Quarterly Newsletter March 2015

8 May 2015

DFS Tax Planning 2014-15

Behind the scenes

Each year around May, the DFS Operations Team embarks on its year-end administration/due diligence check-up for every DFS client. Some of the key DFS tax planning projects include :

- Reviewing contributions paid to date and **notifying your adviser of any unused deductible limits which may be available**.
- Liaising with your SMSF accountant to confirm compulsory minimum pension payments. Furthermore, the team will review what has been paid out as pensions to date and advise of any shortfall which needs to be made by 30 June 2015. **Where required, the Operation Team will also assess cashflow levels and liaise with your DFS Adviser to organise funding**.
- Certain strategies such as significant Non Concessional Contributions (NCC) Strategy or Withdrawal and Recontribution Strategy (WRS) are more complicated and the sequence of transactions of cashflows is critical. In such instances, the DFS Operations Team will anchor the timeline and prompt actions where required.
- Liaising with your SMSF accountant to ensure that the necessary pension commencement documentation is in place for pensions commenced during the year.

Should you receive emails from DFS Operations requesting for confirmation or seeking additional information, **your prompt attention would be much appreciated**.

In the main, most of the year end planning relate to superannuation strategies and working with the accountant to ensure that compliance is met prior to 30 June 2015. A large majority of our-SMSF clients have their SMSF accounting and tax handled by one of the accounting firms in our network. As these firms are familiar with what is required to implement (and properly document) strategies recommended by DFS, the implementation process becomes very streamlined and cost efficient for the clients.

Cash Rate

The recent RBA rate cut to an all time low of 2% means that the chase for yield is becoming increasingly challenging. This particularly impacts clients in pension phase with strong cash holdings, who are required to maintain adequate liquidity to avoid sell down at inopportune time. DFS pays particular attention to Term Deposit cash rates on a weekly basis and collates comparative rates from several providers. This is a useful source of information for clients who manage their external cash separately, away from the DFS portfolio**. We encourage clients to contact Adele Henry on 9658 6701 to discuss cash options.**

The low interest rate environment also means that enhanced cash alternatives such as Perennial Tactical Income Trust, become an important component of the portfolio composition. Refer to the next page for yield table outlining relative comparisons.

SuperWrap : Proposed Transfer from BT SuperWrap to HUB24 Super

As part of familiarising clients with the proposed HUB24 Super offering, we will highlight key features of the HUB24 Super Offering each quarter and compare this with the current SuperWrap offering. Given the low interest rate environment, the focus this quarter is on term deposit interest rates, which is particularly relevant for those clients whose portfolio includes sizeable allocations to term deposits.

Term Deposits Options

As noted below, HUB24 Super provides a much wider range of options to choose from. Compared to SuperWrap which only offers Westpac Term deposits, HUB offer 5 providers as follows :

	BT SuperWrap Westpac	HUBSuper INGDirect	HUBSuper Adelaide Bank	HUBSuper RaboDirect	HUBSuper NAB	HUBSuper St George
90 days	2.60%	2.70%	2.75%	2.80%	2.87%	2.65%
185 days	2.65%	2.90%	2.80%	2.90%	2.90%	2.70%
1 year	2.70%	2.90%	2.75%	2.90%	2.86%	2.70%

	Increase in rate	Eg : $100,000 TD Per annum
90 days	0.27%	$ 270.00
185 days	0.25%	$ 250.00
1 year	0.20%	$ 200.00

Based on current rates, the HUB Term Deposits offer up to 0.20% to 0.27% higher interest rates for the applicable terms.

As mentioned, following transition to the HUB24 Super platform, the aim is for clients to move into one of the automated Risk Profile Models (RPM). Although Term Deposits are not included in the RPMs (due to the lack of liquidity), clients with high balances will have the option of including a separate Term Deposit in their portfolio, ***in addition*** to the proposed RPM.

Investment Outlook and changes

Overall there is no significant change to the position as outlined in December 2014.

The view of the DFS Investment Team is that equity risk has abated over the quarter and there is no indication of any significant rise in asset specific risk across growth assets. As such, they continue to maintain a bias to risk assets across our Risk Profile Model (RPM) portfolios.

The December 2014 themes largely remained intact with the exception of GREITs. The current view is that inflationary pressure will remain low for several years and consequently bond yields should stay low for some time.

Risk Profile Models (RPMs) UPDATE

The management of the Risk Profile Models (RPMs) are automated 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.

In October 2014, DFS divested from all its passively managed holdings in US equities (around 2.6% of the portfolio) and reinvested back in February 2015. The US equity market at present appears overvalued relative to historical levels, increasing the risk that any decline could turn into a major correction. We are therefore sensitive to signs of weakening price support in this market, which we had experienced late last year. This is a risk reduction measure; the US market has since steadied, which is why we have now reinvested. We will continue to monitor US equity market conditions for future signs of weakness.

