

Month in Review

Market Moves — as at 30·04·2014

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	1.77	7.14	3.35	10.46	9.29	12.56	9.60
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	-1.24	2.46	-3.16	2.06	-4.89	5.78	4.88
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (AS)	1.01	0.34	8.74	31.02	15.92	11.17	5.07
S&P 500 COMPOSITE ACCUMULATION INDEX (AS)	0.77	0.04	10.75	34.93	20.32	13.74	5.02
FTSE 100 ACCUMULATION INDEX (AS)	4.45	2.01	10.13	32.90	14.26	11.58	4.87
MSCI EMERGING MARKETS FREE W/GROSS DIV (AS)	0.31	0.83	-0.92	10.10	2.06	6.18	8.67
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	5.63	8.39	4.53	2.51	13.62	15.55	2.53
UBS GLOBAL INVESTORS TR HEDGED (AS)*	3.86	8.77	7.59	2.88	12.24	22.43	N/A*
FIXED INTEREST							
UBS WARBURG COMPOSITE BOND INDEX	0.91	1.27	2.81	2.65	6.90	6.14	6.38
UBS WARBURG BANK BILL INDEX	0.22	0.64	1.30	2.72	3.68	3.92	5.06
BARCAP GLOBAL AGGREGATE INDEX HEDGED \$A	0.90	1.89	3.28	3.25	7.90	8.40	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 'large cap' equity market, as measured by the S&P/ASX 200 Accumulation Index recorded a 1.8% gain in April. Over 12 months the index has returned 10.5%.

Contrary to its 'large cap' counterpart, the S&P/ASX Small Ordinaries Index suffered a month in the red (-1.2%). The index fared poorly in April due to the retraction in a select number of mineral prices. Over 12 months the index continues to underperform the 'large cap' index materially.

Global Equities

European equity markets pared back losses in April, with the German DAX, the French CAC and the U.K. FTSE advancing by 1.2%, 2.9% and 3.9% respectively. When converted back to AUD, gains were slightly less material as the local currency strengthened against the majority of its global peers.

The U.S. equity market, as measured by the S&P 500, returned 0.6% in **local currency terms** during April. Over 12 months, the U.S. market has been among the top performing developed equity markets globally.

The Japanese equity market retracted sharply in April, with the NIKKEI down -2.6%. Following the material price appreciation in 2013, the NIKKEI has lagged other developed equity markets since the start of 2014. Equity markets in mainland China and Hong

Kong were again challenged, with the Shanghai Composite Index suffering a -1.0% decline and the Hang Seng Index remaining flat over the corresponding time period.

REITs (Listed Property Securities)

The S&P/ASX 300 AREIT Index was up materially in April (5.6%). The favourable result can be partly attributed to two meaningful constituents of the index (Wesfield and GPT) rallying considerably. When assessed over 12 months the index has returned 2.5%.

The UBS Global Investors TR (Hedged \$A) underperformed its local counterpart during April, however still posted a 3.9% gain. Over 12 months, the index has returned 2.9%.

Fixed Interest

The Australian fixed interest market, as measured by the UBS Composite Bond Index, had a stellar April with the index up 0.9%. The Barcap Global Aggregate Index hedged \$A, a proxy for highly rated globally issued debt securities, also performed strongly (0.9%).

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

Month in Review

ISSUE DATE 09-05-2014

Economic Indicators

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

BEST PERFORMERS		WORST PERFORMERS	
WESTERN AREAS LTD	24.40	ACRUX LIMITED	-39.82
HORIZON OIL LIMITED	22.58	LYNAS CORPORATION	-21.43
DAVID JONES LIMITED	20.92	MOUNT GIBSON IRON	-19.78
ECHO ENTERTAINMENT	15.10	COCA-COLA AMATIL	-16.14
TRANSFIELD SERVICES	14.37	MESOBLAST LIMITED	-14.81

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

BEST PERFORMERS		WORST PERFORMERS	
G8 EDUCATION LIMITED	92.18	ACRUX LIMITED	-72.94
MACQUARIE ATLAS ROADS GROUP	85.12	LYNAS CORPORATION	-67.33
HENDERSON GROUP	83.81	WOTIF.COM HOLDINGS	-47.75
BEGA CHEESE LIMITED	81.97	MEDUSA MINING LIMITED	-44.95
CSR LIMITED	79.80	THE REJECT SHOP	-43.76

Economic News

According to the Australian Bureau of Statistics (ABS), total dwelling approvals fell -0.8% in March. However, in trend terms dwelling approvals fell by -2.3%, which came off the back of a -5.0% fall in the preceding month. While the consecutive falls are a little concerning, building approval levels are still high by historical standards.

Official retail sales rose 0.5% in March, which followed a 0.6% rise in the two preceding months. From a geographical perspective, all states and territories recorded gains, with the exception of the ACT. While the first quarter has been somewhat promising for retailers, expectations going forward have been neutralised given the concerns regarding the upcoming budget release.

The Wespac Institute of Consumer Sentiment for March has not been released at the time of this publication. Nonetheless, commentator's expectations have been relatively cautious due to the upcoming budget.

The National Australia Bank's quarterly business survey found Business Conditions displayed a mild uptick for the March quarter. Further, the survey highlighted stronger demand domestically, although capacity utilisation remained subdued. Despite the rise in business conditions, business confidence suffered a mild deterioration during the quarter, with all states and territories experiencing some level of detraction.

The unemployment rate remained steady during April at 5.8%, with 14,200 jobs (full time) added. So far this year there have been over 100,000 jobs created, signalling some stabilisation in the labour market.

