Forsythes Financial Planning

# Money Matters

WELCOME TO THE FORSYTHES FINANCIAL PLANNING - MONEY MATTERS - SPRING EDITION 2003

*"Money frees you from doing things you dislike. Since I dislike doing nearly everything, money is handy."*
Groucho Marx (1890-1977)

IN THIS EDITION

Forsythes Financial Planning ensures optimal investment advice to our clients at all times

**Seminar Invitation**
Super Strategies for Business Owners and Professionals

Staff Profile - Bruce Killingly

You don't have to buy a house to take advantage of the property market

Dollar Cost Averaging

Quarter in Review

## Forsythes Financial Planning ensures optimal investment advice to our clients at all times.

The financial data received over the last six months has possibly set the foundation for the early stages of a world economic recovery. Having endured the pain of the past three years under-performance in investments, we now need to revisit strategies to suit the changed world economic scene. These issues have been the focus of our Forsythes internal Investment Review Committee (IRC).

**Forsythes IRC meets monthly and has two roles:**

a) To discuss national and international economic data and trends and how these changes impact on your investment portfolios, and

b) To review the performance of all our approved investments to ensure that you are investing to achieve an optimal result within the parameters of your individual time frames and tolerance of volatility.

The members of your Forsythes IRC are:
John O'Connor, Bruce Killingly, Nick Grayson, Desley Niccoli and Kate Mantle.

**Some of the strategy highlights of recent meetings have been:**

**Interest rates:** With the likelihood of future interest rate increases, we will gradually reduce our client exposures to fixed interest investments and increase investment in variable rate securities such as NAB Income Notes.

**Property:** With the change in economic cycle, we believe that property securities will come under continued valuation pressure as monies flow from this defensive strategy to equities. We have resolved to gradually shift our client property exposure from indirect property security investments to direct alternatives such as the Westpac Office Trust which successfully floated last month.

I believe that the input of the IRC is an invaluable tool in providing optimal investment advice to our clients at all times.

*John O'Connor - Partner*

## SEMINAR INVITATION

### Super Strategies for Business Owners and Professionals

**Forsythes Financial Planning invites you to a free Seminar explaining in detail the benefits of running you own self managed Super Fund and controlling your investments and financial future.**

**Topics Covered;**

- Setting up and running your self managed Super Fund
- Maximising your Superannuation
- Maximising your Retirement Income
- Investments, Life Insurance and your Super

| | |
|---|---|
| **Date:** | Tuesday 21st October 2003 |
| **Venue:** | Harbourview on Queens Wharf<br>Harbour Lights Room |
| **Times:** | 3:30 - 5pm or 6 - 7:30pm |
| **Register:** | Call Anna on **02 4926 2699**<br>or email: **abevan@forsythes.com.au** |

**Register Online: www.forsythes.com.au/seminar**

## Staff Profile - Bruce Killingly

Bruce joined Forsythes in April 2000 and is one of our senior Financial Advisors. Bruce advises clients on investment and risk management strategies, and is constantly developing new business opportunities for the firm.

**Bruce's areas of specialty are;**

- Investment Structures and Strategies
- Retirement Planning & Centrelink Issues
- Risk Management - Life & Income Protection Insurance
- Debt Structuring

Bruce has a Graduate Diploma of Financial Planning (SIA) and a Bachelor of Education (New England).

Bruce is 49 years old and is married with four children. In his spare time he loves cycling, snow-skiing, renovating and leadlighting.