Overall our RPMs outperformed their respective indices, both for the quarter as well as for the 12 months (with the exception of the Growth RPMs

As mentioned in the last newsletter, 5 new indexed (low cost) managers were included in the RPM Portfolios in the March 2015 quarter. These index managers provide a cost effective means to take shorter term tactical positions and to apply the stop-loss mechanism in response to falling equity markets.

Going forward, we estimate clients who are in the RPM service will benefit from a reduction in Management Investment Fees in the range of :

	Estimated reduction in underlying fund manager fees (compared to current allocation)
Conservative	0.18%
Moderately Conservative	0.14%
Balanced	0.10%
Growth	0.13%
High Growth	0.16%

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.

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

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%	29-Apr-15
Bank Bill		30 days	2.24%	29-Apr-15
Cash				
Adelaide Bank CMA			2.25%	27-Apr-15
HSBC Working Cash			1.80%	29-Apr-15
Macquarie True Index Cash Fund	MAQ0789AU	47 days	2.58%	31-Mar-15
UBS Cash Fund	SBC0811AU	55 days	2.06%	31-Mar-15
Term Deposits				
Adelaide Bank Term Deposit (30D)		30 days	2.40%	27-Apr-15
Adelaide Bank Term Deposit (90D)		90 days	2.70%	27-Apr-15
Adelaide Bank Term Deposit (180D)		180 days	2.70%	27-Apr-15
Adelaide Bank Term Deposit (365D)		365 days	2.70%	27-Apr-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		5.76 years	2.63%	31-Mar-15
Diversified Credit & Fixed Income Model		2.14 years	6.51%	31-Mar-15
Perennial Tactical Income Trust	IOF0145AU	0.61 years	2.63%	31-Mar-15

Note : the above rates are prior to the rate cut announced on 7 May 2015.

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

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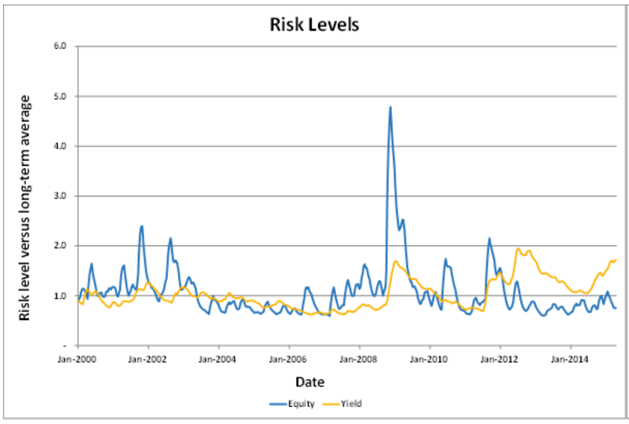
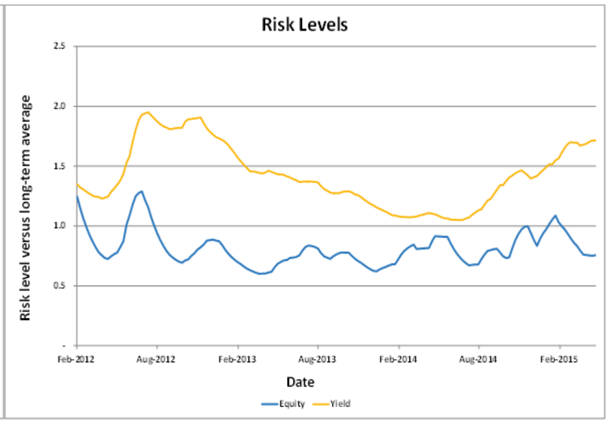
DFS Portfolio Solutions

DFS Portfolio Solutions (DFSPS) takes a risk based approach to asset allocation, as we believe it produces better portfolio outcomes compared to conventional portfolio management. DFSPS comprehensively measures and reviews the portfolio risk with the objective of managing the risk levels to specified targets. When material changes in market risks are observed, we stabilise the portfolio risk by changing the asset allocation. In contrast, conventional portfolio management allows risk to fluctuate, as it keeps the asset allocation (more or less) constant.

Current Portfolio Risk

The charts below plot the two main portfolio risk factors. It plots the risk levels of equities and bond yields and compares them with their average long term levels. We observe that equity risk has generally been muted in recent years and is now around 25% under its average level. Consequently, our exposure to growth assets continues to be meaningfully overweight. In contrast (bond) yield risk has been elevated under an environment of strong yield contraction. Yield risk has increased markedly since 2014 and is now some 70% above its average level. Exposure to bonds (yield risk) continues to be at minimum permitted levels.



