



With the Christmas season nearly upon us, we wanted to give you an indication of market performance and how staying invested has delivered. The September quarter was in stark contrast to last year's when the collapse of Lehman Brothers created havoc in markets worldwide. Returns have improved this quarter with evidence of a recovery in one year returns now appearing.

The returns recovery is a welcome confirmation that staying invested and not capitulating to fear when markets were falling was the right decision, in fact it is now starting to pay off. Markets can recover quickly, often when the news headlines are still negative. Waiting for the news to improve means you can miss out on some great returns.

### **Australian Shares**

Up until September the market recorded seven positive consecutive months. The early signs of economic improvement and a profit reporting period which turned out to be better than expected have clearly helped. Small caps have outperformed the large cap market over the 12 months to October, registering 39.65% compared to 21.98% for the large cap sector.

### **Global Shares**

A notable feature of the global market has been the significant out-performance of emerging markets over developed markets. For the year to 31 October, the emerging markets index had risen 20 % while the unhedged MSCI World Index was down by nearly 15%.

### **Bonds**

Bond markets have been progressively recovering from the dislocation caused by the collapse of Lehman Brothers last year. As in the previous quarter, we have been seeing a recovery in the pricing of bonds such as corporate and high yield bonds which have more risk than cash and government bonds. So very simply, the message here is what hurt returns last year is actually helping this year.

### **Listed property**

The Australian and global listed property markets continue to recover. Many trusts have successfully raised more capital from shareholders and this has helped stabilise the sector. While returns for the quarter are strongly positive locally and globally, one year returns to October are still substantially negative at around -6.0%.

<b>Market moves — as at 31 October 2009</b>						
<b>Returns (%) p.a.</b>	<b>3 mth</b>	<b>6 mth</b>	<b>1 yr</b>	<b>3 yr</b>	<b>5 yr</b>	<b>10 yr</b>
<b>Australian Equities</b>						
S&P/ASX 300 Accumulation Index	10.97	25.64	21.98	-0.60	8.76	9.48
S&P/ASX Small Ordinaries Accumulation Index	10.41	33.28	39.65	-4.19	5.97	6.52
<b>Global Equities</b>						
MSCI World Acc Index with Gross Div (A\$)	-2.06	2.12	-12.96	-10.27	-0.66	-2.71
S&P 500 Composite Accumulation Index (A\$)	-2.96	-2.40	-19.83	-11.70	-3.42	-4.35
FTSE100 Accumulation Index (A\$)	0.99	9.60	-10.31	-11.85	-0.49	-2.28
MSCI Emerging Markets Free W/Gross Div (A\$)	0.17	13.91	20.20	1.29	12.78	7.66
<b>REITS (Listed Property Securities)</b>						
S&P/ASX 300 A-REIT Accumulation Index	16.30	30.17	-6.11	-21.41	-6.79	3.79
UBS Global Real Estate Investors Index (A\$)	15.88	30.11	8.65	-15.26	0.09	9.47
<b>Fixed Interest</b>						
UBS Warburg Composite Bond Index	1.37	0.33	4.89	6.33	5.72	6.32
UBS Warburg Bank Bill Index	0.79	1.59	3.83	6.07	5.97	5.66
BarCap Global Aggregate Index Hedged \$A	2.79	5.97	13.41	7.91	7.14	7.93

#### **In Summary:**

It has greatly pleased us that your fund managers have stood strong and have done exactly what we expected them to do in such volatile times of the past year. It brings comfort to know that your money has been in good hands and secure through what has been arguably the greatest market turmoil and financial crisis of all time. We have always said that one day this will all pass and better times will return, however in the heat of the demise it is often hard to see through to the other side.

We look forward to 2010 and no doubt the new challenges and opportunities it will bring. In the meantime, if you have any queries or would like to speak with us about your own plans and goals, please call us.

We wish you and your family a merry Christmas and all the very best for the new year.

Kind regards

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