

THE MONTHLY MARKET REPORT



BREXIT

Brexit sent shares down while defensive assets rallied

The UK's vote on the 23rd of June to leave the European Union took markets by surprise. The increased uncertainty created by the outcome pulled most risk markets down. Domestically, around \$A 50 billion was wiped out off the share market the day after the result. The loss experienced on global equity markets was more extreme, with \$US 2.08 trillion dollars wiped off in one day.

During the "Risk Off" month, defensive assets outperformed, with bonds rallying both domestically and globally. Government bond yields fell across the world, as demand for treasuries soared. Demand for gold and the dollar also increased over the month.

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Data source | Thomson Reuters

A SNAPSHOT OF THE KEY POINTS FOR JUNE

- The RBA kept the overnight cash rate at 1.75% at both the June and July board meetings.
- In fixed income, the 3 Month Bank Bill Swap Rate fell by -0.02%, while the 10 Year Australian Bond Yield fell by -0.30% in June.
- Corporate debt spreads, as measured by the iTraxx Australian Index, was essentially flat over the month, falling from the previous reading of 126.09 to 126.03.
- Australian shares ended in the negative territory over the month, with the All Ordinaries Index and the S&P/ASX 200 Index declining by -2.52% and -2.70%, respectively.
- Domestic listed property outperformed the broader share market, gaining 2.06% over the month.
- On a regional basis, Japan was the worst performer, with the TOPIX Index falling by -9.71%. Europe was also down, with the STOXX 50 Index declining by -5.06%. Surprisingly, the FTSE 100 (UK) Index was the best performer, rising 4.39% over the month, despite an increased level of market volatility following the referendum in late June.
- Global commodity prices ended the month slightly higher, rising 0.21%, as measured by the US\$ CRB Spot Commodity Index. Gold and Iron Ore prices experienced the largest gains, adding 8.79% and 6.86%, respectively, in US Dollar terms.
- The Australian Dollar rose against most currencies in June, gaining 2.54% over the US Dollar, 2.97% against the Euro, 12.42% versus the British Pound. The AUD fell by -5.41% against the Japanese Yen.
- The Australian Trade Weighted Index (TWI) rose by 1.30% over the month, ending June at 62.50.
- Share market volatility rose both domestically (2.86%) and in the US (1.44%)

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 (%)	1.75	1.75	0.00	2.00	-0.25
	3 Month BBSW (%)	1.88	1.90	-0.02	2.19	-0.31
	10 Year Bond Rate (%)	2.02	2.32	-0.30	3.03	-1.01
iTraxx	iTraxx Australia	126.03	126.09	-0.06	97.66	28.36
Australian Shares	All Ordinaries Index	5310.40	5447.80	-2.52%	5451.20	-2.58%
	S&P/ASX 200	5233.40	5378.60	-2.70%	5459.00	-4.13%
Property	ASX 300 Property Index	1441.25	1412.17	2.06%	1214.00	18.72%
Regional Shares	Dow Jones Industrials (US)	17929.99	17787.20	0.80%	17619.51	1.76%
	S&P 500 (US)	2098.86	2096.96	0.09%	2063.11	1.73%
	FTSE 100 (UK)	6504.33	6230.79	4.39%	6520.98	-0.26%
	STOXX 50 (EUR)	329.89	347.45	-5.06%	381.31	-13.49%
	TOPIX (Japan)	1245.82	1379.80	-9.71%	1630.40	-23.59%
	Hang Seng (Hong Kong)	20794.37	20815.09	-0.10%	26250.03	-20.78%
	US\$ Gold Price	1321.07	1214.28	8.79%	1169.35	12.97%
Commodities	US\$ Oil Price – W Texas Crude	48.33	49.10	-1.57%	59.47	-18.73%
	US\$ Iron Ore Price	54.50	51.00	6.86%	60.00	-9.17%
	US\$ CRB Spot Commodity Index	413.09	412.21	0.21%	426.29	-3.10%
Exchange Rates	AUD / USD	0.7426	0.7242	2.54%	0.7680	-3.31%
	AUD / EUR	0.6699	0.6506	2.97%	0.6866	-2.43%
	AUD / GBP	0.5549	0.4936	12.42%	0.4885	13.59%
	AUD / JPY	76.23	80.59	-5.41%	93.92	-18.84%
TWI	Australia Trade Weighted Index \$A	62.50	61.70	1.30%	63.80	-2.04%
Volatility	VIX Index %	15.63	14.19	1.44%	18.23	-2.60%
	S&P/ASX200 Volatility Index	19.38	16.52	2.86%	19.90	-0.53%

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	0.56	2.24	2.51	3.10	2.24	1.14
Australian Bonds	Bloomberg AusBond Composite Index	1.33	2.87	7.02	6.25	6.74	7.02	4.97
International Bonds	Barclays Global Aggregate \$A (H)	1.98	2.87	9.34	7.56	7.74	9.34	6.69
	Barclays Global Agg Treasuries TRI \$A (H)	2.34	3.12	10.84	8.08	8.09	10.84	7.52
	Barclays Global Agg Corporate TRI \$A (H)	1.91	3.41	8.84	7.64	8.27	8.84	7.21
Emerging Markets Debt	Barclays EM Hard Currency Agg TRI \$A (H)	2.71	4.77	9.11	8.05	8.45	9.11	9.50

SUMMARY OF STATISTICS

- Australian Cash returned 0.17% over the month, as measured by the Bloomberg AusBond Bank Bill Index,
- Australian Bonds added 1.33% over the month, as measured by the Bloomberg AusBond Composite Index.
- International Bond returns were also positive for the month, with the Barclays Global Aggregate Hedged \$A Index up by 1.98% in May. Government bonds gained 2.34%, outperforming corporate debt which added 1.91%.
- Emerging Markets Debt gained 2.71% to be the best performer in the asset class, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index.

COMMENTARY

The RBA kept the overnight cash rate at 1.75% during both the June and July board meetings. Despite citing continued growth in the domestic economy, the board noted a very large decline in business investment. The board reiterated that inflation remained quite low and that the subdued growth in labour costs was expected to remain for some time.

The RBA also indicated that low interest rates continued to be support domestic demand and were helping the traded sector. The board noted that “Financial institutions are in a position to lend and credit growth has been moderate. These factors are all assisting the economy to make the necessary economic adjustments, though an appreciating exchange rate could complicate this.” The Australian dollar rose in June, which have complicated the economic adjustments.

Although US data was a not overly optimistic over the month, economic indicators were broadly pointing to a recovery, with retail sales continuing to rise, inflation in line with expectations and the business confidence remained above the neutral level of 50, indicating expansion. The UK’s referendum vote to leave the European Union (coined as “Brexit”) attracted fund flows from risk assets to more defensive assets.

