



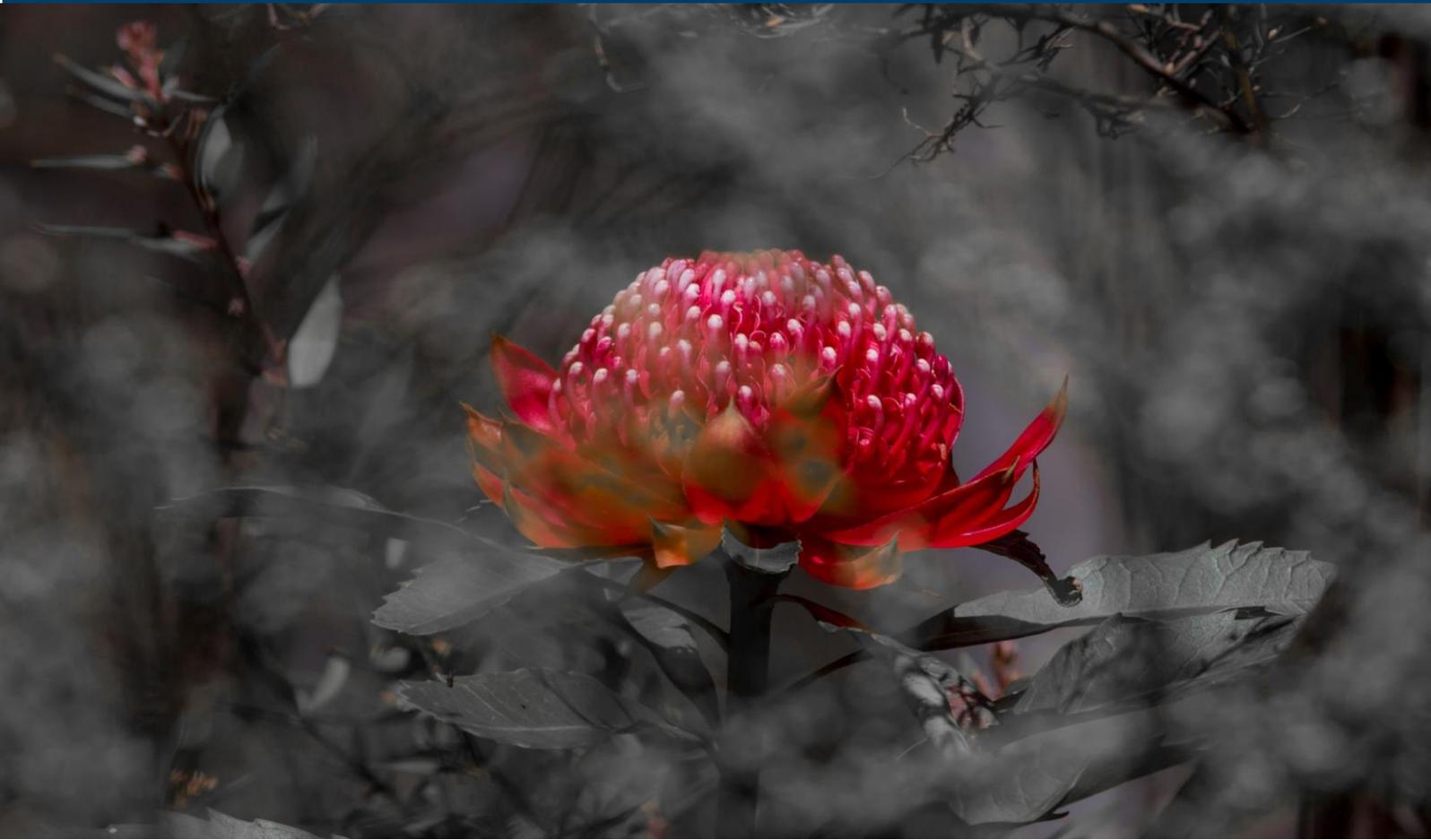
PROFILE
FINANCIAL SERVICES

PROFILE'S CORNER

SPRING 2018

Issue 30

*This photo was kindly provided by Christine Bull (our client profiled in this edition)
Have a look at her website www.caughtincolour.com.au for more of her work*



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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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Profile Update

Welcome to Volume 30 of our quarterly client newsletter. In this section, I provide an update on what's happening at Profile.

