

THE MONTHLY MARKET REPORT



A SNAPSHOT OF THE KEY POINTS FOR AUGUST

- The RBA cut the overnight cash rate to 1.50% during the August board meeting. The rate was kept at 1.50% during the September board meeting.
- In fixed income, the 3 Month Bank Bill Swap Rate and the 10 Year Australian Bond Rate fell by -0.09% and -0.06%, respectively, in August.
- Spreads on Australian corporate debt fell in August, as indicated by the -9.70 points decline over the month of the iTraxx Australian Index to 99.97.
- Australian shares fell over the month, with the All Ordinaries Index and the S&P/ASX 200 Index declining by -2.03% and -2.33%, respectively.
- Domestic listed property fell by -3.35%, slightly underperforming the broader share market.
- Global equities reported mixed results in various regions, with the US being the worst performer, declining by -0.17%. Hong Kong added 4.96% to be the best performer, as measured by the Hang Seng Index.
- Gold and Iron Ore prices reversed their recent uptrend, declining by -3.05% and -1.65% respectively in August. Oil price recovered by 7.45% for the month. The overall CRB Spot Commodity Index fell by -1.33% in US Dollar terms.
- The Australian Dollar fell against most currencies in August; by -0.11% against the US Dollar, -0.74% against the Euro, and -0.59% versus the Japanese Yen. The AUD rose 0.56% against the British Pound, indicating a further depreciation of the Pound.
- The Australian Trade Weighted Index (TWI) fell by -0.32% over the month, ending August at 63.20.
- Share market volatility rose by 1.55% in the US, and fell by -0.52% in Australia.

Asian equities were star performers in August

Global equities were up only marginally in August as speculations of the US Fed potentially rising interest rates on the back of optimistic jobs data. Many developed markets such as the US and UK underperformed their Asian counterparts in August. China was the lead performer with both business and consumer sentiment soaring over the month.

In Australia, the equity market had a poor month, with some large cap names such as Westpac, CBA, Telstra and Medibank being amongst the worst performers. Domestic property and infrastructure were also in the negative territory in August. Australian fixed income outperformed their global counterparts over the month.

Author: Adele O'Shannassy

Zenith Investment Partners (AFSL 226872)

Tel | (03) 9642 3320

Data source | Thomson Reuters

MARKET INDICATORS

Market	Indicator	End of Month Value	Previous Month Value	1 Month Change in Value	12 Months Ago Value	12 Month Change in Value
Interest Rates	Overnight Cash Rate (%)	1.50	1.75	-0.25	2.00	-0.50
	3 Month BBSW (%)	1.74	1.83	-0.09	1.87	-0.13
	10 Year Bond Rate (%)	1.85	1.91	-0.06	2.65	-0.79
iTraxx	iTraxx Australia	99.97	109.67	-9.70	105.86	-5.89
Australian Shares	All Ordinaries Index	5529.40	5644.00	-2.03%	5222.10	5.88%
	S&P/ASX 200	5433.00	5562.40	-2.33%	5207.00	4.34%
Property	ASX 300 Property Index	1467.40	1518.29	-3.35%	1220.60	20.22%
Regional Shares	Dow Jones Industrials (US)	18400.88	18432.24	-0.17%	16528.03	11.33%
	S&P 500 (US)	2170.95	2173.60	-0.12%	1972.18	10.08%
	FTSE 100 (UK)	6781.51	6724.43	0.85%	6247.94	8.54%
	STOXX 50 (EUR)	343.53	341.89	0.48%	362.79	-5.31%
	TOPIX (Japan)	1329.54	1322.74	0.51%	1537.05	-13.50%
	Hang Seng (Hong Kong)	22976.88	21891.37	4.96%	21670.58	6.03%
Commodities	US\$ Gold Price	1307.93	1349.09	-3.05%	1130.69	15.68%
	US\$ Oil Price – W Texas Crude	44.70	41.60	7.45%	49.20	-9.15%
	US\$ Iron Ore Price	59.50	60.50	-1.65%	56.50	5.31%
	US\$ CRB Spot Commodity Index	402.89	408.30	-1.33%	406.30	-0.84%
Exchange Rates	AUD / USD	0.7514	0.7522	-0.11%	0.7149	5.11%
	AUD / EUR	0.6740	0.6790	-0.74%	0.6355	6.06%
	AUD / GBP	0.5740	0.5708	0.56%	0.4633	23.89%
	AUD / JPY	77.48	77.94	-0.59%	86.60	-10.53%
TWI	Australia Trade Weighted Index \$A	63.20	63.40	-0.32%	60.90	3.78%
Volatility	VIX Index %	13.42	11.87	1.55%	28.43	-15.01%
	S&P/ASX200 Volatility Index	13.68	14.20	-0.52%	26.08	-12.40%

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	0.51	2.22	2.46	2.99	0.34	1.49
Australian Bonds	Bloomberg AusBond Composite Index	0.42	2.50	6.19	6.47	6.21	1.16	6.19
International Bonds	Barclays Global Aggregate \$A (H)	0.05	2.75	8.95	7.66	7.23	0.76	7.50
	Barclays Global Agg Treasuries TRI \$A (H)	-0.22	2.53	9.52	7.97	7.36	0.18	7.71
	Barclays Global Agg Corporate TRI \$A (H)	0.53	4.21	10.70	8.14	8.32	2.26	9.63
Emerging Markets Debt	Barclays EM Hard Currency Agg TRI \$A (H)	1.54	6.03	13.39	9.28	8.68	3.23	13.04

SUMMARY OF STATISTICS

- Australian Cash returned 0.17% over the month, as measured by the Bloomberg AusBond Bank Bill Index.
- Australian Bonds added 0.42% over the month, as measured by the Bloomberg AusBond Composite Index.
- International Bonds slightly underperformed their Australian counterparts, with the Barclays Global Aggregate Hedged \$A Index up by 0.05% in August. Government bonds fell by -0.22% to be the worst performer in the asset class, underperforming corporate debt by -0.75%.
- Emerging Markets Debt continued to outperform the broader fixed interest market, gaining 1.54% over the month, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index.

COMMENTARY

The RBA cut the overnight cash rate to a new historical low of 1.50% during the August board meeting. The board reiterated that inflation remained quite low and recent data was unexpectedly soft. While the quarterly data contains some temporary factors, these results, together with the very subdued growth in labour costs and very low cost pressures elsewhere in the world, point to a lower outlook for inflation than previously forecast.

