

Market Commentary

December Quarter 2016

It was a very good last quarter of the calendar year for investment markets, with Australian Shares rising 4.9%.

The greatest benefactors in the Australian market were blue-chip firms from the Financial and Materials sector, which performed strongly over the quarter as earnings forecasts were revised upwards, supported by tailwinds such as greater US infrastructure spending and a rise in commodity prices. Australian property trusts (-0.7%) underperformed the broader share market, but remained ahead over a 12 month period.

Global share markets performed even better than Australia, returning 5.3% over the quarter. Across developed markets, Italy (18.1%), Japan (16.2%) and Austria (13.5%) all achieved very strong returns, while Hong Kong (-9.0%) and New Zealand (-7.1%) were the weakest performing countries. Emerging Markets (1.3%) underperformed developed markets.

Contrary to the expectation of many financial commentators, US equities responded positively to the US election result. This was supported by expectations that the proposed Trump policies will bring about greater economic and earnings growth in the US market. In December, the US Federal Reserve implemented an interest rate increase of 0.25%. Although this increase was widely expected, the US Federal Reserve signalled a faster pace of rate hikes going forward.

Australian bonds returned -2.9% over the quarter, underperforming hedged international bonds (-2.2%). Longer term bonds underperformed over the period.

The Australian Dollar (AUD) had mixed performance against other developed currencies for the quarter. Notably, the AUD appreciated 9.0% against the Japanese Yen, but depreciated 5.4% against the US Dollar and 1.3% against the New Zealand Dollar. The Japanese Yen, viewed as a safe haven currency, strengthened initially prior to the US Presidential Election. This trend reversed post-election with the US Dollar appreciating by 15.4% against the Japanese Yen over the quarter. This is a favourable outcome for the Bank of Japan and supports the increase in competitiveness of Japanese exporters. As a result, Japan's stock market rose by 16.2% over the period.

Market Performance - 31 December 2016	Quarter	FYTD	1 Year	3 Years p.a.	5 Years p.a.
Australian Equities	4.9%	10.4%	11.8%	6.6%	11.6%
Australian Property (Unlisted)	3.1%	5.8%	11.1%	11.0%	9.9%
Australian Property (Listed)	-0.7%	-2.6%	13.2%	18.0%	18.5%
Overseas Equities (Hedged into AUD)	5.3%	10.8%	11.0%	9.5%	15.8%
Overseas Equities (Unhedged into AUD)	7.8%	10.0%	8.6%	12.2%	19.3%
Emerging Markets (Unhedged into AUD)	1.4%	7.7%	12.1%	5.0%	9.0%
Australian Bonds	-2.9%	-2.0%	2.9%	5.1%	5.0%
Overseas Bonds (Hedged into AUD)	-2.2%	-1.4%	5.2%	6.3%	6.1%
Cash	0.4%	0.9%	2.1%	2.4%	2.8%
Australian Dollar vs. US Dollar	-5.4%	-2.8%	-0.5%	-6.8%	-6.7%

Source – JANA, FactSet, S&P, MSCI, Mercer, UBS, Barclays

NTGPASS Quarterly Results

Superannuation returns to 27 December 2016

Option	Quarter	FYTD	1 Year	3 Years (%pa)
Managed Cash	0.35	0.86	1.8	1.88
Conservative	0.7	2.36	3.46	4.46
Cautious	1.04	3.59	4.71	5.85
Growth	1.82	5.60	6.01	7.02
Assertive	2.19	6.58	6.59	7.50
Aggressive	2.72	8.08	7.35	8.02

If you have not made an investment choice, the default investment option is the Growth Option. Please refer to the NTGPASS website for more details.

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