

Month in Review

ISSUE DATE 10-10-2014

Market Moves — as at 30 September 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 | -5.38 | -0.60 | 0.33 | 5.93 | 14.77 | 6.82 | 8.39 |
| S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX | -5.47 | 1.49 | -0.80 | -0.07 | 1.71 | -0.28 | 3.60 |
| GLOBAL EQUITIES | | | | | | | |
| MSCI WORLD ACC INDEX WITH GROSS DIV (AS) | 4.02 | 5.64 | 9.17 | 20.53 | 22.90 | 11.73 | 5.75 |
| S&P 500 COMPOSITE ACCUMULATION INDEX (AS) | 5.39 | 9.08 | 12.72 | 27.94 | 27.37 | 15.89 | 6.08 |
| FTSE100 ACCUMULATION INDEX (AS) | 1.44 | 1.35 | 5.34 | 13.53 | 18.56 | 9.52 | 4.44 |
| MSCI EMERGING MARKETS FREE W/GROSS DIV (AS) | -1.02 | 4.23 | 9.41 | 11.83 | 11.46 | 4.99 | 9.01 |
| REITS (LISTED PROPERTY SECURITIES) | | | | | | | |
| S&P/ASX 300 A-REIT ACCUMULATION INDEX | -5.14 | 1.23 | 10.55 | 12.28 | 18.98 | 8.55 | 1.75 |
| UBS GLOBAL INVESTORS TR HEDGED (A\$)* | -4.87 | -1.29 | 7.01 | 14.74 | 19.40 | 15.94 | |
| FIXED INTEREST | | | | | | | |
| UBS WARBURG COMPOSITE BOND INDEX | -0.33 | 0.97 | 4.12 | 6.02 | 5.75 | 6.72 | 6.30 |
| UBS WARBURG BANK BILL INDEX | 0.21 | 0.67 | 1.34 | 2.65 | 3.36 | 3.87 | 4.93 |
| BARCAP GLOBAL AGGREGATE INDEX HEDGED \$A | -0.11 | 1.78 | 4.46 | 8.11 | 7.07 | 7.99 | 7.62 |

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 September down -5.38%. When assessed over 12 months the index has now returned 5.93%.

The 'small cap' equity market, as measured by the S&P/ASX Small Ordinaries Accumulation Index, underperformed its 'large cap' counterpart by a small margin during September. However the 'small cap' index continues to significantly underperform its 'large cap' equivalent over 12 months.

Global Equities

European equity markets all demonstrated strong gains in September. The French CAC stood out adding 3.51%, followed by the German DAX gaining 2.73% and the UK FTSE up 1.51% on a price return local currency basis.

Similarly, the U.S. equity market rallied, as measured by the S&P 500, up 5.22% in September.

Growth was mixed in Japanese equity markets with the Shanghai Composite Index up 14.0%, the NIKKEI finishing down 2.83%, and the Hang Seng down 0.52% on a price return local currency basis.

REITs (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index, a proxy for the local REIT market, deviating from its recent gains, finishing down -5.14%. The index has now returned 12.28% over the last 12 months.

The G-REIT market, as measured by the UBS Global Investors TR Hedged (A\$), outperformed its local counterpart in September by 2.46%. When assessed over 12 months the index returned 14.7%.

Fixed Interest

The Australian fixed interest market, as measured by the UBS Composite Bond Index, dropped -0.33% in September. Similarly, the returns of the Barclays Global Aggregate Index (hedged \$A), a proxy for the global fixed interest market, were comparable with the index returning -0.11% for the month.

The UBS Bank Bill Index, which comprises of lower risk and shorter dated securities, finished the month of September up 0.21%.

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Economic Indicators

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

| BEST PERFORMERS | | WORST PERFORMERS | |
|--------------------------|--------|------------------------|--------|
| RECALL HOLDINGS | +17.5% | ARRIUM | -55.7% |
| ALUMINA LIMITED | +8.9% | ALS LIMITED | -34.5% |
| ARISTOCRAT LEISURE | +5.5% | MYER HOLDINGS | -18.3% |
| ECHO ENTERTAINMENT GROUP | +3.7% | TREASURY WINES ESTATES | -17.0% |
| LEND LEASE GROUP | +3.6% | MINERAL RESOURCES | -16.4% |

