

### **Market Indicators**

Market	Indicator	End of Month Price	Previous Month Price	1 Month Change in Price	12 Months Ago Price	12 Month Change in Price
Interest Rates	Overnight Cash Rate (%)	2.50	2.50	0.00	3.00	-0.50
	3 Month BBSW (%)	2.58	2.54	0.04	2.82	-0.24
	10 Year Bond Rate (%)	4.24	4.22	0.02	3.27	0.96
Australian Shares	All Ordinaries Index	5353.10	5314.32	0.73%	4664.59	14.76%
	S&P/ASX 200	5352.20	5320.05	0.60%	4648.95	15.13%
Property	ASX 300 Property Index	971.00	1001.60	-3.06%	958.90	1.26%
Regional Shares	Dow Jones Industrials (US)	16576.66	16086.41	3.05%	13104.14	26.50%
	S&P 500 (US)	1848.36	1805.81	2.36%	1426.19	29.60%
	FTSE 100 (UK)	6749.09	6650.57	1.48%	5897.81	14.43%
	STOXX 50 (EUR)	328.26	325.16	0.95%	279.68	17.37%
	TOPIX (Japan)	1302.29	1258.66	3.47%	859.80	51.46%
	Hang Seng (Hong Kong)	23306.39	23881.29	-2.41%	22656.92	2.87%
Commodities	US\$ Gold Price	1205.65	1253.49	-3.82%	1675.35	-28.04%
	US\$ Oil Price - W Texas Crude	98.42	92.97	5.86%	95.22	3.36%
	US\$ CRB Spot Commodity Index	456.36	463.15	-1.47%	484.07	-5.72%
Exchange Rates	AUD / USD	0.89	0.91	-1.99%	1.04	-14.02%
	AUD / EUR	0.65	0.67	-3.40%	0.79	-17.72%
	AUD / GBP	0.54	0.56	-3.17%	0.64	-15.71%
	AUD / JPY	93.94	93.30	0.68%	89.91	4.48%
	TWI	68.90	69.80	-1.29%	77.10	-10.64%
Volatility	VIX Index %	13.72	13.70	0.02%	18.02	-4.30%

### **Key Points:**

- The RBA kept the overnight cash rate steady at 2.50% during the December board meeting.
- Fixed income securities remained relatively steady in December, with the Three Month Bank Bill Swap Rate gaining 0.04% to end the month priced at 2.58%.
- 10 Year Bond Rates finished the month priced at 4.24%, up by 0.02% from November.
- Australian Shares gained slightly during December, as the All Ordinaries Price Index rose by 0.73% and the S&P/ASX 200 Price Index increased by 0.60%.
- Australian Listed Property had a poor month, dropping by -3.06% in December as measured by the ASX 300 Property Price Index.
- Many of the major global equities markets posted positive returns in December. Japan was again the strongest performer, rising 3.47% for the month as measured by the Japanese TOPIX Price Index. The Dow Jones Industrials Price Index also performed well, gaining 3.05% for the month.
- Hong Kong stocks performed poorly compared to their global counterparts, with the Hang Seng Price Index slumping by -2.41% in December.
- Commodities prices had an overall negative month with the US\$ CRB Spot Commodity Index dropping by -1.47%. The price of gold continued to plummet, declining by -3.82% for the month. The US\$ Oil Price recovered over December, gaining by 5.86%.
- Following the previous month's downtrend, the AUD depreciated against most major currencies in December (falling -1.99% against USD, -3.40% against EUR and -3.17% against GBP). The AUD recorded a 0.68% appreciation against JPY over the month, consistent with the Yen's general decline against other currencies.
- US equity market volatility was largely unchanged from the previous month, rising by 0.02% in December to a price level of 13.72, as measured by the S&P VIX Index.





