

CEDA Economic Update

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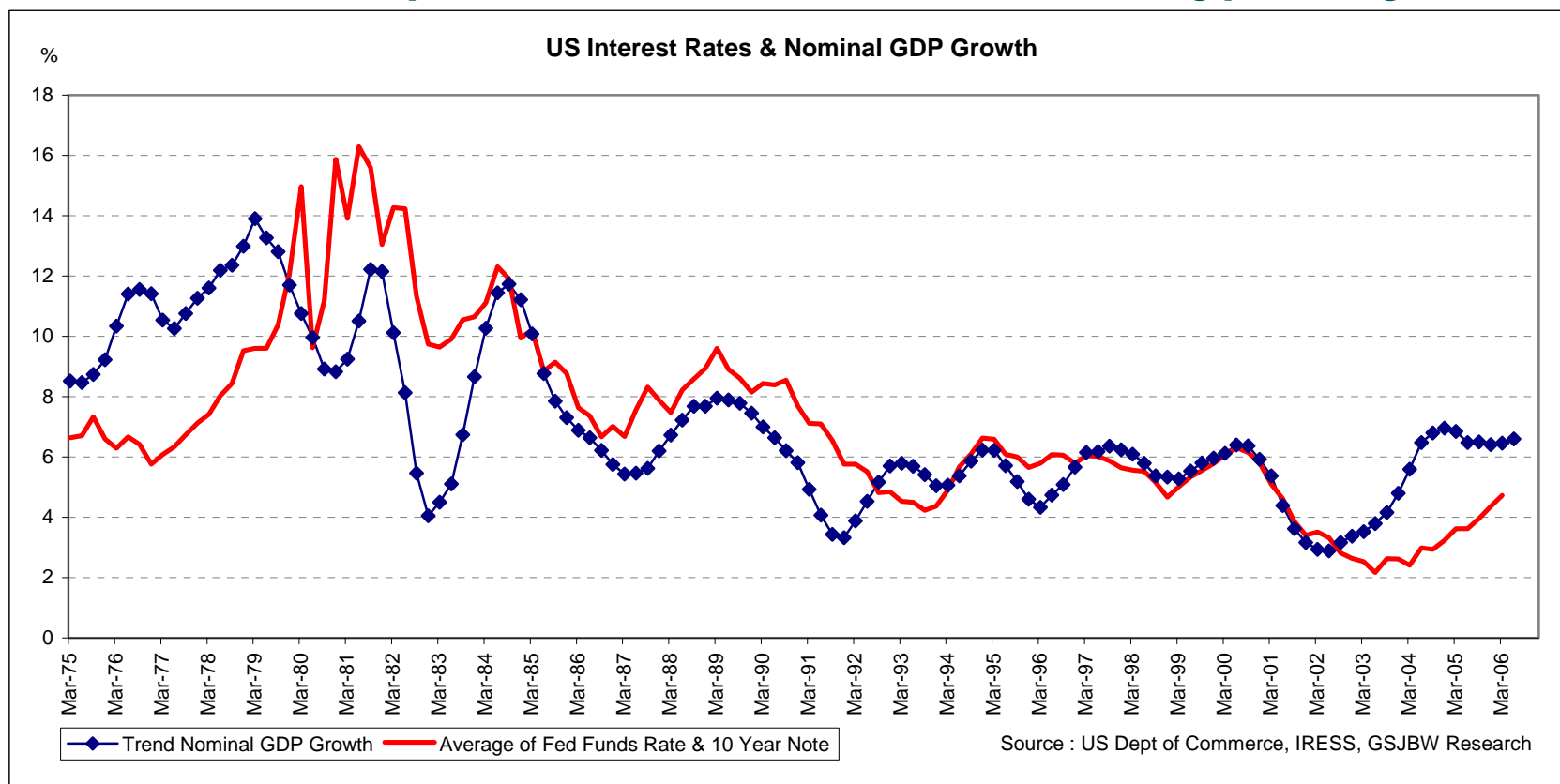
Asset Class Performance

Not a 'negative' in sight (very, very unusual).

	2006 ytd	2005	2004	2003
EQUITIES				
<i>Australia</i>				
ASX300	9.1%	22.3%	28.0%	15.0%
Industrials	6.7%	16.6%	28.3%	12.4%
Resources	18.2%	50.1%	26.6%	29.2%
<i>Global</i>				
A\$ terms	9.8%	17.6%	10.8%	0.0%
US\$ terms	6.7%	10.0%	15.3%	33.8%
FIXED INTEREST	0.9%	5.9%	6.9%	3.1%
LISTED PROPERTY	1.8%	12.1%	32.8%	8.8%
CASH	1.4%	5.7%	5.6%	4.9%
Performance as at 31 March 2006		Source : ASX, MSCI, UBS		

