



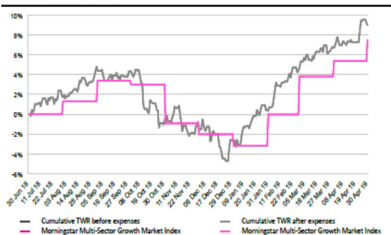
# Monthly Update

GROW YOUR WEALTH – PRIVATE WEALTH MANAGEMENT AND SEPERATELY MANAGED ACCOUNTS

## SMA Performance April 2019

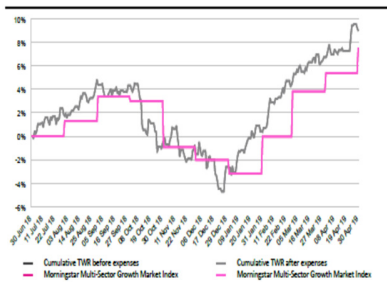
GYW Assertive SMA has outperformed its index this financial year by 1.5%. Overall return for the year to date is 9%. It outperformed over the period of July to April due to a higher weighting towards Australian equities and lower weighting to cash.

Returns over time



GYW Balanced SMA has also outperformed its index for this financial year by 1.27% with a year to date return of 8.29%. We expect market may pull back slightly the coming months.

Returns over time



### April 2019

The Australian Market had a positive month in April, with a gain of 1.9%. Moving into May we are cautious due to the election and the uncertainty as to who will get in. Short term we expect that the market may pull back not just on the election but also as investors look to take some profits from recent highs. We continue to watch the banks which are currently looking undervalued, however, with tightening on the lending practices and the ALPs franking policy we may see investors look to diversify.



# Property Pain

*The property sector continues to fall across the country. Property is now down around 10% from highs and looks to be getting worse.*

I was told once by my local Member that it is luck which makes people wealthy! This could not be more distant from the truth.

Most people think it is because of a great investment once again WRONG!

Wealth is created through HABITS. The wealthiest people have habits which in turn make them wealthy.

Habit one is saving, it is that easy, establish a saving habit and over time you will reach your financial goals.

The investments you choose will amplify the growth of your wealth but it is the savings that provides the foundation for continued growth.

Once you have the habit of saving you must give it time to work.

The wealthy know this to be true and have been doing it for a long time.

Property is clearly now falling in price, this is and will have a major impact on our economy and on the Stock Market as well. There are a number of reasons as to why the prices are falling or should I say correcting.

1. Chinese have been limited to only buy new homes.
2. The Government changes legislation around Interest Only Loans
3. Proposed legislation to bring in new negative gearing rules
4. Tighter lending regulation after the bank enquiry
5. Over Supply

So far we have seen property prices drop around 10% however it will vary depending on where you live. This is having a major impact on the market and in my view is it will get worse. Whenever there is a boom it must be followed by a bust, for the most recent buyers in the property market they will experience capital losses and most likely are already in a negative equity situation.

The forced selling of properties which has negative equity combined with the hose who have to sell as they are unable to service a principal and interest loan once their Interest only loan expires, will in my view will push the market lower. We will not see a collapse like in the United States because in Australia we have different laws making the homeowner responsible for the remainder of the loan once the property is sold. This generally leads to home owners trying harder to hold on to the property.

Typically, in this situation the Reserve Bank would cut interest rates to stimulate the property market, given the low rates already on offer, further cuts would do little to curb the problem.

Australia already has an issue with interest rates given that in America Bond rates are increasing putting pressure on our Government to increase rates.

We expect that things will get worse, auction clearance rates have fallen to 50% and volumes are low. This may cause some panic selling especially among those who have negative equity or are struggling to pay their mortgage. It will also mean those looking to enter the market will be cautious, no one wants to try and catch the falling knife.

Add to this the proposed ALP changes to negative gearing pushing investors out of the market it will be a tough ride in the property sector. This will also have an effect on companies in the Australia who supply this property market including the banks and suppliers of building materials. We have already noted that the copper price started falling around July 2018 indicating that demand is falling. Copper is a good early indicator of a slowdown.

I do not think we have reached the bottom for property yet and expect that there will be more downside from here. I also expect that any recover will take 10-15 years. I expect that the Government will put policy in place to try and assist this sector as it is the main driver of our economy, although this will not be able to stop the fall merely slow it down.

Now is a good time for property investors to get some advice and take actions.



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