

# 2009/10 was a good year for investors

## Media headlines have been gloomy of late but it's important to keep events in perspective.

2009/2010 financial year was, in fact, a good year for investors with well diversified portfolios.

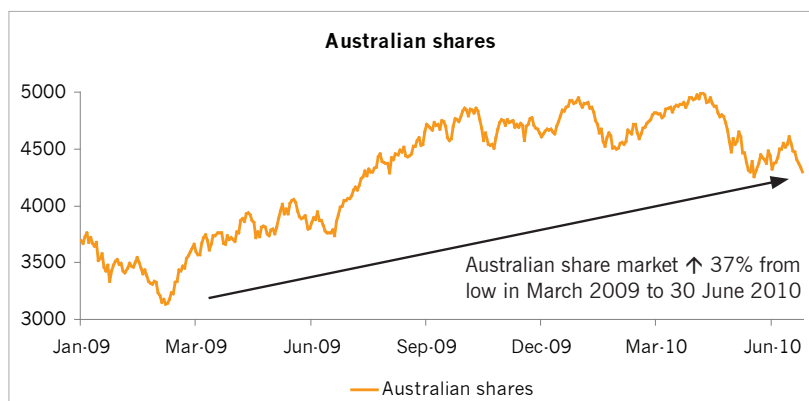
## good year for investors

Well diversified portfolios benefited from positive returns in all major asset classes over the last financial year. Growth assets drove portfolio performance with some market returns very strong as government stimulus measures boosted investor confidence.

Fixed interest delivered good returns in the 12 months to 30 June. Initially, this was due to a recovery in credit markets. More recently, high quality government bonds, including Australian bonds, have been favoured in a more cautious environment. This follows the well publicised concerns over the ability of the Greek government to service its debt obligations.

Bond investments are an important component of a well diversified portfolio. The benefit of diversification is also evident in international share allocations where a 50% exposure to foreign currency cushioned some of the recent falls.

The chart below captures the recent journey of investors. The Australian share market, and the average balanced portfolio, are well up from the low of March 2009 and ahead of where they started the 2009/2010 financial year.



source: Bloomberg. S&P/ASX 300 Price Index. Data as at 30 June 2010.

## why have share markets been more volatile recently?

After a very strong first half of the financial year, market sentiment has become more fragile recently. Europe's debt crisis and the potential implications for world growth was a headwind for global share markets. In Australia, investors worried that a slowing Chinese economy would have a downstream effect on our economy. There were also concerns about the strength of the US economic recovery.

Many of the issues that concern investors derive from a common source – the unsustainable build up of debt in advanced economies. While the global financial downturn marked the end of the debt-driven party for households and business, the debt obligations have not disappeared from national economies which continue to operate with a debt hangover.

Importantly, the European debt crisis has brought forward government policy measures to address fiscal deficits in the key economies. This is good for the medium term outlook.

## the medium-term outlook is positive

Against this backdrop, it might be surprising to learn that global economic activity remains remarkably robust and corporate profitability is very healthy.

Over the past two years, companies around the globe have acted aggressively to lower their cost base, and this provides scope

for a strong rebound in earnings – especially for those companies that generate sales from emerging economies such as India, China and Brazil. This disconnect between more difficult fiscal conditions and better underlying corporate prospects will influence share market prices in the period ahead.

Given the attractive valuations in sharemarkets and our expectation that corporate earnings will continue to rebound, we are confident that portfolios that hold a diversity of good quality investments are well positioned to deliver strong returns over the medium term.

## managing your money

The key to success in the next period is to be well diversified. Investors with different types of assets working for them are better placed to capture the long term return from investment markets and manage short term uncertainty.

While recent market falls are not pleasant, periods of market weakness are an opportunity for the managers working for you to purchase assets with good growth prospects at discount prices.

## we help during times of uncertainty

During the past few years our clients have felt reassured that they have someone to guide them through the uncertain times, advising them against making hasty decisions and letting their emotions drive investment decisions.

Having an adviser by your side can help you stick to your long term goals and lifestyle aspirations safe in the knowledge that market fundamentals will eventually win out and markets will go on to recover.

Whether it's the latest investment strategies or advice to help you make the move toward retirement, we can help you develop a strategy to suit your personal situation.

for more information contact an ipac financial adviser on 1800 626 881 or visit [www.ipac.com.au](http://www.ipac.com.au)



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