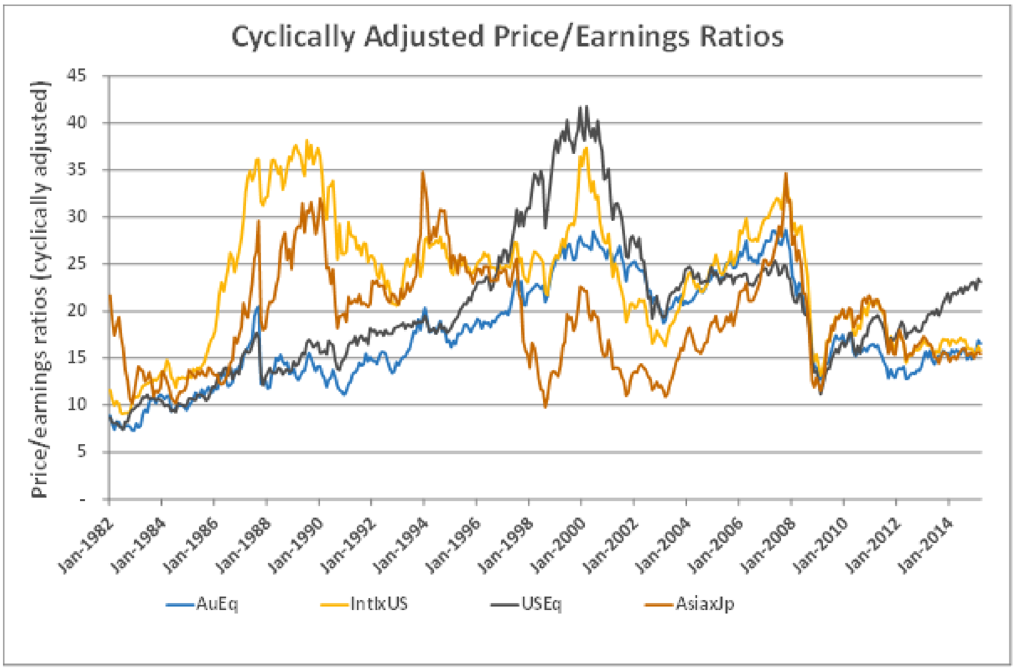


Equity risk

Equity risk demands an additional layer of risk management as it is the dominant risk factor within all portfolios; it accounts for more than 50% of the risk (even) within Conservative portfolios. Whilst we closely monitor equity risk and adjust portfolios accordingly, the risk signals alone cannot predict the magnitude of oncoming corrections. We respond to an elevated risk of such a shock occurring by stopping out from equity assets in favour of cash. This additional downside risk management strategy is generally employed during periods where equity market valuations are stretched and price support has broken down. Equity market overvaluation is our first criteria, as this factor is the major cause of long term portfolio impairment. By definition, the extent to which equity markets can fall is limited when valuations are cheap (or inexpensive); and recovery is typically fairly rapid under such market conditions.

A common requirement for equity markets to rally into overvalued territory appears to be a consensus view that “things are different this time”. Since the early 1990s, there have been two standout periods. The Tech-bubble’s promise of a new-age economy drove equities into the stratosphere by early 2000. Surprisingly, only a few years later (2003-2007), the rapid expansion in the securitisation of “diversified” US residential mortgages persuaded markets that risk was being efficiently transferred to institutions that were able to properly price and manage it. This belief also drove markets into broad based overvaluation. Ultimately, both periods resulted in significant losses across all major equity markets, as highlighted in the chart below.

Currently, the requisite consensus view of “things are different” appears to be missing. If anything, ‘things this time’ are unfavourably different, which is consistent with the restrained CAPE valuations of all equity markets, with the exception of US equities. The CAPE chart (below) shows US equities approaching pre-GFC valuation levels and its decoupling from the other equity markets. Interestingly, approximately 1/3rd of the US equity reflation since 2009 has been underpinned by earnings growth, with PE expansion being responsible for rest. The US Fed’s non-conventional monetary stimulus (QE) appears to explain much of the PE expansion as equity yields became increasingly attractive against extremely low bond yields. US (and indeed global) inflationary pressures have also remained subdued, which have further conspired to keep bond yields low. Unsurprisingly, we observe that our appointed international equity managers have, on aggregate rotated away from US equities in search for better value as reflected in the chart below.



Equity Risk - DFSPS Position

US 10 Year bond yields have increased by 0.33% to 2.23% over the last month and the question on everyone's' mind is whether this is the start of the normalisation in bond yields. If so, global equity markets would be adversely impacted, however the US equity market would be falling from the highest rung. In such circumstances, DFSPS is poised to stop-out from US equities but would maintain allocations to the other growth assets which remain undervalued or at fair value.

DFSPS continues to monitor market risk and equity valuation levels and make proactive adjustments to keep portfolios more stable. Our risk based approach suits investors that prefer to increase wealth in positive increments rather than accepting significant portfolio fluctuations associated with traditional portfolio management.

