NEWSLETTER – March 2017

Welcome to the latest edition of the Axis Financial Advisers Newsletter.

A special thank you to everyone who referred a friend or loved one to our practice. The business is now two and a half years old and the growth in this short space of time has been phenomenal.

The last 3 months on investment markets were relatively quiet and I wanted to share with you some of our current thoughts.

There are many issues which have been covered in this newsletter over the past couple of years such as Quantitative Easing (abnormally low interest rates), currency wars, rising political instability or the significant volatility in commodities.

One topic yet to be covered is our own **longevity**. Over the past century, with advances in medicine and health care, **we have turned deadly diseases into chronic diseases**.

With low interest rates always a boon for growth assets, the realisation that we now have a much longer time frame for investment – particularly as the baby boomers approach retirement and begin drawing down on retirement savings, has helped support much higher asset prices.

When you buy a stock, you are buying a stream of future (and hopefully growing) earnings. When people are scared and the future is uncertain, they might only be prepared to pay for 8 or 10 years future earnings (i.e. during the GFC). When people are experiencing irrational exuberance and can see no problem in the future, they might be prepared to pay for 25 to 30 of year's future earnings.

At the present time, the US stockmarket trades at or near all-time highs and also trades at or near all time "valuation highs", with people more than willing to pay 25X earnings. The current US stock market is generally considered expensive – but I don't see the irrational exuberance.

During the late 90's technology bubble, this was a period of irrational exuberance. Similarly property prices in Sydney and Toronto today could be considered irrational with people paying 40X earnings (net rent). Stocks in general, not so much.

So my dilemma today is determining if we are in the final throes of what has been a reasonable recovery in global markets since the GFC, with a prolonged downturn around the corner, or are people simply prepared to pay more for assets knowing that their life expectancy and advances in medicine mean that they have a longer time frame to wait for the eventual capital appreciation.

Either way, it remains critical to keep a long term perspective with your investments and accept that the volatility associated with growth assets is essentially the price that has to be paid for long term capital growth and liquidity.

Markets

Australian earnings reports generally validated the view that the Australian economy is performing relatively well with housing construction solid, east coast spending adequate and a slightly lower currency a net positive.

Earnings revisions were neutral to positive with enough evidence to suggest we are now at the bottom of the earnings cycle and excluding significant global events are likely to see profits underpinned over the medium term by infrastructure development, lower interest rates and stabilising commodity prices.

Global political uncertainty, with a number of key elections coming up as well as elevated household debt are some key risks in the current environment.

Australian Listed Property had slightly negative performance with most other asset classes showing positive returns. The following table highlights returns from key asset classes to 31 March 2017*:

Asset Class	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Cash	0.44%	1.94%	2.30%	2.65%
Australian Fixed Interest	1.23%	2.09%	4.98%	5.05%
International Fixed Interest	0.32%	1.21%	5.79%	5.86%
Australian Listed Property	-0.08%	6.31%	16.76%	16.87%
Australian Shares	4.71%	20.24%	7.51%	10.83%
International Shares (50% hedged and 50% unhedged)	3.28%	17.17%	11.54%	15.10%

*The above returns were compiled from various sources. More information on the source of the data or compilation can be obtained by contacting Axis Financial Advisers. Past returns should not be relied upon to make investment decisions. The above table does not in any way constitute financial advice and should not be interpreted as such.

Legislative Update

Centrelink Thresholds

Some of the relevant Centrelink thresholds were updated on the 21st March 2017 and will apply until the 19th September 2017.

The current maximum payment rates are as follows:

	Pension Rate (Including pension & energy supplement)
Single	$23,095.80 ($888.30 p.f.)
Couple	Combined: $34,819.20 ($669.60 p.f. each)

The assets test thresholds are as follows:

	Homeowner		Non-Homeowner	
	Full Pension	Pension Cut-Out	Full Pension	Pension Cut-Out
Single	$250,000	$546,250	$450,000	$746,250
Couple	$375,000	$821,500	$575,000	$1,021,500

The income test thresholds are as follows:

	Full Pension	Pension Cut Out
Single	$4,264	$50,455.60
Couple	$7,592	$77,230.40

If you have any questions about this report or any other matter, please don't hesitate to contact me.