

## Market Indicators

Market	Indicator	End of Quarter Price	Previous Quarter Price	Quarterly Price Change	12 Months Ago Price	12 Month Price Change
<b>Interest Rates</b>	Overnight Cash %	4.25	4.75	-0.50%	4.75	-0.50%
	3 Month BBSW %	4.65	4.84	-0.19%	4.95	-0.30%
	10 Year Bond %	3.72	4.24	-0.52%	5.57	-1.85%
<b>Australian Shares</b>	All Ords	4111.04	4070.10	1.00%	4846.90	-17.90%
	S&P/ASX 200	4056.56	4008.60	1.18%	4745.20	-16.98%
<b>Regional Shares</b>	Dow Jones Industrials (US)	12217.56	10913.38	10.67%	11577.51	5.24%
	S&P 500 (US)	1257.60	1131.42	10.03%	1257.64	0.00%
	FTSE 100 (UK)	5572.28	5128.48	7.96%	5899.94	-5.88%
	STOXX 50 (EUR)	244.54	226.18	7.51%	275.81	-12.79%
	TOPIX (Japan)	728.61	761.17	-4.47%	898.80	-23.36%
	Hang Seng (Hong Kong)	18434.39	17592.41	4.57%	23035.45	-24.96%
<b>Property</b>	ASX 300 A-REITS Index	766.60	751.40	1.98%	828.70	-8.10%
<b>Commodities</b>	US\$ Gold Price	1563.70	1623.97	-3.85%	1420.78	9.14%
	US\$ Oil Price – W Texas Crude	98.83	79.20	19.86%	91.38	7.54%
	US\$ CRB Spot Commodity Index	482.01	503.56	-4.47%	520.33	-7.95%
<b>Exchange Rates</b>	AUD / USD	1.02	0.97	5.36%	1.02	-0.24%
	AUD / EUR	0.79	0.72	8.40%	0.76	3.00%
	AUD / GBP	0.66	0.62	5.63%	0.66	0.23%
	AUD / JPY	78.43	74.45	5.07%	83.02	-5.85%
	TWI	75.50	72.40	4.11%	75.80	-0.40%
<b>Volatility</b>	VIX Index %	23.40	42.96	-19.56%	17.75	5.65%

### Key Points:

- The December 2011 quarter saw the RBA lower the overnight cash rate in November and December by 25 basis points (bp) in each instance.
- Australian Equity market prices ended the quarter up 1%, as measured by the All Ordinaries Index, falling short of the MSCI World global benchmark which gained 2%.
- US Equity prices performed well during the December quarter with the Dow Jones Industrials and the S&P 500 rising by 10.67% and 10.03% respectively.
- European Equity prices also posted strong results with the FTSE 100 (UK) gaining 7.96% and the STOXX 50 (EUR) rising 7.51%.
- Australian Listed Property ended the quarter up 1.98% as measured by the ASX 300 A-REITS Index.
- The price of Gold fell 3.85% outperforming the CRB Spot Commodity Index (which fell 4.47%) by 0.62%.
- West Texas Crude posted a strong gain rising 19.86%
- The Australian Dollar (AUD) performed well against all major currencies, in particular against the Euro and the GBP where it gained 8.40% and 5.63% respectively.
- Volatility settled over the quarter, falling by 19.56% as measured by the VIX Index.

## Cash, Fixed Interest & Credit

Zenith Benchmarks	Index	Past Qtr	Fin Yr To Date	1 Yr	3 Yr p.a.	5 Yr p.a.
Australian Cash	UBSA Bank Bill	1.22	2.47	5.00	4.38	5.48
Australian Bonds	UBSA Australia Composite All Maturities	1.94	6.66	11.37	6.31	7.40
International Bonds	Barclays Global Aggregate (USD Hedged)	0.87	3.86	5.40	5.03	5.20

### Summary of Statistics:

- **Australian Cash** returned 1.22% over the past quarter and 5.00% over the past twelve months.
- **Australian Bonds** added 1.94%, as measured by the UBSA Australia Composite All Maturities Index, to gain 11.37% over the past 12 months.
- **International Bonds** gained 0.87% based on the Barclays Global Aggregate (USD Hedged)
- **Global Corporate Debt Markets** improved with spreads falling in Emerging Markets, High Yield and Investment Grade debt sectors. AAA rated debt was largely unchanged with spreads increasing by a nominal 5bp.

