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PrivateView

11 November 2011

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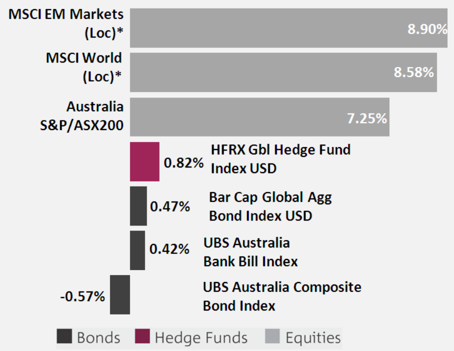
October 2011



What's changed in October?

Risk appetite was back on during October with higher beta sub-classes in both equities and fixed income reaping the greatest benefits. Emerging equities outperformed developed, while European high yield debt took the honours in the debt markets. Commodities also enjoyed the ride with pro-growth currencies such as the AUD regaining ground lost in the previous month.

- The US S&P 500 gained nearly 11% and the MSCI Europe was close to 8% while Japanese stocks lagged behind barely managing a positive return as the strong Yen hindered any prospect of a rally
- Emerging market equities also enjoyed a positive month up nearly 9% in local terms. Equities in Latin America fared best among the main emerging market regions
- Sovereign bonds performance was mixed, UK Gilts enjoyed a positive month while US treasuries yields rose on better economic news. Concerns over contagion risk within the Euro-zone pushed government yields up in many countries in the region
- All major credit indices were up, with spreads narrowing across the whole credit spectrum. European high yield was the major winner, gaining nearly 2% in the month
- The increase in risk appetite benefitted growth currencies, helped along by significant gains in commodities

Rodrigo Catril CFA
Investment
Strategist

Oktoberfest hangover?

As we anticipated last month, the macroeconomic themes overshadowed the micro news during October. Although the third quarter earnings reporting in the US were surprisingly resilient, markets were driven by the hope of a grand plan in Europe. After much speculation and delays the European summit delivered a plan on the 27th of October.

The proposal includes three basic elements: a "voluntary" restructuring of Greek sovereign debt, a leveraging of the European Financial Stability Facility (EFSF) and moves to recapitalise European banks.

The acceleration in the US GDP growth to 2.5% annualised in Q3, from 1.3% in the previous quarter was a notable data release, easing fears that the economy was entering a recession. China's Q3 GDP number was also released during the month and although it was slightly lower than expected at 9.1% annualised, the details were encouraging with strong figures in fixed investment and retail sales.

Equity markets rallied in October, but near the end of the month, the re-emergence of concerns over Europe took some of the wind out of the rebound. A weak Italian bond auction on the 28th of October kick started the hangover feelings. Before the last day of the month, the S&P500 was set to print its highest monthly gained since 1974, however on the 31st of October markets could not escape the unbearable morning after feeling as concerns over the implementation of the grand plan were further intensified with news over the weekend that China and Japan had not committed funds to increase the firepower of the EFSF.

The MF global filing for bankruptcy added to the nausea feeling and hopes of a new monthly performance record were dashed as the S&P500 lost over 2% on the last day of the month with other risk assets following suit.

The announcement on the last day of the month and then the cancelation of a Greek referendum, a few days later, set a volatile tone for markets early in November. But perhaps more importantly, it also served as a reminder that political risk is an additional factor for investors to consider.

Looking ahead

We have moved to neutral in cash and domestic fixed income

We have moved our overweight position in cash back to neutral. We are happy to keep our 6-12 month term deposit locked in at 6%, but for any new money we prefer to look into domestic fixed income as an alternative, which has also been moved back to neutral.

RBA Governor Stevens had moved official rates at each of the previous five Melbourne Cup day board meetings and he was true to form again this year. The RBA reduced its policy rate by 25bps to 4.5%. Although the RBA remains on data watch, and assuming of course, that there is no financial shock between now and then, which is a distinct possibility given the uncertainty in Europe, moderate inflation ahead and soft activity could bring on a February cut, which is our tentative forecast.

Looking ahead, the execution risk of the European plan is likely to keep markets volatile. The relevance of Greece is not on its size, but on the potential template for other countries to follow. So far the grand plan can potentially address the imminent peripheral countries solvency and European banking predicaments, but the imbedded assumption that trouble countries will implement fiscal adjustments and eventually grow their way out of trouble has been brought into question, most evidently by record spike in Italian bond yields and worrying signs that Europe is heading towards a recession.

With a more subdued economic growth and equity market return prospects, a focus on risk management and income strategies becomes an imperative.

Summary of policy developments

Second trillion Euro bailout package announced – The plan includes a voluntary bond exchange program on Greek bonds, a new €130bn Greek rescue package, a leverage EFSF and requirement for banks to increase their tier one capital to 9% by 30 June 2012

Aussie banks run for cover – APRA announced that it has amended is standards for the Australian banks to issue covered bonds

Asset Allocation

Equities

Australia

The S&P/ASX 200 accumulation index gained over 7.2% as risk appetite returned to the domestic market in October, fuelled primarily by the hopes and eventual delivery of a European rescue plan. This was the strongest month in Australian equities since July 2009.

