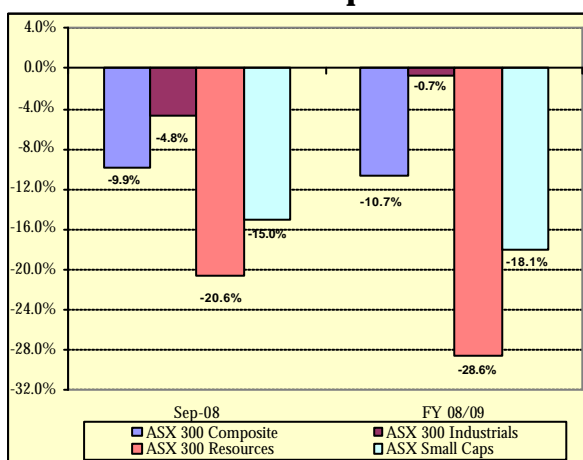


Market Overview

Global share markets experienced heavy losses and extreme volatility in the month of September, as the crisis within the Financials sector intensified. Among the more notable events was the bankruptcy of US investment bank, Lehman Brothers, the acquisition of Merrill Lynch by Bank of America, and the US Government's bail out of mortgage providers Fannie Mae and Freddie Mac and insurance giant American International Group (AIG). Compounding investor fears was the uncertainty surrounding the proposed US\$700 billion US Treasury-backed bail-out plan, the Troubled Asset Relief Program (TARP). The degree of intervention witnessed in September by central banks, governments and market regulators around the globe in an attempt to stabilise markets was unprecedented. Furthermore, evidence continued to mount that global economic growth was slowing, leading to large losses within emerging markets and commodities.

In one of the most volatile months on record, the Australian share market closed sharply lower, recording a loss of 9.9%. The largest losses were recorded within the Resources sector as commodity prices weakened. In-line with a number of other major global equity exchanges, Australia also moved to temporarily ban short selling in response to major one-day declines and speculative trading.

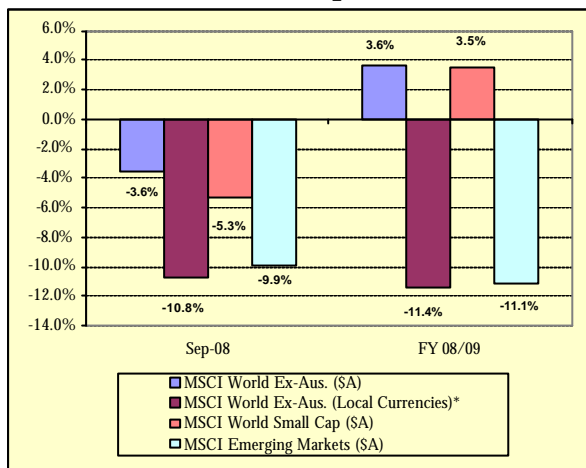
Australian Equities



The Australian share market experienced one of the most volatile months on record with the S&P/ASX 300 Accumulation Index falling 9.9%. The divergence of returns between Resources and Industrials was significant, with Industrials strongly outperforming Resources on a relative basis, although Industrials still posted a negative return for the month. Resources were sold off heavily amid sharply lower commodity prices stemming from growing fears of a sharp slowdown in global economic activity and reduced demand from China.

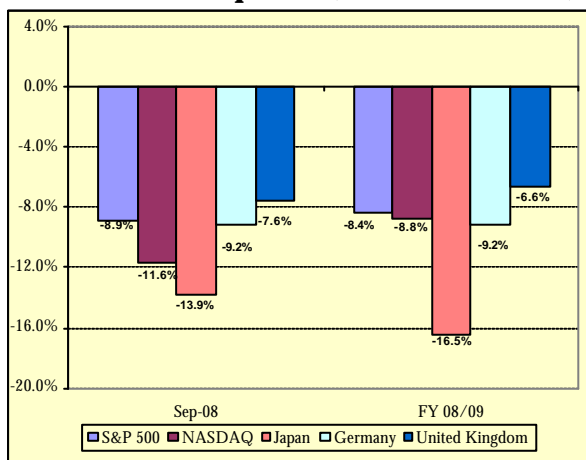
At the sector level, Materials (-22.5%) was the worst performing sector, followed by Utilities (-13.1%) and Energy (-13.0%). Among the worst performing stocks in the Materials sector were Amiralty Resources (-60%), Perilya (-43.4%) and Fortescue Metals (-39.1%). The best performing sectors on a relative basis however were Financials ex-property (-1.6%) and Consumer Staples (-3.4%). Supporting the Financials (ex-property) sector in particular was the Insurance sub-sector, with QBE Insurance (+10.6%) and Insurance Australia (+3.3%) performing strongly in a weak market. Both companies are expected to benefit from changing industry dynamics following the U.S. government bail-out of American International Group (AIG).

