



The following information is a general summary of Absolute Financial's current assessment of the major asset classes and broad investment strategy implications.

The information contained in this Investment Summary is general in nature and is not intended to be interpreted as Personal Financial Advice. If you would like to discuss any of the matters raised in this Investment Summary, please contact your Wealth Advisor.

Summary of Asset Class Valuation Ratings

Asset Class	Recommendation	Strategy Comment
Cash / Term Deposits	Remain overweight, prefer terms around 6 months.	Interest rates have risen and are likely to continue to rise.
Borrowing Interest Rates	Consider Fixing part of loan portfolio	We expect variable and fixed rates to rise.
Foreign Currency Exchange Rates	Split investments 50/50 hedged and unhedged.	We do not speculate on currency movements
Domestic and International Government Bonds	Gradual Sell	Interest rates are expected to rise. Bond funds are expected to underperform as interest rates rise.
Australian Share Market	Fair Value*	Gradual buy up to benchmark
International Share Markets	Fair Value*	Gradual buy up to benchmark
Listed Property Trusts	Fully Valued*	Hold, no new investment, below benchmark

*refer end of report for Market Value Ratings Methodology

Market Update

The Australian and US markets rallied to new highs in early January before retreating almost 10% to pre September levels.

As per our December report, one-off benefits from cost cutting during 2008 and 2009 are now largely complete and analysts are looking for signs of increasing company revenues to support valuations. Early reports in 2010 have been supportive with revenues and employment surprising on the upside. However, the market appears to have been spooked by concerns over European sovereign defaults (Greece, Portugal and Spain), concerns over Chinese growth and resource demand, softer retail sales and the impact of reduced government stimulus going forward.

We believe the major ongoing concern is whether the private sector can continue to grow as government stimulus packages end and interest rates rise. Further, what will be the impact on economic activity as governments struggle to repay their massive debt levels. This uncertainty could continue for up to 6 months, however, our most likely scenario (not a certainty) is that markets will resume an upward trend thereafter.

Overall, for clients whose portfolio's are in implementation phase, we are comfortable to gradually buy into Australian and International shares up to or slightly below benchmark but to hold underweight positions in Listed Property Trust. For fully invested clients, we are happy to sit at or below benchmark for Australian or International Shares and below benchmark for Listed Property Trusts.

Cash / Fixed Interest Rates

Date	RBA Cash	Macquarie CMT	Macquarie XL	3 mths	6 mths	12 mths	3 yrs	5 yrs
12-Feb-10	3.75%	2.70%	3.75%	5.50%	6.25%	6.40%	7.40%	7.90%
23-Dec-09	3.75%	2.43%	3.75%	5.50%	6.25%	6.80%	7.05%	7.25%
Change	0.00%	0.27%	0.00%	0.00%	0.00%	-0.40%	0.35%	0.65%

Residential Loan Rates

Date	Std Variable	less 0.7% Discount	1 yr	2 yr	3yr	4yr	5yr
12-Feb-10	6.68%	5.98%	6.74%	7.39%	7.69%	7.99%	8.09%
23-Dec-09	6.66%	5.96%	6.25%	7.14%	7.49%	7.74%	7.84%
Change	0.02%	0.02%	0.49%	0.25%	0.20%	0.25%	0.25%

Exchange Rates

Date	AUD:USD	AUD:EUR	AUD:GBP	AUD:JPY
12-Feb-10	0.8903	0.6512	0.5673	79.8821
23-Dec-09	0.8751	0.6140	0.5482	80.3170
Change	0.0152	0.0372	0.0191	-0.4349

Australian Share and LPT Market and International Share Markets

Date	AUS ASX 200	AUS LPT	USA S&P 500	UK FTSE 100	JAPAN Nikkei 225	Hong Kong Hang Seng
12-Feb-10	4,562	866	1,078	5,161	10,086	20,357
23-Dec-09	4,715	860	1,118	5,328	10,378	21,092
Change	-3%	1%	-4%	-3%	-3%	-3%

Market Valuation Methodology

Absolute Financial uses Farrellys (an independent investment research company) to help us determine the "value" of each major growth market (domestic and international shares and property). Our value scale is summarised in the table below. If you would like more information on our value scale, please contact your wealth advisor.

Valuation	Expected Return (10 years+)	Action for New Investments	Action for Existing Investments
Overvalued	Less than Bonds	Do not buy	Reduce to 25% Underweight
Fully Valued	Bonds + 2.5% pa	Buy up to 25% below Benchmark	Hold up to Benchmark
Fair Value	Bonds + 2.5% - 5.0% pa	Buy up to Benchmark	Increase up to Benchmark
Cheap	Bonds + 5.0% pa +	Buy up to 25% Overweight	Increase up to 25% Overweight

Should wish to discuss your investment portfolio, please contact your Wealth Advisor on 9264 3307.

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Paul Barrett

A handwritten signature in cursive script, appearing to read "Dean Holmes".

Dean Holmes