Presented by
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Navwealth Financial Group
Investment Outlook – March 2010

Outlook

Cyclical view – next 6-12 months

- Economic recovery to continue with gradual shift towards removing stimulus
- Shares are still favoured but expect a tougher climate with tighter policy
- Australian interest rates to gradually increase back to more normal levels
- Commodity prices and $A to continue moving higher as recovery broadens

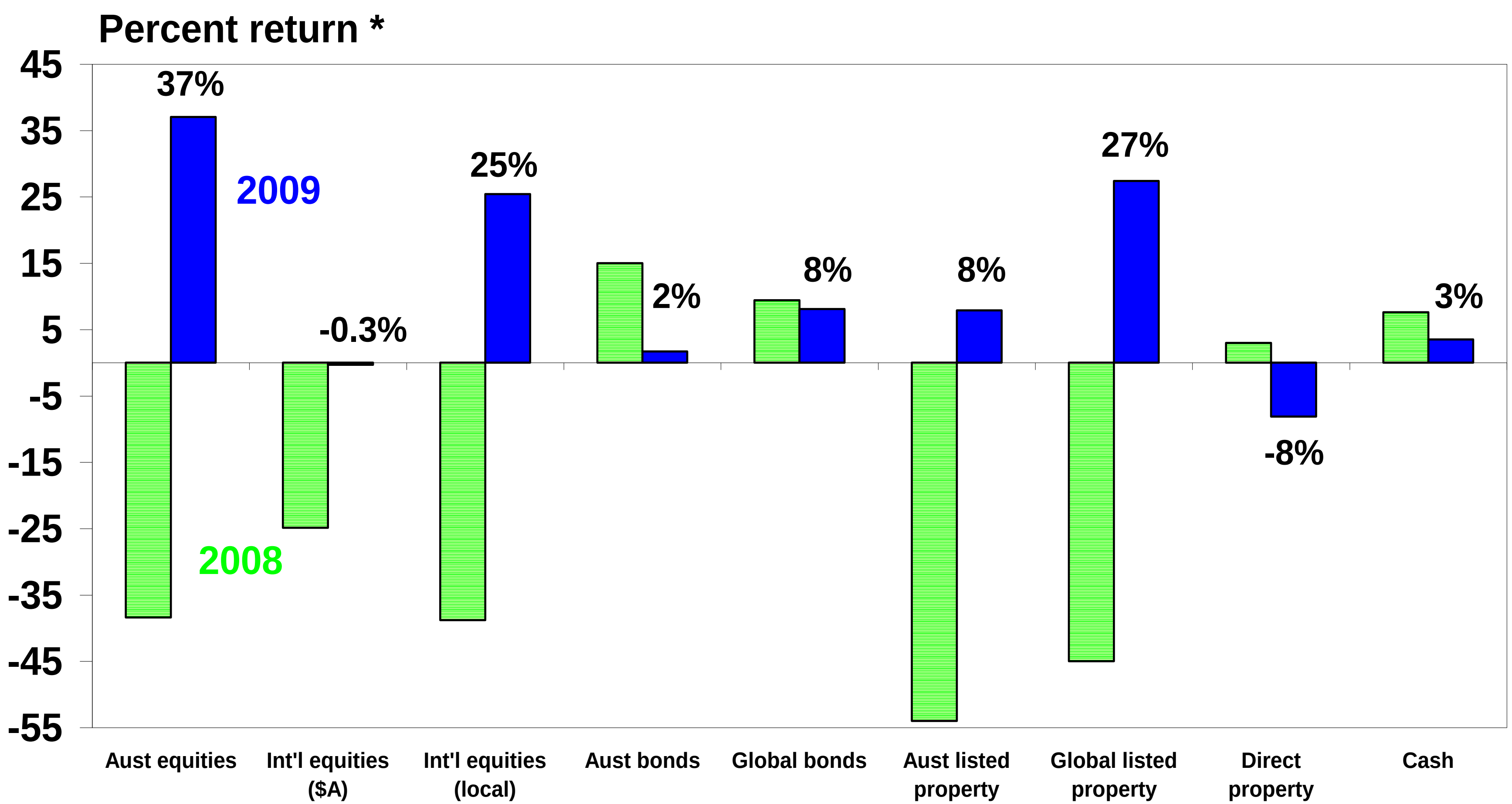
Medium term view – the next 5-10 years

- Favour Asian/emerging markets with more caution in developed countries

Key risks

- Consumer spending fails to pick up
- Policy stimulus is withdrawn prematurely

2009 saw a rebound in investment returns from most assets except unlisted property, bonds and cash



*** pre fees and taxes.**

Source: Thomson Financial AMP Capital Investors

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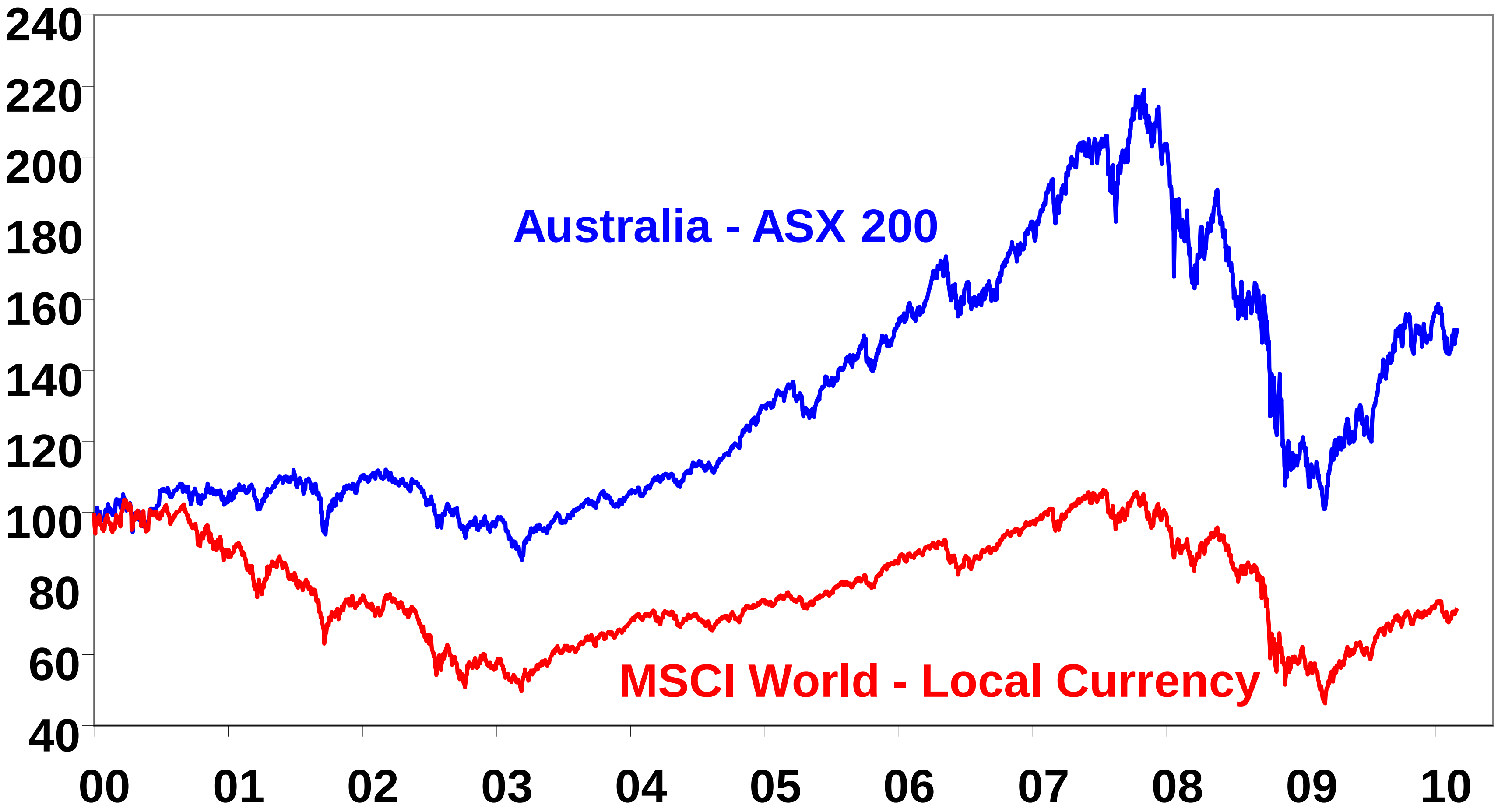
Shares have been consolidating, but trend likely remains up



Source: Datastream, AMP Capital Investors

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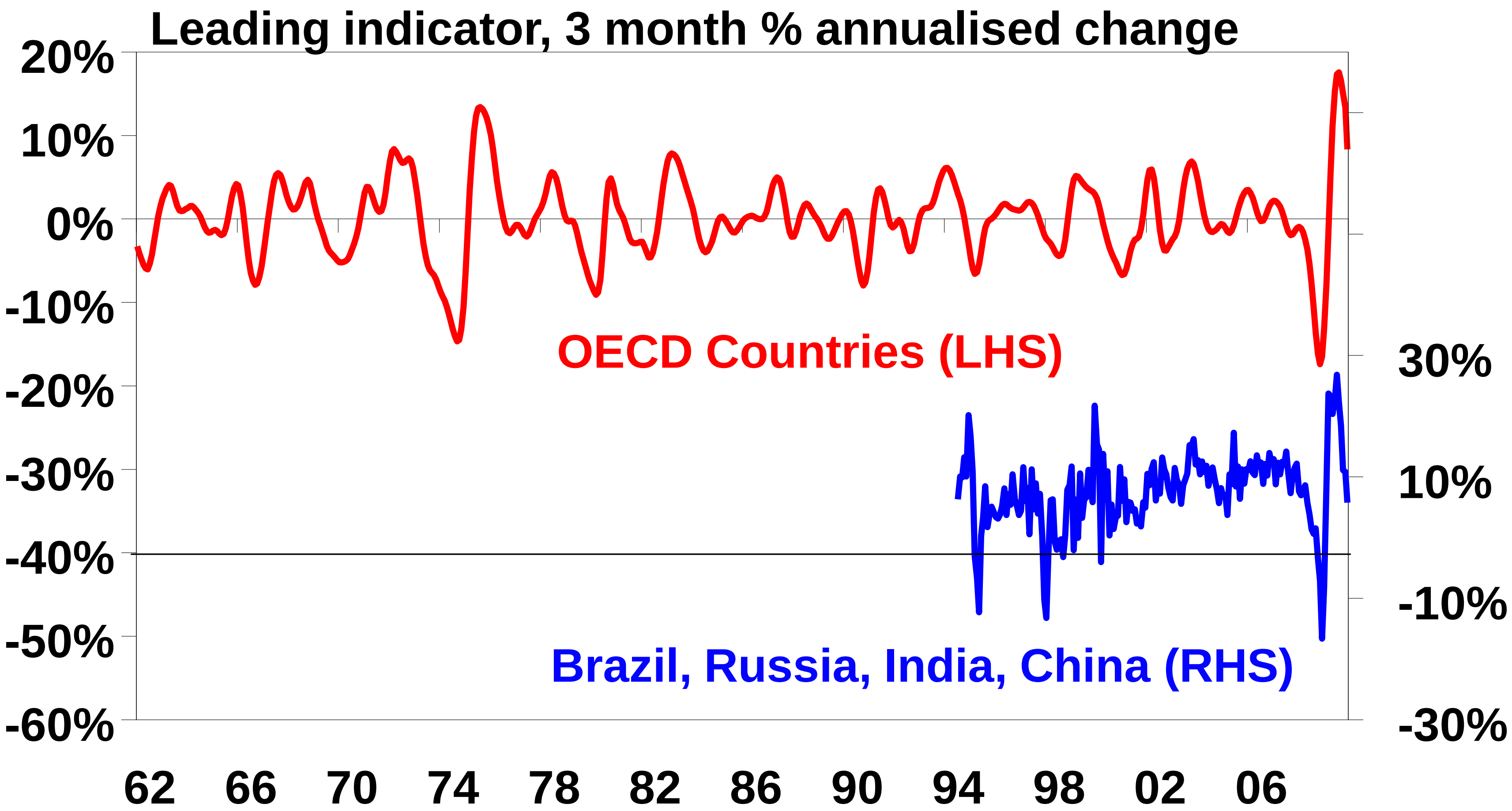
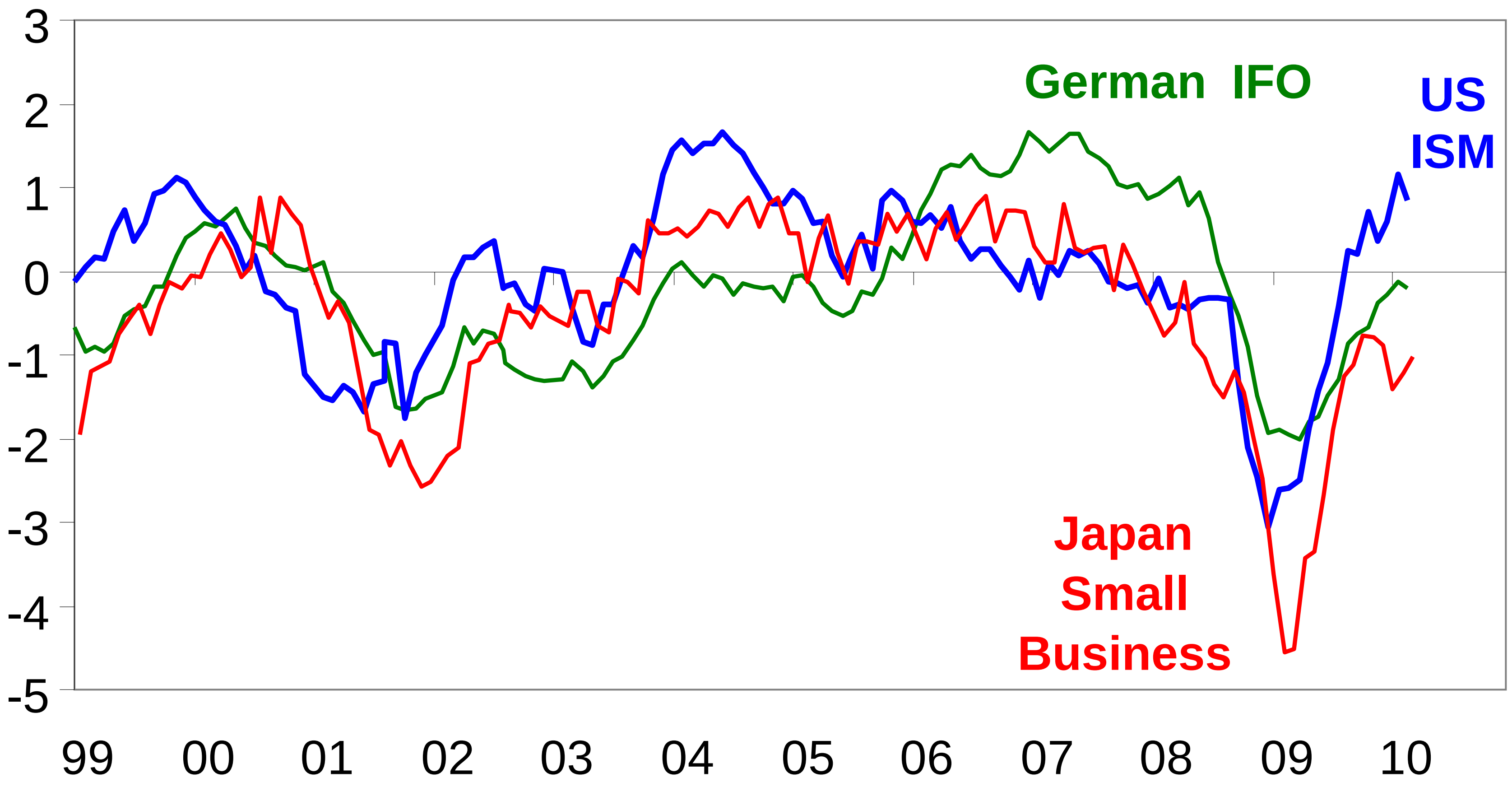
Leading indicators are pointing to a strong global recovery, but momentum is now settling down



