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Goldman Sachs JBWere

Private Wealth Management

Portfolio Strategy Review - April 2008

Investment Strategy | Australia

Private Wealth Management Investment Strategy

Chief Investment Officer
Giselle Roux
+ 61 3 9224 0404
giselle.roux@gsjbw.com

Analyst
Paul Sinnott
+61 3 9224 0725
paul.sinnott@gsjbw.com

Analyst
Tim Allen
+61 39924 0274
tim.allen@gsjbw.com

Key Points:

- The Australian equity market (S&P/ASX200) found some support during April, finishing the month higher **(+4.5%)**, the first monthly increase since October 2007. Investors appeared to become more confident that the worst of the global credit crisis has passed, with banks and diversified financials continuing to recover from lows set in mid March. Resource stocks benefited from strong commodity prices, particularly oil, while M&A activity showed some tentative signs of life with a number of industrial companies announcing takeover bids. The Victorian Government surprised investors by not renewing the existing gaming licences and refusing to compensate existing holders.
- During April investor focus shifted from de-risking portfolios to taking advantage of stocks which had potentially been oversold during the first quarter. This improvement in sentiment was offset by a steady stream of profit warnings highlighting the increasing earnings risk, particularly for domestic stocks exposed to discretionary spending, higher financing and energy costs. **Energy, Materials and Utilities outperformed** while the Consumer Discretionary, Industrials and Consumer Staples sectors lagged.
- The domestic economic data deteriorated during April, with inflation surprising the market on the upside while consumer confidence fell to record lows. As expected by the market, the RBA left interest rates unchanged at 7.25%. Employment figures continued to remain strong, while housing and financing data continued to soften. The AUD ended the month higher at 93.4¢ while 10-year bonds declined to finish the month at 6.28%.
- The key issue for investors remains the trade-off between risks to corporate earnings in light of a rapidly deteriorating domestic economic outlook and increasing inflation risks versus increasingly attractive valuations for equities. With the risks of a domestic recession now the highest since the last one in 1991, we continue to favour defensive sectors over domestic leverage, particularly given the increasing uncertainty in the domestic earnings outlook. The potential for the USD to find support as sentiment around credit availability improves, suggests stocks with offshore earnings could outperform during the second half of 2008.

Goldman Sachs is currently acting as Financial Advisor to BHP Billiton and as such is an associate of BHP Billiton for the purpose of the Takeover Code.

Performance Table – April 2008

			Accumulation Index Performance Since		
			30/04/2008	31/10/2007	30/04/2007
S&P/ASX 200			4.5%	-15.4%	-5.6%
S&P/ASX 200 Industrials			2.1%	-20.2%	-16.4%
S&P/ASX 200 Resources			10.5%	-2.1%	35.0%
S&P/ASX Small Ordinaries			3.5%	-17.6%	-8.9%
			Relative Index Performance to S&P/ASX 200		
	Recommendation	Risk Bias	1 Month	6 Months	12 Months
Consumer Discretionary	Underweight	Down	-11.1%	-12.9%	-26.2%
Consumer Staples	Overweight	Down	-5.8%	6.0%	2.0%
Energy	Underweight	Down	5.6%	20.1%	32.5%
Financials	Overweight	Down	-0.3%	-9.9%	-15.5%
Healthcare/Biotech	Overweight	Down	2.3%	17.5%	21.5%
Industrials	Neutral	Up	-7.0%	-11.4%	-15.0%
Information Technology	Overweight	Up	-3.7%	17.0%	-12.5%
Materials	Underweight	Up	4.9%	13.0%	37.4%
REITS	Underweight	Down	-0.3%	-9.8%	-16.7%
Telecommunication Services	Overweight	Up	-1.7%	13.4%	6.4%
Utilities	Overweight	Up	3.7%	5.4%	-10.9%

