

Key Indices

Index	1-Jul-08	31-Jul-08	Change	Change	Commodities	1-Jul-08	31-Jul-08	Change
S&P ASX200	5,215.30	4,977.40	-237.90	-4.56%	Oil - WTI	139.96	124.17	-11.28%
All Ordinaries	5,332.90	5,052.60	-280.30	-5.26%	NY Gold	924.85	913.15	-1.27%
SFE Futures 200	5,203.00	4,931.00	-272.00	-5.23%	Cash Rate	7.25%	7.25%	0.00
S&P ASX Property	1,410.60	1,340.50	-70.10	-4.97%	90 Day Bank Bill	7.84%	7.76%	-0.08
Dow Jones	11,350.01	11,378.02	28.01	0.25%	10 Yr Bonds	6.47%	6.22%	-0.24
Nasdaq	1,837.09	1,849.15	12.06	0.66%	Best Movers	3 Months	Price	Change
S&P 500	1,280.00	1,267.38	-12.62	-0.99%	CGF	Challenger Financial	\$2.34	10.90%
FTSE 100	5,625.90	5,411.90	-214.00	-3.80%	JBH	JB Hi-Fi Ltd	\$12.18	6.01%
Hang Seng	22,102.01	22,731.10	629.09	2.85%	BLY	Boart Longyear	\$2.04	4.62%
Nikkei 225	13,481.38	13,376.81	-104.57	-0.78%	BKN	Bradken Limited	\$9.00	2.27%
					Worst Movers	3 Months		
Currencies					BNB	Babcock & Brown	\$6.56	-57.87%
AUD/USD	0.9626	0.9434	-0.0192	-1.99%	GPT	GPT Group	\$1.52	-53.23%
AUD/SGD	1.3106	1.2911	-0.0195	-1.49%	ABS	ABC Learning	\$0.73	-52.15%
AUD/EUR	0.6096	0.6051	-0.0045	-0.74%	OZL	OZ Minerals	\$2.00	-43.02%

Market Commentary

The Australian sharemarket dropped by 237.9 points during July, hitting a two and a half year low of 4816 on July 15. However, in a turn of events, the two worst performing sectors of the Australian sharemarket were Energy which dropped 13.73% and Materials which dropped 10.3%. BHP's fall alone accounted for 66.76 index points.

The shift in negative sentiment from industrial stocks to resource stocks was precipitated by a fall in oil prices. Crude oil prices peaked on July 11 at US\$147.27 and fell during the rest of the month by around US\$20bbl.

As has been the case with equities all year, the bearish sentiment and lack of confidence has been excessive, driving the prices of the major resource companies into the realms of oversold. Like selected industrials, the major resource companies like BHP, RIO and Woodside now represent value buying, especially taking into consideration their exceptional cash generating capabilities in the current environment.

The other major market sector, Financials, was more stable over the course of the month as profit-taking in resources saw a rotation of funds back into the beaten down sector. In a month of mixed news, NAB and ANZ massively increased their provisioning by a combined \$2 billion, whilst more importantly for investor confidence, US mortgage lending giants Fannie Mae and Freddie Mac received Federal rescue packages.

The slipping commodities sectors and a perception that the interest rate differential is narrowing have combined to deliver a lower Australian dollar over the month. These have to be supportive developments for the Australian sharemarket, enhanced further by confirmation on the economic front of a slump in retail sales and a fall in private sector credit; essentially a stabilisation in inflationary pressures. These developments are perhaps finally confirming that the interest rate tightening cycle may now have peaked.

Risks however still abound. We cannot say the worst is now behind us because our market will continue to be dictated to by the fortunes of the US banking sector, credit and property markets and there is no clear signal of an improvement in these critical areas. There is however evidence that domestic pressures which have contributed to the bearish sentiment may be easing. If the earnings season exceeds expectations, this would further aid in rebuilding investor confidence.

