


**Quarterly Market Commentary as at 31 March 2014\***

Market Indices	Returns as at 31 March 2014					
	3 mth (%)	6 mth (%)	1 yr (%)	3 yr (% p.a.)	5 yr (% p.a.)	10 yr (% p.a.)
<b>Australian Shares</b>						
S&P/ASX 200 Accumulation Index	2.1	5.6	13.5	8.5	13.4	9.4
<b>International Shares</b>						
MSCI All Countries World Net Index (AUD)	-2.4	9.4	31.1	12.6	11.2	4.9
<b>Australian Fixed Interest</b>						
UBS Australian Composite Bond Index 0+ Yr	1.5	1.8	3.3	6.7	6.0	6.2
<b>International Fixed Interest</b>						
Citigroup World Government Bond Index ex Australia AUD Hedged	2.7	3.4	3.8	8.0	7.1	7.3
<b>Property</b>						
S&P/ASX 200 A-REIT Accumulation Index	3.1	1.6	5.0	11.7	15.5	2.0
<b>Cash</b>						
UBS Australian Bank Bill Index	0.6	1.3	2.8	3.7	3.9	5.1
<b>Currency</b>						
Australian Dollar (\$A/\$US)	3.6	-0.9	-11.1	-3.6	5.9	2.0

**Financial markets commentary:**

The Reserve Bank of Australia (RBA) held the cash rate steady at 2.5% for an eighth consecutive month at its March 2014 meeting. There was no change to the RBA's neutral policy guidance centred on a period of interest rate stability. The RBA did appear more comfortable with the domestic growth outlook with recent economic indicators considered to be generally positive for consumption, housing investment, business conditions and exports. The February employment report was very positive with 47k jobs created, well above consensus expectations of +15k jobs. The Australian dollar (AUD) appreciated by 3.8% to finish the month at \$US0.926, supported by the RBA's neutral policy stance and more positive commentary on the domestic economy.

Australian shares were little changed in March with the S&P/ASX 200 Accumulation Index edged 0.3% higher, reaching a 6-year high on 7 March. A sharp drop in iron ore prices early in the month dampened sentiment towards mining stocks. The price recovered in the second half of the month, but the Materials sector (-3.1%) nevertheless underperformed other areas of the market. In contrast, Financials performed well (3.1%), reflecting ongoing favourable trading statements for banks and financial companies.

In her first meeting as Chair of the US Federal Reserve ('the Fed') in March 2014, Janet Yellen announced a further \$US10bn 'tapering' in the Quantitative Easing bond purchase program (QE3), taking monthly bond purchases down to \$US55bn. The Fed's policy statement continues to send the signal that the QE3 program will be reduced in "measured steps at future meetings". In terms of forward guidance, the Fed abandoned the 6.5% unemployment rate threshold and replaced it with a general assessment of labour market, inflation and financial market conditions. The Fed reiterated that any increase in interest rates is expected to be a 'considerable time' after QE3 ends - most likely mid-2015.

Global developed equity markets were broadly flat in March as political tensions between Russia and the West dominated sentiment. Concerns over weak Chinese growth provided some hope to investors that the government would announce additional policy stimulus measures. The MSCI World Developed Markets Index was flat (-0.1%) in USD terms, but decreased by 3.8% in AUD terms. Emerging Market (EM) equities outperformed their developed market counterparts in March for the first time since August last year. The MSCI EM Index returned 2.9% in USD terms, decreasing 0.9% in AUD terms.

In Australia, the UBS Composite Bond Index was flat in March (+0.02%), with Australian semi-government bonds (+0.1%) outperforming due to a lack of supply. Interest rate futures continued to point to an end of the rate easing cycle. Rates on 3-year and 10-year Commonwealth Government Securities increased by 0.17% to 2.83% and 0.06% to 3.98%, respectively.

\*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.