

THE MONTHLY MARKET REPORT



A SNAPSHOT OF THE KEY POINTS FOR June

- The RBA kept the overnight cash rate at 2.00% at both June and July meetings.
- In the fixed income space, the 3 Month Bank Bill Swap Rate and the 10 Year Australian Bond Rate increased by 0.07% and 0.27% respectively over the month.
- Australian Shares fell by -5.61%, as measured by the All Ordinaries Index.
- AREITs followed the downward movement of the equity market, with the ASX 300 Property Index decreasing by -5.50%.
- Global equities posted negative returns in most regions, with the FTSE 100 (UK) Index, the worst performer, declining by -6.64%.
- Despite a fall of -2.10% measured by the S&P 500 Index, the US was the best performing region amongst global share markets.
- Commodity prices rose by 0.36% over the month, as measured by the US\$ CRB Spot Commodity Price Index. The price of Iron Ore increased by 1.69% while Gold and Oil fell by -1.73% and -1.38%, respectively.
- The Australian Dollar gained 0.22% over the US Dollar, while depreciating against most other currencies. In particular, it fell by -1.89% against the Euro, -2.26% versus the British Pound and -1.06% over the Japanese Yen.
- The Australian Trade Weighted Index (TWI) increased by 0.16% over the month, indicating an improvement in Australia's international competitiveness.
- Share market volatility surged both domestically and abroad, with the S&P/ASX 200 Volatility Index and the US VIX Volatility Index increasing by 4.39% and 4.60%, respectively.

June was a tough month both in Australia and globally

Both global equities and bonds saw a large sell off in June, with the Greek debt crisis and weak Chinese data the main drivers. In addition, the recent data released in the US provided few reasons for market participants to move up rate hike expectations from the Federal Open Market Committee.

Equity market volatility in June increased by 4.39% in Australia and 4.60% in the US. During a negative month internationally, Europe and China were the worst performing regions with the local currency indices falling by -4.98% and -5.61% respectively. Global bond yields rose rapidly over the month and corporate debt spread widened in most countries.

Bei Cao
Analyst



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 (%)	2.00	2.00	0.00	2.50	-0.50
	3 Month BBSW (%)	2.11	2.04	0.07	2.77	-0.66
	10 Year Bond Rate (%)	3.03	2.76	0.27	3.56	-0.53
Australian Shares	All Ordinaries Index	5451.20	5774.90	-5.61%	5382.00	1.29%
	S&P/ASX 200	5459.00	5777.20	-5.51%	5395.70	1.17%
Property	ASX 300 Property Index	1214.00	1284.67	-5.50%	1052.50	15.34%
Regional Shares	Dow Jones Industrials (US)	17619.51	18010.68	-2.17%	16826.60	4.71%
	S&P 500 (US)	2063.11	2107.39	-2.10%	1960.23	5.25%
	FTSE 100 (UK)	6520.98	6984.43	-6.64%	6743.94	-3.31%
	STOXX 50 (EUR)	381.31	399.87	-4.64%	341.86	11.54%
	TOPIX (Japan)	1630.40	1673.65	-2.58%	1262.56	29.13%
	Hang Seng (Hong Kong)	26250.03	27424.19	-4.28%	23190.72	13.19%
Commodities	US\$ Gold Price	1169.35	1189.97	-1.73%	1316.93	-11.21%
	US\$ Oil Price – W Texas Crude	59.47	60.30	-1.38%	105.37	-43.56%
	US\$ Iron Ore Price	60.00	59.00	1.69%	95.00	-36.84%
	US\$ CRB Spot Commodity Index	426.29	424.74	0.36%	496.40	-14.12%
Exchange Rates	AUD / USD	0.77	0.77	0.22%	0.94	-18.47%
	AUD / EUR	0.69	0.70	-1.89%	0.69	-0.58%
	AUD / GBP	0.49	0.50	-2.26%	0.55	-11.68%
	AUD / JPY	93.92	94.93	-1.06%	95.43	-1.58%
TWI	Australia Trade Weighted Index \$A	63.80	63.70	0.16%	72.00	-11.39%
iTraxx	iTraxx Australia	97.66	89.15	9.56%	82.94	17.76%
Volatility	VIX Index %	18.23	13.84	4.39%	11.57	6.66%
	S&P/ASX200 Volatility Index	19.90	15.31	4.60%	11.80	8.10%

CASH, FIXED INCOME & CREDIT

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Australian Cash	Bloomberg AusBond Bank Bill	0.18	0.56	2.60	2.85	3.65	2.60	1.23
Australian Bonds	Bloomberg AusBond Composite Index	-0.93	-1.99	5.63	4.82	6.44	5.63	0.63
International Bonds	Barclays Global Aggregate \$A (H)	-1.07	-1.67	5.62	5.98	7.27	5.62	0.84
	Barclays Global Agg Treasuries TRI \$A (H)	-1.04	-1.94	6.31	5.96	7.08	6.31	0.66
	Barclays Global Agg Corporate TRI \$A (H)	-1.60	-2.23	4.24	6.86	8.39	4.24	0.52
Emerging Markets Debt	Barclays EM Hard Currency Agg TRI \$A (H)	-1.33	0.61	2.67	7.13	9.86	2.67	3.65

SUMMARY OF STATISTICS

- Australian Cash rose by 0.18% over the month, taking its past financial year return to 2.60% as measured by the Bloomberg AusBond Bank Bill Index.
- Australian Bonds, as measured by the Bloomberg AusBond Composite Index, fell by -0.93% in June.
- International Bonds, as measured by the Barclays Global Aggregate Hedged \$A Index, declined by -1.07%. Within the Global Fixed Income space, corporate debt fell by -1.60% over the month to underperform sovereign bonds by -0.56%.
- Emerging Markets Debt also had a negative month, with the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged AUD Index decreasing by -1.33%.

