shareanalysis weekly

www.shareanalysis.com 10 October 2006

PERSPECTIVE

Peter Leodaritsis
Managing Director
Aegis Equities Research

Piecing together the AGL / ALN puzzle

Now that approvals for the merger have gone through, AGL Ltd (AGL) shareholders will receive 1.0 share in the new AGL (AGL Energy) and 0.58 shares in the new Alinta (ALN). The company increased guidance for FY07F fully franked dividends to $0.81, up 3.5c on previous forecasts, comprising 50.4cps from AGL Energy and 30.6cps from the new ALN. Given this, why did we sell AGL and buy ALN when theoretically we could have had a bit of both?

The reason is, we think the new AGL assets look very expensive and, when the dust settles, we believe the market will realise this as well.

AGL to date has consistently provided minimal financials (and substantiation of forecasts) for its Merchant Energy business segment, which includes its recently acquired power generation and upstream gas investments. Following the scheme, AGL will hold assets that will be the most similar to Origin Energy (ORG); however, the current AGL stock price values the new AGL at a greater than 20% premium to ORG.

Also hanging over AGL, the debt-funded Southern Hydro acquisition will not be earnings-accretive until FY09, and uncertainty (becoming grave doubt) remains around the PNG Gas pipeline project proceeding.

In contrast, ALN is one of the most diversified of the energy utilities, with operations throughout the energy production chain, from generation, transmission, distribution, through to wholesale and retail sales. The AGL asset swap will see its market capitalisation double following the acquisition of AGL's infrastructure business and, consequently, earnings are expected to achieve strong growth over the next few years.

As a general theme, we are happy to continue to hold energy assets as they display relatively steady growth and generate a growing stream of franked dividends. As the worldwide grab for income generating assets continues (fuelled by Macquarie, Babcock & Brown and a whole host of private equity players), we expect continued growth in the value of these assets. Furthermore, as we still find the property sector expensive, energy assets give us an additional defensive exposure.

The sky is the limit

From toll roads to airports, this week we will take a look at various infrastructure related stocks, together with stocks that provide opportunities in the sky. This week we try to determine which road investors should travel over the next 12 months.

Macquarie Infrastructure Group (MIG) invests and develops quality toll assets that are accretive to the portfolio in the long term. We expect continued growth from its toll *(Continued Page 3)*

THIS WEEK

PORTFOLIO RETURNS

How much you would have if you had invested $10,000 for:

	1 Yr	3 Yrs	Since Inception
Our Portfolio	12,048.6	17,384.6	30,823
S&P/ASX 200	12,259.0	18,739.0	20,109

Past performance is not a guide to future performance. Inception date of portfolio is 30 Sep 2000. Please read full disclaimer on the last page of this document.

INSIGHT

Damien Klassen
Editor
Shareanalysis

Hedge Funds

Hedge funds form part of the alternative investments universe and seek to achieve absolute return in any market condition. They are unconstrained with the assets in which they can trade or invest. Unfortunately it is hard to generalise as some are particularly risky and others are not very risky at all. The investment strategies participate in a diverse range of markets and may trade in any type of financial instruments, ranging from equities, bonds, hybrids, commodities, currencies and derivative contracts. Some of the key investment strategies are:

Global macro: aims to profit from shifts in global economies. The holdings are based primarily on overall economic and political views of various countries (macroeconomic principles).

Long/short: involves buying securities the manager believes will go up (long) and borrowing then selling those which the manager believes are likely to go down in value (short).

Market neutral: aims to eliminate market risk so it can be profitable in any market condition.

Relative value: attempts to profit by exploiting differences between the prices of similar securities.

Arbitrage: a combination of a bought (long) and sold (short) position in physical or derivative equities and fixed income securities to generate a riskless profit through market inefficiencies

Distressed debt: buying securities of a company that is experiencing financial difficulty based on the belief the company's prospects are going to improve.

Options: are the right, but not the obligation, to buy or sell a specific amount of a given stock, commodity, currency, index, or debt, at a specific price during a specified period of time.

Event driven: significant positions in a limited number of companies with 'special situations', such as distressed share prices or takeovers.

Commodities: Hard commodities are real assets and may include industrial and precious metals, and energy. Soft commodities are real assets and may include livestock and agriculture.

Gold: is a hard commodity with its own investment properties including a particularly low correlation to traditional asset classes such as equities and bonds.

Alternative yield funds: invest in higher yielding, less liquid securities, which are less correlated with inflation than other liquid bond marketsand, providing a hedge against inflation risk.

Portfolio Analysis

Removal of AGL, addition of Alinta (ALN): ALN shareholders have approved the scheme of arrangement. The Federal Court also approved the merger, effective October 11. Shares to commence trading on a defered settlement basis between October 12-25 and then on an ordinary basis from October 26.

PORTFOLIO STOCKS

The following stocks are currently in our balanced portfolio:

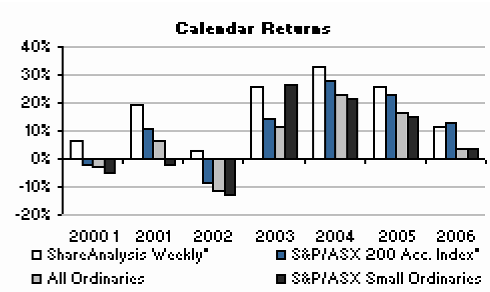
Stock	Code
Alinta Ltd	ALN
ANZ Bank	ANZ
BHP Billiton Limited	BHP
DCA Group	DVC
Macquarie Bank	MBL
News Corporation	NWS
Perpetual Limited	PPT
ResMed	RMD
St George Bank	SGB
Transurban	TCL
Toll Holdings	TOL

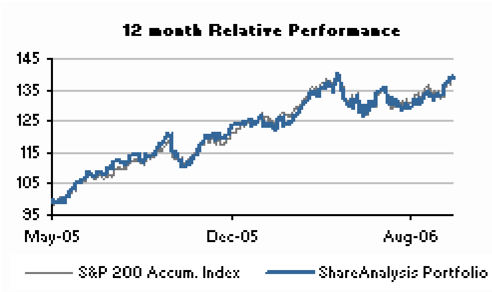
You must consult your financial planner before investing in this portfolio as to the suitability of it for your risk profile and the appropriate weightings for each stock in the portfolio

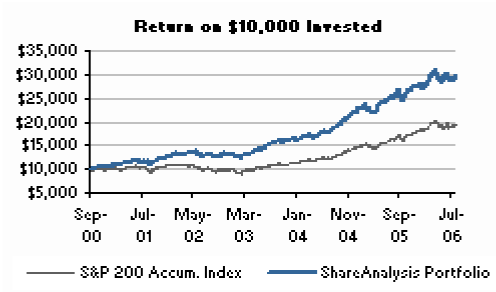
TRANSACTIONS

Date	Bought	Sold
29 Sep 2006	ALN	AGL
06 Dec 2005	RMD	BIL
27 Sep 2005	TOL	TLS

Portfolio Returns*







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The sky is the limit.

roads resulting from its recent toll increases which have driven revenue growth for the September quarter. MIG's US restructure is a sound move for shareholders, providing support to MIG's US investment valuations and provides a solid platform for MIG to pursue future US opportunities. We have a BUY.

Transurban Group (TCL) and **ConnectEast Group (CEU)** both have our BUY recommendation. TCL offers exposure to a strong portfolio of Australian-based toll road assets. Its foundation asset, the Melbourne CityLink, has a strong cash generating profile, based on solid traffic growth and rising toll income. We remain bullish on the stock on a 12 month view. We continue to view CEU favourably and rate it as a sound medium- to long-term growth toll road investment. The design of its EastLink is substantially complete and set on track for completion by November 2008. At current levels we view the stock as undervalued.

