February Monthly Market Review

How the different asset classes have fared:
(As at 28th February 2019)

February was another month of strong gains in most share markets as they recovered from the sharp selloff experienced in December 2018.

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr %	YTD %	6 Mo %	3 Mo %	1 Mo %
Cash[1]	3.03	2.14	1.91	1.99	0.35	0.99	0.51	0.17
Australian Bonds[2]	5.33	4.70	3.47	6.16	1.58	3.42	3.11	0.94
International Bonds[3]	6.50	4.54	2.93	3.65	1.03	2.32	2.48	0.07
Australian Shares[4]	11.26	7.39	12.74	6.56	10.29	-0.68	9.79	6.05
Int. Shares Unhedged[5]	11.91	11.77	12.87	10.25	9.97	-1.67	5.23	5.58
Int. Shares Hedged[6]	15.24	9.48	13.32	2.59	10.88	-3.42	1.59	3.44
Emerging Markets Unhedged[7]	8.85	8.62	14.59	-1.74	7.99	1.78	8.70	2.63
Listed Infrastructure Unhedged[8]		12.40	10.99	22.78	9.63	7.99	8.88	5.38
Australian Listed Property[9]	13.72	10.87	6.61	24.41	9.92	3.72	6.96	2.54
Int. Listed Pty Unhedged[10]	14.66	13.20	8.94	18.88	7.86	4.38	9.73	1.80

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

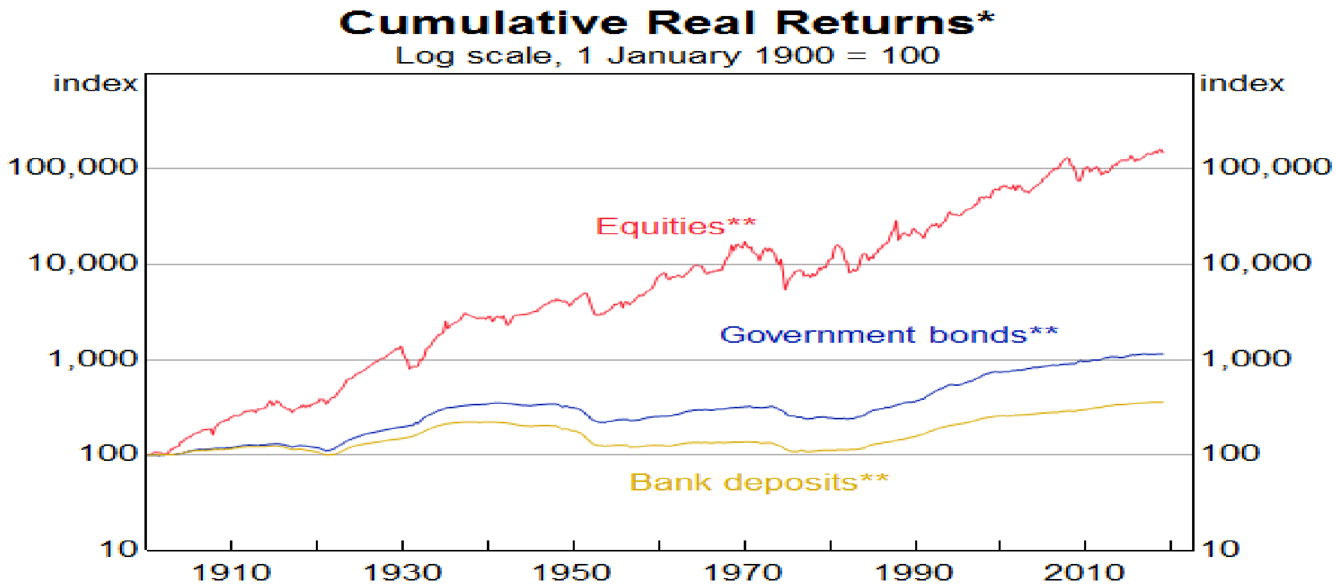
In these volatile times it is important to recognise that investing should be undertaken with a longer-term time horizon in mind.

The first chart below from the Reserve Bank of Australia shows the cumulative real returns (that is inflation adjusted returns) for shares, bonds and cash going back to 1900. Investing in shares has been the best way to grow real wealth above the rate of inflation over time. However, the share market delivers these good returns with a considerable amount of volatility.

The second chart below shows the share market and the various “crashes” and “crisis” we have experienced over the years. Despite these episodes of volatility, the market has grown strongly over time. Staying the course with a predetermined investment strategy is generally the best approach for most investors. Avoiding becoming too despondent when markets fall as they did in December 2018, or too euphoric when share markets rally, as they did in February this year is important to growing wealth over time.

In Australia, a move by the authorities to lower interest rates is looking more likely with several bank economists now calling for 1-2 interest rate cuts over the course of the next 12 months. This follows the release of fourth quarter GDP numbers which highlight a deterioration in the economy over the second half of 2018. Of concern was that government spending and inventories accounted for the greatest contribution to economic expansion in the last three months of 2018. Any cut in rates should provide some support to Australian bond and share markets over the coming year.

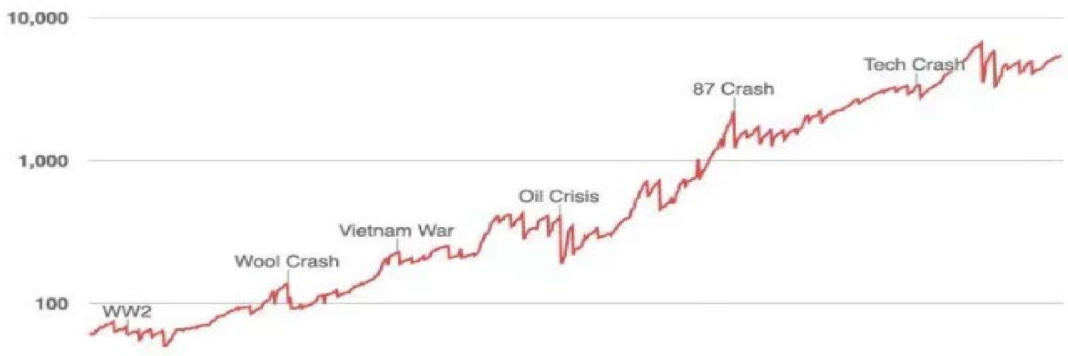
International shares have also rallied materially in the past two months following the sell-off in December. The lower A$ has also helped returns for investors in international shares who did not hedge their currency exposures.



* Annual inflation data interpolated prior to 1948

** Equities is market capitalisation-weighted portfolio of top 100 to 1979 spliced with All Ordinaries from 1980, bonds is total return on 10 year or closest available bond, bank deposits is 3-year term deposit or closest comparable rate

Sources: ABS; ASX; Butlin, Hall & White (1971 & 1973); Foster (1996); Lamberton (1958); League of Nations Yearbooks; RBA; Refinitiv; Sydney Stock Exchange



Australian Share Market since 1938

Source ASX