## Cash, Fixed Income and Credit

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Australian Cash	UBSA Bank Bill	0.21	0.65	2.87	3.94	3.99	1.35	2.87
Australian Bonds	UBSA Australia Composite All Maturities	0.53	0.37	1.99	6.95	5.70	1.41	1.99
	Barclays Global: Australia TRI	0.45	-0.34	0.10	6.53	4.36	0.30	0.10
	Barclays Australian Corporate TRI	0.37	0.96	4.62	8.50	7.51	2.85	4.62
International Bonds	Barclays Global Aggregate \$A (H)	-0.36	0.80	2.27	7.42	7.91	2.25	2.27
	Barclays Global Agg Treasuries TRI \$A (H)	-0.47	0.64	2.50	7.18	6.75	2.00	2.50
	Barclays Global Agg Corporate TRI \$A (H)	-0.10	1.56	2.43	8.80	11.46	3.35	2.43
<b>Emerging Markets Debt</b>	Barclays EM Hard Currency Agg TRI \$A (H)	0.48	1.90	-1.22	9.78	16.12	3.93	-1.22

#### **Summary of Statistics:**

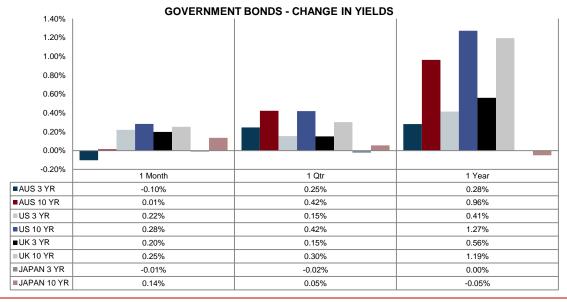
- Australian Cash gained 0.21% in December, as measured by the UBSA Bank Bill Index, taking its
  one year return to 2.87%.
- The Australian Bond Market had a positive month, gaining by 0.53%, as measured by the UBSA Australia Composite All Maturities Index. Government Bonds recovered in December, gaining 0.45%, as measured by the Barclays Global Australia Total Returns Index.
- International Bonds declined by -0.36% for the month, as measured by the Barclays Global Aggregate (Hedged) \$A Index. A strong contributor to this decline was Government Bonds, which fell by -0.47% for the month, as measured by the Barclays Global Aggregate Treasuries Total Return Index \$A Hedged.

#### Commentary:

The RBA elected to keep the overnight cash rate steady at 2.50% during the December board meeting. The past year's economic growth remains below prior years' trend levels, as Australia adjusts to the lower levels of mining investment. The Australian dollar has depreciated against major currencies over the past year, enabling Australia to remain competitive in the global market.

Australian Bonds recovered well in December, following the previous two months of negative performance. Government Bonds gained by 0.45%, accommodated by falling yields with the 3 Year Government Bond Yield dropping by -0.10% during December. Corporate debt spreads also tightened for the month, with the iTraxx Australian Index (represents the performance of 25 Australia investment grade companies) falling from 100.3 to 98.2, indicating spread compression.

Following the US Federal Reserve's decisions on scaling back its monthly bond purchases, bond yields increased over the month, with the US 10 Year Government Bond Yields rising by 0.28% in December. In response to this, the Barclays Global Aggregate Treasuries \$A (Hedged) Index recorded a loss of -0.47% for the month. Overall Global Bonds declined by -0.36% in December as measured by the Barclays Global Aggregate \$A (Hedged) Index.



### **Australian Shares**

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Market Capitalisation	S&P/ASX 300 Index	0.82	3.37	19.68	8.46	12.33	13.99	19.68
	S&P/ASX 50 Leaders Index	0.45	3.66	22.09	10.69	13.16	13.92	22.09
	S&P/ASX Midcap 50 Index	2.76	3.61	16.84	3.32	9.31	14.23	16.84
	S&P/ASX Small Ordinaries Index	2.55	-0.15	-0.76	-5.98	8.14	14.71	-0.76
	S&P/ASX Emerging Companies Index	-0.64	-3.83	-13.35	-15.27		19.91	-13.35
GICS Sectors	S&P/ASX 300 Materials	2.34	5.05	-0.87	-7.75	6.61	22.94	-0.87
	S&P/ASX 300 Industrials	2.61	0.74	16.96	6.76	8.92	13.76	16.96
	S&P/ASX 300 Consumer Discretionary	1.88	3.42	42.33	14.23	15.93	18.94	42.33
	S&P/ASX 300 Consumer Staples	1.54	1.29	19.70	16.17	17.07	7.44	19.70
	S&P/ASX 300 Energy	3.26	-3.08	12.46	-3.38	4.26	10.88	12.46
	S&P/ASX 300 Healthcare	1.23	5.46	25.39	19.13	14.08	11.76	25.39
	S&P/ASX 300 Information Technologies	0.68	1.22	22.57	4.99	12.27	9.83	22.57
	S&P/ASX 300 Telecommunications	4.26	5.73	31.83	37.28	19.54	14.77	31.83
	S&P/ASX 300 Financials ex Property	-0.98	5.79	37.84	21.13	21.61	17.30	37.84
	S&P/ASX 300 Utilities	1.18	-0.56	8.83	13.73	11.29	5.24	8.83
	S&P/ASX 300 Property	-1.24	-1.40	7.28	11.91	8.89	-1.23	7.28

