

Market Indicators

Market	Indicator	End of Month	Previous Month	1 Month Change	12 Months Ago	12 Month Change
Interest Rates	Overnight Cash	4.75	4.75	0.00%	4.25	0.50%
	3 Month BBSW	4.93	4.90	0.02%	4.55	0.38%
	10 Year Bond	5.44	5.50	-0.06%	5.72	-0.28%
Australian Shares	All Ords	4899.00	4928.60	-0.60%	4833.90	1.33%
	S&P/ASX 200	4823.20	4837.90	-0.30%	4807.40	0.33%
Regional Shares	Dow Jones Industrials (US)	12810.54	12319.73	3.83%	11008.61	14.07%
	S&P 500 (US)	1363.61	1325.83	2.77%	1186.69	12.97%
	FTSE 100 (UK)	6069.90	5908.76	2.65%	5553.29	8.51%
	TOPIX (Japan)	851.85	869.38	-2.06%	987.04	-15.87%
	Hang Seng (Hong Kong)	23720.81	23527.52	0.81%	21108.59	11.01%
Property	ASX 300 A-REITS Index	851.60	849.10	0.29%	890.90	-4.61%
	US\$ Gold Price	1563.70	1432.30	8.40%	1179.20	24.59%
	US\$ Oil Price – W Texas Crude	113.93	106.72	6.33%	86.15	24.38%
	US\$ CRB Spot Commodity Index	569.61	575.25	-0.99%	444.93	21.89%
Exchange Rates	AUD / USD	1.0971	1.0359	5.58%	0.9243	15.75%
	AUD / EUR	0.7409	0.7299	1.48%	0.6953	6.15%
	AUD / GBP	0.6566	0.6447	1.80%	0.6051	7.83%
	AUD / JPY	89.06	85.80	3.66%	86.72	2.62%
	TWI	78.90	76.30	3.30%	72.50	8.11%
Volatility	VIX Index	14.75	17.74	-2.99%	22.05	-7.30%

Key Points:

- The Australian Dollar (AUD) continues to post new post-float highs versus the USD, rallying 5.58% for the month. The AUD also performed well on a trade weighted basis, up 3.30% for the month.
- The RBA Board once again left the cash rate unchanged (at 4.75% on April 3rd), the RBA hinted that it expects the current inflationary concerns to dissipate and return to target within the year. The Australian 10 year government bond rallied and finished the month 6bps lower.
- The strength of the AUD contributed to the relatively weak performance of Australian Equities, which fell 0.32% in April, as measured by the S&P/ASX 300 Index. The ASX top 50 leaders (+0.18%) outperformed the broader market, while small companies lagged (-2.61%).
- Global equities markets posted modest gains in local currency terms, with all major markets posting gains. However, due to the strength of the AUD the MSCI World Index ex-Aus closed the month 1.55% lower, on an unhedged basis.
- Spot oil price continued its upward trend as sustained political unrest continues in the Middle East. Texas Crude rose 6.33% during the month.
- Gold rose 8.40%, closing the month at US\$1,563.70.
- Volatility continued its downward momentum, decreasing by 2.99%, as measured by the VIX Index.

Cash, Fixed Interest & Credit

Zenith Benchmarks	Index	Past		3 Yr	5 Yr	Fin Yr To	Cal Yr to	
		1 Mth	Qtr	1 Yr	p.a.	p.a.	Date	Date
Australian Cash	UBSA Bank Bill	0.40	1.20	4.93	4.94	5.65	4.13	1.63
Australian Bonds	UBSA Australia Composite All Maturities	0.48	1.59	6.78	7.54	6.23	3.64	2.53
International Bonds	Barclays Global Aggregate (AUD Hedged) *	0.91	1.01	3.01	4.87	5.21	1.30	0.70

Summary of Statistics:

