

KEY POINTS

US Federal Reserve Chairman, Jerome Powell, revealed a more dovish tone than he did in October, suggesting additional interest rate hikes may be limited.

A combination of a less aggressive Federal Reserve and the easing of trade tensions, resulted in global equity markets regaining some ground, posting modest gains in November.

Australian equities failed to stage a recovery, unassisted by weaker commodity prices and a stronger Australian dollar dragging down local resource stocks.

Rates, Fixed Income & Credit

The Federal Reserve (the Fed) kept the target range for the federal funds rate at 2.0% to 2.25%, during its November meeting. Signals from the Fed have indicated that it may be getting closer to a halt on its rate hike campaign.

The Reserve Bank of Australia (RBA) had its final meeting for the year and have decided to keep the cash rate steady at 1.5%. There will be no decision on rates again until February 2019. The RBA has also maintained its forecast for economic growth at 3.5%, before slowing in 2020.

Market Indicators (as at 30 November 2018)

Market Indicator	End of Month Value	Previous Month Value	1 Month Change in Value	12 Months Ago Value	12 Month Change in Value
Australian Interest Rates					
Overnight Cash Rate (%)	1.50	1.50	0.00	1.50	0.00
3 Month BBSW (%)	1.96	1.93	0.03	1.91	0.05
10 Year Bond Rate (%)	2.59	2.62	-0.03	2.55	0.04
iTraxx					
iTraxx Australia	86.47	81.91	4.55	64.83	21.64
Australian Shares					
All Ordinaries - Price Index	5749.30	5913.30	-2.77%	6057.20	-5.08%
S&P/ASX 200 - Price Index	5667.20	5830.30	-2.80%	5969.90	-5.07%
Property					
ASX 300 Property - Price Index	1365.20	1368.91	-0.27%	1408.96	-3.11%
Regional Shares					
Dow Jones Industrials (US)	25538.46	25115.76	1.68%	24272.35	5.22%
S&P 500 (US)	2760.17	2711.74	1.79%	2647.58	4.25%
FTSE 100 (UK)	6980.24	7128.10	-2.07%	7326.67	-4.73%
STOXX 50 (EUR)	357.49	361.61	-1.14%	386.69	-7.55%
TOPIX (Japan)	1667.45	1646.12	1.30%	1792.08	-6.95%
Hang Seng (Hong Kong)	26506.75	24979.69	6.11%	29177.35	-9.15%
Commodities					
US\$ Gold Price	1219.15	1215.54	0.30%	1279.13	-4.69%
US\$ Oil Price – W Texas Crude	50.93	65.31	-22.02%	57.40	-11.27%
US\$ Iron Ore Price	65.00	75.50	-13.91%	68.50	-5.11%
US\$ CRB Spot Commodity Index	416.18	415.73	0.11%	429.72	-3.15%
Exchange Rates					
AUD / USD	0.7316	0.7085	3.26%	0.7585	-3.55%
AUD / EUR	0.6421	0.6247	2.79%	0.6394	0.42%
AUD / GBP	0.5725	0.5575	2.69%	0.5632	1.65%
AUD / JPY	82.98	80.23	3.43%	84.97	-2.34%
TWI					
Australia Trade Weighted Index \$A	63.30	61.90	2.26%	63.60	-0.47%
Volatility					
VIX Index %	18.07	21.23	-3.16%	11.28	6.79%
S&P/ASX200 Volatility Index	17.26	17.05	0.21%	12.47	4.79%

Zenith Benchmarks Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Australian Cash							
Bloomberg AusBond Bank Bill	0.16	0.48	1.91	1.93	2.17	0.84	1.77
Australian Bonds							
Bloomberg AusBond Composite Index	0.24	0.30	2.45	3.30	4.47	1.28	2.99
International Bonds							
Barclays Global Aggregate \$A (H)	0.45	-0.16	0.45	2.99	4.44	0.15	0.21
Barclays Global Agg Treasuries TRI \$A (H)	0.63	0.32	1.26	3.03	4.62	0.25	1.14
Barclays Global Agg Corporate TRI \$A (H)	-0.26	-1.44	-1.68	3.53	4.64	-0.38	-2.29
Emerging Markets Debt							
Barclays EM Hard Currency Agg TRI \$A (H)	-0.20	-0.24	-3.09	4.69	5.29	-0.02	-3.51

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

Rates, Fixed Income & Credit (cont.)

In bond markets, US Treasury yields peaked early during the month, reaching 3.24% against a backdrop of strong US employment data and US mid-term elections. By month end, yields on the 10-year Treasury reduced to 2.99% as market concerns arose due to the outlook on global growth. In Europe, tensions regarding Italy's budget plans caused spreads between Italian and German 10-year government bonds to peak at 3.33%. Spreads fell back below 3.00% towards the end of the month.

Corporate bonds underperformed government bonds, providing negative total returns as risk sentiment remained subdued. Emerging markets (EM) hard currency corporate bonds posted moderate negative returns, while EM local currency corporate bonds performed well as the US dollar weakened. Global High Yield (HY) debt continued to sell off in November, spreads in HY were at their widest since 2017. Global HY returned -1.2%, while global investment grade (IG) returned -0.62%.

Australian Shares

Australian equities fell further in November, down -2.18%, as measured by the S&P/ASX 300 Accumulation Index.

Market indices continued to fall across the board following October's sell-off, hindered by weaker commodity prices and a stronger Australian dollar dragging down local resource stocks.

Small cap stocks, as represented by the S&P/ASX Small Ordinaries Index, were the best performing across the market cap spectrum at -0.37%. Midcap stocks, as represented by S&P/ASX Midcap 50 Index, continued to drag at -4.57% for the month.

At a sector level, Financials were the best performing of the sector, returning 1.41%. Energy and Material stocks were the worst performing sectors.

Zenith Benchmarks Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Market Capitalisation							
S&P/ASX 300 Index	-2.18	-9.30	-1.04	7.70	5.82	-6.82	-2.85
S&P/ASX 50 Leaders Index	-2.03	-8.65	-0.56	6.87	4.89	-6.23	-2.07
S&P/ASX Midcap 50 Index	-4.57	-12.29	-3.24	11.36	11.90	-8.49	-5.79
S&P/ASX Small Ordinaries Index	-0.37	-10.25	-1.63	10.40	7.07	-8.94	-4.68
S&P/ASX Emerging Companies Index	-2.34	-13.06	-11.67	7.25	3.87	-15.16	-16.67
GICS Sectors							
S&P/ASX 300 Materials	-4.75	-6.02	1.77	19.61	5.25	-10.81	-4.09
S&P/ASX 300 Industrials	-0.60	-7.88	-1.48	9.19	11.69	-1.87	-0.53
S&P/ASX 300 Consumer Discretionary	-4.53	-15.84	-1.93	7.31	6.93	-11.30	-5.41
S&P/ASX 300 Consumer Staples	-2.92	-10.14	5.09	11.59	4.95	-8.58	3.36
S&P/ASX 300 Energy	-10.68	-16.44	-0.27	6.88	-2.88	-16.49	-6.38
S&P/ASX 300 Healthcare	-3.97	-17.43	14.58	14.21	16.47	-6.80	15.14
S&P/ASX 300 Information Technologies	0.99	-11.07	14.92	14.71	11.25	-1.33	11.64
S&P/ASX 300 Telecommunications	-3.14	-7.96	-9.31	-12.86	-4.09	11.92	-14.01
S&P/ASX 300 Financials ex Property	1.41	-6.81	-6.51	2.96	3.69	-4.86	-6.90
S&P/ASX 300 Utilities	-1.76	-8.64	-11.62	7.72	11.69	-9.40	-7.48
S&P/ASX 300 Property	-0.27	-4.88	1.63	8.36	11.86	-1.47	1.51

International Shares

Investment markets bounced back in local currency terms following a fall in US bond yields, despite Brexit uncertainty dominating headlines, and a volatile technology sector.

International shares as measured by the MSCI World ex-Australia Local Currency Index, were up 1.23%. In contrast, the unhedged equivalent was down for the month.

