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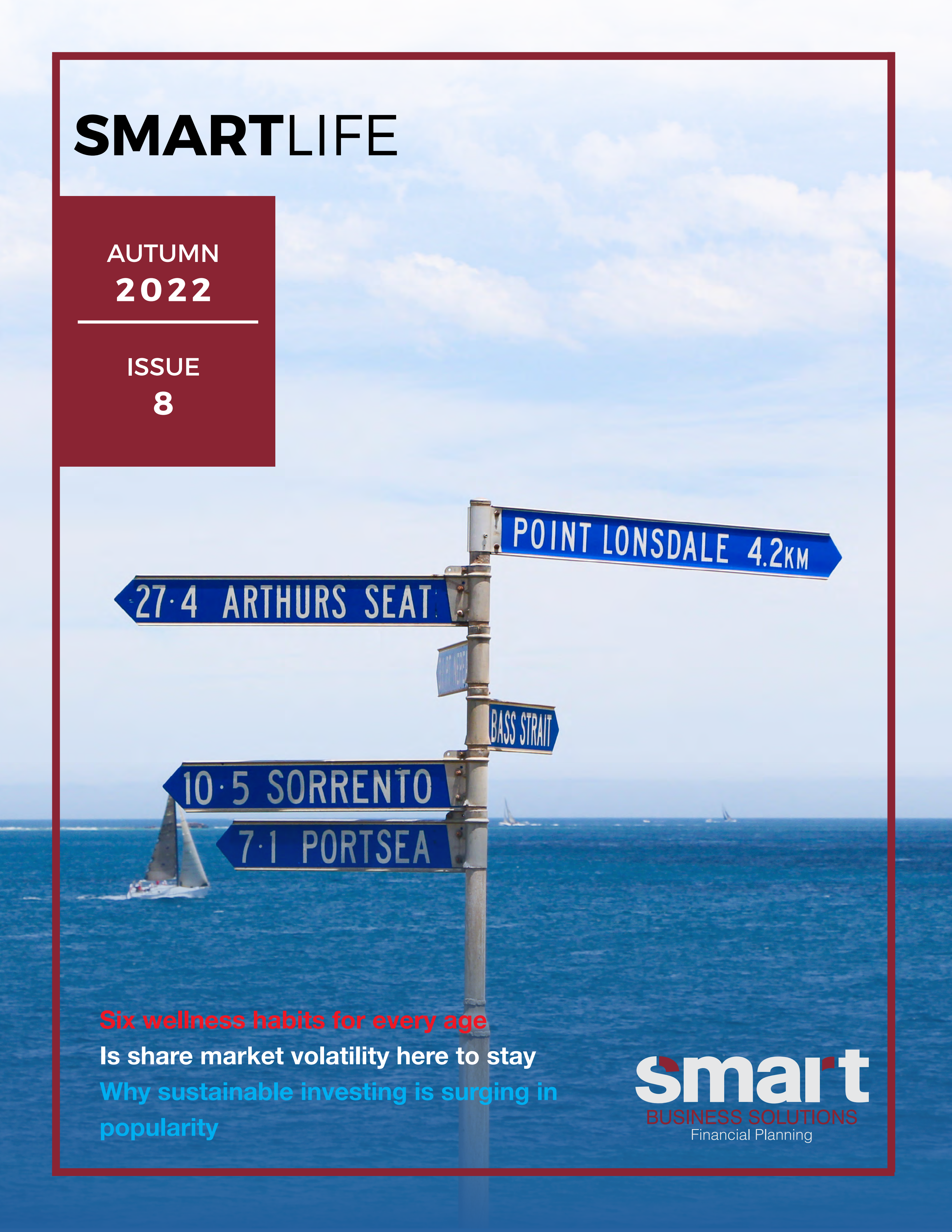

