Quarterly Newsletter September 2014

Written 31 Oct 2014

DFSMA : 30 June 2014 Annual Tax Reports

30 June 2014 year-end reports have been released and are now available via the DFSMA login.

As in the past, the DFS Operations Team will also batch these reports and deliver them to you via email. If you have provided details of your accountant, a copy of the email will also be forwarded to them. The DFS Operations Team will be available to assist your accountant with any queries which they may have in relation to the reports and/or transactions during the year.

SuperWrap : Proposed Transfer from BT Wrap to HUB24 Super

We are pleased to advise that after a lengthy process of due diligence and negotiations, HUB24 Super has been selected as the replacement super platform for our existing BT Super Wrap clients.

Sometime in the new year (2015), your DFS adviser will contact you to provide information on HUB24 Super and outline what this means in your specific situation. We understand that clients will need time to consider the implications of such a change and your DFS Adviser will work with you in this regard.

For some clients, however, it is imperative to commence the rollover earlier, due to possible adverse Centrelink/DVA implications arising from a transfer post-1 January 2015 (refer below). By now, these clients have been contacted and the rollover process is underway. Apart from these clients, no action is required for the time being until you receive further information from us.

Centrelink/DVA : New Deeming Rules from 1 January 2015

From 1 January 2015, superannuation assets will be deemed for Centrelink/DVA income testing purposes.

Centrelink/DVA deeming means that Centrelink/DVA calculates the income on your investments by using government interest rates called deeming rates. For example, if the deeming rate is 3.5% and you have $10,000 in your bank account, Centrelink/DVA counts $350 of deemed income. Even though your deemed income may be higher or lower than your real interest income, Centrelink/DVA uses your deemed income when calculating your entitlement to Centrelink/DVA payments.

Up to 31 December 2014, a different income testing rule applies which only takes into account the pension payments you receive from your superannuation assets, less an amount which is regarded as a return of capital. Generally speaking, the rules to 31 December 2014 tend to result in a more favourable treatment for income testing purposes.

The new deeming rates are as follows :

Single	Deeming rate
First $48.000	2.00%
Balance over $48,000	3.50%

Couple	Deeming rate
First $79,600	2.00%
Balance over $48,000	3.50%

Assuming an average super account balance of $300,000, the additional Centrelink/DVA deemed income will be $9,780 pa (for a single person) and $19,806 pa (for a couple with total super of $600,000).

Depending on each client's circumstances, the additional deemed income ***may*** impact the Centrelink/DVA assessment going forward and, hence, there is a risk that Centrelink/DVA benefits could be reduced or lost.

The above change only impacts clients who, as at 31 December 2014, are receiving Centrelink/DVA entitlements or hold the Commonwealth Seniors Health Card. Consequently, for such clients to take advantage of the grandfathering provisions, they must transfer to HUB24 Super prior to 31 December 2014.

Model Restructures

DFSMA clients only : The model restructure for the Alternative Investment Strategies (AIS) Model is underway.

The manager changes are largely due to i) the closure of existing Alternative Investment Strategies funds, including mandatory redemptions and ii) the entry of new fund managers into the Alternative Investment Strategies space.

The DFS Operations Team is overseeing the progressive changeover, which we expect to span from October to the end of November 2014.

Impact of Recent Market Volatility

In our March 2014 newsletter, we provided an illustration of how disruptive market events, such as the GFC, can give rise to significant fluctuations in market risk and, in turn, adversely affect the financial security of retirees and investors alike. Better risk management, by definition, leads to better capital protection and the result of maintaining a larger capital base is that the compounding effect of future positive returns is enhanced.

a) Risk Profile Models (RPMs) accounts

All RPMs are managed using our proprietary Dynamic Risk Management Process which offers enhanced capital protection benefits.

With that objective in mind, the ultimate focus of each Risk Profile Model is to manage risk within specified risk budgets. If the model detects rising market volatility, it will shift allocations away from growth assets and into defensive assets. Conversely, when markets are stable, the portfolio will increase exposure to growth assets. The RPM methodology further incorporates our proprietary stop-loss mechanism which is designed to provide an additional layer of risk management when equity markets are (1) overvalued and (2) support for those markets has broken down. Equity risk is, by far, the greatest component of total portfolio risk and, as such, requires additional risk management considerations. Indeed, the biggest losses caused by equity risk occur when markets are overvalued. Conversely, when markets are in neutral (or under) valuation territory, there is a natural floor that minimises the extent (and duration) of any ensuing correction.

On 14 October 2014, in response to (1) an overvalued US equity market and (2) a break down in support of the US equity market, the RPM stop-loss mechanism reduced its exposure to US equities and initiated a full divestment of its low cost US-based Exchange Traded Fund. We refer you to the DFS Portfolio Solutions article on page 3 which provides more detail in this regard.

We are pleased that the process was highly streamlined and occurred within a period of 3 days. Furthermore, the use of low cost Exchange Traded Funds by the RPM made the portfolio transaction highly cost effective. **The result is that the risk budget of each RPM continues to be been maintained.**

This truly underscores the full benefit of the RPM service.

