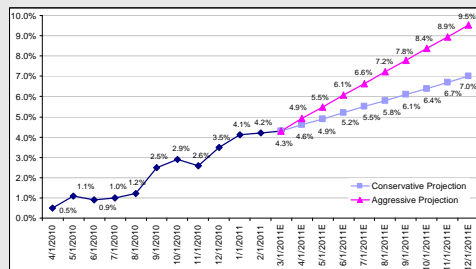


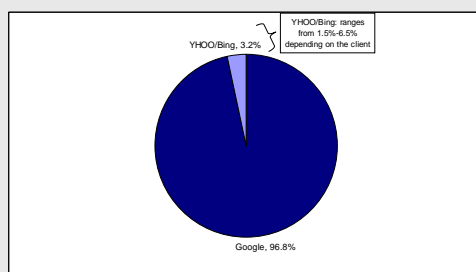
UNITED STATES

Efficient Frontier - Mobile as a % of Total US Search Ad Spending



Source: Efficient Frontier data, Macquarie Capital (USA), March 2011

Efficient Frontier- Breakdown of Mobile Search Advertising Spend by Property



Source: Efficient Frontier data, Macquarie Capital (USA), March 2011

US Internet

Mobile Search Scaling Fast; Google Dominating

- We partnered with Efficient Frontier to analyse how user behaviour is changing as search evolves on mobile devices. Efficient Frontier is a leading provider of online marketing solutions and manages over \$1bn in online advertising budgets across search, display, and social media.
- **We are hosting a conference call with Efficient Frontier on Friday March 4th at 11AM ET to discuss our findings in more detail. Please contact us or your Macquarie salesperson for details.**

The Bottom Line - A key theme of 2011 and beyond is clearly the explosive growth of mobile Internet access. While we can all see anecdotal evidence of increasing mobile Internet usage, hard data has remained elusive. Working with a leading marketing firm, Efficient Frontier, we were able to take a current snapshot of the state of mobile search in the US. While this data doesn't answer all the questions regarding mobile search, there are a number of key takeaways:

- **Mobile Internet Access is Significantly Impacting Search** – 5.4% of Efficient Frontier paid search ad impressions are currently on mobile, up 9-12x vs. a year ago. Many sites are seeing 10%-15% of all search traffic coming from mobile devices, and notably GOOG recently confirmed that mobile constitutes between 15%-17% of queries in the Consumer Electronics, Finance/Insurance, Beauty, and Autos verticals and almost 30% of Restaurant-related searches.
- **Almost 5% of Search Spend is Mobile; Potentially doubling by end of 2011** - 4.2% of Efficient Frontier search spend is currently on mobile, vs. 0.5% in 4/10.
- **Google Utterly Dominates; 97% of Mobile Search Ads** – For Efficient Frontier's clients, 3.2% of mobile spend goes through Bing/Yahoo.
- **Notable Differences between Mobile and Desktop Search Metrics** – Mobile searches have a click-through-rate 30% lower than desktop. Surprisingly, mobile cost-per-click is 13% higher than desktop, according to Efficient Frontier's data.
- **Traditional ROI Calculation Highlights Need for Physical World Link to Mobile Search** – Given the limited transactions completed on mobile devices, mobile search ROI is just 10% of desktop ROI, though iPad is significantly better.
- **GOOG Gains \$50m for each 1% share shift to Mobile Search in the US; YHOO loses \$20m**, though this excludes revenue from incremental searches.
- **iOS vs. Android; Risks and Opportunities** – With an estimated ~50% of iOS searches on the default "toolbar", Apple significantly influences mobile search share. Android's success helps Google maintain more control of mobile search share.

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3 March 2011

Overview

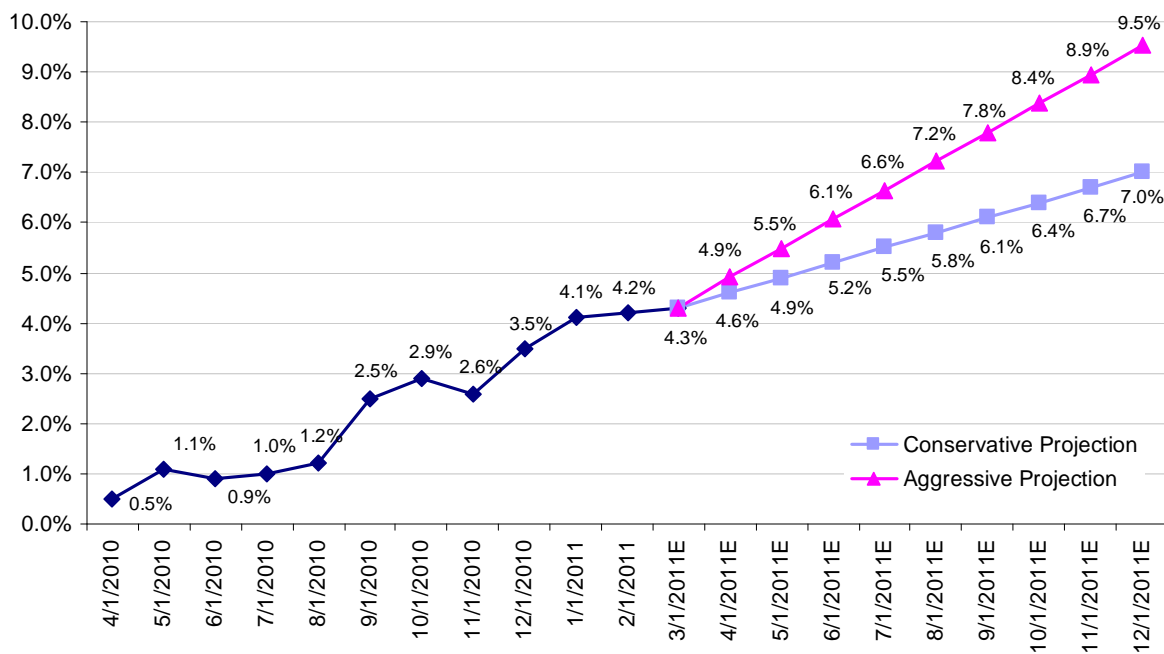
In this note, we highlight data-points from Efficient Frontier's analysis of mobile ad spending patterns across its clients, as well as provide some of our key takeaways. When considering the Efficient Frontier data, please keep the following in mind:

