

Performance statistics – Dec Q12

Markets	31 Dec 2012	Qtrly % Change
All Ordinaries	4,665	5.9%
Banks	6,774	4.7%
Materials	10,601	6.8%
Industrials	3,551	7.7%
Real Estate	2,265	5.6%
US S&P 500	1,426	-1.0%
UK FTSE 100	5,898	2.7%
Japan Nikkei	10,395	17.2%
German DAX	7,612	8.7%
Shanghai Comp	2,269	8.8%
Hang Seng	22,657	8.7%
RBA Cash Rate	3.00%	-25bp
90-Day bill rate	3.04	-32bp
10-year bond	3.27	+27bp
Oil (WTI) \$US	\$91.73	-0.3%
Gold \$US	\$1,676	-5.5%



Searching for Income

With central banks lowering interest rates to historic lows, the search is on for alternative ways of generating income without taking on too much risk.

Post the global financial crisis, central banks of the developed world have been battling the deflationary forces of debt deleveraging and excess capacity with very loose monetary policy. Not content with near zero cash rates, central banks have embarked on bond purchasing programs to lower bond yields also. The result has been very low yield curves in the US, Europe and Japan.

Australia's economy came through the financial crisis in relatively good shape thanks to a robust banking system, low public debt and a buoyant mining sector. As a result, interest rates have been much higher than offshore and with a AAA sovereign credit rating, capital has come flooding into Australia which has driven the currency higher.

But a high AUD combined with relatively high interest rates and tightening fiscal policy has slowed the broader economy. Now with the mining sector slowing, the RBA is lowering the cash rate to boost other sectors of the economy. So gradually Australian interest rates are falling into line with the rest of the world. Australian investors in cash and term deposits are finding their income has shrunk and the search for alternative ways of generating income has well and truly begun.

Income alternatives can be broadly classified as **debt**, **equity** or **property**. **Debt** securities (bonds) are often only issued to institutional investors and therefore can be hard to access for the retail investor - outside of managed funds and exchange traded funds. But increasingly these securities are being offered to retail investors via listed debt and hybrid securities.

Income from **equities** can be generated in a number of ways, depending on the risk that investors want to accept. Equity solutions include listed investment companies (LICs), exchange traded funds (ETFs), property and infrastructure trusts, ordinary shares, instalment warrants and writing call options.

Income from **property** usually involves direct investment into residential investment property or indirectly into commercial property via unlisted or listed property trusts. The problem with residential property at the moment is that rental yields are generally low, particularly after costs, so the investment has to be long term, on the assumption that rent will rise over time, as will the capital value.

Listed securities offer liquidity and lower cost income solutions but the trade off becomes increased volatility. Nevertheless, we have identified many different ways of generating income, outside of cash and fixed term deposits, with risks ranging from relatively low to high. These solutions should not totally replace cash and term deposits, which are very secure investments. Rather they can complement cash and term deposits, within a diversified portfolio approach, to help lift income prospects, minimise tax and keep ahead of inflation.

Outlook for 2013

Interest rates are likely to remain low in the US, Europe and Japan for most, if not all, of 2013. The US Federal Reserve has become more aggressive by employing open-ended purchases of bond and mortgage securities amounting to US\$85bn per month (or US\$1 trillion per year) to drive down longer term interest rates.

It has also stated that it will keep interest rates low until the unemployment rate falls below 6.5%, subject to inflation remaining below 2.5%.

This aggressive policy action is leading to USD weakness and is forcing other central banks to respond in kind, or face strengthening currencies and a loss of international competitiveness. The RBA has cut the official cash rate by 175bp to 3.0%, over the past 14 months, but this does not seem to be enough to get the AUD down or the local economy firing. So far there have been only modest signs of a recovery in sectors outside of mining like retail trade and property construction. As such the market still expects another 50bp of cuts in 2013, with some commentators expecting another 100bp!

