

ECONOMIC STATISTICS SUMMARY

| Country | Cash Rate | | Inflation Rate (%) | | Unemployment Rate (%) | | GDP Annual Growth (%) | |
|-----------|-----------|------------------|--------------------|--------|-----------------------|--------|-----------------------|-------------|
| | Jul-10 | Last Change | Latest | Month | Latest | Month | Past Year | Last Update |
| Australia | 4.50 | +0.25 (Apr-2010) | 2.90 | May-10 | 5.10 | Jun-10 | 2.70 | Mar-10 |
| USA | 0.25 | -0.75 (Nov-2008) | 2.00 | May-10 | 9.50 | Jun-10 | 2.40 | Mar-10 |
| Japan | 0.10 | -0.20 (Nov-2008) | -0.90 | May-10 | 5.20 | May-10 | 4.60 | Mar-10 |
| UK | 0.50 | -0.50 (Feb-2009) | 5.10 | May-10 | 7.90 | May-10 | -0.20 | Mar-10 |
| China | 5.31 | -0.27 (Nov-2008) | 3.10 | May-10 | NA | NA | 11.90 | Mar-10 |

AUSTRALIAN ECONOMIC COMMENTARY

On July 6, the RBA agreed to leave the cash rate unchanged at 4.5%. RBA Governor Glenn Stevens cited uncertainty in global markets as a leading factor in the decision. Additional economic data, including a recent decrease in consumer spending was another major reason to keep rates on hold. Despite this, they believe business confidence will remain strong overall and were generally positive with regards to the prospects of the local economy. Essentially, the RBA is adopting a conservative approach in order to balance the strong domestic outlook against the cautionary global outlook.

Unemployment remained steady at 5.1%, although further economic data showed increased participation in the workforce with 45.9K new jobs created in June, well above market expectations. Both full-time and part-time employment rose by 18.4K and 27.5K respectively.

Continuing the positive news, was the strong jump in the Consumer Confidence index which rose a dramatic 11.1% this month after the RBA's decision, reversing a recent downward trend fuelled by fears that European sovereign debt would slow domestic growth. Australians are more confident about the state of the economy with a steady cash rate, a strong jobs market and a resolution to the mining tax dispute.

The outlook for business was mixed, with business confidence increasing 2 points to 8, whilst the business conditions index fell 1 point to 4. However, the Westpac Leading Index remains positive, predicting strong growth for the next 3 to 9 months. Changes to the proposed Resources Super Profits Tax have greatly improved confidence in the mining sector, which has doubled from 13 to 25 in the NAB business confidence index. Retail remains a weak spot, with confidence further declining and significant discounting apparent.

Overall, the outlook for the Australian economy remains strong, despite the downside risk posed sectors by the global economy.

GLOBAL ECONOMIC COMMENTARY

Currently the world presents a mixed global economic picture with generalised uncertainty about the pace of global growth. The Asia-Pacific region is the most robust, with growth in **China** remaining strong at 11.9%, although it may be moderating as government policy changes come into effect. Obviously, high GDP growth in Australia's major trading partner is very promising for the domestic economy. **Japan** too, shows promise of a moderate economic recovery, with an upturn in GDP growth and housing approvals, in addition to improved retail spending.

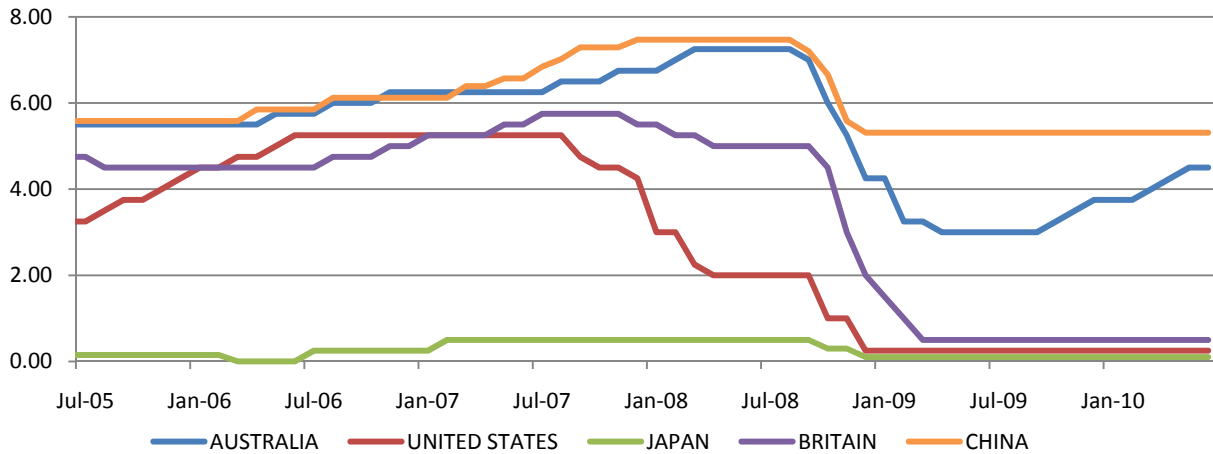
On the other hand, **Europe** remains cautionary due to uncertainty over sovereign debt and banks debts. Numerous governments are considering tightening fiscal policy despite already low rates of growth. Much of the worldwide uncertainty derives from the Eurozone, as growth in Asia and Latin America remains strong. This uncertainty is reflected in almost all of the economic data; the overwhelming message is that most parameters have remained unchanged for the past quarter as we wait for further information as the debt crisis unfolds.

