



Profile's Corner

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**Asset class returns referred to in this publication are based on the following indices: Australian shares: S&P/ASX 300 Accumulation Index. International shares: MSCI World (AUD) TR Index. Fixed interest: UBS Warburg Composite All Maturities Index. Cash: UBS Warburg bank bill Index. Gold: Spot Gold Bullion (USD).*



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PROFILE UPDATE

Welcome to Volume 21 of our quarterly client newsletter. In this section, I provide an update on what's happening at Profile.

By Sarah Abood, CEO

New city office

The move to our **new city office** home at Level 2, 55 Hunter Street is now complete! We are in the heart of the Sydney CBD and only a few blocks from our previous city location. It's very close to public transport (train, bus and ferry) and just across the road from Chifley Plaza. We look forward to welcoming you to our new offices the next time you come in to the city.

New website

Our new website has now launched, in a mobile-friendly format that is easier to access using devices such as phones and tablets. Having a strong web presence is becoming increasingly important for businesses, both to effectively serve our existing clients and to help potential new clients find us.

It is also an effective way for us to showcase ways we can help people build and secure their financial future. We are currently running a campaign on "Transition to Retirement" – helping people aged 55 or over who are still working, save tax by better structuring their superannuation. You can see the campaign at:

<http://www.profileservices.com.au/retirement-strategy/>

Please feel free to pass the link on if you know somebody who might benefit!

People update

In wonderful news, Financial Planner **Laura Donovan** has recently given birth to a



beautiful baby girl! Fiadh Belle Murphy was born on 18th September at 8.55pm, and was 3kg. Mother and baby are both very well. For the non-Irish among us, her lovely and unusual name means "wild beauty". Laura and Steve are very much enjoying their time

as new parents. Laura is planning to return to Profile around April of next year.

Supporting Kurt while Laura is on leave, we are very pleased to welcome **Grant Watson** to Profile as Associate Financial Planner. Grant has had a successful career already, in Operations Management and Account



Director roles, and was keen to make the move to wealth management. Originally from New Zealand, Grant completed his Bachelor of Commerce at the University of Canterbury (along

with a Diploma in Political Science), and has also completed his Diploma of Financial Planning. He's a keen sportsman with running, surfing and kayaking just some of his many interests – he will be giving Phil a 'run' for his money! We are very pleased to have Grant as part of the Profile team.

Investors in PPS will be aware that Portfolio Manager and longstanding employee **Jai Parrab** has recently left Profile. In his new role, Jai will be managing funds at a well-established hedge fund manager (Tudor Investment Corporation). We were sad to see Jai leave but this is a great opportunity for him, and we wish him all the best in the next stage of his career. Dominick McCormick – Chief Investment Officer at our asset consultant Select Investment Partners – has taken over portfolio management responsibilities while we complete our review of investment management operations, to ensure we continue to offer a highly efficient and effective service to our clients.

Finally on the people front, at Profile's AGM this year our founder **Garry Ohlsen** resigned as a director. Garry says he feels he is leaving Profile in good hands, and while remaining very supportive and a part-owner, he is keen to spend as much time as possible travelling, while his health allows. Kurt Ohlsen was elected to the vacant position, and Peter, Phil and I look forward to working with Kurt to continue to grow Profile in line with the principles on which we were established - putting clients' interests first in everything that we do.

Client satisfaction survey finishing soon
 On Friday 6th November our 2015 client satisfaction survey will close. The results really are important to us - they are reviewed by our board, included in staff performance assessments, and used to continually improve our business – as well as generating positive publicity for us when the results are good! If you haven't had a chance to do so yet, please do take the time to let us know what you think! Remember, all respondees have the chance to **win a \$500 travel voucher** in a random draw.

Client annual education seminar
 Review service clients should by now have received their invitations to our annual client seminar: to be held on 24th November at The Epping Club. Our guest speaker will cover the highly interesting topic of Travelling Smart in a Turbulent World – and we will also provide an economic update on equally turbulent investment markets! We look forward to seeing you there.

INVESTMENT UPDATE

Volatility: It's Not Over Yet.....

