

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	4.82	4.84	-0.02%	4.75	0.07%
	10 Year Bond	4.54	4.24	0.31%	5.23	-0.69%
Australian Shares	All Ords	4360.50	4070.10	6.66%	4733.40	-8.55%
	S&P/ASX 200	4298.10	4008.60	6.74%	4661.60	-8.46%
Regional Shares	Dow Jones Industrials (US)	11955.01	10913.38	8.71%	11118.49	7.00%
	S&P 500 (US)	1253.30	1131.42	9.72%	1183.26	5.59%
	FTSE 100 (UK)	5544.22	5128.48	7.50%	5675.16	-2.36%
	TOPIX (Japan)	764.06	761.17	0.38%	810.91	-6.13%
	Hang Seng (Hong Kong)	19864.87	17592.41	11.44%	23096.32	-16.27%
Property	ASX 300 A-REITS Index	778.90	751.40	3.53%	847.60	-8.82%
Commodities	US\$ Gold Price	1714.85	1623.97	5.30%	1359.40	20.73%
	US\$ Oil Price – W Texas Crude	93.19	79.20	15.01%	81.43	12.62%
	US\$ CRB Spot Commodity Index	510.23	503.56	1.31%	490.03	3.96%
Exchange Rates	AUD / USD	1.0600	0.9662	8.85%	0.9835	7.22%
	AUD / EUR	0.7600	0.7217	5.04%	0.7052	7.21%
	AUD / GBP	0.6571	0.6200	5.65%	0.6131	6.70%
	AUD / JPY	82.62	74.45	9.89%	79.08	4.29%
	TWI	76.90	72.40	5.85%	72.70	5.46%
Volatility	VIX Index	29.96	42.96	-13.00%	21.20	8.76%

Key Points:

- All major markets ended October in positive territory with investors recovering some of the losses experienced during previous months.
- The Australian Dollar (AUD) rallied strongly against the major currencies in October. Exceptional gains were recorded against the Japanese Yen (9.89%), the US Dollar (8.85%) and the British Pound (5.65%).
- The S&P/ASX 200 gained 6.74% during October registering the strongest monthly performance in over two years.
- Strong returns were also recorded in international equities during October. The Hong Kong Hang Seng Index led the way with an 11.44% return, while the UK FTSE 100 Index and the US S&P 500 Index also performed strongly gaining 7.50% and 9.72% respectively.
- West Texas Crude Oil led the surge in commodities prices. It gained 15.01% in expectation of an increase in global production, due to the positive response of manufacturers to the second Greek bailout package.
- Contrary to market expectations the RBA chose not to lower the overnight cash rate in October (the anticipated reduction of 25bp eventuated on the 1st of November). The yield on 10 Year Bonds rose by 31bp indicating an improved economic outlook over the long term.
- Volatility settled in October, falling 13%, due to a more stable economic outlook in the European Union.

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	5.02	4.44	5.54	1.66	4.17
Australian Bonds	UBSA Australia Composite All Maturities	-0.57	2.32	8.42	6.90	6.96	4.03	8.63
International Bonds	Barclays Global Aggregate (USD Hedged)	-0.10	1.72	2.78	6.52	5.08	2.87	4.39

Summary of Statistics:

- **Australian Cash** returned 0.42% in October and 5.02% over the past twelve months.
- **Australian Bonds**, measured by the UBSA Australia Composite All Maturities Index, fell 0.57%, bringing the yearly return to 8.42%.
- **International Bond** prices fell -0.10%, as measured by the Barclays Global Aggregate (Hedged, USD) Index.
- In the **Global Corporate Debt Market**, high yield and emerging market debt performed well with spreads narrowing by 0.82% and 1.45% respectively. Investment grade debt also improved as spreads widened by 0.58%. AAA rated debt remained largely unchanged.

Commentary:

Positive market sentiment in Australian and International markets led investors to offload local fixed income investments in pursuit of higher risk and return securities. The subsequent fall in Australian Treasury bond prices caused yields on 3 and 10 year Australian bonds to increase by 0.26% and 0.29% respectively. The change in bond yields was also fostered by the common opinion that the RBA would cut the overnight cash rate in early November.