At a regional level, Chinese equities as represented by the MSCI China Index, were the best performing, following optimistic outlooks regarding the US-China trade war. European stocks were the worst performing region in November, following Brexit negotiations.

At a sector level, health care stocks were the best performing, while energy stocks were the worst performing, led by weaker oil prices.

Zenith Benchmarks Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
International Shares - Unhedged							
MSCI World Ex-Au (\$A)	-1.83	-6.62	4.23	8.23	11.74	-0.30	6.04
MSCI World (\$A)	-1.84	-6.68	4.10	8.22	11.56	-0.46	5.82
MSCI Small Cap World (\$A)	-2.33	-11.50	0.18	8.28	11.30	-6.47	1.68
MSCI AC World (\$A)	-1.53	-6.65	2.94	8.28	11.03	-0.98	4.37
International Shares - Local Currency							
MSCI World ex-Au	1.23	-4.95	1.70	8.32	8.32	-0.60	0.61
MSCI World	1.15	-5.05	1.64	8.30	8.24	-0.75	0.53
MSCI World Small Cap	0.64	-10.63	-3.64	8.56	6.42	-7.56	-5.06
MSCI AC World	1.46	-5.73	-0.98	8.57	6.16	-2.13	-2.55
Regional Shares - Local Currency							
MSCI North America	1.86	-4.88	5.02	11.04	10.02	1.33	3.93
MSCI Asia	2.68	-5.63	-6.46	6.13	6.04	-5.14	-8.13
MSCI AC Asia ex-Japan	4.02	-7.54	-7.74	9.05	5.48	-7.18	-9.69
MSCI China	7.18	-6.47	-11.76	10.14	5.40	-12.21	-13.48
MSCI Europe	-0.93	-5.92	-4.65	3.27	4.89	-5.13	-5.55
MSCI Emerging Markets	2.97	-6.14	-5.39	9.33	5.33	-5.08	-7.76
MSCI India	4.03	-8.30	5.22	10.79	11.21	2.09	1.35
MSCI Japan	1.01	-3.03	-4.61	3.07	6.86	-2.32	-5.90
Global Gold Shares in \$A							
FTSE Gold Mines	-1.38	3.81	-12.23	12.22	2.51	-12.62	-13.77
Global Resources in \$A							
HSBC Global Mining	-4.90	-3.75	-0.34	21.02	2.93	-11.14	-7.24

Property & Infrastructure

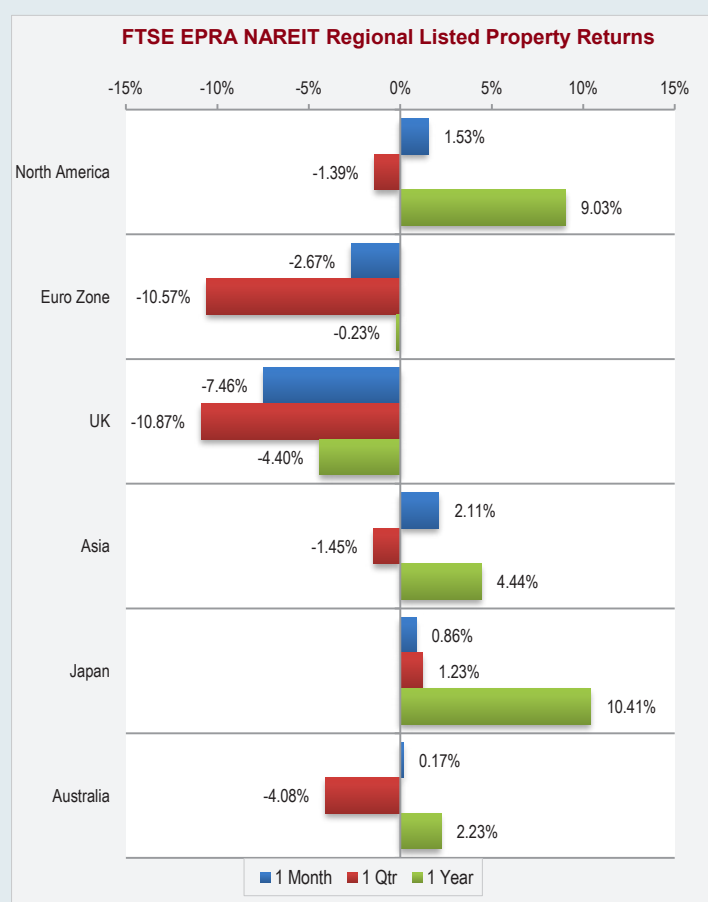
Property and infrastructure stocks recovered in November, as the relatively defensive asset class performed comparatively well to equities. Australian listed property stocks were down slightly by -0.27%, as represented by the S&P/ASX 300 A-REIT Index.

Global REITs were up 3.63%, as measured by the FTSE EPRA NAREIT Developed Hedged \$A Index.

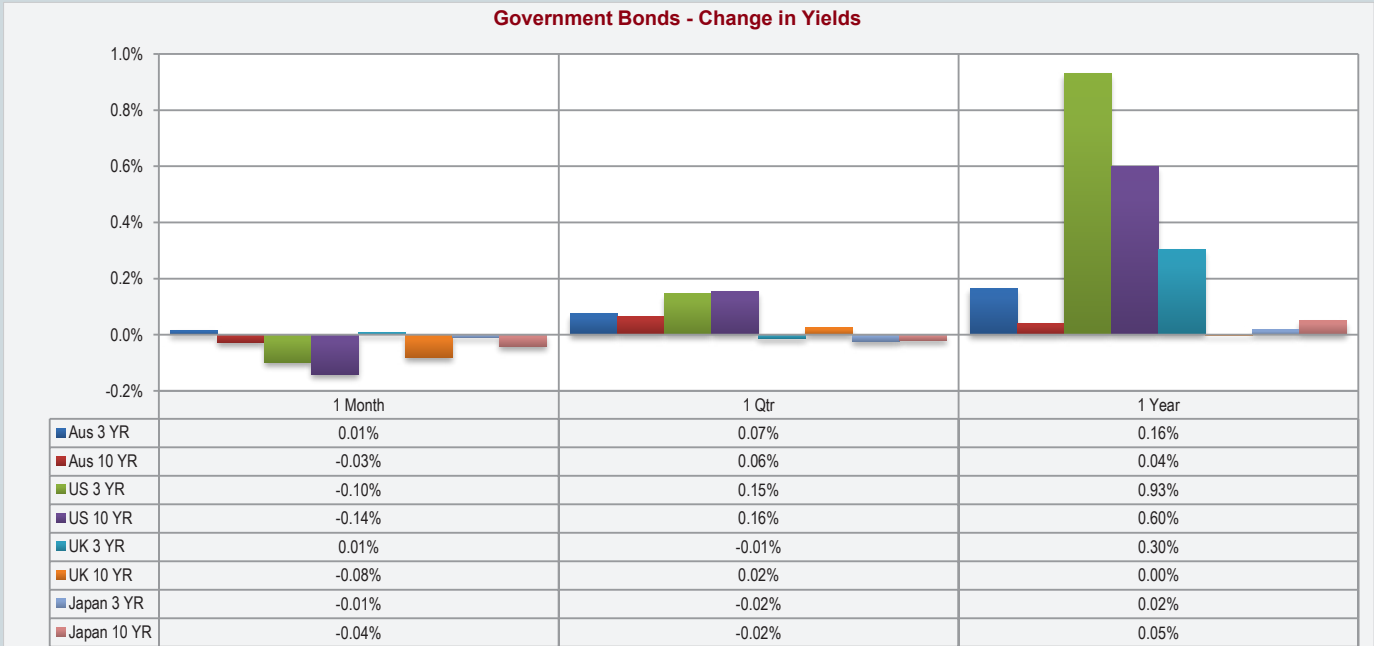
Developed Asia was the best performing region, while the UK was the worst performing, recording strong negative returns in November.

