

## Cover Page:

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### Developed countries led gains in July

Equities had a strong start to the new financial year, with Australian, European and US markets leading gains while China and many other emerging markets suffered losses. Sovereign bond yields fell in most developed nations while corporate debt spreads narrowed in the investment grade space but widened in high yield over the month.

The Australian dollar depreciated against most major currencies over the month, especially the rising US dollar. The RBA commented that further depreciation seems both likely and necessary, particularly given the significant declines in key commodity prices over the past year.

Market	Indicator	End of Month Value	Previous Month Value	1 Month Change in Value	12 Months Ago Value	12 Month Change in Value
<b>Interest Rates</b>	Overnight Cash Rate (%)	2.00	2.00	0.00	2.50	-0.50
	3 Month BBSW (%)	2.09	2.11	-0.02	2.75	-0.66
	10 Year Bond Rate (%)	2.77	3.03	-0.26	3.51	-0.74
<b>Australian Shares</b>	All Ordinaries Index	5681.70	5451.20	4.23%	5623.10	1.04%
	S&P/ASX 200	5699.20	5459.00	4.40%	5632.90	1.18%
<b>Property</b>	ASX 300 Property Index	1282.53	1214.00	5.64%	1104.35	16.13%
<b>Regional Shares</b>	Dow Jones Industrials (US)	17689.86	17619.51	0.40%	16563.30	6.80%
	S&P 500 (US)	2103.84	2063.11	1.97%	1930.67	8.97%
	FTSE 100 (UK)	6696.28	6520.98	2.69%	6730.11	-0.50%
	STOXX 50 (EUR)	396.37	381.31	3.95%	335.99	17.97%
	TOPIX (Japan)	1659.52	1630.40	1.79%	1289.42	28.70%
	Hang Seng (Hong Kong)	24636.28	26250.03	-6.15%	24756.85	-0.49%
<b>Commodities</b>	US\$ Gold Price	1094.30	1169.35	-6.42%	1286.06	-14.91%
	US\$ Oil Price – W Texas Crude	47.12	59.47	-20.77%	98.17	-52.00%
	US\$ Iron Ore Price	55.50	60.00	-7.50%	96.00	-42.19%
	US\$ CRB Spot Commodity Index	410.37	426.29	-3.73%	488.47	-15.99%
	<b>Exchange Rates</b>	AUD / USD	0.73	0.77	-5.03%	0.93
	AUD / EUR	0.67	0.69	-2.85%	0.70	-4.15%
	AUD / GBP	0.47	0.49	-4.34%	0.55	-15.18%
	AUD / JPY	90.48	93.92	-3.66%	95.79	-5.54%
<b>TWI</b>	Australia Trade Weighted Index \$A	61.40	63.80	-3.76%	71.50	-14.13%
<b>iTraxx</b>	iTraxx Australia	96.42	97.66	-1.28%	85.74	12.46%
<b>Volatility</b>	VIX Index %	12.12	18.23	-6.11%	16.95	-4.83%
	S&P/ASX200 Volatility Index	14.55	19.90	-5.35%	10.95	3.60%

### Key Points:

- The RBA kept the overnight cash rate at 2.00% at both July and August meetings.
- In fixed income, the 3 Month Bank Bill Swap Rate and the 10 Year Australian Bond Rate fell by -0.02% and -0.26%, respectively, over the month.
- Australian Shares posted strong returns, with the All Ordinaries Index and the S&P/ASX 200 Index gaining 4.23% and 4.40%, respectively, over the month.
- AREITs experienced stronger gains than the broader equity market, with the ASX 300 Property Index increasing by 5.64%.
- Regional equity markets around the globe underperformed domestic equities, with the Hong Kong Hang Seng Index the worst performer, falling by -6.15%.
- The UK FTSE 100 Index and The European STOXX 50 Index gained 2.69% and 3.95%, respectively, in July to be the best performing regional markets.
- Commodity prices fell, as indicated by -3.73% decline in the US\$ CRB Spot Commodity Index. Oil prices were hit the hardest, falling by -20.77%, as measured by the US\$ Texas Crude Oil Price Index.
- The Australian Dollar depreciated against most major currencies. In particular, it fell by -5.03% against the US Dollar, -2.85% against the Euro, -4.34% versus the British Pound and -3.66% against the Japanese Yen.
- The Australian Trade Weighted Index (TWI) fell from 63.80 to 61.40 points over the month, indicating a drop in Australia's international competitiveness.
- Share market volatility fell both domestically and abroad, with the S&P/ASX 200 Volatility Index and the US VIX Volatility Index decreasing by -6.11% and -5.35%, respectively.

