

THE MONTHLY MARKET REPORT



A SNAPSHOT OF THE KEY POINTS FOR MARCH

- The RBA kept the overnight cash rate at 2.00% at both the March and April meetings.
- In fixed income, the 3 Month Bank Bill Swap Rate and the 10 Year Australian Bond Yield rose by 0.12% and 0.03%, respectively, in March.
- Corporate debt spreads, as measured by the iTraxx Australian Index, fell to 136.28 in March from the previous reading of 155.77.
- Australian shares recovered over the month, with the All Ordinaries Index and the S&P/ASX 200 Index increasing by 4.12% and 4.14%, respectively.
- Domestic listed property followed the broader market gain, returning 2.45% over the month.
- While global equities were positive in most regions, the Hong Kong market was the best performer, gaining 8.71%, as measured by the Hang Seng Index. The US also did well, adding 7.08% by its price weighted Dow Jones Industrials Index and 6.60% by its market value weighted S&P 500 Index.
- Europe underperformed on a relative basis, despite gaining 1.08% over the month, as measured by the STOXX 50 Index.
- Global commodity prices continued to recover in March, gaining 4.47%, as measured by the US\$ CRB Spot Commodity Index. Oil and Iron Ore prices had the largest gains, rising 9.39% and 10.93%, respectively, in US Dollar terms.
- The Australian Dollar appreciated versus most currencies in February, surging 7.24% against the US Dollar, 3.60% against the Euro, 3.73% versus the British Pound and 6.40% against the Japanese Yen.
- The Australian Trade Weighted Index (TWI) rose by 3.87% over the month, ending March at 64.40.
- Share market volatility fell both domestically (-5.85%) and in the US (-6.60%).

Shares rebounded in March

Financial markets witnessed a reversal in market sentiment over the month, with shares surging both domestically and offshore. Share market volatility declined around the globe while commodity prices continued to recover.

It was a tough month for domestic bond investors with the composite bond index returning -0.21%. Yields rose over the month and the yield curve flattened as the short end of the curve rose quite sharply against the long end and prospects of a rate cut became less likely over the month.

Author: Bei Cao

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 (%)	2.00	2.00	0.00	2.25	-0.25
	3 Month BBSW (%)	2.21	2.09	0.12	1.85	0.36
	10 Year Bond Rate (%)	2.50	2.47	0.03	2.34	0.16
iTraxx	iTraxx Australia	136.28	155.77	-19.48	90.33	45.95
Australian Shares	All Ordinaries Index	5151.80	4947.90	4.12%	5861.90	-12.11%
	S&P/ASX 200	5082.80	4880.90	4.14%	5891.50	-13.73%
Property	ASX 300 Property Index	1338.48	1306.49	2.45%	1263.09	5.97%
Regional Shares	Dow Jones Industrials (US)	17685.09	16516.50	7.08%	17776.12	-0.51%
	S&P 500 (US)	2059.74	1932.23	6.60%	2067.89	-0.39%
	FTSE 100 (UK)	6174.90	6097.09	1.28%	6773.04	-8.83%
	STOXX 50 (EUR)	337.54	333.92	1.08%	397.30	-15.04%
	TOPIX (Japan)	1347.20	1297.85	3.80%	1543.11	-12.70%
	Hang Seng (Hong Kong)	20776.70	19111.93	8.71%	24900.89	-16.56%
	US\$ Gold Price	1234.34	1232.88	0.12%	1187.60	3.94%
Commodities	US\$ Oil Price – W Texas Crude	36.92	33.75	9.39%	47.60	-22.44%
	US\$ Iron Ore Price	54.80	49.40	10.93%	53.00	3.40%
	US\$ CRB Spot Commodity Index	401.21	384.03	4.47%	414.98	-3.32%
Exchange Rates	AUD / USD	0.7657	0.7140	7.24%	0.7634	0.30%
	AUD / EUR	0.6765	0.6530	3.60%	0.7070	-4.31%
	AUD / GBP	0.5338	0.5146	3.73%	0.5164	3.37%
	AUD / JPY	85.93	80.76	6.40%	91.72	-6.31%
TWI	Australia Trade Weighted Index \$A	64.40	62.00	3.87%	63.30	1.74%
Volatility	VIX Index %	13.95	20.55	-6.60%	15.29	-1.34%
	S&P/ASX200 Volatility Index	16.33	22.18	-5.85%	14.27	2.06%

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	0.20	0.58	2.24	2.58	3.23	1.67	0.58
Australian Bonds	Bloomberg AusBond Composite Index	-0.21	2.05	1.97	5.40	6.63	4.04	2.05
International Bonds	Barclays Global Aggregate \$A (H)	0.93	3.71	4.51	6.11	7.74	6.29	3.71
	Barclays Global Agg Treasuries TRI \$A (H)	0.65	4.26	5.39	6.61	8.02	7.48	4.26
	Barclays Global Agg Corporate TRI \$A (H)	2.34	3.68	2.91	5.75	8.13	5.26	3.68
Emerging Markets Debt	Barclays EM Hard Currency Agg TRI \$A (H)	2.91	4.51	4.77	4.82	8.33	4.14	4.51

SUMMARY OF STATISTICS

- Australian Cash, as measured by the Bloomberg AusBond Bank Bill Index, rose 0.20% over the month.
- Australian Bonds fell for the first time since June last year, with the Bloomberg AusBond Composite Index declining by -0.21% in March.
- International Bonds outperformed domestic bonds, with the Barclays Global Aggregate Hedged \$A Index gaining 0.93% in March. Corporate debt was the stronger performer, adding 2.34% to outperform government bonds by 1.69%.
- Emerging Markets Debt (hard currency) gained 2.91% to be the best performer in the fixed income space, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index.

COMMENTARY

The RBA elected to keep the overnight cash rate steady at 2.00% during both the March and April meetings. The board members noted the economy continued to rebalance its activities towards the non-mining sectors. Household demand continued to be supported by low interest rates and above-average employment growth. The

RBA continued to maintain an easing bias but the economic data continued to point to generally robust activity. This tended to support their more optimistic outlook.

In the US, financial markets experienced a decline in overall volatility after months of elevated levels. Markets have been trading in a “risk on” mode following Fed Chair, Janet Yellen’s dovish commentary in regards to proceeding cautiously with rate rises.