The **UK's** Monetary Policy Committee continues to leave the cash rate on hold at 0.5%, unchanged since Feb 2009. They remain in recession. With a national debt approaching £1 trillion, sovereign debt is also a significant concern in addition to their close proximity and links to Europe. Relatively high inflation is also limiting spending power of consumers and may limit their attempts at economic recovery.

The **US** economy continues to improve, with a return to retail spending and stronger manufacturing figures. Building approval figures have steadied after falling in Q1, suggesting the improvement was unsustainable. However, the ISM Manufacturing survey has shown a steady turnaround in the manufacturing industry, currently sitting at 56.2, an indicator that the economy is expanding. The cash rate remained unchanged.

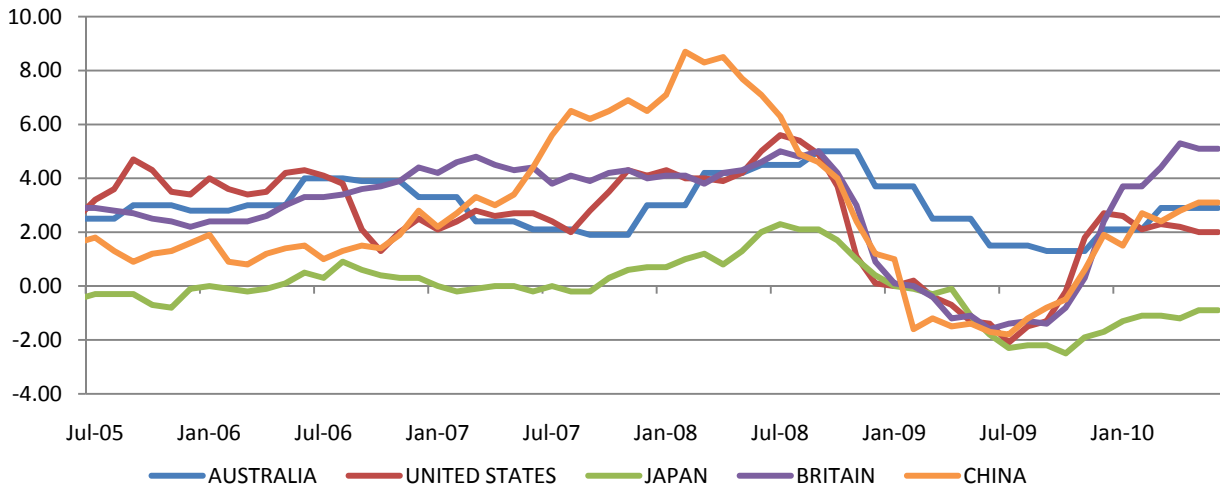
The global economy remains mixed, with Asia outperforming the other regions. Japan and the US are both showing signs of recovery, yet the UK and Europe remain more cautious.

