

MARKET INDICATORS

Market	Indicator	Current	Last Month	1 Month Change	12 Months Ago	12 Month Change
Interest Rates	Overnight Cash	3.75	3.75	0.00%	4.25	-0.50%
	3 Month Interbank Borrowing Rate	4.2175	4.095	0.12%	3.875	0.34%
	10 Year Bond	5.38	5.65	-0.27%	4.1	1.28%
Australian Shares	All Ords	4544.8	4882.7	-6.92%	3478.1	30.67%
	S&P/ASX 200	4524.1	4870.6	-7.11%	3540.7	27.77%
Regional Shares	Dow Jones Industrials (US)	10185.53	10428.05	-2.33%	8000.86	27.31%
	S&P 500 (US)	1089.19	1115.1	-2.32%	825.88	31.88%
	FTSE 100 (UK)	5247.41	5412.88	-3.06%	4149.64	26.45%
	TOPIX (Japan)	898.61	907.59	-0.99%	794.03	13.17%
	Hang Seng (Hong Kong)	20243.75	21872.5	-7.45%	13278.21	52.46%
Property	ASX 300 A-REITS Index	846.54	887.76	-4.64%	792.09	6.87%
	US\$ Gold Price	1094.7	1096	-0.12%	922.05	18.72%
	US\$ Oil Price – West Texas Crude	71.79	77.4	-7.25%	43.84	63.75%
	US\$ CRB Spot Commodity Index	411.88	421.13	-2.20%	319.07	29.09%
Exchange Rates	AUD / USD	0.8831	0.8969	-1.54%	0.6438	37.17%
	AUD / EUR	0.6362	0.6241	1.94%	0.4995	27.37%
	AUD / GBP	0.5536	0.5581	-0.81%	0.453	22.21%
	AUD / JPY	79.66	82.82	-3.82%	57.53	38.47%
Volatility	VIX Index	24.62	21.68	13.56%	44.84	-45.09%

Key Points:

- Australian government 10 year bond yields finished the month lower.
- Global equity markets weakened in January, with all major markets except Japan posting negative returns (as measured by the MSCI Japan A\$). The MSCI world ex-Aus index finished the month down -2.86%.
- Gold price retreated for the 2nd consecutive month finishing at US\$1078, down -2.55% for the month.
- The Australian Dollar fell against the US Dollar, which along with Yen performed strongly for the month. On a trade weighted basis the Australian Dollar finished the month slightly higher.
- Volatility increased significantly in January, up 13.56% as measured by the VIX Index.
- The RBA did not meet in January with rates remaining unchanged.

CASH, FIXED INTEREST & CREDIT

Zenith Benchmarks	Total Return Indices	1 Mth %	1 Yr %	3 Yr % p.a.	5 Yr % p.a.	Fin Yr TD %	Cal Yr TD %
Australian Cash	UBS Bank Bill Index	0.32	3.41	5.84	5.88	2.02	0.32
Australian Bonds	UBS Composite All Maturities	1.32	1.66	6.86	5.98	4.17	1.32
International Bonds	Barclays Global Aggregate \$A	1.35	10.16	8.42	7.05	7.69	1.35

Summary of Statistics:

- **Australian Cash** returned 0.32% in January and 2.02% for the financial year as measured by the UBS Bank Bill Index.
- **Australian Bonds** rallied by 1.32% in January, as measured by the UBS Composite All Maturities Index. Australian 10 Year government bonds are now yielding 5.38% in comparison to 5.65% last month and 4.1% one year ago.
- **International bonds**, as measured by the Barclays Global Aggregate (Hedged \$A) Index, rose 1.35% in January. 10 Year bond yields fell in the US from 3.79% to 3.59%; fell in the UK from 4.2% to 4.15%, whilst Japanese Bonds rose from 1.28% to 1.31%.
- **Credit spreads** tightened in January.

Commentary:

Australian and US government bonds rallied in January, as renewed concerns over Greece's sovereign default risk rose, driving investors to 'safer' investments. The yield on Australian 10 year Bond fell 27bps (to 5.38%), whilst the US 10 year bond fell 21bps (to 3.58%).

Key stories during the month included continued concerns for Greece, Portugal, Spain and Ireland, after more Credit Agency downgrades. Speculation that Chinese authorities would begin tightening monetary policy exacerbated these issues, causing a rush to 'safer' bonds investment.

Domestically, the economic data improved with better-than-expected job figures and inflation leading to expectation of a rate rise. There was little movement in the market until mid-month, when focus shifted to negative offshore developments, causing an influx of offshore investors into the Australian 10 year Bonds. The expected cash rate for December 2010 fell by 20bps (now 4.73%), with March rates expected to be 4.0%.