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
<b>Australian Cash</b>	Bloomberg AusBond Bank Bill	0.18	0.56	2.55	2.82	3.60	0.18	1.41
<b>Australian Bonds</b>	Bloomberg AusBond Composite Index	1.30	0.40	6.69	5.14	6.66	1.30	1.94
<b>International Bonds</b>	Barclays Global Aggregate \$A (H)	1.21	-0.13	6.40	5.84	7.28	1.21	2.06
	Barclays Global Agg Treasuries TRI \$A (H)	1.41	-0.05	7.13	5.98	7.18	1.41	2.08
	Barclays Global Agg Corporate TRI \$A (H)	1.04	-0.81	4.91	6.24	8.20	1.04	1.56
<b>Emerging Markets Debt</b>	Barclays EM Hard Currency Agg TRI \$A (H)	0.39	-0.79	2.93	5.92	9.09	0.39	4.05

### Summary of Statistics:

- Australian Cash rose by 0.18% over the month, taking its past year return to 2.55%, as measured by the Bloomberg AusBond Bank Bill Index.
- Australian Bonds, as measured by the Bloomberg AusBond Composite Index, gained 1.30% in July.
- International Bonds, as measured by the Barclays Global Aggregate Hedged \$A Index, added 1.21%. Within the Global Fixed Income space, government bonds increased by 1.41% to outperform corporate debt by 0.37% over the month.
- Emerging Markets Debt underperformed international bonds by 0.82% in July, although the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged AUD Index rose by 0.39%.

### Commentary:

**Fixed income securities posted strong returns in July, largely recovering losses from the previous month.** Australian bonds, as measured by the Bloomberg AusBond Composite Index rose by 1.30%, marginally outperforming international bonds, which added 1.21%, as measured by the Barclays Global Aggregate Hedged AUD Index.

In its July monetary policy announcement, RBA Governor Glenn Stevens, reiterated that global economic conditions were continuing to expand at a moderate pace; however, some key commodity prices were much lower than a year ago. He acknowledged that conditions in China and Greece remained volatile but still expected the US Fed to begin increasing its policy rate later in the year. Despite this Stevens recognised that global financial conditions remained very accommodative as many other major central banks continued to ease policy.

