Axis

MAGAZINE January 2012 | Financial food for thought

Market review and outlook

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Saving for your retirement
Insights from the 2011 Best Fund Manager

Asgard

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What's inside

Easy access to your Asgard account

Investor *Online* helps keep track of your investments with all the latest information on your Asgard account. It is easily accessible as often as you like.

Up-to-date information about your Asgard accounts including balances, investments held, transaction details, pension and insurance details, and your investment asset allocations are available at your convenience at Investor *Online*. You can also access electronic Product Disclosure Statements, Investor Reports, Annual Reports and other important notices about your investments.

Simply visit www.investoronline.info and login to view your account details.

If you haven't activated your Investor *Online* account, email investoronline@asgard.com.au or call 1800 998 185 to create your investor login PIN. ■

What difference can a little bit of saving make?

Super is a great savings plan for retirement. But will your super be enough for a comfortable retirement? We all have to take responsibility to ensure we will have enough money for our future.

How can you contribute now to secure your retirement later?

At least $500 a month would be considered an achievable amount for most 55 year old pre-retirees and even that amount can make a huge difference over time.

Starting your savings plan earlier can make an even bigger impact on your retirement savings.

A 25 year old saving $100 per month, increasing by 5% pa, over a 40 year period and earning an interest rate of 7% pa will have saved $550,000!

By being disciplined and regularly saving just a little bit more and with the benefit of compound interest to the accumulating balance, it is extraordinary how much extra you could have when you retire. ■

Our award-winning performance

Pat Farrell
Head Of Investment Solutions
Advance Investment Solutions

Asgard's award-winning fund manager Advance gives us insight into why the manager has performed so well in a tough year.

2011 was an outstanding year for Advance. The fund manager won three accolades in *Money* magazine's Best of the Best Awards, including *Money* magazine's Best of the Best award for **Best Fund Manager in 2012**, Best Balanced Fund for the Moderate Multi-Blend Fund and Best Growth Fund for the Balanced Multi-Blend Fund, and the 2011 *Financial Review* Smart Investor Fund Manager of the Year.

Advance Head of Investment Solutions Patrick Farrell attributes the success of Advance to two main reasons:

"Firstly we try to do the right thing by investors — understanding them and keeping them at the centre of all our decisions.

"Our job as investment managers is to identify the right opportunities and to strategically design investment portfolios that are flexible enough to be effective in changing market conditions.

> "Firstly we try to do the right thing by investors — understanding them and keeping them at the centre of all our decisions." *— Patrick Farrell*

"Last financial year we used a number of strategies to help enhance the performance of most of our funds. By building a flexible portfolio with returns from multiple sources, such as alternative assets, we made the most of the investment opportunities available in difficult market conditions."

Advance believes fund performance comes with the right mix of managers that can perform through the ups and downs of the investment cycle.

"We use mathematical techniques to choose fund managers with the right skills and philosophies. We can then blend managers more effectively and build more robust portfolios. We've been using this strategy of selecting, blending and monitoring our managers for over 20 years and it has proved very successful for us.

"The second thing is we have a great team of people to make decisions — it's not only the process or a model, it's the people. The Advance team has extensive experience and a great global network to understand what really drives markets.

"We've shown we are able to make the decisions necessary in changing market conditions and we are prepared to take educated risks and manage them appropriately", Advance Manager of Strategy and Research Felix Stephen said.

"We're not just following a trend, we're looking for new opportunities, anticipating market changes and developing new products to suit."

Advance's approach to risk management — an integral component in every part of their investment process — sets them apart. The team firmly believes there's a need to take risks where it can potentially enhance returns for investors but this must be managed by ensuring the risk is appropriate. ■

Who will win Euro-vision?

Felix Stephen
Manager Strategy and Research
Advance Investment Solutions

While the US failed to come up with appropriate deficit reduction measures for the next 10 years by the 23 November 2011 deadline, it appears markets are more focused on the European fiscal woes.

Felix Stephen, Manager Strategy and Research at Advance, gives his thoughts on activity in Europe and other major economies, and the impact on markets.

Australia

The impact of the deterioration in global economic and financial conditions in recent months is becoming more pronounced in Australia. From the Government announcing a much lower than projected expected surplus for the 2012/2013 fiscal year, to further softness in some recent domestic economic data, the outlook is looking grey. Furthermore, with European debt concerns likely to remain a dampening influence on global growth in the months ahead, the Australian economy will continue to be vulnerable.

In light of this, the Reserve Bank (RBA) cut official interest rates for a second consecutive month in early December, reducing the cash rate by 0.25% to 4.25%, its lowest level since March 2010. Also, in its mid-year economic and fiscal outlook, the Government reaffirmed its commitment to delivering a budget surplus for 2012/13. That surplus however, is now forecast to be $1.5bn, a reduction from the $3.5bn forecast in May due to the impact of the global slowdown, national disaster relief spending and the carbon tax. To ensure it meets this new surplus target, the government announced $6.8bn in various spending cuts and tax initiatives.

With fiscal tightening on the horizon, the pressure will be on the RBA to provide policy stimulus to help support domestic activity, especially in light of the deteriorating global landscape and the slower pace of growth in the non-mining sectors of the economy.

While the business sector remains cautious, and credit data is softer, there's no denying the strength evident in business investment, particularly in the mining sector. Real total new capital expenditure increased 12.3% in the September quarter following a rise of 6.2% in the June quarter. Despite this, the global environment will continue to be the driving factor behind RBA policy in the next few months.

Europe

The coordinated effort by some major central banks, led by the US Federal Reserve, to improve global liquidity conditions, may have provided a boost to markets, but has really done nothing to solve the European sovereign debt crisis.

US

The latest data on the US encouragingly suggests the economy has so far been able to weather the Euro sovereign debt storm reasonably well. Growth in the final quarter of 2011 is looking good, but going into 2012, challenges remain.

UK

The Bank of England (BOE) noted a downgrade in its forecasts for UK growth and inflation. This, combined with the ongoing negative impact from the European crisis, has raised the prospect of the BOE further expanding its quantitative easing programme.

Japan

Japan's economy expanded for the first time in a year during the September quarter, as exports and industrial production recovered following the March earthquake. Unfortunately, the pace of growth is set to slow.

China

In light of further evidence that China's economy is slowing, the authorities have begun to ease policy, with the People's Bank of China reducing the reserve requirement ratio (RRR) of major banks. ■

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