Australian listed infrastructure, as represented by the S&P/ASX 300 Utilities Index, was also down by -1.76% in November. Global listed infrastructure, as represented by the S&P Global Infrastructure Index, posted a positive return, up 1.65%.

Zenith Benchmarks Index	1 Mth	1 Qtr	1 Yr (p.a.)	3 Yr (p.a.)	5 Yr (p.a.)	Fin YTD	Cal YTD
Australian Listed Property							
S&P/ASX 300 Property	-0.27	-4.88	1.63	8.36	11.86	-1.47	1.51
FTSE E/N Australia	0.17	-4.08	2.23	7.20	10.92	0.05	2.24
Global Listed Prop. \$A (H)							
FTSE E/N GLOBAL HGD A\$	3.63	-1.43	4.23	6.65	9.50	0.83	3.04
Global Listed Prop. \$A							
FTSE E/N GLOBAL A	1.22	-3.18	5.15	6.22	11.25	0.50	6.39
FTSE E/N North America	1.53	-1.39	9.03	6.00	14.16	4.18	12.04
FTSE E/N Euro Zone	-2.67	-10.57	-0.23	8.12	12.32	-6.35	-0.73
FTSE E/N UK	-7.46	-10.87	-4.40	-8.69	4.59	-12.70	-8.93
FTSE E/N Developed Asia	2.11	-1.45	4.44	6.89	7.14	-0.26	5.94
FTSE E/N Japan	0.86	1.23	10.41	2.86	2.40	0.75	14.74
Australian Listed Infra.							
S&P/ASX 300 Utilities	-1.76	-8.64	-11.62	7.72	11.69	-9.40	-7.48
Global Listed Infra. \$A (H)							
S&P Global Infrastructure	1.65	-2.23	-4.66	7.70	8.76	-2.56	-3.17

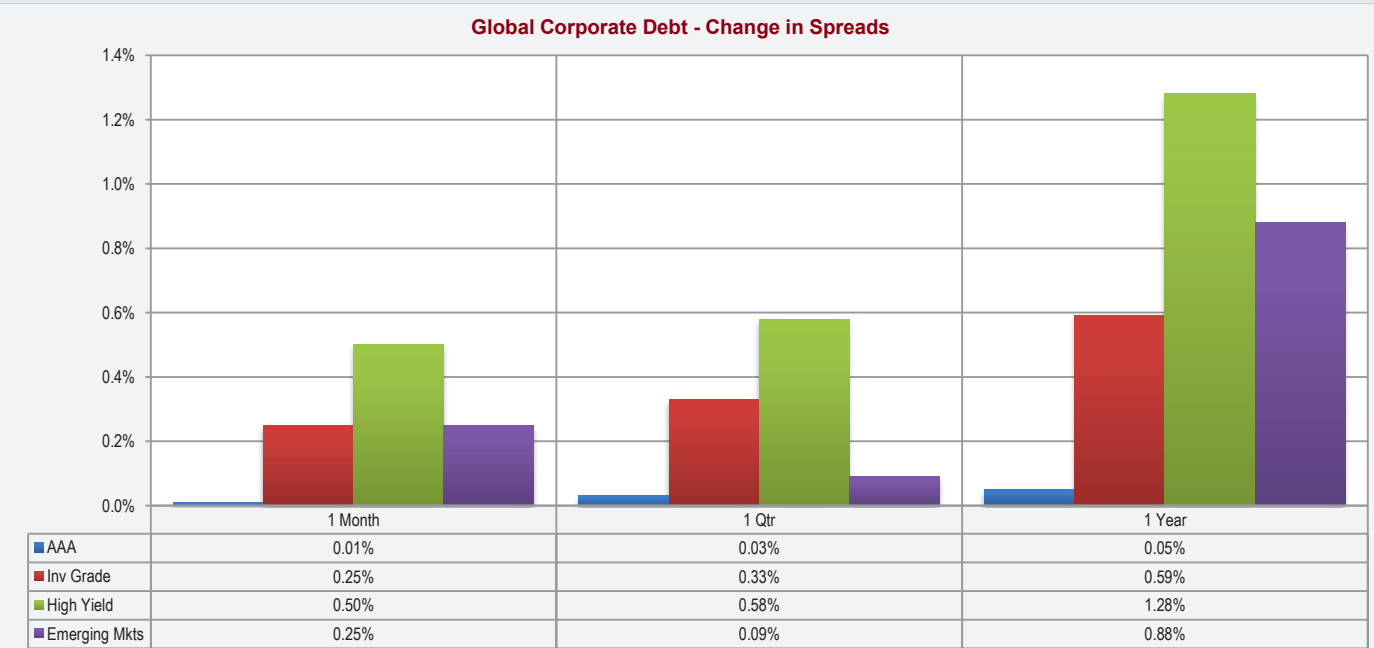


This chart shows Regional performance relative to the FTSE EPRA/NAREIT Index over 1 month, 1 quarter and 1 year time periods.

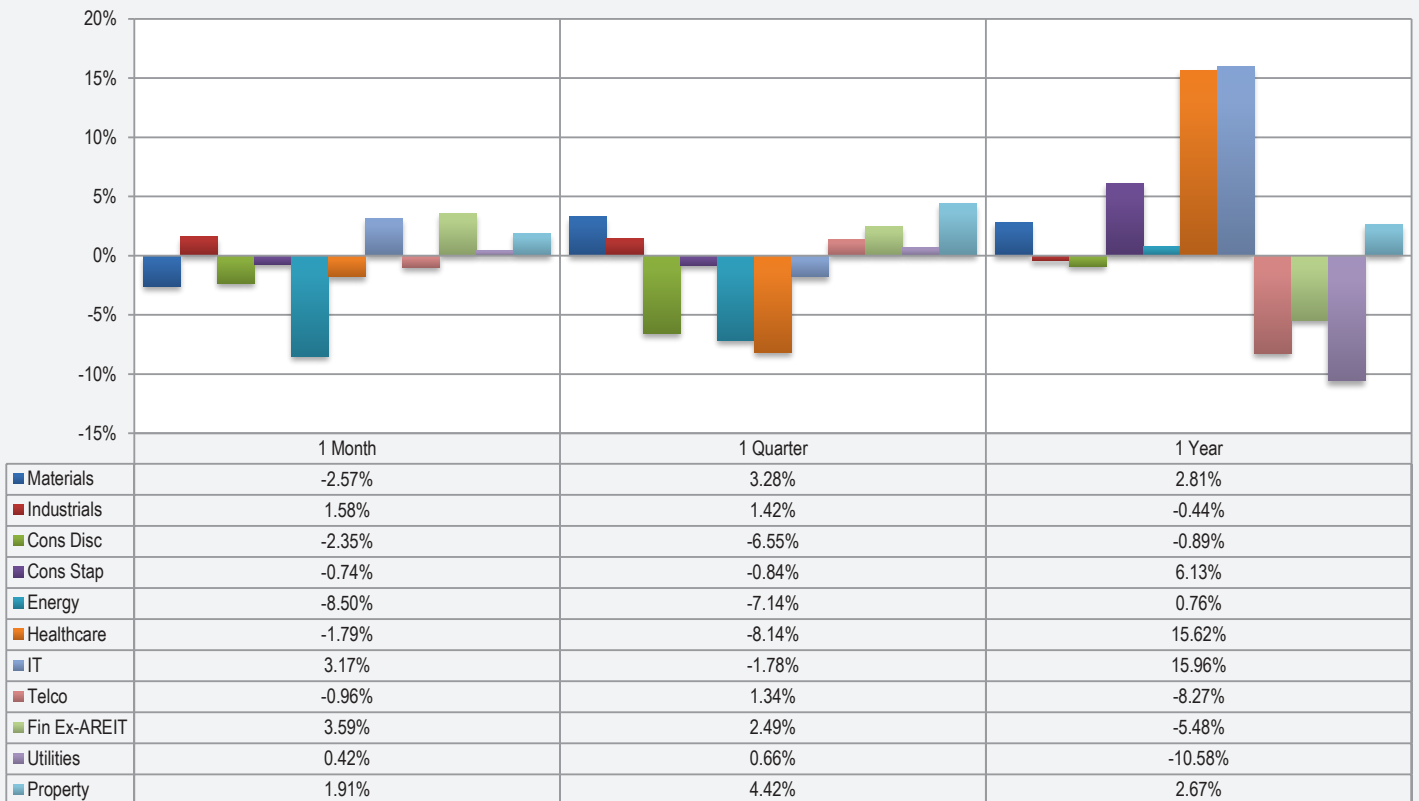


This chart shows the absolute change in yields for various government bonds from different regions and maturities over the past 1 month, 1 quarter and 1 year time periods.

