Our view
Researchupdate

Economic Wrap

July 2019

Summary

- Signs of weakness in leading indicators and now, to an extent, official economic data support slowing growth for this year in the US with the latest GDP showing 2.3% growth year-on-year. Slowing growth is a consistent theme globally bar a few exceptions.
- Tariffs and non-tariff measures abated as concerns during the month with the US and China engaging in further trade negotiations. These derailed post month-end with new tariff threats by President Trump and Chinese currency devaluation the notable points of concern (discussed further below).
- The Markit Global Manufacturing PMI remained in contractionary territory. Slowing but positive growth in the US has been insufficient to offset weakness in Europe, notably in Germany, and in China. Services sectors continue to hold up comparably well seeing overall economic growth in positive territory.

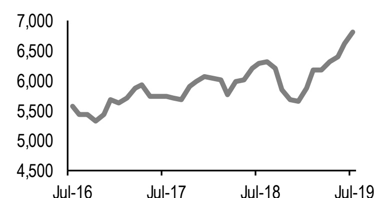
Markets – The "everything rally" continued with major "risk on" and "risk off" asset classes enjoying positive performance in July.

- Small and micro caps saw a bid domestically and globally after lagging larger peers (see p14)
- Australian micro and mid-caps were the best performers while cash and hedged infrastructure were amongst the worst with flat returns for the month.
- Australian equities outperformed vs international peers (see chart 2) and investors continue to bid up growth stocks (see chart 3) as rates fell.
- Emerging market weakness has continued to persist (see chart 4) with the Hong Kong Hang Seng softer in the month as social unrest and weaker economic growth weighed on the Chinese outlook.

Key economic news – The Reserve Bank of Australia cut rates in early July to leave the cash rate at 1%. Real retail sales disappointed with Queensland and Victoria the only States making a notable contribution to annual growth. This bodes poorly for June quarter GDP and beyond. Ongoing RBA communications have solidified expectations of further interest rate cuts and little need for rate hikes for some time as inflation continues to sit below the RBA target band of 2-3%.

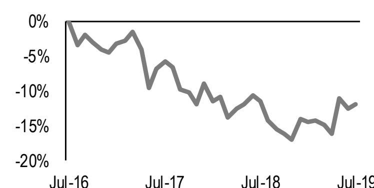
Key company news – Gold miners were notable outperformers during the month with names such as Resolute (ASX: RSG) and St Barbara (ASX: SBM) doing well on the back of expected interest rate cuts which along with political risks have seen gold rally substantially. The growth prospects and potential expansion ambitions of A2 Milk (ASX: A2M) saw it outperform solidly while Magellan Financial Group (ASX: MFG) commands a hefty premium relative to other listed fund managers in Australia for its ability to continue attracting inflows on the back of fund outperformance in recent years.

1. S&P/ASX 200 Price Index



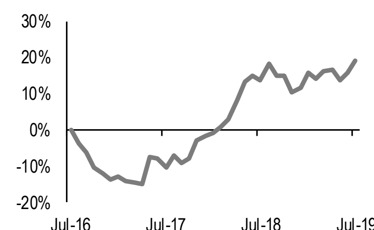
Source: Bloomberg, IOOF

2. ASX200 vs All-World, US$ terms



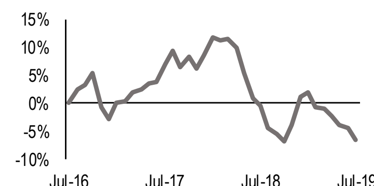
Source: Bloomberg, IOOF

3. MSCI Australia Growth relative to MSCI Australia Value



Source: Bloomberg, IOOF

4. Emerging markets vs Developed Markets, US$ terms



Sources: Bloomberg, MSCI, S&P, IOOF

Sector and stock returns

ASX/S&P 200 Sectors (GICS)

	Monthly	%Δ	Quarterly	%Δ
▲	Consumer Discretionary	4.85	Consumer Discretionary	5.15
▲	Consumer Staples	9.72	Consumer Staples	8.26
▲	Energy	1.72	Energy	-0.13
▲	Financials ex Property	1.73	Financials ex Property	6.18
▲	Financials	1.73	Financials	6.18
▲	Health Care	5.92	Health Care	13.99
▲	Industrials	3.40	Industrials	8.11
▲	IT	4.95	IT	1.67
▲	Materials	0.98	Materials	10.64
▲	Property Trusts	2.46	Property Trusts	7.68
▲	Telecommunications	2.94	Telecommunications	13.25
▲	Utilities	1.93	Utilities	3.14

Best and Worst S&P/ASX 200 Performers

Top five stocks		Bottom five stocks	
Monthly			
Resolute Mining Ltd	+33.0%	Speedcast Intl Ltd	-45.8%
St Barbara Ltd	+25.9%	Cimic Group Ltd	-18.0%
A2 Milk Co Ltd	+23.6%	Amp Ltd	-15.6%
Bellamy's Australia Ltd	+21.5%	Pilbara Minerals Ltd	-13.8%
Magellan Financial Grp Ltd	+21.3%	Adelaide Brighton Ltd	-12.4%
Quarterly			
Northern Star Res Ltd	+58.9%	Speedcast Intl Ltd	-51.4%
Evolution Mining Ltd	+57.4%	Link Admin Holdings	-33.0%
Resolute Mining Ltd	+57.1%	Costa Group Hldgs Ltd	-30.0%
Austal Ltd	+51.7%	Pinnacle Invt Mgmt	-28.7%
Saracen Min Holdings Ltd	+50.2%	Cimic Group Ltd	-27.5%

Source: Bloomberg, IOOF

Equity review

Major Market Performance, July 2019

	Australian Indices	Jul-19 Price	1M return (%)	Apr-19 Price	3M return (%)
▲	S&P/ASX 200	6813	2.93	6325	7.70
▲	All Ordinaries	6897	2.95	6418	7.45
▲	Small Ordinaries	2961	4.47	2855	3.73
	US Indices				
▲	S&P 500	2980	1.31	2946	1.17
▲	Dow Jones	26864	0.99	26593	1.02
▲	Nasdaq	8175	2.11	8095	0.99
	Asia Pacific Indices				
▼	Hang Seng	27778	-2.68	29699	-6.47
▲	Nikkei 225	21522	1.15	22259	-3.31
	UK & Europe Indices				
▲	FTSE 100	7587	2.17	7418	2.27
▼	CAC40	5519	-0.36	5586	-1.21
▼	DAX Index	12189	-1.69	12344	-1.26

Sources: Bloomberg, MSCI, FTSE, S&P, IOOF

Note: return is reported on a price basis and in local currency terms e.g. S&P500 performance is in US dollars and excluding dividends.

Global equity markets

The S&P 500 index finished July up 1.3%, behind the tech-heavy NASDAQ which was up 2.1%. The market performance was ahead across most sectors with only four of the eleven down in July. The sectors who led for the quarter were technology (up 3.3%), telecommunication (up 3%) and consumer staples (up 2.3%). Energy was the worst performer (down 1.9%) followed by health care (down 1.7%). Technology stocks benefitted from well-received earnings reports for the June quarter. Alphabet (a.k.a. Google) saw continued growth in its cloud services that led it to beat consensus for both revenue and profits. These results come with a potentially negative backdrop as the US Department of Justice announced an antitrust probe into Silicon Valley examining the market power of the large tech platforms. Apple also drove the index higher with accelerating growth in its Wearables segment a notable highlight. Procter & Gamble also beat estimates for both revenue and estimates seeing consumer staples perform well for the month. A notable weak point for the firm was the $8bn write down of its Gillette brand. This was caused by a mix of weaker currencies against the US dollar and a decline in razor usage in the developed world.