COMMENTARY

June saw a surge in yields around the globe and as a result, the fixed income sector posted losses across the board. The market moved violently a number of times over the month on the back of the unfolding Greek situation and a volatile Chinese financial market. Even though the Fed indicated at the June FMOCC meeting that any rate increase would be largely dependent on economic data, investors continued to fret about the timing.

In Australia, the RBA left the overnight cash rate unchanged at 2.00% at both the June and July board meetings. Business and consumer confidence both fell over the month and the Australia Manufacturing PMI Index fell to the lowest level over the past year to 44.20, with a figure well below the neutral level of 50 indicating a large contraction.

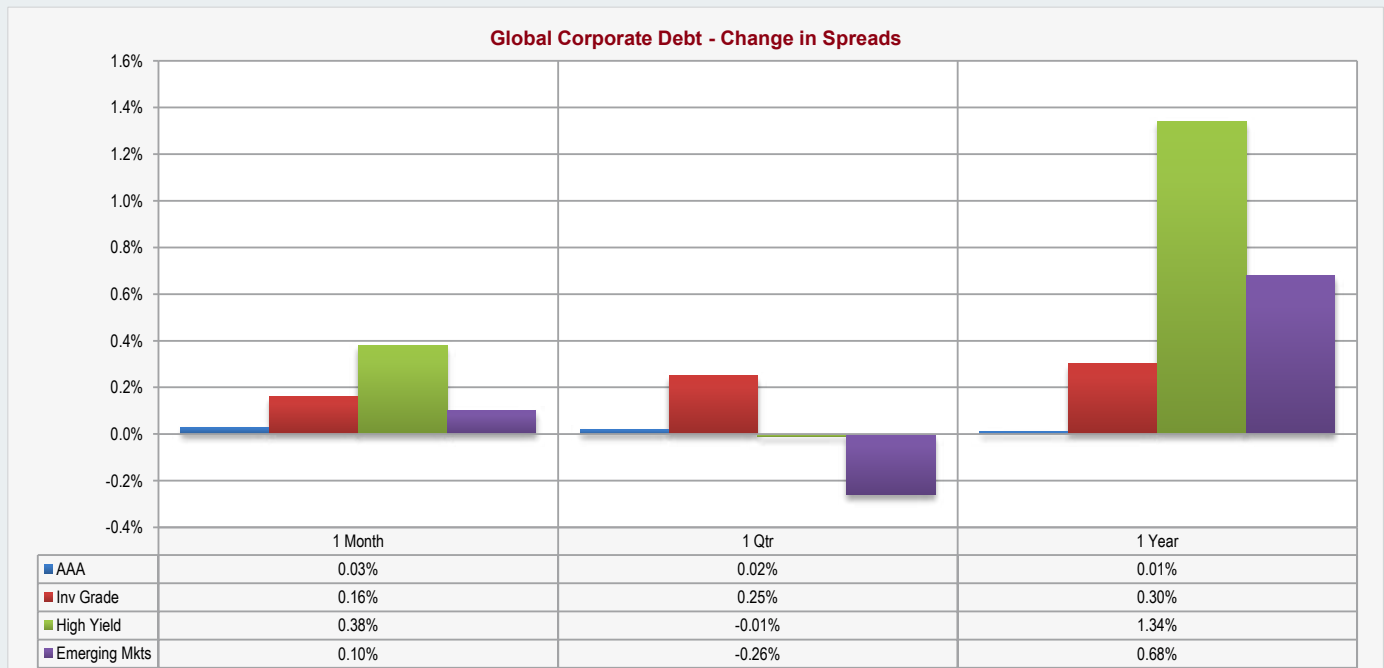
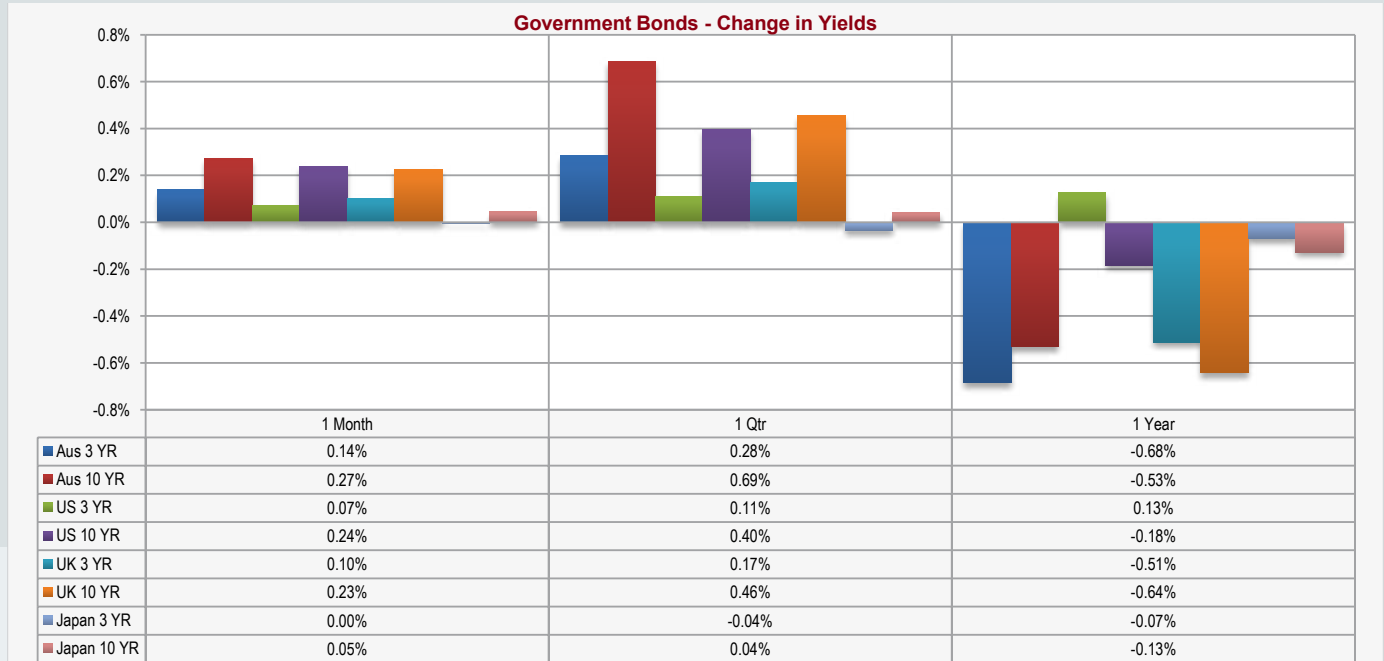
Record low interest rates have continued to support borrowing and spending in recent months, despite falling in June. The Australian Dollar recovered slightly against the US dollar over the month, although over the past year the AUD has fallen by -18.47%.

