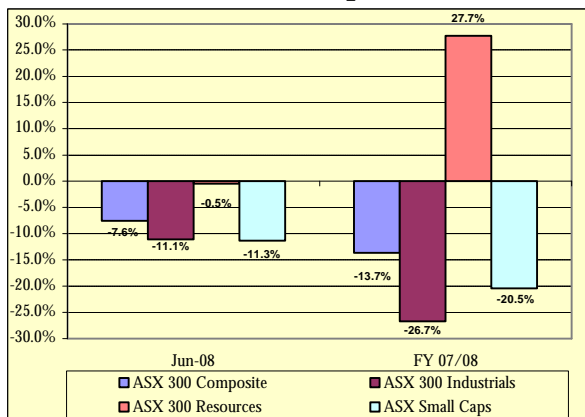


Market Overview

Major global share markets fell dramatically in June. Rising food and oil prices continued to drive inflation above central banks' comfort zones, increasing expectations that global interest rates could start to move higher in the near future. Concerns over global economic growth, particularly in the US, also continued to weigh heavily on global share markets.

The Australian share market was not immune to the volatility affecting other global markets, also delivering a negative return for the month of June. Much of the underperformance was driven by high interest rates and a poor lead from the US, however some of this was tempered by the performance of the Energy and Materials sectors, which benefited from rising oil prices. The RBA left interest rates on hold in June at 7.25%, and while all leading indicators suggest that the Australian economy is slowing, the RBA is reluctant to decrease rates as inflation continues to track well above the RBA bank of 2-3% year-on-year.

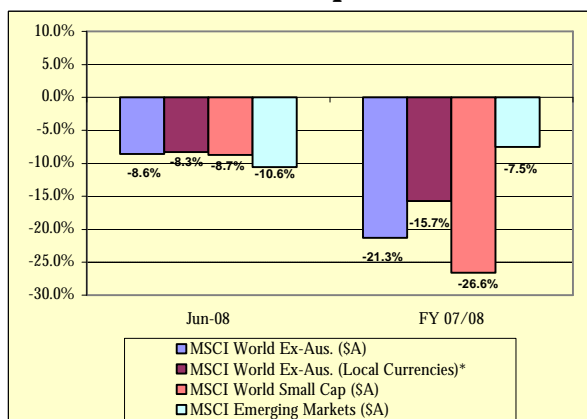
Australian Equities



The return on Australian shares was negative for the month of June, with the S&P/ASX 300 Accumulation Index falling 7.6%. Concerns regarding the Financial sector, high interest rates and the surging oil price all contributed to share market weakness during the month.

The Energy and Materials sectors performed the strongest in June, returning +1.6% and -1.4% respectively. As noted above, much of the performance was driven by higher oil prices. Strong performers in the Energy sector included Oil Search (+10.7%), Arrow Energy (+10.5%) and Centennial Coal (+9.8%), while Iluka Resources (+27.6%), Fortescue Metals (+11.7%) and Sims Group (+10.9%) contributed to the performance of the Materials sector. The Consumer Discretionary (-14.5%), Financials ex-Property (-12.1%) and Healthcare (-10.7%) sectors underperformed relative to the broader market. Driving the poor performance in the Consumer Discretionary sector were David Jones (-23.2%) and Harvey Norman (-16.3%), while poor performers in the Financials ex-Property sector included Babcock & Brown (-39.8%) and St George Bank (-18.2%). The poor performance of the Healthcare sector was mostly attributed to the offshore exposures of many of the major companies in that sector, and was not assisted by the stronger Australian dollar.

International Equities (SA)

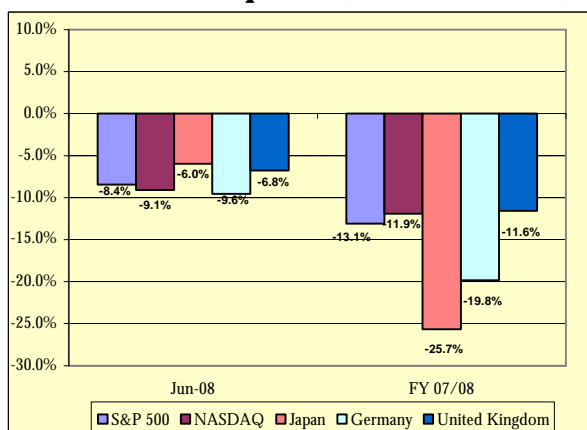


* MSCI World Ex-Aus. Local Currencies Index used as a representative for the Hedged Index

Global markets continued to weaken in June, due to the continuing increase in the oil price and concerns about global economic growth and inflation. The MSCI World ex-Australia Index returned -8.3% in local currency terms in June. The UK also produced a negative return, with the UK FTSE 100 Accumulation Index returning -6.8%, while the European and Asian markets were also significantly down.