CASH RATES



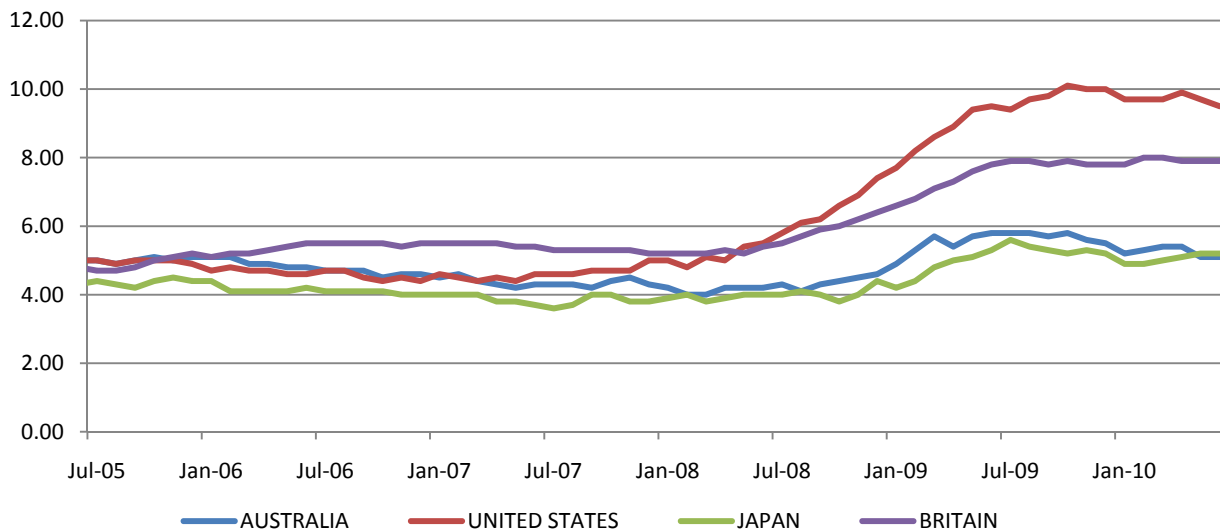
Global cash rates have remained very flat over the last 18 months, with Australian and Chinese rates remaining significantly higher than the other nations. The UK has left their cash rate unchanged at 0.5% since May 09. Australia has raised rates over this time, indicating stronger levels of economic growth, although it appears rates are stabilising at around 4.5%. The key implication is that Australia remains attractive to international investors, offering stronger yields on cash and bonds and this is supportive to the Australian Dollar.

INFLATION RATES (ANNUALISED)



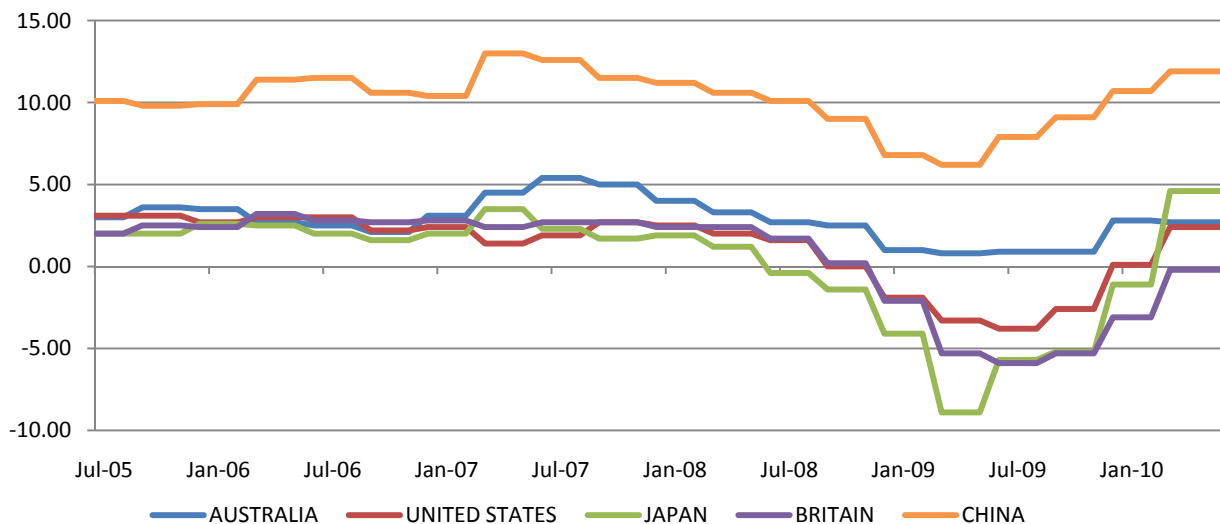
Australian inflation rates remained steady at 2.9%; the US was also flat at 2.0%. Japan remains in deflation, although it continues to slowly improve. UK rates remain comparatively high, despite a moderate reduction over the past three months. China continues to exhibit increased inflation rates, up from negative territory one year ago. Globally, inflation is trending upwards and remains at moderate levels, but broadly not at levels where interest rate rises are required.

