

THE MONTHLY MARKET REPORT



A SNAPSHOT OF THE KEY POINTS FOR NOVEMBER

- The RBA kept the overnight cash rate at 2.00% at both the November and December meetings.
- In fixed income, the 3 Month Bank Bill Swap Rate and the 10 Year Australian Bond Rate rose by 0.25% and 0.34%, respectively, in November.
- Corporate debt spreads, as measured by the iTraxx Australian Index, rose to 124.75 in November from the previous reading of 116.39.
- Australian shares posted negative returns, with the All Ordinaries Index and the S&P/ASX 200 Index declining by -1.33% and -1.39%, respectively.
- Domestic listed property underperformed the broader equity market, decreasing -2.83%, as measured by the ASX 300 Property Index.
- International shares posted mix results among various regions, with the Hong Kong declining -2.84% to be the worst performer and Europe gaining 2.65% to be the best performer.
- Commodity prices declined -2.82% in November, as measured by the US\$ CRB Spot Commodity Index. Oil had the worst fall, declining by -13.18% over the month in US dollar terms.
- The Australian Dollar appreciated against most currencies in November. It rose by 1.27% against the US Dollar, 4.99% against the Euro, 3.17% versus the British Pound and 2.44% against the Japanese Yen.
- The Australian Trade Weighted Index (TWI) rose by 2.49% over the month, ending November at 61.80.
- The US VIX Volatility Index rose by 1.06% over the month while the domestic share market volatility fell by -1.88%.

Emerging markets underperformed global equities in November

European shares had a surprisingly good month, despite fears that the Paris mass shooting attack and the declining oil prices would affect market sentiment. The US continued to recover at a modest pace, while world financial markets prepared for a possible US rate hike in the months ahead.

A widening Chinese investigation into what officials have deemed suspicious or illegal trading activity put the brakes on a rebound in the Shanghai Composite Index, wiping out much of the market's November gains. As a result, many neighbouring countries were affected, declining by -2.76% in local currency terms.

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 (%)	2.24	1.99	0.25	2.61	-0.37
	10 Year Bond Rate (%)	2.96	2.62	0.34	3.10	-0.15
iTraxx	iTraxx Australia	124.75	116.39	8.35	1.67	123.08
Australian Shares	All Ordinaries Index	5218.20	5288.60	-1.33%	5298.10	-1.51%
	S&P/ASX 200	5166.50	5239.40	-1.39%	5313.00	-2.76%
Property	S&P/ASX 300 A-REIT	1239.76	1275.90	-2.83%	1133.89	9.34%
Regional Shares	Dow Jones Industrials (US)	17719.92	17663.54	0.32%	17828.24	-0.61%
	S&P 500 (US)	2080.41	2079.36	0.05%	2067.56	0.62%
	FTSE 100 (UK)	6356.09	6361.09	-0.08%	6722.62	-5.45%
	STOXX 50 (EUR)	385.43	375.47	2.65%	347.25	10.99%
	TOPIX (Japan)	1580.25	1558.20	1.42%	1410.34	12.05%
	Hang Seng (Hong Kong)	21996.42	22640.04	-2.84%	23987.45	-8.30%
Commodities	US\$ Gold Price	1063.68	1141.05	-6.78%	1181.97	-10.01%
	US\$ Oil Price – W Texas Crude	40.45	46.59	-13.18%	66.15	-38.85%
	US\$ Iron Ore Price	45.00	49.50	-9.09%	70.00	-35.71%
	US\$ CRB Spot Commodity Index	384.00	395.15	-2.82%	454.64	-15.54%
Exchange Rates	AUD / USD	0.7189	0.7099	1.27%	0.8491	-15.33%
	AUD / EUR	0.6790	0.6467	4.99%	0.6822	-0.47%
	AUD / GBP	0.4784	0.4637	3.17%	0.5406	-11.51%
	AUD / JPY	88.22	86.12	2.44%	100.43	-12.16%
TWI	Australia Trade Weighted Index \$A	61.80	60.30	2.49%	68.20	-9.38%
Volatility	VIX Index %	16.13	15.07	1.06%	13.33	2.80%
	S&P/ASX200 Volatility Index	17.31	19.19	-1.88%	14.62	2.70%

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	2.39	2.66	3.41	0.90	2.14
Australian Bonds	Bloomberg AusBond Composite Index	-0.87	-0.33	3.99	4.68	6.56	1.61	2.25
International Bonds	Barclays Global Aggregate \$A (H)	0.20	1.45	4.22	5.42	7.18	2.58	3.44
	Barclays Global Agg Treasuries TRI \$A (H)	0.20	1.67	4.83	5.74	7.23	3.07	3.74
	Barclays Global Agg Corporate TRI \$A (H)	0.28	1.49	3.01	5.22	7.81	2.05	2.57
Emerging Markets Debt	Barclays EM Hard Currency Agg TRI \$A (H)	0.00	1.56	2.20	3.94	8.24	0.88	4.56

SUMMARY OF STATISTICS

- Australian Cash, as measured by the Bloomberg AusBond Bank Bill Index, rose 0.17% over the month.
- Australian Bonds, as measured by the Bloomberg AusBond Composite Index, fell by -0.87% in November to be the worst performer.
- International Bonds moderately outperformed Australian Bonds, with the Barclays Global Aggregate Hedged \$A Index adding 0.20% over the month. Within the Global Fixed Income space, government bonds slightly underperformed corporate debt by 0.08%.
- Emerging Markets Debt was largely unchanged over the month, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index.

