Quarterly Market Commentary as at 30 June 2011*

Market Indices

Returns as at 30 June 2011	3 mth (%)	6 mth (%)	1 yr (%)	3 yr (% p.a.)	5 yr (% p.a.)	10 yr (% p.a.)
Australian Shares						
S&P/ASX 200 Accumulation Index	-4.0	-0.9	11.7	0.3	2.4	7.2
International Shares						
MSCI World ex Aust Net Index (AUD)	-2.9	0.9	2.7	-3.3	-5.1	-3.7
Australian Fixed Interest						
UBSA All Maturities Composite Bond Index 0+ Yr	2.3	4.4	5.5	8.1	6.5	6.2
International Fixed Interest						
Citigroup World Govt Bond 100% Hdg (AUD)	2.7	3.1	5.4	8.7	8.0	7.7
Property						
S&P/ASX 200 A-REIT Accumulation Index	-0.5	3.3	5.8	-9.7	-10.0	2.2
Cash						
UBS Australian Bank Bill Index	1.2	2.5	5.0	4.8	5.6	5.4
Currency						
Australian Dollar ($A/$US)	3.5	4.4	26.8	3.7	7.6	7.7

Australian Shares

The Australian share market weakened over the second quarter of 2011. The S&P/ASX 200 Accumulation Index fell 4.0% during the period.

Offshore events had a major influence on investor sentiment during the quarter. Accelerating inflation in China, ongoing sovereign debt concerns in the Eurozone and the pace of global economic growth all contributed to a weak ending to the financial year. One of the biggest drivers of the Australian equity market during the quarter was the sharp rise of the Australian dollar. The rapid rise held back earnings for a number of Australian companies and also deterred offshore investors from investing into the Australian market. This impacted heavily on the performance of different sectors of the Australian share market. The Energy sector was a notable laggard, as oil prices retreated. The Financials sector also struggled due to the release of semi-annual result announcements from some of the major banks.

International Shares

Global equity markets fell over the quarter as a result of the ongoing Euro sovereign debt crisis and weaker economic data coming from the US. The main concern in Europe was in the banking sector, with credit rating agencies now placing a number of Italian banks on watch for downgrade with concern of contagion from Euro sovereign debt issues. The MSCI World ex-Australia fell by 2.9% in Australian dollar terms.

At a sector level, Energy fell on the retreat in the oil price and Financials also fell as a result of sovereign debt and regulatory concerns. The defensive sectors outperformed with Healthcare and Consumer Staples both recording positive gains.

Australian Fixed Interest

The Australian bond market had a flat ending to the quarter, with yields reacting largely in sync with the US on concerns over global growth, lower risk appetite and the Euro sovereign debt crisis.

The 10-year Australian Government bond yield began the quarter at 5.48% before rallying strongly during April and May and then finishing the quarter at 5.21%. The federal government released its 2011/12 budget during May with the budget deficit estimated at $A22.6bn, or 1.5% of GDP. A surplus of $A3.5bn is expected in 2012/13. Despite leading Australian long-term economic indicators remaining above trend, recent data releases have provided evidence that domestic activity has been more subdued.

The Australian iTraxx broke out of its recent tight trading ranges and widened by 5 basis points in June to end the quarter at 113 basis points. Australian credit, particularly corporates, have proven to be fairly defensive in the face of continuing volatility due to sovereign (peripheral Europe), geo-political (the Middle East and North Africa) and exogenous (Japan) headwinds.

International Fixed Interest

The rally in major global bond markets since mid-April showed signs of abating towards the end of the quarter, but not before achieving new 2011 lows during the month. Overall, weaker than expected US macroeconomic data and the ongoing peripheral European sovereign debt crisis led to investors seeking safe haven assets over the period.

Global credit markets grinded wider over the quarter, but remained fairly resilient in the face of continuing volatility due to sovereign (peripheral Europe), geo-political (the Middle East and North Africa) and exogenous (Japan) headwinds. The US credit market retracted over most of the period due to poor sentiment emanating from the re-escalation of Euro debt concerns and disappointing US economic data releases.

Listed Property
The Australian REIT sector outperformed the broader ASX 200 by 3.5% in the second quarter of 2011 returning -0.5%. It has outperformed now for 5 of the 6 months of 2011 and is up 4.1% in relative terms for that period.

The global market (as measured by the UBS Global Investors Index AUD Hedged) finished the financial year returning 32.5% and was the best performing major asset class. The second quarter was another positive month (+4.4%). Good performance of the US and UK markets in April (5.8% and 6.3% respectively) were the main drivers behind the robust performance in the quarter.

Cash
The Reserve Bank of Australia (RBA) left the cash rate steady at 4.75% throughout the June quarter. The RBA's Statement on Monetary Policy and minutes of the June board meeting re-affirmed the RBA's 'mildly restrictive' monetary policy stance. Governor Glenn Stevens reiterated this view by suggesting that further tightening is likely to be required at some point if domestic economic conditions evolved in-line with the RBA's forecasts.

Currency
The A$ appreciated (+0.5%) against the US Dollar and the Pound Sterling (+3.0%), whilst depreciating against the Euro (-0.4%) and Yen (-0.1%). The Australian Dollar had a flat month on a trade weighted basis.