

Month in Review

ISSUE DATE: 8-04-2015

Market Moves — as at 31-3-2015

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	-0.06	10.33	13.76	14.13	15.82	8.59	8.33
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	-1.94	7.30	3.13	2.30	-1.72	-0.30	2.72
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (A\$)	0.96	9.81	18.83	29.74	25.07	14.82	7.14
S&P 500 COMPOSITE ACCUMULATION INDEX (A\$)	0.84	8.14	21.34	36.77	28.52	18.75	8.15
FTSE100 ACCUMULATION INDEX (A\$)	-3.50	6.30	9.06	14.88	18.16	10.86	4.68
MSCI EMERGING MARKETS FREE W/GROSS DIV (A\$)	1.06	9.62	12.11	22.66	11.59	5.96	8.98
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	-1.96	9.22	21.57	34.39	22.56	14.41	3.04
UBS GLOBAL INVESTORS TR HEDGED (A\$)*	0.73	7.31	21.09	29.57	19.24	17.66	NA*
FIXED INTEREST							
BLOOMBERG AUSBOND COMPOSITE 0+ YR INDEX	0.76	2.67	6.73	11.13	7.11	7.63	6.80
BLOOMBERG AUSBOND BANK BILL INDEX	0.21	0.67	1.36	2.72	3.02	3.76	4.80
BARCAP GLOBAL AGGREGATE INDEX HEDGED SA	0.78	2.56	5.54	10.25	7.49	8.34	7.81

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

After rising materially in the month prior, the Australian 'broad cap' equity market, as measured by the S&P/ASX 200 Accumulation Index, was largely flat in March. When assessed over 12 months the index has risen 14.13%.

The Australian 'small cap' market, as measured by the S&P/ASX Small Ordinaries Accumulation Index, fell by -1.94% in March. Over 12 months the 'small cap' market continues to materially lag the 'broad cap' index.

Global equities

European equity markets were mixed in March, with the German DAX and the French CAC recording gains of 4.90% and 1.70% respectively. Meanwhile the U.K. FTSE declined by -2.50% over this corresponding time period.

The U.S. equity market, as measured by the S&P 500, fell by -1.70% in March as investors' jitters over the timing of a U.S. rate rise became more pronounced. Over 12 months the U.S. equity market returned 10.4%.

Equity markets across Asian bourses were generally positive during March. The Japanese equity market, as measured by the NIKKEI 225 Index, returned 2.20%. Whilst Hong Kong's Hang Seng Index and the Shanghai Composite Index returned 0.30% and 13.20% 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 (listed property securities)

Contrary to prior months, the S&P/ASX 300 AREIT Accumulation Index, fell by -1.96% in March. Despite the fall, the AREIT market has recorded a material growth of 34.39% over the last 12 months.

The GREIT market, as measured by the UBS Global Investors TR Hedged (A\$), rose by 0.73% in March. Over 12 months the GREIT market has underperformed the domestic REIT market by a noteworthy margin.

Fixed interest

The Australian fixed interest market, as measured by the Bloomberg AusBond Composite Index, rose by 0.76% in March. The Global Fixed Interest market, as measured by the Barclays Global Aggregate Index (Hedged A\$), rebounded strongly in March and rose by 0.78%.

The Bloomberg AusBond Bank Bill Index, which comprises of lower risk and shorter dated securities, finished the month of March up 0.21%.

