

## **MLC fund performance update, March 2010**

*Below is an edited transcript of a video recorded on 8 March, 2010 by MLC Investment Strategist John Owen.*

Here's an update on the performance of markets during the month of February and the implications for your returns.

February was a good month for equity markets around the globe. In Australia, the sharemarket was up by 2% in February and following a 6.2% fall in January. The gains were widespread, with Telecommunications the only sector to lose a significant amount of ground. The profit reporting period which concluded at the end of the month generally met expectations. In fact, there was evidence of stability and recovery in some instances, although companies were generally unwilling to raise dividends by much.

You may be interested to know that for the twelve months to the end of February, the Australian sharemarket is up by 45%.

The MLC Australian Shares Strategy returned 1.4% before fees and tax in February, underperforming the market by 0.6%. The performance of our managers versus the index was mixed. Contango, Maple-Brown Abbott, Northward, Wallara and Balanced Equity Management outperformed. The underperformers were Dimensional, Lazard, Concord, JF Capital Partners and Northcape. Note that manager returns can be variable over such short measurement periods. If we look at returns for the year to the end of February, the MLC strategy return was 4.2% higher than the markets (before fees and tax) with all but two managers outperforming.

In global shares, most of the major developed markets advanced during February while the emerging markets index lost ground, but only by a small margin. Despite concerns with the anaemic economic outlook in the US and the UK, the sharemarkets in both countries increased by 2.9% and 3.2% respectively in local currency terms. Markets in Japan, France and Germany lost ground but the falls were marginal.

In this environment, the MLC Global Share Strategy underperformed the market index by a small margin in February. As in Australian shares, manager returns were variable though Capital International, Wellington and Mondrian were the only managers to underperform. However, the MLC Global Shares Strategy performed well in the year to 28 February with the return 2% ahead of benchmark before fees and tax.

In line with the positive returns recorded by most global sharemarkets, listed property returns were also positive in February. The Australian listed property index increased by 1.5% and the global index hedged was up by 3.4%. Both MLC strategies have outperformed their respective market benchmarks in February and the year to February 28. For the MLC Australian Property Securities Fund, Resolution Capital outperformed in the year while Challenger underperformed. In the MLC Global Property Fund, Morgan Stanley and Resolution Capital outperformed – in the case of Morgan Stanley by a substantial margin – while LaSalle underperformed.

Bond markets also delivered positive returns in February. Global banks loans was the stand-out performer this month as they continue to recover from the weakness suffered during the GFC. Australian bonds, which most of our portfolios have a meaningful exposure to, had solid returns in February with our 2 Australian bond managers, UBS and Antares, doing very well compared to the market. They also delivered good returns from their management of Australian inflation-linked bonds which weakened this month but the managers outperformed by 2% - a fantastic result.

The global bond market was fairly lack lustre, which isn't surprising considering the question marks surrounding the Greek Government's ability to service its debt. Stand out manager performers this month were PIMCO, who manages a global multi-sector bond strategy, and our two global high yield managers, Oaktree and WR Huff. All outperformed by around 1% in February.

It's worth mentioning the recent changes that we've made to your bond strategies. To summarise the changes, we've split the strategies into more specialist sectors, introduced greater flexibility to change the allocations to the various debt sectors in response to changing market conditions, should we need to, and finally we've added more managers to increase manager diversification. These changes were made to strengthen the defensiveness of our bond strategies and improve our ability to preserve your capital when growth assets such as shares are weak. I encourage you to view the video on the changes or read the information available on [mlc.com.au](http://mlc.com.au)

So how have your portfolios performed? Based on preliminary and unaudited estimates for our superannuation portfolios, the MLC Balanced Fund returned +1% in February while the MLC Growth Fund returned +1.1%. Returns for both funds are significantly positive

in the year to the end of February. Again, based on preliminary unaudited estimates, the Balanced Fund return was +25.5% and the Growth Fund +29.3% for the twelve months to 28 February.

Keep an eye on the MLC website for more information on markets, MLC funds and regular updates.

For more information visit [www.mlc.com.au](http://www.mlc.com.au).