

Key Indices

| Index | 1-Aug-08 | 31-Aug-08 | Change | Change | Commodities | 1-Aug-08 | 31-Aug-08 | Change |
|-------------------|-----------|-----------|-----------|--------|---------------------|--------------------|--------------|---------------|
| S&P ASX200 | 4,977.40 | 5,135.60 | 158.20 | 3.18% | Oil - WTI | 124.17 | 115.55 | -6.94% |
| All Ordinaries | 5,052.60 | 5,215.50 | 162.90 | 3.22% | NY Gold | 913.15 | 829.80 | -9.13% |
| SFE Futures 200 | 4,931.00 | 5,165.00 | 234.00 | 4.75% | Cash Rate | 7.25% | 7.25% | 0.00 |
| S&P ASX Property | 1,340.50 | 1,459.20 | 118.70 | 8.85% | 90 Day Bank Bill | 7.76% | 7.27% | -0.49 |
| Dow Jones | 11,378.02 | 11,543.55 | 165.53 | 1.45% | 10 Yr Bonds | 6.22% | 5.75% | -0.48 |
| Nasdaq | 1,849.15 | 1,872.54 | 23.39 | 1.26% | Best Movers | 3 Months | Price | Change |
| S&P 500 | 1,267.38 | 1,282.83 | 15.45 | 1.22% | CGF | Challenger FSG | \$2.74 | 44.21% |
| FTSE 100 | 5,411.90 | 5,636.60 | 224.70 | 4.15% | DJS | David Jones | \$4.35 | 37.66% |
| Hang Seng | 22,731.10 | 21,261.89 | -1,469.21 | -6.46% | AIO | Asciano Group Ltd | \$4.90 | 27.27% |
| Nikkei 225 | 13,376.81 | 13,072.87 | -303.94 | -2.27% | MAP | Macquarie Airports | \$3.20 | 23.08% |
| | | | | | Worst Movers | 3 Months | | |
| Currencies | | | | | BNB | Babcock & Brown | \$2.48 | -52.76% |
| AUD/USD | 0.9434 | 0.8639 | -0.0795 | -8.43% | CNP | Centro Properties | \$0.18 | -39.66% |
| AUD/SGD | 1.2911 | 1.2233 | -0.0678 | -5.25% | ABS | ABC Learning | \$0.54 | -38.64% |
| AUD/EUR | 0.6051 | 0.5857 | -0.0194 | -3.21% | OZL | Oz Minerals | \$1.75 | -37.72% |

Market Commentary

The trend in the Australian share market throughout July and into August continued to be weaker in the materials and energy sectors as investors switched their bearish attention from financials to resources amid falling commodity prices. There are growing fears that slowing global growth will cut demand for resources. Given the size of the majors like BHP and RIO which are global giants, weakness in these stocks has a dramatic effect on the performance of the broader S&P/ASX200 and All Ordinaries indexes. Industrials on the other hand appeared to consolidate over the course of the month, which was very welcome following the revaluation that has occurred in these sectors during the first seven months of the year.

The apparent weakness in resources was compounded by significant redemption pressure on some large commodities focused hedge funds. One large US fund known as the 'Ospraie Fund' had reported assets of US\$2.8b at the start of August and closed this week after posting losses during August alone of 26.72% and 38.59% for the year to date. There is reasonable speculation that other resource focused hedge funds are cashing up in anticipation of, or under pressure of increasing levels of redemption notices.

Despite the short term turmoil and negative sentiment in resources, it is worth remembering that China accounts for between 25%-40% (depending on the commodity) of global raw material consumption and whilst the Chinese economy is slowing, economic growth for 2009 is still expected in the region of 8-9%. This growth will continue to underpin demand for raw materials.

In Australia, this continued demand for resources will benefit the economy whilst an oil price that is at least in the short term tracking lower, is also a positive for inflation and gives the Reserve Bank of Australia some breathing space to reduce interest rates. The RBA cut rates this week by 0.25% to a cash rate of 7.0% and reflecting that a bottoming out in the bond market has occurred, Australian bond yields fell to two and a half year lows last week. Investors in the interest rate market are tipping another three one-quarter percent rate cuts over the next twelve months.

