Zenith Monthly Market Report (31 March 2011)

Zenith Investment Partners Pty Ltd

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%	4.00	0.75%
	3 Month BBSW	4.90	4.95	-0.05%	4.36	0.54%
	10 Year Bond	5.50	5.50	0.00%	5.79	-0.28%
Australian Shares	All Ords	4928.60	4923.60	0.10%	4893.10	0.72%
	S&P/ASX 200	4837.90	4831.70	0.13%	4875.50	-0.78%
Regional Shares	Dow Jones Industrials (US)	12319.73	12226.34	0.76%	10856.63	11.88%
	S&P 500 (US)	1325.83	1327.22	-0.10%	1169.43	11.80%
	FTSE 100 (UK)	5908.76	5994.01	-1.44%	5679.64	3.88%
	TOPIX (Japan)	869.38	951.27	-9.42%	978.81	-12.59%
	Hang Seng (Hong Kong)	23527.52	23338.02	0.81%	21239.35	9.73%
Property	ASX 300 A-REITS Index	849.10	868.10	-2.24%	857.50	-0.99%
	US$ Gold Price	1432.30	1411.48	1.45%	1113.25	22.28%
	US$ Oil Price – W Texas Crude	106.72	96.97	9.14%	83.76	21.51%
	US$ CRB Spot Commodity Index	569.27	565.78	0.61%	431.17	24.26%
Exchange Rates	AUD / USD	1.0359	1.0178	1.75%	0.9179	11.39%
	AUD / EUR	0.7299	0.7379	-1.10%	0.6782	7.08%
	AUD / GBP	0.6447	0.6263	2.86%	0.6042	6.29%
	AUD / JPY	85.80	83.30	2.91%	85.77	0.03%
	TWI	76.30	75.50	1.05%	71.70	6.03%
Volatility	VIX Index	17.74	18.35	-0.61%	17.59	0.15%

Key Points:

- On March 11, an unfathomable tragedy struck Japan when a 9.0 magnitude earthquake and Tsunami hit the east coast, 370km North East of Tokyo. As a consequence there are now fears of nuclear contamination at the Fukushima Nuclear plant. Zenith's thoughts are with those who have been affected by the tragedy.
- In economic terms, the tragedy significantly impacted multiple facets of the global economy, heavily impacting equity, currency, bond and commodity markets.
- In March, the Australian Dollar (AUD) continued its upward trend against major currencies, with the exception of the Euro. The strongest gains were against the Yen (2.91%) and the Pound (2.86%). On a trade weighted basis the AUD is 6.03% higher than one year ago and the AUD/USD is trading at its highest levels since it was first floated.
- The RBA Board once again left the cash rate unchanged (at 4.75% on April 5th). After the Japanese disaster analysts initially forecast a RBA rate cut but this was quickly discounted as confidence returned. The Australian 10 year government bond remained unchanged at month's end.
- Australian Equities rose March 0.67%, as measured by the S&P/ASX 300 Index. The ASX top 50 (+0.83%) and micro caps (+0.76%) led the market, while small companies lagged (-0.26%).
- Global equities markets were heavily influenced by the continued political instability in Libya, the devastating earthquake / tsunami and the subsequent nuclear threat to Japan. The MSCI World Index ex-Aus closed the month 2.24% lower, on an unhedged basis.
- Spot oil price rose 9.14%, on the back of continued political unrest in the Middle East; a significant producer of oil.
- Gold rose 1.45%, closing the month at US$1,432.30.
- Volatility remained relatively flat, decreasing by 0.61%, 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	1.23	4.78	5.11	5.67	2.84	0.80
Australian Bonds	UBSA Australia Composite All Maturities	0.68	1.38	5.51	7.70	5.89	2.17	1.35
International Bonds	Barclays Global Aggregate (AUD Hedged) *	-0.04	-0.60	2.93	4.38	4.78	-0.35	-0.13

Summary of Statistics:

- **Australian Cash** returned 0.42% in March, returning 4.78% for the past 12 months.
- **Australian Bonds** rose by 0.68% in March, as represented by the UBS Composite All Maturities Index. Australian 10 year government bonds remained unchanged from one month ago, yielding 5.50%, and is relatively flat from one year ago.
- **International Bond prices** fell -0.04% in March, as measured by the Barclays Global Aggregate (Hedged $AUD) Index. Bond prices had a volatile month, due to instability in the Middle East, the Japanese earthquake/tsunami and subsequent nuclear threat and European debt concerns.
- In the **Global Corporate Debt Market** Emerging Market debt performed the strongest with spreads falling by 0.14%, however it still remains the weakest performer over a one year period.