Pro-cyclical stocks led the recovery with energy stocks at the forefront gaining more than 12%. The banking sector also benefited by investor expectations of a rate cut following a weaker than expected underlying inflation number and strong full year financial results in late October/ early November. Another significant highlight was the rebound in the retail sector, returning over 9% in October. Defensive sectors also enjoyed positive returns, although they underperformed the broader market.

Based on long run average multiples, Australian equities remain attractive, with the market currently trading at 10.9 times 2012 forecast earnings and well below its 15 year average of 14.5x. However, as sentiment remains fragile amid the ongoing European crisis, economic and company growth profit forecasts are under pressure for downward revisions. We remain neutral Australian equities as in our view it is likely that valuations will continue to remain attractive for some time.

We suggest:
Continue to remain in larger defensive companies with high sustainable dividend yields.

International Equities

The hopes of a grand plan in Europe raised investors' appetite for risk in October, helped along by better economic data and resilient US quarter earning numbers. However, concerns over Europe took some wind out of the rebound near the end of the month. The US S&P 500 gained nearly 11% and the MSCI Europe was close to 8% while Japanese stocks lagged behind barely managing a positive return as the strong Yen hindered any prospect of a rally.

The US Q3 reporting season was a major positive for global equities. As of the 3rd of November, 403 of the 500 companies in the S&P index had reported, with 70% beating earnings estimates while sales and margin surprises were above 60%. The acceleration in the US GDP growth to 2.5% annualised in Q3, from 1.3% in the previous quarter has eased fears that the economy was entering a recession. For the remainder of the year US cyclical stocks may benefit from the improvement in the growth outlook, however we remain reluctant to assign a regional preference to US equities, until we have more clarity on the fiscal budget and growth challenges for 2012.

The macroeconomic and political environment is likely to continue to take centre stage in Europe. Although the second bailout package presented at the end of October was a positive, the lack of details and dependencies for a successful outcome raises the prospect of implementation risk. Peripheral countries not only need to be able to pass their fiscal austerity plans, they also need to be able to carry them through, with social stability and economic growth as additional requirements.

Developed market valuations do not appear unusually stretched historically. In addition to the price/ book and price/earnings ratios, cyclically adjusted price/earnings (CAPE) and Tobin's equity Q ratios are also supportive. Furthermore, the impressive October performance may provide fuel for bullish investors' belief that we have turned a corner. However, for now we prefer to remain on the sidelines, as markets are likely to remain volatile driven by the macro story.

We suggest:
No regional preference. Large capitalisation companies recommended with sustainable dividend yields.

Emerging Market Equities (EM)

When measured in local terms, the MSCI emerging market index narrowly outperformed the MSCI world. However, once the currency impact is considered, all regions experienced double digit returns, with Latin America and Eastern Europe both managing above 17%.

The expected slowdown in economic growth across developed nations is a significant headwind for global demand generally and may present a tough challenge for some EM economies. However, as a whole, the healthier fiscal and domestic state of many emerging economies should help support domestic demand in the event of a slowdown in growth. We also expect commodity prices to come down over the next twelve months, providing monetary authorities some flexibility as inflation becomes less of a problem.

Like developed nations, valuations make a compelling case, but the healthier economic conditions of many EM countries gives us more comfort. We continue to believe EM equities should outperform developed market equities over a 12-month period.

We suggest:
Emerging market equities to outperform developed markets. No regional preference.

Fixed Income

Australian Cash

The RBA's Board minutes released half way through the month noted that recent developments meant that the pace of near term growth was unlikely to be as strong as earlier expected. Their conclusion was that the inflation outlook may now be more consistent with the 2 to 3% target. Given this backdrop, the release of the lower than expected underlying inflation number of 0.3% for Q3 set the stage for a rate cut on Melbourne Cup day.

RBA Governor Stevens had moved official rates at each of the previous five Melbourne Cup day board meetings and he was true to form again this year. The RBA reduced its policy rate by 25bps to 4.5%. The rationale for the cut was that the inflation outlook had improved and also, parts of the economy outside of mining have been dampened by the strong dollar and cautious consumers. This allowed them to drop their mildly "restrictive" policy stance and go back to neutral. We think it is unlikely the RBA will cut rates again in December, assuming of course, that there is no financial shock between now and then, a distinct possibility given the uncertainty in Europe. However moderate inflation ahead and soft activity could bring on a February cut, which is our tentative forecast.

We have moved our overweight position in cash back to neutral. We are happy to keep our 6-12 month term deposit locked in at 6%, but for any new money we prefer to look into domestic fixed income as an alternative.

We suggest:
Term deposits remain attractive. We prefer six to twelve month deposits.

Australian Fixed Income

October saw a text book upward parallel shift of the Australian government yield curve. Ten year yields jumped 29 bps while 3 year bond yields jumped 25bps. Some of the aggressive rate cuts priced by the market before the November decision were reversed during the month with short term yields moving above 4%. Longer term bond yields were mostly influenced by the risk-on approach driven by the expectations of a bailout package in Europe.

Domestic fixed income had a negative month, with the exception of bank bills, as the positive sentiment drove investors away from safer assets. Government bonds were down 0.74% while longer duration inflation-linked bonds lost 1.78%. Despite some narrowing in credit spreads, domestic corporate debt could not manage a positive return, losing 0.27% in October.

We have moved domestic fixed income back to neutral, as the expectation of lower interest rates weighs down on term deposits. Long term bond

Asset Allocation

Fixed Income continued

yields are likely to remain driven by global events and we prefer to stay away from the back- end of the curve preferring credit exposure instead.

