

AUSTRALIAN EQUITY MARKET UPDATE

AUSBIL DEXIA LIMITED



DEXIA

Ausbil Dexia Limited
Australia

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AGENDA

- WHO ARE AUSBIL?
- ECONOMIC OUTLOOK
- MARKET OUTLOOK
- HOW WE ARE INVESTED



WHO ARE AUSBIL?



AUSBIL'S INVESTMENT PHILOSOPHY

Quality and Risk Control = Intentional Outperformance

- Equity market relatively efficient but not perfect
 - exploit inefficiencies across **ENTIRE** market at all stages of the cycle
- **Core Belief:**
Earnings and earnings revisions are the key driver of stock prices
- Identification of these revisions at an early stage facilitates outperformance
- Stock price movement a function of macro, sectoral and individual stock influences

...add value across all market conditions



AUSBIL ACTIVE EQUITY COMPOSITE PERFORMANCE

Performance history (pre fees) versus benchmark

PERFORMANCE TO December 08	AUSBIL ACTIVE EQUITY	S&P/ASX300 ACCUM INDEX	VALUE ADDED
1 Year	-34.9%	-38.9%	+4.0%
3 Years*	-1.1%	-4.0%	+2.9%
5 Years*	11.2%	6.7%	+4.5%
7 Years*	8.8%	5.5%	+3.3%
Inception* (Aug 97)	11.1%	6.8%	+4.3%

