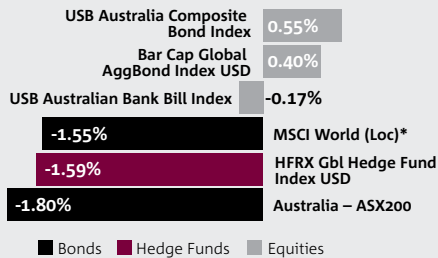


In this issue

- > Risk Monitor – What to watch
- > OTB – Emu heads in the sand
- > Markets – Correction continues

June 2011 Returns



What's changed in June

Global stocks continued to fall in June as Greece bailout jitters weighed on investors minds. Stocks were down as much as 5% before recovering most lost ground on the back of settling concerns in Europe, and global economic data that eliminated budding fears of economic double dips. Commodity indices were hardest hit again, with grains and industrial metals especially weak. Both developed and emerging equity markets fell roughly 2% in local currency terms.

- Developed market equities fell 1.8% in local currency terms, led by the US.
- Emerging market equities were down a little over 2% with Eastern Europe and Latin America offsetting larger falls in Asian markets
- Global sovereign bond yields were down for the month. Peripheral European country yields remained elevated.
- Oil fell around 8% as near-term supply concerns diminished with the IEA decision to release strategic reserves.
- Global credit was down in June as spreads widened.
- The AUD gained slightly against the USD in a volatile month and was flat versus the Euro and Yen.

EU Dodge Ball and Much Ado About Nothing

European Union (EU) dodge ball continues to be played with Greece dodging another ball in June with an announced €28bn austerity package.

The game of dodge ball usually pits two teams against each other, with opposing teams trying to hit each other with balls. If you get hit, you're out, if you successfully avoid getting hit with a ball, you continue on. Because of its simplicity, dodge ball is typically played by young children to help develop a sense of balance among other things. EU dodge ball is being played by the 17 current members who have adopted the Euro as their currency. The UK and Sweden have opted not to participate in the game as yet. Eight other countries remain in the minor leagues or sidelines, with three (Denmark, Latvia, and Lithuania) demonstrating great promise of economic convergence or "balance".

So what are the teams? I grew up playing a variant of dodge ball called "bully ball" where there is really one big team with the "bullies" getting to throw all the balls at the weaker participants. The bullies

were stronger, had good balance, and had been playing the game longer than the rest of us. The weaker participants knew that it was better to play "bully ball" than risk being by oneself. Over the course of the last month, Greece has dodged a no-confidence vote, passed a new round of austerity measures, and will likely receive the fifth IMF instalment. Competitiveness issues remain in Europe and separate the strong from the weak. Until this gets addressed, bully dodge ball and financial market vulnerability plays on.

Much is being made of the US debt limit debate. The US debt limit has been raised a total of 81 times (with some minor reductions along the way). The increases have coincided with a bipartisanship framework that is no different than to today. Politicians seem to be at odds on deficit reduction plans that accompany the debt-limit vote. Do we get Dogberry or Don Pedro?

Looking Ahead

Maintain current asset allocation – We make no changes this month, however, we continue to evaluate safe-haven asset classes such as domestic fixed income relative to risk assets such as EM equities.

We advocated a more defensive position back in February and acknowledge that markets have moved to price in a fair bit of the headwinds that we concluded were likely to impair these risk assets.

With RBA policy likely on hold until the end of the year, we remain defensively positioned. While we can't point to absolute exit/entry levels for bonds versus equities, we feel the relative decision has slightly tipped equities over bonds. We're not quite ready to throw caution to the wind and thus maintain our 'negative outlook' as opposed to a reduction in Australian fixed income as we feel some duration is good insurance against tail risk outcomes—both domestic and abroad. We elevate to 'positive watch' our outlook for emerging market equities as the headwinds we highlighted back in our December issue are abating.

Summary of policy developments

Release of Strategic Petroleum Reserves – The 28 member states of the International Energy Agency (IEA) countered OPEC's decision not to increase output by releasing government controlled reserves. The decision to release 60 million barrels over 30 days is the first decision to do so in five years.

Greece Passes Austerity Package – Greek lawmakers approved a combined €78 billion in austerity measures including spending cuts, tax rises and asset sales, a prerequisite for additional aid from the European Union and the IMF.

Asset Allocation

Equities

Australia

June was another poor month for equities with the Australian market losing 1.8% as investor sentiment remained weak as a result of the debt issues in Europe and softer economic data in Australia and the US. The Australian market finished up 11.7%, including dividends, over the 2011 financial year. Energy stocks were hit hard in June, down 8.4%, driven by the US\$7 fall in the price of crude oil and cost blowouts in some Australian projects. Telecoms were dragged lower by the fall in Telstra's share price. Our defensive stock positioning continued to pay off with defensive, yield-driven sectors including utilities and consumer staples rising again in June. Smaller resource companies fell significantly, down 9.7% in June, and more than 20% below their February 2011 peak.

With prices slightly lower than last month's, the market is currently trading on 11.3 times forecast 2012 earnings, and a forecast cash dividend yield of 5.0%. Earnings per share are forecast to grow by 11.3% from 2011 to 2012, with banks and resources companies expecting earnings growth of around 8% over the next year, due to slower credit growth and more subdued gains in the Australian dollar-denominated prices of major commodities.



We suggest:

Continue to remain in larger defensive companies with high sustainable dividend yields.

