Australian Monthly Wrap

March Economic Wrap

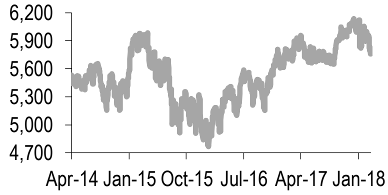
The Australian market finished lower in March continuing the weak start to 2018. Global issues continued to be a major driver given positive earnings forecasts following the February reporting season.

To comment on the first quarter of 2018 for equities markets we have seen the positive momentum from last year continue into January before falling off substantially in both February and March. Two factors contributing to that decline, investor expectations on U.S. monetary policy and ongoing tension over possible trade conflict between the U.S. and China have shaken investor confidence. U.S. Federal Reserve minutes, confirm their belief in the underlying strength of the American economy while trade concerns have come off somewhat with conciliatory rhetoric from both President Trump and President Xinping. Markets have responded positively in April and corporate fundamentals remain strong with earnings estimates ahead of March quarter reporting in the U.S. still very positive and attractively priced at a forward P.E. ratio of 16, the U.S. market's lowest level since late 2016.

Key economic news – The Reserve Bank of Australia left the cash rate on hold at 1.50% as expected. The U.S. Federal Reserve increased the federal funds rate to 1.5%-1.75% and indicated that economic activity has been rising at a solid rate. Subsequent comments in FOMC minutes have led to a rerating of interest rate expectations beyond the two hikes forecast for 2019 with the Committee consensus pointing to three hikes by the end of 2019. The European Central Bank has kept its stimulus program in place and signalled that is will continue doing so until at least September this year while the Eurozone growth picture continues to improve.

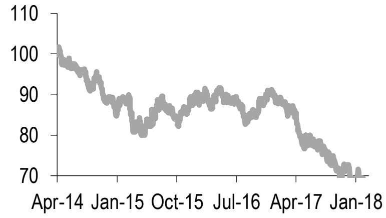
Key company news – Premier Investments continued its strong run in recent times as its signature Smiggle brand and others in its portfolio continue to drive strong results even in a challenging retail environment. Lynas Corp saw strong performance off the back of rising rare earth metal prices while gold miners Resolute and Saracen benefited from a mix of positive announcements to the market as well as the flight to safety effect that investors seek from gold shares. Retail Food Group continued to see its market value dwindle with the catalyst being an underperformance on earnings expectations as well as a substantive business model review that will see hundreds of its stores closing and dividends suspended for the foreseeable future. Orocobre and Galaxy Resources both sunk on the back of falling lithium prices driven by oversupply fears. Sims Metal Management fell following acquisition of two metals recycling businesses adding to their 40 existing UK sites in the UK. This expands Sims' presence in a highly completive market and was poorly received by investors selling off the stock.

S&P/ASX 200 Price Index



Source: Bloomberg, IOOF

MSCI Australia relative to MSCI Asia Pacific ex Japan, US$ terms



Source: Bloomberg, IOOF

Sector and stock returns

ASX/S&P 200 Sectors (GICS)

	Monthly	%∆	Quarterly	%∆
▼	Consumer Discretionary	-2.97	Consumer Discretionary	-5.34
▼	Consumer Staples	-2.28	Consumer Staples	-1.31
▼	Energy	-2.80	Energy	-7.72
▼	Financials ex Property	-5.96	Financials ex Property	-6.90
▼	Financials	-5.97	Financials	-6.90
▼	Health Care	-3.84	Health Care	6.10
▼	Industrials	-1.64	Industrials	-4.32
▼	IT	-2.05	IT	0.71
▼	Materials	-5.64	Materials	-5.06
▲	Property Trusts	0.01	Property Trusts	-7.26
▼	Telecommunications	-6.22	Telecommunications	-12.83
▼	Utilities	-1.21	Utilities	-8.33

