Quarterly Newsletter December 2013

Written 31 Jan 2014

Cash Planning December 2013 Distributions

Several of the managed funds paid out distributions for December 2013. The distribution rates for the respective models (expressed as a percentage of investment values based on cum-prices) are as follows :

Australian Equities Core	1.15%
DFS Div Credit & Fixed Income	0.99%
DFS Enhanced Cash	0.98%
DFS Alternative Investment Strategies	0.78%
DFS Cash	0.60%
DFS Sovereign Bonds	0.46%
DFS Global Infrastructure	0.39%
DFS Global REITs	0.39%

The December 2013 distributions received in January 2014 have resulted in higher than normal cash levels. As advised in our June 2013 newsletter, there will not be a default, global distribution reinvestment policy. Instead, with many of our clients in pension phase, cash will be set aside primarily for pension funding. **In cases where cash is not required for immediate cashflow purposes, your DFS Adviser (in conjunction with the DFS Administration Team) will liaise with you and will advise separately.**

FOFA Fee Disclosure Update :

FDS No Longer Required for Existing Clients

In our previous newsletter, we advised that a separate (additional) Fee Disclosure Statement (FDS) would be issued to all clients under the Future of Financial Advice (FOFA) reforms. We are pleased that the Government announced on 20 December 2013 that this additional FDS will only be required for new (post-1 July 2013) clients. **As such, no action is required for our existing clients.** This is an excellent outcome. The common sense approach is welcomed by the financial advisory profession as it removes the unnecessary double up of fee reports and the associated administrative costs. There is no impact for existing clients.

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. **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 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%	21-Jan-14
Bank Bill		40 days	2.59%	21-Jan-14
Cash				
Adelaide Bank CMA			2.25%	20-Jan-14
HSBC Working Cash			2.05%	21-Jan-14
Macquarie True Index Cash Fund	MAQ0789AU	47.45 days	2.58%	31-Dec-13
UBS Cash Fund	SBC0811AU	65.70 days	2.43%	31-Dec-13
Term Deposits				
Adelaide Bank Term Deposit (30D)		30 days	2.90%	20-Jan-14
Adelaide Bank Term Deposit (90D)		90 days	3.65%	20-Jan-14
Adelaide Bank Term Deposit (180D)		180 days	3.75%	20-Jan-14
Adelaide Bank Term Deposit (365D)		365 days	3.80%	20-Jan-14
Managed Funds				
Sovereign Bond Model		5.32 years	3.86%	31-Dec-13
Diversified Credit & Fixed Income Model		2.18 years	7.24%	31-Dec-13
Perennial Tactical Income Trust	IOF0145AU	1.77 years	3.70%	31-Dec-13
Rabo Bank (Super Funds)				
· Under $250k - standard			3.25%	30-Jan-14
· Under $250k - with 4 months bonus rate			4.40%	30-Jan-14
· Portion Over $250k - standard			2.90%	30-Jan-14
· Portion Over $250k - with 4 months bonus rate			4.05%	30-Jan-14

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

Charitable Giving –

http://annualletter.gatesfoundation.org/

The 2014 annual letter from the Bill and Melinda Gates Foundation opened with an optimistic statement : "By almost any measure, the world is better than it has ever been". Bill and Melinda Gates continue to stress the importance of compassionate giving and seek to dispel 3 myths that in their view, block progress in the goal to improve the lives of more than one billion people still in extreme poverty. Their letter closed by stating : "If you're looking to donate a few dollars, you should know that organizations working in health and development offer a phenomenal return on your money".

Whether it's contributing towards health, development or some other charitable goal, either at home or overseas, we have noticed that charitable giving is an increasing area of interest among clients and that many are focusing on attaining a non-monetary "return" on their charitable donations.

While there are many ways to approach charitable giving, the key ones are as follows :

1) Supporting an established organisation eg Red Cross (whether via ad hoc donations or a programme of committed giving);

2) Opening an account with a public Charitable Foundation which allows the donor a degree of involvement and choice in the manner in which the donation is applied eg Australian Community Foundation;

3) Creating your own Private Ancillary Fund (PAF), or Charitable Trust.

Clients who are considering a more structured long term strategy may wish to consider setting up a private Charitable Trust. This is a vehicle set up by way of a trust deed with the sole purpose of supporting charities. Having a private Charitable Trust provides greater flexibility (and allows greater involvement) in managing the portfolio and how the funds are to be applied across the selected charities. A resounding feedback from clients who have embarked on setting up a structured charitable giving strategy is that, apart from gaining the satisfaction of being able to actively support a worthwhile cause, it has enabled them to involve their children in the process and has provided them with an avenue to continue a legacy of giving over more than one generation.

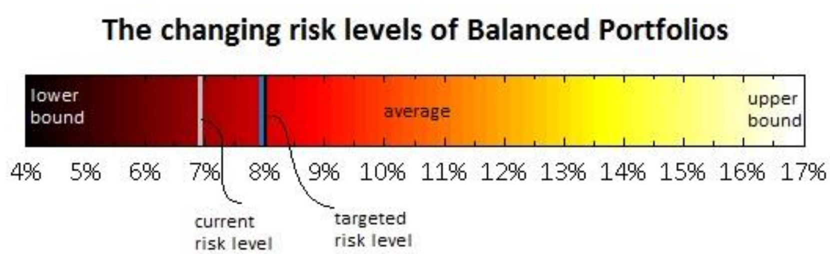
If this is an area of interest to you, please discuss it with your DFS Adviser.