COMMENTARY

As expected, the RBA kept the overnight cash rate steady at 2.00% during both November and December board meetings. Governor Glenn Stevens reiterated that global economic conditions were continuing to expand at a moderate pace, with some further softening in conditions in the Asian region, while the US and Europe continued to recover.

Stevens noted that the Federal Reserve was expected to start increasing its policy rate over the period ahead, while some other major central banks were expected to continue easing monetary policy. Volatility in financial markets abated somewhat over the month. Although credit costs for some emerging market countries remained higher than a year ago, global financial conditions overall remain very accommodative.

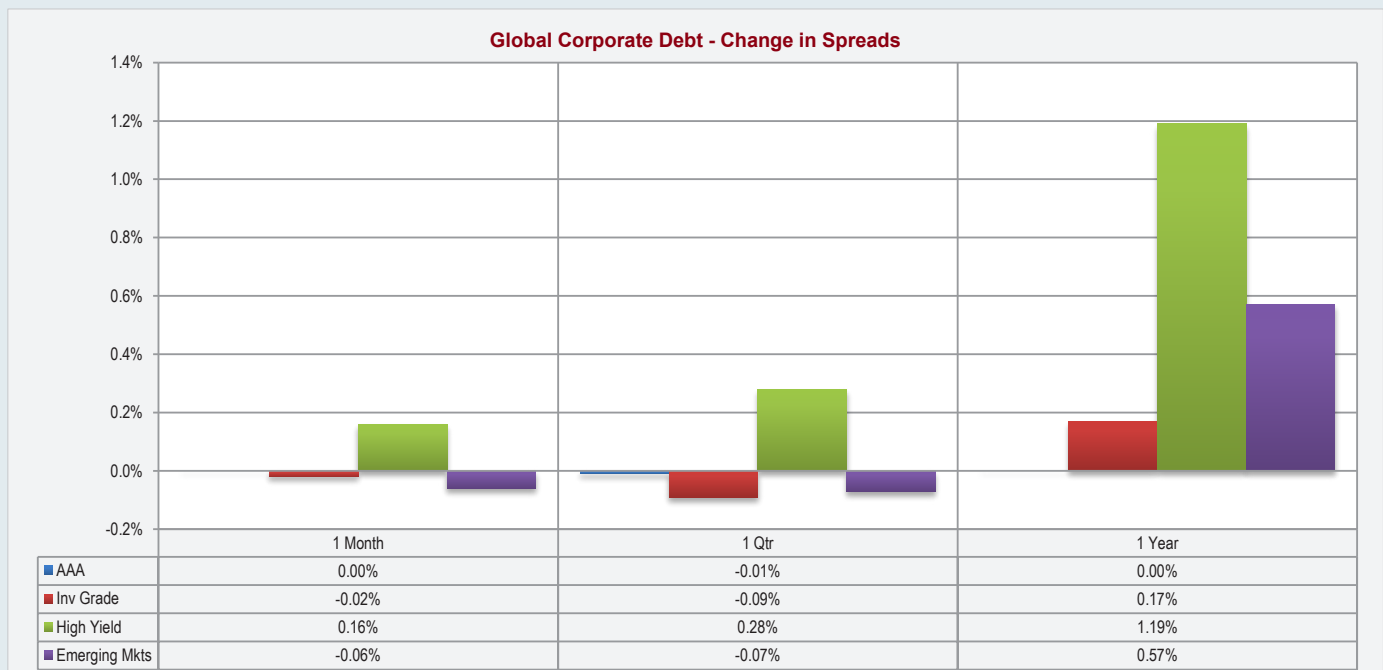
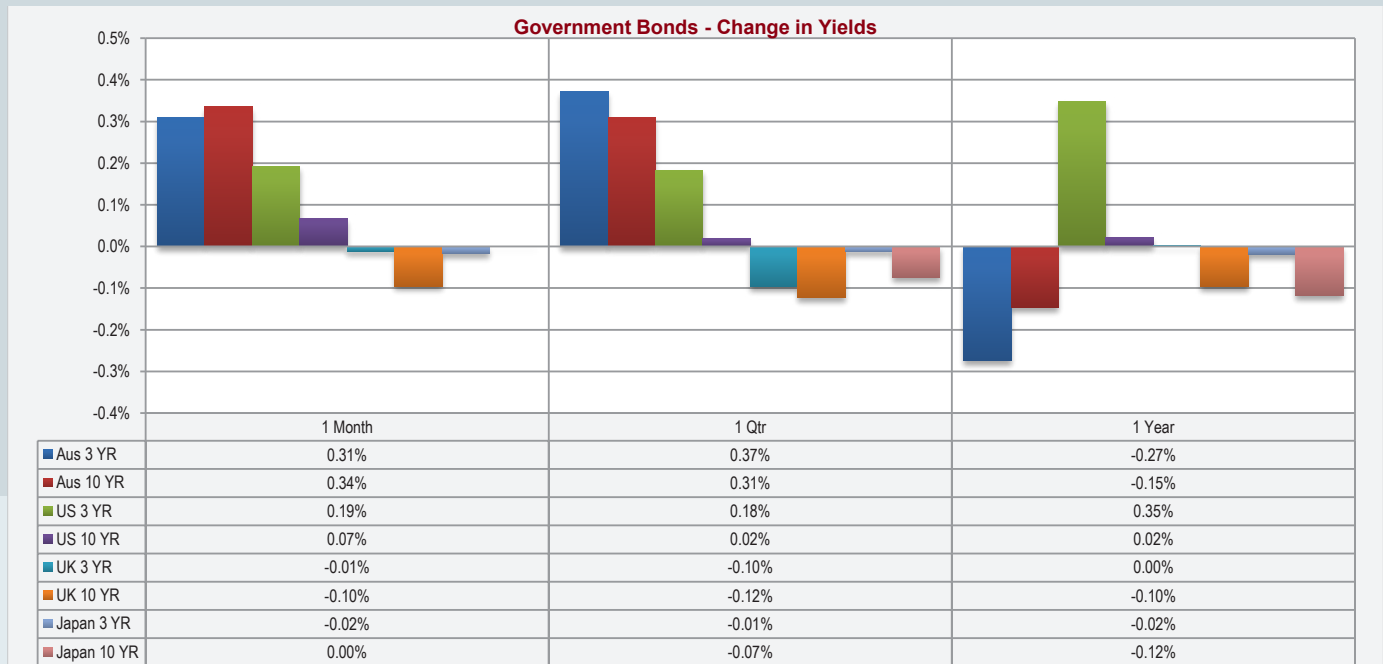
In Australia, the terms of trade continued to fall as commodity prices declined. While GDP growth has been somewhat below longer-term averages for some time, business surveys suggest financial conditions have continued to gradually improve over the past year. Very low interest rates have provided ongoing support to dwelling investment and household consumption. Consumer Confidence continued to increase, by 3.9 percent over the month, ending November at 101.7. The Australian Industry Group Australian Performance of Manufacturing Index rose to 52.5 points over the month. The manufacturing sector expanded for the fifth consecutive month, the longest unbroken run of expansion since 2010.

