

Key Indices

Index	1-Feb-08	29-Feb-08	Change	Change	Commodities	1-Feb-08	29-Feb-08	Change
S&P ASX200	5,842.90	5,572.10	-270.80	-4.63%	Oil - WTI	89.03	101.78	14.32%
All Ordinaries	5,882.30	5,674.70	-207.60	-3.53%	NY Gold	910.00	973.70	7.00%
SFE 200(Mar 08)	5,688.00	5,564.00	-124.00	-2.18%	Cash Rate	6.75%	7.00%	0.25
S&P ASX Property	1,880.90	1,708.00	-172.90	-9.19%	90 Day Bank Bill	7.38%	7.99%	0.61
Dow Jones	12,743.19	12,266.39	-476.80	-3.74%	10 Yr Bonds	6.13%	6.21%	0.08
Nasdaq	1,855.27	1,745.27	-110.00	-5.93%	Best Movers	3 Months	Price	Change
S&P 500	1,395.42	1,330.63	-64.79	-4.64%	IPL	Incitec Pivot	\$148.00	36.41%
FTSE 100	6,029.20	5,884.30	-144.90	-2.40%	FMG	Fortescue Metals	\$7.85	25.60%
Hang Seng	24,123.58	24,331.67	208.09	0.86%	LGL	Lihir Gold	\$4.35	25.36%
Nikkei 225	13,497.16	13,603.02	105.86	0.78%	WPL	Woodside Petroleum	\$57.00	19.72%
Currencies					Worst Movers	3 Months		
AUD/USD	0.8951	0.9466	0.0515	5.75%	CNP	Centro Properties	\$0.45	-92.11%
AUD/SGD	1.2678	1.3182	0.0504	3.98%	AFG	Allco Finance	\$0.87	-87.73%
AUD/EUR	0.6022	0.6237	0.0215	3.57%	MFS	MFS Limited	\$0.99	-80.96%
					ABS	ABC Learning	\$2.14	-58.45%

Market Commentary

February was another painful month for investors and this downward trend is continuing into March with the markets breaking through support levels and again heading towards their January low. The RBA remains concerned about inflationary pressures indicating it is prepared to maintain its tightening bias. Rates increased by 25 basis points in both February and March to a twelve year high of 7.25%. At the same time, data out this week shows that the rate tightening has begun to slow demand and analysts are even beginning to express the view that the tightening cycle maybe nearing an end, if not already ended.

Comments from the RBA show that they remain concerned by domestic issues threatening the Australian economy such as excessive demand, capacity constraints and inflation. Despite continued underlying strength in the Australian economy, risk is rising. The Australian sharemarket also continues to be strongly influenced by the weakness in the US economy and sub prime/housing issues.

In keeping with the bearish tone, any rally that occurred following the January slump saw investors take the opportunity to lighten equity positions. The trend continues to be downward and sentiment remains bearish to date. Company debt levels are under heavy scrutiny, as is management's personal exposure to geared equity positions.

February was reporting season on the ASX and results have been mixed with 40% of companies reporting in-line with consensus forecasts, 30% outperforming and 30% underperforming. Companies with disappointing interim results were simply dumped by investors. Overall, growth in revenues continued to outpace growth in costs, however the gap between the two is narrowing and forecasts for EPS growth are falling.

Looking forward, the US Federal Reserve with its rate cutting intervention in conjunction with other fiscal stimuli, is optimistic that the US economy will stabilise later in the calendar year. This means that the rate cuts are expected to create a bottoming in the housing cycle and economic growth should pick-up. As mentioned, in Australia, commentators feel that the rate tightening cycle may also be at a near end. The pressure remains on the RBA to successfully balance rising inflationary pressures against the high level of personal indebtedness. Slowing economic growth, rising unemployment and mortgage stress can still create recessionary pressure in Australia and this would not emerge to much later in the calendar year.

Essentially risk remains and as such the market is likely to remain bearish until there are positive signs of a turnaround. There is likely to still be several more months of turbulent trading conditions until these issues play out. As timing of any turnaround is really indeterminate, we continue to recommend long term investors maintain their strategic asset allocation exposures.

