

## Market Update – As at 31st January 2019

How the different asset classes have fared:

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr %	YTD %	6 Mo %	3 Mo %	1 Mo %
Cash <sup>1</sup>	3.05	2.14	1.91	1.95	0.18	0.98	0.49	0.18
Australian Bonds <sup>2</sup>	5.11	4.58	3.50	5.49	0.64	3.29	2.40	0.64
International Bonds <sup>3</sup>	6.52	4.67	3.28	3.34	0.97	2.55	2.87	0.97
Australian Shares <sup>4</sup>	10.12	7.14	10.01	0.65	3.99	-4.75	1.20	3.99
Int. Shares Unhedged <sup>5</sup>	10.06	11.09	10.25	3.94	4.16	-3.06	-2.12	4.16
Int. Shares Hedged <sup>6</sup>	13.80	9.66	11.52	-4.58	7.20	-5.28	-0.54	7.20
Emerging Markets Unhedged <sup>7</sup>	7.87	8.28	13.18	-5.14	5.22	-0.89	6.99	5.22
Listed Infrastructure Unhedged <sup>8</sup>	—	11.55	9.22	14.16	4.03	3.87	3.28	4.03
Australian Listed Property <sup>9</sup>	12.43	13.74	9.30	13.10	5.96	5.21	7.50	5.96
Int. Listed Pty Unhedged <sup>10</sup>	11.23	10.90	5.62	17.72	7.20	5.33	4.71	7.20

1Bloomberg AusBond Bank 0+Y TR AUD, 2Bloomberg AusBond Composite 0+Y TR AUD, 3Bloomberg Barclays Global Aggregate TR Hdg AUD, 4S&P/ASX All Ordinaries TR, 5Vanguard International Shares Index, 6Vanguard Intl Shares Index Hdg AUD TR, 7Vanguard Emerging Markets Shares Index, 8FTSE Developed Core Infrastructure 50/50 NR AUD, 9S&P/ASX 300 AREIT TR, 10FTSE EPRA/NAREIT Global REITs NR AUD

After falling sharply in December 2018 most share markets rebounded strongly in January, good news for many investors.

Australian shares recovered almost 4% and have continued to rally in the period following the release of the Royal Commission report. Investors were relieved upon learning the outcome of the Royal Commission findings, which were not as bad as expected. However, we caution investors to be aware that volatility may well continue over the next few months and quarters. The property market in Australia continues to drift lower, and while good for new home buyers who can start to find affordable housing, it is likely to keep the Australian share market under some pressure.

International shares also experienced strong returns with most markets across the globe rallying sharply.

Investors should have a longer-term focus, and these periods of volatility, while difficult, are a normal part of investing. The share market delivers good long-term returns, but seldom does so without a few volatile periods along the way. One of the greatest mistakes investors can make is to chase fad investments in good times, or to sell everything when volatility spikes higher.

A well-diversified portfolio investing in a range of assets including shares, bonds, listed infrastructure and cash, will generally provide good returns with much less volatility as opposed to investing in a single share or a single share market.

The RBA kept cash rates unchanged, however the Governor of the RBA did change his tune on the future direction of cash rates. Previously the RBA had been indicating the next move would be a rate rise in the not so distant future. Now the RBA is adopting a more balanced approach with an equal probability being given to both a rate rise and rate cut. We think this means in practice that the RBA is much more likely to ultimately be cutting rates rather than raising them.

The Australian dollar has been exceptionally volatile over the past few months falling briefly to 68 cents then rallying back to 74 cents in the space of a few months. Over time with lower Australian interest rates a distinct possibility, we would expect a lower Australian dollar. This will be good news for investors in unhedged international shares with the Lower Australian dollar likely to boost investment returns.

**Disclaimer**

The information contained in this material is current as at date of publication unless otherwise specified and is provided by ClearView Financial Advice Pty Ltd ABN 89 133 593 012, AFS Licence No. 331367 (ClearView) and Matrix Planning Solutions Limited ABN 45 087 470 200, AFS Licence No. 238 256 (Matrix). Any advice contained in this material is general advice only and has been prepared without taking account of any person's objectives, financial situation or needs. Before acting on any such information, a person should consider its appropriateness, having regard to their objectives, financial situation and needs. In preparing this material, ClearView and Matrix have relied on publicly available information and sources believed to be reliable. Except as otherwise stated, the information has not been independently verified by ClearView or Matrix. While due care and attention has been exercised in the preparation of the material, ClearView and Matrix give no representation, warranty (express or implied) as to the accuracy, completeness or reliability of the information. The information in this document is also not intended to be a complete statement or summary of the industry, markets, securities or developments referred to in the material. Any opinions expressed in this material, including as to future matters, may be subject to change. Opinions as to future matters are predictive in nature and may be affected by inaccurate assumptions or by known or unknown risks and uncertainties and may differ materially from results ultimately achieved. Past performance is not an indicator of future performance.