

JANUARY – MARCH 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 1.3% over the quarter and February's reporting season dominated company earnings. Highlights during the quarter included Westpac which jumped almost 10% on reporting lower than expected losses, media monolith News Corporation which rallied 6.5%, and industrial conglomerate Wesfarmers whose Kmart, Target and Coles brands all contributed to a 13% rise in the company's shares. On the downside, transport company Toll Holdings fell over 20%.

Economic data during the quarter retained a positive outlook. While credit growth remains soft, employment data once again confirmed that this cycle has passed peak unemployment.

The Reserve Bank of Australia raised the target cash rate twice during the quarter, by 0.25% on both occasions.

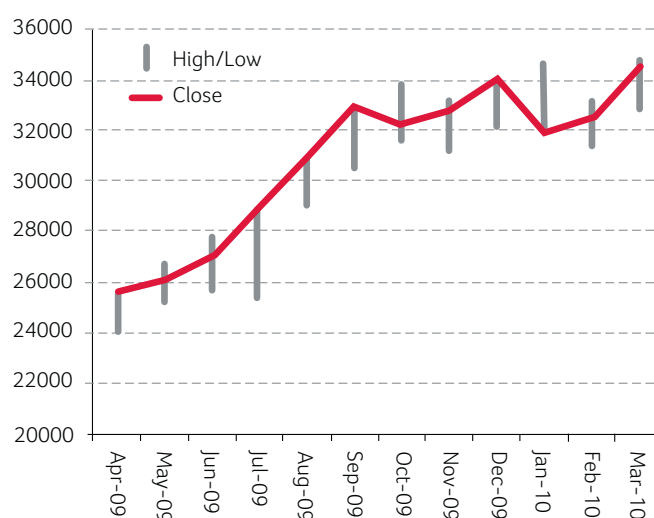
A key concern for the RBA now appears to be emerging signs of a heating property market. In currency markets, after reaching a high of over 93c in January, the Australian Dollar fell back below 86c during February but rebounded to finish March at 92c.

The best performing sectors were Pharmaceuticals & Biotech, Banks and Consumer Services. The worst performing sectors were Retailing, Insurance and Telecommunication Services.

Outlook

The Australian equity market looks to be finding its feet once again. Following a solid reporting season in February with a near 6% return in March, sentiment certainly looks to be turning positive. Add to the mix several takeover bids from international corporations (and the likelihood of several more if March was anything to go by) and there still appears plenty of upside in the local market. While Australia's global counterparts may have a few hurdles to clear yet, domestic growth continues to appear robust.

S&P/ASX 300 Accumulation Index



The legal bits.

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