



Pitcher Investment News

The Year So Far - The first few months of the year have been eventful. Floods, cyclones and earthquakes have caused great loss and pain. Citizens have risen up against oppressive and undemocratic regimes. Leaders of nations burdened by debt and sluggish economies struggle to keep their jobs and make improvements. Despite all of this, as the figures to the right reveal, investment confidence continued in the markets and most asset classes performed positively.

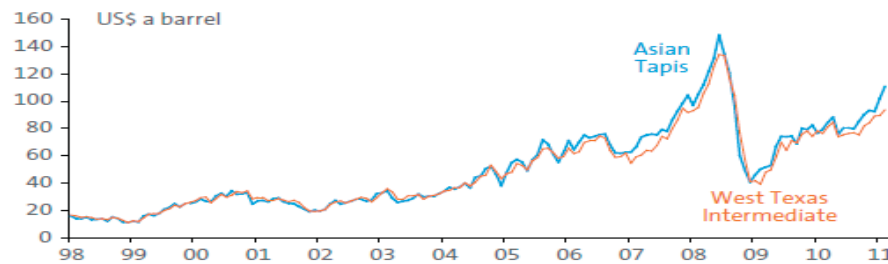


Financial Markets as at 28 February 2011

	Current Level	2 Month Return	12 Month Return
Equities			
AUS ASX 200	4830.5	1.8%	4.2%
AUS ASX 200 (Acc)	35386.2	2.5%	8.6%
US Dow Jones	12226.3	5.6%	18.4%
US S&P 500	1327.2	5.5%	20.2%
US Nasdaq	2782.3	4.9%	24.3%
JPN Nikkei	10624.1	3.9%	4.9%
UK FTSE 100	5994.0	1.6%	11.9%
German DAX	7272.3	5.2%	29.9%
French CAC	4110.4	8.0%	10.8%
HK Hang Seng	23338.0	1.3%	13.2%
Shanghai Comp	2905.5	3.5%	-4.8%
India Sensex	17823.4	-13.1%	8.5%
Sth Korea Kospi	1939.3	-5.4%	21.6%
NZ All Index	767.7	1.5%	1.9%
MSCI AC World ex-AUS (LC)	1328.2	4.1%	17.2%
Property			
ASX 200 Prop (Acc)	20461.7	5.7%	6.8%
S&P Global Prop Index	308.6	4.5%	31.2%

Oil Back through US\$100 - One of the major current concerns is that the price of oil is rising again driven both by fundamentals and the unrest in the Middle East and North Africa. There are still stockpiles of West Texas Crude which is reflected in the price, but Asian Tapis Oil has risen above US\$100 for the first time since September 2008. Current events in Libya which produces 1.8 billion barrels of oil per day have disrupted production and exports. Saudi Arabia can more than cover the Libyan production shortfall, but safe supply throughout the world remains a concern. Rising prices impact on consumer demand and profitability across sectors and across markets. Asian countries are especially vulnerable as they rely more on imported oil.

World oil price on the rise



Source: Thomson Financial, AMP Capital Investors

US - Strong Companies and Recovering Confidence - The US stock market has continued as one of the best performing over the first few months of the year with the DOW up 5.6%, the S&P500 up 5.5% and the NASDAQ up 4.9%. Consider five of today's top technology companies: Apple, Microsoft, Cisco, Google and Oracle - in 1980 they were either not yet listed or did not even exist! Today's internet giant, Facebook, - not yet listed - is estimated to have a current value of US\$60 billion. US companies report their earnings every three months. In January, they reported their December quarter earnings and the overall results were 5% above expectations. Perhaps its no wonder then that consumer confidence measured in February has just risen to its highest level in three years.

Commodities			
Gold (oz)	1410.9	-0.6%	26.3%
Oil (barrel)	96.8	6.1%	21.7%
Aluminium	2530	2.8%	23.4%
Copper	9700	-0.4%	37.2%
Lead	2512	-2.9%	17.5%
Nickel	27730	11.1%	35.3%
Tin	31875	18.3%	91.2%
Zinc	2470.0	1.5%	14.5%
Reuters/Jefferies CRB Index	352.6	5.9%	28.3%
Currency			
AUD/USD	1.02	-0.4%	13.7%
AUD/EUR	0.74	-3.5%	12.3%
AUD/GBP	0.63	-4.4%	6.7%
AUD/JPY	83.32	0.3%	4.5%
Other			
VIX Index	18.4	3.38%	-5.90%
Baltic Dry Index	1245	-29.78%	-54.53%
TED spread	0.17%		

Official Cash Rates			
New Zealand	3.00%		
Australia	4.75%		
China	6.06%		
United States	0.25%		
United Kingdom	0.50%		
Euro-Zone	1.00%		
Japan	0.10%		
Aust Interest Rates			
PPIS ANZ	4.25%	*Official rate less 50bp	
SGB AT CALL	4.90%		
CBA 30 Day TD	5.25%		
CBA 90 Day TD	5.35%		
CBA 12 Month TD	5.56%		
10 Yr Govt Bond	5.50%		