By Bart Dowling, Select Asset Management
 Period returns to 30 September 2015 (%)

ASSET CLASS	1 MTH	3 MTH	1 YR
Australian Shares	-2.9	-6.5	-0.7
International Shares (\$A)	-2.3	+0.1	+18.3
Fixed interest	+0.3	+2.2	+6.9
Cash	+0.2	+0.5	+2.5
Gold (\$US)	+1.7	-4.9	-7.7

Volatility clusters. No, this isn't a new form of confectionery – it's a sad fact of market life. Just when you think you've been through the worst of it, volatility hits you in the face yet again. If you need evidence of this, look at the performance of equity markets over the past couple of months. There's a flurry of market mayhem, we all exhaust ourselves and volatility abates, then a couple of weeks later it all sparks up again. 'Exciting', isn't it?

Still, a silver lining to this very dark cloud is that such volatility shocks are loaded with useful information. The charts below show that as daily volatility starts to increase, it can

be a sign that we are entering a 'mature' investment cycle.

Chart 1: ASX 200 Volatility in the Lead-up to the GFC – Note the Expanding Frequency of More Significant Daily Volatility Shocks in 2007 Before the 'Big One' Went Off in October 2008

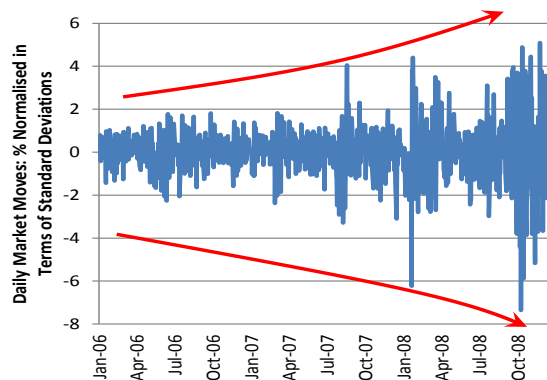
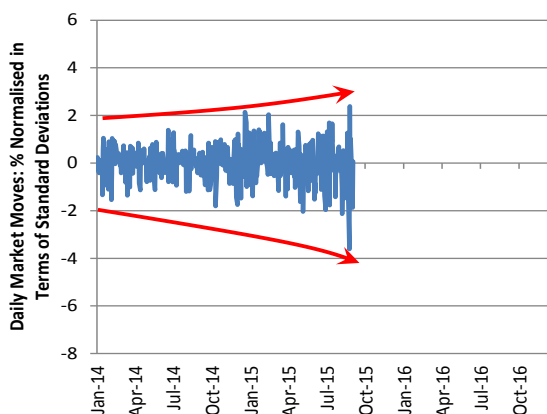
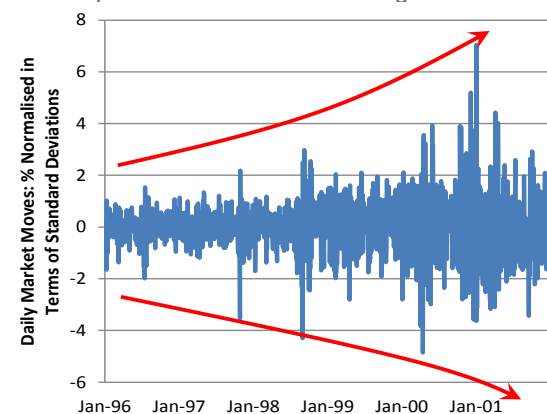


Chart 2: Current ASX 200 Volatility – We're Only Just Starting Down the Path of Increasing Amplitude in Daily Volatility (But Note the End Game is Now Set)



To further illustrate this point, the chart below shows a similar volatility pattern for the NASDAQ in the lead up to the TMT crash.

Chart 3: Volatility Frequency Band for the NASDAQ in the Lead up to the TMT Bubble Bursting



Why does this increasing volatility pattern seem to occur as investment cycles mature, in the lead up to a market crash? Think of it this way:

1. A long period of low volatility (like the one recently experienced) creates an environment of investor complacency.
2. Complacency results in a mispricing of risk.
3. As people start to realise the error of their ways, doubt begins to emerge and daily volatility starts to rise.
4. Eventually, you get to the stage where the whole crowd rushes to the exit and the 'big one' goes off – generally aided and abetted by central banks raising rates (eg. October 2008).

What to do - and who's making money?

Buying volatility protection isn't cheap at the best of times - and during times of high volatility it can get very, very expensive indeed. Using options to buy protection is not for the faint-hearted, and you need to get the timing pretty much spot-on if you are to make money.

But what of a simple 'buy and hold' approach? Unfortunately, this doesn't seem to work well either – although it's simple, it can be very expensive. The chart below shows the long term performance of the iPath S&P500 VIX ETF. As can be seen, the long term returns are dismal for this 'buy and hold' strategy.