Globally most markets rose during July led by a rising US market. It was a more mixed experience in emerging markets with the Hong Kong exchange down 2.7%. European equities also struggled on Brexit fears following the accession of Prime Minister Boris Johnson. Weaker economic growth and manufacturing data also played a part in establishing a weaker macro backdrop for European markets.

Australian equity market

The S&P/ASX 200 index finished July up 2.9%. All sectors were in positive territory. The top performing sectors were consumer staples (up 9.7%), health care (up 5.9%) and information technology (up 4.9%). Materials was a notable laggard up only 1% for the month, notably below the broader market. In the consumer staples space A2 Milk (ASX: A2M) and Bellamy's Australia (ASX: BAL) benefitted from extrapolation by investors as competitor Bubs Australia (ASX: BUB) reported a strong full year result (with speculation that A2 would likewise perform strongly). Woolworths shares rallied after the announced spin off of the more controversial aspects of its business in alcohol and gaming into a separate listed entity. ResMed (ASX: RMD) outperformed after it showed profit expansion and continued strong performance from its stable of health-related software as a service (SaaS) businesses which doubled revenue over the year. This offering is also helping make its core mask business revenue stickier by promoting more regular engagement and new purchases by patients.

Fixed Income

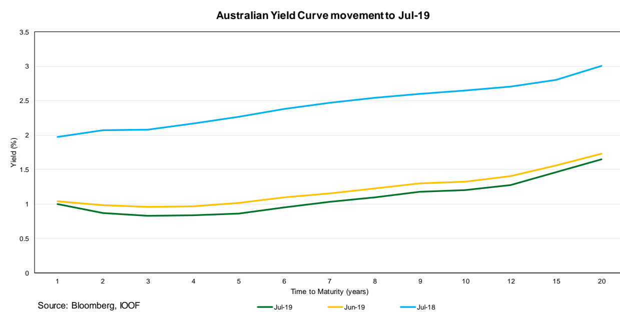
	Fixed Income	Jul-19 yield	1M mvt (bps)	Apr-19 yield	3M mvt (bps)
▼	Aussie Cash rate	1.00	-0.25	1.50	-0.50
▼	10-year Bond Rate	1.19	-0.14	1.79	-0.60
▼	3-year Bond Rate	0.81	-0.15	1.28	-0.47
▼	90 Day Bank Accepted Bills SFE-Day	1.04	-0.17	1.56	-0.52
▲	US 10-year Bond Rate	2.01	0.01	2.50	-0.49
▲	US 3-year Bond Rate	1.83	0.12	2.24	-0.41

Source: Bloomberg, IOOF

The Australian yield curve fell further during July (see chart 5). The 10-year bond yield fell 14ps and the 3-year yield was down by 15bps with the yield curve continuing to flatten further. The RBA cut the cash rate 0.25% in July which was a key driver of the fall in yields. The RBA cut to support its outlook for unemployment where it sees the sustainable rate at 4.5% (versus the current 5.2%). In addition, poorer leading (e.g. Westpac-MI Leading Index) and current economic indicators (e.g. real retail sales) have added

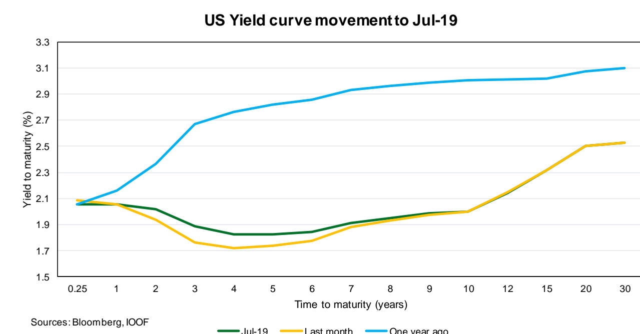
support for lower rates. A speech by Governor Lowe later in the month calling out a low rate regime for a lengthy period was also viewed as supporting bonds. These factors have seen markets move substantially in recent weeks. At the time of writing market-implied rates suggest a 0.25% rate cut by October this year (bringing this forward several months from the consensus in early July). Such a climate continues to favour holding bonds in the near term.

5. Australian yield curve movements to July 2019



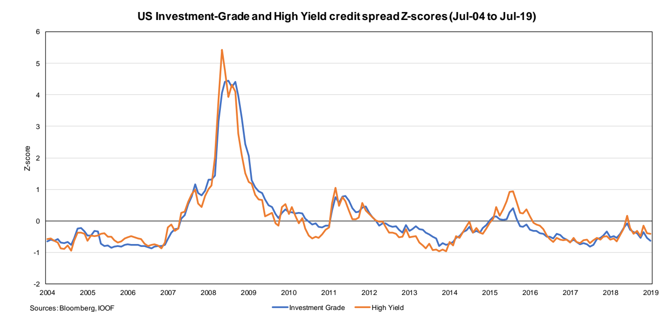
The U.S. yield curve rose slightly in July most notably at the shorter-end of the curve with the US 3-year yield up 12bps and the 10-year up only 1bp. Concerns over global growth persist as do softening leading indicators in the US with the manufacturing PMI continuing to slow and approach contractionary territory. Trade factors have also plagued business confidence. These were the factors called out in the latest Federal Reserve meeting where rates were cut by 0.25% to a range of 2-2.25%. However mixed messaging in the statement saw bond yields rise. Chairman Powell's remarks viewing this cut as a mid-cycle adjustment were contrary to market expectations of a broader easing cycle and more cuts to come. This disappointment versus a view of more cuts being necessary (currently 2-3 by December according to the CME FedWatch Tool) saw bonds sell off slightly during the month and yields rise.

6. US yield curve movements to July 2019



Against this dynamic of falling yields, credit risk spreads, a measure of risk appetite, continue to be relatively subdued. Using US data to illustrate, investment grade spreads (the **blue line**) contracted slightly during the month (reflecting their better credit quality). High yield bonds (the **orange line**) saw spreads contract as well but to a lesser extent. Overall these movements are supportive of a stable outlook in the near term. If spreads were widening materially that would be a sign of broader market risk sentiment and bode poorly for these riskier bonds and other risky assets such as equities.

7. US investment grade and high yield debt credit spread (Z-scores)



Negative yields continued during the month with almost 26% of the Barclays Global Aggregate (a global bond benchmark) offering a negative yield as of early August (see chart 8). This bodes poorly for long-term fixed income returns given lower starting yields. However, in the short-term expectations of more quantitative easing and other bond purchasing can continue to support bond returns.

