PROFILE'S CORNER

SPRING 2022

Issue 45

CONTENTS

Table of Contents

FACTUAL INFORMATION AND GENERAL ADVICE WARNING

This newsletter is issued by Profile Financial Services Pty Ltd (ABN 32 090 146 802), holder of Australian Financial Services License No 226238. It contains factual information and general advice only and does not take into account any investor's individual objectives, financial situation or needs. It should not be relied on by any individual. Before making any decision about the information provided, investors should consider its appropriateness having regards to their personal objectives, situation, and needs, and consult their financial planner. Past performance is no guarantee of future performance.

*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).

Profile CEO Update

By Lena Ridley, CEO

Welcome to Volume 45 of our spring newsletter. In this section, I provide an update on what's happening at Profile.

Volatility has entrenched itself as the new normal it would seem. Markets and economic bumps, waves of covid, turbulent and destructive weather events dominate our news. We have become so conditioned to this over the past three years that we celebrate all that feels normal and glorious in the routine of our lives, knowing full well that change is no longer something we must manage but rather that change is part of our new routine. As a CEO peer pointed out at an event I attended recently, "the fan gets bigger as does the thing that hits it, so BE all you can BE now, and prepare for who you want to be in the future". Sage advice.

Our recent client event brought together some of you where we were able to acknowledge and celebrate some clients who are retiring shortly or have recently retired. The excitement of who they will now be in this next phase of life has certainly been helped by seeking and committing to sage advice over the years.

If you are on social media, you may notice that we have launched a series of advertisements aimed at finding more families to help successfully navigate the journey to retirement. The ads bring you back to a contact form for Profile so please let people in your circle know that we would welcome the opportunity to help them as well.

Our goal is to help people live the life they want, with confidence. Profile remains here for you and your family, and the ensuing Christmas and summer period is no different. Our offices will be closed from 5pm, Friday 23rd December and reopen at 8.30am, Tuesday 3rd January 2023. We will have reduced staff for the week prior and the week after these dates but please reach out at any time if there is something urgent that you need.

My hope is that Christmas brings you safely together with loved ones in fabulous weather for the formation of happy and lasting memories. We look forward to continuing to serve you in 2023.

My very best Christmas wishes to you and your family.

P.S. if you are the Director of a company, trust or SMSF and have not yet registered for a Director ID, please put this on your urgent list for action before 30 November.

Market and Economic Update

By Lena Ridley, CEO

Macquarie Bank issued guidance on the 5th of November[1] clearly stating that the Reserve Bank of Australia (RBA) has not finished raising interest rates. The cash rate has risen by 275 basis points to 2.85% since May 2022 and inflation is now predicted to peak around 8%. Macquarie's view is that unless 'we begin to see indications that service sector inflation pressures are moderating (or that wages growth begins to stagnate), the RBA is likely to follow through on expected rate hikes despite its detrimental impact on domestic demand.' This view has formed from Governor Lowe signalling that 'inflation in Australia is too high' and his revealing of changed forecasts to inflation (7.8% to 8%), unemployment (3.5% up to 4%), and growth (1.8% down to 1.5%). Given the lag of these rate rises to retail spending and the labour market, it is predicted we will be well into 2023 before the tightening of conditions is really felt.

Macquarie further hold the view that sentiment towards the housing market will continue to worsen but the impact of slower activity will be mild and that we may avoid an official recession.

Not all commentators have agreed, as this is heavily dependent on the RBA hitting their mark with the timing and severity of any further interest rate rises. A challenge not easy to do, as pointed out by Profile's asset consultants, Willis Towers Watson (WTW), at our recent client education seminar and it is their view that the risk of a recession remains very real.

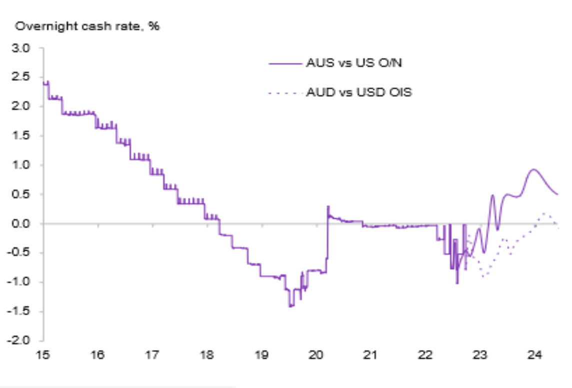
Macquarie is right to further point out that even 'if Gross Domestic Product (GDP) growth remains above zero, some households will face recessionary-like conditions, and this will likely weigh on consumption for a time.' We are hearing much in the media anecdotally of this already being the case, particularly with cost-of-living pressures and the impact of increased mortgage repayments on household spending. So, how does this translate into asset markets?

