

THE MONTHLY MARKET REPORT



A SNAPSHOT OF THE KEY POINTS FOR JULY

- The RBA kept the overnight cash rate at 1.75% in July but cut to 1.50% during the August board meeting.
- In fixed income, the 3 Month Bank Bill Swap Rate and the 10 Year Australian Bond Rate fell by -0.05% and -0.11%, respectively, in July.
- Spreads on Australian corporate debt fell over the month, as indicated by -16.36-point decline over the month of the iTraxx Australian Index to 109.67.
- Australian shares rallied over the month, with the All Ordinaries Index and the S&P/ASX 200 Index increasing by 6.28% and 6.29%, respectively.
- Domestic listed property performed in line with the broader share market, gaining 5.35% over the month.
- Global equities experienced strong recoveries in July, with all regional markets participating. Japan added 6.17% to be the best performer, as measured by the TOPIX Japan Index.
- Global commodity prices ended the month -1.16% lower, as measured by the US\$ CRB Spot Commodity Index. The oil price had its largest fall in months, declining by -13.93% for the month. Gold and Iron Ore prices continued to rise, adding 2.12% and 11.01%, respectively, in US Dollar terms.
- The Australian Dollar rose further against most currencies in July, gaining 1.29% against the US Dollar, 1.36% against the Euro, 2.87% against the British Pound and 2.24% versus the Japanese Yen.
- The Australian Trade Weighted Index (TWI) rose by 1.44% over the month, ending July at 63.40.
- Share market volatility fell both domestically (-5.18%) and in the US (-3.76%).

Risk Assets Recovered

Global equities experienced strong recoveries in July, quickly shaking off concerns around market and economic implications post BREXIT. Despite a savage sell-off in the immediate aftermath of the UK BREXIT vote, market participant concerns were once again quickly appeased by central bank rhetoric. All the major central banks indicated their willingness to add further stimulus in light of the expected softer economic conditions.

In Australia, shares rallied by 6.36% over the month, with the recovery of large cap stocks the driver behind the overall market gain in July. Notwithstanding this, inflation remained quite low and recent data was unexpectedly soft. As a result, the RBA has cut the overnight cash rate to the new historical low of 1.50% in early August

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Data source | Thomson Reuters

MARKET INDICATORS

Market	Indicator	End of Month Value	Previous Month Value	1 Month Change in Value	12 Months Ago Value	12 Month Change in Value
Interest Rates	Overnight Cash Rate (%)	1.75	1.75	0.00	2.00	-0.25
	3 Month BBSW (%)	1.83	1.88	-0.05	2.04	-0.21
	10 Year Bond Rate (%)	1.91	2.02	-0.11	2.77	-0.86
iTraxx	iTraxx Australia	109.67	126.03	-16.36	96.42	13.25
Australian Shares	All Ordinaries Index	5644.00	5310.40	6.28%	5681.70	-0.66%
	S&P/ASX 200	5562.40	5233.40	6.29%	5699.20	-2.40%
Property	ASX 300 Property Index	1518.29	1441.25	5.35%	1282.53	18.38%
Regional Shares	Dow Jones Industrials (US)	18432.24	17929.99	2.80%	17689.86	4.20%
	S&P 500 (US)	2173.60	2098.86	3.56%	2103.84	3.32%
	FTSE 100 (UK)	6724.43	6504.33	3.38%	6696.28	0.42%
	STOXX 50 (EUR)	341.89	329.89	3.64%	396.37	-13.74%
	TOPIX (Japan)	1322.74	1245.82	6.17%	1659.52	-20.29%
	Hang Seng (Hong Kong)	21891.37	20794.37	5.28%	24636.28	-11.14%
Commodities	US\$ Gold Price	1349.09	1321.07	2.12%	1094.30	23.28%
	US\$ Oil Price – W Texas Crude	41.60	48.33	-13.93%	47.12	-11.71%
	US\$ Iron Ore Price	60.50	54.50	11.01%	55.50	9.01%
Exchange Rates	US\$ CRB Spot Commodity Index	408.30	413.09	-1.16%	410.37	-0.50%
	AUD / USD	0.7522	0.7426	1.29%	0.7294	3.13%
	AUD / EUR	0.6790	0.6699	1.36%	0.6670	1.80%
	AUD / GBP	0.5708	0.5549	2.87%	0.4673	22.15%
	AUD / JPY	77.94	76.23	2.24%	90.48	-13.86%
TWI	Australia Trade Weighted Index \$A	63.40	62.50	1.44%	61.40	3.26%
Volatility	VIX Index %	11.87	15.63	-3.76%	12.12	-0.25%
	S&P/ASX200 Volatility Index	14.20	19.38	-5.18%	14.55	-0.35%

CASH, FIXED INCOME & CREDIT

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Australian Cash	Bloomberg AusBond Bank Bill	0.17	0.53	2.24	2.48	3.05	0.17	1.32
Australian Bonds	Bloomberg AusBond Composite Index	0.74	3.26	6.42	6.20	6.55	0.73	5.75
International Bonds	Barclays Global Aggregate \$A (H)	0.70	3.27	8.79	7.58	7.58	0.70	7.44
	Barclays Global Agg Treasuries TRI \$A (H)	0.40	3.49	9.73	8.03	7.91	0.40	7.95
	Barclays Global Agg Corporate TRI \$A (H)	1.72	3.96	9.57	7.84	8.16	1.72	9.05
Emerging Markets Debt	Barclays EM Hard Currency Agg TRI \$A (H)	1.67	4.57	10.50	8.14	8.35	1.67	11.33

SUMMARY OF STATISTICS

- Australian Cash returned 0.17% over the month, as measured by the Bloomberg AusBond Bank Bill Index.
- Australian Bonds added 0.74% over the month, as measured by the Bloomberg AusBond Composite Index.
- International Bonds saw similar results, with the Barclays Global Aggregate Hedged \$A Index up by 0.70% in July. Corporate debt rose by 1.72% to be the best performer in the asset class, outperforming government bonds by 1.32%.
- Emerging Markets Debt also outperformed the broader fixed interest market, gaining 1.67% over the month, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index.

COMMENTARY

The RBA kept the overnight cash rate at 1.75% in July but cut to 1.50% in early August. The board reiterated that inflation remained quite low and recent data was unexpectedly soft. While the quarterly data contains some temporary factors, these results, together with the very subdued growth in labour costs and very low cost pressures

elsewhere in the world, point to a lower outlook for inflation than previously forecast.

The RBA also indicated that low interest rates continued to support domestic demand and were helping the traded sector. The board noted that "Credit growth to households continues at a moderate pace, while that to businesses has picked up over the past year or so. These factors are all assisting the economy to make the necessary economic adjustments, though an appreciating exchange rate could complicate this." The Australian dollar rose further in July, which would have complicated these economic adjustments.

