

Traders Update

MONDAY 25TH JUNE 2007



Brief Market Comment

Equity markets will look for a rebound this week and now could represent a good buying opportunity for investors following last weeks sell off. Stocks were lower across the board with all the major indices losing ground on fears of rising interest rates. The FTSE retreated for five consecutive days as minutes from the Bank of England's MPC meeting surprised the market, not just with the 5-4 vote, which was much closer than expected, but also because Governor Mervyn King voted for a rate hike. US stocks were weaker due in part to reports that a Bear Stearns hedge fund that has exposure to the subprime mortgage market was close to collapse. European markets were pressured following disappointing readings from the German ZEW and IFO surveys. The week ahead sees a raft of economic data in the US with existing home sales on Monday, new home sales on Tuesday and with the FOMC interest rate decision due on Thursday where it is expected to keep rates on hold at 5.25% could provide a much needed boost to equity markets.

Current Trading Ideas

Taylor Woodrow

Current: £3.83
Target: £5.00
P/E 07 8.33
Div Yield 07 4.11%
Next Results 3/7/07
Move on week -7.71%

Tomorrow week, **3rd July**, George Wimpey shares will de-list and shares in Taylor Wimpey will start trading, giving effect to the nil premium merger between **Taylor Woodrow** (TW) and George Wimpey (GW). The proposed merger will result in TW shareholders owning 51% of the combined entity, and GW shareholders owning the remaining 49%. Substantial synergies of c.£100m per annum will be generated from combining TW's land bank with GW's build cost efficiency. Such synergies would result in a theoretical eps enhancement for TW of 12% in 2008 from 41p to 46p, and an eps enhancement of 22% in 2009 from 45p to 55p. This provides the basis for our initial 12 month price target for TW of £5, which is based on 9x 2009 eps of 55p. Given TW's superior landbank potential, there is a high probability of either Persimmon making a competing bid for TW or else waiting for the combined Taylor Wimpey group to be formed and then bidding for the combined group. Another potential catalyst for the Taylor Woodrow share price could be George Wimpey's H1 2007 trading statement, due to be released this Wednesday, **27th June**

BUY

Aer Lingus

Current: €2.55
Target: €3.25
P/E 07 15.45
Div Yield 07 0.00%
Next Results 3/7/07
Move on week -0.39%

Given the volatility of network airline profits and their different capital structures, EV/EBITDAR is viewed as the most useful valuation metric. Given that the network airlines have historically traded in the 5x to 6x forward EV/EBITDAR range, **Aer Lingus'** current valuation of 3.6x forward EV/EBITDAR, based on 2007 EBITDAR of €200m and current net cash of c. €620m, would appear particularly attractive. As a result, the current share price would appear to represent an attractive entry level ahead of the release of the airline's AGM statement on Friday week, **6th July**. Our current stand-alone 12 month price target for Aer Lingus of €3.25 is based on 5.5x forward EV/EBITDAR.

BUY

Aviva

Current: £7.52
Target: £9.00
P/E 07 8.76
Div Yield 07 4.35%
Next Results 13/07/07
Move on week -4.20%

On Friday fortnight, **13th July**, Aviva will release a trading statement for the 6 months ending 30/06/07. The statement is likely to confirm that the group is on target to generate 15% overall sales growth for 2007, driven by particularly strong international sales growth. In April, Aviva announced total life and pension sales of £7.75 bn for the 3 months ended 31/03/07, a year on year increase of 16%. This Q1 sales growth was driven by 25% growth from the international business, which now accounts for more than 50% of group sales following last August's \$2.9 bn cash acquisition of US life insurer, AmerUs Group. Given that Aviva's 2007 return on embedded value of 14% is forecast to be c.10% stronger than the UK sector average, its price to embedded value (EV) should trade at a similar premium. Our current 12 month price target of £9 would rate the shares at 1.6x 2006 EV per share of £5.73, a premium of c.10% to the current sector average.

BUY

British Land

Current: £13.27
Target: £17.50
NAV 07 16.82
Div Yield 07 2.00%
Next Results 13/07/07
Move on week -4.60%

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, **13th July**, there is a high probability of similar share price upside over the coming weeks. 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 14th August, 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.

