

## KEY POINTS

The US Federal Reserve has held the federal funds rate steady and has indicated a lack of urgency to adjust rates any time soon.

The Reserve Bank of Australia kept the cash rate unchanged at 1.5% at its May meeting. The bank has continued to support its forecast for the Australian economy and expects inflation to pick up gradually.

Global equity markets ended April in positive territory driven by strong performance from US stocks. The US equity market was supported by stronger-than-expected economic data.

Australian equities posted strong returns in April, however higher bond yields contributed to a pullback in performance of listed property stocks.

## Market Indicators (as at 30 April 2019)

Market Indicator	End of Month Value	Previous Month Value	1 Month Change in Value	12 Months Ago Value	12 Month Change in Value
<b>Australian Interest Rates</b>					
Overnight Cash Rate (%)	1.50	1.50	0.00	1.50	0.00
3 Month BBSW (%)	1.49	1.64	-0.15	2.18	-0.69
10 Year Bond Rate (%)	1.80	1.78	0.03	2.79	-0.98
<b>iTraxx</b>					
iTraxx Australia	66.15	75.56	-9.41	64.56	1.59
<b>Australian Shares</b>					
All Ordinaries - Price Index	6418.40	6261.70	2.50%	6071.60	5.71%
S&P/ASX 200 - Price Index	6325.50	6180.70	2.34%	5982.70	5.73%
<b>Property</b>					
ASX 300 Property - Price Index	1513.53	1549.05	-2.29%	1346.38	12.41%
<b>Regional Shares</b>					
Dow Jones Industrials (US)	26592.91	25928.68	2.56%	24163.15	10.06%
S&P 500 (US)	2945.83	2834.40	3.93%	2648.05	11.25%
FTSE 100 (UK)	7418.22	7279.19	1.91%	7509.30	-1.21%
STOXX 50 (EUR)	391.35	379.09	3.23%	385.32	1.56%
TOPIX (Japan)	1617.93	1591.64	1.65%	1777.23	-8.96%
Hang Seng (Hong Kong)	29699.11	29051.36	2.23%	30808.45	-3.60%
<b>Commodities</b>					
US\$ Gold Price	1283.06	1295.72	-0.98%	1313.18	-2.29%
US\$ Oil Price – W Texas Crude	63.91	60.14	6.27%	68.57	-6.80%
US\$ Iron Ore Price	96.50	86.50	11.56%	67.00	44.03%
US\$ CRB Spot Commodity Index	422.09	425.61	-0.83%	445.41	-5.24%
<b>Exchange Rates</b>					
AUD / USD	0.7039	0.7087	-0.68%	0.7570	-7.01%
AUD / EUR	0.6297	0.6310	-0.21%	0.6237	0.96%
AUD / GBP	0.5441	0.5422	0.35%	0.5489	-0.87%
AUD / JPY	78.50	78.49	0.01%	82.63	-5.00%
<b>TWI</b>					
Australia Trade Weighted Index \$A	60.50	60.50	0.00%	62.10	-2.58%
<b>Volatility</b>					
VIX Index %	13.12	13.71	-0.59%	15.93	-2.81%
S&P/ASX200 Volatility Index	12.31	11.87	0.45%	12.41	-0.10%

## Rates, Fixed Income & Credit

The US Federal Reserve kept the target range for the benchmark federal funds rate unchanged at 2.25 to 2.5% during its May meeting, a decision that was widely expected. The Federal Open Market Committee (FOMC) continues to view consistent expansion of the US economy and strong labour market conditions, however sluggish inflation figures may remain a major cause for debate at the Fed.

The Reserve Bank of Australia (RBA) kept the cash rate at a record low of 1.5% at its May meeting, as widely expected. The RBA has held rates for more than 30 months but is facing increased pressure due to subdued inflation. The bank has maintained its outlook for economic growth and has noted that they will be paying close attention to developments in the labour market as it acknowledges spare capacity in the economy.

Zenith Benchmarks Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
<b>Australian Cash</b>							
Bloomberg AusBond Bank Bill	0.16	0.50	2.01	1.88	2.12	1.68	0.68
<b>Australian Bonds</b>							
Bloomberg AusBond Composite Index	0.28	3.07	7.87	4.15	4.94	6.63	3.73
<b>International Bonds</b>							
Barclays Global Aggregate \$A (H)	0.00	1.81	4.98	3.10	4.65	4.42	2.79
Barclays Global Agg Treasuries TRI \$A (H)	-0.22	1.43	4.67	2.86	4.79	4.05	2.18
Barclays Global Agg Corporate TRI \$A (H)	0.57	3.11	5.81	4.14	5.00	5.80	5.00
<b>Emerging Markets Debt</b>							
Barclays EM Hard Currency Agg TRI \$A (H)	0.35	2.43	5.20	5.19	5.61	6.62	5.36

\*All data is sourced from Bloomberg and/or Thomson Reuters unless stated otherwise

## Rates, Fixed Income & Credit (cont.)

Global bond yields increased by modest amounts in all advanced economies during April. Australian bond yields moved higher during the month, only to plunge on weak CPI figures towards the end of April. Australian 10-year bond yields were at 1.80% by month end. The US 10-year Treasury yield gained 10bps to 2.51%, amid a raft of positive data. The 10-year Bund saw a similar move to US Treasuries, rising slightly above zero by month end. In the UK, government bonds underperformed with 10-year yields rising by more than 18 bps as the EU agreed to the UK extending the Brexit deadline.

Corporate bond markets extended recent gains, providing yet another month of positive performance, with demand remaining very stable. High yield (HY) corporate bonds outperformed, returning 1.3%, while investment grade (IG) bonds lagged, returning 0.5%.

## Australian Shares

Australian equities performed strongly in April, up 2.46%, as measured by the S&P/ASX 300 Accumulation Index, as the ASX 200 Index rose to the highest level since 2007.

While the broader market picked up in April, micro-cap stocks, as represented by the S&P/ASX Emerging Companies Index, continued to perform well, returning 4.30%.

At a sector level, information technology was the best performing of the sectors, returning 7.35%. In addition, the consumer staples and consumer discretionary sectors produced strong returns.

Higher bond yields contributed to a pull-back in listed property stocks after several months of strong performance. Utilities and material stocks lagged other sectors.

Zenith Benchmarks Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
<b>Market Capitalisation</b>							
S&P/ASX 300 Index	2.46	9.41	10.31	11.07	7.55	5.65	13.64
S&P/ASX 50 Leaders Index	2.13	9.37	11.84	10.80	6.76	6.80	13.23
S&P/ASX Midcap 50 Index	3.00	8.28	4.12	12.55	12.35	1.79	13.14
S&P/ASX Small Ordinaries Index	4.11	11.04	7.17	11.79	9.12	2.26	17.21
S&P/ASX Emerging Companies Index	4.30	12.37	-4.77	6.87	7.60	-4.49	17.13
<b>GICS Sectors</b>							
S&P/ASX 300 Materials	-2.05	7.76	12.04	19.42	8.66	8.09	15.27
S&P/ASX 300 Industrials	3.15	11.97	15.39	12.20	13.70	13.25	15.75
S&P/ASX 300 Consumer Discretionary	5.46	14.08	11.21	11.06	9.44	3.48	18.96
S&P/ASX 300 Consumer Staples	7.33	9.73	10.49	14.39	6.93	4.29	12.73
S&P/ASX 300 Energy	1.55	4.97	3.38	12.17	-1.77	-4.44	17.00
S&P/ASX 300 Healthcare	3.14	5.88	13.85	18.08	19.12	5.33	10.02
S&P/ASX 300 Information Technologies	7.35	18.32	31.67	22.62	15.00	21.86	28.76
S&P/ASX 300 Telecommunications	2.44	10.93	7.88	-10.45	-2.91	26.91	19.42
S&P/ASX 300 Financials ex Property	4.40	10.89	5.94	7.17	4.28	1.94	10.61
S&P/ASX 300 Utilities	-0.49	4.89	10.68	10.39	12.74	3.44	11.10
S&P/ASX 300 Property	-2.29	5.48	17.98	8.35	13.13	12.03	11.76

## International Shares

Global equity markets rallied in April due to strong performance from US stocks as company earnings exceeded forecasted expectations and improved sentiment regarding the US-China trade deal.

