INTERSUISSE

BOURSE REPORT

SUMMER 2009–10

Wishing Our Clients a Happy and Safe Festive Season

What about the Santa Claus Rally?

2009 has been a roller-coaster in financial markets. In early March the Australian share-market plumbed to its lowest recent level but has since zipped up by 45 per cent. The share-market rally was largely sustained through to early October since which time prices have stabilized... Santa arrived early this year. The Aussie dollar has strengthened to the low 90's, and gold smashed through the US$1200 per ounce level … since easing back to the low $1100's.

What about the "worst ever" Global Financial Crisis?

The Wall Street banks are out of the Emergency Room and are now in the Recovery Room taking strong medication. The US dollar continues to be weak and there is a lot of hurt in "Main Street USA" with unemployment rates of 10 per cent.

Domestically, the Rudd Government's cash stimulus programs were strong shots of adrenaline to the economy as a response to the Global Financial Crisis (GFC), and with improving conditions **Australia is the only Advanced economy projected by the International Monetary Fund to have positive Real GDP growth in 2009**. (By way of comparison the USA, the Euro area and Japan will have GDP shrinkage in 2009 of 2.7%, 4.2% and 5.4% respectively.)

What has changed?

The combination of low interest rates, the First Home Owner Grants, the Business Tax Break for small businesses, and strong household formation flowing from immigration has provided a base for stronger economic demand. Externally the economies of China and India, Australia's important customers for mining products, continue to grow and support our economy. The impact of these factors has led to the Reserve Bank **lifting** interest rates by 1/4 per cent in each of the last three months.

What about next year?

The impact of the GFC is not over. The value of most investment portfolios remains well below the peak of late 2007. Companies with large borrowings have struggled to re-finance these, and others have taken one-off losses from dud and poorly-performing investments. Without doubt the GFC has elevated financial prudence and discipline in the minds of directors and managers. These factors and increasing business confidence leads Intersuisse to be cautiously optimistic about investments in 2010.

Howard Elton - Director

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Australia and New Zealand Banking Group Ltd (ANZ) Buy to $23.00

- *One of the 'Four Pillars' of Australian Banking, ANZ's focused Asian expansion strategy to become a "Super Regional" bank differentiates it. It has an 'AA' rating*
- *Australian banking remains the largest of ANZ's businesses. ANZ owns National Bank of New Zealand and is the largest bank in New Zealand*
- *Expansion in Asia is accelerating with a presence in 14 Asian countries. Most significant are bank partnerships in China, Indonesia, Malaysia, Laos and Cambodia*
- *The recent purchase of Asian businesses may be followed by other cherry-picked regional opportunities.*

In a tough year for banks, the top four increased market share and raised equity and debt, much of the debt with a government guarantee. ANZ made useful Asian acquisitions and took full control of its Wealth management business.

For the year to September, cash earnings were $3,383m, a solid result. Operating income rose 12% to $13.6bn and total expenses 9%, so underlying net profit was up 10% to $3,772m after the credit impairment charge rose 54% to $3.0bn. Interest margin rose from 2.40% to 2.52%.Diluted cash EPS fell 2.0 % to 152.3¢ with the cash return on equity 12.0%. FY10 EPS will reflect the recent equity issues that lifted year-end shares on issue by 23%.

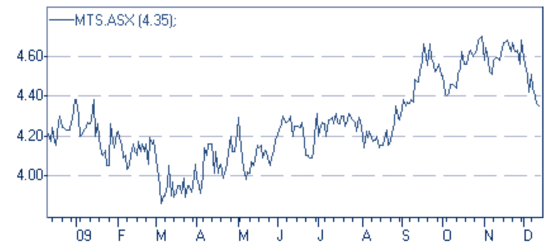
Management believes the credit cycle has troughed, but it remains cautious. The global economy still faces many difficulties and the Australian economy remains fragile, but credit impairment charges are now expected to decline. Tier 1 capital ratio is now a high 9.9% including the deals below.

ANZ is acquiring from Royal Bank of Scotland for $687m the latter's retail, wealth and commercial businesses in four Asian countries and its institutional operations in Taiwan, the Philippines and Vietnam. The Philippines and now Vietnam acquisitions are completed with the larger ones to follow.

