Australian Monthly Wrap

May Economic Wrap

In a nutshell, both leading and hard economic data point to ongoing resilience in the global economy led by the US and China. Europe has faltered notably and was the key geopolitical contributor this month with Italy adding some political risk into investors' calculations at the prospect of a constitutional crisis there. Australia continues to track in a mixed fashion, on the one hand headline growth is strong with the economy expanding at 3.1% p.a. into March, but on the other hand, wage growth and inflation both remain limited tracking at 2.1% and 1.9% respectively.

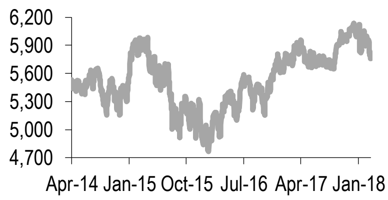
In markets, May was marked by the ongoing strength of the US Dollar which appreciated against its major partners driven in part by the relative outlook between the US economy and the rest of the world, notably Europe. US leading economic indicators and hard data are holding up. The European outlook appears weaker with forecasters and leading economic data points retreating from the optimism that marked the start of the year. Inflation expectations also drove bond yields higher in the US with the 10-year trading at the 3% yield level for the first time in several years before falling due to geopolitical concerns over Italy as well as some renewal of trade war fears.

Key economic news – The Reserve Bank of Australia left the cash rate on hold at 1.50% as expected. Wage growth remains muted with wages stuck at the 2.1% annual growth figure first reported in December last year and repeated in the latest March data (released in May). Australian GDP for the Mar-18 quarter grew at 3.1% year-on-year driven by net exports and ongoing government spending. The Federal Budget was handed down earlier in the month with an increase in revenues allowing the government to dispense personal income tax cuts over the next several years as well as reforming the superannuation industry to cut down on excessive fees, both for investment management and life insurance.

Key company news –

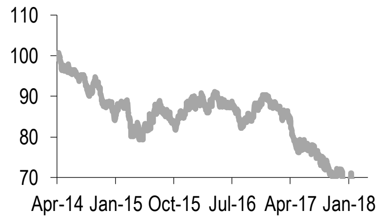
Seven West Media (ASX: SWM) benefited from a stronger television advertising market while Wisetech (ASX: WTC) saw a re-rating of market expectations with a revenue upgrade to start the month that saw the company reach new highs after plunging over 40% on its half-year earnings results and initial guidance. Metcash (ASX: MTS) saw its price deteriorate with the news that it was losing key South Australian customer Drakes Supermarkets which accounted for $270m in FY18 sales. The company added a results downgrade with a $352m impairment charge mainly to goodwill reflecting weakness in the WA economy and the loss of Drakes. Link Administration Holdings (ASX: LNK) saw a downgrade in investor expectations following the Budget announcements targeted at reforming super, reducing the duplication of accounts for Australian workers with forecasts envisaging a potential $55m hit to revenues.

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)				Best and Worst S&P/ASX 200 Performers			
	Monthly	%Δ	Quarterly	%Δ	Top five stocks		Bottom five stocks	
▲	Consumer Discretionary	4.90	Consumer Discretionary	4.85	**Monthly**			
▼	Consumer Staples	-0.35	Consumer Staples	3.13	Seven West Media Ltd	+47.7%	Metcash Ltd	-19.4%
▲	Energy	0.23	Energy	7.89	Wisetech Global Ltd	+46.4%	Link Administration Hldgs	-17.8%
▼	Financials ex Property	-1.84	Financials ex Property	-7.64	Blackmores Ltd	+29.3%	Automotive Holdings Grp	-17.3%
▼	Financials	-1.84	Financials	-7.64	IDP Education Ltd	+26.0%	Greencross Ltd	-15.3%
▲	Health Care	5.59	Health Care	8.76	Reliance Worldwide Corp	+25.3%	Technology One Ltd	-13.5%
▲	Industrials	1.10	Industrials	3.13	**Quarterly**			
▲	IT	1.41	IT	2.04	Reliance Worldwide Corp	+38.2%	Retail Food Group Ltd	-59.8%
▲	Materials	1.87	Materials	3.42	Wisetech Global Ltd	+38.0%	AMP Ltd	-26.3%
▲	Property Trusts	3.08	Property Trusts	7.38	IDP Education Ltd	+33.7%	Perpetual Ltd	-26.0%
▼	Telecommunications	-10.15	Telecommunications	-14.06	Saracen Mineral Holdings	+33.3%	Automotive Holdings Grp	-25.1%
▲	Utilities	0.88	Utilities	2.22	APN Outdoor Group Ltd	+32.3%	Greencross Ltd	-23.3%