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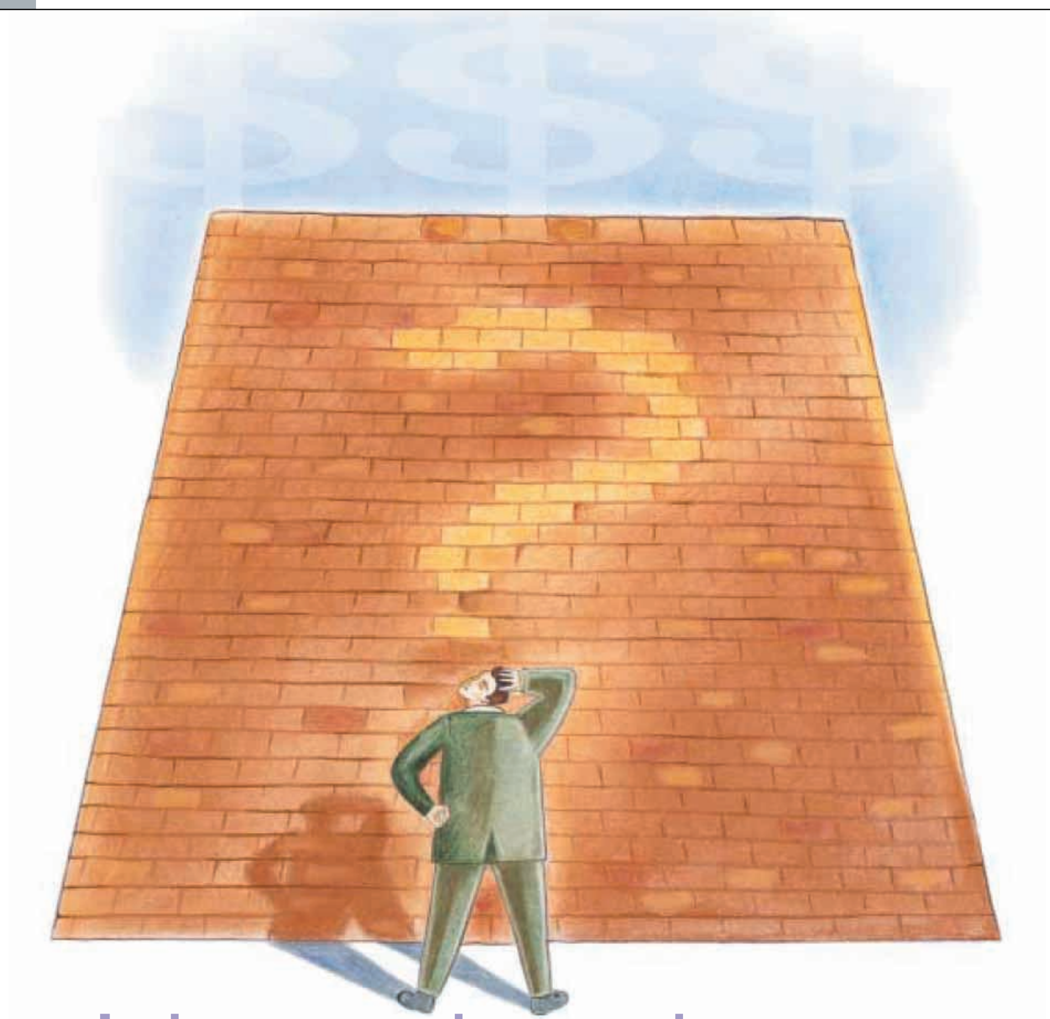


# You don't have to buy a house to take advantage of the property market

The property market has boomed in recent years and many investors have benefited from this upturn, even if only by acknowledging the appreciation in their own homes. However, purchasing an investment property is not the only way you can benefit from the property market.

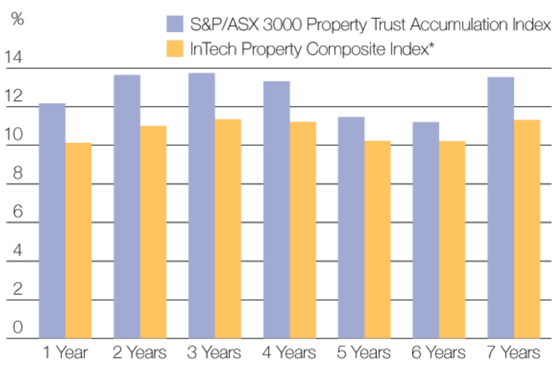
Listed and direct property trusts have produced strong performance over the last seven years as demonstrated by the graph at right.

