

# Axis

## Superannuation

MAGAZINE July 2013 | Moving in the right direction



## Market update

### Also inside:

Covering Le Tour

MySuper for your super

A lifesaver for your income

# Asgard

# Axis

Moving in the right direction

July 2013

## What's inside

- 3** Market review and outlook - financial markets and your investment
- 5** Covering Le Tour
- 8** MySuper for your super
- 10** A lifesaver for your income

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# Financial markets and your investment



**Felix Stephen**  
*Head of Strategy & Research*  
Advance Asset Management

## Key investment themes

Proactive and innovative central bank policies that supported the global economy and prevented it from spiralling into a depression are under increasing pressure because powerful headwinds such as corporate and household deleveraging, tighter regulation and governance requirements and heightened levels of uncertainty and volatility are combining to have an unconstructive impact on the world.

## What are the headwinds and tailwinds?

Excessive financial market volatility generated by either the miscommunication or mishandling of policy by central banks because authorities are concerned that their aggressive policy initiatives have not generated the “virtuous cycle” anticipated by them has instead created asset bubbles. This may destabilise a fragile world and is a powerful headwind. In order to counter this headwind, policy initiatives proposed by the Japanese leadership, a decrease in geopolitical tensions in



both the Middle East and the South and North China seas may provide a reasonable level of tailwind support.

### What does this all mean?

To successfully navigate periods of high volatility, investors need to be mindful of both stabilising and destabilising forces that are always present in modern societies and in particular financial asset markets. In order to succeed in such periods of uncertainty investors should always open up their minds and focus on a broader array of factors that drive financial asset market prices and accordingly balance their portfolio risk/reward.

### Financial market outlook

Based on our most recent assessment of financial asset market returns over the next 12 months, the projected outlook is as follows.



#### Equities

We anticipate equity markets to deliver moderate returns over the next 12 months

accompanied by a high degree of volatility.



#### Fixed interest

Fixed interest returns are expected to be below those experienced in recent years but will exhibit an

increased degree of volatility.



#### Listed Property

We anticipate the listed property market to deliver moderate returns but slightly higher than equities.



#### Alternative Strategies

We expect alternative strategies to deliver returns in line with other growth assets but with less volatility over this period due to the lowly correlation to major asset classes and diversity in strategies.



#### Currencies

We expect the Australian dollar to remain stable against the US dollar having reached our initial targets but vulnerable to bouts of weakness during US dollar strength and increased volatility.

Whilst we have used every effort to ensure the assumptions on which the above projections are based are reasonable, the market returns are highly sensitive to these assumptions and can change as more information becomes available. The actual results may differ materially from these projections.



# Covering Le Tour

Michael Tomalaris has been working at SBS for much of his reporting career and covering Le Tour De France for 18 years. He shares with us how he thinks cycling has changed, and what can be done to protect the integrity of the sport and prepare future athletes for a successful career.



## Michael's Story

My first Tour de France was very difficult. It was June 1996 and I was in England covering the European Football Championships. Management decided to send me to The Netherlands (where the Tour de France was starting that year) to produce and present in the nightly highlights package of the Tour. Joining a small crew of three, we collected a van from a rental yard on Old Kent Road in London, and drove to Ramsgate on the southern coast to take the ferry across the Channel to the Continent.

The atmosphere, colour, huge passionate crowds and sheer spectacle of the Tour engulfed me from the beginning. I was living a dream I had only previously witnessed on television, so to be on the ground at the world's biggest bike race was special.



The novelty wore away quickly as the logistics of the travel and producing TV with a small group was a challenge, but my affection for the Tour has never waned.

Another obstacle in those days was that as an English speaker the Tour was difficult to traverse. All information released by the organisers was printed in French only. The Tour did not cater for non-French speaking members of the media, which was a real problem in terms of communication.

Pacing yourself over the three-week endurance test was also an issue. Despite the fine food and wine, partying the nights away proved to be destructive. As a TV reporter covering the Tour, travelling long distances daily, you can't afford to be 'under the weather'.

### **What kind of preparation did you have to do to follow this month of cycling on the road?**

The Tour coverage has grown immensely since those early days. The overall network support I have is worlds' apart from 1996. Accommodation, car rental, research are all prepared weeks before the race starts. As for knowledge for the sport and the event, it is consumed and absorbed daily throughout the year.

### **What kind of relationship did you form with cyclists – particularly Australians on the Tour?**

I developed a solid relationship with most of the Australian riders. As one of only a handful of media covering the Tour from the mid-90s, the riders greatly appreciated SBS's conscious effort to travel from the other side of the world and cover professional cycling in France as the network has done.

