

## Fund Manager



**Jackson Leung**  
Head of Multi-asset

## Net performance

Periods	Fund %
1 month	-0.09
3 months	0.62
6 months	0.92
1 year	5.40
2 years p.a.	2.93
3 years p.a.	2.69
5 years p.a.	4.64
10 years p.a.	4.65
Calendar year to date	0.92
Financial year to date	5.40
Since inception p.a.	6.41

*The Fund returns are shown after ongoing fees and assumes reinvestment of income. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.*

## Net distribution growth splits

Periods	Distribution %	Growth %	Total %
3 months	0.00	0.62	0.62
6 months	0.00	0.92	0.92
1 year	3.17	2.23	5.40
2 years p.a.	4.19	-1.26	2.93
3 years p.a.	4.22	-1.53	2.69
5 years p.a.	4.21	0.43	4.64
10 years p.a.	4.87	-0.22	4.65


## Fund analysis (as at 30 June 2010)

### Sector allocation

Sector	Fund %
Australian Shares	0.9
Global Shares	1.3
Australian Listed Property	0.0
Global Listed Property	0.0
Australian Fixed Interest	50.4
Global Fixed Interest	0.0
Cash	47.3
Total portfolio	100.0

## Monthly commentary

### Fund facts at a glance

<b>Asset class</b>	Diversified
<b>Management style</b>	Invests in a range of asset classes to provide medium term growth and to avoid a negative return over a 12 month period from 1 July to 30 June
<b>Risk profile</b>	
<b>Time horizon</b>	3 years
<b>Distribution frequency</b>	Half-yearly
<b>Inception date</b>	31/12/90
<b>Minimum investment</b>	\$20,000
<b>MER/ICU</b>	1.09%
<b>APIR code</b>	CNA0805AU

### Market review

Investors hoping for a quick rebound from a lacklustre March quarter were disappointed, as expectations of global growth were revised downwards. Though equities began the quarter strongly, with the S&P 500 adding over 4%, markets suffered a number of waves of risk aversion throughout May and June. Europe was the main culprit, as the region looked increasingly uncoordinated and unable to properly deal with its underperforming, debt-laden states. In response to the worsening sentiment, possible banking system stresses and upcoming funding requirements, the IMF and EU countries announced a package of bridging finance for Greece as well as a €750bn special purpose vehicle to provide assistance to other countries. The political risks in any rescue or recovery in Europe were highlighted when Germany unilaterally imposed a ban on naked short selling in May. Governments in the region, including the newly elected UK coalition government, announced tough austerity programs to rein in their budget deficits by cutting public spending and raising taxes.

Elsewhere in the world, growth indicators were mixed. In the United States, the crucial unemployment figures showed a slightly improving jobs market, but disappointed investors that were expecting a strongly rebounding economy. The housing sector also failed to match growth expectations in the US. The Chinese economy grew a very healthy 11.9% year-on-year in the first quarter of 2010, which prompted authorities to adopt tighter monetary policy by raising the reserve requirement rate for banks. Attempts such as this to cool the Chinese economy were showing signs of working by June, with Chinese PMI declining in May and June. After much politicisation of the issue of the yuan's peg against the US dollar, China announced in June that it would allow the yuan to appreciate by allowing trading in a wider band against the dollar.

Central banks in the major world economies generally kept rates at record low levels in the second quarter of 2010. The US Fed reiterated its commitment to a very stimulatory cash rate for a long period of time, and kept rates at 0.0% - 0.25%. The BoE and ECB also remained on hold in the face of low growth prospects. The Reserve Bank of Australia chose to raise rates 0.25% to 4.5% in April, but by May when markets were troubled by the European crisis, declared quite firmly that they would keep the cash rate at 4.5% for the near future. Elsewhere, the Riksbank in Sweden elected to raise rates for the first time since 2008, taking the Repo rate to 0.50%.

Government bonds rallied along with the generally risk averse sentiment, though there were clearly large performance differences within Europe as investors rushed to sell Greek, Spanish and Portuguese bonds. 10 Year US Treasuries fell almost 1% over the quarter, from 3.83% to 2.93%. Australian 10 year yields fell as well - down 0.69% to 5.09%. Shorter Australian bonds outperformed in comparison, causing the yield curve to steepen. In contrast, the US yield curve flattened by almost 0.50% as the shorter maturities were bid to levels even lower than those reached in the depths of the 2008 crisis. The two-year Treasury finished June yielding just 0.60%.

