



rolling with the peaks & troughs of the equity market cycle

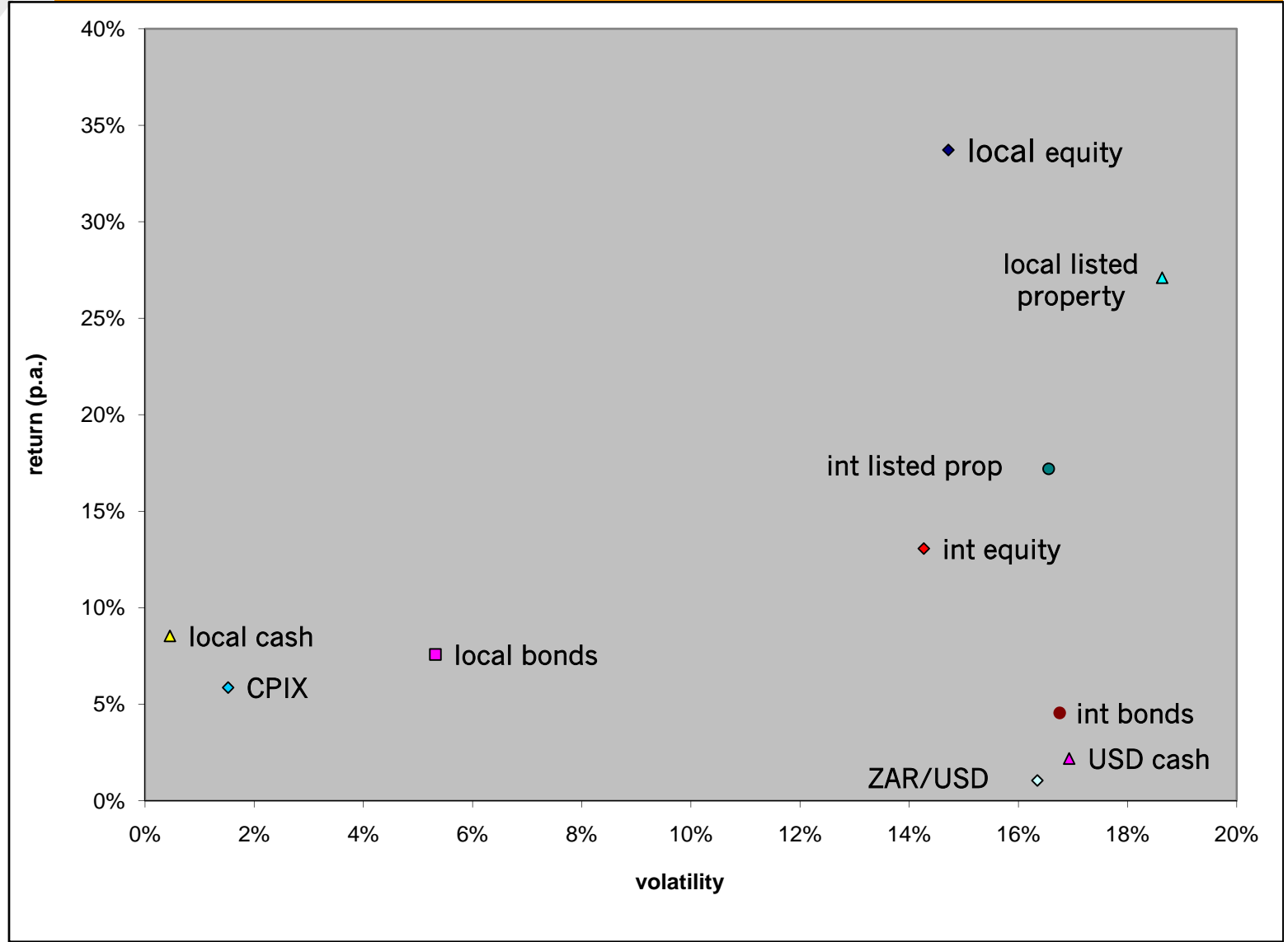
Andrew Salmon
acsis

agenda

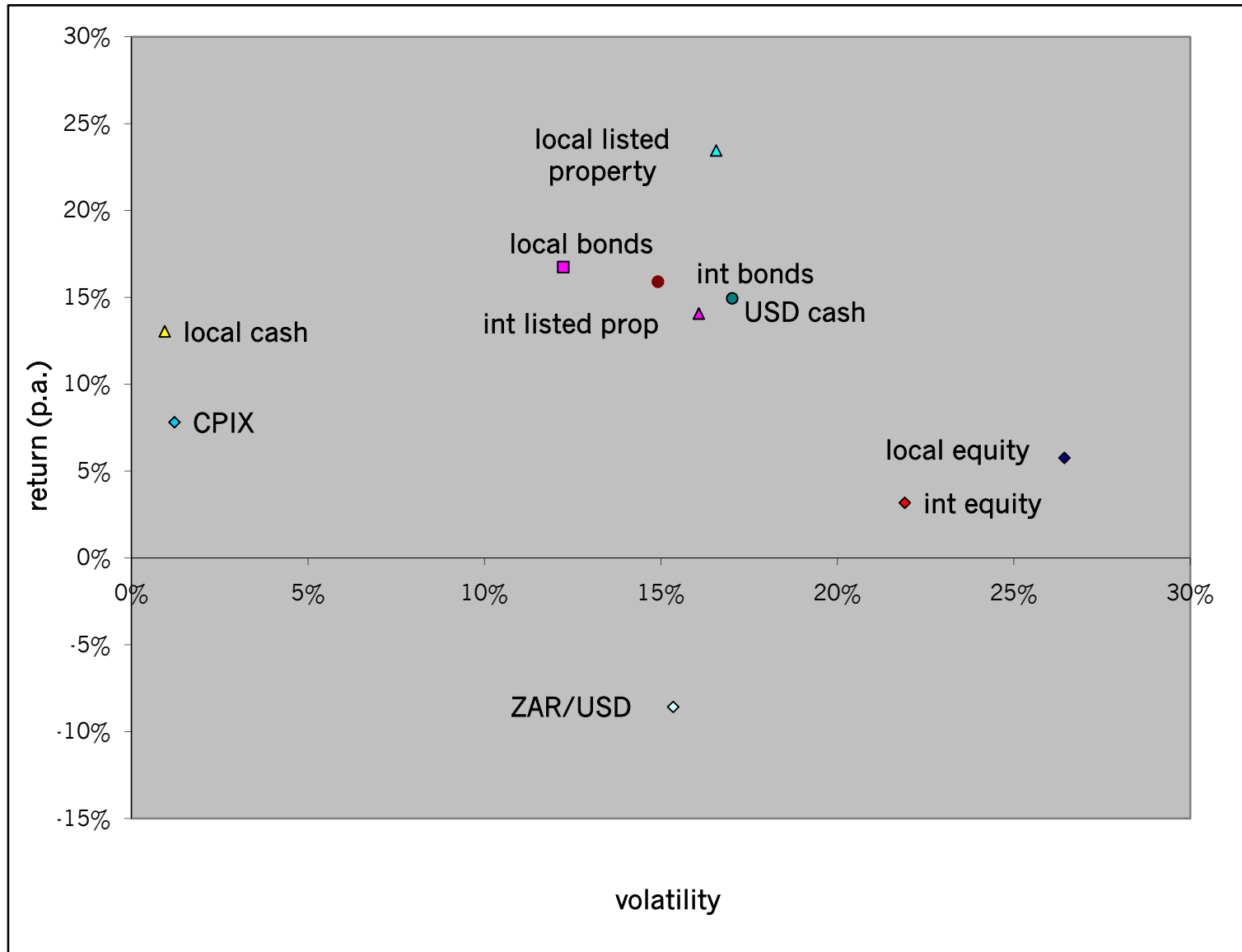
- ~ past equity and sector returns
- ~ earnings and price earnings ratios
- ~ balance sheet analysis
- ~ income statement analysis
- ~ current considerations
- ~ conclusions