By Sarah Abood, CEO

Client seminar on cybersecurity

At our Sydney client seminar on 14th November, our guest speaker will be covering the key topic of cybersecurity. (We'll also have an update on markets and the economy.)

Cybercrime is a growing concern for all of us, with constant increases in the number of crimes reported and amounts being stolen. Like most businesses, our firewall is constantly being tested - and we're hearing increasingly from clients concerned about email hacking, mobile phone number porting and identity theft (to name just 3 issues among many).

If you are in the Sydney area and haven't already responded, please let us know ASAP if you can come. If you can't make the seminar, we'll be sending around more information on the key topics soon. **For our Mudgee area clients**, stay tuned for more details soon on how we'll bring the content to you!

Client satisfaction survey first results in

Many thanks to all clients who took the time to let us know your thoughts on the services we provide to you. We're very happy with the overall result, which was a client satisfaction score of 9.1 out of 10 across all clients and advisers in our business.

We're now going through the results in detail to understand where we can do better. Feedback is gold, and in the past, we've made several changes based on survey results – most recently to our annual review process.

We do these surveys every year to 18 months, as we don't want to be pestering clients too often! If you missed this one and have some feedback for us, please let your planner or myself know your thoughts. We are genuinely grateful to anyone who is willing to take the time to help us improve.

Welcoming the clients of Churpa

In July we joined forces with Mat Keeley of Churpa Financial Planning, supporting his clients with financial advice. As Mat's fintech business - Grow Super - has become more successful and been taking more of Mat's time, he was keen to ensure his clients would be advised by a planner he knew and trusted. Mat previously worked with Todd Stanford (Profile Senior Planner) and felt that Todd was a great fit for his clients. We continue to work with Mat and benefit greatly from his insights into the latest advances in financial services technology.

People news

We're very pleased to welcome some new faces to the client team:

In July **Ashley Weatherstone** joined us as Senior Associate Adviser. Ashley previously worked with Mat Keeley at Churpa. He is continuing to work with those clients, supporting Todd Stanford, as well as some additional Profile clients as we grow. Ashley holds the Advanced Diploma of Financial Planning and is currently completing his BEc at Macquarie University. (He hasn't had his photo taken yet but we'll post it on our website ASAP!)

Also, in July **Ayesha Herath** joined Profile in a new role to help resource our growing client base.



Ayesha is in the Client Service team. Ayesha is a very experienced administrator, with several years in a similar role (most recently at Sydney Financial Planning).

Ayesha holds a Diploma of Financial Planning, and a BSc in Marketing Management. She is currently completing a Masters in Financial Services with UNE.

Kelly Lindsell joined Profile as Senior Financial Planner in July.



Kelly is a highly experienced planner, having been in the industry since 1994 when she started with Deloitte Touche Tohmatsu. Kelly built her own successful planning practice in Parramatta over many

years before it was purchased by Strategic Wealth Solutions. After that she worked for several years in the purchasing business (now PSK) before deciding on a move to Profile this year. Kelly holds a Bachelor of Commerce (Economics and Finance), a Diploma of Financial Planning, and is designated CFP.

We've known Kelly a long time, in fact our MD Phil Win and Kelly worked together many years ago. A very long recruitment process but we're so glad to finally have Kelly with us!

Investment Update

By **Jerome Bodisco**, Head of Investments

With all the attention focused on the market correction in October, it's easy to forget the longer-term backdrop. I take a look at the September quarter as well as some of the more recent volatility.

Australia

Australian politics stole the show during the September quarter with Scott Morrison sworn in as the 30th Prime Minister of Australia, succeeding Malcolm Turnbull. Politics aside, the Australian economy appears to be holding up well, with strong labour market conditions the main driver.

Economic growth for the year to 30 June 2018 was 3.4%, exceeding expectations. Headline inflation rose to the lower end of the RBA's target range, coming in at 2.1% for the year to June. With inflation still at the lower end of the RBA's target range, as well as the continued concerns of falling house prices, the impact of out of cycle mortgage rate hikes, stagnant wage growth and high levels of household debt, no interest rate hikes are expected by the market until 2020.

