

in brief

The Reserve Bank of Australia (RBA) **lifted** the cash rate by **0.25%** to 4.0% in March, and **raised** the cash rate a **further 0.25%** to **4.25%** in early April.

In **Australian fixed interest** markets, Government bond **yields rose**, in line with the **global trend** and **firmer domestic economic fundamentals**.

Global sharemarkets enjoyed a relief **rally** in March due to **easing fears** over the Greek debt crisis and **positive US economic data**.

Australian Cash

The Reserve Bank of Australia (RBA) lifted the cash rate by 0.25% to 4.0% in March. The RBA noted that it was more appropriate to restore interest rates "closer to average".

At its most recent meeting in early April, the RBA took a further step in this process, increasing rates another 0.25% to 4.25%.

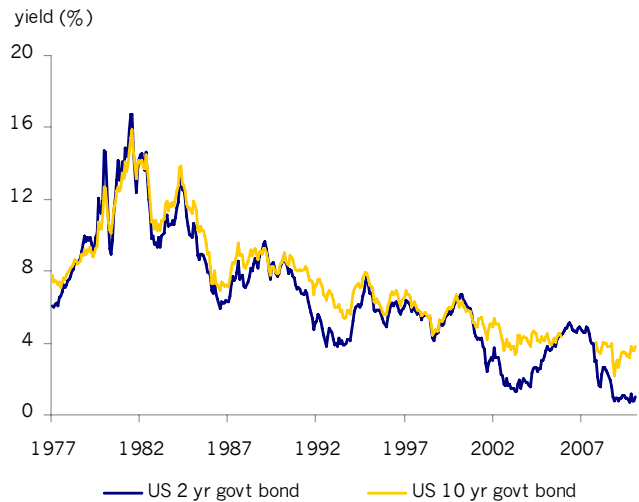
Australian Fixed Interest

The UBSA Composite Bond All Maturities index fell 0.6% in March. Government bond yields rose, in line with the global trend and firmer domestic economic fundamentals. The Australian economy recorded growth of 0.9% in the fourth quarter of 2009, taking the annual growth rate to 2.7%. Further interest rate rises are expected by the market over 2010, with the market pricing in a 5% cash rate by year end.

Shorter term bond yields rose slightly more than the long end due to a reassessment of the RBA outlook. 3-year yields increased by 0.46% in the month, while 10-year yields rose 0.34% to 5.78%.

Global Fixed Interest

The Barclays Capital Global Aggregate index (hedged, \$A) was up 0.6% in March, despite global bond yields rising in most developed markets. As the graph in the next column shows, US 10-year yields reached their highest point since mid 2009 (up to 3.83%, from 3.61% in February). Signs of firming US economic activity, the impact of sovereign risk concerns in Europe, and rating agencies' continued warning about unsustainable fiscal deficits all combined to put upward pressure on US yields.



Source: Bloomberg

Credit spreads continued to tighten in global markets. The continued improvement in credit markets occurred despite the poor performance in peripheral sovereign debt markets.

Australian Listed Property

The S&P ASX 300 A-REIT index was flat in March, underperforming the broader sharemarket by 5.7%.

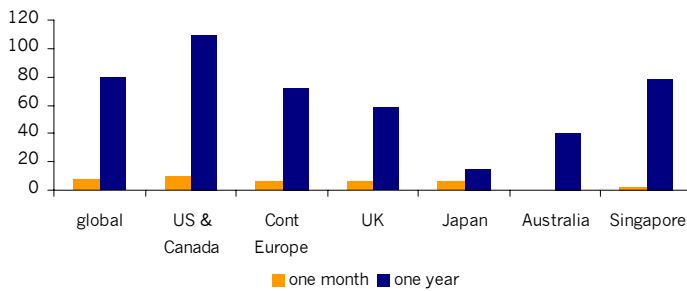
Over the month, Industrial (8.6%) was the best performing sector followed by Retail (0.2%). Commercial (-2.1%) was the worst performer.

The top performing trusts for the month were Goodman Group (9.2%) and ING Industrial Trust (6.6%). Goodman Group benefited from increased confidence that management could deliver on planned developments outlined in its earlier results commentary. ING Industrial Trust recovered, benefiting from favourable sentiment toward the Industrial REIT sector.