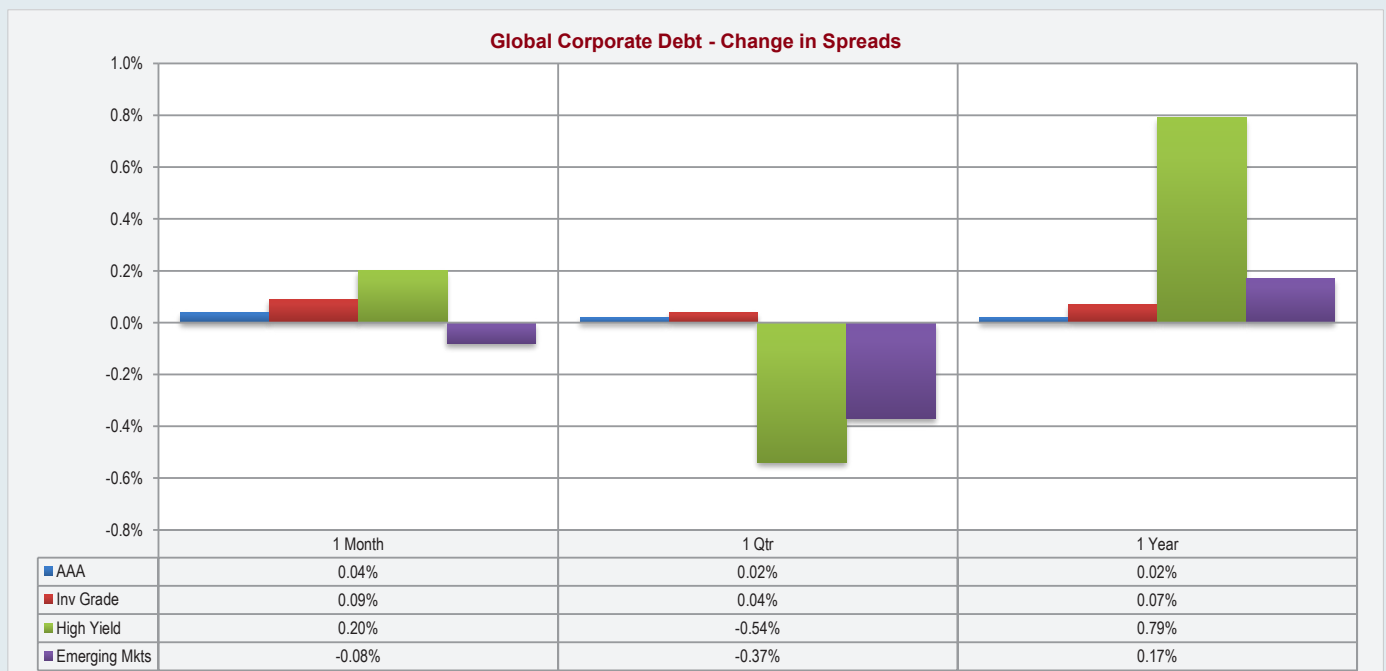
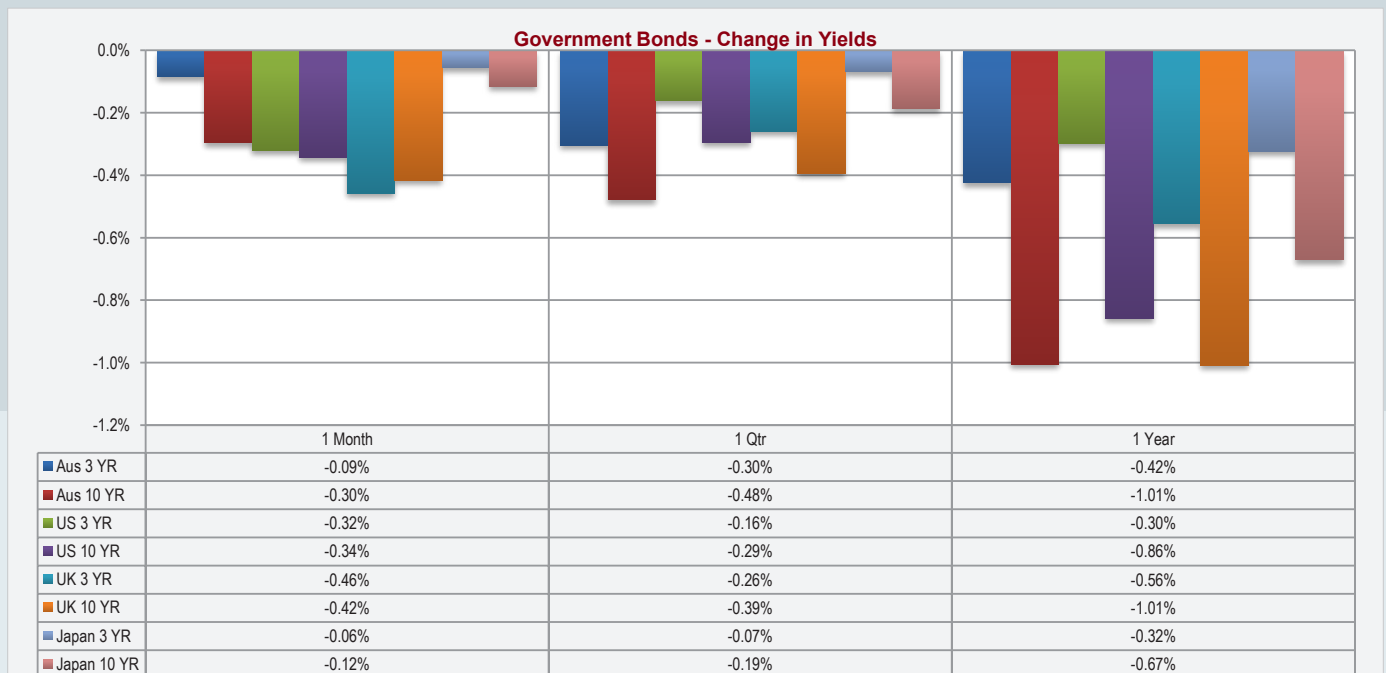
Bond returns were strong in June, with domestic and international bonds gaining 1.33% and 1.98%, as measured by the Bloomberg Ausbond Composite Index and the Barclays Global Aggregate Hedged AUD Index, respectively. Brexit was clearly the major event that shocked markets but prior to that, investor demand for sovereign debt was fuelled by soft economic conditions in Europe and Japan.

In Australia, government bond yields fell across the curve with the 3 Year and 10 Year yields declining by

-0.09% and -0.30%, respectively. Corporate debt spreads narrowed slightly, with the iTraxx Australian Index falling by -0.06 points to finish the month at 126.03.

Similar to what occurred in Australia, global government debt (+2.34%) outperformed corporate bonds (+1.91%) in June. While government bond yields fell globally, corporate debt spreads widened. Spreads in investment grade and high yield rose by 0.09% and 0.20%, respectively.

Emerging market debt added a solid 2.71% return over the month, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index. EM bonds were thought to be highly sensitive to the UK's departure from the European Union; however, they found themselves beneficiaries of the situation. Yields fell in most EM countries e.g. the yield on Turkish 10-year notes fell below where they were prior to the Brexit result on June 24th and South African note yields fell the most in EM markets. Corporate debt spread narrowed by -0.08% over the month, adding to further bond price gains.



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	-2.44	3.98	0.88	7.69	7.20	0.88	1.24
	S&P/ASX 50 Leaders Index	-2.62	3.46	-2.62	6.42	7.44	-2.62	-0.54
	S&P/ASX Midcap 50 Index	-2.14	5.97	17.72	16.31	9.60	17.72	9.33
	S&P/ASX Small Ordinaries Index	-1.31	5.85	14.42	9.14	1.00	14.42	6.94
	S&P/ASX Emerging Companies Index	2.95	15.01	29.79	12.82	-3.62	29.79	20.11
GICS Sectors	S&P/ASX 300 Materials	0.59	11.51	-2.75	2.30	-6.90	-2.75	17.28
	S&P/ASX 300 Industrials	-0.99	3.08	18.73	16.77	11.61	18.73	8.57
	S&P/ASX 300 Consumer Discretionary	-0.18	3.65	19.71	13.39	13.14	19.71	4.41
	S&P/ASX 300 Consumer Staples	-4.02	-3.88	1.38	-1.05	5.29	1.38	-5.95
	S&P/ASX 300 Energy	-0.81	4.88	-21.81	-9.91	-9.06	-21.81	4.41
	S&P/ASX 300 Healthcare	-2.48	10.24	21.03	20.04	22.09	21.03	8.46
	S&P/ASX 300 Information Technologies	-7.60	1.47	3.82	7.06	8.60	3.82	-3.65
	S&P/ASX 300 Telecommunications	-1.28	4.09	-0.67	13.05	22.75	-0.67	3.76
	S&P/ASX 300 Financials ex Property	-5.94	0.38	-8.57	6.54	11.18	-8.57	-9.32
	S&P/ASX 300 Utilities	5.63	9.02	24.45	18.68	17.59	24.45	12.61
	S&P/ASX 300 Property	3.53	9.24	24.61	18.50	18.02	24.61	16.21

SUMMARY OF STATISTICS

- Australian shares fell by -2.44% in June, as measured by the S&P/ASX 300 Accumulation Index.
- While larger capitalisation stocks fell further over the month, smaller size stocks continued to outperform. Following another strong run of 2.95% over the month, microcaps have gained 29.79% over the past year to be the best performers.
- On a sector basis, 8 out of 11 GICS Indexes reported losses. Information Technologies and Financials (ex-Property) were the worst performers in June, declining by -7.60% and -5.94%, respectively.
- The S&P/ASX 300 Utilities Index and the S&P/ASX 300 Property Index continued to outperform the broader market, by 8.07% and 5.97%, respectively, over the month.
- Despite a strong recovery over the month and quarter, up 0.59% and 11.51%, respectively, the Materials sector was still down -2.75% over the past year.

COMMENTARY

The Australian share market had a poor run over the month, with the S&P/ASX 300 Accumulation Index declining by -2.44%. Large cap stocks continued to lag their small and micro-cap counterparts, with the divergence between the respective indices now 17.04% and 32.41% over the past year.

On the economic front, consumer confidence fell by 1.0 point to 102.17 in June, compared to an 8.5 gain in the previous month. On the business side, manufacturing activity recovered slightly in June, with the indicator rising to 51.8 from the previous month reading of 51.0, which was a 7-month low. Post the outcome of the BREXIT vote, any domestic listed businesses with exposure to the UK were impacted, most directly through the currency exposure.

