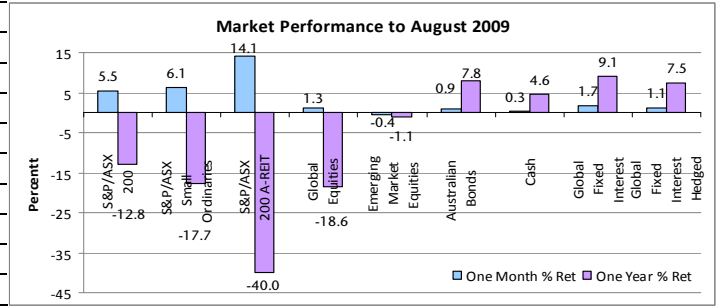




Key Indices

Index	Jul 2009	Aug 2009	Change	Change	Commodities	Jul 2009	Aug 2009	Change
S&P ASX200	4,244.0	4,479.1	235.1	5.54%	Oil - WTI	69.45	69.96	0.7%
All Ordinaries	4,249.5	4,484.1	234.6	5.52%	NY Gold	953.70	952.20	-0.2%
S&P ASX Property	767.02	875.33	108.31	14.12%	Cash Rate	3.00%	3.00%	0.00
Dow Jones	9,171.6	9,496.3	324.7	3.54%	90 Day Bank	3.20%	3.49%	0.29
S&P 500	987.5	1,020.6	33.1	3.36%	10 Yr Bonds	5.76%	5.48%	-0.28
FTSE 100	4,608.4	4,908.9	300.5	6.52%				
Euro Stoxx 50	2,638.1	2,775.2	137.0	5.19%				
SSE Comp Index	3,412.1	2,667.7	-744.3	-21.81%				
Hang Seng	20,573.3	19,724.2	-849.1	-4.13%				
Nikkei 225	10,356.8	10,492.5	135.7	1.31%				
Currencies								
AUD/USD	0.8313	0.8431	0.0117	1.41%				
AUD/JPY	79.1404	78.2055	-0.9348	-1.18%				
AUD/GBP	0.5015	0.5173	0.0158	3.15%				
AUD/EUR	0.5864	0.5875	0.0011	0.18%				



Market & Economic Commentary

Last week the RBA kept the cash rate on hold at 3% but evidence of a better than expected economic environment and fears of re-emergence of inflation, means pressure is mounting on the RBA to lift interest rates sooner and more aggressively than previously expected. Many commentators now believe rates will begin to rise before Christmas and then steadily throughout the first six months of 2010 to bring the cash rate up to around 4.5% prior to the end of the financial year.

This is not a foregone conclusion. A temporary reprieve may come in the form of a higher Australian dollar, which is currently trading at US\$0.86 and rising. These are the highest levels in twelve months and make trading conditions more difficult for exporters. Also, any interest rates rises would further underpin the Australian dollar as funds flow in from US, UK and Japan where interest rates are close to zero and the Euro zone where rates are around 1%.

At the G20 meeting in London last weekend, finance ministers agreed that expansionary monetary and fiscal policies should remain in place. The RBA will now have to balance an improving Australian economic outlook against the stated expansionary objectives of the G20 and the Australian Government's solidarity with the G20 on this issue.

Domestically, the flow of positive economic data continues, demonstrating Australia's resilience in this global downturn. National accounts figures released last week showed the economy expanded by 0.6% in the June quarter, compared to 0.2% forecast by economists. This is on top of a 0.4% expansion in the March quarter. Incidentally, this result caps a remarkable 18 year run record for domestic growth.

Job vacancy advertisements also rose during August, for the first time in 16 months, prompting analysts to predict that the unemployment rate will now peak well below and earlier than the expected 8.5% in 2011.

The National Australia Bank's monthly measure of business confidence has posted an eight index point rise during August to plus 18 points, which is the highest level in almost six years.

Australia's July trade deficit was \$1.56 billion, up from \$538 million in June as imports soared and exports fell. This would suggest inventory restocking and buoyant consumer confidence. Exports, while weaker in July, still remain high as a result of demand from China, rising commodity prices counter-balancing the rising Australian dollar.

