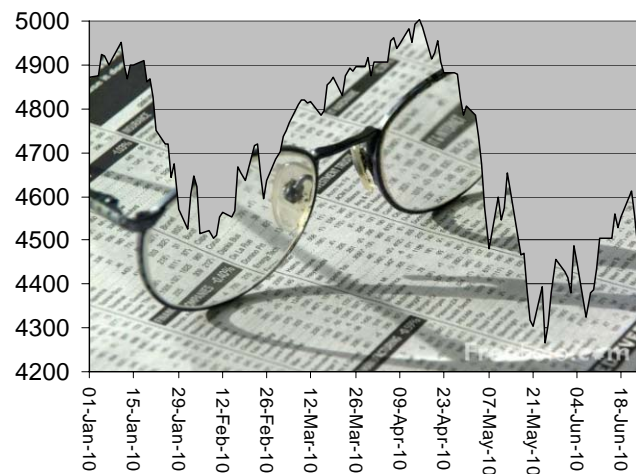


# Investment Managers Weekly Review

25 JUNE 2010

## PERFORMANCE AT A GLANCE

WEEKLY MARKET WRAP		
Aust Market	4479.65	-1.1%
US Market	10152.8	-2.7%
Japan Market	9928.34	-0.7%
UK Market	5100.23	-2.9%
GOLD	1245.9	-0.2%
OIL	76.51	-0.1%
A\$US\$	0.8667	-0.2%



THE AUSTRALIAN SHARE MARKET - YEAR TO DATE

## Market Wrap

### Australian Market Performance (S&P/ASX 200): 4,479.7 -1.1%

The Australian market reversed last week's gains this week. The S&P/ASX 200 Index fell by 47 points. This week was a fairly quiet week for news flow from our local companies. The two main news events were the announcement from Telstra on Monday regarding the NBN agreement (viewed as positive) and the presentation from Macquarie Group on Thursday about market conditions affecting their business (viewed as negative over the immediate future). The promotion of Julia Gillard to the position of Prime Minister and her initial conciliatory remarks directed at the Australian mining industry resulted in share price rallies of about 2% for BHP and RIO and generally stronger market prices for other mining stocks on Thursday. In Europe, the UK budget was delivered during the week. Tax increases and spending cuts were the order of the day; symptomatic of fiscal tightening required of many European countries to address chronic deficits.

### Telstra

On Monday Telstra announced that it had reached agreement over the government's National Broadband Network (NBN). The agreement however is subject to an independent experts report and a shareholder vote. The transaction, if completed, would deliver to Telstra \$11B. This payment represents the cost of decommissioning Telstra's copper network and their cable broadband service. The agreement comes after many months of negotiations. Further agreements will need to be reached over coming months dealing with how and when to migrate Telstra's customers across to the new fibre optic network.

## Macquarie Group Ltd

Macquarie Group CFO Greg Ward in a presentation to the USB Australian Financial Services Conferences said in the update that market conditions are increasingly uncertain, making short term forecasting difficult. "These market conditions are adversely impacting some business activity levels" he said, adding that it was too early to evaluate implications for full year 2011 results. He added that the medium-term profit outlook was left largely unchanged. In a presentation to analysts, he said if economic activity continued at present rates in key markets, higher revenue and profits are expected.

## Re-valuation of Chinese Yuan

Investors received good news over the last weekend when China said it will allow its currency, the yuan, to rise against the US dollar, after it was pegged to the dollar over the last two years. Freeing up the currency could be a boon to U.S. manufacturers and exporters, who suffered as the artificially low yuan made imports into China more expensive. China cautioned that the yuan's rise would happen only gradually. On Monday, the dollar was barely changed versus the yuan and was 0.5% higher versus the yen. The euro barely budged versus the U.S. currency. The weak euro has been something of a proxy for investor worries about the various European economies over the last few months.

## Suncorp Metway

Suncorp Metway outlined plans during the week to double new life insurance business over the next three years. The plan involves cross-selling life insurance through GIO and their other brands. Suncorp has 9 million customers and the company has had success in selling them car and home insurance products. While the Australian life insurance market grew by 13% last year, Suncorp's growth rate was only 7%. This division currently accounts for 20% of Suncorp group earnings.

## US Markets

The Federal Reserve has acknowledged the faltering pace of US economic recovery as it renewed its vow to hold benchmark interest rates exceptionally low for an extended period.

In a statement at the end of a two-day meeting on Wednesday, the Fed scaled back its assessment of the pace of recovery, taking note of pockets of weakness, and also issued a cautionary note about volatile financial markets in light of Europe's debt woes. But it stuck to its expectation that the economy will continue to gradually emerge from the worst recession in decades. "Financial conditions have become less supportive of economic growth on balance, largely reflecting developments abroad," the central bank said in a statement.

As expected, the Fed held overnight rates in the zero to 0.25 per cent range set in December 2008 as it fought the deep recession and virulent financial crisis. Federal Reserve Chairman Ben Bernanke said he expects the world's largest economy to expand at a 3 per cent annualised rate this year and gain steam in 2011. Still, he cautioned that "a significant amount of time" would be required to restore the nearly 8 ½ million jobs that were lost over 2008 and 2009.

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