MONTHLY MARKETS

FRONTIER INVESTMENT CONSULTING

June 2009

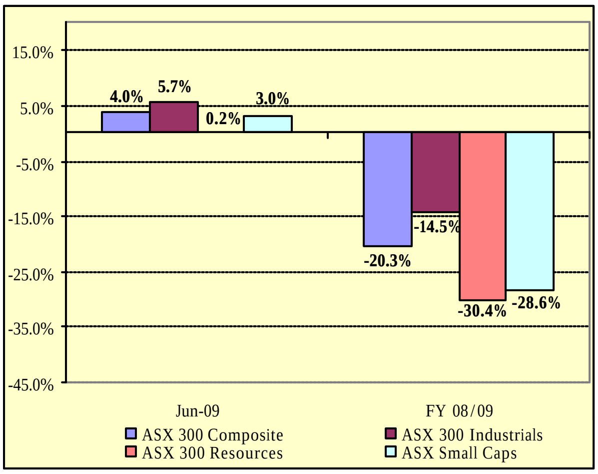
Market Overview

The global equity rally which began towards the end of February stalled in June, with many of the world's major indexes finishing flat. While economic statistics are no longer uniformly bad, neither are they a cause for belief that a nascent recovery is imminent. Western European economies remain gloomy, and though the outlook for the US economy in 2010 is a little brighter, activity this year is expected to be tepid.

Despite the sobering international picture, the Australian economy continued its relative resilience, with the National Accounts indicating that Australia has so far avoided a technical recession, defined as two consecutive quarters of negative gross domestic product (GDP) growth. Economic data suggested that the outlook for housing had improved, exports remain strong and that consumer spending has also remained resilient. Furthermore, the International Monetary Fund (IMF) upgraded its GDP growth outlook for the Australian economy in 2009, from -1.4% to -0.5%, citing strong commodity exports, a strong banking sector, and aggressive, early policy response as reasons for its improved outlook. Unemployment nonetheless tracked higher, albeit at a slightly better than forecasted figure, increasing to 5.8% in June.

The Reserve Bank of Australia (RBA) opted to leave official interest rates on hold this month at 3.0%, noting improving confidence levels, evidence of a stabilising global economy, and better conditions in financial markets. Other major central banks took the same course of action, keeping their respective interest rates unchanged in June.

Australian Equities



The Australian share market rose for the fourth consecutive month in June, with the S&P/ASX 300 Accumulation Index rising by 4.0%. This marks the first fourth-month consecutive gain since the period between February and May 2007. Nonetheless, the share market finished the 2008/09 financial year down, with the S&P/ASX 300 Accumulation Index finishing 20.3% lower than the previous financial year.

Driving the Australian share market over the month of June were changes to profit forecasts and more capital raisings. Large companies continued to tap into the share market to raise capital. Rio Tinto raised US$15.2bn via a rights issue, with A$4.2bn of that coming from Australia, while Asciano raised over A$2.3bn in June.

During the month, the relatively defensive sectors performed well. Telecommunications (+8.6%), Health (+7.5%), and Financials ex Property (+6.7%) rose over the month. The Utilities sector was the poorest performer, down 2.5% for the month.

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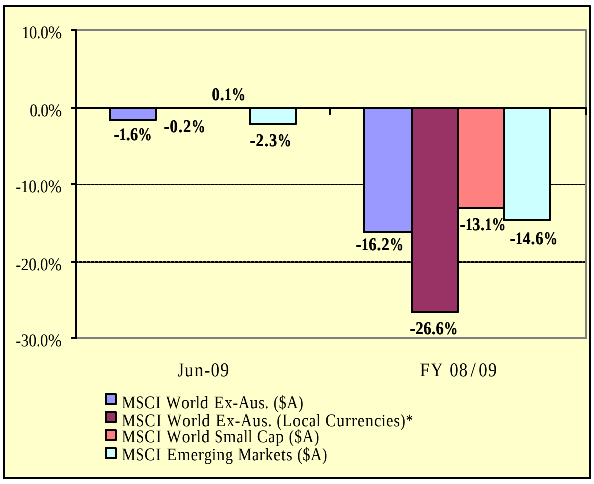
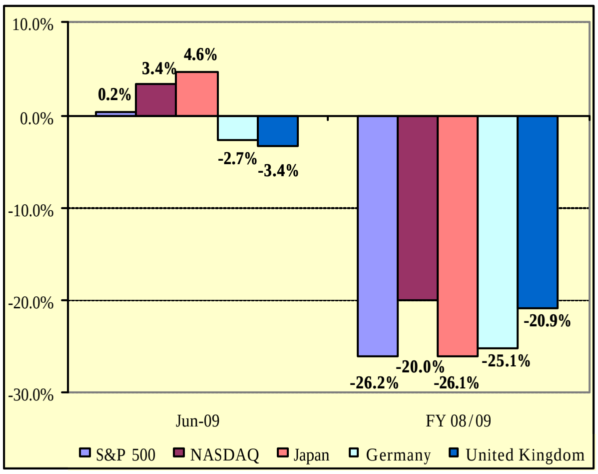
International Equities ($A)

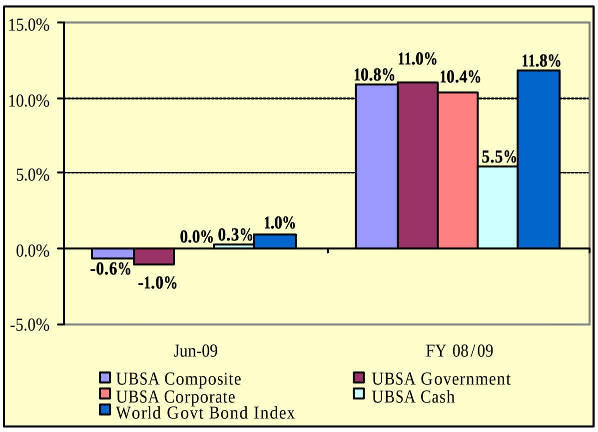


* MSCI World Ex-Aus. Local Currencies Index used as a representative for the Hedged Index

International Equities (Local Currencies)



Fixed Income



International equity markets were mixed in June as investors looked for more definite signs of recovery and took profits after a significant run up in previous months. The MSCI World (ex-Australia) Accumulation Index fell 0.2% in local currency terms and 1.6% in unhedged Australian dollar terms.