### Commentary:

The Australian Fixed Interest sector experienced a highly volatile quarter with the UBSA Australia Composite All Maturities Bond Index eventually closing 1.94% higher. Poor macroeconomic data in Australia fostered the widespread opinion that the RBA would lower interest rates, which eventuated in both November and December. The Reserve Bank cited slowing economic growth in China as well as cautious spending behaviour by Australian consumers as key drivers of the rate cut. Further, poor building approval rates and lower than expected trade balance figures facilitated the decision.

The UBSA Australia Composite All Maturities Bond Index initially fell by 0.57% during October as investors abandoned fixed income portfolios in pursuit of higher risk and return investments due to a wealth of positive macroeconomic and political news. November witnessed the first of two consecutive interest rate cuts by the RBA thus driving yields down which, in turn, raised the prices of fixed interest securities by 1.73%. December also provided positive returns to investors of Australian Bonds with the UBSA Australia Composite Index rising 0.78% due to falling yields related to the RBA interest rate cuts and the ongoing global uncertainty which drove investors to the relative security of fixed income investments.

The predominant driver of international bond price movements was news from the European Union, which commenced with the positive news that the EU had announced a second Greek bailout package to effectively reduce 50% of the beleaguered economy's debt. Additionally, investors saw positivity in the appointment of Mario Draghi as the 3<sup>rd</sup> president of the European Central Bank. Based on this information debt markets retracted and investors pursued higher risk and return investments. Uncertainty was reinstated when the Greek Prime Minister at the time, George Papandreou, would not accept the package without a referendum. This manoeuvre ultimately drove him out of office and forced the establishment of a unity government.

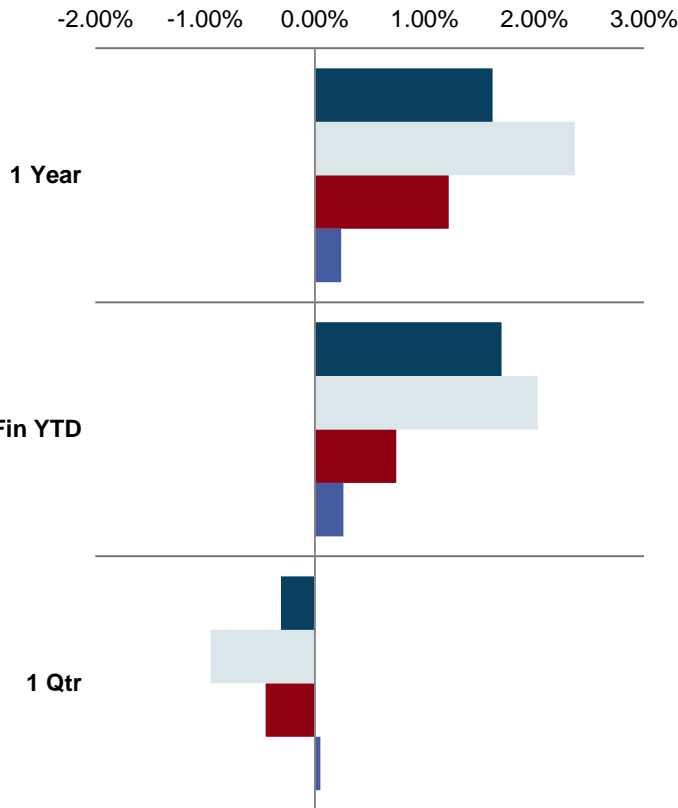
European equities retracted further when the Belgian bank Dexia was forced to request a bailout from the French and Belgian governments. This situation arose when Moody's placed the bank under review - due to their high exposure to PIIGS debt - which ultimately froze them out of international credit markets and threatened to make the bank insolvent.

