

Month in Review

ISSUE DATE 11-06-2014

Market moves — as at 31.05.2014

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	0.68	2.76	5.43	16.45	10.26	12.41	9.46
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	0.08	-2.31	2.26	6.20	-4.25	4.28	4.80
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (AS)	1.79	-0.80	4.52	23.28	16.34	11.68	5.06
S&P 500 COMPOSITE ACCUMULATION INDEX (AS)	1.89	-0.03	5.68	24.08	20.46	14.88	4.95
FTSE100 ACCUMULATION INDEX (AS)	0.25	-2.08	5.38	22.84	14.22	10.65	4.53
MSCI EMERGING MARKETS FREE W/GROSS DIV (AS)	3.24	2.79	-0.20	7.92	3.13	5.47	9.14
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	0.05	4.01	7.51	6.46	13.65	14.60	1.95
UBS GLOBAL INVESTORS TR HEDGED (AS)*	3.15	7.09	14.96	12.13	12.73	22.31	N/A*
FIXED INTEREST							
UBS WARBURG COMPOSITE BOND INDEX	1.37	2.31	4.32	4.14	6.93	6.59	6.42
UBS WARBURG BANK BILL INDEX	0.22	0.67	1.31	2.69	3.61	3.91	5.03
BARCAP GLOBAL AGGREGATE INDEX HEDGED \$A	1.17	2.40	4.44	5.85	7.82	8.57	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 'large cap' equity market, as measured by the S&P/ASX 200 Accumulation Index, advanced by 0.68% in May. The Index has advanced by over 16% when assessed over 12 months.

The S&P/ASX Small Ordinaries Accumulation Index, a proxy for the Australian 'small cap market, finished May unchanged. It continues to underperform its 'large cap' counterpart materially over all time periods assessed.

Global Equities

European equity markets were mixed in May, with the German DAX and the U.K. FTSE advancing 2.49% and 0.95% respectively in **local currency terms**. Meanwhile, the French CAC was slightly weaker, suffering a -0.30% decline. When converted back to AUD, gains were slightly less material as the local currency strengthened against both the Euro and the GBP.

The U.S. equity market, as measured by the S&P 500, performed strongly in May, with the Index up 2.1% in **local currency terms**.

Contrary to previous reviews, the Japanese equity market was among the top performers across developed equity markets in May, with the Nikkei Index returning 3.29%. Similarly, equity markets in Shanghai and Hong Kong rallied in May, with the

Shanghai Composite Index and the Hang Seng Index advancing 1.45% and 4.93% respectively.

REITs (Listed Property Securities)

The S&P/ASX 300 AREIT Accumulation Index finished the month of May unchanged. Nevertheless the local REIT index did record a significant increase in the previous month.

The UBS Global Investors TR (Hedged \$A), a proxy for globally listed REIT securities, outperformed the local REIT index in May. The index has now significantly outperformed its local counterpart over 12 months.

Fixed Interest

The Australian fixed interest market, as measured by the UBS Composite Bond Index, continued its stellar run in May as the longer part of the yield curve compressed materially. The Barcap Global Aggregate Index hedged \$A, also performed strongly with the index advancing 1.17%.

The UBS Bank Bill Index, which comprises of lower risk and shorter dated securities, finished the month of May up 0.22%.

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Economic Indicators

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

BEST PERFORMERS		WORST PERFORMERS	
AQUILA RESOURCES	38.80	REGIS RESOURCES	-36.00
PAN AUSTRALIA LIMITED	37.07	ATLAS IRON LIMITED	-24.30
TREASURY WINE ESTATE	36.48	ARRIUM LIMITED	-23.94
TRANSFIELD SERVICES	20.94	BC IRON LIMITED	-19.45
SAI GLOBAL LIMITED	19.67	ACRUX LIMITED	-15.94

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

BEST PERFORMERS		WORST PERFORMERS	
BEGA CHEESE LIMITED	95.22	ACRUX LIMITED	-75.88
G8 EDUCATION LIMITED	94.42	LYNAS CORPORATION	-75.00
DOMINOS PIZZA ENTERPRISES	83.08	PALADIN ENERGY LIMITED	-61.95
CHALLENGER LIMITED	75.30	REGIS RESOURCES	-61.69
MACQUARIE ATLAS ROADS LIMITED	73.68	KAROON GAS LIMITED	-56.69

Economic News

According to the Australian Bureau of Statistics (ABS), total dwelling approval continued its downward trend in April, retreating -1.6% (-5.6% once seasonally adjusted). While dwelling approval has now fallen for two consecutive months, it is still up over 15% year on year.

Official retail sales continued their steady incline during April, with the headline figure gaining 0.6%. While the gain was not particularly material, it did follow two similar advancements in the two preceding months. When analysed from a geographical perspective, Victoria, New South Wales and Queensland were the top contributors, while Western Australia, South Australia and the ACT detracted marginally.

The Westpac Institute Survey of Consumer Sentiment signalled a sharp retraction in consumer confidence, with the headline figure falling -6.8% in May. The rather material decline in consumer confidence has been primarily attributed to concerns regarding the Abbott Government's proposed budget for the upcoming financial year. Further, commentators have been quick to link the fall in consumer confidence with the recent softening of the residential housing market across Australian capital cities.

The National Australia Bank's Business Survey indicated that business confidence escaped relatively unscathed following the release of the Federal budget in May. Although pleasing, a separate ANZ report showed job advertisements were down -5.6%, with internet and newspaper's among the most impacted. In light of the inconsistent data findings, the immediate reactions within markets following the two reports release were relatively benign.

The Australian cash rate was again left on hold following the RBA's scheduled meeting on the 3rd of June. While the result was widely expected by the market, policy makers did acknowledge the public's reservations regarding the Federal budget release,

and the prospects for housing and consumer sensitive areas of the economy going forward. Additionally, the recent softening in price of some of Australia's key exports (particularly iron ore) will be an area of focus going forward.

Total nonfarm payroll employment numbers in the U.S. rose by 217,000 in May, and the unemployment rate remained steady at 6.3% following the release. The growth in employment in the U.S. has been particularly strong, following the unfavourable weather conditions which weighed on the results earlier in the year. Commentators have applauded the recent strength in the labour market, albeit will be looking for a similar pickup in wage growth before suggesting any revision of monetary policy is necessary.

Directly preceding this publication's release, the Japanese economy's annualised growth rate for the first quarter of 2014, was revised up to 6.7%. While the strong result was partly a consequence of the surge in consumer spending preceding the sales tax increase in April, market participants welcomed the news in light of the aggressive monetary stimulus package being enforced within the country.

The Australian dollar advanced against the USD Greenback (0.34%), the GBP Sterling (0.79%) and the Euro (1.82%) in May.

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