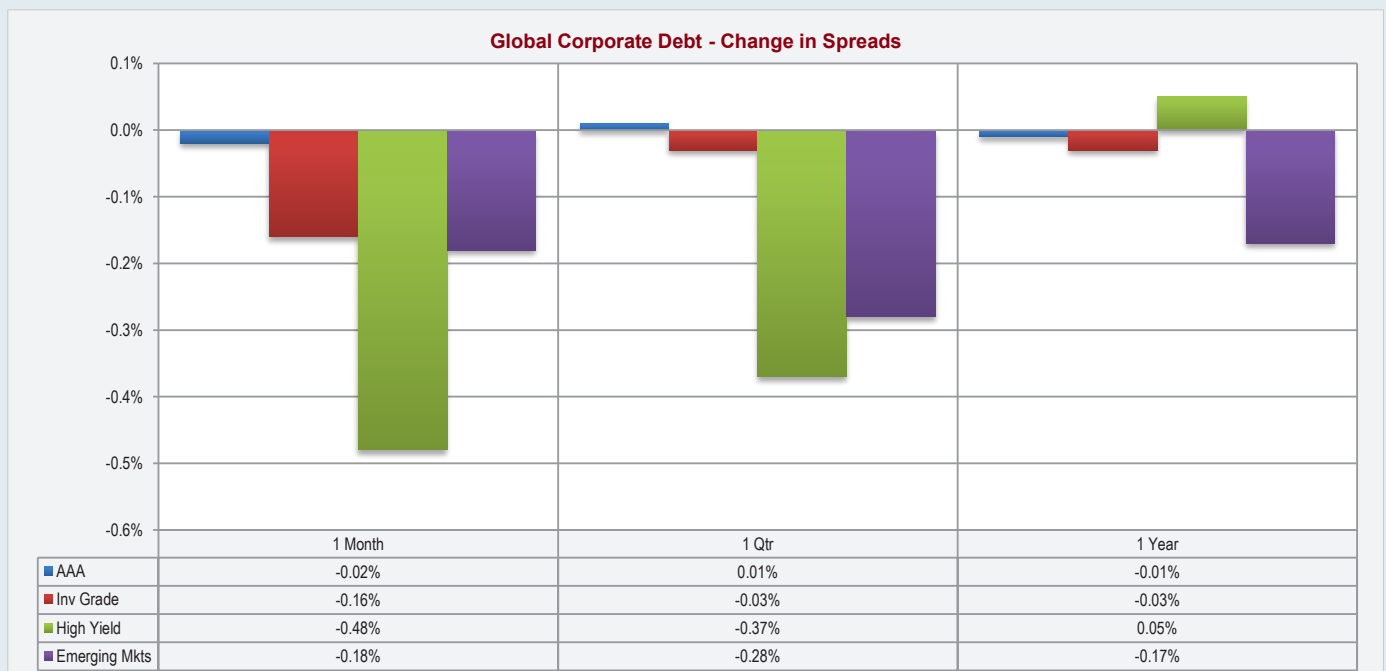
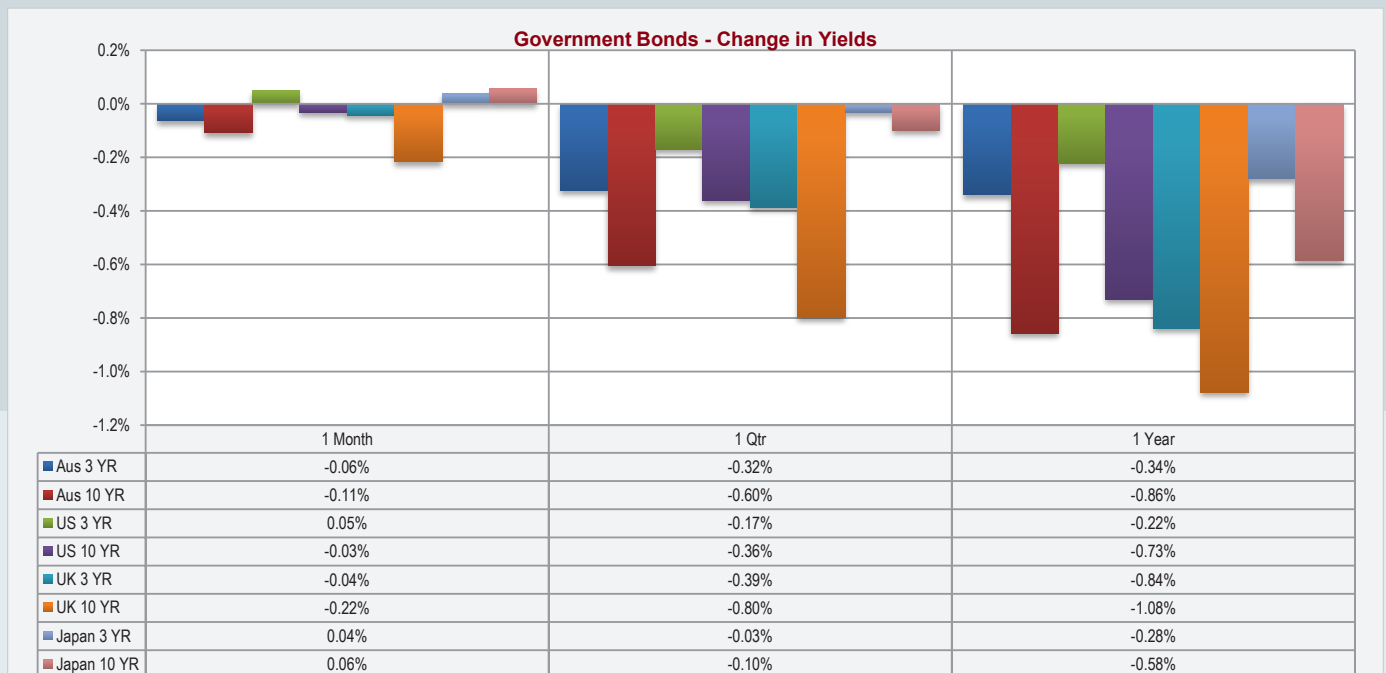
In international news, the Bank of England was preparing to unleash another round of monetary stimulus as it battles to contain the economic fallout of the UK's decision to leave EU. After the UK referendum, the ratings agency, S&P, downgraded the EU's credit rating to AA. In the US, job growth roared back, adding 255k jobs in the month of July.

The Australian fixed interest market returned 0.74% in July, 5.75% for the year to date and 6.42% over the past 12 months. The 10-year Government bond yield fell by -0.11% over the month. The prospect of the RBA continuing to ease and an attractive yield in an environment of negative global bond yields attracted investors to the domestic fixed interest market.

In global markets, the Barclays Global Aggregate \$A Hedged Index added 0.70% for the month. This reflected falling bond yields in the major developed world, with the yield on 10 year US government bonds falling slightly by -0.03%, while 10 year UK government bond yields fell by -0.22%. The Japanese 10-year bond yield ended the month at -0.18%, having drifted to a low of -0.29% during the month as rumours around a more aggressive policy response swirled

around markets. Almost US \$12 trillion of global sovereign debt now has negative yields, equivalent to around 40% of the bond index. This makes Australian and New Zealand bond yields particularly attractive.

Corporate debt outperformed government bonds by 1.32% in July. Credit spreads narrowed across the risk spectrum, with high yield debt spreads falling by -0.48%, resulting in the largest price gain. Emerging market debt added a solid 1.67% return over the month, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index



Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Market Capitalisation	S&P/ASX 300 Index	6.36	7.02	2.87	8.05	9.38	6.36	7.68
	S&P/ASX 50 Leaders Index	5.78	5.73	-1.34	6.61	9.72	5.78	5.21
	S&P/ASX Midcap 50 Index	8.31	12.05	20.69	18.29	11.63	8.31	18.41
	S&P/ASX Small Ordinaries Index	8.57	11.53	22.31	8.73	2.39	8.57	16.11
	S&P/ASX Emerging Companies Index	9.63	16.98	40.16	10.48	-2.37	9.63	31.68
GICS Sectors	S&P/ASX 300 Materials	7.79	5.16	6.30	1.77	-5.20	7.79	26.41
	S&P/ASX 300 Industrials	7.17	8.83	19.68	18.81	13.33	7.17	16.36
	S&P/ASX 300 Consumer Discretionary	8.90	14.83	22.66	14.50	16.81	8.90	13.70
	S&P/ASX 300 Consumer Staples	8.55	3.26	2.37	1.31	8.05	8.55	2.09
	S&P/ASX 300 Energy	0.23	-2.18	-21.74	-11.67	-8.31	0.23	4.65
	S&P/ASX 300 Healthcare	7.00	14.14	18.32	20.97	24.98	7.00	16.05
	S&P/ASX 300 Information Technologies	3.89	2.76	2.60	7.91	10.55	3.89	0.10
	S&P/ASX 300 Telecommunications	4.23	8.00	-1.90	12.94	22.93	4.23	8.14
	S&P/ASX 300 Financials ex Property	6.01	4.88	-7.33	6.43	13.93	6.01	-3.87
	S&P/ASX 300 Utilities	7.04	17.07	26.64	20.27	19.60	7.04	20.54
	S&P/ASX 300 Property	5.36	12.00	24.24	20.87	20.86	5.36	22.44

SUMMARY OF STATISTICS

- Australian shares gained 6.36% in July, as measured by the S&P/ASX 300 Accumulation Index.
- While larger capitalisation stocks recovered over the month, smaller size stocks continued to outperform. Following another strong run of 9.63% over the month, microcaps had gained 40.16% over the past year to be the best performers.
- On a sector basis, all 11 GICS Indices reported price gains. Consumer Discretionary and consumer staples were the best performers in July, gaining 8.90% and 8.55%, respectively.
- The S&P/ASX 300 Energy Index underperformed the broader market, despite adding 0.23% in July.

COMMENTARY

The Australian share market rallied by 6.36% over the month, as measured by the S&P/ASX 300 Accumulation Index. The recovery of large cap stocks was the driver behind the overall market gain in July. Notwithstanding this, large cap stocks had lost -1.34% over the year to July, with the divergence between the S&P/ASX 50 Leaders Index and the S&P/ASX Emerging Companies Index sitting at 41.50%.

On the economic front, consumer confidence fell by 3% to 99.1 in July, compared to a 1% drop in the previous month. On the business front, manufacturing activity expanded to 56.4, from the previous month reading of 51.8. It was the highest reading since March and the 13th straight month of expansion.