International shares as measured by the MSCI World ex-Australian Local Currency Index were up 3.81%. The unhedged equivalent was also up 4.56% for the month.

At a regional level, European equities as represented by the MSCI Europe Index, were the best performing amid better than expected economic data coming out of Europe. UK equities also expanded following strong employment data and the Brexit deadline extension.

After the quick ascension in Indian equities last month, the MSCI India Index was subdued this month due to the commencement of the country's general elections and moves by the Reserve Bank of India.

At a sector level, financial stocks and information technology stocks were the best performing, while the health care and utilities sectors lagged

Zenith Benchmarks Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
<b>International Shares - Unhedged</b>							
MSCI World Ex-Au (\$A)	4.56	12.02	14.28	14.52	13.56	11.27	16.58
MSCI World (\$A)	4.50	11.94	14.19	14.44	13.37	11.13	16.49
MSCI Small Cap World (\$A)	4.07	10.14	7.94	13.69	13.06	3.26	17.29
MSCI AC World (\$A)	4.33	11.34	12.67	14.40	13.00	10.75	15.99
<b>International Shares - Local Currency</b>							
MSCI World ex-Au	3.81	8.96	8.51	12.26	9.07	6.89	16.95
MSCI World	3.77	8.96	8.57	12.23	9.01	6.86	16.85
MSCI World Small Cap	3.12	6.32	0.65	10.67	7.01	-1.64	17.26
MSCI AC World	3.38	7.48	5.06	11.36	6.96	5.50	15.96
<b>Regional Shares - Local Currency</b>							
MSCI North America	3.96	9.24	12.54	13.92	10.51	9.13	18.20
MSCI Asia	2.27	5.66	-3.20	11.13	8.22	0.33	12.38
MSCI AC Asia ex-Japan	2.44	6.62	-1.44	13.28	8.06	3.06	14.32
MSCI China	2.19	8.33	-4.10	17.24	10.63	-0.66	20.44
MSCI Europe	4.12	10.00	3.50	9.26	5.94	4.34	16.17
MSCI Emerging Markets	2.56	5.11	-0.58	12.22	7.69	4.24	12.64
MSCI India	0.97	7.46	7.45	13.50	11.36	9.64	7.36
MSCI Japan	2.02	4.31	-5.53	8.36	8.32	-3.31	9.78
<b>Global Gold Shares in \$A</b>							
FTSE Gold Mines	-6.51	-5.19	-0.39	-5.19	3.37	-1.49	-1.34
<b>Global Resources in \$A</b>							
HSBC Global Mining	-2.10	5.38	7.30	15.67	5.76	5.65	11.90

## Property & Infrastructure

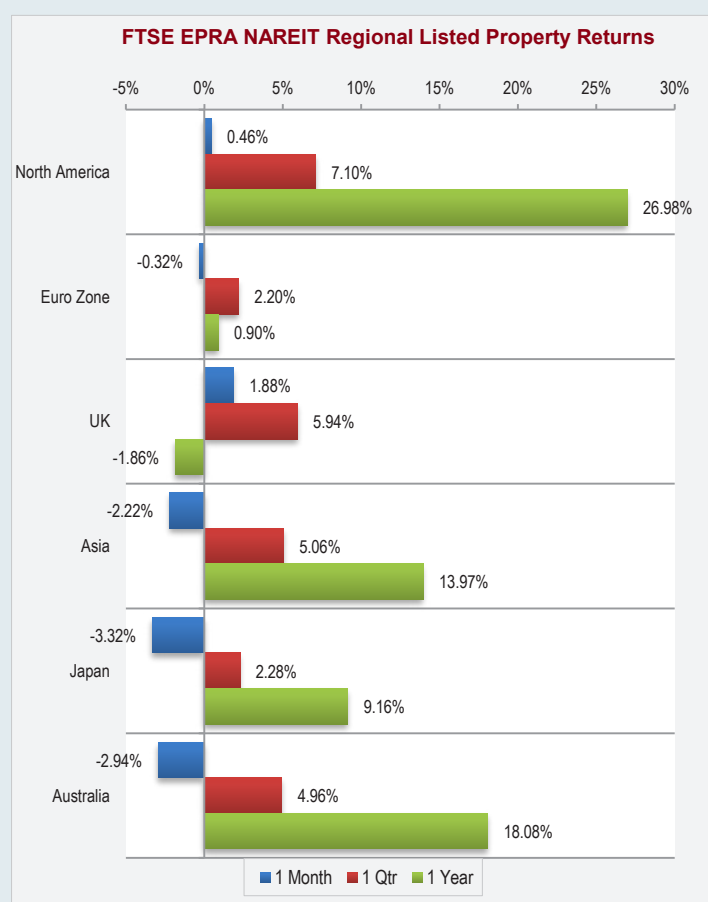
Global and domestic listed property stocks produced mixed returns over the month, following a strong March.

After a strong bull run, Australian listed property stocks fell, returning -2.29%, as represented by the S&P/ASX 300 A-REIT Index. Global REITs were also down -0.17%, as measured by the FTSE EPRA NAREIT Developed Hedged \$A Index.

While most regions fell behind this month, the UK was the best performing region returning 1.88%, while Japan lagged other regions.

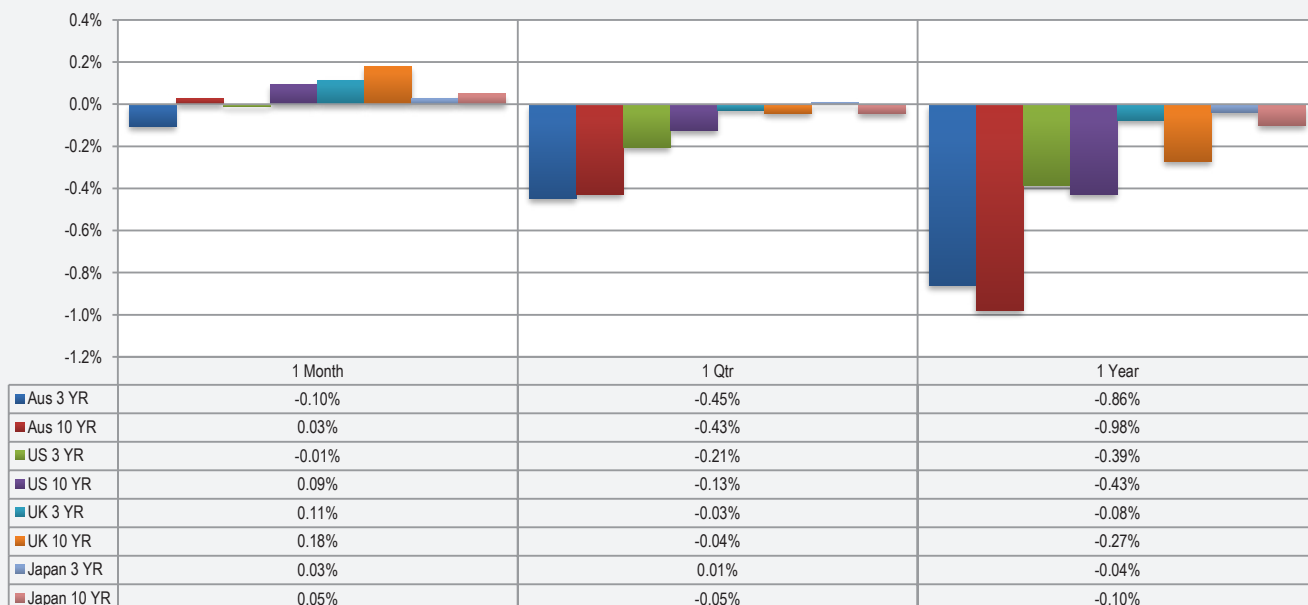
Australian listed infrastructure, as represented by the S&P/ASX 300 Utilities Index, was down -0.49% in April. Global listed infrastructure, as represented by the S&P Global Infrastructure Index, posted positive returns, up 1.55%.