International Equities

Global equities continued May's decline and lost ground in June, although on a six and twelve month basis they are up 3.3% and 22.5% in local currency terms. Potentially masking the impressive twelve month returns would be the choice of hedged or unhedged currency. Hedged global equity returns have trounced unhedged as the AUD has surged against most major currencies. Currency decisions more often than not garner the lion's share of international investing volatility.

Regionally, Japan (+1) outperformed both the US and Europe which were both down roughly 1.5%. Energy and financial shares have been the weakest during the past two months given the correction in oil, and debt and bank capital concerns in both Europe and the US.

We maintain our favourable outlook for US equities as earnings growth remains solid despite the near-term weaker macro environment. We are nonetheless concerned about a few issues over the next few months, chiefly firstly what a stable (not expanding)

Fed balance sheet means for risk assets in general, and secondly whether bipartisanship prevails in the US Congress and that debt-limit increases and deficit reduction talks don't hang over markets, thirdly whether second quarter US economic weakness creeps into earnings and sales outlooks.

On the first point above, QE1 and QE2 had a positive impact on equities as investors realised there was a "Fed put" in place. Although we can't conclude that the end of QE2 will provide the same dampening effect similar to the conclusion of QE1, it seems reasonable that without this Fed safety net, equities may be more volatile, especially in a sub-par growth environment. Point three above, reveals our concerns around highly elevated profit margins and the vulnerability earnings growth may have to a weaker sales outlook.



We suggest:

Valuations are supportive. US over Europe. Prefer large cap over small cap.

Emerging Market Equities (EM)

EM equities underperformed developed markets by 50 basis points in June as concerns of global growth and drops in commodity prices impacted some larger EM markets. Year-to-date developed market outperformance is roughly 5% as EM have struggled under higher inflation and tighter policy conditions.

Central banks continue to tighten across emerging economies, but looking forward, the rate of change has slowed significantly and coupled with the sharp falls in grain and energy prices, the bulk of the pressures may indeed be dissipating. The aggressive monetary position adopted by central banks in emerging economies may be relaxed over the coming months as the focus may change back to pro-growth policies.

As growth and liquidity conditions improve domestically, fundamentals should provide a slight edge to EM shares over Developed market shares over the remainder of 2011. The consequence of moderating policy may be felt more on EM currencies—which have broadly benefitted from tightening. With Asia potentially lagging other EM on easing financial conditions, we remain neutral EM equities with no regional preference.



We suggest:

Emerging market equities to marginally outperform developed markets. No regional preference.

Fixed Income

Australian Cash

In Australia, the economic data has been somewhat mixed, although the latest June employment figure was encouraging, with 23,400 new jobs created, however, other economic releases have been disappointing. Earlier in June, the NAB business survey showed that business conditions eased from +5 in April to +1 in May, suggesting a slightly lower-than-average growth in domestic demand. Furthermore, weaker credit and housing data underscore the cautiousness in households.

Given this outlook, there was no surprise in the RBA board's decision to remain on hold early in July. Interestingly as well, the GDP forecast for 2011 was downgraded due to the larger-than-expected slowdown in Q1. Nevertheless, the RBA still expects rates to go higher eventually, but the tone of the statement suggests that the board is happy to wait for now until the economic data improves.

We remain of the view that another rate hike is likely sometime this year, as the expected recovery boost output over the months ahead. Term deposits are attractive, but stay in shorter maturities.



We suggest:

Term deposits remain attractive. We prefer six-month deposits.

Australian Fixed Income

Although quite volatile, the 10-year Australian government bond yield finished almost unchanged for the month of June. However, there was a steepening of the yield curve as the weaker economic data flow resulted in investors paring back their expectations of a rate hike by the RBA. Following the central bank's decision to remain on hold early in July, the curve has remained steep reflecting investors' concern over the near-term domestic growth outlook.

The government bond index recorded a small positive gain for June, up 0.6%. Despite credit spreads widening during the month, corporate bonds also managed to scrape a positive return and, although inflation-linked bonds lost nearly 1% in the last week of the month, they were flat for the month.

Asset Allocation

Fixed Income continued

While the softer economic patch has lasted longer than expected, the resource sector's capital expenditure is still expected to spur the economy in the second half of the year. We remain neutral Australian fixed income, which still represents our preferred insurance choice.



We suggest:

Remain neutral Australian fixed income. Shorter duration bonds favoured.

Global Fixed Income

Until the last week of June, market uncertainty kept all major sovereign yields lower, however, the positive events later in the month pushed yields higher, with UK Gilts and US treasuries losing over 1% in the last four days of the month.

As a result, June returns were negative for most sovereign bond indices. On a yearly basis, index returns were mostly positive, UK Gilts were up 1.7%, US treasuries gained 3.4% and, not surprisingly, the Iboxx Euro sovereign index was the worst performer managing just 0.02% for the last 12 months. Our preference for domestic over global fixed income has clearly paid off in the last 12 months, with the Australian composite bond index up 5.6%.

Although the positive economic news later in June has been encouraging, we remain cautious in our outlook. Recent events should serve to remind us of the precarious state of the global economy. For now, Europe has bought more time for other peripheral countries to get their house in order and for the EU to establish a debt restructuring process. The expected fiscal tightening on both sides of the Atlantic are likely to present further headwinds for growth and with the ongoing deleveraging process, we should be prepared for further uncertainty along the way. We remain underweight global fixed income, preferring domestic fixed income instead.



We suggest:

Remain underweight global fixed income – preferring shorter duration.

