

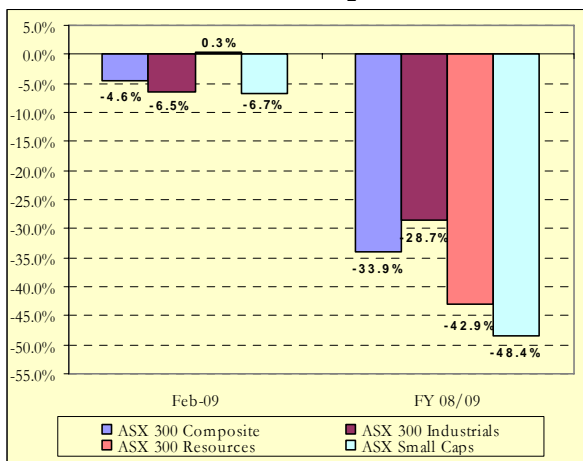
Market Overview

In February, all leading market indices fell on the back of further weakness in the global economy. In the US, consumer confidence fell to its lowest level since 1967 and new figures show that the housing market continued to deteriorate. During the month, it was announced that the US economy contracted more than expected in the last quarter of 2008; returning an annual rate of -6.2%, which is its biggest fall since 1982. Similarly, official December quarter figures released at the beginning of March indicate that the Australian economy has gone backwards for the first time since December 2000, putting it on the brink of a technical recession (defined as two consecutive quarters of negative GDP growth).

During the month, oil prices reversed their recent downward trend, increasing 7.4% to US\$44.76 a barrel. The Reserve Bank of Australia (RBA) lowered interest rates by a full 1.00% in February, bringing the official cash rate down to 3.25%, which is its lowest level in 45 years. The RBA did not make any changes to the cash rate in March, however, believing that there was ample monetary stimulus in the economy. The European Central Bank (2.00%) and the Bank of Japan (0.10%) left their rates on hold in February. The US Federal Reserve did not meet in February, although interest rates in the US are not expected to move any lower than their current range of 0% to 0.25%.

The Australian Government announced a \$42 billion economic stimulus package during the month, which includes A\$12.7 billion in grants to families and low income earners and A\$28.8 billion on infrastructure. The US Government's proposed US\$787 billion fiscal stimulus package received approval during the month. The US Department of the Treasury and the Federal Reserve Board also announced the launch of the Term Asset-Backed Securities Loan Facility (TALF) in early March.

Australian Equities

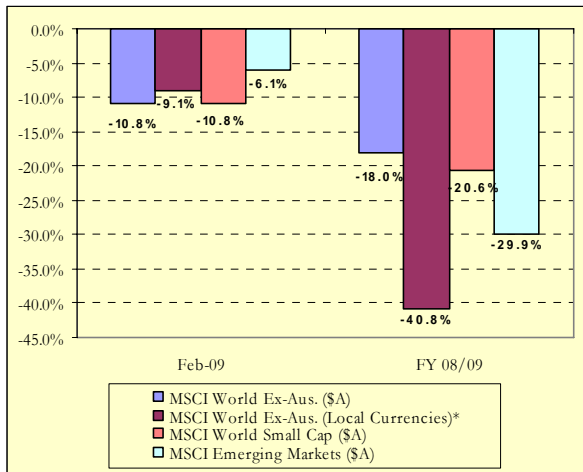


The Australian share market had its sixth consecutive month in the red in February, with the S&P/ASX 300 Accumulation Index falling by 4.6% over the month. This monthly performance was better than global markets as the local market was helped by interest rate cuts, a sharply weaker currency in recent months and the announcement of the economic stimulus package.

The Financials sector provided both the largest positive and negative contributors to performance, with the Banking sub-sector performing strongly, posting gains over the month of 4.2%, while the Insurance sub-sector performed poorly, losing 18.3%. The big contributors to the banking gains were the Commonwealth Bank (+15.0%) and Westpac (+8.0%), while the main contributor to the Insurance sub-sector's losses was QBE Insurance (-20.6%). Overall, Financials lost 3.1%, less than the overall market.