Source: Thomson Financial, AMP Capital Investors

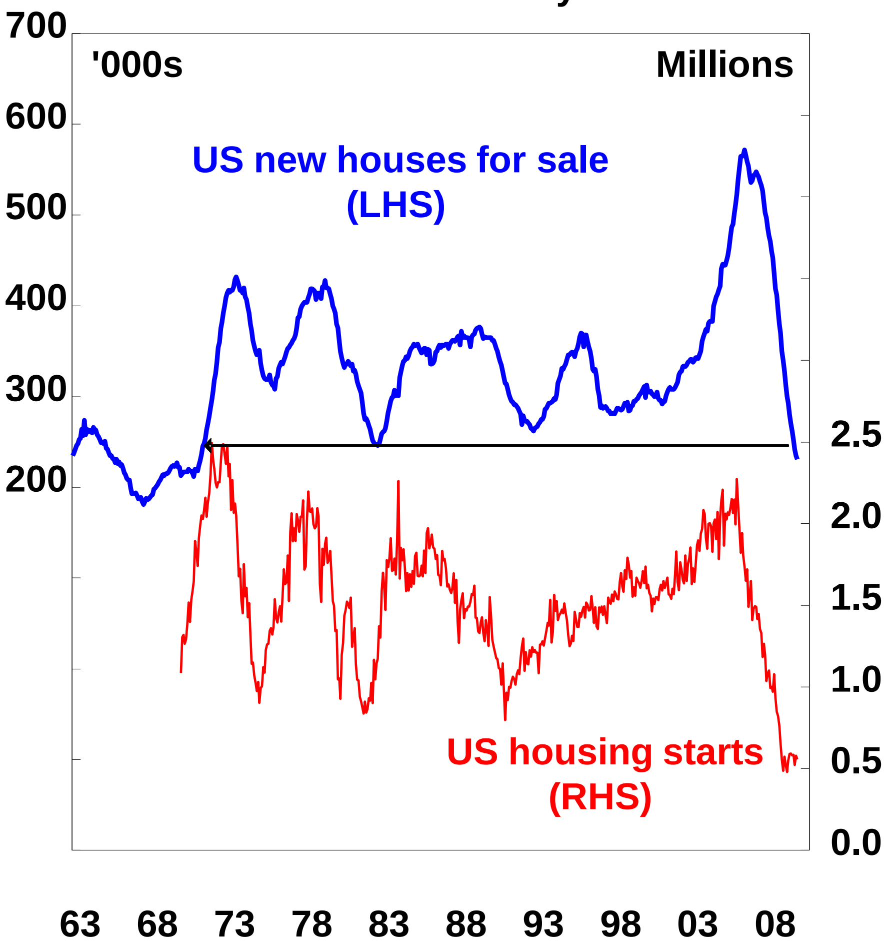
Business confidence has revived globally, but is lagging in Japan and Europe



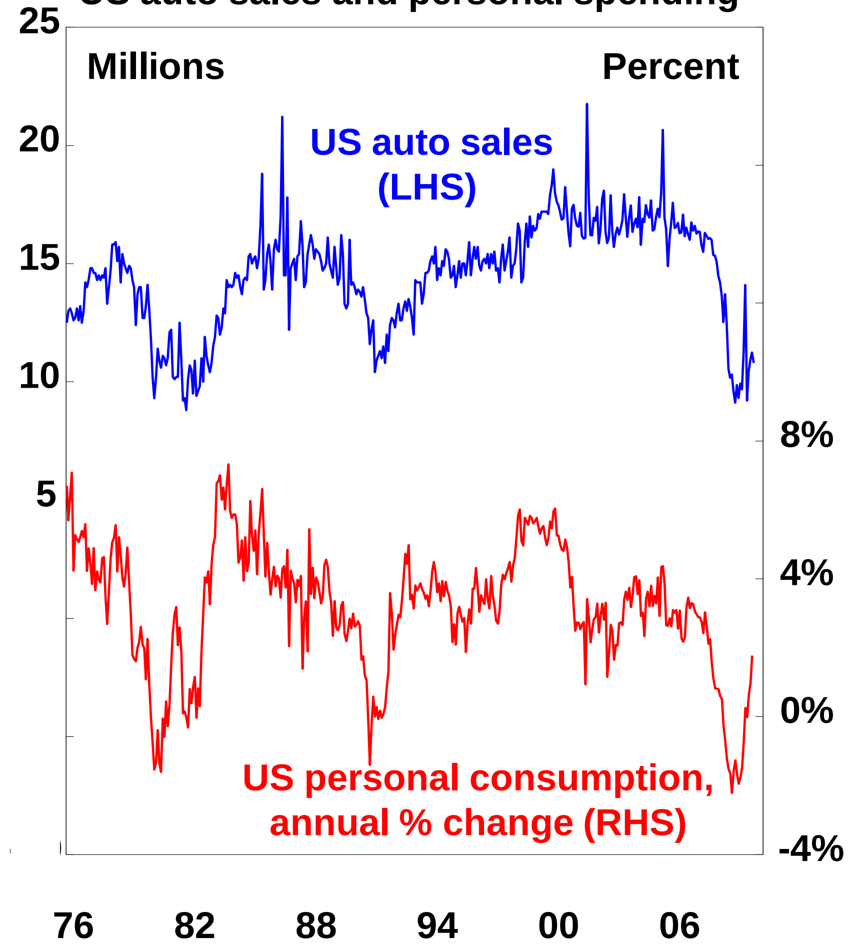
Source: Datastream, AMP Capital Investors

