



Investment Newsletter

| May 2016



Noel Hucker

Noel's experience has been gained in life offices, actuarial and employee benefit consultancies over the last 30 years. In this time he has consulted to many large organisations spanning a diverse number of industries.

Noel holds an Master of Business Administration (MBA) from the University of New England, a Diploma of Financial Services (Financial Planning) and is a Fellow of the Financial Services Institute of Australasia. He also holds a Self Managed Super Fund Qualification from the University of Adelaide and is a Justice of the Peace.

Is the current market rally sustainable?



Market analysts often talk about bull markets (i.e. when share prices are rising strongly) and bear markets (i.e. when share prices are falling, and more importantly, when they're at risk of falling even further).

It may come as no surprise that since the end of the Global Financial Crisis (March 2009) our market has typically been 'bullish'. However, during this period of good market growth, there can short periods of softer and at times negative returns. These are known as market corrections (i.e. typically falls of up to 15% over 6 to 12 month period). During the 10 months from April 2015 to February 2016, the ASX 200 Accumulation Index fell by 17.6%. This is the latest example of a market correction in Australian shares. Since late February, the ASX 200 has rallied by 15.4% (as at 17 May 2016) and has now recovered most of the previous loss.

In a global context, growth is occurring at a moderate level and global corporate earnings are generally trending up, albeit at a slower rate of growth than in the last 2-3 years. Company balance sheets are generally in good order and global corporate debt remains at reasonable levels. We believe that these are encouraging signs that global economic growth will continue its slow recovery.

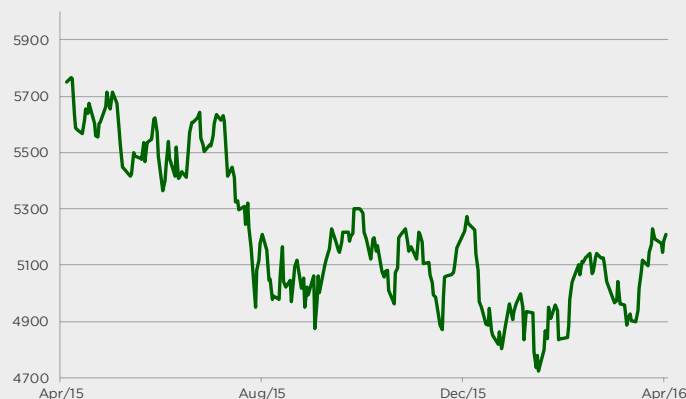
However, global markets still face a number of key risks. One of the most significant of these is the impact of the prolonged use of zero and negative interest rates by many central banks. These historically low and negative interest rates are unique and the full ramifications of such actions are still not yet fully known. In the US, consumer spending has been subdued and resulted in US retailers announcing poor revenue and earnings results to the market during May 2016.

We believe it is likely that markets will continue to be volatile, cycling up and down in line with market sentiment. However, despite this volatility, we still expect them to deliver a greater return than the cash rate. In these market conditions, active management and stock selection become even more important factors in giving you the best chance of achieving your investment goals. For those getting closer to retirement, the current equity market rally provides a good opportunity to take advantage of strong market sentiment by selling a portion of shares to secure profits, and in doing so, reduce your exposure to risk – if these actions are appropriate for you.

Please feel free to call us to discuss your investment or broader financial planning needs.

S&P / ASX 300 Index

1 year price history to 30 April 2016



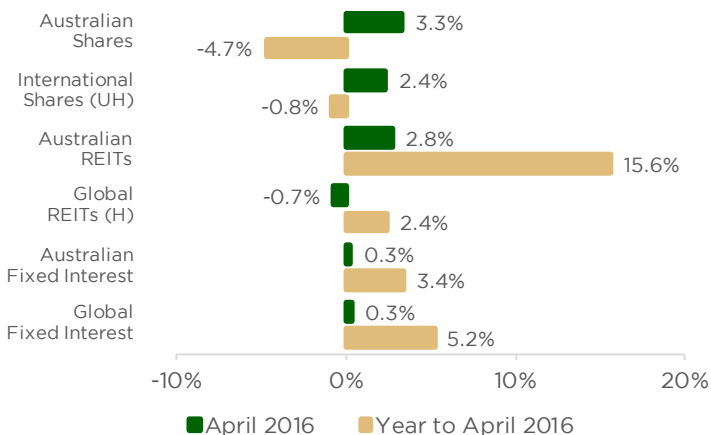
Key Global Economic Indicators

Global sharemarkets as at 30 April 2016

Sharemarkets (in local currency)	1 mth (%)	3 mths (%)	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)
Australia (S&P ASX 300)	3.34	6.41	-4.67	4.97	6.21
Germany (DAX)	0.74	2.46	-12.36	8.25	5.96
Emerging Markets (MSCI Acc.)	1.35	5.35	-15.11	5.74	2.52
United Kingdom (FTSE 100)	1.08	2.60	-10.33	-0.99	0.56
United States (S&P 500)	0.27	6.45	-0.97	8.94	8.66

The Australian share market continued its recovery in April 2016 with the S&P/ASX 300 Accumulation Index up 3.34% over the month, outperforming global shares as measured by the MSCI World (Ex. Australia) - Unhedged Index which returned 2.36%. Investors were buoyed by positive economic data including a reduction in the unemployment rate to 5.7%.

Selected sector returns to 30 April 2016



Economic growth (GDP)

GDP (annual rate %)	Data as at	Current (%)	1 year ago (%)
World (IMF/OECD)	2015 (est.)	3.1	3.5
Australia	31 Dec 2015	3.0	2.2
China	31 Mar 2016	6.7	7.0
European Union	31 Mar 2016	1.5	1.6
United States	31 Mar 2016	2.0	2.9

The Australian economy As at 30 April 2016

Annual inflation rate

1.3% pa

A\$1 =



\$0.760



¥4.922



£0.520



€0.664



¥80.88

Australian cash rate

1.75%*

Indicative 1 yr term deposit rate

2.40% pa*

* Source: Average of 4 major banks, March 2016

Our best home loan rates from
3.94%

*Rate decreased by the RBA on 3 May '16

Economic Growth (GDP)

3.0% pa

Average price of all
Residential dwellings*
\$612,000



*includes houses, apartments and units.



Unemployment rate

5.7%

11.9 million
people employed

Australian population = 23.9



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