



**PROFILE**  
FINANCIAL SERVICES

# 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: Bloomberg Composite All Maturities Index. Cash: Bloomberg Ausbond bank bill Index. Gold: Spot Gold Bullion (USD).



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Cover photo: Sugar Pine Walk, NSW by Tilda Karlsson

## Profile Update

**Welcome to Volume 34 of our quarterly client newsletter. In this section, I provide an update on what's happening at Profile.**

**By Peter Coleman, CEO**

As I sit down to introduce you to the summer edition of Profile's newsletter, I feel conflicted. Summer in Australia is usually a time of rejoicing. Of taking time out from our professional lives and regaining balance with our family and friends. It is a time of relaxation after what has usually been quite a hectic year. It can be a time for reflection and resolutions, a moment to look back at the year and make decisions about the future. For many of our clients and staff, it is a time of religious celebration and prayer, a time to connect with our beliefs and to reach out and help people in need.

At Profile, we believe in supporting our clients to enjoy a better life, in helping you protect and grow your wealth so that you can achieve your life goals, whether they be personal financial security, philanthropic or focused on giving your family financial support. Now we are looking for ways to extend our support to those within our community experiencing the devastation of the bushfires.

This is what feels different this year, what is driving my feeling of conflict. It is the absolute devastation of our countryside, the destruction of rural communities and wildlife, and painfully the loss of lives that the firestorms raging across the countryside are leaving in their wake. It is hard to relax and celebrate the end of a year and the birth of a new one when we are surrounded by so much pain. Our managing Director Phillip Win is balancing his role as a father, a business leader, financial planner and making his community contribution as a volunteer firefighter. That is his way of giving back. Some insurers are offering premium holidays to those affected or volunteering. At Profile, we are looking at ways that we can help our friends and support our community so we can, like Phillip, let people know we care and give back to our communities.

Despite the disasters confronting our country and affecting many of our people our focus on your needs will not falter as we look for ways to give back to our community. The summer addition covers an analysis of what's happening and why in global and local equity markets. 2019 had its fair share of geopolitical risks and 2020 has opened with some still unresolved and others flaring, with threats of war emerging in some regions.

In times such as these, there is a potential for a return of high volatility with investment markets often overreacting to local and global events. That is why our goals-based approach to supporting you is so important. That is also why our funds are so focused on low volatility investing. At Profile we are here to support you over the long term, to ensure our financial advice and your investment strategies align with your long-term needs and goals.

As a country, we will remain resilient as we all face the challenges that the bushfires present to people and communities. Individuals, governments and businesses will dig deep to support those affected by the fire disasters and we at Profile will do our bit. We will also

remain focused on you, our clients, as we peer into the future and provide the best and most appropriate investment advice possible. Thank you for trusting us and I personally look forward to meeting many of you at our next client function.

I have been the Chairman of Profile for almost five years and the interim CEO now for two months. In recent years we have been on a growth path. This year we are looking to consolidate our business and ensure that we are meeting the needs of all our clients. Should you have a need to contact me please feel free to do so as I value your perspectives. In coming months, you will receive a request for feedback. Where you can please make the time to complete the survey. This survey has been a key component of our business philosophy and remains a cornerstone of our approach to client service. Without your regular feedback, we would have little guidance as to our performance and areas for improvement. We really appreciate your investment of time in this exercise. It is just one way we listen.

I hope that the year ahead brings your dreams a little closer. We will do our best to help.

## Hindsight is always 20/20

**By Jerome Bodisco, Head of Investments**

### Returns to 31 December 2019 (%)

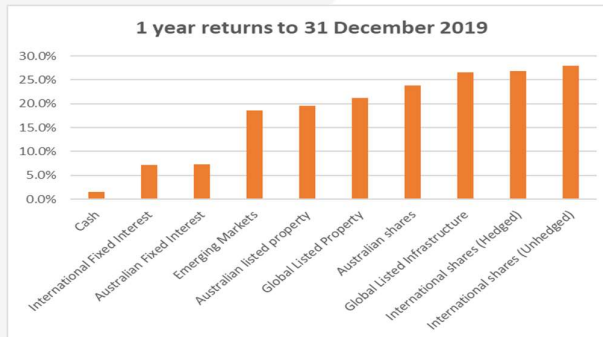
Asset class	1 mth	1 year
International Equities	-0.9%	28.0%
Global Listed Infrastructure	2.7%	24.2%
Australian Equities	-2.0%	23.8%
Global Listed Property	-0.3%	21.2%
Australian Fixed Interest	-1.6%	7.3%
Cash	0.1%	1.5%