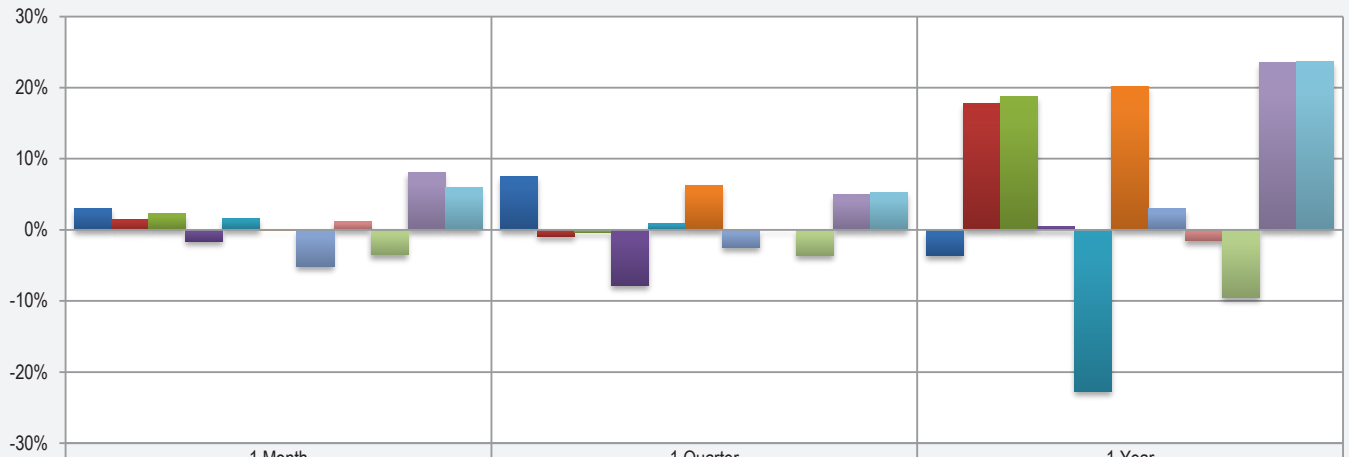
On a sector basis, Information Technologies fell by -7.60% in June to be the worst performing sector. GBST Holdings Ltd and Computershare Ltd were among the worst performers, declining by -23.90% and -14.62%, respectively, over the month. Both software providers were impacted by their exposures to the UK and the Pound. However, GBST decline was also a reflection of specific contract losses in recent months, impacting the group's overall growth rate. Computershare saw its share price decline from mid-May all through to June after selling its headquarters in Melbourne through a sale-and-leaseback deal.

The Financials ex-Property sector fell back into the negative territory in June, falling by -5.94%. The UK-based fund manager Henderson Group reported a loss of -31.20% to be the worst performer in the sector. The big four banks also reported disappointing results with NAB, ANZ, WBC and CBA declining by -6.34%, -5.34%, -4.23% and -3.95%, respectively, over the month.

After a pullback in the previous month, Materials enjoyed a decent recovery in June on the back of rising commodity prices. The S&P/ASX 300 Materials Index was one of the only three GICS Indexes to report gains in June, adding 0.59% over the month, taking its past quarter return to 11.51%, to be the best performing sector. Gold producers continued to enjoy strong returns on the back of soaring gold prices, with Resolute Mining Ltd and Beadell Resources Ltd the top gold performers, returning 44.38% and 35.71%, respectively over the month.

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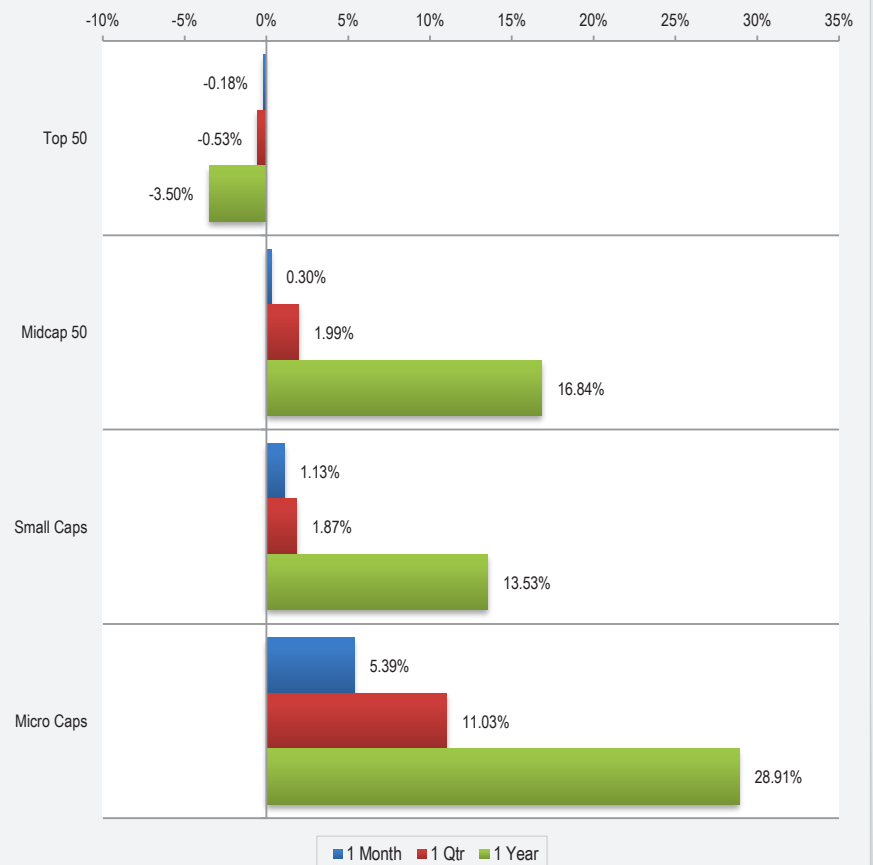
GICs Sector Performance Relative to ASX 300 Accumulation Index



	1 Month	1 Quarter	1 Year
Materials	3.03%	7.53%	-3.64%
Industrials	1.45%	-0.91%	17.85%
Cons Disc	2.26%	-0.34%	18.83%
Cons Stap	-1.58%	-7.86%	0.50%
Energy	1.63%	0.90%	-22.69%
Healthcare	-0.04%	6.26%	20.15%
IT	-5.16%	-2.52%	2.94%
Telco	1.16%	0.11%	-1.55%
Fin Ex-AREIT	-3.50%	-3.61%	-9.45%
Utilities	8.07%	5.04%	23.57%
Property	5.97%	5.25%	23.72%

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)	-3.83	4.37	0.40	14.81	14.92	0.40	-1.70
Unhedged	MSCI World (\$A)	-3.80	4.35	0.35	14.57	14.66	0.35	-1.65
	MSCI Small Cap World (\$A)	-4.55	4.97	-0.66	15.27	14.89	-0.66	-0.05
	MSCI AC World (\$A)	-3.29	4.33	-0.62	13.59	13.32	-0.62	-1.09
International Shares -	MSCI World ex-Au	-1.28	1.21	-2.71	8.76	8.85	-2.71	-0.73
Local Currency	MSCI World	-1.32	1.28	-2.67	8.69	8.79	-2.67	-0.70
	MSCI World Small Cap	-1.90	1.61	-3.76	7.60	6.84	-3.76	2.29
	MSCI AC World	-0.61	0.99	-3.73	6.03	5.38	-3.73	1.23
Regional Shares -	MSCI North America	0.18	2.51	2.21	10.62	10.60	2.21	3.45
Local Currency	MSCI Asia	-3.86	-3.10	-16.77	3.69	5.22	-16.77	-9.15
	MSCI AC Asia ex-Japan	1.57	0.98	-10.03	3.78	2.16	-10.03	1.15
	MSCI China	0.97	0.14	-23.32	3.37	-0.56	-23.32	-4.60
	MSCI Europe	-2.03	1.23	-5.85	6.58	5.63	-5.85	-3.75
	MSCI Emerging Markets	1.59	0.70	-7.70	3.70	2.02	-7.70	3.45
	MSCI India	1.64	5.72	-0.95	11.77	8.11	-0.95	3.18
	MSCI Japan	-9.78	-7.80	-23.66	3.82	9.31	-23.66	-19.47
Global Gold Shares in \$A	FTSE Gold Mines	19.40	42.44	73.93	16.35	-5.65	73.93	105.60
Global Resources in \$A	HSBC Global Mining	9.62	22.46	-1.61	0.41	-9.18	-1.61	43.03

SUMMARY OF STATISTICS

- International shares, as measured by the MSCI World ex-Australia Local Currency Index, fell by -1.28% in June. The unhedged equivalent underperformed, declined by -3.83%, due to an increase in the Australian dollar over the month.
- On a regional basis, Japan and Europe were the worst performers, declining by -9.78% and -2.03%, respectively, over the month.
- Emerging Markets did well in June, adding 1.59%. India and China were amongst the best performers, gaining 1.64% and 0.97%, respectively, over the month.
- Resource stocks gained 9.62% over the month, with gold gaining 19.40%, to be the best performer.

COMMENTARY

June was a volatile month for global equities following the referendum outcome that the UK voted to leave the European Union. Most regional share markets recorded losses, with the MSCI World ex-Australia Local Currency Index falling by -1.28% over the month. The unhedged equivalent was slightly worse off due to the rising Australian dollar over the month.

