

'Australian Equities 2010-the road to recovery?'

May 2010

Corporate Update and New Initiatives

Presenter- Mark Knight, Head of Retail Business

AUSBIL DEXIA

Specialist Australian Equities Manager

- Joint venture between Dexia Asset Management and Australian investment / management professionals
- \$12.9 billion in Australian equities under management
- Key Strengths
 - Specialist Australian equities focus
 - Leading domestic manager
 - Team stability
 - Core process with outstanding 13 year track record



AUSBIL AUSTRALIAN ACTIVE EQUITY FUND

Performance history (gross) versus benchmark

PERFORMANCE TO 30 APRIL 2010	AUSBIL ACTIVE EQUITY FUND	S&P/ASX300 ACCUM INDEX	VALUE ADD
1 Year	35.4%	32.4%	3.0 %
3 Years*	-0.4%	-4.0%	3.6%
5 Years*	11.6%	8.4%	3.2%
7 Years*	16.1%	11.6%	4.5%
Inception* (Aug 97)	13.0%	8.7%	4.3%

*Annualised return

AUSBIL AUSTRALIAN GEARED EQUITY FUND

Performance history (gross) versus benchmark

PERFORMANCE TO 30 April 2010	AUSBIL GEARED EQUITY	S&P/ASX300 ACCUM INDEX	VALUE ADDED
1 Year	80.4%	32.4%	+48.0%
2 Years*	-4.6%	-3.0%	-1.6%
Inception* (May 07)	-8.7%	-4.6%	-4.1%

* Annualised return

AUSBIL EMERGING LEADERS FUND


Performance history (gross) versus benchmark

PERFORMANCE TO 30 April 2010	EMERGING LEADERS	70% MIDCAP 50 30% SML ORDS	VALUE ADDED
1 Year	48.7%	35.3%	+13.4%
3 Years*	-0.7%	-8.6%	+7.9%
5 Years*	12.3%	6.8%	+5.5%
7 Years*	19.6%	12.2%	+7.4%
Inception* (Apr 02)	16.7%	10.7%	+6.0%

* Annualised return

RESEARCH HOUSE RATINGS

Committed to investment research

	Active Equities	Geared Equities	Emerging Leaders
Standard & Poors		4 stars	4 stars
Lonsec	Highly Recommended	Highly Recommended	Highly Recommended
Zenith	Highly Recommended	Recommended	Highly Recommended
Morningstar	Recommended	Recommended	Recommended
Van Eyk	A	n/a	A

NEW INITIATIVES

Innovative product solutions complementary to our existing range

Fund name	Vehicle type	Investment style	Benchmark
Active Extension Fund	Wholesale Distributing U/T	Active, fundamental long short	S&P/ASX 200
Micro Cap Fund	Wholesale Distributing U/T	Active, style neutral or core	S&P/ASX Emerging Companies (ex ASX 200)
Dexia Alpha Dynamic Fund	Wholesale Distributing U/T	Multi-fund hedge fund	UBSA 90 Day Bank Bill Index

NEW INITIATIVES

Active Extension Fund (launch 31st August 2010)

- Portfolio exhibits similar factor tilts and portfolio characteristics to long only fund
- Typical market exposure is 130/30 (net 100 long)
- Any short sale is required to be “covered short”
- Portfolio and shorting guidelines constrain risk. Stop loss rules apply
- Wholesale distributing unit-trust with \$50,000 minimum

PERFORMANCE TO 30 APRIL 2010	AUSBIL ACTIVE EXTENSION FUND	S&P/ASX200 ACCUM INDEX	VALUE ADDED
1 month	-3.0%	-1.4%	-1.6%
3 months	6.7%	6.5%	+0.2%
6 months	6.9%	5.5%	+1.4%
Since Inception (Sept 2009)	16.2%	9.8%	+6.4%

NEW INITIATIVES

Micro Cap Fund

- Active, style neutral process customised for the ex 200 universe
- Sustainability of business model is *the* critical consideration in micro caps
- Stock liquidity is also an essential consideration
- Wholesale distributing unit-trust with \$50,000 minimum

PERFORMANCE TO 30 APRIL 2010	AUSBIL MICRO CAP FUND	S&P/ASX EMERGING CO'S ACCUM INDEX	VALUE ADDED
1 month	2.3%	1.3%	+1.0%
Since Inception (12th Feb 2010)	16.1%	5.9%	+10.2%

NEW INITIATIVES

Dexia Alpha Dynamic Fund

- Global 'Fund of Hedge Fund'
- Active allocation between strategies on a 6 month horizon
- Strong de-correlation to traditional asset classes
- Enhanced risk adjusted returns
- Wholesale distributing unit-trust with \$50,000 minimum

Sept 15 – Lehman Brothers
filed for bankruptcy

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEARLY*
2010	-0.41	0.61	1.23										1.43
2009	2.59	0.09	0.23	0.66	1.50	0.24	1.41	0.69	0.88	0.94	0.76	0.10	10.53
2008	-2.95	2.48	-1.75	1.53	2.24	0.27	-2.67	-1.18	-6.37	-4.15	-1.48	-3.21	-16.29
2007	1.50	0.24	1.32	1.66	2.24	0.96	0.49	-1.64	0.73	3.08	-1.11	0.73	10.60
2006	2.65	0.65	1.33	1.53	-1.77	-0.09	0.44	0.50	0.51	1.60	1.46	1.68	10.94

*net performance (€)

BUILDING THE BRAND

Trade Press advertising

The details covered

Markets are complex beasts. At Ausbil, we have their measure because we've been putting them under the microscope for years. This yields insights that assure superior results for our clients, time after time.

Reading between the lines, few opportunities elude us.

This remarkable attention to detail is getting us noticed. We were named by Standard & Poor's as the 2009 division winner in the Australian Equities – Large Cap Sector. Learn more at www.ausbil.com.au



Money does not perform. People do.



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Honed to precision

It's no secret how Ausbil outperforms. It's our proven approach. Rigorous, prudent and adaptive, it delivers outstanding results. Consistently.

By helping us assess opportunities from every angle, it gives us the conviction to stand firm and keep gains in sight while others waver. It gives you assurance that your clients' future is in good hands.

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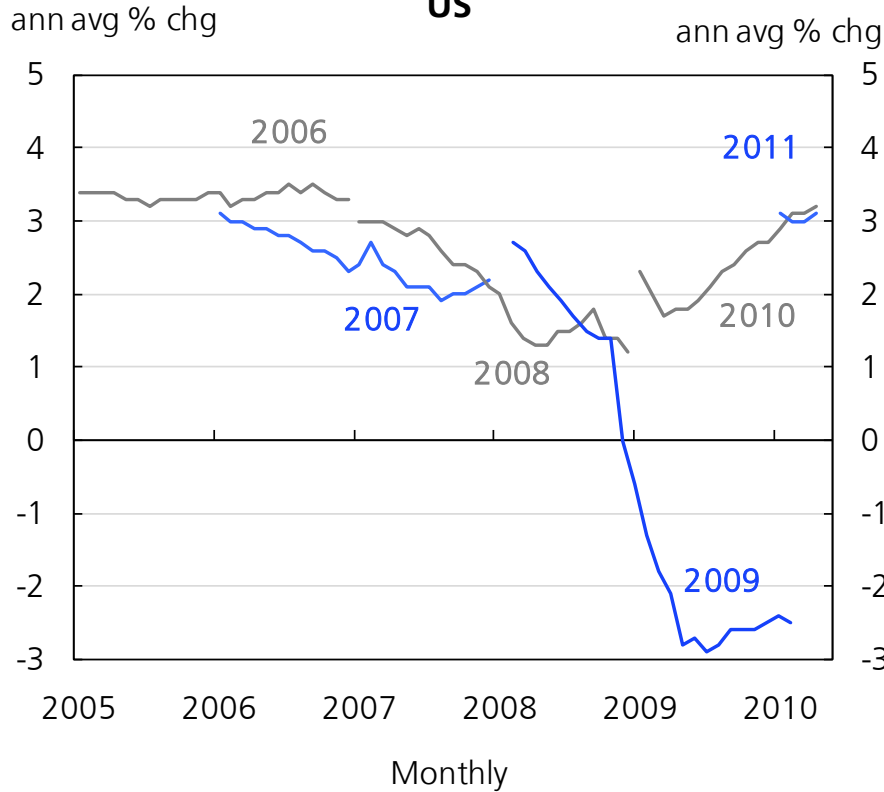
Outlook for the global economy and implications for asset class weightings