Commentary:

March proved to be a hectic month with a number of drivers affecting the cash, bonds and credit markets. Short bursts of volatility across all three markets were caused by continued political turmoil in the Middle East and Africa, as well as the mid-month natural disaster in Japan.

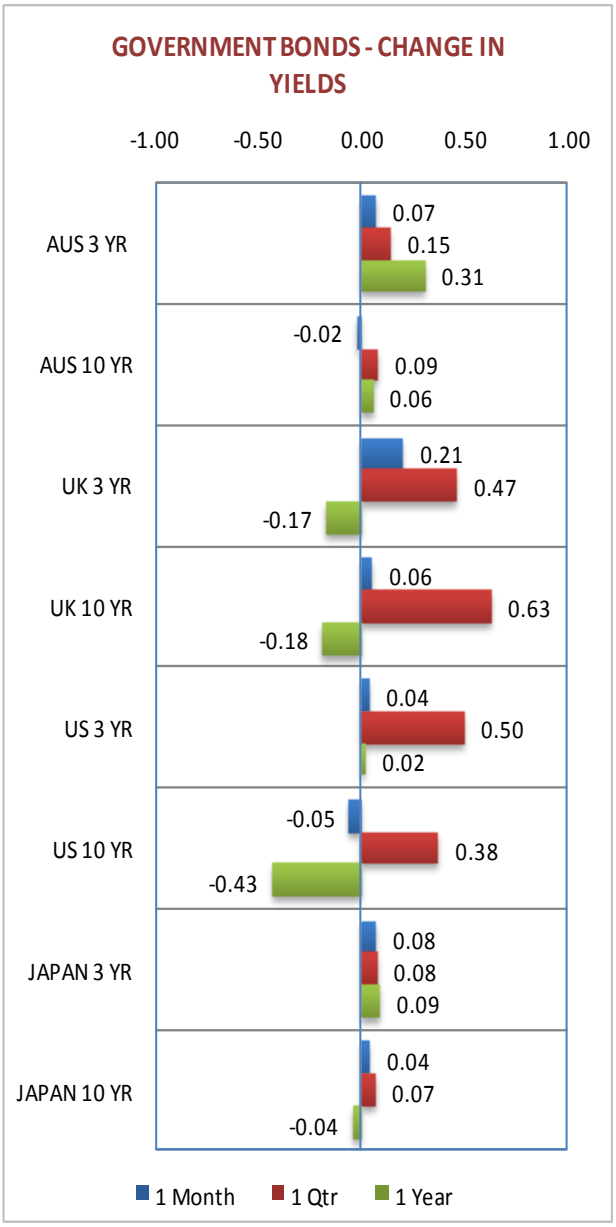
Currencies were particularly volatile during the month; the Yen rallied substantially after the March 11 disaster but it was curbed by the intervention of the G7 nations. The AUD continued its strong run verse the USD, reaching post-float highs. This has substantially affected returns of unhedged products, with the MSCI World Index made up by approximately 56% of US companies.

Credit markets displayed high levels of volatility over certain intra-month periods but finished the month fairly unchanged. In Japan credit spreads and sovereign risk soared after the disaster, reflected by an explosion in Credit Default Swap (CDS) premiums. Other key events during the month were; the European bank stress test began; ratings agencies downgraded their outlook for Portugal, Spain and Greece; there was continued uncertainty surrounding Ireland's austerity measures.

