



MARINIS
FINANCIAL GROUP

9th August 2011

Mr A & Mrs B Client
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Dear Mr & Mrs Client

OVER-EXCITED COMMENTARY

In the many years spent studying the investment markets, I have never known a more strange time – there seems to be a complete disconnect between what we are hearing from commentators and the reality.

Yes, share markets are down at the moment, but the economic fundamentals of Australia convince me that patience will be amply rewarded.

As the attached article from Dr Shane Oliver at AMP points out, there is too much focus on commenting the “doom and gloom” and this panics the markets. We have never had so much information and so little understanding.

By any measure Australia is in unprecedented economic shape. We have very low government debt and hope to have a balanced Federal budget in 2013, unemployment is at 5%, exports to Asia are booming, property prices have stabilised and our interest rate “levers” (at 4.75%)* have tremendous scope to stimulate the economy (by cutting rates) should that be required, unlike the USA (at 0.13%)* and the UK (at 0.5%)*.

All of this reassures me that the key to success in long term wealth creation is to get rich slow. Ensure you have a cash buffer to tide you over during the rough times and stick to your long term strategy. Australia really is the lucky country and while our economy is going through some significant changes (as for example: retail suffers due to the rise of internet shopping and consumers paying down debt) other industries such as mining are booming – it is the normal cycle. What is abnormal is the amount of credibility given to the panic merchants in the media.

My advice is to remain calm and keep a focus on the medium to long term – as it has always been (Please see the attached related media release and article from 2009). There are also some great resources on our website, www.marinisgroup.com.au including one of my favourites, The Perennial ‘Wisdom of Great Investors’ document. As always, if you have any questions please don’t hesitate to contact me.

Yours sincerely,

Theo Marinis B.A., B.Ec., CPA., CFP®
Financial Strategist
Authorised Representative

Encl.

* RBA website accessed 5 August 2011

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distinctly different

Don't be Fooled – It's NOT Over Yet!

Reading of his supposed death, Mark Twain commented that those reports were premature – so are the obituaries for the Global Financial Crisis (GFC), says Adelaide based financial strategist Theo Marinis.

“I believe that the recent rebound of the investment markets should not be a reason for a return to complacency or euphoria, despite the opinions of some commentators, because we are in for a tough time ahead,” Theo said.

“It is my opinion that the world economy, including Australia, remains at serious risk of facing the toughest economic conditions yet to be experienced by the baby boomer generation. The risks of real unemployment reaching double figures, deflation and / or inflation (as the jury is still out on how this may pan out) eroding the value of assets, remain very real.”

“Economic forecasts which pointed to the ‘doom and gloom’ we were facing twelve months ago as the GFC began to unfold were not understated; moreover, what had not been taken into account was the massive government (deficit) funded stimulus (said to be equivalent to total expenditure on World War II), required to mitigate the effects of the crisis.

“In addition, the regulatory reforms needed to restore fundamental integrity to markets (particularly overseas) are yet to be satisfactorily addressed. As a consequence, the inconsistencies which brought us to this point continue to remain part of the economic cycle.”

“Looking to the short to medium term, I believe that the best case scenario (to borrow a term from aviation) is a rough landing. By this I mean that in my opinion, the current strength of the investment markets will not continue and trading will be in very tight bands. To continue the analogy, I suggest that investors should keep their seatbelts on low and tight - although thanks to central bank largesse, there no longer appears to be a need to adopt the emergency brace position!

“I am advising my clients, therefore, to remain highly cautious in the current conditions. They need to ensure that they have a “Marinis buffer” in place to enable them to have cash to ride out the difficult times ahead. In addition, they should keep in close contact with their financial advisers to ensure that any necessary portfolio changes can be made quickly and efficiently.”

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Disclaimer

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The information given in this article is of a general nature and has not taken into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision on the basis of the advice above, a prospective investor needs to consider, with or without the assistance of a professional adviser whether the advice is appropriate in the light of their particular investment needs, objectives and financial circumstances.

Don't be fooled, the crisis is not yet over

Anthony Keane

INVESTORS should not be fooled into thinking the global financial crisis is over, Adelaide financial strategist Theo Marinis says.

The 58 per cent rise in the share market since March and a string of positive economic data have masked the fact "we are in for a tough time ahead", he says.

"It is my opinion that the world economy, including Australia, remains at serious risk of facing the toughest economic conditions yet to be experienced by the baby boomer generation.

"The risks are real – unemployment reaching double figures and deflation or inflation eroding the value of

assets remain very real." Marinis, who is managing director of Marinis Financial Group, says the gloomy economic forecasts made 12 months ago were not understated, but had simply not taken into account the massive stimulus spending that is said to be similar to total expenditure on World War II.

"The regulatory reforms needed to restore fundamental integrity to markets – particularly overseas – are yet to be satisfactorily addressed," he says. "The inconsistencies which brought us to this point continue to remain part of the

economic cycle. Looking to the short-to-medium term, I believe the best-case scenario is a rough landing. In my opinion, the current strength of the investment markets will not continue, and trading will be in very tight bands.

"The longer-term outlook remains positive.

"From what we are seeing, the medium-term looks good, too, but you can't be sure that in six to nine months' time things won't start to go sour again. Now is not the time to go out and get greedy," he says.

Most analysts say the share market is due for a correction,

and there's still a couple of weeks left in October – a historical boggy month for share investors.

Russell Investments chief investment strategist Andrew Pease told a recent Marinis Group client briefing that shareholders should expect a bumpy road ahead.

"There's going to be volatility – don't think it's going to be a straight line like the one we have seen in the past six months," he says.

"Don't let anybody tell you that they can accurately value the share market.

"Share market valuation is the darkest of dark arts."

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Theo Marinis of Marinis Financial Group.

<http://digitalinsights.ampcapital.com.au>

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