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Pillars for building better
quality investor portfolios...

Colonial First State Investments

Resources – Should I still be listening?

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Agenda

- Market update
- What does China mean for resources?
- Our solution
- Our process
- How resources fit in a portfolio



+5 year bull market in Resources

Performance - before fees (AUD)

Compound annual returns

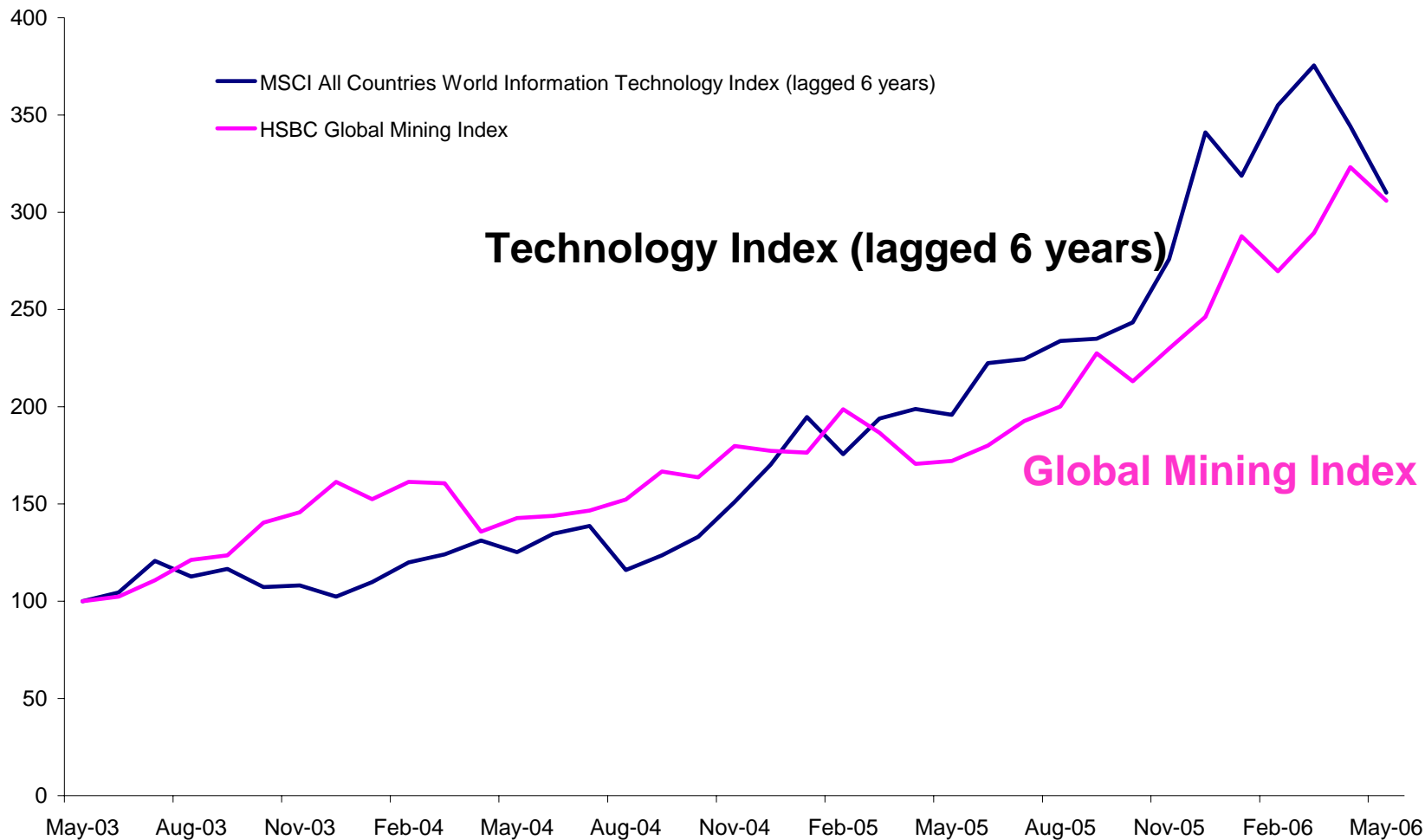
31 July 2006

Before fees AUD	3 Mths	6 Mths	1 Year	2 Years	3 Years	5 Years	7 Years
Wholesale Global Resources Fund	-7.0%	0.8%	42.6%	35.6%	34.6%	23.8%	24.0%
HSBC Global Mining Accumulation index	-6.1%	6.0%	60.6%	40.8%	35.3%	20.9%	19.7%
S&P/ASX 300 Resources Accumulation index	-5.3%	4.6%	41.0%	43.2%	40.5%	26.5%	22.0%
MSCI World Energy index (Net)	0.1%	1.4%	21.1%	24.7%	25.2%	7.3%	9.6%

Source: Colonial First State Investments Ltd, Rimes
All returns in AUD before fees for Wholesale Global Resources Fund



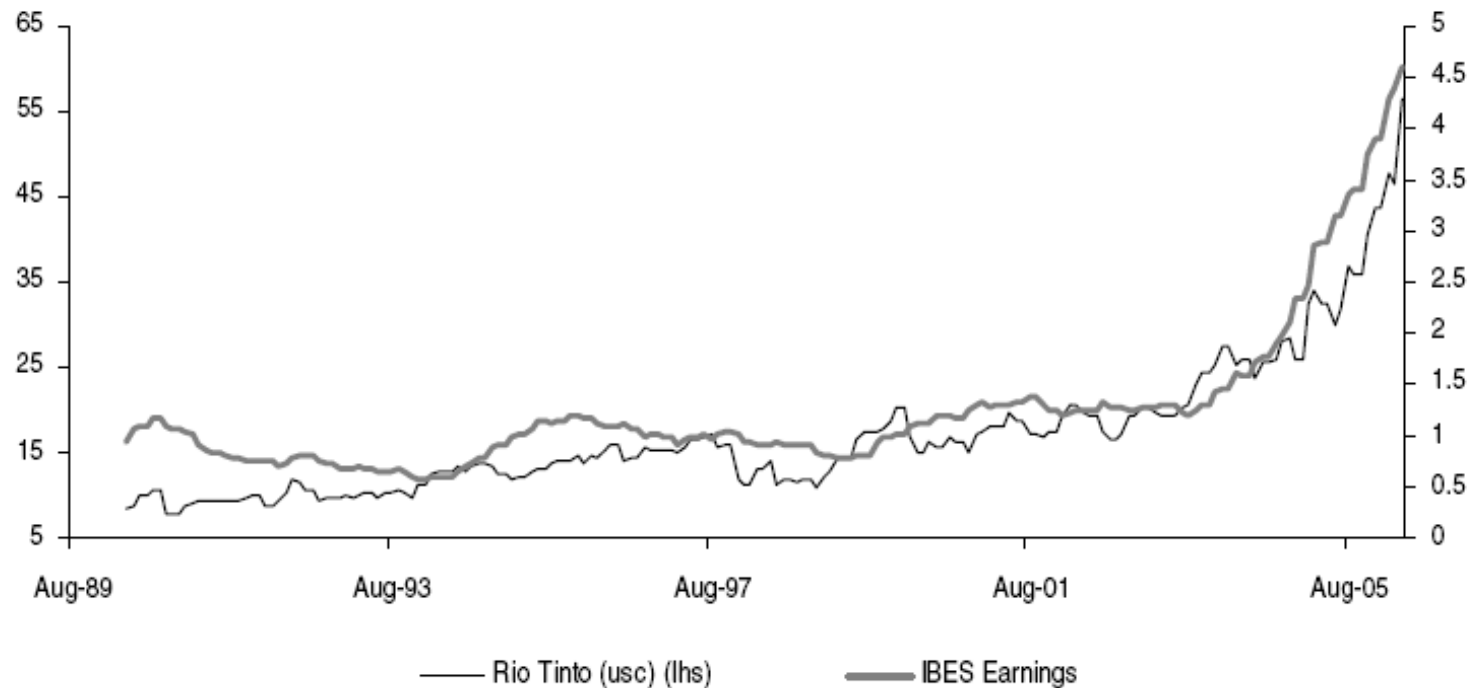
On the back of increased commodity prices stock prices have risen strongly...



