dfs advisory services update

Quarterly Newsletter September 2013

Written 14 Nov 2013

Tax Reports 2012-13 (excluding SuperWrap Accounts)

Tax Reports for DFSMA accounts have been released and by now the majority of clients have already received their reporting packs. The 2 reports are: 1) the Annual Report showing all transactions (cash and investment) during the year and the Portfolio Valuation at 30 June 2013, and 2) the Tax Report detailing the tax treatment of income earned during the year.

As in the past, where clients have provided us with authority to liaise with their accountant, we have sent a copy of the reports directly to them. If you have provided us with such authority, please note that there is no need to reforward the information to them. Over the years, our Administration Team and the network of accountants have become familiar with the year-end reporting process. As much as possible, the DFS Administration Team is available to assist your accountants with their queries and minimise the need for them to contact you in relation to the portfolio.

Update to Recent Superannuation Changes

The change in government brought with it welcome news. On 6 November 2013, the coalition government announced that the proposed tax on superannuation pension earnings above $100,000 a year will not become law.

You may recall that, on Friday 5 April 2013, the previous government surprised the industry with a sudden announcement which introduced a raft of changes to the superannuation system, including the introduction of a 15% tax on pension earnings over $100,000 per individual (threshold indexed annually) from 1 July 2014. This was a material pull back from the current position, whereby ALL earnings on assets supporting pensions are exempt from taxation. Understandably, it led to quite significant angst and concerns among self-funded superannuation fund members at that time.

This reversal now provides the clarity required for clients to plan for their retirement.

Update on Super Platform Changes

We have made excellent progress in our discussions with Super Platform providers and hope to be able to announce the replacement platform for BT SuperWrap shortly.

Once the new Super Platform provider is appointed, we will be working with our SuperWrap clients to provide our advice on transitioning their portfolios to the new platform (over the next 2 quarters) and to outline the necessary logistics which the DFS Administration Team will oversee on their behalf. As you may recall, the purpose of transferring to the new platform is to align each SuperWrap client's portfolio closer to the main DFS Models and to access portfolio management functionality which is more efficient and streamlined.

Model Changes

Update on Recent Model Restructures

Recent Model Restructures

The following restructures occurred during the months of October and November 2013:
(Note that only the Australian Equities restructures apply to BT Wrap/SuperWrap accounts.)

Australian Equities Large Caps	Full divestment from SGH20 and Macquarie High Conviction
Australian Equities Small Caps	Full divestment from Dimensional Small Caps
Enhanced Cash (DFSMA only)	Full divestment from Ironbark Diversified Income Fund

Over the restructure period, the level of cash will be higher than normal until such time as we complete the purchase of the new funds.

We note that these restructures do not impact on your ongoing cashflow funding (which the administration team manages on a monthly basis).

Update on FOFA Fee Disclosure Requirements

In our last newsletter, we mentioned how the Future of Financial Advice (FOFA) reforms (which came into effect on 1 July 2013) introduce compliance-related requirements for DFS clients.

In particular, the legislation requires that DFS issue a *separate* Fee Disclosure Statement (FDS) to you in a very prescriptive format, irrespective of the fact that we adopt a fee-for-service model (with dollar-based advice fees) and that your fees have already been fully disclosed in your Annual Review Report for the past several years.

As such, to comply with this requirement, a separate Fee Disclosure Statement (FDS) as at 31 December 2013 will be issued to you in January 2014. The FDS will simply state the fees for the period 1 January 2013 to 31 December 2013. However, while the FDS will cover the 2013 calendar year, the fee disclosure provided in your Annual Review Report will cover a different 12 month period. As such, there is an overlap in reporting periods.

The purpose of this update is to ensure there is no concerns or confusion in January 2014 on the receipt of the compliance-related Fee Disclosure Statement. We reaffirm that :

- There is NO CHANGE to your fee arrangement.

The different fee reporting dates (FDS Date vs your Annual Review Date) are a by-product of the initial FOFA transition year. We look forward to a workable resolution where we can align the dates with your annual review cycle and will keep your posted.

Indicative Outlook – Forward Cash and Fixed Interest Rates

The recent volatility in financial markets has also cast greater emphasis on indicative future cash yields as part of our portfolio management. **For your information, we have updated the table below which lists the expected yields from the various defensive asset class models.** The Defensive portion of portfolios is largely comprised of fixed interest investments and provides stable income flows to portfolios.

