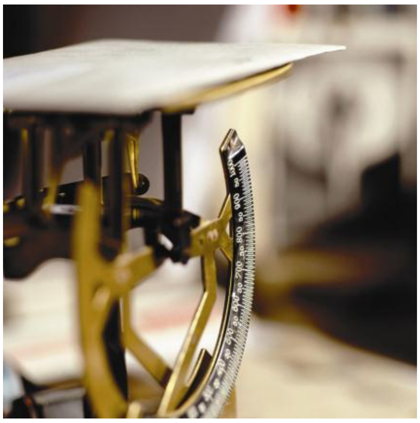
CREDIT SUISSE

CREDIT SUISSE INVESTMENT SERVICES (AUSTRALIA) LIMITED
ABN 26 144 592 183 AFSL 370450

For more information please contact
Investor Services 13 35 66
Adviser Services 1800 621 009
8:30am to 5:30pm Monday to Friday (EST)

Our Watch Fund
Quarterly Report

December 2011



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www.challenger.com.au

Fund facts

Suggested investment time frame
Seven years
Income potential
Low to medium
Growth potential
High
Volatility/risk level
Medium
Income distribution frequency
Quarterly

Performance as at 31 December 2011

	1 mth %	3 mth %	1 yr %	3 yrs %pa	Incept %pa
Total returns (net)	2.41	1.56	9.91	3.14	0.50
Gross Returns	2.47	1.74	10.69	3.84	1.01

Source: CSISAL
Total Returns are calculated using pre-distribution month end withdrawal unit prices, and assumes all income is reinvested in additional units (and exclude any contribution fees and taxes). Gross returns are calculated by adding back the Management Costs deducted. Distribution returns are the total distribution from the fund. Growth returns is the change in initial capital value for the period. **Past performance is not necessarily indicative of future performance. Returns may be volatile and may vary from year to year.**

Fund Update

Whilst most Global markets staged a late recovery in 4Q11, the S&P ASX200 lagged, up only 1.2% for the quarter, behind the S&P500 (+11%), FTSE100 (+8.7%) and the eurozone (Euro Stoxx 50 +6.3%). Conversely, the S&P ASX200 fared better than the Tokyo market (-2.7%) and the Shanghai Composite (-6.8%). FX worked in Australia's favour, with the stronger AUD improving returns in USD terms during the quarter.

Despite the broad index rise, at a sector level, resource stocks lagged (-2.6%) over concerns regarding China's growth, while banks (+4%), REITS (+1.9%), healthcare (+5%) and telcos (+6.8%) performed well.

The Reserve Bank of Australia cut rates for two consecutive months in Nov and Dec – reducing the current cash rate to 4.25% - its lowest level since December 2009. Further rate cuts in 2012 are expected by analysts due to the impact of (1) high AUD impact on commodity prices, (2) RBA concerns about the impact of the eurozone crisis on the Australian economy and (3) increases in the costs to banks in wholesale funding markets. Any further rate cuts should positively impact interest sensitive sectors such as housing to stimulate activity and a subsequent fall in the AUD should assist exporters.

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Helping Clients Thrive.
