MONTHLY MARKETS

FRONTIER INVESTMENT CONSULTING

July 2009

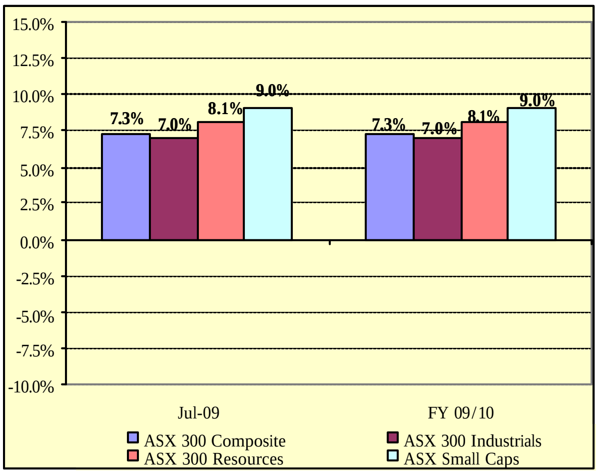
Market Overview

The global share markets continued to rally sharply in July, supported by ongoing evidence of economic recovery and a generally better than expected corporate earnings season. Linked to the recovery in industrial activity, global trade flows have started to improve after collapsing in the last quarter of 2008. The recent results have given policy makers increased optimism that the worse of the falls in output are behind us and that the unprecedented policy makers' intervention and support have stabilised the economic and financial situation.

The Australian economy continued to show signs of improvement in July. The biggest positives continued to be in the household sector with retail sales, building approvals, housing finance and consumer sentiment all improving further in the month. In addition, while labour market weakness persisted, the rate of deterioration remained relatively subdued.

The Reserve Bank of Australia (RBA) kept rates steady at 3.0% for the third consecutive month. The RBA noted that domestic economic activity had not been as weak as expected and included "a gradual recovery to begin later in the year". Other major central banks took the same course of action, keeping their respective interest rates unchanged in July.

Australian Equities

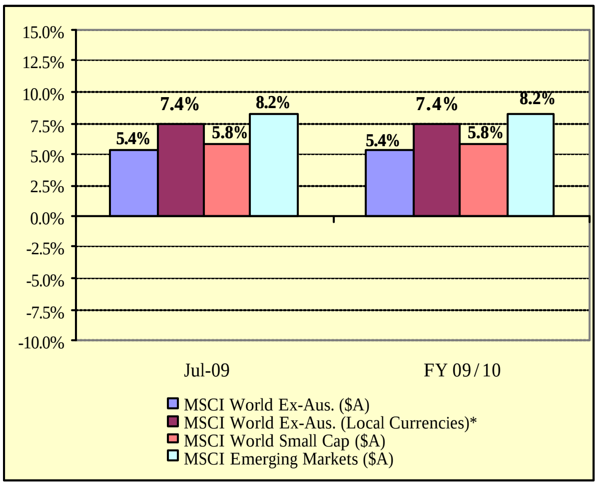


The Australian share market rose for the fifth consecutive month in July, with the S&P/ASX 300 Accumulation Index rising by 7.3%, which has resulted in the share market returning to levels last seen at the start of October 2008.

With the August reporting season approaching, corporate news and merger and acquisition activity was quieter. Large market capitalisation companies continued to tap into the share market to raise capital. National Australia Bank raised A$2.8 billion in an institutional placement and an additional A$750 million retail investor raising to follow in August. Other capital raisings over the month included Transpacific (A$736 million) and Virgin Blue (A$231 million).

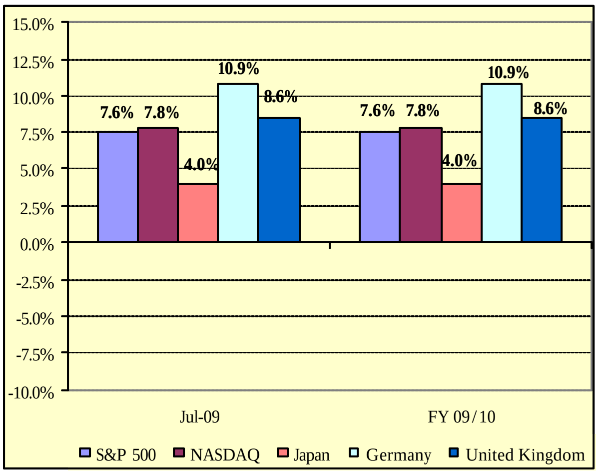
During the month, the strong market sentiment meant that the more cyclical sectors outperformed. The strongest performers over the month were the Industrials (+9.9%), Information Technology (+9.8%), and Materials (+9.5%) sectors. In comparison to previous months, sectors with more-defensive earnings underperformed the broader market, with Health Care (-2.8%) the lowest sector return.