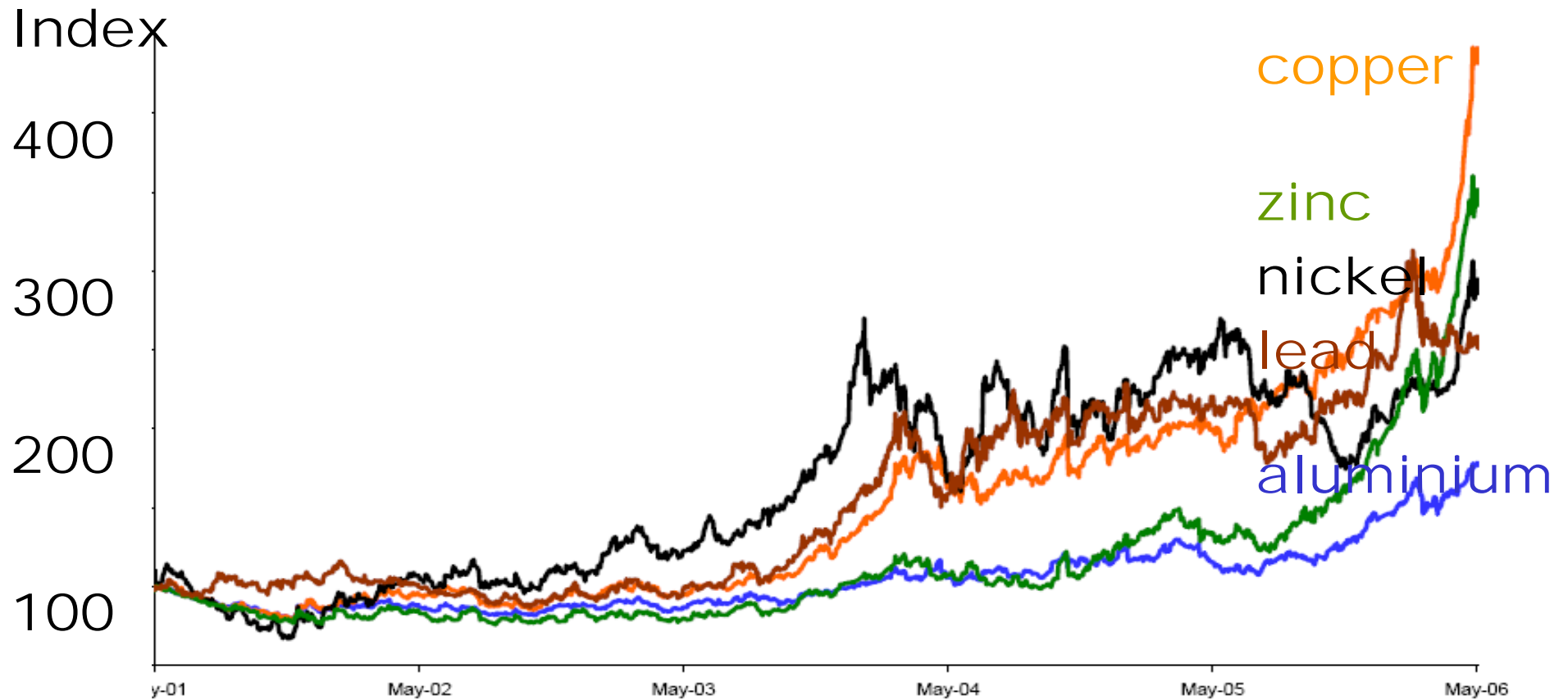
Source: Bloomberg, HSBC, MSCI. 3 Years ending 31 May 2006, All data in USD.

Is this a bubble?

Rio Tinto - Price vs Consensus Earnings



5 year move in base metal prices



ABN-AMRO Base Metal Price Index 34 years (nominal)

34 YEAR ABN-AMRO BASE METAL PRICE INDEX (Nominal - Money of the Day)
ABN AMRO Base Metal Price Index now at all time high up 340% since October 2001 price low



Source: Nick Moore, Commodity Analyst, ABN-AMRO, June 2006

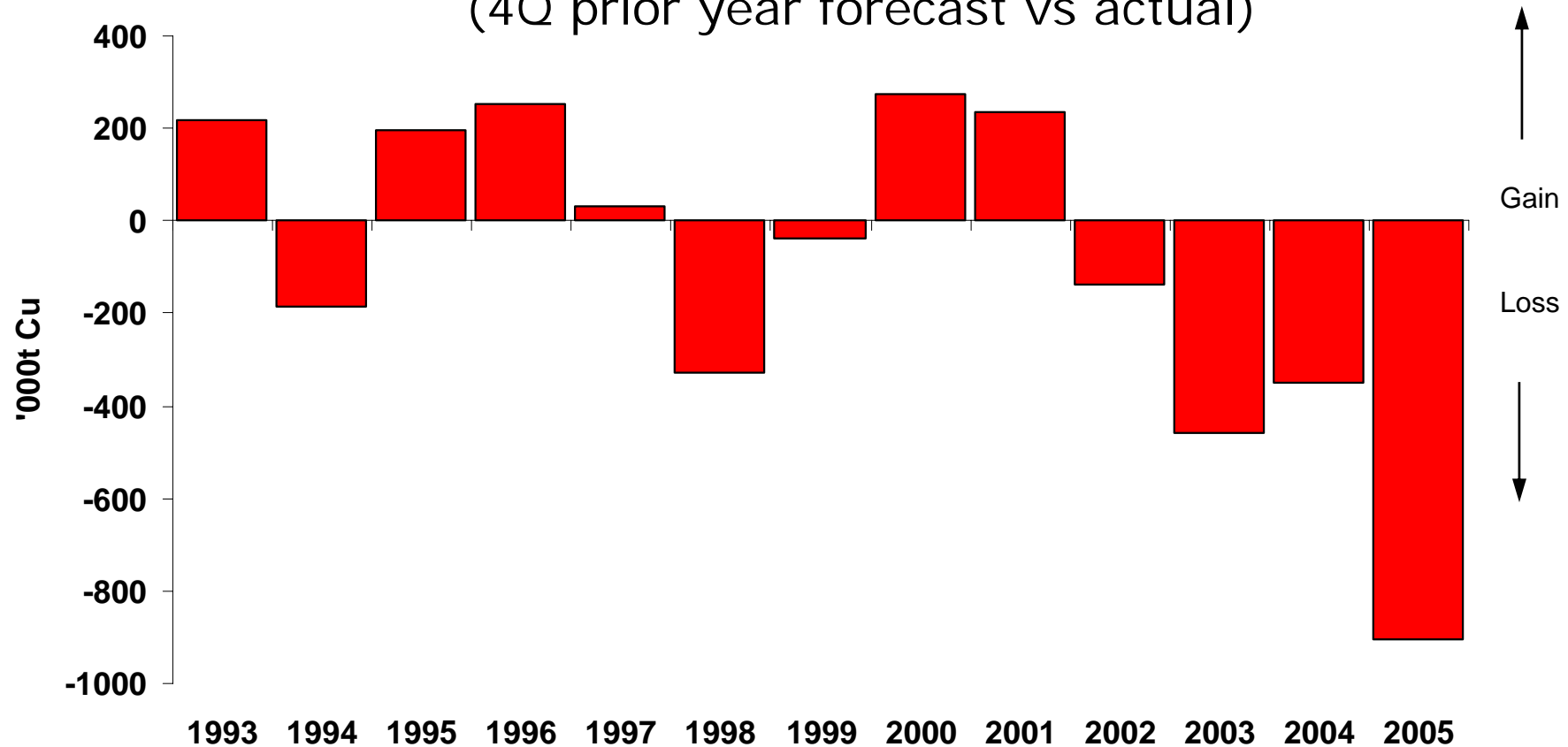


Outlook for the sector

- Economic growth drives demand
- Production growth continues to disappoint – expect disruptions and shortages to continue for some time yet
- Low inventories make prices vulnerable to spikes – also likely to stimulate further substitution
- Speculators are pushing prices higher introducing added volatility and risk
- Consolidation should improve shareholder returns and enhance corporate discipline

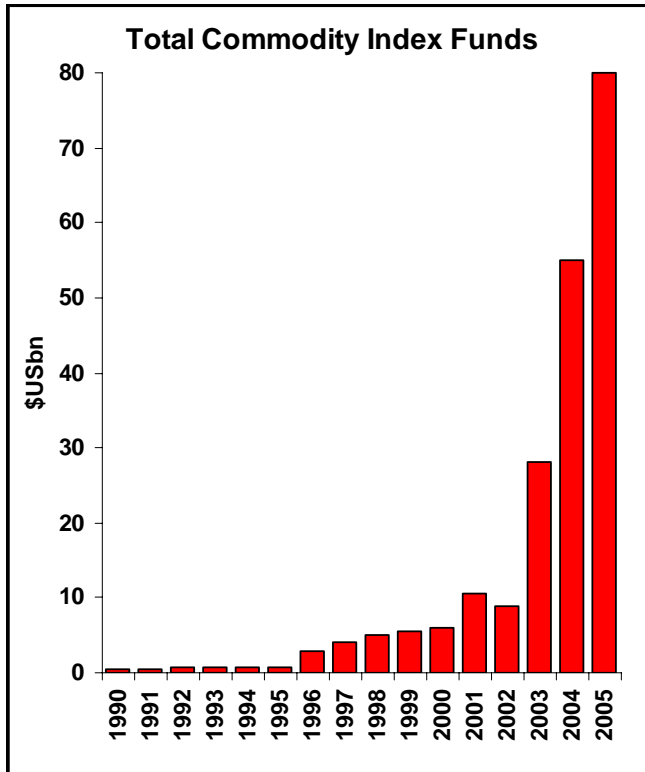
Supply growth continues to disappoint

Copper mine production gains and losses
(4Q prior year forecast vs actual)

