

Month in Review

ISSUE DATE: 9-02-2015

Market Moves — as at 31.1.2015

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	3.28	1.98	1.39	12.48	14.48	8.83	7.75
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	0.91	-2.49	-6.18	-0.18	-1.60	-0.30	1.91
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (AS)	3.30	11.74	18.34	21.23	25.98	14.40	6.64
S&P 500 COMPOSITE ACCUMULATION INDEX (AS)	1.93	12.15	24.60	27.98	30.30	18.69	7.56
FTSE100 ACCUMULATION INDEX (AS)	4.15	9.84	8.15	9.93	19.85	10.70	4.72
MSCI EMERGING MARKETS FREE W/GROSS DIV (AS)	5.82	7.61	9.06	19.02	11.98	6.25	8.80
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	7.44	12.26	15.35	35.66	22.56	14.35	2.48
UBS GLOBAL INVESTORS TR HEDGED (AS)*	7.75	12.66	18.81	36.24	21.55	20.21	
FIXED INTEREST							
BLOOMBERG AUSBOND COMPOSITE 0+ YR INDEX	1.61	4.63	6.35	10.38	6.97	7.39	6.68
BLOOMBERG AUSBOND BANK BILL INDEX	0.25	0.71	1.38	2.72	3.13	3.81	4.84
BARCAP GLOBAL AGGREGATE INDEX HEDGED \$A	2.18	4.15	6.52	10.92	7.67	8.55	7.79

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, increased by 3.3% in January. When assessed over 12 months the Index has returned 12.5%.

The Australian 'small cap' equity market, as measured by the S&P/ASX Small Ordinaries Accumulation Index, rose by a modest 0.9% in January. Over 12 months the index has declined by -0.2%.

Global equities

On aggregate European equity markets enjoyed a significant gain in January, as investors gained greater comfort over the implications for the European Central Bank's (ECB's) planned quantitative easing program. The German DAX, French CAC and U.K. FTSE posted gains of 6.7%, 6.1% and 4.9% respectively.

Contrary to peers in January the U.S. equity market, as measured by the S&P 500, declined by -3.1%. The U.S. equity market was impacted by a number of disappointing earnings announcements by 'blue chip' companies throughout the month. Over 12 months the index has returned 11.9%.

Equity markets in Asia also experienced a positive start to 2014, with most major markets reporting gains. The Japanese equity market, as measured by the NIKKEI 225 Index, surged by 8.6% in January. Similarly, Hong Kong's Hang Seng Index and the

Shanghai Composite Index returned 9.9% and 6.0% respectively. The Shanghai Composite Index has been among the top performing stock indices globally over the last 12 months, returning approximately 73%.

REITs (listed property securities)

The S&P/ASX 300 A-REIT Accumulation Index, a proxy for the local REIT market, rose by 7.4% in January. The local REIT market's returns have been supported by investors 'hunt for yield' over the last 12 months.

The GREIT market, as measured by the UBS Global Investors TR Hedged (A\$), rose by 7.8% in January. Over 12 months the GREIT market marginally outperformed REITs listed domestically.

Fixed interest

The Australian fixed interest market, as measured by the Bloomberg Ausbond Composite Index, continued its upward trajectory by returning 1.6% in January. The Global Fixed Interest Market, as measured by the Barclays Global Aggregate Index (Hedged A\$), returned 2.2% in January. The fixed interest market rally globally has been supported by the ECB's planned economic stimulus.

The Bloomberg Ausbond Bank Bill Index, which comprises of lower risk and shorter dated securities, finished the month of January up 0.3%.