Australian Infrastructure Fund (AIX) is a diversified infrastructure fund with investments in airports, ports, toll roads and light rail. We see limited scope in the near term to increase payouts as the current distribution exceeds underlying distributable cashflows. We are neutral in the near term and have a HOLD recommendation.

Qantas Airways (QAN) and **Macquarie Airports (MAP)** both have our HOLD recommendation. QAN remains poised for longer-term growth and is in a good position to maximise future opportunities. We believe the weakness in the oil price will continue to provide support for the stock in the near term however expect higher oil prices to return. MAP is the world's second biggest airport operator controlling stakes in Sydney, Brussels and Copenhagen airports. Management continues to pursue further growth opportunities through a combination of higher passenger revenues and implementation of cost cutting initiatives. Technically, momentum indicators are turning down and we don't see any significant upside in the short term.

Economic Watch

In August the trade account deficit rose with export and imports rising slightly higher. Building approvals also tumbled during the month offset by retail sales improving on solid gains made in July.

Retail Sales – increased by 0.3% in August, building on the solid rises reported in July (0.5%) and June (0.9%). Department store sales disappointed, falling by 7.2% in August.

Building Approvals – tumbled by 12.6% in August. Private sector “other dwelling” approvals (including home units and townhouses) was the major downfall, crashing by 36.9%.

Trade Account – the trade account deficit increased by just $0.21B in August. Exports edged 1% higher, on the back of a $0.18B gain in the non-rural and other goods. Imports also rose by 1%, with a fall in the intermediate and other goods limiting import growth over the month.

Job Ads – increased by 0.3% in September for both newspapers and on the Internet, an improvement on the 1.3% decline reported in August.

STOCK CALENDAR

09/10/2006
AGM: ASX, CPR, MGK
EGM: GSF
Ex-Dividend: AEC, AIA, ARP, BKR, DBS, FLX, HGI, MIN, PRY, THO, UOS, WAB

10/10/2006
AGM: ALU, ANP
Ex-Dividend: ALN, ALR, CMI, ETWG, HFA, MTU, NHRG, PMNPA, SCF, TWD

11/10/2006
AGM: CPK, TRS
EGM: AVR
Ex-Dividend: ADBPA, BCF, BER, COF, COF, KSC, LDW, TNL

12/10/2006
AGM: ARP, BEI, BKI, PEP, SHA, TLZ, UGL
Ex-Dividend: CTJ, DVN, EMCG, LDN, SOE, VEL, VELCP, VELIN, VELPA, WHG
Reporting: BOQ

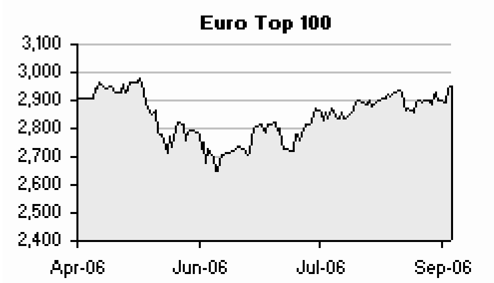
13/10/2006
AGM: AHC, CHO, KOV

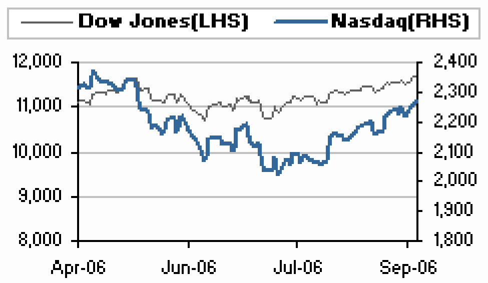
MARKET SUMMARY

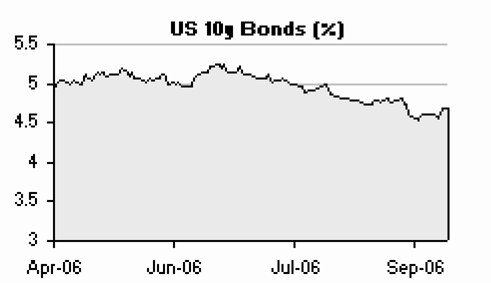
Index/Security	Close	Chg	%Chg
All Ordinaries	5,178	+65.3	+1.3
ASX 200	5,221	+66.6	+1.3
ASX Small Ords	3,011	+42.5	+1.4
Industrials	5,720	+93.3	+1.7
Fin.-x-Prop Trusts	6,451	+125.5	+2.0
Materials	9,747	-79.1	-0.8
Cons. Staple	6,878	+43.7	+0.6
Telecom Serv.	1,334	+32.1	+2.5
10y Bond Yield	5.51	-0.12	-2.0
AUD / USD	0.746	0.00	-0.4

(Weekly comparison)

International Watch







Technical Watch

Not out of the woods yet

The US Dow Jones Industrial Average made the front page of the financial press last week when it finally closed above its January 14th 2000 high. It had teased investors over the last couple of weeks, pushing beyond the high, only to pullback in late trading to close below it. Last Tuesday, the index finally overcame that much touted level. Is this a big deal?

In our opinion, the fact that Dow Transports and Utilities remain below their recent peaks and the fact that the majority of world equity markets do not look as though they can continue higher in the near term, suggests that this focus on the move in the Dow Industrials is somewhat subjective. We have always focussed on the all-time intra day high of 11,908 and we will continue to use that as our critical resistance level. Is it only a matter of days before that is overcome - are we being too cautious?

As we have said so many times over the last few months, we believe that equity markets will 'lift-off' sometime in October, so we are not negative; we just want to wait for a low risk buying opportunity. We also want to share with our readers the thought process behind our views. Last week we noted that a short term threat to equities could be a rise in interest rates, brought about by a quick bounce in the oil price. That is still a possibility, despite the sharp fall in energy prices early last week. The energy complex is still in the vicinity of support and US bonds had a sharp reversal last Friday. It is not only US bonds that are showing signs of reversal; rates in Japan and Europe are doing likewise. This tells us that our short term caution is still warranted. We do not expect that this will develop into anything substantial - we continue to believe, as we have done since May, that the cyclical upmove is over. We just think that it is time for a countertrend bounce.

In the Australian market we note that resistance on the All Ords (that associated with the June, July and September peaks) has been overcome, resulting in the break of a four month trading range.
But the Banks are running into resistance and the Resource heavyweights, BHP and RIO, continue to look lacklustre. Without positive impetus from these stocks the overall market will struggle to push significantly higher.

See our ShareAnalysis Technical Weekly newsletter for the full story.

Sector Strategist

So far, this reporting season has been pretty much in line, with positive surprises just about offset by negative ones. No signs yet of an end to the resources/infrastructure booms, but plenty of signs of nervousness in both sectors.

Still recommend to steer clear of the wine sector, Australian building-related companies, property trusts at low yields and companies without the pricing power to push through commodity-related price increases. Resource stocks are benefiting from continued world growth. Banks and miscellaneous financials still look to be good value, although bank earnings growth is likely to be slow. We remain positive on transport and logistics - excluding air transport.

