

Month in Review

Market Moves — as at 30•4•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	-1.70	5.00	7.08	10.23	14.62	8.52	8.47
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	1.66	8.10	5.41	5.31	-0.87	0.03	3.53
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (AS)	-1.22	5.01	17.34	26.87	25.18	14.74	7.36
S&P 500 COMPOSITE ACCUMULATION INDEX (AS)	-2.22	3.74	16.34	32.72	28.04	18.18	8.21
FTSE100 ACCUMULATION INDEX (AS)	3.43	5.56	15.96	13.76	19.16	12.18	5.20
MSCI EMERGING MARKETS FREE W/GROSS DIV (AS)	3.91	7.65	15.85	27.07	13.63	6.71	9.82
REAL ESTATE INVESTMENT TRUSTS (REITS)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	-0.99	0.65	12.99	25.97	20.03	13.31	2.92
UBS GLOBAL INVESTORS TR HEDGED (AS)	-3.12	-3.51	8.71	20.86	16.90	15.96	8.70
FIXED INTEREST							
BLOOMBERG AUSBOND COMPOSITE 0+ YR INDEX	-1.11	-0.08	4.55	8.91	6.15	7.27	6.52
BLOOMBERG AUSBOND BANK BILL INDEX	0.18	0.60	1.31	2.67	2.95	3.73	4.76
BARCLAY GLOBAL AGGREGATE INDEX HEDGED SA	-0.35	0.02	4.17	8.88	7.02	8.08	7.62

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).

Australian equities

The Australian 'broad cap' equity market, as measured by the S&P/ASX 200 Accumulation Index, was down -1.70% in April for the second consecutive month. Resource stocks outperformed as commodity prices, particularly oil and iron ore, began to rebound. Over 12 months, the Index produced double digit returns – up 10.23%.

April's trend did not materialise in the Australian 'small cap' market, as measured by the S&P/ASX Small Ordinaries Accumulation Index, which was up 1.66%. Over 12 months however, the 'small cap' market continues to materially lag the 'broad cap' index.

Global equities

Emerging market equities strongly outperformed, aided by rising commodity prices, with China the best performing market due to stimulus measures from the People's Bank of China as well as speculation of possible upcoming quantitative easing. The MSCI Emerging Markets Index finished up 3.91% in April.

US equities lagged, although the S&P 500 Accumulation Index still managed to touch a new record high during April. The Index finished down -2.22% as the release of weaker than expected US payroll data dampened anticipation of the Federal Reserve raising interest rates in June. Across 12 months, the US equity market has significantly outperformed relative to its Australian counterpart, up 32.72%.

European equity markets were mixed. The German DAX and French CAC were down -4.56% and -0.31% respectively, while the UK FTSE gained 4.63%.

Equity markets across Asia were positive during April. The Japanese NIKKEI 225 Index returned 2.55%, while Hong Kong's Hang Seng Index and the Shanghai Composite Index returned 12.16% and 16.57% respectively. The Shanghai stock market has been a standout performer so far this year which has been largely spurred by aggressive monetary policy from authorities.

REITS

The S&P/ASX 300 A-REIT Accumulation Index dropped -0.99% in April. Despite a consecutive month-to-month fall, A-REITs have experienced growth of 25.97% over the last 12 months. This is likely to soften as the economy faces headwinds from its dependency on resources, a weakening Australian dollar, and challenging leasing conditions driving elevated vacancy rates and incentives.

The G-REIT market, as measured by the UBS Global Investors TR Hedged (A\$), was down -3.12% in April. Over 12 months the sector underperformed its domestic counterpart by 5.11% yet still managed to return 20.86% for investors. This was driven by the continual 'search for yield' and stable earnings growth.

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Month in Review

ISSUE DATE: 7-05-2015

Fixed Interest

The Australian fixed interest market, as measured by the Bloomberg AusBond Composite Index, fell by -1.11% in April. While the Bloomberg AusBond Bank Bill Index, which comprises lower risk and shorter dated securities, finished up 0.18%.

The Global Fixed Interest market, as measured by the Barclays Global Aggregate Index (Hedged A\$), was down -0.35%. European government long bond yields dipped to a new all-time low mid-month before rising sharply to finish April higher on improving Eurozone credit data.