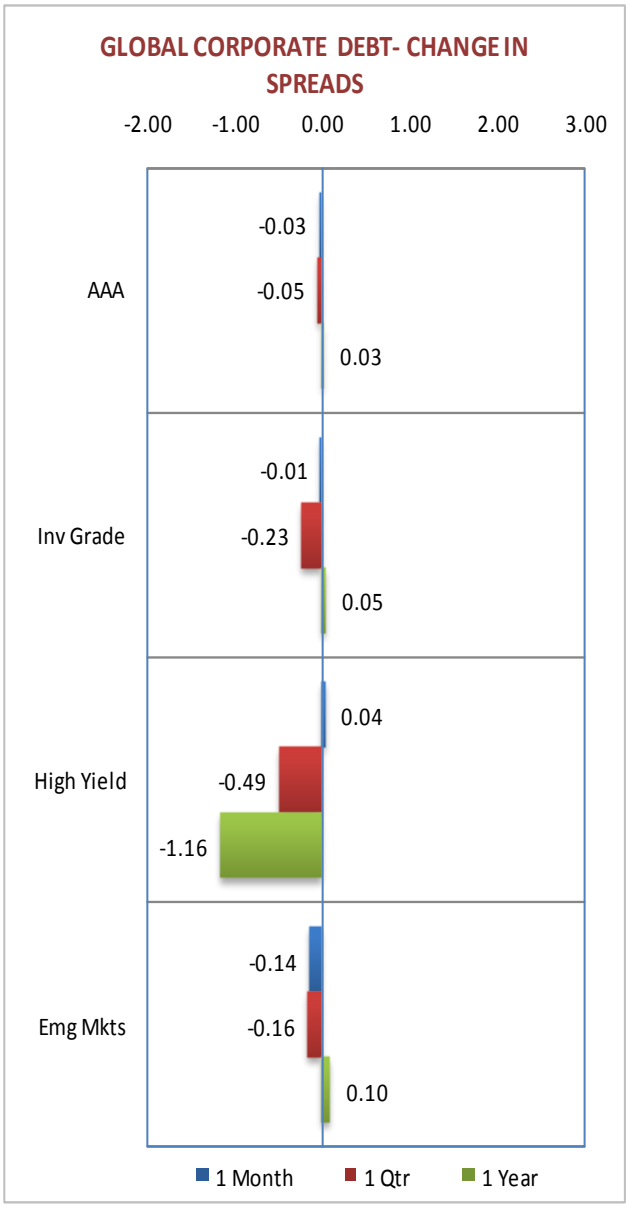
Domestic data released during the month was relatively benign and failed to have any real impact on Bond prices (the Australian 10 year bond price remained at 5.50%). Of note, unemployment remained at 5.0%, with the addition of 47,600 full-time jobs, loss of 57,700 part-time jobs, and an overall net job loss of 10,000 jobs. Building approvals had a year on year change of -21.8% (reported as at February) and dwelling starts fell 5.3% for the quarter.

*Zenith has converted USD data to AUD series using 3-month forward rates

Cash, Fixed Interest & Credit (cont)



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.



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%.

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	0.67	3.12	3.79	1.13	3.21	16.88	3.12
Australian Shares - Market Cap	ASX 50 Leaders	0.83	3.96	2.40	2.13	3.62	15.33	3.96
	ASX Midcap 50	0.23	0.75	6.80	-2.82	1.24	19.70	0.75
	ASX Small Ordinaries	-0.26	-1.19	13.49	-0.92	2.80	28.37	-1.19
	S&P/ASX Emerging Companies	0.76	2.57				54.22	2.57
Australian Shares - GICS Sectors	S&P/ASX 300 Materials	1.51	1.98	15.31	4.17	9.47	28.88	1.98
	S&P/ASX 300 Industrials	0.69	1.98	0.09	-5.88	-2.04	23.35	1.98
	S&P/ASX 300 Consumer Discretionary	0.69	3.33	-3.70	-4.90	-3.11	9.58	3.33
	S&P/ASX 300 Consumer Staples	-0.48	3.13	6.08	5.36	11.01	11.02	3.13
	S&P/ASX 300 Energy	3.37	5.95	9.58	7.99	10.76	24.37	5.95
	S&P/ASX 300 Healthcare	2.98	0.31	1.36	3.08	7.16	13.48	0.31
	S&P/ASX 300 Information Technologies	-0.84	-7.38	-16.55	4.63	4.99	-4.50	-7.38
	S&P/ASX 300 Telecommunication	1.42	6.83	6.92	-3.80	4.38	0.03	6.83
	S&P/ASX 300 Financials ex Property	0.20	5.35	-0.67	6.93	3.94	16.26	5.35
	S&P/ASX 300 Utilities	2.12	-2.20	2.79	-1.83	-0.53	9.45	-2.20
	S&P/ASX 300 Property	-1.95	3.73	4.74	-14.55	-9.46	6.38	3.73

