Robertson deRooy
associates
FINANCIAL SERVICES

October 2015

Client Briefing Invitation

Friday 30 October 2015
9.45am for 10am start
Wallis Lake Room
CLUB FORSTER

INVESTING IN VOLATILE MARKETS

Over the past few months, volatility in the markets has dominated financial news—whether it is China slowing down, the Middle East hotting up, or U.S. interest rates staying put, it seems every bit of news has an impact on us.

To discuss the impact on investment portfolios and why "diversification" is crucial in reducing risk, we are pleased that **Terry Tyrrell from Russell Investments** has accepted our invitation to present at our upcoming Client Briefing.

Russell Investments is a heavyweight in the investment world, providing advice on over $2.6 trillion of assets, and directing the investments of some of the world's largest investors including the Toyota Motor Pension Fund, The Boeing Company, and the Bill & Melinda Gates Foundation Trust. Russell Investments won the Money Magazine 2015 awards for "Best Fund Manager", "Best Multisector Fund", and "Best Featured Pension Fund".

Russell's strategies apply to all portfolios, from those run by large institutions to individual investors. If you want to understand more about investing this should not be missed.

Age Pension changes getting closer

Changes to the Asset Test for Age Pensions mean there will be some winners and some losers come **1 January 2017.** What does it mean for you? We will be providing practical worked examples showing the impact of the changes and some solutions.

We will also be looking at **Aged Care issues** including the costs of local Aged Care providers, whether to keep or sell the family home, and some strategies to cover ongoing costs in an ultra-low interest rate environment.

The briefing will run for 2 hours and will include a break for light refreshments—as always please feel free to bring a friend along. To assist in our planning please advise if you will attend by phoning us on 6555 6433 or emailing us at adviser@robertsonderooy.com.au by **5pm Tuesday 27 October 2015**.

We do hope you can join us.

Economic Snapshot October 2015

In summary

September was another difficult month for the global financial markets. A combination of concerns about a slowing world economy (connected to China) and uncertainty about what the US Federal Reserve will do with interest rates drove a general sell-off in risk assets. These two issues appear to be dominating sentiment. However in pragmatic terms, economists continue to argue that the macro environment of the world's economies is relatively healthy – but in terms of sentiment, markets are extremely sensitive to perceived bad news.

Financial markets were already nervous after August's very poor performance and although data in September showed further improvement in the US household sector, other figures showing a slower pace of employment growth and manufacturing activity contributed to underlying concern about the US economy heading towards recession. Soft data about the Chinese manufacturing sector added to these fears even though there was more positive news from other parts of the economy.

In the face of the markets' somewhat overdone uncertainty about economic conditions and the general volatility, the Federal Reserve then compounded the problem by deciding to leave interest rates unchanged in September. This merely fuelled more uncertainty and renewed volatility. Domestically, the Board of the Reserve Bank of Australia (RBA) left the cash rate unchanged at 2% in both September and October.

Australia

Employment picked up again in Australia in August figures (released Sept) with an extra 17,400 jobs being added and about one third of these being part-time employment. The unemployment rate fell slightly from 6.3% to 6.2%, although the participation rate also fell by a similar amount in the month.

However, there was encouraging news with retail sales rising 0.4% in August compared with a decline of 0.1% in July. Compared with a year ago, retail sales growth is running around 4.5%, similar to the pace recorded for most of 2015. The number of approvals for the construction of new dwellings fell 7% in August led by an 11% decline in approvals for apartments which was partly offset by a 5% increase in approvals for houses. These statistics tend to be very volatile from month to month but do seem to reflect some impact from APRA's tighter lending standards.

United States

The manufacturing index and the services index in the United States fell in September. Despite this decline, the services sector of the US economy continues to be more robust than the manufacturing sector which has been slowing down since the middle of the year. This is a pattern which has been seen in other countries as well, notably in China, and has contributed to the nervousness in financial markets which have tended to focus on the manufacturing sector data rather than the services sector.