Presenter- John Honan, Chief Economist

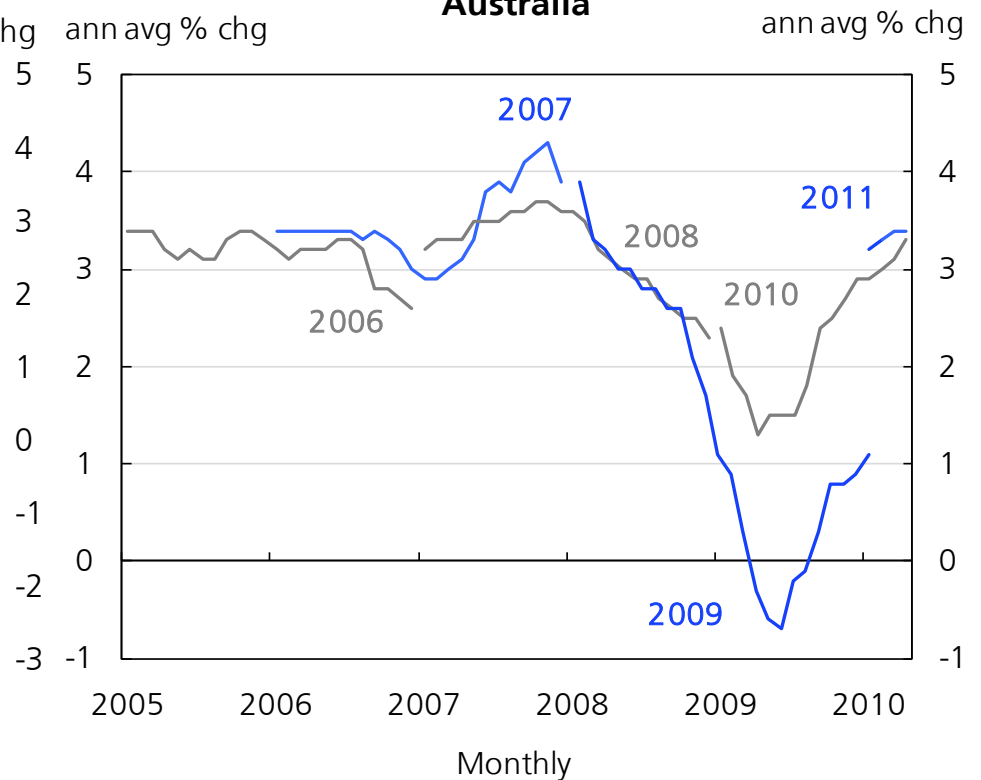
GDP OUTLOOK FOR AUSTRALIA AND THE US

Surprising on the upside

**Consensus GDP Forecasts
US**

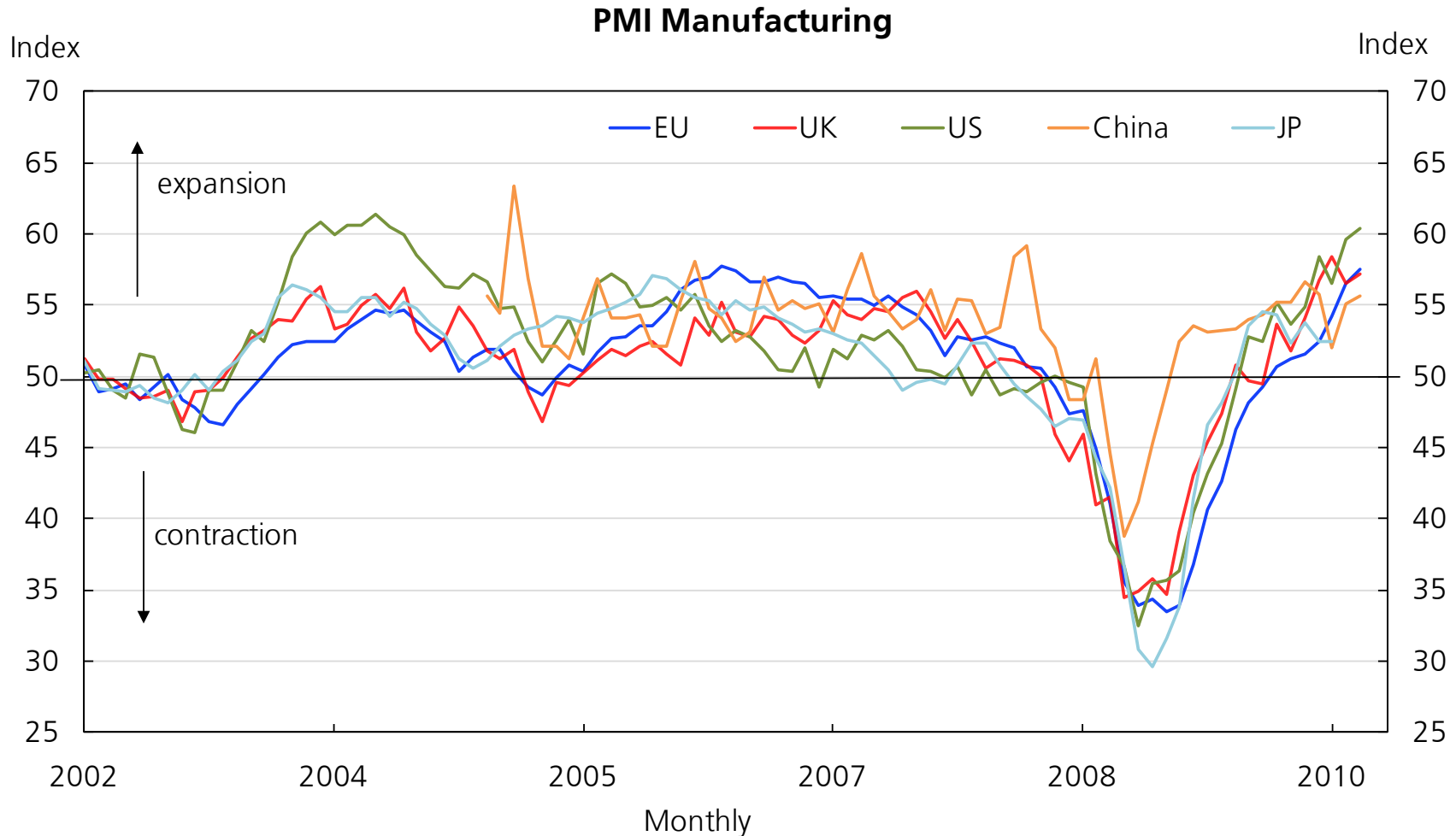


**Consensus GDP Forecasts
Australia**



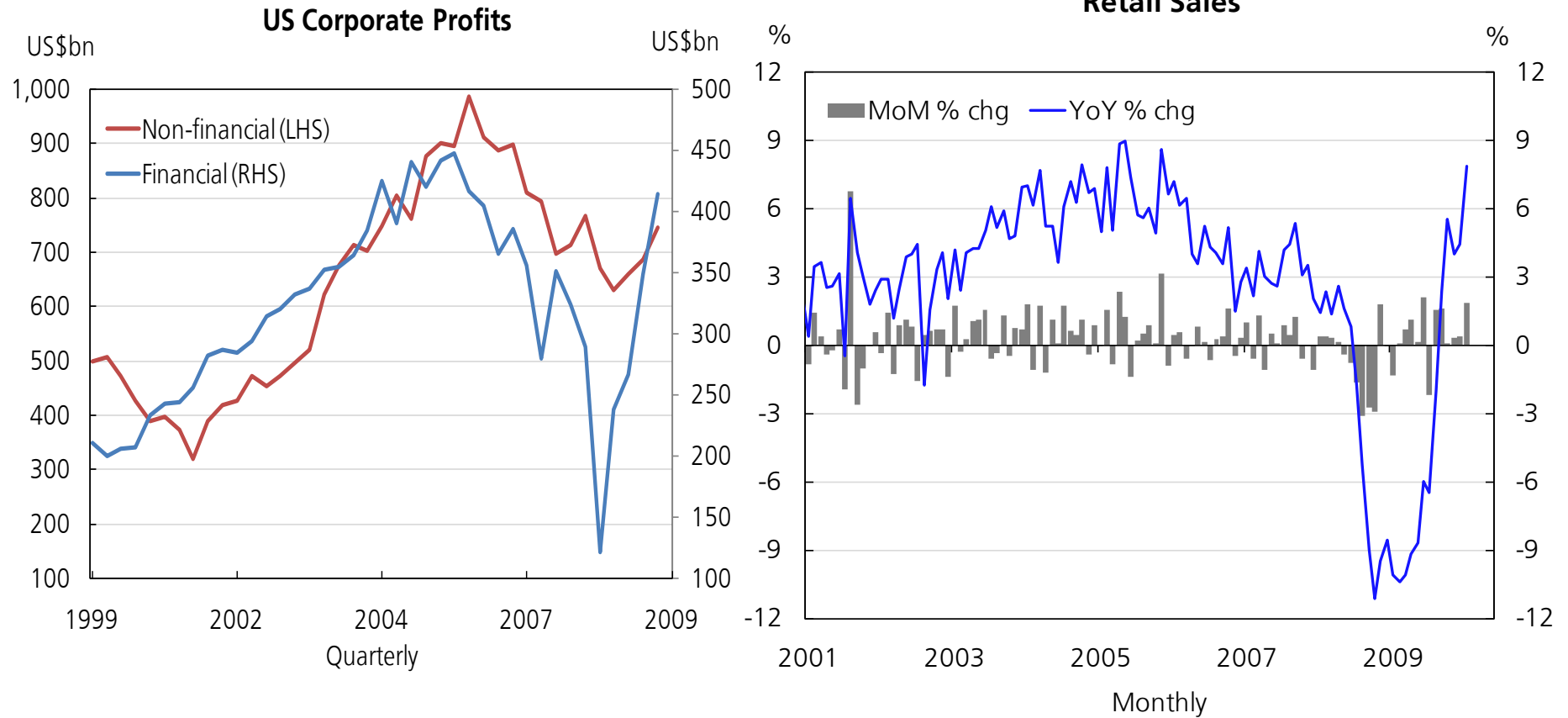
LEADING INDICATORS

Recovery to continue



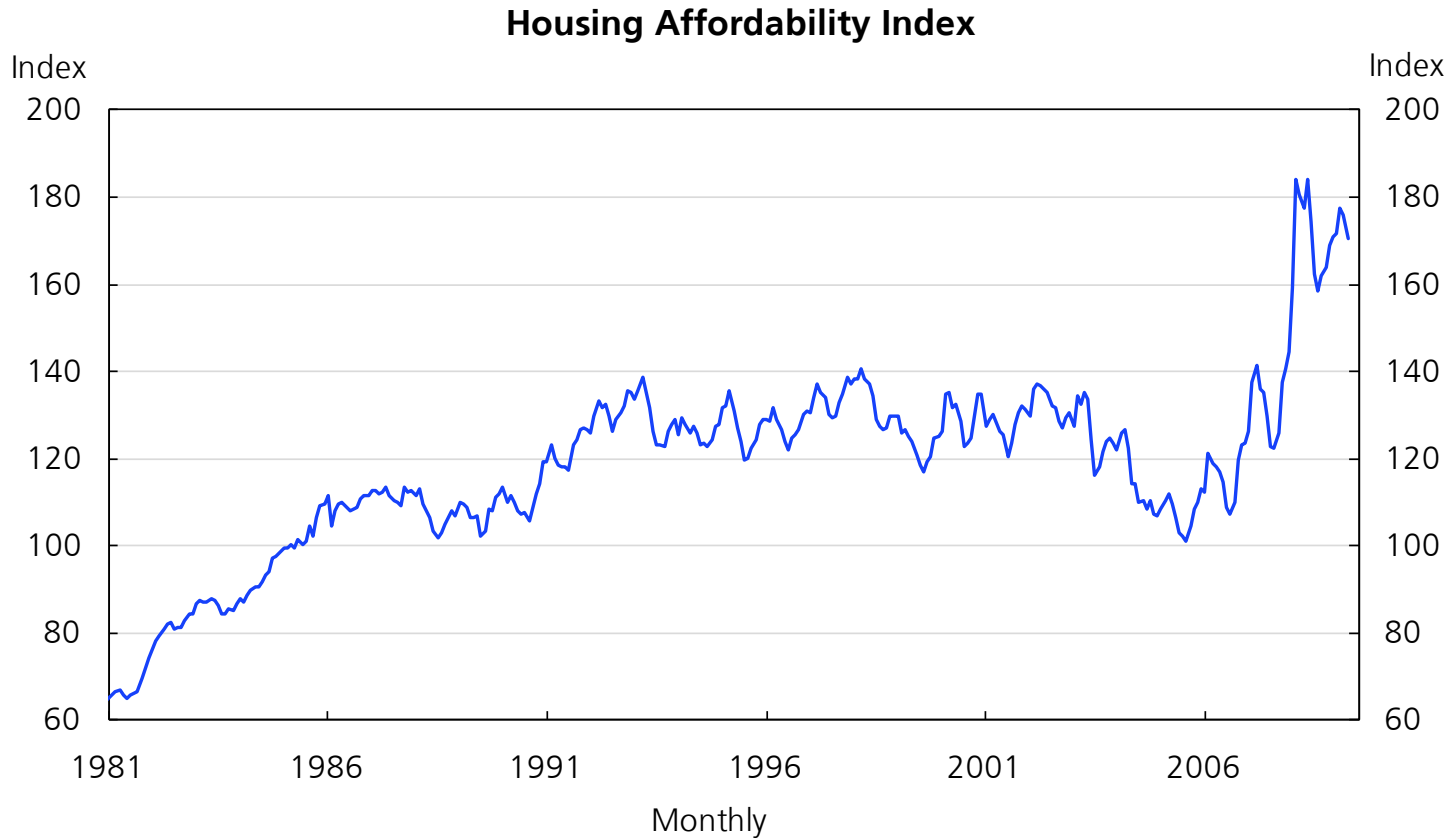
US CORPORATE PROFITS AND CONSUMER CONFIDENCE

Profits are up and US consumers are spending



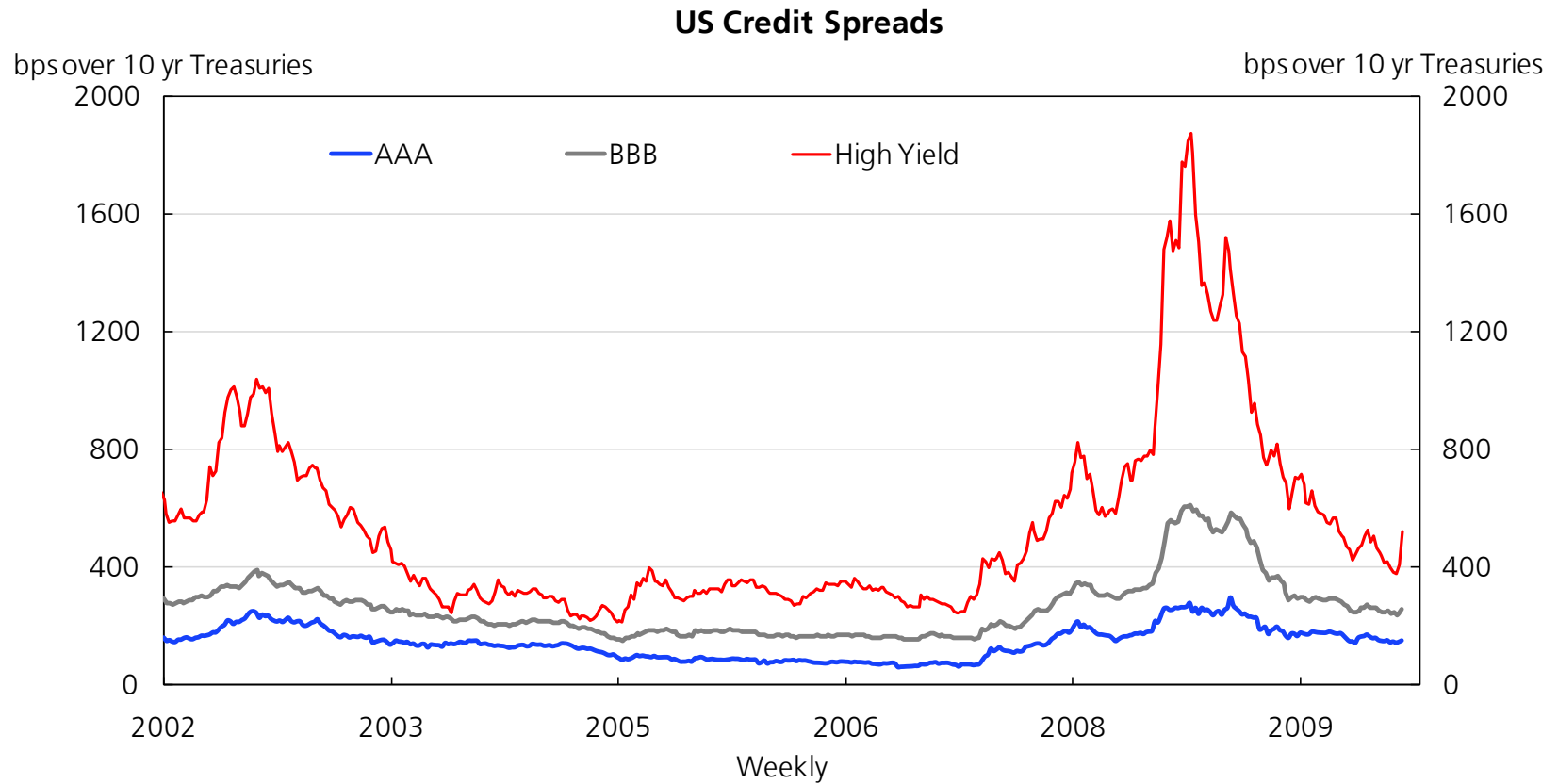
US HOUSING

A low point but recovery will happen



FINANCIAL MARKET CONDITIONS

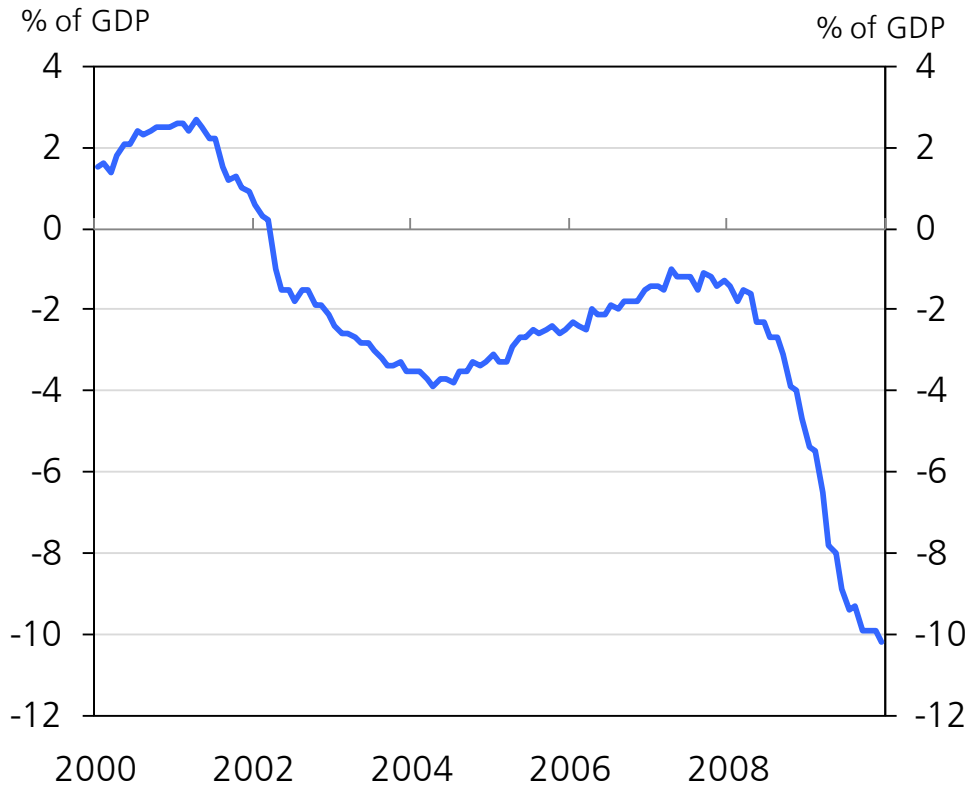
Considerable improvement



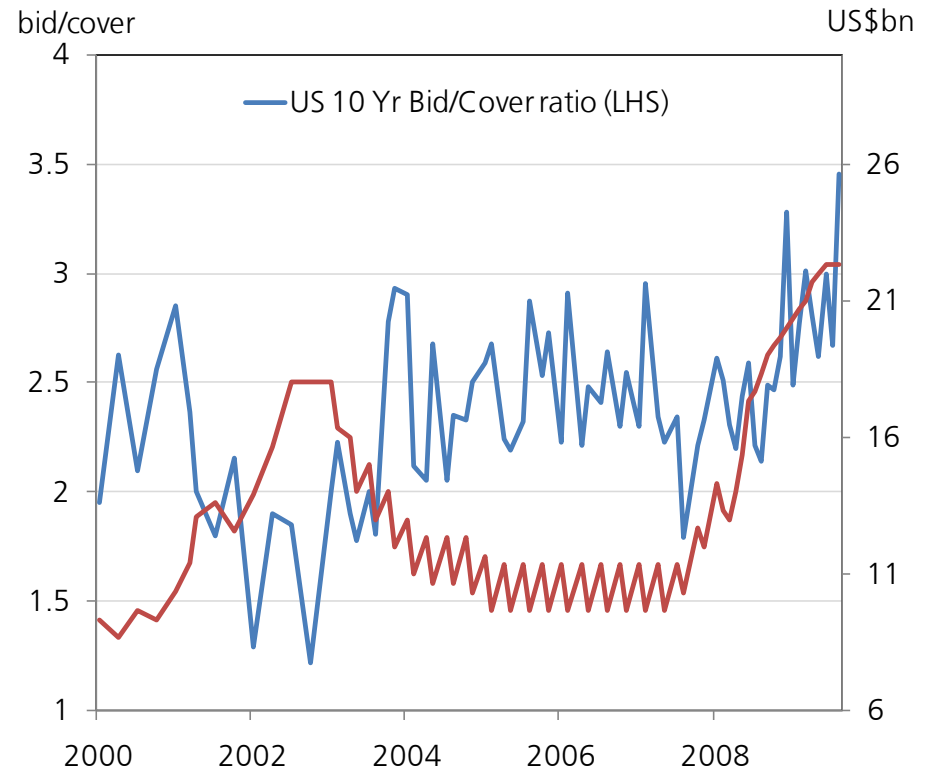
US DEBT AND AUCTION RESULTS

A lot of debt to sell but the auctions are well covered

US Federal Budget Deficit as % of Nominal GDP



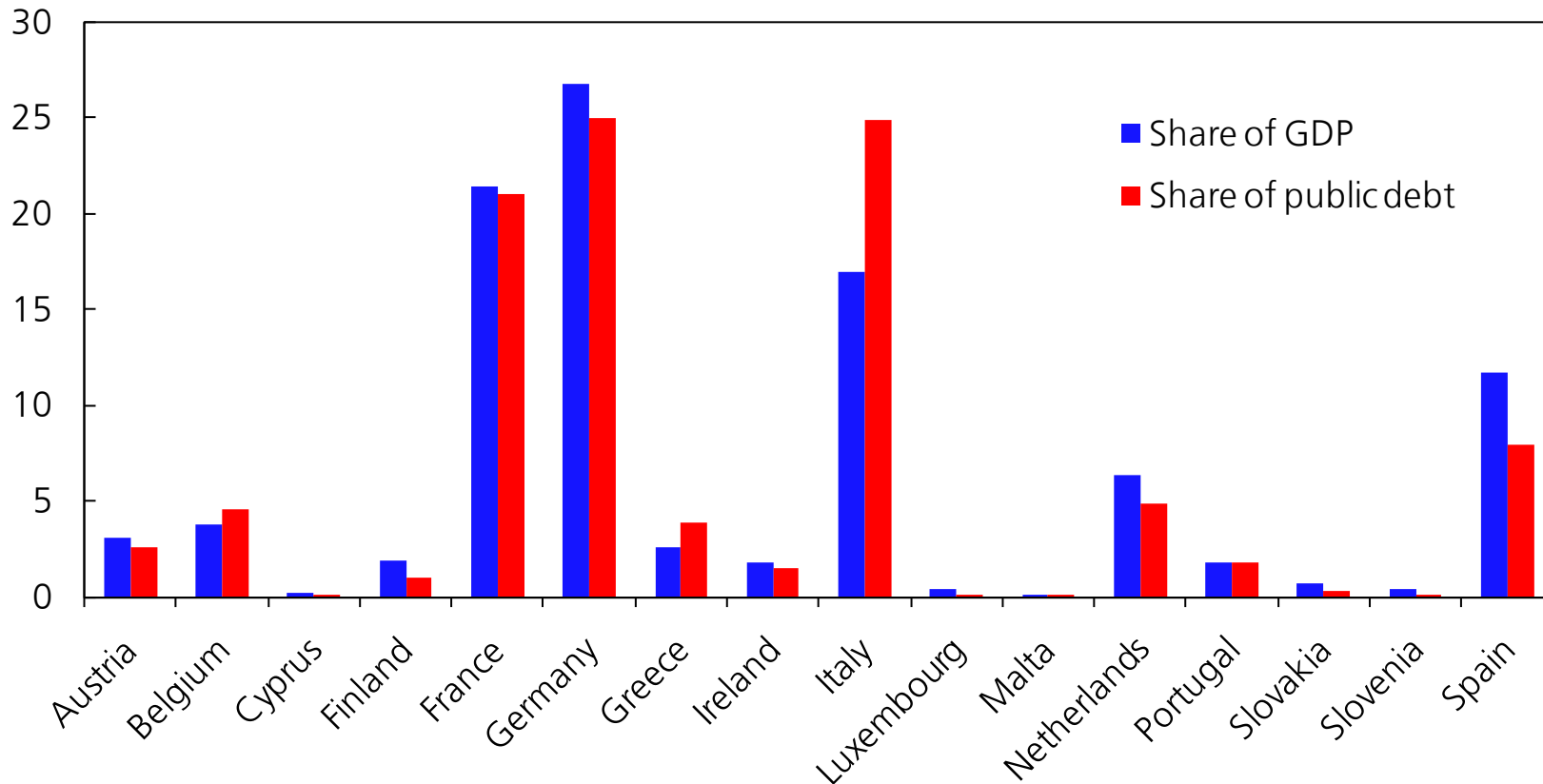
US 10Y Treasuries Sold vs. Bid Cover Ratio