TECHNICAL VS FUNDAMENTAL

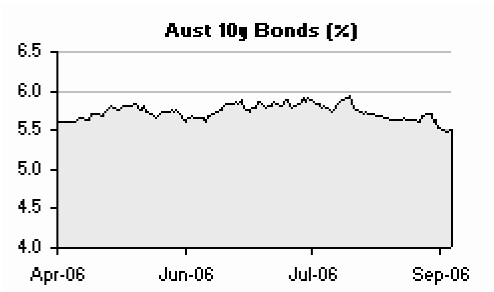
Recommendations in agreement

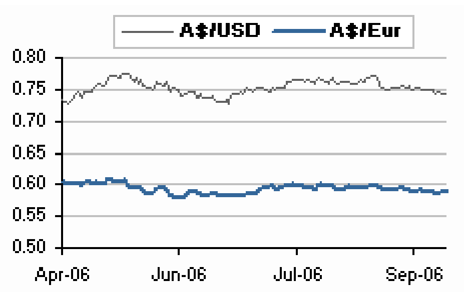
Stock	Fundamental	Technical
SGP	SELL	SELL

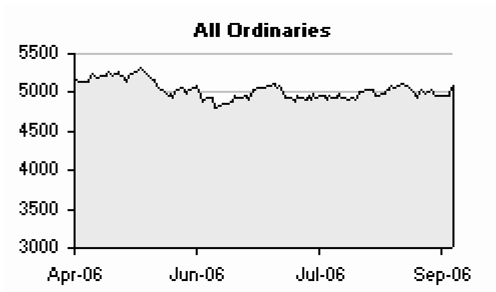
Opposing recommendations

Stock	Fundamental	Technical
CSL	SELL	BUY
QBE	BUY	SELL

Australian Watch







Analyst Watch

This is a summary of major events from shareanalysis.com

Alinta Ltd (ALN): ACCC not to relieve ALN of its requirement to divest the Agility service contracts

Aust Pharmaceutical (API): API receives an approach from Sigma Pharmaceuticals

Aust Stock Exchange (ASX): Strong growth in September trading volumes

Austal (ASB): Senate Approves 2007 Defence Budget

Australian Equity Strategy (STRATEGY): Changes to recommended portfolios

Australian Equity Strategy (STRATEGY): Model Retail Portfolios - Monthly Review for September 2006

Australian Gas Light (AGL): Shareholders approve AGL Scheme

Australian Pipeline Trust (APA): Another poor acquisition

Australian Pipeline Trust (APA): Acquires Allgas distribution business

Baycorp Advantage (BCA): BCA looking for new MD after current MD extends contract only until June 2007

Brickworks (BKW): FY06 headline NPAT better than expected, but Building Products again disappoints

Burns Philp & Co (BPC): Shareholders recommended to Accept Offer

Challenger Diversified Property Group (CDI): Pre-IPO report

Colorado (CDO): Extension of the offer period

Emeco (EHL): Addition to S&P/ASX 200

Excel Coal (EXL): EXL shareholders approve Peabody Takeover

Financials (40): General insurers' results - one clear leader emerges

Food Beverage & Tobacco (3020): Food & Beverage results review

Hastings Diversified Utilities (HDF): Completes $42.75M placement

Henderson Group (HGI): Court approves proposed capital return

IOOF (IFL): IFL acquires remaining stake in Perennial Investment Partners

James Hardie Industries NV (JHX): Many keen to bowdlerise and buy, but not us

Macquarie Infrastructure (MIG): Toll increases continue to drive revenue growth for Sep Qtr 06

Multiplex Group (MXG): MXG awarded another major UAE contract

MYOB (MYO): Share price increase presents stock as expensive

Nufarm (NUF): FY06 result: NPAT 2% up, positive outlook for FY07

Origin Energy (ORG): Possible LNG site about preserving future options

Qantas Airways (QAN): Reports August Traffic

Qantas Airways (QAN): A380 delayed again

Quickflix (QFX): Lachlan Murdoch buys 4M shares

Rebel Sport (REB): 1Q07 Sales results

RiverCity Motorway (RCY): New target completion date - yet RCY model and price target unchanged

RECO CHANGES

Changed to BUY

Tattersall's (TTS) - from HOLD

Changed to HOLD

Brambles (BIL) - from BUY
Brickworks (BKW) - from SELL

Changed to SELL

MYOB (MYO) - from HOLD

Changed to ACCEPT OFFER

None.

Changed to UNDER REVIEW

None.

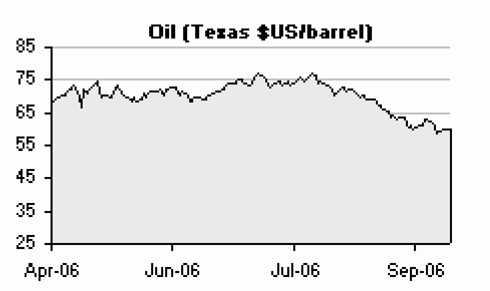
TRADER WATCH*

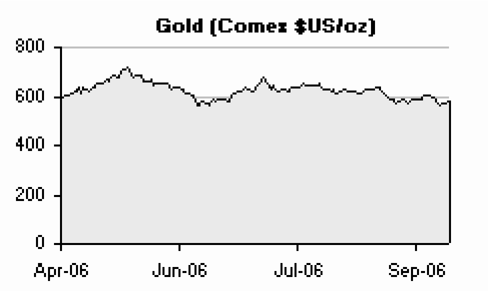
Price:
% Change in Shareprice

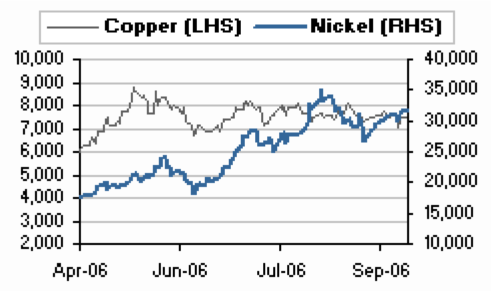
MRE	+5.8	CNP	-7.7
GUD	+3.9	FMG	-5.6
RHC	+3.7	APA	-4.2
ORG	+3.7	DJS	-4.1
SGM	+3.4	SDG	-3.3

*All figures above are on stocks in the All Ordinaries Index only

Commodity / Currency Watch







For more details on the above, or to get live updates see the search features on www.shareanalysis.com

Analyst Watch (Cont'd)

Santos (STO): Takeover bid made for Queensland Gas Company

Santos (STO): First offshore, STO-run operation starts production

Sigma Pharmaceuticals (SIP): Sigma proposes merger with Australian Pharmaceuticals

Silex Systems (SLX): Receives US Government authorisation for uranium enrichment technology

Sydney Roads (SRG): Traffic data flat for Sep Qtr 06

Tap Oil (TAP): Drilling for 4 million barrels at Hector-1

Tattersall's (TTS): Investment view upgraded as merger is finalised

Telstra Corp (TLS): T3 Prospectus is finally delivered

Telstra Corp (TLS): 3G network launched

Toll Holdings (TOL): Issues 4M shares to cover shortfall in DRP

Transfield Services (TSE): Western Corridor Recycled Water Network

Transportation Infrastructure (203050): Infrastructure FY06 reporting wrap - strong cash flows again the theme

Transurban (TCL): Solid traffic and revenue data for 1Q06

Vision Systems (VSL): Danaher announces $3.75 per share offer, terminates discussions with Ventana

Vision Systems (VSL): Update on takeover discussions

Vision Systems (VSL): Ends merger agreement with Ventana

Vision Systems (VSL): Ventana and Danaher in discussions regarding a potential joint bid

Vision Systems (VSL): Cytyc lifts its bid to $3.25 per share

Woolworths (WOW): Assumptions revisited

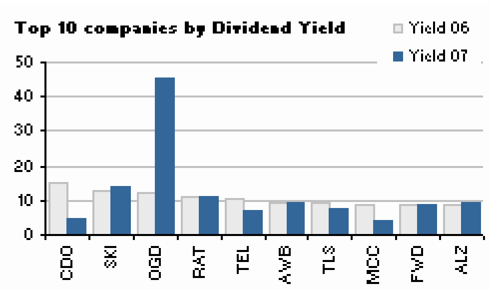
EARNINGS CHANGES

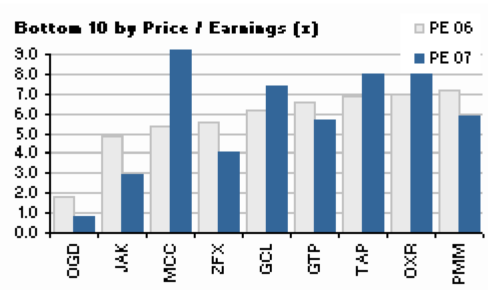
Brambles (BIL): Earnings upgrade due to takeover sepulation in the market and that our previous forecasts were too conservative.

