

# Your PERSONAL WEALTH

Spring 2024

## Welcome

We hope you are looking forward to enjoying the delights of Spring.

Those of you with an eye on the share markets will have noticed the continuing market volatility. As always, any market uncertainty highlights the importance of focusing on your end goals and having a diversified investment portfolio.

This edition we take a look at 5 psychological traps that could be harming your financial future and what you can do to help overcome them. We also highlight some of Australia's great caravan parks. Whether planning a holiday or enjoying your retirement, it's always good to explore the best of what Australia has to offer. Working with us can help get you on the road sooner!

Happy reading!

## Positive returns continue with increasing market volatility

The investment markets have seen a positive but volatile few months. Whilst April falls resulted in low returns for that quarter, a subsequent July recovery saw record highs in Global and Australian share markets.

Markets sharply fell again in the first 2 weeks of August. Factors impacting this include disappointing results in the Artificial Intelligence (AI) sector, a sluggish US jobs report and unexpected policy changes by the Bank of Japan.

Investors are more focused on fundamentals, and some market commentators believe we're in a time "where bad news is no longer good news for share markets".

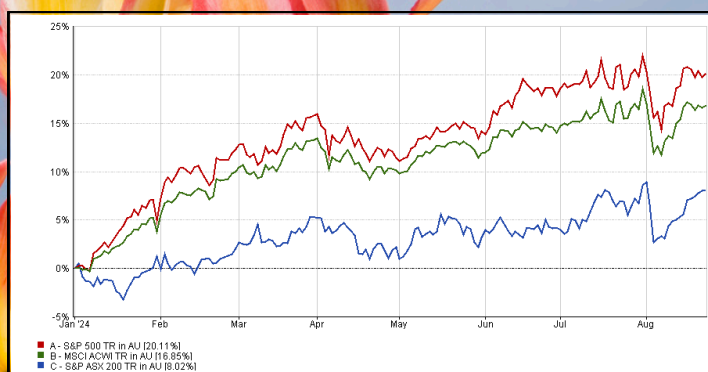
### The share market is highly concentrated

The current market capitalisation concentrated in large US and Australian companies (large caps) is increasing share market volatility. In the US, the so-called MAG 7 stocks were more than half of the gain in the S&P500 in the year to 30 June 2024, and the Top 10 Mega Cap stocks represented 38% of the Index at 30 June 2024. Importantly, the US market represents 70% of the MSCI World Index.

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Share Market returns from 1 January to 23 August 2024



Source: FE Analytics

In Australia, the largest 6 stocks (4 major banks plus CSL and BHP) represent 38% of the market capitalisation of the ASX200 (top 200 stocks on the Australian Stock Exchange). The 4 major banks alone represent 22% of the ASX200 but delivered over 50% of the 2023/24 Financial Year returns. Due to this concentration, any increases or decreases in these few stocks have a magnified impact on the overall stock market and market volatility.

All major share market returns are solid, both on a calendar year-to-date (CYTD) and annual basis. While Europe has struggled, global share prices gained on the expectation of lower interest rates in Europe and the US later this year. US annual inflation came in at 3%, the lowest since March 2021. This, together with signs of slower economic activity in the US, led to encouraging signals from the US Central Bank that interest rates will be cut soon.

Emerging markets have provided reasonable returns at 4.4% for the 3 months to the end of July. Large differences between CYTD returns in China of -9.4% and India of 21.5% demonstrate that active management is recommended for this asset class.

Despite the strong gains in the Australian market in July, signs continue that the Australian economy is weakening along with that of our major trading partners. Global and Australian bonds had a strong quarter, both showing capital gains as yields fell due to lower global inflation. The Reserve Bank of Australia (RBA) cash rate remains at 4.35%.

### Outlook for economies and markets

Most economists, such as global credit rating firm Moody's, have a positive outlook for the economy and markets and expect a 'soft landing' (when an economy comes out of a strong growth cycle without entering a recession). Nevertheless, most also agree that recession concerns are rising. JP Morgan, for example, believes that the probability of a US and global recession starting before the end of 2024 is 35%, increasing to 45% by the end of 2025.

