

THE MONTHLY MARKET REPORT



A SNAPSHOT OF THE KEY POINTS FOR APRIL

- The RBA kept the overnight cash rate at 2.00% in April but cut to 1.75% during the May board meeting.
- In fixed income, the 3 Month Bank Bill Swap Rate fell by -0.12%, while the 10 Year Australian Bond Yield rose by 0.02 in April.
- Corporate debt spreads, as measured by the iTraxx Australian Index, fell to 131.76 over the month from the previous reading of 136.28.
- Australian shares rose further over the month, with the All Ordinaries Index and the S&P/ASX 200 Index increasing by 3.19% and 3.33%, respectively.
- Domestic listed property followed the broader market gain, returning 2.76% over the month.
- Global equities were flat in most regions, with the Hang Seng Hong Kong Index gaining 1.40% to be the best performer, and the TOPIX Japan Index declining by -0.49% to be the worst performer.
- Global commodity prices continued to bounce over the month, gaining 4.10%, as measured by the US\$ CRB Spot Commodity Index. Oil and Iron Ore prices had the largest gains, rising 19.77% and 17.70%, respectively, in US Dollar terms.
- The Australian Dollar declined against most currencies in April, falling by -0.03% against the US Dollar, -0.65% against the Euro, -2.08% versus the British Pound and -4.40% against the Japanese Yen.
- The Australian Trade Weighted Index (TWI) fell by -0.93% over the month, ending April at 63.80.
- Share market volatility rose both domestically (+1.42%) and in the US (+1.75%).



Commodity prices continued to rally

Oil and iron ore prices climbed further in April, gaining 19.77% and 17.70%, respectively. Gold shares also rallied strongly, bringing the past year return to a firm positive level.

April was another month that was dominated by geopolitical events. The US Fed has now discounted rate hikes on the back of sluggish growth. Although a bit of a surprise move, the Bank of Japan failed to introduced more easing at its April meeting despite a surge in the Yen hurting the country's export. In Australia, the RBA cut the cash rate to a new historical low of 1.75%, following weak inflation data (during its May board meeting).

Bonds were flat both domestically and overseas, although high yield and emerging market debt outperformed on relative basis. Australian shares outperformed their global peers in April.

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 (%)	2.09	2.21	-0.12	2.13	-0.04
	10 Year Bond Rate (%)	2.52	2.50	0.02	2.66	-0.14
iTraxx	iTraxx Australia	131.76	136.28	-4.52	87.79	43.97
Australian Shares	All Ordinaries Index	5316.00	5151.80	3.19%	5773.70	-7.93%
	S&P/ASX 200	5252.20	5082.80	3.33%	5790.00	-9.29%
Property	ASX 300 Property Index	1375.37	1338.48	2.76%	1250.59	9.98%
Regional Shares	Dow Jones Industrials (US)	17773.64	17685.09	0.50%	17840.52	-0.37%
	S&P 500 (US)	2065.30	2059.74	0.27%	2085.51	-0.97%
	FTSE 100 (UK)	6241.89	6174.90	1.08%	6960.63	-10.33%
	STOXX 50 (EUR)	341.48	337.54	1.17%	395.79	-13.72%
	TOPIX (Japan)	1340.55	1347.20	-0.49%	1592.79	-15.84%
	Hang Seng (Hong Kong)	21067.05	20776.70	1.40%	28133.00	-25.12%
	US\$ Gold Price	1292.34	1234.34	4.70%	1180.69	9.46%
Commodities	US\$ Oil Price – W Texas Crude	45.92	38.34	19.77%	59.63	-22.99%
	US\$ Iron Ore Price	64.50	54.80	17.70%	58.00	11.21%
	US\$ CRB Spot Commodity Index	417.65	401.21	4.10%	421.15	-0.83%
Exchange Rates	AUD / USD	0.7655	0.7657	-0.03%	0.7981	-4.08%
	AUD / EUR	0.6721	0.6765	-0.65%	0.7198	-6.63%
	AUD / GBP	0.5227	0.5338	-2.08%	0.5178	0.95%
	AUD / JPY	82.15	85.93	-4.40%	94.66	-13.22%
TWI	Australia Trade Weighted Index \$A	63.80	64.40	-0.93%	65.30	-2.30%
Volatility	VIX Index %	15.70	13.95	1.75%	14.55	1.15%
	S&P/ASX200 Volatility Index	17.75	16.33	1.42%	18.08	-0.34%

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	2.26	2.55	3.20	1.88	0.78
Australian Bonds	Bloomberg AusBond Composite Index	0.35	1.17	3.47	4.97	6.60	4.40	2.40
International Bonds	Barclays Global Aggregate \$A (H)	0.31	2.34	5.20	5.75	7.54	6.61	4.03
	Barclays Global Agg Treasuries TRI \$A (H)	0.05	2.12	5.98	6.19	7.79	7.53	4.31
	Barclays Global Agg Corporate TRI \$A (H)	1.18	4.26	4.54	5.52	8.02	6.50	4.90
Emerging Markets Debt	Barclays EM Hard Currency Agg TRI \$A (H)	1.87	6.32	4.84	4.69	8.40	6.08	6.46

SUMMARY OF STATISTICS

- Australian Cash, as measured by the Bloomberg AusBond Bank Bill Index, rose 0.20% over the month.
- Australian Bonds rose slightly over the month, by 0.35%, as measured by the Bloomberg AusBond Composite Index.
- International Bonds saw similar results, with the Barclays Global Aggregate Hedged \$A Index marginally up by 0.31% in April. Government bonds were mostly flat, while corporate debt outperformed, gaining 1.18%.
- Emerging Markets Debt gained 1.87% 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 kept the overnight cash rate at 2.00% in April, but then cut to a new record low of 1.75% during the May board meeting, citing below expectation inflationary pressures. The latest quarterly statement on Monetary Policy showed that inflation was very material to the RBA's projections and the underlying inflation is not expected to return to the mid-point of 2-3% band over the forecast period.

The board members noted the economy continued to rebalance its activities towards the non-mining sectors. GDP growth picked up over 2015, particularly in the second half of the year, and the labour market improved. Indications are that growth is continuing in 2016, though at a more moderate pace. Low interest rates have been supporting demand and the lower exchange rate overall has helped the traded sector.

The global economy continued to expand, although at a slightly slower pace than earlier expected. The latest data released in the US showed sluggish consumer and business sentiment. Although the unemployment rate in the US remained at 5 percent over the month, labour force participation fell for the first time since September last year.

Demand for bonds softened over the month, despite weaker global share markets. Domestic and international bond returns were in line with cash in April, gaining 0.35% and 0.31%, respectively.

