

APRIL 2013

Market Overview

Concerns about global growth re-emerged in April following disappointing Chinese GDP data, significant falls in commodity prices and ongoing economic weakness in the Eurozone. Markets reacted accordingly with defensive and higher yield sectors significantly outperforming cyclical and higher growth sectors. This trend was evidenced in the continued outperformance of developed markets relative to emerging markets and, in Australia, the ongoing outperformance of the broader index relative to small caps.

In Europe, amid rising unemployment and a lower than expected inflation rate of 1.2%, the European Central Bank (ECB) lowered the benchmark interest rate by 25 basis points to 0.5%. In his statement announcing this change, ECB President Draghi also indicated that the ECB would continue to allow stressed banks to access unlimited liquidity until at least July 2014. Overall, his comments highlighted that the risks surrounding the Eurozone economic outlook continue to be to the downside. In Italy, a two month political stalemate was ended with the creation of a three party coalition government and the election of Enrico Letta as prime minister. The market reacted positively with yields on Italian bonds falling below 4.00%.

In the US, at its April FOMC meeting the Federal Reserve made no changes to its current USD85 billion a month asset purchase program. However, the Fed noted that it is prepared to either increase or reduce the pace of purchases as the outlook for the labour market and inflation expectations changes. Unemployment decreased to 7.5% in April following strong Non-Farm Payrolls data which came in above market expectations and, in an additional sign of continued moderate improvement in the labour market, previously released payrolls data for March and February was revised upwards.

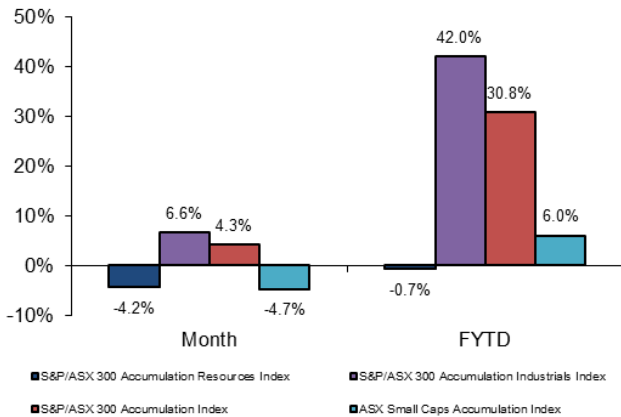
Following weak Chinese GDP data for the March quarter 2013 (7.7% year on year, well below the market median forecast of 8%), the Governor of the People's Bank of China, Zhou Xiaochuan, highlighted that this lower rate of growth is in line with Chinese authorities' target rate of 7.5% and is reflective of the economic rebalancing that China is currently undergoing. The Shanghai Composite Index closed the month 2.6% lower, and commodity prices suffered large declines with the copper spot price falling 6.5% over the month.

In Australia, several macro level indicators highlighted significant declines or a continued loss in momentum; in particular the Australian PMI (Purchasing Managers Index) data highlighted that the contraction in the manufacturing sector is accelerating with sharp declines noted in production, new orders and employment. Residential building approvals, consumer confidence and retail sales all came in weaker than expected over the past month. In response to weak domestic economic data, benign inflation and a persistently high exchange rate, the RBA cut interest rates to a historically low level of 2.75% at its May meeting. In contrast, the announcement by the government of an increase to the Medicare levy to fund the National Disability Scheme, following revised estimates of a wider deficit, was indicative of the fiscal restraint we can expect to see in next week's budget.



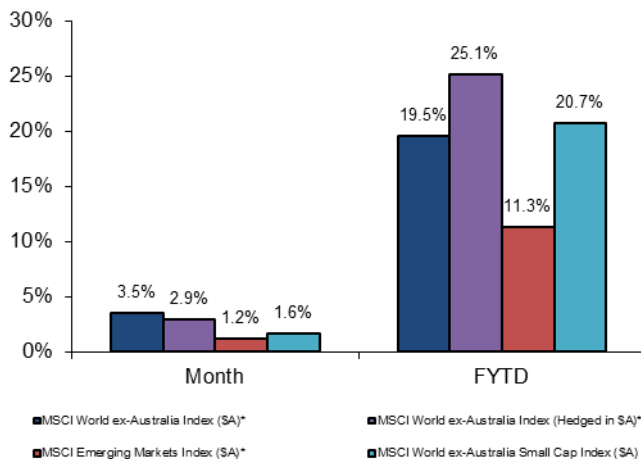
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Australian Equities