Global Credit

The lack of risk appetite kept corporate issuance very low in June with spreads finishing wider across both high and low grade bonds. As government yields also rose, all major cash corporate debt indices had a negative month, with the higher beta sub-classes experiencing the largest pull back.

European high yield debt was the biggest loser, down 1.5%, and longer duration corporate indices in the UK and US also experienced losses close to 1%. Looking at yearly returns, European high-grade corporate debt was up 2.6%, lagging the US and UK which were up 5.2% and 6.0% respectively. Euro and US high yield debt managed double digit returns for the year, but have lagged other indices in the last few months, vindicating our earlier in the year decision to withdraw from the sector. Over the last 12 months, global credit has outperformed sovereign debt, supporting our asset allocation recommendation.

The healthy state of corporate balance sheets and ultra-low borrowing costs are strong fundamentals supporting the asset class. Nevertheless, the ongoing process of rate normalisation in Europe coupled with the required fiscal tightening in the US and Europe may present some challenges to higher beta names. The recent downgrade of Portugal and the impact on its domestic corporates are a fresh reminder of the current market challenges.

Within fixed income, we maintain our preference for credit, emphasising the importance of diversification and sector rotation flexibility.



We suggest:

Global credit likely to outperform sovereign fixed income over the next 12 months.

Alternatives

With equity markets and commodity prices continuing to fall in June, hedge funds lost money again, with the HFRX Global Hedge Fund Index losing 1.6% for the month, the largest decline since May 2010. Year-to-date, hedge funds are down by around 2.1%, underperforming bond and equity markets.

Equity market neutral funds gained 0.9% over the month, bringing year to date performance to 2.7%, as factor-based and behavioural equity market neutral strategies generated gains. Fundamental value long/short funds lost 2.6% again in June, fundamental growth funds were also down by 0.9%, with negative contributions across all market capitalisations and geographies.

Event-driven funds posted their second losses in six months returning -1.3% in June, with distressed, mergers and special situations strategies all losing money due to risk aversion and widening credit and deal spreads.

Relative value arbitrage strategies were down 0.5% in June, bringing year-to-date gains back to 1.4%. Gains from sovereign bond and other yield trading strategies were offset by declines

in multi-strategy credit trading, corporate bond and convertible arbitrage strategies. Rising yields and widening credit spreads hurt most funds.

Macro funds lost 2.4% over the month, with factor-based trend-following strategies hurt by sharp reversals in market direction during the month, Systematic trading posted a decline of 3.5% for June, the largest decline since July 2010.



We suggest:

Remain overweight alternative investments, particularly equity long/short, global macro and event driven strategies.

Real Estate

Capital city dwelling prices fell 0.3% again in May, the most recently reported month. Capital city house prices were down around 0.3% whilst prices outside capital cities were down by 0.1%. Perth prices continue to be hard hit off 2.2% for the month and 7.5% for the past year, whilst Sydney prices were 0.3% higher for the month and 1.0% for the year. Nationally, capital city unit prices were flat for the month. Over the past 12 months, prices for all dwellings were 2.3% lower. Rental yields were 5.0% for units and 4.2% for houses with Darwin providing the highest yields. Nationwide, the more expensive suburbs have fallen more heavily in price, down 3.9% for the past 12 months compared with a fall of only 0.9% for the cheapest suburbs.

The outlook for property prices, particularly at the premium end of the market, remains weak with the higher interest rates, stronger dollar, weaker stock market and consumer de-leveraging continuing to weigh on the market.

With falling equity markets, listed property securities in Australia fell 0.6% in June and internationally REITs lost 2.5%. Listed real estate companies in Australia are currently trading on a forecast 2012 dividend yield of 6.2% with earnings growth of around 4–6% over the next two years.

Whilst expectations for further Australian rate hikes have been pushed back several months and yields and growth forecasts look reasonable, the property sector continues to look relatively unattractive compared to other asset classes, from a total return perspective, both here and overseas, and we continue to remain underweight property.

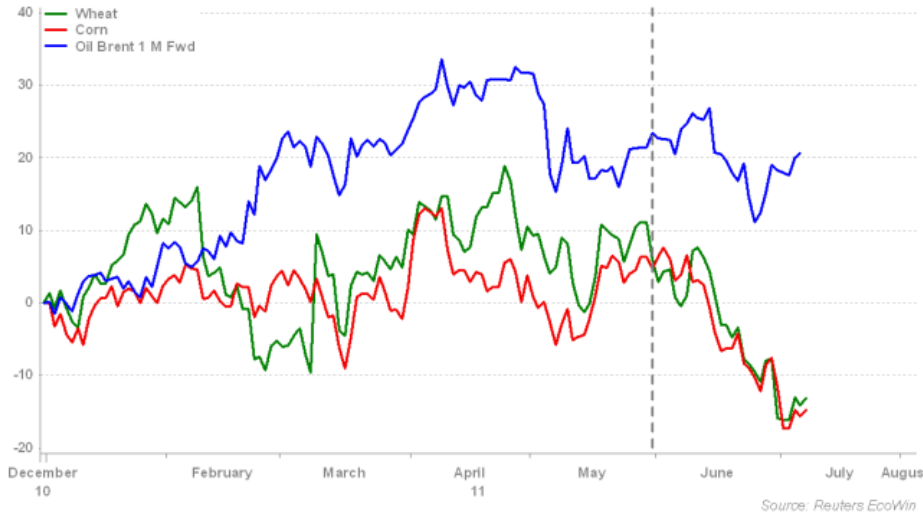


We suggest:

Cheaper Sydney residential, opportunistic growth opportunities in Australia and Asia.

