

Research Bulletin

Australian Equities: Portfolio Strategy Review

April 2005

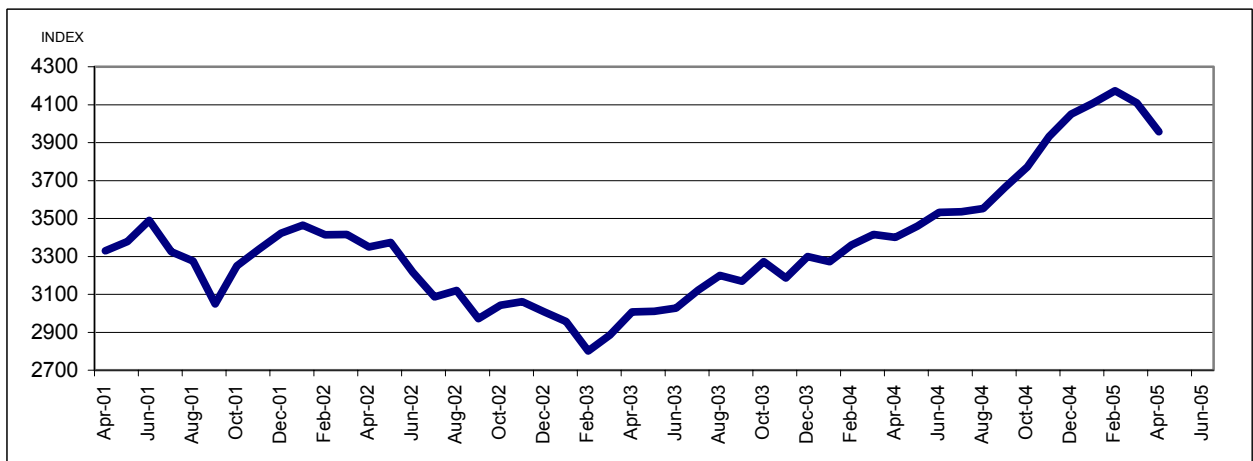
- The Australian market posted its largest monthly fall in April since February of 2003 (the conclusion of the Iraq war) as some weaker global economic data weighed on the Resources sector and the commencement of the traditional domestic 'profit warning season' saw many investors scrambling to 'lock in' some of the abnormal gains they have made over the last two years.
- The Utilities sector benefited as investors rotated into more defensive exposures, with the Real Estate Investment Trusts also seeing a modest bounce following recent underperformance. The Energy sector also held up relative to the broader market, despite a fall in oil prices later in the month.
- Softer economic data, a spate of profit warnings at the small end of the sector and weak outlook commentary saw solid falls among Consumer Discretionary stocks. Similarly, concerns over a slowing US economy and persisting news of sluggishness in Japanese and European economies saw negative sentiment towards the major Materials companies.

Accumulation Index Performance			
	1 Month	6 Month	12 Month
S&P/ASX 200	-3.0%	7.6%	22.2%
S&P/ASX 200 Industrials	-2.0%	6.4%	18.9%
S&P/ASX 200 Resources	-7.6%	13.2%	40.1%
S&P/ASX Small Ordinaries	-6.0%	-1.2%	19.9%
Relative Index Performance to S&P/ASX 200			
Consumer Discretionary	-6.8%	-12.3%	-23.9%
Consumer Staples	-0.7%	-1.0%	-1.9%
Energy	0.5%	9.8%	25.3%
Financials	4.1%	1.0%	-1.0%
Health Care	-0.9%	-0.1%	5.9%
Industrials	-1.4%	0.6%	12.6%
Information Technology	-5.2%	-10.8%	12.3%
Materials	-5.2%	1.1%	9.8%
REITs	3.2%	-2.5%	-1.1%
Telecommunications	-1.0%	0.5%	-12.0%
Utilities	6.7%	10.6%	18.9%

Source: GSJBW Research, IRESS

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

(April 2001- April 2005)



Source: IRESS

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Company Performance: Best and worst performing stocks

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

Best	% Change	Worst	% Change
Resmed Inc	8.83%	PaperlinX Limited	-31.22%
Rinker Group Limited	5.28%	Onesteel Limited	-15.83%
Transurban Group	4.96%	Newcrest Mining	-14.93%
Australian Gas Light	4.79%	Orica Limited	-13.97%
ANZ Banking Group	4.61%	Billabong International	-13.91%
Macquarie Goodman	4.34%	Oxiana Limited	-13.86%
Commonwealth Bank	3.95%	Pacific Brands	-12.75%
General Property Trust	3.94%	Bluescope Steel Limited	-12.41%
Promina Group Limited	3.24%	News Corporation Preferred	-12.24%
Iluka Resources	2.99%	News Corporation	-11.72%

Source: IRESS, GSJBW Research

Significant Company News

Resources Sector

Analyst: Neil Goodwill

□ **BHP Billiton (BHP): Short Term Outperform; Long Term Buy; Valuation: A\$16.29**

□ **RIO Tinto (RIO): Short Term Outperform; Long Term Buy; Valuation: A\$46.73**

The resources sector pulled back sharply over April as some investors responded with caution to a number of newsflow points which clouded the near term outlook for commodity markets. Steel prices in Europe and North America weakened and this renewed fears that base metals prices could follow, on the back of a softening OECD economic growth profile. In particular, the copper market provided a source for concern, with CRU International estimating that year on year demand growth for the March quarter had fallen 8.9% in the US, 2.5% in Europe and 10.5% in Japan. The weaker demand growth outlook, together with strong indications that additional copper smelting capacity would come on line in the coming months convinced some investors that the refined copper market would move in surplus for 2005.

Tabcorp Holdings Limited (TAH)

Analyst: Ashwini Chandra

□ **Investment View: Short Term Underperform; Long Term Hold**

□ **Share Price as at 30/04/2005: \$15.50 Valuation: \$15.15**

The Victorian Government has announced during the month that it will increase the levy on gaming machines from \$1,533 to \$3,033 per machine from 1 July 2005. The announcement was unexpected by the market and the company themselves were only informed shortly before the announcement was made public. Whilst the impact of the levy increase on TAH's bottom line is likely to be relatively small (on our estimates \$11m per annum or less than 2% per year of EPS), the market reacted harshly and the stock was sold off in response.

Ramsay Healthcare (RHC)

Analyst: Kylie Nuske

□ **Investment View: Short Term Non Rated; Long Term Non Rated**

□ **Share Price as at 30/04/2005: \$7.90 Valuation: \$7.08 (Pre transaction)**

Ramsay Healthcare has announced the acquisition of Affinity Health Group for a total acquisition cost of \$1.5bn. In order to alleviate any potential ACCC concerns, Ramsay has indicated its intention to on-sell 14 of the Affinity Hospitals back to interests associated with Affinity for a sum of \$406m. In addition to the proceeds received from the sale of the 14 hospitals, the acquisition will be funded by a combination of a \$190m underwritten equity entitlement offer and institutional placement, \$260m issue of hybrid equity securities and \$643m in debt. The acquisition will double the size of Ramsay's business and position Ramsay as the largest for-profit private hospitals operator in Australia.