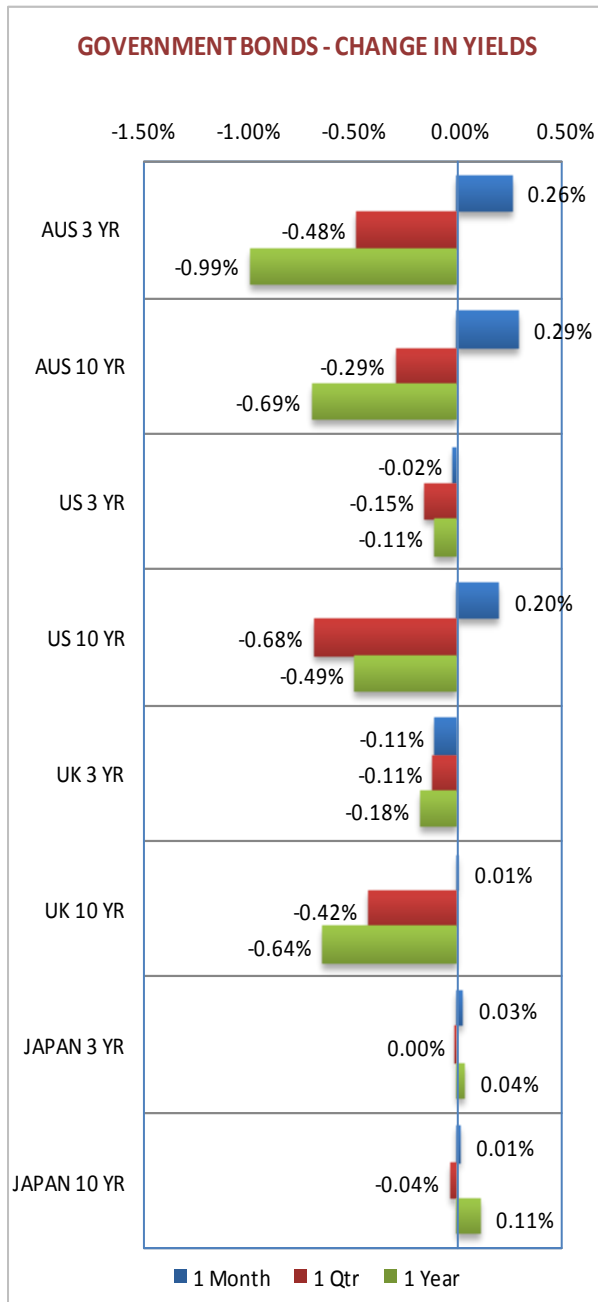
US bond markets responded in a similar manner with 10 year Treasury bond yields rising 20bp due to investors targeting higher returns in alternate markets. This confident behaviour was driven by positive US employment and GDP figures. Further confidence was drawn from the European Union, which agreed to a second Greek bailout package. The short term US debt market mainly remained steady, with yields on 3 year bonds falling by a nominal 2bp.

Continuing the trend of recent months, news from Europe was the predominant cause of movements in world bond markets during September. Early in the month Moody's announced that Belgian bank Dexia would go under review due to their level of exposure to the troubled Greek, Italian, Irish and Portuguese government debt. Investors chose to steer clear of the bank, due to the potential risks associated with their portfolio of toxic assets, until clarification from Moody's had been confirmed. The bank was consequently frozen out of capital markets thus limiting their access to short term funds. As a result, Dexia was forced to request a bailout from the French and Belgian governments. A caveat of the rescue package required the bank to sell off some of its departments, an initiative that markets responded to positively.

The Greek sovereign debt crisis was also a major determinant of market behaviour during the month. Global bond markets responded positively to news that the EU had approved a second bailout package which would, in effect, halve the outstanding value of Greek government bonds thus reducing the likelihood the nation would default.

