

Month in Review

Market moves — as at 28 February 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	6.89	12.67	7.71	14.53	16.32	9.82	8.24
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	8.43	9.93	-0.59	3.11	-1.01	1.42	2.84
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (AS)	5.30	11.56	22.44	23.99	26.81	15.39	7.09
S&P 500 COMPOSITE ACCUMULATION INDEX (AS)	5.54	11.92	27.21	32.47	31.52	19.43	8.18
FTSE100 ACCUMULATION INDEX (AS)	5.77	11.80	14.64	11.34	20.73	12.43	5.05
MSCI EMERGING MARKETS FREE W/GROSS DIV (AS)	2.51	7.88	9.80	20.49	11.34	6.82	8.39
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	3.69	16.41	17.63	34.91	23.13	14.86	3.11
UBS GLOBAL INVESTORS TR HEDGED (A\$)*	-1.13	8.44	14.36	28.57	20.58	19.13	N/A*
FIXED INTEREST							
BLOOMBERG AUSBOND COMPOSITE 0+ YR INDEX	0.28	3.61	5.58	10.31	7.14	7.34	6.74
BLOOMBERG AUSBOND BANK BILL INDEX	0.21	0.69	1.36	2.73	3.08	3.79	4.82
BARCAP GLOBAL AGGREGATE INDEX HEDGED \$A	-0.44	2.49	4.56	9.69	7.26	8.29	7.76

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, had a particularly strong month, rising 6.9%. The sharp rise of the Australian equity market was largely driven by the cut in interest rates towards the beginning of the month. When assessed over 12 months the index has risen 14.5%.

The 'small cap' equity market, as measured by the S&P/ASX Small Ordinaries Accumulation Index, also enjoyed a material 8.4% rise in February. Nonetheless, the 'small cap' index continues to trail its 'broad cap' counterpart over 12 months.

Global Equities

European equity indices continued their stellar run into February, with all the majors benefitting from the European Central Bank's stimulatory cycle. The German DAX, French CAC and U.K. FTSE returned 6.6%, 7.5% and 2.9% respectively during the month.

The U.S. equity market rebounded strongly in February, with the S&P 500 surging by 5.5%. Over 12 months the return of the U.S. market continues to impress, with the index rising 13.2% during this period.

Similar to other developed equity market peers the NIKKEI Index also performed exceptionally well, returning 6.4%. Both the Shanghai Composite Index and Hong Kong's Hang Seng Index reported inclines

(albeit to a lesser extent than global peers), with the indices returning 3.1% and 1.3% respectively. Equity markets in China have been a key beneficiary of falling Chinese interest rates over the last 12 months.

REITs (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index, a proxy for the local REIT market, rose by an additional 3.7% in February. Local REITs have significantly outperformed other listed assets over the last 12 months, given their leverage to falling bond yields.

The GREIT market, as measured by the UBS Global Investors TR Hedged (A\$), fell by -1.1% in February. Over 12 months the GREIT market marginally underperformed REITs listed domestically.

Fixed Interest

The Australian fixed interest market, as measured by the Bloomberg Ausbond Composite Index, rose by 0.3% in February. Contrary to preceding months the Global Fixed Interest Market, as measured by the Barclays Global Aggregate Index (Hedged A\$), fell by -0.4%.

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

Month in Review

ASX 200 Stock Movements

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

BEST PERFORMERS		WORST PERFORMERS	
TOLL HOLDINGS LTD	44.42	STW COMMUNICATIONS LTD	-23.44
SEVEN GROUP HOLDINGS LTD	36.84	KATHAMANDU HOLDINGS LTD	-19.78
JAPARA HEALTHCARE LTD	36.59	BRADKEN LTD	-18.68
DOMINOS PIZZA LTD	33.11	AINSWORTH GAME TECHNOLOGY LTD	-15.25
SIRTEX MEDICAL LTD	31.91	NAVITAS LTD	-14.15

