

**From:** Grow | Marinis Group  
**Sent:** Tuesday, 5 January 2016 10:57 AM  
**To:** Grow | Marinis Group  
**Subject:** Happy New Year to You and Your Loved Ones

Dear friends

Happy New Year to you and your loved ones ... and farewell to 2015 - a reasonable year of economic returns for you all.

(But to be honest, good economic returns are, perhaps surprisingly to some readers, not why I do my job. I do what I do to help people in the bad times ...my view is that any fool can make money when the economy is growing.)

**So, let's look forward at 2016:**

What can we expect from this 'unknown quantity' in the year ahead in terms of our retirement savings?

And the answer is... I don't know. But then, neither does anyone else.

What I do know is that over the last 30 years, the stock market has on average had an annualized return of 11.24% (S&P 500 Index). But as my compliance team always remind me, past performance is not an indicator of future performance.

However, the past 30 years shows that in real terms, after inflation of around 3.6% pa (Reserve Bank of Australia) over the same period wealth has grown consistently by a touch over 4% per year – which on the surface, is a boring and unspectacular figure. Those of you who know me well will realise that I like 'boring and unspectacular' – as long as real wealth is growing.

***My mantra continues to be "I am in the business of helping people to get rich slowly – and stay rich."***

On the point of long term wealth creation, one thing I certainly won't be changing in 2016 is my 'contrarian' view on the benefit of "stock picking." ***I see this as akin to gambling with people's retirement savings*** which, in my view, is ethically and morally unsound. I don't do it personally and I never advise it. I have, in fact, refused a number of potential clients who wanted to be invested solely in 'actively' managed funds; it is my view (as backed up by the statistics) that active funds, unless underpinned by a core index (or 'buying the market') strategy, are not the best way for clients to approach investing over the long term.

If you are interested in reading about the wholesale move away from the stock picking and into the conservative world of 'buying the market' (a move which I have advocated for some time) click **the link below** to read a very interesting article on the topic.

<http://www.financialobserver.com.au/articles/trend-to-passive-strains-active-players>

You will recall that I have also mentioned in past editions of eGrow that the world's most successful investor, Warren Buffet, Chairman of Berkshire Hathaway, shares this view. He is, in fact, the ultimate passive investor; he doesn't buy and sell stocks – he buys, manages and grows companies. Please see the links below for previous eGrow commentary on my commitment to the lessons of Mr Buffet.

[http://www.marinisgroup.com.au/assets/2015\\_08\\_28\\_-\\_eGrow\\_-\\_Siren\\_Call.pdf](http://www.marinisgroup.com.au/assets/2015_08_28_-_eGrow_-_Siren_Call.pdf)

[http://www.marinisgroup.com.au/assets/2015\\_07\\_24\\_-\\_eGrow\\_-\\_Whats\\_Going\\_on\\_in\\_the\\_Markets.pdf](http://www.marinisgroup.com.au/assets/2015_07_24_-_eGrow_-_Whats_Going_on_in_the_Markets.pdf)

[http://www.marinisgroup.com.au/assets/2014\\_04\\_04\\_-\\_eGrow\\_-\\_Reinforcing\\_the\\_MFG\\_Investment\\_View\\_1.pdf](http://www.marinisgroup.com.au/assets/2014_04_04_-_eGrow_-_Reinforcing_the_MFG_Investment_View_1.pdf)

In the spirit of my ongoing open discussion with my clients, I believe now is a good time to remind you of our client value proposition, or in other words, the fee structure for the service we deliver to our clients. Marinis Financial Group will never develop or recommend a strategy which does not pay for itself plus a healthy margin, and as always, I welcome discussion from our clients regarding our fees. We do not accept fee 'rebates' from fund managers – and we strive at all times to ensure that the fees which apply to the advice and service we provide to our clients is completely transparent.

In concluding this section of this very special eGrow, I would also like to remind you that my advice is ***always to diversify your portfolio*** and to buy management and administration cheaply (fees and charges really do matter).

## And so what can we expect to effect markets in 2016?

A few crucial issues will hang over the market. The Presidential and Congressional elections in the US (Melbourne Cup Day!), the US Federal Reserve's approach to raising interest rates, the spectre of terrorism and what to do with Syria will all be the big issues.