Overview – March 2015 Quarter

Capital markets assets flourished over the March quarter following further monetary policy easing from Central Banks globally. Global equity markets returned 5.0%, in local currency terms, while the Australian equity market returned 10.3%. Global bond markets also performed strongly with long term yields on US, German and Australian Government bonds all falling. Credit markets also posted healthy returns with credit spreads narrowing over the quarter.

In economic news, December 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) decreased by 1.7% over the quarter and by 10.8% for the year. The Consumer Price Index rose 0.2% in the March quarter and 1.3% for the 12 month period, the RBA delivered a much anticipated rate reducing the cash rate to 2.25%, the Australian Dollar depreciated a further 6.93% to close at $0.7634 USD whilst the unemployment rate was 6.1% (seasonally adjusted).

Australian Equities (AEQ)

The Australian equity market rose strongly over the March quarter the S&P/ASX 300 Accumulation Index returning 10.31% the strongest first quarterly return on record. Consumer Discretionary stocks performed strongly; the sector returning 13.93% while the Energy sector once again detracted, returning -3.72% following continued pressures on oil prices.

Large Caps Returns:
Qtr 12.07% (index 10.31%)
Year 16.67% (index 13.90%)

The DFS AEQ Model outperformed the market over the March quarter with the Model returning 12.07% versus the Index return of 10.31%. The Regal Australian Long Short Equity Fund was the strongest performer over the quarter returning 15.23%.

Small Caps Returns:
Qtr 10.55% (index 7.30%)
Year 14.55% (index 2.30%)

The DFS AEQ Small Cap Model continues to materially outperform the Index. Pleasingly, both of our appointed managers posted double-digit returns over the period with the Aberdeen Australian Small Companies Fund returning 11.08% and the Ironbark-Karara Australian Small Companies Fund returning 10.00%.

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 robust the March quarter with the MSCI World ex-Australia Index returning 9.58% in Australian Dollar terms and 4.70% in local currency terms. Regionally; the S&P 500 Index gaining 0.44%, the UK's FTSE 100 was up 3.15%, Germany's DAX Index rose 22.03% whilst Japan's Nikkei 225 Index appreciated 10.06%.

Asian equity markets also performed strongly over March; the MSCI AC Asia ex-Japan Index returning 12.35%. Regionally, Hong Kong's Hang Seng Index returned 5.49%, India's SENSEX was up 1.66% whilst China's Shenzhen Composite Index returned 14.64% for the quarter.

Large Caps Returns:
Qtr 8.39% (index 9.58%)
Year 21.73% (index 29.11%)

The DFS IEQ Model outperformed the MSCI World ex-Australian Index (hedged) over the March quarter but underperformed in unhedged terms. All of our appointed managers underperformed the Index for the period. Magellan was the best performing manager returning 9.12% which continues to benefit from its significant overweight US position. In contrast, our remaining managers have rotated away from US equities (too early, in hindsight) in search for better value, which has been responsible for the meaningful under-performance over the last 1 and 2 years. **Notwithstanding the underperformance, we are comfortable with the underweight position to US given its heightened valuation.** On aggregate, our Model Portfolio remains overweight UK and emerging market equities which continue to offer greater relative value against US equities.

Asia ex Japan Returns:
Qtr 8.52% (index 12.35%)
Year 19.54% (index 34.34%)

Our Asia ex-Japan Model Portfolio returned 8.52% over the March quarter, underperforming the MSCI Asia ex-Japan Index which returned 12.35%. The Aberdeen Asian Opportunities Fund was the strongest of our appointed Managers returning 11.10% As we highlighted in the December quarterly newsletter, **the main Model's underweight position to China has been the primary detractor in the Model's relative performance.** Comprising over a quarter of the MSCI Asia ex-Japan Index, the Chinese equity market has increased an astonishing 88.75% over the last 12 months.

We are comfortable with our Managers' underweight position to China. Almost every Manager we speak to highlights there are still governance issues surrounding the Boards for many of these companies. Although this is slowly improving, there is still a long way to go before Managers will be comfortable investing heavily in Chinese companies.

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

Infrastructure and REITs

Global Infrastructure (GI) Returns:
Qtr 9.28% (index 5.24%)
Year 24.53% (index 21.91%)

Global Infrastructure stocks continued to perform strongly; the Model returning 9.28% for the quarter. The Lazard Global Listed Infrastructure Fund was the strongest performer for the March quarter; the fund generated a return of 10.43%.