ANZ has finally lifted its exposure to the wealth management and life insurance sector by buying ING Group's 51% interest in their previous joint venture for $1.76bn. This frees it to integrate and focus its now second largest market position, expected to be cash earnings positive in FY10 pre-synergies.

Continuing its core banking focus, ANZ will sell its custodian services business and separately acquire from AWB Ltd the $2.4bn Landmark Financial Services loan book and $300m deposit book with about 10,000 customers. Expected to be EPS accretive in 2010,ANZ is buying at net book value, involving ~$160m in capital, with an exclusive referral agreement for ANZ products to be offered to Landmark's 100,000 customers. ANZ is now a leader in agribusiness financial services in NZ and Australia, exposed to cropping, beef and mixed livestock, and meanwhile opening a new ANZ rural bank in Liangping in western China.

Metcash Ltd (MTS) Buy to $4.75



- *The third player in the Australian grocery market, with 19%, Metcash is a marketer & distributor with three business units - IGA Food Distribution, Campbells Wholesale and Australian Liquor Marketers (ALM).*
- *Food distribution to independent retailers and chains is the key driver, with scale efficiencies and chain growth. Campbells Wholesale is expanding to the convenience store segment. Liquor distribution is highly competitive but gains with brand consolidation.*

In July IGA, with over 1,270 independent retailers, agreed with its partner and supplier Metcash to share equally the profits from growth of the IGA chain, store refurbishments, brand compliance and improved store performance. IGA intends to develop over 225 new stores by 2012, with 43 opened last year and 60 to open in FY10. Store and distribution savings from efficiencies are estimated at $110m. The deal may attract more independents to join IGA, as history shows an immediate 20% lift in sales.

Metcash is to supply grocery and liquor products to the 45 supermarkets and 8 aligned liquor stores that Foodworks will acquire from Coles from October to April 2010, adding ~$250 million of sales in the first full year. Metcash contracts with the over 700 existing Foodworks customers are extended to 2019. Metcash has helped raise Foodworks sales from $450m to $1.75bn over seven years, through Black & Gold generics and its Fresh range, its distribution outlets, IT systems and support services.

For the six months to 31 October 2009, profit after tax rose 12.3% to $109.2m. Wholesale sales rose 6.6% to $5.6 bn, EBITA grew 6.9% to $189.9m, EPS grew 12.2% to 14.7¢ and the franked interim dividend is lifted 1¢ to 11¢.

Comparable store sales grew 6.4%. The number of new branded stores rose by 31 in the half, with 63 expected to open in the full year. Private label business continues to grow, with Black & Gold's sales rising 7%, ALM sales grew 1.2% to $1.28 billion, with EBITA $14.6m. Sales to banner groups rose faster. There were 41 store refurbishments. Campbells sales grew 4.6% to $0.84bn with EBITA of $13.5m.

Metcash has agreed to inject some $55m into Mitre 10 for a 50.1% interest in the group, subject to approvals expected by March 2010. Metcash may acquire the balance of Mitre 10 based on a multiple of earnings in 2012 or 2013. This allows it to compete in consolidation of the hardware field with Wesfarmers' Coles and Bunnings and Woolworths and Lowe's new Danks JV. As in grocery, Metcash's logistics, merchandising and brand skills should help steadily lift Mitre 10 hardware revenue and profit.

Metcash has reiterated guidance of 7-10% growth in EPS for the year to 30 April 2010. The company offers a distinctly higher yield on a lower P/E than Woolworths or Wesfarmers. The above developments are positive.