Welcome to the 20<sup>th</sup> year of the 3<sup>rd</sup> millennium, the 20<sup>th</sup> year of the 21<sup>st</sup> century and the 1<sup>st</sup> year of the 2020s. It's a leap year and it's the Year of the Rat! It also marks the 100-year anniversary since the 'Roaring Twenties', an interesting decade of economic prosperity and good times before the Great Depression put an end to it. Will history repeat itself or will it rhyme? Will the 2020s roar or will it see-saw?

Unlike a century ago, circumstances in 2019 were very different from what we have experienced in the past. Investors were faced with a new set of concerns. The year was punctuated by a laundry list of events and developments ranging from the sublime to the ridiculous. The ongoing trade dispute between the US and China was one of them. The Royal Commission into Misconduct in the Banking, Super and Financial Services Industry was handed down. There was a Federal Election. Remember Bill Shorten? The Brexit fiasco continued unabated. Impeachment proceedings against Donald Trump gathered steam. There were protests in Hong Kong, rising Middle East tensions, terrible drought conditions and devastating bushfires.



Despite it all, 2019 well and truly exceeded expectations at least from an investments point of view. Across the board, investment returns were the best we've seen for some time. Leading the way were international shares (28%), followed by global listed infrastructure (27%), and listed property (21%). It didn't matter which way you turned, other than in the direction of cash, investment returns might have brought a smile behind those smoke masks!



**Source:** Lonsec / FE Analytics

The major reason behind the unexpected but welcome performance of asset classes was the global U-turn on interest rates (monetary policy). The US Federal Reserve went from a posture of raising rates to cut them. The Reserve Bank of Australia (RBA) followed suit and that was after saying that their next move was going to be up! Central banks the world over signalled that they were concerned about the outlook for economic growth, inflation, consumer confidence and jobs. By lowering rates, the central bankers chose to pull the strings to boost money supply in an attempt to kick start demand and provide an impetus to growth. Sound familiar?

It is difficult to say for sure how this will all end or how the new year will begin. The future is always unpredictable as we all know. We are in uncharted waters currently and unlike over a decade ago, central banks have very little policy ammunition left to fire at an economy that appears to be running out of puff.

This is precisely the prospect the RBA faces right now and why they are encouraging the Australian Government to do something to promote wage growth and jobs and ease the burden on the taxpayer. Good luck with that! The Federal government sharply downgraded its forecasts in its Federal Budget Mid-Year Economic and Fiscal Outlook just when a Christmas miracle was in order. The forecasted budget surplus over the next four years has been slashed as has the expectation of nominal GDP in 2020/2021 from 3.75% to 2.25% as well as a reduction in wages growth in 2020/2021 from 3.25% to 2.50%. This is certainly not the sort of news you want to hear just before your holiday!

The year ahead brings with it the hope that the markets will ignore the noise and the tougher economic environment we appear to be heading into much like it did last year. However, there are still many risks we need to navigate before we pop the champagne again. Globally, it will be interesting to see whether Boris Johnson can get 'Brexit done'. At this stage, following his emphatic election victory, this looks likely now. Second, out of the gate is the impeachment of Donald Trump and the presidential elections in the year ahead.

Can Donald Trump surprise us a second time? The US-China trade war is also high on the list of concerns. Will a deal be done, or will China hold firm?

Domestically, we face several challenges. Persistent low growth in household incomes continues to be a source of concern. That said, lower interest rates, recent tax cuts, higher spending on infrastructure, a recovering housing market and a buoyant resources sector are all considered positives for the economy and growth.

The outlook for financial markets is anyone's guess. Markets and economies do not always move in the same direction as last year proves. We are all buoyed by the great investment returns we received in our Christmas stockings last year, but we cannot rely on the past as a reliable guide to the future. Hindsight is always 20/20. Unfortunately, perfect foresight is not!

For what it is worth I think returns will be positive but significantly less than what we experienced last year. As for the next decade? If its anything like the preceding decade, it will pass very quickly! I still remember the 2000 Sydney Olympics like it was only yesterday. The future will come soon enough but just like the Olympics, I hope it will be a roaring success!

