Australian Monthly Wrap

April Economic Wrap

The Australian market bucked its poor performance during the March quarter rising some 3.9% in April driven by strong appreciation in the natural resources space with both energy and mining stocks the stellar performers.

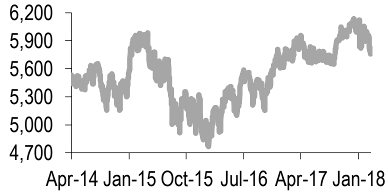
April was marked by the ongoing recovery of the US Dollar which appreciated against its major partners driven in part by the relative outlook between the US economy and the rest of the world, notably Europe. US leading economic indicators and hard data, by and large are holding up. The European outlook appears weaker with forecasters and leading economic data points walking back from the optimism that marked the start of the year. Inflation expectations also drove bond yields higher in the US with the 10-year dabbling at the 3% yield level for the first time in several years.

Key economic news – The Reserve Bank of Australia left the cash rate on hold at 1.50% as expected. The inflation outlook The U.S. Federal Reserve also held the federal funds rate to 1.5%-1.75% and offered remarks about the symmetric rise of inflation which has been interpreted, particularly following subsequent comments by Board members, as a willingness to let the economy "run hot" with inflation above the 2% target without a corresponding acceleration in the interest rate hiking trajectory.

The European Central Bank has kept its stimulus program in place and signalled that is will continue doing so until at least September this year as the Eurozone growth picture appears dimmer with core inflation coming in below consensus forecasts. Growth is still positive but is no longer accelerating at the same pace as late 2017-early 2018.

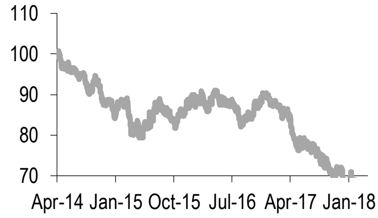
Key company news – Oil plays in both Beach Energy and Santos were amongst the stellar performers this month benefiting from the surge in oil prices and, in the case of Santos, another attempt by US firm Harbour Energy to take over the company. Another beneficiary of takeover attempts was Healthscope with private equity firm, BGH Capital, lobbing a $3.1bn bid at the embattled private healthcare provider together with a consortium of other investors including industry super fund Australian Super. AMP Ltd was a standout for all the wrong reasons as management testimony before the Financial Services Royal Commission resulted in CEO Craig Meller leaving the firm along with Chair Catherine Brenner. G8 Education struggled in the face of excess supply across the childcare industry causing it to record vacancies above expectations and downgrade FY18 earnings. Navitas likewise suffered from a mixed set of news on student enrolments with weakness evident in some of its key markets.

S&P/ASX 200 Price Index



Source: Bloomberg, IOOF

MSCI Australia relative to MSCI Asia Pacific ex Japan, US$ terms



Source: Bloomberg, IOOF

Sector and stock returns

ASX/S&P 200 Sectors (GICS)

	Monthly	%Δ	Quarterly	%Δ
▲	Consumer Discretionary	2300	Consumer Discretionary	-2.17
▲	Consumer Staples	10688	Consumer Staples	4.48
▲	Energy	11146	Energy	2.75
▲	Financials ex Property	6789	Financials ex Property	-6.05
▲	Financials	6087	Financials	-6.05
▲	Health Care	27947	Health Care	10.48
▲	Industrials	5834	Industrials	1.04
▲	IT	1048	IT	1.62
▲	Materials	11837	Materials	1.67
▲	Property Trusts	1361	Property Trusts	0.22
▲	Telecommunications	1162	Telecommunications	-11.80
▲	Utilities	7727	Utilities	-1.87

Best and Worst S&P/ASX 200 Performers

Top five stocks		Bottom five stocks	
Monthly			
Beach Energy Ltd	+30.0%	AMP Ltd	-19.0%
Healthscope Ltd	+25.6%	G8 Education Ltd	-14.4%
Santos Ltd	+21.1%	Navitas Ltd	-13.7%
Infigen Energy	+17.9%	Perpetual Ltd	-13.4%
APN Outdoor Group Ltd	+17.7%	NIB Holdings Ltd	-12.7%
Quarterly			
Nine Entertainment Co	+40.5%	Retail Food Group Ltd	-52.9%
GWA Group Ltd	+39.2%	Wisetech Global Ltd	-35.2%
A2 Milk Co Ltd	+36.5%	IPH Ltd	-33.9%
Altium Ltd	+36.4%	G8 Education Ltd	-32.7%
Saracen Mineral Holdings	+33.4%	Platinum Asset Mgmt	-31.9%

