Investment Insight

OUTLOOK—DECEMBER QUARTER 2013

Performance statistics – September Q13

Markets	30 Sep 2013	Qtrly % Change
All Ordinaries	5,218	9.3%
Banks	8,388	9.2%
Materials	9,724	14.7%
Industrials	3,968	10.7%
Real Estate	2,376	0.1%
US S&P 500	1,682	4.7%
UK FTSE 100	6,462	4.0%
Japan Nikkei	14,456	5.7%
German DAX	8,594	8.0%
Shanghai Comp	2,175	9.9%
Hang Seng	22,860	9.9%
RBA Cash Rate	2.50%	-25bp
90-Day bill rate	2.56	-23bp
10-year bond	3.81	+5bp
Oil (WTI) $US	$102	6.1%
Gold $US	$1,328	8.5%

Growth delicately poised

Global growth slowed in 2013 but there are signs that growth could rebound in 2014, led by the developed economies of the US and Europe.

However, it is not clear whether the recovery is sustainable and structural problems remain hidden below the surface.

Global growth forecasts have continually been revised down during 2013, with the IMF recently reducing its 2013 growth forecast to 2.9% from 3.2%. A new trend of slowing growth in emerging economies and recovering growth in developed economies has emerged.

Despite the global slowdown, there is growing optimism that the US is gaining momentum and that Europe is showing the first signs of recovery. In addition it seems China has stopped slowing and has stabilised at around 7.5% growth. Indeed, it is expected that emerging economies will soon benefit from a recovery in the developed world and hence global growth should rebound in 2014 to around 3.6%, according to IMF forecasts.

Structural issues

Despite increased momentum leading into 2014, there remains structural problems in each region.

In the US, the recovery is patchy and requires extraordinary monetary stimulus from the US Federal Reserve (the Fed) to keep interest rates very low and the USD weak. The tricky part for the Fed will be exiting this program. We have already seen markets 'front-running' the Fed when it indicated mid-year that it was considering tapering its bond purchasing program. Bond yields rose aggressively, the USD rallied and capital began to flow out of emerging markets and back into the US. The Fed seemed to be alarmed at the sharp market reaction and subsequently delayed plans to taper in September 2013.

In addition, the issue of reducing the US budget deficit and public debt without harming economic growth remains a divisive issue for Congress. The public debt has grown to US$16.7bn, or 100% of GDP, while the budget deficit is around US$650bn, or 4% of GDP. To be fair, the budget deficit is the lowest deficit in 5 years and has been reduced from around US$1.2 trillion in the years immediately following the GFC.

However, the public debt will continue to grow unless the deficit is returned to surplus and hence the Republican controlled lower house is becoming increasingly active over the budget and the self-imposed US$16.7bn debt ceiling. The recent budget stand-off in Congress forced a government shutdown that may hurt the US recovery but financial markets remained calm on the assumption that the budget and extension of the debt ceiling would eventually be approved, which indeed it was.

In Europe, the recovery is fragile and there still remains sovereign debt and bank solvency issues in the southern countries. There is also the larger question: can the European monetary union succeed without a proper fiscal, banking and political union (of the kind that we see in the United Kingdom or the US)? Lonsec suspects not but we expect the EU to forge closer integration over the long term.

In China, its economic model for the past 40 years of export and investment led growth is becoming unbalanced and unsustainable. There is a concern that property and infrastructure development has become too large at 50% of the economy and has run ahead of income growth. More wealth needs to be distributed to its citizens to boost incomes and hence consumption.

China's new leaders recognise the need for reform to drive the economy towards more sustainable and diversified growth across consumption, business investment, housing, government spending and net exports.

In Japan, the new Abe government is trying to get the country out of a debt deflation trap that has existed since the 1990 property bubble burst. Japan's sovereign debt is very high at 240% of GDP and the central bank has a substantial money printing program aimed at keeping interest rates low and encouraging inflation but also keeping the currency weak. In addition, Japan is also dealing with an ageing population and increased competition from South Korea and China.

The structural issues mentioned above are all major issues and are not going to be solved overnight. It will take many years for each issue to be resolved or in the worst case, emerge as a crisis. We can't know how they will all turn out but it pays to be aware of them when investing.