Best and Worst S&P/ASX 200 Performers

Top five stocks		Bottom five stocks	
Monthly			
Premier Investments Ltd	+15.7%	Retail Food Group Ltd	-54.4%
Lynas Corp Ltd	+15.5%	Orocobre Ltd	-18.0%
Resolute Mining Ltd	+11.7%	Sims Metal Management	-17.2%
Saracen Mineral Holdings	+9.6%	Myer Holdings Ltd	-16.7%
Chorus Ltd	+8.3%	Galaxy Resources Ltd	-15.4%
Quarterly			
Sirtex Medical Ltd	+67.9%	Retail Food Group Ltd	-62.3%
A2 Milk Co Ltd	+55.5%	Myer Holdings Ltd	-43.2%
Altium Ltd	+49.8%	Wisetech Global Ltd	-33.4%
Nine Entertainment Co	+47.9%	Syrah Resources Ltd	-29.7%
Flight Centre Travel Group	+28.8%	Vocus Group Ltd	-26.7%

Source: Bloomberg, IOOF

Equity review

Major Market Performance, February 2018

	Australian Indices	Mth	%∆	Qtr	%∆
▼	S&P/ASX 200	5759	-4.27	6065	-5.04
▼	All Ordinaries	5869	-4.06	6167	-4.84
▼	Small Ordinaries	2666	-3.01	2770	-3.77
	US Indices				
▼	S&P 500	2641	-2.69	2674	-1.22
▼	Dow Jones	24103	-3.70	24719	-2.49
▼	Nasdaq	7063	-2.88	6903	2.32
	Asia Pacific Indices				
▼	Hang Seng	30093	-2.44	29919	0.58
▼	Nikkei 225	21454	-2.78	22765	-5.76
	UK & Europe Indices				
▼	FTSE 100	7057	-2.42	7688	-8.21
▼	CAC40	5167	-2.88	5313	-2.73
▼	Dax Index	12097	-2.73	12918	-6.35

Source: Bloomberg, IOOF

US equity market

The S&P 500 index finished the month down 2.7%. Most sectors were in the red with the worst performers being financials down 4.5%, materials down 4.4% and technology down 3.9%. Defensive sectors such as Real Estate and Utilities were up 3.3% and 3.4% respectively. The privacy crisis plaguing Facebook dragged down the Technology sector with Amazon sinking on rumours of Presidential attention. Trade war concerns also affected the market with equities both in the US and globally dragged lower, defensive sectors such as Utility stocks acted as useful diversifiers in this context.

Australian equity market

The S&P/ASX 200 index finished the month down 4.3%. On a sector level, the best performers were real estate and utility shares which were down only 0.2% and 1.2% respectively. The worst performing sectors were telecommunications down 6.2% and financials down 6%.

Telecommunications underperformance was driven by the continued decline of Telstra, TPG and Vocus. The NBN impact on industry margins hangs as a cloud over the sector at present and ongoing mismanagement, in the cases of Vocus and Telstra, has been a further drag on shareholder returns. The spectre of the Royal Commission continues to weigh on bank stocks as new revelations of misconduct arose in March.

Fixed Income

	Fixed Income	Mth	+/-	Qtr	+/-
	Aussie Cash rate	1.50	--	1.50	--
▼	10-year Bond Rate	2.60	-7.37	2.63	-1.10
▼	3-year Bond Rate	2.05	-1.58	2.13	-3.53
▲	90 Day Bank Accepted Bills SFE-Day	2.02	12.93	1.7789	13.55
▼	US 10-year Bond Rate	2.74	-4.25	2.41	13.86
▼	US 3-year Bond Rate	2.38	-0.97	1.97	20.93

Source: Bloomberg, IOOF

Over the month of March, the Australian yield curve fell marginally with short term rates falling less than long term rates. The Australian 3-year bond yield fell 3bps and the 10-year bond yield fell 19bps. The U.S. yield curve flattened with the 3-year bond yield falling 2bps and the 10-year bond yield declining by 11bps. A global flight to safety as volatility in equity markets continued saw bond yields end the month lower. This was despite the Federal Reserve increasing U.S. interest rates to 1.75%. The Federal Reserve did however signal that an additional rate hike would be delayed into 2019 instead of a feared fourth hike this year. The Australia-U.S. 10-year spread has also inverted on the long end with Australia's yield premium disappearing entirely. These factors have been swamped by the fear reflex with investors seeking shelter in fixed income.

