

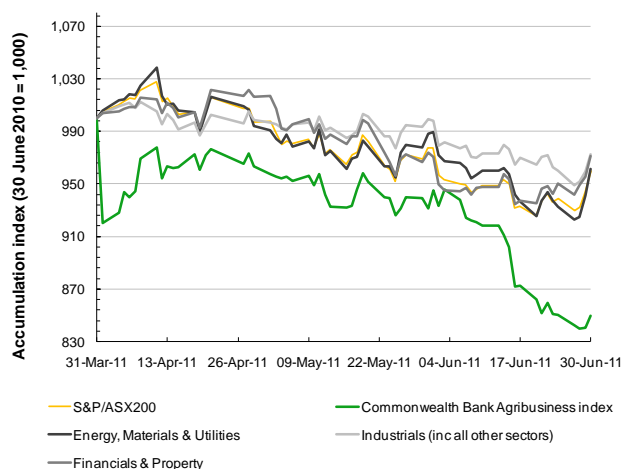


# Commonwealth Bank Agri Indicators: 2Q 2011

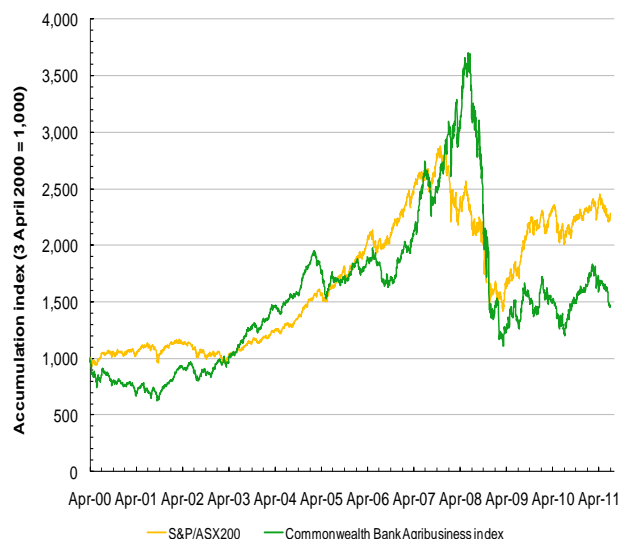
3 August 2011

- 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.** There has been one stock addition to the Agribusiness Index this quarter. MSF Sugar (MSF) is a Queensland based integrated sugar grower, manufacturer and marketer. No stocks have been removed from the Index this quarter.
- Historical performance.** Over the last quarter all markets faced challenging conditions, as concerns increased over Greece defaulting, rising inflation in China and the US breaching their debt ceiling. The listed Agribusinesses were not spared from this negative sentiment and fell along with market. Australian cattle producers faced another challenge over the quarter with the Australian Government banning the export of cattle to Indonesia after reports of inhumane slaughtering. The Commonwealth Bank Agribusiness Index delivered -14.0% for the quarter, compared to -3.7% for the S&P/ASX 200 Index. Over the last twelve months the Agribusiness Index has outperformed the market, delivering 18.4% whereas the S&P/ASX 200 Index rose 11.7% (Exhibit 4).
- Return.** The forecast return for the Agribusiness sector has declined to 16.2% for the year to June 2012 (Exhibit 5). Last quarter's forecast was 19.2%.
- Volatility.** Forecast volatility has continued its decline, decreasing to 15.1% for the year to June 2012 (Exhibit 5). On a risk-adjusted return basis, the Agribusiness Sector is expected to perform in line with the S&P/ASX 200 Index (Exhibit 3).
- Exuberance.** The strong negative sentiment in the markets over the last quarter has resulted in the Agribusiness Index measure of mis-pricing to fall significantly from -1.8% to -15.3% (Exhibit 5).

**Exhibit 1: 2Q 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	1.81
2	Industrials	1.35
3	Consumer Discret.	1.10
4	Utilities	1.09
5	Agribusiness	0.99
6	Health Care	0.95
7	Energy	0.93
8	Financials-x-A-REIT	0.74
9	Telecom. Services	0.71
10	Materials	0.64
11	Information Tech.	0.58
12	A-REIT	0.41
S&P/ASX 200		0.99

