

SPECIAL ASSIGNMENT:

**Examination of Invest4Profit's
Recommendations for the period
May 2004 to May 2009**

Examined by the Western Research Institute

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THE WESTERN RESEARCH INSTITUTE

The Western Research Institute is a non-profit research organisation founded in 1999, located on the Bathurst campus of Charles Sturt University. The WRI is recognised for its innovative economic and financial research and has worked with: large corporations and small businesses; Commonwealth, State and Local Governments; Australian and overseas universities; and industry groups. Over the last 7 years the Western Research Institute has established strong credentials in economic modelling and input-output analysis. The WRI has had a major influence on public policy, most notably the Federal government's decision NOT to proceed with a second international airport at Badgery's Creek.

The Research Team

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Leading the Western Research Institute is Tom Murphy, who not only founded the Institute, but has also been the Chief Executive Officer since the beginning. Mr Murphy holds a Master of Science (Economics) from the University of Lancaster and a Bachelor of Economics from the University of New England with first class honours. He has held academic positions at Charles Sturt University, Macquarie University and the University of New England. Prior to launching the WRI Tom worked as Director of the Regional Economics Research Unit, Economic Analyst with the Office of National Assessments, and as a Senior Consultant with KPMG Peat Marwick Management Consultants. Mr Murphy is a highly respected economist with a long list of commercial market consultancies, a host of peer reviewed academic papers and a strong media profile.

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EXECUTIVE SUMMARY

Marketmad.com commissioned the Western Research Institute (WRI) to conduct an examination of Invest4Profit.com's (Invest4Profit) recommendations and performance over the period May 2004 to May 2009. From this examination, it is the WRI's view that:

- Recommendations were made by Invest4Profit on the days recorded in their past results spreadsheet.
- The prices and dividends used to calculate returns occurred as recorded by Invest4Profit.
- For the period since inception from 1st May 2004 to 31st May 2009 Invest4Profit achieved an average return per recommendation of 32.1% per annum.
- Compared with May 2004, the value of the Invest4Profit portfolio has increased by 117%, compared with 12% for the All Ordinaries.

It should be noted that the WRI's examination does not constitute financial advice. The WRI makes no representation or comment on the suitability or otherwise of Invest4Profit's services and products for potential investors.

1 INTRODUCTION

Marketmad.com commissioned the Western Research Institute (WRI) to examine Invest4Profit's recommendations and the returns arising from this advice.

The examination covers the period since inception from 1st May 2004 to 31st May 2009 and also compares the monthly performance of the Invest4Profit portfolio with the performance of the All Ordinaries. The former is the period in which Invest4Profit has provided advice solely for investors. From May 2000 to May 2004 advice was provided for both investors and traders by Marketmad.com.

It is important to note that the WRI's examination of Invest4Profit's past results does not constitute financial advice and the WRI makes no representation or comment on the suitability or otherwise of Invest4Profit's services and products for potential investors.

2 METHODOLOGY

To assess the validity of Invest4Profits reported returns, the WRI checked that:

1. recommendations were made on the days recorded;
2. prices and dividends reported are correct;
3. monthly prices reported are correct; and
4. formulas used to calculate results are both valid and applied correctly.

2.1 Verify Recommendations

Invest4Profit was required to provide evidence that buy and sell recommendations were made on the dates recorded in the spreadsheet used to calculate past results. The WRI accepted a recommendation as confirmed provided that evidence could be given that a recommendation was made on the day shown on the Invest4Profit spreadsheet. It should be noted that the WRI makes no assessment about the style, clarity, strength or weighting of the recommendations made by Invest4Profit as shown in the evidence Invest4Profit provided.

Within these parameters, all recommendations recorded in the Invest4Profit past results spreadsheet could be verified. That is, evidence was provided by Invest4Profit that all recommendations were made on the date recorded on their spreadsheet. Note that this

examination did not include communications to subscribers that were not defined as recommendations by Invest4Profit.¹

In January 2006, a questionnaire was sent to 14 of Invest4Profit's subscribers randomly selected by the WRI.

The questionnaire contained a full list of Invest4Profit's recommendations including dates and prices for both entries and exits for the period May 2004 to December 2005. Subscribers were asked if the list of recommendations was consistent with their recollection of the advice provided by Invest4Profit and if this advice was clear.

Eleven subscribers responded to the survey, of which 9 indicated that the recommendations recorded in Invest4Profit's spreadsheet were generally correct:

"My recollection of the recommendations for entry and exit from the trades is clear and the table shown above is an accurate representation."

"I have checked the information provided in your table against share transactions I made when I mostly followed the recommendations and I can say that I find it consistent with my recollections of the recommendations being posted on the website, SMS messages and emails."

Two of the respondents however had some difficulty recalling some recommendations:

"I can't recall a couple of recommendations."

"I do not recall all these."

Eight out of eleven respondents agreed without reservation that the advice provided by Invest4Profit was free of ambiguity. However, 3 respondents made the following comments:

"In the beginning I found the recommendations to be a bit confusing as to entry price and amount to invest. The format of the recommendations was changed about nine months ago I think, which made things a lot simpler and clearer."

