Zenith Monthly Market Report (30 November 2011)

Market Indicators

Market	Indicator	End of Month	Previous Month	1 Month Change	12 Months Ago	12 Month Change
Interest Rates	Overnight Cash	4.50	4.75	-0.25%	4.75	-0.25%
	3 Month BBSW	4.70	4.82	-0.11%	4.90	-0.19%
	10 Year Bond	3.97	4.54	-0.58%	5.44	-1.47%
Australian Shares	All Ords	4184.70	4360.50	-4.20%	4676.40	-11.75%
	S&P/ASX 200	4119.80	4298.10	-4.33%	4584.40	-11.28%
Regional Shares	Dow Jones Industrials (US)	12045.68	11955.01	0.75%	11006.02	8.63%
	S&P 500 (US)	1246.96	1253.30	-0.51%	1180.55	5.33%
	FTSE 100 (UK)	5505.42	5544.22	-0.70%	5528.27	-0.42%
	TOPIX (Japan)	728.46	764.06	-4.89%	860.94	-18.19%
	Hang Seng (Hong Kong)	17989.35	19864.87	-10.43%	23007.99	-27.90%
Property	ASX 300 A-REITS Index	799.60	778.90	2.59%	830.80	-3.90%
Commodities	US$ Gold Price	1746.38	1714.85	1.81%	1386.02	20.63%
	US$ Oil Price – W Texas Crude	100.36	93.19	7.14%	84.11	16.19%
	US$ CRB Spot Commodity Index	489.00	510.23	-4.34%	483.96	1.03%
Exchange Rates	AUD / USD	1.0253	1.0600	-3.38%	0.9604	6.33%
	AUD / EUR	0.7624	0.7600	0.31%	0.7365	3.40%
	AUD / GBP	0.6525	0.6571	-0.70%	0.6163	5.55%
	AUD / JPY	79.53	82.62	-3.89%	80.30	-0.96%
	TWI	74.60	76.90	-3.08%	73.00	2.14%
Volatility	VIX Index	27.80	29.96	-2.16%	23.54	4.26%

Key Points:

- Many major equity markets performed poorly in November wiping out the gains earned during October's recovery.
- The notable exceptions were; the Australian Property market, with the ASX 300 A-REITS Index gaining 2.59%; the Gold price, which gained 1.81%; and the Oil price, with the value of West Texas Crude increasing by 7.14%.
- The S&P/ASX 200 fell 4.33% during November bringing the accumulated losses over the past 12 months to 11.28%
- The US and UK equity markets dropped slightly during November with the S&P 500 (US) declining 0.51% and the FTSE 100 (UK) falling 0.70%. The US Dow Jones Industrials fared better gaining 0.75%
- Asian Equity markets were dealt a heavy blow, with the TOPIX (Japan) falling 4.89% and the Hang Seng (Hong Kong) falling 10.43% bringing their accumulated annual losses to 18.19% and 27.90% respectively.
- The AUD lost ground against most major currencies during November falling 3.38% compared to the USD and 3.89% against the JPY while gaining 0.31% against the EUR.
- As expected, the RBA lowered the overnight cash rate by 25bp in November. The yield on 10 Year Bonds fell 58bp to 3.97%.

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	0.39	1.20	5.02	4.39	5.51	2.06	4.58
Australian Bonds	UBSA Australia Composite All Maturities	1.73	2.06	10.54	6.47	7.17	5.84	10.51
International Bonds	Barclays Global Aggregate (USD Hedged)	-0.54	-0.05	3.33	5.39	4.78	2.31	3.82

Summary of Statistics:

- **Australian Cash** returned 0.39% in November and 5.02% over the past twelve months.
- **Australian Bonds** gained 1.73%, bringing the yearly return to 10.54% as measured by the UBSA Australia Composite All Maturities Index.
- **International Bonds** fell -0.54%, as measured by the Barclays Global Aggregate (Hedged, USD) Index.
- The **Global Corporate Debt Market** underperformed with spreads widening in AAA, Investment Grade, High Yield and Emerging Markets debt sectors. Spreads on High Yield and Emerging Markets debt suffered the most with spreads increasing by 0.74% and 0.45% respectively.

