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Index returns at end June 2021 (%)

Australian Equities	1 mth	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
S&P/ASX 200 TR Index	2.26%	8.29%	12.90%	27.80%	9.59%	11.20%	9.26%
S&P/ASX Small Ordinaries TR Index	3.08%	8.50%	10.80%	33.20%	8.60%	11.20%	5.99%
Global Equities							
MSCI World NR Index (AUD)	4.64%	9.33%	16.20%	27.50%	14.40%	14.60%	14.70%
S&P 500 PR Index (USD)	2.22%	8.17%	14.40%	38.60%	16.50%	15.40%	12.50%
FTSE 100 PR Index (GBP)	0.21%	4.82%	8.93%	14.10%	-2.69%	1.59%	1.70%
MSCI Emerging Markets NR Index (AUD)	3.28%	6.57%	10.40%	29.20%	10.70%	12.80%	8.05%
Real Estate Investment Trusts							
S&P/ASX 300 A-REIT TR Index	5.56%	10.70%	10.10%	33.90%	8.23%	6.25%	12.00%
FTSE EPRA/NAREIT Dev. NR Index (AUD Hgd)	1.76%	9.03%	17.00%	30.20%	4.93%	4.68%	8.30%
Fixed Interest							
Bloomberg Ausbond Composite 0+ Yr Index	0.69%	1.52%	-1.74%	-0.84%	4.22%	3.19%	4.95%
Bloomberg Ausbond Bank Bill Index	0.00%	0.01%	0.01%	0.06%	0.96%	1.29%	2.19%
Barclays Global Aggregate TR Index (AUD Hgd)	0.49%	0.94%	-1.61%	-0.17%	4.03%	2.87%	5.28%

Data source: Bloomberg & Financial Express. Returns greater than one year are annualised.
Commentary regarding equity indices below references performance without including the effects of currency (unless specifically stated).

Australian equities

The Australian share market finished the fiscal year with its best performance since inception, with the market gaining 23.9% over the past 12 months. For June, Australia's S&P/ASX 200 Index rose 2.3%. The recent value rotation showed some signs of weakening, with the S&P/ASX 200 Value Index returning 1.6% for the month, versus a return of 3% for the S&P/ASX 200 Growth Index. The best performing sectors for the month were information technology (+13.4%), followed by communications services (+5.6%) and property (+5.3%). Financials was the only sector to finish in the red for the month (-0.2%).

In stock specific news, Nuix's share price fell 20.2% for the month and was the worst performing stock on the ASX 200. The disappointing result follows a series of negative developments, including the departure of several executives and allegations of insider trading within the firm. Altium was the best performing stock in the index, with a gain of 29.8% following the announcement of a takeover offer made by Autodesk. Afterpay also had a strong month with a 27.4% gain in June, with the company announcing the expansion of its US offering to 12 of the country's largest merchants, including Nike and Amazon.

Two of Australia's longest standing investment companies are set to merge, following the news that Washington H. Soul Pattinson has entered a binding scheme of arrangement with Milton. If approved, Soul Pattinson will pay an equivalent of $6 per Milton Share and asset under management at Soul Patts will increase to over $10bn.

Sydney Airport, which has been devastated by the pandemic, has received an opportunistic takeover bid from a consortium of investors which includes IFM, QSuper and Global Infrastructure Management. The offer of $8.25 a share represents a huge premium to the company's average share price throughout COVID; however, it is still well below where the company traded prior to the pandemic (c. $9 in December 2019). The company is currently reviewing the offer.

Global equities

Global equities continued to rally for their fifth consecutive quarter in June buoyed by the global vaccination rollout supporting strong corporate earnings results posted in the US and Europe.

Developed markets rose 4.7% during June while performance in emerging market equities were softer, rising 3.3% in Australian dollar terms despite continuing to lead developed markets over 12 months. June performance remains dispersed across developed markets with the US S&P 500 returning 2.3% and 40.8% for the fiscal year. More cyclical economies like Europe (1.6%) and Japan (1.2%) lagged the US as investors in these regions remain within defensive assets. The disparity in economic recovery continues within emerging markets with China posting an 8.8% YOY growth in industrial production for June whilst India and Brazil remain hamstrung by consecutive second and fourth wave Covid outbreaks.

Given the varied economic backdrop across developed and emerging markets, June factor performance for

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global equities was dispersed by region. Notably, there was a broad reversal to the much-publicised rotation to value in the June month as investors increased their risk appetites, seeking out high beta stocks. Momentum, and to a lesser extent growth, had strong outperformance within emerging markets, whilst US, Europe and Japan saw similar outperformance in measures of quality. Across all regions value and yield were underperformers with the US posting the strongest underperformance in the value factor.

While global equity markets remain buoyed in the short term by continued vaccination efforts, inflation concerns and a tapering of the global monetary stimulus by central banks pose significant uncertainties for global equities into the medium term.

Property

Australian listed property achieved strong results in June, posting a 5.6% gain and finishing the month with 33.9% YTD. June's move higher was largely fuelled by Goodman Group (ASX: GMG) (the largest constituent in the S&P/ASX 300 A-REIT index) advancing 8.96%, with some of this gain being attributable to the dividend distribution announcement on 15 June.