This means cash and term deposit rates will continue to fall in 2013. However, the aggressive easing by central banks across the developed world is increasing the probability that growth and inflation will make a comeback in 2013. This will be bad news for bonds (bond yields will rise and hence bond prices will fall) but equities and property should benefit.

Conclusion

Lonsec expects short term rates to continue to fall but longer term rates should rise as medium term growth and inflation prospects increase. This scenario would see the yield curve gradually return to a normal positive slope. Over the medium term, we would expect equities and property to benefit from rising inflationary expectations and a rebound in growth.

Accordingly, we are reducing cash, maintaining neutral Australian bond and underweight international bond positions and increasing our growth allocation by lifting property and equity positions to slightly overweight. If our base-case scenario holds in 2013, our intent will be to further increase our growth allocation on any weakness.

Global economic outlook

The US could lead a global growth recovery in 2013

The IMF expects global economic growth to have slowed to 3.3% in 2012 before a gradual recovery to 3.6% in 2013. Developed economies are expected to generate low growth while emerging economies should maintain moderate to high growth.

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

The US economy has improved since mid-year with growth rebounding in the third quarter. Retail sales have improved and the housing market is gradually recovering. New payrolls have increased to around 150,000 per month and the unemployment rate has come down to 7.8%. However, manufacturing remains patchy and business investment is being held back over uncertainty over future fiscal policy.

The US election has passed with the Democrats taking the White House and the Senate but the Republicans remain in control of the Lower House, so Congress is still grid-locked. The US budget deficit remains a key issue with the US\$1.2 trillion deficit the current focus of Congress. Despite heated debate between each party, gradual progress is being made on a combination of tax increases and spending cuts to bring the budget deficit back to surplus.

Meanwhile, the US Federal Reserve is maintaining very loose monetary policy which includes a zero cash rate and a major bond purchasing program (\$85bn per month) to drive down the yield curve and mortgage rates. It has also pledged to keep interest rates low until the unemployment rate comes down to 6.5%, subject to inflation remaining below 2.5%.

Overall, the US economy could gather momentum in 2013, if the budget deficit can be rectified in an orderly manner, over the medium term. This is because US business confidence and investment would increase markedly once fiscal policy becomes clear. The housing market and new found energy supply (shale gas) offer upside potential while the main downside risk remains the impact of the European recession on US trade. Lonsec expects US growth to improve to 3% in 2013.

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

The sovereign debt and banking problems of southern Europe have been contained somewhat by the European Central Bank (ECB) pledging to buy shorter term bonds of weak countries, subject to them signing up to European Union (EU) conditions. Euro-zone growth is now negative, with southern countries the weakest, and the unemployment rate has climbed above 11%.

Europe is expected to remain in recession in 2013 but there are signs that conditions are stabilising. We note that European bond yields have been falling in recent months and equity markets have been rallying. The EU and ECB seem to be making gradual progress in resolving debt and banking issues and calls for austerity seem to be changing towards leniency. Growth is likely to remain negative in 2013 but there are signs the economy could start to rebound towards the end of 2013. However, the risks remain to the downside given the scale of the sovereign debt and banking system problems across the Euro-zone. Lonsec expects the Euro-zone to contract by 0.4% in 2013 with improvement expected by year end.

The Asian economy (22% of Global GDP)

Asia slowed in 2012 as China's investment boom receded and global trade declined on Europe's recession. With inflation easing in China, authorities have gradually eased fiscal and monetary policy but more selectively than in 2008/09. This time, Chinese authorities are seeking to drive greater domestic consumption rather than investment which has grown to an unsustainable 49% of GDP. In particular, the government is keen to keep a lid on property activity and prices. The new Chinese leadership seems conservative, so existing policy is not expected to change radically. Chinese growth is expected to find a base around 7.5% in 2013.

