



Share markets bounced back in October

Global share markets rebounded strongly through October as investor confidence in global investments improved.

All eyes remained on Europe as its leaders developed a plan to solve ongoing sovereign debt issues. The deal that has been agreed includes plans to recapitalise banks, increase the European Financial Stability Facility (EFSF) and provide further support to Greece. News of the agreement only temporarily removed uncertainty in the markets, however, and shares remained volatile.

Economic data from the US continues to imply modest growth, with third quarter gross domestic product (GDP) in line with expectations at 2.5%. Unemployment in the US fell to 9.0% and the labour market recorded jobs growth of 80,000 in October.

Data from China eased investors' fears of a crashing economy and provided evidence of a modest but necessary slowdown. October's data showed that China's economy remained strong, with retail sales up 17.7% for the year to 31 October and industrial production up 13.8% for the same period, which were both ahead of expectations.

While global recovery is likely to continue, albeit slowly, Europe's debt problems still pose the biggest threat.

Australian Shares

The Australian share market (as measured by the S&P/ASX 300 Accumulation Index) increased 7.2% during October, with a five year average annual return of -0.2%. This reflected heightened expectations for an interest rate cut (which eventuated on 1 November) and positive expectations of a resolution to the Sovereign debt crisis. Most sectors performed positively for the month, with Energy (12.3%) and Financials (9.3%) the best performers.

International Shares

October saw the MSCI World ex-Australia Index (unhedged in \$A) return 0.8%, with an average annual return of -6.6% in the five years to the end of October.

The majority of developed markets made strong gains in October, with Hong Kong (12.3%), Germany (11.7%) and the US (10.8%) leading the market. Countries with high sovereign risk continued to underperform over the month, with the Greek market falling (-7.8%) and Portugal remaining flat.

Emerging markets performed broadly in line with developed markets over October with the MSCI Emerging Markets Index (unhedged in \$A) gaining 3.7%. Peru (15.2%), China (14.9%) and Russia (12.9%) were the strongest performers.

Property

The Mercer/IPD Australian Pooled Property Fund Index returned 0.7% for the month and an average of 6.4% per annum over the five years to the end of October 2011.

Fixed Interest

After 6 months of positive returns global bonds retracted in October as consumer confidence regarding the ongoing concerns in Europe and the US improved. The US 10-year Treasury bond yield increased 0.2% to 2.11% and the UK 10-year Government bond yield also rose, reaching 2.44% at month end. Bond yields also increased in Germany by 0.14% to 2.03%, while domestically, the 10-year Government bond yield finished at 4.51%. The Citigroup World Government Bond Index returned -0.3% for October with a five-year average annual return of 8.1%.

Cash and Currency

The UBSA Bank Bill Index increased 0.42% for the month, with an average annual return of 5.5% for the five years to October 2011.

Renewed hope that a resolution to Europe's debt crisis was on the horizon increased commodity prices which in turn, impacted positively on the Australian dollar. Most notably, the AUD rose against the US Dollar by 7.4%, and the Japanese Yen 11.2%, British Pound 5.5%, and the Euro 4.1%.





Performance of the main investment markets to 31 October 2011

Major Index Performance	1 Month %	3 Months %	1 Year %	3 Years % pa
Australian Shares (S&P/ASX 300 Accumulation Index)	7.23	-1.49	-3.87	7.06
International Shares (MSCI AC World ex Australia)	1.23	-3.87	-7.31	-4.70
Emerging Markets (MSCI Emerging Markets)	3.74	-8.80	-14.74	5.18
Unlisted Property (Mercer/IPD Australian Pooled Property Fund Index)	0.71	2.36	10.40	1.30
Listed Property (S&P/ASX 300 Property Trust Accumulation Index)	3.78	1.90	-2.38	-1.42
Australian Fixed Interest (UBSA Composite Bond All Maturities Index)	-0.57	2.32	8.42	6.90
International Fixed Interest (Citigroup World Government Bond Index)	-0.29	3.60	7.10	8.68
Cash (UBSA Bank Bill Index)	0.42	1.24	5.02	4.44

Major index data is gross of fees and taxes.

Performance of AustralianSuper's investment options to 31 October 2011

Investment option	3 Months %	Bench mark %	1 Year %	Bench mark %	3 Years % pa	Bench mark %	5 Years % pa	Bench mark %
PreMixed Options								
High Growth	-1.56	-1.46	0.48	0.03	3.63	4.01	0.37	-0.11
Balanced	-0.70	-1.05	2.04	0.82	4.05	4.36	1.85	1.32
Sustainable Balanced	-0.14	-1.05	3.00	0.82	4.33	4.36	1.74	1.32
Conservative Balanced	-0.13	-0.43	3.12	2.23	4.52	4.84	-	-
Stable	1.06	0.34	4.11	3.50	5.59	5.26	4.56	3.57
Capital Guaranteed	1.25	0.97	4.94	3.89	3.99	3.35	4.46	4.28
DIY Mix Options								
Australian Shares	-1.79	-1.51	-3.86	-4.00	8.18	6.72	0.63	-0.44
International Shares	-4.64	-3.53	-6.27	-6.92	-1.34	-4.65	-4.77	-6.29
Australian Sustainable Shares	-3.57	-1.53	-3.90	-4.17	10.16	6.11	1.58	-0.75
International Sustainable Shares	0.12	-2.74	-1.51	-5.76	-4.61	-5.30	-7.27	-6.70
Property	2.03	1.93	8.20	8.56	-0.19	0.51	3.19	4.98
Australian Fixed Interest	2.01	1.97	7.12	7.08	5.96	5.69	5.13	5.76
Diversified Fixed Interest	3.70	2.29	9.04	6.75	8.99	7.28	6.54	6.19
International Fixed Interest	4.28	3.14	7.01	6.13	6.74	7.50	3.72	7.02
Cash	1.11	1.05	4.36	4.22	4.61	3.68	5.03	4.61

Investment returns in this table are net of fees and taxes.

Benchmarks: High Growth – SR50 Median Growth Option; Balanced – SR50 Median Balanced Option; Sustainable Balanced – SR50 Median Balanced Option; Conservative Balanced – SR25 Median Conservative Balanced Option; Stable – SR50 Median Capital Stable Option; Capital Guaranteed – UBSA Bank Bill Index adjusted for fees and tax; Australian Shares – S&P/ASX300 Accumulation Index adjusted for fees and tax; International Shares – MSCI AC World ex Australia (in \$A) Index adjusted for fees and tax; Australian Sustainable Shares – S&P/ASX300 Accumulation Index adjusted for fees and tax; International Sustainable Shares – MSCI World Net Dividend Reinvested Unhedged to AUD adjusted for fees and tax; Property – Mercer/IPD Australian Pooled Property Fund Index adjusted for fees and tax; Australian Fixed Interest – UBSA Composite All Maturities Bond Index adjusted for fees and tax; Diversified Fixed Interest – [50% UBSA Composite All Maturities Bond Index + 50% Barclays Global Aggregate Index hedged to AUD] adjusted for fees and tax; International Fixed Interest – Citigroup WGB Hedged Index adjusted for fees and tax; Cash – UBSA Bank Bill Index adjusted for fees and tax.

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