AUSTRALIAN SHARES

Zenith Benchmarks	Total Return Indices	1 Mth%	1 Yr %	3 Yr p.a. %	5 Yr p.a. %	Fin Yr TD %	Cal Yr TD %	%Ch. Fr. 12mth High	% Ch. Fr. 12mth Low
Australian Shares	S&P/ASX 300	-6.17	35.66	-3.48	6.61	17.98	-6.17	-7.72	50.19
Australian Shares - Small Caps	ASX Small Ordinaries	-7.43	52.87	-7.78	4.17	18.27	-7.43	-10.83	75.11
Australian Shares - Style	SPGI BMI Australia Growth	-7.38	31.58	-1.39	8.65	14.32	-7.38	-9.53	42.77
	SPGI BMI Australia Value	-4.98	44.91	-5.28	5.19	22.93	-4.98	-6.23	65.63
Australian Shares – GICS Sectors	S&P/ASX 300 Materials	-8.99	39.41	5.38	13.94	16.28	-8.99	-13.13	49.55
	S&P/ASX 300 Industrials	-4.64	36.75	-12.11	-0.68	29.87	-4.64	-7.73	81.14
	S&P/ASX 300 Consumer Discretionary	-4.91	50.12	-13.62	-3.84	20.93	-4.91	-6.11	66.74
	S&P/ASX 300 Consumer Staples	-8.39	21.23	2.48	9.63	9.98	-8.39	-8.97	26.69
	S&P/ASX 300 Financials	-4.09	50.57	-8.02	4.08	26.87	-4.09	-7.68	77.47
	S&P/ASX 300 IT	-1.10	64.52	2.46	10.86	24.48	-1.10	-5.18	79.23
	S&P/ASX 300 Telecommunication Svs.	-3.11	-4.70	-2.49	-0.93	0.90	-3.11	-5.68	15.30
	S&P/ASX 300 Financials ex-Property	-4.29	57.38	-3.91	6.94	28.01	-4.29	-7.86	78.42
	S&P/ASX 300 Property Trusts	-2.98	17.61	-24.80	-8.16	20.56	-2.98	-8.29	70.80

Summary of Statistics:

- **Australian shares**, as measured by the S&P/ASX 300 index, retreated during January, down -6.17% .
- The **small cap sector** underperformed large caps, down -7.43%.
- On a **sector** basis, all returned negative results in January with Materials (-8.99%) and Consumer Staples (-8.39%) performing the worst, whilst IT (-1.1%) performed the best.
- The Australian share market underperformed the MSCI World Index during January. On a Country basis, the ASX 300 underperformed all major markets except China.

Commentary:

The Australian market started the month modestly, trading up 1.56% in the first week as positive sentiment continued from the previous month. Investors were spooked mid-month as news emerged of the Chinese authorities acting to curb credit growth. Investors also worried about potential regulatory change in the US financials sector. The ASX 300 subsequently fell by 7.8% from its January highs.

Commodity prices fell sharply mid-month on the back of concerns the Chinese authorities would attempt to curb credit growth. This created doubt that Chinese commodity demand would match expectations. Gold prices remained the exception to the sharp fall in commodities, finishing the month slightly lower.

Key Indicators during the month were relatively positive, with a better-than-expected fall in unemployment to 5.5% (market forecast 5.8%), an increase in building approvals and an increase in retail sales. Inflation, as measured by CPI rose to 2.1 for the year, sitting within the RBA's targeted 'neutral' zone.

In Company specific news, CBA announced that first half net profit (to be announced Feb 10, 2010) was likely to be well ahead of market expectations. This followed strong one year (to Sep '09) results from the bank's competitors. CSR announced it would consider an expression-of-interest by Chinese state-owned Bright Food Group for its sugar business. CSR stated that it would prefer the demerger of its sugar and renewable energy businesses and that the \$1.5bn offer would only be accepted with a number of conditional changes as well as regulatory approval.

Reports released in January showed that the capital raising trend continued, with ASX listed companies raising \$8.5 billion in the month of December.

INTERNATIONAL SHARES

Zenith Benchmarks	Total Return Indices	1 Mth %	1 Yr %	3 Yr % p.a.	5 Yr % p.a.	Fin Yr TD %	Cal Yr TD %	% Ch. Fr. 12mth High	% Ch. Fr. 12mth Low
International Shares	MSCI World Ex-Au A\$	-2.86	-2.73	-11.23	-0.84	6.41	-2.86	-5.11	17.46
	MSCI World A\$	-2.98	-1.69	-10.96	-0.60	6.82	-2.98	-5.08	18.38
International Shares - Small Caps	MSCI World Small Companies Ex-Au A\$	-1.01	8.27	-10.83	-0.16	11.38	-1.01	-3.45	32.20
International Shares - Regional	MSCI US A\$	-2.37	-4.45	-11.21	-2.28	7.58	-2.37	-5.16	15.66
	MSCI Europe A\$	-4.79	3.53	-11.72	0.82	8.73	-4.79	-6.73	26.11
	MSCI AC Asia Ex-Jap \$A	-4.91	22.63	-1.38	9.19	8.55	-4.91	-5.91	26.11
	MSCI Japan A\$	3.10	-16.78	-13.98	-2.56	-3.96	3.10	-15.53	10.65
	MSCI China A\$	-7.56	15.93	3.39	18.85	-1.80	-7.56	-10.90	24.70
	MSCI India A\$	-4.18	40.23	-0.02	16.74	10.95	-4.18	-5.51	75.11
	MSCI Emerging Markets A\$	-4.45	29.25	-0.86	11.40	12.88	-4.44	-5.69	44.13
International Shares - Hedged	MSCI World ex-Au \$A (Hedged)	-3.50	31.07	-8.24	1.37	15.84	-3.50	-6.05	56.06