Chart 4: A 'Buy and Hold' Allocation to a VIX ETF Can Cost Dearly in terms of Performance



We prefer to leave such decisions to the experts. To protect portfolios against volatility shocks, we like to allocate capital to managers who can look for the cheapest forms of enduring volatility insurance. Sizing these holdings appropriately is absolutely crucial, as you don't want too much

performance 'bleed' during periods of low volatility. However, you also need the positions to be large enough (and their payoffs handsome enough) so that when volatility does bite, these managers can offset a considerable portion of the losses elsewhere.

Finally, in times like these, remember that cash is king!

Not only because it preserves performance, but also because it gives you the ammunition to be an opportunistic buyer of



assets when you think the market is oversold.

WORK BEHIND THE SCENES LEAVES YOU OUT IN FRONT

By Michael Kidd, Head of Operations

"Operations". What does that mean in a business? In its driest sense, *operations* refers to the sustained delivery of goods and/or services to the business's clients. A great operation uses resources to produce this outcome in the most economical way.

Business operations generally includes four key areas:

- Location: Where business is done — physically and online
- Equipment: The tools needed to get the job done
- Labour: The humans!
- Process: systems for quality control and improvement

This may sound as dry as a bone, but I can tell you after years working in the financial services industry, I find the operations behind the scenes are anything but boring.

Our regulatory environment in financial services is constantly changing, and this necessarily affects the operational side of our business. The challenges created in a constantly evolving business environment make it essential to have systems and processes in place which can cope with frequent change.

Equally important to realise is that many processes that enable a business like Profile to function are interdependent. That is, a change to one process will surely affect another process.

For years I've admired author and entrepreneur Robert Kiyosaki. I don't necessarily agree with all his teachings, but one quote that really resonates with me is:

"For a business to survive and thrive, 100 percent of all the systems must be functioning and accountable. For example: an airplane is a system of systems. If an airplane takes off and the fuel system fails, there often is a crash. The same things happen in business. It's not the systems that you know about that are the problem - it's the systems you are not aware of that cause you to crash".

This is particularly true in our industry, where clients, advisers and support alike rely on various interconnected systems to deliver crucial and confidential information and communications.

Five of my past 13 years in financial services have seen my focus and energies directed towards the operations side of businesses (previously, I provided financial advice to clients). In this time I have seen businesses fail, others stagnate and a few succeed. In my observation, the key indicator of success or failure has been the robustness (or otherwise) of the systems and processes adopted.

Since joining the Profile team in April 2015, I have been encouraged to see the business operating smoothly through a period of significant change. Not only have we relocated both our Parramatta and City offices, we have also implemented a raft of changes dictated by legislation, employed new key staff, upgraded our IT systems, re-engineered our brand and integrated a business we purchased. This is all within the past four months, with more change on the horizon.

Organisations I've worked for in the past have been unable to replicate the success of Profile in adapting to even a fraction of these changes. This is of course attributable to the various factors of size, budget, personnel etc. However, without doubt the crucial factor is the ability of the organisation to absorb

changes to their existing systems and processes.

The client-focused culture of Profile ensures that without exception, the first priority in implementing any change is to analyse how it might affect our clients. This may seem a "no-brainer", but I can tell you from experience it's not always the case!

The aim of our planners is to ensure the goals and dreams of our clients have the best possible chance of becoming reality. To complement this focus, my goal is to ensure all Profile's planners and support staff have everything they need to ensure our clients can achieve this without undue frustration. The operational side of the business is here to resource our staff in order for our clients to not only get results, but to enjoy the experience as much as possible.

I have seen the chaos that ensues when a systemic change is implemented on a non-scalable operations model. It is unpleasant for staff and clients alike and the resulting disorganisation certainly leads to a lessening of confidence of the end user - the client.

We will always have challenges in our industry, particularly as our business relies heavily on other stakeholders to deliver efficiently – fund managers, custodians, asset managers, fund administrators and the like. However, a solid and motivated team working with excellent and continually improving processes drastically lessens the impact of both change and stakeholder issues.

Although Profile's clients may consider their planners relationship the most significant (and with good reason) we remind our clients that the work going on behind the scenes delivers a great deal of value also. Arranging meetings, following up paperwork, preparing reports, assisting in tax and other communications, implementing advice, providing financial updates and delivering fiduciary and legislative reporting such as Annual Fee Disclosure Statements - these are just a few of the many tasks carried out to ensure our clients are kept informed, protected and focussed, knowing they are in the hands of true professionals.