Media Sector

Analysts: Lou Capparelli

- ❑ **Publishing & Broadcasting (PBL): Short Term Outperform; Long Term Buy**
- ❑ **Share Price as at 30/04/2005: \$14.26; Valuation: \$14.15**
- ❑ **Ten Network Holdings(TEN): Short Term Marketperform; Long Term Hold**
- ❑ **Share Price as at 30/04/2005: \$3.24; Valuation: \$3.70**

The media sector underperformed the broader market for the month of April. Investors expressed concern regarding the deteriorating outlook for TV advertising revenue growth and, when coupled with evidence of rising cost pressures, this resulted in significant weakness across the digital media providers. With SEV managing to maintain its improved ratings performance it was also likely that investors continued to switch out of TEN and PBL into the turnaround story of the sector. The print media stocks also traded lower, however, the market was not as harsh on this segment of the market, given its more stable cost environment and stronger valuation support.

Woolworths Limited

Analyst: Phillip Kimber

- ❑ **Investment View: Short Term Outperform; Long Term Buy**
- ❑ **Share Price as at 30/04/2005: \$15.29 Valuation: \$15.15**

WOW's third quarter sales report for continuing businesses came in ahead of our estimates, an outcome driven mainly by a stronger contribution that we had initially anticipated from Bruandwo (the vehicle which controls the recently acquired ALH Hospitality Group). Of specific note, management highlighted that momentum in the key Food & Liquor business continued to build. Further, management reconfirmed previous profit guidance of 12-15% fiscal 2005 net profit (including Bruandwo/ALH) and reiterated that the ALH acquisition had provided the business with significant scope to expand the Dan Murphy's discount liquor chain, targeting a total store network of 80-90 stores (no timeframe provided). The current Dan Murphy network comprises 35 stores in total.

ANZ Banking Group

Analyst: James Freeman

- ❑ **Investment View: Short Term Marketperform; Long Term Hold**
- ❑ **Share Price as at 30/04/2005: \$21.57 Valuation: \$21.00**

The first half result for ANZ came in ahead of market expectations, aided by a reduction in total provisioning, which drove bottom line performance. The Australian operations experienced good growth, whereas New Zealand earnings fell in comparison to the previous corresponding period due to increased competition and a slowing NZ economy. Further, management upgraded fiscal 2005 earnings guidance to be modestly ahead of its original 7-8% EPS growth target. The news was positively received by the market, with the stock rallying ~4% in the days following the announcement. A high level of earnings certainty has attracted investors to the banking sector over recent weeks with all four majors posting absolute gains for the months of April.

Telstra (TLS)

Analyst: Christian Guerra

- ❑ **Investment View: Short Term Marketperform; Long Term Hold**
- ❑ **Share Price as at 30/04/2005: \$4.84 Valuation: \$5.55**

TLS's third quarter underlying sales revenue (i.e. ex-acquisitions) came in lower than consensus expectations. The fixed line division performed very poorly, but this was partly offset by strong results from the Internet and IP operations, which surprised on the upside due to growth in broadband. We note, however, that Telstra's market share losses are accelerating in both voice and broadband as competitors build customer scale in preparation for ULL. Also of concern was management's failure to reaffirm previous guidance for flat fiscal 2005 margins.

Beverage Sector

Analyst: Paul Ryan

- ❑ **Foster's Group (FGL): Short Term Not Rated; Long Term Not Rated**
- ❑ **Share Price as at 30/04/2005: \$5.12 Valuation: \$5.90**
- ❑ **Southcorp (SRP): Short Term Not Rated; Long Term Not Rated**
- ❑ **Share Price as at 30/04/2005: \$4.24; Valuation: \$2.70**

The majority of the SRP board recommended that shareholders accept FGL's revised offer. Under the revised offer, FGL will increase its cash offer by 12¢ to \$4.26 per SRP share, waive all conditions except the minimum acceptance condition and reduce the minimum acceptance condition from 90% to 50%. The increased offer equates to an extra ~\$90m, or the equivalent of 4.5¢ per FGL share. By the end of the month FGL held a voting stake of 26.9% in SRP.

Australian Equities: Key Issues for Portfolio Strategy

- Global markets have spent the past year swinging between periods of optimism and pessimism. Softer economic indicators, the high oil price and a number of high profile profit disappointments saw sentiment swing sharply back to the pessimistic side through March and April. As proved the case with similar episodes through 2004, we believe the market's concerns about the near term outlook are overdone. While major structural imbalances continue to develop, the global economy still looks to be a well placed from a cyclical perspective – particularly if the Chinese economy maintains its current vigour. Relative to 2004, global economic and profit momentum is cooling, but business conditions remain supportive and companies continue to enjoy excellent financial health. As has generally been the case, the actions of the US Federal Reserve will ultimately determine the duration of the current global business cycle. Goldman Sachs Research believes that the Federal Funds rate will continue to rise through 2005, ending the year around 4.00% (currently 2.75%). Should the recent signs of economic weakness persist into the June quarter, the Federal Reserve would take a more circumspect approach to rate increases through the second half of the year.
- It is now clear that the domestic economy is struggling. Discretionary consumer spending has been soft since late last year, residential construction activity is contracting and the business sector (less-so service industries) is confronting higher cost pressures and sluggish sales. While this slowdown is not a surprise – given the boom conditions of 2002/04 – it remains an open question as to whether it will develop into a genuine cyclical downturn (i.e. rising unemployment) that persists well into 2006 or, with the help of a still-supportive policy stance, prove to be short-lived (see below). Over the next six months, the market and ourselves will grapple for an answer to this question. Even if the more positive scenario prevails, it will imply that little has been gained in terms of resolving the structural imbalances/inflationary risks that now overhang the economy. Thus, interest rate pressures would in all likelihood quickly reemerge. GSJBW Research forecast production (GDP) to expand by 2.1% in FY05 and 3.4% in FY06.
- The overall policy stance remains on the generous side of neutral. Interest rates are relatively low, the terms of trade are at a 31 year high (and now surging higher as the huge increases in bulk commodity prices feed through!), government policy is expansionary and asset prices are basically healthy – less-so residential property. Soft house prices, and the associated implications for a household's willingness to consume the equity in their home, still stand as the major risks facing the economy as it moves into FY06. While acknowledging these risks, the combination of an accommodative policy stance and a fully employed economy has unsettled the Reserve Bank who now expect inflation to hit 3.0% in 2006. Accordingly, we still expect that interest rates will move higher over the next year (5.50% currently), although much will depend on whether household spending rebounds through 2H05.
- The perfection-pricing that drove the ASX300 to its mid-March peak has now been removed. On the basis of the prevailing outlook for profits, interest rates and liquidity, we do not believe that the market is at risk of a major pullback at this point. Material price weakness requires material profit disappointment and while earnings downgrades are now coming through – particularly at the small-cap level – we still believe that the risks of major market-wide downgrades remains relatively contained – particularly if the RBA adopts a more cautious approach. From a medium term perspective, however, it is important to keep in mind just how good the past three years have been. On the basis of GSJBW Research estimates, earnings-per-share growth for the ASX300 has expanded by 57% between FY03 and FY05 – a massive step-up in profitability. While the future is always clouded, we can confidently state that this sort of profit growth will not be replicated between FY06 and FY08. The phase of unexpectedly strong profit growth is now behind us.
- We continue to recommend an equity portfolio based around a core holding of large-cap defensive stocks. Given full valuations, however, buying opportunities in this area are limited. In our view, **Macquarie Infrastructure Group, Origin Energy, Transurban, Metcash Holdings** and **Promina** represent the best relative value. Interest in the banking sector has been revitalised as the market seeks out relative earnings certainty. On a three-month view, this support is likely to continue. It will quickly cool, however, if the Australian economy continues to weaken or market sentiment towards the global outlook swings back to favour the optimists. **Commonwealth Bank** and **St. George** are the stocks we prefer in the sector at the moment. For investors who are looking for a global growth/cyclical bias, the stocks we favour at current prices are **News Corporation, Rinker, Brambles, AXA Asia Pacific, Billabong** and **Computershare**. We continue to believe the medium term outlook for the resources sector is favourable. Investors with a small exposure to the sector should therefore view the current share price weakness as an opportunity to add to positions in **BHP Billiton** and **Rio Tinto**.