In response to the ongoing crisis the European Union convened to devise a binding resolution to mend the situation. At the conclusion of the summit all countries in the region, except for Britain, resolved to further integrate the Union's economies, subject to parliamentary approval, to prevent a single country from failing. Investors were unconvinced that this resolution would offer an effective escape from the crisis, a viewpoint which was later reaffirmed by Moody's and Standard and Poor's when they placed fifteen of the seventeen nations in the European Monetary Union on CreditWatch with negative implications.

The Australian Dollar strengthened against all major currencies during the December quarter. The strongest gain was against the Euro where it ended 8.40% higher largely due to the relative decline of the Euro. The AUD also performed well against the GBP, gaining 5.63%, and the USD, gaining 5.36%.

Cash, Fixed Interest & Credit (cont)

GLOBAL CORPORATE DEBT - CHANGE IN SPREADS

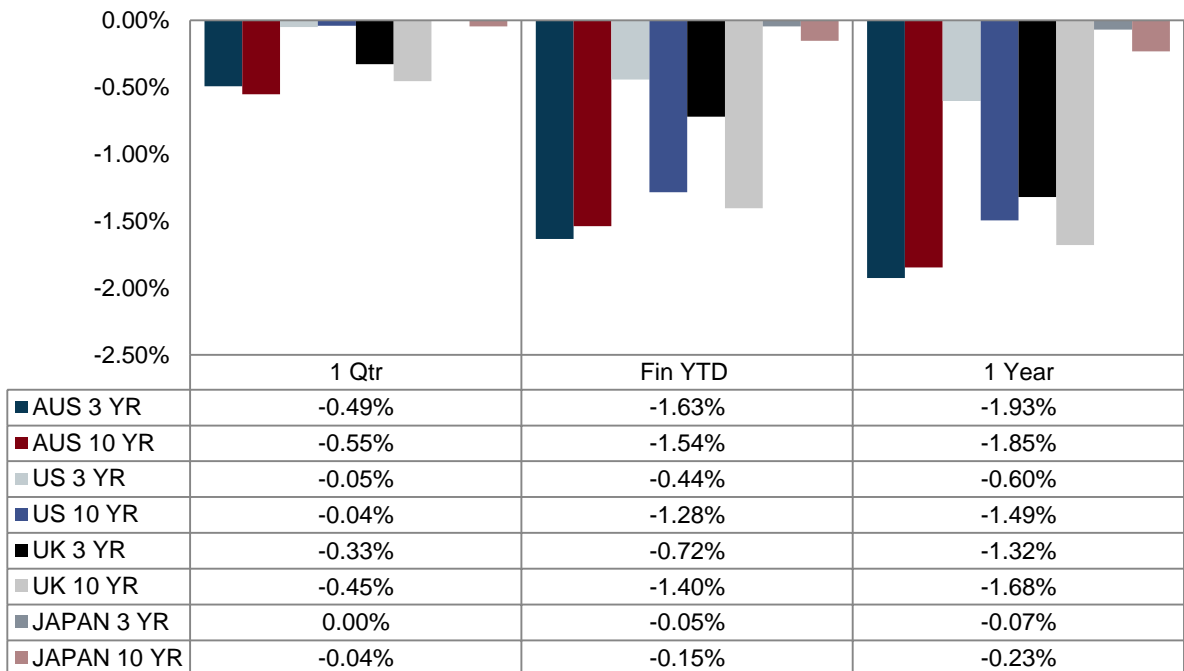


This chart shows the change in Global corporate debt spreads over the past quarter, financial year to date and 1 year. A negative change in spreads indicates a rise in corporate debt security prices and vice versa.

	1 Qtr	Fin YTD	1 Year
Emg Mkts	-0.31%	1.70%	1.62%
High Yield	-0.95%	2.03%	2.37%
Inv Grade	-0.45%	0.74%	1.22%
AAA	0.05%	0.26%	0.24%

This chart shows the change in Government Bond yields over the past quarter, financial year to date 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%.