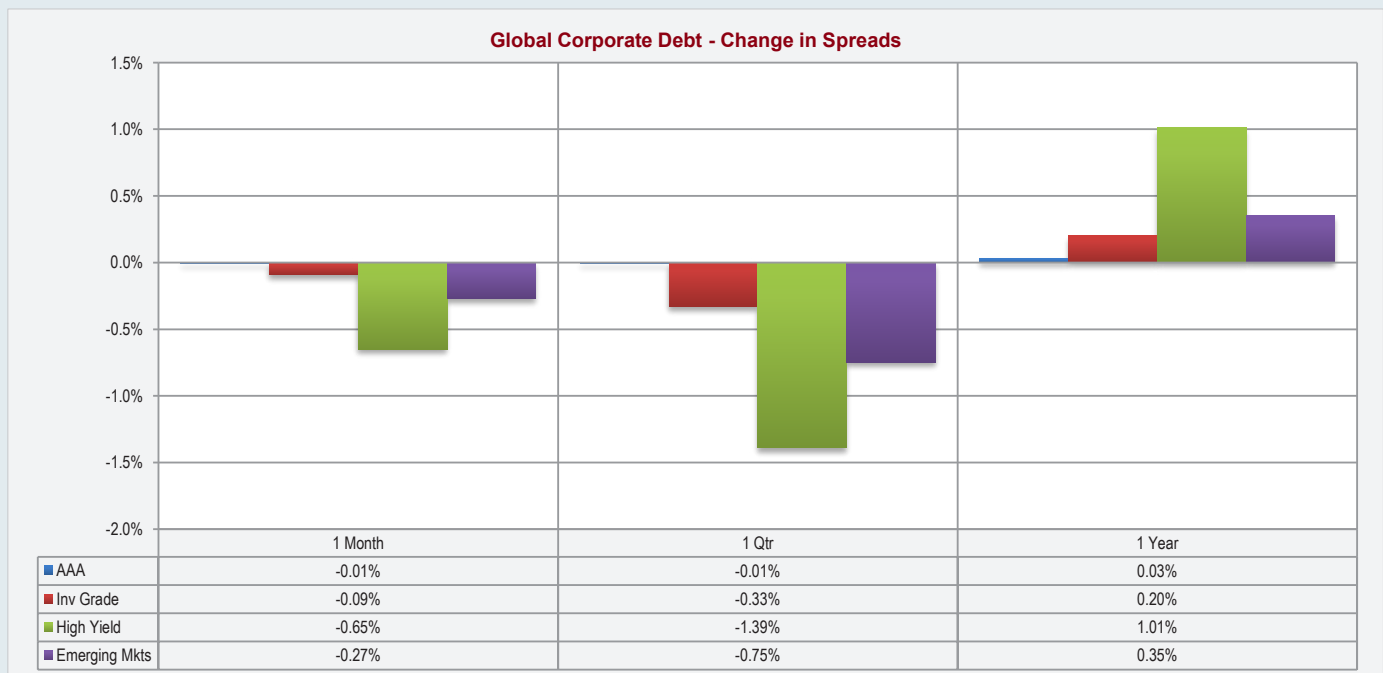
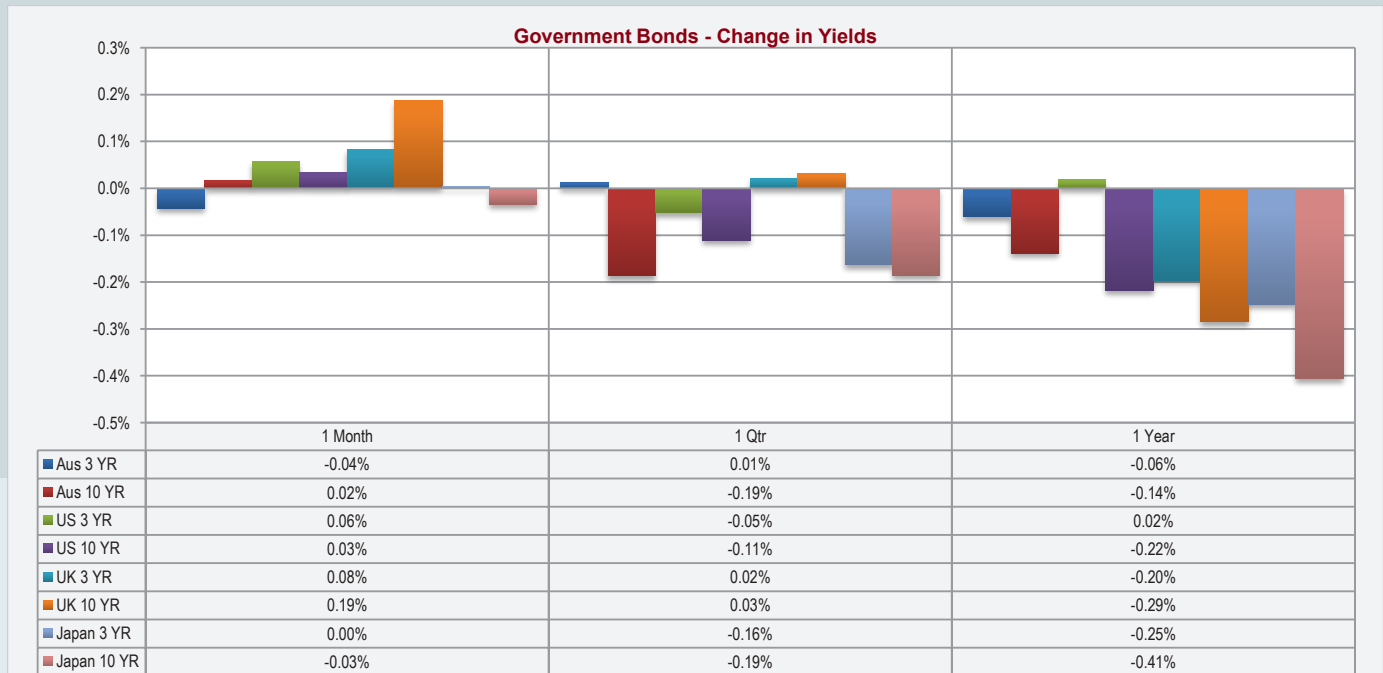
In Australia, the short term (3 Year) government bond yield fell by -0.04% over the month, while the long term yield rose by 0.02%. Corporate debt spreads narrowed, with the iTraxx

Australian Index falling by -4.52 points to finish the month at 131.76. The tightening credit spreads reflected increased demand for corporate debt over safe sovereign bonds.

International bonds, as measured by the Barclays Global Aggregate Hedged AUD Index, rose by 0.31% over the month. Similar to what occurred in Australia, corporate debt outperformed sovereign bonds, with the Barclays Global Aggregate Corporate Hedged Total Return AUD Index rising by 1.18% over the month. Corporate debt spreads narrowed across the risk spectrum, with investment grade, high yield and emerging market debt spreads shrinking by -0.09%, -0.65% and -0.27%, respectively, over the month.

Emerging market debt rallied by 1.87% over the month, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index.

Global sovereign bonds were largely flat over the month (up 0.05%), as measured by the Barclays Global Aggregate Treasuries Hedged Total Return AUD Index. The US and UK 3 Year Government yields increased by 0.06% and 0.08%, respectively, over the month and longer dated bond yields also rose.



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	3.34	6.42	-4.67	4.96	6.20	0.26	0.62
	S&P/ASX 50 Leaders Index	3.51	5.58	-7.12	4.09	6.62	-2.57	-0.49
	S&P/ASX Midcap 50 Index	2.43	9.60	6.51	12.17	8.27	13.79	5.67
	S&P/ASX Small Ordinaries Index	3.04	9.71	5.14	4.16	-0.96	11.38	4.10
	S&P/ASX Emerging Companies Index	7.78	16.40	17.92	4.54	-7.47	21.63	12.56
GICS Sectors	S&P/ASX 300 Materials	14.30	32.27	-6.54	0.18	-7.18	-0.32	20.21
	S&P/ASX 300 Industrials	1.51	9.88	13.68	13.40	10.88	16.93	6.92
	S&P/ASX 300 Consumer Discretionary	-1.71	1.71	2.97	9.81	10.56	13.52	-0.99
	S&P/ASX 300 Consumer Staples	1.05	-0.96	-3.76	-2.58	6.57	6.58	-1.13
	S&P/ASX 300 Energy	7.47	14.41	-25.92	-10.38	-10.42	-19.88	6.98
	S&P/ASX 300 Healthcare	3.34	4.37	9.59	17.76	19.67	13.45	1.67
	S&P/ASX 300 Information Technologies	2.58	2.44	2.59	6.47	6.78	4.96	-2.59
	S&P/ASX 300 Telecommunications	0.46	-0.56	-5.57	10.24	21.84	-4.13	0.13
	S&P/ASX 300 Financials ex Property	1.46	0.64	-11.79	3.99	10.24	-7.58	-8.35
	S&P/ASX 300 Utilities	-0.32	2.22	8.69	12.43	16.04	13.79	2.96
	S&P/ASX 300 Property	2.76	8.29	15.64	14.31	16.40	17.22	9.32

SUMMARY OF STATISTICS

- Australian shares continued their strong run in April, with the S&P/ASX 300 Accumulation Index increasing by 3.34%.
- While stocks across the capitalisation spectrum experienced recoveries over the month, microcaps were the best performer, gaining 7.78%, as measured by the S&P/ASX Emerging Companies Index. Over the past year, microcap stocks increased by 17.92% to outperform the broader market by 22.59%.
- On a sector basis, while 9 out of 11 GICS Indexes reported gains, Materials were the best performing sector, increasing by 14.30% over the month.
- Energy and Financials (ex-Property) also recovered over the quarter, gaining 7.47% and 1.46%, respectively over the month. Notwithstanding this, both sectors have a long way to recover lost ground, considering the loss of -25.92% and -11.79%, respectively, over the past year.
- The Consumer Discretionary and Utilities sectors underperformed the market in April, declining by -1.71% and -0.32%, respectively.

COMMENTARY

The Australian share market rose further over the month, with the overall S&P/ASX 300 Accumulation Index gaining 3.34%. While the recovery of large cap stocks (which represent a heavy weighting in the ASX 300 Index) were the main drivers behind the overall gain, microcap companies continued to show strong outperformance. Over the past year, the divergence between the S&P/ASX 50 Leaders Index and the S&P/ASX Emerging Companies Index has risen to 25.04%.

On the economic front, consumer confidence fell by 4 percent to 95.1 in April, the lowest print since September last year. On the business side, manufacturing activities decreased to 53.4 in April following the strong surge over the previous month. Perhaps keeping the lowered sentiment in mind, the RBA cut the cash rate by 0.25% during its board meeting in early May in order to further boost growth. The Federal budget had no real surprises, although small businesses and some upper-middle earners will benefit from a lower tax.