The A-REIT segment has continued to witness acquisition activity. Abacus Property Group (ASX: ABP) announced that it had exchanged contracts to acquire a one-third interest in 314-336 Bourke Street, Melbourne (known as "Myer Melbourne"). Charter Hall Long WALE REIT (ASX: CLW) will also acquire a one-third interest while Vicinity (ASX: VCX) with retain the remaining third. Total consideration for the acquisition, which will be funded by debt, is $135.2m, with settlement expected by the end of July 2021.
SCA Property Group (ASX: SCP) agreed to acquire Marketown in Newcastle from AMP Capital Investors Ltd for $150.5m.

Charter Hall announced late June that its FUM has risen to $52b, with the industrial sector being a key contributor, achieving 10.8% growth over six months and 15.5% growth over 12 months, the largest of the five sectors across both time periods. The Group's FUM has increased by $12b over the course of FY21, equating to 28% growth.

Residential property markets advanced further in June, with CoreLogic Daily Home Value Index reporting the five-city aggregate increasing by 1.9%, Sydney led the charge, achieving 2.6% and Melbourne lagged the aggregate with 1.5%. CoreLogic's data also indicates that the rise in residential property prices has outstripped that of rent values for all cities but Perth and Darwin. This is despite National rent values having risen 5.6% in the year to May, being the fastest annual increase since February 2009.

Fixed income

Throughout June, yields at the higher end of the Australian Sovereign curve fell substantially, with the 10-year yield having fallen by 17 basis points over the course of the month. This movement has helped to drive strong returns for the Bloomberg AusBond Composite 0+ Yr Index, which increased by 0.7% throughout June. Similar movements have been observed globally, resulting in the Bloomberg Barclays Global Aggregate Index (AUD Hedged) returning 0.5% over the month. However, this fall in yields is not universal, as the shorter end of the curve has seen yields rise recently, most notably at the 3-year level, which increased by 35 basis points in Australia over the course of June. This has resulted in a flattening of the yield curve, signalling headwinds for strategies that rely substantially on roll-down as a source of return.

Maintaining its focus on the real economy, the Reserve Bank of Australia (RBA) remains committed to seeing realised inflation within its target range of 2-3% before raising the Cash Rate from its current record low level of 0.1%. However, a recent announcement wherein the Central Bank declined to switch its target bond for yield curve control from the April 2024 to the November 2024 issue has been widely interpreted as a prelude to a tapering of stimulus. In this respect the RBA is moving in tandem with Central Banks around the world, who are beginning similar discussions as the global economy surpasses projections in its recovery from COVID.

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ASX 200 share movements

S&P/ASX 200 performance for the month to June

Best performers	
Altium Ltd	29.78%
Afterpay Ltd	27.37%
Pro Medicus Ltd	27.35%
Whitehaven Coal Ltd	23.17%
Megaport Ltd	22.95%

Worst performers	
Nuix Ltd	-20.22%
Gold Road Resources Ltd	-18.45%
Westgold Resources Ltd	-17.54%
Silver Lake Resources Ltd	-17.41%
Evolution Mining Ltd	-16.82%

S&P/ASX 200 performance for the year to June

Best performers	
Chalice Mining Ltd	645.73%
Pilbara Minerals Ltd	522.58%
HUB24 Ltd	207.72%
Lynas Rare Earths Ltd	199.17%
Orocobre Ltd	180.09%

Worst performers	
A2 Milk Company Ltd	-67.85%
Appen Ltd	-59.72%
Regis Resources Ltd	-51.69%
AGL Energy Ltd	-48.16%
St Barbara Ltd	-44.12%

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Economic News

Australia

The RBA left the cash rate unchanged at a record low of 0.1% during its July meeting, as widely expected. Policymakers reaffirmed their commitment to maintaining highly supportive monetary conditions until at least 2024 when actual inflation is expected to be within the 2-3% target. The labour market has continued to recover faster than expected with the unemployment rate at 5.1 per cent in May and more Australians have jobs than before the pandemic. Despite this strong recovery in jobs and reports of labour shortages, inflation and wage outcomes remain subdued.

The Westpac-Melbourne index of Consumer Sentiment fell 5.2% to 107.2 in June, largely due to concerns about the two week lockdown in Melbourne as the survey was conducted in the first week of the lockdown.

May's' labour force survey showed employment rose 115,200 during the month, beating expectations for a 30,000 increase. Part-time employment rose 97,500 and full time employment 17,700. The participation rate rose from 66.0% to 66.20% and the unemployment rate unexpectedly dropped to a 17 month low of 5.1%. The Markit manufacturing PMI index fell 1.8pts to 58.6 in June, slightly higher than the estimate of 58.4 as factory orders and output slowed and employment growth momentum eased.

Global

Global Covid-19 cases continue to rise with numbers just surpassing 183 million cases. This represents an increase of about 13 million in the month. Delivery of vaccines continues to rise and the UK reports over 84.9% of adults have received their first dose while 62.4% had received both. With a record number of cases recorded in Africa, the IMF has urged the G20 to do more to end the growing divergence of vaccine distribution. This comes on the back of the G7 agreeing to distribute 870m surplus vaccines this year.