GSJBW Market Forecasts:

As at 30/04/05	Price Earnings Ratio (PER)			Earnings Per share Growth (%)			Dividend Yield (%)		
	F04	F05E	F06E	F04	F05E	F06E	F04	F05E	F06E
S&P/ASX 300	17.2x	14.2x	13.0x	17.3%	21.5%	9.2%	3.5%	4.1%	4.4%
S&P/ASX 300 Industrials	17.0x	15.1x	13.9x	9.7%	12.1%	9.1%	3.8%	4.5%	4.8%
S&P/ASX 300 Resources	17.9x	12.0x	11.0x	44.4%	49.6%	9.3%	2.2%	2.9%	3.2%

Source: GSJBW Research estimates

Portfolio Management: Buy Ideas

Publishing & Broadcasting Limited (PBL)

Analyst: Lou Capparelli

❑ **Investment View: Short Term Outperform; Long Term Buy**❑ **Share Price as at 30/04/05: \$14.26; Valuation: \$14.15**

Year End June	2005 Estimate	2006 Estimate	2007 Estimate
Net Profit (\$m)	\$495.5m	\$580.4m	\$604.3m
EPS Growth	1.2%	15.7%	4.2%
PER	19.2x	16.6x	15.9x
Yield	3.9%	3.8%	4.1%

Source: GSJBW Research estimates

The media sector has come under intense pressure over recent weeks, partly in response to concerns that advertising revenues may be nearing their cyclical peak. Whilst the outlook for earnings growth across the sector appears challenging we believe PBL should be distinguished from its peer group, given the increasingly defensive nature of its revenue base and the material growth options which the company holds through its pay television and Asian gaming exposures.

PBL's dependence on the advertising cycle for its core earnings and cash flow has diminished from around three-quarters in the late 1990's to slightly over one-third currently. The acquisition of Crown Casino and the Burswood operation has altered the business earnings profile to the point where 50% of PBL's revenue is now driven by consumer spending (local gaming, magazine circulation and event ticket sales). In short, PBL is no longer highly exposed to the cyclicity of the advertising market.

Further, we are encouraged by the potential for significant earnings growth from both Foxtel and the Melco Asian Gaming joint venture. For example, Austar (Foxtel's main domestic peer) achieved \$100m EBIT in 2004 from a five hundred thousand strong subscriber base, whilst Foxtel with almost 1.2m subscribers-lost money. We believe that once a number of transitory issues roll off (the replacement of analogue with digital set top boxes and reset of uncommercial content contracts) the business will move to profitability. However, PBL's current price ascribes little more than book value to both these investments.

Finally, the attractive valuation of PBL stands as one of the key drivers of our recent upgrade to an outperform recommendation. PBL is currently trading on 13x its free cash flow (on fiscal 2006 estimates) and roughly in line with our base case DCF valuation, providing what we believe to be a good entry point into the stock.

Metcash Trading Limited (MTS)

Analyst: Phillip Kimber

❑ **Investment View: Short Term Outperform; Long Term Hold**❑ **Share Price as at 30/04/05: \$3.19; Valuation: \$3.15**

Year End June	2005 Estimate	2006 Estimate	2007 Estimate
Net Profit (\$m)	\$129.5m	\$106.4m	\$114.0m
EPS Growth	1.0%	16.6%	-0.4%
PER	15.5x	14.2x	14.2x
Yield	3.6%	3.9%	4.1%

Source: GSJBW Research estimates

Metcash Trading Limited (MTS) launched a takeover bid for the Australian operations of Foodland Associated (FOA) in December 2004. The FOA Board has rejected this bid on valuation and, in response initiated a dual-track trade sale/demerger process. We believe the MTS bid (in its current form) is unlikely to succeed. However we believe that MTS is the natural acquirer of FOA's Australian assets and ascribe a reasonable probability to a scenario whereby MTS secures control of FOA's Australian Wholesaling operations. Should this transpire, we believe the transaction would prove a positive catalyst for the stock, given the scope for consensus earnings upgrades and an improved earnings outlook following such an acquisition.

Wholesaling remains central to the MTS business, whereas Coles Myer and Woolworths have expressed little interest in expanding their wholesaling operations. MTS' existing grocery wholesale operations generate approximately \$4 billion in annual sales. Assuming the acquisition of FOA's wholesaling business, there is scope for a ~50% increase in purchasing volumes. This in turn should translate into lower buying rates for a combined MTS/FOA Australia, driving improved margins. As an upside case, we note that as part of the above corporate activity, existing wholesale customers of MTS could potentially acquire stores within FOA's Action supermarket chain, thereby providing a further uplift to MTS wholesaling volumes.

At the current share price, we believe that the market is factoring in only limited earnings upside from the potential acquisition of part or all of FOA's wholesale business. Given the potential for positive newsflow within the next 6 months, we are comfortable building positions in the stock. Further, with the domestic economy facing an uncertain outlook, the investment case for MTS is strengthened by the defensive nature of its core earnings base of food and liquor wholesaling.