The RPM service is ideal for clients who prefer a simpler investment approach and are happy to have their portfolio automatically aligned to the DFS Model allocations, as part of the DFS risk management process.

b) Customised accounts

All customised accounts are managed using the Customised Portfolio Service which provides clients with the ability to control their own asset allocation decisions. This contrasts with the abovementioned Risk Profile Model service which focuses on managing the level of **risks** in the portfolio, by adopting a dynamic asset allocation approach.

The majority of our customised accounts continue to maintain a strong defensive bias, with strong cash levels particularly for accounts in pension drawdown phase. Moreover, customised accounts adopt a longer term asset allocation view and as such, the recent short term market volatility (weakness and subsequent swift recovery) did not impact these clients' investment strategy.

Our asset allocation discussions with customised accounts are made with reference to DFS customised *guidelines*. As a recap, in the July 2014 release, the key investment theme is that markets are well behaved and that this provided an opportunity to increase the exposure to growth assets. Where appropriate, your DFS adviser would have discussed scope to increase allocations towards global assets, including International Equities (IEQ) Large Caps, Global REITs and Global Infrastructure (IEQLC, GREITs and GInfr), to provide more exposure to global equity markets. Any fall in the Australian dollar from current levels would benefit the portfolio due to it having additional global exposures.

Indicative Outlook : Forward Cash and Fixed Interest Rates

The table below lists the expected yields from the various defensive asset class models. The Defensive portion of portfolios is largely comprised of fixed interest investments, which provide stable income flows.

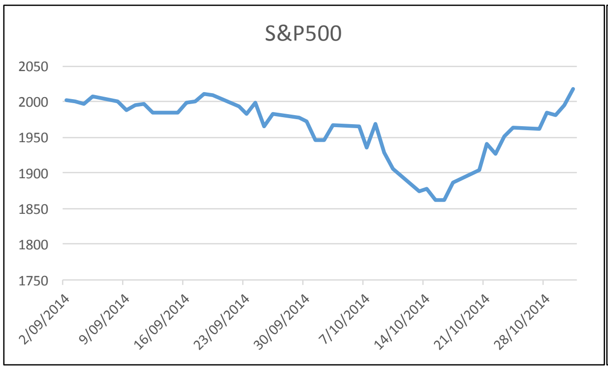
Investment ($100,000 to $250,000)		Term (Mod. Duration)	Current Yield/ Rate NET OF MERs Indicative Only	Date of Update
Base				
11 am cash rate			2.50%	04-Nov-14
Bank Bill		40 days	2.67%	04-Nov-14
Cash				
Adelaide Bank CMA			2.25%	06-Nov-14
HSBC Working Cash			2.05%	04-Nov-14
Macquarie True Index Cash Fund	MAQ0789AU	43.80 days	2.58%	30-Sep-14
UBS Cash Fund	SBC0811AU	40.15 days	2.49%	30-Sep-14
Term Deposits				
Adelaide Bank Term Deposit (30D)		30 days	2.90%	06-Nov-14
Adelaide Bank Term Deposit (90D)		90 days	3.35%	06-Nov-14
Adelaide Bank Term Deposit (180D)		180 days	3.40%	06-Nov-14
Adelaide Bank Term Deposit (365D)		365 days	3.45%	06-Nov-14
Managed Funds The following managed funds are included for comparison purposes only. These are not pure cash funds and their returns incorporate gains from their tactical buying and selling of the bond portfolio which could be positive or negative.				
Sovereign Bond Model		5.34 years	3.28%	30-Sep-14
Diversified Credit & Fixed Income Model		2.23 years	7.25%	30-Sep-14
Perennial Tactical Income Trust	IOF0145AU	0.64 years	3.25%	30-Sep-14

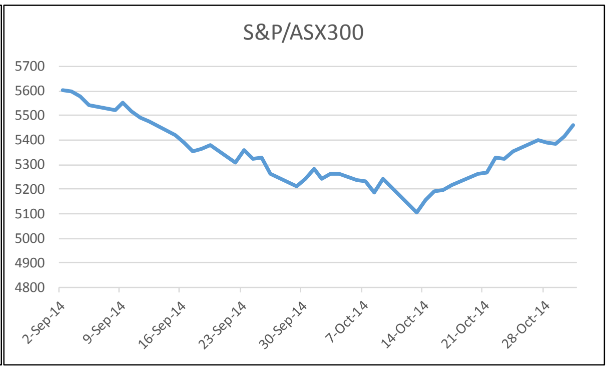
More information on expected yields for your portfolio (defensive and growth assets) will be included in your next formal annual Review Report.

DFS response to recent market turbulence

The following article looks at how DFS responded to the recent volatility in equity markets over September and October.

As highlighted by the chart below, the Australian equity markets fell by almost 10% from early September to 13 October, a significant part of which has since been reversed. The US equity market, having fallen some 8% has now rallied past its 2 September 2014 level.





Whilst the recent turbulence appears to have come and gone, it was nonetheless the most volatile period in equity markets since June 2013, when markets reacted on news that the US Fed intended to taper its quantitative easing policies.

DFS manages portfolios along two major service lines, namely: (1) the DFS Customised Portfolio Service; and (2) the DFS Risk Profile Model Service. The Customised Portfolio Service provides investors with the ability to control their asset allocation decisions. Although Customised Portfolio clients generally invest across asset class models that are offered by DFS (Australian equities; international Equities, Enhanced Cash; Diversified Credit & Fixed Income…to name a few), the allocation to each is determined by clients in conjunction with their advisors. The Customised Portfolio Service is better suited to investors that prefer to be actively involved in portfolio management.