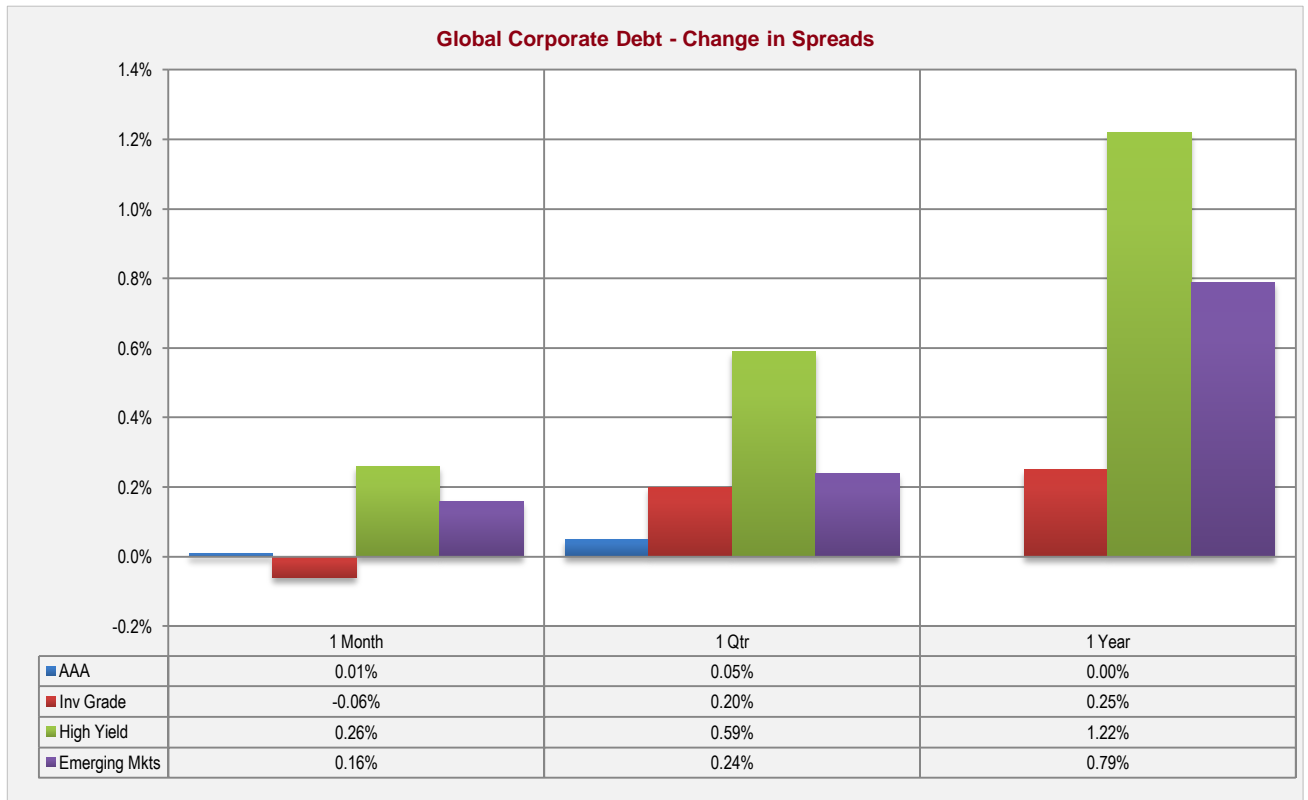
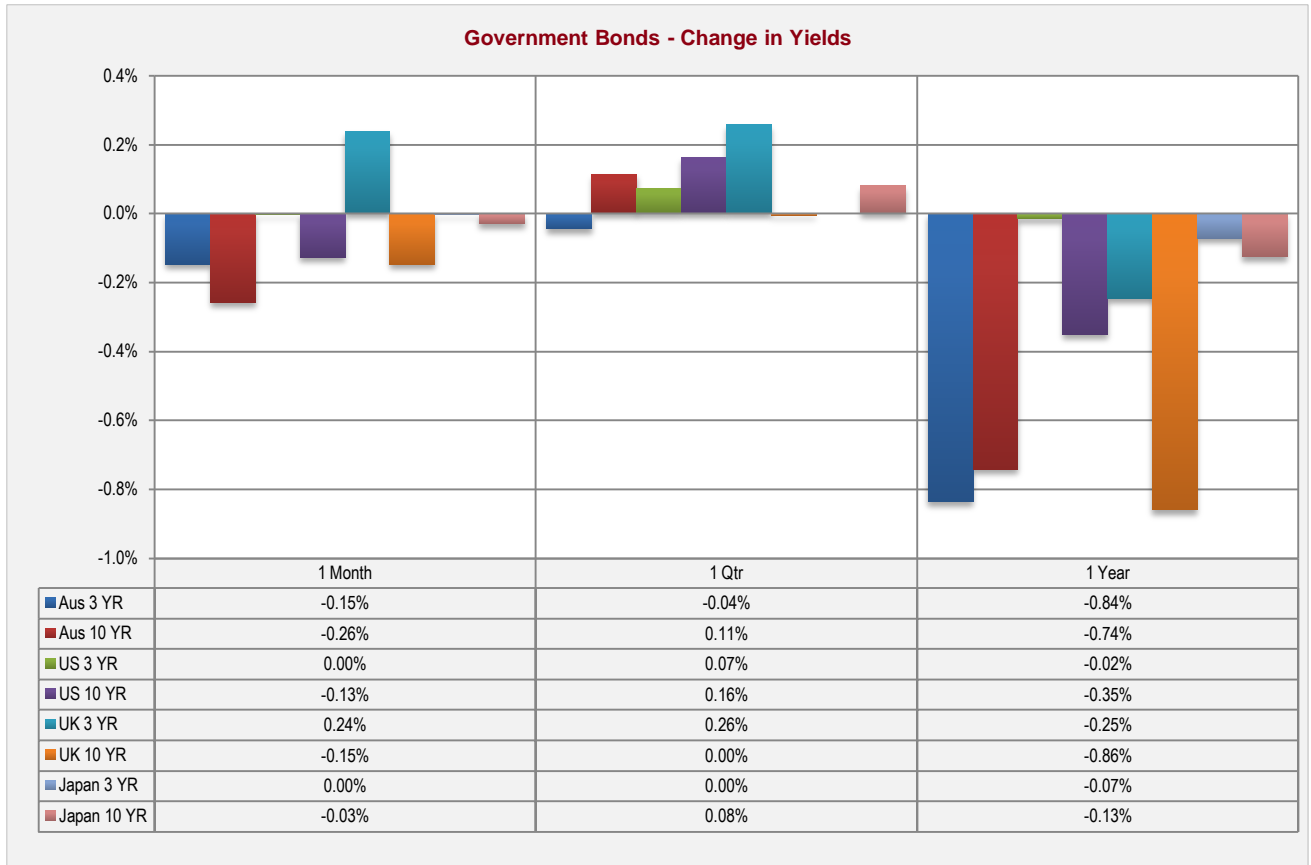
In Australia, low interest rates have been acting to support borrowing and spending. Credit growth has been expanding at moderate levels with lending to the housing market broadly steady over recent months. Accordingly, the RBA elected to leave the cash rate steady at 2.00% during both July and August meetings. The Australian Dollar declined further against the rising US dollar over the month, taking the past year fall to -21.77%. The board commented that further depreciation seems both likely and necessary, particularly given the significant declines in key commodity prices.

Australian Bonds gained 1.30% over the month, on the back of falling bond yields. The 3 Year and 10 Year Government Bond Yields fell by -0.15% and -0.26%, respectively, over the month. Corporate debt spreads, as measured by the iTraxx Australian Index, narrowed by -1.28% in July, ending the month priced at 96.42.

Driven by events in Greece and China, investors showed strong interest in defensive assets such as sovereign bonds and high quality credit. The Barclays Global Aggregate Treasuries Hedged Total Return AUD Index added 1.41% for the month with the longer dated government bond yields falling in most countries.

Corporate debt underperformed government bonds by 0.37% in July due to the widening spreads in lower quality bonds. The High Yield and Emerging Markets corporate debt spreads expanded by 0.26% and 0.16%, respectively, over the month. Overall, global corporate debt returned 1.04% for the month while the emerging markets debt were up by 0.39%.