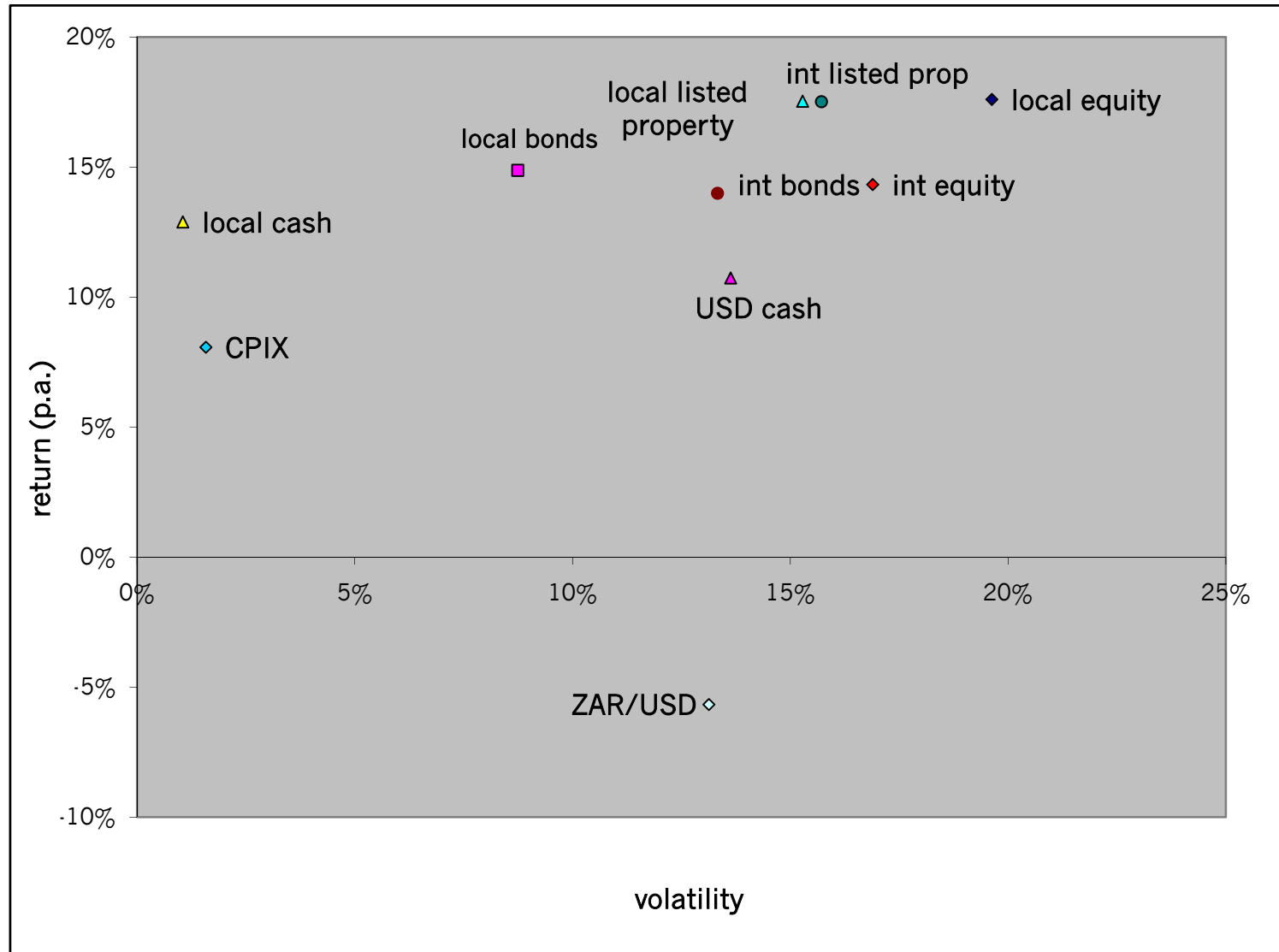
5 year returns to 31 May 2008



5 year returns to 31 March 2003

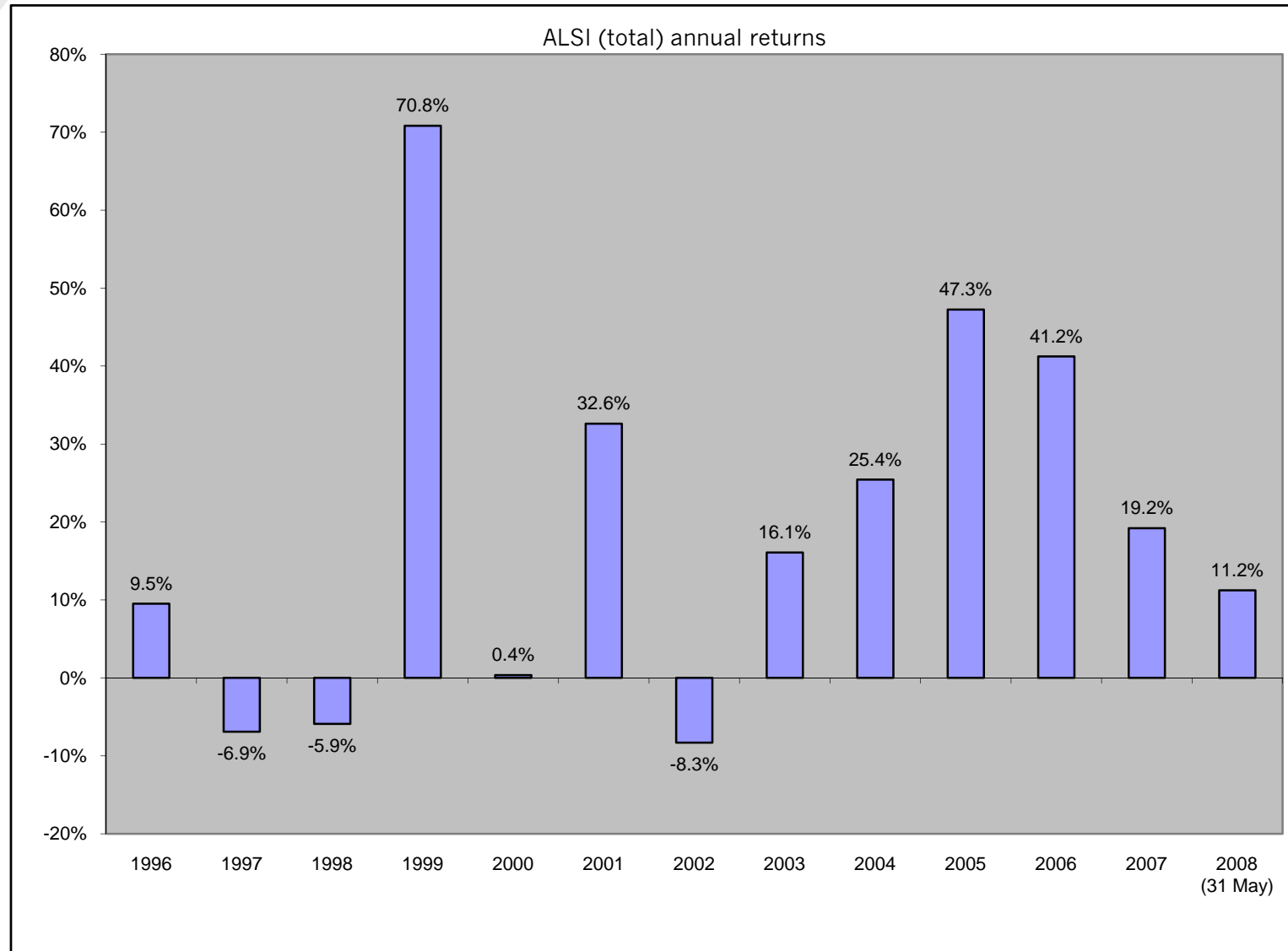