Despite the strong sentiment, Australian bonds fell by -0.87% over the month, underperforming global and emerging bond markets. Corporate debt spreads, as measured by the iTraxx Australian Index, widened by 8.35 points to finish the month at 124.75. The yield on Australian government issued 10 year bonds rose by 0.34% in November, indicating a fall in bond prices.

International bonds, as measured by the Barclays Global Aggregate Hedged AUD Index, rose by 0.20% over the month. Corporate debt was the slightly better performer, returning 0.28%, as measured by the Barclays Global Aggregate Treasuries Hedged Total Return AUD Index. Investment grade and emerging markets corporate

debt spreads fell by -0.02% and -0.06%, respectively, over the month, while high yield spread widened by 0.16%. Despite not returning much in November, the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index continued to be the best performer in the fixed income space year to date, gaining 4.56%.

Government bonds added 0.20% over the month, as measured by the Barclays Global Aggregate Treasuries Hedged AUD Total Return Index. The 10 year government bond yields fell in the UK by -0.10%, while increasing in the US by 0.07%.



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	-0.68	0.74	2.10	9.22	6.88	-3.01	0.06
	S&P/ASX 50 Leaders Index	-0.77	-0.37	0.28	9.33	7.68	-4.67	-1.66
	S&P/ASX Midcap 50 Index	-0.55	4.78	13.41	14.17	7.63	5.62	9.19
	S&P/ASX Small Ordinaries Index	0.02	6.57	6.52	1.47	-1.92	2.97	6.02
	S&P/ASX Emerging Companies Index	-2.77	8.93	8.13	-5.39	-8.34	6.92	10.81
GICS Sectors	S&P/ASX 300 Materials	-12.22	-12.58	-16.52	-8.85	-9.67	-18.15	-16.32
	S&P/ASX 300 Industrials	1.01	8.39	24.11	16.90	9.59	9.92	17.25
	S&P/ASX 300 Consumer Discretionary	0.49	5.57	9.28	17.01	9.71	7.87	11.71
	S&P/ASX 300 Consumer Staples	-1.33	-2.38	-6.50	2.49	6.22	0.63	-5.71
	S&P/ASX 300 Energy	-1.30	-6.19	-23.18	-8.16	-8.84	-19.05	-21.82
	S&P/ASX 300 Healthcare	5.20	7.80	22.05	22.18	19.75	10.96	15.56
	S&P/ASX 300 Information Technologies	4.50	11.61	9.75	11.11	5.99	3.80	7.78
	S&P/ASX 300 Telecommunications	-0.52	-5.16	1.94	15.43	22.55	-8.23	-2.45
	S&P/ASX 300 Financials ex Property	2.47	4.06	3.49	15.64	13.66	-2.71	1.00
	S&P/ASX 300 Utilities	-1.38	2.33	21.05	15.62	15.16	7.26	19.18
	S&P/ASX 300 A-REIT	-2.83	1.62	14.88	15.44	14.62	3.06	9.95

SUMMARY OF STATISTICS

- Australian shares fell by -0.68% in November, as measured by the S&P/ASX 300 Accumulation Index.
- On a market capitalisation basis, the Small Ordinaries Index added 0.02% in November to be the best performing market segment in November. Both large and midcaps were down over the month, while microcaps declined by -2.77%, to be the worst performers.
- On a sector basis, Materials was by far the biggest declining sector, falling by -12.22%, taking this year's loss to -16.32%. Energy continued to underperform on the back of the declining commodity prices. Over the past year, the ASX 300 Energy Index has lost -23.18%.
- Winners for the month were the Healthcare and the Information Technologies sectors, gaining 5.20% and 4.50%, respectively.
- Financials (ex-property) continued to recover from the earlier losses, adding 2.47% for the month.