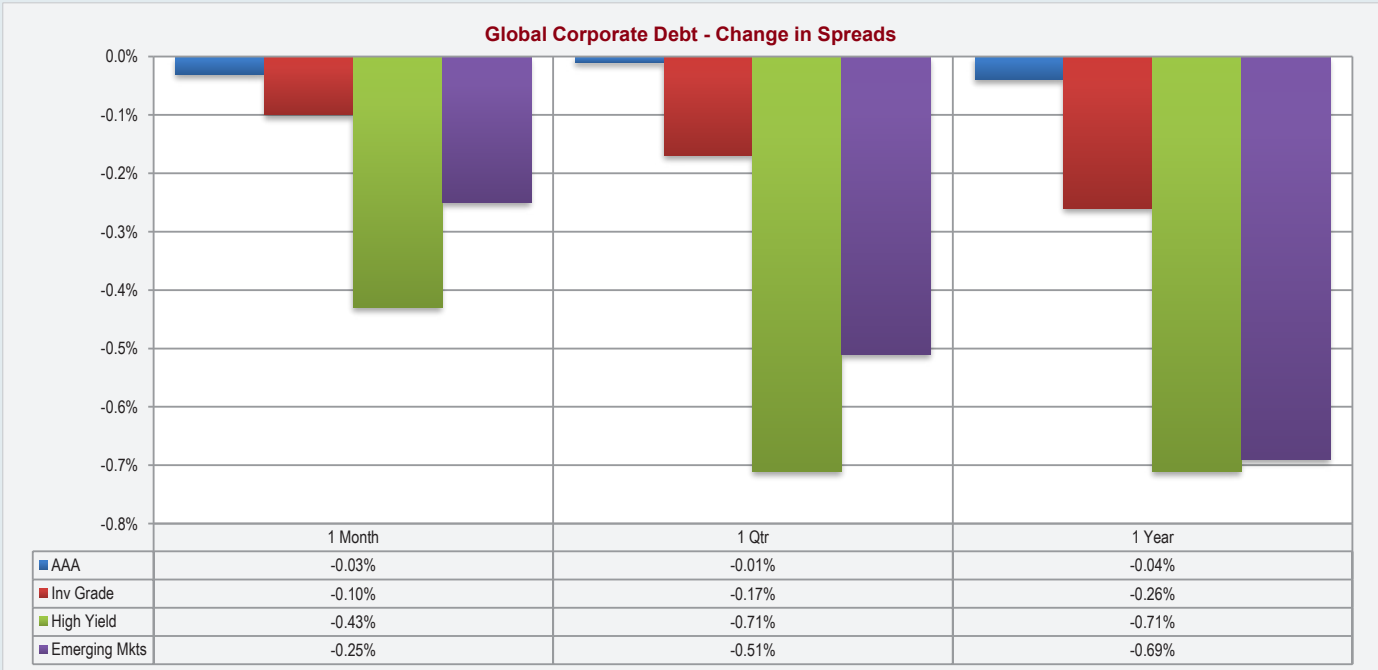
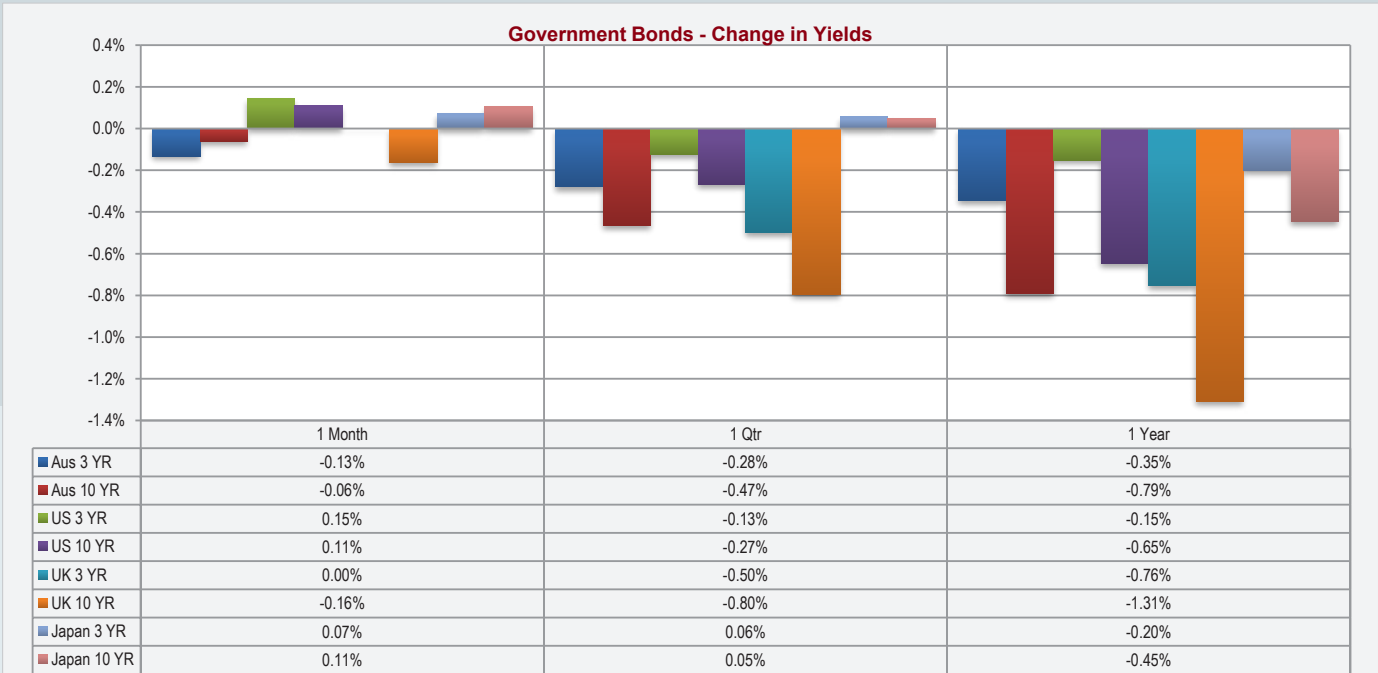
The RBA also indicated that low interest rates and exchange rates continued to support domestic demand and were helping the traded sector. The board noted that financial institutions are in a position to lend for worthwhile purposes.

In international news, the US jobs strengthened further with the latest payrolls expanding by 255,000 in July and unemployment rate held steady at 4.9%. However, the renewed strong jobs data keeps the possibility of a 2016 rate rise alive. In Europe, German factories suffered 3.1% contraction for the past year, worse than economists' expectations. The stagnating Italian economy is threatening to PM Matteo Renzi's political future, as he steps up his campaign for an autumn referendum. The Bank of England cut interest rates from 0.5% to a new record low of 0.25% in attempt to stimulate the slowing economy.

The Australian fixed interest market returned 0.42% in August and 6.19% over the past 12 months. The 3-year Government bond yield fell by -0.13% over the month. The prospect of the RBA continuing to ease and an attractive yield in an environment of negative global bond yields attracted investors to the domestic fixed interest market.

In global markets, the Barclays Global Aggregate \$A Hedged Index posted a flat return of 0.05% over the month. Government bonds were the main contributors to the underperformance, declining by -0.22%. This reflected rising bond yields (inverse relationship with price return) in the major developed world, with the yield on 10 year US and Japan government bonds both gaining 0.11%.

Corporate debt outperformed government bonds by 0.75% in August. Credit spreads narrowed across the risk spectrum, with high yield debt spreads falling by -0.43%, resulting in the largest price gain. Emerging market debt added a solid 1.54% return over the month, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index.



Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Market Capitalisation	S&P/ASX 300 Index	-1.56	2.15	9.71	6.60	9.47	4.70	6.00
	S&P/ASX 50 Leaders Index	-1.79	1.16	5.72	5.14	9.66	3.89	3.32
	S&P/ASX Midcap 50 Index	-0.06	5.93	26.42	16.97	12.67	8.25	18.34
	S&P/ASX Small Ordinaries Index	-1.56	5.48	26.57	7.14	2.63	6.88	14.29
	S&P/ASX Emerging Companies Index	-3.18	9.28	40.36	7.74	-1.86	6.14	27.49
GICS Sectors	S&P/ASX 300 Materials	0.01	8.44	11.97	0.44	-4.28	7.80	26.43
	S&P/ASX 300 Industrials	-4.27	1.58	20.12	15.33	13.22	2.59	11.39
	S&P/ASX 300 Consumer Discretionary	-0.46	8.20	27.00	12.46	17.40	8.40	13.18
	S&P/ASX 300 Consumer Staples	1.86	6.12	8.75	0.71	8.35	10.57	3.99
	S&P/ASX 300 Energy	2.36	1.76	-7.03	-12.46	-6.79	2.60	7.12
	S&P/ASX 300 Healthcare	-3.17	1.04	21.82	18.50	25.09	3.61	12.37
	S&P/ASX 300 Information Technologies	4.58	0.39	21.29	8.52	11.95	8.65	4.68
	S&P/ASX 300 Telecommunications	-6.50	-3.79	0.04	10.14	19.92	-2.54	1.11
	S&P/ASX 300 Financials ex Property	-1.39	-1.67	2.22	5.54	13.77	4.54	-5.21
	S&P/ASX 300 Utilities	-5.68	6.64	19.86	17.44	17.16	0.96	13.69
	S&P/ASX 300 Property	-2.68	6.16	25.98	19.80	19.52	2.54	19.16

SUMMARY OF STATISTICS

- Australian shares fell by -1.56% in August, as measured by the S&P/ASX 300 Accumulation Index.
- While shares fell across the market capitalisation spectrum over the month, the S&P/ASX 50 Leaders Index were the main contributor to the fall as the S&P/ASX 300 Accumulation Index is heavily weighted by large capitalisation stocks.
- Although the S&P/ASX Emerging Companies Index fell by -3.18% to be the worst performer over the month, microcaps gained 40.36% over the past year to be the best performers.
- On a sector basis, Telecommunications and Utilities underperformed the broader market by -4.94% and -4.12%, respectively, over the month.
- The S&P/ASX 300 Information Technologies Index was the best performer in August, rallying 4.58%.

COMMENTARY

The Australian share market retrieved some of its gains from earlier in the year, falling by -1.56% as measured by the S&P/ASX 300 Accumulation Index. Large cap stocks were once again the main drivers behind the overall market fall in August. Some well-known names such as Telstra, Medibank, CBA and Westpac ended in negative territory.

On the economic front, consumer confidence rose by 2% to 101 in August, compared to a 3% drop in the previous month. However, on the business front, manufacturing activity fell to 46.9 in August, the lowest reading since June 2015.