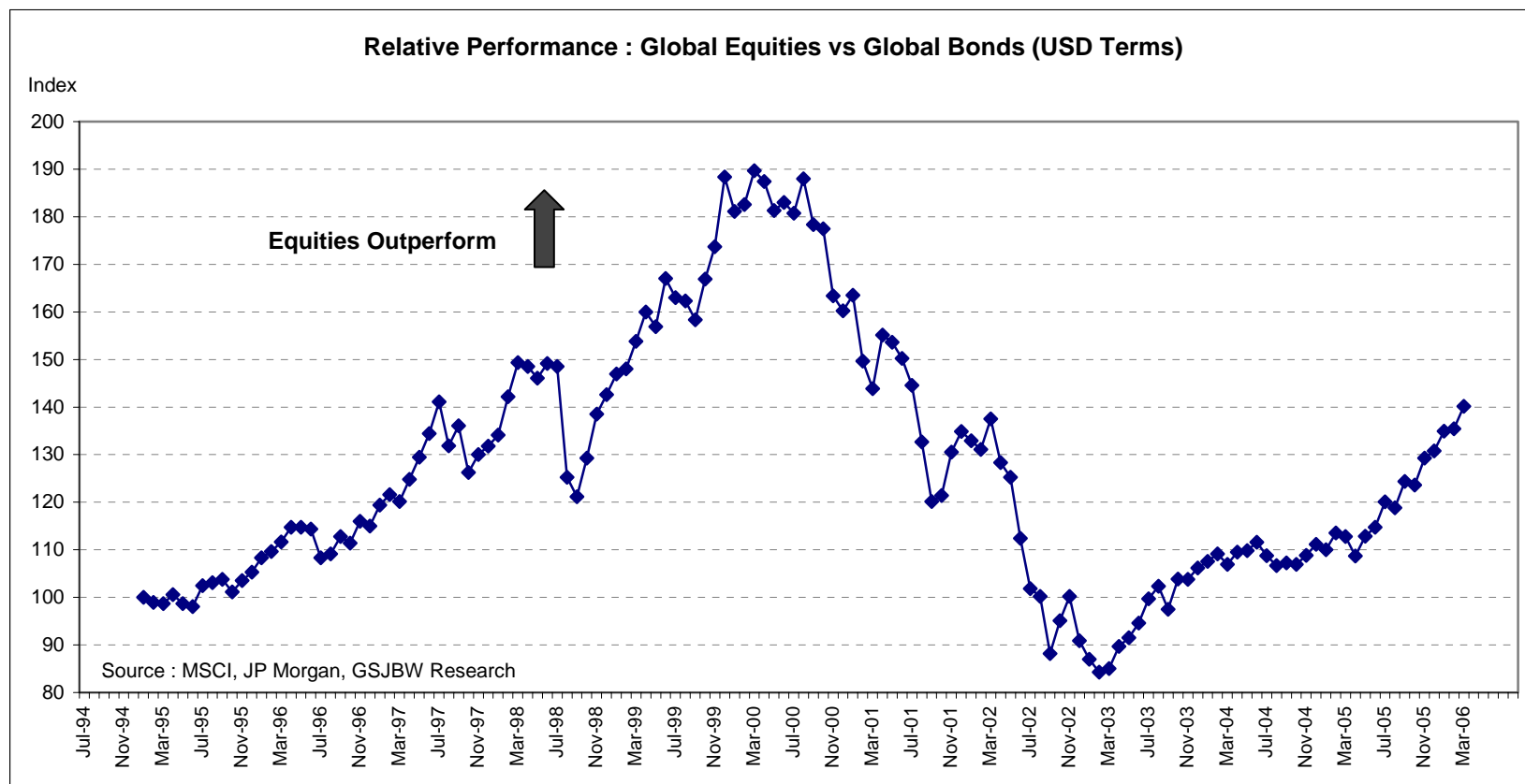
Global Economy : The return of the typical cycle

Excess liquidity – interest rates are only now returning to levels one would expect to see at the bottom of a typical cycle.