Over the last 2 years to 31 December 2013, the Australian equity market generated a total return of 43% whilst international equities generated 69%. Indeed, it's unsurprising that investors are now questioning whether further gains are likely or whether the best is behind us…?

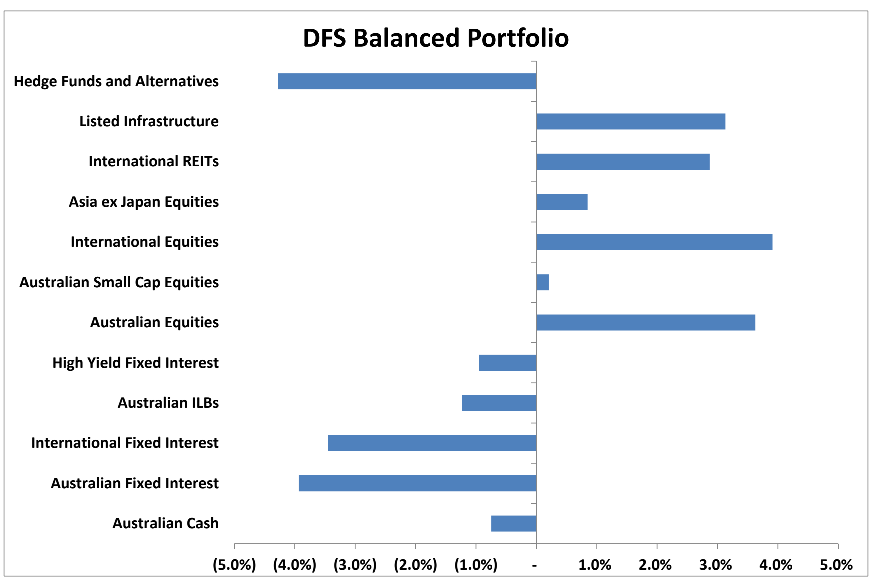
Rather than providing a further market forecast (which is readily available through a multitude of financial institutions), we present the current output of our portfolio management process which is heavily predicated on dynamic risk management. We highlight that this dynamic process is limited to our Risk Profile Models via our RPM service offering where clients have authorised DFS to make ***automated*** changes to their portfolios as required. For our Customised Portfolio Service (where client approval is required for asset class changes), separate discussions with your DFS Adviser will be required beforehand.

Portfolio Risk

The first graph is a heat chart of what is considered to be "an average" Balanced Portfolio, which generally maintain a static (or fixed) asset allocation irrespective of changing market conditions. The heat chart shows the extent to which the risk level of a typical Balanced Portfolio can change over time. Whilst the average risk level is between 10%-11%, it can be as low as 4% (during the good times) and as high as 17% (during periods of heightened market disruption).



Interestingly, we note that a typical Balanced Portfolio is currently experiencing reduced levels of risk of around 7%. This indicates that the current risk level is meaningfully lower than the average, denoting that markets are currently well behaved. During such periods, DFS portfolios will (seek to 'make hay while the sun shines' and) have a bias to growth assets as they are generally rewarding investors with steadier and more reliable returns. The extent to which DFS tilts to growth assets is determined by a risk budget of 8%. The DFS Balanced Portfolio currently has the following active positions against its neutral allocation which highlights our current bias to growth assets;



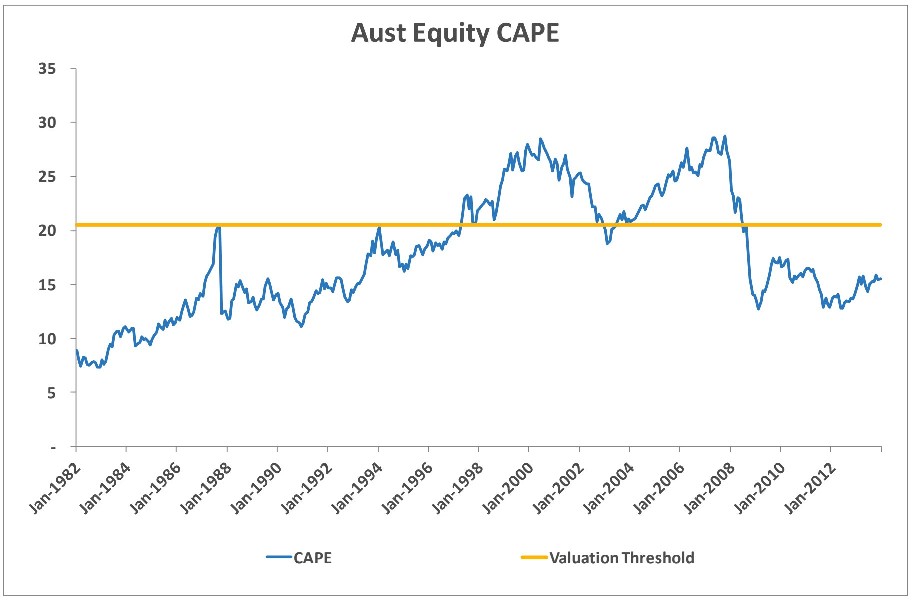
Whilst portfolios have produced strong returns over the last 2 years, DFS has no preconceived beliefs or expectations that they will necessarily continue. Indeed, during such times it becomes increasingly important to incorporate additional risk management measures for the most significant component of portfolio risk, namely ***equity risk***. This additional downside risk management approach is generally employed during periods where support for equity markets has broken down and valuations are stretched. **When this occurs, DFS will meaningfully divest from equity markets and only reallocate to them once market support is re-established.**