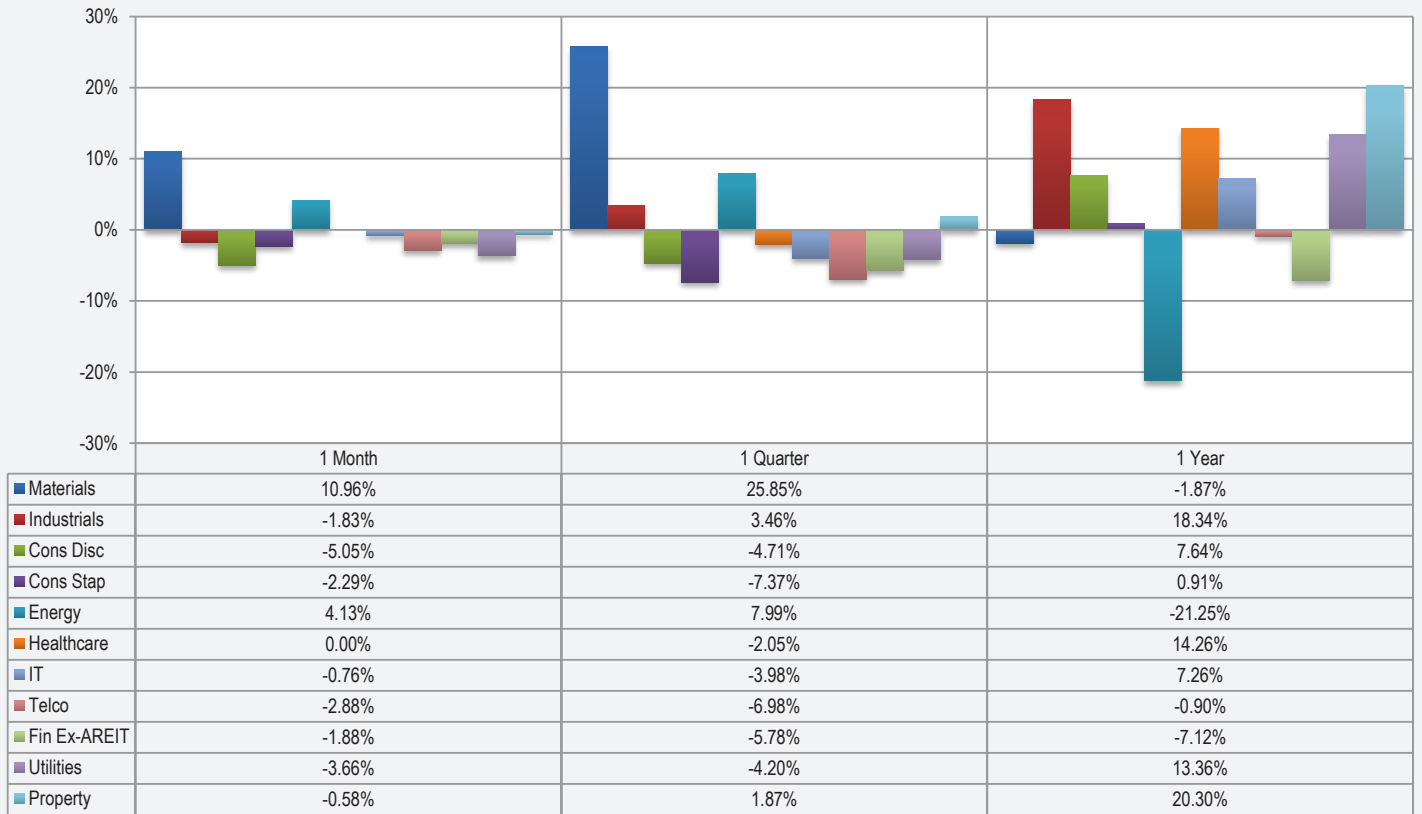
The Materials sector was the best performer over the past month, gaining 14.30%. Rising commodity prices continued to boost the performance of mining stocks. Resolute Mining Ltd (ASX: RSG) and Pilbara Minerals Ltd (ASX: PLS) were among the biggest gainers in April, by 91.18% and 51.95%, respectively. RSG has maintained its full year production guidance at reduced cost and is on track to become a debt free, profitable gold mining company with high quality long life assets. The high profile surge in the use of lithium-enhanced batteries boosted demand for PLS shares.

The S&P/ASX 300 Energy Index and the S&P/ASX 300 Financials (ex-Property) Index fared well in April, gaining 7.47% and 1.46%, respectively. WorleyParsons (+23.50%) and Santos (+19.11%) were among some of the top performing energy stocks and the big four banks continued to recover some of the previous losses over the month: NAB (+6.13%), ANZ (+4.61%), WBC (+3.74%), CBA (+1.05%).

Consumer Discretionary (-1.71%) was the worst performing sector in April, with Nine Entertainment Co Holdings declining by -26.14%, the biggest contributor to sector underperformance. The media and entertainment company Nine has struggled with declining TV ratings this year and a weak free-to-air market.

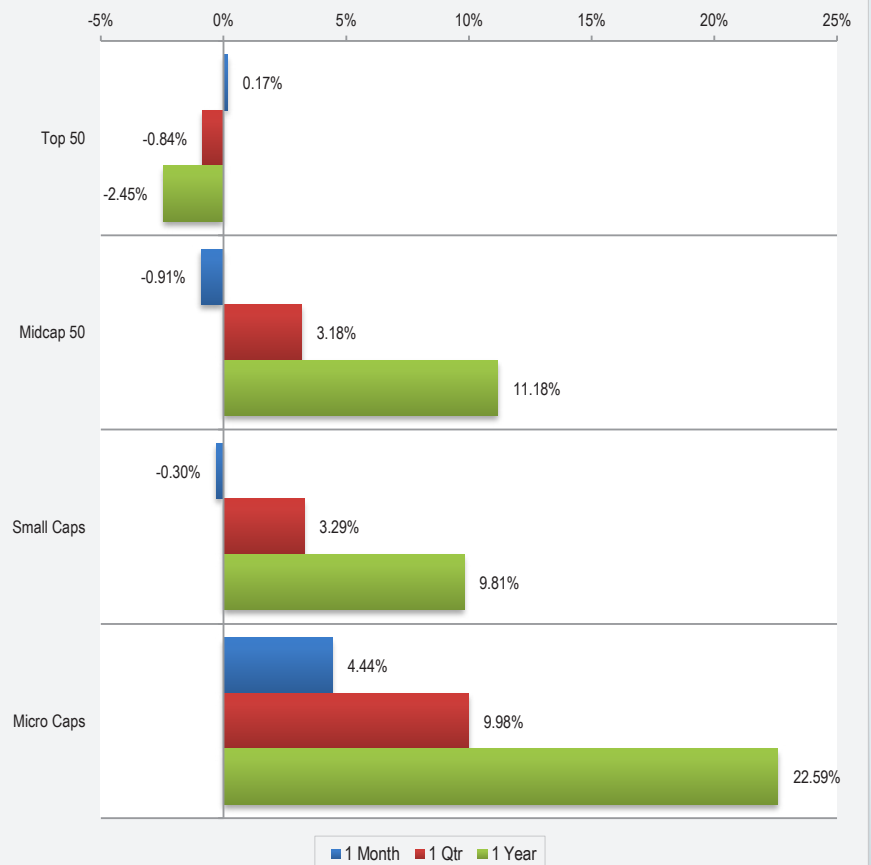
The Australian share market rose further over the month, with the overall S&P/ASX 300 Accumulation Index gaining 3.34%.

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)	2.36	-0.38	-0.81	18.23	14.15	-1.53	-3.59
Unhedged	MSCI World (\$A)	2.39	-0.20	-0.96	17.75	13.88	-1.53	-3.50
	MSCI Small Cap World (\$A)	3.17	3.55	0.71	19.04	14.01	-2.37	-1.77
	MSCI AC World (\$A)	2.29	0.33	-2.50	16.41	12.52	-2.57	-3.02
International Shares -	MSCI World ex-Au	0.78	4.49	-4.69	8.32	8.14	-3.13	-1.16
Local Currency	MSCI World	0.86	4.54	-4.74	8.17	8.08	-3.08	-1.12
	MSCI World Small Cap	2.35	11.72	-2.56	7.44	6.08	-3.06	3.04
	MSCI AC World	1.48	8.25	-5.66	5.06	4.69	-3.26	1.72
Regional Shares -	MSCI North America	0.62	7.05	-0.62	10.11	9.52	0.32	1.54
Local Currency	MSCI Asia	-0.62	0.43	-16.24	3.40	5.30	-14.64	-6.83
	MSCI AC Asia ex-Japan	-0.92	6.50	-16.14	1.53	1.09	-11.73	-0.75
	MSCI China	-0.19	8.54	-30.53	0.48	-1.28	-23.58	-4.91
	MSCI Europe	1.54	1.56	-9.58	5.74	5.05	-5.56	-3.46
	MSCI Emerging Markets	-0.08	8.31	-12.73	1.92	1.15	-8.41	2.66
	MSCI India	0.64	2.81	-2.50	9.93	6.74	-5.70	-1.77
	MSCI Japan	-0.38	-5.79	-16.02	5.77	10.87	-17.51	-12.99
Global Gold Shares in \$A	FTSE Gold Mines	27.99	65.88	40.98	7.73	-9.34	56.28	84.74
Global Resources in \$A	HSBC Global Mining	22.09	51.70	-11.45	-1.53	-10.19	-1.90	42.60

SUMMARY OF STATISTICS

- International shares, as measured by the MSCI World ex-Australia Local Currency Index, rose by 0.78% in April. The unhedged equivalent fared slightly better, by 2.36%, due to a decrease in the Australian dollar over the month.
- On a market capitalisation basis, small caps continued to outperform, adding 2.35%, as measured by the MSCI World Small Cap Local Currency Index.
- Global equities reported mixed numbers among various regions over the month, with Asia declining by -0.92%. the worst performing region. Japan was one of the main drivers behind this fall, with the MSCI Japan Local Currency Index declining by -0.38%.
- Europe outperformed on relative basis, adding 1.54% for the month.
- Resource shares continued to rally in April, with the HSBC Mining Hedged \$A Index increasing by 22.09%. Gold stock, as measured by the FTSE Gold Mines \$A Index, rallied by 27.99% over the month, taking this calendar year's gain to 84.74%.