Global REITS (GREITs) Returns: **Qtr 9.73% (index7.09%)** **Year 35.50% (index 28.37%)**	The GREITs Model also had a strong quarter generating a return of 9.73% versus the market return of 7.09% Our active Manager, Resolution Capital continues to outperform the market Index whilst our (unhedged) passive exposure continues to generate returns from a depreciating AUD.
Aust REITS (AREITs) Returns: **Qtr 9.07% (index 9.22%)** **Year 33.85% (index 34.39%)**	The AREITs Model marginally underperformed the S&P/ASX 300 AREIT Accumulation Index over the quarter.

Alternative Investments: DFSMA accounts only

Alternative Investment Strategies (AIS) Returns: **Qtr 2.00% (cash index 0.65%)** **Year 9.21% (cash index 2.69%)** **Qtr 2.00% (HFRI index 3.39%)** **Year 9.21% (HFRI index 9.50%)**	The AIS Model Portfolio had another strong quarter returning 2.00%. All strategies, with the exception of Currency trading generated strong returns. Our Trend-Following manager (Aspect) added most value with a return of 9.18% over the March quarter and further underpinned the Model's solid 12 month return. We reiterate that the Alternative Investment Strategies Model is designed to generate positive absolute returns whilst also remaining uncorrelated to traditional growth (equities) and defensive (bonds) assets.

Fixed Interest & Cash

Global bond markets performed strongly. US 10 year government bond yields fell, over the quarter, by 0.25% to 1.92%. German 10 year government bond yields fell to their lowest level on record, ending the quarter at only 0.18%, 0.36% lower. Australian bond yields followed, and exceeded, the broader global trend with 10 year government bond yields falling by 0.42% to 2.32%. The global hunt for yield, rather than being focused on investment grade credit, compressed high yield spreads which had been under pressure in 2014. High yield bond spreads rallied combined with interest rate rallies generated excess returns above investment grade and Government bonds.

Sovereign Bonds Returns **Qtr 2.85% (index 2.67%)** **Year 11.01% (index 11.13%)**	The DFS Sovereign Bond Model outperformed the Australian-centric UBS Composite Bond Index over the March quarter. The Model has now been reweighted to 55%:45% in favour of domestic versus global bonds with the allocation to inflation-linked securities reduced to nil. The Model's interest rate duration is currently 5.76 years with a yield to maturity of 2.75%.
Diversified Credit & Fixed Income (DCFI) : **Qtr 2.69% (index 2.91%)** **Year 7.98% (index 8.90%)**	THE DCFI Model Portfolio returned 2.69% for the March quarter, underperforming the Barclays Capital Global Credit Corporate Total Return Index (Hedged) which returned 2.91%. The best performing fund was the PIMCO Global Credit Fund which returned 3.08% over the 3 months. Interest rate duration is currently 2.14 years, credit duration is 3.52 years and the running yield is 6.89% Last quarter we reported that we were no longer able to provide the Index return due to our data provider no longer reporting this Index. Pleasingly, this decision has been reversed and we are once again able to provide an Index comparison to our Diversified Credit & Fixed Interest Model Portfolio.
Enhanced Cash Returns **Qtr 0.84% (index 0.65%)** **Year 4.16% (index 2.69%)**	Our Enhanced Cash Model outperformed the RBA 90-Day Bank Bill Index over the March quarter. 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 0.61 years whilst the yield to maturity has reduced to 3.08% with the running yield at 4.13% **Our tilt towards growth assets means that we are currently underweight fixed income assets but continue to have an overweight position in high yield assets.**

Direct Property Syndicate Overlay

Charter Hall Direct Property Fund Returns **Qtr 11.28%** **Year 20.16%**	**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. DFS recently sent clients an update informing them that the first payment was received in late March 2015 representing approximately 35% of holding. It is anticipated that the second payment will occur in the September 2015 quarter following the sale of the final asset. Pleasingly, the Manager has recognised an increased valuation on one of the properties resulting in an uplift of 9% in the exit price from the December 2014 quarter.

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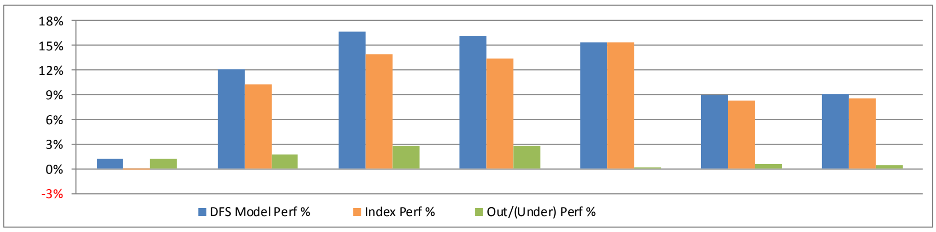
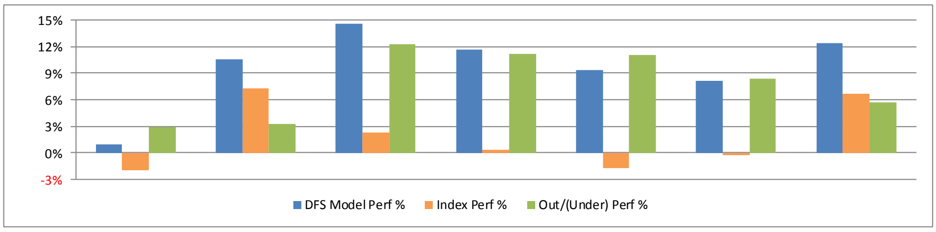
DFSPS employs an evidenced based approach to its manager selection process and believes that high barriers to successful entry exist that preclude more than 85% of active managers from generating sustainable risk-adjusted returns. DFSPS further believes that high quality active will generate meaningful 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.

