Quarterly Newsletter December 2014

5 Feb 2015

December 2014 distributions	December 2014 half-yearly distributions have all been received. In line with the DFS standing policy, this cash has been set aside to fund your day-to-day cashflows such as your regular pension payments and fees. In the past, this has been parked into the Macquarie True Index Cash Fund (DFSMA) or the UBS Cash Fund (Wrap) for easy access as and when cash is needed. Given the current low interest rate environment, with the exception of accounts with special instructions, the surplus distributions have been parked instead into the Perennial Enhanced Cash Trust for better yields.

SuperWrap : Upcoming Transfer from BT Wrap to HUB24 Super

As most clients are aware we have been working on a transition away from BT Wrap for many years. We note our non-super platform monies were transferred to DFSMA in September 2008. We continue to have cost and investment restriction issues with providers such as BT Wrap. Furthermore, BT has also indicated a likely increase in their platform costs so we are very pleased to have secured the HUB24 Super offering at a very competitive wholesale rate to provide our super clients with an attractive alternative.

We have commenced the HUB transition for some clients prior to 31 December 2014. These are clients who needed to comply with the 31 December 2014 Centrelink deadline.

Over the upcoming months, clients on BT SuperWrap will be provided with advice on i) Stage 1 - rolling over to HUB24 Super and ii) Stage 2- implications of the proposed change and transition into one of the DFS automated Risk Profile Models (RPMs). We urge you to take some time to familiarise yourself with the new offering in readiness for discussion with your Adviser. Client transfers will be handled over several stages but the target is to finalise all transfers by 30 June 2015.

The objectives for the rollover is to access :

- **Ensure DFS can continue to offer clients access to our existing leading investment and advisory solutions** on a cost effective platform solution.
- greater investment options and in particular, the DFS Risk Profile Models offering (RPM);
- greater portfolio management functionality;
- streamlined low-cost service options which are specially designed to offer clients with smaller account balances a competitive alternative to i) industry funds and ii) other low cost retail options.

Investment Outlook and changes

The DFS Investment Team has completed its investment outlook report for the period ended 31 December 2014. **Note impact on Customised clients – refer below note**.

Overall there is a slight tilt towards Defensive holdings with key themes as follows :

- Defensive assets - Given significant compression in yields and therefore a diminishing opportunity set, DFS seeks to decrease the allocation to Diversified Credit and Fixed Income (DCFI) assets and apply to Enhanced Cash Model.
- Sovereign Bonds - Slight tilt to International Fixed Interest allocation.
- International Equities (IEQ)
  - i) **Maintain unhedged position**. Although the AUD has fallen precipitously, it is likely to fall further which augers well for unhedged IEQ portfolios.
  - ii) **We continue to favour IEQ over Australian Equities** (AEQ as the opportunity set and level of diversification is significantly greater abroad compared to the Australian equity market.
- No other material changes, with **nominal changes to Defensive vs Growth weightings.**

a) Risk Profile Models (RPMs) accounts

Risk Profile Models (RPMs) are models which are managed automatically by the DFS investment Team in line with pre-approved dynamic asset allocation % parameters. Effective from 1 January 2015, the automated RPM service is available on both the DFSMA and HUB platforms.

The above key themes from the December 2014 investment review will be automatically implemented for RPM clients, to reposition their portfolios in line with the latest investment outlook.

The RPMs continue to perform strongly and have benefited from our meaningful tilt to growth assets over recent years. While observing an increase in market risk over the last quarter, portfolio risks continue to remain at subdued levels compared to their long term averages. While the RPMs have taken advantage of well-behaved market conditions (generating returns in excess of long term expectations), they sold out of the US equity Exchange Traded Fund (ETF) (stock code: VTS) in October 2014 as market support for US equities subsided under elevated market valuations. Offsetting the divestment from the growth-based VTS ETF, the RPMs increased their allocation to growth based strategies through the Alternatives Model in November 2014, which reflects our greater confidence in the opportunity set of Alternative Investment Strategies.

Overall, we are very pleased with the performance of the RPMs across all periods.