Commentary:

A poor string of macroeconomic announcements during November has fostered a common viewpoint within the market that an RBA interest rate cut is likely to eventuate (a 25 basis point reduction was announced on the 6/12/11). Central to this point of view was an announcement by the ABS that the building approval rate was down 14.2%, 9.7% below the expected change. Additionally, a lower than expected trade balance as well as retail sales figures that failed to reach anticipated levels added further weight to this opinion. The fall in yields was most prolific in the 3 and 10 year Government Bond rates which withdrew 76bp and 58bp respectively. Consequently, prices were driven up 1.73%, as measured by the UBSA Australia Composite All Maturities Index.

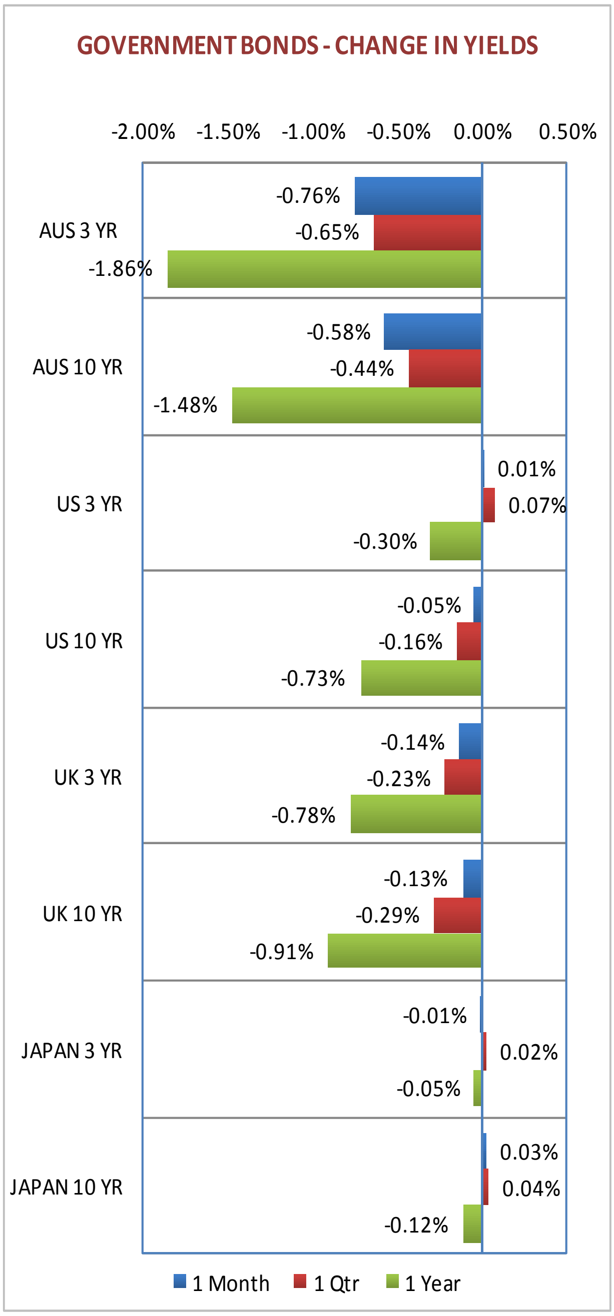
The US bond market was largely unchanged, with the yield on 3 year treasury bonds rising by a solitary basis point and 10 year yields falling by a nominal 5bp. While there is an air of confidence returning to the US economy investors are still weary of the possible threat posed by a default in one of the troubled Eurozone nations. That said, while most of the developed world is teetering on news from the European debt market US investors are also focusing fundamental data closer to home using the improving macroeconomic figures to drive their investment decisions. Specific news that brought strong reactions in the US fixed income marketplace were; better than expected employment and retail sales statistics as well as positive GDP and production figures.