COMMENTARY

Global equities traded within a narrow range in April, with the MSCI World ex-Australia Local Currency Index marginally up by 0.78%. There was greater divergence between the performance of small cap stocks and larger companies globally. The MSCI World Small Cap Local Currency Index has outperformed the broader market by 7.23% over the past quarter.

The US market was held back following news of muted growth in consumer spending and a fall in consumer confidence. The Michigan's Consumer Sentiment Index fell to 89 in April, the lowest reading since September 2014. This partly reflected rising concerns regarding the outcome of the presidential election. Manufacturing activity in the US expanded for the second consecutive month, although growth slowed as production, new orders and inventories declined while employment remained negative, suggesting the recovery is still fragile.

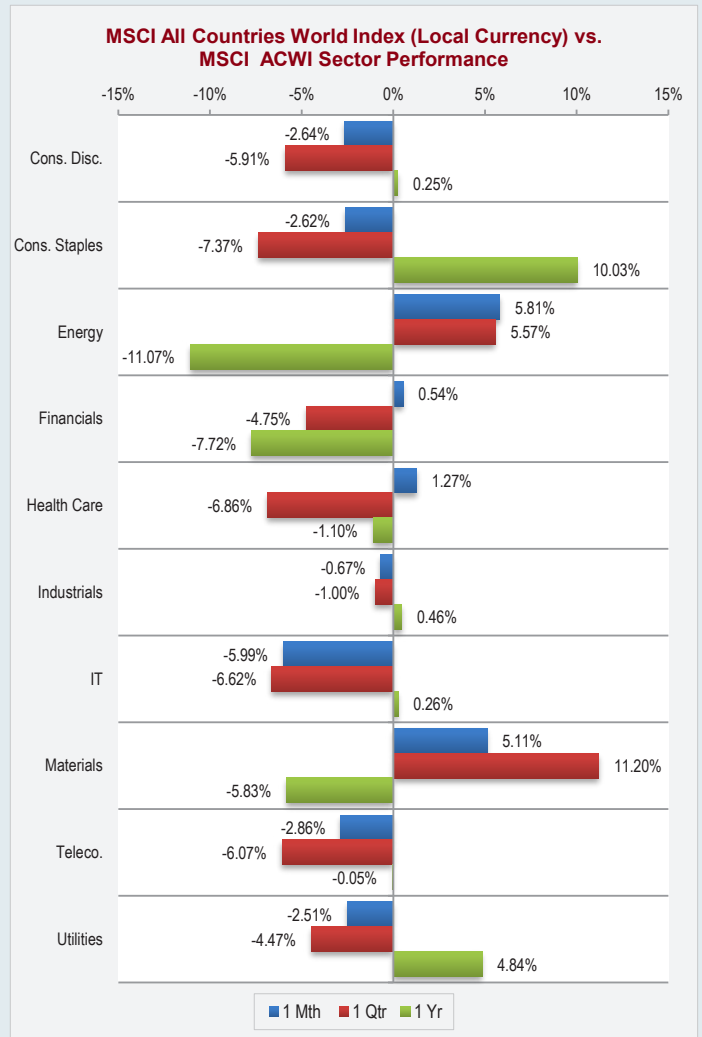
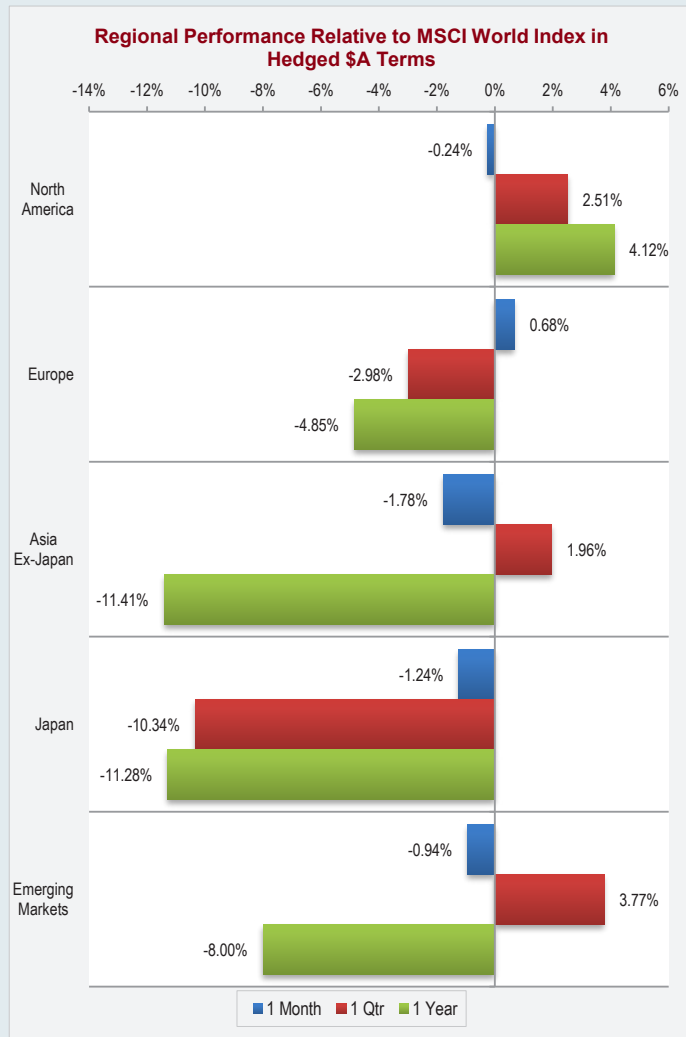
In Asia, markets reacted negatively late in the month to the Bank of Japan's decision to hold off on any further monetary policy stimulus, despite growing concern that the recent rally in the Yen is undermining Japan's export sectors. Japanese equities have fallen by -12.99% in 2016, the steepest decline among global markets on a regional basis. Many neighbouring countries in Asia were affected, with the MSCI AC Asia ex-Japan Local Currency Index declining by -0.92% over the month.

On the back of recovering commodity prices, resource stocks continued to rise over the month, with the overall HSBC Global Mining Index increasing by 22.09%. Gold shares were one of the main contributors behind this gain, with the FTSE Gold Mines \$A Index rallying 27.99% in April. This calendar year to date, gold shares have risen by 84.74% to outperform most risk assets.

Global equities traded within a narrow range in April, with the MSCI World ex-Australia Local Currency Index marginally up by 0.78%.

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	-0.03	7.82	-4.08	-9.62	-6.82	-0.33	4.78
	AUD / EUR	-0.65	3.46	-6.63	-5.28	-1.76	-2.11	0.58
	AUD / GBP	-2.08	5.77	0.95	-7.90	-4.39	7.00	6.05
	AUD / JPY	-4.40	-3.59	-13.22	-6.77	-1.57	-12.53	-6.63

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	-1.16	2.34	-5.41	9.54	10.52	-5.11	-3.80
Local Currency	MSCI ACWI Consumer Staples Index	-1.15	0.88	4.37	6.45	9.75	6.75	1.49
	MSCI ACWI Energy Index	7.29	13.81	-16.73	-5.23	-5.34	-8.51	11.38
	MSCI ACWI Financials Index	2.02	3.49	-13.39	2.21	2.98	-11.69	-5.94
	MSCI ACWI Health Care Index	2.74	1.39	-6.77	11.20	13.29	-7.93	-5.97
	MSCI ACWI Industrials Index	0.80	7.25	-5.20	7.27	5.13	-2.21	1.41
	MSCI ACWI IT Index	-4.51	1.63	-5.40	10.94	8.69	-2.79	-4.19
	MSCI ACWI Materials Index	6.59	19.45	-11.49	-0.58	-4.89	-7.01	9.01
	MSCI ACWI Teleco. Services Index	-1.38	2.18	-5.71	4.33	4.03	-2.53	2.65
	MSCI ACWI Utilities Index	-1.03	3.78	-0.82	3.05	2.31	5.09	5.26