Dec 2014 RPM	Conservative	Moderately Conservative	Balanced	Growth	High Growth
12 months	9.9%	8.8%	10.2%	11.5%	13.1%
Mstar Index	6.1%	6.9%	7.9%	8.0%	8.6%
Out/(Under) Perf	3.9%	1.9%	2.2%	3.5%	4.5%

We further note that 5 new indexed (low cost) managers will be included in the RPM Portfolios shortly. The indexed based exposures in the 5 key asset classes (Australian Equities, International Equities, Sovereign Bonds, Global REITs and Global Infrastructure) improves the risk management of the RPM portfolios, and enables greater scope to take shorter term tactical positions and to apply the stop-loss mechanism in response to falling equity markets. Additionally, they lower the investment management cost of the models. We estimate cost savings to be in the range of 0.1% to 0.135% pa.

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.

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

b) Customised accounts

Note : 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.

Overall, the December 2014 investment themes do not have significant impact on customised clients, as most are underweight in the areas of proposed reduction eg : Div Credit and Fixed Income (DCFI). Where clients are overweight Australian Equities (AEQ), as is historically the case for majority of our clients; your DFS Adviser will discuss the opportunity to i) add to global assets and/or ii) sell down AEQ overweight to fund pension needs).

Your DFS Adviser will discuss the December 2014 investment themes with you as part of your Annual Review meeting. Any changes to be implemented thereafter will be further to receiving your authority to proceed.

Commonwealth Seniors Health Card – (CSHC) changes from 1 January 2015

In our last newsletter, we touched on the new 2015 Centrelink deeming rules which potentially impacted clients who, as at 31 December 2014, were receiving Centrelink/DVA entitlements or hold the Commonwealth Seniors Health Card (CSHC).

Overseas Travel and the Risk of Losing the CHSC

Client who hold the CSHC also need to be mindful of another change from 1 January 2015. Under the new rules, if you are overseas for 19 weeks or more (a bit over 4 months), then your Card will be automatically cancelled. If you re-apply for the Card, you will be assessed under the new 1 January 2015 rules. This means that income from your account-based pension (or allocated pension) WILL be counted (under the new deeming rules). Because the new deeming rules are more stringent, there is a risk that you may no longer be eligible for the Card when you reapply. As such, clients with CSHC will need to take this into account when planning for overseas holidays.

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			2.25%	05-Feb-15
Bank Bill		40 days	2.41%	05-Feb-15
Cash				
Adelaide Bank CMA			2.25%	02-Feb-15
HSBC Working Cash			1.80%	05-Feb-15
Macquarie True Index Cash Fund	MAQ0789AU	47.45 days	2.58%	31-Dec-14
UBS Cash Fund	SBC0811AU	43.80 days	2.48%	31-Dec-14
Term Deposits				
Adelaide Bank Term Deposit (30D)		30 days	2.70%	02-Feb-15
Adelaide Bank Term Deposit (90D)		90 days	3.35%	02-Feb-15
Adelaide Bank Term Deposit (180D)		180 days	3.45%	02-Feb-15
Adelaide Bank Term Deposit (365D)		365 days	3.35%	02-Feb-15
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		5.54 years	3.10%	31-Dec-14
Diversified Credit & Fixed Income Model		2.24 years	6.87%	31-Dec-14
Perennial Tactical Income Trust	IOF0145AU	0.43 years	3.01%	31-Dec-14

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

DFSPS Risk Profile Models (RPMs) Receive a Recommended Rating

During the second half of 2014, DFS engaged an external investment research firm (Independent Investment Research [IRR]) to assess our investment capabilities. Over the last 6 months, IRR carried out its due diligence and we are pleased to announce that it assigned a 'Recommended' rating for the DFSPS RPMs. As per IIR's ratings system the Recommended rating indicates the following:

> *"IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk"*

Whilst the Recommended rating is IRR's second highest, it's the best DFS could realistically expect. In order to receive a Highly Recommended rating, DFS would need to satisfy additional criteria. Specifically (1) have a longer term track record in order to assess the strategy across all market conditions and (2) increase its investment related resources.

Engaging an external research firm to rate our investment offering represents a key milestone for DFSPS as we progress with our objective of offering our fully-implemented suite of RPMs to the direct and Independent Financial Advisory (IFA) markets. We believe that our focus of dynamically managing portfolio exposures to achieve a stable and desired level of risk strongly differentiates us from other diversified investment products and is more consistent with the way investors generally think of portfolio risk management. We would be pleased to provide copies of the research reports to those clients who are interested. For now, here are some excerpts from the report which we wish to highlight.