We suggest:
Move back to neutral favouring credit exposure.

Global Fixed Income

In addition to European events, the better economic data in the US including the larger than expected 2.5% US GDP growth for Q3 increased investors' risk appetite. During the month inflation expectations soar and US Treasury yields rose in October. Meanwhile, the uncertainty over the second bailout package for Greece including the level of private sector participation and fears of contagion pushed most European bond yields higher.

Sovereign bonds performance was mixed, UK Gilts enjoyed a positive month, US Treasuries were slightly negative following better economic news while Euro-zone government bonds were down nearly 2%, with France and Italy the notable negative stories.

In October, sovereign debt markets were driven by the uncertainty over the ability of European policymaker to contain the financial crisis. Now that we have a plan, the lack of detail and high number of variables has raised the prospect of implementation risk. Even though new leaders should eventually emerge in both Greece and Italy, the lack of a growth strategy and the worrying signs of a looming European recession will keep European sovereign yields volatile, with the US likely to benefit on a flight to quality. We continue to be underweight sovereign bonds.

We suggest:
Remain underweight global fixed income.

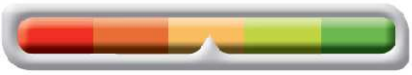
Global Credit

The positive headlines coming from Europe boosted credit markets, with a significant rally noted across the whole credit spectrum. The better than expected reporting season in the US was an extra boost for high grade bonds with AA to BBB spreads narrowing over 30 bps.

In Europe, the rally was led by financial subordinated and high yield bonds. In fact, US and European high yield bonds were the outstanding performers for the month, up 6.5% and 4.7% respectively. However, it is worth noting that this performance was on the back of 4.2% and 3% declines in September.

Looking ahead our base case scenario is that Europe will do enough to avert a blown out crisis, but the long path to a safer environment is unlikely to be a smooth one. Despite the positive sentiment noted in October, political risk has become an additional factor to consider, evident by events early in November. In an unstable environment, global liquidity tends to dry-up and although credit had a good performance in October, the spike in funding costs across major markets is a worry for the outlook ahead.

We maintain our preference for non-financial investment grade corporate debt and continue to avoid high beta names until the cloudy outlook becomes clearer. Within fixed income we continue to prefer companies with strong balance sheets and stable cash-flow streams.



We suggest:
Global credit is likely to outperform sovereign fixed income over the next 12 months.

Alternatives

October was the best month in the year so far for hedge funds. The HFRI fund weighted index gained nearly 2.5% in October. This was a notable improvement following the worst quarter recorded in the index performance history in September.

Equity hedge and event driven strategies were the highlights of the month, up 5.2% and 2.7% respectively, with fund managers that were quick to adjust to the improvement in sentiment benefiting the most. Following 5 months of negative performance, equity hedge strategies across materials and energy sectors as well as healthcare and technology were the major contributors for the month. Event driven strategies benefited from positive contributions by special situations and activist funds. Macro hedge funds disappointed in October, down 1.4% as systematic strategies lost over 3.5%.

We continue to favour alternative strategies because in our view the flexibility to be tactical in a volatile environment should pay dividends. Risk management is of course also an imperative as well as having flexibility to invest across markets without any benchmark constraints. Illiquid themes with longer horizons are an additional attractive opportunity at this stage in the cycle.

We suggest:
Remain overweight alternative investments, particularly equity long/short, global macro and event driven strategies.

Real Estate

According to the latest (September) RP Data – Riskmark report, capital city home values had their best monthly return in 7 months, down only 0.2%. The divergence of performance across cities was again evident in September, with the seasonally adjusted dwelling values rising by 0.4% in Brisbane and 0.5% in Adelaide, while the data was flat in Darwin and slightly down in Perth at -0.1%. Following significant gains in the previous two years, the soft patch continues in Melbourne with the all dwellings index down 0.3% in September.

Sydney and Canberra were down 0.5% and 0.6% respectively. However, when measured on a year to date basis, both cities continued to be quite resilient, down only 1.5% and 1.7% respectively. In contrast, Brisbane is down by 5.6% and Melbourne by 5.2%. In September, RP Data-Riskmark estimates that annual gross yields for apartments were 5% and house yields were slightly lower at 4.3%.

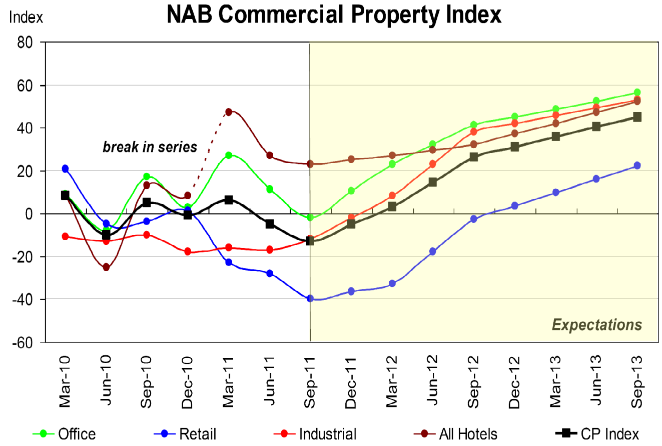
Although still negative, the improvement in residential property performance suggests that Australia's housing market may be turning a corner. The RBA decision to cut the official rate by 25 bps to 4.5% should provide support to our theory. However, we think is too early to change our bearish view on residential property and prefer to wait for further evidence, such as the NAB Quarterly Australian Residential Property Survey at the end of the year.

