

JULY 2010 – SEPTEMBER 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 up 8.3% over the September quarter. After a flat first quarter and a weak second, the Australian market posted a robust gain in the third quarter. The quarter was guided by several positive macro factors with market positioning reflective of a more optimistic global outlook.

Reporting season dominated investor focus in August. Earnings were slightly ahead of consensus forecasts, though there was marked differentiation between sectors. Resources fared better than Industrials, while banks reported the best earnings improvement.

Domestic economic data was robust during the September quarter. Consumer confidence was strong, reaching its highest level since January. Retail sales rose in line with this improved sentiment leading retailers to expect a strong run in to Christmas. Employment growth continued with numbers of jobs in the economy rising almost every month in the past year.

Australia now sits close to full employment with unemployment at 5.1%.

The Reserve Bank of Australia left interest rates unchanged at 4.50% throughout the quarter. Expectations of a rate hike are building with the RBA remaining hawkish. The Australian Dollar resumed its upward trend finishing the quarter just shy of US\$0.97. This represents an appreciation of 15% over the quarter.

The best performing sectors were Transportation, Commercial & Professional Services and Capital Goods. The worst performing sectors were Pharmaceuticals & Biotech, Media and Telecommunication Services.

## Outlook

While a strengthening Australian Dollar potentially makes an investment in Australian equities less appealing to foreign investors, the Australian offering is hard to dismiss. With a growing economy, monetary policy that remains flexible and status as a major resources supplier to the growth engines of China and India, Australia is in an enviable position as investors embrace global equities.

## A note from our legal team

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## S&P/ASX 300 Accumulation Index