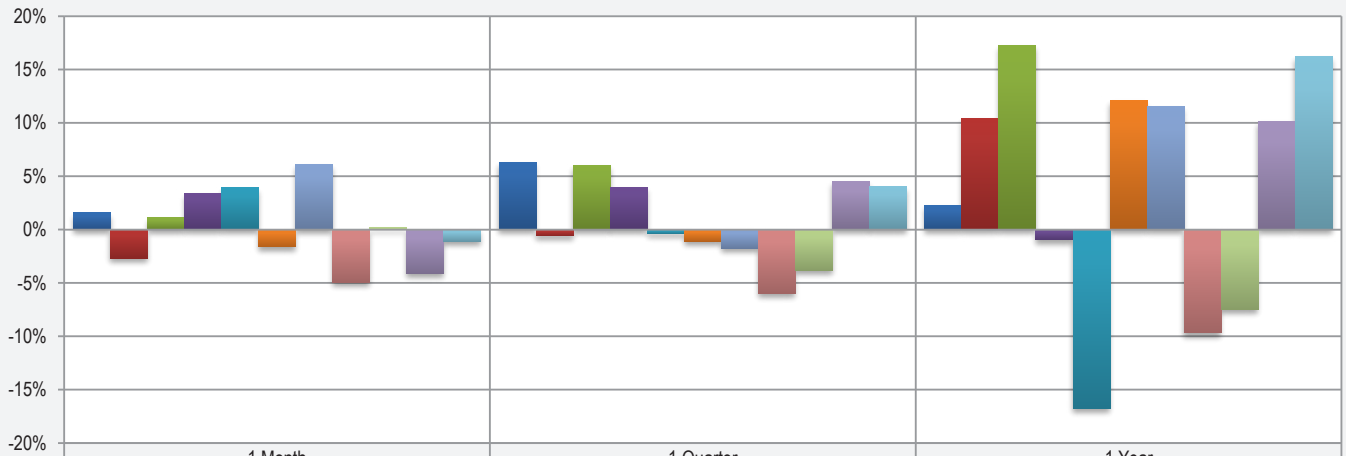
On a sector basis, Telecommunications were the worst performing sector, declining by -6.50% over the month. Australia's largest telecommunications and media company Telstra tumbled -6.17% following its \$3 billion spending announcement to improve the reliability of its network. As growth has been a big issue for the telecom giant, investors would rather see incremental money spent exploring new areas of growth and thus reacted unfavourably to the spending announcement.

The Financial sector recovered somewhat over the past few months, with a reversal in fortunes among the big four banks. While Westpac and CBA fell by -5.24% and -4.38% respectively, NAB and ANZ outperformed, rallying by 3.01% and 4.10% respectively.

Information Technologies rallied 4.58% to be the best performing sector in August. Altium (+26.06%), Reckon (+24.44%) and iSentia Group (+21.34%) were among the largest gains. The printed circuit board software provider Altium reported sales increase of 18% and revenue growth of 14% compared to the same period a year ago. Reckon, a business software company, said its focus on volume growth via a low-cost strategy attracted many customers from competitors. Media monitoring group iSentia received a fillip from investors after its long-term guidance impressed analysts. Over the past financial year, iSentia saw a 23% rise in revenue, aided by its October acquisition of content marketing group King content.

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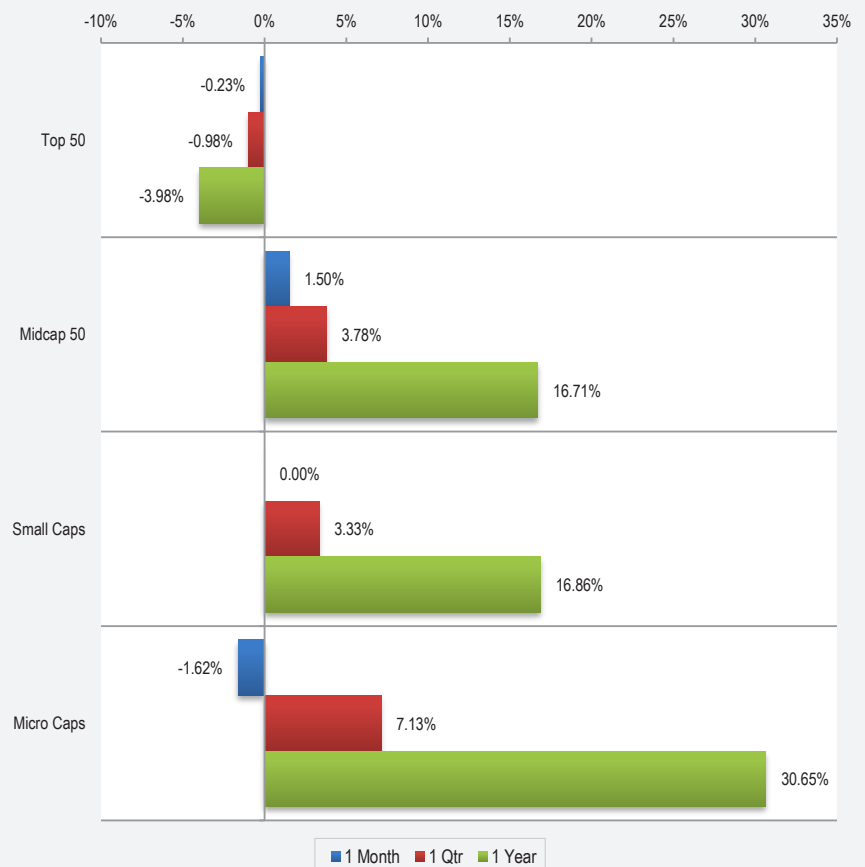
GICs Sector Performance Relative to ASX 300 Accumulation Index



	1 Month	1 Quarter	1 Year
Materials	1.57%	6.29%	2.26%
Industrials	-2.71%	-0.57%	10.41%
Cons Disc	1.10%	6.06%	17.29%
Cons Stap	3.42%	3.98%	-0.96%
Energy	3.92%	-0.38%	-16.74%
Healthcare	-1.61%	-1.11%	12.11%
IT	6.14%	-1.76%	11.59%
Telco	-4.94%	-5.94%	-9.67%
Fin Ex-AREIT	0.17%	-3.82%	-7.48%
Utilities	-4.12%	4.50%	10.16%
Property	-1.12%	4.01%	16.27%

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 - Unhedged	MSCI World Ex-Au (\$A)	1.29	-0.64	0.46	13.89	17.83	3.32	1.56
	MSCI World (\$A)	1.22	-0.58	0.64	13.65	17.55	3.35	1.64
	MSCI Small Cap World (\$A)	1.28	-0.08	1.74	14.33	18.52	4.69	4.64
	MSCI AC World (\$A)	1.47	0.28	1.17	12.95	16.27	3.69	2.57
International Shares - Local Currency	MSCI World ex-Au	0.48	3.22	6.33	9.51	12.02	4.56	3.79
	MSCI World	0.42	3.18	6.37	9.39	11.93	4.56	3.82
	MSCI World Small Cap	0.14	3.66	7.85	8.04	10.42	5.66	8.09
	MSCI AC World	0.34	4.03	7.24	6.73	8.32	4.66	5.95
Regional Shares - Local Currency	MSCI North America	0.12	4.07	10.94	11.15	13.12	3.89	7.47
	MSCI Asia	2.34	3.45	-0.73	6.52	8.87	7.60	-2.25
	MSCI AC Asia ex-Japan	3.23	9.14	10.85	5.85	5.54	7.45	8.69
	MSCI China	7.33	12.17	8.14	4.83	3.72	11.10	5.99
	MSCI Europe	1.17	3.07	2.32	6.88	9.88	5.21	1.27
	MSCI Emerging Markets	2.76	8.82	10.54	5.63	5.22	7.11	10.81
	MSCI India	1.14	7.81	8.41	15.36	12.17	6.07	9.44
	MSCI Japan	1.31	-2.77	-12.21	7.44	13.31	7.77	-13.22
Global Gold Shares in \$A	FTSE Gold Mines	-16.37	6.56	81.35	5.11	-10.03	-10.75	83.50
Global Resources in \$A	HSBC Global Mining	-6.95	10.43	13.96	-3.98	-8.00	0.74	44.08

SUMMARY OF STATISTICS

- International shares, as measured by the MSCI World ex-Australia Local Currency Index, was marginally up by 0.48% in August. The unhedged equivalent outperformed, gaining 1.29%, as the Australian dollar fell against most major currencies over the month.
- On a regional basis, despite a gain of 0.12% in August, North America underperformed most other regions.
- Chinese equities were the best performers, gaining 7.33% over the month.
- Resource stocks tumbled -6.95% over the month, with gold decreasing -16.37% to be the worst performer.

COMMENTARY

Global equities were flat in August (+0.48%), as talk of a possible Fed tightening undermined what were seen as relatively expensive markets. Fed Chair Janet Yellen noted at the Jackson Hole conference that "In light of the continued solid performance of the labour market and our outlook for economic activity and inflation, I believe the case for an increase in the federal-funds rate has strengthened in recent months." Several other Fed governors also indicated the possible Fed action following the recent strong jobs data.

Consumer sentiment in the US fell to 89.8 in August, previously 90 in July. On the business side, manufacturing activities also fell, with the Markit US Manufacturing PMI falling by 0.1 to 52 points. Although, with the reading above the neutral level of 50 this indicates expansion in manufacturing activities. Overall, the MSCI North America Local Currency Index rose by 0.12% for the month.

