

# Delivering Investment Strategies Globally

### Australian Equities

The S&P/ASX 300 Accumulation Index gained 9.0 per cent over the 12 months to 30 September 2018. The strongest gains were concentrated in higher growth parts of the market, such as technology and healthcare sectors, which saw sustained valuation re-rating. Energy was also strong on the back of a rising oil price. This offset more muted growth in parts of the market under sustained regulatory, political, or competitive pressure such as financials and communication services.

ASX 300



### UK Equities

UK equities made modest progress over the year despite the ongoing uncertainty created by Brexit negotiations. The lack of clarity over the terms of the UK's exit from the EU, which is scheduled to occur on 29 March 2019, has contributed to the unloved status of the asset class: data from the Investment Association, the UK investment industry's trade body, reveals net retail outflows of £10 billion from UK equity funds since the June 2016 Brexit referendum.

FTSE All-Share TR Index



### European Equities

European equities made modest gains, initially driven higher by optimism over the European economic outlook and evidence of a global economic upswing. The Eurozone Consumer Sentiment Index recorded its highest reading since 2001, the flash Manufacturing Purchasing Managers' Index (PMI) survey hit 60.6, its highest mark since 1997, and the Eurozone Composite PMI recorded its best showing since 2011. However, optimism receded as the year progressed with weaker data from February in the PMI surveys and industrial production.

MSCI Europe NR Index  
(net dividends reinvested)



### Asia ex Japan Equities

Asian equities made modest gains in US dollar terms, which began with investors cheering the successful passage of the US tax reform bill and the easing monetary policy stance maintained by the European Central Bank. However, more hawkish US monetary policy and protracted tense trade negotiations between the US and China unsettled investors globally, sparking fears of a trade war. The slowing Chinese economy, strong US dollar and depreciation in the Chinese yuan also dampened sentiment.

MSCI AC Asia ex Japan NR Index  
(net dividends reinvested)



### Japan Equities

Japanese equities are often overlooked by international investors but the stock market remains the world's third-largest by market capitalisation. The pronounced underperformance of 'value' stocks versus 'growth' stocks in Japan since 2010 has left the valuation gap between the two styles at a 40-year high. Any form of mean reversion that saw this extreme market anomaly start to unwind would have a powerfully positive effect upon our portfolios.

TOPIX TR Index



### US Equities

The US Government's pro-growth economic policies have been a resounding success and the combination of regulatory relief and the landmark tax reforms passed in December 2017 have accelerated growth and improved corporate revenues. With capital expenditure poised to surge over the next 12 - 18 months, the regulatory environment becoming more business-friendly, potential for fiscal stimulus through the promised infrastructure bill for 2019 and US consumers in an ebullient mood, the outlook for US earnings growth remains highly positive.

Russell 2500 NR Index



## Global & International Equities

Global equities enjoyed a solid year with a significant proportion of returns driven by the strength in US equities. Buoyed by US tax cuts in December 2017, strong earnings momentum, high business and consumer confidence and regulatory reform, the S&P 500 Index reached record highs in August 2018. International equities (global ex US) also finished in positive territory as worldwide growth lifted investor sentiment. However, trade war concerns have cast a shadow over the economic outlook.

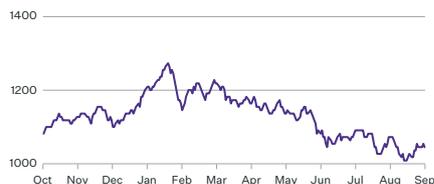
**MSCI ACWI NR Index**  
(net dividends reinvested)



## Emerging Market Equities

Emerging market equities began the period strongly, boosted by a weaker US dollar, recovering corporate earnings, a synchronised global economic upturn and investor demand for technology stocks. However, many of these factors reversed over the period and provided headwinds in the latter half of 2018. India remains a market where the team sees significant potential and is one of the largest active overweights in the portfolio.

**MSCI Emerging Markets NR Index**  
(net dividends reinvested)



## Multi-Asset Investments

Our Multi-Asset Investments strategy seeks to provide an attractive and persistent stream of income along with capital growth, while investing with a margin of safety. Our Multi-Asset teams employ a bottom-up approach to investing across asset classes, rooted in global value investing and utilising investment strategies which aim to preserve capital. Our portfolios typically hold 30-70 per cent in equities, with the balance invested in fixed income, commodities and cash.

**Active Balanced Fund Benchmark**  
(Morningstar Aus Msec Growth TR AUD)



## Income & Fixed Interest

Further monetary normalisation by global central banks and geopolitical disruptions were two key drivers of fixed interest markets over the year. The sell-off in emerging markets contributed to a rise in volatility.

**Bloomberg AusBond Composite 0+ Yr Index**



For a complete overview of our investment strategies, fund performance and our investment management teams go to [annual-report-2018.pandalgroup.com/regional-equities](https://annual-report-2018.pandalgroup.com/regional-equities)