

Investment Growth Bond

Monthly performance report as at 31 December 2017



Investment options	Investment option code	APIR code	Inception date	Fund size (\$m)	Unit price (\$)	Return for specified period (%)			Compound annual returns (%)			Asset allocation (%)					
						3 mths	6 mths	1 year	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)	Australian shares	Global shares	Listed property	Alternatives ¹	Fixed interest	Cash
Open investment options																	
NC - Cash	3NCS	CML0850AU	18-Mar-13	23.5	1.0537	0.22	0.42	0.88	1.06	-	-	-	-	-	-	-	100.0
NC - Global Fixed Interest	3NFI	CML0851AU	18-Mar-13	6.9	1.1052	0.47	0.29	2.12	1.58	-	-	-	-	-	-	98.6	1.4
NC - Conservative	3NCO	CML0855AU	18-Mar-13	60.2	1.1695	1.46	1.72	3.64	2.76	-	-	10.4	10.3	-	13.6	34.2	31.5
NC - Diversified	3NDI	CML0856AU	18-Mar-13	57.9	1.2110	2.26	2.61	5.01	3.58	-	-	19.0	18.8	-	14.4	22.3	25.5
NC - Balanced	3NBA	CML0857AU	18-Mar-13	34.1	1.3370	3.55	4.14	7.50	5.22	-	-	28.8	28.1	-	20.1	7.9	15.1
NC - Growth	3NGR	CML0858AU	18-Mar-13	22.0	1.3721	3.95	4.57	8.28	5.63	-	-	33.5	32.4	-	19.6	0.0	14.5
NC - Global Property	3NPR	CML0852AU	18-Mar-13	3.3	1.3036	3.60	3.26	5.59	3.47	-	-	-	-	100.0	-	-	-
NC - Australian Shares	3NAU	CML0853AU	18-Mar-13	16.4	1.3255	5.93	5.20	8.38	5.95	-	-	99.0	-	-	-	-	1.0
NC - International Shares	3NIN	CML0854AU	18-Mar-13	8.1	1.6049	5.62	7.87	14.81	8.29	-	-	-	98.7	-	-	-	1.3
Closed investment options²																	
Consensus Stable Fund	3CST	LGL0026AU	13-Aug-96	0.1	2.0889	1.44	1.66	3.44	2.47	3.26	2.78	10.3	10.2	-	14.7	33.9	30.9
Consensus Managed Fund	3CMG	LGL0018AU	13-Aug-96	0.2	2.9327	3.43	3.95	7.12	4.92	6.67	3.57	29.9	29.5	-	20.7	8.2	11.7
Stable Fund	3STB	LGL0205AU	1-Aug-89	106.4	2.7225	1.39	1.57	3.34	2.45	3.25	2.71	10.4	10.3	-	13.6	34.2	31.5
Managed Fund	3MGD	LGL0206AU	1-May-84	98.1	5.5775	3.46	3.97	7.13	4.86	6.49	3.66	28.8	28.1	-	20.1	7.9	15.1
Capital Guaranteed Fund	1ORD	LGL0201AU	1-Dec-87	6.2*	2.6918	0.74	1.49	2.90	3.07	3.23	3.21	0.0	6.2	-	10.9	29.2	53.7
Capital Guaranteed Cash Fund	3CSH	LGL0202AU	1-May-84	52.7	3.3082	0.10	0.19	0.44	0.61	0.71	1.46	-	-	-	-	-	100.0
Fixed Interest Fund	3FIX	LGL0203AU	1-Aug-89	38.8	3.1076	0.36	0.10	1.70	1.15	1.69	2.94	-	-	-	-	98.6	1.4
Property Fund	3PRP	LGL0204AU	1-Aug-89	14.7	4.0106	3.70	3.35	5.60	3.42	5.90	2.12	-	-	100.0	-	-	-
Australian Equities Fund	3EQY	LGL0207AU	1-Aug-89	69.7	6.2651	5.82	5.00	7.95	5.51	6.67	2.87	99.0	-	-	-	-	1.0
International Equities Fund	3INT	LGL0208AU	1-Aug-89	22.6	4.1220	5.53	7.68	14.27	7.91	10.84	4.47	-	98.7	-	-	-	1.3

¹ These are investments in non-traditional sectors, such as private equity, direct property and infrastructure investments.

² These options are no longer available to new investors.

* The fund size is only calculated on a six monthly basis as at 30 June and 31 December each year.

Using the 125% rule to grow your investment

Did you know that you can keep topping up your Investment Growth Bond each year? Each year, you can invest up to 125% of the previous year's contribution amount (based on your policy anniversary date) without impacting the tax status of your policy. If you hold your policy for 10 years without breaking the 125% rule, your withdrawal will not be subject to personal tax. To top up, you can make a contribution via BPay or by sending us a cheque. For more information, call us on 1800 624 100 between 8.30 am - 6 pm (Sydney time), Monday to Friday.

Notes for investment performance:

Past performance is not indicative of future performance.

Performance figures (returns) are based on the unit prices as at the date quoted, which are calculated net of investment management fees and taxes (but exclude all other fees). Returns are assumed to be reinvested. Returns are only provided where the investment option was offered through this product, for the whole of the specified period.

