

THE MONTHLY MARKET REPORT

Zenith
Investment Partners

A SNAPSHOT OF THE KEY POINTS FOR AUGUST

The RBA held the overnight cash rate steady at 2.50% for the 12th consecutive Month in August.

Short term fixed income securities remained steady with the three Month Bank Bill Swap Rate declining by -0.02%, to finish the month priced at 2.58%.

10 Year Australian Bond yields finished the month at 3.29%, representing a -0.21% decline for August.

The Australian Share Market was relatively flat, with the All Ordinaries Price Index marginally gaining by 0.03% and the S&P/ASX 200 Index decreasing by -0.12%. Smaller cap stocks outperformed large and medium sized companies over the month.

Australian Listed Properties had a positive month, with the S&P/ASX 300 Property Price Index adding 1.66% for the month of August.

Equity markets in many developed regions recovered well in August, with the S&P 500 (US) Price Index gaining 3.77% to be the best performer.

The Japanese TOPIX Price Index and the Hang Seng (Hong Kong) Price Index posted negative results over the month, decreasing by -0.89% and -0.06% respectively.

Gold and Oil prices increased by 0.41% and 0.49% respectively over the month. Commodity prices overall fell by -0.95% in August, as measured by the US\$ CRB Spot Commodity Price Index.

The Australian Dollar appreciated against most currencies in August. In particular, it appreciated by 0.46% against the US Dollar, 2.39% versus the Euro, 2.18% against British Pound and 1.67% against the Japanese Yen.

The Australian Trade Weighted Index (TWI) decreased by 0.56% in July, indicating an increase in Australia's international competitiveness.

The S&P VIX Index decreased by -4.97% over August, finishing the month priced at 11.98%, comparing to 17.01% 12 months ago.

Bonds continue to Rally

Bonds continued to rally in August with yields declining substantially over the month. US, the UK and Australian 10 Year Government Bond Yields fell by -0.21%, -0.21% and -0.23% respectively.

As the US released further optimistic economic data, global equities performed reasonably well in August. However as geopolitical tensions between Ukraine and Russia continue to build, the performance of risk assets in Europe has been subdued.

Bei Cao
Analyst

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	2.50	0.00
	3 Month BBSW (%)	2.58	2.60	-0.02	2.90	-0.32
	10 Year Bond Rate (%)	3.29	3.51	-0.21	3.90	-0.60
Australian Shares	All Ordinaries Index	5624.57	5623.12	0.03%	5125.30	9.74%
	S&P/ASX 200	5625.90	5632.91	-0.12%	5134.96	9.56%
Property	ASX 300 Property Index	1122.60	1104.30	1.66%	994.40	12.89%
Regional Shares	Dow Jones Industrials (US)	17098.45	16563.30	3.23%	14810.31	15.45%
	S&P 500 (US)	2003.37	1930.67	3.77%	1632.97	22.68%
	FTSE 100 (UK)	6819.75	6730.11	1.33%	6412.93	6.34%
	STOXX 50 (EUR)	342.00	335.99	1.79%	297.32	15.03%
	TOPIX (Japan)	1277.97	1289.42	-0.89%	1106.05	15.54%
	Hang Seng (Hong Kong)	24742.06	24756.85	-0.06%	21731.37	13.85%
Commodities	US\$ Gold Price	1287.81	1282.55	0.41%	1395.15	-7.69%
	US\$ Oil Price – W Texas Crude	95.96	95.49	0.49%	102.49	-6.37%
	US\$ CRB Spot Commodity Index	483.83	488.47	-0.95%	472.96	2.30%
Exchange Rates	AUD / USD	0.9339	0.9296	0.46%	0.8901	4.92%
	AUD / EUR	0.7111	0.6945	2.39%	0.6731	5.65%
	AUD / GBP	0.5626	0.5506	2.18%	0.5740	-1.99%
	AUD / JPY	97.20	95.61	1.67%	87.38	11.25%
	TWI	71.90	71.50	0.56%	69.20	3.90%
Volatility	VIX Index %	11.98	16.95	-4.97%	17.01	-5.03%

CASH, FIXED INCOME & 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	0.23	0.68	2.65	3.42	3.89	3.15	1.78
Australian Bonds	UBSA Australia Composite All Maturities	1.01	2.12	6.90	6.19	6.95	7.47	5.98
	Barclays Global: Australia TRI	1.21	2.50	6.78	5.53	6.50	6.88	6.56
	Barclays Australian Corporate TRI	0.66	1.79	7.08	7.84	7.91	8.39	5.38
International Bonds	Barclays Global Aggregate \$A (H)	1.43	2.45	9.29	7.48	8.24	9.80	7.38
	Barclays Global Agg Treasuries TRI \$A (H)	1.48	2.72	8.95	7.27	7.72	9.46	7.31
	Barclays Global Agg Corporate TRI \$A (H)	1.55	2.36	11.14	9.43	10.21	12.08	8.45
Emerging Markets Debt	Barclays EM Hard Currency Agg TRI \$A (H)	1.06	2.16	14.21	9.88	12.78	13.97	9.66