The Risk Profile Model service, on the other hand provides clients with a fully implemented portfolio service. The asset allocation and investment selection decisions are made by DFS in accordance with its investment methodology, which (compared to traditionally managed portfolios) seeks to better manage and control the level of portfolio risk. DFS achieves this by changing the portfolio asset allocation as changes in market conditions are observed. The Risk Profile Model service is suited to investors who prefer to take a passive approach to portfolio management.

Action taken by Risk Profile Models

We note that on 14 October 2014, the Risk Profile Model Service reduced its exposure to the US equity market as the following conditions were observed:

1. **The US equity market was overvalued**
2. **Support for the US equity market broken down**

The decision to reduce exposure to equity markets is based on the notion that equity risk demands an additional layer of risk management. We note that the Risk Profile Models have a meaningful tilt to equities, on the basis that markets have experienced stable market conditions over the last 2-3 years. Over this time, the US equity market rallied the most, and in doing so, became overvalued over the course of 2013. The decision to reduce US equity exposure on 14 October is based on the belief that markets are prone to further downside when support levels are breached. While this does NOT always occur, DFS does not take the risk of waiting to see. DFS limited the losses on the US equity exposure to -2.6% since 2 September 2014 (being the S&P500's price peak), as the falling AUD over the concurrent period reduced the magnitude of the fall. The Risk Profile Models will now stay on the sidelines (in cash) until market support is re-established. We highlight that no additional equity market (i.e. Australian equities, Infrastructure; REITs; Asia Ex Japan) is currently in overvalued territory, and as such no divestment would be considered until this condition is reached.

We further note that the Risk Profile Models allocate to low cost Exchange Traded Funds (ETFs), in addition to active managers. In taking the action of divesting from US equities, in practice, we maintain our active managers (who currently have around 35% allocated to US equities) and only divest from the (low cost) US based ETF.

DFS has been running live with its dynamic risk management process since February 2012 and has progressively introduced it to the Risk Profile Models. We highlight that the Risk Profile Models now fully incorporate the dynamic risk management process.

The following table highlights the returns of the Balanced Portfolio (managed under the dynamic risk management process) for the period ending 30 September 2014:

Period Returns	1 Month	3 Months	6 Months	1 Year	2 Years	Inception (31 Jan '12)
DFS Balanced Portfolio	(0.5%)	2.2%	4.7%	10.8%	14.1%	13.0%
Morningstar Multisector Balanced Index	(0.8%)	1.2%	3.4%	7.5%	10.1%	9.9%
Total Relative Performance	*0.3%*	*1.0%*	*1.3%*	*3.2%*	*4.0%*	*3.1%*

Action taken by Customised Portfolios

As the name suggests, no two clients within the customised portfolio service are alike. Over the last several years, some clients decided to skew their investments towards risky assets, whilst others preferred to invest more conservatively. We note that a few clients (who preferred to hold greater cash balances over recent years) decided to use the recent equity market fall as a buying opportunity. While these clients were rewarded by this action, they had also missed out on the significant upside generated by risk assets over the last few years.

Most clients in the Customised Portfolio service were invested (more or less) in line with their strategic asset allocation as at 14 October 2014. As such, the general response from Customised Portfolio service clients was to take no action and maintain their current asset allocation.

Conclusion

Different responses to changing market conditions will be applied by clients depending on a range of factors including their investment approach, methodology and portfolio positioning prior to the change in market conditions. Given that the Risk Profile Models have been skewed to equities for an extended period, we believe it was prudent to partially divest from US equities. Importantly since divesting, we have and will continue to monitor the market dynamics so that the re-entry point has sufficient support and volatility has again subsided.

Furthermore, as our investment methodology focuses on portfolio risk management rather than attempting to forecast returns, we resolve to divest a few months too early rather than being a few minutes too late.

Overview – September 2014 Quarter

Volatility returned to share markets in the September quarter; ongoing concern regarding Chinese growth, declining commodity prices and declining faith that European policy makers actually have the appropriate tools to facilitate growth weighed heavily on the market. Consequently, after posting strong returns in July the Australian share-market was flat in August and sold off heavily in September; the S&P/ASX300 Accumulation Index returning -0.56% for the quarter. The Australian economy remains in a transitional phase; consumer sentiment remains negative whilst business confidence remains relatively optimistic.

In economic news, June quarter GDP increased by 0.5% and 3.1% year on year (seasonally adjusted) whilst the Terms of Trade (which measure the price of exports relative to imports) decreased by 4.1% over the quarter and by 7.9% for the year. The Consumer Price Index rose 0.5% in the September quarter and 2.3% for the year, the cash rate remained unchanged at 2.50% for the 13th straight month, the Australian Dollar depreciated 7.09% to close at $0.8752 USD whilst the unemployment rate increased marginally to 6.1% (seasonally adjusted).