Australia

Compared to the US, Europe and Asia, Australia has relatively few issues. The budget deficit and public debt are low to moderate, the banking system is strong, the economy is diversified and the government should be more functional, after the recent election. The issues in Australia are more around encouraging growth outside of the mining sector and improving productivity.

However, one structural weakness could be the build-up of housing debt which is relatively high at around 100% of GDP. But the debt is being serviced and impairments are very low. Household debt is not likely to be an issue unless unemployment rises and/or credit becomes much more expensive, both of which seem unlikely given the economy continues to grow, inflation remains subdued and the banks are well capitalised.

Conclusion

A recovery in the US and Europe should lead to a rebound in global growth in 2014. However, we remain wary that the recovery is still fragile and there are still some major problems below the surface.

At this stage, we are retaining our largely neutral growth, underweight bonds and overweight cash stance. If we can gain greater comfort on the sustainability of the global recovery, we will look to increase growth weightings and reduce cash.

Global economic outlook

Developed economies showing signs of life

The IMF has lowered its global growth forecast to 2.9% in 2013 but expects a rebound to 3.6% in 2014. Developed economies are expected to recover (from very low growth rates) while emerging economies are expected to stabilise at moderate growth rates (from high growth rates).

The US economy (25% of Global GDP at market exchange rates)

The US economy has gained momentum in 2013 led by growth in exports, housing and business investment. The rebound has come despite a significant tightening in government spending during the year. Payrolls have improved to around 170,000 per month and the unemployment rate has fallen to 7.3%, although the participation rate remains low at 60%.

The rebound was enough for the Fed to contemplate tapering its US$85bn per month bond purchasing program, otherwise known as quantitative easing. However, the market response was a sharp increase in bond yields and the USD and capital was withdrawn from emerging markets and invested back into the US. This seemed to alarm the Fed and it distanced itself from the tapering proposal in September 2013 and it remains unclear on when the Fed will try and exit its asset purchasing program. In the meantime, the Fed chair is expected to change from Ben Bernanke to Janet Yellen in the new year.

The improving economy has also led to a declining budget deficit which will shrink to around US$650bn in 2013, the lowest deficit in five years. However, a deficit is still being run and as a result the public debt has increased to US$16.7b (equivalent to 100% of GDP) and has, once again, hit the US government's self-imposed $US16.7bn debt limit. The budget deficit and public debt limit remains a divisive issue in Congress with the Republican controlled lower house determined to get spending down before approving the budget and any extension to the debt limit. Lonsec notes that the budget was recently approved and the debt limit extended, but only for a short period. The IMF expects US growth to accelerate from 1.6% on 2013 to 2.6% in 2014.

The European economy including the UK (22% of Global GDP)

The Euro-zone returned to low growth (0.3%) in the June quarter of 2013 for the first time in six quarters. Many leading indicators are also signalling recovery but growth remains patchy across the Euro-zone with northern Europe in much better shape than southern Europe. This is also evident in the politics with Germany's Chancellor, Merkel, recently being re-elected whereas Italy continues to struggle to maintain a stable government with Berlusconi's party recently threatening to withdraw its support for the Letta government.

The ECB left the cash rate at 0.5% and expects to keep interest rates low for an extended period. While growth is recovering slowly, the ECB notes low inflation, weak credit growth, high unemployment and many structural challenges. These challenges include fiscal consolidation (without strangling growth), bank recapitalisation and structural reform. Overall, the IMF expects the Euro-zone to move from recession (-0.4%) in 2013 to modest growth (1.0%) in 2014.

The Asian economy (22% of Global GDP)

Asia has experienced mixed conditions with China and India generally slowing while Japan has seen a rebound. China's new leaders are focused on reform rather than strong growth while Japan's new Abe government has launched an aggressive growth policy dubbed 'Abenomics', which includes quantitative easing, government spending and economic reforms. In India, budget and current account deficit problems have led to a 20% depreciation in the Rupee and inflation problems. The Indian central bank has had to increase interest rates to support the currency and keep a lid on inflation.

