Zenith Monthly Market Report (30 September 2011)

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	4.84	4.85	-0.01%	4.87	-0.03%
	10 Year Bond	4.24	4.38	-0.14%	4.99	-0.75%
Australian Shares	All Ords	4070.10	4369.90	-7.37%	4636.90	-13.93%
	S&P/ASX 200	4008.60	4296.50	-7.18%	4582.90	-14.33%
Regional Shares	Dow Jones Industrials (US)	10913.38	11613.53	-6.42%	10788.05	1.15%
	S&P 500 (US)	1131.42	1218.89	-7.73%	1141.20	-0.86%
	FTSE 100 (UK)	5128.48	5394.53	-5.19%	5548.62	-8.19%
	TOPIX (Japan)	761.17	770.60	-1.24%	829.51	-8.98%
	Hang Seng (Hong Kong)	17592.41	20534.85	-16.73%	22358.17	-27.09%
Property	ASX 300 A-REITS Index	751.40	788.90	-4.99%	851.60	-13.34%
	US$ Gold Price	1623.97	1825.72	-12.42%	1308.35	19.44%
	US$ Oil Price – W Texas Crude	79.20	88.81	-12.13%	79.97	-0.97%
	US$ CRB Spot Commodity Index	507.87	544.28	-7.17%	487.26	4.06%
Exchange Rates	AUD / USD	0.9662	1.0712	-10.87%	0.9656	0.06%
	AUD / EUR	0.7217	0.7434	-3.01%	0.7090	1.76%
	AUD / GBP	0.6200	0.6581	-6.16%	0.6140	0.97%
	AUD / JPY	74.45	81.97	-10.10%	80.59	-8.24%
	TWI	72.40	76.50	-5.66%	72.90	-0.69%
Volatility	VIX Index	42.96	31.62	11.34%	23.70	19.26%

Key Points:

- All markets performed dismally with losses accelerating in September as investors favoured cash and bonds amid increasing global economic uncertainty.
- The Australian Dollar (AUD) declined significantly in September against major currencies. The AUD fell against the Euro (-3.01%), Japanese Yen (-10.10%) and the US dollar (-10.87%).
- The RBA Board left interest rates unchanged on October 4 at 4.75% for the 11th straight month amid increasing risks surrounding the resolution of the European debt crisis. The 3 Month BBSW fell by 1bp.
- European sovereign debt issues were at the forefront of investors' minds as fear swept across global equity markets. The S&P/ASX 200 plunged 7.37%, significantly underperforming international equity markets. The heavyweight materials (-12.60%) and energy sectors (-8.28%) weighed down the broader market.
- International equities recovered mildly from August's retreat, adding 0.95% in September on an unhedged basis. China (-8.38%) and Europe (-1.90%) underperformed while North America (+1.46%) and Japan (+8.38%) outperformed, also on an unhedged basis.
- West Texas Crude oil declined sharply, slumping 12.13% to close at US$79.20 in September. Deepening concerns of a European banking crisis and sluggish global economic growth has weakened the global demand for oil.
- Gold bullion suffered its worst monthly fall in over two years after the CME raised margin requirements based on high volatility. Gold settled the month 12.42% lower at US$1623.97 as investors fled to the safety of cash and bonds.
- Volatility spiked higher in September to 11.34% 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	0.39	1.24	5.02	4.54	5.56	1.24	3.73
Australian Bonds	UBSA Australia Composite All Maturities	0.90	4.63	9.04	7.82	7.04	4.63	9.25
International Bonds	Barclays Global Aggregate (USD Hedged)	0.60	2.97	2.79	6.32	5.21	2.97	4.49

Summary of Statistics:

- **Australian Cash** returned 0.39% in September and 5.02% over the last year.
- **Australian Bonds** rose by 0.90%, returning 9.04% over the past year, as measured by the UBSA Australia Composite All Maturities Index.
- **International Bond prices** appreciated by 0.60%, as measured by the Barclays Global Aggregate (Hedged $USD) Index.
- In the **Global Corporate Debt Market,** high yield and emerging market debt performed poorly with spreads widening by 1.15% and 1.17% respectively. Investment grade debt also underperformed as spreads widened by 0.56%.

