

**Key Indices**

Index	1-May-09	31-May-09	Change	Change	Commodities	1-May-09	31-May-09	Change
S&P ASX200	3,780.50	3,818.00	37.50	0.99%	Oil - WTI	50.35	66.31	31.70%
All Ordinaries	3,744.70	3,813.30	68.60	1.83%	NY Gold	885.50	979.00	10.56%
S&P ASX Property	703.80	729.30	25.50	3.62%	Cash Rate	3.00%	3.00%	0.00
Dow Jones	8,168.12	8,500.33	332.21	4.07%	90 Day Bank Bill	3.08%	3.19%	0.11
S&P 500	872.81	919.14	46.33	5.31%	10 Yr Bonds	4.78%	5.45%	0.67
FTSE 100	4,243.70	4,417.90	174.20	4.10%	<b>Best Movers</b>	<b>3 Months</b>	<b>Price</b>	<b>Change</b>
Euro Stoxx 50	2,005.98	2,246.18	240.20	11.97%	PBG	Pacific Brands	\$0.78	406.76%
SSE Comp Index	2,477.57	2,632.93	155.36	6.27%	ALS	Alesco Corporation	\$3.28	304.94%
Hang Seng	15,520.99	18,171.00	2650.01	17.07%	AIO	Asciano Group	\$1.38	118.25%
Nikkei 225	8,828.26	9,522.50	694.24	7.86%	IIF	ING Industrial Fund	\$0.25	108.33%
<b>Currencies</b>					<b>Worst Movers</b>	<b>3 Months</b>		
AUD/USD	0.7265	0.7912	0.0647	8.91%	SEV	Seven Network	\$5.50	-14.06%
AUD/JPY	70.7200	76.3800	5.6600	8.00%	CSL	CSL Limited	\$29.20	-11.52%
AUD/GBP	0.4896	0.4937	0.0041	0.84%	ELD	Elders Limited	\$0.25	-9.09%
AUD/EUR	0.5460	0.5648	0.0188	3.44%	FGL	Foster's Group	\$4.90	-5.77%

**Market & Economic Commentary**

The Australian share market held onto the gains that it had made during April with the All Ordinaries up 1.83% and the ASX 200 0.99%. While economic data continues to show mixed signals, there does appear to be a shift in sentiment regarding the world economy and markets in particular. The All Ord's rose by 1.83% for the month of May, slightly better than the ASX 200 which gained 0.99% to move to 3818 points. Our markets performance was quite pedestrian compared to the performance of the Euro Stoxx 50 which gained 11.97% for the month and the Hang Seng index rising by 17.07%.

In the US analysts have been revising their growth forecasts for 2009 down but at the same time revising their 2010 projections upwards. This reflects a belief that the recovery will be V-shaped, meaning that the recovery will be quick, sooner than anticipated and stronger than expected is encouraging. For the Australian economy, while avoiding a technical recession thus far, the figures do point to negative growth for 2009 but lagging other countries and the less severe. The basis of our soft landing is supported by the turnaround in growth estimates out of China which is benefitting from the significant fiscal stimulus that has increased domestic consumption.

There has been increasing talk of 'green shoots' appearing, potentially signalling the beginning of the end for the global recession. This view however is not supported by the broader measures of economic activity. However when looking at other pieces of information such as surveys, demand indicators that indicate changes in behaviour and activity readings from key parts of the world are giving the early signs of the direction the economy is headed.

While global growth will likely remain subpar for a few months to come, dragged down by the continuing problems in financial markets, the foundations will be laid in the first few months of the recovery for 2010 to show some solid growth. Some of the key indicators to look at to provide an early indication are business surveys (to indicate a return to growth in output), a broad turn in the Asian economies, US job figures improving to just being bad (the pace of job cuts moderating) and perhaps most importantly, any improvement in US household confidence.

In its latest Statement of Monetary Policy the Reserve Bank of Australia has reiterated its view that it is happy with its current position. However should employment conditions deteriorate further it is likely we will see additional rate cuts to provide further stimulus. It also commented that it is of the opinion that conditions overseas are improving.