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SUMMARY OF REPORTING SEASON TO DATE

AGGREGATE NET PROFIT COMPARED TO GS&PA EXPECTATIONS AND PCP

To date 70% of the ASX 300 companies have reported which represents 75% of our sample

Market Segment	Actual Net Profit \$M	GS&PA Expectation \$M	% Diff. b/w Act. & Expect.	No of Cos. reported	PCP \$M	% Increase on PCP
Total	51,516	51,260	0.5%	138	36,236	41.5%
Industrials	22,357	22,212	0.7%	109	21,314	4.0%
Industrials ex Prop. Tr.	17,920	17,834	0.5%	87	17,179	3.2%
Total Ind ex Financials	12,355	12,533	-1.4%	80	11,825	2.9%
Large Ind ex Financials, TLS	11,068	11,178	-1.0%	79	9,974	9.1%
Large Ind ex Financials	9,834	10,040	-2.1%	32	9,725	1.1%
Large Ind ex Financials, NWS	9,095	9,322	-2.4%	31	9,095	0.0%
Smaller Ind ex Financials	2,521	2,492	1.2%	48	2,101	11.1%
Banks	3,497	3,438	1.7%	2	3,091	13.1%
Property Trusts	4,437	4,378	1.3%	22	4,136	7.3%
Resources	29,159	29,048	0.4%	29	14,921	95.1%
Resources ex BHP, RIO	5,029	4,936	1.9%	27	3,186	56.2%

Source: Company data, GS&PA Research estimates

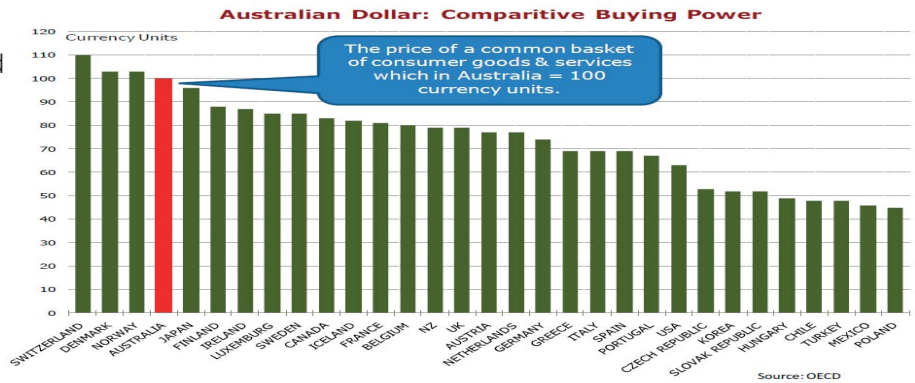
Australian Profit Reporting Season - In Australia, companies are only required to report twice a year which in practice means that full year June results are reported in August and half-year December results are reported in February. Like the US profit reporting season, the Australian half year profit reports in February have told a story of good corporate sector health and rising profitability. Bank profits were up 25%, resources were up 70% and the top 100 stocks were up 15%. 65% of companies announced a profit rise and 37% beat expectations. Pleasingly for shareholders dividends are also up some 10%.

It is important to understand that the reaction to company reports frequently has less to do with the profit results and more to do with whether the company exceeded or fell short of analysts' forecasts. This can help explain why a company can announce a profit increase, but it's price will fall because an even bigger profit was expected.

The aggregate of all the analysts forecasts for a company's earnings are well known to market participants and are known as "consensus". Individual analysts and brokers will often refer to a view that there could be a "downside surprise" or "upside surprise" which essentially means that they take a different view to the "consensus". Other aspects of the reporting season that are important include:

- how clean or straightforward a result is or whether it has to be deeply analysed to get to the 'real' numbers;
- whether it is a 'quality' result based on repeatable core business as distinct from one-off extraordinary events; and
- what guidance or outlook the company is giving for the remainder of the year including how reliable that guidance has been in the past.

The Lucky Country - Australian adults have the third highest average level of wealth per person in the world after Switzerland and Norway according to Credit Suisse's Research Institute Global Wealth Report. Property ownership, strong currency and an abundance of natural resources have seen the average Australian's wealth double over the last decade to US\$321,000. The strength of the \$A also means we currently enjoy fourth place in the OECD's world comparative buying power table.



Inflation - Along with sluggish economies burdened by debt on the one hand and booming economies needing to be carefully moderated on the other hand, is the emerging risk of inflation around the world. In sluggish economies it is being driven by monetary policy and devalued currencies and in booming economies it is being driven by commodity prices and the scarcity of investable resources. It caused the Strategy Team of investment bank Soci t  G n rale at its seminar in London earlier in the year to focus on the resemblance between Ben Bernanke, chairman of the Federal Reserve, and Rudolf von Havenstein, President of the Reichsbank during Germany's hyperinflation in the 1920's.

Debt issuers may have, and in the case of a government paper always have, a direct interest in lowering the value of the currency, because it is the medium in which their own debts are computed.

- John Stuart Mill, 1848

Among the things that money can't buy, is what it used to.

- Max Kauffman, 2011

Best wishes,