1. The data covers US-based mobile search spending only.
2. Efficient Frontier's market share statistics primarily relate to search advertising *spending* and *advertiser revenue*, not queries or total volume of searches.
3. The data referenced in this report is from a sample of Efficient Frontier's client base, and includes Efficient Frontier's largest mobile search ad spenders. *This may not be reflective of the total search market, particularly in terms of market share figures.*

Mobile Search Ad Spending

Mobile Growing to 7%-10% of Total Search Ad Dollars by end of 2011– Efficient Frontier's clients currently allocate 4.2% of their total online search advertising budgets, on average, to mobile search. This is up more than seven-fold in less than one year, compared with 0.5% in April 2010. Importantly, we expect this growth to accelerate in 2011 and beyond as more and more mobile devices with full Internet browsers enter the market. By the end of 2011, we estimate that somewhere between 7.0%-9.5% of search advertising dollars could be spent on mobile devices.

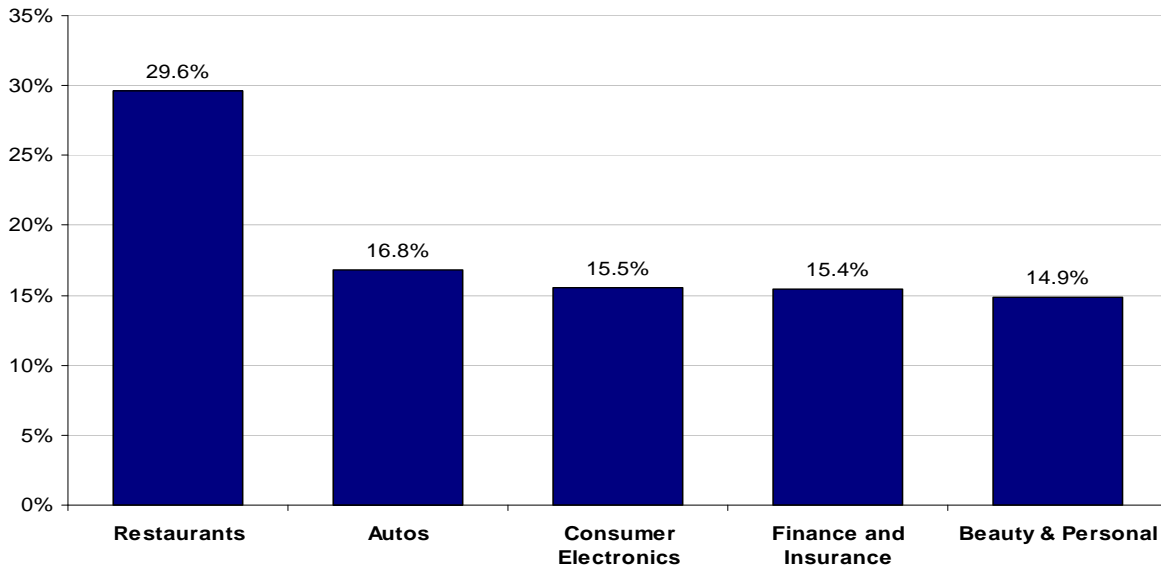
Fig 1 Efficient Frontier – Mobile as a % of Total US Search Ad Spending (with Projections)



Source: Efficient Frontier data, Macquarie Capital (USA), March 2011

In terms of query volumes, Efficient Frontier has anecdotal evidence that some advertisers are already seeing as much as 10%-15% of all Internet search traffic coming from mobile devices today. We expect that percentage will increase over time and see no structural reason why mobile ad spending should not *at the very least* achieve parity with mobile usage.

In fact, Google recently indicated that in certain categories, such as restaurants, almost 30% of queries are coming from mobile devices (other key categories such as Consumer Electronics, Beauty & Personal, Finance/Insurance, and Autos have between 14%-16% mobile queries, per Figure 2 below).