Product Summary:

> *"The DFS Dynamic Asset Allocation Model Portfolios are dynamically managed multi-asset portfolios of funds that seek to achieve a more stable risk profile around the pre-set risk targets than statically managed multi-asset portfolios over the long-term"*

Investor Suitability:

> *"The DFS Model Portfolios are suitable for those investors that are seeking to manage the level of volatility experienced in their investment. With the spectrum of portfolios, there is a portfolio suitable for all levels of risk tolerance. Capital preservation and downside risk management is prevalent across all model portfolios"*

Strengths:

> *"The DFS Model Portfolios offer access to a professionally managed portfolio of managed funds. The Manager undertakes a significant amount of due diligence of the underlying investments with access to fund managers that the retail clients might not have"*
>
> *"The Manager undertakes a comprehensive review process of funds to select what it considers to be the optimal portfolio"*
>
> *"The Manager has developed a proprietary dynamic risk management system to manage volatility to a desired level and preserve investor capital"*
>
> *"To date, the Manager has achieved its objective of outperforming the benchmark indices, generating greater returns than the respective benchmark indices across the board. The Model Portfolios have also largely outperformed on a risk-adjusted return basis, with the Model Portfolios generating the same if not greater Sharpe Ratios than the benchmark indices"*
>
> *"The Model Portfolios provide diversification across asset classes, with the Manager allocating assets to both growth and defensive assets"*

Peer Comparisons:

"The Model Portfolios seek to outperform the respective Morningstar Australia Multisector Indices. All the Model Portfolios have outperformed their benchmarks. We view the benchmark as a suitable proxy for the static multi-sector market"

Conservative Funds	Annualised Return Since Inception	Volatility	Sharpe Ratio
Clearview Mgd Inv Conservative Fund	5.9%	1.6%	1.7
Ibbotson WS Secure Trust	3.7%	0.5%	1.2
Mercer Defensive Fund	5.6%	1.2%	2.1
North Multi Manager Active Defensive Fund	8.9%	2.4%	2.5
DFS RPM Conservative Portfolio	9.8%	3.1%	2.2
Morningstar Multi-Sector Conservative Index	7.7%	2.3%	2

Moderately Conservative Funds	Annualised Return Since Inception	Volatility	Sharpe Ratio
AMP Capital Conservative Fund	9.1%	2.0%	3.1
Advance Defensive Multi-Blend Fund	5.8%	1.4%	2.2
Clearview Mgd Inv Diversified Stable Fund	8.9%	1.6%	4.0
BlackRock Managed Income Fund	6.1%	2.7%	1.3
Ibbotson Conservative Growth Trust	6.8%	1.1%	3.9
DFS RPM Moderately Conservative Portfolio	12.8%	3.2%	3.2
Morningstar Multi-Sector Moderate Index	7.9%	2.2%	2.4

Balanced Funds	Annualised Return Since Inception	Volatility	Sharpe Ratio
Advance Moderate Multi-Blend Fund	8.8%	3.3%	1.7
Clearview Mgd Inv Diversified Balanced Fund	11.0%	3.3%	2.4
Ibbotson Balanced Growth Trust	10.2%	2.9%	2.4
DFS RPM Balanced Portfolio	13.7%	5.0%	2.1
Morningstar Multi-Sector Balanced Index	10.3%	3.6%	2.0

Growth Funds	Annualised Return Since Inception	Volatility	Sharpe Ratio
Aberdeen Multi-Asset Real Return Fund	9.3%	2.7%	2.5
Advance Balanced Multi-Blend Fund	8.6%	3.1%	1.9
BlackRock Balanced Fund	10.6%	4.3%	1.8
Fiducian Growth Fund	13.4%	5.3%	2.0
Schroder Balanced Professional Fund	10.2%	3.4%	2.2
DFS RPM Growth Portfolio	15.8%	4.5%	2.9
Morningstar Multi-Sector Growth Index	10.4%	3.8%	2.0

High Growth Funds	Annualised Return Since Inception	Volatility	Sharpe Ratio
AMP Capital High Growth Fund	16.5%	6.4%	2.1
Advance High Growth Multi-Blend Fund	13.7%	6.1%	1.7
BT Multi Manager High Growth Fund	13.7%	6.1%	1.7
Ibbotson High Growth Trust	13.4%	4.4%	2.3
North Multi-Manager Active High Growth Fund	15.9%	7.3%	1.8
DFS RPM High Growth Portfolio	15.4%	5.9%	2.1
Morningstar Multi-Sector Aggressive Index	14.7%	6.0%	1.9

Note: The Inception Date for the Conservative, Balanced and High Growth Portfolios is February 2012 and the Inception Date for the Moderately Conservative and Growth Portfolios is September 2013.

