

Investment Advice - The Recent Reporting Season



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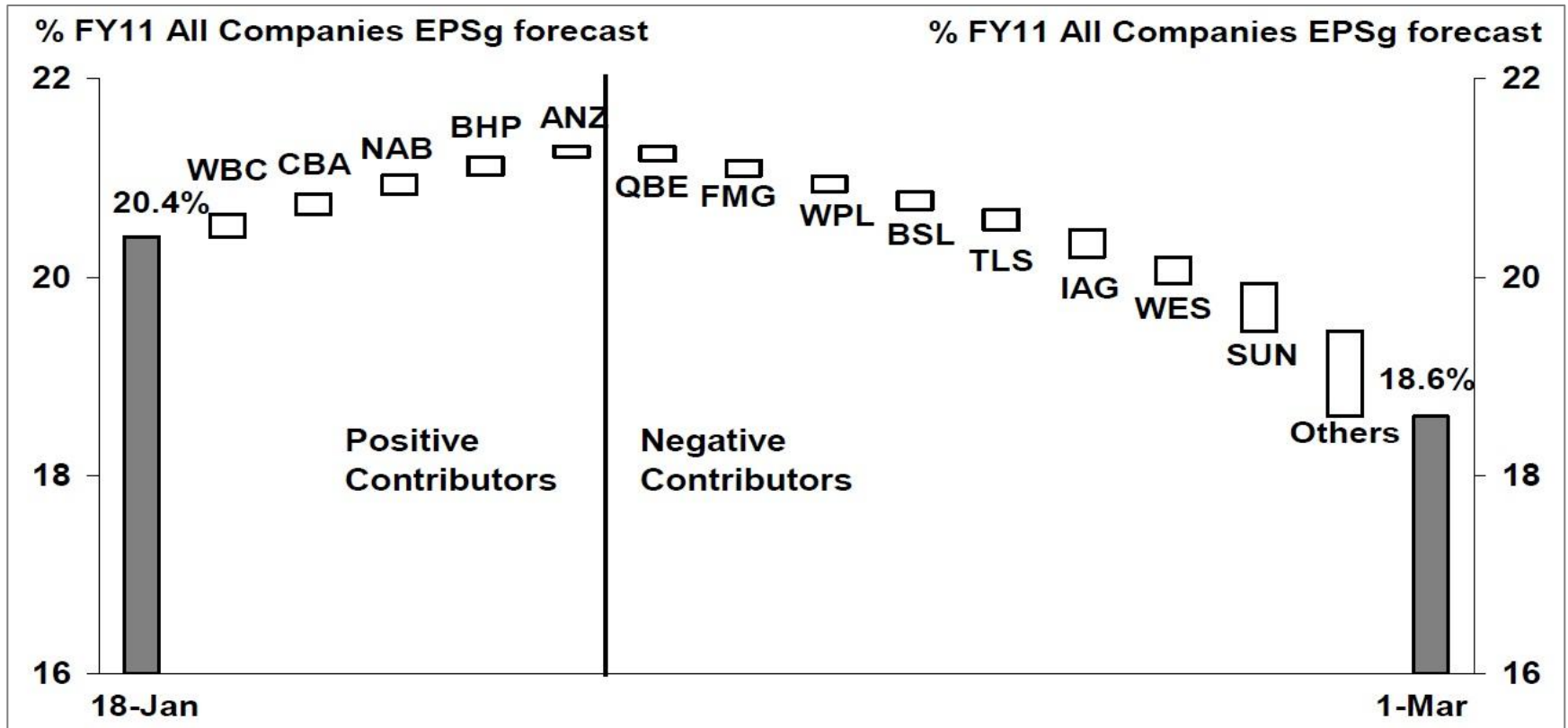
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1. Major Themes from company reports
 - Earnings
 - Price/earnings
 - Cash, Dividends, Two speed, Consumers and Caution
2. Sector by Sector
3. Investment Strategies over the Medium Term



