PERSONAL INVESTMENT CENTRE
FINANCIAL PLANNERS AND INVESTMENT ADVISERS

Christmas 2010

From Pete's Desk

Well here we are again another year has nearly passed me by. I seem to have spent a lot of time at seminars this year, in New Zealand and Australia, but all to the good. Some have been continuing education but some also to get to grips with the new adviser legislation. The Australian trip was solely to look at market conditions going forward and also to mingle with other planners and fund specialists to find out how they perceive the future.

Lynne has also had time out of the office this year; travelling with her sister around the globe. They visited Dubai, Turkey, Greek Islands and Sydney in August / September, yes it was in the middle of Ramadan but it didn't effect their trip . They had a lovely time seeing many exciting things and were pretty quick to catch up with the news of the earthquake in Christchurch thanks to BBC News and CNN. Luckily none of our family were badly effected, shaken but not stirred.

You will have heard me talk about where you sit in the "Life Cycle" and that there are quite a few trigger points within it. We have an example of two of them within the office this year—our eldest grandchild is just starting his primary education and Michele's eldest is just finishing his secondary education; ready to move on into the wide world of university education.

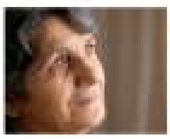
INSIDE THIS ISSUE

I have an exam to sit in January for the new regulations so it won't be all play for me through the break, I shall be swotting up on the Trustee Act, the Consumers Guarantee Act, Financial Advisers Act and the Fair Trading Act. As I have stated before I see the new Adviser Code and regulation positively and it should help rebuild confidence for investors so I go willingly into the exam.

We have the Auckland grandchildren coming to visit so will be fairly busy for the first few weeks of the holidays. Michele is away for the school holidays on a much deserved break, having filled in admirably while we have been out of the office. It seems she has her days booked out already, with a trip to Sydney planned and then time out in Kinloch.

2010 has turned out to be a reasonable year for most investors and certainly the rebound in markets since the bottom in March 2009 has been meaningful

Thank you all for your support through 2010 I look forward to catching up with you in 2011 and trust that you have a wonderfully relaxed festive break catching up with family and friends.








REGULATION

On the 1st July 2011 a collection of new rules will apply for anyone providing financial advice in New Zealand. This all commenced with the "Financial Adviser Act 2008" (FAA) with a number of amendments and associated regulations, including a "Code of Professional Conduct" for all Advisers.

Advisers will need to be registered with the Companies Office and to become an Authorised Financial Adviser (AFA) will need to meet certain moral, ethical, procedural and educational standards. As a member of the Institute if Financial Advisers (IFA) since the early 1990's I note that much of the new code is very closely aligned to what institute members have already been following. As a Certified Financial Planner CFP cm (International Designation) since 1997 the educational requirements attained for that meet/exceed the new AFA requirements. However all Advisers, regardless of experience and qualifications are required to sit an exam to obtain the AFA designation. This is to confirm knowledge of the FAA itself and the new code along with knowledge of various other existing general consumer protection law. The Government is moving forward with other legislation in addition to the Financial Advisers Act and Financial Service Providers Registration and Dispute Resolution Act already passed into law. Soon we will see the formation of the new "Financial Markets Authority" which will bring together regulatory powers of the Securities Commission and the Ministry of Economic Development with stronger powers than before.

Going forward **all** Advisers will have to meet minimum standards not just those who like IFA members had chosen voluntarily to act professionally. It will now not be so easy for "cowboy operators" to set up as it has been in the past. Providers of product must also meet new stringent requirements going forward, all designed to give investors better information and protection. Investors hopefully will in time gain greater confidence in seeking qualified and professional advice.

Where to for 2011

The world remains a very uncertain and nervous place. Economic conditions and developments around the globe show some positives but not enough yet to get too enthusiastic about future good times. The prospect of a country default somewhere down the line for some of the Euro-block remains, with Ireland the latest driven to accept significant bailout funding. Germany, by contrast, is surging ahead but this disparity between various Euro countries is not a good thing. The USA after massive stimulus seems to be improving; corporate profitability is up and consumer confidence also but job creation and a stabilised housing market will need to come through. The long-term outlook for Asia and emerging markets remains positive but they will experience adjustments.

