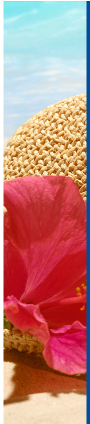

YOUR PERSONAL WEALTH

SUMMER 2021

WELCOME TO THE SUMMER EDITION

As we reach the close of 2021, it is important to reflect and appreciate the resilience demonstrated over the past couple of years, and look forward with anticipation to 2022.

Once again we're proud to be part of the Lifespan community, with our licensee, Lifespan Financial Planning, recently announced as winners of the 2021 ifa Dealer Group of the Year.

We wish you, your family, and friends a wonderful festive season, and we are looking forward to working with you again in 2022.

ARE WE THERE YET?

Global stock markets recorded new highs in August/September before giving back most of the quarter's gains in late September. Much of this slowdown was due to the impact of the Delta variant, combined with economic data pointing to slowing rates of growth in the US and China, including creditor issues with China's largest property developer, Everglade. Markets were initially spooked by risks to the financial systems in China and elsewhere, but have now concluded these can be managed. This resulted in the US equity market having its first 5% pullback this year, although markets have since bounced back.

The good news is growth in global developed markets appears to be stabilising, supply constraint issues aside. In Australia, Delta has resulted in growth forecast being slashed for this year, but markets have largely looked through this with lockdowns eased and vaccination rates for over 12s now over 80%. The other major development was Australia's announced nuclear-powered submarine deal, with knock-on effects for international relations.

The US Fed finally announced tapering of its quantitative easing (QE) program by $12bn a month beginning in November. Fed Chair, Jerome Powell was recommended for another 4 year term. The big issue in markets has been persistently high inflation in the US with the annual CPI coming in at 6.2% in October. Annual wholesale inflation has risen around 8% globally and around 13% in China.

Economy

The Australian Consumer Price Index (CPI) rose by 0.8% in the September quarter, and by 3.0% compared with a year earlier. This was a fall from the 12 year high of 3.8% in the previous quarter. Core inflation at 2.1% was ahead of expectations of 1.8%, moving back into the RBA's 2-3% target band.

Australian GDP 2021 estimated — 3.0% for 2021

Australian GDP 2022 forecast — 5.5% for 2022

Source: www.rba.gov.au

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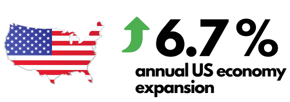
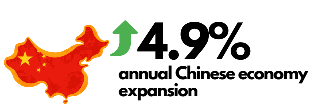
The RBA forecast had been for core inflation to not to be in the target band until mid-2023 and that cash rates would remain at record lows of 0.1% right out to 2024. While the cash rate is likely to be raised before 2024, the RBA has been strong in saying that rates will not rise in 2022. The RBA precondition for a rate rise is sustainable inflation of 2 to 3%, which requires higher growth in wages, which in turn requires an unemployment rate of 3 to 4%.

3 months to 31 October 2021	
Aust. fixed interest	- 4.9%
Aust. large cap equities	0.5%
Aust. small cap equities	3.7%
Industrials	4.9%
Resources	-15.9%
Developed market global equities	1.1%



The U.S. economy expanded at a 6.7% annual rate in the second quarter (from 6.3% in Q1) but this is the high mark for the economy's expansion this year. A key factor was consumer spending, which accounts for roughly 70% of economic activity. This grew at a 12% annual rate, the fastest expansion since a surge in Q3 last year. The early estimate for Q3 GDP was an annual growth rate of 2.1%.



The Chinese economy expanded 4.9% year-on-year in Q3 of 2021, easing sharply from 7.9% growth in the previous quarter. Compared with Q2, China's economy grew by just 0.2%, well below the market's 0.5% consensus.

Outlook

The COVID-19 pandemic and the availability of vaccines remains key drivers of the economic outlook. While this can be managed in developed countries, it is likely to be a big issue in less developed countries and will serve to extend the pandemic and the issues of shortages of commodity and componentry.

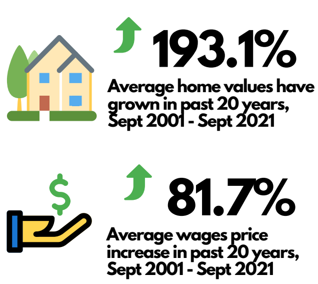
Property has been a big driver of Chinese growth and is particularly relevant to Australian companies such as BHP and RIO, as almost 30% of iron ore in China is used by the property sector. With China cracking down on highly leveraged property companies, the iron ore price has now fallen by over US$130, from the peak of US$230 per tonne. This is fall is not all property related though, China has been cutting steel production quotas to 2020 levels to lower carbon emissions. There are now signs that China is softening its stance on property companies and easing steel quotas. This plus indications of easing monetary conditions there has led to a rally in the iron stocks, although they are still well down on levels of a few months ago.

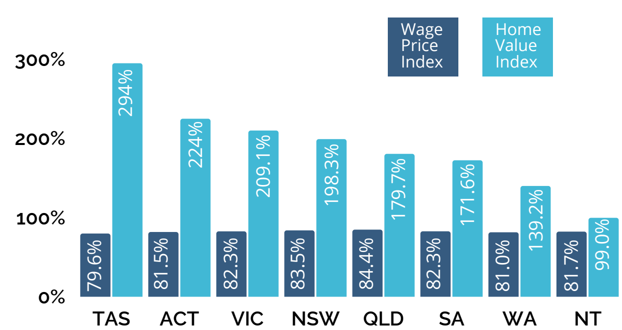
The biggest issue in markets right now is high inflation, particularly in the US. The annual CPI was 6.2% in October and has now been above 5% for 6 months. Inflation has now broadened out to most goods. Apart from supply chain issues, there are special factors in play. The concern is that the US Fed is behind the curve and interest rates and bond yields will need to rise in order to get inflation under control. As rates rise, you would expect PE levels to fall from the current forward PE of over 21x for the S&P 500.