Zenith Benchmarks Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
<b>Australian Listed Property</b>							
S&P/ASX 300 Property	-2.29	5.48	17.98	8.35	13.13	12.03	11.76
FTSE E/N Australia	-2.94	4.96	18.08	7.13	12.07	13.05	11.02
<b>Global Listed Prop. \$A (H)</b>							
FTSE E/N GLOBAL HGD A\$	-1.04	3.26	12.74	7.78	9.28	7.81	13.61
<b>Global Listed Prop. \$A</b>							
FTSE E/N GLOBAL A	-0.17	6.27	17.14	10.02	12.71	12.76	13.75
FTSE E/N North America	0.46	7.10	26.98	9.42	13.80	14.64	15.48
FTSE E/N Euro Zone	-0.32	2.20	0.90	9.54	12.58	0.48	9.65
FTSE E/N UK	1.88	5.94	-1.86	0.75	5.08	0.24	14.96
FTSE E/N Developed Asia	-2.22	5.06	13.97	9.86	11.04	14.41	10.98
FTSE E/N Japan	-3.32	2.28	9.16	3.02	6.61	9.17	5.35
<b>Australian Listed Infra.</b>							
S&P/ASX 300 Utilities	-0.49	4.89	10.68	10.39	12.74	3.44	11.10
<b>Global Listed Infra. \$A (H)</b>							
S&P Global Infrastructure	1.55	7.77	12.10	10.25	9.15	9.88	15.92



This chart shows Regional performance relative to the FTSE EPRA/NAREIT Index over 1 month, 1 quarter and 1 year time periods.

## Government Bonds - Change in Yields



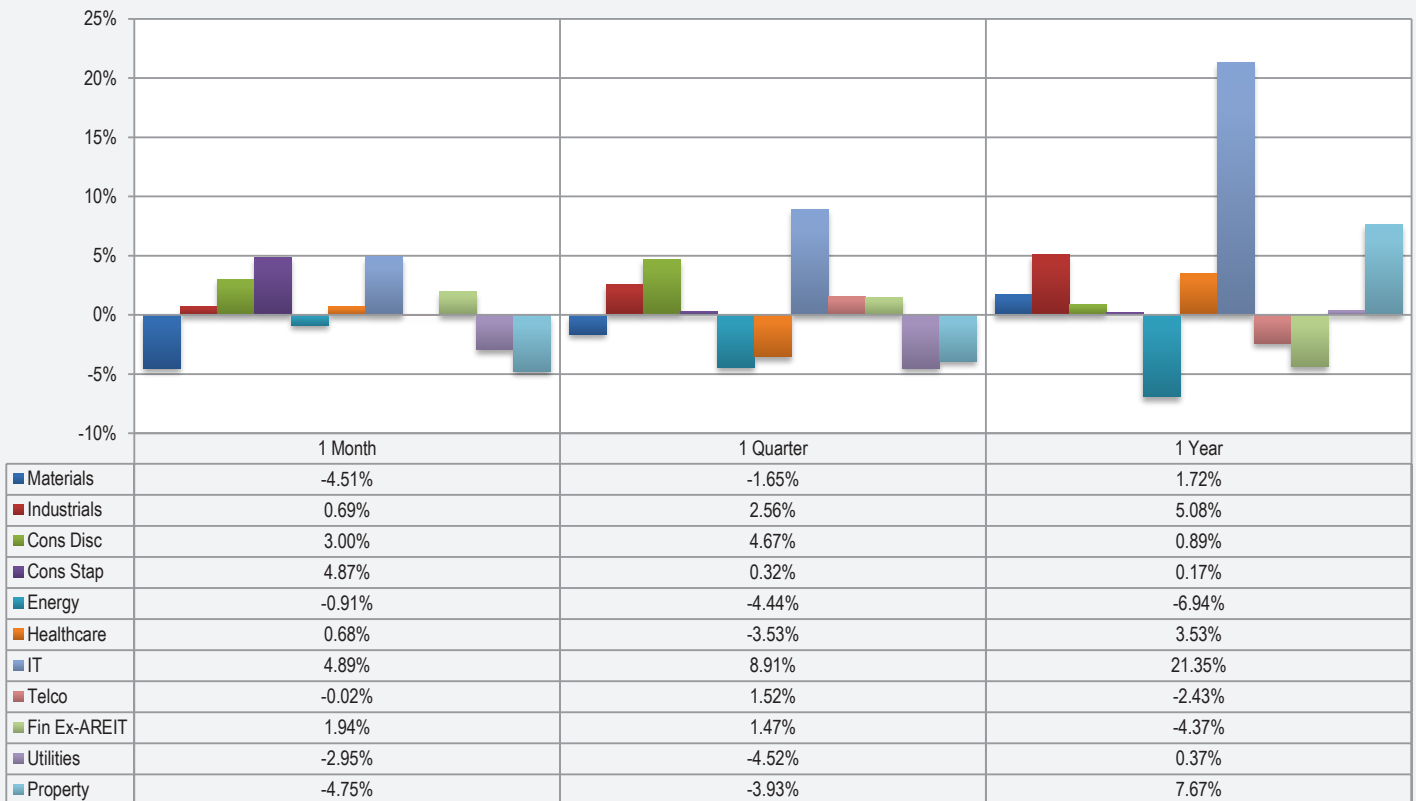
This chart shows the absolute change in yields for various government bonds from different regions and maturities over the past 1 month, 1 quarter and 1 year time periods.

This chart shows the absolute change in credit spreads for AAA, Investment Grade, High Yield and Emerging Market Debt over the past 1 month, 1 quarter and 1 year time periods.

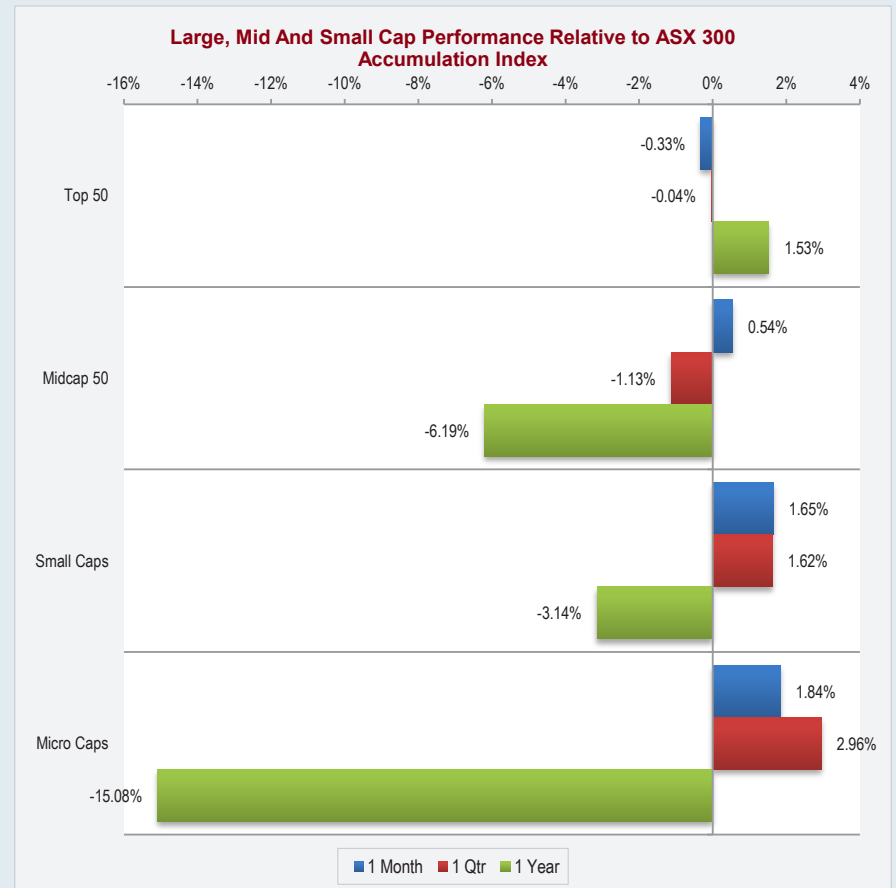
## Global Corporate Debt - Change in Spreads



### GICs Sector Performance Relative to ASX 300 Accumulation Index



This chart shows GICs Sector performance relative to the ASX 300 Index, over the past 1 month, 1 quarter and 1 year time periods.

