

## Market Commentary

### December Quarter 2014

The sharp decline of various commodity prices were a key driver of investment markets over the December quarter. Moderating growth in China contributed to a sharp fall in the price of iron ore, which had a significant impact on Australian mining and resources companies. Crude oil has halved in price since June 2014 as a result of weaker demand, surging US oil supply and Saudi Arabia maintaining production levels.

The US economy was firing on all cylinders at the end of the December quarter with strong economic growth, improved consumer confidence figures and solid labour force growth. The upswing in conditions should provide momentum going into 2015 with the Federal Reserve on track to start increasing interest rates by the middle of the year.

It is a different situation in the Eurozone and Japan, where economic conditions were not as positive. Following Prime Minister Abe's reelection, the Bank of Japan announced that it would extend its already extensive quantitative easing program following slowing inflation. Deflationary pressure has also put greater pressure on the European Central Bank (ECB) to identify further stimulatory measures. Geopolitical concerns in Syria & Iraq, and the Ukraine, along with the spread of the Ebola virus also continued to worry investment markets throughout the quarter.

With this backdrop, global share markets had a strong quarter gaining 4.1% (hedged into A\$). The Australian Dollar depreciated against most major currencies and this resulted in even stronger returns of 8.3% on an unhedged basis. Across developed markets, the strongest performing country was Japan with the local share market rising 6.7%.

The Australian share market generated a positive return over the quarter (2.9%), although underperformed global share markets. Property Trusts performed very well, while unlisted Australian property posted modest growth.

Bonds also performed well, with Australian bonds (4.0%) outperforming international bonds (2.9%) over the quarter. Short duration 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. The AUD depreciated a further 6.5% against the US Dollar (USD) in the quarter, following a depreciation of 7.3% in the September quarter. The USD was amongst the strongest performing currencies on expectations of strong economic growth and the likelihood that the Fed will raise interest rates well ahead of its struggling counterparts in Japan and the Eurozone.

Market Performance - 31 December 2014	Quarter	1 Year
Australian Equities	2.9%	5.3%
Australian Property (Unlisted)*	2.4%	9.2%
Australian Property (Listed)	11.3%	26.8%
Overseas Equities (Hedged into AUD)	4.1%	13.2%
Overseas Equities (Unhedged into AUD)	8.3%	15.6%
Australian Bonds	4.0%	9.8%
Overseas Bonds (Hedged into AUD)	2.9%	10.4%
Cash	0.7%	2.7%
Australian Dollar vs. US Dollar	-6.5%	-8.5%

*\*Estimate at 14/1/2015*

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 December quarter and have contributed to strong returns over the full calendar year. These returns are shown in the table below:

#### Superannuation Returns to 30 December 2014

Option	Quarter	FYTD	1 Year	3 Years (%pa)
Managed Cash	0.54%	1.08%	2.09%	2.59%
Conservative	2.22%	3.63%	6.25%	7.63%
Cautious	2.89%	4.79%	8.05%	10.05%
Growth	3.81%	6.10%	9.59%	13.31%
Assertive	4.12%	6.59%	10.21%	14.53%
Aggressive	4.63%	7.27%	10.93%	16.29%

#### Pension Returns to 31 December 2014

Option	Quarter	FYTD	1 Year	3 Years (%pa)
Managed Cash	0.63%	2.28%	3.53%	3.44%
Conservative	2.62%	5.33%	8.28%	9.34%
Cautious	3.29%	6.32%	10.08%	12.17%
Growth	4.15%	7.63%	11.55%	15.89%
Assertive	4.31%	8.03%	11.83%	17.00%
Aggressive	4.68%	8.43%	12.33%	18.11%

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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