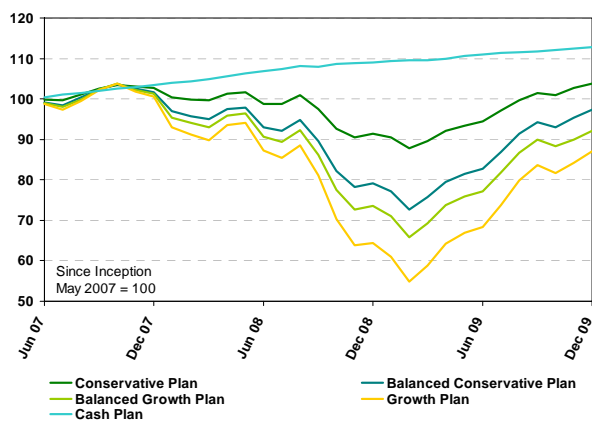


Market overview for the December quarter

- Financial markets made good ground over the December quarter as investors continued to warm to the prospects of a global economic recovery. The improving outlook meant that returns from higher-risk assets such as shares and property were stronger than those from lower-risk assets such as cash and fixed interest.
- World sharemarkets climbed 4.6% higher, led by emerging markets such as China, which surged nearly 18%, and Brazil, which gained more than 11%. Among developed markets the US market posted a strong return of 6%, while those in Europe were less buoyant. The Australian market moved 3.4% higher as firmer global commodity prices continued to support resource companies. Japan was the only major sharemarket to lose ground over the period.
- Economic data was generally positive. Investors were encouraged by signs that the emergency spending programs implemented by governments around the world appear to be working, shown by the boost in economic growth.
- Unemployment in most major economies appears to have peaked, while consumer spending has been surprisingly resilient. The outlook for the Chinese economy remains particularly positive. As always, however, there continue to be risks to the more upbeat economic outlook. Perhaps the biggest is the ability of many governments to repay the huge debts they have incurred to fund their spending programs.
- At times during the quarter, investors became wary of other potential drawbacks, such as a faltering US housing sector and the debt burden of some quasi-government institutions in Dubai. These concerns generally faded as conditions improved.

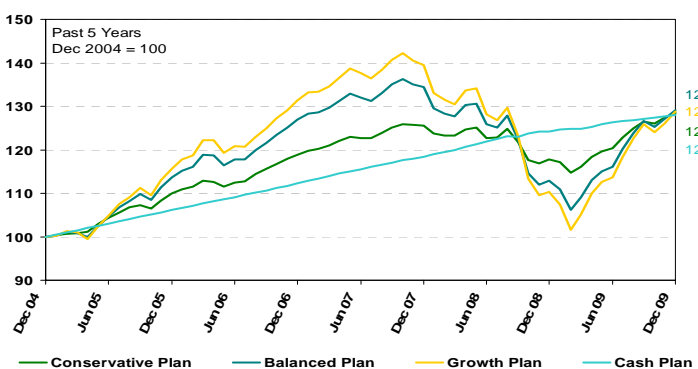
Cumulative Performance of GESB's Readymade investment plans

GESB Super



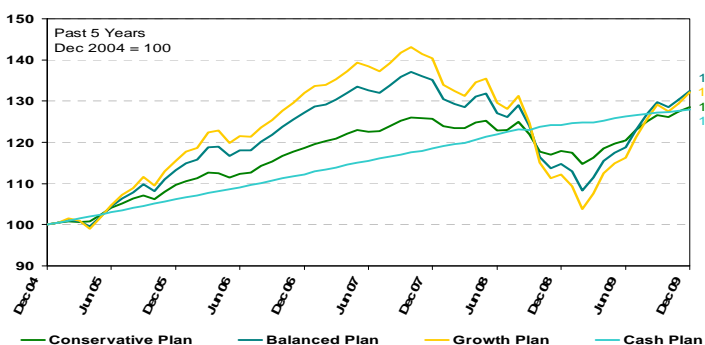
- As shown in the charts, within each scheme the various Readymade investment plans perform differently over time, reflecting their different allocations to asset classes.
- More aggressive investment plans, with their larger allocations to riskier asset classes such as shares and property, are likely to deliver stronger returns over the long term but with greater volatility along the way. More conservative plans are likely to deliver lower but steadier returns over the long term.
- As shown in the charts, investors in Growth plans bore the brunt of the global financial crisis of late 2007 through early 2009, as share and property markets declined sharply. Investors in Balanced and Conservative plans were insulated somewhat by their larger allocations to cash and fixed interest securities.