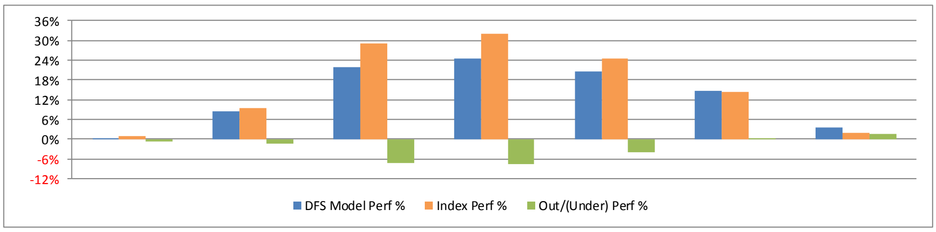
GROWTH PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Jan '00 (p.a.)
AUSTRALIAN EQUITIES LARGE CAP PORTFOLIO	1.18%	12.07%	16.67%	16.21%	15.39%	8.89%	9.02%
INDEX -S&P/ASX 300 Accumulation Index	(0.05%)	10.31%	13.90%	13.43%	15.31%	8.32%	8.56%
Outperformance/ (Underperformance)	1.24%	1.75%	2.77%	2.78%	0.08%	0.56%	0.46%



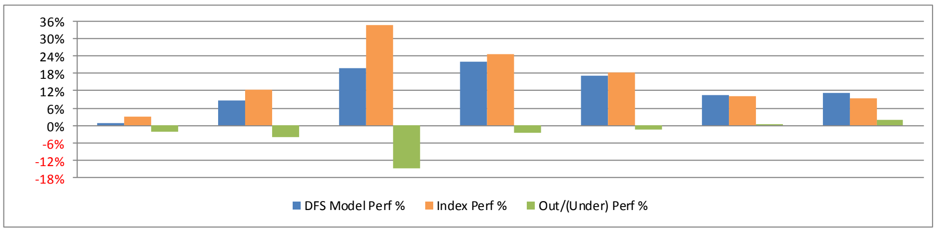
	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Nov '02 (p.a.)
AUSTRALIAN SMALL CAP EQUITIES PORTFOLIO	0.97%	10.55%	14.55%	11.62%	9.37%	8.09%	12.39%
INDEX - S&P/ASX Small Ordinaries Accum Index	(1.94%)	7.30%	2.30%	0.40%	(1.72%)	(0.30%)	6.71%
Outperformance/ (Underperformance)	2.91%	3.26%	12.25%	11.22%	11.08%	8.39%	5.68%



	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	0.26%	8.39%	21.73%	24.49%	20.62%	14.60%	3.60%
INDEX - MSCI World Ex Aus Acc. Index (AUD)	0.88%	9.58%	29.11%	31.89%	24.44%	14.32%	2.07%
Outperformance/ (Underperformance)	(0.63%)	(1.19%)	(7.39%)	(7.41%)	(3.82%)	0.28%	1.53%



	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	0.72%	8.52%	19.54%	21.98%	17.02%	10.44%	11.34%
INDEX - MSCI AC Asia Ex Japan NR AUD	2.89%	12.35%	34.34%	24.63%	18.24%	10.22%	9.53%
Outperformance/ (Underperformance)	*(2.17%)*	*(3.83%)*	*(14.80%)*	*(2.65%)*	*(1.22%)*	*0.22%*	*1.81%*



