Your PERSONAL WEALTH

Winter 2025

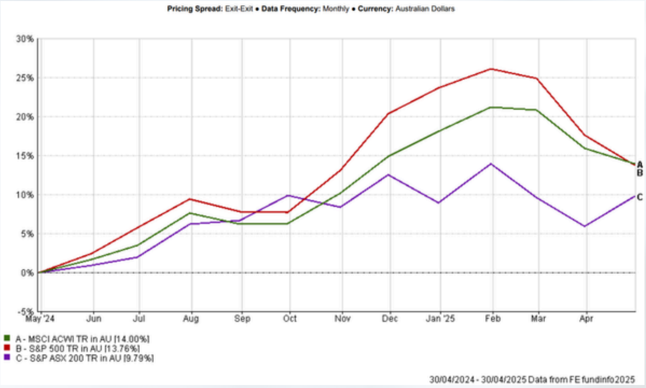
We hope you enjoy this Winter edition of Your Personal Wealth.

In this edition, we look at the consequences of recent rate cut relief, the impact of uncertainty weighing on the markets, whether going green in your investment portfolio is smart, or trendy (or both!), and wrap up with a handy retirement planning checklist.

Happy reading!

Consequences of interest rate relief

> With interest rates cut another 0.25% in May, this is great news for home buyers, but not so much for those relying on fixed income.
>
> Contact us if you're unsure about alternative solutions to ensure interest rate cuts don't reduce your lifestyle options.



Share market performance over 1 year to 30 April 2025
US stock market (A = red), global shares (B = green) and Australian shares (C = purple).

Uncertainty weighs on markets in 2025 creating opportunities for active managers

> The key is to remain invested. While short-term volatility can be uncomfortable, maintaining a long-term perspective and diversified approach remains the best strategy for most investors.

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Key points

In contrast to last year, the major themes dominating markets in 2025 are:

- Slowing global economic growth as forecast by the International Monetary Fund, mainly due to President Trump's global tariff war.
- Investor sentiment is low, with many expecting a US recession in 2025, and returns are expected to remain volatile.
- A shift in investor appetite to defensive stocks, bonds and gold, away from high-growth stocks and riskier assets.
- Opportunities are appearing away from the US, e.g. Australia, Europe, the UK, Japan and emerging markets.
- Active managers are finding opportunities as market dynamics change.

The year so far

The theme coming into 2025 was one of US stock market exceptionalism, reflecting both the growth prospects of Artificial Intelligence (AI) related stocks and what was broadly viewed as a pro-growth US administration.

As the **stock market returns chart** on the cover page starkly shows, this all changed at the end of January when Chinese company DeepSeek unveiled a new AI model, which caused a tech stock rout, followed by the announcement of initial tariffs in early February, which continued into April.

The **Returns of major asset classes table (to 30 April 2025)** below shows negative returns on all share markets over 3 months, with global shares down 6% and US Equities (S&P 500) down 10%. Emerging markets have done comparatively well but are quite volatile due to the tariff environment.

Asset Class %	3 months	6 months	1 year	Ann.3 year	Ann. 5 Year	Ann.10 year
Global Shares in USD	-3.5	1.1	12.3	10.8	13.6	9.2
Global Shares in AU	-5.9	3.5	14.0	14.7	14.1	11.5
US Shares in AU	-9.8	0.6	13.8	16.2	16.1	14.7
Emerging Markets in AU	0.0	2.9	11.2	8.0	7.3	5.7
Australian Shares	-3.7	1.2	9.8	7.2	12.1	7.7
Australian Small Companies	-4.6	-2.0	3.7	0.3	7.7	6.3
Australian Listed Property	-5.3	-4.5	9.1	5.5	12.1	7.5
Australian Bonds	2.8	4.7	7.1	2.8	-0.2	2.1
Global Bonds (Hedged AUD)	1.7	2.4	6.5	1.5	-0.6	1.8

The Australian equity market outperformed global markets in April, due to the relatively low impact of US tariffs on Australia and a March Quarter inflation report indicating that inflation has cooled and is under control.

One-year returns on growth assets are good except for Australian resources, which did poorly given concerns over China's growth prospects and falling commodity prices. Bond returns have been volatile but consistently positive across all periods of up to three years.

Outlook for economies and markets

Our base case is that uncertainty will continue to drive market performance in the short term, with returns differing significantly by region or country. Poor investor sentiment is likely to result in modest levels of broad market index returns, as it becomes increasingly difficult for many companies to forecast earnings or make significant investments.

> "The good news is that there are positive signs for a broadening out of the returns beyond the large cap stocks globally.

Australian stocks should benefit as interest rates are predicted to fall further, and especially if the Chinese Government stimulates its economy.

This environment provides opportunities for active managers. Quality fixed-income assets offer reasonable returns at low risk.

