5 ISSUE | 1 VOLUME | 2019 YEAR

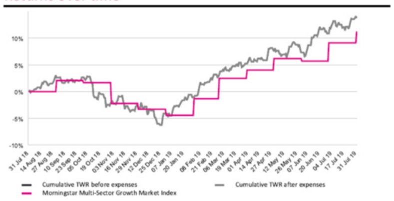
Monthly Update

GROW YOUR WEALTH – PRIVATE WEALTH MANAGEMENT AND SEPERATELY MANAGED ACCOUNTS

SMA Performance July 2019

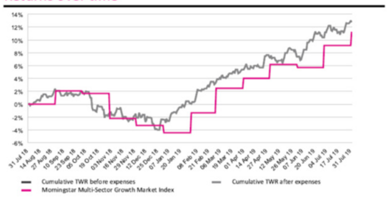
GYW Assertive SMA has outperformed its index over the past 12 months by 2.6%. Overall return for the year to date is 13.8%. We have recently made changes to both SMA models to increase diversification in all sectors. As the portfolio is underweight the index in cash we expect to see the recent fall in market affect performance.

Returns over time

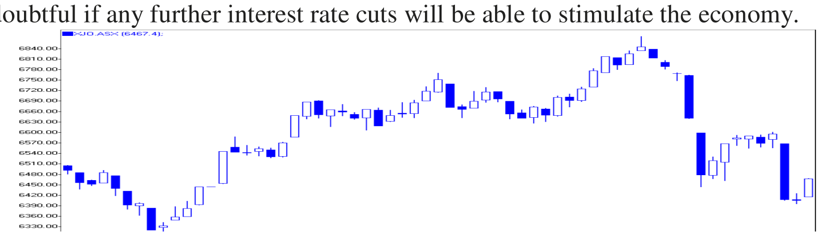


GYW Balanced SMA has also outperformed its index over the past year by 1.5% with a year to date return of 12.78%. We expect the market may pull back providing a buying opportunity around 6000 points. The Negative Yield Curve is effecting the market as funds look for safety in the fixed interest sector.

Returns over time



It has been a tough start to August with the ASX 200 down 6% as the idea of a recession appears likely. At the same time prices of bonds have jumped as investors are looking for somewhere to park their funds after exiting the share market. Short term we expect to see the market go lower while waiting to see if the Feds will cut interest rate further in a bid to stay off a recession. Given the low level of current interest rates, it is doubtful if any further interest rate cuts will be able to stimulate the economy.



Where is Daniel?

Daniel has decided after 17 years of watching the markets it was time to take some time for himself. He is currently living in Slovenia the home land of his family. His mother's family is from this area and he has relatives still living in the country.

Where is Slovenia?

The country lies in South Central Europe in the Julian Alps at the northern end of the Adriatic Sea, bordered by Austria to the north, Italy to the west, Hungary to the northeast, and Croatia to the southeast. Despite its small size, this Alpine country controls some of Europe's major transit routes.

This is a great part of the world to explore and Daniel is making the most of it and enjoying his time off.

Below is a link to some of the attractions in the area.

https://www.google.com/destination?q=slovenia+tourism&sa=X&rlz=1C1NHXL_enAU709AU709&biw=1672&bih=922&output=search&dest_mid=/m/06t8v&ved=2ahUKEwiEisrXs47kAhUNX30KHZ1QBMoQ7NEBKAAwAHoECAo

Negative Yield Curve!

Negative Yield Curves, Trade Wars and Recession what does it all mean?

What should you do about it?

In a "normal" yield curve, long-term yields are higher than short-term yields. This makes sense because the longer someone borrows your money, the more you would expect them to pay you.

A 5-year term deposit will pay a higher rate than a 6-month deposit because they have your money longer and there is more risk associated with a longer investment. The inverted yield is when investors require higher rates of interest in the short term than they do for long term deposits.

It is easy to understand the short term yield, as the Feds and Reserve Bank have more direct control over the rates through monetary policy. That is cutting and raising interest rates. It is the longer term rates which are more difficult to understand.

Long term rates are more influenced by investor expectations on issues such as inflation and market sentiment. When the interest rate yield is flat ,expectations are that growth will be flat or low. A negative yield curve is generally considered to signal that an economic downturn is imminent.

A recession is when you have negative economic growth in two consecutive quarters. A negative yield curve is a possible indicator that a Recession is about to happen. Hence why investors are chasing a higher rate of interest in the short term.

Governments will use monetary policy (cut interest rates) to stay off a Recession. The idea is to make borrowing cheap so people will borrow to spend and boost the economy. However, at present interest rates are so low is it doubtful that this strategy will provide much stimulation at all.

American's trade war with China is not helping the situation. When the two big players stop playing the rest of the countries will be affected. However, the next round of restriction has been put off at present which has seen the market recover over the past week.

So what should investors be doing right now?

The flow-on effect of rising volatility and speculation of a Recession can prompt investors - particularly those relying on bonds or equities for income, such as retirees - to make rash decisions.

Investors need to remember why they purchase each individual company before panic selling. Keep in mind that you should only sell if the company is about to fail, has hit price targets or if the funds can be allocated to a better investment.

That said, it's not a bad idea to check in on whether your portfolio is well positioned to weather a rough patch. Now is the time to review your investments, take profits where you can, reducing weighting to sectors which may struggle in the coming year such as the banks and property sector.

It is also a good time to hold an overweight position in cash and increase exposure to the fixed interest sector. Do not let the extra cash burn a hole in your pocket; take your time and look for opportunities to reinvest the cash, especially on market dips and invest the funds over time to dollar cost average and reduce risk.

If you are receiving a Pension from your investments it is wise to make sure you have at least 12 months' worth of pension payments in cash but be mindful of the dividends your portfolio produces, so that you do not hold too much cash.

Do not fall into the trap of selling out your portfolio to buy back at the bottom. After capital gains tax, transaction costs, lost dividends and missing the bottom you can easily end up in a worse position.

At present our view is that the market will pull back in the coming months, but we expect it will be higher in the new year. Perhaps on the back of further interest rate cuts or government Infrastructure spending increasing.

The key is to adjust your weightings to different sectors to reduce your overall risk but keep collecting the dividends.

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