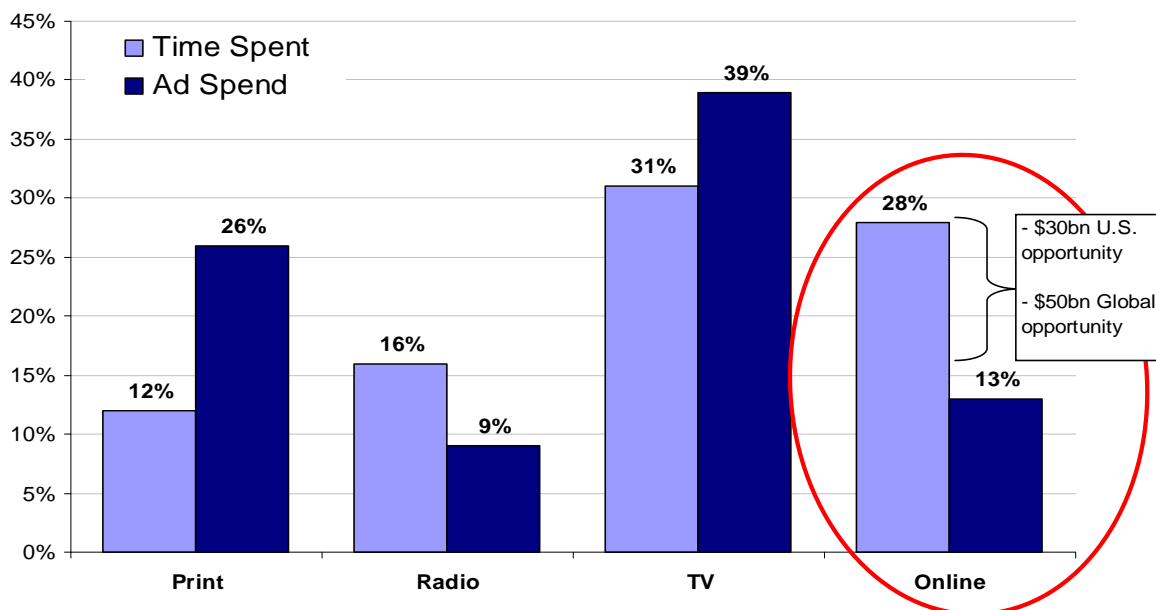
Fig 2 Google – Percentage of Overall Google Queries that are Mobile (by category)

Source: Google company presentation, Macquarie Capital (USA), March 2011

In addition, below is a selection of recent public statements made by Google that further highlight the ramp in mobile search usage (and Android):

1. Google searches from Android devices grew 10X between Q4 2009 and Q4 2010.
2. Worldwide mobile search experienced a 2.3x growth between Q4 2009 and Q4 2010. Over the past 2 years, we've grown 5x.
3. Mobile search traffic grew 50% in the first half of 2010
4. Mobile searches on devices with full Internet browsers have increased 4x in the past year
5. Every week, tens of millions of people search on Google from their mobile phones and generate hundreds of millions of searches.
6. Google's mobile search experience is available in 40 different languages, all around the world.

Proliferation of Devices Drives Ad Shift to Mobile – We expect marketers to allocate more of their advertising budgets to mobile search over time, but determining the slope of the growth curve poses a challenge. By this point, investors are familiar with the often-cited statistic that Internet ad spending accounts for a much smaller percentage of total advertising expenditures vs. the percentage of media consumption occurring online. Data from YHOO indicates that the Internet accounted for 28% of an average user's total media consumption last year, but represented just 13% of total advertising spending (the largest delta amongst the four major media types analysed, per Figure 3 below). We agree with the notion that this gap will narrow over time, and see the same dynamic playing out in mobile, i.e: as more and more users get access to smart phones and tablets with full browsers, mobile internet access will continue to ramp. We also note that Google recently estimated that by the end of 2011, 50%+ of Americans will have smart phones.

Fig 3 Time Spent vs. Ad Spend for Major Media Types (2009)

Note: Time spent is per NA Technologies (2009); Ad Spend is per VSS (2009 Mid-Term Update); Opportunity is Yahoo! Company

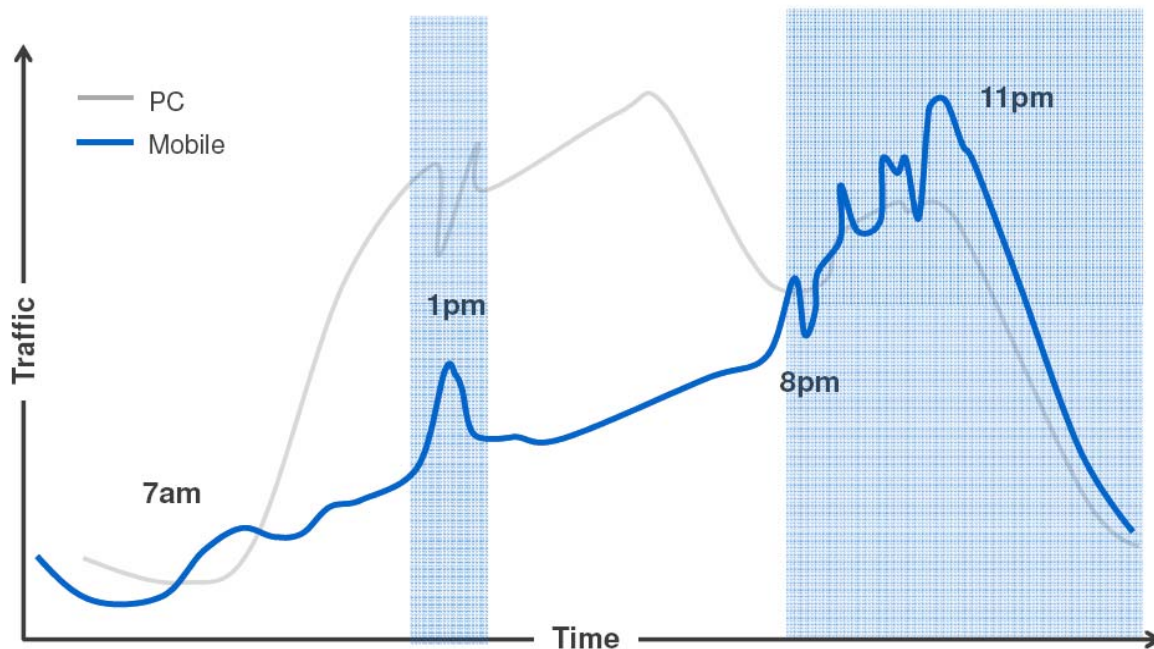
Source: Yahoo 2010 Analyst Day Presentation, Macquarie Capital (USA), March 2011

