



MARTIN BROS MONITOR

(For Clients and Friends of the Martin Bros.)

www.martinbros.com.au

June Quarter 2007 (belated)

Paul & Jarrod Martin are Authorised Representatives (259367 & 259249) of ABN AMRO Morgans Ltd



Ph: 9947 4135

Ph: 9947 4136

Welcome Leonie Wraight

As many of you will already know, Leonie Wraight joined us in July to replace Rochelle who has gone on maternity leave.

Leonie has many years experience in a similar role and is contactable on Rochelle's old phone number (9947 4137), should you have any administration / reporting queries. You can reach Leonie via email at lwraight@abnamromorgans.com.au

Brickworks Investment Company

Brickworks Investment Company (BKI) is a Listed Investment Company (LIC) that listed on the ASX in December 2003. BKI is a long term investor in companies, trusts and interest bearing securities, with a primary focus on quality Australian equities. It primarily seeks to invest in well-managed businesses with a profitable history and with the expectation of sound dividend and distribution growth.

As at the end of August, BKI has a Net Tangible Asset (NTA) backing of \$1.64 gross (before tax) and \$1.48 net (after tax) per share. The NTA will increase and decrease in line with the underlying investments held by the company.

LIC's should in theory trade between their gross NTA and net NTA. BKI has historically traded approximately 5% above its net NTA.

The current share price of BKI is \$1.46. This means it is trading at a discount to its NTA.

The top five holdings of BKI are NAB, CBA, BHP, New Hope Corporation and Woolworths. These five holdings represent approximately 46% of the total holdings of BKI. Many of these stocks are trading higher than they were at the end of August when the last NTA of BKI was reported to the market.

LIC's are required by the ASX to report their gross and net NTA's every month.

Our View on the Markets

Long time readers and recent newcomers of the MBM will be very familiar with the graph below. This graph is the Australian sharemarket over the past twenty years, as represented by the All Ordinaries (top 500 companies by market capitalisation).



In the March edition of MBM (published in May), we wrote:

“With the All Ordinaries currently at 6400 points, we see the possibility of the market correcting to under the 6000 point barrier at some stage in the next six months, but see no catalyst at present for a sustained medium term fall. We would be happy with a period of sideways consolidation because further gains into the high 6000's in the short term, we believe, would risk the market suffering a circa 15-20% fall.”

Well, the market did correct to under 6000 points, bottoming out at 5491 points intra-day on 16th August, ultimately closing on this day at 5712 points. What we didn't expect though was the speed of the recovery. It seems the fears that caused the sell off (US sub prime debt crisis), miraculously disappeared within a few days. However, these loans have had a lasting effect on the cost of corporate debt and most likely on the US consumer – who incidentally makes up approximately 70% of the US GDP (growth).

In response to the concern over the US sub prime debt crisis, the Federal Reserve (equivalent of our own RBA), cut the official interest rate by 0.5%. Not more than a month prior, they stated their major concern for the US economy was inflation. In an inflationary environment, interest rates are usually raised to subdue spending. However, within a month of this statement, it cut rates by twice as much as the market expected. This highlights just how concerned the US Federal Reserve must be about the potential impact of the sub prime crisis.

This begs the question – If the Federal Reserve is so concerned about the sub prime crisis and it's potential effect on the US economy, why should equities rally to all time highs? Irrational exuberance is one phrase that comes to mind.

The next two months will be a telling time, as a large majority of the sub prime mortgage loans in the US reset. This means mortgage owners will now be forced to pay significantly higher interest costs to maintain their mortgage, if they want to remain in their home.

'Creating long term financial success for our clients'



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He's Alive !

As you will recall from the last edition of MBM, Tim and his climbing partner (not Rochelle) headed off to the wilderness in Alaska to attempt the ascent of St Elias. Unfortunately the temperature was too warm and they spent more time on their suntan than actually climbing. We would normally use this big section of MBM for educational purposes, but some of Tim's photo's from their trip are too beautiful not to share. See below:



From left to right – Preparing to be flown into the middle of nowhere, the middle of nowhere, Tim moving gear to their campsite after been dropped off by the plane, the St Elias route and below, sun rising for another hot day.



Did You Know?

- A diamond will break when hit by a hammer
- There are 2,700 languages in the world
- A stale egg will not sink in water
- There are over one billion bicycles in the world
- The first credit card was issued in 1951

MBM Team News

Rochelle and her partner Dunstan are due on 8th October. The baby has reportedly 'engaged' and is ready for launch. We look forward to letting you know the good news in the next edition of Martin Bros Monitor.

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