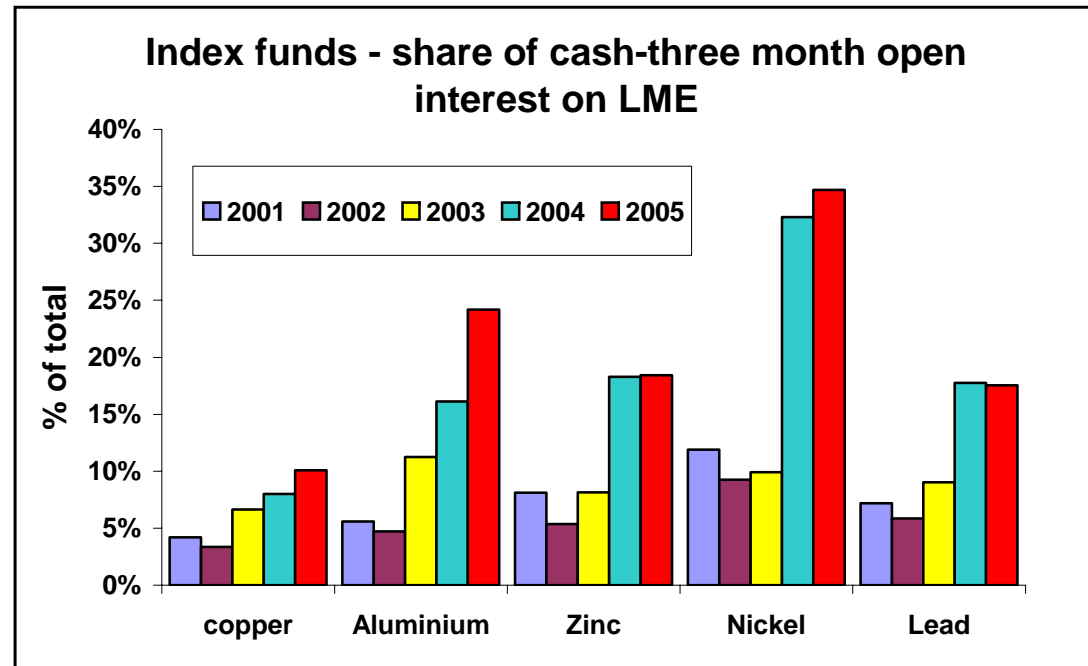


Source: Brook Hunt, May 2006

Investment fund inflows into commodities have lowered inventories and added to price rises



Source: Macquarie Research estimates, May 2006



Source: Macquarie Research estimates, May 2006

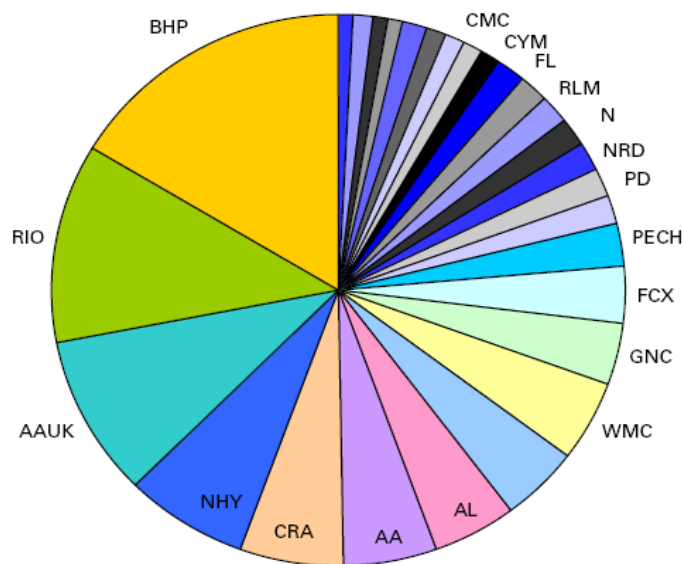
Lagging supply response?

- Brownfields expansions vs greenfields
- Capital increases
- Labour shortages
- Delays
- Lack of major new projects
- Long lead time for exploration success

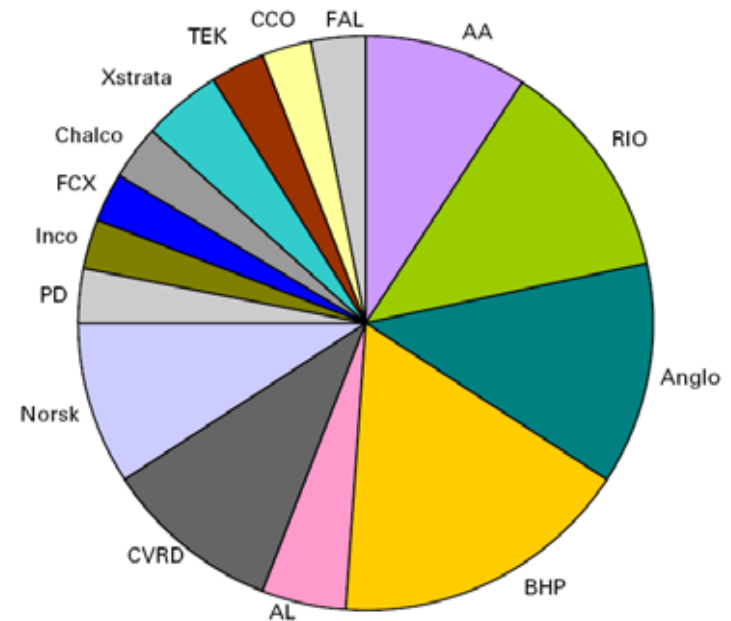
Generally it is lower risk to acquire production growth than to build new mines

Greater consolidation -> more supply side discipline?

