

– SPONSORED CONTENT –

Under the microscope



We invite readers to send their burning questions on the latest investment trends to underthemicroscope@financialstandard.com.au. In this issue, we talk about cryptocurrencies, AI, and international equities.

How can my clients who are approaching retirement benefit from the latest developments in algorithms and so-called AI-led investing?

Artificial Intelligence is already changing the world. The market is growing so rapidly that revenue is forecast to reach a compound annual growth rate of 57% by 2025. Investing in a theme is easy with the growth of ETFs. In technology, popular ETFs include ROBO, TECH, HACK, NDQ. All provide exposure to technology; however the performance and investment criteria are different across different products. The beauty is that these can be bought on the ASX just like shares.

Some of my clients are interested in investing in cryptocurrencies but I have reservations about the market. What is the industry's view on cryptocurrencies?

There's little doubt that cryptocurrencies in some form will be long lasting. The problem is it's difficult to pinpoint which new wave of technology will still be around in a decade. While the technology and platform are useful, trying to predict early on what the industry and returns will look like in 10 years is difficult to model and forecast. Like the technology boom, most of the cryptocurrencies today will most likely no longer be around in 10 years' time.

What is the latest thinking around international equities? What are the myths and misconceptions around allocating more funds into overseas businesses?

It's tempting to overweight international equities given their outperformance in 2017. Yet this doesn't guarantee outperformance in 2018. While the MSCI index which measures the performance of the global stockmarket returned 20% in 2017, the return has been just 2.8% in YTD 2018. It's important to allocate funds where you think you'll see rising growth rates, as markets tend to be cyclical. Once growth starts slowing down, it usually means muted or negative returns from the equity market in that region.

Brought to you by

desktopbroker >
Powered by Bell Direct