

CERTAINTY
financial

super update

March markets rebound - is it recovery time?

Prepared by Certainty Financial - advisers to your employer superannuation plan

The month of March represented a welcome change for investment markets with an increase in the S&P/ASX 200 of just over 7%.

This has led to wary optimism from market commentators, some of whom have been prepared to put forward a view that the market has bottomed out. Others are not so sure. The latest announcements out of the London G-20 Summit produced another immediate surge in global markets as the world holds out hope for a synchronised recovery. Whether this proves to be the catalyst for sustainable recovery only time will tell.

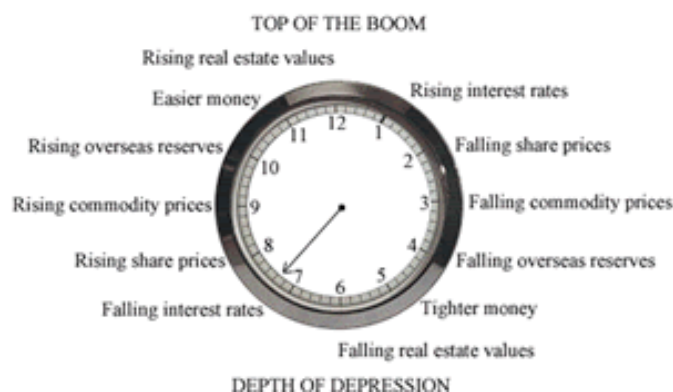
As our Member Updates have said in the past, it is extremely difficult to predict the highs and lows of investment markets. Investors that have fled to cash with the aim of re-entering the markets when more confidence is restored run the risk of missing out on the early (and often spectacular) recovery periods that so often follow a sustained downturn. Any investment strategy that relies on getting the timing right requires more luck than analysis - hardly the basis for a successful approach to investment.

What is the outlook ahead?

A common view held by many commentators is that sharemarkets are likely to bounce back throughout 2009 but the recovery will still be bumpy. This simply means there will still be events and economic indicators that will continue to create nervousness and it might be some time before we see a sustained and steady recovery.

Super fund performance comparisons

Care should be taken when comparing investment performance results of master trusts and industry funds. Generally speaking, many industry funds have produced better returns during the market downturn than master trusts. One key reason for the outperformance can be attributed to industry funds higher exposure to **unlisted assets**. Unlisted assets are typically property and infrastructure assets that can be revalued as infrequently as every one to three years. While listed property assets fell by over 50% in 2008, unlisted property has yet to feel the brunt of the falling property prices. This is exactly what occurred in 1990-1992, when listed assets took the initial brunt of the downturn and unlisted assets followed soon after. There is a high expectation that industry fund performance will come 'back to the field' throughout 2009/2010 as the effects of falling values have their impact.



Time for the Investment Clock

The investment clock was first published in 1937 and has become a widely used indicator for understanding the movement and conditions of finance, property and sharemarkets.

The ASX website recently asked a number of leading investment experts for their views on where they believe markets sit on the clockface. The consensus view was that markets have just passed 7 o'clock - suggesting there are still some falls in interest rates expected while share markets should be gearing for recovery.

That may sound encouraging but they also point out that the hands do not progress through the clock in a smooth fashion. Occasionally the hands get stuck and it doesn't predict how much time will be spent in each cycle. Be careful though. As one commentator notes, relying too heavily on the investment clock to make investment decisions is "cuckoo"! The investment clock is simply a shorthand model that can help people understand market cycles.

For more information on the investment clock go to the Education and Resources section of the ASX website at www.asx.com.au.

A positive course of action

Contact your financial adviser or Certainty Financial if you would like to discuss your circumstances and seek some guidance on your retirement and investment plans.

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