The unemployment rate has held steady at 5.1% and wages growth remains subdued at just over 2% on an annual basis. The softer than expected employment figures released at the start of September contributed to financial market nervousness about the state of the US economy and what the Federal Reserve might do with interest rates.

Other statistics on the US economy released in the month show that inflation remains under control. The big news of the month was of course that the Federal Reserve decided to leave interest rates unchanged for the time being.

Overall, the financial markets did not take the Federal Reserve’s announcement well. Apart from reading between the lines to try to validate their concerns about the economy, market participants did not like ongoing uncertainty created by the statement. The game of “will they or won’t they” is starting to wear the markets down.

China

Data out of China also continued to contribute to financial market volatility. Not only did the equity market decline further, but various statistics suggested the economy is slowing further. These included trade data showing larger than expected falls in both exports and imports data indicating further modest slowdown in the manufacturing sector. Stronger figures for the services sector attracted little attention although the services sector is now a larger part of the economy than manufacturing and construction. There were some signs of improvement in the housing sector with house prices rising slightly in August for the fourth month in a row. The breadth of house price increases across the country has also been improving in recent months.

The authorities in China announced further steps to support the economy including accelerating the construction of some major projects and reducing some corporate taxes. Further infrastructure spending is also expected and the central bank is likely to cut interest rates and bank reserve requirements further in order to support lending.

In Europe, there were similar steps to provide further support to the economy as the European Central Bank announced further quantitative easing in response to low inflation and the risk to growth from weaker emerging market economies.

Changes to Centrelink Assets Test Thresholds from 1 January 2017

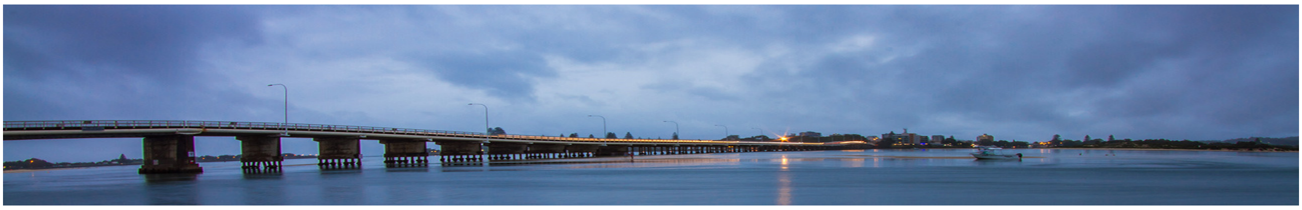
	Assets Test Threshold for full pension (20 Sept 2015)	Assets Test Threshold for full pension (1 January 2017)	Assets Test Threshold for part pension (20 Sept 2015)	Assets Test Threshold for part pension (1 January 2017)
Single, homeowner	$205,500	$250,000	$779,000	$547,000
Single, non-homeowner	$354,500	$450,000	$928,000	$747,000
Couple, homeowner	$291,500	$375,000	$1,156,500	$823,000
Couple, non-homeowner	$440,500	$575,000	$1,305,500	$1,023,000

From 1 January 2017, the Assets Test taper rate will increase from $1.50 to $3.00, effectively reversing the 2007 decision to halve the taper rate at that time. The taper rate governs how much of the fortnightly pension payment is lost for each additional $1,000 of assets above the lower threshold.

***** It is important to remember that the entitlements are calculated under both the Asset Test and Income Test - with the rate payable being the LOWER of the two.*****

Pensioners who lose their pension entitlement on 1 January 2017 as a result of these changes will automatically be issued with a Commonwealth Seniors Health Card or a Health Care Card (for those under Age Pension age).

For more information please speak with your Adviser.



We hope that you have enjoyed our Newsletter. Should you have any questions regarding its content or would like to provide suggestions for future topic inclusions, please let us know.

For further information about our team as well as the latest news, market updates, financial calculators and previous newsletters visit our website at ***www.robertsonderooy.com.au***

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