This information has been prepared for general information only, not having regard to any person's objectives, financial situation or needs. Because of this, you should consider the appropriateness of the information having regard to your own objectives, financial situation and needs. Before making a decision to act upon any of this information, professional advice specific to your individual circumstances is recommended.

The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA) is a wholly owned but non-guaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945.

Commonwealth Bank of Australia and (except to the extent expressly stated otherwise in the relevant product brochures) its subsidiaries do not guarantee or in any way stand behind the performance of the Investment Growth Bond, or the repayment of capital or interest by CMLA. Investments in the products listed in the Investment Growth Bond are not deposits or other liabilities of Commonwealth Bank of Australia or its subsidiaries (other than CMLA), and investment-type products are subject to investment risk including possible delays in repayment and loss of income and principal invested.

Financial markets commentary:

The Reserve Bank of Australia (RBA) Board met on the 5th of December and left the official cash rate on hold at 1.5% as expected. The official cash rate has been on hold since August 2016. The RBA continues to focus on the key risks of the economy for their monetary policy decisions; the outlook for inflation, the labour market strength and household financial stability. The RBA did not meet in January and their next meeting will be held on the 6th of February.

Recent weakness in the Australian dollar continued in early December, however there was a trend reversal mid-month as a result of favourable employment reports and improving iron ore prices. For the month of December, the Australian dollar appreciated around 2% against a trade weighted basket of currencies. It closed the year above US\$0.78, up from ~US\$72 which resulted in its best calendar year appreciation in seven years.

The S&P/ASX 200 Accumulation Index returned 1.8% during December, returning 11.8% for the calendar year. Energy and Materials were the standout sectors. Supported by rising commodity prices the two sectors returned 6.4% and 6.2% respectively. Telcos (+5.5%) performed strongly with its mid-cap companies such as TPG Telecom and Vocus Group posting strong gains. Sector giant Telstra reversed the previous month's losses but ended the calendar year down almost 25%. Bond proxy sector Utilities (-4.5%) was the main lagging sector for December being affected by the rising Australian Bond yields. Returns for Financials, Property Trusts and Healthcare sectors were little changed.

The S&P ASX 200 A-REIT index finished December subdued returning 0.2%. Retail A-REITs (+3.6%) outperformed, while Industrial A-REITs (-1.6%) and Office A-REITs (-3.3%) underperformed. The best performing A-REITs included Retail A-REIT Westfield Group (+13.3%), which rose strongly due to the announcement that the company would be sold to European giant Unibail-Rodamco for A\$32 billion. The worst performer was Specialised A-REIT Iron Mountain (-8.3%). Outside of Australia, all major property markets were up in local currency terms for the month. The FTSE EPRA/NAREIT Developed Index (TR) rose 1.4% in USD terms.

Global equity markets continued their upward momentum of the past year. The USD denominated MSCI World Index posted its 14th consecutive monthly increase in December (+1.4%). After being down almost 1% early in December, global equity markets steadily recovered following an increase in confidence in global growth and the prospect of tax reform in the United States. The UK was the strongest performer (in local currency terms) with the FTSE 100 gaining over 5% following a boost in large resource stocks due to a recovery in commodity prices. The German DAX was one of the weaker performers being down -0.8% reflecting a disappointing drop in the IFO Business Climate Index.

The US Federal Reserve Open Market Committee (FOMC) met on 12th-13th of December and as widely expected increased official interest rates by 0.25% to 1.50%. US inflation is appearing to be under control at 2.2% and the labour market is remaining in a healthy state, however despite this it is unlikely to prevent the Fed from increasing interest rates further in 2018. Furthermore, recently released board meeting minutes, also highlighted the uncertainty across the Fed board members on the economic impact of US President Trump's tax legislation overhaul. The European Central Bank (ECB) met on the 14th of December and as anticipated held its benchmark refinancing rate at 0%. The ECB raised its inflation forecast for 2018 but expects interest rates to remain unchanged for an "extended period of time".

Most bond markets continued to trade in historically narrow ranges. The main drivers of bond yields were US tax reforms and the Fed's Interest rate hike in which both have already been priced into the markets. In Australia, there was an outsized move in the 10 year government bond yields relative to the US on the back of US tax reforms in mid-December. In Europe, bond yields rose on the back of commentary from the ECB. Overall, at the end of the month US 10 year government bond yields were flat at 2.41%. 10 year yields rose in Germany (+6bps) and Australia (+13bps) but were down in the UK (-14bps) due to Brexit concerns.

Global investment grade credit spreads continued to tighten. The Bloomberg Barclays Global Aggregate Corporate Index average spread moved 3bps tighter to 0.94%. US credit moved 3bps tighter with the Bloomberg Barclays US Aggregate Corporate Index average spread closing at 0.89%. In Europe, the spread of the Bloomberg Barclays European Aggregate Corporate Index was 2bps tighter to 0.86%. US high yield credit spreads closed wider as Bank of America Merrill Lynch Global high yield Index (BB-B) finished 6bp out to 2.86%.

Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information.

CMLA is also not a registered tax (financial) adviser under the Tax Agent Services Act 2009 and you should seek tax advice from a registered tax agent or a registered tax (financial) adviser if you intend to rely on this information to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law.

This report is issued by CMLA. Commsure is a registered business name of CMLA.
Level 1, 11 Harbour Street Sydney NSW 2000

Enquiries: 1800 624 100
commbank.com.au/igb