Equity review

Major Market Performance, April 2018

	Australian Indices	Mth	%Δ	Qtr	%Δ
▲	S&P/ASX 200	5983	3.88	6038	-0.91
▲	All Ordinaries	6072	3.45	6146	-1.22
▲	Small Ordinaries	2737	2.67	2754	-0.63
	US Indices				
▲	S&P 500	2648	0.27	2824	-6.22
▲	Dow Jones	24163	0.25	26149	-7.60
▲	Nasdaq	7066	0.04	7411	-4.66
	Asia Pacific Indices				
▲	Hang Seng	30808	2.38	32887	-6.32
▲	Nikkei 225	22468	4.72	23098	-2.73
	UK & Europe Indices				
▲	FTSE 100	7509	6.42	7534	-0.32
▲	CAC40	5521	6.84	5482	0.70
▲	DAX Index	12612	4.26	13189	-4.38

Source: Bloomberg, IOOF

US equity market

The S&P 500 index finished the month up 0.3%. The market performance was mixed sectors with five sectors in the green, five in the red and one flat. The worst performers were consumer staples down 4.5%, industrials down 2.8% and telecommunication stocks down 2.2%. Energy stocks were the stand out up 9.3% with consumer discretionary and utility stocks also up 2.3% and 2.0% respectively. Energy stocks were a big beneficiary of rising oil prices on the back of geopolitical tensions with Iran and speculation on extensions to OPEC production cuts. Consumer staples were dragged down by the weakness in tobacco stocks as majors such as Altria underperformed earnings expectations coupled with speculation on FDA pressure to cut nicotine levels.

Australian equity market

The S&P/ASX 200 index finished the month up 3.9%. On a sector level, the best performers were the natural resources sectors, energy and materials, which were up 10.8% and 7.6% respectively. The worst-performing sectors were again telecommunications up 2.0% and financials up 0.1%.

The spectre of the Royal Commission continues to weigh on the financials sector with fresh revelations of misconduct arising in April claiming the AMP CEO, Chairman and General Counsel.

Fixed Income

	Fixed Income	Mth	+/-	Qtr	+/-
	Aussie Cash rate	1.50	--	1.50	--
▲	10-year Bond Rate	2.77	6.46	2.81	-1.56
▲	3-year Bond Rate	2.18	6.14	2.14	1.59
▲	90 Day Bank Accepted Bills SFE-Day	2.03	0.57	1.77	14.78
▲	US 10-year Bond Rate	2.95	7.82	2.71	9.17
▲	US 3-year Bond Rate	2.63	10.21	2.28	15.03

Source: Bloomberg, IOOF

Source: Bloomberg, IOOF

During the month of April, the Australian yield curve steepened with long term rates rising more than short term rates. The Australian 3-year bond yield rose 13bps and the 10-year bond yield rose 17bps. The U.S. yield curve flattened with the 3-year bond yield rising 24bps and the 10-year bond yield rising by 21bps. The U.S. 10-year broke the 3% mark during the month before retreating slightly in a notable move, reaching that threshold for the first time in several years. That price action appeared to be sentiment-driven at least initially before seeing confirmation in U.S. economic data with Mar-18 GDP growth declining less than expected (2.3% annual growth vs. a forecast of 2.0%). A contributing factor was surging commodity prices that contributed to a stronger inflation outlook for markets. The Federal Reserve held interest rates confidence in April in line with market expectations with a June hike of 25 bps anticipated next month. The Australia-U.S. yield premium remained negative for this month with both the 10-year and 3-year yields trading below their U.S. equivalents.

