Market Watch

MLC

MLC fund performance update, April 2010

Below is an edited transcript of a video recorded on 7 April, 2010 by MLC Investment Strategist John Owen.

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

Sharemarkets continued their strong performance for the year with positive gains in March - a remarkable difference to the economic and investment landscape a year ago. While returns in the short term look impressive and markets have increased from a low base this time last year, the one year returns investors will see are substantially positive and their magnitude may actually surprise. Let's look first at Australian shares.

March was another good month for our market and continues a string of good monthly returns for much of the last twelve months. The Australian sharemarket increased by 5.7% for the month and gains were widespread. Aside from the continued focus on resources and energy companies, we also saw the emergence of takeover activity as well.

Putting the last year in perspective, for the twelve months to the end of March, the Australian sharemarket is up by 42%.

Preliminary numbers for the MLC Australian Shares Strategy point to a 5.6% return before fees and tax for the month of March. This is just 0.1% under the market's return. Of the ten managers within the strategy, only three underperformed –Lazard, Maple-Brown Abbott and Balanced Equity Management – all of whom follow a value-oriented investment approach.

Note that manager returns can be variable over such short measurement periods. If we look at returns for the year to the end of March, the MLC strategy return was 45% before fees and tax. This is 3% above the market's return with all but three managers outperforming. Dimensional was MLC's best performing manager over the year as the market's growing appetite for risk has lead to high returns within the small cap sector of the market.

In global shares, most of the major developed markets delivered strong returns in March due to better economic data in the US and agreement within the Euro zone to assist Greece out of its difficulties. In local currency terms, the S&P500 Index in America increased by 5.9%, the UK's FT100 was up by 6.1% and Japan's Nikkei increased by a substantial 9.5%, and this was despite the release of disappointing economic data in that country. All in all, the MSCI World index on a hedged basis was up by 6.7% in March. Note that the performance of emerging markets continues to be strong with the MSCI Emerging markets index in Australian dollar terms rising by 5.4% in March.

In this environment and based on preliminary estimates, the return of the MLC Global Share Strategy on a hedged basis before fees and tax was 7% in March, which is slightly ahead of the hedged benchmark return. The best manager performers within the MLC strategy were Sands Capital and Dimensional. For the year to 31 March, the MLC Global Shares Strategy returned 52% hedged and before fees and tax. The standout manager performer during the year was newly appointed Sands Capital which has outperformed the market return by a substantial 26%.

In contrast to the positive return of the Australian sharemarket, the Australian listed property index return was flat for the month of March. However, global property delivered a positive single digit return. Both MLC strategies outperformed their respective market benchmarks in March. As for the year to 31 March, MLC's Global Property Strategy was the standout performer with a return of 85.7% hedged. The MLC Australian Property Securities Strategy returned 42% for the year.

As for bond markets, better returns tended to come from global bonds than domestic bonds. Sub-investment grade bonds such as US high yield, bank loans and emerging markets debt all performed well outperforming US Treasuries. This is a continuation of a trend that's been in place for some months where sub-investment grade bonds have recovered as default risk has fallen and investors have shown a willingness to accept more risk. This is particularly evident from a one year returns perspective. Whereas the one year returns of cash and Australian nominal bonds were all less than 5%, the return of US high yield bonds hedged into Australian dollars was a substantial 48%.

So how have our portfolios performed?

Based on preliminary and unaudited estimates for our superannuation portfolios, the MLC Balanced Fund returned 3.3% in March while the MLC Growth Fund returned 3.9%. Returns for both funds are significantly positive in the year to the end of March. Again, based on preliminary unaudited estimates, the Balanced Fund return was +26.4% and the Growth Fund +30.4% for the 12 months to 31 March. Perhaps it goes without saying but investors who chose to maintain their strategy through the Global Financial Crisis have been suitably rewarded.

Just a reminder that we'll be preparing quarterly fund commentaries for all MLC funds so keep an eye on the MLC website for their publication as well as regular updates.

Thanks for listening and bye for now.

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