Against this economic backdrop and a positive domestic earnings update, the Australian equity market returned 1.5% for the September quarter. Telecommunications and Information Technology performed well returning 24.8% and 10.2% over the quarter respectively. Utilities was the poorest performing sector for the quarter (-3.9%). The Financials sector has continued to struggle on the back of the Royal Commission, posting a return of -0.2% for the quarter.

The Australian listed property sector followed a similar trend and rallied over the quarter, with the index gaining 2.0%. Domestic bond yields were up marginally with Australian Government 10-year bond yields ending the quarter at 2.67%, up 0.04% from the end of June. The Aussie dollar has now fallen by more than 11% since its February high. A key factor to Australian dollar weakness is the widening spread between Australian and US interest rates, which may become more pronounced as the Federal Reserve continues to tighten.

International

Geopolitical tensions continued to be the main theme for the quarter, with risks currently enhanced by the threat of a global trade war led by the US and China. There have also been recent economic and political events in many emerging markets which have dampened the global mood and spooked investors.

The Eurozone was heavily impacted by the Turkish currency and debt crisis earlier in the quarter which saw the Turkish lira fall to record lows.

In the US, the Federal Reserve lifted rates by 0.25% in September, moving the official US cash rate above Australia's official cash rate. Further rate hikes are expected this year and next. Despite trade war threats, the US economy is strong and continues to grow. The US unemployment rate fell to 3.7% in September, a

50 year low. Wage growth is at its highest level since 2009. Even though the US economy is powering along, the focus remains on US-China trade relations, with the Trump administration imposing tariffs on US \$200 billion of Chinese goods with the threat of more to come.

The news out of China has been mixed of late. Chinese quarterly GDP growth is expected to come in at 1.5% for September end, below the 1.8% rate for the June quarter. The ongoing trade dispute with the US is also having a material effect. Countries such as Australia are taking an active interest in this dispute, given China is our largest trading partner.

October and looking ahead

The scene is set for a volatile period as we head towards the end of the year. Already in October we have seen a significant correction and volatility in global equity markets. The US market fell nearly 10% from its high with other developed and emerging markets falling in sympathy. Whilst this is disconcerting news for investors with significant equity exposure, we believe that this correction will prove to be short lived. We are still nowhere near global recession territory which gives us comfort that economies and markets still have some life in them.

Returns to 30 September 2018 (%)

Asset class	1 mth	3 mths	1 year
Australian shares	-1.2	+1.5	+14.0
International Shares(\$A)	+0.6	+7.3	+21.3
Fixed Interest	-0.4	+0.5	+3.7
Cash	+0.2	+0.5	+1.9
Gold(\$US)	-0.9	-4.9	-6.9

Growth and innovation

By Sarah Abood, CEO

Why grow and change? The two tend to go together, and sometimes we take them too much for granted. It's easy to spout platitudes like "If you're not growing, you're dying", but growth and change in business can be disruptive and risky. I think it's worth reflecting on why they're important. Particularly given the recent revelations from the Royal Commission – clearly big isn't always better!

The benefits of growth

Most immediately, more scale gives us access to the best quality key suppliers. A good example of this is our appointment earlier this year of Willis Towers Watson (WTW) as asset consultant.

They are an institutional-grade consultant which doesn't deal in the 'retail' space and so was not available to us as a much smaller firm when we made our first appointment. Our clients now benefit from the advice of a consultant which advises the Future Fund, has deep relationships and experienced staff around the world, and is bringing us many investment opportunities which weren't previously available to our clients.

More size also gives us very direct negotiating power with our key suppliers. Clients will start to see the benefits soon in implemented portfolios, as WTW are already using their massive buying power to push down the costs of underlying investment management.

Another example of the benefits of greater scale has recently been achieved for clients using platforms. We have successfully negotiated substantial cuts in the administration fees most clients are charged, as a direct result of our increasing size and hence negotiating power. As an example, many clients in Macquarie wrap could now be saving around \$500-\$700 per year (depending on your balance and number of products held). Your planner can explain if you've received a benefit and how much.

