

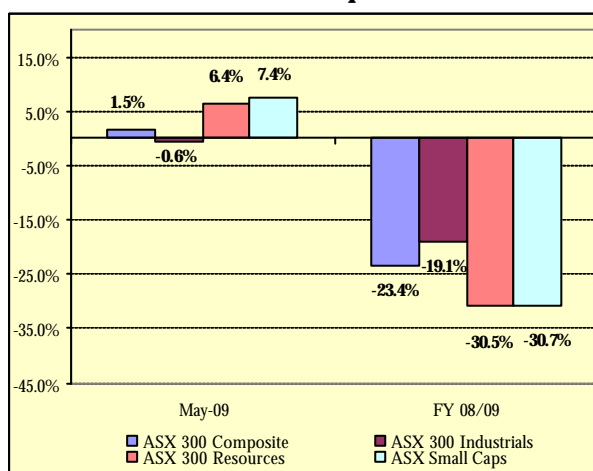
Market Overview

The Australian Federal Government's Budget made headlines over the month. The 2009-10 Budget is expected to produce a deficit of almost \$A58 billion, or 4.9% of gross domestic product (GDP). The centrepiece of the budget stimulus is a \$A22 billion infrastructure spending plan, focusing on roads, rail, ports, education, health, clean energy and telecommunications. In addition, there is further fiscal stimulus for the consumer planned, through increased pensions, two further rounds of income tax cuts and an extension of the First Home Owner's Grant.

The Australian economy, as measured by GDP growth, rose at an annualised rate of 1.5% in the first quarter of 2009. Not only was the outcome much better than the 10% decline the consensus forecast had anticipated, but it also stands in stark contrast to the significant declines that GDP took in most other developed economies.

The Reserve Bank of Australia (RBA) left interest rates on hold this month at 3.0% citing the global improvement in confidence and activity, and the improved sentiment in financial markets. The European Central Bank (ECB) was the only major central bank to lower interest rates, reducing its policy rate by 0.25% to a new record low of 1.0%.

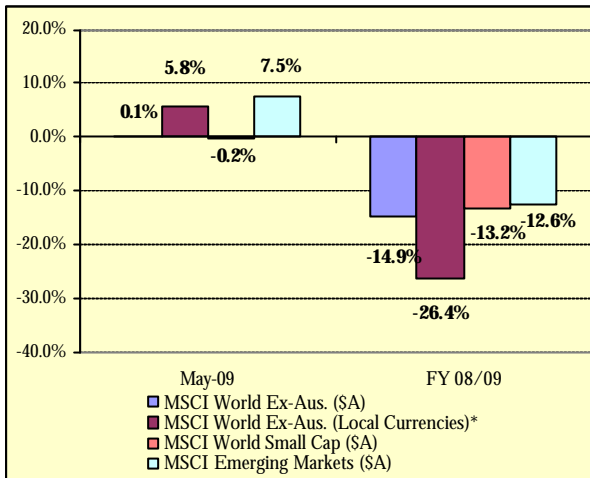
Australian Equities



The Australian share market continued its rebound, with the S&P/ASX 300 Accumulation Index rising by 1.5%. This represents the first occasion that the market has risen for three consecutive months since the onset of the sub-prime Crisis in August 2007. Whilst the rise in May was more modest than the previous two months, the moderate rise may have reflected the sharp rise in bond yields over the month. The Energy (+6.6%) and Materials (+6.6%) sectors performed strongly on the back of higher commodity prices and hopes that economic growth in China will improve. The Health Care (-7.0%) and Telecommunications (-6.2%) sectors underperformed the broader market, the latter due to the uncertainty over the future of Telstra, with the recent departure of its CEO and the announcement of the National Broadband Network.

The short selling ban on financial stocks was lifted on 25 May 2009 after eight months, providing a positive sign that confidence has returned to Australia's financial system.

International Equities (SA)

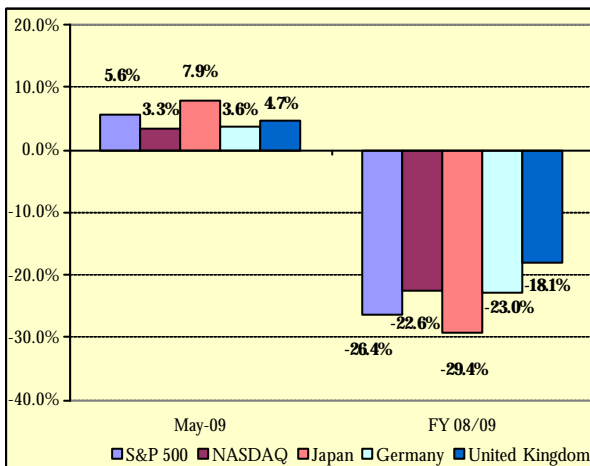


* MSCI World Ex-Aus. Local Currencies Index used as a representative for the Hedged Index

International equity markets largely continued their recovery in May, with the MSCI World ex-Australia Accumulation Index returned 0.1% in Australian dollar terms and the MSCI World (ex-Australia) Accumulation Index returned +5.8% in local currency terms.

US sharemarkets rose during the month following improved sentiment flowing on from the positive impacts seen by the various Government intervention plans in the credit and mortgage markets. The S&P 500 rose 5.6% for the month. European markets similarly produced positive returns, with France, Germany and the UK returning 3.7%, 3.6% and 4.7% over the month respectively.