Overview – December 2014 Quarter

The fall in the oil price dominated the headlines throughout the December quarter; Brent oil declining 48% in USD terms whilst Australia's other most important commodity, iron ore, declined 47%. Consequently, after a sustained period of stable market conditions, the volatility we observed in the previous quarter continued through to December, although this time the market finished on top. The S&P/ASX300 Accumulation Index returning 2.94% for the quarter and 5.30% for calendar year 2014.

In economic news, September quarter GDP increased by 0.3% and 2.7% year on year (seasonally adjusted) whilst the Terms of Trade (which measure the price of exports relative to imports) decreased by 3.5% over the quarter and by 8.9% for the year. The Consumer Price Index rose 0.2% in the December quarter and 1.7% for the year, the cash rate remained unchanged at 2.50% for the 16th straight month, the Australian Dollar depreciated a further 6.28% to close at $0.8202 USD whilst the unemployment rate decreased marginally to 6.1% (seasonally adjusted).

Australian Equities (AEQ)

The market was back in positive, albeit volatile, territory in December following its first negative quarter since June 2013 in September. The S&P/ASX 300 Accumulation Index returned 2.94%% over the September quarter. The strongest sector for the period was Healthcare returning 13.32% while Energy detracted, falling 17.73% following a plunge in oil prices.

Large Caps Returns:

Qtr 2.00% (index 2.94%)
Year 7.53% (index 5.30%)

The DFS AEQ Model underperformed the market over the December quarter but strongly outperformed the index for the year. Over the December quarter the Model returned 2.00% versus the market return of 2.94% however for the 12 months the Model returned 7.53% outperforming the Index by 2.23%. The Macquarie High Conviction Fund was the strongest performer over the quarter returning 4.18%. The Regal Australian Long Short Fund and The Montgomery Fund were the strongest performers for the year, returning 10.67% and 10.42% respectively, compared to the market return of 5.30%.

Small Caps Returns:

Qtr 0.71% (index -3.89%)
Year 7.14% (index -3.81%)

The DFS AEQ Small Cap Model continues to materially outperform the Index. The Aberdeen Australian Small Companies Fund was the best performing fund for the quarter, and the year outperforming the S&P/ASX Small Ordinaries Accumulation Index by an impressive 7.75% for the quarter and 15.69% for the year. 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.

International Equities (IEQ)

Performance across global equity markets was solid during the December quarter with the MSCI World ex-Australia Index returning 8.16% in Australian Dollar terms and 3.98% in local currency terms. Regionally; the S&P 500 Index gaining 4.39%, the UK's FTSE 100 detracted -0.86%, Germany's DAX Index was up 3.50% whilst Japan's Nikkei 225 Index rose 7.90%.

Asian equity markets also performed strongly over December and 2014 overall; the MSCI AC Asia ex-Japan Index returning 7.06% and 14.58% over the 12 month period. Regionally, Hong Kong's Hang Seng Index returned 2.93%, India's SENSEX was up 3.26% whilst China's Shenzhen Composite Index was up an astonishing 44.17% for the quarter.

Large Caps Returns:

Qtr 6.30% (index 8.16%)
Year 9.97% (index 15.01%)

The DFS IEQ Model outperformed the MSCI World ex-Australian Index (hedged) over the December quarter but underperformed in unhedged terms. It was also a tough year for the IEQ Model in relative terms, returning 9.97% versus the unhedged) market return of 15.01% and hedged return of 12.55%. The Magellan Global Fund was the star performer for the quarter and year; the fund's overweight allocation to the US equity market saw it return 11.31% for the 3 month period and 14.55% over 12 months. Our IEQ Model continues to have an underweight allocation to the US market and overweight allocation to emerging markets; this is the primary driver for the Model's underperformance across the last quarter and indeed 12 months. Notwithstanding the underperformance, we are comfortable with the underweight position to US given that the US market appears to be fully-valued.