West State



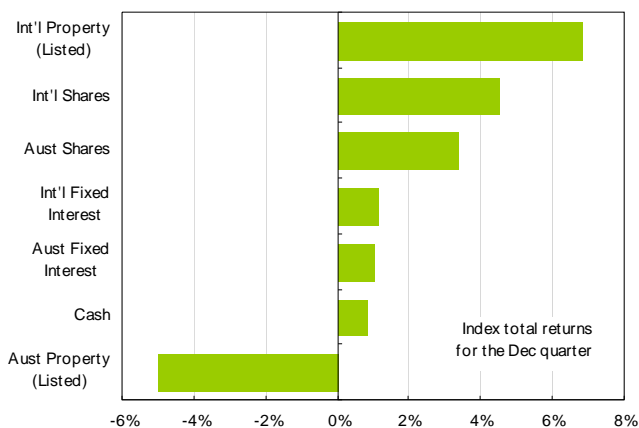
- On the flipside, investors in Growth plans have been the biggest beneficiaries of the resurgence in share and property markets since February 2009. Note the upward trend since that time is steeper for Growth plans than for other plans.
- The December quarter's solid gains in financial markets continued to favour the more aggressive plans.
- In GESB Super, the Cash and Conservative plans have delivered the strongest returns since May 2007*, although other plans have risen more strongly in recent months.

Retirement Income & RI TAP



- In West State Super, the Balanced and Growth plans have each delivered a total return of 29% over the past five years, marginally ahead of the Conservative and Cash plans.
- In the Retirement Income products, the Balanced and Growth plans have rebounded strongly in recent months and now exceed the total return of the Conservative and Cash plans over the past five years.

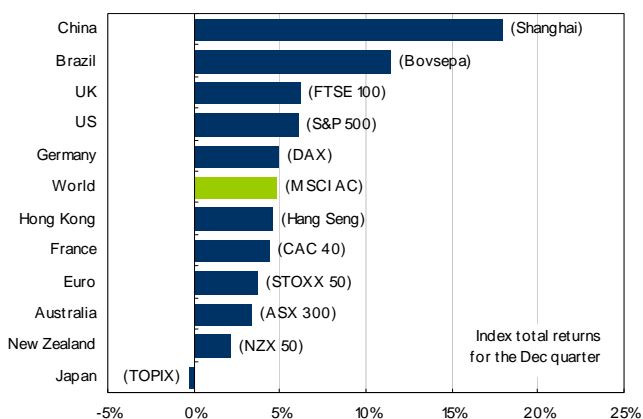
* The earliest date from which returns are available for all five plans, given GESB Super's inception in 2007.



Asset class returns

All main asset classes posted positive returns over the December quarter except for Australian listed property.

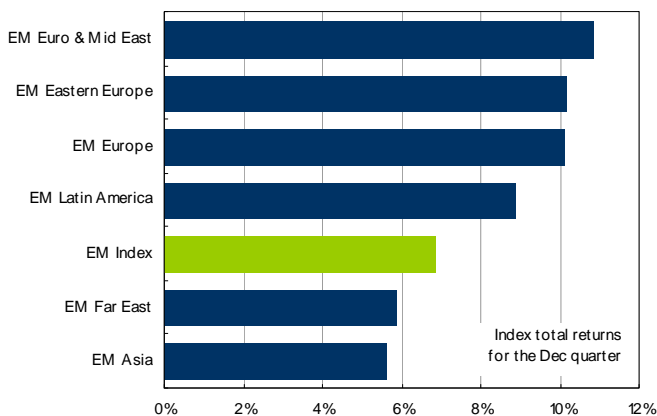
- Higher-risk assets rebounded strongly in November and December after declining slightly in October.
- International listed property continued to recover, far exceeding the Australian listed property sector. While the underlying drivers of the two are similar, the performance of the Australian sector tends to be dominated by the largest stock in the sector, Westfield, which declined due to its large capital raising and other concerns about its portfolio of shopping centres.