returns from 1991 to 31 May 2008

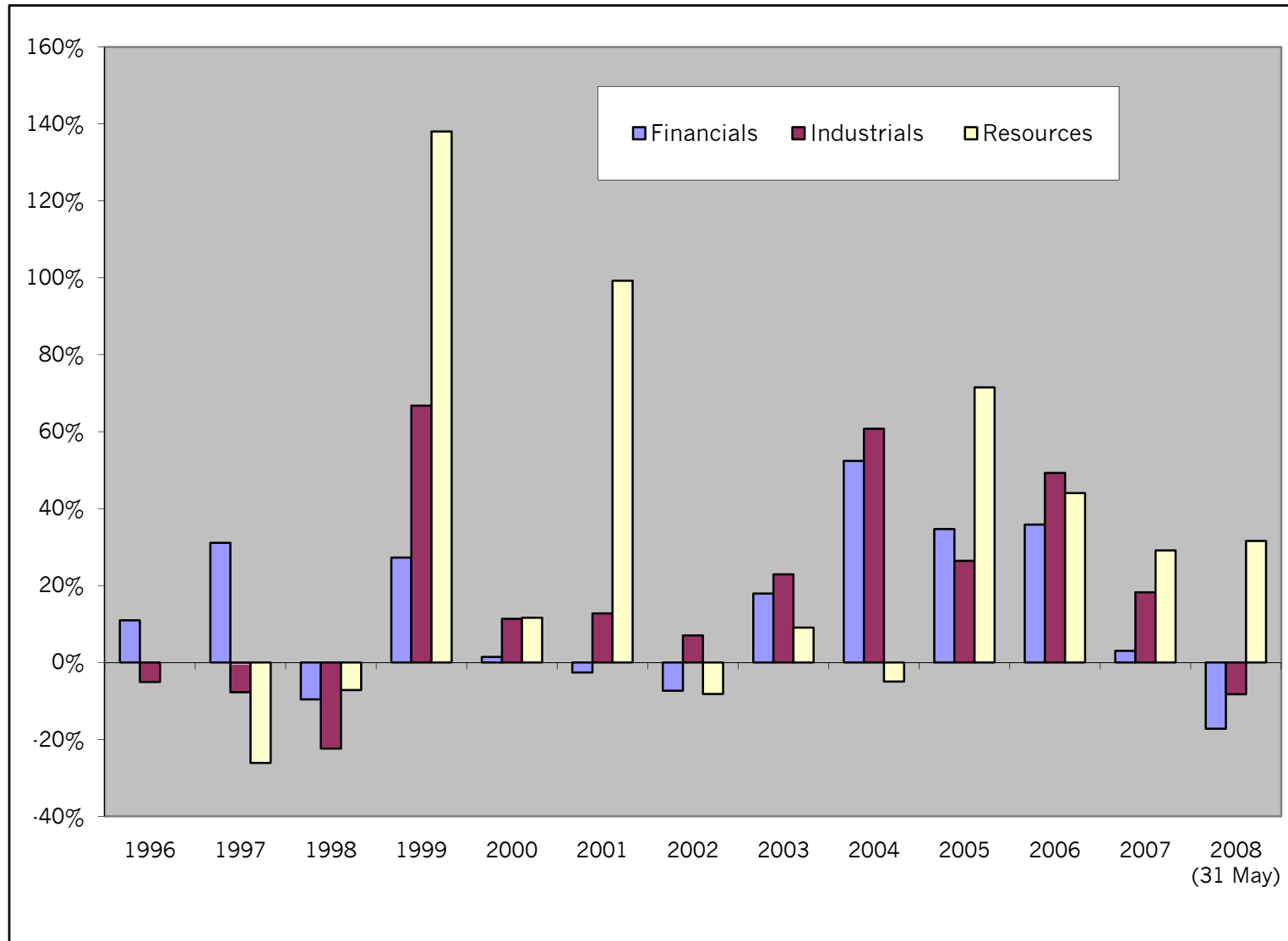




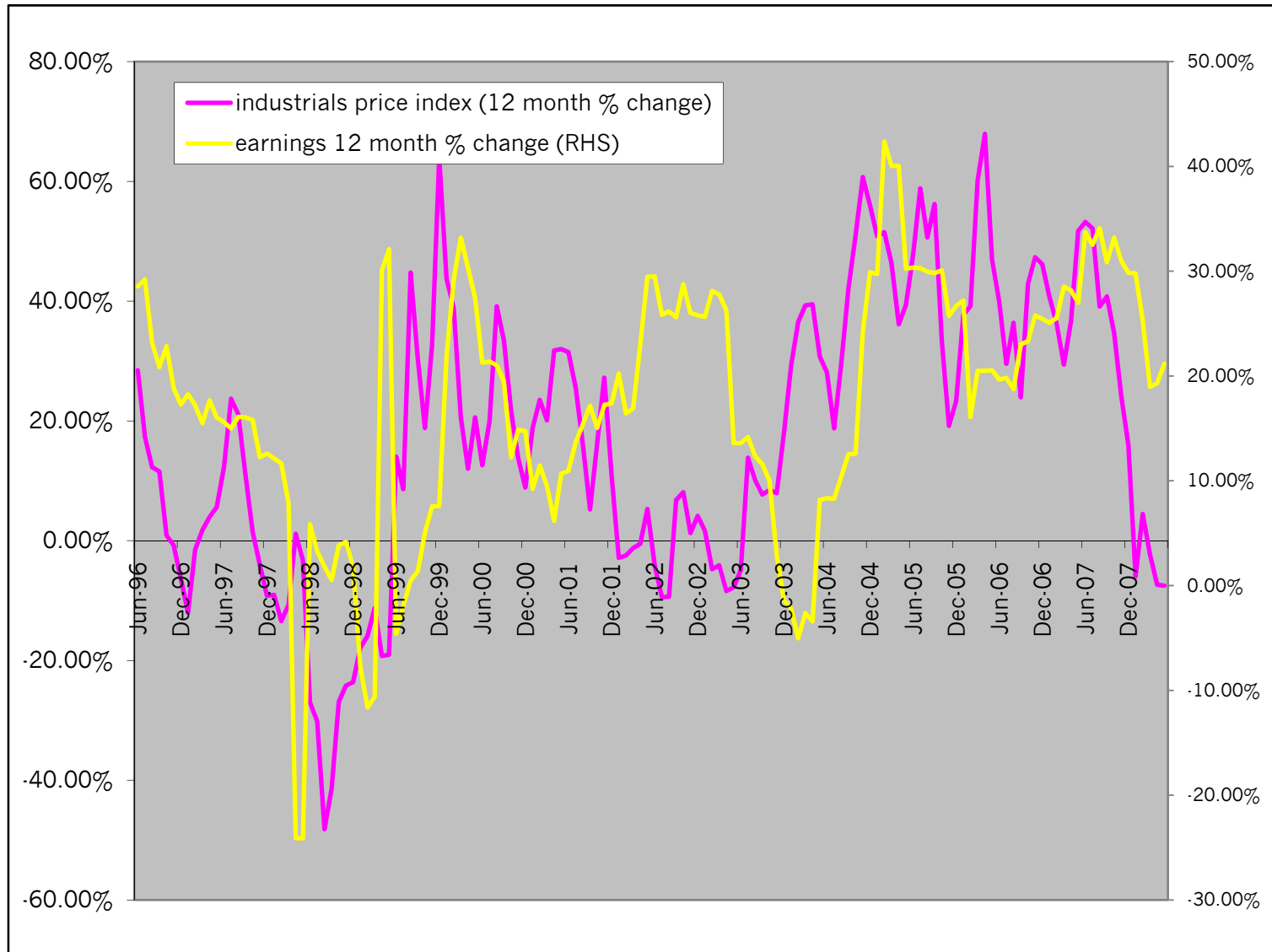
ALSI total annual returns



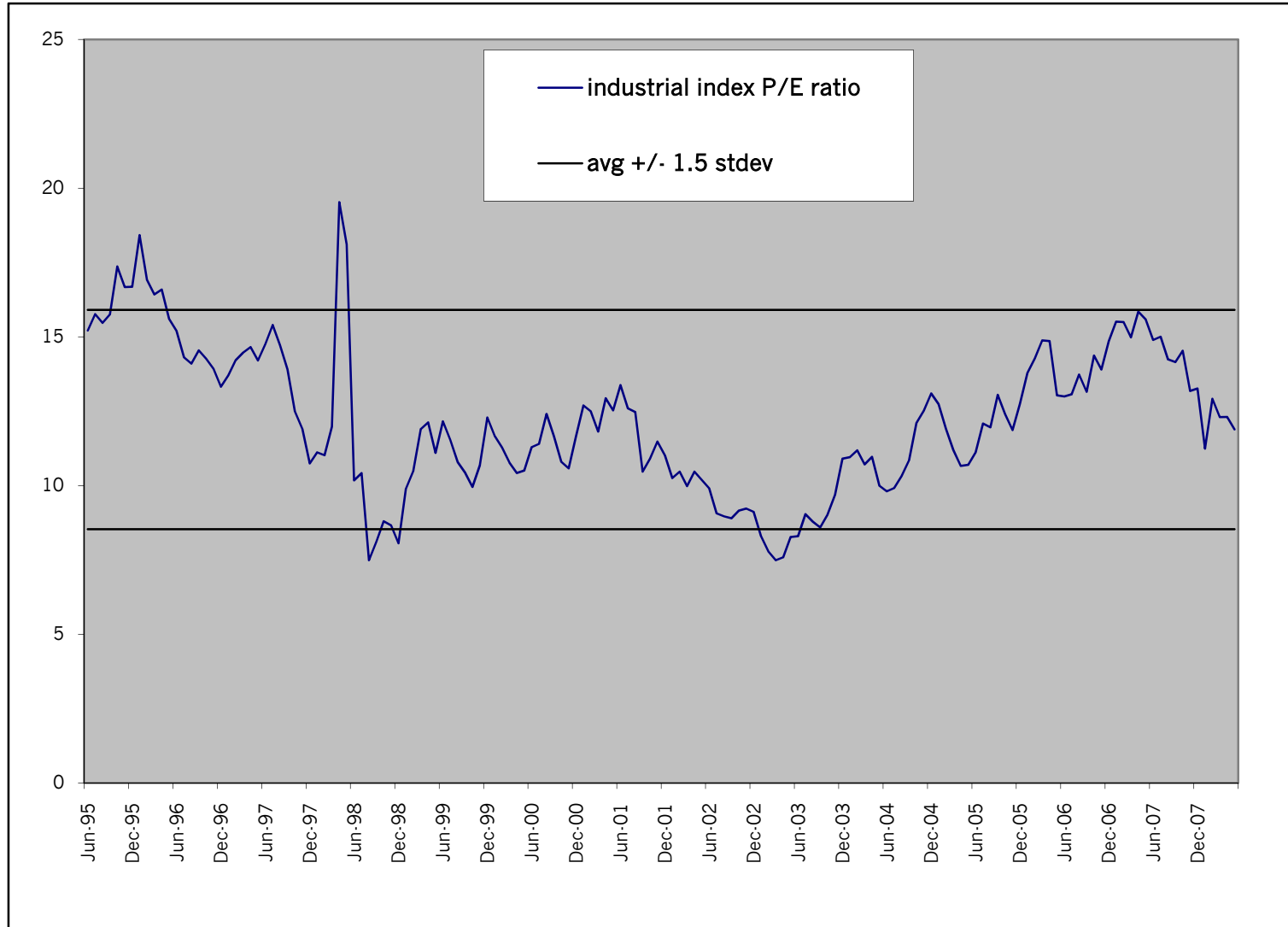