Locally Australia continues to shine but mostly in commodities related areas. Here in New Zealand our dollar is still too high; migration and housing remain weak but good commodity prices and confidence growing suggests a modest positive outlook still. Both the Australian and New Zealand Reserve Banks are on hold, with upward interest rate moves not likely now until perhaps February / March for Australia and mid-late year for New Zealand so we will continue to hold only short-term deposits in the meantime. Buying long-dated quality bonds was a great opportunity in the middle of the global financial crisis and we participated in this. Today bond rates are very low (USA 10 year Government Stock went down to a low of 2.3%) before recently lifting to around 3%. While there have been a number of offerings to the local retail market this last six months or so and with more to come early 2011, I will be unlikely to take any of these up. A fair bit of risk lies ahead for interest rates rising in the next few years with negative implications for the current crop of bonds being promoted.

I still remain cautiously optimistic for portfolio returns into 2011 and beyond but will take profits where opportunity occurs and maintain a cautious conservative approach. As we have seen through the Global Financial Crisis a portfolio well diversified, comprised of quality assets will endure.

"Never keep up with the Joneses. Drag them down to your level"

Anon

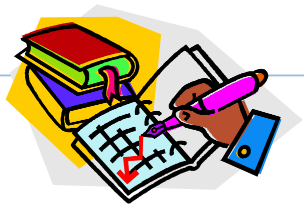
PORTFOLIO REPORTS

We will be initiating changes to the content of our review reports from this month.

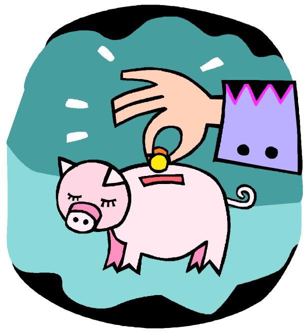
We are increasingly finding that clients have been confused about their current investment holdings with the full Portfolio Performance Report. This report shows individual investment performance from the portfolio start date. For many portfolios it is now showing 10+ years over many pages as it records every investment ever held. Going forward we will only produce this report for discussion when we have a "face to face" meeting.

Future reports will therefore be comprised of a valuation, the portfolio performance summary (3m, 12m, & since inception), sector allocation, assets movements since last review, cash movements since last review and a new report which provides a breakdown of the fixed interest component of your portfolio. This will show asset quality, maturity profile and annual income delivery.

In the New Year we intend to send out a customer survey to seek your opinion on what you find helpful and what you may find superfluous within your reports amongst other things.



KIWISAVER



KiwiSaver turned three this year and is becoming the main form of retirement saving with $5.8b under management as at 31/3/10. Unsurprisingly women make up a greater percentage of the take-up than men.

Whilst it is great to see people moving towards retirement savings it is worrying that many are thinking that this will be sufficient—it is not; it is merely a start, a contribution rate of 2% is well short of what is required. Five times this would be more like it.

It is also important that the investor doesn't just make a choice of fund type at the beginning and then forget about it. When a young person is starting out in the workforce they have time to take a little risk and can therefore carry more equity exposure but as they get older needs change and they will need to look to a more diversified approach.

KiwiSaver is still a good thing though. It is a case of "money for nothing" and I remain surprised at some people's reluctance to participate. Some simply can't afford 2% but others seem to remain suspicious of anything supplied by Government.

"I hope that while so many people are out smelling the flowers, someone is taking the time to plant some".

Herbert Rappaport

CHRISTMAS GIFTS

Once again in lieu of client gifts we will be donating to local charities.

Last year we donated to:

Woman's Refuge

Salvation Army Food Bank

S P C A

Arohanui Hospice

CHRISTMAS HOLIDAY HOURS

The office will be closing for the holidays on:

Wednesday 22nd December 2010 (Lunchtime)

Re-opening on:

Monday, 17th January 2011

As normal we will be operating on glide time through this period so if you have anything urgent either leave a message on the answer phone or call Peter on his mobile 027 2464061.

THE P I C TEAM WISH YOU ALL A VERY MERRY CHRISTMAS AND A BRIGHT AND PROSPEROUS NEW YEAR

PERSONAL INVESTMENT CENTRE

97 Rangitikei St, Palmerston North 4410 P O Box 448, Palmerston North 4440
Ph: 06 354 7900 Fax: 06 354 9950 Email: admin@investcentre.co.nz