World sharemarkets

Most sharemarkets declined slightly in October but recovered to post strong gains for the quarter and the year.

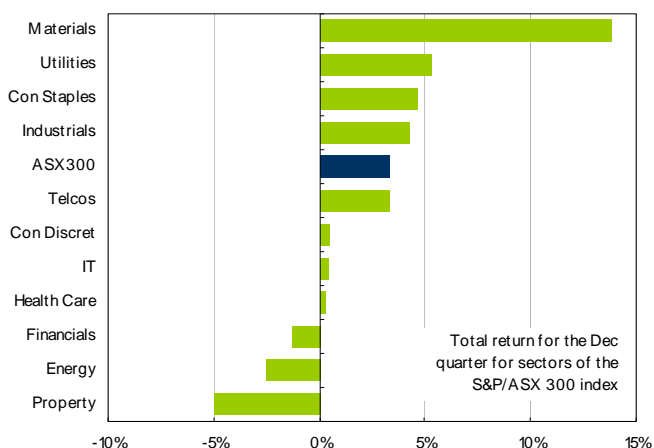
- Developed markets were boosted by strong corporate earnings results for the September quarter and by other positive economic data.
- The UK became the first developed market to return to levels not seen since the collapse of Lehman Bros in September 2008 that triggered sharp falls on world markets.
- Japan was the only major sharemarket to decline over the quarter as investors remained concerned about the new government's ability to stave off deflation.



Emerging markets

Sharemarkets in the world's emerging economies continued to perform very strongly.

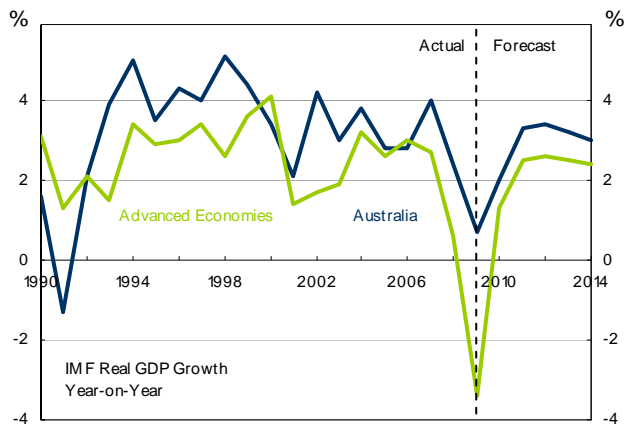
- The MSCI Emerging Markets index was up 6.9% in local currency terms for the quarter.
- Israel was the strongest performer and emerging European countries generally posted solid returns for the quarter while those in Asia (excluding China) generally lagged.
- Emerging market heavyweights Brazil, Russia, India and China performed strongly.



Australian sharemarket

The Australian market recovered from a small decline in October to post a positive return for the December quarter, led by resource-based companies.

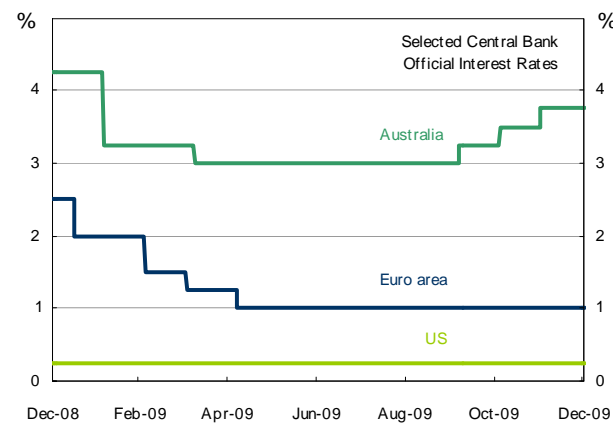
- The materials sector was the standout performer as global commodity prices surged. Investors shifted from the financials sector into the materials sector to gain greater exposure to an improving global economy.
- Listed property stocks were the main detractor of the quarter. A raft of capital raisings weighed heavily on the sector in October.