Equity Valuations

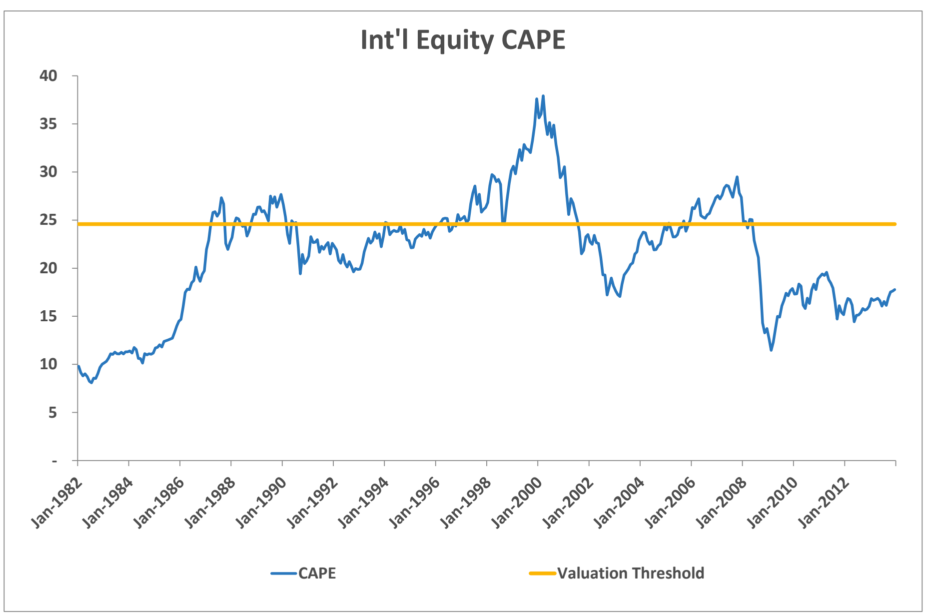
Whereas the previous section looked at aggregate risk at the portfolio level, the next section looks at equity market valuation levels. DFS is concerned when valuations on broad based markets (such as large cap Australian & international equities) become stretched, as there is greater potential for significant capital losses during such times. Indeed, this view is reinforced by the old adage of “buy low and sell high” which infers there is reduced potential for significant losses when market prices are under (or perhaps even at) fair value.

Valuations generally take the aggregate earnings of equity markets and apply a price multiple on these earnings. The most common application of price-earnings (PE) is to divide the markets’ forward earnings (over the next 12 months) against its current price level and to compare the calculated multiple against the historical range to ascertain whether the market is cheap; expensive; or at fair value. The problem with this approach is that earnings can change significantly from year to year which (in turn) can cause valuations to appear quite rubbery. DFS applies cyclically adjusted earnings (of the Case-Shiller fame, which uses 10-year rolling earnings to account for and smooth out profits over the entire business cycle) in order to come to more robust valuation assessments.

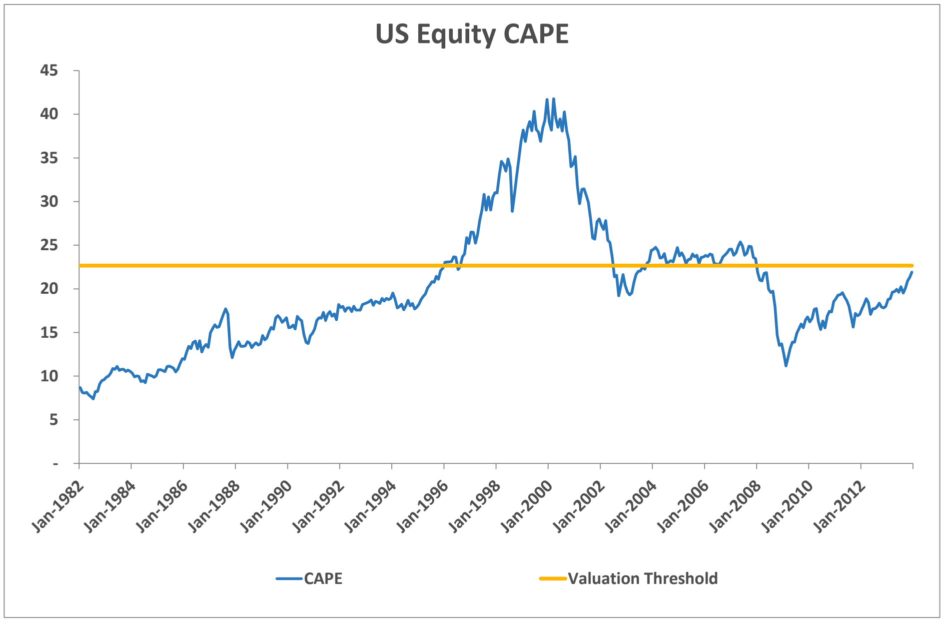
Upon updating our Cyclically Adjusted Price Earnings (CAPE) valuation approach to the Australian equity market, we observe that the market (blue line) remains significantly below the overvalued territory (orange line). Indeed, the current CAPE valuation (of 16) appears to be unspectacular against the lofty levels (of 28) observed in 2000 and 2007. DFS is comfortable with the current valuation of the Australian equity markets.