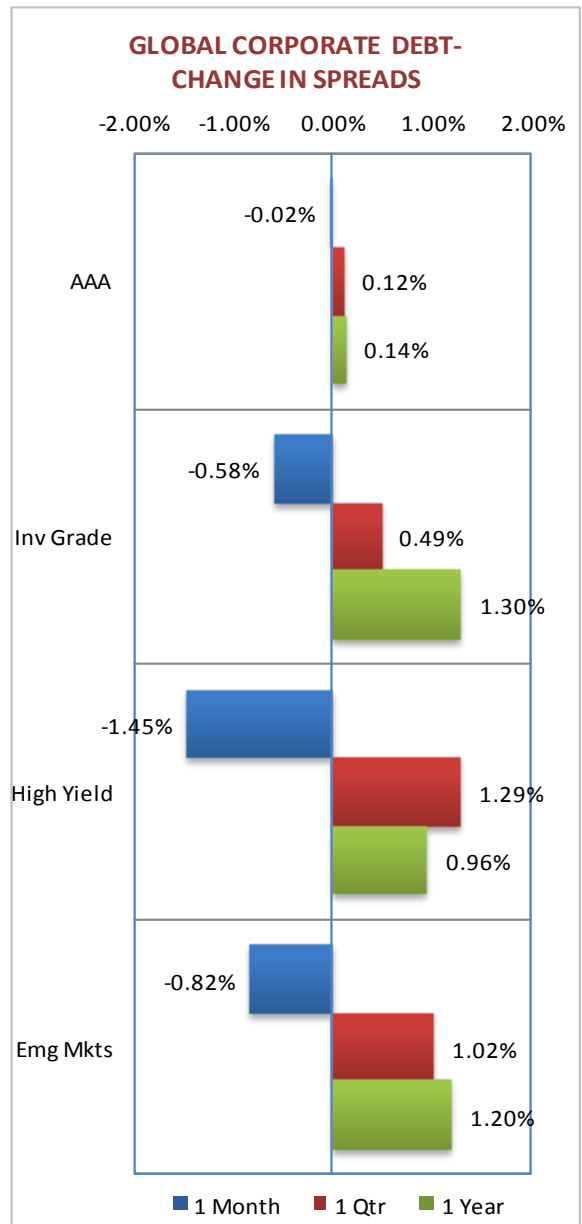
The AUD gained ground against the major currencies during October, ending the month 5.85% higher based on the Trade Weighted Index. Positive GDP and productivity figures from China reassured resource exporters that demand from their most prominent buyer would not dwindle. Additionally, the encouraging news from European markets and the relative decline of the USD dollar have also been contributing factors to the increased value of the Australian Dollar.

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	7.23	-1.49	-3.87	7.06	-0.24	-5.26	-6.46
Australian Shares - Market Cap	ASX 50 Leaders	6.88	-0.37	-3.23	6.66	0.39	-5.12	-4.92
	ASX Midcap 50	9.57	-5.46	-4.66	6.58	-2.50	-6.56	-10.25
	ASX Small Ordinaries	7.87	-6.16	-8.22	12.63	-2.09	-4.85	-14.74
	S&P/ASX Emerging Companies	6.82	-9.27	-7.97			-6.72	-18.29
Australian Shares - GICS Sectors	S&P/ASX 300 Materials	7.92	-10.05	-8.37	13.68	5.19	-11.44	-15.03
	S&P/ASX 300 Industrials	6.99	-2.74	-5.78	3.61	-5.25	-3.45	-6.65
	S&P/ASX 300 Consumer Discretionary	7.38	2.75	-11.97	5.68	-7.75	-4.61	-8.98
	S&P/ASX 300 Consumer Staples	0.32	4.17	-0.01	11.29	8.41	-0.61	4.69
	S&P/ASX 300 Energy	12.24	-2.58	-6.58	5.56	7.67	-6.26	-12.05
	S&P/ASX 300 Healthcare	1.47	-3.59	-4.00	-1.04	3.91	-8.24	-11.94
	S&P/ASX 300 Information Technologies	1.94	-4.43	-20.95	3.01	-0.63	-9.18	-23.33
	S&P/ASX 300 Telecommunication	-0.05	9.85	30.77	3.42	6.12	13.66	25.21
	S&P/ASX 300 Financials ex Property	10.31	4.89	2.55	10.50	1.01	-1.64	0.88
	S&P/ASX 300 Utilities	3.00	3.87	3.60	6.33	-1.24	2.12	4.58
	S&P/ASX 300 Property	3.78	1.90	-2.38	-1.42	-13.11	-4.67	-1.59