Source: IRESS, GSJBW Research estimates

ASX 200 Leading Contributors in April 2008

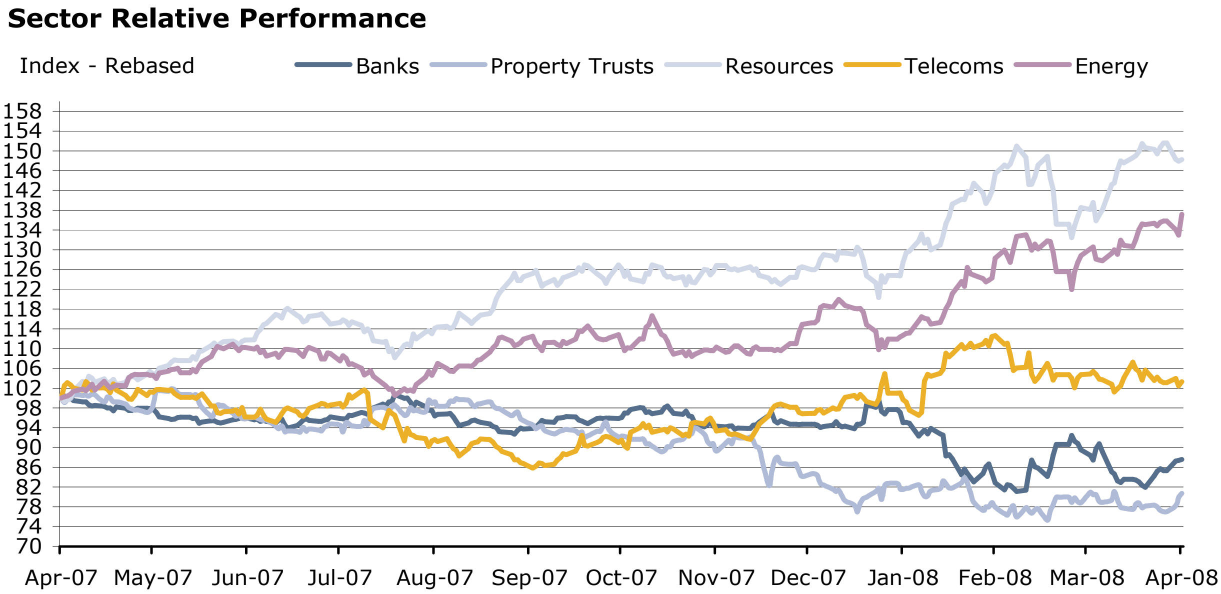
Top & Bottom 10 Pts Contributors over April - ASX 200

1.	BHP	110.0	NCM	-10.2
2.	ORG	21.2	BXB	-7.7
3.	CBA	20.2	TAH	-7.3
4.	RIO	19.5	TOL	-6.4
5.	MQG	14.7	ANZ	-6.3
6.	QBE	13.8	LGL	-6.3
7.	CSL	8.0	WES	-5.5
8.	WBC	7.0	QAN	-5.1
9.	IAG	6.4	TTS	-4.8
10.	FMG	6.0	ALL	-4.0

The ASX 200 Index increased by 240 pts in the month of April

Source: IRESS

Relative Sector Performance for the 12 Months ended April 2008



Source: GSJBW Research Estimates, Iress

CONSUMER DISCRETIONARY

Media

News Corporation (-2.4%) again finished the month lower with the currency continuing to act as a headwind. **Seven Network's (-2.4%)** share price continued to weaken despite the current on-market buyback of c.1.5% of the stock. Late in the month, SEV was unsuccessful in its attempt to secure two seats on the **West Australian Newspapers' (-12.5%)** board of directors at the company's EGM. **Consolidated Media Holdings (-0.1%)** was largely unmoved despite the Illyria takeover proposal. **Fairfax Media (+0.9%)** was weaker on continuing economic concerns. **Austar (-0.4%)** was broadly flat, despite reporting a solid 1Q08 result highlighting a 32% increase in EBITDA.

Retail

Concerns regarding consumer spending during March and outlook for the domestic macro environment weighed on retail stocks during April. **Billabong (-7.7%)** ended the month lower on the back of weak retail sales from the US and concerns regarding domestic consumer spending. **David Jones (-1.1%)** declined again in April on no company-specific news flow. **Harvey Norman (-5.9%)** continued to decline over April as concerns regarding consumer spending hung over the share price.

Gaming

Tabcorp (-19.3%) and **Tatts Group (-21.6%)** slumped after the Victorian Government's surprise announcement on the New Gaming Industry Structure. **Aristocrat (-21.8%)** plunged after news that TAH and TTS would not invest in its gaming operations following the Government's announcement, while **Crown (+6.9%)** shares rose, defying sector trends.

CONSUMER STAPLES

Woolworths (-1.0%) delivered a strong 3Q08 sales result with 6.7% comparable store sales for the Australian Food and Liquor business. However, the result was slightly below market expectations and WOW finished the month lower. **Metcash (+3.4%)** finished the month lower while **Wesfarmers (-4.2%)** declined despite providing significant updates to the market during April. **Coca-Cola Amatil (-1.1%)** continued to decline this month as market concerns around increasing price competition and supply cost pressures weighed on the stock.

ENERGY

Oil prices rallied strongly during April, and continued to break records with WTI prices settling at US$116/bbl at the end of the month.

Woodside Petroleum (+2.6%) strengthened, reiterating production guidance of 80-86mmboe for CY08 in its quarterly report during the month. **Oil Search (-1.7%)** range traded this month, reporting it had reached a sale agreement for a portfolio of its Middle East and North Africa (MENA) assets to Kuwait Energy Company. **Caltex (-7.6%)** was sold off after reporting two unplanned shutdowns in 2Q CY08. **AWE (+3.4%)** had a positive month, announcing plans to merge with Arc Energy (ARQ) via a scheme of arrangement. **Tap Oil's (+4.0%)** Woollybutt oil field was shut following a free gas incident that required a full evacuation of the production facility.