The 3 Year and 10 Year Government Bond Yields increased by 0.14% and 0.27% respectively over the month. The iTraxx Australian Index, as a measure of corporate debt spreads, widened by 9.56% over the month, ending the month priced at 97.66. Overall, Australian Bonds fell by -0.93% in June, as measured by the Bloomberg AusBond Composite Index.

Although the Greek debt crisis has been bubbling away in the background for months, market volatility increased significantly as the country missed its debt repayment deadline at the end of June. Business and consumer confidence deteriorated in Europe and many of its trading partners were affected.

International Fixed Income markets remained in negative territory in June, with the Barclays Global Aggregate Hedged \$A Index falling by -1.07%. Corporate debt was the worst performer, with the Barclays Global Aggregate Corporate Total Returns Hedged AUD Index falling by -1.60% over the month. Spreads widened across both investment grade and junk bonds. Sovereign bond yields also increased, with the US and UK 10 Year Government Bond Yields rising the most, by 0.24% and 0.23%, respectively.

Credit underperformed government bonds in June, with the Barclays Emerging Markets Hard Currency Aggregated Hedged AUD Index falling by -1.33% over the month. The High Yield and Emerging Markets corporate debt spreads expanding by 0.38% and 0.10% respectively over the month.



AUSTRALIAN SHARES

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	-5.32	-6.48	5.60	14.70	9.45	5.60	3.16
	S&P/ASX 50 Leaders Index	-4.66	-6.56	5.52	15.84	10.32	5.52	3.15
	S&P/ASX Midcap 50 Index	-8.52	-7.84	10.69	15.40	8.92	10.69	3.38
	S&P/ASX Small Ordinaries Index	-7.77	-4.04	0.45	2.46	1.35	0.45	2.96
	S&P/ASX Emerging Companies Index	-5.35	-0.59	-3.61	-8.18	-3.33	-3.61	3.64
GICS Sectors	S&P/ASX 300 Materials	-8.32	-5.09	-6.80	-0.02	-2.82	-6.80	2.24
	S&P/ASX 300 Industrials	-7.77	-2.12	15.49	15.23	11.11	15.49	6.67
	S&P/ASX 300 Consumer Discretionary	-10.92	-9.11	3.63	17.69	9.07	3.63	3.56
	S&P/ASX 300 Consumer Staples	-7.76	-9.96	-9.88	7.66	7.30	-9.88	-6.30
	S&P/ASX 300 Energy	-7.71	0.31	-20.39	-0.15	-2.77	-20.39	-3.42
	S&P/ASX 300 Healthcare	-5.85	-7.19	29.14	26.59	19.35	29.14	4.14
	S&P/ASX 300 Information Technologies	-6.02	-5.11	3.98	16.38	4.63	3.98	3.84
	S&P/ASX 300 Telecommunications	-1.34	-2.41	25.83	26.58	22.74	25.83	6.29
	S&P/ASX 300 Financials ex Property	-2.94	-9.01	8.47	22.48	15.48	8.47	3.81
	S&P/ASX 300 Utilities	-6.10	-2.36	14.59	15.67	15.67	14.59	11.11
	S&P/ASX 300 Property	-3.97	-2.33	20.22	18.30	14.23	20.22	6.68