* Annualised return



ECONOMIC UPDATE



GLOBAL OUTLOOK - FINANCIAL CRISIS

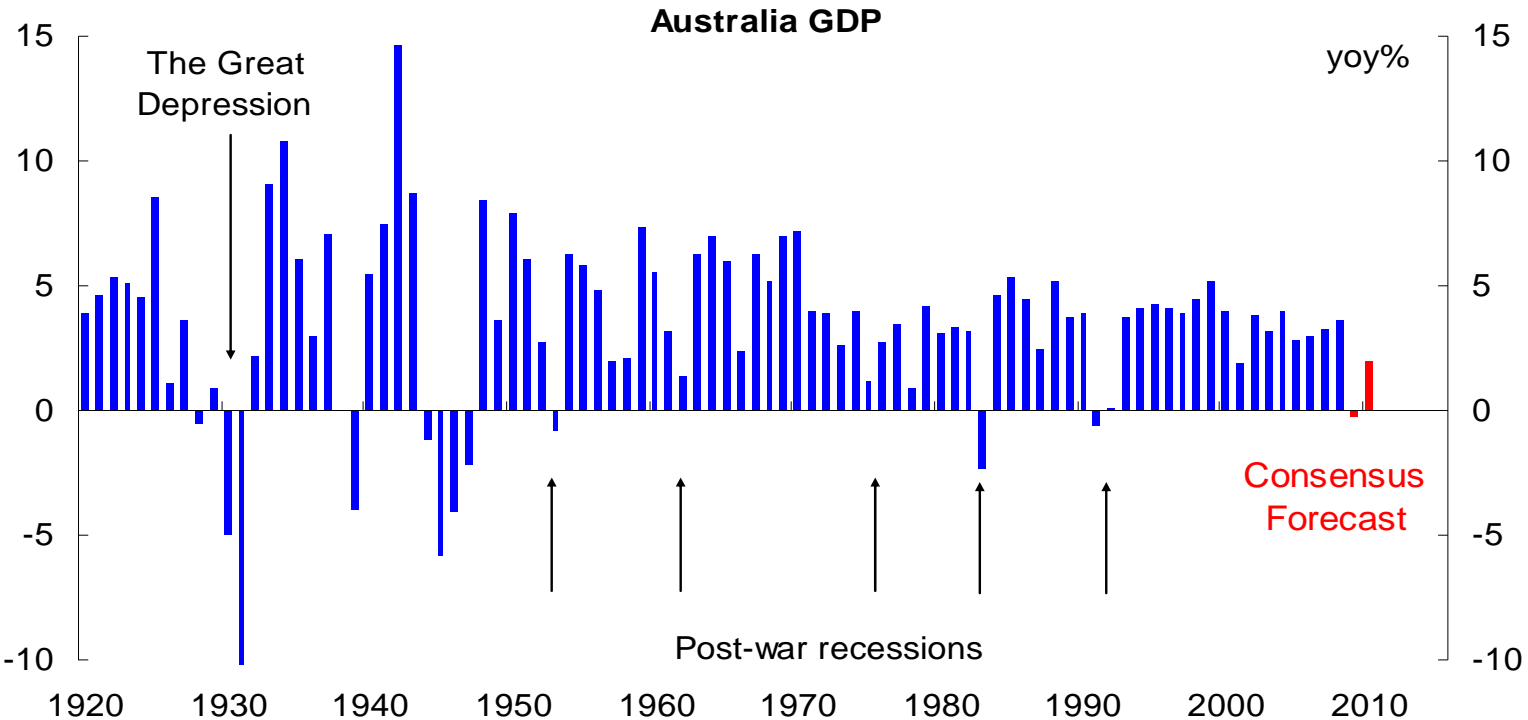
Concerted policy response

- All major developed economies (US, Japan, EU Zone, UK) are in recession
- Some tentative signs of recovery in our largest trading partner China
- Aggressive government actions (huge fiscal stimulus) together with global rate cuts