

THE MONTHLY MARKET REPORT



A SNAPSHOT OF THE KEY POINTS FOR JANUARY

- There was no RBA Monetary Policy meeting in January and the cash rate was kept at 2.00% following the February meeting.
- In fixed income, the 3 Month Bank Bill Swap Rate and the 10 Year Australian Bond Rate fell by -0.03% and -0.26%, respectively, in January.
- Corporate debt spreads, as measured by the iTraxx Australian Index, rose to 139.54 in January from the previous reading of 126.23.
- Shares fell both domestically and overseas, with the Hong Kong Hang Seng Index declining by -10.18% to be the worst performer.
- In Australia, the All Ordinaries Index and the S&P/ASX 200 Index fell by -5.39% and -5.48%, respectively. Listed property continued to outperform the broader domestic share market, gaining 0.93% for the month.
- Global commodity prices recovered slightly in January, gaining 2.33%, as measured by the US\$ CRB Spot Commodity Index. Gold prices had the largest gain, 5.16% in US Dollar terms. Notwithstanding this, over the past year gold has declined by -12.26%.
- Oil and Iron Ore prices continued to suffer, falling by -9.23% and -2.28% over the month, taking the past year loss to -30.31% and -34.15%, respectively.
- The Australian Dollar depreciated against most currencies in January, falling by -2.82% versus the US Dollar, -2.78% against the Euro and -3.15% versus the Japanese Yen. The Dollar rose slightly comparing to the British Pound, by 0.26% for the month.
- The Australian Trade Weighted Index (TWI) fell by -1.91% over the month, ending January at 61.50.
- The share market volatility rose both domestically (+4.37%) and in the US (+1.99%).



Shares fell, gold and bonds outperformed

January was a risk off month, with oil prices and equity markets weaker globally. Investors continued to withdraw funds out of the emerging markets, in favour of safer assets.

Bond yields declined (price rose) in January, with most government bonds and highly rated corporate debt in developed countries outperforming high yield debt. Demand for gold rose over the month, as the share market volatility increased.

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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 (%)	2.00	2.00	0.00	2.50	-0.50
	3 Month BBSW (%)	2.19	2.22	-0.03	2.15	0.04
	10 Year Bond Rate (%)	2.70	2.96	-0.26	2.43	0.27
iTraxx	iTraxx Australia	139.54	126.23	13.31	96.23	43.31
Australian Shares	All Ordinaries Index	5056.60	5344.60	-5.39%	5551.60	-8.92%
	S&P/ASX 200	5005.50	5295.90	-5.48%	5588.30	-10.43%
Property	ASX 300 Property Index	1281.39	1269.62	0.93%	1252.83	2.28%
Regional Shares	Dow Jones Industrials (US)	16466.30	17425.03	-5.50%	17164.95	-4.07%
	S&P 500 (US)	1940.24	2043.94	-5.07%	1994.99	-2.74%
	FTSE 100 (UK)	6083.79	6242.32	-2.54%	6749.40	-9.86%
	STOXX 50 (EUR)	342.27	365.81	-6.43%	367.05	-6.75%
	TOPIX (Japan)	1432.07	1547.30	-7.45%	1415.07	1.20%
	Hang Seng (Hong Kong)	19683.11	21914.40	-10.18%	24507.05	-19.68%
	US\$ Gold Price	1117.15	1062.38	5.16%	1273.24	-12.26%
Commodities	US\$ Oil Price – W Texas Crude	33.62	37.04	-9.23%	48.24	-30.31%
	US\$ Iron Ore Price	42.80	43.80	-2.28%	65.00	-34.15%
	US\$ CRB Spot Commodity Index	383.51	374.78	2.33%	422.45	-9.22%
Exchange Rates	AUD / USD	0.7100	0.7306	-2.82%	0.7781	-8.75%
	AUD / EUR	0.6496	0.6682	-2.78%	0.6869	-5.43%
	AUD / GBP	0.4942	0.4929	0.26%	0.5162	-4.26%
	AUD / JPY	85.21	87.98	-3.15%	91.83	-7.21%
TWI	Australia Trade Weighted Index \$A	61.50	62.70	-1.91%	63.90	-3.76%
Volatility	VIX Index %	20.20	18.21	1.99%	20.97	-0.77%
	S&P/ASX200 Volatility Index	20.68	16.31	4.37%	14.33	6.35%

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	0.19	0.55	2.28	2.60	3.32	1.28	0.19
Australian Bonds	Bloomberg AusBond Composite Index	1.22	0.68	2.20	5.24	6.69	3.19	1.22
International Bonds	Barclays Global Aggregate \$A (H)	1.65	1.76	2.81	5.95	7.50	4.18	1.65
	Barclays Global Agg Treasuries TRI \$A (H)	2.15	2.37	3.59	6.50	7.71	5.30	2.15
	Barclays Global Agg Corporate TRI \$A (H)	0.61	0.38	-0.08	5.27	7.76	2.15	0.61
Emerging Markets Debt	Barclays EM Hard Currency Agg TRI \$A (H)	0.13	-1.10	2.59	3.24	7.95	-0.23	0.13

SUMMARY OF STATISTICS

- Australian Cash, as measured by the Bloomberg AusBond Bank Bill Index, rose 0.19% over the month.
- Australian Bonds had a strong month, with the Bloomberg AusBond Composite Index rising by 1.22%.
- International Bonds also performed well, with the Barclays Global Aggregate Hedged \$A Index gaining 1.65% in January. Within the Global Fixed Income space, government bonds outperformed corporate debt by 1.54% to be the best performer.
- Emerging Markets Debt continued to be the worst performer in January, despite gaining 0.13%, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index.

COMMENTARY

In Australia, there were no major events over the month. The overnight cash rate was kept steady at 2.00% at the February RBA board meeting and there was no board meeting in January.

However, a plunging oil price pulled most commodity prices lower, which contributed to materially lower bond yields and weaker equity markets. Although the US Federal Reserve left its benchmark

interest rate on hold during its January FOMC meeting, the rate rise in December continued to impact global financial markets.

Emerging markets continued to suffer in January, with commodities-linked countries particularly hit hard, as Chinese growth continued to slow. Foreign investors have withdrawn billions from emerging markets, in favour of safer, dollar dominated investments.