SUMMARY OF STATISTICS

- Australian shares declined by -5.32% in June, as measured by the S&P/ASX 300 Accumulation Index.
- On a market capitalisation basis, the S&P/ASX Midcap 50 Index was the worst performer in June, declining by -8.52%.
- Despite large cap stocks outperforming smaller caps over the month, the S&P/ASX 50 Leaders Index lost -4.66% in June.
- On a sector basis, Consumer Discretionary, Materials and Industrials were the worst performers in June, falling by -10.92%, -8.32% and -7.77% respectively.
- Telecommunications and Financials outperformed the broader domestic share market, despite losing -1.34% and -2.94% respectively for the month.

Australian equities followed global equities downwards over the month, with the benchmark S&P/ASX 300 Accumulation Index falling by -5.32%.

COMMENTARY

Australian equities followed global equities downwards over the month, with the benchmark S&P/ASX 300 Accumulation Index falling by -5.32%. Equity market volatility surged over the month due to Greece missing the June deadline payment to the IMF and the increasing speculation that the country could be forced to leave the Eurozone. The sharp fall in the Chinese stock market over the month was also a factor, pushing Australian shares further into negative territory.

The latest data indicated that retail sales declined for the three months to June and the Westpac Consumer Confidence Index fell by 7.1 points to 95.30, the lowest reading since the start of 2015. Manufacturing activities contracted significantly over the month, with the Australia Manufacturing PMI Index declining by 8.09 points to 44.20, the lowest reading over the past year.

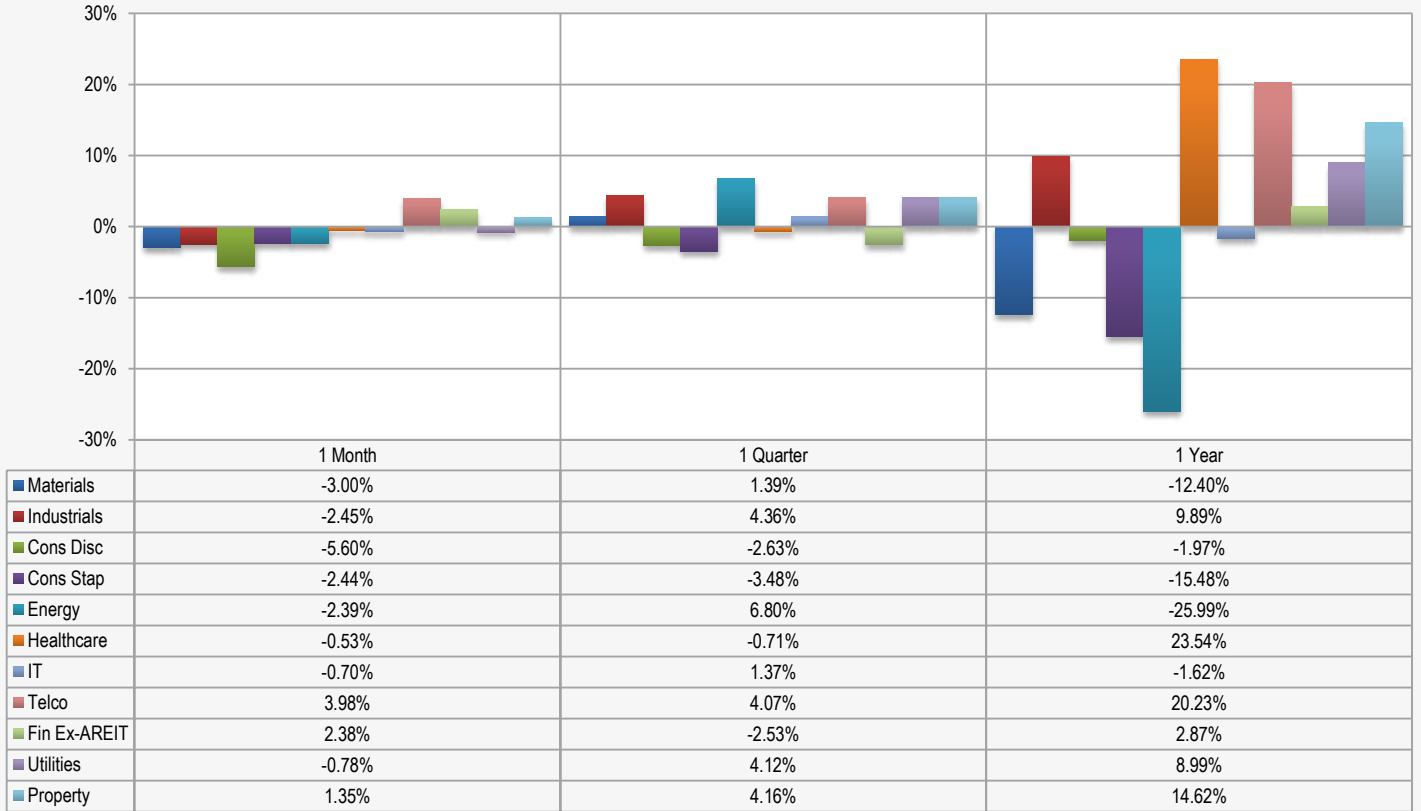
While recorded losses due to the negative sentiment, midcaps fell by -8.52% for the month to be the biggest decliners. Notwithstanding this, over the past year the S&P/ASX Midcap 50 Index has gained 10.69%, outperforming the S&P/ASX 300 Accumulation Index by 5.09%.