Primary Health Care Ltd (PRY) Buy to $6.45

- *Primary Health Care provides pathology, diagnostic imaging and other medical services across Australia*
- *Medical Centres are a core and key activity involving GPs, specialists, day surgery, pharmacy, pathology, radiology, occupational medicine, rehab co-ordination & para-medical (physio, chiro, dental, dietician, etc.)*
- *Health Technology's clinical & practice management software is used by 16,000 GPs and 80% of hospitals. Listed in 1998, PRY is in the S&P/ASX 100 Index.*

MD and principal founder Dr Bateman has led the delivery of outstanding returns through developing the portfolio of 24hr medical centres. Acquisition of Symbion Healthcare in 2008 transformed the asset pool. The merged group is the largest domestic pathology provider and with Sonic one of two leaders in diagnostic imaging. Over 80 Medical Centres add substantial margins and growth. Management aims to deliver integration cost savings of $100m by FY10.

In FY09, normalised NPAT was $114.4m. With four months of Symbion in FY08, revenues have now doubled. Of $358m EBITDA, 40% was from Medical Centres, 42% Pathology, 16% Imaging and 5% Health Technology. EBITDA Margins have considerably strengthened reflecting successful integration and upgrading of Symbion operations-and there is more to come this year.

Major performance benefits will come from the continuing integration of Symbion operations, people and assets and their upgrading to Primary's effectiveness and efficiency.

With the sale of Symbion's pharmacy and consumer divisions and $534m equity raised during 2009, interest will fall significantly, leading to a boost in FY10 NPAT. NAB is arranging a $1,200m debt facility with the close expected in December.

Primary now has 45 large-scale medical centres and expects to have 50 open by end-December. Ten of these now use co-payment. PRY has operated bulk-billed services and co-payment means the customer will be charged extra for his/her GP consultation or diagnostic test. Co-payments may not be popular but patients may have little choice.

Adding practices to medical centres will continue. In FY09, 88 GP practices were bought while 19 Symbion centres were closed or merged, with doctor retention strong.

Upgrading continues. Pathology saw mergers of key NSW laboratories, while automation of core labs in WA, Queensland and Victoria was completed. Synergy targets are being met and more upgrades are scheduled for FY10.

Imaging margins grew well in H2, a long-term trend. Structural changes include productivity gains and site closures.

Seek Ltd (SEK) Buy to $7.45

- *Seek is the clear leader in the Australian and New Zealand online employment classifieds sectors.*
- *It also has online training and development businesses in Australia and New Zealand and a niche UK operation that targets Australian and NZ jobseekers.*
- *In China, Seek has built its shareholding in Zhaopin to 56%. Zhaopin is #2 with 42% of the online market. Seek is reinvesting to build Zhaopin's market share.*
- *A year ago, Seek acquired 10.1% of Malaysian / Asian based Jobstreet Corporation for $20m, & 30% of Brazil Online Holdings, with two leading jobsites, for $106m.*

Seek has two main operating divisions - online job classifieds, and training & learning. It is Australia's premier online job classifieds provider, with close to 60% of the Australian and New Zealand market. Earnings and margins should grow substantially with continuing migration from print classifieds to online media. Its dominance is a powerful barrier to entry. Operating leverage and low capex give strong free cash flow.

The GFC showed the resilience in online ad revenues. Employment, which provides 80% of revenues, reported a fall in FY09 sales by just 11% to $169m, with EBITDA down 15% to $91m. Strong growth in Education & Training pushed its revenue up 50% and EBITDA up 49%. Seek Learning and its associates grew revenues 50% to $152.5m. Seek says 45% was organic; NPAT contribution was up 68% to $16.6m.

FY09 reported NPAT of $55.3m included a $17.3m loss from Chinese operation Zhaopin. These losses are declining and Seek expects breakeven in FY10. Excluding Zhaopin and an impairment charge the underlying businesses delivered normalised NPAT of $78.8m. Net debt to equity was 24%

In April 2009 Seek raised $121m at $2.60, funding purchase of the remaining 50% of THINK and paying down debt. In August, Consolidated Press Holdings sold its 27% of Seek.

Seek leverages its large database of job applicants to offer focused educational courses. First-year enrolments effectively double the revenue base. Seek is confident it can deliver a further step up in revenues next year as it rolls out more courses and the maturity profile of its portfolio increases.

Average yield per ad rose 27% during FY09, impressive in a downturn. Yield is driven by service segmentation, with customers paying more to have ads stand out or be placed in premium sections to raise their visibility and appeal.

