

NavralInvest Funds Updates Period: 1st October to 31st December 2009

Global Market

After strong rally over past few months, the pace in world stock markets slowed down over the last quarter of 2009. However, most markets were able to record small gains. In the USA, the Dow Jones Industrial Average rose 7.37% over the quarter while the broader S&P 500 went up 5.49%. European markets also posted gains with London FTSE up 5.43%, German DAX up 4.97% and Paris CAC up 3.71%. Asian markets also performed well with Hong Kong Hang Seng jumping up 7.35% and Japan Nikkei posting a 4.08% rise.

The quarter started off well with the global recovery theme continuing to support market sentiment. General news and company earning reports were also positive. However, it was not a smooth ride for investors over the quarter as volatility picked up in the first two months before calming down towards Christmas.

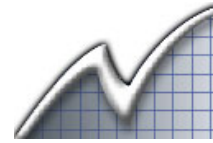
The first significant news to kick start the season came from Australia when its reserve bank made a surprise hike to the key lending rate in early October. It was interpreted as a confirmation of the global recovery and stock markets responded positively. At the same time, China's trading data also reported strong figures with China's GDP expanding by a blistering 8.9% in Q3, which was fueled by the massive government stimulus.

In the USA, third quarter company reports were generally better than expected. Manufacturing and Services Index showed signs of improvement. Housing data also improved with rising sales and higher prices. Although the unemployment rate was still high, the speed of job losses had slowed down. Retail sales increased through the quarter due to rising consumer confidence. In early December, major banks such as Citi Group, Wells Fargo and Bank of America had all declared to repay the US Government the entire TARP funds they received at the height of the GFC.

In Europe, its deepest recession since World War II officially ended in mid-November as the whole Europe zone reported a positive GDP figure for Q3 2009. This followed Germany and France who had already reported positive GDPs in the previous quarter.

Asian countries continued to show signs of improvement with Korea reporting its fastest growth in 7 years with a rise of 2.9% in its Q3 GDP figure. Japan reported consecutive months of unemployment falling while the 4.8% Q3 GDP growth was its strongest since 2007. China's CPI showed an on-year rise in November, its first for the past 10 months. Industrial outputs also started to pick up.

On the flip side, world stock markets were still vulnerable to bad news. The reports of the Dubai World debt problem and possible credit rating downgrade on US and UK government debts generated turbulence in the world markets.



Local Market

The local stock market also moved higher over the quarter but was more subdued with the ASX200 up only 2.68%. The Materials sector was the outstanding performing sector with a 13.74% gain over the quarter while the Energy and Financial sectors were the worst with losses of 2.46% and 2.61% respectively.

Even though the overall market only moved slightly over the quarter, the volatility increased dramatically. Volatility was especially high in the first half of the quarter with the ASX200 fluctuating over 7.5%. The market hovered in negative territory until the late rally towards Christmas. The encouraging fact was that the market was able to finish the calendar year near its 15-month high and the momentum was positive.

On the domestic economy front, we received a stream of good news. Unemployment was very much steady throughout the quarter with the latest unemployment rate at 5.7%, much lower than Government's forecast. Furthermore, job vacancies began to rise with job advertisement numbers increasing across the country. Consumer confidence rose higher while business confidence reached its highest level in the past seven years. In early November, the Government also revised its forecast on Australia's GDP growth and lowered the unemployment forecast for the 2009/2010 financial year.

On to interest rates, Australia's RBA surprised the world by raising our interest rate in early October and made Australia the first G20 country to start the roll-back on its monetary stimulus. The RBA didn't stop there but continued to hike the interest again and again in the following two months. By the end of the quarter, the official cash rate was up to 3.75% from 3.00% in September. This was the first time in history that the RBA raised the official rate in three consecutive months, but it has not come as a big shock to the stock market. The RBA has long communicated well with the public on its intention to remove some of the emergency interest rate cuts as our economy recovers, and we expect the RBA to have another couple of interest rate hikes in first half of 2010.

Funds Update

The Funds have performed well in the past quarter. Trading volume has improved resulting in higher income generated.

We do believe the global recovery is well and truly under way. Credit markets have been reopened and availability is improving. Companies have gone through all necessary restructuring and are now fundamentally stronger than they were before the GFC. We are optimistic about the stock market in the coming year, but we also anticipate a bumpy ride as no one should expect a straight forward recovery after this deep recession caused by the GFC. The Funds will continue to invest consistently with our active trading system with objectively trading and to bring profits to all investors.

To view our current portfolio, please [click here](#).