

Profile's Corner

Summer 2015

Issue 19

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PROFILE
FINANCIAL SERVICES



PROFILE UPDATE

Welcome to Volume 19 of our quarterly client newsletter. In this section I provide an update on what's happening at Profile.

By Sarah Abood, CEO

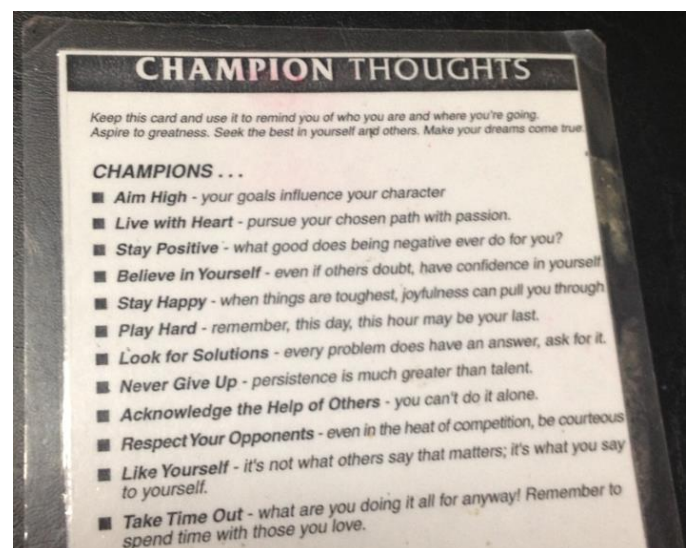
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This update is very hard to write. We have been dealing with both the best and the worst life has to offer recently, and it is hard to know how to be happy about the one, and sad about the other, at the same time.



First, the sad news. On January 21st this year, our much-loved Practice Manager, Kimiley Smart, died after a long illness. Kimiley had been with Profile for over seven years, and for much of that time was dealing with serious cancer. You would never have known this to talk with her, though! Kimiley never let the diagnosis interfere with her life, and approached each day with an incredible spirit and positive attitude that inspired all of us. She always had a helping hand and an encouraging word for her colleagues no matter how tough things got.

Kimiley kept a range of inspirational quotes and images around her office. This card she kept near her keyboard as a constant reminder of the thoughts and beliefs that were important to her and that she lived every day:



Kimiley will be very greatly and sadly missed by all of us.



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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).*

In her final days Kimiley was overjoyed to be visited by our newest addition to the clan. In wonderful news, Scarlett Ivy Ohlsen was born on Wednesday 7th January! She was a very healthy 3.96kg and 53 cms long with lovely brown hair. Based on rigorous in-depth and independent research by Profile staff, she is also confirmed as being extremely cute.

Her parents Kurt and Rachael are over the moon, albeit slightly sleep deprived. Granddad Garry is very proud - I've never seen so big a smile on a man's face before.



It is hard to change focus to the business day-to-day, but just a quick word on an important business project. Regular readers will already be aware that we will soon be moving our North Parramatta office to Level 9 of 100 George Street in the Parramatta CBD. We are finalising our fitout now and we expect to be actually relocating from 63 Sorrell Street around end March/ early April this year.

We will be sending more information about transport options, parking and so on as soon as we know the definite date of the move. We are very excited about the new premises and confident that clients and staff will find them to be professional, convenient and comfortable!

THE CENTRAL BANK CARTEL MEANS THE SLOW LANE MAY BE PREFERABLE

By Jai Parrab, Portfolio Manager

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Period returns to 31 January 2015 (%)

ASSET CLASS*	1 MTH	3 MTHS	1 YR
Australian shares	3.2	2.0	12.0
International shares (\$A)	3.7	11.8	21.4
Fixed interest	1.6	4.6	10.4
Cash	0.2	0.7	2.7
Gold (\$US)	8.3	9.4	3.1

While 2014 marked a year of measured volatility and predominantly rising asset prices, I suspect that 2015 will be quite different. Or at least, it *should* be quite different. But then again, I'm not brave enough to take on the central bank cartel that now runs capital markets.

