

Month in Review

Market Moves — as at 31•12•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	2.06	3.11	2.50	5.61	15.14	6.76	7.56
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	0.47	-3.89	-2.45	-3.81	0.58	-2.01	2.27
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (A\$)	2.56	8.22	14.32	15.35	25.29	12.94	6.16
S&P 500 COMPOSITE ACCUMULATION INDEX (A\$)	4.03	12.20	22.39	24.29	29.81	17.65	7.21
FTSE100 ACCUMULATION INDEX (A\$)	1.49	2.59	3.98	3.68	18.22	8.97	4.31
MSCI EMERGING MARKETS FREE W/GROSS DIV (A\$)	-0.55	2.27	6.59	7.35	12.65	4.07	8.33
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	4.49	11.31	12.69	26.79	21.78	12.04	1.81
UBS GLOBAL INVESTORS TR HEDGED (A\$)*	1.79	12.83	11.37	29.38	20.94	17.54	NA*
FIXED INTEREST							
BLOOMBERG AUSBOND COMPOSITE 0+ YR INDEX	1.69	3.96	4.97	9.81	6.45	7.33	6.52
BLOOMBERG AUSBOND BANK BILL INDEX	0.23	0.69	1.36	2.69	3.17	3.83	4.86
BARCAP GLOBAL AGGREGATE INDEX HEDGED A\$	0.75	2.90	4.73	10.37	7.37	8.37	7.67

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

Commentary regarding equity indexes below references performance without including the effects of currency (unless specifically stated)

* 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, rebounded in December by 2.1%. When assessed over 12 months the Index returned 5.6%.

The Australian 'small cap' equity market, as measured by the S&P/ASX Small Ordinaries Accumulation Index, recorded a marginal incline of 0.5% in December. The index continued to materially lag its 'large cap' counterpart over the course of 2014.

Global equities

European equity markets suffered substantial falls in December as investors' jitters surrounding a potential Greek exit from the Euro zone became more pronounced. The German DAX, French CAC and U.K. FTSE fell by -4.0%, -5.5% and -3.0% respectively. All three of the aforementioned indices suffered declines of over -8.0% in 2014 (excluding the impact of dividends).

The U.S. equity market finished 2014 in the red, with the S&P 500 declining by -0.4% in December. The U.S. equity market had another strong year, with the index posting gains of 13.0%.

The Japanese Equity market, as measured by the NIKKEI 225 Index, fell by -0.7% in December. Similarly, Hong Kong's Hang Seng Index declined by -2.1% over this corresponding time period. Contrastingly, the Shanghai Composite Index surged by 16.9% over the same period as investors' enthusiasm over increased

economic stimulus in China gained further traction. The Shanghai equity market was among the best performers of 2014, with the index gaining 47.5%.

REITs (listed property securities)

The S&P/ASX 300 A-REIT Accumulation Index, a proxy for the local REIT market, had a particularly strong month by inclining 4.5%. The local REIT market has been a strong beneficiary of falling bond yields. The index returned 26.8% year on year.

The GREIT market, as measured by the UBS Global Investors TR Hedged (A\$), lagged its local counterpart in December by 2.7%. When assessed over 12 months the index returned 29.4%.

Fixed interest

Similar to previous months the Australian fixed interest market, as measured by the Bloomberg Ausbond Composite Index, surged in December as longer maturing bonds benefitted from a sharp retraction in Australian bond yields. The Global Fixed Interest market, as measured by the Barclays Global Aggregate Index (Hedged A\$), finished up by a significant but relatively smaller margin.

The Bloomberg Ausbond Bank Bill Index, which comprises of lower risk and shorter dated securities, finished the month of December up 0.2%.

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ASX 200 Stock Movements

S&P/ASX 200 stock performance for the month of December 2014

BEST PERFORMERS		WORST PERFORMERS	
REGIS RESOURCES LTD	34.03	MOUNT GIBSON IRON LTD	-40.24
BRADKEN LTD	30.30	METCASH LTD	-28.93
NORTHERN STAR LTD	26.81	KATHMANDU HOLDINGS LTD	-26.54
QANTAS AIRWAYS LTD	25.00	LIQUEFIED NATURAL GAS LTD	-25.54
EVOLUTION MINING LTD	20.56	SUNDANCE ENERGY LTD	-25.00

S&P/ASX 200 stock performance for the year to December 2014

BEST PERFORMERS		WORST PERFORMERS	
LIQUEFIED NATURAL GAS LTD	720.34	BC IRON LTD	-89.79
SIRTEX MEDICAL LTD	141.86	ARRIUM LTD	-85.86
QANTAS AIRWAYS LTD	119.18	ATLAS IRON LTD	-85.65
APN NEWS AND MEDIA LTD	98.43	LYNAS CORPORATION	-76.95
NORTHERN STAR LTD	89.81	MOUNT GIBSON IRON LTD	-75.86

Economic News

The Australian Trade deficit came in below consensus forecasts in November at -\$925m. Immediately following the announcement the Australian Dollar bounced off its five and half year lows. Economists were quick to discount the implications of the data release, believing the headline result significantly underestimated the impact of falling metal prices.

The Westpac Institute of Consumer Sentiment fell by -5.7% in December as the Index retracted from 96.6 to 91.1. The result surprised economists given the index is now at its lowest level since August, 2011. The lacklustre result has been primarily attributed to respondents discomfort concerning economic conditions locally and job prospects going forward. Secondary considerations also contributing included, respondent's reservations regarding fiscal tightening and economic conditions globally.

The National Australia Bank's Business Survey indicated business confidence and conditions fell in December. Across industries there continues to be a wide variation in confidence levels, however services and construction continue to be the most optimistic. Uncertainty and pessimism continue to resonate within the wholesale and resource sectors, which acted as the primary drag on the headline result. The material detraction in business and consumer confidence has prompted some leading economists to forecast some level of monetary easing towards the middle of 2015.

As is customary for January, the Reserve Bank of Australia's (RBA's) board will not formally meet to discuss their current stance on monetary policy. The board will reconvene on the 3rd of February, with an update to follow thereafter.

The Russian Rouble recently came under renewed pressure following the swift and material decline in the world oil price. The Rouble suffered an approximate 40% decline against the USD during 2014, with western sanctions also contributing to the currency's rapid decline. In an effort to stabilise the currency, the Russian Central Bank increased its benchmark interest rate from 10.5% to 17% during December. Following the drastic increase in interest rates the currency stabilised before continuing its downward trajectory towards year end.

European markets were rocked in December as investors shifted their attention to the upcoming election in Greece on the 25th of January. Current opinion polls predict that the radical left wing political party, Syriza will be triumphant which triggered a mass selloff in Greek assets. Investors have been particularly nervous over the political party's planned moratorium on servicing Greek debt and ending austerity in the country.

Following the Greek political turmoil, markets are now casting their eye on a potential uprising in anti-austerity political parties within other highly indebted European nations. The leaders of the two largest economies in the Eurozone, Germany and France, have taken a tough stance on the Greek rhetoric which pre-empted forecasts of an eventual Greek exit from the Eurozone.

The Australian Dollar continued its downward spiral in December as it posted losses against all four major currencies, notably the USD Greenback (-3.4%), the GBP Sterling (-2.5%), the Euro (-1.1%) and the JPY (-2.4%). The domestic currency posted a -8.3% decline against the USD for calendar 2014.

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