

MAY 2010

# Lifestyle Matters

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## Master Trusts Outperform

*Financial Adviser Kidnapped*

## Recovering from the Lows



...the Australian sharemarket could return to the highs of 1 November 2007 in one to three and a half years.

# Sharemarket Recovery – 12 months later

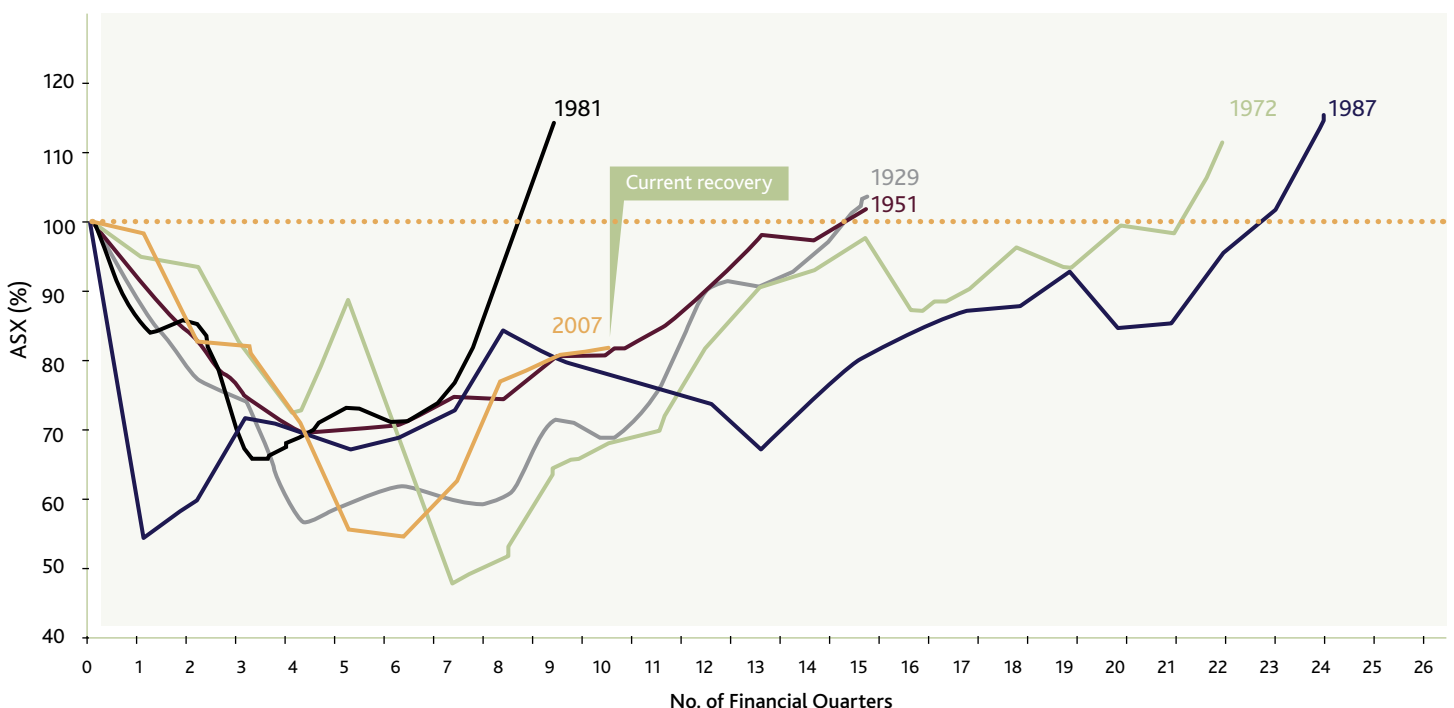
As the anniversary of the market lows of March 2009 came and went, it is clear that investors around the world are now factoring in a sustainable recovery and taking on more risk.

The S&P/ASX 300 Index has bounced just over 55% since the March 2009 low of 3,133 and after the Reserve Bank of Australia announcement on 6 April 2010 regarding the strength of the Australian economy, rallied to an 18 month high. The Dow Jones closed just below the psychological 11,000 mark over Easter, up dramatically from the lows of a year earlier, when the Dow Jones hit 6,547 on 9 March 2009. Although the absolute number of jobs (162,000) created in

the US fell short of expectations in March, the US still created more jobs in March than at any time in the past three years which helped give confidence to the markets.

It is worth revisiting how far the Australian sharemarket has come from the lows of March 2009, as shown in the chart below. The chart compares the six worst bear markets to the current sharemarket recovery to 31 March 2010 (shown as the highlighted red line).

The good news is that the recovery is taking a similar trajectory to the other extreme bear markets and, if history is any guide, the Australian sharemarket could return to the highs of 1 November 2007 in one to three and a half years. This represents a 25% gain from current levels. We can also take comfort in the fact that the Australian economy is particularly strong and that it is benefiting in a big way from the global two speed economy, with our major trading partners still growing strongly.



