



The global pathway to Australian investment solutions

LM Australian Economic and Equities Synopsis

November 2011

The S&P/ASX 200 Index is identified as one of the leading investment benchmarks used for the Australian equity market. The index comprises the 200 largest and most liquid publicly listed entries in Australia.

Authorised Financial Advisers / Intermediaries / Institutions Only.

Top Holdings	Weighting as at 1 November 2011
BHP Billiton Ltd	11.15%
Commonwealth Bank of Australia	7.24%
Westpac Banking Corporation	6.28%
Australian & New Zealand Bank Group	5.29%
National Australia Bank	5.22%
Telstra Corp Ltd	3.66%
Wesfarmers Ltd	3.52%
Woolworths Ltd	2.76%
Rio Tinto Limited	2.72%
Newcrest Mining	2.39%

Australian Equity Performance¹

Source: Vanguard Investments

1 January 1980 to 31 October 2011

Asset Class	Return Since 1 Jan 1980
Australian Shares ²	11.60%pa
International Shares ^{1,3}	9.50%pa
US Shares ^{1,4}	11.30%pa

1 January 1990 to 31 October 2011

Asset Class	Return Since 1 Jan 1990
Australian Shares	8.90%pa
International Shares	3.80%pa
US Shares	6.90%pa

1 January 2000 to 31 October 2011

Asset Class	Return Since 1 Jan 2000
Australian Shares	7.00%pa
International Shares	-3.80%pa
US Shares	-3.50%pa

1 January 2006 to 31 October 2011

Asset Class	Return Since 1 Jan 2006
Australian Shares	2.90%pa
International Shares	-4.90%pa
US Shares	-3.90%pa

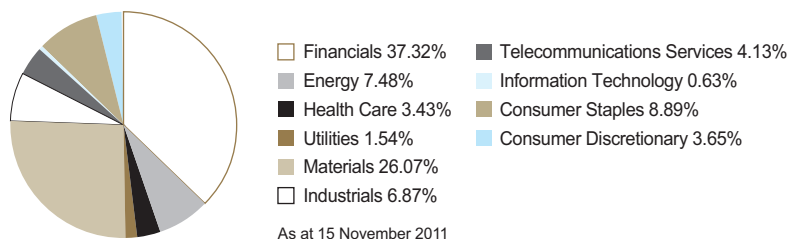
¹ Investment performance based in AUD

² All Ordinaries

³ MSCI World Index

⁴ S&P 500

Index Top Sectors

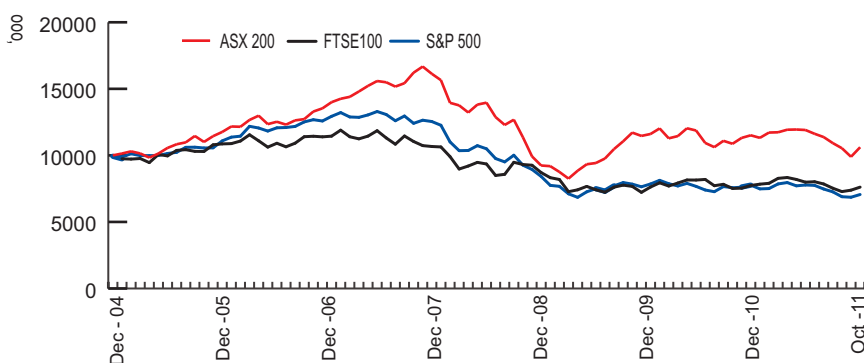


Australian Equity Performance

- > Best stock market performance over the last 110 years.
- > Averaging 7.50%pa after inflation.
- > 18.20% standard deviation (2nd lowest).

Source: Credit Suisse Research Institute February 2010

Performance of an AUD10,000 Investment in the ASX 200, S&P 500 and FTSE 100⁵



Equity Market Growth Forecast

- > Deutsche Bank (DB) AG Australian Equity Strategy forecasts growth in double digits annually for the next three years respectively: 17.00% in 2011, 19.00% in 2012 and 10.00% in 2013.
- > In the Australian Financial Review market wrap of the 2011 financial year the average growth forecasted for the ASX200 is 10.00% by the end of 2011 by 10 investment banking equity strategists (RBS, Morgan Stanley, UBS, Goldman Sachs, DB, Credit Suisse, JP Morgan, Citigroup, Merrill Lynch and Macquarie).
- > Deutsche Bank AG also denotes that the 12 month forward PE is trading at 11.40 times which is approximately a 20 percent discount on the average price in the previous 20 years.

Economic Growth

- > Equity markets globally took a plunge in August amid growing global concerns abated by weak economic data from the US and more concerns about European banks.
- > Domestically, the annual reporting season produced some mixed results but around 38.00% of corporate companies beat consensus expectations.
- > The recent fall in share prices in Australia has significantly increased the attractiveness of the Australian sharemarket. On the basis of price-to-earnings ratio calculated using consensus one-year forward earnings estimates, Australian shares are currently cheaper than those in the US or Japan.
- > Australia's economy was stronger than expected in the second quarter, shrugging off the impact of natural disasters earlier in the year and contributed 1.20% which exceeded economists' expectations of 1.00% and supporting long term growth of between 3.50% to 4.00%.
- > The overall national debt in Australia is still low and declining compared to the rest of the world in percentage and actual terms.

⁵ The graph shows performance of an AUD10,000 investment based on historical performance of the indices for the six and a half year period ending 30 September 2011, assuming the investment remained fully invested in the indices for the six and a half year period. Calculations do not take into account tax, fees and transactions costs. All results are in nominal dollars averaged over six and a half years without adjustment for inflation. The S&P 500 and the FTSE 100 returns are affected by exchange rate movements, and all returns are converted to Australian dollars from the RBA exchange rate data.

Past performance is not a reliable indicator of future performance.

Historical performance returns data is sourced from www.asx.com.au, www.standardandpoors.com and www.ftse.com; and historical exchange rate data sourced from www.rba.gov.au.