Summary of Statistics:

- **Australian shares** reversed the bad fortunes of previous months and added 7.23%, outperforming the MSCI World ex-Australia (unhedged) Index by 6.38%.
- Highly performing sectors were **Energy**, gaining 12.24%, and **Financials (ex-Property)** which gained 10.31%.
- Lagging sectors were **Telecommunication**, which fell 0.05%, and **Consumer Staples** which gained 0.32%.
- The ASX Midcap 50 was the strongest performer on a **market cap basis**, posting a return of 9.57%. The ASX Small Ordinaries also outperformed S&P/ASX 300 Index recording a gain of 7.87%.

Commentary:

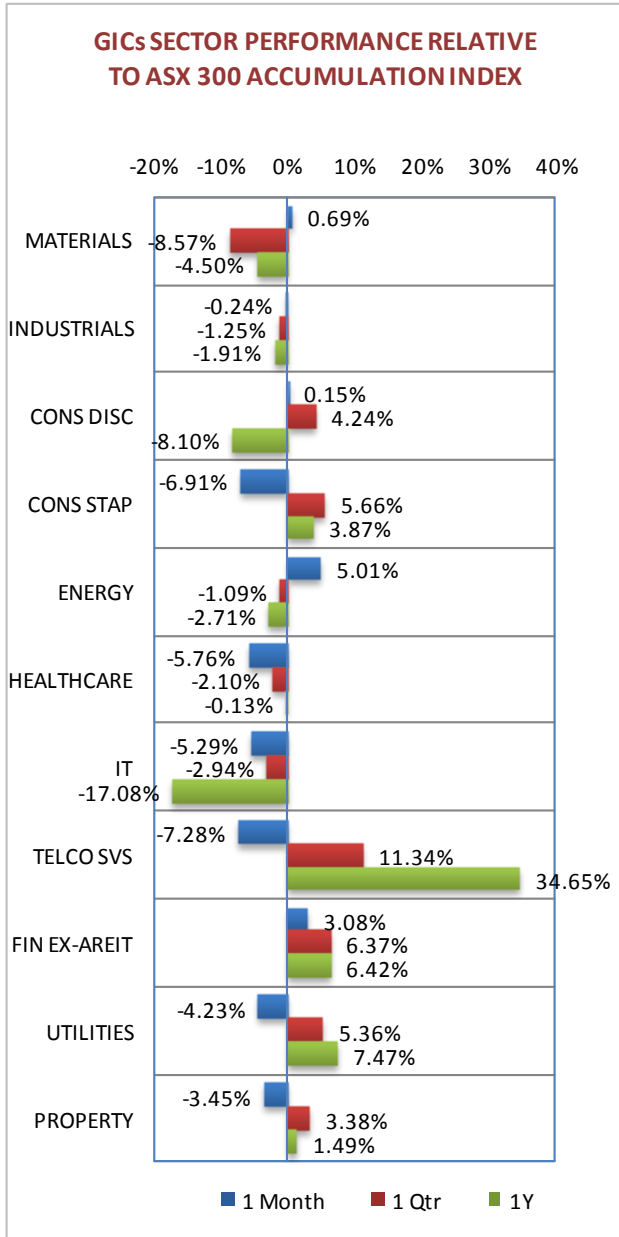
Prior expectations for the Australian equity market during month of October were not optimistic yet the S&P/ASX 300 rallied to post its strongest monthly return of 7.23% in over two years. Positive news from the European Union regarding the sovereign debt crisis was, once again, a major driver behind market movements. The Australian share market was initially shaken by the news that the major Belgian bank, Dexia, required a relief package and that Greece would fail to meet the budget deficit targets set out by the European Union (which would have been grounds for the Union to withhold bailout payments). However, European finance leaders reassured investors during the month by openly discussing plans to recapitalise their financial institutions. These assurances reached a pinnacle when the European Union announced a revitalised bailout plan for the struggling Greek economy.

The S&P/ASX 300 Energy sector gained 12.24% which was led by a 12.56% gain in the value of Woodside Petroleum. Although Woodside's production fell marginally during the month, investors found value in the company since revenue had increased by a greater proportion due to a rise in commodities prices. In particular, the price of crude oil rose to reach \$93.19, a gain of 15.01%, due to its close correlation with economic expectations.

