Zenith Monthly Market Report   December 2010

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%	3.75	1.00%
	3 Month BBSW	4.95	4.90	0.05%	4.10	0.86%
	10 Year Bond	5.57	5.44	0.13%	5.76	-0.20%
Australian Shares	All Ords	4846.90	4676.40	3.52%	4882.70	-0.74%
	S&P/ASX 200	4745.20	4584.40	3.39%	4870.60	-2.64%
Regional Shares	Dow Jones Industrials (US)	11577.51	11006.02	4.94%	10428.05	9.93%
	S&P 500 (US)	1257.64	1180.55	6.13%	1115.10	11.33%
	FTSE 100 (UK)	5899.94	5528.27	6.30%	5412.88	8.26%
	TOPIX (Japan)	898.80	860.94	4.21%	907.59	-0.98%
	Hang Seng (Hong Kong)	23035.45	23007.99	0.12%	21872.50	5.05%
Property	ASX 300 A-REITS Index	828.70	830.80	-0.25%	887.80	-7.13%
	US$ Gold Price	1420.78	1386.02	2.45%	1096.95	22.79%
	US$ Oil Price – W Texas Crude	91.38	84.11	7.96%	79.36	13.15%
	US$ CRB Spot Commodity Index	468.62	483.96	-3.27%	421.13	10.13%
Exchange Rates	AUD / USD	1.0233	0.9604	6.15%	0.8980	12.24%
	AUD / EUR	0.7643	0.7365	3.64%	0.6265	18.03%
	AUD / GBP	0.6555	0.6163	5.97%	0.5562	15.14%
	AUD / JPY	83.02	80.30	3.28%	83.63	-0.73%
	TWI	75.80	73.00	3.69%	69.70	8.05%
Volatility	VIX Index	17.75	23.54	-5.79%	21.68	-3.93%

Key Points:

- The Australian Dollar (AUD) continued its impressive run against the USD, rising 6.15% and reaching a new record high. Similarly strong gains were made on the Euro, the Pound and the Yen.
- The RBA left the cash rate on hold after the 25 basis point rise in November.
- The S&P/ASX 200 Index gained 3.39% over the month, although the overall year has still been negative despite the market rally.
- Global markets performed strongly this month. The US and the UK displayed the strongest performance adding 6.13% and 6.30%, respectively.
- Gold continued its glittering rise, closing the month 2.45% higher at US$1,420.78, contributing to a massive gain of 22.79% for the 12 month period, although it must be remembered that some of these gains are on the back of USD weakness.
- The CRB Spot commodity index, which indexes price movements across 22 industrial and food-stuff commodities, posted another loss, down 3.27% for the month.
- The Oil price rose 7.96% during the month, spurred by a cold Northern Hemisphere winter that saw inventories fall sharply, in addition to expectations that growth would improve in the world's largest oil consuming nation, the US.
- The VIX which measures implied volatility derived from options on S&P500 securities, has fallen 5.79% over the month, and 3.93% over the year.

Cash, Fixed Interest & Credit

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 Cash	UBSA Bank Bill	0.42	1.24	4.66	5.23	5.69	2.46	4.66
Australian Bonds	UBSA Australia Composite All Maturities	0.03	-0.19	6.04	7.43	5.76	1.08	6.04
International Bonds	Barclays Global Aggregate (USD Hedged)	-0.47	-1.63	4.61	5.09	4.85	0.60	4.61

Summary of Statistics:

- **Australian Cash** returned 0.42% in December, posting gains of 4.66% over the last 12 months.
- **Australian Bonds** made slight gains of 0.03% in December; they have returned 6.04% over the last 12 months as measured by the UBS Composite All Maturities Index.
- **International Bond prices** lost 0.47% during the month, as measured by the Barclays Global Aggregate (Hedged $USD) Index. Spreads on 3 year government bonds in the UK widened by 0.29%, whilst spreads in the US contracted to 0.23% after the implementation of the quantitative easing package.
- In the **Global Corporate Debt Market** high yield debt outperformed as spreads contracted by 1.02%, whilst emerging market debt spreads reversed their recent trend, also contracting 0.24%. Investment grade debt spreads increased 0.16%.

