

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%	4.50	0.25%
	3 Month BBSW	4.91	4.89	0.02%	4.88	0.04%
	10 Year Bond	4.81	5.22	-0.41%	5.19	-0.39%
Australian Shares	All Ords	4500.50	4659.80	-3.54%	4507.40	-0.15%
	S&P/ASX 200	4424.60	4608.00	-4.15%	4493.50	-1.56%
Regional Shares	Dow Jones Industrials (US)	12143.24	12414.34	-2.23%	10465.94	13.81%
	S&P 500 (US)	1292.28	1320.64	-2.19%	1101.60	14.76%
	FTSE 100 (UK)	5815.19	5945.71	-2.24%	5258.02	9.58%
	TOPIX (Japan)	841.37	849.22	-0.93%	849.50	-0.97%
	Hang Seng (Hong Kong)	22440.25	22398.10	0.19%	21029.81	6.29%
Property	ASX 300 A-REITS Index	777.50	831.30	-6.92%	840.70	-8.13%
	US\$ Gold Price	1627.88	1500.35	7.83%	1181.00	27.45%
	US\$ Oil Price – W Texas Crude	95.70	95.42	0.29%	78.95	17.50%
	US\$ CRB Spot Commodity Index	554.05	550.30	0.68%	438.56	20.84%
Exchange Rates	AUD / USD	1.0993	1.0710	2.57%	0.9042	17.75%
	AUD / EUR	0.7638	0.7380	3.38%	0.6927	9.31%
	AUD / GBP	0.6696	0.6666	0.46%	0.5764	13.93%
	AUD / JPY	84.40	86.28	-2.22%	78.18	7.37%
	TWI	78.40	77.80	0.77%	69.40	11.48%
Volatility	VIX Index	25.25	16.52	8.73%	23.50	1.75%

Key Points:

- July was a rough month for equity markets with macroeconomic concerns once again the focus of investor attention.
- The Australian Dollar (AUD) reached a new post float high against the USD during the month, rising 2.57%. It also rose against the euro and British pound, gaining 3.38% and 0.46%, respectively. However, it lost ground against the Japanese yen, falling 2.22%.
- The RBA Board left the cash rate unchanged on 2th August, despite inflation numbers being uncomfortably higher than targeted. The 3 Month BBSW ended roughly flat.
- Australian markets continued their downward trajectory in July due to increasing concerns over the sovereign debt issues in Europe and the USA. The S&P/ASX 200 index lost 3.54% but fared better than the broader market. The sectors that experienced the heaviest losses were Consumer Discretionary (-7.17%) and Financials (-6.45%).
- International equities also experienced further losses in July, falling 4.29% on an unhedged basis. On a regional basis, North American and European markets experienced the worst falls while Asian markets (Japan and Hong Kong) performed better.
- West Texas Crude ended the month roughly flat, after demonstrating intra-month volatility. Despite rising strongly early in the month crude settled at \$95.70 due to emerging concerns about global growth.
- Gold rose strongly during the month, up 7.83% in USD, with sovereign debt issues propelling the price upwards. The CRB commodity spot index also rose 0.29%.
- Volatility spiked in July, rising 8.73%, as measured by the VIX Index.

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	4.98	4.69	5.60	5.42	2.90
Australian Bonds	UBSA Australia Composite All Maturities	1.67	3.55	7.02	8.01	6.83	7.31	6.17
International Bonds	Barclays Global Aggregate (USD Hedged)	1.12	1.90	2.39	5.71	5.29	3.23	2.62

Summary of Statistics:

- **Australian Cash** returned 0.42% in July and 4.98% over the last year.
- **Australian Bonds** rallied 1.67% during the month, returning 7.02% over the past year, as measured by the UBS Composite All Maturities Index.
- **International Bond prices** rose 1.22% for the month, as measured by the Barclays Global Aggregate (Hedged \$USD) Index. (Note that the AUD hedged returns would be higher based on current interest rate differentials between Australia and the US).
- In the **Global Corporate Debt Market**, investment grade, high yield and emerging market debt underperformed with spreads rising by 0.12%, 0.24% and 0.17%, respectively.