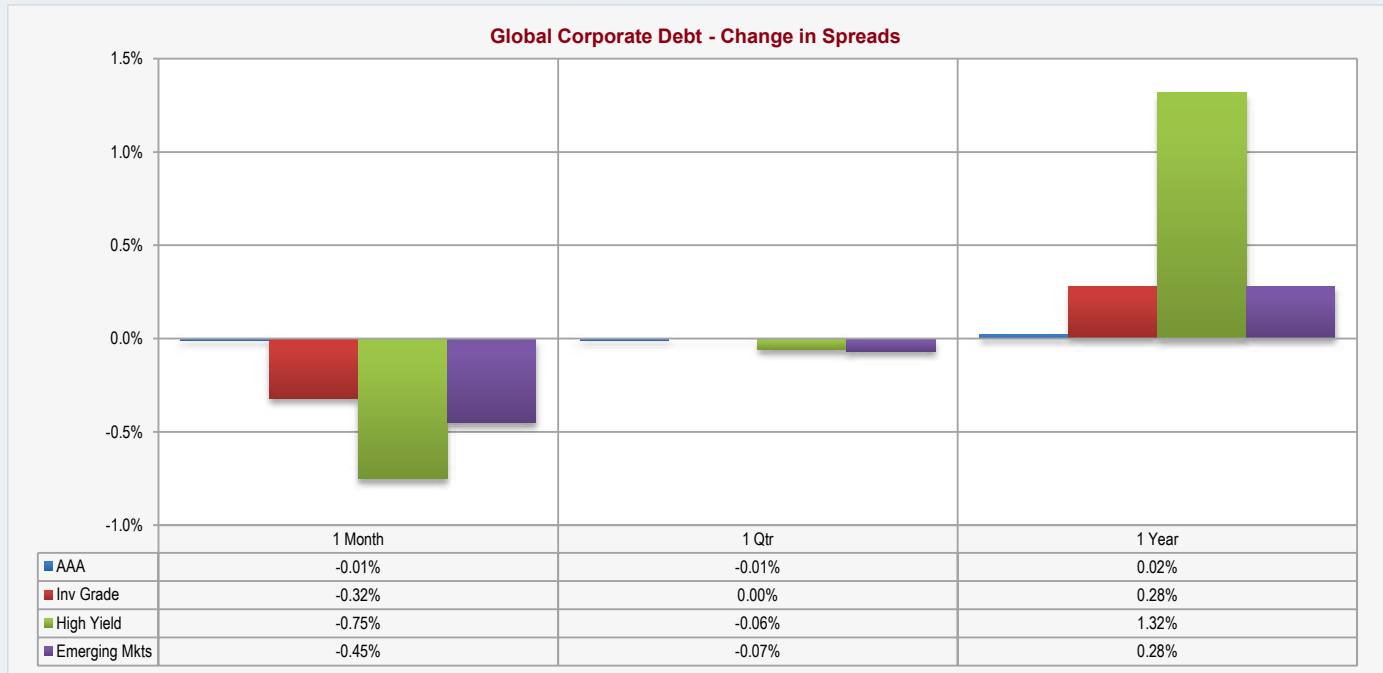
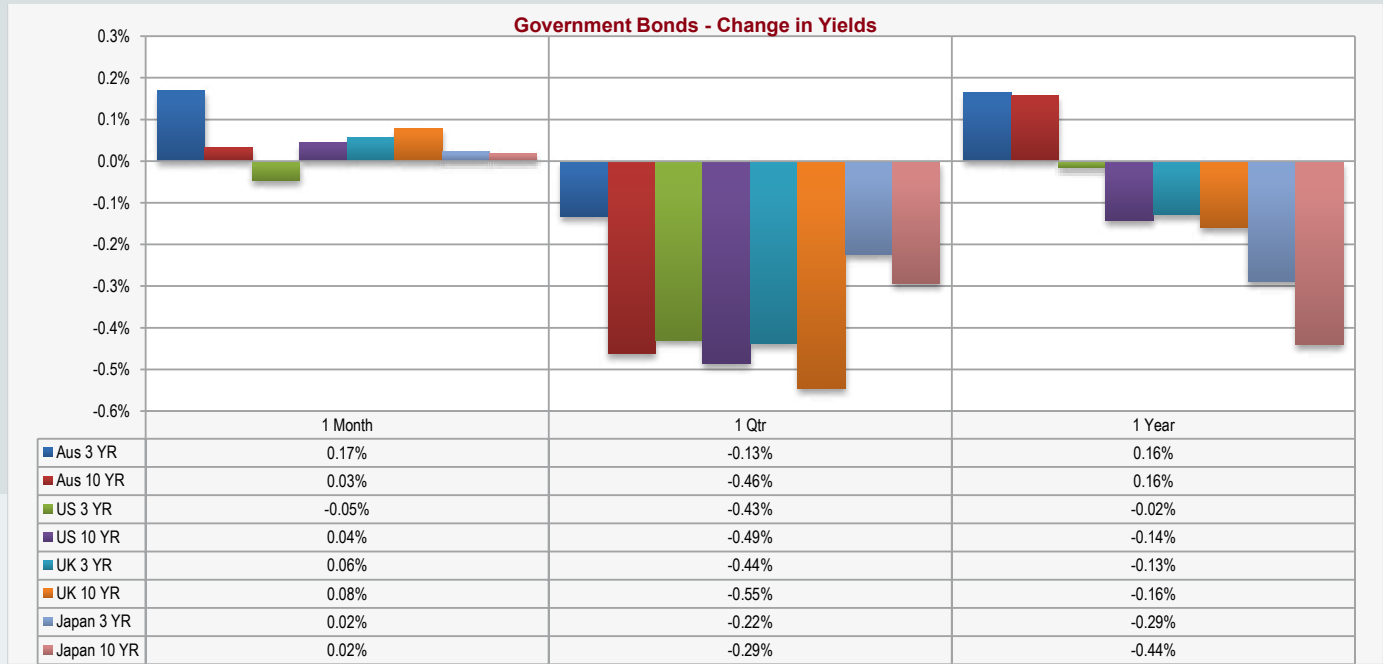
Demand for sovereign debt fell in March, as demand for risk assets increased. The solid growth in US employment, the unexpected surge in China’s manufacturing activity and the decline in share market volatility have all shown investors’ appetite for risk.

Australian bonds fell by -0.21% over the month, with yields rising for both short term (+0.17%) and long term (+0.03%) government bonds. However, corporate debt spreads, as measured by the iTraxx Australian Index, narrowed by 19.48 points to finish the month at 136.28. The tightening credit spreads indicated a higher demand for corporate debt over the safe sovereign bonds.

International bonds, as measured by the Barclays Global Aggregate Hedged AUD Index, gained 0.93% over the month. Similar to what occurred in Australia, corporate debt outperformed treasury bonds, with the Barclays Global Aggregate Corporate Hedged Total Return AUD Index rising by 2.34% over the month. Corporate debt spreads narrowed across the risk spectrum, with the investment grade, high yield and emerging market debt spread shrinking by -0.32%, -0.75% and -0.45%, respectively, over the month.

Emerging market debt rallied by 2.91% over the month, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index.

Despite the underperformance of global treasury bonds compared to corporate debt, the Barclays Global Aggregate Treasuries Hedged Total Return AUD Index added 0.65% in March. US 3 Year Government yields fell by -0.05% over the month while the longer dated bond yields increased



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	4.78	-2.63	-9.27	5.29	5.44	-2.98	-2.63
	S&P/ASX 50 Leaders Index	4.59	-3.87	-12.04	4.76	5.93	-5.87	-3.87
	S&P/ASX Midcap 50 Index	5.53	3.17	2.38	11.82	7.31	11.09	3.17
	S&P/ASX Small Ordinaries Index	5.47	1.03	3.73	1.50	-2.08	8.09	1.03
	S&P/ASX Emerging Companies Index	4.69	4.43	12.19	-1.87	-9.19	12.85	4.43
GICS Sectors	S&P/ASX 300 Materials	6.05	5.17	-17.24	-5.59	-10.01	-12.79	5.17
	S&P/ASX 300 Industrials	2.27	5.33	12.75	12.72	9.75	15.19	5.33
	S&P/ASX 300 Consumer Discretionary	5.13	0.74	4.98	12.21	10.53	15.50	0.74
	S&P/ASX 300 Consumer Staples	3.00	-2.16	-5.03	-0.68	6.57	5.47	-2.16
	S&P/ASX 300 Energy	6.16	-0.45	-25.21	-13.00	-12.09	-25.45	-0.45
	S&P/ASX 300 Healthcare	0.35	-1.61	1.89	17.57	18.67	9.79	-1.61
	S&P/ASX 300 Information Technologies	5.63	-5.04	-2.91	4.99	6.30	2.32	-5.04
	S&P/ASX 300 Telecommunications	4.71	-0.32	-6.88	13.84	22.51	-4.57	-0.32
	S&P/ASX 300 Financials ex Property	6.66	-9.66	-17.12	6.36	10.34	-8.91	-9.66
	S&P/ASX 300 Utilities	1.30	3.29	11.45	14.00	16.64	14.15	3.29
	S&P/ASX 300 Property	2.50	6.38	11.42	16.27	15.83	14.07	6.38

SUMMARY OF STATISTICS

- Australian shares surged by 4.78% in March, as measured by the S&P/ASX 300 Accumulation Index.
- While stocks across the capitalisation spectrum experienced recoveries over the month, large cap stocks led the gains, with the S&P/ASX 50 Leaders Index adding 4.59%. Notwithstanding this, large caps had fallen by -12.04% over the past year.
- On a sector basis, while all 11 GICS Indexes reported gains, Financials and Energy were the best performers, adding 6.66% and 6.16%, respectively, for the month. Notwithstanding this, both sectors have a long way to recover lost ground, considering the loss of -17.12% and -25.21%, respectively, over the past year.
- The Materials sector continued to recover on the back of rebounding commodity prices, adding 6.05% over the month.
- The S&P/ASX 300 Healthcare Index underperformed on a relative basis, despite adding 0.35% in March.

COMMENTARY

The Australian share market posted strong returns in March, with the overall S&P/ASX 300 Accumulation Index rising by 4.78%. Large caps stocks, which represent a heavy weighting in the ASX 300 Index, were the main drivers behind the gains. Notwithstanding this, the 4.59% increase in March by the S&P/ASX 50 Leaders Index was not enough to recover the -12.04% loss of the past year.

The lower end of the market spectrum continued to rise, with the S&P/ASX Small Ordinaries Index and the S&P/ASX Emerging Companies Index rising 5.47% and 4.69%, respectively, in March to take their past year gain to 3.73% and 12.19%, respectively.

Household spending fell slightly to 99.1 after the previous month's surge, as measured by the Westpac Consumer Sentiment Index. On the business side, manufacturing activities expanded to the highest level since April 2004, with the Australian Industry Group Australian Performance of Manufacturing Index increasing by 4.6 points to 58.1 in March.