COMMENTARY

Australian shares posted mixed results in November, with the overall S&P/ASX 300 Accumulation Index declining by -0.68%. While the economy continues to face large declines in capital spending in the mining sector, business surveys suggest there has been a gradual improvement in the non-mining sectors over the past year. Employment data has indicated stronger growth and the unemployment rate has been steady.

The Westpac Consumer Confidence Index rose by 3.9 percent to 101.7 over the month, the highest reading since May. The manufacturing sector expanded for the fifth consecutive month, with the Australian Industry Group Australian Performance of Manufacturing Index increasing 2.3 points to 52.5 points in November.

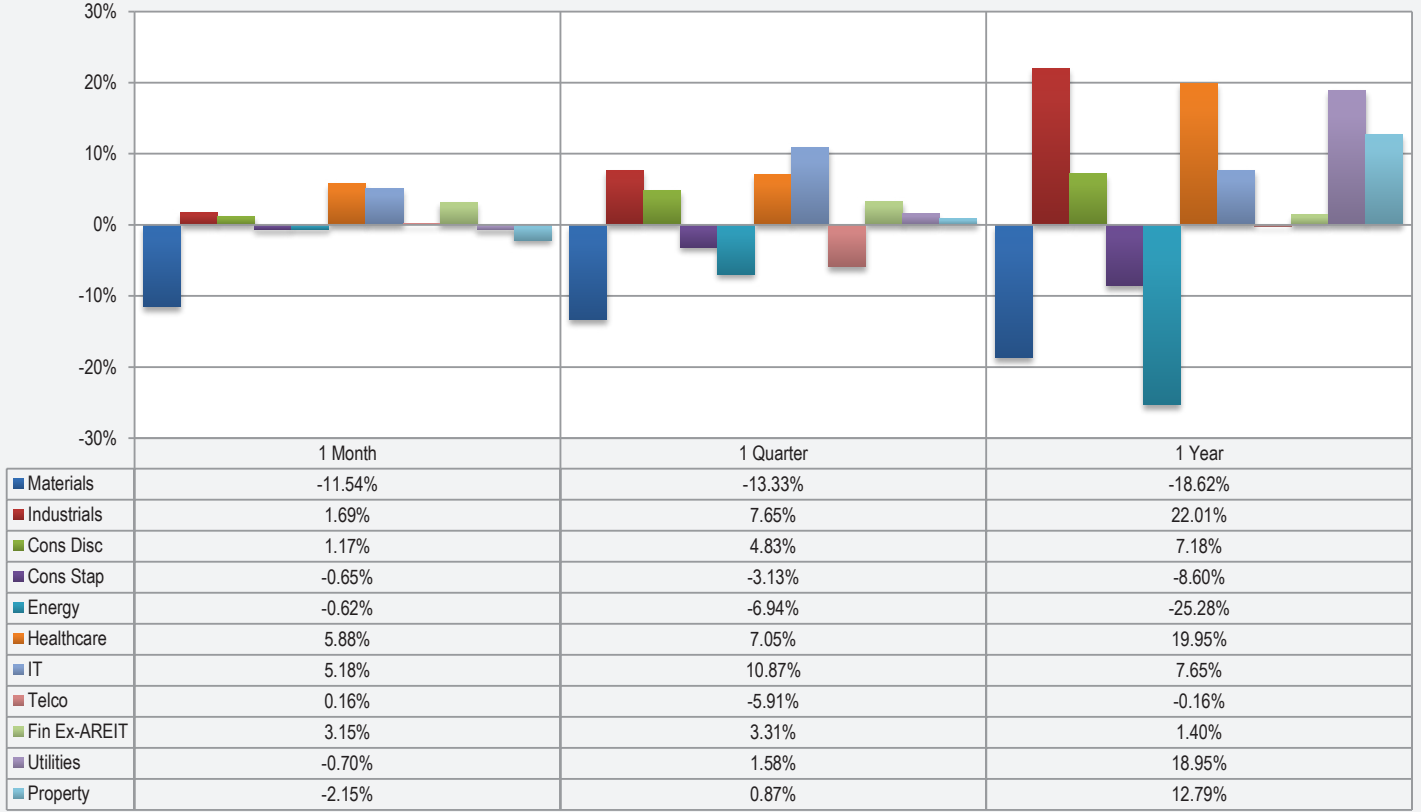
From a market capitalisation perspective, the S&P/ASX Small Ordinaries Index rose by 0.02% over the month to be the best performer. Lynas Corp Ltd (+98.28%) and Bellamy's Australia Ltd (+44.01%) were among the biggest gainers. While most other mining companies have been suffering losses, Lynas shares soared after the company posted positive free cash flow in its most recent operating report, having improved the quality of its end product and cut costs throughout the operation. With growing demand from overseas, the baby food provider Bellamy's share price soared after the company entered a strategic manufacturing arrangement with world's biggest dairy exporter Fonterra Australia.