8. Percentage of Barclays Global Aggregate with negative yields

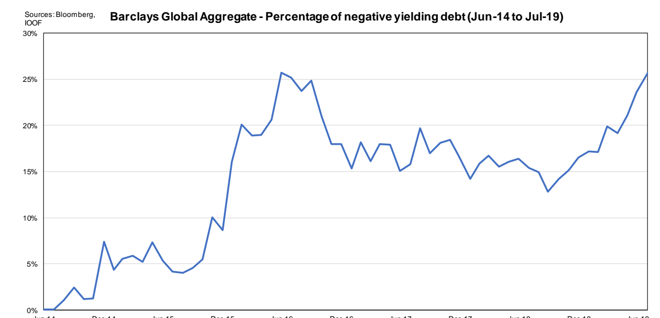
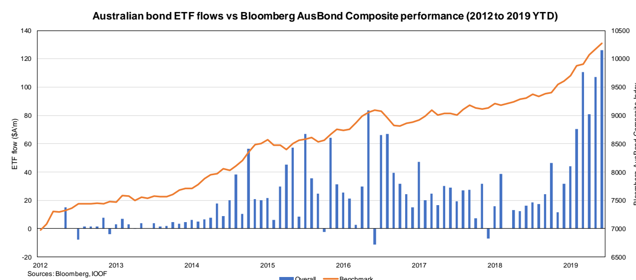


Chart 9 is a useful snapshot of the sentiment in fixed income currently. It looks at total Australian bond ETF flows (in **blue**) versus the performance of the Australian bond market (in **orange**). As we can see it has been a strong momentum play for investors piling into these vehicles. This has been key in helping drive yields lower. As we have noted though such as dynamic, while powerful needs to be watched for when (if) it turns in the opposing direction. Our view is that with global easing in play and inflation contained this is unlikely in the near term. Hence, we continue to maintain the benefits of holding duration exposure.

9. Total Australian bond ETF flows vs Bloomberg AusBond Composite performance



Currencies

	Currencies	Jul-19 Price	1M return (%)	Apr-19 Price	3M return (%)
▼	$A vs $US	68.45	-2.49	70.48	-2.88
▲	$A vs GBP	56.28	1.79	54.09	4.05
▼	$A vs YEN	74.45	-1.66	78.55	-5.22
▲	$A vs EUR	61.80	0.13	62.86	-1.69
▼	$A vs $NZ	104.35	-0.14	105.60	-1.18
▲	$US vs EUR	90.28	2.67	89.17	1.24
▲	$US vs GBP	82.25	4.44	76.73	7.19
▲	$US vs CHF	99.40	1.81	101.93	-2.48

Source: Bloomberg, IOOF

The Australian dollar (AUD) fell by 2.5% to USD 0.6845. Interest rate cuts have continued to offset stronger iron ore prices. The messaging from Chairman Powell specifically the lack of an "easing cycle" commitment also weighed on the Australian dollar. This was because of the reduced chance that the interest rate gap between the two countries closes. The remarks by Governor Lowe also reinforced views of entrenched lower interest rates. The Pound struggled during the month following the election of a new Prime Minister Boris Johnson. PM Johnson sparked concern in markets with his pro-Brexit rhetoric and the formation of a Cabinet with a majority of pro-Brexit MPs.

The US Dollar strengthened against global peers following Chairman Powell's remarks on the interest rate outlook. In addition, the US dollar continues to benefit from stronger relative economic performance with June quarter GDP growth ahead of expectations and almost double that of the EU for example and European manufacturing contracting per the latest PMI data. The prospect of a more disruptive Brexit in addition to weighing on the Pound weighed on the Euro. During the month ECB officials reasserted their commitment to further stimulus which may see another rate cut. This would take rates into further negative territory and may have assisted in the strong USD relative performance.

Commodities

	Commodities	Jul-19 Price	1M return (%)	Apr-19 Price	3M return (%)
▼	Aluminium	1782	-0.59	1804	-1.22
▼	Copper	267	-1.75	291	-8.49
▲	Nickel	14480	14.23	12219	18.50
▲	Gold	1438	0.89	1304	10.29
▲	Silver	16	6.94	15	8.87
▼	Crude Oil - Brent	65	-2.07	73	-10.48
▲	Lead	2005	3.81	1926	4.10
▼	Zinc	2446	-2.45	2818	-13.22
▲	Iron Ore	120.02	9.93	93.24	28.72

Source: Bloomberg, IOOF

Commodity prices had mixed performance in July.

Nickel prices are believed to have benefitted from the prospect of an export ban by Indonesia in 2022. Another driver of performance was tightening supply on major exchanges such as the London Metals Exchange. Precious metals continued to benefit from declining bond yields which makes them a more attractive safe haven in a relative sense. To take the example of Chart 8 above when an increasing portion of global bonds are offering a negative yield (and cash in some countries a negative interest rate), gold looks increasingly attractive as a store of value. Iron ore prices continued to benefit from strong buying by Chinese steel mills during the month and limited supply onboarding in Brazil. Subsequent to the month-end these gains had been eroded by concerns over global growth and the resumption of more production in Brazil. This is unsurprising given the confluence of supply and demand factors supporting iron ore such as the Brazilian mining closures were not expected to be sustained.

Oil prices were volatile during the month. Rising tensions with Iran. saw British forces seize an Iranian oil tanker off Gibraltar. Iranian retaliation saw a British tanker seized in the Persian Gulf. There are now talks underway led by the US to arrange joint naval expeditions to police the Gulf and prevent further interruption. These factors saw prices rise but were dwarfed by concerns over global growth in the end with manufacturing PMIs continuing to slide. US consumption of oil below expectations towards the end of the month was another factor driving prices lower.

Australia

Additional negative economic data along with a weaker global backdrop saw the RBA cut rates again inand July. The latest GDP growth figures confirmed weaker economic momentum with annual growth slowing to 1.8% in the year to March. The surprise election win by the Coalition sparked an uptick in property markets with the correction slowing further.

The Reserve Bank of Australia (RBA) cut interest rates by 0.25% in their July meeting. This was their first back to back move since May and June of 2012 during the European sovereign crisis. The Bank has maintained that whilst their base case for the economy remains reasonable, with growth expected to return to trend, addressing spare capacity in the labour market recently, with the unemployment rate having risen to 5.2%, is a priority. Previously the Bank had said its NAIRU target rate of unemployment was 5%. This has shifted lower to 4.5% now. The Bank feels it has the capacity to cut rates and stimulate because the labour market can tighten further without material acceleration in inflation.

In early August the RBA released its *Statement on Monetary Policy*. Here it retreated from its May forecasts. Key items to note include the downgrade in economic growth to 2.5% (down from 2.75%) and inflation to 1.5% for 2019 (down from 1.75%). These coincide with our views for slower growth in the Australian economy this year. Importantly for the inflation outlook the RBA cut its expectations for wage growth to 2.3% over the next few years (down from 2.5%). This will make it more difficult to get inflation to its target of 2-3%. Taken together these views add support for further rate cuts with one expected by October this year on the latest market-implied pricing.