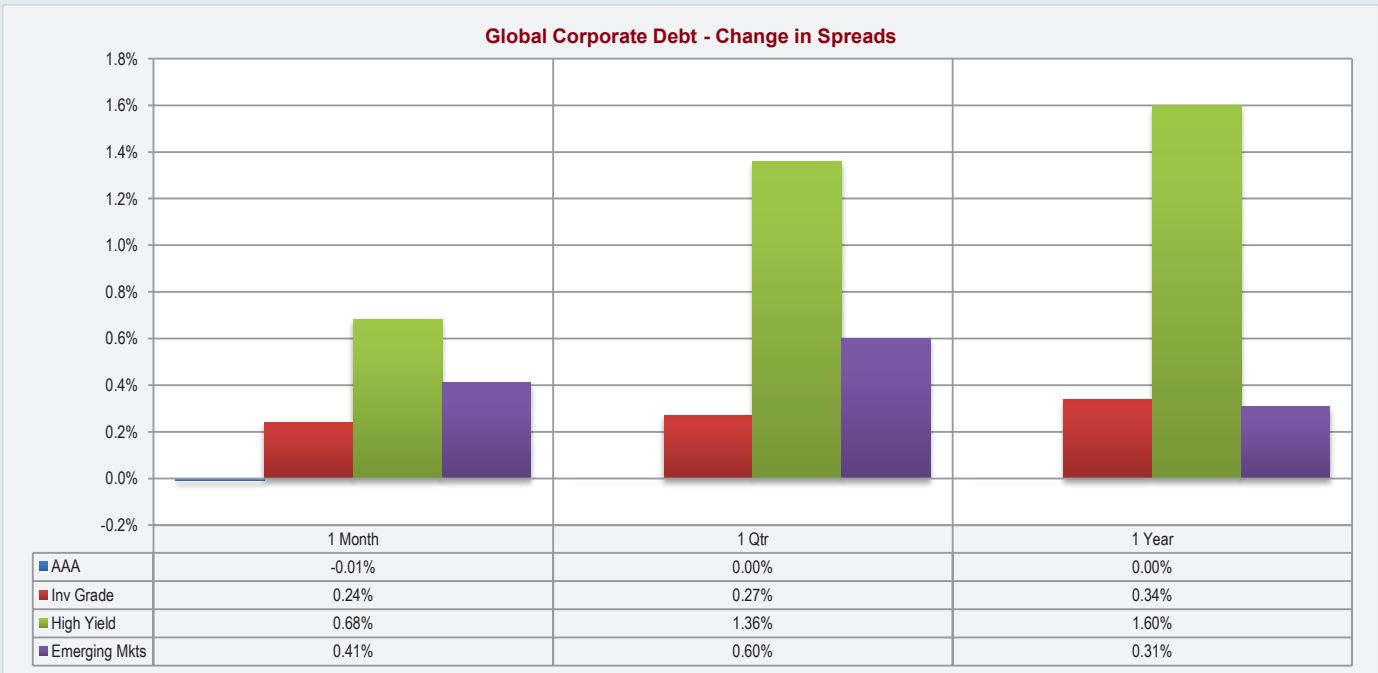
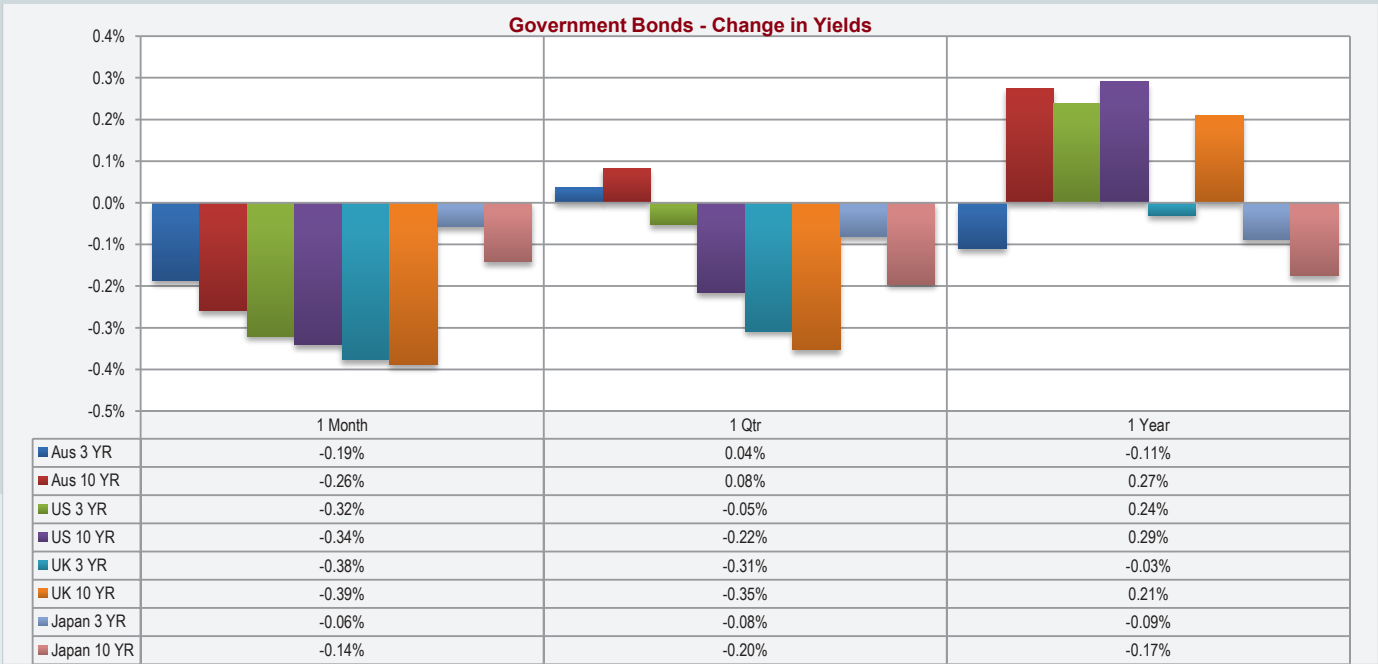
At the end of the month the European Central Bank President Draghi promised more easing in March and Governor Kuroda at the Bank of Japan adopted a negative interest rate policy, extending the world's biggest monetary policy experiment.

In Australia, interest rates continued to be relatively attractive, compared to the global counterparts. RBA Governor Stevens noted the expansion in the non-mining parts of the economy strengthened during 2015 even as the contraction in spending in mining investment continued. Surveys of business conditions moved to above average levels, employment growth picked up and the unemployment rate declined in the second half of the year, even though measured GDP growth was below average.

Australian bonds posted a strong return of 1.22% over the month, with yields falling for both short term and long-term government bonds. However, corporate debt spreads, as measured by the iTraxx Australian Index, widened by 13.31 points to finish the month at 139.54.

International bonds, as measured by the Barclays Global Aggregate Hedged AUD Index, gained 1.65% over the month. Similar to what was seen in Australia, Government bonds were the strongest performer, soaring 2.15% for the month on the back of lower yields.

Global corporate debt underperformed due to the widening spread, returning 0.61%, as measured by the Barclays Global Aggregate Treasuries Hedged Total Return AUD Index. High Yield and emerging markets corporate debt were affected the most, with spreads widening by 0.68% and 0.41%, respectively. Emerging market debt was the worst performer in the asset class, despite rising by 0.13% over the month



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	-5.45	-3.53	-5.85	5.27	5.45	-5.79	-5.45
	S&P/ASX 50 Leaders Index	-5.75	-3.94	-7.94	5.27	6.20	-7.71	-5.75
	S&P/ASX Midcap 50 Index	-3.58	-2.24	3.76	10.19	6.39	3.82	-3.58
	S&P/ASX Small Ordinaries Index	-5.11	-1.38	3.59	-1.43	-3.10	1.52	-5.11
	S&P/ASX Emerging Companies Index	-3.30	-4.97	6.34	-7.30	-9.82	4.49	-3.30
GICS Sectors	S&P/ASX 300 Materials	-9.12	-19.18	-23.70	-13.12	-11.75	-24.64	-9.12
	S&P/ASX 300 Industrials	-2.69	-2.21	12.08	11.40	8.38	6.42	-2.69
	S&P/ASX 300 Consumer Discretionary	-2.65	3.98	9.57	14.19	10.19	11.62	-2.65
	S&P/ASX 300 Consumer Staples	-0.18	5.51	-2.59	2.99	6.97	7.61	-0.18
	S&P/ASX 300 Energy	-6.49	-14.61	-27.62	-14.56	-12.00	-29.97	-6.49
	S&P/ASX 300 Healthcare	-2.58	3.06	10.28	19.07	18.34	8.71	-2.58
	S&P/ASX 300 Information Technologies	-4.91	3.16	8.20	5.51	5.44	2.46	-4.91
	S&P/ASX 300 Telecommunications	0.70	4.50	-5.26	14.80	23.69	-3.59	0.70
	S&P/ASX 300 Financials ex Property	-8.93	-3.28	-8.36	9.69	11.06	-8.17	-8.93
	S&P/ASX 300 Utilities	0.73	2.35	16.69	14.53	15.98	11.32	0.73
	S&P/ASX 300 Property	0.95	2.06	7.48	14.59	14.93	8.24	0.95

SUMMARY OF STATISTICS

- Australian shares fell by -5.45% over the month, as measured by the S&P/ASX 300 Accumulation Index.
- On a market capitalisation basis, the S&P/ASX 50 Leaders Index lost -5.75% to be the worst performer. Despite falling by -3.58%, the S&P/ASX Midcap 50 Index was the best performer in January.
- Most sectors were down in January, with Materials (-9.12%) and Energy (-6.49%) continuing to be the biggest decliners. Over the past year, the two sectors have lost -23.70% and -27.62%, respectively, due to the plunge in commodity prices and reduced sentiment in mining related investments.
- Financials also took a dive deep into the red, declining by -8.93% over the month.
- The S&P/ASX 300 Telecommunications Index rose by 0.70% in January, outperforming most other sectors.

COMMENTARY

The Australian share market had a poor start to the New Year, with the overall S&P/ASX 300 Accumulation Index declining by -5.45% in January, taking the past year return to a negative level. Although there were no major events happening in Australia, the global headwind of plunging oil prices and rising volatility did affect domestic sentiment.

The Westpac Consumer Confidence Index started 2016 with a reading of 97.3, 3.5% lower than the previous month. Household spending has historically fallen immediately after the festive season. On the business side, manufacturing activity shrank over the month, with the Australian Industry Group Australian Performance of Manufacturing Index decreasing by -0.4 points to 51.5 in January. Despite the fall, a reading above 50 indicates an expansion.

From a market capitalisation perspective, the S&P/ASX 50 Leaders Index lost -5.75% to be the worst performing sector. Many financial institutions and major resource companies continued to suffer due to tougher lending rules, falling commodity prices and lack of earnings. The big four banks ANZ (-12.49%), NAB (-7.52%), CBA (-6.90%) and WBC (-6.57%) all contributed to the falling market.

