

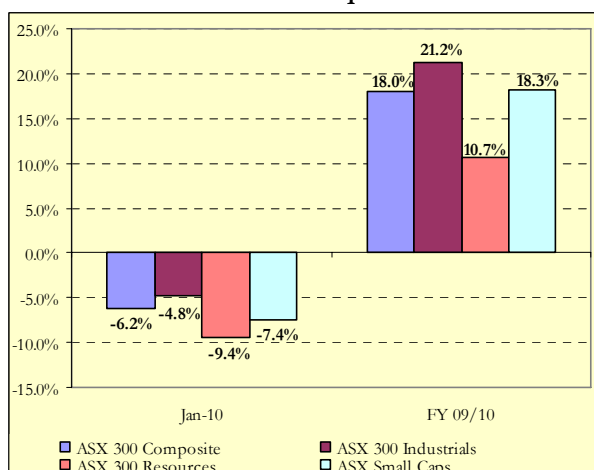
Market Overview

Investors began 2010 in risk-seeking mode bidding up risky assets and taking advantage of the 'January effect'. By mid month however, this behaviour shifted dramatically with market sentiment tending towards risk aversion on concerns related to regulatory changes in the US banking system, higher than expected inflation in China leading to the central bank enacting measures to slow down its economy, and concerns related to sovereign risk, particularly in the Euro zone.

During the month the International Monetary Fund (IMF) upgraded its global economic growth forecasts for 2010 from 3.1% to 3.9%, driven predominantly by a stronger pace of recovery post the global financial crisis. The US recorded a seasonally adjusted growth rate of 5.7% for the December quarter (up from 2.2% in the September quarter) whilst China recorded a 10.7% annual growth rate in the December quarter (up from 9.1% in the September quarter).

In Australia, underlying inflation rose by 0.65% over the quarter taking the annual rate to 3.4% which is outside the Reserve Bank of Australia's (RBA) 2% - 4% target band. Released in January 2010, the December 2009 labour market figures showed that 35,200 jobs were created in December leading to a reduction in the unemployment rate from 5.6% in November 2009 to 5.5%.

Australian Equities

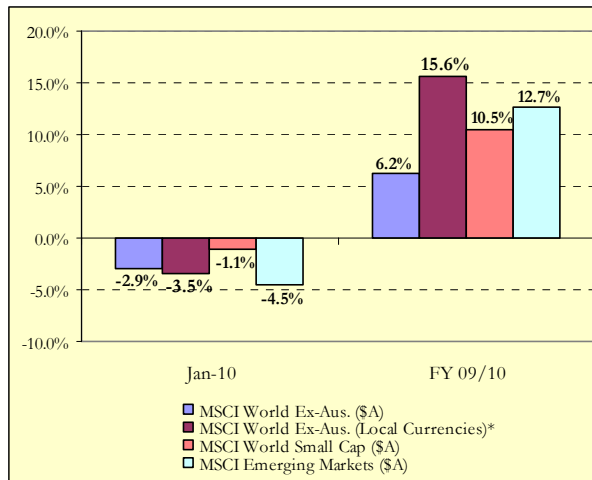


After a strong start to the year, the Australian share market struggled in January with the S&P/ASX 300 Accumulation index declining by 6.2%. The S&P/ASX 300 Accumulation index has returned 18% for the financial year to the end of January 2010. The S&P/ASX Small Ordinaries Index (-7.4%) underperformed the S&P/ASX 100 Index (-6.1%).

Energy (-9.8%) and Materials (-9.0%) were the worst performing sectors in January being heavily influenced by weakened commodity prices resulting from the increasingly risk-averse behaviour of investors. All sectors recorded negative returns for January with the best performing sectors, Information Technology and Property Trusts, returning -1.1% and -3.0% respectively.

It is expected that 2010 will be a more challenging year for investors, with interest rates rising and high profit growth expectations that need to be met in order to justify further significant equity market gains.

International Equities (\$A)

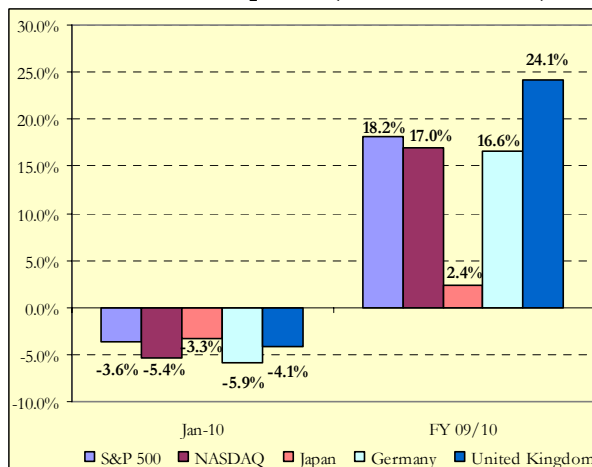


* MSCI World Ex-Aus. Local Currencies Index used as a representative for the Hedged Index

Chinese central bank tightening, reforms to US regulations and increasing sovereign debt worries in Europe led to the retracement in International equity markets in January. During the month, the Morgan Stanley Capital International (MSCI) World ex-Australia Index returned -2.4% in Australian Dollar terms and -3.5% in local currency terms with the difference due to a depreciating Australian dollar through January. For the financial year to date the MSCI World Ex-Australia Index in local currencies has significantly outperformed the unhedged MSCI World index in Australian dollars due to the appreciation of the Australian dollar.