Growth assets in many markets had their worst quarter since Q4 2008. Australian shares underperformed global shares, even accounting for the 8.3% drop in the Australian dollar against the US dollar. Australian shares ended the quarter 11.2% down. Hedged Global REITs outperformed equities, but were still down 6.5% for the quarter.

### Contributors to performance

The Fund aims to provide capital growth over the medium to long term, and to protect the capital value of an investment to avoid a negative return over a defined 12-month period (after management fees and taxes). Performance was driven by the dynamic hedging protection mechanism maintaining its exposure to growth assets given the current stage in the protection period.

The Fund successfully achieved its objective of avoiding a negative return over the 2009-10 financial year. Indeed, it provided returns to investors in excess of the cash return despite very volatile markets. Exposure to growth assets over the last quarter was maintained at a low level as risk aversion increased.

On 1st July 2010 the Fund began a new protection program and is now aiming to protect capital value at 30 June 2011. With the Fund now aiming to protect against a negative return for the 2010-11 financial year, we are investing cautiously to begin with in light of the current macroeconomic environment.

---

**Market outlook and portfolio strategy**

The RBA signalled an 'on hold' stance in May and June in light of European growth concerns, signs of a mild Chinese slowdown and interest rates being at long term average levels. It is likely that this approach will be maintained for the next few months, with the main catalyst for resuming rate increases being potentially high inflation readings in July and October. In the meantime, investors are nervously watching for signs of stabilisation in Europe and of the US jobs market improving before buying risky or cyclical assets.

## Your Invesco representatives:



**Sam Sorace**  
National Retail Sales Manager  
(Vic)  
Phone: 0413 050 909



**Matthew Hattersley**  
Manager Retail Sales  
(NSW, ACT, Qld)  
Phone: 0414 847 511



**Tanya Diaz**  
Manager Retail Sales  
(Tas, WA)  
Phone: 0413 689 000



**Sonya Webb**  
Manager Retail Sales  
(SA)  
Phone: 0402 163 299

*This document has been prepared by Invesco Australia Ltd (Invesco) ABN 48 001 693 232, Australian Financial Services Licence number 239916, RSE Licence number L0002530, who can be contacted on freecall 1800 813 500, by email to [info@au.invesco.com](mailto:info@au.invesco.com), or by writing to GPO Box 231, Melbourne, Victoria, 3001. You can also visit our website at [www.invesco.com.au](http://www.invesco.com.au)*

*This document contains general information only and does not take into account your individual objectives, taxation position, financial situation or needs. You should assess whether the information is appropriate for you and consider obtaining independent taxation, legal, financial or other professional advice before making an investment decision. A Product Disclosure Statement (PDS) for any Invesco fund referred to in this document is available from Invesco. You should read the relevant PDS and consider whether a fund is appropriate for you before making a decision to invest.*

*Invesco is authorised under its licence to provide financial product advice, deal in financial products and operate registered managed investment schemes. If you invest in an Invesco Fund, Invesco may receive fees in relation to that investment. Details are in the PDS. Invesco's employees and directors do not receive commissions but are remunerated on a salary basis. Neither Invesco nor any related corporation has any relationship with other product issuers that could influence us in providing the information contained in this document.*

*Investments in the Invesco funds are subject to investment risks including possible delays in repayment and loss of income and principal invested. Neither Invesco nor any other member of the Invesco Ltd Group guarantee the return of capital, distribution of income, or the performance of any of the Funds. Any investments in the Funds do not represent deposits in, or other liabilities of, any other member of the Invesco Ltd Group.*

*Invesco has taken all due care in the preparation of this document. To the maximum extent permitted by law, Invesco, its related bodies corporate, directors or employees are not liable and take no responsibility for the accuracy or completeness of this document and disclaim all liability for any loss or damage of any kind (whether foreseeable or not) that may arise from any person acting on any statements contained in this document.*

*This document has been prepared only for those persons to whom Invesco has provided it. It should not be relied upon by anyone else.*

*Copyright of this document is owned by Invesco. You may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco.*