The macroeconomic backdrop

Why do I say that the central banks are controlling markets? Look at the roll call of actions they have taken in the past few months alone. Late last year the US Federal Reserve (Fed) announced an end to its quantitative easing program that was injecting an extraordinary US\$85bn into the market each month. No sooner had they brought this program to a close, than the Bank of Japan (BoJ) surprised the market by doing quite the opposite, increasing its asset purchase target from ¥60-70trn per month to ¥80trn per month (or US\$712bn per year).

In January this year, the European Central Bank (ECB) launched its long-awaited bid to revitalise the Eurozone economy and counter deflation with a €60bn-a-month bond-buying programme that was larger than investors had expected. ECB president Mario Draghi said the bank would buy more than €1tn in assets and could extend the programme if required.

Only one week earlier, the Swiss National Bank (SNB) stunned markets when it scrapped its three-year-old peg of 1.20 Swiss-francs per euro. In a chaotic few minutes after the central bank's announcement, the Swiss franc soared by around 30 percent in value against the euro. SNB Chairman Thomas Jordan said the decision to drop the cap was not a "panic reaction," and was a "well thought-out decision." He added that he expected the value of the Swiss-franc to ease back to "more sustainable levels".

The move also hit European equity markets hard, with the Swiss benchmark stock index falling by more than 10 percent at one point. This announcement came only two days after the SNB Chairman explicitly informed the market that maintaining the peg was a central pillar to their monetary policy. There is likely only one thing that changed his mind in a two-day timeframe - a tap on the shoulder (read "a heads up") from his European counterparts.

Locally, the Reserve Bank of Australia (RBA) also joined the easing bandwagon by cutting official interest rates from 2.50% to 2.25% at its February meeting. It has not embarked on any quantitative easing programs - yet. This was followed a few days later by a cut to the Reserve Requirement Ratio (RRR) from 20.0% to 19.5% by the People's Bank of China (PBoC). Economists estimate the impact of this move is equivalent to an injection on Chinese banks' balance sheets of RMB600bn (US\$96bn).

Each central bank will give you some variation of the same two reasons for why they did what they did: to spur growth and induce inflation. This may be their long-term goal, but in the short-and medium term there is only one thing on their mind – to weaken their currency to make their country more competitive internationally, and to inflate asset prices. And so far, it’s working:

- What impact will extreme moves in currency values have on offshore investment returns for government, institutional and private investors when translated back into local currency?
- What effect will abundant liquidity (and resulting low interest rates) have on inflation, asset prices, and the investment strategy of savers relying on income from interest rate-linked securities?

To reference my last article, these are the known unknowns. I wouldn’t want to fathom what the unknown unknowns may look like.

As always, our strategy remains consistent. We prioritise the return of investor capital ahead of chasing returns. And to do this we continue to focus on valuations i.e. where markets have already moved to discount a significant amount of the expected risk. We also continue to incorporate strategies that are less reliant on single-direction equity markets, and finally continue to explore investments into risk-management solutions such as options, precious metals and even falling back to cash where required.

In these sorts of markets, patience is key. It is fair to say that a lot of the easy money in making key directional calls on equities and foreign exchange has been made (see charts), and unless you want to risk a lot to potentially make a little more, swimming in the slow lane isn’t such a bad idea for now.

Euro vs USD (daily, 2y)



Yen vs USD (daily, 2y)



Implications for investors

With this scene set, there are two contrasting schools of thought on how investors should approach what I believe is a very precarious environment. After all, central banks are essentially interfering in what are supposed to be ‘free markets’, manipulating both the risk-free interest rates which are used to price all other asset markets, and indirectly, currency values.

Strategy two is to start thinking about what the short- and long-term implications of abundant market liquidity are, and to consider the possibility that central banks may not be in as much control as they would like to be. That is to say, they’re as blind as to how this will play out as we are. In analysing this decision, I believe there are four primary considerations investors need to be thinking about:

- What impact will unpredictable moves in currency have on company behaviour (investment plans), their foreign earnings (translation), and their funding strategy for debt issued in foreign markets?

World stock market (daily, 3y)



\$A vs USD (daily, 3y)



BE PREPARED!

By Sarah Abood, CEO



There are many things in life that are important, but not urgent. Things that we'll get around to someday once the bills are paid, emails checked, tax return's done, dinner's cooked, shirts for tomorrow ironed, kids in bed.... And that can take a while!

But sometimes life comes along and whacks us over the head, reminding us that the inexorable laws of the universe won't always wait until we're good and ready for them to operate. Suddenly, important also becomes urgent and if we're not prepared, chaos ensues.

