaining 2.9%. Investor focus shifted between a bullish resources outlook, negative earnings revisions for the market (increasing $A and increasing costs across industries) and trading updates from AGMs.

- The telecommunications and consumer staples sectors outperformed, while the utilities, REITs and consumer discretionary sectors lagged. The Australian dollar continued to appreciate over October (up 3.8%), on the back of strong CPI data and the expectation of a further 25 basis point rate hike by the RBA in November.

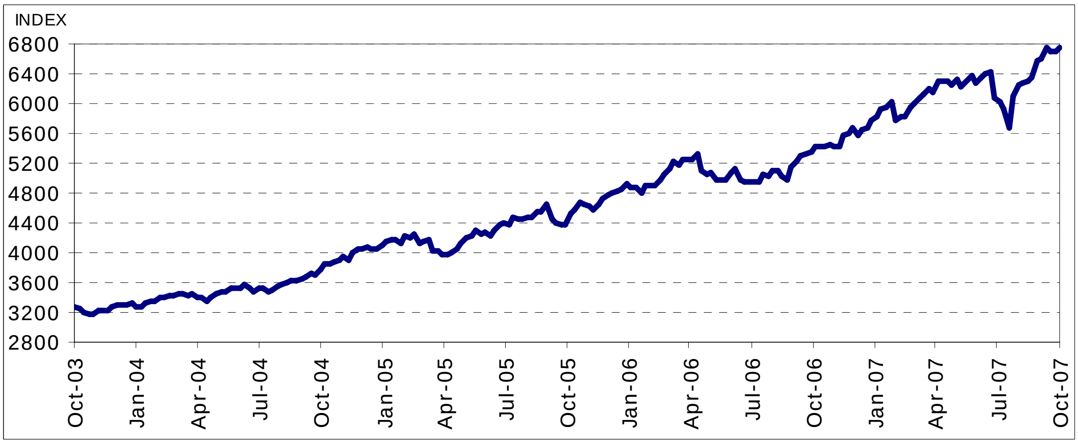
- The key issues for investors as we move into 2008 are: the risks to earnings expectations from a renewed slowdown in the US economy (US consumer), the strong Australian Dollar (A$) and increasing cost pressures. While strong economic growth in China is a positive for Australian equities, there remains uncertainty around the flow on effects of the US housing downturn to the broader economy, and we are cautious on what the market is currently pricing in.

	Accumulation Index Performance		
	1 Month	**6 Month**	**12 Month**
S&P/ASX 200	2.9%	11.6%	30.3%
S&P/ASX 200 Industrials	2.9%	4.8%	23.4%
S&P/ASX 200 Resources	3.0%	37.9%	55.3%
S&P/ASX Small Ordinaries	5.4%	10.6%	34.8%
	Relative Index Performance to S&P/ASX 200		
Consumer Discretionary	-2.5%	-16.5%	-18.2%
Consumer Staples	3.5%	-5.2%	4.3%
Energy	-2.2%	9.6%	9.6%
Financials	0.2%	-6.0%	-8.9%
Health Care	-2.5%	1.8%	7.4%
Industrials	0.6%	-3.1%	2.1%
Information Technology	-9.0%	-31.0%	-24.3%
Materials	0.2%	23.5%	21.3%
REITs	-3.4%	-7.7%	-11.8%
Telecommunications	4.2%	-8.8%	-0.9%
Utilities	-9.4%	-18.8%	-19.3%

Source: GSJBW Research, IRESS

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

(October 2003 – October 2007)



Source: IRESS

Company Performance: Best and Worst Performing Large-Cap Equities

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

Best	% Change	Worst	% Change
Leighton Holdings	20.8	Aristocrat Leisure	-25.2
Newcrest Mining	15.7	AGL Energy	-24.1
United Group	15.0	Goodman Fielder	-18.6
Harvey Norman	13.8	Allco Finance Group	-17.5
Coca-Cola Amatil	13.3	Sims Group	-12.8
WorleyParsons	13.2	Cochlear	-12.1
Woolworths	12.6	Origin Energy	-11.2
Telstra Instalment Receipts	11.2	Insurance Australia	-10.5
Babcock & Brown	11.0	West Australian News	-10.4
Sonic Healthcare	10.4	GPT Group	-9.4

Source: IRESS

Significant Company/Economic News

Media & Telecommunications — Analysts: Christian Guerra & Adam Alexander

Telstra (TLS) rallied in a month of limited news flow leading up to its Investor Day on 1 November. During the month, Telstra confirmed it had received a Foxtel distribution payment of $100m. **SingTel (SGT)** was flat during a month of limited news flow. The company is expected to report its 2Q08 results on 7 November.

Retail — Analyst: Phillip Kimber

Billabong (BBG) declined again this month. BBG held its AGM on 26 October where management commented that despite solid underlying business performance, the translation impact due to the appreciating A$ will adversely impact A$-expressed growth. Management reiterated FY08 EPS guidance for constant currency growth of 15% and provided A$ guidance for FY08 EPS growth of between 5% and 10% due to the translation impact. **David Jones (DJS)** declined in October on little company-specific news flow. **Pacific Brands (PBG)** rose throughout October. The company held its AGM on 23 October where management provided FY08 guidance for NPAT growth of "around 10%, if not better" (in line with prior guidance).