Japan has been slowing on a decline in global trade and a rising Yen. A strengthening Yen has become worrisome for the export-dependent country and the newly elected Liberal Democratic Party is likely to become more aggressive about driving down the currency and re-igniting inflation (currently zero) by implementing "powerful stimulus", which seems to involve more government spending and more aggressive central bank easing. This has led to some weakness in the Yen which will help boost the export-led economy. Still, Japan still has a lot of work to do to get back onto a growth trajectory and sustainable fiscal path. Lonsec expects Japan to experience low growth of around 0.5% in 2013.

2013 Outlook (Lonsec)	Recession	Low growth	High growth
United States		▼	
Europe	▼		
China			▼
Japan	▼		

Domestic economic outlook

RBA trying to kick-start the broader economy

Third quarter growth fell to 0.5% in the 3Q, from 0.6% in the 2Q. While the annual rate of economic growth still looks good at 3.1%, if we take the last two quarterly results and annualise them, the economy seems to have slowed to a growth rate of 2.2%, in the past six months. Further, mining & energy capital expenditure is providing most of the growth, so there is potential for the economy to slow considerably once the pipeline of mining & energy projects are complete in the next two years.

Of course, the RBA does recognise this and has responded by cutting the official cash rate by 175bp over the past year to 3.0% and the whole yield curve has come down significantly. Lower interest rates should foster growth in depressed segments of the economy including retail trade and housing construction. However, the AUD has not retreated to date, despite falling interest rates and commodity prices. The unusual strength of the AUD seems to be related to the loose monetary policy of the US, Europe & Japan and is placing pressure on Australian manufacturers and exporters.

Employment has been surprisingly resilient to date with the unemployment rate still relatively low at 5.2%. However, the headline rate has been flattered by a fall in the participation rate while leading indicators like job ads have been weakening which suggests the labour market is not as strong as it seems. And there is a risk that the labour market could worsen considerably if the broader economy does not take up the slack from a slowing mining sector in the next couple of years.

Fiscal policy has been tightening as the Federal and State governments strive to return their budgets to surplus. The recent fall in commodity prices and the soft housing market is making this a hard task with the Federal government recently giving up on its long-held goal of producing a surplus in 2012/13.

Inflation picked up a little in the September quarter which mostly related to rising fruit and vegetable prices and the one-off impact of the carbon tax. However with headline inflation at 2.0% and core inflation at 2.4%, inflation is still well within the RBA's target range of 2-3%. Moving forward, inflation should remain contained given signs of a softening labour market and a persistently strong AUD, which contains the price of imported goods and fuel.

The Australian Economy

Key Positives	Key Negatives
Banking system stable	Asia slowing and bulk commodity outlook uncertain
Relatively low public net debt (about 20% of GDP)	Banks holding loan rates higher than expected
Still room to ease monetary policy	Government (Federal and State) tightening fiscal policy
Large resource base and strong investment pipeline	High AUD
Australian companies are strongly capitalised	Minority government has led to disruptive policy
Agriculture outlook positive	Poor productivity in recent years has led to rising costs
Population growth 1.4% p.a	Household debt levels high, still in need of deleveraging
\$1.3 trillion superannuation savings pool	

Overall, the Australian economy is facing increasing headwinds from a mining slowdown, tightening fiscal policy and a high AUD. These need to be met with easier monetary policy, which has been delivered, but more easing may be needed to overcome the softness in some segments of the economy, like consumption and housing.

It is also apparent that the central bank policy of the US, Europe and Japan is leading to unusual strength in the AUD. The persistent strength of the currency may become more of an issue in 2013, which may force the RBA to ease interest rates further and perhaps start increasing the supply of AUD. Lonsec expects growth to be maintained at around 2.5-3.0% in 2013.

2013 Outlook (Lonsec)	Recession	Low growth	High growth
Australia		▼	

Recommended Tactical Asset Allocation

With the short-end of the yield curve continuing to fall, we expect growth and inflationary expectations to make a comeback in 2013. We expect the long-end of the yield curve to gradually rise, returning the yield curve to a normal positive slope. This is generally a negative for bonds, as rising bond yields mean falling bond prices. As a result we have moved to underweight cash and retain an underweight position in international bonds. Our Australian bond exposure remains at neutral as we recognise some value relative to international bonds and in Australian corporate bonds. We have increased our growth weighting by moving property and equity weightings to slightly overweight.