Price Charts – past 90 days

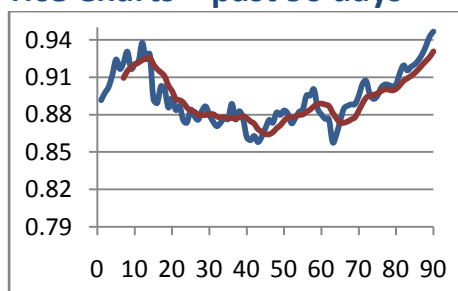


Figure 1- AUD/USD

Red lines are 7 day moving average

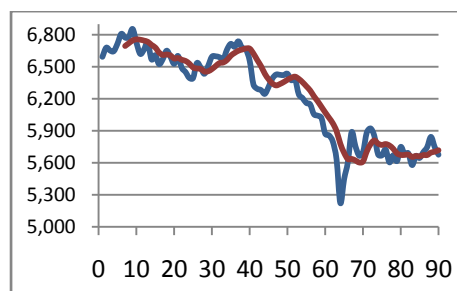


Figure 2- All Ords

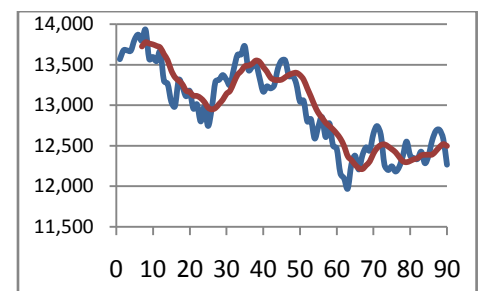


Figure 3- Dow Jones

Long Term Share Table

Code	1-Feb-08	29-Feb-08	Change	Change	Code	1-Feb-08	29-Feb-08	Change	Change
AIO	5.80	4.97	-0.83	-14.31%	MTS	4.35	4.18	-0.17	-3.91%
ASX	48.13	42.04	-6.09	-12.65%	NAB	35.40	28.85	-6.55	-18.50%
AGK	12.20	11.20	-1.00	-8.20%	NWS	21.92	20.61	-1.31	-5.98%
AMP	8.50	8.05	-0.45	-5.29%	QBE	29.35	22.57	-6.78	-23.10%
ANZ	26.89	22.00	-4.89	-18.19%	RIO	127.31	137.00	9.69	7.61%
BHP	38.55	39.58	1.03	2.67%	SGP	7.50	7.05	-0.45	-6.00%
BXB	11.05	10.44	-0.61	-5.52%	SHL	16.45	14.35	-2.10	-12.77%
CBA	51.12	42.13	-8.99	-17.59%	TCL	6.79	6.45	-0.34	-5.01%
CNP	0.66	0.45	-0.21	-31.82%	TOL	11.57	10.25	-1.32	-11.41%
CSL	36.07	36.50	0.43	1.19%	TAH	14.00	15.26	1.26	9.00%
CPU	8.25	8.51	0.26	3.15%	TLS	4.41	4.87	0.46	10.43%
CWN	12.15	11.60	-0.55	-4.53%	WBC	26.52	23.32	-3.20	-12.07%
GPT	3.69	3.20	-0.49	-13.28%	WDC	19.28	17.50	-1.78	-9.23%
IVC	6.33	6.73	0.40	6.32%	WPL	48.50	57.00	8.50	17.53%
LEI	51.59	46.00	-5.59	-10.84%	WOW	29.40	28.99	-0.41	-1.39%
MAP	3.97	3.51	-0.46	-11.59%	WES	37.40	37.72	0.32	0.86%
MIX	0.58	0.51	-0.07	-12.07%	ZFX	11.02	11.13	0.11	1.00%

Managed Funds

Fund	1-Feb-08	29-Feb-08	Change	Change %
Ausbil - Emerging Leaders Fund	2.6681	2.814	0.15	5.48%
BlackRock Direct Property Fund	1.1322	1.134	0.00	0.13%
BlackRock Global Small Cap	0.8400	0.834	-0.01	-0.69%
CFS Wholesale - Geared Share Fund	5.7487	5.390	-0.36	-6.24%
Challenger Wholesale Micro Cap	1.1443	1.130	-0.01	-1.28%
Hunter Hall - Global Ethical Trust	1.3522	1.330	-0.02	-1.66%
Pengana Emerging Companies Fund	1.9680	1.894	-0.07	-3.74%
Platinum Asia Fund	2.7049	2.647	-0.06	-2.14%
Platinum International Brands Fund	1.8919	1.821	-0.07	-3.75%
Vanguard - Index International Shares Fund	0.9962	0.943	-0.05	-5.33%