The S&P/ASX 300 Financials ex-property sector was another strong performer during October posting a gain of 10.31%. Australia's major banks have direct funding exposure to distressed sovereign debt in Europe and investors have consequently met the positive political announcements with determined acquisitions of financial sector equities. Each of the four major Australian banks recorded high monthly returns, with NAB posting the most substantial gain of 14.89%. Additionally, the September NAB business confidence index figures rose providing further encouragement to investors in NAB, Australia's largest business lender.

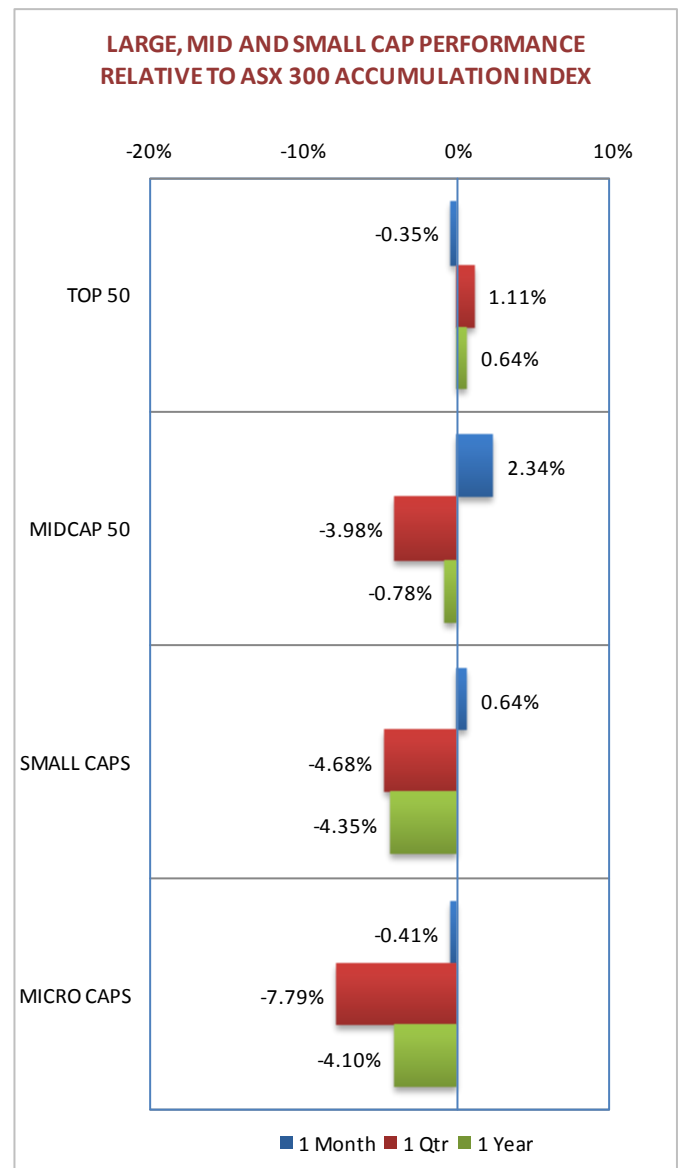
In the Telecommunications sector, Telstra shares rallied after shareholders approved a plan to sell the company's fixed line phone network to the Australian Government for \$11 billion. Shortly after the deal was publicised the ACCC intervened to announce an investigation into the timing of the handover. Telstra's share price consequently reverted back to its previous level, finishing the month even.