EURO AREA DEBT

The issue is contagion and the ECB has now stepped up

Share of Euro area public debt and GDP (%)

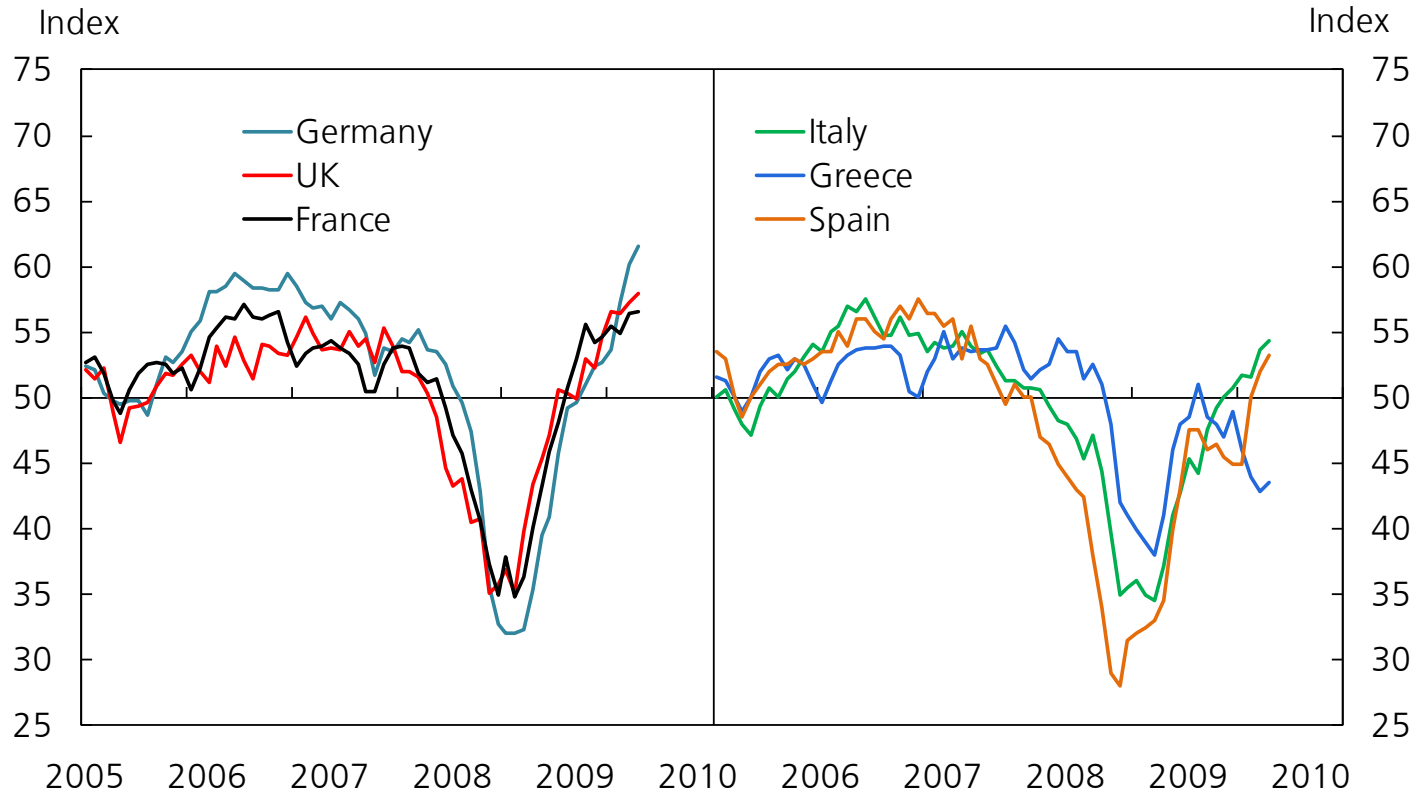


Source: Eurostat and RBS

EURO AREA PMI

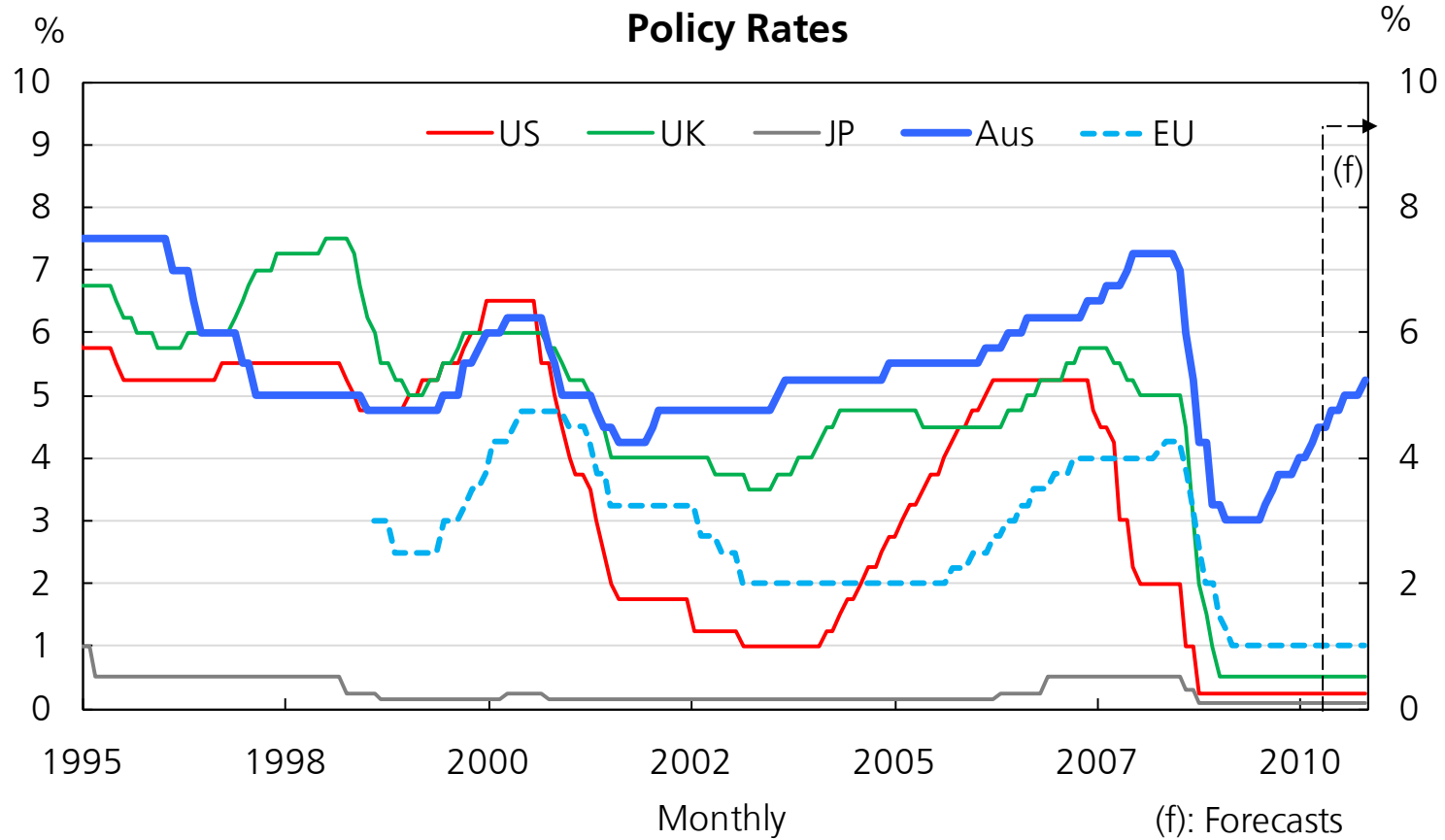
Two speed continent?

Europe Manufacturing Purchasing Managers Indices



OFFICIAL CASH RATES

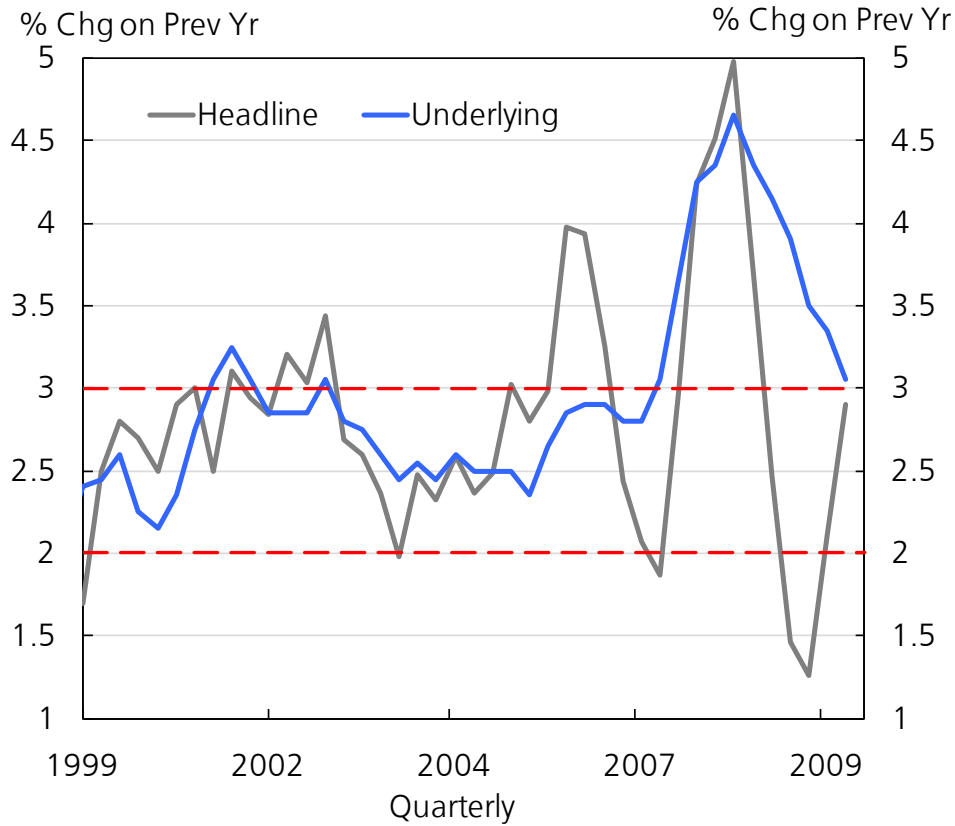
Low and stable in major markets, rising in Australia