## Income Protection is about to change forever – review yours now!

**By Sacha Loutkovsky, Senior Risk Adviser**

Do you rely on your income? If you couldn't work because of a sickness or injury, where would the money come from? Do you have people who depend on you to provide for them? Then you need to act now.

### What is the Problem?

In early December 2019, the Australian Prudential Regulation Authority (APRA) accused life insurers of 'unsustainable practices' on retail Income Protection policies. What this means is that for many years, Income Protection policies in Australia have been a competitive field. Each insurer has wanted to out-do the competition and so has bolted on innovations, lavish options and extremely generous definitions under which to claim, which is a good thing for policyholders.

In practical terms, however, this has resulted in a huge number of claims that did not actually require the insured person to be off work in order to receive benefits. Furthermore, insurers have failed to adequately increase premiums to meet the huge number of claims being paid out under these benefits under the fear of a 'first-mover disadvantage'. I know you may have scoffed at that, but the massive premium increases we have been experiencing on Income Protection policies in the last 5 years has been in direct response to this problem. Like most things in Australia lately however it seems it is too little, too late.

As a result, there have been significant losses across the life insurance industry. Over the past 5 years, the industry has collectively lost around \$3.4 billion, with \$1 billion of that coming in the last 12 months to September 2019 and directly attributable to retail Income Protection policies.

Whilst we may sit back and think sarcastically 'poor insurers, they're losing money and won't be able to

return a dividend to shareholders' this is a serious problem. If insurers keep losing money at this rate the result could be in insurers withdrawing from the market and potentially even collapsing, leaving policyholders high and dry.

### What is the Solution?

In order to ensure that the retail Income Protection market remains viable APRA has proposed several changes that include:

1. For Income Protection policies issued from 31 March 2020 Agreed Value Income Protection will no longer be available
2. For Income Protection policies issued from 1 July 2020:
  - a. Benefits will be based upon the insured person's income over the preceding 12 months
  - b. Policy coverage term shall not exceed 5 years.

For the full summary of changes please refer to this fantastic article: <https://www.metlife.com.au/blog/blog-home/industry-insights/Retail-income-protection-policies-to-undergo-change/>

### What do these Changes Mean for You?

Firstly, if you already hold a retail Income Protection policy you will not be affected by these proposals. However, if you are considering Income Protection or any changes to your existing policy it is imperative to act **NOW** in order to avoid being affected by these dramatic changes.

The changes highlighted are the ones we are most concerned about, although all the proposed changes carry concerns for how people can ensure they are adequately protected.

#### 1. Agreed Value policies no longer available as of 31 March 2020

Agreed Value cover means that your benefit is locked in over the life of the policy. What you are insured for is what you will be paid out in the event of a claim, regardless of whether your income has decreased during the time you have held the policy.

Agreed Value is especially important to people whose income fluctuates such as self-employed people, contractors and women taking maternity leave.

By no longer allowing Agreed Value policies this means that you will only be covered for how much you have earned over the past 12-month period. If you have had 4 months out of income due to redundancy, or 9 months for maternity leave or your business had a flatter year than usual your claimable amount will be assessed with these events taken into account and you could find yourself short.

#### 2. Benefits will be based upon the insured person's income over the preceding 12 months

Current Income Protection policies are available under two assessment styles at claim time: Agreed Value, which we have covered above, and Indemnity.

Current Indemnity policies state that (with some variance in definitions between companies) that you will be able to claim the average income of the best 12-

month period in the 3 preceding years before the policy was issued.

As you can see from the proposed change however the window for income assessment has become much smaller and many people will be negatively affected by this change.

#### 3. Policy coverage term shall not exceed 5 years

At present, a policy is only underwritten once – at application. This means you can hold a policy for 10, 20, 30+ years and no matter how your medical, occupational or lifestyle history changes you cannot be re-assessed and those changes cannot be taken into account.

In the new world, occupation and income changes will be underwritten every 5 years and could result in significant changes in coverage quality and premium. Medical changes will not be underwritten at this stage.

Eg: You took out Income Protection at age 30 when you were working a white collar office job. 3 years into the policy term you decide to drive trucks for a living. At the 5 year renewal you would be underwritten as a truck driver, which means your premiums will significantly increase and quality of cover may change.