Whilst WTW feel optimistic about rising bond yields, Macquarie believe this is more a result of global drag rather than domestic factors. Add in the view that the Australian dollar has potential further downside (versus the US dollar) but remaining in the low US$0.60s, Macquarie believe hedging currency is prudent in the current environment given the declines seen to date. WTW agree predicting medium-term 'cheapness' with lashings of uncertainty.[2]

[1] *Investment-strategy-update-4-nov-22.pdf (macquarie.com.au)*

[2] *Presentation given at Profile General Education seminar, 8 November 2022*

Sharply higher rate expectations more recently in the US have supported USD



Source: Presentation given at Profile General Education seminar, 8 November 2022

Global macroeconomics remains concerning and its impact on global equities, among other factors, has been clear. Between the impact of the US economy on global conditions and currencies, geopolitical tensions in Ukraine and China, uncertainty remains irrespective of domestic policy and decisions.

Returns 2022 to date and longer-term

As at 31 October 2022	YTD (calendar)	3 year (pa)	5 year (pa)	10 year (pa)
Australian Equities	-4.1	4.8	7.2	8.7
Global Equities	-16.6	7.6	7.4	10.4
Bonds - Australian	-9.2	-3.0	0.7	2.4
Bonds - Global	-13.2	-3.7	-0.3	2.3
High Yield	-15.9	-3.1	-0.7	3.9
Listed Property	-24.9	-6.3	0.1	5.1
Listed Infrastructure	-6.8	0.7	4.1	9.1

Source: Presentation given at Profile General Education seminar, 8 November 2022

With economic uncertainty high and policy setters globally in reactionary modes, volatility and uncertainty in asset markets is to be expected. Provided bond yields reach or exceed forecast levels, Macquarie see little threat to valuations unless the growth slowdown goes deeper than forecasted. As explained by WTW, 'as interest rates rise, the rate at which equity cash flows are discounted increases, putting downward pressure on equity prices.' Volatility is set to continue with Macquarie pointing out that 'earnings are set to fall, and this will make it hard for the market to bottom until there is transparency on the depth of the economic slowdown.' Patience may well be the call for the remainder of 2022 and the early part of 2023.

WTW's portfolio strategy, including that for the Profile portfolios in the current environment is clear.

Sticking to strategy

- Highly diverse, risk managed portfolios are how to cope with uncertainty
- Confidence that this approach is well suited to current economic and market conditions

Australian equity market only down 6% in total return terms

Source: Macquarie Macro Strategy, MWM Research, November 2022

Re-engaging with downside protection

- Build up exposure to assets offering protection against disinflationary and inflationary downsides
- Defensive bias to risk positioning

Few high conviction dynamic asset allocation views currently

- Taken profits on risky-asset overweight and increased downside hedges
- Modest underweight to equity beta

Your Adviser remains the best source of knowledge on how current conditions apply to your personal and family circumstances and we encourage you or anyone you think may benefit from a discussion to reach out.

First Homeowner Government Incentives

By Kelly Lindsell, Senior Financial Adviser

Buying your first home is not just a huge step for most, it's now more like a giant leap.

According to the September 2022 Domain House Price Report, the median price for a house in Sydney is now $1,464,371 and for a Unit it is $754,812. Whilst both of these measures saw a drop of 5.2% and 3.1% respectively over the quarter, the numbers are still quite frightening if you are considering the purchase of your first home. This is even more so, if you are buying a regional property, where prices have continued to lift and significantly so over the past year.

If you are interested in finding out a little more about the median prices across the country and in understanding how the property market has been impacted by recent interest rate hikes and strong inflation, inflation, please refer to Domain's report by using the following link.

Domain House Price Report - September 2022 | Domain

Of course, these are the median prices, and more cost effective properties are available, but getting a deposit together in this environment at any level, let alone worrying about interest rates rising, is certainly a challenge.

With all of this in mind the Governments, both Federal and State based, are keen to assist more

Australians own their home and in doing so, help with the longstanding affordability crisis.

There are a number of government grants and schemes available for First Home Buyers and we are pleased to provide you with a list of the major announcements as of June 2022.