Finally, we should point out the movement in short term interest rates with the 3-month rising over 20 bps as Australian corporations are forced to rely more on local funding markets for short-term financing with US firms crowding out the market there thanks to the tax reform leading to sizeable repatriation of US firm's overseas holdings.

Currencies

	Currencies	Mth	%∆	Qtr	%∆
▼	$A vs $US	76.79	-1.07	78.09	-1.66
▼	$A vs GBP	54.82	-2.81	57.81	-5.17
▼	$A vs YEN	81.61	-1.43	88.03	-7.29
▼	$A vs EUR	62.35	-2.04	65.06	-4.17
▼	$A vs $NZ	106.14	-1.39	110.07	-3.57
▼	$US vs EUR	81.14	-1.06	83.30	-2.59
▼	$US vs GBP	71.34	-1.84	74.02	-3.62
▲	$US vs CHF	95.40	1.00	97.43	-2.08

Source: Bloomberg, IOOF

The Australian dollar was lower against major global currencies in March with the currency falling below US77c given disappointing Australian economic data with the underemployment rate ticking up to 5.6% from 5.5%. In addition, the currency is under pressure to the interest-rate differential with the U.S. as prevailing interest rates there at 1.75% now exceed the RBA 1.5% target. This should put pressure on the Australian dollar as there is reduced scope for speculators to earn carry. Likewise, the British pound continued its uptrend against the Australian dollar supported by expectations of Bank of England tightening in response to strong inflation while the Reserve Bank continues to hold rates steady. More generally concerns over slowing global economic growth with some recent survey results showing a deceleration from previous months in manufacturing and services data will also weigh on the Australian dollar as they point to a less rosy picture for our primary foreign-exchange earner, commodities which are a key input of any global economic boom.

Commodities

	Commodities	Mth	%∆	Qtr	%∆
▼	Aluminium	1991	-6.54	2272	-12.39
▼	Copper	303	-3.42	332	-8.73
▼	Nickel	13258	-3.70	12778	3.76
▲	Gold	1327	0.27	1319	0.65
▼	Silver	16	-0.85	17	-5.53
▲	Crude Oil - Brent	70	6.83	67	5.08
▼	Lead	2399	-4.08	2490	-3.64
▼	Zinc	3281	-5.04	3318	-1.12
▼	Iron Ore	69.70	-10.02	71.28	-2.22

Source: Bloomberg, IOOF

Commodity prices ended the month lower with Gold and Crude Oil the only exceptions in March.

Gold rose slightly on haven demand as investors sought shelter from ongoing equity market volatility. Crude Oil enjoyed a bumper month following dwindling US supply and news of further OPEC efforts to extend production cuts offering a support for oil prices.

Other commodities suffered from concerns over possible trade wars between the US and its trading partners especially China and the impact this would have on the synchronous global growth story. The fear is that increased protectionism will reduce global trade and derail the renewed consumer demand and business investment appetite.

Australia

The RBA left the cash rate on hold at 1.50% in March and walked back slightly on its forecast for annual GDP growth. Previously, the RBA had forecast GDP growth of 3.0% in 2018 and 3.25% in 2019. The 2018 forecast was repeated in its February statement but implicitly downgraded in its March one with the 2018 outlook now for “the Australian economy to grow faster in 2018 than it did in 2017”. Given 2017 growth of 2.4% that gives the RBA a buffer of 0.6% compared to its original forecast. Retail sales in February, released in early April, highlighted a bounce back in consumer spending above market expectations with 0.6% growth (consensus 0.3%).