Investors must remember that the solid returns we have enjoyed in the last few years were significantly boosted by unprecedented money being injected into the global economy by Governments and Central Banks in response to the COVID-19 pandemic. The result was also a huge increase in global debt (for example US government debt of over USD35 trillion, representing 126% of GDP). Nevertheless, investors remain focused on the US economy, as developed markets outside the US, including Australia, are significantly weaker than the US.

The Australian economy is weak with retail sales and business forward orders declining, but is benefiting from government spending and tax cuts along with immigration. This, however is delaying any move by the RBA to cut rates until Q1 2025.

The present situation is complex and requires caution. Potential headwinds include:

- while there is a strong likelihood of significant interest rate cuts in the US over the next 12 months, these have already been priced into markets;

### Returns of major asset classes at 31 July 2024

Asset Class %	CYTD	3 months	6 months	1 year	Ann. 3 year	Ann. 5 year	Ann. 10 year
Global Shares in \$A	18.49	7.62	14.11	21.31	10.53	12.79	13.22
Global Shares in USD	13.4	8.6	12.66	18.89	7.36	12.6	10.1
US Shares (S&P500) in \$A	21.94	9.43	16.18	26.05	14.01	16.24	17.22
Emerging Markets in \$A	12.83	4.42	14.72	10.08	1.59	4.93	6.71
Australian Shares (ASX 200)	8.59	6.21	7.31	13.53	7.44	7.52	8.03
Australian Small Companies	6.34	2	5.4	9.29	-0.64	3.5	6.3
Australian Resources	-11.4	-6.6	-8.12	-6.37	4.54	7.65	7.26
Australian Property Securities	17.7	9.32	16.18	28.25	7.99	5.24	9.1
Australian Bonds	1.66	2.67	1.45	4.67	-2.15	-0.49	2.31
Global Bonds in A\$	3.98	3.67	2.15	6.29	-1.23	-0.36	3.53

- the COVID stimulus has been spent;
- consumers are facing an unprecedented cost of living crisis at a time of record levels of household debt;
- there are still significant inflation risks; and
- geopolitical risks are very high.

### Conclusion

We remain optimistic but cautious about the market outlook.

Conditions support the mantra of diversification. While we think returns from growth assets will remain positive overall, there is an increased probability of more short-term market corrections. In this event, the defensive components of portfolios should provide good returns and the opportunity for capital growth in the case of bonds.

It is important not to overreact to short-term data when making investment decisions. We're here to help you navigate the financial markets in these volatile times.



# 5 psychological traps harming your financial future and what you can do to overcome them.

Market trends aren't the only factors affecting your investment portfolio—behavioural biases can significantly impact your returns. These psychological tendencies often lead to poor investment decisions.

Behavioural biases are mental shortcuts or blind spots that can mislead us, even when our choices seem rational. Understanding the most common biases and their impact on our investment decision-making is crucial for achieving a better financial future.

## 5 PSYCHOLOGICAL TRAPS harming your financial future

### 1 Confirmation Bias

Confirmation bias means that we seek out information that confirms existing beliefs or investment decisions while ignoring contradictory evidence. This can lead to a lack of diversification and increased risk exposure.

### 2 Overconfidence Bias

This bias leads investors to overestimate their ability to predict the market or pick winning shares. It can result in excessive trading, higher transaction costs, and lower returns.

### 3 Loss Aversion

People always feel the pain of losses more acutely than the pleasure of gains. Investors may hold onto losing investments for too long in the hope that they will rebound rather than cut their losses and reallocate their capital.

### 4 Anchoring Bias

Investors often fixate on a particular piece of information, such as the price paid for a stock, and use this as a reference point for future decisions. This can prevent them from adjusting their strategies in response to new information or changing market conditions.