1996
28 companies
US\$132bn

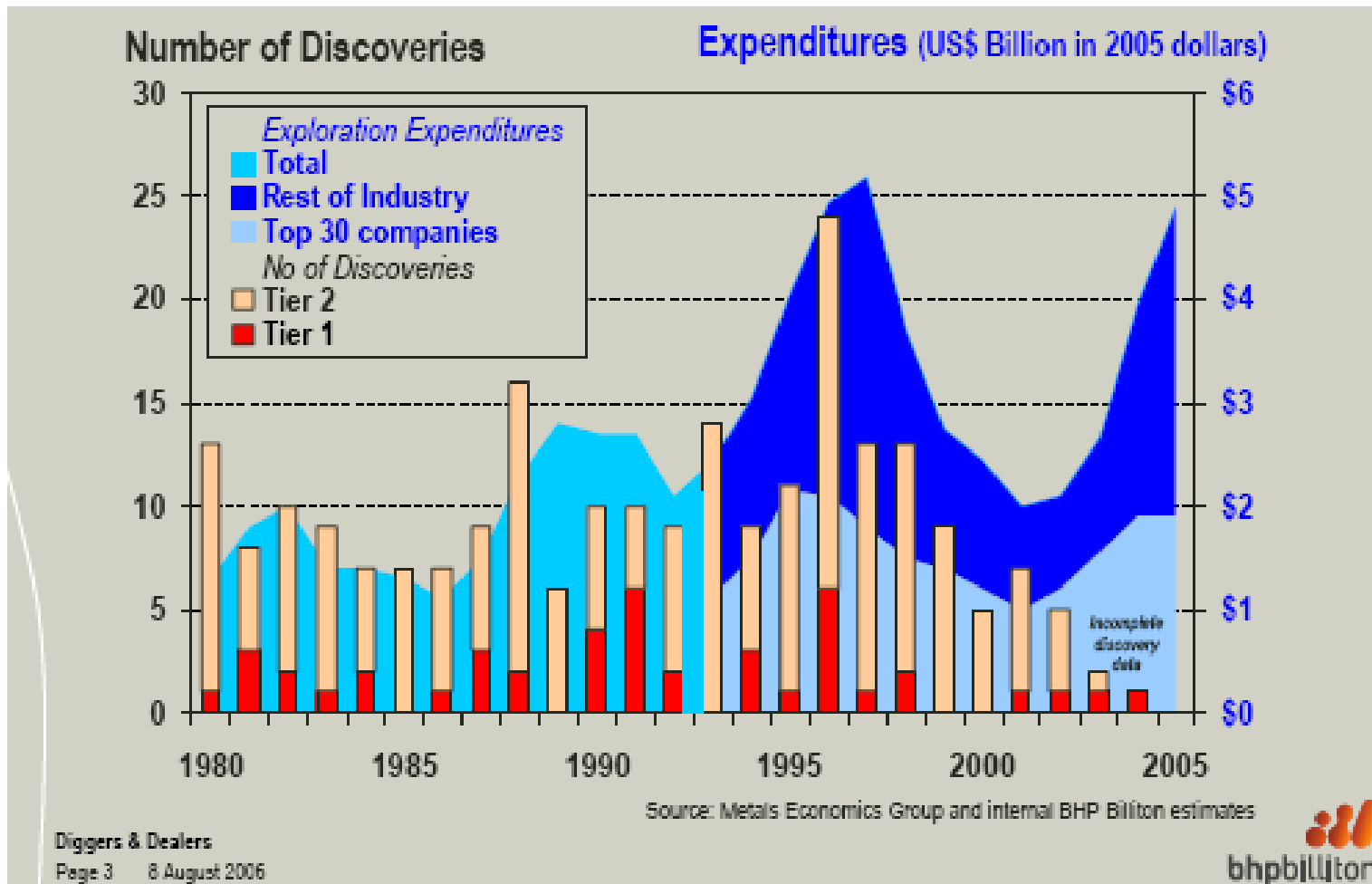


2005
15 companies
US\$423bn



Source: Falconbridge

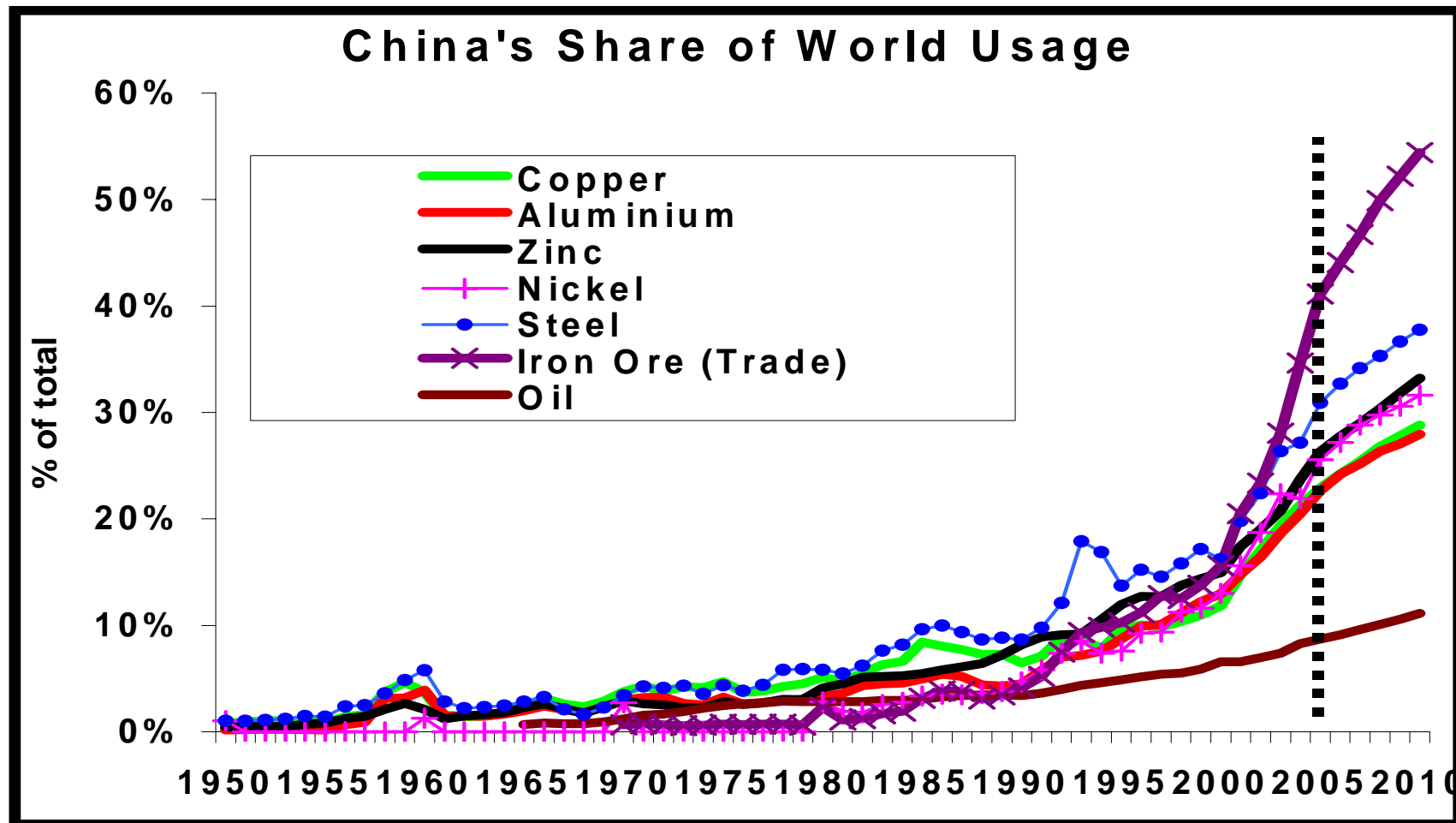
Exploration \$'s have been lagging



Why are the miners so serious about China?