- **Australian Cash** returned 0.40% in April, returning 4.93% for the past 12 months.
- **Australian Bonds** rose by 0.48% in April, as represented by the UBS Composite All Maturities Index. Australian 10 year government bonds rallied and finished the month 6bps lower, yields as at April 30 were 5.44%, which is 26bps lower from one year ago.
- **International Bond prices** rose 0.91% in April, as measured by the Barclays Global Aggregate (Hedged \$USD) Index. Bond prices rallied, with the exception of Australian and Japanese 3 year Bonds. Hedged \$AUD returns are higher, due to the current interest rate differential between US and Australian interest rates.
- In the **Global Corporate Debt Market** High Yield debt performed the strongest with spreads falling 6bps (ie. spreads fall, prices rise). It is also the strongest performer over a one year period.

Commentary:

Domestic data released during the month was relatively positive and generally beat expectation, bond prices rallied, with the Australian 10 year bond price now yielding 5.44% (from 5.50% last month). Of note, unemployment fell to 4.9%, with the addition of 32,100 full-time and 5,700 part-time jobs. CPI rose to 3.3% annualised change (market forecast was 3.0%), increasing speculation of an official cash rate rise in the near term.

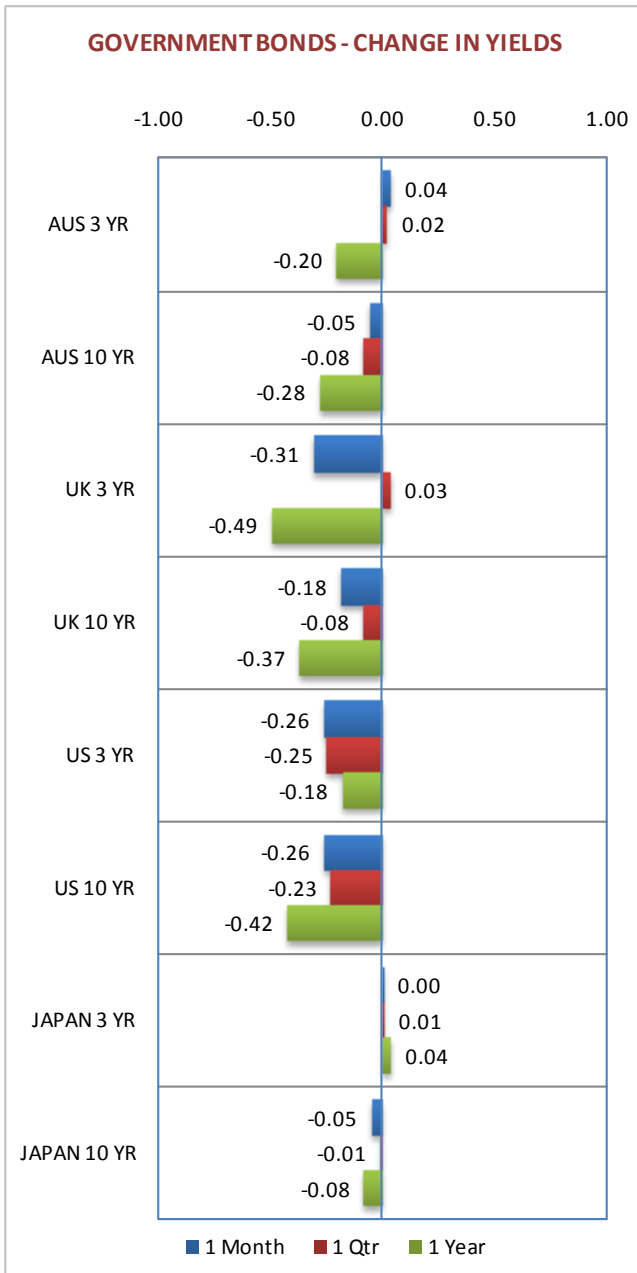
The AUD performed exceptionally strongly in April, rising 3.30% on a trade weighted basis during the month. The AUD/USD found itself at a new post-float high and finished the month at \$1.09, which is attributed to a number of factors: Strong Australian economic data; a positive outlook on Chinese and Global growth (which was re-affirmed by the IMF); as well as sustained USD weakness (the USD fell 3.9% on a trade weighted basis).

