


Quarterly Market Commentary as at 30 September 2014*

Market Indices	Returns as at 30 September 2014					
	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	-0.6	0.3	5.9	14.8	6.8	8.4
International Shares						
MSCI All Countries World Net Index (AUD)	5.4	8.7	18.9	20.0	10.3	5.3
Australian Fixed Interest						
Bloomberg AusBond Composite 0+ Yr Index	1.0	4.1	6.0	5.8	6.7	6.3
International Fixed Interest						
Citigroup World Government Bond Index ex Australia AUD Hedged	2.2	4.7	8.3	6.8	7.5	7.5
Property						
S&P/ASX 200 A-REIT Accumulation Index	1.1	10.5	12.2	18.9	8.6	1.9
Cash						
Bloomberg AusBond Bank Bill Index	0.7	1.3	2.6	3.4	3.9	4.9
Currency						
Australian Dollar (\$AU/\$US)	-7.3	-5.6	-6.4	-3.4	-0.2	1.9

Financial markets commentary:

The Reserve Bank of Australia (RBA) held the cash rate steady at 2.5% at its September 2014 meeting keeping the benchmark interest rate at the same level since August 2013, the 13th consecutive month. There was no change to the Board's neutral policy guidance and signal that there is likely to be "a period of stability in interest rates". The Australian dollar (AUD) fell sharply over the quarter on concerns over weaker data from China, continuing iron ore price weakness and the growing expectations of the first rate hike by the US Federal Reserve in 2015. The AUD decreased 7.3% over the quarter hitting a low of US\$0.872 towards the end of September.

The Australian share market edged marginally lower, declining 0.6% during the quarter as measured by the S&P/ASX 200 Accumulation Index. It was a mixed quarter for Australian shares with the index rising by 4.4% and 0.6% in July and August 2014 respectively. These gains were erased in September when the index declined by 5.4% driven by weakness in the Energy and Material sectors, as iron ore price continued to decline throughout the quarter. Defensive areas of the market - such as Health Care, Utilities and Telecommunications - unsurprisingly outperformed in this environment.

As widely expected, the US Federal Open Market Committee (FOMC) continued with further tapering in the Quantitative Easing bond purchase program during the quarter taking the monthly purchases down to \$US15 billion. The US Federal Reserve remains on track to deliver a final 'taper' in the bond purchase program at the October FOMC meeting. In Europe, the European Central Bank (ECB) continued with the accommodative policy during the quarter, reducing its main refinancing rate by a further 10 basis points to just 5 basis points in September. The marginal lending facility rate has also been cut by 10bp to 30bp, while the deposit facility rate has been cut by 10bp to -20bp moving the deposit rate further into negative territory.

Global developed markets were predominantly stronger during the quarter. The MSCI AC World Index appreciated by 0.8% in local currency terms. There were positive returns despite ongoing geopolitical issues focusing on Ukraine/Russia and Northern Iraq. Instead, equity markets focused on the rate cuts from the ECB and further evidence of the resilience of US economic growth. The Index returned -2.3% in USD terms and increased by 5.4% in AUD terms for the quarter given the weakness in the AUD. The MSCI Global Emerging Market (EM) Index increased by 4.1% in AUD terms for the 3 months to 30 September 2014.

The rates on the 10-year benchmark Commonwealth Government Securities (CGS) declined marginally finishing the quarter at 3.48% while the short term 2-year CGS rates were up to 2.61% reflecting the flattening of the yield curve. In this environment, the Bloomberg AusBond Composite 0+ Yr Index returned 1.0% for the quarter.

*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.