SUMMARY OF STATISTICS

- Australian Cash gained 0.23% in August, as measured by the UBSA Bank Bill Index, taking its one year return to 2.65%.
- The Australian Bond Market continued to perform sturdily over the month, with the UBSA Australia Composite All Maturities Index gaining 1.01%. Within the domestic fixed income space, government bonds outperformed corporate debt by 0.55%.
- International Bonds increased by 1.43% in August, as measured by the Barclays Global Aggregate (Hedged) \$A Index.
- Emerging Markets Debt continued to expand over the month, with the Barclays Emerging Market Hard Currency Aggregate Total Return Index \$A (Hedged) increasing by 1.06%.

COMMENTARY

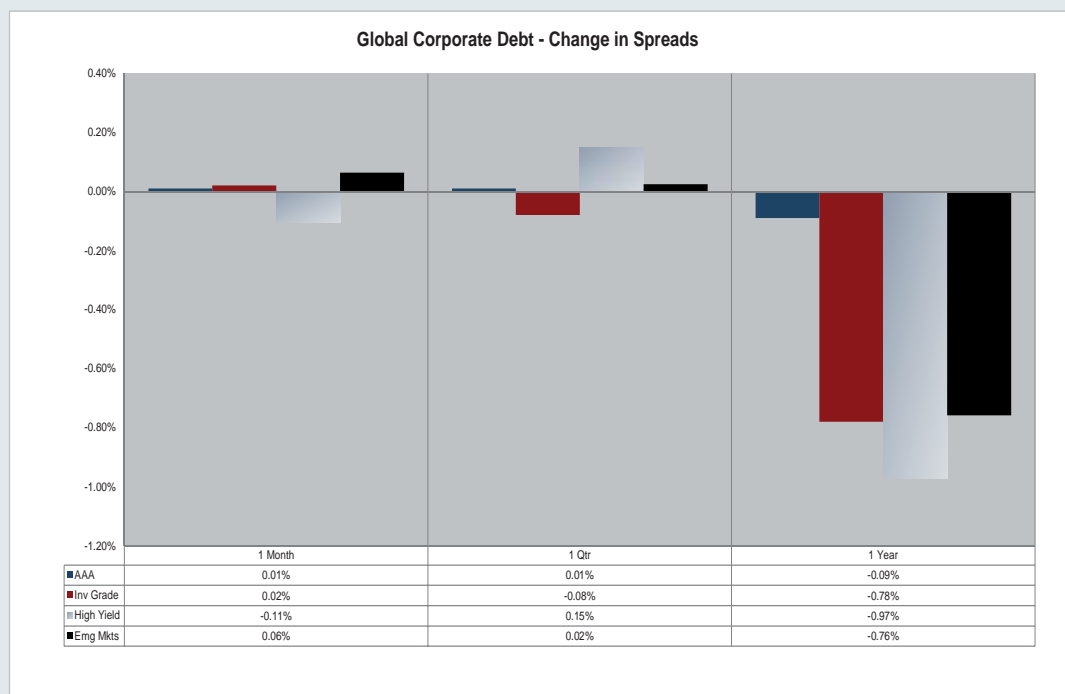
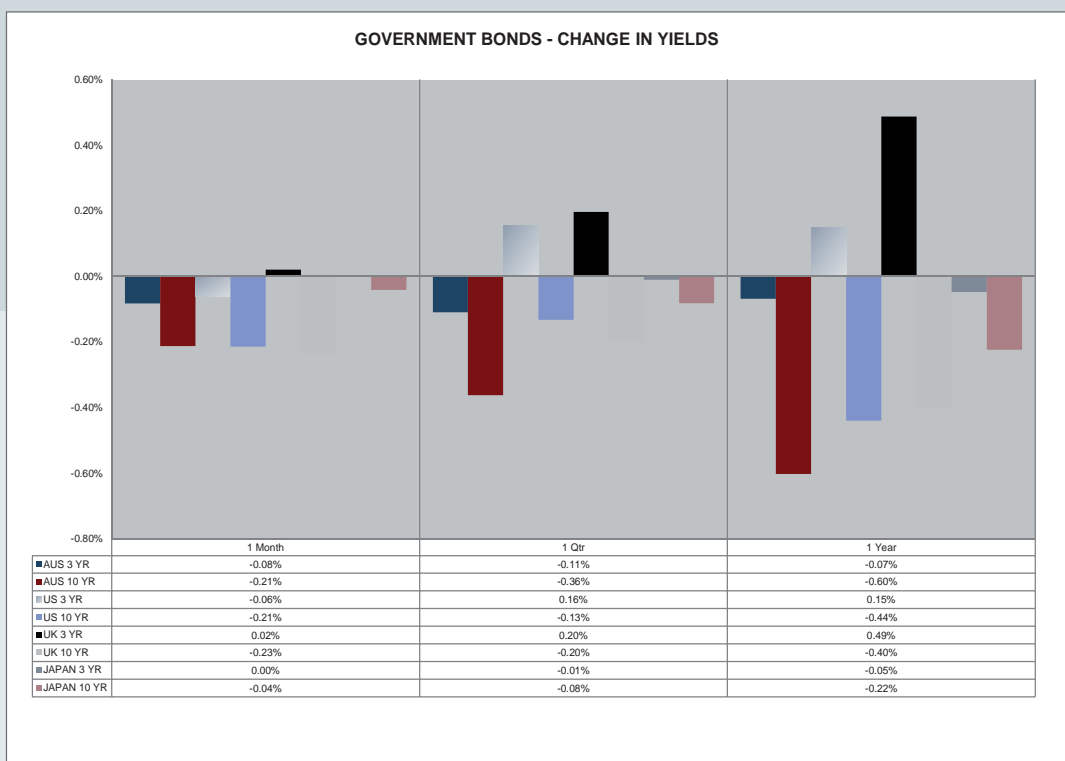
The RBA has lowered its forecasts for both inflation and GDP growth in August, and the official cash rate has been left unchanged for the 12th month in a row. RBA Governor Glenn Stevens reiterated his view of keeping interest rates stable for a reasonable period of time in order to stimulate economic activities outside of the mining sector. Despite an improvement in the labour market earlier this year, the unemployment rate in Australia has been increasing in recent months. Manufacturing activities have also been slow with the Australian Manufacturing PMI Index falling from 50.7 in July to 47.3 in August, indicating a contraction. Although the Aussie Dollar fell slightly immediately after the RBA board meeting in early August, it has appreciated further against major currencies over the month.

