

## 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 market declined in September. In global equities, trends diverged as the US market continued to make progress whilst 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. Investors also had concerns 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 remained muted at +2.1%. The central bank was less concerned 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 S&P/ASX 200 Financials Accumulation Index underperformed the broader index. Overall the large banks were lower, the small positive from National Australia Bank (+1.5%) a contrast to the other three; Westpac Banking Corporation (-4.7%) faring worst. Regional banks saw some divergence with Bendigo and Adelaide Bank (-0.8%) outdone by the Bank of Queensland (+8.1%). Across Diversified Financials AMP (-10.4%) continued to struggle. Capital Markets firms were mixed with Pandal Group (-11.3%), IOOF holdings (-9.5%) and Janus Henderson Group (-9.4%) all lower whilst Magellan Financial Group (+18.8%) had a good earnings result and increased their dividends. Insurers also saw some divergence with QBE Insurance Group (+14.2%) higher, Suncorp Group (-0.4%) relatively flat, and Insurance Australia Group (-14.2%) lower.

## Performance as at 30 September 2018

	Gross %	Out-performance % <sup>^</sup>	Benchmark % <sup>*</sup>
1 Month	-2.14%	0.23%	-2.37%
3 Months	-0.20%	1.24%	-1.44%
6 Months	3.71%	2.91%	0.80%
1 Year	1.21%	5.47%	-4.26%
2 Years (pa)	6.82%	5.06%	1.76%
3 Years (pa)	7.26%	5.34%	1.92%
5 Years (pa)	6.58%	5.23%	1.34%
Since inception (pa) <sup>*</sup>	4.77%	6.01%	-1.24%

<sup>\*</sup> S&P/ASX 200 Financials Accumulation Index.

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

<sup>#</sup> 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

<b>Model Portfolio Name</b>	BlackRock Financials
<b>Model Code</b>	BR0008
<b>Model inception date</b>	22/02/2007
<b>Principal investment objective</b>	To track the performance of the top 25 stocks in the Financials sector of the ASX
<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
<b>Benchmark Index</b>	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.