



standing your ground in the face of the bear

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Please refer to the
disclaimer on the final
page

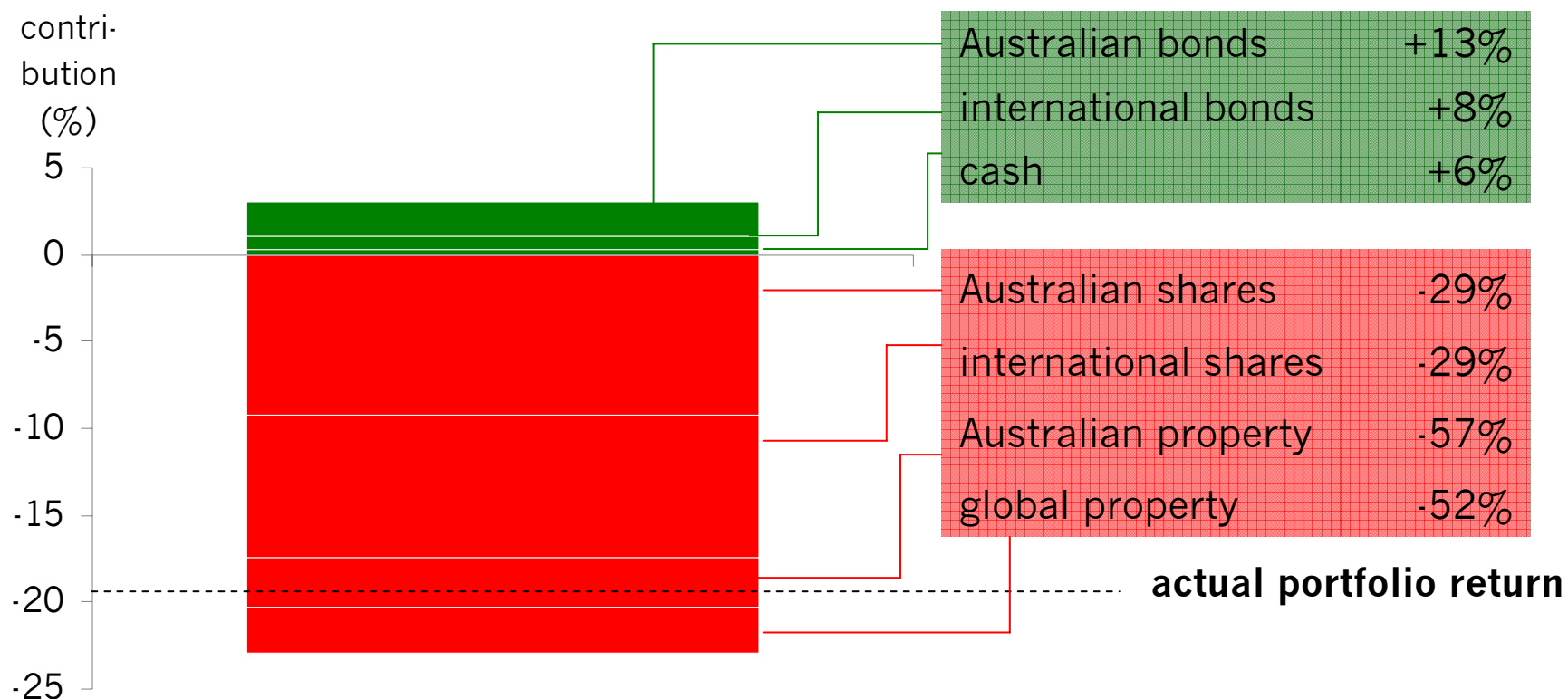
agenda

- ~ why has my portfolio suffered large declines?
- ~ when are investment conditions likely to improve?
- ~ how does a smart investor make the best of this situation?

why has my portfolio suffered large declines?