China added an impressive 7.33% return in August to be the best performing country. Investors have been optimistic over the trading link between Shenzhen and Hong Kong which is expected to be announced by Chinese officials over the coming months. Manufacturing PMI in China rose to 50.4 in August, the highest reading since October 2014 as output and new orders rose at a faster pace. Consumer confidence also rose in China, up 3.9 to 106.8 points in August.

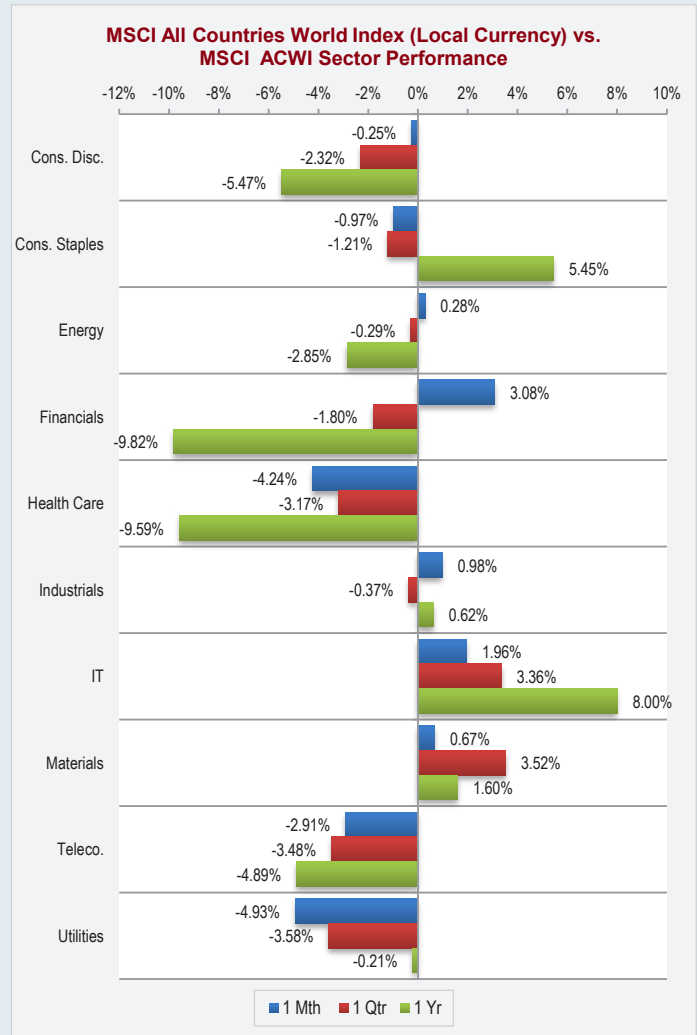
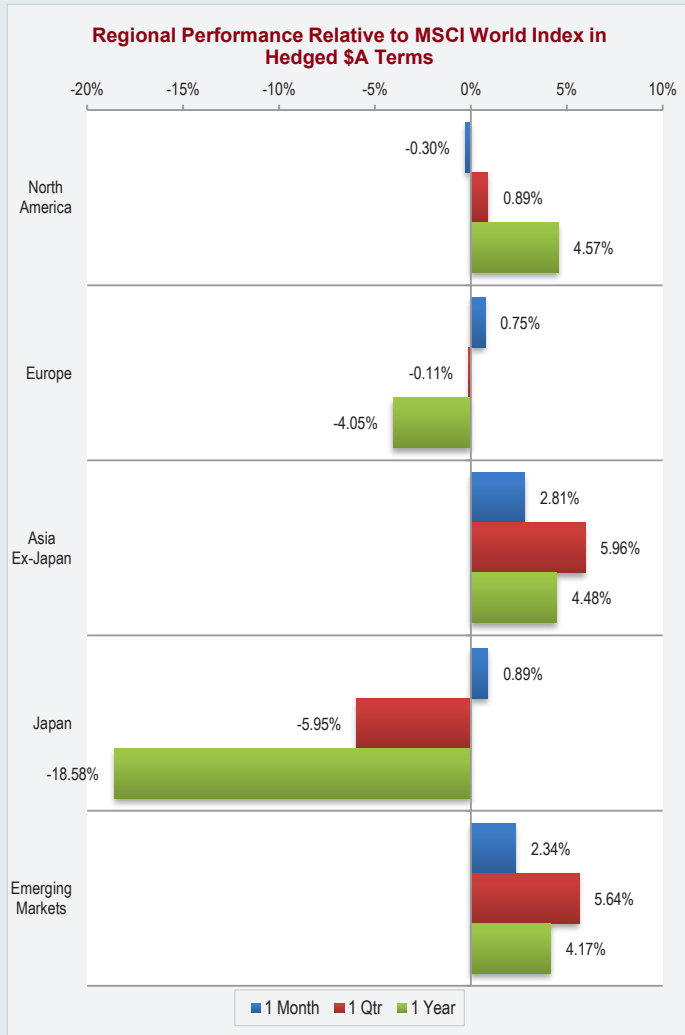
Shares in many surrounding Asian countries also rose on the back of optimistic economic data coming from China. The MSCI AC Asia ex-Japan Local Currency Index increased by 3.23% in August, taking its past year return to 10.85%, outperforming most other regions.

From a sector perspective, the best returns came from the Financials sector which was boosted by mounting expectations of a possible upcoming US rate hike. Resource shares retrieved some of their earlier gains in the year, with the HSBC Mining Hedged \$A Index falling by -6.95% over the month. Gold share prices saw the largest fall, declining by -16.37% as measured by the FTSE Gold Mines \$A Hedged Index. Notwithstanding this, Gold shares were the best performers over the past year, gaining 81.35%.

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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	-0.11	3.76	5.11	-5.65	-6.81	1.19	2.85
	AUD / EUR	-0.74	3.60	6.06	-0.08	-1.87	0.61	0.87
	AUD / GBP	0.56	16.29	23.89	-0.15	-2.62	3.44	16.45
	AUD / JPY	-0.59	-3.86	-10.53	-4.10	-1.09	1.64	-11.93

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	0.08	1.71	1.77	8.51	13.47	6.10	-1.51
Local Currency	MSCI ACWI Consumer Staples Index	-0.63	2.81	12.70	9.68	11.31	-0.55	6.00
	MSCI ACWI Energy Index	0.62	3.73	4.39	-5.20	-1.76	-0.95	12.85
	MSCI ACWI Financials Index	3.42	2.22	-2.58	3.92	7.88	8.09	-2.74
	MSCI ACWI Health Care Index	-3.90	0.85	-2.34	11.72	15.39	0.26	-3.17
	MSCI ACWI Industrials Index	1.31	3.66	7.86	7.72	10.05	5.66	5.58
	MSCI ACWI IT Index	2.29	7.38	15.25	14.32	14.07	10.03	7.81
	MSCI ACWI Materials Index	1.01	7.55	8.84	1.28	-1.14	7.70	13.67
	MSCI ACWI Teleco. Services Index	-2.58	0.55	2.36	5.55	5.92	-1.50	3.96
	MSCI ACWI Utilities Index	-4.59	0.45	7.04	6.28	4.39	-3.82	5.82

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	-2.68	6.16	25.98	19.80	19.52	2.54	19.16
	FTSE E/N Australia	-2.96	5.59	24.69	18.95	18.80	2.30	18.52
Global Listed Prop. \$A (H)	FTSE E/N GLOBAL HGD A\$	-2.12	5.92	18.13	14.96	14.82	2.72	10.56
Global Listed Prop. \$A	FTSE E/N GLOBAL A	-1.02	2.91	11.68	16.55	17.57	1.84	8.30
	FTSE E/N North America	-2.41	3.86	18.11	21.94	21.01	-0.17	10.36
	FTSE E/N Euro Zone	0.72	3.05	10.63	20.49	17.19	6.71	11.99
	FTSE E/N UK	1.28	-16.75	-25.79	11.94	16.18	3.70	-20.38
	FTSE E/N Developed Asia	-0.74	3.13	8.10	9.47	14.78	2.52	9.63
	FTSE E/N Japan	-1.16	-4.14	0.94	4.42	15.94	-2.32	3.56
Australian Listed Infra.	S&P/ASX 300 Utilities	-5.68	6.64	19.86	17.44	17.16	0.96	13.69
Global Listed Infra. \$A (H)	S&P Global Infrastructure	-1.34	4.19	10.69	13.67	13.84	1.19	14.46

SUMMARY OF STATISTICS

- Australian listed property fell by -2.68% in August, as measured by the S&P/ASX 300 Property Index.
- GREITs also fell, with the FTSE EPRA NAREIT Developed Hedged \$A Index declining by -2.12% over the month.
- The UK was the best performing region, gaining 1.28% in August, on the back of recent poor performance.
- REITs in North America suffered a -2.41% loss in August to be the worst performing region.
- Australian listed infrastructure fell by -5.68% over the month, underperforming its international counterpart which fell by -1.34% in hedged AUD terms.