#### **Summary of Statistics:**

- Australian Equities increased by 0.82% in December, as measured by the S&P/ASX 300 Accumulation Index.
- On a market capitalisation basis the Midcap 50 Index and the Small Ordinaries Index led the gains, increasing by 2.76% and 2.55% respectively. The S&P / ASX Emerging Companies Index again lost ground, falling by -0.64% for the month to finish the year -13.35% lower.
- On a sector basis, Telecommunications was the leading performer in December, with the S&P/ASX 300 Telecommunications Index recording a gain of 4.26%.
- Financials was the weakest performer in December, with the S&P/ASX 300 Financials ex Property Index falling by -0.98%.

#### **Commentary:**

Australian equities had an overall positive month, partially recovering from the sharp fall in November, with the S&P/ASX 300 Accumulation Index posting a gain of 0.82%. In economic news, business conditions have improved comparing to first half of the year and retail sales growth was higher ahead of the Christmas trading period. However, unemployment rose by 0.1% in December while manufacturing activities fell slightly, with the seasonally adjusted PMI reading of 47.6 indicating a contraction.

The S&P/ASX Midcap 50 Index and the S&P/ASX Small Ordinaries Index posted positive returns in December, rising by 2.76% and 2.55% respectively. Micro-cap companies continued to drag on the overall performance, declining -0.64% for the month to finish the 2013 calendar year with a loss of -13.35%. Large-cap companies underperformed the broader index by 0.37 in December, however over the past year the S&P/ASX 50 Leaders Index excelled in the overall Australian share market with a strong return of 22.09%.

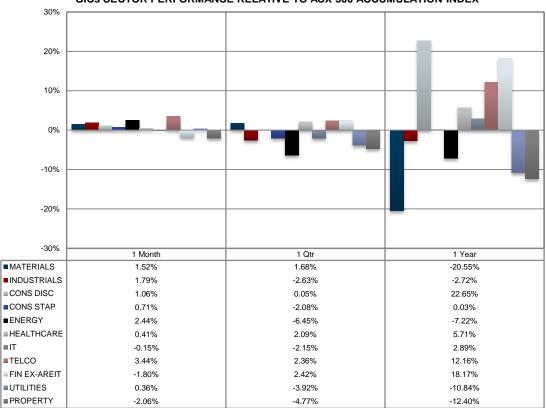
The Telecommunications sector performed well in December, adding 4.26% for the month. Leading companies in this sector were TPG Telecom Ltd and Newsat Ltd, returning 28.81% and 13.92% respectively over the month. TPG share prices rallied over the past 5 years with strong financial results, while Newsat Ltd ranks as one of the top teleport operators in the Asia Pacific region in 2013.

Financials, which was the best performing sector last month, finished December with a loss of -0.98% to underperform the broader Australian share market by 1.80%. QBE Insurance Group Ltd impinged on the overall performance, losing -26.45% for the month. Over the 2013 calendar QBE has an estimated loss of \$US250 million, largely coming from its troubled North American divisions.