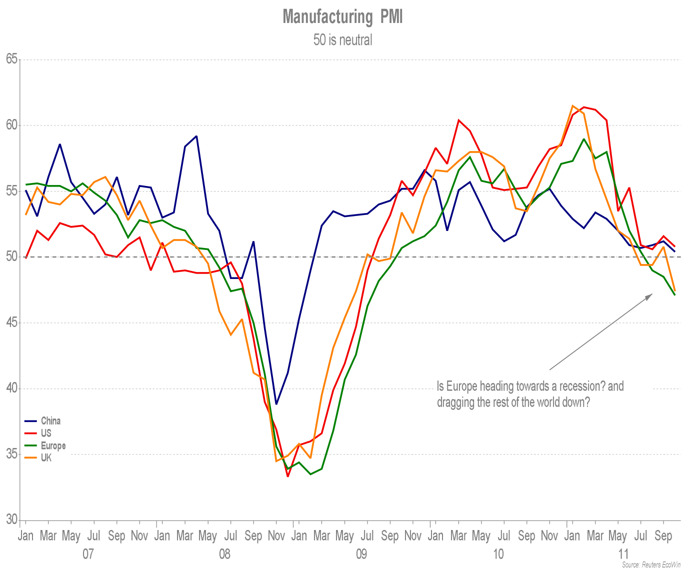
Listed property securities in Australia gained 3.8% in October as positive sentiment returned to the market, while global REIT gained 12% reversing the same double digit lost in September. According to the latest NAB commercial property survey released in October, the industrial market is expected to bottom out this year with a relatively strong recovery commencing in 2012, the retail sector, on the other hand, has a negative outlook ahead. We remain underweight property, although selective opportunities exist within the ARIET sector.

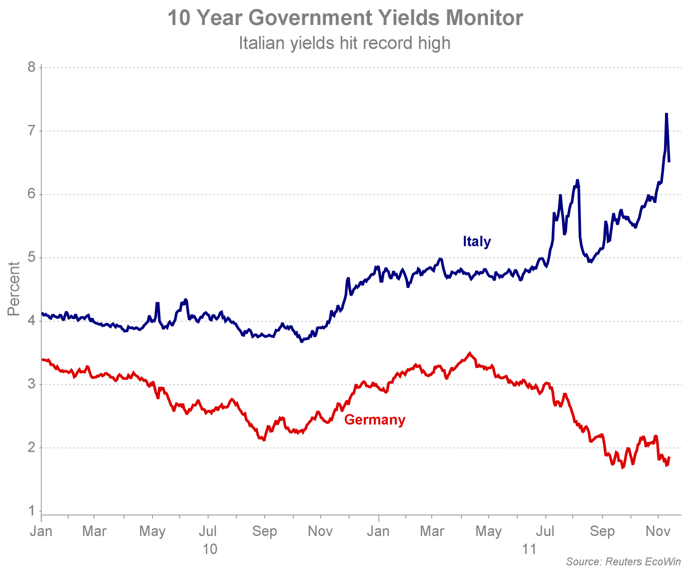
We suggest:
Remain underweight real estate. Selective opportunities in Australia and Asia.

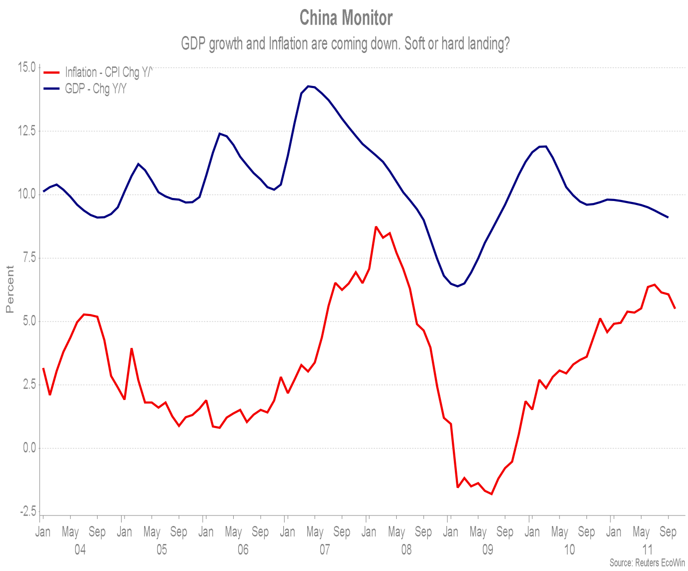
Asset Allocation

NAB's Commercial Property Index now at its lowest level since the survey first began in March 2010

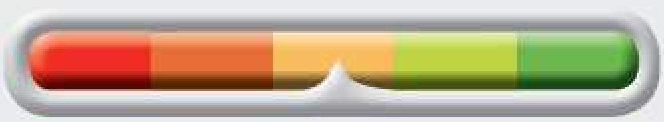








About our recommendations



The Asset Allocation recommendations reflect NPW's views on the relative attractiveness of the asset class over a 1–3 year holding period. A neutral allocation (light orange) means hold a neutral strategic allocation to the asset class, single minus underweight (dark orange) or single plus overweight (light green) recommendations are meant to rebalance the asset class progressively towards the bottom or top of your strategic asset allocation range using cash inflows or outflows to the portfolio. A double plus overweight (dark green) or double minus underweight (red) recommendation is intended to be rebalanced to the top end or bottom end of your strategic asset allocation range immediately by selling some assets and buying others.