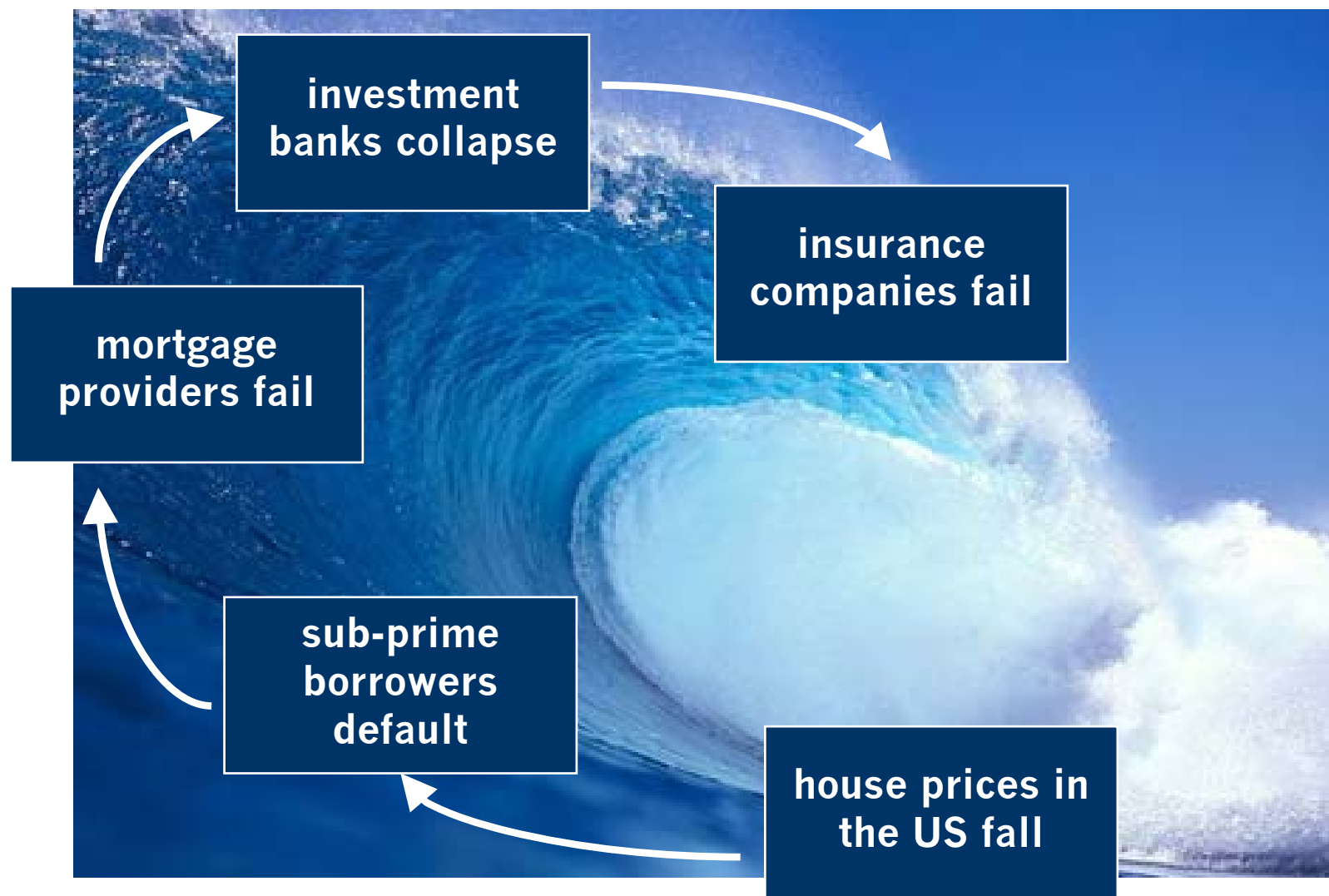
most investment markets have fallen significantly