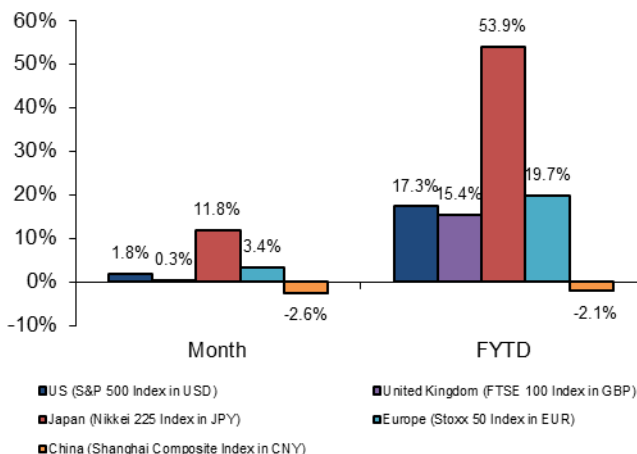
Australian equities finished the month 4.3% higher led by impressive gains by the high yielding Telecommunications (+10.6%) and Financials (8.5%) sectors, while Materials (-4.4%) and Energy (-1.7%) continued to underperform. The ASX 300 Resource Accumulation index fell 4.2% losing further ground against the Industrials index which was up 6.6% over the month.

International Equities (\$A)



Developed market international equities recorded a moderate positive return for the month gaining +3.5% in hedged AUD terms. The Nikkei strongly outperformed other developed markets returning 11.8% for the month following Bank of Japan (BOJ) Governor Kuroda's announcement at the start of April of a wave of new policy measures to try and beat deflation and stimulate the Japanese economy. Emerging markets continue to lag developed markets, returning 1.2% for the month in AUD terms.

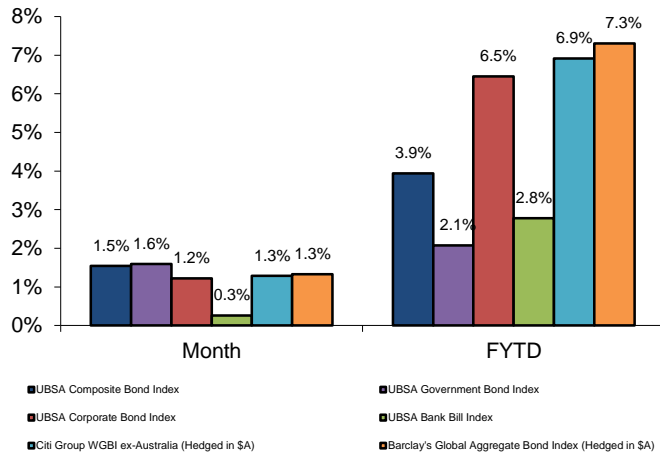
International Equities (Local Currencies)



Global equity markets recorded mixed but generally positive returns in April. European markets recorded strong gains (3.4%) following the ECB's move to lower the benchmark interest rate, and Draghi's commitment to additional cuts should they be deemed necessary. Asian markets recorded divergent performance with the Nikkei closing the month strongly higher and the Shanghai Composite moving lower following weaker than expected March quarter 2013 GDP data.

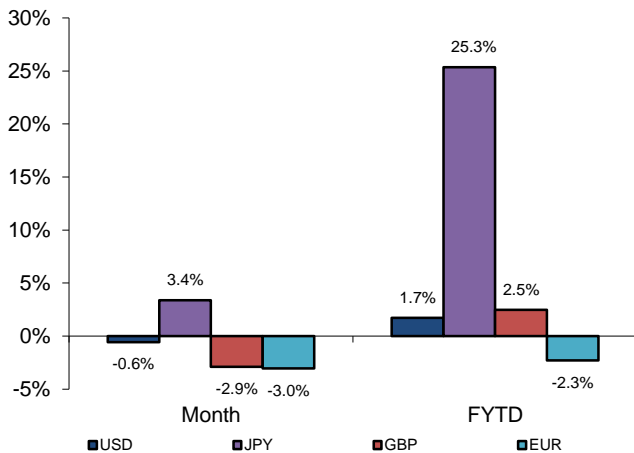
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Fixed Income



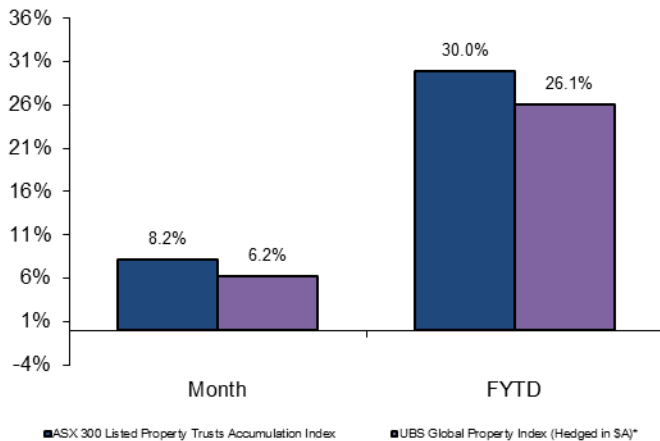
Australian bonds outperformed global fixed income markets as bond yields in Australia fell on increased market expectations of further interest rate cuts. Shorter dated investments outperformed as the yield curve steepened. International fixed income returns were also positive as “core” yields were pushed lower on renewed global growth concerns, while “peripheral” bond yields declined as Italy formed a coalition government and President Draghi reiterated ECB support for the Eurozone.