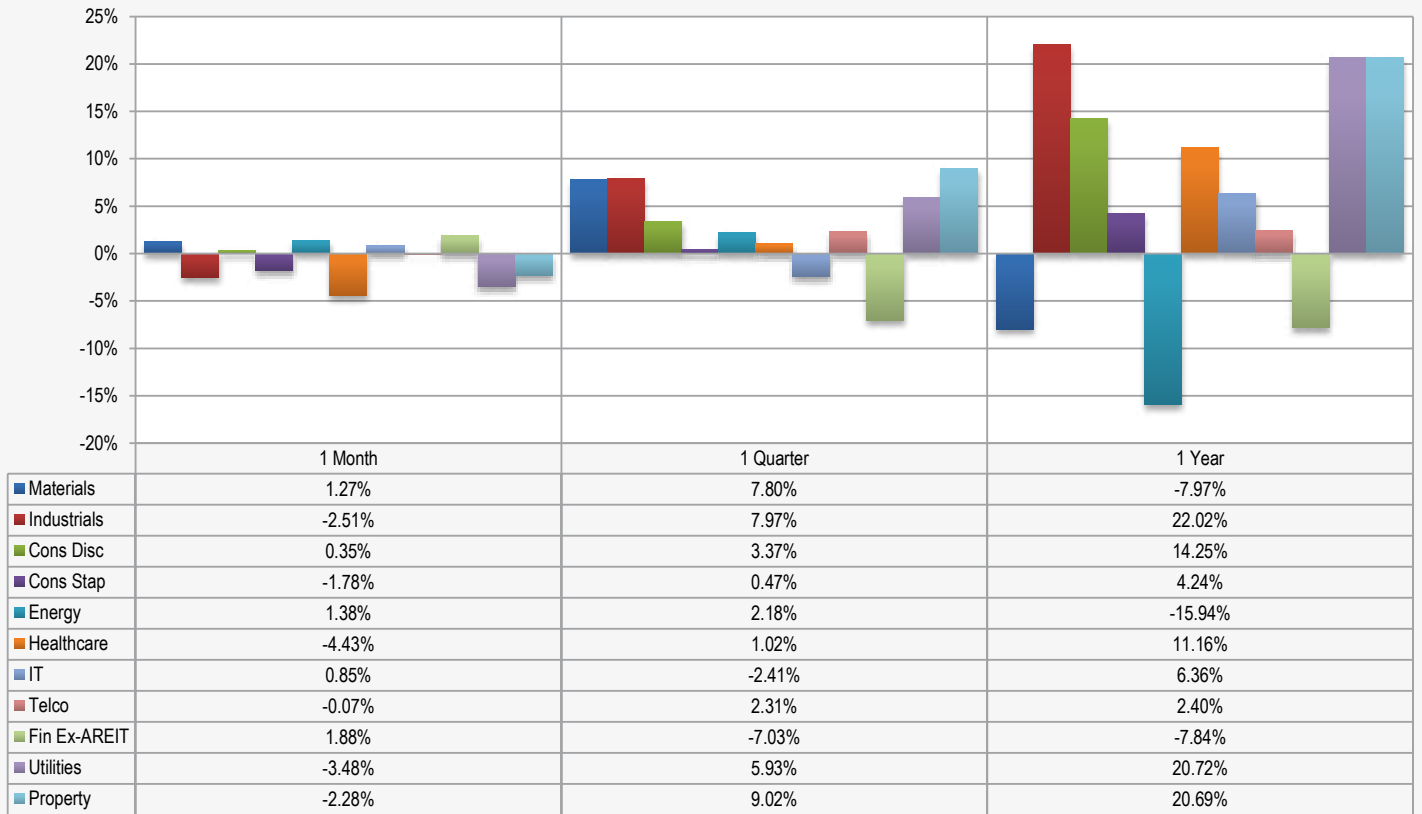
The S&P/ASX 300 Financials (ex-Property) Index rose by 6.66% to be the best performing sector in March. The major banks all recovered some of the previous losses over the month: NAB (+8.47%), CBA (+6.81%), WBC (+5.57%) and ANZ (+4.73%). However, bank share prices started to fall in late March following ANZ's decision to increase its bad debt charges by an additional \$100 million to above \$900 million.

Energy and Materials also performed well, adding 6.16% and 6.05%, respectively, over the month. The rising commodity prices gave some mining stocks a temporary reprieve over the month. In the Energy sector, Senex Energy Ltd (+60.53%), Sino Gas & Energy Holdings (+44.44%) were among the biggest gainers in March. In the S&P/ASX 300 Materials Index, the Sims Metal Management and the Fortescue Metals Group were the leading performers, increasing by 30.11% and 26.67%, respectively.

The Healthcare sector underperformed on a relative basis, despite a small increase of 0.35% over the month. The biggest decliners in the S&P/ASX 300 Healthcare Index were Sirtex Medical (-9.62%), ResMed (-8.16%) and Ramsay Health Care (-6.70%). All three stocks were affected by the appreciating Australian dollar over the month, which impacts their offshore operations.

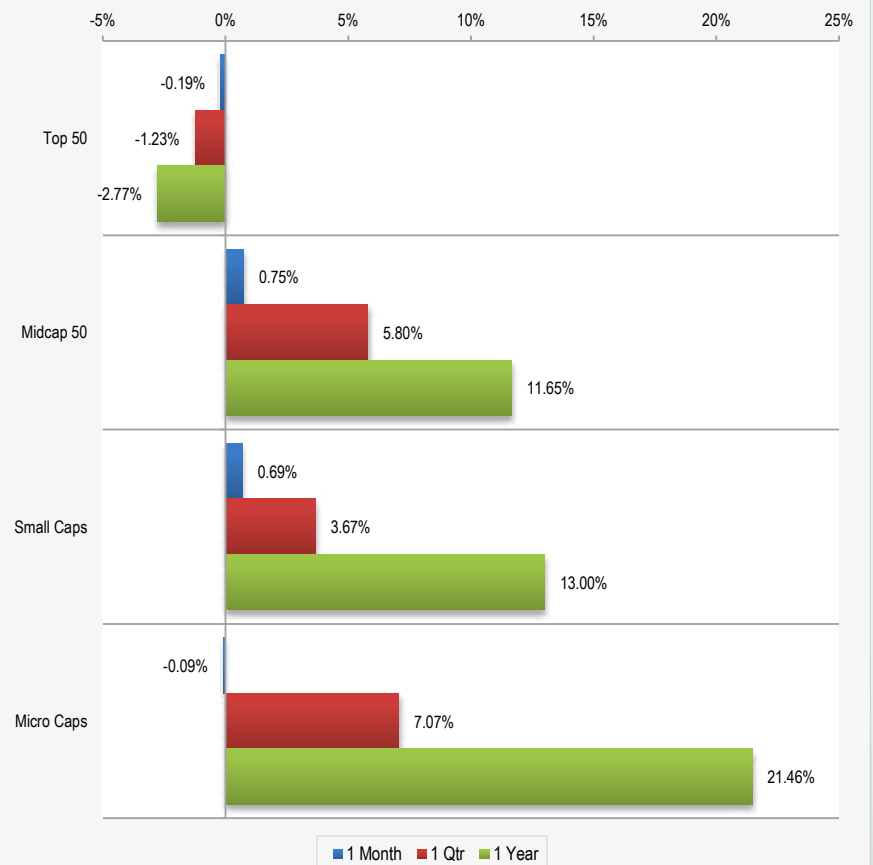
The Australian share market posted strong returns in March, with the overall S&P/ASX 300 Accumulation Index rising by 4.78%.

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)	-0.99	-5.81	-3.90	18.68	13.27	-3.80	-5.81
Unhedged	MSCI World (\$A)	-0.85	-5.75	-4.12	18.21	13.01	-3.83	-5.75
	MSCI Small Cap World (\$A)	0.66	-4.78	-4.57	18.46	12.87	-5.37	-4.78
	MSCI AC World (\$A)	-0.27	-5.19	-5.00	16.79	11.64	-4.75	-5.19
International Shares -	MSCI World ex-Au	5.28	-1.92	-4.36	9.00	8.48	-3.88	-1.92
Local Currency	MSCI World	5.27	-1.96	-4.56	8.86	8.38	-3.90	-1.96
	MSCI World Small Cap	8.41	0.67	-3.91	7.05	6.38	-5.29	0.67
	MSCI AC World	7.41	0.24	-4.34	5.53	5.22	-4.67	0.24
Regional Shares -	MSCI North America	6.69	0.91	-0.28	10.46	9.94	-0.30	0.91
Local Currency	MSCI Asia	6.25	-6.24	-11.72	5.77	5.53	-14.10	-6.24
	MSCI AC Asia ex-Japan	8.02	0.17	-10.31	2.24	1.73	-10.91	0.17
	MSCI China	11.65	-4.73	-18.81	0.91	-0.96	-23.43	-4.73
	MSCI Europe	1.92	-4.92	-10.63	5.87	5.42	-6.99	-4.92
	MSCI Emerging Markets	8.33	2.73	-7.70	1.91	1.33	-8.34	2.73
	MSCI India	9.44	-2.40	-8.10	10.88	6.20	-6.30	-2.40
	MSCI Japan	4.29	-12.66	-12.90	10.21	10.57	-17.20	-12.66
Global Gold Shares in \$A	FTSE Gold Mines	-2.59	44.34	18.53	-8.09	-13.89	22.11	44.34
Global Resources in \$A	HSBC Global Mining	4.23	16.80	-22.45	-10.11	-14.11	-19.65	16.80

SUMMARY OF STATISTICS

- International shares, as measured by the MSCI World ex-Australia Local Currency Index, rose by 5.28% in March. The unhedged equivalent fell by -0.99% due to the rising Australian dollar over the month.
- On a sector basis, small caps outperformed, adding 8.41%, as measured by the MSCI World Small Cap Local Currency Index.
- Most country and regional indices reported gains over the month, with China increasing by 11.65%, in local currency terms, to be the strongest performer.
- Europe underperformed on a relative basis, despite adding 1.92, as measured by the MSCI Europe Index.
- Resource shares rose by 4.23% over the month, as measured by the HSBC Mining Hedged \$A Index.
- However, gold shares fell by -2.59%, as measured by the FTSE Gold Mines \$A Index.

