

## 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/ASX200 Resources Accumulation Index fell, as commodity prices were under pressure from increased concerns around global trade. Oil companies were lower; Woodside Petroleum (-9.7%) the worst though they also announced an equity raising during the quarter, Origin Energy (-7.6%), Oil Search (-7.3%) and Santos (-7.0%), whilst coal names managed to gain; Whitehaven Coal (+2.8%) and Washington H Soul Pattinson (+4.6%). Miners fared a little better though both Rio Tinto (-1.3%) and BHP Billiton (-2.3%) fell. Gold stocks were generally higher, with the exception of Newcrest (-13.9%) which had issues at one of their mines, Evolution Mining (+15.7%) led the way for the other gold miners. Most of the other larger miners were lower, which included South32 (-5.1%), Fortescue Metals (-9.3%) and Mineral Resources (-18.6%). Specialty metals were more mixed, Lynas Corporation (+12.8%) gained whilst Galaxy Resources (-22.7%), Orocobre (-22.8%) and Syrah Resources (-29.7%) all fell.

## Performance as at 31 March 2018

	Gross %	Out-performance % <sup>^</sup>	Benchmark % <sup>*</sup>
1 Month	-3.26	0.52	-3.77
3 Months	-4.79	-0.93	-3.86
6 Months	9.17	5.69	3.48
1 Year	12.56	10.56	2
2 Years (pa)	20.9	8.92	11.98
3 Years (pa)	4.95	0.92	4.03
Since inception (pa) <sup>*</sup>	3.59	-1.54	5.13

<sup>^</sup>Shows the difference between Portfolio Gross Return and Benchmark Return.

<sup>#</sup> Model performance inception date: 31/10/2006.

**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

<b>Model Portfolio Name</b>	Discovery Resources Model
<b>Model Code</b>	DI0003
<b>Model inception date</b>	18/10/2006
<b>Principal investment objective</b>	To track the performance of the top 25 listed stocks, ranked by their weight in their respective sector, when the Energy and Materials sectors of the S&P/ASX 200 Accumulation Index are combined
<b>Can derivatives be used?</b>	No
<b>Indicative number of stocks</b>	20 – 30
<b>Minimum Model investment</b>	No fixed minimum*
<b>Model Provider's Fees*</b>	
<b>Investment Fee</b>	0.40% p.a.
<b>Performance Fee applicable?</b>	No

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

## About the Model Portfolios

### Investment objective

The Discovery Resources Model Portfolio (the "Model") aims to track the performance of the top 25 stocks, ranked by their weight in their respective sector, when the Energy and Materials sectors of the S&P/ASX 200 Accumulation Index are combined.

### Investment strategy

The investment objective of the Model is pursued by investing in a basket of securities listed on the ASX whose businesses are predominantly involved with the following activities: the construction or provision of oil rigs, drilling equipment and/or transportation of oil and gas products, coal and other consumable fuels and other energy related service and equipment, including seismic data collection; or, companies engaged in exploration, production, marketing and refining.

The Model will also invest in companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products and metals, minerals and mining companies, including producers of steel.

### Designed for investors who...

- Seek exposure to the energy and material sectors of the ASX
- Are satisfied with market returns
- Accept the risk of significant price fluctuations.