JUNE 2013

Market Overview

In June markets saw a continuation of the sell-off that was triggered by comments made by Federal Reserve Chairman Ben Bernanke in May in regard to the potential slowing of the pace of the Fed's asset purchase program. Both equity and bond markets were sold off as the yield on the US 10 Year Treasury crept higher over the course of the month. The June Federal Open Market Committee (FOMC) meeting fuelled investor anxiety further as the Fed reiterated that the pace of asset purchases may be "moderated" later in the year. The combination of concerns about the timing of QE tapering, an unexpected spike in China's short term interbank lending rate (SHIBOR) and ongoing uncertainty about future Chinese economic growth resulted in a particularly severe sell-off in emerging market equities and currencies. The Shanghai Composite index finished the month 14% lower while the ASX 300 Accumulation Resource Index, also closely tied to Chinese growth prospects, was down 10.1%.

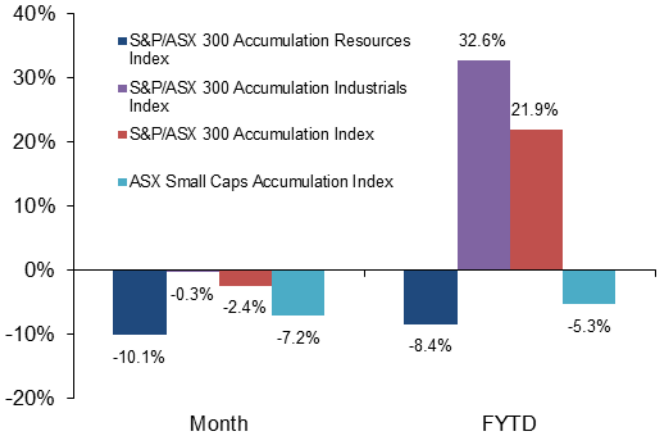
Economic data in the US continued to improve with the latest nonfarm payrolls indicator moving up more than expected (195,000 vs. 165,000) and the unemployment rate remaining steady at 7.6% as the participation rate ticked higher. The rising participation rate is a particularly strong indicator of the recovery that seems to be building in the labour market. However, housing market related data was mixed with housing starts coming in below expectations while existing home sales were better than expected. More recently concerns have emerged that the sharp increase in US long term bond yields will dampen demand for mortgage credit and reduce the positive momentum in the housing sector.

In Europe, both the European Central Bank (ECB) and the Bank of England (BOE) left their benchmark cash rates unchanged at 0.5% and emphasised in their respective statements that rates are expected to remain at current low levels for an extended period of time. These dovish statements were intended to lower long term rates in the Eurozone and the UK with the ECB and BOE attempting to decouple domestic yields from rising US 10 Year Treasury rates. The resignation of Portugal's Finance Minister Vitor Gaspar and the approval of yet another aid payment to Greece by the Eurozone served as a reminder that Europe's economic and political woes are still far from resolved.

In China, a spike in short term rates in the inter-bank lending market unnerved investors and led to deliberations on why the People's Bank of China (PBoC) didn't respond immediately to the liquidity squeeze by injecting funds into the lending market. Adding to concerns about Chinese growth, trade data came in well below expectations with exports falling 3.1% in June and imports declining 0.7%.

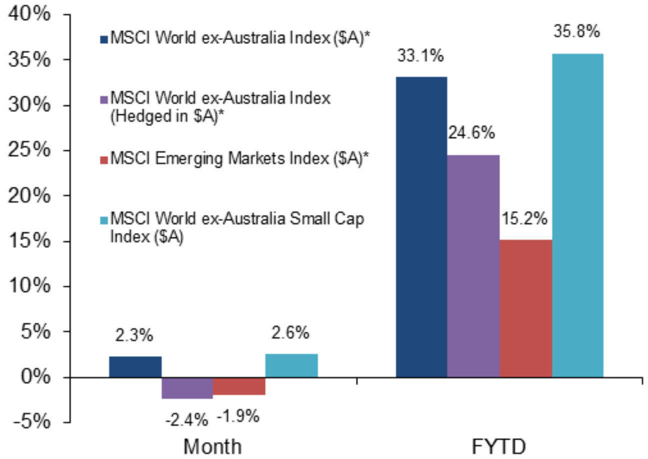
Meanwhile in Australia, the RBA kept rates on hold at its July Board meeting citing a weaker dollar as a key influence in reaching this decision. A depreciating Australian dollar (which finished the month another 3.9% lower against the USD) is expected to help foster a rebalancing of growth in the economy. However, the latest economic data suggests that the intended rebalancing is yet to gain momentum. Soft labour market conditions were evident in a rising unemployment rate which moved 0.2% higher to 5.7%, while the latest NAB Business Survey revealed that business conditions have slipped to a four year low.

