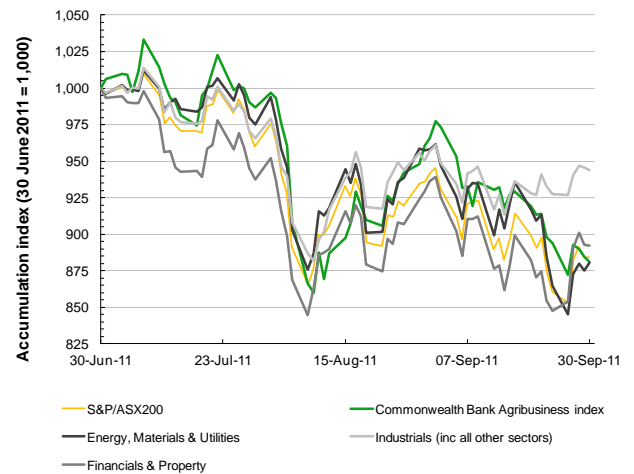


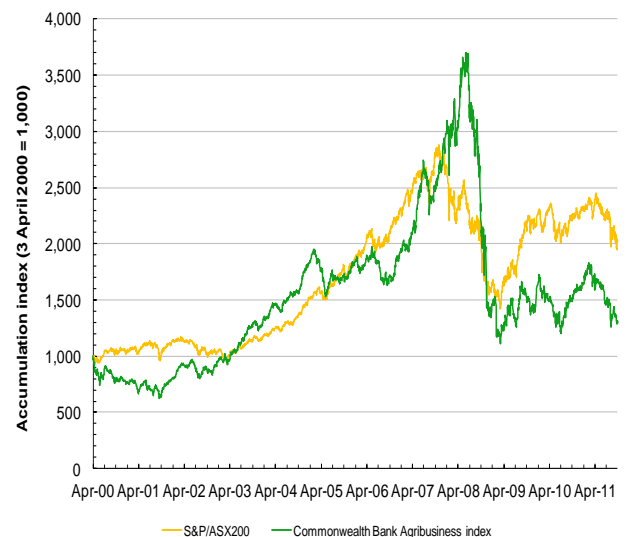
# Commonwealth Bank Agri Indicators: 3Q 2011 10 November 2011

- The Commonwealth Bank Agribusiness Index** measures the performance of the Commonwealth Bank defined “Agribusiness” sector over time. The Agribusiness stock universe covers any stock in the All Ordinaries Index that directly grows food, fuels or fibres, produces raw agricultural materials or provides agricultural services in Australia. To be considered for inclusion the prime source of revenue for the company must be Australia.
- Stock changes.** Over the quarter no stocks have been added or removed from the Index.
- Historical performance.** Agribusiness stocks had very difficult market conditions to contend with in the September quarter. Market instability was fuelled by pessimistic reports coming out of Europe with the focus on Greece and its ability to implement austerity measures successfully. In particular, concerned about the possibility of Greece defaulting and the consequences of this on the global financial system. Greece defaulting would weaken global confidence leading to further share price falls for the Agribusiness stocks which are dependent on strong global growth. The International Monetary Fund (IMF) downgraded global growth rates during the quarter which also added to the negative sentiment. The Commonwealth Bank Agribusiness Index declined 11.9% over the quarter and decreased by 13.9% over the last 12 months. In comparison the S&P/ASX 200 Index fell 11.6% over the quarter and 8.6% over the year. (Exhibit 4).
- Return.** The forecast return for the Agribusiness sector has declined to 9.7% for the year to October 2012 (Exhibit 5). Last quarter’s forecast was 16.2%.
- Volatility.** Global uncertainty has resulted in forecast volatility increasing from 15.1% to 18.0% for the year to October 2012 (Exhibit 5). On a risk-adjusted return basis, the Agribusiness sector is forecast to perform poorly and is only expected to outperform the A-REITs (property) sector (Exhibit 3).
- Exuberance.** The negative global sentiment has filtered down to the Agribusiness sector. This quarter the Agribusiness Index measure of mis-pricing fell to -19.4% from -15.3 (Exhibit 5).