Gaming — Analyst: Adam Alexander

Aristocrat (ALL) declined this month after issuing a profit warning. Key reasons were attributed to: 1) subdued demand in Australia; 2) lower volumes expected in the US; 3) modest sales in Japan; and 4) appreciation in the A$. The uncertainty surrounding the impact of the equine flu continues to weigh on both **Tattersall's (TTS)** and **Tabcorp (TAH).** Late in the month, TAH announced that the equine influenza is expected to reduce FY08 profit before tax by $30m. Both companies continue to benefit from stronger than expected Victorian electronic gaming machine revenue growth. Also during the month, TTS announced the Victorian Government had awarded the company the major licence for the operation of the state's public lotteries through to 2018.

Consumer Staples — Analyst: Phillip Kimber

Woolworths (WOW) rose strongly over the month on the back of a strong 1Q08 sales result. Group 1Q08 sales rose 8.9% to $11,696m (vs our estimates for sales of $11,751m and growth of 9.4%). **Metcash (MTS)** declined over the month. MTS announced the sale of the remaining Action stores in Western Australia during November to a Joint Venture in which MTS will retain a minority stake. **Coles Group (CGJ)** rose over the month. Grant Samuel released a letter detailing the impact of the rising **Wesfarmers (WES)** share price on the current WES offer for Coles Group per CGJ share. Grant Samuel indicated that it is in shareholders best interests to accept the WES offer. **Coca-Cola Amatil (CCL)** completed the sale of its South Korean business for $520m, at the lower end of the agreed range and including an unforeshadowed $35m to be held in escrow for 12-18months. The market expects CCL management to outline the use of the proceeds at its 5 December trading update. In other news, Golden Circle rejected CCL's offer of $1.00 per share to acquire 100% of the business.

Energy — Analyst: Anthony Bishop

Following a brief plateau in late September/early October, the oil price continued its rally, with WTI reaching a new record of over US$92/bbl late in the month. With the appreciation of the A$, for Australian producers the oil price (in A$ terms) has remained lower than the peaks reached in June 2006 of over A$100/bbl. However, late in the month, oil breached the A$100 mark, an all time high for Australian producers (in A$ terms).

Woodside Petroleum (WPL) strengthened on the back of strong oil prices, however its quarterly report revealed some production issues at Corallina and Otway that will take some time to resolve – accordingly the company lowered CY07 production guidance to 70-71mmboe (previously 72-78mmobe). **Santos (STO)** traded broadly in line with the market and the oil price until releasing its quarterly on 25 October, disappointing the market, and saw the stock fall from nearly $16 to the low-$14 range. **AWE (AWE)** declined this month after it was alerted by New Zealand authorities that a small quantity of degraded oil (in the form of tar balls) had washed up on New Zealand beaches and were potentially related to the Tui oil project – investigations continue, however AWE has identified a water discharge incident that may be responsible for the oil.

Banks — Analysts: James Freeman & Ben Koo

Bank of Queensland (BOQ) reported FY07 Cash NPAT of $102.5m, above our expectations with the key drivers: 1) better than expected cost control; and 2) better bad debt outcome. Revenue growth appears broadly in line with expectations. **ANZ (ANZ)** also reported its FY07 result during the month. In addition, the new CEO, Mike Smith, took up office, with John McFarlane retiring at the end of September. The result, whilst below ANZ's expectations, was in line with consensus and highlighted the good growth in Personal business and the continued drag of Institutional banks. **Commonwealth Bank (CBA)** provided a trading update noting that momentum had been maintained for the period from July to September. CBA noted good growth in the core business and noted that it has still been able to access funds in the short term markets with a $2.5bn private placement.

Insurance — Analyst: Ryan Fisher

Among the life insurers, **AMP (AMP)** announced 3Q flows that were slightly disappointing, though we acknowledge the weakness was probably a hangover from the surge into superannuation in 2Q. In contrast, **AXA Asia Pacific (AXA)** produced 3Q flows that were healthy in all key areas (especially strong in Aust/NZ Wealth Management and Asia, and showing a good rebound in Aust/NZ Protection).

On the general insurance side, **Insurance Australia Group (IAG)** announced a downgrade to FY08 guidance due to problems in its Australian Commercial and UK businesses. Consensus NPAT was cut by more than 5% on the back of this. On the plus side, the company's investor briefing did provide much greater disclosure on the individual business lines. IAG also announced the appointment of Mike Wilkins (former CEO of Promina) to a newly created Chief Operating Officer role. **QBE insurance Group (QBE)** again suffered as investors shied away from stocks with US$ exposure. **Suncorp-Metway (SUN)** announced the departure of Michael Kay (head of AAMI).

Healthcare — Analyst: Robert Gilderdale

Healthscope (HSP) / Symbion (SYB) announced a Revised Proposal whereby HSP proposes to acquire SYB's pathology, diagnostic imaging and medical centres businesses via the issuance of HSP scrip (the Diagnostics Transaction), and separately, the Ironbridge Capital and Archer Capital Consortium (IAC) acquires SYB's pharmacy services and consumer businesses for cash via a Scheme of Arrangement (the C&P Scheme). In response to the Revised Proposal, **Primary Health (PRY)** launched its own bid for selective assets in SYB, which was subsequently rejected by SYB's board.