Finally, we should point out the movement in short term interest rates with the 3-month continuing to hold at its elevated levels as Australian corporations are forced to rely more on local funding markets for short-term financing with US firms crowding out the market there thanks to the tax reform leading to sizeable repatriation of US firm’s overseas holdings. This raises bank funding costs which has led to the repricing of some mortgage books higher to maintain net interest margins. There is no immediate credit risk evident to drive rates higher still but if it continues at current levels you may see more repricing to maintain profitability. This could be an additional negative factor in credit growth for property markets.

Currencies

	Currencies	Mth	%∆	Qtr	%∆
▼	$A vs $US	75.30	-1.94	80.55	-6.52
▼	$A vs GBP	54.71	-0.20	56.77	-3.62
▲	$A vs YEN	82.34	0.89	87.96	-6.39
▼	$A vs EUR	62.34	-0.02	64.89	-3.93
▲	$A vs $NZ	107.04	0.85	109.37	-2.13
▲	$US vs EUR	82.79	2.03	80.56	2.77
▲	$US vs GBP	72.65	1.84	70.46	3.11
▲	$US vs CHF	99.09	3.87	93.13	6.40

Source: Bloomberg, IOOF

The Australian dollar (AUD) was lower against major global currencies in April with the currency falling below US77c as the US Dollar (USD) continued its surge globally on the back of rising bond yields. In addition, the currency remains under pressure given the interest-rate differential with the U.S. as the U.S. 10-year bond tracks some 25 basis points above its Australian counterpart. This should put pressure on the Australian dollar as there is reduced scope for speculators to earn carry. However as has been noted amongst market observers strong demand for commodities has provided an important support for the Australian dollar that should continue given the still positive outlook for global economic growth. Market consensus at month-end saw the dollar trading up slightly at 79c to end 2018 on the back of this driver. The tension between this and the growing interest rate differential will be key for determining the longer-term level of the AUD against the U.S. dollar.

Commodities

	Commodities	Mth	%∆	Qtr	%∆
▲	Aluminium	2264	13.39	2223	1.83
▲	Copper	307	0.92	323	-4.86
▲	Nickel	13601	2.46	13612	-0.08
▼	Gold	1319	-0.61	1348	-2.17
▲	Silver	16	0.29	17	-5.86
▲	Crude Oil - Brent	75	6.97	69	8.86
▼	Lead	2326	-2.96	2611	-10.93
▼	Zinc	3129	-4.55	3539	-11.58
▼	Iron Ore	65.27	-6.36	75.86	-13.96

Source: Bloomberg, IOOF

Commodity prices ended the month with mixed performance as industrial bellwether copper slightly retraced its losses from the start of the year and Crude Oil continued to rise with Iron Ore and Zinc weakness declining in April.

Crude Oil enjoyed a bumper month following ongoing speculation as to possible US sanctions against Iran and a breakdown of the nuclear deal between Iran and Western powers adding to geopolitical tensions and spurring prices higher. Interestingly this did not translate into gold functioning as a safe haven asset with the precious metal and silver also down for past quarter and flat for the month.

Zinc weakness was driven by concerns over industry supply and demand dynamics. The global market for zinc is marked by a production deficit but new supply has been coming online increasingly that has weighed down on the price in recent months which hit a recent high in mid-February. Iron ore prices saw further weakness thanks to a mix of concerns on overstocking of Chinese inventories as well as the US Dollar's strength over the month. On that last point, it is important to note that commodities are typically priced in US dollar terms so countries exchange their own currencies for dollars to purchase them. An appreciation of the US Dollar against most major currencies as occurred this month has typically been detrimental to commodity prices because it makes them costlier to purchase. The stronger performers this month had other notable contributing factors to offset this, aluminium and nickel had ongoing concerns of US sanctions against Russian producers while oil had Middle Eastern tensions and the fear of Iranian sanctions front and centre.

Australia

The RBA left the cash rate on hold at 1.50% in April. Interestingly it upheld its forecast for annual GDP growth maintaining the stance of the Feb-18 statement where it had forecast GDP growth of 3.0% in 2018 and 3.25% in 2019. This follows on from equivocating statements in the Board Minutes released in subsequent monthly meetings where the RBA had toned down its expectations. Retail sales in March, released in early March, highlighted weakness in consumer spending even more so than market expectations of slower growth with 0.0% growth (consensus 0.2%). This was across all notable consumer categories with food the sole exception in seeing a spending increase. Given the weak performance in January, even allowing for February's sizeable 0.6% monthly growth, it appears likely that consumer spending will have a weaker contribution to GDP growth for the March quarter which will be released in early June.