**Exhibit 1: 3Q 2011 Commonwealth Bank Agribusiness Index vs all other sectors and the S&P/ASX 200 Index<sup>^</sup>**



**Exhibit 2: Commonwealth Bank Agribusiness Index vs the S&P/ASX 200 Index since inception<sup>^</sup>**



**Exhibit 3: Forecast risk-return profile of Commonwealth Bank Agribusiness sector vs S&P/ASX 200 sectors**

Rank	Sector	Risk-Adjusted Return
1	Consumer Staples	1.48
2	Industrials	1.36
3	Utilities	1.24
4	Consumer Discret.	1.22
5	Health Care	1.05
6	Energy	0.96
7	Telecom. Services	0.72
8	Information Tech.	0.60
9	Materials	0.57
10	Financials-x-A-REIT	0.57
11	<b>Agribusiness</b>	<b>0.51</b>
12	A-REIT	0.48
S&P/ASX 200		1.00

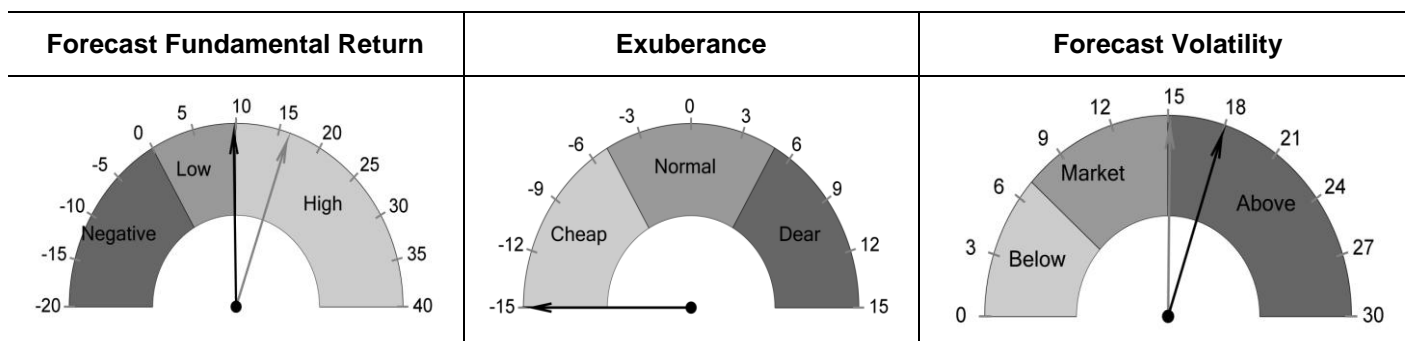
**Exhibit 4: Total shareholder return (%) including dividends<sup>^</sup>**

	Commonwealth Bank Agribusiness Index	S&P/ASX 200 Index
3 months	-11.9	-11.6
6 months	-24.0	-14.9
12 months	-13.9	-8.6
Since April 00 (pa)*	2.3	6.3

\* Start of the Commonwealth Bank Agribusiness Index  
^ Data to 30 September 2011

Source Exhibit 1-4: Australian Listed Investments, IRESS

Exhibit 5: Commonwealth Bank Agribusiness Sector Current Indicators



Note: The grey marker represents the previous quarter's dial value.

Exhibit 6: Current Commonwealth Bank Agribusiness Index membership and weights

Code	Company Name	GICS Tier 1	GICS Tier 2	Current Market Cap (\$mil)	Current index weight (%)
AAC	Australian Agricultural Company Limited	Consumer Staples	Packaged Foods & Meats	\$413	6.4
CSS	Clean Seas Tuna Limited	Consumer Staples	Food Products	\$38	0.6
ELD	Elders Limited	Consumer Staples	Packaged Foods & Meats	\$130	2.0
GNC	GrainCorp Limited	Consumer Staples	Agricultural Products	\$635	9.8
GNS	Gunns Limited	Materials	Forest Products	\$126	1.9
IPL	Incitec Pivot Limited	Materials	Fertilizers & Agricultural Chemicals	\$3,203	49.5
MSF	MSF Sugar Limited	Consumer Staples	Food Products	\$226	3.5
NUF	Nufarm Limited	Materials	Fertilizers & Agricultural Chemicals	\$356	5.5
PAG	Primeag Australia Limited	Consumer Staples	Agricultural Products	\$167	2.6
RHL	Ruralco Holdings Limited	Industrials	Div Commercial & Professional Services	\$175	2.7
RIC	Ridley Corporation Limited	Consumer Staples	Agricultural Products	\$317	4.9
SHV	Select Harvests Limited	Consumer Staples	Agricultural Products	\$78	1.2
TFC	TFS Corporation Limited	Materials	Forest Products	\$184	2.8
TGR	Tassal Group Limited	Consumer Staples	Packaged Foods & Meats	\$209	3.2
WCB	Warmambool Cheese & Butter Factory Ltd	Consumer Staples	Packaged Foods & Meats	\$213	3.3

