



# Investment Newsletter

June 2016



## Mario Isaias

Mario has specialised in corporate superannuation and financial advice for the past 25 years, after beginning his career as a Chartered Accountant.

He provides advice to companies with corporate super funds and his advice spans other employee benefits including group insurances and employee wealth plans.

Mario holds a Bachelor of Economics from the University of Sydney, a Diploma in Superannuation Management from Macquarie University, is a Fellow of FINSIA and is a Financial Planning Specialist with the Institute of Chartered Accountants of Australia and New Zealand.

## Current investment market themes



Investment markets in the first half of the 2016 calendar year have been characterised by high levels of volatility. It is normal for markets to experience such ups and downs in the context of sustained global economic and political uncertainty. This is particularly so in the lead up to significant events. Historically, markets have tended to fall slightly in the lead up to such events as investors seek to reduce their risk and start to reduce their exposure to equities. In this newsletter, we look at some key upcoming events causing uncertainty for investment markets at the moment.

### 'Brexit' - Britain votes to leave the EU

Global markets (including in Australia) have experienced a significant amount of volatility in the lead up to Britain's referendum on whether to remain a member of the European Union (EU) with market sentiment turning on an almost daily basis depending on the prediction of whether the 'remain' or 'leave' vote was more likely to prevail. The result of the referendum, which was announced this afternoon, saw Britain vote to leave the EU. Whilst the actual separation will

not actually occur for two years, we expect this decision will cause significant short term volatility in equity, bond and currency markets. The long term implications of Brexit are unclear at this time.

### Australian Federal Election on July 2

In the context of the Australian market, the Federal Election is a significant event. There are a number of key policy differences between the two major political parties, particularly in regards to negatively geared investment properties and a gradual reduction in the corporate tax rate. Equity and property markets will be largely influenced the party that prevails at the election.

### US Presidential Election in November 2016

The US will vote on 8 November 2016 to elect either Hillary Clinton or Donald Trump as their next President. We expect that if Hillary Clinton is elected, she will have a similar presidential approach to Barak Obama, which should provide a platform for relatively more predictable and therefore stable markets, subject to the impact of other major world events at the time. Conversely, we expect that if Donald Trump is elected, this will create uncertainty over US Foreign Policy and we may see protectionist measures created to protect US businesses. This may usher in a period of weakness in equity markets which we expect will continue until greater policy clarity emerges.

There will always be some uncertainty in markets and sometimes this will cause short term periods of flat or negative returns. The last 12 months have been one such period, so don't be surprised or concerned if the returns on your 30 June super or investment statement are not as big as previous years. It important to remember not to fall into the trap of getting caught up in short-term noise, but remain focused on your long term goals. That's why we take a medium to long term view and position our client's portfolios to provide protection against downside risk.

## S&P / ASX 300 Index

1 year price history to 31 May 2016



# Key Global Economic Indicators

## Global sharemarkets

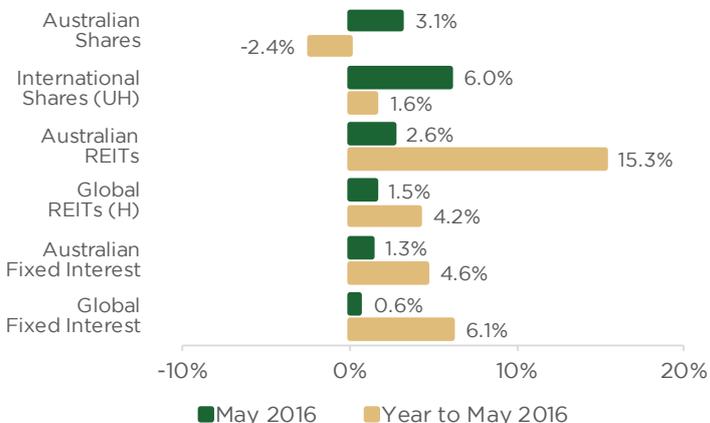
as at 31 May 2016

Sharemarkets (in local currency)	1 mth (%)	3 mths (%)	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)
<b>Australia</b> (S&P ASX 200)	3.10	11.60	-2.38	7.71	7.54
<b>Germany</b> (DAX)	2.23	8.08	-10.08	7.12	7.07
<b>Emerging Markets</b> (MSCI Acc.)	1.41	8.06	-12.97	8.93	7.01
<b>United Kingdom</b> (FTSE 100)	-0.18	2.19	-10.79	-1.82	0.79
<b>United States</b> (S&P 500)	1.53	8.53	-0.49	8.74	9.29

The Australian share market continued to improve in May 2016 with the S&P/ASX 200 Accumulation Index up 3.10% over the month, however, underperformed global shares as measured by the MSCI World (Ex. Australia) - Unhedged Index which returned 6.02%. The RBA's decision to cut rates in May combined with a lower \$A to support the continued momentum for Australian shares.

## Selected sector returns

to 31 May 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 Mar 2016	3.1	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 31 May 2016

## Annual inflation rate

1.3% pa

A\$1 =

\$0.724

¥4.767

£0.498

€0.650

¥80.24

## Australian cash rate

1.75%\*

## Indicative 1 yr term deposit rate

2.20% pa\*

\* Source: Average of 4 major banks, May 2016

Our best home loan rates from

3.69%

\*Rate decreased by the RBA on 3 May '16

## Economic Growth (GDP)

3.1% pa

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



\*includes houses, apartments and units.



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## Unemployment rate

5.7%

11.9 million people employed



Australian population = 23.9

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