The US recession has left plenty of pent up demand

New homes for sale at early 1970s levels

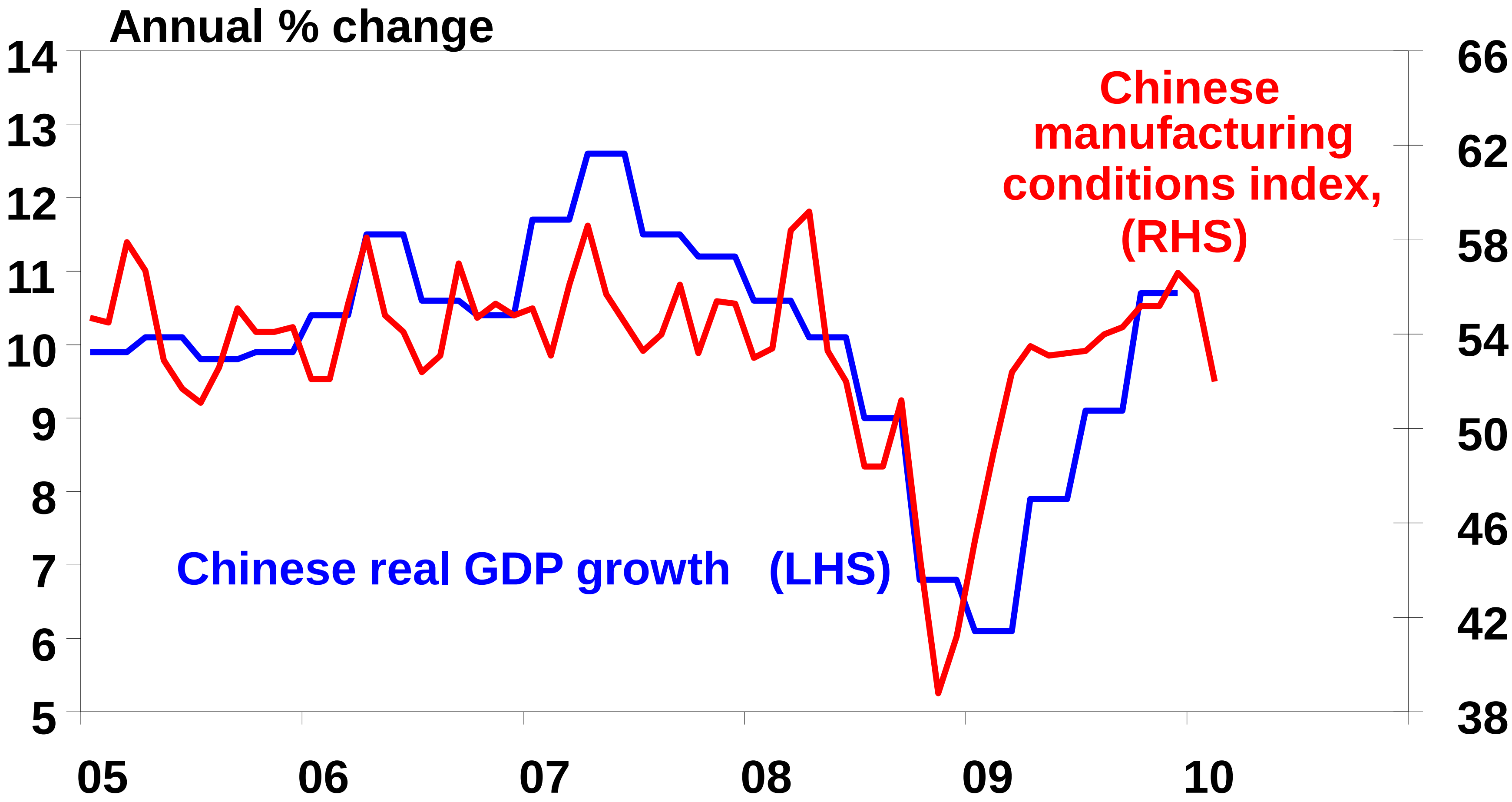


US auto sales and personal spending



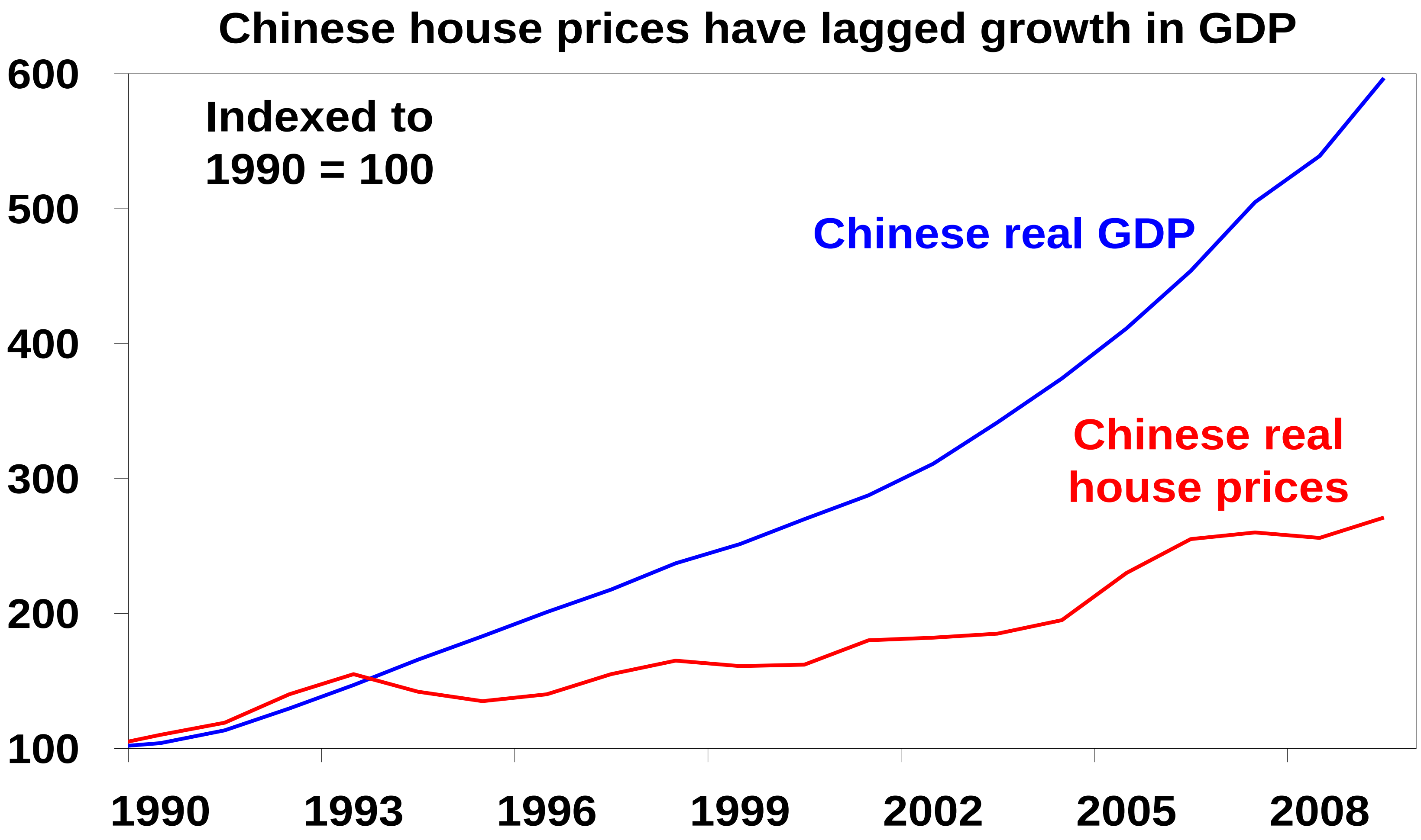
Source: Bloomberg, AMP Capital Investors

China's leading indicators point to 10% growth – monetary tightening will prevent overheating



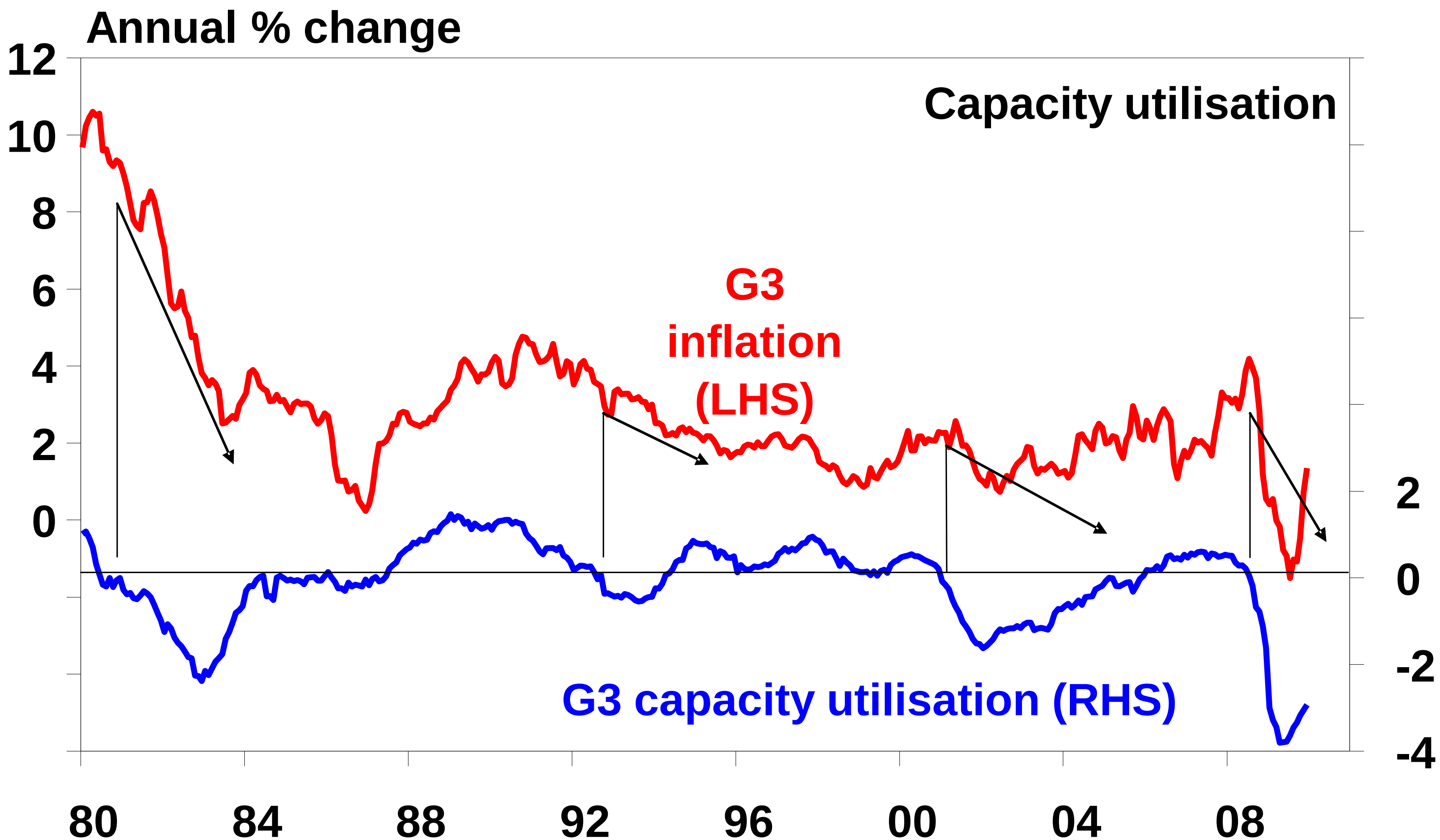
Source: Datastream, AMP Capital Investors

Chinese house prices have lagged growth in GDP



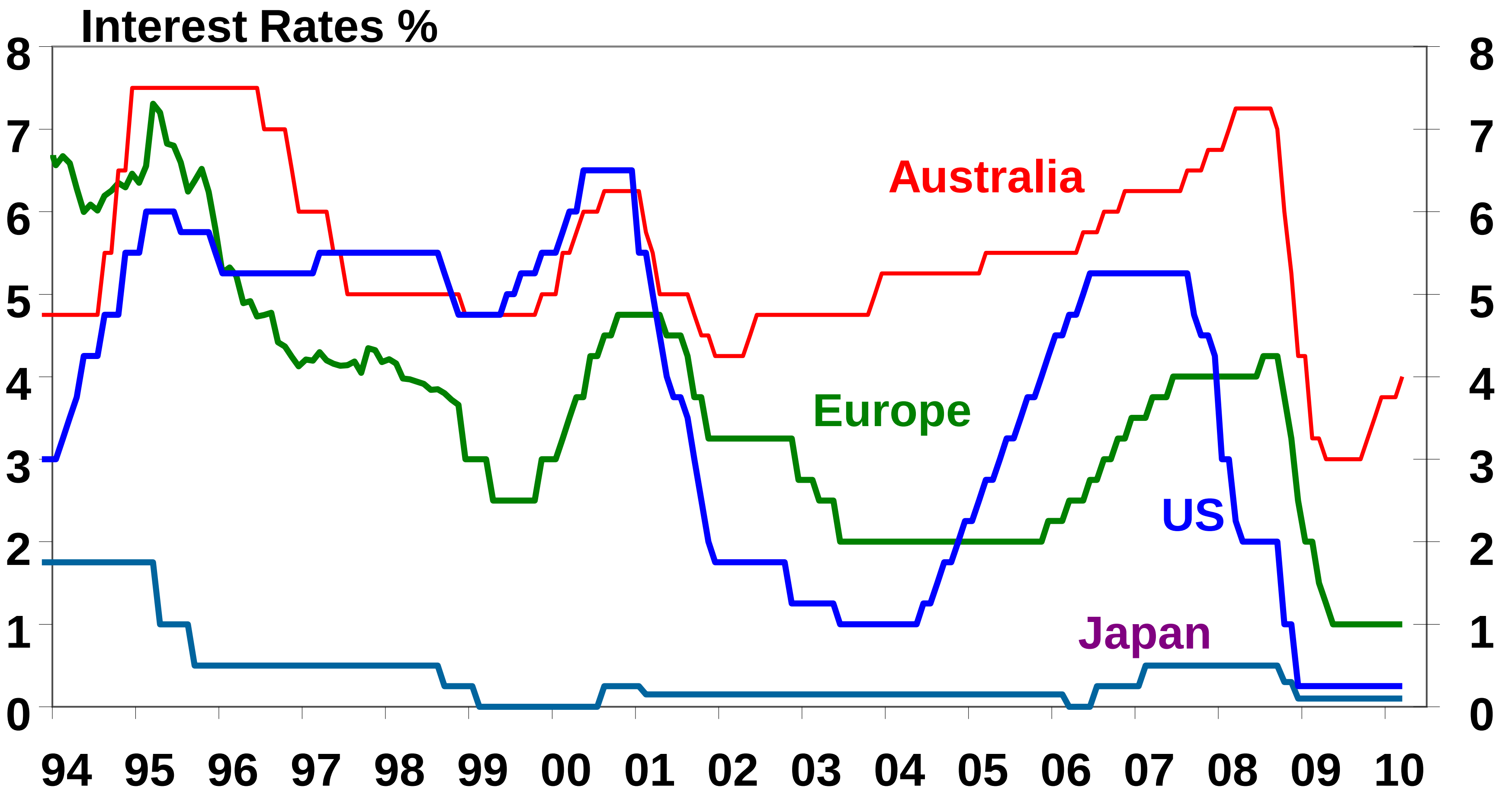
Source: Bloomberg, AMP Capital Investors