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\$	0.85	-3.05	-6.06	-5.85	-7.27	-7.21	-6.40
	MSCI World A\$	1.08	-2.98	-5.99	-5.47	-7.05	-7.15	-6.40
	MSCI Small Cap World Ex Aus	2.44	-5.70	-4.56	1.00	-5.14	-10.23	-9.22
International Shares - Regional in A\$	MSCI North America	1.59	0.00	-1.34	-4.89	-5.96	-4.48	-3.47
	MSCI Asia	-2.87	-8.07	-11.97	-3.20	-6.43	-8.42	-13.71
	MSCI AC Asia ex-Japan	2.61	-9.28	-13.86	5.87	0.17	-10.57	-13.37
	MSCI China	5.49	-10.10	-22.17	1.97	2.26	-13.10	-16.02
	MSCI Europe	2.69	-7.03	-12.45	-6.64	-8.69	-12.46	-8.59
	MSCI Emerging Markets	3.74	-8.80	-14.75	5.18	0.00	-11.50	-14.53
	MSCI India	-0.55	-7.90	-26.08	5.94	-1.02	-12.30	-23.15
MSCI Japan	-8.62	-6.68	-9.76	-10.21	-11.06	-5.82	-14.12	
International Shares - Hedged	MSCI World ex Au Local Currency *	8.60	-5.08	0.43	7.76	-2.64	-7.59	-4.75
International Shares - Gold Shares in A\$	FTSE Gold Mines	-3.12	5.16	-7.26	16.30	3.38	6.75	-8.16
International Shares - Global Resources in A\$	HSBC Global Mining	5.34	-11.21	-13.72	12.26	2.28	-12.86	-20.52

Summary of Statistics:

- **International Shares (ex-Australia)** rallied in October, adding 0.85% on an unhedged basis, and 8.60% in local currency terms
- On a **regional basis**, China (+5.49%) and other Emerging Markets (+3.74%) were the primary positive movers, while the rest of Asia (-2.87%), in particular Japan (-8.62%), declined.
- The **HSBC Global Mining Index**, which measures global resources stocks, advanced 5.34% in Australian dollar terms.

Commentary:

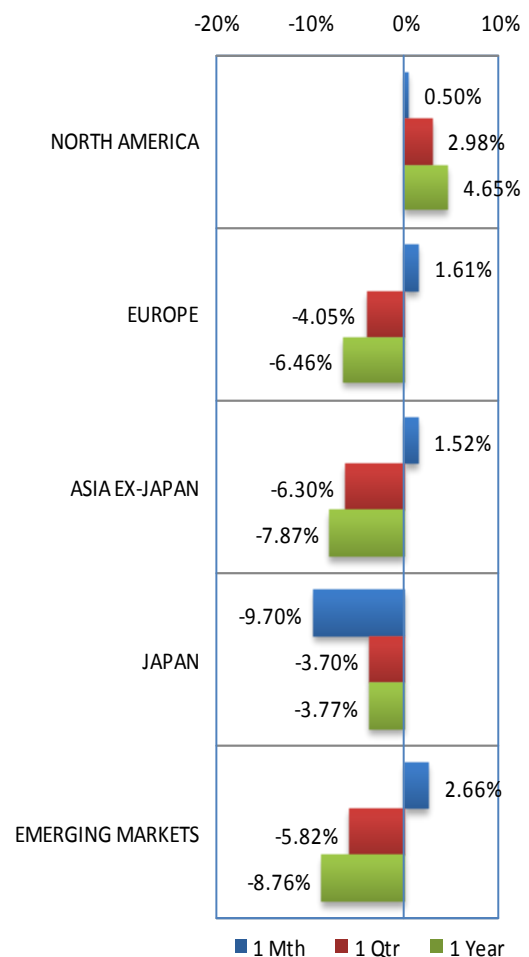
International equity markets settled during October after an extended period of uncertainty about the stability of the global economy. Relative to the MSCI World Index (Unhedged, \$AUD), which is down 5.99% over the past 12 months, US equities have been resilient and fallen by 1.34% for the year exceeding the world benchmark by 4.65%. Better than expected US employment and economic data during October has aided the recovery by boosting the S&P 500 9.72%.

The announcement by European leaders of a second Greek bailout package has calmed investors in the Eurozone that had doubts about the region's stability. This led to a surge in European equities markets with the DAX climbing 11.62%, the FTSE 100 gaining 7.50% and the MSCI Europe adding 2.69%.

Asian equities, excluding Japan, also performed well during October recording a monthly return of 2.61%. Optimistic GDP and productivity figures from China were triggers for this rally, which also brought about a 5.49% increase in local equities markets.