Equity markets continued to be affected by the headlines coming out of the US, including potential rate hikes by the Fed and the US presidential election. After falling in the immediate aftermath of Fed comments that rate hikes might occur sooner than anticipated by the market, the US equity market regained lost ground as participants digested the information and become more confident in the country's growth story. Notwithstanding this, over the past month, the MSCI North America Local Currency Index posted a flat return of 0.18%.

Stocks in Japan continued to plunge, losing -9.78% in June. As uncertainty and volatility rose over the month, many investors sold shares and piled into the Japanese Yen and also defensive assets such as government bonds. A stronger currency generally hurts exporters by making their products more expensive in foreign markets.

The underperformance of European shares could mostly be explained by "Brexit". The European Union also suffered a downgrade of its long term credit rating from AA+ to AA by the credit ratings agency S&P only a few days after the UK's Brexit vote.

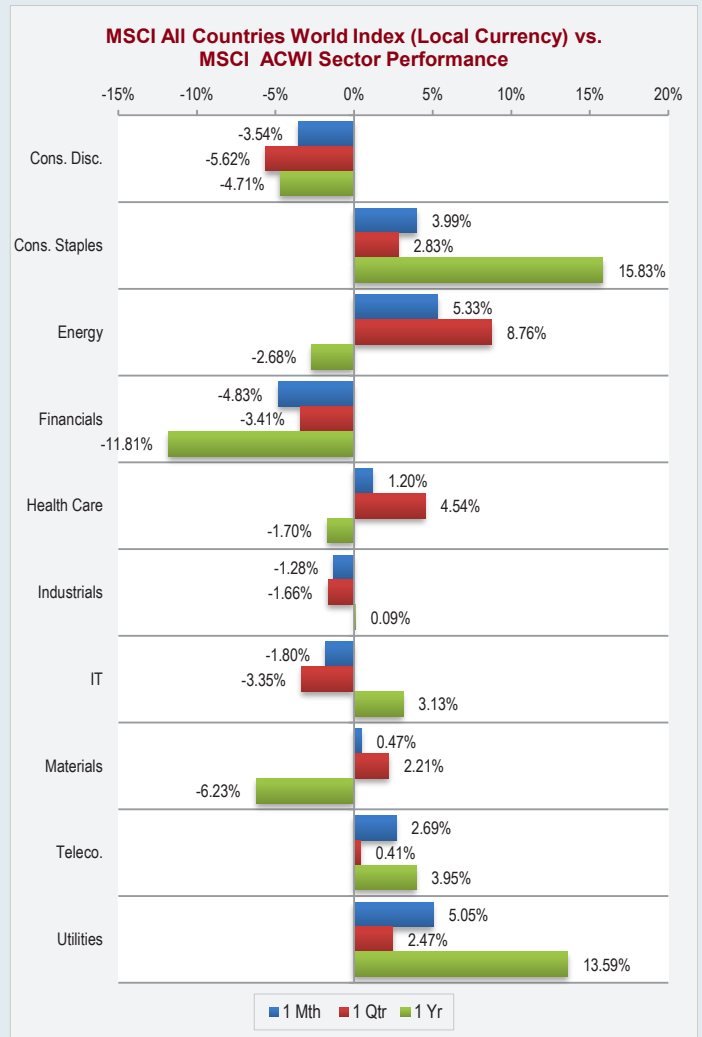
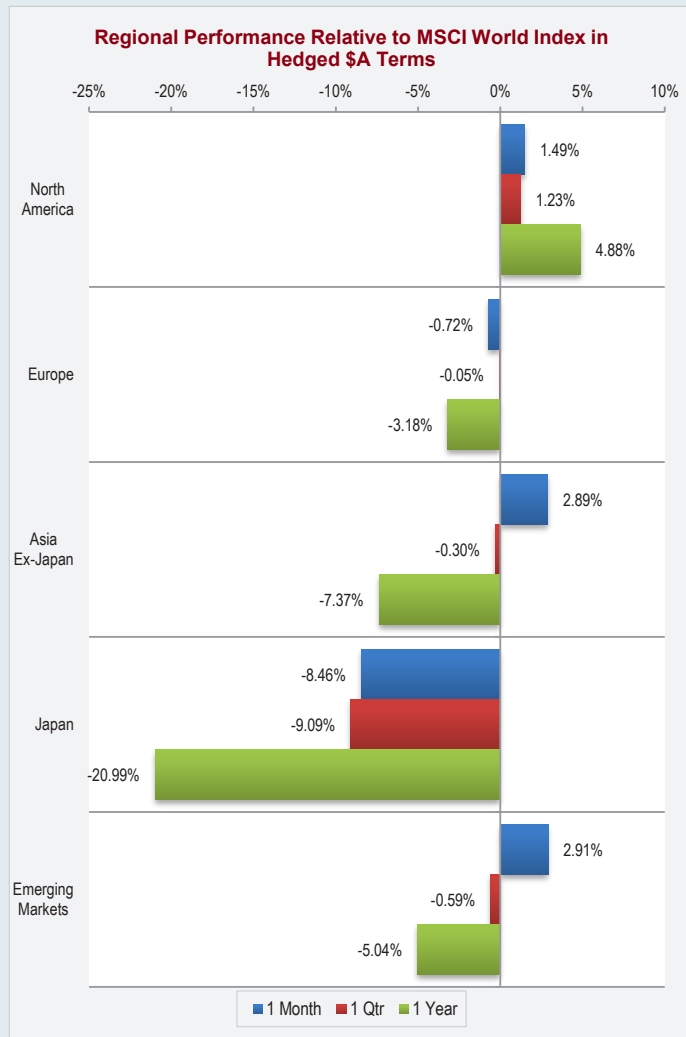
While the UK, Europe and Japan were suffering from equity sell-offs, India and China outperformed, adding 1.64% and 0.97%, respectively, over the month. Both countries' manufacturing PMI Indices remained above the neutral level of 50, indicating expansions. Notwithstanding this, historically when global equity markets are volatile, the Emerging markets face capital outflows in favour of safe haven assets such as gold and bonds.

Resource shares posted strong returns on the back of rising commodity prices, with the HSBC Mining Hedged \$A Index gaining 9.62% over the month. Gold stocks, as measured by the FTSE Gold Mines \$A Index, soared by 19.40% in June. This corresponds with the strong rally in gold prices in US dollar terms.

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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	2.54	-3.02	-3.31	-7.14	-7.11	-3.31	1.64
	AUD / EUR	2.97	-0.98	-2.43	-1.90	-1.98	-2.43	0.25
	AUD / GBP	12.42	3.95	13.59	-2.96	-3.60	13.59	12.58
	AUD / JPY	-5.41	-11.29	-18.84	-5.95	-2.46	-18.84	-13.36

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	-4.14	-4.63	-8.44	7.29	9.78	-8.44	-7.18
Local Currency	MSCI ACWI Consumer Staples Index	3.38	3.81	12.11	9.54	10.84	12.11	6.58
	MSCI ACWI Energy Index	4.73	9.74	-6.41	-3.66	-3.60	-6.41	13.93
	MSCI ACWI Financials Index	-5.43	-2.42	-15.53	1.72	3.18	-15.53	-10.03
	MSCI ACWI Health Care Index	0.59	5.52	-5.43	12.41	13.77	-5.43	-3.42
	MSCI ACWI Industrials Index	-1.89	-0.67	-3.64	6.72	5.66	-3.64	-0.07
	MSCI ACWI IT Index	-2.41	-2.36	-0.60	12.00	10.26	-0.60	-2.02
	MSCI ACWI Materials Index	-0.14	3.20	-9.96	0.52	-4.62	-9.96	5.55
	MSCI ACWI Teleco. Services Index	2.08	1.40	0.22	6.37	5.04	0.22	5.54
	MSCI ACWI Utilities Index	4.44	3.46	9.86	7.18	3.72	9.86	10.03

PROPERTY & INFRASTRUCTURE

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Australian Listed Property	S&P/ASX 300 Property	3.53	9.24	24.61	18.50	18.02	24.61	16.21
	FTSE E/N Australia	3.22	8.78	23.20	17.72	17.39	23.20	15.86
Global Listed Prop. \$A (H)	FTSE E/N GLOBAL HGD A\$	3.12	4.00	13.26	12.82	12.90	13.26	7.64
Global Listed Prop. \$A	FTSE E/N GLOBAL A	1.05	7.00	14.05	15.56	15.83	14.05	6.34
	FTSE E/N North America	4.03	10.04	26.58	20.62	19.96	26.58	10.54
	FTSE E/N Euro Zone	-3.43	1.74	19.22	19.39	12.70	19.22	4.95
	FTSE E/N UK	-19.72	-10.51	-21.08	13.04	12.42	-21.08	-23.22
	FTSE E/N Developed Asia	0.60	6.79	3.90	9.24	13.06	3.90	6.94
	FTSE E/N Japan	-1.87	5.06	7.10	6.67	16.04	7.10	6.02
Australian Listed Infra.	S&P/ASX 300 Utilities	5.63	9.02	24.45	18.68	17.59	24.45	12.61
Global Listed Infra. \$A (H)	S&P Global Infrastructure	2.97	6.47	6.14	13.67	11.81	6.14	13.11

SUMMARY OF STATISTICS

- Australian listed property gained 3.53% in June, as measured by the S&P/ASX 300 Property Index.
- GREITs also performed well, with the FTSE EPRA NAREIT Developed Hedged \$A Index rising by 3.12% over the month.
- Despite a falling USD over the AUD over the month, North America continued to be the best performing region, gaining 4.03%.
- REITs in the UK suffered a -19.72% loss in June to be the worst performing region.
- Australian listed infrastructure rose by 5.63% over the month, outperforming its international counterpart which added 2.97% in hedged AUD terms.