COMMENTARY

Global equities surged by 5.28% in March, as measured by the MSCI World ex-Australia Local Currency Index. Although global economic growth remained slightly below its decade average levels, labour market conditions and ongoing consumption growth had improved in the more advanced regions such as the US and the Euro area. Aggregate growth had also been supported by low oil prices.

In the US, the Manufacturing PMI Index came in at 51.5 in March, slightly up from 51.3 in the previous month. A faster increase in incoming new work and sustained growth of employment numbers were the main positive developments over the month. US consumer confidence came in at 91 in March, down from 91.7 in the previous month but better than a preliminary estimate of 90. Over the month, shares in North America increased by 6.69% in local currency terms.

Chinese shares gained 11.65% over the month to be the best performing region. The rally came after Chinese leaders rolled out a new economic growth plan at its National People's Congress annual meeting. Manufacturing activities expanded in March for the first time since July 2015, with the Chinese Manufacturing PMI Index unexpectedly coming in at 50.2 in March, up from 49.0 in the previous month.

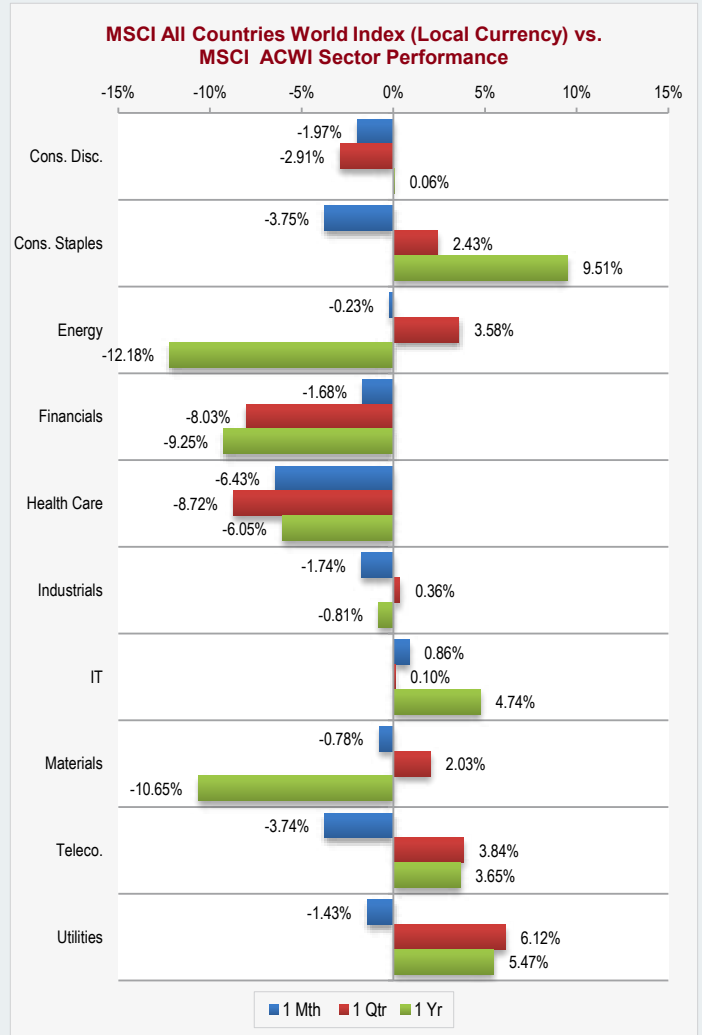
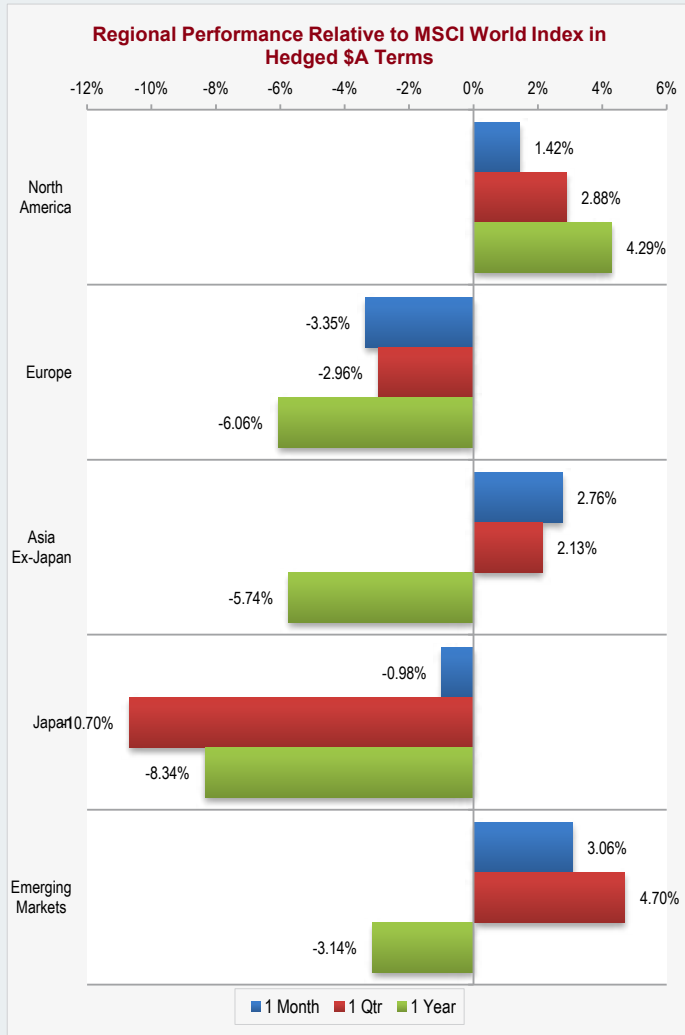
Despite increasing by 1.92% for the month, the MSCI Europe Index was the worst performer in global equity markets. Business confidence in Europe rose marginally to 0.11 in March from an upwardly revised 0.09 in the previous month. However, concerns about Britain's referendum on EU membership, "Brexit", dampened consumer confidence in the region.

On the back of recovering commodity prices, resource stocks continued to rise over the month, with the overall HSBC Global Mining Index increasing by 4.23%. Although the FTSE Gold Mines \$A Index fell by -2.59% in March, gold shares have risen by 18.53% over the past year to outperform most risk assets.

Global equities surged by 5.28% in March, as measured by the MSCI World ex-Australia Local Currency 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	7.24	4.80	0.30	-9.78	-5.82	-0.30	4.80
	AUD / EUR	3.60	1.24	-4.31	-6.04	-1.53	-1.47	1.24
	AUD / GBP	3.73	8.30	3.37	-8.16	-3.62	9.27	8.30
	AUD / JPY	6.40	-2.33	-6.31	-4.31	0.08	-8.51	-2.33

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	5.45	-2.67	-4.28	11.18	11.56	-3.99	-2.67
Local Currency	MSCI ACWI Consumer Staples Index	3.66	2.67	5.18	7.58	10.87	7.99	2.67
	MSCI ACWI Energy Index	7.19	3.82	-16.52	-7.62	-6.67	-14.72	3.82
	MSCI ACWI Financials Index	5.73	-7.80	-13.58	2.95	2.69	-13.44	-7.80
	MSCI ACWI Health Care Index	0.98	-8.48	-10.38	11.42	13.83	-10.38	-8.48
	MSCI ACWI Industrials Index	5.67	0.60	-5.15	7.07	5.29	-2.99	0.60
	MSCI ACWI IT Index	8.27	0.34	0.41	13.18	10.20	1.81	0.34
	MSCI ACWI Materials Index	6.63	2.27	-14.99	-3.49	-5.89	-12.75	2.27
	MSCI ACWI Teleco. Services Index	3.67	4.08	-0.69	6.59	4.37	-1.16	4.08
	MSCI ACWI Utilities Index	5.98	6.35	1.13	5.30	2.83	6.19	6.35

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	2.50	6.38	11.42	16.27	15.83	14.07	6.38
	FTSE E/N Australia	2.37	6.50	10.01	15.73	15.28	13.25	6.50
Global Listed Prop. \$A (H)	FTSE E/N GLOBAL HGD A\$	7.68	3.50	1.58	10.76	12.67	8.91	3.50
Global Listed Prop. \$A	FTSE E/N GLOBAL A	2.00	-0.61	-0.11	16.27	14.04	6.59	-0.61
	FTSE E/N North America	2.28	0.46	2.92	21.11	17.67	15.03	0.46
	FTSE E/N Euro Zone	5.29	3.15	7.53	24.55	12.89	17.18	3.15
	FTSE E/N UK	1.03	-14.20	-8.96	24.88	16.36	-11.82	-14.20
	FTSE E/N Developed Asia	-0.31	0.14	-5.02	8.65	10.88	-2.70	0.14
	FTSE E/N Japan	-4.05	0.91	-3.90	6.91	14.72	1.94	0.91
Australian Listed Infra.	S&P/ASX 300 Utilities	1.30	3.29	11.45	14.00	16.64	14.15	3.29
Global Listed Infra. \$A (H)	S&P Global Infrastructure	5.52	6.24	-3.04	10.95	11.00	-0.31	6.24

SUMMARY OF STATISTICS

- Australian listed properties gained 2.50% in March, as measured by the S&P/ASX 300 Property Index.
- GREITs outperformed AREITs, with the FTSE EPRA NAREIT Developed Hedged \$A Index increasing by 7.68% over the month.
- After taking currency into consideration (falling JPY over the month), Japan was the worst performing region, declining by -4.05%.
- Australian listed infrastructure rose by 1.30% over the month, while its international counterpart gained 5.52% in hedged AUD terms.