The recent recapitalisation of balance sheets means corporate debt is currently relatively low. Deutsche Bank says business gearing has fallen to its lowest levels in almost 20 years. The good news to be drawn from this is that any interest rate rises should not have substantial impact on balance sheets as net interest expenses will still remain relatively low and manageable.

The steady roll out of positive economic data has fuelled a dramatic change in investor confidence. The recovery has been as stunning as the collapse, with the market recovering much of the losses. The market is now at its highest levels since 8 October 2008.

The benchmark ASX200 is now about 45% above its March lows and has now moved up to 4536 a rise of 14.7% in the last two months alone. That is a strong result, given that the just passed reporting season posted an average contraction in earnings per share (EPS) of around 20% for the overall market. A weak result, however this was diluted by capital raisings. The reality appears to be that early cost cutting cushioned margin pressures, whilst a resilient domestic economic environment supported turnover in many sectors.

As we have mentioned before, investors look forward, not backward. The reporting season obviously produced results either in line or better than analysts' expectations. More supportive again, were the cautious but positive forecasts that an earnings recovery has already begun.

GSJBW have estimated that up to \$4.3 billion of Australian stocks could be sold to accommodate the change and a further \$600 million could be sold by active managers as a pre-emptive measure. Other analysts do not see this change as applying significant downward pressure to the Australian market.

Our view is that given the strong gains in the market over the last six months, a brief pull back, triggered by any event or a combination thereof would appear increasingly likely. Beyond the immediate need for global share markets to take a 'breather' and consolidate the strong gains achieved this financial year, the outlook for equities remains quite favourable. However, we are comfortable maintaining a tactical overweighting to equities.

The major current question yet to be answered is whether the share market's performance has run ahead of the earnings recovery. For the gains to be sustained, corporate earnings need to improve. In the main, statements from boardrooms still remain cautious and uncertain of how the economic recovery is going to pan out, although some earnings upgrades are now coming through.

Without doubt the government stimulus and RBA's low interest rate policy has strongly supported economic activity. However, the Government handouts have now been spent and small businesses have bought forward their capital investments, which may leave a void that justifies the ongoing rollout of the stimulus package into public construction and infrastructure.