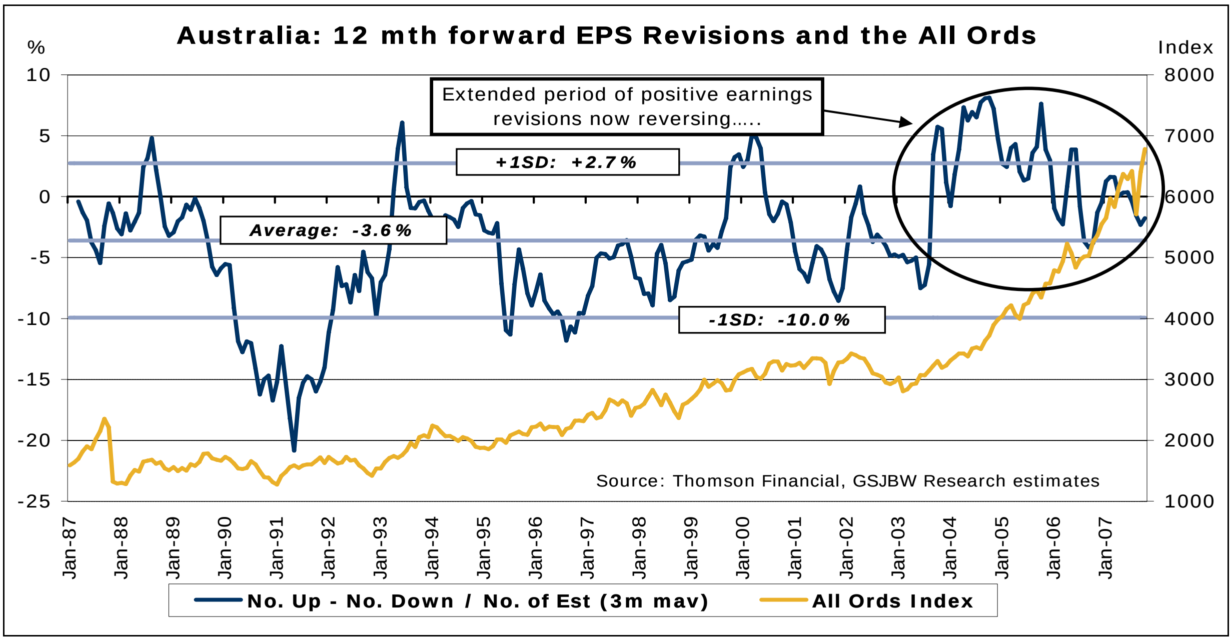
Sonic Health (SHL) rose after announcing a shareholder purchase plan, under which retail shareholders are able to purchase up to 350 shares at $14.20 each, which is the same price as the institutional raising conducted on 24 August. The maximum number of shares to be issued under the plan is approximately 7.5m, which would raise $106.6m. Despite recent wildfires in the vicinity of **Resmed's (RMD)** California operations, RMD confirmed that business was operating 'near normal'. The only impact had been on some customers on the West Coast being supplied out of RMD's South Carolina warehouse and as a result facing some short delays in deliveries. **CSL (CSL)** tracked higher after holding its AGM during the month, where shareholders approved a 3-for-1 share split. Merck's 3Q CY07 result showed strong Gardasil sales in both the US and Europe. Earlier in the month CSL received approval for its flu vaccine, Afluria, from the US FDA and will supply ~2m doses of the vaccine for this year's flu season.

Australian Equities: Key Issues for Portfolio Strategy

- In our view, the key issues for investors during the final quarter of 2007 remains the risks to earnings expectations from a renewed slowdown in the US economy (US consumer) and the potential impact this will have on global growth. The impact of a strong Australian Dollar (A$) and increasing cost pressures are also likely to be in focus as we move into 2008. While strong economic growth in China is a positive for Australian equities, there remains uncertainty around the flow on effects of the US housing downturn to the broader economy, and we are cautious on what the market is currently pricing in. Investors in Australian equities have been quick to price out the risks of the last few months, despite the additional uncertainty around the flow on effects of credit market stress. There appears to be somewhat of a disconnect between equities and other asset markets, which remain more risk averse.

- In Australia, economic momentum continues to be positive, driven primarily by ongoing strength in the terms of trade (a result of higher commodity prices), consumer spending and the fiscal stimulus coming from government spending. Domestic inflation risks have recently escalated, with pressure from rents, house purchase prices, utility and fruit & vegetable prices. Combined with continued tightening in the employment market, the prospect of further escalation in wages growth and consequently, inflation pressure, appears relatively high. We now expect the RBA to raise interest rates by a further 50 basis points to 7.0% by the middle of 2008. The prospect of strong GDP growth, higher inflation and higher interest rates supports a materially higher A$ forecast and we now expect the A$ to be 90 US cents on a 12 month view.

- While PE expansion has featured as a primary driver of equity market performance over recent months, the key driver of the bull market of the last four years has been earnings growth and the positive revision of earnings expectations by the market (refer chart below). Ongoing strength in the terms of trade (primarily rising commodity prices) has been the main driver of this earnings growth, in addition to productivity gains and an environment of relatively low interest rates (cheap debt), resulting in margin expansion. As we roll into 2008, we expect the growth outlook (both domestic and global) to remain strong, however inflationary pressures are likely to build, ultimately resulting in interest rate increases. The favourable impact from low cost imports is coming to an end, rent, fuel and utility prices are rising and to add to the pain, food costs are now expected to climb again.



- Looking into 2008, we continue to believe an increasing cost environment represents the largest risk to our current assumptions, particularly in light of: increasing input prices from China (a major source of deflationary pressure for Australian COGS over the last 3-4 years), a continued tight labour market and increasing inflationary pressures. We also believe the A$ trading above 90¢ provides more negative than positive outcomes for the domestic economy, particularly with import prices from China continuing to rise in this environment.

- This suggests an even more selective approach to Australian equity investments. In general we are cautious of: stock or sectors with high levels of gearing, dependent on rising asset values or on asset sales, companies that service discretionary spending, suppliers of goods and services that are price takers and high fixed cost companies. These include some of the REITs, food and beverage suppliers, paper and intermediary supply companies.