On a sector basis, Healthcare was the best performer, gaining 5.20%. The pharmaceutical company Mayne Pharma Group led gains, rising 25.37% over the month to take its past year return to 103.57%. The company has re-gained the confidence of investors and analysts after a couple of successful large acquisitions in the United States.

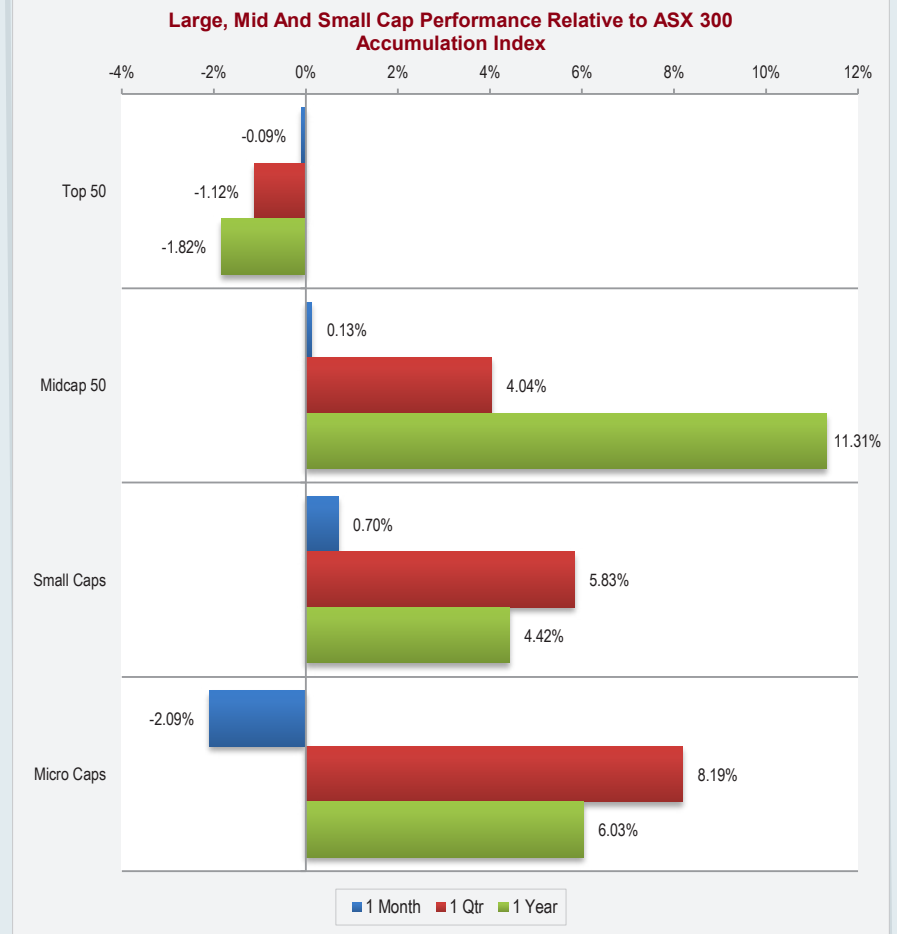
Information Technologies also did well over the month, with Technology One (+14.71%), iProperty Group Ltd (+9.97%) and Altium Ltd (+9.11%) the top performers. Over the past year, all three companies have reported more than 50 percent returns, instilling investor confidence in the sector.

Australian shares posted mixed results in November, with the overall S&P/ASX 300 Accumulation Index declining by -0.68%

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.



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 - Unhedged	MSCI World Ex-Au (\$A)	-2.06	1.22	17.42	25.85	16.12	4.52	14.40
	MSCI World (\$A)	-2.03	1.19	16.94	25.31	15.83	4.29	13.96
	MSCI Small Cap World (\$A)	-0.44	0.15	21.13	27.01	16.38	2.37	15.50
	MSCI AC World (\$A)	-2.35	0.86	14.86	23.26	14.22	2.73	12.29
International Shares - Local Currency	MSCI World ex-Au	0.68	4.83	3.59	14.76	11.42	0.29	4.48
	MSCI World	0.64	4.71	3.52	14.59	11.27	0.18	4.33
	MSCI World Small Cap	1.12	2.36	2.84	12.48	10.03	-3.49	2.27
	MSCI AC World	-0.83	3.08	-2.49	9.16	7.99	-3.15	-0.57
Regional Shares - Local Currency	MSCI North America	0.25	5.12	1.59	14.68	12.78	0.62	1.96
	MSCI Asia	-0.87	2.72	1.49	13.97	7.73	-7.33	2.51
	MSCI AC Asia ex-Japan	-2.76	2.19	-6.81	3.50	2.56	-10.89	-5.41
	MSCI China	-3.35	3.39	-5.56	3.09	0.73	-18.55	-6.64
	MSCI Europe	1.93	5.04	6.82	12.04	8.93	1.69	9.06
	MSCI Emerging Markets	-2.69	0.84	-7.11	2.51	2.02	-9.82	-4.74
	MSCI India	-2.87	-2.58	-7.44	10.17	6.19	-5.59	-3.24
	MSCI Japan	1.14	3.33	11.81	28.02	14.37	-3.16	12.30
Global Gold Shares in \$A	FTSE Gold Mines	-9.44	-2.31	-8.37	-24.67	-21.25	-16.38	-12.62
Global Resources in \$A	HSBC Global Mining	-14.44	-17.16	-30.82	-15.81	-15.41	-27.95	-29.70