Portfolio Management: Sell Ideas

CSR Limited (CSR)

Analyst: Matthew McNea

❑ Investment View: Short Term Underperform; Long Term Hold

❑ Share Price as at 30/04/05: \$2.82; Valuation: \$2.43

Year End June	2005 Estimate	2006 Estimate	2007 Estimate
Net Profit (\$m)	\$186.6m	\$177.6m	\$163.2m
EPS Growth	9.9%	-3.5%	-6.8%
PER	13.6x	14.1x	15.2x
Yield	5.5%	5.5%	5.5%
Franking	100%	100%	100%

Source: GSJBW Research estimates

Recent data has not changed our near term negative view on CSR. While we expect that the stock will be supported by a 5.5% dividend yield (fully franked), which we do not see as being particularly at risk in the current environment, we continue to believe that there may be downside risk to earnings across all three of the company's main business divisions and the stock is trading at a premium to its peers. As a result, we remain comfortable for investors to continue to switch out of CSR, into some of our preferred defensive exposures.

CSR remains the most exposed of the major Australian building materials companies to a downturn in the residential construction sector. Recent declines in brick prices are indicative of weakening demand in the housing sector and are of some concern to CSR. We continue to believe the key issue for this division is management's ability to hold up selling prices in a period of weaker demand (which the domestic building materials sector seemed unable to achieve in previous cycles) – in the face of increasing raw materials prices – and, until clear evidence emerges suggesting this is occurring, we believe that downside risk exists to consensus earnings for CSR.

Aluminium earnings are currently being supported by a hedge book delivering realised prices 10% above spot, a situation that we do not see as being sustainable in the longer term. Further, after being negatively impacted by droughts in India and Thailand in 2004/05, we expect global sugar production to rebound, which we believe will put downward pressure on prices. As a result, we forecast little (if any) growth in sugar earnings in fiscal 2006.

Pacifica Group (PBB)

Analyst: Andrew Gibson

❑ Investment View: Short Term Underperform; Long Term Sell

❑ Share Price as at 30/04/05: \$1.41; Valuation: \$2.68

Year End June	2005 Estimate	2006 Estimate	2007 Estimate
Net Profit (\$m)	\$17.9m	\$27.9m	\$41.6m
EPS Growth	-55.9%	46.7%	43.6%
PER	9.4x	6.4x	4.5x
Yield	6.4%	8.6%	12.1%
Franking	65%	65%	65%

Source: GSJBW Research estimates

In a recent *Daily Cable* article, we described Pacifica's investment case as going "from bad to worse" (21 April 2005). That is, despite the large share price falls following the company's profit warning in late April, we continue to believe that investors in the stock should exit their positions at current levels.

Weaker demand and production cutbacks at key North American customers were cited as key reasons for the downgrades. In the short term, we believe that the risks for Pacifica continue to be skewed to the downside, given negative earnings momentum and the lack of any obvious near term positive catalyst for the stock.

Pacifica has continuously failed to meet the market's earnings forecasts. In only one out of the past nine years have final earnings expectations ended up above the initial consensus earnings per share (EPS) forecast. A key concern remains further cutbacks in Pacifica's customers' production schedules, particularly if high fuel costs see consumer preferences in both North America and Australia continue to shift increasingly away from Sports Utility Vehicles (SUVs) and also given the financial pressure that Pacifica's customers are now facing. Our long-term recommendation has been reduced to Sell, given the risk of further profit downgrades.

Paperlinx Limited (PPX)

Analyst: Ashwini Chandra

□ **Investment View: Short Term Underperform; Long Term Sell**□ **Share Price as at 30/04/05: \$2.82; Valuation: \$2.55**

Year End June	2005 Estimate	2006 Estimate	2007 Estimate
Net Profit (\$m)	\$105.1m	\$115.9m	\$143.8m
EPS Growth	-13.6%	10.2%	23.8%
PER	10.3x	12.0x	10.8x
Yield	10.0%	7.6%	9.5%
Franking	-	10%	10%

Source: GSJBW Research estimates

Paperlinx management have revised downward full year profit guidance for fiscal 2005, indicating that they now expect net profit after tax to be ~20% lower than the previous year. Previous guidance has implied modest growth when compared to 2004. We have been flagging for some time that we believe earnings risk remains firmly to the downside for PPX. The recent profit warning furthered highlighted the significant operational challenges that the company now must work to overcome. We maintain our sell recommendation and once again reiterate our concerns around the following;

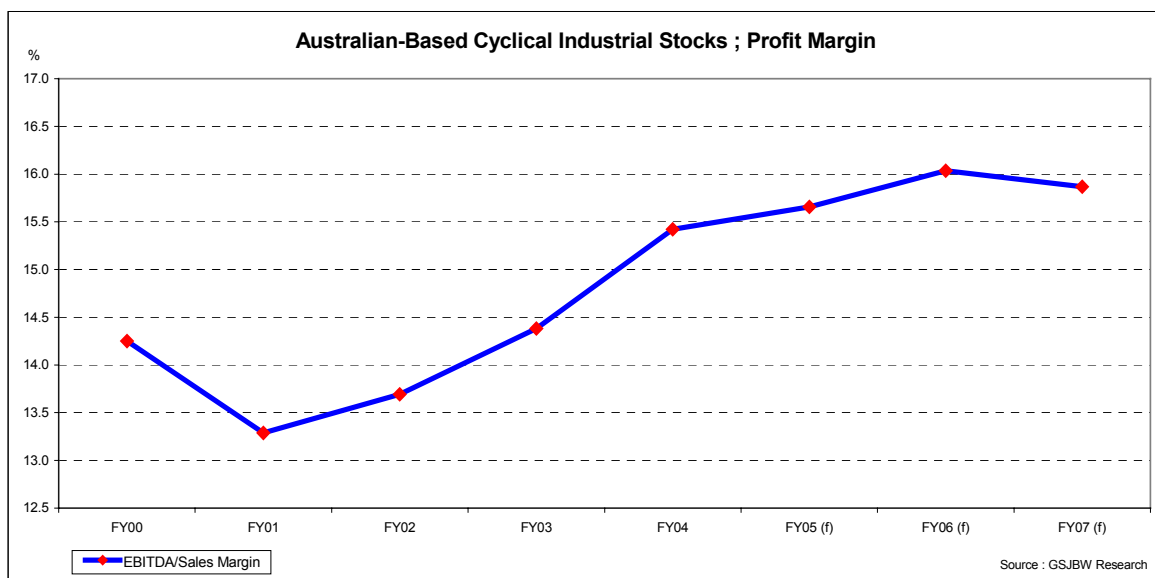
- The outlook for paper producers in Europe is weakening - whilst paper manufacturers have recently sought price rises in the European market, these have not been successful to any great extent and we see little to suggest the near term outlook for paper prices in Europe is going to improve.
- The company's Australian Paper operations are suffering heavily under the weight of intense import competition, mainly the result of continued strength in the Australian dollar against the US dollar. With this division now generating a return of <3%, well below the company's cost of capital, we believe there is significant risk that the business may be forced to write down the book value of these assets.
- Finally, we note our concern with regard to the company's dividend policy. Management recently indicated that as a result of tax benefits transferred to the company's retained earning balance in the first half of fiscal 2005, the full year dividend would likely be maintained at 27.5¢ per share. In effect PPX will be forced to partly finance dividend payments from debt. We do not believe this to be a sustainable medium-term strategy, particularly with earnings risk skewed to the downside and further capex spend to come in its Australian manufacturing business.