Turning to international equities, we observe a similar valuation conclusion to the Australian equity market.



However, when we look at the US Equity market in isolation we observe it is close to our nominated valuation threshold, which calls for closer monitoring and potential action. Indeed our risk management process would look to divest meaningfully from US equities, should market support breakdown. Although we have experienced some significant pullbacks in US equity prices (which needs to be considered against its recent rally), our market support indicators have yet to be breached. We continue to monitor the US equity market on a daily basis from which we will significantly divest in the event of further moderate price declines.



Conclusion

Investment conditions are likely to remain challenging for some time. Structurally, OECD nations continue to deleverage (private & public, on aggregate) whilst China confronts the challenges of transitioning to a more balanced, consumption based economy. As we have recently observed, tapering policies (reducing the level of monetary stimulus) have added to 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 2 years, we reiterate that we have no preconceived beliefs or expectations that it will necessarily continue.

For RPM clients for whom DFS provides automated portfolio management service, should risk increase (due to significant changes in market conditions), DFS would respond dynamically by shifting the portfolio towards defensive assets to maintain the specified risk target (eg : 8% for a Balanced Portfolio). Importantly, DFS employs additional stop-loss measures to better manage (the highly disruptive) equity risk.

If you require more information about the RPM service, please discuss this with your DFS Adviser.

Overview – December 2013 Quarter

It's been dominating the headlines all year so when the US Fed finally announced that it would begin to taper its bond purchase program starting January, equity markets generally took it in their stride. Focussing on the generally stronger economic data against the backdrop of an expectation of low interest rates, global equity markets continued to rally; the S&P/ASX300 Accumulation Index returning 3.37% to finish the year up an impressive 19.68%.

Reflecting over the last 12 months, we are pleased with the overall performance of our asset class models with all portfolios generating positive returns across 2013. However we admit that we were too patient with a particular manager and its sustained level of relative underperformance before we ultimately decided to terminate. We have since thoroughly reviewed this decision, identified how our mistake was made and diligently tested a variety of additional techniques to limit this reoccurring. DFS also highlights that notwithstanding the relative underperformance of these managers, the allocation in the Models has not resulted in clients losing money; i.e. they still generated positive returns for the term of the investment.

In economic news, June quarter GDP increased by 0.6% and 2.3% year on year (seasonally adjusted) whilst the Terms of Trade (which measure the price of exports relative to imports) fell by 3.3% over the quarter and also decreased by 3.6% for the year. The Consumer Price Index rose 0.8% in the December quarter and 2.7% for the year. The cash rate remained unchanged at 2.50%, the Australian Dollar depreciated 3.88% to close the year at $0.8498 USD whilst the unemployment rate remained steady at 5.8% (seasonally adjusted).

Australian Equities (AEQ)

The Australian equity market had another solid quarter in December with the S&P/ASX 300 Accumulation Index returning 3.37% to finish year up 19.68%. Leading the way for the quarter were the Telecommunications and Healthcare sectors, returning 5.72% and 5.45% over the quarter respectively whilst the Energy sector was the worst performing sector, returning -3.08%. Looking across 2013, the best performing sector was Consumer Discretionary gaining 40.66% whilst the Materials sector was only one to generate a negative return over 2013 returning -1.99%.

Large Caps Returns: **Qtr 4.17% (index 3.37%)** **Year 18.19% (index 19.68%)**	Positive performers within the DFS AEQ Model included long positions in Seek, Twenty-First Century FOX, Veda Group and short positions in Worley Parsons and QBE. Detracting on the Model's performance were long positions in Forge Group and Iluka Resources. We also began the restructure of the AEQ LC Model during the quarter. We encourage clients to refer to the communication we distributed on 29 October 2013 for more information.
Small Caps Returns: **Qtr 1.74% (index -0.15%)** **Year 11.61% (index -0.76%)**	Major contributors to Fund performance were Bega Cheese, NIB Holdings, and TPG Telecom. The major detractors to performance included positions in Regis Resources and Cash Converters. We also restructured the AEQ SC Model during the quarter. We encourage clients to refer to the communication we distributed on 29 October 2013 for more information.

International Equities (IEQ)

Global equity markets outperformed the domestic share market over the December quarter with the MSCI World ex-Australia Index returning 8.60% in Australian Dollar terms and 13.20% in local currency terms. It was a strong quarter for equity markets globally; the S&P 500 Index gaining 9.92%, the UK's FTSE 100 returned 4.44%, Germany's DAX Index was up 11.14% and Japan's Nikkei 225 Index returned 12.70%.