Source: Bloomberg, IOOF

Equity review

Major Market Performance, April 2018

	Australian Indices	May-18 Price	1M return (%)	Feb-18 Price	3M return (%)
▲	S&P/ASX 200	6012	0.49	6016	-0.11
▲	All Ordinaries	6123	0.85	6117	0.06
▲	Small Ordinaries	2837	3.68	2748	3.04
	US Indices				
▲	S&P 500	2705	2.16	2714	0.38
▲	Dow Jones	24416	1.05	25029	-1.44
▲	Nasdaq	7442	5.32	7273	2.60
	Asia Pacific Indices				
▼	Hang Seng	30469	-1.10	30845	-1.82
▼	Nikkei 225	22202	-1.18	22068	0.62
	UK & Europe Indices				
▲	FTSE 100	7678	2.25	7232	6.33
▼	CAC40	5398	-2.21	5320	2.01
▼	DAX Index	12605	-0.06	12436	2.80

Source: Bloomberg, IOOF

US equity market

The S&P 500 index finished the month up 2.2%. The market performance was mixed with seven sectors in the green, four in the red and one flat. The worst performers were telecommunication stocks (down 2.3%), consumer staples (down 1.8%) and utility stocks (down 1.7%). Technology stocks were the stand out (up 7.1%) with positive months for industrials (up 2.7%) and energy shares (up 2.5%). Technology stocks benefited from Apple's surge over the month thanks to a strong March quarter report that showed double-digit revenue increases year-on-year from iPhone sales with paid subscriptions also rising strongly by 100m to 270m users as at the end of March.

Australian equity market

The S&P/ASX 200 index finished the month up 0.5%. On a sector level, the best performers were healthcare (up 5.6%), consumer discretionary (up 4.9%) and real estate (up 3.1%). The worst-performing sectors were again telecommunications (down 10.2%) and financials (down 1.8%).

Fixed Income

	Fixed Income	May-18 yield	1M mvt (bps)	Feb-18 yield	3M mvt (bps)
	Aussie Cash rate	1.50	--	1.50	--
▼	10-year Bond Rate	2.67	-0.10	2.81	-0.16
▼	3-year Bond Rate	2.10	-0.08	2.09	0.00
▼	90 Day Bank Accepted Bills SFE-Day	1.98	-0.05	1.7887	0.18
▼	US 10-year Bond Rate	2.86	-0.09	2.86	-0.01
▼	US 3-year Bond Rate	2.55	-0.08	2.41	0.13

Source: Bloomberg, IOOF

During the month of May, the Australian yield curve flattened with long term rates falling more than short term rates. The Australian 3-year bond yield fell 8bps and the 10-year bond yield fell 10bps. The U.S. yield curve steepened fractionally with the 3-year bond yield falling 8bps and the 10-year bond yield falling by 9bps. The U.S. 10-year hit a new high of 3.13% during the month before retreating substantially. That retreat and likewise the fall in Australian bond yields was driven by geopolitical events, in particular rising trade tensions as well as a sharp "risk-off" sentiment that accompanied political ruptures in Italy. These pressures have since abated in the latter case with the formation of a coalition government in Italy resolving the immediate concern of another Eurozone crisis. Trade tensions remain however and may weigh on bond yields in June as the market also anticipates another Federal Reserve rate increase to a range of 1.75% - 2%.