Australian Bonds rose strongly in August, with the UBSA Australia Composite All Maturities Index gaining 1.01%. Australian Treasury Bonds increased by 1.21% to be a stronger performer compared to Corporate Debt which

added 0.66% over the same period. Government Bond Yields fell sharply in August, with the Australia 3 Year and 10 Year Government Bond Yield falling by -0.08% and -0.21% respectively. Australian corporate debt spreads tightened for the month, with the iTraxx Australian Index falling from 88.75 in July to 82.21 in August.

In the US, manufacturing activities grow considerably over the month. The Markit US Manufacturing PMI Index rose to 57.9 in August, with a reading well above the neutral level of 50 indicating a strong expansion. August car sales rate rose to the highest level since 2006, indicating a strong increase in consumer confidence. The US unemployment rate dropped to 6.1% in August as 142,000 new jobs were added in August.

Consistent with the Australian Fixed Income Market, yields for Global Bonds also decreased substantially over the month. The 10 Year US and UK Government Bond Yield fell by -0.21% and -0.23% respectively, driving up the strong performance of the Barclays Global Aggregate Treasuries Hedged Total Return Index by 1.48%. Global Corporate Bonds also expanded over the month, adding 1.55%. The corporate debt spreads were largely unchanged for investment grade bonds, while the high yield debt spread decreased by -0.11%. Overall International Bonds gained 0.46% over the month, as measured by the Barclays Global Aggregate (Hedged) \$A 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	0.64	3.56	14.15	14.00	9.07	23.21	8.09
	S&P/ASX 50 Leaders Index	0.46	3.24	14.17	15.92	10.08	22.96	7.93
	S&P/ASX Midcap 50 Index	0.86	4.29	19.66	10.73	6.84	27.35	11.49
	S&P/ASX Small Ordinaries Index	2.34	6.17	7.49	-0.17	1.85	21.45	5.87
	S&P/ASX Emerging Companies Index	2.35	11.84	4.22	-8.80		27.02	5.93
GICS Sectors	S&P/ASX 300 Materials	-3.72	2.22	7.56	-5.14	0.42	22.52	0.26
	S&P/ASX 300 Industrials	1.97	3.21	15.54	11.90	6.75	23.05	8.69
	S&P/ASX 300 Consumer Discretionary	0.48	2.67	10.51	20.06	9.16	22.77	3.79
	S&P/ASX 300 Consumer Staples	-0.40	-0.54	5.31	15.41	11.76	10.36	3.67
	S&P/ASX 300 Energy	4.02	4.99	11.65	5.41	0.04	24.84	13.04
	S&P/ASX 300 Healthcare	6.45	6.05	12.61	27.43	15.09	21.27	8.69
	S&P/ASX 300 Information Technologies	-0.86	3.09	14.17	16.00	4.97	19.11	8.85
	S&P/ASX 300 Telecommunications	4.33	6.75	20.33	30.65	19.61	26.81	11.77
	S&P/ASX 300 Financials ex Property	0.66	3.08	18.18	24.28	13.62	27.10	9.54
	S&P/ASX 300 Utilities	1.79	3.79	15.51	16.28	14.09	20.34	14.81
	S&P/ASX 300 Property	1.68	9.92	19.06	19.05	11.71	18.16	19.64