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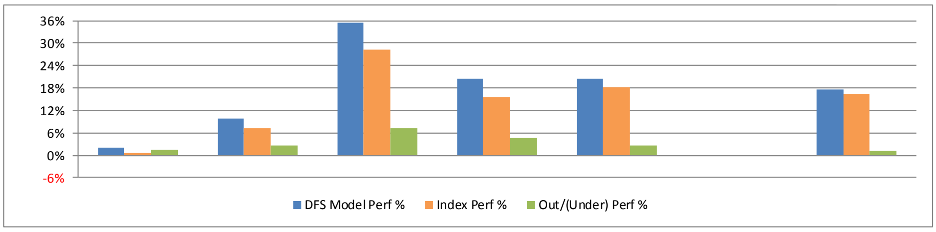
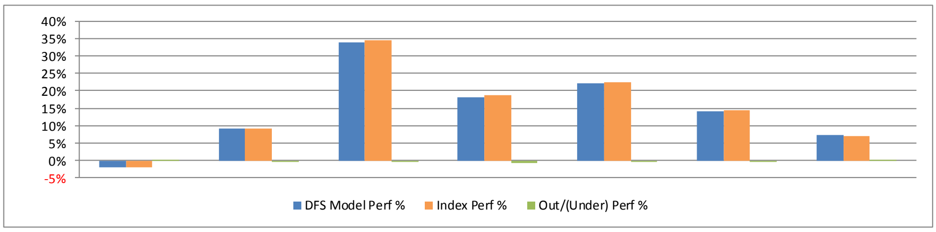
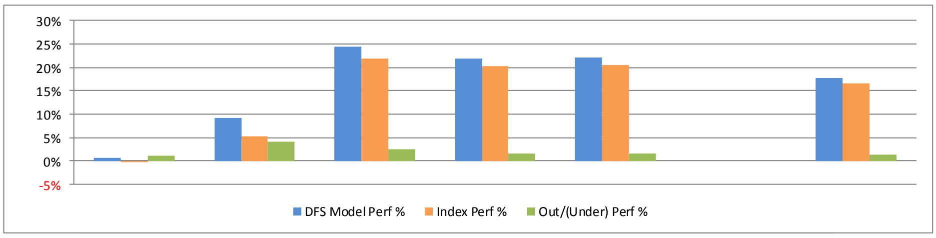
GROWTH PORTFOLIOS continued	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Oct '10 (p.a.)
GLOBAL REITS PORTFOLIO	1.95%	9.73%	35.50%	20.37%	20.59%	NA	17.61%
INDEX - UBS Global Investors GREITs Index (Hedged AUD)	0.62%	7.09%	28.37%	15.66%	18.10%	NA	16.56%
Outperformance/ (Underperformance)	1.32%	2.64%	7.14%	4.71%	2.49%	NA	1.05%



	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	(1.95%)	9.07%	33.85%	18.13%	22.03%	14.24%	7.32%
INDEX-S&P/ASX 300 Property Accumulation Index	(1.96%)	9.22%	34.39%	18.77%	22.56%	14.41%	7.03%
Outperformance/ (Underperformance)	0.01%	(0.14%)	(0.54%)	(0.64%)	(0.53%)	(0.17%)	0.29%



	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	0.73%	9.28%	24.53%	21.82%	22.02%	NA	17.84%
INDEX - UBS Global Infrastructure & Utilities 50/50 TR Index AUD	(0.29%)	5.24%	21.91%	20.16%	20.39%	NA	16.53%
Outperformance/ (Underperformance)	*1.02%*	*4.04%*	*2.62%*	*1.67%*	*1.63%*	NA	*1.31%*



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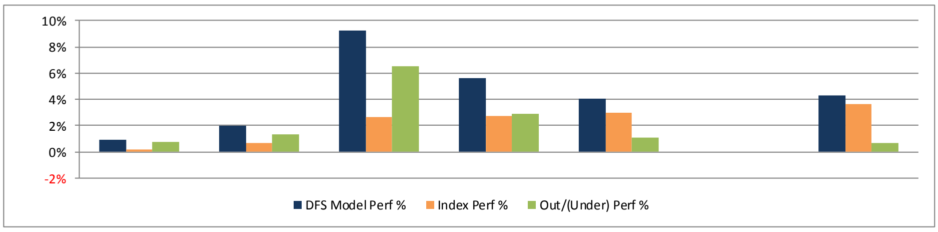
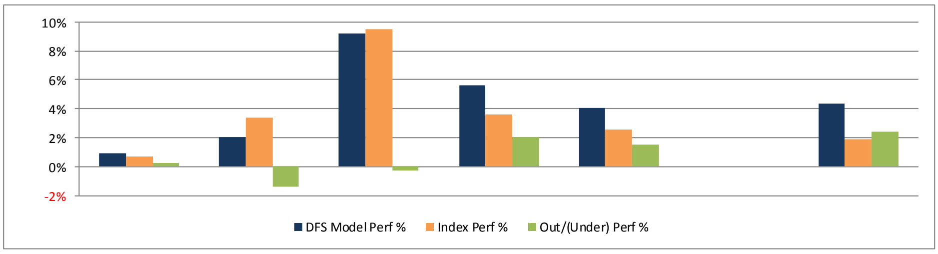
The objective of the AIS Model is to provide diversifying return drivers against traditional asset classes and to generate positive (absolute) returns during rising and falling equity market conditions over the medium term. The AIS Model has been designed with specific considerations that were highlighted 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	0.94%	2.00%	9.21%	5.59%	4.06%	NA	4.31%
INDEX - 90 Day Australian Bank Bill Index	0.20%	0.65%	2.69%	2.72%	3.00%	NA	3.63%
Outperformance/ (Underperformance)	0.74%	1.35%	6.52%	2.87%	1.06%	NA	0.68%