### **Did you ever feel that it was too hard and wasn't getting the traction you had hoped?**

Despite the growth in viewer numbers and the success of Australian riders such as Robbie McEwen and Stuart O'Grady over the years, attracting corporate sponsorship was difficult and this concerned the network executives. To send a crew to France for three weeks is not a cheap exercise for a public broadcaster and sponsorship was critical. But, just when management was seriously considering pulling the coverage, along came Cadel Evans who challenged for a place on the podium for each of his appearances since his debut in 2005. Cadel saved Australian cycling and to some extent saved the SBS coverage to allow it to continue.



**The past year has seen the sport suffer a great blow to its credibility with long-time drug cheat Lance Armstrong finally outed and with his fall taking a toll on the world of cycling. How does this make you feel about the sport and job that you have loved for so long?**

The drug issues in cycling have been a major concern but surprisingly it hasn't lost its following. The Tour is unique because people watch not only for the sport but for everything associated with it – the scenery, history, culture, etc. It's the complete package. We've come to realise there are demons in all professional sports but I'm satisfied cycling authorities have done their best to eradicate the doping issues as best they can. It's not to say cycling is totally clean, but it's cleaner than it ever was.

**What do you feel is the best way for the sport to regain respect?**

Cycling is regaining respect as a result of the testing methods that have been put in place by international authorities. The cheats have been weeded out, the blood and urine tests are more accurate. Any cyclist who is considering cheating will be caught – sooner than later. Apart from being humiliated, a drug cheat stands to lose big contracts and a promising career.

**How can it ensure the best for its future?**

Educating the new breed of riders is what's required. Continuously ramming home the message that 'doping is wrong!'. I'm told youngsters coming through the ranks have never been exposed to syringes and therefore do not understand the doping culture and practices that existed in the decades of the 90s and 00s. Back then doping was seen as normal.

**How much has technology changed since you first covered the Tour?**

The technology has changed noticeably. Perhaps the biggest change when travelling around Europe is the invention of the GPS. There were many times, previously, when I was frustrated at the time it took to find our accommodation particularly when it was booked down a side street, in a small village off the beaten track. Tired and hungry, we wouldn't arrive until after midnight and the tension in the car with my colleagues could have been cut with a knife. As for the race coverage, satellites are still used, however news packages are cut and sent by file transfer through the internet which saves tens of thousands of dollars.



MySuper for your super

# MySuper for your super



Super is one of your biggest investments and is designed to help you save for life after work. Whether you've just entered the workforce or you're nearing retirement, you should make sure your super is working hard for you – it's your money after all.

The Government has introduced a number of exciting reforms which may help you boost your super savings. We've focused on just a couple of these:

1. The introduction of a new MySuper default product.
2. Increased superannuation guarantee (SG) contributions for employees.
3. Removal of the upper age limit for SG contributions.

## How might these changes benefit you?

### **1. A new MySuper default product**

MySuper is something you'll start to hear a lot about. It's a simple, cost effective default super product (a default super account is one your employer or the fund trustee chooses



for you). MySuper is generally a low cost product given the standard features offered and improved transparency makes it easier for members to compare super accounts.

## **2. More money into your super**

On 1 July 2013, the SG rate started to increase.

If you are an employee, this means your employer will generally pay more into your super each year. By 2019, the SG rate will have gradually increased to 12% of your earnings, which will see more contributions added to your super account.

## **3. No upper age limit for SG contributions**

On 1 July 2013, the upper age limit for paying super to an employee was removed, so if you're a mature age worker your retirement savings will continue to grow. This means you may be eligible to receive super from your employer if you're 70 or over and still working.

**For more information please call our contact centre on 1800 998 185.**

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A lifesaver for your income

# A lifesaver for your income

With only 5% of Australian families having the right amount of insurance\*, it's really important that you think about what you need to have covered.

We were curious to hear about how Australians feel about their money, their protection and their future, so we spoke to around 5000 people and found out some very interesting things about insurance.

Our study shows that over 70% of Australians aged between 25-44 and almost 80% of Australians 45-54 have comprehensive car insurance. So, people are covering their assets, and that's really important. But only 26% and 20% of those same groups of people, respectively, have income protection insurance^.

Income protection insurance pays up to 80% of your monthly income if an illness or injury prevent you from working, and when you think about it,



your salary is probably the greatest asset you have that allows you to maintain the lifestyle that you want for yourself and your family. It provides security and opportunities so we need to make sure we think about how much it would cost to replace it.

**For more tailored advice,  
speak to your financial adviser.**

\*Lifewise/Natsem Underinsurance Report, February 2010.

^ BT Australian Financial Health Index



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