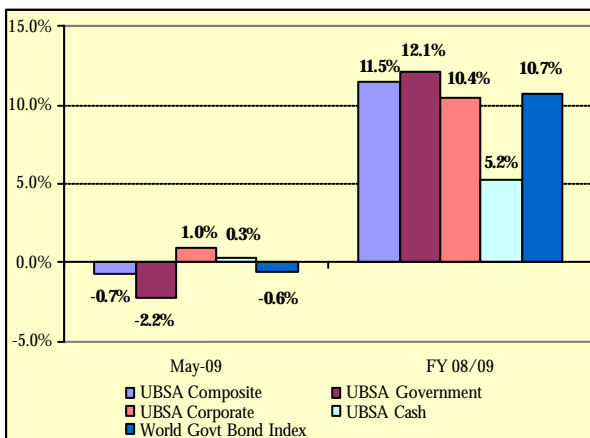
International Equities (Local Currencies)



Asian markets experienced a strong month, ahead of Western markets. The Japanese Index increased by 7.5%, and the Hong Kong Index also posted significant gains rising by 17.1%.

Emerging markets continued their strong rebound in May, with the MSCI Emerging Markets index up a further 7.9%. In Asia, India returned 25.4% on the back of a surprise election outcome. Latin American markets outperformed, with Brazil rising 12.0% and Columbia strengthening 10.6% on hopes of a recovery in China's demand for commodities.

Fixed Income

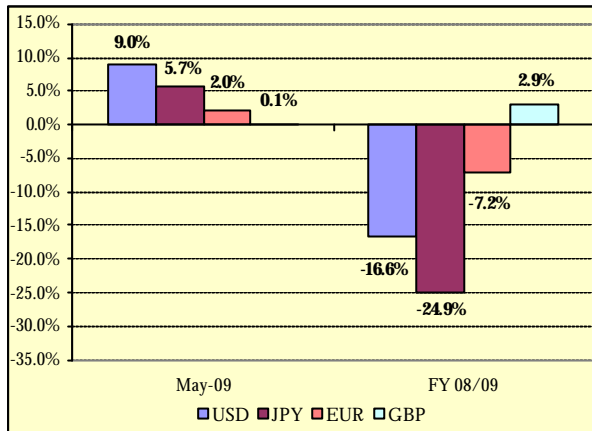


Australian bond yields rose sharply over May which saw the domestic yield curve steepen and the spread between Australia and US ten-year bond yields widen to 1.82%. The yield on Australian ten year bonds ended the month up 0.71% to 5.28%. Australia's three year bond yield opened at 3.52% and closed higher at 3.96%. Bank bill yields also rose. The three-month bank bill rate opened at 3.08% and closed 0.11% higher at 3.19%. Credit spreads tightened, reflecting the improved economic outlook and reduced uncertainty.

Global bond yields continued to move higher in May amidst buoyant equity markets and economic data that beat market expectations. Weighing on bond markets were persistent concerns over bond supply and the amount of debt major governments have undertaken to expand their fiscal spending. This was exacerbated by Standard & Poor's placing the UK credit rating on negative



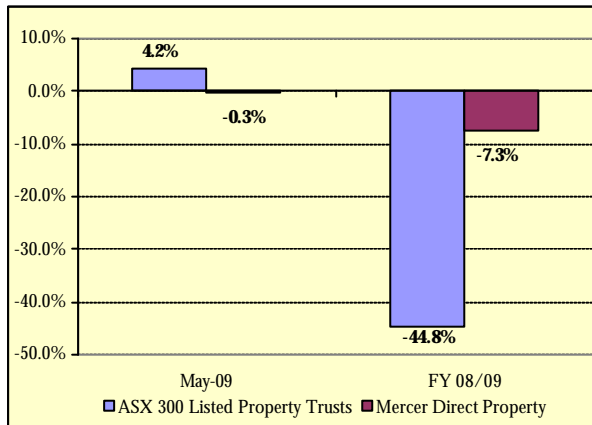
Australian Dollar against



watch, and led to question the security of the US's own security rating. The US ten year bond yield increased by 0.30% to 3.46%. Japan's ten year bond yield gained 0.08% to close the month at 1.49%. In Europe, Germany's ten year bond yield increased by 0.26% to 3.63%, while the UK ten year bond yield also increased, gaining 0.20% to close at 3.75%.

The Australian dollar (AS) was stronger in May against the major currencies amidst increased investor confidence, closing against the US dollar at \$0.80. The US dollar suffered as safe-haven support for the currency abated and investors became more concerned about the effect of mounting US fiscal debt.

Australian Property



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, returning 4.2% for the month. AREIT companies that had experienced a significant sell-off in recent months received support from investors over April and May. GPT was one of the best performing A-REIT shares (+28.9%), after it completed a second capital raising and restructured its balance sheet. Capital raisings have continued to occur over the month of May for the sector, however, this has been accompanied by asset sales. As a result of the asset sales, further capital raisings are likely to be required for some AREITs over the next few months.

The return for the unlisted property sector, as measured by the Mercer Unlisted Property Index, fell 0.3% for the month. The domestic unlisted sector continues to be negatively impacted by asset revaluations, equity shortages, tough banking finance conditions, and slowing tenant demand. The shopping centre sector benefited from the recent government stimulus package, however demand for office space and industrial buildings weakened, negatively impacting the rental pricing levels and vacancy numbers. International investors continued to show interest in buying assets, attracted by Australia's growth outlook and relatively higher capitalisation rates.