

THE MONTHLY MARKET REPORT



Shares fell further, as gold and bonds continued to outperform

February was a continuation of the risk off thematic in January, as volatility rose further and equity markets weakened globally. Investors continued their exit out of the emerging markets in favour of assets perceived to be safer. A beneficiary of this flight to safety witnessed demand for gold increase significantly over the month, pushing the price of the yellow metal by 10.36% in US Dollar terms.

Despite the low absolute yields on offer and unconventional policies enacted by some central banks, government bonds performed well in February, adding to the previous month's rally i.e. Yields declined and prices rose. Highly rated corporate debt in developed countries outperformed high yield debt.

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Data source | Thomson Reuters

A SNAPSHOT OF THE KEY POINTS FOR FEBRUARY

- The RBA kept the overnight cash rate at 2.00% at both the February and March meetings.
- In fixed income, the 3 Month Bank Bill Swap Rate rose by 0.07% while the 10 Year Australian Bond yield fell by -0.24% in February.
- Corporate debt spreads, as measured by the iTraxx Australian Index, rose to 155.77 in February from the previous reading of 139.54.
- Domestic shares continued to decline, with the All Ordinaries Index and the S&P/ASX 200 Index falling by -2.15% and -2.49%, respectively. Listed property outperformed, gaining 1.96% for the month.
- While global equities were down in most regions, Japan was the worst performer, declining by -9.37%, as measured by the TOPIX Japan Index.
- The UK outperformed on a relative basis, despite a flat return of 0.22%, as measured by the FTSE 100 Index. The US added 0.30% by its price weighted Dow Jones Industrials Index and fell by -0.41% by its market value weighted S&P 500 Index.
- Global commodity prices continued to recover at modest rate in February, gaining 0.14%, as measured by the US\$ CRB Spot Commodity Index. Gold and Iron Ore prices had the largest gains, rising 10.36% and 15.42%, respectively in US Dollar terms.
- Despite a small increase over the month, the oil price remained at historical low levels at around US\$33.75.
- The Australian Dollar appreciated versus most currencies in February, rising 0.56% against the US Dollar, 0.52% against the Euro and 4.13% versus the British Pound. The AUD depreciated against the Japanese Yen, by -5.22% for the month.
- The Australian Trade Weighted Index (TWI) rose by 0.81% over the month, ending February at 62.00.
- Share market volatility rose both domestically (+1.50%) and in the US (+0.35%).

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 (%)	2.26	2.19	0.07	1.96	0.30
	10 Year Bond Rate (%)	2.47	2.70	-0.24	2.50	-0.03
iTraxx	iTraxx Australia	155.77	139.54	16.22	83.84	71.93
Australian Shares	All Ordinaries Index	4947.90	5056.60	-2.15%	5898.50	-16.12%
	S&P/ASX 200	4880.90	5005.50	-2.49%	5928.80	-17.67%
Property	ASX 300 Property Index	1306.49	1281.39	1.96%	1288.88	1.37%
Regional Shares	Dow Jones Industrials (US)	16516.50	16466.30	0.30%	18132.70	-8.91%
	S&P 500 (US)	1932.23	1940.24	-0.41%	2104.50	-8.19%
	FTSE 100 (UK)	6097.09	6083.79	0.22%	6946.66	-12.23%
	STOXX 50 (EUR)	333.92	342.27	-2.44%	392.21	-14.86%
	TOPIX (Japan)	1297.85	1432.07	-9.37%	1523.85	-14.83%
	Hang Seng (Hong Kong)	19111.93	19683.11	-2.90%	24823.29	-23.01%
Commodities	US\$ Gold Price	1232.88	1117.15	10.36%	1216.57	1.34%
	US\$ Oil Price – W Texas Crude	33.75	33.62	0.39%	49.76	-32.17%
	US\$ Iron Ore Price	49.40	42.80	15.42%	64.50	-23.41%
Exchange Rates	US\$ CRB Spot Commodity Index	384.03	383.51	0.14%	420.92	-8.76%
	AUD / USD	0.7140	0.7100	0.56%	0.7792	-8.37%
	AUD / EUR	0.6530	0.6496	0.52%	0.6950	-6.04%
	AUD / GBP	0.5146	0.4942	4.13%	0.5047	1.96%
	AUD / JPY	80.76	85.21	-5.22%	92.83	-13.00%
TWI	Australia Trade Weighted Index \$A	62.00	61.50	0.81%	64.10	-3.28%
Volatility	VIX Index %	20.55	20.20	0.35%	13.34	7.21%
	S&P/ASX200 Volatility Index	22.18	20.68	1.50%	13.61	8.57%

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	0.18	0.57	2.25	2.59	3.28	1.47	0.38
Australian Bonds	Bloomberg AusBond Composite Index	1.03	2.61	2.97	5.39	6.82	4.26	2.27
International Bonds	Barclays Global Aggregate \$A (H)	1.09	2.66	4.36	6.05	7.62	5.31	2.76
	Barclays Global Agg Treasuries TRI \$A (H)	1.41	3.60	5.72	6.72	7.94	6.78	3.59
	Barclays Global Agg Corporate TRI \$A (H)	0.70	0.80	1.05	5.13	7.68	2.86	1.31
Emerging Markets Debt	Barclays EM Hard Currency Agg TRI \$A (H)	1.43	0.31	2.61	3.73	8.08	1.19	1.56

SUMMARY OF STATISTICS

- Australian Cash, as measured by the Bloomberg AusBond Bank Bill Index, rose 0.18% over the month.
- Australian Bonds continued to rally, with the Bloomberg AusBond Composite Index rising by 1.03% in February, taking the past year gain to 2.97%.
- International Bonds also performed well, with the Barclays Global Aggregate Hedged \$A Index gaining 1.09% in February. Government bonds and corporate debt rose by 1.41% and 0.70%, respectively.
- Emerging Markets Debt (hard currency) gained 1.43% 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 February and March meetings. RBA Governor Stevens noted that the non-mining parts of the economy had strengthened over the year, despite a contraction in mining investment. He highlighted improved labour market conditions and

increased pace of lending to businesses as testimony to this narrative. Domestic interest rates continued to be relatively attractive, compared to global counterparts.

Global financial markets continued to experience heightened volatility, as participants grappled with uncertainty about the global economic outlook and diverging policy settings among the major central banks, i.e. the US Fed starting to increase interest rates, while Europe and Japan promised further easing monetary policies in the coming months.

Demand for sovereign debt was high in February, as risk assets struggled. This was despite continued unconventional actions by central banks with Sweden diving further into negative interest rate territory, cutting their bank deposit from -0.35% to -0.50%, and the Bank of Japan also cutting interest rates into negative territory.