On April 7th the European Central Bank increased the cash rate by 25bps, in a move that was well telegraphed in March. The decision was made despite increased uncertainty as an outcome of the Japanese disasters. The Governing Council stated the decision for the move was based on inflation on the rise, and that risks to the price outlook were on the upside.

Early month economic indicators continued to exceed expectations in the US, with non-farm payrolls increasing by 216,000 and unemployment falling to 8.8%. However, the most significant news during the month was the revision of the US credit rating outlook to negative by S&P. GDP growth fell to 1.8% annualised, for the march quarter, the expected rate of growth was 2.0%. While Federal surveys of numerous US capitals were weaker than expected.

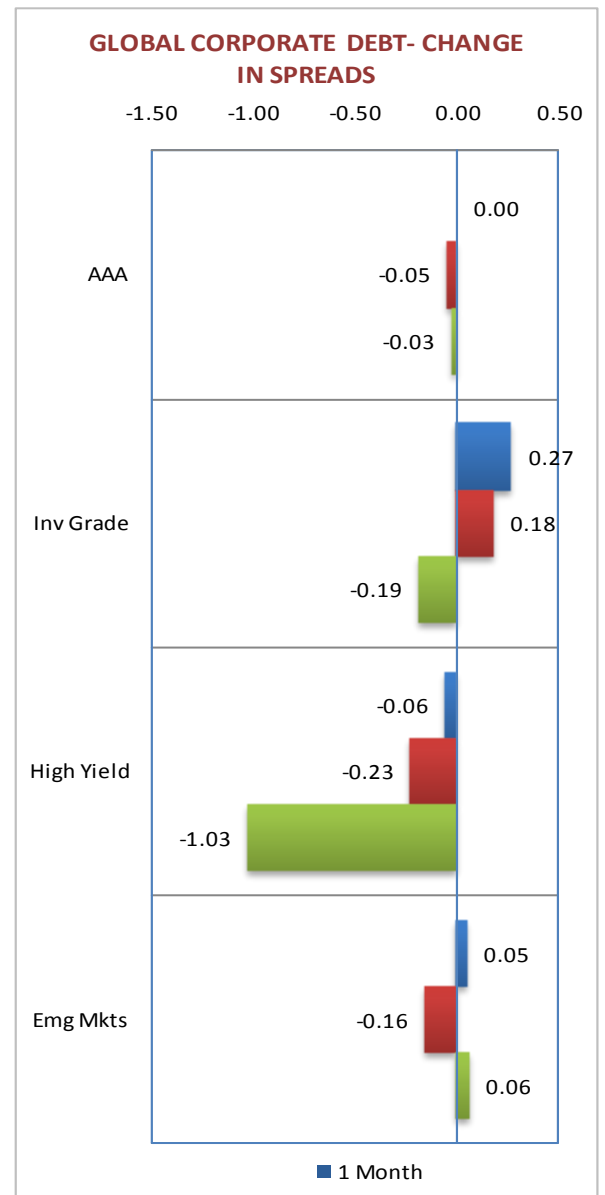
Unrest in the Middle East continued to escalate, NATO and the US began aerial bombardment in Libya, in an effort to oust the current political leadership. Due to Libya being a significant oil producer, crude oil prices jumped yet again. The effects of oil price appreciation are now being seen in global CPI releases. Inflationary effects on bond prices have been subdued by revised global growth expectations, following the Japanese disasters.

Cash, Fixed Interest & Credit (cont)



This chart shows the change in Government Bond yields over the past 1 month, 1 quarter and 1 year. A negative change in yields indicates a rise in Bond prices. Country weightings for the Barclays Global Aggregate Index, as at 31 May 2010 were as follows: Aus 1%; UK 6%; US 26%; Japan 33%.

