

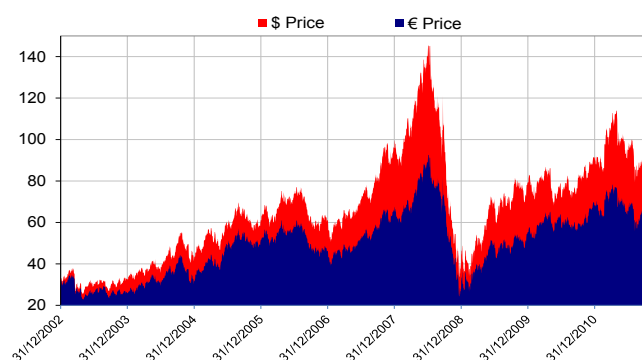
Market Themes

- October saw an aggressive recovery in equity markets, the global equity market returned +6.1% for the month (-11.2% ytd).
- The recovery in the main has been driven by a yet to be fully articulated plan to deal with the Greek debt crisis.
- Commodities recovered along with the general increase in risk appetite, the CRB commodity index rose by 7.3% over the month, copper rose 13.8% and oil +17.7%.
- The Euro rose 3.5% against the US dollar over the month as investors risk appetite increased.
- Despite the positivity outlined above, Sovereign bond yields rose in the US and Germany to above 2%, yields in Italy rose above 6%, and the spread of French yields over German reached historic highs.
- The relief rally in peripheral debt markets was short lived as the Greek prime minister announced he would hold a referendum on the new bailout deal for Greece, creating confusion as to whether the new deal could be implemented.
- European data continued to disappoint with the European Purchasing Manager Indices (PMI) below 50 signalling contraction. US data surprised with durable goods orders and retail sales beating expectations.
- The outlook for corporate earnings continued to deteriorate with the negative downgrade momentum of the third quarter continuing through October.

November-2011

At a broad sector level, Energy (+12.8% Oct, -7.1% year to date), Materials (+10.1% Oct, -19.7% ytd) and industrials (+8.1% Oct, -13.4% ytd) were the best performers. Defensives such as Telecoms (+1.8% Oct, -7.1% ytd), Healthcare (+1.1% Oct, -0.5% ytd) and Utilities (+0.7% Oct, -9.6% ytd) underperformed, reversing the theme of recent months which had seen significant outperformance of defensive sectors.

OIL PRICES



The Australian market was the best performing in October rising +12.7% (-10.1% year to date), followed by Emerging markets +12.2% (-17.1% year to date) and Hong Kong +9.1% (-17.3% year to date). Japan was the only region to post a negative return in October of -4.2% (-15.2% year to date), this was driven by currency with the market up 0.4% in local currency terms. The US market returned +6.8% for the month with a year to date fall of -4.5%.

Strategy Changes

- We increased our equity exposure marginally during the first week of October by increasing exposure to European and Emerging market equities.
- At a sector level we remain overweight healthcare and energy while underweight financials.
- Within bonds we maintain an overweight in Irish bonds relative to other peripheral markets, where we remain underweight

Market Outlook

- Economic data remains consistent with weak but still positive growth in the US.
- While the recovery in equity markets has been impressive, the reaction in credit markets has been less so and is somewhat more sceptical of the latest attempt from European leaders to provide a final solution to the on-going debt crisis.
- The continued rise of Italian bond yields following the summit and the increased spread of French versus German Bond yields is indicative of these concerns.
- The economic outlook for Europe has not improved and its bias would suggest recessionary conditions are inevitable.