

MLC fund performance update, November 2009

Below is an edited transcript of a webcast recorded on 1 December, 2009 by MLC Senior Investment Strategist John Owen.

Thanks for joining us. Having just completed November, here's an update on performance for the month.

November has turned out reasonable for markets. The emergence of a debt crisis in the Middle Eastern state of Dubai did initially unsettle markets, but most still managed to generate low single digit positive returns. And while it wasn't an ideal end to the month, it's worth remembering that markets are still substantially higher than this time last year.

Looking at Australian shares, our market increased by 1.8% in November. This builds on the string of positive monthly returns since the market bottomed in March.

The return of the MLC Australian Shares Strategy, has been superior to the market return for much of the last year. However, the strategy's return in the month and year to the end of November was below the market's, due in part to the underperformance of bank stocks within the strategy, such as Suncorp-Metway, NAB and ANZ, and the lower than index holding in Commonwealth Bank and BHP Billiton, both of which performed strongly.

In global shares more signs of modest economic strength helped underpin global markets, despite the events in Dubai. For example, the return of the US S&P500 index in November was 5.8% and the UK's FT100 was up by 2.9%.

Emerging markets continued to outperform the developed markets over the month and year. Our managers continue to actively investigate opportunities from these markets.

The MLC Global Share strategy marginally underperformed the index in November but the one year return is above the index return. Sands Capital, one of the managers MLC appointed early this year continues to perform very strongly.

Let's now look at listed property markets.

After a weak October, the Australian listed property market managed to increase by 1% in November. The MLC Property Securities Fund return in November was roughly in line with the index. However, the Fund's one year return remains ahead of the index by a significant margin, and this has come from astute stock selection by managers Resolution Capital and Challenger, who have been careful to minimise their exposure to poorer quality listed trusts.

As for Global listed property, the index in local currency terms was unchanged over the month. The North American market was firm, but Asian and European listed property markets lost ground.

The Asian market weakness will impact the return of the MLC Global Property Fund, as Resolution Capital and Morgan Stanley have overweighted the Hong Kong, Singapore and Japanese markets. While this hurt returns in November, these positions have been very beneficial over the year.

The final asset class I'd like to highlight is bonds. The picture today is very different to this time last year, when markets were in turmoil and uncertainty was widespread.

Bond markets in November were generally firm and remain on the road to recovery. As we commented last month, returns have normalised and most bond market yields are back to where they were pre-Lehman Brothers bankruptcy.

Our debt strategies continue to perform positively in this more rational market environment.

Let's turn now to how the MLC Balanced & Growth Funds have performed.

Both funds returned over 1% in November (in superannuation after fees & tax). However, the real story this month is their one year return outcomes. Remember last month one year returns had moved back into positive territory. Well this month, the highlight for investors is the move back into double digit return territory.

In the year to 30 November, and based on very early preliminary numbers, we expect the MLC Balanced & Growth Funds' (superannuation) one-year returns could be of around 15%. This is a welcome reward for investors who have stayed on track and maintained their strategy.

Just a reminder to keep an eye on the MLC Market Watch website for regular updates.

Thanks for listening... have a great Christmas - and bye for now.

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