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	2.76	8.29	15.64	14.31	16.40	17.22	9.32
	FTSE E/N Australia	2.72	8.05	14.40	13.71	15.87	16.33	9.40
Global Listed Prop. \$A (H)	FTSE E/N GLOBAL HGD A\$	-0.68	6.62	3.30	7.82	11.75	8.17	2.80
Global Listed Prop. \$A	FTSE E/N GLOBAL A	0.95	2.65	4.08	13.89	14.45	7.61	0.33
	FTSE E/N North America	-1.43	-0.34	10.59	17.78	17.41	13.39	-0.98
	FTSE E/N Euro Zone	-0.53	3.05	9.03	20.51	12.50	16.56	2.60
	FTSE E/N UK	4.85	-3.58	-5.04	22.95	16.54	-7.54	-10.04
	FTSE E/N Developed Asia	4.90	7.77	-1.02	7.56	12.55	2.07	5.05
	FTSE E/N Japan	6.53	7.29	3.81	5.37	16.87	8.60	7.50
Australian Listed Infra.	S&P/ASX 300 Utilities	-0.32	2.22	8.69	12.43	16.04	13.79	2.96
Global Listed Infra. \$A (H)	S&P Global Infrastructure	1.88	7.95	-3.59	10.18	10.83	1.57	8.24

SUMMARY OF STATISTICS

- Australian listed property gained 2.76% in April, as measured by the S&P/ASX 300 Property Index.
- GREITs underperformed AREITs, with the FTSE EPRA NAREIT Developed Hedged \$A Index falling by -0.68% over the month.
- After taking currency into consideration (rising JPY over the month), Japan was the best performing region, gaining 6.53%.
- North America underperformed most other regions, declining by -1.43% over the month.
- Australian listed infrastructure fell by -0.32% over the month, while its international counterpart gained 1.88% in hedged AUD terms.

COMMENTARY

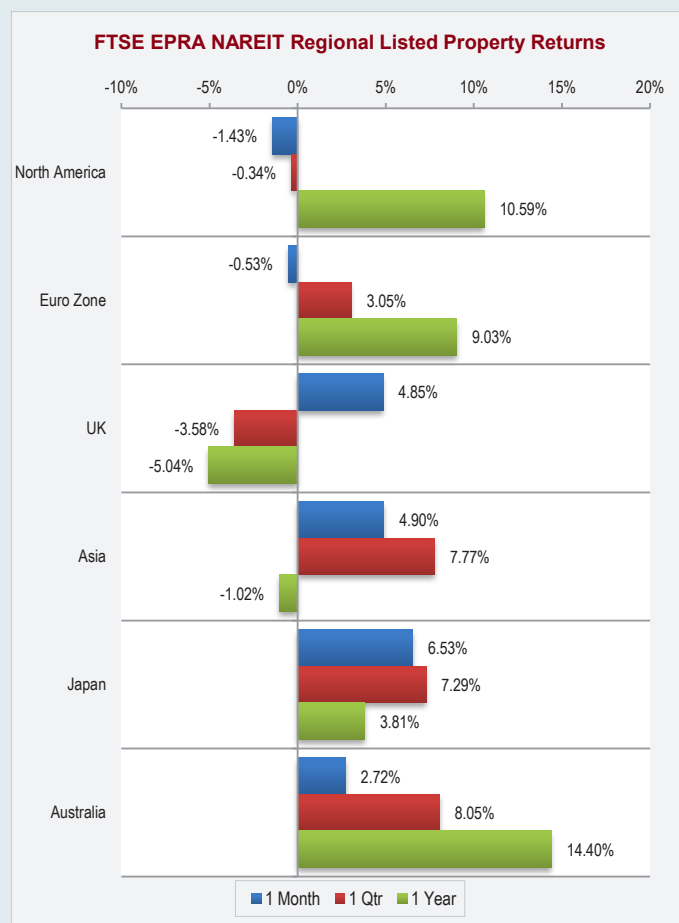
AREITs rose by 2.76% in April, while GREITs (in hedged AUD) fell by -0.68%. Over the past year, AREITs have outperformed GREITs by 12.34%.

In Australia, National Storage REIT (ASX:NSR) and Folkestone Education Trust (ASX:FET) were the best performing names, gaining 9.55% and 9.41%, respectively, in April. NSR continued to expand on the back of growing population and supporting usage demographics for storage. FET continued to benefit from the rising demand for child care facilities.

Global listed property saw mixed results in various regions. After taking currency into consideration, Japan rose by 6.53% to be the the best performing region over the month. North America was the worst performer, declining by -1.43% as measured by the FTSE EPRA NAREIT Developed North America \$A Index.

Australian listed infrastructure underperformed its global counterparts by 2.20% in April. Notwithstanding this, over the past year, the S&P/ASX 300 Utilities Index had gained 8.69%, outperforming the S&P Global Infrastructure Hedged AUD Index which fell by -3.59%.

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.

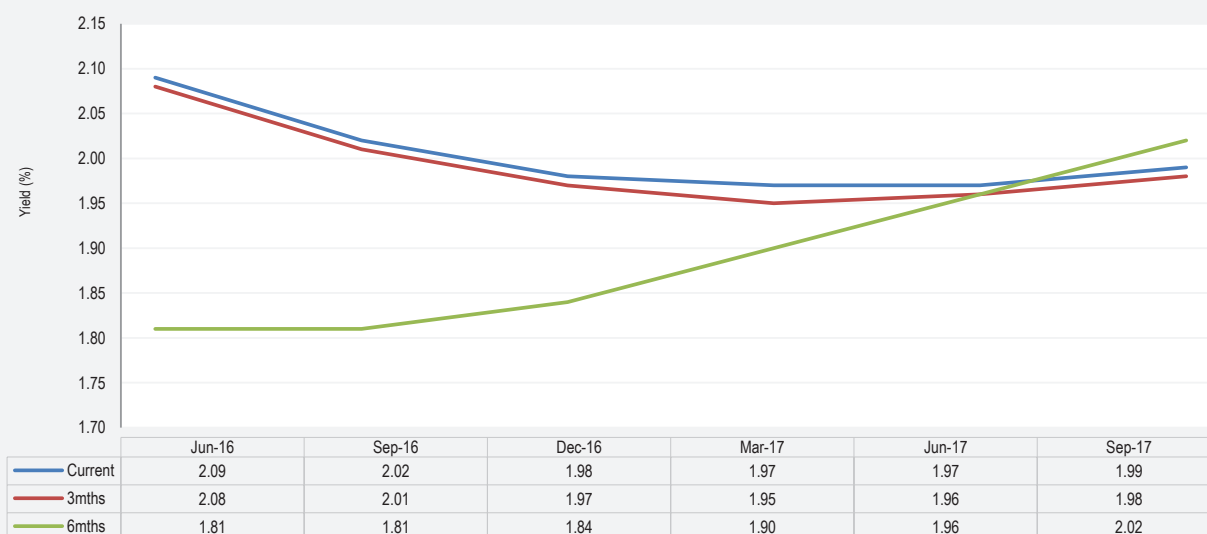
Sector	Absolute Valuation	Relative Valuation (vs Cash)	Momentum
Australian Bonds	Expensive	Moderately Expensive	Positive
Global Bonds	Expensive	Fair Value	Positive
Global Investment Corp Debt	-	Fair Value	Positive
Global High Yield	-	Fair Value	
Australian Equities	Moderately Expensive	Fair Value	Negative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