News of an impending collapse in one of the Eurozone economies took a positive twist at the start of November with a sequence of promising events seemingly signalling a path out of the crisis. Although there was initially concern in the market when Greek Prime Minister George Papandreou announced that the latest ECB bailout package would not be implemented without a referendum, the general sentiment improved following the appointment of Mario Draghi as the 3rd president of the European Central Bank and the announcement that Italian President, Silvio Berlusconi, had chosen to stand down. Additionally, the Greek parliament chose to abandon Papandreou's referendum proposal and elected a new unity government after the Prime Minster failed in a confidence vote.

While there was positive economic news to kick start the month in European fixed interest markets, the outlook returned to one of caution as concerns about Spain's sovereign debt reignited. Compounding this was poor macroeconomic data released halfway during the month, with the Eurozone economy expanding by a nominal 0.2% and industrial production declining by 2% during Q3. Investors wishing to maintain exposure to the region, without the risk of a collapsing Euro currency, elected to invest in British Treasury bonds causing yields to fall on 3 and 10 year bonds by 14bp and 13bp respectively.

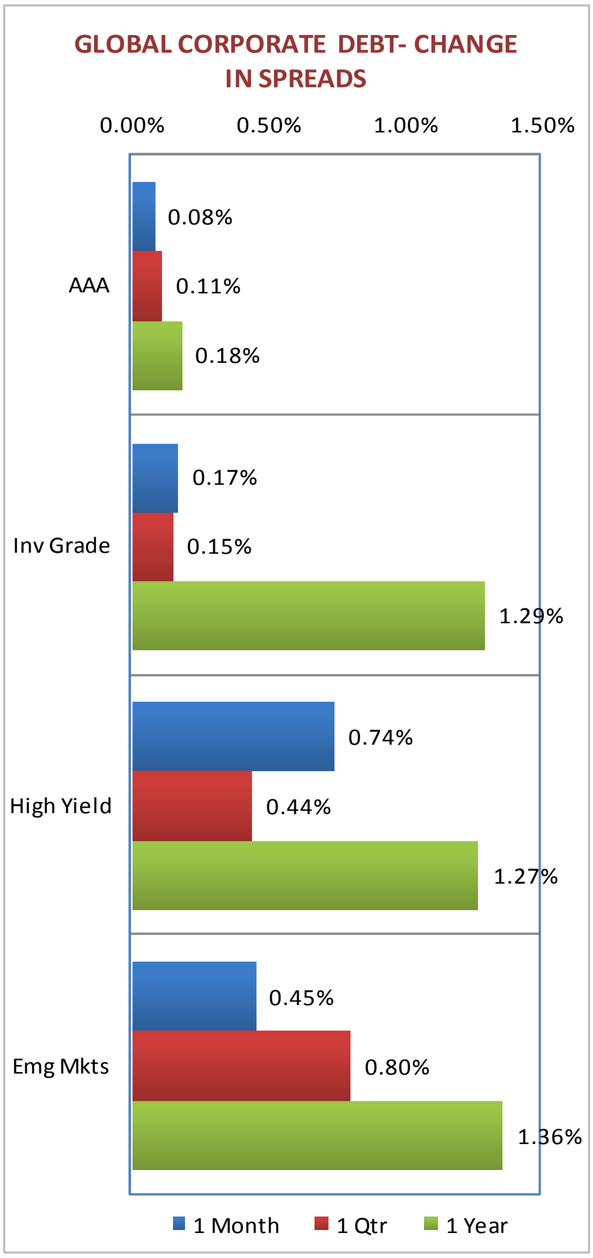
The ongoing uncertainty among European economies has prevented worldwide producers from committing to major projects that utilise Australian primary resources, thus causing the AUD to fall 3.08% as judged by the TWI. Further, the improvement in the US economic outlook – and consequent rise in the value of the USD – caused a relative decline of the AUD compared to the USD by 3.38%. Depreciation of the AUD also occurred against the GBP, -0.70%, and the JPY, -3.89%.