7. RBA *Statement on Monetary Policy* forecasts as of August 2019

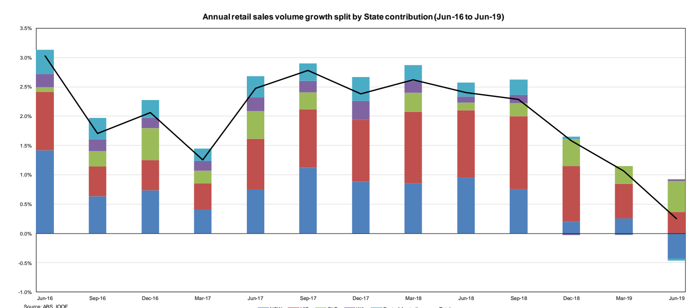
Forecast Table – August 2019[(a)]
Percentage change over year to quarter shown

	Jun 2019	Dec 2019	Jun 2020	Dec 2020	Jun 2021	Dec 2021
Gross domestic product	1.7	2.4	2.7	2.8	3.0	3.1
Household consumption	1.3	1.5	2.1	2.4	2.6	2.7
Dwelling investment	−6.8	−9.0	−7.0	−3.3	0.4	4.3
Business investment	0.0	4.1	5.6	5.8	5.8	5.9
Public demand	6.0	3.7	3.6	3.2	3.0	2.9
Gross national expenditure	1.1	1.5	2.4	2.7	3.0	3.3
Imports	−1.1	0.6	2.0	3.0	3.4	3.5
Exports	2.4	4.4	3.3	3.6	3.3	2.7
Real household disposable income	1.0	2.5	2.5	2.5	2.6	2.7
Terms of trade	8.8	−1.5	−10.3	−7.5	−4.5	−2.8
Major trading partner (export-weighted) GDP	3.6	3.7	3.7	3.8	3.8	3.8
Unemployment rate (quarterly, %)	5.2	5.2	5.2	5.2	5.1	4.9
Employment	2.6	2.2	1.8	1.9	1.9	1.9
Wage price index	2.3	2.3	2.3	2.3	2.4	2.4
Nominal (non-farm) average earnings per hour	2.0	1.9	2.4	2.4	2.6	2.6
Trimmed mean inflation	1.6	1.6	1.8	1.9	2.0	2.1
Consumer price index	1.6	1.7	1.7	1.9	2.0	2.1

The Federal Government passed its tax cash offset which will be a net $7.2 billion to economic growth for FY20. This equates to about 0.3% of annual GDP, however NAB economists note that the boost to growth is likely to be a little lower given survey data suggest some households may save part of the tax cuts and because some spending will be on imports (which detract from GDP).

Retail sales grew 0.4% in the month of June in line with expectations (consensus: 0.4%). Key contributors included some recovery for clothing, footwear & accessories (contributing 0.15%) while food was a detractor contributing 0.06% to the monthly result (versus its 12-month average contribution of 0.11% to monthly growth). Real retail sales (a measure of underlying consumption) disappointed expectations with 0.2% quarterly growth (consensus: 0.3%). Excluding Queensland and Victoria, other states have had limited to negative contribution to annual growth with NSW continuing to weaken since Jun-18. This supports our view of weaker GDP growth in June and may add to calls for further RBA easing. It may also see consumption in the June quarter and beyond disappoint if it is a sign of underlying weakness in consumer sentiment.

8. Annual growth in real retail sales split by State to June 2019



The Westpac-Melbourne Institute Index of Consumer Sentiment fell in 4.1% in July to 96.5 down from 100.7 in June. This was a notable monthly movement given the stimulus efforts in both tax and interest rate cuts. Those moves were outweighed by sharper concerns over the economy and family finances. This also suggests caution for the growth outlook given what this potentially signals in terms of consumer spending.

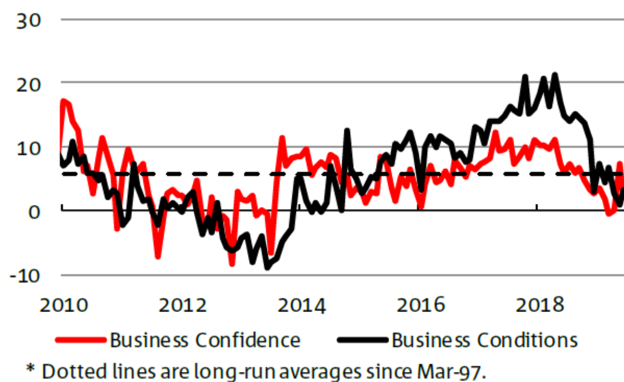
Inflation data showed a quarterly increase of 0.6% (consensus: 0.6%) with headline CPI rising 1.6% year-on-year (up from 1.3%). In line with improving oil prices over the quarter, the transport category contributed 0.2% to annual inflation. Property market weakness continues to appear with housing inflation (predominantly via rents) only adding 0.1% to annual inflation, its weakest contribution

since September 2015. The overall result remains below the RBA target band of 2-3% and may add to the case for further rate cuts given part of the RBA mandate is to eventually see inflation back in its target range.

The unemployment rate remained at 5.2% in June (consensus: 5.2%). Employment growth disappointed with total employed persons rising by 0.5k (consensus: +9k). The bulk of this increase came in full-time jobs with 21.1k growth offset by weakness in part-time job creation with a loss of 20.6k part-time roles. The annualised 6-month change highlights jobs growth (+2.45%) above population growth (+1.92%) driven by full-time job creation. In addition, if we had seen the participation rate hold steady (it fell marginally but remained at 66% with rounding) the unemployment rate would have risen to 5.3%. This was a mixed jobs report on balance. On the one hand full-time growth continues to hold up well but on the other hand the weakness in part-time jobs remains a concern with only 20.6k jobs added year-to-date. We did however see a surprise drop in underemployment to 8.2% from 8.6% in May which is welcome. At a state level we saw mixed results with the unemployment rate unchanged in NSW, falling in Western Australia and rising in both Victoria and Queensland. We maintain a cautious outlook based on leading indicators such as the NAB Business Surveys and note the weaker consumer confidence reported in Westpac's July Consumer Sentiment report.

Locally, the NAB Business Survey for June Saw a fall in confidence from 7 to 2 points, while conditions, helped by the latest RBA cut, has increased to 3 from 1.

9. NAB Business Survey – Confidence and Conditions to Jun-19



Source: NAB

Overall, the survey results for June continue to suggest that the business sector has lost significant momentum over the past year or so. Business confidence largely unwound the bounce in May and while business conditions rose in the month, they remain below average. The employment gauge, a measure of business hiring intentions has softened in recent months. This suggests caution on the outlook for further jobs growth which is needed to keep unemployment contained.

Moving to property, total dwelling approvals declined -1.2% in June (consensus: +0.2%) disappointing market expectations with the weakness attributable to a decline in unit approvals (down -6.5%). This was a disappointing result and suggests further weakness in construction activity in the months ahead which would detract from economic growth. It may also pose a downside risk to employment with the construction sector accounting for 9% of total jobs (as of May-19). In addition, private sector credit growth disappointed with a 0.1% increase in June (consensus: 0.3%). The weaker than expected growth was driven by a fall in business lending (down 0.1%) while personal lending remained weak (down 0.2%) and housing lending was stable (up 0.2%). While we have seen an uptick in prices for Sydney and Melbourne following the May Election the weakness in credit growth suggests that prices can only run so far as we discuss below.

The ABS released June figures for housing finance growth that showed the pace of weaker lending growth improve slightly. The number of commitments for owner occupied dwellings rose 0.4% in the month of June (consensus: 0.4%). Lending excluding refinancing fell 17.6% in the year to June, an improvement from being down 18% in the year to March. As we can see in the below chart this may see further improvement in price growth in the months ahead. However, we need substantial credit growth to see any resumption of the gains experienced prior to September 2017. At present given the outlook for unemployment and tighter lending standards this appears unlikely. Cuts to the cash rate should also be a support to growth as they decrease the mortgage rate being faced.