are expected to help restart global flow of money and credit
- Slowing global GDP growth and poor sentiment continues to dominate
- Global growth recovery expectations pushed out to 2010



AUSTRALIAN GDP GROWTH

Falling expectations



Source: Haig, Butlin, ABS, Deutsche Bank



AUSTRALIAN OUTLOOK

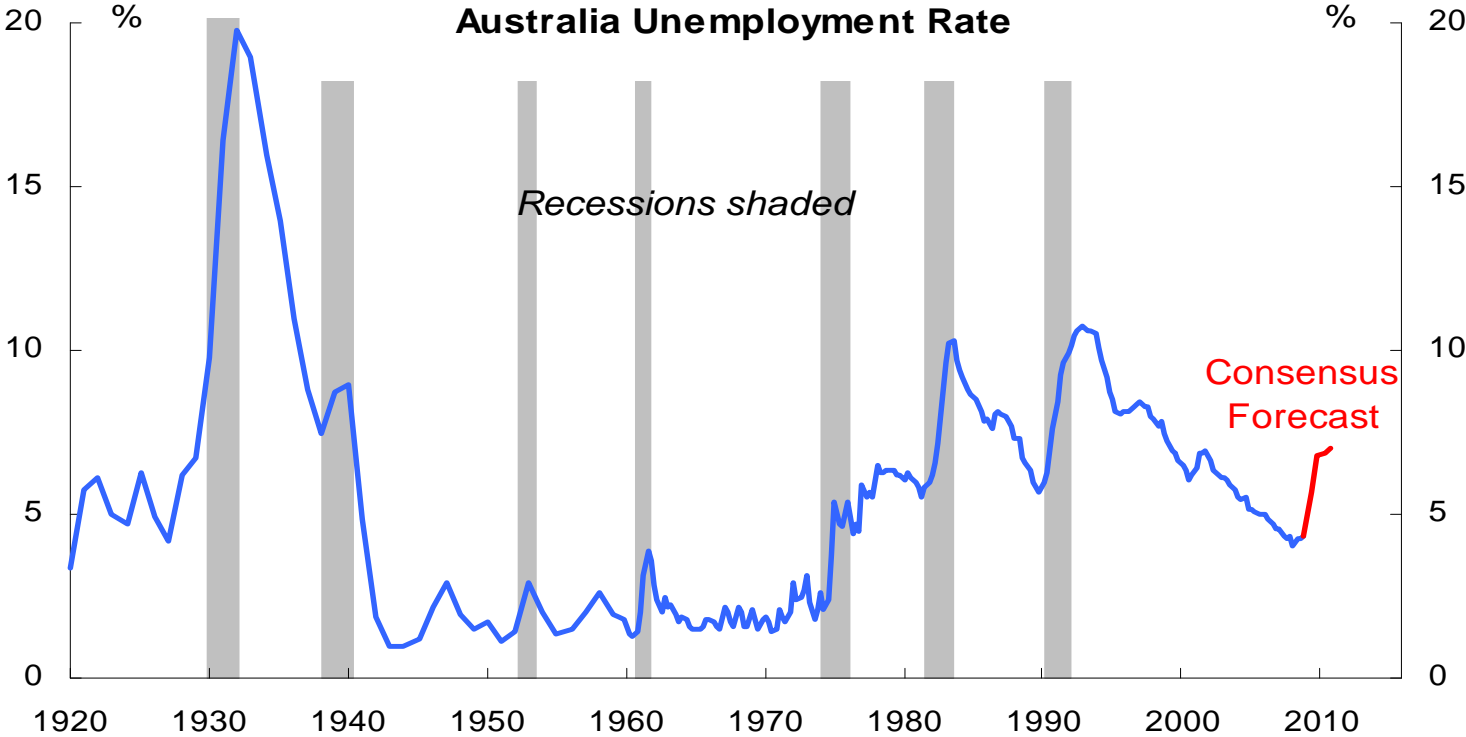
Better placed to weather the storm?