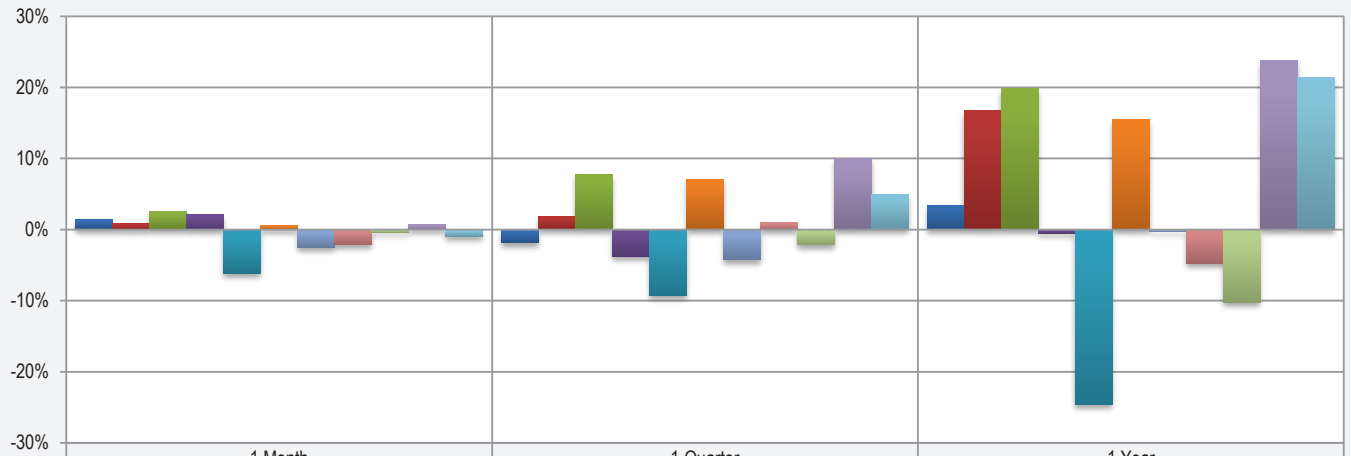
On a sector basis, consumer discretionary stocks were the best performers, aided by increased expectations of an imminent rate cut. The consumer staple sector also performed well, buoyed chiefly by the strong rebound in the Woolworths share price. The stock enjoyed an 8 per cent lift in its share price in a single day, after it released an update on its operating model late in July. This was the third biggest one-day increase in Woolworth's listed history, helping the stock to its six month high.

The Financials ex-Property sector managed to rally in July, recovering lost ground from June. This was despite the negative cloud created by ratings agency S&P downgrade of Australia's sovereign credit rating outlook from stable to negative. This potentially puts the AA- credit rating of our major banks at risk, given their credit rating is tied to that of Australia. The big four banks ANZ, CBA, NAB and WBC rose by 7.13%, 4.01%, 4.36% and 5.75%, respectively, over the month.

Material stocks continued their recovery in July, gaining 7.79%, with miners benefiting from a stronger iron ore. Despite the broad recovery in the sector, specific resource stocks, including Syrah Resources (ASX: SYR) and Orocobre (ASX: ORE), were amongst the worst performing stocks in the market. Despite finishing slightly up for the month, Energy was the worst performing sector, weighed down by falling oil price.

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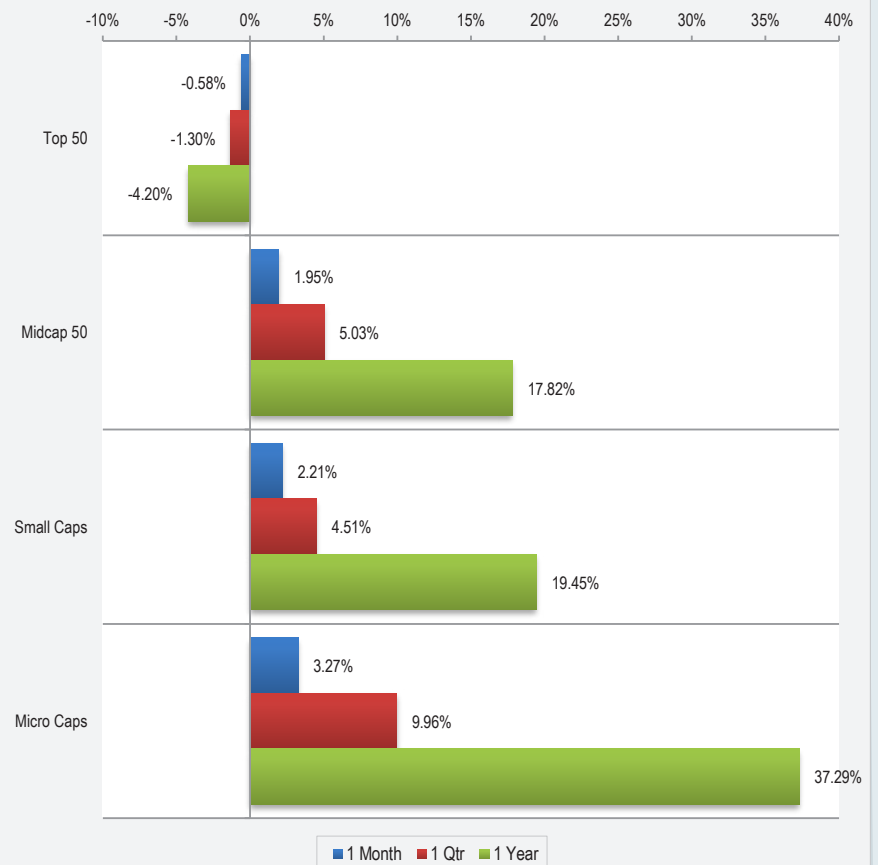
GICs Sector Performance Relative to ASX 300 Accumulation Index



	1 Month	1 Quarter	1 Year
Materials	1.43%	-1.86%	3.44%
Industrials	0.81%	1.80%	16.82%
Cons Disc	2.54%	7.81%	19.80%
Cons Stap	2.19%	-3.76%	-0.49%
Energy	-6.13%	-9.21%	-24.61%
Healthcare	0.64%	7.12%	15.45%
IT	-2.47%	-4.26%	-0.27%
Telco	-2.13%	0.98%	-4.76%
Fin Ex-AREIT	-0.35%	-2.14%	-10.20%
Utilities	0.68%	10.05%	23.77%
Property	-1.00%	4.98%	21.38%

This chart shows GICs Sector performance relative to the ASX 300 Index, over the past 1 month, 1 quarter and 1 year time periods.

Large, Mid And Small Cap Performance Relative to ASX 300 Accumulation Index



This chart shows market capitalisation segmental performance relative to the S&P/ASX 300 Accumulation Index.

INTERNATIONAL SHARES

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
International Shares -	MSCI World Ex-Au (\$A)	2.00	4.00	-3.93	12.83	16.39	2.00	0.27
Unhedged	MSCI World (\$A)	2.11	4.06	-3.82	12.67	16.15	2.11	0.42
	MSCI Small Cap World (\$A)	3.37	5.18	-1.46	13.40	16.80	3.37	3.32
	MSCI AC World (\$A)	2.19	4.23	-3.81	11.90	14.77	2.19	1.08
International Shares -	MSCI World ex-Au	4.07	4.51	-1.17	8.53	10.31	4.07	3.30
Local Currency	MSCI World	4.12	4.56	-1.12	8.48	10.28	4.12	3.39
	MSCI World Small Cap	5.51	4.75	1.99	7.29	8.50	5.51	7.93
	MSCI AC World	4.31	3.81	-0.44	5.87	6.62	4.31	5.59
Regional Shares -	MSCI North America	3.76	5.71	4.12	10.17	11.90	3.76	7.34
Local Currency	MSCI Asia	5.14	2.52	-10.90	5.14	6.32	5.14	-4.48
	MSCI AC Asia ex-Japan	4.09	6.09	-1.54	4.46	2.87	4.09	5.29
	MSCI China	3.51	3.86	-11.05	3.20	0.26	3.51	-1.25
	MSCI Europe	4.00	3.68	-6.23	5.95	7.45	4.00	0.10
	MSCI Emerging Markets	4.24	5.05	0.59	4.64	3.07	4.24	7.83
	MSCI India	4.88	10.17	1.38	13.76	9.90	4.88	8.21
	MSCI Japan	6.37	-1.55	-20.17	6.11	10.90	6.37	-14.34
Global Gold Shares in \$A	FTSE Gold Mines	6.72	18.77	126.89	14.57	-4.70	6.72	119.42
Global Resources in \$A	HSBC Global Mining	8.26	8.59	18.02	0.21	-7.38	8.26	54.84

SUMMARY OF STATISTICS

- International shares, as measured by the MSCI World ex-Australia Local Currency Index, gained 4.07% in July. The unhedged equivalent underperformed, despite a 2.00% rise, due to an appreciation in the Australian dollar over the month.
- On a regional basis, Japan had the largest gain, by 6.37%, over the month.
- Despite a gain of 3.51% in July, China was the worst performing regional market.
- Resource stocks gained 8.26% over the month, with gold stocks gaining 8.26%.

COMMENTARY

Global equities experienced strong recoveries in July, quickly shaking off concerns around market and economic implications post BREXIT. The MSCI World ex-Australia Local Currency Index rose by 2.00% over the month, while the hedged equivalent performed better, rising 4.07%, as the rising Australian dollar impacted unhedged returns over the month. All regional markets participated but Japan was the best performing market, gaining 6.37% on a local currency basis, in July.

Despite a savage sell-off in the immediate aftermath of the UK BREXIT vote, market participant concerns were once again quickly appeased by central bank rhetoric. All the major central banks indicated their willingness to add further stimulus in light of the expected softer economic conditions. The effect of loose monetary policy on market participant behaviour was on further display later in the month, as rate expectations were pared back in the US on softer than expected Q2 GDP numbers. According to the Commerce Department, the US economy grew at a seasonally and inflation adjusted annual rate of 1.2% in Q2, the weakest start since 2011. US equity markets ended July at record highs.

European equity markets were also encouraged by the benign stress test results released late in the month by the European Banking Authority. This was despite fears about the high level of non-performing loans within the Italian banking system. Market observers have suggested that the banks will need to raise about €40 billion in capital given the extent of the bad loans.