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

| BEST PERFORMERS | | WORST PERFORMERS | |
|-----------------------------------|---------|-------------------|--------|
| LIQUEFIED NATURAL GAS LIMITED | +162.9% | LYNAS CORPORATION | -80% |
| DOMINOS PIZZA ENTERPRISES LIMITED | +92.3% | ARRIUM LTD | -65.6% |
| AVEO GROUP | +76.3% | BC IRON LIMITED | -63.1% |
| SLATER % GORDON | +68.2% | MEDUSA MINING LTD | -62.6% |
| ARDENT LEISURE GROUP | +67.6% | REGIS RESOURCES | -61.3% |

Economic News

Total dwelling approvals posted a better than expected gain in August, rising 3% vs market expectations of an increase of just 1%. Approvals for units in NSW and Victoria showed the strongest gains, up 20.7% and 34.7% for the month respectively.

The August retail report came in under expectations with a slight 0.1% gain in sales for the month. This was well below the consensus forecast of a 0.4% gain. The main areas of weakness were department stores (-2.9%/mth) and household goods retail (-0.8%/mth). Queensland was notably weaker with August sales down -0.6%, while VIC sales grew by +0.7%. The flat August result leaves trend sales growth at just 0.2%, a 2.4% annual pace and indicative of per capital spending growth below 1%.

Australia's trade deficit narrowed modestly in August to \$0.8bn from \$1.1bn for July, revised from a deficit of \$1.4bn. Imports fell by 2.5% in the month, exports also declined 1.5% which was slightly higher than analysts' forecasts.

The Westpac Institute of Consumer Sentiment fell by 4.6% in September from 98.5 in August to 94.0. Respondents' of the September survey continued to focus on 'Budget and taxation' (62.7%); 'economic conditions' (53%); 'employment' (29.5%); and 'interest rates' (18.1%). All four topics were assessed as unfavourable although sentiment marginally improved regarding 'Budget and taxation' and 'employment'.

The latest labour figures available show total employment lifted by 121,000 jobs or 1% in August eclipsing market expectations for a 15,000 rise. The result of such a large monthly surge was an acceleration in the annual growth pace from 0.9%yr to 2.2%yr, the fastest pace since April 2011. However,

of this total, only 14,300 people were employed on a full-time basis.

As was widely expected by economic commentators, the Reserve Bank of Australia (RBA) maintained the status quo and left the cash rate on hold at 2.5% in September. Rates have been on hold since August 2013, when they were lowered to their current levels from a high of 4.75% in November 2011. In their monthly address, the RBA noted two recent developments; the AUD falling 7% in USD terms for the month, similarly the ASX falling 6.5%. The RBA Board noted the exchange rate remains above most estimates of its fundamental value, given the declines in key commodity prices. Therefore, its most prudent action is likely to be a period of interest rate stability.

Indicators for the U.S. economy suggest that it grew at an above trend rate in the September quarter; with expected growth of just over 3%. The positive sentiment around the economy was only reinforced by the September employment report.

U.S. total nonfarm employment increased by 248,000 in September, compared with an average monthly gain of 213,000 over the prior 12 months. The civilian labour force participation rate marginally decreased to 62.7%. Following the employment data release, the unemployment rate held steady at 5.9%. The biggest gains occurred in professional and business services, retail trade and health care.

The ECB cut its key main interest rates by 0.10%, cutting the refinancing rate from 0.15% to 0.05%, the deposit rate from -0.1% to -0.2%, and the marginal lending rate from 0.4% to 0.3%. The measure was largely unexpected. Furthermore, the ECB announced the operational details of both the asset-backed securities purchase programme and the new covered bond purchase programme. This includes purchasing covered bonds and asset-backed securities in the

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fourth quarter of 2014, with the programmes expected to be in place for at least two years. This announcement detailed the measures that will support specific market segments that play a key role in the financing of the economy. The new measures will underpin the anchoring of medium to long-term inflation expectations, below or close to 2%.

Hong Kong's 'Umbrella Revolution' protest began and escalated in September. Anti-government advocates protested outside the government headquarters after the Standing Committee of the National People's Congress (NPCSC) announced its decision on proposed electoral reform. In particular, NPCSC declared that they would elect up to three electoral candidates for the general public to vote upon rather than the usual democratic process of civil nominations. At the date of publication, the Hong Kong government's deadline day for pro-democracy protestors to withdraw arrived with no change from the demonstrators.

The Australian Dollar depreciated against all major currencies in September; the USD (-6.4%), the JPY (-1.4%), the GBP (-4.5%) and the EUR (-2.8%).

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