

Market Overview

The S&P/ASX200 Accumulation Index recorded a positive second quarter (+8.5%) as each of the last three months resulted in the index finishing higher. Stronger performance from mining related commodities and oil helped local resource companies, even though concerns around global free trade continued. Political tensions in Europe, global relations with regards to the US, and the speed at which the US Federal Reserve intended to raise rates added to the uncertainty. Locally the quarter saw the release of a Federal Budget focussed on tax cuts, and a steady stream of news from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Economic data for Australia started the quarter with a weak March quarter inflation print (+0.4%) giving an annual inflation rate of +1.9%. GDP numbers were better than expected, rising +1.0% over the first quarter, or +3.1% for the year, helped by higher mining exports and strong government expenditure. Unemployment decreased to 5.4% driven by a decrease in the number of people looking for jobs. Relatively unchanged underemployment and underutilisation continuing to be a headwind for meaningful wages growth. Previous quarter wage growth registered only +0.5%, with the yearly gain just +2.1%. The RBA remained consistent in its view that inflation would continue to remain low for some time, as the central bank maintained the cash rate at +1.50%. The Australian dollar finished the quarter lower at US73.9c.

Resource stocks did well over the quarter as commodity prices improved. Rising oil prices helped the Energy sector (+19.7%) finish as the best performing sector over the quarter. The Materials sector was also one of the better performers, in large part due to a strong mining sub-sector. Overall though, the Health Care sector (+16.5%) was the second best performing sector, with pharmaceutical, biotechnology and medical device companies reporting well the past three months. The worst performing sector was the Telecommunications sector (-13.7%) led lower by Telstra after it flagged challenging trading conditions would persist. The Financials sector (+4.1%) managed a gain but was negatively impacted by publicity from the Royal Commission.

The S&P/ASX 200 Financials Accumulation Index underperformed the broader index as the Royal Commission continued. Of the large banks, Australian New Zealand Banking (+8.2%) did best, followed by Westpac Banking Corporation (+5.7%). The Commonwealth Bank of Australia (+0.8%) posted a small increase with National Australia Bank (-0.3%) doing worst. Regional Banks were mixed, Bank of Queensland (-3.5%) and Bendigo and Adelaide Bank (+10.2%). Diversified Financials were also mixed, Macquarie Group (+23.6%) did well, as did the ASX (+14.9%), whilst asset managers struggled; IOOF (-11.7%) and Perpetual (-10.6%), as did AMP (-28.7%) after revelations from the Royal Commission. Insurers generally fared better led by Insurance Australia Group (+14.0%), Steadfast Group (+12.0%) and Suncorp Group (+9.4%), though NIB (-10.2%) did finish lower.

Performance as at 30 June 2018

	Gross %	Out-performance % [^]	Benchmark % [*]
1 Month	3.87	-0.19	4.05
3 Months	3.92	1.65	4.28
6 Months	-1.98	2.80	-4.78
1 Year	1.54	5.39	-3.85
2 Years (pa)	8.89	5.24	-3.66
3 Years (pa)	4.42	5.19	-0.78
Since inception (pa) [*]	4.89	6.04	-1.14

^{*} S&P/ASX 200 Financials Accumulation Index.

[^] Shows the difference between Portfolio Gross Return and Benchmark Return.

[#] Model performance inception date: 22/2/2007.

Past performance is no indicator of future performance. Long term performance returns show the potential volatility of returns over time. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Fluctuation may be particularly marked in the case of a higher volatility Model and the value of an investment may fall suddenly and substantially. Model portfolio composition and performance have been based on theoretical tracking of the model portfolio and are gross of fees and do not take tax positions into account. Please note, actual portfolios may not perform in the same manner as the model depicted in this document, depending on the nature of your personal portfolio and any customisations.

Rounding used in the presentation of data may result in minor variations.

Summary

Model Portfolio Name	BlackRock Financials
Model Code	BR0008
Model inception date	22/02/2007
Principal investment objective	To track the performance of the top 25 stocks in the Financials sector of the ASX
Can derivatives be used?	No
Indicative number of stocks	20 – 30
Minimum Model investment	No fixed minimum*
Model Provider's Fees*	
Investment Fee	0.40% p.a.
Performance Fee applicable?	No
Benchmark Index	S&P/ASX 200 Financials (Sector)

* Please refer to the Product Disclosure Statement for further details.

About the Model Portfolios

Investment objective

The BlackRock Financials Model Portfolio (the "Model") aims to track the performance of the top 25 stocks by market capitalisation in the Financials sector of the ASX before taking into account Model fees and expenses.

Investment strategy

The investment objective of the Model is pursued by investing in a basket of securities that reflect the Financials sector of the Australian equity market.

These securities are listed on the ASX and are involved in activities such as banking, mortgage finance, consumer finance, specialised finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investment and real estate.

Designed for investors who...

- Seek capital growth with some tax effective income; and
- Accept the risk of significant price fluctuations.