



▶ SECURITY NATIONAL CONSOLIDATED COMMENTARY..... 1



▶ MARKET WATCH – ‘BIG TRENDS SHAPING YOUR LONG-TERM RETURNS’ ..... 1



▶ SECURITY NATIONAL'S NEWS SECTION..... 4

SECURITY NATIONAL FINANCIAL SERVICES PTY LTD FINANCIAL PLANNERS	
SNFS	

Australian Financial Services License Number 244565  
ABN 54 007 375 420

# Financial *focus*

VOLUME I YEAR 2008

## YEAR WRAPPED

*During 2008, the continued fallout from the ‘sub prime’ mortgage problems in the US, coupled with rising oil prices, has had a dramatic effect on investor confidence, and led to significant falls across most major asset classes. By March/April of this year, many markets had fallen in excess of 20%, and we continue to see high levels of volatility amidst growing concerns about the health of the global economy.*

*2008 will be remembered for all the wrong reasons as the year that signified the end of the 2002-07 Bull run, and certainly one of the worst periods of investment for over twenty years. Now more than ever, this is a time to be patient and have confidence in the economic cycle, and while no one can predict when the recovery will occur, history dictates that markets will again return to positive territory. Although there is a lot of negative reporting in the media at present, Australia is in a very reasonable economic position and at some point, our market should stabilise.*

*For those clients in pension phase, be confident that the yield income from your investments is still strong, and will continue to provide for your pension payments. It is essential that you maintain your investment allocation, as it is only through exposure to these asset classes, that you will realise the full growth potential over the long term.*

## MARKET WATCH

### THE FIVE BIG TRENDS SHAPING YOUR LONG-TERM RETURNS

- *Trend No. 1 – China and other developing economies*

For more than a decade the American consumer has been the most important driver of world economic growth. Yet according to Morgan Stanley Chairman, Stephen Roach, while US consumption currently totals over 19% of world GDP (at market exchange rates), their share is falling. International Monetary Fund (IMF) Deputy Managing Director, Takatoshi Kato recently commented<sup>1</sup> that ‘emerging markets are the engine of growth’ and this year, for the first time, China will be responsible for the largest part of the increase in global growth.

## MARKET WATCH

### THE FIVE BIG TRENDS SHAPING YOUR LONG-TERM RETURNS

BT Chief Economist, Chris Caton, says there is still a lot more to come from China. While significant, China's growth is not unprecedented. Both Singapore and Taiwan were growing more rapidly at the same stage of development.

But this is more than a China story. Emerging Asia, Africa, Central and Eastern Europe and the Middle East all posted high levels of growth for the past six years. While many investors once steered away from emerging markets because they thought them risky, failing to invest in the world's fastest growing markets may – in the long run – be more risky.

- *Trend No. 2 - The US Economy*

The current uncertainty and volatility in the market continues to spread. Major US banks including Citigroup, Wachovia and Morgan Stanley have written down significant sub-prime mortgage debts. Financial market unrest and falling house prices could cause US consumers to stop spending, dampening both US and global growth.

Falling investor confidence in the economy and mounting concern over both the US current account and Government deficits has seen the US dollar nosedive this year. This not only weakens the competitiveness of exporters in Europe and Australia. It may also lead to a re-alignment of global currency markets (the world's highest paid supermodel now wants to be paid in Euros!). This trend could have major long-term implications if the world moves away from using the US dollar as its 'reserve currency'. (The US dollar is used to price major commodities like gold and oil and many Central Banks hold significant US dollar reserves).

- *Trend No. 3 - Renewable energy*

Both the price of oil and the costs of reducing carbon emissions are growing and pushing up energy prices. As a result we're seeing increased investment in renewable energy. According to the Intergovernmental Panel on Climate Change, if the carbon price rose to around \$50 per ton, the market share of renewable energy could double. We have already seen a rapid increase in the amount of money being invested in renewable energy and energy efficient industries – growing from US \$80 billion in 2005 to over \$100 billion in 2006<sup>3</sup>.

Companies who specialise in energy efficient technologies or have taken strides to adapt to these changes stand to gain substantially. Interestingly, just as many big companies harnessed the power of the internet to beat the dotcom upstarts, the big oil firms have made some of the largest advancements in renewable energy technology. Perhaps paradoxically, they may benefit from a world where carbon has a cost.