Portfolio Management: Domestic Cyclical Stocks Confront the Inevitable

For the past year, we have highlighted that the optimal domestic business environment of 2002 to 2004 would not survive into 2005 and 2006. A combination of slowing sales and rising costs would put an end to the period of significant margin expansion (refer Chart below) and possibly – depending on the actions of the Reserve Bank – herald a period of margin compression. **This deterioration is now upon us.** To date, the pain has been most evident at the small-cap level, where exposures to rising costs, sluggish discretionary spending and/or the downturn in residential construction tends to be more concentrated. The market is now wary that the 'bad news' will soon spread to the large-caps. The extent to which this occurs will be determined by the following factors:

- How quickly the slowing economy provides relief from rising costs - particularly construction materials;
- The actions of the Reserve Bank – further rate increases over the remainder of the year would risk a material downturn in private sector spending (i.e. business sales);
- The health of residential property markets – perceptions of further price weakness being a major drag on household spending and confidence.

Given the extent of margin expansion over recent years – and the still optimistic earnings estimates for FY06 – we would be very surprised if the 'bad news' didn't spread and taint the outlook for the large-cap domestic industrials. Whether the preconditions for the more material earnings downgrade phase (as listed above) fall into place, however, is still an open question. We still believe that the macro policy stance in Australia lies on the generous side of neutral (i.e. supportive for economic growth). Thus, if the Reserve Bank opts to sit on the sidelines over the next six months – a prospect that has increased following the softness in the domestic economy and relatively acceptable inflation figures for the March quarter – we could see household spending rebound through the December half (assisted by another round of tax cuts). If so, the market's vicious reassessment of the medium term prospects for certain stocks/sectors will prove to be overdone – particularly the case for the discretionary retailers, for example, Coles Myer, Harvey Norman, Just Group, Colorado, JB Hi-Fi.



However, we are not yet at a point where we would look to increase exposure to the domestic cyclicals. With further earnings downgrades to come, valuation support is not yet sufficient. Apart from being comfortable that the preconditions for a major cyclical deterioration noted above are not being met, we would also like to be further convinced that 2006 will bring:

- Interest rate cuts from the Reserve Bank and;
- Australian Dollar resilience (the stronger Australian Dollar has been a big plus for discretionary retailers who import most of their product).

Over the next 12 months, very attractive investment opportunities will open up within the universe of domestic industrials – particularly small cap cyclicals. When the 'bad news' starts to flow, the marginal investor tends to panic and misprice stocks – particularly on a medium term perspective. While we are hesitant to respond at this point, this tendency is already evident from the pricing action we saw in April.

Discretionary retail stocks are now trading on price/earnings and cashflow multiple discounts of up to 50% relative to other domestic industrials – media, transport, logistics, grocery retailing etc. This seems unreasonable, given household consumption spending accounts for 60% of overall economic activity. Thus, if the outlook for the retailers is as bleak as the market now believes, then it must follow that the outlook for the overall economy is also poor. If the discretionary retailers are now correctly priced, then the balance of the domestic industrials are overpriced. This valuation contradiction is evident in the chart below. While we are confident that this contradiction will be resolved over the next six months, we feel it is too early to commit to a view as to how this will occur.

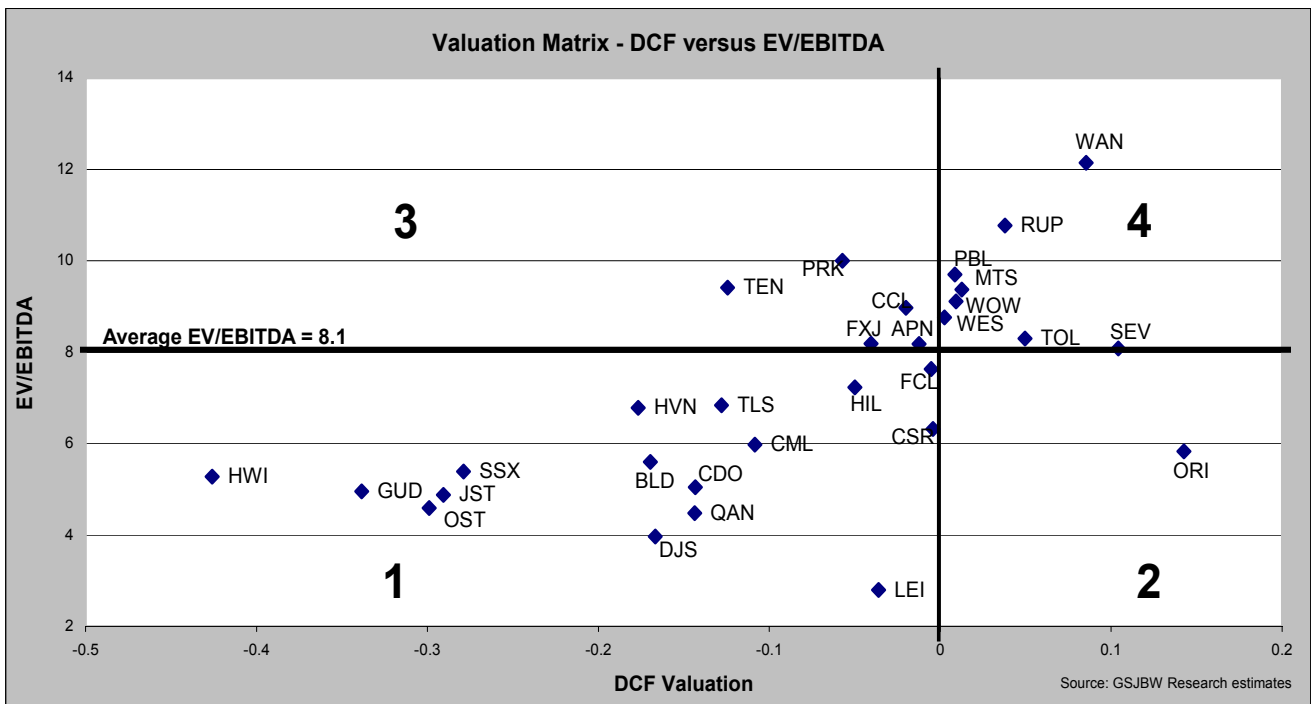


Chart Notes:

- EV = Enterprise Value, which equates to the total capital of a company (debt + equity)
- EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation; a cash flow based earnings measure that is less susceptible to 'earnings management.'
- EV/EBITDA = Similar to a price/earnings ratio, but effectively eliminates differences between companies in terms of financing, taxes and methods of depreciation and amortisation.
- Average EV/EBITDA = 8.1x (based on our fiscal 2006 estimates and calculated on ASX 300 excluding financials, News Corporation and Telstra)
- Stocks in quadrant 4 are trading at a premium to DCF valuation and above the average EV/EBITDA multiple whereas, stocks in quadrant 1 are trading at a discount to DCF valuation and below the average EV/EBITDA.