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.

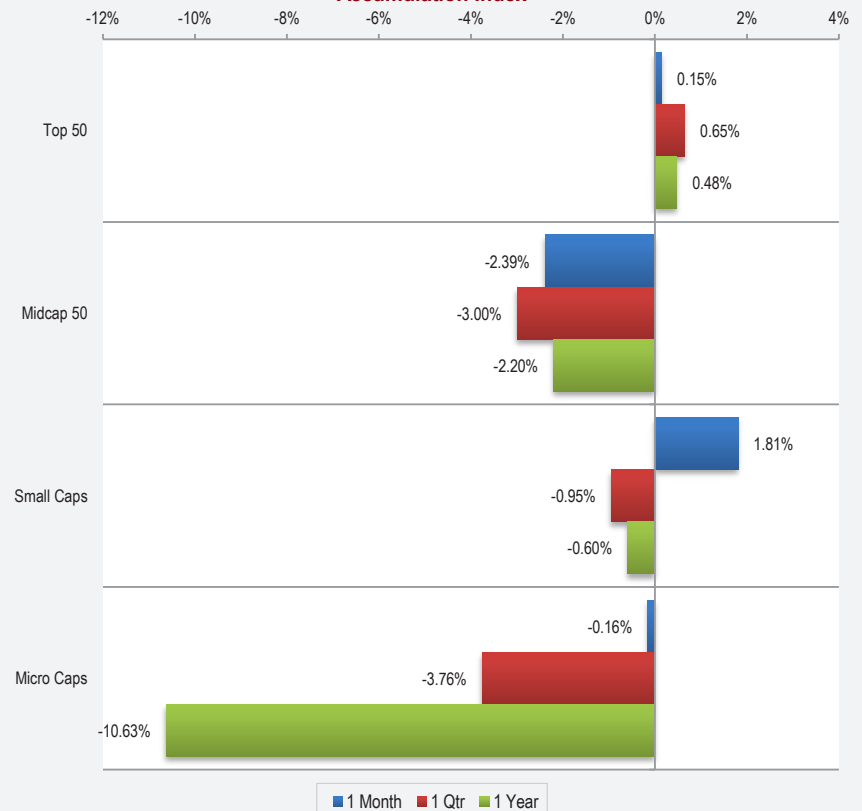


GICs Sector Performance Relative to ASX 300 Accumulation Index



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

Large, Mid And Small Cap Performance Relative to ASX 300 Accumulation Index

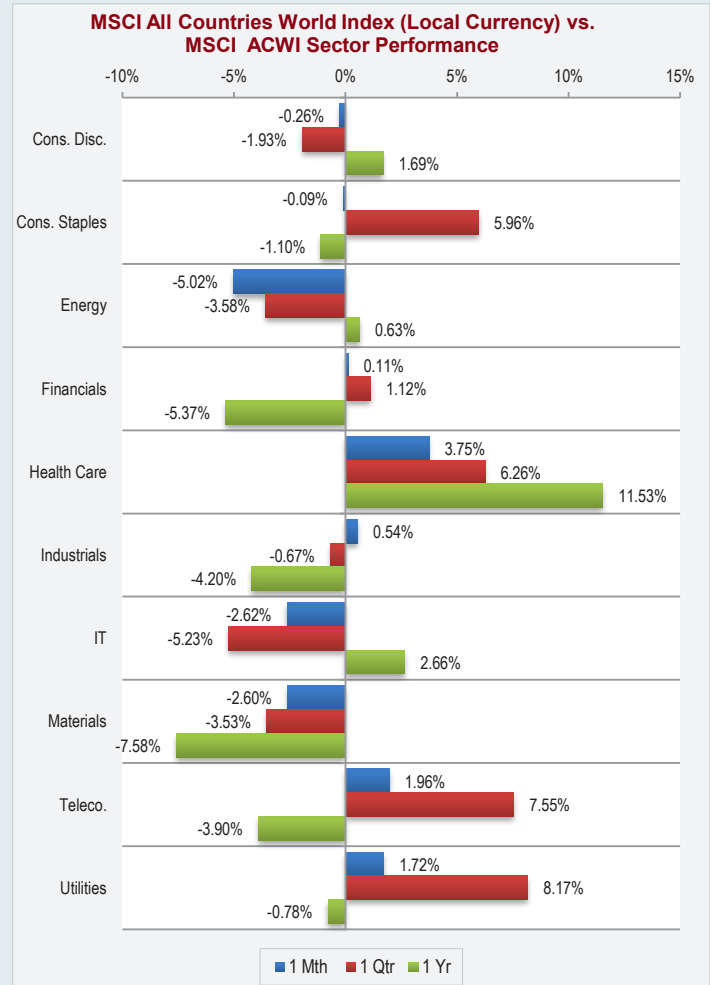
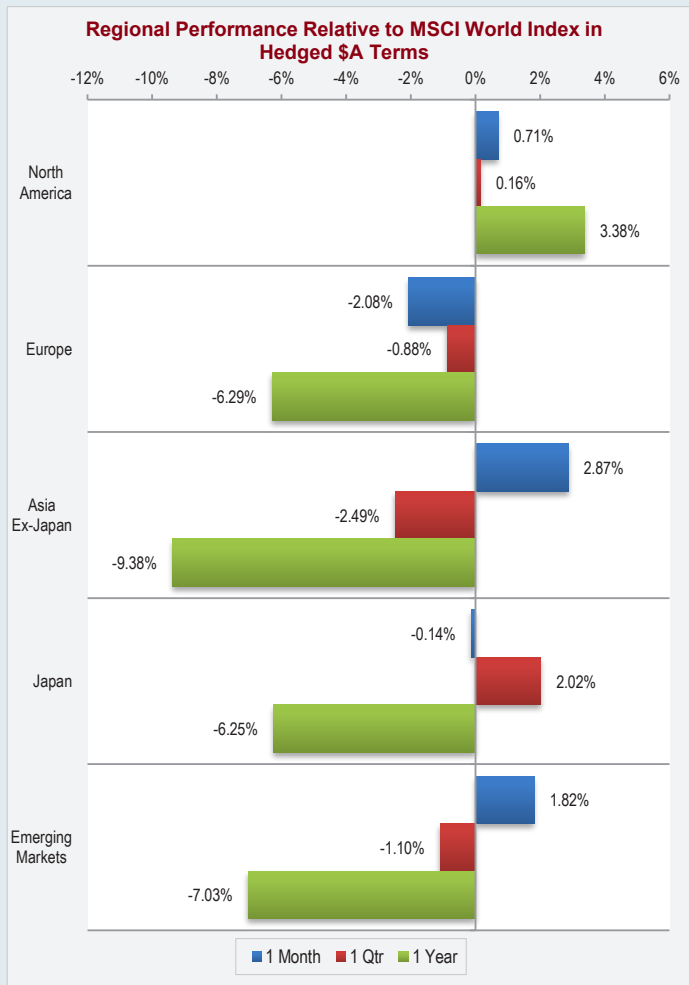


This chart shows market capitalisation segmental performance relative to the S&P/ASX 300 Accumulation Index.