GOVERNMENT BONDS - CHANGE IN YIELDS



	1 Qtr	Fin YTD	1 Year
AUS 3 YR	-0.49%	-1.63%	-1.93%
AUS 10 YR	-0.55%	-1.54%	-1.85%
US 3 YR	-0.05%	-0.44%	-0.60%
US 10 YR	-0.04%	-1.28%	-1.49%
UK 3 YR	-0.33%	-0.72%	-1.32%
UK 10 YR	-0.45%	-1.40%	-1.68%
JAPAN 3 YR	0.00%	-0.05%	-0.07%
JAPAN 10 YR	-0.04%	-0.15%	-0.23%

## Australian Shares

Zenith Benchmarks	Index	Past Qtr	Fin Yr To Date	1 Yr	3 Yr p.a.	5 Yr p.a.
<b>Australian Shares</b>	S&P/ASX 300	2.05	-9.83	-10.98	7.67	-2.39
<b>Australian Shares - Market Cap</b>	ASX 50 Leaders	2.33	-9.16	-8.97	7.60	-1.49
	ASX Midcap 50	2.19	-12.86	-16.30	5.79	-5.57
	ASX Small Ordinaries	-0.60	-12.32	-21.43	11.83	-5.18
	S&P/ASX Emerging Companies	0.16	-12.53	-23.38	-0.21	-0.13
<b>Australian Shares - GICS Sectors</b>	S&P/ASX 300 Materials	-2.89	-20.31	-23.54	10.30	3.06
	S&P/ASX 300 Industrials	6.47	-3.92	-7.11	5.36	-7.04
	S&P/ASX 300 Consumer Discretionary	-0.47	-11.59	-15.64	5.82	-10.41
	S&P/ASX 300 Consumer Staples	-2.83	-3.73	1.39	12.45	5.70
	S&P/ASX 300 Energy	1.90	-14.89	-20.15	2.92	4.56
	S&P/ASX 300 Healthcare	5.08	-4.97	-8.81	1.35	2.61
	S&P/ASX 300 Information Technologies	0.90	-10.11	-24.11	5.36	-2.81
	S&P/ASX 300 Telecommunication	6.96	21.63	33.99	8.13	6.06
	S&P/ASX 300 Financials ex Property	6.53	-5.01	-2.58	13.00	-0.88
	S&P/ASX 300 Utilities	8.31	7.39	9.97	8.48	-1.92
	S&P/ASX 300 Property	3.81	-4.64	-1.56	2.32	-15.19

### Summary of Statistics:

- **Australian shares** gained 2.05% during the December quarter, as measured by the **S&P/ASX 300 Index**. The strongest performers were **Utilities**, which gained 8.31%, and **Financials ex Property**, which added 6.53%. **Industrials** and **Telecommunications** also performed well rallying 6.47% and 6.96% respectively.
- **Materials** and **Consumer Staples** performed poorly declining 2.89% and 2.83% respectively.
- The **S&P/ASX Small Ordinaries** was the weakest performer on a market cap basis, posting a loss of -0.60%, underperforming the overall market by 2.65%.
- The **S&P/ASX 50 Leaders** was the strongest performer on a market cap basis, adding 2.33%, outperforming the overall market by 0.28%.

### Commentary:

The December quarter saw a rise of 2.05% in the S&P/ASX 300 Index. Leading the gains were the Utilities sector, which gained 8.31%, the Financials ex-Property sector, which gained 6.53%, and the Industrials sector which gained 6.47%. Lagging sectors were the Materials sector, which retreated 2.89%, and the Consumer Staples sector, which declined 2.83%.