Massive global excess capacity means inflation is not an issue…



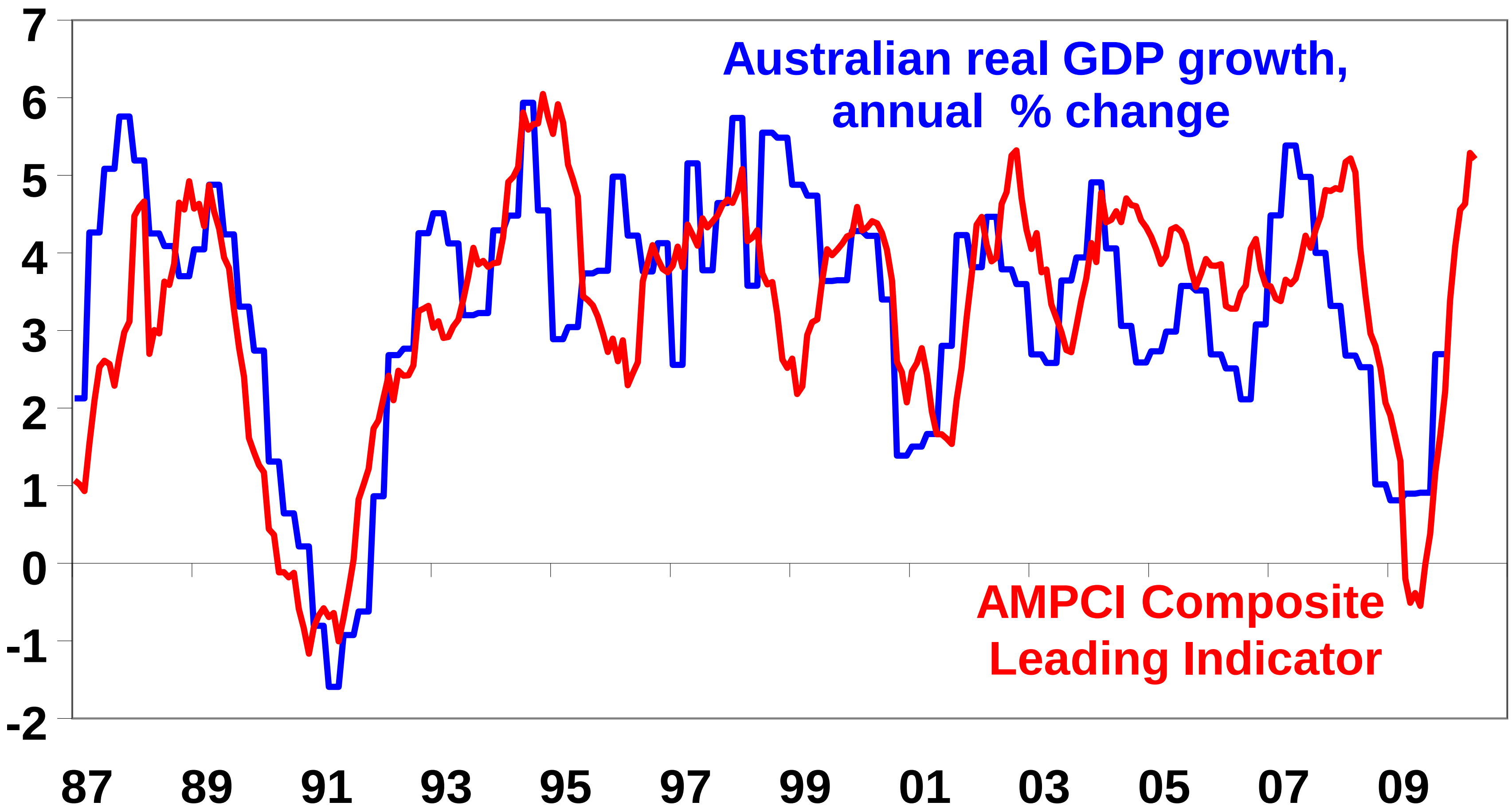
Source: Thomson Financial, AMP Capital Investors

Interest rates will remain low this year. Aust leading on the way up…expect 4.75% by year end



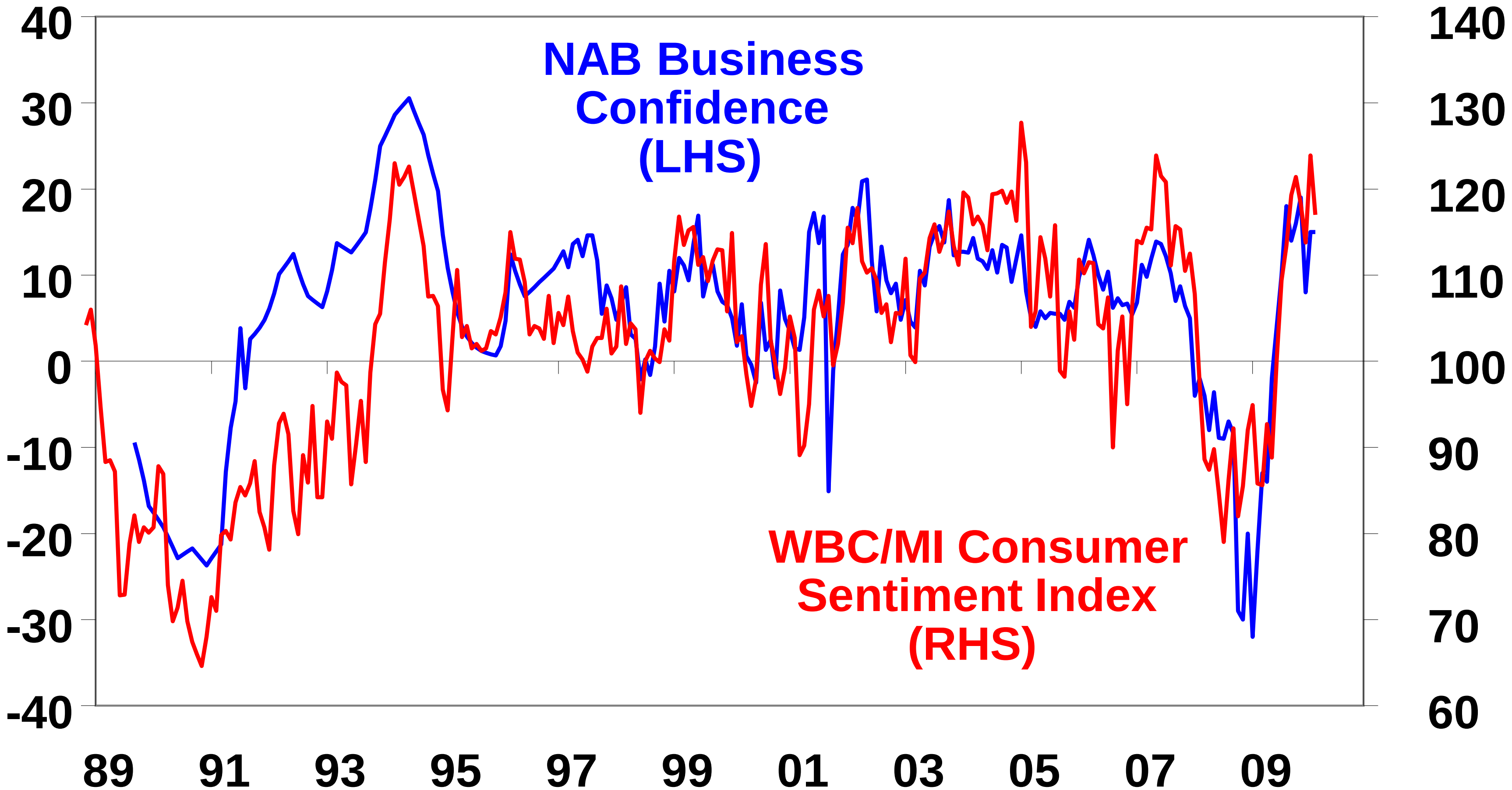
Source: Datastream, AMP Capital Investors

The Australian economy is heading into a strong recovery this year



Source: Datastream, AMP Capital Investors

Australian business and consumer confidence are at high levels



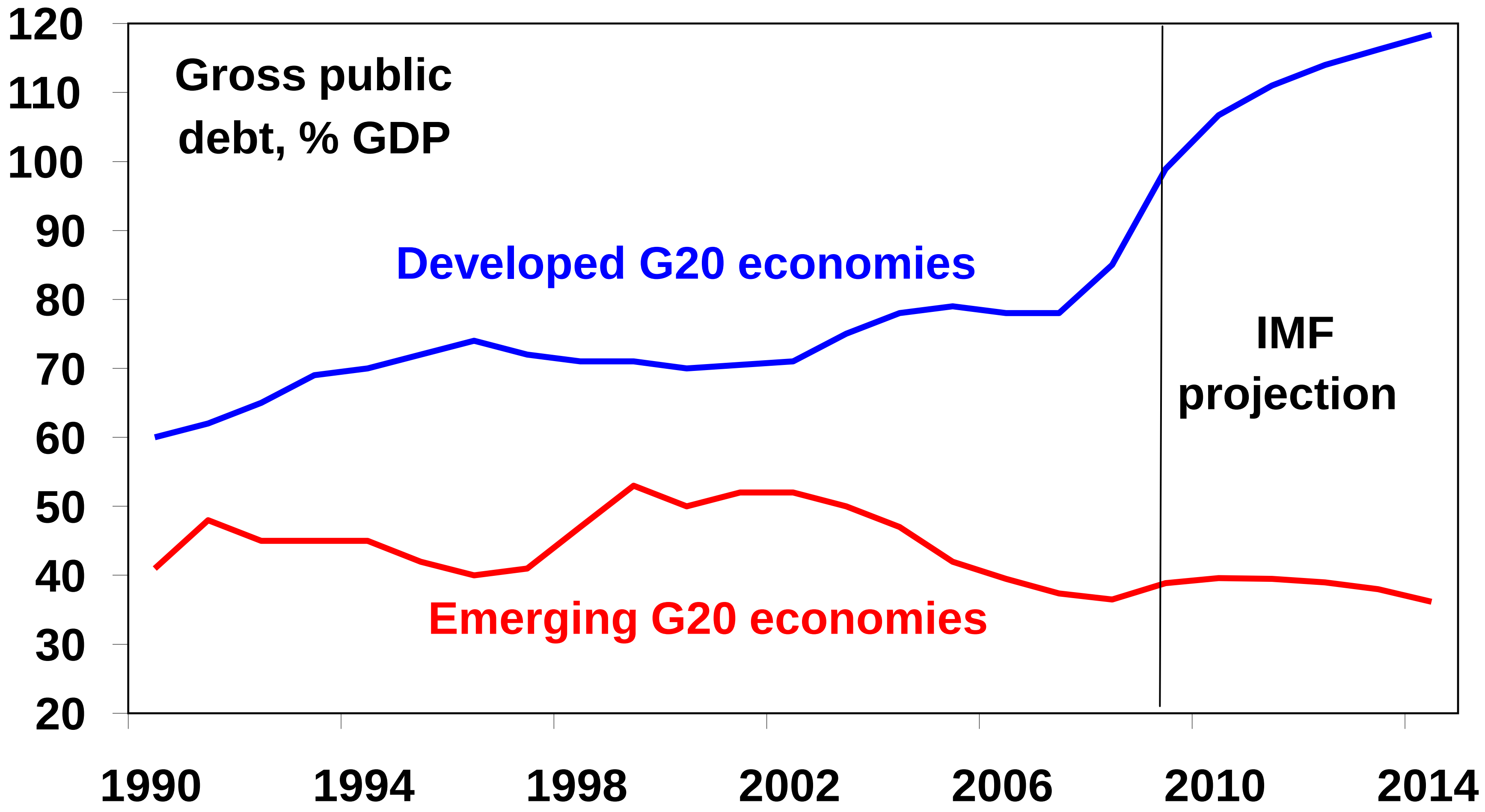
Source: Datastream, AMP Capital Investors