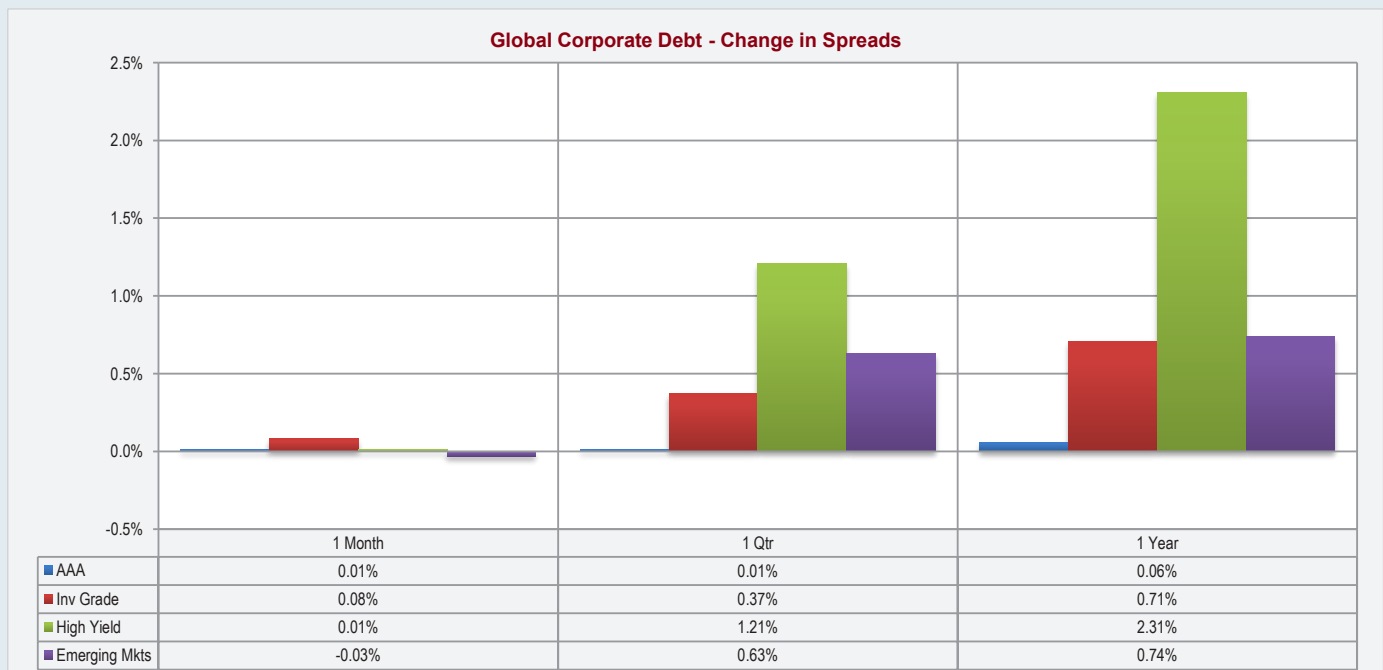
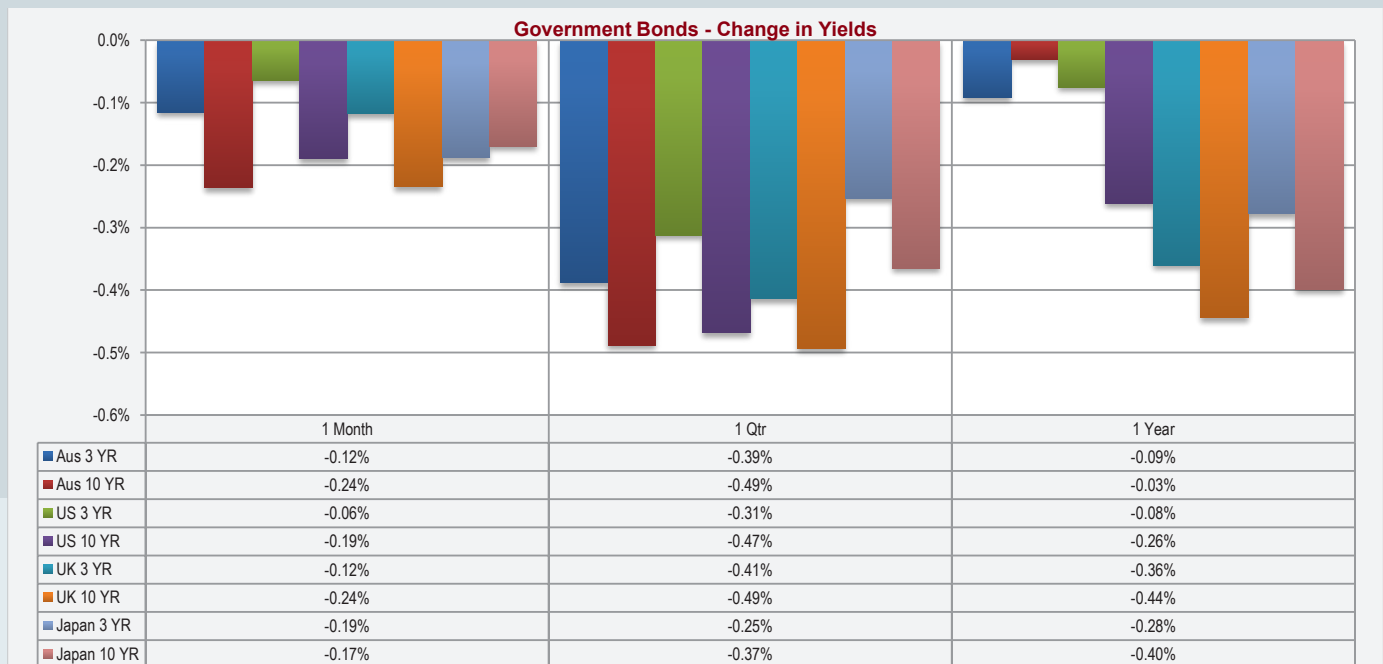
Australian bonds posted a return of 1.03% over the month, with yields falling for both short term (-0.12%) and long term (-0.24%) government bonds. However, corporate debt spreads, as measured by the iTraxx Australian Index, widened by 16.22 points to finish the month at 155.77. Widening credit spreads were partly due to higher demand for sovereign bonds outstripping corporate debt.

International bonds, as measured by the Barclays Global Aggregate Hedged AUD Index, gained 1.09% over the month. Similar to what occurred in Australia, government bonds outperformed, soaring 1.41% for the month on the back of lower yields. The 10 year US and UK government bond yield fell by -0.19% and -0.24%, respectively, over the month.

Global corporate debt underperformed due to the widening spread, returning 0.70%, as measured by the Barclays Global Aggregate Treasuries Hedged Total Return AUD Index. Concerns about Deutsche Bank's ability to fulfil its interest obligations on its debt

spread fear in many other bank debts. Spreads for investment grade debt rose by 0.08% over the month.

Emerging market debt was the best performer in the fixed income asset class, surging by 1.43% over the month, as measured by the Barclays Emerging Market Hard Currency Aggregate Total Return Hedged \$A Index. Corporate debt spread in emerging markets fell by -0.03%, contributing to the price gain.



Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Market Capitalisation	S&P/ASX 300 Index	-1.72	-4.54	-13.45	2.88	4.60	-7.41	-7.08
	S&P/ASX 50 Leaders Index	-2.48	-5.60	-16.02	2.42	5.16	-10.00	-8.09
	S&P/ASX Midcap 50 Index	1.39	-0.33	-0.80	9.33	6.21	5.27	-2.24
	S&P/ASX Small Ordinaries Index	0.95	-0.46	-3.56	-1.40	-3.16	2.49	-4.21
	S&P/ASX Emerging Companies Index	3.16	0.82	6.76	-5.61	-9.88	7.80	-0.24
GICS Sectors	S&P/ASX 300 Materials	9.12	0.47	-25.50	-10.48	-10.84	-17.77	-0.83
	S&P/ASX 300 Industrials	5.84	2.47	12.18	11.28	9.36	12.63	2.99
	S&P/ASX 300 Consumer Discretionary	-1.57	1.85	-0.08	11.29	9.48	9.86	-4.18
	S&P/ASX 300 Consumer Staples	-4.84	1.76	-8.33	-2.10	5.77	2.40	-5.01
	S&P/ASX 300 Energy	0.28	-13.24	-33.55	-15.79	-12.57	-29.77	-6.23
	S&P/ASX 300 Healthcare	0.64	-1.41	3.99	17.40	19.27	9.40	-1.96
	S&P/ASX 300 Information Technologies	-5.46	-6.68	-4.68	3.37	4.91	-3.13	-10.10
	S&P/ASX 300 Telecommunications	-5.47	-0.70	-10.98	11.66	21.73	-8.86	-4.81
	S&P/ASX 300 Financials ex Property	-7.00	-12.22	-20.78	4.33	8.96	-14.60	-15.30
	S&P/ASX 300 Utilities	1.23	5.06	9.47	13.74	16.84	12.69	1.97
	S&P/ASX 300 Property	2.81	7.98	6.57	14.32	14.81	11.29	3.79

SUMMARY OF STATISTICS

- Australian shares fell by -1.72% over the month, as measured by the S&P/ASX 300 Accumulation Index.
- Large cap stocks contributed the most to the overall falling domestic share market, with the S&P/ASX 50 Leaders Index declining by -2.48% to be the worst performer.
- Mid and small cap stocks outperformed, with the S&P/ASX Emerging Companies Index the best performing market segment, gaining 3.16% over the month.
- On a sector basis, Financials continued to struggle, falling by -7.00% in February, taking the calendar year loss to -12.22%. The Information Technology and Telecommunication sectors also underperformed, declining by -5.46% and -5.47%, respectively, over the month.
- The Materials sector rose by 9.12% on the back of rebounding commodity prices. Notwithstanding this, the sector has lost -25.50% over the year and still had a long way to recover to its previous levels.

COMMENTARY

The Australian share market posted mixed results among different sectors, with the overall S&P/ASX 300 Accumulation Index declining by -1.72% in February. On a market capitalisation basis, large caps stocks, which represent a heavy weighting in the ASX 300 Index, suffered further over the month due to tougher lending rules and lack of earnings. Smaller sized companies fared better, with the S&P/ASX Emerging Companies Index increasing by 3.16% over the month, to be the best performing sector.

Household spending improved slightly after the previous month's fall, with the Westpac Consumer Sentiment Index increasing by 4.2% to 101.3. On the business side, manufacturing activity also expanded, with the Australian Industry Group Australian Performance of Manufacturing Index increasing by 2 points to 53.5 in February.