Additive to Volumes, and Eventually Monetization - Another key issue is the extent to which mobile searches will be incremental to desktop search. Figure 4 below from Google highlights the fact that mobile usage patterns indicate meaningful incremental searches are occurring on mobile devices. We have seen data that suggests that the amount of incremental searches may vary widely by verticals; therefore a key question is what type of incremental searches are occurring and can they be monetized effectively. The relatively nascent mobile search ad market paints a somewhat mixed picture in terms of monetization; Efficient Frontier's data shows CPCs roughly equal to slightly above desktop search, while other studies indicate mobile search monetization is currently lower than desktop. Longer-term, we see potential for mobile search to monetize at higher levels than desktop. One factor driving this will be large advertisers allocating more of their marketing budgets to mobile search. The more meaningful driver in our view however will be the evolution in:

- **mobile-specific pricing models and ad units** – such as click-to-call, etc.
- **mobile-specific campaign performance metrics** - such as linking real-world store visits/sales to mobile search ads, etc.
- **the value of mobile data** – location-aware transaction data, the phone as “digital wallet” etc.

Over time, we believe that as advertisers take a more “holistic” view of the ROI from their mobile search campaigns (including the value in the data provided by a location-aware mobile device), CPCs for mobile search may eventually exceed those of desktop searches.

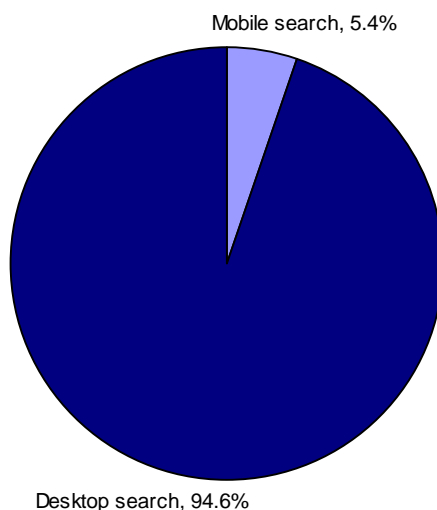
Fig 4 Google’s Mobile Searches Spike in Periods of Lower Desktop Search Activity



Source: Google company presentation, Macquarie Capital (USA), March 2011

Mobile Ad Impressions Lag Usage Patterns – Efficient Frontier’s clients generate 5.4% of their total paid search ad impressions on mobile devices. Given the lower click-through rate for mobile ad campaigns (discussed in more detail below), this 5.4% share of impressions results in the 4.3% share of total search spend on mobile. To reiterate, this does not mean that 5.4% of total searches are mobile, according to the Efficient Frontier data, just that 5.4% of search ad impressions are on mobile devices.

Fig 5 Breakdown of Efficient Frontier’s US Paid Search Advertising Impressions



Source: Efficient Frontier data, Macquarie Capital (USA), March 2011

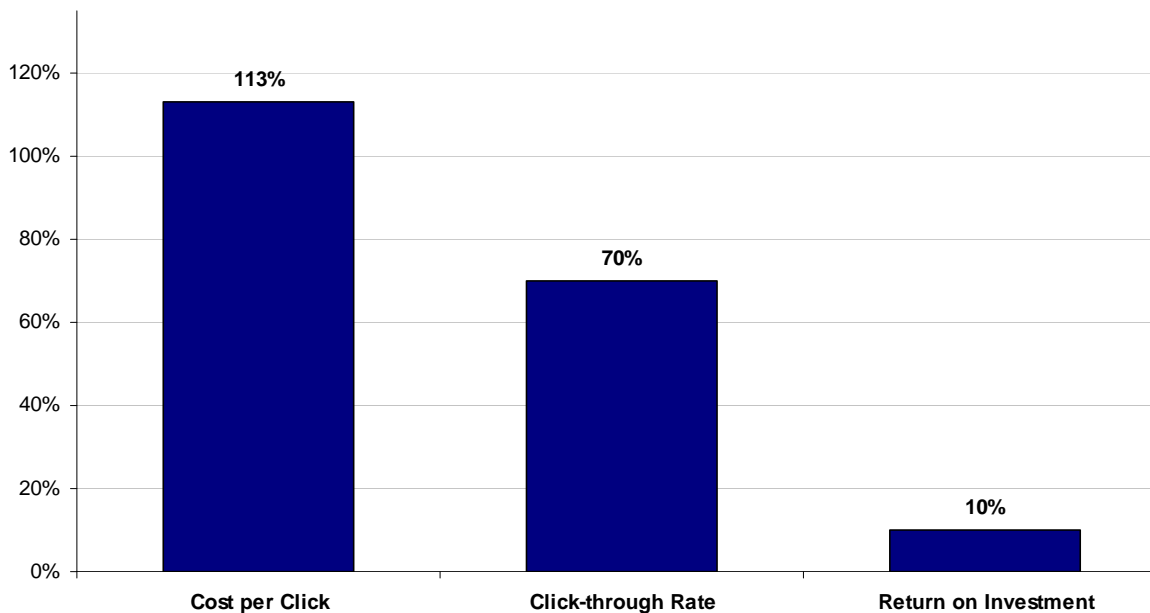
Mobile Search Campaign Performance Metrics