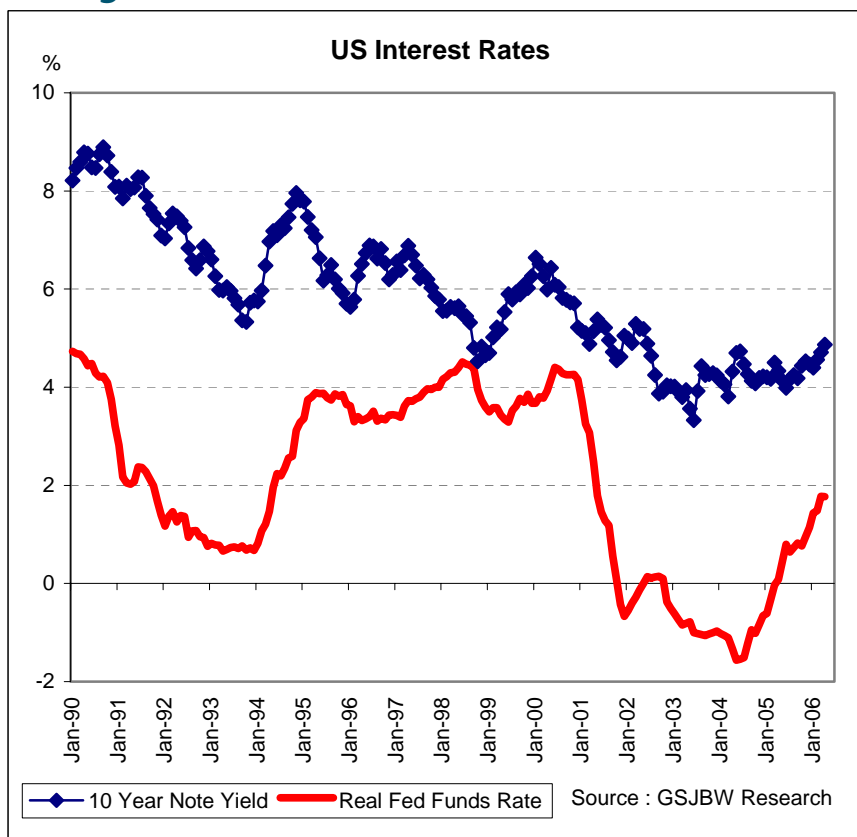
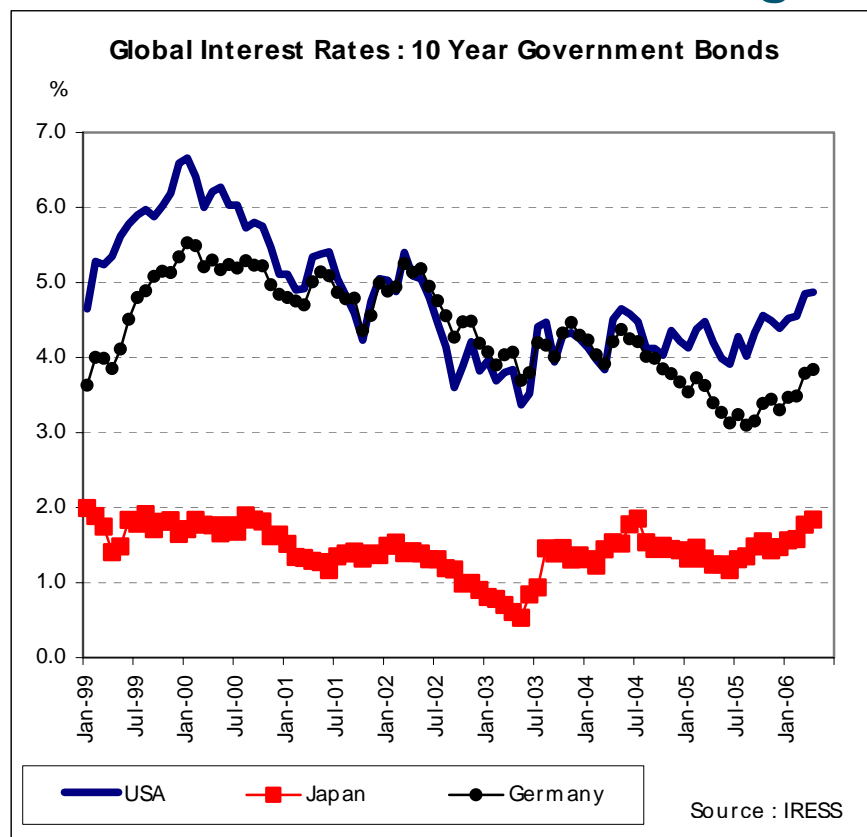