Earnings Upgrades and Downgrades

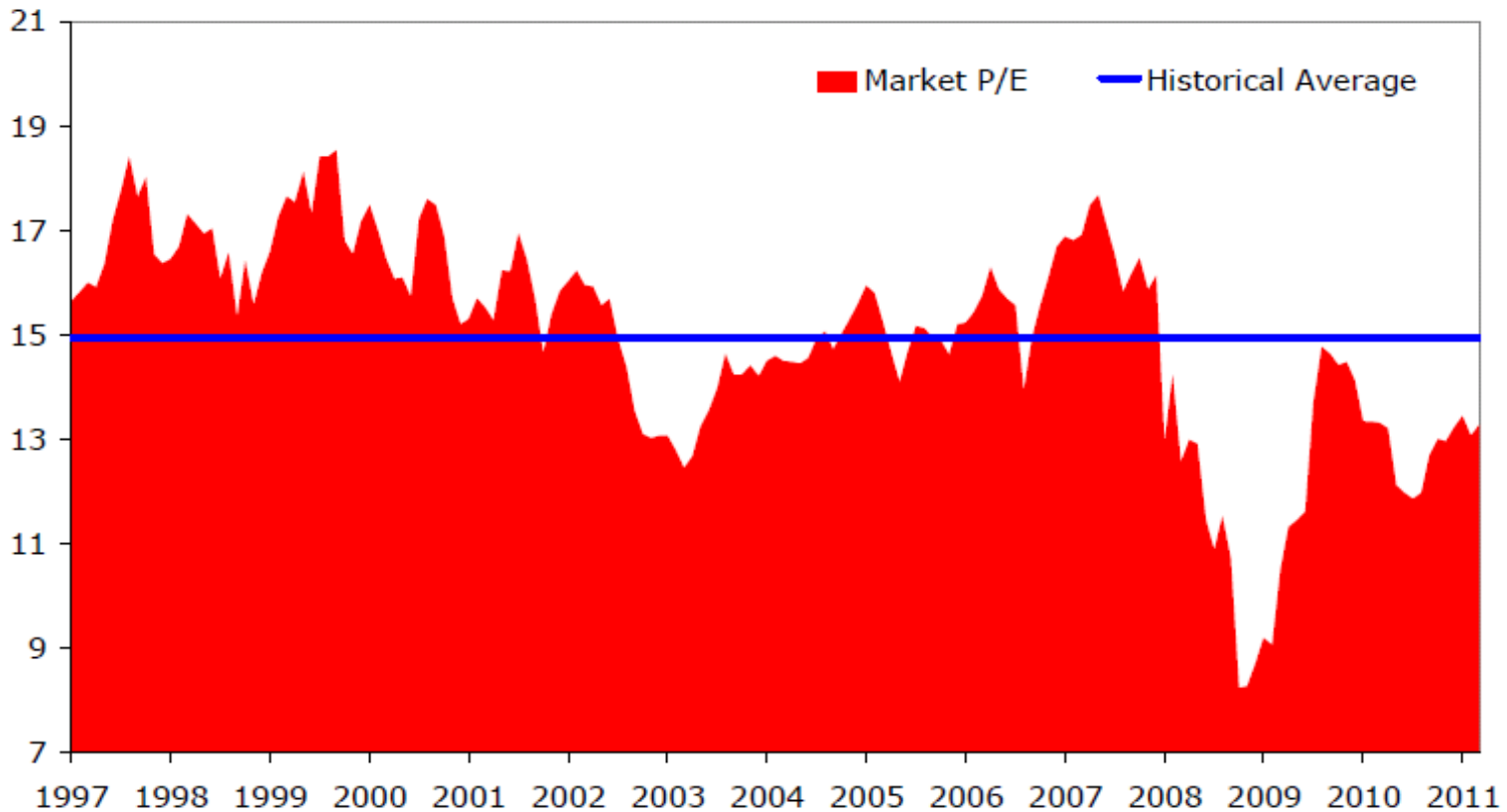


Source : Macquarie Bank

Banks and BHP upgraded vs Industrials downgrades



Mixed earnings results subduing share prices



Markets are trading below historical Price Earnings average



Cash, Dividends, Consumers and Caution

Other major themes from the reporting season were:

- Companies cashed up and debt down
- Dividends up 7% for 1st half 2011
- Consumers not spending
- Companies equally cautious on outlook

Companies balance sheets well placed for an increase in activity



Sector by Sector

1. Miners
2. Oil and Gas
3. Banks
4. Property
5. Retail

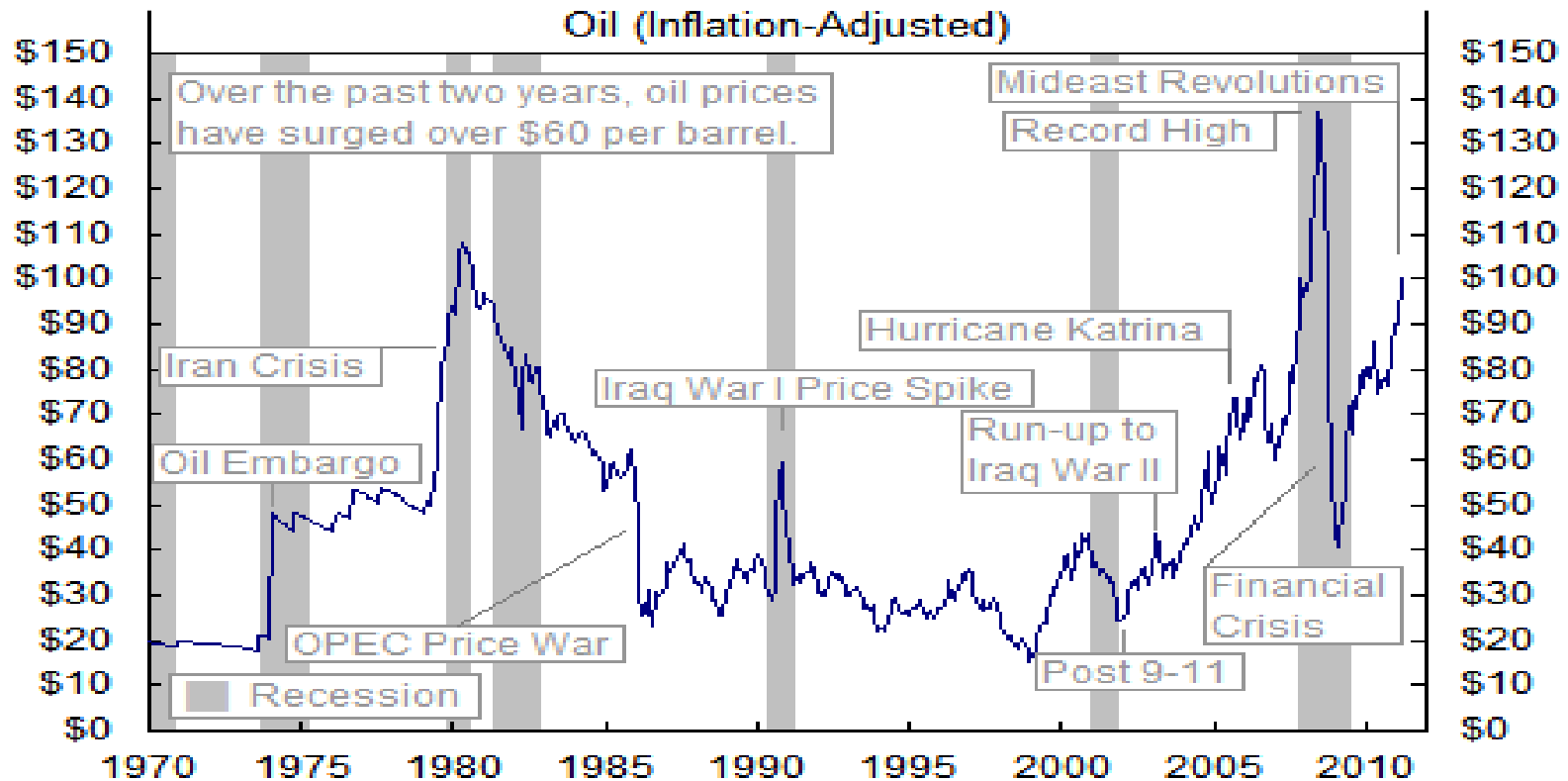


Material sector profits were as strong as expected



High commodity prices being reflected in profits and share prices

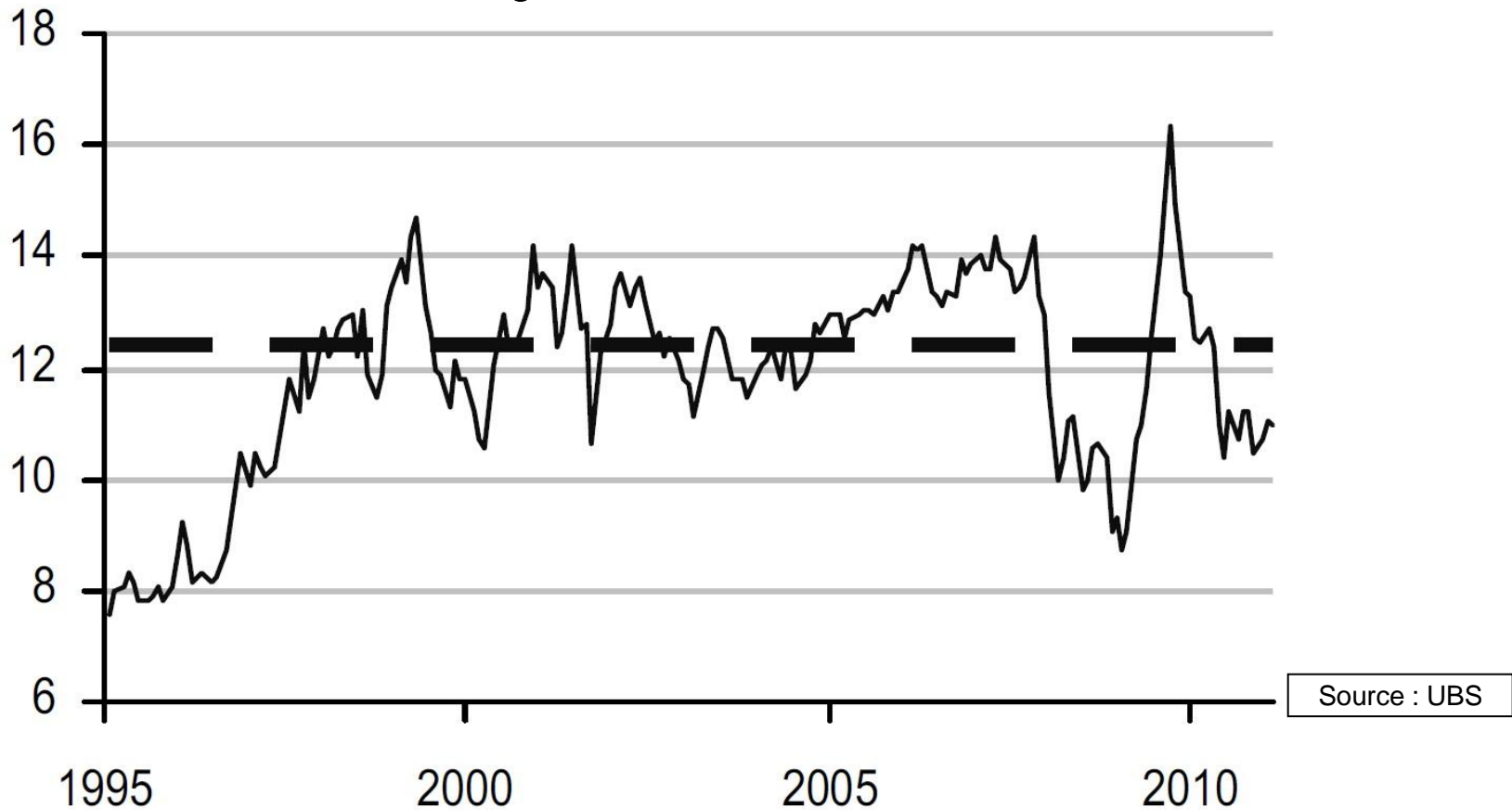
High oil prices underpinning strong Oil and Gas profits