This chart shows the change in Global corporate debt spreads over the past 1 month, 1 quarter and 1 year. A negative change in spreads indicates a rise in corporate debt security prices and vice versa.



Australian Shares

Zenith Benchmarks	Index	1 Mth	Past Qtr	1 Yr	3 Yr p.a.	5 Yr p.a.	Fin Yr To Date	Cal Yr to Date
Australian Shares	S&P/ASX 300	-0.32	2.69	4.87	-0.45	2.61	16.50	2.80
Australian Shares - Market Cap	ASX 50 Leaders	0.18	3.50	4.31	0.45	3.05	15.53	4.15
	ASX Midcap 50	-2.04	0.41	4.74	-3.66	0.48	17.27	-1.30
	ASX Small Ordinaries	-2.61	-1.63	10.50	-2.92	2.05	25.01	-3.77
	S&P/ASX Emerging Companies	-1.87	2.35	29.74			51.34	0.65
Australian Shares - GICS Sectors	S&P/ASX 300 Materials	-2.13	3.02	17.38	0.39	8.13	26.13	-0.19
	S&P/ASX 300 Industrials	-3.53	-1.66	-1.81	-6.26	-2.71	19.00	-1.62
	S&P/ASX 300 Consumer Discretionary	-1.72	0.85	-4.99	-3.41	-3.61	7.69	1.55
	S&P/ASX 300 Consumer Staples	1.04	1.71	11.67	6.13	10.65	12.17	4.20
	S&P/ASX 300 Energy	-2.16	5.03	9.84	3.75	9.74	21.68	3.66
	S&P/ASX 300 Healthcare	-0.88	-1.17	7.74	0.68	6.78	12.49	-0.57
	S&P/ASX 300 Information Technologies	0.25	-3.35	-14.20	4.35	4.43	-4.26	-7.15
	S&P/ASX 300 Telecommunication	3.25	9.25	4.65	-3.66	4.12	3.28	10.30
	S&P/ASX 300 Financials ex Property	1.93	4.85	0.88	6.16	3.64	18.50	7.37
	S&P/ASX 300 Utilities	2.27	1.90	5.20	-3.47	-0.45	11.94	0.03
	S&P/ASX 300 Property	0.30	1.65	1.11	-15.63	-9.37	6.71	4.05

Summary of Statistics:

- **Australian Equities** fell 0.32% in April, as measured by the S&P/ASX 300 Accumulation Index.
- The **Telecommunications** sector led the market, adding 3.25%. The **Industrials** sector performed the worst, declining 3.53%.
- On a **market cap basis**, the ASX 50 Leaders made a positive gain of 0.18% for the month. The ASX Small Ordinaries Index was the worst performer, shedding 2.61%.

Commentary:

The Australian market underperformed relative to global markets, largely suffering from a rising Australian dollar and inflationary pressures. The market finished April down 0.32%, as measured by the S&P/ASX 300.

Materials, industrials and energy sectors underperformed, largely due to revised forecasts as a result of the AUD strength. The telecommunications sector was the best performer during the month. The sectors largest weighting Telstra rallied 3.2%, as the CEO welcomed amendments to laws governing the National Broadband Network. Additionally, Telstra secured a 5 year exclusive rights deal to stream every game of the AFL season live on the internet, from 2012.

The rapid appreciation of the Australian dollar was the main theme during April, as it placed downward pressure on earnings profits from offshore operations. BlueScope's credit rating was downgraded by Fitch, as profits have eroded due to a stronger Australian dollar. The steelmaker's shares were also adversely affected by worries that the proposed carbon tax may cost the company \$450 million over the next eight years.