Last month we highlighted the 3-month bank bill rate continued to hold at elevated levels. It has since fallen slightly by 6bps which will help alleviate funding pressures for Australian companies, particularly the banks, who will feel slightly less pressured to increase rates to preserve their net interest margin (i.e. what they charge customers minus the cost of borrowing). That being said, short-term borrowing costs are higher at the end of May compared to a year ago but the trend at present appears positive with concerns about Italy being quarantined there at present and not spilling over into other markets. As Deputy RBA Governor Christopher Kent noted in his speech last week this upward shift in costs is driven by structural issues in the US and not by concerns of systemic financial risk (short-term rates soared heading into the financial crisis serving as an initial warning signal).

Currencies

	Currencies	May-18 Price	1M return (%)	Feb-18 Price	3M return (%)
▲	$A vs $US	75.68	0.50	77.62	-2.50
▲	$A vs GBP	56.91	4.02	56.41	0.90
▲	$A vs YEN	82.36	0.02	82.80	-0.54
▲	$A vs EUR	64.72	3.82	63.65	1.68
▲	$A vs $NZ	108.11	1.00	107.64	0.44
▲	$US vs EUR	85.53	3.31	82.01	4.29
▲	$US vs GBP	75.21	3.52	72.68	3.48
▼	$US vs CHF	98.58	-0.51	94.46	4.36

Source: Bloomberg, IOOF

The Australian dollar (AUD) was up against major global currencies in May rising to USD 0.7568 on the back of positive news over US-China trade talks as well as strong Chinese PMI data in mid-May. It pared back some of these gains as tensions rose over US-China trade and concerns over the Eurozone in the wake of Italy's short-lived constitutional crisis discussed above. As we have mentioned before, AUD is often treated as a "risk-on" asset that trades well when investors have appetite for riskier assets such as equities. As such the positive movement over the month reflects the ongoing demand for risk assets in May even with a mix of regional and geopolitical concerns. The interest rate gap to the US is likely to play an important role going forward as a headwind against further appreciation especially given the Federal Reserve is expected to increase rates to 1.75%-2% range while the RBA held rates steady at 1.5% in mid-June.

The US Dollar (USD) continued to appreciate over the month on the back of solid economic data and relative weakness in both Europe and the UK.

Commodities

	Commodities	May-18 Price	1M return (%)	Feb-18 Price	3M return (%)
▲	Aluminium	2298	1.47	2135	6.56
▼	Copper	307	-0.29	315	-2.62
▲	Nickel	15166	11.34	13805	9.21
▼	Gold	1305	-1.55	1330	-1.70
▲	Silver	16	0.35	16	0.19
▲	Crude Oil - Brent	78	3.22	66	17.39
▲	Lead	2455	5.80	2504	-2.85
▼	Zinc	3106	-0.75	3447	-9.05
▲	Iron Ore	65.95	1.04	77.46	-14.77

Source: Bloomberg, IOOF

Commodity prices ended May on a positive note with a few exceptions in Copper and Gold. The weakness in gold even given the concerns over Italy was attributable to a stronger US economy and the implications this has for US interest rate policy with another Federal Reserve rate increase expected in June. Historically gold has an inverse relationship with US real interest rates tending to fall as real rates rise (or are anticipated to rise). Given the immediate outlook for US monetary policy we expect this rising real interest rate dynamic to weigh on gold notwithstanding the possibility of a gold rally on geopolitical tensions. On that note the fact that gold prices have not faded more in recent months given this interest-rate headwind is notable, indicating that perhaps the geopolitical risk premium may be reappearing after the Trump Administration, the Fed and North Korea's contributions this year to global volatility.