Price Charts – past 90 days

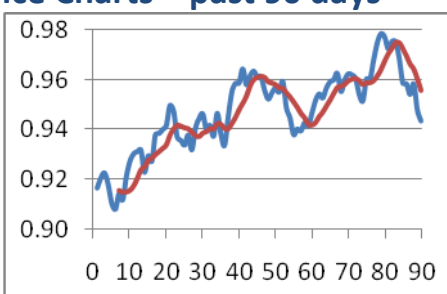


Figure 1- AUD/USD

Red lines are 7 day moving average

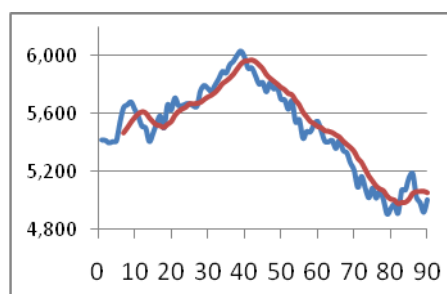


Figure 2- All Ords

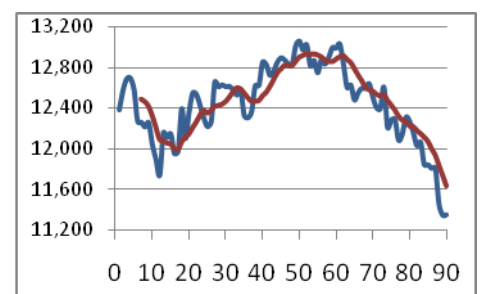


Figure 3- Dow Jones

Long Term Share Table

Code	1-Jul-08	31-Jul-08	Change	Change	Code	1-Jul-08	31-Jul-08	Change	Change
AGK	14.30	13.36	-0.94	-6.57%	MTS	3.70	3.99	0.29	7.84%
AMP	6.69	6.56	-0.13	-1.94%	NAB	26.50	24.70	-1.80	-6.79%
ANZ	18.72	16.25	-2.47	-13.19%	NWS	16.45	15.85	-0.60	-3.65%
AIO	3.47	4.25	0.78	22.48%	OZL	-	2.00	-	-
ASX	31.40	34.60	3.20	10.19%	QBE	22.40	22.59	0.19	0.85%
BHP	43.70	39.71	-3.99	-9.13%	RIO	135.50	125.40	-10.10	-7.45%
BXB	8.73	8.25	-0.48	-5.50%	SGP	5.39	4.63	-0.76	-14.10%
CBA	40.17	39.75	-0.42	-1.05%	SHL	14.55	13.88	-0.67	-4.60%
CNP	0.25	0.27	0.02	8.00%	TAH	9.80	8.68	-1.12	-11.43%
CPU	9.21	8.75	-0.46	-4.99%	TLS	4.24	4.50	0.26	6.13%
CWN	9.29	7.94	-1.35	-14.53%	TOL	6.02	6.58	0.56	9.30%
CSL	35.70	34.60	-1.10	-3.08%	TCL	4.23	5.20	0.97	22.93%
GPT	2.22	1.52	-0.70	-31.53%	WES	37.30	34.39	-2.91	-7.80%
IVC	6.34	5.66	-0.68	-10.73%	WBC	20.00	21.55	1.55	7.75%
LEI	50.85	42.50	-8.35	-16.42%	WDC	16.28	16.18	-0.10	-0.61%
MAP	2.06	2.82	0.76	36.89%	WOW	24.45	25.20	0.75	3.07%
MIX	0.24	0.22	-0.02	-8.33%	WPL	67.50	53.80	-13.70	-20.30%

Managed Funds

Fund	1-Jul-08	31-Jul-08	Change	Change %
Ausbil - Emerging Leaders Fund	2.5395	2.3493	-0.1902	-7.49%
BlackRock Direct Property Fund	1.1268	1.1110	-0.0158	-1.40%
BlackRock Global Small Cap	0.8179	0.7924	-0.0255	-3.12%
CFS Wholesale - Geared Share Fund	4.6855	3.5414	-1.1441	-24.42%
Challenger Wholesale Micro Cap	0.9341	0.8828	-0.0513	-5.49%
Hunter Hall - Global Ethical Trust	1.2799	1.2332	-0.0467	-3.65%
Pengana Emerging Companies Fund	1.6157	1.5561	-0.0596	-3.69%
Platinum Asia Fund	2.3660	2.0136	-0.3524	-14.89%
Platinum International Brands Fund	1.6477	1.6237	-0.0240	-1.46%
Vanguard - Index International Shares Fund	0.8943	0.8835	-0.0108	-1.21%

Corporate Actions of Interest

Company	Code	Issue	Status
Asciano	AIO	Unsolicited takeover offer by US private equity consortium at \$4.40 per share.	Rejected by AIO board
Just Group	JST	Just board recommends that shareholders accept offer from Premier.	Accept Offer
Toll Holdings	TOL	Transfer of Virgin Blue (VBA) holding to eligible shareholders as a special dividend. VBA shares to be received on 22 August 2008. Share sale and top up facilities currently offered.	In Process
Westpac/St George	WBC/SGB	SGB agrees in principle to a friendly merger with WBC. 1.31 WBC shares for each SGB share.	Ongoing

What you should know this month

Takeovers

The recent bid for Asciano by US private equity investors has shown that despite a tightening of credit markets, the takeover market is still alive. With the correction that has taken place in the sharemarket there are many companies who could potentially become targets for acquisition by either private equity firms and/or competitors due to their depreciated share price.

In most cases, takeover speculation tends to ignore the current and near term company trading conditions and fundamentals based on the fact that the motivation of the bidder is to acquire the company/competitor as cheaply as possible for the benefit of themselves and/or shareholders. The offer for Asciano at \$4.40 cash per share is a classic example of such opportunism.

Once a takeover offer has been made the question often arises as to what you should do next. In most instances the best advice is to do nothing. The regulatory framework for takeovers is very complex and shareholders will receive significant correspondence from both bidder and target. It is not unusual to see the share price run ahead of the offer price in the expectation that another higher offer emerge.

Takeovers can be very drawn out, often lasting many months as executives of the target companies explore all options for extracting the highest possible price. Essentially take your time, when evaluating a takeover offer and special consideration should be given to what the independent directors of the target are saying in relation to the offer. It is their responsibility to make decisions in the best interest of all shareholders.