UNEMPLOYMENT RATES



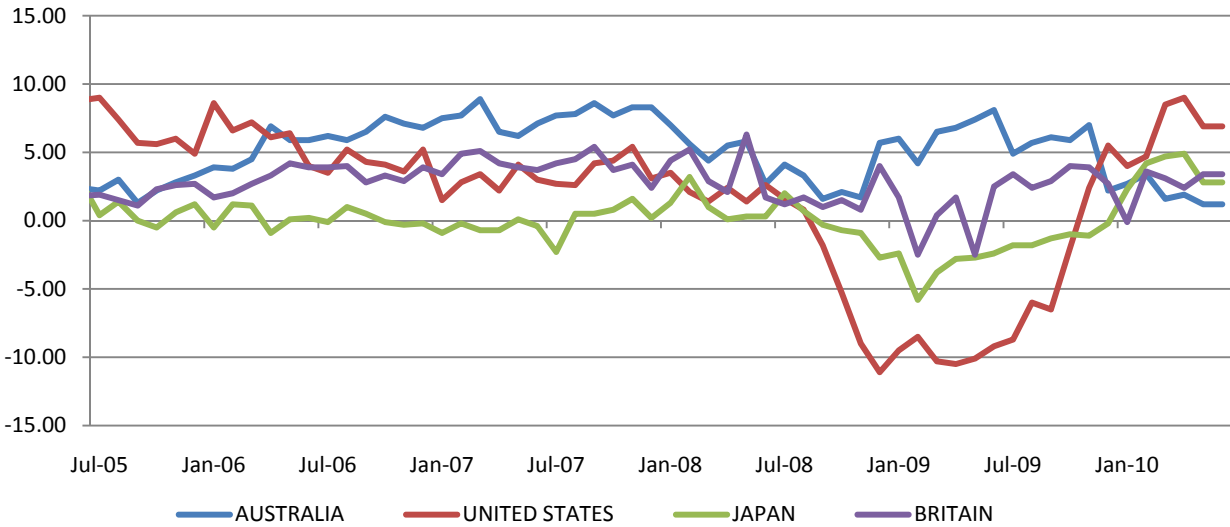
Australia's unemployment rate remained unchanged at 5.10%. This trend was continued globally, with the major nations all recording stable unemployment figures over the past 6 months. Unemployment rates remains significantly lower in the Asia-Pacific region, reflecting a stronger economic position. The US data continues to show slight signs of improvement. This stability suggests the outlook for most nations is cautionary at this time.

GDP GROWTH (ANNUAL)



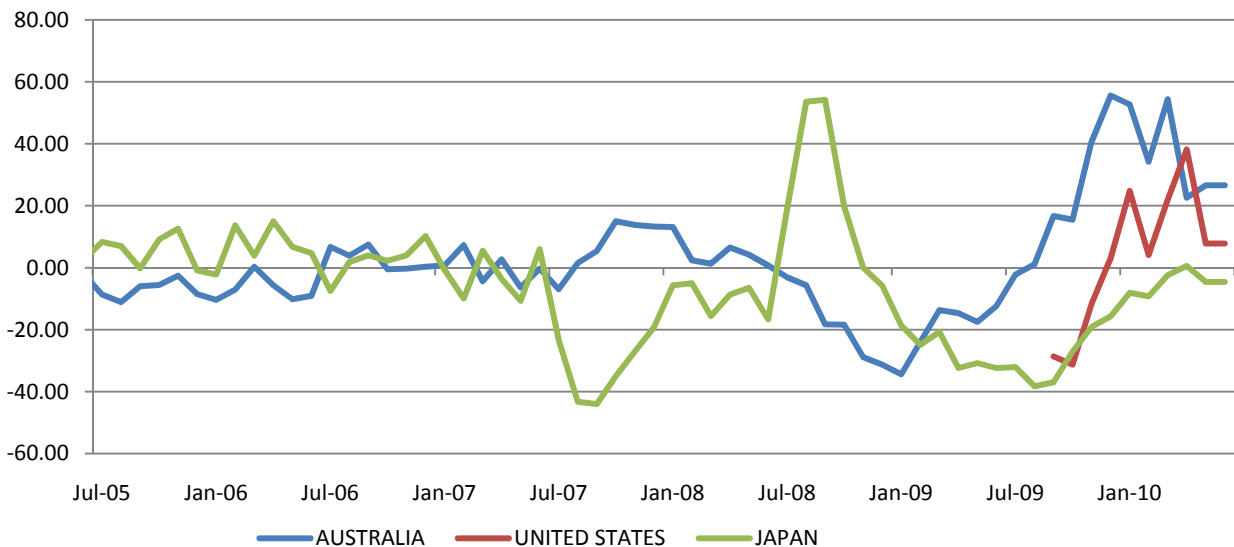
Annual GDP growth remained flat in Australia, the US and Japan. China's growth appears to have levelled off over the last 6 months, suggesting government policies to curb growth are beginning to take effect, although the overall rate remains high. The UK remains in recession with ongoing negative growth over the past 6 months although it is improving from a low base.