SUMMARY OF STATISTICS

- Australian equities had a slight positive month with the S&P/ASX 300 Accumulation Index increasing by 0.64%.
- On a market capitalisation basis, smaller sized companies were stronger performers, with the ASX Small Ordinaries Index outperforming the ASX 50 Leaders Index by 1.88%.
- On a sector basis, Healthcare and Telecommunications were the strongest performers in August, rising by 6.45% and 4.33% respectively.
- The S&P/ASX 300 Materials Index was the weakest performer, losing -3.72% over the month.

COMMENTARY

The Australian Share Market was marginally positive in August, after an earnings season where many companies failed to report significant growth or offer substantial dividends. The falling iron ore price and softening Chinese demand continued to weigh on the growth of many mining companies. The unemployment rate rose over the month as manufacturing activities slowed. On the positive side, construction continued to expand, with the Australian Performance of Construction Index (Australian PCI) increasing by 2.4 points to 55.0 points in August. Credit growth has also picked up marginally, as investors continued to look for higher returns in response to low rates in safe instruments.

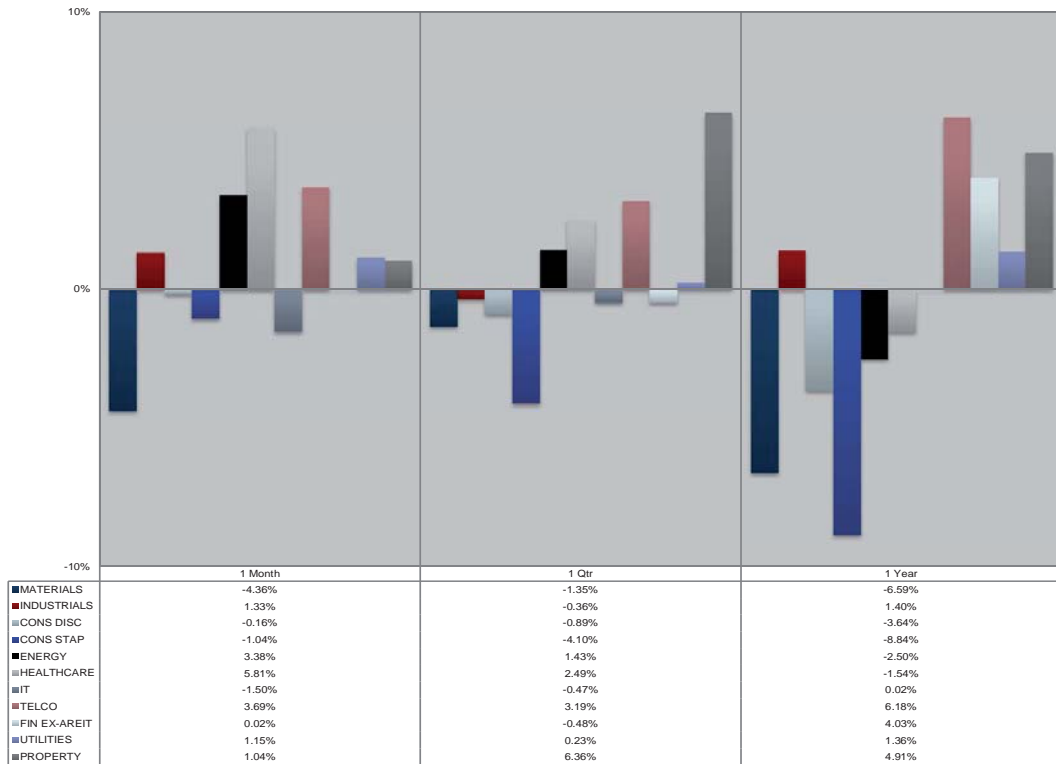
Many small cap stocks reported strong earnings growth over the month, outperforming their large and medium sized counterparts. The top three performing small stocks included: Maverick Drilling & Exploration Ltd (+48.48%), Silix Systems Ltd (+37.01%) and Transfield Services Ltd (+31.58%).