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 3.43% in local currency terms however the depreciation in the AUD saw the Index post a return of 8.08% in Australian Dollar terms. Regionally, Hong Kong's Hang Seng Index returned 1.95%, India's SENSEX was up 9.24% whilst China's Shenzhen Composite Index was flat for the quarter.

Large Caps Returns: **Qtr 10.47% (index 13.20%)** **Year 39.24% (index 48.03%)**	Contributing to the Model's performance were the positions in US companies, in particular Microsoft and JP Morgan whilst the position in emerging markets detracted. We reiterate that the Model continues to be defensively positioned; the currency exposure is completely unhedged and the portfolio continues to have a material exposure to the theme of emerging market consumption growth.
Asia ex Japan Returns: **Qtr 9.20% (index 8.08%)** **Year 28.79% (index 19.61%)**	Positive contributors to the Model's performance included Donaco International, Baidu and Sinopec Kantons whilst detracting on performance included ASM Pacific Technology and Jardine Strategic.

Infrastructure and REITs

Global Infrastructure (GI) Returns: **Qtr 7.36% (index 4.69%)** **Year 23.69% (index 23.26%)**	The Model continues to benefit from positions in European toll road companies; ASTM, Atlantia and Vinci the standouts. The decision to unhedged 50% of the portfolio also benefited the Model's performance. The allocation to Emerging Latin America, specifically Brazilian electric operator Eneva, detracted on performance.
Global REITS (GREITs) Returns: **Qtr 3.46% (index -0.18%)** **Year 7.64% (index 5.82%)**	Regionally, Japan and the UK were the best performing markets whilst Hong Kong was the weakest. Positions in Host Hotels, Land Securities, Derwent London and UK self-storage REIT Big Yellow Group all contributed positively to performance. Our decision to move to a 50% unhedged exposure also contributed positively.
Aust REITS (AREITs) Returns: **Qtr -2.09% (index -1.42%)** **Year 6.30% (index 7.27%)**	Major factors contributing to the Model's quarterly performance were overweight positions in the Investa Office Fund and Carindale Property Trust whilst an overweight position in Westfield Group detracted.

Alternative Investments: DFSMA accounts only

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.

Alternative Investment Strategies (AIS) Returns: **Qtr 1.22% (cash index 0.65%)** **Year 2.92% (cash index 2.78%)** **Qtr 1.22% (HFRI index 1.98%)** **Year 2.92% (HFRI index -0.27%)**	**Global Macro Strategies** added value over the quarter; a net long position in equity markets and overall asset allocation where the main drivers behind performance. Our **Managed Futures Strategies** had three consecutive positive months with the allocation to stock indices generating the most alpha. Our **Currency** strategy detracted from performance; the portfolio's positions in Euro, Brazilian real and Israeli shekel, which were all long and short over the period, were the main 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, alternative beta and alpha portfolios.

Fixed Interest & Cash

The market's long awaited expectation that the US Federal Reserve will begin to reduce its bond purchasing program was finally confirmed in December, announcing a $10 billion per month reduction, split evenly between government and mortgage backed security purchases. The Fed actively reassured market participants that cash rates will remain low for a considerable time after it ends its bond buying program. Bond yields traded generally higher over the quarter. US 10 year government bond yields rose by 0.42%, ending the quarter at 3.03%, while Japan and German 10 year yields ended 0.06% and 0.15% higher, respectively. The Australian bond market followed this trend, with 10 year government bond yields rising by 0.42% to 4.24%. Credit markets posted positive returns, the riskier higher yielding bonds outperforming investment grade bonds.

Sovereign Bonds Returns **Qtr 0.50% (index 0.37%)** **Year 1.75% (index 1.99%)**	The Sovereign Bond Model marginally outperformed the benchmark for the quarter. Positive performance was generated primarily from 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 1.83% (index 2.07%)** **Year 6.26% (index 3.86%)**	Positive contributors to the Diversified Credit & Fixed Income Model's performance included the portfolio's allocation to syndication loans and residential mortgage-backed securities whilst the defensive allocation to sovereigns detracted from a relative perspective. At the end of December the Model's yield to maturity was 8.05% p.a. with interest rate duration of 2.18 years and credit spread duration of 3.27 years.
Enhanced Cash Returns **Qtr 0.73% (index 0.65%)** **Year 3.93% (index 2.78%)**	The Enhanced Cash Model was restructured during the quarter following the resignation of the investment team. We encourage clients to refer to the correspondence we sent on 4 November 2013 for further information. .The appointment of a new manager has resulted in an increase in interest rate duration to 1.77 years (from 0.25 years) with a running yield of 4.15%.

Direct Property Syndicate Overlay

Charter Hall Direct Property Fund Returns **Qtr 2.69% (index 1.37%)** **Year 7.51% (index 5.86%)**	Portfolio occupancy remains at 93% with a weighted average lease expiry of 4.1 years. The Fund's December distribution was to 1.359 cpu. Gearing was 45.8% with the debt facility due to expire in September 2015. Four properties were independently valued at December 2013 resulting in a portfolio value increase of $2.2 million. This translates to an approximate 0.5 cpu increase in the unit price.