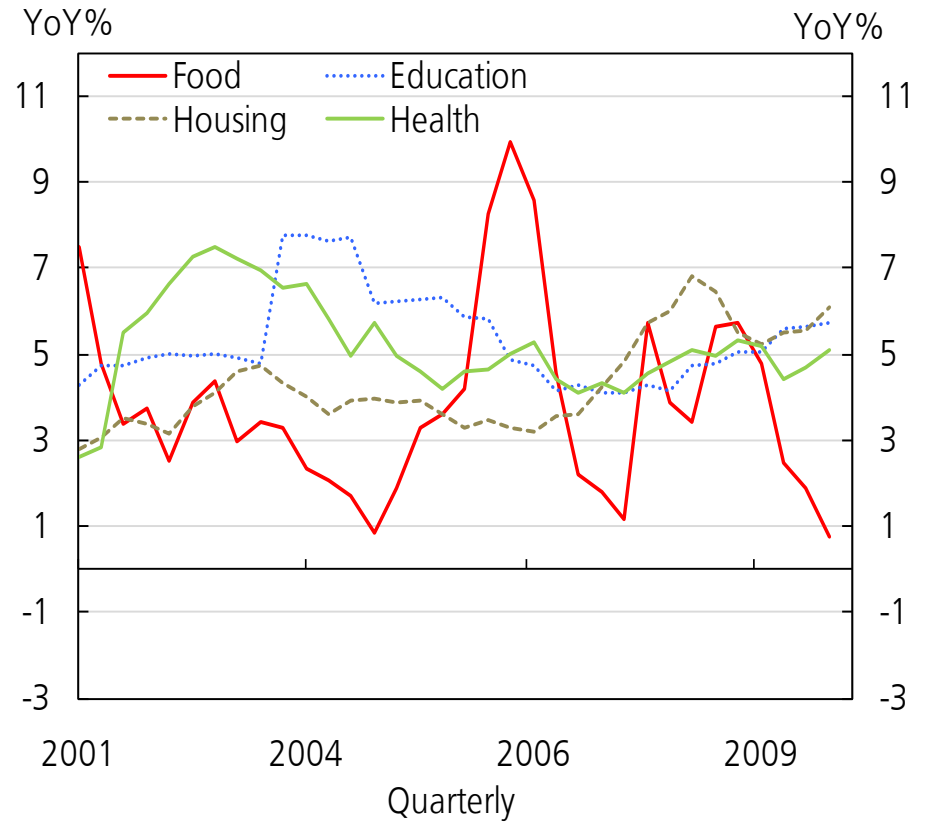
AUSTRALIAN INFLATION

Upside risks

Inflation



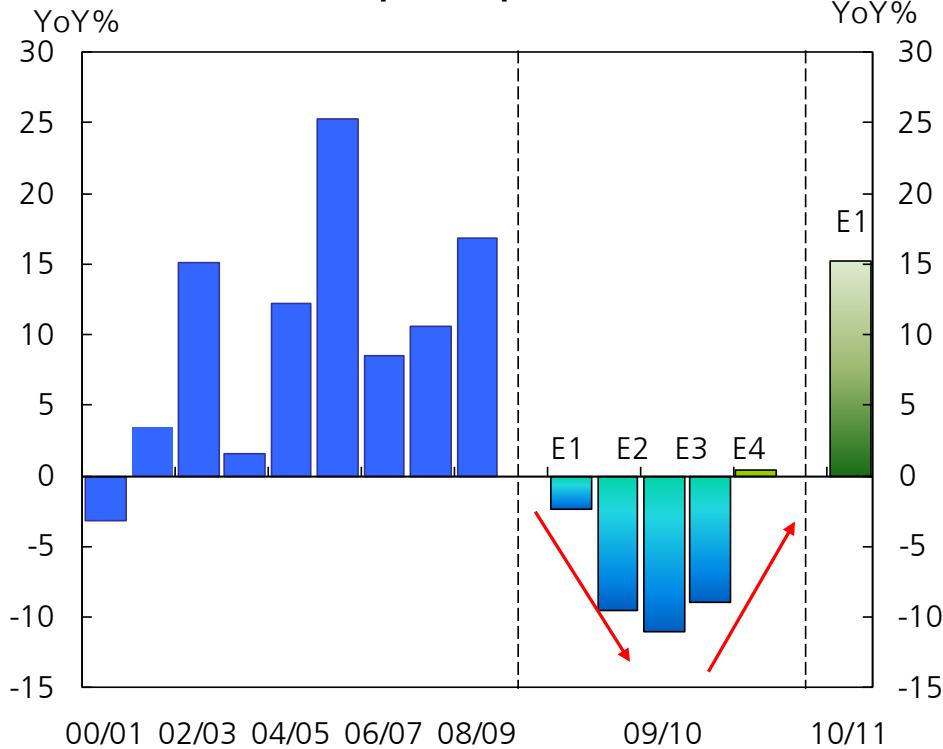
Inflation



AUSTRALIAN INVESTMENT

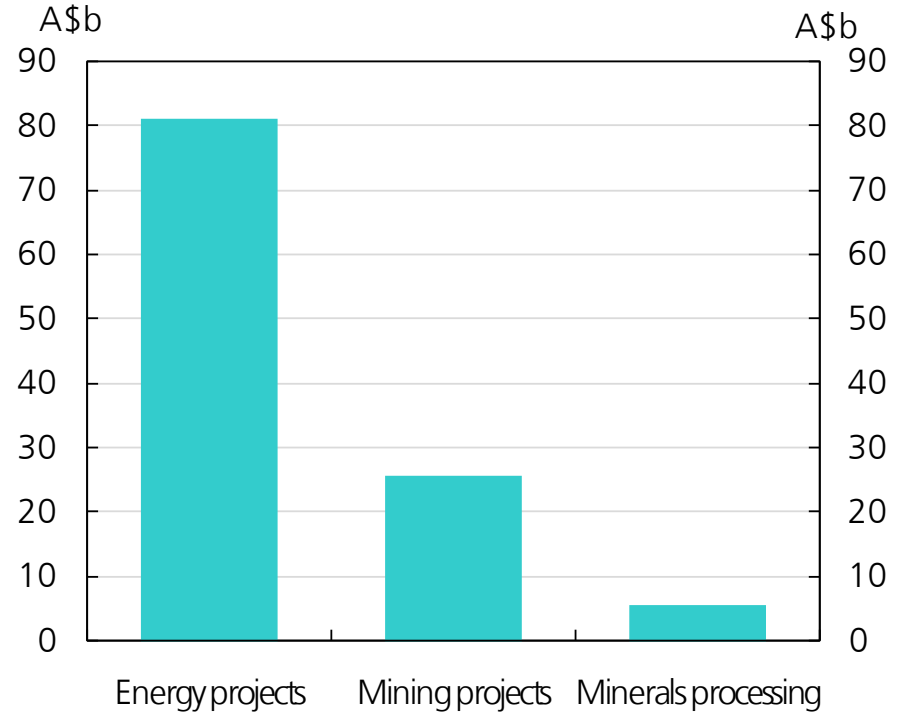
Strong outlook

Capital Expenditure



*Changes in 09/10 spending derived by comparing estimates on a PCP basis

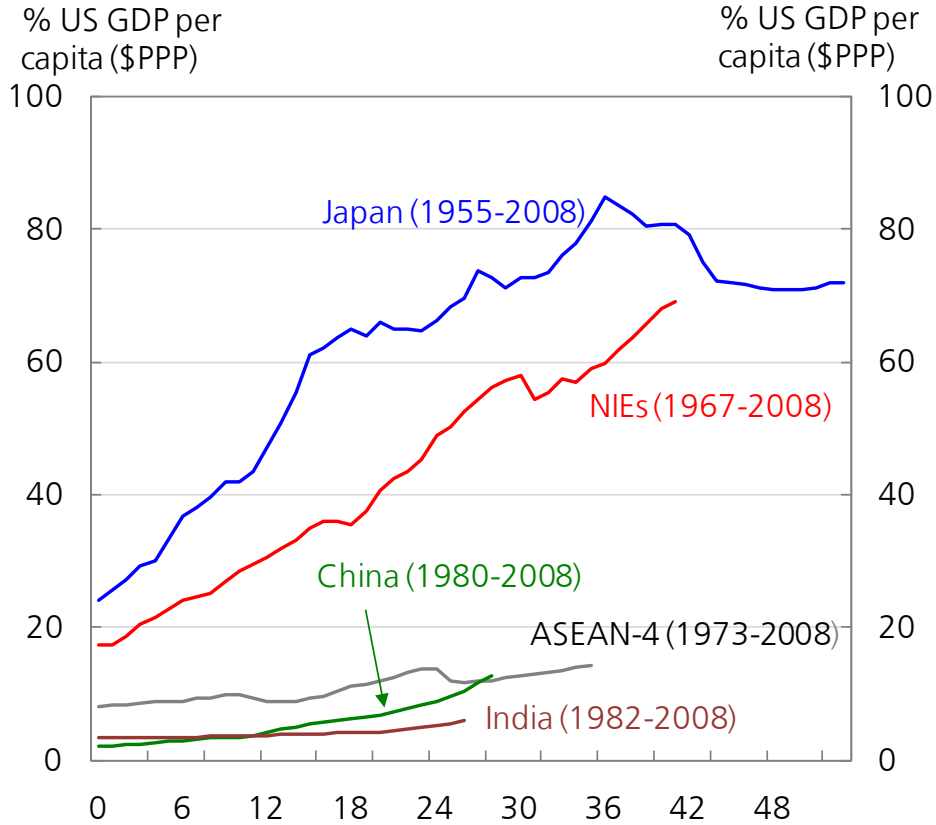
Advanced Projects



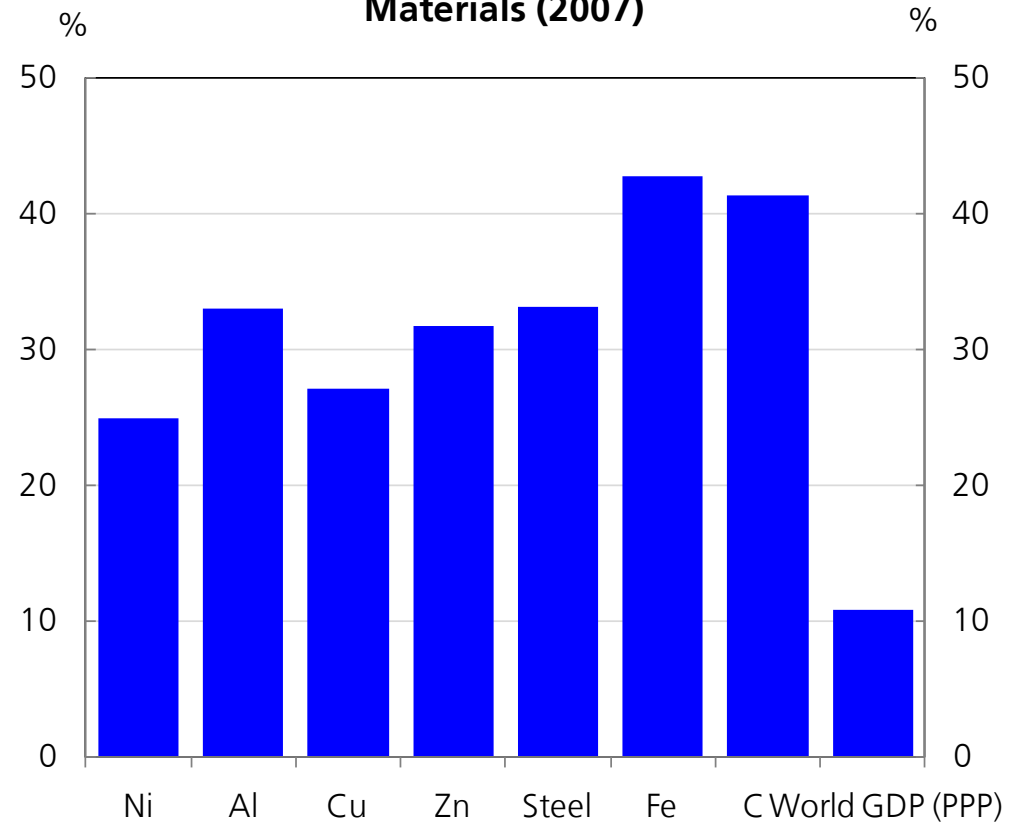
GDP BENCHMARKS FOR MAJOR DEVELOPING ECONOMIES

Continued resource demand

Per Capita GDP Convergence

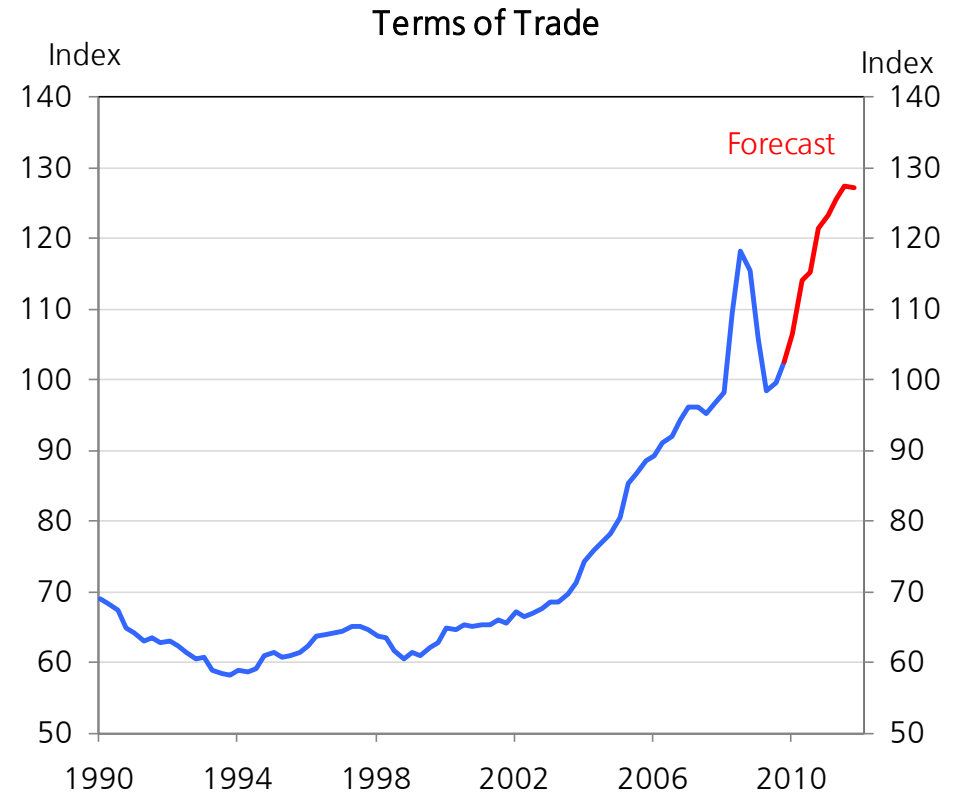
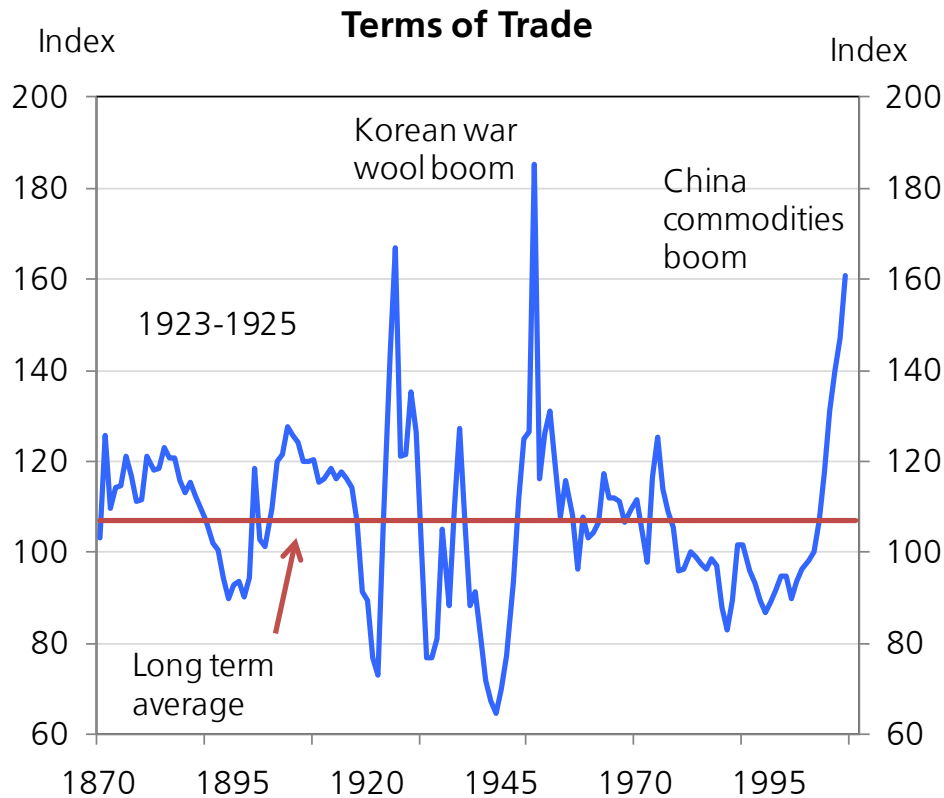


China's Share of World Consumption of Materials (2007)



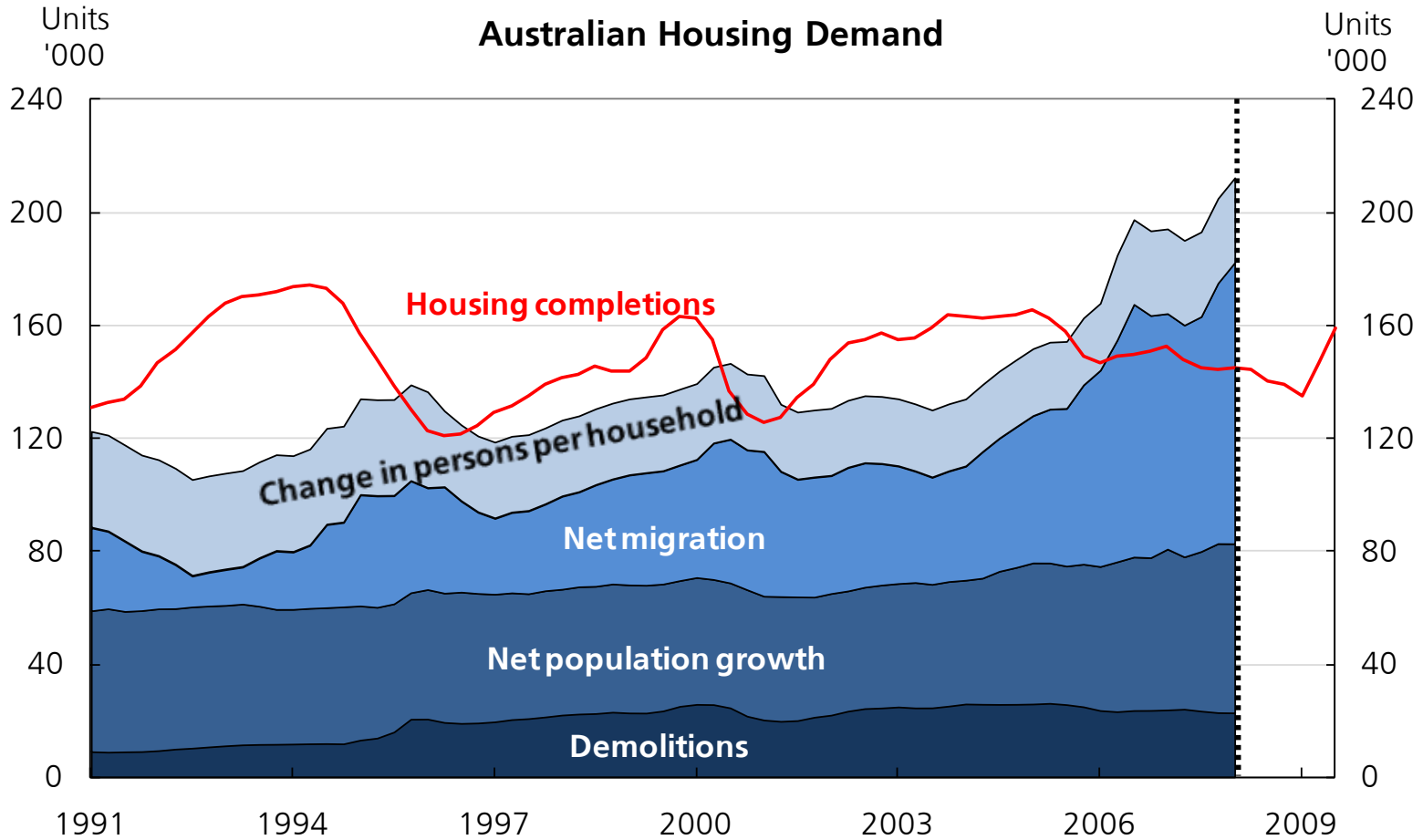
AUSTRALIAN TERMS OF TRADE

Important ramifications



THE AUSTRALIAN HOUSING MARKET

Positive underlying demand



INVESTMENT IMPLICATIONS

Balanced Fund

Asset Class	Allocation	Expected return over 12 months %	Comment
Cash	Under Weight	5.00	Rising cash rate
Aust Fixed Interest	Under Weight	3.00	Improved income, positive credit spreads, but rising international long bond yields.
Aust Equities - Active Fund	Over Weight	15.00	11 % capital improvement plus 4% dividend yield.
Aust Equities - Active Extension	Over Weight	17.00	Long/short fund with higher conviction
Int'l Equities	Neutral	12.00	Continued recovery in International markets, but the AUD needs to be managed.
Property	Over Weight	15.00	Write back on property valuations and improved capitalisation rates. Income yield of 7 to 8% from rent.