Commentary:

After a 25 basis point rise in November, the RBA elected to leave interest rates on hold in December, in line with consensus expectations. Banks lifted their rates independently of the RBA to an average of 40bps, effectively eliminating the need for a follow up rise in the short term. Additionally, weaker than expected economic data showed the Australian economy losing momentum, growing by just 0.2% in Q3. However, rates are tipped into continue rising well into 2011 as inflationary pressures increase.

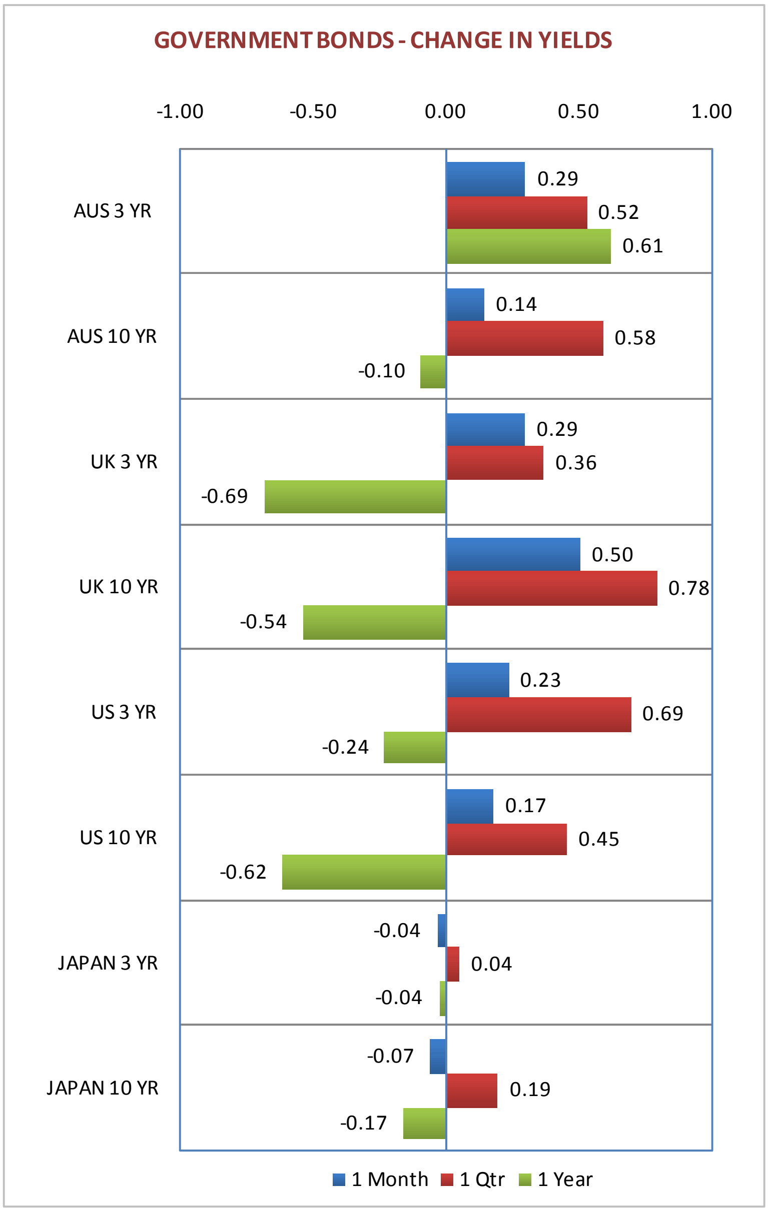
Australian 10 year bonds are currently priced to yield 5.57% per annum. The Australian Government bond yield curve retains its usual shape, reflecting the market's expectations for further rate rises.