- Pricing power, or the ability to determine selling prices is important in a rising inflation environment and is a function of both industry structure and a compelling customer offer. Some companies including Woolworths (WOW) and Qantas (QAN) are better positioned on these factors. We remain positive on energy and resource stocks with continuing high demand for commodities. The preference is for the diversified resource groups (BHP Billiton and Rio Tinto) to limit exposure to individual commodity price volatility.

- The insurance industry in Australia is well structured with exposure to superannuation flows. And healthcare is a long term thematic and largely insulated from economic cycles. Our preferences lie with QBE Insurance (QBE), AXA Asia Pacific (AXA), Suncorp-Metway (SUN), Ramsay Healthcare (RHC) and Resmed (RMD).

GSJBW Market Forecasts

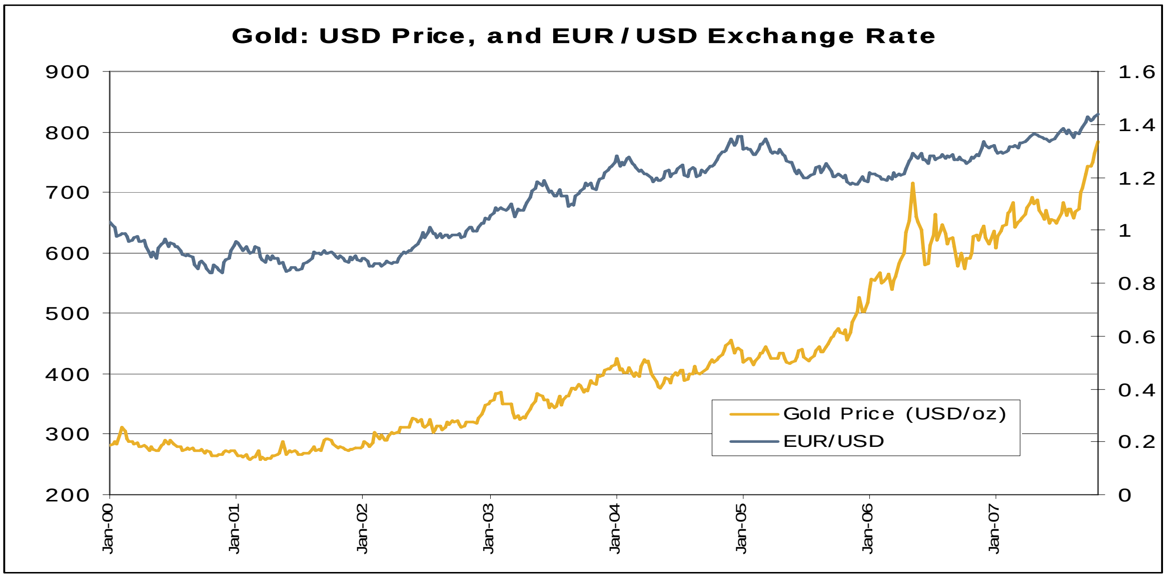
As at 31/10/2007	Price Earnings Ratio (PER)			Earnings Per Share Growth (%)			Dividend Yield (%)		
	FY07	FY08E	FY09E	FY07	FY08E	FY09E	FY07	FY08E	FY09E
S&P/ASX 300	18.1x	17.2x	14.9x	11.6	5.4	16.4	3.1	3.3	3.7
S&P/ASX 300 Industrials	18.4x	17.3x	15.7x	12.7	6.3	9.8	3.9	4.3	4.6
S&P/ASX 300 Resources	17.7x	17.2x	13.4x	9.7	3.8	29.4	1.6	1.5	1.8

Source: Company data, GSJBW Research estimates

Precious Metals Update: Gold

Precious Metals: Gold Update
Gold prices have trended higher over recent months, mainly driven by a supportive macro-economic environment linked to movements in key exchange rates. Chart 1 below demonstrates the close relationship between the USD Gold Price and the US dollar/Euro (USD/EUR) exchange rate. Recent price appreciation reflects a period of weakness in the US dollar, as the Federal Reserve continues its assault on the potentially slowing US economy, and as residual credit concerns stemming from the sub-prime mortgage crisis continue to play on investor confidence.

Chart 1: Gold: USD Price, and EUR/USD Exchange Rate



Source: Iress

We believe that the purchasing power of the USD remains vulnerable to further rate cuts by the US Federal Reserve, to differential exchange rate movements (notably versus the renminbi), and to inflationary pressures, and that this environment is conducive to further price upside for gold. These combined factors have prompted us to revise our gold price forecasts. Our new gold price assumptions reflect the recent surge in the USD gold price during September and October, and are summarised in the table below:

Table 1: New Gold Price Forecasts

	2007	2008	2009	2010	2011
Gold (US$/oz)	**680** (667)	**730** (707)	**760** (735)	**791** (765)	**823** (796)

Source: LME, Iress, GSJBW Research Estimates

Based on our macro economic outlook, investment demand for gold remains buoyant, with the investment in exchange trade funds (ETFs) at fresh record levels. In the physical market, anecdotal evidence points to firm demand from key Asian markets at a time when growth in mine production remains modest. From a production perspective, many of the domestic gold producers have downgraded their production guidance recently, citing a combination of operational and currency related factors. On the other hand, Chinese gold producers have robustly increased there production forecasts.