### 5 Herding Behaviour

Herding behaviour occurs when individuals follow the actions of others instead of making independent decisions. This behaviour can lead to exaggerated market movements driven by mass sentiment rather than fundamentals.

## 4 STEPS TO OVERCOME behavioural biases

The good news is that you can manage your behavioural biases and minimise their impact on your investments.

### 1 Awareness

This awareness can help you identify triggers that lead to biased thinking, enhance self-reflection to question your instincts and reactions and improve your ability to regulate emotional responses like fear and greed, which often drive biased decisions.

### 2 Stick to a plan

Create a clear investment plan based on your goals and risk tolerance. Regularly review this plan to stay on track and avoid impulsive decisions.

### 3 Get different opinions

Don't rely on just one source of information. Seek out different perspectives and understand the reasoning behind recommendations. This helps you see the bigger picture.

### 4 Review regularly

Schedule regular reviews of your investment portfolio to ensure your investments are aligned with your goals and adjust for any changes in the market or your life.

Investing can be challenging, especially when dealing with behavioural biases. This is where working with a financial adviser can be incredibly valuable, helping you confidently navigate the complexities of investing and achieve your goals.

As your adviser, we can provide expertise and objectivity, helping you navigate and overcome these biases. We can guide you through a disciplined investment process, regularly review your portfolio, and offer diverse perspectives to ensure better decision-making.



# Adventure awaits with Australian caravan parks

Whether a family holiday or your retirement, working with us can help you get on the road sooner. If you're seeking the call of the ocean, the whisper of the rainforest, or the echo of the outback, these caravan parks stand as gateways to a world waiting to be discovered. Pack your bags, hitch up the caravan, and embark on a journey that promises you memories to last a lifetime.

## NSW

### **NRMA Merimbula Beach Holiday Resort**

This coastal haven offers family-friendly facilities and pristine beaches.

### **BIG4 Koala Shores Holiday Park, Port Stephens**

Relax and explore with water sports, dolphin-watching cruises, and sandy adventures.

## NT

### **Kings Canyon Resort**

Engage with the local Aboriginal culture and memorable hikes that unveil breathtaking views and geological wonders.

### **Knotts Crossing Resort, Katherine**

Set among acres of tropical gardens, close by Katherine's cascading waterfalls, soaring red cliffs and quirky baobab trees.

## QLD

### **BIG4 Adventure Whitsunday Resort, Airlie Beach**

The nearby Great Barrier Reef and Whitsunday Islands make it a haven for water enthusiasts.

### **NRMA Palm Cove Holiday Park**

Relax on the palm-fringed beach, visit the reef and soak in the ambience of the rainforest.

## SA

### **Sea Vu Caravan Park, Robe, SA**

Stunning beach views within walking distance of local shops, restaurants, wineries, and attractions.

### **Tanunda Caravan & Tourist Park, Barossa Valley**

Hire bikes and explore vine-clad hills, rustic buildings, churches and wineries.

## TAS

### **Discovery Parks Cradle Mountain**

Immerse yourself in the tranquillity of nature and marvel at the unique flora and fauna.

## St Helens Caravan Park

Whether it be fishing, swimming or walking that takes your fancy, this park has it all.

## VIC

### **BIG4 Apollo Bay Pisces Holiday Park**

Indulge in scenic coastal drives and marvel at the towering rock formations.

### **Best Friend Holiday Retreat, Yarram**

Built to holiday with your 4-legged family. Fenced areas for dogs to exercise off-leash, a hydro-bath hut, luxury day-use kennels and a dog-friendly playground.

## WA

### **Cable Beach Caravan Park, Broome**

Witness sublime sunsets over the Indian Ocean and camel rides along the pristine sands.

### **Mandalay Holiday Resort & Tourist Park, Busselton**

Indulge in swimming, fishing, and various water sports by the famous pier.

<https://www.australiantraveller.com/australia/australias-best-caravan-parks/>  
<https://ssangyong.com.au/discover-ssangyong/top-10-must-visit-caravan-parks-in-australia/>



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