Sadly, we see a lot of what can happen when divorce, death or illness hits a family. The issues are many but in this article I'm not looking at the financial preparedness aspect – having enough in terms of insurance and investment to fall back on is vital, and I would hope that all our clients can tick these two off! Here, I am talking about **knowledge**.

Navigating modern life is complex, and many couples specialise a lot to help get through. It's not uncommon for one partner to be paying the bills, choosing the house insurance, lodging the tax returns and so on, and the other might know when everyone's birthday is and when the kids are next due to see the dentist. This system often works just fine, until something goes wrong. Sometimes even people who are super-organised and diligent at work can let things on the home front slide. At home, there is always tomorrow – until one day, there isn't. We owe it to our loved ones to make sure they have the information they need to keep things running if adversity strikes.

So are you prepared? Why not take our fun quiz! It's very simple, you just score 1 for each "yes" (ignoring the "not applicables"). A "no" might not necessarily be bad. Some people, for example, don't want to share passwords even with close family members - but it's important to have the conversation at least.

And of course, the person with the lowest score has to do the washing up....

The "Be Prepared!" Quiz:

Do you know enough?

	YOU	PARTNER
Does a current will, enduring guardianship and enduring Power of Attorney exist for...		
Me?	<input type="checkbox"/>	<input type="checkbox"/>
My partner?	<input type="checkbox"/>	<input type="checkbox"/>
My parents?	<input type="checkbox"/>	<input type="checkbox"/>
My adult children?	<input type="checkbox"/>	<input type="checkbox"/>
And do I know where to find those documents?		
For me?	<input type="checkbox"/>	<input type="checkbox"/>
For my partner?	<input type="checkbox"/>	<input type="checkbox"/>
For my parents?	<input type="checkbox"/>	<input type="checkbox"/>
For my adult children?	<input type="checkbox"/>	<input type="checkbox"/>
Do I have work and best friend contact details for....		
My partner?	<input type="checkbox"/>	<input type="checkbox"/>
My parents?	<input type="checkbox"/>	<input type="checkbox"/>
My adult children?	<input type="checkbox"/>	<input type="checkbox"/>
Do I have professional contacts (doctor, financial planner, accountant, lawyer, dentist, teacher etc) for....		
My partner?	<input type="checkbox"/>	<input type="checkbox"/>
My parents?	<input type="checkbox"/>	<input type="checkbox"/>
My children?	<input type="checkbox"/>	<input type="checkbox"/>
Can I access all the family bank accounts?	<input type="checkbox"/>	<input type="checkbox"/>
Do I know who all our home utility providers are, and how to pay all the bills? (gas, electricity, rent, internet, telephone etc)	<input type="checkbox"/>	<input type="checkbox"/>
Can I access important family electronic files including backups (photos, emails, social media accounts etc) and do I have the up-to-date passwords for family computers?	<input type="checkbox"/>	<input type="checkbox"/>
Do I know how all the major family assets are owned?	<input type="checkbox"/>	<input type="checkbox"/>
Do I know how to find the following documents?(if applicable)	<input type="checkbox"/>	<input type="checkbox"/>

	YOU	PARTNER
Home insurance		
Car insurance (plus other lifestyle asset insurance eg boat, holiday home etc)		
Health insurance		
Life insurance		
Salary continuance insurance		
Trauma / disability / crisis insurance		
Superannuation/pension statements / Self-managed super fund trust deed, investment strategy, audits etc		
Family trust (or other trust) documents		
Centrelink/DVA assessments		
Tax returns		
Bank & credit card statements		
Investment statements (eg share holdings, managed funds etc)		
Home / investment property title deeds / mortgage		
Information on other debts (hire purchase, margin loans, investment loans etc)		
Passports		
Birth certificates		
TOTAL SCORE		
Who is washing up?		

EXCHANGE FOR THE BETTER – BE A FOREIGN CURRENCY WINNER WHEN YOU TRAVEL

By Kurt Ohlsen, Senior Financial Planner

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Many Profile clients enjoy travelling overseas. While these trips are about the great places, experiences and people you meet, you cannot get away from the logistics that include being able to pay people along the way.