FINANCIALS ex PROPERTY TRUSTS

Banks

Over the month of April, the major banks moved to further cover increased funding costs on their retail portfolios by moving standard variable rates outside of RBA cash rate rises. Changes included:

- CBA (4 Apr): 12bp to 9.44%
- ANZ (24 Apr): 10bp to 9.47%
- NAB (25 Apr): 10bp to 9.46%
- WBC (28 Apr): 10bp to 9.47%

Note: SGB increased their SVR rate on 31 March by 10bp to 9.47%.

Bank of Queensland (+0.7%) announced its 1H08 result, with cash earnings of $57.8m (GSJBW $55.6m). BOQ benefited from better than expected revenue growth, driven by strong asset growth and below expected cost growth. **Australian and New Zealand Banking's (-2.9%)** 1H08 result highlighted that underlying profit growth remained strong at $3,335m, however cash earnings were well down (14% pcp) at $1,651m. This decline in earnings was mostly due to a significant increase in provisioning levels. **Commonwealth Bank of Australia (+7.3%)** reversed last month's decline, announcing further investment in its Core Banking System replacement project.

Insurance

In insurance, the big news for the month was **QBE (+13.9%)** announcing its interest in merging with **IAG (+18.9%)**, but the terms of its proposal were rejected by the IAG Board. On the life insurance side, **AXA (+8.0%)** held its AGM and also announced its 1Q08 fund flows. **AMP (-0.3%)** made no major announcements, but its AGM and 1Q08 FUM update are both coming up in May.

Diversified Financials

The fund managers **Perpetual (+1.8%)**, **Challenger (+14.3%)** and **IOOF (-6.4%)** all provided updates on 3Q FUM and/or flows. The figures from Perpetual and Challenger were soft, but not all that surprising. **BT Investment Management (+7.9%)** delivered its inaugural result (post IPO) and most aspects were quite pleasing: good FUM development, cost control and a reiteration of its FY08 guidance. **ASX (-4.0%)** weakened as trading volumes slowed and the ASX encountered further negative press post the collapse of a couple of the small margin lenders/brokers.

REAL ESTATE INVESTMENT TRUSTS

The REIT 200 Index recorded its first monthly gain for the calendar year, finishing the month 4.3% higher. While the market continues to wait for property level transactions, investors have gained confidence from numerous REITs being able to refinance, or even in one instance have their debt covenants amended. **Centro Properties Group (+51.7%)** and **Centro Retail Group (+41.2%)** reversed recent underperformance. Other outperformers during the month largely comprised the externally managed vehicles including **APN/UKA European Retail Trust (+31.1%)**, **Macquarie DDR Trust (+36.5%)** and **Tishman Speyer Office Fund (+17.8%)**. Underperformers included **Bunnings Warehouse Property Trust (+0.3%)** and **Valad Property Group (-1.6%)**.

HEALTHCARE

It was a busy month for **Sonic Health Care (+10.9%)** approaching the independent directors of Independent Practitioner Network (IPN) to outline a proposal to acquire the remaining 28.5% shareholding in IPN. Still in the region, **Ramsay Health Care (+10.7%)** signed an agreement to manage a new private hospital, Adare Hospital & Clinic, in Limerick, Ireland. **CSL (+7.8%)** was stronger during the month on positive news flow relating to its HPV vaccine Gardasil and ongoing strength in plasma product pricing. **ResMed (+1.6%)** finished the month in positive territory, while **Sigma Pharmaceuticals (-2.0%)** bounced off intra month lows, while it was a quiet month for **Cochlear (+3.7%),** with no further news on its FDA letter in relation to BaHa. Imports into the US remain restricted and COH's existing inventory has now run down.

INDUSTRIALS

Chemicals

Incitec Pivot (+14.6%) continued to rise in sympathy with DAP prices, which were up 2.1% in April, and have now rallied 101% since the beginning of the calendar year, and 181% since IPL's last balance date in September 2007. **Dyno Nobel (+14.5%)** rallied in unison with the IPL share price due to the arbitrage provided by the IPL offer (0.01406 IPL shares and $0.70 cash, per DXL share). **Orica (-0.1%)** was flat following the release of its 1H08 result late in the month, which delivered NPAT up 13%. Guidance was maintained, with management expecting FY08 NPAT to be higher than FY07. **Nufarm (+4.6%)** gained on the news of good rains across key Australian cropping areas, where planting of the winter crop begins in earnest in late April.

Commercial Services/Transportation

Brambles (-10.8%) was sold off after the company notified the market that major US customer Wal-Mart is looking to modify the management of its pallet flows in the US, including arrangements with Brambles' CHEP division. **Toll Holdings (-20.9%)** was sold off on the announcement that it would retain its stake in Virgin Blue after the VBA Board concluded that expressions of interest received did not reflect the underlying value of the business.