ASX 200 Stock Movements

S&P/ASX 200 Stock Performance for the Month of April 2015

BEST PERFORMERS		WORST PERFORMERS	
LIQUEFIED NATURAL GAS	+44.30	GREENCROSS	-16.77
SUNDANCE ENERGY AUSTRALIA	+34.44	BLUESCOPE STEEL	-16.27
SENEX ENERGY	+28.57	RESMED	-13.23
KAROON GAS AUSTRALIA	+27.31	SIMS METAL MANAGEMENT	-12.77
UGL	+19.93	SLATER & GORDON	-10.43

S&P/ASX 200 Stock Performance for the Year to March 2015

BEST PERFORMERS		WORST PERFORMERS	
LIQUEFIED NATURAL GAS	+596.18	ARRIUM	-83.08
QANTAS AIRWAYS	+177.87	MMA OFFSHORE	-67.29
M2 GROUP	+94.68	KATHMANDU HOLDINGS	-59.47
NORTHERN STAR RESOURCES	+88.89	FORTESCUE METALS GROUP	-57.03
DOMINO'S PIZZA ENTERPRISES	+85.00	BRADKEN	-56.38

Economic News

Overview

Following the volatility experienced across domestic and global markets during the first quarter of 2015, April was comparatively stable. The price of crude oil began to revert, China eased their monetary policy, and the Eurozone announced a quantitative easing program with Japan signalling more of the same. Yet, April delivered a few surprises to the market. The US turnaround saw economic data repeatedly undershoot market expectations which was attributable to the apprehension surrounding forecasted interest rates hikes, the RBA stunned analysts by leaving April rates on hold in Australia, whilst the UK came under inflationary pressure in the lead up to its general election. Globally, monetary policy setting remained loose.

Australia

The RBA left rates unchanged at its April meeting despite adopting a strong easing bias. The sharp fall in commodity prices since the start of the year and the high Australian dollar were at the top of the agenda. The minutes to the meeting show the Bank contemplated a further cut but held off in order to get more data, Q1 CPI in particular (which was essentially benign), and to allow time for the economy to respond to February's cut to 2.25%. Notably the minutes also pointed to a likely

downgrade to the RBA's growth forecasts stemming from weaker prospects for business investment.

Australia's Consumer Price Index (CPI) (excluding volatile returns) rose 0.2% during the March quarter to be 2.3% p.a. higher over the past year. The largest price rises in Q1 were driven by domestic holiday travel and accommodation, tertiary education and medical services. Petrol prices fell -12.2% over the three months to March, helping slice -0.4% from the overall headline rate. This was the largest quarterly price fall for petrol since December 2008 according to the Australian Bureau of Statistics. The CPI remains at the lower end of the RBA's 2-3% target band.

Consumer sentiment continued to fall in April ahead of the Commonwealth Budget. The Westpac - Melbourne Institute Index of Consumer Sentiment dropped -3.2% in April to 96.2. Other contributing factors included: the retracement of petrol prices, failure to meet the market's expectations surrounding the overnight cash rate cut, and sharp fall in iron ore prices. Collectively, these factors affected sentiment surrounding jobs and the economy.

Australia's March unemployment rate was announced in April. The 37,700 rise in employed persons caused the indicator to drop by 10 basis points in trend terms to 6.1%. However, it is worth noting that once rounding is removed, March's rate of 6.12% does not vary significantly from February's

Month in Review

ISSUE DATE: 7-05-2015

rate of 6.15%. Positive momentum continued around the participation rate.

Latest dwelling price data showed continued solid growth nationally in early 2015 with some measures even indicating a slight pick-up over the last six months. The CoreLogic RP Data measure showed a 0.9% rise in the month of April, lifting the six month annualised pace to 11.8%, notably higher than the annual growth rate of 8.1% p.a. The city and segment details show gains are confined to Sydney houses, Sydney units and Melbourne houses with more subdued price gains elsewhere.

Global

US economic data releases during the month of April were noticeably weaker, possibly due in part to extreme weather in March and the stronger dollar. The manufacturing and non-manufacturing ISM Indices for March both fell to a worse-than-expected 51.5 and 56.5 respectively, albeit still signalling expansion at these levels. While retail sales, industrial production and housing starts all underperformed analysts' estimates. This trend continued with Real GDP for Q1 up 0.2% p.a. significantly missing forecasts of 1.0% p.a.

China's economic data continued to weaken, with the preliminary HSBC Manufacturing PMI for April falling to 49.2 – a 12 month low. Other data releases were uniformly weak: Q1 GDP growth slowed to 7.0% y/y and industrial production for March rose a weaker-than-expected 5.6% (10.9% forecasted). Weakening economic data prompted the Chinese central bank to provide further stimulus, sharply cutting its Reserve Requirement Ratio by 1% to 18.0%.

The Eurozone's credit squeeze seemingly came to an end with private sector lending for March up 0.1% y/y – the first positive reading since May 2012.

Currency

The Australian dollar was stronger against all major currencies in April: USD +4.55%, JPY +3.21%, EUR +1.81%, GBP +0.27% and NZD +3.02%.

P 3-3

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