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	3.26	0.77	-3.55	0.59	-4.24	-1.01	-6.21
AUD / EUR	2.79	3.31	0.42	-1.85	-0.78	1.21	-1.67
AUD / GBP	2.69	2.67	1.65	6.17	0.61	1.62	-1.24
AUD / JPY	3.43	2.98	-2.34	-2.02	-2.24	1.42	-5.64

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	1.20	-7.66	0.71	5.37	6.80	-4.93	-1.06
MSCI ACWI Consumer Staples Index	1.37	0.23	-2.08	2.88	4.91	2.06	-3.89
MSCI ACWI Energy Index	-3.56	-9.31	-0.35	3.22	-2.85	-10.19	-4.16
MSCI ACWI Financials Index	1.58	-4.61	-6.35	4.88	4.23	-1.89	-7.95
MSCI ACWI Health Care Index	5.21	0.52	10.55	6.14	9.11	9.22	10.68
MSCI ACWI Industrials Index	2.01	-6.40	-5.17	5.89	5.30	-2.36	-6.53
MSCI ACWI IT Index	-1.15	-10.97	1.68	14.90	14.12	-4.93	1.79
MSCI ACWI Materials Index	-1.13	-9.26	-8.56	7.75	2.44	-9.51	-11.50
MSCI ACWI Teleco. Services Index	3.43	1.82	-4.88	-1.35	0.03	4.29	-6.00
MSCI ACWI Utilities Index	3.18	2.44	-1.76	4.89	4.38	3.39	2.99

Asset Class Valuations

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.

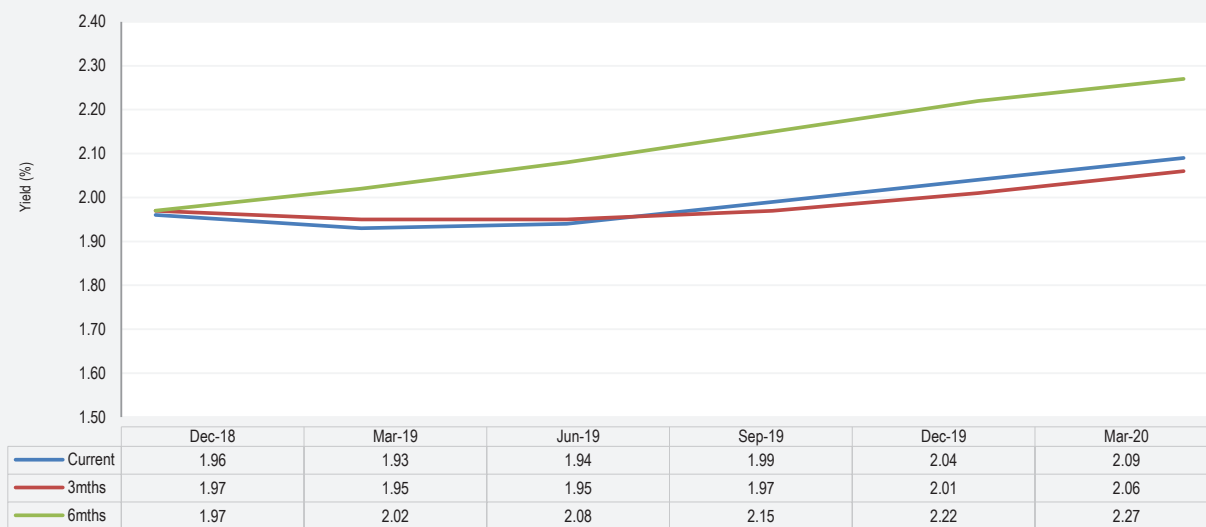
Sector	Absolute Valuation	Relative Valuation (vs Cash)	Momentum
Australian Bonds	Expensive	Moderately Expensive	Positive
Global Bonds	Moderately Expensive	Fair Value	Negative
Global Investment Corp Debt	-	Fair Value	Negative
Global High Yield	-	Fair Value	-
Australian Equities	Fair Value	Moderately Cheap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