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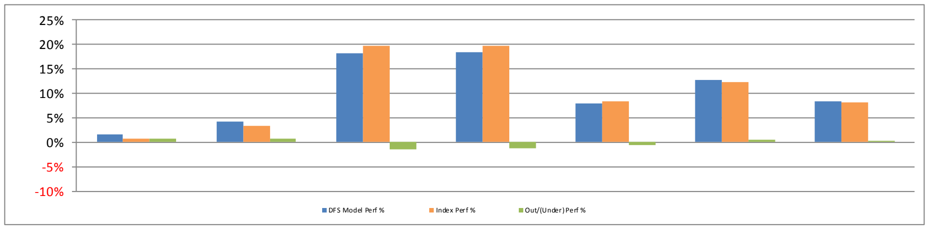
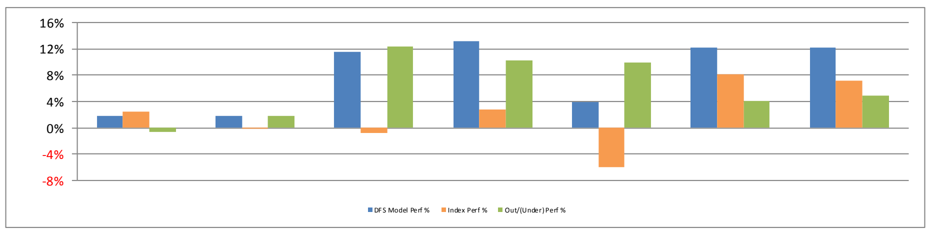
DFSPS employs an evidenced based approach to its manager selection process and believes that high barriers to successful entry exist that preclude more than 85% of active managers from generating sustainable risk-adjusted returns. DFSPS further believes that high quality active will generate meaningful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

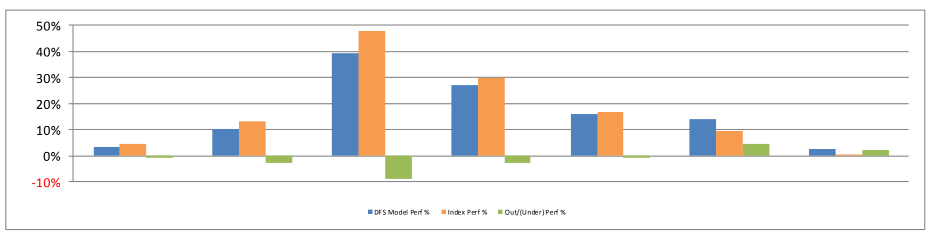
GROWTH PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Jan '00 (p.a.)
AUSTRALIAN EQUITIES LARGE CAP PORTFOLIO	1.59%	4.17%	18.19%	18.46%	7.88%	12.76%	8.40%
INDEX -S&P/ASX 300 Accumulation Index	0.82%	3.37%	19.68%	19.71%	8.46%	12.33%	8.19%
Outperformance/ (Underperformance)	0.77%	0.80%	(1.49%)	(1.24%)	(0.58%)	0.43%	0.21%



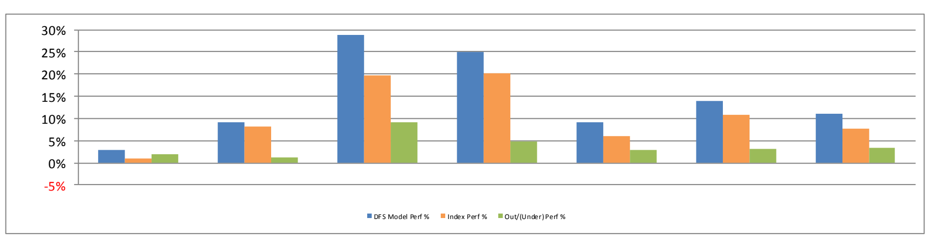
	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Nov '02 (p.a.)
AUSTRALIAN SMALL CAP EQUITIES PORTFOLIO	1.90%	1.74%	11.61%	13.14%	3.89%	12.17%	12.15%
INDEX - S&P/ASX Small Ordinaries Accum Index	2.55%	(0.15%)	(0.76%)	2.84%	(5.98%)	8.14%	7.18%
Outperformance/ (Underperformance)	(0.65%)	1.90%	12.37%	10.30%	9.88%	4.03%	4.97%



	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Jan '00 (p.a.)
INTERNATIONAL EQUITIES PORTFOLIO	3.48%	10.47%	39.24%	27.19%	16.12%	13.84%	2.63%
INDEX - MSCI World Ex Aus Acc. Index (AUD)	4.44%	13.20%	48.03%	29.99%	16.95%	9.33%	0.58%
Outperformance/ (Underperformance)	(0.96%)	(2.73%)	(8.79%)	(2.80%)	(0.83%)	4.51%	2.05%



	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception July '05 (p.a.)
INTERNATIONAL EQUITIES PORTFOLIO - ASIA	2.93%	9.20%	28.79%	24.95%	9.09%	13.92%	11.05%
INDEX - MSCI AC Asia Ex Japan NR AUD	1.03%	8.08%	19.61%	20.22%	6.12%	10.84%	7.76%
Outperformance/ (Underperformance)	*1.90%*	*1.12%*	*9.18%*	*4.73%*	*2.97%*	*3.08%*	*3.29%*