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	-3.44	-2.95	-6.27	8.14	-1.40	-8.52	-9.68
Australian Shares - Market Cap	ASX 50 Leaders	-3.27	-2.12	-5.17	7.60	-0.63	-8.22	-8.03
	ASX Midcap 50	-4.56	-5.42	-9.25	7.97	-4.23	-10.83	-14.35
	ASX Small Ordinaries	-3.71	-7.15	-12.09	15.03	-3.57	-8.38	-17.90
	S&P/ASX Emerging Companies	-1.87	-5.61	-13.56			-8.46	-19.82
Australian Shares - GICS Sectors	S&P/ASX 300 Materials	-6.14	-11.47	-14.85	12.42	3.89	-16.88	-20.24
	S&P/ASX 300 Industrials	0.40	1.40	-4.09	7.97	-6.06	-3.06	-6.28
	S&P/ASX 300 Consumer Discretionary	-3.51	1.87	-11.71	10.05	-9.26	-7.97	-12.18
	S&P/ASX 300 Consumer Staples	-1.89	1.22	3.55	12.81	7.23	-2.48	2.71
	S&P/ASX 300 Energy	-4.33	-1.51	-12.03	5.66	6.45	-10.31	-15.86
	S&P/ASX 300 Healthcare	1.85	1.78	-7.38	0.83	3.39	-6.54	-10.32
	S&P/ASX 300 Information Technologies	-0.15	-3.07	-19.28	9.98	-2.77	-9.32	-23.44
	S&P/ASX 300 Telecommunication	1.84	3.92	26.67	4.40	7.21	15.76	27.52
	S&P/ASX 300 Financials ex Property	-3.97	0.94	0.22	12.29	-0.31	-5.54	-3.13
	S&P/ASX 300 Utilities	1.35	0.69	8.12	7.37	-1.18	3.50	5.99
	S&P/ASX 300 Property	2.65	1.66	2.23	-0.51	-13.57	-2.14	1.02

Summary of Statistics:

- **Australian shares** fell 3.44% in November, underperforming global shares, measured by the MSCI World ex-Australia (unhedged) Index, by 4.37%.
- The strongest performers were **Property,** gaining 2.65%, and **Healthcare** which gained 1.85% and **Telecommunications** which closed 1.84% higher.
- Lagging sectors were **Materials** which dropped 6.14%, **Energy**, which fell 4.33%, and **Financials ex Property** which closed 3.97% lower.
- The ASX Midcap 50 was the weakest performer on a **market cap basis**, posting a return of -4.56%. The ASX Small Ordinaries also performed poorly returning -3.71%, 0.27% below the S&P/ASX 300 Index.

Commentary:

The Australian Share Market experienced a volatile month with the S&P/ASX 300 Index rising 1.4% in the first week of November before accumulating losses of 6.6% and eventually closing 3.44% lower for the month. The fall was led by the Materials sector which fell 6.14% bringing its accumulated losses over the calendar year to 20.24%. Within this sector Rio Tinto and BHP Billiton both experienced heavy losses with the value of their shares deteriorating by 9.04% and 7.62% respectively. Underpinning these declines was poor local and international economic data. Notably figures released from China where the Trade Balance fell short of analysts' anticipations for the third consecutive month. Additionally, the Manufacturing PMI failed to meet expectations and fell to 50.4 points (above 50 points signifies production expansion, below 50 points signifies contraction). These are lagging indicators that the demand for Chinese exports has been falling and implies that the demand for primary inputs will recede in the near future.