Minutes from the March board meeting continued commentary on uncertainty around how quickly wage growth might pick up and feed into inflationary pressures, both in Australia and globally. The RBA continued to highlight employer reports on the increasing difficulty in hiring staff to satisfy demand as a possible indicator of an inflection point in wage growth. The RBA maintained its forecast from the February meeting that CPI inflation would be slightly above 2% for 2018.

The Australian economy added 17.5k jobs in February (consensus: 20k), comprising of an 65k increase in full-time employment and a 47.5k fall in part-time employment. This continued the strength in 2017 where full time employment has increased by 368k since January 2017 in comparison to 65.7k for part time. The unemployment rate ticked up slightly to 5.6% from 5.5% (consensus: 5.5%) as the participation rate rose modestly to 65.7% in line with the recent high recorded in December.

United States

The U.S. Federal Reserve increased the federal funds rate as expected in March by 25 bps to 1.5% to 1.75% and continued its positive economic outlook. The FOMC economic projections were subject to their usual scrutiny with highlights being the addition of a further interest rate increase in 2019 as well as the firming of projections for 2018 with more committee members voting for a higher year-end rate with the consensus potentially shifting to a rate of 2.5% as opposed to 2.25% at the end of the year. For further detail please look at our report from two weeks ago.

The other big driver of market movements was the ongoing tit-for-tat trade rhetoric between the United States and China with the latter a focus of President Trump's ire in fighting for more reciprocated access on behalf of U.S. companies. This has led to a series of retaliatory announcements of yet more new tariffs between the two nations although importantly these have not yet been implemented. Our stance remains that, for the moment, this is a space to watch but not alter client allocations for, especially with this week's highlight being a conciliatory speech by President Xi signalling China's willingness to back free trade. To read up on the subject further please look to our recent U.S. Protectionist Policies report.

The ISM manufacturing index fell to 59.3 in March, a decline of 2.5 percentage points from the February reading. The ISM non-manufacturing index was 1.2 percentage points lower at 58.8. The Markit Services PMI fell to 54 from its large jump in February. This resumed the trend from August with market conditions particularly the hostile winter in the Northeast identified as stifling economic activity.

China

President Xi Jinping took a conciliatory stance in the trade war saga this week with rhetoric promoting free trade and offering to open up China to more direct foreign investment. These proposals have been filled out in subsequent remarks by PBOC governor Yi Gang including plans to quadruple the daily quota of access to the A-Shares market from May 1 as well as allow more foreign direct investment in the financial services sector including lowering ownership restrictions. The official manufacturing PMI for March was 51.5, an increase of 2.4 percentage points from February. This partly reflects a bounce back in economic activity with the February figures distorted by the week-long Chinese New Year celebrations. It marks the first increase on the prior month since November last year. Drivers included the easing of pollution controls and stronger activity in the construction sector boosting steel demand.

Europe

The ECB left its interest rate settings unchanged. It renewed its commitment to continue its net asset purchases at a current monthly pace of €30bn until September 2018 or beyond until it sees a path to inflation meeting its target. Monetary policy in the near-term will continue to be accommodative given the stubbornness of the inflation outlook with a sustained upward trend yet to emerge. Core Eurozone inflation was unchanged at 1% year-on-year in March although CPI did rise to an annual rate of 1.4%. Notably though the ECB withdrew its commitment to "increase the asset purchase programme in terms of size and/or duration" for this meeting which has been treated as a sign of optimism by economists that the ECB is seeing an end to the programme in sight.

The Bank of England has left the bank rate on hold at 0.5% with market expectations continuing to price in a 25-basis point hike in May. MPC members Ian McCafferty and Michael Saunders were in favour of an immediate hike citing signs of accelerating wage growth domestically even as headline inflation slowed to 2.7% in February. Brexit negotiations with the European Union continue to date with

The outlook from the recent Italian elections remains murky with talks underway between the three main rightist parties to form a new government this week. The three are resisting attempts by the anti-establishment Five Star Movement, the largest single party, to divide them in coalition negotiations. The prospects of Five Star pairing up with one of the other minor parties appears unlikely at this juncture with both the Northern League and Democratic Party rejecting overtures from Five Star to date.

