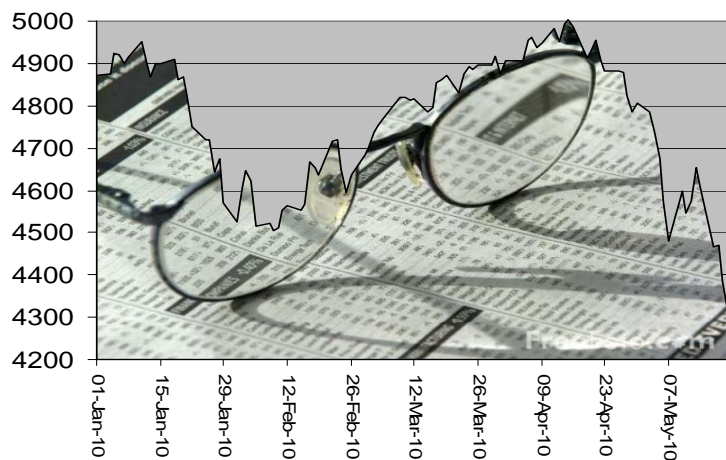


Investment Managers Weekly Review

21 MAY 2010

PERFORMANCE AT A GLANCE

WEEKLY MARKET WRAP		
XJO	4316.5	-7.2%
DJIA	10068.01	-7.6%
NAS	2204.01	-9.1%
FTSE	5073.13	-5.8%
GOLD	1187.6	-4.5%
OIL	68.01	-10.1%
A\$US\$	0.8177	-9.1%



Market Wrap

Australian Market Performance (S&P/ASX 200): 4,316 -7.7 %

The Australian market is now officially in a correction and has tumbled by more than 7% in the last week alone as fears mount about European debt concerns. The greatest concerns are that a stall in European recovery could perhaps lead to a slow-down of Chinese growth, thus affecting the global recovery. The ASX200 Index is currently sitting on 4,316, down 14% from its April high and hitting a nine month low.

Delegates to the Australasian Institute of Mining and Metallurgy three-day conference in Wollongong have described the proposed resources tax as "one of the most damaging and short-sighted decisions ever taken by a national government". The conference formally condemned the proposed tax "because of the adverse impact it will have on all Australian communities". The federal government said it is willing to compromise on the proposed resources tax. Apparently they have been surprised at the furious reaction from miners.

Locally, consumer confidence recorded its biggest fall since the 2008 collapse of Lehman Brothers. The consumer sentiment index fell 7% in May according to Westpac. In annual terms, the consumer sentiment index is 21.6% higher.

BSF Portfolios

We took advantage of further falls in the stock market this week by buying additional shares in blue-chip shares, including some banks, for the Balanced Fund. Bank shares currently yield about 6% fully franked, and have fallen significantly during the last four weeks. The sale of three properties settled this week, thereby significantly increasing the cash position of the Fund.

Europe – Germans React

Germany's financial-services regulator said that it will introduce a temporary ban on naked short selling and naked credit-default swaps of euro-area government bonds. Short selling involves the sale of borrowed securities in the hope of profiting by buying them later at a lower price and returning them to the owner. When securities are sold naked, the trader fails to borrow the assets before sending an order to sell. Investors own naked credit-default swaps when they don't hold the bonds the derivatives are linked to.

US – Markets tumble as fear mounts

The S&P 500 finished down 12 percent from its April 23, 2010, closing high, signaling a correction and marking the worst day since late April 2009. The index also ended below its 200-day moving average, a sign the momentum downward could build. The correction comes on the back of a stream of negative news out of Europe, from worries over Greece's debt crisis to Germany's unilateral decision this week to ban naked short-selling. Banks and commodity-related stocks, which are more sensitive to economic cycles, were among the hardest hit.

US jobless claims rose by 25,000 to 471,000 in the week ended May 15, exceeding the median forecast of economists surveyed by Bloomberg News and the highest level in a month. The number of people receiving unemployment insurance and those getting extended payments dropped.

US consumer price inflation fell 0.1% in April, pulled back by energy, housing, auto and apparel prices. The CPI is up 2.2% year-on-year.

Transurban – The Canadians Bail-out

Canadian pension fund Ontario Teachers Pension Plan Board sold its 12.5 percent stake on Monday. The sale ends hopes that the fund, along with the Canada Pension Plan Investment Board and investment firm CP2, would make a further bid for Transurban. The three firms, Transurban's largest stakeholders, recently had their offer of A\$7.2 billion cash for the toll road operator rejected by the company's board.

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