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%	14-Nov-13
Bank Bill		40 days	2.54%	14-Nov-13
Cash				
Adelaide Bank CMA			2.25%	11-Nov-13
HSBC Working Cash			2.05%	14-Nov-13
Macquarie True Index Cash Fund	MAQ0789AU	43.80 days	2.58%	30-Sep-13
UBS Cash Fund	SBC0811AU	43.80 days	2.43%	30-Sep-13
Term Deposits				
Adelaide Bank Term Deposit (30D)		30 days	2.90%	11-Nov-13
Adelaide Bank Term Deposit (90D)		90 days	3.65%	11-Nov-13
Adelaide Bank Term Deposit (180D)		180 days	3.75%	11-Nov-13
Adelaide Bank Term Deposit (365D)		365 days	3.80%	11-Nov-13
Managed Funds				
Sovereign Bond Model		5.34 years	3.72%	30-Sep-13
Diversified Credit & Fixed Income Model		2.19 years	6.88%	30-Sep-13
DWS Diversified Income Fund #	DAM0012AU	3.00 months	2.79%	30-Sep-13

Assumes nil returns from macro (alpha) strategies

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

Investment Newsletter

We refer you to the new DFS Portfolio Solutions commentary format (below) and welcome any feedback which you may have about the new format.

We have made a slight change to the format of the DFS Portfolio Solutions newsletter by grouping related models together. We hope that, by commenting on sectors as a group, it will provide clients with a better perspective of how one model relates to the other, and the impact on overall Asset Allocation. We welcome any feedback you may have.

Quarterly Investment Newsletter: September 2013

DFS market commentary

In last quarter's newsletter we included an article by AMP's Chief Economist Shane Oliver titled "Investment outlook after a strong financial year". The article suggested that factors such as equity valuations, the economic cycle, global monetary policy and investor sentiment are the characteristics of a supportive environment for risky assets. If the performance of growth assets during the September quarter is to go by, then Shane's assessment of the market has proven accurate in the short term. We recently held our September Investment Committee Meeting, in which our Macroeconomist, Matthew Jeremy also acknowledged that the major economies seem to be embarking upon the early stages of an upward leg of the business cycle. Matthew is of the view that the world economy is entering an important phase from the years of weak growth and accommodative monetary policies post-GFC to sustainable growth and the beginning of the long path towards normalising the stance of monetary policy around the world. Importantly, whilst both parties believe that the outlook is favourable for risk assets (such as equities) relative to defensive assets (such as bonds and higher grade credit), they both agree there are further uncertainties that still exist and these uncertainties will typically result in an increase in market volatility.

By now, clients would be aware that DFS has been developing its internal asset allocation capability which is based on a dynamic risk management approach. What this means is that we monitor the level of market volatility and adjust our portfolio asset allocations accordingly. When markets are turbulent, returns can fluctuate wildly, and performance is especially unpredictable. When markets offer steadier returns, this is a good time to increase the allocation to growth assets such as equities. It's at these times that equity markets tend to provide more reliable returns.

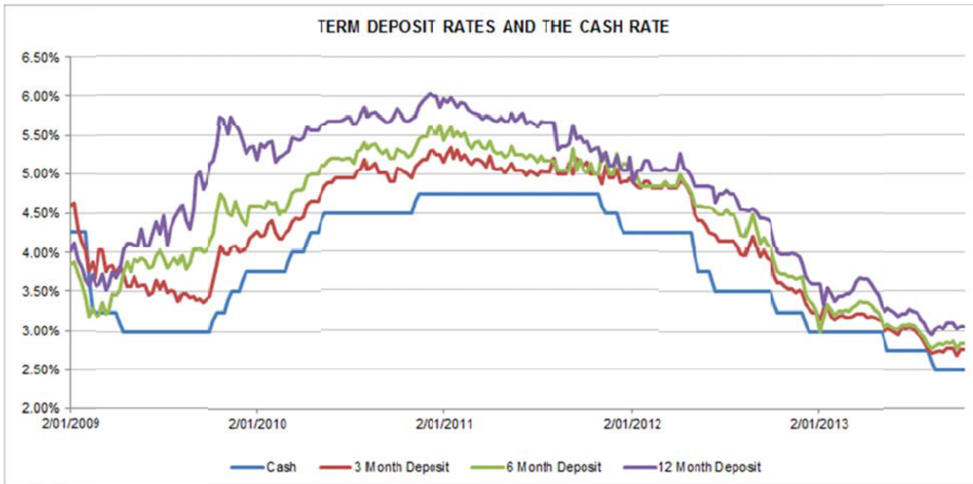
The last time equity markets were particularly volatile was during the European sovereign debt crisis sparked by the collapse of Greece's budget position. Equity markets have been relatively quiet since mid-2012, as Greece and the EU negotiated on a bailout. The DFS Balanced Portfolio has been significantly overweight in growth assets since September 2012. During this period, growth assets have rallied strongly. The star performer has been international equities at 39%; but every growth asset class beat every defensive asset class over this period. The dynamic risk position in the DFS Balanced Portfolio has added 2.4% p.a. to the (neutral) portfolio returns over this period.