10. ABS housing price vs credit growth to Dec-19

Australia saw its biggest monthly trade surplus in June at $8bn (consensus: $6bn). Key to this expansion was a continued uptick in exports (up 1.4%) driven by rising iron ore prices and a fall in imports (down 3.6%). The weakness in imports was broad-based across both consumption and capital (i.e. business equipment) goods. This result will add to the government tax receipts and suggests net exports will make a positive contribution to June quarter GDP growth (due in early September). The weaker iron ore price in recent weeks casts doubt over this trend persisting however.

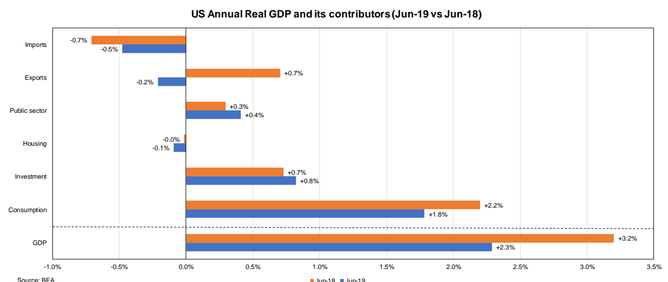
On balance the risks to the Australian economy remain skewed to the downside with the economy growing at its weakest in several years. This is reflective of the slowing economic momentum elsewhere in the world and echoed in the latest RBA forecasts. Weaker growth remains the more likely outcome. However, we acknowledge the potential for upside from the mix of rate cuts and cash refunds to date. The weaker than expected consumer confidence suggests further stimulus by the government may also be necessary.

United States

Economic growth to the June quarter surprised expectations at 2.1% annualised but was consistent with the idea of a slowing economy. Trade tension volatility was a key dynamic following month-end. Higher global uncertainty and concerns over the path of business investment saw the Federal Reserve cut rates by 0.25%, a so-called "insurance cut". Markets continue to anticipate further easing this year.

US economic growth beat estimates growing at an annualised rate of 2.1% for the June quarter (consensus: 1.8%). We called out this slower growth in our latest economic wrap as trade and weaker global growth were expected to take their toll on the US economy. It is however still healthier than expected but was insufficient to stop the Federal Reserve from cutting interest rates this week (again in line with expectations). The chart below compares year-on-year growth as opposed to annualised quarterly growth (hence 2.3% versus the 2.1% mentioned above). For the June quarter consumer spending was a key driver while net exports (exports – imports) detracted with housing construction also struggling in the face of higher interest rates. Net exports detracted 0.7% from growth compared to 0% impact in the Jun-18 quarter. In part this reflects tumultuous trade with sanctions threatened or enacted on Mexico and China respectively in the quarter. While this result surprised expectations some caution remains warranted with quarterly figures and business surveys suggesting weaker investment growth ahead potentially which makes growth more fragile in its reliance on consumer spending.

11. US Real GDP growth and its key contributors to Jun-19

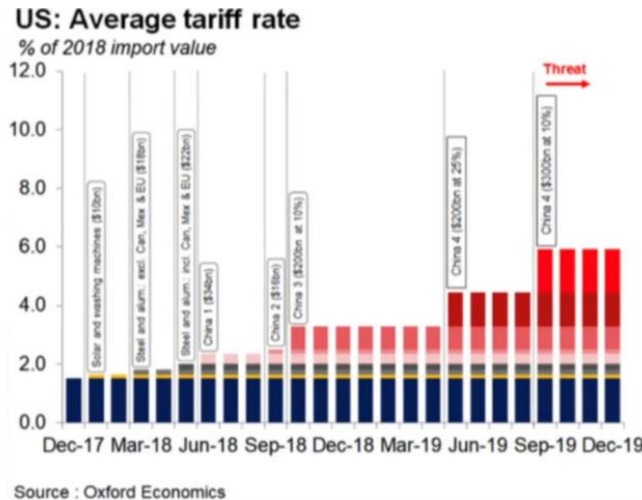


The Federal Reserve cut interest rates by 0.25% to a range of 2-2.25% in line with market expectations. The Federal Reserve statement highlighted concerns of slowing global growth impacting on the US as well as ongoing uncertainty affecting business investment. Chairman Powell did not commit to a firm easing cycle instead positioning this move as a "mid-cycle adjustment" to support the growth trajectory of the US economy. This disappointed the expectations of some observers hoping for a firmer stance on monetary policy easing. The Federal Reserve also ended its quantitative tightening program two months earlier than it had previously guided which observers expect to be supportive of further easing in financial conditions.

In early August the Trump Administration introduced further volatility with a new tariff threat. President Trump, citing discontent with limited progress in trade talks, issued the threat in early August. This would be an initial tariff of 10% on a further $300bn of Chinese import goods (depicted below in Chart 12). Unlike earlier iterations the bulk of these tariffs would fall on US consumers which have to date seen limited impact. These prompted two responses from China. First was the cessation of purchases of US agricultural goods by Chinese state-owned enterprises. Second was the PBOC decision to allow the Chinese Yuan to depreciate against the US Dollar. This saw the Yuan price be fixed at over 7 per US Dollar briefly. This is important because it saw heightened fears amongst investors of the trade war becoming a "currency war". This means countries try to make their exports more competitive by using policy to devalue their currencies. It is a limiting action as if every country follows this policy, we would expect smaller global trade overall because currency devaluation is to the disadvantage of importers such as consumers. This remains early days at this juncture, but it has been enough to heighten concerns over global growth and see markets

aggressively price in more central bank easing on the fear that this is just the beginning.

12. Average US Tariff rate as a percentage of import value to Dec-19



Looking at results during the month we saw mixed US economic data with retail sales ahead of expectations suggesting stronger consumer demand in the June quarter while other industrial measures including industrial production disappointed with growth slowing to 1.3% for the year, echoing the latest Markit PMI survey discussed in the June quarterly report for positive but slowing manufacturing growth. However, at an underlying level there is some potential cause for optimism with industrial output excluding utilities rising at a reasonable pace. Utility output fell in the quarter perhaps for weather-driven reasons according to some observers.

US durable goods orders and shipments rose in June after several disappointing months. Headline durable goods orders rose 2.0% (consensus: 0.7%), the detail was encouraging too; non-defence capital goods shipments ex-aircraft rose 1.9% (consensus: 0.2%) while shipments advanced 0.6%. The durable goods data are notoriously volatile, but the June update is reassuring given the downturn in global manufacturing and ongoing trade risks.

US manufacturing conditions continued to soften in July. The Markit Manufacturing PMI fell from its June reading of 50.6 to 50.4 in July. While new business orders remained positive, they continued to slow both domestically and internationally. Sentiment remained subdued with output expectations dropping to a survey low since July 2012. In addition, we saw the first fall in employment since June 2013. This bout of weakness appears the sharpest since 2009 with expectations that the manufacturing sector will be a notable drag on economic growth in the September quarter.