International Equities ($A)

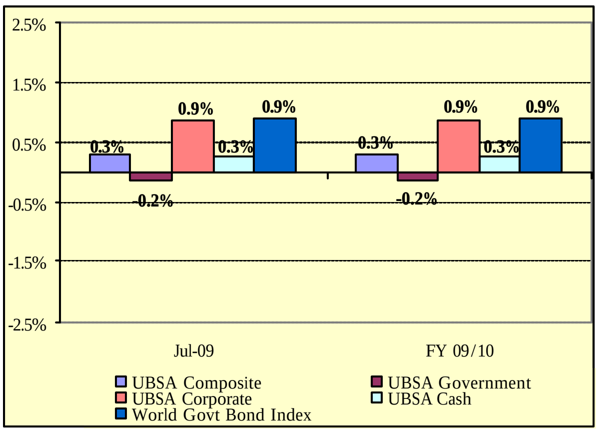


* MSCI World Ex-Aus. Local Currencies Index used as a representative for the Hedged Index

International Equities (Local Currencies)



Fixed Income



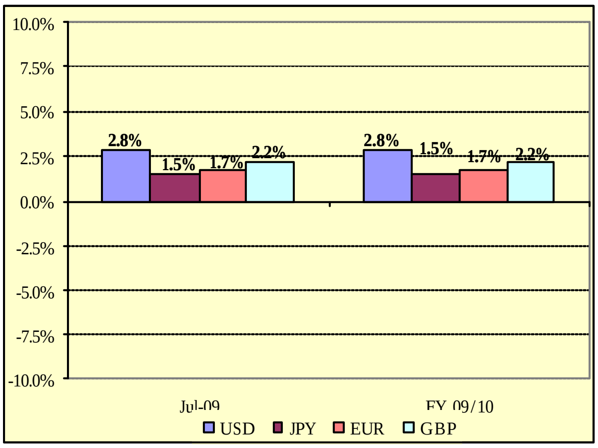
International share markets performed strongly in July, supported by ongoing evidence of economic recovery and a generally better than expected corporate earnings season. The MSCI World (ex-Australia) Accumulation Index rose 7.4% in local currency terms and 5.4% in unhedged Australian dollar terms. The MSCI World Small Companies Index return was positive for the fifth consecutive month, returning 5.8% for the month of July.

US share markets posted strong returns, as around three quarters of the S&P 500 companies that have reported earnings, beat Analyst estimates, including positive results from a number of major US banks such as Goldman Sachs and JP Morgan. European markets outperformed, with Europe ex-UK shares up 9.6% during the month. The European Union approved Germany's plan to purchase troubled assets from banks to encourage bank lending. This news along with improvement in economic indicators such as the Eurozone industrial output rise in May for the first time since September was received positively by investors. Germany, France and the UK returned 10.9%, 9.1%, and 8.6%, respectively. Asian share markets were strong in July, with the Chinese economy continuing to show signs of a sustainable recovery. The Japanese and Hong Kong markets rose by 4.0% and 11.9% respectively.

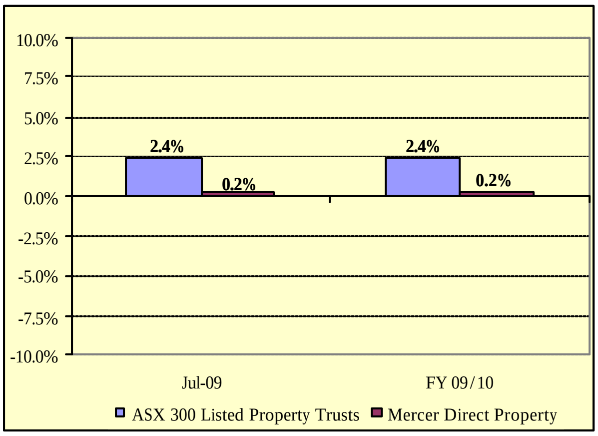
Emerging markets rallied over July, returning 8.2%. Similarly to June, emerging Asian markets outperformed, with the Indonesian and Korean markets returning 20.8% and 15.3% respectively. Indonesian markets rallied following the re-election of the President. Emerging Eastern Europe saw a reversal of the underperformance seen earlier in 2009, with Poland, Czech Republic and Turkey returning 24.7%, 16.1% and 17.4% respectively. Latin America lagged with relatively modest returns from Brazil and Mexico.

The Australian bond market weakened over July. The yield on the Australian ten-year bond gained 0.04% to 5.58%, while the three-year bond yield rose 0.25% to 4.80%, which saw the domestic yield curve flatten. Bank bill yields rose in July. The three-month bank bill rate opened at 3.16% and closed 0.04% higher at 3.20%.

Australian Dollar against



Australian Property



Global bond yields were mixed in July. The US ten-year bond yield fell 0.05% to 3.48%, while Japan's ten-year bond yield rose 0.07% to close July at 1.43%. In the European region, Germany's ten-year bond yield fell 0.09% to 3.30%; while the UK ten-year bond yield added 0.11% to close the month at 3.8%.

The Australian dollar (A$) appreciated against most major currencies over July, finishing the month 2.8% higher at 82.8 US cents. The Euro, Japanese Yen and US Dollar all depreciated versus the A$ as risk sentiment generally improved and share and credit markets rallied. Emerging markets currencies similarly appreciated against the US Dollar in line with the general appreciation in commodity prices. The TWI closed the month at 65.7, up 1.5%.

The Australian Real Estate Investment Trusts (A-REITs) market, as measured by the S&P/ASX 300 Property Trust Accumulation Index, underperformed the broader Australian share market for the month, returning 2.4%. Announcements were made in July about the outcomes of the 30 June re-valuations for many A-REITs. Although large write-downs were seen for some managers, the results had already been factored in by the market and some revaluations were better than expected.

The preliminary return for the domestic unlisted property sector, as measured by the Mercer Unlisted Property Index, rose 0.2% for the month. As with previous months, downward asset revaluations were reflected due to the continued pressure on capital market and space market fundamentals.