Price Charts – past 90 days

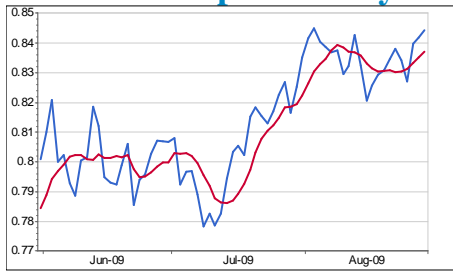


Figure 1- AUD/USD Source: Factset
Red lines are 7 day moving average

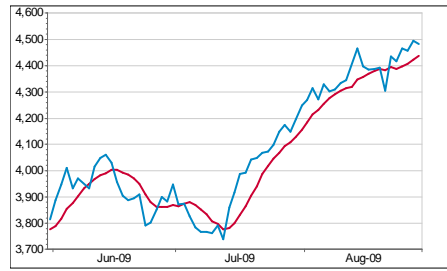


Figure 2- All Ords Source: Factset

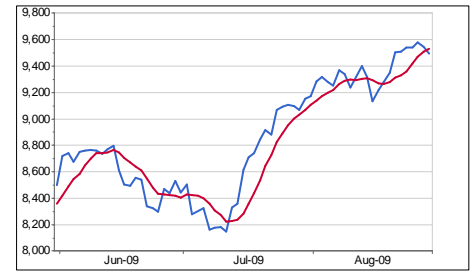


Figure 3- Dow Jones Source: Factset

Long Term Share Table

Code	Jul 09	Aug 09	Change	Change	Code	Jul 09	Aug 09	Change	Change
AGK	14.90	13.96	-0.94	-6.31%	NAB	24.33	28.48	4.15	17.06%
AMP	5.62	6.36	0.74	13.17%	ORG	14.50	15.31	0.81	5.59%
ANZ	18.53	21.29	2.76	14.89%	ORI	22.46	22.58	0.12	0.53%
ASX	37.58	33.10	-4.48	-11.92%	OSH	5.64	6.27	0.63	11.17%
BHP	37.85	36.80	-1.05	-2.77%	QBE	19.50	22.88	3.38	17.33%
BXB	5.99	7.43	1.44	24.04%	RHC	10.50	10.50	0.00	0.00%
CBA	42.80	46.00	3.20	7.48%	RIO	60.40	56.11	-4.29	-7.10%
CCL	9.33	9.91	0.58	6.22%	SGP	3.15	3.78	0.63	20.00%
CPU	9.83	10.11	0.28	2.85%	SHL	11.70	13.98	2.28	19.49%
CSL	30.55	32.21	1.66	5.43%	TAH	7.24	6.71	-0.53	-7.32%
CSL	30.55	32.21	1.66	5.43%	TCL	4.33	4.04	-0.29	-6.70%
CWN	7.50	7.91	0.41	5.47%	TLS	3.53	3.26	-0.27	-7.65%
GMG	0.46	0.62	0.16	33.86%	TOL	6.79	7.97	1.18	17.38%
GPT	0.53	0.62	0.09	16.04%	WBC	21.69	24.37	2.68	12.36%
HST	1.53	1.81	0.29	18.69%	WDC	11.33	12.66	1.33	11.74%
IOF	0.49	0.55	0.06	12.37%	WES	25.85	25.13	-0.72	-2.79%
LEI	30.18	36.95	6.77	22.43%	WESN	25.84	25.30	-0.54	-2.09%
LGL	2.77	2.77	0.00	0.00%	WOR	25.81	28.47	2.66	10.31%
MAP	2.49	2.56	0.07	2.81%	WOW	27.25	28.02	0.77	2.83%

Managed Funds

Fund	Jul 2009	Aug 2009	Change	Change %
Aberdeen International Equity Fund	0.7470	0.7583	0.0113	1.51%
Arrowstreet Emerging Markets	0.8426	0.8342	-0.0084	-1.00%
Arrowstreet Global Equity	0.7450	0.7600	0.0150	2.01%
Arrowstreet Global Equity (Hedged)	0.7729	0.7967	0.0238	3.08%
Ausbil - Australian Active Equity Fund	2.5416	2.7075	0.1659	6.53%
Ausbil - Australian Emerging Leaders	2.1195	2.2666	0.1471	6.94%
Black Rock - Global Allocation Aust Cls D	0.9316	0.9523	0.0207	2.22%
BlackRock Direct Property Fund	0.8321	0.8329	0.0008	0.10%
CFS Wholesale - Geared Share Fund	2.7971	3.1375	0.3404	12.17%
Deutsche Thematic Global (Hedged)	0.6080	0.6342	0.0262	4.31%
Deutsche Thematic Global (Unhedged)	1.1427	1.1789	0.0362	3.17%
Eley Griffiths Group - Small Cos	1.3545	1.4661	0.1116	8.24%
Perpetual Exact market Cash	0.9759	0.9784	0.0025	0.25%
Platinum Asia Fund	2.2285	2.1516	-0.0769	-3.45%
Platinum International	1.4972	1.5271	0.0299	2.00%
Tyndall Australian Share W/Sale	1.8355	1.9579	0.1224	6.67%
UBS Cash Fund	1.0532	1.0532	0.0000	0.00%
Vanguard Australian Fixed Interest Fund	1.0697	1.0773	0.0076	0.71%
Vanguard WS Australian Government Bond Index Fund	0.9654	0.9641	-0.0013	-0.13%
Vanguard WS Australian Shares High Yield Fund	1.1943	1.2614	0.0671	5.62%
Vanguard WS Australian Shares Index Fund	1.5739	1.6771	0.1032	6.56%
Winton Global Alpha Fund	1.0112	1.0269	0.0157	1.55%