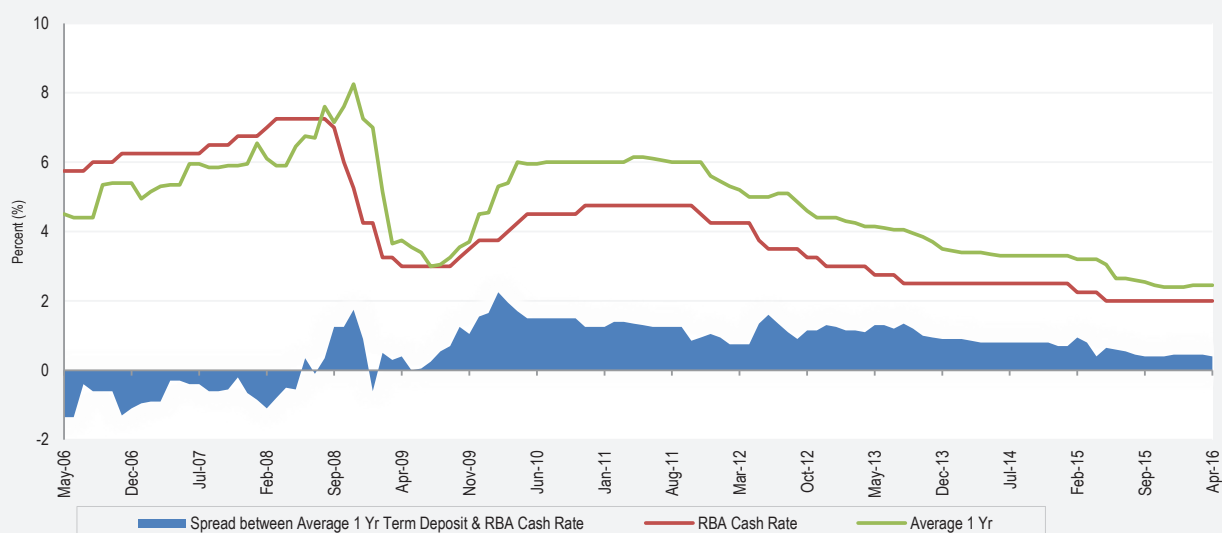
CASH

Australian 90 Day Bank Bill Futures Pricing



Source: Thomson Reuters

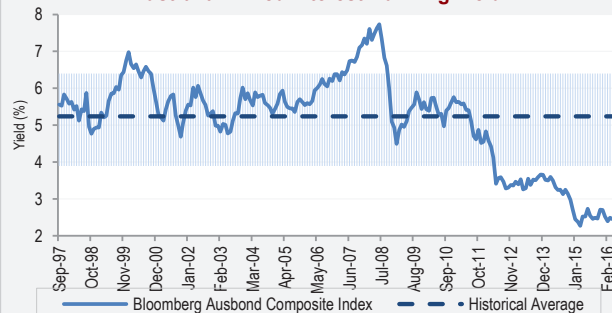
Term Deposit vs RBA Cash Rate



Source: Thomson Reuters

FIXED INTEREST

Australian Fixed Interest Running Yield



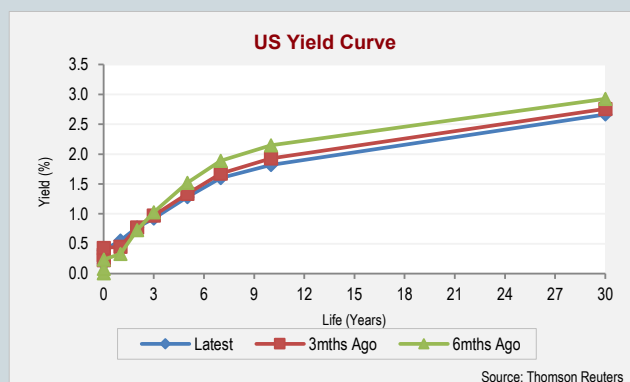
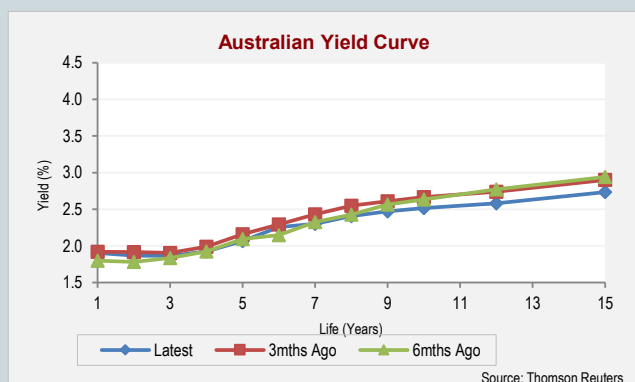
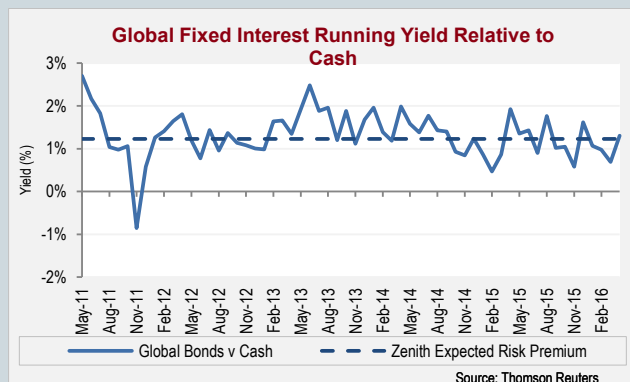
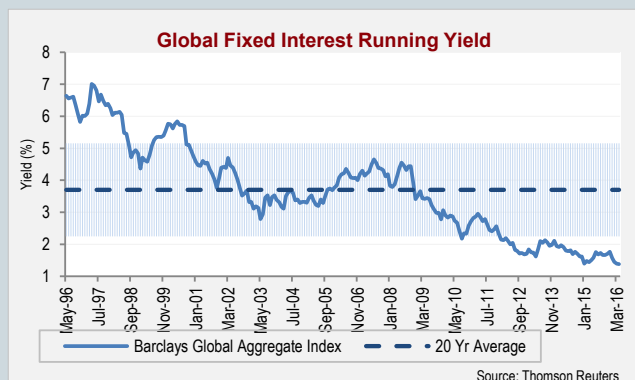
Source: Thomson Reuters

Australian Fixed Interest Running Yield Relative to Cash

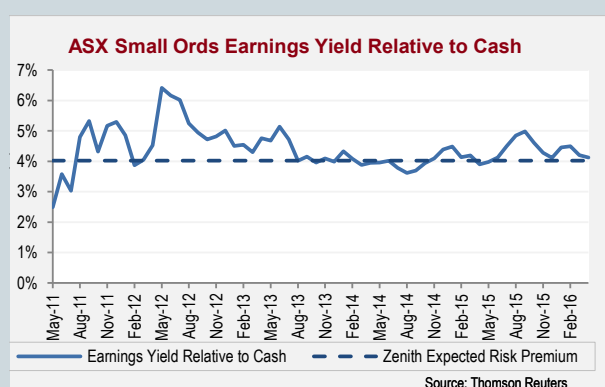
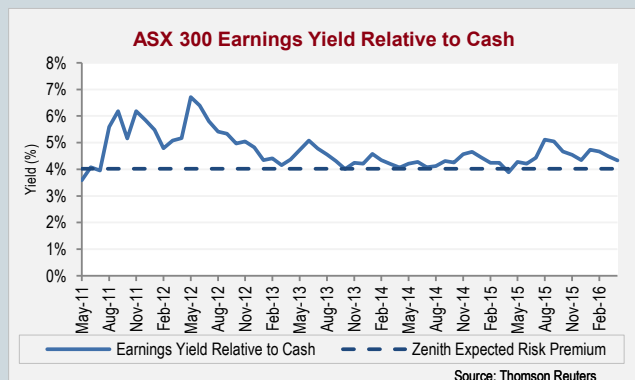
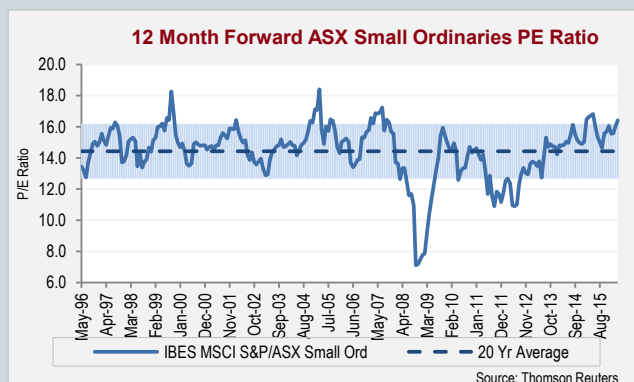
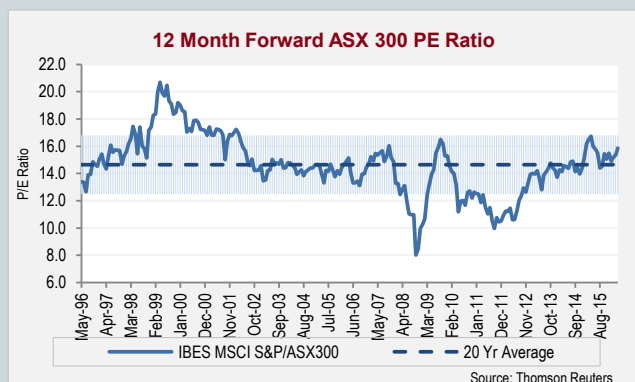