Airlines remained out of favour this month as the oil price reached an all-time high of ~$120/bbl during the month. **Qantas Airways (-13.5%)** reiterated its guidance for FY08 reported PBT growth of "at least 40%", citing the success of its fuel hedging program, benefits from its Two Brand Strategy and efficiency gains. However, the company noted that "if high fuel prices persist beyond this point it would be of increasing concern". **Virgin Blue (-32.7%)** fell to an all-time low of 83.5¢ citing the significant adverse impacts of the credit, commodity and equity markets.

Asciano (+0.3%) recovered from its mid-April lows following the disposal of its holding in BXB at a loss of ~$85m using the proceeds to repay the debt facility (and reduce its gearing).

Infrastructure

Macquarie Communications Group (+6.9%), despite a lack of news flow, was the stand-out performer in the sector. **ConnectEast (+3.4%)** was stronger in April as EastLink nears completion. **Australian Infrastructure Fund (+2.9%)** was solid, while **Transurban (+5.5%)** reported solid revenue growth for the March quarter. **Macquarie Infrastructure Group (+1.8%)** strengthened, while **Macquarie Airports (-2.8%)** was weaker despite reporting strong airport traffic growth for March across its airport portfolio.

MATERIALS

Building Materials

James Hardie (-4.8%) was a little volatile earlier in the month as uncertainty continued over the timing and magnitude of the US housing downturn. **Boral (-0.6%)** followed a similar trend, but finished the month broadly flat. **CSR (-1.3%)** traded between $3.08 and $3.35 as both the sugar price and aluminium futures rallied early in the month before giving back the gains by the end of April.

Steel

The steel sector was flat-to-higher during April. Surging scrap prices (now ~US$650/t) saw the **Sims Group (+11.4%)** outperform. **BlueScope (+12.0%)** followed the positive trend, with stronger global HRC prices offsetting investor concerns regarding higher iron ore/coking coal input costs. Meanwhile, **OneSteel (+0.3%)** was broadly flat MoM due to concerns that higher scrap input costs may adversely impact the FY08 result.

Diversified Resources

Quarterly production reports were generally in line with our expectations and, together with continuing iron ore negotiations and stronger commodity prices, this provided support for the diversified resource stocks with both **BHP Billiton (+18.0%)** and **Rio Tinto (+11.1%)** finishing the month higher. Iron ore negotiations centred on the ability of producers to realise the freight rate differential between Brazilian and Australian sourced iron ore (we believe that a compromise settlement will ultimately be agreed whereby the Chinese buyers concede to a partial closure of the freight differential to be incorporated into new FOB based contracts with Australian suppliers). The continuing negotiations have also supported **Fortescue (+13.8%), Mount Gibson Iron (+2.1%)** and **Portman (+18.9%)** over the period.

Base Metals

Across the board, base metals prices were predominantly flat. Copper (+2.3%), aluminium (-0.1%), zinc (-4.1%) were all relatively flat. Nickel (-8.7%) lost some ground due to LME stockpiles growing by ~3% during the month.

Equinox (-7.0%) continued to fall due to the uncertainty surrounding the stock in relation to the effect of the new Zambian Government's tax regime. **Pan Australian Resources (+12.9%)** rose strongly following the announcement of a reserve upgrade at and first ore feed at Phu Kham. **Aditya Birla (+53.6%)** was the stand-out of the month, with the company looking to be over its operational issues at Nifty, and as a consequence posting a strong result and declaring a maiden dividend of 10¢. **Oxiana (+3.1%)** and **Zinifex (+4.7%)** were reasonably flat after both reported quarterly production reports which were broadly in line with expectations. **Western Areas (+63.9%)** significantly outperformed the market during April following the release of more positive drill results from the newly discovered Spotted Quoll.

Precious Metals

Gold (-4.3%) surged during the first half of April, reaching a high of US$948.3/oz on 16 April. **Avoca (+15.0%)** rose over the month. Telfer again failed to hit production targets, and as a result **Newcrest (-13.4%)** fell. Following the release of the Jinfeng ore reserve downgrade, **Sino Gold (-32.9%)** dropped significantly, with many investors losing confidence in the ore body. On the small caps side, **Kingsgate (+5.7%)** gained, while **Apex (-7.3%)** lost ground during April driven mainly by the strong correlation with the movement in the gold price.

Coal

Coal had a strong month based firstly on the strong coal price settlements followed by corporate activity and then backed up by further coal price upgrades over the medium term. Stocks that benefited included **Macarthur (+30.8%), Felix Resources (+17.8%)** and **Centennial (+10.8%)**.