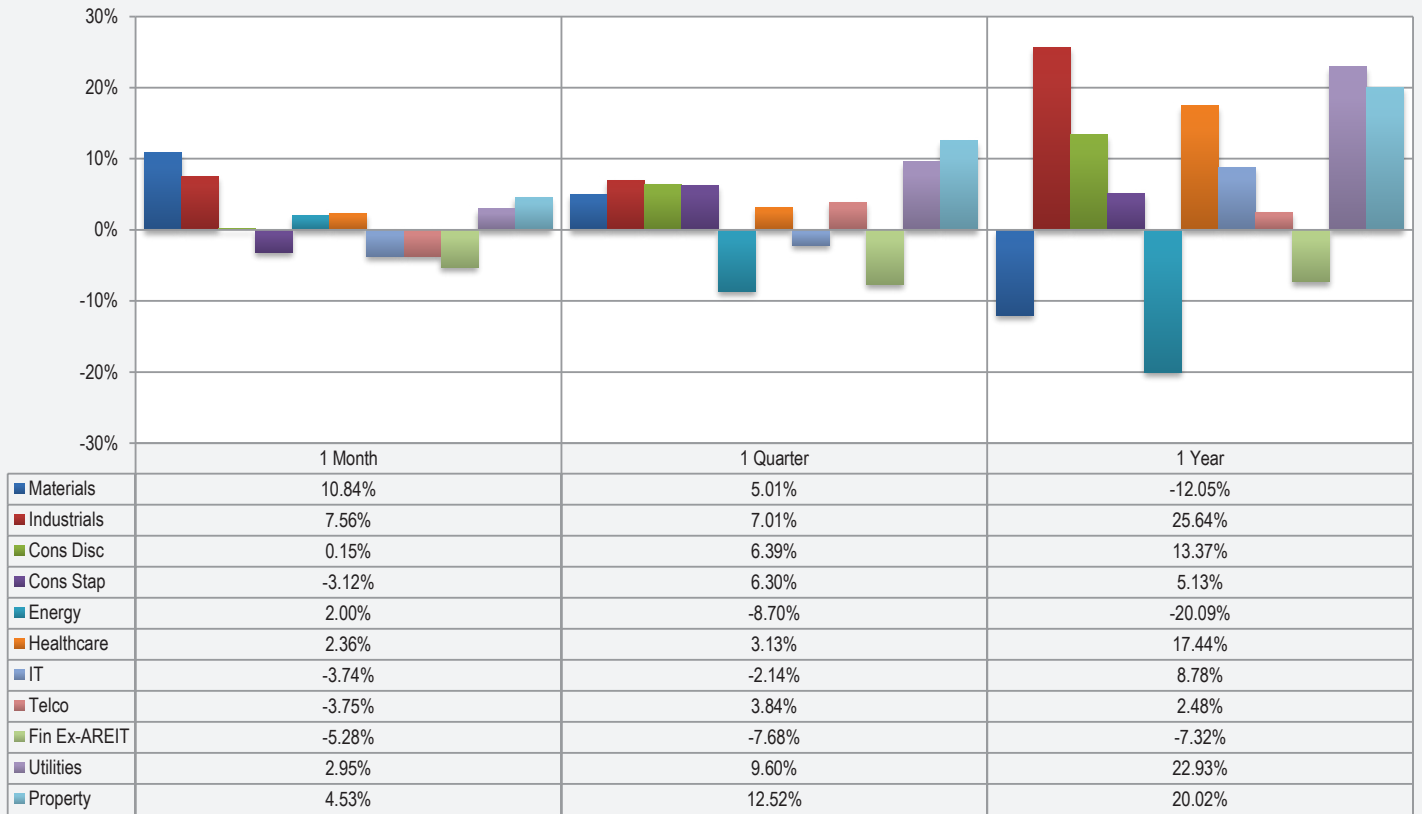
The S&P/ASX 300 Financials (ex-Property) Index fell by -7.00% to be the worst performing sector. The major banks continued to come under pressure, NAB (-9.51%), CBA (-8.41%), ANZ (-7.36%), WBC (-6.81%), contributing heavily to the falling market. Lower down in the market spectrum, OxForex Group Ltd declined by -38.94% over the month, following two negative announcements. The company announced the termination of the takeover deal with Western Union and shortly after also cut its forecast earnings for the 2016 financial year.

Information Technologies and Telecommunications also underperformed the broader Australian share market, by -3.74% and -3.75%, respectively, over the month. In the ASX 300 Information Technologies Index, Infomedia Ltd and Reckon Ltd were the worst performers, declining by -26.17% and -24.04% respectively, on the back of poor earnings and balance sheets. The share price for Australia's largest telecommunications provider, Telstra, fell by -6.75% over the month, amidst worries of slowing growth.

The materials sector was the best performing market segment in February, as rising commodity prices gave some mining stocks a temporary reprieve over the month. Gold miners Kingsgate Consolidated Ltd and Resolute Mining Ltd were among the biggest gainers, surging by 91.11% and 72.31%, respectively. Kingsgate resumed trading in late February after the company's mid-January suspension, thus the gain was partly due to the stock price playing catch-up with gold price appreciation. Resolute benefited from the surging gold prices, reporting revenue growth of 19% to \$248.6 million for its most recent half-year and a profit of \$95.4 million.

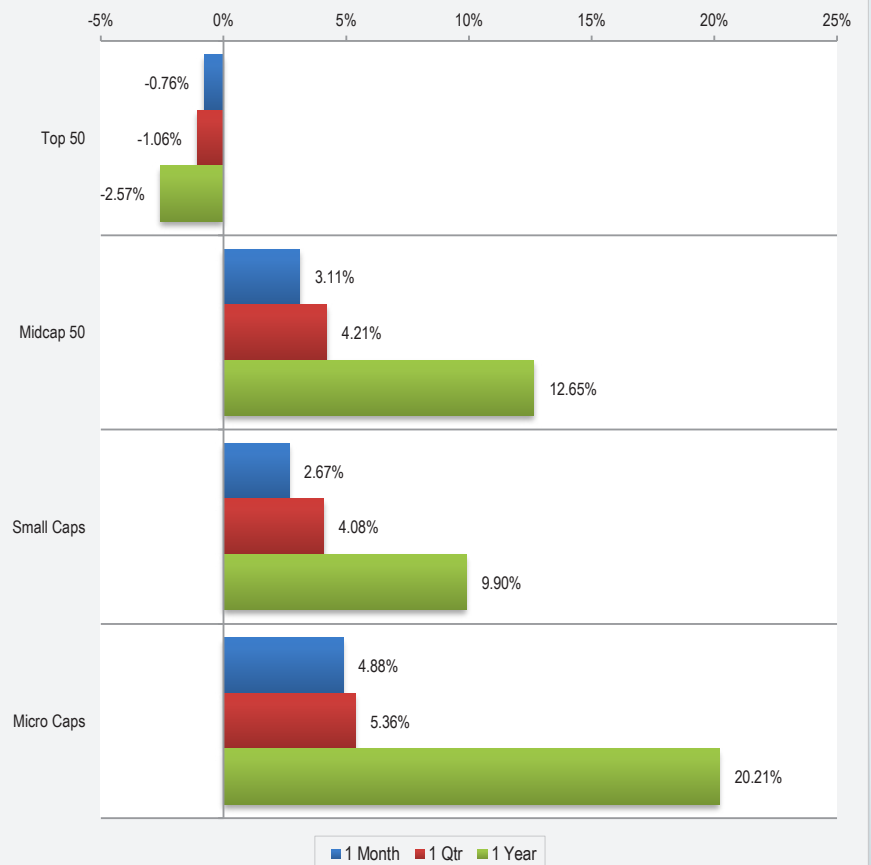
The Australian share market posted mixed results among different sectors, with the overall S&P/ASX 300 Accumulation Index declining by -1.72% in February.

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)	-1.70	-7.04	-2.08	19.32	12.89	-2.84	-4.87
Unhedged	MSCI World (\$A)	-1.70	-6.99	-2.47	18.74	12.63	-3.01	-4.94
	MSCI Small Cap World (\$A)	-0.29	-8.17	-2.68	18.82	12.63	-5.99	-5.41
	MSCI AC World (\$A)	-0.69	-8.36	-12.32	3.67	3.71	-11.25	-6.68
International Shares -	MSCI World ex-Au	-1.53	-8.97	-9.56	8.16	7.08	-8.70	-6.85
Local Currency	MSCI World	-1.53	-8.87	-9.73	7.96	7.00	-8.71	-6.87
	MSCI World Small Cap	0.69	-9.48	-11.19	5.39	4.92	-12.63	-7.14
	MSCI AC World	-0.69	-8.36	-12.32	3.67	3.71	-11.25	-6.68
Regional Shares -	MSCI North America	-0.28	-7.12	-7.94	9.31	8.54	-6.54	-5.41
Local Currency	MSCI Asia	-4.89	-12.76	-15.80	4.42	3.97	-19.16	-11.76
	MSCI AC Asia ex-Japan	-0.49	-7.45	-16.22	-0.80	1.18	-17.52	-7.27
	MSCI China	-2.60	-15.80	-25.55	-4.20	-2.13	-31.42	-14.67
	MSCI Europe	-1.87	-10.26	-11.21	5.50	4.62	-8.75	-6.71
	MSCI Emerging Markets	0.07	-6.18	-14.68	-1.06	0.56	-15.39	-5.16
	MSCI India	-6.65	-9.32	-18.49	7.61	6.20	-14.38	-10.82
	MSCI Japan	-9.32	-18.01	-14.93	11.12	7.80	-20.60	-16.25
Global Gold Shares in \$A	FTSE Gold Mines	33.05	49.91	6.61	-8.14	-13.63	25.35	48.18
Global Resources in \$A	HSBC Global Mining	19.21	6.99	-31.88	-13.59	-14.94	-22.91	12.06

SUMMARY OF STATISTICS

- International shares, as measured by the MSCI World ex-Australia Local Currency Index, fell by -1.53% over the month, taking the past year loss to -9.56%.
- On a sector basis, small caps outperformed, adding 0.69%, as measured by the MSCI World Small Cap Local Currency Index.
- Most countries reported losses over the month, with Japan the worst performer, declining by -9.32% in local currency terms.
- Resource shares surged by 19.21% over the month, as measured by the HSBC Mining Hedged \$A Index.
- As most risky assets continued to post losses, gold shares outperformed, with the FTSE Gold Mines \$A Index gaining 33.05% for the month.