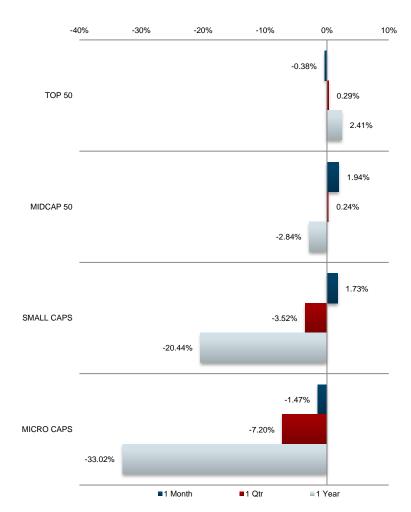
## **Australian Shares**





# LARGE, MID AND SMALL CAP 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. GICs Sector weightings for the ASX 300 Index, as at 31 September 2013 were as follows: Materials 17%; Industrials 7%; Consumer Discretionary 5%; Consumer Staples 8%; IT 1%; Telecommunication Services 5%; Financials ex-AREIT 37%; Property 7%; Energy 6%; Utilities 2%; Healthcare 5%.





### **International Shares**

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
International Shares -	MSCI World Ex-Au (\$A)	4.44	13.20	48.03	16.95	9.33	19.73	48.03
Unhedged	MSCI World (\$A)	4.31	12.88	47.00	16.67	9.43	19.53	47.00
	MSCI Small Cap World Ex Aus (\$A)	4.56	12.28	53.62	17.48	14.92	22.66	53.62
	MSCI AC World (\$A)	3.94	12.69	45.65	15.95	8.66	17.28	45.65
International Shares -	MSCI World ex-Au (Local Currency)	2.15	8.60	29.18	12.23	14.36	15.43	29.18
Local Currency	MSCI World (Local Currency)	2.12	8.00	26.68	11.49	15.02	16.83	26.68
	MSCI World S. Cap ex-Au (Loc. Curr.)	2.36	7.42	32.38	12.27	20.80	19.88	32.38
	MSCI AC World (Local Currency)	1.75	7.82	25.52	10.81	14.21	14.63	25.52
Regional Shares -	MSCI North America	2.59	9.95	30.21	14.32	16.76	16.12	30.21
Local Currency	MSCI Asia	1.21	6.34	25.86	8.00	12.29	12.00	25.86
	MSCI AC Asia ex-Japan	-0.87	3.43	5.94	2.48	15.64	8.97	5.94
	MSCI China	-3.42	3.79	3.68	1.16	12.01	16.41	3.68
	MSCI Europe	0.98	5.96	21.55	8.41	11.69	14.56	21.55
	MSCI Emerging Markets	-0.98	2.96	3.44	1.83	14.35	8.76	3.44
	MSCI India	2.26	9.02	8.57	1.73	18.84	8.82	8.57
	MSCI Japan	3.49	9.57	54.58	15.16	10.88	15.45	54.58
Global Gold Shares in \$A	FTSE Gold Mines	-1.12	-10.93	-45.66	-27.46	-15.36	-6.53	-45.66
Global Resources in \$A	HSBC Global Mining	3.55	3.87	-10.21	-13.12	3.83	17.77	-10.21

#### **Summary of Statistics:**

- International Shares posted strong returns in December with the MSCI World ex-Australia (Local Currency) Index gaining 2.15%, while the Unhedged (\$A) equivalent rose by 4.44%, benefiting from the falling Australian Dollar.
- On a regional basis, Japan continued to be the strongest performer, gaining 3.49% for the month as measured by the MSCI Japan (Local Currency) Index.
- The MSCI China (Local Currency) Index underperformed the broad global equities market, recording a loss of -3.42% in December.
- Gold stocks continued to fall in December with the FTSE Gold Mines (\$A) Index sliding by -1.12% for the month to finish the 2013 calendar year with a loss of -45.66%.

## **Commentary:**

Global equities responded positively to the long-awaited US Federal Reserve's "tapering" decision for its quantitative easing policy. Starting in January, the Fed will reduce its bond purchases by \$US 10 billion per month, to \$US 75 billion. The decision was made following a run of good employment data and household spending. On the back of improving US data, international shares avoided the turmoil incurred in May when Ben Bernanke first announced its intention to cut back on easy money. Instead stock markets rose by 2.15%, as measured by the MSCI World Ex-Au (Local Currency) Index.