Minutes from the April board meeting maintained optimism at the growth trajectory of the Australian economy. The RBA also highlighted the room for more job creation given underemployment—people working but with capacity and appetite to work more hours—continues to track at elevated levels relative to recent history. The May Statement of Monetary Policy maintained both CPI and GDP forecasts for 2018 with inflation growing at slightly above 2% and economic growth expected to reach 3%. These forecasts particularly for GDP may prove slightly optimistic if retail sales do not track higher in coming quarters given the strong contribution of consumer demand to the overall Australian economy.

The Australian economy added 4.9k net jobs in March (consensus: 20k), comprising of a 19.9k fall in full-time employment and a 24.8k rise in part-time employment. This retraced the gains made since the start of the year with full-time employment growth now flat for 2018 while part time jobs have grown 1.1% from 3.93m to 3.97m. The unemployment rate was stable at 5.5% (consensus: 5.5%) as the participation rate declined 65.6% from 65.5%. It is important to note that when you read the headline unemployment rate, the 5.5% figure can be slightly misleading as a measure. This is because a key determinant is the participation rate and you need to examine the change of the two to help assess labour market strength. For March, if we had held the participation rate constant for example the unemployment rate would have risen to 5.7% and taken the shine off proclamations of record jobs growth that have marked government rhetoric in recent months.

United States

The U.S. Federal Reserve held the federal funds rate steady at 1.75% as expected and continued its positive economic outlook. US economic growth in the March quarter (historically a weaker period of growth due to the overlapping with winter weather) slowed by less than expected with annualised growth of 2.3% (consensus: 2.0%). Strong business demand helped offset slightly weaker US spending. Core inflation also rose over the March quarter to sit at an annualised 1.9% in line with market expectations. This is close to the Federal Reserve's long-term goal of 2% inflation with market commentary over the month fixating on whether the Fed may be more proactive on interest rate hikes to keep inflation under control, helping drive yields higher.

The Markit Services PMI rose to 54.6 reversing its decline growing 0.6 percentage points from its March reading of 54. Similarly manufacturing conditions improved with the Markit Manufacturing PMI building on the acceleration of recent months rising 0.9 percentage points from its March reading of 55.6 to 56.5. This helped bolster investor expectations of underlying US economic strength in 2018 particularly relative to other developed markets.

China

China grew ahead of market expectations at an annualised 6.8 per cent for the March quarter. Key contributors included retail sales growth of 10.1% (consensus 9.7%) while industrial production was a slight disappointment growing at 6% (consensus: 6.3%). The data highlights the resilience of the Chinese economy with the government forecasting growth for calendar year 2018 to be slightly lower at 6.5%. The Markit manufacturing PMI for April was 51.1, an increase of 0.1 percentage points from March. This marks the eleventh consecutive month of improving operating conditions albeit at a marginal pace. Output continued to improve but only slightly while business confidence fell to a four-month low with some firms citing concerns over future market conditions and the strength of global demand a sign perhaps that the trade sanction rhetoric with the US that abated in April had weighed on business sentiment. Services activity was stronger with a 0.6 percentage point rise to 52.9 from the March reading of 52.3. The stronger expansion in business activity by services providers reflected improved market conditions and greater tourist numbers with services firms accounting predominantly for the growth in new business order. Both manufacturers and services companies cited ongoing capacity pressures reflecting higher levels of backlogged work but this has not crystallised into accelerating cost inflation with prices charged at the composite level (i.e. both manufacturing and services companies) only rising modestly.

Europe

The ECB left its interest rate settings unchanged. It renewed its commitment to continue its net asset purchases at a current monthly pace of €30bn until September 2018 or beyond until it sees a path to inflation meeting its target. Monetary policy in the near-term will continue to be accommodative given the stubbornness of the inflation outlook with the April results showcasing a weakness in core inflation growing only 0.7% year-on-year down from the 1% rate recorded in March. Comments from the meeting highlighted the focus on the underlying economic conditions across the European Union with momentum in industrial activity and consumer demand sliding since January.