COMMENTARY

Global equities continued to sell off in February, with the overall MSCI World ex-Australia Local Currency Index declining by -1.53%, in February. Growth in global industrial production and trade volumes have been weak, although services-sector activities were more resilient.

In the US, the Manufacturing PMI Index fell to 51.3 in February, the second lowest reading since October 2012. Growth in production volumes slowed to a 28-month low, job growth moderated to a 5-month low and producer prices recorded the biggest decline since June 2012. US consumer confidence fell by 0.3 points, ending January at 91.7. Consumers were pessimistic about both their current positions and future expectations. Over the month, shares in North America fell by -0.28% in local currency terms.

The Bank of Japan's surprising announcement that it would adopt a negative interest rate policy at the end of the January continued to affect local sentiment. Despite more monetary easing efforts by the BOJ, Japanese equities fell by a further -9.32% over the month. After three years of BOJ asset purchases, inflation expectations in Japan have been sagging and recent volatility in global markets has threatened to undo some of what Japan has achieved, in terms of a weaker yen and higher stock prices.

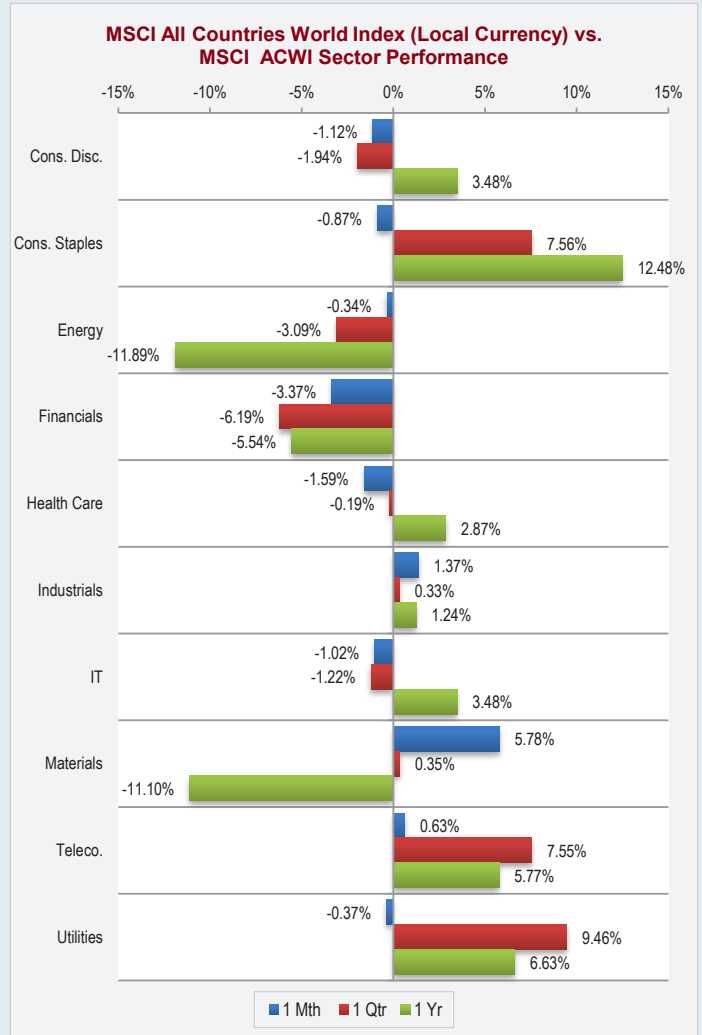
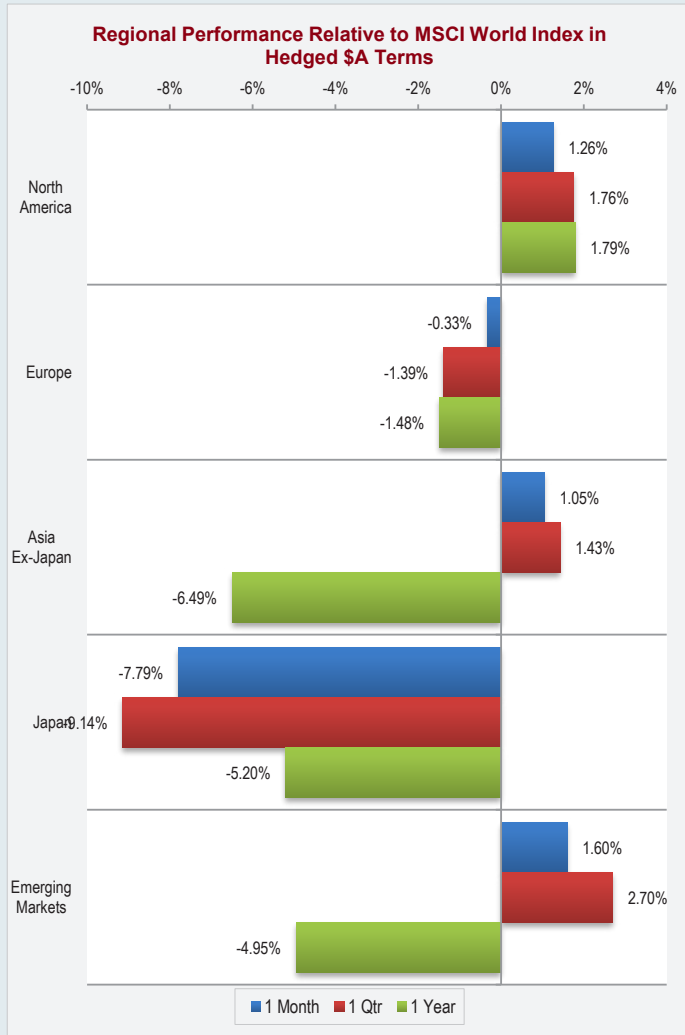
On the back of recovering commodity prices, resource stocks rose strongly over the month, with the overall HSBC Global Mining Index increasing by 19.21%. The share prices of gold stocks, as measured by the FTSE Gold Mines \$A Index, gained 33.05%, making it the best performing sector.

Bank shares were under enormous selling pressure as Deutsche Bank's solvency came into question. The German based Deutsche Bank's shares have fallen nearly 30% in 2016 as investors worried about its ability to make debt repayments. The MSCI All Country World Financials Local Currency Index declined by -4.05%, making it the worst performing sector in international shares.

Global equities continued to sell off in February, with the overall MSCI World ex-Australia Local Currency Index declining by -1.53%, in February.