Asia ex Japan Returns:

Qtr 4.10% (index 7.06%)
Year 7.80% (index 14.58%)

Our Asia ex-Japan Model Portfolio returned 4.10% for the December quarter, underperforming the MSCI Asia ex-Japan Index which returned 7.06%. Our Model also underperformed over the 12 month period, generating a return of 7.80% versus the market return of 14.58%. The Aberdeen Asian Opportunities Fund was the strongest performer in the Model over 3 and 12 months. Aberdeen underperformed the market over the quarter due to an underweight to China which rallied in excess of 44% for the quarter. China comprises 26% of the MSCI Asia ex-Japan Index. PM Capital also underperformed the index; the manager's allocation to casino companies SJM Holdings and Donaco International the main detractors on performance. Macau is currently experiencing a period of weak monthly gaming revenues, specifically in the VIP space, where a clamp down on corruption throughout mainland China has triggered a slowdown in activity. Importantly, underlying casino economics remain strong and remains an attractive long term investment opportunity.

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 5.91% (index 6.94%)** **Year 19.22% (index 23.33%)**	Global Infrastructure stocks continued to perform strongly; the Model returning 5.91% for the quarter and 19.22% for the year. The RARE Infrastructure Value (unhedged) Fund was the strongest performer for the December quarter, the fund generated a return of 6.49%
Global REITS (GREITs) Returns: **Qtr 15.36% (index12.58%)** **Year 29.31% (index 28.18%)**	The GREITs Model had a strong quarter and year, outperforming the Index over both periods. The Model returned 15.36% for the December quarter and 29.31% for the year versus the market return of 12.58% and 28.18% respectively. Pleasingly, both managers outperformed the (hedged) Index but it was the unhedged Vanguard International Property Securities Index Fund that was the star performer returning 17.28% for the quarter and 32.23% for the year.
Aust REITS (AREITs) Returns: **Qtr 12.25% (index 11.31%)** **Year 27.57% (index 26.79%)**	The AREITs Model outperformed the S&P/ASX 300 AREIT Accumulation Index over the quarter and year following the performance of the Antares Listed Property Fund.

Alternative Investments: DFSMA accounts only

DFS commenced the Model restructure in October 2014 following the completion of our comprehensive review on Alternative Investment Strategies.

Alternative Investment Strategies (AIS) Returns: **Qtr 3.97% (cash index 0.69%)** **Year 7.59% (cash index 2.71%)** **Qtr 3.97% (HFRI index 3.07%)** **Year 7.59% (HFRI index 6.38%)**	The AIS Model Portfolio had another strong quarter outperforming both its cash benchmark and the HFRI Macro Total Index (USD). The strongest performing fund was the Aspect Diversified Futures Fund which returned 21.68% for the quarter. 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

Government bond returns were again solid over the December quarter; European yields the clear outperformers rallying over 1.00% with negative cash rates, and the prospect of deflation and further ECB stimulus via QE. The US 10 year bond yields finished 32 basis points lower at 2.17%.whilst Australian Government bonds also delivered strong absolute returns; 10 year yields finished at 2.74% only 24 basis points above the cash rate. Conversely, high yield bond spreads continued to increase, leading to negative returns for the quarter of -3.95%. Investment grade bond spreads increased marginally by 0.09%, with the return for the quarter positive 2.44%.

Sovereign Bonds Returns **Qtr 3.58% (index 3.96%)** **Year 9.98% (index 9.81%)**	The DFS Sovereign Bond Model underperformed the Australian-centric UBS Composite Bond Index over the December quarter but outperformed the Index over 2014.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 5.54 years with a yield to maturity of 3.23%.
Diversified Credit & Fixed Income (DCFI) : **Qtr 1.33%** **Year 7.53%**	THE DCFI Model Portfolio returned 1.33% for the December quarter and 7.53% for the year. The best performing fund was the PIMCO Global Credit Fund which returned 2.27% over the 3 months. Interest rate duration is currently 2.24 years, credit duration is 3.02 years and the running yield is 7.07% Unfortunately we are unable to report the performance of the Index for the December quarter. This is of no fault of our own; our primary data provider has stopped reporting on a range of indices. We are currently working on a solution to this and will provide further details over the coming months.
Enhanced Cash Returns **Qtr 1.15% (index 0.69%)** **Year 4.71% (index 2.71%)**	Our Enhanced Cash Model outperformed the RBA 90-Day Bank Bill Index over the quarter and year. The Trust has continued to be managed defensively with a greater emphasis on capital preservation having maintained 'cash like' duration over the quarter. The Model's interest rate duration is 043 years whilst the yield to maturity has reduced slightly to 3.46% with the running yield at 3.83% 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