The Markit Eurozone Composite PMI fell for the second month in a row to 55.2 from a reading of 57.1 in February. The slowdown was across both the manufacturing and service sectors. It reflects a slight deceleration in the growth for new orders of goods as well as bad weather in northern regions and supply-chain constraints for some businesses from the recent surge in growth. Job creation continued to remain at amongst the best levels over the past decade with business optimism remaining well above the post-financial crisis average. The manufacturing PMI fell to an 8-month low of 56.6 from its February reading of 58.6. While still expansionary a broad slowdown was seen across all countries with increased signs of supply-side restrictions limiting business capacity to raise production and also rising input prices. This being said the latest reading is still indicative of strong growth. The services PMI fell to 54.9 from 56.2 in February, driving the decline in overall composite off a softer economic outlook. Despite the slowdown continuing into March Markit sees the Eurozone expanding at a quarterly rate of 0.6%, with the buoyant optimism (growth of 0.8%-0.9%) implied at the start of the year viewed as unsustainable. The weather has also been cited as a factor clouding the underlying results given the disruption to business it has caused with April's figures seen as key to determining the strength of underlying economic growth.

Company news

A2 Milk (A2M) share price soared after the milk producer announced an alliance with New Zealand dairy giant Fonterra to broaden its access to global markets. A2 Milk also posted a jump in first-half net profit of 150% as it continues to successfully expand in international markets especially in China.

Altium (ALU) share price soared and it closed the month at a new record high of $20.23 with the electronic design software company recording record revenue growth of 30% and record EBITDA margins in excess of 30% as well as a 51% rise in its NPAT to US$14.9m showcasing the sizeable operational leverage it continues to exhibit and beating analyst expectations heading into reporting season on both revenue and profitability growth.

Flight Centre (FLT) performed well off the back of its record interim report which saw the Group Total Transaction Value (the total amount of money spent by clients) hit a record high of $10.16bn with underlying profit upgraded for the first half of FY18. The company also saw profits across all geographic segments and an upgrade to full year (FY18) guidance.

Nine Entertainment Company (NEC) rose over the quarter as one of the other winners of reporting season with improved market share translating into improved revenue growth as well as news that its digital offering, Stan, is approaching breakeven after recording subscriber growth of 33% in the six months to December 2017. In terms of profits the company saw underlying profit after tax growth 55% compared to the first half of FY17 with sizeable deleveraging also occurring to take net debt—cash and other liquid assets netted against debt—levels to $46m, down from $177.5m.

Shares in **Sirtex (SRX)** maintained their levels near the takeover offer of $28 following an acquisition bid by US cancer care solutions developer Varian Medical Systems in late January. The bid was seen by some market participants as a logical one with Spheria Asset Management noting the strong free cash flow generation of the existing product set of Sirtex and the potential for further expansion in the US market going forward as well as the compelling valuation. The small premium of the final takeover consideration over the current share price appears indicative that market participants think the deal will close (currently the gap is less than 1 per cent).

Myer (MYR) slumped further in the March quarter with key drivers being a downgrade to 1H 2018 results that followed an earlier downgrade announced in December 2017 and a leadership shake up that saw CEO Richard Umbers leave the company. The company was affected by the Amazon fears that hit the retail sector in general last year and appears to lack a clear direction on improving revenues going forward. The lack of director “skin-in-the-game” in the form of owning Myer shares is also notable.

Retail Food Group (RFG) fell initially off the back of continued negative coverage from Fairfax press into how its business model was broken with its past success built off the back of impoverishing many of its franchisees and fundamentally mistreating them. This was then backed up by successive profit downgrades over the course of the quarter with a business-wide review announced alongside disappointing first-half results. That review will see the company close hundreds of its stores and coupled with the announcement of a suspension in dividends removes a key support for investors still holding the stock. Its annual return now stands at negative 82% with all analysts still covering the shares recommending investors sell out.