Overall the reporting season was broadly in-line with analysts expectations and corporates have taken advantage of the current environment with a raft of capital raisings and balance sheet restructuring that should leave businesses in a stronger position as we move forward.

The US also provided some unexpectedly upbeat data proving its resilience in the face of economists forecasts of a shallow recession. The Commerce Department substantially upgraded one of its leading indicators, growth in durable goods orders, which are bulky business purchases such as new machinery. The June figure was upgraded from 0.8% to 1.3% and the July figure also came in at 1.3% which is well in front of economists forecasts. The forward outlook also remains robust. These revised stronger figures will now trigger upgrades to US GDP forecasts.

A resurgence in US exports despite the stronger US dollar and continuing strength in business investment and capital spending is not representative of an economy in recession. Add to this a rebounding in consumer confidence and it would appear that the US will avoid recession this year, which is a positive not only for the US, but also for the global economy.

Price Charts – past 90 days

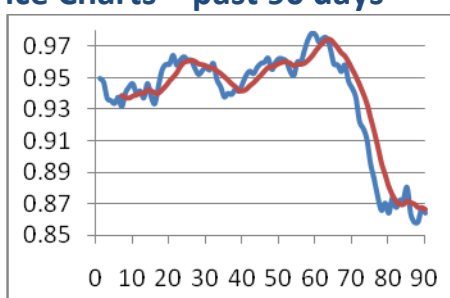


Figure 1- AUD/USD

Red lines are 7 day moving average

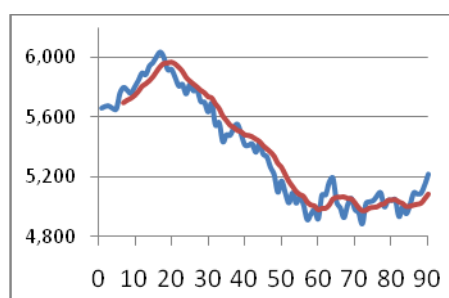


Figure 2- All Ords

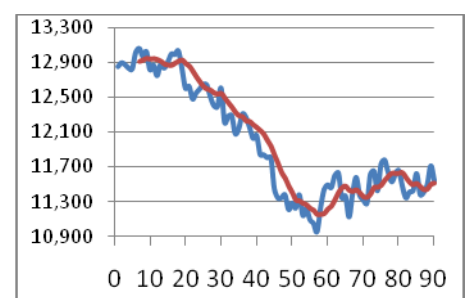


Figure 3- Dow Jones

Long Term Share Table

| Code | 1-Aug-08 | 31-Aug-08 | Change | Change | Code | 1-Aug-08 | 31-Aug-08 | Change | Change |
|------|----------|-----------|--------|---------|------|----------|-----------|--------|---------|
| AGK | 13.36 | 15.35 | 1.99 | 14.90% | MTS | 3.99 | 3.94 | -0.05 | -1.25% |
| AMP | 6.56 | 6.96 | 0.40 | 6.10% | NAB | 24.70 | 24.50 | -0.20 | -0.81% |
| ANZ | 16.25 | 16.61 | 0.36 | 2.22% | NWS | 15.85 | 16.65 | 0.80 | 5.05% |
| AIO | 4.25 | 4.90 | 0.65 | 15.29% | ORI | 23.88 | 24.92 | 1.04 | 4.36% |
| ASX | 34.60 | 35.36 | 0.76 | 2.20% | OZL | 2.00 | 1.75 | -0.25 | -12.50% |
| BHP | 39.71 | 41.40 | 1.69 | 4.26% | QBE | 22.59 | 23.95 | 1.36 | 6.02% |
| BXB | 8.25 | 7.70 | -0.55 | -6.67% | RIO | 125.40 | 127.50 | 2.10 | 1.67% |
| CBA | 39.75 | 42.40 | 2.65 | 6.67% | SGP | 4.63 | 5.27 | 0.64 | 13.82% |
| CNP | 0.27 | 0.18 | -0.10 | -35.19% | SHL | 13.88 | 14.48 | 0.60 | 4.32% |
| CPU | 8.75 | 9.05 | 0.30 | 3.43% | TAH | 8.68 | 8.56 | -0.12 | -1.38% |
| CWN | 7.94 | 9.15 | 1.21 | 15.24% | TLS | 4.50 | 4.35 | -0.15 | -3.33% |
| CSL | 34.60 | 41.05 | 6.45 | 18.64% | TOL | 6.58 | 6.96 | 0.38 | 5.78% |
| GPT | 1.52 | 1.74 | 0.22 | 14.47% | TCL | 5.20 | 5.43 | 0.23 | 4.42% |
| IVC | 5.66 | 5.27 | -0.39 | -6.89% | WES | 34.39 | 30.80 | -3.59 | -10.44% |
| LEI | 42.50 | 46.51 | 4.01 | 9.44% | WBC | 21.55 | 23.55 | 2.00 | 9.28% |
| MAP | 2.82 | 3.20 | 0.38 | 13.48% | WDC | 16.18 | 17.29 | 1.11 | 6.86% |
| MQG | 51.43 | 44.04 | -7.39 | -14.37% | WOW | 25.20 | 28.36 | 3.16 | 12.54% |