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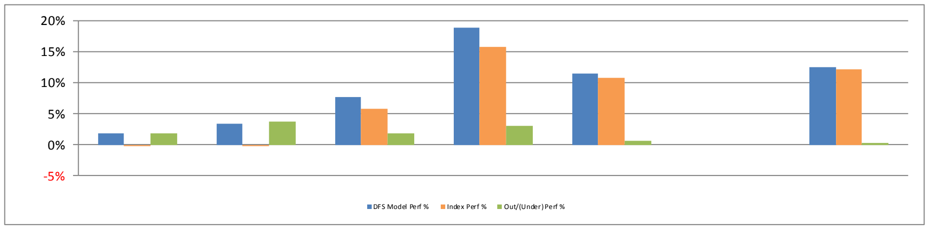
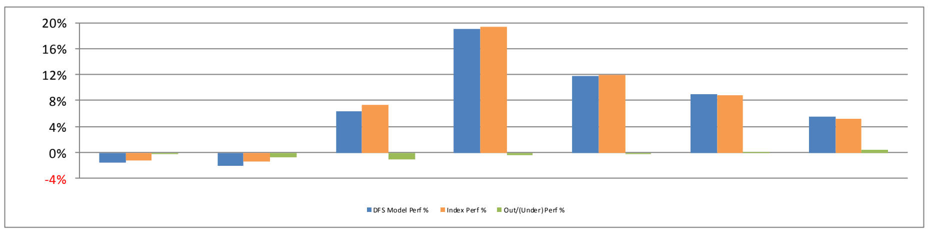
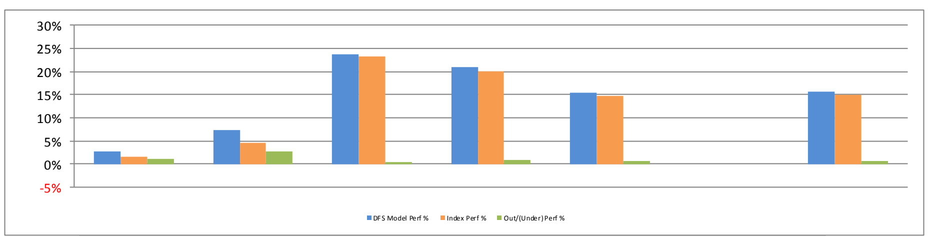
GROWTH PORTFOLIOS continued	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception Oct '10 (p.a.)
GLOBAL REITS PORTFOLIO	1.82%	3.46%	7.64%	18.83%	11.48%	NA	12.42%
INDEX - UBS Global Investors GREITs Index (Hedged AUD)	(0.02%)	(0.18%)	5.82%	15.79%	10.79%	NA	12.16%
Outperformance/ (Underperformance)	1.84%	3.64%	1.82%	3.04%	0.70%	NA	0.26%



	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	(1.47%)	(2.09%)	6.30%	19.02%	11.73%	8.94%	5.56%
INDEX-S&P/ASX 300 Property Accumulation Index	(1.26%)	(1.42%)	7.27%	19.35%	11.93%	8.82%	5.21%
Outperformance/ (Underperformance)	(0.21%)	(0.66%)	(0.97%)	(0.33%)	(0.20%)	0.12%	0.35%



	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	2.68%	7.36%	23.69%	20.91%	15.44%	NA	15.71%
INDEX - UBS Global Infrastructure & Utilities 50/50 TR Index AUD	1.57%	4.69%	23.26%	20.04%	14.68%	NA	15.02%
Outperformance/ (Underperformance)	*1.11%*	*2.67%*	*0.44%*	*0.87%*	*0.76%*	NA	*0.69%*



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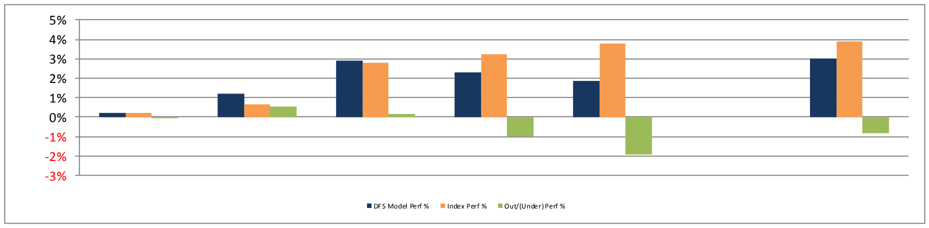
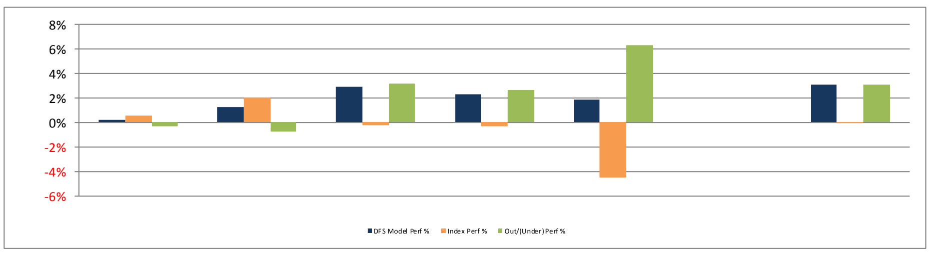
The objective of the AIS Model is to provide diversifying return drivers against traditional asset classes and to generate positive (absolute) returns during rising and falling equity market conditions over the medium term. The AIS Model has been designed with specific considerations that were highlighted during the Global Financial Crisis. Consequently, liquidity (daily NAV), leverage and transparency are focal points. 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	0.20%	1.22%	2.92%	2.27%	1.85%	NA	3.03%
INDEX - 90 Day Australian Bank Bill Index	0.22%	0.65%	2.78%	3.25%	3.78%	NA	3.88%
Outperformance/ (Underperformance)	(0.02%)	0.57%	0.14%	(0.98%)	(1.93%)	NA	(0.85%)