Mobile Cost-per-Click (“CPC”) Varies, but Slightly Above Desktop on Average – Across its advertiser clients, Efficient Frontier found that the average CPC on mobile search campaigns was actually slightly above (13% higher) than CPCs for desktop search campaigns. Given the lower return-on-investment (ROI) generated by mobile ad campaigns (see ROI discussion below), we were very surprised to see higher mobile CPCs. That said, we believe this reflects that mobile is primarily being used as a branding medium for many advertisers at the moment, and that the typical revenue-based definition of ROI is a less scrutinized metric for branding-based campaigns. We also note that Efficient Frontier reported seeing wide variability in CPCs across its individual clients, ranging from as low as 10% of desktop-levels to well above.

Importantly, over time, if sales in the physical world can be accurately attributed back to mobile devices, we would expect mobile search CPCs to approach levels seen in desktop for non-local queries and meaningfully exceed desktop CPCs for local searches that lead to an offline sales/visit. **The key is that mobile searches need attribution from physical world activity.**

Lower Click-Through Rate (CTR) for Mobile – Mobile click-through rates for Efficient Frontier’s search advertisers are ~70% of CTRs in desktop search campaigns. This is relatively higher than we might have expected, but it’s important to note that mobile clicks-through result in far fewer “conversions”, at least when “conversion” is defined as an immediate web-based sale (the typically definition used to evaluate desktop search campaigns). Screen sizes and ad formatting also play a very large role in determining CTRs in our view. Given the thousands of devices and various screen sizes, we expect the leading search engines will continue to optimize mobile search for the device. This should lead to improved CTRs over time, as well as the evolution of other performance metrics for mobile campaigns (such as calls made, visits etc.).

Fig 6 Efficient Frontier: Comparison of Mobile Search CPC, CTR, and ROI metrics vs. Desktop Search



Note: Indexed Desktop = 100%

Source: Efficient Frontier data, Macquarie Capital (USA), March 2011

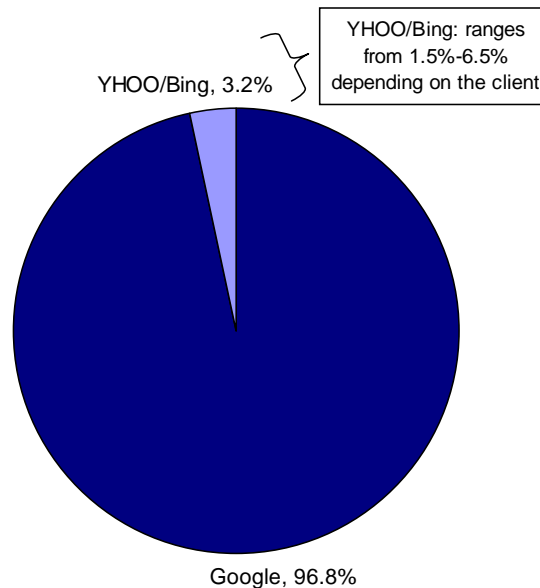
Weaker Mobile ROI Based on the Traditional Definition – Lower conversions for mobile search campaigns result in ROI that is 10x below desktop search campaigns according to Efficient Frontier's data. This is a critical issue that will need to be addressed as mobile growth continues to accelerate.

We believe mobile search has attracted primarily brand advertisers at the moment, and that one key potential gating factor to increased mobile ad adoption revolves around how the success of mobile search campaigns is currently evaluated by advertisers. Currently, ROI measurement for mobile search advertising is largely based on the same revenue-based ROI criteria used to evaluate desktop search campaigns. As a result, the ROI statistics for mobile campaigns are often significantly lower than for desktop search campaigns (as evidenced in Efficient Frontier's data). Until advertisers can more accurately attribute a wider range of "success" events such as offline store visits, offline and (delayed) online sales, and phone calls to a mobile ad campaign, marketers using a traditional ROI-based approach to make campaign budget decisions will be less willing to increase mobile ad budgets. In the meantime, we expect "early adopter" mobile marketers will continue to test mobile as both a performance-based and branding ad medium. As such, we would expect the largest mobile properties/portals (such as GOOG, YHOO, AOL, and other high-profile media sites) to be the early beneficiaries of mobile ad adoption.