China is expected to stabilise at around 7.5% growth, as the new government carries out reforms to improve the diversification of the economy. India has been hard hit by the withdrawal of capital from emerging markets and is expected to slow significantly to around 3.2% in 2013 with a small rebound to 3.8% growth in 2014. Japan will maintain growth of 2.0% in 2013 but is actually expected to slow in 2014, as a new consumption tax is expected to drag on growth.

2014 Outlook(Lonsec)	*Recession*	*Low growth*	*High growth*
United States		▼	
Europe	▼		
China		▼	
Japan	▼		

Domestic economic outlook

Looking for an East Coast recovery

June quarter growth came in at 0.6%, with annual growth slowing to 2.6%. There is potential for growth to slow further as mining investment, a key growth driver for the past five years, declines from its 2012 peak. The unemployment rate has been creeping higher over the past year to 5.6% and could worsen in the short term as the mining sector and the public service shed employees. However, inflation pressures have eased significantly with underlying inflation a little over 2%. Slowing growth and benign inflation means the Reserve Bank of Australia (RBA) has had plenty of room to ease monetary policy.

The RBA has cut the official cash rate by 2.25% over the past two years to 2.50% and loan rates have come down significantly. Low interest rates should foster growth in depressed segments of the economy such as consumption, housing construction and non-mining business investment. In addition, the AUD has eased around 8% to US$0.94 over the past year, which will help provide some support to export industries.

Fiscal policy has been tightening as the Federal and State governments strive to return their budgets to surplus. The recent fall in commodity prices has made this a hard task and the Federal government has had to abandon plans to return to surplus in the short term. With the Liberal National Party now holding Federal government and most States, the environment for business and investment should improve and indeed business confidence is on the rise. However, in the short term there is likely to be job losses in the public service which could add to job insecurity.

Australian export volumes, particularly of iron ore, coal and LNG, will increase markedly in the medium term and although commodity prices are generally weaker, export income should remain quite buoyant.

The Australian Economy

Key Positives	Key Negatives
Inflation and interest rates low	Mining investment to decline
Banking system well capitalised and profitable	Low non-mining business confidence and investment
Relatively low public net debt at 20% of GDP	Productivity issues
Companies generally have strong balance sheets	Federal & State governments consolidating budgets
Population growth around 1.5% p.a.	High household debt at 100% of GDP
$1.6 trillion superannuation savings pool	Banking system still reliant on wholesale funding despite increasing deposits in recent years (60% deposits/40% wholesale funding)
Change of government to LNP	
AUD easing	

Overall, Lonsec expects Australia to maintain reasonable growth, with consumption, housing and business investment expected to gradually offset the slowdown in the mining sector. Generally, we expect a strong recovery in NSW and Victoria and slowing growth in Western Australia and Queensland.

The IMF expects the Australian economy to grow by 3.0% in 2013 and 3.3% in 2014 which is more bullish than the RBA which expects the economy to grow by 2.25% in 2013 and 3.0% in 2014.

2014 Outlook (Lonsec)	*Recession*	*Low growth*	*High growth*
Australia		▼	

Recommended Tactical Asset Allocation

The consensus view is that global growth should rebound in 2014, led by the US and Europe. Lonsec remains wary that the recovery is fragile and that the risks remain to the downside at this stage. We are prepared to wait another quarter for further evidence of a recovery in the developed world before increasing our growth weighting. Accordingly, we retain our largely neutral growth stance, our largely underweight bond stance and our overweight cash stance. We intend to reduce our cash weighting and increase our growth weighting, once we get more confirmation that the recovery is taking hold.

Asset Class	*Underweight*	*Neutral*	*Overweight*
Cash			▽▼
Australian Fixed Interest		▽▼	
International Fixed Interest	▽▼		
A-REITs		▽▼	
Australian Equities	▽▼		
International Equities (unhedged)		▽▼	

▽= September quarter 2013 asset allocation, ▼= December quarter 2013 asset allocation

Cash – Very Overweight

The official cash rate has come down 225bp to 2.50% in the past 2 years and we note that term deposit rates have also fallen to around 3.5% for a 1 year maturity. The RBA expects low rates to spur growth over the medium term and is most likely at the low in the easing cycle. We expect the RBA to remain on hold for an extended period (1 year) and then start increasing the cash rate. We remain in cash for now but will look to increase our growth weighting as we get more comfort on the global growth recovery.