Crude Oil enjoyed another positive month thanks to geopolitical headlines especially those pertaining to Venezuela, Iran and lastly, OPEC (a cartel of major oil-producing countries). US sanctions against Iran and Venezuela as well as Venezuelan problems with maintaining oil production prompted speculation of reduced oil supply, contributing to a rally in prices. This was partly offset by speculation that OPEC and Russia will look to curb their production cuts following their June 22nd meeting.

Nickel prices rose on the back of diminished supply with stocks in Chinese warehouses and those controlled by the LME declining over the month. This was driven by stronger steel demand as well as optimism over the use of nickel in electric vehicle applications where it is an important element for battery production.

Australia

The RBA left the cash rate on hold at 1.50% in May in line with market expectations. GDP growth numbers in early June for the March quarter endorsed the case for the RBA's growth forecast of above 3% for 2018 with the economy growing 3.1% on an annualised basis. Net exports played an important role contributing 0.3% to the quarterly growth of 1%. However, the release of international trade data showing a reduction in net exports for April dimmed the forward outlook with this result implying net exports should make a weaker contribution to GDP for the June quarter.

Minutes from the May board meeting maintained optimism at the growth trajectory of the Australian economy. The RBA board also focused on the growing depth of Australian ties to China with trade still weighted towards bulk commodities but also beyond these in both tourism and education. The Chinese financial system also featured in discussion as a potential headwind to the Australian economy if the Chinese authorities are unsuccessful in their efforts to manage the sizeable build-up of debt that has accompanied their economic growth over recent decades.

The Budget was handed down in early May with better than expected revenues allowing the government to implement income tax cuts that in addition to stimulating the economy also combat "bracket creep". "Bracket creep" is a side-effect of Australian tax scales not being inflation-linked which means people will gradually be pushed into "higher" tax brackets as wages increase with inflation, making them worse-off after tax. Historically government policy has been to pass on income tax cuts in an ad hoc fashion to combat this problem. There were a few notable mentions with reforms to life insurance and administration of accounts in superannuation adversely affecting life insurers and listed company Link (ASX: LNK). Some initial estimates see the group life insurance industry losing a quarter of its revenues as a result of removing the "opt-out" clause from life insurance in superannuation. In keeping with this focus, incomes once retired also featured with the Budget serving as a launching point for an industry-wide discussion on the creation of viable income-providing products seen as benefiting the likes of Challenger (ASX: CGF). On balance the budget was stimulative but given the staggered nature of the tax cuts (to be phased in gradually over several years and require passing through Parliament) not majorly so. Australia's AAA rating was retained but S&P maintained its negative outlook based on systemic risk concerns over high household debt levels coupled with high housing prices leaving the consumer sector over-leveraged in their view and the banking sector concentrated in its exposure to this risk.

Retail sales in April, released in early June, highlighted a bounce in consumer spending with 0.4% growth (consensus: 0.3%) on the March result ahead of expectations. This was across most categories with cafes and restaurants (up 1.3%) leading the way while clothing (down 0.8%) and department stores (down 0.9%) were the sole detractors. As we noted last month, the retail trade series offers a useful guide into how the quarterly numbers play out with consumer demand in March a weaker contributor. Conversely the solid start to the June quarter with this April result, if it continues, should bode well for June GDP figures.

The Australian economy added 22.6k net jobs in March (consensus: 20k), comprising of a 32.6k rise in full-time employment offset by a 10k decline in part-time employment. This regained some of the momentum from 2017 with full-time employment growth now slightly positive for 2018 while part time jobs have grown 0.8% from 3.93m to 3.96m. The unemployment rate rose by 10bps to 5.6% (consensus: 5.5%) while the participation rate rose to 65.6% from 65.5%. It is important to note that when you read the headline unemployment rate, the 5.6% figure can be misleading as a measure. This is because a key determinant of the unemployment rate is the participation rate and you need to examine the change of the two to help assess labour market strength. For April, if we had held the participation rate constant the unemployment rate would have remained flat at 5.5% and taken the edge off some of the initial commentaries focused on the rise in unemployment. Rising participation, all else being equal, is a good sign telling us that some of the people who had given up on seeking work (and been removed from the statistics as a result) were re-engaging i.e. a positive sign of confidence that they can get a job. This interpretation is what the RBA has been calling out in recent months to justify its belief in wage inflation confirming other data such as rising job advertisements by growing more strongly going forward.

