

Investment update

December 2009

Recent months have seen some recovery in world economic growth off a depressed base. Manufacturing production has started to recover and business confidence appears to be rising. This improvement in activity is still spotty, with emerging market economies, led by China, faring best, followed by the commodity countries such as Brazil, Canada and Australia. Weakest of all are the 'developed' economies, especially those with stagnant populations such as Japan and Western Europe where growth remains weak and unemployment high. It is no surprise that consumer confidence in most of these regions remains low with minimal pay rises and a continued threat to jobs.

Australian shares

Australian shares rose by 3.7 per cent in December to finish off a sterling year with a rise of nearly 38 per cent. Small Companies outperformed, rising by 4.3 per cent over the month and 57 per cent for the year. All sectors rallied, but Telecommunication and Consumer Staples lagged other sectors. The latter part of 2009 saw a return of merger and acquisition activity, which also pushed selective stocks higher.

International shares

Unhedged Global share market returns were in line with Australian shares, up 3.6 per cent for the month, but are largely flat over the 12 month period due to the rising value of the Australian dollar (\$) offsetting the recovery in prices. Hedged investors fared much better, with prices rallying by 27.5 per cent over the year. During the month the best performing sectors included Information Technology and Consumer Discretionary, while Financials underperformed as banks were largely unchanged for the month. Emerging Markets again outperformed, with Korea and Russia leading the pack.

Property

Listed Property Trusts returned 3.4 per cent for the month, marginally underperforming the broader equity market, as investors show renewed confidence that the worst of the commercial property market is now behind us. Some larger property transactions occurred late in the quarter, providing comfort that the falling valuations may be near an end.



Email: service@plum.com.au
Web: www.plum.com.au
Phone: 1300 55 7586
Address: Plum Financial Services
GPO Box 63, Melbourne VIC 3001

Australian and international fixed interest

Bond markets produced negative returns in December as yields on government bonds rose sharply late in the month. Credit (non-government bonds) spreads have stopped contracting for the moment as buyers seem to be content to enjoy the still high running yield available on good quality assets.

Source: JANA Investment Consultants

Please note: Past performance is not a reliable indicator of future performance

This investment information has been prepared by Plum Financial Services Limited ABN 35 081 812 731 (Plum) AFSL 243356 for general information purposes only. The information is current as at the date of issue but may be subject to change. Any opinions expressed in this document are those of the author. The information provided is not investment advice and should not be relied upon for the purposes of providing investment advice. It is recommended that persons obtain their own independent advice in relation to the content of this communication.