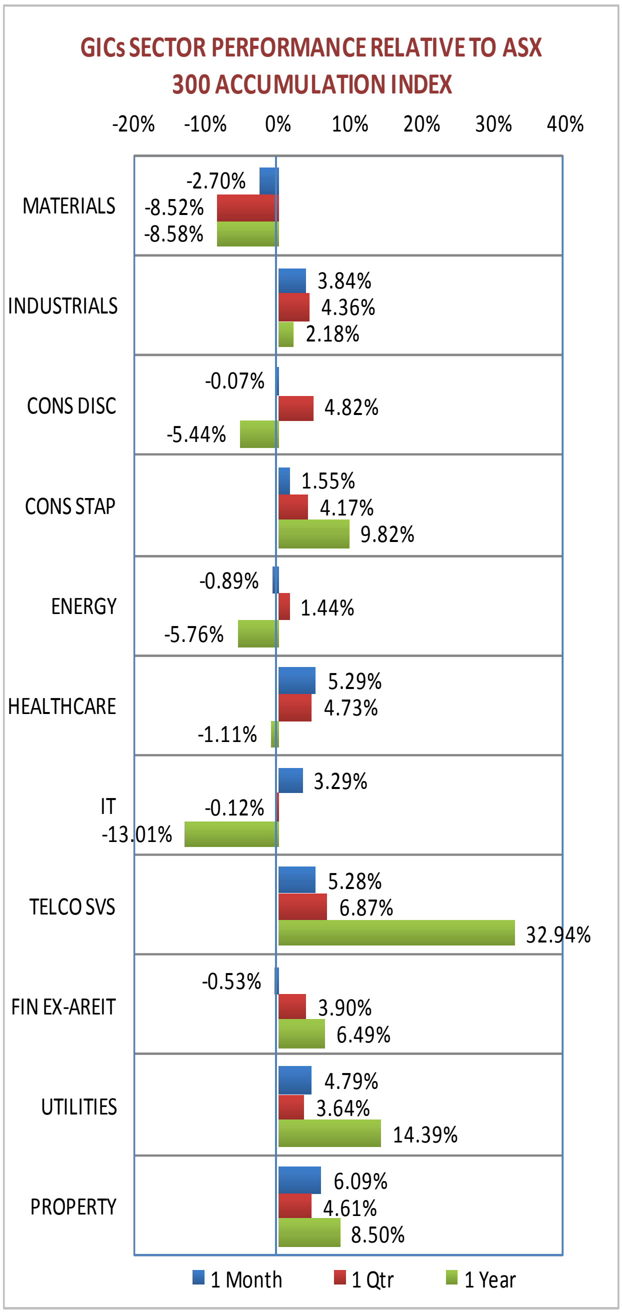
In relative terms, Bluescope Steel was the worst performer in the Materials sector falling 46.91%. The steelmaker has fallen 84% over the past twelve months due to increased overseas competition and falling demand from overseas buyers. The shares fell 21% in a single day when the company made a heavily discounted institutional offer to raise some much needed capital.

The S&P/ASX 300 Energy sector also performed poorly falling 4.33% during November. Leading this decline was Woodside Petroleum which lost 10.28% - almost $3b of its market capitalisation. Central to this deterioration was the revelation of ongoing problems with the Pluto natural gas project, specifically; further cost overruns and a 35% decline expected production from the site in 2012.