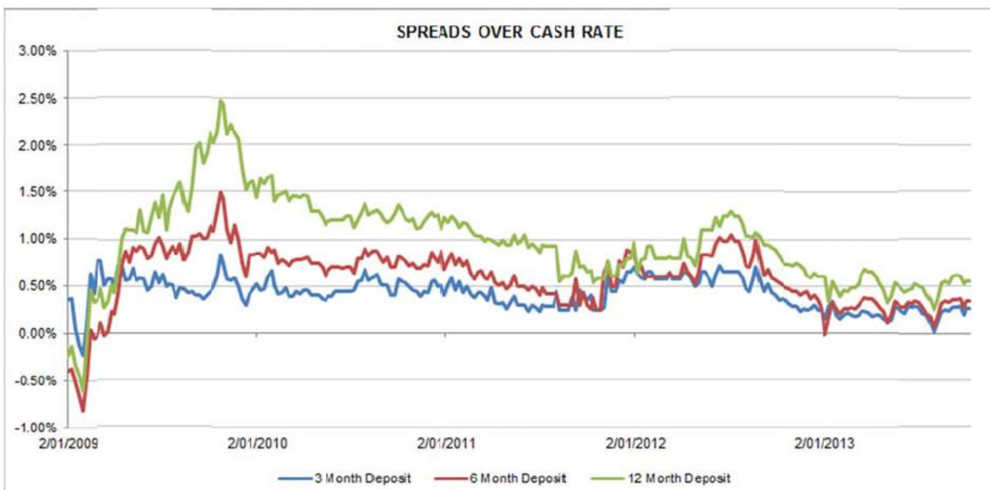
While equity markets have been both profitable and well-behaved, interest rates have been unusually volatile of late. Again, the original cause seems to be Europe's sovereign debt crisis, but unlike equities, bond markets have yet to return to a stable condition. The bond market appears to be fumbling to find its mark and somewhat sceptical about the recent strength in equity markets. We would generally expect to see an increase in bond yields (which remain well under normal levels) as strong equity markets normally signal improved economic growth prospects. However, it appears that equity returns are benefiting from the effects of easy money and a perception of abating macroeconomic risks. Investors are allocating to equities, which offer higher yields compared to cash; bond; and credit yields, albeit at greater risk.

So what does this ultimately mean?

We have increased our allocation to growth assets as investors are being adequately compensated for taking more risk. Specifically, the main beneficiary of this is the allocation to real assets (Global REITs and Global Infrastructure). The improving economy in the US and signs that Europe is now entering the initial phases of its economic recovery is likely to benefit mature infrastructure assets and Global REITs are still offering attractive yields compared to longer duration global sovereign bonds. This has been funded by the reduction in defensive assets, specifically credit and cash. We reiterate that interest rates have been unusually volatile recently and with credit spreads contracting, the defensive attributes of credit exposure as an asset class has somewhat deteriorated.

We have also reduced the portfolio's cash allocation. Cash rates are at historical lows and it's possible that the RBA could reduce rates even further. The following two charts illustrate the path of cash and TD rates in Australia in recent years as well as the spread over cash. As the 2nd chart shows, the spreads over cash have stabilised this year at levels well below a year ago. Matthew Jeremy has also pointed out that the banks have been shifting the mix of deposits from term to at-call and as a result he believes that the banks may not be as aggressive in their pricing of term deposits as they have been previously.





We further note that any further reduction in the cash rate will auger well for an unhedged currency exposure. We reiterate that 50% of the GREITs and Global Infrastructure Models are unhedged whilst our International equities model remains 100% unhedged.

Forward looking considerations : Further equity market advances may very well require an increase in expected economic growth to sustain its current trajectory. In spite of the unprecedented global stimulus, economic growth remains at sub-par levels. Indeed, the equity and bond markets appear to be at odds. If equity markets are right, we would expect an increase in bonds yields. If the bond market is right, we would expect equities to pull back or at least generate low returns for many years to come.

This highlights that investment conditions are likely to remain challenging for sometime. Structurally, OECD nations generally continue to deleverage (private & public, on aggregate) whilst China transitions to a more balanced, consumption based economy. As we have recently observed, notions of tapering policies (reducing the level of monetary stimulus) have lead to a spike in market volatility. These reasons reinforce our strong belief that a rigorous dynamic risk management approach is essential to portfolio management. Although equity markets and portfolios in general have generated strong returns over the last 18 months, we have no preconceived beliefs or expectations that it will necessarily continue. DFS continues to monitor the market and will adjust portfolios as market risk changes in order to maintain keep the risk at targeted levels.

DFS Model Portfolios – Performance Commentary – Sept 2013 Quarter

Overview – September 2013 Quarter

Three quarters into 2013 and a third Prime Minister in charge of the Federal Government as Tony Abbott led the Liberal-National Party Coalition to an expected election victory. That said the September quarter was dominated by talk of "tapering". The market's focus was clearly on whether Ben Bernanke would start to reduce the US Federal Reserve's $85 billion per month asset purchase program. Market volatility across capital markets subsequently increased however once it was known that the Fed would continue with its QE program, risk assets rallied with several global equity markets reaching all-time highs. In Australia, the focus was on the earnings season which was characterised by low earnings growth, continued cost reductions, and rising payout ratios boosting dividends. All in all companies generally met market expectations.

