

How the different asset classes have fared:

(As at 31st January 2016)

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr %	YTD %	6 Mo %	3 Mo %	1 Mo %
Cash ¹	4.1	2.7	2.3	2.0	0.2	0.9	0.4	0.2
Australian Bonds ²	6.2	5.1	4.9	2.3	0.6	-2.1	-1.0	0.6
International Bonds ³	7.4	5.8	5.6	3.3	-0.3	-2.3	-1.5	-0.3
Australian Shares ⁴	4.2	10.3	7.5	17.1	-0.8	2.6	5.9	-0.8
Int. Shares Unhedged ⁵	4.2	17.7	11.1	8.9	-2.4	5.1	6.6	-2.4
Int. Shares Hedged ⁶	6.4	14.8	10.8	18.5	1.4	7.8	7.3	1.4
Emerging Markets Unhedged ⁷	2.7	7.2	6.3	16.8	0.6	5.0	1.1	0.6
Listed Infrastructure Unhedged ⁸	N/A	16.7	11.5	4.7	-3.1	-3.4	0.5	-3.1
Australian Listed Property ⁹	-0.5	16.1	15.9	6.8	-4.7	-11.9	2.5	-4.7
Int. Listed Pty Unhedged ¹⁰	N/A	15.7	13.0	1.3	-4.8	-9.5	1.1	-4.8

¹Bloomberg AusBond Bank 0+Y TR AUD, ²Bloomberg AusBond Composite 0+Y TR AUD, ³Bloomberg Barclays Global Aggregate TR Hdg AUD, ⁴S&P/ASX All Ordinaries TR, ⁵MSCI World Ex Australia NR AUD, ⁶Vanguard Intl Shares Index Hdg AUD TR, ⁷MSCI EM NR AUD, ⁸FTSE Developed Core Infrastructure 50/50 NR AUD, ⁹S&P/ASX 300 AREIT TR, ¹⁰FTSE EPRA/NAREIT Global REITs NR AUD

The Trump driven market euphoria subsided somewhat in January as more level headed investors stepped back a bit and waited to see what the new administration actually did, as opposed to what they said they would do. The seemingly rushed and not fully thought out implementation of promises made on the election hustings gave markets reason to pause. This was not out of any moral consideration. It was rather the uncertainty created by the sharply less predictable quantity now occupying the White House.

Cash

The Reserve Bank of Australia (RBA) left the overnight cash rate at 1.5% at its first meeting for the year held on February 7th.

Bonds

Bond markets were mixed over January with Australian bonds recovering some lost ground while international bonds continued to slide, albeit not as sharply as in previous months. Corporate bonds remained well bid.

Australian Equities

Australian equities came off a bit in January. Resources continued to be the main bright spot with 5.2% for the month (S&P/ASX 200 Resources). At the other end of the spectrum listed property continued to come back down to earth with -4.7% in January.

International Shares

A strong Australian dollar saw currency hedged international shares do better than unhedged over January. Emerging markets shares had a positive month as investors seeking out the better value on offer in these share markets continued to allocate capital; putting aside concerns over US dollar strength and the possibility of trade wars. The “bond proxies” had a poor month. Some infrastructure and property stocks fall into this

category: in a world of low interest rates many investors held these high dividend paying shares as a substitute for bonds. Now with US interest rates rising, and after a bounce back in December, this sector of the market came in for renewed selling pressure in January.

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