


Quarterly Market Commentary as at 30 June 2013*

Market Indices	Returns as at 30 June 2013					
	3 mth (%)	6 mth (%)	1 yr (%)	3 yr (% p.a.)	5 yr (% p.a.)	10 yr (% p.a.)
Australian Shares						
S&P/ASX 200 Accumulation Index	-2.5	5.5	22.8	8.6	2.9	9.4
International Shares						
MSCI World ex Aust Net Index (AUD)	13.4	20.3	30.5	9.4	3.3	4.3
Australian Fixed Interest						
UBS Australian Composite Bond Index 0+ Yr	0.4	0.6	2.8	6.8	7.8	6.1
International Fixed Interest						
Citigroup World Govt Bond ex Australia 100% Hdq (AUD)	-1.0	0.6	4.5	7.2	8.4	7.3
Property						
S&P/ASX 200 A-REIT Accumulation Index	3.3	8.7	24.2	13.4	0.3	2.9
Cash						
UBS Australian Bank Bill Index	0.8	1.5	3.3	4.3	4.5	5.3
Currency						
Australian Dollar (\$A/\$US)	-12.2	-11.8	-10.7	2.7	-0.9	3.2

Financial markets commentary:

Global share markets were volatile for the quarter ending 30 June 2013. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, fell by 2.5% for the quarter. This result came after a 5.1% gain in April. Markets fell in May and June following comments on the outlook for quantitative easing (QE) by US Federal Reserve Chairman Ben Bernanke in his testimonies to the Joint Economic Committee on May 22 and then to the Federal Open Market Committee meeting on 19 June 2013. Chairman Bernanke stated that "the Committee currently anticipates that it would be appropriate to moderate the monthly pace of purchases later this year if economic and labour conditions continued to improve." Increasing concerns about a moderation in Australian economic activity and a spike in Chinese interbank interest rates did little to further support investor sentiment towards equity markets.

The MSCI All Country World Index performed well in Australian dollars terms for the second quarter of 2013, returning 13.5%, as the local currency depreciated by more than 10% against the US dollar. Global equity markets were predominantly stronger in April following stimulus measures announced in Japan and signs of an improved political outlook in Italy. In May though, markets advanced early in the month but lost momentum following the US Federal Reserve comments on the outlook for QE in the US. In response to those comments, interest rates for US Treasuries rose sharply, the US equity market fell and the US dollar strengthened.

In April, European equity markets were all strong, with Italy the best performer. The Italian Stock exchange rose 9.3% on improved political stability, with the President re-elected and a coalition government formed. The strong market continued in May and June buoyed by the European Central Bank's (ECB) continued aggressive policy stance. The ECB cut its interest rate by 25 bps to 0.5% in May, a new record low. The ECB President cited weak price pressures and the poor macroeconomic outlook in Europe for the decision. In June, the ECB President provided assurances that an exit from ECB exceptional monetary policy measures "remains distant".

In May, the Reserve Bank of Australia cut the Official Cash Rate by 25 basis points to 2.75%, its lowest level in 53 years, judging it was appropriate to encourage sustainable growth in the economy. For the 3 months to 30 June 2013, the interest rate for an Australian 10-year Commonwealth Government Security rose by 34 basis points to 3.76%.

*Source: This commentary has been prepared by The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA) and is general information only.