

Market Overview

The S&P/ASX200 Accumulation Index finished a volatile first quarter lower (-3.9%) as the local market was hurt by uncertainty offshore, including concerns around global trade and potentially increased tariffs. Locally the banking sector was also affected by the start of the banking Royal Commission which generated negative press for the big banks. Earnings season in the middle of the quarter was modestly positive, though increased competition in the Telecommunications sector resulted in that sector performing the worst to start 2018, whilst Health Care gained as a number of the larger firms reported positive earnings outlooks.

Australian inflation for December fell short of expectations, rising +0.5% for the December quarter compared to +0.7% for the previous quarter. Over the year the annual inflation print at +1.5% remained short of the RBA target band. GDP for the December quarter grew +0.4% taking the 2017 number to +2.4%, helped by household consumption whilst trade dragged as exports fell. Compensation of employees, and wages in the labour force data, both showed increases though the annual number continued to be historically low. The unemployment rate ticked up slightly to +5.6%, as the participation rate rose, overshadowing a solid increase in full-time jobs. The RBA once again kept rates at 1.5%, reminding observers that any return to the inflation target would be a gradual one. Over the quarter the Australian dollar was lower against the US dollar finishing at US76.7c.

The Health Care (+6.9%) sector was the best performing sector for the quarter after favourable earnings reports from a few of the larger companies. Gains were also observed in the Information Technology (+1.5%) and Consumer Staples (+0.3%) sectors, the latter helped by food companies notably in milk products. The worst performing sector for the quarter was Telecommunications (-11.0%), as competition continued to intensify in that marketplace. Whilst several other sectors also detracted including Utilities (-6.9%), Energy (-6.8%) and Financials (-5.9%) which was pulled down by underperforming bank stocks.

The S&P/ASX 200 Financials Accumulation Index fell for the quarter, as all subsectors detracted especially banking names. All of the major banks finished lower, Westpac Banking Corporation (-8.7%) doing worst with National Australia Bank (-3.7%) comparatively the best. Regional banks performed worse, including Bank of Queensland (-13.8%) and Bendigo and Adelaide Bank (-13.0%). Large insurers were mostly lower such as QBE Insurance (-9.5%) and Medibank Private (-10.3%), the exception being Insurance Australia Group (+5.2%) which rose. Diversified Financials had some positive performance from ASX (+4.1%) and Macquarie Group (+3.3%), but overall was lower as Challenger (-16.6%) and a range of capital market names fell, Platinum Asset Management (-22.0%), Janus Henderson (-13.4%), BT Investment Management (-11.0%) and Magellan Financial Group (-10.0%).

Performance as at 31 March 2018

	Gross %	Out-performance % [^]	Benchmark % [*]
1 Month	-5.59	0.38	-5.97
3 Months	-5.68	1.22	-6.9
6 Months	-2.41	2.6	-5.02
1 Year	-6.88	5.24	-12.12
2 Years (pa)	8.77	5.27	3.51
3 Years (pa)	0.38	4.96	-4.58
Since inception (pa) [*]	4.64	6.01	-1.37

^{*} 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.