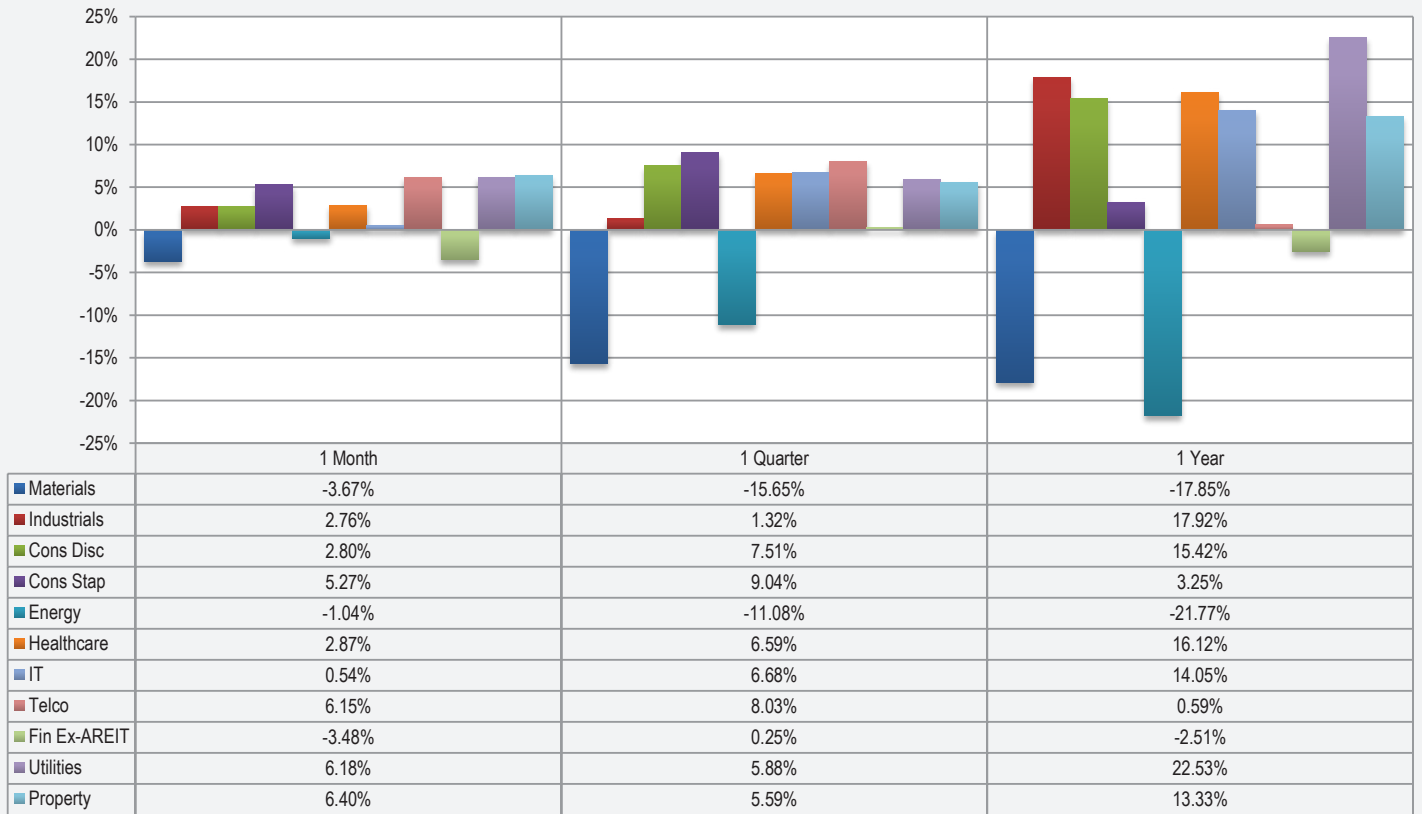
On a sector basis, Materials and Energy continued to be the worst performing sectors due to the continuing slowdown in mining investment and declining global commodity prices. Crude oil had fallen to \$US33 at the end of January 2016, compared to around \$US108 in June 2014. The ASX listed oil and gas producers Sino Gas & Energy Holdings Ltd (ASX: SEH) and mining stock Whitehaven Coal Ltd (ASX: LNG) were the biggest decliners, by -57.69% and -41.43%, respectively.

Financials also fell in January, with a number of listed fund managers and major banks taking a hit. Platinum Asset Management and BT Investment Management lost -18.74% and -17.13%, respectively, to be the worst performers over the month.

Telecommunications outperformed the broader Australian share market by 6.15% in January. M2 Group Ltd (+10.25%) and Vocus Communications Ltd (+5.79%) were among the best performers as shareholders have backed the merger of the two companies to become Australia's fourth largest telco.

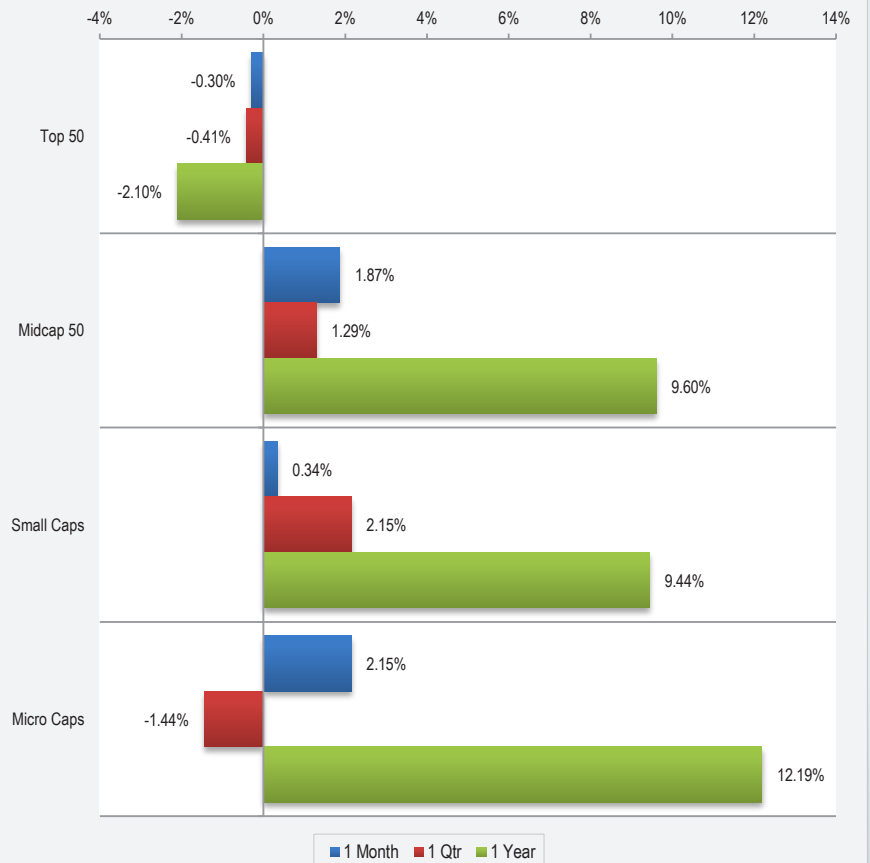
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GICs Sector Performance Relative to ASX 300 Accumulation Index



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)	-3.23	-7.38	4.85	20.76	13.57	-1.16	-3.23
Unhedged	MSCI World (\$A)	-3.30	-7.30	4.50	20.24	13.32	-1.33	-3.30
	MSCI Small Cap World (\$A)	-5.13	-8.30	3.09	20.00	13.12	-5.72	-5.13
	MSCI AC World (\$A)	-6.03	-8.49	-6.80	3.91	4.45	-10.63	-6.03
International Shares -	MSCI World ex-Au	-5.40	-6.93	-2.78	9.19	8.03	-7.29	-5.40
Local Currency	MSCI World	-5.42	-6.86	-2.92	9.05	7.95	-7.29	-5.42
	MSCI World Small Cap	-7.77	-9.09	-6.36	5.43	5.61	-13.23	-7.77
	MSCI AC World	-6.03	-8.49	-6.80	3.91	4.45	-10.63	-6.03
Regional Shares -	MSCI North America	-5.15	-6.63	-2.44	9.85	9.33	-6.29	-5.15
Local Currency	MSCI Asia	-7.23	-9.07	-7.35	6.75	5.06	-15.00	-7.23
	MSCI AC Asia ex-Japan	-6.81	-9.56	-14.19	-0.65	0.51	-17.12	-6.81
	MSCI China	-12.39	-16.45	-21.07	-4.64	-1.99	-29.59	-12.39
	MSCI Europe	-4.94	-6.79	-3.99	6.47	5.46	-7.01	-4.94
	MSCI Emerging Markets	-5.22	-8.76	-11.93	-1.41	0.27	-15.44	-5.22
	MSCI India	-4.46	-5.64	-11.25	8.16	6.99	-8.28	-4.46
	MSCI Japan	-7.64	-8.55	1.27	16.24	10.91	-12.44	-7.64
Global Gold Shares in \$A	FTSE Gold Mines	11.37	2.04	-22.24	-18.44	-17.43	-5.79	11.37
Global Resources in \$A	HSBC Global Mining	-6.00	-23.21	-37.66	-19.79	-17.59	-35.33	-6.00

SUMMARY OF STATISTICS

- International shares had a poor start to the new year, with the MSCI World ex-Australia Local Currency Index declining by -5.40% in January, taking its past financial year loss to -7.29%.
- On a sector basis, small caps underperformed, declining by -7.77% as measured by the MSCI World Small Cap Local Currency Index.
- Most countries reported losses over the month, with China and Japan the worst performers, declining by -1.80%, -3.81% and -2.10%, respectively, in local currency terms.
- Resource shares continued to underperform, with the HSBC Mining Hedged \$A Index declining by -6.00% over the month to take its past year loss to -37.66%.
- As most risky assets were posting losses, gold shares outperformed, with the FTSE Gold Mines \$A Index gaining 11.37% for the month.

