

Greece Jitters No Cause for Concern for Ibbotson Investors

July 2015



Michael Kwok Product and Communications, Ibbotson Associates, Australia

Financial markets have been rocked by news from Greece. Greece has closed its banks and stock market ahead of a referendum this weekend to determine support for the latest EU bailout package. While the final outcome remains uncertain, it has increased the chance of Greece leaving the Eurozone, a risk most had previously seen as unlikely.

In response, most equity markets around the world have fallen. On the other hand, Government bonds have rallied – a sign that investors are seeking out safer ground. The scale of these moves highlights lbbotson's view that markets have not been adequately pricing in the many risks that exist across global financial markets.

For some time now we have been wary of this mispricing so adopted a more defensive position across the lbbotson Trusts and Managed Accounts ("Portfolios"). While we did not predict developments in Greece, the combination of a growing number of concerns led us to further reduce risk. This has generally been implemented by selling down growth assets and adding proceeds to already significant cash holdings.

This positioning has helped the Portfolios protect investors' capital and avoid losses being felt by investors who have significant exposure to growth assets. We cannot predict what markets will do in the days and weeks ahead, but should the current volatility continue the Portfolios are very well positioned to weather these conditions. In addition, should markets continue to fall, the Portfolios are in a good position to deploy their large cash positions into investment opportunities as and when they arise. This strategy, while preserving capital now will also help to enhance future returns and help the Portfolios to continue to exceed their CPI+ investment objectives.

This document is issued by Ibbotson Associates Australia Limited (ABN 54 071 808 501, AFS Licence No. 228986) ('Ibbotson'). Ibbotson is a member of the Morningstar group of companies ('Morningstar'). © Copyright of this document is owned by Ibbotson and any related bodies corporate that are involved in the document's creation. As such the document, or any part of it, should not be copied, reproduced, scanned or embodied in any other document or distributed to another party without the prior written consent of Ibbotson. The information provided is for general use only. Whilst all reasonable care has been taken to ensure the accuracy of information provided, neither Ibbotson nor its third parties accept responsibility for any inaccuracy or for investment decisions or any other actions taken by any person on the basis or context of the information included. Ibbotson warns that (a) Ibbotson has not considered any individual person's objectives, financial situation or particular needs, and (b) individuals should seek advice and consider whether the advice is appropriate in light of their goals, objectives and current situation. Before making any decision about whether to invest in a financial product, individuals should obtain and consider the disclosure document. For a copy of the relevant disclosure document, please contact our Distribution Team on 02 9276 4550.