



Ph: 9612 1401

MARTIN BROS MONITOR

(For Clients and Friends of the Martin Bros)

September 2003



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New Float – ANZ StEPS

ABN AMRO Morgans is one of co-managers to the offer. This will be a listed Resettable Preference Share. This is a hybrid fixed interest investment which means it has characteristics of both fixed interest and equity (shares). Unlike many other Reset Preference Shares, the ANZ StEPS are a floating rate which should help protect its capital value if interest rates go up because the interest payments will rise accordingly. More analysts are now forecasting the next interest rate movement to be up. If you would like to discuss this with us please do so by Friday 12th September.

Key features of the issue are:

- Face Value per security of \$100
- Floating rate at 1% above 90 day BBSW (cash rate)
- Unfranked quarterly distributions
- First reset date 18th Sept. 2008
- If they convert to ANZ shares on the reset date it will be at a 2.5% discount to the ordinary shares
- ANZ StEPS will be listed on ASX

Wine Update

Wine shipment growth remains strong, reflecting high levels of available inventory and lower pricing by wineries. Export growth is showing signs of slowing, a situation that is expected to continue until Christmas.

It appears price discounting has been used to generate volume growth and this has impacted margins. However, with discounting in Australia now returning to sustainable levels (from unsustainably high levels), we believe this rate of volume growth is likely to come back to more normal levels of growth, whilst maintaining margins.

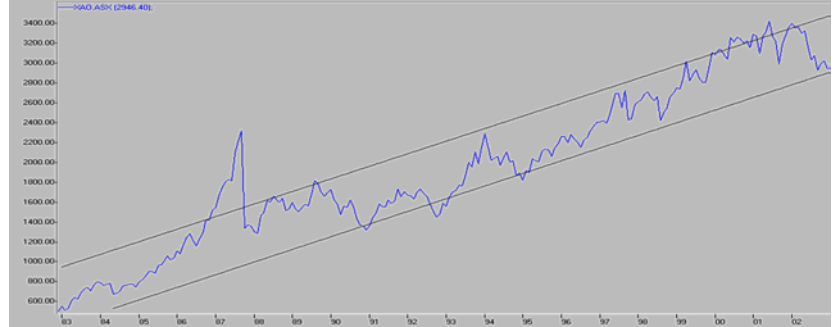
ABN AMRO Morgans currently rates the sector as a hold. With fierce discounting dissipating, perhaps it's time to add to the cellar.

Wedding

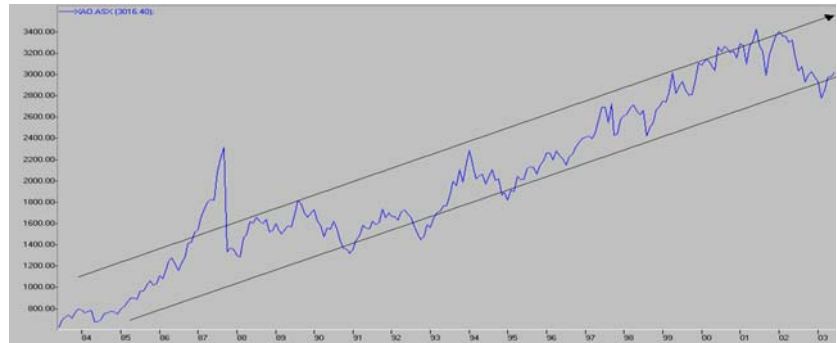
Jarrod is getting married on October 11th and will be honeymooning from 13th October and returning 5th November. Paul and Margot will be holding the fort.

The two graphs below are from previous editions of MBM

December 2002 – A turnaround sooner rather than later is expected

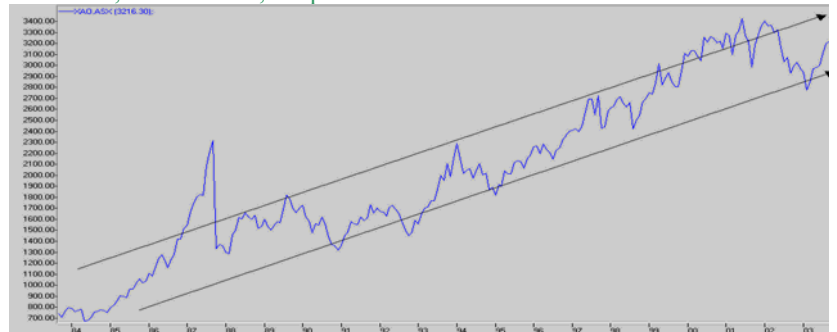


June 2003 – A Bounce or worse than 1929?



Below is the same graph at the present time - September 2003

A Bounce, a turnaround, the patient shall receive.....



