

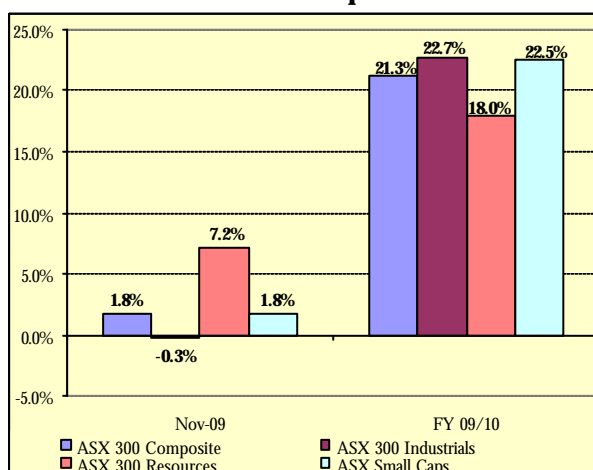
## Market Overview

After declining in October, share markets across the world rallied in November, as the global economy continued to show signs of recovery. Encouraging economic data was released in most parts of the world, with the US leading the way, recording a fall in the unemployment rate from 10.2% to 10.0%. The US economy also recorded a 2.7% annualised rise in gross domestic product (GDP) for the September 2009 quarter, which was a downward revision from the 3.5% estimate made several weeks earlier, but nevertheless still a positive figure, the first since mid-2008. Japan's economy also grew by 0.3% for the same quarter, however, deflation remains a concern, with Tokyo recording a 1.9% decline in consumer prices over the year.

In Europe, the recession finally ended as the region's economy expanded by 0.4% in the September quarter, although some hard hit nations such as Spain and the UK continued to record economic contraction. The Australian economy continued along the path of strong economic recovery, with positive news on the housing and employment front, as well as rising consumer and business confidence. As a result, the Reserve Bank of Australia (RBA) lifted official interest rates by 0.25%, for the third time in as many months, to 3.75% on 1 December.

However, investor risk appetite was tested towards the end of November following the release of news that Dubai World, a Dubai Government owned company, may fail to meet its financial obligations to bondholders. The announcement took the world by surprise and resulted in sharp declines in share markets around the world on the day following the release of the news. However, market weakness was short-lived, as most share markets recovered quickly after that.

**Australian Equities**



Following a negative month in October, the Australian share market recovered in November, with the S&P ASX 300 Accumulation index rising by 1.8%. The Australian share market benefited from the reassurance by World leaders that pro-growth policies would continue for an extended period.

The largest contributor to performance in the Australian share market over the month was the Materials sector (+9.0%), which benefited from the weak US dollar that kept commodity prices firm, favouring stocks in the sector. Other sectors that contributed included Telecoms (+2.2%), Consumer Staples (+1.2%) and Consumer Discretionary (+0.7%).

During the month, investor sentiment in the share market was also buoyed by corporate activity, which resulted in the share prices of acquisition targets rising. AXA Asia Pacific, which rose by 36.8% over the month, received a joint proposal from rivals AMP and AXA SA (AXA Asia Pacific's French parent company) which was subsequently rejected. Elsewhere, two

Canadian pension funds made a bid to acquire Transurban Group, resulting in a 19.7% rise for the company's share price over the month.

Share markets around the world generally posted gains in November, driven by positive economic news, better than expected earnings and corporate activity. During the month, the MSCI World ex-Australia (total return) Index returned 2.8% in Australian dollar terms and 3.4% in local currency terms.

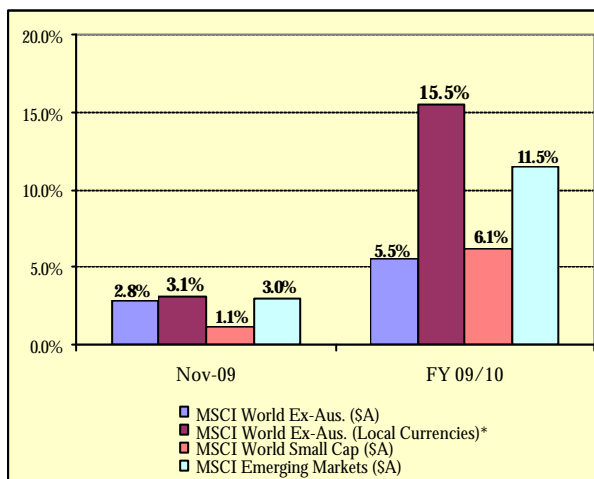
The US economy recorded the first positive GDP growth figure since mid-2008, largely driven by personal consumption, particularly in auto sales and residential investment, and government expenditure. During the month, the S&P 500 index gained 6.0% in US dollar terms.

In Europe, share markets in Germany (+3.9%), France (+2.0%) and Spain (+2.0%) all rose as the region finally emerged from a recession, with the region's economy expanding by 0.4% in the third quarter after five consecutive quarters of contraction. In Asia, Japan's Nikkei index fell by 6.9% on concerns about corporate health and the sustainability of company earnings, while the Singapore (+3.1%) and Hong Kong (+0.3%) markets recorded positive returns.

Emerging markets on average benefited from higher commodity prices during the month, with the MSCI Emerging Markets Index returning +3.0% in Australian dollar terms for the month. Latin American countries led the strong performance, with Peru, Mexico and Brazil recording gains of between 8% and 10%. Most emerging countries also finished the month higher, with the exception of Egypt (-17.2%), Turkey (-7.8%) and Morocco (-7.7%). Share markets in the Middle East region were affected by the Dubai World debt issue, with both the Dubai and Abu Dhabi general indices down around 11% to 12% following the release of the news.