There are a raft of options and considerations when making payments for international travel. When making a decision regarding what options you are going to use there are going to be trade-offs around security, certainty, cost effectiveness and convenience, and a combination of payment methods may be a great way of managing these trade-offs.

Cash

Cash can be a very convenient method; however you want to consider where you are going to purchase your foreign currency (both at home and abroad), when you are going to purchase and what currencies you are going to need.

The amount you are going to need is also an important factor and one that can be underestimated in the age where a lot of us are used to paying for most things on cards, it's important to remember that smaller countries may not provide widespread card payment facilities.

The airport at either end of your journey, or your hotel, is rarely going to provide the best exchange rate, so plan ahead. When converting cash you need to consider both the exchange rate and what other fees are going to be applied.

Often banks will provide some of the most attractive rates - however it is likely that you will need to order the foreign currency with them beforehand. Foreign currency kiosks can be found in most places in major cities where tourists congregate. With the advent of smart phones and Google providing live currency quotes, you should be able to get a handle on who is providing a reasonable rate.

Withdrawing cash from your normal savings/ debit card at foreign ATMs (from major banks) can be a very convenient method with a reasonable exchange rate; just make sure you check what other fees are going to apply and that your card is going to be acceptable (a VISA or MasterCard symbol on your card goes a long way to suggesting that you are going to be OK with many foreign ATMS).

The timing of buying your foreign currency can have a big impact on your exchange rate. While your planner can provide you with an opinion on exchange rates, the volatility of currency markets and the short-term nature of foreign exchange for travelling means any opinion will have several caveats attached!

If there were a few gaps, then remember – Profile can help! If you are a client, your planner will already have much of this information for you. They can also help you build (and even securely store for you), a document that pulls all the other information together so it's there when needed.



It's a hard job and it never seems like a good time. But in our experience, now is a lot better than later!

To help manage currency risk, once you are committed to going you may want to do some of your currency conversion fairly quickly in case the exchange rate moves against you. At least then you know what you have. A lot of the time people do this by prepaying some of their accommodation expenses or converting their petty cash requirements early.

For the sake of a good night's sleep, if you are happy with the exchange rate make the conversions and then stop looking at it! If you are not happy then you may want to consider a staggered conversion process over time – just make sure you can still afford your travel if it gets worse.

While when travelling to smaller countries it is common for you to get a better rate once you arrive, it makes sense to land in your new destination already holding some currency in usable denominations. This will at least cover the cab from the airport or other immediate costs before you get the opportunity to obtain more local currency.

Your normal credit card

Making payments with your normal credit card is often a convenient way of making payments overseas. Although you again need to check what other fees are going to apply, there are advantages in going down this route with the major one being convenience – you don't have to do anything, just bring your normal card along! I would just suggest calling your provider sometime before leaving and checking the exchange rate they offer against current quoted exchange rates. If there is a large discrepancy now that might also be there when you travel and you might then want to consider other options.

Special purpose credit card

Worth considering is to set up another credit card just for when you travel, letting you shop around for the best international payment fees as well as offering the security of a smaller limit and preventing the hassle of needing to reorganise all your regular payments at home if you need to cancel the card due to it being lost/ stolen.

Pre-loaded travel cards

Preloaded travel cards are becoming more popular, allowing you to move your funds into the foreign currency/ currencies ahead of time – a great advantage if you are worried about the exchange rate deteriorating.

While these preloaded cards also have the convenience of being able to reload or top them up while travelling (assuming you have internet access) you need to be aware of two issues. Firstly, are you happy with the security of the internet access you are using abroad? While I am not an IT guru I am *not* happy to do my banking using free Wi-Fi anywhere in the world – and that includes Australia.

You also need to think about how you first loaded the card. Did your bank send you an SMS payment authorisation code? When you are out on the road, are you going to have your mobile phone and using your existing SIM card? If not you may have trouble authorising the top up.

Just make sure you shop around with these travel cards to ensure you are not getting stung with high fees and low exchange rates, both of which can be a danger.

Money transfers

If you are going to be making prepayments of some of expenses or sending funds to a foreign account before you go, you once again need to be aware of the fees (both at your end and the receiving account as well). The following website has some useful information to help with this. www.thecurrencyshop.com.au/blog/international-money-transfers-information

Note that while countries have their own official currency, you may find that another currency (commonly the US dollar) gets you better purchasing power and a better personal response.

