



Global Economies Wobble

Concern about the state of global economies has been a major issue in recent times and rightly so. It is however very important to recognise the difference between economic and company data, which can have great differences.

How we react in volatile times shapes the success of a long term investment strategy and can either make or break the outcome. Any sound investment strategy will highlight the requirement to have time in a market, not try to time markets. Those that try the latter more often than not achieve less in results than those who adhere to a sound investment strategy over the longer term.

It is here that emotions play a strong part in how we react, and sometimes the simplicity of recognising the emotion of the general public to make smart choices with regards to investing.

It is perfectly natural to feel anxious, fearful or even despondent about markets when they are impacted by economic events. These times more often than not though present opportunities rather than risks for a longer term investor.

When markets are buoyant and returns are plentiful our emotions are that of thrill, optimism and even euphoric. Yet when all seems well we are presented with the highest risk phase in growth asset investing, as it is times like this that we crave, when markets are overvalued and closer to a point of adjustment.

The key to successful investing is maintaining a longer term outlook and a sound investment strategy. The strategy needs to cover both the short and long term and give you protection in volatile periods like we are witnessing now.

Whilst not dismissing concerns about economic conditions, Fiducian trust in our sound investment process. The activity of the Investment Team during volatile times is heightened. To manage concerns about economic conditions and to smooth volatility Fiducian ensures your portfolio is diversified. In addition Fiducian's Investment Team maintain a process of tilting between investment managers, meaning that at appropriate times changes are made internally to how Fiducian Funds are structured in accordance with the economic and investment climate.

On a regular basis the Investment Team discuss with fund managers their strategies through differing periods allowing them to make informed decisions on the structure of the Fiducian Funds. They then trust in the fund manager to take advantage of any positions that may be available and appropriate to enhance the position of their particular fund.

When a fund manager reviews their stock holdings they are also analysing the overlay of current market and economic conditions. They will look at the suitability of particular companies in the climate in which they are operating and make decisions based on the ability to maintain a strong business.

Profitability, strong balance sheets and market positioning against competitors will remain strong focus points, and at this point in time many companies around the world are in very good positions.

In the background there is a huge amount of work going on to give portfolios every chance to not only maintain value, but also grow with the global economy as it does.

Economies are cyclic. They go through boom and bust, but the cycle can be long. This is why it is so very important to be positioned well to cover both short and long periods of time, and more important to maintain a sound investment strategy that keeps sight of your individual goals.

A sound structure that recognises the fact that hard times fall upon us and maintains a contingency plan through an appropriate level of defensive assets, will allow you to maintain comfort throughout difficult periods.



Conrad's View

The global economy is forecast to grow by around 4.3% this year, according to the International Monetary Fund (IMF) in its June report, which is below last year's powerful expansion of 5.1% but still well above the long term trend rate of the last 30 years (3.2%). This solid growth forecast assumes that the European Union as a whole will be able to sustain growth of around 2% for the year, despite financial difficulties being experienced by Greece and some other European economies, including Portugal and Ireland. It also assumes that the US can grow by 2.5% for the year, despite only managing growth of 1.9% in the March quarter. As the

Chairman of the US central bank, Ben Bernanke, recently explained, 'growth seems likely to pick up somewhat in the second half of the year' (7 June). In part, this expectation of stronger global growth over coming months reflects recovery in the Japanese economy following the devastating earthquake that hit the country in March and which severely damaged Japanese industrial output and, in consequence, also affected the industrial output of many other economies. The Chinese economy too, now the second largest in the world, is increasingly helping to underpin world growth. The IMF is forecasting that China will expand by around 10% this year, despite efforts by Chinese authorities to slow activity down a little to decrease inflationary pressures that appear to have been building in recent times. What continues to support the extraordinary growth in China is its huge national saving rate of over 50% of GDP (and a national investment rate almost as high), although in future there is likely to be a slow shift towards higher consumption spending, which in itself would help to boost exports from the rest of the world. The Australian economy appears to be close to recession after actually contracting in the March quarter (1.2%, quarter-on-quarter). Interest rates appear to be too high for the household sector, forcing down house prices, while the associated side-effect of a high currency has been damaging many industrial sectors. The potential introduction of a so-called 'carbon tax' could also impinge on growth in time.

Major share markets have been affected this year by concerns about European debt, the Japanese earthquake, Middle Eastern uprisings and the US budget deficit. All of these factors have had a dampening effect on market performance this year. Overall market movements from 1 January to 22 July this year included rises of 9% for the Dow Jones Industrials, 6% for the broader S&P500, 8% for the tech-focused Nasdaq (all US indices), while the UK market was up 1%, the German market was up 6%, and the Japanese, Chinese and Australian markets were down by 2%, 1% and 3% respectively. Over the same period, the Australian Dollar rose by 7% against the \$US. At the end of the period most markets still appeared to be attractively priced.

Major global government bond markets experienced rising yields from late last year until early this year when events in Japan, the Middle East and Greece encouraged investors back into the supposedly safe haven of this sector. This trend continued into July, aided by concerns that tighter monetary policy could cause Chinese growth to stall. However, the sector now seems expensive, with yields at historically low levels.

Christmas Party Date With New Time and New Venue

We have booked the brand new Merewether Surf House for our annual client Christmas Party. Mark Tuesday the 29th of November on your calendar for this event.

We have brought forward the time to 5:30pm to allow a larger amount of people to attend and enjoy this great new venue in daylight saving looking over the famous Merewether Beach. Invitations will be sent in October – don't miss out!

Fiducian Hunter's Involvement in Community Support

Recently we have contributed to the Newcastle and Lakeside Schools that cater for students with Disabilities. Funding for sporting programs had been cut via a review of Sports Commission funding, and in conjunction with Redhead Mobile Surf School we have ensured the continual running of the Special Needs Surfing Program for both schools.

Also, we have added support to New Lambton Public School in production of their annual year book, the 'Oracle' that relies on Corporate funding to continue to be produced for the students each year.

Upcoming Events and Notifications

Centrelink will index payments on 20 September resulting in a minor rate increase for most pensioners and allowance recipients. Commonwealth and State Pension recipients will also see indexation of payments in October.

We are starting to plan our 10 year anniversary function for late March 2012. It would be great to see as many people there as possible, and we will include an economic update from Fiducian and a Fund Manager update as well. Keep it in mind for when we send out invitations.

Final Say

Again we yearn for better investment returns as continual global events hold back the economic recovery. I continue to hold the belief that markets will return to good times, although concede that the depth of the current issues will protract that time. It will be a time to stick to your guns and maintain a logical and considered approach to your position to ensure you remain not only well positioned, but comfortable in this very volatile environment.

As always, please feel free to contact us at any time to discuss your position. We're always happy to help.

Our next publication is scheduled for release in Summer (along with the Summer issue of Fiducian Focus).

Keep an eye out for it in the mail or on the website below.

Quote of the Quarter

"With self-discipline most anything is possible" (Theodore Roosevelt).

Wishing you all the best until next time.

Shane Pinkerton Adv Dip FS (FP) JP
Executive Financial Adviser
Authorised Representative (ARN 237602)
Fiducian Financial Services Pty Ltd
AFSL 231103

Fiducian's Most Promising Financial Adviser of the Year 2009-10

Planning for your future takes Expertise. Planning your finances needs integrity and trust. Fortunately we have all three. Fiducian, we give you Quality Financial Advice.

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