

### Economic News

Economic indicators released in January were broadly strong. According to the Australian Bureau of Statistics (ABS), the unemployment rate decreased 0.2% to 5.3% in January. The last time the unemployment rate was at this level was in February 2009.

Consumer sentiment in Australia fell 2.6% in February, however in annual terms the index rose a seasonally adjusted 36.4%. The decline largely stemmed from household concern about the impact of rising interest rates from the Reserve Bank of Australia (RBA). Total job advertisements rose 19.1% in February, having dropped 8.1% in January.

Retail Sales figures rose 1.2% in January, seasonally adjusted, beating forecasts of a 0.5% gain. Industries that recorded an increase included department stores (+7.2%) and clothing retailing (+2.9%), whilst cafes, restaurants and takeaway food services declined 3.1%.

On 2 March the RBA Board decided to raise the cash rate by 25 basis points to 4.0%. The RBA statement observed that the world economy had resumed growth and world GDP is expected to rise close to trend for 2010-11. In Australia, economic conditions in 2009 were stronger than expected, after an earlier mild downturn. The rate of unemployment appears to have peaked at a much lower level than earlier expected.

The RBA Board believes with growth likely to be close to trend and inflation close to target over the coming year, it is appropriate for interest rates to be increased to be closer to average.

Economic indicators in the US were mixed. US jobless claims rose by more than expected in February, suggesting the pace of the US labour market recovery remains sluggish. In spite of this, Federal Reserve officials were slightly more confident about the recovery, expecting the economy to expand by 3.2% in 2010.

Housing-related companies rose on the Dow Jones, following the Commerce Department's report of the highest annual rate of housing starts in January since July. Industrial production also rose slightly more than expected in January, while a number of companies including Deere and Whole Foods topped earnings expectations. Treasury prices dropped after the Federal Reserve offered a more optimistic view on the economy in its latest monetary policy meeting minutes.

The Australian Dollar (AUD) depreciated by 0.11% against the US dollar in February and finished the month at US\$0.8899. The AUD performed strongly against the other major currencies, gaining 2.44% against the Japanese Yen, 5.49% against the UK Pound Sterling, and 2.44% against the Euro.

### Market moves — as at 28 February 2010

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	2.05	-0.72	5.18	45.06	-3.33	6.59	8.34
S&P/ASX Small Ordinaries Accumulation Index	-0.48	-3.92	1.50	63.05	-8.30	4.28	5.79
<b>Global Equities</b>							
MSCI World Acc Index with Gross Div (A\$)	0.70	1.25	-0.76	10.71	-10.10	-0.61	-3.17
S&P 500 Composite Accumulation Index (A\$)	2.34	3.56	2.92	9.59	-9.61	-2.02	-4.00
FTSE100 Accumulation Index (A\$)	-2.14	-1.52	-2.67	10.84	-12.51	-1.85	-2.27
MSCI Emerging Markets Free W/Gross Div (A\$)	-0.37	0.73	5.70	37.07	0.28	9.98	5.27
<b>REITS (Listed Property Securities)</b>							
S&P/ASX 300 A-REIT Accumulation Index	1.42	1.74	2.87	42.60	-24.31	-7.44	3.54
UBS Global Real Estate Investors Index (A\$)	3.21	4.61	9.69	73.57	-16.35	0.07	10.36
<b>Fixed Interest</b>							
UBS Warburg Composite Bond Index	0.50	1.46	3.65	3.45	6.62	6.15	6.47
UBS Warburg Bank Bill Index	0.35	1.02	1.87	3.48	5.80	5.87	5.61
BarCap Global Aggregate Index Hedged \$A	0.77	1.50	4.35	10.78	8.22	7.24	8.14

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

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

Best Performers		Worst Performers	
Hills Industries Ltd	(+29.59%)	Roc Oil Co Ltd	(-45.52%)
Medusa Mining Ltd	(+20.52%)	Gunns Ltd	(-35.23%)
Caltex Australia Ltd	(+16.80%)	Toll Holdings Ltd	(-20.93%)
Macmahon Holdings Ltd	(+15.65%)	iSOFT Group Ltd	(-20.59%)
The Reject Shop Ltd	(+15.30%)	Primary Health Care Ltd	(-20.47%)

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

#### Australian Equities

The Australian share market rose slightly in February, following a fall in January, with the S&P/ASX 300 Accumulation Index rising 2.05%. The S&P/ASX Small Ordinaries Accumulation Index again underperformed the large cap market, falling 0.48%. However, small caps have continued to outperform the large cap market over the 12 months to February 2010, registering 63.05% compared to 45.06% for the large cap sector.

#### Global Equities

Global equities posted a small gain in February. The MSCI World Accumulation Index rose 0.70% in AUD terms. The S&P 500 Composite Accumulation Index (A\$) also rose, gaining 2.34% however the FTSE100 Accumulation Index (A\$) fell 2.14%

Emerging markets fell marginally during February, with the MSCI Emerging Markets Free W/Gross Div (A\$) declining 0.37%. The Index has risen 37.07% over the past 12 months, underperforming the local equity market.

Regional markets were mixed during February. In Japan, the Nikkei ended the month 0.71% weaker, while in Hong Kong the Hang Seng rose 2.42%. The FTSE gained 3.20%, and in Europe both the German DAX and French CAC40 indices fell by 0.18% and 0.82% respectively.

#### REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation was higher for the month, gaining 1.42% however it underperformed the broader equity market. The weakening of the Australian share market coupled with investors' risk aversion weighed down on the sector. Overall, the S&P/ASX 300 A-REIT Accumulation Index has risen 42.60% in the 12 months to February, underperforming the broader market by 2.4%.

The UBS Global Real Estate Investors Index rose in February, gaining 3.21% in AUD terms. Over the 12 months to February 2010, the UBS Global Real Estate Investors Index was up 73.57% in AUD terms.

#### Fixed Interest

The Australian bond market continued to perform strongly in February, driven by ongoing positive economic news including the low unemployment rate and strong retail sales. The UBS Warburg Composite Bond Index rose 0.50% in February while the UBS Warburg Bank Bill Index rose 0.35%. Over 12 months to February 2010, the bond and cash markets returned 3.45% and 3.48% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 0.77% in February and has returned 10.78% for the year to the end of February 2010.

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