Large scale LNG and CSM investments a key theme

Bank profits good but waiting for credit demand to rise

Price/Earnings for Australian Banks



Margins resilient



Property earnings better than expected

1. REIT's reported generally better than expected earnings in 1H11
2. Some debt margin reduction and lower debt will assist ongoing performance
3. However, some one off positives will not reoccur :
 - Lower tax expenses
 - Better results from non-core businesses
4. Balance sheets have been repaired and we expect:
 - Gradual improvements in share price to NTA
 - Continuing M&A activity
 - Limited access to capital

Slow recovery in commercial property values



Retail - Food & Liquor good

1. F&L margins improved
'doesn't look like a price war'
2. Discretionary spending was problematic blamed on:
 - consumers saving
 - cool weather
 - floods in Queensland
3. Results were soft as expected
'except Coles and JB Hi-Fi that surprised on the upside'

Discretionary retail were generally soft



Summary of reporting season

1. Mixed results
2. Miners and banks strong/industrials weaker
3. Cash and dividends up/debt down
4. Company cautious in outlook

P/E expansion will probably need major offshore positives



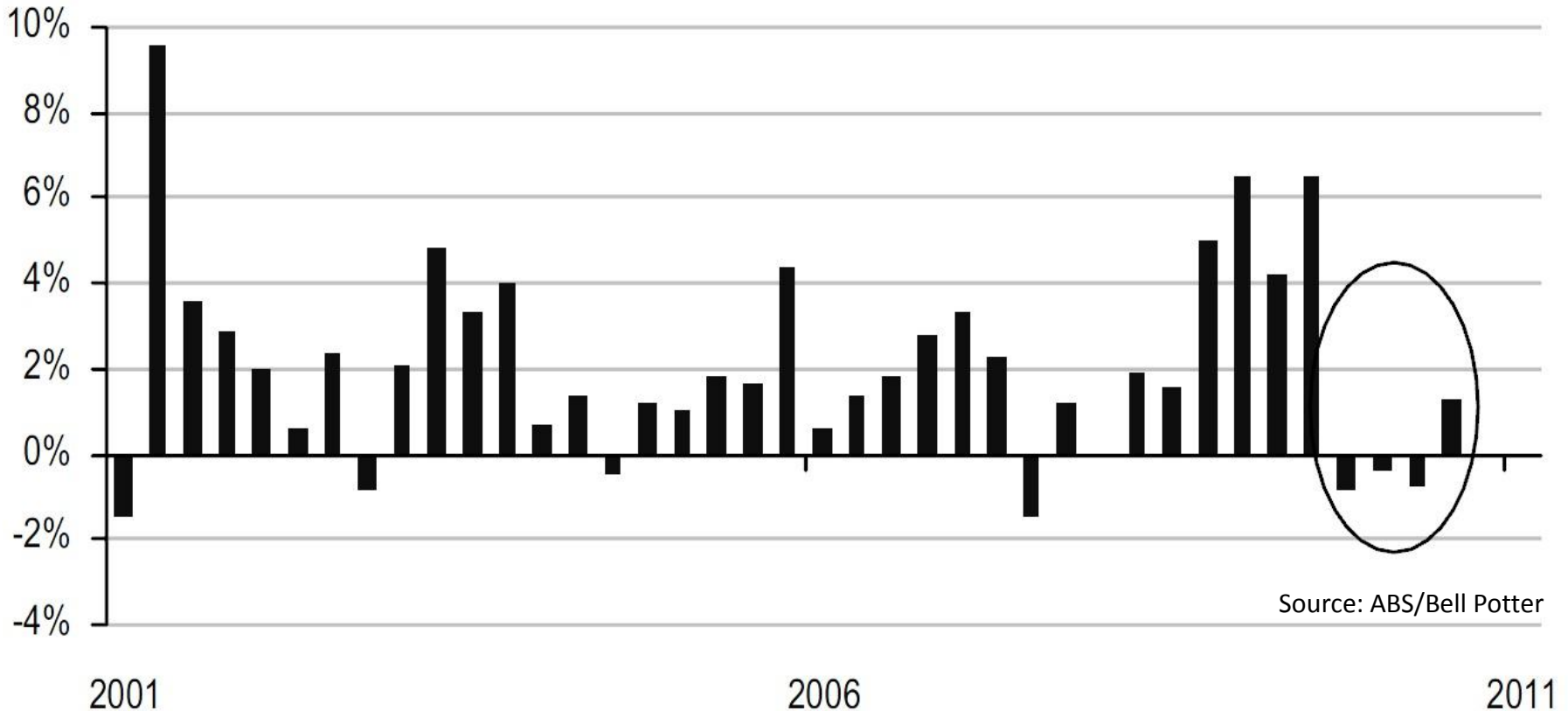
We have lagged offshore markets over the past 2 years