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

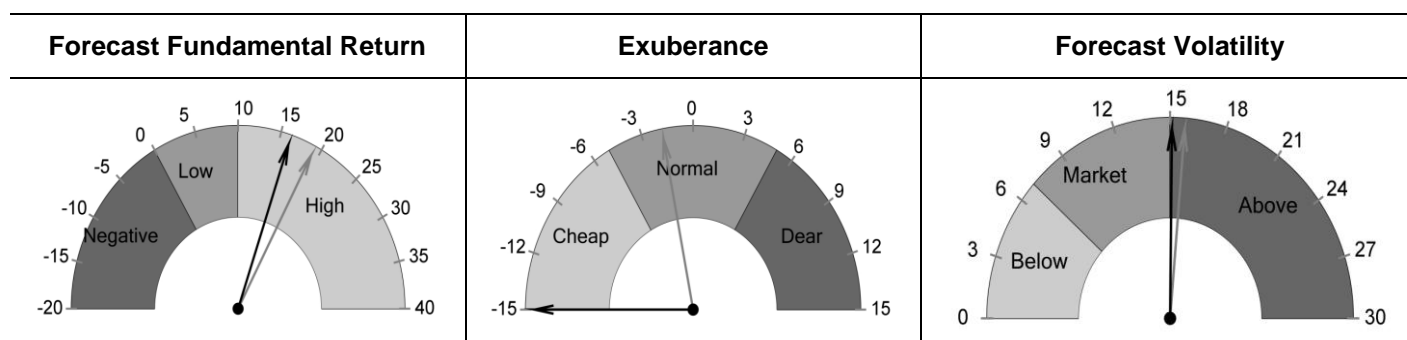
	Commonwealth Bank Agribusiness Index	S&P/ASX 200 Index
3 months	-14.0	-3.7
6 months	-11.1	-1.9
12 months	18.4	11.7
Since April 00 (pa)*	3.5	7.6

\* Start of the Commonwealth Bank Agribusiness Index  
^ Data to 30 June 2010

Source Exhibit 1-4: Australian Listed Investments, IRESS

This document is for distribution within Australia only.

Author: **Nora Ayaha** Research Analyst

**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	\$421	5.7
CSS	Clean Seas Tuna Limited	Consumer Staples	Food Products	\$46	0.6
ELD	Elders Limited	Consumer Staples	Packaged Foods & Meats	\$166	2.3
GNC	GrainCorp Limited	Consumer Staples	Agricultural Products	\$731	9.9
GNS	Gunns Limited	Materials	Forest Products	\$226	3.1
IPL	Incitec Pivot Limited	Materials	Fertilizers & Agricultural Chemicals	\$3,629	49.3
MSF	MSF Sugar Limited	Consumer Staples	Food Products	\$241	3.3
NUF	Nufarm Limited	Materials	Fertilizers & Agricultural Chemicals	\$373	5.1
PAG	Primeag Australia Limited	Consumer Staples	Agricultural Products	\$192	2.6
RHL	Ruralco Holdings Limited	Industrials	Div Commercial & Professional Services	\$172	2.3
RIC	Ridley Corporation Limited	Consumer Staples	Agricultural Products	\$368	5.0
SHV	Select Harvests Limited	Consumer Staples	Agricultural Products	\$103	1.4
TFC	TFS Corporation Limited	Materials	Forest Products	\$239	3.2
TGR	Tassal Group Limited	Consumer Staples	Packaged Foods & Meats	\$203	2.8
WCB	Warmambool Cheese & Butter Factory Ltd	Consumer Staples	Packaged Foods & Meats	\$245	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.

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.

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 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.

Important Information:

This report is published, approved and distributed by the Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945. The Commonwealth Bank of Australia ("the Bank") is incorporated in Australia with limited liability.

The Bank and its subsidiaries, including CommSec, Commonwealth Private Ltd, Regional & Agribusiness are entities or business areas of the Commonwealth Bank Group of Companies (CBGOC). CBGOC and their directors, employees and representatives are referred to in this Appendix as "the Group". This report is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy any securities or financial instruments. This report has been prepared without taking account of the objectives, financial situation and capacity to bear loss, knowledge, experience or needs of any specific person who may receive this report. No member of the Group does, or is required to, assess the appropriateness or suitability of the report for recipients who therefore do not benefit from any regulatory protections in this regard. All recipients should, before acting on the information in this report, consider the appropriateness and suitability of the information, having regard to their own objectives, financial situation and needs, and, if necessary seek the appropriate professional or financial advice regarding the content of this report.

We believe that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this report. Any opinions, conclusions or recommendations set forth in this report are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by the Group. We are under no obligation to, and do not, update or keep current the information contained in this report. The Group does not accept any liability for any loss or damage arising out of the use of all or any part of this report. Any valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. The Group does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met. Past performance is not a reliable indicator of future performance. This report has been prepared for distribution to persons within Australia only and may only be acted on by such person. All material presented in this report, unless specifically indicated otherwise, is under copyright to the Group. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior written permission of the appropriate entity within the Group.

Conflicts of interest:

The Group has provided, provides or seek to provide investment banking, capital markets and/or other services, including financial services, to the companies described in the report and their associates. The Group may also have shareholdings in the companies described in the report.

Remuneration:

The compensation of analysts who prepared this report is determined exclusively by research management and senior management (not including investment banking). No inducement has been or will be received by the Group from the subject of this report or its associates to undertake the research or make the recommendations. The research staff responsible for this report receives a salary and a bonus that is dependent on a number of factors including their performance and the overall financial performance of the Group, including its profits derived from investment banking, sales and trading revenue.