Given the benign outlook for US rates and accommodative policy, emerging markets continued to perform with India and China adding 4.88% and 3.51%, respectively, over the month.

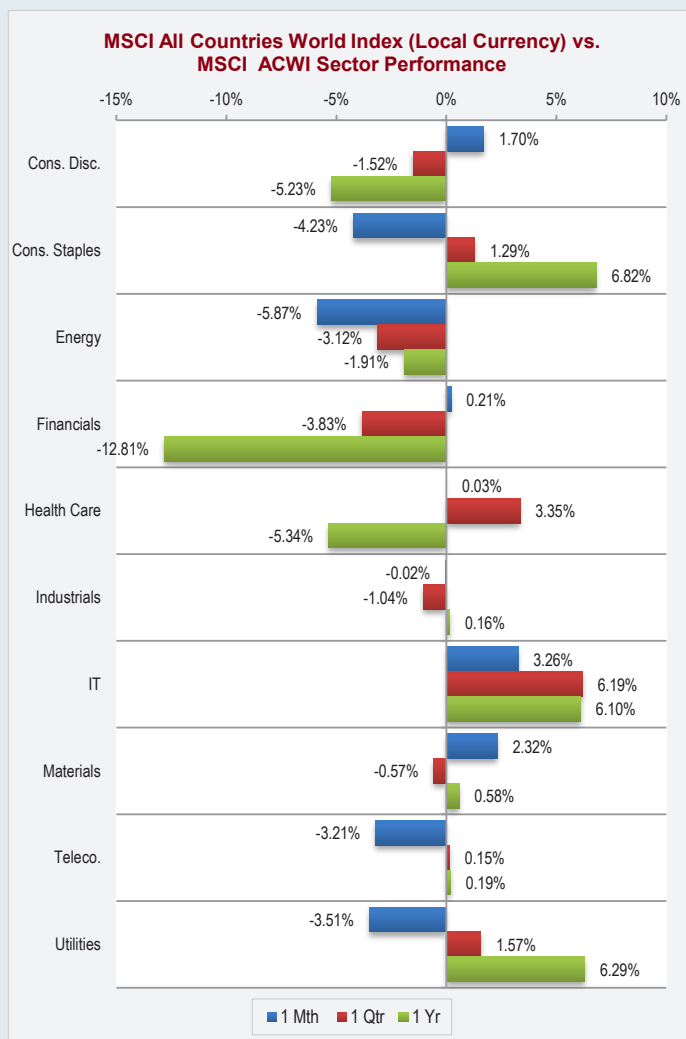
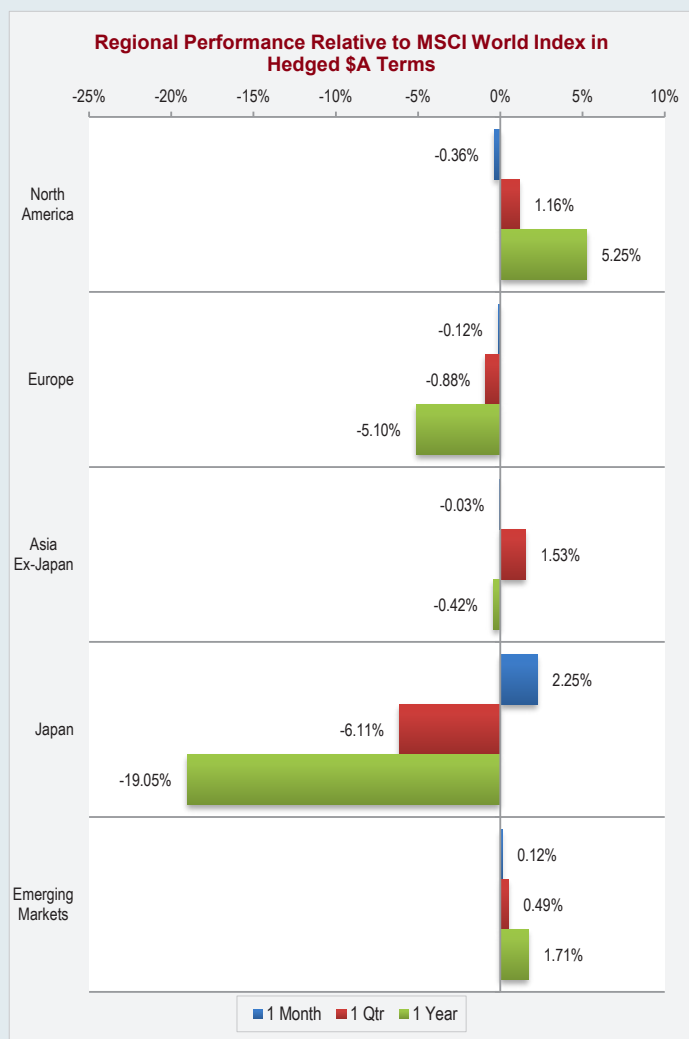
From a sector perspective, the best returns came from information technology sector which was boosted by better than expected earnings from Alphabet Inc., Apple and Microsoft. Resource shares also continued to posted strong returns on the back of rising commodity prices, with the HSBC Mining Hedged \$A Index gaining 8.26% over the month. However, energy stocks experienced the steepest losses as a sagging oil price dragged down these shares. Recent market commentary has refocused on the excess supply in the oil market.

Global equities experienced strong recoveries in July, quickly shaking off concerns around market and economic implications post BREXIT.

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Currency Spot Rates	AUD / USD	1.29	-1.74	3.13	-5.93	-7.24	1.29	2.96
	AUD / EUR	1.36	1.03	1.80	-0.13	-2.39	1.36	1.62
	AUD / GBP	2.87	9.20	22.15	-1.29	-3.18	2.87	15.80
	AUD / JPY	2.24	-5.12	-13.86	-4.14	-1.70	2.24	-11.41

Investors should note that investments in any international assets are subject to the risk of currency fluctuations.

If a foreign investment is unhedged, the gain / loss from the relevant currency pair should be deducted from the return of the asset to calculate the approximate return of the investment.



Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Industry Sectors -	MSCI ACWI Consumer Discretionary Index	6.01	2.29	-5.67	7.63	11.58	6.01	-1.59
Local Currency	MSCI ACWI Consumer Staples Index	0.08	5.10	6.37	8.47	11.17	0.08	6.67
	MSCI ACWI Energy Index	-1.56	0.69	-2.36	-5.64	-3.83	-1.56	12.16
	MSCI ACWI Financials Index	4.52	-0.02	-13.25	1.65	5.04	4.52	-5.96
	MSCI ACWI Health Care Index	4.34	7.16	-5.78	12.16	15.39	4.34	0.76
	MSCI ACWI Industrials Index	4.29	2.77	-0.29	6.54	7.72	4.29	4.21
	MSCI ACWI IT Index	7.57	9.99	5.66	13.43	11.93	7.57	5.39
	MSCI ACWI Materials Index	6.63	3.24	0.14	1.49	-2.88	6.63	12.54
	MSCI ACWI Teleco. Services Index	1.11	3.96	-0.25	5.95	5.69	1.11	6.71
	MSCI ACWI Utilities Index	0.81	5.38	5.85	6.34	4.61	0.80	10.92

PROPERTY & INFRASTRUCTURE

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Australian Listed Property	S&P/ASX 300 Property	5.36	12.00	24.24	20.87	20.86	5.36	22.44
	FTSE E/N Australia	5.42	11.64	22.85	20.14	20.27	5.42	22.13
Global Listed Prop. \$A (H)	FTSE E/N GLOBAL HGD A\$	4.94	9.88	13.63	14.20	13.95	4.94	12.96
Global Listed Prop. \$A	FTSE E/N GLOBAL A	2.89	9.05	9.48	15.53	16.91	2.89	9.41
	FTSE E/N North America	2.30	14.20	17.59	20.37	20.78	2.30	13.08
	FTSE E/N Euro Zone	5.95	8.37	13.43	18.75	15.88	5.95	11.19
	FTSE E/N UK	2.39	-12.61	-27.26	10.29	13.72	2.39	-21.38
	FTSE E/N Developed Asia	3.28	5.14	4.05	9.82	14.05	3.28	10.44
	FTSE E/N Japan	-1.17	-2.53	1.10	5.97	14.98	-1.17	4.78
Australian Listed Infra.	S&P/ASX 300 Utilities	7.04	17.07	26.64	20.27	19.60	7.04	20.54
Global Listed Infra. \$A (H)	S&P Global Infrastructure	2.57	7.19	6.29	13.24	13.00	2.57	16.02

SUMMARY OF STATISTICS

- Australian listed property gained 5.36% in July, as measured by the S&P/ASX 300 Property Index.
- GREITs also performed well, with the FTSE EPRA NAREIT Developed Hedged \$A Index rising by 4.94% over the month.
- The Eurozone was the best performing region, gaining 5.95% in July
- REITs in Japan suffered a -1.17% loss in July to be the worst performing region.
- Australian listed infrastructure rose by 7.04% over the month, outperforming its international counterpart which added 2.57% in hedged AUD terms.

