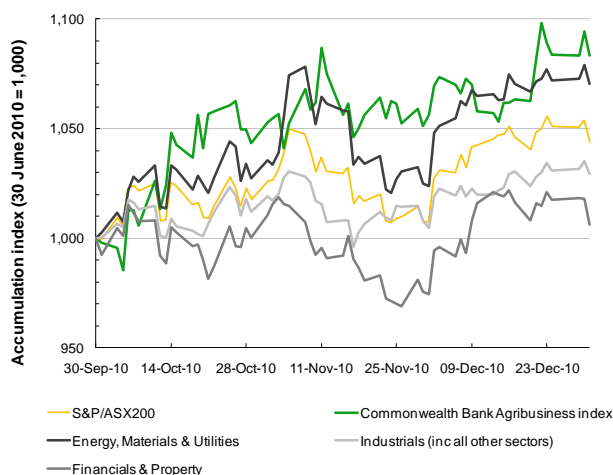




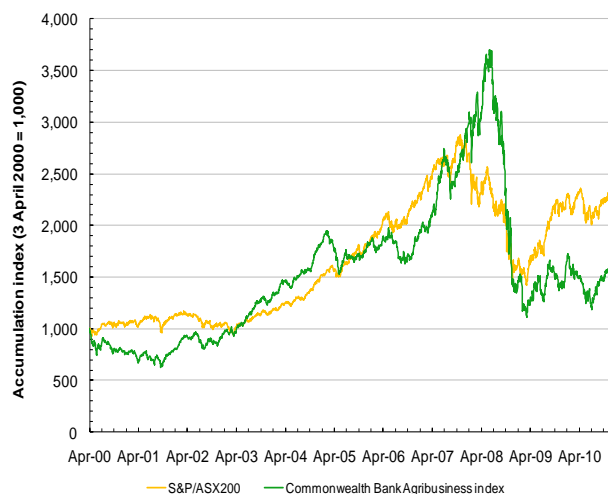
# Commonwealth Bank Agri Indicators: 4Q 2010 2 February 2011

- 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 and or provides agricultural services in Australia. To be considered for inclusion, the prime source of revenue for the company must be Australian.
- Stock changes.** AWB Limited (AWB) has been removed from the index following its acquisition by the Canadian company Agrium. Australian Vintage Ltd (AVG) has also been removed from the Agribusiness Index, as the stock is no longer in the All Ordinaries. No stocks were added to the index over the last quarter.
- Historical performance.** At the beginning of last quarter the sector was forecast to produce above average wheat harvests by Commonwealth Bank's Commodity Research team. However, by December attention turned to the flooded areas of Queensland and disrupted harvests for grain, oilseed, cotton and beef. Despite this, acquisitions and divestments remain a common theme for the sector and ABARE remains positive forecasting increases to summer crop production. In spite of the negative weather conditions the Agribusiness sector remained resilient with the Commonwealth Bank Agribusiness Index returning 8.3% for the quarter, compared to 4.4% for the S&P/ASX 200 Index. Over the last twelve months the Agri Index has underperformed the market, delivering -2.7% while the S&P/ASX 200 Index rose 1.6% (Exhibit 4).
- Return.** The forecast return for the Agribusiness sector remains high at 21.7% for the year to December 2011 (Exhibit 5). The forecast return has declined from 33.8% for the September quarter.
- Volatility.** Forecast volatility has continued to decline, decreasing from 24.2% to 22.7% for the year to December 2011 (Exhibit 5). On a risk-adjusted return basis the Agribusiness is in the middle of the pack, broadly in line with the overall market.
- Exuberance.** While the Agribusiness Index has continued to rally over the last quarter, our measure for mis-pricing, Exuberance, remains largely in line with last quarter's value increasing slightly to 0.4% from -0.7% (Exhibit 5).