Australian Equities



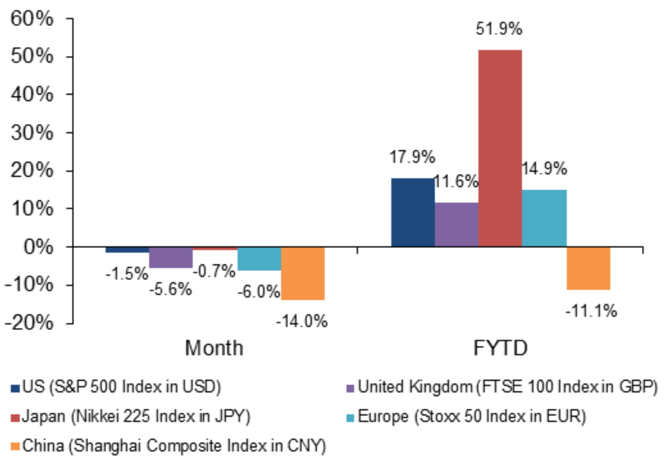
Australian equities posted a second consecutive month of losses due to ongoing concerns about the Chinese economy and the timing of QE tapering. Materials led the declines (-10.3) followed by Information Technology (-7.0%) and Energy (-5.9%). Gains were led by the defensive sectors with Health Care gaining 1.3% and Telecommunications up 1.0%. The ASX 300 Accumulation Index finished the financial year 21.9% higher while Resources were down 8.4% for the year.

International Equities ($A)



International equities in AUD terms were supported by a fall in the Australian dollar pushing returns by the MSCI World ex-Australia index into positive territory (2.3%) for the month. Emerging markets, however, underperformed developed markets, declining 1.6% in AUD terms. Despite a negative month of performance, all markets finished the financial year notably higher, led by a gain of 35.8% by the MSCI World ex-Australia Small Cap Index.

International Equities (Local Currencies)



In local currency terms, international equities declined across the board in June with the most significant falls noted within emerging markets. The Shanghai Composite index fell 14.0% wiping out any gains made financial year to date. In contrast the Nikkei was only 0.7% lower over the past month and finished the financial year with gains in excess of 50%. All developed market indices finished the financial year with solid gains.

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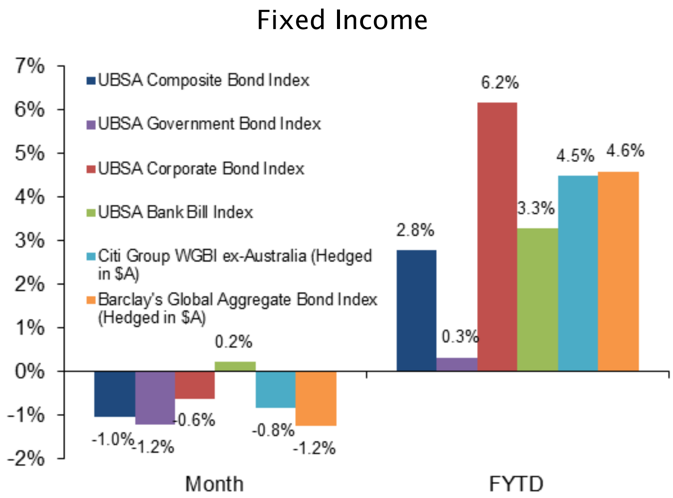
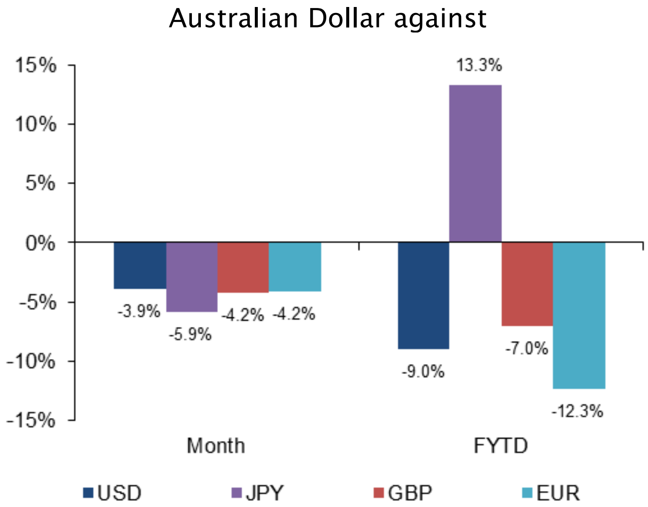
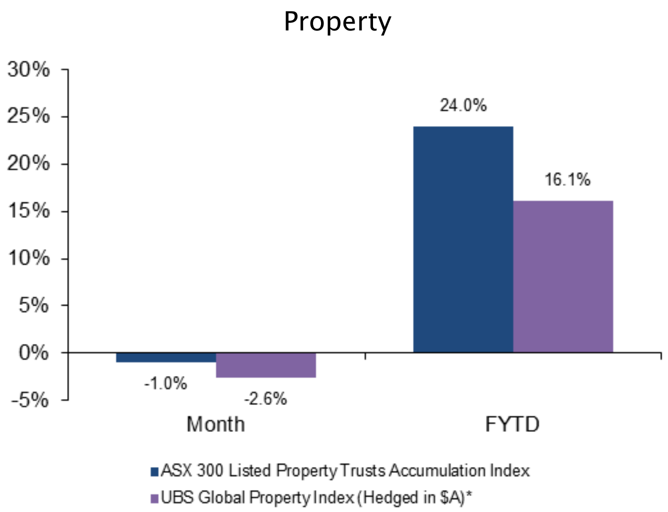


Global government bond yields finished the month steeply higher, driving further losses in both domestic and international bond markets. This increase in yields was driven by a sharp move higher in 10 year US Treasury yields which finished the month another 45 basis points higher at 2.5%. Both the Australian and international government bond indices lost 1.2% over the month. The UBSA Corporate Bond index (up 6.2%) was the strongest performer over the past financial year.