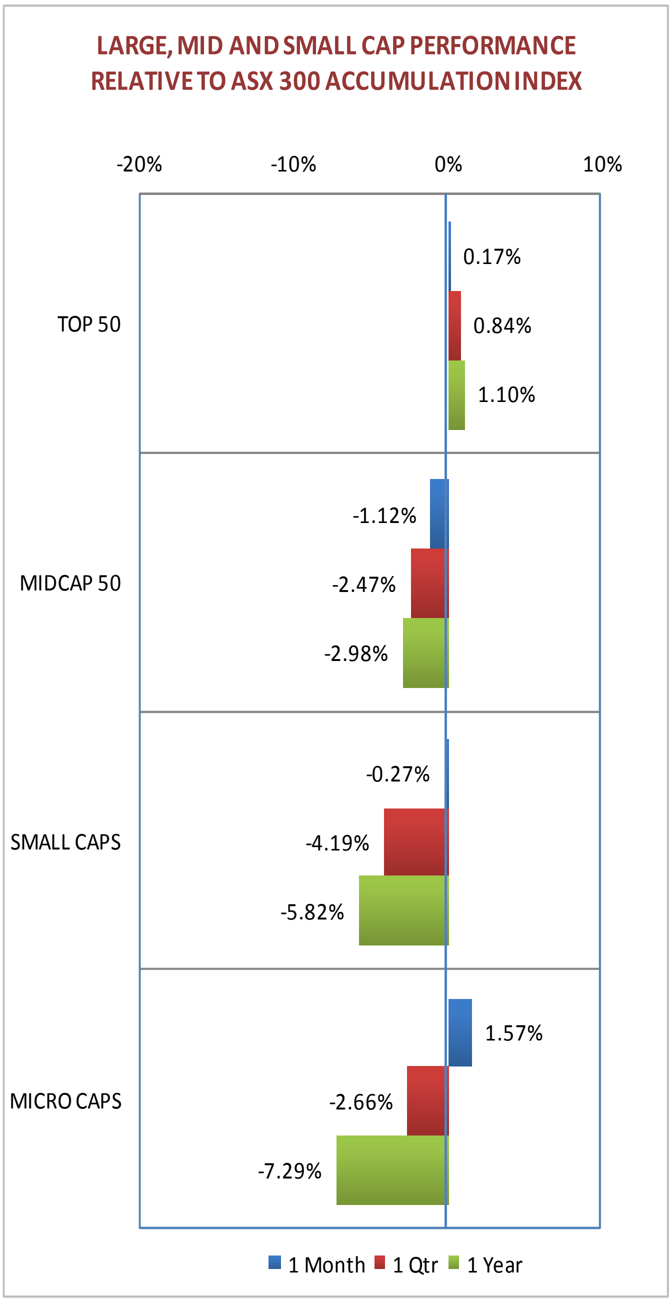
The Healthcare sector was an exceptional performer during November posting a gain of 1.85%. CSL led the charge rising 8.1% after announcing a refinancing plan that will reduce the company's cost of capital and fund the proposed on-market share buyback. Additionally, expansion plans into China have been mooted ensuring the company stays in line with its $955m profit forecast for 2012.

The Telecommunications sector also performed well gaining 1.84%. This climb was led by Telstra which revealed positive company forecasts leading to a rise of 1.95%.

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$	0.93	2.75	-5.23	-3.86	-7.17	-6.34	-5.53
	MSCI World A$	0.75	2.53	-5.28	-3.51	-6.99	-6.45	-5.69
	MSCI Small Cap World Ex Aus	0.79	1.00	-6.35	3.86	-5.26	-9.52	-8.50
International Shares - Regional in A$	MSCI North America	2.68	5.83	-1.02	-2.01	-5.45	-1.92	-0.88
	MSCI Asia	-3.46	-4.83	-17.00	-3.75	-7.27	-11.59	-16.70
	MSCI AC Asia ex-Japan	-5.31	-7.05	-19.01	5.64	-1.98	-15.32	-17.97
	MSCI China	-5.40	-8.56	-26.21	-1.80	-0.54	-17.79	-20.56
	MSCI Europe	-1.38	-0.66	-8.58	-5.26	-9.21	-13.67	-9.86
	MSCI Emerging Markets	-3.61	-5.88	-17.41	6.19	-1.75	-14.70	-17.61
	MSCI India	-13.21	-11.09	-32.85	4.47	-4.47	-23.88	-33.30
	MSCI Japan	-1.28	-2.23	-14.64	-10.61	-11.06	-7.03	-15.22
International Shares - Hedged	MSCI World ex Au Local Currency *	-1.20	0.79	-0.49	9.60	-3.09	-8.70	-5.89
International Shares - Gold Shares in A$	FTSE Gold Mines	6.82	0.75	-3.94	8.22	3.41	14.03	-1.90
International Shares - Global Resources in A$	HSBC Global Mining	-1.38	-9.04	-17.77	12.90	1.50	-14.06	-21.61

Summary of Statistics:

- **International Shares (ex-Australia)** rallied in October, adding 0.93% on an unhedged basis, while falling 1.2% in local currency terms
- On a **regional basis**, North America was the only positive performer gaining 2.68%. From the countries that declined, India was the hardest hit falling 13.21%. Asia (ex Japan) also fell dramatically declining 5.31% of which China was the most influential country contracting 5.4%.
- The **FTSE Gold Mines Index**, which measures global gold shares in AUD, rose 6.82%.