Stock Selection Using Quantitative Techniques

The main GSJBW multi-factor Quant stock selection model aims to provide diversification across market themes and thus to deliver stable 'through-the-cycle' returns, by combining several individual quant screens which each attempt to capture returns, momentum and value factors. The current top rankings in GSJBW's large industrial stock screening model are shown on the table below, as well as changes in rankings over the last month.

Given significant volatility in equity markets over recent weeks, it is useful to examine some of the larger moves in rankings of companies in our Quant model over the last month, looking in particular at movements in individual factors ('screens') underlying each company's overall rank and relating these to actual events, as well as our fundamental views:

- **Rinker Group:** a profit upgrade in early April saw broad-based increases in the market's earnings expectations for both fiscal 2005 and fiscal 2006. This saw a significant rise in the screen measuring actual (consensus) earnings revisions over the last 3 months, a factor which is a key driver of longer term share price performance. From a fundamental perspective, we believe that there remains further upside risk to our forecasts for Rinker, given its strong position in key US markets and we remain comfortable buyers of the stock at current levels.
- **Billabong International:** Negative sentiment towards the domestic retail sector saw Billabong's share price fall to a greater extent than the broader market during April, which resulted in a decrease in the positive (relative to the market) share price momentum factor in the model – the 'Positive RSI' screen. However, with 70% of the company's sales coming from offshore markets and forecast earnings growth of 15% per annum over the next 3 years, we believe that current share price weakness provides an opportunity for investors to build positions in this stock.
- **West Australian Newspapers:** The opposite situation to that off Billabong was true of WAN – flat share price performance over the month (in the face of a market which fell ~5%) saw a large improvement in the Positive RSI factor for this company, which resulted in its ranking moving from 16th to 8th. We remain comfortable to hold the stock, which is now trading on a forecast 6% dividend yield (fully franked) for fiscal 2006.

These changes also highlight that Quant models such as this should not simply be looked at as a 'snapshot' in time and then used for a 'set-and-forget' investment approach. Rather, a key feature of using quantitative analysis as part of an overall portfolio strategy is to continue to monitor changes in factors over time and how these might influence portfolio construction.

Rank	Company	EVA Spread:		Earnings Revision:		Positive RSI	ROFE/PEG	TOTAL	Previous Rank (1-Apr-05)	Move in Rank
		Level	Trend	Actual 3 Month	Predicted					
		<i>(out of 15)</i>	<i>(out of 15)</i>	<i>(out of 15)</i>	<i>(out of 15)</i>	<i>(out of 10)</i>	<i>(out of 30)</i>	<i>(out of 100)</i>		
1	RIO	11	15	15	15	9	25	90	1	0
2	BHP	14	1	14	15	9	29	82	2	0
3	RIN	11	14	12	15	6	24	82	6	3
4	ALL	15	13	12	7.5	3	29	79	4	0
5	BBG	11	13	14	7.5	3	26	74	3	-2
6	WOW	14	1	10	15	8	27	74	10	4
7	WES	8	14	5	15	7	23	73	5	-2
8	WAN	14	12	6	7.5	6	26	71	16	8
9	LEI	13	15	7	0	4	28	68	11	2
10	CML	10	13	2	15	5	23	68	13	3
11	UTB	13	0	13	7.5	3	30	67	7	-4
12	TOL	10	5	11	7.5	8	24	65	17	5

Source: GSJBW Quant Research

Portfolio Construction: Is Value Emerging in the REITs Sector?

The Real Estate Investment Trusts (REITs) sector has fallen back to levels which we believe has led to the near term valuation issues/risks diminishing. As such, **we believe some investors will be looking at the REITs sector as a good defensive exposure, should the market remain unsettled.**

Sub-sector Preference: Retail

The outlook for retail remains strong, particularly in Australia where vacancies are negligible and the strong operating conditions of recent times are leading to excess demand from tenants and upward rental pressure. In that sub-sector, we believe **CFS Gandel Retail Trust (GAN)** is operationally solid and offers the best pure – play leverage to the Australian shopping centre market. From a valuation perspective, GAN does not look expensive (priced at a relatively mild premium to Net Tangible Assets – NTA) and has very low risk characteristics. Further, we believe GAN represents an attractive investment opportunity at a fiscal 2006 yield of 7% and a forecast sustainable rental-driven EPS growth of ~3-4%.

Yield Stock Preferences:

Macquarie Prologis Trust (MPR)

In our view, the long-term risks in MPR are reflected in the current unit price and our valuation, hence our positive recommendation on the stock. Given our high forecast yield of over 10% for fiscal 2006 and possible 5% earnings per unit (EPU) uplift offered to attain some moderate dividends per unit (DPU) growth (hinted by management at the half year result), we believe that the total return remains attractive.

Macquarie DDR Trust (MDT)

MDT's underlying portfolio is well positioned, given US retail thematics remain supportive of 'big box' retailing and landlords in this asset class. In the long term, growth should move to the upper end of its peers, given the portfolio is significantly under-rented and the Trust has access to a significant pipeline of assets through its JV partner, DDR. In addition, we believe MDT's yield is very attractive relative to its peers (8.9% versus a sector yield of ~9.0%, on our fiscal 2006 estimates).

Galileo Shopping America Trust (GSA)

At current prices and based on our estimates, GSA is yielding an attractive 9.0% for fiscal 2006, which we believe will likely provide some share price support in the near term. The Trust is also trading in line with our valuation, in a REIT sector where we estimate the average premium to valuation is ~6.3%. In the longer term, the underlying performance of the portfolio augurs well, given solid like-for-like rental growth (low risk growth) likely to support organic DPU growth in the range of 2-3%.