COMMENTARY

REITs posted strong returns in July, both domestically and globally. AREITs rose by 5.36% over the month, while GREITs (in hedged AUD) rose by 4.94%. Over the past year, AREITs were the strongest performers, outperforming GREITs by 10.61%.

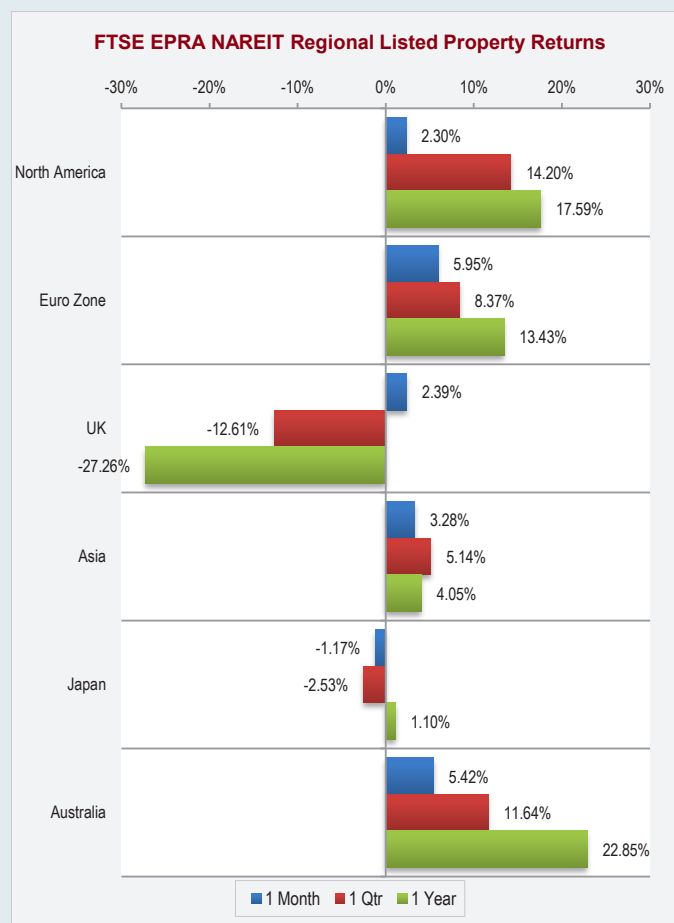
In Australia, while most stocks in the sector enjoyed a good run over the month, Arena REIT (ASX: ARF) and Charter Hall Group (ASX: CHC) were the best performing names, gaining 13.37% and 11.16% respectively.

ARF continued to meet its objective to generate attractive and predictable distributions to investors. CHC is expected to tap investors for close to \$1 billion for its new ASX candidate, the Charter Hall Long WALE REIT, as the listed landlord attempts to capitalise on surging demand for real estate amid historic low interest rates and slow economic growth.

Global listed property reported strong recoveries, with the Eurozone gaining 5.95% to lead the gains, while Japan declined by -1.17%, to be the worst performer.

Australian listed infrastructure continued to outperform its global counterparts, by 3.47% in July. Over the past year, the S&P/ASX 300 Utilities Index has gained 26.64%, outperforming the S&P Global Infrastructure Hedged AUD Index by 20.35%.

This chart shows Regional performance relative to the FTSE EPRA/NAREIT Index over 1 month, 1 quarter and 1 year time periods.



ASSET CLASS VALUATIONS

The following sections provide some shorter term valuation considerations for the larger asset classes. Please note, that this section is designed to provide some short term market information for discussion, not to necessarily drive short term investment decisions. Zenith maintains that the use of well-constructed, diversified portfolios based on a medium to long term investment timeframe (10 year forecasts) together with using flexible active strategies and select alternatives strategies as tactical asset allocation overlay solutions, produce the optimum risk/return benefit for the majority of Australian investors. We also believe that timing the market based on short term valuations can be dilutionary to returns in most instances.

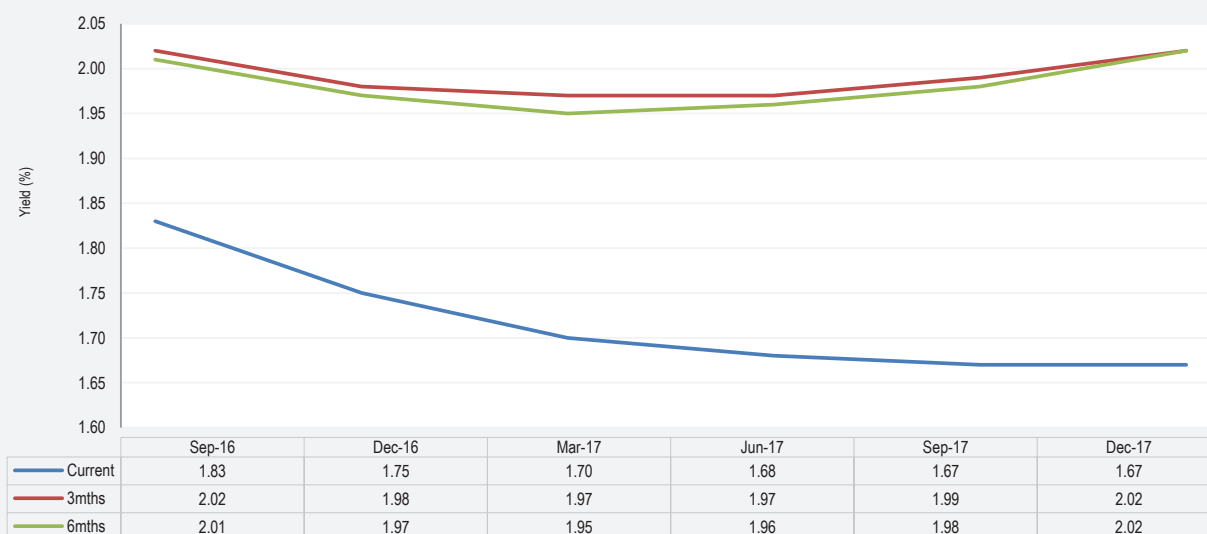
Sector	Absolute Valuation	Relative Valuation (vs Cash)	Momentum
Australian Bonds	Expensive	Expensive	Positive
Global Bonds	Expensive	Expensive	Positive
Global Investment Corp Debt	-	Fair Value	Positive
Global High Yield	-	Fair Value	
Australian Equities	Moderately Expensive	Fair Value	Positive
Australian Small Caps	Expensive	Fair Value	Positive
Global Equities	Fair Value	Fair Value	Negative
Emerging Markets	Fair Value	Fair Value	Negative
Australian REITs	Expensive	Fair Value	Positive
Global REITs	Expensive	Expensive	Positive

The methodology underpinning the above table is as follows:

- The absolute valuation for each sector is based on the quarter end value of the relevant sector index (Price/Earnings for equities and Running Yields for bonds) relative to each sector's long term historical average. If the valuation lies within a half a standard deviation (+/-) of the long term average, the sector has been listed as Fair Value. If the valuation is between a half and one standard deviation (+/-) from the long term average, the sector has been listed as Moderately Expensive or Moderately Cheap, depending on the direction. If the valuation is more or less than one standard deviation from its long term average we list the valuation as Expensive or Cheap, depending on the direction.
- The relative valuation for each sector is based on the premium above cash (1 year forward) of the quarter end value of the relevant sector index (1 year forward Earnings Yields for listed equities, Running Yields for bonds). We compare this relative to each sector's long term expected risk premium above cash using Zenith's long term assumptions. If the valuation is between a 25% and 50% from our long term risk premium expectation, the sector has been listed as Moderately Expensive or Moderately Cheap, depending on the direction. If the valuation is more or less 50% from its long term average we list the valuation as Expensive or Cheap, depending on the direction.
- The Momentum reference is based on the 12 month performance of the sector less the returns of cash over the same period. There is strong evidence that time series relative strength (momentum) is significant and persistent. Across a range of asset classes, the sign of the trailing 12-month return (positive or negative) can be indicative of future returns (positive or negative) over the next 12 month period. Relative strength measures help to address any non-valuation (i.e. macro) based concerns in markets, which can remain "cheap" or "expensive" for long periods of time. As a result, we believe investors should be cognisant of both momentum and valuation based metrics.