Asset Allocation

Commodities Monitor
Oil and soft commodity prices continue to come under pressure by supply side factors

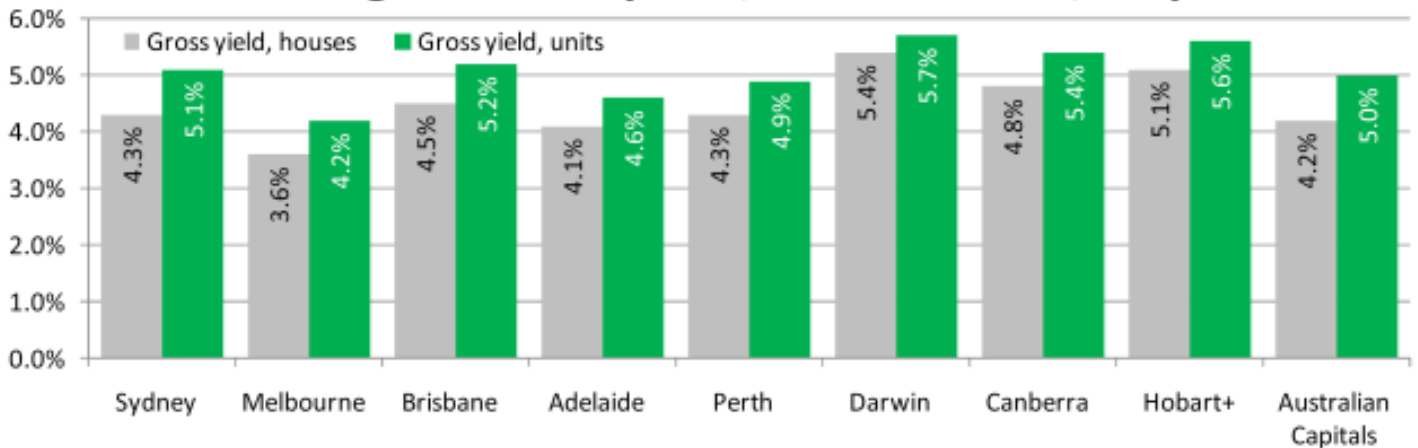


About our recommendations



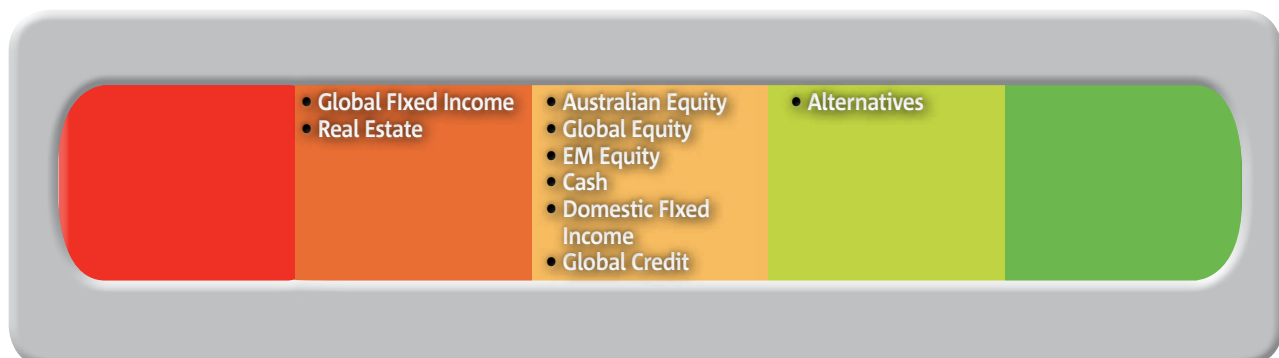
The Asset Allocation recommendations reflect the NPW's views on the relative attractiveness of the asset class over a 1–3 year holding period. A neutral allocation (orange) means hold a neutral strategic allocation to the asset class, single minus underweight (orange) or single plus overweight (light green) recommendations are meant to rebalance the asset class progressively towards the bottom or top of your strategic asset allocation range using cashflows inflows or outflows to the portfolio. A double plus overweight (dark green) or double minus underweight (red) recommendation is intended to be rebalanced to the top end or bottom end of your strategic asset allocation range immediately by selling some assets and buying others.