The Markit Services PMI also rose notably from its June reading of 51.5 to 53 in July. Key to this uptick was stronger new business volumes and underlying client demand. New business volumes improved both domestically and internationally with the latter growing at its fastest pace since February. Business confidence remains challenged with economic uncertainty continuing to reign in optimism.

The Composite Index (services and manufacturing combined) rose to 52.6 in July, up from 51.5 in June, with strength in services offsetting weaker manufacturing growth. Both sectors recorded stronger new business growth led by domestic orders. Manufacturers saw weaker foreign demand in contrast to their services sector peers. Overall these surveys point towards weaker economic growth. The July run-rate is consistent with annualised GDP growth below 2% according to IHS Markit economists. Uncertainty continues to plague activity at present with business optimism at its lowest since the survey began in 2012 due to both trade fears and growing concerns that the US cycle has peaked. The Atlanta Fed GDP forecast is similar with annualised growth for the September quarter of 1.9% at the time of writing. These factors remain in line with our outlook in the December quarterly of slowing US growth.

On balance US risks have shifted to the downside with tariff tensions featuring prominently. Federal Reserve policy looks to be shifting to a more accommodative stance more so if trade escalation occurs. One question that has been voiced is whether the US is heading into recession over the next year. Key arguments favouring this view revolve around yield curve signals and whether the market forecasts will be proven out. We prefer a more balanced view factors in other leading signals of economic activity such as real retail sales and business survey data. Overall these still suggest positive but weaker growth. If our view shifts materially, consistent with our Market update issued this week we will be on the front foot discussing what this means for client portfolios and suggesting actions going forward.

China

Economic momentum weakened during the June quarter. Trade war escalation with the US was a detractor and remains a source of downside risk for future growth. The case for additional stimulus appears

to have strengthened given ongoing weakness in export growth and a subdued domestic outlook.

Chinese economic data for the June quarter showed year-on-year growth was 6.2% (consensus: 6.2%) slowing slightly from the March result of 6.4%. There remain calls for further stimulus with Chinese Premier Li Keqiang noting more cuts to the reserve requirement ratio while noting that further fiscal stimulus might be more muted in scale. On a more positive note other activity data was better than expected with industrial production growing 6.3% (consensus: 5.2%), fixed asset investment up 5.8% (consensus: 5.6%) and retail sales up 9.8% (consensus: 8.5%). While welcome news it must be treated with caution given the still mixed-bag of results that we are addressing. For example, auto sales were boosted substantially by discounting ahead of new emissions standards (c.f. the June quarterly) while other data such as import growth is still weak. Lastly, China is on a growth path where one long-term ambition is to de-lever. Policies to support economic growth have to be considered in that context and while the short-term boost to total lending with this new data is welcome it arguably comes at a longer-term cost of increasing national fragility for the Chinese economy.

These results have been dwarfed in significance by currency policy. The decision to allow the Yuan to depreciate against the US Dollar sparked considerable concern in financial markets. A similar episode in 2015 also contributed to market volatility in that period. The focus here is on what it forebodes for the future. The 2015 episode contributed to capital flight from China and if China chooses to go down this path further it will prompt similar issues and tests for both Chinese and overseas markets. We continue to observe this dynamic as to how it will develop in time. At present these concerns have abated with the fix for the Yuan being kept tightly controlled still i.e. it hasn't been allowed to drift too much higher.

The Markit manufacturing PMI for July was 49.9, up from the June reading of 49.4. Weak demand conditions saw further job cuts amongst Chinese manufacturers although new orders rose slightly driven by domestic demand. New export orders remain subdued as the ongoing trade tensions with the US weigh on the outlook. Business sentiment ticked up from its lowest level on record in June but likewise remains constrained by trade tension fears. Encouragingly it appears that tax cuts and other stimulus have supported demand and may see further intervention in the near term. This result was before the latest escalation however and we may see further weakness depending on how the trade outlook evolves.

Services activity fell slightly from 52 in June to 51.6 in July. Job creation remains subdued amongst services firms. New orders rose notably driven by strong domestic and foreign demand. Business confidence amongst services firms continues to track higher than that of the manufacturing sector by contrast. The overall Composite PMI rose slightly in July to 50.9, up from 50.6 in June and driven by the improved manufacturing activity. Price pressure remains subdued indicating some scope to cut rates if needed as a policy initiative.

This print combined with the lack of trade progress strengthen the case for further stimulus. Chinese authorities still retain levers to do so. In monetary policy they could lower required reserve ratios or cut interest rates while they could also continue to engage in additional fiscal stimulus via the consumer or infrastructure channels. Protests in Hong Kong have extended to a 10th straight weekend and enacted an economic toll on the territory. They also pose political difficulties for Chinese authorities who appear content at present to not escalate tensions by intervening directly. This does pose a geopolitical risk however that we continue to monitor for any economic or market impact.

Europe

Trade concerns and a weak consumption outlook weigh on the European economy. Brexit re-emerged as a potential issue with the election of new British PM Boris Johnson and his rhetoric on "no deal" as a possible course of action. Weak survey data and growth prints suggests caution on the growth outlook remains warranted with renewed calls for ECB stimulus as well expected to be realised by the end of this year.

The UK has a new Prime Minister with former Foreign Secretary and London Mayor Boris Johnson succeeding Theresa May this week. It comes after a lengthy leadership challenge within the Conservative Party with Johnson beating rival Jeremy Hunt by a substantial margin in line with market expectations. A more committed Brexit stance was marked first by the removal of most of Theresa May's Cabinet and replacement by pro-Brexit MPs. Ongoing speeches and rhetoric by PM Johnson have reinforced market concerns that "no deal" is once again a live possibility. PM Johnson has explicitly stated his commitment to getting a deal through Parliament but also noted his willingness to proceed without a deal to allow the UK to move forward. He does not appear to consider himself

bound by his predecessor's deal with some anticipating either a re-negotiated deal or a snap election to consolidate his hold on power. These manoeuvres have contributed to currency volatility with the sterling falling against most major currencies. This situation may persist ahead of the next key Brexit deadline for the end of October. The UK has not done enough work to prevent substantial disruption if a "no deal" case was to occur although there have been some preparation moves to that effect. It remains to be seen how another extension will not occur given the costs not only to the UK but also the European Union.

Eurozone economic growth slowed to 0.2% for the June quarter and 1.1% on an annual basis, down from 0.4% in the March quarter. This was consistent with our discussion in the June quarterly that noted the weaker momentum coming through in recent European economic data. Inflation figures also remain subdued with headline inflation falling to 1.1% year-on-year in July, down from 1.3% in June with both figures well below the ECB target of 2%. These figures were disappointing with the Chinese slowdown and subdued domestic demand hurting German growth notably. The EU with its reliance on exports is reliant on other countries to generate demand for its goods. The current path has seen renewed calls for some fiscal stimulus and other intervention besides monetary policy although these do not appear to be forthcoming outside of French and Italian efforts with fiscal rectitude remaining in place for Germany in particular.

In their July meeting the European Central Bank (ECB) decided to leave rates on hold and expects key ECB rates to remain at their present or lower levels at least through the first half of 2020. President Draghi has also signalled a willingness for additional stimulus unless the European economy improves. This may unconventional measures such as quantitative easing re-enter the picture by the end of this year as well as another interest rate cut to see rates become more negative. Such measures were not discussed however so it is likelier that, consistent with past cases, they will first be discussed and then gradually implemented if the ECB deems necessary to support growth.