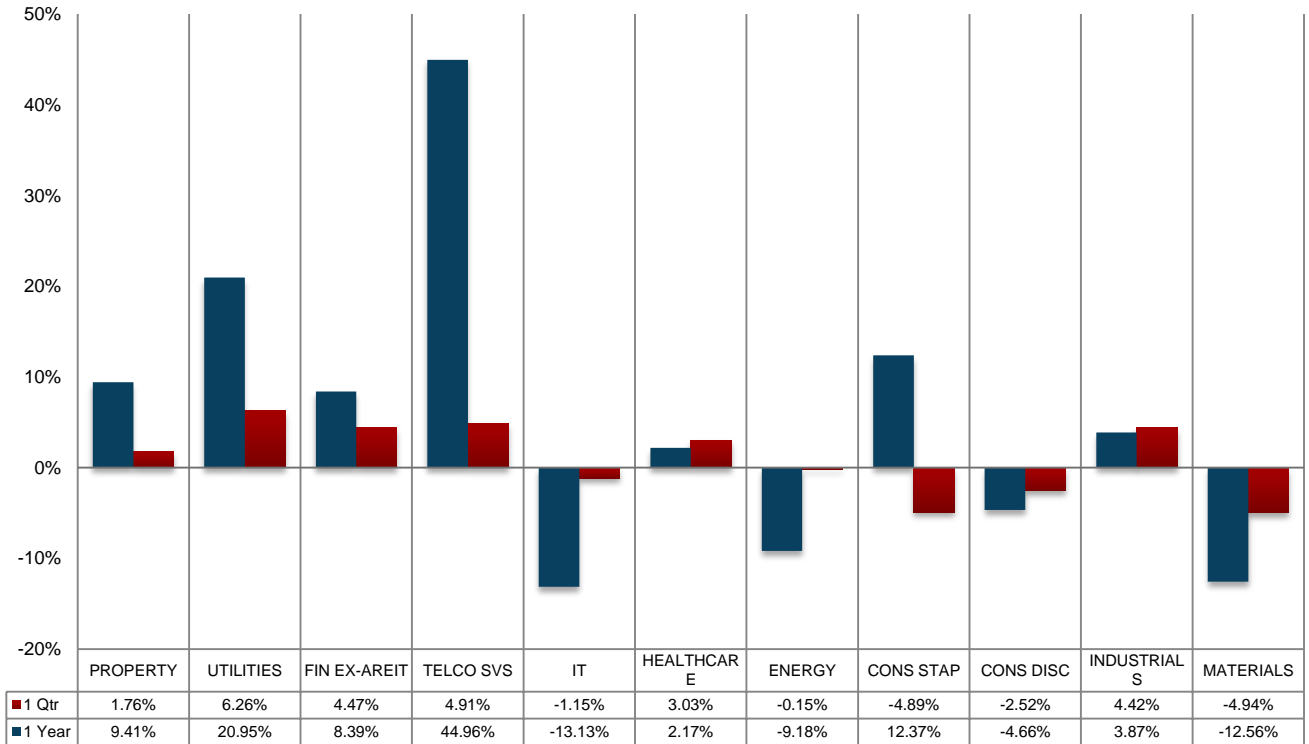
The Financials ex-Property sector rallied strongly during October, gaining 10.31% due to increased confidence in the global economic outlook, before steadying during November and December to end the quarter 6.53% higher. Leading the gains over this period were ANZ and National Australia Bank which both posted returns in excess of 10% for the quarter. Of the major Australian banks, NAB and ANZ have the greatest exposure to foreign markets and are consequently being viewed as more susceptible to the risks of the Eurozone. Upon the revelation that the European Monetary Union had announced a second Greek bailout package and then later decided to further integrate the economies of the member nations to prevent an economic collapse, investors chose to pursue financial sector assets which had the effect of driving up prices.

The Industrials sector also posted strong gains over the quarter adding 6.47%, with Transpacific Industries Group and Spotless Group leading the charge by recording returns of 47% and 36% for the quarter. Other commercial services companies with exposure to the US also improved on the foundation of better than expected macroeconomic data in the US.

Materials were the hardest hit sector during the December quarter falling 2.89%. Although the major miners enjoyed a rally in early December, when the Government voted to end the ban on uranium exports to India, it was not enough to turn around the poor performance of the preceding months. Underpinning the losses was poor local and international macroeconomic data. In particular; China's Trade Balance continued its downward trend and manufacturing PMI consistently declined while in Australia unemployment figures and building approvals did not meet analyst's expectations. Further, specialist gold miners experienced heavy losses, due to the falling price of gold, with Eldorado Gold Corp and Newcrest Mining falling by 18.56% and 14.45% respectively in December alone.