Source: Thomson Reuters

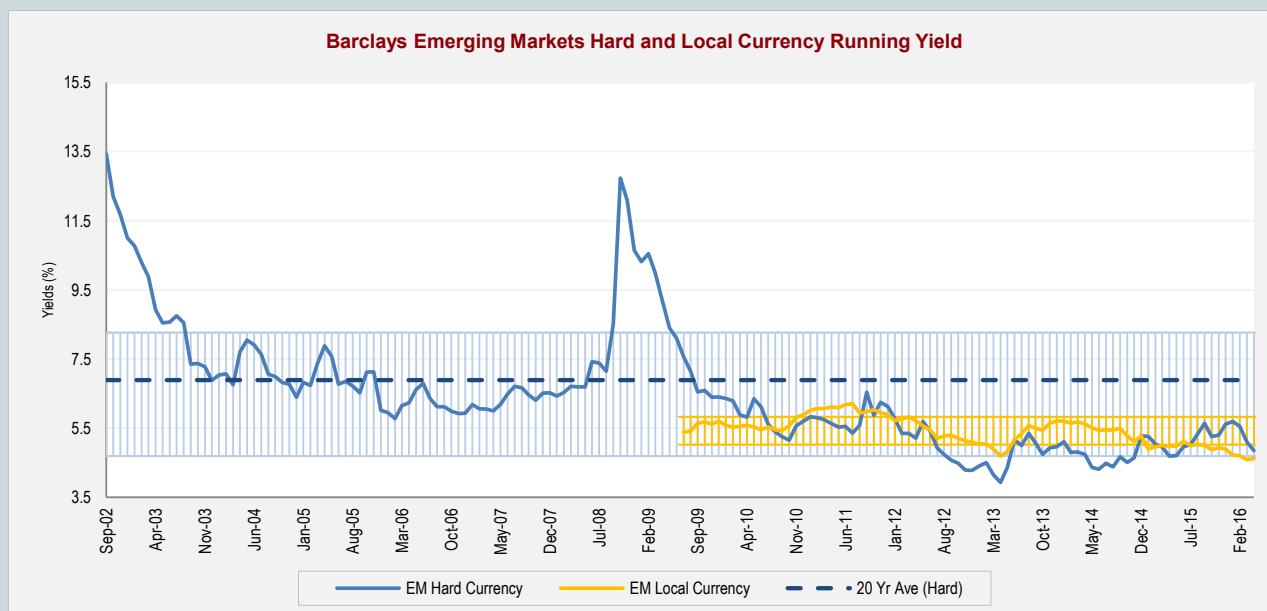
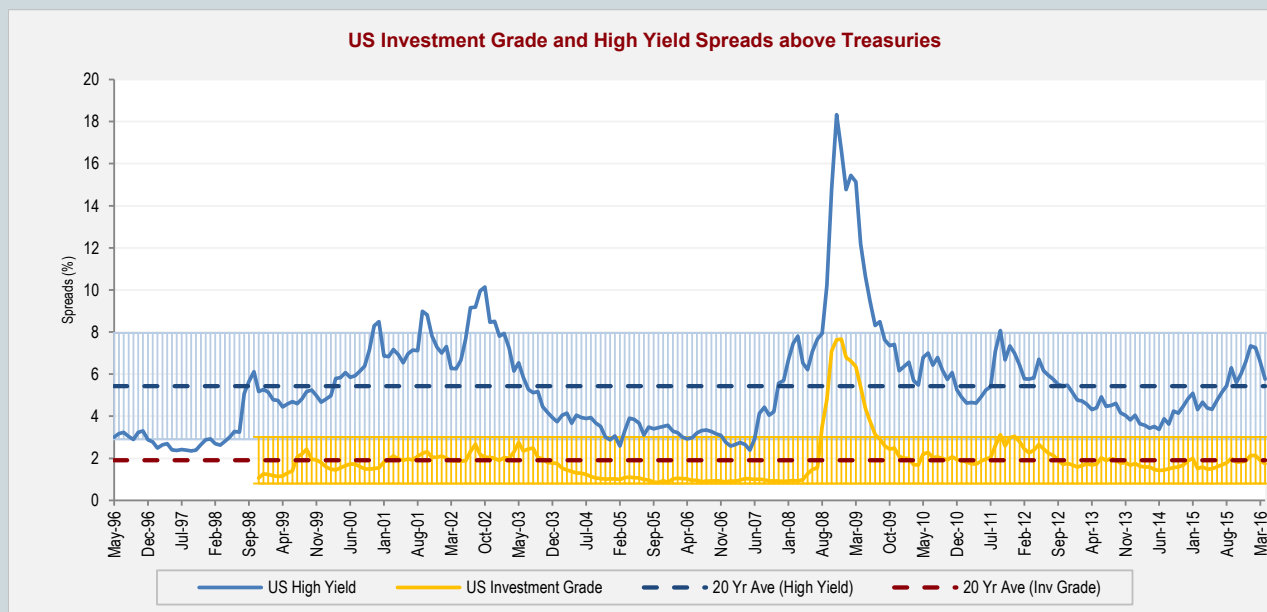
FIXED INTEREST (CONT.)



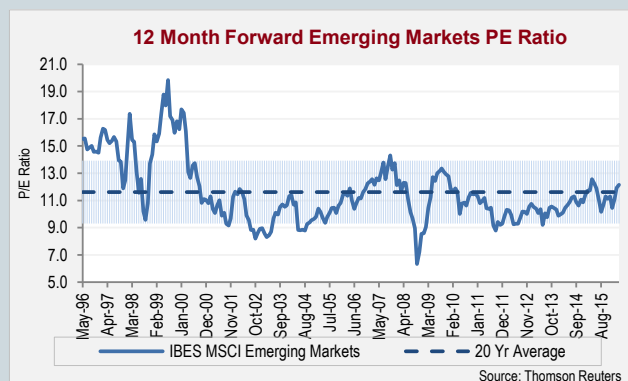
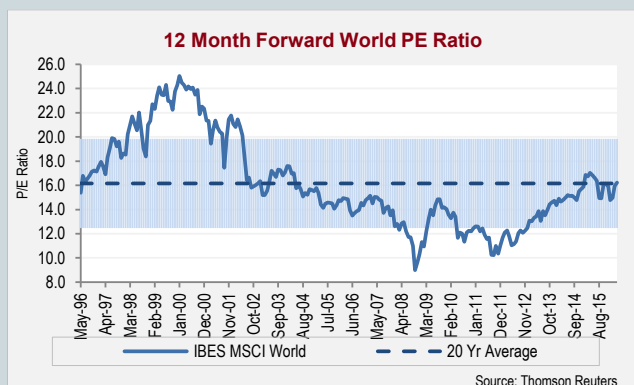
AUSTRALIAN EQUITIES



CORPORATE DEBT

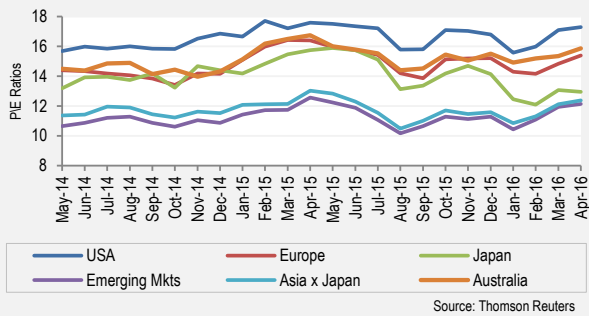


INTERNATIONAL SHARES

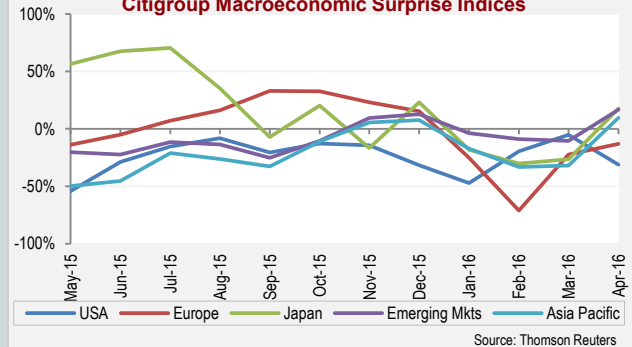


INTERNATIONAL SHARES (CONT)

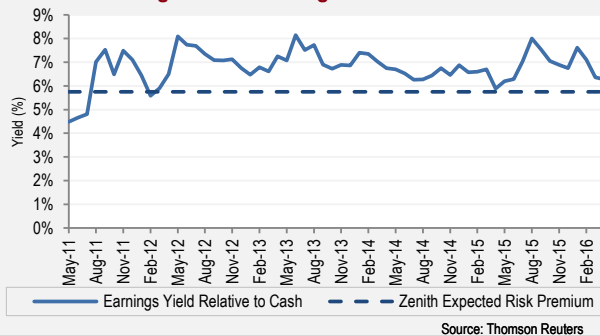
Regional Equity 12 Month Forward PE Valuations



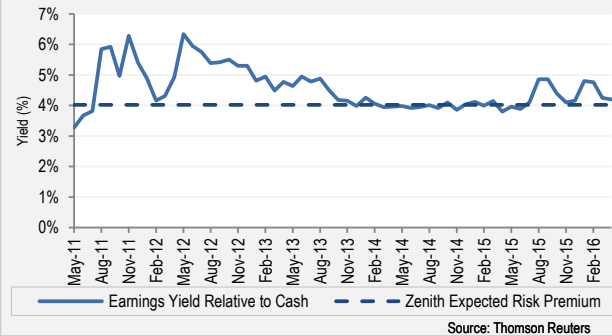
Citigroup Macroeconomic Surprise Indices



