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In periods of instability...its the long term that counts

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- the appointed financial consultants to your employer superannuation plan

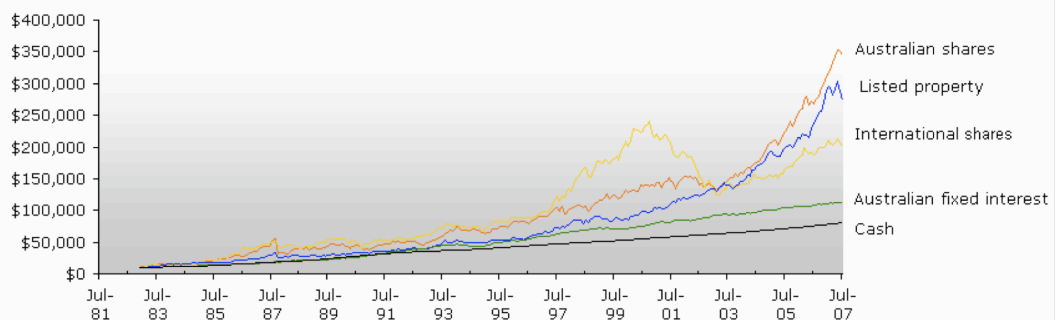
In recent weeks there have been fluctuations in investment markets - both here and in the US. While no one can predict exactly what will happen in the financial markets in the short term, it is important to remember that there will always be short term movements in the markets but your investment strategy should always be based on your longer term objectives.

The Australian sharemarket started the financial year on a positive note, establishing a series of record highs and overall the S&P/ASX 200 has achieved a return of 18% over the past 12 months. Over the month to mid August the US sharemarket fell 8%* and the Australian market fell 10%*. The Australian sharemarket then surged 4.6% on Monday 20th August marking its best daily performance since October 1997.

Recent market volatility was sparked from the effects of a high level of defaults in US sub-prime mortgage market. The "sub-prime" mortgage market is made up of low quality, high risk housing loans. The defaults impacted not only credit markets but also sharemarket sentiment globally. Despite this recent market volatility, the Australian economy continues to remain strong. The outlook for consumer spending remains buoyed by sustained strength in the labour market, and the continued strong pace of economic growth in China continues to support the resources sector.

Importantly, market corrections like these occur from time to time and are part of the sharemarket's normal cycle and while it can be a cause for concern, it is important to remember that even though market moves can be rather dramatic on a day-to-day basis, they do follow long-term cycles.

Asset Class performance over the past 25 years



Timeframe: 01/01/83 - 31/07/2007, Australian shares - S&P/ASX 300 Accum. Index, International Shares - MSCI World (ex Aus) in \$A
Listed Property Trusts - S&P/ASX 200 Prop Trust, Australian Fixed Interest: Commonwealth Bank Bond Index (Pre Sept 89) / UBSA
Composite Bond All Maturities Index (Post Sept 89), Cash: 11am Cash Rate (Pre Apr 87) / UBSA Bank Bill Index (Post Apr 87)

As shown in the graph, all asset classes have provided positive returns over time. While growth assets, such as shares and property, are clearly subject to occasional volatility, they have produced greater returns than income assets (fixed interest and cash) over the long term.

What should you do with your super?

During volatile times, some investors may begin to question their investment strategies, forgetting that investing in sharemarkets is a long term investment. Time **in** (rather than timing) the market is important to ensuring you don't miss out on market growth. Therefore, for most, sitting tight is probably the best course of action. If you are particularly concerned about market volatility, then perhaps you should seek advice before taking any course of action. If you have any questions, please feel free to contact us.

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