Commentary:

Offshore events and worrying economic data in Europe and in the US are shattering investor confidence. Investors are moving away from riskier assets and are favouring cash and bonds in this economic environment. This has pushed bond prices higher (yields lower) and credit spreads have widened. The 3 and 10-year Australian bond yields both declined 0.15% in September as recessionary risks have grown over the previous month.

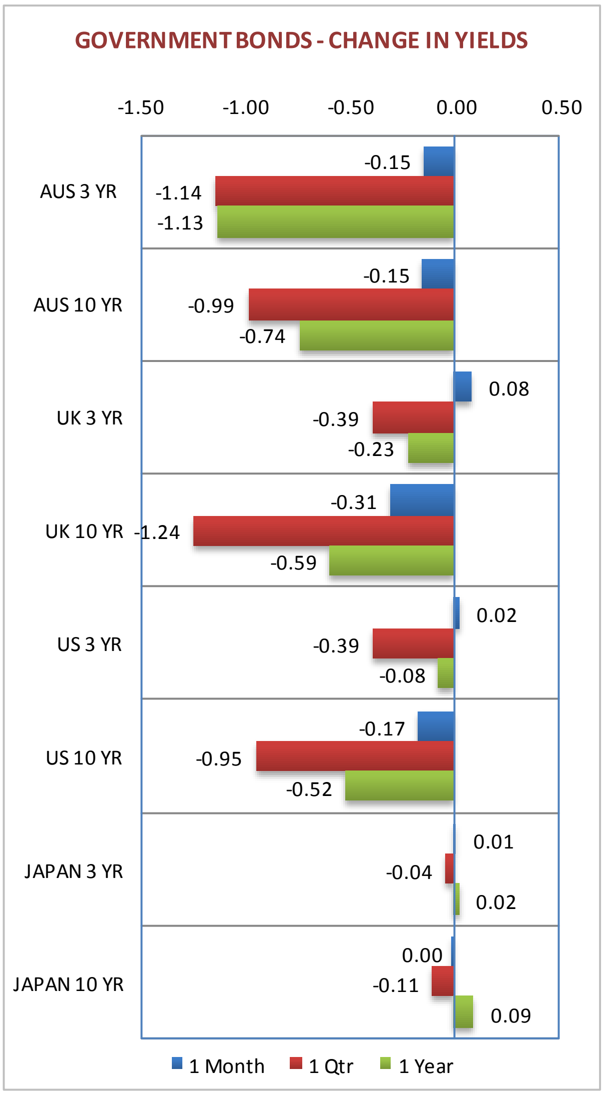
Economic data released throughout the month revealed a generally robust Australian economy. However, good local economic releases have largely been overshadowed by deepening problems in the West. Data which surprised to the upside included a better than expected rebound in GDP growth (+1.4% in 2Q), a jump in capital expenditure (+4.5% in 2Q) and rise retail sales (+0.5% in July). Unemployment was mainly associated with job cuts in the manufacturing sector. 9700 full time jobs were unexpectedly lost which sent the unemployment rate to a 10-month high in August to 5.3%.

The AUD weakened against major currencies, falling by 5.66% on a trade weighted basis in September. The AUD/USD closed below parity for the first time since March 2011 and traded below US$0.95. Factors which lead to this were weakened commodity demand and a downward revision in the IMF’s global economic growth forecast for 2011 and 2012. The RBA’s increasing bias towards cutting interest rates also drove down the AUD before the October 4 meeting. The latest monetary RBA monetary policy decision was to keep interest rates unchanged at 4.75% for the 11th straight month. The RBA noted that inflationary risks are expected to be lower in the medium term as commodity prices have cooled. This is likely to shift the focus away from increasing interest rates in future meetings.

The latest developments out of Europe about resolving the debt crisis are appear to be moving at a sluggish pace. Temporary fixes have been implemented to revive investor confidence and sustain markets for at least in the short term. Last month, more Euro countries agreed to increase the European Financial Stability Facility (EFSF) to €440bn. However, this amount may not be sufficient with talks that €2 trillion may be required. Also, the SNB has capped the Swiss Franc’s rise against the Euro in order to reduce deflationary risk and to protect against further declines in Switzerland’s exports.

