


Quarterly Market Commentary as at 30 September 2013*

Market Indices	Returns as at 30 September 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	10.2	7.5	24.3	9.3	7.3	9.8
International Shares						
MSCI World ex Aust Net Index (AUD)	5.6	19.8	30.9	11.5	4.1	4.4
Australian Fixed Interest						
UBS Australian Composite Bond Index 0+ Yr	1.0	1.4	1.8	6.8	6.9	6.2
International Fixed Interest						
Citigroup World Govt Bond ex Australia 100% Hdg (AUD)	1.4	0.4	3.6	6.5	7.9	7.4
Property						
S&P/ASX 200 A-REIT Accumulation Index	0.0	3.4	16.2	12.0	0.6	3.3
Cash						
UBS Australian Bank Bill Index	0.7	1.5	3.1	4.1	4.2	5.2
Currency						
Australian Dollar (\$A/\$US)	2.2	-10.3	-10.1	-1.2	3.5	3.3

Financial markets commentary:

Global share markets rallied over the quarter ending 30 September 2013. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, increased by 10.2% over the quarter. This result was primarily driven by the release of positive companies' earnings results (for the period ending 30 June 2013) and a positive response to the US Federal Reserve's decision to postpone the tapering of its Quantitative Easing program during September. However, the index endured its worst run this year in the final week of the quarter as concerns over political wrangling in the US increased the probability of a partial shutdown of the US government (which subsequently did occur). The Australian Federal election held on 7 September 2013 did not have any discernible influence on the market, although there were notable improvements in business and consumer confidence. Recent monetary policy easing appears to be having the desired influence on sentiment, albeit not yet on spending. Both consumers and businesses remain relatively frugal with their discretionary spending.

The MSCI All Countries World Index returned 5.6% in Australian dollars terms and 7.9% in US dollar terms for the third quarter of 2013 with the local currency appreciating by a little over 2% against the US dollar. Global equity markets were weighed down during July and August by concerns over speculation that the US Federal Reserve would begin tapering its bond purchase program. However, in mid-September, the US Federal Reserve announced that it would not begin winding back its economic stimulus program. Global markets reacted well to this news and sentiment was also boosted by the release of improving manufacturing data in the US, China and Europe. Russia's proposal to put Syrian chemical weapons under international control also alleviated geopolitical risks in the Middle East. However, concerns about a US government shutdown cooled market enthusiasm into quarter end.

In Europe, Chancellor Angela Merkel won the 2013 German Federal election, held on 22 September 2013. The European Central Bank (ECB) kept its benchmark interest rate at 0.5% over the quarter. Political uncertainty in Italy resurfaced after former Prime Minister Silvio Berlusconi withdrew his party's support for the Italian coalition government towards the end of September.

The UBS Australian Composite Bond All Maturities Index returned 1.0% for the quarter ending 30 September 2013. Longer-dated Commonwealth Government Security (CGS) bond interest rates moved lower overall during September, retracing August's increase as global bond markets rallied. Confirmation that the US Federal Reserve's asset purchases would remain unchanged in mid-September prompted a sharp drop in bond interest rates. Over the period as a whole, the interest rate for an Australian 10-year CGS rose by just 5 basis points to 3.81%. In August, the Reserve Bank of Australia (RBA) cut the Official Cash Rate by a further 25 basis points to 2.5%, the lowest level since the establishment of the RBA in 1958/59. The Board Minutes cited below-trend economic growth and well contained inflation as reasons for the move.

*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.