COMMENTARY

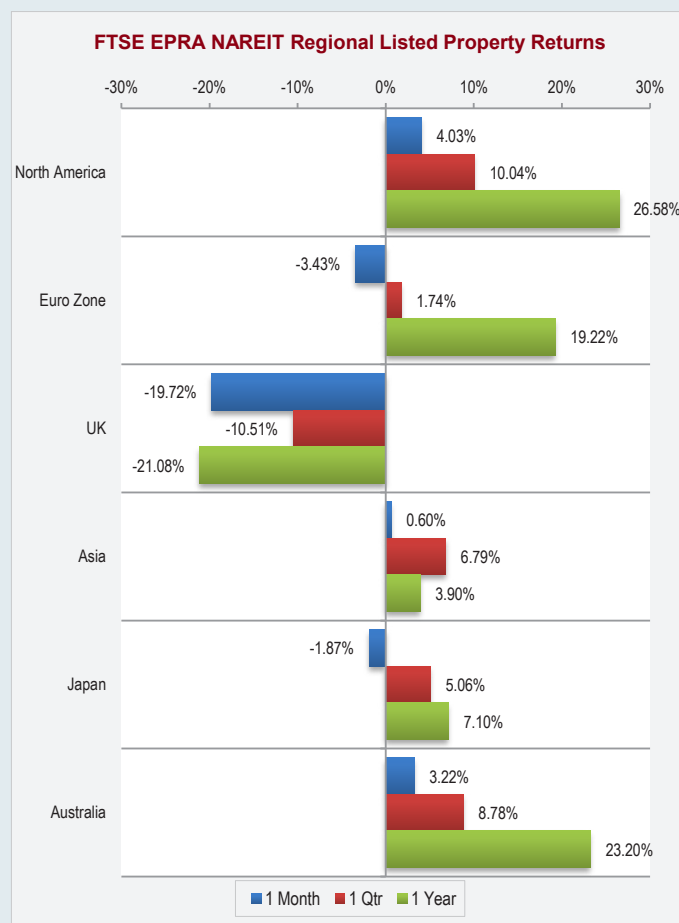
REITs posted strong returns in June both domestically and globally. AREITs rose by 3.53% over the month, while GREITs (in hedged AUD) rose by 3.12%. Over the past year, AREITs continued to be the stronger performer, outperforming GREITs by 11.35%.

In Australia, while most stocks in the sector enjoyed a good run over the month, Ingenia Communities Group (ASX: INA) and Stockland (ASX: SGP) were the best performing names, gaining 7.89% and 6.73%, respectively. Both companies expanded their portfolios in June, with INA tapping institutional shareholders for another \$60 million and SGP striking a \$290 million deal to acquire a 95 hectares of zoned land in north west Sydney.

Global listed property reported mixed reports among various regions, with North America gaining 4.03% to lead the gains while the UK declined by -19.72%, to be the worst performer.

Australian listed infrastructure continued to outperform its global counterparts, by 2.66% in June. Over the past year, the S&P/ASX 300 Utilities Index has gained 24.45%, outperforming the S&P Global Infrastructure Hedged AUD Index by 18.31%.

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.

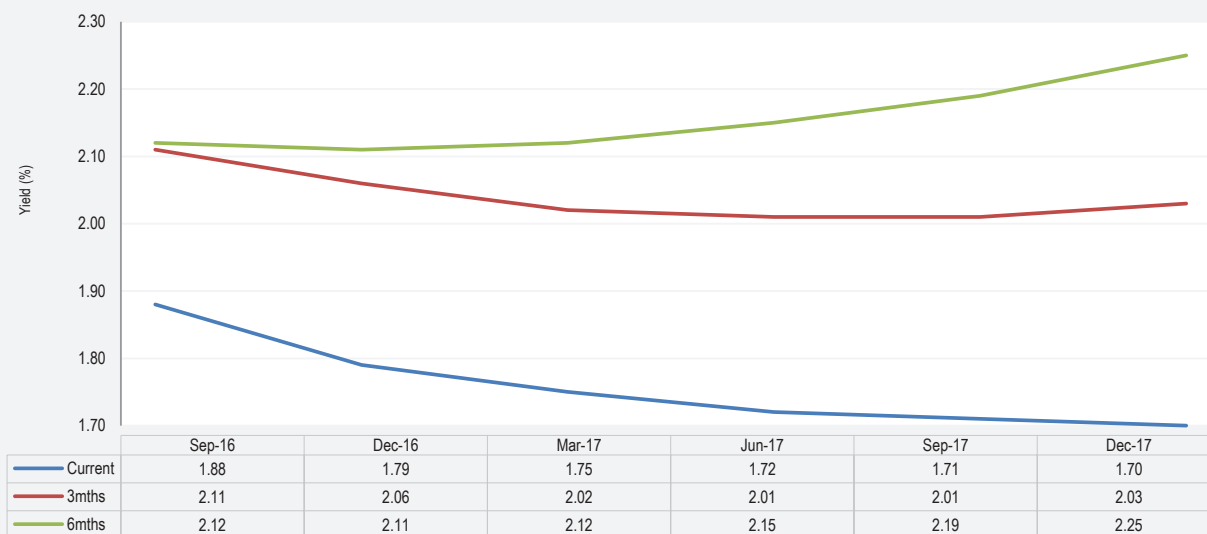
Sector	Absolute Valuation	Relative Valuation (vs Cash)	Momentum
Australian Bonds	Expensive	Moderately Expensive	Positive
Global Bonds	Expensive	Moderately Expensive	Positive
Global Investment Corp Debt	-	Fair Value	Positive
Global High Yield	-	Fair Value	
Australian Equities	Moderately Expensive	Fair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