The worst performing trusts were Abacus Property Group (-4.8%) and Commonwealth Property Office Fund (-4.7%), as investor enthusiasm towards both stocks dampened.

Global Listed Property

The UBS Global Property Investors' index (hedged, \$A) rose 7.1% in March, with the USA/Canada the top performing region (9.5%), followed by Continental Europe (6.7%). The worst performing regions were Australia (0.0%) and Singapore (1.7%). The graph on the next page shows the returns of the various regions over the month and year to 31 March 2010 (in local currency).



source: UBS, ipac. Data to 31 March 2010.

In the US, commercial sales have strengthened. In New York, commercial property sales tripled in value in the first quarter compared to a year earlier as sellers took advantage of rising demand. Fundamentals also started to stabilise. Approximately \$US 3.3 billion of transactions priced at \$US 10 million or more were closed, almost matching the \$3.5 billion sold during the whole of last year.

Investors returned to the New York market, encouraged by signs of growing demand after the US recession and job losses at financial companies sent rents down 24% from their 2008 peak. Approximately 529,000 square meters of office space was leased in the first quarter, 84% more than a year earlier.

Australian Shares

Double-digit gains in mining and energy shares drove the Australian market 5.7% higher in March (S&P/ASX 300 Accumulation index). Booming spot iron ore prices and moves to quarterly rather than yearly contracts enabling more frequent price negotiation excited the market. There was also a re-emergence of positive sentiment toward coal seam gas, with Shell/PetroChina raising their takeover offer for Arrow.

In line with what was a global theme, most cyclical sectors and stocks outperformed, particularly Billabong, Bradken, Fairfax, Flight Centre, Kathmandu, Pacific Brands and Ten. The exceptions were Harvey Norman, Downer and Hardies (US housing).

Most lower-beta (less market-driven) sectors lagged, especially consumer staples, insurance (due to recent storms), REITs, telecommunications and rural stocks, the latter not helped by Nufarm's poor result and another share sell-down plus a profit warning from AWB. Health names kept pace with the market, although Sigma fell 48% after disclosing a severely deteriorating operating environment and major writedowns to recent acquisitions.

International Shares

Global sharemarkets enjoyed a relief rally in March due to easing fears over the Greek debt crisis and positive US economic data. The MSCI World ex Australia index (hedged) rose 6.7%.

A government bond issue and other measures announced in Greece had a positive impact. Improved US consumer

spending, manufacturing, payrolls and retail sales data saw investor confidence return to the market. The Fed's decision to keep interest rates at very low levels, plus the passing of the Obama health care reforms, were also encouraging.

M&A activity and a strong investor preference globally for cyclical stocks were favourable for international share markets. Other high-beta sectors (Industrials, IT, Financials) outpaced defensive parts of the market (Consumer Staples, Healthcare, Telecommunications, Utilities).

Most Asian markets also rose strongly, especially Japan (9.5%) where the encouraging US economic data and a fall in the Yen raised hopes of a brighter outlook for Japanese exporters. However China's Shanghai Composite (1.9%) underperformed on worrying inflation data and fears of more government intervention that will slow surging economic growth.

Global Emerging Markets

Emerging markets outperformed broader developed markets in March, with the MSCI EM index up 5.4% (\$A). India (6.7%) and Brazil (5.8%) rose strongly. China recorded muted gains, rising 1.9% as expectations of further policy tightening gained pace.

The good performance seen in emerging markets was a reflection of the confidence in the US economy. Renewed US job growth and increased US home sales bolstered optimism that the global economy is rebounding, which was positive for the commodity-driven Brazilian market.

The US, Brazil's second-largest trade partner, added the most jobs in three years in March. Service industries expanded in March at the fastest pace in more than three years, a sign the US recovery is extending beyond manufacturing.