Gains in international shares were primarily due to the moderate cut in easy money and the Fed's promise that interest rates would be kept close to zero until the US jobless rate drops well below 6.5% and a more sustained economic recovery ensued. US equities responded well with the Dow Jones Industrials and S&P 500 Price Index adding 3.05% and 2.36% respectively for the month.

Japanese equities continued to generate strong returns, rising 3.49% for the month to bring total gains over the past year to 54.58%. In contrast with the US monetary tapering, Japan continues to benefit from its aggressive monetary and fiscal stimulus. With the ongoing depreciation of JPY, corporate profitability has been boosted, particularly among exporting companies.

The MSCI China (Local Currency) Index reversed its strong performance over the past 5 months, slumping by -3.42% in December. The HSBC China Manufacturing PMI dropped to 50.9 in December from its previous level of 52.5, adding to signs of diminished momentum in the world's second largest economy.

On the back of strong global equities data, the price of gold continued to slip over the month. Over the past year, the gold price in US dollars dropped by -28.04%.

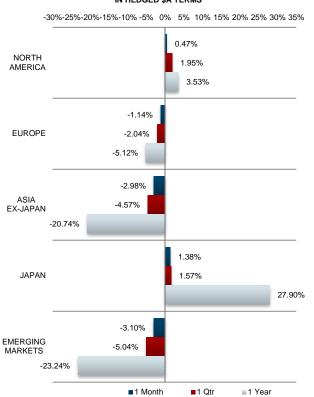


## **International Shares**

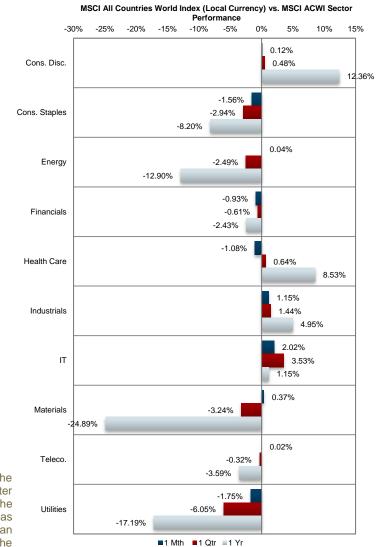
Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Currency Spot Rates	AUD / USD	-1.99	-4.39	-14.02	-4.45	4.84	-2.31	-14.02
	AUD / EUR	-3.40	-6.17	-17.72	-5.38	5.09	-7.84	-17.72
	AUD / GBP	-3.17	-6.61	-15.71	-6.32	2.20	-10.30	-15.71
	AUD / JPY	0.68	2.44	4.48	4.20	7.99	3.69	4.48

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.

## REGIONAL PERFORMANCE RELATIVE TO MSCI WORLD INDEX IN HEDGED \$A TERMS



This chart shows regional performance relative to the MSCI World Index in \$A terms, over 1 month, 1 quarter and 1 year time periods. Regional weightings for the MSCI World Index, as at 31 September 2013 were as follows: North America 58%; Europe 30%; Asia ex-Japan 2%; Japan 10%. N.B. Emerging Markets is not part of the index.



Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Industry Sectors -	MSCI ACWI Consumer Discretionary Index	1.87	8.30	37.88	16.42	21.28	17.45	37.88
Local Currency	MSCI ACWI Consumer Staples Index	0.19	4.88	17.32	11.57	12.26	5.70	17.32
	MSCI ACWI Energy Index	1.79	5.34	12.61	2.46	7.35	11.07	12.61
	MSCI ACWI Financials Index	0.83	7.21	23.09	6.78	9.39	12.89	23.09
	MSCI ACWI Health Care Index	0.67	8.46	34.05	18.25	13.60	13.43	34.05
	MSCI ACWI Industrials Index	2.90	9.26	30.46	9.49	13.87	18.85	30.46
	MSCI ACWI IT Index	3.77	11.35	26.66	10.99	17.90	19.55	26.66
	MSCI ACWI Materials Index	2.12	4.58	0.63	-5.09	8.51	13.60	0.63
	MSCI ACWI Teleco. Services Index	1.78	7.50	21.92	6.65	6.54	12.65	21.92
	MSCI ACWI Utilities Index	0.00	1.77	8.33	-0.35	-0.45	3.47	8.33