Corporate Actions of Interest

Company	Code	Issue	Date
Telstra	TLSCA	Final payment for the Telstra T3 of \$1.60 per share.	29/05/2008
Consolidated Media	CMJ	CMJ has received a proposal from a consortium (Consolidated Press and Mr Lachlan Murdoch's private company, Illyria) to acquire 100% of the business. The unofficial offer is \$4.06 and 0.1116 Seek Shares per CMJ share. Lachlan Murdoch has since announced that the finance has fallen through to complete the deal, but is still interested in acquiring the business.	Pending
Zinifex	ZFX	Proposed merger with Oxiana. Zinifex have offered OXR shareholders 1 ZFX share per 3.2 OXR shares as part of the all stock, \$6.1billion takeover	Pending

What you should know this month

Oxiana (OXR) and **Zinifex (ZFX)** announced on 3 March 2008 that they have entered into an agreement to merge their businesses to create a A\$12 billion diversified global mining company. The merged entity will become the 3rd largest diversified mining company listed on the ASX and the world's second largest producer of zinc. This appears to be a good move for both companies given the increased scope for growth both organically and through acquisitions that could not be achieved as separate entities. As part of the merger ZFX shareholders will receive 3.1931 OXR shares for each ZFX share owned. It is likely that ZFX will hold a shareholders' meeting in May / June 2008 to approve the takeover.

In the midst of the recent market volatility the consumer staples sector has provided a breath of fresh air with both **Woolworths (WOW)** and **Wesfarmers (WES)** reporting profits well in excess of analyst's estimates for the second half of 2007. WOW announced a profit increase of over 28% for the period and WES announced a 53% increase and record half yearly profit with the acquisition of the Coles Group having a positive impact on this.

In other news the **Reserve Bank of Australia (RBA)** has continued to buck the trend of the global investment markets and raised interest rates by an additional 0.25% on 3 March 2008. In one of the strongest statements made by the RBA in recent times it was indicated that they would do anything to fight inflation and will continue to raise interest rates if required. However, in light of recent GDP data, which indicated a weakening of the domestic economy, the RBA has indicated that they will be reviewing their economic forecasts in light of this new information as well as the flow-on effect of recent rates rises prior to their next update in May. It is therefore becoming more likely that this period of monetary policy tightening may be coming to an end.

Asciano Ltd (AIO) \$3.55

AIO announced its inaugural preliminary unaudited first half results on 3rd March, posting a loss of \$71.1 million which reflects a number of special items relating to the demerger of AIO from Toll Holdings and the restructuring of its grain business. The result highlighted a 3.5% growth in underlying earnings to \$1.5 billion from a proforma \$1.45 billion with an associated improvement in margins. An interim distribution of 23 cps was declared.

AIO's debt position of \$4.9 billion in outstanding bank debt has been a major concern for sharemarket investors. In response, the company has extended its short term loan facilities and now has no debt maturing until 2009, with 92% of AIO's total debt maturing after May 2010. Interest rate hedging is currently at 70% of outstanding debt with an average maturity of 3.5 years. Management continues to believe that the debt position is at an appropriate level given the underlying assets and cashflow.

Management also remains positive with respect to the medium and long term outlook for AIO, forecasting EBITDA growth in the range of 10%-15% per annum over the long term and highlighting the strength in the diverse business base and exposure to growing commodity exports, containerised and vehicle imports and domestic freight.

The only major negative with regard to the result was the lack of an update given for the Brambles shareholding. The market has regarded the foray into Brambles as ill conceived and investors are punishing management's lack of clarity with regard to the 3.4% stake. Lack of investor confidence in management together with AIO's high debt levels are likely to continue to weigh heavily on share price performance in the short term.

Despite what appears to be a good result, AIO's share price continues to remain under significant pressure. We also note a significant level of share turnover with weight on the selling side. Prior to the result, a US shareholder Capital Group Inc sold over 8 million shares but remains a substantial shareholder to date, with almost 41 million shares. It is not clear from where the current selling pressure is emanating and as result of the decidedly negative sentiment surrounding the company, we feel it is most appropriate to recommend that investors avoid AIO in the short term. Investors holding stock need to be aware of the negative sentiment, the selling pressure and the strong possibility that this stock can sustain further losses in the short term. There will be better short term investment propositions as AIO has undoubtedly become a speculative proposition with a high risk/reward profile. Investors with a low appetite for risk should therefore also sell.