In China, data showed that manufacturing also expanded in March and was evidence for the central bank that the nation's economic rebound had been "further cemented."

investment markets data

table 1 - investment market performance to 31 March 2010

asset class	index	1 mth %	3 mths %	6 mths %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Australian Cash	UBSA Bank Bill Index	0.3	1.0	1.9	3.5	5.1	5.7	5.8
Australian Fixed Interest	UBSA Composite Bond Index	-0.6	1.3	2.3	2.7	7.6	6.5	6.0
Global Fixed Interest	Barclays Capital Global Agg (Hedged) Index	0.6	2.7	3.8	10.2	8.6	8.4	7.3
Australian Listed Property	S&P/ASX 300 A-REIT Index	0.0	-1.6	-6.5	42.0	-22.8	-23.3	-7.2
Global Listed Property	UBS Global Investors Index (AUD Hedged) Index	7.1	6.5	11.9	79.7	-13.0	-16.0	n/a
Australian Shares	S&P/ASX 300 Accum Index	5.7	1.3	4.7	41.9	-0.2	-2.6	8.0
International Shares (Unhedged)	MSCI World Ex Australia (AUD Unhedged) Index	3.5	1.1	3.2	14.5	-7.0	-9.6	-0.8
International Shares (Hedged)	MSCI World Ex Australia (AUD Hedged) Index	6.7	5.5	11.2	49.1	-4.4	-5.6	3.5
Global Smaller Companies	MSCI World Small Cap (AUD unhedged) Index	5.1	5.4	6.4	31.1	-1.2	-8.7	0.8
Global Emerging Markets	MSCI EM in AUD (div reinvested) Index	5.4	0.3	6.9	37.1	-2.4	0.8	11.8

table 2 - breakdown of Australian & global fixed interest market performance to 31 March 2010

asset class	index	1 mth %	3 mths %	6 mths %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Aust Fixed Interest	UBSA Corporate/Credit	0.0	1.7	3.5	8.1	8.8	6.7	6.3
	UBSA Government/Treasuries	-0.9	0.7	1.4	-0.9	6.6	6.4	5.7
	UBSA Semi-Government	-0.8	1.4	2.2	2.2	7.9	6.9	6.2
Global Fixed Interest	Barclays Capital Global Agg Credit (Hedged)	1.0	3.6	5.7	21.9	9.3	7.6	6.8
	Barclays Capital Global Agg Govt (Hedged)	0.4	2.2	2.9	6.2	8.0	8.4	7.3
	Barclays Capital Global Agg Securitised (Hedged)	0.7	3.1	4.6	11.0	9.9	9.4	7.9

table 3 – performance of major Australian shares market indices to 31 March 2010

index	1 mth %	3 mths %	6 mths %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
S&P/ASX 20 Leaders Accum Index	5.8	2.5	5.3	41.4	5.5	2.4	10.9
S&P/ASX 50 Leaders Accum index	5.7	2.0	5.4	40.3	2.0	-1.1	8.6
S&P/ASX 100 Accum Index	5.7	1.5	4.8	40.8	0.8	-1.9	8.3
S&P/ASX 200 Accum Index	5.7	1.4	4.8	41.7	-0.1	-2.4	8.1
S&P/ASX 300 Accum Index	5.7	1.3	4.7	41.9	-0.2	-2.6	8.0

table 4 - breakdown of Australian shares market performance by sector to 31 March 2010*

sector name	1 mth %	3 mths %	6 mths %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Consumer Discretionary	5.1	2.3	2.9	53.5	-7.0	-13.0	-2.1
Consumer Staples	2.8	1.0	5.8	34.7	2.9	2.1	11.0
Energy	9.7	-0.7	-3.2	23.4	6.5	10.8	18.0
Financials	4.7	2.5	1.2	52.0	2.7	-6.2	5.7
Financials Ex Property Trusts	5.5	3.2	2.6	53.7	8.8	-2.3	8.7
Health Care	6.3	4.4	4.7	20.1	3.4	3.6	14.3
Industrials	4.7	-0.4	3.9	56.1	-9.5	-11.7	0.3
Information Technology	5.7	6.3	6.8	47.8	16.2	0.3	13.5
Materials	8.6	1.1	15.1	44.1	-2.1	5.6	15.4
Property Trusts	0.0	-1.6	-6.5	42.0	-22.8	-23.3	-7.2
Telecommunications	0.4	-8.9	-5.8	1.0	-11.6	-8.4	-3.3
Utilities	2.7	1.8	7.3	15.5	-4.7	-10.8	4.2

* Based on S&P/ASX 300 Accum Indices (reclassified in accordance with the Global Industry Classification Standard "GICS").

top 5 performing Australian shares in March 2010*

share	return %
Arrow Energy Limited	51.51
Iluka Resources Limited	22.35
Bluescope Steel Limited	20.25
Centennial Coal Company Limited	17.85
Cochlear Limited	14.80

bottom 5 performing Australian shares in March 2010*

share	return %
Lend Lease Group	-5.16
Harvey Norman Holdings Limited	-5.48
Telecom Corporation Of New Zealand Limited	-5.65
Spark Infrastructure Group	-10.64
Nufarm Limited	-15.42