CHANGE IN RETAIL SALES – ROLLING 12 MONTH CHANGE



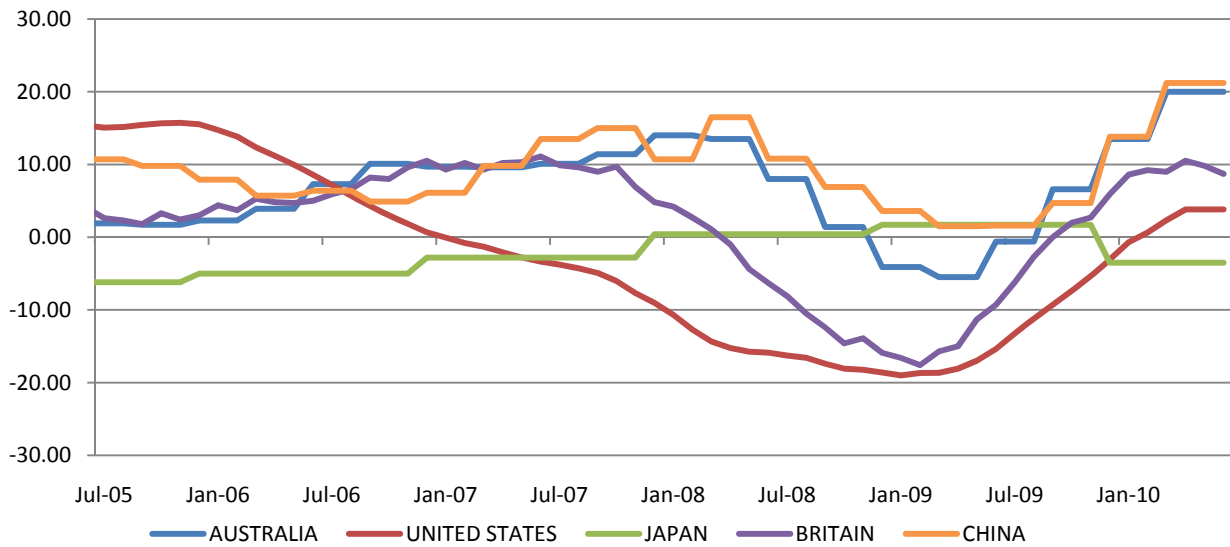
US retail sales have pulled back slightly from a recent high but remain strong, suggesting increasing consumer confidence, with a return to spending, a very positive sign for their economy. Australian retail spending remained flat recently, but has declined significantly over last eight months. The peak may represent artificial inflation from economic stimulus money which is now returning towards expected levels. Equally, the reduction may reflect a desire to save money given the likelihood of further interest rate rises. Spending in the UK has remained static recently. Japan's retail spending has improved dramatically over the last 18 months, suggesting further economic recovery despite moderating over the last quarter.

HOUSING APPROVALS – ROLLING 12 MONTH CHANGE



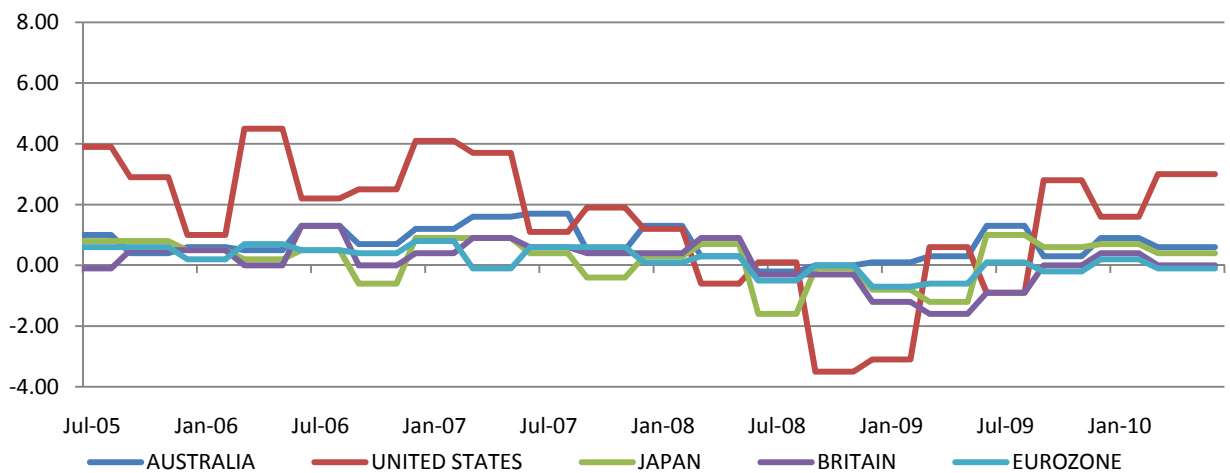
Housing approval numbers in all three nations remained flat in the last quarter. Over the past 12 months, Japan has showed a significant rise, again suggesting signs of an economic recovery. Despite an initial dramatic improvement, US approvals data fell again in Q1, almost mirroring the pattern displayed in Australia where the numbers have moderated after an initially strong but not sustainable recovery.