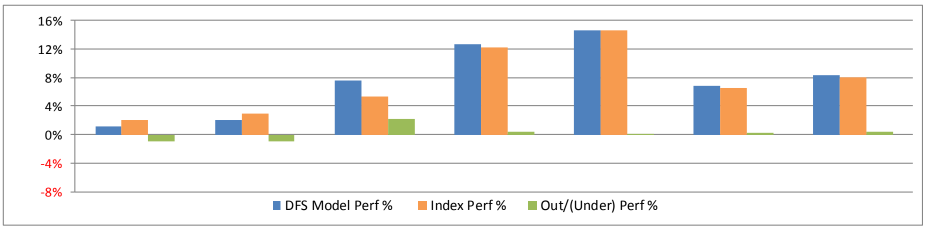
Charter Hall Direct Property Fund Returns **Qtr 2.22%** **Year 11.72%**	As previously advised, we have reinstated our recommendation to fully redeem all units. The major liquidity event for existing investors closed on 15 December 2014. We have been advised by Charter Hall that all requests to redeem units will be fully met within 12 months. We expect that investors will be redeemed prior to July 2015, and the first payment is targeted to be paid by the end of March 2015.

PORTFOLIO RETURNS

ending 31 December 2014

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.

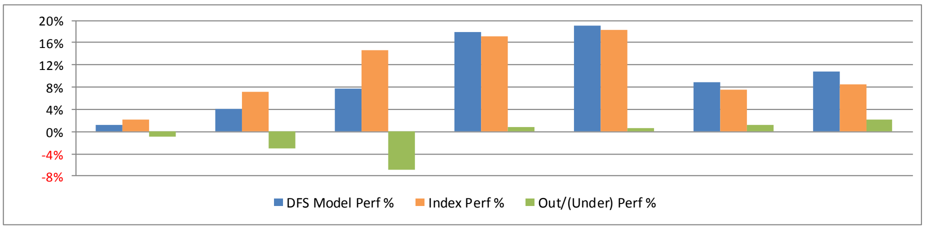
GROWTH PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Jan '00 (p.a.)
AUSTRALIAN EQUITIES LARGE CAP PORTFOLIO	1.15%	2.00%	7.53%	12.73%	14.70%	6.79%	8.34%
INDEX -S&P/ASX 300 Accumulation Index	2.04%	2.94%	5.30%	12.26%	14.70%	6.48%	8.00%
Outperformance/ (Underperformance)	(0.89%)	(0.94%)	2.23%	0.47%	0.00%	0.31%	0.35%



	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	1.40%	0.71%	7.14%	9.35%	11.10%	6.52%	11.73%
INDEX - S&P/ASX Small Ordinaries Accum Index	0.47%	(3.89%)	(3.81%)	(2.30%)	0.58%	(2.01%)	6.23%
Outperformance/ (Underperformance)	0.94%	4.60%	10.95%	11.65%	10.53%	8.53%	5.50%

	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	2.36%	6.30%	9.97%	23.74%	21.17%	13.20%	3.10%
INDEX - MSCI World Ex Aus Acc. Index (AUD)	2.63%	8.16%	15.01%	30.48%	24.79%	12.50%	1.48%
Outperformance/ (Underperformance)	(0.27%)	(1.85%)	(5.03%)	(6.73%)	(3.62%)	0.70%	1.62%

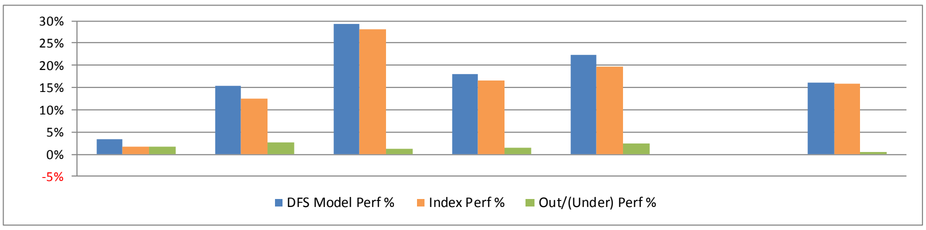
	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception July '05 (p.a.)
INTERNATIONAL EQUITIES PORTFOLIO - ASIA	1.19%	4.10%	7.80%	17.83%	18.95%	8.79%	10.70%
INDEX - MSCI AC Asia Ex Japan NR AUD	2.11%	7.06%	14.58%	17.07%	18.31%	7.52%	8.46%
Outperformance/ (Underperformance)	*(0.91%)*	*(2.96%)*	*(6.77%)*	*0.76%*	*0.65%*	*1.27%*	*2.25%*