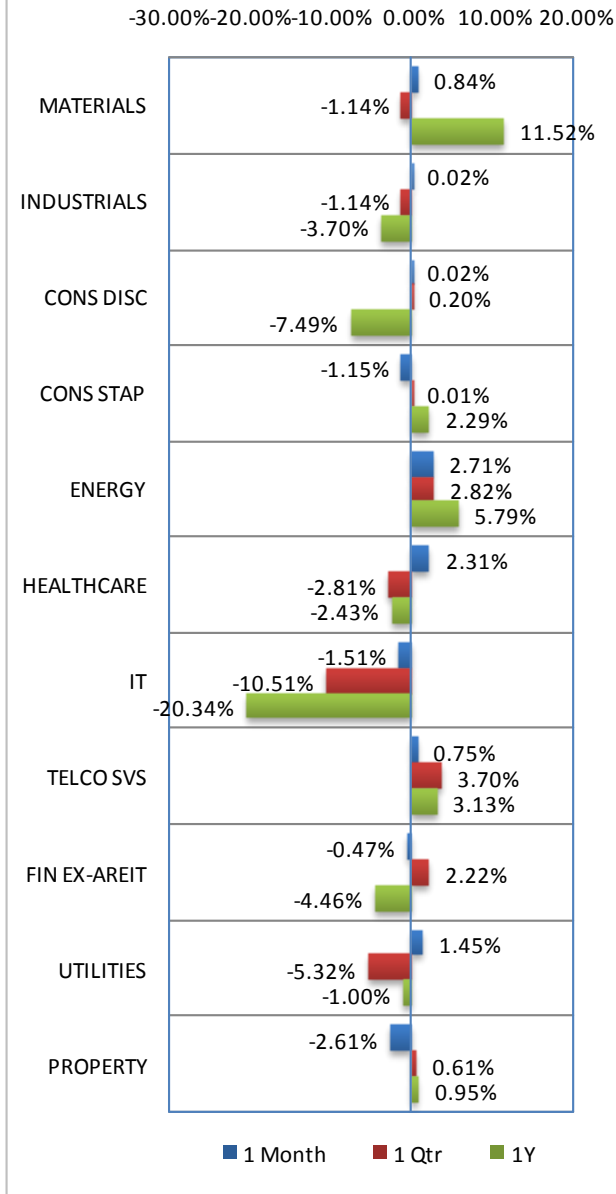
Alumina also fell with concerns over rising raw material costs, and the stronger AUD expected to hurt the company's profit margins. Despite this, Alcoa, a US based company which Alumina holds a 40% stake in, posted better than expected returns, attributed to a growing demand for aluminium products.

BlueScope Steel and Alumina shed 11% and 8% respectively in April.

*This Section has been worked with contribution from Data Analyst, Christopher Huang.

Australian Shares (cont)

