

JANUARY 2011 – MARCH 2011

Shares generally offer potential to grow your money over longer time periods. However share prices can also rise and fall a lot in short spaces of time – sometimes in one day. At the end of the day, history shows us that if you're investing over long time periods, a well diversified Australian share portfolio generally achieves positive returns.

Quarter Review

The S&P/ASX 300 Accumulation Index was up 3.1% over the March quarter. All three months for the quarter were positive, though February provided the majority of returns.

The Australian market continues to provide strong returns over the current financial year as confidence in sustained growth improves each quarter.

The March quarter was heavily influenced by macroeconomic factors. During January Australia experienced widespread flooding across Queensland, Northern NSW and Victoria. February saw New Zealand hit with devastating earthquakes, while the Middle East and North Africa erupted with political unrest. While in March Japan was devastated by an earthquake and subsequent tsunami which also led to nuclear issues at several of the country's power stations.

The economic fallout from these events has undoubtedly been material. Impacts on everything from food inflation to coal prices have potential to slow global growth to a crawl. However, the ability of Australia's equity market to grind out a solid return over the quarter in spite of these events should provide some comfort for investors.

The Reserve Bank of Australia left the cash rate unchanged at 4.75% throughout the quarter.

The best performing sectors were Banks, Energy & Food, Beverage & Tobacco. The worst performing sectors were Commercial & Professional Services, Utilities and Pharmaceuticals & Biotech.

Outlook

The Australian Dollar recently hit a post-float high. While the price of one Australian Dollar has various ramifications for Australia's economic sectors, more generally a strong dollar represents Australia's relative economic strength. Whether this is a result of capital flowing into the country to take advantage of interest rate differentials reflective of higher growth prospects, superior investment opportunities, or purely from net exportation, the Australian Dollar is in demand. While not as simple a relationship as the above may imply, the strength of the Australian Dollar is certainly an endorsement of Australia's current and future economic opportunities.

A note from our legal team

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S&P/ASX 300 Accumulation Index