Summary of Statistics:

- **Australian Equities** rallied 0.67% in March, as measured by the S&P/ASX 300 Accumulation Index.
- The **Energy sector** led the way with a 3.37% gain. **Property sector** performed the worst, declining 1.95% during the month.
- **On a market capitalisation basis**, ASX top 50 companies performed the strongest, returning 0.83% for the month. Small Ordinaries companies lagged, sliding 0.26%.

Commentary:

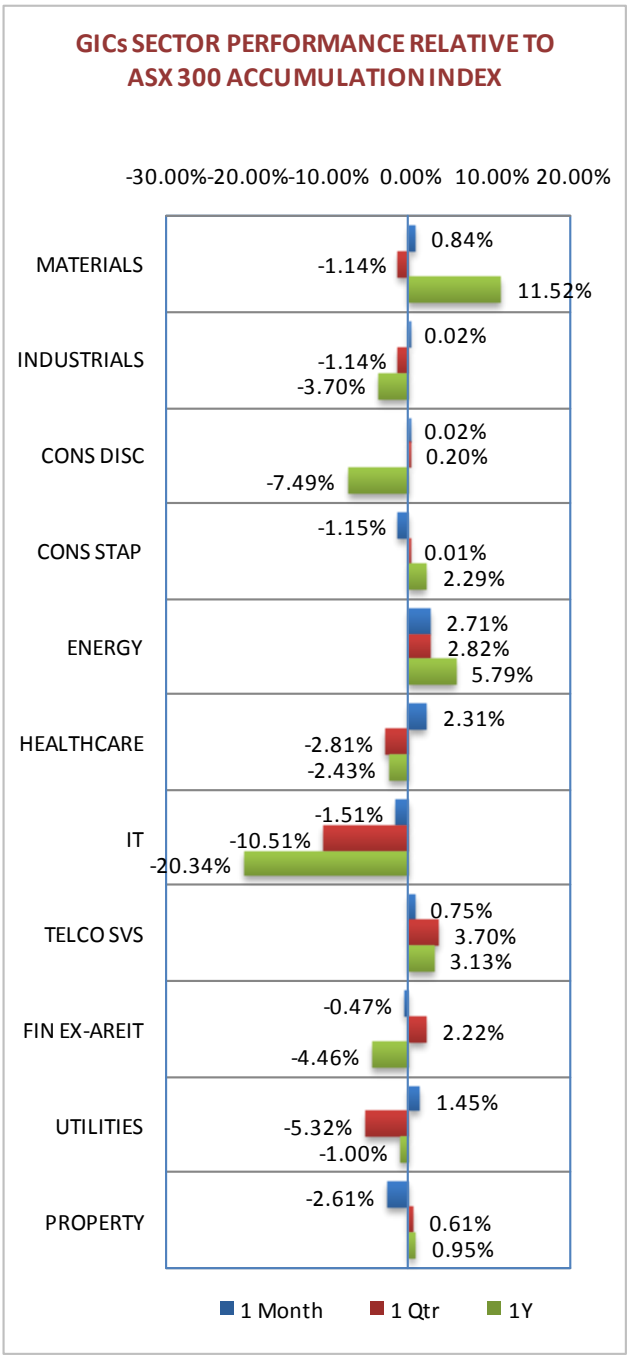
Australian Equities largely focused on domestic news flow early month, acting independently of global markets, which were jittery about the Middle East. Mid-month the global markets, including domestic equities, reeled on news of the Japanese natural disaster with heavy losses experienced in the following days. After the initial loss, markets recovered and finished the month up 0.67%, as measured by the S&P/ASX 300 Index.