For long term investors with a higher risk tolerance, AIO may well prove to be a significant opportunity as we believe the current discounting of AIO is significantly overdone. The dividend yield is now expected to be around 13%, cash flow remains very strong (however it will be leveraged to economic cycles), the assets are excellent quality with high barriers to entry and the customer base is considered blue chip. The Brambles stake will also be sold in time. The debt while high, is considered both realistic and sustainable by management and is strongly hedged. There are also no short term maturing loans throughout the remainder of 2008 and only 8% of the total loan book matures in 2009. The only apparent downside is determining at what price the current negativity will abate and the share price stabilise. We are unable to predict when this might occur.

PUTTING IT ALL IN CONTEXT

How to cope with a major market slump

Experienced investors will understand that markets can be volatile, and for the long term investor, the major markets have delivered strong growth protecting portfolios from the impact of inflation.

The Australian market has just experienced a correction from the stellar performance of the past few years and the All Ordinaries index has decreased by 20% from its most recent high in November 2007.

What has surprised everyone has been the speed and level of the market correction in January 2008. The question for investors is what does one do now and what is the current outlook for markets, particularly in Australia?

The main drivers of the market have been the concerns about the state of the US and whether it is in or going into a recession. The economic data seems to be confirming a recession which will not be confirmed until the US records two consecutive quarters of decline in real Gross Domestic Product (GDP). We will not have any confirmation until July/August 2008.

In the meantime, the US Federal Reserve has been stimulating the economy by cutting interest rates and has indicated it is prepared to do this further if necessary. The US Congress has also provided additional fiscal stimulus by introducing tax cuts. It is a wait and see game as to whether this will lead to a quick turn-around as the impact of the housing crisis and sub-prime credit crash works its way through the system.

Is it a slump or bear market?

There are no definitive definitions of what constitutes a bear market. The general consensus is that both a major slump and bear market conditions are evident when the market falls over 20%. The difference between the two extreme conditions is usually what period the market takes to recover and reach new highs.

Looking back at history since 1960, the following table shows that, in Australia, the market rebounds fairly quickly in the 12 months following a correction.

Share market fall	% decline top to bottom	% return over 12 months from low	Months after low to regain new high
Sep 60 – Nov 60	-23	+12	33
Feb 64 – Jun 65	-20	+9	25
Jan 70 – Nov 71	-39	+52	116
Jan 73 – Sep 74	-59	+51	79
Aug 76 – Nov 76	-22	+5	24
Feb 80 – Mar 80	-20	+39	5
Nov 80 – Jul 82	-42	+39	37
Sep 87 – Nov 87	-50	+35	76
Aug 89 – Jan 91	-32	+39	30
Feb 94 – Feb 95	-23	+25	23
Sep 97 – Oct 97	-21	+18	5
Mar 02 – Mar 03	-22	+27	12
Nov 07 - ?	-24?	?	?
AMP Capital – Oliver’s Insights December 2007			

The more sobering and interesting figures are the length of time it takes for markets to reach new highs.

As the market is currently 20% below its high, it is certainly in a major slump and only time will tell whether it is a bear market.

A slump usually involves minor cycles of both peaks and troughs and, like the end of the boom cycle, there is no bell rung to herald a rebound. It is often called the correction we had to have and buying opportunities will abound. There are those investors who stay in cash during the boom cycle waiting for the correction, and then when it occurs, will look for further reasons not to do anything.

One of the best ways for investors to cope with continued volatility and uncertainty is to always take a long term view and have an appropriate investment policy in accordance with their objectives through their life cycle and risk tolerance levels. A suitable investment strategy is to rebalance your portfolio back to its benchmark levels during the bull market by taking profits in a prudent manner, and then to look for opportunities during the slump to again rebuild the portfolio up to weighting. The question now is at what stage of the cycle are we now and should we be stepping back into the market?

There are a number of significant unknowns, primarily whether the US is in a recession and when the issues with the credit crisis will abate. The market is still reacting to any bad news or surprises so it’s a time to be cautious and to essentially adopt a hold and wait position, consider taking profits on sectors that have become overweight in portfolios, such as resources, and reducing exposure to companies with excessive debt levels or exposure to risk ventures and stretched growth strategies.

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