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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9396 ↓	-106	-1.12%	14.1	-0.13%
FTSE 100	6567 ↓	-29	-0.43%	13.2	5.57%
DAX 30	7950 ↓	-15	-0.19%	14.2	20.51%
DOW	13360 ↓	-186	-1.37%	15.2	7.20%
NASDAQ	2589 ↓	-28	-1.07%	26.1	7.19%
S&P	1503 ↓	-20	-1.29%	15.9	5.94%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3453	0.6731	166.6800
Dollar	1.3453	1.0000	1.9988	123.8100
Sterling	0.6731	1.9988	1.0000	247.6200
Interest Rates (%)	3.7500	5.2500	5.5000	0.4800
Oil (Nymex)	69.1400			

This Week's Research

Today's Research British Land

Today's Recommendation

British Land (£13.27) AGM Friday fortnight Stuart Draper
Target : £17.50 (11/01/07; previously £17, issued 21/11/06)

- **Entry level :** The share price of British Land (BL) has weakened once again to the c.£13.30 level reached earlier this month. The last time this happened, the share price bounced by 6% over the following 6 trading days between 7th June and 15th June, despite a similar UK interest rate outlook as currently. With the UK property group releasing its AGM statement on Friday fortnight, **13/07/07**, there is a high probability of similar share price upside over the coming weeks.
- **Upcoming catalysts :** This is because the AGM statement should provide some important reassurance that the UK office property market remains buoyant currently, and that the UK retail property market also remains solid. Evidence of this should be contained in the group's NAV per share as at 30/06/07, when it is reported on **14/08/07**, which is likely to show further growth on the £16.82 reported as at 31/03/07. With the shares now trading at a **21% discount to this historic NAV**, there is limited further downside risk for the share price from current levels.
- **Portfolio repositioning :** At the time of its full year results' announcement last month, BL committed to accelerating its portfolio repositioning, as under the new REIT legislation, profits made on property disposals are now exempt from CGT. Further such activity over the remainder of 2007 should help expose the significant discount to NAV at which the shares are now trading. The value of BL's office properties showed a 13.6% increase for the year ended 31/03/07 and the value of its retail properties showed a 7.6% increase. On a like for like basis, rental income increased by 3.5%, ahead of the overall market's 2.9% gain, as measured by the Investment Property Databank.
- **Major upside :** With c.3 msf of office development projects delivering over the next 2 years, the vast majority of which is located in the fast-improving London City area, we are still forecasting further 9% NAV per share growth over the next 12 months to £18.33 as at 31/03/08. As a result, our current 12 month target price of £17.50 (32% upside) is based on a 5% discount to year end NAV per share of £18.33. Even though the historical UK property sector average NAV discount over the past 25 years is c.10% to account for CGT, the elimination of this tax through REIT conversion justifies a lower discount. In line with this REIT conversion on 01/01/07, British Land increased its full year dividend to at least 33p, representing a dividend yield of c.2.5% on the current share price : **BUY**.

Breaking News

Persimmon releases trading statement

Persimmon issued a trading update wherein it expects H1 revenue to reach £1.5bn and commented that it is confident it will deliver growth in line with expectations. The group pointed out that during the last six months it has continued to focus on the improvement of margins following its acquisition of Westbury last year, with operating margins increasing to 20.5% from 19.9% in the first half of 2006. The group said that it has a strong forward order book, an increasing number of outlets coming on stream and an excellent landbank including significant strategic land holdings. With regards to the UK economy, the company stated that recent interest rate rises have had the desired effect and the housing market is stable with only moderate price growth.

Aviva expects strong sales growth in China

Aviva's Asia Managing Director, Charles Anderson, said that he expects the group's Chinese joint venture division to record 50% growth in sales every year over the next three to five years. Aviva's joint venture partner is state run Cofco. Anderson expects sales growth at the joint venture to outpace the 15% annual growth of China's industry as a whole, implying that Aviva would get more than its relative share of growth in the market. Aviva and Cofco launched the venture in 2003 and in 2006 it had sales of £50m, up 41% from the previous year.

FBD Holdings expects to meet full-year earnings forecasts

FBD Holdings has issued a trading statement wherein it said it has made solid progress in the year to date and expects full year operating earnings to be in-line with analyst expectations of €3.24 per share. The group also said that price competition remains intense and its full year gross premium written target will become increasingly challenging unless pricing pressures moderate. FBD also pointed out that weakness in the government bond markets in recent weeks, has had a negative impact on short-term investment returns and consequently on pre-tax profit, while its equity portfolio is performing satisfactorily to date.

Business Press

- Blackstone shares rise 14.8% in strong first day on NYSE. (IT)
- ICI's offspring doing very nicely (FT)
- Spectacular results for Smurfit on paper (FT)

Investment Press

- Lazard grows up: On Wall Street, money talks. On that basis, Lazard's performance since its flotation two years ago has been a triumph. Its share price has risen 85 per cent and its stock is valued at a substantial premium to that of most of its rivals.



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