

MLC Fund Performance Update – July 2010

Below is an edited transcript of a video recorded on 6 July, 2010 by MLC Investment Strategist John Owen. .

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

With the first month of the new financial year just closed, here's an update on how markets and your funds have performed.

Compared to previous months, July was relatively favourable for investors. While the global outlook remains uncertain and somewhat fragile, the negative sentiment of recent months abated in July. Positive results from the European banks stress tests were greeted favourably and in the US, profit results exceeded expectations in a majority of cases. In response, the US market increased by 6.9% in local currency terms, the largest monthly gain for a year.

In a slightly more positive environment, the MSCI All Countries World Index on an unhedged basis returned +0.9% in July. As an indication of the impact of the stronger Australian dollar during the month, the return of the MSCI World Index on a hedged basis was +5.9%. For the year, the MSCI All Countries world index unhedged returned +2.5% ...while the hedged MSCI World index return was +12.9%.

As for the MLC global shares strategy, the return in July was +5.6% on a hedged basis and before fees and tax, marginally underperforming the hedged index return by 0.4%. Four of MLC's managers outperformed while the remainder underperformed.

For the year, the strategy's pre fees and tax return on a hedged basis was +15.3% and this was 1.2% higher than the hedged index return. This is a pleasing result in such a volatile period for markets.

Let's look now at Australian shares where the index return in July was +4.5% and the return for the year was +10%.

As we have mentioned before, some of the forces at work in global markets aren't directly relevant to many Australian companies though the market still does respond to the volatility and uncertainty.

In the month ahead, market news will be dominated by the profit reporting period and it is hoped that this will provide more clarity on the outlook for Australian company profitability and also dividends which hopefully will show further signs of recovery.

In July, MLC's Australian shares strategy returned +4.6% before fees and tax, marginally outperforming the index return. All but four of MLC's appointed managers outperformed.

For the year to 31 July, the MLC strategy returned +10.2% before fees and tax, outperforming the index return by 0.2%.

Moving on to listed property, the Australian listed property index returned +1.1% in July and +18.9% for the year.

MLC's Australian listed property strategy outperformed by 0.1% in both periods before fees and tax.

For global listed property, index returns are not available at this point. However, the performances of all three of MLC's appointed managers in July were in positive territory and for the year to 31 July the returns of Resolution Capital and Morgan Stanley were over 20%. Now let's review bond markets. Our bond strategies continue to deliver positive returns to investors.

In July, global bonds outperformed Australian bonds due to the strength of returns from higher credit risk securities. In particular, global high yield and emerging markets bonds have been the best performing bond sectors this month. Our decision to retain an exposure to these bond categories in the aftermath of the Lehman Brothers collapse nearly two years ago has been very rewarding. However, after such a prolonged period of performance strength, we think the return potential of higher credit risk bonds has moderated and we are therefore considering trimming the exposure.

With market returns generally in positive territory in July, MLC fund returns are similarly in positive territory. Preliminary and unaudited performance estimates suggest that the superannuation version of the MLC Balanced Fund returned +2.2% for the month of July after fees and tax while the MLC Growth Fund returned +2.6% after fees and tax.

The one year returns of both funds remain in positive territory though they are lower than those that were reported earlier this year.

In the year to 31 July, again based on preliminary and unaudited estimates, the MLC Balanced Fund returned +10.5% after fees and tax and the MLC Growth Fund returned +10.3%.

Just a reminder to keep an eye on the MLC website for further updates.

For instance, June quarter fund commentaries have been completed and are available for your review. In addition, we have recently adjusted the manager arrangements in our global shares and Australian listed property strategies and you'll find some useful communication material to assist in your client conversations regarding those changes.

Thanks for listening and bye for now.