In economic news, June quarter GDP increased by 0.5% and 2.5% year on year (seasonally adjusted) whilst the Terms of Trade (which measure the price of exports relative to imports) rose by 0.1% over the quarter but fell by 4.9%% for the year. The Consumer Price Index rose 1.2% in the September quarter and 2.2% for the year. The cash rate was reduced a further 25 basis points in August to 2.50%, the lowest level on record. Australia's unemployment rate decreased 0.1% to 5.6% (seasonally adjusted) and the Australian Dollar was flat over the period closing at $0.9309 USD.

Australian Equities (AEQ)

September marked the first quarter this year to post three consecutive positive months. The S&P/ASX 300 Accumulation Index returned 10.28% for the quarter and is up 15.78% year to date. The Materials sector was the strongest performer over the quarter, generating a return of 16.42%. AREITs was the worst performing sector, returning 0.15%.

Large Caps Returns:
Qtr 12.50% (index 10.28%)
Year 21.40% (index 23.61%)

Positive performers within the DFS AEQ Model included positions in Seek, Rio Tinto and Fortescue Metals Group. Detractors on the Model's performance were Treasury Wine Estates, QBE and Computershare. We are pleased that 3 of our appointed managers; Fidelity, Macquarie and Regal outperformed the S&P/ASX300 Accumulation Index over 3 months, 6 months and 1 year.

We have recently concluded our review on Australian equities large cap managers. Ultimately, the review has resulted in the immediate divestment of SGH20 whilst clients will eventually be divested from the Macquarie High Conviction Fund. We note that the divestment from the Macquarie High Conviction Fund is not performance related; in fact it has been one of the best performing managers of late. The results and our findings will be communicated to clients shortly.

Small Caps Returns:
Qtr 16.37% (index 14.89%)
Year 15.12% (index 1.42%)

Major contributors to Fund performance were G8 Education, Regis Resources and Beadell Resources. The major detractors to performance included overweight positions in McMillan Shakespeare and Ramsay Health Care.

We have recently concluded our review on Australian equities small cap managers. The results and our findings will be shortly communicated to clients.

International Equities (IEQ)

Global equity markets underperformed the domestic share market over the September quarter with the MSCI World ex-Australia Index returning 5.77% in Australian Dollar terms and 6.29% in local currency terms. Regionally, the S&P 500 Index gained 4.69%, the UK's FTSE 100 returned 3.97%, Germany's DAX Index was up 7.98% and Japan's Nikkei 225 Index returned 5.69%.

Asian equity markets followed the trend of developed markets as solid gains were made across the major developing Asian economies. The MSCI AC Asia ex-Japan Index returned 5.36% in local currency terms however the appreciation in the AUD saw the Index post a return of 3.50% in Australian Dollar terms. Regionally, Hong Kong's Hang Seng Index returned 9.89%, China's Shenzhen Composite Index was up 19.02% whilst India's SENSEX Index was unchanged for the quarter.

Large Caps Returns:
Qtr 4.95% (index 5.77%)
Year 31.94% (index 34.02%)

We advise that in July we transitioned to a completely unhedged IEQLC exposure. Notwithstanding the strong absolute performance of the IEQ LC Model, the reason for its underperformance against the unhedged benchmark it essentially due to the 20% (AUD) hedged position up until July 2013.

Notwithstanding the recent appreciation in the AUD, we believe that the risks remain increasingly on the downside. Our thesis is that (1) the Fed will start to taper its loose monetary policy next year; and (2) Australian economic fundamentals against the US are deteriorating.

Positions in Enterprise Inns, Brilliance and China Mengniu Dairy were positive contributors whilst Target, Coca-Cola and Unilever detracted. The Model continues to have a material exposure to the theme of emerging market consumption growth.

Asia ex Japan Returns:
Qtr 3.73% (index 3.50%)
Year 26.41% (index 17.16%)

Positive contributors to the Model's performance included Jobstreet Corp., iProperty Group and Baidu whilst detracting on performance included the Model's allocation to India as the Indian rupee and local equity market fell sharply on concerns over the fiscal deficit and rising inflation.

REITS and Infrastructure

Global Infrastructure (GI) Returns:
Qtr 4.28% (index 5.04%)
Year 20.00% (index 22.75%)

Positive contributors to the Model's performance were holdings in toll-roads Atlantia, Societa Iniziative Autostradali e Servizi (SIAS) and Macquarie Atlas Roads. Detracting on the Model's performance was the Model's exposure to Emerging Latin America, specifically Brazilian electric operator Eneva, Brazilian water company SABESP and Chilean water operator Aguas Andinas. Our decision to move to a 50% unhedged exposure also detracted on performance.

Global REITS (GREITs) Returns:
Qtr -1.30% (index -0.12%)
Year 11.10% (index 11.75%)

Regionally, Japan and the UK were the best performing markets whilst North America was the weakest. The main contributor to the Model's performance included an over benchmark weight in UK self-storage REIT Big Yellow Group. Over benchmark weights in US REITs Kilroy Realty, Equity Lifestyle Properties, Home Properties and AvalonBay Communities all detracted on performance. Our decision to move to a 50% unhedged exposure also detracted.