### The benefits of investing in a listed or direct property fund, versus purchasing an investment property

1. Lower minimum investment – you can join some funds with as little as $1000.
2. Improved liquidity – They can generally be bought and sold quickly, and the brokerage on the transaction is lower than the costs incurred with the sale of a property.
3. Flexibility – Investors have the ability to sell part of their holding while continuing to hold onto a portion of their investment.
4. Diversification – A diversified portfolio of property securities gives you exposure to a broad range of property market sectors, for example, retail, office, industrial, tourism, and geographic regions, thus reducing potential volatility.

There are many ways that you can take advantage of the current strong property market, so speak to us for advice on how to incorporate a property investment into your financial plan.

**Annual performance of property indexes as at 30 June 2003**




* This index has a 50% weighting to the S&P/ASX 200 Property Trust Accumulation Index and a 50% weighting to the InTech Weighted Direct Property Index

Performance information is historical. Performance returns may vary. Past performance is not indicative of future performance.

# DOLLAR COST AVERAGING

## Take the guesswork out of investing

Buy low, sell high! Sound and simple investment advice as old as the market itself. However, it is generally much easier said than done. In financial markets that are inherently unpredictable, it is virtually impossible to consistently choose the best time to buy or sell, even for the experts.

To take the guesswork out of when to invest, the strategy of dollar cost averaging is perfect. Dollar cost averaging evens-out the fluctuations in the price of an investment made over time, by purchasing the same dollar amount of shares or units in a managed fund at regular intervals, for example, $500 per month.

This strategy means that you won't always invest everything at the best time – or the worst. The amount you invest remains constant and you buy more shares or units when the price is low and fewer shares or units when the price is high. As a result, the average dollar amount you pay per share/unit is always lower than the average market price per share or unit during the time you are investing (as illustrated by the table below).

The average price per share in this example is $8.57 (total share price of $60 divided by seven months) and the average cost per share is $8.29 (total invested of $3500 divided by 422.3 total shares).

By buying more shares at a lower price, you put market swings to work for you. You also keep your long-term plans on track by investing regularly.

Dollar-cost averaging is a convenient, systematic way to build a significant investment portfolio for people who don't have a large sum to invest at one time or who are just starting to build a portfolio. And because the amounts invested periodically remain constant, you can set them at a level that is easy for you to budget to meet.

While dollar cost averaging cannot prevent loss in a steadily declining market, it can prove to be a very successful investment strategy, making the most of market fluctuations over the long-term. Investors can further reduce their risk through diversification, that is, investing across a selection of asset classes and companies.

**Automatic Monthly Investment**

| Date | Monthly Amount Invested | Share Price | Shares Purchased | Total Shares | Total Invested | Account Value |
|---|---|---|---|---|---|---|
| 15 January | $500 | $10.00 | 50.0 | 50.0 | $500 | $500.00 |
| 15 February | $500 | $9.00 | 55.6 | 105.6 | $1000 | $950.40 |
| 15 March | $500 | $6.00 | 83.3 | 188.9 | $1500 | $1133.40 |
| 15 April | $500 | $10.50 | 47.6 | 236.5 | $2000 | $2483.25 |
| 15 May | $500 | $7.00 | 71.4 | 307.9 | $2500 | $2155.30 |
| 15 June | $500 | $8.50 | 58.8 | 366.7 | $3000 | $3116.95 |
| 15 July | $500 | $9.00 | 55.6 | 422.3 | $3500 | $3800.70 |
| Average | | $8.57 | 60.3 | | | |

This information is for illustrative purposes only and is not intended to represent any particular investment product.



# Money Matters

# Quarter in Review

Second quarter 2003

The recent surprise has been an apparent turn in Japan, where data showed signs of improvement throughout the month.The result was a positive move in Japan stocks and a spill over into other Asian markets.