Six wellness habits for every age

Is share market volatility here to stay

Why sustainable investing is surging in popularity

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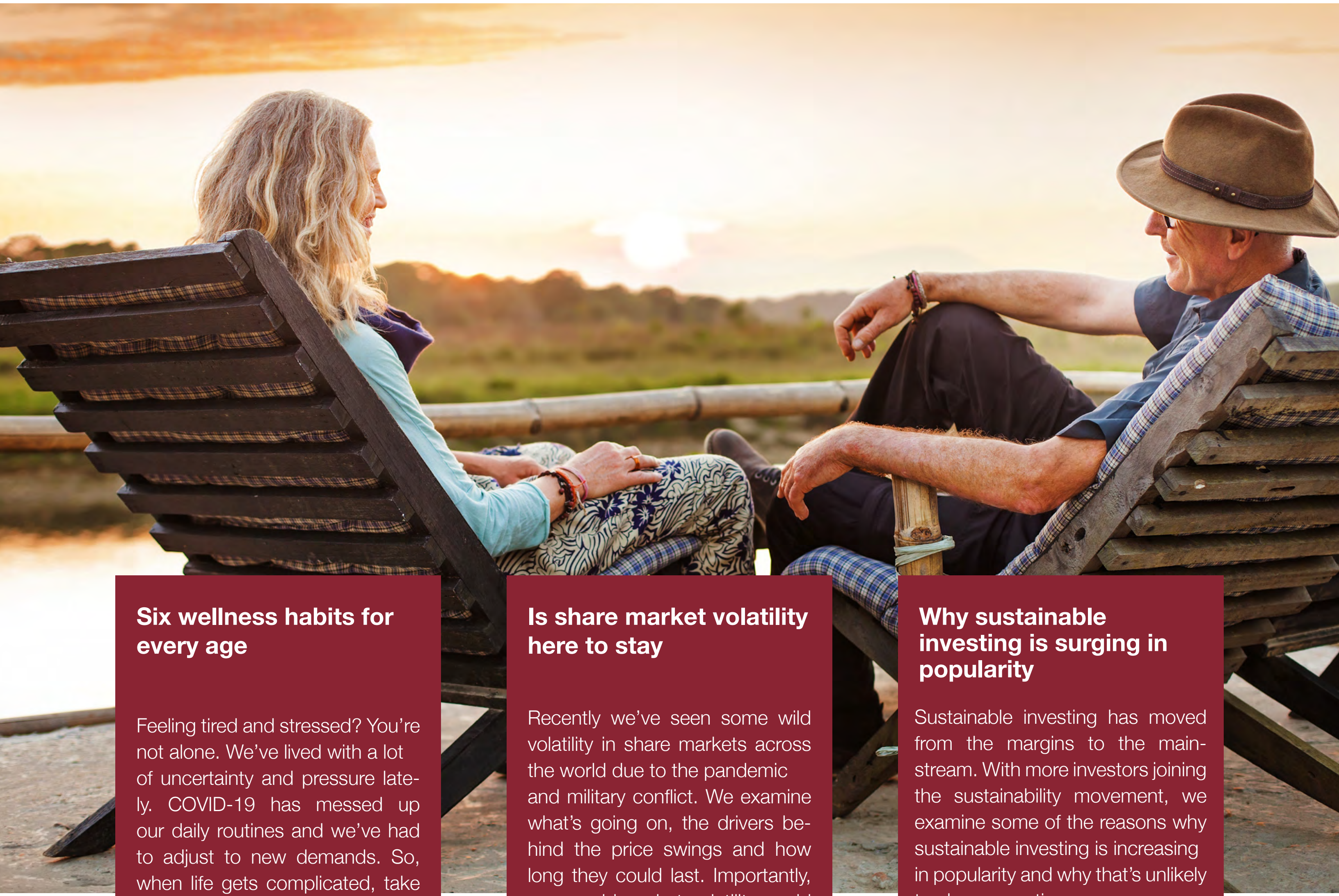
BUSINESS SOLUTIONS
Financial Planning

Welcome to the Autumn 2022 edition of SMART Life.



Six wellness habits for every age

Feeling tired and stressed? You're not alone. We've lived with a lot of uncertainty and pressure lately. COVID-19 has messed up our daily routines and we've had to adjust to new demands. So, when life gets complicated, take time to prioritise your mental and physical health.

Is share market volatility here to stay

Recently we've seen some wild volatility in share markets across the world due to the pandemic and military conflict. We examine what's going on, the drivers behind the price swings and how long they could last. Importantly, we consider what volatility could mean for your retirement savings.

Why sustainable investing is surging in popularity

Sustainable investing has moved from the margins to the mainstream. With more investors joining the sustainability movement, we examine some of the reasons why sustainable investing is increasing in popularity and why that's unlikely to change anytime soon.

Six wellness habits for every age.

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1. Set a time to disconnect

Our mobile phones have made it easier to feel connected to family, friends and what's happening in the world. But sometimes we let our phones become a distraction. The average Australian spends over six hours a day on the internet, with almost two hours of this on social media.1 Allocate some time each day to disconnect from your electronic devices, such as an hour at night. Some healthy things that you could do in this time are:

- read a book
- practise meditation, yoga or mindfulness
- go for a walk
- chat with someone
- write your thoughts in a journal

2. Connect with nature

This could be as elaborate as a weekend camping trip, a hike in the bush, or a walk around your local nature reserve. You'll get both exercise and fresh air. Nature heals, as the saying goes, and surrounding yourself with the sights, sounds and smells of the outdoors can reduce your blood pressure and stress hormones.2

3. Cook something new

Like many things, with cooking we can fall into a routine. The good news is studies have linked cooking to wellbeing.3 Cooking provides a chance to experiment, be grounded in the moment and involve all five of our senses.

