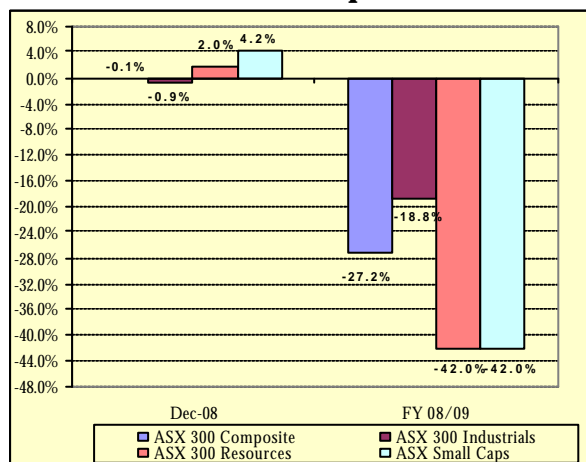


Market Overview

Despite most major share markets recording a positive month in December, deterioration of world economies continued during the month. Many countries clearly felt the effects of the global financial crisis as growth expectations were significantly revised downwards. The US was officially declared to be in a state of recession by the National Bureau of Economic Research, joining the economies of Japan and the Eurozone. In response to the negative news, the US Federal Reserve moved to slash key interest rates to a range of 0% to 0.25%. Central banks around the world, including the European Central Bank, Bank of England and the Bank of Japan followed suit and announced further interest rate cuts in the face of weakened economic conditions. In a desperate attempt to keep the US unemployment rate under control, US president-elect Barack Obama outlined further stimulus plans to create 3 million jobs. Confidence among investors was further battered by news of the arrest of Bernard Madoff, who ran one of the world's largest hedge funds, which was discovered to be a US\$50 billion Ponzi scheme.

Australia was not spared from bad news as the latest economic data release in December confirmed the ailing state of the economy. The Australian economy continued to suffer from falling commodity prices and declining demand from China. Slowing consumption, weak employment and waning growth forced the Rudd Government to announce an additional spending package focused primarily on infrastructure, education and encouraging investment activities.

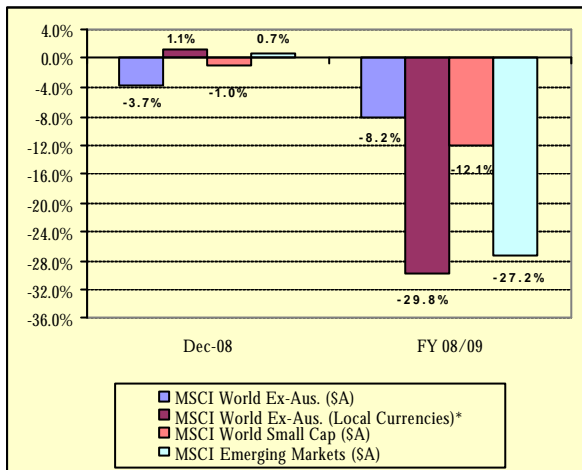
Australian Equities



The Australian share market declined marginally in December, with the S&P/ASX 300 Accumulation Index returning -0.1%. The uncertainty among market participants failed to dissipate as December GDP figures confirmed the slowing of the Australian economy, as the growth rate was only 0.1% for the September quarter. The labour market continued to soften with the decline in skilled vacancies as evident from rising unemployment rates. In spite of the relentless release of bad news, investors' confidence was somewhat buoyed by the Westpac Melbourne Institute's consumer confidence measure, which rose in December, suggesting that domestic household demand had rebounded somewhat, supported by recent interest rate cuts, lower fuel prices and the Federal Government's stimulus package.

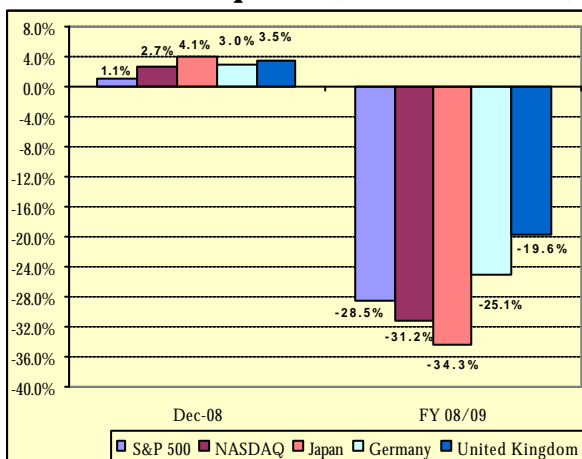
Not surprisingly, Consumer Discretionary was among the best performing sectors, finishing the month up 8.1%. Stand out performers in this sector include David Jones (+27.2%), Harvey Norman (+23.3%) and JB Hi-Fi (+16.9%), all boosted by the anticipation of higher consumer spending over the festive season. The Industrials sector also performed well, returning 6.9% over the month, largely due to the 44.5% return from Asciano Group on the back of takeover rumours and the divestment of its coal business. Defensive sectors on the other hand had a poor month, with Telecommunications (-5.5%) and Utilities (-0.9%) finishing down for the month.