The Bank of England has left the bank rate on hold at 0.5% with market expectations retreating from an expected 25-basis point hike in May. The outlook for the UK economy has dimmed on several negative economic reports highlighting anaemic growth in GDP over the March quarter as well as weak wage growth.

The outlook from the February Italian elections has some clarity although of the unfortunate sort with no ruling coalition able to form after over two months-worth of talks between political parties. Italy faces the prospect of ongoing legislative gridlock with a caretaker government in place until the end of this year potentially to be followed by fresh elections to break the deadlock.

The Markit Eurozone Composite PMI fell for the third month in a row to 55.1 from a reading of 55.2 in March. This reading remains above its 5-year average of 54 with April seeing a slight acceleration in manufacturing production that was offset by growth in services sector activity slipping to an eight-month low. April saw new orders rise at their slowest pace for 6 months but on the positive side they were sufficient to drive continued job creation for the forty-second month in a row, still at amongst the best levels over the past decade. Price pressures observed in earlier months continued to moderate on both production inputs and outputs but remain elevated on the input side reflecting both high raw material costs and growing staff costs. The manufacturing PMI fell slightly to a 13-month low of 56.2 from its March reading of 56.6. Major nations such as Germany and the Netherlands saw growth decelerate. The weaker growth was mainly due to slower increases in both new orders and employment whilst final output tracked at a slightly faster pace than in March. The services PMI fell to 54.7 from 54.9 in March, driving the decline in the overall composite but still above its long-run average of 53.2. While activity rose across all countries covered both Germany and Spain saw growth at a slower pace with the acceleration in new orders for service providers also at an 8-month low in April. With the slowdown continuing into April, Markit has downgraded its quarterly growth rate expectations slightly from 0.6% to a range of 0.5%-0.6% noting that this is still a robust level relative to recent history for the EU with employment growth also remaining strong. A warning note was sounded in the weakness of leading indicators that suggest weakness in business expectations on future output which may see hard data prints e.g. unemployment and employment statistics tick down slightly in future economic releases that cover this period.

Company news (best and worst performers over the month)

Beach Energy (BPT) benefited from the ongoing resurgence in oil prices as well as positive market updates with strong free cash flow generation of $133m that saw net gearing fall to 29% while oil production was at record levels with revenues also showing strong growth. Beach also tightened its guidance on both oil production (narrowing slightly and increasing the minimum guided from 25.5 MMBoE to 26MMBoE) and capital expenditures (guiding lower from $405-455m to $370-400m).

Healthscope (HSO) share price rose after private equity firm, BGH Capital, made a $3.1bn bid to take over the private healthcare provider together with a consortium of other investors including key shareholder industry super fund Australian Super which holds 14% of the company's equity. Australian Super made a notable conciliation of not selling its share to a competing proposal even if it is at a higher bid which its stake would allow it to block. The plot thickened early in May with news of Canadian provider, Northwest Healthcare Properties recently acquiring a 10% stake, prompting speculation of a rival bid.

Santos Ltd (STO) rose on the back of an unsolicited takeover bid by Harbour Energy to acquire the company at a 28% premium to its March closing price. This is the second such bid by Harbour Energy with the Santos Board forming a separate committee to assess the deal and make a recommendation to shareholders. As with Beach Energy Santos also saw an uplift in its share price on the back of rising oil prices.

Infigen Energy (IFN) saw off a rebellious bid by minority shareholders looking to bind the company's debt syndication arrangements to a shareholder vote. It was able to successfully negotiate a new debt facility to continue its capital expenditure in building out wind energy farms and importantly saw the addition of a new institutional shareholder, global infrastructure manager Brookfield Asset Management, onto its register as the minority activists sold out of their position. This was seen as a sign of confidence by the market as well as the potential for a possible takeover in the future even though Brookfield disclosed it had no immediate takeover intentions.

APN Outdoor (APO) saw an uplift in its share price following the update on contract renewals with three key customers—Brisbane Buses, Transdev Melbourne and Adelaide Airport—as well as the maintenance of its FY18 full-year guidance in line with its earlier outlook.