4. Get creative

Artistic pursuits are a great way to express non-verbal thoughts and emotions – which we might otherwise leave pent-up. Here's some options to help you break away from negative thoughts and gain a sense of accomplishment:

- writing – join a club, start a blog, or write for yourself.
- learn a musical instrument – it's never too late to start, and music is a great way to exercise your creative and logical skills.
- painting, sculpting, photography – hands-on projects that allow you to become immersed in creating.

5. Volunteer

Helping others can help us feel good. There are many ways you can volunteer, whether giving some time to your local op-shop or sharing your skills by teaching others. Check out your local community organisations for opportunities to help other people. Context is important – volunteering helps wellbeing when it is meaningful or connects you socially with others.4
Find opportunities through your local council.

6. Take a holiday

Whether you are retired or working, it's important to recharge and reset. Australians have saved up record amounts of annual leave, with over six million workers building up at least two weeks of leave.5 While the pandemic has cut down travel options, travel within your state or territory still provides fresh experiences, rest and restoration.

As you take positive steps to improve your wellbeing, why not consider improving your financial wellbeing as well?
Ask us about opportunities to optimise your financial health – both for now and to prepare for the future.
reception@smartfinancialplanning.com.au

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Recently we've seen some wild volatility in share markets across the world. We examine what's going on, the drivers behind the price swings and how long they could last. Importantly, we consider what volatility could mean for your retirement savings.

March 2020 signalled the beginning of a rollercoaster ride for investors, with share market volatility at levels not seen since the Global Financial Crisis more than a decade ago. The global COVID-19 pandemic sparked numerous periods of high volatility. We saw share prices for travel companies crash when countries closed their borders and markets soar when economies began to reopen.

Now the Russian invasion of Ukraine and the emergence of the COVID-19 Omicron variant means that heightened share market volatility is likely to continue. It's being fuelled by ongoing coronavirus contagion fears and economic shocks as governments and businesses wrestle with containing its spread.

> "A lower volatility means that the value of the share or index changes steadily over time. A higher volatility means the value changes dramatically over a short period of time.

What drives share market volatility?

Put simply, market volatility is the frequency and magnitude of share price or index movements, up or down. The bigger and more frequent the price or index swings, the more volatile the market is said to be. A lower volatility means that the value of the share or index changes steadily over time. A higher volatility means the value changes dramatically over a short period of time.
In general, volatility indicates a certain asset's stability and risk. Usually, the higher an asset's volatility, the riskier it's considered to be.

Historic volatility is calculated using a series of past market prices. In contrast, implied volatility looks at expected future volatility, based on the market price of market-traded derivatives like stock options.

Be reassured that volatility is a natural part of the market cycle. The main drivers of share market volatility include:

Political and economic signals

Governments play a major role in regulating industries, impacting share prices when they make decisions on trade agreements, legislation and policy.
Economic data, such as the inflation rate, also play a role. When the economy is doing well, investors tend to react positively.
In contrast, if data misses market expectations, markets may become more volatile.

Industry and sector dynamics

Specific events can cause volatility within a particular industry and sector. For example, border closures and extended lockdowns due to COVID-19 hurt travel, tourism and retail sectors. As a result, concerns about future earnings growth led to falls in share prices for these sectors.

Individual company performance

Volatility isn't always market wide and can be specific to individual companies. Positive news, such as a strong earnings report or an innovative new product, may raise a company's share price. Conversely, a product recall or regulatory breach can hurt the share price, as investors sell their holdings.

How long might volatility last?

Market watchers believe the current levels of heightened volatility are likely remain in place, at least for some time.6 Because sentiment plays a part, commentators often use the VIX as a gauge of the market's outlook for volatility.

How to manage share market volatility?

While periods of heightened volatility will come and go, retirement savings such as superannuation are a long-term investment. Here's some ways to help manage the unsettling effects of share market volatility:

Stick to your plan. It can be uncomfortable to stay the course when markets fall yet doing so can result in greater accumulated wealth over time. Track your progress toward your retirement savings goal, not short-term performance.

Diversify your portfolio. Diversifying your investments can help reduce your risk and the impact of share market volatility. Large exposure to one particular asset class or a particular type of investment means that you're more exposed to fluctuations. If your investments are spread across a range of sectors or investment types, you're less likely to see a drop in your overall portfolio balance.

Shut out the noise. It's easy to be distracted when headlines focus on falls in the share market. When this happens, remind yourself that volatility is a normal part of investing. History shows that financial markets fluctuate and then recover.7

What is the VIX?