TELECOMMUNICATION SERVICES -

Telstra (+3.6%) shares rose during the month as the market reacted positively to a number of Federal Government announcements including the termination of the OPEL funding agreement. **SingTel (-0.7%)** shares fell following news of the termination of the OPEL funding in Australia.

UTILITES

Origin Energy (+52.3%) posted strong gains after BG Group (BG) announced it had approached Origin Energy with a proposal to acquire all of the shares in Origin at a cash price of A$14.70. **AGL Energy (+13.2%)** finished the month higher on limited news flow. **Babcock & Brown Power (+19.9%)**, **APA Group (+14.7%)**, **Envestra (+17.8%)** and **Spark Infrastructure (+6.3%)** ended the month higher as credit concerns started to ease.

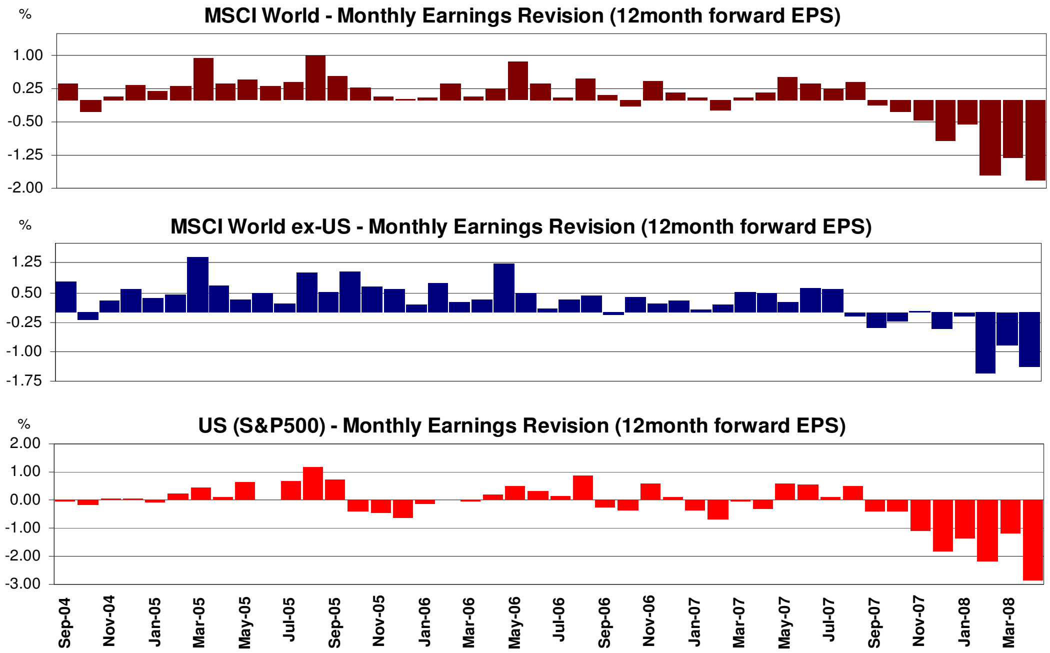
EMERGING COMPANIES

Macarthur Coal (+30.8%) outperformed on the significant strengthening of contracted coal prices this month. **Queensland Gas Company (+31.3%)** rose after it formed a global LNG export alliance with BG Group. **Arrow Energy (+32.6%)** posted strong gains as the market continues to focus on the potential for higher domestic gas prices. **Western Areas (+63.9%)** also outperformed after upgrading an initial mineral reserve at its Spotted Quoll project and delivering positive assay results from T4 (Flying Fox).

Iluka Resources (-15.5%) fell after the James Packer/John Singleton consortium sold down ~6% of the company. **Platinum Asset Management (-15.2%)** was weaker on deteriorating market conditions. **St Barbara (-19.2%)** declined after a disappointing 3Q08 production report during the month.

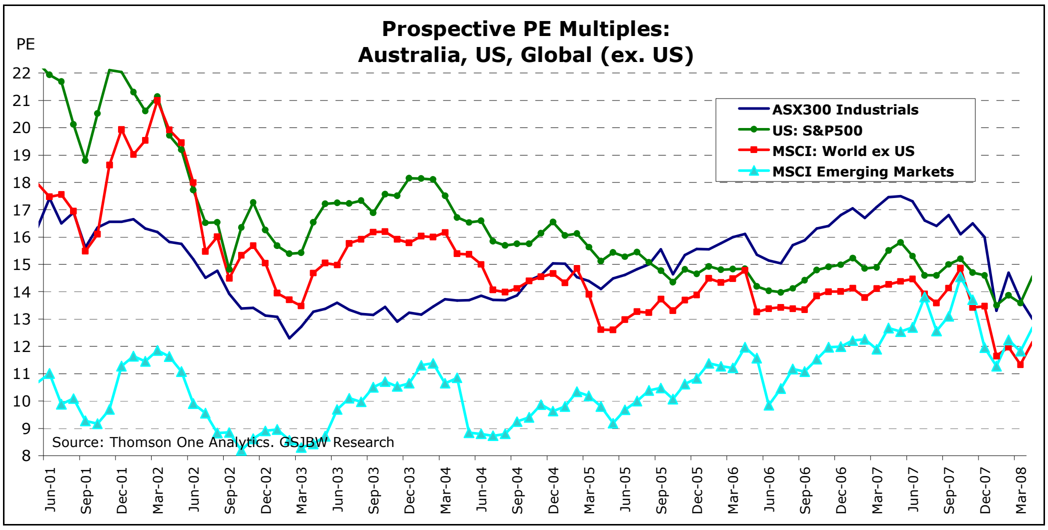
Market Analysis: Earnings Revisions, Prospective PER and Value Update

