

Key Indices

| Index | 2-Jan-08 | 31-Jan-08 | Change | Change | Commodities | 2-Jan-08 | 31-Jan-08 | Change |
|-------------------|-----------|-----------|-----------|---------|---------------------|---------------------|--------------|---------------|
| S&P ASX200 | 6,353.20 | 5,650.30 | -702.90 | -11.06% | Oil - WTI | 99.64 | 91.67 | -8.00% |
| All Ordinaries | 6,434.10 | 5,697.00 | -737.10 | -11.46% | NY Gold | 856.80 | 925.00 | 7.96% |
| SFE Futures 200 | 6,370.00 | 5,688.00 | -682.00 | -10.71% | Cash Rate | 6.75% | 6.75% | 0.00% |
| S&P ASX Property | 2,106.60 | 1,817.20 | -289.40 | -13.74% | 90 Day Bank Bill | 7.18% | 7.35% | 0.17% |
| Dow Jones | 13,043.96 | 12,650.36 | -393.60 | -3.02% | 10 Yr Bonds | 6.34% | 6.09% | -0.25% |
| Nasdaq | 2,049.71 | 1,841.42 | -208.29 | -10.16% | Best Movers | 3 Months | Price | Change |
| S&P 500 | 1,447.16 | 1,378.55 | -68.61 | -4.74% | IPL | Incitec Pivot | \$119.99 | 34.00% |
| FTSE 100 | 6,416.70 | 5,879.80 | -536.90 | -8.37% | FCL | Futuris Corporation | \$2.30 | 6.98% |
| Hang Seng | 27,560.52 | 23,455.74 | -4,104.78 | -14.89% | CSL | CSL Limited | \$34.16 | 4.47% |
| Nikkei 225 | 14,691.41 | 13,592.47 | -1,098.94 | -7.48% | ORI | Orica Limited | \$28.88 | 2.70% |
| Currencies | | | | | Worst Movers | 3 Months | Price | Change |
| AUD/USD | 0.8797 | 0.8884 | 0.0087 | 0.99% | CNP | Centro Properties | \$0.66 | -90.00% |
| AUD/SGD | 1.2673 | 1.2595 | -0.0078 | -0.62% | MFS | MFS Limited | \$0.99 | -80.00% |
| AUD/EUR | 0.6011 | 0.5987 | -0.0024 | -0.40% | CER | Centro Retail Group | \$0.47 | -69.00% |
| | | | | | AFG | Allco Finance Group | \$3.34 | -52.49% |

Market Commentary

The Australian market took its cue from the US during January. Fears of a US recession and further fallout from the credit crisis fuelled the bearish sentiment. Volatility was extreme and an element of irrationality and panic was evident. The market fell over 7% in a single day on January 22nd, the largest fall in twenty years which capped a record twelve day losing streak. The S&P/ASX200 fell to a low of 5187, erasing more than a year of gains. Selling by offshore institutions, short sellers and margin calls on geared portfolios exacerbated the selling pressure as buyers deserted the market.

Some stability returned towards the end of the month as bargain hunters re-entered the market. For long-term investors prepared to ride out the volatility, good buying opportunities presented in all sectors of the market, however, negative investor sentiment, weak buying support, recent interest rate rises and volatility were key risks threatening further downside. The RBA raised rates by 0.25% to 7.00% this week.

While these risks remain, we feel that at current levels of around 5,600 in early February 2008, the market still represents good value but stock selection is important. We feel that some consolidation at current levels would be a positive for the market as it would strengthen investor confidence. A two tiered market is developing where companies demonstrating conservative gearing and ability to pass on cost increases, together with assured operating environments, strong cash flow and secure markets/client bases will emerge as the winners. Reporting season in February will provide an insight to future corporate earnings growth expectations and we expect those companies who surprise on the upside to be strongly supported, whilst those disappointing the market will be heavily sold.

The underlying volatility is unlikely to change substantially until there is evidence of a turnaround in the US recessionary outlook and also an easing of the tight credit conditions.