Sovereign debt risk

	Budget balance, % GDP (Deficit (-) or surplus (+))			Gross public debt, % GDP, 2009
	2009	**2010**	**2011**	**2009**
Australia	-4.0	-3.5	-2.6	15.9
Greece	-12.7	-9.8	-10.0	114.9
Iceland	-15.7	-10.1	-5.8	117.6
Ireland	-12.2	-12.2	-11.6	65.8
Italy	-5.5	-5.4	-5.1	123.6
Japan	-7.4	-8.2	-9.4	189.3
Portugal	-9.3	-8.3	-7.8	83.8
Spain	-9.6	-8.5	-7.7	59.3
UK	-12.6	-13.3	-12.5	71.0
US	-11.2	-10.7	-9.4	83.9
Euro area	-6.1	-6.7	-6.2	81.8
OECD Average	**-8.2**	**-8.3**	**-7.6**	**90.0**
Emerging Average	**-5.1**	**-4.1**	**-3.4**	**38.9**

Source: OECD, IMF, AMP Capital Investors

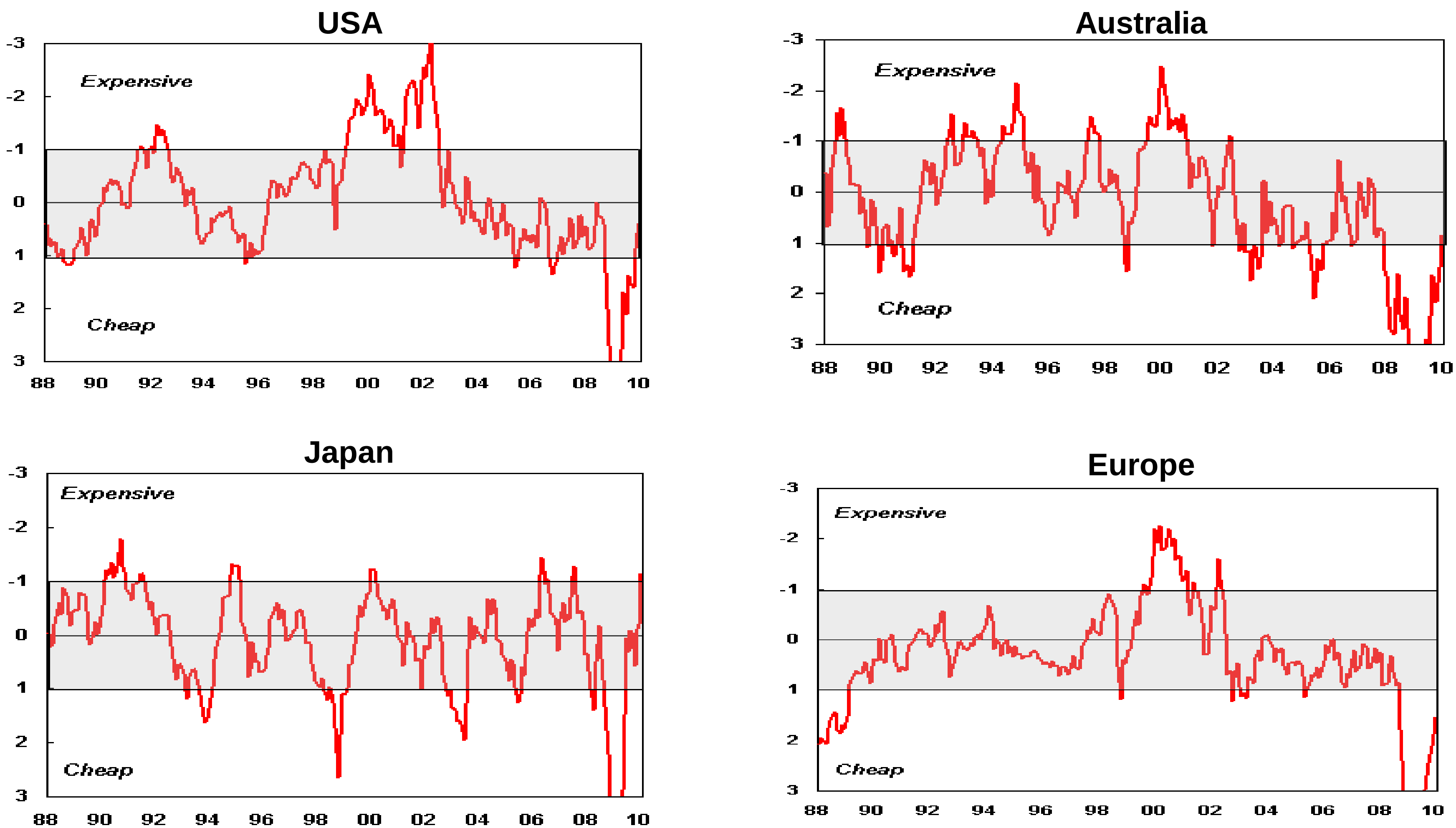
Much less public debt in emerging countries



Source: IMF, AMP Capital Investors

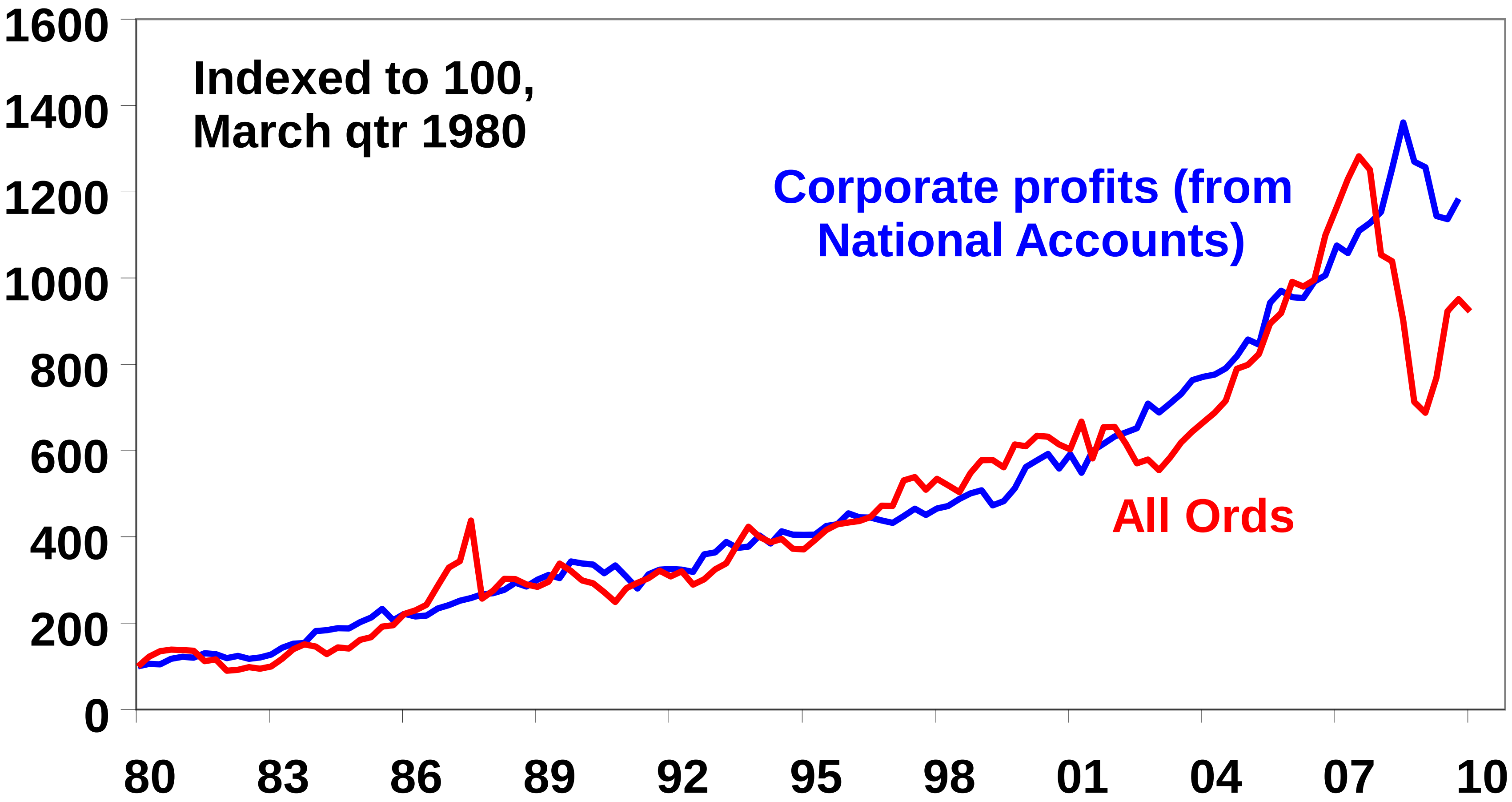
Shares are no longer dirt cheap, but are still attractive

Share market valuation indicators



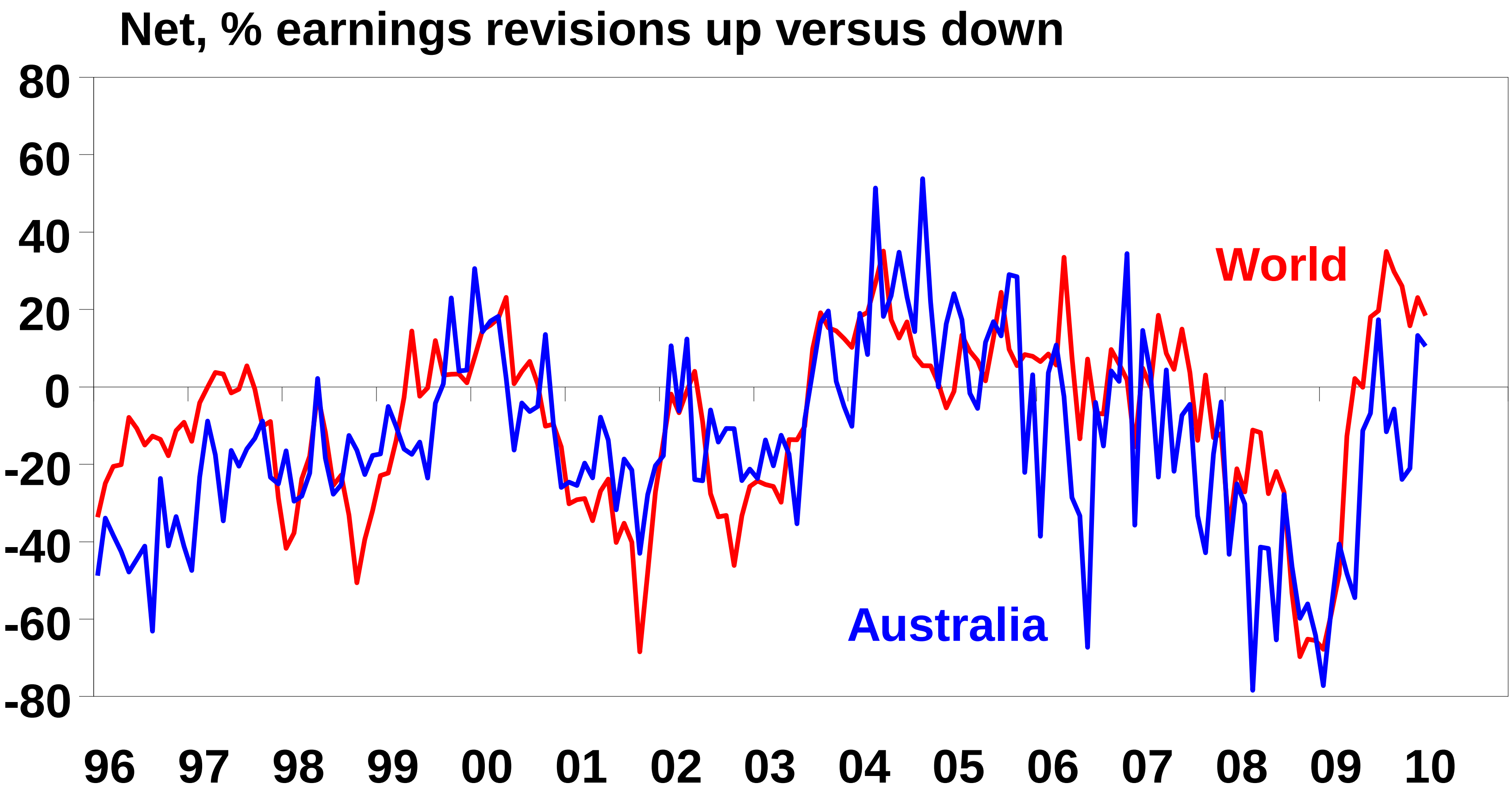
Source: Datastream, AMP Capital Investors