Global Economy : The return of the typical cycle

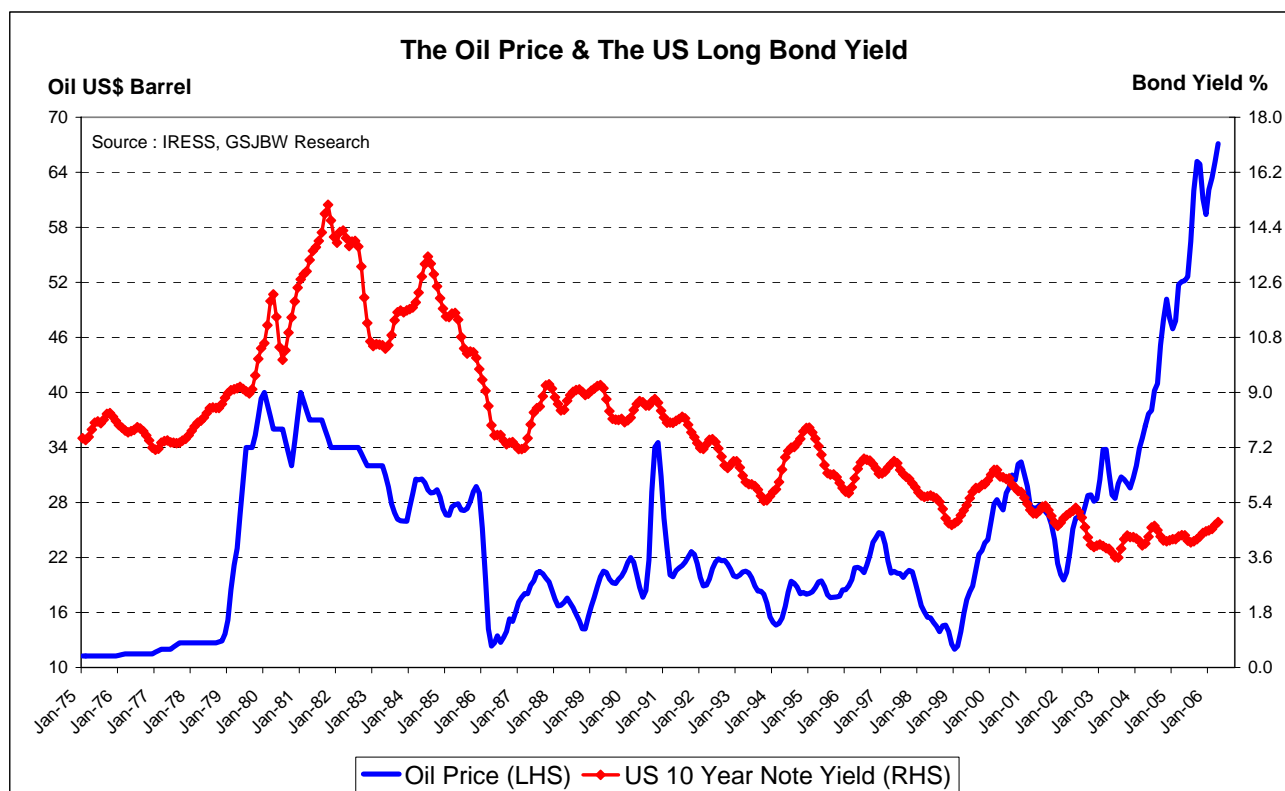
Growth assets are outperforming as the marginal investor looks to take on more risk



But, the policy normalisation' process continues to come through – US now well-advanced. Japan/China/Europe are now becoming the key drivers.



Rising Oil Prices & Rising Interest Rates
Don't temp fate. While these trends persist – prefer cash.

