

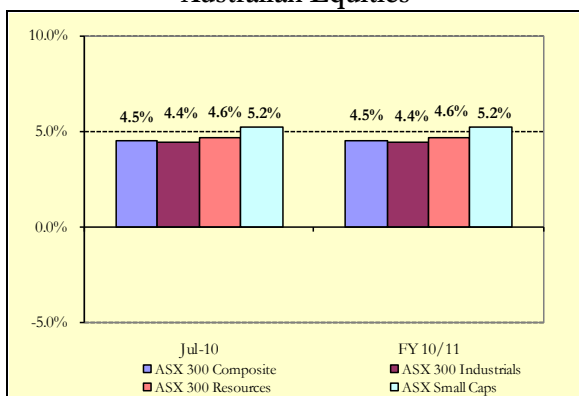
Market Overview

July saw improved sentiment for risk taking in global markets on the back of increasing stability. A major factor contributing to this increased stability was the release of results from the “stress tests” conducted on 91 European banks. While there has been no shortage of speculation on the credibility of these tests, they did provide information relating to European bank balance sheets. Of the 91 EU banks tested, only seven failed.

A positive reporting season in the US also helped to calm markets through July. Company earnings tended to either meet or beat expectations and relief-driven results were evident in the market. These positive results tended to draw attention away from news and statistics depicting an economy that continued to be subdued in July.

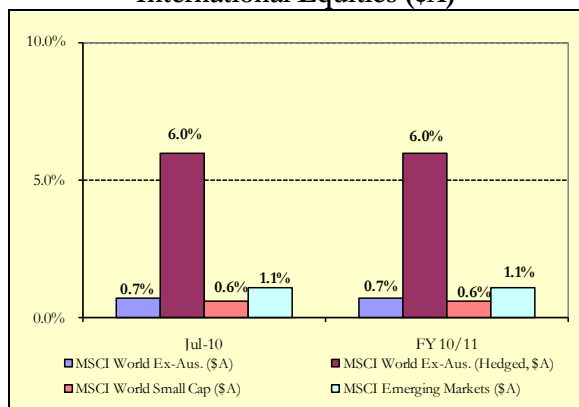
In Australia, the Prime Minister renounced the controversial Resource Super Profits Tax (RSPT) and replaced it with the less onerous Mineral Resources Rent Tax. This development largely alleviated some investor concerns in the Australian economy and improved sentiment. Domestic inflation figures were lower than expected. Headline inflation rose by 0.6% during the June 2010 quarter and the annual pace of inflation rose to 3.1%. Similarly, the pace of underlying inflation softened, rising 0.5% during the June 2010 quarter and 2.7% over the 12 months to June 2010, yet was in line with RBA forecasts. Budget forecasts were provided during the month by the Federal Government which revised the real GDP growth forecasts downwards to 3.0% in 2010/11 and 3.75% in 2011/12. Inflation, commodity prices and the terms of trade were revised upwards and this produced a stronger nominal GDP forecast. The RBA left its official cash rate unchanged at 4.5% in July and August.

Australian Equities



Buoyed by diminished concerns in relation to the severity of a slowdown in China, the Australian share market recovered from the series of negative monthly returns seen in April, May and June, to return 4.5% in July. Industrials (+7.2%) and Financials (+5.6%) were the best performing sectors, whilst Telecoms (-0.5%), Health Care (+0.9%) and Consumer Staples (+1.8%) all underperformed the market. This switch back into the more cyclical sectors supports the thesis that investor sentiment has improved.

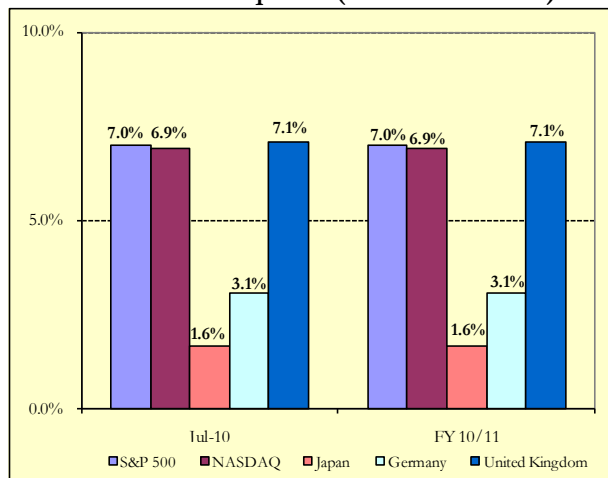
International Equities (\$A)



Global share markets also recorded positive returns in July, with the MSCI World ex-Australia Index returning 6.0% over the month. The US returned 7.0% for July, while the UK and Germany rose by 7.1% and 2.9%, respectively. Spain (+14.7%) and Greece (+22.8%) rebounded strongly on the back of renewed confidence in a number of financial companies following the release of the results of the stress tests.