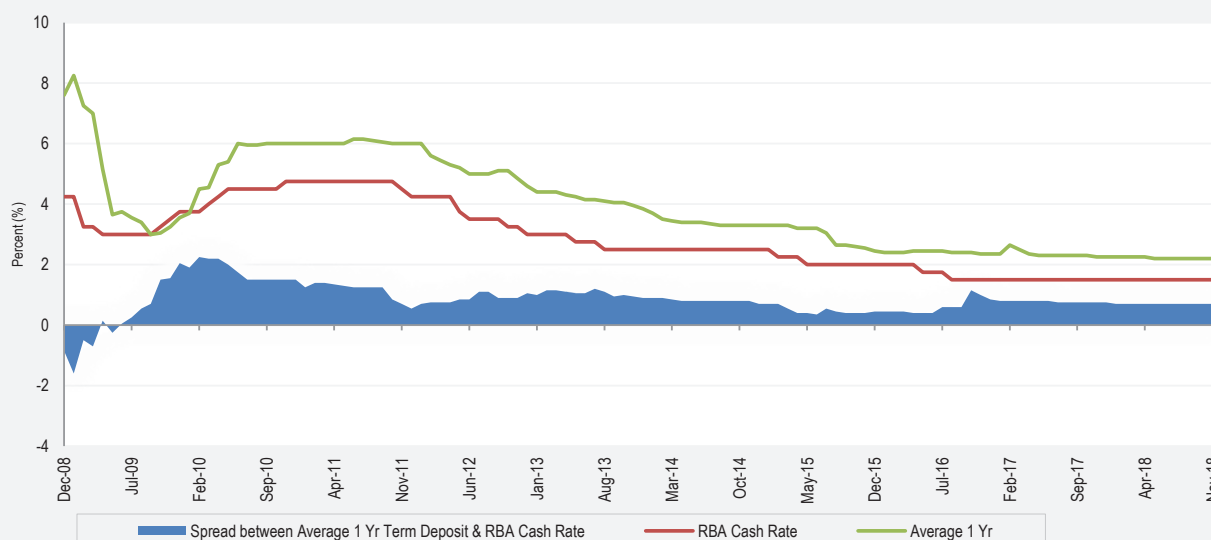
Cash

Australian 90 Day Bank Bill Futures Pricing



Source: Thomson Reuters

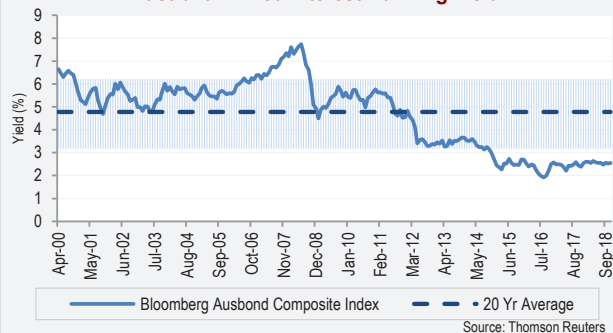
Term Deposit vs RBA Cash Rate



Source: Thomson Reuters

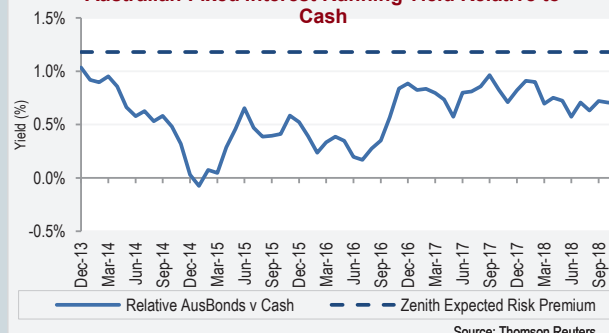
Fixed Interest

Australian Fixed Interest Running Yield



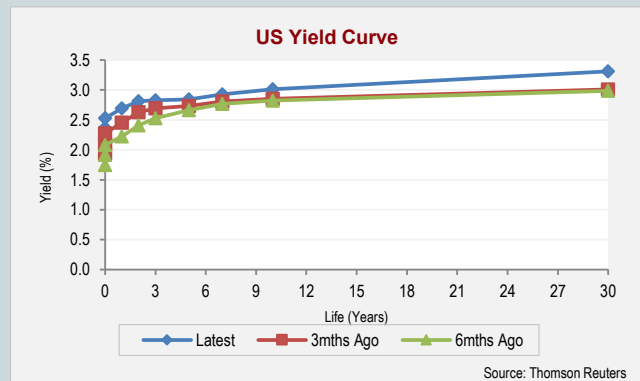
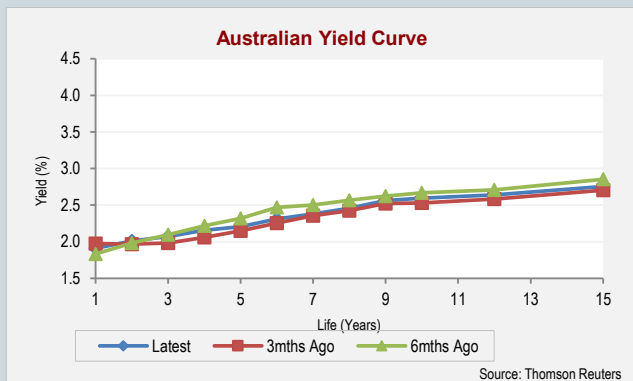
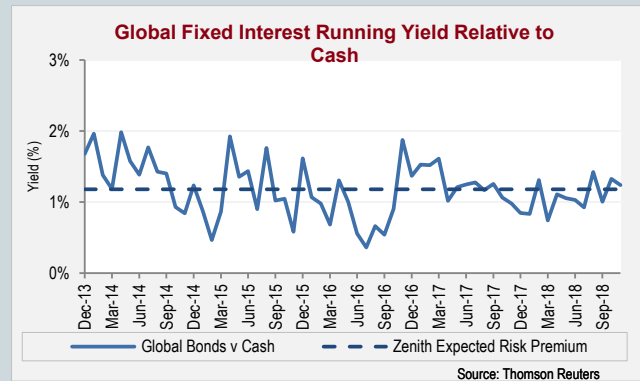
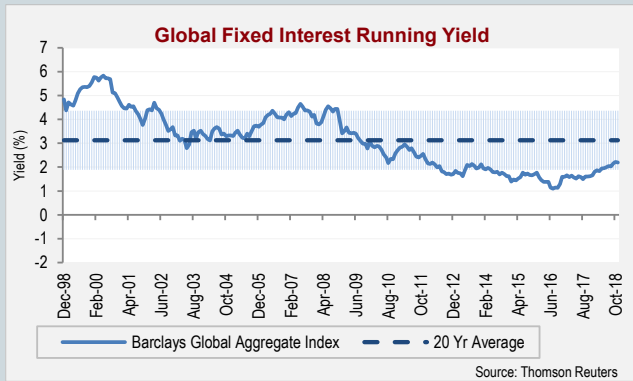
Source: Thomson Reuters

Australian Fixed Interest Running Yield Relative to Cash

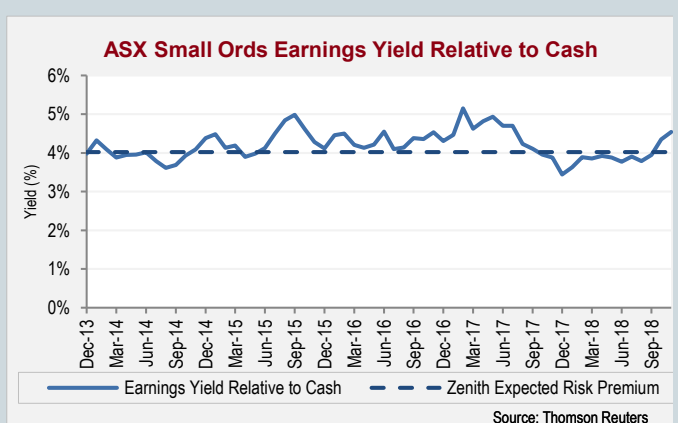
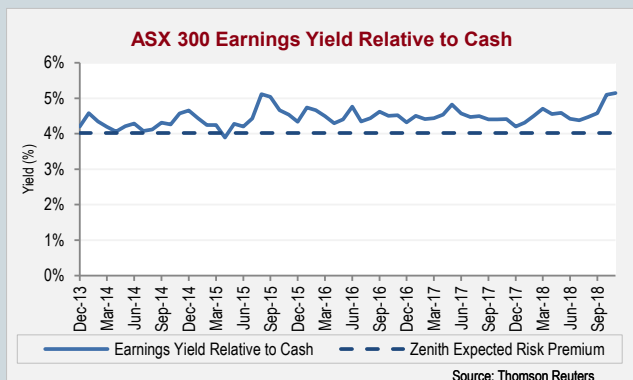
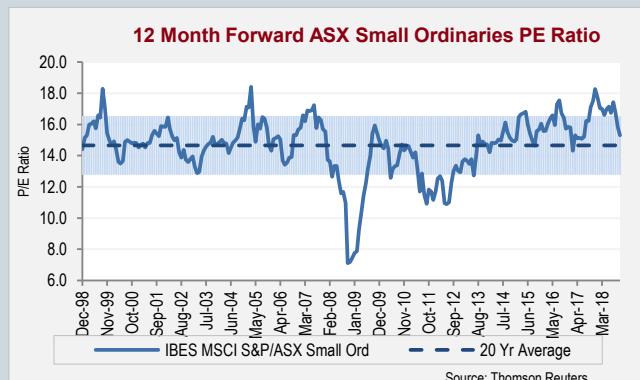
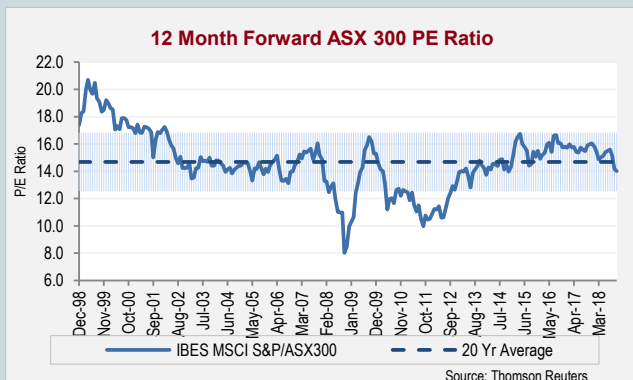


Source: Thomson Reuters

Fixed Interest (cont.)