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	0.56	-0.68	-8.37	-11.43	-6.82	-7.03	-2.27
	AUD / EUR	0.52	-3.83	-6.04	-5.82	-2.44	-4.89	-2.27
	AUD / GBP	4.13	7.57	1.96	-8.77	-4.00	5.34	4.40
	AUD / JPY	-5.22	-8.46	-13.00	-5.20	-0.55	-14.01	-8.21

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	-1.80	-10.30	-8.84	10.43	9.93	-8.95	-7.69
Local Currency	MSCI ACWI Consumer Staples Index	-1.56	-0.80	0.17	7.68	10.17	4.17	-0.96
	MSCI ACWI Energy Index	-1.03	-11.45	-24.21	-9.53	-7.74	-20.44	-3.14
	MSCI ACWI Financials Index	-4.05	-14.55	-17.86	1.29	1.03	-18.13	-12.79
	MSCI ACWI Health Care Index	-2.28	-8.55	-9.45	13.09	13.63	-11.26	-9.37
	MSCI ACWI Industrials Index	0.68	-8.03	-11.08	5.69	4.33	-8.20	-4.80
	MSCI ACWI IT Index	-1.70	-9.58	-8.84	10.96	7.84	-5.97	-7.32
	MSCI ACWI Materials Index	5.10	-8.01	-23.41	-6.57	-7.04	-18.18	-4.09
	MSCI ACWI Teleco. Services Index	-0.06	-0.81	-6.55	6.50	4.00	-4.66	0.40
	MSCI ACWI Utilities Index	-1.06	1.10	-5.69	4.58	0.93	0.20	0.35

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	2.81	7.98	6.57	14.32	14.81	11.29	3.79
	FTSE E/N Australia	2.75	7.65	5.19	13.72	14.30	10.63	4.03
Global Listed Prop. \$A (H)	FTSE E/N GLOBAL HGD A\$	-0.31	-3.13	-4.80	8.99	10.79	1.14	-3.88
Global Listed Prop. \$A	FTSE E/N GLOBAL A	-0.31	-1.94	0.12	15.39	13.13	4.50	-2.56
	FTSE E/N North America	-1.15	-0.78	4.64	20.55	16.54	12.47	-1.78
	FTSE E/N Euro Zone	-1.61	-1.48	-0.19	20.80	12.38	11.29	-2.03
	FTSE E/N UK	-8.98	-19.29	-10.62	23.69	15.13	-12.72	-15.08
	FTSE E/N Developed Asia	3.06	1.03	-3.44	9.15	10.01	-2.40	0.45
	FTSE E/N Japan	4.96	5.51	3.29	13.30	11.41	6.24	5.17
Australian Listed Infra.	S&P/ASX 300 Utilities	1.23	5.06	9.47	13.74	16.84	12.69	1.97
Global Listed Infra. \$A (H)	S&P Global Infrastructure	0.41	-2.21	-7.15	9.98	9.43	-5.53	0.68

SUMMARY OF STATISTICS

- Australian listed property gained 2.81% in February, as measured by the S&P/ASX 300 Property Index.
- GREITs declined by -0.31%, as measured by the FTSE EPRA NAREIT Developed Hedged \$A Index.
- After taking currency into consideration (falling GBP over the month), the UK was the worst performing region, declining by -8.98%.
- Australian listed infrastructure rose by 1.23% over the month, outperforming its international counterpart, which added 0.41 % in hedged AUD terms.

COMMENTARY

The Australian listed property market gained 2.81% in February, outperforming their global counterparts (in hedged AUD) by 3.12%. Over the past year, AREITs outperformed GREITs by 11.37%.

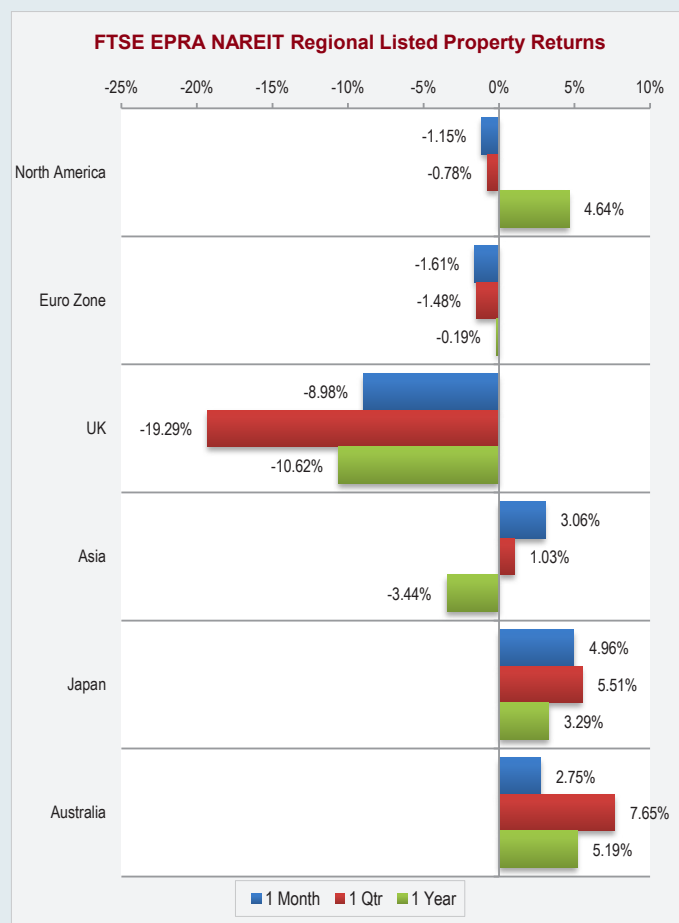
In Australia, Astro Japan Property Group and Vicinity Centres were the best performers, gaining 9.57% and 6.87%, respectively, in February. Decliners for the month included Mirvac Group (-3.68%) and Abacus Property Group (-3.65%).

Global listed property was down in most regions, with the UK falling by -8.98%, to be the worst performing region. Over the past quarter, UK properties has fallen by -19.29%, taking the past year loss to -10.62%.

Despite a negative overall share market, Japanese REITs outperformed most other countries, gaining 4.96% for the month. The Bank of Japan's recent move into negative interest rate territory boosted properties through cheaper finance and further rate compression.

Australian listed infrastructure outperformed its global counterparts by 0.82% in February. Over the past year, the S&P/ASX 300 Utilities Index has gained 9.47%, while the S&P Global Infrastructure Hedged AUD Index fell by -7.15%.

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.

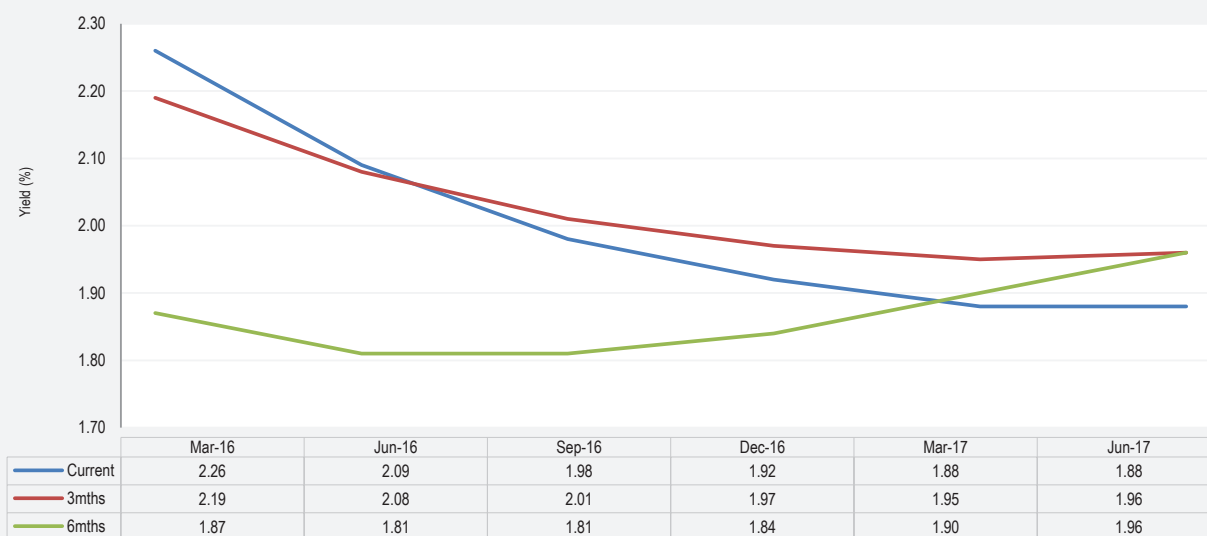
Sector	Absolute Valuation	Relative Valuation (vs. Cash)	Momentum
Australian Bonds	Expensive	Moderately Expensive	Positive
Global Bonds	Expensive	Fair Value	Positive
Global Investment Corp Debt	-	Fair Value	Negative
Global High Yield	-	Moderately Cheap	
Australian Equities	Fair Value	Fair Value	Negative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