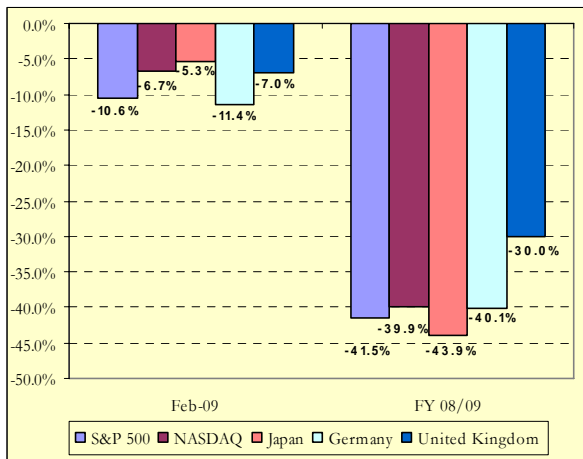
The Energy (2.8%) sector was a strong positive contributor, while negative contributors were the Property Trusts (-16.4%) and Industrials (-20.6%) sectors. In terms of individual companies, strong positive contributors to performance were Commonwealth Bank (+15.0%), Westpac (+8.0%) (as mentioned earlier), and Wesfarmers (+15.4%), while negative contributors were Brambles (-32.1%) and QBE Insurance (-20.6%).

International Equities (\$A)

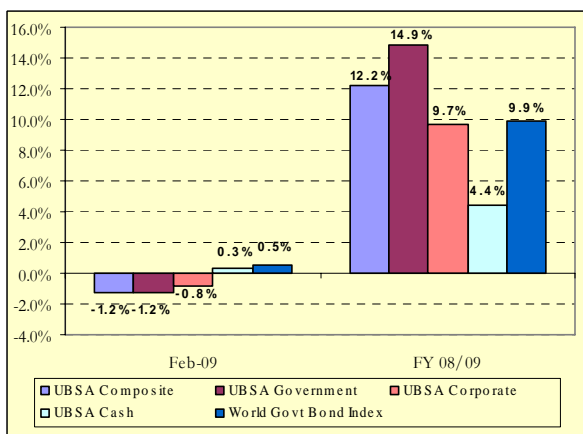


* MSCI World Ex-Aus. Local Currencies Index used as a representative for the Hedged Index

International Equities (Local Currencies)



Fixed Income



International equity markets continued the downward trend of recent months with the MSCI World (ex-Australia) Accumulation Index, returning -9.1% in local currencies (or -10.8% in unhedged Australian dollar terms). Sentiment in the markets was subdued with deteriorating economic data, disappointing earnings and dividend cuts. Financials, in particular, remain under pressure with a number of institutions receiving further assistance.

The release of poor economic data impacted negatively on US stock markets, with all major indices declining and the S&P 500 reaching its lowest level since 1996. European markets also moved lower as poor economic data releases continued, particularly out of Germany, and credit markets remained tight. Germany (-11.4%), Spain (-9.8%) and France (-9.1%) all fell. Despite the UK cutting official interest rates to 1.0%, its sharemarket fell 7.0%.

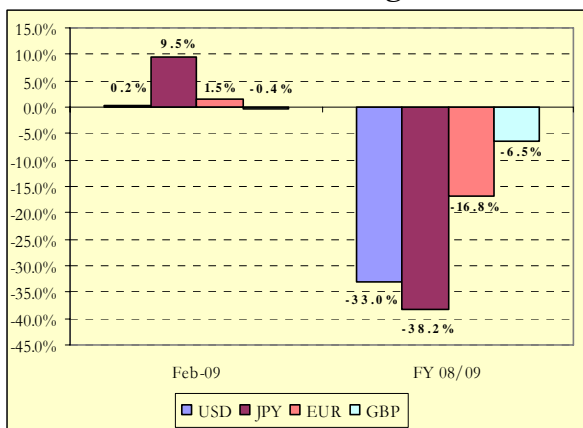
Asian markets were predominantly lower in February, weighed down by a weak global economy. The Nikkei index fell 5.3%, while Singapore fell 8.7%. The Chinese sharemarket went against the trend and rose 5.3% on tentative signs of stabilisation in the economy.