Australian Shares (cont)

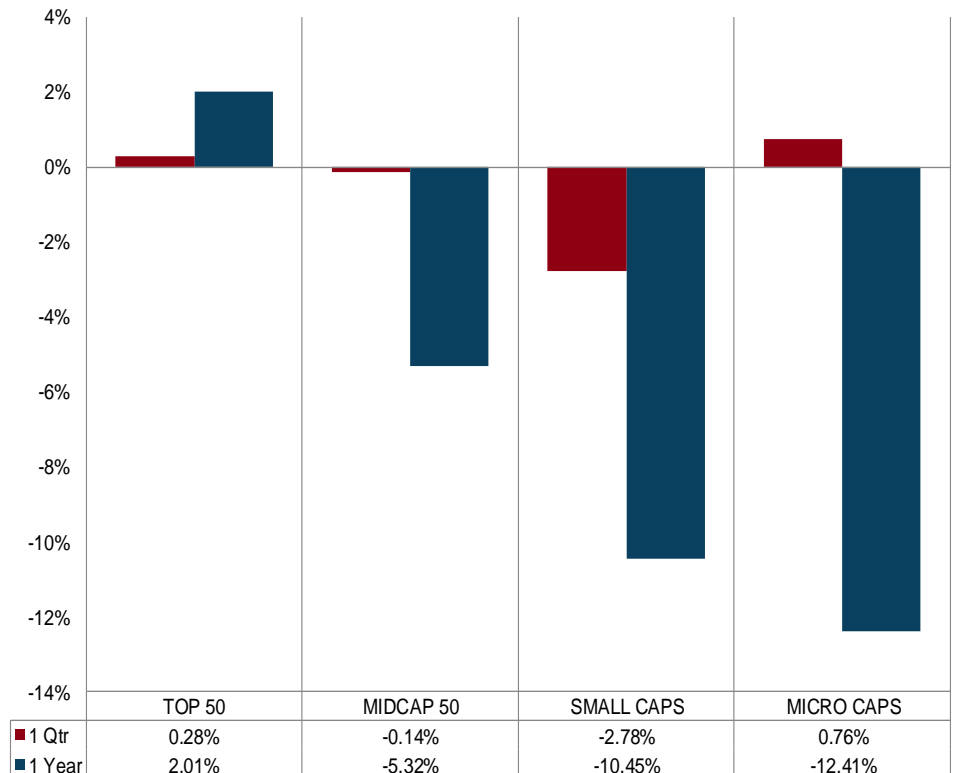
GICs SECTOR PERFORMANCE RELATIVE TO ASX 300 ACCUMULATION INDEX



This chart shows GICs Sector performance relative to the ASX 300 Index, over the past 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

This chart shows market capitalisation segmental performance relative to the ASX 300 Index.

LARGE, MID, SMALL AND MICRO CAP PERFORMANCE RELATIVE TO ASX 300 ACCUMULATION INDEX



International Shares

Zenith Benchmarks	Index	Past Qtr	Fin Yr To Date	1 Yr	3 Yr p.a.	5 Yr p.a.
International Shares in A\$	MSCI World Ex Au Unhedged A\$	2.00	-6.15	-5.34	-2.58	-7.53
	MSCI World A\$	2.00	-6.31	-5.55	-2.28	-7.37
	MSCI Small Cap World Ex Aus	2.60	-10.10	-9.07	3.98	-5.73
International Shares - Regional in A\$	MSCI North America	5.15	-1.13	-0.08	0.21	-5.53
	MSCI Asia	-5.39	-10.79	-15.94	-3.98	-7.70
	MSCI AC Asia ex-Japan	-2.08	-14.65	-17.32	5.00	-2.67
	MSCI China	2.48	-15.58	-18.42	-1.97	-2.73
	MSCI Europe	-0.09	-14.83	-11.07	-5.14	-10.06
	MSCI Emerging Markets	-1.00	-15.55	-18.44	5.59	-2.84
	MSCI India	-18.70	-28.31	-37.17	1.58	-6.22
	MSCI Japan	-8.86	-6.07	-14.34	-10.60	-11.34
International Shares - Hedged	MSCI World ex Au Local Currency *	8.00	-8.10	-5.28	9.45	-3.47
International Shares - Gold Shares in A\$	FTSE Gold Mines	-11.27	-2.23	-15.89	-1.46	0.97
International Shares - Global Resources in A\$	HSBC Global Mining	-3.98	-20.57	-27.55	10.06	-0.20