**Exhibit 1: 4Q 2010 Commonwealth Bank Agribusiness Index vs All other sectors & S&P/ASX 200 Index<sup>^</sup>**



**Exhibit 2: Commonwealth Bank Agribusiness Index vs 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	1.37
2	Utilities	1.23
3	Consumer Discret.	1.16
4	Industrials	1.14
5	Health Care	1.10
6	Energy	1.09
7	Agribusiness	0.83
8	Materials	0.70
9	Financials-x-A-REIT	0.63
10	A-REIT	0.47
11	Telecom. Services	0.42
12	Information Tech.	0.34
S&P/ASX 200		0.98

**Exhibit 4: Total Shareholder Return (%) including dividends<sup>^</sup>**

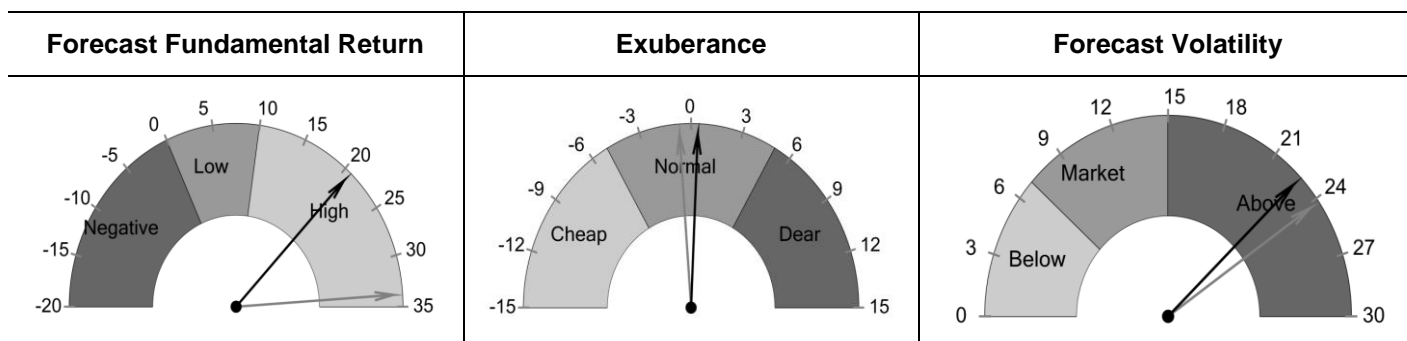
	Commonwealth Bank Agribusiness Index	S&P/ASX 200 Index
3 months	8.3	4.4
6 months	31.0	12.8
12 months	-2.7	1.6
Since April 00 (pa)*	4.5	8.1

\* Start of the Commonwealth Bank Agribusiness Index  
<sup>^</sup> Data to 31 December 2010

Source Exhibit 1-4: Australian Listed Investments, IRESS

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Exhibit 5: Current indicators Commonwealth Bank Agribusiness sector



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	\$377	4.8
CSS	Clean Seas Tuna Limited	Consumer Staples	Food Products	\$44	0.6
ELD	Elders Limited	Consumer Staples	Packaged Foods & Meats	\$262	3.3
GNC	GrainCorp Limited	Consumer Staples	Agricultural Products	\$582	7.4
GNS	Gunns Limited	Materials	Forest Products	\$524	6.6
IPL	Incitec Pivot Limited	Materials	Fertilizers & Agricultural Chemicals	\$4,118	52.2
NUF	Nufarm Limited	Materials	Fertilizers & Agricultural Chemicals	\$427	5.4
PAG	Primeag Australia Limited	Consumer Staples	Agricultural Products	\$215	2.7
RHL	Ruralco Holdings Limited	Industrials	Div Commercial & Professional Services	\$148	1.9
RIC	Ridley Corporation Limited	Consumer Staples	Agricultural Products	\$368	4.7
SHV	Select Harvests Limited	Consumer Staples	Agricultural Products	\$179	2.3
TFC	TFS Corporation Limited	Materials	Forest Products	\$221	2.8
TGR	Tassal Group Limited	Consumer Staples	Packaged Foods & Meats	\$244	3.1
WCB	Warrnambool Cheese & Butter Factory Ltd	Consumer Staples	Packaged Foods & Meats	\$179	2.3

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 14 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), 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 Warrnambool 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 14.

DISCLOSURE

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Methodology:

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