Australian equities vs MSCI World in \$AUD



International inflows slowed markedly over 2010

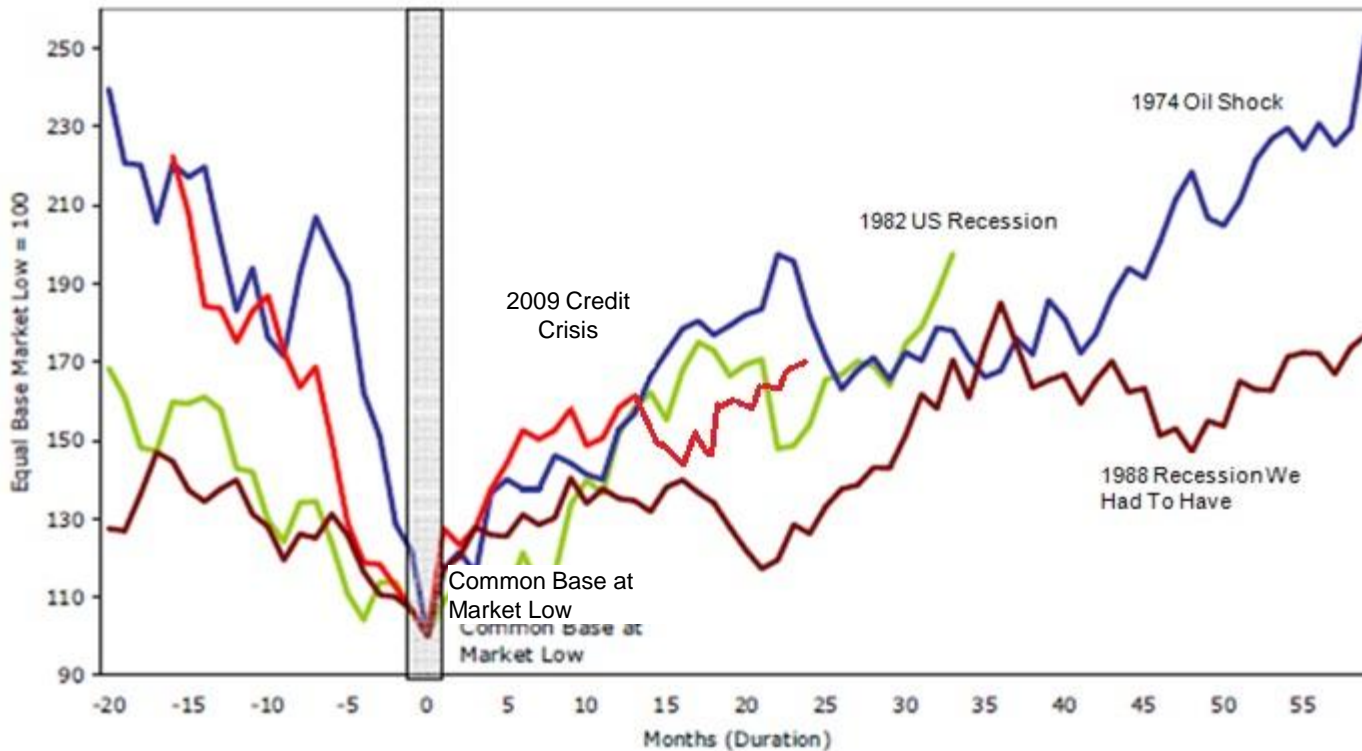


Source: ABS/Bell Potter

International buyers as % of Market Cap (Qtrly annualised)