As you can see from the above chronological of the All Ordinaries Index graphs, with technical lines showing usual trading ranges for the index over a twenty year period, the Australian sharemarket has had a significant turnaround over the past five months since capitulation pre Gulf War in March. In our December edition (Graph 1) we discussed the falling markets reaching the lower end of its long term historical trading range. In our March edition you will remember the heading – ‘A Bounce or worse than 1929?’. As it turns out, a bounce followed with the start of it shown in the second graph that was in the last edition of MBM. The third graph illustrates the current state of the same index clearly showing a significant rebound has occurred in the Australian share market. So for new comers to the market or those less familiar with its volatility, this should prove to be a useful lesson in understanding just how volatile it can be and how pessimistic things can seem, and how quickly it can all turn around, before anyone has realised.



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Quantitative Strategy

These notes have been re-produced. The author is the same person from March MBM edition titled – 'A Bounce or Worse Than 1929?':

Key Positives for the equity market:

Value: The US and Australian markets are still relatively cheap. In fact there 15-20% cheap still compared to bonds. This is a strong value imperative in favour of equities (growth/ beta) and against bonds (defensives) The S&P 500 is on 16.8x, Australia is on a forward PE of 14.9x and US Treasuries are at 4.4% or a PE of 22x. On a relative basis equities are still cheap and will be until bond yields hit 5%.

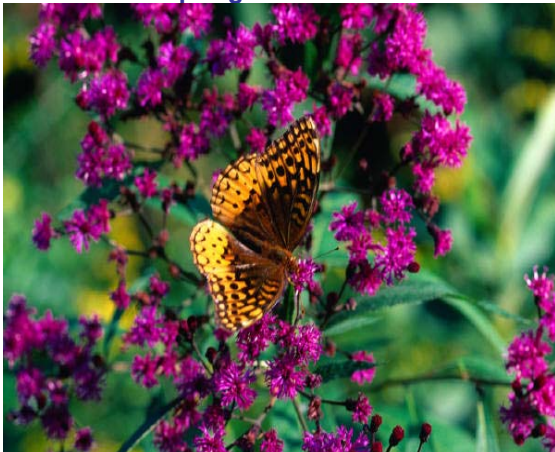
Momentum: The reporting season in Australia is shaping up to be the best since '88 - in 15 years. US earnings have been upgraded for the third successive month? upgrades are unusual ? they are a fifth percentile event (ie only happen one month in twenty). The four previous consecutive runs of upgrades ('88, '94, '97 and '99) saw equities outperform bonds for at least a year.

The value imperative alone is sufficient in my view to be overweight equities and beta? the earnings momentum reinforces the point.

Did You Know?

- A cucumber is 96% water
- A pineapple is a berry
- A raw apple is 84% water
- A notch in a tree will remain the same height from the ground as the tree grows throughout its life

Spring is in the Air!



Health Tips For The Quarter

Health Tips for Spring Allergies

Springtime allergies bother many of us when nature begins to bloom. Here are some tips for dealing with the itchy, watery eyes that often accompany spring allergies:

- If you've never had allergies before, but suspect you're having them now, consult your physician.
- Try to avoid being outside when the pollen count is particularly high (check your local paper or the Internet.) Keep doors and windows shut to keep pollen out.
- Use air filters indoors, and have someone vacuum regularly (don't do it yourself-this can stir up dust and pollen and trigger your allergies.)
- Over-the-counter medications such as antihistamines, nasal sprays and eye drops can help. (Make sure you check the labels carefully to make sure the medication is safe for you. Also, check with your doctor or pharmacist before combining medications.)
- Try not to rub your eyes-this can make irritation worse and increases risk of infection.
- If your allergies are severe or home remedies don't help, consult your physician. There are prescription medications or allergy shots that may help.

Health tips for spring cleaning

It's a jungle in there. In your home, that is. Spring cleaning has a nice airy sound to it, but the products you use can be toxic to you and to the environment. Take a look at some of the ingredients in the products you probably use every week:

Chlorine bleach: Short-term exposure to this gas can cause mild to severe breathing problems. Don't mix it with ammonia, vinegar or other acid-based cleansers, because it might release a toxic gas. In fact, the Environmental Protection Agency recommends using a non-chlorine bleach, like hydrogen peroxide, to bleach clothes.

Metal polishes: Can irritate the eyes and lungs.

Ammonia: Can irritate the eyes and lungs and cause headaches.

Disinfectants: Contain phenol and cresol. If swallowed, can cause diarrhoea, fainting, dizziness, kidney and liver damage.

Furniture and floor polishes: Contain nitrobenzene. If inhaled, can cause shallow breathing. If swallowed, can cause poisoning and death.

Formaldehyde: Used as a preservative in many cleansers. Suspected human carcinogen. Can irritate eyes, throat, skin and lungs.

ANSWER – Outsource the spring clean!