The Emerging markets also experienced a pullback in January 2010 with the MSCI Emerging Markets Index returning -4.5% in Australian dollar terms after a very strong year in 2009.

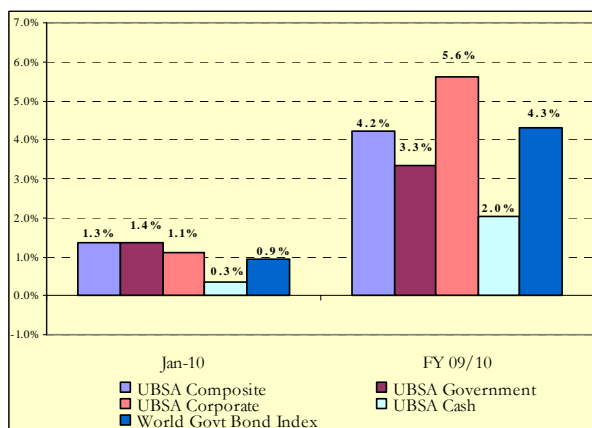
International Equities (Local Currencies)



US company results continued to surprise on the upside particularly at the big end of the financials sector in stocks like Citigroup, Goldman Sachs and JP Morgan. Despite this, the S&P 500 Index returned -3.6% for January in US dollar terms due to deteriorating market sentiment through the month.

In Europe continued concerns relating to sovereign debt risk led to weaker markets through most of Europe. Share markets in Germany (-5.9%), France (-5.0%) and Spain (-8.9%) performed poorly. In Asia, following moves by policy makers to raise reserve requirements for banks and place limits on lending led to weaker markets in Hong Kong (-6.4%), Singapore (-6.0%) and China (-8.5%).

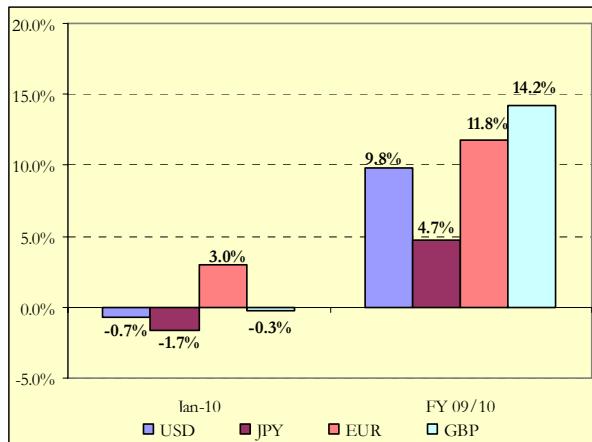
Fixed Income



The Australian bond market strengthened in January taking the lead from the US. The three year Australian government bond yield dropped by 0.16% to 4.52% while the ten-year government bond dropped by 0.27% to 5.39%. These moves resulted in the UBSA Composite Bond Index and the UBSA Government Bond Index returning 1.3% and 1.4%, respectively.

Global yields moved lower in January on sovereign risk concerns and possible changes to the regulatory powers within the US financial system. Concerns were mainly attributed to the

Australian Dollar against

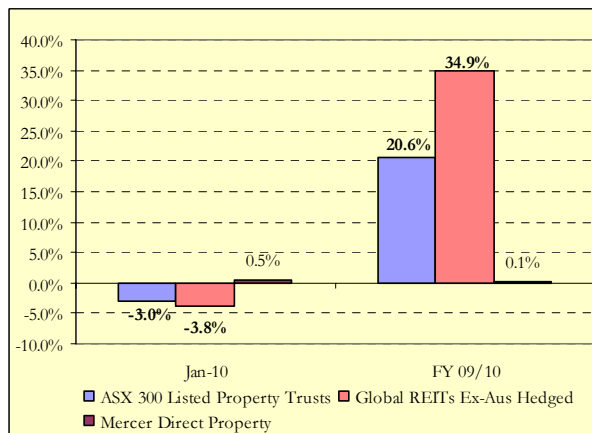


credit worthiness of Greece and rising government debt levels in Europe. In the US, 10-year bond yields fell by 0.25% to 3.59%. In Europe, Germany's ten year bond yield fell by 0.19% to 3.2%, while the UK ten year bond yield also decreased falling 0.11% to 3.91%.

The Australian dollar was weaker in January against the US Dollar, British pound, Japanese Yen and the trade-weighted index (TWI), but stronger against the Euro.

The Australian Real Estate Investment Trusts (A-REITs) market, as measured by the S&P/ASX 300 Property Trust Accumulation Index, outperformed broader Australian equity market returning -3.0% for the month. The A-REIT sector saw little activity during the month, with little material stock specific news released ahead of the reporting season in February. The strongest performers for the month were the more defensive stocks with stronger balance sheets and exposure to quality assets. The worst performers were those stocks with exposure to funds management businesses.

Property



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