

MLC fund performance update, October 2009

Below is an edited transcript of a webcast recorded on 6 November, 2009 by MLC Senior Investment Strategist John Owen.

Hello everyone, I'm John Owen from MLC Investment Management and thanks for joining us again.

Having just completed the month of October, here's an update on how markets have gone during the month and the implications for your returns.

For much of October, the Australian market performed well and we were looking at a record eight consecutive months of positive returns. This didn't eventuate as a drop in sentiment and questions arising around the sustainability of the recent rally saw the market fall in the last week of October and the Australian share market finished down by 2.1%.

While not an ideal end to the month – the market is still up by 22% for the year to October 31 and 52% above the low point recorded early in March.

As for the MLC Australian shares strategy, performance was on par with the market for the month. In October, 4 of your 10 Australian share managers outperformed the index. These were: Lazard, Northward Capital, JF Capital Partners and Balanced Equity.

In global shares, similar concerns about the strength and sustainability of the global recovery caused many share markets to lose ground. Interestingly, Hong Kong bucked this trend, rising 3.8%. The overall global share market return, as measured by the MSCI All Countries World Index (unhedged) was negative 3.8% for October. Similarly the MSCI All Countries World Index (hedged) was down 1.7% for the month.

Emerging markets outperformed the developed markets over the month but still finished in negative territory – down over 2%.

In this environment the MLC Global Share Strategy outperformed the index by a small margin, with all but one of the 8 managers also outperforming.

The market's weakness in October also affected Australian Real Estate Investment Trusts with the sector declining 9%. The MLC Property Securities Fund outperformed over the month as the riskier REITS fell more than those with more solid financial features. Fortunately, our managers Resolution Capital and Challenger have been careful to minimise their exposure to REITS guilty of mismanaging their capital. This has helped them to outperform in the month and year by substantial margins.

Similar to the Australian market, Global REITS were also down over 3% for the month. In this environment the MLC Global Property Fund performed very well versus the index due to Morgan Stanley's and Resolution Capital's ownership of Asian REITs, which have performed well.

The final asset class I'd like to highlight is bonds which have been gradually improving following the collapse of Lehman Brothers just over a year ago. Returns are now more normal and most bond market yields are now back in line with what they were pre-Lehman bankruptcy. Like we've said before, what hurt last year is helping this year and our debt strategies continue to perform positively in this more rational market environment.

So what does all this mean for our portfolios? Well, by looking at our Balanced and Growth Funds in absolute terms, both were down around 1.5% for the month. This isn't surprising given the late-in-the-month weakness of sharemarkets. However, the one-year return of both funds is back into positive territory, returning more than 7%.

Just a quick mention, for more details on performance have a look at the September quarter MLC fund commentaries on our website. And don't forget to keep an eye on the MLC Market Watch website for regular updates.

Thanks for listening and bye for now.

For more information visit www.mlc.com.au.