Buy

AIB

Current: €20.95
Target: €24.50
P/E 07 8.49
Div Yield 07 3.76%
Next Results 1/8/07
Move on week -2.65%

Following the 7% fall in the **AIB** share price since the start of June, when the value of its 51.1m shares in Polish bank, BZWBK, and the value of its 26.7m shares in US bank, M&T, are taken into account, the group's core Irish, UK and Capital Markets businesses are now trading at c.8x 2007 earnings and at a price / book ratio of 1.8x. For a bank likely to generate double digit earnings growth in 2007 and 2008, and generating a return on equity in excess of 20%, such valuations indicate that the share price has limited further downside risk. The bank's recent H1 2007 trading statement confirmed that AIB remains on target to achieve low double digit earnings growth for 2007, driven by 20% loan growth, low bad debts representing only 0.15% of average loans, and income growth at least 3% stronger than cost growth in each of the operating divisions and for the group overall. Evidence of this continued strong earnings growth should be contained in the bank's H1 2007 results' announcement on Wednesday **1st August**

Buy

This Week's Calendar Events

EARNINGS: MON (Centrica, Interim Results), (Persimmon, Trading Statement), TUES (Nike, Q4), WED (George Wimpey, trading statement), THUR (Diageo, FY results), FRI (Independent News & Media, Trading Statement), (Kingspan, Trading Statement)

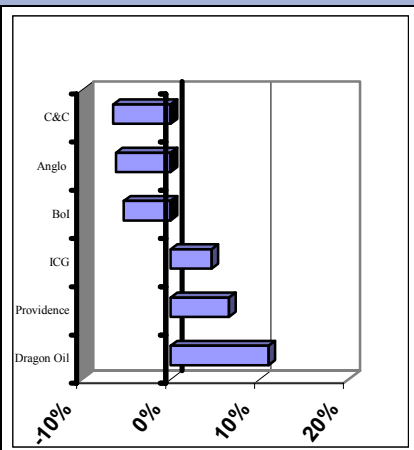
ECONOMIC DATA: Monday (US Existing Home Sales), Tuesday (US New Home Sales, Consumer Confidence), Wednesday (US Durable Goods), Thursday (Euro-Zone M3, Jobless Claims, FOMC Interest Rate Decision), Friday (UK GDP, US Personal Income, PCE Inflation, Chicago Purchasing Manager Index, Michigan Confidence)