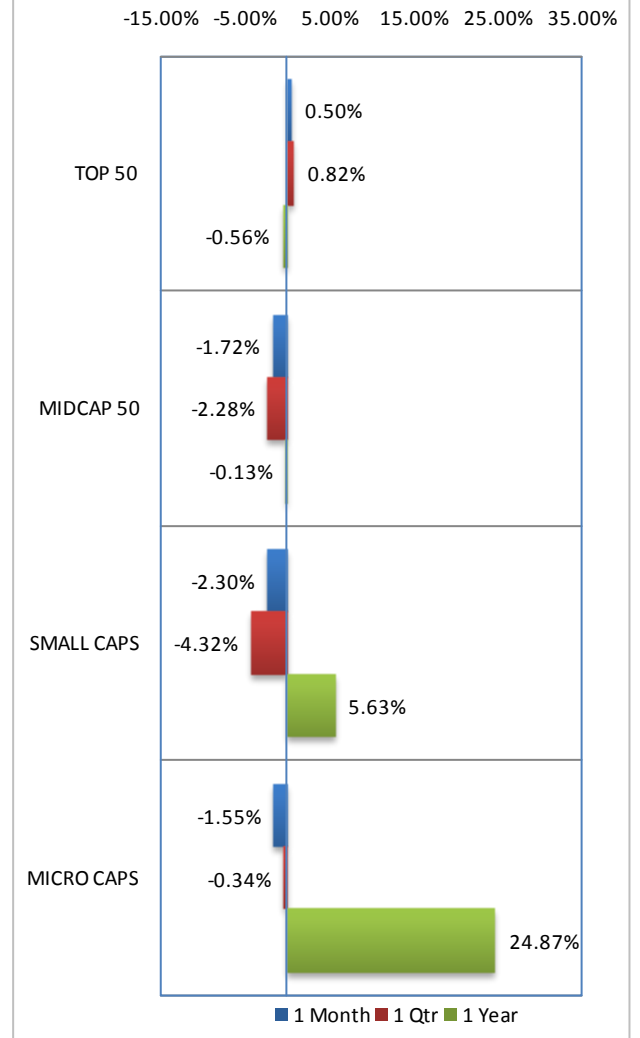
GICs SECTOR PERFORMANCE RELATIVE TO ASX 300 ACCUMULATION INDEX



This chart shows market capitalisation segmental performance relative to the ASX 300 Index. Please note the ASX Emerging Companies Index, as represented by Micro Caps in this chart has less than 1 year's performance history.

This chart shows GICs Sector performance relative to the ASX 300 Index, over the past 1 month, 1 quarter and 1 year time periods. GICs Sector weightings for the ASX 300 Index, as at 31 May 2010 were as follows: Materials 25%; Industrials 7%; Consumer Discretionary 4%; Consumer Staples 9%; IT 1%; Telecommunication Services 4%; Financials ex-AREIT 33%; Property 6%; Energy 7%; Utilities 1%; Healthcare 4%.

LARGE, MID AND SMALL CAP PERFORMANCE RELATIVE TO ASX 300 ACCUMULATION INDEX



International Shares

Zenith Benchmarks	Index	Past		3 Yr	5 Yr	Fin Yr To	Cal Yr to	
		1 Mth	1 Yr					
International Shares in A\$	MSCI World Ex Au Unhedged A\$	-1.55	-2.89	0.45	-5.61	-5.14	4.10	2.28
	MSCI World A\$	-1.49	-2.67	0.58	-5.40	-4.91	4.52	2.33
	MSCI Small Cap World Ex Aus	-1.92	-0.46	5.88	1.62	-3.60	11.49	3.27
International Shares - Regional in A\$	MSCI North America	-2.82	-2.81	-0.08	-3.46	-4.29	4.13	2.10
	MSCI Asia	-3.38	-7.98	-4.83	-5.85	-5.87	-5.76	-5.82
	MSCI AC Asia ex-Japan	-1.93	-3.41	3.35	-1.43	2.71	0.66	-1.66
	MSCI China	-4.00	-4.28	-5.16	-5.21	7.56	-10.09	-2.10
	MSCI Europe	2.06	0.78	6.34	-7.81	-4.65	10.69	7.70
	MSCI Emerging Markets	-2.57	-1.48	2.64	-2.31	2.09	2.88	-1.45
	MSCI India	-6.49	-1.60	-9.57	-4.72	3.30	-14.48	-12.05
	MSCI Japan	-5.16	-13.18	-13.26	-10.31	-11.86	-12.61	-10.62
International Shares - Hedged	MSCI World ex Au Local Currency	2.37	3.96	11.37	-1.36	0.25	25.80	6.03
International Shares - Gold Shares in A\$	FTSE Gold Mines	-1.03	3.93	2.04	7.76	0.91	-9.67	-5.62
International Shares - Global Resources in A\$	HSBC Global Mining	-2.33	-1.27	11.15	-2.78	5.82	17.72	-3.78

Summary of Statistics:

- **International Shares (ex-Australia)** fell 1.55% in April on an unhedged basis, and rose 2.37% on a hedged basis.
- The **FTSE Gold Mines Index**, which reflects gold mining stocks globally, declined 1.03% for the month.
- On a **Regional** basis, Europe was the best performer, adding 2.06% on an unhedged basis. India fell 6.49% and was the worst performer in April.
- Once again, the rapid appreciation of the AUD has resulted in a negative impact on unhedged performance returns.