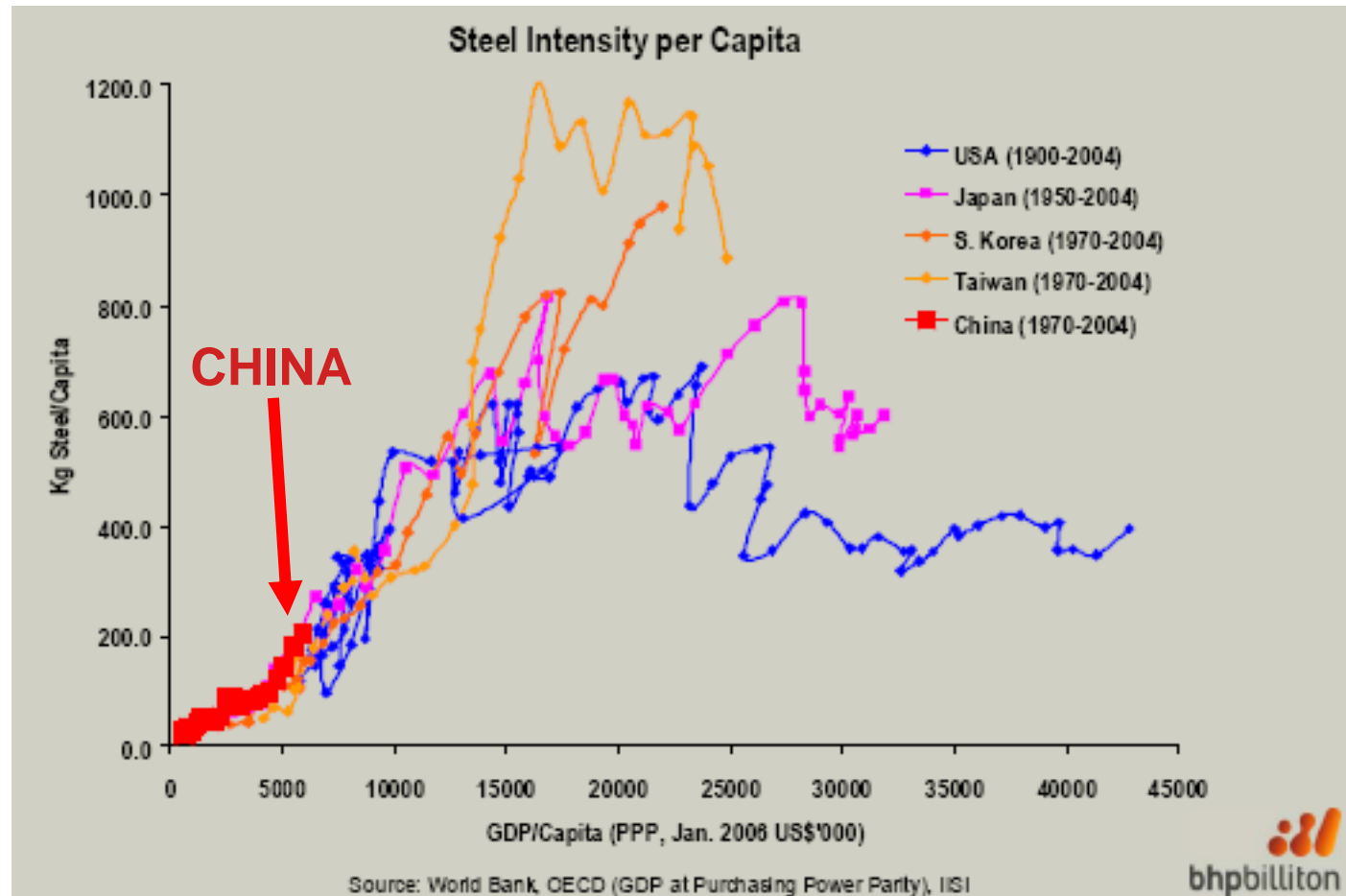


Chinese demand growth

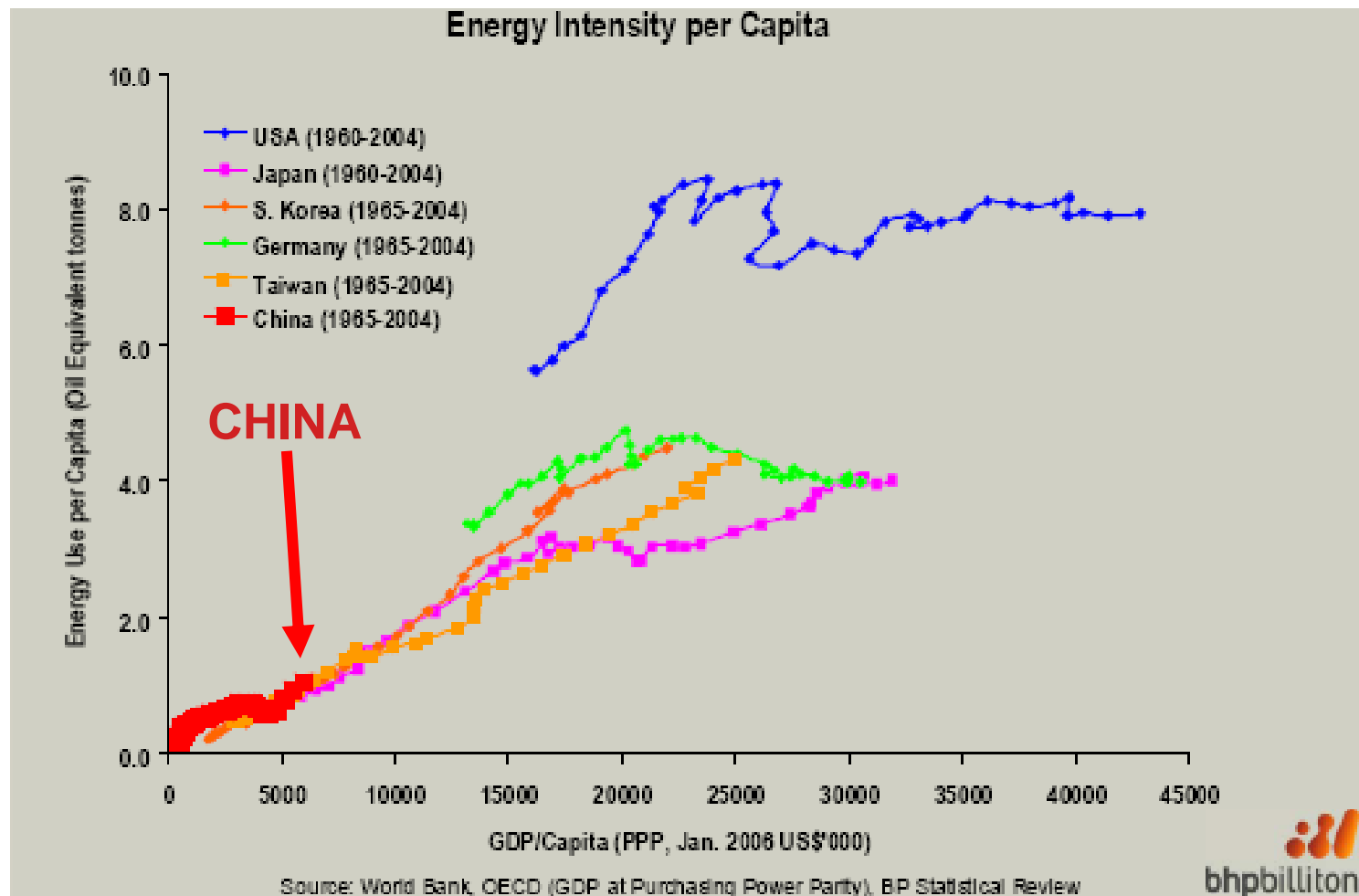


Source: WBMS, Macquarie Research, May 2006

China's metal intensity is growing...



...and so is energy intensity



Urbanisation, China 2005 - 2010

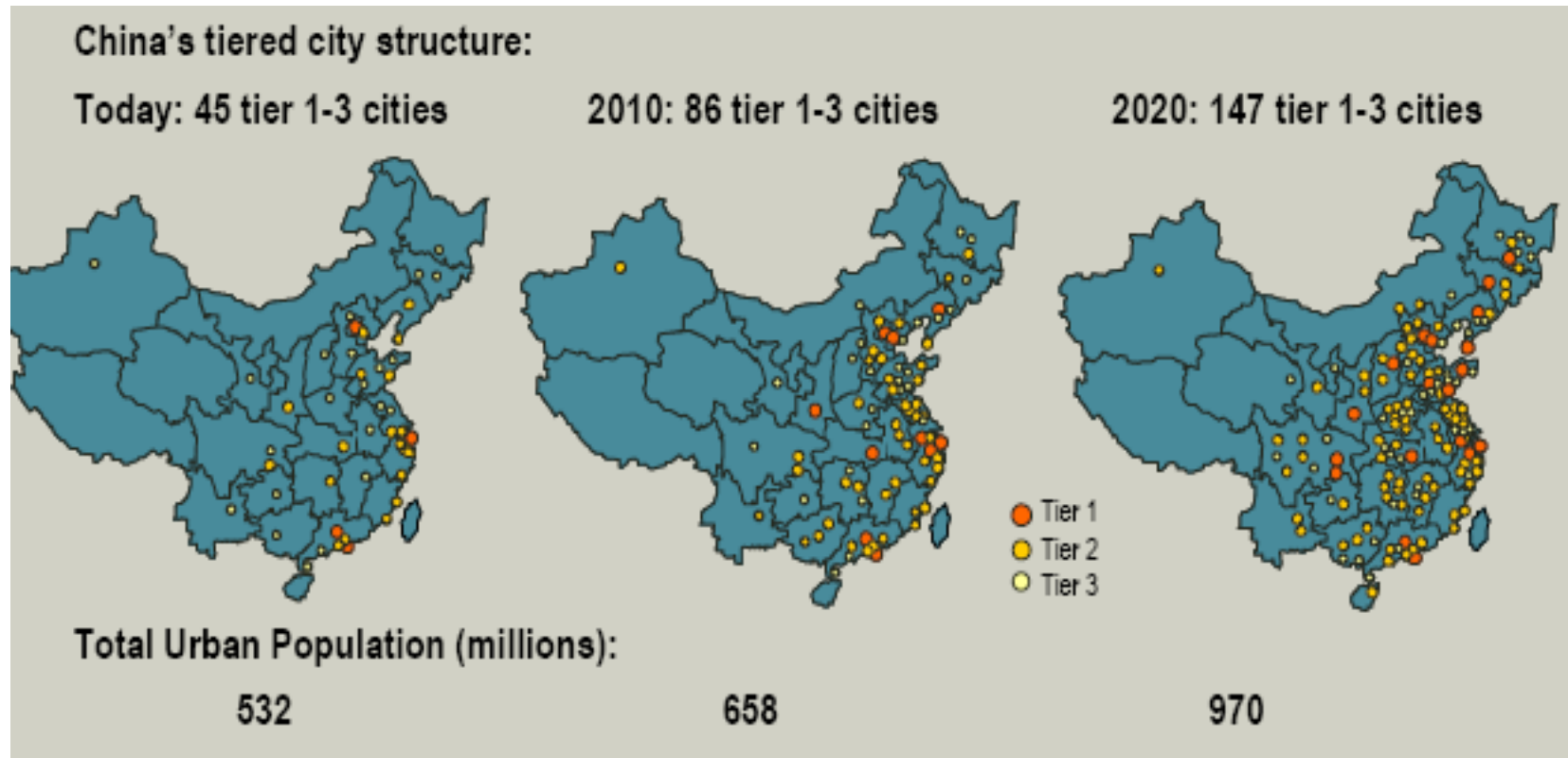
**About 100 million new urban dwellers in five years
. . . and another 300 million by 2020**

- Housing
- Road & Rail
- Power
- Water



Source: Research Works, May 06

Chinese urbanisation



* Tier 1 city defined as registered population >4.5m and GDP/capita > US\$3,000, Tier 2 city defined as either registered population >4.5m or GDP/capita > US\$3,000, Tier 3 city defined as registered population 1.5-4.5m and GDP/capita US\$1,500 – US\$3,000. Source: WEFA-WMM; China macro model; Mckireey analysis; BHP Billiton.



Colonial First State Investments

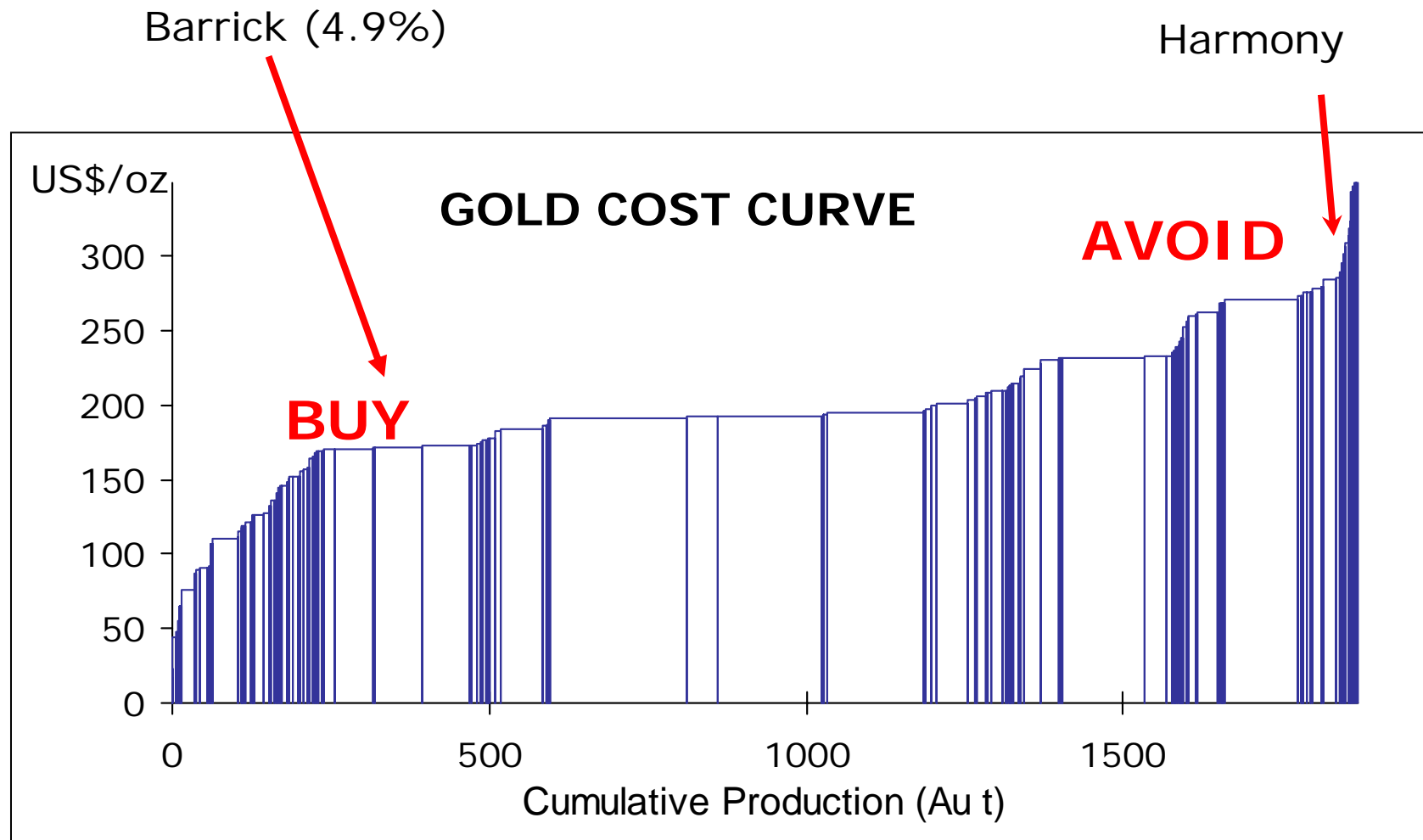
Our approach

Things we get excited about

- World class assets
- Low cost producers
- Organic EPS growth
- Strong financials
- Strong management