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

▼ = March quarter 2013 asset allocation, ▽ = Dec quarter 2012 asset allocation

Cash – Slightly Underweight

The official cash rate has come down 175bp to 3.0% in the past 14 months and we note that term deposit rates have also fallen to around 4.0% for a 1 year maturity. With the market expecting further rate cuts in 2013, we believe it is time to reduce our overweight cash position and start repositioning into assets that offer better yield, growth and tax prospects. Moving to slightly underweight.

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 3.0% and the 10-year bond yield at 3.4%. We also note that Australian state government and corporate debt also offers attractive yields relative to the global peer group. 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 low. The irony is that central bank policy is likely to spark inflation and growth at some point (probably 2013) which means bond yields are likely to rise again. Rising bond yields mean falling bond prices, by definition, which is not a good position to be in if you are in a bond fund or have bought bonds in the secondary market. We remain underweight international bonds.

Australian listed property (A-REITs) – Slightly Overweight

The A-REIT sector is dominated by the top ten trusts, which have all recapitalised and are now financially stable. From here, the focus will be on closing discounts to NTA and future distribution growth. Lonsec believes the A-REIT sector will be more 'plain-vanilla' from now on, meaning trusts will revert back to offering relatively high yield (compared to bonds) with modest capital growth over the long term. The fall in the 10-year bond yield to 3.4% has led to a 25% rally in the A-REIT sector in 2012, as investors chase the relatively high yield on offer from the major property trusts. We see further upside ahead from distribution growth as key property segments like retail, office and industrial start to recover in a low interest rate environment. We increase our exposure to slightly overweight.

Australian equities – Slightly Overweight

The Australian market has managed to push past the 4,500 level that has been resistance for a good eighteen months. The catalyst seems to be a significant lowering in the yield curve to around the 3% level, which has seen money start to flow out of cash and term deposits and into higher yielding securities.

While earnings growth is still expected to be low in the 2012/13 financial year, the following financial year should see a rebound on lower interest rates, a US-led global recovery and possible AUD weakness. The market is forward-looking and is likely to discount the near term results of companies to focus more on the 2013/14 outlook.

As a result the share market is rallying ahead of earnings growth which is leading to expanding PE multiples in the short term. However, market valuations are still reasonable relative to historical norms and bond yields. Resources look expensive in the short term because many commodity prices have weakened but the market seems to be expecting a rebound in FY14. Industrials and Financials have recently rallied but still seem reasonably priced (see table A below).

Table A – Sector PERs

Sector	ASX 200 Index weight	FY13 PER*	FY14 PER*
Industrials	33%	14.0x	12.6x
Financials	31%	11.8x	11.3x
Resources & Energy	29%	15.2x	11.7x

* Average of major broker estimates, 14 January 2013

Dividend yields are still attractive, particularly in the Financial and Industrial sectors (see table B below). As interest rates come down 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*
Industrials	33%	4.7%	5.0%
Financials	31%	6.4%	6.7%
Resources & Energy	29%	2.9%	3.3%

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

Overall, Australian companies are in good shape, balance sheet wise, but lack growth in the short term. However, with interest rates falling more than expected and the global growth outlook improving, growth prospects should improve in 2013/14. The market is likely to focus on the outlook for companies rather than immediate results. And with valuations and yields still reasonable, we see plenty of room for upside, if earnings do indeed rebound over the medium term. We move to slightly overweight.

International equities (unhedged) – Slightly Overweight

Very low yield curves across the developed world are increasing the chance that growth and inflation will make a comeback in 2013. Investors are offered low returns in cash and bonds and increasingly equities are looking a better bet if growth and inflation does indeed rebound.