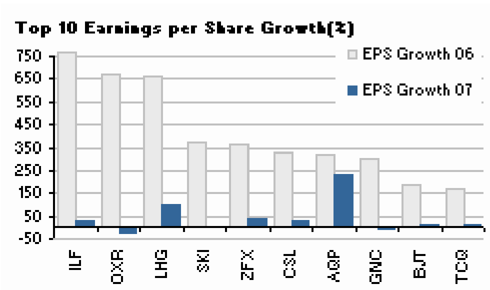
Tattersall (TTS): 2007 earnings downgrade due to shares issued following the merger.

Woolsworths (WOW): Earnings downgrade following discussions with management. Shares issued under the DRP, the employee share plan and recent acquistions will result in share dilution.

Quantitative Watch







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Macquarie Infrastructure (MIG): Bullish toll fare

MIG continues to execute its strategy of investing and developing its toll road assets. It recent toll increases for the September quarter continue to drive revenue growth for the company and its $500M on-market buy back is a positive catalyst for the stock. We continue to remain bullish with a 12 month price target of $3.52.

Company Risk: ★★☆☆☆ **Share Price Risk:** ★★★☆☆ **Ethical Rating:** ★★☆☆☆

What to do (Investors): BUY

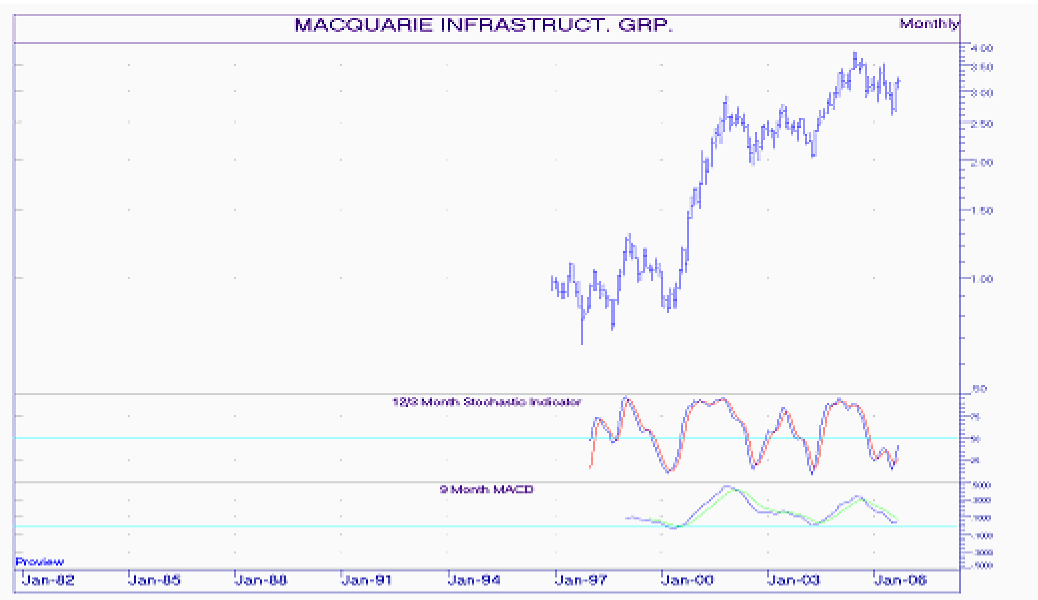
In the long term, we expect MIG to continue to execute on its strategy of investing and developing quality toll assets that are accretive to the portfolio. Allowing for reasonable traffic growth, we expect consistent distribution growth from the portfolio in the long run.

What to do (Trader): Limited upside

We draw attention once again to the monthly chart and the long term Buy signals that are in place on the Stochastic and the RSI. We highlighted this the last time that we reviewed the stock, and we remain positive from a longer term outlook. In the short term however, the stock is beginning to stall and with momentum rolling over, we believe that upside is limited in the near term. We brought our recommendation back to a Hold a few weeks ago – as it turned out, a little prematurely, but we see no reason to change that at this stage. Good support can be found at the $3.15 level – we will look to that level for signs of a renewed upswing. HOLD.

Fundamental View

MIG's outlook is for continued growth from its toll roads, namely, the M6 Toll, 407 ETR and its WestLink M7 investment. MIG's US restructure is a sound move for MIG shareholders, on-selling at the respective investments' NAB. We view this as a positive catalyst for the stock and remain bullish on MIG.



Source: Aegis Equities

KEY STATISTICS

Price:	**$3.26**
Price as at:	09-Oct-06
Market Cap ($M):	8,352.3
Equiv. Shares (M):	2,475.5
% Market:	0.47
12Mth Range ($):	2.60 - 4.03
Turnover ($M pa):	11,707.7
Index:	S&P/ASX 50
Sector:	Industrials
Industry Group:	Transportation
Industry:	Transportation Infrastructure
Sub Industry:	Highways & Railtracks

FINANCIAL SUMMARY

Yr to Jun	06A	07F	08F
NPAT Rep ($M)	**343**	**(15)**	**91**
NPAT[1] Adj ($M)	**145**	**(15)**	**91**
EPS (c)	5.7	(0.6)	3.8
DPS (c)	21.0	20.0	24.0
P/E (x)	**56.9**	**(<99)**	**86.6**
Yield (%)	**6.4**	**6.1**	**7.4**
Franking (%)	32	7	7
EPS growth (%)	n/a	n/a	n/a

[1] Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

COMPANY OVERVIEW

MIG was formed to enable private investors to participate in the growth associated with infrastructure assets. MIG primarily invests in toll roads, and thus far, has benefited from the reduction in risk premiums as a new road is completed or progresses through ramp-up to target traffic levels.

Transurban (TCL): Restructure

TCL is a quality infrastructure investment with its foundation asset Melbourne CityLink continuing to peform from solid traffic growth and rising toll income. Its proposed restructure is intended to support TCL's international business pursuits.

Company Risk: ★★★☆☆ **Share Price Risk:** ★★★☆☆ **Ethical Rating:** ★★★☆☆

What to do (Investors): BUY

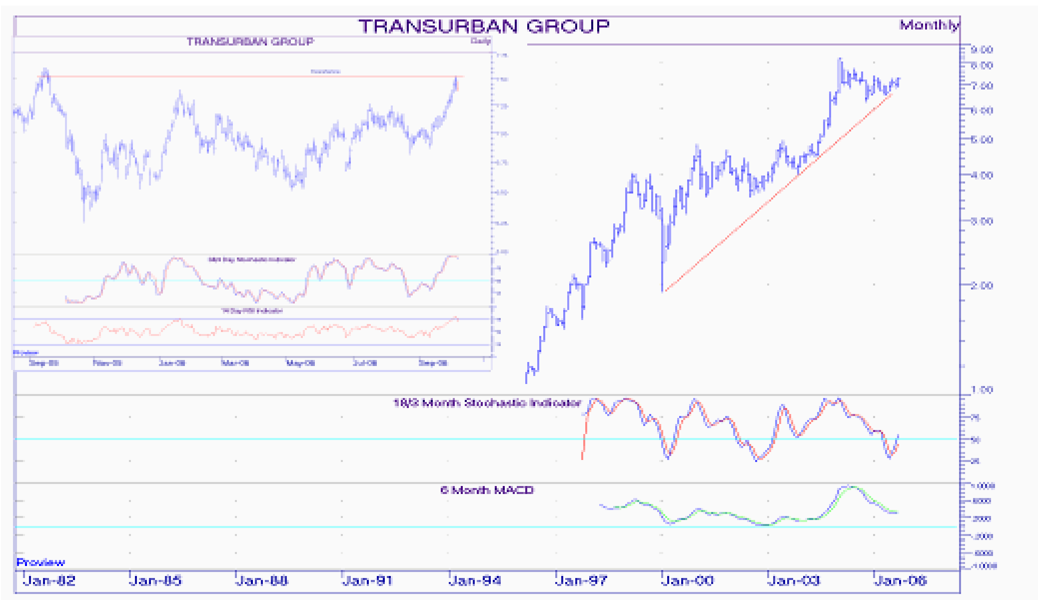
TCL has a strong portfolio of Australian-based toll road assets, and now has inroads into the USA with its Pocahontas Parkway, Virginia, concession. Its foundation asset, the Melbourne CityLink, has a strong cash generating profile, based on solid traffic growth and rising toll income. TCL has a strong management team, with sound financial discipline, proving prudent and successful with its M2 and Pocahontas Parkway investments. Our long term view on this company is neutral.