**Quality companies + growth
= superior returns with lower risk**

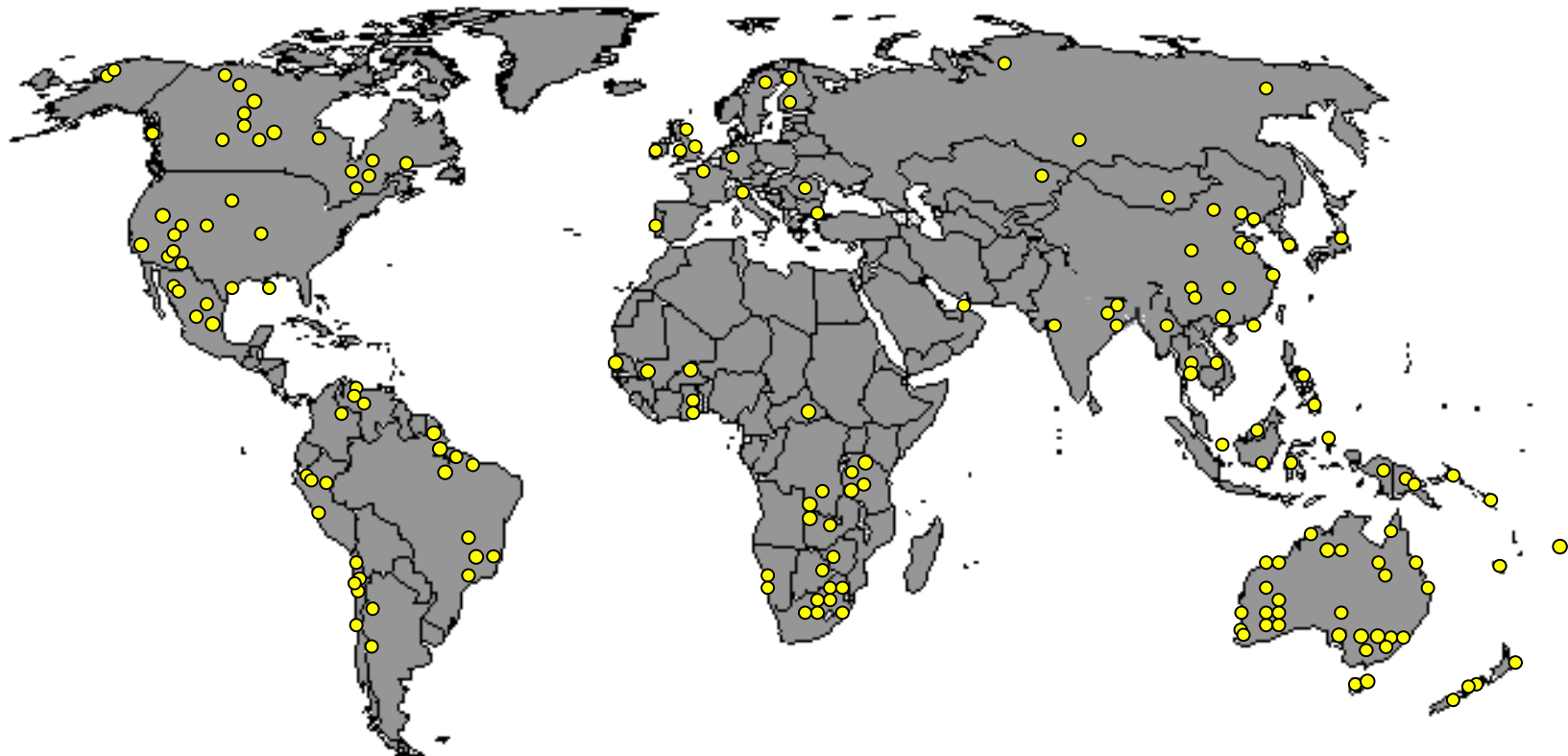
Investing in the lower half of the cost curve



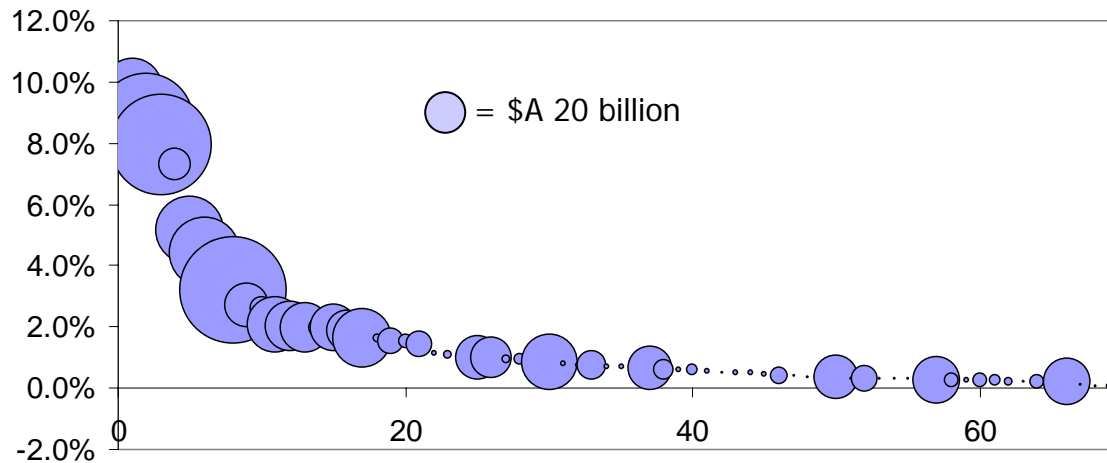
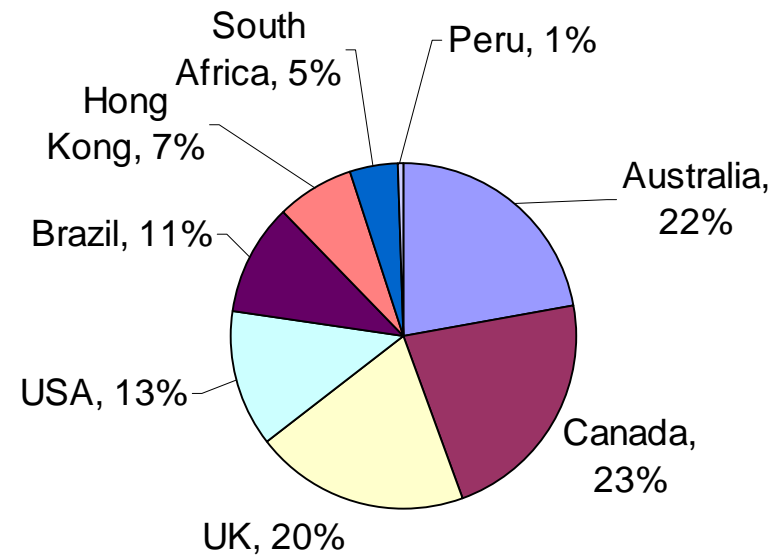
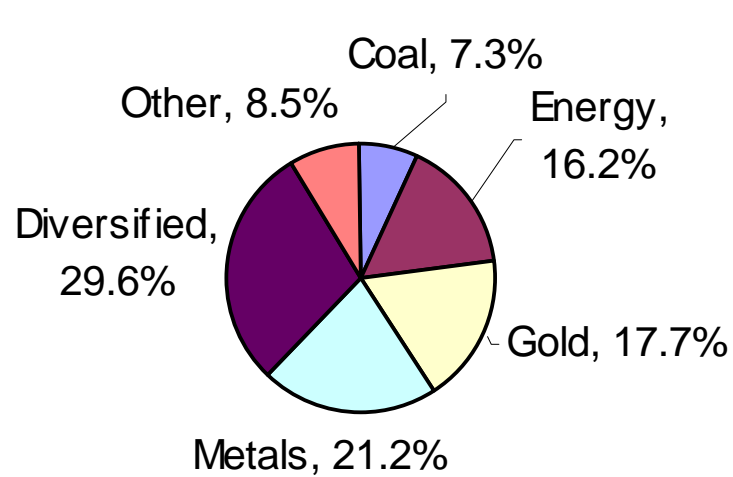
The tyres we've kicked

Since inception 650+ mine and site visits to 48 countries

Average - 71 per year



Long Only Fund - Portfolio breakdown



Ten largest holdings: > 53% of the total

Company	Portfolio	Country of Listing	Activity
Cia Vale Do Rio Doce	9.2%	United States	Diversified
BHP Billiton Plc / BHP Ltd	8.4%	United Kingdom	Diversified
Rio Tinto GBP	7.6%	United Kingdom	Diversified
China Shenhua Energy	6.8%	Hong Kong	Coal
Barrick Gold	5.1%	Canada	Gold
Alcoa Inc	4.0%	United States	Metals
Alumina Limited	4.0%	Australia	Metals
Anglo American	3.2%	United Kingdom	Diversified
First Quantum	2.5%	Canada	Metals
Gold Fields	2.4%	South Africa	Gold
Total	53.2		