- *Trend No. 4 - Choice of investment structure*

Most of the developments driving investment markets are out of our hands – while we can follow them and invest accordingly, there is little we can do to influence them. What you can control, however, is your approach to investing. By structuring your investments in the most efficient manner, you may boost your long-term returns significantly!

## MARKET WATCH

### THE FIVE BIG TRENDS SHAPING YOUR LONG-TERM RETURNS

We have recently had some of the most dramatic changes to Australian superannuation legislation in a generation. For people aged 60 and over there may be some significant tax savings as lump sum or income stream payments from a taxed source are tax-free.

By making better use of the new 'simpler super' environment, you may get better access to your money and achieve higher returns on your savings because super is often a more tax efficient investment vehicle.

- *Trend No. 5 - Technology*

Robert Solow won the Nobel Prize in Economics in 1986 because his 'Solow growth model' proved that technological progress drives economic growth.

Technology also affects *how* we invest. Modern technology has created a whole new realm of products and approaches to investing.

The growth of alternative investments is a case in point. The growing use of sophisticated trading methods in hedge funds now makes it possible for ordinary investors to enjoy positive returns even in falling markets. The rise of boutique investment managers is also partly the result of new investment technology that allows small firms to compete with funds management behemoths.

Companies like BT are now working to capture the benefits of both styles. BT's new multi-boutique investment structure offers investors the flexibility and innovation typical of boutique managers whilst retaining the security and service benefits of a big investment firm.

Of course, its important investors don't get caught up in technology hype. No matter what technology you apply, markets will always have the final word. Yet used wisely, enhancements to investment technologies can make investing safer, easier and more effective.

The global investment environment is constantly changing and these long term trends can fundamentally shift the outlook for economies, markets and returns. While investing for the long-term is your best chance of success, investing is never static. It requires constant research, discipline and professional advice.

## SECURITY NATIONAL'S NEWS

### WHAT'S NEW AT SECURITY NATIONAL?

- It is with great pleasure that we announce the appointment of Barbara Alvarez. Barbara holds a degree in Economics and a Masters of Business Administration (MBA). Barbara has been appointed as Manager of Marketing & Operations. Welcome to the team!
- After four years of planning for the group Michael Ibbotson has been appointed Managing Director of the Australian Financial Services License. Michael will retain his planning responsibilities.
- Announcement! Stop press! We have launched our new website with modern flash based features and updated information and content for you. Please have a browse. Your feedback is always welcome. Please email Barbara with your comments at [secnat@secnat.com.au](mailto:secnat@secnat.com.au). The site is for you, if we can improve it and make it more user friendly we would love to know how.
- We look forward to meeting all your financial needs during the 2009 financial year, happy new financial year and see you soon for a review of your strategy and portfolio.



#### Your Privacy

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact your local office located at the back of this document.

#### DISCLAIMER

The information contained is of a general nature only, does not take into account your particular objectives, financial situation or needs. Accordingly the information should not be used, relied upon or treated as a substitute for specific financial advice. Whilst all care has been taken in the preparation of this material, no warranty is given in respect of the information provided and accordingly neither Security National nor its employees or agents shall be liable on any ground whatsoever with respect to decisions or actions taken as a result of you acting upon such information.

#### Contact our office for further information:

##### Security National Financial Services Pty Ltd

ABN 54 007 375 420

Holder of an Australian Financial Services License 244565

Level 2, 608 St Kilda Road

MELBOURNE VIC 3004

Ph: (03) 9510 - 5400 Fax: (03) 9510 - 5405

Email: [secnat@secnat.com.au](mailto:secnat@secnat.com.au)

[www.secnat.com.au](http://www.secnat.com.au)

#### References:

1\_ IMF World Economic Outlook: Globalization and Inequality, October 2007, executive summary page XV.

2\_ United Nations Environment Programme (UNEP), Press release - Investors Flock to Renewable Energy and Efficiency Technologies, June 2007.

3\_ "Challenges to the International Monetary System: Rebalancing Currencies, Institutions, and Rates" Presentation by Mr. Takatoshi Kato, Deputy Managing Director, IMF, Salzburg Global Seminar, Salzburg, Austria, September 30, 2007

Source: BT Financial Group