"I believe it is impossible to make categoric statements when forecasting share movements. Invest4Profit does a good job in making clients aware of their assessment of the probability of movement in a particular direction."

"I would have difficulty cross-checking the quoted recommendations out fully. I would be reluctant to dispute them, but they are clearly not the same as the limited records I have."

¹ Recommendations made prior to May 2004 but sold in the examination period were examined on the basis of the closing price on 30 April 2004 and the sell price provided by Invest4Profit.

2.2 Check Prices and Dividends

Entry and exit prices recorded in Invest4Profit's past results spreadsheet were compared to the high and low prices recorded on those days to ensure that the price provided by Invest4Profit was within the range for that day. Based on data from multiple sources, the WRI can confirm that all prices were within the relevant market range.

Dividends were also checked by comparing those recorded in Invest4Profit's past results spreadsheet to the dividend history available on the Australian Stock Exchange website. This comparison confirms that the dividends recorded by Invest4Profit are equal to those reported by the Australian Stock Exchange.

2.3 Check Monthly Performance

Monthly prices recorded in Invest4Profit's past results spreadsheet were compared with the closing price on the last trading day of the month for each stock. Where a stock was sold before the end of the month, the value of the stock for that month was calculated until the sale date, not the end of the month. Based on data from multiple sources, the WRI can verify the reported monthly performance of both the Invest4Profit portfolio and the All Ordinaries.

3 RESULTS

The WRI has calculated past results for the period since inception to 31st May 2009, and also compares the monthly performance of the Invest4Profit portfolio with the performance of the All Ordinaries.

Raw gain provides an average measure of the actual return on each recommendation as it was invested. That is, none of the results are annualised. In accordance with ASIC guidelines, raw returns are calculated using the following formula:

$$Total_Return = \left[\left(\frac{Total_Final_Value}{Total_Initial_Value} \right) - 1 \right] \times 100$$

The average annual return includes the raw gain on recommendations held for less than one year and the annualised return on recommendations held for more than twelve months. Returns for recommendations held more than 12 months are annualised as follows:

$$Annualised_Total_Return = \left[\left(\frac{Total_Final_Value}{Total_Initial_Value} \right)^{\left(\frac{1}{Number_of_Years} \right)} - 1 \right] \times 100$$

In accordance with ASIC, IFSA and AIPS guidelines, returns for periods less than 12 months are not annualised. Note that total return includes the value of dividends received.

Based on the comparison of past results, the WRI is able to verify that:

1. Over the period since inception to 31st May 2009 Invest4Profit achieved an average return per recommendation of 32.1% per annum.
2. Compared with May 2004, the value of the Invest4Profit portfolio has increased by 117%, compared with 12% for the All Ordinaries. The month by month results are shown in Appendix 1: Comparison of Monthly Indices.

4 CONCLUSION

Based on the methodology outlined in this report the WRI can verify that the returns presented by Invest4Profit as a record of their past investment performance for the period May 2004 to May 2009 are a true and fair representation of Invest4Profit's performance.

It is important to note that the WRI's examination of Invest4Profit's past results does not constitute financial advice and the WRI makes no representation or comment on the suitability or otherwise of Invest4Profit's services and products for potential investors.

5 APPENDIX 1: COMPARISON OF MONTHLY INDICES

The table below uses an index to compare the monthly performance of the Invest4Profit portfolio with the monthly performance of the All Ordinaries.

Month	Invest4Profit Index	All Ordinaries Index
Baseline	100	100
May-04	91	101
Jun-04	93	104
Jul-04	95	104
Aug-04	95	105
Sep-04	95	108
Oct-04	99	111
Nov-04	107	116
Dec-04	107	119
Jan-05	109	121
Feb-05	109	122
Mar-05	109	120
Apr-05	106	116
May-05	106	119
Jun-05	115	124
Jul-05	130	128
Aug-05	140	130
Sep-05	149	135
Oct-05	149	129
Nov-05	158	135
Dec-05	168	138
Jan-06	199	143
Feb-06	206	143
Mar-06	233	149
Apr-06	235	153
May-06	233	146
Jun-06	226	148
Jul-06	265	145
Aug-06	259	149
Sep-06	239	150
Oct-06	278	157
Nov-06	280	160
Dec-06	295	166
Jan-07	306	169
Feb-07	328	171
Mar-07	320	175
Apr-07	347	181
May-07	346	186
Jun-07	363	185
Jul-07	369	182
Aug-07	322	183
Sep-07	328	193
Oct-07	352	199
Nov-07	320	193
Dec-07	321	188

Jan-08	244	167
Feb-08	225	167
Mar-08	209	159
Apr-08	230	166
May-08	231	169
Jun-08	204	156
Jul-08	210	148
Aug-08	233	153
Sep-08	219	136
Oct-08	192	117
Nov-08	190	108
Dec-08	202	107
Jan-09	194	102
Feb-09	179	97
Mar-09	193	104
Apr-09	215	110
May-09	217	112