## Australian equities

With the cessation of formal hostilities in the Middle East and a modestly improved tone in economic indicators, global equity markets have rallied strongly. While the Australian market also rallied the low beta status of the market and generally poor guidance with earnings estimates being cut sharply has resulted in the Australian market under performing. In general Australian earnings expectations have been most sharply down graded for companies with offshore exposures who have been caught in the pincer of generally weaker growth and a sharply rising Australian dollar.

Major equity markets were up sharply over the quarter (all in local currency terms) with the S&P/ASX 300 up 4.99% (the accumulation index was up 5.99%), the S&P/ASX 500 up 14.9%, the FTSE up 11.57%, the Topix up 14.65%, the Stoxx 50 up 18.79% and the Hang Seng up 9.88%.

## International equities

Global markets continued their march upward in June, but because of A$ strength against all major currencies, delivered a slight negative return to Australian investors. The market finished down 1.21% in Australian dollar terms. While all markets had higher returns in their home currency, countries with the best returns earlier in the quarter took a bit of a breather as the laggards caught up. Europe and the US were slightly negative as Japan rose 4.3% in A$ terms and Asia followed suit with a return of 2.8%.

The major economies continued to show clear differences in data strength during the month. The US has seen steady improvement in sentiment with the ISM Purchasing Managers index rising again, ending the quarter at 49.8, while both the production and orders components rebounded through the threshold indicating expansion. At the same time, Europe has struggled to get traction where consumer and business surveys are still flat or even deteriorating slightly. The recent surprise has been an apparent turn in Japan, where data showed signs of improvement throughout the month. The result was a positive move in Japan stocks and a spill over into other Asian markets.

## Direct property

### Commercial/Office

The Commercial sector's market fundamentals continued to deteriorate during the second quarter of 2003. There were only a few major projects completed, however, there are numerous plans in the pipeline and due to be completed by the end of 2003. Significant projects supplying office space are due for completion in Melbourne CBD, Parramatta and Perth in late 2003/2004.

### Retail

The outlook for the Retail Property sector is neutral, with Jones Lang LaSalle survey of investor sentiment turning negative for the second time since the survey commenced in 1999. A number of major projects were completed including Victoria Gardens Melbourne, and additions to Wetherill Park, Sydney and Floreat Forum, Perth. Investor demand for retail property remains strong with yields continuing to firm for all centers. Retail turnover growth continues to slow to trend levels.

### Industrial

Industrial market fundamentals have continued to remain relatively stable. There have been a number of major property sales over the quarter, boosted by the purchase of the Colonial portfolio by Macquarie Goodman Industrial Trust. There is high demand from investors for sites for future projects in areas close to improvements in infrastructure, for example, Western Sydney Orbital.

## Listed Property Trusts

In the June quarter, Listed Property Trusts (LPTs) returned 3.2% compared to the broader equities market of 6%, resulting in a relative underperformance of 2.8%. However, LPTs outperformed fixed interest by 1.0% in the period.

## Fixed interest

The Reserve Bank of Australia (RBA) held official cash rates steady at 4.75% over the June quarter. In the semi-annual testimony to the Senate Committee in early June, the RBA Governor indicated that despite firm domestic economic fundamentals, there may be a case for more stimulatory monetary policy given a worsening global backdrop.

Over the quarter the Australian 10 year bond rate rallied from 5.33% to 5.0% by month-end. The range was much wider, with a yield high of 5.52% and a new 40 year low of 4.55% in mid June. Despite firm domestic data over the quarter the Australian bond market was largely driven by firmer US bond market.

The divergence of global bond and equity markets was evident over the quarter. International equity market's (particularly the US) rallied along with global bond markets. Clearly this divergence cannot continue and we look towards the quality of upcoming economic data to confirm which market is overpriced. We also take the view that the Federal Open Market Committee is "over-engineering" the US recovery with short and long rates at very low levels, assisting both the households and rated corporate borrowers. The high liquidity levels in the US are also enhanced by the continued fiscal stimulus.



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