

Economic News

Economic indicators released in December were mixed. Australia's jobless rate was steady at a seasonally adjusted 5.3% in November. The economy lost 6,300 positions, with full-time employment decreasing 39,900 and part-time employment increasing 33,600. The participation rate was steady at 65.6%.

The ANZ Job Advertisements Series was unchanged for the month of November, whilst annual Series growth slowed to 0.2% for the 12 months to November 2011.

Retail sales were unchanged in November (seasonally adjusted), following a 0.2% rise in October 2011. Food retailing (0.4%), household goods retailing (0.6%), and cafes, restaurants and takeaway food services (0.6%) rose, whilst department stores (-0.2%) and clothing, footwear and personal accessory retailing (-0.1%) fell.

Consumer confidence fell sharply in December by 8.3, from 103.4 in November to 94.7, according to Westpac Melbourne Institute Index of Consumer Sentiment. This is the lowest level since August and largest fall in consumer confidence since October 2008. Growth in unemployment and developments in Europe contributed to the fall.

October Building Approval figures, seasonally adjusted, showed total dwelling unit approvals fell 10.7% in October following a fall of 14.2% in the previous month. Private sector housing approvals fell 7.5% whilst private sector dwellings excluding houses fell 16.8%.

The Reserve Bank of Australia (RBA) Board did not meet in January, and the official cash rate remained unchanged. In

December, the RBA Board lowered the cash rate by 0.25% to 4.25%, based on volatile financial markets and weakness in Europe. Additionally, a number of sectors in Australia outside of mining have been experiencing periods of weakness.

Economic indicators released in the US in December were also mixed. Inflation in the US was unchanged for November and rose 3.4% in the 12 months to November 2011. Food prices rose 0.1% whilst gasoline fell 2.4%. Core inflation, excluding food and fuel, rose 0.2% for the month, and 2.2% in the 12 months to November 2011.

The US Labor Department reported that the unemployment rate fell to 8.5% in December, the lowest level in almost three years as the economy added 200,000 jobs. During 2011, 1.64 million positions were added, the best year since 2006. Average hourly earnings also rose 0.2% to \$23.24. Transportation and warehousing, retail, hospitality and the manufacturing industries all recorded gains.

US Consumer confidence increased to 64.5 in December from a 55.2 in November according to research group The Conference Board. Improving labor market conditions contributed to the result.

The Australian dollar (AUD) appreciated against the US dollar in December, rising 1.35% in December to end 2011 at US\$1.0156. However the AUD has weakened in 2011, falling 0.07% for the year. The AUD was stronger against other currencies for the month, rising 4.40% against the Euro, 2.55% against the British pound sterling and 0.87% against the Japanese Yen.

Market moves — as at 31 December 2011

Returns (%) p.a.	1 mth	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
Australian Equities							
S&P/ASX 200 Accumulation Index	-1.35	2.12	-9.71	-10.54	7.58	-2.31	6.15
S&P/ASX Small Ordinaries Accumulation Index	-4.30	-0.60	-12.32	-21.43	11.83	-5.18	6.48
Global Equities							
MSCI World Acc Index with Gross Div (A\$)	0.19	2.12	-6.09	-5.03	-1.73	-6.85	-2.84
S&P 500 Composite Accumulation Index (A\$)	1.23	6.00	0.57	2.10	0.35	-5.36	-3.99
FTSE100 Accumulation Index (A\$)	0.25	3.46	-3.72	-2.92	1.03	-8.00	-2.06
MSCI Emerging Markets Free W/Gross Div (A\$)	-0.99	-0.98	-15.42	-18.19	5.89	-2.56	6.53
REITS (Listed Property Securities)							
S&P/ASX 300 A-REIT Accumulation Index	-2.55	3.81	-4.64	-1.56	2.32	-15.19	0.64
UBS Global Investors TR Hedged (A\$)*	2.30	8.58	-6.97	2.46	17.86	-5.32	n/a
Fixed Interest							
UBS Warburg Composite Bond Index	0.77	1.93	6.65	11.36	6.30	7.40	6.46
UBS Warburg Bank Bill Index	0.39	1.21	2.46	4.99	4.37	5.48	5.44
BarCap Global Aggregate Index Hedged \$A	1.90	2.04	6.41	10.51	9.27	8.73	8.16