There are early signs that the quantitative easing measures in the US are having their intended effects. We saw an equity market rally, a gentle improvement in 3 year bond yields and strengthening US economic data, particularly in the manufacturing sector. The Federal Reserve meeting in December indicated that the US$600 billion bond buyback would proceed, as they board remains concerned about both the pace and strength of the anaemic recovery.

Further fears hit the European markets despite the Irish bailout. During December the ratings agencies continued their downgrades, with Fitch's downgrading Portugal amid fears that they would be the next country bailed out despite the announcement of its austerity measures. Investors remain unimpressed with the EU's attempts to stop the contagion, as yields on Portuguese bonds have soared above 7%. Eurozone countries are expected to issue 800 billion in bonds in 2011 to in order to finance government budget deficits. Heavy bond issues in January are expected to continue weighing on both European and global markets. This could result in further bond purchases from the European Central Bank, which will surely reach a limit on how many of the suspect bonds it can buy.

The Australian dollar surged past all major currencies during December. Fluctuating between US$0.97 and US$1.02 during the month, it passed the US$1.0 barrier twice, finally closing at a new record high. The record came at the end of the month after US bond yields retreated following a 29bn auction of US Treasury notes. The AUD also continued to appreciate against the Euro and the Japanese Yen.

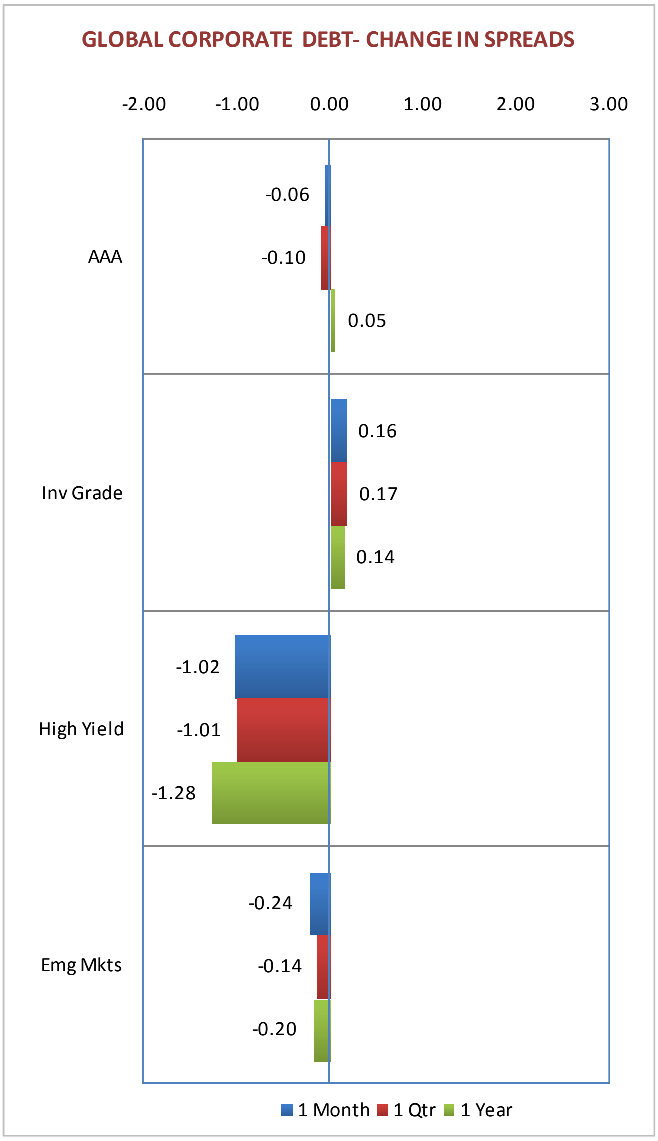
Cash, Fixed Interest & Credit (cont)



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.

The below shows a mild decrease in 1-month spreads, across all debt classes with the exception of Investment Grade debt.



