

Key Indices

| Index | 1-Dec-08 | 31-Dec-08 | Change | Change | Commodities | 1-Dec-08 | 31-Dec-08 | Change |
|-------------------|-----------|-----------|---------|---------|---------------------|--------------------|--------------|---------------|
| S&P ASX200 | 3,742.50 | 3,722.30 | -20.20 | -0.54% | Oil - WTI | 55.21 | 44.60 | -19.22% |
| All Ordinaries | 3,672.70 | 3,659.30 | -13.40 | -0.36% | NY Gold | 813.00 | 879.45 | 8.17% |
| SFE Futures 200 | 3,742.50 | 3,636.00 | -106.50 | -2.85% | Cash Rate | 5.25% | 4.25% | -1.00 |
| S&P ASX Property | 1,025.40 | 899.50 | -125.90 | -12.28% | 90 Day Bank Bill | 4.72% | 3.96% | -0.76 |
| Dow Jones | 8,829.04 | 8,776.39 | -52.65 | -0.60% | 10 Yr Bonds | 4.58% | 3.99% | -0.59 |
| Nasdaq | 1,185.75 | 1,211.65 | 25.90 | 2.18% | Best Movers | 3 Months | Price | Change |
| S&P 500 | 896.24 | 903.25 | 7.01 | 0.78% | LGL | Lihir Gold | \$2.90 | 47.21% |
| FTSE 100 | 4,288.00 | 4,434.20 | 146.20 | 3.41% | STO | Santos Ltd | \$14.87 | 41.42% |
| Hang Seng | 13,888.24 | 14,387.48 | 499.24 | 3.59% | NCM | Newcrest Mining | \$31.22 | 37.53% |
| Nikkei 225 | 8,512.27 | 8,859.56 | 347.29 | 4.08% | SEV | Seven Network | \$7.10 | 25.66% |
| Currencies | | | | | Worst Movers | 3 Months | | |
| AUD/USD | 0.6572 | 0.6928 | 0.0356 | 5.42% | BNB | Babcock & Brown | \$0.16 | -80.99% |
| AUD/SGD | 0.9903 | 0.9967 | 0.0064 | 0.65% | MOF | Macq Office Fund | \$0.24 | -65.11% |
| AUD/EUR | 0.5091 | 0.4919 | -0.0172 | -3.38% | SUN | Sunland Group | \$0.74 | -53.02% |
| | | | | | ALS | Alesco Corporation | \$2.90 | -51.67% |

Market Commentary

December saw a continuation of central banks around the world reducing interest rates in an effort to stimulate consumer spending and avoid a severe economic slowdown. Following on from the Reserve Bank cutting rates by 1% to 4.25% here in Australia we saw significant cuts in Europe, the US and Asia. The European Central Bank in fact cut its rates by a record 0.75% to reduce the official cash rate to 2.5% and the Bank of England cut 1% off to bring its rates down to 2%, both moves clearly reflecting the fact that most of Europe is already in recession.

In economic news, there was positive news in that financing for housing increased by a seasonally adjusted 1.9% in October, with a 3.5% increase in finance for new dwellings. These increases likely came as a result of the increased first home buyers grant available from the Federal government. While there have been a number of high profile announcements regarding companies reducing their workforce, this has yet to feed through into unemployment figures. For November, the unemployment rate only increased by 0.1% to 4.4%. It is likely that any increase in unemployment will flow through more noticeably in 2009.

In early December legislation was passed that puts into effect permanent restrictions on short selling in the Australian market. The three key measures of the legislation are a legislative ban of short selling, clarification and expansion of the Australian Securities and Investment Commission (ASIC's) powers and a comprehensive disclosure regime for permitted short selling.

As widely reported in the media, the Federal government was strongly encouraging people to spend the money they received under the \$10.4 billion Economic Security Strategy. The effect of this stimulus package on the economy will be seen in the December consumer spending figures which in combination with Christmas spending will provide an indicator as to consumer confidence based on spending patterns in this period. To date, there has not been any indication of further stimulus packages similar to this one being implemented.