Australian Dollar against



In April the Australian dollar declined against most of the majors as weaker commodity prices and weaker than expected Chinese data put downward pressure on the currency. The exception was the Japanese Yen which declined further against the AUD following the announcement of the BOJ’s new initiatives to stimulate the Japanese economy. Financial year to date the AUD has appreciated 25.3% against the Yen.

Property



Australian listed property trusts outperformed their international counterparts in April, gaining 8.2% as high yield sectors strongly outperformed cyclical growth sectors over the month. For the financial year to date, returns on both Australian (30.0%) and international listed property (26.1%), in hedged AUD terms, have been strong.

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Frontier Capital Markets Report as at 30 Apr 2013

30-Apr-13	Index Value	Month	3 Months	FYTD	1 Year
Australian Equities					
S&P/ASX 300 Accumulation Index	41,513	4.3%	7.3%	30.8%	22.7%
S&P/ASX 300 Accumulation Industrials Index	80,691	6.6%	13.6%	42.0%	38.4%
S&P/ASX 300 Accumulation Resources Index	19,779	-4.2%	-12.3%	-0.7%	-16.0%
ASX Small Caps Accumulation Index	5,275	-4.7%	-7.0%	6.0%	-9.4%
International Equities					
MSCI World ex-Australia Index (\$A)*	4,068	3.5%	6.2%	19.5%	16.7%
MSCI World ex-Australia Index (Hedged in \$A)*	910	2.9%	7.7%	25.1%	21.8%
MSCI Emerging Markets Index (\$A)*	402	1.2%	-1.8%	11.3%	4.3%
MSCI World ex-Australia Small Cap Index (\$A)	260	1.6%	5.9%	20.7%	15.6%
US (S&P 500 Index in USD)	1,598	1.8%	6.6%	17.3%	14.3%
United Kingdom (FTSE 100 Index in GBP)	6,430	0.3%	2.4%	15.4%	12.1%
Japan (Nikkei 225 Index in JPY)	13,861	11.8%	24.4%	53.9%	45.6%
Europe (Stoxx 50 Index in EUR)	2,712	3.4%	0.3%	19.7%	17.6%
China (Shanghai Composite Index in CNY)	2,178	-2.6%	-8.7%	-2.1%	-9.1%
AUD Versus...					
USD	1.04	-0.6%	-0.3%	1.7%	-0.8%
JPY	101.39	3.4%	7.4%	25.3%	21.0%
GBP	0.67	-2.9%	1.7%	2.5%	4.2%
EUR	0.79	-3.0%	3.2%	-2.3%	0.2%
Property					
ASX 300 Listed Property Trusts Accumulation Index	28,548	8.2%	9.1%	30.0%	33.9%
UBS Global Property Index (Hedged in \$A)*	1,766	6.2%	11.2%	26.1%	27.2%
Australian Fixed Interest					
UBSA Composite Bond Index	7,579	1.5%	1.9%	3.9%	7.0%
UBSA Government Bond Index	8,002	1.6%	2.0%	2.1%	5.3%
UBSA Corporate Bond Index	7,635	1.2%	1.8%	6.5%	8.8%
UBSA Bank Bill Index	7,816	0.3%	0.7%	2.8%	3.5%
Global Fixed Interest					
Citi Group WGBI ex-Australia (Hedged in \$A)	1,847	1.3%	3.1%	6.9%	8.7%
Barday's Global Aggregate Bond Index (Hedged in \$A)	-	1.3%	2.9%	7.3%	9.0%
Oil and Commodities					
Crude Oil (\$/bbl)	93	-3.9%	-4.1%	10.0%	-10.9%
Copper Spot (\$/tonne)	7,021	-6.5%	-13.6%	-8.7%	-17.7%
Gold Spot (\$/ounce)	1,472	-7.7%	-11.5%	-8.8%	-12.2%
Fixed Income (Yields) as at ...					
	30-Apr-13	31-Mar-13	31-Jan-13	30-Jun-12	30-Apr-12
Australia Bank Bill	2.90	3.04	2.93	3.53	4.01
Australia 10 Year Government Bond	3.09	3.41	3.45	3.04	3.67
US 10 Year Government Bond	1.67	1.85	1.98	1.64	1.91
UK 10 Year Government Bond	1.69	1.77	2.10	1.73	2.11
Germany 10 Year Government Bond	1.22	1.29	1.68	1.58	1.66
Japan 10 Year Government Bond	0.61	0.55	0.75	0.84	0.90

* Net Dividends reinvested