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	3.77	4.65	1.90	-5.04	4.38	13.34	1.90
Australian Shares - Market Cap	ASX 50 Leaders	3.11	3.51	0.44	-4.22	4.62	10.94	0.44
	ASX Midcap 50	5.95	7.88	4.05	-8.50	2.48	18.81	4.05
	ASX Small Ordinaries	7.07	11.20	13.05	-5.89	5.54	29.91	13.05
	S&P/ASX Emerging Companies	7.80	17.36	25.78			50.36	25.78
Australian Shares - GICS Sectors	S&P/ASX 300 Materials	6.76	13.92	14.58	1.40	12.81	26.37	14.58
	S&P/ASX 300 Industrials	2.33	2.35	-1.97	-11.91	-1.69	20.96	-1.97
	S&P/ASX 300 Consumer Discretionary	0.53	-1.87	-4.15	-12.99	-2.24	6.05	-4.15
	S&P/ASX 300 Consumer Staples	0.82	-4.50	4.70	1.22	11.26	7.65	4.70
	S&P/ASX 300 Energy	4.55	7.97	3.09	4.80	12.28	17.39	3.09
	S&P/ASX 300 Healthcare	3.27	8.80	5.68	0.33	9.08	13.13	5.68
	S&P/ASX 300 Information Technologies	5.44	6.52	-3.87	1.42	8.21	3.11	-3.87
	S&P/ASX 300 Telecommunication	-0.66	6.39	-7.22	-7.16	2.48	-6.36	-7.22
	S&P/ASX 300 Financials ex Property	3.46	1.76	-2.36	-3.56	4.68	10.36	-2.36
	S&P/ASX 300 Utilities	2.01	0.07	7.42	-6.73	1.47	11.91	7.42
	S&P/ASX 300 Property	1.20	-1.17	-0.68	-21.36	-9.79	2.55	-0.68

Summary of Statistics:

- The S&P/ASX 300 Accumulation Index gained 3.77% over December, again outperformed by the MSCI World (ex Australia) Index.
- The S&P/ASX 200 finished the year down 2.64%, after a more buoyant second half saw the market rebound from a first half impacted by the sovereign debt crisis.
- The Small Ordinaries Index continued to outperform the broader markets, returning 11.20% for the quarter against the S&P/ASX 300 return of 4.65%.
- Materials and Energy performed strongly, returning 6.76% and 4.55% for the month.
- Telecoms trailed the market slipping back 0.66%, whilst Consumer Discretionary underperformed, returning just 0.53%.
- On a market cap basis, the S&P/ASX Emerging Companies Index continues to strongly outperform the indices, adding another 7.80% to the total, whilst consecutive gains have seen the Index rise to 17.36% for the quarter.

Commentary:

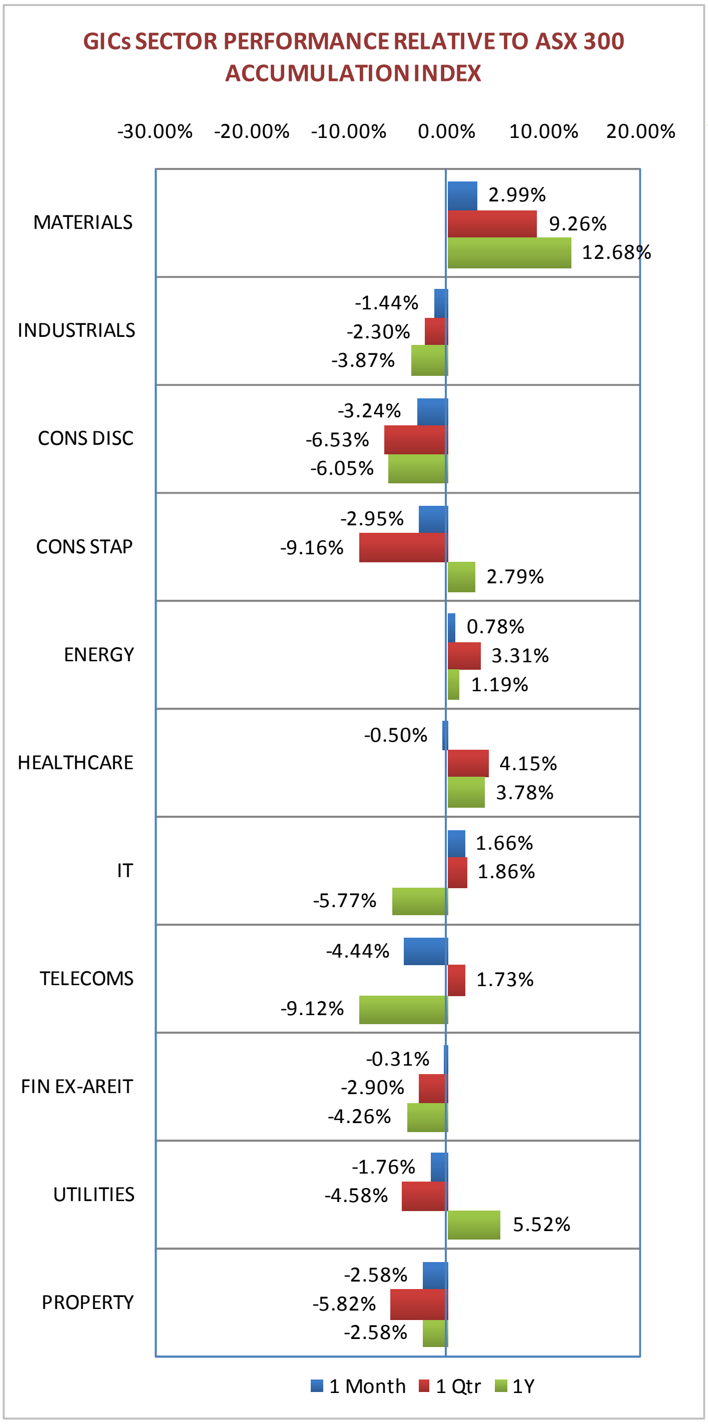
The Australian share market made gains of 3.77% during December, returning 4.65% for the quarter. The Materials sector continued its strong outperformance of the market on the back of strong commodities prices, including a new record high for gold. Healthcare continued its strong performance from last month gaining 3.27%, whilst Consumer Discretionary managed just 0.53%, which is not a surprise given the anecdotally poor retail trade.

Small Caps continued to add value, outperforming the large caps (ASX 100) by 13.05% for the year. The S&P/ASX Emerging Companies Index has returned 25.78% for the year. Both are largely due to the Small Resources Index gaining 30.05% this year, reflecting the mining boom and the popularity of micro cap stocks amongst investors as risk appetites return.