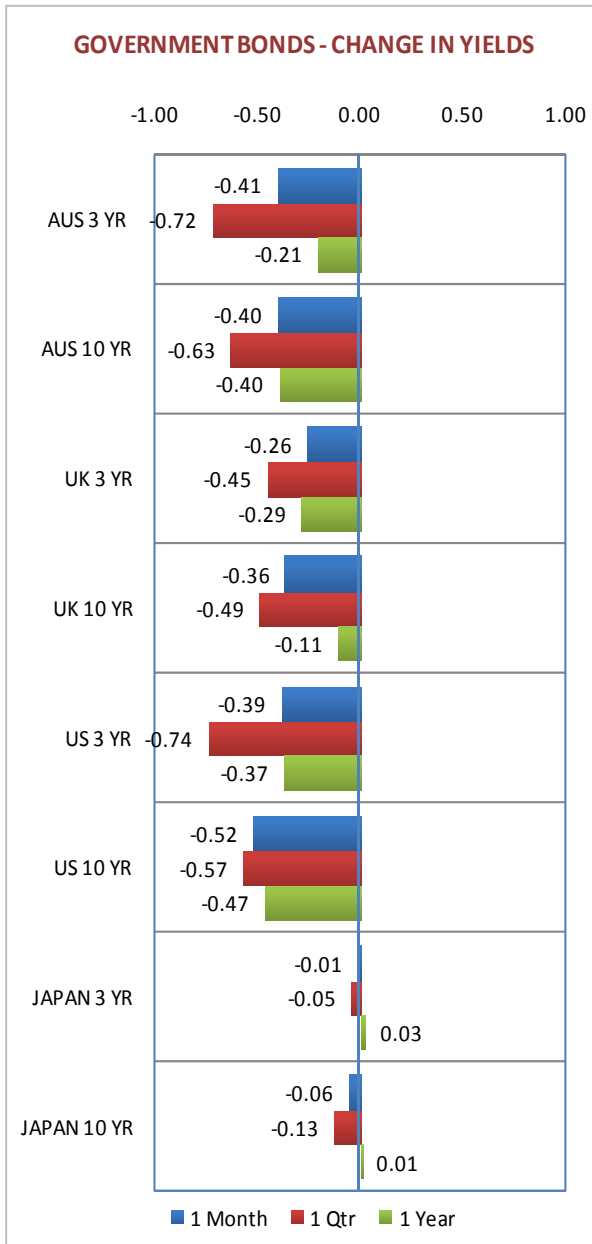
Commentary:

Sovereign debt issues continued to roil investments markets in July, ironically driving investors to the relative safety of the government bonds. However, while credit spreads ended the month wider fixed income markets were extremely volatile intra-month.

On the domestic front, the RBA once again held the cash rate steady at 4.75% after their August monetary policy meeting. While in previous months the outcomes of these policy meetings had been predictable the August decision was hotly debated. Early in July, market commentators had entertained the possibility of a rate cut, citing the malaise afflicting global markets and weak domestic data. However, they quickly switched to discussing a rate hike after a strong Q2 CPI reading (0.9% versus expectations of 0.7%) pushed the annual inflation rate to 2.7%. This is towards the top of the RBA targeted inflation band. Despite the higher inflation number the RBA statement accompanying the decision was interpreted to be more cautious on the outlook for rates.