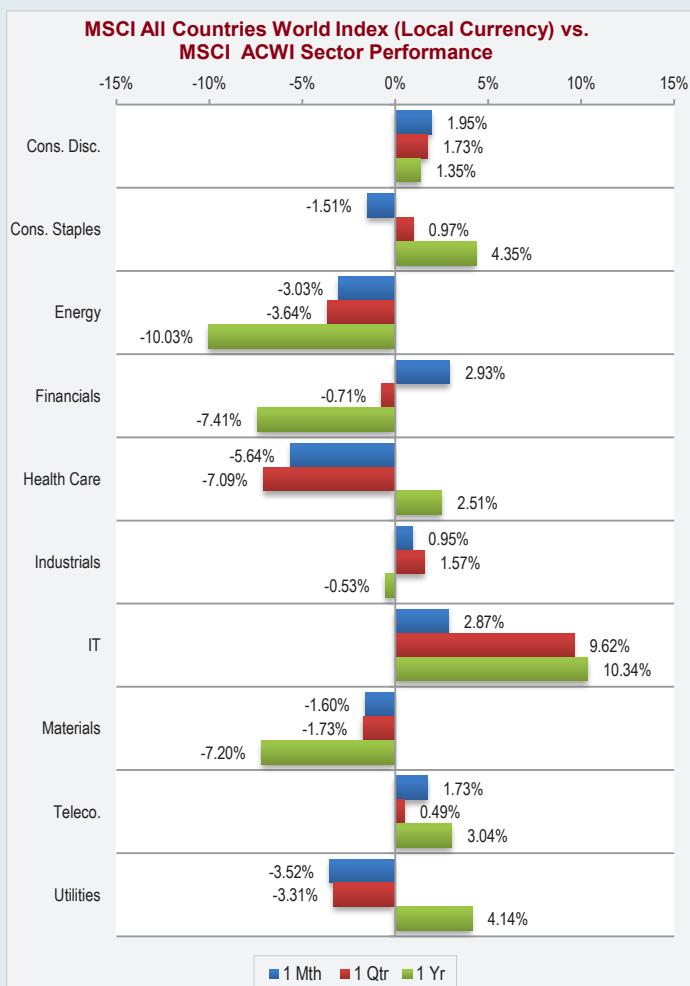
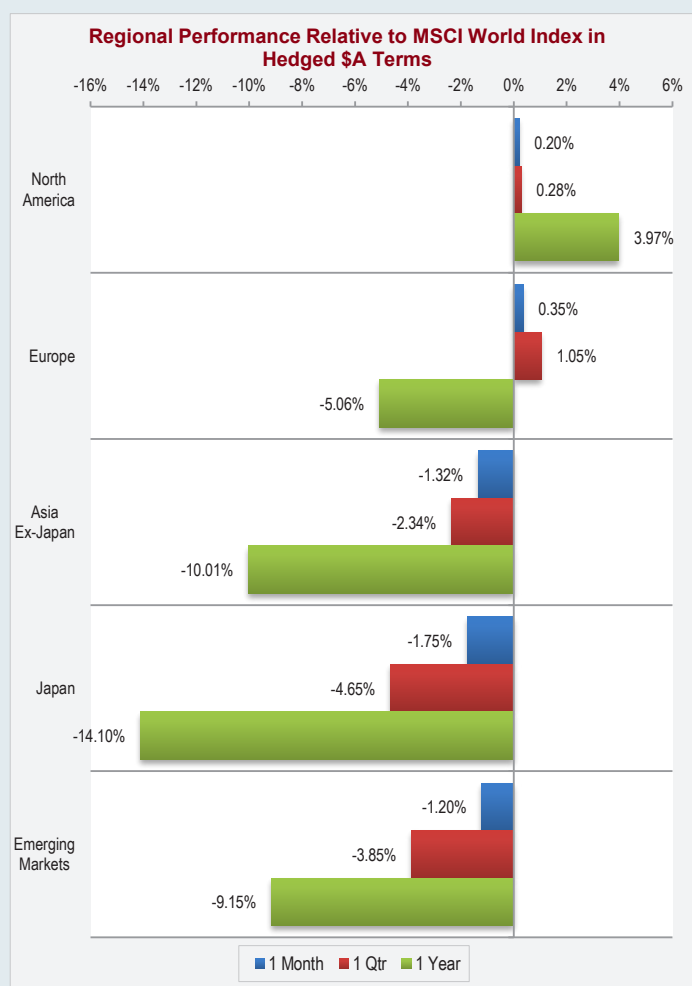


This chart shows market capitalisation segmental performance relative to the S&P/ASX 300 Accumulation Index.

Zenith Benchmarks Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Currency Spot Rates							
AUD / USD	-0.68	-3.15	-7.01	-2.76	-5.39	-4.76	-0.27
AUD / EUR	-0.21	-0.33	0.96	-2.15	-1.32	-0.74	1.93
AUD / GBP	0.35	-1.73	-0.87	1.35	-0.31	-3.43	-2.19
AUD / JPY	0.01	-0.75	-5.00	-1.50	-3.76	-4.06	0.73

Investors should note that investments in any international assets are subject to the risk of currency fluctuations.

If a foreign investment is unhedged, the gain / loss from the relevant currency pair should be deducted from the return of the asset to calculate the approximate return of the investment.



Zenith Benchmarks Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Industry Sectors - Local Currency							
MSCI ACWI Consumer Discretionary Index	5.33	9.21	6.41	11.29	9.36	4.73	19.17
MSCI ACWI Consumer Staples Index	1.87	8.44	9.42	4.13	5.66	7.59	13.05
MSCI ACWI Energy Index	0.35	3.84	-4.97	3.60	-3.69	-7.56	12.98
MSCI ACWI Financials Index	6.31	6.76	-2.34	9.56	5.25	3.08	14.23
MSCI ACWI Health Care Index	-2.26	0.39	7.57	6.69	7.15	5.26	5.21
MSCI ACWI Industrials Index	4.33	9.05	4.53	9.52	6.55	5.83	18.59
MSCI ACWI IT Index	6.24	17.09	15.40	23.52	16.48	10.41	26.11
MSCI ACWI Materials Index	1.78	5.75	-2.13	8.84	3.41	-2.51	11.73
MSCI ACWI Teleco. Services Index	5.11	7.97	8.11	1.11	1.89	13.85	16.51
MSCI ACWI Utilities Index	-0.14	4.17	9.20	4.96	3.91	9.85	8.83

The following sections provide some shorter term valuation considerations for the larger asset classes. Please note, that this section is designed to provide some short term market information for discussion, not to necessarily drive short term investment decisions. Zenith maintains that the use of well-constructed, diversified portfolios based on a medium to long term investment timeframe (10 year forecasts) together with using flexible active strategies and select alternatives strategies as tactical asset allocation overlay solutions, produce the optimum risk/return benefit for the majority of Australian investors. We also believe that timing the market based on short term valuations can be dilutionary to returns in most instances.