Hedonic gross rental yields, Houses v Units, May 2011



Source: RP Data–Rismark, + Hobart data to April 2011

Current Asset Allocation



Strategy

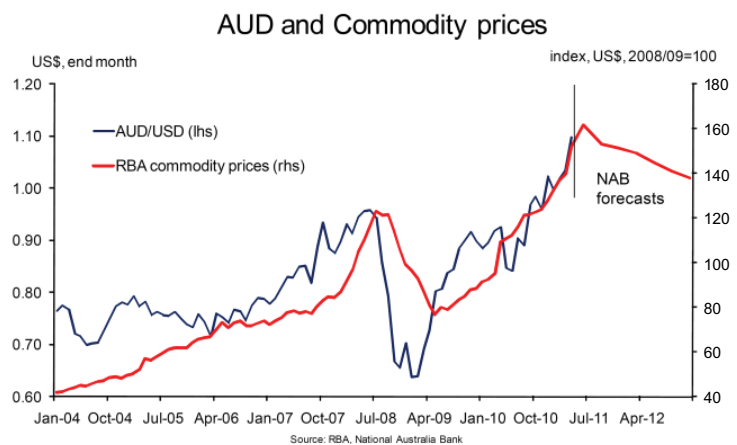
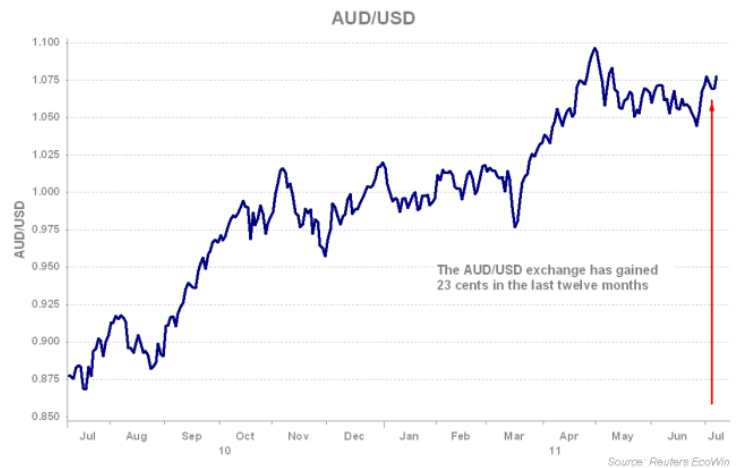
Currency Corner

The flow of softer domestic economic data coupled with sovereign debt issues in Europe raised concerns over the domestic economy. Over the month, investor concern was evident as early in July traders priced a 20% chance of an RBA rate cut. Eventually, by the end of the month, as the threat of a near-term Greek debt default receded, the surge in risk appetite helped the AUD/USD recover earlier losses, closing the month slightly up at US\$1.0717.

With the RBA deciding to remain on hold early in July, gains in the currency will rest on markets moving to price an RBA rate hike again. In this regard, although the recent stronger-than-expected employment number of 23,400 was a pleasant surprise, the unemployment rate was unchanged at 4.9%. Looking ahead the CPI number at the end of the month is a key data point to watch. The inflation number should help in the assessment of the health of the Australian economy and hence the outlook for RBA official rates in coming months.

Over the last 12 months the AUD has gained over US\$0.20 against the USD and nearly €0.10 against the Euro. Our strategy to remain fully hedged over the period has also worked. Looking ahead, gains of a similar magnitude are harder to envisage. The expected decline in commodity prices is a potential headwind for the currency, and with the RBA close to the end of its tightening cycle, we would not be surprised to see the AUD pull back some of its gains over the next 12 months.

We suggest:
Maintain AUD/USD strategic hedge ratio at 75%
(Last change May 2011)



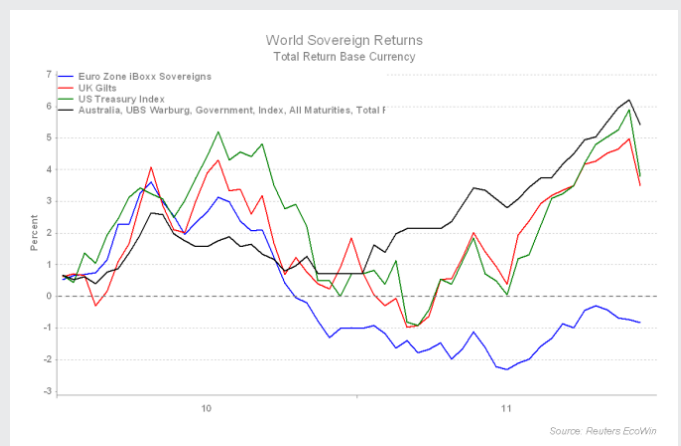
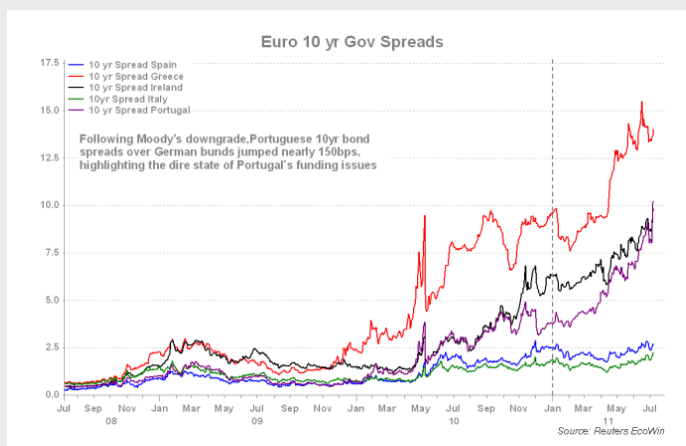
Strategy Corner

	Income Focus	Growth Focus	Opportunistic Trade Ideas
Liquid	<ul style="list-style-type: none"> Australian buy-write or reverse convertible strategies Diversified global credit Domestic term deposits Inflation-linked bonds and deposits Insurance-linked investments Australian bonds 	<ul style="list-style-type: none"> US shares – large capitalisation, major brands Australian shares – large capitalisation, defensive sectors with high fully-franked dividends Long/Short equity hedge funds particularly Asian focused funds Systematic macro hedge funds 	<ul style="list-style-type: none"> Buy USD / Sell Euro Buy USD / Sell Yen Write calls on 10-year Australian Government bonds Long oil Short Japanese Government bonds Long US equity volatility
Liquid	<ul style="list-style-type: none"> Mezzanine and private debt 	<ul style="list-style-type: none"> Diversified private equity – fund secondaries and co-investments Opportunistic property Australian water entitlements 	
All-weather portfolio	60–70%	20–30%	0–10%
Currency positioning		75% hedged into AUD / 25% unhedged	
Interest rate positioning		Shorter term fixed rate or floating rates	

