

## Integrated Wealth Solutions

# The Good Life

Ideas, advice, beliefs and perspectives for the enjoyment and education of our clients and friends

Period ending January 2018

February 2018

Fixed Interest					
Years	1	2	3	10	YTD
One-year	1.9	2.1	2.2	3.9	0.2
Two-year	1.5	2.0	2.3	4.3	-0.1
Five-year	1.9	2.5	2.8	5.9	-0.6
Long Term					
<b>Australian Shares</b>					
Large	12.0	15.5	7.6	5.9	-0.4
Value	12.4	25.6	12.2	6.1	-0.1
Small	18.4	18.5	13.2	4.4	0.3
<b>Global Shares</b>					
Large	19.6	14.7	11.2	7.8	1.7
Value	17.8	18.3	11.6	7.1	1.9
Small	16.5	17.0	13.2	10.3	0.3
Emerging Markets	28.6	26.2	10.7	4.8	5.4
Real Estate	12.7	15.5	7.5	5.3	-0.2
<b>Description of Indexes</b>					
One-year FI	DFA Short-Term FI				
Two-year FI	DFA Two Yr Div. FI				
Five-year FI	DFA Five Yr Div. FI				
Long-Term FI	Bloomberg Aus Treas. 10+				
Australian Large	DFA Aus Large Co				
Australian Value	DFA Aus Value				
Australian Small	DFA Aus Small Co				
Global Large	DFA Global Large Co				
Global Value	DFA Global Value				
Global Small	DFA Global Small Co				
Emerging Markets	DFA Emerging Markets				
Global Real Estate	S&P/ASX 300 REIT Index				
	Data presented may be based on a combination of simulated and actual returns.				
	<b>Past performance is not indicative of future performance.</b>				

## What We Are Thinking

Dear Readers,

Welcome to the February 2018 edition of *The Good Life*. This month, Jim Parker's article **Volatility: Seven Simple Lessons** reflects on the recent global stock market sell down. Make sure you read *Lesson 2 – Someone is Buying*. In all the panic of the day, we often ignore this **vital** fact.

On our left, we see lots of red in the Year-to-Date column. Even for bond funds!. But equally, we see that the 10-year column figures are moving towards the 1-year column returns in the Australian and Global shares columns.

### Good News ... we're **ALWAYS** confident about the future

We're continually blown away by what's happening in what we call the EXPONENTIAL WORLD for a *faster, easier, cheaper and better future*. These advances will make many existing companies obsolete. Expect to see a substantial fall in the cost of living and more people accessing services that once were only the preserve of the rich.

This month, our **That Bit Extra (Abundance Insider)** section includes SpaceX making history with its Tesla Roadster rocket; Disney trialling autonomous personality-driven robots; edible electronics to track our health; the Hyperloop coming to NYC to DC; robotic 3D printers using augmented reality and; another application for CRISPR.

We've also included an interview with Ramez Naam. Ramez is a team member of Peter Diamandis and was recently in Australia for the *SingularityU* summit.

<http://www.abc.net.au/news/2018-02-20/six-questions-for-futurist-ramez-naam/9463702>

### Numbers

In 2016, around **55 million** people died across the world. Nearly half were aged 70 years or older. What killed all these people? The team at *Our World in Data* tells us.

We've also added a short video by Chas Licciardello from the ABC's *Planet America* program on why life expectancy in the US has now dropped to one of **lowest** in the developed world.

Does that shock you?

[http://www.abc.net.au/news/2018-02-16/why-are-you-more-likely-](http://www.abc.net.au/news/2018-02-16/why-are-you-more-likely-to-die-giving-birth-in/9456302)

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# Volatility: Seven Simple Lessons

OUTSIDE THE FLAGS

Jim Parker,  
Vice President  
DFA Australia Limited



February 9, 2018

**Renewed volatility in markets has awoken the media from its summertime slumber. News directors drag out dated file footage of frantic traders and summon talking-head experts to explain to ‘mums and dads’ what it all means. Well, what does it mean? More importantly, does it matter?**

Everyone has an opinion about what caused this latest bout of volatility in markets, coming after a long period of relative calm. **But the key point for long-term investors is that markets are volatile by nature.** Stocks go up and down as information and expectations change. Sometimes, this happens very gradually. Other times it happens more suddenly.

What you can be sure of is that everyone is an expert after the fact. A few weeks ago, you might have heard experts saying markets were in party mode, fuelled by a cocktail of accelerating global growth, strong earnings and low inflation. Now, they say this was an accident waiting to happen as central banks take away the punchbowl of low interest rates. Well, which is it?

The point is there are any number of reasons markets may rise or fall on a given day. It may be fun to speculate about the drivers, but ultimately it makes little difference if you are a long-term investor. And reacting impulsively to daily market movements is almost always counter-productive.

Increasing market volatility is essentially an expression of uncertainty. Markets move on new information which is incorporated into prices immediately. Those prices reflect the aggregate views of millions of participants, so unless you have information that no-one else is privy to, you are unlikely to get an edge by trying to time your entry and exit points.

