Quarterly Market Commentary as at 30 September 2011*

Market Indices	Returns as at 30 September 2011						
	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	-11.6	-15.1	-11.6	-8.6	-0.1	-0.7	7.2
International Shares							
MSCI World ex Aust Net Index (AUD)	-8.0	-10.7	-8.0	-4.5	-7.0	-7.5	-3.3
Australian Fixed Interest							
UBS Australian Composite Bond Index 0+ Yr	4.6	7.1	4.6	9.0	7.8	7.0	6.2
International Fixed Interest							
Citigroup World Govt Bond 100% Hdg (AUD)	5.2	8.1	5.2	7.3	9.1	8.3	7.9
Property							
S&P/ASX 200 A-REIT Accumulation Index	-8.0	-8.5	-8.0	-6.2	-11.8	-13.3	0.9
Cash							
UBS Australian Bank Bill Index	1.2	2.5	1.2	5.0	4.5	5.6	5.4
Currency							
Australian Dollar ($A/$US)	-9.2	-6.0	-9.2	0.4	7.2	5.4	7.0

Australian Shares

The Australian share market weakened over the third quarter of 2011. The S&P/ASX 200 Accumulation Index fell 11.6% during the period. It has now declined for 6 consecutive months.

Sentiment continued to be dominated by offshore events rather than domestic economic indicators and company news flow. This quarter was dominated by eurozone sovereign debt issues, particularly Greece, and debate over the US debt ceiling. Uncertainty around these two key issues led to considerable market volatility with equity markets falling globally as investors priced in a higher risk premium.

The US had its credit rating downgraded in early August and this compounded market fears and led to a sustained period of market volatility. Global economic growth forecasts were revised lower and were a key driver of volatility. In this environment, defensive areas of the market continued to outperform, while those companies whose earnings are more correlated with economic activity tended to struggle.

International Shares

Global equity markets fell in local terms over the quarter by -14.8% (MSCI World Net Index) on weaker prospects for global economic growth as major countries commit to reducing government debt levels. Negotiations over the US debt ceiling and another bailout package for Europe also hurt confidence.

Global equity markets fell sharply as investors moved out of risk assets and into US Treasuries on lower global growth expectations. A continuation of sovereign debt issues over the quarter drove markets lower despite further stimulus from the US, UK and European Central Bank.

Australian Fixed Interest

The Australian bond market rallied over the quarter and has now been in positive territory for nine consecutive months. This is due to the downward movement in yields, driven largely by offshore events in both Europe and the US.

Demand from overseas central banks and offshore institutional investors increased, lured by the developed world's highest government bond yields, strong liquidity and the relative safety of the Australian government bond market.

Over the quarter, domestic bond markets continued to price in aggressive monetary policy easing by the Reserve Bank of Australia (RBA).

International Fixed Interest

Most developed world bond markets were boosted by the continued 'flight to safety' from riskier assets as investors' confidence continued to be eroded by a vicious circle of declining equity markets, falling liquidity and credit availability, and a deteriorating global economic outlook. Global bond markets rallied over the September quarter.

Market participants continued to focus on the policy makers' responses to the European sovereign debt crisis and recessionary concerns in the US during the quarter. The Europeans continued to ratify the increase to the European Financial Stability Fund (EFSF) of €440 billion, although there is growing expectation that this will eventually need to be lifted further to at least €1 trillion, through leverage to cope with bank recapitalisations, a Greek default and assistance for liquidity in Italian government bonds.

Listed Property

The S&P/ASX 200 Property Accumulation index was down 8.0% in Quarter 3, 2011 outperforming the S&P/ASX 200 Accumulation index by 3.6%.

REITs were more defensive than the wider market in a volatile period for equity markets. To date in calendar year 2011, A-REITs have outperformed Australian equities by 7.4%.

Cash

The RBA retained its official cash rate at 4.75% as widely expected at its September meeting. The post-meeting statement and minutes highlighted the risks to the global growth outlook given the recent bout of uncertainty in financial markets and the prospects for weaker economic growth in both Europe and the US.

The early October meeting signalled a move to an easing bias highlighting "an improved inflation outlook would increase the scope for monetary policy to provide some support to demand, should that prove necessary".

Currency

The A$ depreciated by 9.2% against the US Dollar over the quarter as investors moved away from riskier assets to safe havens such as US Treasury Bonds and the US Dollar.