Energy was the best performing sector returning 3.37% for the month, largely on the back of the appreciating oil price. Larger gains in the sector were offset by speculation into the future of nuclear power, as consumable fuel companies (which include uranium), dragged. Berkley Resources, an exploration uranium miner, lost 33% during the course of the month.

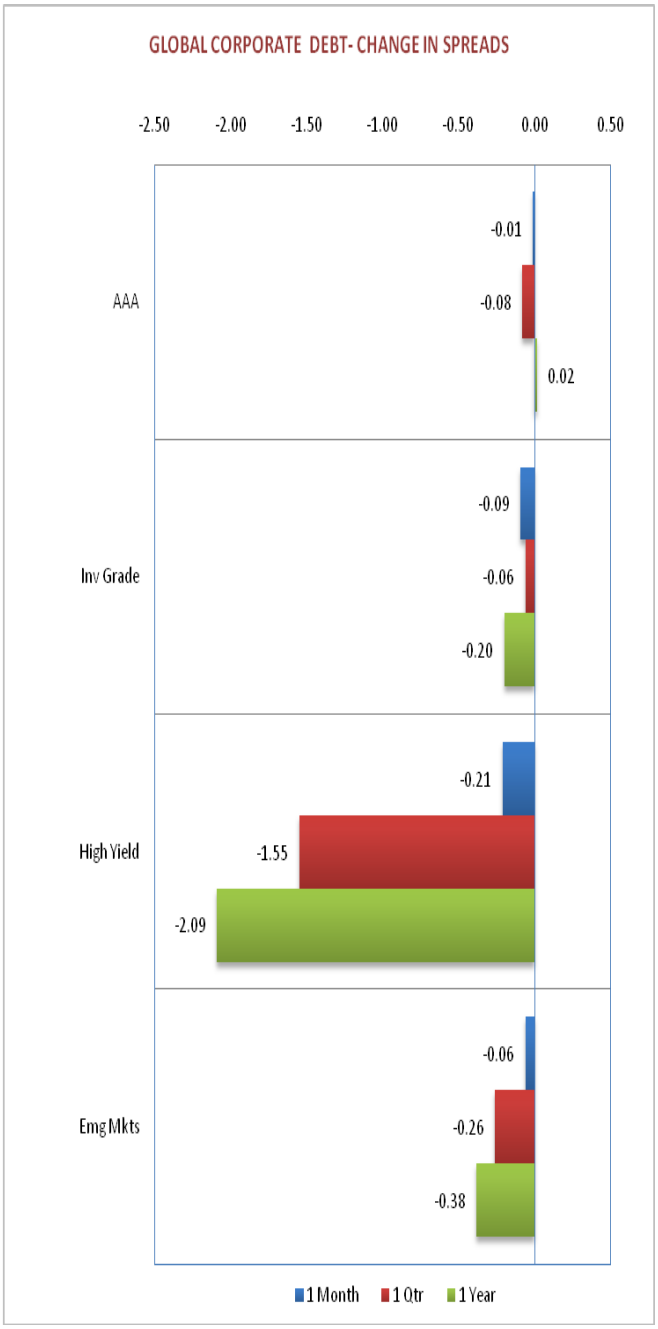
The appreciation of the oil price pressured the aviation industry; Qantas increased its fuel surcharge early month, initially on international flights only. However, late month it also increased it on domestic flights. Qantas also announced it would curb flights and cut management jobs to help offset fuel price appreciation. Although this was well received by investors Qantas finished the month down 8%.

The Woodside Petroleum share price soared in March, as speculation that Royal Dutch Shell's 24% stake in the company would be bought out by BHP Billiton. An increased forecast of LNG demand, post the Japanese natural disaster, also propelled the stock. Woodside finished the month 9% higher.