sector returns



industrial index and earnings



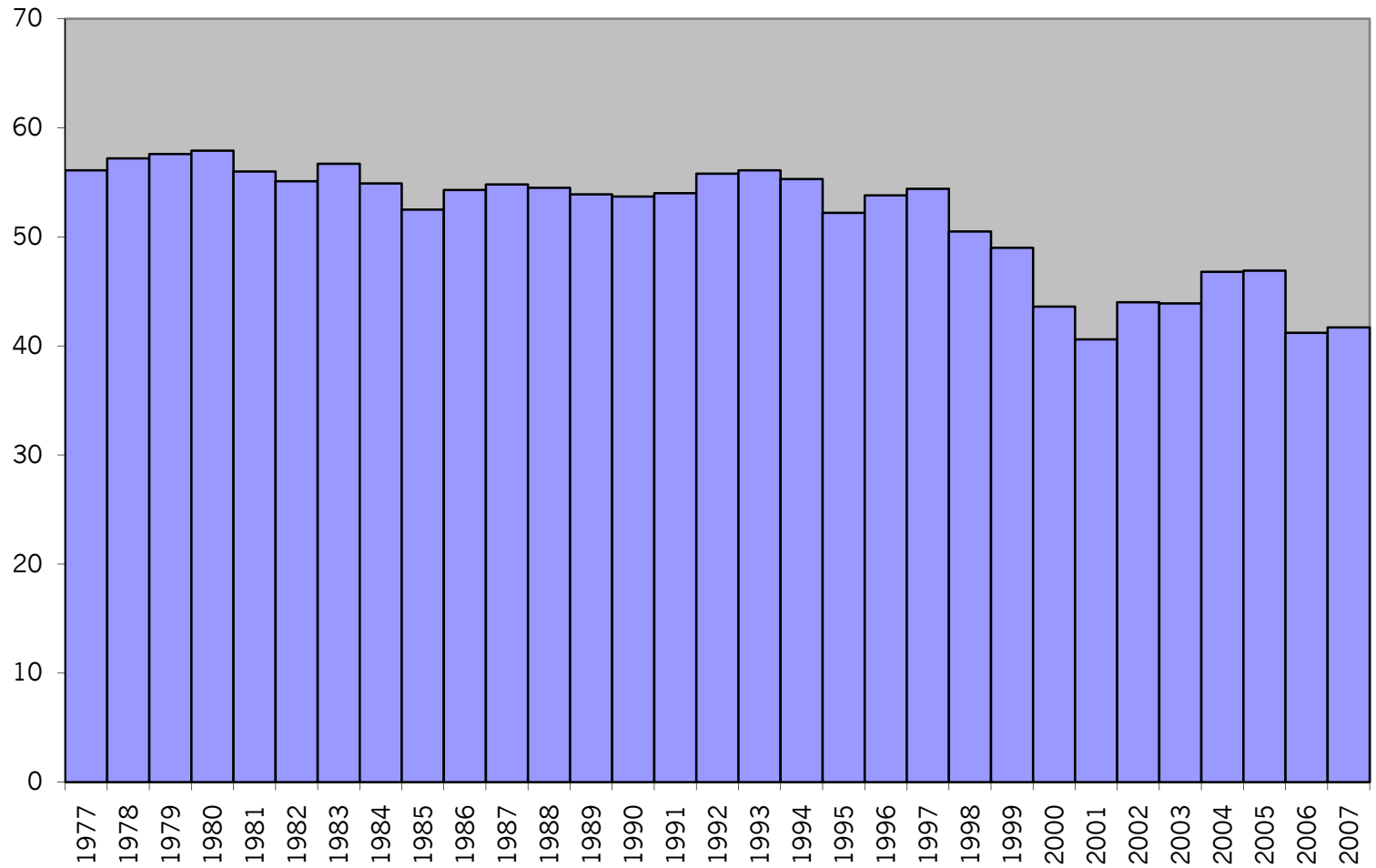
industrial index PE ratio



balance sheet statement ratios