HOUSING PRICES – ROLLING 12 MONTH PRICE CHANGE



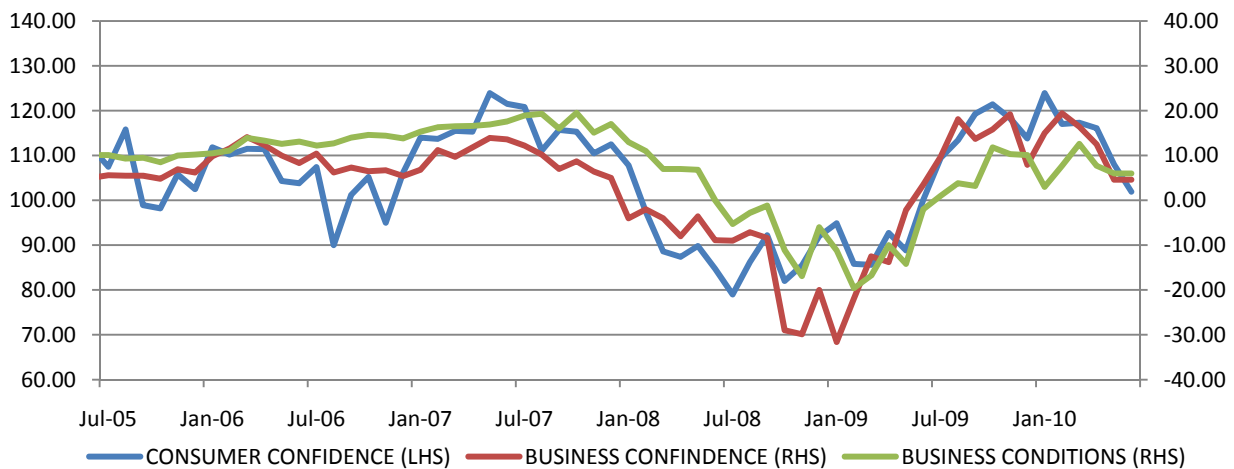
Australia and China's housing prices remain consistently high, reflecting higher levels of both economic growth and consumer confidence. The chart illustrates a very close correlation between Australian and Chinese property prices, and the relative strength of both economies. The US continues to improve off a very low base. UK prices have also been steadily recovering over the same time frame, perhaps due to rising inflation, although there has been a slight downturn in recent months.

HOUSEHOLD CONSUMPTION – QTR ON QTR CHANGE IN HOUSEHOLD EXPENDITURE



Household consumption remained flat globally, although it remains comparatively high in the US after the figures recovered from the negative territory of 18 months ago. This reflects a more cautionary approach from households worldwide, and a move towards saving rather than spending. Certainly concerns over sovereign debt appear to have limited consumption in Europe, a trend that has continued worldwide, as households wait for further signs of improvement in their respective economies.

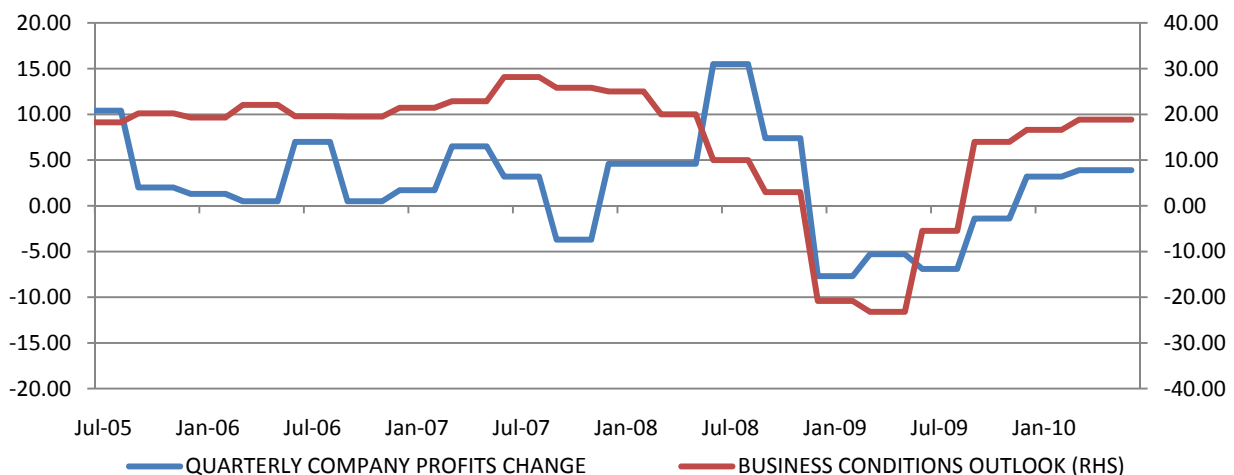
CONSUMER & BUSINESS CONFIDENCE / CONDITIONS



Consumer confidence showed a sudden dramatic improvement this month, rising 11.1% on the news of steady cash rates and strong economic data. This reverses a trend that saw it fall 17.8% over the last six months, falling from a peak of 123.9 to 101.9. Please note that recent release this is not yet reflected in the above chart as the survey was released just prior to publication.

