From: Christoph Schnelle
Subject: What you won"t see in The Australian
Date: Wednesday, 2 January 2008 5:50:00 PM
Attachments: Top100Predictions.pdf

Dear Clients and Friends,

Attached is a review of the Top 100 Share picks for 2007 from The Australian and what happened to these share picks in the next 12 months.

It made me laugh.

I thought to share it – it might give us a new appreciation when we read the current predictions for 2008.

Kind Regards,

Christoph Schnelle

PS: If you haven't heard of Basis Capital, which is mentioned in the attachment, it lost 80% of its value in 2007 which is rather a lot for a fixed income fund.

Christoph Schnelle

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Outside the Flags

December 2007

Back to the Future

Jim Parker, Regional Director, DFA Australia Limited

It's that time of the year again. With the New Year looming, the soothsayers of the financial media are dragging out the crystal balls and issuing their latest prognostications about the best investments for the coming 12 months.

Of course, there's nothing wrong with having a view about the future. Most of us have a private sense of what might happen. But what's easily overlooked is that these market forecasts are just somebody else's opinion.

Scientists define the future as that portion of the space-time continuum where lie all of the events that are yet to occur. So to accurately forecast the future with any consistency, one must be able to anticipate unforseen events.

Of course, there is no way of judging the accuracy of today's forecasts other than to wait for the passage of time. Until then, what we *can* do is revisit the media forecasts made 12 months before to see how they panned out.

Which is why it was so entertaining to read *The Australian* newspaper's top 100 tips for 2007, published this time a year ago.

Ranked number 4 on the list was Centro Properties Group, a shopping centre owner. Pity if you had it in your basket, though, as its shares sank nearly 90 per cent in the final days of the year as it struggled to refinance a US loan.

Alternatively, you could have taken a punt on Roc Oil, the newspaper's top pick in the Australian oil and gas sector. Then again, maybe not, as shares in Roc Oil had sunk by nearly 13 per cent by mid-December.

In biotech, the recommendation was to put your money on anti-dementia drug maker called Neuren. But this turned out to be a stock to forget, because its share price was down 37 per cent toward the end of 2007.

Among the list of predicted "solid earners" was AGL Energy. But that forecast backfired, too, as its stock was down by 18 per cent nearly 12 months later.

All too risky? Well, let's turn to the newspaper's recommendations in fixed interest, an asset class that the journalist quite rightly noted was designed to add stability to a portfolio.

I guess it depends what you mean by stability, though, as *The Australian's* top fixed interest pick for 2007 was Basis Capital, a "unique" income offering which

had delivered "exceptional" returns over the previous three years.

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