MSCI Emg Markets Earnings Yield Relative to Cash

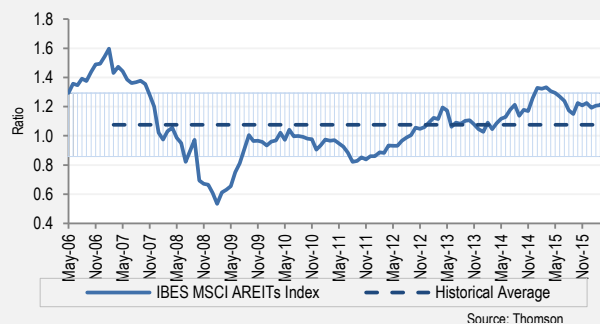


MSCI World Earnings Yield Relative to Cash

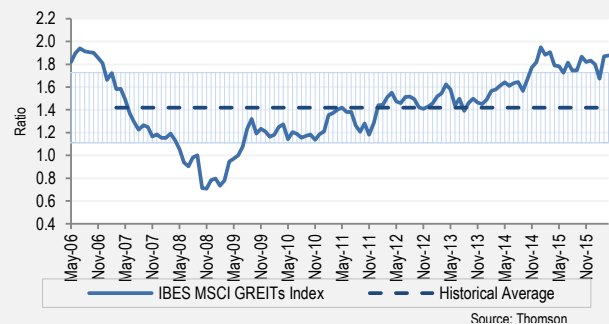


LISTED PROPERTY & INFRASTRUCTURE

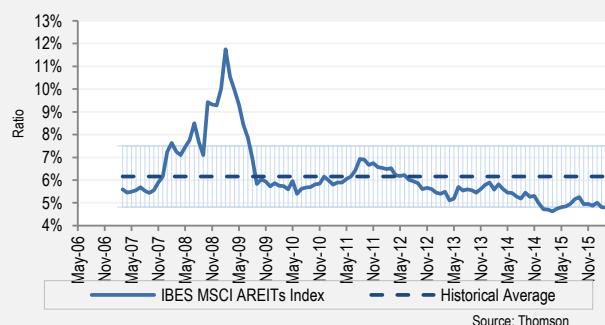
12 Month Forward AREIT Price to Book Value



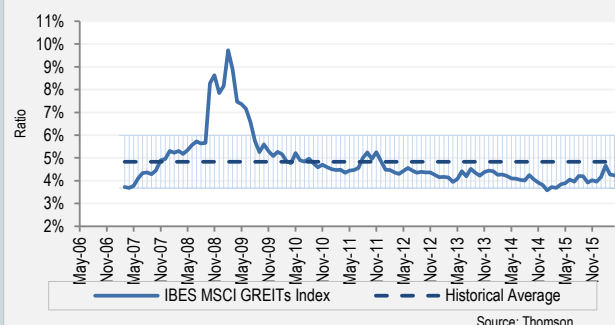
12 Month Forward GREIT Price to Book Value



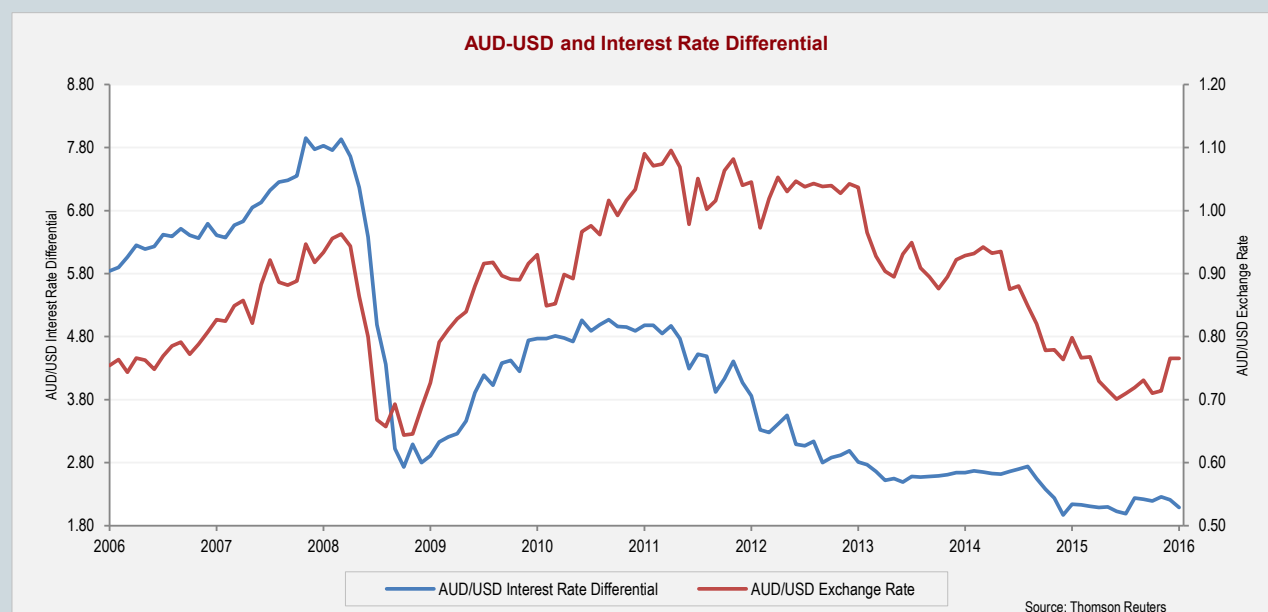
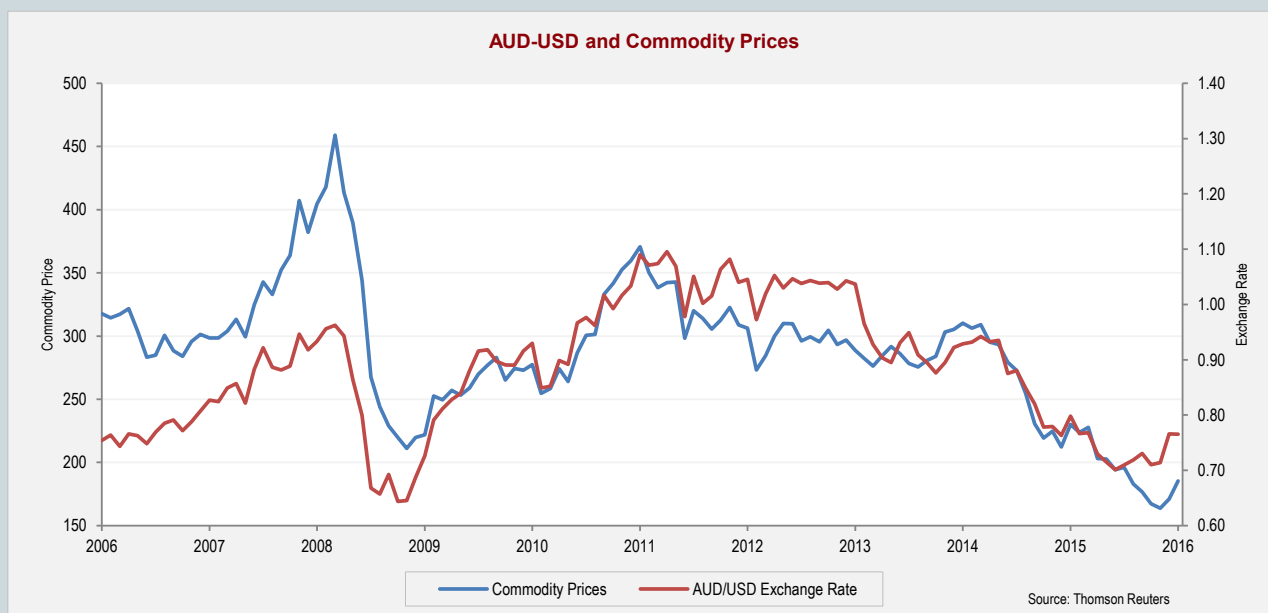
12 Month Forward AREIT Dividend Yield



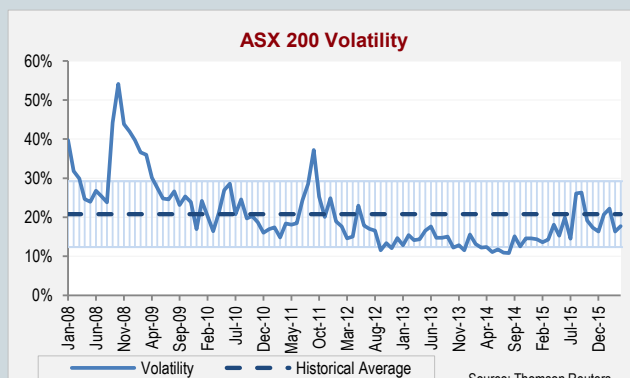
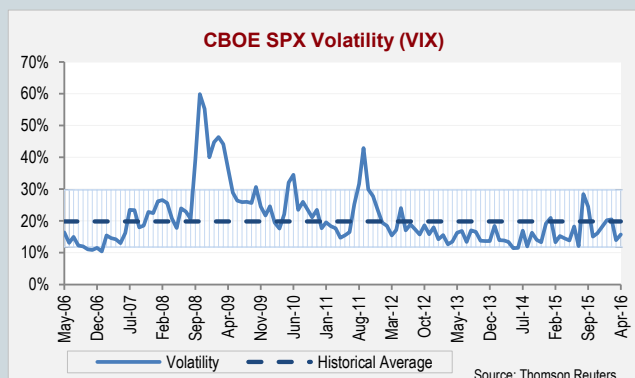
12 Month Forward GREIT Dividend Yield



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.