

Month in Review

Market Moves — as at 31·08·2014

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	0.62	3.48	6.34	14.41	14.47	9.32	9.40
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	2.34	6.17	3.72	7.49	-0.17	1.85	4.54
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (AS)	1.77	2.07	1.26	16.07	21.57	10.67	5.23
S&P 500 COMPOSITE ACCUMULATION INDEX (AS)	3.38	4.17	4.13	19.27	26.18	14.47	5.37
FTSE 100 ACCUMULATION INDEX (AS)	-0.21	-0.82	-2.88	12.59	18.16	8.84	4.36
MSCI EMERGING MARKETS FREE W/GROSS DIV (AS)	1.82	6.75	9.73	14.79	9.60	6.04	9.42
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	1.68	10.27	14.69	19.47	19.22	11.82	2.39
UBS GLOBAL INVESTORS TR HEDGED (AS)*	2.72	4.99	12.42	25.78	17.34	18.43	N/A*
FIXED INTEREST							
UBS WARBURG COMPOSITE BOND INDEX	1.01	2.12	4.48	6.90	6.19	6.95	6.41
UBS WARBURG BANK BILL INDEX	0.23	0.68	1.35	2.65	3.42	3.89	4.96
BARCAP GLOBAL AGGREGATE INDEX HEDGED \$A	1.43	2.45	4.91	9.29	7.48	8.24	7.71

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 August up 0.6%. When assessed over 12 months the index has now returned 14.4%.

The 'small cap' equity market, as measured by the S&P/ASX Small Ordinaries Accumulation Index, outperformed its 'large cap' counterpart by a considerable margin during August. While the 'small cap' index continues to underperform its 'large cap' counterpart over 12 months, the margin is less material than in previous reviews.

Global Equities

European equity markets were mixed in August, with the German DAX (-1.1%) and the U.K. FTSE (-2.4%) suffering modest losses. Meanwhile the French CAC reported an incline of 1.3%. Currency moves had a negative impact on returns, as the AUD appreciated against the EUR and the GBP.

Contrary to its European peers the U.S. equity market, as measured by the S&P 500, edged up by 3.8% in August. Currency had little impact on returns over this corresponding time period, as the AUD was little changed against the USD.

The Japanese equity market was unable sustain its recent period of outperformance, with the NIKKEI finishing down -2.4%. Similarly, the returns of the Hang Seng Index and the Shanghai Composite Index were muted in August, with the indices reporting a -0.1% and 1.3% return respectively.

Economic Indicators

Data source: Trading Economics, RBNZ

REITs (Listed Property Securities)

The S&P/ASX 300 AREIT Accumulation Index, a proxy for the local REIT market, continued its stellar run in August by finishing up 1.7%. The index has now returned 19.5% over the last 12 months.

The GREIT market, as measured by the UBS Global Investors TR Hedged (A\$), outperformed its local counterpart in August. When assessed over 12 months the index returned a particularly impressive 25.8%.

Fixed Interest

The Australian fixed interest market, as measured by the UBS Composite Bond Index, edged up by 1.0% in August. Similarly, the returns of the Barclays Global Aggregate Index (hedged \$A), a proxy for the global fixed interest market, were notable with the index returning 1.4%. Fixed interest markets globally performed particularly well in August as investors were encouraged by the potential ramifications of the European Central Bank's (ECB's) quantitative easing program.

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

We strongly recommend that potential investors read the product disclosure statement or investment statement.

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Month in Review

Economic indicators

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

BEST PERFORMERS		WORST PERFORMERS	
COVERMORE GROUP LTD	29.94	MEDUSA MINING LTD	-27.33
TRANSFIELD SERVICES	28.67	BC IRON LTD	-17.45
SLATER & GORDON	26.10	TRANSPACIFIC INDUSTRIES	-17.05
MCMILLAN SHAKESPEARE	22.74	JB-HI FI LTD	-15.31
ARDENT LEISURE	21.31	FORTESCUE METALS GROUP	-15.24

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

BEST PERFORMERS		WORST PERFORMERS	
AVED GROUP	111.11	REGIS RESOURCES	-59.17
G8 EDUCATION LTD	94.22	LYNAS CORPORATION	-58.97
SLATER & GORDON	86.35	MEDUSA MINING LTD	-54.17
DOMINOS PIZZA ENTERPRISES	85.32	BURU ENERGY	-45.91
NORTHERN STAR	80.00	BEADELL RESOURCES LTD	-43.96

Economic News

Total dwelling approval continued its downward trend in July, falling a further -0.5%. Dwelling approval has now fallen for seven consecutive months.

Official retail sales were again unchanged in July, which is consistent with the result over the four preceding months. At a state and territory level, New South Wales, Western Australia, South Australia and Tasmania were the most meaningful contributors. Queensland and Victoria were the primary detractors.

The Westpac Institute of Consumer Sentiment fell sharply in September, and largely offset all the gains of the three preceding months. The sharp retraction has been blamed on consumer anxiety concerning the budget, the impending tax increases and the current and expected state of the economy.

At the time of this publication the most recent unemployment data had not been released. The scheduled release for the aforementioned data is the 11th of September.

The National Australia Bank's Monthly Business Survey surprised to the upside in August and is now back to its post-election highs. A solid jump in business conditions coupled with better than expected forward orders supported the optimistic result. At an industry level, construction and wholesale were the standout performers, whilst mining and retail lagged.

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%. While the RBA did indicate that its current stance on

monetary policy was appropriate, the tone of its monthly address appeared more dovish than previous updates. Going forward, price moves in commodities, the employment market, wage growth and movements in international currencies will be the board's primary considerations.

U.S. total nonfarm employment increased by 142,000 in August, which was lower than consensus expectations. The civilian labor force participation rate was little changed at 62.8%, and has remained stagnant since April. Following the employment data release, the unemployment rate held steady at 6.1%. Given the employment data was mildly disappointing, the market's expectations of an imminent interest rate rise have been somewhat dampened.

Following the ECB's scheduled meeting on the 4th of September, the refinancing rate in Europe was cut to 0.05%. Further, financial institutions leaving excess reserves at the ECB will now be subject to a -0.2% haircut, thus incentivising banks to lend excess capital to potentially stimulate economic activity in Europe. Markets had not been expecting such a prompt move by the ECB, which forced yields on European sovereign debt securities to new all-time lows.

On the 5th of September, Ukraine and pro-Russian rebels reached a cease fire agreement, the first step towards ending the standoff in the far east of the Ukraine. Despite the deal the European Union agreed to implement harsher sanctions on Russia over its involvement in the conflict. Political commentators have been sceptical over the deal, given the previous cease fire lasted only 10 days in June.

Month in Review

The Australian Dollar appreciated against the USD (0.3%), the JPY (1.3%), the GBP (2.3%) and the EUR (2.0%) in August.

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