Consumer Discretionary was the weakest sector in June, falling by -10.92%. Midcap stock Slater & Gordon Ltd was the worst performer in the sector, declining by -40.96% over the month. The law firm's recent admission of accounting errors have seen investors lose faith with the company. Also in the S&P/ASX 300 Consumer Discretionary Index, Nine Entertainment Co Holdings Ltd and Flight Centre Travel Group Ltd, were among the biggest laggards, declining by -27.91% and -26.72%, respectively.

Although Telecommunications fell by -1.34% over the month, it was the best performing sector. Despite almost all stocks in the sector recording losses, a few examples of outperforming stocks included Vocus Communications Ltd (-0.50%), TPG Telecom Ltd (-0.77%) and Telstra Corp Ltd (-1.29%).

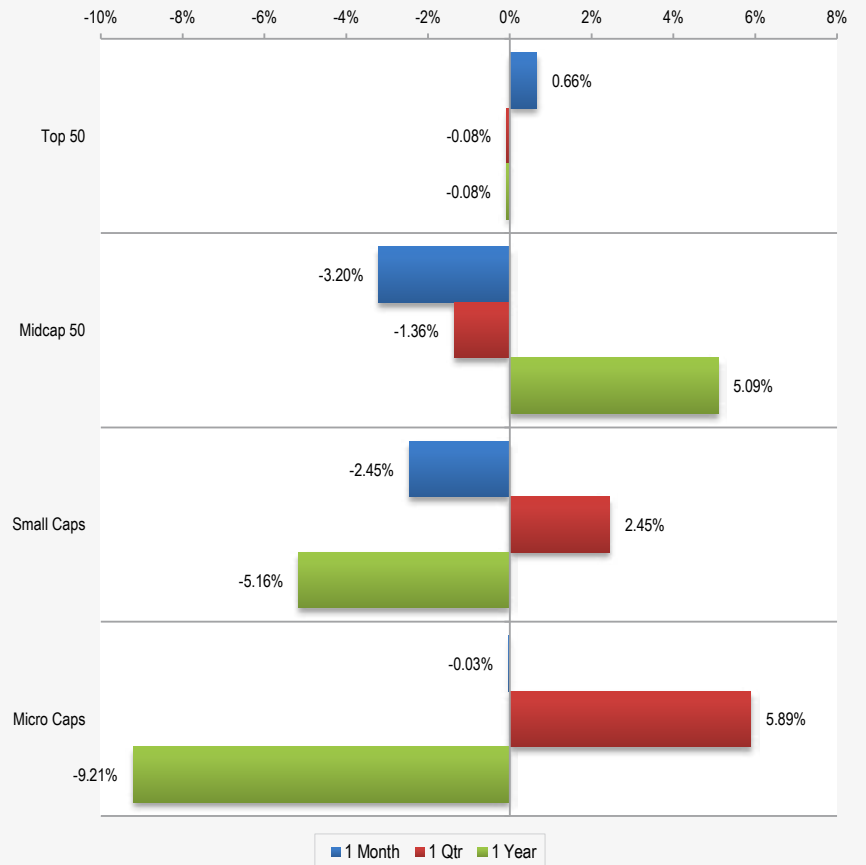
Following two months of underperformance, financials performed better in relative terms despite recording a loss of -2.94%. S&P/ASX 300 Financials ex Property Index outperformed the broader Australian share market by 2.38%. The insurance company Steadfast Group Ltd was one of the rare winners in the index, gaining 8.39% over the month. CBA gained 0.05%, the leader among the big four banks, while NAB, ANZ and WBC continued to record losses, falling by -2.94%, -2.98% and -4.2%, respectively.