Summary of Statistics:

- **International Shares (ex-Australia)** gained 2.00% over the December quarter.
- On a regional basis, **North America** was the strongest performer, gaining 5.15%.
- **Indian** equity was the worst performer, falling 18.70% over the quarter. **Japan** also performed poorly declining 8.86%.
- The **FTSE Gold Mines Index**, which measures global gold shares in AUD, fell 11.27%.

Commentary:

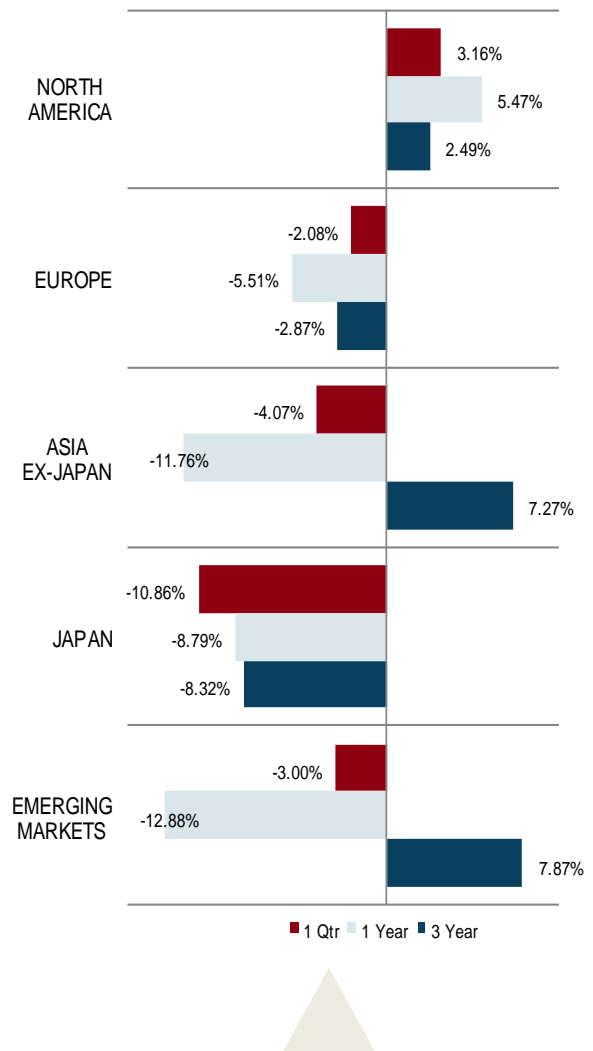
Traditional, fundamental macroeconomic data was the strongest driver behind international equity market movements during the December quarter. North America was the strongest regional performer, gaining 5.15%, and was the only sector to outperform the MSCI World Index Unhedged in \$A which added 2.00%. In particular, better than expected US employment statistics, stronger manufacturing data and an improved rate of government spending were specific indicators that investors reacted to when trading US equities.

MSCI Asia performed poorly, declining by 5.39%, which fell short of the global benchmark by 7.39% over the quarter. Global economic uncertainty caused developed countries to limit their imports from the manufacturing countries of China, Japan and India.

MSCI Europe stayed mostly stable, retracting by a marginal 0.09%. While much of Europe is performing well below the global benchmark, British equities have gone against the trend to record modest growth over the December quarter. Investors that are seeking exposure to the European region have found security in British equities due to the lack of integration between the GBP and the troubled Euro.

The FTSE Gold mines Index declined 11.27% as investors gained confidence and chose to pursue higher risk and return investments.