The Markit Eurozone Composite PMI fell in July to 51.5, down from its reading of 52.2 in June. The region's key manufacturing industry weakened further with a reading of 46.5 in July, down from 47.6 in June suggestive of ongoing weakness in manufacturing activity. July also saw the sharpest cuts in employment for over 6 years with only the Netherlands of the major European economies recording manufacturing expansion. Business confidence now sits at levels last observed coming out of the European sovereign debt crisis in late 2012. Outside of consumer goods the weakness has been broad-based with consumer demand still holding up relatively well. Lastly new order growth (a forward indicator for the future path of activity) continued to fall driven by a mix of trade tensions, ongoing difficulties in the auto sector and political fears that weighed on both domestic and foreign demand.

The Markit Services Sector PMI also fell to 53.2, down from 53.6 in June pointing to a weaker pace of expansion in services activity. Jobs growth continues as did new business orders both at a slower pace of growth however. The Eurozone economy has become considerably more reliant of the service sector to support overall expansion although these latest figures suggest that this is being increasingly eroded by manufacturing weakness. The overall pace of economic growth according to HIS Markit economists has slipped further to 0.1% quarterly growth. Key to the current outlook has been the consumer, supported by a strong labour market although with the signs of weakness in manufacturing hiring and softer growth amongst services firms this impulse may also fade further.

Italy has also re-emerged as a potential weak point. Coalition member, the Northern League, led by Deputy PM Matteo Salvini appears to be angling for a snap election. This follows a manoeuvre calling for a non-confidence motion on Friday against the presiding government. These moves saw Italian assets face pressure and potentially set the stage for further volatility should Salvini get his wish and emerge from the saga as Italian Prime Minister (assuming the Northern League translates its strong current polling into actual votes).

Company news (best and worst performers over the month of July)

Resolute Mining (RSG) and **St Barbara (SBM)** were notable beneficiaries of stronger gold prices. Declining bond yields have been a contributor to this dynamic as investors seek safe haven assets and precious metals become more attractive. This is particularly so when one factors in the portion of global bonds that offer a negative nominal yield. In the St Barbara case, the firm also successfully completed its acquisition of Canadian producer Atlantic Gold which further strengthened its resource base and earnings power.

A2 Milk Co (A2M) and **Bellamy's Australia (BAL)**

Benefitted from a positive result by rival Bubs Australia (ASX: BUB) in its own milk business. These have seen investors extrapolate on the trends Bubs is exposed to. The implication is that some of this optimism has been baked into the share price ahead of FY19 results.

Magellan Financial Group (MFG)

Magellan shares have seen a notable re-rating in recent months especially against larger peers such as Pendal (ASX: PDL). This follows continued inflows across its strategies in domestic, international and infrastructure equities and a sizeable performance fee component for FY19 of $83m (double that earned in FY18: $40m). These factors have seen investor sentiment shift further in favour of anticipating more inflows into Magellan strategies with the share price rallying as a result.

Speedcast International (SDA)

Speedcast shares fell sharply during July driven by a downgrade of its expected earnings. The business downgraded its full year EBITDA guidance from US$160m to US$171m to US$140m-US$150m, a decline of approximately 12.3%. This was driven by churning through existing customers in its Maritime business as well as weaker than expected contribution from its recent Globecom acquisition. While an earnings downgrade is always disappointing in this case it was coupled with concerns over the longer-term viability of the business. The firm has undergone a number of acquisitions in recent years funded by debt. Weaker underlying earnings increase the likelihood of not being able to meet its obligations contributing further to the drop in the share price.

CIMIC Group (CIM)

CIMIC Group shares were sold off during the month after a weaker than expected first half result. This was driven by a decline in construction revenue and profitability which given the context of a weaker residential market is not particularly surprising. However, this more than offset positive performance from the firm's mining services businesses with brokers disappointed by weak cash conversion.

AMP Ltd (AMP)

AMP struggled during July thanks to the breakdown of its deal with life insurance specialist Resolution to sell its life insurance book across both Australia and New Zealand. The deal faltered in part due to tighter restrictions by New Zealand regulator RBNZ. RBNZ had been insisting on the quarantining of assets backing New Zealand liabilities within New Zealand-based entities. This was a factor Resolution was unwilling to entertain. In addition, AMP saw changes in actuarial assumptions that wiped out several hundred million from the value of the insurance business. These saw market participants price in the prospect of a capital raising to help repoint the business given the absence of an asset sale that had been meant to go ahead. Subsequent to month-end we have seen a deal being agreed to with Resolution on more onerous terms while AMP also raised new equity to fund the repositioning of its wealth management business.

Sources: ASX company announcements, Bloomberg, Fund manager disclosures, *Australian Financial Review*, *Sydney Morning Herald*

Movers and Shakers for month of July 2019

ASX Code	Company Name	Closing price ($)	Month ago, close ($)	Month Δ (%)	Quarter ago close ($)	Quarter Δ (%)	Year ago, close ($)	Year Δ (%)
RSG	Resolute Mining Ltd	1.78	1.34	33.0	1.13	57.1	1.28	39.2
SBM	St Barbara Ltd	3.70	2.94	25.9	3.10	19.4	3.99	-7.3
A2M	A2 Milk Co Ltd	17.12	13.85	23.6	15.96	7.3	9.60	78.3
BAL	Bellamy's Australia Ltd	10.10	8.31	21.5	10.78	-6.3	11.00	-8.2
MFG	Magellan Financial Group Ltd	61.88	51.00	21.3	44.61	38.7	24.68	150.7
ELD	Elders Ltd	7.37	6.13	20.2	5.97	23.5	7.42	-0.6
NUF	Nufarm Ltd	4.88	4.10	19.0	5.06	-3.6	7.04	-30.6
ASB	Austal Ltd	4.05	3.41	18.8	2.67	51.7	1.71	136.8
TWE	Treasury Wine Estates Ltd	17.70	14.92	18.6	17.20	2.9	18.42	-3.9
BRG	Breville Group Ltd	19.23	16.36	17.5	19.24	-0.1	10.74	79.1

Source: Bloomberg, IOOF

ASX Code	Company Name	Closing price ($)	Month ago, close ($)	Month Δ (%)	Quarter ago close ($)	Quarter Δ (%)	Year ago close ($)	Year Δ (%)
SDA	Speedcast International Ltd	1.89	3.48	-45.8	3.88	-51.4	6.20	-69.6
CIM	CIMIC Group Ltd	36.69	44.77	-18.0	50.59	-27.5	48.33	-24.1
AMP	AMP Ltd	1.79	2.12	-15.6	2.27	-21.1	3.40	-47.4
PLS	Pilbara Minerals Ltd	0.47	0.55	-13.8	0.61	-23.0	0.88	-46.6
ABC	Adelaide Brighton Ltd	3.54	4.04	-12.4	4.33	-18.2	6.88	-48.5
NEA	Nearmap Ltd	3.37	3.78	-10.8	3.47	-2.9	1.50	124.7
ILU	Iluka Resources Ltd	9.62	10.77	-10.7	8.64	11.3	11.45	-16.0
CYB	CYBG Plc - CDI	3.10	3.42	-9.4	3.81	-18.6	6.06	-48.8
FMG	Fortescue Metals Group Ltd	8.33	9.02	-7.6	7.15	16.5	4.37	90.6
NHC	New Hope Corp Ltd	2.51	2.71	-7.4	2.69	-6.7	3.19	-21.3