a typical balanced portfolio has fallen 20% in the 12 months to 30 April 2009



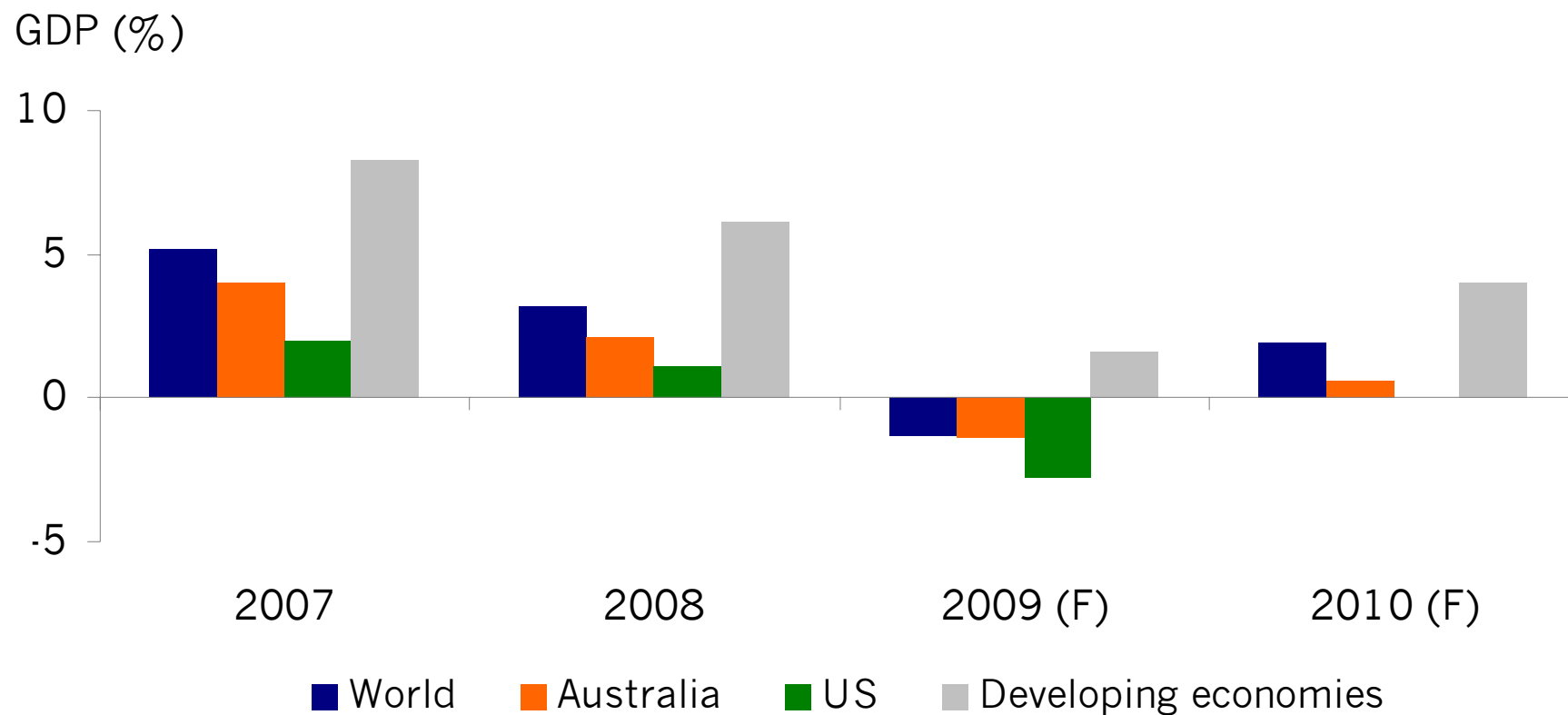
source: UBSA 90 Day Bank Bill Index, UBSA Composite Bond (All Mats) Index, Barclays Capital Global Agg (hedged) Index, S&P/ASX 300 A-REIT Index, UBS Global Investors Index in A\$ Hedged Net Div, S&P/ASX 300 Index, MSCI World ex-Australia Unhedged and Hedged Indices. Asset allocations are cash: 5%; Australian bonds: 15%; international bonds: 10%; Australian property: 5%; global property: 5%; international shares: 28%; Australian shares: 32%. Data as of 30 April 2009.

contagion of credit crunch caused lack of trust in markets



**when are investment conditions
likely to improve?**

global recovery is expected next year



policy actions will contribute to an eventual recovery

action is being taken now

- ~ government guarantees of bank deposits and liabilities
- ~ large reductions in interest rates
- ~ global stimulus packages
- ~ declining inflation
- ~ dramatically lower oil prices