Australian Fixed Interest – Neutral

The Australian yield curve still offers better value than most global debt markets (particularly given Australia's AAA sovereign credit rating is probably one of the more creditable AAA ratings available) with the cash rate at 2.50% and the 10-year bond yield at 4.2%. In addition, State government and corporate debt remains relatively attractive given the reasonable yields and strong credit metrics of most major States and corporates. For these reasons, we continue to find Australian bonds more attractive than global bonds. We maintain a neutral weighting.

International Fixed Interest – Underweight

Lonsec continues to find the investment case for global bonds to be unattractive given the very low bond yields on offer. It seems the bond buying programs of the central banks of Europe, the US and Japan are keeping bond yields artificially low. With the US Fed signalling that is preparing to reduce its US$85bn per month bond purchasing program in the next year, bond yields have started to rise and hence bond prices have been falling. Bond funds have been experiencing losses for the first time in many years and some are even calling an end to the 30 year bond bull market. Rising bond yields mean falling bond prices, by definition, so we remain underweight for now. As yields rise, we will re-evaluate our position.

Australian Real Estate Investment Trusts (A-REITs) – Neutral

The AREIT sector has rallied 90% since its 2008 low, as Trusts de-leveraged and returned to their historic strategy of vanilla commercial property investment. Large discounts to NTA have now been closed and yields have fallen significantly. Falling bond yields also provided a boost in the past five years but now bond yields are starting to rise again. Most Trusts have strong balance sheets but modest growth prospects. Lonsec views the sector as fair value and accordingly we retain a neutral position.

Australian Equities – Slightly Underweight

Last quarter we reduced our equity weightings on concerns that bond yields were rising too fast for global growth prospects. The Fed seemed to share our concerns and subsequently retreated from its proposal to start withdrawing from its US$85bn per month bond purchasing program. This has seen bond yields retreat and a 'risk on' environment return.

And now there are tentative signs that Europe is returning to growth and that the US and Europe could lead a global growth recovery in 2014. As mentioned above, we are still wary that the recovery is fragile and that structural problems remain hidden below the surface. Nevertheless, we are open to a global recovery taking hold and the structural problems being resolved, over the medium to long term, but we require further evidence before subscribing to that view.

For Australia, we remain bullish on Financials and Industrials who will benefit the most from three tailwinds being: low interest rates, an easing in the AUD and a change of government. We are less enthusiastic about Resources given that slowing Asian growth could keep demand flat for a period of time while supply will increase markedly in the short term. Amongst the Resources we are more positive on Energy stocks as we see the next chapter of Asia's growth story being more energy intensive rather than steel intensive.

Australian companies are in good shape, in balance sheet terms, and growth prospects should improve in FY14 and FY15. Market pricing looks full (see Table A below) but the market is anticipating a return to earnings growth, so investors need to focus on forward numbers rather than current numbers. The market is looking for 10% earnings growth in FY14 up from 1% in FY13. We believe this is achievable given leading indicators are showing signs of a recovery in non-mining sectors.

Table A – Sector PERs

Sector	ASX 200 Index weight	FY13 PER*	FY14 PER*
Financials	34%	15.1x	14.6x
Industrials	34%	18.5x	16.4x
Resources & Energy	25%	14.6x	11.7x

* Average of major broker estimates, 14 October 2013

Dividend yields are still attractive, particularly in the Financial and Industrial sectors (see table B below). As interest rates are low in Australia, investors will increasingly look for sustainable yield on the ASX, which should provide firm support for Industrials, Financials and Trusts.

Table B – Sector Dividend Yields

Sector	ASX 200 Index weight	FY13 Div Yield*	FY14 Div Yield*
Financials	34%	5.0%	5.2%
Industrials	34%	3.8%	4.0%
Resources & Energy	25%	3.0%	3.7%

* Average of major broker estimates, 14 October 2013, before franking credits

Overall, we expect the Australian market to be range bound in the short term before growth prospects become a little more clearer.