What to do (Trader): Pause?

In May and July we noted the proximity of the long term uptrend and the positive action of the momentum indicators. In May, as the Materials and Financials were moving into dangerous territory, we suggested that the stock is a low risk BUY. Combine the technical profile with the excellent yield and TCL offers investors a viable alternative. That comment has turned out to be accurate and the long term Buy signals that were in place continue to underpin the stock. The shorter term action is less encouraging, suggesting a pause is imminent. We expect price to pullback to the $7.20 to $7.25 area and we would be on the lookout for a new Buying opportunity as that level is tested. We retain our long term Buy however HOLD in the short term.

Fundamental View

TCL is a quality infrastructure investment with a sound growth and attractive distribution profile. WestLink M7 combined with M2 represents a major future cash-generating toll road. TCL's strong operating cash profile combined with its conservatively geared balance sheet provides ample scope for regearing and fuelling its FY07 distribution guidance of 54cps. We remain bullish on TCL on a 12 month view.



Source: Aegis Equities

KEY STATISTICS

Price:	**$7.41**
Price as at:	09-Oct-06
Market Cap ($M):	6,153.1
Equiv. Shares (M):	801.3
% Market:	0.35
12Mth Range ($):	6.25 - 7.52
Turnover ($M pa):	4,880.3
Index:	S&P/ASX 100
Sector:	Industrials
Industry Group:	Transportation
Industry:	Transportation Infrastructure
Sub Industry:	Highways & Railtracks

FINANCIAL SUMMARY

Yr to Jun	06A	07F	08F
NPAT Rep ($M)	**(61)**	**(7)**	**1**
NPAT[1] Adj ($M)	**(120)**	**(7)**	**1**
EPS (c)	(14.8)	(0.8)	0.2
DPS (c)	50.5	54.0	55.4
P/E (x)	**(49.9)**	**(<99)**	**>99**
Yield (%)	**6.8**	**7.3**	**7.5**
Franking (%)	0	0	0
Deferred Tax (%)	80	80	80

[1] Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

COMPANY OVERVIEW

Transurban (TCL), in conjunction with Transfield-Obayashi, successfully tendered in May 1995 for the CityLink contract linking the western and southern Melbourne suburbs, and by-passing the CBD area. Its single-purpose company restrictions were removed in November 2001 as TCL sought opportunities across Australia and abroad. TCl also has a significant interest in the WestLink M7 toll freeway in Sydney's west. More recently, TCL acquired the Pocahontas Parkway in Richmond, Virginia (USA).

ConnectEast (CEU): On track

CEU is cash flow strong toll road infrastructure investment. We expect strong cash flow generation in the long term derived mainly from its Eastlink toll road which is scheduled for completion by November 2008. Technically, momentum indicators remain firm and we believe the stock can continue to push higher.

Company Risk: ★★★☆☆ **Share Price Risk:** ★★★☆☆ **Ethical Rating:** ★★☆☆☆

What to do (Investors): BUY

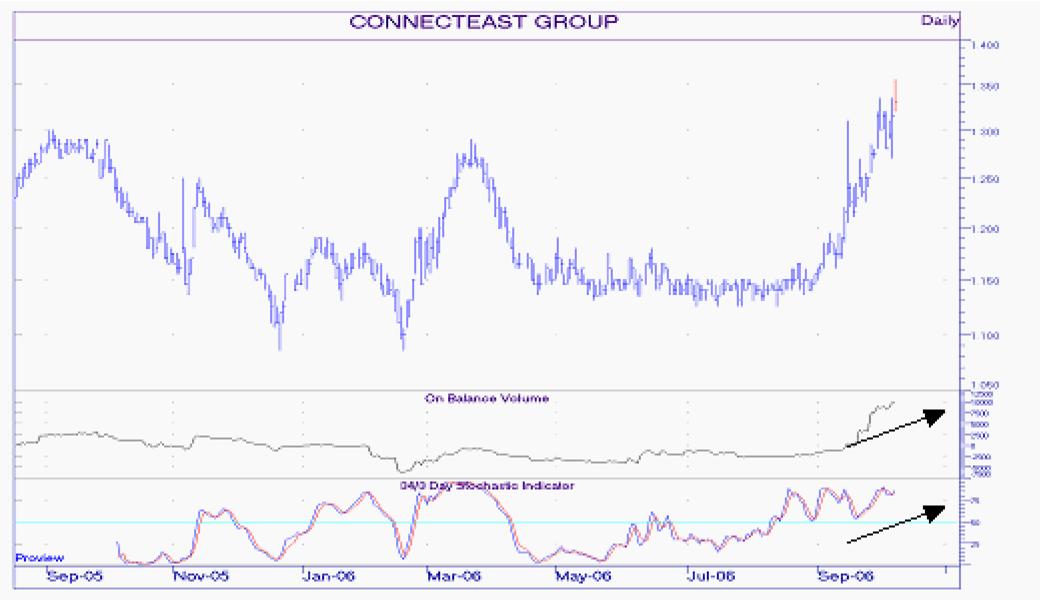
CEU will be a cash flow strong toll road infrastructure investment, with solid traffic, EBITDA and yield growth prospects as its EastLink toll road proceeds through its ramp-up phase to its mature status. We continue to view CEU favourably and rate it as a sound medium- to long-term growth toll road investment. It is a simple single asset infrastructure vehicle investment with low management fees relative to its sector.

What to do (Trader): BUY

The break above the twelve month range, on improving volume, is encouraging. Momentum remains firm and there is every indication that the stock can continue to push higher. Unfortunately there is not a lot of history, so resistance and target levels are hard to determine – this lack of history also makes Technical Analysis less reliable. However, on the evidence presented we would suggest that the stock can move toward the $1.45 to $1.50 level. We rate it as a BUY, but would place a stop loss at $1.27.

Fundamental View

CEU's long-term outlook is for strong cash flow generation derived from its EastLink toll road, which will support its sound dividend yield outlook. CEU's construction facility and term facility (which construction facility will convert on construction completion) have fully hedged base interest rates and margins locked in under favourable terms. We view CEU as undervalued.



Source: Aegis Equities

KEY STATISTICS

Price:	**$1.33**
Price as at:	09-Oct-06
Market Cap ($M):	1,563.8
Equiv. Shares (M):	1,124.8
% Market:	0.09
12Mth Range ($):	1.09 - 1.34
Turnover ($M pa):	766.8
Index:	S&P/ASX 200
Sector:	Industrials
Industry Group:	Transportation
Industry:	Transportation Infrastructure
Sub Industry:	Highways & Railtracks

FINANCIAL SUMMARY

Yr to Jun	06A	07F	08F
NPAT Rep ($M)	**61.6**	**(35.5)**	**(76.7)**
NPAT[1] Adj ($M)	**(5.8)**	**(35.5)**	**(76.7)**
EPS (c)	(0.5)	(3.1)	(6.3)
DPS (c)	6.5	6.5	6.5
P/E (x)	**(<99)**	**(43.2)**	**(21.2)**
Yield (%)	**4.9**	**4.9**	**4.9**
Franking (%)	0	0	0
Deferred Tax (%)	0	0	0

[1] Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

COMPANY OVERVIEW

CEU's was the successful tender to finance, design, construct, operate and maintain the 39-km roadway between Eastern Freeway in the eastern suburbs of Melbourne and the Frankston Freeway in Melbourne's south-east for a maximum period of 39 years. Construction is targeted to finish in 2008.