Strategy

Risk Monitor – What to Watch

- European Debt Crises** – The approval of the new Greek government's austerity measures and implementation legislation has helped ease market concern over a default and contagion impact in the near term. However, the current market conditions make it practically impossible for Greece to return to the bond market in 2012, therefore the focus has now turned to a potential multi-year rescue package for Greece. A proposal of rolling Greek debt appears to be gaining support, nevertheless in its current form, it is only a liquidity solution that allows Greece more time to solve its nearly hopeless solvency issue. Perhaps more importantly, it would provide additional time for other peripheral countries to prove they are not like Greece.
- Global Food and Energy Prices** – Oil and soft commodity prices continue to come under pressure as announcements addressing supply aspects in June took the reins in June from the demand concerns in the month of May. Grain prices, such as corn and wheat, have fallen the most sharply, a very welcome relief to developing nations' efforts to keep food costs contained. The decision by the IEA to release strategic oil reserves pushed crude oil prices to the lowest levels in six months. US average fuel prices have fallen roughly 10% from their US\$4 a gallon peak in early May.
- Currency Impasse** – Inflation remains high across many emerging nations and policy rates have moved up in China, India, Korea, Taiwan and Thailand in recent weeks. We still expect to see further policy tightening along with alternative policy mixes in order to prevent aggressive currency appreciations. Brazil has been in the news again voicing its concern over the damaging rise of the Real and announcing a range of additional measures to prevent the currency appreciating further. Brazil's concerns reflect the dilemma faced by many emerging nations, currency appreciation may help fight inflation, but it also hinders the competitiveness of domestic industries.
- US Growth** – Over the course of the last few weeks, there have been some developments that suggest the US economy may have a better outlook over the remainder of 2011. For starters, commodity prices have eased, with oil down US\$20/barrel since April's end. Supply shortages in key electronic components due to the Japanese earthquake, seem to be abating with motor vehicle production responding positively over the past few weeks. This increase was likely to have been behind the up-tick in the Chicago PMI and national ISM at June month-end. With inventory concerns and commodity pressures backing off, the outlook for sustained economic weakness may have weak foundations. Factor in the near 60 bps decrease in long-term interest rates over the first half of 2011 as well as a currency that remains at near record lows versus a basket of major trading partners, and all the ingredients seem to be in place for an improving economy over the remainder of 2011.
- Australian Residential Housing** – Residential property price growth continues to remain subdued with capital city house prices down again in May, the most recently reported month. Prices peaked in May 2010, and although falls have been modest, subdued consumer spending and possible interest rate rises mean that prospects for material gains in property prices appear to be low over the next year.



Strategy

Outside the Box: Emu heads in the sand

Some commentators have argued that the current sovereign debt crisis in Europe is not really a debt crisis but rather the inevitable failure of the European Monetary Union (EMU). In particular, the problems lie in both the structure and the leadership of the EMU.

EMU birth

The original driving force behind the creation of a common currency in Europe was that it was seen as the first step towards the creation of a political union, which had universally been regarded as the ultimate method for guaranteeing peace in post-war Europe. However, with the fall of the Berlin Wall in 1989, the emphasis shifted from European political stability to the economic benefits that the EMU would create for its member countries.

The architects of the EMU had seen the failure of prior monetary unions, both through a common currency and de-facto unions through fixed currency exchange mechanisms, where the build-up of significant fiscal imbalances in some member states led to the monetisation of these imbalances through “printing money” (government bond purchases in the primary market by the central bank funded by monetary creation), which ultimately resulted in the collapse of these monetary unions. Creating monetary unions, without also creating political unions, is therefore a risky proposition—like trying to keep a marriage going when one partner has a gambling addiction. To reduce the risk of failure, the original principals of the Maastricht Treaty, that constituted the EMU, included provisions that attempted to protect the newly-formed European Central Bank (ECB) from any pressure to monetise fiscal deficits by prohibiting the ECB from buying government bonds in the primary market and by giving the ECB strong levels of independence from its member countries.

In addition, the Maastricht Treaty also contained rules for member countries around the maximum government debt-to-GDP ratio, which was set at 60%,

and the annual government deficit-to-GDP ratio which was limited to 3%, with strict requirements for countries breaching these levels to implement measures to restore them relatively quickly.

Weakening

When market funding for heavily-indebted EMU countries dried up, European banks were allowed to buy government bonds in the primary market and then finance these bond purchases by providing them as collateral for borrowing from the ECB. As the credit rating on Greek bonds fell below the limit that made them eligible as collateral with the ECB, the ECB simply waived the limit and continued to allow banks to use them as collateral for loans. So even though the ECB has not directly bought the debt of fiscally irresponsible member countries in the primary market, it has done so indirectly through the banking system. The ECB has also bought bonds of these countries in the secondary market. Additionally EMU member countries created various programs including the €750 billion European Financial Stability Facility, the €60 billion European Financial Stabilisation Mechanism and the €80 billion Greek Loan Facility, which are outside of the ECB and allow funding of the fiscal deficits of weaker member states.