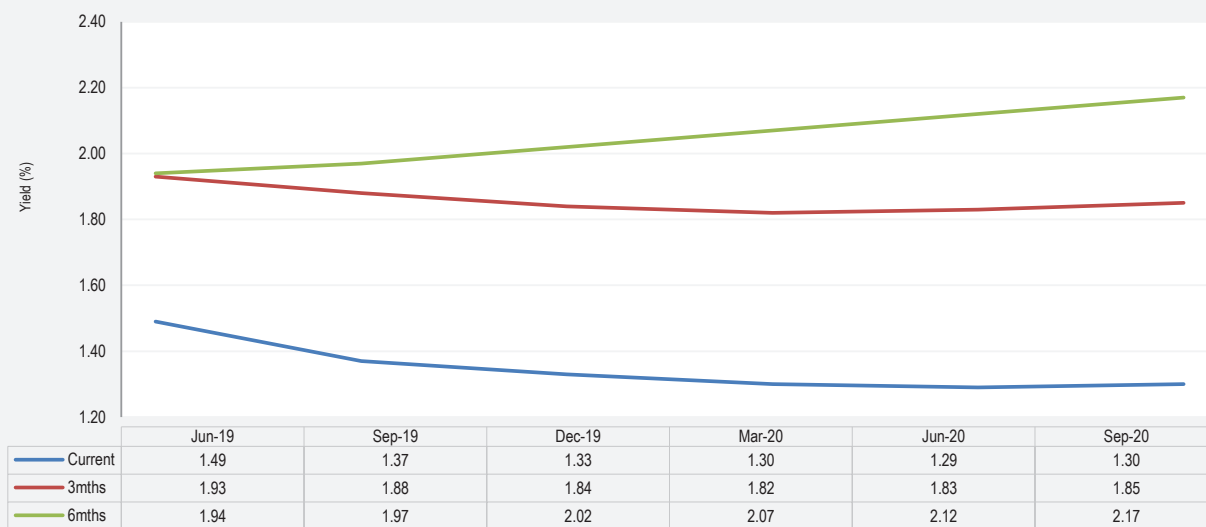
Sector	Absolute Valuation	Relative Valuation (vs Cash)	Momentum
Australian Bonds	Expensive	Expensive	Positive
Global Bonds	Expensive	Moderately Expensive	Positive
Global Investment Corp Debt	-	Moderately Expensive	Positive
Global High Yield	-	Moderately Expensive	-
Australian Equities	Fair Value	Moderately Cheap	Positive
Australian Small Caps	Expensive	Fair Value	Positive
Global Equities	Fair Value	Moderately Cheap	Positive
Emerging Markets	Fair Value	Fair Value	Negative
Australian REITs	Fair Value	Moderately Cheap	Positive
Global REITs	Expensive	Expensive	Positive

The methodology underpinning the above table is as follows:

- The absolute valuation for each sector is based on the quarter end value of the relevant sector index (Price/Earnings for equities and Running Yields for bonds) relative to each sector's long term historical average. If the valuation lies within a half a standard deviation (+/-) of the long term average, the sector has been listed as Fair Value. If the valuation is between a half and one standard deviation (+/-) from the long term average, the sector has been listed as Moderately Expensive or Moderately Cheap, depending on the direction. If the valuation is more or less than one standard deviation from its long term average we list the valuation as Expensive or Cheap, depending on the direction.
- The relative valuation for each sector is based on the premium above cash (1 year forward) of the quarter end value of the relevant sector index (1 year forward Earnings Yields for listed equities, Running Yields for bonds). We then compare this relative to each sector's long term expected risk premium above cash using Zenith's long term assumptions. If the valuation is between a 25% and 50% from our long term risk premium expectation, the sector has been listed as Moderately Expensive or Moderately Cheap, depending on the direction. If the valuation is more or less 50% from its long term average we list the valuation as Expensive or Cheap, depending on the direction.
- The Momentum reference is based on the 12 month performance of the sector less the returns of cash over the same period. There is strong evidence that time series relative strength (momentum) is significant and persistent. Across a range of asset classes, the sign of the trailing 12-month return (positive or negative) can be indicative of future returns (positive or negative) over the next 12 month period. Relative strength measures help to address any non-valuation (i.e. macro) based concerns in markets, which can remain "cheap" or "expensive" for long periods of time. As a result, we believe investors should be cognisant of both momentum and valuation based metrics.

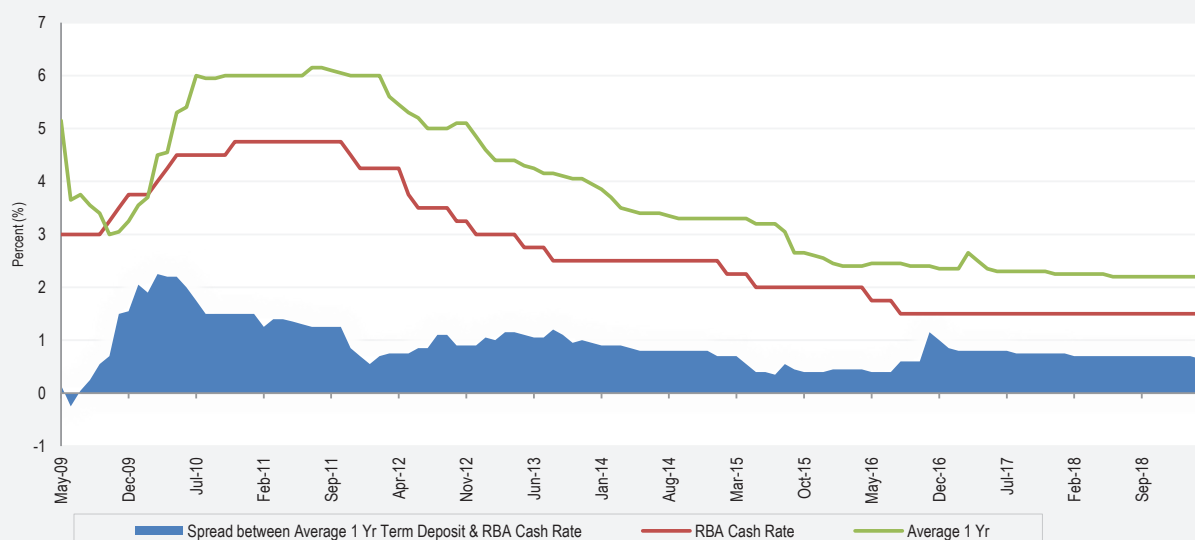
## Cash

**Australian 90 Day Bank Bill Futures Pricing**



Source: Thomson Reuters

**Term Deposit vs RBA Cash Rate**



Source: Thomson Reuters

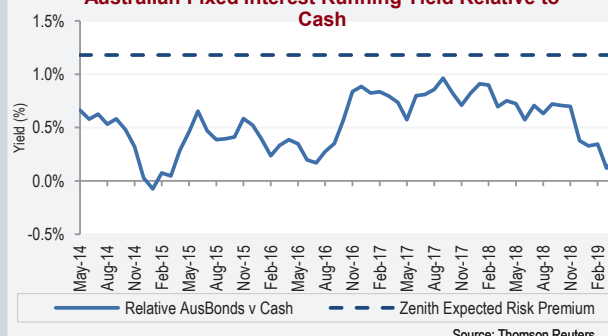
## Fixed Interest

**Australian Fixed Interest Running Yield**



Source: Thomson Reuters

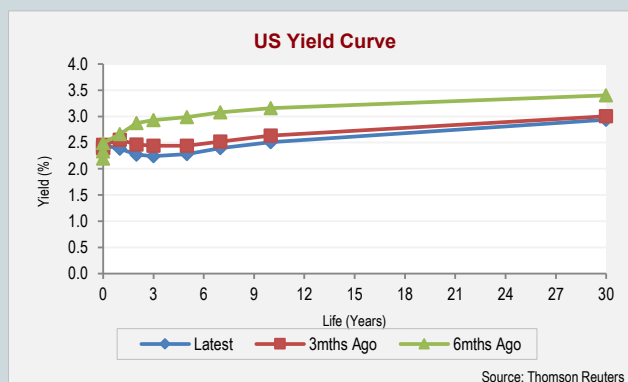
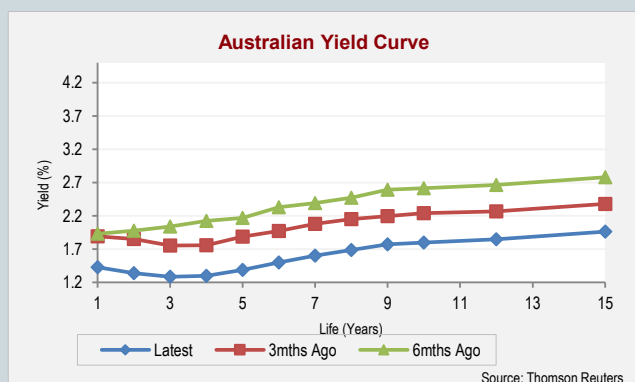
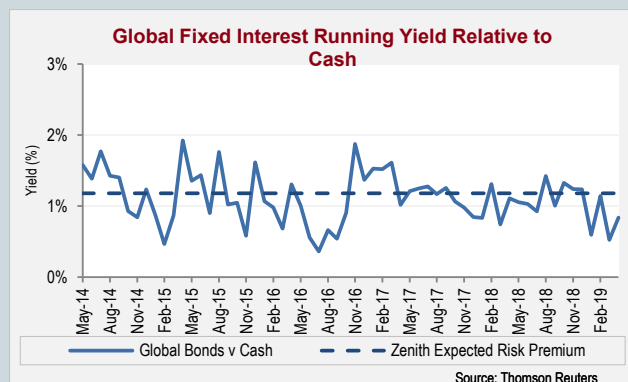
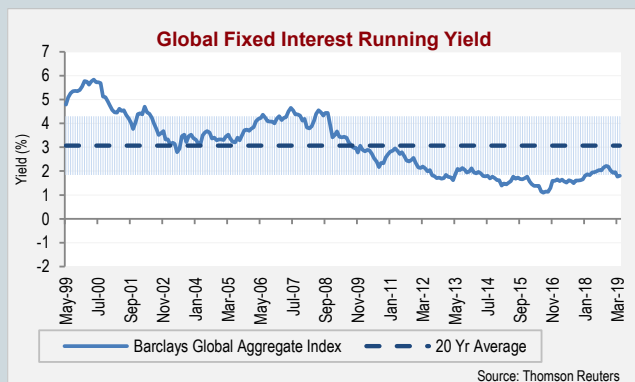
**Australian Fixed Interest Running Yield Relative to Cash**



