

APRIL 2010 – JUNE 2010

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 down 11.2% over the June quarter. Indicating the severity of the quarter's fall, all three months provided negative returns, with May the harshest decline.

Arguably the most significant development this quarter was Telstra's signing of a Heads of Agreement with NBN Co – the company formed by the Government to develop a National Broadband Network. Several companies updated the market with earnings numbers throughout the quarter. Westpac and NAB reported first half results, and while both companies were broadly in line with consensus estimates, funding pressure was identified as a near-term challenge for domestic banks.

Economic data was mixed during May. Consumer and business confidence indices slumped, seemingly as a result of several interest rate increases. On the other hand, retail sales and employment trends printed figures to the upside. March GDP data was released showing the economy expanded by 0.5% on the previous quarter. The Reserve Bank of Australia currently has the cash rate sitting at 4.50%, while the Australian Dollar fell against the US Dollar by almost 12%, to finish June slightly above 84c.

The best performing sectors were Telecommunication Services, Food, Beverage & Tobacco and Property Trusts. The worst performing sectors were Diversified Financials, Transportation and Commercial & Professional Services.

S&P/ASX 300 Accumulation Index



Outlook

While June saw a continuation of May's negative sentiment, markets continue to be driven by largely macroeconomic factors. European debt issues, Chinese growth concerns and domestic resources taxation appear to be overriding company-specific happenings. While this places Australian equities in a tense predicament, domestic fundamentals have Australia solidly positioned relative to international counterparts. With a cash rate equally capable of stimulating or stalling growth, resource assets that are in demand by emerging markets and a new Prime Minister, perhaps Australia is not as badly placed to grow over the coming years as domestic markets currently imply.

A note from our legal team

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