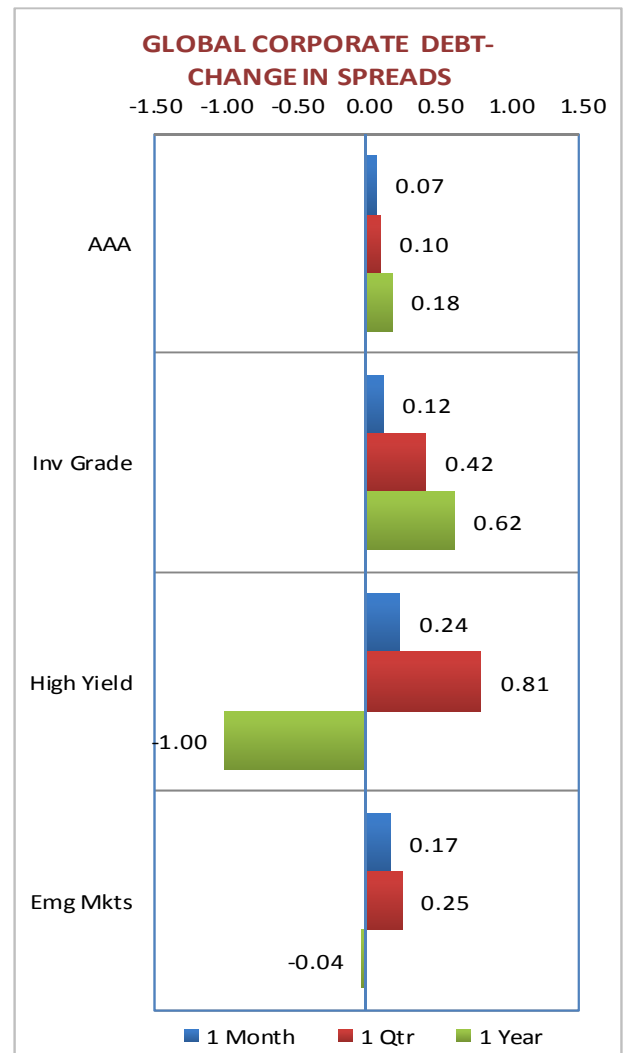
3 year and 10 year Australian bond prices rallied in July, touching their lowest yields mid-month. During the month Australian economic data continued to point to a softening economy, with building approvals, retail sales and consumer confidence showing a decline.

US economic data was mixed with ISM manufacturing data showing an unexpected rise in June, from 53.5 to 55.3. This was the first rise in four months. However, end of month labour statistics were far less encouraging, with non-farm payrolls rising by just 18,000 people in June. This was well short of forecasts of 90,000 additions. 3-year US bond yields fell by 0.13% and 10-year US bond yields actually ended higher by 0.09%. Despite the impasse in resolving the US Debt ceiling by end of month US bonds still managed to rally, with the 10 year Treasury picking up 7bps to 2.97%.



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	-3.83	-7.63	3.00	0.56	1.92	7.61	-5.05
Australian Shares - Market Cap	ASX 50 Leaders	-4.77	-8.37	1.45	1.10	2.28	5.87	-4.57
	ASX Midcap 50	-1.16	-3.81	7.62	-1.51	0.25	12.80	-5.06
	ASX Small Ordinaries	1.40	-5.58	12.19	-0.28	1.58	18.04	-9.14
	S&P/ASX Emerging Companies	2.82	-10.52	26.15			35.42	-9.94
Australian Shares - GICS Sectors	S&P/ASX 300 Materials	-1.55	-5.35	13.78	1.48	9.09	19.38	-5.53
	S&P/ASX 300 Industrials	-0.74	-2.45	8.34	-3.88	-2.60	16.08	-4.03
	S&P/ASX 300 Consumer Discretionary	-7.17	-12.77	-9.62	-0.95	-5.41	-6.06	-11.42
	S&P/ASX 300 Consumer Staples	-4.59	-3.56	6.31	8.53	10.25	8.18	0.49
	S&P/ASX 300 Energy	-3.78	-12.91	1.92	-2.51	7.17	5.97	-9.72
	S&P/ASX 300 Healthcare	-4.82	-8.14	2.31	2.81	7.31	3.33	-8.66
	S&P/ASX 300 Information Technologies	-4.98	-13.60	-14.93	-0.50	2.01	-17.28	-19.78
	S&P/ASX 300 Telecommunication	3.47	3.34	7.31	-2.11	6.41	6.72	13.98
	S&P/ASX 300 Financials ex Property	-6.22	-10.43	-0.29	6.99	2.26	6.14	-3.82
	S&P/ASX 300 Utilities	-1.69	0.65	9.27	-1.19	0.10	12.67	0.68
	S&P/ASX 300 Property	-6.45	-7.18	-2.04	-10.13	-11.96	-0.96	-3.42