Following its scheduled meeting on the 6th of May, the RBA left the cash rate on hold at 2.5%. While acknowledging the recent uptick in some areas of the labour market, the RBA did also concede that wage growth at an aggregate level has been somewhat subdued. Nonetheless, policy makers did concede a mild rise in the appetite for credit in interest sensitive areas of the economy, which suggests the cash rate will be left on hold for the immediate future.

In a result that topped consensus analyst's forecasts, U.S. payroll numbers rose by 288,000 in April. The U.S. unemployment rate subsequently fell to 6.3%, which was a -0.4% fall from the previous month. Employment gains were well dispersed amongst industries, however job creation within the professional and business services, retail trade, food services and construction were the most material. Despite the favourable headline job numbers, the participation rate fell to 62.8% from 63.2% in the month prior, which softened investor's reactions in the markets.

In light of the recent scepticism surrounding the Chinese economy, iron ore prices have taken a material hit since the start of 2014 (-22.1%). Speculators have been quick to downplay prospects for the commodity, citing growing stockpiles and increasing supply as their primary concerns. Companies that are highly leveraged to the price of iron ore have seen their stock price challenged, with some of the most notable names including Rio Tinto, Fortescue Metals, Atlas Iron and Mount Gibson Iron.

The Australian Dollar performed strongly during April, with it posting gains against the US Greenback (0.7%), the JPY (0.3%) and the Euro (0.3%). Albeit, losses were suffered against the U.K. Sterling (-0.3%), which gained materially during April.

Month in Review

ISSUE DATE 09-05-2014

P 3-3

LONGSEC STRONGLY RECOMMENDS THIS DOCUMENT BE READ IN CONJUNCTION WITH THE RELEVANT PRODUCT DISCLOSURE STATEMENT OR INFORMATION STATEMENT

Important notice: This document is published by Lonsec Research Pty Ltd ABN 11 151 658 561, AFSL No.421445 (Lonsec). Please read the following before making any investment decision about any financial product mentioned in this document.

Disclosure at the date of publication: Lonsec receives a fee from the fund manager or product issuer(s) for researching the financial product(s) set out in this document, using comprehensive and objective criteria. Lonsec may also receive a fee from the fund manager or product issuer(s) for subscribing to research content and other Lonsec services. Lonsec's fee is not linked to the rating(s) outcome.

Lonsec does not hold the product(s) referred to in this document. Lonsec's representatives and/or their associates may hold the product(s) referred to in this document, but details of these holdings are not known to the Analyst(s).

Disclosure of Investment Consulting services: Lonsec receives fees for providing investment consulting advice to clients, which includes model portfolios, approved product lists and other financial advice and may receive fees from this fund manager or product issuer for providing investment consulting services. The investment consulting services are carried out under separate arrangements and processes to the research process adopted for the review of this financial product.

For an explanation of the process by which Lonsec manages conflicts of interest please refer to the Conflicts of Interest Policy which is found at: <http://secure.lonsec.com.au/asp/Document/ConflictsOfInterestResearch.pdf>

Warnings: Past performance is not a reliable indicator of future performance. Any express or implied rating or advice presented in this document is a "class service" (as defined in the Financial Advisers Act 2008 (NZ)) or limited to "General Advice" (as defined in the Corporations Act 2001(Cth)) and based solely on consideration of the investment merits of the financial product(s) alone, without taking into account the investment objectives, financial situation and particular needs ('financial circumstances') of any particular person. It is not a "personalised service" (as defined in the Financial Advisers Act 2008 (NZ)) and does not constitute a recommendation to purchase, redeem or sell the relevant financial product(s).

Before making an investment decision based on the rating(s) or advice, the reader must consider whether it is personally appropriate in light of his or her financial circumstances, or should seek independent financial advice on its appropriateness. If our advice relates to the acquisition or possible acquisition of particular financial product(s), the reader should obtain and consider the Investment Statement or Product Disclosure Statement for each financial product before making any decision about whether to acquire a financial product. Lonsec's research process relies upon the participation of the fund manager or product issuer(s). Should the fund manager or product issuer(s) no longer be an active participant in Lonsec's research process, Lonsec reserves the right to withdraw the document at any time and discontinue future coverage of the financial product(s).

The rating in this publication relates to the fund outlined in the publication which may have related funds or be associated with other funds and platforms. The rating may only be applied to the fund outlined in this publication at first instance and whether it applies to related or associated funds and platforms should be investigated by your financial adviser before you make an investment decision in relation to the related or associated funds and platforms. You should be aware that the mandate, fees, underlying investments, the issuers of the related and associated funds and platforms may be different from the fund specified in this publication. You should satisfy yourself that the related and associated funds and platforms meet your financial circumstances, needs and objectives before making an investment decision.

Disclaimer: This document is for the exclusive use of the person to whom it is provided by Lonsec and must not be used or relied upon by any other person. No representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this document, which is drawn from public information not verified by Lonsec.

Financial conclusions, ratings and advice are reasonably held at the time of completion but subject to change without notice. Lonsec assumes no obligation to update this document following publication. Except for any liability which cannot be excluded, Lonsec, its directors, officers, employees and agents disclaim all liability for any error or inaccuracy in, misstatement or omission from, this document or any loss or damage suffered by the reader or any other person as a consequence of relying upon it. Copyright © 2014 Lonsec Research Pty Ltd (ABN 11 151 658 561, AFSL No. 421445) (Lonsec). This report is subject to copyright of Lonsec. Except for the temporary copy held in a computer's cache and a single permanent copy for your personal reference or other than as permitted under the Copyright Act 1968 (Cth), no part of this report may, in any form or by any means (electronic, mechanical, micro-copying, photocopying, recording or otherwise), be reproduced, stored or transmitted without the prior written permission of Lonsec.

This report may also contain third party supplied material that is subject to copyright. Any such material is the intellectual property of that third party or its content providers. The same restrictions applying above to Lonsec copyrighted material, applies to such third party content.