

FM Financial Update: June 2020

NEWSLETTER

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FM Financial Update:

The events that have unfolded so far in 2020 have certainly been testing for us all. We hope that you are all well and adhering to the social distancing rules, but like me, probably hoping this will all end soon, and we can get back to some sort of normal. It has been 10 weeks since we closed our offices. The team have adapted well to working from home. We have been maintaining our client review service over the period using phone and video. Video has been challenging but we are getting there. We appreciate our clients support and patience who have had their review over the phone/video.

Over the last few months in lockdown we have received several referrals from clients introducing us to prospective new clients, this is greatly appreciated. Thank you to those clients that have sent new people to us, our business is looking for and welcomes new clients.

You have no doubt been following the spread of the virus, the isolation strategy has clearly worked across our country with the number of new cases dropping daily. This has led to calls for easing of restrictions to lessen the economic impact. The gradual reopening will be a trial of what will work for each state. I think we will see further outbreaks in the coming months as we all get back into life, but we now know our health services can cope, most importantly. The task now for our political leaders is to get the economy back and running.

Investment Update:

Since March when we saw the massive drop in the share market there has been a slow improvement in valuations. The road has been and will continue to be volatile. We can expect to see the market lurch up and down for a considerable period as the economy struggles to get back to work and the extent of unemployment and business closures becomes clear. On top of this we have the impact of China on our export markets. The Banks and several large businesses have cut or reduced their dividends recently. We would hope that once the recovery road becomes clearer, we will see the dividends recover to pre-virus levels. We are fortunate that our banks are well positioned to withstand the impact of the economic downturn.



The combined affect of low interest rates and reduced investment returns will see our portfolio income reduce over the next 6-12 months. Our portfolios have performed reasonably well over the last few months. Our investment committee has made some minor tweaks to the portfolios which are being implemented at client review.

Access to Superannuation:

You would have heard that the government has allowed individuals to access \$10,000 of their superannuation to help them get through these difficult times. The number of individuals accessing their superannuation is significant.

Whilst the decision to access super is straight forward for individuals in need of cash flow, get the funds to survive today against reduced retirement income at a date most cannot see. The broader impact of these withdrawals potentially will be seen in the share market as super funds have less available capital to invest, particularly Industry funds, again a negative to our recovery.

The way forward:

For FM, the path back to normal will be governed by guidance for the government and health officials in each state. We are very aware of our responsibility to protect your health and wellbeing. Whilst we are all keen to resume our regular face to face meetings, we will be maintaining our review service over the phone/video for the next month or until we are advised we can resume face to face contact.

As always, we wish you and your families health and happiness and a speedy but safe return to normal life. If you have any concerns about your financial investments or seek support in anyway, please contact your adviser.

Best Regards

Denis

Denis Harrington| Managing Director