SEK has a strong and leading core ad business and its learning business is growing solidly. Zhaopin is well placed in a major long-term growth market, with JobStreet well set for economic recovery in SE Asia and Brazil's online performance strong in another fast growing economy. The drivers for Seek's growth are consistent. The stages are set and the record proven.

GrainCorp Ltd (GNC) Buy to $6.45

- *GrainCorp has diversified and doubled in size by acquiring United Malt Holdings Ltd (UMH) for $757m, partly funded by a 9-for-10 rights issue at $5.65.*
- *In its traditional grain storage, handling and export business, GrainCorp is dominant in the east-coast bulk terminal and ship-loading capacity; having up to 20 million tonnes grain storage capacity and 13 million tonnes shipping capacity. Competitors include AWB and Viterra that recently bought ASX-listed ABB Grain*
- *GrainCorp also has a 60% interest in Allied Mills, a joint-venture with global agribusiness group Cargill. Allied Mills runs eight flour mills across Australia, and supplies industrial bakeries, in-store bakeries and other food product companies.*

Processing barley and malt for beer and whisky in Canada, USA, Scotland and Australia, UMH contracts with major brewers and distillers. With UMH, GrainCorp has doubled in size and become the world's fourth largest maltster with more diversified earnings, very valuable in agribusiness. The price was attractive at 5.7x EBITDA, proforma gearing is a moderate 31% and interest cover 7.5 times.

Several development projects are already underway, with upgrades of the Arbroath malt facility in Scotland, and the new malt house in Brisbane to be completed in early 2011.

UMH adds to earnings, by about 25% on guidance of 74-76¢ EPS at the time. Given the high A$ and the vagaries of weather we use 68.5¢ here, a current P/E of 8.2 times that should fully reflect agricultural and integration risks.

Graincorp is a long-established grain storage business. Cash flows and dividends will now become less volatile due to the major UMH acquisition, partly offset by more currency exposure and lower franking. Senior management is capable, lowering costs after a lengthy restructure. Graincorp provides handling, storage, marketing, logistics and agronomic services to some 50 domestic and export grain buyers including The Australian Wheat Board.

In FY09, volumes jumped 63% to 29Mt, helped by the stronger east coast grain harvest and the de-regulated bulk wheat export market after the AWB debacle. Grain handled was up 68% to almost 13Mt. Grain exports rallied 170% to nearly 8Mt. Woodchip exports fell due to lower global paper demand. Graincorp also exported a useful 1.3Mt of bulk wheat. This and lower costs trebled EBITDA to $165m, with a strong improvement in net cash flow to $213m. Ports were the highlight, their EBIT moving from minus $2m to plus $65m. Merchandise lost $24m due to lower fertiliser and chemical prices.

Graincorp has been shifting its focus from agri- to agri-food business, with United Malt the latest move. Hopefully the steadier UMH earnings will offset still cyclical grain results.

Servcorp Ltd (SRV) Buy to $4.00

- *Servcorp offers international Serviced and Virtual Office solutions. Founded in 1978, it now runs a network of prime CBD locations in Australia, New Zealand, Japan, China, South-East Asia, India, Europe and Middle East*
- *Its office and IT solutions enable any size of company to enjoy the corporate presence, IT, infrastructure and support of a multinational, without the associated overhead. A Servcorp Smart Office® is a fully managed corporate office suite in a landmark CBD building. It includes a dedicated, local receptionist, access to a worldwide network of meeting rooms, secretarial support on hand and exclusive access to an online portfolio of business services and tools*
- *A Servcorp Virtual Office® gives clients access to the presence, facilities and services of a Smart Office®, whilst they work from home or another location.*

Servcorp operated 67 offices in 54 cities globally at 30 June 2009, with five more committed. Of these offices, 18 were in Australia, 18 in Japan, 6 in China, 4 each in France and Singapore, 3 each in UAE, Thailand and NZ, 2 each in Qatar, Belgium, HK and Malaysia. Committed floors will add access to the UK, USA, Saudi Arabia and Bahrain.