Cash, Fixed Income and Credit



Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
<b>Market Capitalisation</b>	S&P/ASX 300 Index	4.31	-0.81	5.50	14.75	9.41	4.31	7.60
	S&P/ASX 50 Leaders Index	4.41	-0.47	5.58	15.61	10.33	4.41	7.70
	S&P/ASX Midcap 50 Index	5.65	-1.11	11.84	17.19	9.10	5.65	9.22
	S&P/ASX Small Ordinaries Index	1.56	-4.13	-2.76	3.06	0.63	1.56	4.57
	S&P/ASX Emerging Companies Index	1.52	-1.58	-9.50	-7.24	-4.41	1.52	5.22
<b>GICS Sectors</b>	S&P/ASX 300 Materials	-1.39	-7.54	-14.66	-0.26	-4.02	-1.39	0.82
	S&P/ASX 300 Industrials	6.32	3.36	18.15	17.58	10.94	6.32	13.41
	S&P/ASX 300 Consumer Discretionary	6.28	-3.60	5.89	19.18	9.56	6.28	10.06
	S&P/ASX 300 Consumer Staples	7.50	-2.92	-7.34	7.89	8.49	7.50	0.73
	S&P/ASX 300 Energy	0.15	-7.41	-21.98	-0.94	-3.50	0.15	-3.27
	S&P/ASX 300 Healthcare	9.45	5.73	37.32	28.62	21.29	9.45	13.98
	S&P/ASX 300 Information Technologies	5.13	2.75	3.44	16.45	6.28	5.13	9.16
	S&P/ASX 300 Telecommunications	5.54	3.96	26.35	25.50	24.21	5.54	12.18
	S&P/ASX 300 Financials ex Property	4.60	-0.16	9.55	21.48	15.08	4.60	8.58
	S&P/ASX 300 Utilities	5.19	0.48	19.51	15.47	16.13	5.19	16.88
S&P/ASX 300 Property	5.67	4.25	21.03	18.35	15.25	5.67	12.73	

### Summary of Statistics:

- Australian shares increased by 4.31% in July, as measured by the S&P/ASX 300 Accumulation Index.
- On a market capitalisation basis, the S&P/ASX Midcap 50 Index was the best performer, increasing by 5.65% for the month to take its past year return to 11.84%.
- Small and microcaps continued to underperform, despite adding 1.56% and 1.52%, respectively, for the month. Over the past year, the Small Ordinaries Index and the Emerging Companies Index underperformed the broader Australian share market by -8.26% and -15.00% respectively.
- On a sector basis, healthcare was the strongest sector in July, with the S&P/ASX 300 Healthcare Index rising 9.45% over the month to take its past year return to 37.32%.
- Materials were the worst performer in July, declining by -1.39%. The energy sector also underperformed, despite adding 0.15% for the month.

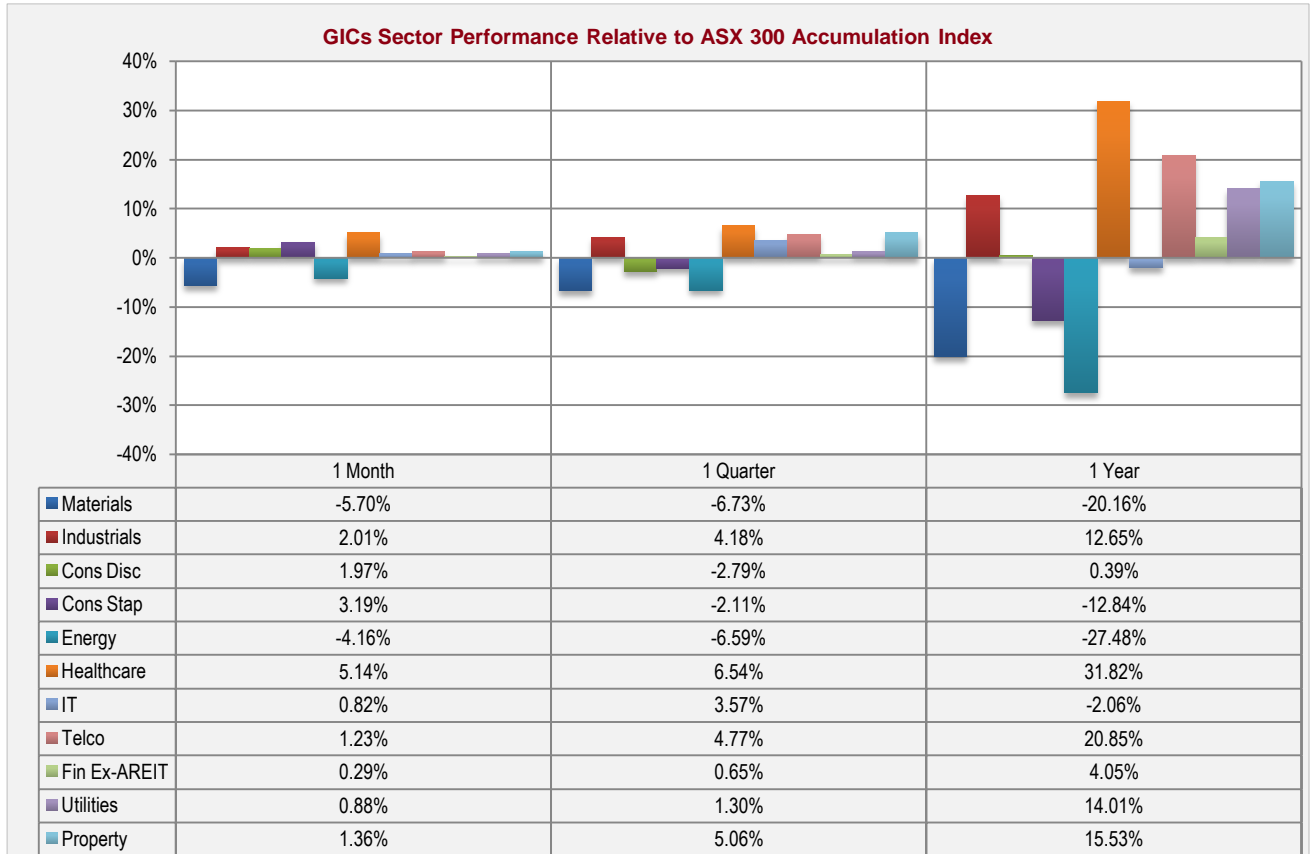
### Commentary:

**The Australian equity market had a strong month, with the benchmark S&P/ASX 300 Accumulation Index surging by 4.31%.** The manufacturing sector posted a strong recovery following last month's contraction, with the Australia Manufacturing PMI Index increasing from 44.20 in June to 50.40 in July. Consumer confidence fell by 3 points to 92.30 in July with household sentiment largely tied to international headlines, particularly China and Greece.

Large and midcap companies led gains in July, with the S&P/ASX 50 Leaders Index and the S&P/ASX Midcap 50 Index increasing by 4.41% and 5.65%, respectively. The financials sector recovered over the month after falling for the past two months due to APRA's introduction of tougher capital requirement rules. Of the big four banks, Westpac was the strongest performer in July, gaining 8.43%. The other three big banks all enjoyed a good start to the new financial year with NAB, CBA and ANZ rising by 4.38%, 2.85% and 1.49%, respectively.

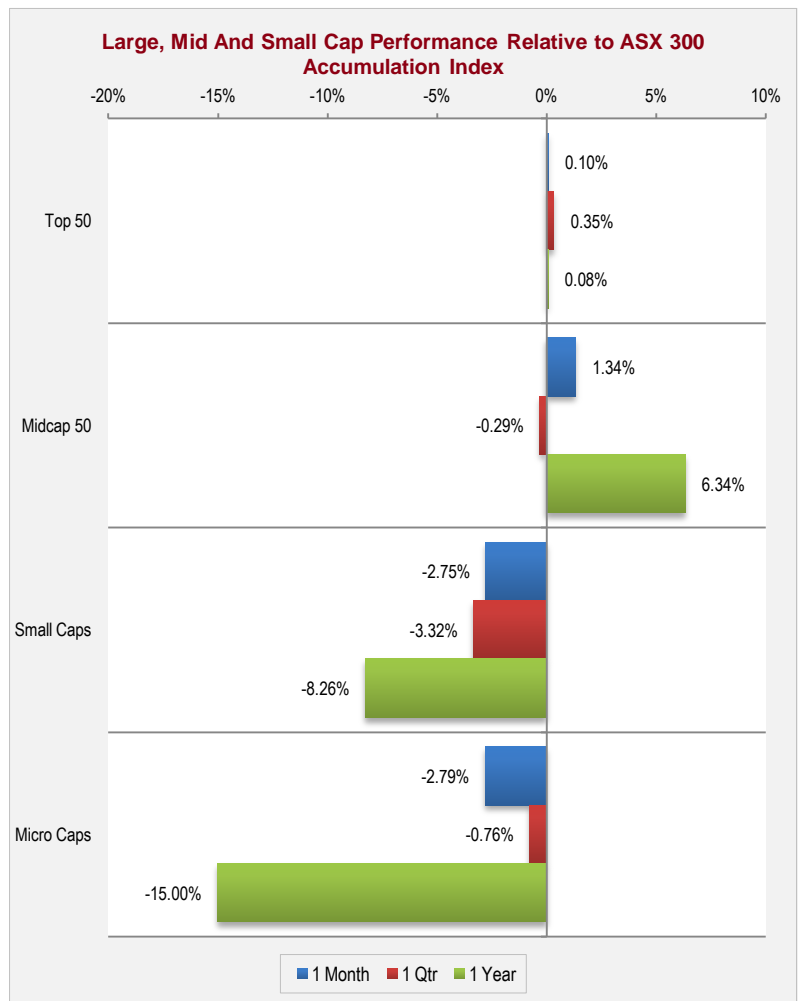
Healthcare gained 9.45% to be the strongest sector over the month. Leaders in this sector included ImpediMed Ltd (+34.10%), Mayne Pharma Group Ltd (+18.78%) and CSL Ltd (+14.44%). ImpediMed has seen its share price soar by 297.31% over the past year on the back of its successful development in bio impedance devices. Pharmaceutical product distributor Mayne reported sales growth, which continued the trend from the past five years, while biotech giant CSL has seen its share price pass the \$100 mark recently from around \$65 per share about a year ago.