Australian Equities (AEQ)

The market reported its first negative quarter since June 2013; the S&P/ASX 300 Accumulation Index returning -0.56% over the September quarter. Following a spate of IPOs the strongest sector for the period was Healthcare returning 9.42% while Materials continue to detract with the sector retreating a further -2.96%.

Large Caps Returns:
Qtr 1.05% (index -0.56%)
Year 9.78% (index 5.73%)

The DFS AEQ Model had a strong September quarter, generating a positive return versus a market that finished the quarter in negative territory. The recently appointed Montgomery Fund was the strongest performer for the period, returning an impressive 4.87% for the 3 month period. During the September quarter DFS also divested from the Fidelity Australian Equities Fund.
The model generated a return of 9.78%, outperforming the S&P/ASX 300 Accumulation Index by 4.05%. The Regal Australian Long/Short Equity Fund has been the strongest performer returning 19.24% outperforming the Index by an impressive 13.51%.

Small Caps Returns:
Qtr 4.04% (index 1.49%)
Year 8.24% (index -0.07%)

The DFS AEQ Small Cap Model continues to materially outperform the Index. The Ironbark Karara Australian Small Companies Fund was the best performing fund for the quarter, outperforming the S&P/ASX Small Ordinaries Accumulation Index by an impressive 3.35% for the quarter. Pleasingly, both AEQ Small Cap managers continue to outperform the market index.

DFS currently has a positive outlook on Australian equities with overweight positions in both large cap and small cap models. Based on our Modelling that drives our Dynamic Asset Allocation approach, we are seeing the Australian equity market trading at a lower valuation than its historical average.

International Equities (IEQ)

Performance across global equity markets was mixed during the September quarter with the MSCI World ex-Australia Index returning 5.74% in Australian Dollar terms but only 0.46% in local currency terms. Regionally; the S&P 500 Index gaining 0.62%, the UK's FTSE 100 detracted -1.80%, , Germany's DAX Index fell-3.65% whilst Japan's Nikkei 225 Index was up 6.67%.

Asian equity markets were not immune to the sell-off; the MSCI AC Asia ex-Japan Index returning -0.79% in local currency terms but an impressive 6.07% in Australian Dollar terms. Regionally, Hong Kong's Hang Seng Index returned -1.11%, India's SENSEX was up 4.79% whilst China's Shenzhen Composite Index was up 21.58% for the quarter.

The AUD depreciated 7.09% over the quarter versus the USD and by 5.98% over the last 12 months. Our decision to run a completely unhedged IEQ portfolio has benefited from the AUD's depreciation; we reiterate that a depreciating AUD has a positive impact on the performance of unhedged international assets. Importantly, we believe that the AUD will depreciate further as the US economy continues to improve while the Australian economy adjusts from a resource-led economy to a more balanced distribution of economic growth. Notwithstanding the benefit to the IEQ Large Cap Model from its fully unhedged position, our underlying managers (on aggregate) significantly tilted away from US equities in favour of emerging markets (which are heavily discounted compared to the US market).

Large Caps Returns:
Qtr 4.14% (index 5.74%)
Year 14.28% (index 20.37%)

The DFS IEQ Model underperformed the MSCI World ex-Australian Index over the September quarter. The Magellan Global Fund was the star performer; the fund's significant overweight allocation to the US equity market saw it return 6.13%. The 7% depreciation of the AUD over the period also attributed to performance. For the 12 month period, the IEQ model returned 14.28% compared to the MSCI World ex-Australia Index which returned 20.37% and 15.64% (AUD hedged). The Model's underweight positions in North America and overweight position in emerging markets (sitting at undervalued levels) have been the main detractors on performance over the past 12 months. The Platinum International Brands fund in particular, underperformed the benchmark by 17% over 12 months due to its negligible US exposure which alone contributed to 3.4% of the Model's underperformance. We estimate the Platinum portfolio to be 70% cheaper than the US market. As such, we continue to hold the fund under such compelling valuation differentials, notwithstanding its recent underperformance.

Asia ex Japan Returns:
Qtr 7.46% (index 6.07%)
Year 13.08% (index 15.67%)

Our Asia ex-Japan Model Portfolio had a strong quarter with both managers outperforming the MSCI Asia ex-Japan Index. The Aberdeen Asian Opportunities Fund just pipped PM Capital for line honours in September; the former returning 7.54% versus the PM Capital's return of 7.41%

DFS is currently overweight International equities. Our modelling indicates that whilst the US equity market appears fully-valued, the rest of the world is still trading at attractive valuations.

Infrastructure and REITs

Global Infrastructure (GI) Returns: **Qtr 2.34% (index 0.97%)** **Year 20.86% (index 21.38%)**	The Global Infrastructure Model had a strong quarter on the back of a depreciating AUD. The RARE Infrastructure Value Fund returned 4.99% for the quarter with the Lazard Global Listed Infrastructure Fund returning -0.27% for the period.
Global REITS (GREITs) Returns: **Qtr 1.05% (index -1.47%)** **Year 15.97% (index 13.64%)**	The GREITs Model also had a strong quarter on the back of a depreciating AUD. Pleasingly, both managers outperformed the (hedged) Index but it was the unhedged Vanguard International Property Securities Index Fund that was the star performer returning 3.36%.
Aust REITS (AREITs) Returns: **Qtr 1.35% (index 1.23%)** **Year 11.28% (index 12.28%)**	The AREITs Model outperformed the S&P/ASX 300 AREIT Accumulation Index following the performance of the Antares Listed Property Fund.