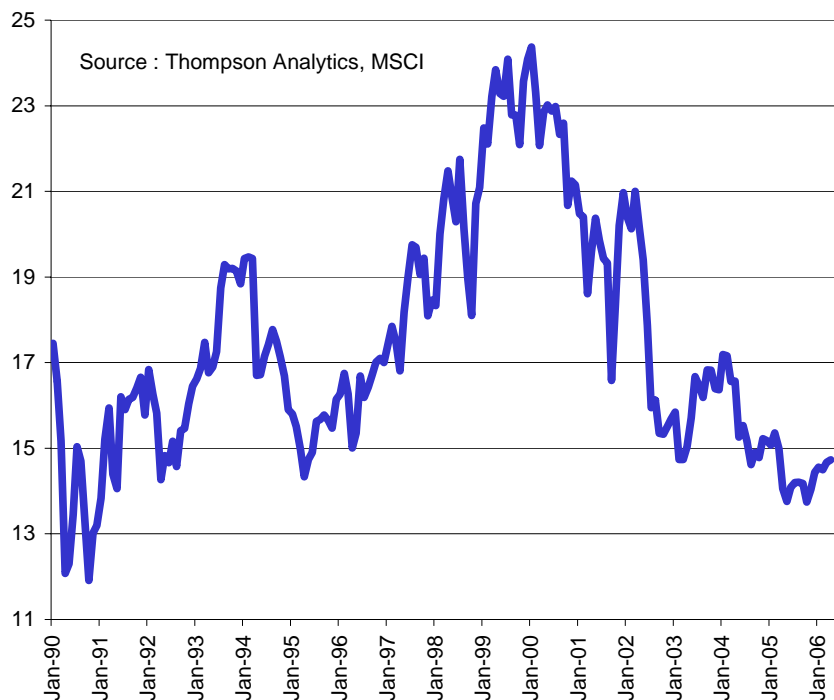


Global Equities : Better quality & better value

**Global Equities (MSCI Universe) :
Prospective PE Multiple (12mth forward)**

PE Multiple

Source : Thompson Analytics, MSCI



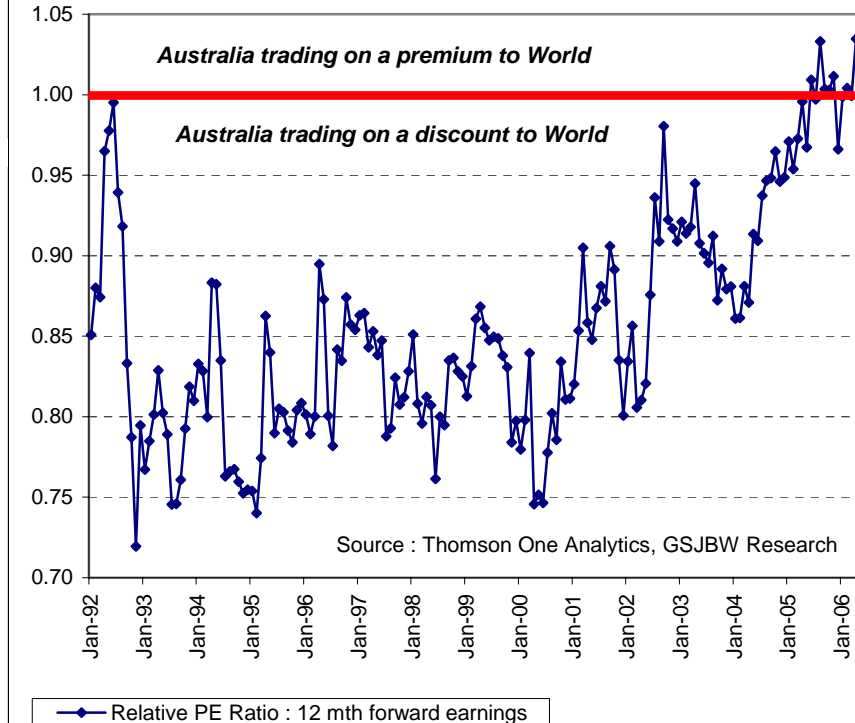
**Relative Price Earnings Multiple :
Australia Index (MSCI) vs World (MSCI)**

Ratio

Australia trading on a premium to World

Australia trading on a discount to World

Source : Thomson One Analytics, GSJBW Research



Global Equities : Better quality & better value

A few examples

Company	P/E (F2007E)	Company	P/E (F2007E)
Woodside Petroleum	20.2	QBE Insurance	14.0
Royal Dutch Shell	8.6	American International Group	10.5
Exxon Mobil Corporation	9.5	Lloyds TSB	10.3
Woolworths	17.6	Telstra Corporation	13.7
Wal-Mart Stores	15.0	BT Group	10.8
Tesco	14.6	NTT DoCoMo	13.5
AXA Asia-Pacific Holdings	18.8	Rinker Group	16.2
AXA SA	11.1	Martin-Marietta	19.3
Prudential	11.9	Vulcan Materials	19.9
Macquarie Bank	17.8	Foster's Group	15.8
UBS	12.0	Constellation Brands	13.0
Credit-Suisse	10.6	Diageo	16.1
ABN AMRO	10.6	CSL	24.8
National Australia Bank	14.4	Baxter International	17.7
Royal Bank of Scotland	8.5	Novartis	17.1
Standard Chartered	13.6	John Fairfax Holdings	14.8
Wesfarmers	16.6	New York Times	14.2
General Electric	16.3	McClatchy	13.0

All forecast P/E's for offshore comparable companies are normalised to the year end of the relevant Australian company in each case.