The ASX 200 finished the month only slightly down, 20.20 points to finish at 3,722.30. This relative stability over the course of the month is a welcome relief. Since the low point across the globe on November 20 2008, there has been a significant positive move in share markets. The FTSE 100 is up 18%, the Hang Seng index by 17%, Dow Jones by 16% and the Nikkei 15% while the ASX 200 is *only* up 11% at 31 December 2008. As lower petrol prices and interest rates take effect on the spending power of consumers it is hopeful that the effect on the Australian market is positive going into 2009.

Price Charts – past 90 days

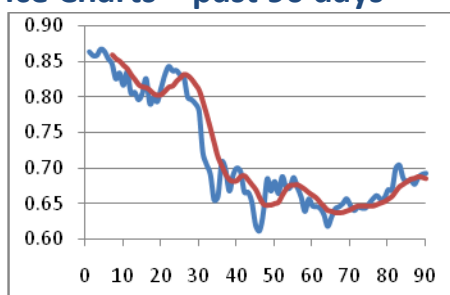


Figure 1- AUD/USD

Red lines are 7 day moving average

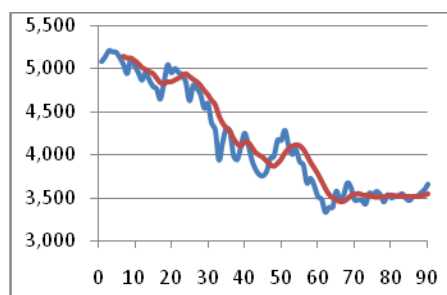


Figure 2- All Ords

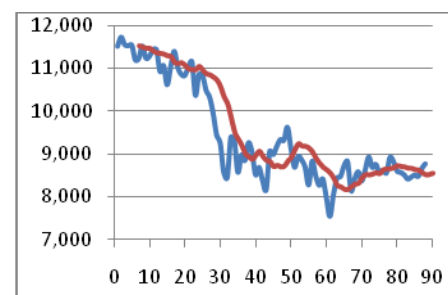


Figure 3- Dow Jones

Long Term Share Table

| Code | 1-Dec-08 | 31-Dec-08 | Change | Change | Code | 1-Dec-08 | 31-Dec-08 | Change | Change |
|------|----------|-----------|--------|---------|------|----------|-----------|--------|---------|
| AGK | 15.30 | 15.26 | -0.04 | -0.26% | MTS | 3.97 | 4.38 | 0.41 | 10.33% |
| AMP | 5.37 | 5.42 | 0.05 | 0.93% | NAB | 20.00 | 20.87 | 0.87 | 4.35% |
| ANZ | 14.80 | 15.29 | 0.49 | 3.31% | NWS | 11.77 | 13.50 | 1.73 | 14.70% |
| AIO | 1.05 | 1.51 | 0.46 | 43.81% | ORI | 15.50 | 13.98 | -1.52 | -9.81% |
| ASX | 30.75 | 33.30 | 2.55 | 8.29% | OZL | 0.55 | 0.55 | 0.00 | 0.00% |
| BHP | 31.00 | 30.44 | -0.56 | -1.81% | QBE | 23.75 | 25.81 | 2.06 | 8.67% |
| BXB | 7.25 | 7.42 | 0.17 | 2.34% | RIO | 46.60 | 38.00 | -8.60 | -18.45% |
| CBA | 34.09 | 28.90 | -5.19 | -15.22% | SGP | 4.43 | 4.04 | -0.39 | -8.80% |
| CNP | 0.06 | 0.08 | 0.02 | 33.33% | SHL | 13.39 | 14.56 | 1.17 | 8.74% |
| CPU | 6.59 | 7.80 | 1.21 | 18.36% | TAH | 7.01 | 6.99 | -0.02 | -0.29% |
| CWN | 4.64 | 5.97 | 1.33 | 28.66% | TLS | 4.06 | 3.83 | -0.23 | -5.67% |
| CSL | 34.70 | 33.70 | -1.00 | -2.88% | TOL | 5.77 | 6.17 | 0.40 | 6.93% |
| GPT | 0.94 | 0.92 | -0.02 | -2.13% | TCL | 4.97 | 5.40 | 0.43 | 8.65% |
| IVC | 4.88 | 5.15 | 0.27 | 5.53% | WES | 18.60 | 18.00 | -0.60 | -3.23% |
| LEI | 24.33 | 27.65 | 3.32 | 13.65% | WBC | 17.89 | 16.97 | -0.92 | -5.14% |
| MAP | 2.03 | 2.40 | 0.37 | 18.23% | WDC | 14.98 | 12.95 | -2.03 | -13.55% |
| MQG | 29.70 | 28.81 | -0.89 | -3.00% | WOW | 26.80 | 26.67 | -0.13 | -0.49% |

