

Axis

MAGAZINE January 2011 | Financial food for thought



Market review and outlook

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Asgard

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January 2011

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2011 and beyond

Welcome to the January edition of Axis. I hope you and your loved ones had a safe and enjoyable new year.

In this issue of Axis we look at how the global economy emerged from 2010 and the outlook for 2011 and beyond.

In 2010 we made some significant improvements to Asgard's service. At Asgard we're continuously improving the products and service we provide to you and looking for ways to save you time on administration of your investments, so you can spend more time doing the things you enjoy.

Our efforts were recognised with a number of awards in 2010. Asgard won the Investment Platform of the Year in the prestigious Australian Financial Review Smart Investor Awards. We were also recognised as the 'Best of the Best' for Outstanding Excellence in Customer Service at the Australian Service Excellence Awards, see details of this award on page 4.

In 2011, we're looking forward to introducing more improvements such as:

- Making it quicker and easier for you and your adviser to set up and manage your insurance needs.
- Giving you more options for how you invest in direct equities.

My team and I are fully committed to working closely with your financial adviser to ensure you continue to receive the highest standards of service from Asgard.

I wish you all the best in 2011.

Best regards

Craig Lawrenson
Head of Asgard



New look to Investor Online

If you haven't already explored the fresh new look Investor *Online*, login today and experience the improvement for yourself. The site is now easier to navigate giving you timely access to important information about your investments.

Keep up-to-date with the latest information about your investments by checking Investor *Online* regularly. Investor *Online* provides you with timely information about your Asgard accounts including balances, investments held, transaction details, pension and insurance details, and your investment asset allocations. You can also access electronic Product Disclosure Statements, Investor Reports, Annual Reports and other important notices about your investments.

Visit Investor *Online* and you could win a \$500 Red Balloon Days voucher

Login today, or any time between now and 28 February, and you could win a \$500 Red Balloon Days voucher.¹

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.

Make sure you check that your contact details are correct so you always receive the latest information on your investments.

¹ NSW LTPS/10/12163, ACT 10/05515.1 for Terms & Conditions visit www.investoronline.info

Outstanding customer service – it's all about you...

We were very proud to be recognised as the 'Best of the Best' for Outstanding Excellence in Customer Service at the recent Australian Service Excellence Awards. This award is an acknowledgment of our ongoing commitment to providing you with the highest standard of service.



CUSTOMER SERVICE
INSTITUTE OF AUSTRALIA
2010 Best of the Best

Australian
Service
Excellence
Awards

2011 Market outlook



Felix Stephen
Manager Strategy and Research
Investment Solutions

Global investment themes

The global economy is in recovery mode with strong growth in most major economies - the result of proactive, innovative and gutsy policy initiatives that were introduced by authorities who decided to do 'whatever it takes' to stop the world from going into 'depression'.

Talk of a 'double-dip' has finally receded with investors gradually shifting their assets from defensive (cash, government bonds, etc.) to growth assets (equities, commodities, listed property, etc.). Unemployment in developed economies will be slow to decline but continued economic growth, accommodative policies and strong corporate investment should go a long way to help solve this problem.

The key issues to be resolved in 2011 will be the appropriateness of continuing with policies that prevented a collapse of the global economy and how these policies should be wound-back to ensure a more favourable global economic and business cycle in the future.

Europe will continue to be the 'problem child' of the world financial system with larger European economies having smaller problems and smaller economies having larger problems.

European issues will only be resolved through honest and open dialogue, a pragmatic approach to resolving broader European issues, a strong political leadership within Europe and an unwavering commitment towards European unity.

Emerging economies, though very attractive in the long-term, appear vulnerable in the short-term due to higher inflation and a strong bias by authorities towards administrative policy prescriptions as opposed to market based initiatives to resolve macroeconomic imbalances. Emerging markets also lack adequate liquidity, appear to fall short in terms of regulation, and are vulnerable to exaggerated price swings compared to developed markets.

2011 Financial market outlook

Equities

We anticipate the first half of 2011 to be volatile with the markets' net returns to be around 5%. However, the second half of the year should be more positive with higher overall returns of around 20% being achieved over the 2011 calendar year.

Fixed interest

We anticipate the first half of 2011 to be positive for global developed and emerging market sovereign bonds and developed market and emerging market corporate credit. However, we believe developed market sovereign bonds prices will decline as markets anticipate a gradual normalisation

of monetary policy in key economies. Emerging market sovereign bonds and credit markets are likely to decline less than developed market sovereign debt during this period. We anticipate aggregate fixed interest returns to be around 7% over 2011.

Currencies

We expect modest weakness in the US dollar in the very near term and for the dollar to gather strength against most major currencies as the US economy gains higher economic momentum relative to its trading partners. We expect emerging market currencies to appreciate gradually over the year. We expect the Australian dollar to be strong during early 2011 but then to weaken against the US dollar and the British pound. However, we expect the Australian dollar to strengthen against the Euro and the Japanese Yen and weaken gradually against emerging market currencies.

Commodities

Commodity markets should remain modestly strong in the early part of the year and gather upward momentum by mid-year. Supply bottlenecks, sizeable institutional investment flows into this asset class and broad investor appeal for real assets as a hedge against higher inflation, is likely to buoy the sector. We expect commodity markets to return around 21% over 2011.

Listed property

We anticipate domestic and global listed property markets to deliver returns slightly below equities in the short-term and then move sharply higher later in the year as investors search for yield and protection against higher inflation. Our return expectation for this asset class over 2011 is around 16%.

Financial asset market outlook (total returns)

Asset class	Ultra short-term (1-6mths)	Short-term (12mths)	Short-term (1yr-2yrs)
Global equities			
Australian equities			
Developed govt. sovereign bonds			
Corp credit and emerging govt. bonds			
Australian dollar			
Commodities			
Listed property			

 -16 to -25%
 -6 to -15%

 -1 to -5%
 +1 to +5%

 +6 to +15%
 +16 to +25%

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