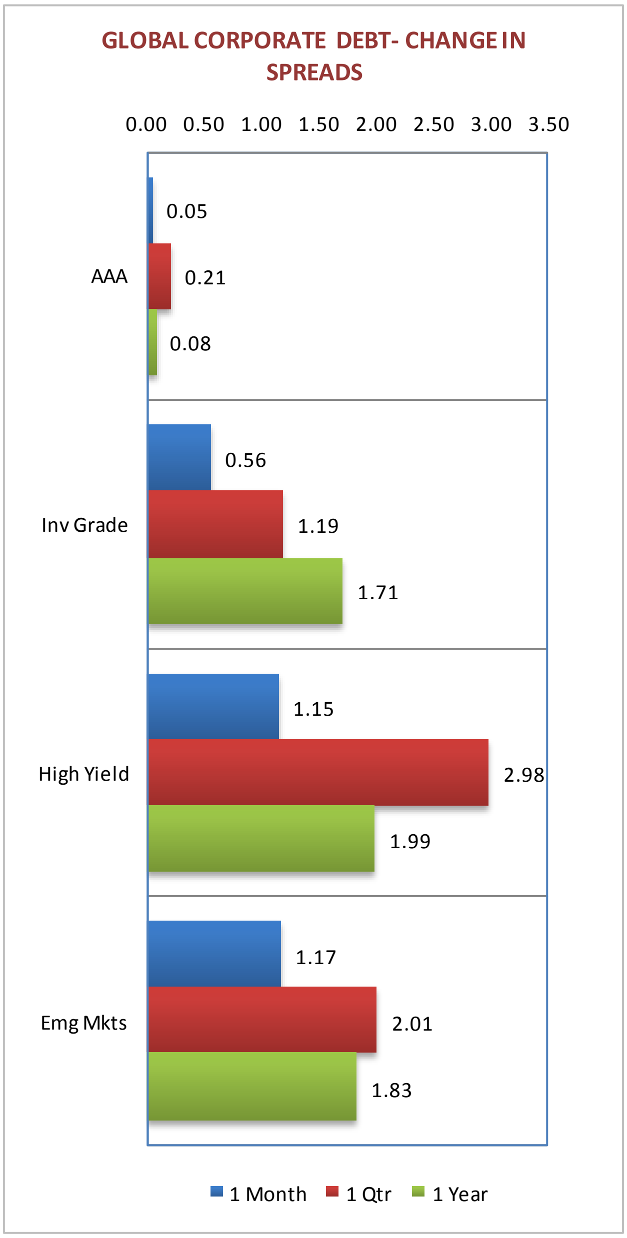
In the US, the Fed conducted Operation Twist which effectively drives down longer term interest rates to reduce recessionary risk but instead may act as a catalyst for higher inflation. 10-year US bonds yields declined by 0.17% to yield 2.00% by month end. Economic data was soft with unemployment and retail sales unchanged but inflation increased by 0.4% in August – higher than forecast.

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	-6.28	-11.65	-8.71	-0.10	-0.71	-11.65	-12.77
Australian Shares - Market Cap	ASX 50 Leaders	-5.32	-11.23	-7.92	0.65	-0.04	-11.23	-11.04
	ASX Midcap 50	-9.55	-14.72	-11.63	-4.50	-3.55	-14.72	-18.09
	ASX Small Ordinaries	-10.61	-11.79	-12.11	-0.14	-2.27	-11.79	-20.96
	S&P/ASX Emerging Companies	-9.96	-12.68	-10.23			-12.68	-23.51
Australian Shares - GICS Sectors	S&P/ASX 300 Materials	-12.60	-17.94	-10.31	3.80	5.51	-17.94	-21.26
	S&P/ASX 300 Industrials	-5.60	-9.76	-10.70	-5.52	-6.01	-9.76	-12.75
	S&P/ASX 300 Consumer Discretionary	-1.68	-11.17	-16.83	-3.54	-7.88	-11.17	-15.24
	S&P/ASX 300 Consumer Staples	2.83	-0.92	-0.35	8.98	8.23	-0.92	4.35
	S&P/ASX 300 Energy	-8.28	-16.48	-15.40	-5.42	5.35	-16.48	-21.64
	S&P/ASX 300 Healthcare	-1.51	-9.57	-5.58	-2.44	4.30	-9.57	-13.22
	S&P/ASX 300 Information Technologies	-4.78	-10.91	-19.89	-1.16	-0.18	-10.91	-24.79
	S&P/ASX 300 Telecommunication	2.08	13.71	33.26	2.57	7.52	13.71	25.26
	S&P/ASX 300 Financials ex Property	-4.71	-10.83	-6.95	4.19	0.04	-10.83	-8.55
	S&P/ASX 300 Utilities	-3.55	-0.85	1.61	3.72	-1.85	-0.85	1.53
	S&P/ASX 300 Property	-4.58	-8.15	-6.29	-11.68	-13.59	-8.15	-5.18