US markets remained flat, as economic data releases continued to paint a mixed picture. Positive economic data released early in the month and better than expected results from household companies boosted consumer confidence. However, signs of economic weakness remain, causing the S&P500 to taper off and close only slightly higher (+0.2%) for the month.

European and UK markets declined due to concerns that the recent rally may have outstripped improvements in the underlying economies. Germany, France and the UK returned -2.7%, -4.2%, and -3.4%, respectively.

Asian markets were stronger in June, with the Chinese economy continuing to show signs of a sustainable recovery. The Japanese market increased 4.6%, while Hong Kong and Singapore were up 1.1% and 0.2% respectively.

Emerging markets retreated in June after strong performances in the previous two months as credit and global equity markets showed signs of improvement. The MSCI Emerging Markets index fell 2.3% in June, with Asian markets performing better than those in Latin America and Europe.

In both Australia and globally, fixed income markets appeared more settled in June. Yields on the Australian ten-year bond rose 0.26% to 5.54%, resulting in a widening of the spread between Australian and US ten-year government debt to over 2.0%. Shorter dated maturities of the Australian bond market underperformed, leading to a substantial flattening of the yield curve. Bank bill yields were relatively flat in June, while the six-month bank bill yields increased from 3.22% to close 0.09% higher at 3.31%.

International fixed income markets were mixed in June. The US ten-year bond yield gained 0.07%

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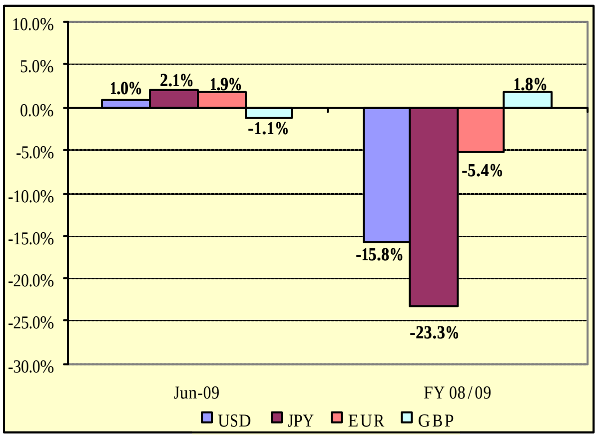
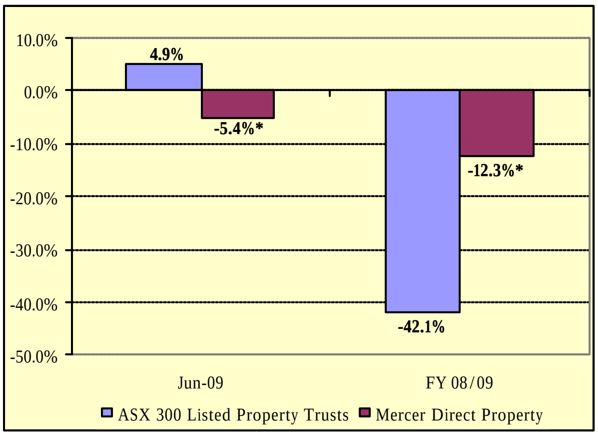
Australian Dollar against



Australian Property



* Preliminary returns for June 2009 and for the 2008/09 financial year.

to 3.53%, but yields elsewhere fell with economic conditions in the UK, Europe and Japan remaining weak.

The Australian dollar (A$) was relatively flat during June, rising only slightly against the US dollar, the Japanese yen, and the currencies of Australia's major trading partners (as per the Trade Weighted Index (TWI)). The A$ closed the month up 1.0% against the US dollar at 81.14 US cents, and 2.1% higher against the Japanese yen at JPY 77.76. The TWI closed the month at 64.7 (up 2.2% from 63.3).

The Australian Real Estate Investment Trusts (A-REITs) market, as measured by the S&P/ASX 300 Property Trust Accumulation Index, outperformed the broader Australian equity market for the second consecutive month, returning 4.9% for the month. June saw a further continuation of the recapitalisation of the sector, albeit at a slower pace. Mirvac Group, ING Office Fund, FKP Property, Macquarie Leisure and Charter Hall all raised equity during the month, with all raisings well supported and trading above their raising prices in the listed property market. The sector has significantly transformed itself over the past 12 months. Having raised a phenomenal amount of new equity, the sector has broadly deleveraged. However, declining income profiles and increased vacancy rates will stand as a test for the sector in the coming months.

The preliminary return for the domestic unlisted property sector, as measured by the Mercer Unlisted Property Index, fell 5.4% for the month and ended the 2008/09 financial year down 12.3%, following the end of financial year asset revaluations which reflected continued pressure on capital market and space market fundamentals. June saw some anecdotal evidence of syndicate and private investors returning to the sector, indicating some renewed interest in smaller assets.

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