SUMMARY OF STATISTICS

- International shares were marginally up in November with the MSCI World ex-Australia Index adding 0.68% in Local Currency. The unhedged equivalent fell by -2.06% due to the rising AUD.
- Global small cap stocks outperformed the broader index, rising 1.12% over the month, as measured by the MSCI World Small Cap ex-Australia Local Currency Index.
- Europe and Japan led gains in October, with the MSCI Europe Index and MSCI Japan Index gaining 1.93% and 1.14%, respectively, in Local Currency terms.
- The Chinese market and broader Asian region underperformed, falling by -3.35% and -2.76%, respectively, as measured by the MSCI China and AC Asia ex-Japan Local Currency Indices.
- Resource shares reversed gains, with the FTSE Gold Mines Hedged \$A Index and the HSBC Mining Hedged \$A Index declining by -9.44% and -14.44%, respectively, over the month.

COMMENTARY

Global equities posted mixed results in November, with the more advanced economies outperforming most developing countries. While the US and Europe continued to expand at a moderate pace, conditions in the Asian region continued to soften. Overall, the MSCI World ex-Australia Local Currency Index gained 0.68% in November.

Global equities posted mixed results in November, with the more advanced economies outperforming most developing countries

In the US, softer new business growth was the main factor weighing on the manufacturing data in November. The final Markit US Manufacturing PMI came in at 52.8 in November, 1.3 points lower than the previous month. Output growth slowed over the month, following a seven-month high recorded in October. US consumer confidence rose by 1.3 points, ending November at 91.3. Although consumers were more optimistic over their current conditions and their future economic situation, markets were expecting stronger sentiment in line with preliminary estimates.

Following the mass shooting in Paris on the 13th, share markets seemed set to tumble. However, despite a short lived increase in volatility, Europe beat expectations to be one of the best performing regions. The MSCI Europe Local Currency Index gained 1.93% over the month, taking its past year return to 6.82%. Manufacturing PMI in Europe increased to 52.8 in November, from 52.3 in the previous month and unveiling the strongest manufacturing growth over the past 19 months.

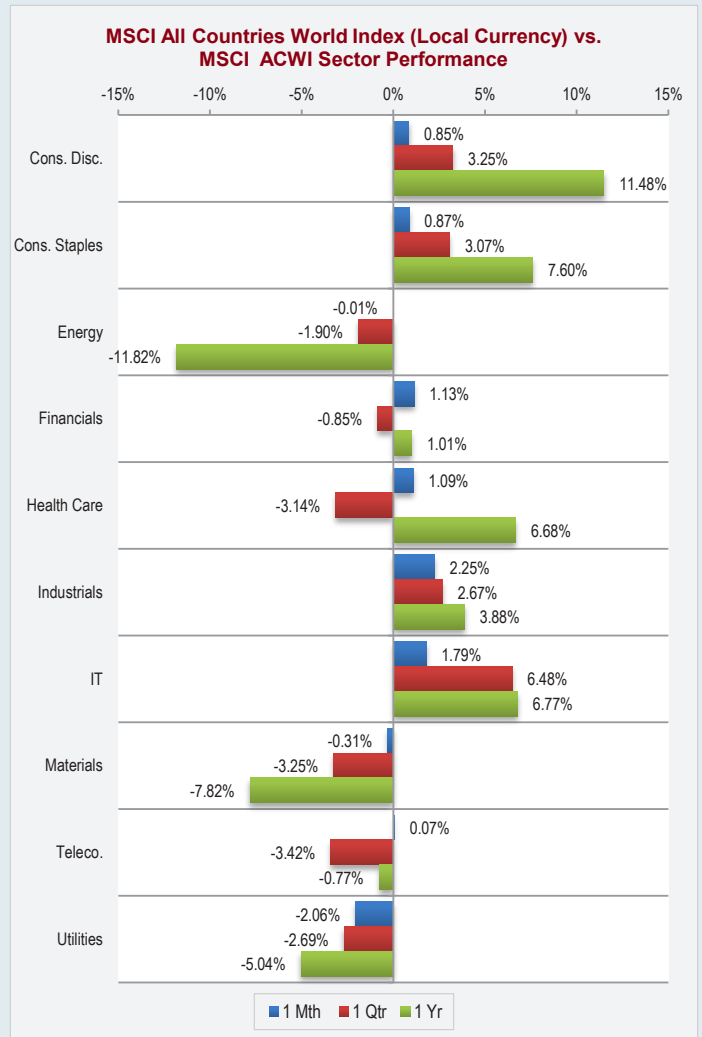
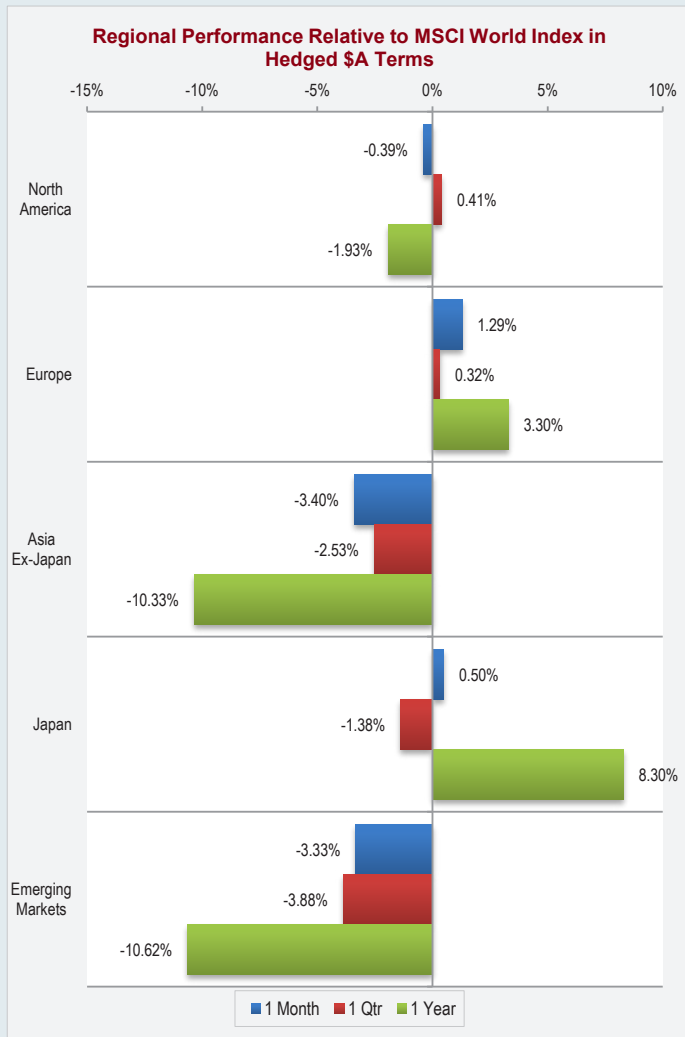
Japanese shares also outperformed, with the MSCI Japan Local Currency Index increasing by 1.14% over the month. Despite experiencing quite volatile returns over the September, two months seemed to be all it took for Japan to climb up the top. This year to date, Japan has gained 12.30% to be the best performing region.