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Economic Indicators

S&P/ASX 200 stock performance for the month of January 2015

BEST PERFORMERS		WORST PERFORMERS	
EVOLUTION MINING LTD	39.53	BRADKEN LTD	-42.28
BEADELL RESOURCES LTD	26.67	MMA OFFSHORE LTD	-35.48
AINSWORTH GAME TECHNOLOGY	25.00	LYNAS CORPORATION	-33.82
NEWCREST MINING LTD	24.52	HORIZON OIL LTD	-21.87
LIQUEFIED NATURAL GAS LTD	23.14	METCASH LTD	-21.29

S&P/ASX 200 stock performance for the year to January 2015

BEST PERFORMERS		WORST PERFORMERS	
LIQUEFIED NATURAL GAS LTD	893.33	BC IRON LTD	-90.99
QANTAS AIRWAYS LTD	137.27	ARRIUM LTD	-84.83
NORTHERN STAR LTD	103.98	LYNAS CORPORATION	-84.21
VOCUS COMMUNICATIONS LTD	94.06	ATLAS IRON LTD	-83.17
SIRTEX MEDICAL LTD	91.13	MOUNT GIBSON IRON	-79.52

Economic News

The trend estimate for total dwelling approvals rose 1.3% in December, whilst the seasonally adjusted figure actually fell -3.3%. Private sector housing approvals were flat during the month, suggesting the property market was 'cooling off' towards year end.

The growth in retail sales during December came in below analysts' expectations, rising a rather underwhelming 0.2%. Among the best performers at a sector level were clothing and footwear (2.3%) and personal accessories (3.5%). Spending within the hardware, building and garden supplies sector was the biggest disappointment (-3.4%). The lacklustre result dashed commentators' hopes for a buoyant pre-Christmas period.

The Westpac Institute of Consumer Sentiment rebounded 2.4% in January after suffering a material decline in the month prior. The index remains 9.7% lower than at the same time last year. The modest increase has been attributed to the recent retraction in the unemployment rate and the sharp fall in petrol prices. Commentators will be eagerly awaiting the February release of consumer sentiment given the recent reduction in interest rates.

The National Australia Bank's Business Survey was in line with market expectations during December. Business confidence was largely flat, while business conditions fell further over this corresponding period. The depressed mining and resource sectors weighed on the aggregate result. Nonetheless, the lower oil and fuel costs prompted a modest increase in optimism within the transport and logistics sectors.

The Australian trade deficit continued its downward trajectory in December, and now stands at -\$436m. Australian exports increased by approximately 1%

(imports also fell by a similar margin), which was driven by the recent fall in the AUD. The sharp fall in oil prices also contributed to the favourable result.

After 18 consecutive months of a status quo on interest rates, the Reserve Bank of Australia (RBA) cut the benchmark cash rate to a record low 2.25%. The cut came as a surprise to the market, with the Australian dollar falling sharply after the official decision was made public. Primary drivers behind the decision include a persistently low headline inflation figure, depressed mineral prices, a slowing property market and an Australian dollar which widely regarded as inflated. Following the decision the Australian equity, REIT and bond markets all rose materially.

U.S. total nonfarm payrolls surprised to the upside again in January, with over 257,000 jobs added. Among the most notable features of the January employment update was the 0.50% wage increase, which materially exceeded expectations. Following the release renewed commentary over a potential U.S. rate hike towards the middle of the year resurfaced, which pre-empted a mild sell off in the bond market. Sustained wage growth in the U.S. has been largely absent post the GFC and markets will continue to focus on the extent of gains going forward as a key indicator for the strength of the labour market.

As expected, the leftist Syriza party was victorious in the Greek election that took place towards month end. Political leaders across Europe have expressed their concern over the implications of the outcome, given the party's plan to end austerity in the highly indebted southern European nation. Outside of Greece, markets across Europe have taken the news in their stride, but uncertainty over the prospects for

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debt payments that are due in the coming month remains.

The European Central Bank (ECB) finally made public its intent to enforce a quantitative easing program in the Eurozone. The plan will consist of a €60bn a month cash injection via the purchasing of European debt securities. There still remains some ambiguity over which debt the ECB will be permitted to buy, given the differing credit fundamentals of countries within the Eurozone. Following the news, equity markets across Europe surged.

The Australian dollar continued its downward spiral in January, after posting declines against the U.S. Greenback (-5.1%), the Japanese Yen (-6.3%) and U.K. Sterling (-2.0%).

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