Global commodity prices fell heavily over the month and as a result, many small miners were affected. Atlas Iron Ltd (-70.83%), Beadell Resources Ltd (-35.14%) and Medusa Mining Ltd (-34.13%) were among the biggest decliners. Materials and energy were the worst performing sectors in July, trailing the broader Australian share market by -5.70% and -4.16%, respectively. Over the past year, the two sectors have underperformed the ASX 300 Accumulation Index by -20.16% and -27.48%, respectively.



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

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



Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
<b>International Shares - Unhedged</b>	MSCI World Ex-Au (\$A)	6.60	7.39	33.77	29.52	16.75	6.60	16.68
	MSCI World (\$A)	6.54	7.16	32.84	29.04	16.52	6.54	16.42
	MSCI Small Cap World (\$A)	4.21	7.49	33.48	31.18	17.92	4.21	17.57
	MSCI AC World (\$A)	5.57	5.65	30.18	27.20	15.10	5.57	15.40
<b>International Shares - Local Currency</b>	MSCI World ex-Au	2.44	0.78	12.23	17.53	13.22	2.44	6.72
	MSCI World	2.49	0.74	11.99	17.45	13.08	2.49	6.74
	MSCI World Small Cap	-0.44	0.08	5.43	16.36	13.09	-0.44	5.50
	MSCI AC World	0.87	-1.63	2.83	12.83	10.38	0.87	3.55
<b>Regional Shares - Local Currency</b>	MSCI North America	1.86	0.90	9.70	16.56	14.89	1.86	3.22
	MSCI Asia	-1.79	-3.63	12.72	18.97	10.31	-1.79	8.65
	MSCI AC Asia ex-Japan	-4.89	-9.64	-0.72	8.21	5.80	-4.89	0.96
	MSCI China	-10.77	-18.89	2.91	10.06	4.10	-10.77	2.27
	MSCI Europe	4.42	-0.03	13.75	15.74	10.06	4.42	11.98
	MSCI Emerging Markets	-4.36	-8.87	-1.33	6.41	4.73	-4.36	1.03
	MSCI India	2.48	5.96	10.00	18.26	9.55	2.48	5.02
	MSCI Japan	1.73	3.57	30.35	33.42	16.16	1.73	17.96
<b>Global Gold Shares in \$A</b>	FTSE Gold Mines	-18.19	-26.20	-30.87	-23.02	-19.66	-18.19	-14.51
<b>Global Resources in \$A</b>	HSBC Global Mining	-10.61	-19.31	-27.27	-6.59	-9.18	-10.61	-12.78

### Summary of Statistics:

- The MSCI World ex-Australia Local Currency Index increased 2.44% in July, while the unhedged equivalent in Australian Dollars (AUD) rose by 6.60% due to a depreciation in the currency.
- European shares posted a strong recovery in July, following the previous month's losses. The MSCI Europe Local Currency Index gained 4.42% over the month to take its past year return to 13.75%.
- China was the worst performing country over the month, declining by -10.77%. The whole region was affected, with the MSCI All Country Asia ex-Japan Local Currency Index decreasing by -4.89%.
- India continued to outperform in the Asian region, adding 2.48% over the month.
- Shares in resources suffered further losses, significantly underperforming other sectors.

### Commentary:

**Equities in developed countries outperformed the emerging markets in July.** Europe was the best performing region, with the local currency index increasing by 4.42% over the month. Business confidence exceeded market expectations in July, increasing to 0.39 points, the highest level since May 2014. Manufacturing activities finished the month at 52.40, with a reading above the neutral level of 50 indicating an expansion. However, the Greek debt crisis continued to drag on sentiment in the region, with Euro Area consumer confidence falling to -7.10 in July from -5.60 in the previous month.

Chinese shares declined by -10.77%, the worst performers on a regional basis in July. The mainland Shanghai stock market had around \$3.5 trillion wiped off it despite authorities stepping on numerous occasions in an attempt to halt the slide. Manufacturing activities, as measured by the Markit China Manufacturing Purchasing Managers Index, fell to 47.8 in July, the lowest reading since July 2013, from 49.4 in June. It was the fifth straight month of contraction. The slower GDP growth, declining property prices and an overheated equities market created increased concerns among investors.