COMMENTARY

AREITs increased by 2.50% in March, while GREITs (in hedged AUD) gained 7.68%. Despite this, AREITs (+11.42%) remain the stronger performer compared to GREITs (+1.58%) over the past year.

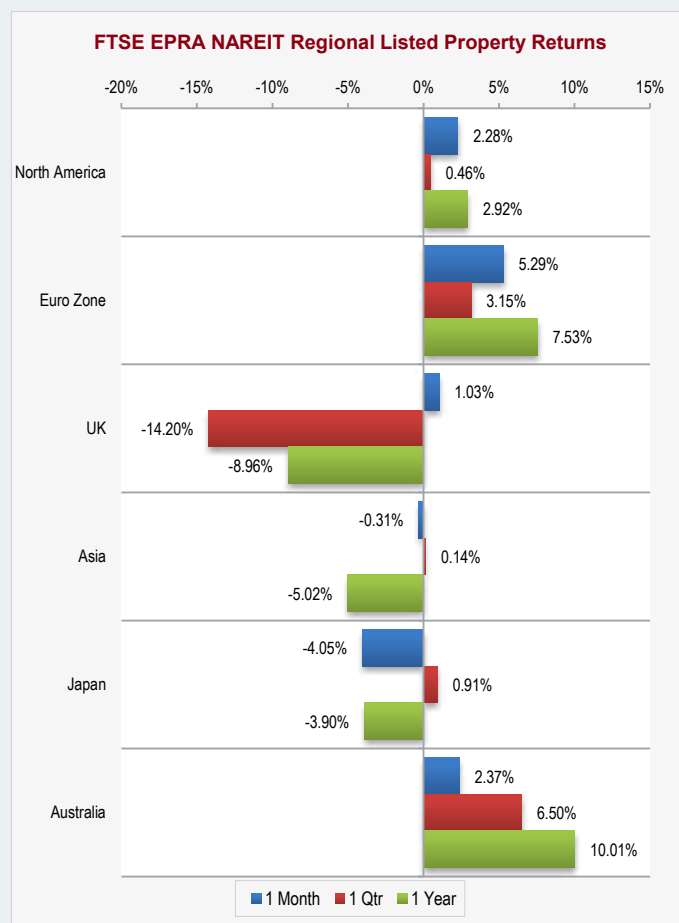
In Australia, Rural Funds Group and Capital Industrial Fund were the best performers, gaining 12.81% and 9.38%, respectively, in March. Decliners for the month included Industria REIT (-4.21%), Westfield Corp (-0.10%).

Global listed property was strong in most regions, with the Eurozone increasing by 5.29%, to be the the best performing region. Over the past year, properties in the Eurozone have risen by 7.53% to outperform most other regions.

After taking currency into consideration, Japanese REITs underperformed most other countries, declining by -4.05% for the month. Japan's negative interest rate policy at beginning of the year attracted funds into real estate in the previous month, however the sentiment was reversed in March.

Australian listed infrastructure underperformed its global counterparts by 4.22% in March, despite adding 1.30%. Notwithstanding this, over the past year, the S&P/ASX 300 Utilities Index had gained 11.45%, while the S&P Global Infrastructure Hedged AUD Index fell by -3.04%.

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.

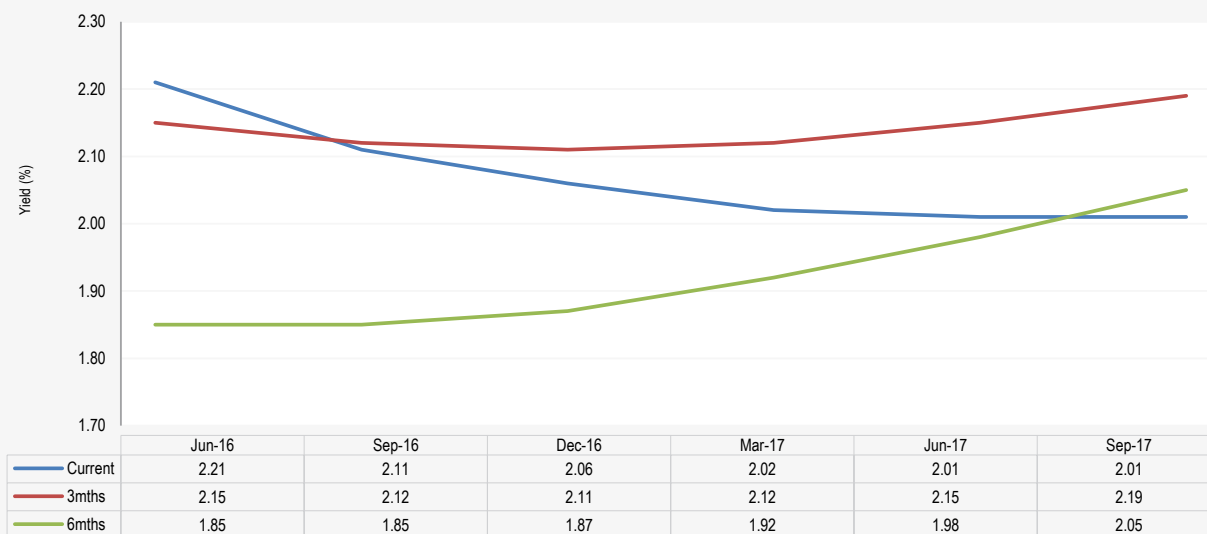
Sector	Absolute Valuation	Relative Valuation (vs Cash)	Momentum
Australian Bonds	Expensive	Moderately Expensive	Negative
Global Bonds	Expensive	Moderately Expensive	Positive
Global Investment Corp Debt	-	Fair Value	Positive
Global High Yield	-	Fair Value	
Australian Equities	Moderately Expensive	Fair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