Google's Positioning in Mobile Search

Google Dominates Spending on Mobile Search – Efficient Frontier clients that currently buy mobile search advertising on both Google and YHOO/Bing spend just 3.2% of their mobile search ad budgets on average on YHOO/Bing (though this ranges from 1.5%-6.5% depending on the client), with ~97% of mobile search ad spending on average going to Google. If we broaden this analysis to include Efficient Frontier's entire mobile search client sample, only ~1% of mobile search advertising is done on Yahoo/Bing. This is a controversial figure, as Yahoo and Bing almost certainly account for a higher percentage of total mobile search query share. Other statistics that we have seen suggest that Yahoo's share of mobile search spend may be closer to 3%-5% of the market, although this is still well below their share of desktop search.

Fig 7 Efficient Frontier: Breakdown of Mobile Search Advertising Spend by Property



Note: Percentages based on mobile ad spend for advertisers that currently advertise on both Google and Yahoo/Bing. Across Efficient Frontier's overall sample, the percentage of mobile search spend on YHOO is approximately 1%.

Source: Efficient Frontier data, Macquarie Capital (USA), March 2011

Quantifying the Potential Opportunity – GOOG’s dominant share of the current mobile search ad market means that it is the most exposed to the increased shift of search usage and search ad budgets to mobile. This leadership position is a positive but also carries some near-term uncertainty. On the positive side, we believe that mobile search queries are net additive to overall search volumes, with GOOG’s data (see Figure 4 discussed above) indicating that mobile queries tend to ramp in periods when desktop searches drop off (for example, during lunchtime, evening, and weekends). In terms of uncertainties, the issue of monetization on mobile devices is still evolving, but, longer-term, we see potential for mobile search monetization to ultimately achieve parity and potentially exceed that of desktop search.

Assuming that the US search advertising market is approximately \$15bn in 2011 (our projection based on IAB/PwC data), we estimate that each 100 bps of search advertising market share shift to mobile represents an incremental US revenue opportunity for GOOG of ~\$50m. This calculation assumes GOOG accounts for ~97% of US mobile search ad revenues and 65%-70% of US desktop search revenues, and notably does not include any benefit from incremental mobile queries. By this same methodology, we estimate that a 100 bps increase in mobile search ad share translates into ~\$20m of lost YHOO/Bing revenues. In terms of the incremental impact of mobile usage on the overall search ad industry, **we note that even a relatively modest incremental effect from mobile of ~4%-6% could mean the difference between mid-teens and 20%+ overall industry growth over the next couple of years** (see sensitivity below).

Fig 8 Sensitivity of the Total US Search Advertising Market to Increased Mobile Usage

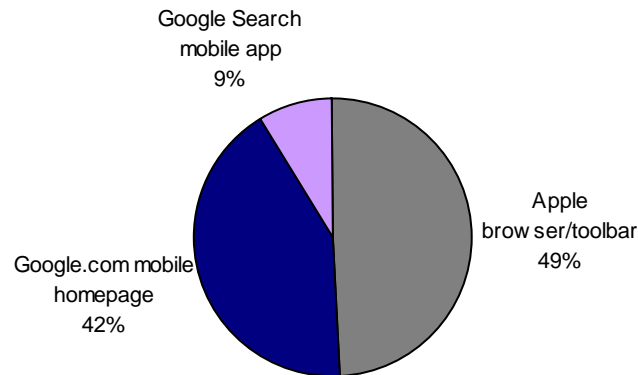
		<u>Incremental Effect of Mobile Usage on U.S. Search Market Revenues</u>								
		0.0%	2.0%	4.0%	6.0%	8.0%	10.0%	12.0%	14.0%	16.0%
U.S. Total Search Ad Spending - Y/Y Chg	9.0%	\$14,227	\$14,512	\$14,797	\$15,081	\$15,366	\$15,650	\$15,935	\$16,219	\$16,504
	10.0%	\$14,358	\$14,645	\$14,932	\$15,219	\$15,507	\$15,794	\$16,081	\$16,368	\$16,655
	11.0%	\$14,489	\$14,778	\$15,068	\$15,358	\$15,648	\$15,937	\$16,227	\$16,517	\$16,807
	12.0%	\$14,619	\$14,911	\$15,204	\$15,496	\$15,789	\$16,081	\$16,373	\$16,666	\$16,958
	13.0%	\$14,750	\$15,045	\$15,340	\$15,635	\$15,930	\$16,225	\$16,520	\$16,815	\$17,110
	14.0%	\$14,880	\$15,178	\$15,475	\$15,773	\$16,071	\$16,368	\$16,666	\$16,963	\$17,261
	16.0%	\$15,141	\$15,444	\$15,747	\$16,050	\$16,352	\$16,655	\$16,958	\$17,261	\$17,564
	18.0%	\$15,402	\$15,710	\$16,018	\$16,326	\$16,634	\$16,942	\$17,250	\$17,559	\$17,867
	20.0%	\$15,663	\$15,977	\$16,290	\$16,603	\$16,916	\$17,230	\$17,543	\$17,856	\$18,169
	22.0%	\$15,924	\$16,243	\$16,561	\$16,880	\$17,198	\$17,517	\$17,835	\$18,154	\$18,472
	24.0%	\$16,185	\$16,509	\$16,833	\$17,157	\$17,480	\$17,804	\$18,128	\$18,451	\$18,775

<u>Implied 2011E Total U.S. Search Advertising Revenue Growth</u>		
18%	20%	22%
19%	21%	23%
21%	23%	25%

Note: US\$ in millions

Source: IAB/PwC, Macquarie Capital (USA), March 2011

Apple’s Power Over the Mobile Search Ecosystem - We’ve seen data that shows that while Google absolutely dominates searches emanating from the iPhone (95%+), ~50% of iPhone Google searches come from the toolbar, 42% from Google’s homepage and less than 10% from Google’s app. ***This is an absolutely critical point, as it indicates that Apple has significant influence over GOOG’s mobile search share.*** If Apple were to make Bing the default search provider through its toolbar, Google’s share could be significantly impacted. (We think that this is one of the reasons that Android exists!)