The trend of negative EPS revisions continued in April, as tighter credit conditions weighed in capital intensive industries. The uncertain macro outlook appeared to hinge on the state of the world's largest economy, as challenging business conditions prevailed on a global scale. The US EPS revisions were down a further 2.8%, as companies downplayed earnings estimates given the backdrop of muted US growth.



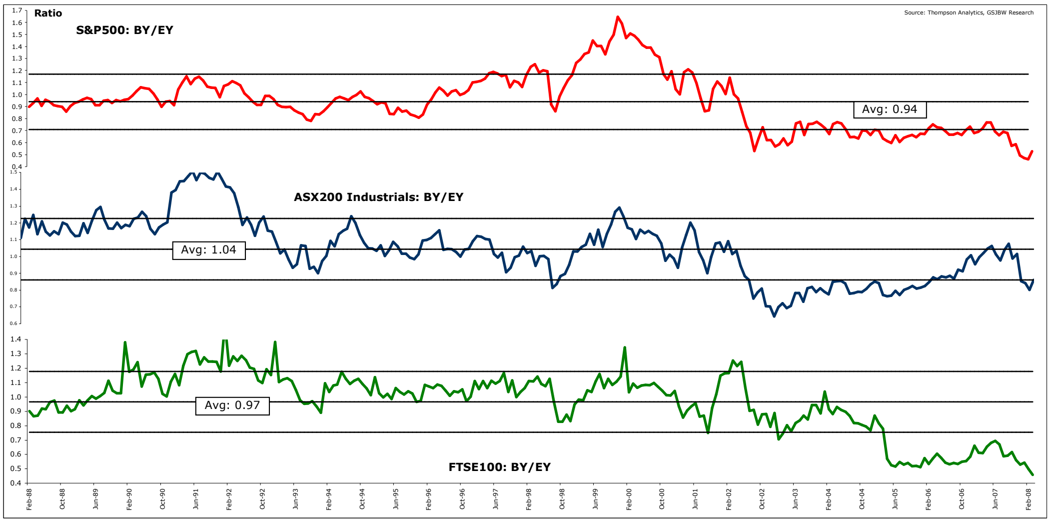
Source: Thomson One Analytics, GSJBW Research

The chart below shows prospective Price Earnings Ratio expansion over April, reversing the contraction seen in the previous month. Emerging market PE ratios also expanded. We anticipate further volatility in coming months, as mixed macro news flow continues to wash through global markets. As such, we believe it is too early to call a trend of expansion in prospective PERs. We are more likely to see periods of expansion and contraction as conditions in global credit markets start to normalise.



The Bond Yield to Earnings Yield charts below show that major global equity markets look undervalued in comparison to bonds, although displaying a slight reversal in the value trend over the month.

As with our analysis on earnings revisions and price earnings multiples, we expect mixed macro news flow to continue through the second half of FY08, resulting in further equity market volatility. However, with most of the market anticipating this news flow, we would expect participants to have taken the likelihood of further negative news flow into account, and would not expect the value trend to continue.



Source: Thomson One Analytics, GSJBW Research

Portfolio Analysis: Corporate Governance Investing

With some commentators branding current market conditions as the commencement of a period of volatile, low return markets, the process of stock selection has become more challenging. While the traditional investment approach during uncertain periods favours stocks with quality defensive earnings (those that are least exposed to leverage and the economic cycle), our Environment and Social Governance (ESG) research presents another view. Companies which display good corporate governance also provide solid investment returns, and have done so through recent periods of market volatility. In simple terms, governance refers to a company's internal checks and balances, its approach to its people and the way it does business.

From a research and analysis perspective, a company's corporate governance is a measure of several factors including the auditing process (independence and thoroughness), the mix of skills and attributes of the board members, the specific skills brought to the table by senior executives, remuneration (whether or not a clear and reasonable policy exists), and accounting policies (in particular the treatment of abnormal items). By assigning each company in our ESG database with scores based on each measure of corporate governance and correlating this with share price performance, our ESG research has ascertained that those companies that score higher tend to provide higher investment returns, even during periods of volatility.