Revenue in FY09 was $229m, net profit $34m, doubled in four years from $124m and $17m respectively: in FY05 Servcorp operated 55 floors in 40 cities. Growth has been strong, with revenue ahead of floors due to efficient use and marketing, and profits will now grow ahead of both.

This will continue at much faster rates, for three reasons.

One, Servcorp has developed its Virtual Office IT systems over twenty years and it has a unique offering with totally integrated online control, billing and administration. The Virtual Office provides more effective working support from a smaller footprint, with phone, internet & IT solutions at the cutting edge at margins well above the Smart Office. Servcorp grew its virtual packages in June '05 to '09 from 10,000 to 20,000. It plans for 40,000 in three years time.

Two, trends to work online and globally are intensifying. In the face of carbon reduction, travel costs will rise and both Servcorp models are gaining, Virtual even more than Smart. Servcorp competition is way behind, and has legacy technologies, and will fall further back if it attempts mergers.

Three, global office markets offer the cheapest rent deals for years, particularly in the US. So, Servcorp raised $77m in October at $4.00. Servcorp is on a roll, setting up Virtual Office floors on 10-year leases across the US and globally with the A$-US$ rate helping. It will open 13 locations in FY10, and plans 35-45 by FY11. It takes time to find, lease, staff and open an office and 9-12 months to break-even, so growth will be hockey-stick. Servcorp has the management, technology, funds and model. EBIT was 70% of equity plus debt in FY09. Return on investment is very fast. The window is now—for compelling growth!

Tox Free Solutions Ltd (TOX) Buy to $2.80

- *'TOX' provides integrated waste management and environmental services across Australia: hazardous waste treatment, site remediation, industrial services. In 2008 TOX acquired Barry Bros for $25m, an excellent fit bringing a string of facilities down eastern Australia.*
- *TOX now operates 23 facilities. Services include tank cleaning, vacuum loading, liquid waste collection & high pressure water jetting for shipping and land-based mining, industrial and municipal clients. Hazardous waste is a specialty, with a full range of EPA licences for handling, disposal and remediation.*

TOX listed in 2000, building a facility at Kwinana to service waste streams from the shire and oil & gas, mining and processing industries from the Burrup Peninsula to the Pilbara, a blueprint for facilities around Australia. These include the Port Hedland industrial waste incinerator and the Kwinana toxic and hazardous waste facility, among the very few licensed in Australia. By acquisition TOX added licensed facilities at Kimberley, Kalgoorlie, Henderson, and Brisbane. In 2008, Karratha Mini Skips was acquired, and Barry Bros added ten facilities to give nationwide coverage.

Barry Bros. does high pressure water and sewer cleaning, waste water reclamation and waste management from ten facilities in Queensland, NSW, Victoria and SA. It initially added $8m pa to EBITDA as expected. Plant was valued at over $20m. In 2008, TOX opened a hazardous waste facility in Sydney, raising $13m in equity. Early in 2009, TOX won a three-year contract for Woodside's LNG facility, Karratha Supply Base and offshore facilities.

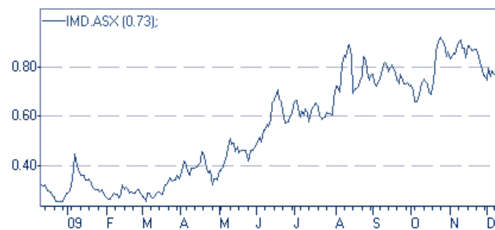
In FY09 NPAT was $8.0m and EPS 10.3¢. Debt/equity was 61% but operating cash flow was $9.2m and EBITDA was 10.3x interest. With new contracts expected, TOX raised some $23m recently. It sees the environment as extremely positive for its rapid growth.

TOX will work with Toll Holdings in collection, segregation, consolidation, treatment and disposal of waste on Barrow Island for the Gorgon Project. TOX will earn $30m revenues over three years, mostly FY11-12, on $8m capital outlay.

With nationwide building blocks established and management expanded in FY09, this year should see efficiencies from the national structure, a full year contribution from the Woodside contract and a start on Gorgon, more awards of major waste management and industrial service contracts. Longer-term growth will be in volumes, more geographic expansion and acquisitions, new east and west coast facilities and more Emergency Response services.