Source: Bloomberg, IOOF

Long-term asset class performance to July 2019 (Total returns 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	2.9%	8.6%	18.7%	13.3%	11.7%	8.5%	11.7%	9.6%	9.2%	8.8%
	Australia - mid cap	4.9%	6.8%	15.7%	7.3%	10.8%	12.9%	14.9%	10.5%	9.5%	9.8%
	Australia - small cap	4.5%	4.1%	15.6%	7.6%	9.3%	9.2%	8.3%	5.9%	6.0%	5.8%
	Australia - micro cap	8.3%	10.1%	23.7%	7.4%	4.7%	7.8%	3.6%	3.7%	5.0%	N/A
	World ex Australia	2.3%	2.9%	15.3%	11.7%	14.1%	13.8%	17.6%	12.0%	7.4%	4.5%
	World ex Australia (Hedged)	1.1%	0.7%	9.9%	4.1%	11.5%	9.7%	13.4%	12.7%	9.1%	N/A
	World - small cap	2.5%	1.9%	11.7%	4.5%	12.4%	13.3%	17.9%	13.4%	8.7%	8.3%
	Emerging Markets	0.6%	-0.6%	6.2%	5.5%	12.0%	8.1%	10.1%	6.5%	8.9%	N/A
Property & Infrastructure	Australian Property	2.6%	9.5%	15.4%	21.2%	7.2%	13.1%	14.2%	14.0%	6.0%	N/A
	Global Property	2.2%	3.8%	9.6%	15.6%	6.3%	11.3%	13.4%	11.6%	N/A	N/A
	Global Property (Hedged)	1.0%	1.6%	4.7%	7.8%	4.1%	7.4%	9.8%	12.0%	N/A	N/A
	Global Infrastructure	1.4%	5.3%	15.3%	21.3%	12.0%	13.4%	16.1%	10.7%	N/A	N/A
	Global Infrastructure (Hedged)	0.0%	2.7%	9.8%	13.0%	9.1%	9.5%	12.2%	13.5%	N/A	N/A
Fixed income	Australia Total Market	0.9%	3.7%	6.9%	10.4%	4.3%	5.2%	5.0%	6.0%	6.0%	6.1%
	Australia government bonds	1.0%	4.0%	7.4%	11.2%	4.2%	5.3%	4.9%	6.0%	6.0%	6.1%
	Australia corporate bonds	1.0%	3.1%	6.1%	8.9%	5.0%	5.2%	5.5%	6.4%	6.3%	6.3%
	Australia floating rate bonds	0.5%	0.9%	2.1%	3.3%	3.1%	3.1%	3.6%	4.4%	4.7%	5.0%
	Global Total Market (Hedged)	0.5%	3.2%	5.1%	7.8%	3.1%	4.9%	5.1%	6.5%	6.8%	7.1%
	Global government bonds (Hedged)	0.5%	3.4%	4.9%	7.7%	2.8%	5.0%	5.1%	6.3%	6.8%	N/A
	Global corporate bonds (Hedged)	0.6%	3.6%	6.8%	9.0%	4.0%	5.3%	5.8%	7.8%	7.1%	N/A
	Global high yield bonds (Hedged)	0.7%	2.5%	5.6%	7.0%	6.6%	6.2%	8.0%	11.2%	9.7%	N/A
	Emerging Market bonds (Hedged)	1.2%	5.1%	7.7%	10.3%	5.1%	6.0%	6.1%	9.4%	9.5%	11.2%
Cash	Bloomberg AusBond Bank Bill Index	0.1%	0.4%	0.9%	1.9%	1.8%	2.1%	2.3%	3.0%	4.0%	4.3%

Source: Bloomberg, IOOF

* AUD total returns as at Jul-19 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
Australia - mid cap	S&P/ASX Accumulation Midcap 50 Index
Australia - small cap	S&P/ASX Accumulation Small Cap Ordinaries Index
Australia - micro cap	S&P/ASX Emerging Companies Total Return Index
World ex Australia	MSCI World ex Australia Net Total Return (in AUD)
World ex Australia (Hedged)	MSCI World ex Australia Hedged AUD Net Total Return Index
World - small cap	MSCI World Small Cap Net Total Return USD Index (in AUD)
Emerging Markets	MSCI Emerging Markets EM Net Total Return AUD Index
Australian Property	S&P/ASX 200 A-REIT Accumulation Index
Global Property	FTSE EPRA/NAREIT Developed Index Net Total Return (in AUD)
Global Property (Hedged)	FTSE EPRA/NAREIT Developed Index Net Total Return (Hedged to AUD)
Global infrastructure	FTSE Global Core Infrastructure 50/50 Net Total Return in AUD
Global infrastructure (Hedged)	FTSE Global Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index
Australia Total Market	Bloomberg AusBond Composite 0+ Yr Index
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 Total Market (Hedged)	Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
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	Bloomberg AusBond Bank Bill Index

Research Analyst – Cameron Curko

Approved By – Matt Olsen

Research Analyst Disclosures:

I, Cameron Curko, hereby certify that all the views expressed in this report accurately reflect my personal views about the subject investment theme and/or company securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

I, Cameron Curko, and/or entities in which I have a pecuniary interest, have an exposure to the following securities and/or managed products mentioned in this report: Pinnacle Investment Management (PNI)

Important Information

This report is prepared by Bridges Financial Services Pty Limited ABN 60 003 474 977 AFSL 240837 (Bridges). Bridges is an ASX Market Participant and part of the IOOF group of companies.

Bridges and/or its associated entities, directors and/or its employees may have a material interest in, and may earn brokerage from, any securities or other financial products referred to in this document, or may provide services to the company referred to in this report. The document is not available for distribution outside Australia and may not be passed on to any third person without the prior written consent of Bridges. Bridges and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firms or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as a single factor in making an investment decision.

The document is current as at the date of issue but may be superseded by future publications. You can confirm the currency of this document by checking the intranet site (links below).

The information contained in this report is for the sole use of advisers and clients of AFSL entities authorised by Bridges in writing. This report may be used on the express condition that you have obtained a copy of the Bridges Financial Services Guide (FSG) from the website www.bridges.com.au/fsg

Disclaimer: The information in this report is general advice only and does not take into account the financial circumstances, needs and objectives of any particular investor. Before acting on the advice contained in this document, you should assess your own circumstances or seek advice from a financial adviser. Where applicable, you should obtain and consider a copy of the Product Disclosure Statement, prospectus or other disclosure material relevant to the financial product before making a decision to acquire a financial product. It is important to note that investments may go up and down and past performance is not an indicator of future performance.

The contents of this report should not be disclosed, in whole or in part, to any other party without the prior consent of Bridges. To the extent permitted by the law, Bridges and its associated entities are not liable for any loss or damage arising from, or in relation to, the contents of this report.

For information regarding any potential conflicts of interest and analyst holdings; IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team please visit https://www.ioof.com.au/adviser/investment_funds/ioof_advice_research_process