

### Market Summary

Global developed market stocks posted this sixth straight quarter of gains in the third quarter, with many indices hitting record highs in August before easing off in September.

Currency movements made a significant impact, with a broadly weaker Australian dollar helping unhedged Australian investors with offshore equity exposure.

Dominating news headlines was a surge in the more virulent Delta variant of the coronavirus, with renewed lockdowns in many countries, including Australia and NZ, denting expectations for economic recovery.

Also topical were questions about the timing and extent of central bank moves to reduce policy stimulus. The RBNZ had been expected to hike cash rates in August, for the first time in seven years, though delayed this until October because of lockdowns. The RBA, meanwhile, gave notice it planned to keep its cash rate at 0.1% until 2024. In the US, the Federal Reserve pointed to a likely tapering of its bond purchases later this year and a rate increase in 2022.

Another talking point was a spike in inflation in many economies, due to pandemic-related disruptions to supply chains and higher energy prices. The Australian inflation rate rose to a 13-year high in the June quarter.

Energy stocks were among the best performers in Q3 as resurgent demand and low stockpiles pushed coal, oil and gas prices higher. However, China's reduction in steel output hit iron ore prices, which hurt many materials stocks. REITs performed broadly in line with global developed equity markets.

While emerging markets fell over the quarter, developed markets recorded positive returns of close to 4%. The Australian market, having hit a record high in August, ended about 1.8% higher for the quarter, while the NZ market gained nearly 5% in local currency terms.

Premiums were a mixed bag. Size was positive in Australia, but negative elsewhere. The value premium was positive in Australia and in emerging markets, but mixed elsewhere. The profitability premium was negative in Australia, positive in emerging markets and mixed in other developed markets.

### What Dominated The News A Quick Recap – July to September

#### JULY

- Global death toll from COVID-19 reaches four million
- Olympic Games open in Tokyo after year's delay; Brisbane awarded 2032 Games
- RBA announces first step toward tapering its bond buying program
- US Federal Reserve defends continued policy support even as inflation spikes
- Economists warn of threat to global recovery from growing Delta strain

#### AUGUST

- Scientists reach 'unequivocal' consensus on global warming in IPCC report
- Taliban forces enter Kabul; declare 20-year Afghanistan war over
- Australian banks, flush with excess capital, unveil record share buybacks
- RBNZ delays interest rate hike as the country returns to lockdown
- Global equities hit record highs as fears of imminent Fed taper ease

#### SEPTEMBER

- US, UK and Australia form trilateral security pact to counter China
- Markets brace for possible default of property giant China Evergrande
- US Federal Reserve flags bond taper plan in November; rate hike in 2022
- German political parties haggle over coalition to take reins from Angela Merkel
- EU postpones trade talks with Australia amid submarines deal anger

### Market Movement World Indices Wrap Up

| FIXED INTEREST  | OTR   | 1 Year |
|---|-------|--------|
| Bloomberg AusBond Bank Bill index                     | 0.01% | 0.04%  |
| Bloomberg AusBond Composite 0+ Yr Index               | 0.31% | -1.54% |
| Bloomberg Global Aggregate Bond Index (hedged to AUD) | 0.05% | -0.79% |

| AUSTRALIAN EQUITIES                              | OTR   | 1 Year |
|--|-------|--------|
| S&P/ASX 300 Index (Total Return)                 | 1.79% | 30.86% |
| S&P/ASX Small Ordinaries Index (Total Return)    | 3.44% | 30.41% |
| S&P/ASX Australian BMI Value Index (gross div.)  | 2.25% | 41.46% |
| S&P/ASX Australian BMI Growth Index (gross div.) | 3.49% | 26.17% |

| GLOBAL EQUITIES   | OTR    | 1 Year |
|---|--------|--------|
| MSCI World ex Australia Index (net div., AUD)           | 3.99%  | 27.76% |
| MSCI World ex Australia Index (net div., hedge to AUD)  | 0.57%  | 28.28% |
| Hedging Premium   | -3.42% | 0.52%  |
| MSCI World ex Australia Small Cap Index (net div., AUD) | 2.39%  | 39.43% |
| MSCI World ex Australia Value Index (net div., AUD)     | 3.14%  | 30.34% |
| MSCI Emerging Markets Index (net div.,AUD)              | -4.48% | 17.29% |

| REAL ESTATE                              | OTR   | 1 Year |
|--|-------|--------|
| S&P/ASX 300 A-REIT Index (Total Return)  | 4.80% | 30.69% |
| S&P Developed REIT Index (net div., AUD) | 3.86% | 30.72% |