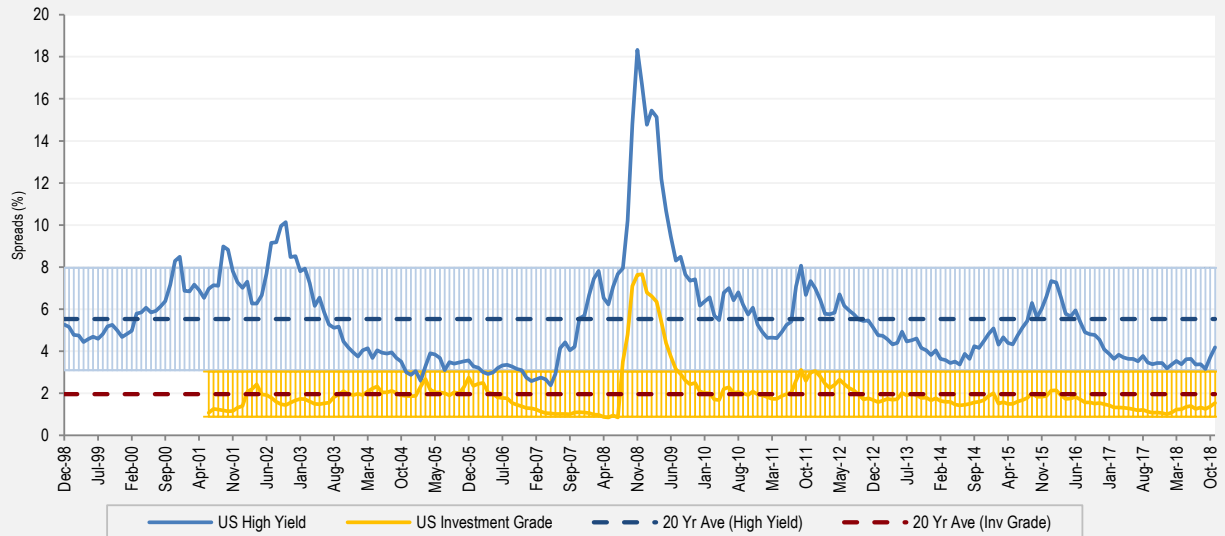


Australian Equities

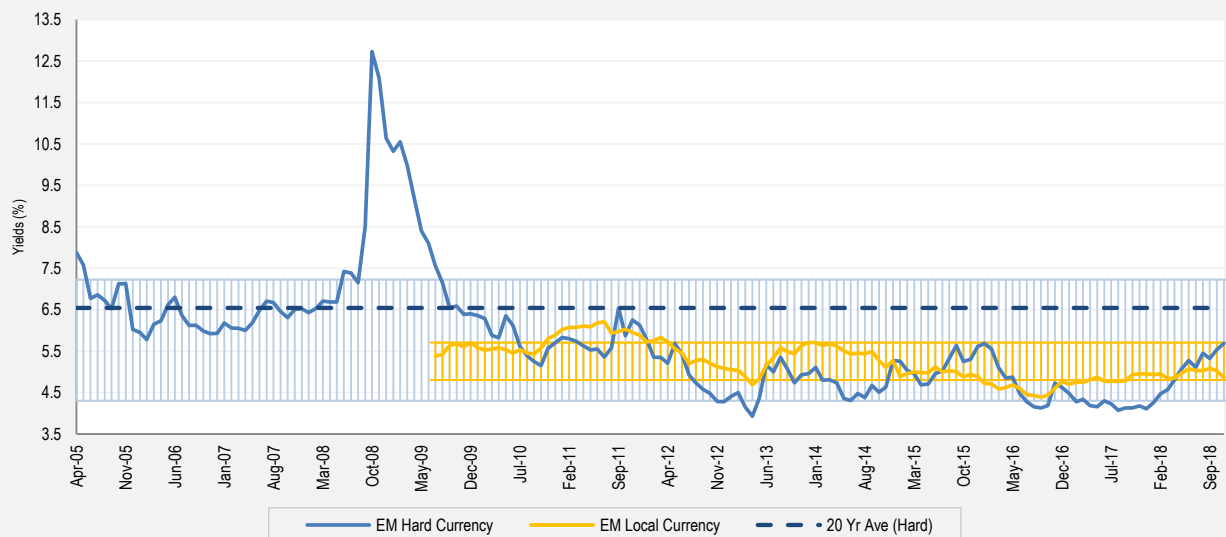


Corporate Debt

US Investment Grade and High Yield Spreads above Treasuries



Barclays Emerging Markets Hard and Local Currency Running Yield

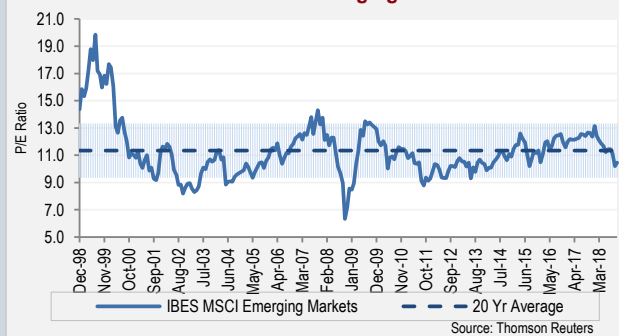


International Shares

12 Month Forward World PE Ratio

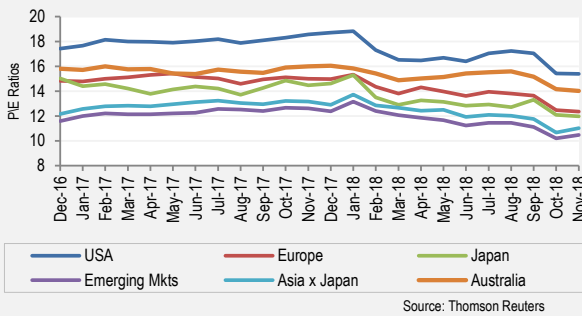


12 Month Forward Emerging Markets PE Ratio

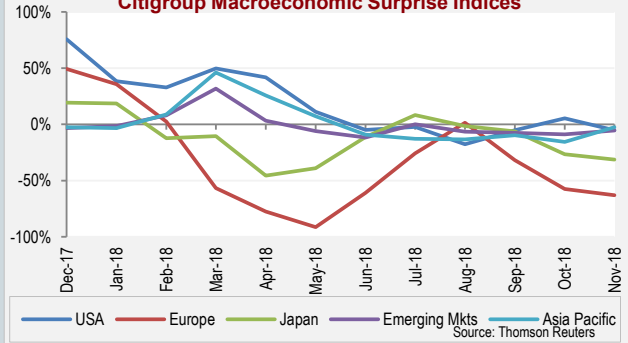


International Shares

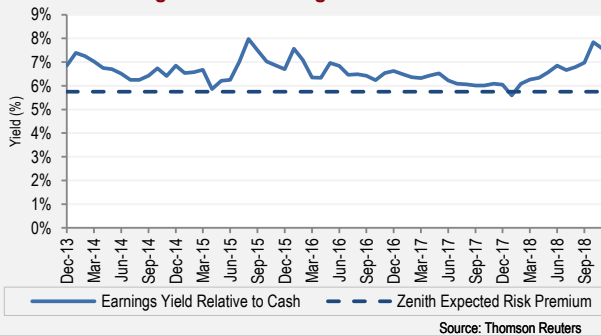
Regional Equity 12 Month Forward PE Valuations



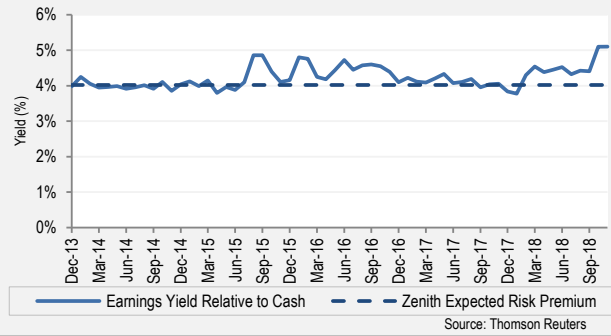
Citigroup Macroeconomic Surprise Indices



MSCI Emg Markets Earnings Yield Relative to Cash

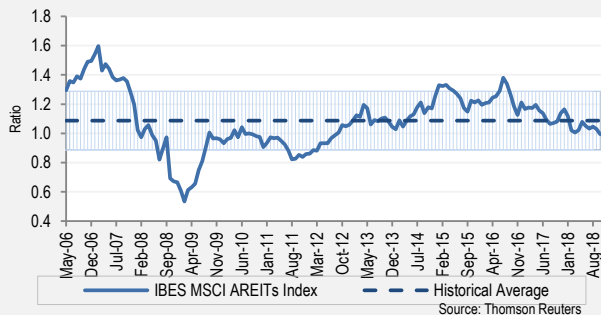


MSCI World Earnings Yield Relative to Cash

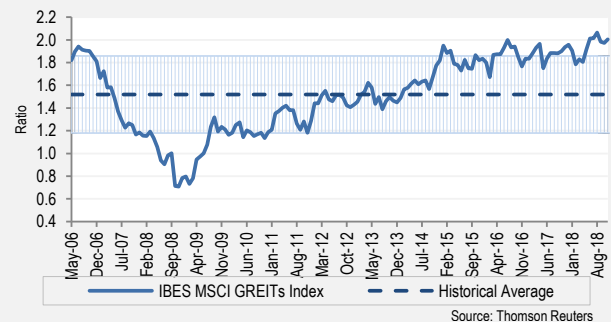


Listed Property & Infrastructure

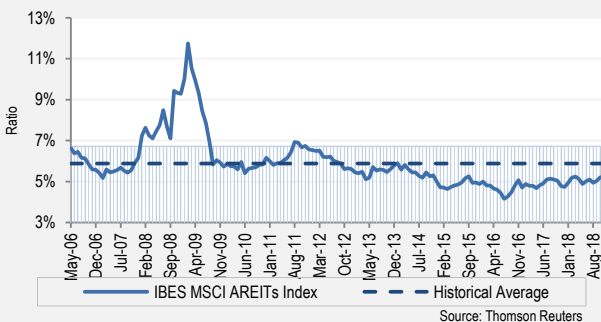
12 Month Forward AREIT Price to Book Value



