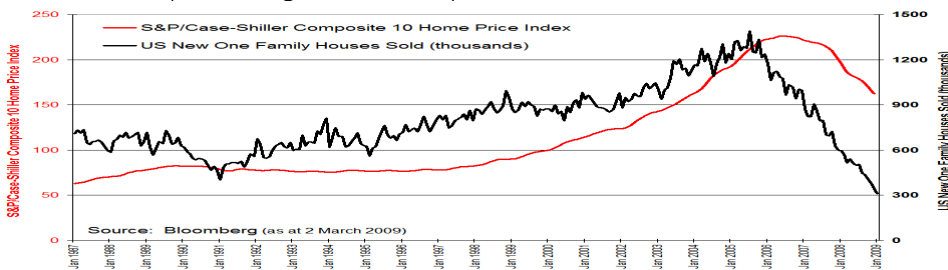


Pitcher Investment News

Bear Market – We are now 16 months into the bear market - first characterised as the 2007 sub-prime crisis which became the 2008 credit crisis and is now the 2009 Global Financial Crisis. No matter what it's called, it feels terrible and is causing genuine anxiety among investors. In the words of Warren Buffet in this week's letter to shareholders: "By year end investors of all stripes were bloodied and confused, much as if they were small birds that had strayed into a badminton game".

Reporting Season – We are also now effectively through the reporting season/s. For the ASX200, only 14% of results were above expectations, 52% broadly met expectations and 35% provided negative surprises. Profit expectations for the ASX200 have moved from +4% for FY09 to -7% and from +2% for FY10 to -1%. Assets have been written down and increasing debts provided for. Dividends have been cut and in some cases suspended. Significant new capital raising has been announced. Little guidance has been provided for the full year in light of current uncertainty.

Economic Blues – The daily economic news around the globe remains bleak. Despite doubts about the official numbers, it is evident that China's economic growth is in a sharp downturn. The more reliable numbers from Japan and Taiwan show double-digit growth drops! US house prices are back to Dec 2003 levels, having fallen 18% in the 12 months to Dec 2008. Housing sales have collapsed along with consumer confidence. European economies are in recession and Eastern Europe is staring at its own unique credit crisis.



Equity Markets – Australian shares have revisited a 5 year low back to December 2003 levels. Australian REITs are trading at 26 year lows after writing down assets an average of 8%, which when leverage is taken into account reduces valuations some 20%. The US market is trading at 1996 levels and the Japanese market is back to 26 year lows! The US volatility measure VIX, which had been diminishing, is back up to abnormally high levels over 50.



World Banking – There will be no sustained market recovery until the banking system can operate without guarantees, constant intervention and underpinning. We're not there yet. In the US, the Treasury has unveiled the Capital Assistance Program (CAP) as the latest way in which troubled banks can raise public funds. First cab off the rank appears to be Citigroup in which the US government will take a 30-40% stake. In the UK, the government continues to prop up the Royal Bank of Scotland. In Australia we have the 'Rudd Bank' to support the commercial property sector. In the conventional banking space our Big 4 banks remain within the world's top 14 AA rated banks (though on negative watch).

Expectations – The market remains in a 'downgrade bias' which will persist for the next six months. Companies have not yet reported on calendar 2009 results but current conservation and raising of capital signals what we need to know. Slates will not be wiped clean until audited trading results and asset values for the full financial year are announced in August. Our view remains that the earliest sustained equity market recovery will be in FY 2009/10.

Financial Markets - 28 FEBRUARY 2009

Share markets	Current Level	2 Month Return	12 Month Return
AUS ASX 200	3344.5	-9.9%	-40.8%
AUS ASX 200 (Acc)	22512.8	-9.0%	-37.7%
US Dow Jones	7062.9	-21.8%	-43.9%
US S&P 500	735.1	-21.1%	-46.3%
US Nasdaq	1377.8	-15.6%	-40.9%
JPN Nikkei	7568.4	-14.6%	-45.7%
UK FTSE 100	3830.1	-16.0%	-35.8%
German DAX	3843.7	-22.7%	-44.0%
French CAC	2702.5	-19.3%	-44.5%
HK Hang Seng	12811.6	-14.8%	-47.9%
Shanghai Comp	2082.9	14.4%	-51.6%
India Sensex	8891.6	-10.7%	-50.1%
Sth Korea Kospi	1063.0	-8.2%	-38.8%
NZ All Index	642.9	-6.1%	-32.9%
MSCI AC World ex-AUS (LC)	757.8	-20.7%	-49.1%

Property	Current Level	2 Month Return	12 Month Return
ASX 200 Prop (Acc)	13623.2	-25.5%	-58.5%

Commodities	Current Level	2 Month Return	12 Month Return
Gold (oz)	942.8	7.8%	-2.7%
Oil (barrel)	44.2	-4.4%	-57.0%
Aluminium	1290	-13.5%	-57.6%
Copper	3390	10.4%	-60.0%
Lead	1025	-1.5%	-69.3%
Nickel	9675	-23.9%	-68.1%
Tin	11000	-4.8%	-40.3%
Zinc	1075.5	-11.9%	-59.7%
Reuters / Jefferies CRB Index	211.6	-9.6%	-48.8%

