



Martin Bros Monitor

www.martinbros.com.au

Christmas Quarter 2008 Edition

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

ASX Trading Hours

The Australian Stock Exchange hours over the upcoming public holiday season will be as follows:

- Christmas Eve - Closes 2pm
- Christmas Day - Closed
- Boxing Day - Closed
- New Years Eve - Closes 2pm
- New Years Day - Closed

As always, we will be contactable throughout the Christmas / New Year period on our normal numbers.

Stock Review — WBB

In our Christmas edition for 2007 we featured Wide Bay Australia Ltd. We thought we might re-feature this stock in this year's Christmas edition to highlight how investor sentiment plays a huge role in the short term movement of the market. Longer term, fundamentals always win.

This is an extract from last years edition: "WBB recently acquired Mackay Permanent Building (MPB) Society to provide greater regional geographic spread.

WBB has a market capitalisation of approximately \$300m at the current share price of \$11.80 (ex MPB takeover). MPB has a market capitalisation of approximately \$60m at the takeover price.

WBB has a current forecast yield of 5.42% fully franked and ABN AMRO Morgans has a buy rating with a \$14.64 price target."

As we write today, WBB is trading at \$6.85 on a fully franked yield of 9.52% (13.6% gross yield). As recently as two weeks ago, WBB confirmed that for the 2009 FY they are expecting another record after tax profit with profit growth guidance of 15-20% for the full year, despite noting conditions are tough.

So fundamentals (common sense) suggest the share price should be up, but short term sentiment is winning as the share price is down 41.52% since last December. This is at a time when record profits continue to be made and record dividends paid. There lies the problem. It doesn't make sense. And there's only one thing that will correct this situation, TIME. As we said above, fundamentals always win, it's just a matter of when.

Our Outlook For 2009

In late October we sent out the (first ever) Special Edition of Martin Bros Monitor explaining what caused the near systematic meltdown of financial markets as we know it. Now, we dust off the crystal ball, repair the cracks and put on record what we think 2009 might hold in store for our equity markets.

In twelve months time we will be able to look back and judge whether we missed our true calling and should have been economists (i.e. We got it wrong) or whether we did in fact repair the crystal ball into working order.

When looking back in twelve months time, irrespective of whether we were right or wrong, one thing will be true. Markets will recover, most stocks will recover and this economic downturn will prove to be another cycle that is ultimately proceeded by another upswing. Time heals all wounds and time will again heal the current wounds.

"One of the biggest criticisms of economists is that almost all seem to be two handed"

One of the biggest criticisms of economists is that almost all seem to be two handed. That is, on the one hand they believe 'this' will be the case, but on the other hand, the opposite could also be the case.

We have one hand and here it is (for all to potentially criticise in 12 months):

- Australia will have experienced its first recession since 1992, ending in the third quarter of 2009
- The Australian / US dollar exchange rate will be at 62 cents
- One of Australia's regional banks will have been taken over by one of the big four banks
- Australia's cash rate will be at 3.5%
- Australia's unemployment rate will be at 6.5%
- RIO Tinto will have traded under \$25 (it reached \$157 this year)
- By this time next year the ASX 200 Index will be at 4,500 points (currently at 3,640 points)

The above predictions are not based on economic models that use incredibly complicated algebra formulas to digest various data inputs with a view to producing accurate outcomes. That's what economists do. Our predictions are at a much more macro level, with a small dose of optimism.

Economic forecasts, like short term stock forecasts, are, at the end of the day, best estimates. Neither can take into account or accurately predict human behaviour. Sentiment, either fear or greed, will drive things in the short term. Right now we are seeing fear clearly win the battle (see Stock Review - WBB). But eventually, the risk / reward equation will become too tempting for the mass and the greed dog will begin to wag its tail. With cash rates (which is also referred to as the "risk free rate") falling below 4% in early 2009, this may not take three or four years as some are predicting.

As we have said, time heals all wounds, and this economic downturn will be no different from any one in the past—we will come through it. As we have stated a number of times in previous MBM editions, the market bottom will not be at the height of the economic slowdown, it will be six to nine months before the economy bottoms. This bottom, we may have seen. Maybe.



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CHRISTMAS HAMPER COMPETITION



By popular demand, the Christmas Hamper competition is on again for 2008.

As in previous years, you must 'qualify' to enter the draw for the Christmas Hamper. You need to answer each of the questions below and get them all right to go into the draw.

Please email Leonie on lwraight@abnamromorgans.com.au or call her on (03) 9947 4137 with your answers. The competition closing date is Wednesday 17th December at 4:30pm AEST. The winner will be drawn that afternoon and notified by phone, with delivery of the gift basket on Thursday or Friday of that week. The Winner will be announced in the next edition of the MBM.

The gift basket:

Valued at over \$300 – It's called 'All the Bells and Whistles'

Including an assortment of biscuits, chocolate, sauces, wine, pudding, coffee, nuts and more.....

Questions

1. Name Australia's 25th Governor General?
2. In what year was the painting 'Blue Poles' purchased by the National Gallery of Australia?
3. Which two countries straddle the Bering Strait?
4. Name five of the six actors who have played James Bond.
5. Which Olympic sport might require a 'Foil' or 'Epee'?



More Great Photos (to come)

As we write, Tim is in the Mt Cook National Park in New Zealand. This time teaching a small group of RMIT students how to stay alive and climb in extreme alpine areas.

As we did after his climbing expedition to Alaska, we will include some photos from his recent adventure in the next edition of MBM.

Thank You

Our Team would like to thank all of you for your support and good wishes during what has been an eventful year for everyone.

We wish you and your families a very safe and happy Christmas and New Year period and look forward to catching up with you in 2009 during what may prove to be more of a 'normal' year.

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