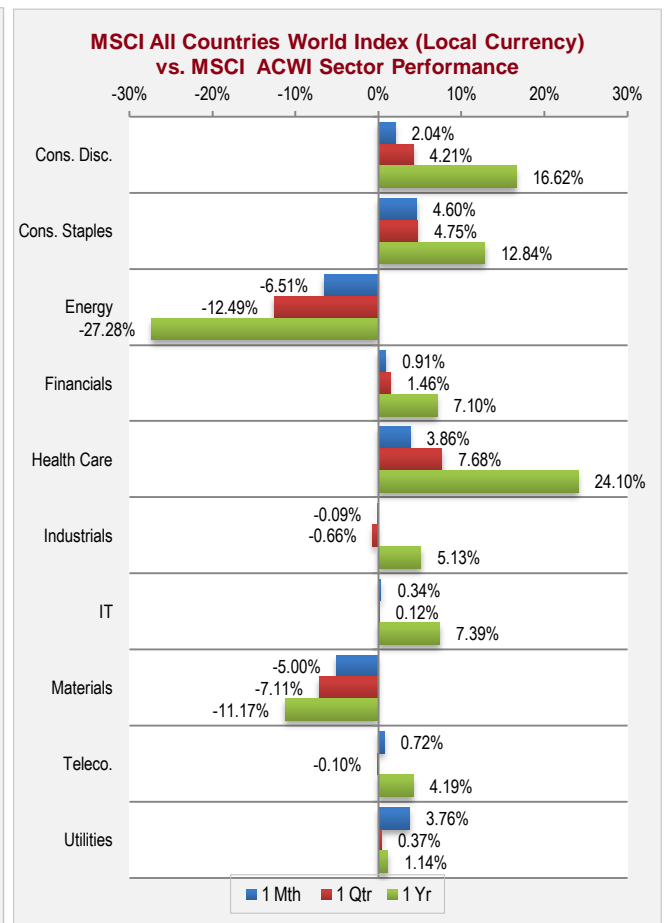
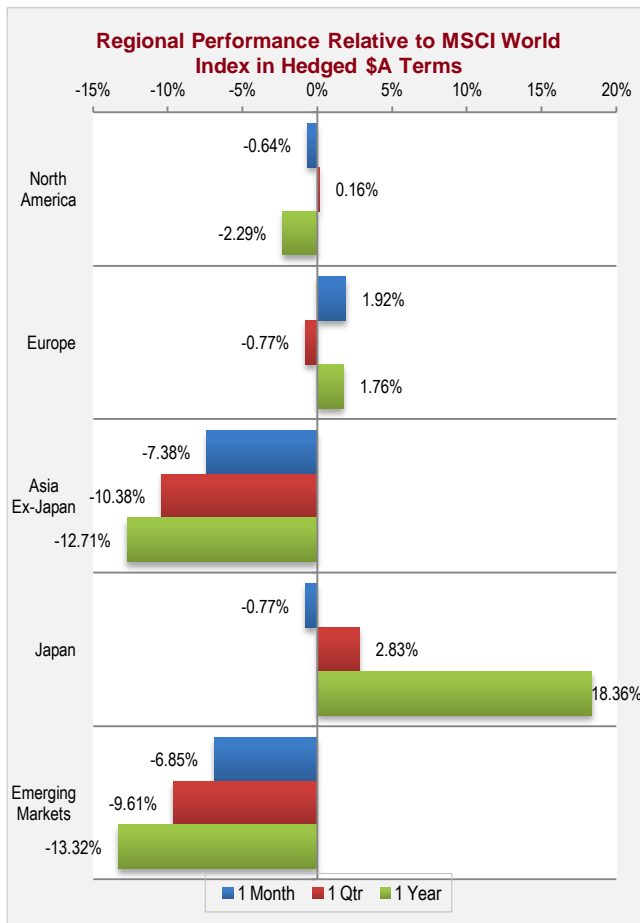
Most neighbouring countries in Asia were affected by the negative sentiment, with the MSCI All Country Asia ex-Japan Local Currency Index, declining by -4.89%. India outperformed on a relative basis, with the local currency benchmark increasing by 2.48%. The manufacturing sector continued to expand, with the Indian Manufacturing PMI Index rising by 1.40 points to 52.70 over the month.

Gold shares, as measured by the FTSE Gold Mines Hedged \$A Index, fell by -18.19% in July, taking its past year losses to -30.87%. Resources continued to tumble, declining by -10.61% over the month, according to the HSBC Global Mining Index. Energy has been the worst performing sector over the past year, with the MSCI All Country World Energy Local Currency Index losing -24.44%.

## Zenith Monthly Market Report 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
Currency Spot Rates	AUD / USD	-5.03	-8.61	-21.77	-11.51	-4.09	-5.03	-11.07
	AUD / EUR	-2.85	-7.34	-4.15	-8.04	-0.61	-2.85	-1.13
	AUD / GBP	-4.34	-9.75	-15.18	-11.32	-4.08	-4.34	-11.35
	AUD / JPY	-3.66	-4.42	-5.54	3.18	3.10	-3.66	-7.71

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	2.91	2.58	19.46	22.11	16.84	2.91	10.55
Local Currency	MSCI ACWI Consumer Staples Index	5.47	3.12	15.67	11.64	11.97	5.47	7.33
	MSCI ACWI Energy Index	-5.65	-14.13	-24.44	-2.50	0.85	-5.65	-8.78
	MSCI ACWI Financials Index	1.78	-0.18	9.93	16.59	7.13	1.77	5.12
	MSCI ACWI Health Care Index	4.72	6.04	26.94	24.47	20.12	4.72	14.57
	MSCI ACWI Industrials Index	0.78	-2.30	7.96	14.97	9.85	0.78	2.80
	MSCI ACWI IT Index	1.20	-1.51	10.23	16.09	13.05	1.20	2.97
	MSCI ACWI Materials Index	-4.13	-8.75	-8.33	2.03	-0.24	-4.13	-2.05
	MSCI ACWI Teleco. Services Index	1.58	-1.74	7.03	8.55	7.14	1.58	6.89
	MSCI ACWI Utilities Index	4.63	-1.26	3.98	6.62	2.72	4.62	-2.49