Five years after the GFC, perhaps it is time to entertain the idea that we could be past the worse. US prospects seem to be on the improve led by a strong corporate sector, a housing rebound and new found energy supplies. Europe seems to be stabilising while China seems to be on the rebound. Even Japan has an improved outlook as the new LDP government moves aggressively to push the Yen down.

Five years of deleveraging has led to strong corporate balance sheets, although banks are still fragile in Europe. US companies are sitting on a war chest of cash that will be employed as soon as confidence improves. And with Congress working on reducing the budget deficit, that confidence could return in 2013.

With the US outlook on the improve and Wall Street still the most important driver of international equity markets, we look to increase our international equity weighting to slightly overweight. We also see the chance of AUD weakness over the medium term which could provide a boost to unhedged international investments.

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



Australian Equity Core Model Portfolio

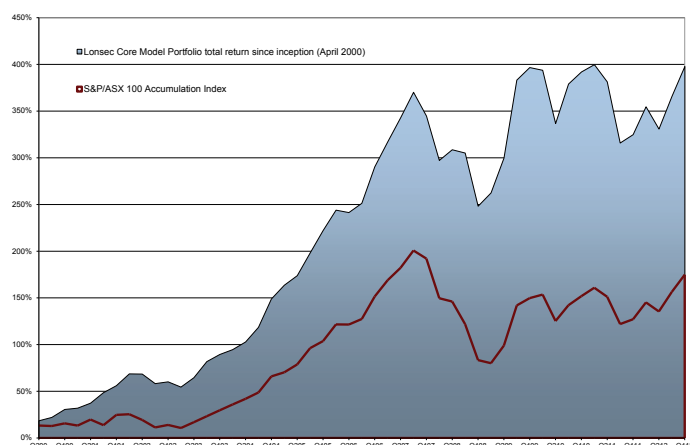
Objective

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

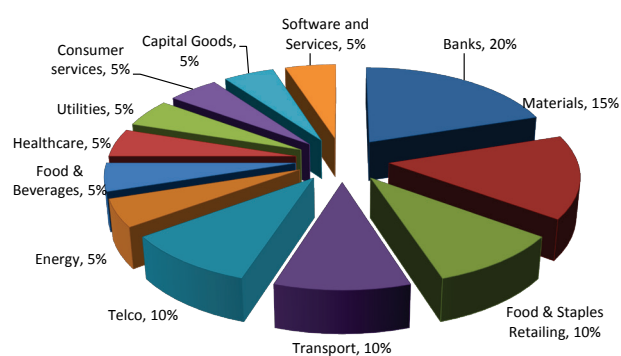
Portfolio Rules

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
Typical number of stocks	15
Min. no. of GICS industries	8
Maximum stock target weight	15%
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



Core Portfolio by GICS Industry



Portfolio Performance

INVESTMENT PERFORMANCE											
Period ending	31 December 2012	Month	Qtr	Year	2 Yrs ¹	3 Yrs ¹	4 Yrs ¹	5 Yrs ¹	7 Yrs ¹	10 Yrs ¹	Since Inception ¹
Lonsec Core Model Total Return ² (%)		2.5	6.9	17.2	0.6	0.1	9.4	2.3	6.4	12.0	13.5
S&P/ASX 100 Accumulation Index (%)		3.3	7.2	21.0	4.5	3.2	10.6	-1.2	4.4	9.2	8.3
Excess return (%)		-0.8	-0.3	-3.8	-3.9	-3.1	-1.2	3.5	2.0	2.8	5.2
Portfolio excess return (alpha) since inception (% p.a.)		5.2	Stock changes per annum (on average)					3-4	Portfolio volatility since inception (%)		
Portfolio tracking error since inception		6.6	Number of stocks in portfolio					15	Benchmark volatility since inception (%)		
											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