Aust. Infrastructure Fund (AIX): Divest?

AIX operates as a diversified infrastructure fund with a greater weighting towards its international airport assets. Management continues to flag that its examining its portfolio of assets and might seek to divest some of its non-core assets.

Company Risk: ★★★☆☆ **Share Price Risk:** ★★★☆☆ **Ethical Rating:** ★★☆☆☆

What to do (Investors): HOLD

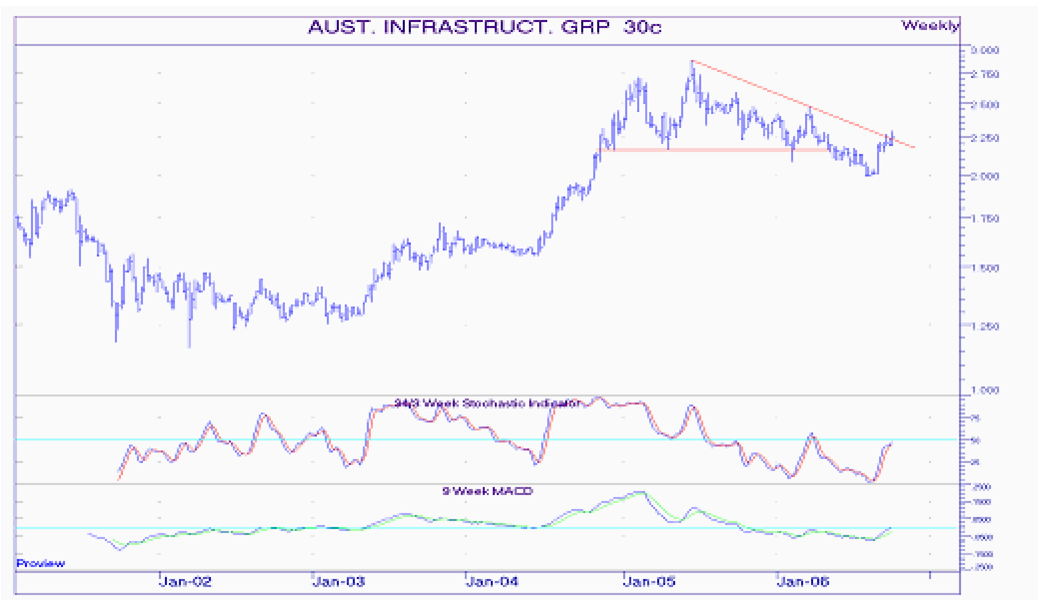
AIX has a portfolio of international airports, Victorian ports, the M4 toll road in Sydney and the Sydney Metro Light Rail system. We like the portfolio's high weighting in international airport assets, all of which are located in high population catchment locations, with growth expected in excess of their respective country's GDP. However, we see limited scope for AIX to raise distributions through organic growth.

What to do (Trader): Neutral

In May we stated; "AIX should hold up relatively well in this environment of market uncertainty and represents a low risk buying opportunity, although we do not expect that an impulsive rally is imminent. With a short term upside target less than 10% away, the stock does not stand out as a great Buy, but for the patient investor seeking a good yield and defensive characteristics, AIX is a good candidate." Although AIX has rallied over the last couple of months, the move does not look impulsive, suggesting that this is not the beginning of a major upmove. The position of the Stochastic and MACD both remain below the signal line. Until this is overcome, we are neutral.

Fundamental View

We feel there is limited scope in the near term to increase pay outs, as we believe the current distribution level exceeds underlying distributable cash flows. Nonetheless, the substantial value of non-core assets means asset sales could support this elevated level for some time. For this reason, we are neutral on AIX in the near term.



Source: Aegis Equities

KEY STATISTICS

Price:	**$2.28**
Price as at:	09-Oct-06
Market Cap ($M):	832.9
Equiv. Shares (M):	367.1
% Market:	0.05
12Mth Range ($):	1.99 - 2.47
Turnover ($M pa):	607.8
Index:	S&P/ASX 200
Sector:	Industrials
Industry Group:	Transportation
Industry:	Transportation Infrastructure
Sub Industry:	Airport Services

FINANCIAL SUMMARY

Yr to Jun	06A	07F	08F
NPAT Rep ($M)	**109.5**	**24.8**	**25.5**
NPAT[1] Adj ($M)	**24.1**	**24.8**	**25.5**
EPS (c)	6.7	6.7	6.7
DPS (c)	14.5	14.5	14.5
P/E (x)	**34.3**	**34.1**	**33.8**
Yield (%)	**6.4**	**6.4**	**6.4**
Franking (%)	33	24	24
EPS growth (%)	55.8	0.4	0.9

[1] Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

COMPANY OVERVIEW

AIX is a diversified infrastructure fund, with investments in airports, ports, toll roads and light rail. Its strategy is to maximise both income and capital returns. AIX is managed by Hastings Funds Management, which is 51% owned by Westpac.

Qantas Airways (QAN): Sky high

QAN remains in a good position for long-term growth from its domestic and international networks. Weakness in the oil price continues to favour the stock in the near term however we remain cautious that the oil price may rebound.

Company Risk: ★★☆☆☆ **Share Price Risk:** ★★★☆☆ **Ethical Rating:** ★★★☆☆

What to do (Investors): HOLD

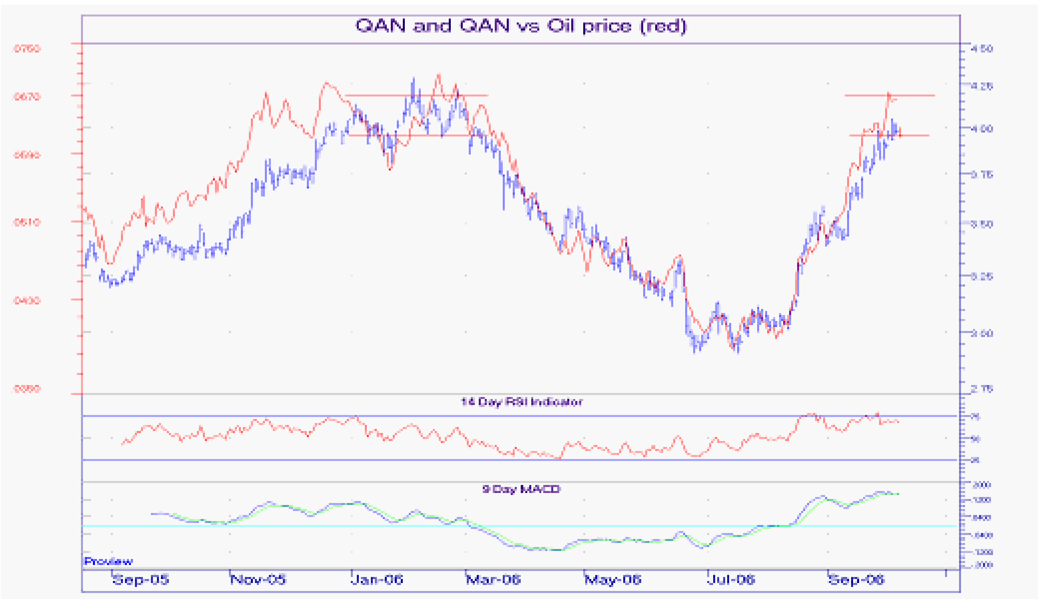
QAN is well positioned in terms of the international and domestic networks. International has very strong competitive positions on most key routes, and domestic retains a profitable 66% market share. Operationally, QAN has made great progress by focusing on its cost base (alleviating margin pressure caused by intense global competition). We are broadly neutral on its long term outlook given the hyper competitive environment it competes in and our outlook for sustained high oil prices.