Strategy

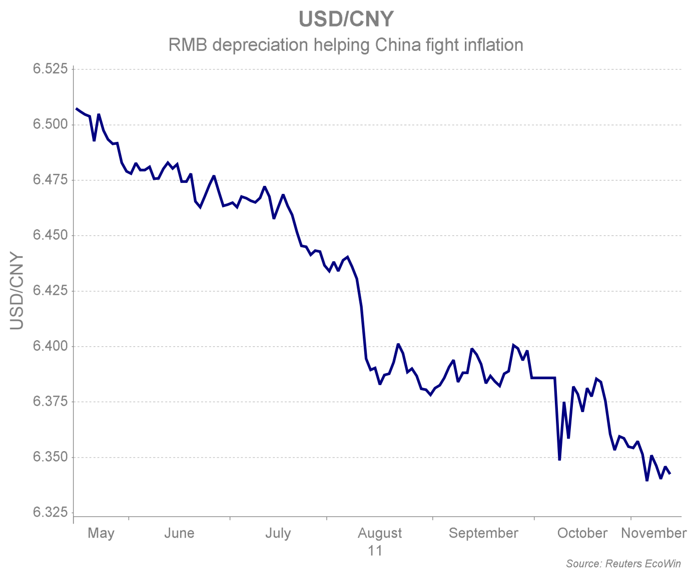
Currency Corner

October was yet again a volatile month for the AUD/USD. Early in the month, the currency was trading below parity against the USD, but as rumours and hopes of a deal in Europe began to emanate, the currency regained almost all the ground it had lost in September. On the 27th October, just as a grand plan in Europe was being announced, the AUD/USD was reaching its highest point of the month at 1.0727. From then on, the lack of details in the European plan raised investors' concern, only to be taken over by a Greek referendum which never materialised and a bigger problem in Italy.

Over the near term we expect much of the same, in addition to the uncertainty over the way that the EFSF will be funded/leveraged, we also have to add political uncertainty. Proposals for solutions are abundant, but given the great deal of variables and the wide range of positive and negative outcomes, volatility is likely to remain high. We maintain our view that the AUD/USD is probably going to trade in a 1.02-1.05 range. The RBA has revised down its growth and inflation forecasts and with the moderation in global leading indicators the currency upside is limited.

We suggest:

Maintain AUD/USD strategic hedge ratio at 75%
(Last change May 2011)



Strategy Corner

	Income Focus	Growth Focus	Opportunistic Trade Ideas
Liquid	• Australian buy-write or reverse convertible strategies • Diversified global credit • Domestic term deposits • Inflation-linked bonds and deposits • Insurance-linked investments • Australian bonds	• US shares – large capitalisation, major brands • Australian shares – large capitalisation, defensive sectors with high fully-franked dividends • Long/Short equity hedge funds particularly Asian focused funds • Systematic macro hedge funds	• Private Debt • Go long forward volatility • Write puts on Australian banks • Sell AUD/USD on breaks above1.07 • Sell Australian December cash rate futures
Illiquid	• Mezzanine and private debt	• Diversified private equity – fund secondaries exposure • Selective property investments	
All-weather portfolio	60–70%	20–30%	0–10%
Currency positioning		75% hedged into AUD / 25% unhedged	
Interest rate positioning		Shorter term fixed rate or floating rates	

Strategy

Risk Monitor – What to watch

We continue to focus on the issues likely to shape the pattern of asset returns over the remainder of 2011. Rather than spending too much time thinking about what could go wrong, we also need to focus on what could go right. It's important to remember that current events have a way of shaping our longer-term thinking. We need to counter-balance this tendency by observing what the likely impact today's issues may have on valuations and sentiment, and understand what the risk/reward trade-off looks like under a variety of scenarios across multiple time-horizons.

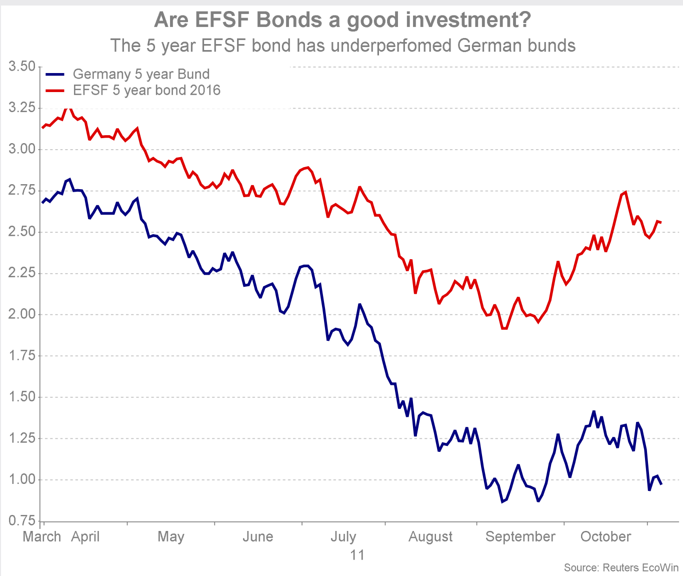
- **European debt crisis** – October data releases only helped to reinforce our view that Europe is heading into a recession, with the latest PMI data particular disappointing, prompting the European Central Bank (ECB) early in November to drastically cut its growth forecast for 2012 from 1.8% to just 0.5%. The delays and lack of details on the grand plan presented at the end of October not only has meant a great deal of uncertainty in the financial markets, but it now seems to be channelling through the real economy, as companies put on hold any expansionary plans and hiring. Recent events have also reminded us that the lack of leadership has raised politics as an additional risk. The protracted approach by policymakers has exacerbated an already dire situation. Meanwhile, although the ECB decision to cut rates early in November was a welcome step, more decisive measures and a more aggressive participation by the ECB may be what it is required.