Summary of Statistics:

- **Australian shares** declined for the fourth consecutive month. The S&P/ASX 300 lost 3.83% in July, slightly outperforming the MSCI World (ex-Australia) index on an unhedged basis.
- Performance varied across **sectors**, generally all negative - Consumer Discretionary (-7.17%), Property (-6.45%), Financials ex-Property (-6.22%) and Information technology (-4.98%). Telecommunications (+3.47%) was the only positive performer
- On a **market cap basis**, small and micro cap stocks outperformed large and mid cap stocks, producing positive returns of 1.40% and 2.82%, respectively

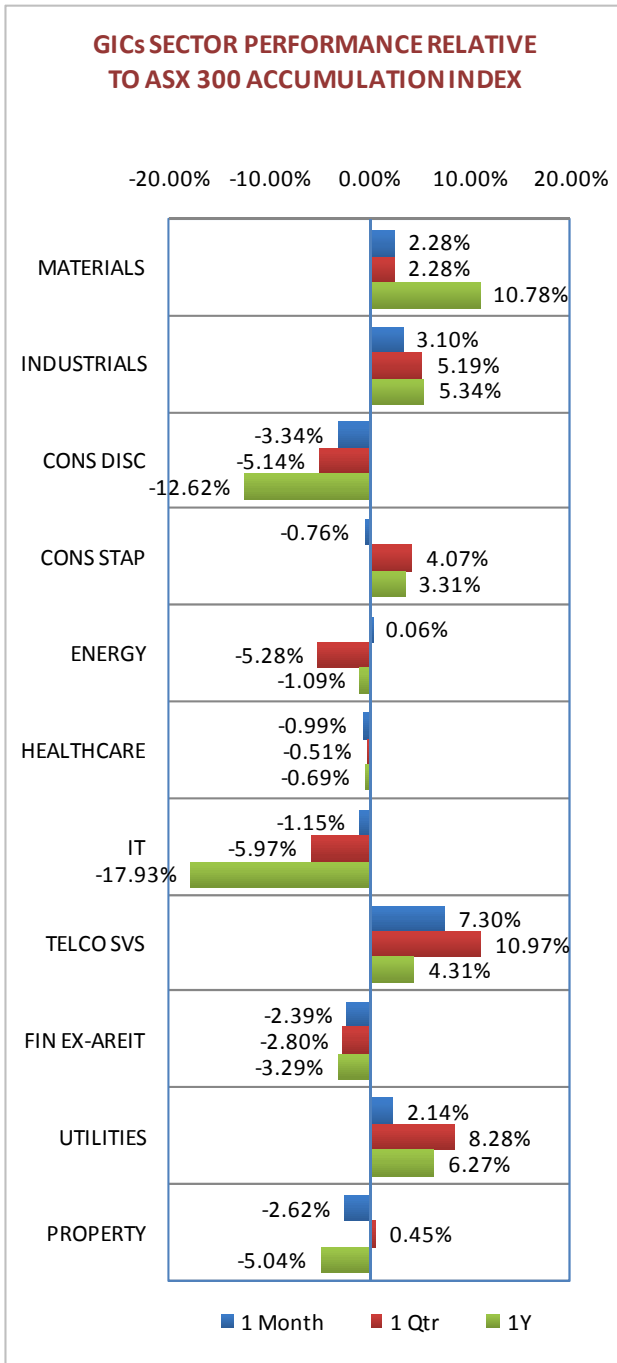
Commentary:

The Australian market continued to be weighed down by poor investor sentiment, stemming from ongoing concerns around macro events in Europe and the US, as well as weak domestic data. Greece was once again in the spotlight as investors awaited a credible solution to the Greek debt problems. Investor concerns were largely allayed later in the month when the Greek government announced a new package that would result in a more manageable debt repayment schedule by forcing private investors to share in the pain. However, attention quickly reverted to the political debacle in the US over raising the debt ceiling and potential downgrade of US government debt by Standard & Poors.