All prices quoted as at 21-Apr-2006

Source: GSJBW Research estimates, GS Research estimates

Australian Equities

Fully valued & positive drivers starting to fade

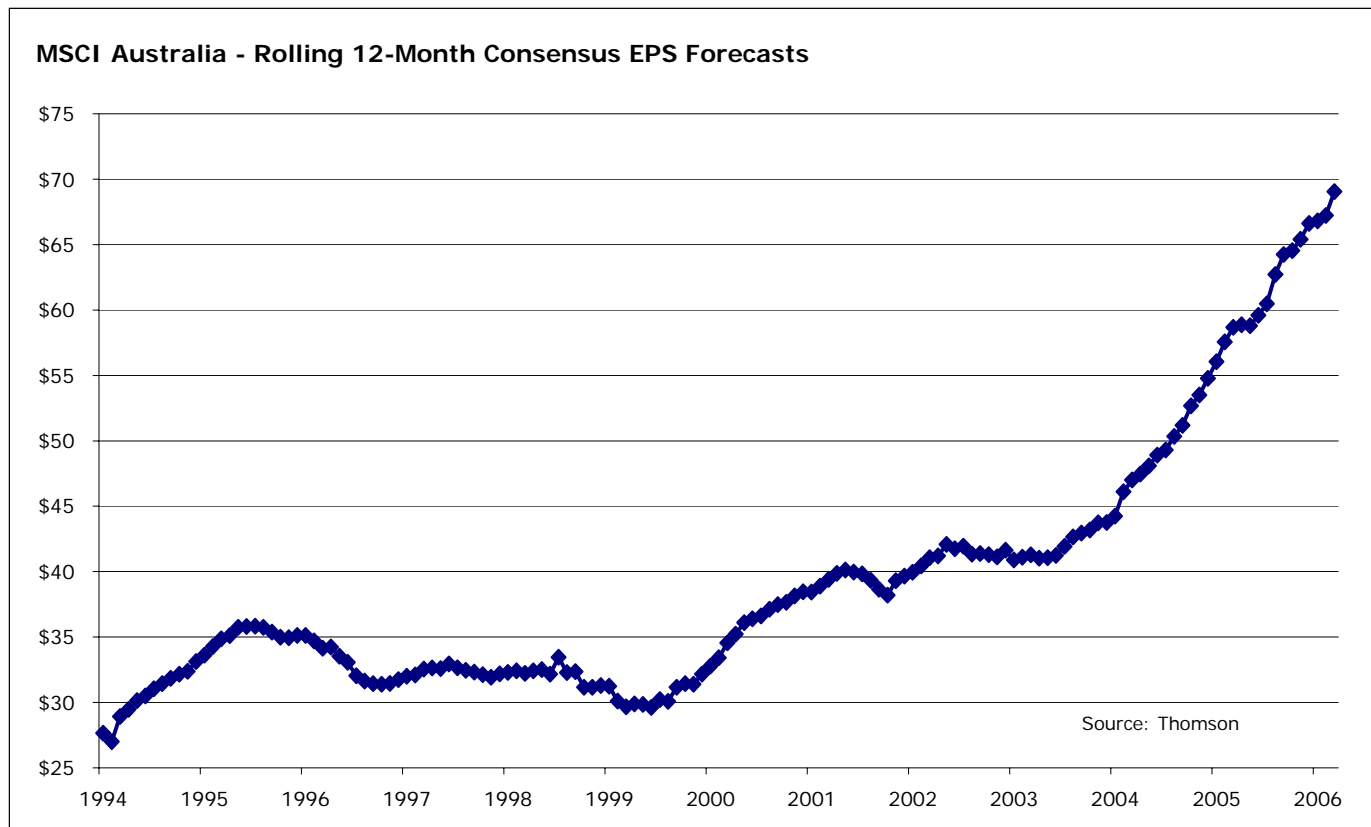
POSITIVE DRIVERS

- Valuation relative to the level of interest rates is still supportive.
- Merger & acquisition activity set to continue.
- Scope for household spending in Australia to pick-up through 2006 – tax cuts will help.
- Commodity prices continue to outpace forecasts.
- Fundamentals for global markets still sound.
- The marginal investor is confident.

NEGATIVE DRIVERS

- Absolute valuations are full.
- Full absolute valuations and receding potential for profits to beat expectations – more so industrials.
- Oil price US\$70-plus – a drag on global consumer.
- Cost pressures evident – energy, commodities, wages, compliance.
- Inflation/interest rate risks may yet reappear.
- Speculative flows into commodities/pure-play resources.
- Geo-political surprises.

Australian Equities : EPS up 133% since 1999, 75% since 2003.



Australian Equities : Profit Outlook

December Half Reporting Season : Relatively Supportive

GSJBW Analyst Australian EPS growth estimates

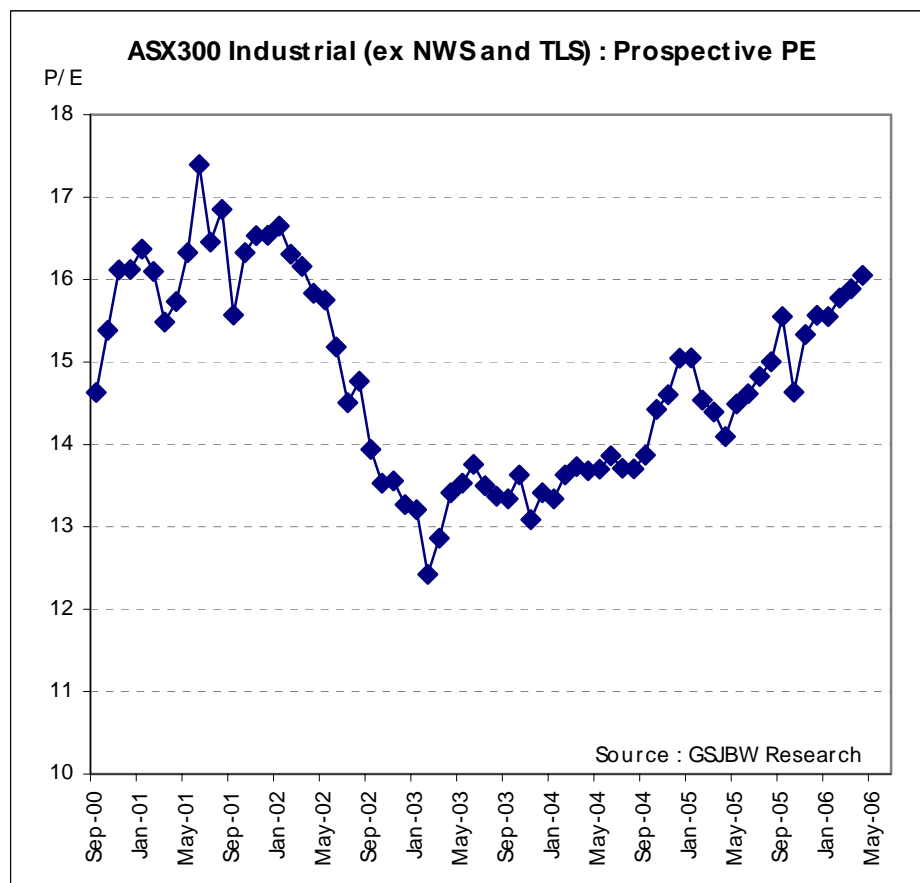
	2005	2006(f)	2007(f)
ASX 300	29%	22%	3%
ASX 300 Industrials	12%	9%	9%
Major Banks	10%	10%	9%
Ex-financials (ex TLS, NWS)	9%	16%	11%
ASX 300 Resources	79%	49%	-6%

