

APRIL 2011 – JUNE 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 4.26% over the June quarter. All three months for the quarter were negative, with May the harshest decline.

The quarter was guided by several macroeconomic factors which weighed heavily on investor sentiment over the period.

The performance of global markets continued to be divided as equity markets with an exposure to emerging growth story were soft. Macro issues affected large segments at a time, with almost indiscriminate application. Greece's financial status was dealt a blow as S&P cut their rating to CCC in May, one step above default and the lowest rating of any Government in the world.

Several companies updated the market with reassessed forecasts and earnings prospects throughout the quarter as the Financial Year end approached.

Corporate activity was prevalent throughout the June quarter, although slower in May.

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

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

## Outlook

Australia's economy is at a cross roads. The economic data is weak across key categories such as retail sales and home approvals. Despite the softness we are seeing today, the RBA continues to remind the country that we are about to enter a once in a generation capital spending boom. Interestingly, while the RBA has a bias to raising rates over the medium term, currently, money market investors are pricing in rate cuts due to economic weakness. The next few months will be critical in determining the trajectory of the Australian economy.

## A note from our legal team

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### S&P/ASX 300 Accumulation Index