Four major national government schemes are now available for first-home buyers or will be available within calendar year 2022:

- Help to Buy Scheme;
- The First Home Guarantee (previously the First Home Loan Deposit Scheme);
- The Family Home Guarantee; and
- The Regional First Home Buyer Support Scheme.

The following summary will explain a little about each of these four schemes:

	HELP TO BUY	FIRST HOME GUARANTEE	FAMILY HOME GUARANTEE	REGIONAL FIRST HOME BUYER SUPPORT
What is it?	A shared equity scheme in which the Government Contributes 40% of the cost of a new home or 30% for an existing home	A guarantor scheme in which the government guarantees loans, so borrowers avoid LMI	It is a guarantor scheme where the government guarantees loans, so borrowers avoid LMI	It is a guarantor scheme where the government guarantees loans, so borrowers avoid LMI
Who is it for?	Low to middle-income earners who currently own no property	First Home Buyers	Single parents with at least one dependent child who do not currently own a home.	Only first home buyers who have lived in a regional area for the past 12 months and who purchase a property in their current or adjacent regional area
How many places are available?	10,000 each year	35,000 each year	5,000 each year	10,000 each year
What is the maximum deposit required?	2%	5%	2%	5%
What is the income cap?	$90,000 for singles and $120,000 for couples	$125,000 for singles and $200,000 for couples	$125,000	$125,000 for singles and $200,000 for couples
When is it available?	1 July 2023	Available now	Available now	1 January 2023

LMI refers to Lenders Mortgage Insurance, which can amount to tens of thousands of dollars for the borrower.

In addition to these four schemes, is also the First Home Super Saver Scheme.

The First Home Super Saver Scheme

The First Home Super Saver Scheme allows first-home buyers to save a deposit for their first home inside their super account, to take advantage of the concessional tax treatment. You can do this by making voluntary contributions to your super.

You can then apply to have a maximum of $15,000 of your voluntary contributions from any one financial year included in your eligible contributions to be released under the scheme, up to a total of $50,000 in contributions across all years. You will also receive an amount of earnings that relate to those contributions.

To be eligible, you cannot have previously had funds released from your superannuation under this scheme and it is only your voluntary contributions that can be accessed, not any of the contributions made on your behalf by your employer under the Superannuation Guarantee requirements.

You can use this scheme if you are a first home buyer and both of the following apply:

- You will occupy the premises you buy or intend to buy as soon as practicable.
- You intend to occupy the property for at least 6 months within the first 12 months you own it, after it is practical to move in.

Other Assistance in NSW

It is also important to note that First Home Buyers in NSW may be eligible for a:

- $10,000 First Home Owners Grant for a new home that no-one has lived in before.
- Full transfer (stamp) duty concession for both new and established properties valued up to $650,000, and partial concession for homes valued between $650,000 and $800,000.
- No stamp duty for vacant land valued at less than $350,000. And for land valued between $350,000 and $450,000, you'll receive a concessional rate.

For more information, please visit NSW Revenue Office's website.

The Need for Advice

With this level of complexity, you should speak to your adviser before making any property transactions, especially if it is likely that you will be eligible for one or more of these schemes.

Travel Hot Spot – USA

By Rachael Arnold, Senior Financial Adviser

Over the years the United States seems to have taken a backseat to European travel amongst my clients, friends, and family. I have to admit I have been favouring Europe over the years but when I had the chance to visit a friend in New York I jumped on the opportunity and spent the month of October in the US. I have been to the US before but when I was 21 and the exchange rate was 1 for 1, the only thing on my mind was shopping! This time I decided to be a bit more cultured… Also, the exchange rate stopped me from spending my hard earned cash shopping.

I spent the first half in New York City and stayed in the neighbourhood of Hell's Kitchen, conveniently located a 20 minute walk away from Central Park and the major subway hub of Columbus Circle. It was also a 10 minute walk from Times Square, so it was close enough to be near the main tourist part of town but felt more like a suburb once you got to 9th Avenue.

Some of the highlights while I was there were taking a Harbor Lights cruise to see the skyline of Manhattan and get up close to the Statue of Liberty at night; walking the Highline over Hudson Yards where they have repurposed the old railway into a public park; escaping Manhattan and walking across the Brooklyn Bridge; and spending a morning in Greenpoint.