### What Do You Need to Do?

You need to call us **right now** if you fall into any of the following categories because you could be affected by the changes:

1. Do not have Income Protection but know you need it because you can't survive without income and/or have people who depend on you to provide for them,
2. Only have Income Protection through your industry super fund,
3. Are self-employed or contracting,
4. Are considering starting a family,
5. Have retail Income Protection already but have had a change in circumstances such as a change in occupation or income, medical change, want to review any loadings or exclusions,
6. Have retail income Protection already on an Indemnity basis,
7. Have retail Income Protection already on either a 2- or 5-year benefit period,
8. Are not sure whether these changes affect you and want to speak with us about it.

If you think an adult family member also needs insurance before these changes alter what they can access, then please have us contact them too. Please don't leave this until the last minute.

## Travel Hot Spot – Young, NSW

### By Truc Vo, Project Manager

*Staff usually cover international destinations. Australia's beauty is unsurpassed though and our drought and fire-affected communities need support more than ever and when appropriate, our travel dollars. So, in 2020, Profile will cover Australian destinations.*



When my husband and I were younger, we loved travelling overseas for holidays, a few times a year. Now with two children under five, we opt for long weekends away instead. We often travel up or down the coast, but rarely west.

To celebrate my birthday this year, we decided to visit a country area. Cherries are one of my favourite fruits, and fruit picking is one of our favourite family activities. We like to take our children on day trips where they get to experience things that are a bit different from the city pace. A change in the scenery to something greener is always a plus, and so the Cherry Festival in Young was the perfect option.

After a nonstop drive of 4 hours, we arrived at the festival late on a Saturday afternoon. We found a park straight away just one block away from all the main activities and during the busiest time of the festival. I anticipated it would be extremely busy with queues for things as you normally would have at any event around Sydney. None of this! Instead, we were greeted with relaxed festival goers and it was like a casual stroll through an early market in Sydney. There were market stalls, kids rides, and some more market stalls, none of which you had to line up for long, if at all.

We enjoyed watching bagpipes and drums, where different Irish and Scottish Highland bands gave performances in traditional kilts. The street parade spectacular was exciting as it brought an array of colour from huge trucks to vintage farm tractors, and there was an official 'cherry man' greeting people who lined up the street.



After a long day of driving, and a few hours of festival activities we drove back to our accommodation, which

was a beautiful farmhouse tucked away at the end of a private driveway of the 350-acre property. It sits on top of a hill, a haven of peace and tranquillity with picturesque views in all directions. The original farm owners had livestock on the property, as there was unused farm equipment, cattle grids and fencing around the place. The new owners have now converted the property to a wildlife sanctuary where a bush regeneration program is in place, with signs for protected wildlife. We were greeted with a few different kangaroo and wallaby species. We also saw a variety of birds when putting out water in the bird's bath.

The next morning, we woke up early for the stunning sunrise. We took a walk around the property to explore what nature had to offer. When we got to the farm dam, what used to be a large, deep dam is now nearly out of water. If it doesn't rain soon, the water will dry up. Everything was dusty and parched dry with lots of dead trees.



The farm dam, during better times and now

It was apparent how this farmhouse came to be holiday rental. When the booking was made, we were advised to conserve our water usage and recycle the greywater whenever possible. While staying at the house, we became much more aware of how much water we were using or not using.

The visit has left a bittersweet feeling in all of us.

We all had a fantastic time at the cherry festival in Young - the kids loved festive activities, and we all enjoyed the beautiful cherries freshly picked at a local family farm.

We also thoroughly enjoyed our stay at the farmhouse as it was great to experience what rural life is like, albeit

for only a few days. Having seen firsthand how dry the whole landscape is, it made us realise how tough life really is for our farmers in drought-ravaged Australia.

The biggest take away for our family was that we must conserve water. The visit has increased our appreciation of water and we've become much more water conscious.

Visiting country NSW was a real eye-opener for all of us. Not only have we taken away some special memories of my birthday weekend, but we also learned a very valuable lesson about water.

If you're a city dweller like me thinking of visiting country NSW soon, I'd recommend it. Especially now the tourism would provide support to local communities and help the local economy. Buying local produce also means supporting our farmers. To better understand, and better support our wide sunburnt land you really do need to visit somewhere other than the beach, so go ahead and do it!

## Client Profile – Natalia Rybak

### By Lena Ridley, General Manager

Some clients are also the staff at Profile, and we are grateful to have attracted the talents of professionals with life skills gained from vastly varied backgrounds. This issue explores the fascinating story of our own, Natalia Rybak, client and Office Co-ordinator of our Sydney office.