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	0.94%	2.00%	9.21%	5.59%	4.06%	NA	4.31%
INDEX - HFRI Macro Total Return Index	0.70%	3.39%	9.50%	3.59%	2.54%	NA	1.92%
Outperformance/ (Underperformance)	0.23%	(1.39%)	(0.29%)	2.00%	1.53%	NA	2.39%

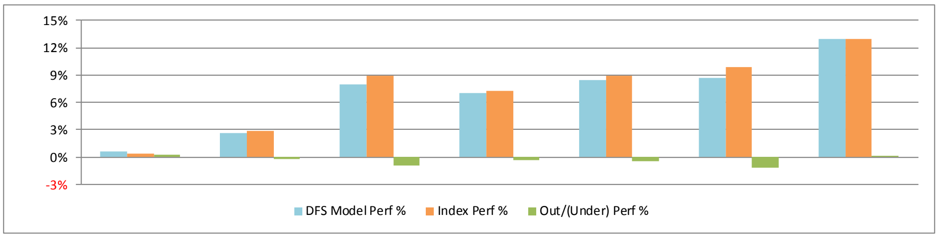


PORTFOLIO RETURNS

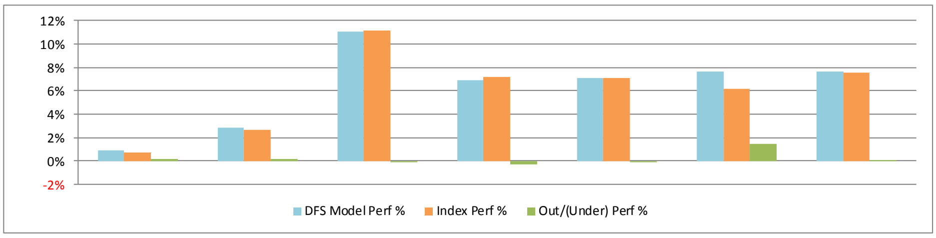
ending 31 December 2014

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.

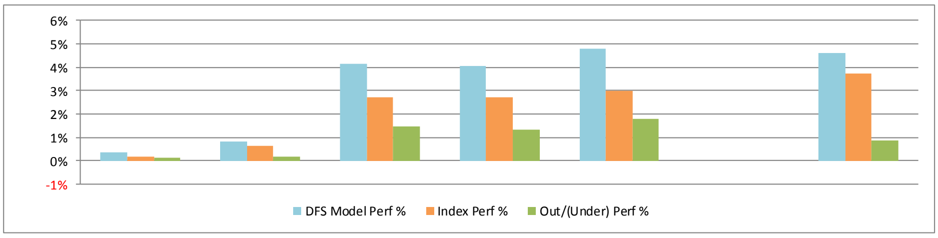
DEFENSIVE PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception April '09 (p.a.)
DIVERSIFIED CREDIT & FIXED INCOME PORTFOLIO	0.59%	2.69%	7.98%	6.99%	8.50%	8.70%	12.98%
INDEX - BarCap Global Corporate Credit Total Return (AUD)	0.36%	2.91%	8.90%	7.28%	8.97%	9.89%	12.93%
Outperformance/ (Underperformance)	0.24%	(0.21%)	(0.92%)	(0.29%)	(0.47%)	(1.19%)	0.05%



	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	0.90%	2.85%	11.01%	6.89%	7.09%	7.67%	7.61%
INDEX - UBS Composite 0 + Years	0.76%	2.67%	11.13%	7.14%	7.11%	6.21%	7.51%
Outperformance/ (Underperformance)	0.14%	0.18%	(0.11%)	(0.25%)	(0.01%)	1.46%	0.10%



	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	0.34%	0.84%	4.16%	4.08%	4.80%	NA	4.60%
INDEX - 90 Day Australian Bank Bill Index	0.20%	0.65%	2.69%	2.72%	3.00%	NA	3.74%
Outperformance/ (Underperformance)	0.15%	0.19%	1.46%	1.35%	1.81%	NA	0.86%



	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	0.20%	0.66%	2.71%	2.74%	3.02%	3.68%	4.10%
INDEX - 90 Day Australian Bank Bill Index	0.20%	0.65%	2.69%	2.72%	3.00%	3.75%	4.13%
Outperformance/ (Underperformance)	0.01%	0.00%	0.02%	0.01%	0.02%	(0.07%)	(0.03%)