



## Profile Preservation Portfolio

### About the portfolio

The Profile Preservation Portfolio (the Portfolio) aims to preserve and grow investors' wealth relative to the cost of living, with low to medium volatility. The Portfolio can invest in all the major asset classes including local and international fixed interest, property, equities, alternative investments and cash. The skills of specialised investment managers are used, together with selected listed investment vehicles and direct investments. It is diversified, being exposed to a broad range of individual investments, managers, strategies, themes, geographic areas and asset classes.

### Investment objective

The Portfolio aims to achieve the following objectives over rolling three year periods:

- returns of CPI# plus 4% per annum (after fees and expenses), and
- volatility of 4% per annum (as measured by the annualised standard deviation\*).

### About Profile

Profile Financial Services (Profile) is a boutique firm of financial and investment strategists, with a 25-year history of delivering quality advice and measurable value to the lifestyles of its clients and their families. Profile actively manages assets of over \$300m on behalf of clients (as at 1 March 2011). Profile is the Investment Manager for the Portfolio.

### Investment philosophy

Profile's objectives based investing philosophy is at the core of the way the Portfolio is managed. Profile is focused on constructing the Portfolio in a way that, when used appropriately, has a high probability of meeting investors' goals in the appropriate timeframes. The asset allocation approach is flexible enough to cope with rapidly moving markets, and is designed to reduce the impact of short-term market volatility on investors.

### Investment process

The investment process has the following key features:

- emphasis on short-term downside protection while still providing the capacity to achieve superior absolute returns over the long-term,
- proprietary analysis to facilitate investment decisions that meet portfolio objectives while remaining aligned with broader risk parameters,
- forward looking dynamic asset allocation underpinning transparent, simple, and effective portfolio and risk management,
- a search for fundamental (as opposed to relative) value across all asset and sub-asset classes, geographies and investment strategies,
- diversification across investment opportunities and 'best value for money' ideas,
- a rigorous and comprehensive manager and security due diligence process, and
- use of investment managers which have a degree of flexibility across their investment mandate, which look for opportunities within their field of expertise, and are often not constrained by benchmarks.

### FACTS - AT A GLANCE<sup>^</sup>

#### TYPE

Actively managed diversified portfolio using specialised investment managers and selected listed investment vehicles and direct investments

#### INVESTMENT MANAGER

Profile Financial Services

#### ASSET CONSULTANT & RESPONSIBLE ENTITY

Select Asset Management

#### STRUCTURE

Open ended Australian registered unit trust

#### OBJECTIVE

Returns of 4% above the rate of inflation over rolling 3 year periods

#### SUGGESTED INVESTMENT TIMEFRAME

Minimum 3 years

#### LEVEL OF RISK (VOLATILITY)

Low to medium

#### MINIMUM INVESTMENT

\$25,000

#### FUND START DATE

April 2011

#### APPLICATIONS & WITHDRAWALS

Weekly and monthly

#### DISTRIBUTIONS

Quarterly

#### MANAGEMENT COST

0.99% p.a. (including GST)

#### PERFORMANCE FEE

10.25% (including GST)

#### PERFORMANCE BENCHMARK

30 day Australian Bank Bill Index

#### ENTRY/EXIT FEE

None

#### BUY/SELL SPREAD

0.25% both sides (to the Portfolio)

#### UNIT PRICES

Weekly and monthly

#### APIR CODE

SLT0019AU

#### ARSN

149 249 052

<sup>^</sup> Please refer to the Portfolio PDS for a detailed description of fees and fund facts.

# The CPI is the trimmed mean Consumer Price Index published by the Reserve Bank of Australia.

\* A measure of the degree of variation of returns around the mean (average) return. Increasing levels of dispersion around the mean leads to higher standard deviations, indicating a higher degree of volatility and risk.



**Profile Preservation Portfolio Review - January 2012**

**Market update:** The new year set the stage for a reversal in sentiment, with investors aggressively rotating into riskier assets. Equities, gold and high yield bonds rallied in January on hopes of further quantitative easing and evidence of a recovery (albeit quite slow) in the US. Additionally, the growing view that the ECB will be prepared to print money to support European economies was supportive of markets. Asian policy stances have also adjusted as local inflation conditions eased off modestly. All of this bodes well for risk assets, so long as conditions at least remain as they are.

Australian shares (S&P/ASX 200 Accum. Index) performed strongly (+5.1%) in January, and the US S&P 500 (+4.5%), German Dax (+9.5%) and Hong Kong Hang Seng (+10.6%) all also rallied in local currencies. The Australian dollar rose +3.7% to \$1.06 against the US dollar over the month, offsetting some of the positive returns from unhedged assets for local investors. USD Gold Bullion finished the month up 9.8% at \$1,731 and Brent Crude Oil also finished up +2.7%, closing at \$112. Global bond markets were fairly muted during the month, with composite indexes delivering generally flat returns (+0.1%).