Commentary:

Global equity markets performed quite strongly in local currency terms, the MSCI World Index ex Aust finished the month 2.37% higher.

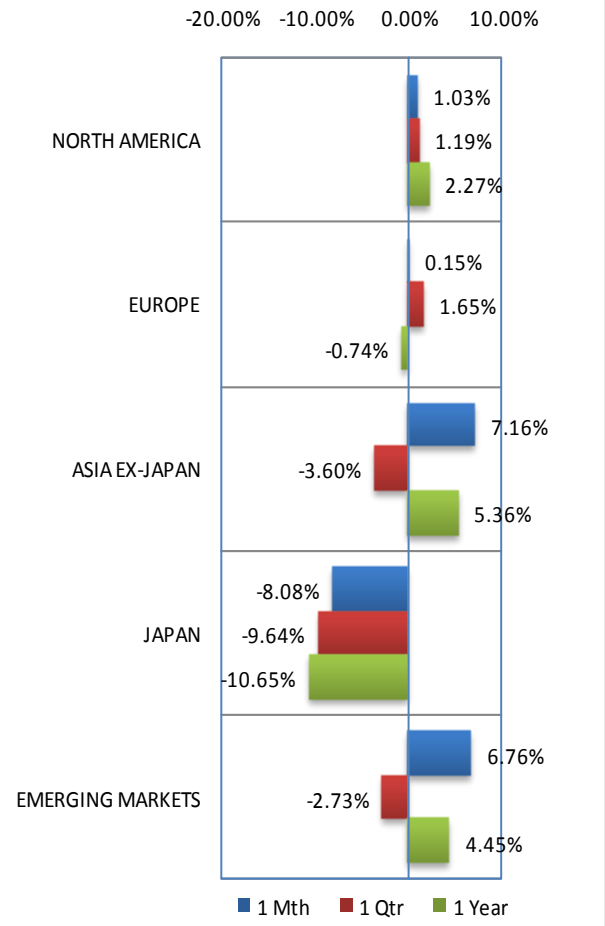
Strong economic indicators from the US, stronger than expected earnings in the US and Europe, and the US Fed announcing that it is likely to maintain its accommodative policy spurred global markets during the month.

Restraining further gains was speculation that oil supply and subsequent inflation, as a result of unrest in the Middle East and Libya, could hamper global growth.

Portugal also weighed on overall gains, as it announced it would become the third country part of the EU to seek financing (along with Greece and Ireland).

Despite the sovereign debt problems of Portugal, Europe as a whole was the best performing region in April, on hedged and unhedged currency terms. Propelling the market was increasing economic strength in the region, which was displayed by earnings reports beating expectation, as well as the European Central Bank increasing the cash rate.

REGIONAL PERFORMANCE RELATIVE TO MSCI WORLD INDEX IN UNHEDGED \$A TERMS



This chart shows Regional performance relative to the MSCI World Index in Unhedged \$A terms, over 1 month, 1 quarter and 1 year time periods. Regional weightings for the MSCI World Index, as at 31 May 2010 were as follows: North America 58%; Europe 29%; Asia ex-Japan 2%; Japan 11%. Note Emerging Markets is not part of the index.