Summary of Statistics:

- **Australian shares** tumbled 6.28%, significantly underperforming the MSCI World (ex-Australia) Index on an unhedged basis which added 0.95%.
- All **sectors** experienced sharp losses with the exception of the defensive consumer staples and telecommunications sectors.
- On a **market cap basis**, the ASX 50 Leaders fell by 5.32%, outperforming the S&P/ASX 300 Index (-6.28%) and the S&P/ASX Small Ordinaries Index (-10.61%).

Commentary:

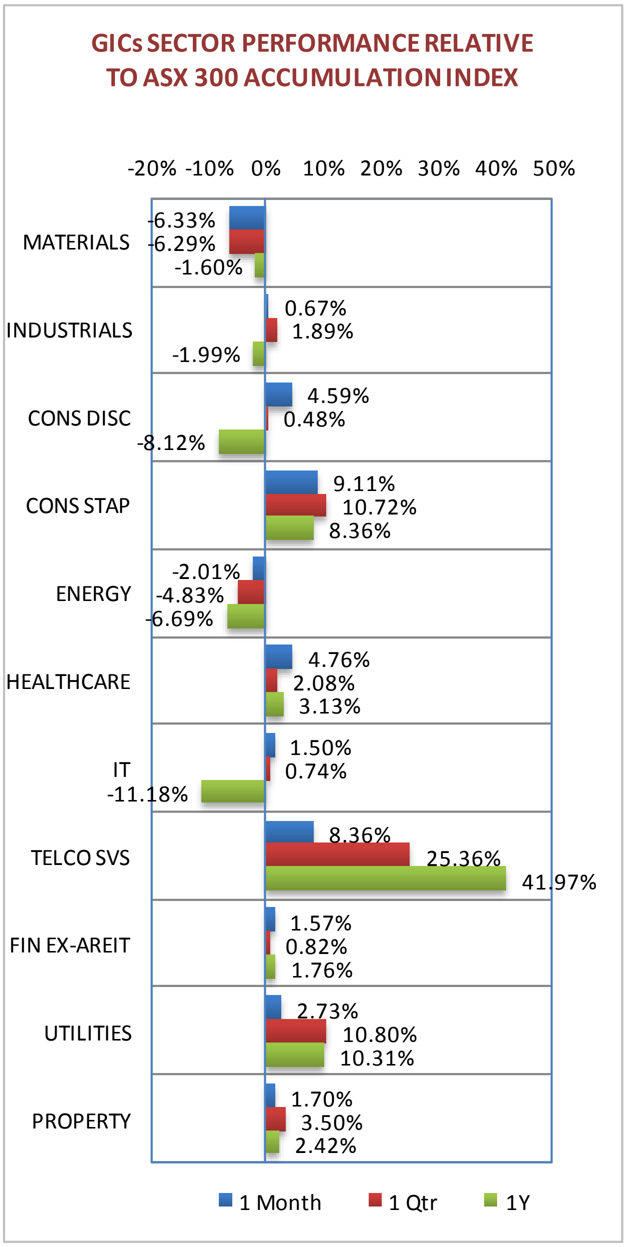
The Australian share market continued to slide down in September, closing lower for the fourth consecutive month and approached two-year lows. The European debt crisis has strongly influenced the Australian share market and has generally been a formidable contributor to the volatility in global markets. Specifically, the Greek Austerity Plan was frequently cited by analysts since the Greek public seems fervently opposed to it. Consequently, the European Union – in particular Germany - may withhold bailout payments until the Greek government is able to prove it can meet the conditions that were agreed to when the rescue package was approved. Further doubt also exists regarding the long term financial stability of Ireland, Spain and Italy with Moody's (following S&P's lead) downgrading the Italian government's credit rating by three tiers. Pessimism regarding US economic growth and relatively high unemployment levels are negatively impacting the performance of Australian shares.