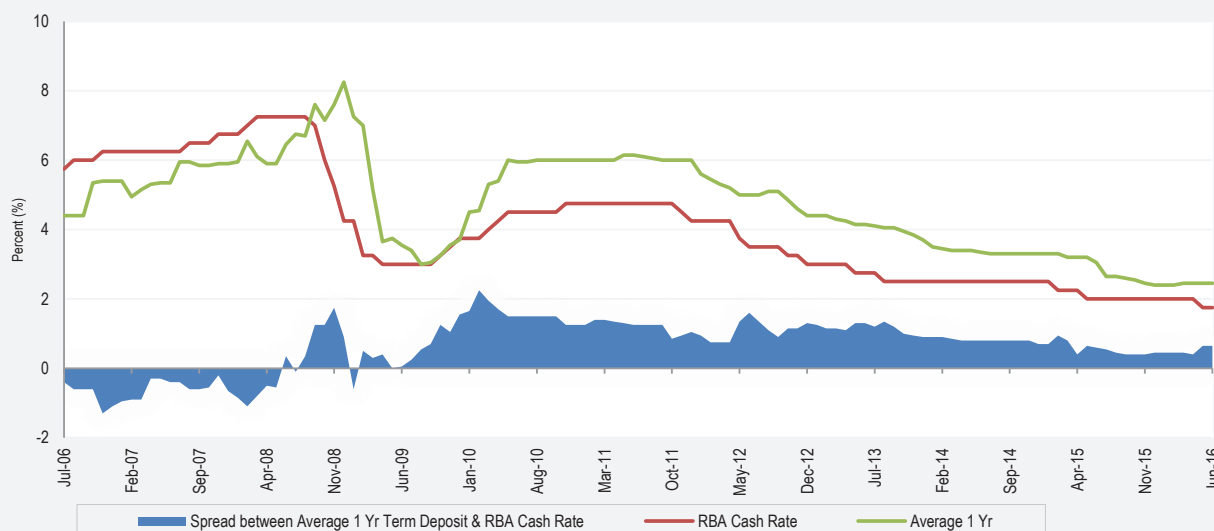
CASH

Australian 90 Day Bank Bill Futures Pricing



Source: Thomson Reuters

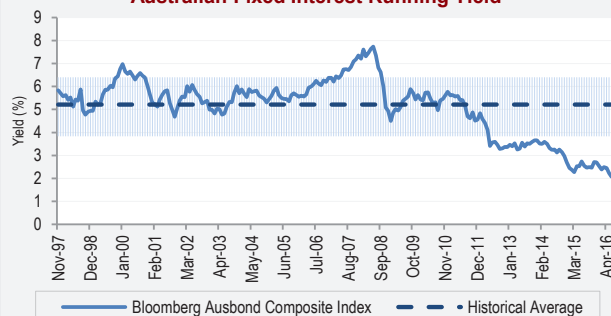
Term Deposit vs RBA Cash Rate



Source: Thomson Reuters

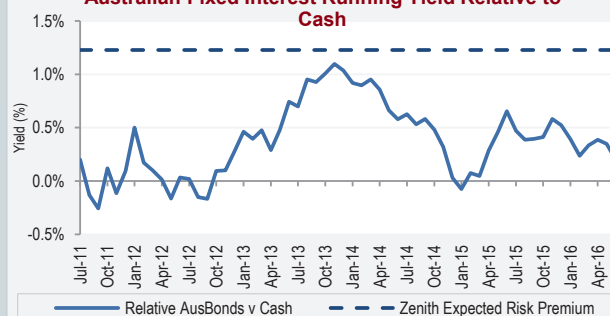
FIXED INTEREST

Australian Fixed Interest Running Yield



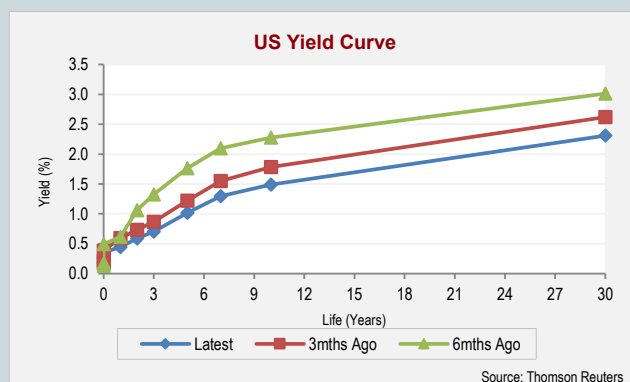
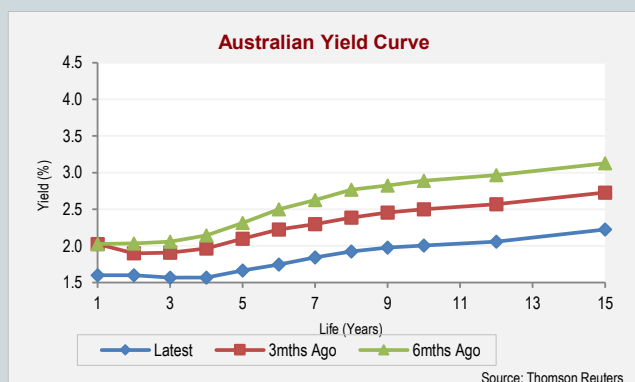
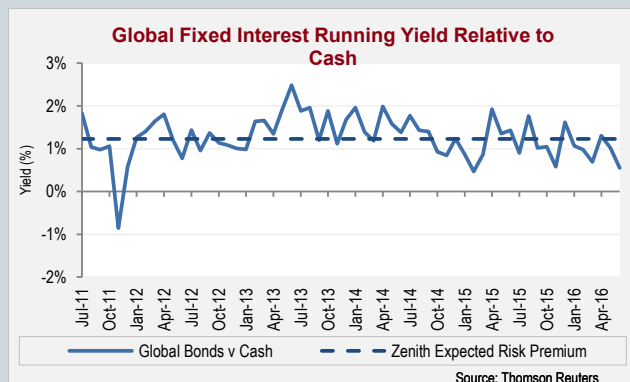
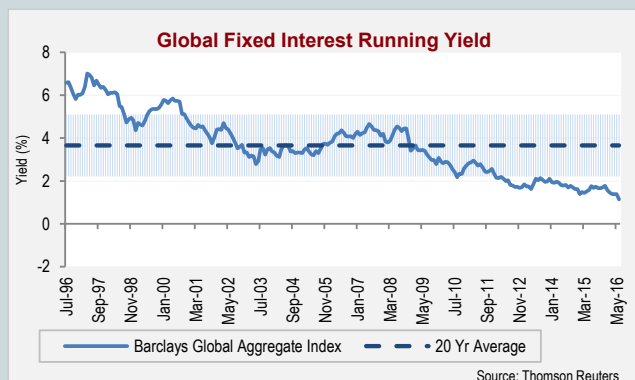
Source: Thomson Reuters

Australian Fixed Interest Running Yield Relative to Cash

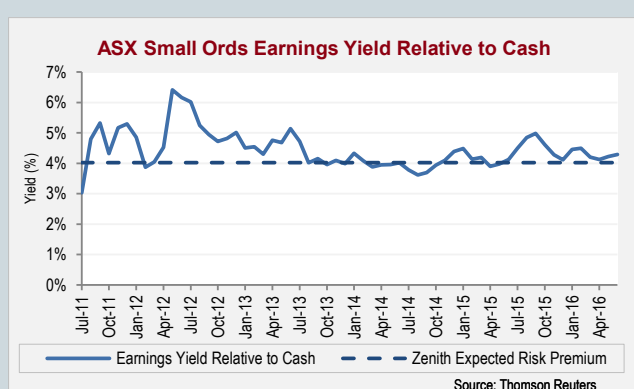
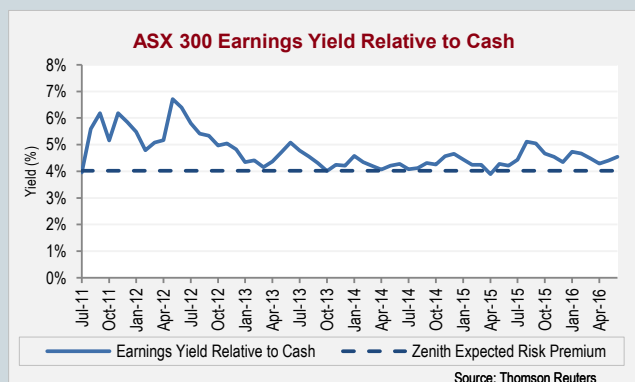
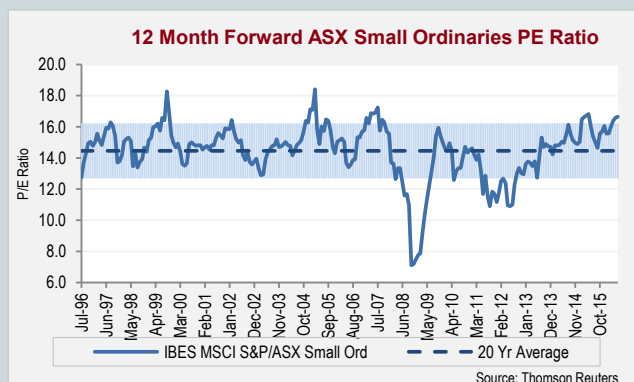
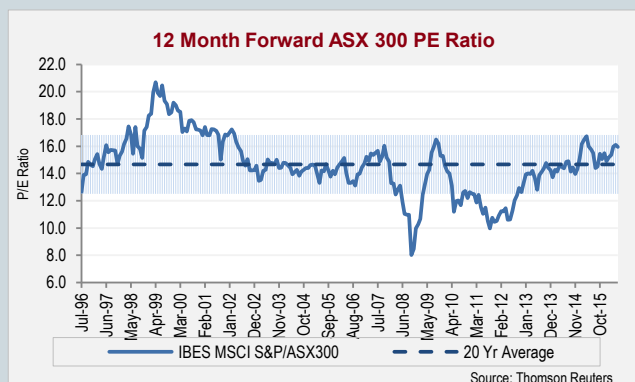


Source: Thomson Reuters

FIXED INTEREST (CONT.)