Death?

With the benefit of hindsight, it appears that creation of the EMU, without political union, and by allowing too many economically diverse countries easy entry in the EMU, was a recipe for disaster. Therefore EMU leaders probably need to consider whether they want the EMU to continue and, if so, they need to take some form of bold action to restore the EMU back to the original principles

of the Maastricht Treaty. Another solution that has been suggested is to create some form of political or fiscal union whereby EMU countries borrow collectively by issuing jointly guaranteed Euro bonds up to 60% of their GDP so all countries borrow at the same rate of interest and for those countries with government debt-to-GDP ratios above 60% they borrow from the bond markets independently at higher rates. This has some parallels to the situation in Australia where both the Commonwealth issues bonds and then partially or fully funds the State budgets and if States need to borrow more they do so separately at a higher rate of interest.

Unfortunately the leaders of those countries in the EMU haven't been particularly decisive or innovative in dealing with the fundamental problems, with a tendency to defer important decisions and ignore the root cause of the problems. The result is that there is probably a significant risk of some form of break-up of the EMU, with weaker countries which probably should never have been included in the EMU, either ejected or asked to “voluntarily” leave.

Tracking Our Changes

Asset Class	View	Changed From	Date Of Change	Comments
Cash	N	N	–	Dry powder – simple market vulnerability hedge
Domestic Fixed Income	N	–	February 2011	Remains on negative watch
Global Fixed Income	–	N	January 2010	
Credit	N	+	January 2010	Positive domestic credit
Australian Equity	N	+	February 2011	Attractively priced but subdued earnings growth
Global Equity	N	N	–	Mixed outlook – US supportive factors starting to weaken slightly
EM Equity	N	–	January 2010	Policy headwinds abating – on positive watch
Alternatives	+	+	–	Flexibility preferred in uncertain environments – Long/Short equity
Real Estate	-	N/A	September 2010	Yields and price growth generally unattractive relative to other sectors

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The Asset Allocation recommendations reflect the team's views on the relative attractiveness of the asset class over a 1–3 year holding period. A neutral allocation means hold a neutral strategic allocation to the asset class, single minus or single plus underweight and overweight recommendations are meant to rebalance the asset class progressively towards the bottom or top of the strategic asset allocation range using cashflows inflows or outflows to the portfolio. A double plus or double minus overweight or underweight recommendation is intended to be rebalanced to the top end or bottom end of the strategic asset allocation range immediately by selling some assets and buying others.

Opportunistic themes are designed to be implemented by clients who hold cash outside their strategic asset allocation portfolios to implement concentrated thematic investment ideas across short, medium, and long term time horizons.

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Global Performance Markets Monitor – 30 June 2011