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$	-2.24	4.30	1.04	-4.41	-5.41	6.15	4.30
	MSCI World A$	-2.50	3.87	0.69	-4.31	-5.23	6.10	3.87
	MSCI Small Cap World Ex Aus	0.90	6.04	22.75	5.34	1.72	37.28	6.04
International Shares - Regional in A$	MSCI North America	-1.47	5.06	2.96	-1.95	-4.65	7.15	5.06
	MSCI Asia	-2.83	-2.53	-1.96	-3.42	-5.64	-2.46	-2.53
	MSCI AC Asia ex-Japan	4.65	0.27	6.06	0.76	3.17	2.64	0.27
	MSCI China	3.71	1.98	-2.93	-0.21	8.20	-6.34	1.98
	MSCI Europe	-2.35	5.52	-0.04	-8.05	-5.27	8.45	5.52
	MSCI Emerging Markets	4.26	1.15	5.14	0.07	2.76	5.59	1.15
	MSCI India	9.40	-5.94	-2.85	-0.16	4.12	-8.55	-5.94
	MSCI Japan	-10.58	-5.76	-9.96	-7.54	-11.52	-7.86	-5.76
International Shares - Hedged	MSCI World ex Au Local Currency	-1.35	3.58	9.17	-0.15	-0.04	22.89	3.58
International Shares - Gold Shares in A$	FTSE Gold Mines	-1.11	-4.64	14.27	3.74	2.29	-8.73	-4.64
International Shares - Global Resources in A$	HSBC Global Mining	-1.35	-2.13	10.54	-0.73	7.24	19.74	-2.13

Summary of Statistics:

- **International Shares (ex-Australia)** fell 2.24% in March on an unhedged basis, and fell 1.35% from a local currency perspective.
- The **FTSE Gold Mines Index**, which reflects gold mining stocks globally, declined 1.35% for the month.
- On a **Regional** basis, the Indian market led the rest of the world, rallying 9.40%. The Japanese market had sharp declines following the earthquake / tsunami; it finished the month down 10.58%.

Commentary:

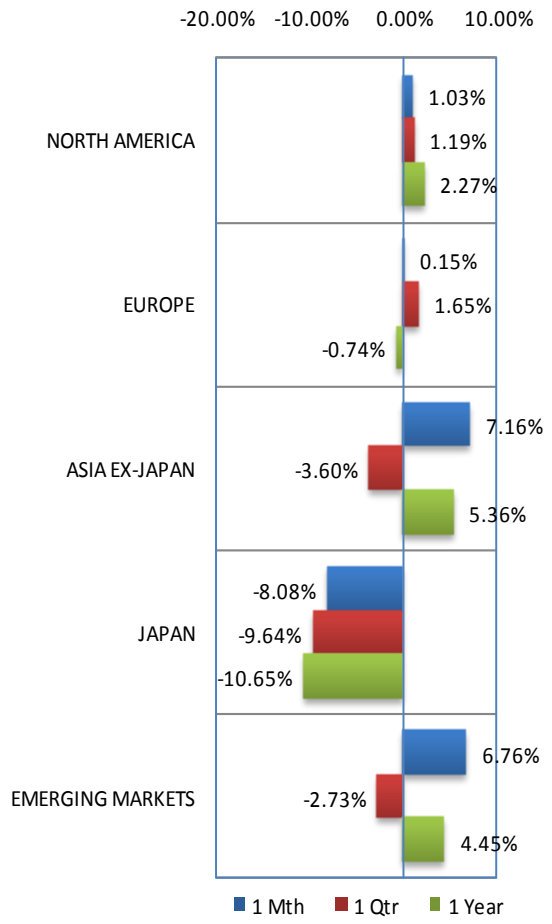
Global equity markets were marred by the continued instability in Libya; a no-fly zone now exists in the region and some commentators have claimed that the rebel group is now in political control of the country.

Japan's natural disaster put further strain on global equities, causing a rapid slide. However, many investors saw this as a buying opportunity.

Following the radiation threat affecting the Fukushima region, public outrage sparked debate into the future of nuclear power as an alternative power source to coal. Tepco, the power company responsible the Fukushima nuclear power plant, was criticised for its poor disclosure regarding its efforts to contain the contamination. Tepco stock price fell 77.96% (on a local currency basis) in March.