While I have tried to identify a few of the options and issues, one of the best things you can do when you know where you are going to be travelling is talk to people who have already travelled to your particular destination.

Finally, the best way to minimise the cost of exchanging currency is to plan ahead and have a budget. This will allow you to estimate how much of each currency you are going to need in advance, and avoid the added fees involved in exchanging into a foreign currency, then back into Aussie dollars, when you don't use it.

CLIENT PROFILE – DR NATHAN LE: PERSEVERANCE AND INTELLIGENCE

By Phillip Win, Senior Financial Planner

Profile's founder, Garry Ohlsen, started our business over 30 years ago. It is a testament to the relationships Garry has with his clients, that many of them have gone through their life (and financial) journeys with him. In more recent years as new planners have joined Profile, our clients have diversified and we have clients from all ages and stages, from those just starting their careers to clients who have been comfortably retired for many years.

Dr Nathan Le represents our clients who are in the 'middle years' of their career development, he is balancing family and work in the form of a busy small to medium-sized dental business and the financial complexities that can go along with that. Dr Le is one of the many dentist clients Profile has worked with over a long period, with our expertise stretching back to my days at accountancy firm Anderson Burkett more than a decade ago.

Nathan came to Australia from his birthplace in Vietnam at 17. He attended the University of Sydney, graduating with a Dentistry degree in 1999. As part of his training Nathan worked at Westmead Hospital for two years, then he worked as an employed dentist in a private practice for

a bit over a year.

With just over three years' experience under his belt, Nathan took the plunge and purchased a dental practice at Kempsey on the New South Wales North Coast. This also necessitated a move to Port Macquarie. Nathan worked very hard to build the practice over the following three years and, not being content with owning one dental practice, he decided to purchase another one at Cambridge Park in the western suburbs of Sydney.



Nathan continues to work in both practices, travelling to Kempsey for two days every month. He is an extremely busy professional and works with other trusted professionals (of which Profile is very proud to be one) to get the best results possible in his business. Nathan says "It is really important to get good advice from a good and knowledgeable financial advisor".

Nathan met his lovely wife, Hanna, while attending a relative's wedding and has now been married for eight years. Nathan and Hanna have two young daughters, with the eldest making the momentous step of heading off to "big school" this year!

An entire industry now exists to try and solve the dilemma of 'work-life' balance. This is a challenge that Nathan would certainly like to solve, especially as his daughters grow up. Nathan says "I do try to find more time with my family".

As if he didn't have enough to do, 2015 will see Nathan commence a new project of building his family a new home! I am sure that he will relish the continuing challenge of balancing his professional and personal life. Having said that, Nathan is sensible in knowing he can't do it all by himself: Nathan has elected to employ a project manager to assist him with construction, knowing that this is not his area of expertise.

I have very much enjoyed working with Nathan over the past five years and helping him work through the financial

challenges and opportunities of running two dental practices, and providing context and framework for future financial decisions. He is a prime example of a young professional who has recognised that it is important to partner with like-minded people to assist him to make informed decisions and allow him to focus on what he is best at, confident in the knowledge that his hard work is being translated into a solid wealth accumulation plan.

Nathan's advice to other young people is to work hard *and* smart. He also encourages everyone to seek the services of a professional financial adviser who is willing to listen, give honest feedback and hold you accountable to the plan you set in place.

GETTING TO KNOW THE TEAM AT PROFILE

Anita Snehi, Client Services Officer



2007 was a momentous year for Anita - she moved from New Zealand to Australia, and also joined Profile!

Her role here as Client Services Officer (CSO) was her very first job in Australia.

She is still working very happily and successfully with the company as part of the administration team, having been promoted to Senior CSO two years ago. Recently Profile was very proud to sponsor Anita to become a permanent resident of Australia - we need more citizens like Anita, her lovely husband and sons!

Anita is originally from India, where she qualified in Economics then completed her Master's degree in Public Administration. Education has been very important in her life and she plans to take on more studies in the years to come. Currently however Anita's education focus is on her two sons: - her eldest is in his third year at Macquarie University, and the younger one is in year 8 in a selective high school.

After work Anita loves to spend time with her family watching movies, eating out (every evening if she could!), and walking the family dog "Phantom" - a four-legged stress buster with a big personality.

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