International equities (unhedged) – Neutral

The US market has now been in a four year bull run (2009-2013) that has seen the S&P500 rally 143% from around 700 to over 1,700. The rally has been fuelled by very low interest rates, a falling USD, government spending, increased productivity and reasonable economic growth. Our concern last quarter, was that interest rates and the USD were starting to rise rapidly and that government spending was being reduced. It seems the Fed was also concerned and subsequently retreated from its proposal to start withdrawing from its US$85bn per month bond purchasing program. This has seen bond yields retreat and a 'risk on' environment return.

As mentioned above, we are open to the view that a global recovery, led by the US and Europe, could take hold but we require further evidence before subscribing to that view. At this stage, we remain comfortable with a neutral weighting to international equities (unhedged). We intend to increase our weighting if the recovery takes hold and the USD begins to rally again.

Lonsec Direct Model Portfolios

Investment Philosophy

Lonsec focuses on generating strong returns above benchmark, over the medium to long term, through concentrated, low-turnover portfolios.

Investment Process

1. “Big picture” top down themes drive sector and industry preferences.
2. Once preferred industries are identified, we use 10 stock filters to identify quality companies trading at a reasonable price.
3. Concentrated portfolios of our highest conviction stocks are constructed.
4. We hold for an average of three to five years hence portfolio turnover ranges between 20-30%.
5. Portfolio risk is mitigated via combination of team experience, portfolio rules, stock filters and risk measurement tools.

Australian Equity Core Model Portfolio

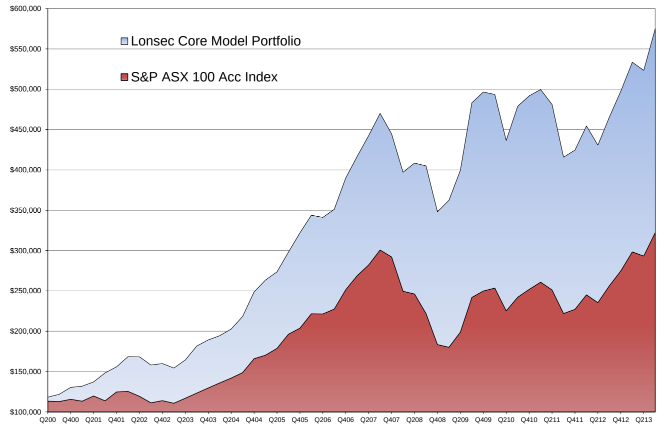
Objective

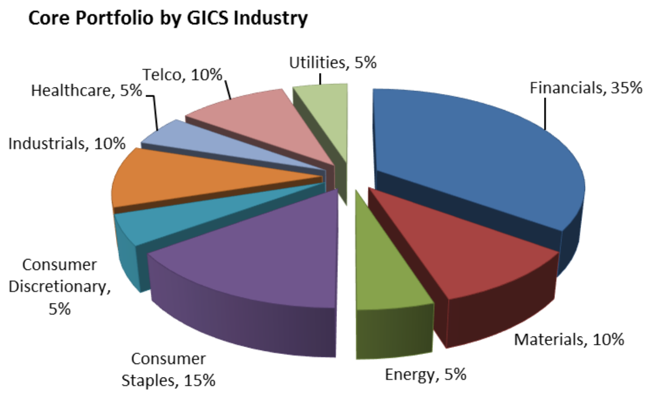
To deliver strong returns above benchmark, over the medium to long term, by investing in a concentrated portfolio of large cap Australian listed companies.

Portfolio Rules

Investment universe	ASX 150 excluding A-REITs
Benchmark	S&P/ASX 100 Accumulation Index
Inception date	17 April 2000
Min/Max no. of stocks	12 – 20
Min. no. of GICS industries	8
Maximum stock target weight	15%
Current portfolio dividend yield	4.9% (80% franked)
Stock rules	Stocks weighted at 10% or more must be selected from ASX 50 At least 80% of the portfolio must be invested in the ASX 100
Average turnover	20-30% pa