In summary

Our preferred approach in times of uncertainty is:

- Remain diversified by asset classes.
- Ignore short-term noise and stick with your investment strategy.
- Active management over passive.
- Bonds and high-quality credit for income and stability.
- Regular rebalancing to maintain target allocations.

Is going green with your portfolio smart or trendy?

Many Aussie investors are considering whether environmentally conscious investing is a worthwhile aspect of their financial strategy. Whether you're younger and new to investing or eyeing retirement in the coming decade, understanding the pros and cons of 'green investing' could impact both your returns and your conscience.

The upside of green investing

Let's face it: environmental concerns are more than simply trendy talking points. Climate change, resource scarcity, and pollution have real economic impacts that savvy investors cannot ignore. Companies that fail to adapt to environmental challenges may struggle in the long run, while those that embrace sustainability often demonstrate stronger risk management and innovation.

For younger investors, environmentally aware investing offers a chance to grow wealth while supporting the world you inherit. Many environmental investment options have delivered competitive returns compared to traditional investments, challenging the old myth that you must sacrifice performance for principles.

Meanwhile, pre-retirees may find that green investments offer portfolio diversification that can help mitigate market volatility. As governments around the world enforce stricter environmental regulations, companies that are ahead of the compliance curve may avoid costly penalties and disruptions that could affect your retirement nest egg.

Potential pitfalls

Despite the positives, green investing isn't without challenges. The 'greenwashing' phenomenon, where companies exaggerate their environmental credentials, makes it difficult to identify truly sustainable investments. Without proper research or guidance, you might end up backing enterprises that don't align with your values.

There's also the issue of sector concentration. Environmental portfolios often lean heavily towards certain industries like renewable energy or technology, potentially creating an imbalance in your investment strategy. This concentration could expose you to specific market risks, rather than spreading them across diverse sectors.

Older investors nearing retirement need to ensure that environmental investments fit within their risk tolerance and income needs, rather than simply following a feel-good trend.

Working for you and the planet

The good news? You don't need to choose between financial performance and environmental values. With proper research and professional guidance, you can incorporate green investments that complement your broader financial goals and timeline.

Whether you're looking to start small with a green portion of your portfolio or want to align your investments with environmental values comprehensively, as your financial adviser, we can help navigate the increasingly sophisticated landscape of sustainable investing options.

Ready to explore how environmental investment might fit into your financial plan? We can help make your money work for both you and the planet.

Your retirement financial planning checklist

Evaluate your current situation

Use a retirement calculator, such as MoneySmart[1] to roughly estimate how much money you could have when you retire. Consider all your retirement income streams, including your super, employment, and other investments.

Do you have any outstanding debts or multiple super accounts? Having multiple super accounts can result in higher fees and negatively impact your retirement savings. Before you consider consolidating, check for any existing insurance policies within your super.

Decide what kind of retirement you want

Do you want a modest retirement, a comfortable retirement, or do you want to enjoy even more freedom? You can use the ASFA guidelines[2] to get an idea of what lifestyle different superannuation balances can equate to in retirement.

Make a plan

If you're not on track to meet your goals, there are several things you can do to boost your retirement wealth. For example, topping up your super savings. This can be an effective way to get you closer to your goals. Making voluntary contributions to your super or setting up salary sacrifice are two ways to build up your super savings.

Working part-time is another option. But if you're eligible for the Age Pension, you'll need to consider how much you'd like to earn working part-time. If you own property or have other investments like shares, you need to consider whether to keep or sell them.

You'll also need to think about the tax impact of these decisions and how it might affect your eligibility for other benefits.

[1] moneysmart.gov.au/retirement-income/retirement-planner
[2] superannuation.asn.au/consumers/retirement-standard/

Nominate beneficiaries

To ensure your money goes to your loved ones in the event of your death, you can nominate someone to receive your super. However, there are various conditions that apply, and talking to a financial adviser can help in making an informed decision.

Set up income streams

Even if you've accumulated a large amount of super over the years, you need to think about the most cost-effective and tax-effective way to access it. Setting up an income stream, for example, through an account-based pension, can be more tax-effective than simply withdrawing lump sums and can provide a reliable, ongoing payment. However, there is a lifetime cap on how much can be transferred to a tax-free income stream, and penalties can apply if the cap is exceeded.

You'll also want to understand what government benefits you might be eligible to receive – for example, the Age Pension, or other concessions.

Review your insurance

When you originally opened your super account, insurance might've been added automatically, or you could have it outside of your super. It's important to review your level of insurance as your circumstances change. For example, you might get married or divorced. Keeping your insurance up to date could make a significant difference to you and your loved ones.

Action your plan

Do you need to consolidate your super accounts? Set up an income stream for your super savings? Pay off existing debts? Update your insurance cover?

Once your goal is clear and your plan is in place, you need to take action. As always, we can help you with this.

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