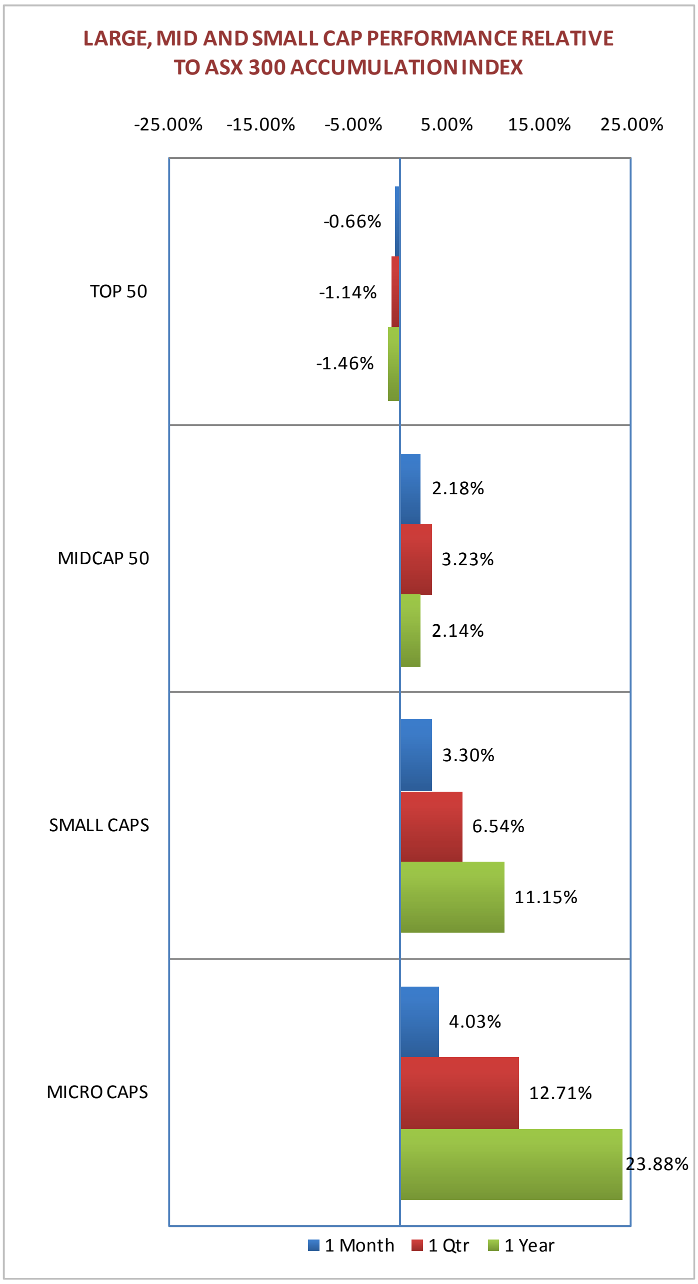
Companies that added the most value were BHP, CBA, Westpac, ANZ and Rio Tinto. The diversified miners, BHP and RIO, showed modest rises of 6% and 4% whilst the pure play commodity miners outperformed strongly, with PanAust (copper/gold) up 24%, Equinox (copper) up 6% and Mt Gibson (iron ore) up 9%. The rise of BHP added the most points to the index, whilst Sundance Resources was the key mover of the month.

Detracting from the positive market performance was retail, resulting in the relative underperformance of both the Consumer Staples and Consumer Discretionary sectors as investors departed.

Australian Shares (cont)



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%.



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.

International 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
International Shares in A$	MSCI World Ex Au Unhedged A$	0.32	2.88	-2.04	-9.82	-4.45	1.77	-2.04
	MSCI World A$	0.44	2.91	-1.94	-9.64	-4.20	2.14	-1.94
	MSCI Small Cap World Ex Aus	2.34	7.95	10.66	-3.27	-2.24	7.96	10.66
International Shares - Regional in A$	MSCI North America	-0.14	4.82	1.16	-7.81	-4.25	1.99	1.16
	MSCI Asia	-0.36	3.14	3.14	-7.49	-3.22	0.07	3.14
	MSCI AC Asia ex-Japan	-1.27	0.80	4.95	-5.66	5.56	2.36	4.95
	MSCI China	-7.11	-4.88	-8.20	-10.57	12.68	-8.16	-8.20
	MSCI Europe	1.41	-1.29	-8.86	-13.49	-3.81	2.78	-8.86
	MSCI Emerging Markets	0.24	1.39	4.30	-5.34	5.48	4.39	4.30
	MSCI India	0.68	-3.45	6.12	-9.42	10.17	-2.77	6.12
	MSCI Japan	0.69	5.91	1.28	-9.40	-8.76	-2.23	1.28
International Shares - Hedged	MSCI World ex Au Local Currency *	5.75	8.50	10.42	-5.35	0.42	18.64	10.42
International Shares - Gold Shares in A$	FTSE Gold Mines	-2.08	1.48	13.21	4.71	5.50	-4.29	13.21
International Shares - Global Resources in A$	HSBC Global Mining	4.91	14.69	15.37	-1.05	12.04	22.34	15.37