COMMENTARY

Despite the Fed's decision to leave interest rates unchanged during its January FOMC meeting, global equities declined by -5.40% in January. The falling oil price, and worries that corporations, particularly energy companies, would not be able to pay back their debts continued to drag on the performance of risk assets.

US Business confidence contracted for the fourth consecutive month, with the US ISM Purchasing Managers Index ending January at 48.2 as employment and inventories subindexes declined. US consumer confidence fell by 0.6 points, ending January at 92. Consumers were pessimistic about both their current positions and future expectations. Over the month, shares in North America fell by -5.15%.

Emerging markets continued to suffer, with commodities-linked countries particularly hit hard. Economic growth in China slowed further over the month, with business confidence falling to the weakest level since August 2012, ending January at 49.4. Overall, the MSCI China Local Currency Index declined by -12.39% to be the worst performing region.

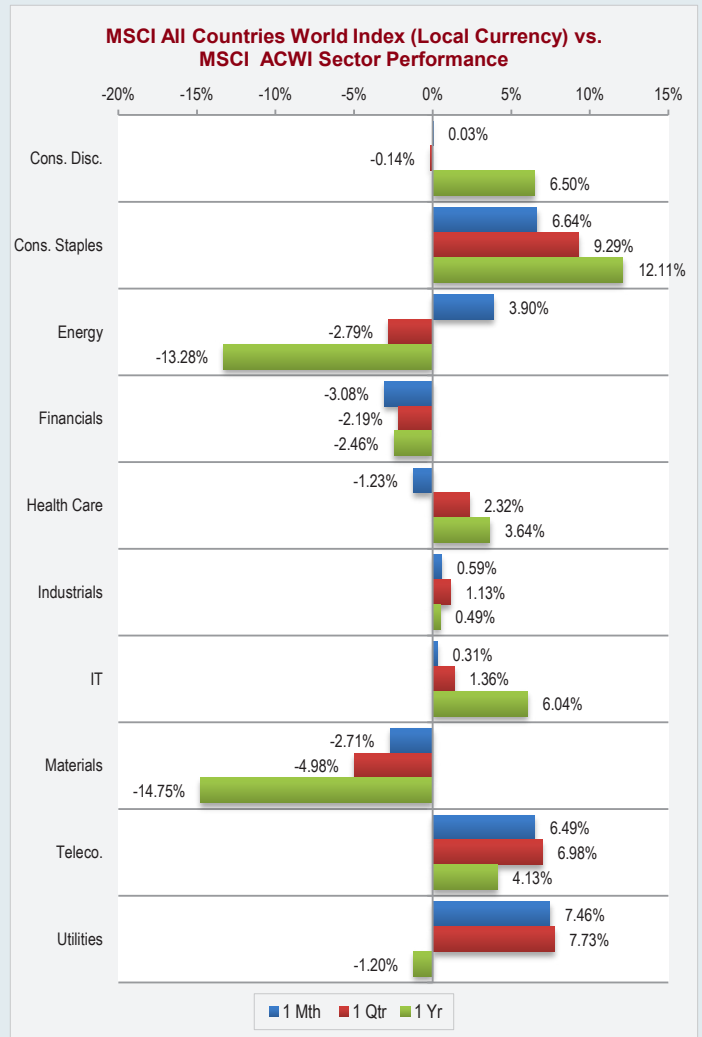
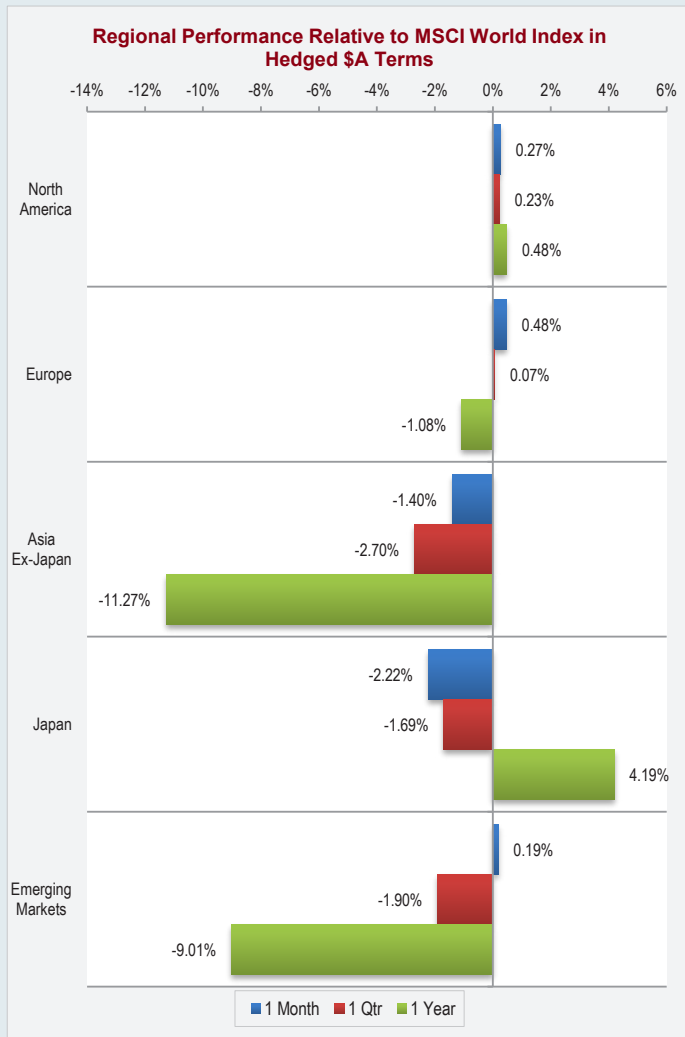
Towards end of the month, the Bank of Japan (BOJ) made a surprise decision to introduce the country to a negative interest rate policy, in an attempt to keep the economy from sliding back into the stagnation. After three years of BOJ asset purchases, inflation expectations in Japan have been sagging and recent volatility in global markets has threatened to undo some of what Japan has achieved, in terms of a weaker yen and higher stock prices. Japanese equities fell by a further -7.64% over the month, despite more monetary easing by the BOJ. Notwithstanding this, over the past year Japan stocks rose 1.27% to be the best performers.

Resource stocks continued to fall on the back of declining oil prices. The HSBC Global Mining Index fell by -6.00% in January, taking its past year loss to -37.66%. Safe haven asset gold climbed back into positive territory (+11.37%), as volatility rose in share markets.

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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	-2.82	0.01	-8.75	-11.93	-6.48	-7.55	-2.82
	AUD / EUR	-2.78	0.45	-5.43	-5.35	-2.29	-5.39	-2.78
	AUD / GBP	0.26	6.58	-4.26	-9.09	-4.60	1.17	0.26
	AUD / JPY	-3.15	-1.06	-7.21	-3.36	0.91	-9.27	-3.15

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	-6.00	-8.63	-0.30	11.62	11.00	-7.28	-6.00
Local Currency	MSCI ACWI Consumer Staples Index	0.61	0.80	5.31	9.43	10.91	5.82	0.61
	MSCI ACWI Energy Index	-2.13	-11.27	-20.08	-9.61	-6.60	-19.61	-2.13
	MSCI ACWI Financials Index	-9.11	-10.68	-9.25	3.02	2.31	-14.67	-9.11
	MSCI ACWI Health Care Index	-7.26	-6.17	-3.15	14.65	14.66	-9.19	-7.26
	MSCI ACWI Industrials Index	-5.45	-7.36	-6.31	6.36	4.38	-8.82	-5.45
	MSCI ACWI IT Index	-5.72	-7.13	-0.76	11.93	8.36	-4.34	-5.72
	MSCI ACWI Materials Index	-8.74	-13.47	-21.54	-8.59	-7.56	-22.15	-8.74
	MSCI ACWI Teleco. Services Index	0.46	-1.51	-2.66	6.25	4.27	-4.60	0.46
	MSCI ACWI Utilities Index	1.42	-0.76	-8.00	5.15	1.35	1.27	1.42

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	0.95	2.06	7.48	14.59	14.93	8.24	0.95
	FTSE E/N Australia	1.25	1.76	5.89	13.98	14.36	7.67	1.25
Global Listed Prop. \$A (H)	FTSE E/N GLOBAL HGD A\$	-3.58	-3.95	-4.84	9.78	11.44	1.46	-3.58
Global Listed Prop. \$A	FTSE E/N GLOBAL A	-2.26	-5.19	-0.23	16.51	13.25	4.83	-2.26
	FTSE E/N North America	-0.64	-1.65	1.77	22.11	17.41	13.78	-0.64
	FTSE E/N Euro Zone	-0.43	-7.42	5.45	21.26	13.26	13.11	-0.43
	FTSE E/N UK	-6.70	-17.70	2.09	27.52	19.06	-4.11	-6.70
	FTSE E/N Developed Asia	-2.53	-6.72	-4.75	9.29	8.77	-5.30	-2.53
	FTSE E/N Japan	0.20	-4.51	3.12	14.78	10.82	1.22	0.20
Australian Listed Infra.	S&P/ASX 300 Utilities	0.73	2.35	16.69	14.53	15.98	11.32	0.73
Global Listed Infra. \$A (H)	S&P Global Infrastructure	0.27	-5.14	-7.57	10.50	9.86	-5.91	0.27

SUMMARY OF STATISTICS

- Australian listed property gained 0.95% in January, as measured by the S&P/ASX 300 Property Index.
- GREITs declined by -3.58% in hedged Australian Dollar terms and -2.26% in unhedged AUD.
- After taking currency into consideration (falling GBP over the month), the UK was the worst performing region, declining by -6.70%.
- Australian listed infrastructure fell by -4.90% over the month while their international counterparts gained 0.27% in hedged AUD terms.

