CATHOLIC Super™

Investment News on Selected Market Indicators

Market Review – month ending September 2010

The negative investor sentiment that plagued investment markets in August began to show signs of improvement in September. Concerns about the global economy, particularly the fear of a double dip recession started to subside, driven in part by strong industrial data that emerged from China, as well as an increase in confidence that the US Federal Reserve will step in if the US begins to struggle. As a result share markets had quite a good boost, helped by the very low returns available in most countries on Cash or Bond investments.

Market Returns to September 2010	Index Performance (%)			
	Month	3 Months	FYTD	1 Year
Australian Shares				
S&P/ASX 300 Accumulation Index	4.79	8.29	8.29	0.65
International Shares				
MSCI World ex-Australia Index, Unhedged in $A, Gross	0.37	-0.97	-0.97	-2.27
MSCI World ex-Australia Index, Hedged in $A, Gross	7.01	9.87	9.87	9.46
Listed Property				
Mercer Unlisted Property Funds Index (Pre Tax)	0.50	1.41	1.41	5.93
S&P/ASX 300 Property Trusts Accumulation Index (GICS Sector)	-0.85	3.77	3.77	-4.52
FTSE EPRA/NAREIT Global Real Estate Index, Unhedged in $A, Gross	-0.13	3.32	3.32	7.93
Australian Bonds				
UBS Composite Bond Index (0+ years)	-0.90	1.28	1.28	7.34
International Bonds				
Citigroup World Government Bond Index, Hedged in $A	-0.02	3.29	3.29	9.79
Barclays Capital Global Aggregate Index, Hedged in $A	0.20	3.45	3.45	11.02
Cash				
UBS Bank Bills Index	0.37	1.20	1.20	4.30
Exchange Rates				
$A to US Dollar	8.79	14.63	14.63	9.71
Australian Trade Weighted Index	5.56	8.33	8.33	6.85

► Financial Markets

The ASX300 returned 4.8% for the month of September with the Materials, Industrials and Utilities sectors driving this performance. Record gold prices translated to a very strong month for gold stocks. In contrast, the Telecommunications sector delivered -4.5%, due to the negative performance of Telstra, which was impacted by a serious profit downgrade and the uncertainty surrounding the National Broadband Network. Listed Property Trusts were range bound following August distribution payments.

Global share markets in local currency terms ended the month up 7.0%, but a very strong Australian dollar saw unhedged investments return only 0.4%. In most cases emerging markets continued to outperform developed markets.

International Government bond yields remained at very low levels, following a policy statement from the Federal Reserve which led investors to believe that the central bank may start buying US Treasuries later in the year. In contrast, due to the relative strength of the Australian economy, Australian Government bond yields ended the month higher. As investors returned to risk assets, US and Australian credit spreads tightened over the month. Contrary to some market expectations, the RBA continued to keep cash rates on hold.

Markets continue to react to short term macro announcements, as investors remain vigilant for any signals that may help to indicate the future path that the global economy is likely to take, and remain divided as to the likelihood of a recovery. Sentiment has been more positive recently, however concerns remain around the excessive levels of Government debt, as well as the problems facing the US labour and housing markets. The stronger domestic economy has led to an expectation of some future interest rate rises by the Reserve Bank. The Australian Dollar continued to strengthen throughout the month, and is now approaching parity with the US Dollar.

(Catholic Super wishes to thank JANA Investment Advisors for this monthly Market Commentary)