DOLMEN STOCKBROKERS Traders Update

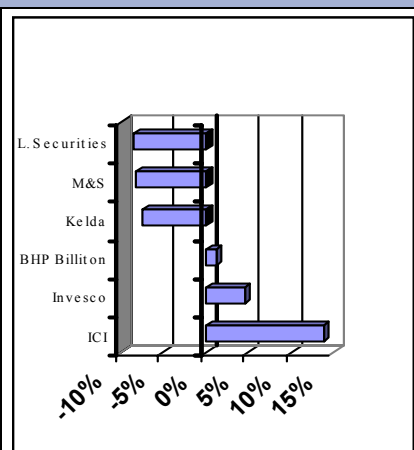
Last Weeks Best/ Worst Performers

18/06/07-22/06/07

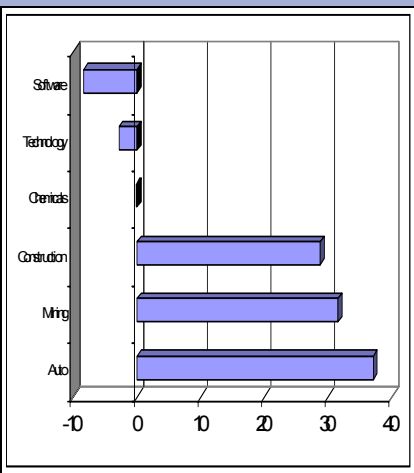
ISEQ



FTSE



Sector changes YTD



Dolmen Dozen

WEEKLY UPDATE

COMPANY	CLOSE	WTD	DD RETURN*	RELEVANT NEWS
AIB	20.95	-2.96%	-7.12%	Following IL&P's trading state ment where it said new mortgage lending will fall by €800m to €3.4bn
Aviva	7.59	-3.92%	-4.62%	Announced a joint venture with Banco Popolare in Italy
BP	5.84	-0.68%	6.22%	TNK-BP agreed to sell Gazprom its 62.89% stake in Rusia Petroleum and its 50% stake in ESGCo for \$700m-\$900m
B.Land	13.27	-6.02%	-21.59%	Pressured on concerns of rising interest rates in the UK
C&C	11.15	-6.46%	0.36%	Ahead of the group's AGM on the 13th of July
CRH	36.66	-0.78%	19.20%	There was specualtion during the week that a private equity group may bid for CRH
GNC	5.30	2.32%	17.16%	On continuing takeover speculation
GSK	12.98	-2.11%	-1.21%	GSK's won European regulatory approval for its Atriance drug to treat Leukemia and Lymphoma
Lad	4.34	-5.65%	7.67%	There is continuing speculation that private equity groups may make an approach to the company
RBS	6.35	-2.01%	-0.07%	Announced it will start offers to ABN Amro share holders by Mid-July
Ryanair	4.92	-4.65%	-7.61%	The airline has yet to begin its €300m share buyback
Vodafone	1.56	-4.29%	15.10%	Press reports that Vodafone may spend \$900m to maintain its 45% stake in Verizon Wireless

DD Unrealised gain YTD	2.01%	ISEQ YTD	-0.30%
DD Realised gain YTD	2.71%	FTSE YTD	6.25%
DD Total YTD	4.72%	Average performance	2.98%
Relative performance YTD	1.75%		

* DD Return (Includes dividends & FX changes since stocks inclusion)

What it says in the 'Sundays'

- "Tullow boosted by €7bIn oil find in Uganda" **Tullow Oil - Sunday Business Post**
- "IL&P's Casey breaks the bad news" **IL&P - Sunday Business Post**
- "ICI's big backers name a bid price" **ICI - Sunday Times**
- "Irish loans 'riskiest' in Europe " **Bol - Sunday Times**
- "Hedge funds hold power in battle for ICG" **ICG - Sunday Times**
- "Lynch's One51 buys 3.2% stake in ThirdForce" **ThirdForce - Sunday Independent**
- "To announce name of new partner" **Petroceltic - Sunday Tribune**
- "Weekend strike was planned" **Aer Lingus- Sunday Tribune**

Recent Corporate Visits

COMPANY	CHANGE ON YEAR	MEETING DATE	RELEVANT NEWS
Glanbia	22.97%	18/06/2007	Deputy Group Managing Director Geoff Meagher re-iterated recent guidance of double digit eps growth for 2007.
C&C	-17.10%	9/05/2007	CEO Maurice Pratt said not to expect any news on the two test market until October. Upping their dividend payout ratio close to 50%.
Persimmon	-21.17%	6/06/2007	CFO M. Killoran said the company will continue to grow organically, however it is in a position to make further acquisitions as a result of its strong balance sheet.

Last Weeks Moves

Equities

	Level	Change WTD	Change YTD	Dividend Yield	P/E
ISEQ	9396	-2.73%	-0.13%	2.26%	14.88
FTSE 100	6567	-2.45%	5.57%	3.59%	13.80
DAX	7950	-1.01%	20.51%	2.47%	14.41
DJ INDUS. AVG	13407	-1.76%	7.52%	2.13%	17.88
S&P 500 I	1505	-1.89%	6.04%	1.80%	17.71
NASDAQ	2588	-1.48%	7.15%	0.66%	39.44
DJ STOXX 50	3923	-1.73%	6.10%	3.41%	13.66

Sector

	WEEKLY MOVE %	YTD MOVE %
Autos	-0.73	35.99
Mining	-1.62	29.54
Construction	-0.41	28.21
Chemicals	2.46	25.98
Technology	-0.89	14.84
Tobacco	-1.68	11.96
Personal Goods	-3.12	10.11
Media	-2.83	9.98
Leisure Goods	-0.48	9.94
Oil & Gas	-0.92	9.24
Beverages	-1.06	8.64
Food Producers	-3.07	4.44
Telecoms	-3.15	3.89
Utilities	-2.48	2.26
Insurance	-0.40	1.43
Banks	-2.43	0.39
General Retailers	-5.67	-0.89
Pharmaceuticals	-2.68	-2.84
General Industrials	-2.84	-5.61
Software	-1.02	-9.39