Overall, we maintain a favourable outlook on gold and expect that it will trade higher over the coming months. From a stock specific point of view, Newcrest Mining (NCM) is exposed to two of our preferred metals, copper and gold. Reducing the gold hedge book has increased Newcrest's exposure to the current spot gold price, which has recently broken through a 28-year high record. Its long life mines, large scale and low cost assets provide appeal to major overseas mining companies, making it a potential for corporate activity (IRESS), adding further to potential upward movement in the stock price. Our other preferred gold exposure is Lihir Gold (LGL). Despite the disappointing production guidance for fiscal year 2007, we note that organic production growth remains intact at the Lihir operation. We remain positive on the stock, as it is unhedged, has a strong net cash position, imminent volume growth and is exposed to one of our preferred metals in gold.

Portfolio Management – Building Positions

Emerging Companies **Analyst: Chris Savage**

- **United Group Limited (UGL): Buy**

Share Price as at 31/10/07: $21.30; 12 Month Price Target: $21.48

Year End June	2007 Actual	2008 Estimate	2009 Estimate
Net Profit ($m)	105.4	154.6	191.4
EPS Growth (%)	21.4	27.3	18.7
PER (x)	28.2	22.2	18.7
Yield (%)	2.3	2.9	3.5

Source: Company data, GSJBW Research estimates

United Group Limited (UGL) is a diversified service group operating in mechanical & electrical engineering, fabrication, manufacturing, maintenance, construction and business process outsourcing, with operations in Australia, New Zealand, South-east Asia, America & Europe.

We have a positive view on UGL, driven by the fact that the company is well diversified across four distinct sectors (infrastructure, rail, resources and services) and each division has a positive growth outlook. Not being predominantly exposed to one sector is a positive in our view as it provides some insurance against a downturn in any one sector and provides some smoothing effect to earnings. The company has a high proportion of services, maintenance and facilities maintenance (FM) work which makes it less susceptible to economic and construction cycles.

The company is our top pick in the engineering services sector due to its positive outlook and attractive valuation in both a an absolute sense and relative to the broader sector which has experienced strong performance over recent months. Additionally we see a number of upcoming catalysts for the stock including several potential major contract wins and an anticipated strong first half result.

Beverages **Analyst: Paul Ryan**

- **Coca-Cola Amatil (CCL): Buy**

Share Price as at 31/10/07: $10.20; 12 Month Price Target: $10.33

Year End June	2007 Actual	2008 Estimate	2009 Estimate
Net Profit ($m)	362.1	413.1	466.1
EPS Growth (%)	10.6	13.5	12.5
PER (x)	21.25	18.71	16.63
Yield (%)	3.5	4.1	4.6

Source: Company data, GSJBW Research estimates

We have recently re-instated our research recommendation on Coca-Cola Amatil (CCL). With operations in the Asia-Pacific region, CCL manufactures a broad range of products including carbonated soft drinks, mineral waters and other non-alcoholic beverages. CCL has also formed a 50/50 JV with SABMiller to sell and distribute alcoholic beverages in Australia. The company recently completed the sale of its South Korea operations, leaving it with reduced gearing and an opportunity to use its increased balance sheet capacity for capital management, debt reduction or for further corporate activity.

While the company has not declared its intentions regarding utilisation of the additional balance sheet capacity, its cost of goods sold appears to be peaking, aided by the appreciating Australian dollar. CCL has also demonstrated strong revenue management over the past 12 months, instilling confidence in its ability to outpace cost inflation pressures. The company continues to invest in key operational drivers to assist in the delivery of further cost savings (eg. IT systems, automated materials handling etc.), which should help drive margin expansion in its core Australian/NZ businesses.

We would recommend CCL to investors seeking defensive exposure to a stock that benefits from currency and commodity price moves with balance sheet capacity.

Portfolio Management – Reduce Exposure

Energy **Analyst: Anthony Bishop**

- **Australian Worldwide Exploration (AWE): Sell**

  Share Price as at 31/10/07: $3.00; 12 Month Price Target: $2.80

Year End June	2007 Actual	2008 Estimate	2009 Estimate
Net Profit ($m)	30.5	202.1	107.1
EPS Growth (%)	0.0	563.2	-47.0
PER (x)	44.11	6.65	12.55
Yield (%)	0	0	0

Source: Company data, GSJBW Research estimates

Australian Worldwide Exploration (AWE) is involved in the exploration and production of oil and gas in Australia and abroad. We have recently changed our recommendation on AWE to a SELL (29/10/07). Several factors have culminated to influence this decision, predominantly the company's recent lack of success in its New Zealand exploration efforts, a sharper decline in the production outlook from fiscal year 2009 than previously expected, and the strengthening of the Australian currency which has largely offset recent oil price highs.

We believe AWE is now coming under significant pressure to find its next source of growth, which is exacerbated by the production declines in fiscal year 2009, and does not bode well for the share price performance over the next 12 months and beyond. Potential catalysts for a more positive outlook would be success in Indonesian exploration efforts, ongoing appreciation in the oil price and even the potential for corporate activity. However while these factors may have an impact, they are without certainty, and we believe that based on our fundamental analysis, it is appropriate for investors to sell out of the stock and consider value elsewhere in the energy sector.

Emerging Companies **Analyst: Greg Ward**

- **Alesco Corporation (ALS): Hold**

  Share Price as at 31/10/07: $11.14; 12 Month Price Target: $13.49

Year End June	2007 Actual	2008 Estimate	2009 Estimate
Net Profit ($m)	52.6	68.3	84.7
EPS Growth (%)	11.7	6.3	18.0
PER (x)	14.99	14.1	11.95
Yield (%)	5.7	6.6	7.6

Source: Company data, GSJBW Research estimates

Alesco Corporation is a wholesale distribution and manufacturing company positioned in niche markets operating in five business divisions: Garage Doors & Openers (brands include B&D, CSI, Firmadoor, Garador, ATA and Dominator), Building & Renovations (Parbury and Robinhood), Construction & Mining (Parchem and Marathon), Scientific & Testing (Biolab) and Total Eden McCracken's (water infrastructure, eg. Pipes, valves).