EBIT in 1Q10 was 19% up on the pcp. The liquid and hazardous waste divisions performed strongly. Delay on east coast infrastructure projects softened an excellent start. Pilbara activities are increasing substantially. Kimberley solid waste services are busy. TOX has tendered four new total waste management and service contracts. Tightening of environmental regulation will drive further industry growth and raise barriers to entry. TOX has a strong customer-focused position in a growth market.

Imdex Ltd (IMD) Buy to $0.85



- *Imdex is a WA-based provider of drilling fluids and leading Down Hole Instrumentation to mining, oil & gas, water well and civil engineering industries worldwide*
- *It manufactures & supplies a wide range of drilling fluids and specialty & oilfield chemicals under its own brands*
- *Imdex specialises in Down Hole Instrumentation for drill direction with its Flexit, Reflex & Imdex brands and now has major upside potential from proprietary advanced gyro-based digital & orientation instruments developed from acquisitions it made in Germany, Sweden and UK.*

Set up in 1987 and with nine acquisitions over four years Imdex has added onshore oil & gas services to its mining services. Now 300 staff provide drilling fluids, support services and advice to ~80% of the mining market across Australia, with a significant penetration into oil & gas. Offices in Canada, South Africa and Chile service Africa, North and South America, Kazakhstan and Europe.

Imdex is differentiated from many smaller competitors in the global support services backing its Drilling Fluids & Chemicals ('DFC') sales. Its wider margin Down Hole Instrumentation ('DHI') business has built up rapidly with acquisitions focused on DFC growth. DHI now supplies a range of onshore and offshore survey instruments, typically on a short-term rental basis with a rapid capital return. It does not compete in offshore oil & gas with the majors such as Haliburton, Schlumberger and Baker Hughes: these dominate magnetic survey work.

Early gyro instruments were not successful but two US companies have improved gyro systems, particularly useful where there is magnetic interference, say from nearby cased holes. These do not sell or rent their technology but supply the service. Imdex's acquisition of Flexit brought cutting-edge gyroscopy and this has been successfully developed to be north-seeking, to allow full down hole precision survey. The industry is taking note!

Imdex will rent out its new equipment in its usual fashion, with both Haliburton and Schlumberger lined up to use the equipment in key contracts. Even a small part of this major market could transform the already attractive prospects.

The GFC decline in global mineral exploration was partially offset by resilient rentals, with signs of recovery from 4Q09. FY09 NPAT fell 43% to $12.1m on revenues down 4% at $137m. EBITA fell 37% from $39m to $25m, still above FY07's $22m. EPS was 6.2¢, from 16.4¢. Operating cash flow rose to $16.2m. Net debt to capital is a low 16.0%; interest cover was 30 times. Bank facilities run to 2014.

Despite the profit fall as mining rig utilisation fell below 50%, Imdex held to its strategy of expanding its rental model, building global relationships, doing gyro R&D and building its market in the oil & gas sector. An acquisition, two new plants, a new fluids research lab and launch of a proprietary unit for environmental containment of drilling solids all added to the gyro survey launch activity.

We expect sound earnings growth in a resource recovery, but the upside from the gyro equipment is substantial.

RESEARCH

INVESTMENT RECOMMENDATIONS

	Price $ 11 Dec 2009	Market Cap., $m	52 wk high, $	52 wk low, $	Earnings p.s. ¢ ('10 est)	P/E Ratio x	Dividend p.s. ¢ ('10 est)	Dividend Yield %	Franking %
ANZ Banking Group #	21.30	53,906	25.25	11.83	160.0	13.3	107	5.0	100
Metcash &	4.35	3,336	4.74	3.80	34.5	12.6	27	6.2	100
Primary Health Care	5.64	2,666	6.56	3.61	39.5	14.3	33	5.9	100
Seek	6.76	2,226	6.96	2.02	22.5	30.0	10	1.5	100
GrainCorp #	5.59	1,101	8.85	3.86	68.5	8.2	31.5	5.6	75
Servcorp	3.54	346	4.70	2.16	12.5	28.3	10	2.8	100
Tox Free Solutions	2.47	222	2.75	1.04	14.4	17.2	2.3	0.9	100
Imdex	0.73	149	0.96	0.24	4.5	16.2	1.8	2.5	100

Note: # For year ending 30 September 2010. & For year ending 30 April 2011.
Other figures in the table are for the year ending 30 June 2010.