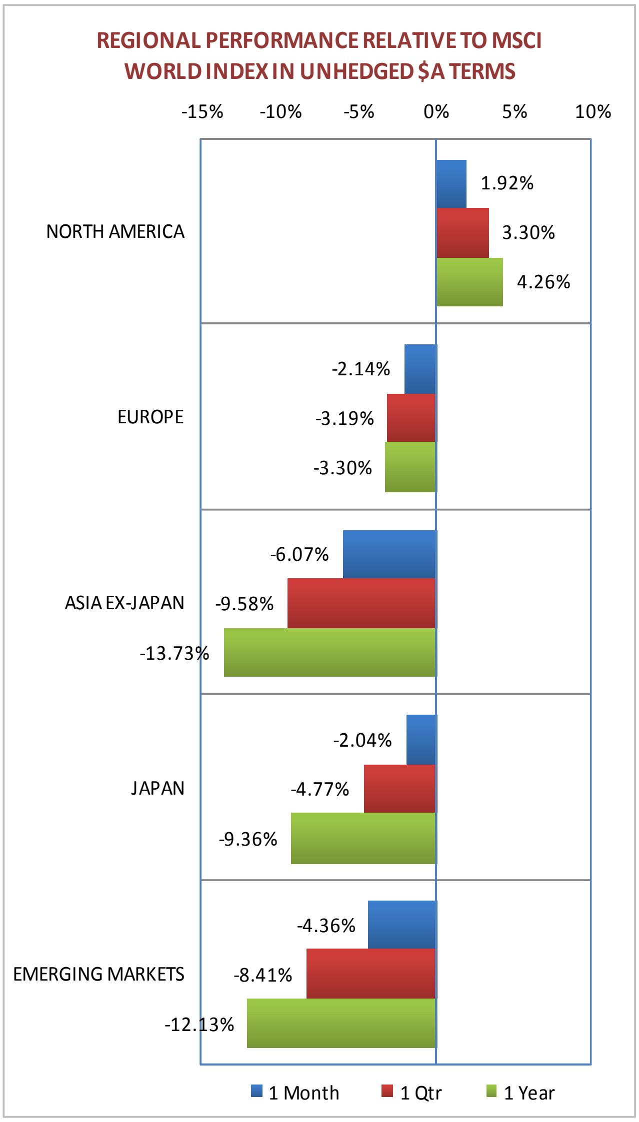
Commentary:

The US equity market was the strongest performer in the International Equities space outperforming the MSCI World A$ by 1.92% during November. The primary basis for this rally was positive macroeconomic data reported during the month, specifically; a falling rate of unemployment as well as an improving trade balance and rate of government spending.

European equity markets fell as a result of the ongoing uncertainty within the troubled Eurozone countries. The month started positively with reports of leadership changes in the troubled economies of Greece, Italy and Spain bringing confidence to the market. Additionally, the appointment of a new president of the ECB, Mario Draghi, offered further assurance to the market. However, unflattering fundamental data released from Germany, Spain and Italy reminded investors that there is still much work to be done before economic security in the region can be restored.

Asian equities, measured by the MSCI Asia Index, were dragged down 3.46% by negative reports of Chinese production and manufacturing. Individually, the MSCI China Index declined 5.40%.

With global economic insecurity continuing, investors chose the relative safety of gold as a suitable investment driving the FTSE Gold Mines Index up 6.82%.