Summary of Statistics:

- **International Shares (ex-Australia)** fell -2.86% in January on an unhedged basis and -3.50% on a fully hedged basis.
- **Small caps** outperformed the broader market, returning -1.01%.
- On a regional basis, all major markets except Japan (+3.10%) retreated in January. The US (-2.37%) was the next best performer, while China (-7.56%), Asia Ex-Japan (-4.91%) and Europe (-4.79%) performed the worst during the month.

Commentary:

Global markets retreated during January, mainly on news that Chinese authorities were curbing credit lending, as well as a potential regulatory change in the US financials sector. Markets started positively with US and European markets hitting 15 month highs in early January. Mid-month the Chinese economy became the focus of equity markets with GDP figures released showing the Chinese economy grew by 10.7% during the calendar year. However, it was concern that Chinese authorities would tighten credit lending that resulted in the negative returns in Financial and Resource sectors.

Key Indicators during the month were mixed; Global manufacturing data was positive as demonstrated by better-than-expected US ISM Manufacturing/Prices paid indices, as well as an increase in factory orders. Other positive developments included improved US employment figures and higher Chinese GDP growth for the 2009 calendar year. Mid-month US housing data was released, showing weaker-than-expected results in housing starts, home sales, and a fall in home-builder sentiment. The International Monetary Fund released revised forecasts (3.9%, previously 3.1%) for 2010 global growth. However the forecast was issued with a warning that stimulus packages should not yet be exited.

In Company specific news, aluminium maker Alcoa posted weaker-than-expected fourth quarter losses of US\$277m, due to lower sales in its construction, aerospace, commercial-building and gas-turbine market. Kraft finalised its purchase of Cadbury for \$US 19.44bn, but investors thought the acquisition was not in Kraft's best interest and its shares fell. Google reported fourth quarter earnings above analyst estimates. However it failed to meet investor expectations and the stock price fell by 5.7% on the day.

PROPERTY & INFRASTRUCTURE

Zenith Benchmarks	Total Return Indices	1 Mth %	1 Yr %	3 Yr % p.a.	5 Yr % p.a.	Fin Yr TD %	Cal Yr TD %	% Ch. Fr. 12mth High	% Ch. Fr. 12mth Low
Australian Listed Property	S&P/ASX 300 Property Trusts	-2.98	17.61	-24.80	-8.16	20.56	-2.98	-8.29	70.80
Global Listed Property	FTSE EPRA/NAREIT GLOBAL REITS (Hedged \$A)	-1.33	35.87	-12.25		35.49	-1.33	-3.27	86.54
Global Listed Infrastructure	S&P Global Infrastructure Hedged \$A	-2.95	24.15	-4.33	7.33	16.86	-2.95	-5.15	51.50

Summary of Statistics:

- The **Property Market** fell in January, with the Australian Listed Property underperforming global property markets, returning -2.98% against -1.33% for Global Listed Property
- Global Listed Infrastructure** as represented by the S&P Global Infrastructure Hedged \$A returned -2.95%, underperforming the broader global equities market.

Commentary:

In January the Global Property Sector outperformed the broader equity markets. After a frenetic year in the Chinese property market, forecasts indicate a more balanced 2010. The government pledged to support domestic property projects, ensure more housing supply and support first home buyers. It was also speculated that the government may implement measures to stop individuals profiting from land hoarding.

Domestically, the property market returned -2.98% for January, outperforming the broader equities market. Westfield's (+1.95% for January) significant weighting in the index buoyed returns as 17 out of 21 stocks had negative returns.

In company-specific news, Charter Hall Group entered discussions with Macquarie Group about the possible acquisition of its satellite funds Macquarie Countrywide trust and Macquarie Office trust. Details had yet to become clear in January and were expected to be finalised in the following weeks. Lend Lease and LandCorp entered into an agreement (yet to be finalised) for a residential development project. The project will be situated 40km north of Perth comprising up to 10,000 dwellings delivered over a 20 year time frame. The value for the first stage development of 2,500 dwellings will be \$400m. Macquarie Infrastructure Group had their portfolio re-valued ahead of its proposed fund restructuring, with valuations for the portfolio down 0.3%. Security holders will vote on the restructure at a later date.

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