We believe that the taper or the unwinding of QE by $15bn a month maybe sped up so that it finishes earlier than June next year. There are US mid-term elections in November 2022 and the Fed would not like to raise rates so close to this date. Given that we are approaching a US tightening cycle, we would be cautious in increasing growth allocations right now. We do not expect the Fed to be that aggressive, but that will be determined by the monthly CPI numbers, so we will be watching those readings as well as US long-term bond yields.

State by State Wage Price Growth vs House Price Growth 2001-2021

Wondering why it feels like property prices are out of reach?
20-year growth in Australian Wage Price Index (private & public sectors) and CoreLogic Home Value Index (HVI) (dwellings), from September 2001 - September 2021.





Source: www.corelogic.com.au

HOW TO ENJOY THE FESTIVE SEASON, WITHOUT A 'BUY NOW PAY LATER' HANGOVER

The 'Buy now, Pay later' (BNPL) trend has exploded. Users of Afterpay alone exceeded 3.6 million across Australia and New Zealand as at 30 June 2021, an increase of 8% in one year. With over 10 BNPL providers in Australia, it's so popular banks are joining the party, with 0% interest instalment options.

With Afterpay being rolled out at around 160 hospitality venues in Australia, you can even buy your next round of drinks this way! The idea is simple enough: buy now and pay for it later, over a few instalments. Easy, right?

Maybe not. This time last year ASIC released a report into the growing BNPL sector found that some users of the service were experiencing financial hardship, with around one in five users having missed a payment in the last 12 months, and have even gone without meals or taken out an additional loan to pay their bills.

With Christmas just around the corner, Afterpay and similar services are bound to be popular payment methods for all those gifts we 'need' to buy. After the couple of years we've just had, we may just spend a little more than usual.

So how do we keep ourselves in line and avoid that Christmas spend blowout, when it seems so easy to enjoy now and pay later?

Consider your budget

Afterpay charges its instalments over four 2-week increments, so it's easy to match to a weekly or fortnightly pay period. Consider the usual expenses you have each pay period and work out realistically what you can afford to spend each fortnight before you start shopping. Remember, you're paying for your purchase over an eight-week period.

Buy now, pay later is a form of credit

The concept of BNPL isn't a new one, as this is also the basis of a credit card. Afterpay may be more appealing as a payment method to some because there are no interest charges. However, there are some hefty late fees and a short payment window. So, make sure you have enough money to cover these expenses within that eight-week time frame, otherwise the extra charges add up fast.

Remember that the little things add up

It's no surprise that our little purchases, like that takeaway coffee, or Uber eats snack really do add up over the long-term. From an Afterpay standpoint, a $10 payment each fortnight doesn't seem like much. But if you have half-a-dozen or more of these on the go at once, you may not be thinking about the total amount.

Unlink your credit card

The method of payment for BNPL can be a debit or credit card. Consider avoiding the use of paying for items with your credit card. On top of the interest fees you incur with a credit card, you may also be hit with fees should you fail to make the initial repayments.

According to the ASIC report, a huge 66-73% of users who use credit cards to make payment instalments also incurred credit charge interest charge interest charges for the Afterpay timeframe.

In 2021 Afterpay's bad debts currently total $195 million, with the average amount outstanding being $200, which would equate to just under one million Australian and New Zealand consumers with Afterpay debts.

So before you click on that 'Buy Now Pay Later' button, take a moment to consider the full cost of what you're paying for, and if it will bring Christmas cheer or a Christmas hangover.

Sources: www.statista.com, www.smh.com.au, www.savings.com.au

NEW YEAR, NEW HABITS

It's heading to that time of year again where we feel the urge to aim high and set new patterns for the New Year. It's a great excuse to get rid of bad habits or establish new ones. Do you know your priorities and goals for the year ahead?

Here are some useful hacks to help you make new habits that stick this new year.

- **Be realistic.** Set your goal too big and you may get frustrated with your lack of progress, too small and you're more likely to procrastinate. Set your goal just more than you think you can achieve.
- **Focus on one change at a time.** Create a schedule and set aside times to actively work on your goal.
- **Establishing good habits** are essential to helping you achieve your goals. Remember it takes on average 66 days for a new habit to stick.
- **Make it real.** Write it down on a card you carry with you and commit to achieving. Tell a friend, so you have someone in your corner to encourage and celebrate with.
- **Plan for success**. Plan ahead so you have systems in place to support the change you're trying to make.
- **Anticipate potential problems** or roadblocks and brain storm solutions to cope with them if and when they pop up.
- **Plan small rewards** to motivate you and reinforce your small successes, initially after the first few days, then weekly and monthly.
- **Perseverance** is the key to success. Failure doesn't stop you, unless it's failure to keep trying. Life happens and unexpected things crop up, but remember, every bit of progress counts.

Whatever your plans and goals for the coming year, remember success is in your hands.

Wishing you all the very best for the festive season and every success for your New Year!

WHAT'S YOUR MOST VALUABLE ASSET?

Would you say it's:
a) your home,
b) your superannuation, or
c) your income?

It may surprise you to know that for most people, the answer is c). This is because if you lose the ability to earn an income, you don't have the money to pay the bills and save for the future.

Financial security doesn't just mean accumulating wealth, but also protecting it. Many people insure their house and car but forget about protecting their income. If you are sick or injured and cannot work, you may have savings or sick leave from your employer to keep you afloat for a short time. But after that...?

Do you know someone who could benefit from talking to us about protecting their most valuable asset? Please call us to discuss how we may be able to help.

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