

Economic News

Economic indicators released in June were mixed. Australia's unemployment rate was 5.2% in May, a fall from 5.4% in April. A significant increase in new full-time positions of 36,400 more than offset the part-time positions made redundant during the month.

May Building Approval figures, seasonally adjusted, showed total dwelling unit approvals fell 6.6%, following falls in the last two months. Private sector housing approvals rose 1.7% for the month, seasonally adjusted, following a fall last month.

The monthly TD Securities-Melbourne Institute inflation gauge rose 0.3% in June, with rises in the cost of food, travel and insurance prices. In the 12 months to June, the gauge rose by 3.6%.

Retail Sales figures rose 0.2% in May, seasonally adjusted, following gains in March and April. Industries that recorded an increase included food retailing (+0.3%) and Clothing, footwear and personal accessory retailing (+0.2%), whilst department stores (-0.3%) decreased and household good retailing remained unchanged.

On 6 July, the RBA Board decided to leave the cash rate unchanged at 4.5%. The RBA statement observed that the global economy has continues to expand, albeit unevenly, with growth in Asia and Latin America much stronger than in Europe and the US. In Australia, consumption spending is modest, business credit has stabilised, and the labour market has continued to firm,

with modest wage growth. The RBA believes that the current setting of monetary policy is about average for the past decade and is currently appropriate.

Economic indicators in the US were disappointing. The US Labor Department reported that the economy lost 125,000 positions in June, however, due to a falling participation rate, the unemployment rate also fell to 9.5%. Currently there are 14.6 million unemployed in the US.

The Commerce Department reported that May retail sales fell 1.2%, the first fall in eight months. The largest fall was a 9.3% plunge at building-material stores, after a government's stimulus package of rebates for purchases of more energy-efficient products, which has supported the sector, recently ended. Excluding autos, gasoline and building materials, sales increased 0.1%.

The US Consumer Price Index fell 0.2% in May, after a 0.1% decline in April. The core CPI which excludes volatile food and energy prices rose 0.1%, the second monthly increase this year. Energy prices fell 2.9% on a seasonally adjusted basis and food prices were unchanged for the month.

The Australian Dollar (AUD) appreciated by 0.4% against the US dollar and finished the month at US\$0.8523. The AUD had mixed results against other major currencies, gaining 1.13% against the Euro, and weakening 3.57% against the UK Pound Sterling and 2.90% against the Japanese Yen.

Market moves — as at 30 June 2010

| Returns (%) p.a. | 1 mth | 3 mth | 6 mth | 1 yr | 3 yr | 5 yr | 10 yr |
|--|-------|--------|--------|-------|--------|-------|-------|
| Australian Equities | | | | | | | |
| S&P/ASX 300 Accumulation Index | -2.65 | -11.20 | -10.09 | 13.05 | -8.05 | 4.49 | 6.95 |
| S&P/ASX Small Ordinaries Accumulation Index | -3.73 | -11.59 | -12.98 | 11.18 | -14.20 | 2.74 | 6.20 |
| Global Equities | | | | | | | |
| MSCI World Acc Index with Gross Div (A\$) | -4.07 | -4.91 | -3.70 | 6.03 | -10.81 | -1.44 | -3.87 |
| S&P 500 Composite Accumulation Index (A\$) | -5.90 | -3.75 | -0.61 | 9.52 | -9.68 | -2.81 | -4.89 |
| FTSE100 Accumulation Index (A\$) | -2.88 | -6.35 | -8.65 | 4.20 | -14.38 | -2.70 | -2.59 |
| MSCI Emerging Markets Free W/Gross Div (A\$) | -1.41 | -0.34 | 0.04 | 18.19 | -2.08 | 10.77 | 6.64 |
| REITS (Listed Property Securities) | | | | | | | |
| S&P/ASX 300 A-REIT Accumulation Index | -1.02 | -1.54 | -3.15 | 20.34 | -24.31 | -8.34 | 2.82 |
| UBS Global Real Estate Investors Index (A\$) | -3.03 | -4.94 | 0.87 | 38.00 | -13.32 | -1.58 | 8.87 |
| Fixed Interest | | | | | | | |
| UBS Warburg Composite Bond Index | 1.37 | 3.60 | 4.90 | 7.86 | 7.67 | 6.06 | 6.37 |
| UBS Warburg Bank Bill Index | 0.40 | 1.12 | 2.15 | 3.89 | 5.56 | 5.77 | 5.55 |
| BarCap Global Aggregate Index Hedged \$A | 1.25 | 3.35 | 6.14 | 11.52 | 9.78 | 7.20 | 8.26 |

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

S&P/ASX 200 Stock Performance for the Month of June 2010

| Best Performers | | Worst Performers | |
|--------------------|-----------|----------------------|-----------|
| Avoca Resources | (+33.01%) | Isoft Group Limited | (-70.43%) |
| Gunns Limited | (+27.08%) | Elders Limited | (-61.58%) |
| Perseus Mining Ltd | (+21.37%) | Downer EDI Limited | (-42.58%) |
| Cudeco Limited | (+20.51%) | Karoon Gas Australia | (-22.83%) |
| Mineral Resources. | (+16.38%) | Sigma Pharmaceutical | (-21.50%) |

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

Australian Equities

The Australian share market lost ground again in June, with the S&P/ASX 300 Accumulation Index falling 2.65%. The S&P/ASX Small Ordinaries Accumulation Index underperformed the large cap market, falling 3.73%. Small caps have now underperformed the large cap market over the 12 months to June 2010, registering 11.18% compared to 13.05% for the large cap sector.

Global Equities

Global equities posted weaker results in June. The MSCI World Accumulation Index fell 4.07% in AUD terms. The S&P 500 Composite Accumulation Index (A\$) and FTSE100 Accumulation Index (A\$) also fell losing 5.90% and 2.88% respectively.

Emerging markets were also weaker in June, with the MSCI Emerging Markets Free W/Gross Div (A\$) falling 1.41%. The Index has risen 18.19% over the past 12 months, outperforming the local equity market.

Regional markets experienced a mixed month in June. In Japan, the Nikkei ended the month 1.88% weaker, while in Hong Kong the Hang Seng rose 3.10%. The FTSE lost 1.07%, however in Europe both the German DAX and French CAC40 indices rose by 1.69% and 1.34% respectively.

REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index was weaker for the month, losing 1.02% although still outperforming the broader equity market. Overall, the S&P/ASX 300 A-REIT Accumulation Index has risen 20.34% in the 12 months to June, outperforming the broader market.

The UBS Global Real Estate Investors Index also fell in June by 3.03% in AUD terms. Over the 12 months to June 2010, the UBS Global Real Estate Investors Index was up 38.00% in AUD terms.

Fixed Interest

The Australian bond market rose slightly in June, with ongoing difficulties in Europe, along with poorer employment and sentiment data in the US, to weigh on the markets. The UBS Warburg Composite Bond Index rose 1.37% in May while the UBS Warburg Bank Bill Index rose 0.40%. Over the 12 months to May 2010, the bond and cash markets returned 7.86% and 3.89% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 1.25% in June and has returned 11.52% for the year to the end of June 2010.

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