Managed Funds

| Fund | 1-Dec-08 | 31-Dec-08 | Change | Change % |
|------------------------------------|----------|-----------|---------|----------|
| Aberdeen International Equity Fund | 0.7584 | 0.7522 | -0.0062 | -0.82% |
| Ausbil - Emerging Leaders Fund | 1.6578 | 1.7557 | 0.0979 | 5.91% |
| BlackRock Direct Property Fund | 1.0675 | 1.0049 | -0.0626 | -5.86% |
| BlackRock WS Global Small Cap | 0.7115 | 0.7147 | 0.0032 | 0.45% |
| CFS Wholesale - Geared Share Fund | 2.0790 | 2.0409 | -0.0381 | -1.83% |
| Challenger Wholesale Micro Cap | 0.6239 | 0.6314 | 0.0075 | 1.20% |
| Hunter Hall - Global Ethical Trust | 0.9500 | 0.9806 | 0.0306 | 3.22% |
| Pengana Emerging Companies Fund | 1.1007 | 1.0670 | -0.0337 | -3.06% |
| Platinum Asia Fund | 1.7065 | 1.7818 | 0.0753 | 4.41% |
| Platinum International Brands Fund | 1.5932 | 1.6411 | 0.0479 | 3.01% |

Corporate Actions of Interest

| Company | Code | Issue | Date |
|--------------|------|---|--------------------|
| Westpac Bank | WBC | Share Purchase Plan, \$10,000 max application | Closes 30 Jan 2009 |

What you should know this month

Westpac - Share Purchase Plan

As outlined in the November 2008 update, Westpac has come to the market with a Share Purchase Plan. The offer closes on January 30 2009 and gives eligible investors the opportunity to purchase up to \$10,000 of shares at the lower of \$16 or daily volume weighted average market price of Shares traded on the ASX on the five trading days up to (and including) the Closing Date.

We will be sending out advice to those clients who are eligible to participate shortly with regard to taking up the offer. However, should you have any questions regarding this Share Purchase Plan please contact us to discuss.

Capital Raisings to Continue

Throughout 2009 we would expect that there will be a continuation of companies coming to the market with capital raisings at both the institutional and retail shareholder level. It is important to note that not all capital raisings are priced attractively to investors and each offer should be considered on its merits based on the share price and the discounted offer price at the time that the offer is made to investors.

Investstone Premium Service – Updated Review Structure

After reviewing our product offering to Premium Service clients it has been decided that in order to provide more timely recommendations that we will be providing recommendations for your portfolio on a quarterly basis as opposed to half yearly. This new review will be completed as part of the existing quarterly statement that you already receive. This new Quarterly Statement and Portfolio Review will be forwarded to you shortly. Upon receipt of the recommendations we would encourage you to return the necessary documents as quickly as possible to ensure that the timeliness of the advice is adhered to. Should you have any questions regarding the recommendations or other included reports please do not hesitate to contact us and we are available at any time to have a meeting to discuss your circumstances.