Syrah Resources (SYR) sank on reports of production delays at its Balama site with an estimated 8-week repair timeline until the affected equipment is operational. This followed an earlier disclosure that it expects these operations to be cash flow positive in the second half of FY18 as opposed to the previous forecast for the first half of FY18 delaying the time until the project begins de-risking with increased production. It also saw continued short-seller interest with the company continuing to see 20% of its shares held short.

Vocus (VOC) was one of the notable misses during reporting season with a downward revision of underlying profitability for FY18 poorly received by the market as the company disclosed losses from over hedging its energy exposure as well as higher than expected depreciation and amortisation costs. In addition, the company had further turnover at the top with the exit of its CEO Geoff Horth and a week later its Chairman Vaughan Bowen as it looks to reset its direction going forward.

Wisetech (WTC) sank following what analysts regarded as an implicit downgrade to its FY18 guidance as we noted in last month’s update. The shares were priced to perfection and had been performing spectacularly since October last year (during which they rose almost 34 per cent alone on no news flow) as investors chased. This implicit downgrade coupled with a sell-off in technology equities globally in March saw Wisetech shares sink further to end as one of the March quarter’s worst performers.

Source: ASX company announcements

Movers and Shakers for March 2018

ASX Code	Company Name	Closing price ($)	Month ago close ($)	Month ∆ (%)	Quarter ago close ($)	Quarter ∆ (%)	Year ago close ($)	Year ∆ (%)
PMV	Premier Investments Ltd	15.79	13.65	15.7	14.85	6.3	14.32	10.3
LYC	Lynas Corp Ltd	2.46	2.13	15.5	2.18	12.8	0.92	167.4
RSG	Resolute Mining Ltd	1.25	1.12	11.7	1.14	9.2	1.30	-4.2
SAR	Saracen Mineral Holdings Ltd	1.78	1.62	9.6	1.69	5.0	0.99	80.2
CNU	Chorus Ltd	3.77	3.48	8.3	3.80	-0.8	3.96	-4.8
TNE	Technology One Ltd	5.19	4.80	8.1	4.96	4.6	5.13	1.2
APO	Apn Outdoor Group Ltd	4.64	4.30	7.9	4.93	-5.9	5.70	-18.6
INM	Iron Mountain Inc-Cdi	42.80	39.90	7.3	48.51	-11.8	45.86	-6.7
AAC	Australian Agricultural Co	1.19	1.11	7.2	1.31	-9.2	1.66	-28.6
DHG	Domain Holdings Australia Lt	3.25	3.04	6.9	3.43	-5.2	N/A	N/A

Source: Bloomberg, IOOF

ASX Code	Company Name	Closing price ($)	Month ago close ($)	Month ∆ (%)	Quarter ago close ($)	Quarter ∆ (%)	Year ago close ($)	Year ∆ (%)
RFG	Retail Food Group Ltd	0.93	2.04	-54.4	2.47	-62.3	5.33	-82.6
ORE	Orocobre Ltd	5.36	6.54	-18.0	6.94	-22.8	2.77	93.6
SGM	Sims Metal Management Ltd	14.44	17.45	-17.2	15.77	-8.4	12.36	16.8
MYR	Myer Holdings Ltd	0.38	0.45	-16.7	0.66	-43.2	1.22	-69.1
GXY	Galaxy Resources Ltd	2.96	3.50	-15.4	3.83	-22.7	2.28	30.1
SWM	Seven West Media Ltd	0.54	0.63	-14.3	0.62	-12.2	0.79	-31.2
FMG	Fortescue Metals Group Ltd	4.33	5.04	-14.1	4.88	-11.3	6.23	-30.5
BEN	Bendigo And Adelaide Bank	9.84	11.34	-13.2	11.67	-15.7	12.14	-18.9
BOQ	Bank Of Queensland Ltd	10.96	12.63	-13.2	12.72	-13.8	12.16	-9.9
SIG	Sigma Healthcare Ltd	0.78	0.89	-12.4	0.99	-21.2	1.29	-39.5