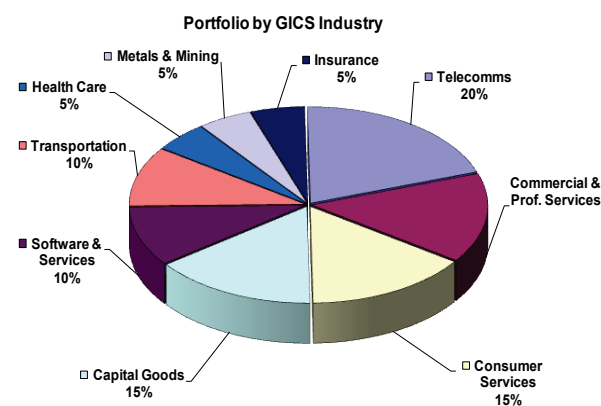
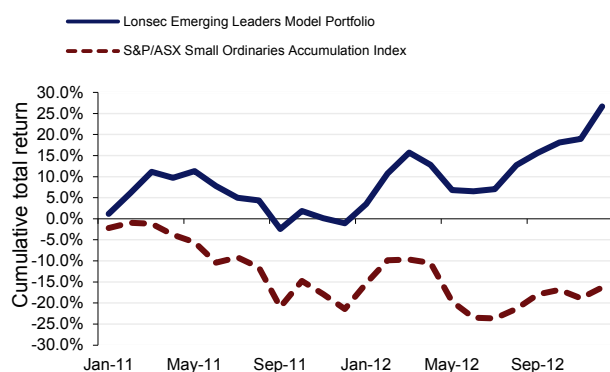
Objective

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	4.3% (90% franked)
Average turnover	Approximately 30% p.a.

Portfolio Profile



Portfolio Performance

INVESTMENT PERFORMANCE							
Period ending	31 December 2012	Month	Qtr	Six Mths	Year	2 Yrs ¹	Since Inception ¹
Lonssec Emerging Leaders Model Portfolio Total Return ³ (%)		6.5	9.5	18.9	28.1	12.5	12.5
S&P/ASX Small Ordinaries Accumulation Index (%)		3.2	2.0	9.4	6.6	-8.5	-16.3
Excess return (%)		3.3	7.5	9.5	21.5	21.0	43.0

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

³ Gross performance including dividends (but not franking credits). Lonssec'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

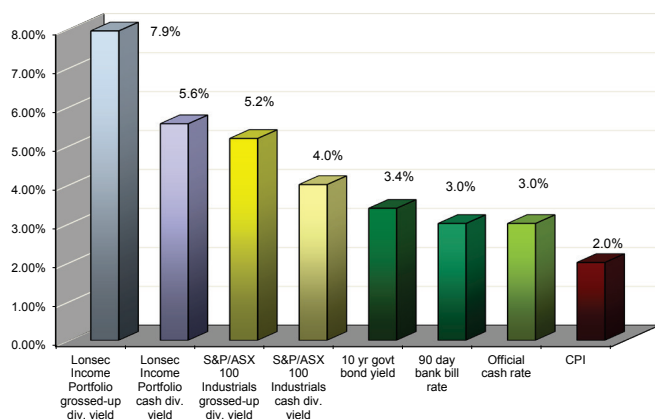
To deliver an attractive fully franked income yield and reasonable capital growth, over the medium to long term.

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
Typical number of stocks	10
Typical portfolio weights	10 x 10%
Average turnover	20-30% pa