Alternative Investments: DFSMA accounts only

In April 2014, DFS announced the divestment from our preferred currency strategy following the manager's decision to retreat from the Australian market. Consequently, DFS has temporarily increased the allocation to the Absolute Return Fixed Income strategy.

Alternative Investment Strategies (AIS) Returns: **Qtr 1.50% (cash index 0.66%)** **Year 4.74% (cash index 2.64%)**	The AIS Model Portfolio had a strong quarter outperforming its cash benchmark but underperformed against the HFRI Macro Total Index (USD). The strongest performing fund was the Aspect Diversified Futures Fund which returned 7.83% for the quarter. The JANA Triplepoint Fund also had a solid quarter returning 2.34%.
Qtr 1.50% (HFRI index 3.02%) **Year 4.74% (HFRI index 6.00%)**	We have recently concluded our review on all alternative investment strategies and have sent the update to clients on the results on the 16th October.

Fixed Interest & Cash

Returns were again solid over the September quarter for global government bonds - expectations of ECB easing and geopolitical tensions were the dominant drivers of this move. US 10 year government bond yields fell 0.04% over the quarter, ending at 2.49%. European bond yields saw large falls, with German government bond yields reaching record lows during the quarter and the yield of 10 year government bond ending 0.30% lower. Australian bond yields followed the global trend, with 10 year government bond yields falling by 0.06% to 3.48%. Credit markets were mixed in the quarter. Global high yield posted negative returns over the quarter, while investment grade was positive.

Sovereign Bonds Returns **Qtr 1.27% (index 0.97%)** **Year 6.71% (index 6.02%)**	The allocation to Global Sovereign Bonds was the main contributor to the Model's outperformance against the Australian-centric UBS Composite Bond Index. The allocation to inflation-linked bonds detracted slightly. The Model continues to be weighted 65%:35% in favour of domestic versus global bonds with 10% of the domestic bonds being allocated to inflation-linked securities. The Model's interest rate duration is currently 5.34 years with a yield to maturity of 3.42%.
Diversified Credit & Fixed Income (DCFI) : **Qtr 1.19% (index 0.78%)** **Year 8.07% (index 9.50%)**	The DCFI Model Portfolio had a strong September quarter. The Model returned 1.19% outperforming the Barclays Capital Global Credit Corporate Total Return Index (hedged) by 0.41% The best performing fund was the Laminar Credit Opportunities Fund which returned 2.18% for the period. The PIMCO Global Credit Fund also performed well returning 1.14% over the 3 months. Interest rate duration is currently 2.23 years, credit duration is 3.36 years and the running yield is 7.13%.
Enhanced Cash Returns **Qtr 0.62% (index 0.66%)** **Year 4.28% (index 2.64%)**	Our Enhanced Cash Model was on par with the UBS 90-Day Bank Bill Index over the quarter. The key influences on this result was some small exposure to rising bond yields and the impact of softer investment grade and falling higher yielding security prices which all but completely wiped out all of the income return from the underlying securities. The Model's interest rate duration is 0.64 years with a yield to maturity of 3.70%. Our tilt towards growth assets means that we are currently underweight fixed income assets but have an overweight position in high yield assets.

Direct Property Syndicate Overlay

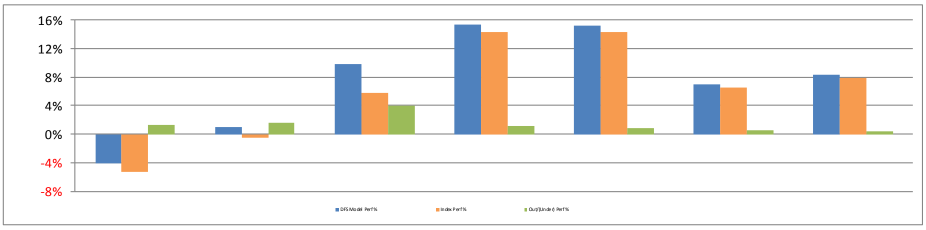
Charter Hall Direct Property Fund Returns **Qtr 4.56% (index 1.04%)** **Year 12.17% (index 9.28%)**	As advised in the update we sent out to unit holders in August, Charter Hall are offering investors two opportunities to redeem their holdings following the fund being relaunched as the Direct Office Fund. We reiterate that following discussions with the manager and the opportunity to allow current investors to sell their holding in full, DFS has reinstated our recommendation to fully redeem all units.

PORTFOLIO RETURNS

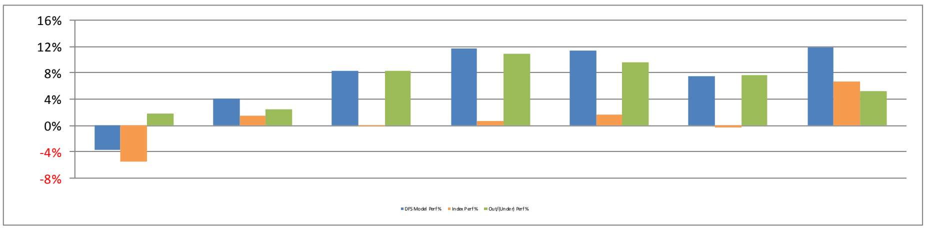
ending 30 September 2014

DFSPS employs an evidenced based approach to its manager selection process and believes that high barriers to successful enty exist that preclude more than 85% of active managers from generating sustainable risk-adjusted returns. DFSPS further believes that high quality active will generate meaningful levels of alpha (particularly during volatile market periods) and places a high degree of emphasise on downside risk management. Forward looking considerations are integral to the manager selection as part of the portfolio construction process.