The current market volatility and correction is part of a normal cycle and follows a four year period of strong gains and low volatility which could not last indefinitely. We believe the correction will have positive benefits by taking some of the heat out of share valuations and returning the market to a level where it can build a sustainable base. We remain comfortable holding equity weightings at strategic asset allocation levels.

Price Charts – past 90 days

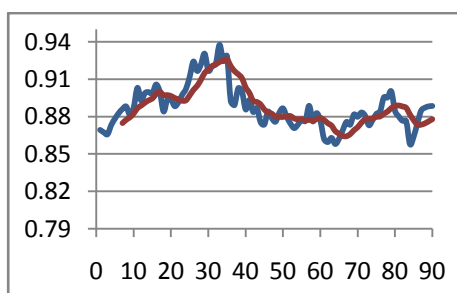


Figure 1- AUD/USD

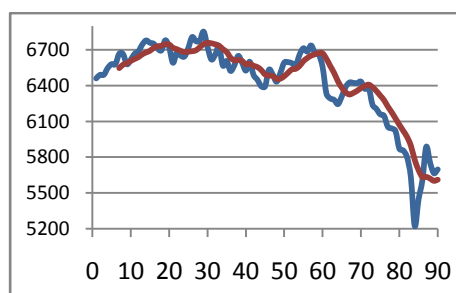


Figure 2- All Ords

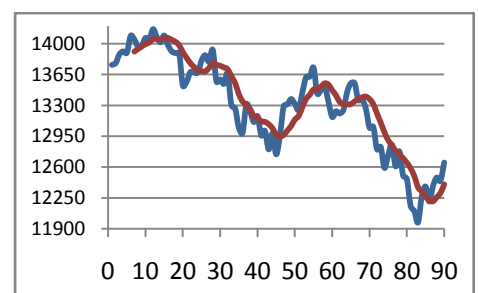


Figure 3- Dow Jones

Red lines are 7 day moving average

Long Term Share Table

| Code | 2-Jan-08 | 31-Jan-08 | Change | Change | Code | 2-Jan-08 | 31-Jan-08 | Change | Change |
|------|----------|-----------|--------|---------|------|----------|-----------|--------|---------|
| AIO | 7.00 | 5.50 | -1.50 | -21.43% | MTS | 4.41 | 4.15 | -0.26 | -5.90% |
| ASX | 60.41 | 47.30 | -13.11 | -21.70% | NAB | 37.48 | 34.60 | -2.88 | -7.68% |
| AGK | 13.36 | 12.02 | -1.34 | -10.03% | NWS | 24.08 | 21.40 | -2.68 | -11.13% |
| AMP | 9.98 | 8.40 | -1.58 | -15.83% | QBE | 33.00 | 27.80 | -5.20 | -15.76% |
| ANZ | 27.57 | 26.01 | -1.56 | -5.66% | RIO | 134.00 | 123.00 | -11.00 | -8.21% |
| BHP | 40.30 | 37.05 | -3.25 | -8.06% | SGP | 8.40 | 7.26 | -1.14 | -13.57% |
| BXB | 11.62 | 10.67 | -0.95 | -8.18% | SHL | 16.67 | 16.30 | -0.37 | -2.22% |
| CBA | 58.80 | 49.40 | -9.40 | -15.99% | TCL | 6.68 | 6.60 | -0.08 | -1.20% |
| CNP | 1.04 | 0.66 | -0.38 | -36.54% | TOL | 11.52 | 11.00 | -0.52 | -4.51% |
| CSL | 36.57 | 34.16 | -2.41 | -6.59% | TAH | 14.79 | 13.91 | -0.88 | -5.95% |
| CPU | 9.85 | 7.92 | -1.93 | -19.59% | TLS | 4.74 | 4.34 | -0.40 | -8.44% |
| CWN | 13.48 | 11.66 | -1.82 | -13.50% | WBC | 28.06 | 25.58 | -2.48 | -8.84% |
| GPT | 3.97 | 3.75 | -0.22 | -5.54% | WDC | 21.00 | 18.50 | -2.50 | -11.90% |
| IVC | 7.10 | 6.30 | -0.80 | -11.27% | WPL | 50.95 | 46.35 | -4.60 | -9.03% |
| LEI | 62.40 | 49.50 | -12.90 | -20.67% | WOW | 34.00 | 28.80 | -5.20 | -15.29% |
| MAP | 3.98 | 3.87 | -0.11 | -2.76% | WES | 40.75 | 35.30 | -5.45 | -13.37% |
| MIX | 0.70 | 0.58 | -0.12 | -17.14% | ZFX | 12.40 | 10.28 | -2.12 | -17.10% |