AMP Ltd (AMP) slumped on the back of substantial negative media attention focusing on the poor performance of its leadership testifying before the Royal Commission and disclosing several operational and compliance failings including adjusting the findings of an independent reviewer's report to the regulator ASIC. This was accompanied by substantial board turnover with outgoing CEO Craig Meller as well as AMP General Counsel and Company Secretary Brian Salter leaving the company and Chairman Catherine Brenner resigning while former IAG CEO Mike Wilkins was appointed as Executive Chairman. Mike Wikins will be succeeded in the role of Chair by Independent Chairman David Murray from 1 July 2018.

G8 Education (GEM) fell after downgrading its earnings expectations for calendar year 2018 at its April Annual General Meeting highlighting ongoing weakness in market conditions following a surge in supply for childcare centres. In particular, management noted that the tough industry conditions had seen occupancy rates decline by 2.5%-3% compared to the February estimate of 1%-1.5% leading to earnings downgrades by analysts.

Navitas (NVT) sank over the month as weaker enrolment growth to date lowered profit expectations for 2018 with the company flagging weakness in both the Australian and US markets with its partners in Australia appearing to lose out to first-tier universities.

Perpetual (PPT) was sold off after a disappointing quarterly update on funds under management for the March 2018 quarter that saw net outflows of 1.3bn with most this driven by its institutional client channel and general market movements as the March quarter saw major equity markets decline globally.

NIB Holdings (NHF) sank on the back of analyst downgrades with UBS initiating coverage with a SELL rating at the beginning of April on concerns over the growth of the private health insurance market which is trading at cyclical highs in their view casting doubt on its ability to maintain profit margins over the next few years.

Source: ASX company announcements, Bloomberg

Movers and Shakers for April 2018

ASX Code	Company Name	Closing price ($)	Month ago close ($)	Month Δ (%)	Quarter ago close ($)	Quarter Δ (%)	Year ago close ($)	Year Δ (%)
BPT	Beach Energy Ltd	1.58	1.22	30.0	1.30	21.5	0.72	118.5
HSO	Healthscope Ltd	2.43	1.94	25.6	1.93	25.9	2.21	10.0
STO	Santos Ltd	6.14	5.07	21.1	5.10	20.4	3.48	76.4
IFN	Infigen Energy	0.69	0.59	17.9	0.63	9.5	0.95	-27.4
APO	APN Outdoor Group Ltd	5.46	4.64	17.7	4.58	19.2	5.45	0.2
S32	South32 Ltd	3.72	3.22	15.5	3.82	-2.6	2.78	33.8
SDA	Speedcast International Ltd	5.91	5.13	15.2	5.46	8.2	3.81	55.1
MTS	Metcash Ltd	3.60	3.13	15.0	3.20	12.5	2.15	67.4
GWA	GWA Group Ltd	3.85	3.36	14.6	2.82	36.5	3.12	23.4
XRO	Xero Ltd	38.03	33.44	13.7	31.47	20.8	20.00	90.2

Source: Bloomberg, IOOF

ASX Code	Company Name	Closing price ($)	Month ago close ($)	Month Δ (%)	Quarter ago close ($)	Quarter Δ (%)	Year ago close ($)	Year Δ (%)
AMP	AMP Ltd	4.04	4.99	-19.0	5.25	-23.0	5.36	-24.6
GEM	G8 Education Ltd	2.26	2.64	-14.4	3.36	-32.7	3.70	-38.9
NVT	Navitas Ltd	4.28	4.96	-13.7	4.68	-8.5	4.59	-6.8
PPT	Perpetual Ltd	40.29	46.55	-13.4	52.38	-23.1	52.78	-23.7
NHF	NIB Holdings Ltd	5.57	6.38	-12.7	6.71	-17.0	6.00	-7.2
IFL	IOOF Holdings Ltd	8.97	10.18	-11.9	11.02	-18.6	8.82	1.7
API	Australian Pharma Indus Ltd	1.36	1.50	-9.7	1.50	-9.7	2.23	-39.2
ECX	Eclipx Group Ltd	3.25	3.58	-9.2	3.93	-17.3	3.86	-15.8
BAL	Bellamy's Australia Ltd	18.11	19.84	-8.7	14.86	21.9	5.04	259.7
BOQ	Bank Of Queensland Ltd	10.06	10.96	-8.2	12.39	-18.8	11.97	-16.0

