Investment Newsletter

July 2016

Inbam Devadason

Inbam is a Director at Harvest Financial Group, and has been in the financial services industry for twenty four years. He is a qualified Actuary and Financial Planner who specialises in investment and superannuation. During the course of his career, Inbam has advised individual clients, superannuation trustees, corporate executives and company boards.

In his spare time Inbam likes to give back to the community by volunteering his financial expertise to charities and non profit organisations. And he certainly keeps busy with his four children aged nine, seven, five and three.

Life after Brexit

It has been an interesting month since Britain unexpectedly voted to leave the European Union (EU). In this newsletter, we discuss some of the expected implications of this significant event on world investment markets.

Markets, particularly in the UK and Europe, fell sharply immediately after the result of the vote became clear. We believe that this was because the unexpected result of the vote caused short-term panic in markets. Indeed, in the lead up to the vote markets rallied strongly, reflecting the fact that markets overwhelmingly expected that Britain would vote to remain in the EU.

Over the last month, allowing for this one day fall, most global equity markets were up between 3% and 7%. This rally has been largely driven by confirmed additional monetary stimulus from the UK central bank as well as lower expectations concerning the timetable for increases to the official US interest rates. In addition, the general expectation that interest rates around the world will remain lower for longer is helping to stimulate investment markets.

Investment timeframe is the key to investment decisions

Planning your investment decisions around your investment timeframe is key in helping to ensure your portfolio has the best chance of meeting your investment goals.

For those with a medium to long term investment timeframe (i.e. 7 to 10 years), we expect that growth style assets (such as shares and property assets) should provide a strong return relative to conservative style assets (such as cash and fixed interest assets), particularly if official interest rates remain low over the investment cycle. Over the next 7 to 10 years, we expect that quality share and property investments will deliver returns of around 7% - 9% p.a. We expect cash and fixed interest assets to return around 1.5% - 4% p.a. over a similar period.

However, in the short-term (i.e. the next 12 months), the direction of markets remains unclear. Britain's exit from the EU has accentuated growing unrest all over Europe and there is now a real risk that Europe may begin to splinter. If this was to occur, we could see another financial crisis driven by debt default risk.

So, how should you invest right now?

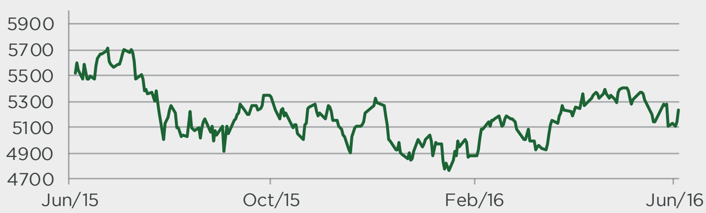
In conditions such as this, we take a cautious approach to investing. For those nearing or in retirement, we suggest regularly reviewing your investment risk profile and maintaining an underweight position to growth asset investments.

For those aged under 50 who are still accumulating their wealth for the future, a neutral weight to growth assets may be appropriate. For new money being invested into the market, a dollar cost averaging strategy (i.e. investing a little each month rather than all at once) may be a better approach.

If you have any questions concerning your investments, please contact us to discuss further.

S&P / ASX 200 Index

1 year price history to 30 June 2016



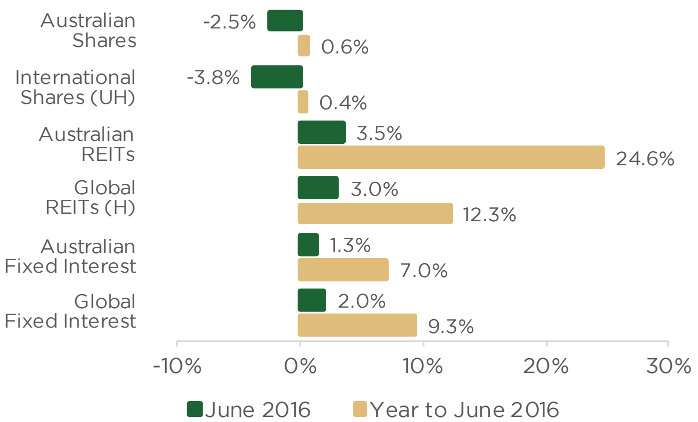
Key Global Economic Indicators

Global sharemarkets
as at 30 June 2016

Sharemarkets (in local currrency)	1 mth (%)	3 mths (%)	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)
Australia (S&P ASX 200)	-2.45	3.94	0.56	7.66	7.40
Germany (DAX)	-5.68	-2.86	-11.56	6.75	5.59
Emerging Markets (MSCI Acc.)	1.81	3.99	-9.22	5.45	3.46
United Kingdom (FTSE 100)	4.39	5.33	-0.26	1.53	1.81
United States (S&P 500)	0.09	1.90	1.73	9.33	9.71

The Australian share market was caught up in the turmoil created by Britain's surprise decision to leave the European Union. Australian shares were down -2.45% in June with the ASX 200 Index falling to a low of 5,051 points during the month. However, since the beginning of July, the ASX 200 appears to have overcome this turmoil and has rallied strongly, increasing to 5,534 points as at 25 July.

Selected sector returns
to 30 June 2016



REIT = Real Estate Investment Trust

Economic growth (GDP)

GDP (annual rate %)	Data as at	Current (%)	1 year ago (%)
World (IMF/OECD)	2016 (est.)	3.4	3.1
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 30 June 2016

Annual inflation rate
1.3% pa

A$1 =
US	$0.744
China	¥4.950
UK	£0.562
EU	€0.672
Japan	¥76.46

Australian cash rate
1.75%*

Indicative 1 yr term deposit rate
2.23% pa*

* Source: Average of 4 major banks, June 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*
$614,000

*includes houses, apartments and units.

Unemployment rate
JOB OFFERS

5.7%

11.9 million
people employed
Australian population = 23.9

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