- Australian economy expected to rebound in late in 2009
 - Cash rates have fallen to 3.25%
(rates have been cut by 4% in 6 months, it took six years for the RBA to raise rates by 3% in the previous tightening cycle)
 - Fiscal stimulus (\$10.4bln in late 2008 plus newly announced \$42bln)
(this equates to approximately 5% of GDP)
- Households benefiting from lower interest rates, lower petrol prices, and government “hand outs” – cash flow expected to grow between 4-7% in 2009
- Sentiment remains poor due to substantial falls in asset prices and the threat of rising unemployment



AUSTRALIAN UNEMPLOYMENT

Rising expectations

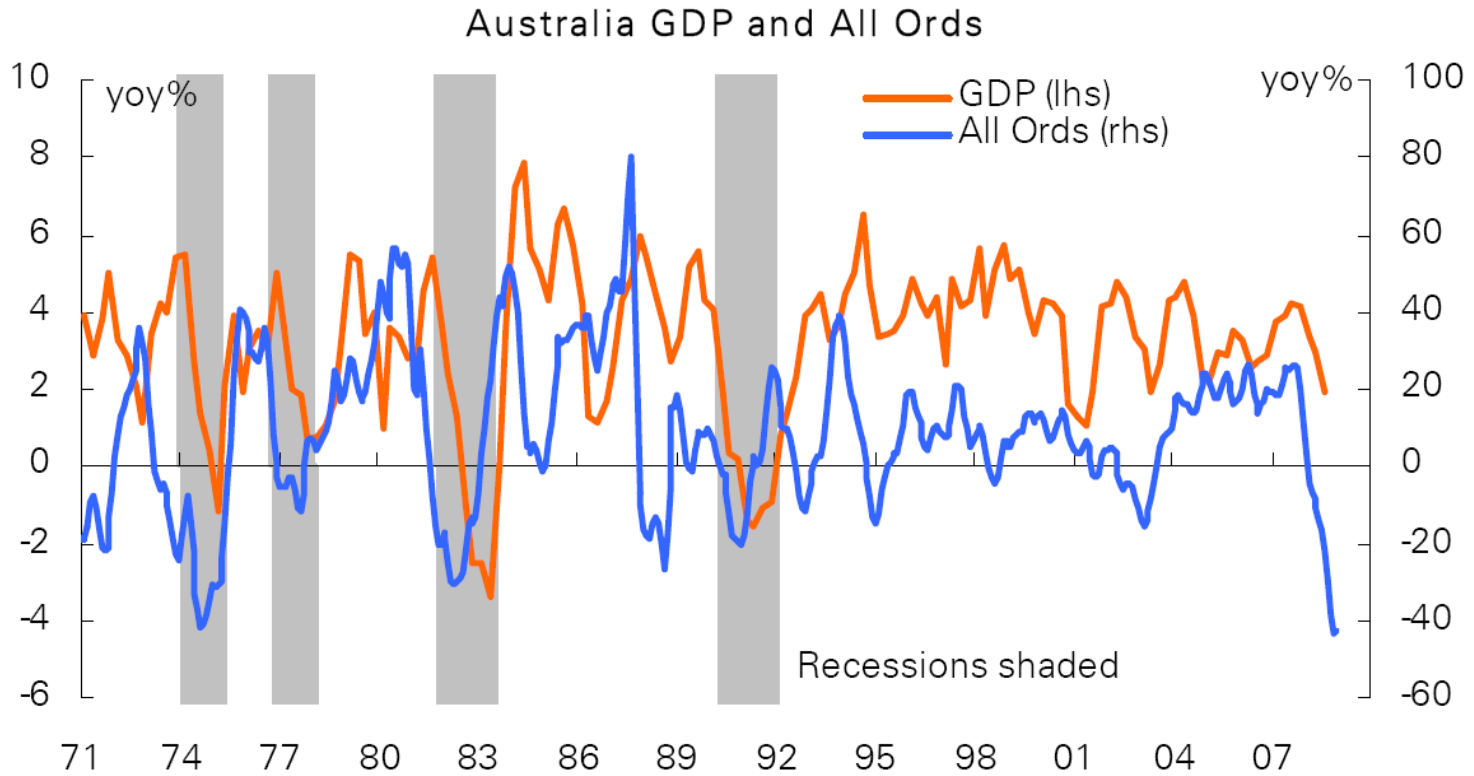


Source: Butlin, ABS, Deutsche Bank



SHAREMARKET RELATIVE TO GDP

Usually anticipates subsequent recovery in GDP



Source: ABS, IRESS, Deutsche Bank



MARKET UPDATE



A HISTORY OF AUSTRALIAN BEAR MARKETS

Number 2 all time

episode	peak date	trough date	duration (months) of peak to trough fall	size of peak-to-trough fall	Subsequent 12 months performance from trough	Duration (months) taken to regain previous peak	recession
1	28-Feb-29	31-Aug-31	30	-46.3%	+33.2%	68	yes
2	31-Mar-37	31-Mar-42	60	-32.1%	+30.2%	104	no
3	31-May-51	31-Dec-52	19	-33.5%	+7.7%	76	yes
4	16-Sep-60	16-Nov-60	2	-23.2%	+11.8%	35	yes
5	27-Feb-64	29-Jun-65	16	-20.4%	+8.5%	41	yes
6	06-Jan-70	27-Sep-74	57	-60.9%	+50.9%	116	yes
7	14-Feb-80	28-Mar-80	2	-20.3%	+39.0%	5	no
8	17-Nov-80	08-Jul-82	20	-40.6%	+38.7%	37	yes
9	21-Sep-87	10-Feb-88	5	-49.2%	+28.8%	76	no
10	29-Aug-89	16-Jan-91	17	-32.4%	+38.9%	47	yes
11	03-Feb-94	08-Feb-95	12	-21.7%	+24.0%	32	no
12	07-Mar-02	13-Mar-03	12	-22.3%	+27.3%	25	no
current	01-Nov-07	03-Mar-09	16	-55.2%	na	na	?
average			21	-33.6%	28.2%	55	

Source: UBS



BASIC STOCK MARKET VALUATION: P/E RATIOS

- The Price Earnings Ratio (P/E ratio or PER) is calculated as follows:

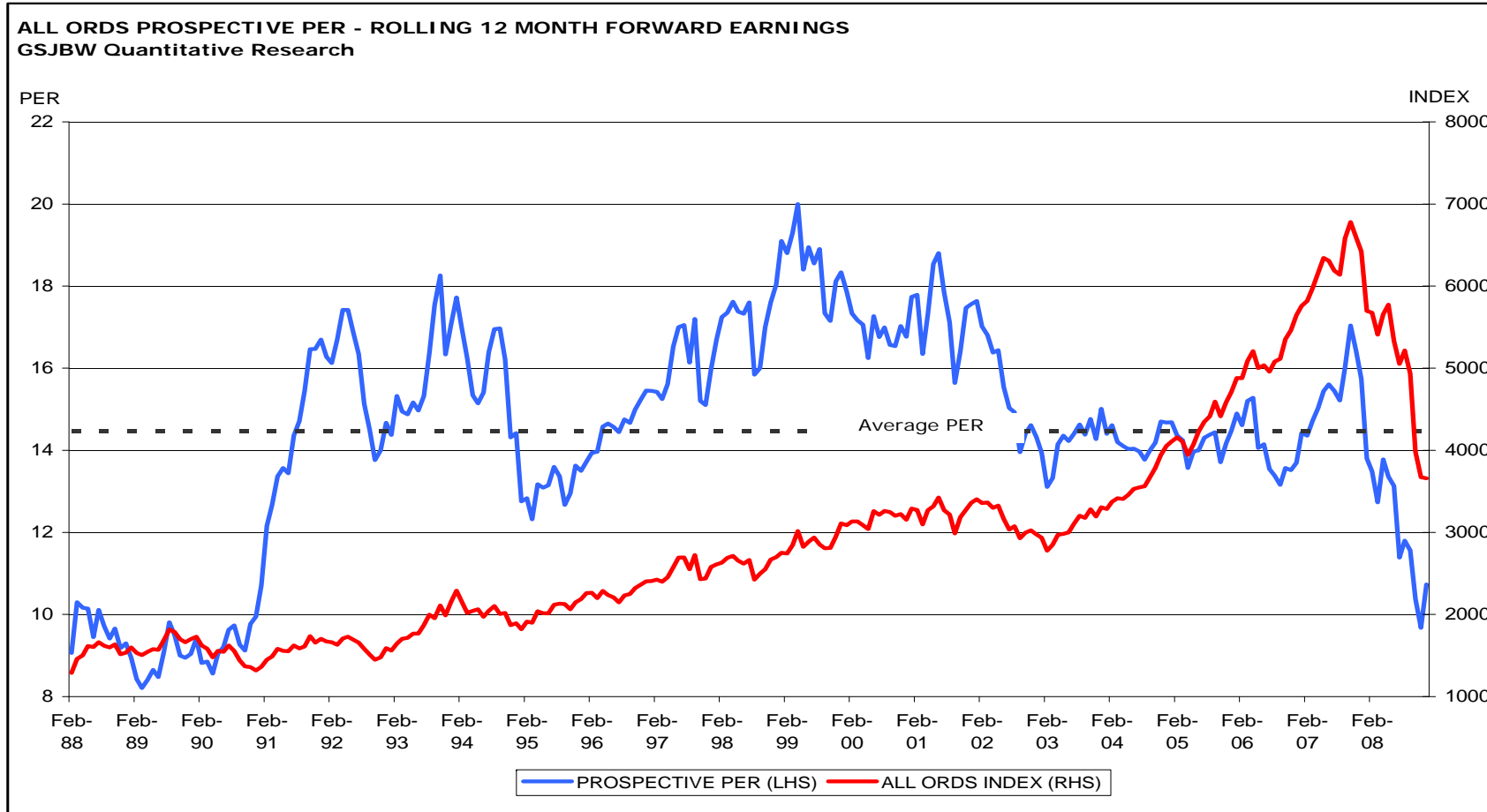
$$\text{P/E} = \frac{\text{Price per share}}{\text{Earnings Per Share (EPS)}}$$

- We can **compare** the current **P/E** of a stock, a sector, or indeed the whole market to its long term average to make a judgement on whether it is cheap, fair value or expensive.



