

Month in Review

ISSUE DATE: 10-07-2014

Market Moves — as at 30 June 2014

RETURNS (%) P.A.	1 MTH	3 MTH	6 MTH	1 YR	3 YR	5 YR	10 YR
AUSTRALIAN EQUITIES							
S&P/ASX 200 ACCUMULATION INDEX	-1.50	0.93	3.04	17.43	10.38	11.20	9.01
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	-1.11	-2.26	-1.39	13.11	-2.94	3.43	4.50
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (AS)	0.51	3.35	0.90	20.70	17.35	12.10	4.60
S&P 500 COMPOSITE ACCUMULATION INDEX (AS)	0.64	3.34	1.55	20.85	21.59	15.21	4.56
FTSE100 ACCUMULATION INDEX (AS)	-0.73	3.94	-0.29	22.83	15.23	11.01	4.21
MSCI EMERGING MARKETS FREE W/GROSS DIV (AS)	1.37	4.97	0.71	11.00	4.30	6.25	8.93
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	3.33	9.20	12.51	11.08	15.19	14.26	2.17
UBS GLOBAL INVESTORS TR HEDGED (AS)*	1.18	8.41	16.16	16.35	13.90	22.68	N/A*
FIXED INTEREST							
UBS WARBURG COMPOSITE BOND INDEX	0.80	3.11	4.61	6.09	7.02	6.89	6.47
UBS WARBURG BANK BILL INDEX	0.22	0.67	1.32	2.68	3.55	3.90	5.01
BARCAP GLOBAL AGGREGATE INDEX HEDGED \$A	0.55	2.64	5.38	7.76	7.94	8.44	7.82

Data source: IRESS & Financial Express. Returns greater than one year are annualised

* Please note that the UBS Global Investors TR Hedged (A\$) performance history does not extend 10 years.

Australian Equities

The Australian 'broad cap' equity market, as measured by the S&P/ASX 200 Accumulation Index, finished June down, declining -1.50%. When assessed over 12 months the Index recorded an impressive 17.40% incline.

The S&P/ASX Small Ordinaries Accumulation Index, a proxy for the Australian 'small cap market, finished June down -1.10%. Despite staging a mild comeback towards the latter half of the financial year, the small cap market underperformed its 'broad cap' counterpart over the last 12 months.

Global Equities

European equity markets were down in June, with the German DAX, the French CAC and the U.K. FTSE suffering a -2.70% and -3.70% and -1.50% decline respectively. The currency impact was mixed, as the AUD strengthened against the Euro, however weakened against the GBP Sterling.

The U.S. equity market was flat in June (local currency terms), with the S&P 500 recording a minor -1.0% retraction. Over 12 months the Index returned approximately 16%.

The Japanese equity market continued its stellar run in June, advancing 2.10%. The fate of the Japanese market did not extend to Hong Kong and China, with the Hang Seng Index and the Shanghai Composite Index declining -1.50% and -0.80% respectively.

REITs (Listed Property Securities)

The S&P/ASX 300 AREIT Accumulation Index increased by an impressive 3.30% in June. On aggregate the Index was a benefactor of the finalisation of the Wesfield Retail Trust demerger and the Australand acquisition.

The UBS Global Investors TR (Hedged \$A), a proxy for globally listed REIT securities, increased by 1.20% in June. The global REIT Index continues to outperform the locally listed AREIT index over 12 months.

Fixed Interest

Australian fixed interest markets, as measured by the UBS Composite Bond Index, performed exceptionally well in June by posting a 0.80% gain. Similarly, global fixed interest markets, as measured by the Barclay's Global Aggregate Index, finished up by 0.60%.

The UBS Bank Bill Index, which comprises of lower risk and shorter dated securities, finished the month of June up 0.20%.

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Economic Indicators

S&P/ASX 200 Stock Performance for the Month of June 2014

BEST PERFORMERS		WORST PERFORMERS	
KARON GAS AUSTRALIA	24.80%	PALADIN ENERGY LTD	-24.36%
G.U.D. HOLDINGS	17.13%	COVER-MORE GROUP LTD	-19.79%
MEDUSA MINING LTD	12.50%	DOWNER EDI LTD	-15.98%
ECHO ENTERTAINMENT LTD	10.56%	SKILLED GROUP LTD	-14.81%
NORTHERN STAR	9.09%	STEADFAST GROUP LTD	-13.81%

S&P/ASX 200 Stock Performance for the Year to June 2014

BEST PERFORMERS		WORST PERFORMERS	
NORTHERN STAR	115.38%	PALADIN ENERGY LTD	-66.28%
WESTERN AREAS LTD	99.14%	LYNAS CORPORATION	-65.33%
DOMINOS PIZZA ENTERPRISES	96.94%	THE REJECT SHOP	-49.27%
INDEPENDENCE GROUP	92.48%	WOTIF.COM HOLDINGS	-46.36%
AQUILA RESOURCES	89.89%	MCMILLAN SHAKESPEARE	-43.32%

Economic News

According to the Australian Bureau of Statistics (ABS), total dwelling approval fell by a similar margin to the month prior (-1.70%). Dwelling approval has now fallen for five consecutive months.

Official retail sales finished May up 0.1%. Retail sales in the two preceding months increased by a similar margin. When analysed from a geographical perspective, New South Wales, the Northern Territory and Tasmania experienced the most material gains, whilst Western Australia, ACT and South Australia detracted from the headline figure.

The Wespac Institute Survey of Consumer Sentiment rose by 1.9% in July, which came under expectations. Commentators had expected a meaningful recovery following the sharp retraction post the announcement of the proposed 2014-15 Federal Budget. Soft growth in consumer sentiment has been driven by a challenging retail environment, coupled with a lack of confidence within the labour market. Nonetheless households have displayed a mild uptick in confidence regarding finances and the economy, compared to the period directly following the budget release.

The National Australia Bank's Business Survey indicated business confidence rose unexpectedly in June. Firms appeared upbeat regarding their expectations for sales, inflation and monetary policy going forward. Despite the uptick, capacity utilisation and forward indicators remain challenged.

While the updated employment data for July is yet to be released at the time of publication, employment for the month prior increased marginally. The rise was

insufficient to decrease the unemployment rate, which remains stagnant at 5.90%.

At its most recent meeting (1st of July), the Reserve Bank of Australia (RBA) felt it prudent to maintain the status quo with regards to monetary policy. While the decision was widely expected by the market, the RBA highlighted the disparity in performance between some areas of the economy (i.e. construction and resources). Additionally, the RBA used its monthly address to emphasise the relatively conservative expenditure by private firms and the Federal Government.

U.S. payrolls surprised to the upside in June, edging up by 288,000 which prompted the unemployment rate to fall 0.20% to 6.10%. The particularly buoyant data release caused some economists to adjust their expectations as to when the U.S. Federal Reserve will revise its current accommodative monetary policy stance. An area of focus going forward for policy makers and economists will be wage growth, headline inflation and the participation rate.

A material development in markets during June was the announcement by the European Central Bank (ECB) regarding its intentions to enforce a negative depository rate (for excess capital) and decrease the cost of borrowing for financial institutions upon the condition lending to private enterprise is increased. The idiosyncrasies of how the stimulus package will work and the ramifications of it in practice are still being digested by the market.

The Australian dollar advanced against the USD Greenback (1.10%), the Euro (0.80%) and the Japanese Yen (0.80%) in June.

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