

Investment Update

One year movement of the Australian share market



Comments: The above graph shows that it has been a good year for the Australian share market with periods of strong growth followed by periods of negative growth which in our view is normal market volatility.

Asset class investment returns

	Australian Shares	Listed Property	Fixed Interest	Cash	International Shares
1 Year Return	22.7	11.8	1.6	2.9	45.0
3 Year Return (p.a.)	9.5	12.9	6.8	4.0	15.4
5 Year Return (p.a.)	12.1	6.7	5.9	4.0	7.6

Comments: The above chart shows the returns from all asset classes and it has been a good year for Australian shares, a great year for international shares, acceptable for property and very poor for fixed interest (bonds).



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Our outlook for 2014

Asset Class	Our View	Why?
Property	Neutral	<p>The residential property market has heated up in recent months with record low interest rates and high auction clearance rates. Income yields on residential are low in contrast to commercial and industrial, yields are still attractive.</p> <p><i>Expected income on residential = 3%</i> <i>Expected income on industrial / commercial = 7%</i></p>
Australian Shares	Neutral – highest level of income	<p>The Australian share market has seen mixed news in the past few month causing a modest sell off. Holden has decided to stop manufacturing cars in Australia, QBE reported large losses from its USA business and QANTAS is losing money on international flights. However this bad news has been overshadowing good consumer sales numbers, acceptable GDP growth and record banking profits.</p> <p><i>Expected income on Australian shares = 6% (incl franking)</i></p>
International Shares	Neutral – protection may come from falling dollar	<p>Most international markets have hit all-time highs stimulated by 'easy money' and record low interest rates. After a very strong year in 2013 it is hard to see international shares providing another bumper result, it is much more likely that volatility will return with the USA talking about unwinding its stimulus.</p> <p><i>Expected income on International shares = 1%</i></p>
Fixed Interest	Negative – due to impact of rising interest rates	<p>After five good years of returns, fixed interest (bonds) are now providing very poor investment results and in our view this will continue over the coming year. However bonds do offer good portfolio diversification from share markets as you will often see bonds rally when shares fall.</p> <p><i>Expected income on bonds = 4%</i> <i>Expected income on term deposits = 3.5%</i></p>



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Comments: Investors should brace themselves for a period of volatility in 2014 similar to that experienced this year. As with all periods of volatility, investment opportunities arise when markets overreact to data or events and we remain watchful for such opportunities.

We continue to believe that the medium term outlook for growth assets (shares and property) will be very reasonable compared to fixed interest, term deposits and cash.

If you have any questions or would like to discuss your portfolio please contact the team at Aspirations Wealth Group on (02) 9580 7966 or visit aspirationswealth.com.au

Note that Aspirations Wealth Group will be closed for the Christmas and New Year period. The team will be finishing on the 20th of December and returning on the 7th of January. We hope you have a merry Christmas and Happy New Year.



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