As at July 31 2006

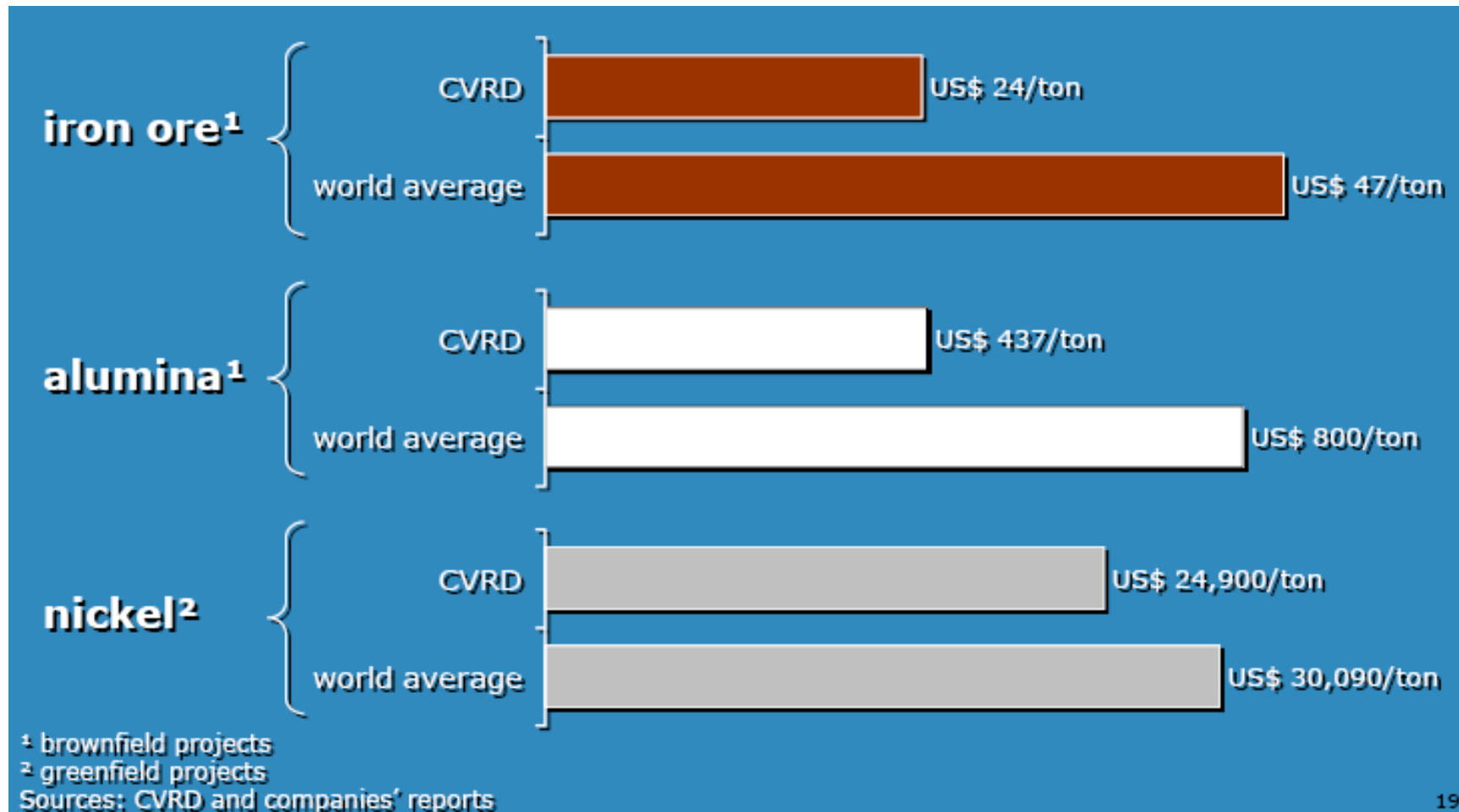


Case study - CVRD #1 in Iron Ore

- World's largest, highest grade, highest margin iron ore producer
- Supported by high quality businesses in alumina, transport, copper and other minerals
- Aggressive growth profile
- Excellent value