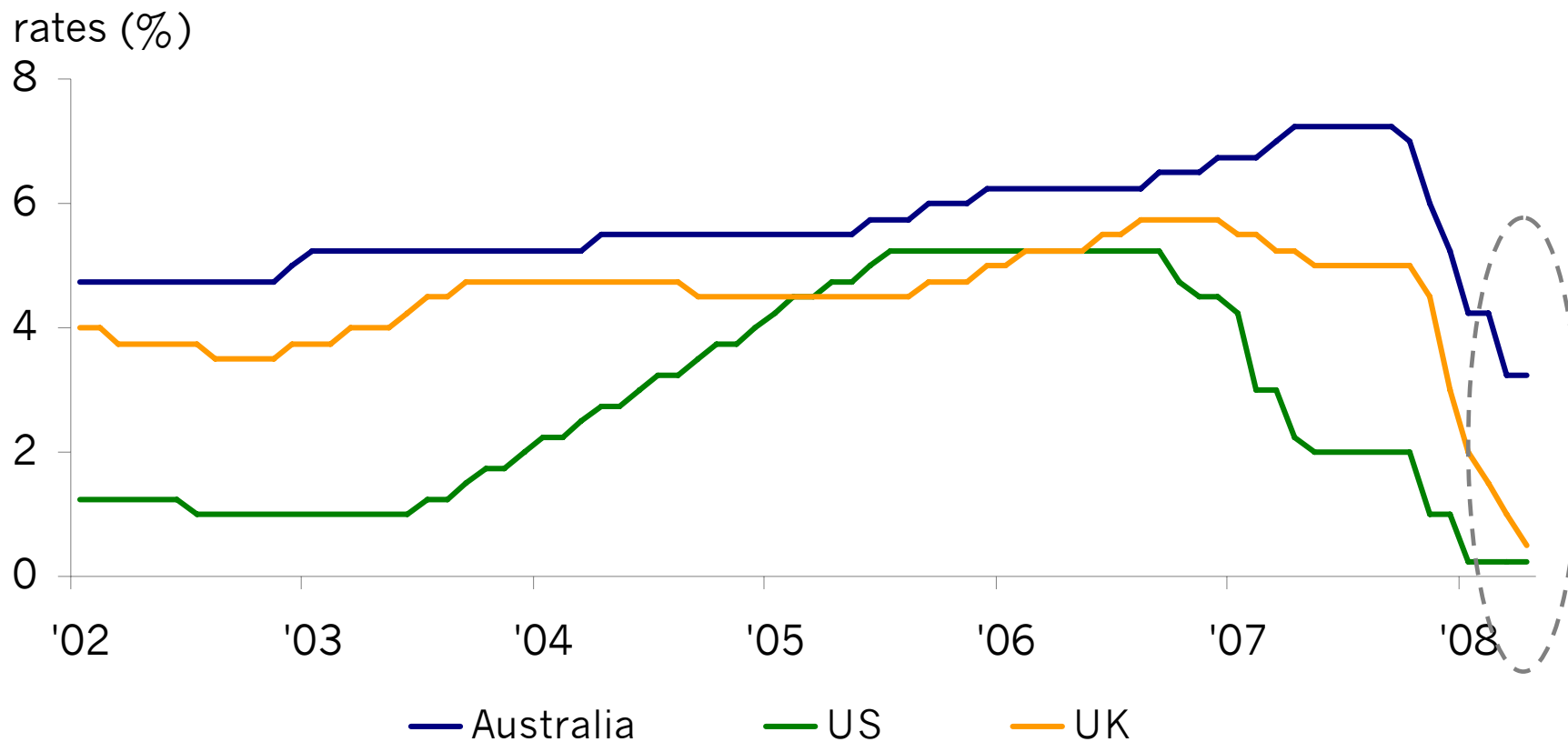


**how does a smart investor make the
best of this situation?**

cash was safe in 2008...