Another benefit of scale is how it helps us attract and retain the best quality staff. A bigger team means a career path, more access to mentoring and coaching, interesting projects to work on and more colleagues to help. It's also a better support structure for clients, who have a team of great quality people to support them meaning continuity is not lost if one member of the team becomes ill, takes leave, or were to leave the firm.

The importance of change

Just about every management textbook I've ever read warns about 'disruptive innovation' – change that comes swiftly and completely changes the economics of an industry, potentially sending firms broke overnight.

Famous examples are Kodak's attempted burial of (& subsequent destruction by) the digital camera, and the crash in taxi plate values caused by Uber. And there are plenty more examples.

Digital transformation in our industry has been slow, partly because of concerns about security and privacy, and partly because of the dominance of large players with a lot to lose from lower margins. However we're now starting to see the rise of 'robo-advisers', peer-to-peer lenders and cashflow management tools and we believe these trends will continue. We think it's critical to be able to offer the benefits of technology to our clients – not replacing people, but backing those people up with robust technology that can often deliver a better, cheaper and faster service to clients than can be achieved manually.

What are we afraid of?

Some concerns about growth can be very well-founded. In a business context, too much revenue growth without the balancing investments in people and systems along the way, can bring a company down. It's quite possible to be making a handsome profit and have no money in the bank! It can also be tempting if you're an owner to take profits out of the business and put off reinvesting, maybe until next year, when times might be easier...

At Profile we have some natural protections in place. Because we're owned by staff, we're very close to the day-to-day realities and fully aware of the cash requirements and support functions needed to deliver to clients. We also have a policy of re-investing 50% of profit each year in our business to ensure we can fund these necessary investments along the way.

Of course, clients' money isn't directly invested in our business. But I think it's still important to our clients to know that their advice firm is prudently managed and unlikely to suffer the disruption of a financial crisis anytime soon.

Our increasing focus on technology also comes with risk. There's the risk we'll get it wrong and waste money on technology that goes nowhere. We could also be asking our clients to make changes to the way they work with us that might feel more impersonal or 'mass produced'. And with cybercrime a growing threat we must be particularly vigilant to protect clients' privacy and security in this area. On the other hand we've recently introduced some changes many clients have embraced, such as online appointment booking and video conferencing. These clients have found the speed and convenience of technology have been worth the hassle of change.

Please help us keep it real

Another key danger we're very aware of is the risk of losing our true values as we grow.

We're all very protective of Profile's values. Many of us are here in large part because we like the sense of ownership and accountability, and genuinely putting the client first, that small firms tend to excel at. There's a serious focus throughout the business to ensure we're living those values, and that we don't forget them in a bunch of red tape and bureaucracy as we grow! Phil and I penned an article about the Royal Commission in our previous newsletter where we expand on these themes some more. We'll continue to challenge ourselves along the way to ensure our values are real.

And we need your help to do that. We might now be 37 staff – but you should feel as valued and well-known by our team as you did before. Please let me know if you ever feel that's not the case.

Travel Hotspots - Japan

By Kristine Pham, and Michael Zaia, Associate Financial Planners

Following Laura's insight to her hometown of Cobh (Ireland) in our Summer edition, co-incidentally we both (separately) visited the ever-intriguing Japan earlier in the year. With so many of our clients and friends speaking highly of the country as a tourist hotspot, we thought it would be good to share our experiences. From Tokyo as a mega city, to Kyoto (the original capital of Japan) with a rich infusion of culture, to the awesome food in Osaka, Japan is a high-tech country, yet maintaining a powerful sense of culture and tradition embedded within its society. We outline a few of our favourite hotspots below:

Tokyo

Tokyo is a city of many cities, with a huge reliance on apartment living - something you would expect from the most populous city in the world (with approximately 38 million people in the metro area). No longer is it an expensive place to visit, with its low inflation recently dropping it out of the world's top 10 most expensive cities.

The Shibuya crossing (right in the heart of Tokyo) is a sight worth seeing, where around 2,500 people cross every time the traffic lights change! For one of the best views of this, be sure to visit the Starbucks café on the 2nd level...enjoy a coffee and capture some great photos of one of the busiest intersections in the world.