Emerging markets were weaker on the back of concerns over large sovereign debt levels and possible defaults of a number of emerging European economies. The MSCI Emerging Markets index fell by 6.1% in Australian dollars. The sharemarkets hardest hit were the Czech Republic (-17.2%), Poland (-12.1%) and Hungary (-11.5%).

The Australian bond yield rose (and bond returns fell) in February in line with global trends. The yield on ten year bonds ended the month higher, rising from 4.10% to 4.43%. Australia's three year bond yield opened at 2.90% and closed higher at 3.35%. Additionally, the spread between Australian and US ten-year bond yields widened in February. In contrast, the three month bank bill rate opened at 3.41% and closed lower at 3.16%. The six month bank bill rate experienced a less significant decline, opening at 3.11% and falling to 3.09% at close. Market expectations of the trough in RBA cash rates continue to hover between 2.00 and 2.25%.

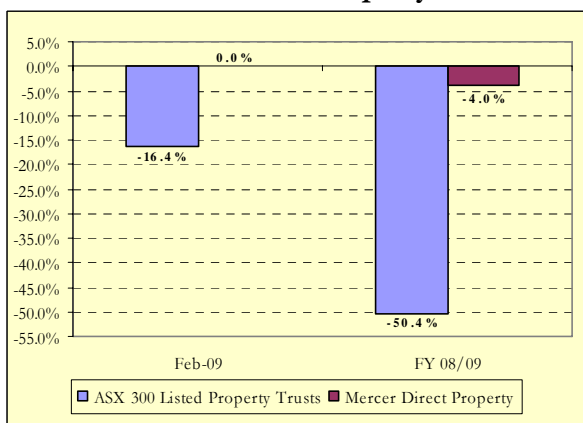
Global bond yields were relatively stable, although mixed, in February, reflecting the fact that central banks have lowered interest rates significantly in the past 12 months and have less scope to ease rates in the future. The US ten year bond yield, like the Australian ten year bond yield, was generally under pressure from greater supply, while the UK and European yields fell on the notion that their economies will be worse than markets expected. The US ten year bond yield rose 0.17% to 3.01%, while Japan's ten year bond yield was relatively flat, falling just 0.02% to 1.28%. Germany's ten year bond yield decreased to 3.11%, while the UK ten year bond yield fell 0.08% to close at 3.62%. Globally, ten year bond yields remain at low levels, due to further loss of confidence in financial markets.

Australian Dollar against



The Australian dollar (A\$) ended the month firmer against most major currencies, helped by the announcement of a fiscal spending package as well as the RBA's suggestion that it was near the end of its easing cycle. The Australian dollar gained slightly against the US Dollar during the month of February, closing 0.2% up on its previous month close of US\$0.64. The Australian dollar also gained 9.5% against the Yen and 1.5% against the Euro, but was down 0.4% against the Pound Sterling. The trade-weighted index (TWI) closed the month at 54.8 (up 3.0% from 53.2). The Australian dollar is expected to weaken over the next six months on the back of local and global growth worries, falling local interest rates and commodity price weakness.

Australian Property



The Australian Real Estate Investment Trusts (A-REITs) market, as measured by the S&P/ASX 300 Property Trust Accumulation Index, continued to decline, plunging by 16.4% in the month of February. The sector has fallen 58.2% over the past 12 months. All stocks reported their half year or full year results during the month. Most of the bad news, however, had already been released in the past three months, when most stocks in the sector raised equity to recapitalise their balance sheets. The primary focus continues to be on the strength of balance sheets and companies drifting close to debt covenants.

The return for the unlisted property sector, as measured by the Mercer Unlisted Property Index, was flat for the month of February. A positive income return was offset by a slightly negative capital return for the month, albeit few assets were revalued in February.