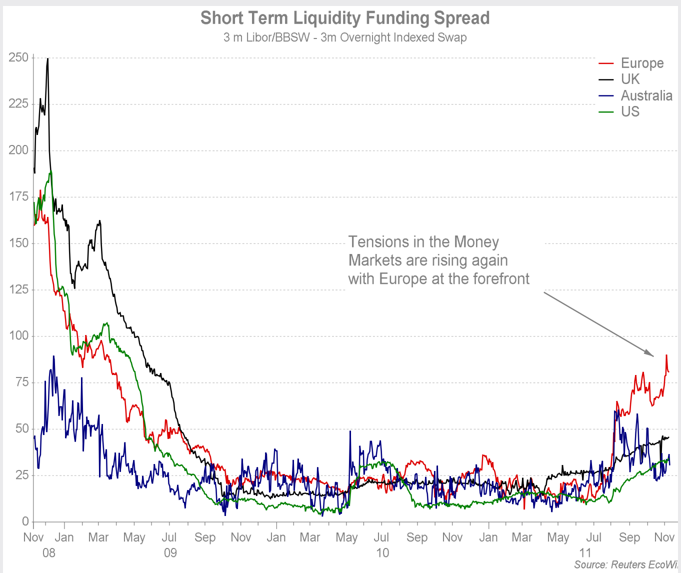
- **Emerging market policy risk** – The decline in food prices has given the flexibility to many emerging market economies to ease their monetary policy setting amid worrying signs of a slowdown in global growth. Indonesia has been one of the most aggressive, cutting 25bps in October and another 50 bps in November. India, on the other hand, is still struggling with inflation, tightening its policy setting again despite global uncertainty. India may be behind the curve, while Indonesia's aggressive approach raises the possibility of a future inflationary problem, driven by aggressive credit expansion. We expect other emerging countries to cut policy rates.

- **Currency impasse** – China has quietly continued to let its currency depreciate with very little praising by the rest of the world. Meanwhile, the Yen strengthening has been a real headache for the Japanese authorities. The currency intervention by the Japanese Ministry of Finance was a small success in currency terms (the yen did depreciate a little), but given that the US Fed has refrained from ruling out another round of quantitative easing, currency tensions are likely to remain part of the headlines.

- **US growth:** The US economy notched up a very good September quarter of growth. Not only did growth rise from 1.3% in Q2 to 2.5% (in line with the consensus), there was also clear evidence that private sector spending was the mainstay of this acceleration. This increase in spending came despite extremely low consumer sentiment, volatile markets, signs that house prices had continued to drift lower and of course a still very weak labour market. NAB forecast growth of 1.8% for 2011 (up from 1.6% previously), and 2.4% for 2012 (unchanged).

- **China hard or soft landing:** China GDP (Q3) rose by 9.1%yoy from 9.5%, below the 9.3% market median forecast. This was robust growth by any measure for Australia's largest export market and the world's second biggest economy. The fall in the inflation number in October was also encouraging, the CPI eased to 5.5% from 6.1% in September, with lower food prices the main factor behind the decline. While growth challenges may lie ahead, the fact that inflation is coming down, provides policy makers the ability to ease their tightening policies if required.





Strategy

Strategy Lab

The strategy lab section aims to provide clients with some food for thought in terms of their approach to investing, in this edition we present you with an outline from a recent paper published by the JBWere Investment strategy team that looks into the benefits of investing in global equities. Please ask your private banker if you wish to have a copy of the original report.

Why invest in Global Equities?

Australia is a small and narrow part of the global investment universe, accounting for less than 3% of global market capitalisation. By embracing overseas shares, investor's open up new opportunities to generate returns and reduce portfolio risk.

Reasons to invest in global equities can be broken down in to three groups:

Improve potential returns

- Increased universe of investments
  - More investment themes
  - Access markets with faster economic growth rates
  - Fast growing innovative industries
  - Quality companies, many with attributes (such as multinational franchises, unique intellectual property) not widely available domestically
- Scope for active allocation across countries, sectors, companies and currency
- Capture the interest rate differential If hedge back into AUD

Reduce risk by diversifying earnings drivers

- Diversify earnings across
  - Economies with different macro-economic drivers
  - Industries not well represented in Australia
  - A wider range of companies
- Specific Australian risks can be diversified
  - Economic (eg Reliance on Chinese commodity demand)
  - Geographic risk (eg geopolitical, disasters)

Reduce risk through foreign currency

- Dampen portfolio volatility, as foreign currency returns are negatively correlated with equity returns
- Tail risk protection
  - USD assets outperform in a global sell-off
  - USD assets protect against a domestic sell-off, as factors underpinning Australian investment portfolios (eg commodities and interest rate differentials) also drive the AUD

For Australian investors, accessing international equities is typically done through ASX listed ETFs and managed investments offering Australian unit trusts. However, for more active investors, overseas equity exposure can also be done via a portfolio of direct overseas shares, and with appropriate advice, investors can tailor the stock selection to their individual needs and preferences. If you would like to find out more, please speak to your private banker to arrange a meeting with a JBwere advisor.