What to do (Trader): SELL

As QAN moves into a zone of resistance we expect that upside progress will be impacted. Momentum indicators are rolling over from overbought levels and the stock is showing signs of deterioration on the relative performance profile. Also if we analyse QAN vs Oil price (depicted on the chart below in red) we can see that the stock is at an important resistance level. Given the above and given the support evident on the oil price, we would lock in profits – the situation has now become high risk. Our analysis will be incorrect if the ratio of QAN to the oil price moves above the February peak.

Fundamental View

QAN remains strategically poised for longer-term growth and well positioned to maximise future opportunities. Our immediate concerns are focused on the persistently high fuel price and competitive environment, which foreshadows skinny profit margins. We believe the weakness in the oil price will continue to provide to support the stock in the near term but remain of the view that high prices will return.



Source: Aegis Equities

KEY STATISTICS

Price:	**$3.95**
Price as at:	09-Oct-06
Market Cap ($M):	7,772.9
Equiv. Shares (M):	1,953.0
% Market:	0.44
12Mth Range ($):	2.91 - 4.29
Turnover ($M pa):	9,845.0
Index:	S&P/ASX 50
Sector:	Industrials
Industry Group:	Transportation
Industry:	Airlines
Sub Industry:	Airlines

FINANCIAL SUMMARY

Yr to Jun	06A	07F	08F
NPAT Rep ($M)	**480**	**286**	**814**
NPAT[1] Adj ($M)	**528**	**486**	**814**
EPS (c)	27.4	24.6	40.5
DPS (c)	22.0	22.0	22.0
P/E (x)	**14.4**	**16.1**	**9.7**
Yield (%)	**5.6**	**5.6**	**5.6**
Franking (%)	100	100	100
EPS growth (%)	(28.4)	(10.3)	65.1

[1] Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

COMPANY OVERVIEW

Nicknamed the Flying Kangaroo, Qantas is Australia`s largest and oldest airline, servicing 145 domestic and international destinations and carrying +34M passengers annually. Qantas was privatised in 1995 with British Airways assuming an initial 25% shareholding (which has since been sold). Qantas has a 66% share of the domestic market and accounts for approximately 31% of Australia`s share of international inbound and outbound passengers. It is a member of the Oneworld airline alliance.

Macquarie Airports (MAP): Airborn

This airport operator holds controlling stakes in Sydney, Brussels and Copenhagen Airports with management aiming to improve earnings by enhancing revenues and by implementing cost cutting initiatives. Technically, momentum indicators are turning down and we don't see any significant upside in the short term.

Company Risk: ★★★☆☆ **Share Price Risk:** ★★★☆☆ **Ethical Rating:** ★★☆☆☆

What to do (Investors): HOLD

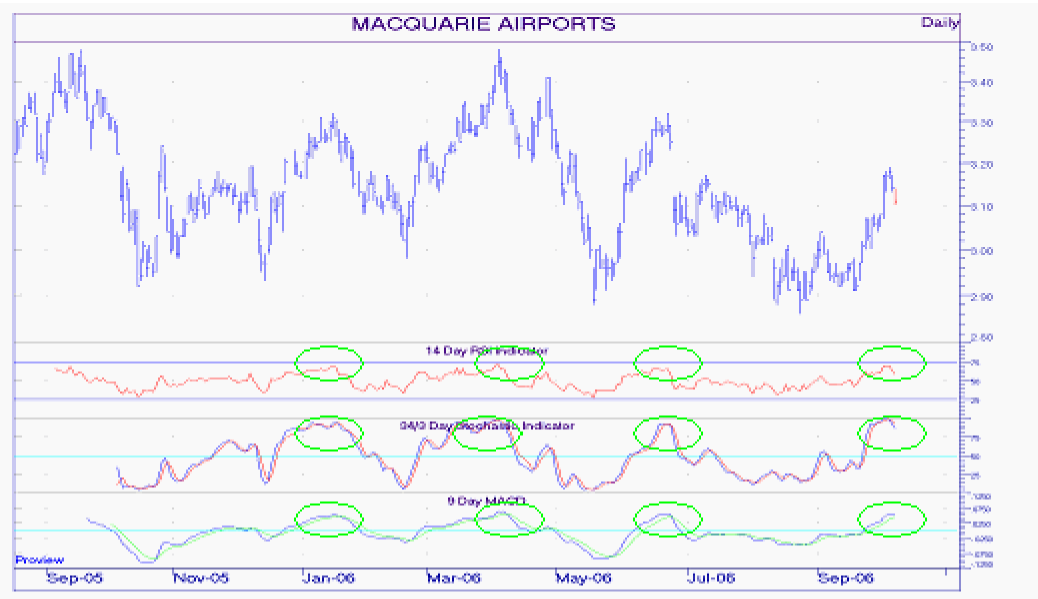
MAP is the world's second biggest airport operator. MAP holds controlling stakes in Sydney, Brussels and Copenhagen Airports, with the ability to control timing and the level of distributions from these assets. MAP has a strong management team pursuing further growth in earnings by a combination of higher passenger revenues, non-aeronautical revenues and a range of cost cutting initiatives.

What to do (Trader): No significant upside

Investors in MAP would have had a frustrating time over the last twelve months as the stock has been confined to a range – it has been a trading stock, rather than a 'buy and hold' candidate. It is now trading in the middle of the range, but we note that momentum indicators are turning down from levels that have, in the past, capped any rallies. With that in mind and with the overall market still vulnerable we do not see any significant upside in the short term. Until the short term indicators to move back to a more compelling level we rate the stock as a HOLD – we do not expect a significant move in either direction.

Fundamental View

With Grupo Ferrovial securing a controlling interest in BAA plc, MAP is increasing its stakes in Sydney and Bristol. While the purchase has been funded with debt, we believe MAP's portfolio of airports can support the increased debt load. We are cautious in regards to its forward distribution profile as management has stated MAP's long-term sustainable level distributions is 16¢. This is well below the current level of distributions.



Source: Aegis Equities

KEY STATISTICS

Price:	**$3.11**
Price as at:	09-Oct-06
Market Cap ($M):	5,220.3
Equiv. Shares (M):	1,662.5
% Market:	0.30
12Mth Range ($):	2.86 - 3.48
Turnover ($M pa):	5,620.8
Index:	S&P/ASX 50
Sector:	Industrials
Industry Group:	Transportation
Industry:	Transportation Infrastructure
Sub Industry:	Airport Services

FINANCIAL SUMMARY

Yr to Dec	05A	06F	07F
NPAT Rep ($M)	**670.4**	**282.7**	**183.8**
NPAT[1] Adj ($M)	**1,113.9**	**282.7**	**183.8**
EPS (c)	73.4	17.0	10.5
DPS (c)	20.0	25.0	16.0
P/E (x)	**4.2**	**18.3**	**29.6**
Yield (%)	**6.4**	**8.0**	**5.1**
Franking (%)	0	0	0
EPS growth (%)	n/a	(76.8)	(38.3)

[1] Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

COMPANY OVERVIEW

MAP was formed in late 2001 to enable access to direct and indirect investments in airports. MAP's portfolio of airports includes: Sydney (55.8%), Brussels (52%), Copenhagen (53.4%), Rome (34.2%), Birmingham (15.5%) and Bristol (32.1%). MAP utilises a complex trust structure to maximise after tax returns to investors.