Fig 9 Origin of Google Queries on the iPhone across the Chitika mobile ad network

Source: Chitika Research, Macquarie Capital (USA), March 2011

Additionally, AAPL's success with iPad and broader distribution of Safari via its PC market share gains is making AAPL's power to select a default search provider an ever increasing threat to Google. Given Safari's ~5% browser share and iPhone's share of mobile, we believe that Apple default search status impacts roughly 3–5% of total searches. In other words, at least 3–5% of Google's share could be impacted if Apple were to replace Google as the default search provider.

Other Questions that We Consider Key to the Discussion of Mobile Search Include:

1. How much is mobile search incremental to desktop search?
2. What is the value of mobile search versus desktop search?
3. What is mobile search query share amongst the key players?
4. What percentage of mobile queries occur on "toolbars/preferred placement" vs. through the Web?
5. What percentage of mobile queries occur on iOS devices? Android? Other?
6. What are the key differences in search usage/behavior between tablets/smart phones/feature phones/desktop?
7. What is the value of potentially tracking physical world actions/transitions back to mobile queries/ads?
8. What is the value of location-based mobile search?

Fig 10 Rated Companies - Valuation and Risks (prices are intra-day 3/2/2011)

	Price	Rating	VALUATION	RISKS
EBAY	\$32.77	Neutral	Our US\$37 price target is based primarily on DCF analysis (assumes 12.3% WACC, 10.3% 10-year revenue CAGR, long-term EBIT margins of 26%–30%, and 2% perpetual growth) and is supported by relative multiple and SOTP analysis. Our US\$37 target implies a P/E multiple of 19x/16x on our CY'11/CY'12 non-GAAP EPS estimates, an EV/EBITDA multiple of 11x/9x, and a FCF multiple of 21x/17x.	Risks for EBAY include slowdowns in global consumer spending, increased competition in eCommerce from companies such as AMZN, Google, Walmart, Sears, Best Buy, and others, changes in the relatively nascent market for online payments, and uncertainty surrounding the transition of Media sales to digital goods.
AMZN	\$172.70	Outperform	Our US\$200 price target is based primarily on DCF analysis (assumes 10.9% WACC, 16.8% 10-year revenue CAGR, long-term EBIT margins of 5.0%–8.0%, and 2% perpetual growth) and is supported by relative multiple analysis. Our US\$200 target implies a P/E multiple of 67x/49x on our CY'11/CY'12 GAAP EPS estimates, an EV/EBITDA multiple of 28x/20x, and a FCF multiple of 36x/25x.	Risks for AMZN include slowdowns in global consumer spending, increased competition from companies such as eBay, Google, Walmart, Best Buy, and others, uncertainty surrounding the transition of Media sales to digital goods, and sales tax legislation. In addition, increased investments required to build out emerging growth opportunities in digital media and Amazon Web Services could impact margins.
GOOG	\$602.68	Outperform	Our US\$725 price target is based primarily on DCF analysis (assumes 9.4% WACC, 8% 10-year revenue CAGR, long-term EBIT margins of 49–54%, and 2.5% perpetual growth) and is supported by relative multiple analysis. Our US\$725 target implies a P/E multiple of 21x/19x on our CY'11/CY'12 non-GAAP EPS estimates, an EV/EBITDA multiple of 13x/12x, and a FCF multiple of 23x/20x.	Risks for GOOG include slowdowns in global spending on advertising, regulatory/legal risks (including, but not limited to, issues surrounding user privacy), increased competition from companies such as Apple, Facebook, Microsoft, and others. Disintermediation from key vertically-focused companies, mobile carriers, mobile OEM's, PC OEM's, and others. Additionally, changes in consumer behavior online could negatively impact GOOG.
YHOO	\$16.68	Neutral	Our US\$18 price target is primarily based on DCF analysis (assumes 9.2% WACC, 2.0% 10-year revenue CAGR, long-term EBIT margins of 23–27%, and negative 4% perpetual growth) and is supported by relative multiple analysis. Our US\$18 target implies P/E multiples of 21x/20x our 2011/2012 non-GAAP EPS estimates, EV/EBITDA multiples of 13.1x/12.6x and FCF multiples of 49x/42x.	Risks for YHOO include slowdowns in global spending on advertising, developments that impact its investments in Alibaba and Yahoo Japan, uncertainty surrounding the integration of the MSFT search agreement, regulatory/legal risks (including but not limited to issues surrounding user privacy), increased competition from companies, including but not limited to, Apple, Facebook, and others. Deteriorating search market share. Risks associated with the transition to more Internet computing on mobile devices. Additionally, changes in consumer behavior online could negatively impact YHOO.
AOL	\$20.23	Neutral	Our US\$26 price target is based primarily on DCF analysis (assumes 10.4% WACC, -2% 10-year revenue CAGR, long-term EBIT margins of 15%–19%, and 2% perpetual growth) and is supported by relative multiple analysis. Our \$26 target implies a P/E multiple of 14x/16x our CY'11/CY'12 non-GAAP EPS estimates, an EV/EBITDA multiple 5x/6x, and a FCF multiple of 12x/17x.	Risks for AOL include slowdowns in global spending on advertising, continuing declines in its access subscription business, difficulties in right-sizing its advertising business for lower revenue levels, risks around the ultimate success and user acceptance of platforms such as Patch, regulatory/legal risks (including but not limited to issues surrounding user privacy), increased competition from companies, including but not limited to Apple, Facebook, and others. Deteriorating search market share, and risks associated with transition to more Internet computing on mobile devices. Additionally, changes in consumer behavior online could negatively impact AOL.
GSIC	\$19.99	Outperform	Our US\$32 target is based primarily on DCF (assumes 11.0% WACC, 9.1% 10-year revenue CAGR, long-term EBIT margins of 5%–8%, and 2.5% perpetual growth) and is supported by relative multiple and sum-of-the-parts analysis. Our US\$32 target implies an EV/EBITDA multiple of 11x/9x our 2011/2012 EBITDA estimates and a FCF multiple of 17x/16x our 2011/2012 FCF estimates.	Risks for GSIC include slowdowns in global consumer spending and advertising expenditures, uncertainty surrounding GSIC's expansion into International geographies, execution risk related to its technology unbundling initiative, increased client churn, and increased competition from companies, including but not limited to AMZN, MSFT, IBM, ORCL, and others. Additionally, changes in consumer behavior online could negatively impact GSIC, including the transition to more Internet computing on mobile devices.
VCLK	\$14.83	Neutral	Our US\$17 price target is based primarily on DCF analysis (assumes 10.8% WACC, 6.6% 10-year revenue CAGR, long-term EBIT margins of 25%–28%, and 2.5% perpetual growth) and is supported by relative multiple and sum-of-the-parts analysis. Our US\$17 target implies a P/E multiple of 20x/18x on our CY'11/CY'12 GAAP EPS estimates, an EV/EBITDA multiple of 8x/8x, and a FCF multiple of 14x/12x.	Risks for VCLK include slowdowns in global consumer spending and advertising expenditures, lack of visibility surrounding VCLK's business model in its Owned & Operated websites segment, potential dis-intermediation by emerging technologies such as demand-side-platforms and online advertising exchanges, increased regulatory risk (particularly around consumer privacy online and behavioural targeting), and increased competition from companies, including but not limited to Facebook, Google, AMZN, and others. Additionally, changes in consumer behavior online could negatively impact VCLK including the transition to more Internet computing on mobile devices.