Key Market Indicators

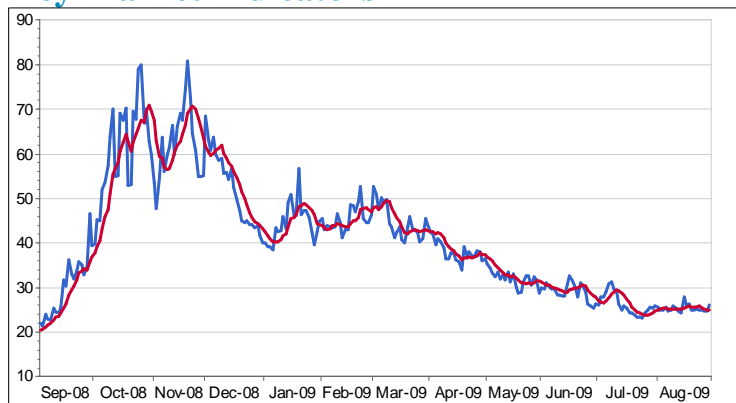


Fig 4 – CBOE Volatility Index [VIX] (past 12 months) Source: Factset

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.

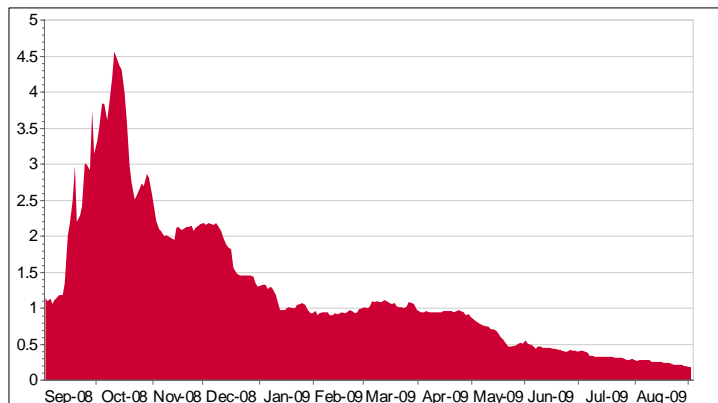


Fig 5 – Interest Rate spread – 3 month USD London Interbank Offered Rate [LIBOR] / 3 month US Treasury Notes Source: Factset

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	Closing Date
Commonwealth Bank of Australia	T.B.C.	New Tier 1, Hybrid Security	2 October 2009
Ramsay Health Care	RHC	Share Purchase Plan, eligible shareholders can purchase up to \$15,000 at \$9.84 per share.	25 September 2009

What you should know this month

National Australia Bank – Share Purchase Plan (SPP)

The NAB share purchase plan was significantly oversubscribed with \$2.6 billion received by NAB. The SPP was to raise a maximum of \$750 million in new capital. This has resulted in shareholders being subjected to a significant scale back. The excess funds is in the process of being returned to shareholders.

Commonwealth Bank – new Tier 1, Hybrid Security

CBA has announced that it is raising \$900 million of new capital through a new hybrid security, PERLS V. The new offer has a face value of \$200 (as per previous issues). Existing CBA shareholders are entitled to participate in a priority offer. Standard & Poor's have indicated that on issue, the security will receive an A+ credit rating.

Ramsay Health Care – Share Purchase Plan

RHC has announced a Share Purchase Plan provides eligible shareholders with an opportunity to subscribe for up to \$15,000 worth of new fully paid ordinary shares. The offer price is the lower \$9.835 roughly a 9% discount to current price; and the volume weighted average price of Ramsay Health Care ordinary shares traded in the ordinary course on ASX over the 5 trading days up to and including, the closing date of the SPP Offer period being Friday, 25 September 2009. There is some opportunity to get back to the desired weight if you are under weight but the level of discount is not so compelling as to recommend a full take up irrespective of current weight in the portfolio.

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Time Limitation: As economic and market conditions are constantly changing the recommendations in this report are only valid for thirty (30) days from the date of presentation.