Emerging markets returned 1.1% for July. Brazil, Russia and Taiwan were three of the best performing nations.

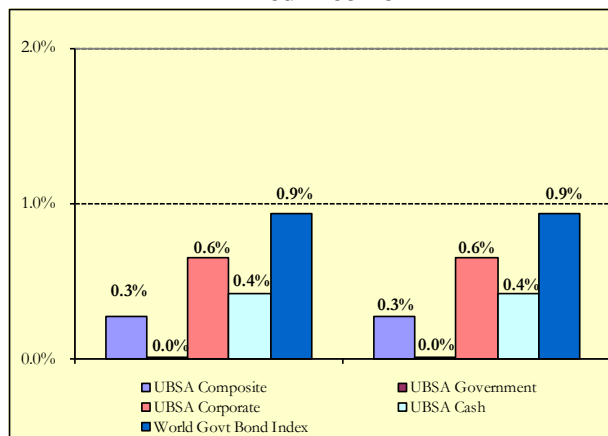
International Equities (Local Currencies)



Eastern European countries, Czech Republic (+6.4%), Poland (+7.8%) and Hungary (+5.7%) also bounced back from declines in June to post moderate gains.

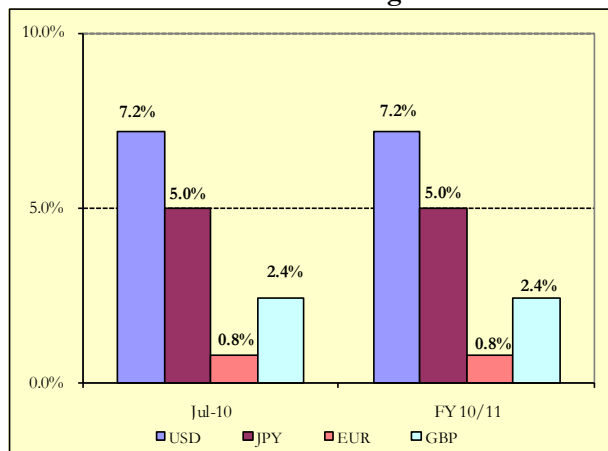
Bond yields in general fell during the month of July, attributable to a combination of positive US company earnings figures, no surprises from the European bank stress tests and broadly positive economic data. The US ten-year bond yield fell by 0.03% to end at 2.91% and Japan's ten-year bond yield fell 0.02% to close at 1.07%. In the UK, markets seemed to take faith in the government's ability to implement its tough fiscal austerity measures and the bond yield on ten-year government bonds correspondingly fell by 0.03%, ending the month at 3.33%. Germany's ten-year bond yield rose by 0.09% to 2.67%.

Fixed Income



Given the softer than expected inflation result released during the month, markets seem to have priced in an extended pause in the lifting of rates by RBA. The yield on Australian ten-year government bonds rose 0.14% during July and ended at 5.20%. Three-year Australian government bonds closed 0.17% higher at 4.56%. The UBS All Maturities Composite Index returned 0.27% for the month

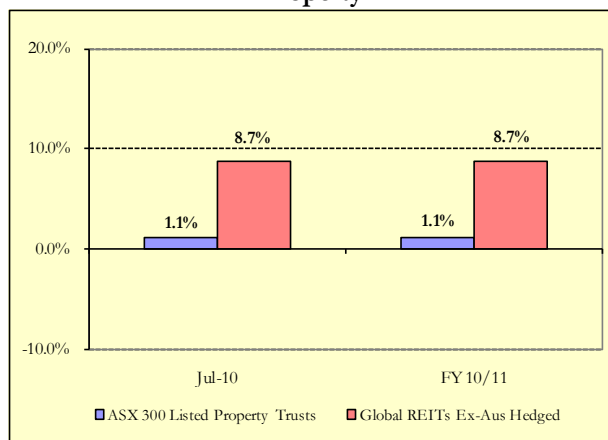
Australian Dollar against



The Australian Dollar (AUD) appreciated 7.2% relative to the US Dollar over July to end at US \$0.90 supported by a rise in commodity prices over month. Similarly, the AUD rose 5.0% against the Yen, 2.4% against the British Pound and 0.8% against the Euro.

The listed property market underperformed the wider Australian share market in July. The Australian Real Estate Investment Trusts (A-REITs) market, as measured by the S&P/ASX 300 Property Trust Accumulation Index, appreciated by 1.1% during the month. This relative underperformance is the result of a cautious approach from the market with concerns about the European bank stress tests and some soft economic data from the US.

Property



Global REITs generally performed well for the month, with the Global REITs ex-Australia (hedged) Index returning 8.7% for the month. Individually, the US, UK and a number of European markets also performed well in July, adding between 8% and 10%.