We have recently downgraded our recommendation on ALS from Buy to Hold, due to the continuing deterioration of the housing cycle, and its effect on the Robinhood and Parbury (Building & Renovations) businesses. Overall we remain positive on ALS's quality portfolio of assets, management performance to date, a relatively under-geared balance sheet and the fact that almost half of the company's divisional earnings are currently at the bottom of their respective cycles (Garage Doors and Building & Renovations), with a recovery and uplift expected at some point over the coming years.

Whilst we are conscious of not extrapolating the current difficult cycle into our ALS valuation (we assume that current growth is below the long-term potential/average), our caution is based on the fact that there is downside risk to earnings over the next 6-12 months, with ongoing weakness in domestic housing construction (with a more conservative stance on the timing of a housing recovery) and the likelihood of further interest rate increases. Given this uncertainty, we believe ALS should trade at a discount to the broader industrial market over the short-term, and have neutralized our recommendation to a Hold. For longer-term focused investors, we reiterate that should signs of a domestic housing recovery materialize the outlook for ALS would significantly improve.

GSJBW Model Portfolios

Income Portfolio – (Inception Date: October 2002)

Westpac Banking Corporation	Woolworths
National Australia Bank	Metcash
Macquarie Communications Infrastructure Group	Qantas
BHP Billiton	AMP
Wesfarmers	Spark Infrastructure
ANZ Bank	Ramsay Healthcare
Coca-Cola Amatil	Fairfax Media
Tattersalls	Telstra
Suncorp-Metway	Crane Group
Australian Infrastructure Fund	Hills Industries
Foster's Group	Boral

No changes to the Income Portfolio during October 2007:
Removed: AGK, DJS
Added: TLS, MTS

Income Portfolio Summary: Fiscal 2008 (*Please note MCG is excluded from the calculation of the EPS growth rate and PER)

Earnings per Share Growth	4.7%
Price to Earnings Ratio	16.9x
Average Yield	4.9%
Franking	80%

Source: GSJBW Research estimates

Balanced Portfolio – (Inception Date: October 2002)

BHP Billiton	Suncorp-Metway
Macquarie Communications Infrastructure Group	Toll Holdings
National Australia Bank	Telstra
Woolworths	Computershare
Westpac Banking	Woodside Petroleum
Rio Tinto	St. George Bank
Brambles	Origin Energy
Ramsay Healthcare	AXA Asia-Pacific Holdings
Wesfarmers	Billabong International
News Corporation, Inc.	Transfield Services
QBE Insurance Group	Singapore Telecom
Publishing & Broadcasting	

Changes to the Balanced Portfolio during October 2007
Removed: AGK, ALL
Added: TLS, TSE

Balanced Portfolio Summary: Fiscal 2008 (Please note MCG is excluded from the calculation of the EPS growth rate and PER)

Earnings per Share Growth	7.4%
Price to Earnings Ratio	16.7x
Average Yield	3.6%
Franking	73%

Source: GSJBW Research estimates

Growth Portfolio – (Inception Date: October 2002)

BHP Billiton	AXA Asia-Pacific Holdings
National Australia Bank	Computershare
Brambles	Healthscope
Woolworths	QBE Insurance Group
Rio Tinto	Suncorp-Metway
Westpac Banking	Newcrest Mining
News Corporation, Inc.	Billabong International
Ramsay Healthcare	Origin Energy
James Hardie	Singapore Telecom
Woodside Petroleum	Sonic Healthcare
Publishing & Broadcasting	United Group
Toll Holdings	

No changes to the Growth Portfolio during October 2007.
Removed: ALL
Added: NCM, UGL

Growth Portfolio Summary: Fiscal 2008 (*Please note AAN and CEU are excluded from the calculation of the EPS growth rate and PER)

Earnings per Share Growth	10.1%
Price to Earnings Ratio	15.8x
Average Yield	3.1%
Franking	77%

Source: GSJBW Research estimates

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

GSJBW Recommendation Changes in October

STOCK	ASX CODE	New Recommendation	Old Recommendation
Aquarius Platinum Limited	AQP	**HOLD**	**BUY**
Telstra	TLS	**HOLD**	**SELL**
Woolworths	WOW	**HOLD**	**BUY**
Australian Worldwide Exploration	AWE	**SELL**	**BUY**
Alesco Corporation	ALS	**HOLD**	**BUY**
GWA International	GWT	**HOLD**	**BUY**
Jubilee Mines NL	JBM	**HOLD**	**SELL**
Perseverance Corporation	PSV	**HOLD**	**SELL**
Western Areas NL	WSA	**HOLD**	**SELL**

Source: GSJBW Research

GSJBW Initiation of Coverage in October

STOCK	ASX CODE	New Recommendation	Old Recommendation
Rubicon Japan Trust	RJT	**HOLD**	

Source: GSJBW Research

Referred to in Document:

Company Name	Stock Code	Price ($A) 31-Oct-2007	12 Month Price Target ($A)	Recommendation
AGL Energy Limited	AGK	$12.05	$13.00	HOLD
Australian Infrastructure Fund	AIX	$3.34	$3.30	HOLD
Aristocrat Leisure Limited	ALL	$10.40	$13.66	HOLD
Alesco Corporation Limited	ALS	$11.14	$13.49	HOLD
AMP Limited	AMP	$10.19	$10.95	HOLD
ANZ Banking Group Limited	ANZ	$30.10	$30.95	HOLD
Aquarius Platinum Limited	AQP	$42.00	$43.50	HOLD
Australian Worldwide Exploration	AWE	$3.00	$2.80	SELL
AXA Asia Pacific Holdings Limited	AXA	$8.16	$8.80	BUY
Billabong International Limited	BBG	$15.03	$19.77	BUY
Brandrill Limited	BDL	$0.33	$0.32	HOLD
BHP Billiton Limited	BHP	$46.10	$47.65	BUY
Bank of Queensland Limited	BOQ	$19.18	$19.99	HOLD
Brambles Limited	BXB	$14.19	$14.42	HOLD
Commonwealth Bank of Australia	CBA	$61.50	$56.02	SELL
Coca-Cola Amatil Limited	CCL	$10.20	$10.33	BUY
Coles Group Limited	CGJ	$16.12	$15.86	HOLD
Computershare Limited	CPU	$8.55	$10.60	BUY
Crane Group Limited	CRG	$16.80	$22.00	BUY
CSL Limited	CSL	$36.50	$34.09	HOLD
David Jones Limited	DJS	$4.94	$5.56	HOLD
Foster's Group Limited	FGL	$6.37	$6.88	HOLD
Fairfax Media Limited	FXJ	$4.74	$5.25	HOLD
GWA International Limited	GWT	$3.61	$4.76	HOLD
Hills Industries Limited	HIL	$5.56	$6.10	HOLD
Healthscope Limited	HSP	$5.43	$6.56	NR
Insurance Australia Group Limited	IAG	$4.70	$4.70	SELL
James Hardie Industries N.V.	JHX	$6.47	$10.60	BUY
Macquarie Bank Limited	MBL	$84.05	$85.52	HOLD
Macquarie Infrastructure Group	MIG	$3.16	$3.33	HOLD
Metcash Limited	MTS	$4.67	$5.28	BUY
National Australia Bank Limited	NAB	$43.10	$48.17	BUY
News Corporation	NWS	$24.50	$31.39	BUY
Origin Energy Limited	ORG	$9.15	$9.60	HOLD
Pacific Brands Limited	PBG	$3.46	$3.63	HOLD
Primary Health Care Limited	PRY	$11.85	$4.80	BUY
Qantas Airways Limited	QAN	$5.91	$7.00	BUY
QBE Insurance Group Limited	QBE	$32.50	$37.60	BUY
Ramsay Health Care Limited	RHC	$10.62	$11.84	HOLD
RIO Tinto Limited	RIO	$110.00	$115.63	BUY
Rubicon Japan Trust	RJT	$0.87	$1.02	HOLD
ResMed Inc.	RMD	$4.50	$6.41	BUY
St George Bank Limited	SGB	$36.35	$38.80	HOLD
Singapore Telecommunications Limited	SGT	$3.07	$3.21	BUY
Sonic Healthcare Limited	SHL	$17.22	$15.80	HOLD
Spark Infrastructure Group	SKI	$1.96	$2.19	BUY
Santos Limited	STO	$14.03	$12.80	SELL
Suncorp-Metway Limited	SUN	$20.28	$21.55	HOLD
Symbion Health Limited	SYB	$4.04	$4.30	NR
TABCORP Holdings Limited	TAH	$15.56	$16.03	HOLD
Telstra Corporation Limited	TLS	$4.68	$4.78	HOLD
Toll Holdings Limited	TOL	$13.31	$15.21	HOLD
Tattersall's Limited	TTS	$4.19	$4.60	HOLD
United Group Limited	UGL	$21.30	$21.48	BUY
Westpac Banking Corporation	WBC	$30.54	$32.59	BUY
Wesfarmers Limited	WES	$43.94	$42.55	HOLD
Woolworths Limited	WOW	$33.45	$32.55	HOLD
Woodside Petroleum Limited	WPL	$52.00	$51.50	HOLD

All valuations and Prices in A$ unless otherwise stated

Source: IRESS, GSJBW Research

Disclosure of Interests:

Company Specific Regulatory Disclosures

See company-specific regulatory disclosures for any of the following disclosures required as to companies referred to in the report: manager or co manager in a pending transaction; financial advisor in a strategic corporate transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; market making and/or specialist role.

The following are additional required disclosures: **Ownership and Material Conflicts of Interest:** Goldman Sachs JBWere policy prohibits its analysts, assistant analysts and their respective associates owning securities of any company in the analyst's area of coverage. **Analyst compensation:** Analysts are paid in part based on the profitability of Goldman Sachs JBWere, which includes investment banking revenues. **Distribution of recommendations:** See the distribution of recommendations disclosure on the following page.

Compendium Report

Please see disclosures at http://www.gsjbw.com/Disclosures. Disclosures applicable to companies included in this compendium report can be found in the latest relevant published research.

Global Product; Distributing Entities

This report has been prepared by the Goldman Sachs JBWere Investment Research Division for distribution to clients of affiliates of Goldman Sachs JBWere and pursuant to certain contractual arrangements to clients of affiliates of The Goldman Sachs Group, Inc. (Group) (Collectively, Group and its affiliates, “GS”).

Group owns indirectly 45% of the ordinary shares of Goldman Sachs JBWere Pty Ltd and Goldman Sachs JBWere Group Holdings Pty Ltd. Each share in Goldman Sachs JBWere Pty Ltd is stapled to a share in Goldman Sachs JBWere Group Holdings Pty Ltd, such that a share in one cannot be dealt with separately from a share in the other. Research views, investment opinions and recommendations published by Goldman Sachs JBWere Pty Ltd are developed independently from those published by the Goldman Sachs Global Investment Research Division.