Source Exhibit 5-6: Australian Listed Investments, IRESS

Notes

Exhibit 3: Forecast risk-return profile of Commonwealth Bank Agribusiness sector vs. S&P/ASX 200 sectors

We compare the forecast risk-adjusted return ratio of the Commonwealth Bank Agribusiness sector to the S&P/ASX 200 index and its sectors. The risk-adjusted return is calculated by dividing each sector's forecast return by its forecast volatility. To be consistent with our other publications, forecasts of returns are quoted in simple terms while forecasts of risk are quoted in  $\ln(1+r)$  terms. Forecasts are for the next 12 months.

Exhibit 5: Current indicators Commonwealth Bank Agribusiness sector

**Forecast Fundamental Return:** Forecast return (ignoring exuberance) for the sector over the next 12 months. Derived using our proprietary forecasting technique based on consensus forecasts of earnings and dividends for the individual stocks in the sector (sourced from Reuters Knowledge). Pricing bounds (eg negative, low and high) are relative to the S&P/ASX 200 and are the same across sectors to allow for comparison between sectors.

**Exuberance:** Proprietary measure of market mis-pricing. Defined as the ratio of the sector accumulation index to our estimate of fair value. Exuberance should be subtracted from the forecast fundamental return to derive an actual forecast from today's price. Experience shows that exuberance changes far more rapidly than our forecasts of fundamental returns. Pricing bounds (eg cheap, normal and dear) are sector specific and are based on the sector exuberance mean and standard deviation.

**Forecast Volatility:** Forecast volatility for the sector over the next 12 months. Derived using our proprietary methods of modelling realised volatilities, detecting changes in long-run levels (including at the end of the sample) and correcting for switchbacks and other correlation patterns in the data. Pricing bounds (eg low, normal and high) are relative to the S&P/ASX 200 and are the same across sectors to allow for comparison between sectors

Exhibit 6: Current Commonwealth Bank Agribusiness index membership and weights

The Commonwealth Bank Agribusiness index measures the performance of the Commonwealth Bank defined 'Agribusiness' sector over time. The 'Agribusiness' stock universe covers any stock in the All Ordinaries index that directly grows food, fibres, raw materials and or fuels in Australia. To be considered for inclusion, the prime source of revenue for the company must be Australian. Agricultural food products include the cultivation of cereals, vegetables, fruit and or meat. Cotton, wool and wood are examples of agricultural fibres and raw materials. Fuels such as methane, ethanol and biodiesels are also considered agricultural products.

The Commonwealth Bank Agribusiness sector currently consists of 15 rural-dependent companies: Australian Agricultural Company Limited (AAC), Clean Seas Tuna Limited (CSS), Elders Limited (ELD), GrainCorp Limited (GNC), Gunns Limited (GNS), Incitec Pivot Limited (IPL), Nufarm Limited (NUF), MSF Sugar Limited (MSF), Primeag Australia Limited (PAG), Ruralco Holdings Limited (RHL), Ridley Corporation Limited (RIC), Select Harvests Limited (SHV), TFS Corporation Limited (TFC), Tassal Group Limited (TGR) and Warmambool Cheese & Butter Factory Ltd (WCB). Companies previously included in the sector but since removed due to delisting or exiting the All Ordinaries index include Australian Vintage Limited (AVG), AWB Limited (AWB), Queensland Cotton Holdings Limited (QCH), Auspine Limited (ANE), Great Southern Limited (GTP), Timbercorp Limited (TIM), ABB Grain Limited (ABB) and Forest Enterprises Australia Limited (FEA).

The Commonwealth Bank Agribusiness index is a non-float adjusted, market-cap weighted index constructed using the same methodology as the S&P index series. Those companies in the index which generate revenues from overseas agricultural operations have their weight in the index reduced to ensure the index reflects purely the Australian agricultural sector. To be considered for inclusion in the index, each stock must be in the All Ordinaries index. The Commonwealth Bank Agribusiness index begins on 3 April 2000 which is the same date as the launch of the S&P/ASX index series in Australia. At inception there were 8 stocks included in the index. This number is currently 15.

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DISCLOSURE

Methodology:

The Commonwealth Bank Agribusiness index measures the performance of the Commonwealth Bank defined 'Agribusiness' sector over time. The Commonwealth Bank Agribusiness sector currently consists of 15 rural-dependent companies.

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