



## Paul Clitheroe

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# sharemarket downturn can offer good buying

Concerns over European debt problems are sending many sharemarkets into a tailspin, and for investors the current highs and lows have something of a Groundhog Day feel following the market slump of 2008. I don't pretend to know if we're heading into a double dip downturn as some doomsayers are predicting, but I do recognise that sharemarket lows offer good buying opportunities.

Figures from Standard & Poor's show that Australian shares (as measured by the S&P ASX 200) delivered an annual return of around 32 percent over the last 12 months. It's been a stellar rise that has seen many share values jump quickly.

Over the last month though, the S&P ASX 200 has fallen by around 10 percent. Big drops like this can really scare investors away from shares. However if you're buying into a high quality company, a downturn offers a valuable chance to buy quality shares at a budget price.

Successful investors tend to regard these market dips in the same light that most of us view the mid-year department store sales – an opportunity to buy something for less.

Sharemarket volatility is also prompting plenty of investors to

embrace rental properties rather than shares. Yet a recent study, the 2010 'Long Term Investing Report' commissioned by the Australian Securities Exchange, shows that over time, shares can be a more lucrative investment.

The report found that Australian shares outperformed all other investment sectors, delivering the best after-tax and after-cost returns at the lowest and highest marginal tax rates across the last 20 year period to end 2009, with a return of 9.9 percent pa and 7.8 percent pa respectively.

That said, on a before-tax and after-costs basis, figures for the 20 year period show the residential investment property sector has outperformed all other sectors at 9.8 percent pa. Australian shares (9.7 percent pa) and Australian bonds (8.9 percent pa) were also strong performers.

Even if you don't plan to hold onto your shares for 20 years, buying when the market is down can be a great way to set yourself up for the long term.

The trouble is, direct investors may be uncertain about which shares to buy. However, you don't need to be a stock market guru to get an idea of which shares offer strong

prospects in the current climate of a shaky recovery.

Whether times are tough or not, people still eat and drink, and supermarket chains like Woolworths generally hold up well.

People still get sick and need healthcare, and in an ageing society like ours, established companies in the healthcare sector are likely to do well over the long term.

With the run of bad economic news out of Europe looking as though it could continue, the sharemarket may fall further. Countering this, the US economy appears to be gaining momentum, and hopefully this may shore up faith in the international outlook.

Given these uncertainties, dollar cost averaging into quality shares remains a sensible way to invest. It means investing a set amount at set intervals – say, monthly, quarterly, or every six months, regardless of how the market is performing. The beauty of this strategy is that the more the market falls, the more shares you get to own; and as it moves up you buy less. For more on dollar cost averaging, take a look at my book – Making Money.

*Paul Clitheroe's 'Making Money' for the week beginning 31 May 2010*



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