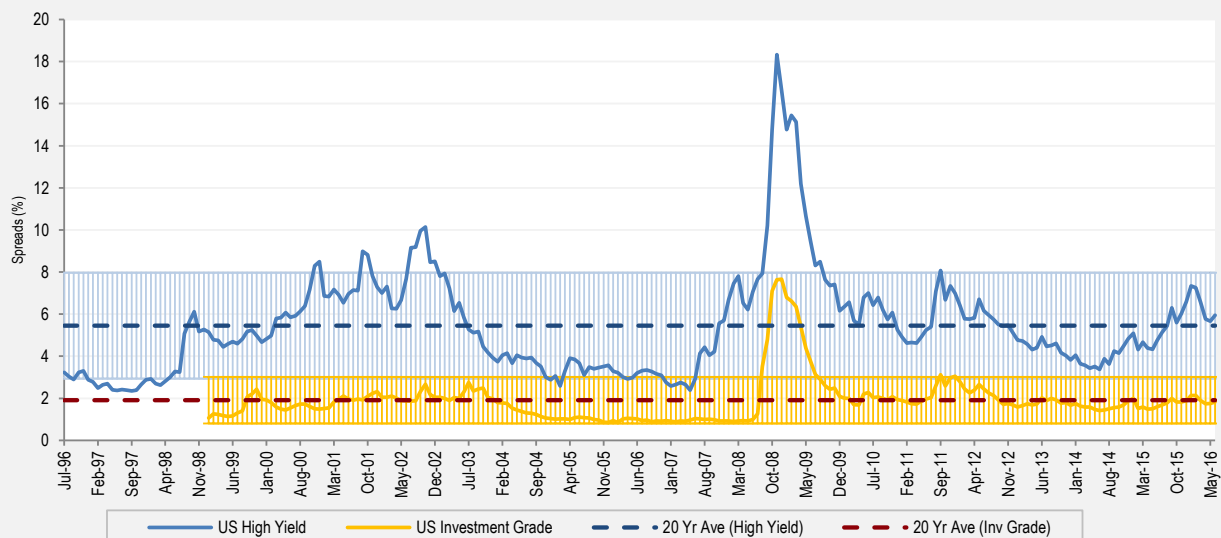


AUSTRALIAN EQUITIES

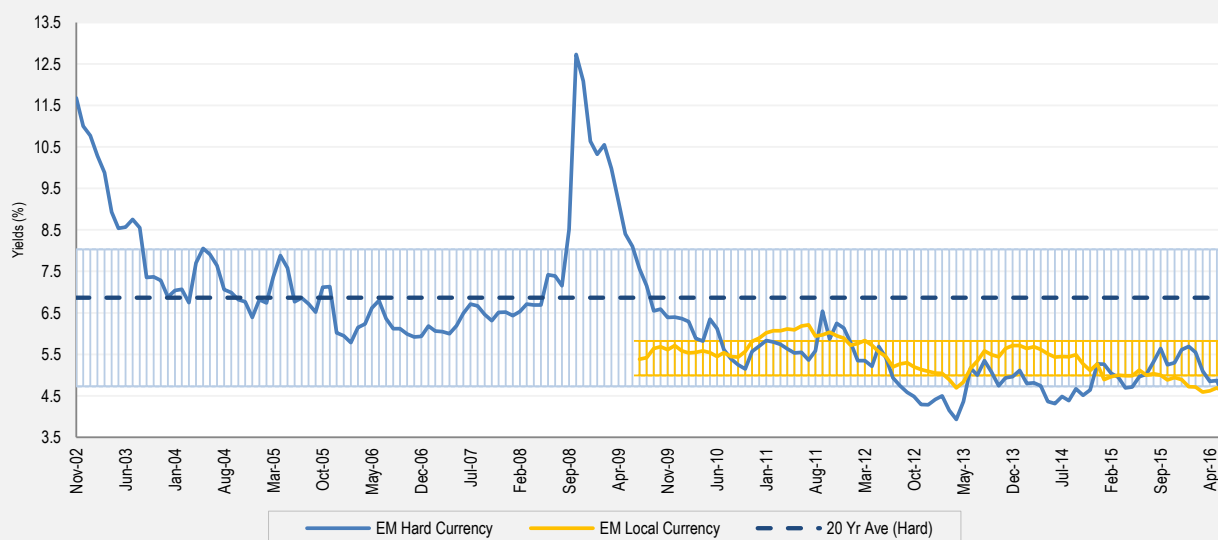


CORPORATE DEBT

US Investment Grade and High Yield Spreads above Treasuries

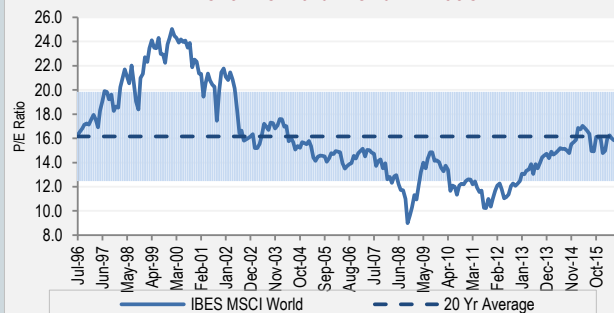


Barclays Emerging Markets Hard and Local Currency Running Yield



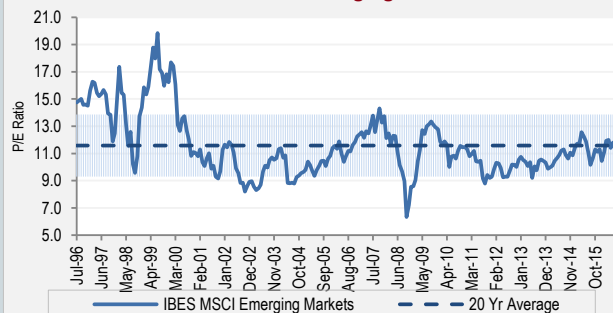
INTERNATIONAL SHARES

12 Month Forward World PE Ratio



Source: Thomson Reuters

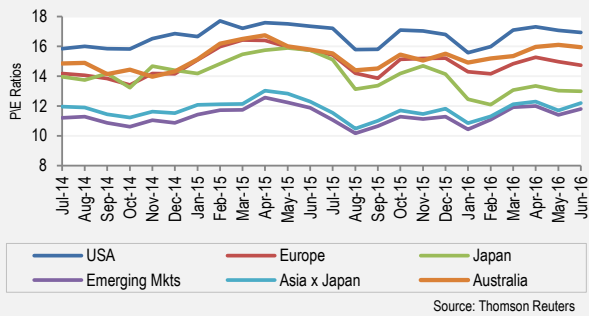
12 Month Forward Emerging Markets PE Ratio



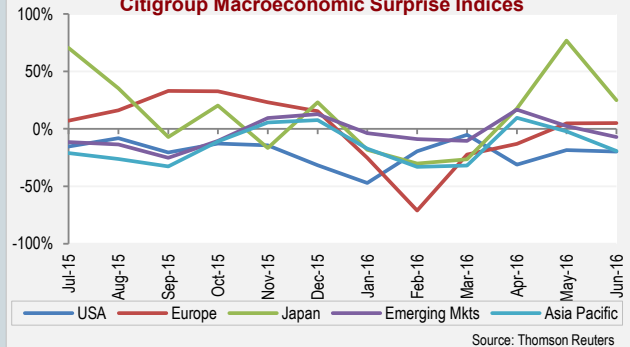
Source: Thomson Reuters

INTERNATIONAL SHARES (CONT)

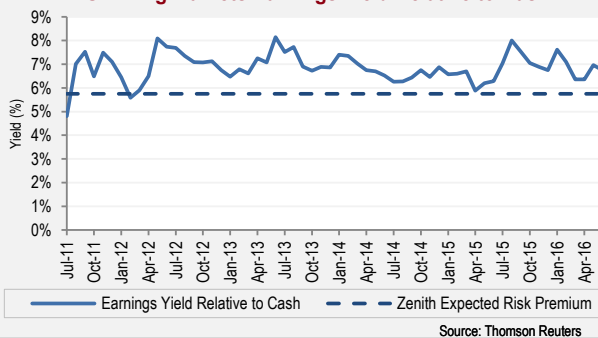
Regional Equity 12 Month Forward PE Valuations



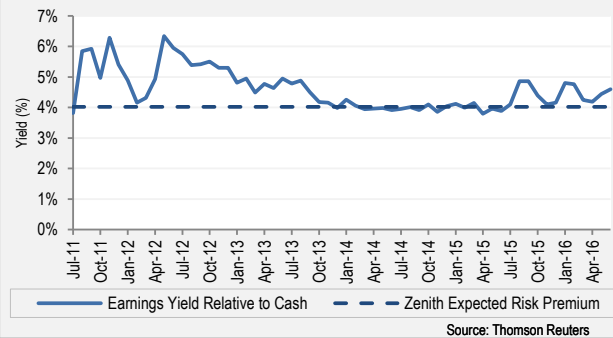
Citigroup Macroeconomic Surprise Indices