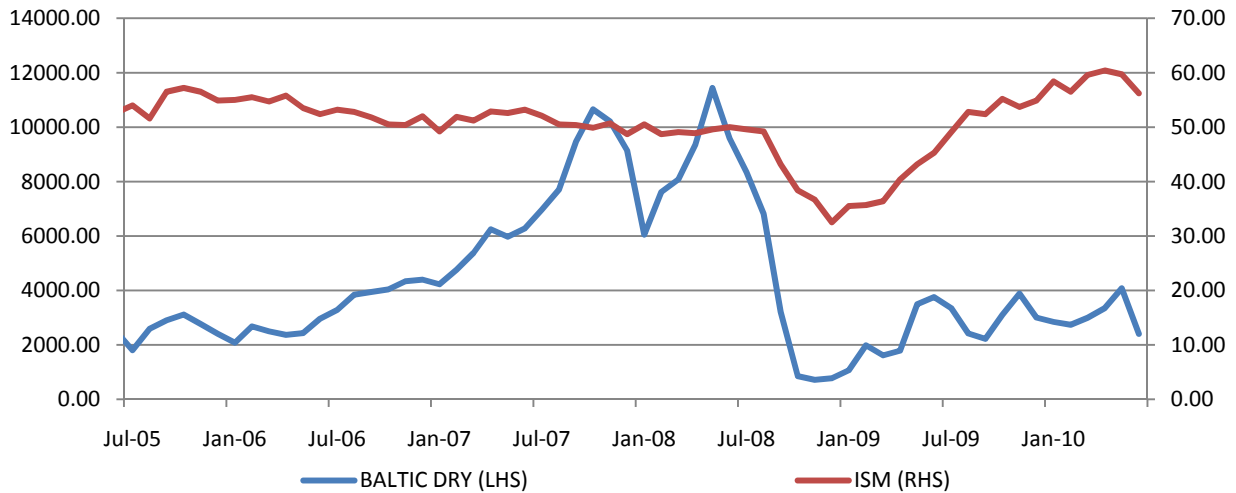
The data for business was mixed with business conditions improving 33%, whilst confidence declined 20% over the month. Whilst Australia's economy remains strong, the downturns in confidence are more likely to be reflective of concerns about the state of the global economy than the domestic one.

COMPANY PROFITS – QUARTER ON QUARTERLY PROFIT CHANGE & BUSINESS CONFIDENCE OUTLOOK



Both parameters remained unchanged. This trend is consistent after an initial rise around one year prior. Both data sets have not been updated since March. The new figures are expected at the end of July.

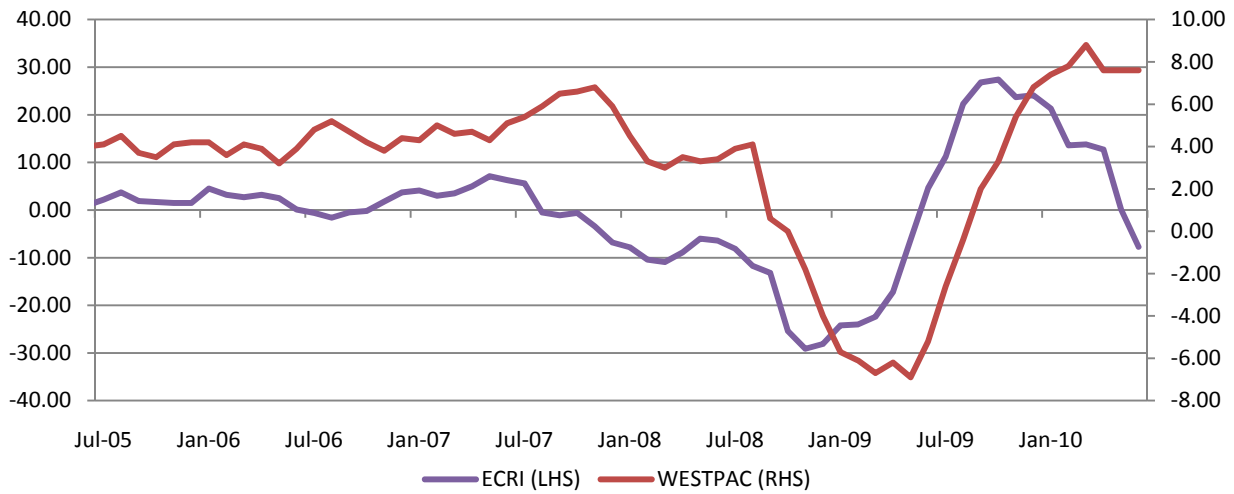
LEADING INDICATORS – BALTIC DRY INDEX & ISM MANUFACTURING SURVEY



The Baltic Dry Index (BDI) tracks international shipping prices for various dry bulk cargoes, indirectly measuring global supply and demand for shipped bulk commodities such as coal, iron ore and building materials. As it measures demand for raw materials, it is regarded as a leading economic indicator of future growth. During 2008, strong growth pushed the index to record highs, and then record lows as the impact of the GFC took hold. It is now closer to historical levels, but remains volatile and is trending downwards, suggesting reduced demand for commodities and by implication, reduced growth.