United States

The U.S. Federal Reserve ("The Fed") held the federal funds rate steady at 1.75% as expected and continued its positive economic outlook. The Fed is expected to increase rates by another 0.25% in June. This result comes on the back of continued strength in the US labour market with the unemployment rate at its lowest in almost 18 years at 3.9%. US wage growth held steady at 2.6% (consensus: 2.7%) slightly below market expectations as was core CPI with annualised growth of 2.1% (consensus: 2.2%) in line with the March inflation print. The Fed's preferred PCE measure held steady at 1.8% slightly below its long-term goal of 2% inflation. Futures pricing still implies a final rate of 2.25% to close out 2018 (i.e. two more hikes including the mid-June one).

The Markit Services PMI rose strongly to 56.8 growing 2.4 points from its April reading of 54.6. This was driven by a surge in jobs growth as companies worked to meet rising demand for services across the US economy with backlogs of work accumulating at the fastest pace in over 3 years. Manufacturing conditions were flat with the Markit Manufacturing PMI falling fractionally from its April reading of 56.5 to 56.4 with input costs remaining high and pressure on supply chains contributing to the slight worsening. The overall composite rose to 56.5 from 54.9 in April with this reading consistent with a US economy growing at an annual rate of approximately 3.5% bolstering expectations of underlying US economic strength in 2018 particularly relative to other developed markets such as the European Union.

China

Chinese industrial output expanded by 7% year-on-year in April (consensus: 6.3%) ahead of market expectations while conversely, fixed-asset investment growth slowed to 7% per annum (consensus: 7.4%). Retail sales expanded less than expected at 9.4% per annum (consensus: 10%) with economists sticking by forecasts that economic growth will slow from the March quarter print of 6.8%. The Markit manufacturing PMI for May was 51.1, unchanged from the April print. New orders grew at a slightly faster pace in May with input buying also growing but at a slower rate than observed in April. The employment index fell in May reflecting the broader trend in recent years with the latest efforts largely tied to cost-cutting efforts. Manufacturing business expectations remain positive for the next year with forecasts of rising customer demand and new product launches. Services activity was steady at 52.9 in line with its April reading. The employment index continued to rise indicating stronger growth in labour supply which was offset by slightly weaker demand for new business. Input costs also continued to rise after slowing for three consecutive months while business expectations for the next year rose to their highest level since June 2017. Both manufacturers and services companies cited ongoing capacity pressures reflecting higher levels of backlogged work which was flowing through to costs with prices charged at the composite level for inputs and outputs (i.e. both manufacturing and services companies) growing.

Europe

The February Italian elections came back to add to market volatility around the world after a ruling coalition appeared to have formed between populist, Eurosceptic parties Five Star and the Northern League. President Mattarella rejected the coalition's pick for Economy Minister and instead named an interim prime minister in Carlo Cottarelli to form a caretaker government. This sequence of events sparked fears of a "lame duck" government that would be thrown out by populists on fresh elections later in 2018 where, given a stronger mandate, they could press forward with threats to withdraw Italy from the European Union. However, on 1 June a coalition government was eventually formed with the second list of ministers being approved by President Mattarella after the efforts to form a caretaker government failed. The concerns about Italy remain and may yet come to a head with the ruling coalition pressing ahead with strong spending plans that will test the EU's fiscal rules that look to constrain budget deficits to be no more than 3% of GDP. At present, however market concerns have stabilised with the spread between German and Italian 2-year bonds dropping dramatically from 2.73% on 29 May to 1.68% on 1 June after the coalition government was successfully formed. That period of a week added to market volatility and was a key driver of lower bond yields highlighted above.