* Based on the universe of S&P/ASX 100 Index.

table 5 - breakdown of international shares market performance by country to 31 March 2010

	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	5 yrs
	%	%	%	% pa	% pa	% pa	% pa
United States: S&P 500	5.9	4.9	10.6	46.6	-6.0	-6.3	-0.2
Germany: DAX	9.9	3.3	8.4	50.6	-3.0	-3.8	7.2
United Kingdom: FTSE 100	6.1	4.9	10.6	44.7	-0.2	-3.4	3.0
France: CAC	7.2	1.0	4.7	41.6	-8.1	-11.0	-0.5
Japan: Nikkei	9.5	5.2	9.4	36.8	-5.9	-13.8	-1.0
Hong Kong: Hang Seng	3.1	-2.9	1.4	56.4	-3.6	2.4	9.5

Note: All returns are calculated in local currencies.

table 6 - breakdown of international shares market performance by sector to 31 March 2010*

sector name	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	5 yrs
	%	%	%	% pa	% pa	% pa	% pa
Consumer Discretionary	9.0	7.8	14.8	54.0	-2.5	-9.4	-1.0
Consumer Staples	3.5	5.2	11.7	35.1	0.4	0.6	5.2
Energy	3.9	-0.2	4.8	26.6	-7.6	-1.9	4.3
Financials	7.5	5.4	1.4	61.8	-15.9	-19.9	-6.9
Health Care	2.0	2.2	9.8	29.0	2.2	-3.0	1.7
Industrials	9.0	9.8	14.2	58.5	-8.9	-8.2	0.9
Information Technology	7.8	3.9	12.6	52.8	1.1	-1.4	3.2
Materials	8.8	3.4	15.0	54.3	-7.1	-2.8	7.6
Telecommunications	4.5	-1.7	1.8	15.1	-7.0	-8.3	-1.1
Utilities	3.3	-1.8	0.7	16.3	-11.3	-9.5	2.1

* Based on MSCI World Indices (reclassified in accordance with the Global Industry Classification Standard "GICS").

Note: All returns are calculated in local currencies.

economic indicators

	quarter	year
economic growth		
Australian GDP	0.9% (Dec 09)	3.1% (Dec 09)
United States GDP	5.6% (Dec 09, annualised)	1.9% (Dec 09)

inflation		
Australian CPI	0.5% (Dec 09)	2.1% (Dec 09)
United States CPI	2.3 % (Jan 10, annualised)	2.6% (Jan 10)

	latest	12 months earlier
unemployment		
Australian Unemployment Rate	5.3% (Mar 10)	5.7% (Mar 09)
United States Unemployment Rate	10.1% (Mar 10)	8.9% (Mar 09)

	31 March	28 February
official interest rates		
RBA cash rate	4.00	3.75
US Fed Funds rate	0.25	0.25

10 year bond yields		
Australian Interest Rates - 10 year bond yield	5.78	5.49
United States Interest Rates - 10 year bond yield	3.83	3.61

exchange rates		
AUD/USD Exchange Rate	0.9179	0.8955
AUD/EUR Exchange Rate	0.6783	0.6562
AUD/GBP Exchange Rate	0.6051	0.5882
AUD/JPY Exchange Rate	85.7639	79.5786

While ipac portfolio management limited ABN 51 071 315 618, AFS Licence No. 234658 and ipac asset management limited ABN 22 003 257 225 AFS Licence No. 234655, trading as ipac investment services believes that the information contained in this document is correct, no warranty of accuracy, reliability or completeness is given and, except for liability under statute which cannot be excluded, no liability for errors or omissions is accepted.

The information provided in this document is general information only. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision you need to consider whether this information is appropriate to your needs, objectives and circumstances, and we recommend you seek independent financial advice. You should obtain a copy of the relevant Product Disclosure Statement before making any investment decision.

Level 31 Grosvenor Place, 225 George Street, Sydney 2000 Australia. Sydney Office Locked Bag No. 15 Grosvenor Place NSW 1220.
DX 10328 Sydney Stock Exchange. Telephone 02 9373 7000. Facsimile 02 9373 7111.