

### Economic News

Economic indicators released in August were stronger. The ANZ job ads survey rose for the first time since April 2008, with the average number of job advertisements in August rising by 4.1% to an average of 130,326 a week. According to the Australian Bureau of Statistics (ABS), the unemployment rate remained steady at 5.8% in July, the highest unemployment rate since October 2003, and the total number employed increased by 32,200.

The domestic economy recorded growth in the June quarter with the ABS reporting that the Gross Domestic Product (GDP) expanded by 0.6%, seasonally adjusted. Major contributors to the rise were new machinery and equipment (0.5 percentage points) and household final consumption expenditure (0.5 percentage points). New building construction (-0.3 percentage points) and imports (-0.5 percentage points) were the main detractors.

July Building Approvals figures, seasonally adjusted, showed total dwelling unit approvals rose 7.7%, following a rise last month. Private sector housing approvals also rose 1.5% for the month.

On 1 September the Reserve Bank of Australia (RBA) Board announced that the official cash rate would remain unchanged at 3.00%, a 49-year low. The RBA statement observed that the world economy had resumed growth and the global financial markets continued to improve. Economic conditions in Australia proved stronger than previously expected. Consumer spending, exports and business investment have been particularly resilient.

Weaker demand for labour contributed to lower labour costs, combined with falls in commodities and energy prices, lowering inflation expectations. The RBA Board believes that the present setting of monetary policy is appropriate and it will continue to monitor economic and financial conditions.

Economic indicators in the US were mixed. According to the US Commerce Department; US Retail sales fell 0.1% during July. Excluding the motor vehicles and parts, sales fell 0.6% in for the month.

US Gross Domestic Product (GDP) contracted by 1% in the June quarter, the fourth consecutive fall and down 3.9% in the past 12 months. Government programmes such as the 'cash for clunker' and first home buyer incentives contributed to the improvement in GDP.

The US unemployment rate rose to 9.7% in August, up from 9.4% in July, which was the highest level since June 1983. During the month the US economy lost 216,000 jobs.

US headline inflation was unchanged for July, and has fallen 2.1% in the last 12 months, seasonally adjusted, which is the biggest 12 month decline since 1950. Falls were recording in energy (-0.4%) and food (-0.3%), whilst rising sectors were new car prices (0.5%) and clothing (0.6%).

The Australian Dollar (AUD) appreciated slightly during July, rising 1.35% against the US dollar and finishing the month at US\$0.8393. The AUD was down against the Japanese Yen, 1.36%, but higher against the Euro, 0.26%, and the British Pound, 3.22%.

### Market moves — as at 31 August 2009

Returns (%) p.a	1 mth	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
<b>Australian Equities</b>							
S&P/ASX 300 Accumulation Index	6.64	19.00	37.92	-8.04	0.04	9.40	8.98
S&P/ASX Small Ordinaries Accumulation Index	6.37	19.50	60.64	-14.04	-2.69	7.31	6.22
<b>Global Equities</b>							
MSCI World Acc Index with Gross Div (A\$)	2.72	6.87	11.55	-14.85	-7.76	0.04	-1.85
S&P 500 Composite Accumulation Index (A\$)	2.17	6.02	6.48	-16.49	-8.84	-3.00	-3.53
FTSE100 Accumulation Index (A\$)	3.90	7.84	13.88	-16.83	-10.17	0.09	-1.76
MSCI Emerging Markets Free W/Gross Div (A\$)	-1.71	3.94	29.68	-7.72	2.05	12.89	7.31
<b>REITS (Listed Property Securities)</b>							
S&P/ASX 300 A-REIT Accumulation Index	16.12	24.68	38.62	-34.19	-20.21	-6.24	3.38
UBS Global Real Estate Investors Index (A\$)	13.53	22.96	58.24	-26.23	-13.67	0.60	8.57
<b>Fixed Interest</b>							
UBS Warburg Composite Bond Index	0.72	0.41	-0.19	7.67	6.33	5.88	6.25
UBS Warburg Bank Bill Index	0.25	0.79	1.57	4.62	6.24	6.04	5.69
BarCap Global Aggregate Index Hedged \$A	1.26	3.99	6.16	10.09	7.86	7.18	7.85

Data source: IRESS, Perpetual Funds Management, Morningstar. Returns greater than one year are annualised.

### S&P/ASX 200 Stock Performance for the Month of August 2009

Best Performers		Worst Performers	
ING Industrial Fund	(+87.04%)	Carnarvon Petroleum Limited	(-22.22%)
PMP Ltd	(+80.95%)	Energy World Corporation Ltd	(-21.09%)
Flight Centre Ltd	(+47.84%)	Atlas Iron Limited	(-18.64%)
Lynas Corporation Limited	(+44.94%)	Independence Group NL	(-17.55%)
Transfield Services Ltd	(+44.64%)	Sunland Group Ltd	(-16.86%)

Data source: IRESS: S&P/ASX200 top performers

#### Australian Equities

The Australian share market rose for a sixth consecutive month in August, with the S&P/ASX 300 Accumulation Index rising 6.64%. The S&P/ASX Small Ordinaries Accumulation Index underperformed the large cap market, rising 6.37%. Small Caps also continue to underperform the large cap market over the longer term, registering -14.04% compared to -8.04% for the 12 months to August 2009.

#### Global Equities

Global equities had strong results in August with the Australian dollar only slightly stronger for the month. The MSCI World Accumulation Index was 2.72% higher in AUD terms. This was also reflected in the S&P 500 Composite Accumulation Index (A\$) and the FTSE100 Accumulation Index (A\$), which rose 2.17% and 3.90%, respectively for the month.

Emerging markets were weaker over the month, with the MSCI Emerging Markets Free W/Gross Div (A\$) falling 1.71% in August. The Index has fallen 7.72% over the past year, outperforming the local equity market.

Regional markets were mixed during August. In Japan, the Nikkei ended the month 1.31% higher, while Hong Kong's Hang Seng Index fell 4.13% in local currency terms.

#### REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index rose 16.12% over the month, outperforming the boarder equity market. Recent improvements in the market have contributed to investors' risk appetite increasing significantly during the month. Overall, the S&P/ASX 300 A-REIT Accumulation Index has fallen 34.19% over the 12 months to August 2009.

The UBS Global Real Estate Investors Index was stronger in July, rising 13.53% in AUD terms. Over the 12 months to August 2009, the UBS Global Real Estate Investors Index was down 26.23% in AUD terms.

#### Fixed Interest

The Australian bond market was slightly stronger in August, after the release of stronger economic data and the RBA leaving official interest rates unchanged, but stating that the economic outlook was improving. The UBS Warburg Composite Bond Index rose 0.72% for August while the UBS Warburg Bank Bill Index rose 0.25% in August. Over 12 months, the bond and cash markets returned 7.67% and 4.62% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 1.26% in August and has returned 10.09% for the year to the end of August 2009.

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