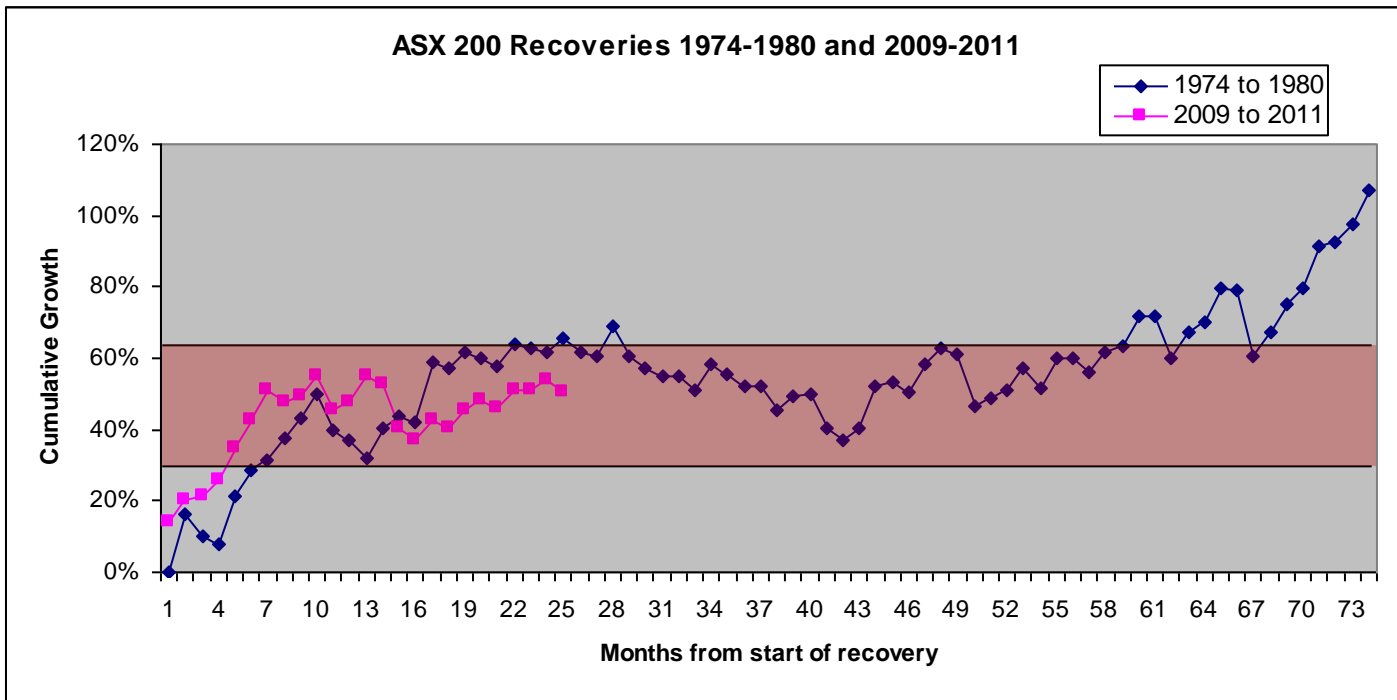
Big initial rally after major bear markets

COMPARISON OF THE 4 MAJOR RECOVERIES – 1974 – 1982 – 1988 - 2009



Flatter after the initial rally with gradual upward trend

Investment Strategy over the medium term



Peaks and troughs - excludes dividends



Disclaimer

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