Strategy

Current Asset Allocation and Historical Changes

Asset Class	View	Changed From	Date Of Change	Comments
Cash	N	–	Nov-11	Whilst still attractive, TDs are under pressure with the RBA on data watch
Domestic Fixed Income	N	–	Nov-11	Domestic yields around fair value range
Global Fixed Income	–	N	Jan-10	Fundamentals remain unattractive
Credit	N	+	Jan-10	Healthy balance sheets provide appealing alternative to sovereign debt
Australian Equity	N	+	Feb-11	Attractively priced but subdued earnings growth
International Equities	N	N	–	Mixed outlook – large stocks preferred
EM Equity	N	–	Jan-10	Policy headwinds abating – on positive watch
Alternatives	+	+	–	Flexibility preferred in uncertain environments
Real Estate	–	N/A	Sep-10	Yields and price growth generally unattractive relative to other sectors

Global Performance Markets Monitor – 31 October 2011

	Last Price Level	Return 5 Day	MTD	3 Mth	YTD	1 Yr	2010	2009
Global Equity Markets Performance								
Australia - ASX200	4298.1	10	7.2	-13	-6.0	-3.7	16	37.0
Japan - Nikkei 225*	8988.4	16	3.3	-8.6	-12.1	-2.3	-3.0	19.0
Japan - TOPIX	764.1	11	0.4	-8.3	-13.1	-3.5	10	7.6
Hong Kong - Hang Seng	19864.9	5.8	12.9	-10.7	-11.2	-11.3	8.6	56.6
Shanghai Composite (A&B)*	2468.2	4.1	4.6	-8.6	-12.1	-17.1	-14.3	80.0
Singapore - STI*	2855.8	3.4	6.8	-10.5	-10.5	-9.1	10.1	64.5
New Zealand - NZX50**	3332.6	16	-0.3	-19	0.7	0.8	2.4	18.9
US Dow Jones	11955.0	0.3	9.7	-0.9	5.5	10.4	14.1	22.7
US S&P 500	1253.3	-0.1	10.9	-2.5	13	8.1	15.1	26.5
NASDAQ*	2684.4	-0.6	11.1	-2.6	12	7.1	16.9	43.9
Canada - TSX	12252.1	0.8	5.6	-4.7	-6.9	-0.8	17.6	35.1
Mexico - MSCI*	34368.5	2.6	8.3	3.2	-2.8	4.1	18.1	44.3
India - Sensex*	5193.4	4.4	6.9	-3.7	-13.9	-13.4	17.9	82.7
Brazil - Bovespa**	58338.4	2.5	11.5	-0.8	-15.8	-17.5	10	82.7
UK - FTSE100	5544.2	-0.1	8.2	-3.7	-3.2	10	12.6	27.3
France - CAC40	3242.8	0.7	8.7	-11.3	-11.6	-11.8	0.6	27.6
Germany - DAX**	6141.3	14	11.6	-14.2	-11.2	-7.0	16.1	23.8
Spain - IBEX	8954.9	0.0	5.2	-6.1	-4.8	-12.1	-12.9	38.3
Italy - MIB	16017.7	-13	8.1	-12.5	-17.7	-22.3	-9.8	24.8
World/Regional Indices Performance								
MSCI World (Loc)*	2877.5	0.3	8.6	-4.8	-4.4	0.8	10.6	26.5
MSCI World Value	1817.1	0.3	9.4	-6.9	-6.1	-2.4	6.3	23.0
MSCI World Growth	1317.3	0.6	11.1	-6.6	-3.7	16	12.9	30.9
MSCI AC Europe*	729.0	0.2	7.8	-7.3	-8.7	-6.7	8.0	30.2
MSCI Asia ex Japan USD*	498.0	4.9	12.0	-12.9	-12.2	-8.9	17.0	68.3
MSCI Emerging Markets Local	42739.3	3.1	8.9	-7.1	-11.3	-8.5	11.7	58.6
World EPRA/NAREIT Property USD*	2871.0	2.8	12.6	-7.5	-12	0.7	8.0	9.0
World/Regional Indices Performance								
MSCI World Cons Discretionary	115.4	3.7	10.7	-4.5	0.0	5.7	22.0	38.5
MSCI World Cons Staples	144.9	14	6.1	-0.4	6.0	8.1	9.5	19.5
MSCI World Energy	252.2	5.5	19.2	-5.0	3.2	14.9	9.0	23.8
MSCI World Financials	73.0	7.7	12.7	-8.2	-11.0	-8.6	2.3	28.6
MSCI World Health Care	111.2	3.2	6.0	-2.9	6.8	7.7	-0.3	17.6
MSCI World Industrials	144.2	6.4	12.4	-6.1	-5.1	17	20.2	25.5
MSCI World Materials	246.4	9.9	17.1	-10.3	-10.6	-0.9	19.1	58.6
MSCI World Telecommunications Serv	58.7	2.8	6.8	-17	12	-0.5	4.5	9.1
MSCI World Utilities	107.0	12	3.3	-18	-2.9	-4.6	-5.3	2.8
MSCI World Information Technology	92.0	4.3	10.5	0.9	2.6	7.1	8.6	53.1
Global Rates Levels Change								
AUS - 10Y Govt	4.54	0.03	0.29	-0.28	-0.98	-0.67	-0.21	174
AUS - 3Y Govt	3.95	0.00	0.25	-0.47	-1.29	-0.98	0.58	161