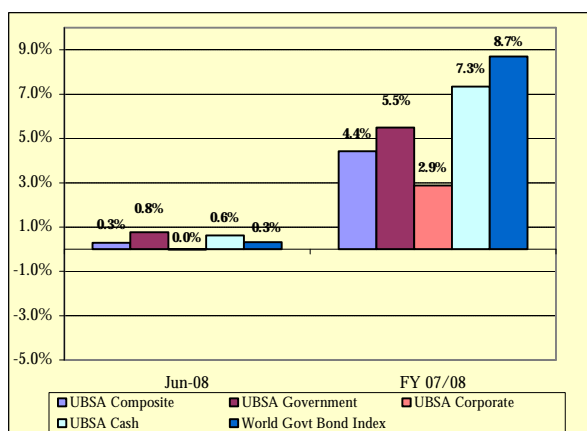
The MSCI Emerging Markets Index (in Australian dollars) also fell significantly in June, down 10.6%. Most emerging markets were down for June, although emerging markets finished the 2007/08 financial year well ahead of developed markets, as several major emerging markets, such as Brazil and Russia, recorded positive returns for 2007/08.

International Equities (local currencies)



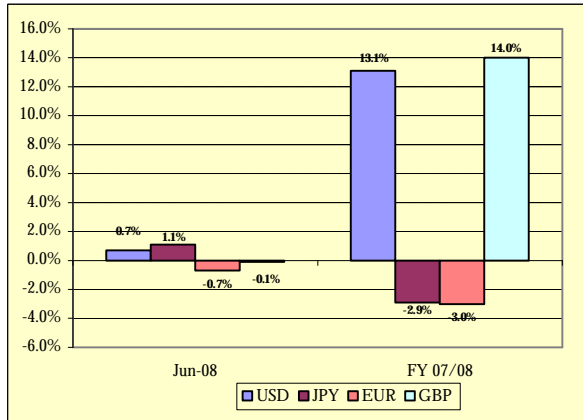
The Australian bond market was volatile in June. Bond yields rose initially on increased inflationary pressures and expectations for interest rate hikes in the US and Europe. However, yields fell in the second half of June due to a renewed flight to quality in response to weaker equity and credit markets and the release of soft economic data. Australian three-year bond yields ended the month 0.03% lower to close at 6.70%, while ten-year bond yields ended the month 0.08% lower to close at 6.45%. The return for the UBSA Composite Index was basically flat for the month, due to the relatively strong performance of Government bonds, offset by weak performance from corporate bonds.

Fixed Income



The global bond markets were also affected by inflation worries in June but this was partially countered by a drop in equity markets. The US ten-year bond yield fell 0.09% to 3.97%, while Japan's ten-year bond yield fell 0.16% to 1.60%. However, the UK ten-year bond yield rose by 0.14% to 5.13% and Germany's ten-year bond yield rose by 0.21% to 4.62%. The World Government Bond Index returned 0.3% for the month, with performance over the 2007/08 financial year being relatively strong, returning 8.4%.

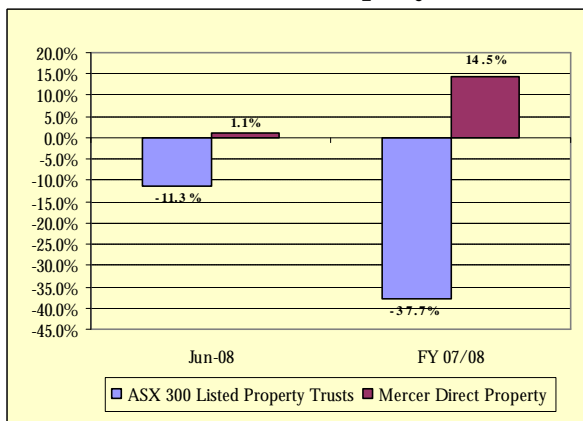
Australian Dollar against



The Australian dollar made further gains in June, closing up against all major trading partners except the Euro and British Pound. Domestic interest rates remain high and as such the Australian dollar was particularly strong against the relatively low yielding Japanese Yen. The Australian dollar closed June at US\$0.9543 cents. Strong commodity prices and high domestic interest rates continue to support the Australian dollar.

The Australian Real Estate Investment Trusts (A-REITS) market followed its heavy fall in May with another decline in June. The sector continues to face debt refinancing issues in a tight credit availability and higher interest rate environment. The S&P/ASX 300 Property Trust Accumulation Index returned -11.3% for the month. Domestic orientated names performed poorly due to concerns regarding the strength of the consumer sector as well as the negative sentiment towards the broader financial sector. Poor performers over the month were Valad Property Group (-28.8%) and the Goodman Group (-20.9%). Westfield Group, which remains a significant proportion of the index, fell 4.6% for the month to be down 36.4% for the financial year.

Australian Property



The unlisted property sector, as measured by the Mercer Unlisted Property Index, returned 1.1% for the month of June to record a strong financial year performance of 14.5%.