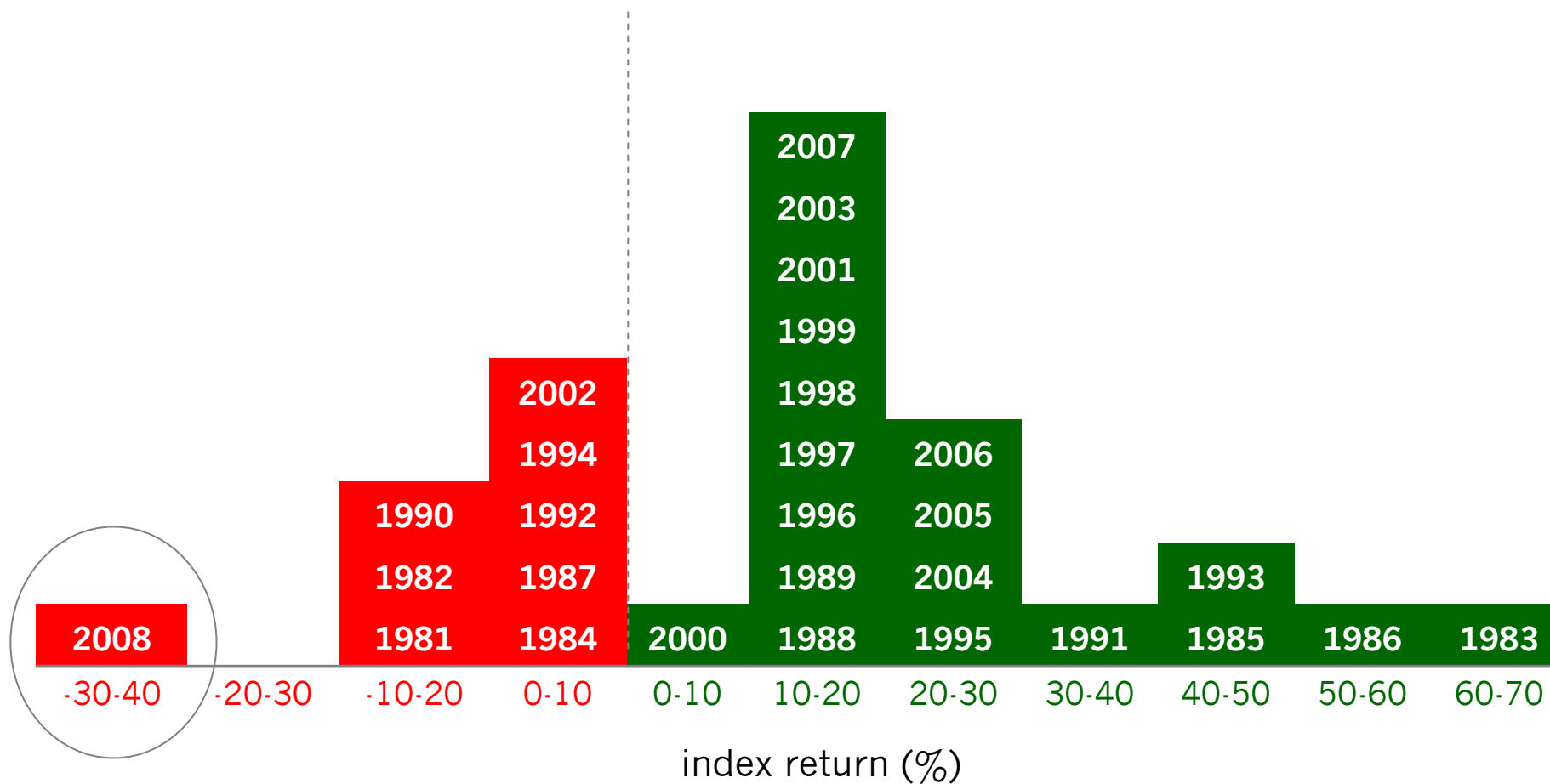


...but cash rates have now fallen considerably



source: Bloomberg. Official cash rates used: Reserve Bank of Australia Cash Rate Target, US Federal Funds Target Rate, UK Bank of England Official Bank Rate, European Central Bank Minimum Bid Refinancing Rate 1 Week
Data from 31 December 2002 to 31 March 2009.