GICs Sector Performance Relative to ASX 300 Accumulation Index



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)	-2.66	-0.11	25.18	26.12	15.43	25.18	9.46
Unhedged	MSCI World (\$A)	-2.73	-0.30	24.56	25.78	15.25	24.56	9.27
	MSCI Small Cap World (\$A)	-1.32	0.84	24.80	28.20	17.08	24.80	12.82
	MSCI AC World (\$A)	-2.76	-0.26	23.67	24.40	14.06	23.67	9.31
International Shares -	MSCI World ex-Au	-2.88	-0.51	8.51	17.06	13.94	8.51	4.18
Local Currency	MSCI World	-2.94	-0.69	8.41	17.01	13.79	8.41	4.14
	MSCI World Small Cap	-0.91	1.45	1.62	16.47	14.89	1.62	5.96
	MSCI AC World	-2.35	0.35	0.71	13.01	11.93	0.71	2.66
Regional Shares -	MSCI North America	-2.00	0.02	6.42	16.33	15.95	6.42	1.34
Local Currency	MSCI Asia	-3.26	2.77	18.39	19.32	11.38	18.39	10.62
	MSCI AC Asia ex-Japan	-3.41	0.67	8.64	10.80	7.83	8.64	6.15
	MSCI China	-5.61	6.03	24.65	14.85	7.35	24.65	14.62
	MSCI Europe	-4.98	-3.91	6.99	15.16	10.37	6.99	7.25
	MSCI Emerging Markets	-2.26	0.70	6.23	8.63	6.94	6.23	5.63
	MSCI India	0.00	-1.92	9.33	16.98	9.15	9.33	2.49
	MSCI Japan	-3.09	5.19	30.83	30.66	16.09	30.83	15.96
Global Gold Shares in \$A	FTSE Gold Mines	-9.33	-2.93	-15.27	-19.23	-18.75	-15.27	4.50
Global Resources in \$A	HSBC Global Mining	-7.99	-3.48	-13.37	-4.53	-6.86	-13.37	-2.43

SUMMARY OF STATISTICS

- The MSCI World ex-Australia Local Currency Index fell by -2.88% in June, while the unhedged equivalent in AUD were down by -2.66%.
- Europe was one of the worst performing regions as Greece missing its deadline payment to the IMF. The MSCI Europe Local Currency Index declined by -4.98% over the month.
- China was the worst performing country in June, declining by -5.61%. The whole region was affected, with the MSCI All Country Asia ex-Japan Local Currency Index decreasing by -3.41% over the month.
- One exception in the region was India, which saw its market largely unchanged over the month.

COMMENTARY

June was a tough month for global equities as the Greek debt crisis intensified and the Chinese share market plummeted. Most regional share markets recorded losses, with the MSCI World ex-Australia Local Currency Index falling by -2.88% over the month.

June was a tough month for global equities as the Greek debt crisis intensified and the Chinese share market plummeted.

As Greece's second bailout programme expired at the end of June and speculation increased about the country leaving the Eurozone, doubts have arisen about political stability in the region. Business confidence in the Euro Area decreased to 0.14 in June from 0.28 in the previous month and consumer sentiment remained at very low levels at -5.6. Many neighbouring countries were affected and as a result, equity markets in Europe tumbled, collectively falling by -4.98% over the month, as represented by the MSCI Europe Local Currency Index.

