Capital
Wealth Managers

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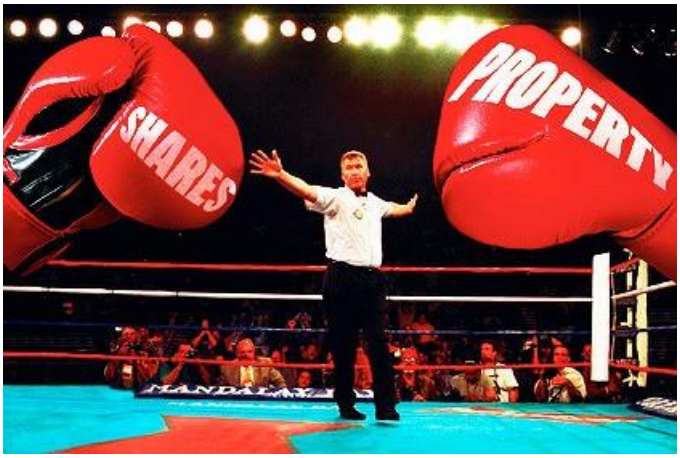

By Ryan Newman

The end of an era for Aussie blue chip shares

Investors have already been thrown their fair share of curveballs in 2016.

The fears regarding China and the crashing oil market have spread far and wide, panicking investors around the world into a selling frenzy.

Unfortunately, Australia's own share market has been much the same. The S&P/ASX 200 (ASX: XJO) has fallen 6.6% year-to-date while it's down nearly 18% since peaking in 2015.

In times of uncertainty, investors have typically turned to the blue chips as a source of comfort. These are some of Australia's biggest and most reputable companies. They're the household names most investors are confident will still be around – bigger and stronger – in 10-years' time.

But it hasn't gone that way so far in 2016…

Sure, the miners and energy companies have been hit hard, as one might expect. BHP Billiton Limited (ASX: BHP), for instance, has plunged 16% since the beginning of the year and is trading around $15 a share, while some forecasts suggest it could drop to $10 – *or lower* – before it finds a floor.

Investors are also weighing up the likelihood that the miner will be forced to scrap its 'progressive dividend' policy, while a major capital raising is possible.

The warning signs have been on the wall for a long time for the commodities market. But for most investors, the signs weren't so clear cut when it came to the nation's other blue chip shares.

Not so for Bruce Jackson, General Manager of *The Motley Fool Australia* who in November 2015, warned investors of "The end of an era for Aussie blue chip shares."

Since then, shares of Australia and New Zealand Banking Group (ASX: ANZ) have fallen nearly 9%, while they're down 36% since peaking in 2015. Further falls are possible after the bank's new CEO,

Shayne Elliott, flagged a potential cut to the group's full-year dividend. Analysts at Morgan Stanley were already predicting a cut, possibly as much as 14%, partially due to a rise in loan losses.

But ANZ isn't the only bank susceptible to a decline…

Each of the other major banks are also at risk of slowing earnings growth with bad debt charges tipped to rise, together with the possibility of further capital raisings this year.

Outside the banks, Woolworths Limited (ASX: WOW) has also dominated the headlines. Investors recently applauded its decision to offload its failed *Masters* business.

While the move will help stem the losses in the short-term however, it's unclear whether or not long-term investors will ultimately benefit.

Then there's the fact that it's still without a CEO to replace the outgoing Grant O'Brien… Its *Big W* business is still a mess… And its supermarkets are still losing market share to *Coles* and *Aldi*

These blue chip companies account for a large portion of the overall ASX 200, and thus make up big positions in most "index hugging" funds.

They also dominate the portfolios of many **unsuspecting 'mum and dad' investors**, and could threaten to impact their long-term returns as a result.

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