Portfolio Profile





Portfolio Performance

INVESTMENT PERFORMANCE Period ending 30 September 2013	Month	Qtr	Six Mths	Year	3 Yrs[1]	5 Yrs[1]	7 Yrs[1]	10 Yrs[1]	Since Inception[1]	Since Inception[2]
Lonsec Core Model Total Return[3] (%)	**2.0**	**9.8**	**7.7**	**23.5**	**6.3**	**7.3**	**7.3**	**12.2**	**13.9**	**474.9**
S&P/ASX 100 Accumulation Index (%)	2.2	9.9	8.0	25.7	10.0	7.8	5.1	10.1	9.1	222.2
Excess return (%)	-0.2	-0.1	-0.3	-2.2	-3.7	-0.5	2.2	2.1	4.8	252.7

Portfolio Beta	0.9	Portfolio yield (%)	4.7	Portfolio volatility (%)	14.0
Portfolio Tracking error	6.5	Portfolio changes per annum	3-4	Benchmark volatility (%)	14.5

[1] % per annum [2] Total return since inception date 17 April 2000 [3] Gross performance including dividends (but not franking credits).
Lonsec's equity model portfolios hold no cash and are re-balanced every six months (31 March and 30 Sept) to maintain model portfolio weights. Physical portfolio results will differ depending on cash levels, inception date, fees and adherence to the model portfolio weights. Past performance is not a reliable indicator of future performance.

Australian Equity Emerging Leaders Model Portfolio

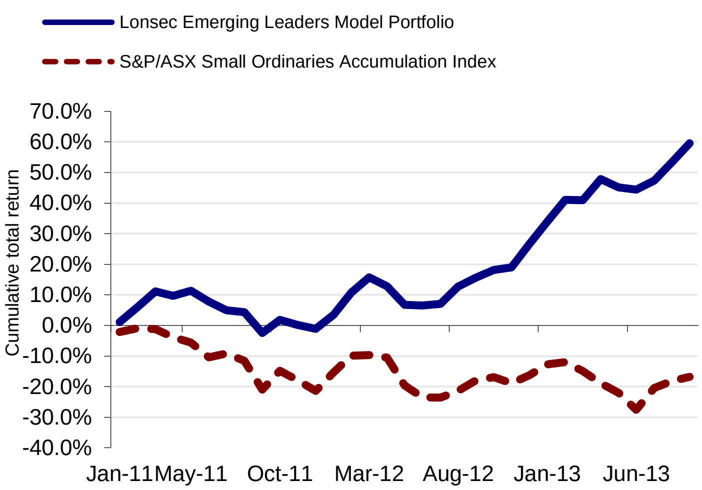
Objective

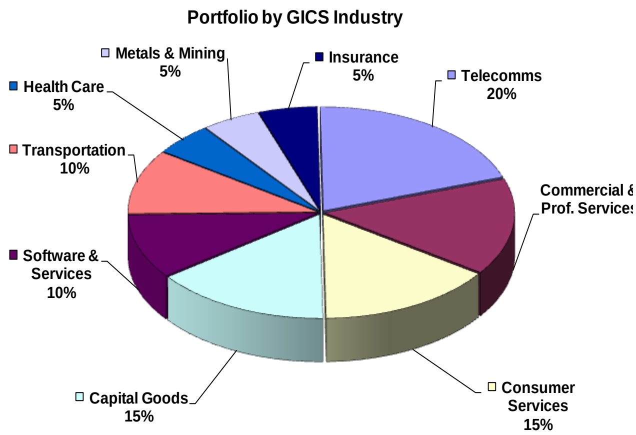
To deliver strong returns above benchmark over the medium to long term by investing in a diversified portfolio of emerging Australian listed companies. Suitable for investors seeking capital growth over a holding period of at least 3 years.

Portfolio Rules

Investment universe	Stocks outside of the ASX 100 with a minimum market capitalisation of $150m
Benchmark	S&P/ASX Small Ordinaries Accumulation Index (XSOAI)
Inception date	31 December 2010
Min/max no. of stocks	12 – 20
Typical no. of stocks	15 (5 x 10% + 10 x 5%)
Minimum no. of GICS industries	8
Stock rules	Maximum stock target weight 15% Minimum market cap of $150m
Current market cap weightings	ASX 101-200 45%, ASX 201-300 35%, ASX 300+ 20%
Current portfolio dividend yield	4.1% (90% franked)
Average turnover	Approximately 30% p.a.