COMMENTARY

The Australian listed property market gained 0.95% in January, while their global counterparts (in hedged AUD) fell by -3.58%. Over the past year, AREITs outperformed GREITs by 12.32%.

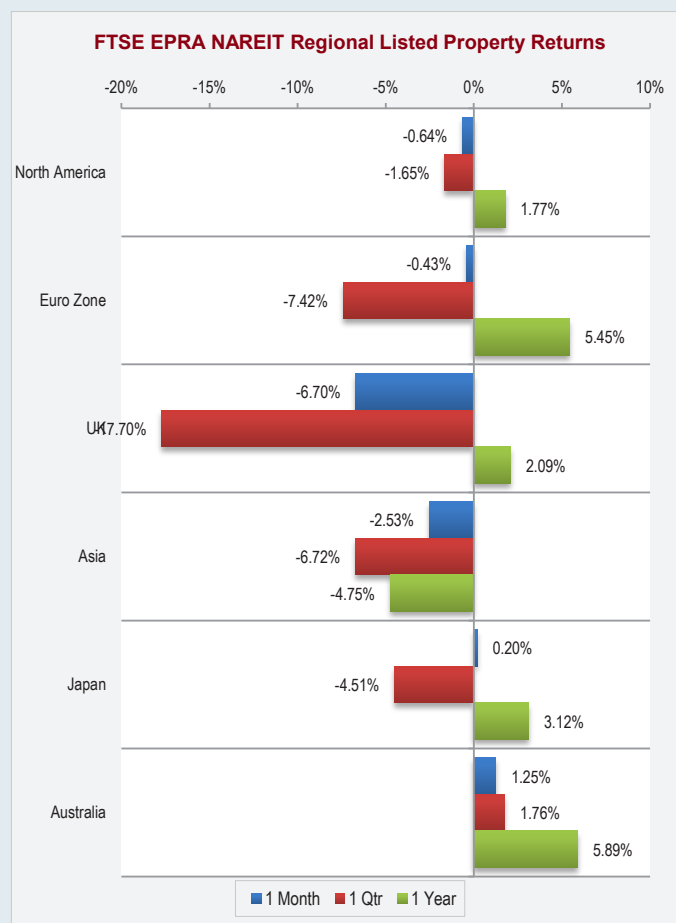
In Australia, Astro Japan Property Group (ASX:AJA) and Westfield Corp (ASX:WFD) were the best performing names, gaining 5.54% and 2.48% respectively, in January. Decliners for the month included Cromwell Property Group (ASX:CMW) Generation Healthcare REIT (ASX:GHC), declining by -6.60% and -5.36%, respectively.

Global listed property was down in most regions, with the UK falling by -6.70%, to be the worst performing region. Over the past quarter, UK properties fell by -17.70%, wiping out most of the gains of 2015.

Japanese REITs outperformed most other countries on a relative basis, gaining 0.20% for the month. The Bank of Japan's move to negative interest rates boosted properties through cheaper finance and further rate compression.

Australian listed infrastructure underperformed its global counterparts by -5.18% in January. Notwithstanding this, over the past year, the S&P/ASX 300 Utilities Index gained 8.20%, to outperform the S&P Global Infrastructure Hedged AUD Index by 15.77%.

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.

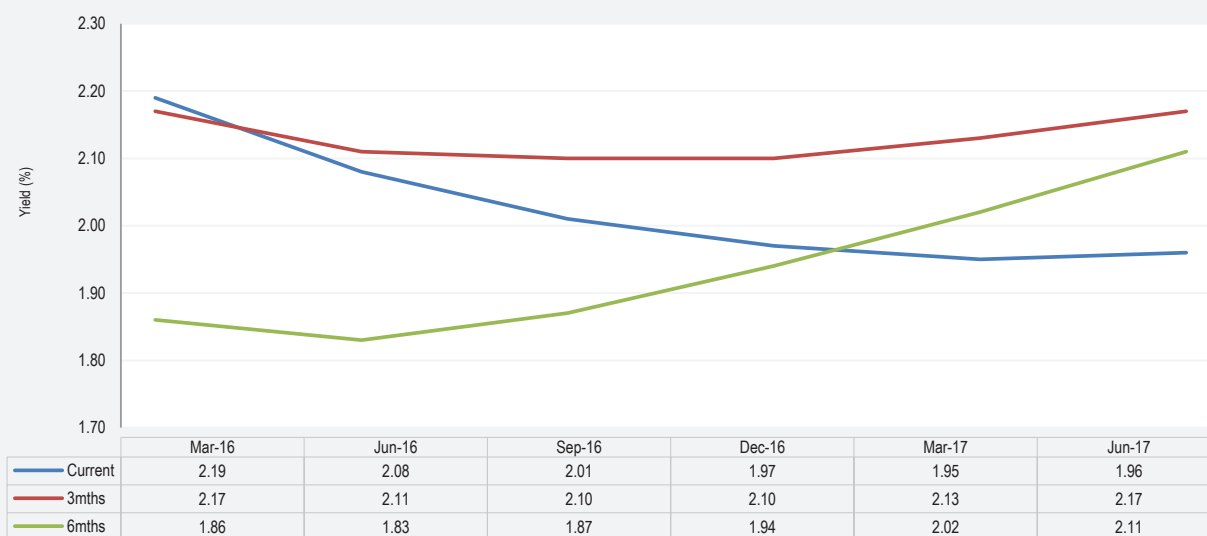
Sector	Absolute Valuation	Relative Valuation (vs Cash)	Momentum
Australian Bonds	Expensive	Moderately Expensive	Negative
Global Bonds	Expensive	Fair Value	Positive
Global Investment Corp Debt	-	Fair Value	Negative
Global High Yield	-	Moderately Cheap	
Australian Equities	Fair Value	Fair Value	Negative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

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.