The S&P/ASX 300 Materials and Energy sectors led the decline in the Australian equity market, falling by 12.60% and 8.28% respectively as a result of the uncertainty surrounding developing countries' ability to maintain high demand for resources. Fortescue Metals Group was the hardest hit in this sector, sinking 26% in response to the negative outlook of the US economy, European debt fears and China slowing down. Also, expected surges in iron ore supply over the coming years are likely to dent profits.

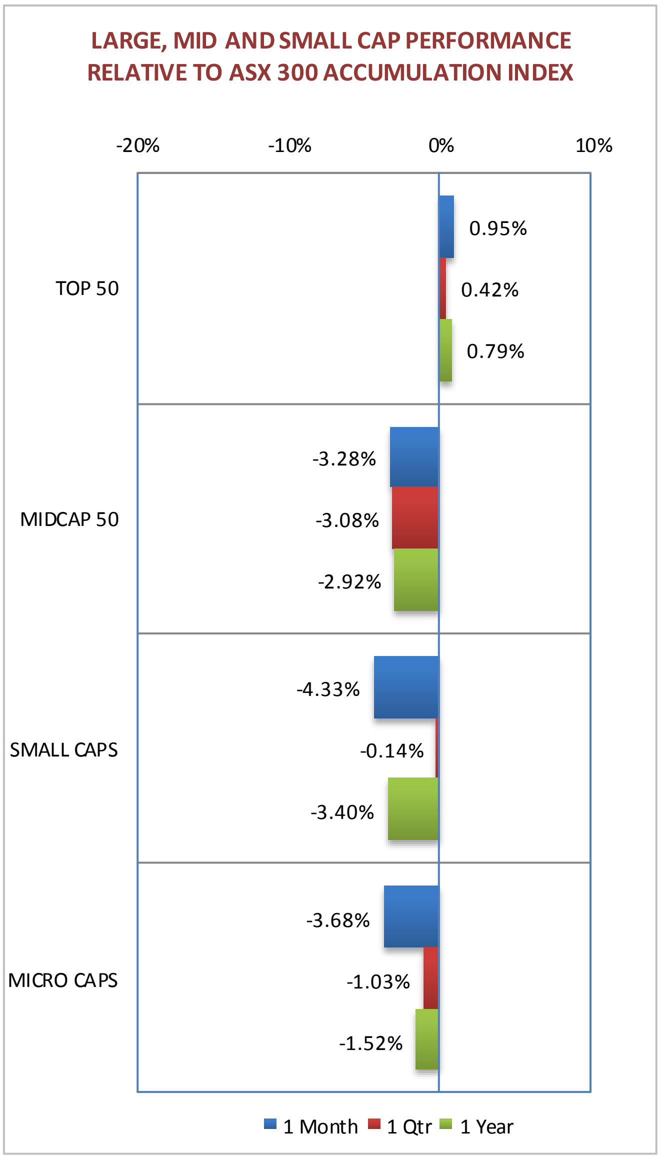
The financial sector (ex-property) ended the month 4.71% lower. This was strongly influenced by the prospect that the Greek sovereign debt crisis will lead to a similar credit freeze to the one experienced during the GFC. The banks recovered some of their losses by month end as reassurance arrived from members of the European Union that Greece would not be expelled. Some of these losses in the financials sector were recovered although Macquarie Group and AMP shed 11.5% and 9.7% respectively. The RBA minutes stated that the Australian banking sector remains in safe hands - having benefited from US money market funds reducing their funding of European banks. However, the top four banks do have wholesale funding exposures to global financial markets and share price performance is likely to deteriorate should the crisis deepen.

*This Section has been worked with contribution from Data Analyst, Ari Kraemer.

