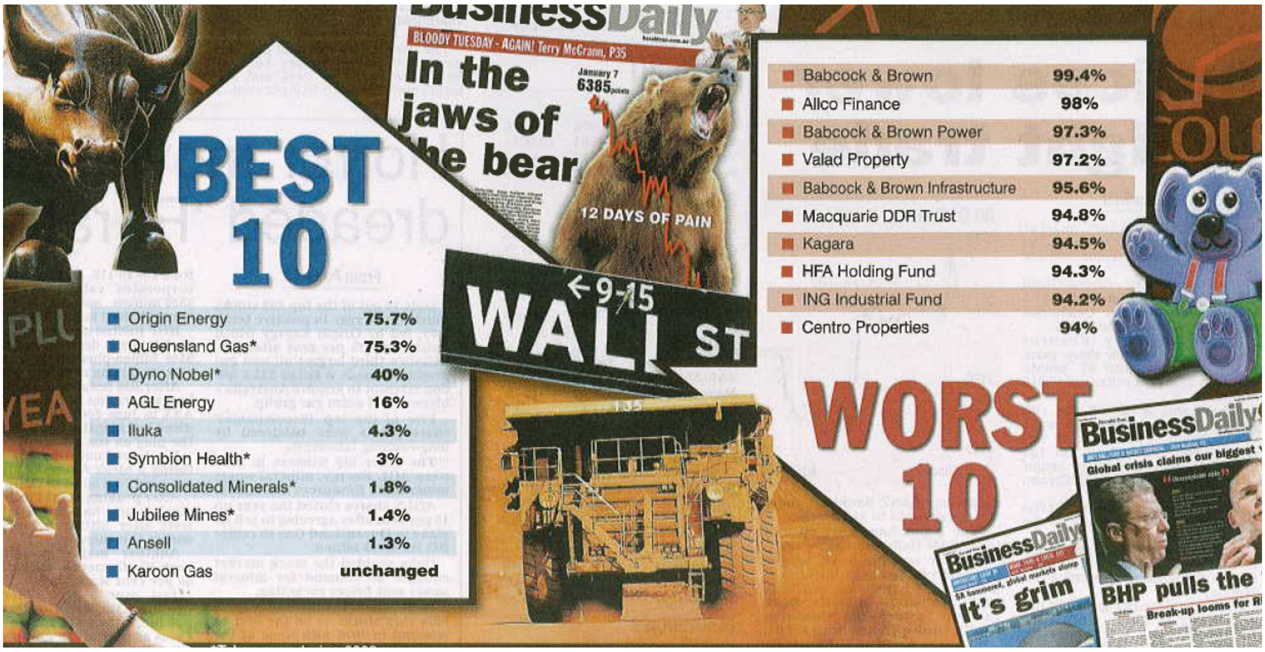

Herald Sun

December 24, 2008

FARRINGTON
NATIONAL

HORROR MOVIE WITH `R' RATING

Author: **Stephen McMahon**
Publisher: **News Ltd**
Publication: **Herald Sun , Page 41 (Wed 24 Dec 2008)**
Keywords: **Karoon (1) Gas (1)**
Edition: **1 - FIRST**
Section: **BUSINESS**

Economics

TO SAY it's been a horror year for investors barely does it justice.

With more than $800 billion stripped from the Australian stock market's value and a 44 per cent plunge in share prices it was the worst calendar year on record, surpassing even the 1987 crash and the recessions of 1990 and 1982.

And market watchers -- despite some optimism -- fear even more pain awaits investors in 2009 with the global economy again sinking into recession -- that dreaded ``R'' word.

The global financial crisis has also claimed a number of high-profile scalps -- ABC Learning's Eddy Groves, Allco's David Coe and Phil Green from Babcock & Brown.

The downturn is expected to lower company profits by between 20-30 per cent in 2009 as households rein in spending.

The shutting down of the global credit markets has sucked the confidence out of the markets and, with more corporations expected to collapse in 2009, it may be some time before investors return to the fray.