AUS 5 yr Swap Rate	4.73	-0.09	0.18	-0.49	-1.14	-0.82	-0.06	163
AUS 3 yr Swap Rate	4.35	-0.08	0.16	-0.46	-1.17	-0.92	0.09	152
AUS 1yr Swap Rate	4.34	-0.05	0.14	-0.60	-0.86	-0.67	0.50	147
3 Mnth Bill Rate	5.00	0.00	0.00	-0.03	-0.15	0.00	1.10	-0.50
US - 30Y Govt	3.13	-0.14	0.22	-0.99	-1.21	-0.85	-0.30	196
US - 10Y Govt	2.12	-0.12	0.20	-0.68	-1.17	-0.49	-0.55	162
US - 5Y Govt	0.97	-0.12	0.01	-0.38	-104	-0.20	-0.68	1.13
US - 2Y Govt	0.25	-0.03	0.00	-0.11	-0.36	-0.09	-0.54	0.38
TIPS 10	0.05	-0.17	-0.12	-0.33	-0.93	-0.42	-0.48	-0.67
10y Breakeven	2.07	2.02	1.75	2.42	2.31	2.14	2.14	-0.22
Bund - 30Y Govt	2.82	-0.04	0.16	-0.47	-0.61	-0.21	-0.67	0.58
Bund - 10Y Govt	2.06	-0.02	0.16	-0.50	-0.89	-0.46	-0.42	0.44
Bund - 5Y Govt	1.19	-0.15	0.02	-0.54	-0.65	-0.52	-0.62	0.10
Bund - 2Y Govt	0.56	-0.10	0.01	-0.60	-0.29	-0.44	-0.52	-0.37
Gilt - 30Y Govt	3.40	-0.10	-0.14	-0.63	-0.79	-0.75	-0.23	0.72
Gilt - 10Y Govt	2.44	-0.11	0.03	-0.42	-0.95	-0.62	-0.62	0.99
Gilt - 5Y Govt	1.27	-0.16	-0.09	-0.13	-0.93	-0.35	-0.59	0.32
Gilt - 2Y Govt	0.53	-0.06	-0.03	-0.11	-0.56	-0.16	-0.21	0.28
JGB 30Y Govt	1.99	0.01	0.07	-0.01	0.00	0.02	-0.28	0.53
JGB 10Y Govt	1.05	0.03	0.02	-0.03	-0.07	0.12	-0.17	0.12
JGB 2Y Govt	0.39	0.01	0.01	0.02	-0.01	0.09	-0.07	-0.24
Global Currency & Commodity Levels Change								
AUD/US	10535	0.01	0.09	-0.05	0.03	0.07	0.12	0.19
EUR/US	13856	-0.01	0.05	-0.05	0.05	-0.01	-0.09	0.03
GBP/US	16088	0.01	0.05	-0.03	0.05	0.01	-0.06	0.15
JPY/US	78.20	2.12	1.16	1.47	-2.95	-2.19	-11.75	2.30
NZD/AUD	13069	0.01	0.04	0.06	0.00	0.02	0.07	0.03
Gold (Spot)	1713.25	61.07	90.00	87.11	293.80	354.20	323.75	217.50
WTI Crude	93.19	2.07	11.32	-2.49	1.81	11.74	11.99	34.79
GSI Commodity Index	4920.72	0.39	9.75	-5.39	-0.46	10.08	9.03	13.48
Volatility Index (VIX), Close, USD	29.96	0.70	-13.00	4.71	12.21	8.76	-3.93	-18.32

About the NAB Private View

The NAB Private View reflects the view of NPW strategy and solutions team on different asset classes and investment markets, after taking into account the views and research sourced from a variety of internal and external sources including JANA Investment Advisers, MLC Investment Management, ThreeSixty Research, NAB Wholesale Banking Global Markets Research, Lombard Street Research, leading buy-side fund managers, and sell-side research.

The Asset Allocation recommendations reflect the team's views on the relative attractiveness of the asset class over a 1–3 year holding period.
A neutral allocation means hold a neutral strategic allocation to the asset class, single minus or single plus underweight and overweight recommendations are meant to rebalancethe asset class progressively towards the bottom or top of the strategic asset allocation range using cashflows inflows or outflows to the portfolio. A double plus or double minus overweight or underweight recommendation is intended to be rebalanced to the top end or bottom end of the strategic asset allocation range immediately by selling some assets and buying others.

Opportunistic themes are designed to be implemented by clients who hold cash outside their strategic asset allocation portfolios to implement concentrated thematic investment ideas across short, medium, and long-term time horizons.

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