



Winter 2011

From Pete's Desk

At long last the 1st of July has arrived and we are now under the governance of the Financial Markets Authority. It's been a long and winding road and I am pleased to advise that I am now registered as an "Authorised Financial Adviser"

The sentiment of the new regime and code of practice is "Client First" and this is substantially what we have always done. We are finding though that the being "seen to be doing" as well as the "doing" requires a surprising amount of compliance paperwork.

The year to date has certainly been full on, along with the above we have been repositioning and profit taking on portfolios.

After strong performances early in the year the last quarter has been somewhat forgettable—one step forward and in some cases two back. Eventful with a royal wedding, Bin Laden removed from the world, Mississippi floods, volcanic eruptions disrupting travel and yet another significant and damaging aftershock for Christchurch in June. Economic events were also a mixed bag through this period but mostly unhelpful.

A significant issue in our part of the world has been soaring currency (Australia also has this problem). The NZD recently hit all time highs against the USD and GBP but also regained around 5% on the AUD. Generally flat to negative per-

"Have you ever noticed that the person telling you to calm down is the person that upset you in the first place!."

formance from Australian and global share markets was therefore made worse by the currency effect. Our own share market went against this trend and provided some welcome offset. The May Budget contained no surprises and was well anticipated. A case of steady as she goes, our risk of a Sovereign rating downgrade however went away for now.

Our Reserve Bank stayed on hold with interest rates as did most other Central Banks around the developed world. Our Governor however flagged a warning of inflation risk rising and expectations are for a lifting round to commence late in 2011/early 2012.

The global picture remains more sobering than uplifting. The USA money printing programme finished in June—so where to now? Recent data for USA shows the patient still very unwell. The problems of unrest in Northern Africa and Middle East are still rising. Greece Sovereign bonds are officially "junk grade". Greece itself is a minnow but if the effect spreads to other troubled indebted Euro nations then Europe Inc. and the World will have a bigger problem. Italy is the latest to come under the spotlight and it is no minnow! The Emerging Markets, China and India in particular, have inflation issues and continue to implement actions to control this.

The New Zealand economy is showing some positives and once again, partly on the back of farming, we are slowly climbing back to sustainable growth. This fragile recovery however remains exposed to all the global negatives outlined above.

Despite all the negative we remain comfortable with our portfolio positions and the investment managers we use are well aware of this "New Normal" we live in, following the Global Financial Crisis. Some are looking out to 2012/2013 with reasonable optimism and are positioning for future opportunity.

The USA money printing programme finished in June where to now?

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New Financial Adviser Legislation

The Financial Advisers Act 2008 (FAA) came into effect on 1st July 2011 and as you will probably be aware we have for some time been dealing with this new legislation and ensuring we meet all our obligations. The new law is designed to promote the sound and efficient delivery of financial services advice and products to the retail public in New Zealand. The Government intends that investors will better understand how to deal with and understand the various types of advisers and institutions that provide financial services.

The new rules have required us to make a few changes but we have for many years operated with procedures that already met a substantial part of the new regulation.

Financial Markets Authority (FMA)

On the 1st May this year the Securities Commission was replaced by the Financial Markets Authority (FMA) which is the government body responsible for licensing and monitoring financial service providers. You can find out more on their website www.fma.govt.nz.

Financial Services Providers Register (FSPR)

All entities that provide financial services must be registered. The Financial Services Providers Register (FSPR) is able to be perused at www.fspr.govt.nz.

Adviser Categories

The main types of advisers are Authorised Financial Advisers (AFA), Registered Financial Adviser (RFA) and Qualifying Financial Entity (QFE).

Authorised Financial Adviser (AFA)

An AFA has qualified via a combination of exams, documentation, experience and demonstrated good character to meet the minimum standards to provide advice over a wide range of areas and complex products. AFA's are subject to a higher level of disclosure and subject to a code of professional conduct.

Registered Financial Adviser (RFA)

Like AFA's a RFA is required to register on the FSPR, however they are only able to sell Category Two Financial Products, which are generally simpler (insurances, mortgages, bank term deposits). They should also tell you how they are paid.