The ECB left its interest rate settings unchanged. Speculation is ongoing however that the June meeting will lead to a firmer guidance as to when it will end the asset purchase program which helped trigger a surge in the Euro against major currencies in early June. Monetary policy in the near-term is expected to remain accommodative even with headline inflation rising to 1.9% year-on-year (April: 1.2%) as core inflation remains low at 1.1% (April: 0.7%) and significant slack persists within the labour market.

The Bank of England left interest rates unchanged at 0.5% in its May meeting following on from the release of weaker economic data in recent weeks. The Bank also lowered its growth forecast for 2018 down to 1.4% from its February prediction of 1.8% due to the economic disruption caused by bad weather in March with Governor Carney reiterating his view that rates are likely to rise this year given the resilience of the "underlying pace of growth".

The Markit Eurozone Composite PMI fell for the third month in a row to 54.1 from a reading of 55.1 in April, its lowest since November 2016. Weakness was observed in both manufacturing and services industries falling from 56.2 to 55.5 and 54.7 to 53.8 respectively.

In the manufacturing industry, operating conditions continued to improve but the expansion remains broad-based with multiple sectors continuing to show growth although the weakest of these was in the consumer goods space. The outlook remains positive with companies on balance expecting output to expand in one year's time and continuing to grow their new hires with staffing levels rising for a forty-fifth consecutive month. In the services space, Italy recorded the weakest growth of the four-largest EU-member states for the fourth consecutive month with the economic outlook darkening on the back of weaker consumer demand.

Emerging Markets

In the Emerging Markets space a running theme has been the vulnerability of these economies to a rising US Dollar. On that note two countries have featured prominently, Argentina and Turkey. Turkey has found itself embattled in the currency markets as investors lost confidence over the influence wielded by President Erdogan over monetary policy ahead of elections on 24 June and the central bank's ability to rein in double-digit inflation. Turkey has raised interest rates to 17.75% as of 8 June (up 4.25% since late May) in a bid to combat rising inflation and shore up confidence in the currency. These pose sizeable economic headwinds to the country while it faces an ongoing militant presence in its South-East and is engaged in military adventures in Syria to combat Iranian influence there. Argentina was another country that found itself struggling due to rising US financing costs with the strength of the dollar undermining the economic recovery there. In early June, a successful financing arrangement with the IMF was announced which should help stave off the currency depreciation for now.

Company news (best and worst performers over the month)

Seven West Media (SWM) saw earnings upgraded on the back of increased television advertising growth with UBS analysts noting that for every 1% increase in overall television advertising spending, SWM gains $5m to its bottom line. Earnings before interest expense and tax (EBIT) for FY18 were guided to be $230m, the midpoint of previously iterated guidance with strong growth in the company's online offering Seven Plus also a highlight.

Wisetech Global (WTC) upgraded its revenue and earnings forecasts for the full year ahead of its Investor Day briefing to start May. This saw revenue growth upgraded from 207m-217m to 210m-220m and EBITDA flat at 71m-75m. The Investor Day itself was well-received with the stock appreciating materially on the back of clearer messaging on recent acquisitions as well as articulation of the vision for the company's future (including expansion into other verticals).

Blackmores (BKL) was another beneficiary of shareholder briefings with its articulation of a clearer direction for engagement with China ranging from retail buyers in Australia (known as *daigou*) to engaging proactively with regulatory bodies ahead of upcoming changes. The company also highlighted its recent Catalent Australia acquisition that is EPS accretive in its first year and consolidates a considerable share of production under Blackmores' direct control with the facility able to produce up to 50% of the company's manufacturing requirements for soft gel capsules and solid dose tablets.

