

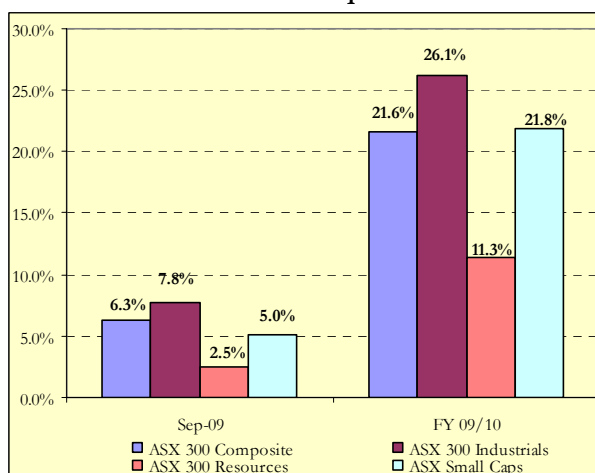
## Market Overview

Most major global share markets continued their rise in September, as participants became more confident that an economic recovery was taking hold. This was supported by further improvements in manufacturing surveys and confidence indicators. While a recovery appears to be occurring, it is expected to be quite fragile and slow. Data from the US over the month confirmed this with weaker than expected home sales and durable goods orders. Additionally, the US labour market continued to deteriorate, though at a slower pace than previously.

Australia's economy continued to demonstrate its relative strength, with the June quarter GDP showing a gain above expectations. Retail sales also rose, and the unemployment rate was steady, though this was partially due to a fall in the participation rate.

While the Reserve Bank of Australia (RBA) left official interest rates on hold in September, it became increasingly upbeat, which suggested an increase in the official interest rate was on the horizon. The RBA Governor, Glenn Stevens noted that Australia had suffered a much less serious downturn than those in the mid 1970s, early 1980s and the early 1990s, especially when compared to the G7 group of economies, and he also noted that interest rates would soon need to rise. The RBA did note there are some uncertainties on the economic outlook and highlighted the risk that domestic spending may be weaker in the second half of the year. However, the RBA subsequently raised official rates by 0.25% at its October meeting.

**Australian Equities**



The Australian share market rose for the seventh consecutive month in September, with the S&P/ASX 300 Accumulation Index rising by 6.3%. Since reaching its low on 6 March 2009, the S&P/ASX 300 Accumulation Index has risen by 54.8% to 30 September 2009. This rise has generated the best quarterly return for 20 years. One contributor to this performance has been the view that the worst case scenario for the world economy has been avoided and therefore growth prospects look relatively positive by comparison.

A number of events in September suggest markets are returning to a semblance of normality. The Initial Public Offering (IPO) market appears to be reopening with Myer announcing its upcoming offering and Kathmandu also considering an IPO. Merger and acquisition activity is also increasing with Nufarm the target in a takeover bid and Macquarie announcing acquisitions. A number of companies also raised equity over the month, including Primary Health Care, Paladin Energy and AWB.

The Australian share market saw Financials (+9.9%), Property (+10.0%) and Consumer Discretionary (+10.6%) all perform strongly. The release of the RBA's Financial Stability Review assisted the major banks, while within the Consumer Discretionary sector, both Media

companies and Retailers did well. The weaker sectors included Energy (+1.4%) and Telecommunications (+0.3%).

Most major developed share markets ended the month higher, with the MSCI World ex-Australia (total return) Index rising 2.9% in local currency terms. However a strong appreciation in the Australian dollar resulted in the index returning -0.9% in unhedged Australian dollar terms.

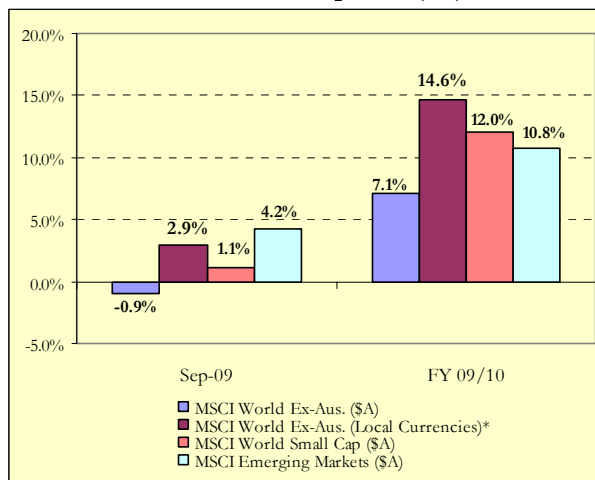
The US markets posted gains in September. Cyclical stocks performed well as it became increasingly clear the US economy was on a path to recovery. A number of observers stated that the US recession was likely over. Industrials, Consumer Discretionary and Energy stocks all performed strongly.

European markets also continued their recovery, though at a slower pace than seen earlier in the quarter, as economic data continued to show signs of improvement. Indicators suggest that business sentiment and consumer confidence are both improving, in spite of rising levels of unemployment. The main driver of growth in the region is expected to be foreign demand, with exports expected to rise by 2% in the third quarter, after a drop in exports over the first and second quarters.

Asian markets were mixed over September with the Japanese market falling after recent gains and the Chinese, Hong Kong and Singapore markets rising. A strengthening Yen hurt Japanese exporters, while Japanese financials dropped due to concerns that their banks may need to raise more capital. A number of economic indicators of the Japanese economy suggested a slow recovery. The Chinese share market rose 3.8% following a 15.4% fall in August. A Chinese official suggested that the Chinese economy will have no issues with recording a 8% growth rate by end of 2009.