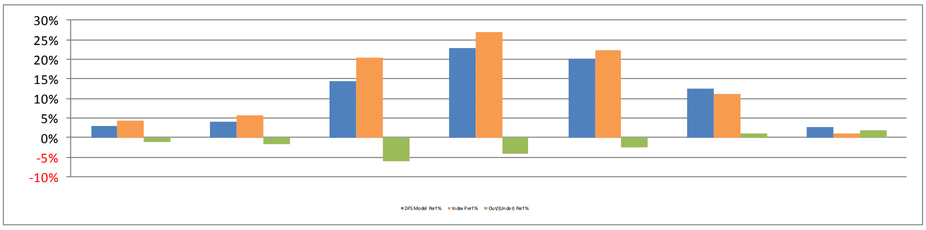
GROWTH PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Jan '00 (p.a.)
AUSTRALIAN EQUITIES LARGE CAP PORTFOLIO	(4.04%)	1.05%	9.78%	15.45%	15.20%	7.05%	8.34%
INDEX -S&P/ASX 300 Accumulation Index	(5.37%)	(0.56%)	5.73%	14.32%	14.37%	6.57%	7.93%
Outperformance/ (Underperformance)	1.33%	1.60%	4.05%	1.12%	0.83%	0.48%	0.42%



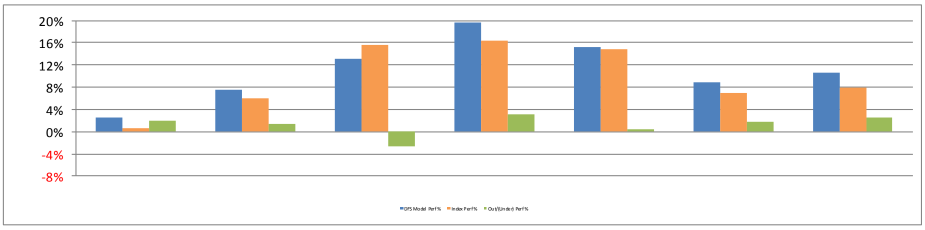
	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Nov '02 (p.a.)
AUSTRALIAN SMALL CAP EQUITIES PORTFOLIO	(3.70%)	4.04%	8.24%	11.63%	11.34%	7.41%	11.93%
INDEX - S&P/ASX Small Ordinaries Accum Index	(5.47%)	1.49%	(0.07%)	0.67%	1.71%	(0.28%)	6.72%
Outperformance/ (Underperformance)	1.77%	2.54%	8.31%	10.96%	9.63%	7.69%	5.20%



	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Jan '00 (p.a.)
INTERNATIONAL EQUITIES PORTFOLIO	3.07%	4.14%	14.28%	22.79%	20.02%	12.40%	2.73%
INDEX - MSCI World Ex Aus Acc. Index (AUD)	4.30%	5.74%	20.37%	27.01%	22.37%	11.21%	0.97%
Outperformance/ (Underperformance)	(1.22%)	(1.60%)	(6.09%)	(4.22%)	(2.36%)	1.19%	1.76%

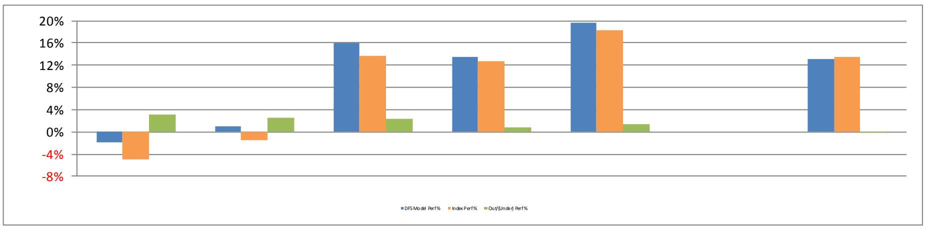


	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception July '05 (p.a.)
INTERNATIONAL EQUITIES PORTFOLIO - ASIA	2.62%	7.46%	13.08%	19.56%	15.22%	8.80%	10.53%
INDEX - MSCI AC Asia Ex Japan NR AUD	0.61%	6.07%	15.67%	16.41%	14.84%	7.02%	7.90%
Outperformance/ (Underperformance)	*2.01%*	*1.39%*	*(2.58%)*	*3.15%*	*0.38%*	*1.78%*	*2.63%*