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 quarter, 1 year and 3 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	Past Qtr	Fin Yr To Date	1 Yr	3 Yr p.a.	5 Yr p.a.
Australian Listed Property	S&P/ASX 300 Property	3.81	-4.64	-1.56	2.32	-15.19
Global Listed Property - Hedged in A\$	FTSE E/N Dev	6.12	-11.11	-7.23	10.67	-10.08
Australian Listed Infrastructure	S&P/ASX 300 Utilities	8.31	7.39	9.97	8.48	-1.92
Global Listed Infrastructure - Hedged in A\$	UBS Global Infra. & Utilities	5.25	0.06	4.66	9.86	0.79
Global EM Listed Infrastructure - Hedged in A\$	UBS EM Infra. & Utilities	2.20	-13.56	-13.39	2.12	-2.58

### Summary of Statistics:

- The **S&P/ASX 300 Property Index** gained 3.81% over the past quarter, underperforming the Global benchmark which gained 6.12%
- Australian Listed Infrastructure** gained 8.31% during the December quarter, outperforming **Global Listed Infrastructure** which added 5.25%.

### Commentary:

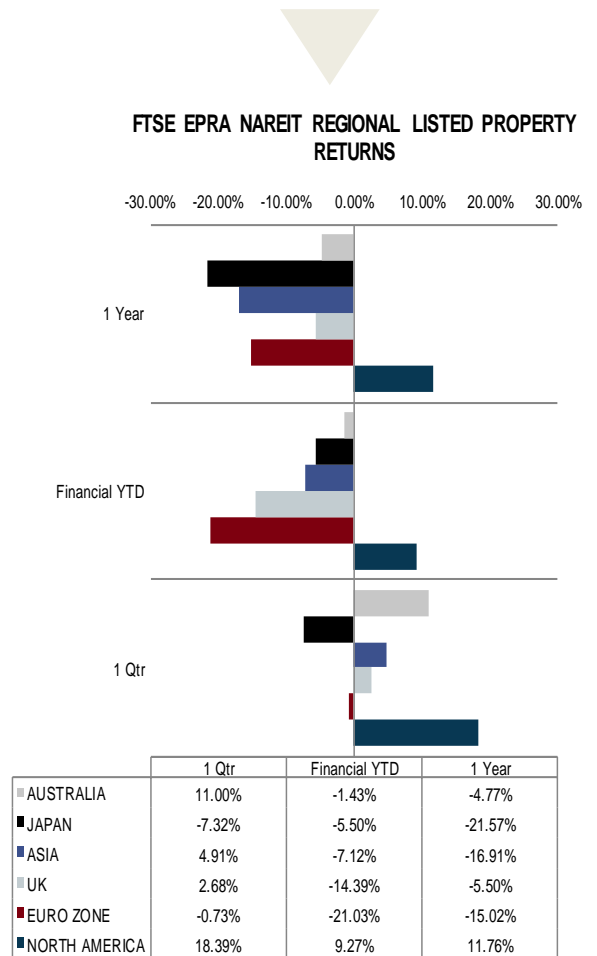
Australian Listed Property added 3.81% over the December quarter, as measured by the S&P/ASX 300 Property Index. Leading the rally was Stockland which gained 13.75% over the quarter, adding \$950m to its market capitalisation, by rearranging the company's capital structure through a share buyback and a bond issue. Centro Property Group also performed well adding 17.89% on the back of positive fundamental data.

Australian Listed Infrastructure rallied strongly, adding 8.31%, outperforming the Australian benchmark (the S&P/ASX 300) by 6.06% and the global benchmark (the UBS Global Infrastructure and Utilities Index) by 3.06%. Notable performers were; APA Group which rallied 15.06%, Energy World Corp which rose 33.01% and Hastings Diversified Utilities which gained 34.30%.

Global Listed Property reversed the trend of the past year by gaining 6.12% over the quarter. Contributing to that total were positive results in Australia, North America (up 18.39%) and Asia (gained 4.91%).

Global Listed Infrastructure and Global Emerging Markets Listed Infrastructure also posted gains of 5.25% and 2.20% respectively.

This chart shows Regional performance relative to the FTSE EPRA/NAREIT Index over 1 quarter, financial year to date 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

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