

Volatile markets strengthen the value of diversification

November 2008



It's just over one year since the present financial crisis first became apparent.

The severity of the crisis was underestimated by most analysts and financial experts. What was first believed to be a problem largely contained to the US has had far reaching implications globally.

In recent months, the world banking system has come under immense strain and confidence in the global financial system has been damaged.

The current financial crisis is now being described by many commentators as the worst since the 1930s Great Depression.

With the levels of uncertainty prevailing at the moment, it is easy for more rational responses to be overridden.

But circumstances such as these only serve to reinforce once again that old nugget of investment wisdom – always diversify.

Diversify, diversify, diversify

Diversification of your investments can be likened to taking out insurance on your car or house.

Though you may be reasonably confident that during your life your house is unlikely to burn down, you still choose to minimise this catastrophic risk at a cost by paying regular premiums to your insurer.

Similarly, diversification reduces the probability of any one stock catastrophically impacting the value of your investment portfolio.

But it does so at the 'cost' of the increased likelihood that you probably end up holding at least one poorly performing stock.

Professional investment managers who invest in Australian shares typically manage portfolios of anywhere between 30 to 100 stocks for precisely this reason.

Most people would have difficulty in constructing a portfolio of so many stocks due to the costs involved. It is fortunate then that most managed funds have already implemented a sensible level of diversification at a stock level for you.

All you need to do is work out what asset class and investment manager you want to invest your money with.

Regardless of whether you are investing in a stock, a managed fund, or an asset class – a high quality and diversified portfolio is the best way to invest in virtually all market conditions.

Check your super strategy

If you are unsure about how your superannuation is invested and the level of diversification that applies, go to the secure *Member* section of the Plum website at www.plum.com.au. Select *Log in here* and enter your Login ID and PIN. Select the *Investment strategy* link on the left-hand side of the screen. You can change your strategy at any time by selecting the *Change my investments* link.

If you require further information, please call a Plum Member Services Consultant on **1300 55 7586** from 8.00am to 6.00pm, any business day, Australian Eastern Standard Time (AEST).

Disclaimer

An interest in the Plum Superannuation Fund ABN 20 339 905 340 (Fund) is issued by PFS Nominees Pty Ltd ABN 16 082 026 480 AFSL 243357 (Trustee). The Fund administrator is Plum Financial Services Limited ABN 35 081 812 731 AFSL 243356 (Administrator). This material has been prepared by the Administrator and it contains information that is general in nature. The information does not take into account your objectives, financial situation or needs. Before acting on the information you should consider whether it is appropriate having regard to your personal circumstances and seek professional advice. The Administrator recommends that you consider the Fund's *Product Disclosure Statement (PDS)* before you make any decisions about your superannuation. To obtain a copy of the Fund's *PDS* please contact a Member Services Consultant on **1300 55 7586**. Neither the Administrator, the Trustee, nor any other company in the National Australia Group of companies accepts liability whatsoever for any decision that is made on the basis of or in reliance of the information contained in this material. Please note that the information contained in this material is current as at November 2008. Any changes in law or policy have not been incorporated.