2008 was an unusual year



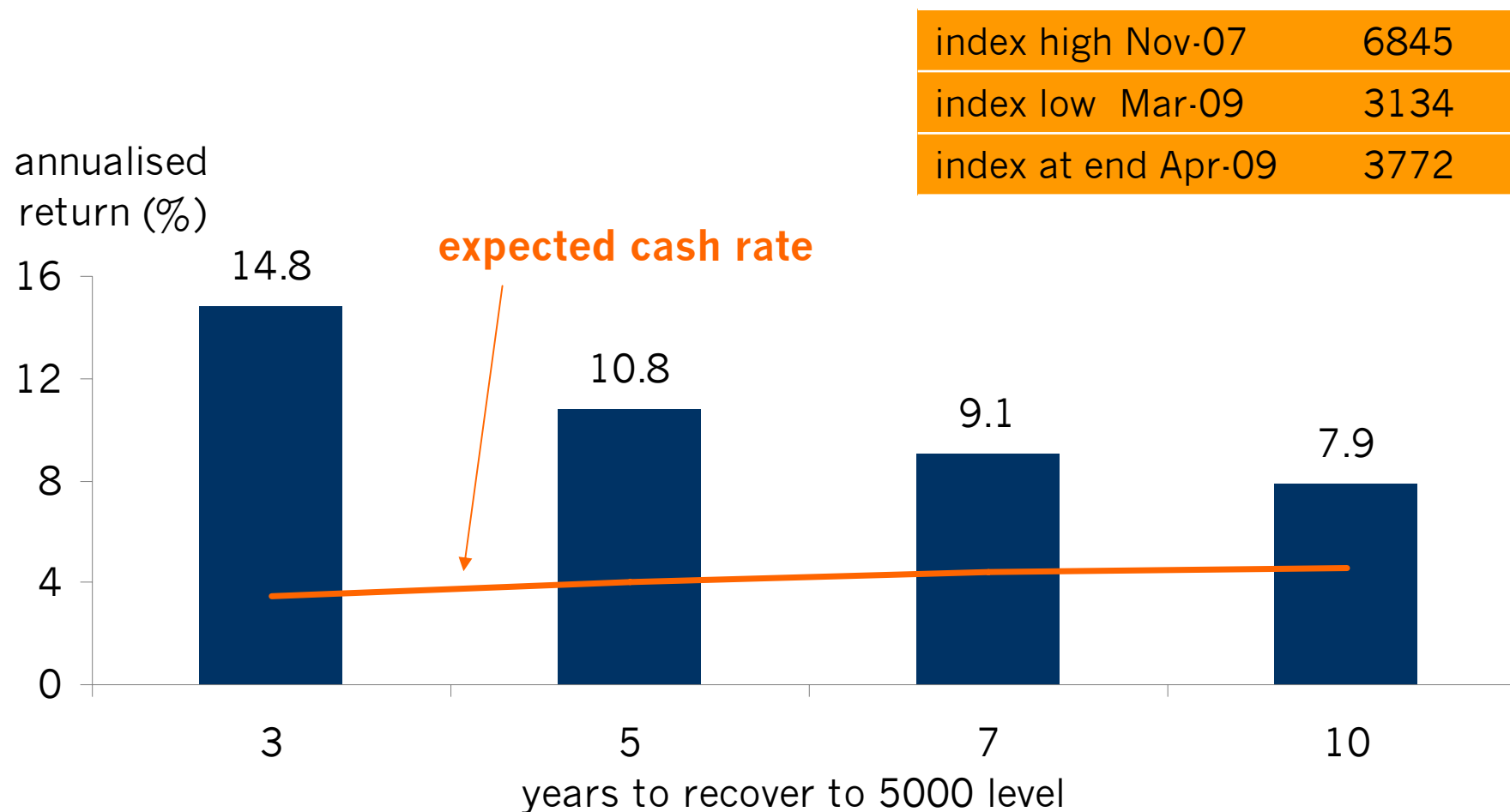
source: Bloomberg. Bloomberg S&P ASX 300 Accumulation Index.
Data as of 31 December 2008.

shares offer above average returns



source: Bloomberg. MSCI Australian Index 12 month forward PE ratios.
Data as of 31 March 2009.