This outcome is particularly pertinent in the current investment climate, given the most recent update of our corporate governance database comes at a time of heightened volatility compared to the previous long run bull market (since the governance portfolio's inception in 2001). Intuitively, one might expect good corporate governance to perform well during market turmoil, given those companies are likely to have a higher degree of risk controls in place and our findings provide empirical evidence of this. Governance investing has now shown itself to be useful in a very different market environment to the low-volatility bull market

We have adopted a strategy of investing long into companies that rate most highly on measures of governance, while shorting those that have scored poorly. The below table indicates the performance of our Governance portfolio over the recent period of volatility, based on each category of corporate governance:

Governance Portfolio	% Return 30 Nov 07- 31 Mar 08 (excess above benchmark: long/short returns)
Accounting	10.5
Overall Governance	6.7
Remuneration	5.7
Board	4.8
Board skills	-0.5
Audit	-3

Source: GSJBW Research

It is clear that on four of the six measures, the portfolio outperformed the benchmark that peaked in November. This highlights the importance of considering corporate governance as a tool in addition to other stock characteristics such as exposure to the economic cycle or capital structure. In terms of individual stocks most leveraged to the corporate governance theme, we would highlight the following we believe are among the top rated in each category:

Overall Governance: BSL, COH, PPT, WOW, WOR
Remuneration Rating: COH, WOW, WOR, ZFX, AMP
Audit Rating: ZFX, CBA, NUF, OST, SIP
Board Rating: PPT, WBC, WOR
Board Skills: PPT, WBC, WOR, ZFX, CBA
(Source: GSJBW Research)

This list should provide a guide as to the types of companies that have rated highly on a given corporate governance measure. However, we would recommend clients discuss their overall weighting in particular securities with their investment adviser prior to making an investment decision.

Telecommunications Sector Update

At present we have buy recommendations on our two main telecommunications stocks; Telstra (TLS) and Singapore Telecommunications (SGT). Whilst we are positive on both stocks, there are nuances in the respective investment case for each.

We view TLS as more favourable to investors looking for returns in the near to medium term. This is premised on:

- Evidence of good operating momentum in each of Telstra's core divisions - Fixed line, Mobile and Broadband.
- EBIT driven by internal cost control measures (lower cost platform, IT transformation)
- Upside to earnings should Telstra win the tender for the Federal Government's National Broadband Network

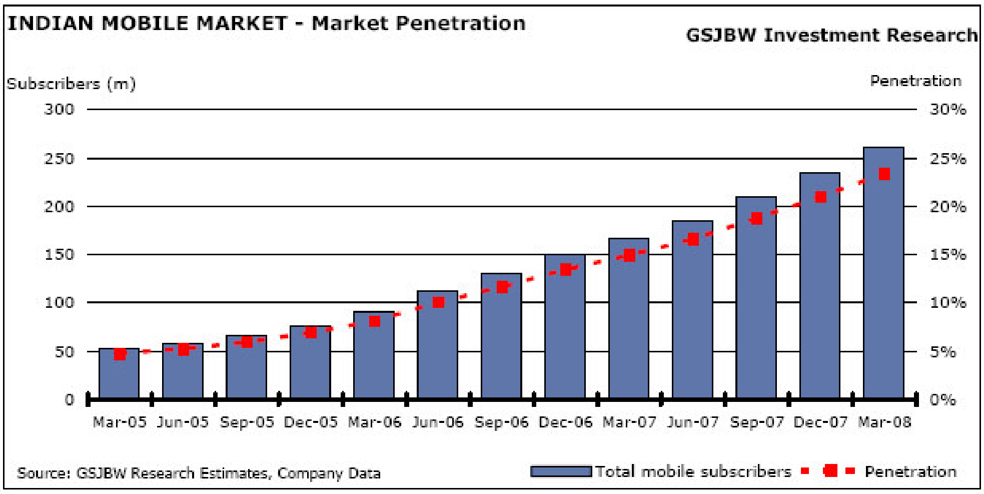
Telstra continues to grow market share in broadband, improve its fixed line business, and enhance the mobile phone and wireless broadband offerings. The company also aims to build a competitive advantage though its transformation program focussed on building a sustainable, lower-cost platform for long-term future growth. If successful in the IT rebuild, the company will be well placed to drive higher market share across its core businesses and lower market churn, which will be a significant plus for the company's future earnings and cash flow.

Telstra would also benefit from winning the National Broadband Network (NBN) tender proposed by the Federal Government. Should Telstra win the NBN tender, we would expect our Telstra DCF valuation could rise by c.10-15% (i.e. to $5.50-5.80). Conversely our SingTel valuation would fall by 3-4% as a result of a c.20% fall in our valuation of Optus.