Portfolio Profile





Portfolio Performance

INVESTMENT PERFORMANCE Period ending 30-Sep-13	Month	Qtr	Six Mths	Year	2 Yrs[1]	Since Inception[1]	Since Inception[2]
Lonsec Emerging Leaders Model Portfolio Total Return[3] (%)	**4.0**	**10.5**	**13.2**	**38.0**	**27.9**	**18.5**	**59.6**
S&P/ASX Small Ordinaries Accumulation Index (%)	1.7	14.9	-2.2	1.4	2.6	-6.5	-16.8
Excess return (%)	2.3	-4.4	15.4	36.6	25.3	25.0	76.4

Portfolio Beta	0.5	Portfolio yield (%)	3.9	Portfolio volatility since inception	+/-	12.2
Portfolio Tracking error	11.51%	Stock changes per annum (since inception)	2.7	Benchmark volatility inception (%	+/-	16.8

[1] % per annum [2] Total return since inception date 31 December 2010

[3] Gross performance including dividends (but not franking credits). Lonsec's equity model portfolios hold no cash and are re-balanced every six months (31 March and 30 Sept) to maintain model portfolio w eights. Physical portfolio results w ill differ depending on cash levels, inception date, fees and adherence to the model portfolio w eights. Past performance is not a reliable indicator of future performance.

Australian Equity Income Model Portfolio

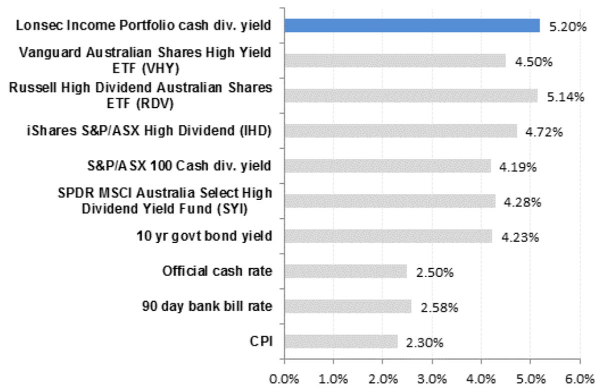
Objective

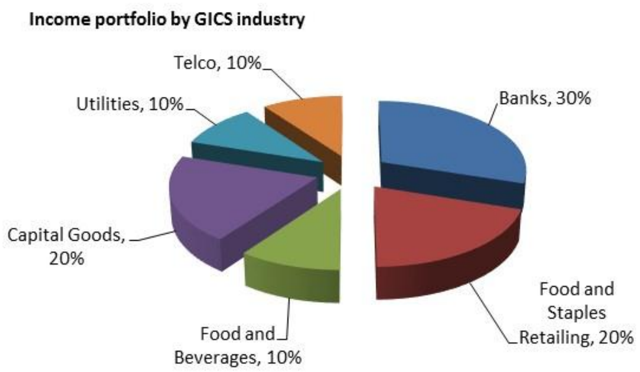
To deliver an attractive fully franked income yield and reasonable capital growth, over the medium to long term.

Portfolio Rules

Investment universe	ASX 150 excluding A-REITs
Benchmark	S&P/ASX 100 Industrial Accumulation Index
Inception date	20 August 2002
Min/Max no. of stocks	10 – 20
Min. no. of GICS industries	6
Individual stock target weights	10%
Stock rules	Companies must pay, or intend to pay, fully franked dividends
	At least 80% of the portfolio must be invested in the ASX 100
Current portfolio dividend yield	5.7% (100% franked)
Typical portfolio weights	10 x 10%
Average turnover	20-30% pa