A widening Chinese investigation into what officials have deemed suspicious or illegal trading activity put the brakes on a rebound in the Shanghai Composite Index, wiping out much of the market's November gains. The MSCI China Local Currency Index fell by -3.35% over the month to underperform most other global equities. Business confidence also disappointed, with the China NBS Manufacturing PMI Index falling to 49.6 in November. The neighbouring Asian region was affected, declining by -2.76% in local currency terms.

Resource stocks fell back to deep red, with the HSBC Global Mining Index declining by -9.44%. Gold shares, as measured by the FTSE Gold Mines Hedged \$A Index, lost by -14.44% over the period. Similar to what was witnessed in Australia, materials and energy were also the worst sectors in the global share market, falling by -1.14% and -0.84% respectively over the month in local currency terms.

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	1.27	0.56	-15.33	-11.67	-5.66	-6.39	-12.35
	AUD / EUR	4.99	6.85	-0.47	-5.42	-1.57	-1.11	0.65
	AUD / GBP	3.17	3.26	-11.51	-9.71	-5.03	-2.07	-9.24
	AUD / JPY	2.44	1.87	-12.16	0.86	1.75	-6.07	-10.02

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	0.03	6.33	8.99	18.18	13.65	1.51	9.04
Local Currency	MSCI ACWI Consumer Staples Index	0.04	6.16	5.11	10.49	10.80	5.02	6.87
	MSCI ACWI Energy Index	-0.84	1.18	-14.31	-4.25	-2.02	-10.15	-13.14
	MSCI ACWI Financials Index	0.30	2.23	-1.48	10.79	6.43	-4.19	-1.04
	MSCI ACWI Health Care Index	0.26	-0.06	4.19	19.94	17.04	-2.96	6.16
	MSCI ACWI Industrials Index	1.42	5.75	1.39	12.72	8.08	-0.18	1.82
	MSCI ACWI IT Index	0.96	9.57	4.28	16.23	12.15	3.98	5.79
	MSCI ACWI Materials Index	-1.14	-0.17	-10.31	-2.38	-4.01	-11.06	-9.13
	MSCI ACWI Teleco. Services Index	-0.76	-0.33	-3.26	7.74	5.11	-3.88	1.14
	MSCI ACWI Utilities Index	-2.88	0.39	-7.53	5.57	1.76	-0.90	-7.64