This research is disseminated in Australia by Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897); in Canada by Goldman Sachs Canada Inc. regarding Canadian equities and by Goldman Sachs & Co. (all other research); in Germany by Goldman Sachs & Co. oHG; in Hong Kong by Goldman Sachs (Asia) L.L.C.; in India by Goldman Sachs (India) Securities Private Ltd.; in Japan by Goldman Sachs Japan Co., Ltd.; in the Republic of Korea by Goldman Sachs (Asia) L.L.C., Seoul Branch; in New Zealand by Goldman Sachs JBWere (NZ) Limited; in Singapore by Goldman Sachs (Singapore) Pte. (Company Number: 198602165W); and in the United States of America by Goldman, Sachs & Co. Goldman Sachs International has approved this research in connection with its distribution in the United Kingdom and European Union. Persons who would be categorized as private customers in the United Kingdom, as such term is defined in the rules of the Financial Services Authority, should read this material in conjunction with the last published reports on the companies mentioned herein and should refer to the risk warnings that have been sent to them by Goldman Sachs International. A copy of these risk warnings is available from the offices of Goldman Sachs International on request. Unless governing law permits otherwise, you must contact a Goldman Sachs entity in your home jurisdiction if you want to use Goldman Sachs JBWere's or GS's services in effecting a transaction in the securities mentioned in this material.

European Union: Goldman Sachs International, authorised and regulated by the Financial Services Authority, has approved this research in connection with its distribution in the European Union and United Kingdom; Goldman, Sachs & Co. oHG, regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht, may also be distributing research in Germany.

General Disclosures

This research is for clients only, as stated above. Other than disclosures relating to Goldman Sachs JBWere, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than some industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Goldman Sachs JBWere and/or its affiliates conduct a global full-service, integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by our Investment Research Division.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

We and our affiliates, officers, directors, and employees, excluding equity analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research.

This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors.

In producing research reports, members of Goldman Sachs JBWere Investment Research may attend site visits and other meetings hosted by the issuers the subject of its research reports. In some instances the costs of such site visits or meetings may be met in part or in whole by the issuers concerned if Goldman Sachs JBWere considers it is appropriate and reasonable in the specific circumstances relating to the site visit or meeting.

Our research is disseminated primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients.

Disclosure information is also available at http://www.gsjbw.com/Disclosures or from Research Compliance, Level 42, 1 Farrer Place Sydney NSW 2000.

Research Analyst Certification

Each equity and strategy research report excerpted herein was certified under Reg AC by the analyst primarily responsible for such report as follows: I, Tom Goode, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

RECOMMENDATION DEFINITIONS

Sell (S)	Stock is expected to underperform the S&P/ASX 200 for 12 months
Hold (H)	Stock is expected to perform in line with the S&P/ASX 200 for 12 months
Buy (B)	Stock is expected to outperform the S&P/ASX 200 for 12 months

Other Definitions

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
CS	Coverage Suspended. GSJBW has suspended coverage of this company.
NC	Not Covered. GSJBW does not cover this company.

Price Target

Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon.

Research Criteria Definitions

The above recommendations are primarily determined with reference to the recommendation criteria outlined below. Analysts can introduce other factors when determining their recommendation, with any material factors stated in the written research where appropriate. Each criterion is clearly defined for the research team to ensure consistent consideration of the relevant criteria in an appropriate manner.

Prior to 20 July 2007, GSJBW had a dual-horizon recommendation system: Short Term & Long Term. The Short Term factors were Relative Earnings Outlook, Earnings Momentum, News Flow, Relative Performance, and Valuation Support. The Long Term factors were Industry Structure, EVA™ Trend, Growth Option and Price/DCF.

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 2 years. Designed to reflect "turnaround stories" or to highlight companies Goldman Sachs JBWere analysts believe will allocate capital poorly in the estimated timeframe.
Earnings Momentum:	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
Catalysts:	A qualitative and quantitative assessment of a company's long term catalysts 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

EVA™ Trend: [1]	ROE is used as a proxy for EVA. Rating takes into account the expected level and trend of ROE over the next 2-3 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

Strategy:	Used instead of industry structure as many REIT investors are intra rather than inter sector focussed.
EPU Growth:	Ranking of Earnings Per Unit growth relative to other listed Real Estate Investment Trusts. Used instead of EVA™ Trend.
Yield:	Yield relative to the REIT sector average. Used instead of Earnings revision.

For NZ Companies

Relevant Index:	If a research report is published by the New Zealand affiliate of Goldman Sachs JBWere, the recommendation of a company or trust is based on their performance relative to the NZSX 50 Index (Gross) and not the S&P/ASX 200 index.

Distribution of Recommendations – as at 30 September 2007

Recommendation	Overall	Corporate relationship* in last 12 months
Sell	12%	14%
Hold	54%	55%
Buy	34%	31%

* No direct linkage with overall distribution as the latter relates to the full Goldman Sachs JBWere stock coverage (>250 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.

Goldman Sachs JBWere Offices

Melbourne		**Sydney**		**Brisbane**	
Telephone	(03) 9679 1111	Telephone	(02) 9321 8777	Telephone	(07) 3258 1111
Facsimile	(03) 9679 1493	Facsimile	(02) 9321 8621	Facsimile	(07) 3258 1112
Adelaide		**Perth**		**Canberra**	
Telephone	(08) 8407 1111	Telephone	(08) 9422 3333	Telephone	(02) 6218 2000
Facsimile	(08) 8407 1112	Facsimile	(08) 9422 3399	Facsimile	(02) 6218 2001

Overseas Offices

New York
London
Auckland
Christchurch
Wellington