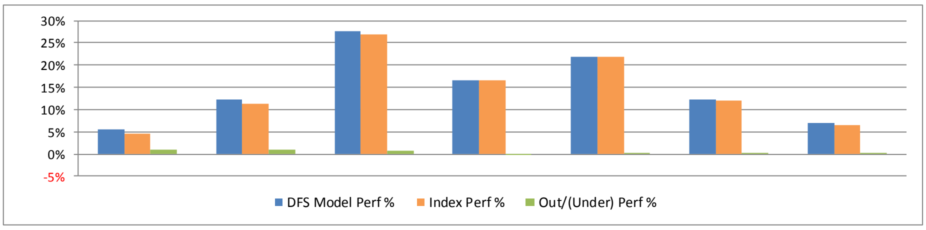
PORTFOLIO RETURNS

ending 31 December 2014

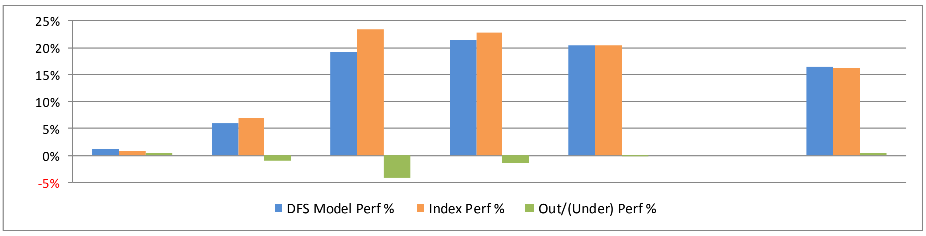
GROWTH PORTFOLIOS continued	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Oct '10 (p.a.)
GLOBAL REITS PORTFOLIO	3.47%	15.36%	29.31%	17.98%	22.23%	NA	16.18%
INDEX - UBS Global Investors GREITs Index (Hedged AUD)	1.65%	12.58%	28.18%	16.46%	19.78%	NA	15.74%
Outperformance/ (Underperformance)	1.82%	2.77%	1.13%	1.51%	2.45%	NA	0.44%



	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	5.49%	12.25%	27.57%	16.45%	21.81%	12.22%	6.90%
INDEX-S&P/ASX 300 Property Accumulation Index	4.49%	11.31%	26.79%	16.62%	21.78%	12.04%	6.53%
Outperformance/ (Underperformance)	1.00%	0.94%	0.79%	(0.17%)	0.02%	0.18%	0.37%



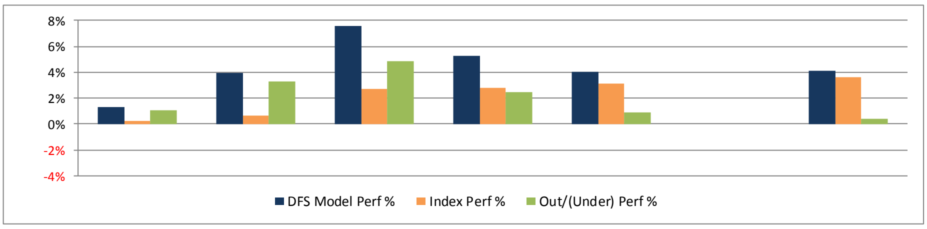
	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Oct '10 (p.a.)
GLOBAL INFRASTRUCTURE PORTFOLIO	1.19%	5.91%	19.22%	21.44%	20.36%	NA	16.54%
INDEX - UBS Global Infrastructure & Utilities 50/50 TR Index AUD	0.79%	6.94%	23.33%	22.80%	20.46%	NA	16.18%
Outperformance/ (Underperformance)	*0.40%*	*(1.03%)*	*(4.11%)*	*(1.36%)*	*(0.10%)*	NA	*0.36%*



