



Market Commentary

September Quarter 2014

The period was awash with geopolitical events. Violence continued to rage in Iraq and Syria as the Islamic State (IS) declared a caliphate in the territory it controls, while tensions also flared in Gaza and eastern Ukraine. Major Western nations (and regions) responded to tensions surrounding the downing of flight MH17 by imposing additional sanctions on Russia. Worse than expected data from China have kept Hong Kong markets down, compounded by pro-democracy demonstrations towards quarter-end. Iron ore plunged to a five-year low during the period as waning demand in China coincided with a surge in supply. The US economy continued to improve despite the US Federal Reserve's further tapering of its quantitative easing (QE) program. Problems continued in the Eurozone with economic growth stalling and inflation slowing to the lowest rate in almost five years.

Global shares (hedged into AUD) rose 1.5% over the quarter despite falling away by 0.7% in the month of September. The Australian Dollar depreciated against most major currencies and this resulted in a stronger return of 5.8% (in AUD) on an unhedged basis. Across developed markets, the strongest performing country in local currency terms was Japan with the Nikkei index up 6.7% in the quarter.

The Australian share market (as measured by the S&P/ASX300 Accumulation Index) was down 2.1% for the quarter and underperformed hedged overseas equities with a fall of 5.4% in September. This was the largest monthly loss for the S&P/ASX300 since it dropped 6.7% in May 2012. Small cap stocks performed broadly in-line with large cap stocks. Property Trusts also performed poorly, while unlisted Australian property posted modest growth.

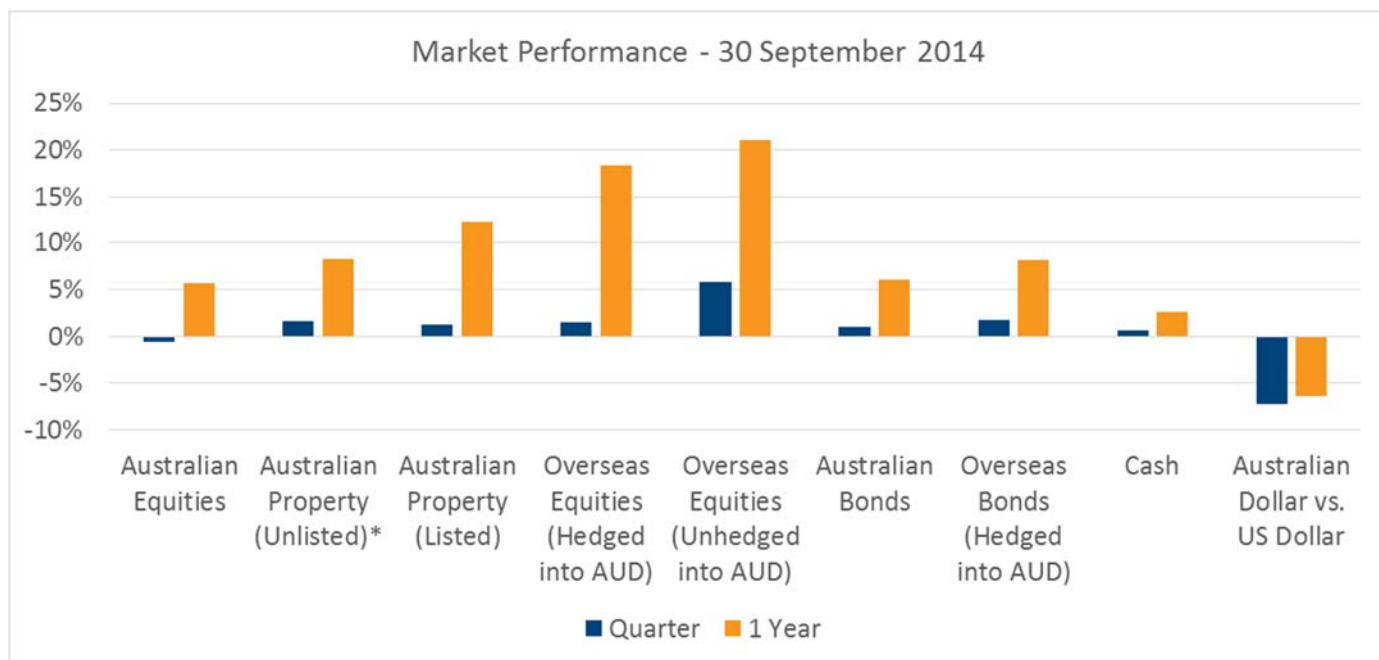
Australian bonds and international bonds performed poorly. Australian bonds lagged particularly towards quarter-end, following the lead of US Treasuries that started to price in the increasing likelihood of higher interest rates in the US. Shorter-term bonds and inflation linked securities underperformed for the period while global government bonds outperformed global investment grade credit.

The Australian Dollar (AUD) depreciated against most major developed market currencies, including a well-publicised 7.3% depreciation against the greenback. The AUD slightly appreciated against the Euro, Japanese Yen and the New Zealand Dollar. The USD was amongst the strongest performing currencies and posted a record-breaking 11 weeks of successive gains on expectations the Fed will raise interest rates well ahead of its counterparts in Japan and the Eurozone.

Market Performance - 30 September 2014	Quarter	1 Year
Australian Equities	-0.6%	5.7%
Australian Property (Unlisted)*	1.6%	8.3%
Australian Property (Listed)	1.2%	12.3%
Overseas Equities (Hedged into AUD)	1.5%	18.3%
Overseas Equities (Unhedged into AUD)	5.9%	21.0%
Australian Bonds	1.0%	6.0%
Overseas Bonds (Hedged into AUD)	1.8%	8.1%
Cash	0.7%	2.6%
Australian Dollar vs. US Dollar	-7.3%	-6.4%

**Estimate at 8/10/2014*

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



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



Returns across all NTGPASS options were positive over the September quarter and have contributed to good returns over the 12 month period to 30 September 2014. These returns are shown in the table below:

Super Returns to 30 September 2014

Option	Quarter	FYTD*	1 Year	3 Years (%pa)
Managed Cash	0.53%	0.54%	2.08%	2.74%
Conservative	1.46%	1.37%	6.28%	7.55%
Cautious	1.96%	1.85%	8.21%	9.75%
Growth	2.37%	2.20%	9.91%	13.03%
Assertive	2.55%	2.37%	10.87%	14.33%
Aggressive	2.72%	2.53%	11.89%	16.20%

Pension Returns to 30 September 2014

Option	Quarter	FYTD	1 Year	3 Years (%pa)
Managed Cash	0.61%	0.61%	3.57%	3.62%
Conservative	1.60%	1.60%	8.22%	9.00%
Cautious	1.89%	1.89%	10.12%	11.62%
Growth	2.30%	2.30%	11.93%	14.96%
Assertive	2.52%	2.52%	12.64%	16.08%
Aggressive	2.53%	2.53%	13.51%	17.16%

If you have not made an investment choice, the default superannuation account investment option is the Growth Option (there is no default option for pension accounts). Please refer to the NTGPASS website for more details.

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