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## **Positive Outlook Despite Macro Uncertainty: Dalton Nicol Reid**

**Media Release 18<sup>th</sup> March 2010** Despite a stellar reporting season there remains a clear tension between the sound financial condition of many of Australia's major listed companies versus a more uncertain macro environment, says one of Australia's largest independent asset managers.

"The reporting season provided a clear demonstration that the balance sheets of many Australian corporates are in extremely good shape with profit outlooks showing clear signs of improvement," said Jamie Nicol, chief investment officer of Dalton Nicol Reid. "Despite this there remains a clear overhang of uncertainty about the direction of the broader market due to several macro factors."

Mr Nicol said that continuing uncertainty around sovereign default risk, the sustainability of the recovery in the U.S. economy and questions about whether the Chinese economy was overheating and headed for a hard-landing continued to weigh on investor sentiment.

"We think it is reasonable to expect global economic growth rates to be constrained over the medium term by these macro factors," said Mr Nicol. "However the economic data remains supportive of a recovery and in particular inventories have been run down to very low levels in the US and restocking will support economic growth and profitability."

Pointing to Seek, Hendersons and Wesfarmers, Mr Nicol highlighted examples of well managed companies with robust business models and balance sheets that are delivering strong profits as demonstrated through recent half-yearly results.

"Seek has continued to take market share from print media and has a very strong business model which is expected to deliver sustainable growth over the next few years," said Mr Nicol. "Henderson's produced a result that was 10 per cent above market expectations and continues to benefit from the New Star acquisition which was made at the bottom of the market. We also saw Wesfarmers stand-out in the consumer staples segment as the Coles turnaround story begins to come to fruition".

"We've also just added AGL to our portfolios following its strong first half result and we think full year guidance is achievable," said Mr Nicol. "AGL is one of the few defensive stocks without lingering issues, and secondly, the market previously ascribed little value to its coal seam gas assets which can now be clearly valued thanks to the bid for Arrow Energy."

Dalton Nicol Reid is one of Australia's largest independent asset managers overseeing approximately \$500 million on behalf of institutional and high net worth investors.

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