The Healthcare sector was the best performing sector in August, adding 6.45% to outperform the broad ASX 300 Index by 5.81%. After a difficult period of selloffs back in April due to failed clinical trials, many biotechnology stocks are back booming again. Acrux shares have risen by 110% in the past three months as investors have been convinced that safety concerns over testosterone treatments should have little impact on the company. Bionomics Ltd and Mesoblast Ltd also recovered well, gaining 22.77% and 22.68% respectively over the month.

Materials posted a negative return of -3.72% over the month to be the worst performing sector in the ASX 300 Index. A few small miners contributed the most to these losses, examples include: Medusa Mining Ltd (-31.44%), Western Desert Resources Ltd (-26.92%), and Lynas Corp Ltd (-25.58%).

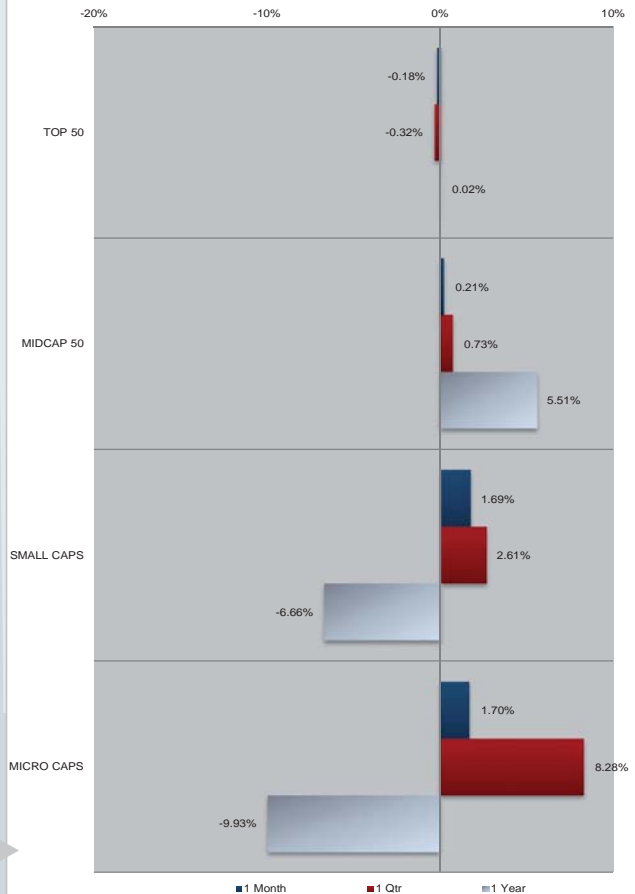
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GICs SECTOR PERFORMANCE RELATIVE TO ASX 300 ACCUMULATION INDEX



This chart shows GICs Sector performance relative to the ASX 300 Index, over the past 1 month, 1 quarter and 1 year time periods. GICs Sector weightings for the ASX 300 Index, as at 30 June 2014 were as follows: Materials 16.75%; Industrials 6.95%; Consumer Discretionary 4.20%; Consumer Staples 7.92%; IT 0.95%; Telecommunication Services 5.23%; Financials ex-AREIT 38.19%; Property 7.09%; Energy 6.37%; Utilities 1.75%; Healthcare 4.60%.

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	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
International Shares -	MSCI World Ex-Au (\$A)	1.63	1.82	15.34	21.05	10.07	22.07	1.95
Unhedged	MSCI World (\$A)	1.59	1.87	15.31	20.82	10.04	22.10	2.14
	MSCI Small Cap World Ex Aus (\$A)	2.46	2.29	14.94	21.62	12.98	23.31	0.53
	MSCI AC World (\$A)	1.60	2.36	15.21	19.33	9.50	21.49	2.55
International Shares -	MSCI World ex-Au (Local Currency)	2.72	3.24	21.05	17.59	12.53	23.97	7.40
Local Currency	MSCI World (Local Currency)	2.64	3.24	20.83	17.49	12.40	23.94	7.42
	MSCI World S. Cap ex-Au (Loc. Curr.)	3.08	2.80	20.70	16.26	15.35	26.00	5.10
	MSCI AC World (Local Currency)	2.21	2.87	20.99	14.06	11.80	24.14	7.21
Regional Shares -	MSCI North America	3.79	4.84	24.62	18.91	15.63	27.64	9.92
Local Currency	MSCI Asia	-0.36	6.26	17.15	14.04	7.87	16.29	3.84
	MSCI AC Asia ex-Japan	0.34	6.73	17.90	9.20	8.91	19.41	9.58
	MSCI China	0.23	11.72	17.51	6.98	6.02	25.20	7.55
	MSCI Europe	1.84	-0.93	15.23	14.77	9.07	20.20	4.93
	MSCI Emerging Markets	1.99	7.53	17.84	8.86	8.55	19.44	9.83
	MSCI India	2.83	10.84	39.98	17.42	11.59	35.05	24.10
	MSCI Japan	-1.17	5.72	16.26	20.52	7.60	13.04	-2.09
Global Gold Shares in \$A	FTSE Gold Mines	2.87	16.16	-8.92	-22.68	-11.22	10.24	17.94
Global Resources in \$A	HSBC Global Mining	-3.37	6.42	6.08	-7.57	-1.37	22.18	3.74