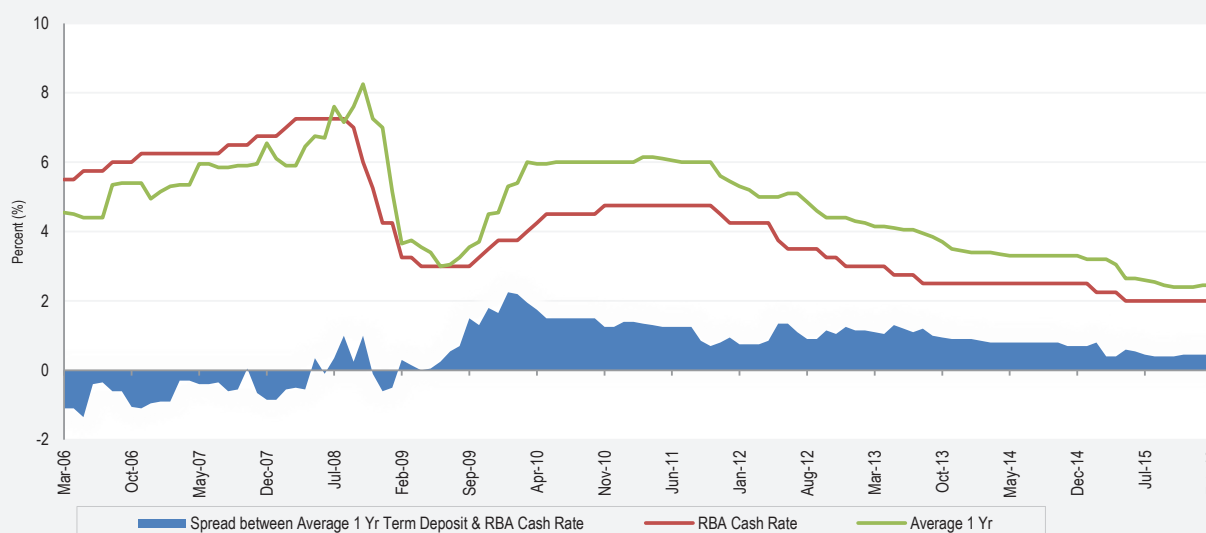
CASH

Australian 90 Day Bank Bill Futures Pricing



Source: Thomson Reuters

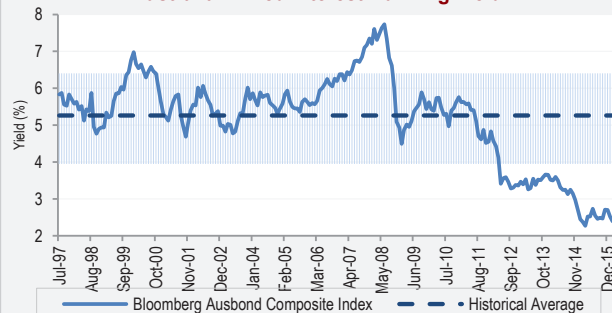
Term Deposit vs RBA Cash Rate



Source: Thomson Reuters

FIXED INTEREST

Australian Fixed Interest Running Yield



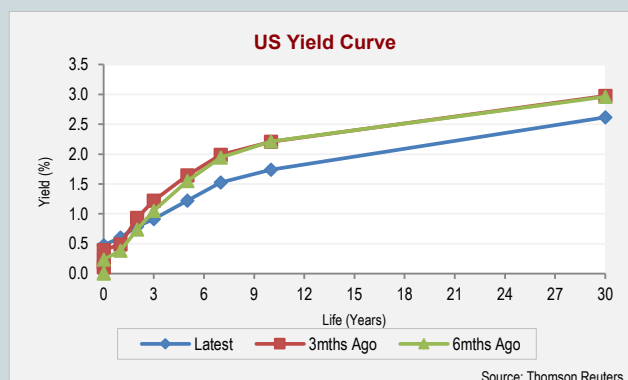
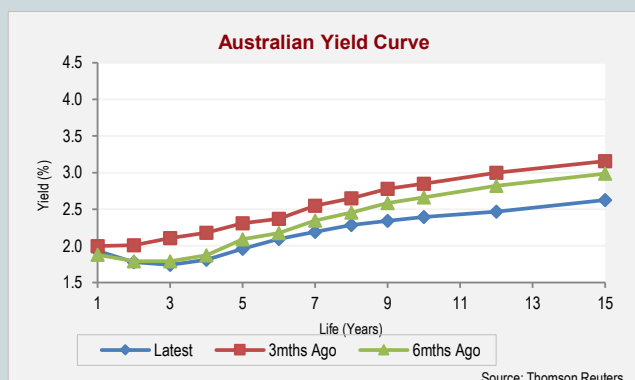
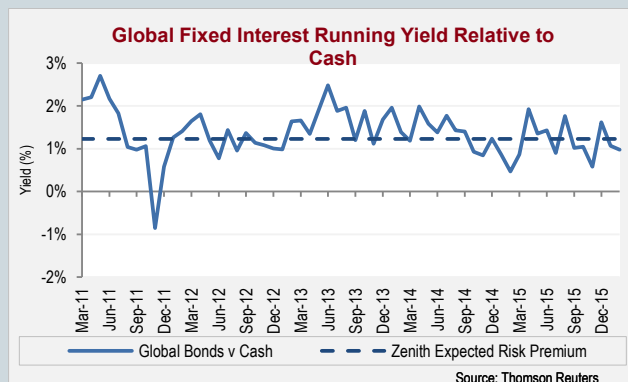
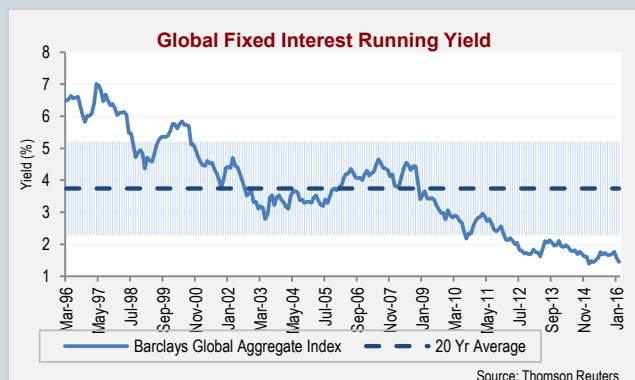
Source: Thomson Reuters

Australian Fixed Interest Running Yield Relative to Cash

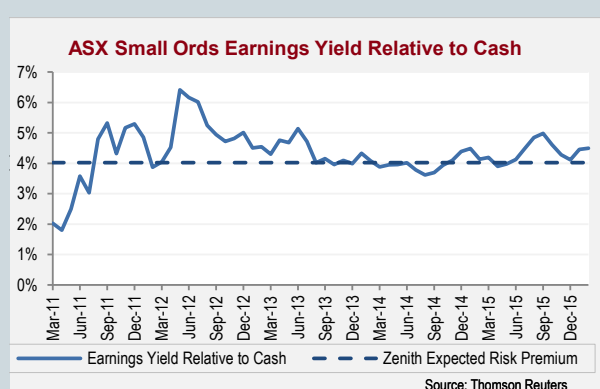
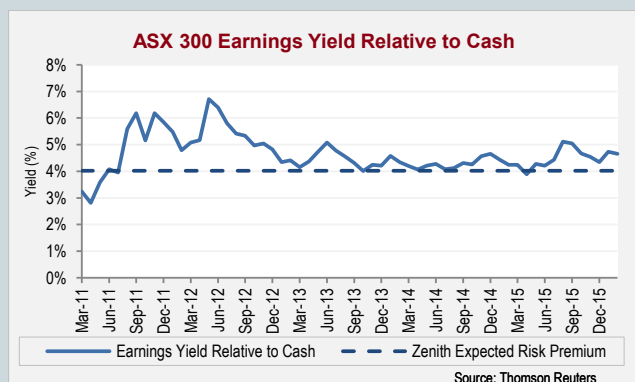
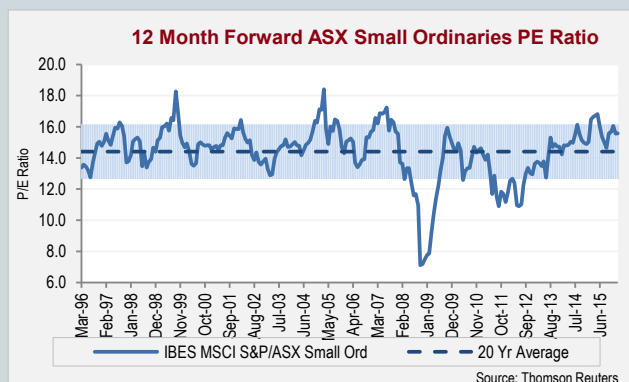
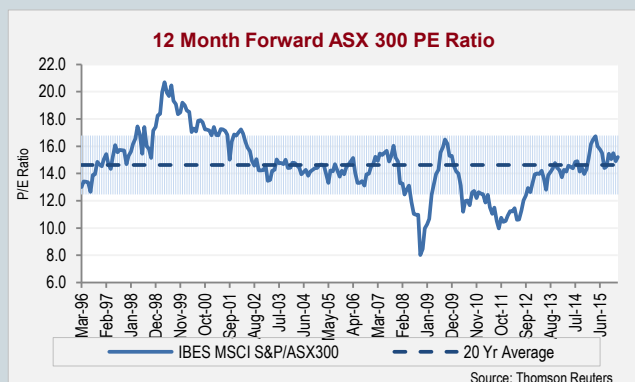


Source: Thomson Reuters

FIXED INTEREST (CONT.)