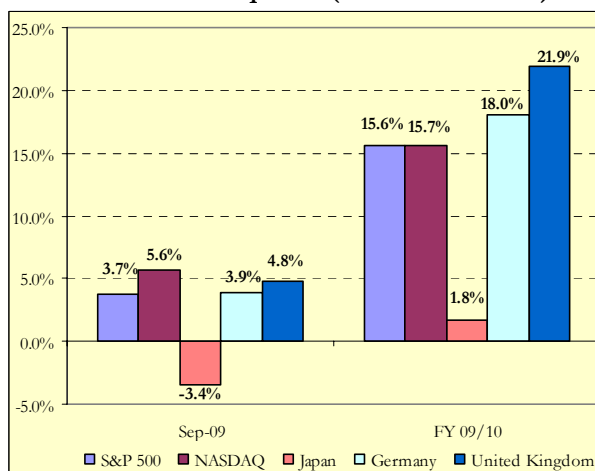
Emerging markets performed strongly in September as commodities rose, corporate finance activity improved and an economic recovery took hold in a number of markets. The MSCI Emerging Markets Index was up 4.2% in Australian dollar terms. Argentina (+15.7%), Russia (+12.9%) and Sri Lanka (+12.7%) all

### International Equities (\$A)

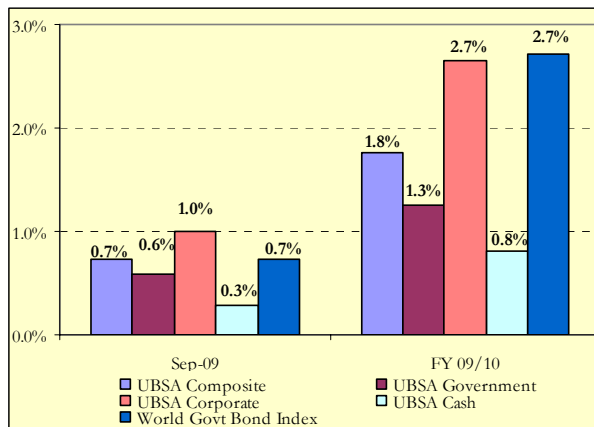


\* MSCI World Ex-Aus. Local Currencies Index used as a representative for the Hedged Index

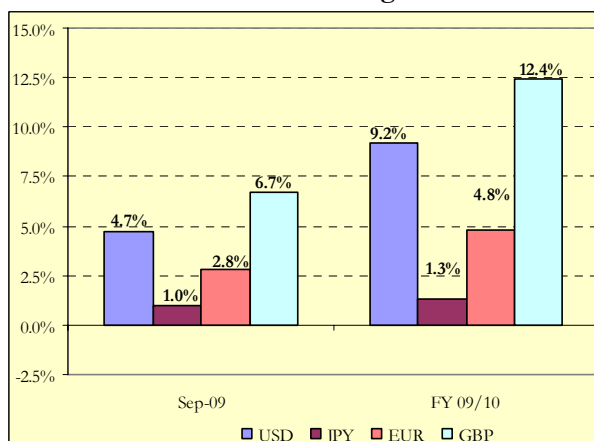
### International Equities (Local Currencies)



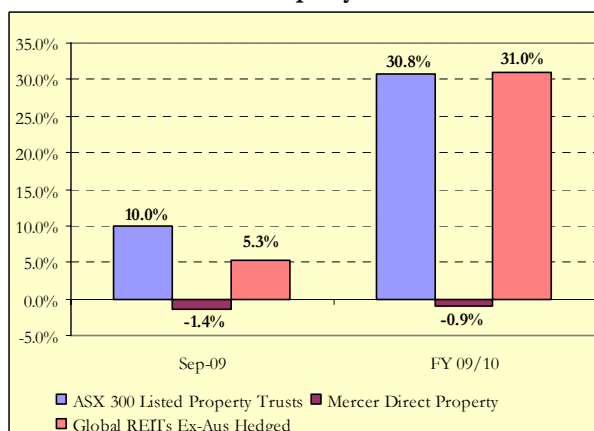
## Fixed Income



## Australian Dollar against



## Property



posted strong gains, while the Philippines (-2.4%) and Czech Republic (-1.0%), both fell.

At the end of September, the yield on the Australian ten-year government bond fell by 0.06% to 5.36%. The three-month bank bills were yielding 3.38%, pre-empting the rise in official rates that took place in October. The Australian Office of Financial Management issued a new Inflation Linked Bond during the month, which raised A\$4 billion.

Global bonds continued to gain in September, as bond yields fell (hence bond prices rose). The US ten-year bond yield fell 0.09% to 3.31%, and Japan's ten-year bond yield also fell slightly to close September at 1.30%. However, the UK ten-year bond yield rose slightly to 3.59%.

The Australian dollar (A\$) pushed higher again in September, due to expectations of interest rate rises before the end of the year. As risk seeking has returned with the global economy recovering, the US dollar (US\$) and UK pound (GBP) have underperformed, and emerging market and commodity currencies (such as the A\$) have appreciated. The A\$ closed the month at 88.0 US cents and 78.8 Japanese Yen.

The listed property sector rose for the fifth consecutive month in September, recording a 10.0% gain. There was very little news during the month, with strong performance an outcome of growing confidence in economic recovery.

Global listed property markets continued to move higher in September, with performance strong in most regions. However, Japanese REITs were a significant exception, dropping 9.5%, while the UK dropped 0.5%. Hong Kong and Australia were the strongest performers, both returning over 9%. The UBS Global Real Estate Investors ex Australia Index (hedged in A\$) rose 5.3%.

The preliminary return for the domestic unlisted property sector, as measured by the Mercer Unlisted Property Index, dropped 1.4% for the month, as further devaluations were recorded. However, the falls were less severe than those recorded at the end of the three previous quarters, suggesting unlisted property returns may be close to bottoming.