Australian economic growth

The December quarter National Accounts confirmed Australia as the fastest growing economy in the developed world.

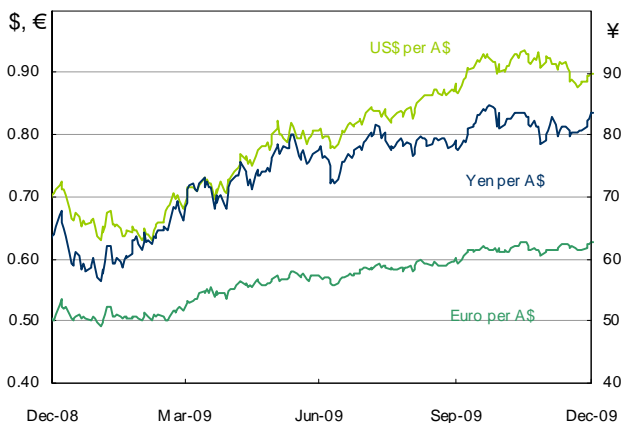
- Downside risks to the Australian economy that were present earlier in the year have largely dissipated. Commodity prices, the residential housing sector and employment numbers have all improved.
- The International Monetary Fund (IMF) now forecasts that Australia's GDP will grow by 2.0% over 2010.



Official interest rates

The Reserve bank of Australia (RBA) continues to be one of a small group of central banks in the developed world to have begun a new phase of higher interest rates.

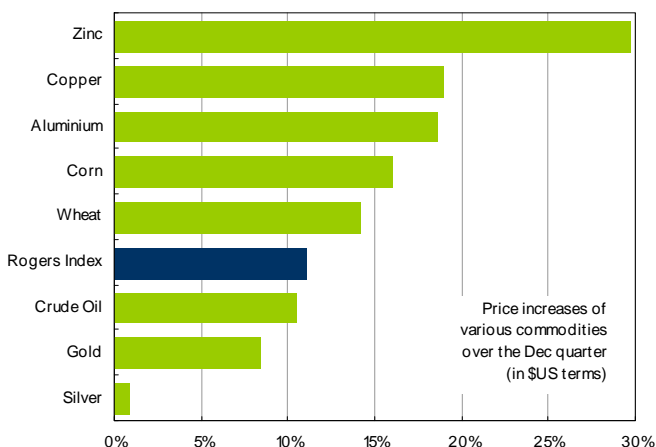
- During December the RBA increased the cash rate by 25 basis points to 3.75%.
- This was the third successive monthly rate rise since the tightening phase began in October and is the first time the RBA has ever lifted rates three months in a row.



Australian dollar

The Australian dollar remains supported by the strong local economy, rising commodity prices and Australia's high interest rates.

- The \$A finished the quarter at US 89.8c, rising by 1.7%.
- It reached a high of US 93.7c in the middle of November before retreating in December.
- Some of the apparent strength in the \$A can be attributed to the \$US weakness. As the chart shows, the \$A has not appreciated to the same extent versus the euro or yen in the last 12 months.



Global commodities prices

Commodity prices rebounded quickly during 2009 despite relatively high stockpiles due to the global recession.

- Base metals such as zinc, copper and aluminium were generally the strongest over the quarter. The representative London Metals Exchange index rose 17%.
- Soft commodities such as corn and wheat also performed well as demand increased in line with the improved outlook for global growth.
- Oil and precious metals such as silver and gold lagged but were still positive.

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