COMMENTARY

REITs posted poor returns in August, both domestically and globally. AREITs fell -2.68% over the month and GREITs (in hedged AUD) similarly fell -2.12%. Notwithstanding this, over the past year both AREITs and GREITs have shown strong performance, gaining 25.98% and 18.13% respectively.

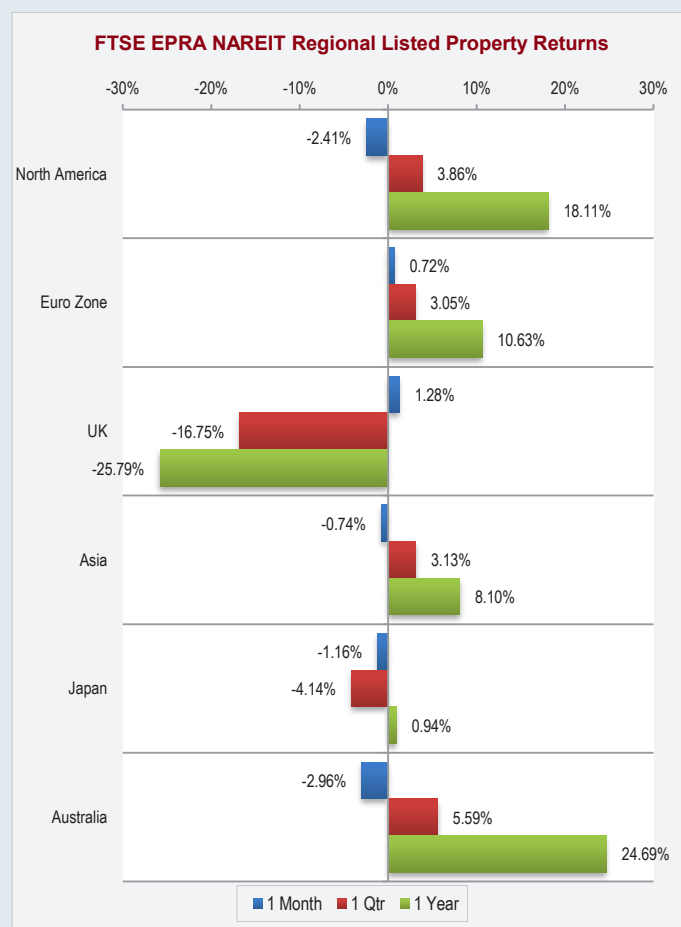
In Australia, the main contributors to REITs overall negative performance in August were Gateway Lifestyle (ASX:GTY) and BWP Trust (ASX:BWP) falling -18.47% and -15.14% respectively.

The plunge in retirement village operator GTY follows the release of its full year results, falling short of its prospectus target and with a somewhat subdued outlook for FY17. Bunnings hardware store landlord BWP Trust revealed that the Wesfarmers-owned DIY giant are vacating up to seven of its warehouses, moving to occupy Home Consortium's Masters sites instead. However, FY17 distribution growth has been re-affirmed at 3%, reassuring investors that near term earnings won't be affected.

Global listed property reported mixed results among various regions, with the UK continuing to recover by gaining 1.28%, while North America declined by -2.41%, to be the worst performer.

Australian listed infrastructure underperformed its global counterparts, by -4.34% in August. However, over the past year the S&P/ASX 300 Utilities Index has gained 19.86%, outperforming the S&P Global Infrastructure Hedged AUD by 9.17%.

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



ASSET CLASS VALUATIONS

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

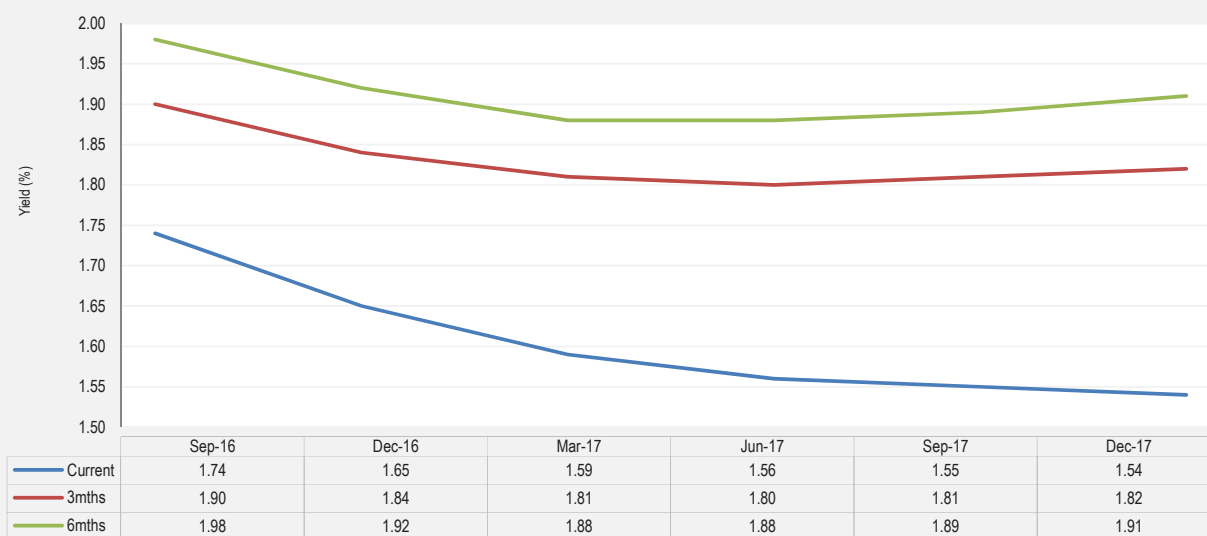
Sector	Absolute Valuation	Relative Valuation (vs Cash)	Momentum
Australian Bonds	Expensive	Expensive	Positive
Global Bonds	Expensive	Moderately Expensive	Positive
Global Investment Corp Debt	-	Fair Value	Positive
Global High Yield	-	Fair Value	
Australian Equities	Moderately Expensive	Fair Value	Positive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

The methodology underpinning the above table is as follows:

- The absolute valuation for each sector is based on the quarter end value of the relevant sector index (Price/Earnings for equities and Running Yields for bonds) relative to each sector's long term historical average. If the valuation lies within a half a standard deviation (+/-) of the long term average, the sector has been listed as Fair Value. If the valuation is between a half and one standard deviation (+/-) from the long term average, the sector has been listed as Moderately Expensive or Moderately Cheap, depending on the direction. If the valuation is more or less than one standard deviation from its long term average we list the valuation as Expensive or Cheap, depending on the direction.
- The relative valuation for each sector is based on the premium above cash (1 year forward) of the quarter end value of the relevant sector index (1 year forward Earnings Yields for listed equities, Running Yields for bonds). We then 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.