	Last Price Level	Return 5 Day	MTD	3 Mth	YTD	1 Y	2009	2008
Global Equity Markets Performance								
Australia – ASX200	4607.97	2.5	-1.80	-4.0	-0.9	11.7	37.0	-38.4
Japan – Nikkei 225*	9816.09	2.3	1.26	0.6	-4.0	4.6	19.0	-42.1
Japan – TOPIX	849.22	3.0	1.37	-2.2	-4.4	3.1	7.6	-40.6
Hong Kong – Hang Seng	22398.10	2.9	-4.77	-3.2	-0.8	14.6	56.6	-46.4
Shanghai Composite (A&B)*	2762.08	2.7	0.68	-5.7	-1.6	15.2	80.0	-65.4
Singapore – STI*	3120.44	2.5	-1.25	0.5	-2.2	10.0	64.5	-49.4
New Zealand – NZX50**	3448.35	-0.4	-2.80	0.2	4.2	16.0	18.9	-32.8
US Dow Jones	12414.34	3.1	-1.10	1.4	8.6	30.4	22.7	-31.9
US S&P 500	1320.64	2.9	-1.67	0.1	6.0	30.7	26.5	-37.0
NASDAQ*	2773.52	3.2	-2.18	-0.3	4.5	31.5	43.9	-40.5
Canada – TSX	13300.87	2.6	-3.33	-5.1	0.2	20.9	35.1	-33.0
Mexico – Bolsa*	246.19	4.7	2.33	-0.4	-1.6	25.2	44.6	-42.8
India – Sensex*	5553.50	5.8	0.99	-2.8	-8.0	5.1	82.7	-53.7
Brazil – Bovespa**	62403.64	2.0	-3.43	-9.0	-10.0	2.4	82.7	-41.2
UK – FTSE100	5945.71	4.8	-0.40	1.6	2.7	24.9	27.3	-28.3
France – CAC40	3982.21	5.2	-0.10	2.9	7.9	20.3	27.6	-40.9
Germany – DAX**	7376.24	3.2	1.13	4.8	6.7	23.6	23.8	-40.4
Spain – IBEX	10359.90	4.3	-0.98	-0.1	8.0	18.2	38.3	-36.5
Italy – MIB	20186.94	3.7	-3.76	-4.4	3.0	8.6	24.8	-46.7
World/Regional Indices Performance								
MSCI World (Loc)*	3107.13	3.3	-1.5	-0.4	3.2	22.5	26.5	-38.3
MSCI World Value	2015.67	3.7	-1.8	-1.1	4.1	25.1	23.0	-42.3
MSCI World Growth	1420.71	4.1	-1.7	0.6	3.9	30.5	30.9	-42.0
MSCI AC Europe*	820.75	4.2	-1.5	0.4	2.8	18.4	30.2	-40.0
MSCI Asia ex Japan USD*	567.24	3.2	-2.7	-0.9	-0.0	22.9	68.3	-53.6
MSCI Emerging Markets Local	46567.52	2.8	-2.2	-3.6	-3.3	14.1	58.6	-47.2
World EPRA/NAREIT Property USD*	3082.22	3.2	-2.5	2.9	6.1	12.0	9.0	-35.3
World/Regional Indices Performance								
MSCI World Cons Discretionary	121.22	3.0	0.5	3.1	5.1	34.9	38.5	-43.1
MSCI World Cons Staples	144.13	0.3	-2.4	4.2	5.5	22.6	19.5	-25.7
MSCI World Energy	258.21	1.5	-3.1	-7.1	5.6	40.7	23.8	-40.2
MSCI World Financials	81.49	1.2	-2.6	-5.1	-0.7	16.0	28.6	-55.9
MSCI World Health Care	115.43	1.1	-1.1	6.8	10.9	24.7	17.6	-23.7
MSCI World Industrials	158.25	1.8	-1.0	-2.2	4.1	31.5	25.5	-44.8
MSCI World Materials	274.30	2.8	-1.2	-2.1	-0.5	37.2	58.6	-51.3
MSCI World Telecommunications Serv	60.59	0.6	-2.1	-2.4	4.4	25.9	9.1	-36.3
MSCI World Utilities	110.26	1.2	-0.0	-1.0	0.1	11.5	2.8	-32.0
MSCI World Information Technology	88.86	2.6	-2.4	-3.0	-0.8	19.7	53.1	-45.1
Global Rates Levels Change								
AUS – 10Y Govt	5.24	0.12	0.01	-0.27	-0.28	0.14	1.74	-2.34
AUS – 3Y Govt	4.79	0.10	-0.08	-0.27	-0.45	0.35	1.61	-3.86
AUS – 5 yr Swap Rate	5.39	0.00	-0.11	-0.33	-0.48	0.14	1.63	-3.25
AUS – 3 yr Swap Rate	5.06	0.00	-0.16	-0.26	-0.45	0.09	1.52	-3.66
AUS – 1 yr Swap Rate	4.95	0.00	-0.11	-0.05	-0.25	0.09	1.47	-4.22
3 Mnth Bill Rate	5.05	0.00	0.00	0.01	-0.10	0.10	-0.50	-2.70
US – 30Y Govt	4.38	0.21	0.16	-0.13	0.04	0.48	1.96	-1.80
US – 10Y Govt	3.16	0.25	0.10	-0.31	-0.13	0.23	1.62	-1.81
US – 5Y Govt	1.76	0.30	0.06	-0.51	-0.25	-0.02	1.13	-1.94
US – 2Y Govt	0.47	0.12	-0.00	-0.37	-0.14	-0.14	0.38	-2.29
TIPS 10	0.71	0.04	-0.06	-0.26	-0.26	-0.40	-0.67	0.44
10y Breakeven	2.45	2.24	2.29	2.50	2.31	1.83	0.16	4.70
Bund – 30Y Govt	3.78	0.20	0.22	-0.05	0.34	0.51	0.58	-1.07
Bund – 10Y Govt	3.01	0.11	-0.03	-0.34	0.05	0.43	0.44	-1.41
Bund – 5Y Govt	2.29	0.27	0.01	-0.39	0.45	0.84	0.10	-1.79
Bund – 2Y Govt	1.61	0.24	-0.00	-0.18	0.76	1.03	-0.37	-2.26
Gilt – 30Y Govt	4.28	0.11	0.18	-0.08	0.10	0.11	0.71	-0.66
Gilt – 10Y Govt	3.38	0.24	0.10	-0.32	-0.01	0.03	0.99	-1.55
Gilt – 5Y Govt	1.86	0.21	-0.11	-0.59	-0.34	-0.20	0.32	-2.01
Gilt – 2Y Govt	0.82	0.10	-0.11	-0.54	-0.27	0.08	0.28	-3.35
JGB – 30Y Govt	2.01	-0.01	-0.04	-0.17	0.02	0.13	0.53	-0.59
JGB – 10Y Govt	1.14	0.03	-0.02	-0.12	0.01	0.04	0.12	-0.33
JGB – 2Y Govt	0.43	0.03	0.00	-0.07	0.03	0.08	-0.24	-0.33
Global Currency & Commodity Levels Change								
AUD/US	1.07	0.02	0.00	0.04	0.05	0.23	0.19	-0.17
EUR/US	1.45	0.02	0.01	0.03	0.11	0.23	0.03	-0.06
GBP/US	1.60	0.00	-0.04	0.00	0.04	0.11	0.15	-0.52
JPY/US	80.52	-0.01	-1.00	-2.63	-0.63	-7.87	2.30	-20.73
NZD/AUD	1.29	-0.00	-0.00	-0.06	-0.02	0.07	0.03	0.07
Gold (Spot)	1499.60	-19.25	-33.75	69.60	80.15	258.25	217.50	45.00
WTI Crude	95.30	4.60	-7.40	-10.89	3.92	19.71	34.79	-51.32
GSI Commodity Index	5077.25	3.10	-5.31	-7.94	2.71	26.11	13.48	-46.49
Volatility Index (VIX), Close, USD	16.52	-2.77	1.07	-1.22	-1.23	-18.02	-18.32	17.50