International Equities (SA)

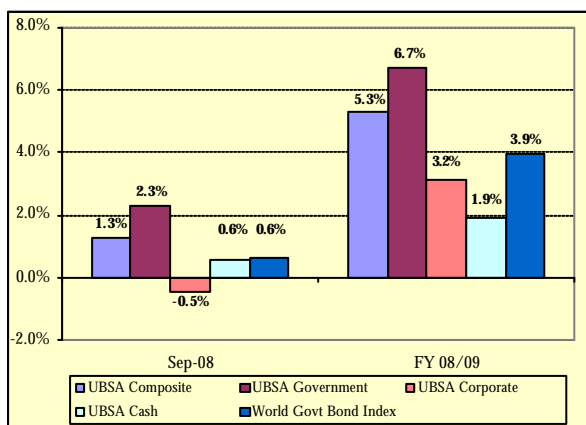


* MSCI World Ex-Aus. Local Currencies Index used as a representative for the Hedged Index

International Equities (Local Currencies)



Fixed Income



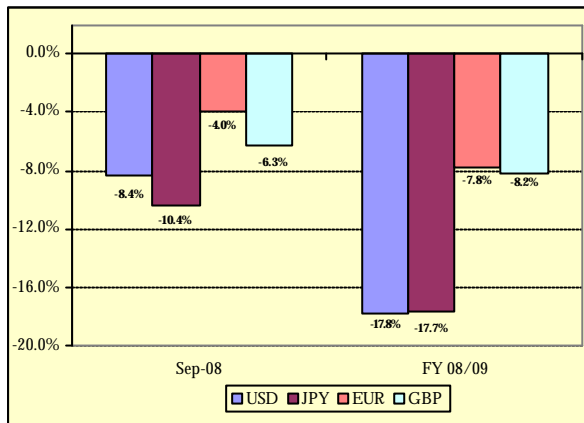
Global equity markets were also sharply down in local-currency terms, although the weakening Australian dollar helped to offset these falls to some extent. Turmoil within the US financial system spread to other regional markets, causing losses across the board. Japanese shares fell heavily amid signs of a slowdown within their economy, while European markets also suffered following evidence of stress within their financial system and further deteriorating business conditions.

The MSCI Emerging Markets Index (in Australian dollars) fell heavily versus developed markets, represented by the MSCI World ex-Australia Index (in Australian dollars). Concerns that a global recession could cause a steep slowdown in emerging market growth saw investors penalise emerging markets. Russia in particular experienced heavy losses with trading suspended on a number of occasions in an attempt to calm investor fears whilst the government attempted to boost liquidity. The Russian share market continues to lack investor confidence, caused by the war with Georgia in South Ossetia in August and comments made by Prime Minister Vladimir Putin on 24 July regarding the mining company Mechel.

Australian bond prices rose sharply in September, the seventh consecutive monthly rise due in part to weak domestic data, continued credit concerns and expectations of an impending interest rate cut, which was subsequently delivered in early October, with a much larger than widely expected rate cut of 1%. Yields fell during the month, with three-year and ten-year yields falling by 0.57% and 0.36% respectively. As a result, the UBSA Composite Index delivered a strong monthly return of 1.3%

International bond markets were mixed in September, affected by equity market volatility and persistent concerns about the global growth outlook, which continued to weigh on international bond yields. The US and Japanese ten-year government bond yields gained 0.01% and 0.05% respectively, whilst the ten-year German and UK government bonds fell by 0.17% and 0.03% respectively.

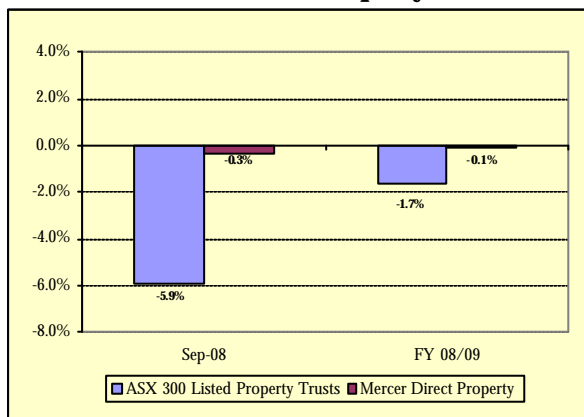
Australian Dollar against



The Australian dollar depreciated markedly against the US dollar, Japanese Yen, British Pound, and to a lesser extent, the Euro. Weaker commodity prices, concerns about continued credit-related problems in the global Financials sector and expectations of further cuts in official cash rates by the Reserve Bank of Australia, prompted significant selling of the Australian dollar. The Australian dollar closed at US\$0.80 cents at the end of September.

The Australian Real Estate Investment Trusts (A-RETIS) sector returned -5.9% in September, with the sector not spared amid the broader market volatility. Concerns surrounding debt refinancing was again the central theme within the sector as access to debt continued to tighten.

Australian Property



The unlisted property sector, as measured by the Mercer Unlisted Property Index, returned -0.3% for the month of September. Although transaction volumes remain low, there is some evidence of increasing capitalisation rates and discount rates beginning to flow through, which combined with an increasing cost of debt, is placing downward pressure on valuations.