

May 2009

## Economic News

Economic indicators released in May were broadly stronger, the Australian Bureau of Statistics (ABS) announced that the unemployment rate had defied expectations and had fallen to 5.40% (seasonally adjusted) for April down 0.30% from March, with full-time employment increasing by 49,100.

The domestic economy recorded growth in the March quarter with the ABS reporting that the Gross Domestic Product (GDP) expanded by 0.40%, seasonally adjusted. The major contribution to the rise was from net exports (1.60%), with shrinking imports the main driver. Private business investment (-1.10%) was the main detractor.

The April Retail Sales figures rose 0.30% seasonally adjusted. Industries that recorded an increase were household goods retailing (+3.90%), and clothing and soft goods retailing (+0.80%), whilst department stores (-2.80%) and restaurants and takeaway food services (-0.50%) industries recorded a decrease.

April Building Approvals figures, seasonally adjusted, showed total dwelling unit approvals rose 5.10%; while private sector housing approvals rose 7.20% for the month. Approvals have been supported by government grants for new home buyers, and low interest rates.

On 2 June the Reserve Bank of Australia (RBA) Board announced that the official cash rate would remain unchanged at 3.00%. The RBA statement observed that the world economy and financial markets continue to

stabilise, after sharp contractions in the last 6 months. The Australian economy has also contracted, with weakening demand contributing to less demand for labour and lowering of inflation. The Board believes that should inflation continue to decline over the medium term that this may present some scope to further ease monetary policy.

Economic indicators in the US were mixed. US Retail sales decreased 0.40% during April according to the US Commerce Department, with a small rise in the sales of motor vehicles, 0.20% but other retailers had a fall of 0.30% for the month of April.

The US unemployment rate has risen to 8.90% in April, a 26 year high, but there were fewer job losses observed in May, 539,000, the lowest amount since October 2008. A total of 5.7 million American jobs have been lost since December 2007.

US headline inflation was unchanged for April and has fallen 0.70% for the last 12 months, seasonally adjusted, which is the sharpest decline since June 1955. Weak energy prices again depressed inflation, core inflation (less food and energy) was higher, up 0.30% for April and up 1.9% for the year.

The Australian Dollar (AUD) appreciated during the month, rising 8.91% against the US dollar and finishing the month at US\$0.7912. The AUD was also up against the Japanese Yen (8.00%), the Euro (3.44%), and the British Pound (0.84%).

### Market moves — as at 31 May 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	1.46	15.90	5.12	-29.17	-4.46	6.53	7.36
S&P/ASX Small Ordinaries Accumulation Index	7.45	34.43	24.54	-38.53	-6.97	5.32	4.96
<b>Global Equities</b>							
MSCI World Acc Index with Gross Div (A\$)	0.22	4.38	-9.92	-21.83	-9.20	-1.22	-1.92
S&P 500 Composite Accumulation Index (A\$)	-3.08	0.43	-15.35	-19.68	-10.07	-4.13	-3.76
FTSE100 Accumulation Index (A\$)	4.56	5.60	-9.83	-25.81	-11.09	-1.25	-2.20
MSCI Emerging Markets Free W/Gross Div (A\$)	7.52	24.76	21.11	-21.54	1.59	12.88	7.11
<b>REITS (Listed Property Securities)</b>							
S&P/ASX 300 A-REIT Accumulation Index	4.24	11.18	-24.70	-51.05	-22.76	-9.30	2.03
UBS Global Real Estate Investors Index (A\$)	3.66	28.69	2.97	-44.68	-16.36	-1.78	6.16
<b>Fixed Interest</b>							
UBS Warburg Composite Bond Index	-0.72	-0.60	0.80	11.83	6.65	6.26	6.22
UBS Warburg Bank Bill Index	0.25	0.78	1.91	5.86	6.49	6.17	5.73
BarCap Global Aggregate Index Hedged \$A	0.38	2.08	4.25	8.79	7.45	7.08	7.29

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

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

Best Performers		Worst Performers	
Hastings Diversified Utilities Fund	(+76.09%)	Elders Ltd	(-42.53%)
Carnarvon Petroleum Limited	(+70.45%)	Goodman Group	(-32.43%)
Lynas Corporation Limited	(+64.41%)	Babcock & Brown Infrastructure Group	(-27.62%)
Murchison Metals Ltd	(+63.27%)	Hills Industries Ltd	(-22.05%)
Riversdale Mining Ltd	(+48.51%)	Billabong Intl Ltd	(-21.70%)

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

#### Australian Equities

The Australian share market rose for a third consecutive month in May, with the S&P/ASX 300 Accumulation Index rising 1.46%. The S&P/ASX Small Ordinaries Accumulation Index outperformed the large cap market, rising 7.45%. However, Small Caps continue to underperform the large cap market over the longer term, registering -38.53% compared to -29.17% for the 12 months to end April.

#### Global Equities

Global equities had mixed results in May with the Australian dollar stronger for the month. The MSCI World Accumulation Index was 0.22% higher in AUD terms. This was also reflected in the FTSE100 Accumulation Index (A\$), which rose 4.56%, whilst the S&P 500 Composite Accumulation Index (A\$) fell 3.08% for the month.

Emerging markets were also stronger over the month, with the MSCI Emerging Markets Free W/Gross Div (A\$) rising 7.52% in May. Despite this positive return the Index has fallen 21.54% over the past year.

Regional markets were up during May. In Japan, the Nikkei ended the month 7.86% higher, while Hong Kong's Hang Seng Index rose 17.07% in local currency terms.

#### REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index rose 4.24% 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 51.05% over the 12 months to May 2009.

The UBS Global Real Estate Investors Index was also stronger in May rising 3.66% in AUD terms. Over 12 months to May 2009 the UBS Global Real Estate Investors Index was down 44.68% in AUD terms.

#### Fixed Interest

The Australian bond market was mixed in May, after the RBA announced that official interest rates would remain unchanged. The UBS Warburg Composite Bond Index fell 0.72% for May while the UBS Warburg Bank Bill Index rose 0.25% in May. Over 12 months, the bond and cash markets returned 11.83% and 5.86% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 0.38% in May and has returned 8.79% for the year to the end of May.

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