SUMMARY OF STATISTICS

- Global Equities had an overall positive month, with the MSCI World ex-Australia (Local Currency) Index increasing by 2.72%. The unhedged equivalent in AUD underperformed, adding 1.63% due to a rise in the Australian Dollar over the month.
- On a market capitalisation basis, small cap stocks outperformed the broader market in August, with the MSCI World Small Cap ex Australia Local Currency Index gaining 3.08%.
- On a regional basis, North America added 3.79% over the month to be the strongest performer, while Japan lost by -1.17% to be the most significant decliner. Both are measured in local currency.
- The HSBC Global Mining \$A Index fell by -3.37% over the month, while the FTSE Global Mines \$A Index increased by 2.87%.

COMMENTARY

International Shares expanded modestly in August, with the MSCI World ex-Australia (Local Currency) Index increasing by 1.63%. Most of the gains were led by the US, after another round of optimistic data has been released over the month. There was no FOMC meeting in August, thus the rate of asset purchases have been left at \$US 25 billion per month.

Job growth in the US accelerated in August and the unemployment rate fell to 6.1 percent, signalling sustained improvement in the economy. The US manufacturing activities expanded extensively over the month, with the Purchasing Managers' Index climbing to 59.0 in August from 57.1 in July. Overall the MSCI North America Local Currency Index added 3.79% to be the strongest performer on a regional basis.

The MSCI Japan Local Currency Index underperformed the broad global equity market over the month, posting a loss of -1.17%. The latest economic data shows that Japan's unemployment rate increased further in recent months, while household spending tumbled more than economists expected. The overall inflation stayed around 3.3% over the past four months after the April tax hike and industrial production output were little changed. These challenges are affecting the recovery of the world's third-largest economy.

Although the overall European Share Market posted a gain of 1.84% over the month, geopolitical tension between Russia and Ukraine continued to drag on the performance of risk stocks in the region. Over the past quarter, the MSCI Europe Local Currency Index has been the worst performer, losing -0.93% while stocks in many other regions were recording gains.

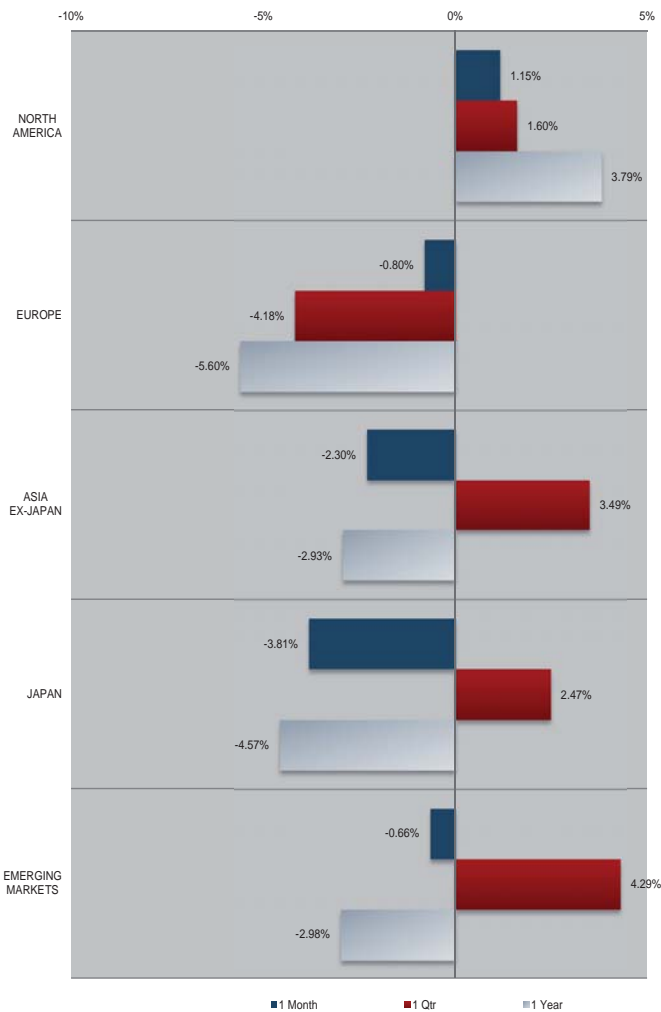
Gold stocks in Australian Dollar terms increased further over the month, bringing its calendar year to date gains to 17.94%. The overall global resource sector lost by -3.37% in hedged Australian Dollar terms.

