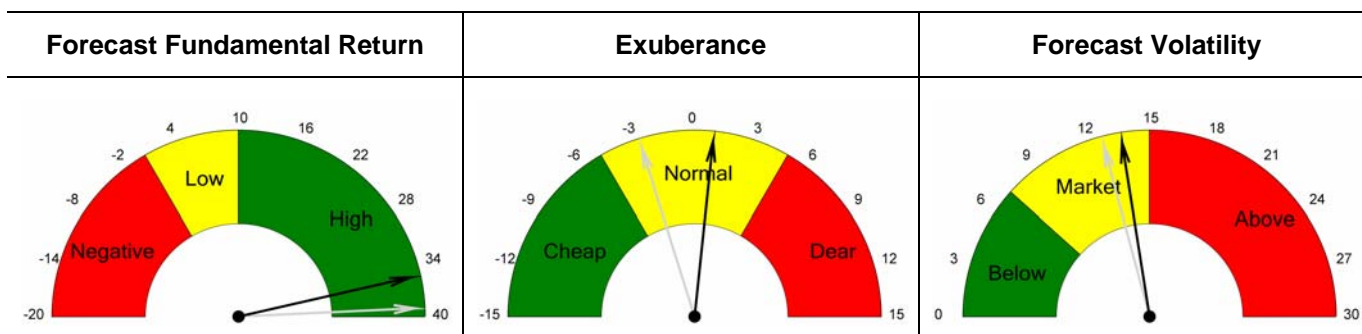


Commonwealth Bank Agri indicators

10 April 2008

- The Agribusiness sector continues its charge ahead. The immunity of the sector to most of the worries clouding the broader market over the last 9 months has seen the sector record yet another month of solid growth. Since the last update in March, the sector has achieved a total return (including dividends) of 2.0%. However, for the first time since we started monitoring the Agribusiness sector in November 2007, the sector's return over the last month was exceeded by that of the broader market. The S&P/ASX 200 accumulation index managed a moderate recovery from recent lows during this time returning 6.8% to investors.
- Over longer periods, the Agribusiness sector continues to significantly out-perform the broader market – a total return of 24.4% (agri) versus -15.6% (S&P/ASX 200) over the last 6 months and a total return of 37.5% (agri) compared to -6.6% (S&P/ASX 200) over the last 12 months.
- The consensus outlook for the sector remains positive with forecast total returns for the next year of around 36%. Forecast volatility for the sector also remains in check at around 13%. As a result, the Agribusiness sector continues to be forecast as the most attractive sector on a risk-return basis over the coming year.
- The latest Exuberance figures suggest that there is no significant under- or over-pricing in the sector with current index levels close to what is considered fair value by consensus estimates of earnings and dividends.

Table 1: Current indicators Commonwealth Bank Agribusiness sector



Source: Investment Research, Reuters Knowledge

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

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.

Figure 1: Commonwealth Bank Agribusiness index vs. S&P/ASX 200 index[^]

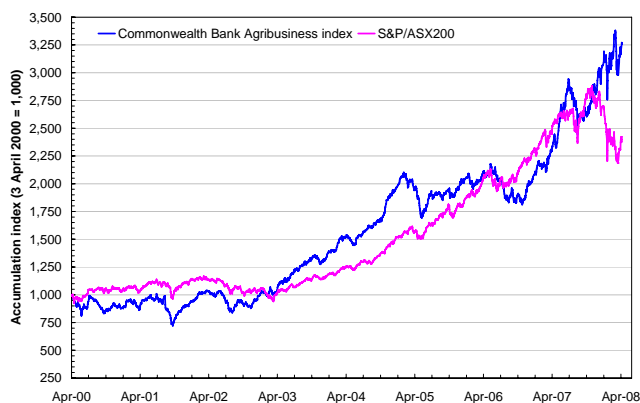


Table 2: Total Shareholder Return (%) (including dividends)[^]

	Commonwealth Bank Agribusiness index	S&P/ASX 200 index
Last month	2.0	6.8
3 months	5.2	-8.1
6 months	24.4	-15.6
12 months	37.5	-6.6
Since April 00*	225.7	137.7

* Start of the Commonwealth Bank Agribusiness index

[^] Data to 9 April 2008

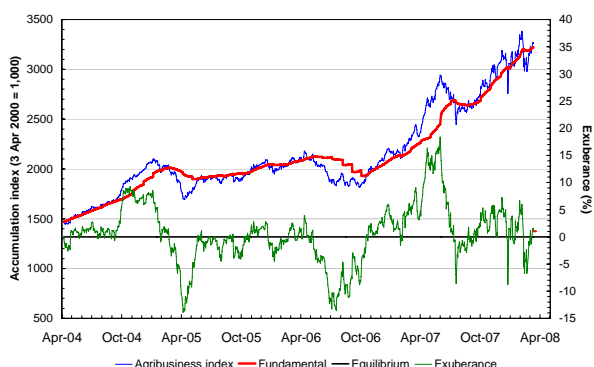
Source: Investment Research

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Figure 2: Commonwealth Bank Agribusiness index, fundamental and exuberance