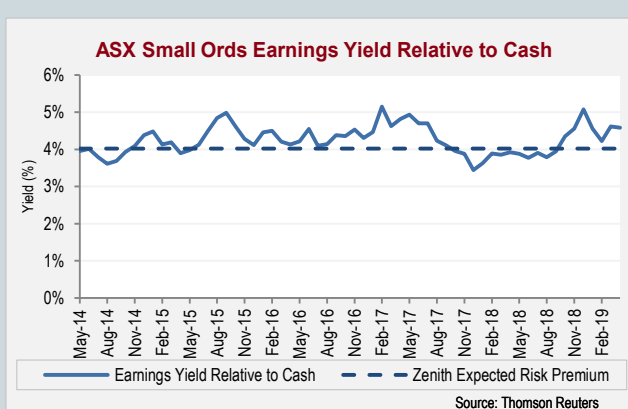
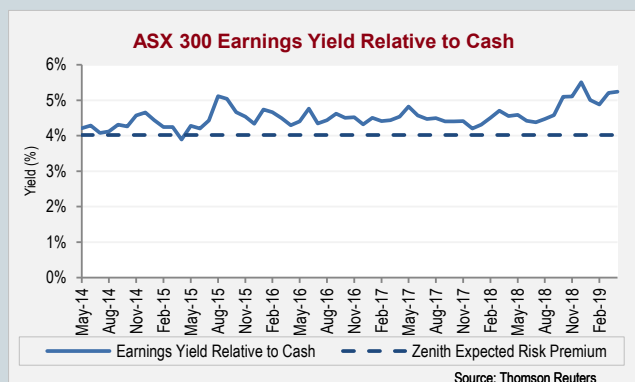
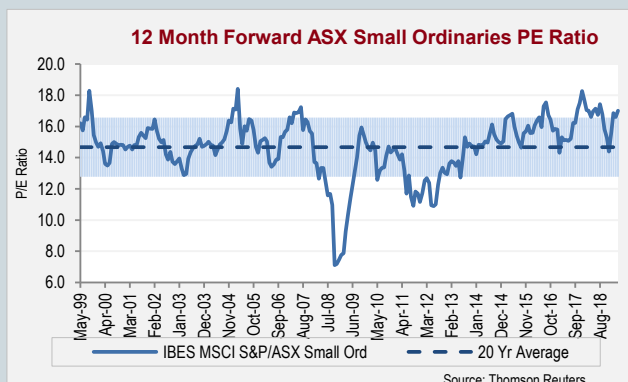
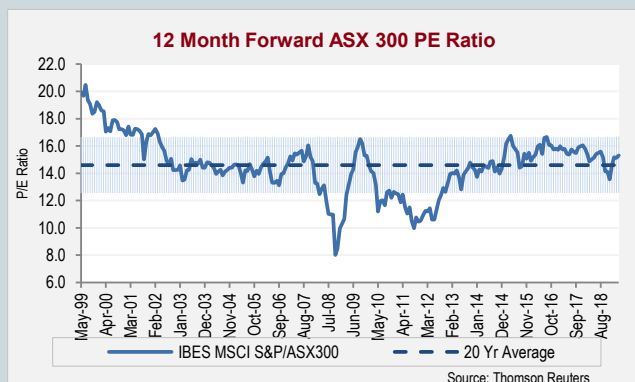
Source: Thomson Reuters



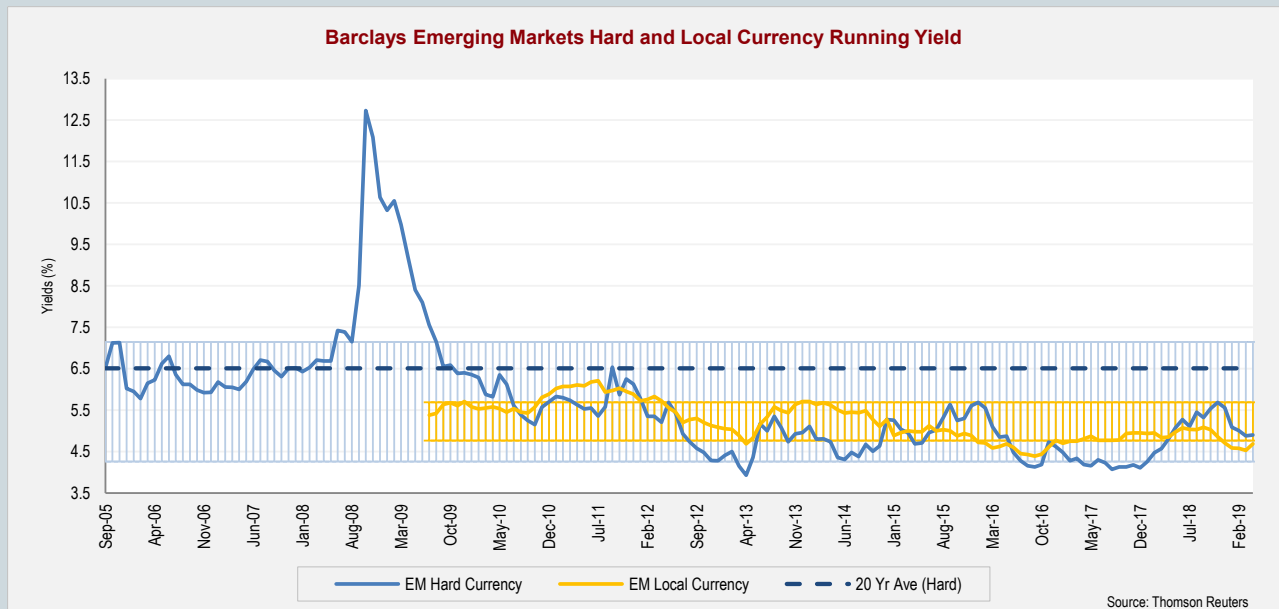
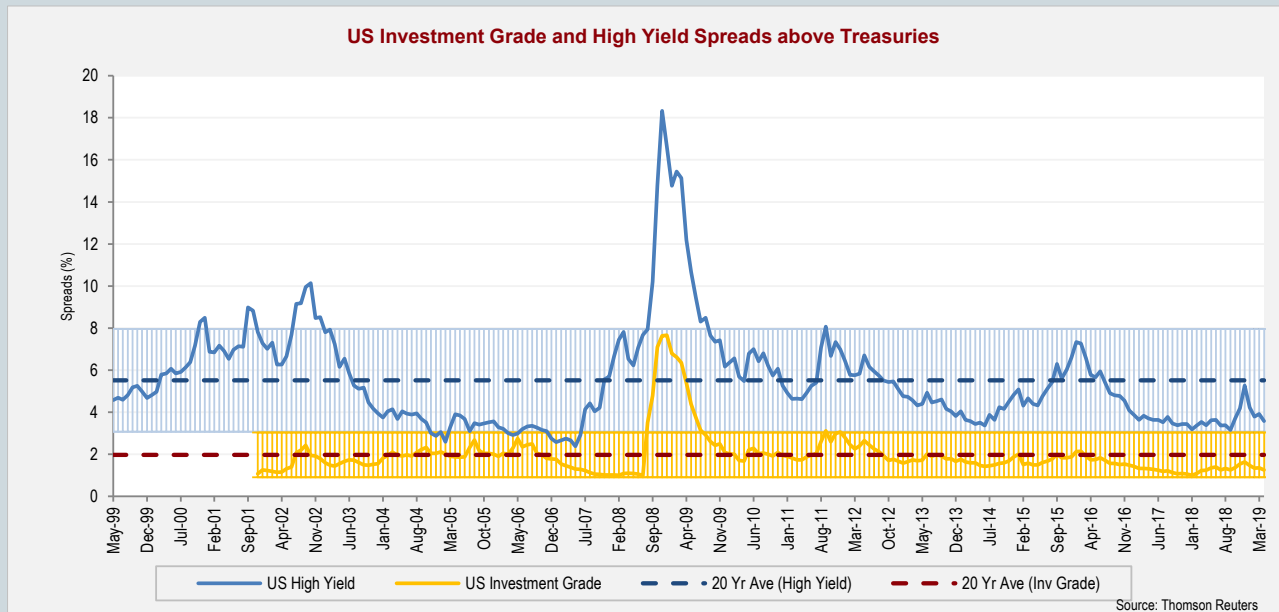
## Fixed Interest (cont.)