**What matters for individual investors is whether they are on track to meet their own long-term goals detailed in the plan designed for them. Unless you need the money next week, what happens on any particular day is neither here nor there. It is the long-term returns that count.**

As to what happens next, no-one knows for sure. That is the nature of risk. In the meantime, you can protect yourself against volatility by diversifying broadly across and within asset classes, while focusing on what they can control – including your own behaviour.

For those still anxious, here are 7 simple lessons to help you live with volatility:

## 1. Don't make presumptions

Remember that markets are unpredictable and do not always react the way the experts predict they will. For instance, you'll see economists on the TV every night talking about what might happen when Europe or Japan eventually raise interest rates. But even if you could pick the turn, you still don't know how markets will react. It's pointless to speculate.

## 2. Someone is buying

**Quitting the equity market when prices are falling is like running away from a sale.** When prices fall to reflect higher risk, that's another way of saying *expected returns* are higher. And while the media headlines proclaim that "investors are dumping stocks" **remember, someone is buying them. Those people are often the long-term investors.**

## 3. Market timing is hard

Recoveries can come just as quickly and just as violently as the prior correction. In 2008, the ASX fell by nearly 40%. Some investors capitulated, only to see the market bounce back by more than 37% in 2009 and rise in 7 of the 8 subsequent years. The lesson is that attempts at market timing risk turning paper losses into real ones and paying for the risk without waiting around for the recovery.

#### 4. Never forget the power of diversification

When equity markets turn rocky, other assets such as highly-rated government bonds can flourish. This limits the damage to balanced fund investors. So diversification spreads risk and can lessen the bumps in the road.

#### 5. Markets and economies are different things

The world economy is forever changing and new forces are replacing old ones. This applies both between and within economies. For instance, falling oil prices can be bad for the energy sector but good for consumers. New economic forces are emerging as global measures of poverty, education and health improve.

#### 6. Nothing lasts forever

Just as smart investors temper their enthusiasm in booms, they keep a reserve of optimism during busts. And just as loading up on risk when prices are high can leave you exposed to a correction, dumping risk altogether when prices are low means you can miss the turn when it comes. As always in life, moderation is a good policy.

#### 7. Discipline is rewarded

Market volatility can be worrisome, no doubt. The feelings generated are completely understandable. But through discipline, diversification, keeping focused on progress to your goals and accepting how markets work, the ride can be more bearable. At some point, value re-emerges, risk appetites re-awaken and for those who acknowledged their emotions without acting on them, relief replaces anxiety.

We hope you enjoyed this issue and would like to receive your feedback on articles you would be interested in or ways we can improve our newsletter. We have a lot more information on our website at [www.integratedwealthsolutions.com.au](http://www.integratedwealthsolutions.com.au) where you can register to receive this free monthly newsletter.

**John McMorrow**  
Editor

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## That Bit Extra...

## More Amazing Research Happenings in the EXPONENTIAL WORLD to Make Our Lives Better...Faster, Easier, Cheaper, Bigger Futures

*The future is almost here –*

From Peter Diamandis and the team at



## SpaceX's historic Falcon Heavy successfully launches



**What it is:** SpaceX made history this week with the first test of its Falcon Heavy rocket. The payload included a red Tesla Roadster with an astronaut dummy driver named Starman which livestreamed its view of space for a short period. The rocket and Roadster are now en route to Mars and beyond, Back on Earth, the 2 side boosters landed safely.

**Why it's important:** More evidence that committed, passionate individuals are now able to do what only governments and large corporations could do. The next era of space exploration is here.

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*Spotted by Marissa Brassfield / Written by Marissa Brassfield*

## Disney populates its parks with autonomous, personality-driven robots



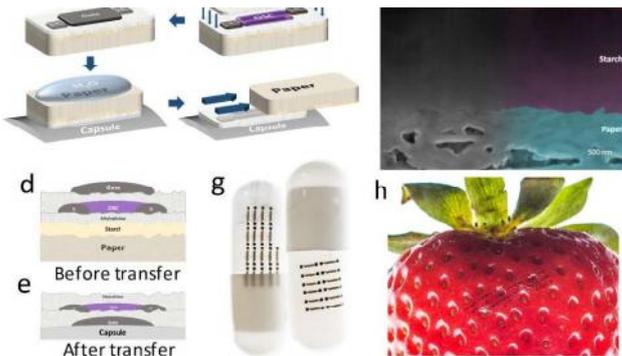
**What it is:** Disney's latest park addition is a set of robotic alien characters called the Vyloo with surprisingly humanlike interaction capabilities. The modular animatronics have moods, personalities and a suite of sensors and algorithms that enable them to autonomously interact with park visitors.

**Why it's important:** Disney's goal with the Vyloo is to use technology to create visceral, emotional relationships with park visitors. It's one of many ways Disney uses experiential marketing to cultivate multigenerational loyalty and a world-class brand.