Currency	Current Level	2 Month Return	12 Month Return
AUD/USD	0.64	-10.2%	-32.7%
AUD/EUR	0.50	-1.5%	-19.2%
AUD/GBP	0.45	-8.8%	-6.5%
AUD/JPY	62.35	-4.7%	-37.6%

Other	Current Level	2 Month Return	12 Month Return
VIX Index	46.4	18.27%	96.98%
Baltic Dry Index	1986.0	156.92%	-72.91%
TED Spread	1.01%	-24.37%	-15.51%

Official Cash Rates	Current Level
New Zealand	3.50%
Australia	3.25%
China	5.31%
United States	0.25%
United Kingdom	1.00%
Euro-Zone	2.00%
Japan	0.10%

Aust Interest Rates	Current Level
10 Yr Govt Bond	4.40%
PPIS ANZ	2.75%
SGB AT CALL	3.23%
SGB 30 Day TD	3.37%
SGB 60 Day TD	3.40%
SGB 90 Day TD	3.36%

Pitcher Investment News

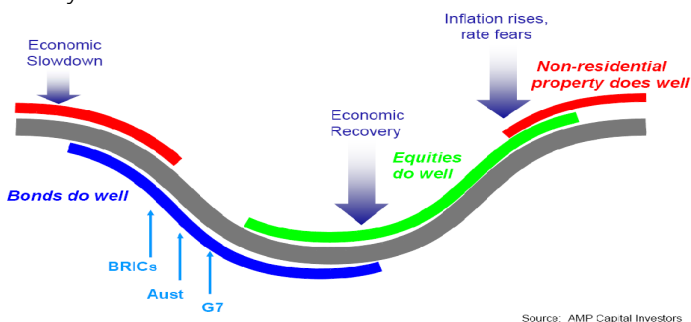
Protection and Stimulus – Protection is likely to be offered through a continuation of the short-selling ban on financials. Stimulus will be expanded globally and locally through monetary easing, spending packages and tax cuts as well as specifically targeted interventions over the next 6-12 months. The May Federal Budget will be significantly expansionary and the RBA will drop interest rates to between 2-2.5% by the middle of the year. **Breaking News:** RBA announces no change to rates on 3 March 2009.

Investment Advice – For us there are three priorities – (i) to protect portfolios from assets at particular risk; (ii) to ensure portfolios generate income requirements and/or have access to sufficient cash for planned drawdowns and (iii) to diversify portfolios and position them for ultimate recovery in the credit, equity and property markets. Specifically, three current investment opportunities are worth considering:

1. Cash – Our move over the last twelve months to extremely high levels of cash and term deposits has done a good job of protecting client capital and providing solid income. Cash may no longer be king on rates alone but it will remain king for capital protection reasons for the next six months at least. We recommend locking in 3.5%+ rates for the next 3-6 months wherever possible.

2. Equities/Property – Your advisor will conduct a thorough review of your investments to identify assets with liquidity, gearing, refinancing, pricing or other significant risks and, wherever possible recommend alternative exposure to these asset classes (ideally at a low PE). Selectively, current capital raisings are also offering attractive opportunities to top up existing holdings at significant discounts. We recommend a continuation of the underweight to growth asset classes until equity markets rise by 20% and stay at these levels for at least 6-8 weeks.

3. Bonds – The rally in sovereign bonds cannot progress much further given the current level of official interest rates. However we are currently pursuing short dated (1-2year) quality corporate fixed interest offerings that may be suitable to the private client market. In addition, for more risk seeking investors, there are current opportunities in the international corporate credit market which is expected to rally well ahead of the equity market recovery.



Superannuation Pension Reprive – Senator Sherry has announced a reprive for account based pensions to pay out only 50% of the 08/09 minimum pension to fund members so as to minimise forced losses during the current market conditions. Legislation has not been passed but it would not surprise us if it ultimately included a requirement for account based funds to retain at least two year's pension amounts in cash.

Commissions – A Parliamentary Inquiry has been launched into the role played by 'financial advisors' in recent collapses such as Storm Financial and Opes Prime. Rice Warner Actuaries have released a report concluding that Australians who pay advisers by commission risk overpaying for services up to 13 times. In our view, anyone paid by commissions who is an agent of the product producer should not be called a financial adviser. Calling an agent 'an agent' makes it much clearer in whose interests they are acting.

The owners of capital will stimulate the working class to buy more expensive goods, houses and technology, pushing them to take more and more expensive credits, until debt becomes unbearable. The unpaid debt will lead to the bankruptcy of banks, which will be nationalized and the State will have to take the road which eventually will lead to communism."

Karl Marx, 1867



Client Seminar – Over 70 clients enjoyed hearing from David Whitten of Colonial First State Resources, John Grace of Ausbil Dexia and Kerr Neilson of Platinum Asset Management (pictured above) discuss their outlook on the markets in 2009. The next Client Seminar is scheduled for 6 May, 2009.

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