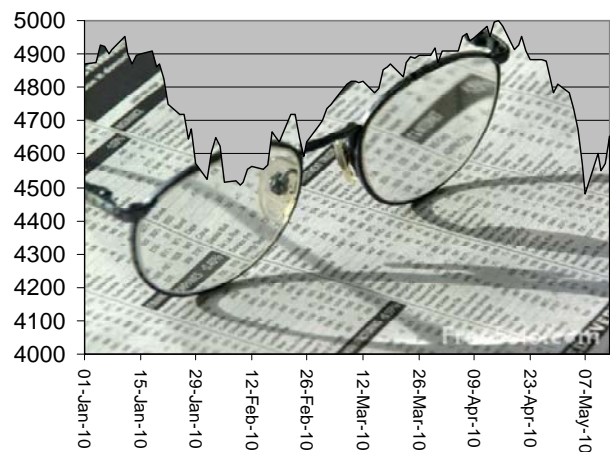


Investment Managers Weekly Review

14 MAY 2010

PERFORMANCE AT A GLANCE

WEEKLY MARKET WRAP		
XJO	4652.8	1.7%
DJIA	10896.91	0.3%
NAS	2425.02	0.9%
FTSE	5383.45	0.8%
GOLD	1243.1	5.8%
OIL	75.65	-1.5%
A\$US\$	0.9	1.6%



Market Wrap

Australian Market Performance (S&P/ASX 200): 4,652 +1.7%

Last week our market fell a savage 6.8% in response to a trading glitch-induced fall on Wall Street and heightened fears, and the wider implications about Greece's debt burden. This week saw volatile trading sessions continue, albeit more modestly and with mostly higher prices, following the \$1 trillion joint ECB/IMF bailout package for Eurozone countries.

We took advantage of the very weak stock market last Friday and acquired some additional blue-chip shares for the Bookmakers Balanced Pension and Accumulation Funds.

Federal Budget 2010

Treasurer Wayne Swan delivered his third budget on Tuesday night. As far as pre-election budgets go, it was a restrained 'no frills' budget. The Federal Govt. forecasts Australia's budget deficit will return to a cash surplus 3 years earlier than expected, in 2012-2013. Net debt is now forecast to peak at 6.1% of GDP, half the level projected a year ago. This is outstanding in a world of highly geared and stressed balance sheets.

The Australian economy is forecast to grow 3.25% in 2010-2011, and 4% in 2011-2012. Unemployment will drop to 5% in 2010-2011 and is expected to continue to fall.

Other key points:

- Tax cut for bank savings – expected to benefit 5.7 million savers.
- Super co-contribution harder to get and lower permanently.
- New retail corporate bond market encouraged.
- \$7.3b in new health spending over 5 years.
- New funding for renewable and energy efficiency.
- Spend on defence, border protection and aviation security.
- Progressive company tax rate cuts.
- 40% Resources Super-Profit tax.

Resources “Super Profits” Tax

There has been much press talk over the 40% resource super profits tax. Mining industry sources said the government would not give ground on any of the key issues: the definition of a “super profit”; the 40% tax rate; how the tax should apply to individual commodities; and whether it should be levied against projects that have already been built or are under construction. BHP CEO Marius Kloppers said that the new tax could see a number of resource projects shelved, and did not rule out the possible stalling of BHP’s \$20b Olympic Dam expansion project.

Employment Figures

- Australia's labor market remained strong in April, with 33,700 jobs created.
- Unemployment was steady at 5.4% in April, higher than the rate of 5.3% expected by economists.
- The workforce participation rate in April remained at 65.2%.

European Growth Better than forecast

The Euro zone returned to economic growth in the first quarter, at a faster rate than economists had forecast. GDP growth in the 16 Euro nations rose 0.2% from a flat fourth quarter. The Euro zone economy may gather strength after European leaders earlier this week pledged a \$1 trillion rescue package to counter the Greek debt crisis and restore confidence.

Commonwealth Bank – 3rd Quarter Earnings

- Third quarter cash earnings were in line with expectations of \$1.5b
- CEO Ralph Norris warned of continued pressure on lending margins & funding costs
- Credit growth outlook remains “challenging” and “the recovery is still in its infancy”.
- Impairment expense approx \$500m for the quarter, down from \$630m.

Overall, the banking sector is benefiting from an earlier than expected reduction in bad debts and dividends are once more on the up.

Transurban – Acquisition and rejection of offer

- Transurban is to buy Sydney’s Lane Cove Tunnel, to complement their portfolio of toll roads in Sydney and Melbourne.
- A 1 for 11 rights issue at \$4.60 per share was announced to fund the acquisition and proposed upgrades to the M2 and M5 roads.
- A takeover offer of \$5.57 per share from a Canadian-led consortium has been rejected by the Transurban board.

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