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

BEST PERFORMERS		WORST PERFORMERS	
LIQUEFIED NATURAL GAS LTD	1009.37	BC IRON LTD	-90.16
QANTAS AIRWAYS LTD	148.07	ARRIUM LTD	-83.62
SIRTEX MEDICAL LTD	137.47	ATLAS IRON LTD	-81.28
NORTHERN STAR LTD	105.22	LYNAS CORPORATION LTD	-80.98
NUFARM LTD	86.15	MOUNT GIBSON IRON LTD	-70.76

Economic News

Total dwelling approvals rose by 7.9% in January (seasonally adjusted). The considerable growth over this period was primarily attributed to the sharp rise in apartment approvals. Private sector housing weighed on the aggregate result. Geographically, Queensland, NSW and Victoria all contributed materially, while Western Australia and South Australia detracted.

The growth recorded in retail sales was in line with analyst's expectations in January, edging up by a seasonally adjusted 0.4%. The rise was largely expected by the market given the impact of falling petrol prices, and their stimulatory effect for consumers. Uncertainty remains over the sustainability of retail sales growth going forward, as petrol prices rose sharply in February.

Australian GDP growth in the fourth quarter of 2014 slowed to 0.5% (2.5% year on year). The tone of the economic update was largely negative due to the declining terms of trade, weak wages growth and declining investment expenditure by businesses. Particularly concerning was the lack of any material growth in non-mining sectors of the economy, which have so far been ineffective in containing some of the pain of declining resource prices.

The current account deficit fell -21% in the December quarter to -\$9,588m. The value of falling commodity prices has been somewhat offset by the consistent increase in volume being exported. The fall in the AUD has also had a positive effect on Australia's balance of payments over recent times.

The Australian unemployment rate rose sharply in February to 6.4%, the highest level in 13 years. The unemployment rate in Australia has now surpassed that of the U.S. The sharp incline in the unemployment figure was unexpected by the market, with the AUD selling off heavily subsequent to the release being made public.

Contrary to the majority of commentator's expectations, the RBA left the cash rate unchanged during their March meeting. The RBA used its scheduled monetary statement to highlight the significant challenges facing the Australian economy, notably, rising unemployment, lacklustre investment and fiscal tightening. However, the RBA refrained from enacting further monetary stimulus due to its hesitation regarding house price appreciation in some Australian capital cities, particularly Sydney. Nonetheless, the market is expecting further cut/s to come in the short to medium term unless circumstances change materially.

Disappointingly U.S. GDP growth was revised downwards to 0.55% (2.2% annualised) for the last quarter of 2014. Initial expectations was for growth to circulate at 0.65% (2.6% annualised). The tone of the U.S. economy during the quarter was mixed, with consumer spending growth rising at the fastest rate in four years, while business investment and export growth slowed. Investors will be patiently awaiting the upcoming U.S. payroll figures (due to be released on the 7th of March). Particularly interesting will be the magnitude of wage growth.

Month in Review

Greece has avoided a potential default on its sovereign debt by striking an '11th hour' deal with its creditors during February. The newly formed Greek government, led by Alexis Tsipras, was required to submit a list of reforms to its creditors in exchange for a four month extension on its bail out payments. The deal was perceived by onlookers as a major bow out by the Greek PM, as his recent success was largely driven by his party's promise to end Austerity in the country.

China has again taken steps to stimulate its economy by cutting interest rates for borrowers, which is the second interest rate cut in four months. The drop in interest rates coincided closely with a revision of its growth target from 7.5% to 7.0%. The lower growth target confirms the Chinese Government's recognition of a slowing economy, which is particularly relevant for countries who are highly leveraged to the Chinese economy (i.e. Australia).

The Australian dollar stabilised in February, and actually recorded gains against the USD (0.1%), JPY (1.1%) and EUR (1.2%). Losses were recorded against the GBP (-2.3%).

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