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ASX 200 Stock Movements

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

BEST PERFORMERS		WORST PERFORMERS	
IINET LTD	34.60	SIRTEX MEDICAL LTD	-41.49
PANAUST LTD	31.30	REGIS RESOURCES LTD	-30.97
TPG TELECOM LTD	20.34	MYER HOLDINGS LTD	-26.95
PRIMARY HEALTH CARE LTD	16.52	MMA OFFSHORE	-25.00
AINSWORTH GAME TECHNOLOGY LTD	15.60	G8 EDUCATION LTD	-22.93

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

BEST PERFORMERS		WORST PERFORMERS	
LIQUEFIED NATURAL GAS LTD	435.59	ARRIUM LTD	-85.51
QANTAS AIRWAYS LTD	182.35	MMA OFFSHORE	-72.04
NORTHERN STAR LTD	103.54	FORTESCUE METALS GROUP LTD	-62.67
RESMED INC	95.79	KATHMANDU HOLDINGS LTD	-62.46
CORPORATE TRAVEL LTD	86.35	SENEX ENERGY LTD	-58.00

Economic news

Total dwelling approval fell -3.2% (seasonally adjusted) in February, which was the first negative result in four months. The modest fall was primarily attributed to the decline in apartment approvals, which in the preceding months had been a strong tail wind. Despite the fall, dwelling approval rates remain at record levels and have benefitted from accommodative monetary policy over the last few years.

The Australian trade deficit widened in February by \$300m, which was primarily attributed to the sharp rise in the value of imports relative to exports. While the widening of the trade deficit in February was still significant, it was partly insulated by the rise in rural exports over this time period. Consensus forecasts are for the trade deficit to widen further in the immediate future, following material falls in world commodity markets, particularly iron ore.

The Australian unemployment rate fell unexpectedly in February from 6.4% to 6.3%. While the aforementioned fall in unemployment topped consensus forecasts, economists were quick to reiterate their expectations for a steadily rising Australian unemployment rate. The participation rate fell to 64.6% from 64.7%, which was revised down from a previous 64.8%.

The Westpac Institute of Consumer Sentiment fell by -1.2% in March, after rising materially in the month prior (following the cut in interest rates). The consumer confidence index is still well above its lows recorded in December 2014. The lacklustre result recorded in March has been attributed to the sharp rise in petrol prices and the sluggish economic growth numbers recorded during the survey period.

The RBA interest rate cut in February failed to stimulate depressingly low business confidence, according to the NAB Business Survey. Business confidence has been consistently impacted by falling commodity prices and sluggish consumption growth by Australian consumers. Additionally, investment is below trend despite the low costs of borrowing.

The RBA elected to keep interest rates on hold during its scheduled meeting in April. The RBA remained cautious on its outlook for the Australian economy, specifically citing rising unemployment, decreasing commodity prices and below trend economic growth. While the RBA did note the significant price appreciation of property in Sydney, it also highlighted the inconsistency of price increases in other major cities. Consensus forecasts are for further rate cut/s in the coming months to address some of these concerns.

The U.S. employment report showed only 126,000 jobs were added in March, which was materially lower than the median forecast of 245,000. The weaker than expected job numbers mirrored a disappointing revision of U.S. economic growth in the last quarter of 2014. These two factors prompted a reconfiguration of expectations by some economists regarding the timing of the anticipated U.S. rate rise. Despite the largely unfavourable employment report, wages did increase by 0.3% in March which was slightly above trend.

The iron ore price has continued its downward trajectory during March, and is now at multi year lows. The consistent fall in the hard commodity is having a material effect on some equity and debt securities domestically, particularly for those companies with direct exposure to the commodity price. It seems inevitable that certain lower tier

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producers of the commodity will undergo consolidation.

In the wake of aggressive monetary policy being undertaken by monetary authorities in China, the Chinese equity market has undergone a period of significant price appreciation. Chinese citizens have flocked in droves to online brokerage accounts, with over 2.3 million new investors added during a two week period in March. The recent rally in Chinese stocks has been met with hesitation from professional investors, with some believing the rally is well overdone and not based on fundamentals. While there remains mixed views over the direction of the Chinese equity market going forward, volatility is expected to remain inflated over the short to medium term.

The Australian dollar was again weaker against the USD (-2.0%) and the JPY (-1.2%) during the month. Nonetheless, gains were recorded against the EUR (1.7%) and the GBP (2.3%).

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