Consumer Discretionary stocks were battered particularly hard during the month as fears about the retreating Australian consumer occupied investors' attention. The weak retail environment was highlighted by the substantial and unexpected profit downgrade by upmarket department store retailer, David Jones. The retailer shocked the market by predicting profit in the six months ending January, or the first half of the company's 2012 fiscal year, would potentially fall 15 to 20 percent. The CEO noted "The dramatic and rapid deterioration in trading conditions in 2011's fourth quarter has been unprecedented". Further evidence of the weak retail environment was provided by operational updates given by Wesfarmers' Coles Group and Woolworths, which highlighted the struggles at their discretionary businesses (Kmart, Target and Big W, respectively).

The materials sector held up comparatively well, falling a modest 1.55%. The sector was impacted by fears about slowing global growth and the consequent reduction in demand for commodities. During the month BHP Billiton announced the acquisition of US based, shale gas producer Petrohawk for USD\$12.1 billion in cash. Later in the month BHP announced annual production records across 10 of its operations.

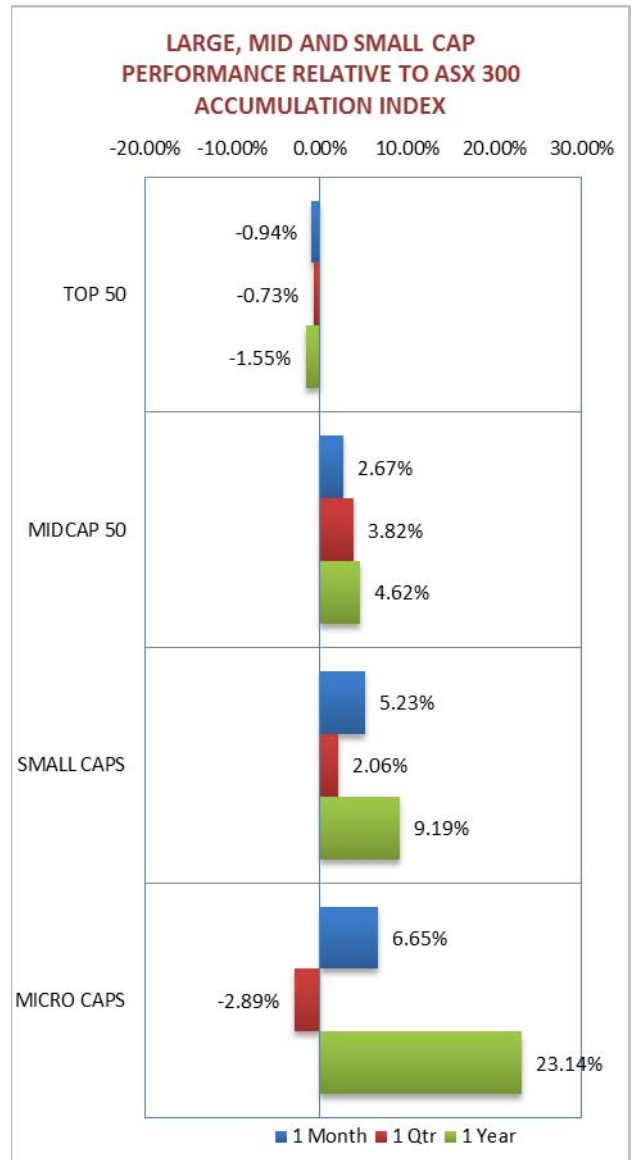
Australian Shares (cont)



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%.