At 20 April 2006

Source GSJBW Research estimates

<i>GSJBW Currency assumption</i>	<i>FY06</i>	<i>USD 0.74</i>
	<i>FY07</i>	<i>USD 0.76</i>

ASX200 Industrials : Valuations look full



- The industrial market is now looking fully valued on both a PE and DCF basis.
- It is difficult to see scope for further positive earnings surprise although some companies will benefit if the A\$ remains weak. Elsewhere, the full impact of the NZ slowdown is yet to be revealed.
- Corporate financial health is excellent, so dividend income flows will remain attractive over coming years.

Asset Class Yields

Major Asset Classes: Pre-Tax Yields (%)					
	Cash	3 Yr Bond	Property Trusts	ASX Industrials ¹	Residential Property ²
Jun-01	5.0	5.6	8.0	5.4	5.2
Dec-01	4.3	5.1	7.6	5.8	4.8
Jun-02	4.7	5.6	7.7	5.6	4.5
Dec-02	4.7	4.6	7.6	7.0	4.2
Jun-03	4.7	4.5	7.3	6.9	3.8
Dec-03	5.3	5.4	7.9	6.8	3.5
Jun-04	5.3	5.5	7.2	6.8	3.5
Dec-04	5.3	5.2	6.5	6.5	3.5
Jun-05	5.5	5.1	7.0	6.7	3.5
Dec-05	5.5	5.2	6.8	6.6	3.6 (e)
Current	5.5	5.6	6.7	6.4	3.6 (e)

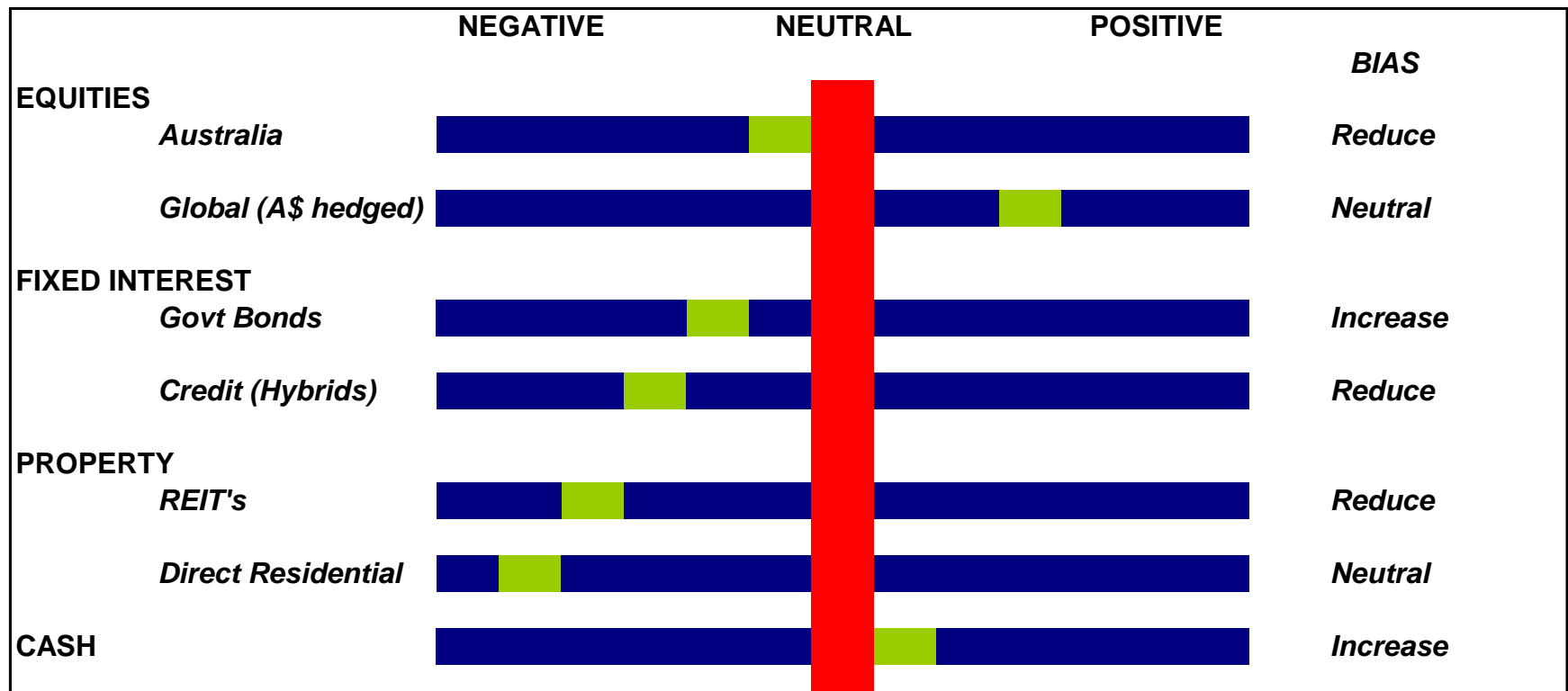
¹ Ex-NWS +Franking (84%)