and their recovery potential is strong

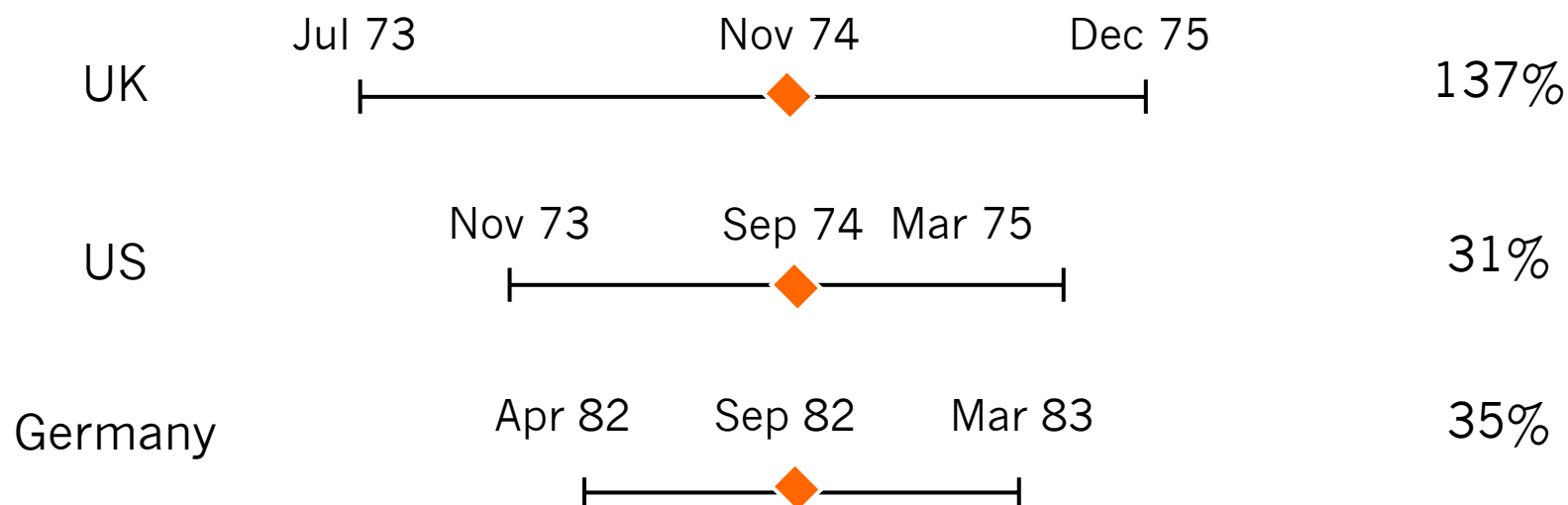


source: Bloomberg. S&P/ASX 300 Price Index (excluding dividends). Index high (6845.4) is at 1 November 2007. Index low (3133.8) is at 6 March 2009. Index today (3772.2) is at 30 April 2009. Assumes dividend yield of 5%. Expected cash rate shows the Australian government bond yield curve at 30 April 2009. Past performance is not necessarily indicative of future performance.