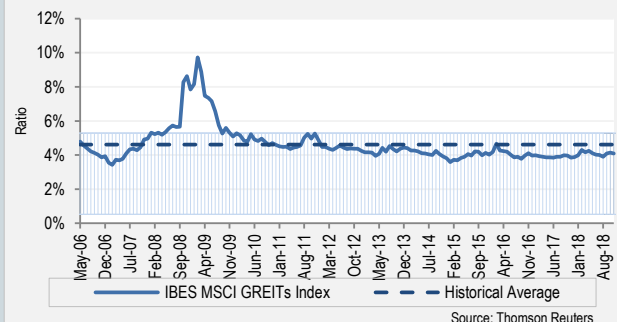
12 Month Forward GREIT Price to Book Value



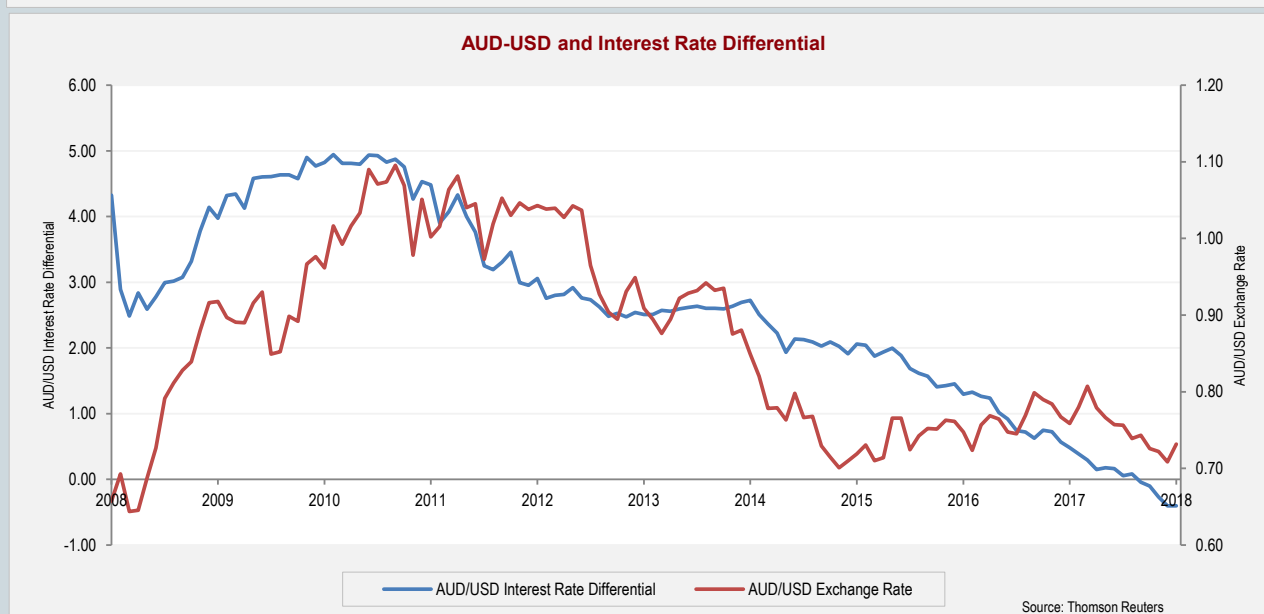
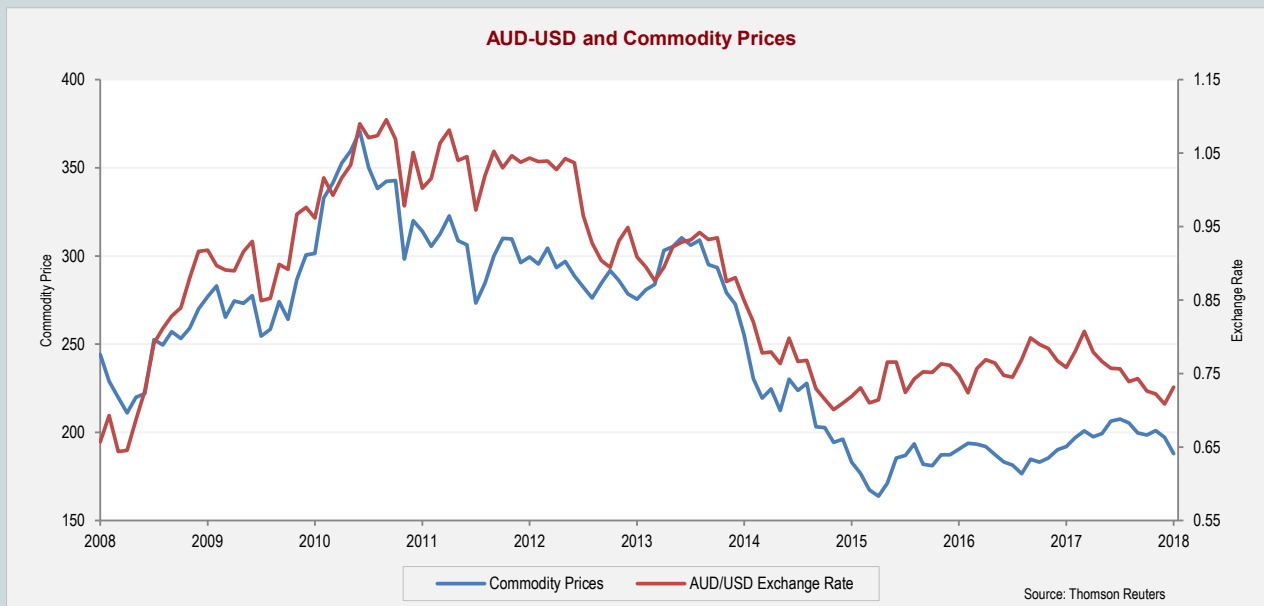
12 Month Forward AREIT Dividend Yield



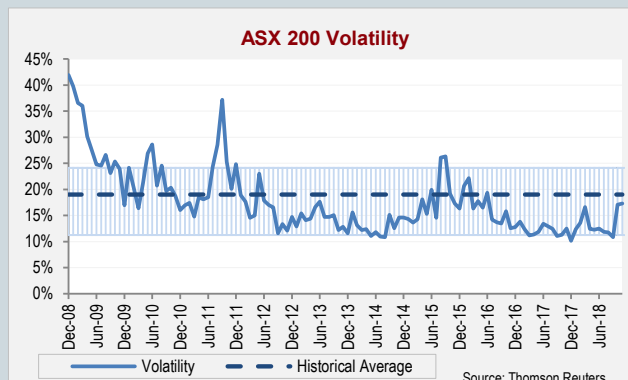
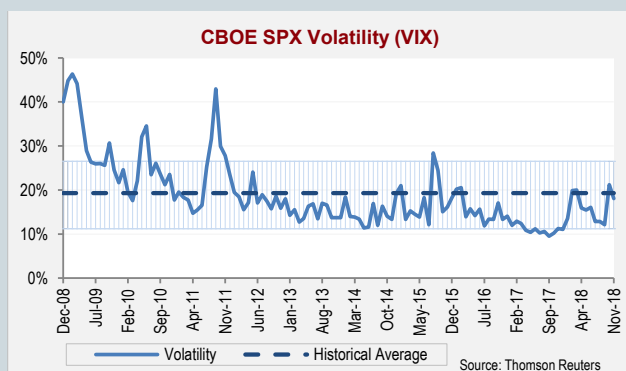
12 Month Forward GREIT Dividend Yield



Australian Dollar



Volatility / Financial Stress Index



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