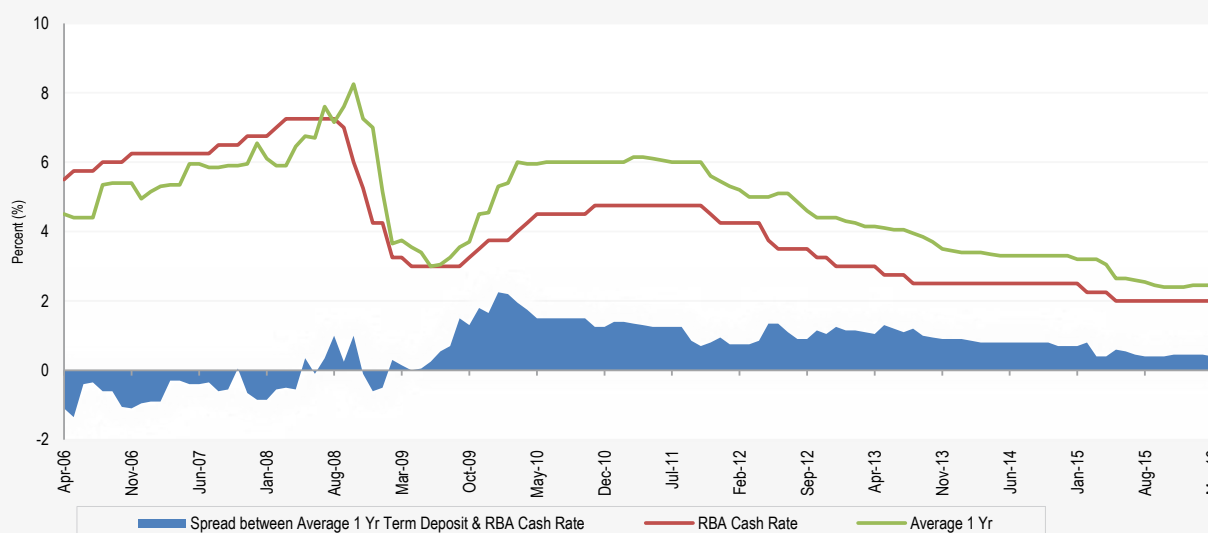
CASH

Australian 90 Day Bank Bill Futures Pricing



Source: Thomson Reuters

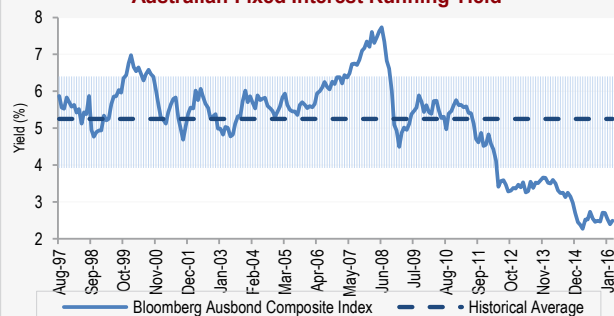
Term Deposit vs RBA Cash Rate



Source: Thomson Reuters

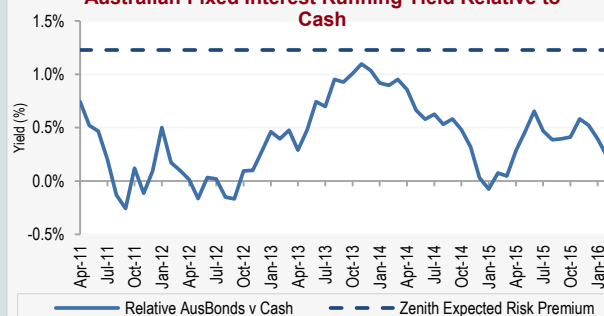
FIXED INTEREST

Australian Fixed Interest Running Yield



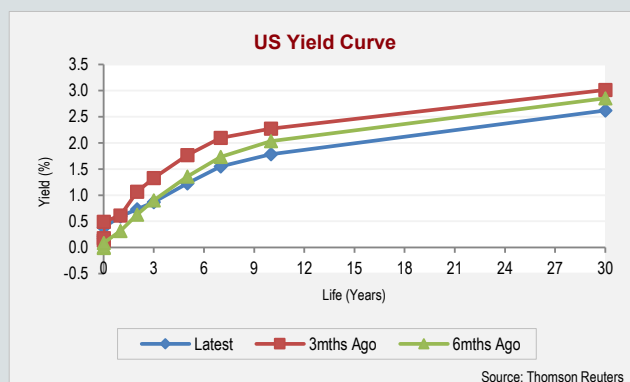
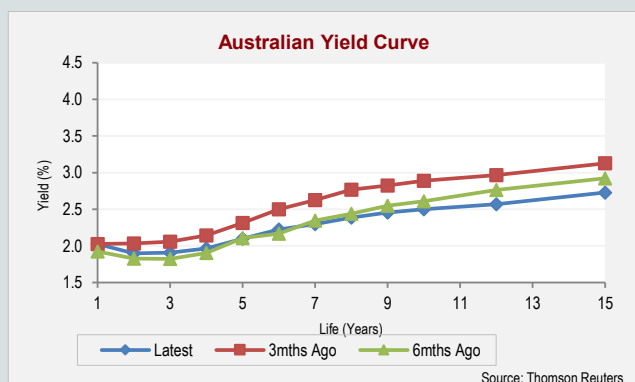
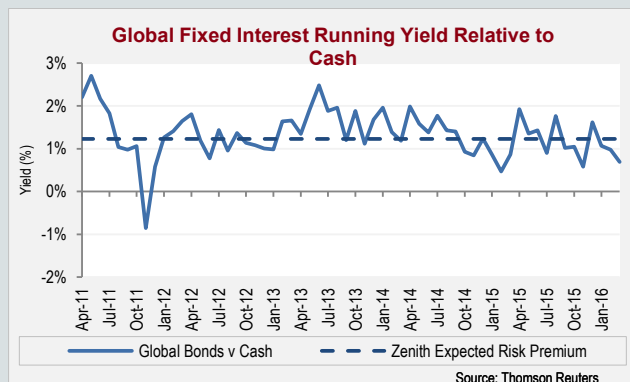
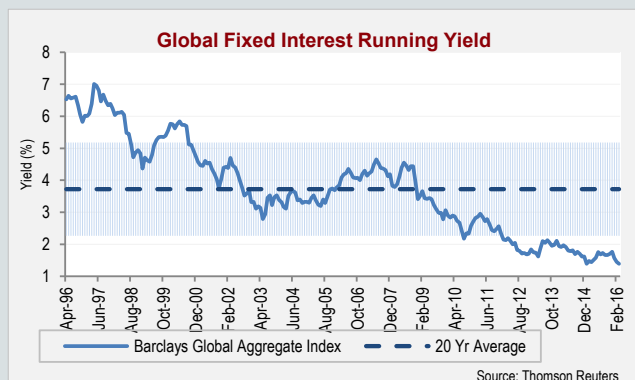
Source: Thomson Reuters

Australian Fixed Interest Running Yield Relative to Cash

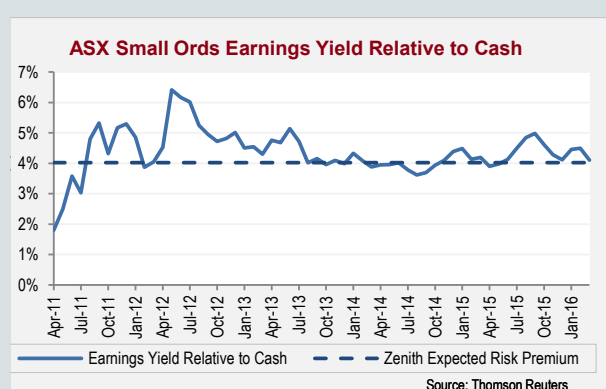
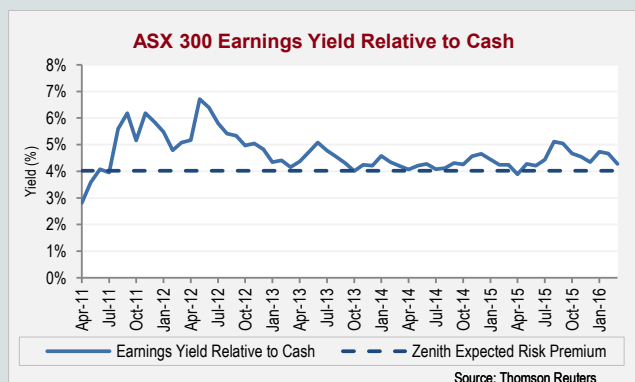
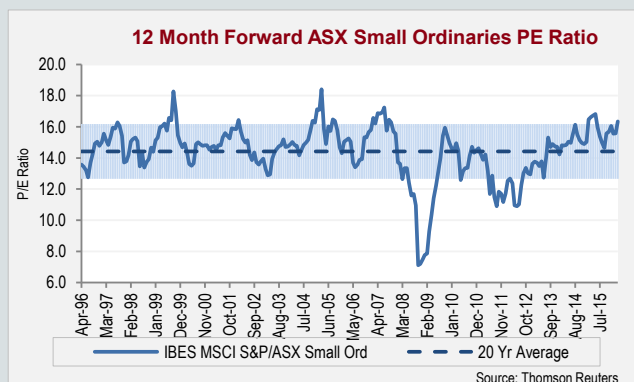
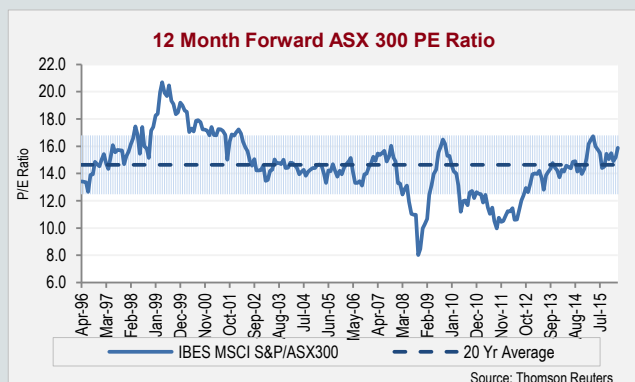