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$	0.95	-7.99	-4.52	-7.02	-7.45	-7.99	-7.19
	MSCI World A$	0.67	-8.15	-4.71	-6.79	-7.26	-8.15	-7.40
	MSCI Small Cap World Ex Aus	-2.18	-12.37	-4.33	-2.38	-5.47	-12.37	-11.38
International Shares - Regional in A$	MSCI North America	1.46	-5.97	-0.39	-6.00	-6.30	-5.97	-4.98
	MSCI Asia	1.50	-5.71	-8.37	-3.17	-6.16	-5.71	-11.16
	MSCI AC Asia ex-Japan	-4.33	-12.84	-14.89	1.64	-0.47	-12.84	-15.57
	MSCI China	-8.38	-17.63	-24.28	-2.45	1.79	-17.63	-20.40
	MSCI Europe	-1.90	-14.75	-12.14	-9.30	-9.07	-14.75	-10.99
	MSCI Emerging Markets	-5.87	-14.69	-16.46	-0.87	-0.53	-14.69	-17.61
	MSCI India	3.01	-11.81	-25.39	0.74	-0.36	-11.81	-22.72
	MSCI Japan	8.38	3.06	-0.46	-6.89	-9.79	3.06	-6.02
International Shares - Hedged	MSCI World ex Au Local Currency *	-6.07	-14.91	-4.84	-1.30	-3.66	-14.91	-12.30
International Shares - Gold Shares in A$	FTSE Gold Mines	-2.65	10.18	-3.80	7.76	4.34	10.18	-5.21
International Shares - Global Resources in A$	HSBC Global Mining	-10.91	-15.83	-11.95	2.48	3.04	-15.83	-23.23

Summary of Statistics:

- **International Shares (ex-Australia)** rallied in September, adding 0.95% on an unhedged basis, and 0.67% from a local currency perspective.
- On a **regional basis**, North America (+1.46%) and Japan (+8.38%) gained while Europe (-1.90%) and China (-8.38%) declined in local currency terms.
- The **FTSE Gold Mines Index**, which reflects gold mining stocks globally, retreated 2.65% in Australian dollar terms.

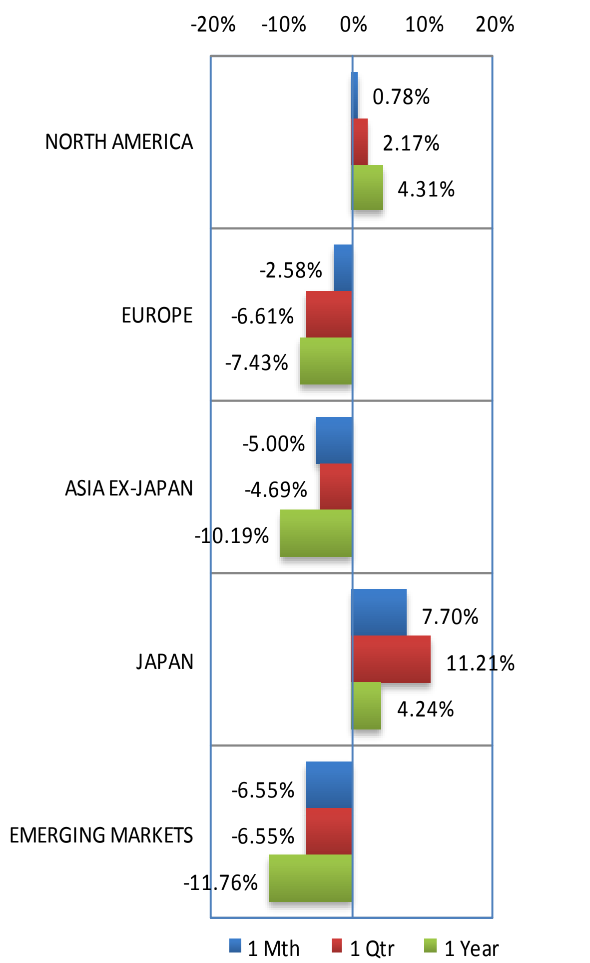
Commentary:

Global equity markets marginally bounced back from steep losses in August amid pessimistic US economic growth and nervousness surrounding Greece's debt default and the contagion risk. The S&P 500 Index dived 13.5% in the third quarter which was the worst performance the US equity market experienced since 4Q 2008. Volatility in international equities will remain a key theme if European policymakers struggle to find a clear solution to solve the debt crisis. The most likely option will be to recapitalise European banks in a coordinated fashion.