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\$	-4.29	-5.61	-2.45	-4.59	-5.51	-1.74	-3.46
	MSCI World A\$	-4.30	-5.72	-2.31	-4.39	-5.29	-1.46	-3.53
	MSCI Small Cap World Ex Aus	-4.80	-6.77	3.37	1.45	-2.79	3.94	-3.72
International Shares - Regional in A\$	MSCI North America	-4.48	-5.45	-1.36	-2.81	-4.64	-1.55	-3.47
	MSCI Asia	-0.38	-0.33	-3.84	-2.15	-4.21	-6.07	-6.13
	MSCI AC Asia ex-Japan	-1.42	-2.89	-0.97	3.23	3.96	-2.25	-4.51
	MSCI China	-3.34	-4.59	-11.90	-1.71	6.90	-14.21	-6.59
	MSCI Europe	-5.84	-8.71	-3.00	-7.11	-6.01	1.05	-1.68
	MSCI Emerging Markets	-2.97	-4.90	-3.21	0.10	3.30	-2.17	-6.28
	MSCI India	-4.77	-5.12	-13.67	2.02	5.15	-18.86	-16.55
	MSCI Japan	0.92	2.96	-6.88	-7.03	-9.72	-10.02	-7.97
International Shares - Hedged	MSCI World ex Au Local Currency *	-2.65	-5.36	12.55	-0.28	-0.17	19.05	0.35
International Shares - Gold Shares in A\$	FTSE Gold Mines	1.51	-7.47	-3.43	4.18	1.55	-16.41	-12.67
International Shares - Global Resources in A\$	HSBC Global Mining	-1.86	-6.96	7.97	-1.61	5.64	9.52	-10.48

Summary of Statistics:

- **International Shares (ex-Australia)** experienced further losses in July, falling 4.29% on an unhedged basis, and 4.30% from a local currency perspective.
- On a **regional basis**, Europe was the worst performer, diving 5.84%. North American and Indian markets also suffered, falling 4.48% and 4.77%, respectively.
- The **FTSE Gold Mines Index**, which reflects gold mining stocks globally, gained 1.51% in Australian dollar terms.

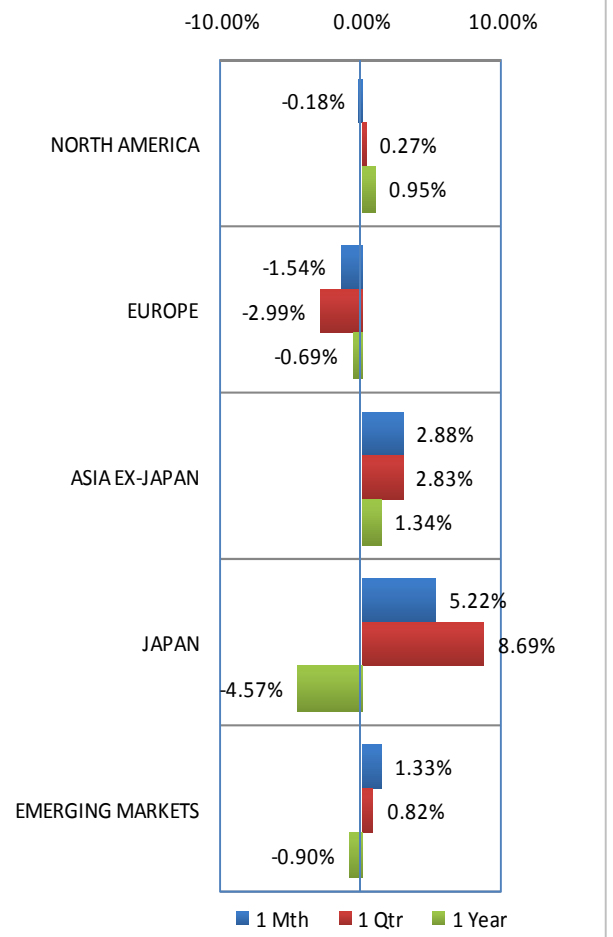
Commentary:

Global equity markets ended lower in July, despite rallying early in the month as optimism grew that Greece would get a lifeline and avoid a default. However, investor sentiment deteriorated later in the month as investors started to increasingly focus on the developing political debacle in US about raising the debt ceiling. The apparent inability of both sides of politics to grasp the implications of inaction and instead enter into a game of brinkmanship shook investor confidence. This was further eroded by rumours of an impending downgrade of US government debt by credit rating house Standard & Poors.

Despite all of these macro-economic issues corporate results continued to surprise to the upside. Thompson Reuters reported that of the 154 S&P500 companies that had released earnings up until July 26, 75% had beaten expectations. Included among these was market favourite Apple which reported revenue of \$28.57 billion and profit of \$7.31 billion for the quarter ending June 25. This exceeded even the most optimistic forecasts. Increased sales of iPads and booming trends in new markets contributed strongly.