Aust REITS (AREITs) Returns:
Qtr 0.32% (index 0.15%)
Year 16.28% (index 16.39%)

Major factors contributing to the Model's quarterly performance were overweight positions in Stockland, Peet and Asia Pacific Data Centre. Detracting on performance were overweight positions in Charter Hall Retail REIT and Westfield Group and an underweight position in Mirvac Group.

Alternative Investment Strategies (AIS)

In early July, DFS announced that the AIS Model was to be restructured to conform to a risk-targeting approach, similar to the methodology applied to our asset allocation model. To reiterate we believe that constraining the risk of the AIS Model will further enhance its risk/return characteristics which is particularly important in the current environment where investor confidence continues to be fickle.

DFSMA clients only

Alternative Investment Strategies (AIS) Returns:
Qtr 0.58% (cash index 0.66%)
Year 0.80% (cash index 2.92%)

Qtr 0.58% (HFRI index -1.14%)
Year 0.80% (HFRI index -2.96%)

Global Macro Strategies added value over the quarter; net short positions in commodities and overall asset allocation where the main drivers behind performance. Our **Managed Futures Strategies** continued to trade lower with most positions detracting on performance, the largest being a net short position in metals. Our **Currency** strategy detracted from performance; the portfolio's long position in Mexican peso and a position in the Israeli shekel which was both long and short, were the largest detractors. Our **Diversified Hedge Funds** strategy was positive for the quarter as was our **Absolute Return Fixed Income** strategy; the latter benefiting from an overweight position in credit whilst our Diversified Hedge Funds manager added value through the efficient beta and alternative beta portfolios.

Fixed Interest and Cash

The September quarter was dominated by talk of "tapering", the reduction in the US Federal Reserve's $85 billion per month asset purchase program. The Fed's communication led the market to believe that tapering was set to start in September, driving US 10 year government bond yields to a two-year high of 3.01%. However the continuation of QE saw yields subsequently fall to 2.61% at the end of the September quarter. The Australian bond market also sold off slightly, with Australian 10 year government bond yields rising by 0.05% to 3.81%, following global trends. The Reserve Bank of Australia lowered the official cash rate to a record low 2.5% in August. Credit markets, while volatile, ended up performing strongly over the quarter, with lower quality securities leading the way.

Sovereign Bonds Returns
Qtr 1.04% (index 1.04%)
Year 1.75% (index 1.82%)

The Sovereign Bond Model was on par with the benchmark for the quarter. Positive performance generated from the global sovereign bond exposure negated by the allocation to inflation-linked securities. The Model is currently weighted 65%:35% in favour of domestic versus global bonds with 10% of the domestic bonds being allocated to inflation-linked securities.

Diversified Credit & Fixed Income (DCFI) :
Qtr 1.96% (index 2.04%)
Year 6.97% (index 4.72%)

Positive contributors to the Diversified Credit & Fixed Income Model's performance included an allocation to syndication loans and residential mortgage-backed securities whilst the interest rate strategies employed by our investment-grade credit manager detracted from a relative perspective. At the end of September the Model's yield to maturity was 7.69% p.a. with interest rate duration of 2.19 years and credit spread duration of 2.83 years.

Enhanced Cash Returns
Qtr 0.81% (index 0.66%)
Year 4.84% (index 2.92%)

Over the quarter the Model added value from a long position in Australian 3 year rates and a short position in Australian swap spreads as spreads widened. At quarter end the Model's interest rate duration has increased decreased to 0.25 years with a running yield of 3.56%.

Direct Property Syndicate Overlay

Charter Hall Direct Property Fund Returns
Qtr 0.98% (index 1.85%)
Year 6.19% (index 7.30%)

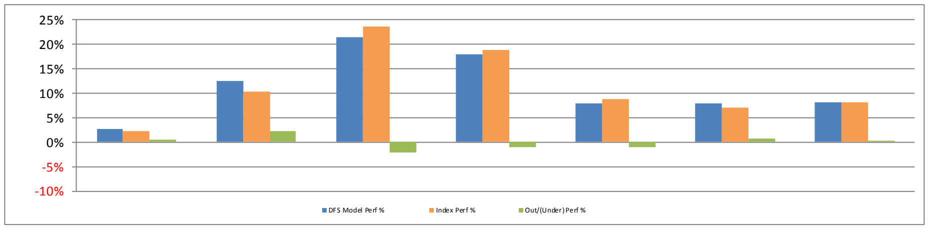
Portfolio occupancy is 93% with a weighted average lease expiry of 4.1 years. The Fund's September distribution was to 1.3582 cpu. Gearing was 45.4% with the debt facility due to expire in September 2015. In July, the sale of 71 Queens Road, Melbourne was completed. This sale was consistent with the strategy to selectively exit non-core assets and focus on opportunities in higher growth office markets and assets with higher risk adjusted returns. The proceeds from the sale have been used to reduce debt and bring gearing in line with our target gearing level of 45%.