Summary of Statistics:

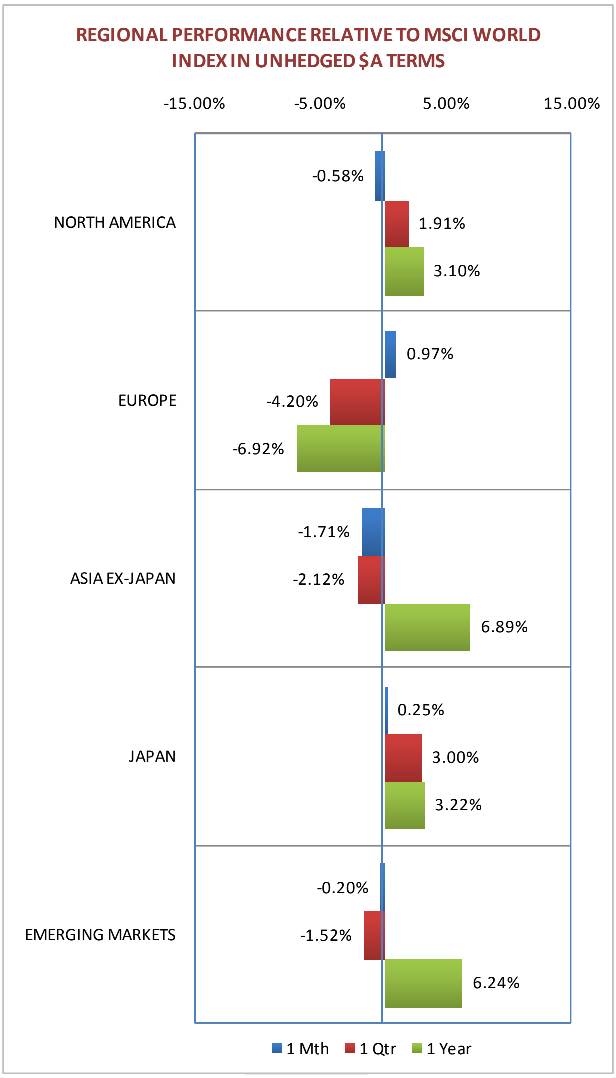
- **International Shares (ex-Australia)** gained a weak 0.32% in December on an unhedged basis, but gained 5.75% from a local currency perspective.
- The **FTSE Gold Mines Index**, which reflects gold mining stocks globally, fell 2.08% in Australian dollar terms for the month despite the continued positive outlook for gold prices.
- On a **Regional** basis, Europe was surprisingly the best performer, as the markets rallied by 1.41%, helping to recoup the November losses. China fell 7.11%.

Commentary:

International equity markets performed poorly across most regions during December. The IMF's bailout of Ireland helped ease investor fears in the region, resulting in a significant European equity market rally. Now attention has shifted to Portugal's woes, we may see not see this rally sustained as the contagion spreads.

North American markets fell back last month after performing positively over the quarter. The Fed's second round of quantitative easing appears to be achieving one of its intended effects, namely, to inflate risk assets like equities. Increasingly positive economic data and the Fed's confirmation of their commitment to continue the asset repurchase program should push the markets higher.

China's increasingly high inflation remains a key concern. After increasing reserve requirements for banks failed to curb inflation, the government announced rate hikes. Floods in Australia's key coal mining regions will raise the coal price, adding further fuel to the fire next month.