Data source: IRESS, Perpetual Funds Management, Morningstar. Returns greater than one year are annualised

* Please note that the Global Property Index has changed from UBS Global Real Estate Investors Index (A\$) to UBS Global Investors TR Hdg (A\$)

S&P/ASX 200 Stock Performance for the Month of December 2011

Best Performers		Worst Performers	
Hastings Diversified	(+19.19%)	Billabong	(-51.90%)
Energy World Corpor.	(+12.30%)	JB Hi-Fi Limited	(-27.40%)
Gloucester Coal	(+11.83%)	Linc Energy Ltd	(-24.66%)
Cochlear Limited	(+11.71%)	Mirabela Nickel Ltd	(-24.32%)
Aston Res Ltd	(+10.04%)	Dart Energy Ltd	(-24.21%)

Data source: IRESS: S&P/ASX200 top performers

S&P/ASX 200 Stock Performance for 2011

Best Performers		Worst Performers	
Sigma Pharmaceutical	(+99.07%)	White Energy Company	(-88.95%)
Iluka Resources	(+69.58%)	Energy Resources	(-83.38%)
Aurora Oil & Gas	(+51.34%)	BlueScope Steel Ltd	(-78.75%)
Mesoblast Limited	(+47.54%)	Billabong	(-78.28%)
Beach Energy Limited	(+42.77%)	OneSteel Limited	(-72.97%)

Data source: IRESS: S&P/ASX200 top performers

Australian Equities

The Australian share market weakened in December, with the S&P/ASX 200 Accumulation Index falling 1.35%. The S&P/ASX Small Ordinaries Accumulation Index underperformed large cap market in December, falling 4.30% for the month. The small cap market has also underperformed the large cap market for 2011, registering a loss of 21.43% compared to a fall of 10.54% for the large caps.

Global Equities

Global equities posted a small gain in Australian dollar terms for the month, with the MSCI World Accumulation Index rising 0.19%. The S&P 500 Composite Accumulation Index (A\$) and the FTSE100 Accumulation Index (A\$) also rose, gaining 1.23% and 0.25% respectively in AUD terms.

Emerging Markets were weaker than broader global equities markets in December, with the MSCI Emerging Markets Free W/Gross Div (A\$) falling 0.99%. The Index has fallen 18.19% over the past 12 months, underperforming developed equity markets, represented by the MSCI World Accumulation Index.

Overseas markets were mixed in December. In Japan, the Nikkei lost 0.25% for the month, while in Hong Kong the Hang Seng rose 2.47%. The Shanghai Composite was weaker for the month, falling 5.74% in local currency terms. In Europe, the German DAX index fell 3.13% in December while the French CAC40 rose 0.16% in local currency terms.

REITs (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index fell 2.55%, underperforming the broader domestic equity market for the month. Overall, the S&P/ASX 300 A-REIT Accumulation Index lost 1.56% during 2011, outperforming the broader equity market.

The UBS Global Real Estate Investors Index (Total Returns) Hedged (A\$) rose 2.30% in December, outperforming the domestic index. During 2011, the Index gained 2.46% outpacing the domestic REIT market.

Fixed Interest

The Australian bond market was stronger in December, after the Reserve Bank of Australia's decision to cut interest rates. The UBS Warburg Composite Bond Index rose 0.77% in December, while the UBS Warburg Bank Bill Index rose 0.39%. Over the 12 months to December, these indices returned 11.36% and 4.99% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 1.90% in December and has returned 10.51% for the calendar year 2011.

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