

JULY 2011 – SEPTEMBER 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 down 11.6% over the September quarter. All three months for the quarter were negative, with September the harshest decline.

While this was the Australian markets worst quarter since Q4 2008, many global markets fared worse with the MSCI World Index down over 17%.

With reporting season in August there were plenty of financial results provided through the quarter. Retailer David Jones downgraded guidance on account of weak sales. Diversified miner BHP's FY11 profit of \$21.7b was an Australian record. BHP's outlook was cautious near term with the company all but ruling out a buyback or capital return. With global markets considered 'cheap' on many metrics there was increasing activity on the corporate front. News Corporation announced a US\$5b share buyback following the postponement of its proposed BSKyB takeover. Brewer Foster's Group recommended a \$5.10 per share offer from SABMiller, an increase on the original offer of \$4.90 per share. Fosters's shareholders will also receive a \$0.30 return of capital and the 13.25cps FY11 final dividend.

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

The best performing sectors were Telecommunications, Food, Beverage & Tobacco and Utilities. The worst performing sectors were Capital Goods, Energy and Materials.

Outlook

Given the predicament of global markets at present, the RBA is among friends in keeping rates on hold. Where Australia differs from many developed nations is its capacity to cut rates. As the employment rate creeps higher and signposts such as business confidence decline, it becomes clearer that the economy is growing at below trend pace. However, this does not necessarily imply immediate action from the RBA. While there is time to sit on the sidelines, this is limited and the RBA's hand may soon be forced.

A note from our legal team

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S&P/ASX 300 Accumulation Index