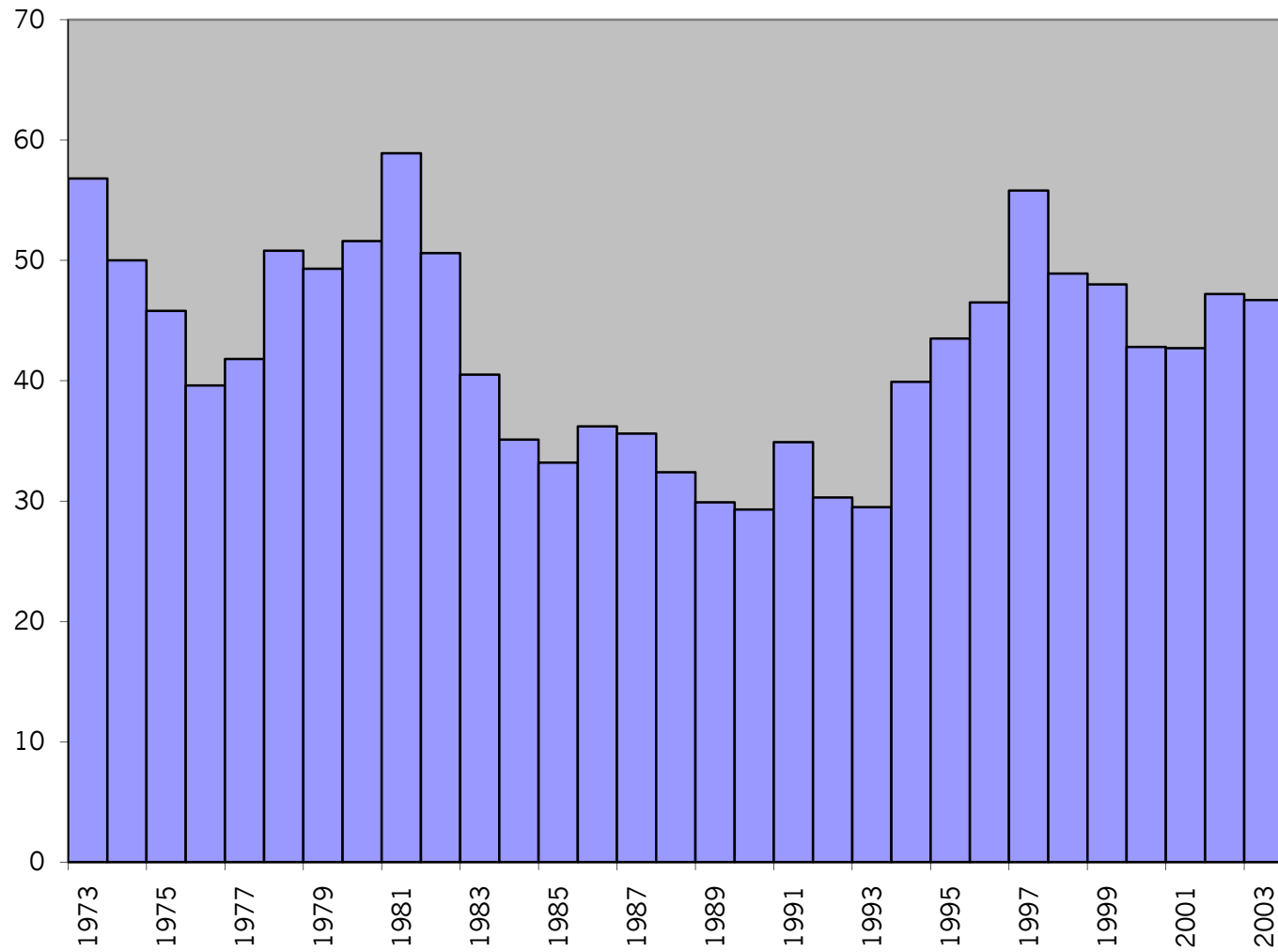
- ~ shareholder equity as % total assets
- ~ serviced debt as % shareholder equity
- ~ working capital / sales
- ~ roce
- ~ roe