Source: Thomson Reuters

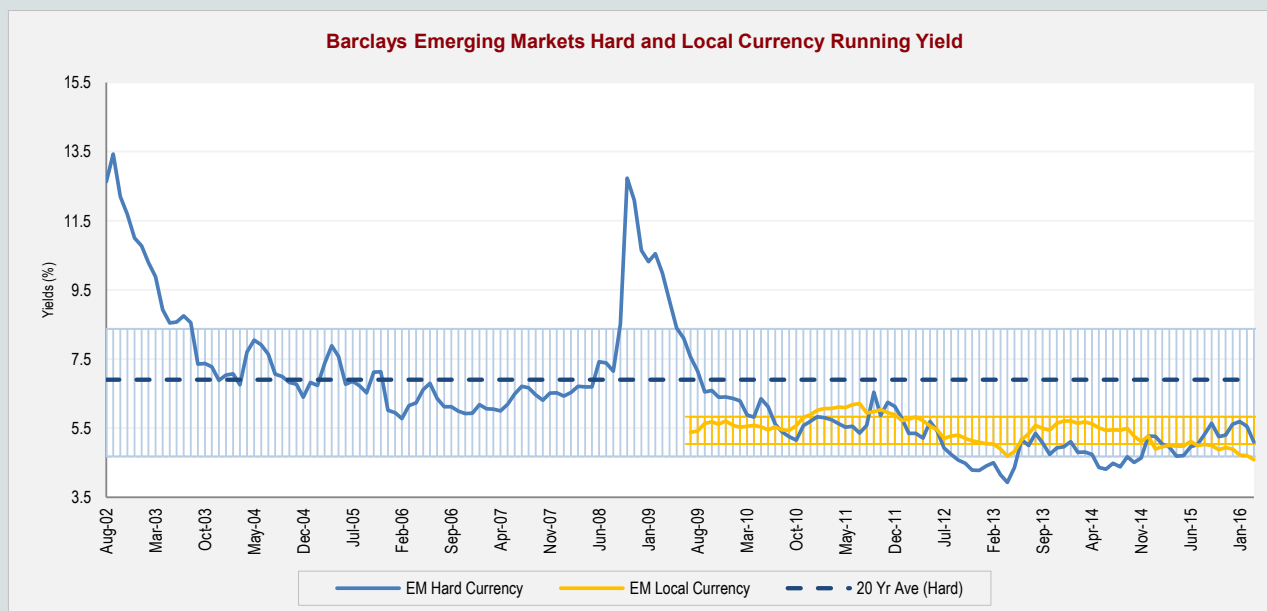
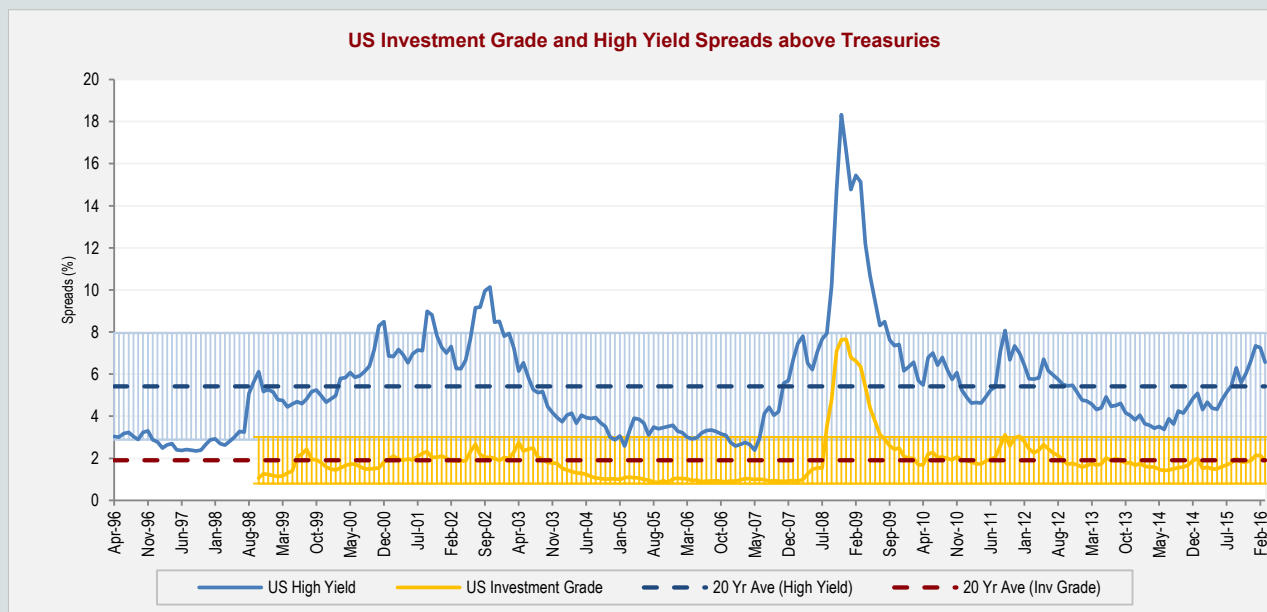
FIXED INTEREST (CONT.)



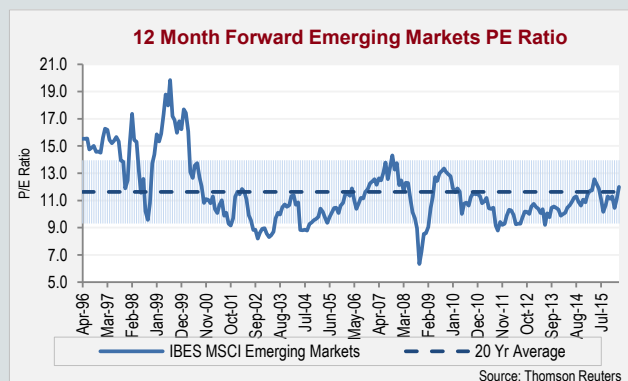
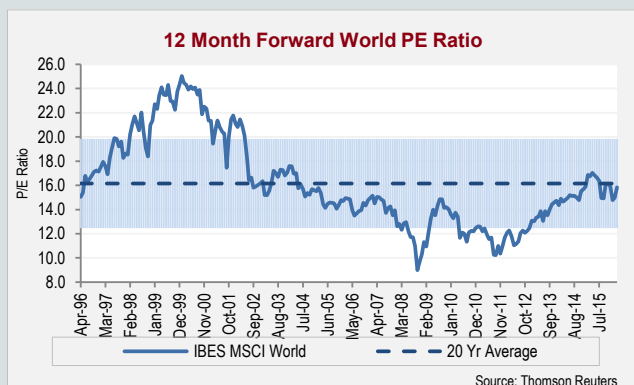
AUSTRALIAN EQUITIES



CORPORATE DEBT

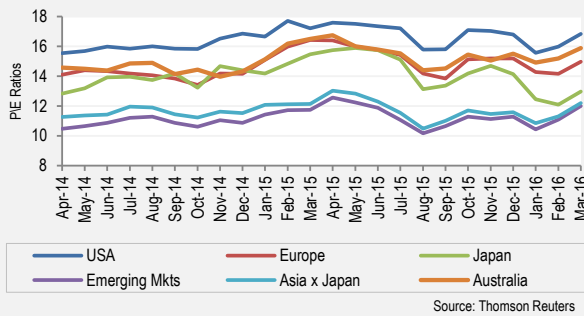


INTERNATIONAL SHARES

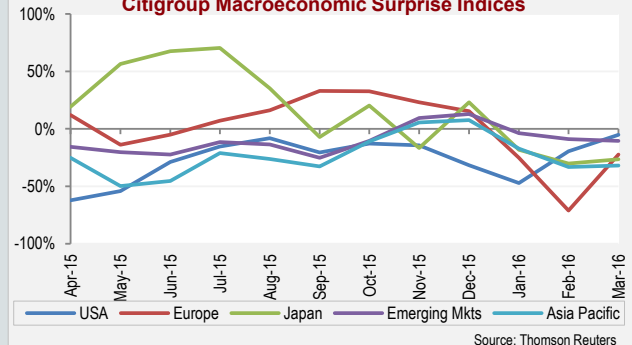


INTERNATIONAL SHARES (CONT)

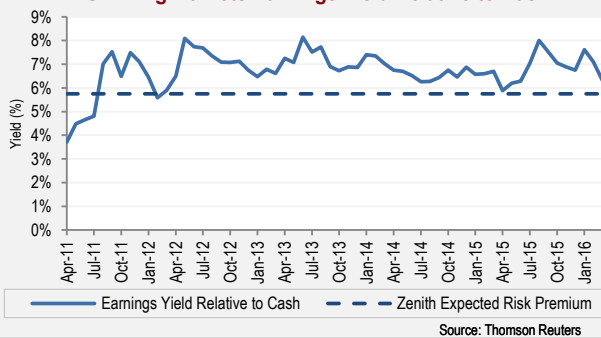
Regional Equity 12 Month Forward PE Valuations



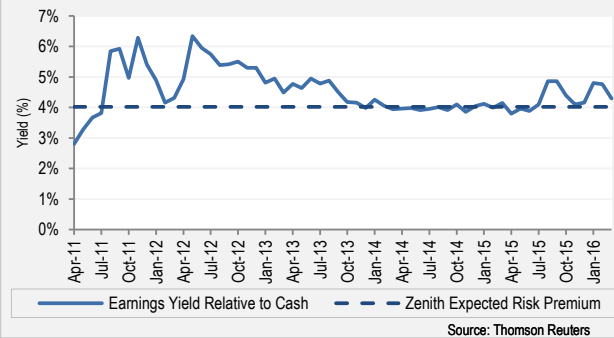
Citigroup Macroeconomic Surprise Indices