Key economic indicators continue to improve generally, with a number of leading economies beginning to report modest increases in inflation.

The United States continued to reopen, with 64.5% of the adult population fully vaccinated by the July 4th holiday, just shy of the 70% target President Biden set for the vaccination 'month of action'.

US Non-farm payrolls surprised in June, adding 850,000 jobs, well ahead of the 700,000 jobs expected. The unemployment rate increased from 5.8% to 5.9%, with the participation rate largely unchanged at 61.6%. Average hourly earnings increasing 0.3% in the month, slightly lower than the 0.4% expected. The second estimate for Q1 GDP came in unchanged at a 6.4% annual growth rate, whilst personal consumption expenditures were unchanged in May following the April increase to an 11.3% annual rate. Durable goods orders rebounded from the April fall, increasing 2.3%, but below the market expectations of a 3.8% rise.

As expected, the PMI Composite Index fell 5 points 63.7 in June, reversing the gains made in May, with the services PMI down from 70.4 to 64.6. The ISM non-manufacturing PMI disappointed, falling from 64.0 to 60.1, well below the expected 63.5. The Philadelphia Fed Manufacturing Index fell for the second month to 30.7, whilst the Chicago PMI index also fell to 66.1, well below the market forecasts of 70. Personal incomes fell 2.0% in May (-2.5% expected), as government social benefits were further rolled off (the withdrawal of stimulus is recorded as a drop in personal income), while personal spending rose at 0.1%, below the expectation of 0.4%. The international goods trade deficit widened to $88.1 billion in May, coming in above expectations of $ 84.0 billion.

Eurozone economic sentiment increased 3.4pts to 117.9 in June, beating expectations of 116.5, taking it just below the 21 year high of 118.20 in May 2000. Sentiment was supported by hopes of a strong economic recovery, particularly, among service providers with the highest sentiment since August 2007. The ECB also revised up its GDP projections for 2021 and 2022 to 4.6% and 4.7%, respectively.

The June Markit manufacturing PMI achieved record high of 63.4, from an expected 63.1, marking the twelfth successive month of expansion in the sector. The Markit Composite PMI increased to 59.5 in June, broadly in line with expectations, whilst Retail sales surged 4.6% in May of 2021, following an upwardly revised 3.9% drop in the previous month and slightly higher than forecasts of a 4.4% increase. CPI eased to 1.9% in June from a two year high of 2% in May.

PPI grew 1.3% in May, slightly higher than the expected 1.2% and taking the year on year increase to 9.6% The unemployment rate fell to 7.9%% slightly below expectations of 8.0%.

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In the UK, the Markit/CIPS Composite PMI fell to 62.2, slightly ahead of expectations of 61.7. Retail sales volumes declined by 1.4% in May 2021 following a sharp increase in April when retail restrictions were eased. Despite the monthly decline, total retail sales were up 9.1% when compared with their pre-pandemic February 2020 levels. The PMI Composite Index came in at 62.2, ahead of expectations of 61.7. The United Kingdom's Covid-19 vaccine accelerated in June, with 62.4% of adults fully vaccinated and 84.9% having received at least one dose by the end of the month.

China's inflation data disappointed in May, with month-on-month inflation contracting 0.2% (-0.1% expected), with the yearly inflation rate coming in at 1.3%, below expectations of1.6%. The unemployment rate fell in May to 5.0%, the lowest rate in two years. Retail sales slowed to 12.4% year-on-year in May 2021, missing the expectations of 13.6% and pulling back from the 17.7% increase in April.

The Caixin Composite PMI fell 3.2pts to 50.6 in May, below expectations of 53.6. This was the lowest reading since April 2020, due to concerns over the epidemic situation in the export hub of Guangdong that led to a reintroduction of travel restrictions.

The Chinese government announced that they were moving away from the reliance on Australian iron ore, but this had little effect on iron ore prices as they peaked at US$229.50.

Despite progress in the vaccine rollout across the developed world, case numbers are spiking in Asia where vaccines have been slower to roll out. Concerns regarding a global re-opening have been renewed as restrictions on mobility have re-emerged. Late in June, Japan again extended its state of emergency ahead of the Olympic Games.

The Japan consumer confidence index increased by 3.3 points to 37.4 in June (33.0 expected), marking the strongest reading since February 2020, as all main sub-indices improved. Retail sales fell 0.4% in May, well below expectations of 1.9% growth, as the yearly rate rose 8.20% (7.9% expected), marking the third straight month of increases, as consumption recovered further from the COVID-19 disruption. The central bank also extended the September deadline for its pandemic-relief programme by six months. CPI expanded 0.3% in May, ahead of expectations of 0.1%, as the yearly rate improved to -0.1%.

Currencies

The Australian dollar reversed its recent strength somewhat in May, falling -0.66% against the US dollar and -1.40% in trade-weighted terms. Weaker-than-expected US jobs report has raised expectations that the US Fed will keep rates on hold for longer, although the RBA has also indicated that it will remain highly accommodative until 2024.

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