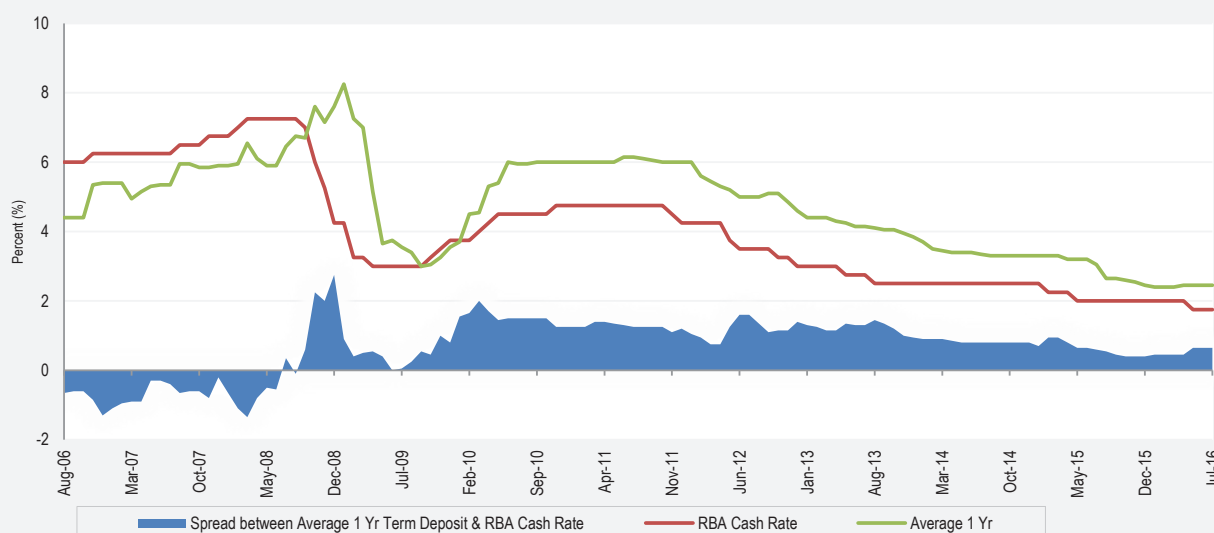
CASH

Australian 90 Day Bank Bill Futures Pricing



Source: Thomson Reuters

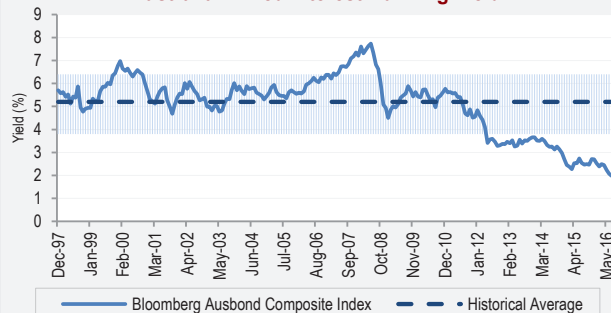
Term Deposit vs RBA Cash Rate



Source: Thomson Reuters

FIXED INTEREST

Australian Fixed Interest Running Yield



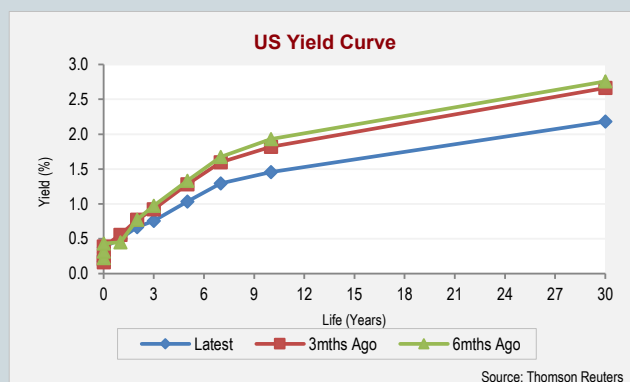
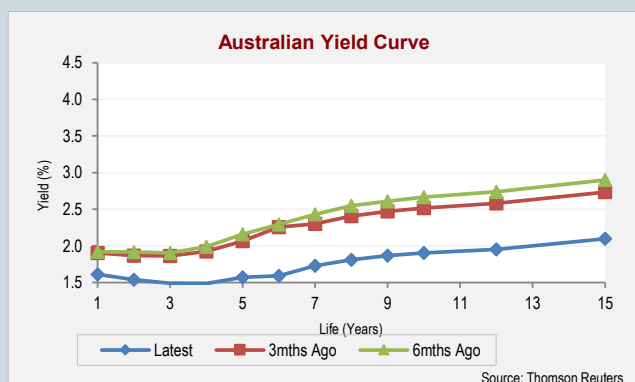
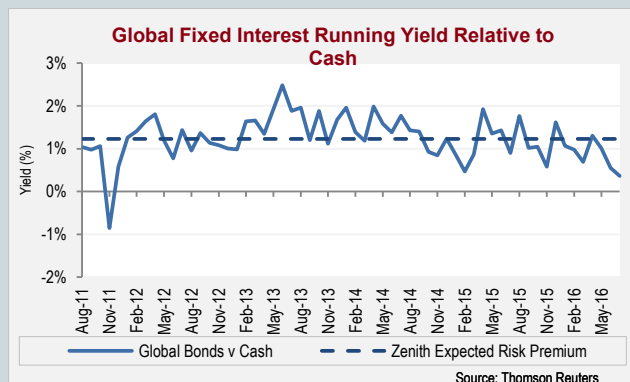
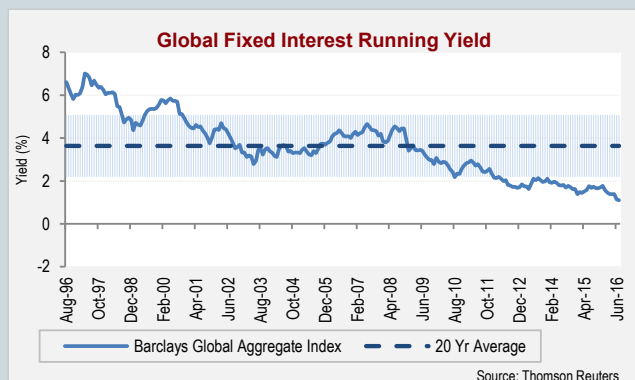
Source: Thomson Reuters

Australian Fixed Interest Running Yield Relative to Cash

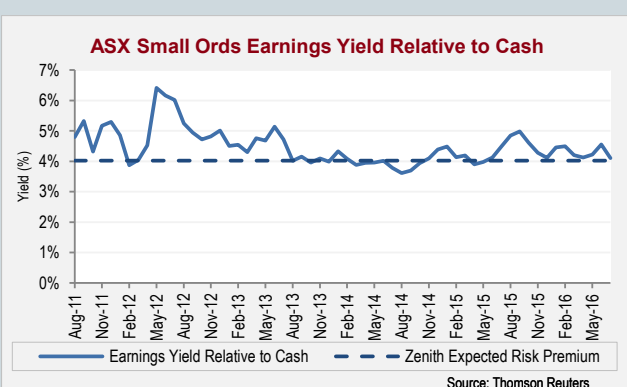
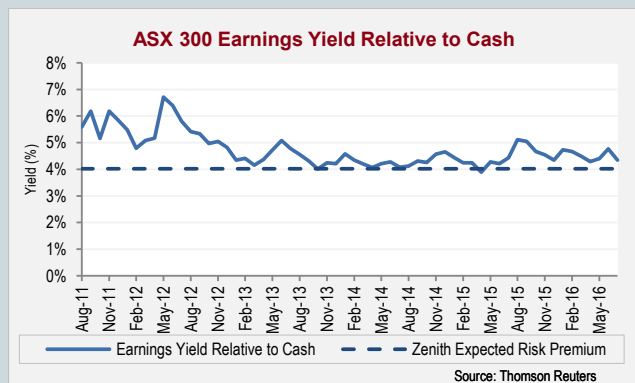
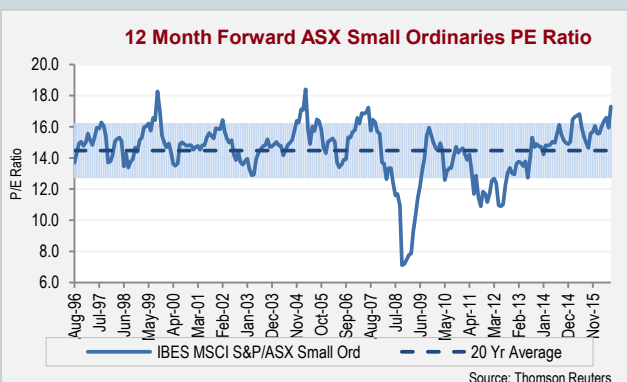
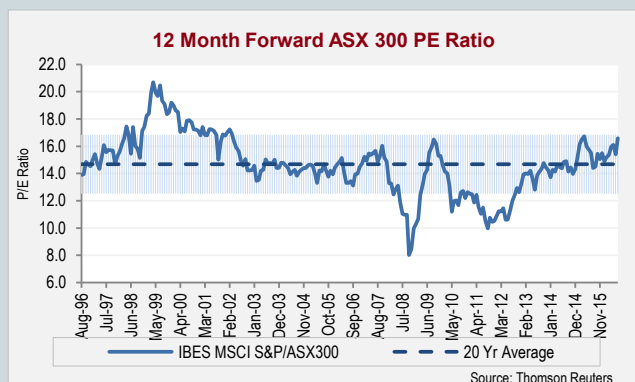


Source: Thomson Reuters

FIXED INTEREST (CONT.)