'Australian Equities 2010- The road to recovery?'

Presenter- Paul Xiradis, CEO/Head of Equities

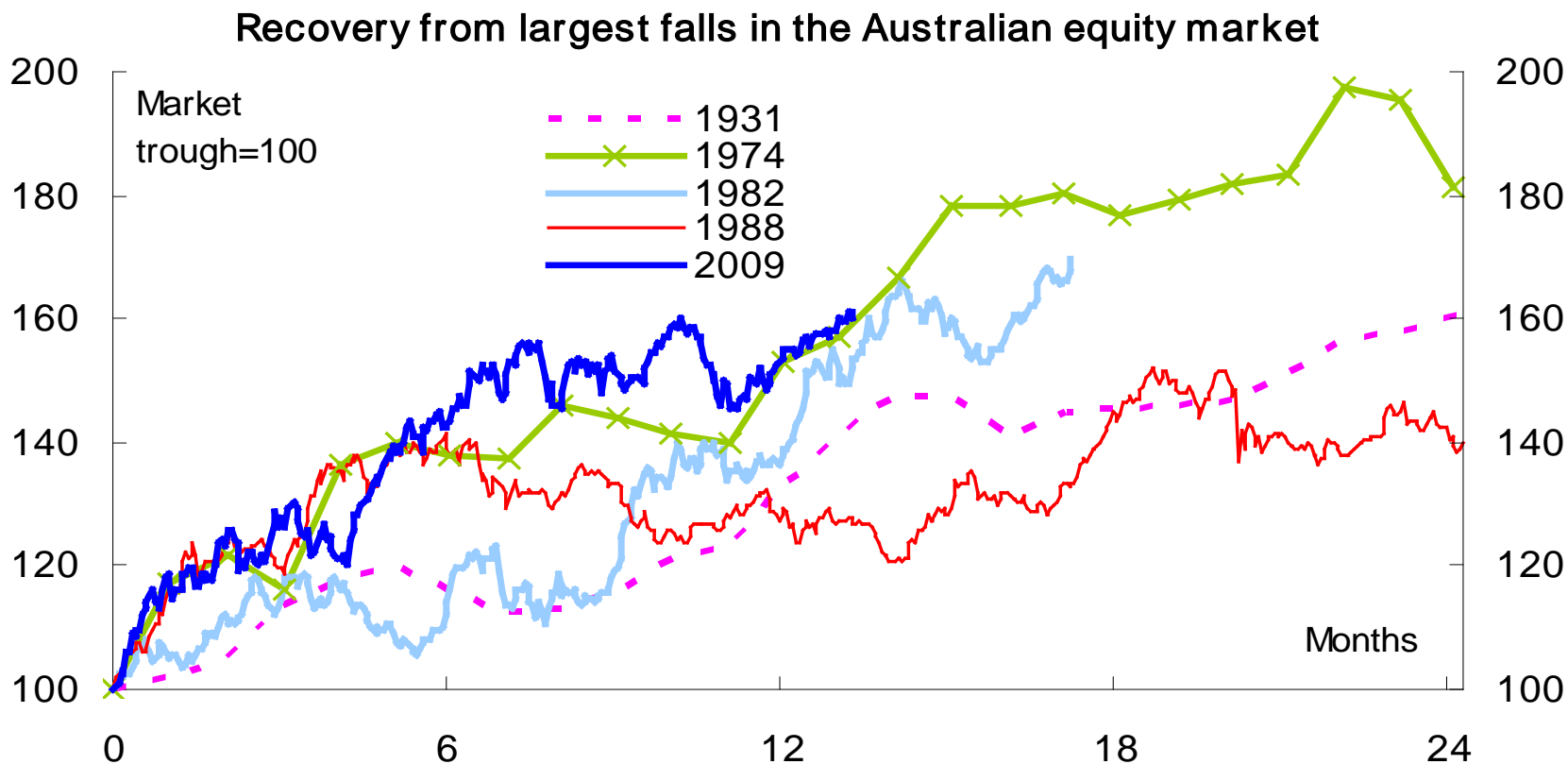
GLOBAL OUTLOOK A POSITIVE BACKDROP FOR EQUITIES...

...but not without risks

- Global growth forecasts remain robust
 - Despite market nervousness over sovereign credit
 - Pattern remains Asia leading and Europe lagging
 - UK PMI at 15 year high, Euro area at 3.5 year high, Germany at 10 year high
- Global trade recovered 65% of volumes lost during GFC (emerging markets ~90%)
- Global equity market remains cheap (eg. US market below 12x FY11 earnings)
- Australia and China are intertwined
 - Current spot prices for iron ore and coal could boost GDP by greater than 1%
- Interest rates and GDP growth should surprise on the upside
 - Impact on Australian equities minimal given low international rates
- AUD to weaken in 2H 2010; range trade 82-92 US cents

AUSTRALIAN EQUITY MARKET RECOVERY FROM TROUGHS

History suggests the current recovery should continue

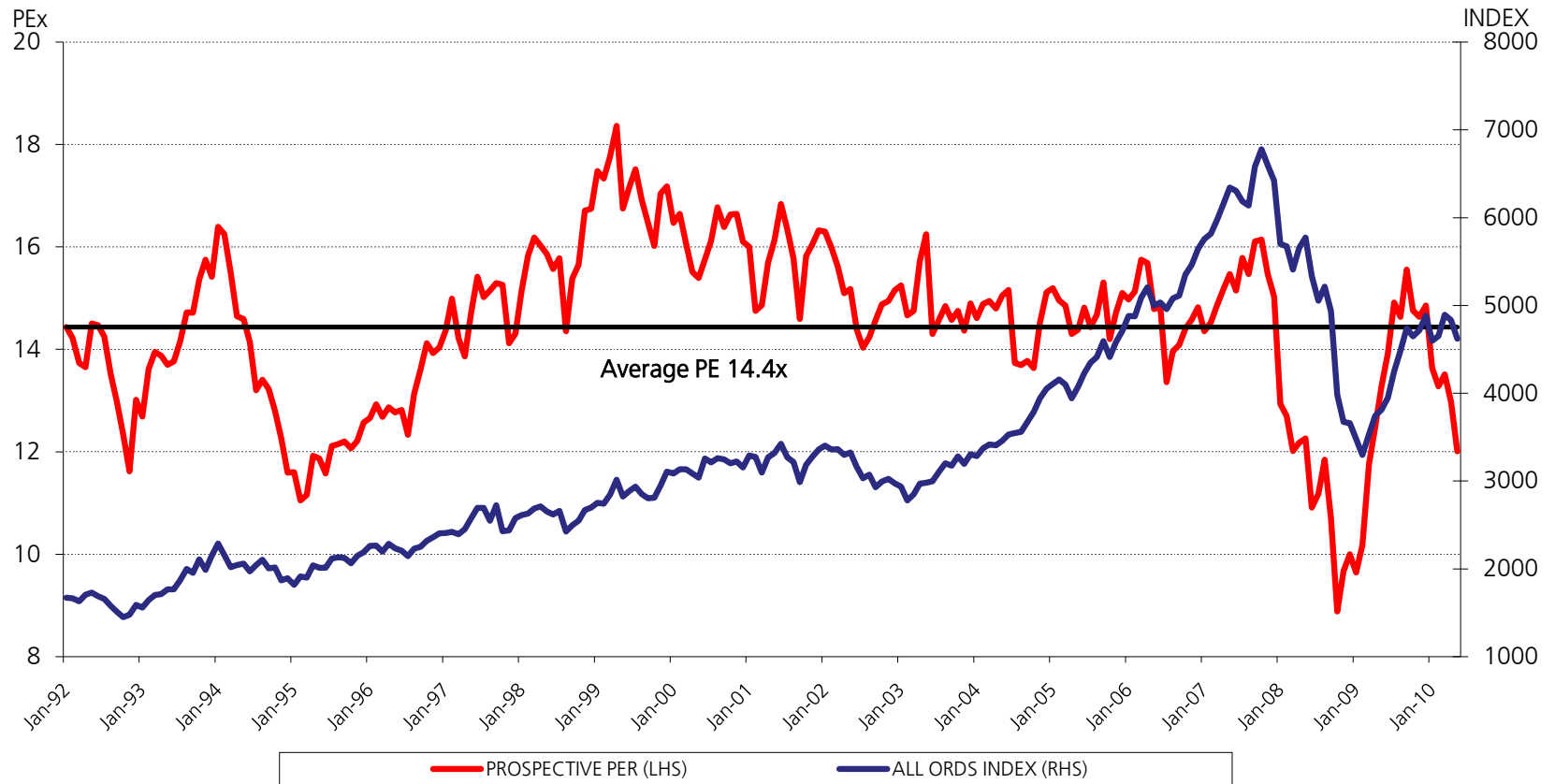


Source: IRESS, Wren Research, ASX, Deutsche Bank

AUSTRALIAN EQUITY MARKET VALUATIONS

Current market PE represents compelling value

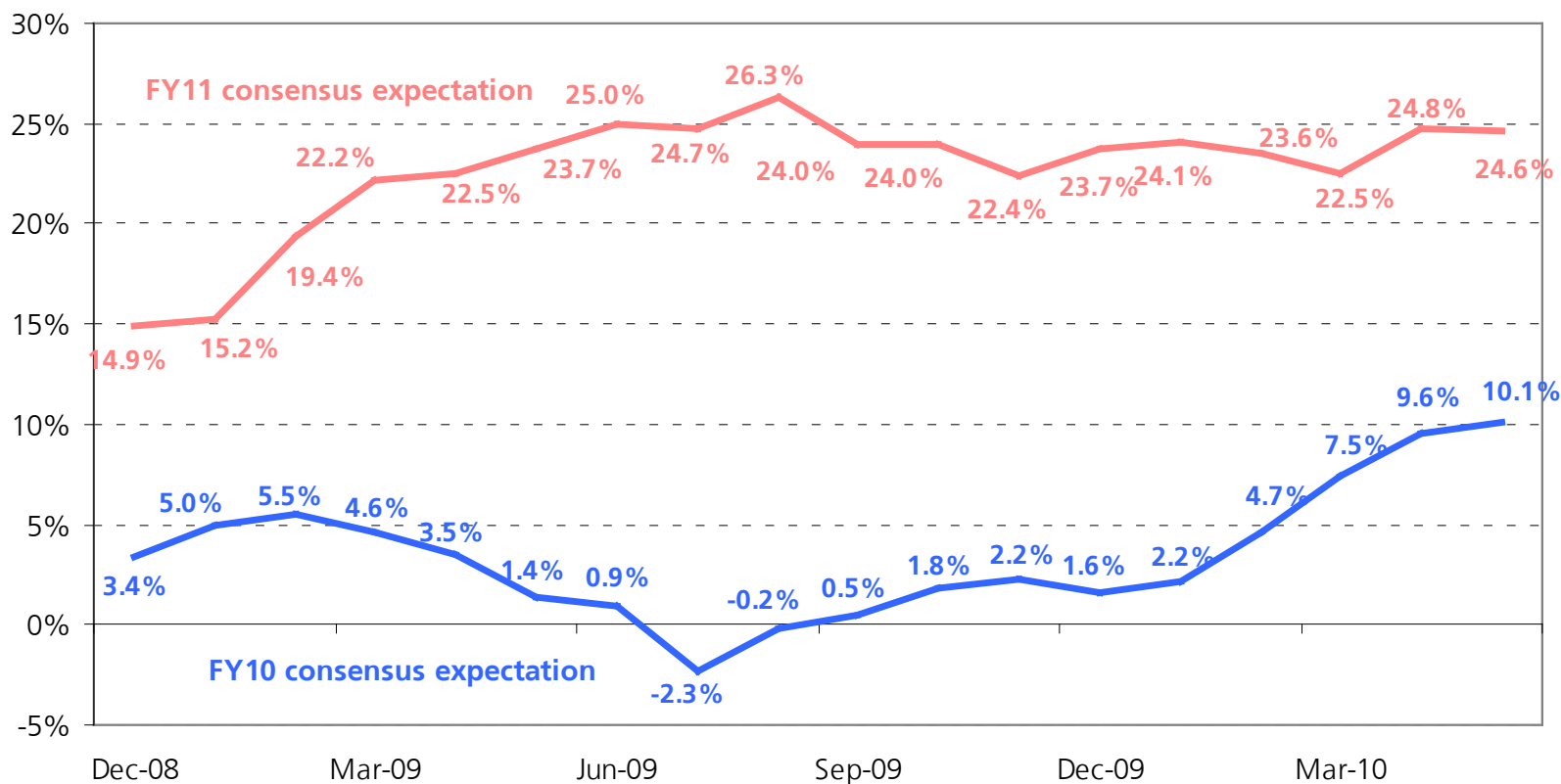
ALL ORDS PROSPECTIVE PE - ROLLING 12 MONTH FORWARD EARNINGS



Source: Ausbil, Updated to 10th May 2010

CONSENSUS EARNINGS KEEP BEING REVISED UPWARDS

Market currently priced at 14.5x FY10 and 11.6x FY11 earnings



Source: Ausbil Consensus Broker forecasts

MARKET STATISTICS

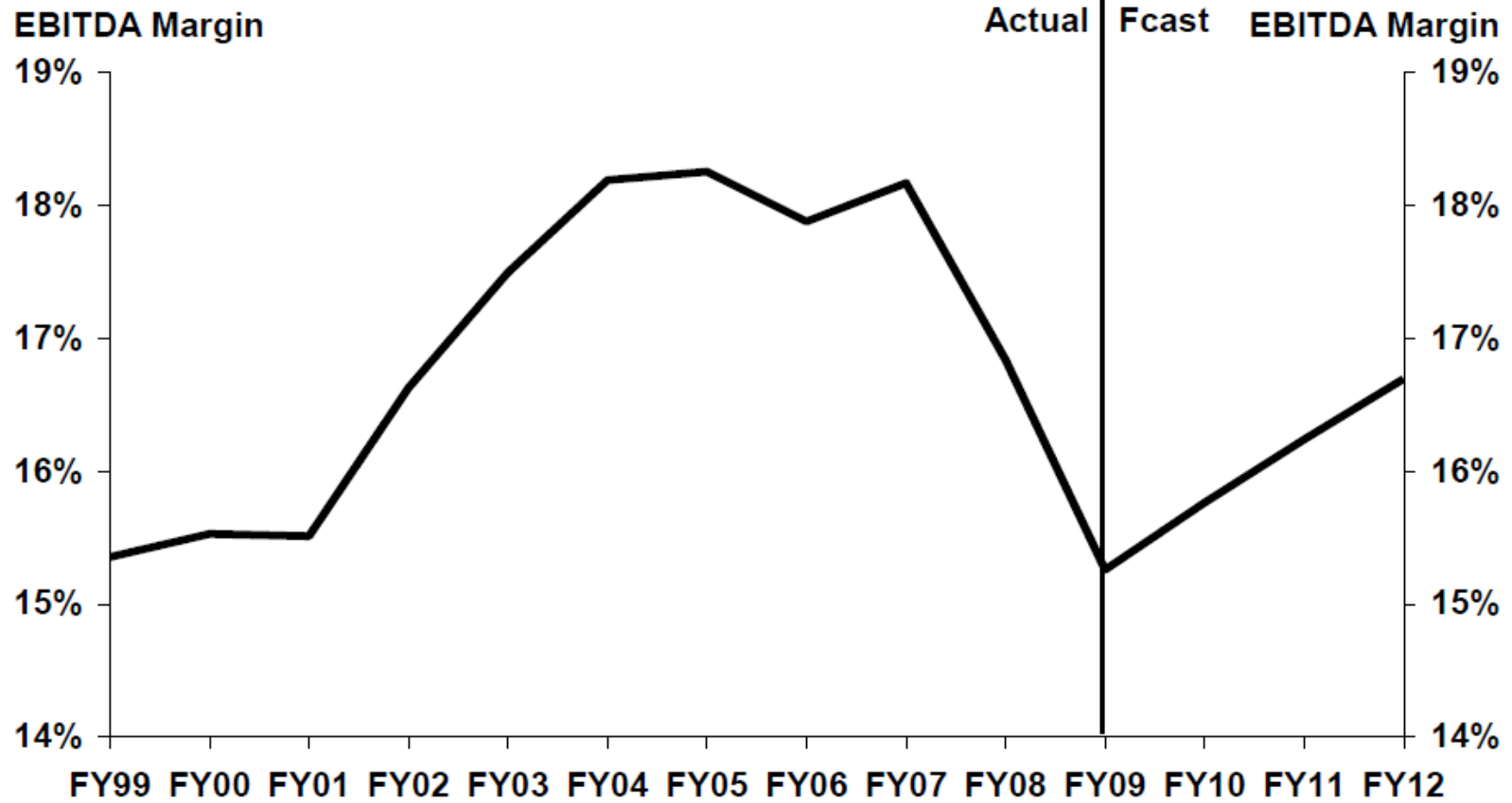
Consensus expectations for EPS growth (and P/Es)