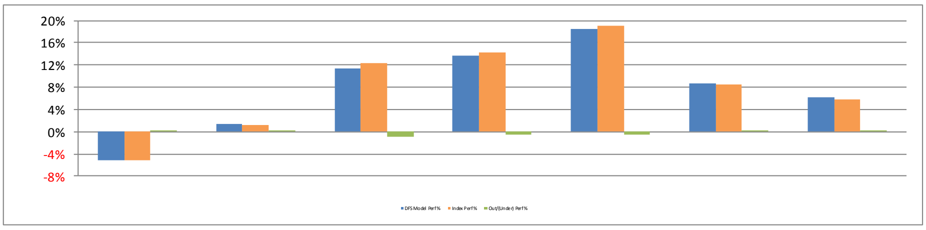


PORTFOLIO RETURNS
ending 30 September 2014

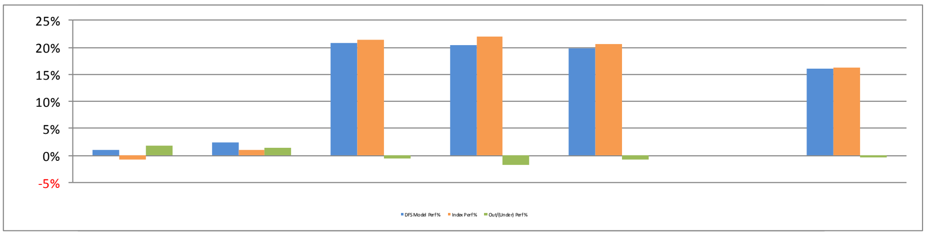
GROWTH PORTFOLIOS continued	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Oct '10 (p.a.)
GLOBAL REITS PORTFOLIO	(1.87%)	1.05%	15.97%	13.51%	19.61%	NA	13.16%
INDEX - UBS Global Investors GREITs Index (Hedged AUD)	(4.95%)	(1.47%)	13.64%	12.69%	18.24%	NA	13.39%
Outperformance/ (Underperformance)	3.08%	2.51%	2.33%	0.82%	1.37%	NA	(0.23%)



	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Jan '00 (p.a.)
AUSTRALIAN REITS PORTFOLIO	(5.06%)	1.35%	11.28%	13.75%	18.53%	8.68%	6.19%
INDEX-S&P/ASX 300 Property Accumulation Index	(5.14%)	1.23%	12.28%	14.32%	18.98%	8.55%	5.87%
Outperformance/ (Underperformance)	0.08%	0.12%	(1.00%)	(0.56%)	(0.45%)	0.13%	0.32%



	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Oct '10 (p.a.)
GLOBAL INFRASTRUCTURE PORTFOLIO	1.06%	2.34%	20.86%	20.43%	19.89%	NA	15.97%
INDEX - UBS Global Infrastructure & Utilities 50/50 TR Index AUD	(0.71%)	0.97%	21.38%	22.06%	20.70%	NA	16.26%
Outperformance/ (Underperformance)	*1.76%*	*1.38%*	*(0.52%)*	*(1.63%)*	*(0.82%)*	NA	*(0.29%)*

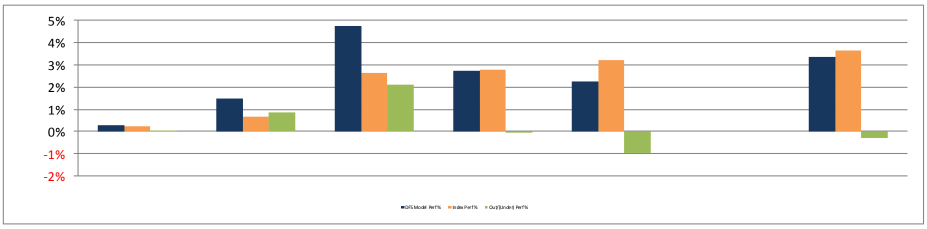


PORTFOLIO RETURNS

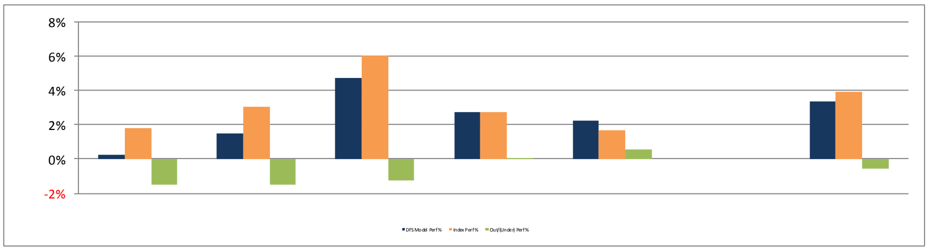
ending 30 September 2014

The objective of the AIS Model is to provide diversifying return drivers against traditional asset classes and to generate positive (absolute) returns during rising and falling equity market conditions over the medium term. The AIS Model has been designed with specific considerations that were highlighted during the Global Financial Crisis. Consequently, liquidity (daily NAV), leverage and transparency are focal points.