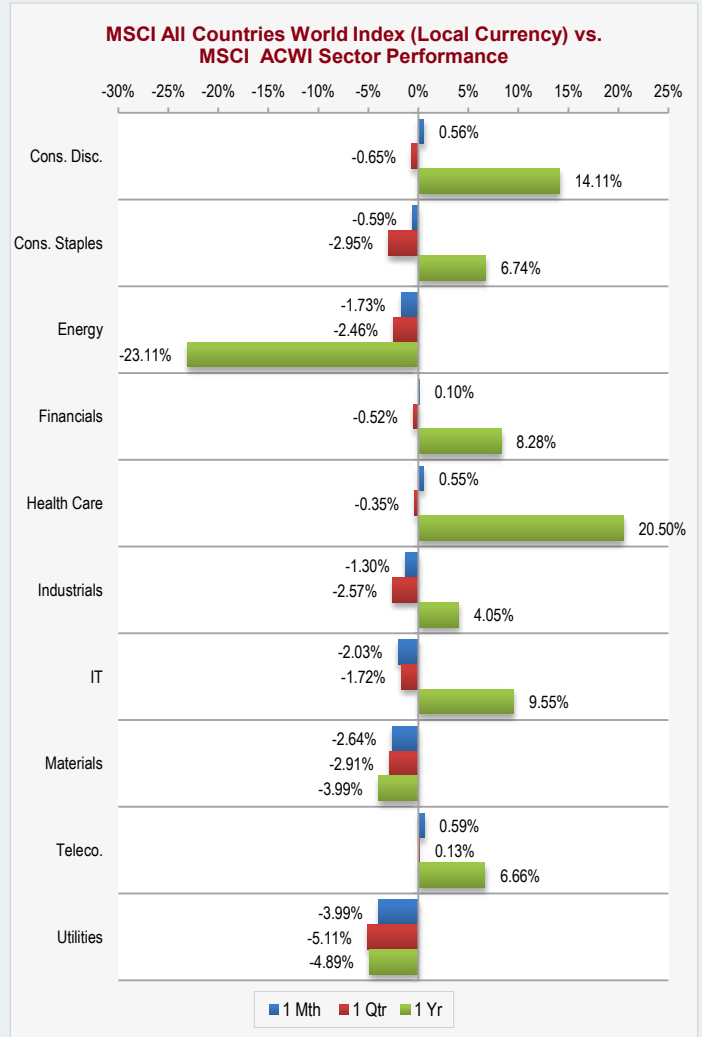
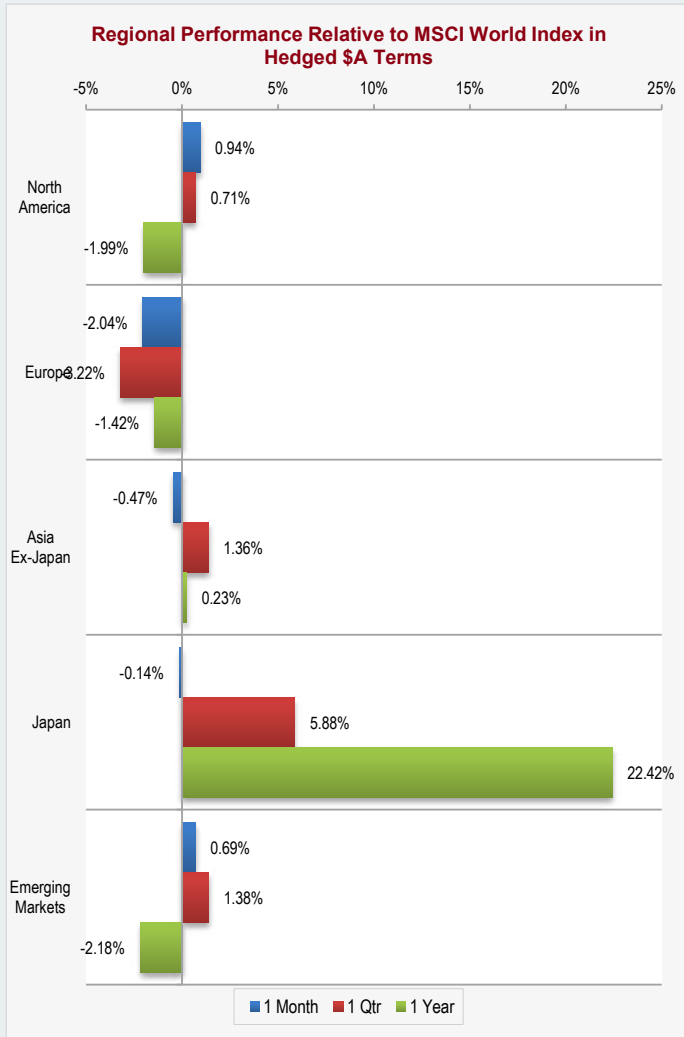
Chinese shares declined by -5.61%, the worst performers on a regional basis in June. Notwithstanding this, over the past year, the MSCI China Local Currency Index gained 24.65%, outperforming most other countries. (Please note the A-shares those traded on the mainland Shanghai and Shenzhen exchanges, are difficult to access for overseas investors and are excluded from the MSCI China Index. The Shanghai Index surged by more than 100 percent over the past year). The services sector purchasing manager index decreased to a five-month low of 51.80 in June. The slower GDP growth, declining property prices and an overheated equities market created increased concerns among investors. To help ease the pain of further falls in stock prices, China's central bank cut its benchmark lending rate to a record low of 4.85% and lowered reserve requirement ratios for some lenders.

Most neighbouring countries in Asia were affected by the negative sentiment, with the MSCI All Country Asia ex-Japan Local Currency Index, declining by -3.41%. India outperformed on a relative basis, although the benchmark remained largely unchanged throughout the month. The Indian Manufacturing PMI Index fell slightly to 51.30 over the month, although a reading above the neutral level of 50 indicates an expansion. The Reserve Bank of India cut its benchmark policy rate to 6.25% post its June meeting, citing the lower interest rate was needed given low capacity utilization, mixed indicators of recovery and subdued investment and credit growth.

Resources continued to tumble, with the HSBC Global Mining Index declining by -7.99%. Gold shares fell by -9.33% in June, as measured by the FTSE Gold Mines 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
Currency Spot Rates	AUD / USD	0.22	0.60	-18.47	-9.00	-2.06	-18.47	-6.36
	AUD / EUR	-1.89	-2.89	-0.58	-5.33	-0.33	-0.58	1.78
	AUD / GBP	-2.26	-5.40	-11.68	-9.22	-2.92	-11.68	-7.32
	AUD / JPY	-1.06	2.40	-1.58	5.10	4.47	-1.58	-4.20

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	-1.79	-0.30	14.83	21.00	17.55	14.83	7.43
Local Currency	MSCI ACWI Consumer Staples Index	-2.94	-2.60	7.45	10.82	11.57	7.45	1.76
	MSCI ACWI Energy Index	-4.08	-2.11	-22.40	0.44	3.32	-22.40	-3.32
	MSCI ACWI Financials Index	-2.26	-0.17	9.00	16.25	8.47	9.00	3.29
	MSCI ACWI Health Care Index	-1.81	0.00	21.21	23.65	18.81	21.21	9.40
	MSCI ACWI Industrials Index	-3.65	-2.22	4.76	14.94	11.11	4.76	2.00
	MSCI ACWI IT Index	-4.38	-1.37	10.26	15.74	14.09	10.26	1.74
	MSCI ACWI Materials Index	-4.99	-2.56	-3.28	3.22	1.74	-3.28	2.17
	MSCI ACWI Teleco. Services Index	-1.77	0.48	7.37	9.14	8.11	7.37	5.23
	MSCI ACWI Utilities Index	-6.35	-4.76	-4.18	4.62	2.68	-4.18	-6.80