Source: Bloomberg, IOOF

Long-term asset class performance to March 2018 (in AUD)

					Annualised						
	Asset	**1-mth**	**3-mth**	**6-mth**	**1-yr**	**3-yr**	**5-yr**	**7-yr**	**10-yr**	**15-yr**	**20-yr**
Shares	Australia	-3.8%	-3.9%	3.5%	2.5%	3.8%	7.7%	7.2%	5.4%	9.4%	8.3%
	World ex Australia	-0.8%	0.5%	6.4%	13.3%	7.8%	16.9%	13.6%	7.8%	7.4%	4.4%
	World ex Australia (Hedged)	-2.3%	-2.3%	3.2%	11.0%	8.5%	12.6%	12.1%	8.6%	10.8%	N/A
	Emerging Markets	-0.3%	3.4%	11.5%	24.2%	8.7%	11.6%	6.9%	4.8%	11.1%	N/A
Property	Australian Property	0.1%	-6.4%	1.0%	-0.8%	5.4%	10.6%	11.9%	3.2%	5.4%	N/A
	Global Property	4.1%	-3.9%	0.1%	1.0%	2.0%	11.4%	11.4%	5.3%	N/A	N/A
Fixed income	Australia government bonds	0.3%	-0.7%	1.0%	2.6%	2.2%	3.9%	5.4%	6.0%	5.4%	N/A
	Australia corporate bonds	0.4%	0.2%	1.9%	4.3%	3.5%	4.8%	6.0%	6.7%	6.0%	N/A
	Australia floating rate bonds	0.2%	0.6%	1.3%	3.1%	3.0%	3.4%	4.1%	4.6%	5.0%	N/A
	Global government bonds (Hedged)	1.1%	0.6%	1.5%	3.1%	3.2%	4.8%	6.3%	6.7%	6.7%	N/A
	Global corporate bonds (Hedged)	0.2%	-1.4%	-0.2%	3.3%	3.8%	5.1%	7.0%	7.7%	7.2%	N/A
	Global high yield bonds (Hedged)	-0.3%	-0.8%	0.0%	4.8%	7.3%	7.3%	9.2%	10.7%	11.1%	N/A
	Emerging Market bonds (Hedged)	0.3%	-2.1%	-0.9%	4.4%	6.5%	5.8%	8.2%	8.9%	10.5%	9.9%
Cash	S&P/ASX Bank Bill Index	0.1%	0.4%	0.9%	1.7%	2.0%	2.3%	2.8%	3.5%	N/A	N/A

Appendix – Index sources

Asset class	**Index**
Australia	S&P/ASX 200 Accumulation Index
World ex Australia	MSCI World ex Australia Net Total Return Index in AUD
World ex Australia (Hedged)	MSCI World ex Australia Hedged AUD Net Total Return Index
Emerging Markets	MSCI Emerging Markets EM Net Total Return AUD Index
Australian Property	S&P/ASX 200 A-REIT Accumulation Index
Global Property	MSCI World Real Estate Net Total Return Index in AUD
Australia government bonds	Bloomberg AusBond Govt 0+ Yr Index
Australia corporate bonds	Bloomberg AusBond Credit 0+ Yr Index
Australia floating rate bonds	Bloomberg AusBond Credit FRN 0+ Yr Index
Global government bonds (Hedged)	Bloomberg Barclays Global Aggregate Treasuries Total Return Index Hedged AUD
Global corporate bonds (Hedged)	Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged AUD
Global high yield bonds (Hedged)	Bloomberg Barclays Global High Yield Total Return Index Hedged AUD
Emerging Market bonds (Hedged)	J.P. Morgan EMBI Global Core Hedged Index Level AUD
Cash	S&P/ASX Bank Bill Index

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