share market rebounds generally occur half-way through an economic downturn

recessions

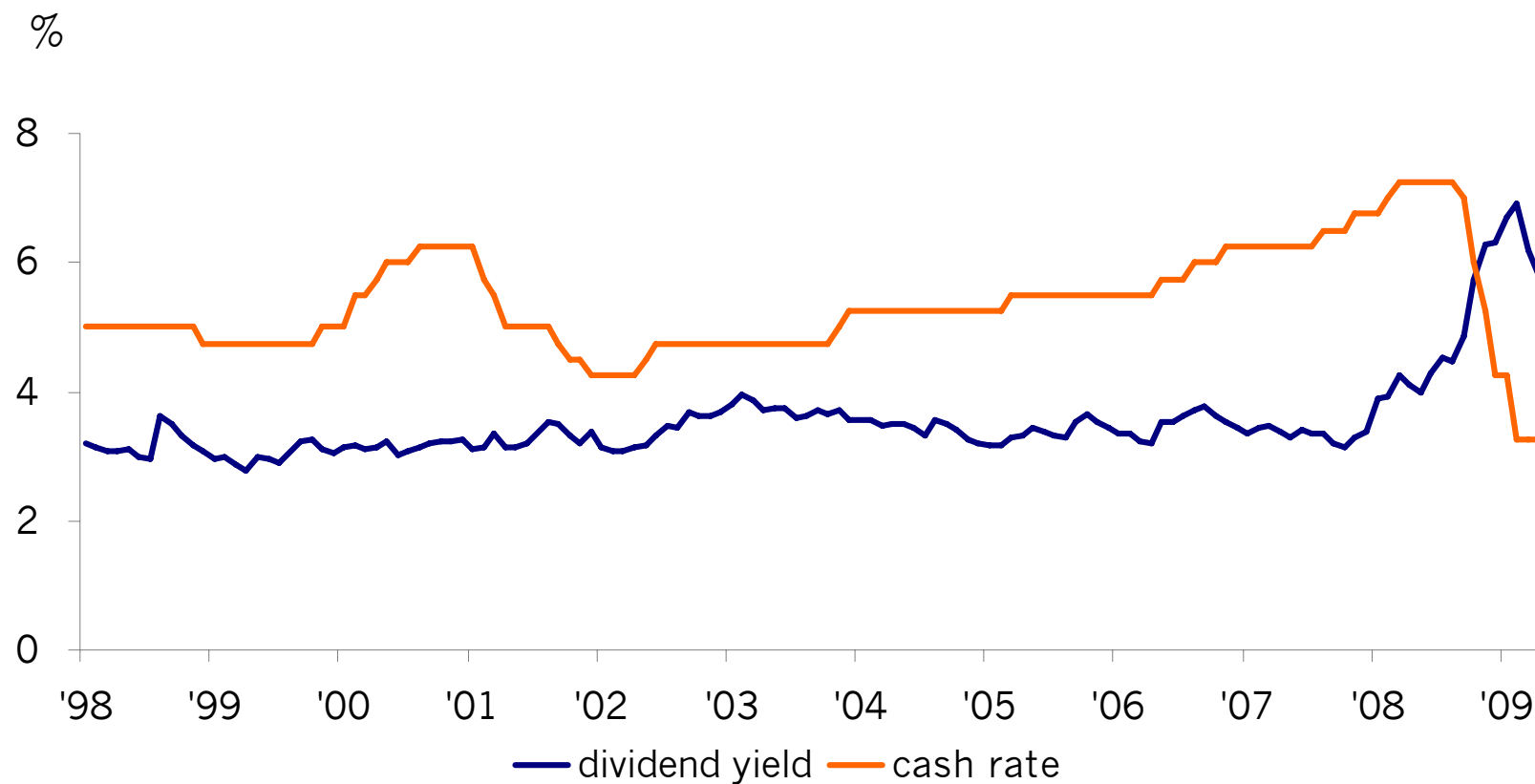
index rebound*



◆ = trough in equity market

source: Bloomberg, FTSE, MSCI, S&P, Tokyo Stock Exchange and Bernstein.
 *Rebound from equity market trough through end of recession. UK is represented by the FTSE All Share; Germany by MSCI Germany; Japan by TOPIX; US by S&P 500.

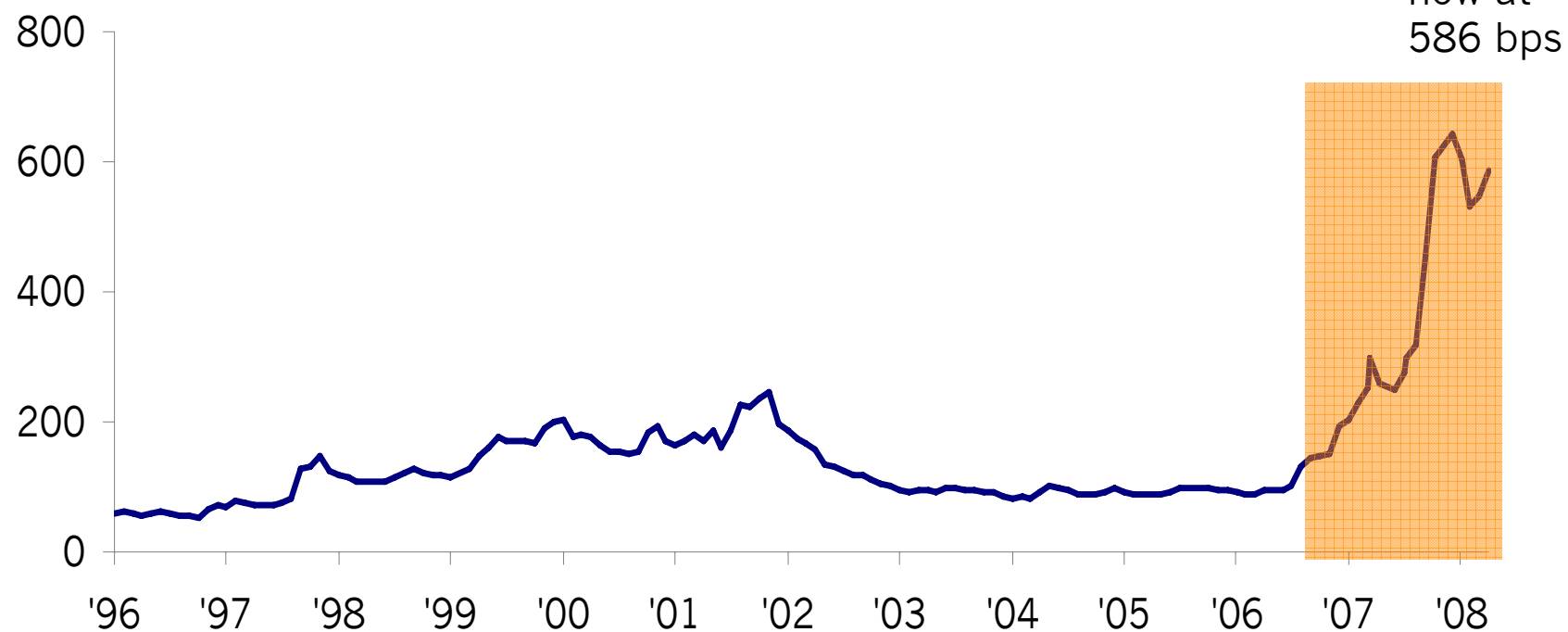
shares pay meaningful dividends



source: Datastream: S&P/ASX All Ordinaries Index historic dividend yield; Bloomberg: Reserve Bank of Australia cash rate.
Data as of 30 April 2009.

corporate bonds offer high yields

spread over
government
bonds (bps)



source: PIMCO. US investment grade corporate bond spreads OAS.
Data from December 1996 to March 2009.

be well positioned when markets recover!

- ~ fiscal and monetary policy measures impact
- ~ credit market conditions improve
- ~ housing markets stabilise
- ~ deflationary forces contained





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