Source: FactSet, Macquarie Capital (USA), March 2011

Important disclosures:

Recommendation definitions	Volatility index definition*	Financial definitions																																
<p>Macquarie - Australia/New Zealand Outperform – return >3% in excess of benchmark return Neutral – return within 3% of benchmark return Underperform – return >3% below benchmark return</p> <p>Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield</p> <p>Macquarie – Asia/Europe Outperform – expected return >+10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie First South - South Africa Outperform – expected return >+10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie - Canada Outperform – return >5% in excess of benchmark return Neutral – return within 5% of benchmark return Underperform – return >5% below benchmark return</p> <p>Macquarie - USA Outperform (Buy) – return >5% in excess of Russell 3000 index return Neutral (Hold) – return within 5% of Russell 3000 index return Underperform (Sell)– return >5% below Russell 3000 index return</p>	<p>This is calculated from the volatility of historical price movements.</p> <p>Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p>High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p>Medium – stock should be expected to move up or down at least 30–40% in a year.</p> <p>Low–medium – stock should be expected to move up or down at least 25–30% in a year.</p> <p>Low – stock should be expected to move up or down at least 15–25% in a year. * Applicable to Australian/NZ/Canada stocks only</p> <p>Recommendations – 12 months Note: Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / efpowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit / average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>																																
Recommendation proportions – For quarter ending 31 December 2010																																		
<table border="1"> <thead> <tr> <th></th> <th>AU/NZ</th> <th>Asia</th> <th>RSA</th> <th>USA</th> <th>CA</th> <th>EUR</th> </tr> </thead> <tbody> <tr> <td>Outperform</td> <td>46.38%</td> <td>62.62%</td> <td>52.17%</td> <td>44.99%</td> <td>67.57%</td> <td>50.90%</td> </tr> <tr> <td>Neutral</td> <td>37.68%</td> <td>18.58%</td> <td>34.78%</td> <td>50.61%</td> <td>28.83%</td> <td>35.48%</td> </tr> <tr> <td>Underperform</td> <td>15.94%</td> <td>18.80%</td> <td>13.04%</td> <td>4.40%</td> <td>3.60%</td> <td>13.62%</td> </tr> </tbody> </table>		AU/NZ	Asia	RSA	USA	CA	EUR	Outperform	46.38%	62.62%	52.17%	44.99%	67.57%	50.90%	Neutral	37.68%	18.58%	34.78%	50.61%	28.83%	35.48%	Underperform	15.94%	18.80%	13.04%	4.40%	3.60%	13.62%	<p>(for US coverage by MCUSA, 13.59% of stocks covered are investment banking clients) (for US coverage by MCUSA, 15.22% of stocks covered are investment banking clients) (for US coverage by MCUSA, 0.00% of stocks covered are investment banking clients)</p>					
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