Managed Funds

| Fund | 1-Aug-08 | 31-Aug-08 | Change | Change % |
|--|----------|-----------|---------|----------|
| Ausbil - Emerging Leaders Fund | 2.3493 | 2.4400 | 0.0907 | 3.86% |
| BlackRock Direct Property Fund | 1.1110 | 1.1097 | -0.0013 | -0.12% |
| BlackRock Global Small Cap | 0.7924 | 0.8341 | 0.0417 | 5.26% |
| CFS Wholesale - Geared Share Fund | 3.5414 | 3.8613 | 0.3199 | 9.03% |
| Challenger Wholesale Micro Cap | 0.8828 | 0.8921 | 0.0093 | 1.05% |
| Hunter Hall - Global Ethical Trust | 1.2332 | 1.2279 | -0.0053 | -0.43% |
| Pengana Emerging Companies Fund | 1.5561 | 1.6894 | 0.1333 | 8.57% |
| Platinum Asia Fund | 2.0136 | 2.1030 | 0.0894 | 4.44% |
| Platinum International Brands Fund | 1.6237 | 1.7568 | 0.1331 | 8.20% |
| Vanguard - Index International Shares Fund | 0.8835 | 0.9517 | 0.0682 | 7.72% |

Corporate Actions of Interest

| Company | Code | Issue | Date |
|---------------------|---------|---|-----------------|
| Leighton Holdings | LEI | Seeking to raise \$700m for capital expenditure on plant and equipment. 1-for-14 entitlement offer to existing shareholders. | Closes 11/09/08 |
| CSL Ltd | CSL | Share purchase plan, eligible holders can apply for up to \$5,000 of shares. | Closes 16/9/08 |
| ANZ Ltd | ANZPB | ANZ are raising \$1 billion (or more) through a new preference share issue. | Closes 24/9/08 |
| Westpac/ St. George | WBC/SGB | Revised merger proposal from Westpac offering a higher dividend for SGB shareholders. | Board Approved |

What you should know this month

US Government intervention to save Fannie Mae and Freddie Mac

In a significant move the US Government has announced that it is stepping in to take control of the two big mortgage finance companies, Fannie Mae and Freddie Mac in what is potentially the largest government bailout yet to be seen. Fannie Mae and Freddie Mac are in the unusual position of being publicly traded companies yet they have a government mandate to support the housing market in the US.

Due to the enormous size of these two companies, they hold or guarantee approximately US\$6 trillion worth of US home mortgage debt, should they fail the impact on both the US and global economy would be very significant.

As a result of the takeover, the management and boards of both companies have been replaced and the US Treasury will take a US\$1 billion equity position in each company with the provision to invest a further US\$100 billion.

The desired outcome from this move goes beyond securing the future of these two companies. With the drying up of the mortgage-backed securities market in the credit crisis it has also been announced that the US Treasury will commence buying mortgage-backed securities originated from Fannie Mae and Freddie Mac in an effort to increase the liquidity in this market while at the same time seeking to improve sentiment and confidence in credit markets and reduce borrowing costs.

One point that should be noted is that this takeover may impact on the US Governments ability to take part in any additional corporate bail out due to the size of what they are undertaking with Fannie Mae and Freddie Mac. However it is still a very positive move which should hopefully remove some of the uncertainty that currently exists in credit markets.