Nat was born in Ukraine and lived her early life whilst Ukraine was under Soviet occupation. Nat recalls that growing up under a Communist regime was very restrictive and small in many ways. Little information from the rest of the world got in or out – it really was an Iron Curtain. Everyone watched and reported on everyone and her parents took no risks and shared no information with Nat and her sister in order to keep them safe.

Communism there focused on changing the next generation, so no one spoke of history and religion was forbidden for children. Nat recalls a time when her sister defied this by accompanying her father to Church past the eyes of the ever-watching teachers. When the service was finished, Nat's father was detained and warned that a reoccurrence would result in him losing his job.

Nat's father had been raised by his grandparents as his mother had been sent to Germany during WWII as forced labour when he was just 4 years old. After the war ended, the family advised her not to return to Ukraine as the Soviets would have sent her to Siberia for "collaborating with the Nazis". She emigrated to Canada instead, leaving her son to grow up in Soviet Ukraine where he then married and had two daughters, Natalia and her sister. When the Soviets began to loosen their iron grip and implemented a family reunion treaty allowing Nat's father to visit Canada in the late 60s to see his mother for the first time in 25 years.

After Nat's father saw the living standards of Canada compared to Ukraine, he started the conversation and

process to emigrate. It took three years to find the right Government official to negotiate the right money that needed to change hands for the paperwork to go through. The family finally moved to Winnipeg, Canada when Nat was 10 years old.

It was -25°C in February when they arrived, and Nat's mother, shocked at how cold Canada was, felt as though they had moved to a Siberian village. Nat's father, a geologist, found work in a paper bag factory. Her parents both worked two jobs each to build income then pay off the house they bought in under five years. Nat and her sister took two years to learn English and during this time Nat started to take her Ukrainian dancing more seriously. By the time Nat had progressed through Junior High then High School, she started adulthood as a student with a sideline in a semi-professional Cossack dance troupe.

During the summer, the troupe had their travel paid to tour the world. Nat also performed as a singer on the side. One highlight was an invitation to perform for Pope John Paul II in a private reception at his residency, a memory she will never forget.

In 1986, they toured Japan, Hong Kong, Singapore and then Australia. They landed in Australia on Nat's 21<sup>st</sup> birthday and she thought it was so different to her many readings of *The Thorn Birds*! The troupe was billeted with the Ukrainian community in Sydney. Most got billeted with older members of the community, and Nat and her friend found themselves with two young male friends in Glebe – an engineer and an architect. As soon as they found out it was Nat's birthday, they threw a party with all their friends and some of the troupe. After 3 days in Sydney, they were off through Australia then home to Canada via Hawaii and San Francisco...and every single day, her new friend, Roman the engineer would call on the phone...at \$5 per minute!

Roman sent Nat a ticket to visit Australia again, then paid a visit to Winnipeg to meet Nat's parents. Then Nat visited Australia again and it was during this visit, she called her parents to announce she would be staying in Australia.

They married a year later, and Nat set up a dance school in the Ukrainian community and formed her own troupe here. Nat also indulged her passion for singing by forming a duo which supported the dancing ensemble during their tours. Videos of some of her performances are recorded on YouTube. The ensemble toured Australia in 2012 and performed at two major festivals in Canada in 2006. Nat still remembers the satisfaction of seeing first-generation Australian – Ukrainian teenagers and young adults meet first-generation Canadian – Ukraine people of the same age.

Nat and Roman had two boys and Nat decided to step out of dancing and into work that brought more income for the family. She moved into retail and developed experience with cosmetics companies based on years of doing stage make-up. After some years, a move into a Credit Union position developed into banking experience. From banking, it was an easy step into financial services and the Profile family.

Nat appreciates the sacrifices her parents made for her and her sister and gains comfort from knowing they have a good life, with good support and lots of friends in Canada to this day.



When I asked Nat what we can learn from her adventures, she reminds me that people around the world are basically the same – her friends in Ukraine, Canada and Australia all face the same challenges and talk about similar issues. It's about knowing you can survive anything, anywhere when you believe in yourself. When you're young, you don't question your ability to go and do something. We are optimistic and that is special. As we get older, it's important to remember that.



Final farewell - Nat with her family leaving Ukraine on the train to Moscow in 1976



Pope John Paul II giving Nat a commemorative medal after their performance at his private residence at the Papal Palace in the Vatican City August 1983



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