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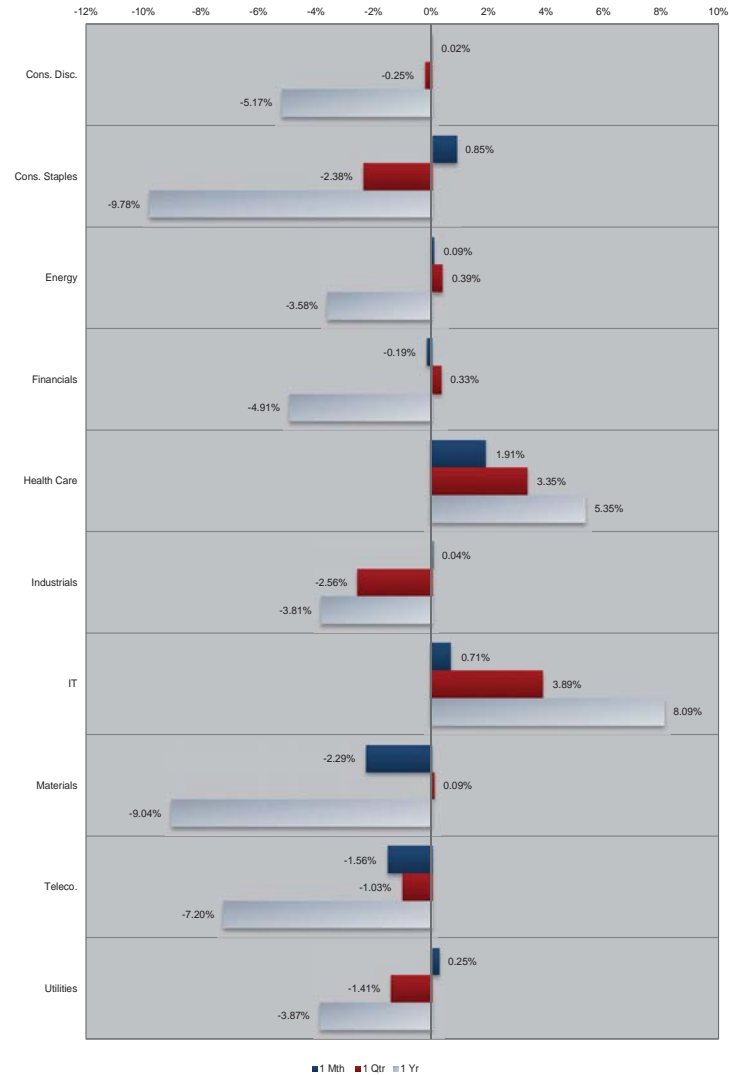
Zenith Benchmarks	Index	1 Mth	1 Qtr	1 Yr	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Currency Spot Rates	AUD / USD	0.46	0.31	4.92	-4.47	2.08	2.20	4.62
	AUD / EUR	2.39	4.13	5.65	-1.47	3.89	1.22	9.84
	AUD / GBP	2.18	1.23	-1.99	-5.10	1.68	-6.35	4.40
	AUD / JPY	1.67	2.59	11.25	5.85	4.44	7.29	3.47

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



MSCI All Countries World Index (Local Currency) vs. MSCI ACWI Sector Performance



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	2.23	2.62	15.82	19.46	16.06	18.78	1.13
Local Currency	MSCI ACWI Consumer Staples Index	3.06	0.49	11.21	12.93	11.88	10.17	4.24
	MSCI ACWI Energy Index	2.30	3.26	17.40	8.03	7.35	22.06	9.89
	MSCI ACWI Financials Index	2.02	3.20	16.08	14.77	5.32	17.70	4.26
	MSCI ACWI Health Care Index	4.12	6.21	26.34	22.84	15.39	29.02	13.74
	MSCI ACWI Industrials Index	2.25	0.31	17.18	14.82	11.22	20.41	1.31
	MSCI ACWI IT Index	2.92	6.76	29.08	18.61	13.15	33.57	11.73
	MSCI ACWI Materials Index	-0.08	2.96	11.95	0.58	3.52	17.88	3.77
	MSCI ACWI Teleco. Services Index	0.65	1.84	13.79	8.86	6.69	14.72	1.84
	MSCI ACWI Utilities Index	2.46	1.46	17.12	6.56	2.14	15.56	11.68