The Australian dollar had another weak month suffering notable falls against all major currencies in June. The move lower was driven by a number of factors including: a spike in US bond yields which was supportive for the USD; concerns over the Chinese inter-bank money market and growth prospects for the Chinese economy in general; weaker commodity markets and the RBA's continued easing bias. The Australian dollar finished the financial year lower against most major currencies.



Listed property trusts weakened further in June following significant declines in May as the selloff in high yield sectors continued. Global peers underperformed Australian property trusts, with the latter finishing the financial year 8.0% ahead of international property trusts.

Frontier Capital Markets Report as at 30 Jun 2013

30-Jun-13	Index Value	Month	3 Months	FYTD	1 Year
Australian Equities					
S&P/ASX 300 Accumulation Index	38,677	-2.4%	-2.8%	21.9%	21.9%
S&P/ASX 300 Accumulation Industrials Index	75,382	-0.3%	-0.4%	32.6%	32.6%
S&P/ASX 300 Accumulation Resources Index	18,236	-10.1%	-11.7%	-8.4%	-8.4%
ASX Small Caps Accumulation Index	4,710	-7.2%	-14.9%	-5.3%	-5.3%
International Equities					
MSCI World ex-Australia Index ($A)*	4,530	2.3%	15.3%	33.1%	33.1%
MSCI World ex-Australia Index (Hedged in $A)*	906	-2.4%	2.5%	24.6%	24.6%
MSCI Emerging Markets Index ($A)*	416	-1.9%	4.7%	15.2%	15.2%
MSCI World ex-Australia Small Cap Index ($A)	292	2.6%	14.3%	35.8%	35.8%
US (S&P 500 Index in USD)	1,606	-1.5%	2.4%	17.9%	17.9%
United Kingdom (FTSE 100 Index in GBP)	6,215	-5.6%	-3.1%	11.6%	11.6%
Japan (Nikkei 225 Index in JPY)	13,677	-0.7%	10.3%	51.9%	51.9%
Europe (Stoxx 50 Index in EUR)	2,603	-6.0%	-0.8%	14.9%	14.9%
China (Shanghai Composite Index in CNY)	1,979	-14.0%	-11.5%	-11.1%	-11.1%
AUD Versus...					
USD	0.93	-3.9%	-11.0%	-9.0%	-9.0%
JPY	91.64	-5.9%	-6.6%	13.3%	13.3%
GBP	0.61	-4.2%	-11.9%	-7.0%	-7.0%
EUR	0.71	-4.2%	-13.0%	-12.3%	-12.3%
Property					
ASX 300 Listed Property Trusts Accumulation Index	27,236	-1.0%	3.2%	24.0%	24.0%
UBS Global Property Index (Hedged in $A)*	1,626	-2.6%	-2.3%	16.1%	16.1%
Australian Fixed Interest					
UBSA Composite Bond Index	7,494	-1.0%	0.4%	2.8%	2.8%
UBSA Government Bond Index	7,866	-1.2%	-0.1%	0.3%	0.3%
UBSA Corporate Bond Index	7,614	-0.6%	0.9%	6.2%	6.2%
UBSA Bank Bill Index	7,854	0.2%	0.8%	3.3%	3.3%
Global Fixed Interest					
Citi Group WGBI ex-Australia (Hedged in $A)	-	-0.8%	-1.0%	4.5%	4.5%
Barclay's Global Aggregate Bond Index (Hedged in $A)	-	-1.2%	-1.2%	4.6%	4.6%
Oil and Commodities					
Crude Oil ($/bbl)	97	5.0%	-0.7%	13.7%	13.7%
Copper Spot ($/tonne)	6,731	-7.6%	-10.4%	-12.5%	-12.5%
Gold Spot ($/ounce)	1,224	-12.2%	-23.4%	-24.3%	-24.3%

Fixed Income (Yields) as at …	30-Jun-13	31-May-13	31-Mar-13	30-Jun-12	30-Jun-12
Australia Bank Bill	2.79	2.78	3.04	3.53	3.53
Australia 10 Year Government Bond	3.76	3.36	3.41	3.04	3.04
US 10 Year Government Bond	2.49	2.13	1.85	1.64	1.64
UK 10 Year Government Bond	2.44	2.00	1.77	1.73	1.73
Germany 10 Year Government Bond	1.73	1.51	1.29	1.58	1.58
Japan 10 Year Government Bond	0.85	0.86	0.55	0.84	0.84

* Net Dividends reinvested