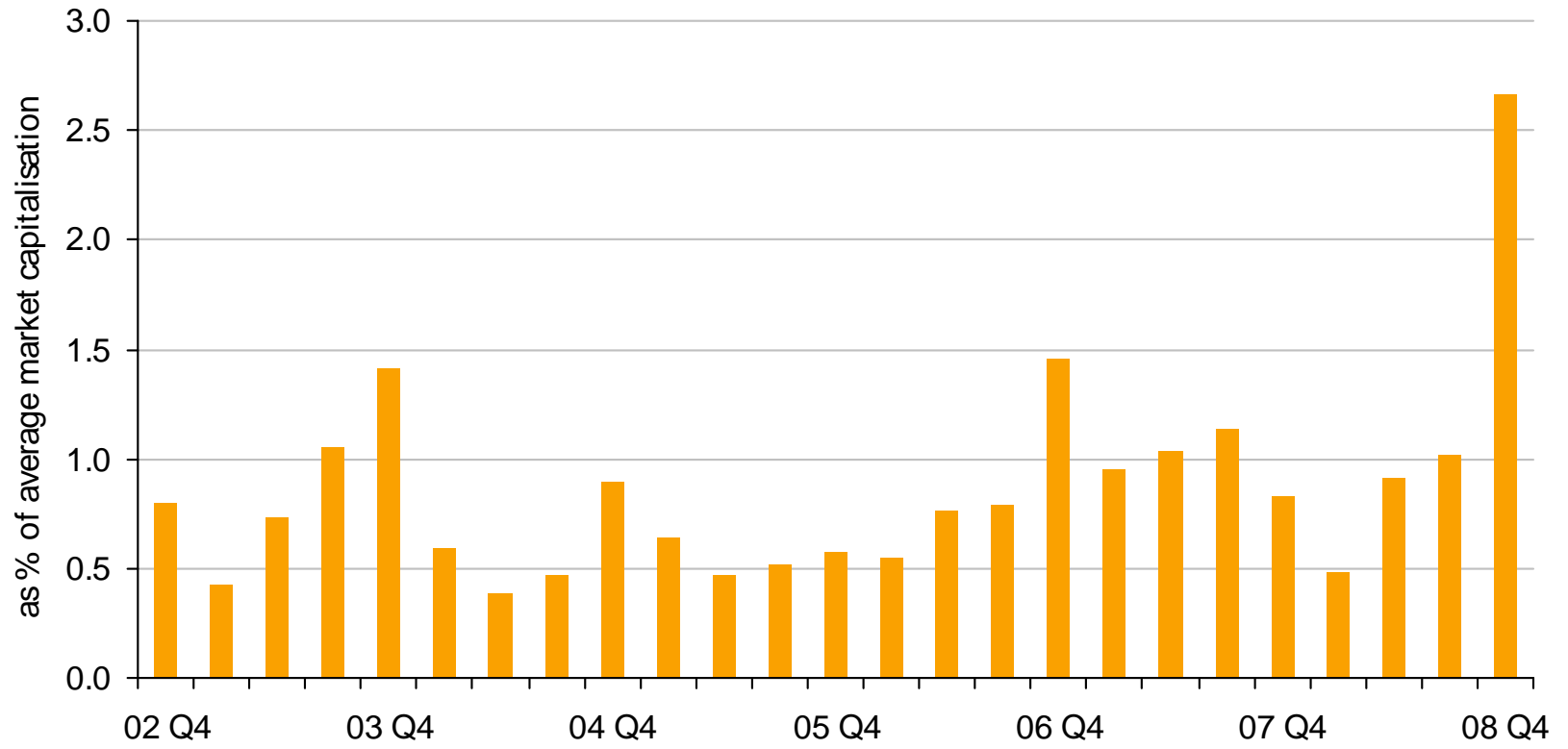
EQUITY MARKET VALUATIONS

P/E remains under historical average



EQUITY ISSUANCE SURGES

Companies seeking to shore up their balance sheets

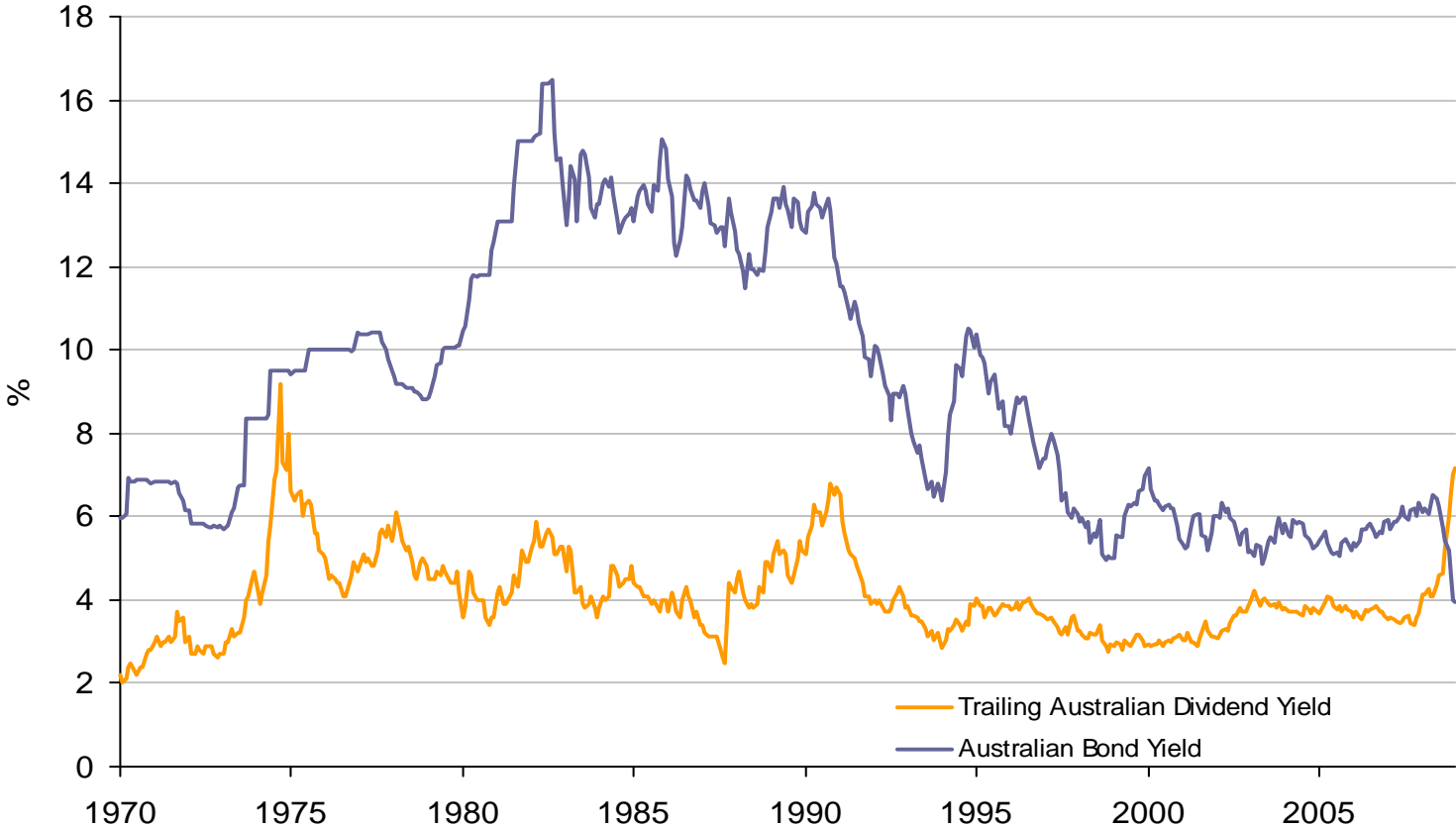


Source: ASX, UBS



TRAILING DIVIDEND YIELD

Dividends at risk but still a strong value signal



HOW ARE WE INVESTED



AUSBIL ACTIVE EQUITY PORTFOLIO

Largest 10 overweight holdings at 28 February 2009

ACTIVE EQUITES	Ausbil	Index	Active Tilt
Westpac Banking Corporation	11.9%	6.7%	5.2%
National Australia Bank	7.7%	4.7%	3.0%
Lihir Gold	3.9%	1.0%	2.9%
AGL Energy	2.9%	0.8%	2.1%
Toll Holdings	2.3%	0.5%	1.8%
Wesfarmers	4.4%	2.8%	1.6%
Origin	3.2%	1.7%	1.5%
Tatts Group	2.0%	0.5%	1.5%
Telstra	6.6%	5.1%	1.5%
Coca-Cola Amatil	1.9%	0.6%	1.3%