shareholder equity as % total assets



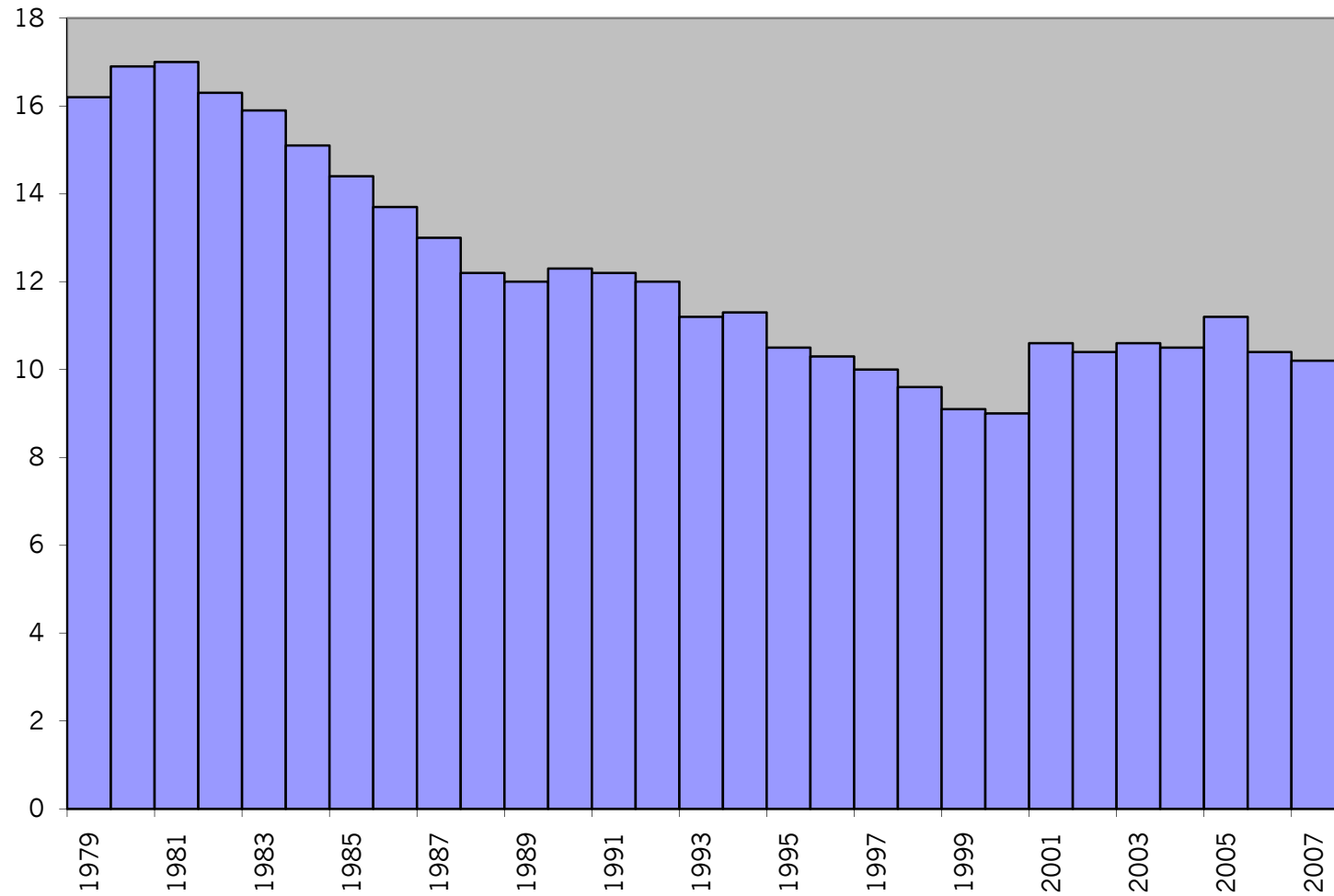


serviced debt / shareholders' equity

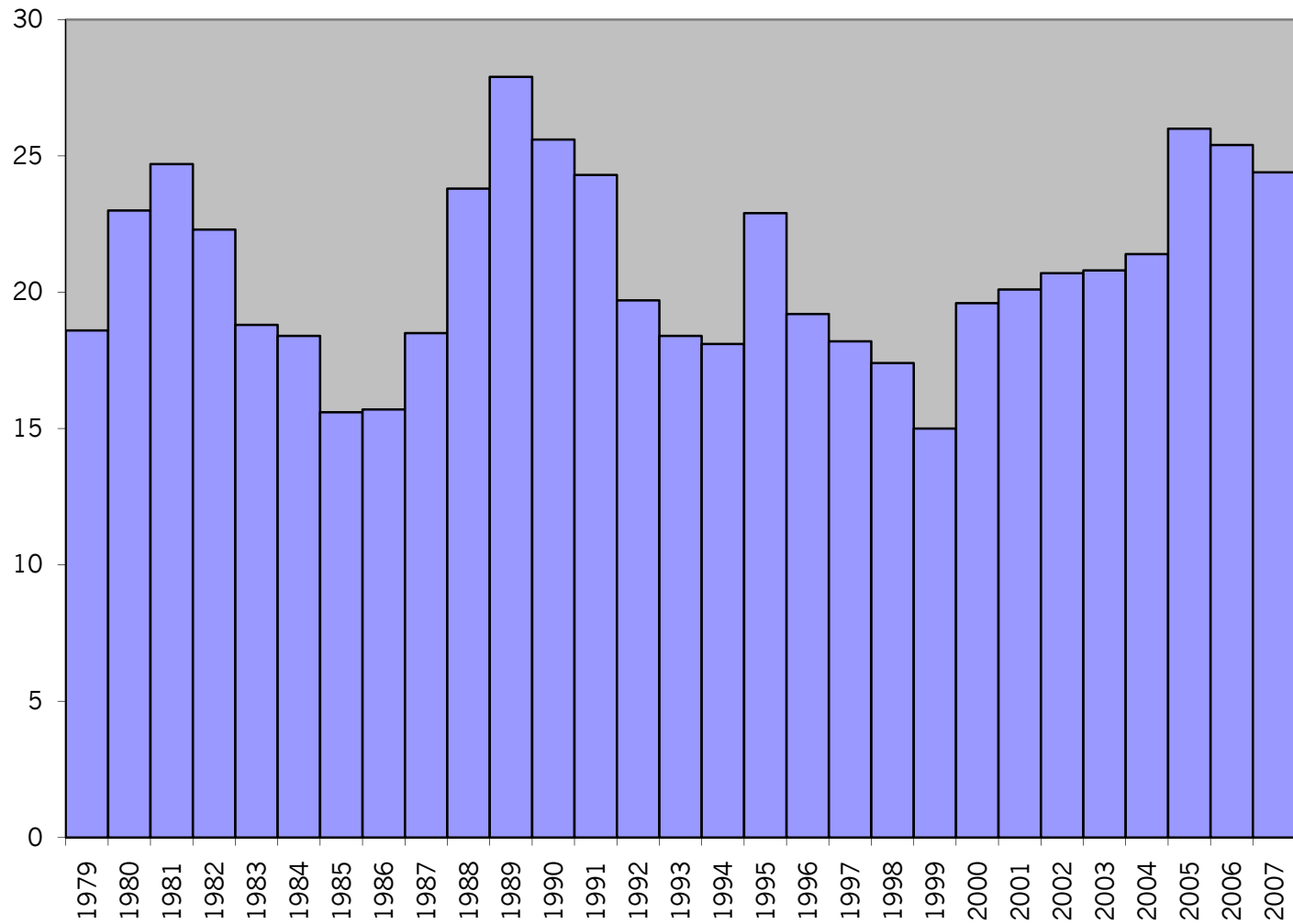




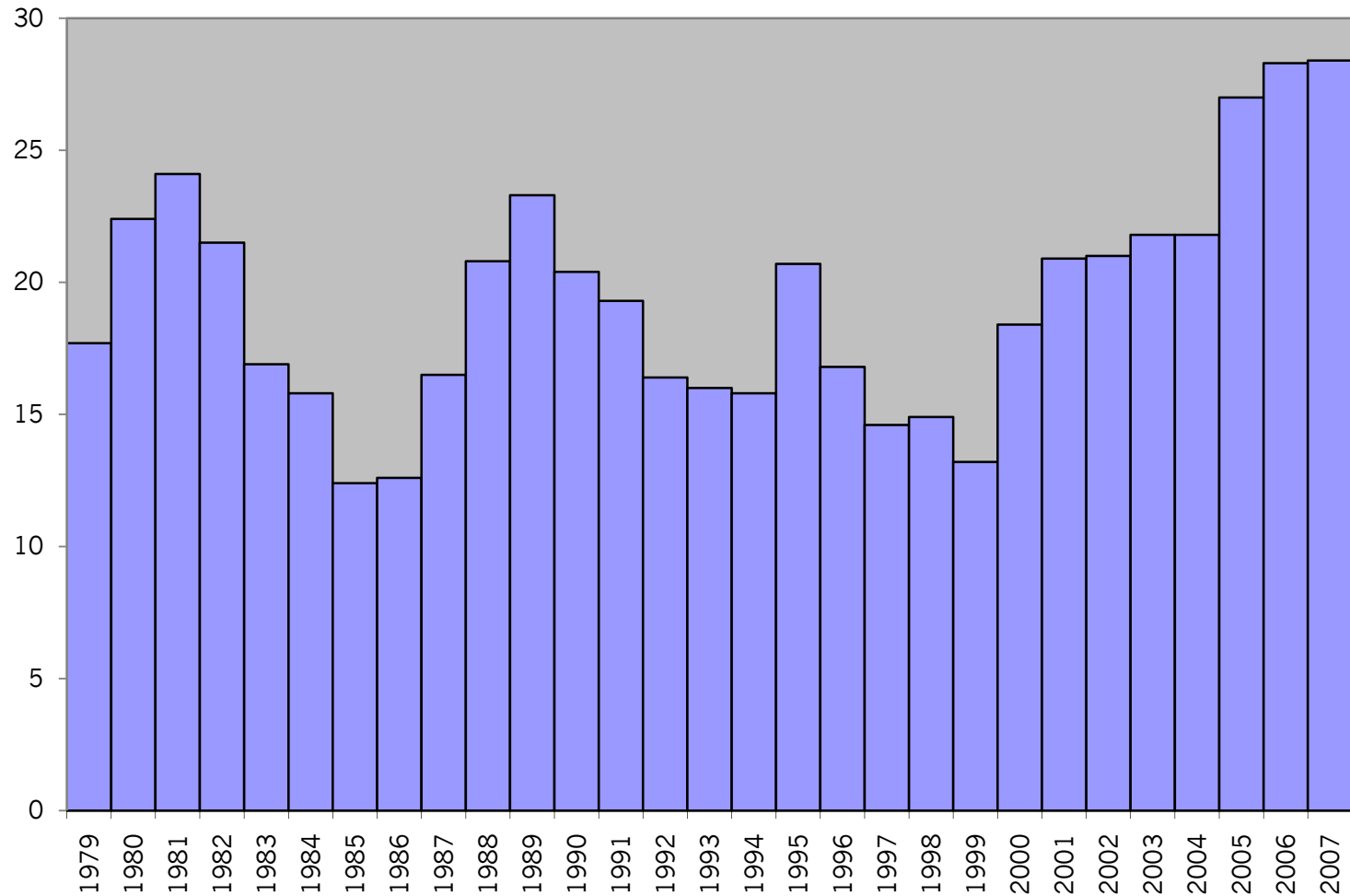
working capital /sales