**Price Charts – past 90 days**

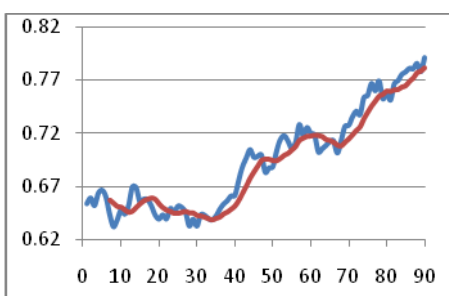


Figure 1- AUD/USD  
Red lines are 7 day moving average

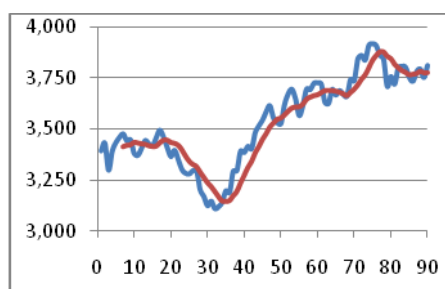


Figure 2- All Ords

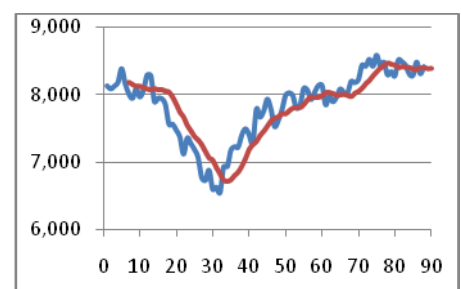


Figure 3- Dow Jones

## Long Term Share Table

Code	1-May-09	31-May-09	Change	Change %	Code	1-May-09	31-May-09	Change	Change %
AGK	15.12	13.99	-1.13	-7.47%	MTS	4.16	4.18	0.02	0.48%
AMP	5.19	4.84	-0.35	-6.74%	NWS	12.75	14.16	1.41	11.06%
ANZ	15.90	15.90	0.00	0.00%	NAB	20.63	22.02	1.39	6.74%
AIO	1.34	1.38	0.04	2.99%	ORI	16.80	20.14	3.34	19.88%
ASX	32.72	34.64	1.92	5.87%	QBE	21.79	19.34	-2.45	-11.24%
BHP	33.27	34.66	1.39	4.18%	RIO	64.43	64.54	0.11	0.17%
BXB	5.92	5.88	-0.04	-0.68%	SGP	3.14	3.10	-0.04	-1.27%
CBA	35.11	35.14	0.03	0.09%	SHL	11.66	11.83	0.17	1.46%
CPU	9.14	8.85	-0.29	-3.17%	TAH	7.45	7.34	-0.11	-1.48%
CWN	6.89	7.23	0.34	4.93%	TLS	3.33	3.11	-0.22	-6.61%
CSL	34.42	29.20	-5.22	-15.17%	TOL	5.90	7.04	1.14	19.32%
GPT	0.47	0.51	0.04	8.51%	TCL	4.46	4.04	-0.42	-9.42%
IVC	5.11	5.33	0.22	4.31%	WES	22.64	21.32	-1.32	-5.83%
LEI	21.07	22.70	1.63	7.74%	WBC	19.20	18.87	-0.33	-1.72%
MQG	33.48	31.65	-1.83	-5.47%	WDC	10.73	10.95	0.22	2.05%
MAP	1.81	2.10	0.29	16.02%	WOW	26.72	25.35	-1.37	-5.13%

## Managed Funds

Fund	1-May-09	31-May-09	Change	Change %
Vanguard WS Australian Government Bond Index Fund	0.9918	0.9776	-0.0142	-1.43%
Vanguard WS Australian Fixed Interest Index Fund	1.0883	1.0817	-0.0066	-0.61%
Vanguard WS Australian Shares Index Fund	1.3979	1.4182	0.0203	1.45%
Vanguard WS Australian Shares High Yield Fund	1.0597	1.0612	0.0015	0.14%
CFS Wholesale - Geared Share Fund	2.3004	2.3313	0.0309	1.34%
BlackRock Direct Property Fund	0.9323	0.9244	-0.0079	-0.85%
Vanguard WS Property Securities Index Fund	0.4782	0.4978	0.0196	4.10%
Aberdeen International Equity Fund	0.7042	0.7202	0.0160	2.27%
Platinum Asia Fund	2.0818	2.2009	0.1191	5.72%
Platinum International Fund	1.6808	1.7132	0.0324	1.93%
Platinum International Brands Fund	1.7148	1.7364	0.0216	1.26%
Vanguard WS International Shares Index Fund	1.0252	1.0260	0.0008	0.08%
Vanguard WS International Shares Index (Hedged) Fund	0.4316	0.4561	0.0245	5.68%

## Key Market Indicators

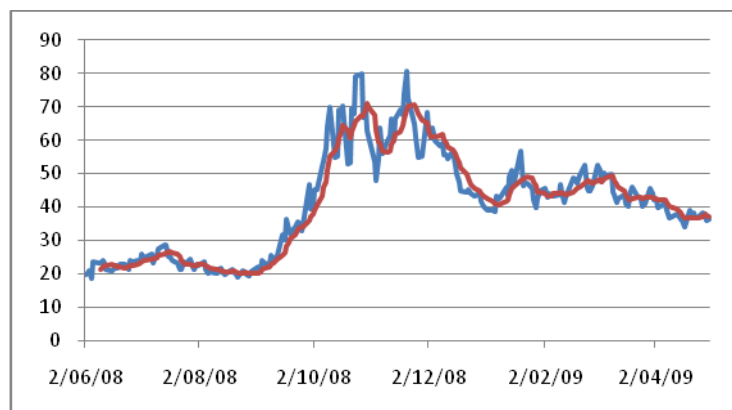


Fig 4 – CBOE Volatility Index [VIX] (past 12 months) Red line is 7 day moving average

The VIX index is a measure of US equity market volatility over a 30 day period. It is quoted in percentage points per annum with the value expressing a forward looking, implied annual volatility figure. For example, a VIX value of 35 represents an annualised implied volatility of 35% for the S&P 500 index over the next 30 days.

