Month In Review

ISSUE DATE 08-12-2014

Market moves — as at 30·11·2014

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	-3.25	-4.40	-1.08	4.30	13.85	7.11	7.68
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	-3.81	-9.57	-3.99	-1.82	-1.04	-1.27	2.20
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (A$)	5.47	9.76	12.03	17.10	24.22	13.14	6.14
S&P 500 COMPOSITE ACCUMULATION INDEX (A$)	5.76	13.66	18.40	25.12	28.63	17.59	7.04
FTSE100 ACCUMULATION INDEX (A$)	3.92	2.54	1.70	7.17	17.74	9.62	4.35
MSCI EMERGING MARKETS FREE W/GROSS DIV (A$)	2.26	1.78	8.65	8.44	12.40	5.34	8.73
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	0.00	1.05	11.43	19.80	18.98	11.81	1.87
UBS GLOBAL INVESTORS TR HEDGED (A$)*	2.72	5.46	10.72	27.28	21.14	18.46	N/A*
FIXED INTEREST							
BLOOMBERG AUSBOND COMPOSITE 0+ YR INDEX	1.27	1.90	4.06	8.56	6.13	6.89	6.34
BLOOMBERG AUSBOND BANK BILL INDEX	0.22	0.66	1.35	2.68	3.23	3.85	4.89
BARCAP GLOBAL AGGREGATE INDEX HEDGED $A	1.17	2.02	4.52	9.16	7.78	8.08	7.69

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, declined by -3.3% in November. When assessed over 12 months the Index has returned 4.3%.

The Australian 'small cap' equity market, as measured by the S&P/ASX Small Ordinaries Accumulation Index, retracted by -3.8% in November. The index has been weighed down by the recent turbulence within commodity markets. Over 12 months the Index has declined by -1.8%.

Global Equities

On aggregate European equity markets experienced a solid month as investors regained some enthusiasm after heavy selling in the month prior. The German DAX, French CAC and U.K. FTSE rose by 6.2%, 2.9% and 0.3% respectively during November.

The U.S. equity market, as measured by the S&P 500, returned 2.5% in November. The U.S. equity market has been a particularly strong performer over the last 12 months, returning 14.5% over this period.

The Japanese Equity market, as measured by the NIKKEI 225 Index, edged up slightly in November by 0.5%. Meanwhile, Hong Kong's Hang Seng Index and the Shanghai Composite Index returned -0.1% and 10.3% respectively. Equities listed in China have rallied considerably following the unexpected cut in interest rates by the Peoples Bank of China (PBOC).

REITs (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index, a proxy for the local REIT market, finished the month of November unchanged. The index has now returned 19.8% over the last 12 months.

The GREIT market, as measured by the UBS Global Investors TR Hedged (A$), outperformed its local counterpart in November by 2.7%. When assessed over 12 months the index returned 27.3%.

Fixed Interest

The Australian fixed interest market, as measured by the Bloomberg Ausbond Composite Index, continued its upward trajectory by returning 1.3% in November. The Global Fixed Interest market, as measured by the Barclays Global Aggregate Index (Hedged A$), finished up by a comparable margin. Fixed interest markets were partly assisted by the considerable falls in commodity markets which eased investor's fears over inflation.

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

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Economic Indicators

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

BEST PERFORMERS		WORST PERFORMERS	
PALADIN ENERGY LTD	28.96	BC IRON LTD	-48.83
QANTAS AIRWAYS LTD	14.28	ATLAS IRON LTD	-46.27
TEN NETWORK HOLDINGS LTD	11.36	CARDNO LTD	-41.98
NEWCREST MINING LTD	10.94	SUNDANCE ENERGY LTD	-39.91
PACIFIC BRANDS LTD	10.64	SENEX ENERGY LTD	-37.38

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

BEST PERFORMERS		WORST PERFORMERS	
LIQUEFIED NATURAL GAS	71.25	BC IRON LTD	-88.89
SIRTEX MEDICAL LTD	125.72	ATLAS IRON LTD	-84.28
WESTERN AREAS LTD	103.35	ARRIUM LTD	-82.47
TPG TELECOM LTD	79.42	LYNAS CORPORATION	-80.65
NORTHERN STAR RESOURCES	72.79	BEADELL RESOURCES LTD	-73.68

Economic News

Building approvals recovered some lost ground in October by posting an 11.4% gain (seasonally adjusted). The sharp rise was primarily attributed to the 31.3% rise in 'other dwellings' approvals. Building approvals are now up 2.5% year on year, and this rate appears to be slowing considerably which suggests construction will have less of an influence on economic growth going forward.

Nominal retail sales grew by 0.4% in October, which came in above analyst's consensus expectations. Pleasingly the aggregate gain was not concentrated to any one sector, with all sectors experiencing some degree of growth from the month prior. When assessed geographically, New South Wales, Victoria, Western Australia, South Australia and the ACT were the primary positive contributors, whilst Queensland, Tasmania and the Northern Territory detracted from the overall result. Going forward the fall in the Australian dollar is expected to act as a tail wind for retail sales as consumers are less incentivised to purchase goods offshore.

The Australian trade deficit contracted in October and now stands at -$1,323m. The October outcome was stronger than expected, and was assisted by the rise in net exports over this corresponding time period.

As was expected, the Reserve Bank of Australia (RBA) left the cash rate on hold at 2.5% in December. While Glenn Stevens' monthly address indicated a status quo for the immediate future, there was a mild uptick in commentary surrounding labour force spare capacity, commodity price weakness and the recent softening of the property market. The RBA maintained its opinion on the Australian Dollar being overvalued, despite the sharp fall in recent times.

The Australian Financial System Inquiry (FSI) released its final report in December, which included 44 separate recommendations. One of the key findings included an increase in the capital ratio requirements by approximately 0.6 – 2.2% for banks to offset the impact during a period of market dislocation. The report recommended large institutions increase capital by issuing more tier 1 (common equity and certain hybrids) and/or decrease dividends.

U.S. total nonfarm payrolls surprised to the upside in November by posting a 321,000 gain. Additionally, average hourly earnings rose by more than expected (0.4%), however year on year wages have increased a rather benign 2.1%. The particularly strong employment data added significant weight to the U.S. recovery story.

During November the oil price plummeted as the Organisation of the Petroleum Exporting Countries (OPEC) decided to maintain its planned level of oil production despite the oil price softening. Concerns have also mounted on the impact over oil supplies intensifying as the U.S. shale revolution develops further. The ramifications of a lower oil price are still being digested by the market, however concerns over the sustainability of highly leveraged entities operating in the capital intensive shale oil industry have increased considerably.

The Peoples Bank of China (PBOC) decided to cut interest rates unexpectedly in November as fears mounted over the potential impact of a falling Chinese property market (particularly in tier two and three cities). Subsequent to the interest rate decision, the Chinese equity market rallied considerably. Retail investors locally have been a source of increased volatility in the local equity market, as they have

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flocked to open equity trading accounts which has increased stock trading volume.

The Japanese Yen fell to its lowest level in seven years following the decision by the Japanese Government to delay its unpopular increase in the sales tax. In addition the Bank of Japan (BOJ) decided to maintain its aggressive quantitative easing program during November, after increasing it in the month prior. Policy makers in Japan sought to increase stimulus following two consecutive quarters of negative growth.

The Australian Dollar fell sharply relative to the U.S. Greenback (-3.6%), the Euro (-2.5%) and the U.K. Sterling (-1.8%). Gains were recorded against the Japanese Yen, given its rapid depreciation over the course of November.