Australian shares are still well below the level suggested by profits



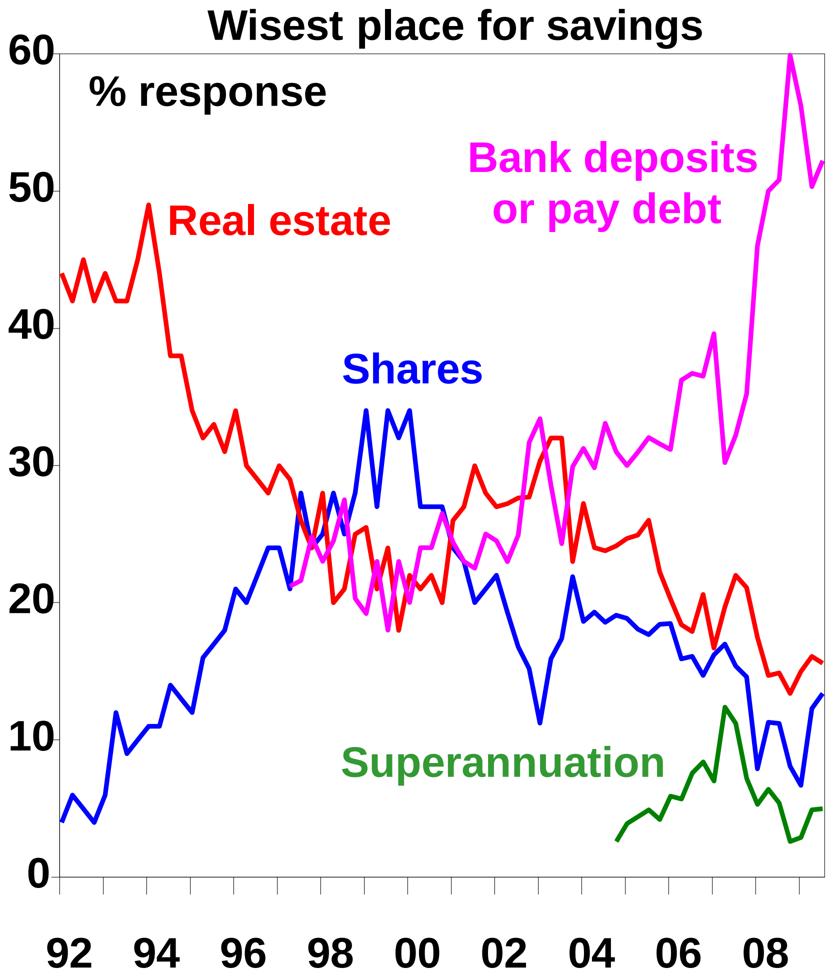
Source: Thomson Financial, AMP Capital Investors

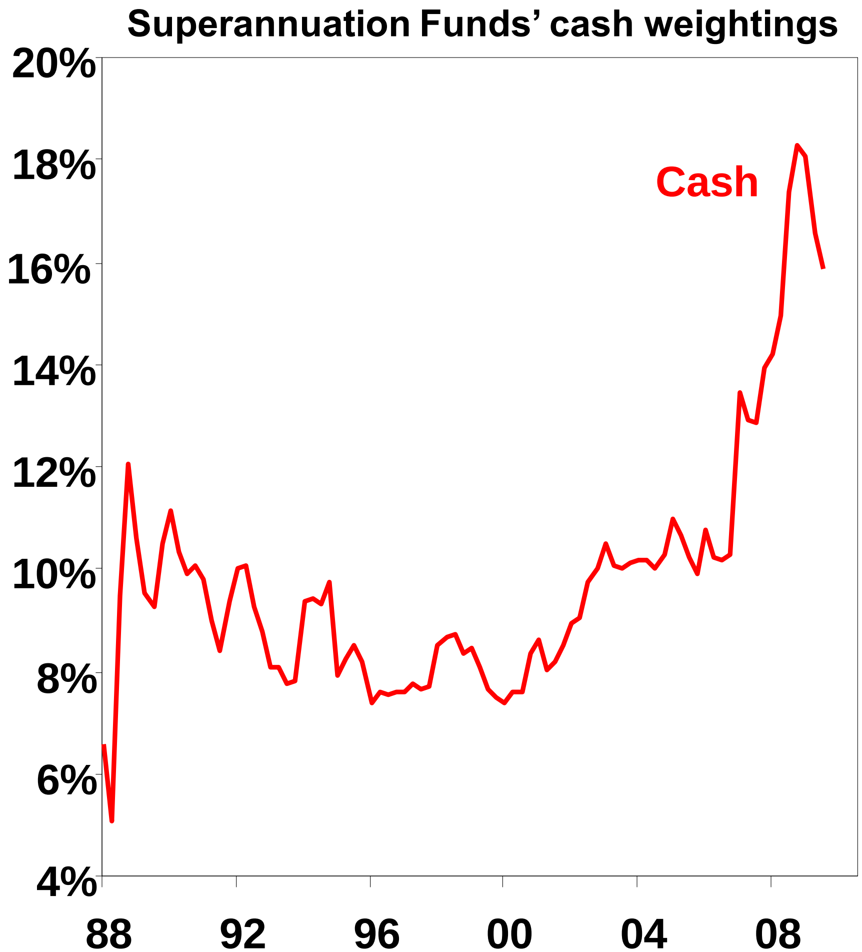
The earnings revision cycle has turned up – stronger earnings will be a key driver of shares this year



Source: Datastream, AMP Capital Investors

There is still plenty of scepticism regarding shares and plenty of cash still on the sidelines





Source: Australian Bureau of Statistics, AMP Capital Investors

Cyclical bull markets in Australian shares

Share bull market in Aust shares	Prior bear market % fall	Months after low to make new high	Total % gain	Duration in months
Mar 1894 – June 1914	-36	112	253	243
Dec 1916-July 1929	-22	37	196	151
Aug 31 – Mar 37	-46	38	168	68
April 42 - May 51	-32	43	175	109
Dec 52 – Sept 60	-34	62	146	93
Nov 60 – Feb 64	-23	33	42	39
June 65 – Jan 70	-20	25	120	55
Nov 71 – Jan 73	-39	94	57	14
Sept 74 – Aug 76	-59	59	101	23
Nov 76 – Nov 80	-23	21	173	48
July 82 – Sept 87	-41	17	421	62
Nov 87 – Aug 89	-50	75	55	21
Jan 91 – Feb 94	-32	30	94	37
Feb 95 – Mar 02	-22	20	89	85
Mar 03 – Nov 07	-22	15	156	56
Average from 1894	***-33***	***45***	***150***	***75***
Average from 1950	***-33***	***41***	***132***	***48***
Mar 09 - ?	-55 ?	?	+60?	10?

Source: Bloomberg, Global Financial Data, AMP Capital Investors

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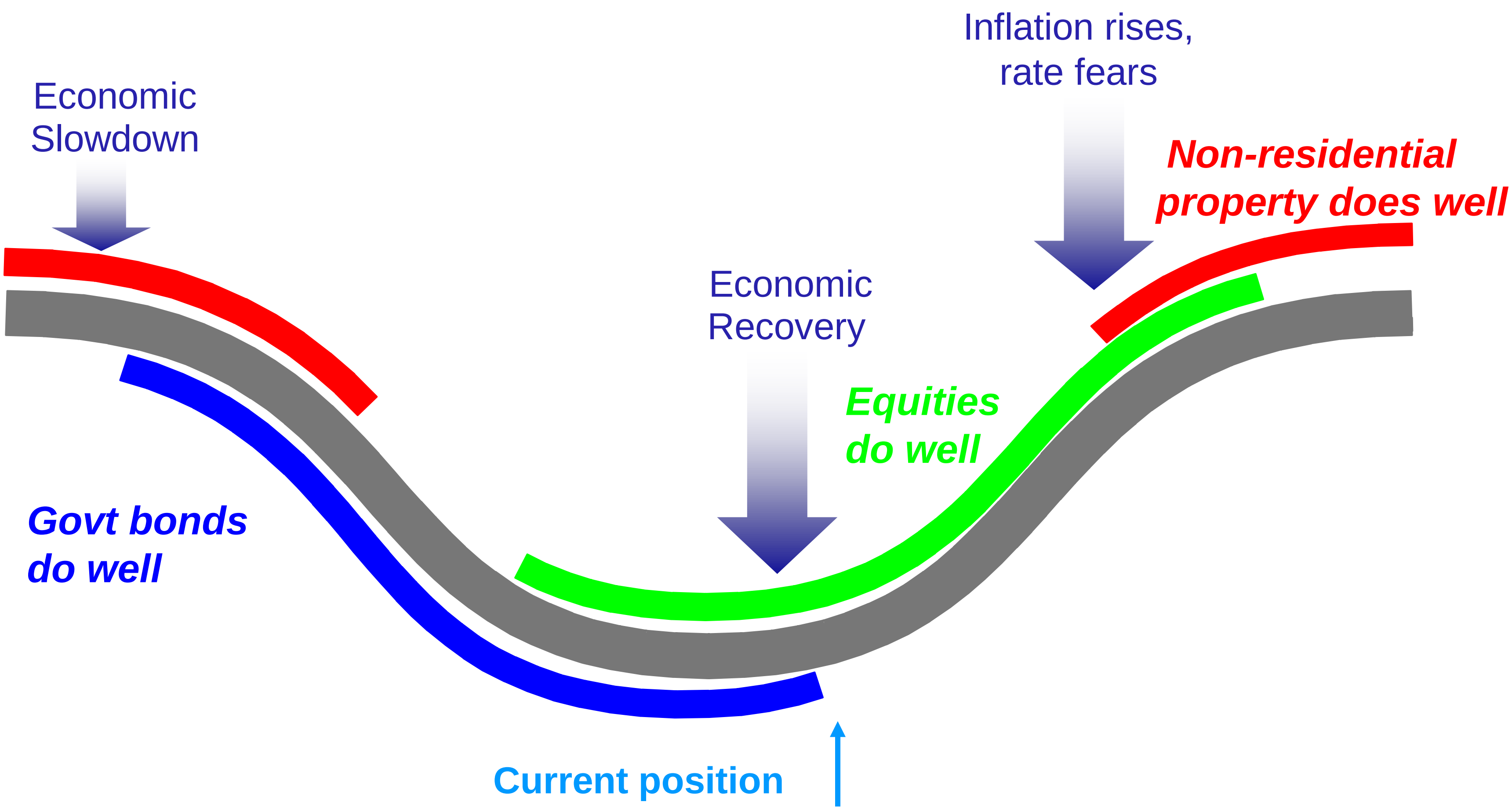
Shares are likely moving on from the "sweet spot" in the cycle, but still have attractive return prospects