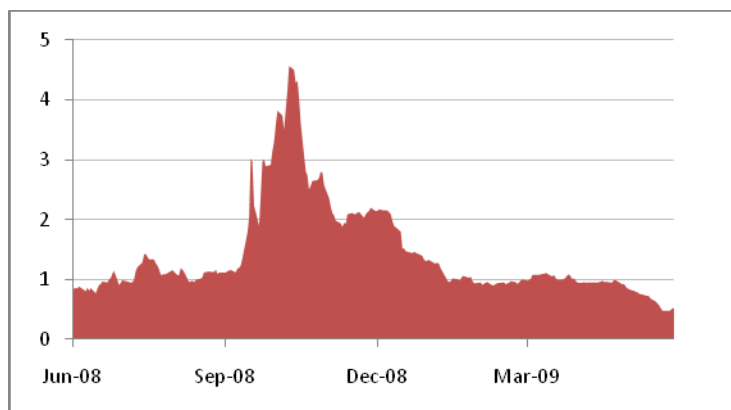


Fig 5 – Interest Rate differential – 3 month USD London Interbank Offered Rate [LIBOR] / 3 month US Treasury Notes (past 12 months)

We have graphed the interest rate differential between what the 3 month US dollar Libor rate compared to the yield on a 3 month US treasury note over the past 12 months. The key point to identify is that the smaller the spread between the 3 month Libor rate and the 3 month US Treasury Note yields, the lower it costs banks to borrow in the short term.

## Corporate Actions of Interest

Company	Code	Issue	Date
ANZ Bank	ANZ	Share Purchase Plan, eligible shareholders are able to purchase up to \$15,000 of new shares at a yet to be determined price.	To Be Confirmed
Rio Tinto	RIO	21-for-40 Renounceable Rights Issue, new shares priced at \$28.29.	1 July 2009
CSL Limited	CSL	On-market share buy-back (up to 54,863,000 shares)	Not Applicable

## What you should know this month

### **ANZ Bank – Share Purchase Plan**

ANZ Bank has announced that it is undertaking a Share Purchase Plan for eligible shareholders to purchase up to \$15,000 of new shares. The record date for shareholders to be eligible to participate is 1 June 2009. The timing and price of the offer is yet to be announced to the market. Once further details have been made public we will advise those clients holding ANZ with regard to participating in the Share Purchase Plan.

### **Rio Tinto – Renounceable Rights Issue**

With the collapse of the deal with Chinalco, Rio Tinto is undertaking a US\$15.2 billion renounceable rights issue encompassing both its UK and Australian share registries. Shareholders on the register at 17 June 2009 will be entitled to purchase 21 new shares for every 40 existing shares at the discounted price of \$28.29 per share. This represents a discount of 57.7% to the closing price on 4 June 2009. This rights issue should provide RIO with funds to significantly reduce its debt obligations in 2009 and 2010. We are recommending that all eligible shareholders take up their entitlement in full at this point in time, however we will provide more detailed advice as further details become available.

### **CSL Limited – On market share buy-back**

With the blocking of the Talecris purchase in the United States, CSL has announced that it will be implementing an on market share buyback program to return capital to shareholders that was raised to fund the Talecris purchase. The buy-back is being managed by Merrill Lynch and up to 54,863,000 shares will be bought back. As this capital management program is being conducted on market, no action is required by shareholders.

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### **Rio Tinto/BHP Pilbara Iron Ore Joint Venture**

RIO and BHP have announced that they plan to form a joint venture in the Pilbara region of Western Australia. The nonbinding agreement between the companies is expected to deliver up to US\$10 billion in synergies. Under the agreement BHP said it would pay Rio Tinto US\$5.8 billion to form the 50:50 joint venture. BHP is expected to recoup the expenditure in savings from increased efficiencies from sharing the companies' assets.

As a result of the rights issue and BHP joint venture, Rio's debt position should reduce from US\$38bn to US\$23bn, and potentially to US\$17bn after the iron ore JV. Combined with asset sales, recent bond issue and operating cash flow this should allow RIO to meet US\$20bn of 2009/10 debt maturities. Importantly it should give Rio Tinto the potential to re-examine and re-initiating stalled growth projects, essential for its long term prospects.

Should you have any questions regarding the joint venture with BHP or the rights issue, please contact us to discuss.