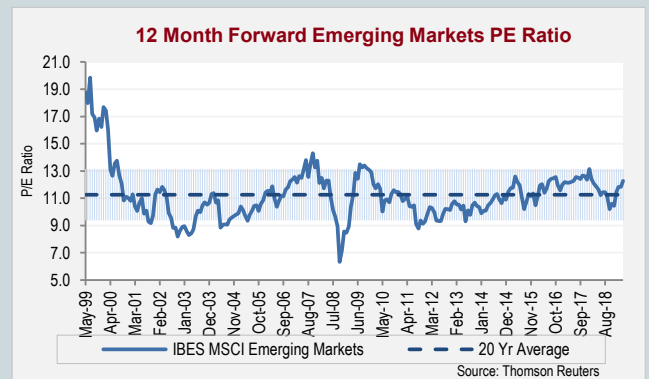
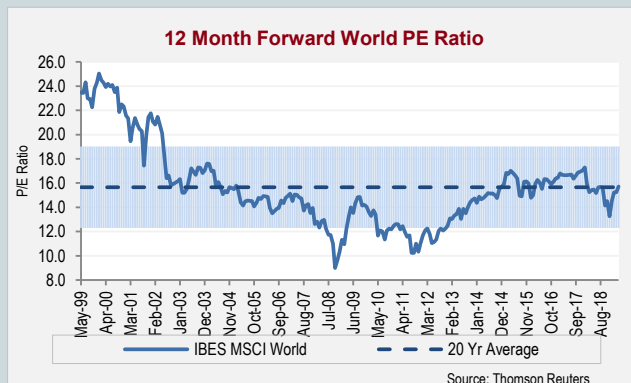
## Australian Equities



## Corporate Debt

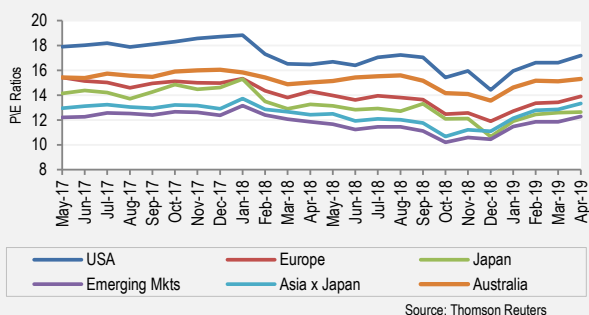


## International Shares

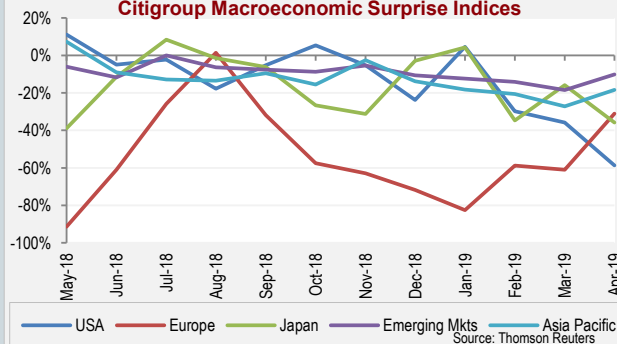


## International Shares

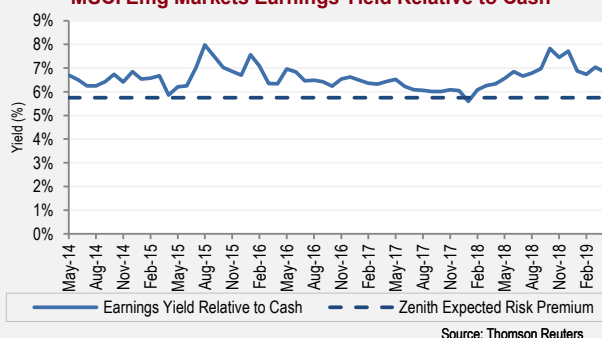
**Regional Equity 12 Month Forward PE Valuations**



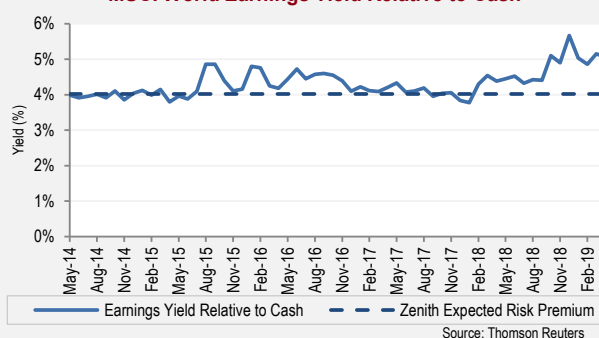
**Citigroup Macroeconomic Surprise Indices**



**MSCI Emg Markets Earnings Yield Relative to Cash**

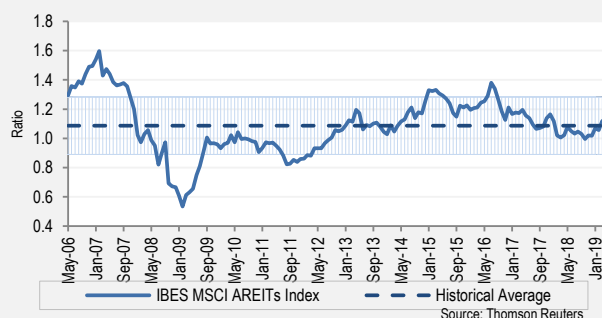


**MSCI World Earnings Yield Relative to Cash**

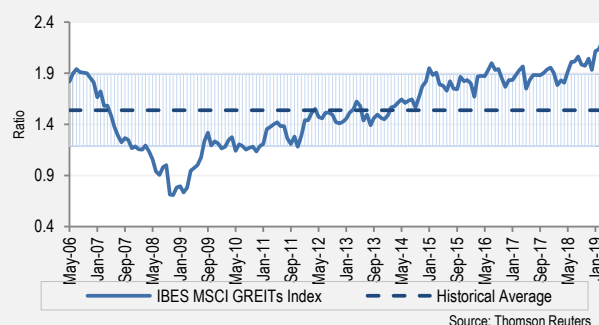


## Listed Property & Infrastructure

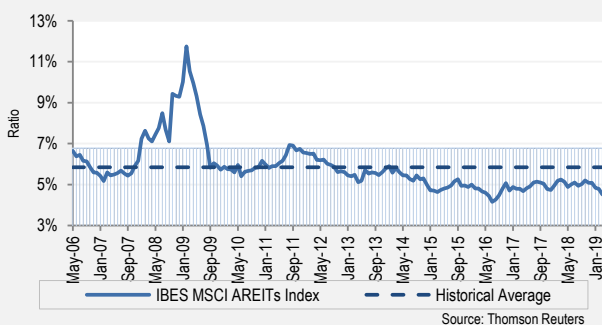
**12 Month Forward AREIT Price to Book Value**