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	2.65	1.66	2.23	-0.51	-13.57	-2.14	1.02
Global Listed Property - Hedged in A$	FTSE E/N Dev	-4.74	-6.45	-4.25	12.57	-9.75	-12.11	-8.27
Global Listed Infrastructure - Hedged in A$	UBS Global Infra. & Utilities	0.28	2.94	6.45	9.98	0.90	-2.05	2.46
Global EM Listed Infrastructure - Hedged in A$	UBS EM Infra. & Utilities	-0.38	-3.43	-15.10	1.12	-1.53	-13.62	-13.45

Summary of Statistics:

- The **S&P/ASX 300 Property Index** gained 2.65%, outperforming FTSE EPRA/NAREIT Developed Index (Hedged, $AUD) which declined 4.74% for the month.
- **Global Listed Infrastructure** gained 0.28% during October while the **Global Emerging Markets Listed Infrastructure** fell 0.38%.

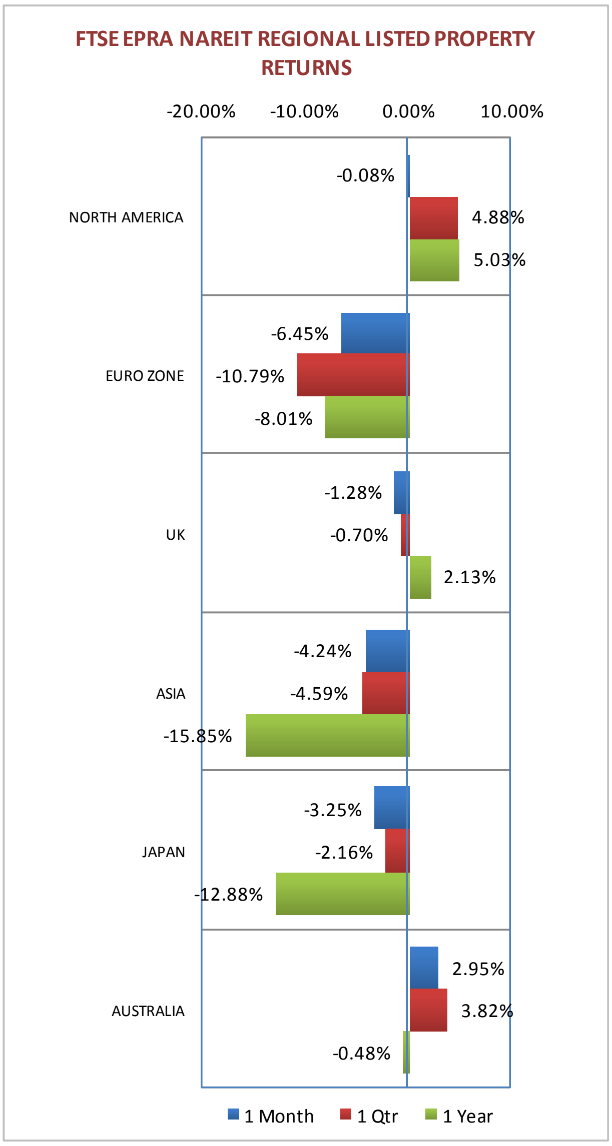
Commentary:

Australian Listed Property added to its October gains by rising a further 2.65% during November. The expansion was led by Westfield group who posted a 6.49% rise after reporting that its global portfolio is performing to expectations and that the sale of noncore assets in the US market is progressing well.

Stockland also performed well posting a gain of 7.27% after confirming anticipated earnings of 7% for FY2010 and successfully selling the Melbourne office tower Riverside Plaza. Stockland is currently rearranging the company's capital structure by buying back shares and reducing debt.

Global Property did not fare as well falling 4.74% in AUD terms, bringing the accumulated losses for the calendar year to 8.27%. Leading this decline was the Eurozone property market which fell by 6.45%. The unstable economic environment and ongoing concerns about the solvency of member nations has raised the cost of funding for financial institutions who must then pass on these added costs to borrowers. Consequently, new major property developments have reached a near standstill due to the economic uncertainty and decrease in potential profit margins.

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%;



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Data source: Bloomberg