return of capital employed



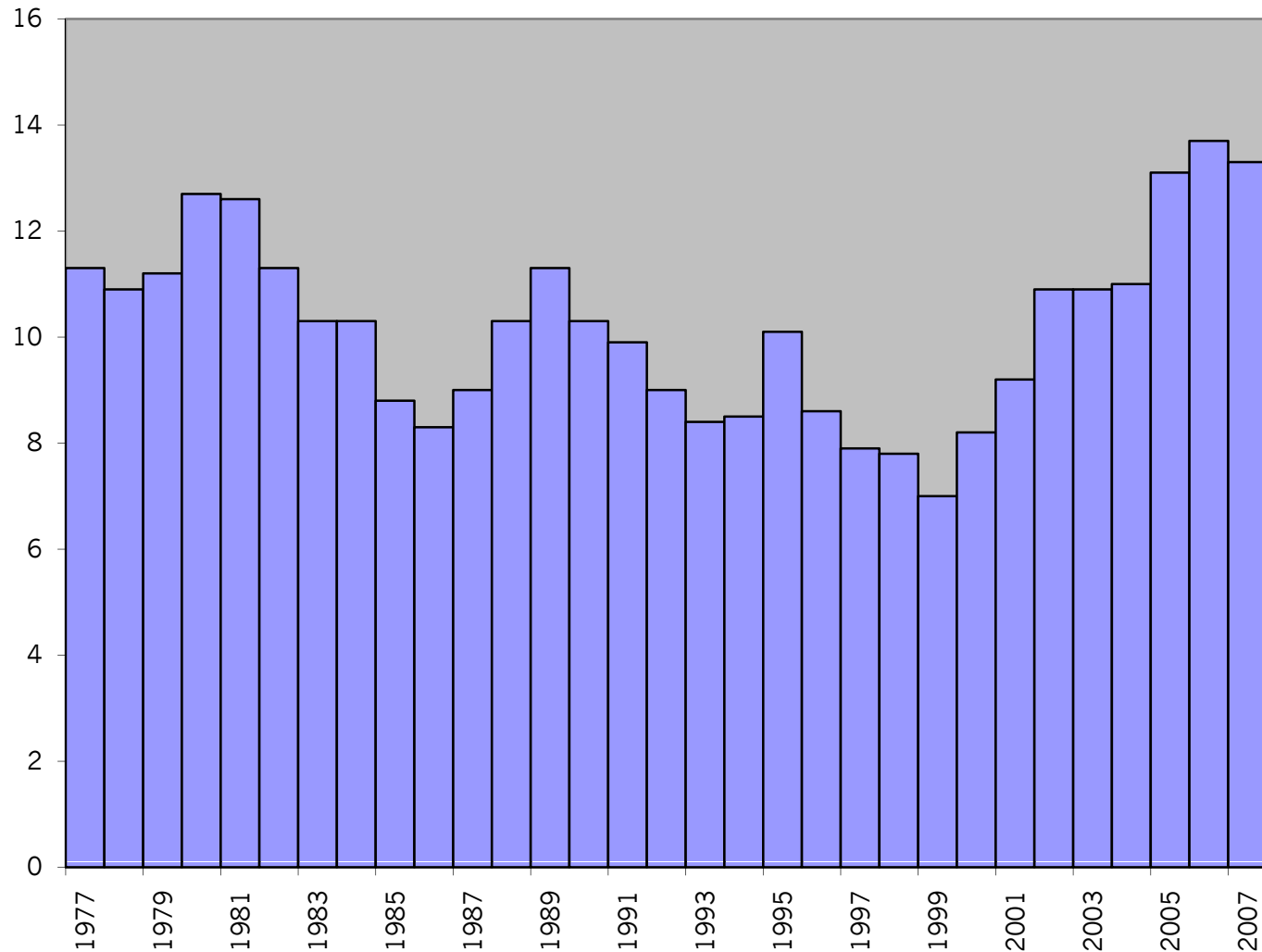
return on shareholder equity



income statement ratios

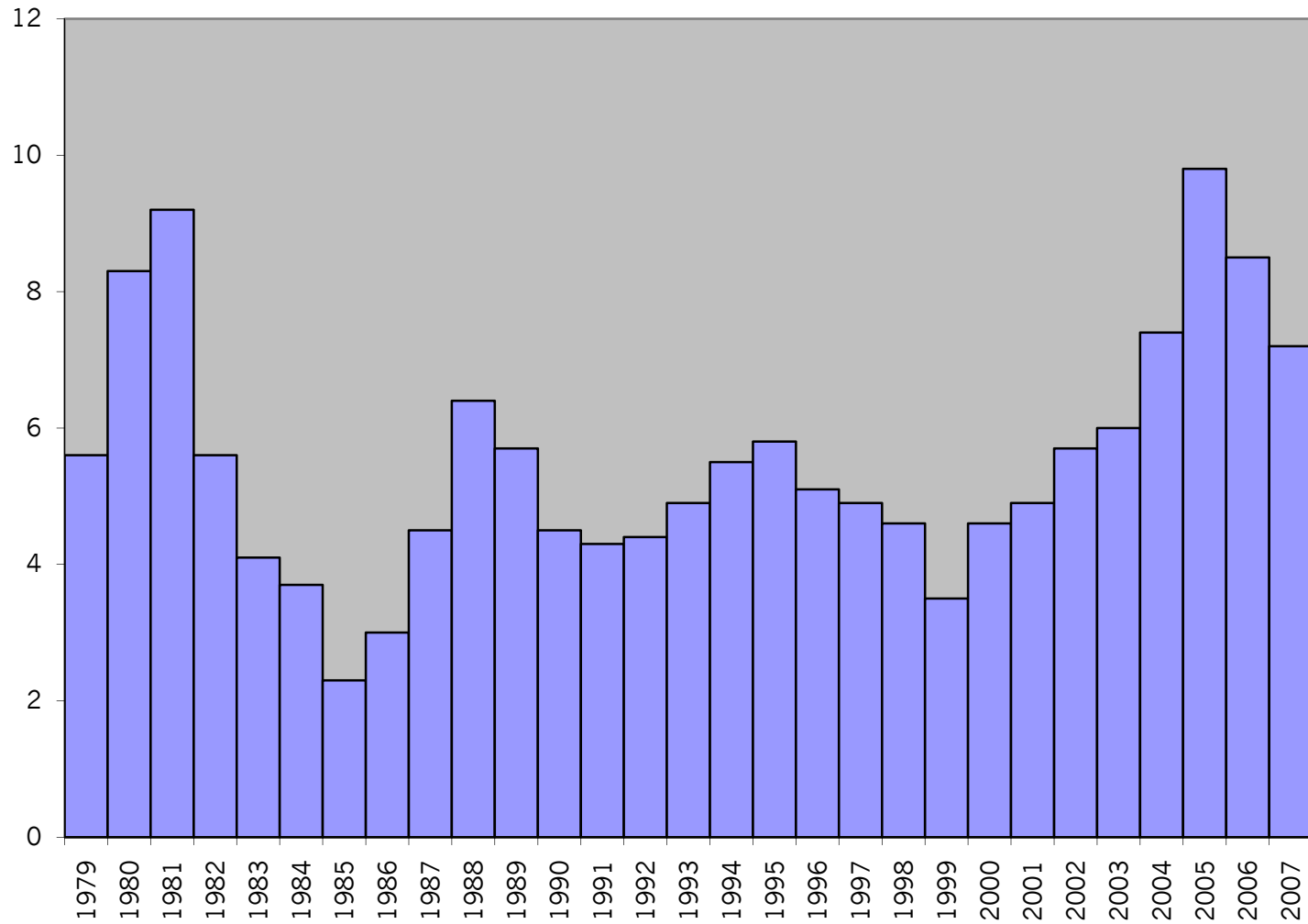
- ~ operating margin
- ~ interest cover
- ~ corporate tax rate