PORTFOLIO RETURNS

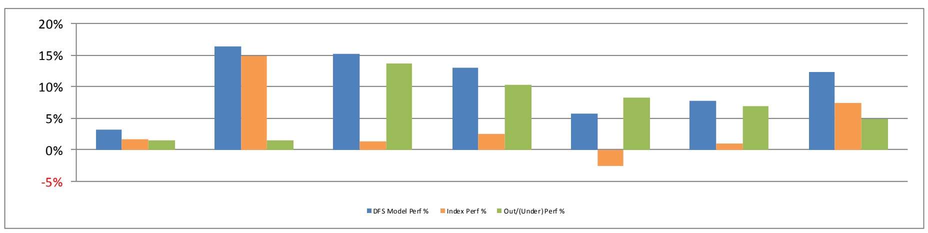
ending 30 September 2013

DFSPS employs an evidenced based approach to its manager selection process and believes that high barriers to successful entry 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.

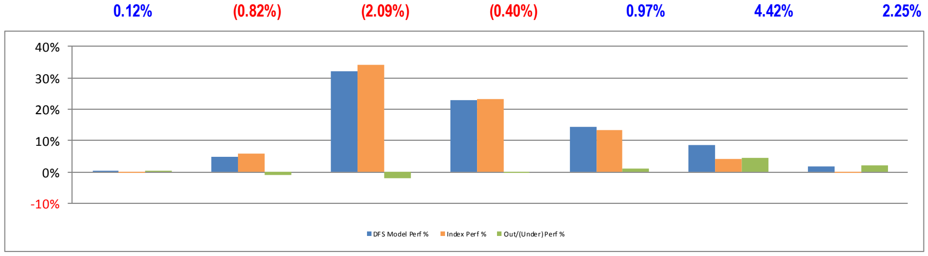
GROWTH PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Jan '00 (p.a.)
AUSTRALIAN EQUITIES LARGE CAP PORTFOLIO	2.77%	12.50%	21.40%	18.01%	7.98%	7.87%	8.24%
INDEX -S&P/ASX 300 Accumulation Index	2.16%	10.28%	23.61%	18.95%	8.90%	7.12%	8.09%
Outperformance/ (Underperformance)	0.61%	2.22%	(2.21%)	(0.94%)	(0.92%)	0.75%	0.15%



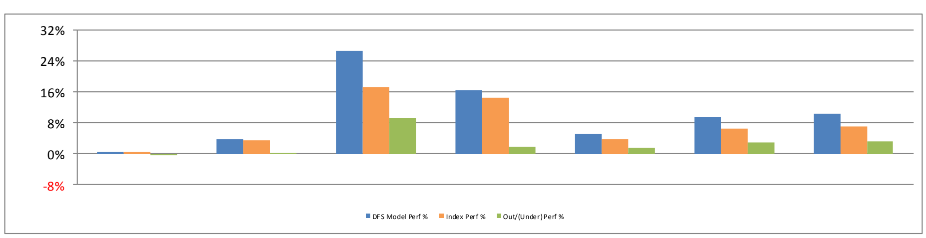
	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Nov '02 (p.a.)
AUSTRALIAN SMALL CAP EQUITIES PORTFOLIO	3.26%	16.37%	15.12%	12.92%	5.74%	7.84%	12.27%
INDEX - S&P/ASX Small Ordinaries Accum Index	1.69%	14.89%	1.42%	2.61%	(2.55%)	0.95%	7.37%
Outperformance/ (Underperformance)	1.57%	1.48%	13.70%	10.31%	8.28%	6.89%	4.90%



	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	0.07%	4.95%	31.94%	22.99%	14.26%	8.54%	1.93%
INDEX - MSCI World Ex Aus Acc. Index (AUD)	(0.06%)	5.77%	34.02%	23.39%	13.28%	4.12%	(0.31%)
Outperformance/ (Underperformance)	0.12%	(0.82%)	(2.09%)	(0.40%)	0.97%	4.42%	2.25%



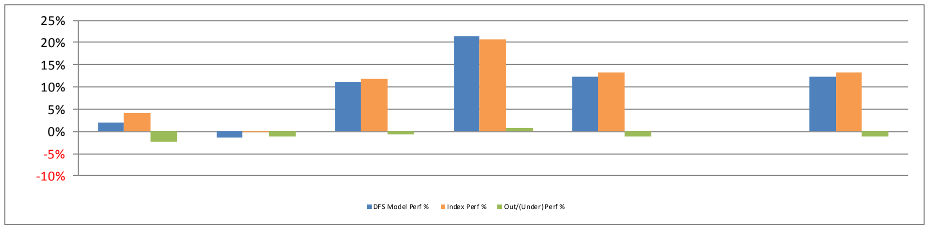
	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception July '05 (p.a.)
INTERNATIONAL EQUITIES PORTFOLIO - ASIA	0.39%	3.73%	26.41%	16.30%	5.22%	9.47%	10.22%
INDEX - MSCI AC Asia Ex Japan NR AUD	0.42%	3.50%	17.16%	14.43%	3.68%	6.57%	6.99%
Outperformance/ (Underperformance)	*(0.03%)*	*0.23%*	*9.26%*	*1.87%*	*1.54%*	*2.90%*	*3.23%*