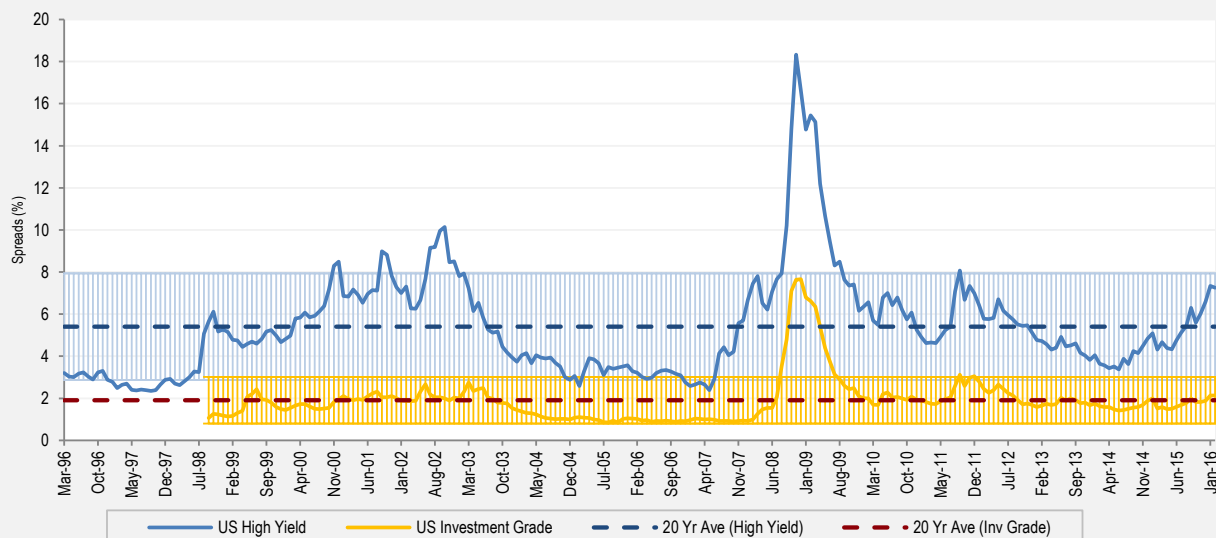


AUSTRALIAN EQUITIES

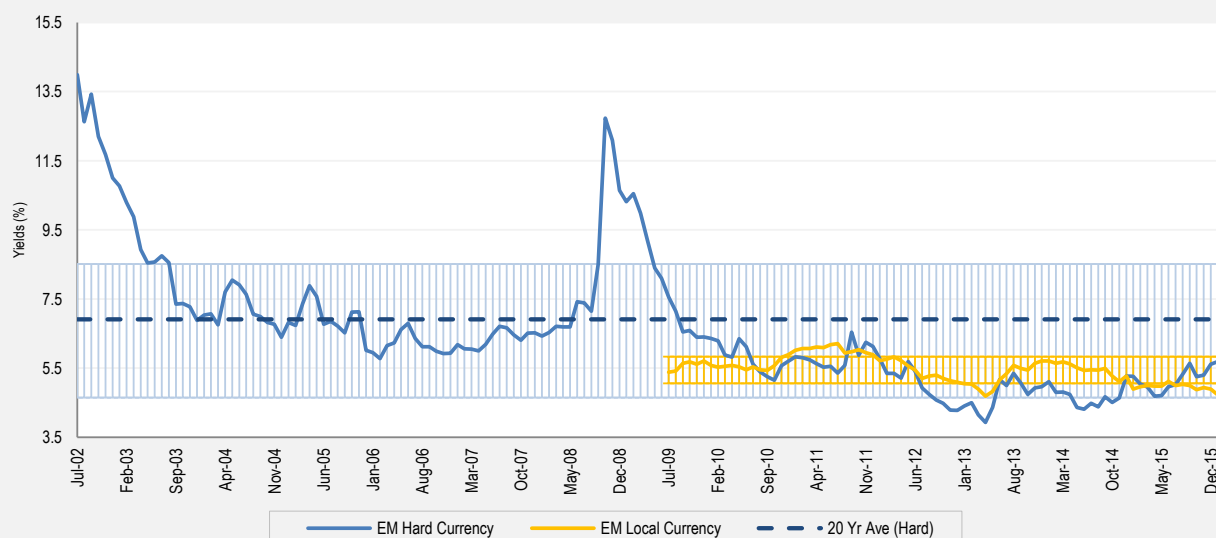


CORPORATE DEBT

US Investment Grade and High Yield Spreads above Treasuries



Barclays Emerging Markets Hard and Local Currency Running Yield



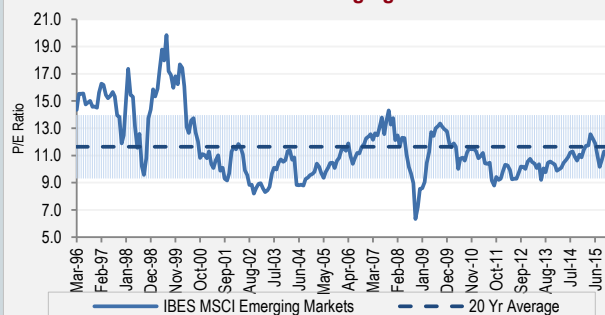
INTERNATIONAL SHARES

12 Month Forward World PE Ratio



Source: Thomson Reuters

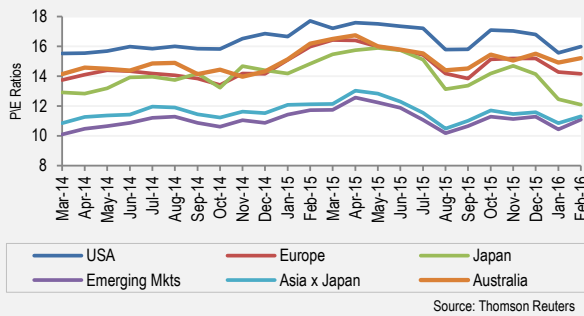
12 Month Forward Emerging Markets PE Ratio



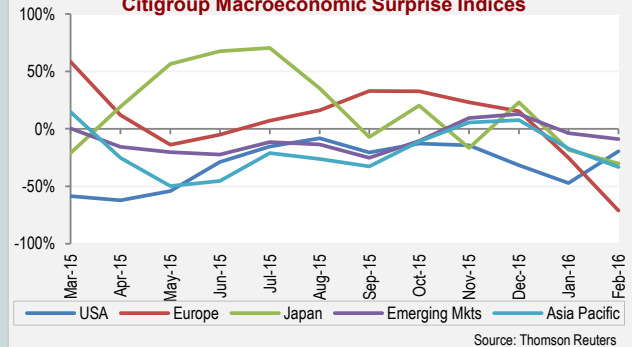
Source: Thomson Reuters

INTERNATIONAL SHARES (CONT)

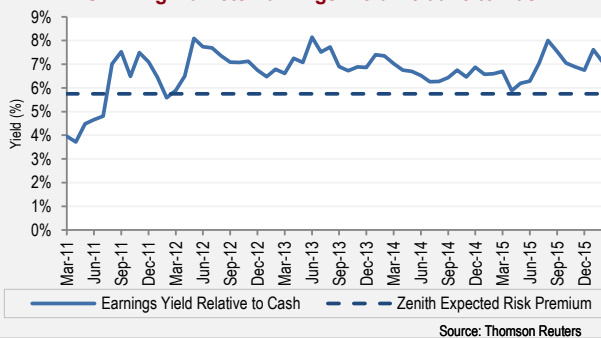
Regional Equity 12 Month Forward PE Valuations



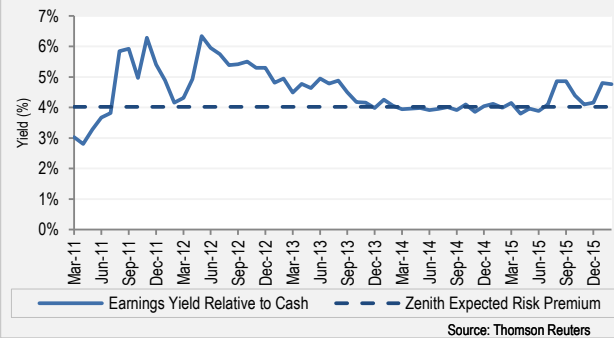
Citigroup Macroeconomic Surprise Indices



