Quarterly Market Commentary as at 31 March 2012*

Market Indices	Returns as at 31 March 2012						
	3 mth (%)	**6 mth (%)**	**Financial YTD (%)**	**1 yr (%)**	**3 yr (% p.a.)**	**5 yr (% p.a.)**	**10 yr (% p.a.)**
Australian Shares							
S&P/ASX 200 Accumulation Index	8.4	10.7	-2.1	-6.1	11.3	-2.0	6.9
International Shares							
MSCI World ex Aust Net Index (AUD)	10.5	12.7	3.7	0.7	5.1	-5.6	-2.2
Australian Fixed Interest							
UBS Australian Composite Bond Index 0+ Yr	0.8	2.7	7.5	10.0	6.5	7.3	6.6
International Fixed Interest							
Citigroup World Govt Bond 100% Hdg (AUD)	1.6	3.5	8.9	11.9	7.9	8.6	8.1
Property							
S&P/ASX 200 A-REIT Accumulation Index	7.0	11.0	2.1	1.6	14.4	-13.3	1.5
Cash							
UBS Australian Bank Bill Index	1.1	2.4	3.6	4.9	4.4	5.4	5.5
Currency							
Australian Dollar ($A/$US)	1.0	6.6	-3.2	0.2	14.2	5.1	6.9

Financial markets commentary:

2012 began with a rally in growth assets driven by better global economic data, improved sovereign bond auctions and statements from the US Federal Reserve showing their intent to keep US interest rates hyper low until at least 2014. Despite the raft of good news it was the ongoing woes of Europe, particularly Greece, which dominated the headlines for much of the quarter.

Greece was the driver for much of the volatility in sharemarkets globally as the country's government attempted to seal the deal to get the bailout it needed to avoid a default of their obligations. The details of the Greek sovereign debt deal were announced in February and finalised in March. A 53.5% 'haircut' for private bond holders of Greek government debt was accepted by 97.5% of participants. This move, and a further €325 million of austerity measures to close the fiscal gap in 2012, guaranteed the bailout. As nerves calmed over Greece the focus moved to Spain late in March as economic data there continued to deteriorate. The latest Spanish budget announced plans to raise taxes and slash spending to achieve A$35 billion in deficit cuts as it tries to trim its budget gap by a third. The government will cut ministries' spending by 17%, increase corporate levies and raise A$3 billion euros through a one-time amnesty on tax evasion. The 2012 spending plan seeks to reduce the budget gap to 5.3% of gross domestic product from 8.5% in 2011, the largest reduction in at least three decades. Spain currently has the euro-region's highest jobless rate at more than 23%.

In the US, good momentum in the economy continued, although question marks remain about the impact of a warm winter on activity levels. The most likely sectors to have benefited from the better weather include the labour market, housing, construction and retail. The US labour market continues to heal with the unemployment rate steady at 8.3%. This was its lowest point since it was over 10% in 2009.

The Australian share market was mostly driven by offshore data, however during February the main focus switched to the release of earnings data for Australian listed companies for the period ending 31 December 2011. On the whole earnings broadly came in line with expectations with the mining companies, in particular, reporting solid growth. There was some political uncertainty during the same month as Kevin Rudd challenged Julia Gillard for the leadership of the governing Australian Labor Party. Despite the uncertainty the effect on the share market appeared to be minimal.

The S&P/ASX 200 Accumulation Index recorded three consecutive months of gains returning 8.4%. This was the highest quarterly return from the S&P/ASX 200 Index since Q3 2009. International markets also performed well - the MSCI World returned 11.2% in local terms and 10.5% in Australian dollar terms. Overseas local markets also enjoyed their largest quarter one returns for some time - Japan's Nikkei 225 and the US S&P 500 had their best March quarters in 14 years, returning 19.8% and 12.0% respectively.

The Australian bond market started 2012 with record low bond yields of 3.67% for 10-year Commonwealth Government Securities (CGS). They increased modestly in January but in February the Reserve Bank of Australia (RBA) shocked many by not lowering interest rates. The bond market sold off sharply and yields of 10-year CGS's rose by 25 basis points to 3.97%. Yield rose again in March but fell back by the end of the quarter to finish back below 4%. While the RBA seemed reticent to lower interest rates in February and beyond, that view changed in March as the central bank indicated that it retained an easing bias but was awaiting a further deterioration in economic data and/or better news on inflation before cutting rates again. The Official Cash Rate remains unchanged at 4.25%.

*Source: This commentary has been prepared by The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA) and is general information only.