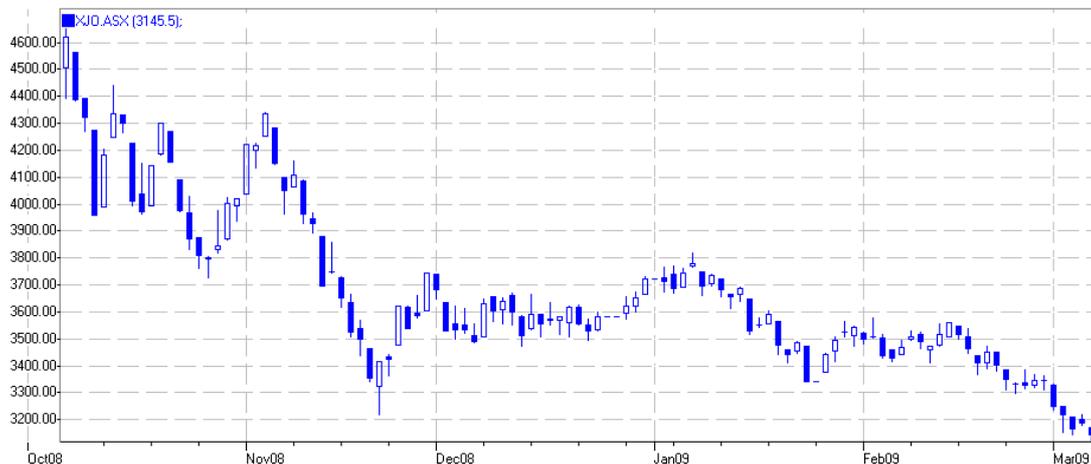


Newsletter 10/03/2009

Market

Is every company going broke?



Last week on market saw the US and Australian markets head to new lows, we have not seen these levels since 2003. Many are saying that this the worst fall we have ever seen. What a load of rubbish, in 1974 we have seen a similar drop; in fact it was a larger drop.

There is no indication that this fall is over and in fact it may indeed be worst then the 1974 fall. The market recovered from the 1974 fall and it will recover from this one, what is important is what you do now.

We have just come out of the February reporting season, many companies reported well with strong cash flows, low debts and sustainable dividends. These companies are set to recover first and as such are the one which you want to make sure you have in your portfolio. What is important now is making sure that your portfolio is set for the recovery.

Stop worrying about when the market will recover and worry more about being ready. It could take two months or two years, just be ready.

How to turn \$900 into \$2250.

You are all well aware that under the Governments stimulus package if your income is below \$80,000 pa you will receive a one off payment of \$900 from the government. When speaking to clients in regards to this one off payment it would appear that most intend to use these funds to pay down debt.

Will this give you the best return?

\$900 off the average loan will save you around \$63 over a year, a return of 7%.

How would you like a return of 150%? Of course it will require a bit more commitment on your behalf.

If your income is less then \$30,342 the government will give you \$1.50 for every dollar you contribute after tax to your super fund. As such if you were to contribute the \$900, the

government will contribute another \$1350 into your super fund. This would make it a total contribution of \$2250.

Free money for the government, what more could you asks for.

If you earn more then \$30,342 but less then \$60,342 you are still entitled to some contribution from the government as such it will still yield a better return then paying down some debt.

So now you are educated, but are you wise. The educated person will read the above information and say “Yes that is a good idea.” The wise will act on it and make the money.

I will leave it up to you.

Origin – Cashed up and ready to go.

Origin reported well in February with their result ahead of expectations, but they did forecast a weaker second half result. Which has seen downward revision of earnings and a downwards movement in the share price. With four months left in 2009 financial year, we don't expect ORG to have any trouble hitting its guidance. Looking ahead to next year, the group should be able to deliver another strong year of earnings growth. Kupe looks on track to come on line in mid-2010, ORG will get a full year out of Uranquinty and the Darling Downs CCGT should get commissioned in late 2009. With ongoing coal seam gas ramp up, the Mt. Stuart Power Station expansion and Cullerin Range Wind Farm should add some icing on the cake. In our view, one of the biggest risks to our earnings forecast is the oil price.

Energy retailing is an attractive place to be, in our view. We have always had a bullish long-term view on the sector, but recent results have highlighted that margins are improving, although ORG will be giving some of that margin back in the second half on the back of higher expected wholesale electricity costs.

Going forward, the outlook should continue to improve as price caps are removed (Vic from January 2009), NSW Government-owned competitors are absorbed into the existing incumbents from other States via privatisation and vertical integration increases. ORG also plans to undertake an IT systems overhaul over the next 2-3 years, which should enable further cost reductions and revenue benefits.

Overall, this stock has been oversold on the back of a poor reaction to second half forecasts; it is paying a 5.7% fully franked dividend and is trading 25% below our target price. This stock will perform well over the coming 12 months and is core holding in portfolios.

Until next week.