Monthly Market Review – As at 30 June 2017

How the different asset classes have fared:
(As at 30th June 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]	3.9	2.5	2.2	1.8	0.9	0.9	0.4	0.1
Australian Bonds[2]	6.2	4.3	4.3	0.2	2.3	2.3	1.0	-0.9
International Bonds[3]	7.5	5.5	5.1	0.5	1.9	1.9	1.2	-0.2
Australian Shares[4]	3.5	11.6	6.8	13.1	2.9	2.9	-1.5	0.3
Int. Shares Unhedged[5]	5.1	18.2	13.0	14.7	4.5	4.5	3.3	-2.6
Int. Shares Hedged[6]	6.5	15.8	10.0	20.8	9.2	9.2	3.2	0.1
Emerging Markets Unhedged[7]	2.9	10.2	8.3	20.1	11.8	11.8	5.7	-2.0
Listed Infrastructure Unhedged[8]	N/A	17.4	13.0	6.6	6.9	6.9	4.5	-3.7
Australian Listed Property[9]	-0.1	14.2	12.2	-5.6	-3.1	-3.1	-3.1	-4.5
Int. Listed Pty Unhedged[10]	N/A	13.7	11.7	-5.7	-3.2	-3.2	0.9	-2.0

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

Overview

The financial year ending 30th June 2017 has delivered positive returns for most investors. Australian Shares, International Shares and Emerging Markets were the best performers over the year.

International Shares

Developed Markets

Performance over the past 12 months has been strong. June proved to be a difficult month for unhedged international growth assets. The rise in the value of the A$ was one of the biggest detractors to performance when it rose by 2 cents over the month from 74 to 76 US cents. US shares were fairly flat, and European shares fell somewhat on concerns that the European central bank would begin to gradually tighten policy.

Emerging Markets

Emerging markets were fairly stable in $US terms, the falls in value over the month were largely due to the A$ appreciating. If the Trump administration were to increase protectionism and risk a trade war with China then there would be greater risks in this sector.

Emerging markets can be fairly volatile, but continue to seem attractively valued on a longer term basis. They remain one of our favoured growth asset classes.

Australian Shares

In contrast to off shore share markets, Australian equities did have a good month, and have had a solid year. The key to investing in Australian shares is to ensure that portfolios are appropriately diversified. Banks and financials constitute around 38% of the ASX200. With the Australian consumer heavily indebted and the housing market cooling down, we would expect lending growth to slow. This points to a fairly slow growth future for the banks. We prefer a more diversified portfolio of Australian shares with a better, and more even spread of investments, across a wider range of industries.

Bonds and Cash

In cash markets the RBA continued to remain on hold, leaving the cash rate at 1.5%.

However there has been a de facto tightening of interest rates as banks have raised rates on certain types of borrowers such as those with interest only loans.

Bond markets have weakened a little as concerns are growing of more interest rate rises particularly in the US.

Summary

There are a wide range of different investable asset classes spread across countries, industries and sectors. Each of which will have different return profiles. These allow investors to build investment portfolios that best meet their needs. Investors should adopt a longer term time horizon when setting their investment objectives and strategies. Constructing a well-diversified portfolio that matches an investor's long term return investment objectives, remains the best approach to building wealth.