ISM Manufacturing surveys executives from its member companies to rate US manufacturing activity levels. Typically, fluctuations in manufacturing greatly impact the GDP, so this survey is a leading indicator of economic turnarounds or contractions. It is highly valued as the earliest data figure released each month. Typically, values over 50 indicate expansion with values below 50 indicating economic contraction. The ISM has increased 58.3% over the past 18 months, suggesting steady turnaround in the US manufacturing sector although growth has slowed over the last months, dropping from 59.7 to 56.2 in June.

LEADING INDICATORS - WESTPAC LEADING INDICATOR (AUST) & ECRI WEEKLY LEADING GROWTH RATE (US)



The Westpac Leading Index indicates the likely pace of economic growth 3 to 9 months into the future. The chart illustrates Australia is likely to experience strong and ongoing economic growth, after demonstrating a dramatic turnaround over the last year, rising from a low of -6% with fears of a possible recession through to 8%, suggesting a much brighter economic outlook.

ECRI Weekly Leading Growth Rate is a predictor of economic growth in the US. It is highly valued as the earliest economic figure released each week. It has consistently declined over the past year, and now at -7.7%, is approaching the dreaded 10% mark – historically a strong predictor of recession. This downward trend diverges from the other US data, which is generally more positive.

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DATA SOURCE: BLOOMBERG

BLOOMBERG DATA SERIES

| CHART | BLOOMBERG DATA SERIES |
|---|--|
| CASH RATES | Australia RBA Cash Rate Target |
| | Federal Funds Target Rate US |
| | Bank Of Japan Target Rate of Unsecured Overnight Call Rate Expected |
| | UK Bank of England Official Bank Rate |
| | China 1 Year Best Lending Rates |
| | ECB Main Refinancing Rate |
| CPI | Australia CPI All Groups Goods Component YoY |
| | US CPI Urban Consumers YoY NSA |
| | Japan CPI Nationwide YoY |
| | China CPI YoY |
| | UK RPI YoY NSA |
| GDP | Australia GDP SA YoY |
| | GDP US Chained 2005 Dollars YoY SA |
| | Japan GDP Real Chained NSA YoY% |
| | UK GDP Chained GDP at Market Prices YoY |
| | China GDP Constant Price YoY |
| UNEMPLOYMENT | US Unemployment Rate Total in Labor Force Seasonally Adjusted |
| | Australia Labor Force Unemployment Rate SA |
| | Japan Unemployment Rate SA |
| | UK Unemployment ILO Unemployment Rate SA |
| | Australia Labor Force Unemployment Rate SA |
| RETAIL SALES | Australia Retail Sales YoY SA |
| | US Adjusted Retail & Food Services Sales Total Yearly % Change SA |
| | Japan Retail Trade YoY NSA |
| | UK Retail Sales All Retailing Sales Per Week Chained Volume YoY SA |
| HOUSE/LAND PRICES | Australia House Price Index Established Homes YoY 2003-2004=100 |
| | S&P/Case-Shiller Composite-20 City Home Price Index YoY (US) |
| | Japan Land Prices Nationwide All YoY% |
| | UK Nationwide House Prices All Houses YoY NSA |
| | China Land Transaction Price YoY |
| HOUSING APPROVALS | Australia Building Approvals Dwellings YoY |
| | US New Privately Owned Housing Units Started by Structure Total SAAR YOY |
| | Japan Housing Starts YoY NSA |
| HOUSEHOLD CONSUMPTION | Australia GDP Final Consumption Expenditure Households QoQ SA |
| | Eurostat GDP Constant 2000 Prices Eurozone Household Consumption Expenditure QoQ |
| | Japan GDP Chained Real Private Consumption QoQ% SA |
| | UK GDP Final Consumption Expenditure Chained Prices Household Expenditure QoQ |
| | GDP US Personal Consumption Chained 2005 Dollars % Change SAAR |
| COMPANY PROFITS & BUSINESS OUTLOOK | Australia Comp Gross Operating Profit QoQ Chg Seasonally Adjusted |
| | National Quarterly Business Survey Business Confidence Outlook SA |
| CONSUMER & BUSINESS CONFIDENCE | Westpac-Melbourne Institute Consumer Confidence Consumer Sentiment |
| | National Australia Bank Business Indicators Business Confidence SA |
| LEADING INDICATORS | Baltic Dry Index |
| | ISM Manufacturing PMI SA |
| | Australia Westpac Leading Index Annualised Growth YoY% |
| | ECRI Weekly Leading Index Growth Rate |

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