MSCI Emg Markets Earnings Yield Relative to Cash

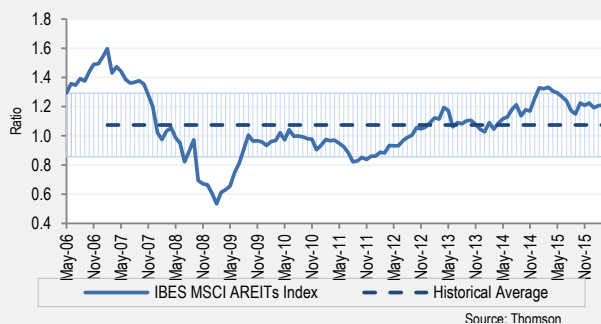


MSCI World Earnings Yield Relative to Cash

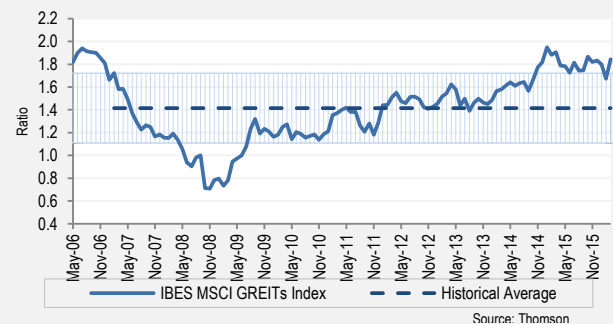


LISTED PROPERTY & INFRASTRUCTURE

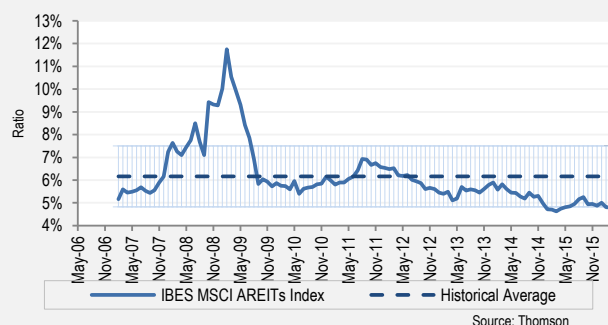
12 Month Forward AREIT Price to Book Value



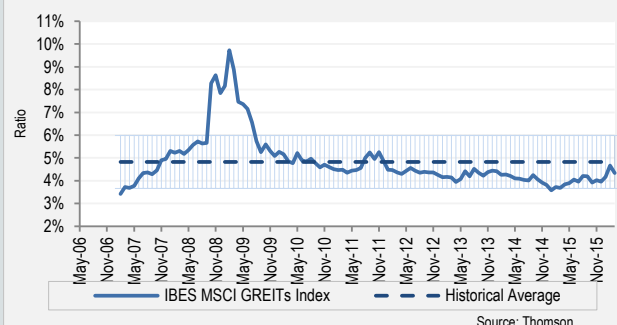
12 Month Forward GREIT Price to Book Value



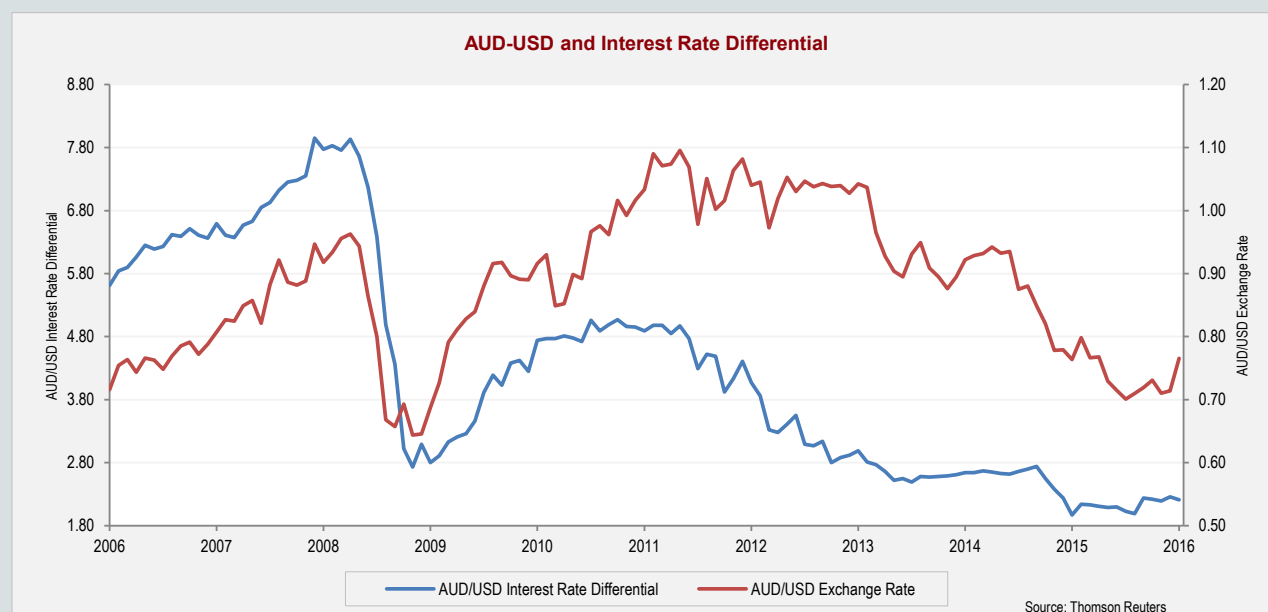
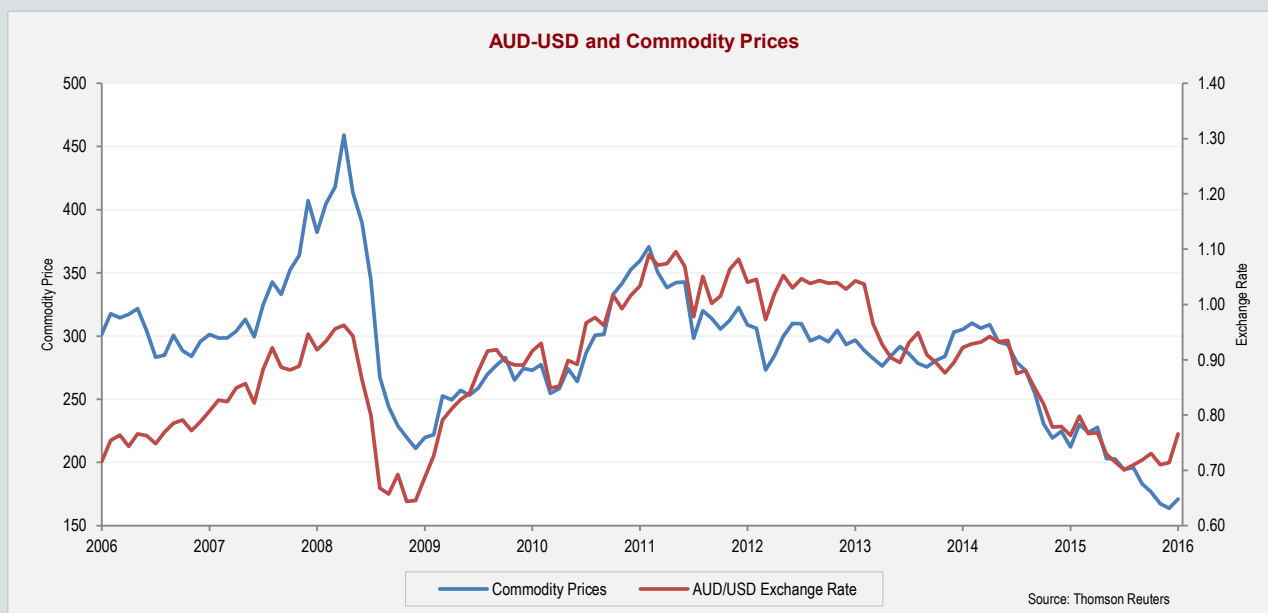
12 Month Forward AREIT Dividend Yield



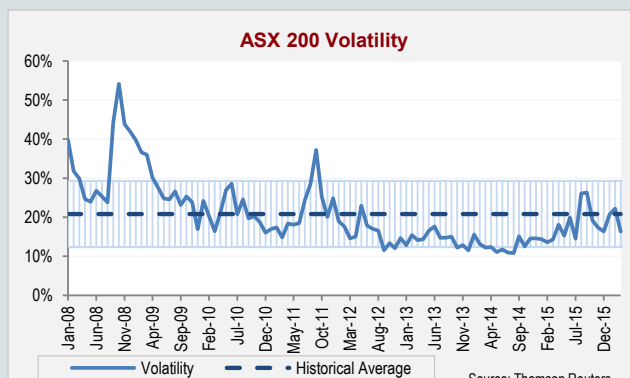
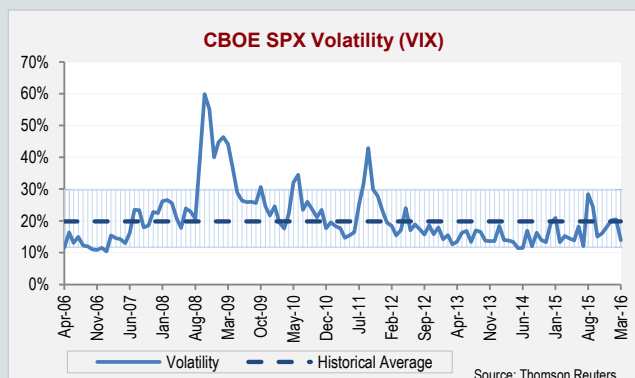
12 Month Forward GREIT Dividend Yield



AUSTRALIAN DOLLAR



VOLATILITY / FINANCIAL STRESS INDEX



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.