Commodities

	CURRENT	YTD CHANGE
Crude Oil	\$68.73	5.44%
Gold Spot	\$652.55	2.34%

Exchange Rates

	CURRENT	YTD CHANGE	YEAR END(E)
EUR-USD	1.344	1.84%	1.35
EUR-GBP	0.673	-0.09%	0.665
EUR-JPY	166.65	5.72%	145

GDP Growth

	YEAR END 06	YEAR END07(E)
Ireland	7.70%	5.00%
Euro Zone	2.70%	2.50%
UK	2.90%	3.00%
US	3.00%	2.00%

Central Bank Interest Rates

	CURRENT	YEAR END(E)
Euro Zone	4.00%	4.25%
UK	5.50%	6.00%
US	5.25%	5.25%

Credit Market Summary

A very volatile week for spreads, starting off on a positive note, mid-week spreads widened sharply (8%) on the threat of a systemic shock from a troubled Bear Sterns hedge fund backing sub-prime debt. High yield spreads ended the week 10.5bps (5%) wider at 213bps despite reports of Bear Sterns Company riding to the rescue of the ailing hedge fund. While this rescue package (\$3.2b) will solve the problem for now, the market is expected to remain volatile on concerns that this is just the tip of the iceberg and that the US housing market remains the big worry for credit investors

Credit Sector Movements for week ended 22/06/07

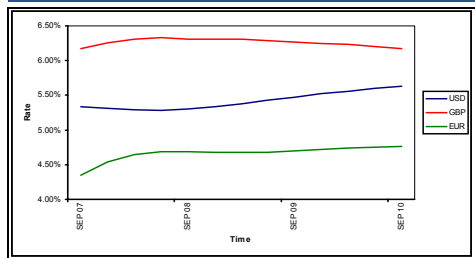
Building materials: Wider in the sector – buyout speculation in the sector sparked by rumours surrounding CRH early in the week led to spread widening – CRH was 3bps wider.

Chemicals: Mixed in the sector – ICI was the big mover this week, widening 6bps (18%) over the week after ICI rejected a bid from Akzo.

Airlines: Mixed in the sector – the biggest mover again this week was British Airways, tightening 11bps after S & P upgraded the long term rating to investment grade (BBB-), the upgrade reflects BA's progress in strengthening its financial profile and the expectation of improving operational performance in the near term.

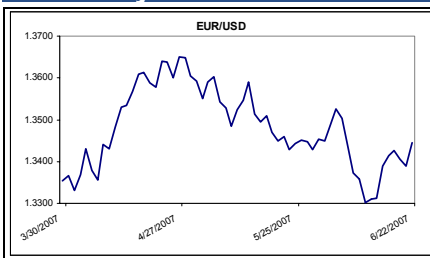
Food/Beverages: Wider in the sector – Compass continued to widen, another 2bps this week after the company was raised to a Buy by Merrill Lynch, demonstrating its attractiveness to potential private equity suitors now that a 'corner has been turned'.

Interest Rate Outlook

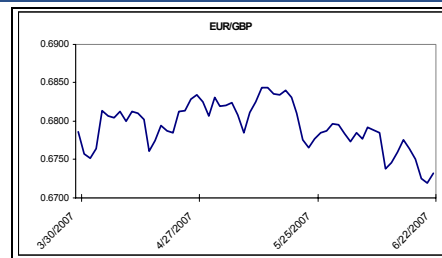


European 10 year yields traded sideways last week despite some disappointing economic data from Germany with both the ZEW and IFO surveys missing expectations. The week ahead sees a raft of economic data from the US and includes housing data on Monday and Tuesday with any further deterioration in the US housing market could see treasury yields retreat further.

Currency Comment



The USD was pressured last week as US treasury yields retreated amid continuing concerns on the slowdown in the US housing market. The main focus of this week will be the FOMC meeting on Thursday where it is expected to keep rates on hold at 5.25%, while maintaining its slightly hawkish stance on inflation.



Last week saw GBP strengthen following the Bank of England's minutes from its June 7th meeting where the vote to keep rates on hold at 5.50% was unexpectedly close at 5-4. The release of Euro-Zone M3 money supply could boost the Euro this week, if growth in monetary aggregates continues to remain well in excess of ECB comfort levels.



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