



ngs super™  
The educated choice



# How will recent global and market events impact your super?

As 2012 finds its feet, it's becoming clear that there is no quick solution to the problems that plagued financial markets for most of 2011. The much anticipated European Summit in December didn't provide many clear solutions to Europe's debt problems, which are in danger of spreading further in Europe and impacting economies the world over.

The worsening situation in Europe and its potential to impact global and the local economy motivated the Reserve Bank of Australia (RBA) to cut interest rates by 0.25% for two months in a row at the end of 2011, bringing our official interest rate down to 4.25% where it remains at the moment.

By reducing official interest rates, the RBA is seeking to stimulate economic growth and prevent a recession. Australia, along with other developed economies worldwide, has used monetary policy quite aggressively in recent years.

For most consumers, these interest rate cuts are good news because they have generally been passed on by the major lending institutions leading to lower mortgage repayments for home owners. However, for financial markets, a change in interest rates can have different and varied impacts.

Generally, share (or equities) markets tend to respond favourably to lower interest rates because they create the expectation of an improved outlook for future growth, from which companies benefit. On the other hand, however, in the short term lower interest rates can make the equities asset class appear to be a less attractive investment generally due to lower share prices.

This is illustrated by looking more closely at specific market indices, the Australian share market (measured by the S&P/ASX

300 Accumulation Index, which is one of the standard measures of Australian share market performance) ended the 2011 calendar year down 1.4%.

The underperformance of share markets over 2011 is one of the reasons investment experts recommend a well-diversified investment portfolio. Investing your super across a range of asset classes means you can take advantage of both the ups and downs as global events affect different asset classes in different ways. While share markets have been unsettled, cash and other defensive assets have continued to deliver positive returns.

## What impact will emerging economies have?

There has been a lot of talk about a potential "slow down" of growth in China. However, this economy, like most emerging economies, is continuing to show strong prospects for future growth, even though shares in emerging markets produced disappointing returns in 2011.

For Australia, the performance of emerging economies is important as their growth means a continued demand for the resources, which contributes significantly to Australia's ongoing economic health. So while ups and downs in these economies are likely (the impact is reflected in resources shares declining by 4.7%



following talk of a slow down in China), it's important to focus on the long term potential they offer.

These economies have delivered very strong growth in the past and going forward, despite occasional slow downs, they are expected to remain strong engines for growth over the coming decades. Increased urbanisation and an expanding middle class in China and other emerging economies are good signals of this trend.

## What about retail in Australia? Can that affect my super?

A poor environment for retailers often makes news headlines (especially in the lead up to Christmas!). When selecting underlying shares, investment managers look to diversify the portfolio through a mix of quality shares across a range of industries, such as resources, transport, retail and healthcare, based on expected performance and the potential for growth they may offer. As a result, the impact from a slow retail environment is usually dampened considerably.

## What diversification opportunities does NGS Super offer?

NGS Super offers 12 investment options which provide many and varied combinations of asset classes by which to diversify your super investment. You can choose an already diversified option (like the NGS Super Diversified investment option or the Conservative or High Growth options) or you can spread your super across a range of asset class specific investment options, such as Australian Shares and Property. Or you can choose a combination of both.

Detailed information about our investment options is available on our website at [www.ngssuper.com.au](http://www.ngssuper.com.au). Our Financial Planners are also available to assist you with your investment choices, in the context of your personal financial situation and preferences. Call our Customer Service team on 1300 133 177 to make your appointment with an NGS Financial Planner (and remember all NGS Super members are eligible for a free initial consultation!).

## How to contact us

Visit our website [www.ngssuper.com.au](http://www.ngssuper.com.au), or contact our Customer Service Team or your local Client Relationship Manager at any time. We're here to help you.

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### Important information

This information does not take your personal circumstances into account. Please read the relevant Product Disclosure Statement and consider seeking professional advice before making an investment decision. Past performance is not a reliable indicator of future performance.