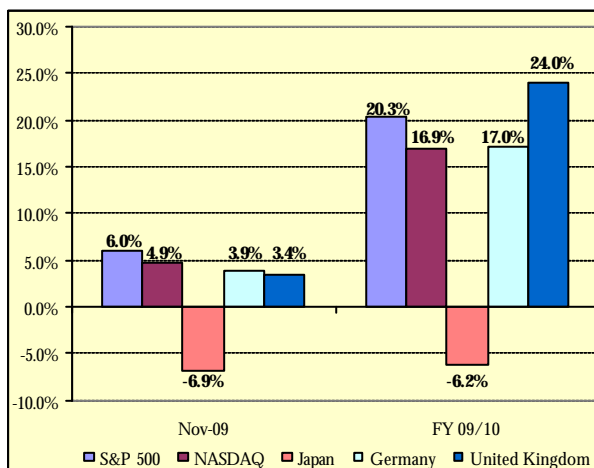
The Australian bond market strengthened in November, in part due to the greater demand for Government bonds by Australian banks, but also the improved economic outlook and revisions to Budget deficits. As a result, the yield on the Australian ten-year government bond fell by

## International Equities (\$A)

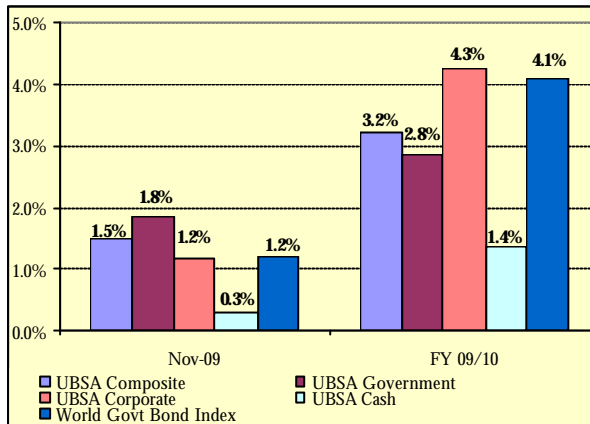


\* MSCI World Ex-Aus. Local Currencies Index used as a representative for the Hedged Index

## International Equities (Local Currencies)



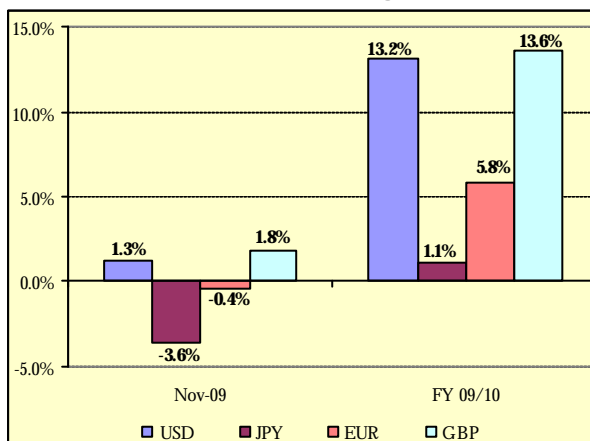
## Fixed Income



0.30% to 5.24% as at the end of November.

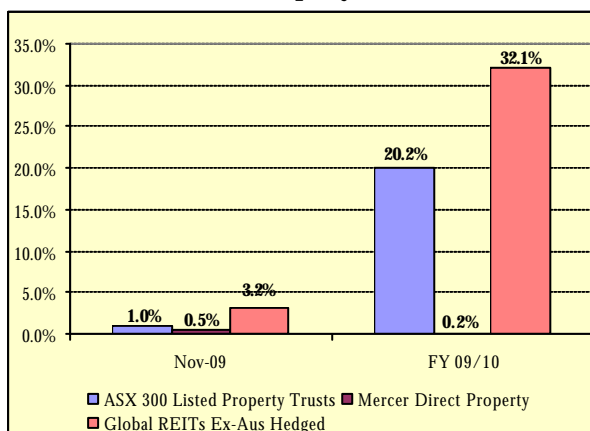
Global government bond yields also fell in November, as central banks, including the US Federal Reserve, announced that interest rates may remain low for an extended period. There was also a flight towards US government bonds following news of Dubai World's debt restructuring request, causing yields of US government bonds to fall. The US ten-year bond yield fell by 0.19% to 3.19%, while the UK ten-year bond yield fell from 3.62% to 3.05% at the end of November.

## Australian Dollar against



The Australian dollar (A\$) finished the month higher against the US dollar (+1.3%), but fell against the Japanese yen (-3.6%) and also against the currencies of Australia's major trading partners. The increasing interest rate differentials, stronger relative growth prospects and an improvement in commodity prices largely explain the continued strength of the Australian dollar. Conversely, the US dollar weakened further during the month relative to most major currencies, as speculators believe that US official interest rates will remain unchanged for an extended period.

## Property



The Australian Real Estate Investment Trusts (A-REITs) sector returned +1.0% for the month. Companies reaffirmed their earnings guidance for the year, and indicated that they believe they may have seen the worst of the property cycle. There were also signs of property transactions within the sector, which suggests that investor confidence may have returned. The global REITs markets outperformed the A-REITs market, with the UBS Global Real Estate Investors (hedged) Index recording a return of +2.8% in Australian dollar terms. From a regional perspective, performance was mixed, largely influenced by fundamental factors and investor appetite as credit conditions and transactions remain tight in the sector. Strong returns were seen in the Hong Kong and China markets, but Japan significantly underperformed.

The domestic unlisted property sector, as measured by the Mercer Unlisted Property Index, returned +0.5% for the month of November.