ALTERNATIVE INVESTMENTS PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Oct '10 (p.a.)
ALTERNATIVE INVESTMENT STRATEGIES PORTFOLIO	0.26%	1.50%	4.74%	2.75%	2.26%	NA	3.34%
INDEX - 90 Day Australian Bank Bill Index	0.22%	0.66%	2.64%	2.78%	3.22%	NA	3.64%
Outperformance/ (Underperformance)	0.05%	0.84%	2.10%	(0.03%)	(0.96%)	NA	(0.31%)



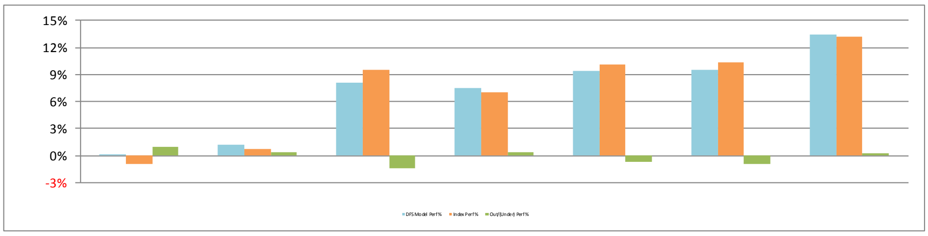
ALTERNATIVE INVESTMENTS PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Oct '10 (p.a.)
ALTERNATIVE INVESTMENT STRATEGIES PORTFOLIO	0.26%	1.50%	4.74%	2.75%	2.26%	NA	3.34%
INDEX - HFRI Macro Total Return Index	1.78%	3.02%	6.00%	2.70%	1.69%	NA	3.91%
Outperformance/ (Underperformance)	(1.52%)	(1.52%)	(1.26%)	0.05%	0.57%	NA	(0.57%)



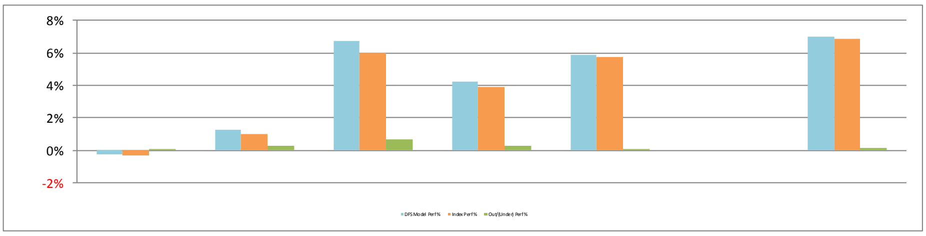
PORTFOLIO RETURNS
ending 30 September 2014

DFSPS employs an evidenced based approach to its manager selection process and believes that high barriers to successful entry exist that preclude the vast majority of active managers from generating sustainable risk-adjusted returns. In the event that active management fails to consistently produce risk-adjusted returns in excess of the market benchmark, DFSPS will adopt a passive approach to obtain exposures in those sectors. DFSPS research continues to indicate that a high degree of efficiency exists within sovereign debt markets and that active management should be limited to high-yield & credit market exposures.

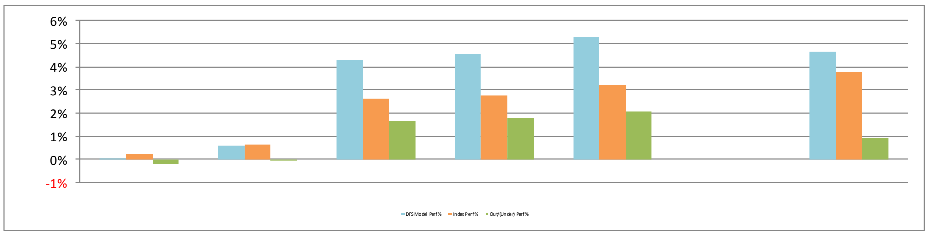
DEFENSIVE PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception April '09 (p.a.)
DIVERSIFIED CREDIT & FIXED INCOME PORTFOLIO	0.11%	1.19%	8.07%	7.52%	9.46%	9.49%	13.43%
INDEX - BarCap Global Corporate Credit Total Return (AUD)	(0.89%)	0.78%	9.50%	7.08%	10.15%	10.37%	13.22%
Outperformance/ (Underperformance)	1.00%	0.41%	(1.43%)	0.44%	(0.70%)	(0.88%)	0.21%



	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Jan '10 (p.a.)
SOVEREIGN BONDS PORTFOLIO	(0.25)%	1.27%	6.71%	4.20%	5.85%	N/A	7.00%
INDEX - UBS Composite 0 + Years	(0.33)%	0.97%	6.02%	3.90%	5.75%	N/A	6.86%
Outperformance/ (Underperformance)	0.08%	0.30%	0.69%	0.30%	0.09%	N/A	0.15%



	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception May '10 (p.a.)
ENHANCED CASH PORTFOLIO	0.02%	0.62%	4.28%	4.56%	5.29%	NA	4.66%
INDEX - 90 Day Australian Bank Bill Index	0.22%	0.66%	2.64%	2.78%	3.22%	NA	3.76%
Outperformance/ (Underperformance)	(0.20%)	(0.04%)	1.64%	1.78%	2.07%	NA	0.91%



	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Feb '08 (p.a.)
CASH PORTFOLIO	0.21%	0.66%	2.64%	2.86%	3.32%	3.77%	4.20%
INDEX - 90 Day Australian Bank Bill Index	0.22%	0.66%	2.64%	2.78%	3.22%	3.80%	4.17%
Outperformance/ (Underperformance)	(0.01%)	0.00%	0.01%	0.08%	0.10%	(0.03%)	0.04%