



# SUPERANNUATION FUND RETURNS 2011?

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Yesterday, I spoke to a long term client and good friend of mine (let's call him Gary) and he voiced his concern about the Australian Stock Market continuing to perform poorly. I referred back to my last bulletin (which was written in early July 2010) and I noted that the ASX 200 had closed on that Friday at 4396 points. A quick check on my iphone and I was able to see that the ASX 200 was trading yesterday (June 8th 2011) at 4536 points. This means that in the past 11 months, the ASX 200 Index has grown by 3.2 per cent.

You will often read (in my bulletins), my reference to the ASX 200. To the uninitiated, "The S+P/ASX 200 index is a market capitalisation weighted and float adjusted stock market index of Australian stocks listed on the Australian Securities Exchange from Standard and Poors. It was started on March 31st 2000 with a value of 3133.3 equal to the value of the All Ordinaries at that date. The ASX 200 reached 6000 points for the first time on Thursday February 15th 2007.

Market capitalisation weighted means that a company's contribution to the index is relative to its total market value ie. share price x number of tradeable shares." (reference Wikipedia).

Now let us look at the return on Gary's superannuation fund from July 1st 2010 to June 8th 2011. It was actually 10.1 per cent, which is an extremely good result in these volatile times. I might add that the 10.1 per cent was after all fees and charges, so why the big difference from the ASX-200 index?



# FINANCIAL REVIEW MARKET WRAP

Edited by: peter.wells@afr.com.au

## US negatives spark 2.3pc rout

**Equities**  
Joanna Heath

The Australian sharemarket posted its biggest fall in a year yesterday as fears the US economy may be stalling overcame positive domestic economic data. The S&P/ASX 200 Index closed down



Firstly, Gary does not have all his money invested in the Australian Share Market. He has chosen to diversify and take some risks as well as review on a regular basis. Gone are the days when an investor with a substantial amount of money to invest, should "set and forget". For example, Gary currently has 40 per cent of his funds invested in the Australian Share Market, but half of that is in specialist funds such as Resources and Small Companies. He decided to place a substantial amount of his International allocation into Global Property 2 years ago and this decision has provided great returns. With the high Australian dollar, he recently made a decision to move some of those funds across to International shares. It is a risky move, but let's see what happens in the next year or so.

I might add however, that Gary has over 32 per cent of his total funds invested in conservative funds, such as cash, fixed interest and mortgages.

So, where to from here? We are living in a world that has "gorged at the trough" for far too long and that includes the Governments of the developed economies, such as United States and many European Countries. We all know people who have borrowed far too much to fund extravagant lifestyles and ultimately end up suffering the stressful situation of not being able to meet their commitments

A year ago, I said that many of the "so called" developed economies will have to face up to the fact that they need to slash welfare entitlements, reduce their public service sectors and increase consumption taxes. I can't see this happening and the situation is getting worse.

Yesterday, the following headline in the Herald Sun caught my eye:-  
**"Rack and Ruin" Shoppers poised to deliver worst sales results in 20 years.** It went on to say that struggling retailers are poised to suffer their worst performance in 20 years, as frugal shoppers further tighten the purse strings.

If we are tightening our purse strings, what are we spending our money on? Is it our mortgage, vehicles, credit cards and other debt commitments? Or are we saving for another rainy day? We have had the \$900 per person fiscal stimulus, the Education/School spending, the pink bats, the first home owners grants and now that money is gone and our Government has a federal debt of around \$194 billion, there might be some belt tightening needed all round.

Now, more than ever, it is important that you discuss your investment strategy with your financial adviser and if you have even the slightest query, you should feel comfortable enough to call and discuss, just like Gary does.

**Bernie Toohey, Editor  
FChFP. CIP.**

Note: The views expressed in this bulletin are clearly those of the editor and in no way constitute any form of financial advice.

**"We pride ourselves on being there for our clients whenever they need us, so if you have any areas of concern that you would like to discuss, please call our office."**



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**Investors bow to global fears**

**Equities**  
 Claire Stewart  
 Banking and some resource stocks trimmed their early losses yesterday to help the market recover from its lowest point in more than nine weeks.

**Consumed**  
 Banks' comparative performance (%)

**Performance of retail stocks YTD**

Super Retail	+12.6%
Crown	+4.8%

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**Shares plunge to 7-week low**

**Equities**  
 Claire Stewart  
 The sharemarket slumped following unexpectedly weak domestic job data and a dive in commodity prices that weighed on energy and resources stocks. Investors will react today to China's decision overnight to raise the reserve requirement ratio for

**In the red**  
 Comparative performance past 3 months (%)

**Sector returns yesterday (%)**

Telecommunications	-0.25
Software	-0.76
Utilities	-0.76
Consumer discretionary	-0.80
Consumer staples	-0.92
Healthcare	-1.34
Industrials	-1.41
Financials	-1.50

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**MARKET WRAP**  
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**Moody's call leaves shares flat**

**Equities**  
 Claire Stewart and Nami Kwon  
 A late plunge in banking stocks after credit agency Moody's cut its rating on the four major lenders trimmed gains for the domestic sharemarket. For most of the session, shares trended higher on hopes that a mild increase in wages growth may delay a possible near-term interest rate rise and in turn offer some relief to a soft domestic economy. The S&P/ASX 200 closed 9.8 points higher at 4,627.20.

**Banking on it**  
 Comparative performance, past month (%)

**Performance of banking stocks (%)**

Bank	Yesterday	YTD
ANZ	+0.83	-2.83
BDO	+0.88	-12.22
NAB	+0.07	+13.63
Westpac	-0.09	+2.70
CBA	-0.45	-9.70

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**Four to the floor**

ANZ Share price, daily (\$)	-5.2%
NAB Share price, daily (\$)	-5.6%
Westpac Share price, daily (\$)	-4.5%
CBA Share price, daily (\$)	-4.2%

**Banks inflict further damage**

**Equities**  
 Claire Stewart and Nami Kwon  
 Rallying commodities prices could not prevent the sharemarket from stretching its recent run of losses as shares in the big four banks came under further pressure, with CBA shares above market value since last Thursday. Broker Goldman Sachs also downgraded its forecast for the benchmark index for December 2011 by 8 per cent to 5125 from 5600. Earlier, stronger commodity prices propelled European indexes into the black, but sovereign debt concerns capped gains at less than 0.4 per cent. The biggest declines for the session were posted by cystic fibrosis treatment developer Pharmaxis, which plunged 74 per cent, as hopes for the approval of its main drug from European Union regulators took a backward step. The stock closed at a six-year low of 76c after management said the trend vote by the Committee for Medicinal Products for Human BHP Billiton opened more than 20c up but fell 27c to \$42.97. Rio Tinto went down 29c to \$78.72. Oil producer Woodside Petroleum fell 45c to \$44.80, while Santos dropped 10c to \$13.87. Aurora Oil and Gas added 5c to \$2.88. Westfarmers continued to lose ground, falling 58c to \$32.13 after it downgraded coal production forecasts on Tuesday.

**Important Note**

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