Source: Perennial, ASX, end point 31 March 2010

# Industry Super Funds - Update

In our September 2009 Newsletter, we did a “Special Industry Super Funds Review” to set the record straight on the massive “Compare the Pair” advertising campaign promoted by ISN (Industry Funds Network). This newsletter can be viewed on our website: [www.lifestyle.au.com/news.html](http://www.lifestyle.au.com/news.html)

In the September review, we basically outlined why we do not recommend Industry Super Funds and why we would prefer to recommend wholesale super funds which are managed by financial institutions (as opposed to the Union Movement).

## To recap, the reasons for not recommending Industry Funds include:

1. Lack of transparency around investments, especially unlisted property and infrastructure.
2. Poor service to members, especially around obtaining insurance cover.
3. Fees: no reduction in fee %s as balances become larger (in other words, they are cheap for small balances but relatively expensive for larger balances).
4. No adviser support. Simply, external advisors do not have access to member account details and do not get priority service to allow for effective and efficient administration of client accounts.
5. Lack of investment options. This does not allow the effective implementation and management of pure passive and core/satellite portfolios. Most Industry Funds provide basic diversified options which may contain as much as 50% in unlisted assets, which has been the source of recent massive underperformance from some funds.

6. Performance. In a word, erratic. In the middle of the Global Financial Crisis (around mid 2008), Industry Funds were aggressively promoting superior performance figures from some of their star funds such as MTAA. Fast forward a couple of years and they are very quiet. The reason; some absolute disasters from some of the high flyers. As we forecast in our September 2009 Newsletter, Industry Fund performance figures have continued to decline relative to retail master trusts.

*As reported in the Australian Financial Review, research house Chant West has concluded that the average master trust outperformed their industry fund rivals by 7.6% over the 12 month period to the end of February 2010.*

Median Performance in Growth Fund Category (61%-80% growth assets) to 31 March 2010			
Segment	3 Mths	FYTD	1 Yr
Industry Funds	1.6%	13.6%	18.2%
Master Trusts	1.9%	17.1%	25.8%

Source: Chant West – March 2010

Top 10 Performing Growth Funds to March 2010		Bottom 10 Performing Growth Funds to March 2010	
CFS FirstChoice Growth	33.6%	Military Super Growth	-0.9%
Russell Balanced	31.4%	MTAA Balanced	0.9%
BT Multi-Manager Balanced	31.3%	Statewide Super Growth	7.9%
Russell Bal. Opportunities	30.4%	Vision Balanced Growth	8.3%
MLC Growth	28.6%	AGEST Balanced	9.5%
Optimum Growth	28.5%	BUSSQ Balanced Growth	11.5%
AMP Future Directions Bal	26.9%	Equisuper Balanced	12.0%
MLC Moderate	26.6%	Sunsuper Retirement	13.2%
Navigator PS Growth	26.6%	Cbus Core Strategy	14.2%
MLC Horizon 4	26.3%	Public Sector Super	15.0%

Source: Chant West Growth Fund Data, Mercer Employer Super Growth & High Growth Data



### Tim Weds – Country Style

On a classic Autumn day, Tim exchanged vows with his sweetheart, Trudy. In true Tim and Trudy style, it was not your regular wedding. Held at Tim's family farm at Picton, guests rolled in throughout the day for a weekend long celebration. After a short stroll past the raspberry patch, flying fox, water slide and other completed farm projects, wedding vows were exchanged on a rock ledge overlooking a wonderful bush vista, witnessed by some 80 close friends and family. Formalities complete, the party began and did not conclude until late on Sunday afternoon. From all reports, the band was brilliant... and the highly energetic dancing even better.

# What's happening at Lifestyle

## And continuing the Picton theme - the Lifestyle Team Visit Tim's Playground!

After years of talk, the Lifestyle team finally made the big hike down to Picton in March to visit Tim's Adventure playground. The morning started with a quick tour of the playground followed by a bush walk down to the Nepean River, an archery lesson, a play on the waterslide and flying fox into the dam and concluded with a BBQ lunch before heading back to work. Yes, it was an early start, but well worth it.

## Who Would Have Thought Financial Planning was a Dangerous Business?

On reading the overseas press recently we found a report of 4 pensioners (aged between 61 and 80!) who kidnapped their financial adviser by tying him up, bundling him in the boot of his Audi and holding him hostage for 4 days. They were trying to recover Euros 2.5 million from his Swiss bank which was lost in risky investments and the US property market. The story did not have a happy ending (depending on whose side you are on) as the pensioners were caught by a team of commandos and the ringleader sentenced to 6 years in prison. You will be relieved to hear that his 80 year old wife received a suspended sentence. Needless to say, all of us at Lifestyle will continue in our efforts to keep all of our clients satisfied with our performance to avoid a similar fate!



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