operating margin

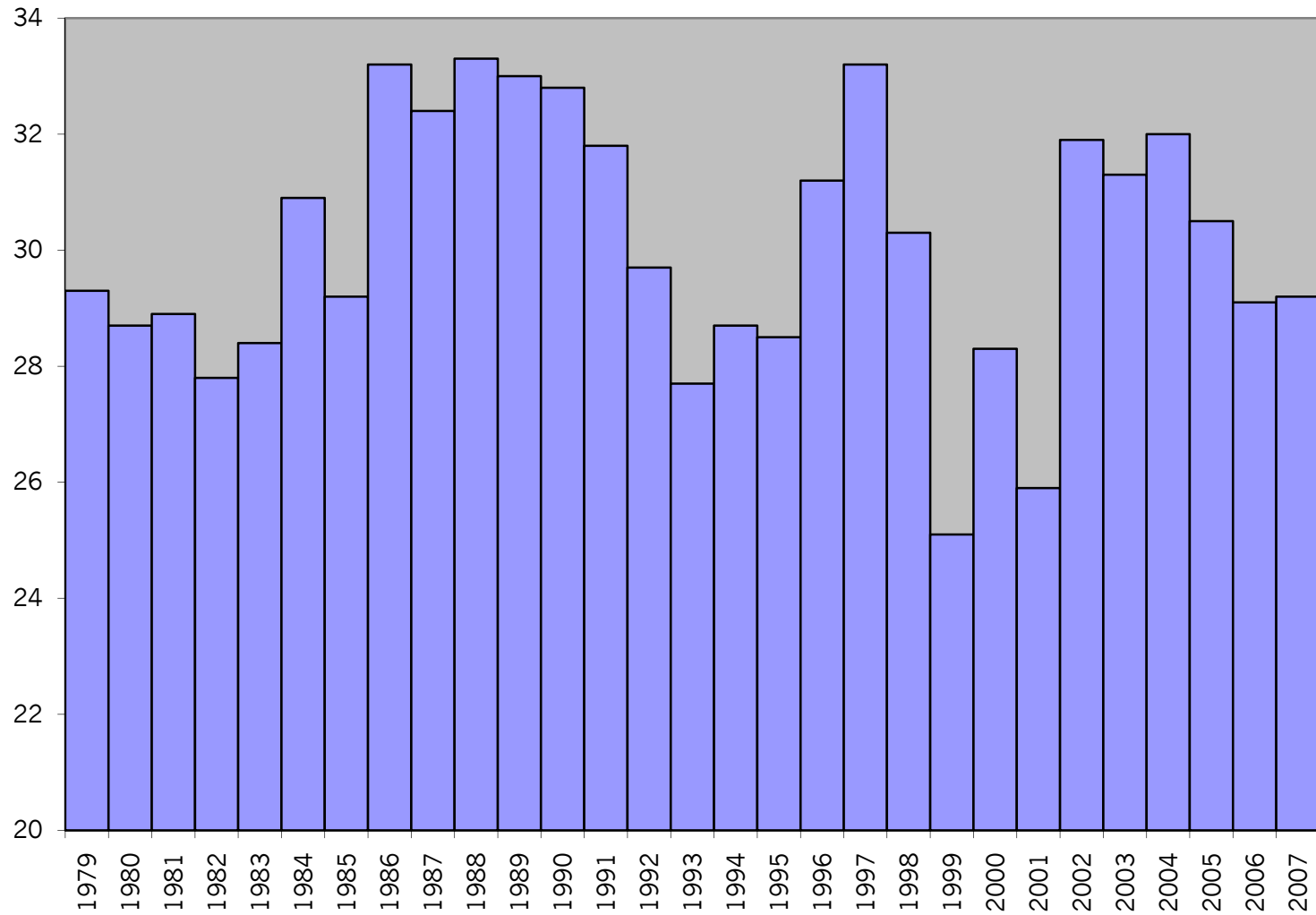




interest cover



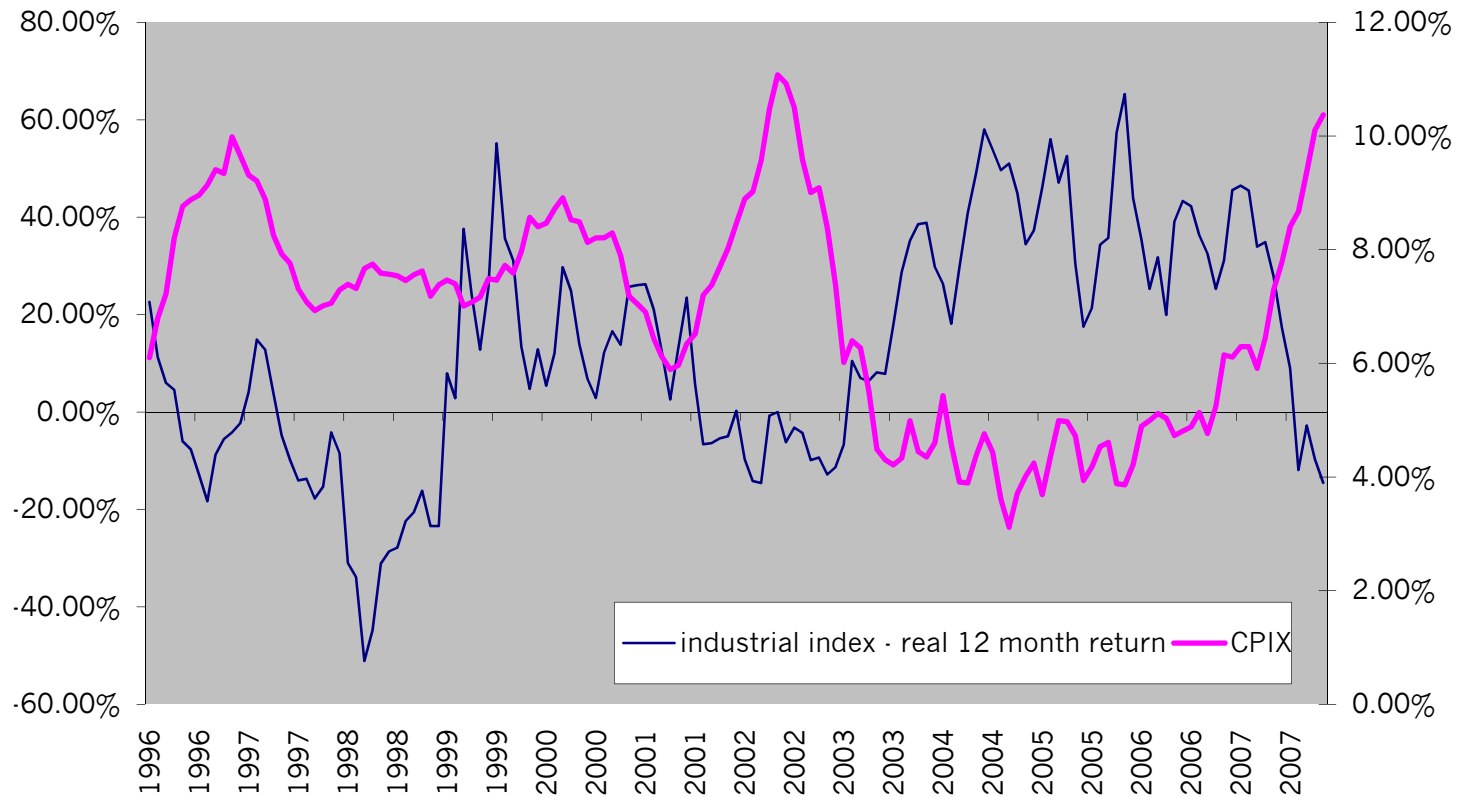
tax rate (published or calculated)



current considerations

- ~ slower economic growth – slower turnover
- ~ rising input prices
- ~ declining productivity
- ~ softer currency
- ~ higher interest rates
- ~ falling pricing power

real industrial index and CPIX



conclusion

- ~ had great equity returns over various periods
- ~ balance sheet structures very strong
- ~ balance sheet ratios are excellent
- ~ income statements very profitable
- ~ reversion to the mean and economic head winds will slow equity returns



thank you

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