NEWSLETTER – OCTOBER 2018

News from Complete Financial Planning

- For those who did not get the email –Just to let you know Emma & Monkey & Zoe welcomed baby boy Riley Oliver Walter into the family on 9th of September 2018. All is going well with the new addition.

- Also celebrating Evelyn's 3 year anniversary and Kelli's 2 year with us at Complete Financial Planning
- Save the date: CFP Xmas Party Thursday 6th of December
- Don't forget the office is shut on a Friday, as Kathy and Emma work from home these days – they can be contacted on their mobiles, 0413 348 472 and 0488 198 200 respectively

Market Review And Outlook – Taken from Morningstar Research newsletter

It's been an interesting time for global investment markets. Following a strong 2017 for many growth assets, 2018 has seen a return to more challenging conditions. Escalation of trade tariff tensions has dominated investor sentiment in recent months, with confirmation of the continued upward path for interest rates in the United States adding further fuel to the fire. European, U.K. and, most recently, Japanese Central Banks have also signalled a progressive return to more normal interest rate policy. Elsewhere, political uncertainty regarding the ongoing Brexit negotiations and the outlook for the European Union remains, while the ebb and flow of the United States' relationship with North Korea (and more recently Iran) ensures that there is no shortage of uncertainty to be navigated by investors.

Against this backdrop, share markets have nonetheless, managed to post impressive returns. United States shares, for instance, have delivered double digit gains over the last twelve months, buoyed by corporate tax rate cuts, solid earnings results, a strong U.S. economy and expectations that the U.S. stands to benefit the most from Trump's policies on trade. Japanese and Emerging Markets have also performed well, although they have been weighed down in recent times by perceptions that trade "wars" will adversely affect their economies, with economic uncertainty in Argentina and Turkey further adding to Emerging Market concerns. In each case, the falling Australian dollar has boosted the value of unhedged returns from these regions.

Changes in interest rate and inflation expectations have generally resulted in much more muted returns from key defensive assets like Australian and global bonds and other interest rate sensitive asset classes including listed property and listed infrastructure, which have experienced significant volatility.

It's hard to know how the economic and political events around the world will play out and trying to position for these events in advance rarely adds value to portfolio returns. The bigger concern, however, is that valuations in share and bond markets remain generally unattractive, while investor sentiment appears complacent. In addition to investors being faced with lower expected returns, this scenario also raises the likelihood of heightened volatility along with the significant risk of loss, as assets return to what they are worth, over time. It's difficult to predict the timing and catalyst for weakness, of course, and while we are not forecasting some imminent or catastrophic decline, we need to be prudently positioned by holding more cash (given our focus on the preservation of capital).

That said, while we are cautiously positioned, we can still see opportunities that we think will contribute to portfolio returns over the longer term. U.K. equities are our most preferred region, as poor sentiment amid Brexit uncertainty sees money leaving this market. However, British corporates remain high quality, in general, and while risks are present as the Brexit negotiations progress, investors are being attractively compensated to invest, in our view.

Despite the recent volatility, the underlying investment case for Emerging Market shares, which is built around improving earnings and attractive valuations, has strengthened. Lastly, Japanese equities appear reasonably priced, with the continued focus of their corporates on improving shareholder outcomes (increased dividends, improving profit margins) expected to benefit us as shareholders. By contrast, the outlook for Australian and especially U.S. shares is far less compelling, with both markets offering poor forecast returns, after inflation, leading to the increased likelihood of losses in these markets. Among defensive assets, Emerging Market Debt (bonds issued by Emerging Market nations) offer the most attractive reward for risk, with Australian bonds, and increasingly U.S. bonds, also representing reasonable value.

Above all, however, achieving your financial objectives requires a long-term focus, a willingness to be different from others and a disciplined investment approach that sees your portfolio invest when and where it makes sense to do so.

Please don't forget…

Our success is a result of referrals from clients and friends like you. We could always use a few more. So, if you have children, family members, friends or colleagues that may need some advice, please pass our details to them.