Managed Funds

| Fund | 2-Jan-08 | 31-Jan-08 | Change | Change % |
|--|----------|-----------|---------|----------|
| Ausbil - Emerging Leaders Fund | 3.0287 | 2.6681 | -0.3606 | -11.91% |
| BlackRock Direct Property Fund | 1.1286 | 1.1322 | 0.0036 | 0.32% |
| BlackRock Global Small Cap | 0.9257 | 0.8400 | -0.0857 | -9.26% |
| CFS Wholesale - Geared Share Fund | 7.0843 | 5.7487 | -1.3356 | -18.85% |
| Challenger Wholesale Micro Cap | 1.3381 | 1.1443 | -0.1938 | -14.48% |
| Hunter Hall - Global Ethical Trust | 1.4838 | 1.3522 | -0.1316 | -8.87% |
| Pengana Emerging Companies Fund | 2.4279 | 1.9680 | -0.4599 | -18.94% |
| Platinum Asia Fund | 2.9201 | 2.7049 | -0.2152 | -7.37% |
| Platinum International Brands Fund | 2.0662 | 1.8919 | -0.1743 | -8.44% |
| Vanguard - Index International Shares Fund | 1.1008 | 0.9962 | -0.1046 | -9.50% |

Corporate Actions of Interest

| Company | Code | Issue | Date |
|--------------------|-------|--|------------|
| Telstra | TLSCA | Final payment for the Telstra T3 of \$1.60 per share. | 29/05/2008 |
| Rio Tinto | RIO | BHP made an offer for RIO of 3.4 BHP shares per RIO share | Pending |
| Computershare | CPU | CPU has made a cash takeover offer of \$3.40 per share. QM Technologies (QMT) provides mail and customer communication management services to Australian businesses. | In Process |
| Consolidated Media | CMJ | CMJ has received a proposal from a consortium (Consolidated Press and Mr Lachlan Murdoch's private company, Illyria) to acquire 100% of the business. The unofficial offer is \$4.06 and 0.1116 Seek Shares per CMJ share. | Pending |

What you should know this month

BHP Billiton (BHP) finally put an end to the speculation in the market and put forward its improved takeover offer for Rio Tinto (RIO) on February 6 of 3.4 BHP shares for 1 RIO. Almost immediately, the RIO board rejected the offer as too low based on their belief of what RIO's future prospects are given the quality and quantity of its assets. The situation has become somewhat more clouded given the actions of Chinalco and Alcoa taking a strategic stake of 9% in RIO. Chinalco is a state-owned Chinese aluminium producer while Alcoa is the American aluminium giant that lost out to RIO in acquiring the assets of Alcan last year. While it is possible that a counter offer for RIO is put on the table by these two, we see that result as unlikely and that more realistically it is a play to gain access to the aluminium assets that may be spun off as part of a combined BHP/RIO.

BHP continues to give every indication that it is fully committed to making this merger occur. Despite the rejection of this offer and the potential complications brought about through Chinalco it is safe to assume that this is only the beginning of a long and drawn out process.

The distraction of the RIO merger has not stopped BHP delivering a near record half year profit of US\$6.017b on the basis of record production and higher prices for many of its products.

Newscorp (NWS) recorded a strong and encouraging result in light of the current sentiment in the US. Revenue grew by 9.5% for the December quarter and Chairman Rupert Murdoch announced that he expected to exceed previous profit guidance for the full year and going forward expects growth to be in the mid teens based on the continuing good performance of all divisions.

This announcement from NWS fits the pattern from the US reporting season so far with nearly two thirds of companies in the S&P500 index having exceeded expectations and only a quarter of companies disappointing the market. The current reporting season is so far in line with the results of the last decade, quite interesting given recent speculation that the US is in the midst of a recession.