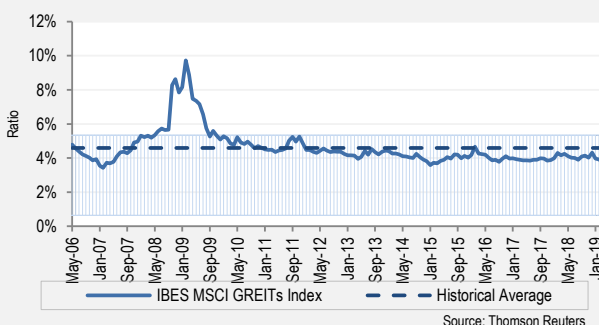
**12 Month Forward GREIT Price to Book Value**

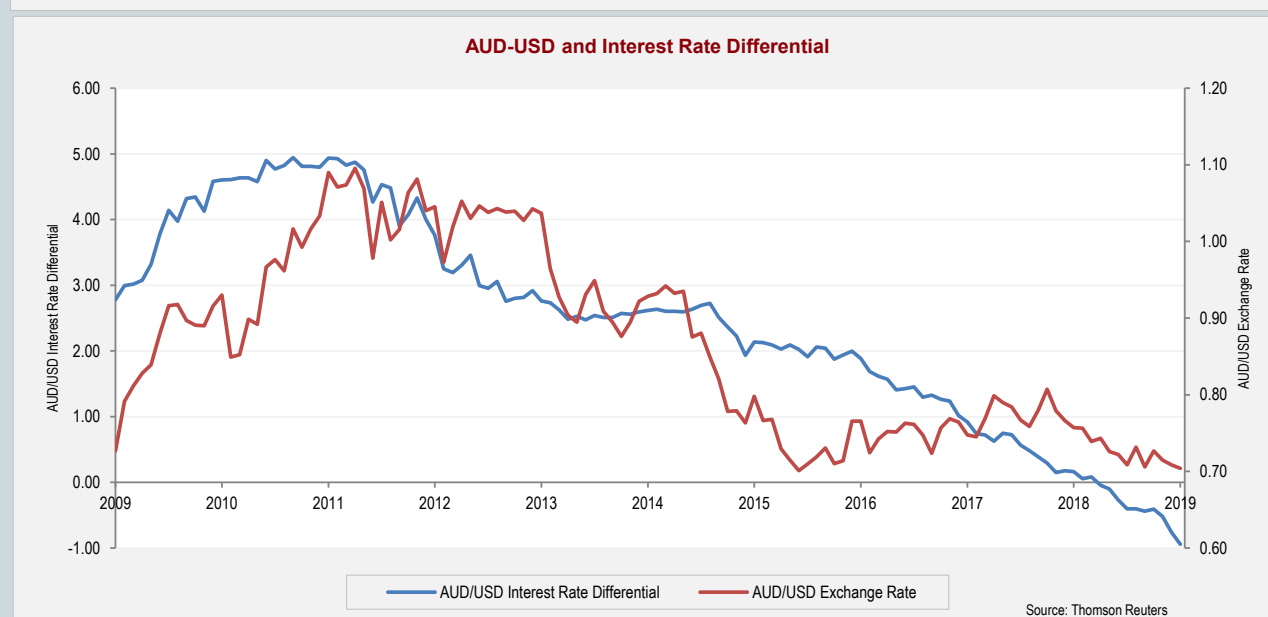
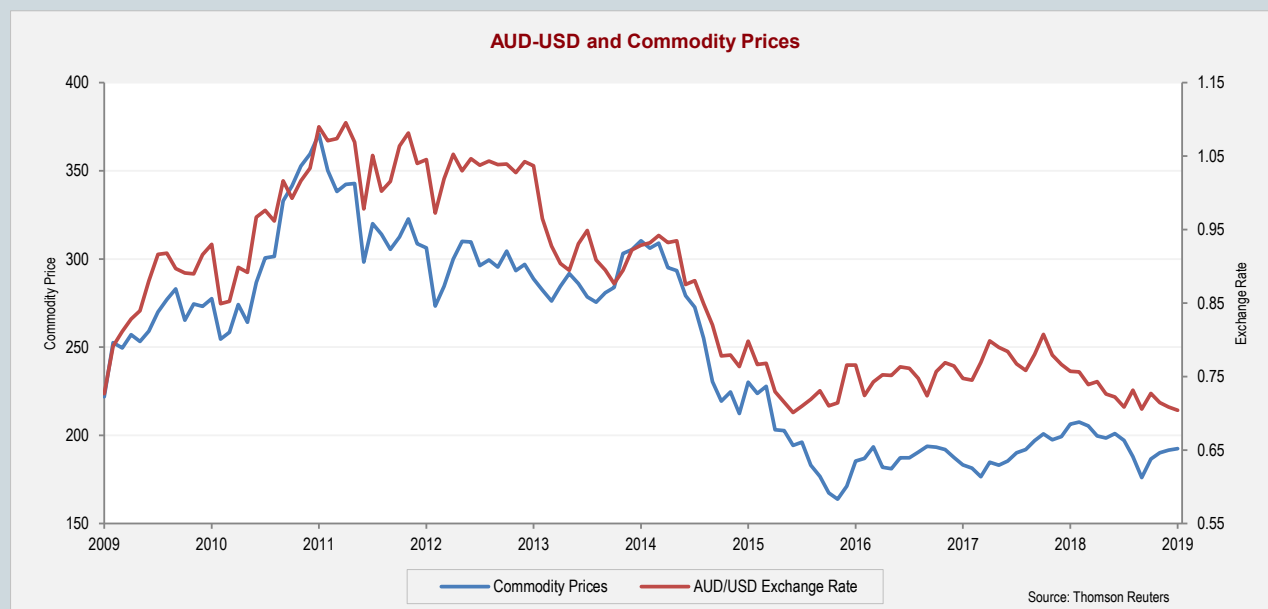


**12 Month Forward AREIT Dividend Yield**

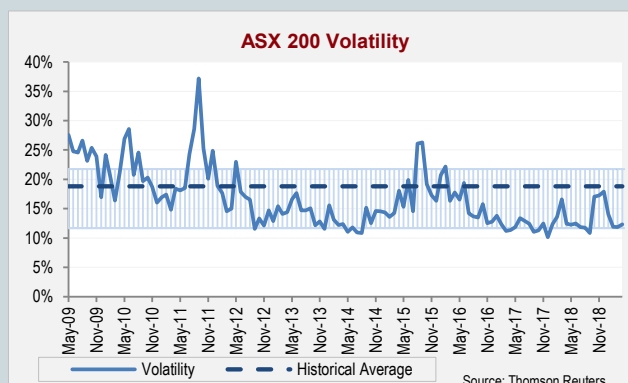
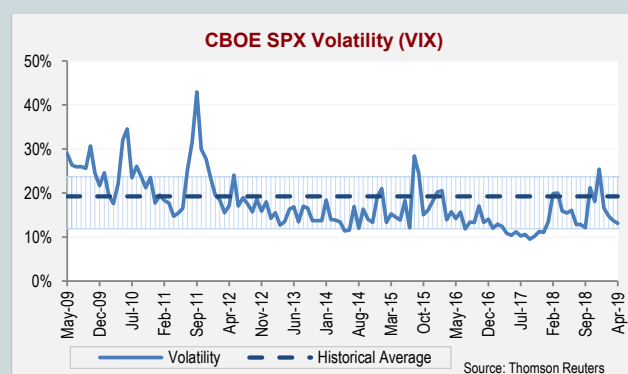


**12 Month Forward GREIT Dividend Yield**





## Volatility / Financial Stress Index



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