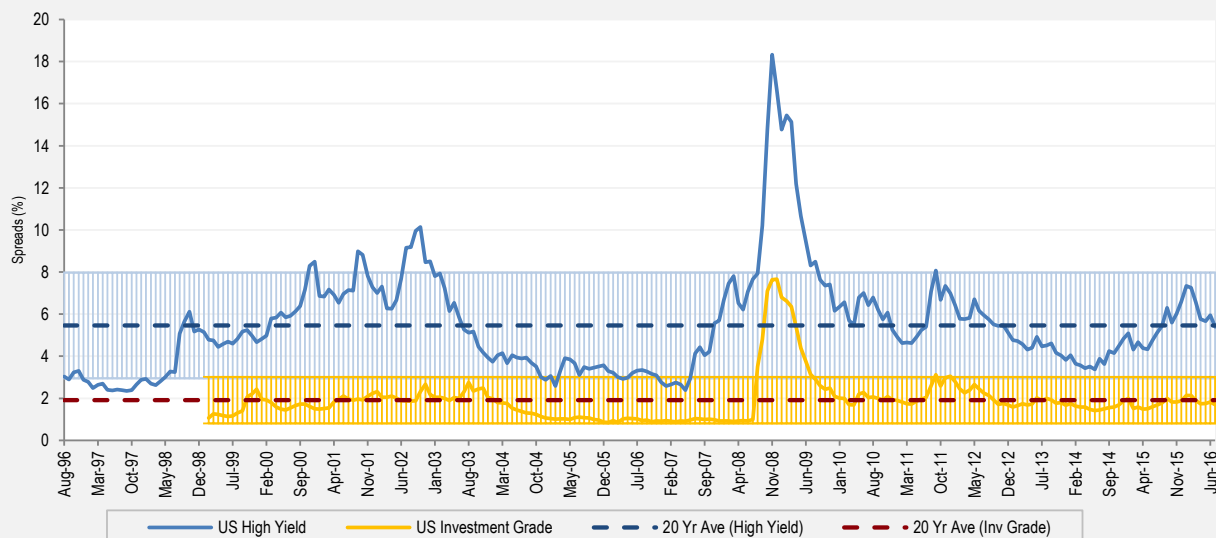


AUSTRALIAN EQUITIES

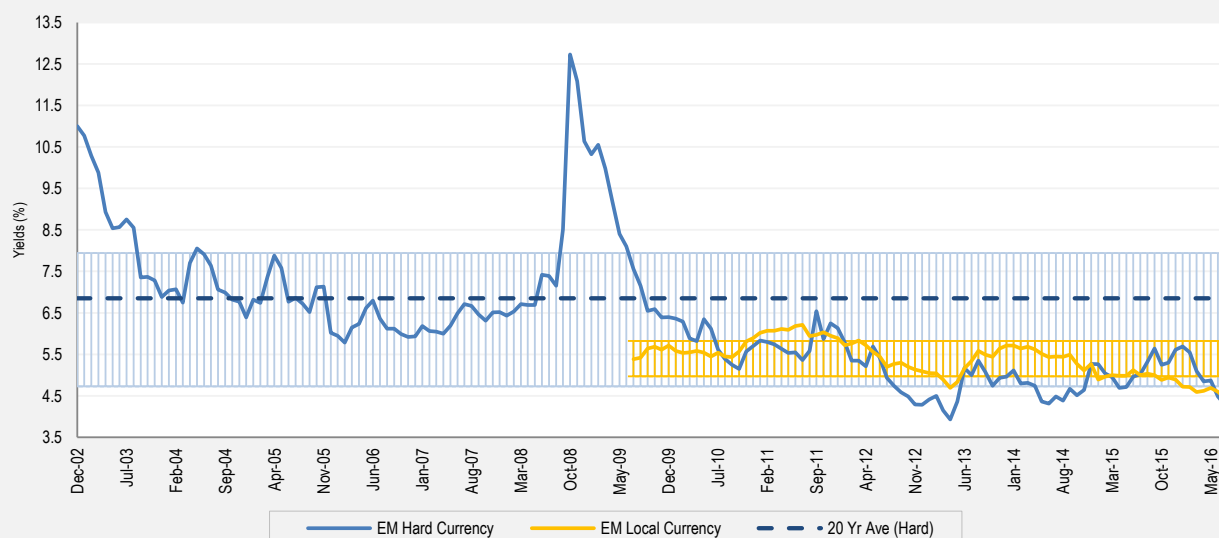


CORPORATE DEBT

US Investment Grade and High Yield Spreads above Treasuries

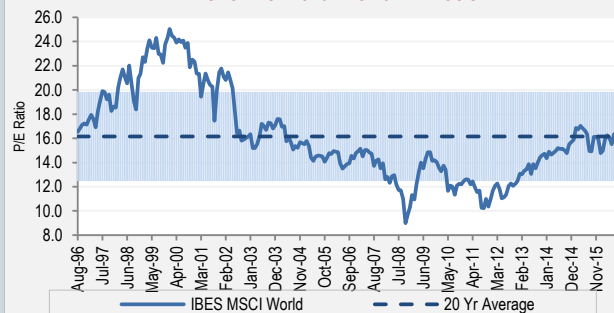


Barclays Emerging Markets Hard and Local Currency Running Yield



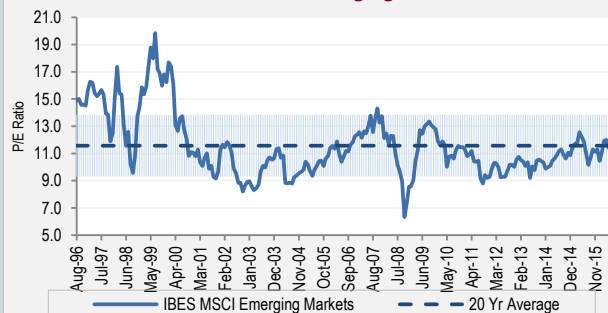
INTERNATIONAL SHARES

12 Month Forward World PE Ratio



Source: Thomson Reuters

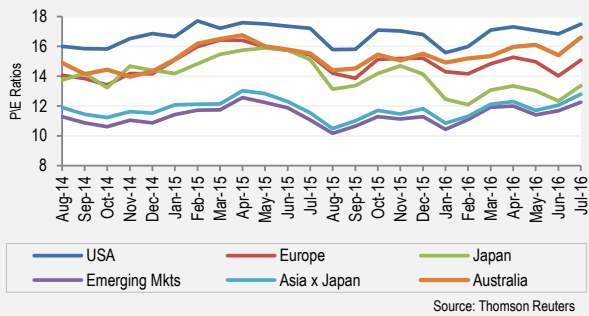
12 Month Forward Emerging Markets PE Ratio



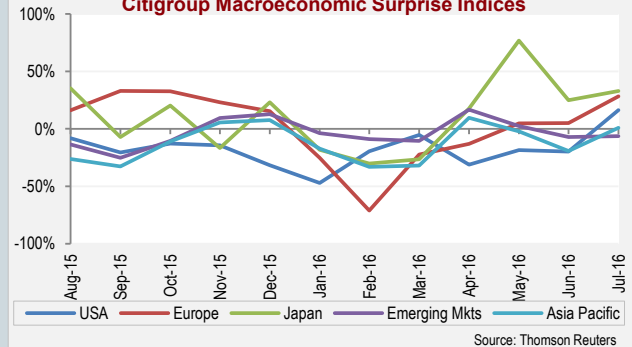
Source: Thomson Reuters

INTERNATIONAL SHARES (CONT)

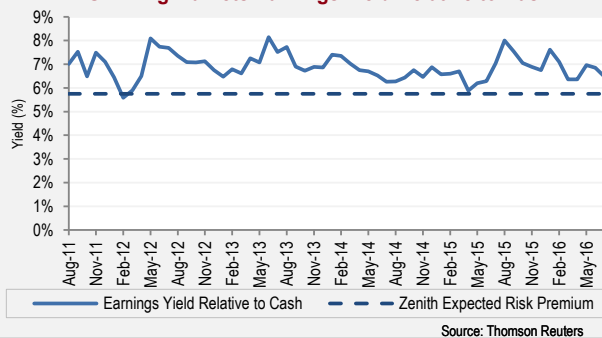
Regional Equity 12 Month Forward PE Valuations



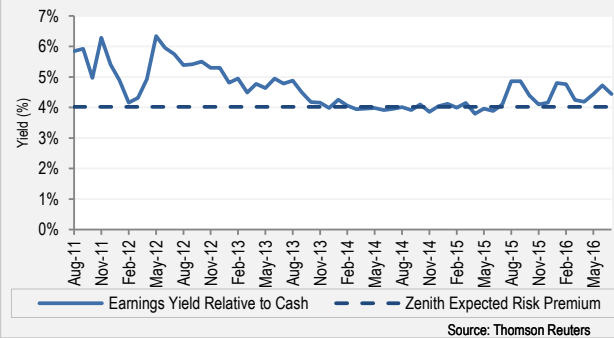
Citigroup Macroeconomic Surprise Indices