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	-3.97	-2.33	20.22	18.30	14.23	20.22	6.68
	FTSE E/N Australia	-4.63	-2.86	19.55	17.66	13.88	19.55	5.98
Global Listed Prop. \$A (H)	FTSE E/N GLOBAL HGD A\$	-4.27	-6.73	9.90	15.23	15.90	9.90	-0.03
Global Listed Prop. \$A	FTSE E/N GLOBAL A	-4.35	-6.29	24.03	20.06	13.66	24.03	4.45
	FTSE E/N North America	-4.64	-10.53	26.25	18.77	15.94	26.25	0.02
	FTSE E/N Euro Zone	-3.99	-8.23	11.26	23.88	13.33	11.26	4.36
	FTSE E/N UK	-2.28	3.25	36.45	35.13	22.09	36.45	16.03
	FTSE E/N Developed Asia	-4.12	-2.38	19.19	20.07	11.50	19.19	7.38
	FTSE E/N Japan	-4.33	-5.73	7.08	21.62	14.25	7.08	4.52
Australian Listed Infra.	S&P/ASX 300 Utilities	-6.10	-2.36	14.59	15.67	15.67	14.59	11.11
Global Listed Infra. \$A (H)	S&P Global Infrastructure	-4.97	-2.74	6.87	16.53	15.32	6.87	1.63

SUMMARY OF STATISTICS

- AREITs decreased by -3.97% in June, as measured by the ASX 300 Property Index.
- GREITs continued to underperform AREITs in June, with the FTSE EPRA NAREIT Developed Total Return \$A Hedged Index declining by -4.27%. The unhedged equivalent fell by -4.35%
- During a negative month for REITs, the North American region was the worst performer, declining by -4.64%.
- The UK market outperformed most other regions, despite recording a loss of -2.28% for the month.
- Listed infrastructure was down both domestically and internationally, declining by -6.10% and -4.97% respectively.

COMMENTARY

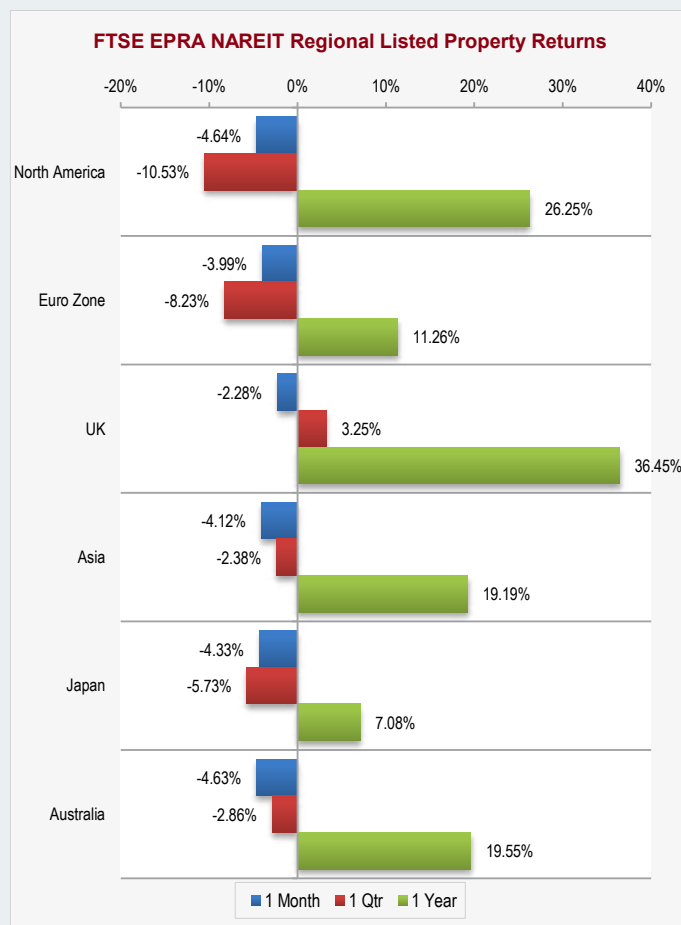
Property and infrastructure followed the broader equity market down, with losses reported in almost all regions around the globe. AREIT and GREITs (in hedged AUD terms) fell by -3.97% and -4.27%, respectively.

Industria REIT (ASX:IDR) and Dexus Property Group (ASX:DXS) were the biggest decliners in the Australian Property Market, falling by -7.32% and -6.21%, respectively for the month. Industria saw a rating downgrade by Macquarie on the back of its falling office tenancy and lower than expected distribution declaration.

North American listed property declined by -4.64% over the month, the worst performing region in June. REITs in the UK continued to outperform on relative terms. Over the past year, the FTSE EPRA NAREIT UK \$A Index was the strongest performer in the REITs space, gaining 36.45%.

The S&P/ASX 300 Utilities Index and the S&P Global Infrastructure Hedged AUD Index fell by -6.10% and -4.97%, 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.



Author: Bei Cao

Zenith Investment Partners (AFSL 226872)

Tel | (03) 9642 3320

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