CLIENT PROFILE : JAN ILSLEY

Dealing with change – in life, and financial planning

By Aine Love, Marketing Manager

Life is about change, and financial planning is no different. In recent years Profile has welcomed clients from a range of different practices that have chosen to join the Profile fold. One of these is Capel & Associates, led by Rick Capel, who in 2013 joined forces with us and introduced his clients to Profile.

I had the pleasure recently of speaking with one of Rick Capel's clients, Jan Ilsley, who shared some of her life experiences and also her thoughts on moving to Profile with Rick.

Jan grew up in Maitland, in the Lower Hunter Valley of New South Wales. At the age of 17 she started a nursing career at the Maitland Hospital. Later she moved to Sydney and held a position as a Tresillian nurse in Nelson Park, Vacluse. Jan moved to midwifery training at Crown Street and advanced to being in charge of a children's ward at The Maitland Hospital which she enjoyed.

Jan remembers at one point working in Crown Street Women's Hospital. In those days Crown Street was a red light district and unsafe. "It was generally accepted on the streets, via word of mouth, that as Crown Street nurses we were not to be hassled or troubled in any way, so we could safely walk to and from work," Jan says.

Having moved to live in Bondi Junction, Jan met and finally married her husband in the 1990's. They both loved to travel; particularly, in Jan's case, to Paris. But travelling wasn't all good times - Jan can certainly be commended for her bravery as she describes being locked outside her hotel room in London in her nightdress!! "I woke up to find a burglar rifling through my bedside table, he ran and I gave chase. He managed to get away while I got stranded in the corridor!"

Jan met Rick Capel in the early '90's. At the time she had a financial planner but had received bad advice. Having an uncle who was an accountant and an aunt who had dealings with Coopers & Lybrand, she sought their opinion. Her relationship with Rick, who worked at Coopers & Lybrand at the time, eventuated.

Jan admits she felt very hesitant about Rick's move to Profile - it was a shock to her as she didn't know the new firm. It was an even bigger shock to her when Rick retired as up until then she had enjoyed the long-term one to one relationship she had with Rick. However, Jan is happily now in a position that she feels all her concerns have been dealt with, and she said it made all the difference to receive a personal visit from her current Profile adviser Scott Ungaro to her home in the Central Coast, as she doesn't find it easy to travel. Jan says "I've become very interested in the Portfolios, it's a good way to go and reduces the uncertainty out there".

Jan lives in a retirement village on the Central Coast, wanting to be near concerts and entertainment while also close to medical facilities. Jan lives with her pride and joy, a chocolate Toy Poodle named Holly, named so because she got her on Christmas day! Holly loves life in the village and spends her day saying hello to everyone – knowing exactly who to visit for treats! In walking around the village Jan finds the residents love to greet Holly...and Holly's mum!



Holly with Holly's mum Jan!

Jan retired from full time work in 1992 and held a part-time position as a UNSW research assistant for about 12 months after that. Never one to be inactive, Jan made herself a promise to organise some activity or hobby for every day. It's certainly true when she says she doesn't like to sit still as she lists some of the hobbies she loves. Currently she makes greeting cards for friends which is an outlet for her creative side. She also likes to knit, sew, read and loves looking after her garden. Jan is also a keen bridge player and goes to Probus for their guest speakers and outings organised for seniors.

It's inspiring to hear Jan say she worked all her life in caring professions, and now it's her time to enjoy retirement and to do what she wants to do!

GETTING TO KNOW THE TEAM AT PROFILE

Rachael Arnold, Associate Financial Planner



Rachael Arnold is a bit of a boomerang. She was born in Sydney but spent the first half of her childhood in Singapore and Perth, before returning to Sydney to complete her high school years at Abbotsleigh.

Rachael has completed a Bachelor of Business at UTS, majoring in Finance, and followed that up with a Diploma of Financial Planning. In what seems an inexhaustible love of learning, she is currently studying towards her Advanced Diploma of Financial Planning and is hoping to start her CFP next year.


Rachael joined Profile in July 2014 from Centric Wealth. She says she has really loved getting to know Profile's clients and hopes to become more involved in their meetings over time.


Rachael is currently house sitting the family home with her sister while their parents spend most of the year overseas. She is using this time to save for a deposit for her own home and hopes to be able to get into the property market soon.

She enjoys travelling to Switzerland once a year to visit family and is hoping to travel around more of Europe with a friend next year.




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