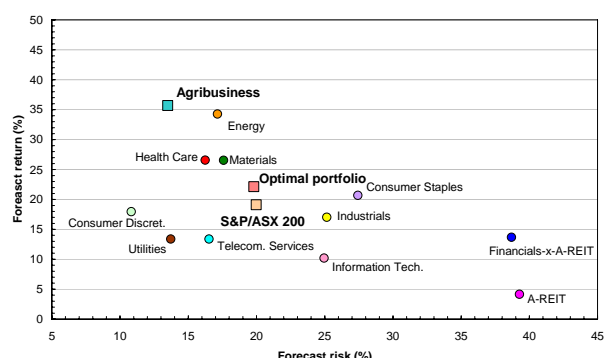


Source: Investment Research

Note Figure 2: We show the relative pricing of the Commonwealth Bank Agribusiness index to 'fair value' in Figure 2. The fundamental of the Commonwealth Bank Agribusiness index is constructed using a proprietary method based on consensus forecasts of earnings and dividends (sourced from Reuters Knowledge) for the companies in the Commonwealth Bank Agribusiness sector. Exuberance is a proprietary measure of market mis-pricing, defined as the ratio of the index to the fundamental. Positive exuberance indicates over-pricing, while negative exuberance indicates under-pricing. We do not advocate using exuberance as a trading signal but as part of a 'scientifically' based market entry strategy.

Note Figure 3: We compare the forecast risk-return profile of the Commonwealth Bank Agribusiness sector to the S&P/ASX 200 index and its sectors in Figure 3. The 'Optimal Portfolio' is the Maximum Sharpe Ratio portfolio in the efficient frontier optimisation of the S&P/ASX 200 sectors. This portfolio represents the best risk-adjusted return of all efficient portfolios. In the Optimal Portfolio we restrict sectoral weight to be between 0.5 and 2.0 times index weight. Allocation to the Commonwealth Bank Agribusiness sector is not included in the Optimal Portfolio. 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.

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



Commonwealth Bank Agribusiness index details

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 16 rural-dependent companies: Australian Agricultural Company Limited (AAC), ABB Grain Limited (ABB), AWB Limited (AWB), Futuris Corporation Limited (FCL), Forest Enterprises Australia Limited (FEA), GrainCorp Limited (GNC), Gunns Limited (GNS), Great Southern Limited (GTP), Incitec Pivot Limited (IPL), Nufarm Limited (NUF), Primeag Australia Limited (PAG), Ruralco Holdings Limited (RHL), Ridley Corporation Limited (RIC), Select Harvests Limited (SHV), Tassal Group Limited (TGR), Timbercorp Limited (TIM). Companies previously included in the sector but since removed due to delisting or exiting the All Ordinaries index include Queensland Cotton Holdings Limited (QCH) and Auspine Limited (ANE).

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. To be considered for inclusion in the index, each stock must be a 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 16.

Table 3: Current Commonwealth Bank Agribusiness index membership and weights

Code	GICS Tier 1	GICS Tier 2	Current Market Cap (\$mil)	Current index weight (%)
AAC	Consumer Staples	Packaged Foods & Meats	\$641	3.3
ABB	Consumer Staples	Food Distributors	\$1,313	6.8
AWB	Consumer Staples	Food Distributors	\$927	4.8
FCL	Consumer Staples	Agricultural Products	\$1,449	7.6
FEA	Materials	Forest Products	\$223	1.2
GNC	Consumer Staples	Agricultural Products	\$791	4.1
GNS	Consumer Staples	Forest Products	\$1,191	6.2
GTP	Materials	Forest Products	\$546	2.8
IPL	Materials	Fertilizers & Agricultural Chemicals	\$7,351	38.3
NUF	Materials	Fertilizers & Agricultural Chemicals	\$3,013	15.7
PAG	Consumer Staples	Agricultural Products	\$231	1.2
RHL	Industrials	Div Commercial & Professional Services	\$188	1.0
RIC	Consumer Staples	Agricultural Products	\$305	1.6
SHV	Consumer Staples	Agricultural Products	\$253	1.3
TGR	Consumer Staples	Packaged Foods & Meats	\$349	1.8
TIM	Materials	Forest Products	\$423	2.2

Source: Investment Research, IRESS

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