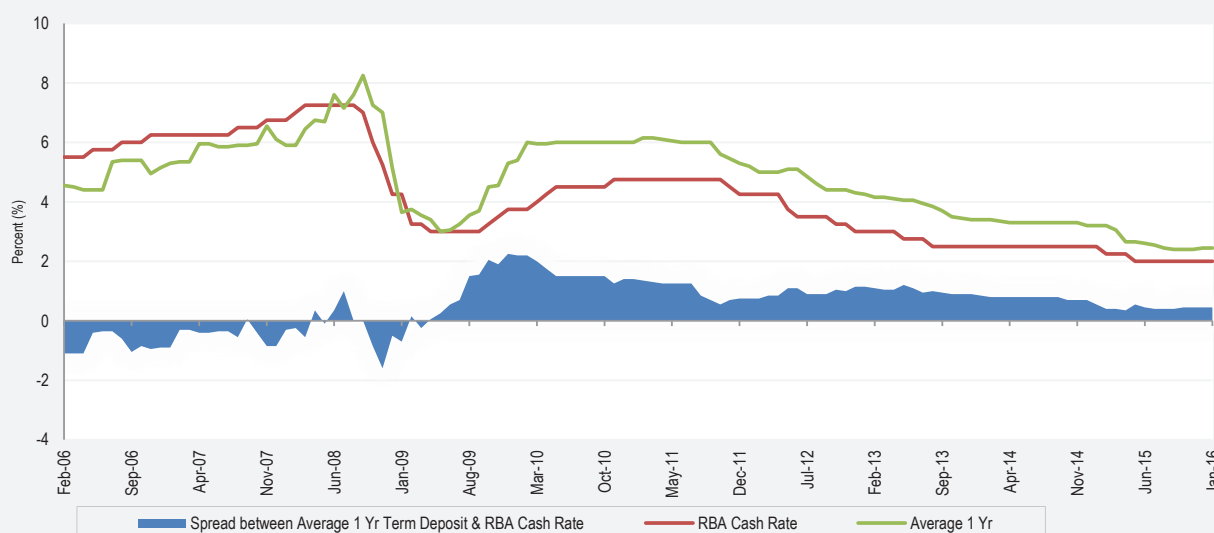
CASH

Australian 90 Day Bank Bill Futures Pricing



Source: Thomson Reuters

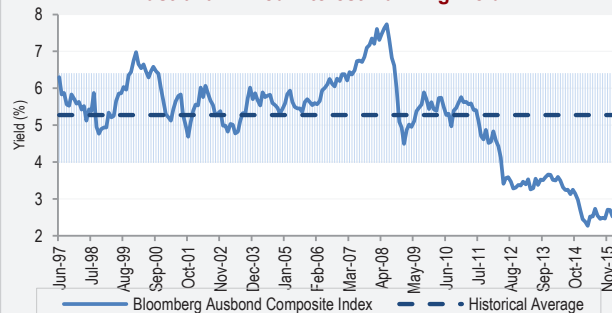
Term Deposit vs RBA Cash Rate



Source: Thomson Reuters

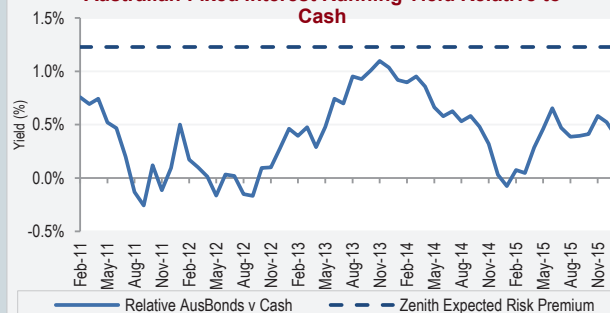
FIXED INTEREST

Australian Fixed Interest Running Yield



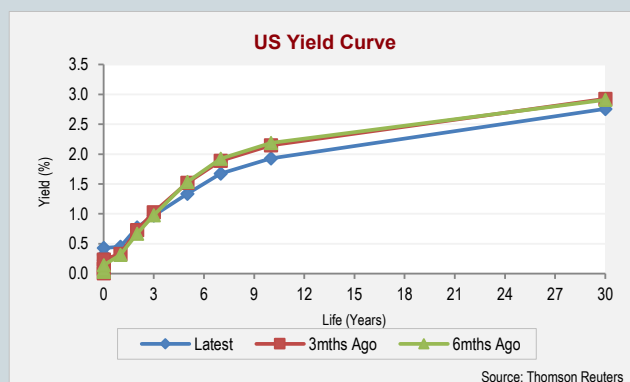
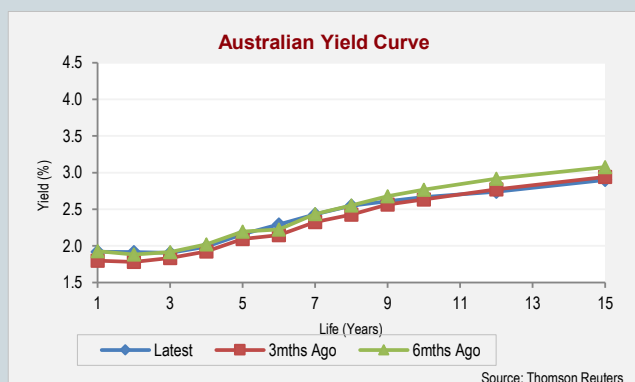
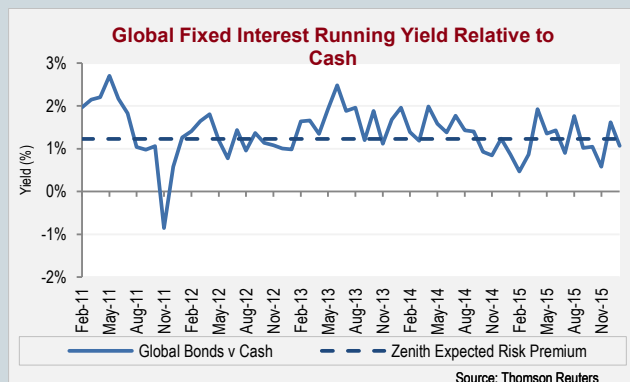
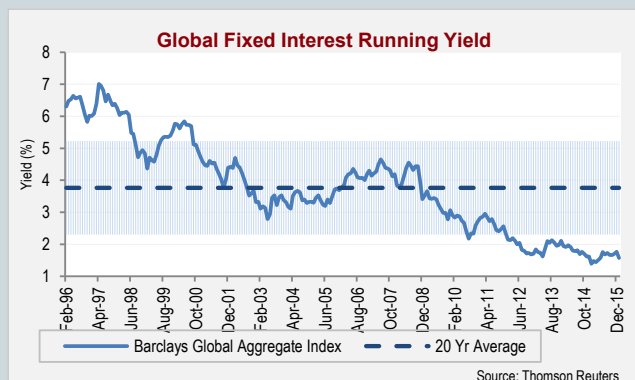
Source: Thomson Reuters

Australian Fixed Interest Running Yield Relative to Cash

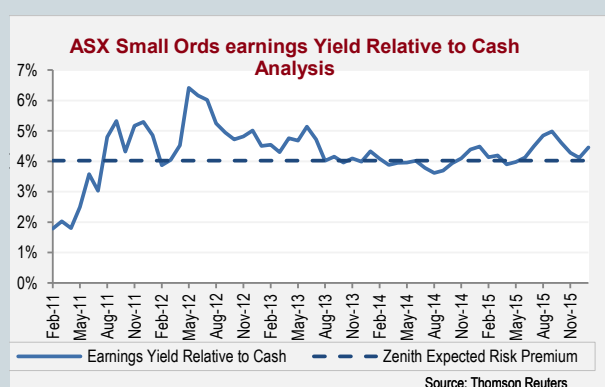
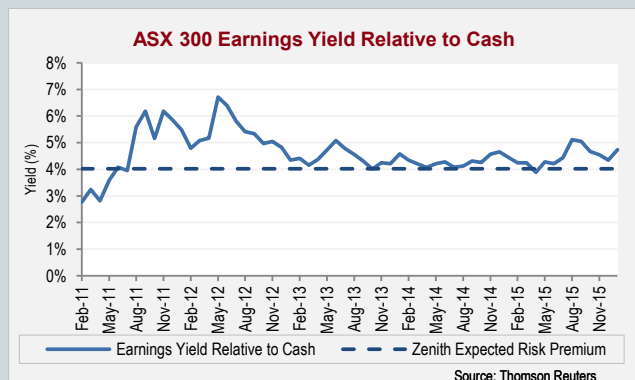
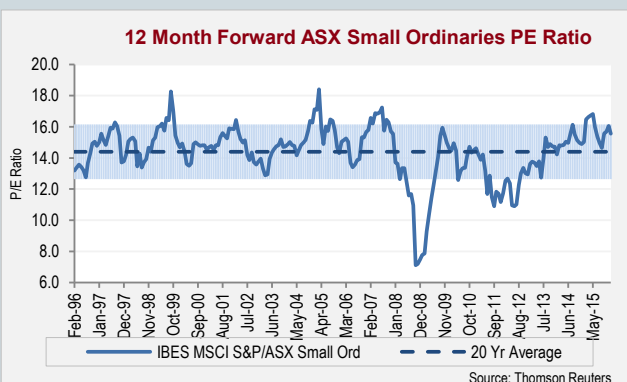
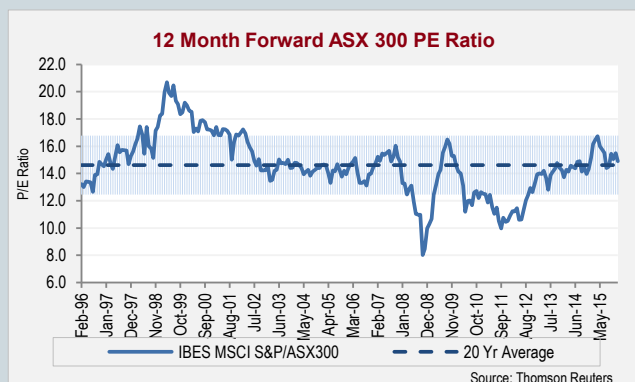


Source: Thomson Reuters

FIXED INTEREST (CONT.)