The latest figures from SuperRatings shows most balanced super funds have dropped back to 2005 levels, having lost about 19 per cent of their value in the year to November.

This has seen an average of $13,718 wiped from male accounts and $7700 from the average woman's account.

Based on the latest figures, the average balance for men's superannuation accounts is estimated at $58,500, while women's accounts have fallen back to $38,200.

AMP Capital Investors chief investment strategist Shane Oliver tips the market will remain ``incredibly messy'' over the first few months of 2009.

``There is the potential for new lows next year as the market deals with the deterioration in the real economy,'' he said.

But Dr Oliver is optimistic the market has already priced in most of the pain from the recession and should start to bounce back by the middle of next year.

AMP forecasts the Australian stock market will bounce back from yesterday's close of 3531 points to finish next year at around the 4500-point level.

``History tell us that there are great opportunities for long term investors when fear is running rampant and confidence is blown, when shares are trading on dividend yields, and when governments are doing everything possible to bring about an economic recovery,'' Dr Oliver said.

The hardest hit stocks in the past year have been those companies that borrowed heavily to fund expansion during the boom times.

Three of the worst performers were all companies related to investment bank Babcock & Brown, which was the biggest loser for the year.

Its share value dropped 99.4 per cent; since January, its market value has plummeted from more than $10 billion to just $57 million.

The highly geared property sector has also been squeezed hard with Valad Property and Centro Properties among the top 10 losers.

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Only 10 out of the top 200 stocks finished the year in positive territory, led by Origin Energy which finished up 75 per cent after BG, Britain's third-largest oil and gas producer, made a failed $13.8 billion attempt to acquire Australia's biggest coal seam gas group.

Five of the top 10 companies' share prices were bolstered by long-running takeovers.

The other big winners in 2008 were AGL Energy, mineral sands miner Iluka Resources and Ansell.

AGL's shares closed the year up 15 per cent after agreeing to sell its stake in Queensland Gas to raider BG for $1.18 billion.

Iluka avoided the stock market collapse as demand for mineral sands sent prices rocketing.

Most market watchers expect blue chip stocks to be the first to rebound in 2009 with some of the exchange's top drawer companies having been hit just as hard as some penny dreadfuls over the past year.

The number of companies valued at more than $1 billion dropped from 206 to 118. And the number of corporates valued at between $500 million and $1 billion has almost halved to just 54 companies.

BHP Billiton chief executive Marius Klopper's decision to scrap the $100 billion-plus tilt at Rio Tinto sent its mining rival into freefall.

After Rio became the first stock in a generation to hit $100 on the ASX in June 2007, the stock nosedived last month when BHP pulled the plug on the takeover.

Rio boss Tom Albanese is now facing a bleak future as investors get used to a sub-$40 share price.

After peaking at $157 in May, the stock is now back at its late 2004 level after hitting a low of $32 earlier this month.

Another major casualty has been Wesfarmers -- falling almost 60 per cent since May.

Just over a year after chief executive Richard Goyder forked out more than $18 billion to buy Coles as part of the group's diversification plans, Wesfarmers is now worth less than $11 billion.

If ever there was a year when the previous year's roosters turned into feather dusters, 2008 was it.

BEST 10

- Origin Energy 75.7%

- Queensland Gas- 75.3%

- Dyno Nobel- 40%

- AGL Energy 16%

- Iluka 4.3%

- Symbion Health- 3%

- Consolidated Minerals- 1.8%

- Jubilee Mines- 1.4%

- Ansell 1.3%

- **Karoon Gas** unchanged

WORST 10

- Babcock & Brown 99.4%

- Allco Finance 98%

- Babcock & Brown Power 97.3%

- Valad Property 97.2%

- Babcock & Brown Infrastructure 95.6%

- Macquarie DDR Trust 94.8%

- Kagara 94.5%

- HFA Holding Fund 94.3%

- ING Industrial Fund 94.2%

- Centro Properties 94%

* Taken over during 2008