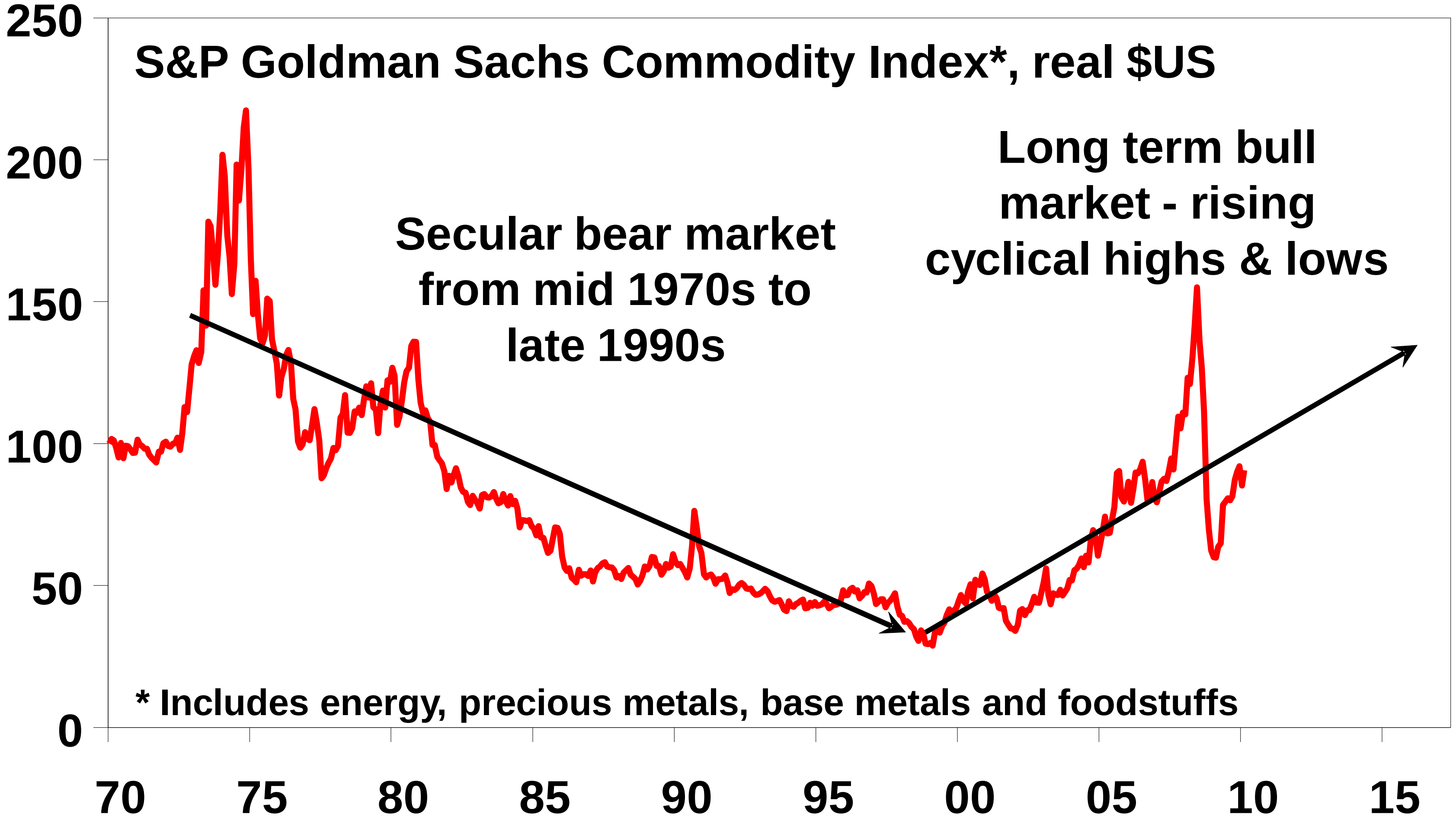
Source: AMP Capital Investors

Post bear market recoveries, Australian shares – it usually gets tougher after the first year

Bear market	% decline in All Ords	% gain in first year from low	% gain in second year after low
May 51 – Dec 52	-34	8	13
Sep 60 – Nov 60	-23	12	-2
Feb 64 – Jun 65	-20	8	11
Jan 70 – Nov 71	-39	49	-25
Jan 73 – Oct 74	-59	54	16
Aug 76 – Nov 76	-23	6	21
Nov 80 –July 82	-41	39	9
Sept 87 – Nov 87	-50	35	5
Sept 89 – Jan 91	-32	39	-9
Jan 94 – Feb 95	-22	25	8
March 02 – March 03	-22	28	24
Average	**-33**	**28**	**6**
Nov 07 – March 09	-55	52	?

Source: Bloomberg, AMP Capital Investors

Commodity prices are in a long term uptrend



Source: Thomson Financial, AMP Capital Investors

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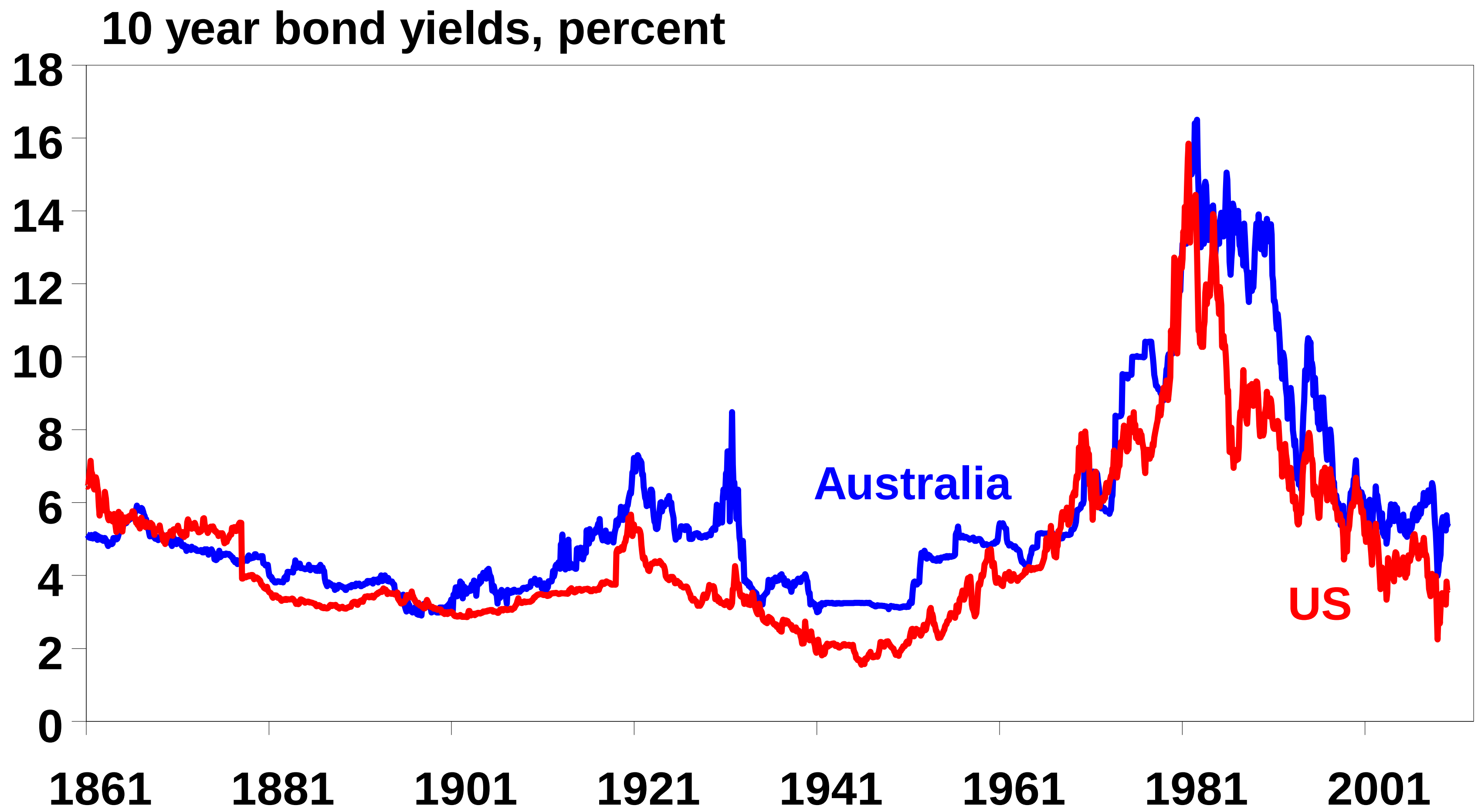
Australian shares should trade at a premium. Australian versus global shares, 1999-2009

	Australia	World
Earnings growth, % pa	8	4
Dividend payout, %	65	38
Share price volatility, std deviation, %	13	17

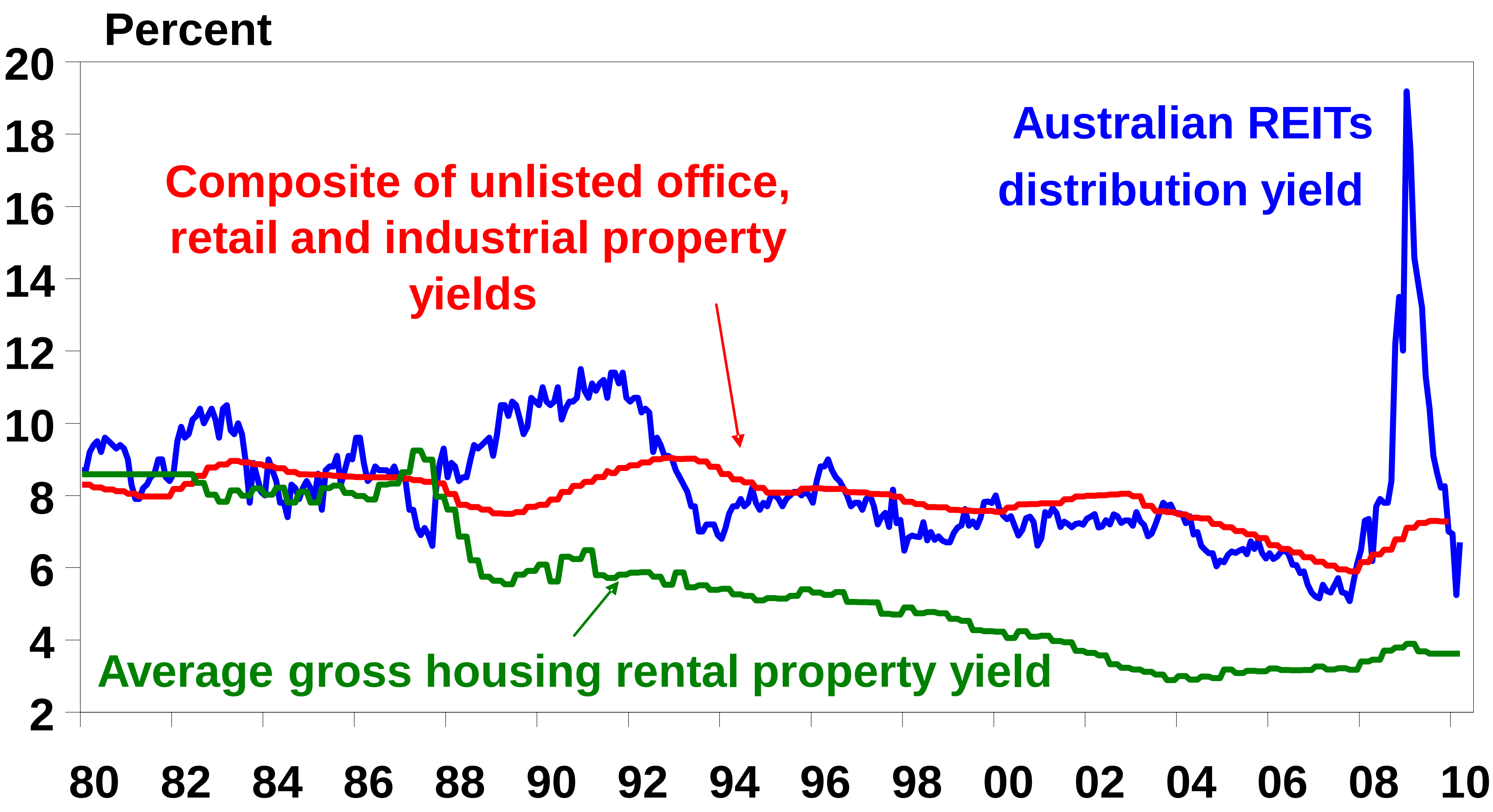
Source: Thomson Financial, AMP Capital Investors