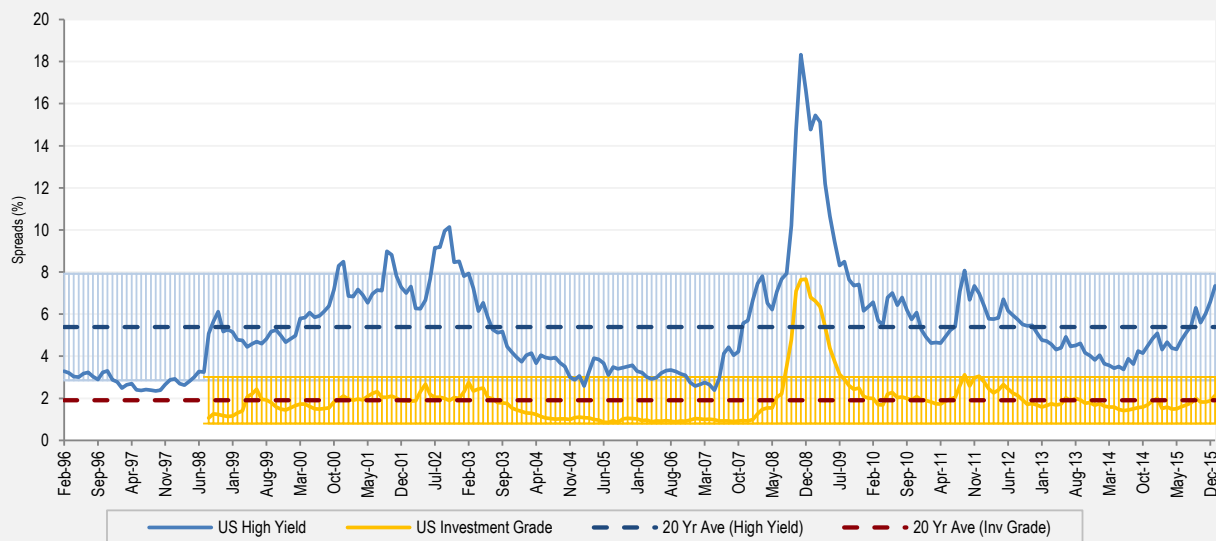


AUSTRALIAN EQUITIES

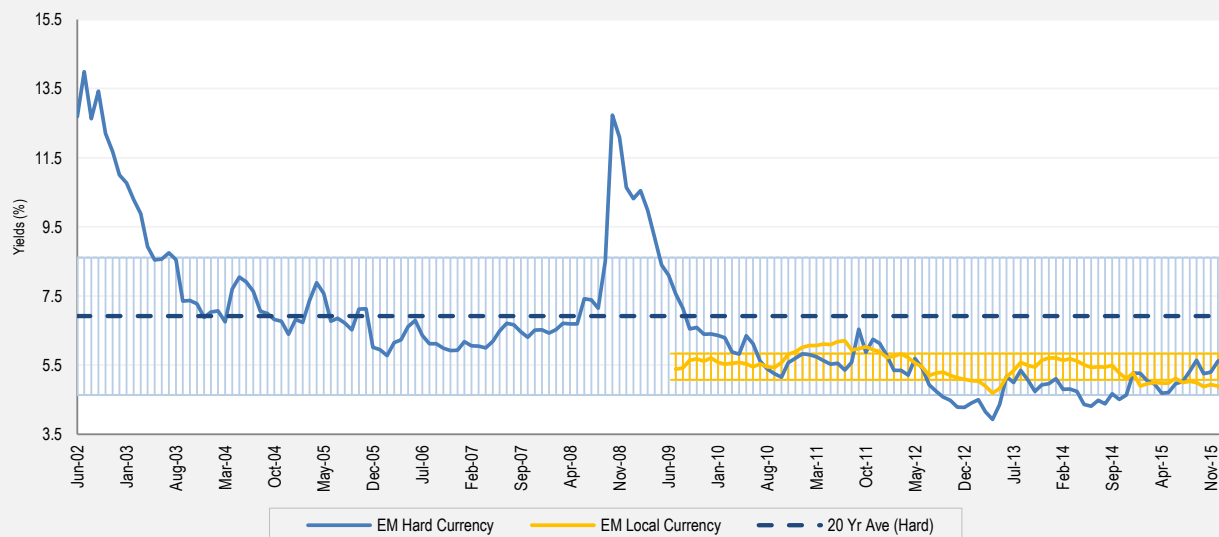


CORPORATE DEBT

US Investment Grade and High Yield Spreads above Treasuries

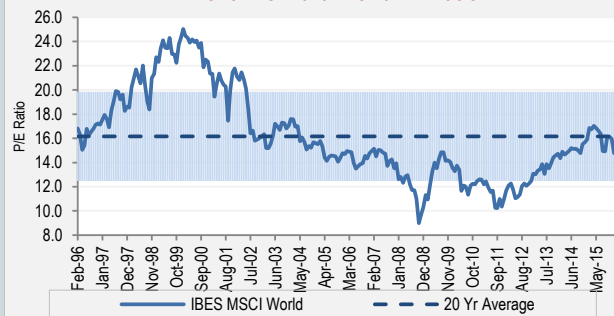


Barclays Emerging Markets Hard and Local Currency Running Yield



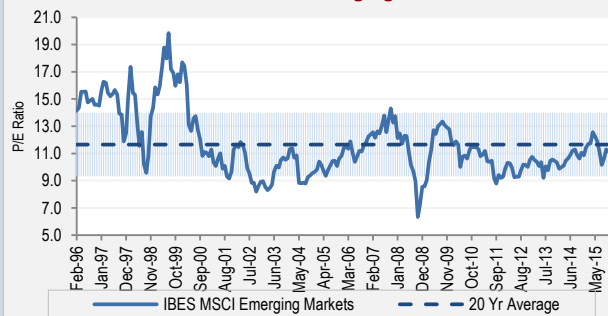
INTERNATIONAL SHARES

12 Month Forward World PE Ratio



Source: Thomson Reuters

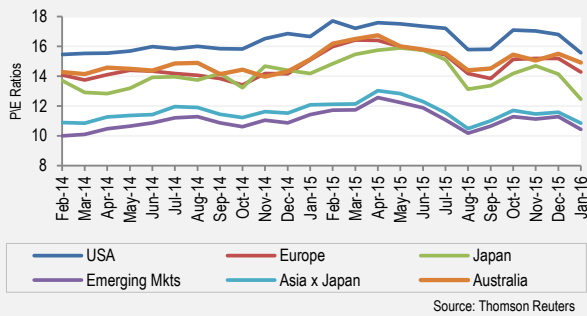
12 Month Forward Emerging Markets PE Ratio



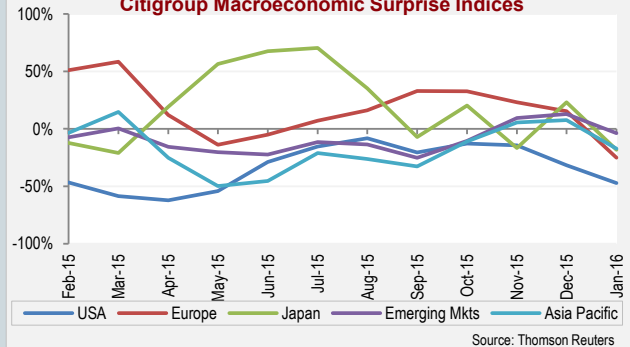
Source: Thomson Reuters

INTERNATIONAL SHARES (CONT)

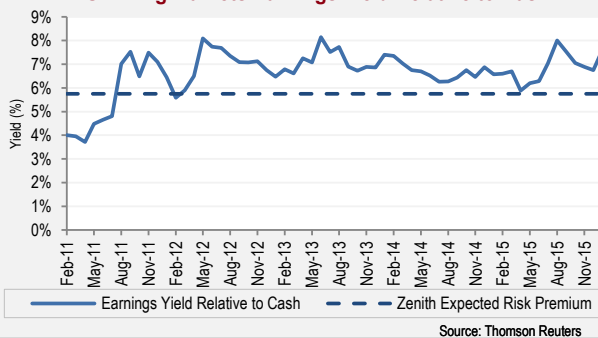
Regional Equity 12 Month Forward PE Valuations



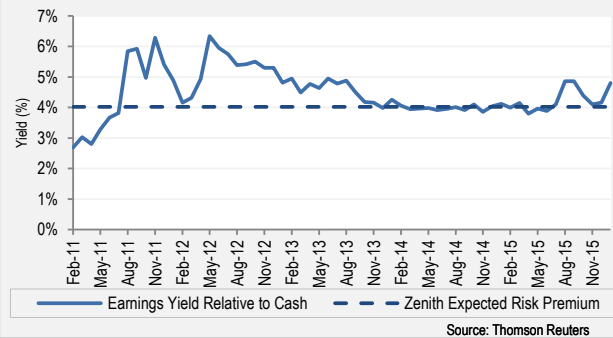
Citigroup Macroeconomic Surprise Indices