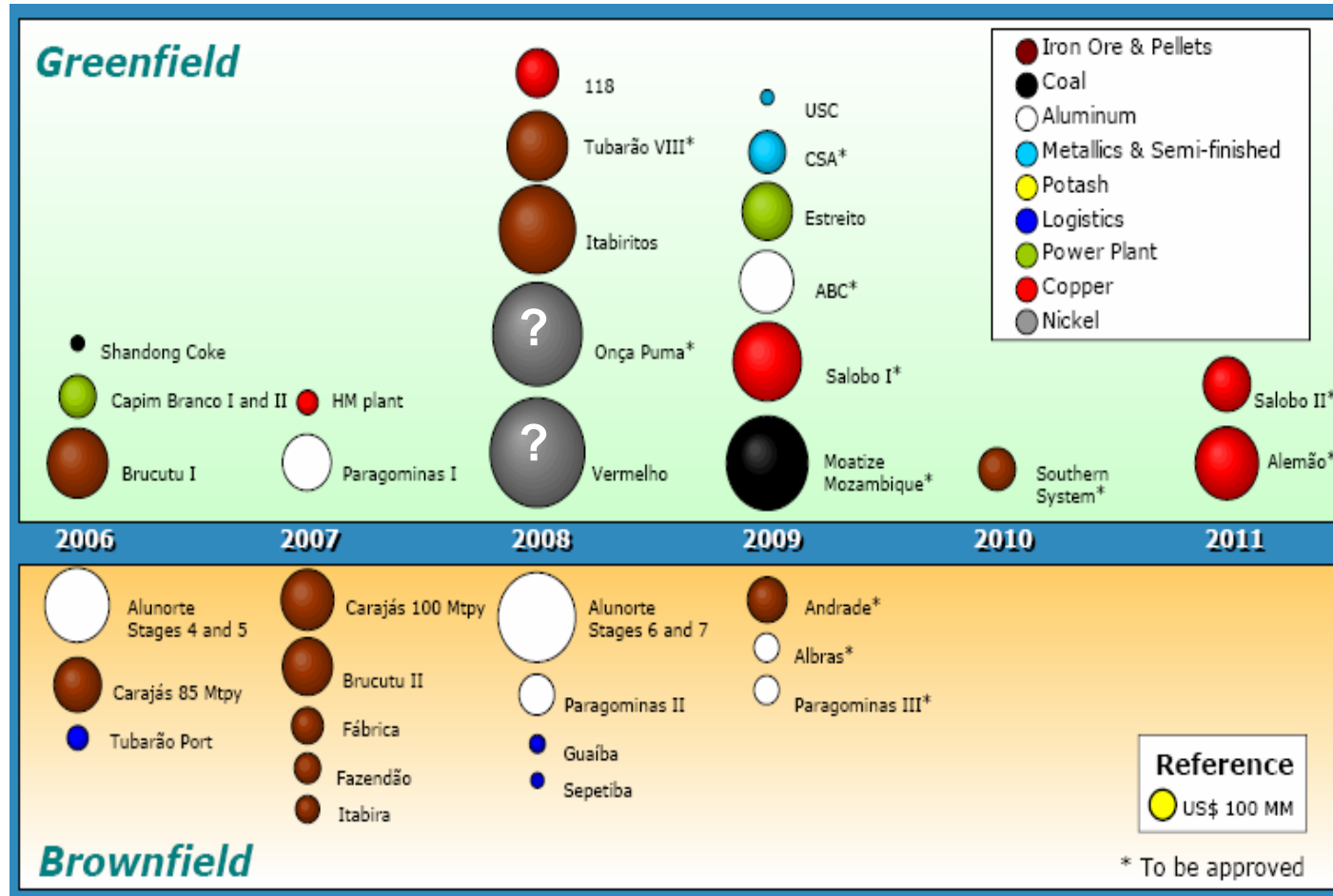


Low cost expansions



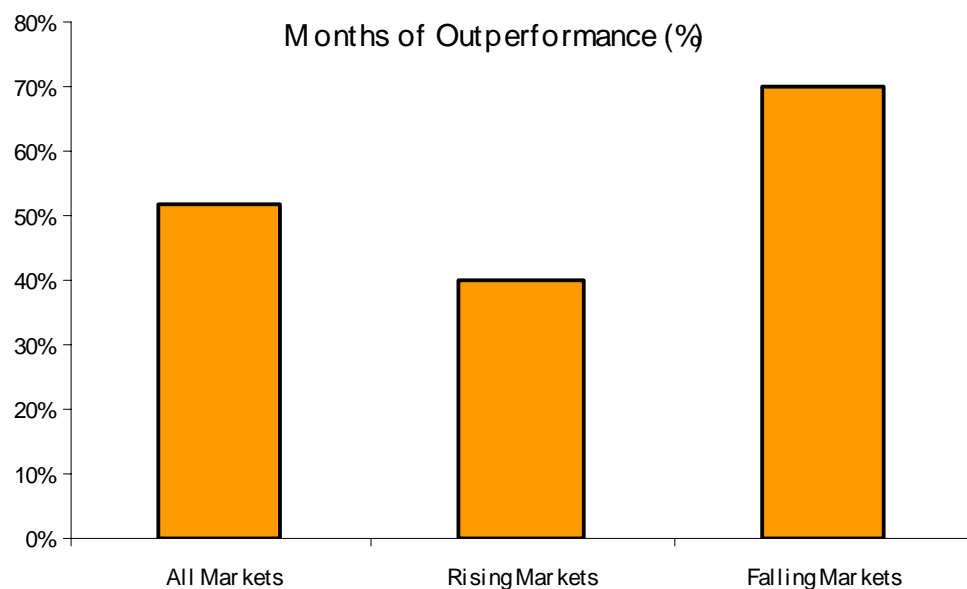
Source: CVRD

An outstanding pipeline of future projects



Source: CVRD

Quality stocks have generated strong returns in falling markets

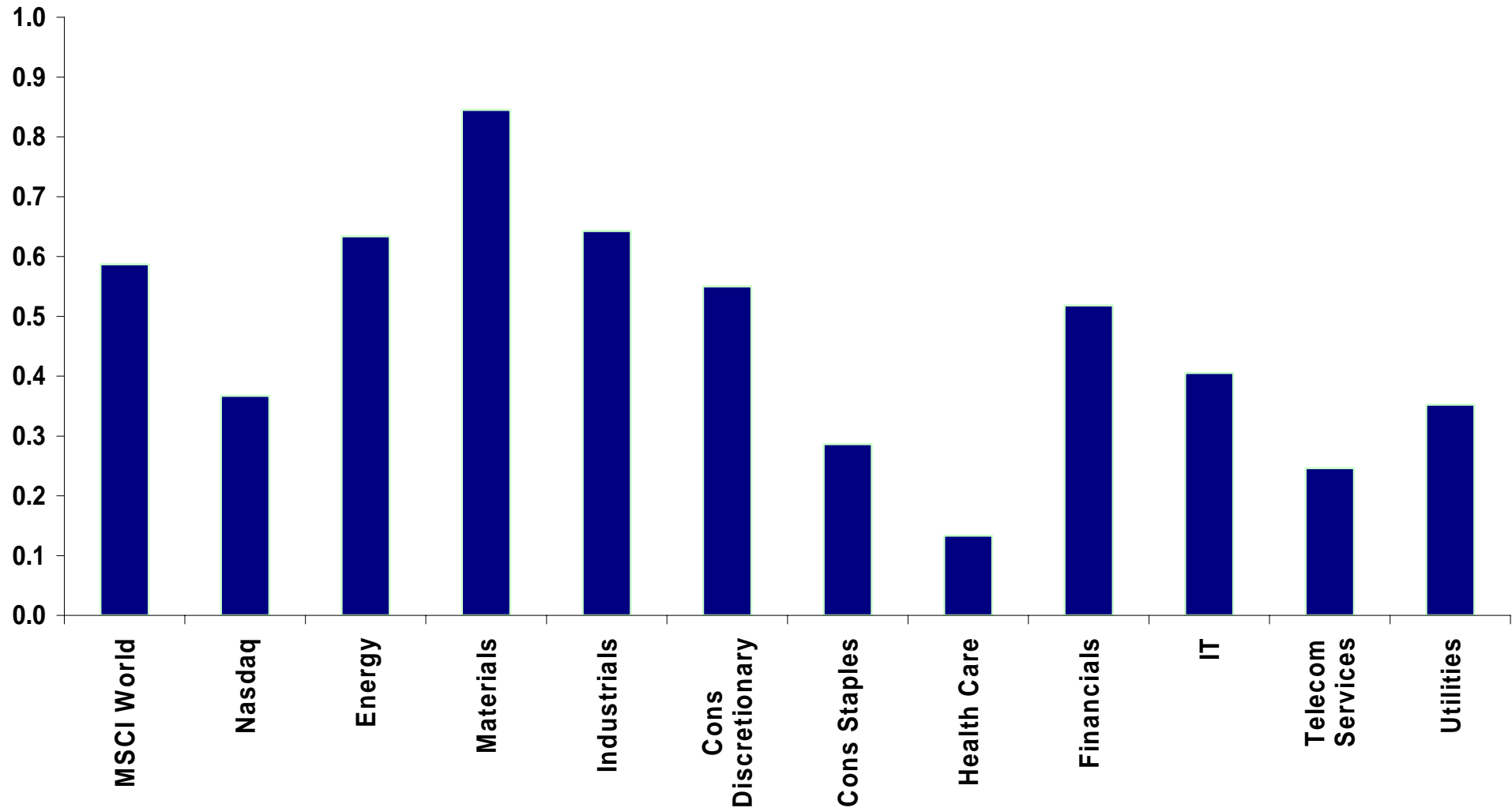


Monthly Average Excess Return	0.26%
- Rising Markets	-0.35%
- Falling Markets	1.19%

Annual Excess Return	4.18%
Tracking Error	7.56%
Information Ratio	0.55%
Beta	0.85

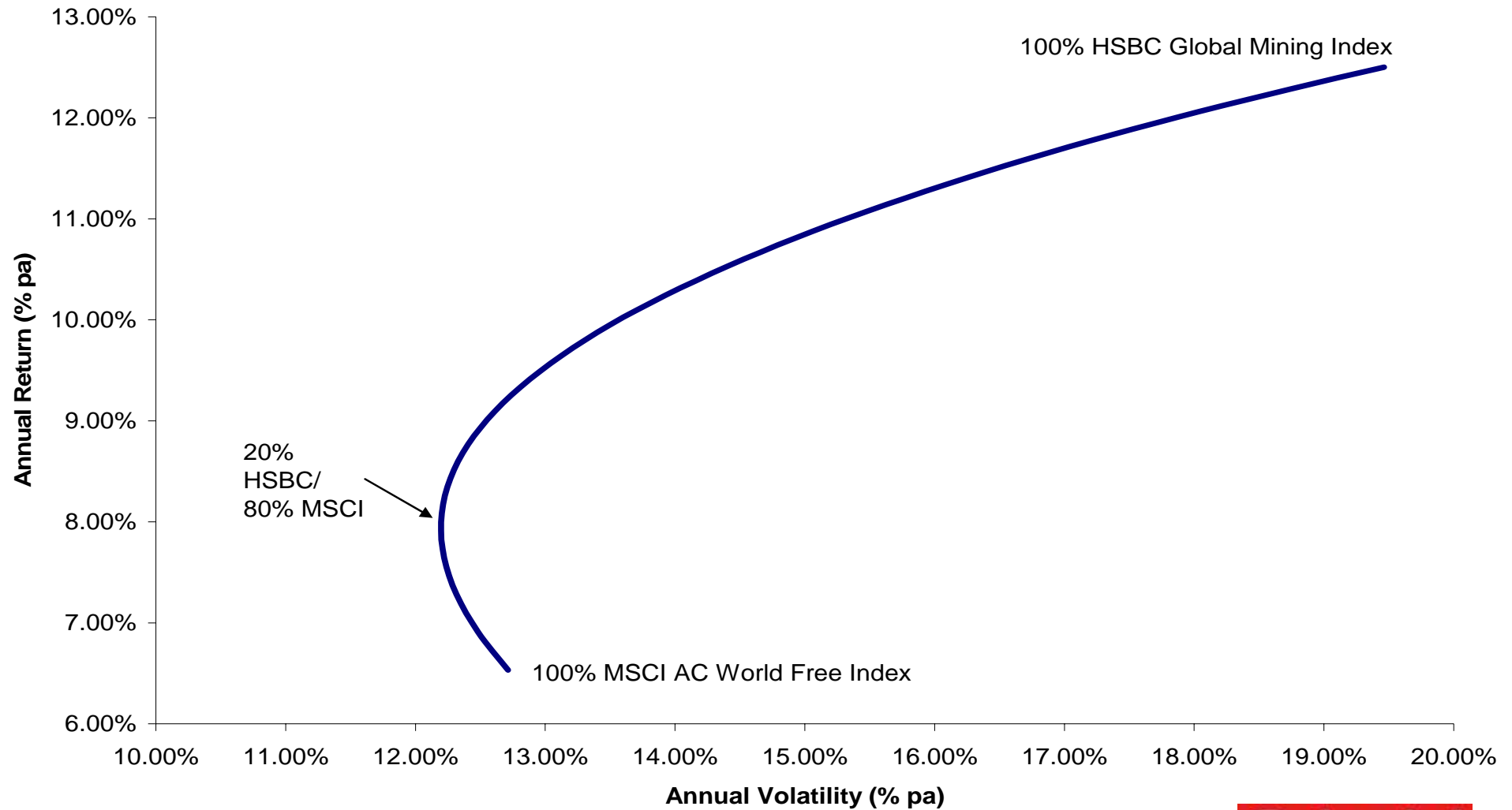
Source: Colonial First State, HSBC. Data is before fees for life of fund to 30 June 2006.
Fund Inception: June 1997

Resources offer low correlation with other sectors



Source: Datastream, Colonial First State. 10 Years ending 31 May 2006, all data in USD.
Correlation co-efficients: HSBC Global Mining Index vs MSCI Sub Indices

Efficient frontier



Source: Bloomberg, HSBC, MSCI. Data in AUD, 15 Years ending 30 June 2006.

Outlook

- Global commodity supply has tightened
- Few greenfield projects in the wings
- Chinese demand likely to continue
- US and European demand?

Compound annual returns

31 July 2006

After fees	1	2	3	5	7
AUD	Year	Years	Years	Years	Years
Wholesale Global Resources Fund	42.6%	35.6%	34.6%	23.8%	24%



Focus on Quality

Gizmo time

Which session are you in?

1. PIMCO
2. Principal Global Investors
3. Colonial First State
4. Deutsche Asset Management
5. Challenger Financial Services

Gizmo time

Please rate the overall quality of this session...

1. awful
2. Poor
3. Mediocre
4. Good
5. Very good
6. Great!



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