US technology stocks surprisingly outperformed the broader US market despite being considered cyclical. Given that they have had healthy balance sheets - beefed up by excess cash - they have had the ability to better weather the current economic downturn. For example, Apple's cash reserves of $76.4 billion exceeded cash reserves of the US Treasury department! In the financials space, Bank of America shares tumbled 25% last month following the bank's announcement of a $5 debt card fee to customers.

Gold pulled back a modest 2.65% in Australian dollar terms due to a weaker Australian currency offsetting double digit losses gold made in US dollar terms. Precious metals were generally hit hard as the CME raised margin requirements in response to surges in volatility. However, it is widely believed that sustained global economic uncertainty, inflationary pressures and strife in Europe will continue to support the gold price.

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	-4.58	-8.15	-6.29	-11.68	-13.59	-8.15	-5.18
Global Listed Property - Hedged in A$	FTSE E/N Dev	-10.84	-16.24	-8.10	-6.79	-9.12	-16.24	-12.58
Global Listed Infrastructure - Hedged in A$	UBS Global Infra. & Utilities	-0.09	-4.94	3.90	2.73	1.49	-4.94	-0.56
Global EM Listed Infrastructure - Hedged in A$	UBS EM Infra. & Utilities	-5.45	-15.42	-16.46	-3.41	0.27	-15.42	-15.26

Summary of Statistics:

- The **S&P/ASX 300 Property Index** fell 4.58%, outperforming FTSE EPRA/NAREIT Index, which retreated 10.84% for the month.
- **Global Listed Infrastructure** was largely unchanged for the month (-0.09%) but managed to outperform **Global Emerging Markets Listed Infrastructure,** which tumbled a further 5.45% in September.

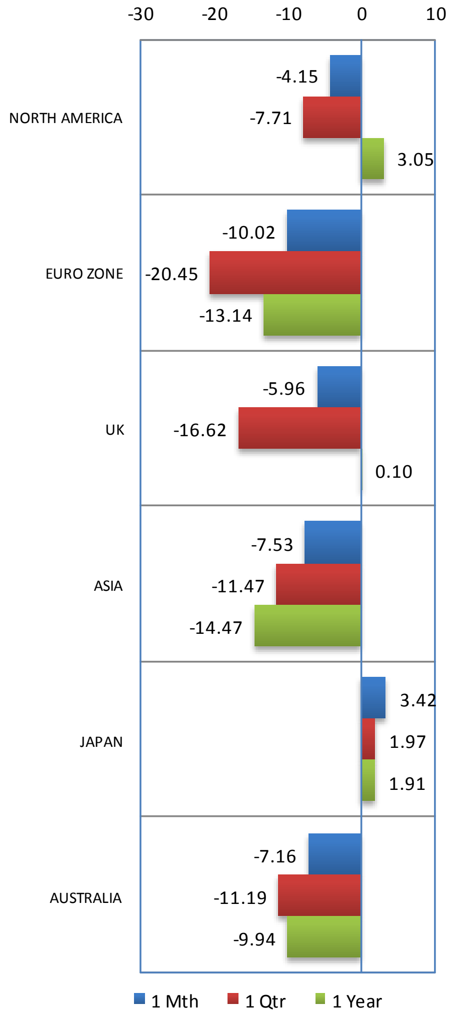
Commentary:

Australian Listed Property wiped out gains made in August with the S&P/ASX 300 Property Index falling 4.58% in September.

Shares of Centro Properties Group surged 50% in one trading day after the NSW Supreme Court approved the Centro Property Group and Centro Retail Trust merger. The restructure aims to consolidate the Group's assets into a new listed trust valued at $4.4 billion. Full year results to 30 June reported by many A-REITs demonstrated that the sector was not performing as badly as previously thought - delivering 5.3% EPS growth along with high retail, office and industrial occupancy rates. A number of A-REITs announced share buybacks including Charter Hall Retail, Stockland Group, GPT Group, Investa Office Fund and Challenger Diversified.

In economic news, the number of newly constructed homes sold increased in August by 1.1%, rebounding from the sharp falls in June and July. Conditions in the housing sector are likely to remain soft unless interest rates ease or fiscal stimulus is provided which can help boost housing supply. In addition, weakness in the housing market was confirmed by an unexpected decline in second quarter housing starts and a lower than expected increase in home loan approvals in July.

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