

How the different asset classes have fared:

(As at 31st March 2017)

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	4.0	2.6	2.3	1.9	0.4	0.9	0.4	0.2
Australian Bonds ²	6.2	5.0	5.0	2.1	1.2	-1.7	1.2	0.4
International Bonds ³	7.3	5.8	5.6	2.2	0.7	-1.5	0.7	0.0
Australian Shares ⁴	4.3	10.7	7.6	19.5	4.5	9.1	4.5	3.2
Int. Shares Unhedged ⁵	4.8	16.4	12.8	15.6	0.9	8.6	0.9	1.8
Int. Shares Hedged ⁶	6.8	14.1	10.6	19.1	5.8	11.3	5.8	1.1
Emerging Markets Unhedged ⁷	3.3	7.2	8.0	18.2	5.8	7.1	5.8	3.3
Listed Infrastructure Unhedged ⁸	N/A	16.7	13.8	10.1	2.3	3.9	2.3	3.2
Australian Listed Property ⁹	0.5	16.9	16.8	6.3	-0.1	-0.8	-0.1	0.7
Int. Listed Pty Unhedged ¹⁰	N/A	14.4	13.6	0.8	-4.1	-3.9	-4.1	-1.0

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

Overview

Most share markets experienced strong performance over the March quarter. Investors remain positive about prospects for stronger global economic growth, particularly in the US. Fixed interest markets by contrast have experienced fairly subdued returns. We see the outlook as being balanced between a continued positive economic picture, and the risks of more increases in interest rates in the US. Rising interest rates have, at times in the past, led to some instability in share markets. Accordingly, we continue to believe that maintaining a balanced approach with a diverse mix of investments remains appropriate. That is, some investments that will do well under the positive scenario; and others that will mitigate risks should rising interest rates lead to rising volatility.

International Shares

President Trump has been well received by share markets in the United States. The market has priced in expectations that tax cuts (now probably delayed until 2018) will boost both the economy and company profits. Emerging markets, which are the share markets in less developed economies, have also experienced very strong performance as fears of protectionism have faded.

Australian Shares

In Australia the share market continues to do well. There are a few warning signs that banks may start to experience a few headwinds, as concerns grow about expensive and overvalued residential property markets. It's clear that the regulators are signalling to the banks that a more considered and cautious approach to mortgage lending is appropriate in this environment. In time this will probably mean slower lending growth; however the banks have been able to counter this by boosting their profits by raising the interest rates they charge, particularly on investor loans.

Bonds and Cash

In Australia the RBA held rates at 1.5%. In the statement accompanying the decision the central bank took a balanced view towards the outlook. A few concerns were expressed about both the economy and the frothy nature of the residential property market. Balancing this the RBA noted that a stronger global economy was a positive. We think the RBA is on hold for the foreseeable future, and would expect cash rates to be fairly stable in the coming months.

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