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	1.20	-1.17	-0.68	-21.36	-9.79	2.55	-0.68
Global Listed Property - Hedged in A$	FTSE E/N Dev	4.38	5.12	15.13	-10.32	-6.33	19.38	15.13
Global Listed Infrastructure - Hedged in A$	UBS Global Infra. & Utilities	3.89	4.49	7.89	-4.86	5.21	11.78	7.89
Global EM Listed Infrastructure - Hedged in A$	UBS EM Infra. & Utilities	-1.91	-1.42	-2.88	-7.84	8.19	-4.69	-2.88

Summary of Statistics:

- The **S&P/ASX 300 Property Index** weakened 0.37%, significantly underperforming the **FTSE EPRA/NAREIT Index** which gained 3.45%, after losing ground in November.
- **Global Listed Infrastructure** gained 2.79%, outperforming **Global Emerging Markets Listed Infrastructure** which gained only 0.42% for the month.

Commentary:

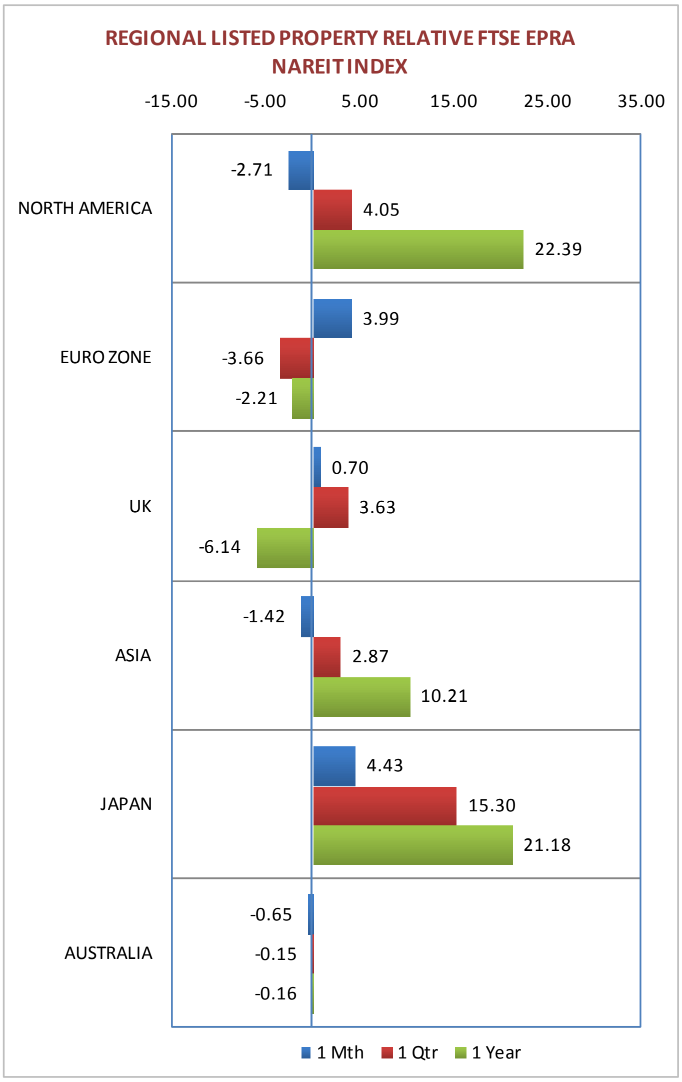
The S&P/ASX 300 Property Index gained ground after falling over the previous three consecutive months. Global listed property has continued to outperform the domestic market, returning 15.13% over the last 12 months.

Westfield launched their new retail trust WRT in December, with subsequent trading consistently below the offer price of $2.75. Reports of slow retail trade in the lead up to Christmas did not help its cause.

Lend Lease announced that they are set to acquire Valemus Australia for $960m. Valemus comprises three businesses, two of which have been Lend Lease's regular competitors for domestic construction projects. This strategic play will provide Lend Lease with $5bn in future revenue streams and increased exposure to infrastructure, greatly improving its earnings diversification and revenue stability.

The HIA forecast the reasonable home building recovery will reverse in 2011, despite Australia falling short this year in terms of building enough dwellings to meet the underlying demand.

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%.



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Data source: Bloomberg