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 A-REIT	-2.83	1.62	14.88	15.44	14.62	3.06	9.95
	FTSE E/N Australia	-2.88	1.67	13.89	14.76	14.17	2.77	8.91
Global Listed Prop. \$A (H)	FTSE E/N GLOBAL HGD A\$	-1.15	6.02	5.96	13.86	13.53	4.41	4.38
Global Listed Prop. \$A	FTSE E/N GLOBAL A	-3.61	2.46	15.75	20.03	14.11	6.57	11.31
	FTSE E/N North America	-2.02	5.94	20.05	24.84	18.22	13.35	13.37
	FTSE E/N Euro Zone	-7.54	-1.77	21.45	22.46	15.11	12.97	17.90
	FTSE E/N UK	-7.19	-1.93	29.11	33.70	23.28	8.14	25.48
	FTSE E/N Developed Asia	-4.84	-1.95	7.45	13.06	9.56	-3.39	3.74
	FTSE E/N Japan	-5.00	-2.84	8.23	18.90	12.54	0.70	5.25
	Australian Listed Infra.	S&P/ASX 300 Utilities	-1.38	2.33	21.05	15.62	15.16	7.26
Global Listed Infra. \$A (H)	S&P Global Infrastructure	-2.61	-0.45	-0.87	13.38	12.01	-3.39	-1.82

SUMMARY OF STATISTICS

- Australian listed property fell by -2.83% in November, as measured by the S&P/ASX 300 A-REIT Index.
- GREIT declined by -1.15%, as measured by the FTSE EPRA NAREIT Developed Hedged AUD Index.
- After taking currency into consideration (rising AUD over the month), the Euro Zone and the UK were the worst performing regions, declining by -7.54% and -7.19% respectively.
- Listed infrastructure was also weak for both the Australian and international markets, falling by -1.38% and -2.61% respectively, in November.

COMMENTARY

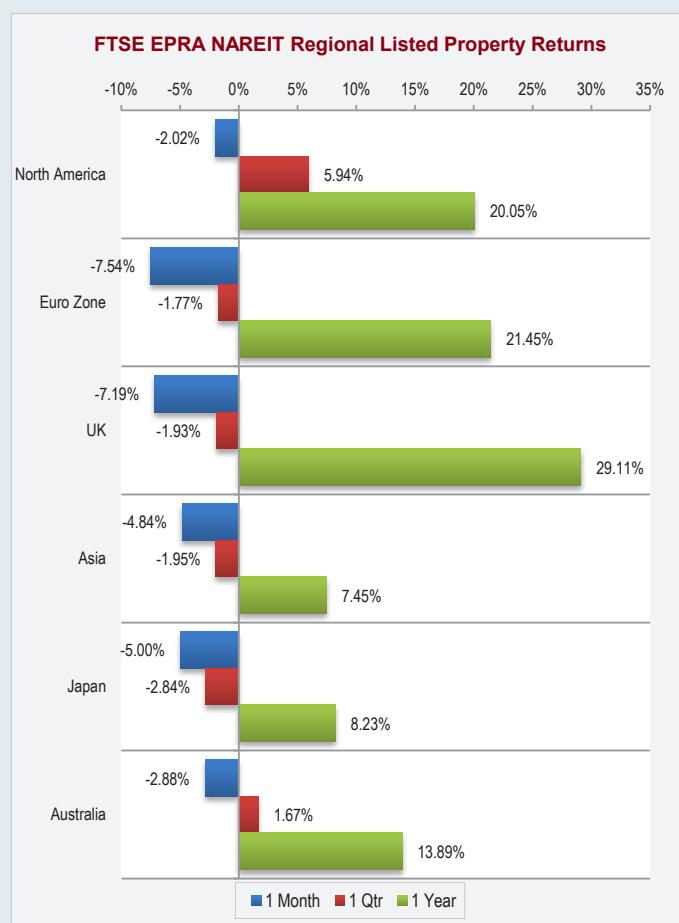
Australian and global listed properties were both down over the month, with AREITs underperforming GREITs (in hedged AUD) by -1.73%.

In Australia, winners over the month included the Industria REIT (+3.90%) and the 360 Capital Industrial Fund (+3.81%), while losers included the Abacus Property Group (-10.09%), Vicinity Centres (-6.87%) and Westfield Corp (-6.34%).

Global listed property was down in most regions, with the the Euro Zone and the UK being the the worst performing regions, declining by -7.54% and -7.19% respectively. Notwithstanding this, over the past year, the Euro Zone and the UK gained 21.45% and 29.11% respectively to outperform most other regions.

Australian listed infrastructure stocks fell by -1.38%, while their global counterparts declined by -2.61%. Over the past year, the S&P/ASX 300 Utilities Index has gained 21.05%, outperforming the S&P Global Infrastructure Hedged AUD Index by 21.92%.

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
Data source | Thomson Reuters

DISCLAIMER: Zenith is the holder of Australian Financial Services License No. 226872 for the purposes of providing "General Advice" (as defined by section 766B of Corporations Act 2001). General Advice provided by Zenith is limited to Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any specific person who may read it. It is not a specific recommendation to purchase, sell or hold any relevant product(s). Zenith advises that investors should seek their own independent financial advice before making any investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation or needs. Investors should obtain a copy of, and consider, any relevant product PDS or offer document before making any decision. This advice is prepared exclusively for clients of Zenith. The material contained in this advice is subject to copyright and may not be reproduced without the consent of the copyright owner. The information contained in this advice is believed to be reliable, but its completeness and accuracy is not guaranteed. Zenith accepts no liability, whether direct or indirect arising from the use of information contained in this advice.