IDP Education (IEL) benefited from its inclusion in the ASX200 which saw passive mandates increase allocations. The company also announced a global digital education platform that saw it partnering together with the 44bn Nasdaq-listed Cognizant to connect people across the education spectrum from students to universities and, across multiple channels including mobile and social media.

Reliance Worldwide Corporate (RWC) saw an uplift in its share price following the proposed acquisition of counterpart John Guest, a leading manufacturer of plumbing technology for 1.22bn that expands the firm's geographic footprint in both the UK and continental Europe substantially.

Metcash (MTS) slumped on the news of planned construction for a new distribution centre to service independent grocers in South Australia but without the commitment of key customer Drakes Supermarkets to be supplied from the facility. That admission coupled with the guidance that total sales for its Supermarkets and Convenience section are expected to fall 1.2% for FY18 coupled together to see the share price fall almost 18% on the day and down for the month overall.

Link Administration Holdings (LNK) fell on the back of lower investor expectations with the Budget briefing including measures that were negative on balance for its superannuation administration business. These measures include the quarantining of low balance funds under the ATO's jurisdiction as well as capping total fees charged to these accounts with implementation proposed for 31 October 2019 (i.e. it won't affect FY19 earnings). The plan to consolidate super accounts is also damaging to future revenues with the reduction in future administration fees the firm would have otherwise expected to earn. In addition to the Budget piece, the firm guided the loss of 1% of its revenue with the failure to renew CareSuper in its Fund Administration services contract.

Automotive Holdings Group (AHG) sank following a disappointing trading update with the firm highlighting weakness in maintaining profit margins in its Automotive retail business as well as the slower than expected recovery in private buyers for its Western Australian operations with full-year operating NPAT guided to be $75m, a downgraded from its reported $75m for FY17.

Greencross (GXL) was sold off after a disappointing update that saw it forecast underlying full-year EBITDA to $97m-$100m down from $104m in FY17 that was driven by a failure to improve performance in its veterinary division as well as the need to reinvest more in its IT infrastructure. The company also disclosed, with the arrival of its new CEO, some $16m-$20m worth of non-cash impairments arising from the impairment of existing internal projects, provisioning for slow-moving inventory and expected restructuring costs.

Technology One (TNE) disappointed in its first-half results with negative operating cashflows and disappointing results in its consulting segment with a loss of $0.5m (HY17: -$0.3m) driven by a longer than expected period in getting the firm's UK operations to breakeven scale. This, coupled with the difficulty of gradually switching to a SAAS-business model rather than selling one-off licences saw the market downgrade expectations even though the firm still guided to a 10% to 15% rise in its full-year earnings.

Source: ASX company announcements, Bloomberg

Movers and Shakers for April 2018

ASX Code	Company Name	Closing price ($)	Month ago, close ($)	Month ∆ (%)	Quarter ago close ($)	Quarter ∆ (%)	Year ago, close ($)	Year ∆ (%)
SWM	Seven West Media Ltd	0.82	0.56	47.7	0.63	30.2	0.70	17.1
WTC	Wisetech Global Ltd	14.70	10.04	46.4	10.65	38.0	7.22	103.6
BKL	Blackmores Ltd	152.49	117.97	29.3	128.40	18.8	102.02	49.5
IEL	IDP Education Ltd	9.68	7.68	26.0	7.24	33.7	4.46	117.0
RWC	Reliance Worldwide Corp Ltd	5.75	4.59	25.3	4.16	38.2	3.20	79.7
IPH	IPH Ltd	4.50	3.66	23.0	3.55	26.8	4.60	-2.2
CGF	Challenger Ltd	12.89	10.80	19.4	12.60	2.3	12.79	0.8
SUL	Super Retail Group Ltd	8.49	7.21	17.8	6.80	24.9	7.70	10.3
DMP	Domino's Pizza Enterprises	49.23	42.17	16.7	39.39	25.0	57.47	-14.3
IOF	Investa Office Fund	5.05	4.39	15.0	4.23	19.4	4.72	7.0