² Gross

Source: GSJBW Research estimates, IRESS

The Major Asset Classes

Our view of the relative prospects over the next 12 months



As at 24 April 2006

Source: GSJBW Research

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Recommendation Definitions

Short Term

Underperform (UP)
Marketperform (MP)
Outperform (OP)

Stock is expected to underperform the S&P/ASX 200 on a 0-6 month timeframe
Stock is expected to perform in line with the S&P/ASX 200 on a 0-6 month timeframe
Stock is expected to outperform the S&P/ASX 200 on a 0-6 month timeframe

Long Term

Sell (S)
Hold (H)
Buy (B)

Stock is expected to underperform the S&P/ASX 200 for beyond 6 months
Stock is expected to perform in line with the S&P/ASX 200 for beyond 6 months
Stock is expected to outperform the S&P/ASX 200 for beyond 6 months

Other Definitions

NR
when Goldman

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SHORT TERM (0-6 MONTHS)

Relative Earnings Outlook:

Forward looking assessment of risk to consensus EPS estimates relative to estimated EPS risk across the market.

Earnings Revision:

The percentage change in the current consensus EPS estimate for the stock (year 1) over the consensus EPS estimate for the stock 3 months ago. Stocks are rated according to their making it a market relative measure.

News Flow: effectively

The consideration of stock specific news flow, market and/or cyclical thematic and other issues such as index changes. Addresses two issues: (1) What is the potential news flow; and (2) price reflecting?

What is the share

Relative Performance:

Historic rolling 3 month performance versus the broader market. Stocks are rated according to their relative ranking.

Valuation Support:

Considers a range of valuation methodologies, including discounted cash flow (DCF) valuation, PER, dividend yield and any other relevant measure.

LONG TERM (> 6 MONTHS)

Industry Structure:

Based on Goldman Sachs JBWere industry structure ranking. All industries relevant to the Australian equity market are ranked, based on a combination of Porter's Five Forces of industry structure as well as an industry's growth potential, relevant regulatory risk and probable technological risk. A company's specific ranking is based on the proportion of funds employed in particular industry segments, aggregated to determine an overall company rating, adjusted to reflect a view of the quality of a company's management team.

EVA™ Trend: ¹

EVA™ trend forecast for coming 2 years. Designed to reflect "turnaround stories" or to highlight companies Goldman Sachs JBWere analysts believe will allocate capital poorly in the (An ROE measure is used for insurance stocks in conjunction with an assessment of the strength of an insurer's balance sheet).

estimated timeframe.

Growth Option:

A qualitative and quantitative assessment of a company's long term growth options that the analyst believes should be considered and possibly recognised by the market.

Price:Base Case DCF:

The premium or discount to base case DCF valuation at which the stock is trading relative to the average premium or discount across the market.

¹ EVA™ is a registered trademark of the U.S. consultancy firm Stern Stewart

For Insurers

Return On Equity:

Rating taking into account the expected level and trend of ROE over the next 2-3 years.

Balance Sheet:

Analyst's assessment of the quality and strength of the insurer's balance sheet, including conservatism of provisioning, sufficiency of capital, and quality of capital.

For REITs

EPU Growth:

Ranking of Earnings Per Unit growth relative to other listed Real Estate Investment Trusts. Used instead of EVA™ Trend.

Strategy:

Used instead of industry structure as many REIT investors are intra rather than inter sector focussed.

Yield:

Yield relative to the REIT sector average. Used instead of Valuation Support.

For NZ Companies

Relevant Index:

If a research report is published by the New Zealand affiliate of Goldman Sachs JBWere, the recommendation of a company or trust is based on their performance relative to the NZSX 50 not the S&P/ASX 200 index

Short Term	Overall	Corporate relationship* in last 12 months	Long Term	Overall	Corporate relationship* in last 12 months

*

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