

April 2009

Economic News

Economic indicators released in April were mixed. The Australian Bureau of Statistics (ABS) announced that the unemployment rate had risen to 5.70% (seasonally adjusted) for March, the highest it has been since 2003. Full-time employment also decreased, seasonally adjusted.

Inflation was higher in the March quarter as the ABS reported the Consumer Price Index (CPI) rose 0.10% and 2.50% for the year. Contributing to the quarterly rise were pharmaceuticals (+13.00%), vegetables (+6.00%), and electricity (+3.60%) while falls were recorded in deposit and loan facilities (-14.10%), and automotive fuel (-8.10%).

The March Retail Sales figures increased 2.20% seasonally adjusted. With all industries recording increases, the biggest gains were in department stores (+13.20%), clothing and soft good retailing (+6.40%), all seasonally adjusted. The Government's second fiscal stimulus package, lower interest rates and petrol prices are considered to be contributing to the strong figures.

On 6 May the Reserve Bank of Australia (RBA) Board announced that it would leave the official cash rate unchanged at 3.00%. The RBA statement observed that while the world economy had contracted, there were signs of stabilisation from several countries, including China. The Australian economy has also contracted, with weakening demand contributing to less demand for

labour and lowering of inflation. The Australian share market has lately improved and borrowing for houses has also risen. Recently, monetary policy has eased significantly with market rates at historic lows. The Board believes that the full effect of these changes, coupled with the recent fiscal stimulus and the upcoming federal budget will provide significant assistance to demand.

Economic indicators in the US remain poor. Gross Domestic Product (GDP) fell 6.10% for the March quarter, following falls in the Q3 and Q4 of 2008. US output has now fallen for three consecutive quarters, the first time since the mid-1970s. US Retail sales decreased 1.10% during March according to the US Commerce Department, with falls in the sales of motor vehicles and electronic goods contributing to this reduction.

US headline inflation fell 0.10% in March and 0.40% for the year, seasonally adjusted. This is the first 12 month decline since year end August 1955. Energy and gas prices contributed to the fall, whilst tobacco and new car prices rose. Core inflation (less food and energy) was higher, up 0.20% for March and up 1.80% for the year.

The Australian Dollar (AUD) appreciated during the month, rising 5.70% against the US dollar and finishing the month at US\$0.7265. The AUD was also up against the Japanese Yen (4.80%), the Euro (5.20%), and the British Pound (1.92%).

Market moves — as at 30 April 2009

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	5.70	9.03	-2.92	-28.99	-6.44	6.61	6.52
S&P/ASX Small Ordinaries Accumulation Index	13.52	16.72	4.78	-40.54	-10.40	3.99	3.83
Global Equities							
MSCI World Acc Index with Gross Div (A\$)	5.28	-6.87	-14.77	-21.64	-10.08	-0.83	-2.09
S&P 500 Composite Accumulation Index (A\$)	3.62	-7.84	-17.86	-17.03	-9.80	-3.03	-3.48
FTSE100 Accumulation Index (A\$)	6.06	-7.54	-18.17	-30.14	-12.73	-1.44	-2.95
MSCI Emerging Markets Free W/Gross Div (A\$)	10.32	9.00	5.53	-26.52	-4.20	11.07	7.27
REITS (Listed Property Securities)							
S&P/ASX 300 A-REIT Accumulation Index	6.24	-10.80	-27.87	-57.23	-24.20	-9.02	1.06
UBS Global Real Estate Investors Index (A\$)	20.32	4.32	-16.49	-47.63	-18.22	-1.41	5.90
Fixed Interest							
UBS Warburg Composite Bond Index	0.00	-1.11	4.54	12.76	7.04	6.61	6.15
UBS Warburg Bank Bill Index	0.26	0.82	2.21	6.28	6.57	6.21	5.75
BarCap Global Aggregate Index Hedged \$A	0.64	1.91	7.02	7.83	7.44	7.02	7.18

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

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

Best Performers		Worst Performers	
Pacific Brands Ltd	(+185.71%)	St Barbara Limited	(-34.12%)
Kagara Zinc Ltd	(+125.58%)	Macmahon Holdings Ltd	(-22.73%)
Alesco Corp	(+100.00%)	Iluka Resources Ltd	(-18.11%)
Bradken Ltd	(+92.75%)	FKP Property Group	(-18.00%)
Karoon Gas Australia Limited	(+82.72%)	Bendigo and Adelaide Bank Limited	(-16.24%)

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

Australian Equities

April saw the Australian sharemarket rise for a second consecutive month, with the S&P/ASX 300 Accumulation Index rising 5.70%. The S&P/ASX Small Ordinaries Accumulation Index outperformed the large cap market, rising 13.52%. However, Small Caps continue to underperform the large cap market over the longer term, registering -40.54% compared to -28.99% for the large cap index over the 12 months to end April.

Global Equities

Global equities were uniformly stronger in April. The MSCI World Accumulation Index was 5.28% higher in AUD terms. This was also reflected in the FTSE100 Accumulation Index (A\$) and the S&P 500 Composite Accumulation Index (A\$) which rose 3.62% and 6.06% respectively for the month.

Emerging markets were also stronger over the month, with the MSCI Emerging Markets Free W/Gross Div (A\$) rising 10.32% in April, however it has fallen 26.52% over the last 12 months.

Regional markets were up during April. In Japan, the Nikkei ended the month 8.86% higher, while Hong Kong's Hang Seng Index rose 14.33% in local currency terms.

REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index rose 6.24% over the month, outperforming the boarder equity market. Recent improvements in the small cap market have contributed to investors' risk appetite increasing significantly during the month. Overall, the S&P/ASX 300 A-REIT Accumulation Index has fallen 57.23% over the 12 months to April 2009.

The UBS Global Real Estate Investors Index was also stronger in April rising 20.32% in AUD terms, outperforming the local index. Over 12 months to April 2009 the UBS Global Real Estate Investors Index was down 47.63% in AUD terms.

Fixed Interest

The Australian bond market was slightly stronger in April, following the RBA official interest rate cut of 25 basis points in March. The UBS Warburg Composite Bond Index was unchanged for April while the UBS Warburg Bank Bill Index returned 0.26% for the month. Over 12 months, the bond and cash markets returned 12.76% and 6.28% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 0.64% in March and has returned 7.83% over the past 12 months.

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