Source: Bloomberg, IOOF

ASX Code	Company Name	Closing price ($)	Month ago close ($)	Month ∆ (%)	Quarter ago close ($)	Quarter ∆ (%)	Year ago close ($)	Year ∆ (%)
MTS	Metcash Ltd	2.90	3.60	-19.4	3.24	-10.5	2.05	41.5
AHG	Automotive Holdings Group Ltd	2.78	3.38	-17.8	3.71	-25.1	2.94	-5.4
LNK	Link Administration Holdings	6.86	8.30	-17.3	8.57	-20.0	7.46	-8.1
GXL	Greencross Ltd	4.50	5.31	-15.3	5.87	-23.3	5.63	-20.1
MYO	MYOB Group Ltd	2.81	3.25	-13.5	3.16	-11.1	3.55	-20.8
TNE	Technology One Ltd	4.30	4.96	-13.3	4.80	-10.4	5.63	-23.6
TWE	Treasury Wine Estates Ltd	16.58	19.07	-13.1	17.50	-5.3	13.02	27.3
A2M	A2 Milk Co Ltd	9.93	11.31	-12.2	12.23	-18.8	3.18	212.3
TLS	Telstra Corp Ltd	2.80	3.18	-11.9	3.35	-16.4	4.40	-36.4
ORI	Orica Ltd	17.67	19.88	-11.1	18.65	-5.3	19.68	-10.2

Source: Bloomberg, IOOF

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

					Annualised						
	Asset	1-mth	3-mth	6-mth	1-yr	3-yr	5-yr	7-yr	10-yr	15-yr	20-yr
Shares	Australia	1.1%	1.1%	2.8%	9.6%	5.9%	8.8%	8.3%	5.2%	9.4%	8.6%
	World ex Australia	0.4%	2.6%	1.8%	9.7%	8.1%	14.9%	14.2%	7.9%	7.1%	4.3%
	World ex Australia (Hedged)	1.3%	1.0%	2.1%	11.3%	8.7%	12.2%	12.3%	8.1%	10.2%	N/A
	Emerging Markets	-3.8%	-2.9%	1.2%	12.2%	6.6%	9.6%	6.9%	4.0%	10.3%	N/A
Property	Australian Property	3.1%	7.8%	1.0%	5.3%	7.4%	11.3%	13.1%	4.5%	5.5%	N/A
	Global Property	1.1%	7.6%	-3.4%	-0.2%	4.7%	10.6%	11.5%	5.9%	N/A	N/A
Fixed income	Australia government bonds	0.8%	1.3%	0.6%	1.4%	2.8%	4.0%	5.2%	6.0%	5.4%	N/A
	Australia corporate bonds	0.5%	0.8%	1.0%	2.9%	3.7%	4.6%	5.7%	6.6%	5.9%	6.1%
	Australia floating rate bonds	0.2%	0.4%	1.1%	2.7%	2.9%	3.2%	3.9%	4.4%	4.9%	N/A
	Global government bonds (Hedged)	0.3%	1.1%	0.7%	1.8%	3.5%	4.8%	5.9%	6.8%	6.5%	N/A
	Global corporate bonds (Hedged)	0.3%	0.0%	-1.0%	1.1%	3.9%	5.0%	6.5%	7.6%	6.9%	N/A
	Global high yield bonds (Hedged)	-0.8%	-1.0%	-1.1%	1.7%	6.3%	6.8%	8.6%	10.1%	10.4%	N/A
	Emerging Market bonds (Hedged)	-1.0%	-2.4%	-4.0%	-1.1%	5.0%	5.4%	7.2%	8.4%	9.5%	9.9%
Cash	S&P/ASX Bank Bill Index	0.2%	0.5%	0.9%	1.8%	2.0%	2.2%	2.8%	3.4%	N/A	N/A

Source: Bloomberg, IOOF

* AUD total returns as at May-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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Research Analyst Disclosures:

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