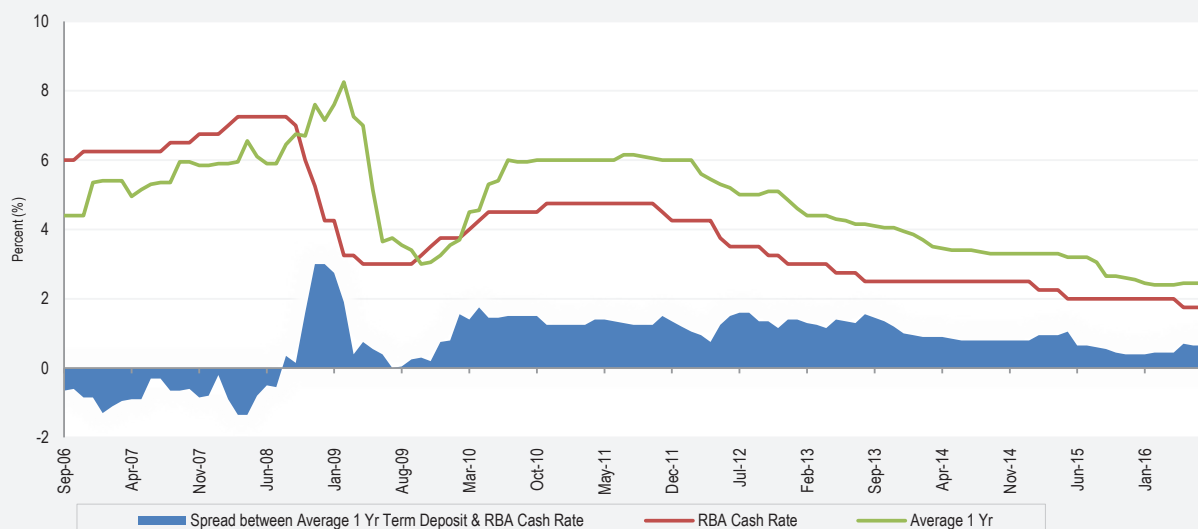
CASH

Australian 90 Day Bank Bill Futures Pricing



Source: Thomson Reuters

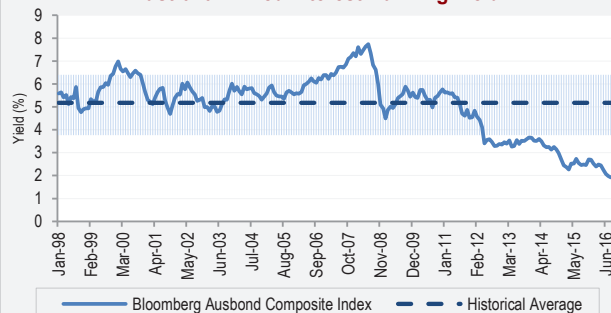
Term Deposit vs RBA Cash Rate



Source: Thomson Reuters

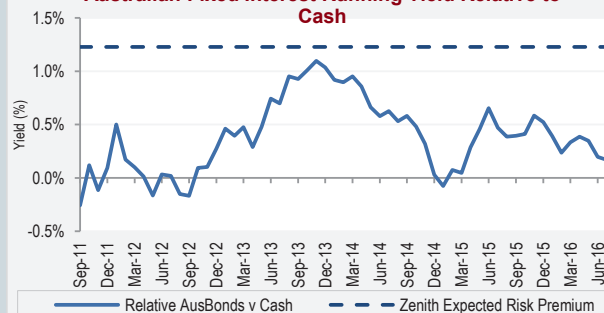
FIXED INTEREST

Australian Fixed Interest Running Yield



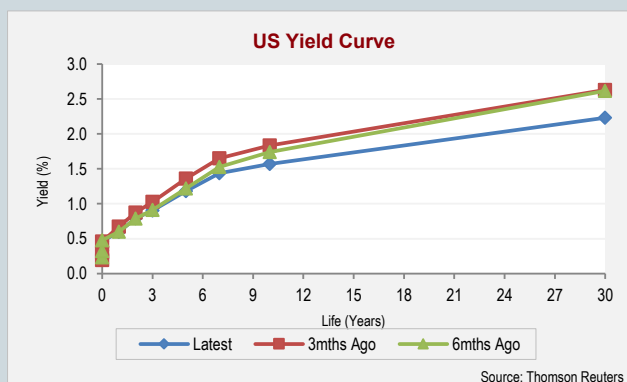
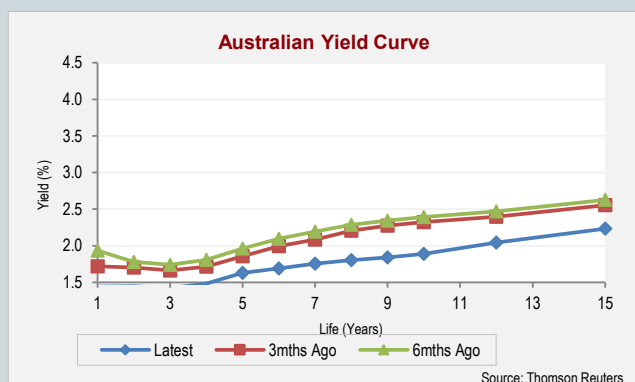
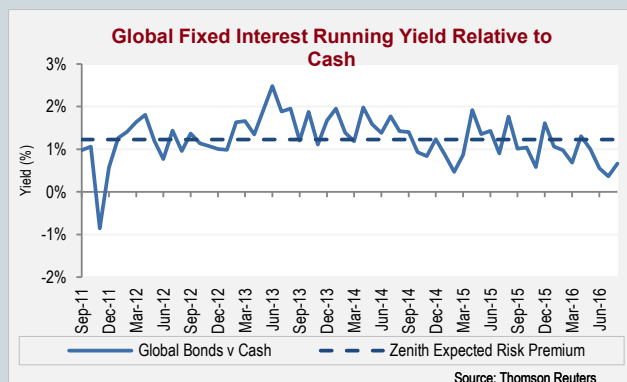
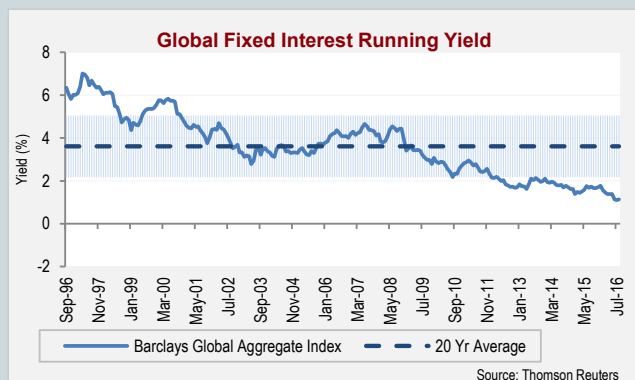
Source: Thomson Reuter

Australian Fixed Interest Running Yield Relative to Cash

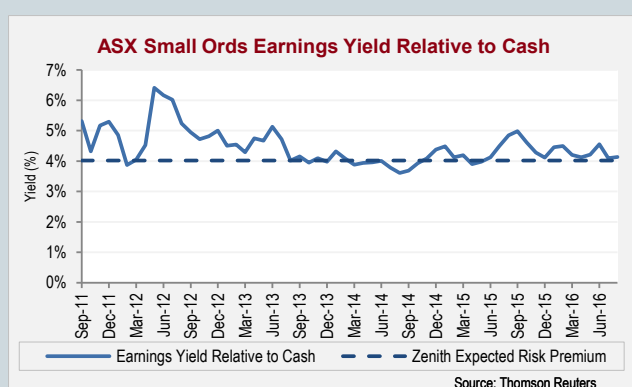
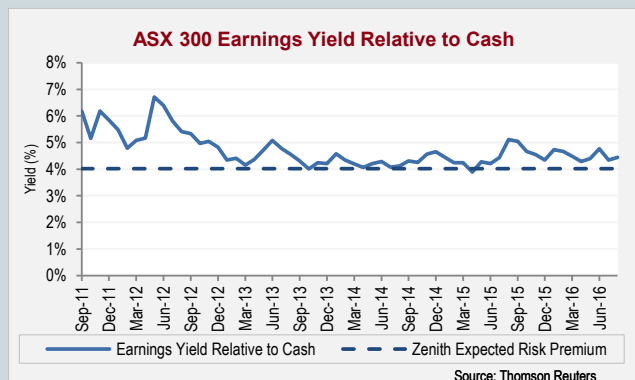
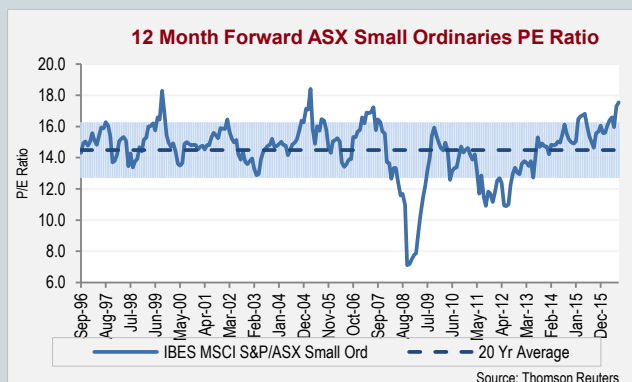
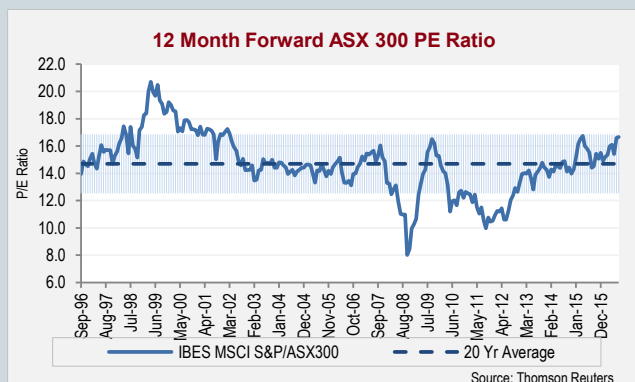


Source: Thomson Reuters

FIXED INTEREST (CONT.)