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	0.20%	1.22%	2.92%	2.27%	1.85%	NA	3.03%
INDEX - HFRI Macro Total Return Index	0.52%	1.98%	(0.27%)	(0.33%)	(4.48%)	NA	(0.01%)
Outperformance/ (Underperformance)	(0.33%)	(0.76%)	3.19%	2.61%	6.33%	NA	3.04%

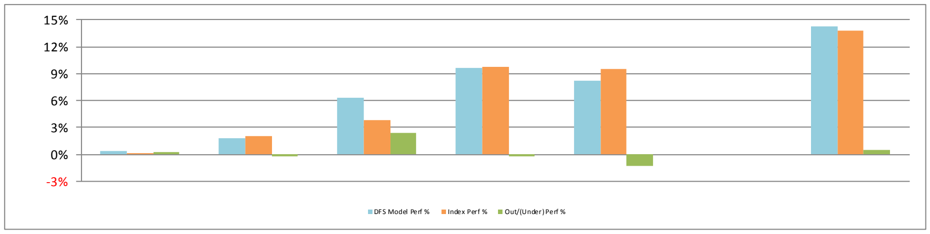


PORTFOLIO RETURNS

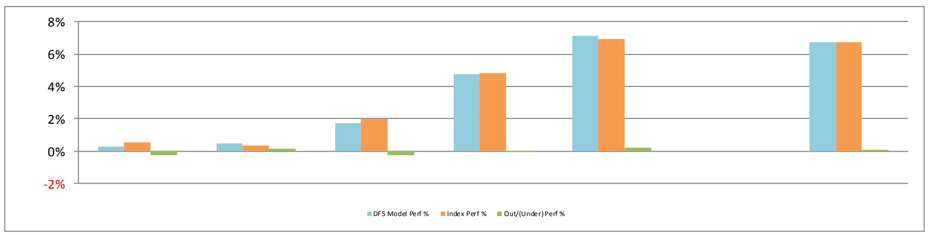
ending 31 December 2013

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.

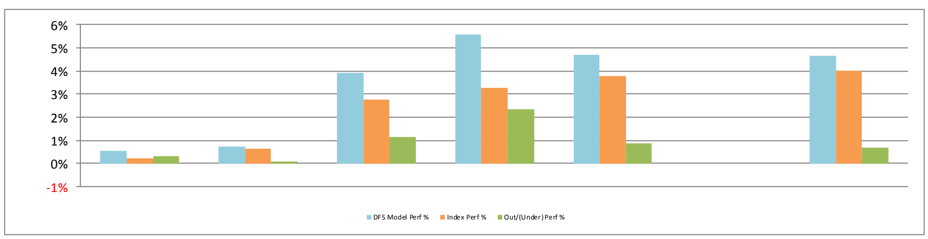
DEFENSIVE PORTFOLIOS	1 Month	3 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	Since Inception April '09 (p.a.)
DIVERSIFIED CREDIT & FIXED INCOME PORTFOLIO	0.40%	1.83%	6.26%	9.58%	8.24%	N/A	14.27%
INDEX - BarCap Global Corporate Credit Total Return (AUD)	0.08%	2.07%	3.86%	9.81%	9.56%	N/A	13.76%
Outperformance/ (Underperformance)	0.32%	(0.24%)	2.40%	(0.23%)	(1.32%)	N/A	0.51%



	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	0.27%	0.50%	1.75%	4.74%	7.14%	N/A	6.76%
INDEX - UBS Composite 0 + Years	0.53%	0.37%	1.99%	4.81%	6.95%	N/A	6.72%
Outperformance/ (Underperformance)	(0.26%)	0.13%	(0.24%)	(0.06%)	0.19%	N/A	0.03%



	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	0.54%	0.73%	3.93%	5.60%	4.68%	NA	4.65%
INDEX - 90 Day Australian Bank Bill Index	0.22%	0.65%	2.78%	3.25%	3.78%	NA	3.99%
Outperformance/ (Underperformance)	0.33%	0.09%	1.15%	2.34%	0.89%	NA	0.67%



	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	0.22%	0.64%	2.86%	3.40%	3.86%	3.85%	4.40%
INDEX - 90 Day Australian Bank Bill Index	0.22%	0.65%	2.78%	3.25%	3.78%	3.89%	4.36%
Outperformance/ (Underperformance)	(0.00%)	(0.00%)	0.08%	0.15%	0.08%	(0.04%)	0.04%