MSCI Emg Markets Earnings Yield Relative to Cash

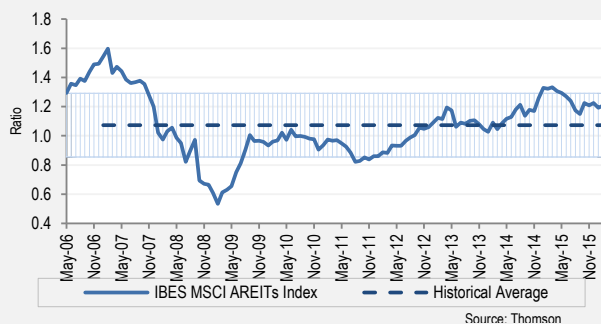


MSCI World Earnings Yield Relative to Cash

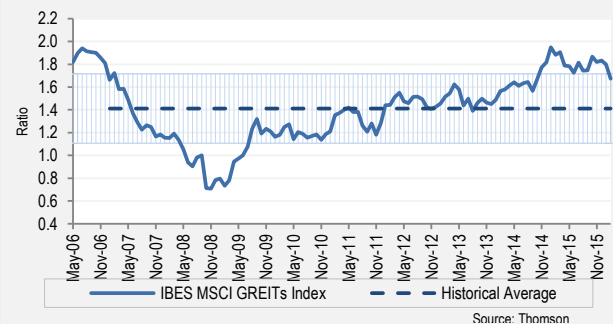


LISTED PROPERTY & INFRASTRUCTURE

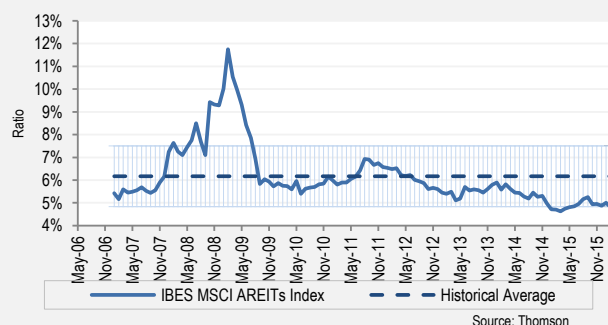
12 Month Forward AREIT Price to Book Value



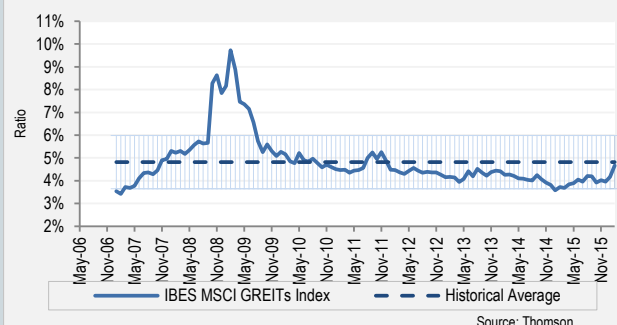
12 Month Forward GREIT Price to Book Value



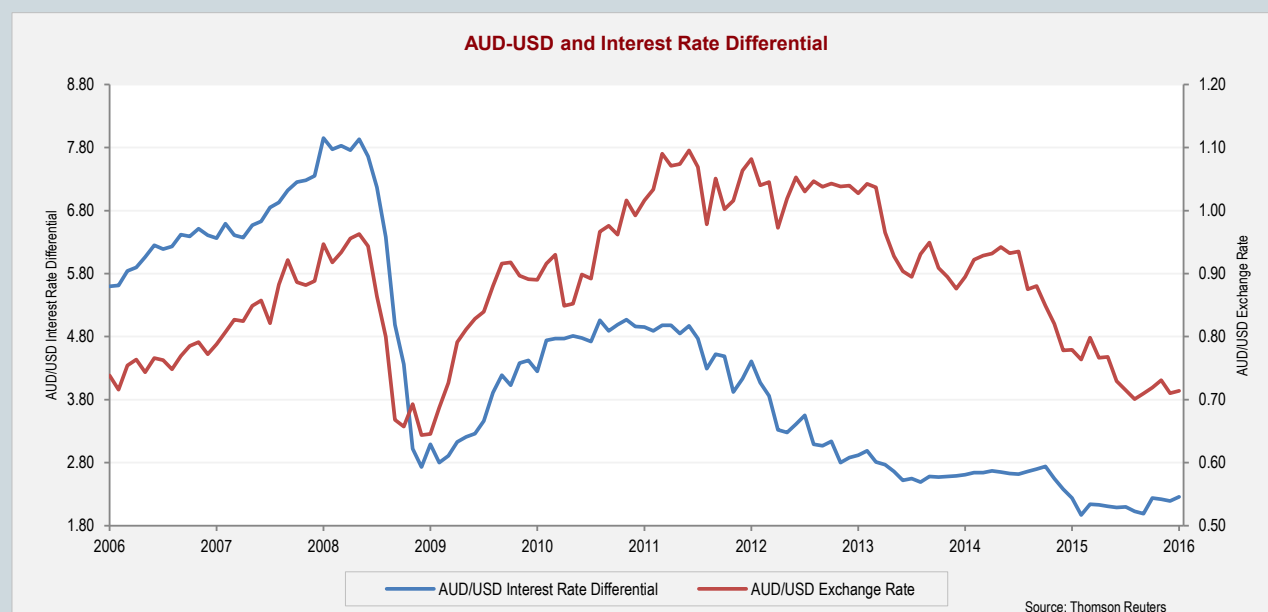
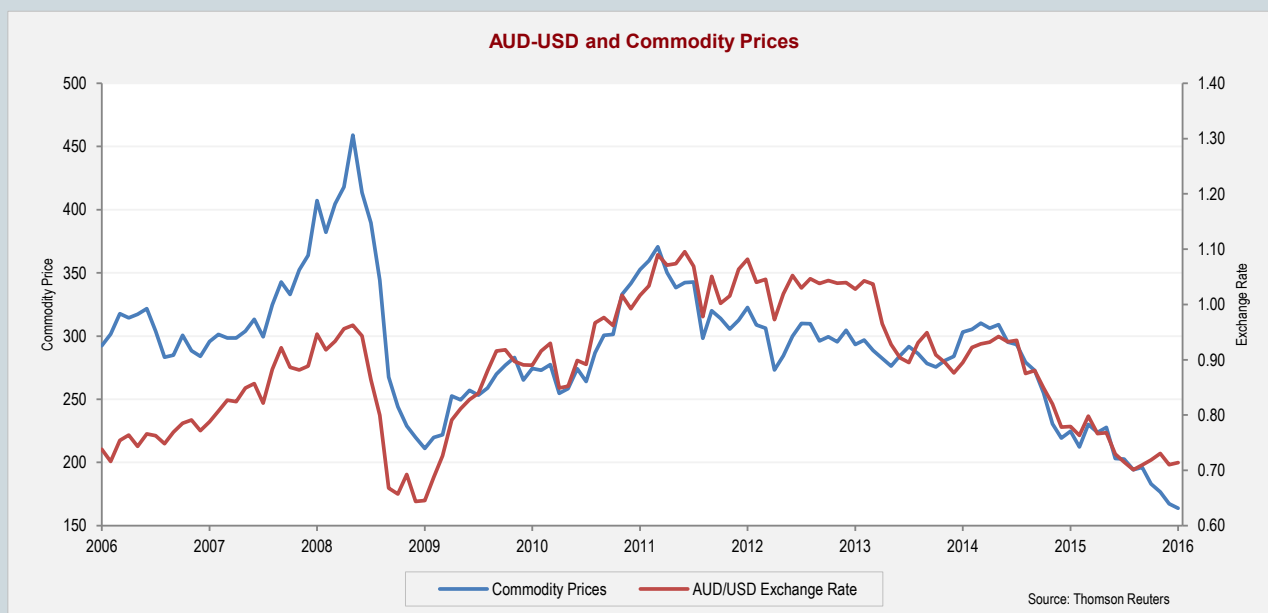
12 Month Forward AREIT Dividend Yield



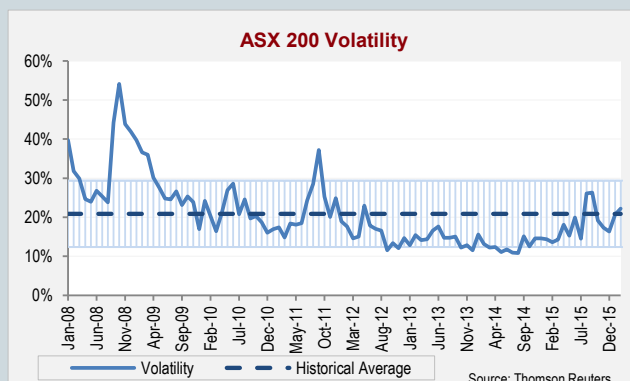
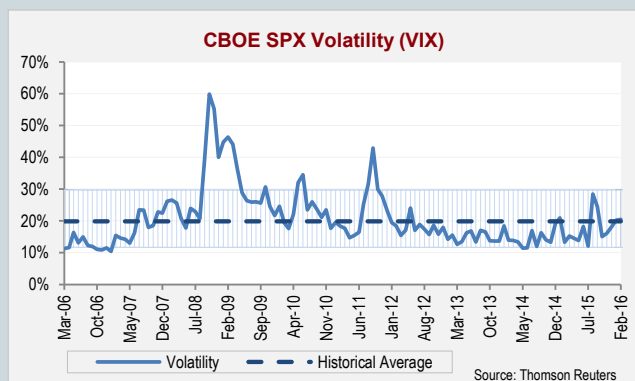
12 Month Forward GREIT Dividend Yield



AUSTRALIAN DOLLAR



VOLATILITY / FINANCIAL STRESS INDEX



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