

Market Overview

The S&P/ASX200 Accumulation Index posted a small gain (+1.5%) for the third quarter, most of it recorded in July. The monthly run of outperformance for Australian equities came to an end as the ASX declined in September. In global equities, trends diverged as the US market continued to make progress while many international and emerging markets lost ground. A duller earnings outlook and looming political risks created less enthusiasm about Europe, while Japanese equities lacked a clear catalyst to propel performance. Concerns also that a trade war could do serious damage by disrupting global supply chains, with investors also worried by US sanctions against Iran, tensions with Turkey, and Italian politics.

Once again the RBA decided to hold the cash rate at 1.5%. Weak core inflation outcomes and tight financial conditions suggested that inflation would not recover to target within a reasonable timeframe. Though based on the most recent GDP data, the economy delivered above-trend growth. Labour market data showed the unemployment rate remained low at 5.3%, whilst domestic wage growth was still low at +2.1%. The central bank had less concern on housing or the recent rise in mortgage rates. The Australian dollar fell heavily against most major currencies as it depreciated to a more than two-year low to US71.0c as fears over an escalation in the trade conflict between the United States and China dominated concerns.

The Communication Services sector (+15.2%) was the best performing sector for the quarter, mainly from contribution by telecommunication network companies. Information Technology (+12.8%) also performed well, predominantly through a few payment and software companies. The Utilities sector (-5.7%) was the worst performing sector for the quarter as it was pulled down by power and electricity firms. Other sectors that fell included Materials (-2.8%) and Consumer Staples (-2.2%).

The best performing stock for the quarter was Afterpay Touch Group (+92.0%), growth expected to continue as management works towards expanding its international operations. The worst performing stock for the quarter was Speedcast International (-35.0%). The firm announced to acquire Globecom for USD 135 million.

Performance as at 30 September 2018

| | Gross % | Out-performance % [^] | Benchmark % [*] |
|-----------------------------------|---------|--------------------------------|--------------------------|
| 1 Month | -0.95% | 0.05% | -1.00% |
| 3 Months | 1.47% | -0.05% | 1.52% |
| 6 Months | 10.94% | 0.20% | 10.74% |
| 1 Year | 12.81% | 0.23% | 12.58% |
| 2 Years (pa) | 10.86% | 0.01% | 10.85% |
| 3 Years (pa) | 9.33% | -0.09% | 9.42% |
| 5 Years (pa) | 5.99% | -0.01% | 6.01% |
| Since inception (pa) [*] | 7.51% | -0.14% | 7.65% |

^{*} S&P/ASX 20 Leader Accumulation Index.

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

[#] Model performance inception date: 8/11/2005.

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 Index – Top 20 |
| Model Code | BR0002 |
| Model inception date | 4/11/2005 |
| Principal investment objective | To match the return of the S&P/ASX 20 Accumulation Index |
| Can derivatives be used? | Yes |
| Indicative number of stocks | About 20 |
| Minimum Model investment | No fixed minimum* |
| Model Provider's Fees* | |
| Investment Fee | 0.10% p.a. |
| Performance Fee applicable? | No |
| Benchmark Index | S&P/ASX 200 Accumulation Index |

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

About the Model Portfolios

Investment objective

The BlackRock Index – Top 20 Model Portfolio (the "Model") seeks to match the total return (both income and capital growth) of the S&P/ASX 20 Accumulation Index, before taking into account Model fees and expenses.

Investment strategy

The investment objective of this Model is pursued by investing in a representative sample of shares held in the S&P/ASX 20 Accumulation Index. The Index is comprised of the 20 largest and most liquid stocks in the Australian stock market. The Model may invest in shares that have been or are expected to be included in the Index.

Designed for investors who...

- Seek exposure to Australian equities through a portfolio of large capitalisation stocks
- Are satisfied with index returns without any active investment management
- Accept the risk of significant price fluctuations.