Source: Bloomberg, IOOF

Long-term asset class performance to March 2018 (in AUD)

	Asset	1-mth	3-mth	6-mth	Annualised 1-yr	3-yr	5-yr	7-yr	10-yr	15-yr	20-yr
Shares	Australia	3.9%	0.3%	3.4%	5.5%	5.7%	7.5%	7.9%	5.3%	9.4%	8.5%
	World ex Australia	3.0%	1.2%	5.0%	12.4%	9.3%	16.8%	14.3%	7.9%	7.2%	4.4%
	World ex Australia (Hedged)	2.0%	-4.0%	2.5%	11.8%	8.7%	12.4%	12.0%	8.2%	10.4%	N/A
	Emerging Markets	1.2%	0.0%	6.5%	20.6%	7.6%	11.6%	7.5%	4.5%	10.8%	N/A
Property	Australian Property	4.5%	1.1%	3.2%	1.0%	7.3%	9.8%	12.6%	3.2%	5.6%	N/A
	Global Property	2.2%	2.6%	-0.4%	0.3%	5.0%	10.3%	11.8%	5.4%	N/A	N/A
Fixed income	Australia government bonds	-0.4%	0.8%	0.8%	1.9%	2.5%	3.8%	5.3%	5.9%	5.5%	N/A
	Australia corporate bonds	-0.1%	0.7%	1.2%	3.4%	3.6%	4.6%	5.8%	6.6%	6.0%	6.1%
	Australia floating rate bonds	0.2%	0.4%	1.1%	2.8%	2.9%	3.3%	4.0%	4.5%	4.9%	N/A
	Global government bonds (Hedged)	-0.3%	0.9%	0.7%	2.1%	3.3%	4.5%	6.1%	6.7%	6.6%	N/A
	Global corporate bonds (Hedged)	-0.5%	-1.3%	-1.4%	1.8%	3.7%	4.6%	6.7%	7.6%	7.1%	N/A
	Global high yield bonds (Hedged)	0.1%	-1.2%	-0.6%	3.4%	6.7%	6.9%	8.9%	10.3%	10.6%	N/A
	Emerging Market bonds (Hedged)	-1.7%	-3.7%	-2.9%	0.9%	5.3%	4.7%	7.7%	8.5%	9.9%	9.8%
Cash	S&P/ASX Bank Bill Index	0.2%	0.4%	0.9%	1.8%	2.0%	2.3%	2.8%	3.4%	N/A	N/A

Source: Bloomberg, IOOF

* AUD total returns as at Apr-18 assuming reinvestment of dividends

** Returns reflect index performance excluding any fees; Actual ETF/managed fund performance will vary due to both fees and tracking error.

Appendix – Index sources

Asset class	Index
Australia	S&P/ASX 200 Accumulation Index
World ex Australia	MSCI World ex Australia Net Total Return Index in AUD
World ex Australia (Hedged)	MSCI World ex Australia Hedged AUD Net Total Return Index
Emerging Markets	MSCI Emerging Markets EM Net Total Return AUD Index
Australian Property	S&P/ASX 200 A-REIT Accumulation Index
Global Property	MSCI World Real Estate Net Total Return Index in AUD
Australia government bonds	Bloomberg AusBond Govt 0+ Yr Index
Australia corporate bonds	Bloomberg AusBond Credit 0+ Yr Index
Australia floating rate bonds	Bloomberg AusBond Credit FRN 0+ Yr Index
Global government bonds (Hedged)	Bloomberg Barclays Global Aggregate Treasuries Total Return Index Hedged AUD
Global corporate bonds (Hedged)	Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged AUD
Global high yield bonds (Hedged)	Bloomberg Barclays Global High Yield Total Return Index Hedged AUD
Emerging Market bonds (Hedged)	J.P. Morgan EMBI Global Core Hedged Index Level AUD
Cash	S&P/ASX Bank Bill Index

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Approved By – Paul Saliba

Research Analyst Disclosures:

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