If you prefer nature and escaping the hustle and bustle of the city, the Meiji Shrine is within close proximity, and definitely worth the walk. With a vending machine about every 5 metres in most cities, you won't go thirsty!

For a 360 view of the city, we enjoyed the Skytree— the world's tallest tower at 634 meters. It is a broadcasting, restaurant and observation tower in the Sumida region of Tokyo. Within a few minutes walk is the must-see Senso-ji temple in Asakusa - a picturesque setting, with a busy market area where you can grab a quick bite to eat and embed yourself in Japanese culture. If you are a fan of large structures that light up the night sky, make sure you see the Tokyo Tower (it may remind you of a famous European landmark!)

Just a day trip from Tokyo, Mt Fuji is a sight to behold. We visited a great viewing spot from Hakone Lake which was formed 3,000 years ago from a volcano eruption. You can also visit the hot springs (Onsens) to relax the Japanese way.

For any Kill Bill movie fans, one of the fight scenes from the original movie was filmed at the Gonpachi restaurant (and the food is pretty good too). For lovers of gaming, electronics or Japanese pop culture, Akihabara is a must-see town to visit whilst in Tokyo.

Kyoto

Kyoto (an anagram of Tokyo), was Japan's capital from 794 to 1868. Today it is filled with timeless shrines, temples and other historical landmarks. Our favourites would have to be the Fushimi Inari Tori Gates and the Golden Pavilion Temple.

The Tori Gates are an entrance to a sacred shrine in Shinto religion and Fushimi Inari has 10,000 of them. As you walk the stairs up the mountain through consecutive gates, you will pass many shrines and shops. The experience is the perfect combination of hiking and Japanese culture.

The Golden Pavilion is a symbol of Kyoto and one of the most



popular buildings of Japan. It is a unique gold leaf-coated temple sitting on a pond and surrounded by beautiful trees. Regardless of crowds it remains a serene photogenic spot.

For a truly authentic foodie experience, be sure to visit the Nishiki Market (known as "Kyoto's Kitchen"), a lively narrow street filled with specialty shops and restaurants showcasing traditional Japanese fare.

Osaka

Osaka... the food capital, famous for traditional Japanese foods such as Takoyaki (fried octopus balls) and Okonomiyaki (savory pancake). At night Dotonbori market is a must-see, it's like Vivid on steroids, attacking all your senses with bright lights, food aromas and sounds you would expect from a busy Japanese street.

Osaka is not just about the food. It too is a large city with lots of culture and significant landmarks (e.g. Osaka Castle and the Umeda Sky Building). For a beautiful hike near Osaka, visit the Minoo National Park - a spacious natural recreation area with beautiful colours (especially in Autumn), highlighted by a 33-metre waterfall.

A unique experience is Nara park (around a 45-minute trip from Osaka), home to hundreds of freely roaming deer which you can feed and watch them cross at pedestrian crossings.

Of interest

We both noticed some interesting facts while travelling in Japan: The trains are on time. It is mainly a cash-based economy. Many restaurants do not have registers – you order and pay for your food via self-serve machines. They have a respectful culture – for example locals don't use phones on public transport and don't eat while they walk. Gambling is illegal (although a game

called Pachinko is an exception for cultural reasons). They have a thriving fake food model industry – many restaurants advertise their food in windows with models of their dishes, this represents a \$90M industry in Japan. The snow is powder-like, great for skiers!

We hope you enjoyed our latest update on a Travel Hotspot and would love to hear your suggestions on great places to travel.

Client Profile – Christine Bull

By Aine Love, Marketing Manager

It's turtle season again on the Sunshine Coast and Christine rises early to scan the local beaches for new nests. The internationally respected businesswoman has morphed into an accomplished photographer, now back in her native Queensland, who spends her retirement travelling to all corners of the globe to focus on conservation and the natural world.

Christine was a toddler when her family moved from Queensland to Sydney's big smoke. It was happy childhood, finely balanced by two parents working fulltime – one days and the other nights - so that Christine and her younger sister always had at least one parent at home.

But that was cut short when Christine was 15, her father passing away and leaving no insurance or financial security. The emotional and financial pressure saw her mother succumb to long-term illness, leaving Christine to pick up the mortgage payments on the family home.