The VIX is a real-time volatility index, created by the Chicago Board Options Exchange (CBOE). Also known as the 'fear index', it charts how much traders expect S&P 500 (SPX) index option prices to change, up or down, for the next 30 days.

The S&P/ASX 200 VIX (A-VIX) is Australia's market sentiment indicator. It gives investors, financial media, researchers and economists an insight into investor outlook and the expected levels of market volatility.

Planning for retirement? Speak to us

If you have questions about how share market volatility could impact your retirement savings talk to your adviser. We can review how you are tracking towards your long-term retirement goals and help you manage the unsettling effects of share market volatility.
Email us at reception@smartfinancialplanning.com.au or call 03 5911 7000 to start a conversation.

Why sustainable investing is surging in popularity.

Sustainable investing has moved from the margins to the mainstream. We examine the trends and opportunities for investors.

We're seeing increased shareholder activism as well as a greater push from the Australian Securities and Investments Commission (ASIC) for tighter regulation of ESG disclosures from companies and funds.

Last year, money held in sustainable managed funds across the world grew a staggering 53% to $US2.7 trillion.[8]
In Australia, the growth of the sustainable investment market mirrors global trends, increasing by $298 billion to $1,281 billion in 2020.[9]

With more investors (and investment management firms) joining the sustainability movement, here are some reasons why sustainable investing is increasing in popularity and why that's unlikely to change anytime soon.

Investors want to make an impact through their investments

Increasingly, investors are aligning their money with their values, and this includes being more discerning with their investments. According to research by Schroders, 57% of global investors are willing to move to a sustainable portfolio – if it has the same risk and diversification characteristics as their current portfolio.[10]

For Australian investors, 86% expect their super and other investments to be invested responsibly and ethically, according to the Responsible Investment Association Australasia (RIAA). The sustainability issues that concern Australians most include energy, water management, river and ocean health, and land management.[11]

Sustainable investments can perform well

A common myth regarding sustainable investing is that prioritising environmental, social and corporate governance (or ESG) values comes at the expense of investment performance. However, the RIAA found that almost two-thirds of Australian investors believe that ethical or responsible super funds perform better than conventional investments over the long-term[12.]

This investor confidence in the ability of sustainable funds to deliver strong performance versus traditional funds is supporting the uptake of sustainable options.

Ethical investing isn't only for millennials

Another popular myth about ESG investing is that it's an investment style for millennial investors[13]. A Morgan Stanley study agreed that ESG is very popular among millennial investors, with 99% interested in sustainable investing.

However, the focus on sustainability is being driven by all age groups – with 79% of the general investing population interested in ESG investing.[14]

The 'S' in ESG is driving interest in sustainable investments

The 'social' part of environmental, social and corporate governance is playing a greater role in investment decision making. The COVID-19 pandemic is revealing the weak points in society – highlighting the need for social responsibility towards vulnerable communities. As a result, investors take into account whether a company is having a positive impact on its customers, employees and other stakeholders. Extensive media reporting on the social impact of companies like Facebook and Rio Tinto have prompted investors to look more closely at whether their investments are aligned with their social values.

More investors are aware of 'greenwashing'

A common criticism of ethical investing comes from questions around whether a company is following through on its ESG commitments, beyond what it claims in its marketing. Companies that don't honour ESG commitments are practising what is commonly known as 'greenwashing'.

We're seeing increased shareholder activism as well as a greater push from the Australian Securities and Investments Commission (ASIC) for tighter regulation of ESG disclosures from companies and funds. This means that investors can more easily call out greenwashing when they see it. Not only that, investors can also have greater confidence that their ethical investments will influence positive environmental and social outcomes in the future.

Sustainable investment options are expanding

Share-based investments have traditionally dominated the world of sustainable investing. However, in recent years sustainable bond options have also grown in popularity. ESG-focused companies issue both bonds and shares, and so as the number of ESG-focused companies grow, we also see more bonds. This in turn means that fund managers can offer a growing range of sustainable bond funds.

Sustainable investment managers also offer a choice of geographic regions. Investment style options are also expanding as more active and passive funds become available.

Investing should always consider your long-term financial and lifestyle goals together with your risk appetite. We can review the sustainable investment options available to you and how they could work within your overall portfolio objectives.

Australian population is currently

25,739,256 [15]

Consumer Price Index rose

3.5%

Over the 12 months to December 2021 [17]

Australia's unemployment rate decreased to

4.2%

in January 2022. [16]

Average weekly earnings

$1,748.40

at November 2021 [18]

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15 Australian Bureau of Statistics

16 Australian Bureau of Statistics

17 Australian Bureau of Statistics

18 Australian Bureau of Statistics

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