Portfolio Profile





Portfolio Performance

INVESTMENT PERFORMANCE Period ending 30 September 2013	Qtr	Year	2 Yrs[1]	3 Yrs[1]	5 Yrs[1]	7 Yrs[1]	10 Yrs[1]	Since Inception[1]	Since Inception[2]
Lonsec Income Total Return[3] (%)	**9.2**	**21.0**	**16.6**	**10.3**	**5.6**	**2.8**	**7.4**	**7.4**	**121.8**
S&P/ASX 100 Acc. Index (%)	9.9	25.7	20.5	10.0	7.8	5.1	10.1	9.6	177.5
Excess return	-0.7	-4.7	-3.9	0.3	-2.2	-2.3	-2.7	-2.2	-55.7
S&P/ASX 100 Industrial Acc. Index (%)	8.2	31.6	28.1	15.3	10.3	5.7	9.8	9.2	164.9
Excess return	1.0	-10.6	-11.5	-5.0	-4.7	-2.9	-2.4	-1.8	-43.1

Portfolio Beta	0.87	Portfolio yield (%)	5.0	Portfolio volatility	+/-	14.34%
Portfolio Tracking error	8.84%	Portfolio turnover (changes p.a.)	3-4	Benchmark volatility	+/-	13.12%

[1] % pa [2] % total return (excluding franking credits) since inception 20 August 2002

[3] Gross performance including dividends (but not franking credits). Lonsec's equity model portfolios hold no cash and are re-balanced every six months (31 March and 30 Sept) to maintain model portfolio w eights. Physical portfolio results w ill differ depending on cash levels, inception date, fees and adherence to the model portfolio w eights. Past performance is not a reliable indicator of future performance.

Listed Income Securities Model Portfolio

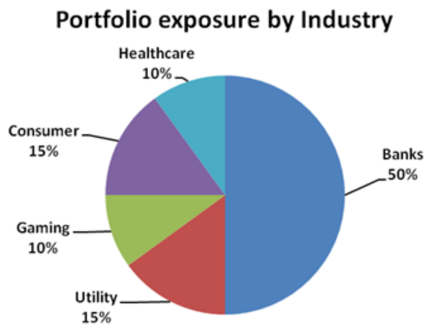
Objective

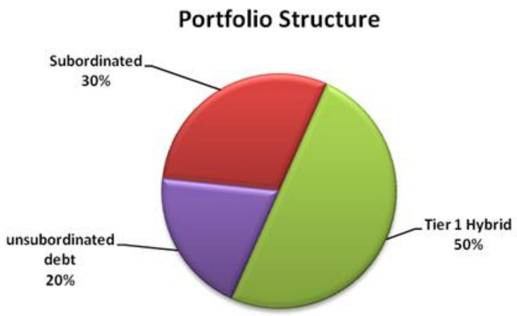
The objective of the portfolio is to deliver a sustainable income stream, greater than cash and inflation, which exceeds the benchmark (UBS Bank Bill Index) by +1.5% p.a., while maintaining capital stability over the medium to long term. The portfolio is suitable for investors seeking a relatively high level of capital security from a diversified portfolio of listed debt securities with returns that should exceed those available from cash and other forms of short-term income investments.

Portfolio Rules

Investment universe	ASX listed income securities, with a minimum issue size of $150m
Benchmark	UBS Bank Bill Index +1.5% p.a.
Inception date	30 June 2012
Min/Max no. of stocks	5 -10
Individual security limit	20%
Typical number of stocks	7
Typical portfolio weights	4 x 15%; 4 x 10%
Average turnover	1-2 changes p.a.
Current portfolio yield	5.4%

Portfolio Profile





Portfolio Performance

INVESTMENT PERFORMANCE Period ending 30 September 2013	Month	Quarter	Six Mths	One Year	Since Inception[1]	Since Inception[2]
Lonsec Listed Income Securites Model Portfolio Total Return (%)	**1.1**	**2.2**	**3.3**	**7.1**	**7.5**	**9.5**
UBS Warburg Bank Bill Index (%)	0.2	0.7	1.5	3.1	3.2	4.0
Excess return (%)	0.9	1.5	1.8	4.0	4.3	5.5

[1] % per annum [2] Total return since inception date 30 June 2012

Investment performance includes dividends (but not franking credits) and is calculated before fees, brokerage and taxes. The Listed Income Securities model portfolio is a fully invested model portfolio that invest sin listed debt/hybrid securities. Physical portfolio results w ill differ depending on cash levels, start date, brokerage, fees, taxes and re-balancing policy. Past performance is not a reliable indicator of future performance.

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Date prepared: Thursday, 17 October 2013

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