Long term bond returns will be poor reflecting very low yields



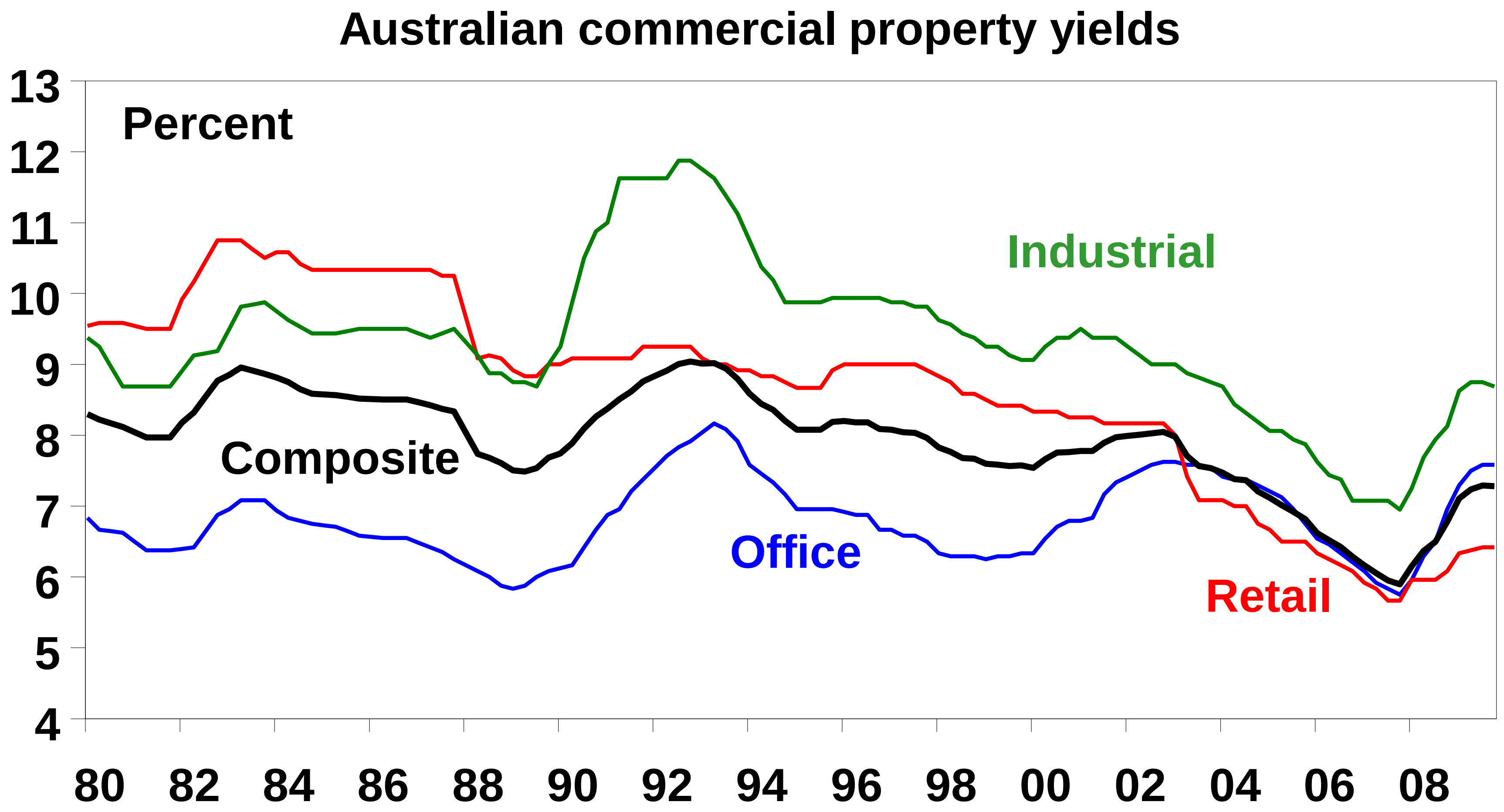
Source: Datastream, AMP Capital Investors

Increased yields make non-residential property quite attractive - more attractive than housing



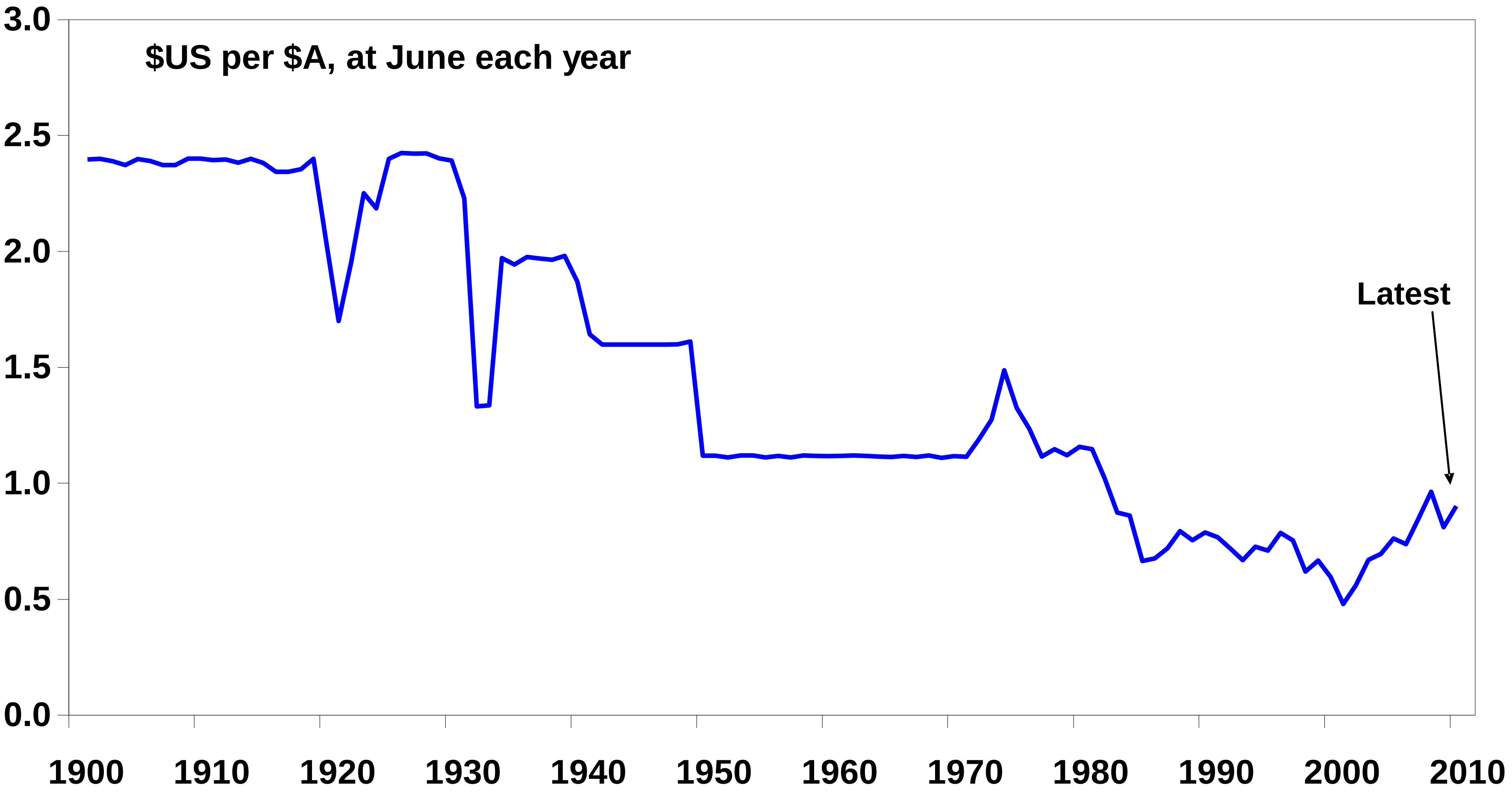
Source: Datastream, REIA, AMP Capital Investors

Unlisted commercial property values likely to rise modestly this year – yields appear to be topping



Source: AMP Capital Investors

$A recovering to more normal levels after a long term decline



AMP Balanced Growth option

	Benchmark	Current mix versus Benchmark
Australian Shares	34.0	+3.5
International Shares	17.0	+0.0
Asia + Emerging Shares	5.0	+1.5
Direct Investments	3.0	+1.0
Commodities	2.0	+1.5
Aust Listed Property Trusts	4.0	0.0
Global Property Securities	3.0	+0.5
Direct Property	6.0	+4.0
Total Return Fund	2.0	-0.5
Australian Fixed Interest	14.0	-7.0
International Bonds	5.0	-0.5
Cash	5.0	-4.0
	100.0	

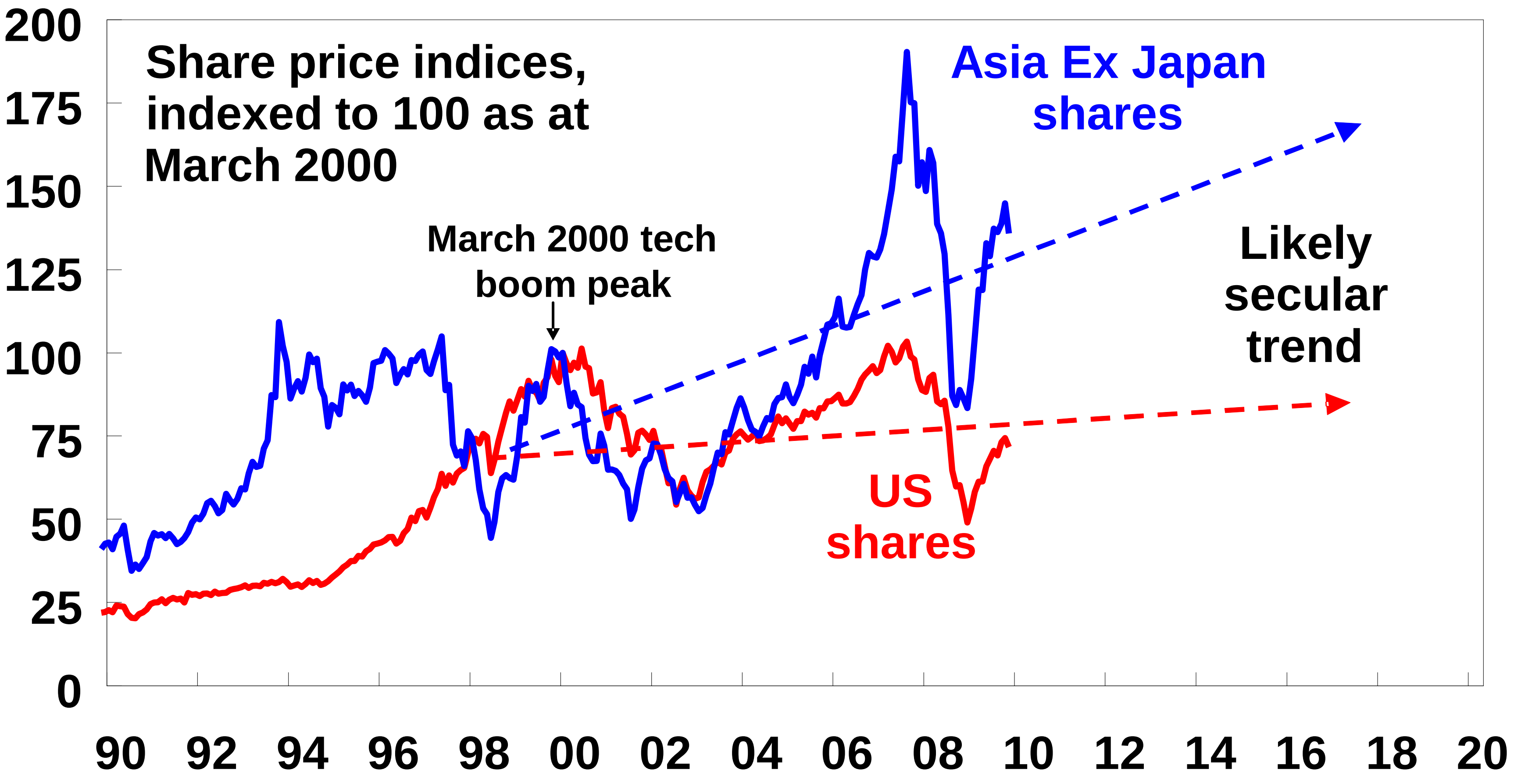
Source: AMP Capital Investors

5-10 year return projections

	Yield, %pa	+ Growth, %pa (=nominal GDP)	Sustainable 5-10 year return, %pa
US Shares	2.0	5.0	7.0
UK Shares	3.4	4.0	7.4
European Shares	4.0	3.8	7.8
Japanese Shares	1.8	2.8	4.6
Asian Shares	1.9	8.0	9.9
Global Shares, local currency	2.8	4.7	7.5
Australian Shares	3.9	5.5	9.4
Direct Property	7.0	2.5	9.5
Aust Listed Property	6.7	2.5	9.2
Global Property Securities	4.5	3.3	7.8
Corporate debt	8.0	0.0	8.0
Aust Government Bonds	5.1	0.0	5.1
Aust Cash	5.0	0.0	5.0
Diversified Growth Mix			**8-10**

Source: AMP Capital Investors

The secular trend is likely to be stronger for Asian shares



Source: Bloomberg, AMP Capital Investors

Conclusion

Cyclical view – next 6-12 months

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- Shares are still favoured but expect a tougher climate with tighter policy
- Australian interest rates to gradually increase back to more normal levels
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Medium term view – the next 5-10 years

- Favour Asian/emerging markets with more caution in developed countries

Key risks

- Consumer spending fails to pick up
- Policy stimulus is withdrawn prematurely

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