International Equities (SA)

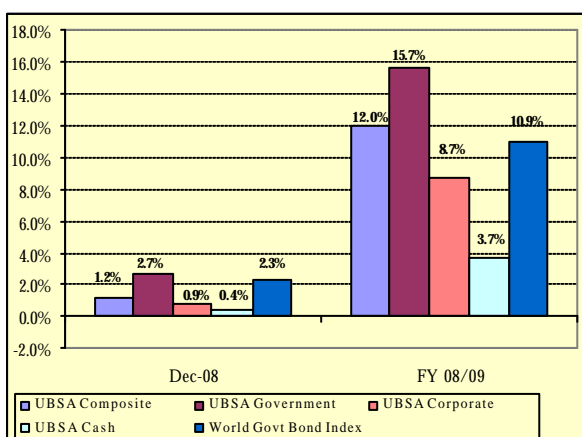


* MSCI World Ex-Aus. Local Currencies Index used as a representative for the Hedged Index

International Equities (Local Currencies)



Fixed Income



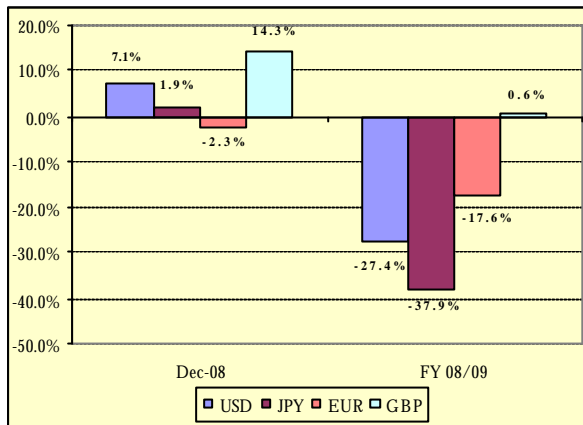
Despite the 3.7% decline in the MSCI World ex-Australia Index in Australian dollar terms, major share markets in the world managed to record positive returns in local currencies in December. In the US, the S&P 500 Index rose by 1.1% and the NASDAQ was up 2.7% following the loan extension agreement by the US Government to US automakers. The news of the US automakers' bail-out was well received by Asian markets, as the Japanese (+4.1%), Hong Kong (+3.6%) and Singaporean (+1.7%) markets all closed higher.

In Europe, markets were mixed over December, with the German (+3.0%) and UK (+3.5%) markets recording gains while the French market fell by 1.4% despite efforts by the French Government to boost confidence through the announcement of further spending plans. The late rally in some major share markets failed to prevent global markets from suffering one of their worst years in history. Over the 2008 calendar year, the US, UK and Australian markets fell by more than 25%, while the Europe region and Japanese markets recorded losses in excess of 40%.

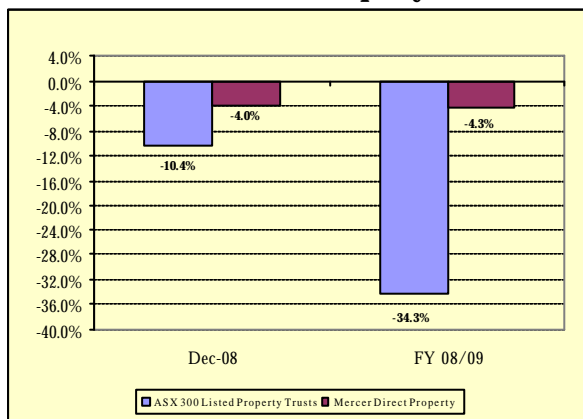
The MSCI Emerging Markets Index (in Australian dollars) rose by 0.7% over the month, driven primarily by a turnaround in Chinese equities, which had fallen significantly in recent months. This was not the case for the Russian market, which continued to perform poorly, recording returns of -9.6% due mainly to weaker commodity prices. The Russian market has fallen 74.3% over the last 12 months, with political instability and weakening energy prices the main contributors to the significant decline.

With inflationary pressures showing signs of abating and economic data signalling further slowdown in the Australian economy, the RBA aggressively reduced interest rates in December by 1% to 4.25% and continued an expansionary monetary policy stance in the hope of avoiding a recession. The RBA's actions caused the Australian bond market to strengthen further, as evident from the UBSC Composite Index's positive return of 1.2% for the month. Further gains were also seen in Australia's three-year and ten-year bond markets, where yields lowered by 0.5% each to 3.1% and 4.1% respectively. Australia's corporate lending rates, however, remained at elevated levels as the frozen credit markets showed no signs of thawing, coupled with the rising risk of defaults due to a weaker earnings outlook among corporations.

Australian Dollar against



Australian Property



Global bond markets around the world showed strong returns in December as the turmoil in global financial markets continued to stimulate the demand for defensive assets. Government bonds performed relatively well over the month, with the World Government Bond Index returning 2.3% as investors' preference for safe haven assets represented by Government debt intensified in the face of rising default rates. The US ten-year bond yield fell from 2.9% to 2.2%, while Japan's ten-year bond yield dropped from 1.4% to 1.2% as growing concerns of deflation and heightened volatility in global equity markets dominated the minds of investors.

Currency markets in December saw a reversal of fortunes for the Australian dollar from previous months, as the Australian dollar gained ground against the US dollar, finishing the month at 70.3 US cents. The US dollar weakened against most major currencies following the US Federal Reserve's action of cutting interest rates and indication of further monetary stimulus, suggesting continual swelling of the US budget deficit. The UK Pound also weakened further over the month. Poor economic data, concerns regarding the foreign exchange exposure among key financial institutions and suggestions that the Bank of England may lower interest rates further, all contributed to the slide of the Pound.

The Australian Real Estate Investment Trusts (A-REITs) market, as measured by the S&P/ASX 300 Property Trust Accumulation Index, plunged by 10.4% in the month of December. The sector was largely impacted by the negative sentiment among investors on the back of further capital raising activities, distribution cut-backs as well as asset devaluations.

The unlisted property sector, as measured by the Mercer Unlisted Property Index, also recorded a large negative return of -4.0% due to devaluations across unlisted property funds at 31 December 2008, as capitalisation rates expanded and rental growth assumptions have been lowered significantly.