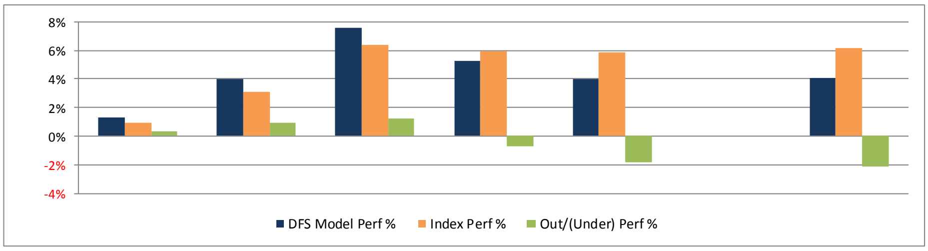
PORTFOLIO RETURNS
ending 31 December 2014

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	1.33%	3.97%	7.59%	5.23%	4.02%	NA	4.09%
INDEX - 90 Day Australian Bank Bill Index	0.23%	0.69%	2.71%	2.76%	3.10%	NA	3.65%
Outperformance/ (Underperformance)	1.10%	3.28%	4.88%	2.47%	0.91%	NA	0.43%



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	1.33%	3.97%	7.59%	5.23%	4.02%	NA	4.09%
INDEX - HFRI Macro Total Return Index	0.96%	3.07%	6.38%	5.91%	5.85%	NA	6.19%
Outperformance/ (Underperformance)	0.36%	0.90%	1.21%	(0.69%)	(1.83%)	NA	(2.10%)

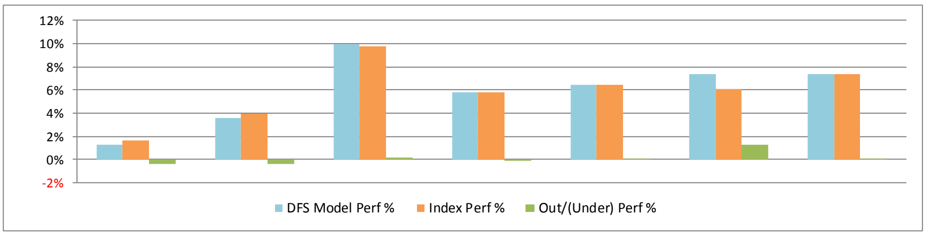


PORTFOLIO RETURNS

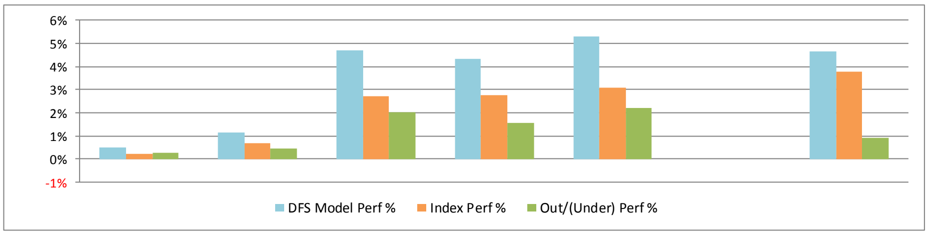
ending 31 December 2014

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 Jan '10 (p.a.)
SOVEREIGN BONDS PORTFOLIO	1.32%	3.58%	9.98%	5.79%	6.46%	7.40%	7.40%
INDEX - UBS Composite 0 + Years	1.69%	3.96%	9.81%	5.83%	6.45%	6.08%	7.33%
Outperformance/ (Underperformance)	(0.37%)	(0.38%)	0.17%	(0.04%)	0.01%	1.32%	0.06%



	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	0.50%	1.15%	4.71%	4.31%	5.30%	NA	4.66%
INDEX - 90 Day Australian Bank Bill Index	0.23%	0.69%	2.71%	2.76%	3.10%	NA	3.77%
Outperformance/ (Underperformance)	0.27%	0.46%	2.00%	1.55%	2.19%	NA	0.90%



	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	0.23%	0.70%	2.70%	2.78%	3.17%	3.74%	4.15%
INDEX - 90 Day Australian Bank Bill Index	0.23%	0.69%	2.71%	2.76%	3.10%	3.81%	4.16%
Outperformance/ (Underperformance)	0.00%	0.01%	(0.01%)	0.02%	0.06%	(0.07%)	(0.01%)