MSCI Emg Markets Earnings Yield Relative to Cash

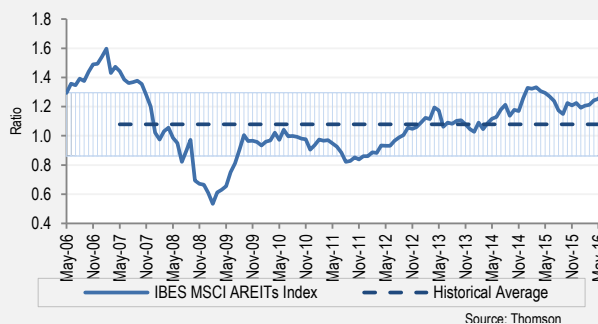


MSCI World Earnings Yield Relative to Cash

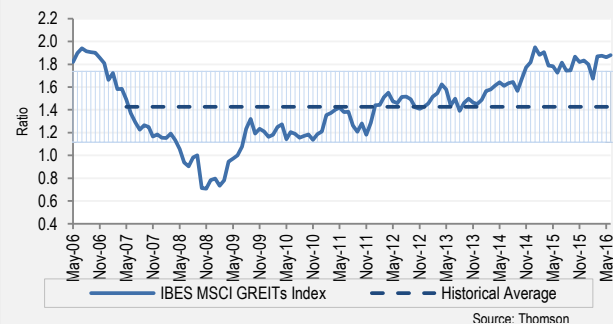


LISTED PROPERTY & INFRASTRUCTURE

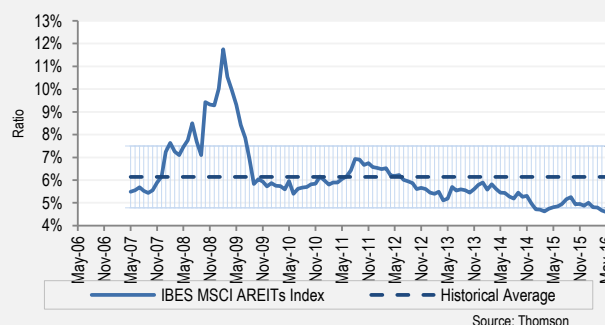
12 Month Forward AREIT Price to Book Value



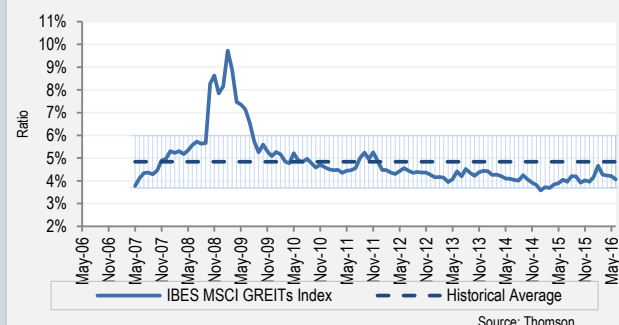
12 Month Forward GREIT Price to Book Value



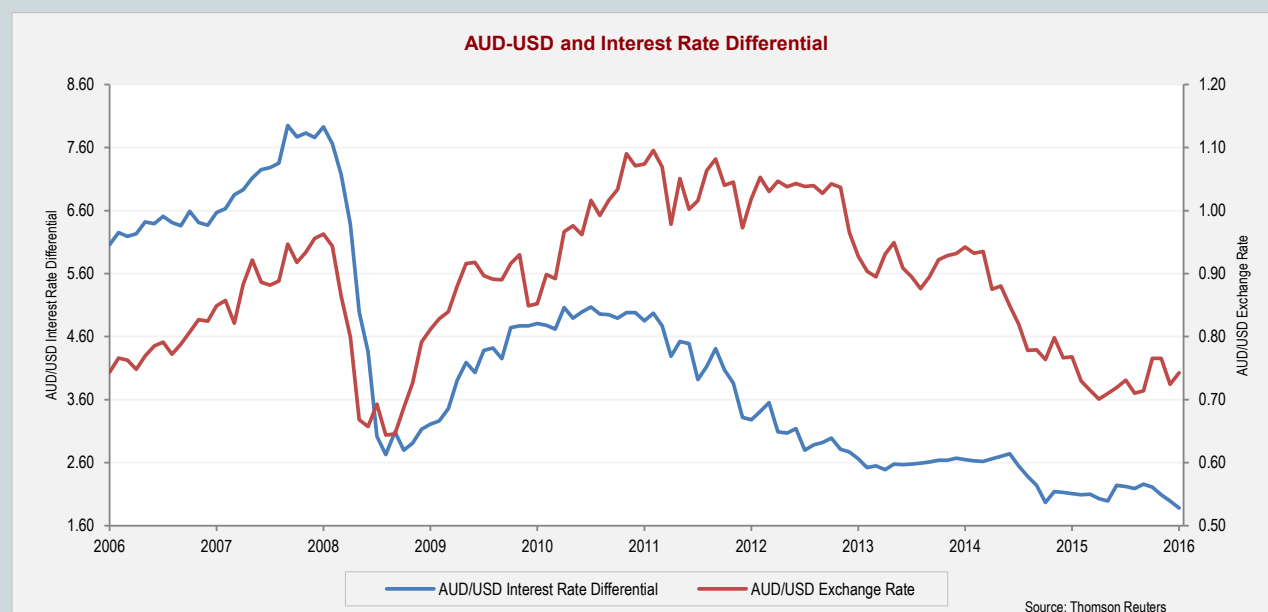
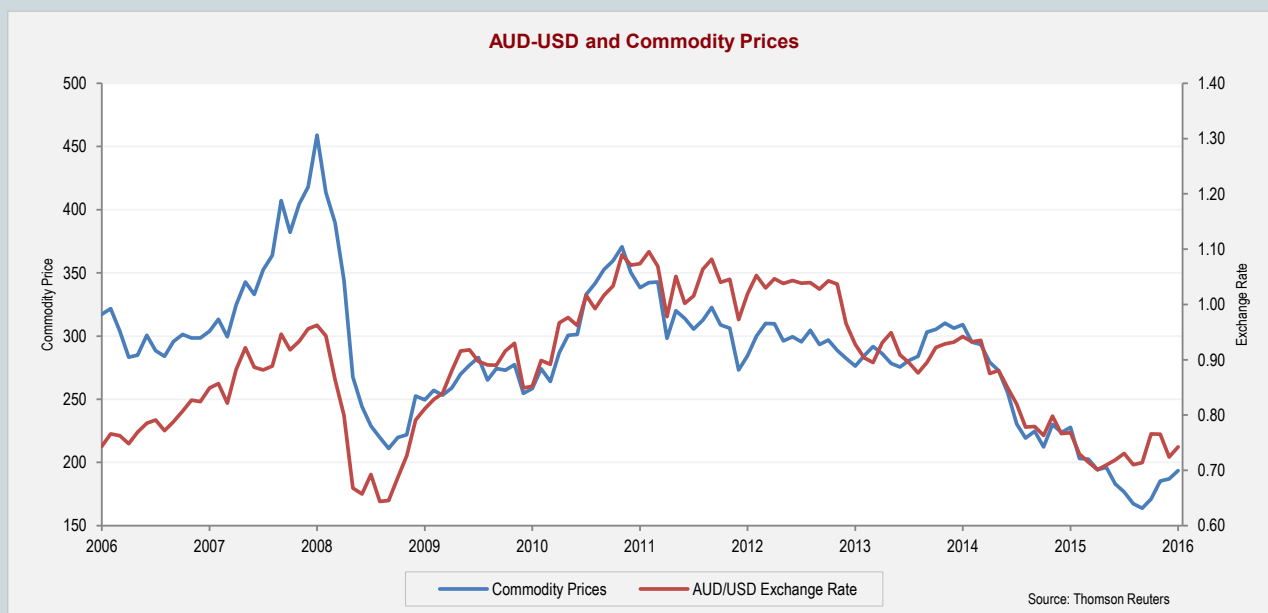
12 Month Forward AREIT Dividend Yield



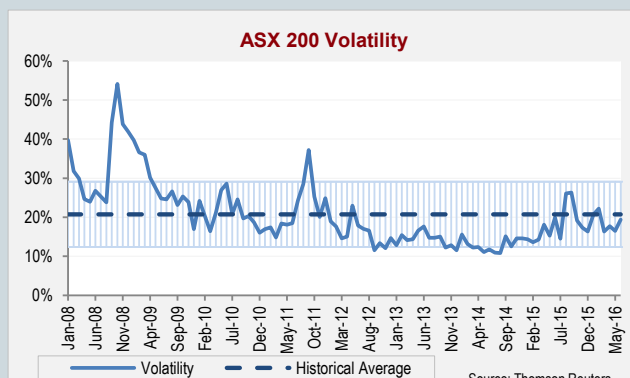
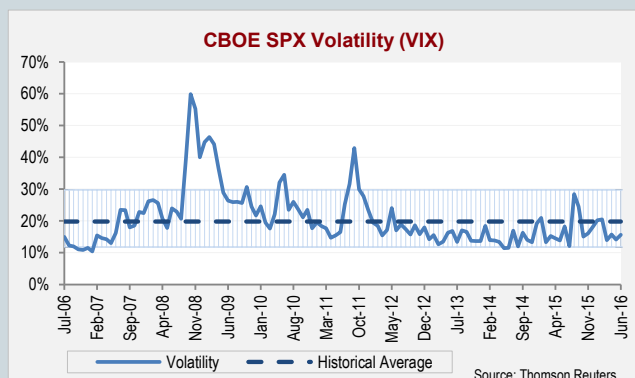
12 Month Forward GREIT Dividend Yield



AUSTRALIAN DOLLAR



VOLATILITY / FINANCIAL STRESS INDEX



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