AS AT 10 MAY 2010	PE FY 2011 (E)	PE FY 2012 (E)	EPS GROWTH FY 2011 (E)	EPS GROWTH FY 2012 (E)
MARKET	11.6x	10.4x	+24.6%	+11.7%
Market (ex Top 50)	12.5x	10.6x	+28.2%	+17.7%
Small Ordinaries	12.1x	9.7x	+39.7%	+24.1%
Financials	10.9x	9.8x	+15.2%	+11.2%
Industrials	13.1x	11.8x	+15.3%	+11.1%
- Div Metals & Mining	8.5x	7.9x	+51.2%	+7.5%

Source: Ausbil calculation based on consensus broker earnings forecasts

OPERATING LEVERAGE OF CORPORATE AUSTRALIA

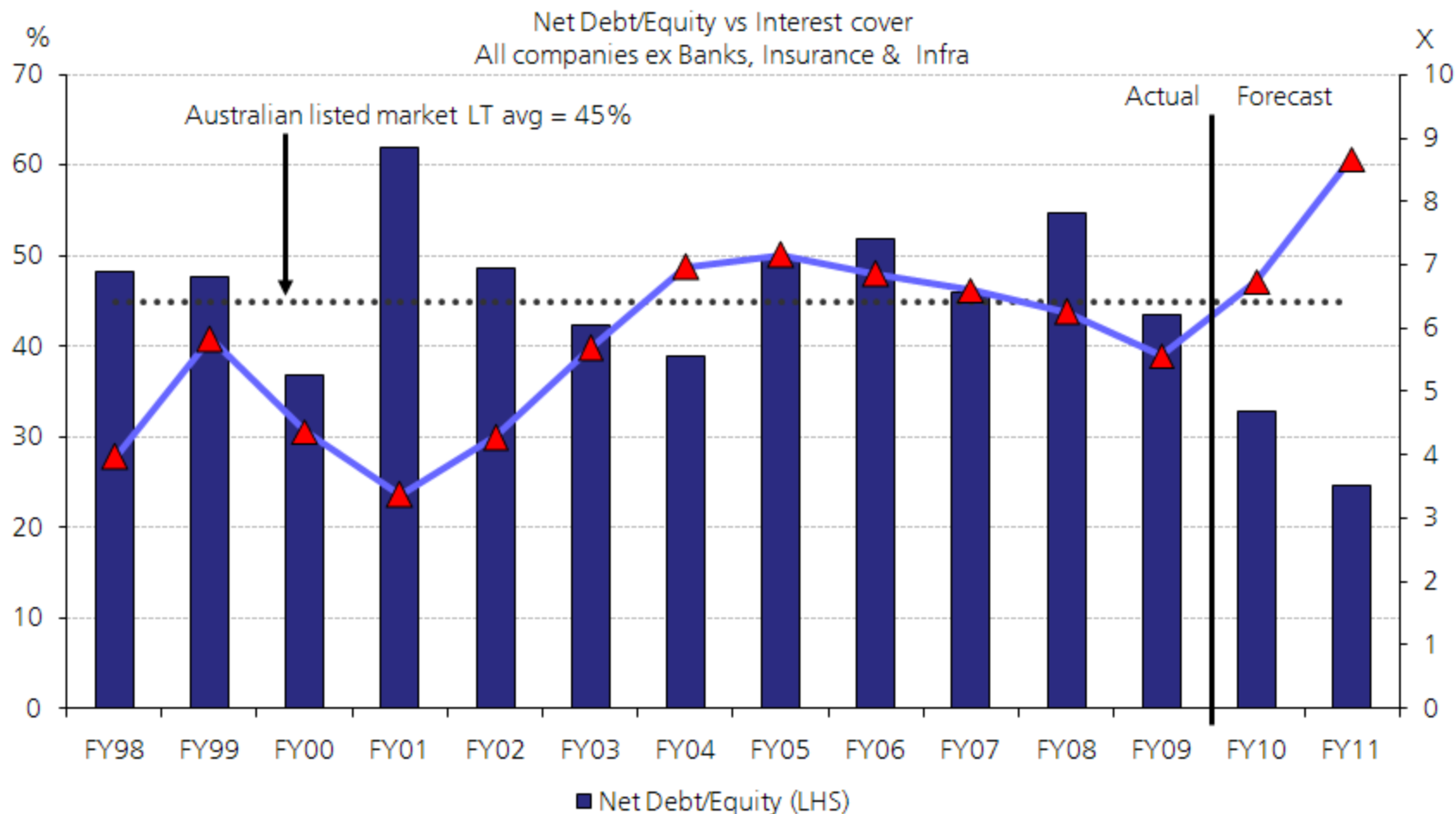
Actual operating leverage likely to beat expectations



Source: Macquarie Research, Industrials EBITDA margin forecasts remain well below peak FY04-07 levels.

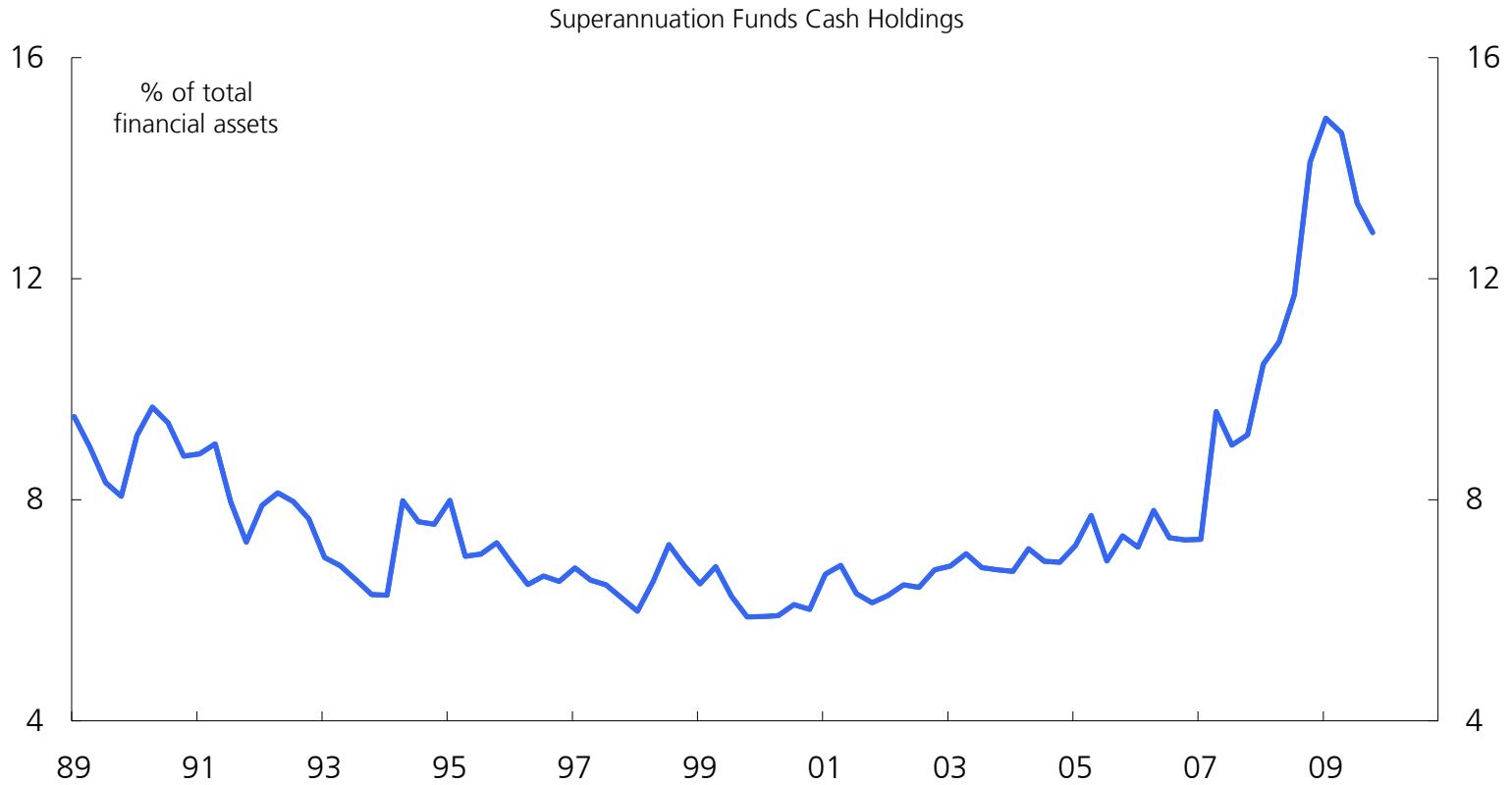
CORPORATE AUSTRALIA IN GREAT SHAPE

Multi decade low gearing levels



CASH HOLDINGS AT RECORD HIGHS

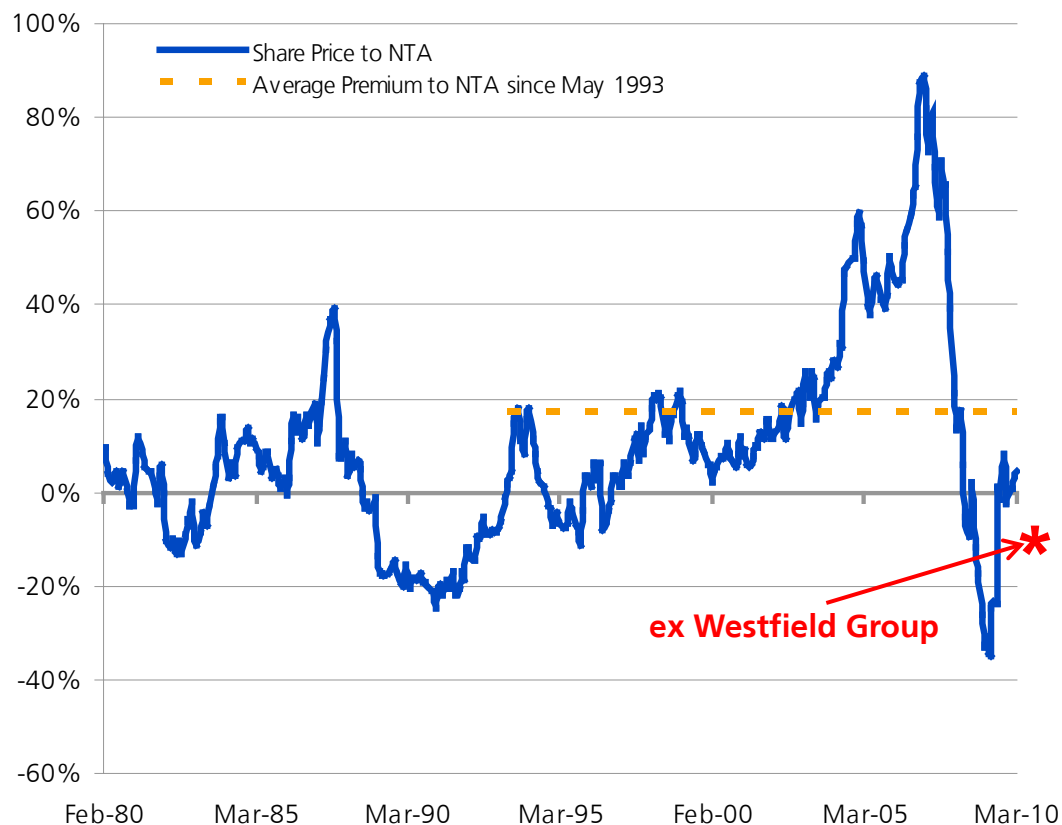
Despite improved outlook cash levels remain high



Source: ABS

A-REITs NOW TRADING AT DISCOUNT TO HISTORICAL NORMS

Offers value for first time since mid 1990's

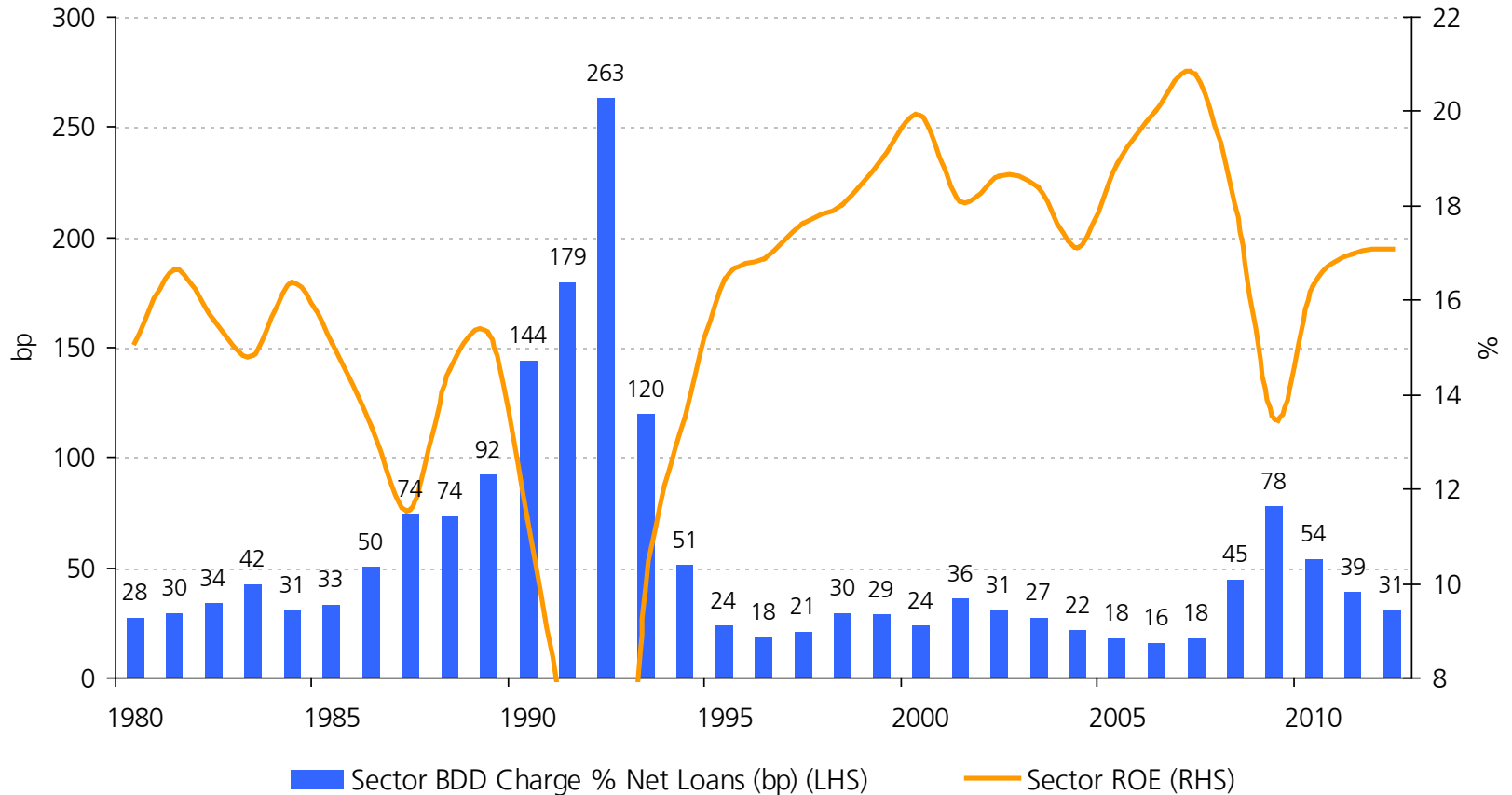


Source: UBS

S&P/ASX 300 PROPERTY INDEX	SECTOR	SECTOR (ex WDC)
Yield (FY11)	6.0%	6.4%
Premium to NTA	+2.3%	-8.0%
Gearing (Net Debt/Assets)	29.3%	24.8%
Cap Rate	7.1%	7.5%