MSCI Emg Markets Earnings Yield Relative to Cash

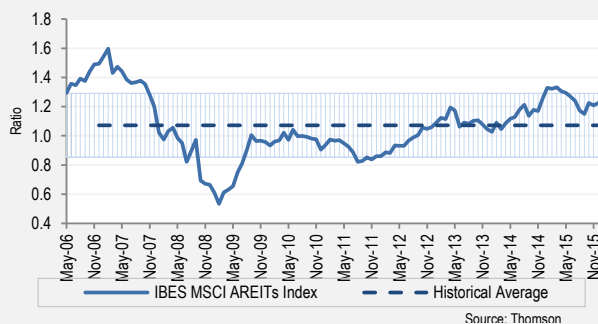


MSCI World Earnings Yield Relative to Cash

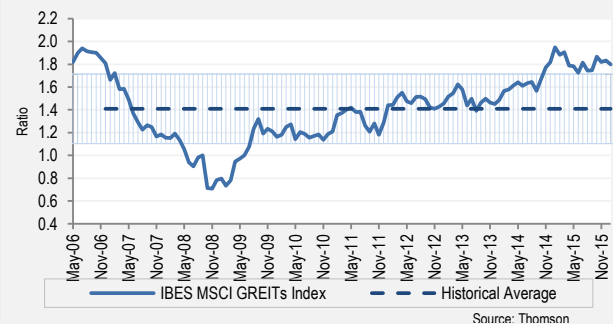


LISTED PROPERTY & INFRASTRUCTURE

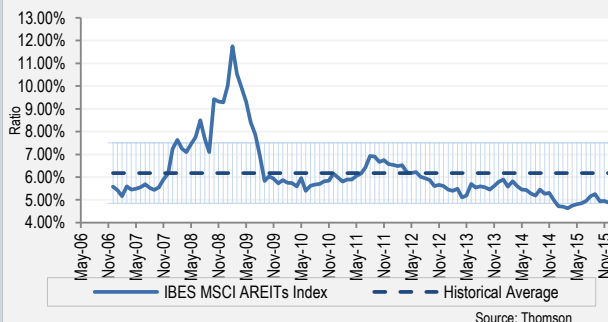
12 Month Forward AREIT Price to Book Value



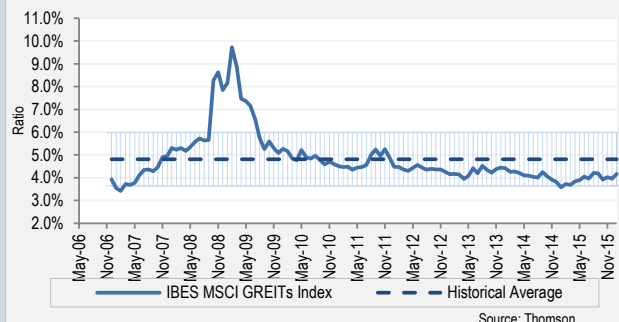
12 Month Forward GREIT Price to Book Value



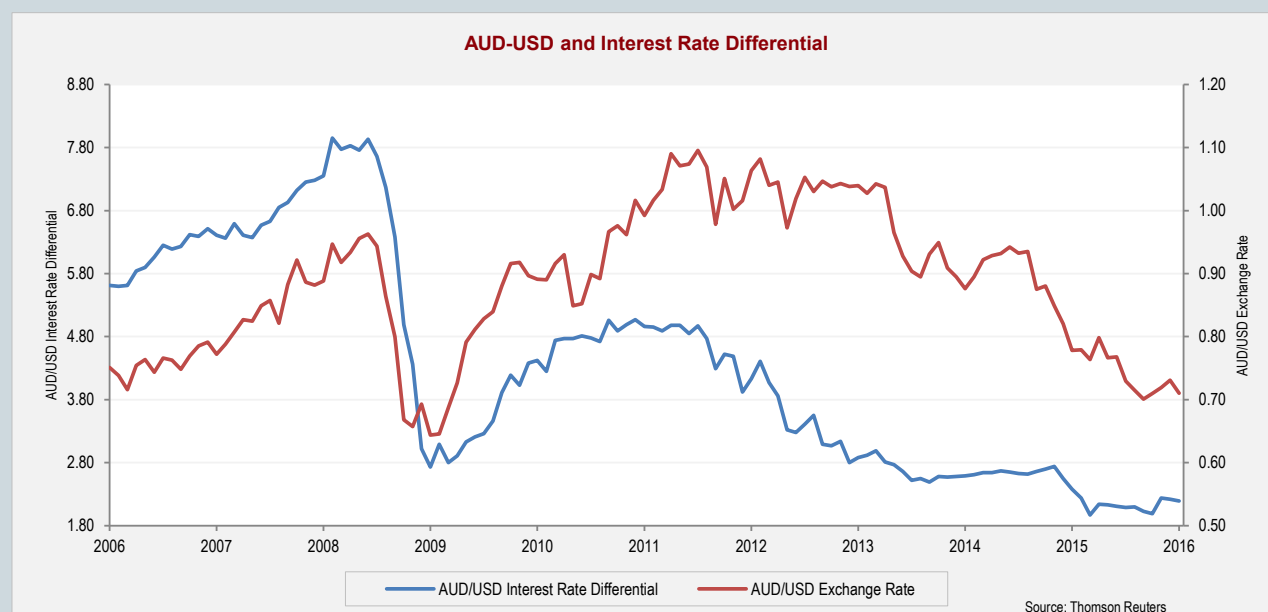
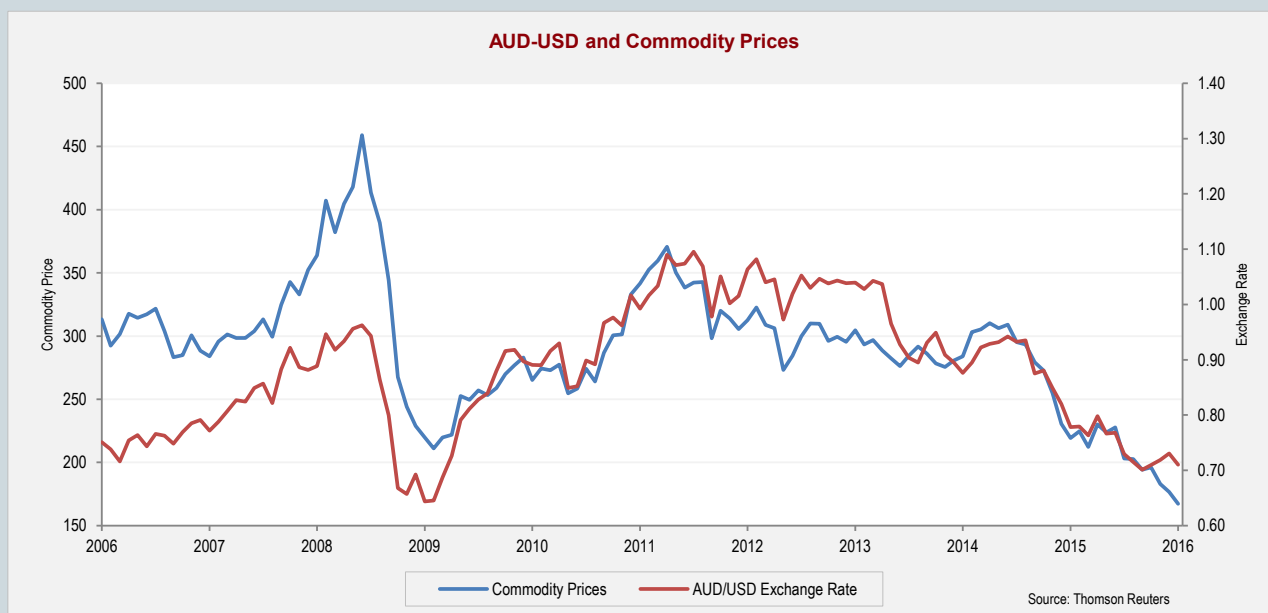
12 Month Forward AREIT Dividend Yield



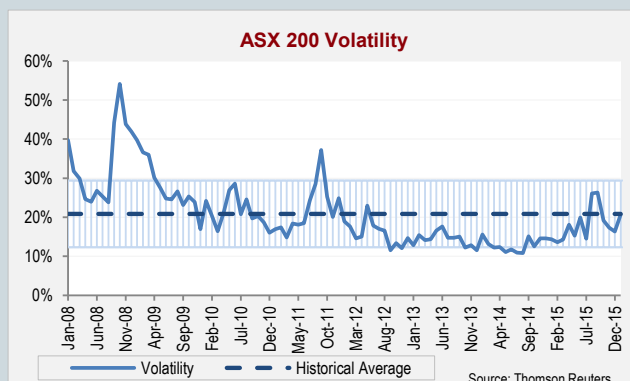
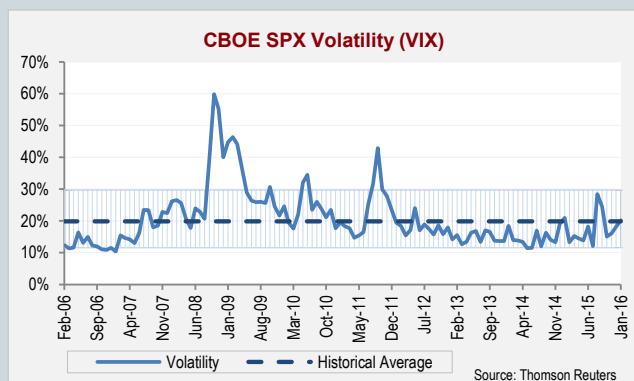
12 Month Forward GREIT Dividend Yield



AUSTRALIAN DOLLAR



VOLATILITY / FINANCIAL STRESS INDEX



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