HFA Holdings (HFA)

Aegis has been commissioned by HFA Holdings to be included in the June 2006 Listed Managed Investment Review and has received a fee for its inclusion. The Listed Managed Investment Review is freely available at www.shareanalysis.com.au.

Company Overview

HFA is a specialist funds management company providing absolute return fund products to retail, wholesale and institutional investors throughout Australia. Since 30 June 2003, FUM and AUM for HFA have grown at an average rate of 113% pa and 164% pa respectively. The business comprises four divisions: Research and Investments; Distribution, Operations and Special Project. HFA have an exclusive relationship with Lighthouse Partners as their external investment advisers.

Strategy

HFA seeks to diversify its distribution as much as possible, particularly in the retail network as well through an institutional network. They propose to grow their business model and AUM by capitalising on favourable market trends and developing new absolute return products to meet markets needs and wants.

Aegis Comments

Outlook: HFA have been able to achieve substantial economies of scales in their operations. The earnings outlook is extremely positive with forecasts for a tripling of EPS over the next three years, a compound annual growth rate of 48%pa.
The key drivers are innovative product development, increasing brand recognition amongst financial planners, with high barriers to entry limiting new entrants into the absolute returns fund of funds space.

Risk: • Dependence on key personnel
• Competition
• Dependence on relationship with Lighthouse
• Key Relationships
• Interest rate fluctuations
• Brand and reputation
• Large holdings by existing shareholders
• Operational risks and controls
• General economic conditions
• Regulation and legislation changes

Share Price Catalyst: The continued growth of the Australian Wealth Management Industry and increasing trend of interest in the absolute return funds sector will contribute to a rise in share price for HFA. The Wealth Management Market has grown substantially – FUM in Australia has an average growth rate of 10.2% pa over the last 10 years, which can be largely attributed to the Government's superannuation policies.

KEY STATISTICS

Price:	**$1.70**
Price as at:	09-Oct-06
Market Cap ($M):	353.5
Equiv. Shares (M):	202.0
% Market:	0.02
12Mth Range ($):	1.26 - 1.95
Turnover ($M pa):	107.1
Index:	N/A
Sector:	Financials
Industry Group:	Diversified Financials
Industry:	Diversified Financial Services
Sub Industry:	Other Diversified Financial Services

COMPANY CONTACT

Hyperion Flagship Investments (HIP)

Aegis has been commissioned by Hyperion Flagship Investments to be included in the June 2006 Listed Managed Investment Review and has received a fee for its inclusion. The Listed Managed Investment Review is freely available at www.shareanalysis.com.au.

Company Details

HIP is a listed investment company (LIC) that invests in Australian shares. Hyperion Asset Management Limited (Hyperion) manages HIP. Hyperion is a Brisbane-based fund manager, with approximately A$1,300M under management. Hyperion is a bottom-up, deep growth manager. HIP holds a concentrated portfolio of 15 to 30 stocks, with a mid- to small-cap bias.

Investment Philosophy

The manager's investment philosophy is centred on the view that investing in high-quality business franchises with the ability to grow sales and earnings at rates above GDP will produce superior investment returns over the long term.

Style and Process

The manager refers to its style as 'Growth Orientated - Sound Competitive Advantage' (GOSCA). The manager's style is high alpha, bottom-up, concentrated and growth. HIP screens all ASX-listed companies on three criteria: ROE must be greater than 15% per annum over the past three years; revenue growth must be higher than the rate of nominal GDP; and interest cover must be at least four times. Remaining stocks, which number about 70, are subjected to detailed analysis, considering a number of factors. For those companies that meet the criteria, a five-year IRR is calculated and portfolio weightings are directly linked to this forecast. Cash weightings can move between 0% and 20%, based on the overall IRR of stocks compared to cash.

Investment Team

Emmanuel Pohl, Pr(Eng), BSc(Eng), MBA, DBA, FAICD, MSDIA, SAFin: Managing DirectorMark Arnold, CFA, BCom, LLB, CA, FFin: Senior Fund ManagerJoel Gray, CFA, BEc, FFin: Fund ManagerJustin Woerner, CFA, BCom: Assistant Fund Manager

Aegis Comments

The portfolio can be considered as concentrated 'deep growth'. HIP should show out-performance during periods of market strength as indicated by its beta. HIP has performed in-line with the All Ords over the last 12-months, a result assisted by its investments in resources and financial stocks. Investors should be aware of its low management fee coupled with a high performance fee, as well as the portfolio's greater susceptibility to volatility than some of the other LMIs in the market, although greater volatility may result in greater return potential.

KEY STATISTICS

Price:	**$1.70**
Price as at:	28-Sep-06
Market Cap ($M):	28.8
Equiv. Shares (M):	37.7
% Market:	0.00
12Mth Range ($):	1.35 - 1.78
Turnover ($M pa):	1.7
Index:	N/A
Sector:	Financials
Industry Group:	Diversified Financials
Industry:	Diversified Financial Services
Sub Industry:	Other Diversified Financial Services

COMPANY CONTACT

Manny Pohl

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Bentley International Limited (BEL)

Aegis has been commissioned by Bentley International to be included in the June 2006 Listed Managed Investment Review and has received a fee for its inclusion. The Listed Managed Investment Review is freely available at www.shareanalysis.com.au.

Company Details

BEL is a listed investment company that invests in international equities. The company's investment portfolio is managed by Constellation Capital Management (Constellation), who was appointed to the role in May 2004. Constellation's investment mandate is to implement the international component of its new HomeGlobal™ investment strategy. The investment portfolio currently comprises over 200 stocks in 11 overseas markets and across a wide range of industry sectors.

Investment Philosophy

HomeGlobal™ is based on the notion that 'home country bias' in investors' equity portfolios will lead to suboptimal industry weightings in their overall equity portfolio.

Style and Process

The approach begins by setting overall industry weightings of the total portfolio (Australian and international) to FTSE World Index weights, then within each industry it allocates to domestic stocks if available, otherwise it allocates to international stocks. BEL invests in the international portion of the HomeGlobal™ approach thus providing investors with exposure to industries under represented in Australia. Therefore, the portfolio will be heavily overweight in sectors such as technology and pharmaceuticals (which are not well represented in the Australian market) and underweight in sectors such as financials (highly weighted in Australia). Sector exposures are achieved by using stratified sampling. Currency is unhedged.

Investment Team

Douglas Little, BCom, FCPA, FAICD, ASIA: Managing DirectorPeter Vann, PhD, MSc, BSc, ASIA: Head of Investment Research

Aegis Comments

BEL is one of the few investment companies suited for investors who require medium- to long-term capital appreciation and income through international exposure only (unhedged). It provides exposure to industries that are not well represented in Australia and potentially enhances portfolio diversification for domestic investors. Potential investors should note that BEL has a considerable country exposure to US equities markets and, consequently, A$/US$ currency movements. Views on BEL may, therefore, be partly dependent on views on the direction of US markets and, more generally, the direction of the A$. BEL's return per annum has been 7.92% below the MSCI ex Aust Index primarily due to the underperformance of the global IT and Retailer sectors. Their outlook remains positive, as continued growth in the global economy (in particular, Japan's recovery and the China effect) and favourable valuation of equities yield stronger results compared with fixed income securities.

KEY STATISTICS

Price:	**$0.40**
Price as at:	09-Oct-06
Market Cap ($M):	15.5
Equiv. Shares (M):	39.7
% Market:	0.00
12Mth Range ($):	0.34 - 0.46
Turnover ($M pa):	3.2
Index:	N/A
Sector:	Financials
Industry Group:	Diversified Financials
Industry:	Diversified Financial Services
Sub Industry:	Other Diversified Financial Services

COMPANY CONTACT

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