AUSTRALIAN BANK BDD CHARGES

Recovery in ROE – will result in earnings boost

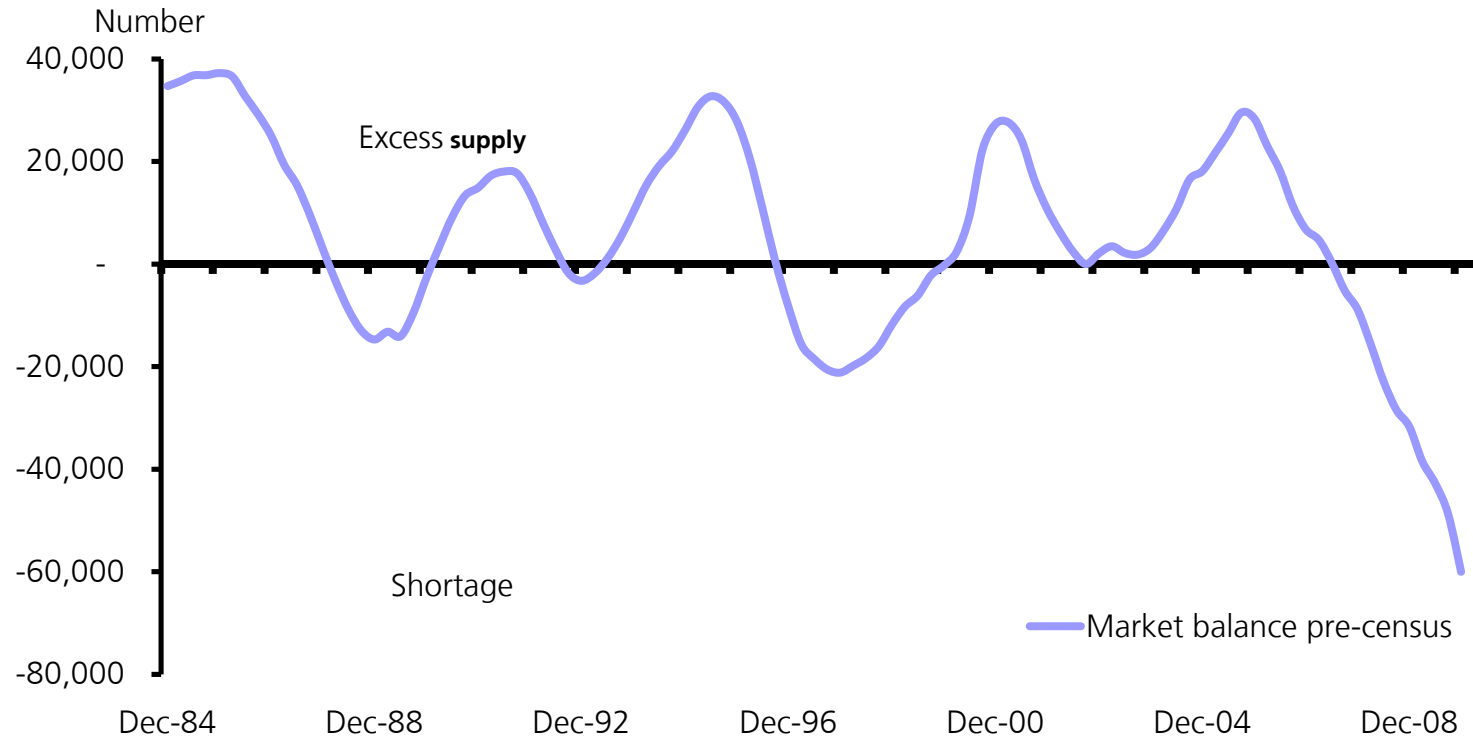


Source: UBS estimates

RECORD UNDERSUPPLY OF HOMES

Largest in the past three decades

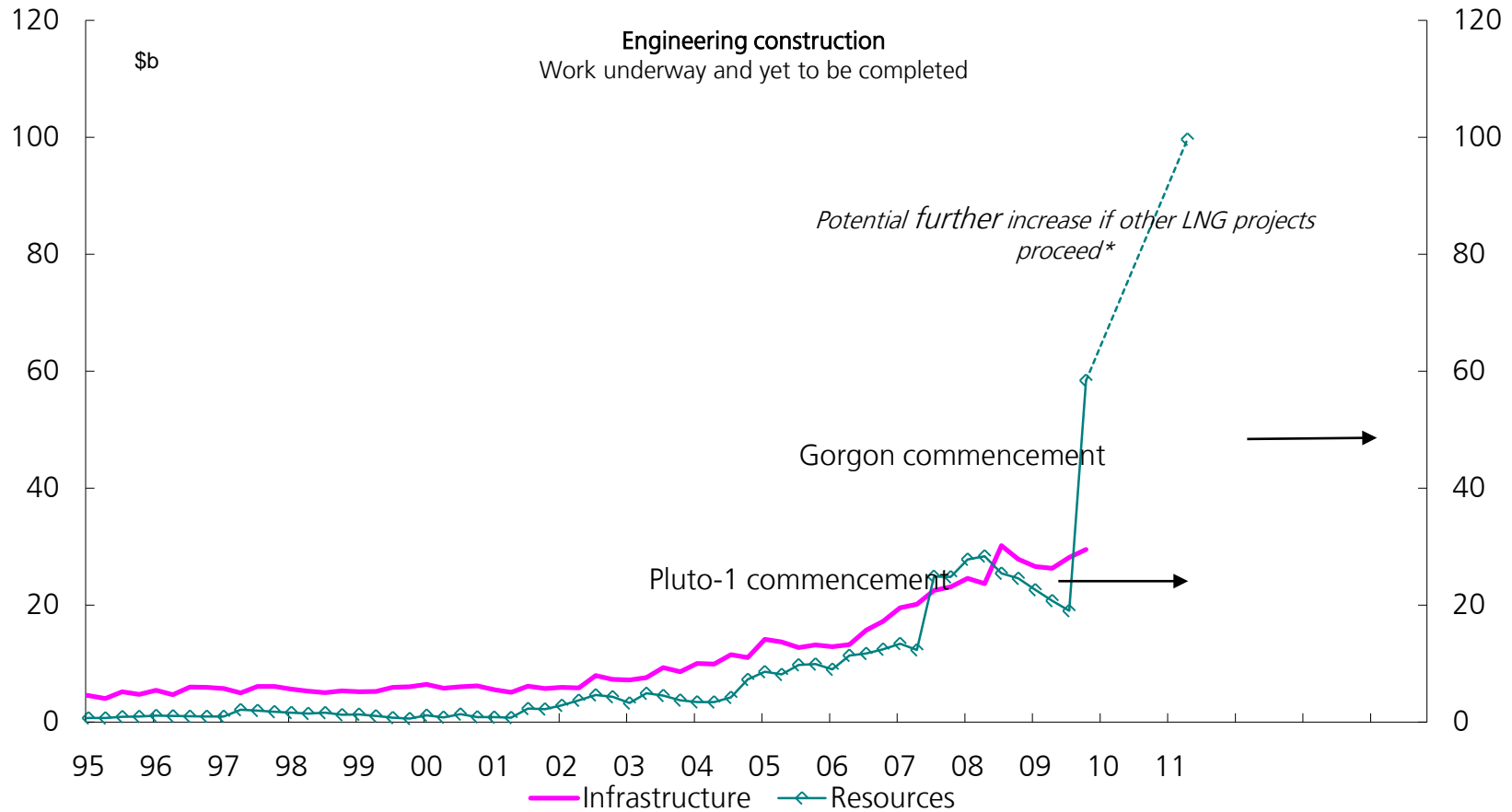
Australia: Housing Market Balance



Source: GSJBW Research Estimates

MASSIVE INFRASTRUCTURE AND RESOURCES PROJECTS

~\$140bn to underwrite growth (ex residential housing)

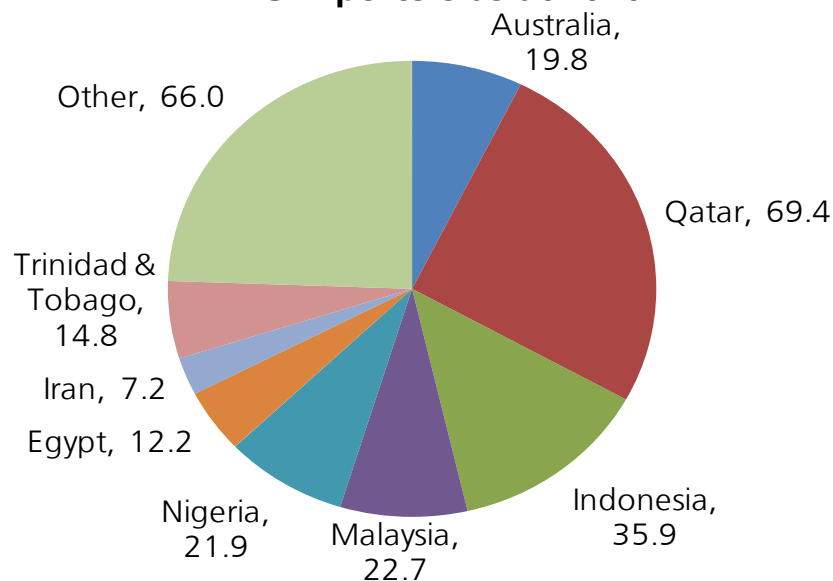


Source: ABS, Company data, Deutsche Bank

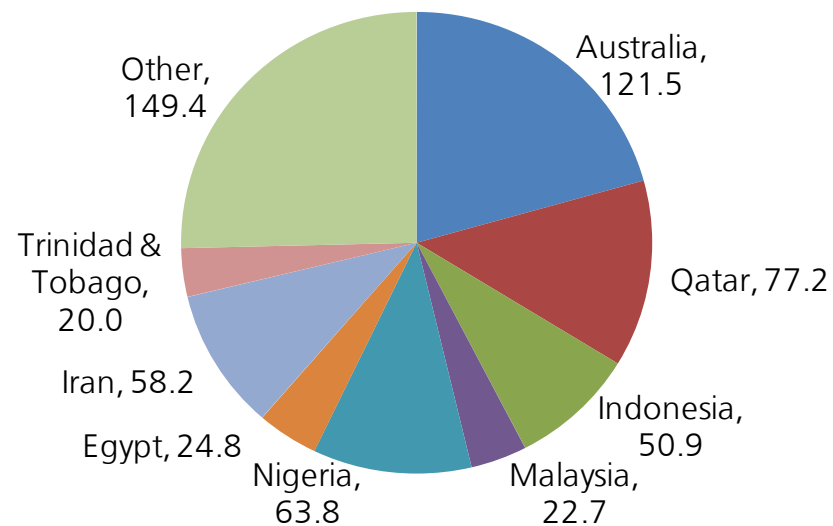
THE LNG OUTLOOK

Annual million tonne capacity

LNG Exporters as at 2010



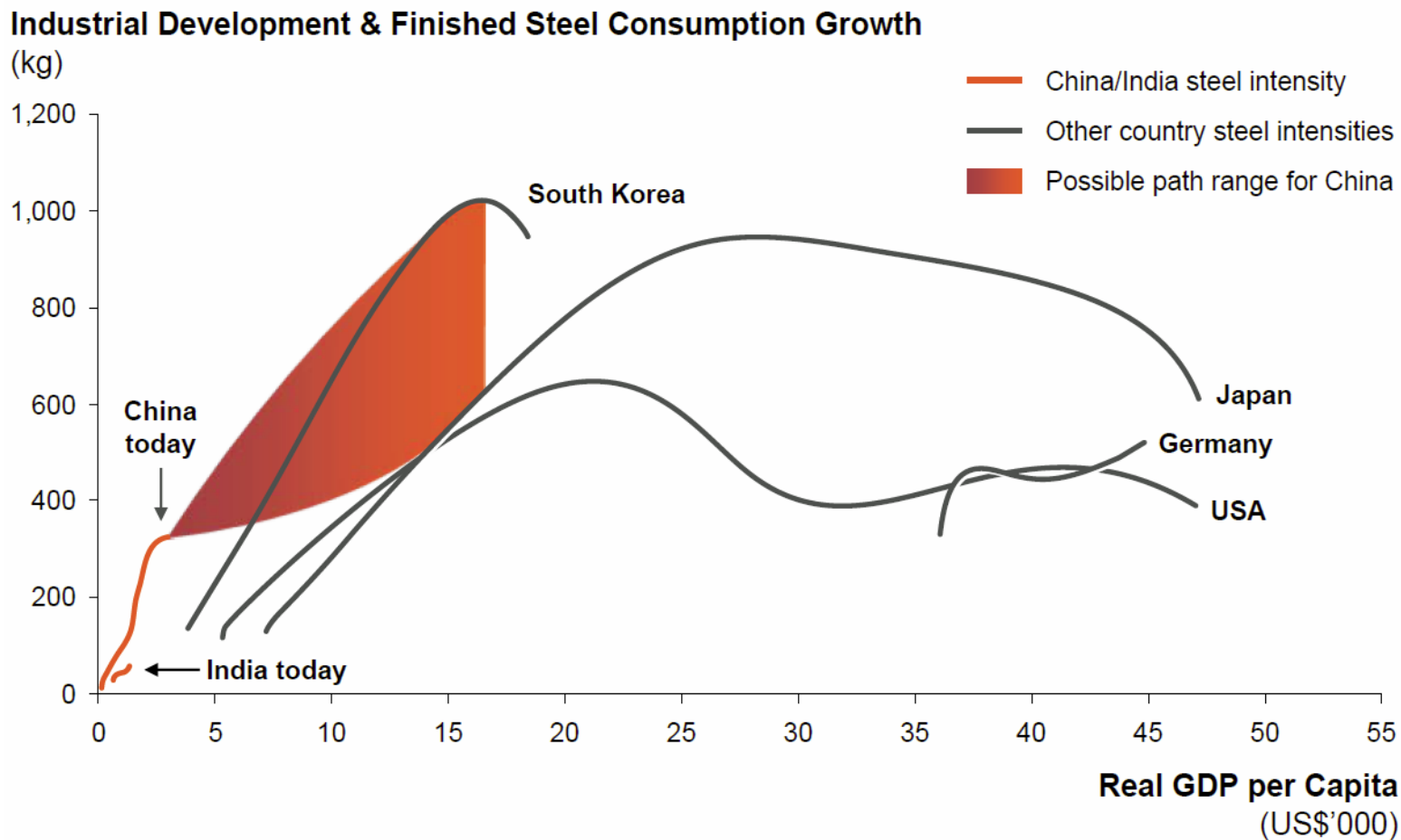
LNG Export Ambitions by 2020



*"Australia will be a major, hopefully one of the top three suppliers of LNG within five or six years"
--- Grant King, CEO, Origin Energy, November 2009*