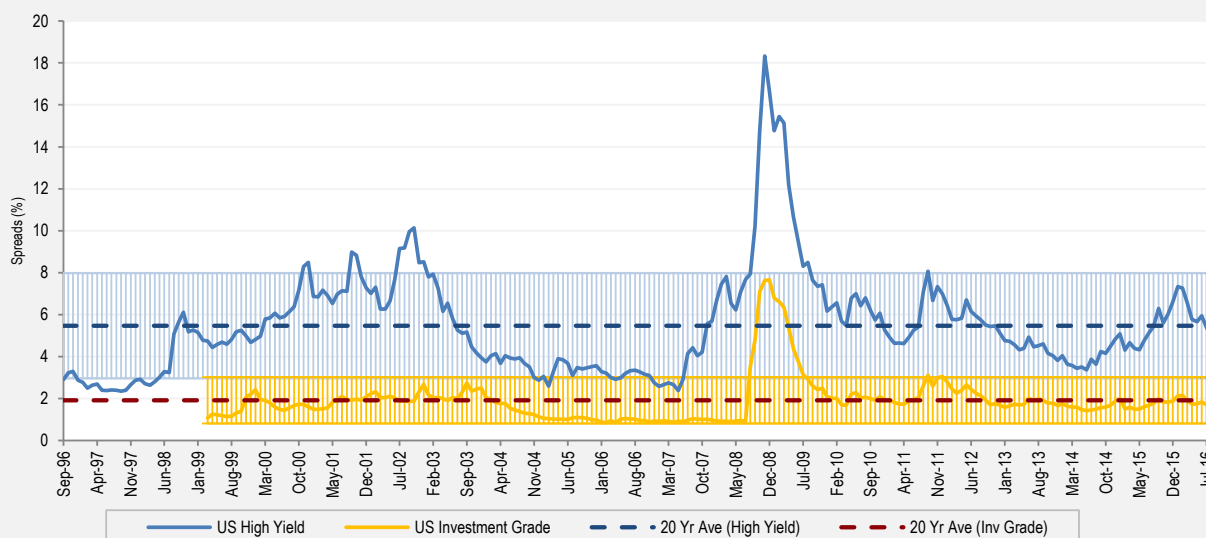


AUSTRALIAN EQUITIES

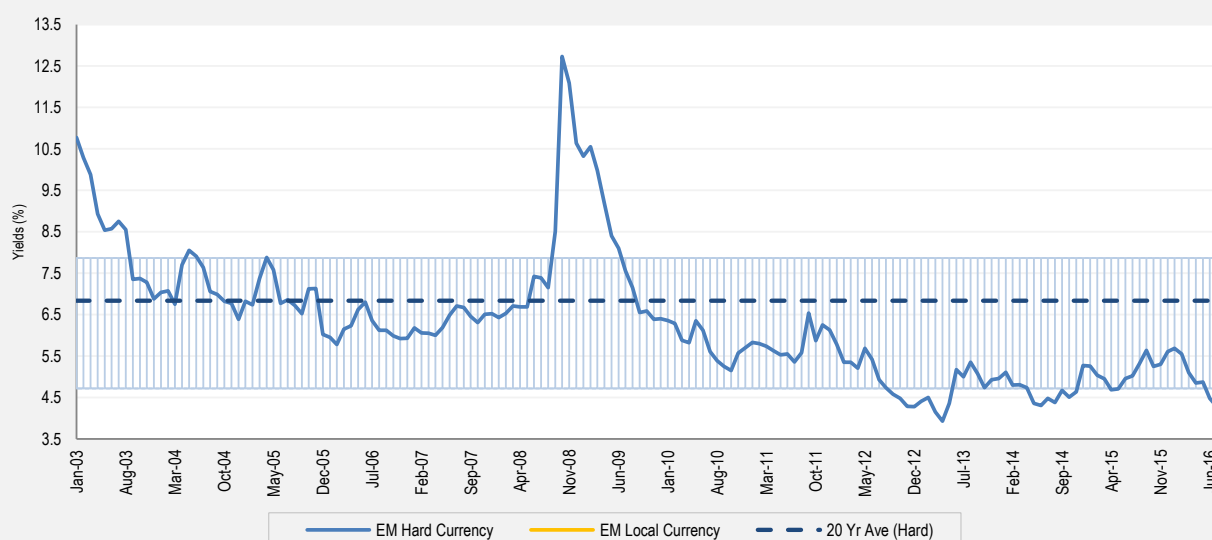


CORPORATE DEBT

US Investment Grade and High Yield Spreads above Treasuries

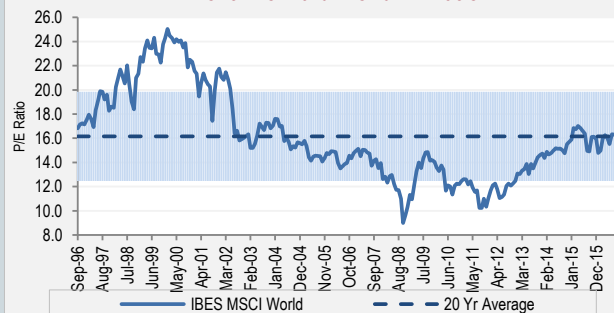


Barclays Emerging Markets Hard and Local Currency Running Yield



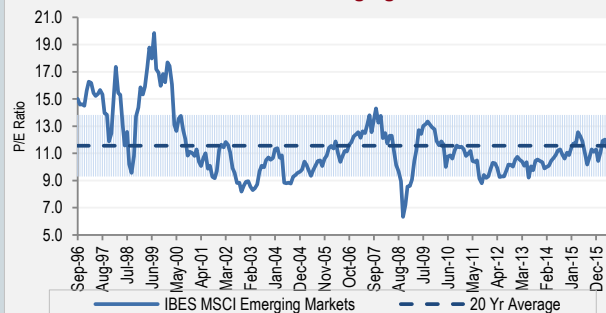
INTERNATIONAL SHARES

12 Month Forward World PE Ratio



Source: Thomson Reuters

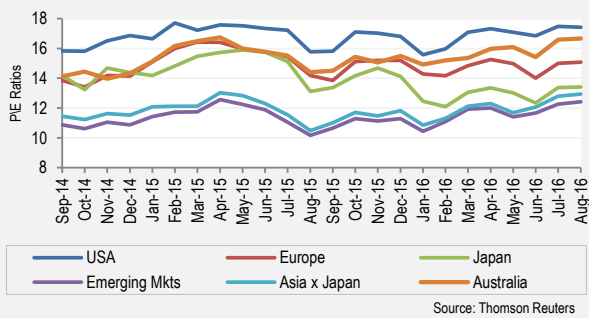
12 Month Forward Emerging Markets PE Ratio



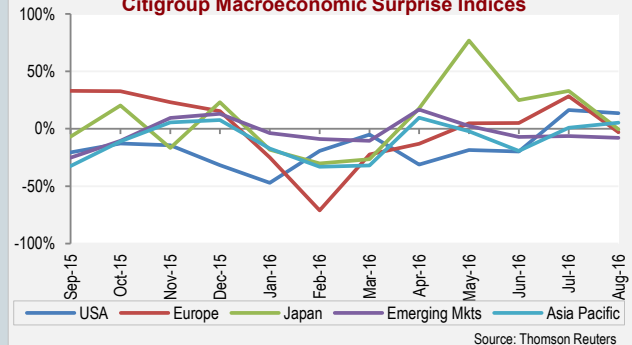
Source: Thomson Reuters

INTERNATIONAL SHARES (CONT)

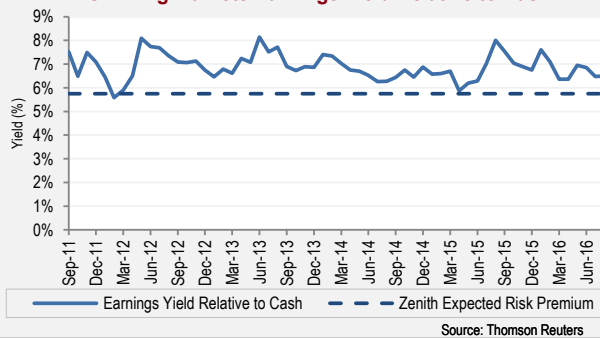
Regional Equity 12 Month Forward PE Valuations



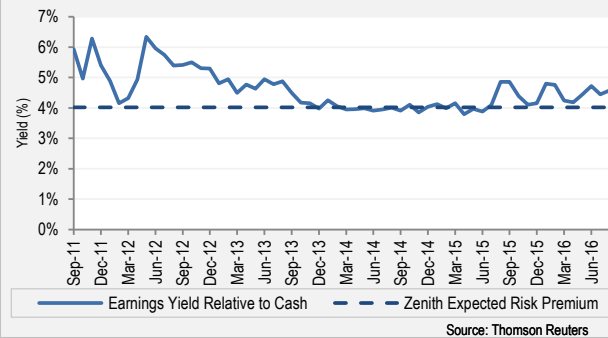
Citigroup Macroeconomic Surprise Indices