Growth Stock Preferences:

Westfield Group (WDC)

Whilst we acknowledge the low propensity for upside risk in the short term, we believe the improvement in the quality of WDC's earnings coupled with its growth potential increase the appeal of the stock in the longer term. Pipeline developments are promising, with the company forecasting volume of work starts will remain between A\$1.5bn – A\$2bn pa over the next 3 years. With WDC now trading in line with our DCF valuation and on a yield equivalent to the boarder REIT sector of 7.4%, we believe WDC's current share price is an attractive entry point.

Centro Properties Group (CNP)

CNP's problems with its development returns may cast some doubt in investors' minds in respect of its offshore strategy, as it requires that investors trust in management's ability to deliver on strategies in a foreign environment with different factors driving performance. Nonetheless, we continue to believe there is earnings upside potential from syndicate expiry performance fees over the next few years, which are tangible in their impact on CNP's earnings. Further, we like CNP's business model, low premium to NTA and solid growth potential due to leverage on Kramont Realty (US assets recently acquired).

GSJBW Model Portfolios

Income Portfolio

Commonwealth Bank of Australia	Wesfarmers
ANZ Banking Group	Rural Press
Telstra Corporation	Macquarie Communications Infrastructure Group
Australian Gas Light Company	National Foods
St George Bank	CFS Gandel Retail Trust
Tabcorp	Rio Tinto
Alinta	Foster's Group
Lion Nathan	Commonwealth Property Office Fund
Woolworths	Ten Network
West Australian Newspapers	Macquarie DDR Trust
Promina	Westpac

Source: GSJBW Research

Our changes to the Income Portfolio during April 2005:

Reduced: No Change
 Increased: No Change
 Removed: No Change
 Added: No Change

Income Portfolio Summary: Fiscal 2006 (*Please note, MCG excluded from the calculation of the EPS Growth rate and PER)

Earnings per Share Growth	7.5%
Price to Earnings Ratio	13.8x
Average Yield	5.6%
Franking	80%

Source: GSJBW Research estimates (as at 30/04/05)

Defensive Portfolio

Commonwealth Bank of Australia	Macquarie Communications Infrastructure Group
BHP Billiton	CFS Gandel Retail Trust
St George Bank	Telstra
Transurban Group	Tabcorp
Westpac Banking Group	Foodland Associated
Woolworths	Macquarie Airports
Rinker	Mirrabooka
Promina	Sonic Healthcare
Rio Tinto	Foster's Group
Coca-Cola Amatil	Wesfarmers
Origin Energy	Macquarie DDR Trust
Australian Gas Light Company	

Source: GSJBW Research

Our changes to the Defensive Portfolio during April 2005:

Reduced: CFS Gandel Retail Trust
 Increased: Promina, Origin Energy
 Removed: National Foods
 Added: Macquarie Airports

Defensive Portfolio Summary: Fiscal 2006 (*Please note, MCG & TCL excluded from the calculation of the EPS Growth rate and PER)

Earnings per Share Growth	9.2%
Price to Earnings Ratio	13.6x
Average Yield	4.7%
Franking	76%

Source: GSJBW Research estimates (as at 30/04/05)

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

BHP Billiton	Coca-Cola Amatil
Commonwealth Bank	Telstra
Woolworths	Sonic Healthcare
St George Bank	Billabong International
Westpac Banking Group	Lion Nathan
Rio Tinto	Foodland Associated
Origin Energy	Macquarie DDR Trust
Rinker	Cochlear
Promina	Just Group
Australian Gas Light Company	Brambles
News Corporation	Wesfarmers
Macquarie Infrastructure Group	

Source: GSJBW Research

Our changes to the Balanced Portfolio during April 2005:

Removed:

Added:

Reduced: Macquarie DDR Trust, Australian Gas Light

Increased: Billabong International

Balanced Portfolio Summary: Fiscal 2006 (Please note, MIG excluded from the calculation of the EPS Growth rate and PER)

Earnings per Share Growth	10.2%
Price to Earnings Ratio	14.1x
Average Yield	4.1%
Franking	89%

Source: GSJBW Research estimates (as at 30/04/05)

Growth Portfolio

BHP Billiton	Sonic Healthcare
Commonwealth Bank	Macquarie DDR Trust
Woolworths	Just Group
St George Bank	Healthscope
Rio Tinto	Billabong International
Origin Energy	Promina
Rinker	Foodland Associated
News Corporation	Computershare
Alinta	Cochlear
Toll Holdings	Brambles
Transurban Group	WMC Resources
Macquarie Infrastructure Group	

Source: GSJBW Research

Our changes to the Growth Portfolio during April 2005:

Removed:

Added:

Increased: Billabong International

Reduced: Macquarie DDR Trust

Growth Portfolio Summary: Fiscal 2006 (*Please note, MIG & TCL excluded from the calculation of the EPS Growth rate and PER)

Earnings per Share Growth	11.1%
Price to Earnings Ratio	14.2x
Average Yield	3.8%
Franking	80%

Source: GSJBW Research estimates (as at 30/04/05)

GSJBW Recommendation Changes during April

STOCK	ASX CODE	SHORT-TERM Recommendation		LONG-TERM Recommendation	
		NEW	OLD	NEW	OLD
Adelaide Bank	ADB	Not Rated	Marketperform	Not Rated	Hold
Pan Australian Resources	PNA	Marketperform	Outperform	N/a	Buy
Coca-Cola Amatil	CCL	Outperform	Marketperform	N/a	Buy
Lihir Gold	LHG	Marketperform	Underperform	N/a	Hold
Publishing & Broadcasting	PBL	Outperform	Marketperform	Buy	Hold
Colorado Group	CDO	Marketperform	Outperform	N/a	Hold
Just Group	JST	Marketperform	Outperform	Hold	Buy
Prime Infrastructure	PIF	Outperform	Marketperform	N/a	Hold
Seek Limited	SEK	Marketperform	N/a	BUY	N/a
Metcash Limited	MTS	Outperform	Marketperform	N/a	Hold
Ramsay Healthcare	RHC	Not Rated	Marketperform	Not Rated	Hold
Tabcorp Holdings	TAH	Underperform	Outperform	N/a	Hold
Housewares International	HWI	Underperform	Marketperform	Hold	Buy
Patrick Corporation	PRK	Underperform	Marketperform	N/a	Hold
Virgin Blue Holdings	VBA	Underperform	Not Rated	Sell	Not Rated
Lion Nathan	LNN	N/a	Marketperform	Hold	Buy
Pacifica Group	PBB	N/a	Marketperform	Sell	Hold
Qantas	QAN	N/a	Underperform	Sell	Hold

Source: GSJBW Research

Referred to in Document:

Stock	ASX code	SHORT-TERM Recommendation	LONG-TERM Recommendation	Share Price (29/04/05)
Adelaide Bank	ADB	Not Rated	NOT RATED	\$10.20
Australian Gas Light Company	AGL	Marketperform	HOLD	\$14.36
Aristocrat Leisure	ALL	Marketperform	BUY	\$9.70
Alinta	ALN	Outperform	BUY	\$9.19
ANZ Banking Group	ANZ	Marketperform	HOLD	\$21.57
APN News & Media	APN	Marketperform	BUY	\$4.79
AXA Asia Pacific	AXA	Marketperform	BUY	\$4.29
Billabong International	BBG	Outperform	BUY	\$11.45
BHP Billiton	BHP	Outperform	BUY	\$16.04
Brambles Industries	BIL	Outperform	BUY	\$7.85
Boral	BLD	Marketperform	HOLD	\$5.78
Bluescope Steel	BSL	Marketperform	HOLD	\$7.62
Commonwealth Bank of Australia	CBA	Outperform	BUY	\$36.34
Coca-Cola Amatil	CCL	Outperform	BUY	\$8.28
Colorado Group	CDO	Marketperform	HOLD	\$5.14
Coles Myer	CML	Marketperform	HOLD	\$8.56
Centro Group	CNP	Outperform	BUY	\$5.12
Cochlear	COH	Outperform	BUY	\$30.70
Commonwealth Property Office Fund	CPA	Marketperform	BUY	\$1.27
Computershare	CPU	Outperform	BUY	\$5.04
CSR	CSR	Underperform	HOLD	\$2.38
David Jones	DJS	Underperform	SELL	\$1.75
Futuris Corporation	FCL	Marketperform	HOLD	\$1.89
Fosters Group	FGL	Not Rated	NOT RATED	\$5.12
Foodland Associated	FOA	Marketperform	HOLD	\$24.60
John Fairfax Holdings	FXJ	Outperform	HOLD	\$3.79
CFS Gandel Retail Trust	GAN	Marketperform	BUY	\$1.59
General Property Trust	GPT	Outperform	HOLD	\$3.69
Galileo Shopping America Trust	GSA	Marketperform	HOLD	\$1.11
GUD Holdings	GUD	Marketperform	HOLD	\$6.12
Hills Industries	HIL	Marketperform	HOLD	\$3.81
Healthscope	HSP	Outperform	BUY	\$4.49
Harvey Norman	HVN	Marketperform	HOLD	\$2.47
Housewares International	HWI	Underperform	HOLD	\$1.55
Iluka Resources	ILU	Marketperform	HOLD	\$5.85
JB Hi-Fi	JBH	Outperform	BUY	\$3.25
Just Group	JST	Marketperform	HOLD	\$2.27
Leighton Holdings	LEI	Underperform	HOLD	\$9.90
Lihir Gold	LHG	Marketperform	HOLD	\$1.01
Lion Nathan	LNN	Marketperform	HOLD	\$7.29
Macquarie Airports	MAP	Outperform	BUY	\$3.35
Macquarie Communications Infrastructure Group	MCG	Outperform	BUY	\$5.97
Macquarie DDR Trust	MDT	Marketperform	BUY	\$1.14
Macquarie Goodman Group	MGQ	Underperform	HOLD	\$3.95
Macquarie Infrastructure Group	MIG	Outperform	BUY	\$3.63
Mirrabooka Investments	MIR	n/a	BUY	\$1.40
Macquarie ProLogis Trust	MPR	Outperform	HOLD	\$1.08
Metcash	MTS	Outperform	HOLD	\$3.19
Newcrest Mining	NCM	Outperform	BUY	\$14.81
National Foods	NFD	Marketperform	HOLD	\$6.35
News Corporation	NWS	Marketperform	HOLD	\$20.12
Origin Energy	ORG	Marketperform	BUY	\$7.01
Orica	ORI	Marketperform	SELL	\$15.70
Onesteel	OST	Outperform	HOLD	\$2.18
Oxiana Resources	OXR	Marketperform	HOLD	\$0.87
Pacifica Group	PBB	Underperform	SELL	\$1.41
Pacific Brands Group	PBG	Underperform	SELL	\$2.19
Publishing & Broadcasting	PBL	Outperform	BUY	\$14.27
Prime Infrastructure Fund	PIF	Outperform	HOLD	\$1.56
Promina	PMN	Outperform	BUY	\$5.10
Pan Australian Resources	PNA	Marketperform	BUY	\$0.24
PaperlinX	PPX	Underperform	SELL	\$2.82
Patrick Corporation	PRK	Underperform	HOLD	\$5.44
Qantas	QAN	Underperform	SELL	\$3.22
Ramsay Health Care	RHC	Not Rated	NOT RATED	\$7.90
Rinker Group	RIN	Outperform	BUY	\$11.37
Rio Tinto	RIO	Outperform	BUY	\$41.40
ResMed	RMD	Underperform	HOLD	\$7.89
Rural Press	RUP	Marketperform	HOLD	\$9.60
Seek	SEK	Marketperform	BUY	\$2.35
Seven Network	SEV	Marketperform	HOLD	\$6.57
St. George Bank	SGB	Outperform	HOLD	\$24.75
Sonic Healthcare	SHL	Marketperform	BUY	\$11.80
Southcorp	SRP	Not Rated	NOT RATED	\$4.24
Smorgon Steel Holdings	SSX	Outperform	HOLD	\$1.13

For further information on this publication please contact your Goldman Sachs JBWere adviser.

Tabcorp Holdings	TAH	Underperform	HOLD	\$15.50
Transurban	TCL	Marketperform	BUY	\$7.41
Ten Network Holdings	TEN	Marketperform	HOLD	\$3.24
Telstra Corporation	TLS	Marketperform	HOLD	\$4.84
Toll Holdings	TOL	Marketperform	BUY	\$12.70
UniTAB	UTB	Marketperform	BUY	\$12.30
Virgin Blue Holdings	VBA	Underperform	SELL	\$1.67
West Australian Newspapers	WAN	Marketperform	HOLD	\$7.76
Westpac Banking Corporation	WBC	Marketperform	HOLD	\$19.45
Westfield Group	WDC	Marketperform	HOLD	\$16.22
Wesfarmers	WES	Marketperform	HOLD	\$35.90
WMC Resources	WMR	Outperform	BUY	\$7.92
Woolworths	WOW	Outperform	BUY	\$15.29

Source: IRESS, GSJBW Research

Disclosure of Interests:

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Recommendation Definitions

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

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

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.

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 thematics 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.

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 40 Index (Gross) and not the S&P/ASX 200 index.

Distribution of Recommendations - As at 31st March 2005

Short Term	Overall	Corporate relationship* in last 12 months	Long Term	Overall	Corporate relationship* in last 12 months
Underperform	15%	12%	Sell	6%	4%
Marketperform	60%	60%	Hold	60%	55%
Outperform	25%	27%	Buy	33%	42%

* 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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