

April 2008

Economic News

Increased optimism that local markets had weathered the worst of the global market troubles helped the Australian sharemarket record its first positive month for the year. The benchmark S&P/ASX 300 Accumulation Index rose 4.60% in April.

Inflation was sharply higher in the March quarter. The Australian Bureau of Statistics (ABS) reported that consumer price index and the Reserve's underlying inflation measures rose to 4.20%, their highest level since September quarter 1991. Significant contributors were automotive fuel (+5.40%), rents (+2.00%) and electricity (+6.00%).

On 10 April, the ABS released the March figures for labour force in Australia. Seasonally adjusted employment increased by 14,800 and the unemployment rate increased by 0.10% to 4.10%.

On 1 May the ABS released the March figures for Building Approvals, seasonally adjusted, total dwelling units approved fell 5.70%, while private sector house approvals fell 5.80%. Official Interest Rates, which have risen by 1.40% since August last year, appear to be having an affect on the market.

On 6 May the Reserve Bank of Australia (RBA) Board announced it would leave the cash rate unchanged at 7.25%. In the statement released by the RBA, the Board stated that while inflation has been high over the past year, previous rate rises and trouble in international

financial markets have somewhat mitigated inflationary risks. The Board's judgment is that the present monetary policy setting is appropriate.

The US economy remains weak with GDP for the March quarter rising by 0.60%. Spending by households, the biggest part of the economy, grew last quarter at the slowest pace since 2001, affected by rising food and oil prices, and by falling house prices.

Jobs data in the US was also weak. Labour force figures showed the US economy lost 80,000 jobs in March; the third straight month of losses in nonfarm payrolls. The unemployment rate also jumped to 5.10% in March from 4.80% in the previous month. The report, from the US Labor Department, is seen as one of the more significant indicators of economic momentum.

On 22 April oil prices reached a record high of \$US119.37 before retreating. Increased demand from China and India, unrest in Nigeria and the weak American dollar are contributing to recent high prices.

The Australian dollar (AUD) posted a broad-based appreciation in April as higher than expected CPI figures and an easing of world market concerns increased the attractiveness of AUD. The AUD rose 3.40% against the US dollar, reaching \$US0.9541 on 23 April, its highest level against the US currency in 24 years

The AUD was up 7.70% against the Japanese yen and 4.40% against the euro. The AUD also rose 3.20% against the British pound and reached a 10 year high of GBP0.4799 earlier in the month.

Market moves — as at 30 April 2008							
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	4.60	0.27	-15.63	-5.85	16.74	18.06	11.89
S&P/ASX Small Ordinaries Accumulation Index	4.03	2.36	-17.65	-8.95	19.50	21.83	10.32
Global Equities							
MSCI World Acc Index with Gross Div (A\$)	2.04	-1.68	-10.63	-13.40	6.05	6.63	1.69
S&P 500 Composite Accumulation Index (A\$)	1.59	-4.33	-11.13	-15.80	1.65	1.92	0.14
FTSE100 Accumulation Index (A\$)	3.34	-0.76	-13.36	-14.33	6.51	8.65	1.31
Listed Property							
S&P/ASX 300 Property Trusts Index	4.18	-1.67	-26.41	-23.56	6.32	10.25	10.23
UBS Global Real Estate Investors Index (A\$)	3.77	3.88	-11.74	-19.38	10.28	17.73	12.61
Fixed Interest							
UBS Warburg Composite Bond Index	0.36	0.99	2.53	3.59	4.37	4.62	5.59
UBS Warburg Bank Bill Index	0.71	1.87	3.67	7.10	6.39	5.99	5.63
Lehman Brothers Global Aggregate (Hedged \$A)	-0.14	0.76	4.29	7.43	5.84	6.53	7.27

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

S&P/ASX 300 Stock Performance for the Month of April

Best Performers		Worst Performers	
Allco Finance Group Limited	(+121.05%)	City Pacific Ltd	(-34.15%)
Rubicon Europe Trust Group	(+71.72%)	Sino Gold Limited	(-32.93%)
Western Areas NL	(+63.90%)	Coeur D'Alene Mines Corporation	(-27.69%)
Rubicon America Trust	(+60.00%)	Oakton Limited	(-27.47%)
Compass Resources NL	(+57.06%)	Pharmaxis Ltd	(-22.01%)

Data source: IRESS: S&P/ASX300 top performers

Australian Equities

The S&P/ASX 300 Accumulation Index rose 4.60% in April. The smaller companies sector, as measured by the S&P/ASX Small Ordinaries Accumulation Index, also rose by 4.03% for the month. It has also underperformed the large cap market for the last 12 months, falling 8.95% for the period, compared with a 5.85% fall for S&P/ASX 300 Accumulation Index.

Global Equities

Global equities were higher for the month of April. The MSCI World Accumulation Index rose by 2.04% in AUD terms. This was also reflected in the FTSE100 Accumulation Index (A\$) and the S&P 500 Composite Accumulation Index which were 3.34% and 1.59% higher respectively for the period in AUD terms. Over the 12 months to the end of April, the MSCI World Accumulation Index was down 13.40% in AUD terms.

Regional markets were higher during April. In Japan, the Nikkei ended the month 10.57% higher, while Hong Kong's Hang Seng market rose 12.72% in local currency terms.

European markets were also up with the German DAX up 6.33%, the French CAC 40 up 6.15%, and the UK FTSE100 was up 6.76% in local currency terms.

Listed Property Securities

The S&P/ASX 300 Listed Property Accumulation Index rose 4.18% over the month as investors cautiously took advantage of the low prices to invest. Overall, the S&P/ASX 300 Listed Property Accumulation Index was down 23.56% over the past year.

The UBS Global Real Estate Investors Index was higher in April, rising by 3.77% in AUD terms. Over 12 months the UBS Global Real Estate Investors Index was down 19.38% in AUD terms.

Fixed Interest

The Australian bond market was stronger in April, influenced by robust gains in the sharemarket and improved global financial conditions. The UBS Warburg Composite Bond Index rose 0.36% for April while the UBS Warburg Bank Bill Index returned 0.71% for the month. Over 12 months, the bond and cash markets returned 3.59% and 7.10% respectively.

The Lehman Brothers Global Aggregate (Hedged \$A) index fell 0.14% in April, returning 7.43% for the last 12 months.

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