



Martin Bros Monitor

www.martinbros.com.au

Christmas Quarter 2009 Edition

Paul & Jarrod Martin are Authorised Representatives (259367 & 259249) of RBS 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 regular numbers.

Stock Review — BOQ

In our Christmas edition for 2008 we featured Wide Bay Australia Ltd. In keeping with the banking theme we thought we would feature another regional banking stock in this year's Christmas edition - Bank of Queensland (BOQ).

As we write today, BOQ is trading at \$10.55 after coming off a recent high of \$13.49. Seasonally this can be a weaker period for banks as many have gone ex-dividend at the end of October/start of November and they can suffer from some selling pressure. We have seen this across the board with most bank shares down over 10% in the past few weeks.

BOQ is a successful regional bank that has built up its presence in other major cities outside of Queensland over the past five years. They operate an owner-managed branch network that is unique amongst Australia's first and second tier banks.

BOQ had earnings per share of 98 cents in 2009 and paid a 52 cent fully franked dividend in the same period. This equates to a P/E ratio of 11.25x and a yield of 4.72% (6.74% gross yield) based on its current share price.

BOQ raised \$340m in August this year with a view to strengthening their balance sheet to enable them to pursue acquisitions. They expect further consolidation amongst the smaller players in an effort to stay competitive with the big four banks. It must be said too, that BOQ is a possible takeover target itself.

BOQ is targeting a Return on Equity (ROE) of 15% by 2012. Our analyst has a buy rating on the stock with a \$13.96 price target.

Scorecard 2009

In last year's Christmas edition of MBM we dusted off our crystal ball, repaired the cracks and put on record what we thought 2009 might hold in store for our equity and other markets.

Not wanting to be accused of avoiding our predictions, below is what we forecast versus the actual outcome.

Forecasts:

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

Results:

1. Wrong. Technically we never had a recession as our official GDP figures only went into negative for one quarter, not the required two quarters to be officially a recession. However, unless you live in rural Australia we did really have a recession as the non farm GDP figures did experience two consecutive quarters of negative economic growth in the first half of 2009. But we can't claim a 'tick' on this one.
2. Very wrong. But it did get to 62.88 cents in early March
3. Wrong again (but as they say, watch this space)
4. Spot on. Yeah!
5. Wrong, currently 5.9%. But, much closer than the 8% plus forecast this time last year by Treasury.
6. Correct - it traded as low as \$23.59 on a rights entitlement adjusted price.
7. Correct. Over in fact.

Last year at this time general market sentiment was very poor. In the Christmas 2008 MBM we wrote:

"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 masses 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."

Well it certainly didn't take three or four years, more like three or four months, as we can now very safely say the bottom of this market cycle was seen in March and we are now firmly in the midst of the recovery phase. This does not mean there won't be setbacks along the way. There will, but we suspect these will be no more than 15% (for at least the next couple of years) as the market grinds higher after each minor setback, as it should, with corporate earnings rebounding strongly. As we wrote in our Special Edition MBM in October last year, economic fundamentals are in control of market direction again (now that the ultimate panic is over). Unless our economic prospects change for the worse, equity markets are not going to suffer a severe fall any time soon.



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CHRISTMAS HAMPER COMPETITION



We can hardly have a Christmas edition of the MBM without the usual Christmas Hamper competition, and 2009 is no exception.

Again, 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 to be eligible to win the prize.

Please email Leonie on leonie.wraight@rbsmorgans.com or call her on (03) 9947 4137 with your answers. The competition closing date is Wednesday, 16th 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 gift basket:

Valued at over \$250 – It's called 'Christmas Classic'

Including an assortment of Christmas favourites - biscuits, cheese, wine, pudding, coffee, nuts and more.....

Questions

1. What coloured head band did Pat Cash wear when he won Wimbledon?
2. Is Melbourne Cup Day a public holiday in Tasmania?
3. Who is the large international company behind Australia's "Gorgon" project?
4. Which is the lowest number that, when spelt out, is in correct alphabetical order?
5. Each US president adds their own sporting infrastructure to the White House. What did Barack Obama add?



Welcome

We are thrilled to announce that Rochelle and her partner Dunstan are expecting their second child in March.

We are equally as happy to announce that Stella Moses has started with our team to fill the gap Rochelle will leave. Rochelle plans to return to work with our team again in the future.

Thank You

Our Team would again like to thank all of you for your support and good wishes during what has been a roller coaster of a year in our world.

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 2010, during what may prove to be more of a 'normal' year.

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