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*Spotted by Eben Pagan / Written by Marissa Brassfield*

## Edible electronics tattooed on food to track your health



**What it is:** Remember transferrable tattoos, the water-soluble paper decals you rubbed on skin as a kid? A team headed by Giorgio Bonacchini at the Istituto Italiano di Tecnologia (IIT) in Genoa, Italy, has taken that concept and embedded organic circuitry to make edible tattoos. By inkjet printing with nanoparticle silver and biocompatible semiconducting polymers, the team has been able to print onto transfer paper and test the properties of the circuits. The team foresees applications as varied as circuits that action inside the human body to monitoring the ripeness of perishable fruit.

**Why it's important:** While there are challenges to overcome, these circuits offer a large cost and flexibility improvement over current silicon-based 'swallowable' electronics. It also reminds us that sensors, 3D printing technologies and computing power are converging to create previously unthinkable combinations. [Share on Facebook](#)

*Spotted by Marissa Brassfield / Written by Jason Goodwin*

## [Elon Musk's boring company gets preliminary permit for NYC to DC Hyperloop](#)



**What it is:** *TechCrunch* reports that Elon Musk recently received a conditional permit to prepare and excavate an underground Hyperloop site in Washington DC. The tunnel will eventually run from New York through Philadelphia and Baltimore to DC. Construction will start with 16.57km leg from DC to Baltimore.

**Why it's important:** Currently the trip from New York to DC takes over 3 hours. A Hyperloop would cut the travel time to 30 minutes, making interstate commutes faster and easier than ever. How will this affect hiring, real estate prices and communities?

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*Spotted by Marissa Brassfield / Written by Marissa Brassfield*

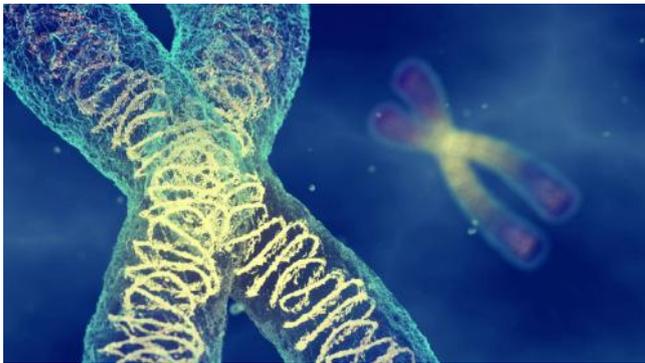
## [Robotic 3D printer uses augmented reality to fabricate designs as they're created](#)



**What it is:** Cornell University doctoral candidate Huaishu Peng and a team have combined augmented reality with 3D printing to create RoMA, a robotic assistant for designing and printing custom objects. Wearing AR goggles and handling a controller, the user designs features on the front half of the platform while the robot fabricates on the back. This enables rapid *in-situ* feedback for designers, the ability to iterate quickly on new designs – and longer term – the ability to customise and print onto existing objects.

**Why it's important:** Exponential technologies have the potential to not just revolutionise entire industries on their own, but in combination. As you plan your moonshots, don't forget the limitless potential from converging technologies and optimising the feedback loops between them. [Share on Facebook](#)

*Spotted by Marissa Brassfield / Written by Jason Goodwin*



## [New CRISPR method takes on duchenne muscular dystrophy](#)

**What it is:** Researchers from the University of Texas Southwestern Medical Center and NYU's Langone Health have used CRISPR (clustered regularly interspaced short palindromic repeats) to correct many of the genetic mutations that cause duchenne muscular dystrophy (DMD). By creating 12 guide RNAs to find flawed splice sites in the gene, the team cut the DNA at those locations to direct the cell's normal machinery to skip over

the gene entirely and begin creating functional proteins. This method is proving to be a practical way of treating many mutations at once (DMD has almost 3000 mutations) and is less disruptive than removing the mutated DNA entirely. "The genome is highly structured and you don't want to remove DNA that could potentially be important," said co-author Dr Rhonda Bassel-Duby.

**Why it's important:** This is a great illustration of accelerated experimentation due to CRISPR's straightforward, affordable methods of genome-editing compared with earlier methods. Look for more improvements targeting debilitating diseases such as DMD and for those improvements to spawn applications to more common afflictions.

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*Spotted by Morgan McDermott / Written by Jason Goodwin*

# Global deaths

In 2016, around 55 million people died across the world:

- nearly half were aged 70 years or older;
- 27% were aged 50-69;
- 15% were aged 15-49;
- 1% were aged 5-14;
- around 10% were aged younger than 5-years old.

In the chart below, we see a breakdown of global deaths by cause, ordered from highest to lowest. This is shown in absolute numbers and each cause as a share of total deaths. Please Note that this list is not exhaustive and deaths from less common causes are not shown.

The leading global killer in 2016 was cardiovascular diseases (CVD) which refers to a [range of diseases](#) that affect the heart and blood vessels: These include:

- hypertension (high blood pressure);
- coronary heart disease (heart attack);
- cerebrovascular disease (stroke);
- heart failure;
- other heart diseases.

Cardiovascular diseases killed 17.6 million people – around one-third of all deaths.

The original chart also includes the option to list causes of death by country (select *Change country* at the bottom left of the chart).

<https://ourworldindata.org/causes-of-death>