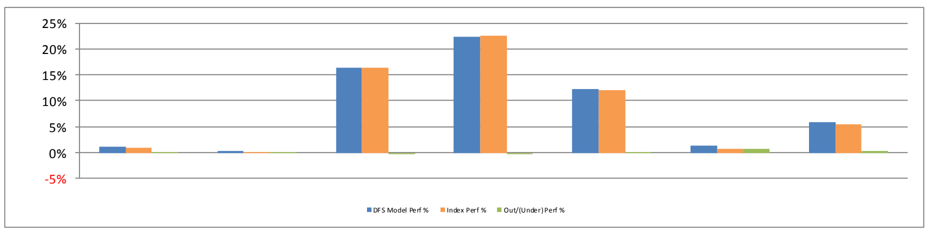
PORTFOLIO RETURNS

ending 30 September 2013

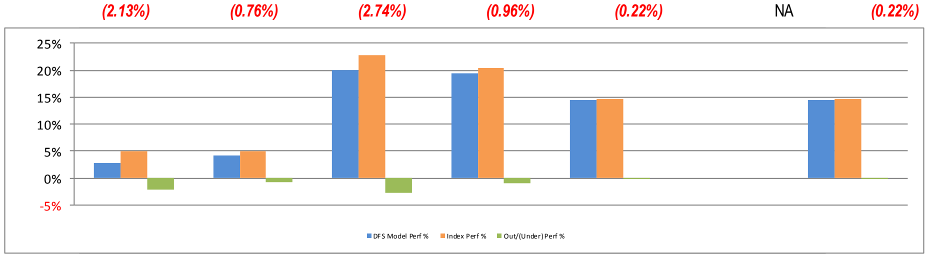
GROWTH PORTFOLIOS continued	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Oct '10 (p.a.)
GLOBAL REITS PORTFOLIO	1.95%	(1.30%)	11.10%	21.47%	12.24%	NA	12.24%
INDEX - UBS Global Investors GREITs Index (Hedged AUD)	4.20%	(0.12%)	11.75%	20.61%	13.31%	NA	13.31%
Outperformance/ (Underperformance)	(2.24%)	(1.18%)	(0.65%)	0.86%	(1.07%)	NA	(1.07%)



	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	1.11%	0.32%	16.28%	22.33%	12.19%	1.43%	5.82%
INDEX-S&P/ASX 300 Property Accumulation Index	0.93%	0.15%	16.39%	22.48%	12.02%	0.66%	5.42%
Outperformance/ (Underperformance)	0.17%	0.17%	(0.11%)	(0.15%)	0.17%	0.77%	0.41%



	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	2.89%	4.28%	20.00%	19.40%	14.39%	NA	14.39%
INDEX - UBS Global Infrastructure & Utilities 50/50 TR Index AUD	5.02%	5.04%	22.75%	20.36%	14.61%	NA	14.61%
Outperformance/ (Underperformance)	*(2.13%)*	*(0.76%)*	*(2.74%)*	*(0.96%)*	*(0.22%)*	NA	*(0.22%)*

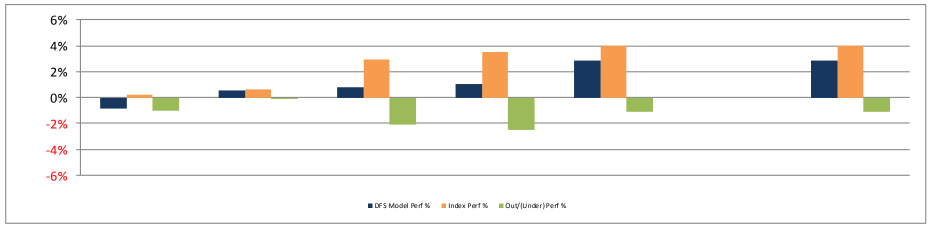


PORTFOLIO RETURNS

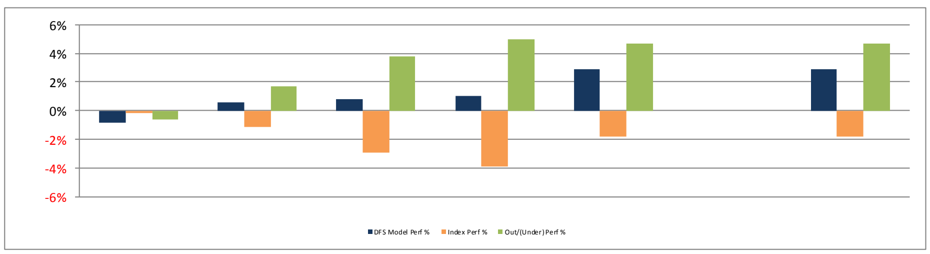
ending 30 September 2013

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. The AIS Model dynamically allocates to (1) Gold bullion; (2) Commodities; (3) Diversified hedge funds; (4) Managed Futures (5) Global Macro; & (6) Cash.