Qualifying Financial Entity (QFE)

A QFE is a company that offer financial services and sell financial products. Institutions such as banks and insurance companies are QFE's. They take full responsibility for their advisers, some of whom may sell only Category Two products but those QFE advisers who also sell Category One (AFA level) products may only sell those provided or promoted by the QFE—what used to be referred to as a tied agent.

Disputes and Complaints

All advisers must have an internal disputes process and belong to an approved Dispute Resolution Scheme.

Financial Adviser Legislation—what this has meant in our office

- To advise on a complex range of investments and provide investment management and planning advice Peter has met the qualification standards required and has become an **Authorised Financial Adviser** (AFA and is **Registered** (FSPR).
- We must comply with a Code of Conduct developed by the FMA and approved by cabinet. The principal focus of the code is “Client First”, which we feel we have always followed.
- We must have joined a Dispute Resolution Scheme—Peter has joined the Insurance and Savings Ombudsman Scheme (ISO). However in all cases if you are unhappy with any aspect of our processes etc. please talk to us in the first instance. The ISO would be your next point of reference to help resolve any matter on which we could not reach agreement. You can view their website at www.iombudsman.org.nz.
- We have in the past provided all investors with a Disclosure Statement; new regulations mandate this must now be a two-part process. Before doing business with a new client we must provide our “Primary Disclosure Statement” with basic details about us, how we operate and are regulated. This document may be viewed on our website www.investcentre.co.nz. Each time we provide new or updated service we have to provide a “Secondary Disclosure Statement”. This will tell you about the type of service and financial products involved, any limitation on our advice or service, our fees and remuneration and any conflicts of interest or relationships that could influence us in providing a service. Both our Primary and Secondary Disclosure Statements are enclosed with this newsletter. Please ensure you read the document and we suggest that you retain it with your records for reference. **Please acknowledge receipt by signing, dating and returning the acknowledgement to us in the envelope enclosed.**
- For more than a decade we have been operating our business through Aegis on a fee basis of a percentage charge of funds under management with brokerage or commissions being rebated to our clients. For many years some (but not all) firms have collected brokerages and commissions and charged fees. Some have also received special deals or extra remuneration based on how much volume of business they may give to a provider. The new regulations are welcome from this aspect of forcing some transparency now under disclosure. We have always held a strong view on not dealing with any product or provider on the basis of deals or quota but rather researched ability and merit to add value to our client portfolios.
- A cornerstone of new regulations is for investors to have greater confidence to seek qualified advice and improve their knowledge of investments and financial decision making generally. We have always been an advocate of this and if the new regulations do indeed create a lift in general financial literacy this will be a great outcome.

Light Relief



AEGIS TAX SUMMARIES

As you will be aware the Aegis Tax Summaries have been posted out either to your Accountant/Tax Consultant or directly to yourselves.

We have however been asked by some clients if it is possible for them to have a copy to look over as well as their Tax Consultant/Accountant receiving a copy.

As you can imagine it is quite a logistical challenge to get our entire client base tax summaries out and to double this would be nigh on impossible, we therefore ask that you indicate your preference below and return to the office for our records

OUT OF THE OFFICE

Peter will be out of the office

12th to 15th July	IFA Conf
29th July to 4th August	Auckland
22nd to 28th August	Sydney Conf

Michele will be in the office on these days from:
8.30am to 3.30pm

If you phone outside of these hours please leave a message on the answer phone and we will attend to your query as soon as possible.

I/we wish to have our tax summary posted to
(strike out which one is not applicable):

Portfolio Name:

- Me personally
 My Accountant/Tax Consultant as below:

Tax Consultant Name:.....

Company Name:.....

Address:.....

Phone:

If you choose to have the tax summary sent directly to you then it will be up to you to forward this on to your Accountant / Tax Consultant.



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*The information contained in this newsletter is of a general nature and is not intended as a substitute for professional advice. It should be used as a guide only.
A Disclosure Statement is available on request at no charge.*