STRUCTURAL DEMAND DRIVER FOR RESOURCES

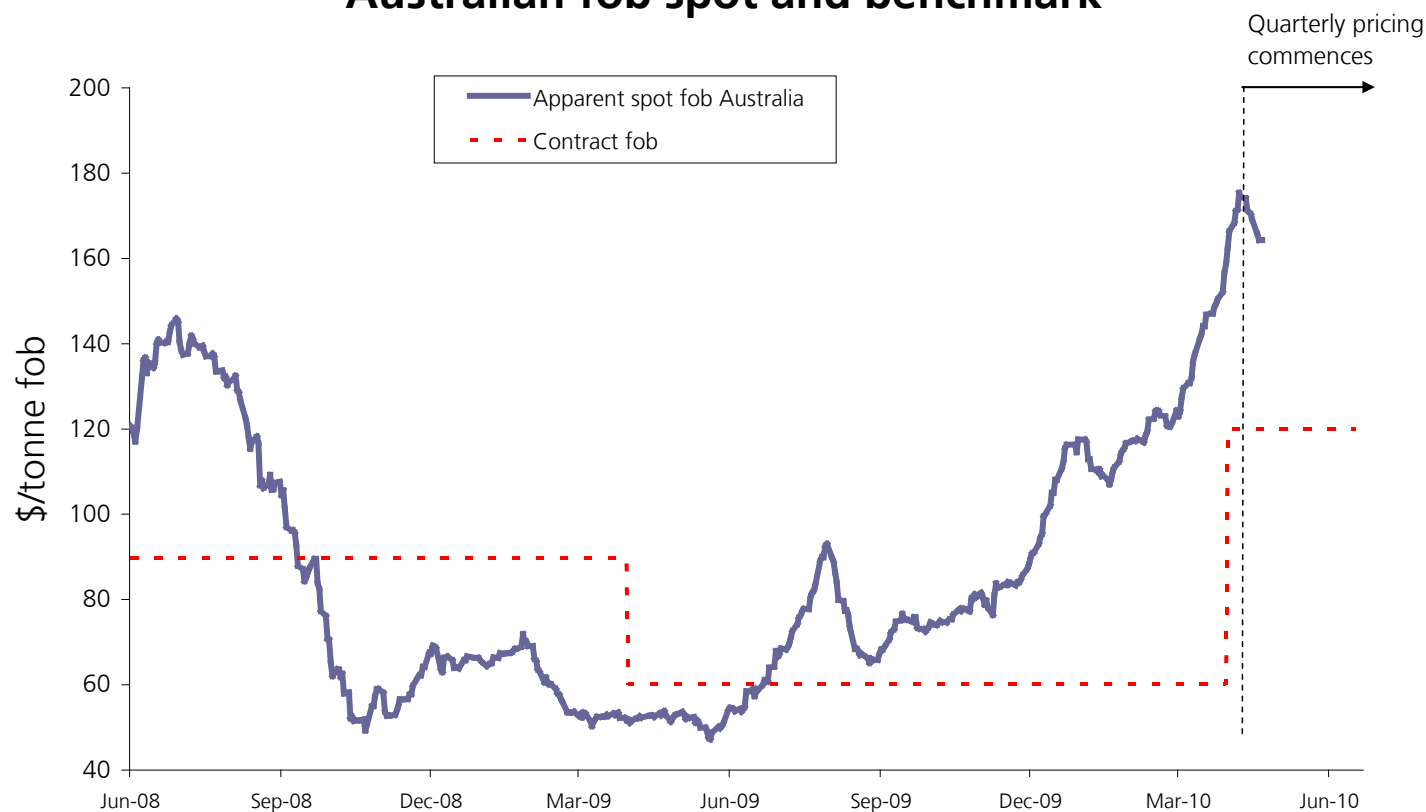
Steel intensity per capita grows strongly as a nation becomes wealthier



THE IRON ORE OUTLOOK

Australia can expect significant upside to its trade accounts

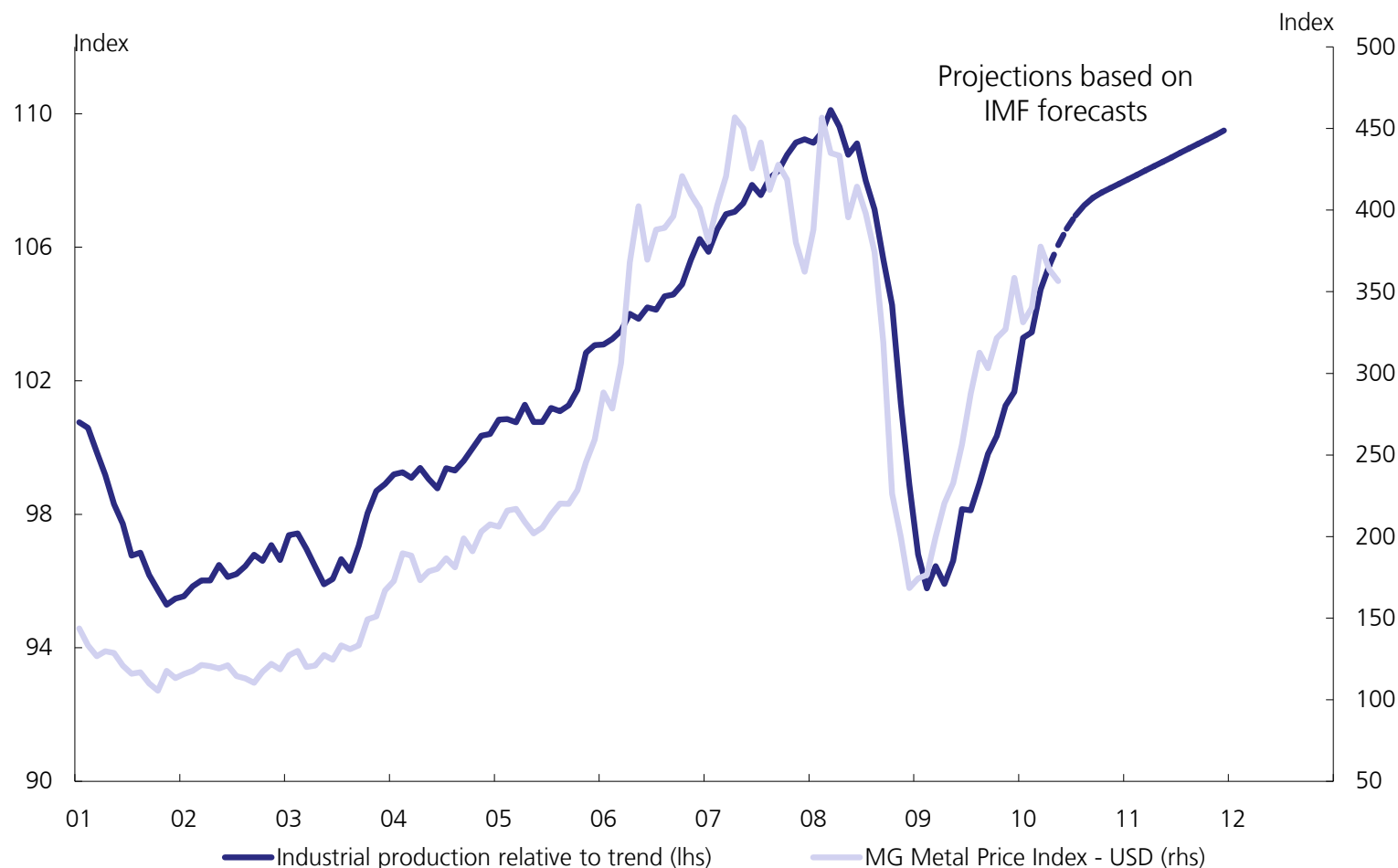
Australian fob spot and benchmark



Source: Datastream, ABS

WORLD INDUSTRIAL PRODUCTION AND METAL PRICES

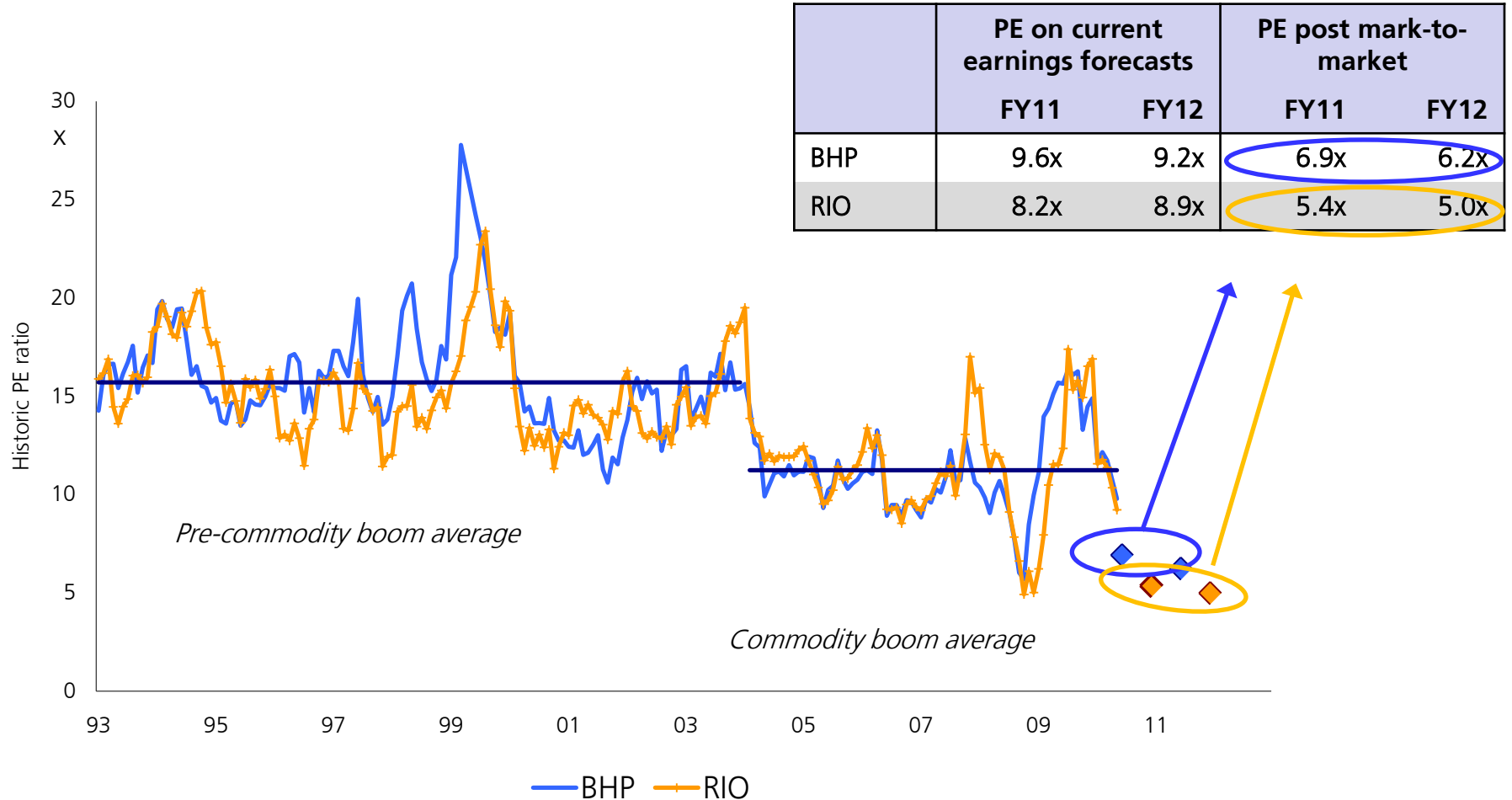
High correlation should be supportive for future metals prices



Source: Datastream, Bloomberg, Deutsche Bank

RIO & BHP BILLITON PE FY11 AND FY12

Low PE valuation given earnings profile seems unreasonable



Source: Deutsche Bank, 11 May 2010

RESOURCE SUPER PROFITS TAX (RSPT)

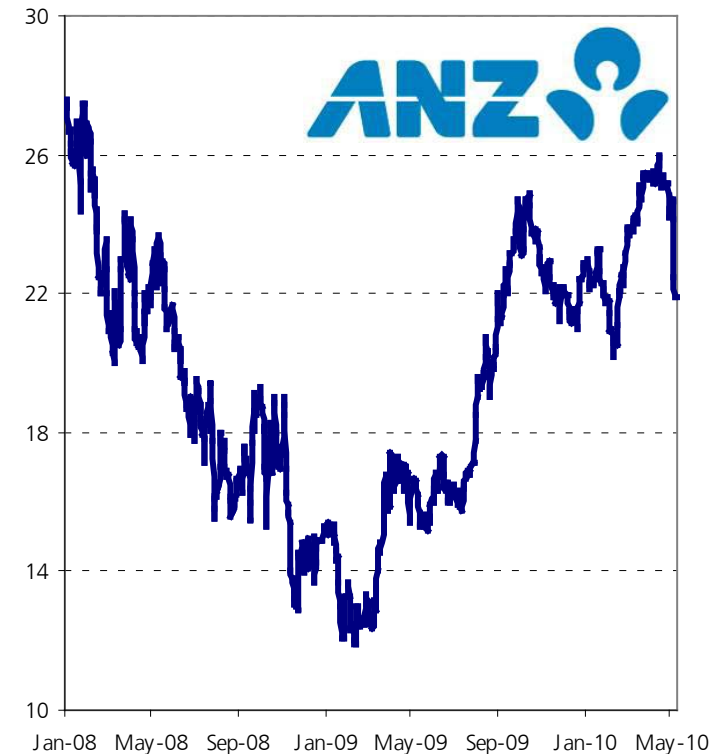
Fixing a 2 speed economy or killing the goose that laid the golden egg?

- What is a “super profit”? – apparently any return greater than the risk free rate
- Current risk free rate is ~ 4.5% p.a.
- July 2012 implementation
- Subject to industry consultation, re-election, parliamentary approval
- Funds lower corporate tax rate
- Will cause re-assessment of major CAPEX decisions
- Erodes relative competitiveness of Australia’s mining industry

AUSTRALIAN & NEW ZEALAND BANKING GROUP

Creating a super regional

- High quality management
- Have been re-positioning the business for higher growth markets in Asia
- Organic growth + acquisition strategy
- Bad debts unwinding as Australian economy improves
- Positive loan growth in business book
- Attractive valuations
- PE 10.0x, Yield 6.2% (2011)



LEND LEASE

Massive global development portfolio

- Well positioned to capitalise and invest through real estate cycle
- Quality management and developer
- Strong financial position
- Integrated property model to deliver large scale development projects
- Opportunities in Private Public Partnerships globally
- PE 12.5x; Yield 4.5% (2011)



AMCOR

Industrial company that made most of the crisis

- High quality management
- Have been re-positioning the business
- Only major company to raise capital for acquisition purposes (vs refi)
- Alcan packaging
- Trough cycle multiples & earnings
- Strong synergistic growth forecast
- Yield 4.9%



AUSBIL ACTIVE EQUITY PORTFOLIO

Largest 10 active holdings at 30 April 2010

	FUND	INDEX	TILT
ANZ Bank	8.8%	5.3%	3.5%
BHP Billiton	14.8%	11.9%	3.0%
Rio Tinto	5.6%	2.7%	2.8%
News Corporation	3.1%	0.7%	2.4%
Asciano	2.7%	0.4%	2.3%
Amcor	2.6%	0.7%	2.0%
Lend Lease	2.3%	0.4%	1.9%
Mirvac	2.2%	0.4%	1.8%
Oil Search	2.2%	0.5%	1.7%
Wesfarmers	4.5%	2.9%	1.6%

AUSBIL EMERGING LEADERS PORTFOLIO

Largest 10 active holdings at 30 April 2010

	FUND	INDEX	TILT
Mineral Resources	3.7%	0.2%	3.6%
REA Group	3.1%	0.0%	3.1%
Bradken	3.1%	0.3%	2.9%
Mirabela Nickel	3.0%	0.2%	2.7%
Seek	4.3%	1.6%	2.7%
Bank of Queensland	4.1%	1.5%	2.5%
Macarthur Coal	3.1%	0.6%	2.5%
Ten Network	2.9%	0.5%	2.4%
Flight Centre	2.5%	0.3%	2.1%
Henderson Group	2.1%	0.0%	2.1%

AUSTRALIAN MARKET SUMMARY

Economic recovery expected to strengthen

- Global recovery remains robust encouraged by stimulatory interest rate settings
- In Australia, GDP growth to exceed expectations
- Rising rates counterbalanced by the wealth effect and low global rates
- 2010 and 2011 earnings continue to be conservatively based
- Based on forward estimates, the market remains cheap - 11.6x 2011(E)

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