Australia, with a total population similar to the city of Beijing, makes up such a tiny part of the world market that our local situation is realistically not world market moving. However, the outlook for commodity prices, which are expected to rebound and the growth of both China and India will be very important to us.

Overall, ***I expect another good year for investors*** in this luckiest country of them all.

I would encourage a new year's resolution to only look at the value of your portfolio once a quarter. The media love to depress us and they are so often alarmist and fickle. I noted with some interest that the highly respected journalist Alan Kohler has changed his mind on passive investment and now thinks it is better to be active... (I can't help wondering if this change of heart had anything to do with his employer, News Limited, starting its own public offer super fund... or if he has been persuaded by the marketeers that active investing is not gambling)...

The keys to proven success in investing remain the same. I recommend you educate your friends, children and everyone else that it is simply ***about investing cost effectively, as soon as you can, as much as you can, for as long as you can*** – wrapped around a highly tax effective vehicle like superannuation and supported by good insurances.

The risks to wealth creation are:

- not getting serious about superannuation early;
- 'get rich quick' schemes;
- not diversifying;
- buying 'look at me' assets such as expensive boats, holidays or weekenders, and of course;
- not recognising that bad things sometimes happen to good people, and;
- not insuring against them!

I would like to finish by thanking all my clients for the trust you have put in me and my team. We will not let you down. In terms of that team, the wonderful people who work at Marinis Financial Group, we are reminded that we have a very special duty to do the very best by our clients at all times. To my advisory Board, your task is to keep us on track, to challenge us and to educate us about world's best practice so that in 2016 and beyond we will be able to keep out-performing our competitors in serving our clients.\*

I wish you all a very happy, safe and prosperous 2016. I look forward to working with you all!

As always, if you would like to discuss any of the issues raised in this edition of eGrow, its links, attachments or your personal circumstances, please do not hesitate to contact me or any of the Marinis Financial Group team.

Yours sincerely

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

***\* Julie and I are delighted to announce that our eldest daughter, Sofia (21) has joined the Marinis Financial Group Advisory Board. I think this will be a very important part of her ongoing education as she learns how the business is run and about the values and ethics we hold. In exchange, I believe she will help the 'old men' of the Board to learn about the issues that are important to the next generation of clients, and help position the business to reflect this.***

***I see Sofia's appointment as a very important step in maintaining continuity for our clients in the long-term. I also see our 'client-first' approach as 'Distinctly Different' and I am committed to ensure that continues well into the future.***



**GROW @ Marinis**

Financial Strategies (SA) Pty Ltd | ABN 54 083 005 930

Trading as **Marinis Financial Group** | Australian Financial Services Licence No: 326403

**P** 08 8130 5130 | **F** 08 8331 9161 | **E** [grow@marinigroup.com.au](mailto:grow@marinigroup.com.au)  
**A** 67 Kensington Road, Norwood SA 5067 | **W** [marinigroup.com.au](http://marinigroup.com.au)

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## Trend to passive strains active players



*Investors are increasingly turning to passive strategies to the detriment of active returns.*

30 Nov 2015

By Elizabeth Somerville

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The persistent leakage of assets from active to passive management strategies was making it increasingly difficult for active managers to beat their benchmark, according to S&P Dow Jones Indices.

Speaking at a presentation in Sydney last week, S&P Dow Jones Indices global head of investment strategy Craig Lazzara said that as assets migrated from active to passive management, the potential for beating the benchmark lessened as competition increased.

"Since 2002, roughly 55 to 60 per cent of the managers [in the United States] have underperformed a benchmark reflective of their style," Lazzara said.

"For the 12 months to the end of June, about 65 per cent have underperformed."

As there was no natural source of alpha, managers could only be above average if someone else was below average, he said.

"There's no natural source of alpha, so the source of the manager's positive alpha is the loser's negative alpha," he said.

"To the degree that passive investing grows, it will continue to become more difficult because as there are fewer active investors, there are fewer potential losers, and therefore the amount of winnings available to the winners is likely to diminish.

"As assets migrate from active management to passive, it is the worst active managers who are likely to lose the biggest proportional share of assets."

The trend towards passive investing was strong and likely to continue, which would place further strain on active managers seeking solid returns for their investors, he said.

"As fewer investors opt to play the game, there are fewer potential losers for the potential winners to exploit, and that makes it harder," he said.

"So to answer the question – is active management getting harder? Yes it is, as investors have an opportunity not to play."