MSCI Emg Markets Earnings Yield Relative to Cash

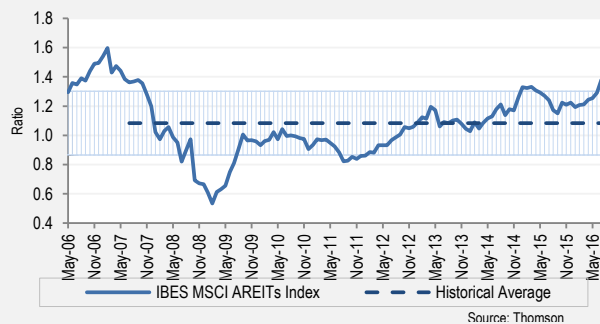


MSCI World Earnings Yield Relative to Cash

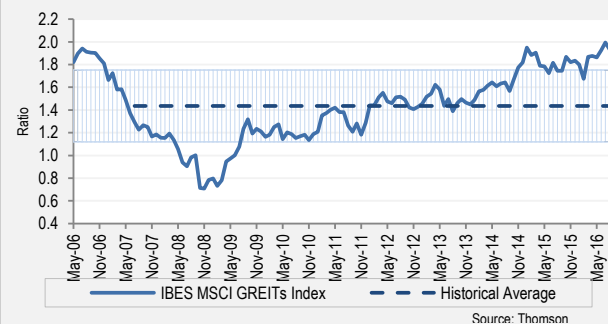


LISTED PROPERTY & INFRASTRUCTURE

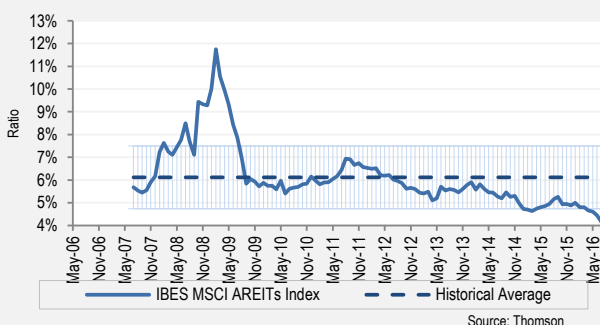
12 Month Forward AREIT Price to Book Value



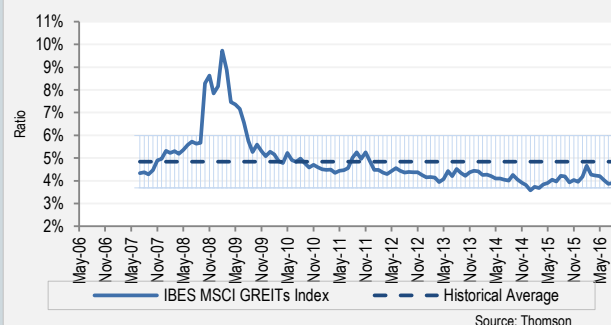
12 Month Forward GREIT Price to Book Value



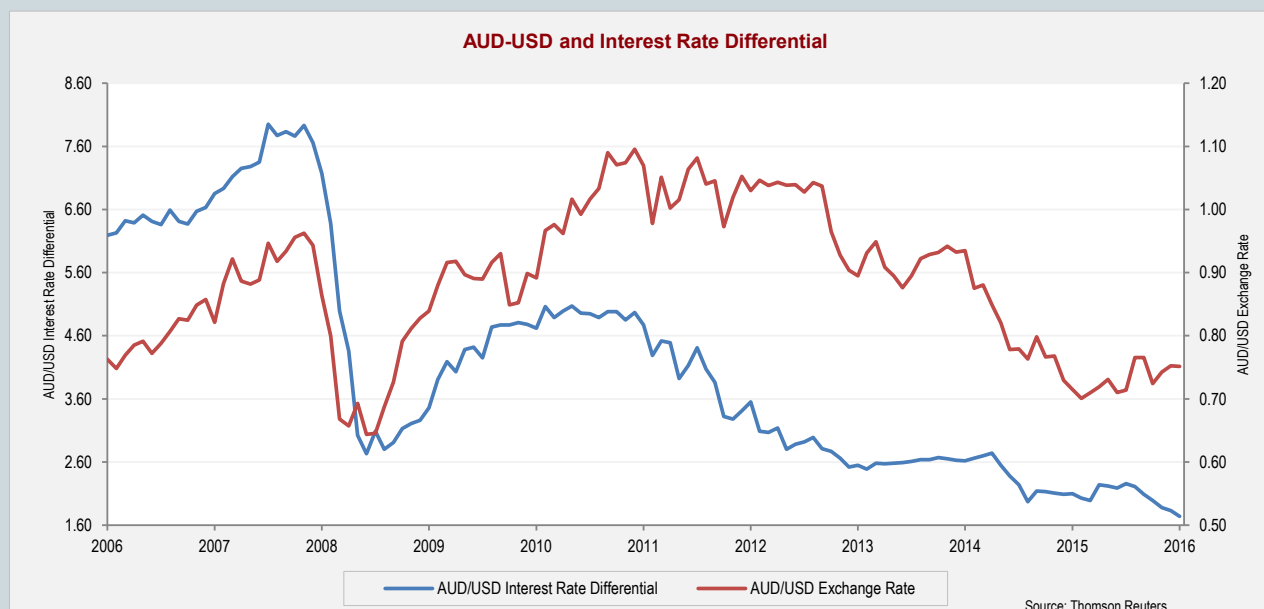
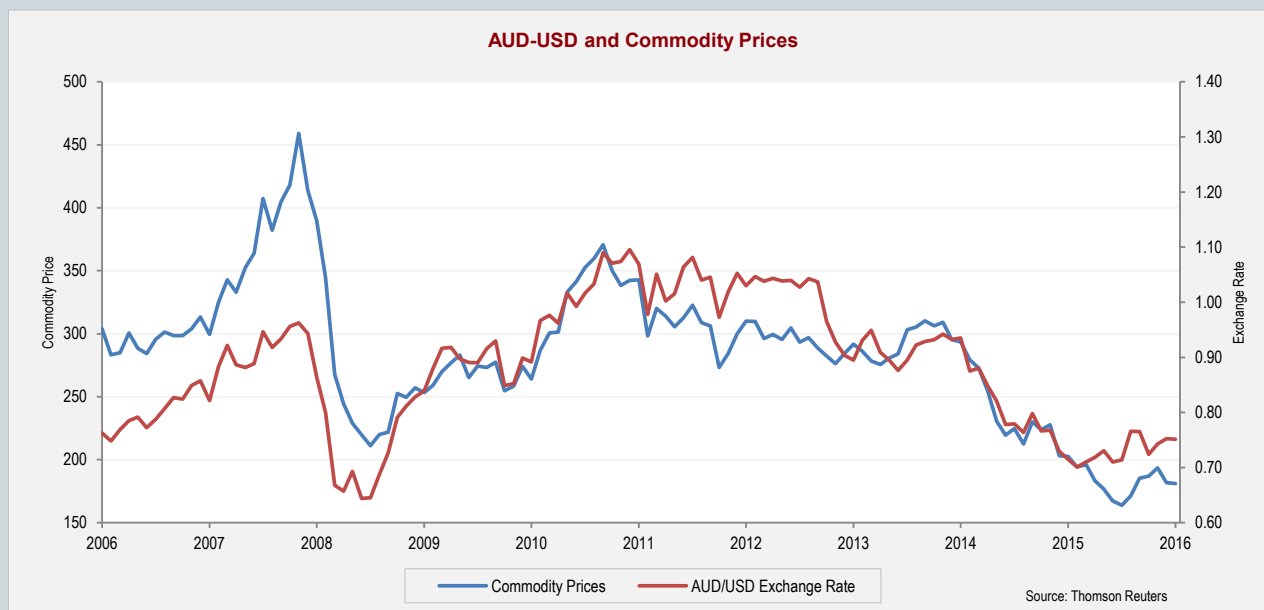
12 Month Forward AREIT Dividend Yield



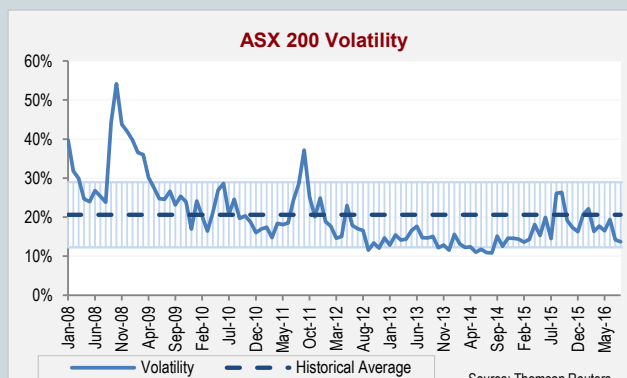
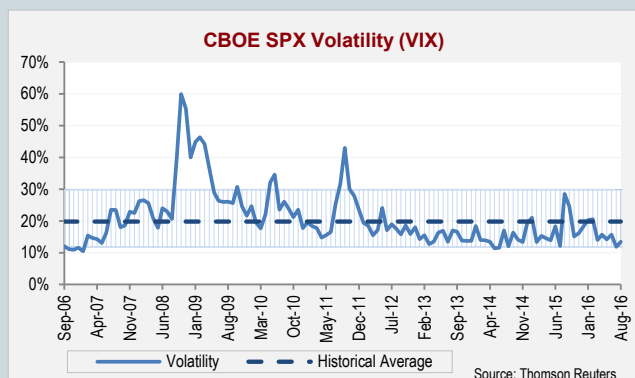
12 Month Forward GREIT Dividend Yield



AUSTRALIAN DOLLAR



VOLATILITY / FINANCIAL STRESS INDEX



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