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	(0.84%)	0.58%	0.80%	1.04%	2.87%	NA	2.87%
INDEX - 90 Day Australian Bank Bill Index	0.21%	0.66%	2.92%	3.51%	3.98%	NA	3.98%
Outperformance/ (Underperformance)	(1.05%)	(0.08%)	(2.12%)	(2.47%)	(1.11%)	NA	(1.11%)



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	(0.84%)	0.58%	0.80%	1.04%	2.87%	NA	2.87%
INDEX - HFRI Macro Total Return Index	(0.19%)	(1.14%)	(2.96%)	(3.92%)	(1.82%)	NA	(1.82%)
Outperformance/ (Underperformance)	(0.65%)	1.72%	3.76%	4.96%	4.70%	NA	4.70%

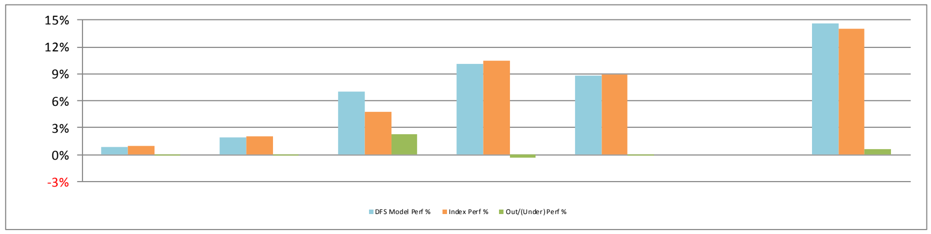


PORTFOLIO RETURNS

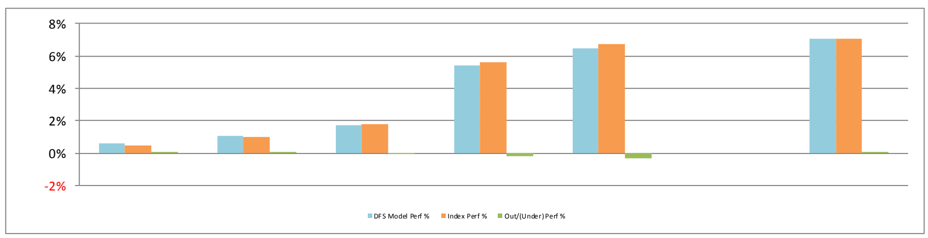
ending 30 September 2013

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.

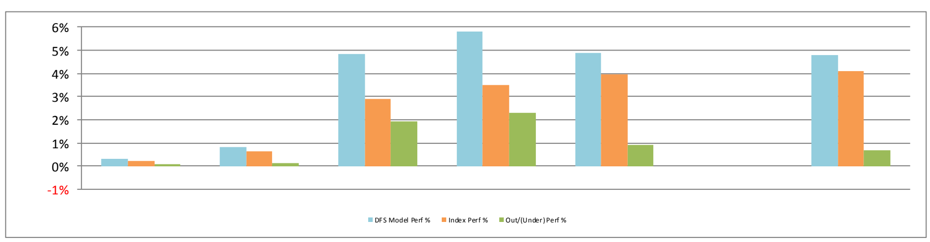
DEFENSIVE PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception April '09 (p.a.)
DIVERSIFIED CREDIT & FIXED INCOME PORTFOLIO	0.91%	1.96%	6.97%	10.16%	8.81%	N/A	14.66%
INDEX - BarCap Global Corporate Credit Total Return (AUD)	0.98%	2.04%	4.72%	10.48%	8.90%	N/A	14.06%
Outperformance/ (Underperformance)	(0.07%)	(0.08%)	2.26%	(0.33%)	(0.09%)	N/A	0.59%



	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	0.61%	1.04%	1.75%	5.42%	6.45%	N/A	7.08%
INDEX - UBS Composite 0 + Years	0.50%	1.04%	1.82%	5.62%	6.75%	N/A	7.08%
Outperformance/ (Underperformance)	0.11%	0.00%	(0.07%)	(0.20%)	(0.31%)	N/A	0.00%



	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	0.31%	0.81%	4.84%	5.80%	4.89%	NA	4.78%
INDEX - 90 Day Australian Bank Bill Index	0.21%	0.66%	2.92%	3.51%	3.98%	NA	4.09%
Outperformance/ (Underperformance)	0.10%	0.15%	1.92%	2.29%	0.90%	NA	0.69%



	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%	0.70%	3.07%	3.66%	4.05%	4.05%	4.48%
INDEX - 90 Day Australian Bank Bill Index	0.21%	0.66%	2.92%	3.51%	3.98%	4.02%	4.44%
Outperformance/ (Underperformance)	0.00%	0.04%	0.15%	0.15%	0.07%	0.04%	0.04%