Christine learned that money may not be the key to happiness, but it can sure help to buy time and choices! To keep both family and education afloat, she juggled three part-time jobs and winning scholarships. She duxed high school then became the first in her family to attend university, gaining a double degree in languages and education.

Christine also won a scholarship to study in Germany, and travelling overseas was another family first and lifechanging event. Christine seized upon study breaks to hitchhike around Europe, ancient camera in hand. So began her lifetime loves for photography and the world around us.



Courtesy of www.caughtincolour.com.au

Christine trained as an interpreter, acquired marketing qualifications, and worked in German organizations using her languages and marketing skills. But being a female executive at that time was not easy. In search of a more equal playing field, Christine moved into the insurance industry, developing the top sales team in the country for the organization. This proved to be the perfect lead-in to starting her own financial planning practice. Having experienced firsthand her own family's struggles, Christine was passionate about helping others understand and achieve financial stability and security at all life stages, not just retirement.

Just as her business was really becoming established, Christine lost everything in a house fire. Sleeping in her car for three months while trying to keep her business buoyant was a huge wakeup call. She decided it was time to stop trying to be all things to all people, and to bring some balance back.

Her subsequent achievements drew international attention from people keen to replicate that success in their businesses. It was an exciting and fulfilling time full of travel and large projects.

By the late 1990's Christine decided to work exclusively with a handful of businesses seeking to know themselves better and ensure they were in the best shape possible to operate effectively – of which Profile was one.

Christine comments that she has never seen a company work so hard to ensure they had the right people and systems on board. She observes that Profile's quest for improvement continues today, benefitting clients and company alike.

One of the outcomes of Christine's work with Profile was the creation of an external board of advice to bring an independent viewpoint to Profile's decision making. The board was launched in 2008 with Christine as one of its foundation members. After helping with some key transitions, including the appointment of a CEO, Christine retired from the board in 2011 and became a Profile client.

Now retired for over a decade, Christine admits that, when the work stops, it can be quite a challenge to the psyche. As a result, she values the feeling of being in partnership with Profile, a key factor for a comfortable retirement. "Profile's OBI (Objectives Based Investing) approach is a sound and comforting approach to investing for me," Christine says.

"It's a big change, the move to retirement. My partner Ivan and I were lucky enough to retire early so that we were still physically able to continue adventuring", she comments. "Every day is full of surprises; the more active one is, the more surprises there are." She acknowledges that retirement requires a great deal of preparation, both financially and emotionally. The question

always lurks – will there be enough to last? Her investments have a big job to do, and Christine admits that market corrections still tend to make her a bit nervous. The financial squeeze of her early life has left some scars.

But there's nothing retiring about life for Christine in retirement. The Sunshine Coast is a great base for local conservation work with turtles, flying foxes, shorebirds, koalas and marine mammals, and it's also an excellent starting point for four-wheel driving adventures around the country.

"We have to keep our minds expanding. it's so easy to lose sight of nature and the way everything interconnects when you just stay in cities", she says. "I work towards encouraging a type of 'thinking co-existence' through conservation and volunteer activities and through photographic images. We are more likely to protect what we know and understand."

Volunteer work in Africa with elephants, big cats and in local villages, expedition travel to the jungles of West Papua, touching grey whales in Mexico, repeated visits to Antarctica, herding reindeer in the wilds of Lapland in winter – it all adds to the global palette that Christine records with her camera. Her website www.caughtincolour.com.au is packed with images from her travels and activities, a combination of nature, wildlife and colour.

Some hairy travel moments have occurred when taking a photo was the last thing on Christine's mind! She tells of their hired yacht almost sinking in Cuba, being chased by elephant seals in the Falklands, nearly drowning in floods on the Milford Track, being caught in a wildebeest stampede in Africa, and narrowly escaping an altercation with a polar bear in Spitsbergen. "I wouldn't change any of it!" she declares.



Christine considers herself to be supremely fortunate - so many opportunities, so many valuable lessons. And there's one overarching lesson that has propelled her forward. "Being able to help others, being able to stay involved and relevant, being able to contribute, being able to pursue a passion - it all takes two things. Good health, and financial freedom. What a difference we can make when we are in a position to get involved!" Christine says.



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