Looking forward, there are threats to Telstra's highly profitable fixed line business, including continued fixed to mobile substitution and the potential for wireless broadband to disrupt its fixed broadband business. In addition, competition in the mobile industry continues to intensify. Other risks include IT transformation delays and regulation to the NBN network. For investors with a longer term investment horizon, we would favour Singtel (SGT) over Telstra.

A key feature of SGT's attractiveness is its exposure to developing Asian markets. This provides a long term growth platform, and gives the company a strategic advantage over its domestic rival Telstra. We base our favourable outlook on SGT's diversified portfolio of assets, which provide leverage to mature strong cash generating businesses (Optus and Singapore) and also several growth markets in Asia (India, Indonesia, Thailand, Philippines and Pakistan) which drive earnings growth. While Optus earnings appear to be stabilising, the competitive landscape remains challenging. In Singapore, recent growth has been strong as the company benefits from the strong regional economies.

Singtel's various associate businesses are the cornerstone of the investment thesis. One particular standout is the Indian operation Bharti. As Bharti continues to penetrate the Indian mobile phone market (see below chart), we have seen robust growth in terms of the earnings contribution to SingTel. This theme is true of other Singtel associates scattered throughout the Asian market.



In addition to a solid long term earnings profile, Singtel's balance sheet strength provides 'optionality' with the potential for capital management. While the stock currently trades in close alignment to our current DCF valuation, we are comfortable that the growth story is intact. As such, we recommend SGT to investors seeking consistent returns over the longer term.

STOCK RECOMMENDATION SUMMARY				
		Price ($A)	**12 Month Price Target (A$)**	**Recommendation**
Code	**Name**	**2-May-08**		
AMP	AMP Limited	$7.95	$8.50	HOLD
ANZ	Australia and New Zealand Banking Group Limited	$22.86	$24.18	HOLD
AUB	Austbrokers Holdings Limited	$4.00	$6.18	BUY
AXA	AXA Asia Pacific Holdings Limited	$6.04	$7.00	BUY
BLD	Boral Limited	$6.15	$7.36	HOLD
BSL	Bluescope Steel Limited	$10.74	$9.57	SELL
BXB	Brambles Limited	$8.92	$9.17	HOLD
CBA	Commonwealth Bank of Australia	$44.95	$44.78	SELL
CCL	Coca-Cola Amatil Limited	$8.33	$10.30	BUY
COH	Cochlear Limited	$57.82	$67.16	HOLD
CPU	Computershare Limited	$9.24	$9.80	HOLD
CSL	CSL Limited	$39.50	$38.66	HOLD
DMP	Domino's Pizza Enterprises Limited	$3.36	$4.10	BUY
FGL	Foster's Group Limited	$5.21	$6.38	HOLD
HSP	Healthscope Limited	$5.28	$6.32	BUY
MCG	Macquarie Communications Infrastructure Group	$4.45	$6.00	BUY
MQG	Macquarie Group Limited	$65.49	$65.50	HOLD
NWS	News Corporation	$20.91	$30.65	BUY
NAB	National Australia Bank Limited	$31.53	$38.17	BUY
NCM	Newcrest Mining Limited	$27.60	$39.00	BUY
NUF	Nufarm Limited	$20.00	$15.53	HOLD
ORG	Origin Energy Limited	$13.91	$0.00	NR
ORI	Orica Limited	$28.68	$32.86	BUY
OST	OneSteel Limited	$6.46	$7.48	HOLD
PPT	Perpetual Limited	$54.61	$52.00	HOLD
QAN	Qantas Airways Limited	$3.59	$4.35	HOLD
QBE	QBE Insurance Group Limited	$25.54	$30.00	BUY
SDM	Sedgman Limited	$2.51	$2.99	BUY
SGB	St George Bank Limited	$27.25	$31.01	HOLD
SGP	Stockland	$7.24	$7.46	SELL
SGT	Singapore Telecommunications Limited	$3.07	$3.39	BUY
SIP	Sigma Pharmaceuticals Limited	$1.22	$1.41	SELL
SUN	Suncorp-Metway Limited	$13.35	$16.00	HOLD
TLS	Telstra Corporation Limited	$4.63	$5.27	BUY
WBC	Westpac Banking Corporation	$25.85	$26.84	HOLD
WDC	Westfield Group	$18.45	$21.92	HOLD
WES	Wesfarmers Limited	$37.20	$46.16	BUY
WOR	WorleyParsons Limited	$40.35	$40.23	HOLD
WOW	Woolworths Limited	$28.95	$32.01	HOLD
WPL	Woodside Petroleum Limited	$57.00	$58.50	HOLD
ZFX	Zinifex Limited	$9.75	$14.69	BUY

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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
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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.
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Yield:	Yield relative to the REIT sector average. Used instead of Earnings revision.

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Recommendation	Overall	Corporate relationship* in last 12 months
Sell	8%	7%
Hold	58%	61%
Buy	34%	32%

* 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.