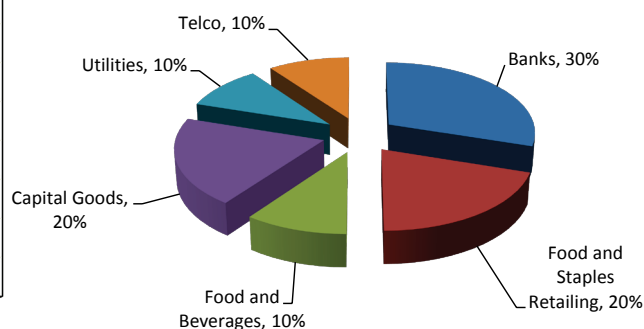
Portfolio Profile

Current Income Portfolio Yield v Various Benchmarks



Note: grossed-up dividend yield includes the value of franking credits

Income portfolio by GICS industry



Portfolio Performance

INVESTMENT PERFORMANCE												Since Inception ¹	Since Inception ²
Period ending	31 December 2012	Month	Qtr	Six Mths	Year	2 Yrs ¹	3 Yrs ¹	4 Yrs ¹	5 Yrs ¹	7 Yrs ¹	10 Yrs ¹		
Lonssec Income Total Return³ (%)		2.4	5.4	14.0	20.3	10.0	7.8	11.8	-2.3	1.7	7.8	6.6	93.2
S&P/ASX 100 Acc. Index (%)		3.3	7.2	16.7	21.0	4.5	3.2	10.6	-1.2	4.4	9.2	8.7	136.7
Excess return		-0.9	-1.8	-2.7	-0.7	5.5	4.6	1.2	-1.1	-2.7	-1.4	-2.1	-43.5
S&P/ASX 100 Industrial Acc. Index (%)		2.9	7.5	18.3	28.4	11.6	6.5	12.7	-0.2	4.3	8.4	7.7	116.3
Excess return		-0.5	-2.1	-4.3	-8.1	-1.6	1.3	-0.9	-2.1	-2.6	-0.6	-1.1	-23.1

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

³ Gross performance including dividends (but not franking credits). Lonssec'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.

Listed Income Securities Model Portfolio

Objective

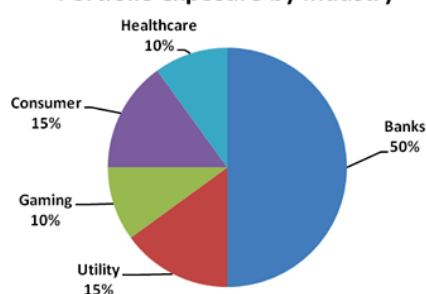
The objective of the portfolio is to deliver a sustainable income stream, greater than cash and inflation, which exceeds the benchmark (UBS Bank Bill Index) by +1.5% p.a., while maintaining capital stability over the medium to long term. The portfolio is suitable for investors seeking a relatively high 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

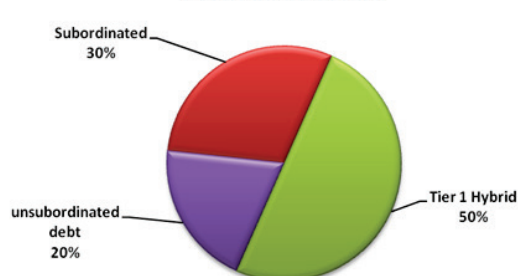
Investment universe	ASX listed income securities, with a minimum issue size of \$150m
Benchmark	UBS Bank Bill Index +1.5% p.a
Inception date	30 June 2012
Min/Max no. of stocks	5 -10
Individual security limit	20%
Typical number of stocks	7
Typical portfolio weights	4 x 15%; 4 x 10%
Average turnover	1-2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

Portfolio Profile

Portfolio exposure by Industry



Portfolio Structure



Portfolio Performance

INVESTMENT PERFORMANCE				Since	
Period ending	31 December 2012	Month	Quarter	Six Mths	Inception ²
Lonsec Listed Income Securites Model Portfolio Total Return (%)		0.8	3.1	5.5	5.5
UBS Warburg Bank Bill Index (%)		0.3	0.8	1.8	1.8
Excess return (%)		0.5	2.3	3.7	3.7

* 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 invests in listed debt/hybrid securities. Physical portfolio results will 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: Tuesday, 15 January 2013

Analyst: William Keenan

Release authorised by: Kevin Prosser

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Level 22, 500 Collins Street, Melbourne, 3000

P.O. Box 46 Collins Street West, Victoria, 8007

General Enquiries: (03) 9623 6345

Dealing Room: 1800 649 518

Fax: (03) 9629 6990

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