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	1.68	9.92	19.06	19.05	11.71	18.16	19.64
	FTSE E/N Australia	1.63	9.94	18.78	18.66	11.55	17.79	19.88
Global Listed Prop. \$A (H)	FTSE E/N Dev.	2.02	4.46	22.63	16.07	13.96	19.06	15.79
Global Listed Prop. (LC)	FTSE E/N North America	4.49	7.77	23.93	17.24	20.59	14.89	25.87
	FTSE E/N Euro Zone	2.62	3.49	26.80	13.10	11.05	26.23	18.31
	FTSE E/N UK	3.04	4.67	35.52	22.89	15.15	38.79	19.13
	FTSE E/N Developed Asia	1.00	7.13	11.46	15.41	11.94	8.93	10.76
	FTSE E/N Japan	-1.57	2.00	3.86	20.45	12.35	3.83	-3.74
Australian Listed Infra.	S&P/ASX 300 Utilities	1.79	3.79	15.51	16.28	14.09	20.34	14.81
Global Listed Infra. \$A (H)	UBS Global Infra. & Utilities	2.34	4.32	28.38	20.95	16.20	28.40	16.76
Global EM Listed Infra - \$A (H)	UBS EM Infra. & Utilities	2.41	6.17	18.67	8.82	3.38	17.94	8.76

SUMMARY OF STATISTICS

- Australian Listed Property had a positive month in August, with the S&P/ASX 300 Property Accumulation Index increasing by 1.68%.
- Global Listed Property recorded a gain of 2.02% over the month, as measured by the FTSE EPRA NAREIT Developed Total Return (Hedged \$A) Index.
- Australian Listed Infrastructure increased by 1.79% in August as measured by the S&P/ASX 300 Utilities Index, while the hedged UBS Global Infrastructure & Utilities \$A Index outperformed marginally, adding 2.02%.

COMMENTARY

The AREIT and GREIT markets were mostly positive in August, with North America being the strongest performer and Japan being the biggest decliner.

The Australian Property Market strengthened further over the month, with the retail sector continued to be the standout performer. A few examples of the top performing companies included Hotel Property Investments Ltd (9.09%), Goodman Group (6.29%) and 360 Capital Industrial Fund (6.19%).

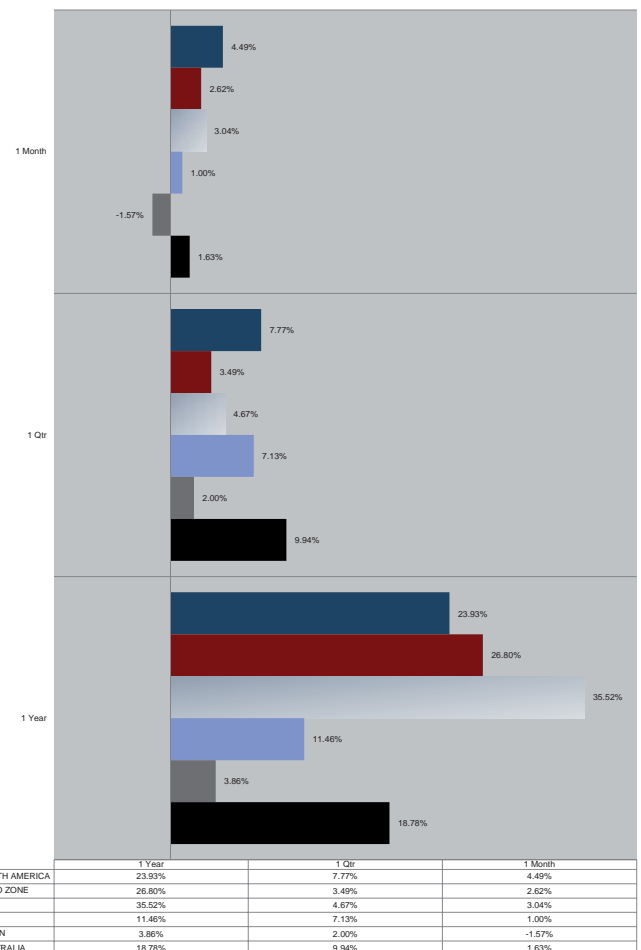
Consistent with the broader equity market, North America was also the strongest performer in listed properties. The FTSE EPRA NAREIT North America Local Currency Index increased by 4.49% over the month.

The Japanese Property Market was again the poorest performer in the asset class, reporting a loss of -1.57% to bring its calendar year loss to -3.74%.

Infrastructure was strong in both the Australian and international market. The UBS Emerging Market Infrastructure and Utilities Index gained the most, rising 2.41% over the month.

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 30 June 2014 were as follows: North America 67.10%; Western Europe 18.71%; Asia Pacific 14.06%; other 0.13%.

FTSE EPRA NAREIT REGIONAL LISTED PROPERTY RETURNS



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