

THE BOURSE FACTOR

Spring/Summer 2008

21st Anniversary Edition OF THE SHAREMARKET CRASH OF 1987

This is the Commemorative Edition of 'The Bourse Factor' which seeks to keep the market apprised of the progress of some of our clients.



WELCOME

Bourse Communications Pty Ltd is one of Australia's most progressive and innovative investor relations and business communications firms. We specialise in managing the relationships of emerging, small and micro cap listed companies with the investment community.

INVESTMENT EXPERTS ASK – WHAT TIME IS IT?

It has been a tumultuous twelve months in investment markets. Not since the 1987 share market crash have we witnessed such widespread losses on a global scale. As share markets around the world experience further fallout- many wonder when it will all come to an end.

THE GOOD NEWS

Against a backdrop of fear and apprehension, experienced investors will have seen it all before and recognise that markets eventually recover; they generally follow well understood cycles. In 1937, The London Evening Standard first published **The Investment Clock**. The clock illustrates that financial markets and asset classes do not all move together, but rather often follow one after another. The cycle of **The Investment Clock** may range from 7 or 8 years to over 10 years and typically mirrors the business cycle. The Interest rate cycle is often 'the key'.

Generally, the trend in interest rates points to the direction of the cycle, with rising rates typically determining a weakening or falling in the cycle. Share prices are the first to react, followed by commodity prices, un-employment levels begin to increase, real estate values fall and finally the value of items known as the non-traditional asset class decrease.

The business cycle corrected quite suddenly in 2007 as a result of the collapse of the sub-prime lending market in the US. Globally this was caused by the drying up of liquidity and high funding costs (interest rates). Interest rates were again the trigger, with the business cycle already demonstrating clear signs of being overheated. Over the past year, share markets have collapsed and real estate prices have weakened. More recently, commodity prices have fallen quite sharply and our currency has been under enormous pressure. In response to concerns about the Australian economy, local interest rates have been cut by 200 basis points and signs indicate that employment may begin to be an issue as a downsizing in the labour market becomes a real possibility. Further downward pressure on interest rates is expected. These are all definitive signs that the bottom of the business cycle

is getting closer and that **The Investment Clock** is at its most depressed level.

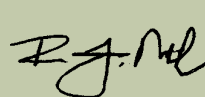
THE RECOVERY CYCLE MAY BE CLOSER THAN YOU THINK

Investment behaviour at the bottom of the cycle is driven by recent experiences, that is large losses, rather than by future outlook. **The Investment Clock** does not suggest that a quick turnaround and recovery should be expected, but rather that the cycle of correction and retracement has an historical reference point and that the next stage in the cycle is likely to be recovery. What the clock is now demonstrating is that it is time to look through the financial gloom, with some level of optimism, at the foundations that have been laid for recovery.

It is entirely subjective as to exactly **what time it is** on **The Investment Clock**, yet this decision could prove to be very significant in terms of what might be ahead for investment markets and how investors benefit from getting the time right. If you would like a copy of **The Investment Clock** to monitor the market movements turn to **page 21** in this issue of 'The Bourse Factor' Newsletter.

'The Bourse Factor' is an important process through which a bridge is built between a company and the market, delivering insights both ways to ensure that company strategies and objectives are aligned with investor expectations and that the investment community has useful knowledge and valuable insight to more accurately build its valuations.

This Newsletter is designed to provide you with a brief insight into a number of our clients. We invite you to let us know if you would like more information or a briefing from management on the companies featured in this special commemorative issue.



RODNEY NORTH



MICHAEL GORDON