Overall, the MSCI World Index ex Aust. declined 2.24% on an unhedged basis. India was the best performing region, returning 9.40% and regaining some of its losses from previous months.

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.

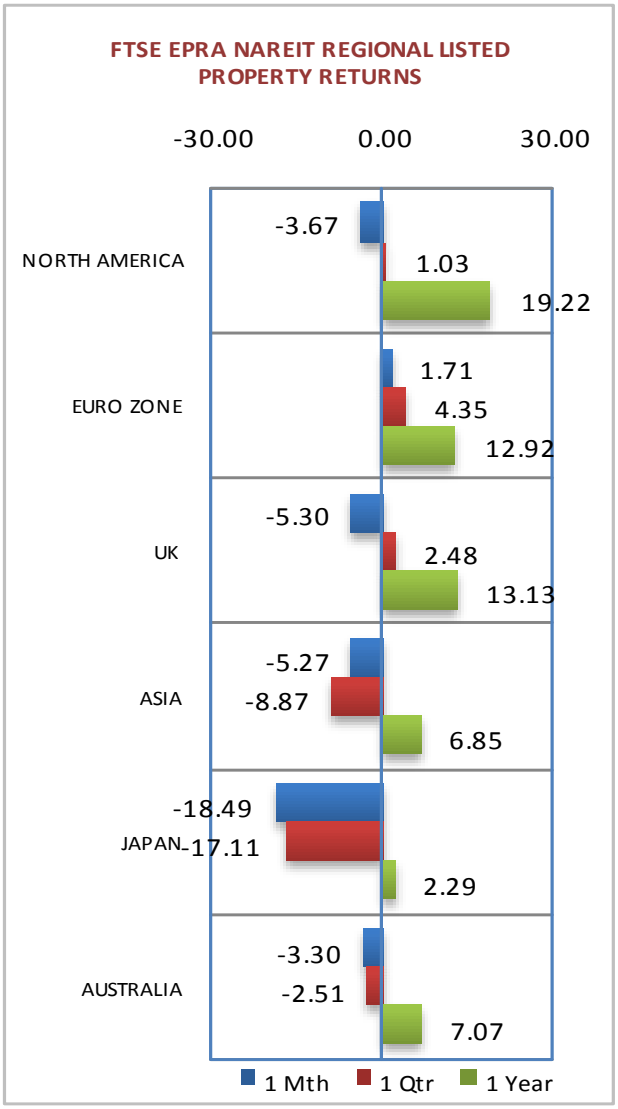
Property & Infrastructure

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	-1.95	3.73	4.74	-14.55	-9.46	6.38	3.73
Global Listed Property - Hedged in A$	FTSE E/N Dev	-1.40	2.65	13.29	-6.89	-5.84	22.55	2.65
Global Listed Infrastructure - Hedged in A$	UBS Global Infra. & Utilities	-3.30	2.25	7.44	-0.51	4.13	14.29	2.25
Global EM Listed Infrastructure - Hedged in A$	UBS EM Infra. & Utilities	5.73	4.30	3.45	-0.14	4.46	-0.59	4.30

Summary of Statistics:

- In March **Australian Listed Property** declined 1.95%, underperforming **Global Listed Property's** 1.40% decline.
- **Global Listed Infrastructure** fell 3.30%, underperforming **Global Emerging Markets Listed Infrastructure** which returned 5.73% for the month.

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%.



Commentary:

The S&P/ASX 300 Property Index pared its gains from previous months, declining 1.95% during March, underperforming the global property sector, which returned -1.40%.

In domestic company specific news, Westfield Group announced Frank Lowy, the company's CEO, would hand over management to his two sons, Steven and Peter. The changes will take effect at the Annual General Meeting to be held in late May. Westfield also flagged its willingness to expand development activity into new international markets.

The FTSE E/N Developed Index (hedged $AUD) declined -1.40%. Japan had the worst returns, as share prices plummeted as a result of the earthquake / tsunami; the region underperformed by 18.49% relative to the Index.

Infrastructure holdings on the eastern coastline of Japan were badly damaged during the Japanese natural disaster; rail and power stations were the most adversely affected.

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Data source: Bloomberg

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