## **Property & Infrastructure**

Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Australian Listed Property	S&P/ASX 300 Property	-1.24	-1.40	7.28	11.91	8.89	-1.23	7.28
	FTSE E/N Australia	-4.16	-7.25	-10.40	2.66	8.16	-8.45	-10.40
Global Listed Prop. \$A (H)	FTSE E/N Dev.	0.76	1.17	9.79	9.82	14.12	2.83	9.79
Global Listed Prop. (LC)	FTSE E/N North America	-0.75	-2.31	-3.02	8.06	17.34	-8.67	-3.02
	FTSE E/N Euro Zone	-1.78	1.84	6.38	5.94	14.36	6.72	6.38
	FTSE E/N UK	1.57	7.46	20.74	15.16	15.80	16.54	20.74
	FTSE E/N Developed Asia	-1.62	-4.56	-0.14	6.00	15.73	-1.64	-0.14
	FTSE E/N Japan	2.35	-1.22	26.93	12.81	13.32	7.86	26.93
Australian Listed Infra.	S&P/ASX 300 Utilities	1.18	-0.56	8.83	13.73	11.29	5.24	8.83
Global Listed Infra. \$A (H)	UBS Global Infra. & Utilities	1.57	4.69	23.26	14.68	13.82	9.97	23.26
Global EM Listed Infra - \$A (H)	UBS EM Infra. & Utilities	1.48	6.50	14.33	2.02	5.48	8.44	14.33

## **Summary of Statistics:**

- Global listed property had an overall positive month, with the FTSE EPRA NAREIT Developed Total Return (Hedged \$A) Index returning 0.76%.
- Australian listed property underperformed its global counterparts in December with the S&P/ASX 300 Property Accumulation Index declining by -1.24%.
- Global listed infrastructure returned 1.57% for the month as measured by the UBS Global Infrastructure and Utilities (Hedged \$A) Index.
- Australian listed infrastructure also posted positive returns, recording a gain of 1.18% in December as measured by the S&P/ASX 300 Utilities Index.

#### **Commentary:**

Australian listed property had another poor month, with the S&P/ASX 300 Property Accumulation Index falling by -1.24% in December. While housing has been growing with the help of low interest rate, the overall domestic property market has been experiencing losses, largely driven by commercial property in office buildings and large shopping centre investments. Stockland and Westfield Group impinged on the overall performance, losing -3.15% and -2.98% respectively for the month.

The international property market improved slightly in December, with the global index adding 0.76% for the month in hedged terms. Japanese listed property followed the country's uptrending equities market, adding 2.35% for the month, as measured by the FTSE EPRA NAREIT Japan (Local Currency) Index.

Infrastructure posted strong returns globally, with the hedged index gaining 1.57% for the month, to bring total gains in 2013 to 23.26%. Australian listed infrastructure was up by 1.18% in December, while the hedged emerging market listed infrastructure gained 1.48%.

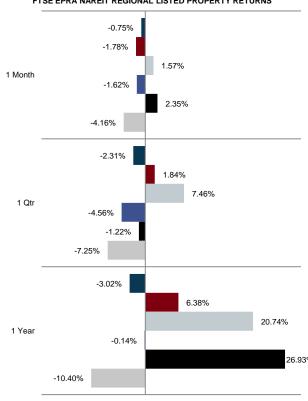
#### Author:

#### Bei Cao

Zenith Investment Partners

This chart shows Regional performance relative to the FTSE EPRA/NAREIT Index over 1 month, 1 quarter and 1 year time periods. Regional weightings for the FTSE Index, as at 31 May 2010 were as follows: North America 46%; Europe ex-UK 10%; UK 5%; Asia ex-Japan 20%; Japan 10%; Australia 9%.

## FTSE EPRA NAREIT REGIONAL LISTED PROPERTY RETURNS



	1 Year	1 Qtr	1 Month
■NORTH AMERICA	-3.02%	-2.31%	-0.75%
■EURO ZONE	6.38%	1.84%	-1.78%
■UK	20.74%	7.46%	1.57%
■ASIA	-0.14%	-4.56%	-1.62%
■JAPAN	26.93%	-1.22%	2.35%
■AUSTRALIA	-10.40%	-7.25%	-4.16%

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