You cannot go to New York and not go out to a some of the many restaurants and bars (this is where most of my money went). Happy hour margaritas were my weakness, but I did treat myself to a glass of champagne at the Plaza's champagne bar where I enjoyed people watching. There are many cuisines on offer although I couldn't help but gravitate towards Europe by going to EATALY for a bowl of fresh pasta. I would recommend Wayan in Soho for Indonesian cuisine with a French flair. The only downside of eating out in New York is that inflation has really taken hold over there and the minimum tip is 18%.

Going to Madison Square Gardens to watch the Knicks play was just the start of my sports journey on the trip. If you like sports, I would recommend going to a sports bar to watch a NFL match. The fans going wild for their team is part of the entertainment and it is an excuse to eat deep fried food and drink with the locals. The sports highlight of my trip has to be the weekend I spent at the Austin F1. It surprises most people I tell that I am a F1 fan and I have to say this trip amplified that. I was lucky enough to get a VIP pass for just 90 minutes to visit the Aston Martin garage. We were also able to walk through the paddock where it is mostly media and took photos with some of the drivers. My friend was lucky (determined) enough to run after Brad Pitt to get a photo with him. I was able to take a seat in the safety car and walk out on the pit lane (once the cars were in the garage). This once in a lifetime experience will stay with me forever.

Austin was all about the F1, but I also spent some time in Dallas. The must go to spot is downtown Dallas, where you can visit the Sixth Floor Museum and see where JFK was shot. It will have you questioning, who shot JFK…? If you want to get out of the City and do something novel, why not go to the Stockyards at Fort Worth. It is there where they have a twice daily longhorn cattle drive.

The final destination on my holiday was New Orleans. I would suggest you bring your appetite and your dancing shoes here! We went during the week which I think was wise to avoid a younger crowd. Check out the art scene on Royal Street and walk along the Mississippi River. For a famous bite to eat visit Café du Monde for breakfast and NOLA Poboys for lunch.

You don't have to walk very far to hear some jazz music on the street and at night take a stroll down Bourbon Street for live music with plenty options for all types of music lovers.

I think the key to visiting the US is to go to different regions that offer unique cultural experiences. By visiting three States it was like I was in different countries, just like Europe!

Staff Profile – Charlie Warner

By Charlie Warner, Provisional Financial Adviser

In the early years of the Profile newsletter, we used to introduce a different staff member in each issue as a way of helping our clients know more about Profile's dedicated work-family. We hope you enjoy getting to know us all a little more again.

How long have you worked with Profile?

I was lucky enough to join the Profile Financial Services team in March 2020, therefore I have worked with Profile for over two and half years.

What are you reading/watching right now?

I am currently reading the No.1 Sunday Times Bestseller "Harry; My Autobiography" by Harry Redknapp, highly recommend for any avid sports fan. Some of Harry's stories are hard to believe but will definitely leave you in stitches.

Favourite recipe and where can we find it?

This is so tough, although we are coming into the summer months, my favourite homemade dish would be slow cooked shredded beef ragu pasta. Jamie Oliver has a very simple recipe on his website.

The one movie you just keep coming back to...

"Old School", it still gives me the giggles every time I watch it.

Why do you work in financial planning?

To help everyday mums and dads reach their financial goals after years of hard work raising a family.

What are your top 5 key values?

1. Family
2. Honesty
3. Freedom
4. Gratitude
5. Humour

Who has influenced you most in life and how?

My Dad, as stated above one my core values is family and one of my biggest influences in my life is my dad. He has taught me the importance of giving my all in everything I am aiming to achieve.

What makes you smile?

Waking up on Sunday morning to a West Ham United win in the Premier League.

Season's Greetings

The entire team at Profile are wishing you a joyous Christmas and a prosperous New Year!

During this festive season, Profile office will be closed from 5pm Friday, 23rd December 2022, and we will resume normal operating hours from Tuesday, 3rd January 2023.

Have a safe and happy holiday season!

Contact Us

www.profileservices.com.au

Parramatta Office
L9, 100 George St
Parramatta NSW 2150

Sydney Office
L26, 44 Market St
Sydney NSW 2000

Mail to:
Profile Financial Services
Reply Paid 87949
Parramatta NSW 2124

+61 2 9683 6422
+61 2 9683 4658
admin@profileservices.com.au

Mudgee Office
27b Byron Pl
Mudgee NSW 2850

Mail to:
Profile Financial Services
Reply Paid 89571
Mudgee NSW 2850

+61 2 6372 0716
admin@profileservices.com.au

Profile Financial Services Pty Ltd
ABN 32 090 146 802
Australian Financial Services License 226238
Australian Credit Licence 226238