In the Asian region, the Chinese market suffered due to the release of weak preliminary PMI data (a measure of manufacturing activity), dropping below 50, and a higher than expected June CPI figure (6.4 per cent). This heightened fears of a policy induced hard landing for the economy. These same fears played out in the Indian market.

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	-6.45	-7.18	-2.04	-10.13	-11.96	-0.96	-3.42
Global Listed Property - Hedged in A\$	FTSE E/N Dev	0.05	-1.39	16.20	-4.03	-4.63	24.65	4.42
Global Listed Infrastructure - Hedged in A\$	UBS Global Infra. & Utilities	-1.53	-0.60	9.61	0.79	3.36	15.13	3.00
Global EM Listed Infrastructure - Hedged in A\$	UBS EM Infra. & Utilities	-3.85	-4.09	-6.77	-1.11	4.35	-8.18	-3.66

Summary of Statistics:

- Australian Listed property, as measured by the S&P/ASX 300 Property Index, ended July sharply lower (-6.45%). Global property outperformed, as represented by the FTSE EPRA/NAREIT Index, ending relatively flat (0.05%).
- Global Listed Infrastructure also ended the month down (-1.53%), managing to outperform the Emerging Markets Listed Infrastructure Index, which returned -0.20%.

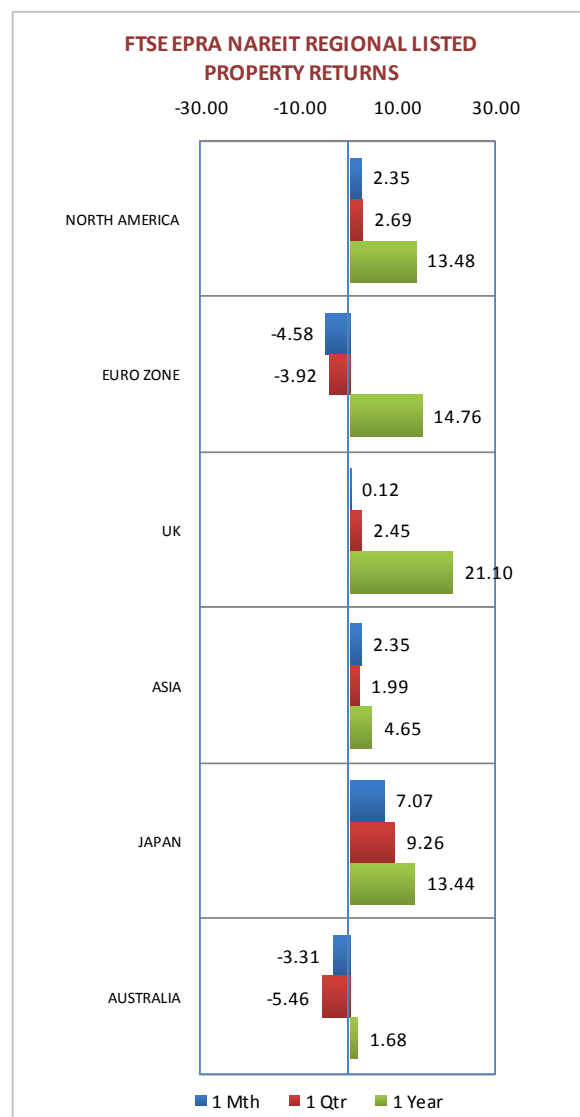
Commentary:

Australian property had a tough month in July. Fears of a consumer slowdown weighed heavily on retail biased listed property trusts with Westfield Group, Stockland Group and Westfield Retail Trust experiencing heavy falls.

In stock specific news, Australand Property Group (Australand) reported its half year results towards the end of the month. Its results were in line with expectations, with the trust posting increases in comparable income growth and occupancy. The company expected stronger performance in the second half of the calendar year from developments, despite management noting a more cautious outlook going forward.

On the economic front, the domestic housing market showed continued softness with a 8.7% fall in new home sales reported in July as well as another 3.5% fall in June building approvals. This was on top of the 7.9% slump experienced in the building approvals in May.

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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