Property & Infrastructure

Zenith Benchmarks	Index	1 Mth	Past Qtr	1 Yr	3 Yr p.a.	5 Yr p.a.	Fin Yr To Date	Cal Yr to Date
Australian Listed Property	S&P/ASX 300 Property	0.30	1.65	1.11	-15.63	-9.37	6.71	4.05
Global Listed Property - Hedged in A\$	FTSE E/N Dev	3.16	4.13	14.14	-7.84	-3.87	26.42	5.89
Global Listed Infrastructure - Hedged in A\$	UBS Global Infra. & Utilities	1.34	0.94	9.62	-1.78	4.07	15.82	3.62
Global EM Listed Infrastructure - Hedged in A\$	UBS EM Infra. & Utilities	-3.69	-0.31	-0.97	-1.43	3.79	-4.26	0.45

Summary of Statistics:

- In April **Australian Listed Property** returned 0.30%, underperforming **Global Listed Property's** 3.16% return.
- **Global Listed Infrastructure** rallied 1.34%, outperforming **Global Emerging Markets Listed Infrastructure** which returned -3.69% for the month.

Commentary:

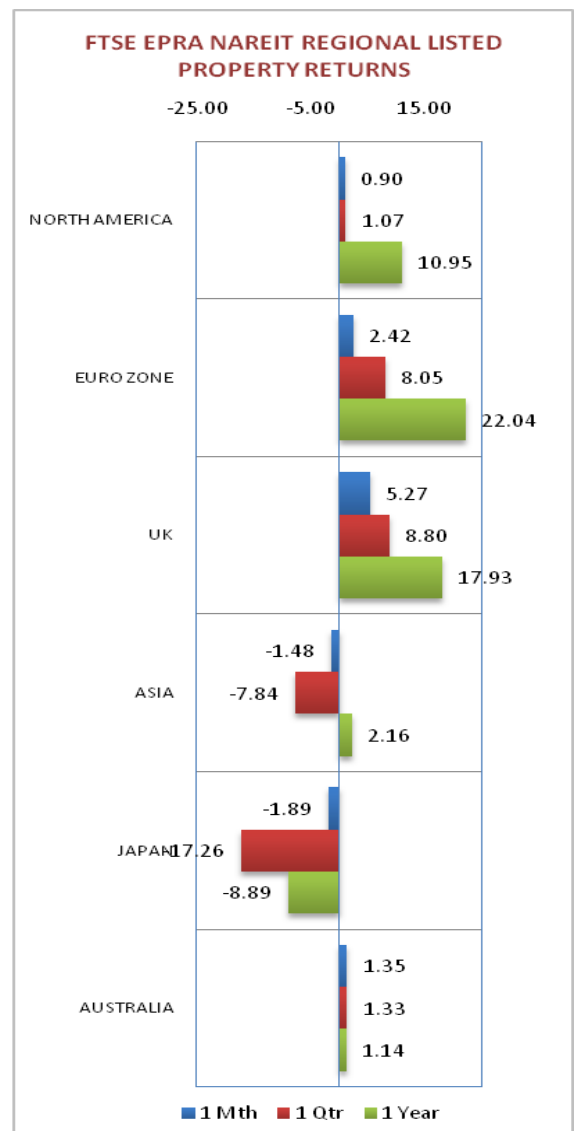
The S&P/ASX 300 Property Index posted a slight gain of 0.30% in April, continuing its underperformance the global property sector, which returned 3.16%.

In domestic company specific news, Leighton Holdings raised \$514 million from institutions at a reduced share price offer. The company was downgraded by credit rating agencies to a negative outlook, following a profit warning due to cost blow outs and a write down on a Middle East project. The company also sold a 35% stake in its Indian operations.

The FTSE E/N Developed Index (hedged \$AUD) rose 3.16%. Japan performed the worst, as share prices continued to be weighed down by the natural disasters which affected the region in March.

Credit rating agencies are keeping a close eye on infrastructure companies that are reliant to commodities, particularly coal and oil. Canadian National Railway revised its earnings forecast as a direct result of oil price increases.

This chart shows Regional performance relative to the FTSE EPRA/NAREIT Index, over 1 month, 1 quarter and 1 year time periods. Regional weightings for the FTSE Index, as at 31 May 2010 were as follows: North America 46%; Europe ex-UK 10%; UK 5%; Asia ex-Japan 20%; Japan 10%; Australia 9%.



Data source: Bloomberg

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