Domestic economic data was mixed, with a weaker jobs number countered by easing consumer inflation. The Reserve Bank of Australia (RBA) was on holiday in January, with all eyes focusing instead on the February 7 meeting (at which the RBA kept rates on hold, surprising the market and sending the Australian dollar through \$1.08).

**Portfolio summary and outlook:** The Portfolio gained +1.43% during January, versus bank bills at +0.37% and continues in positive territory since its inception in early April 2011 (+2.36%). The Portfolio's higher exposure to defensive assets (cash and fixed interest) was the key laggard in the more risk-on market environment in January. However a significant part of the defensive allocation has been invested in cash and term deposits, and these sub-asset classes are not negatively impacted by rising rates in a risk-on market environment, unlike traditional fixed rate bonds.

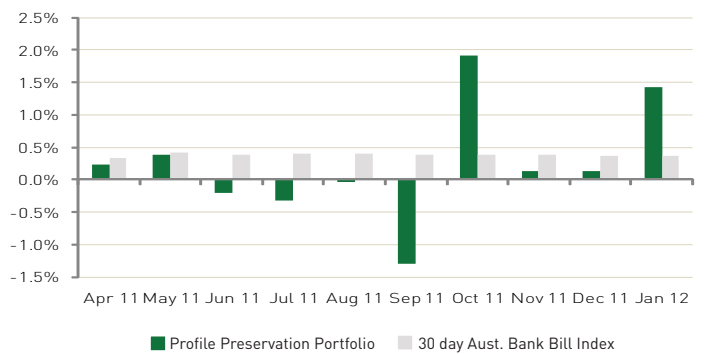
Domestic (Australia) and developing markets contributed strongly to returns – StateStreet ASX 200 ETF (+5.2%), Perpetual Share Plus (+2.8%), Denning Pryce Equity Income (+4.1%), K2 Australian Absolute Return (+3.1%) and Aberdeen Emerging Opportunities (+6.9%). Global developed equity strategies also contributed positively to returns. Australian listed property performed well – SGH Property Income (+4.4%) and Cromwell Phoenix Property Securities (+4.7%). While only a small position (0.6%) in the Portfolio, gold equities were a standout performer with Baker Steel Gold (+11.9%) and van Eck Market Vectors Gold ETF (+9.8%) delivering very strong returns off the back of higher gold bullion prices and earnings visibility. The Portfolio also benefited from its direct gold bullion exposures – Beta Shares (\$US) Gold Bullion (+11.2%) and ETF Securities (\$A) Gold Bullion (+6.3%).

Although January was a very strong month for global equity markets, valuations still remain attractive on an absolute basis, and very attractive on relative basis (compared to bonds). Markets will probably take a short-term breather, but with confidence in the US, China and Europe steadily improving, we remain positive on the outlook for markets. The Portfolio remains positioned on the more cautious side of neutral, but is well exposed to any further upside that we anticipate seeing in markets.

**Portfolio summary<sup>1</sup>**

Month return	1.43%
3 months	1.71%
1 year	n/a
Since inception (5 Apr 11)	2.36%
Risk p.a. (standard deviation)	n/a
% Profitable months	60%
FUM	\$46.8m

**Monthly performance**  
**Profile Preservation Portfolio versus 30 day Aust. Bank Bill Index<sup>1</sup>**



**Asset class ranges & current allocations<sup>2</sup>**

Asset class	Range	Current exposure
Cash & Fixed Int.	25% - 75%	52.3%
Property	5% - 25%	8.7%
Equities	10% - 60%	32.1%
Alternatives	0% - 35%	6.9%

**Top 5 investment holdings (ex cash)**

- Schroders Fixed Income Fund
- Platinum International Fund
- IFP Global Franchise Fund (Hedged)
- Macquarie Debt Market Opportunities Fund 2
- Magellan Global Fund

<sup>1</sup>Inception is 5 April 2011. Past performance is calculated pre-tax and after fees and expenses, assumes distribution reinvestment but does not take into account inflation. Neither past performance nor volatility is a reliable indicator of what may happen in the future. Neither capital nor returns are guaranteed. <sup>2</sup>The current exposures include the underlying asset allocations of each investment. This factsheet and monthly report does not take into account any particular person's objectives, financial situation or needs. Investors should seek professional advice before making investment decisions. Select Asset Management Limited is the issuer of interests in the Profile Preservation Portfolio ARSN 149 249 052 (the Portfolio). A product disclosure statement (PDS) for the offer is available free of charge from Profile's website at [www.profileservices.com.au](http://www.profileservices.com.au) or by contacting Profile. The PDS should be considered before deciding to acquire, or continue to hold an investment in the Portfolio. Applications can only be made on the basis of an application form attached to the current PDS. Figures include GST unless stated otherwise. Select Asset Management Limited ABN 94 101 103 011 and AFSL No. 223271.