Gold declined 3.12%, based on the FTSE Gold Mines Index due to a decrease in demand in October as investors sought higher risk investments. The HSBC Global Mining Index gained 5.34% as commodities prices increased in the wake of positive worldwide economic data.

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	3.78	1.90	-2.38	-1.42	-13.11	-4.67	-1.59
Global Listed Property - Hedged in A\$	FTSE E/N Dev	10.15	-7.78	-2.15	8.47	-8.19	-7.74	-3.71
Global Listed Infrastructure - Hedged in A\$	UBS Global Infra. & Utilities	2.75	-0.80	3.86	8.55	1.54	-2.32	2.17
Global EM Listed Infrastructure - Hedged in A\$	UBS EM Infra. & Utilities	2.52	-9.82	-14.71	1.27	0.64	-13.29	-13.12

Summary of Statistics:

- The **S&P/ASX 300 Property Index** gained 3.78%, underperforming FTSE EPRA/NAREIT Developed Index (Hedged, \$AUD) which added 10.15% for the month.
- Global Listed Infrastructure** gained 2.75% during October while the **Global Emerging Markets Listed Infrastructure** added 2.52%.

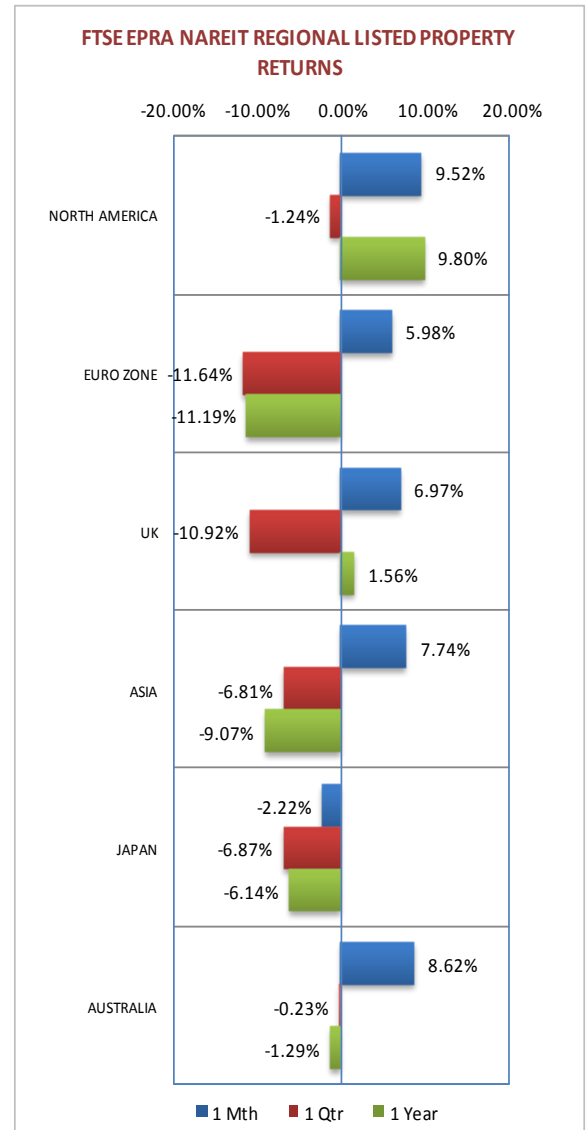
Commentary:

Australian Listed Property recovered some of the losses experienced during September with the S&P/ASX 300 Property Index recording a gain of 3.78%.

Leading the recovery was Australand Property Group which gained 13.04% after revealing that the Port Coogee Marina, a major sailing resort being developed in Western Australia, will be opening before the end of the year. Goodman Group also performed strongly, adding 8.70% during October due to high levels of leasing activity and a company announcement revealing plans to increase the company's investment in China from \$250 million to \$2.5 billion over the next five years.

Economic data released at the start of the month revealed that building approvals fell short of the forecast 2.1% increase, rising by only 1%. Further pessimistic news was delivered by the AIG Australian Performance of Construction Index which fell 2.1 points to 30.0, well below the 50 point level which indicates an expanding market. The ABS also revealed that the quantity and value of loans secured by property had risen by 1.2% exceeding analyst's expectations by 0.1%.

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%;



Data source: Bloomberg

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