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	5.67	4.25	21.03	18.35	15.25	5.67	12.73
	FTSE E/N Australia	5.72	3.96	20.31	17.75	14.93	5.72	12.04
Global Listed Prop. \$A (H)	FTSE E/N GLOBAL HGD A\$	4.60	-0.11	13.53	15.67	15.29	4.60	4.56
Global Listed Prop. \$A	FTSE E/N GLOBAL A	7.19	3.68	29.43	22.55	14.64	7.19	11.96
	FTSE E/N North America	10.12	7.40	37.04	22.84	17.66	10.12	10.14
	FTSE E/N Eurozone	11.36	4.17	27.01	28.53	14.10	11.36	16.22
	FTSE E/N UK	11.08	14.08	48.88	38.83	23.51	11.08	28.88
	FTSE E/N Developed Asia	3.13	0.01	18.29	20.07	12.02	3.13	10.74
	FTSE E/N Japan	4.69	0.08	11.91	23.67	15.95	4.69	9.42
Australian Listed Infra.	S&P/ASX 300 Utilities	5.19	0.48	19.51	15.47	16.13	5.19	16.88
Global Listed Infra. \$A (H)	S&P Global Infrastructure	2.43	-2.78	10.28	16.62	14.53	2.43	4.10

**Summary of Statistics:**

- AREITs increased by 5.67% in July, as measured by the ASX 300 Property Index.
- GREITs also had a strong month, with the FTSE EPRA NAREIT Developed Total Return \$A Hedged Index gaining 4.60%. The unhedged equivalent rose by 7.19%.
- Listed property in the Eurozone and the UK outperformed most other regions, surging 11.36% and 11.08%, respectively, over the month.
- Australian infrastructure outperformed their global counterparts by 2.76% in July.

**Commentary:**

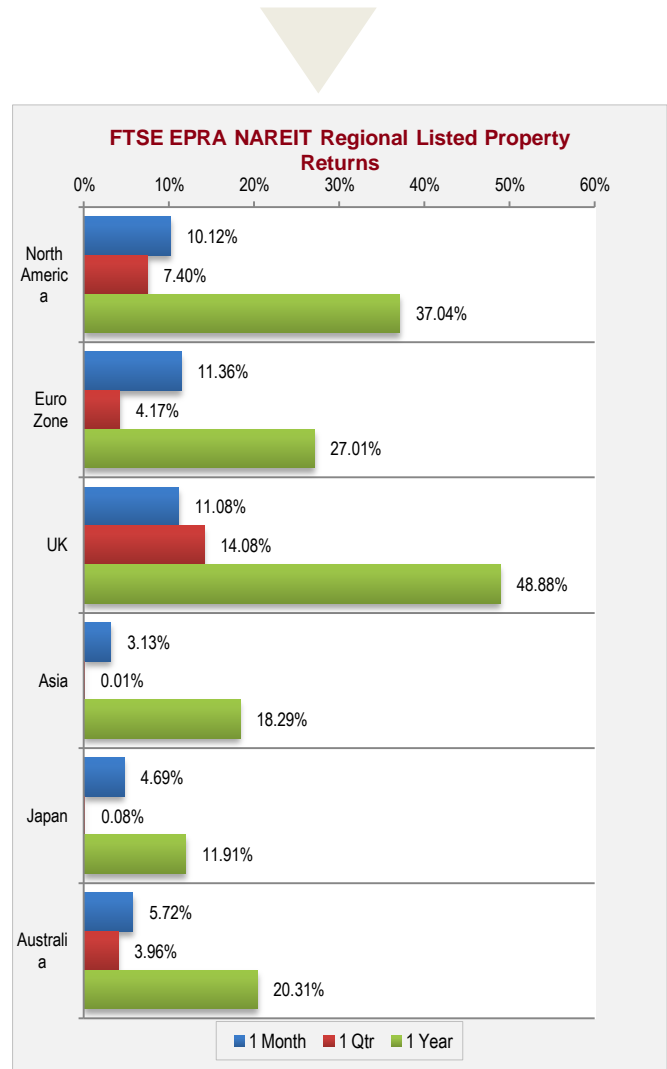
**Property and infrastructure posted strong returns both in Australia and internationally.** AREITs and GREITs (in hedged AUD terms) rose by 5.67% and 4.60%, respectively.

BWP Trust and Westfield Corp were the best performing AREITs, increasing by 10.13% and 9.98%, respectively, for the month. Bunnings' key property provider BWP has been continually outperforming the AREIT benchmark over the past 10 years with its conservative yet well diversified portfolio. The global shopping centre giant Westfield has been a remarkable performer since the global restructure last year and its joint venture with the British retail landlord Hammerson has been noted as a positive move.

REITs in the UK continued to outperform other regions over the month, gaining 11.08%. Over the past year, the FTSE EPRA NAREIT UK \$A Index added 48.88% to be the strongest performer in the REITs space. The Eurozone and North American regions also did well, rising 11.36% and 10.12%, respectively, in July. Properties in Developed Asia underperformed, despite returning 3.13% for the month.

The S&P/ASX 300 Utilities Index and the S&P Global Infrastructure Hedged AUD Index increased by 5.19% and 2.43%, respectively, for the month.

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



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