



Now what?

Top tips for 2010:

Investment strategies for a new decade

Following the events of 2008 and 2009, many investors have understandably shied away from the share market. However, don't let the experience of the past eighteen months keep you from achieving your goal of financial security; you can move forward following the worst of the crisis.

After the storm

By most accountants, this generation's nastiest financial storm has passed. That doesn't mean skies will be forever blue again, as we may yet see another good drenching or two. Such is the nature of share markets. What it does mean is that, in our view, we see glimmers of a brighter tomorrow on the horizon.

Now is the time to start thinking about rebuilding your portfolio to make sure it's well positioned for the recovery and fortified against any future downturns.

Taking baby steps to rebuild your portfolio

If you sold shares over the past year and are trying to decide how and when to reinvest, we recommend you speak with your adviser about dollar cost averaging, an investment strategy that eases you back in the market.

Dollar cost averaging is a technique designed to reduce timing risk by investing a set amount at predetermined intervals regardless of fluctuating price levels. More shares are purchased when prices are low and fewer shares are bought when prices are high. The goal is to lessen the risk of investing a large amount in a single investment at the wrong time or missing significant market rises.

Fortifying your investment

Nobody knows where the market will be tomorrow, let alone in a year. What we are certain of is that suitable asset allocation and regular portfolio rebalancing remain two important techniques to help manage risk and enhance your returns.

- Asset allocation

It's important to have the right mix of shares, bonds and others assets for your age, objectives and expectations for returns.

As an investor, one of the most important questions to ask is: will my asset allocation provide me with the income to support the standard of living I'm hoping for in retirement? While it may be tempting to change your asset allocation due to recent market events (either increasing or decreasing shares exposure), it's unwise to do so outside of extreme circumstances.

- Portfolio rebalancing

When investment markets perform as they have over the past year, one result is that your balance of shares and bonds have probably deviated dramatically from their intended target, becoming underweighted in shares and over-weighted in bonds.

The purpose of rebalancing is to ensure that your portfolio maintains its long-term asset allocation. This is done by periodically eliminating deviations from the target allocation caused by the movements of the investment markets.

With the recent decrease in market volatility, now may be a good time to rebalance your portfolio in order to re-establish your optimal asset allocation mix.

The aftermath: can you afford not to invest?

In the aftermath of the greatest financial storm since the Great Depression, investors will need to understand that just as past performance was no guarantee of the future results in good times, the same holds true in bad. Don't make the mistake of relying too heavily on what happened in the recent past when it comes to predicting the future.

Speak with your financial adviser today and make the most of 2010's investment opportunities.

Source/ Venture Investment Management Limited

Top tips for successful investing:

1. Invest with your head: not your heart - Investing can be an emotional experience and rash decisions based on emotions like fears. Generally results in losses. We believe that 2010 will be dominated by a range of macro themes that cause spikes in asset return volatility against the back drop of an improving economy and generally positive market outcomes. This means it will be just as important to be patient in 2010 as it was in 2009 – perhaps even more so.

2. Stick to your guns - Establish a long-term investment plan and stick to it. It's difficult to reap the rewards if you're continually changing your investment focus by chasing last year's best performing asset class. 2010 is unlikely to offer the same distinct opportunities as 2009, yet a valuable lesson can be observed in the importance of discipline and process in investment decision making. Successful investors were distinguished by their rebalancing discipline and the use of rigorous decision making process to take advantage of opportunities.

3. Branch out - Make sure your investment is adequately diversified across a range of areas. Asia's strong share-market rebound from the Global Financial Crisis and robust economic performance is attracting a lot of investor interest. Think about how you can best take advantage of opportunities in emerging markets such as Asia.

4. Diversification remains the key - We expect that a well-diversified portfolio should generate a reasonable, but not spectacular, return in 2010. Most asset classes appear priced for moderate economic growth, which seems the most likely outcome. As the global economy transitions from initial recovery to still uncertain longer term trend, there is plenty of scope for renewed volatility as expectations shift. Investors will be served by heeding the lessons of 2009.

Source/ Venture Investment Management Limited