MSCI Emg Markets Earnings Yield Relative to Cash

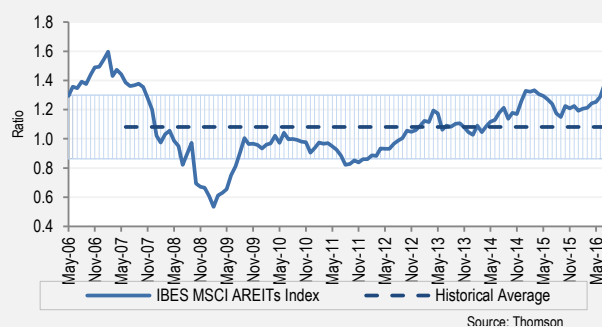


MSCI World Earnings Yield Relative to Cash

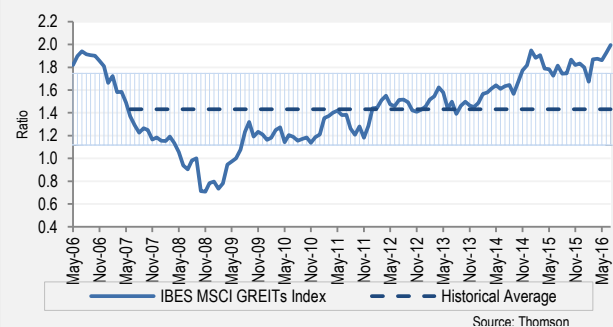


LISTED PROPERTY & INFRASTRUCTURE

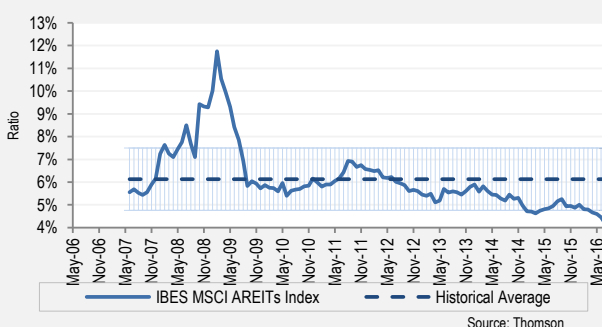
12 Month Forward AREIT Price to Book Value



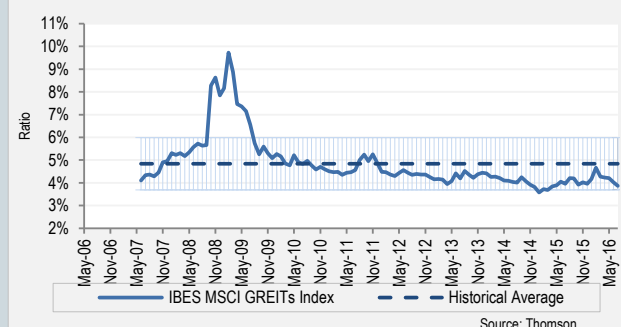
12 Month Forward GREIT Price to Book Value



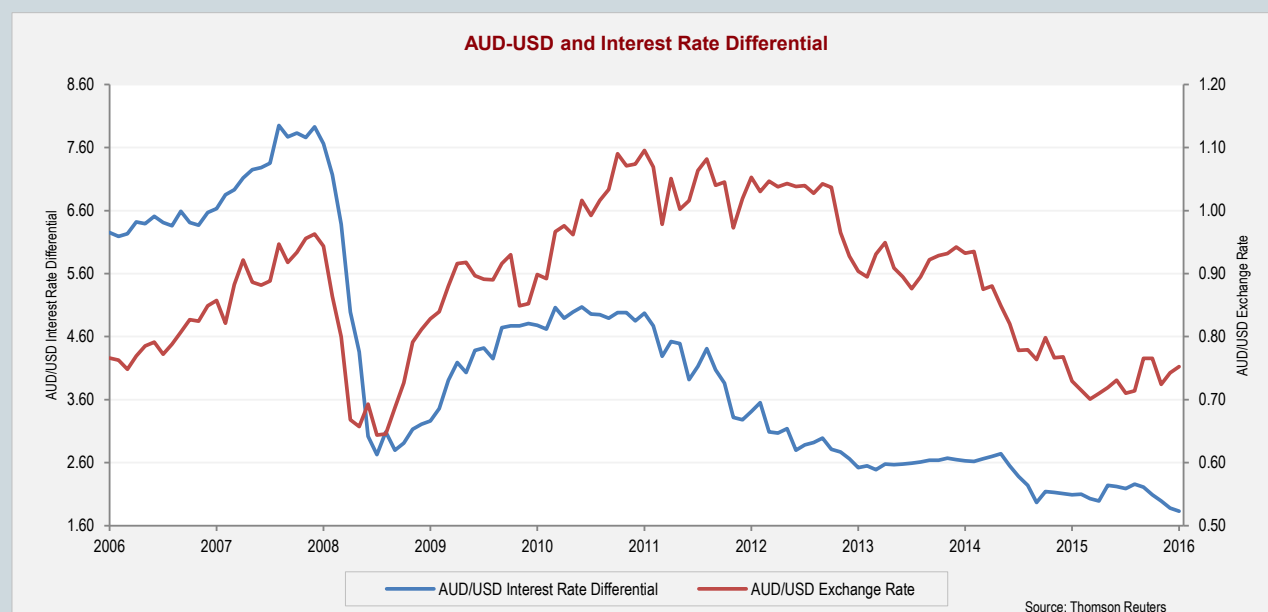
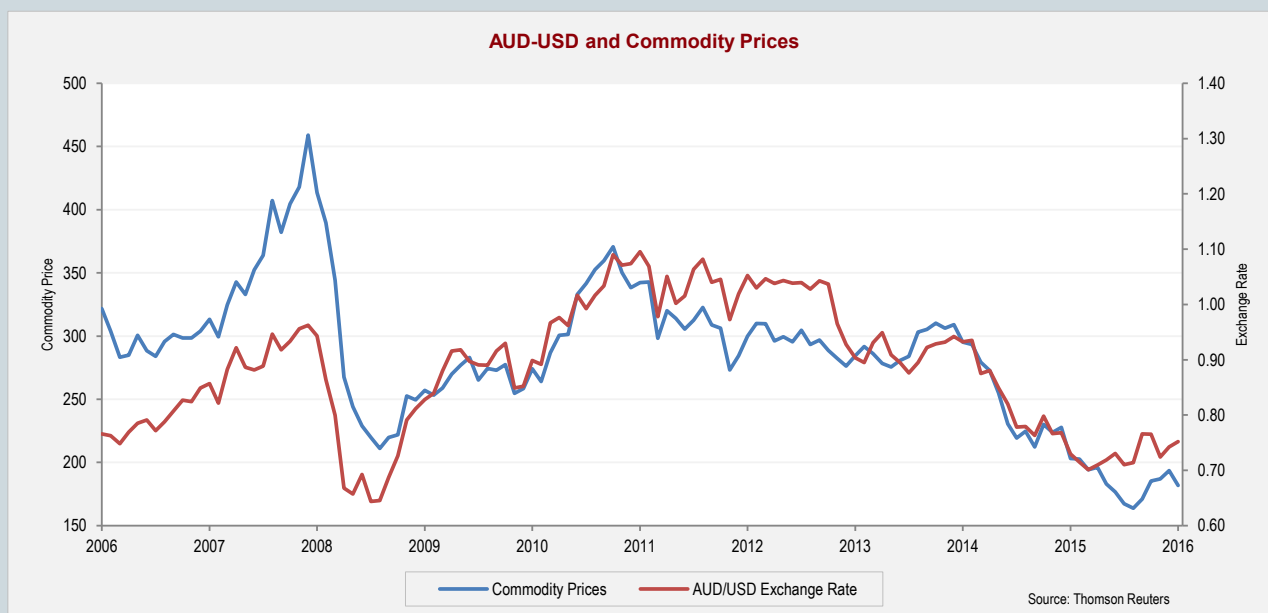
12 Month Forward AREIT Dividend Yield



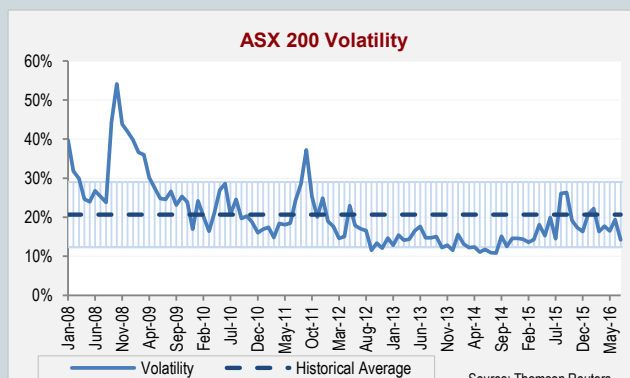
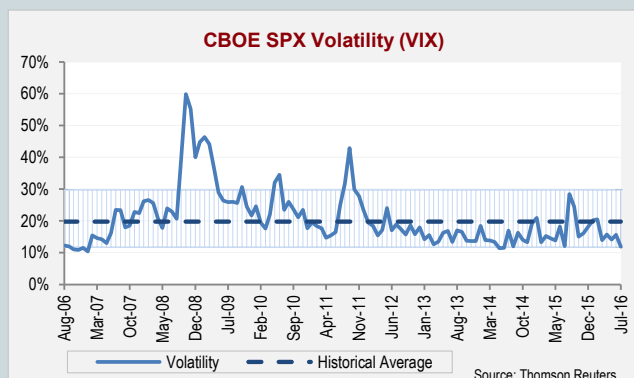
12 Month Forward GREIT Dividend Yield



AUSTRALIAN DOLLAR



VOLATILITY / FINANCIAL STRESS INDEX



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