UPDATE of July 2009 BOURSE REPORT RECOMMENDATIONS

	Price $ 11 Dec 2009	Price $ 31 July 2009	Gain or Loss, %	Current Recommendation	Earnings p.s. ¢ ('10 est)	P/E Ratio x	Dividend p.s. ¢ ('10 est)	Dividend Yield %	Franking %
National Australia Bank #	28.21	24.33	15.9%	Accumulate	205.0	13.8	146	5.2	100
Woolworths	26.83	27.25	-1.5%	Accumulate	166.0	16.2	116	4.3	100
Toll Holdings	8.23	6.79	21.2%	Buy	47.4	17.4	26	3.2	100
APA Group	3.25	2.82	15.2%	Accumulate	19.9	16.3	32.5	10.0	20 TD
Industrea	0.44	0.33	33.3%	Buy	4.8	9.2	1.7	3.9	100
WDS	1.695	1.82	-6.9%	Buy	17.0	10.0	7.5	4.4	100
IMF (Australia)	1.84	1.44	27.8%	Accumulate	19.5	9.4	16.5	9.0	100
Resources									
Santos @	13.75	14.52	-5.3%	Buy	44.1	31.2	42	3.1	100
OZ Minerals @	1.195	1.12	6.7%	Accumulate	9.4	12.7	2.7	2.3	-
Paladin Energy	3.86	4.56	-15.4%	Accumulate	2.0	193.0	-	-	-
Eastern Star Gas	0.78	1.09	-28.4%	Accumulate	-	-	-	-	-

Note: # For year ending 30 September 2010. @ For year ending 31 December 2010.
Other figures are for the year ending 30 June 2010. TD - Tax Deferred (approximate).

Average rise in price in period 5.70% compared with a rise of 9.46% in the All Ordinaries Index

Distributions accrued since 31 July 2009, in addition to the above price changes: National Australia Bank 73¢, Woolworths 56¢, Toll Holdings 13.5¢, Industrea 1.0¢, WDS 4.3¢, Santos 22¢, all 100% franked; OZ Minerals 5¢, unfranked.

The Performance of Bourse Report Recommendations over the succeeding period

Since 14 June 2000, the theoretical cumulative results of investing in the Bourse recommendations (before dealing costs but excluding all dividends accrued) have been compared with the All Ordinaries Index. This assumes sales of previously held positions each quarter and fresh investment of the proceeds in the new Bourse stocks.

Cumulatively over the 9.5-year period to 11 December 2009 such theoretical Bourse investments would have risen 392% in value compared with a rise of 51.2% in the All-Ordinaries Index - a Compound Annual Growth Rate of 18.3% pa (before dealing costs and tax) compared with a CAGR of 4.45% for the All Ordinaries (both excluding dividends).

The quarterly return of such theoretical investments has exceeded the movement in the All Ordinaries Index in twenty-five periods of the thirty-seven with over-performance of 35.9%, 13.9%, 13.5%, 13.3%, 12.0% and 11.1% in the best six quarters to under-performances of -9.0%, -5.7%, -5.2%, -4.9%, -3.8% and -3.7% in the worst.

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Authorised for Intersuisse by Howard Elton.

Intersuisse Limited ABN 14 002 918 247 AFS Licence 246827
ASX Market Participant

Melbourne
Level 37, 530 Collins Street,Melbourne,
Victoria, Australia.
Telephone: +61 3 9629 8288 Facsimile: +61 3 9629 8882
e-mail: suisse@intersuisse.com.au

Sydney
Level 7, 5 Elizabeth Street, Sydney,
New South Wales, Australia.
Telephone: +61 2 9233 2100 Facsimile: +61 2 9233 2117
e-mail: sydney@intersuisse.com.au

http://www.intersuisse.com.au