

welcome to the Spring edition!

As we welcome Spring SWS welcomes four new family members, two new team members and a new beginning for an existing team member.

family news



Michael Sheekey and wife Maree added to the family with Gabriella. Her addition to their family evens out the gender imbalance with their two boys Alexander and Oliver.



We are happy to announce that Andrew Pain and wife Belinda welcomed a beautiful girl, Chloe to the family joining Lachlan and Emily.



Brendan Burrows and wife Safra introduced our team to their first child Leo on a recent visit to the office. Although most team members wanted to keep him around the office he returned home with his mum.



Lachlan Stow-Smith and wife Sheena welcomed Lara to their family, joining Jake now a big brother. We are all looking forward to her first visit to the office.

team news



In August Robert Frogley joined the SWS Team as a Private Client Adviser bringing a diverse range of experience and skill. Robert has a combined total of 26 years of professional accounting and financial advice experience in regional based businesses. He married a local Hills district girl which prompted his move to Sydney.



Lucy Macnaught has joined our team as Client Relationship Manager bringing wealth of client management and implementation skill to SWS. She is a highly qualified chiropractor but we don't see her providing those services to our clients.



We are excited to announce that Aaron Chew has been appointed as an Authorised Representative and Private Client Adviser. Aaron has recently added to his Bachelor of Commerce with a Diploma of Financial Services and in conjunction with his 4 years experience as a Client Relationship Manager he brings a great deal of practical knowledge to the advice team.

save money on your next holiday

With the Australian dollar as competitive as it is, more and more Aussies are considering a trip overseas to take advantage of the record exchange rate.

Even if you don't have lots of spare money, travel is a lot cheaper than it once was with budget airlines and technology driving down prices. Here are a few ideas to help make your dollar go further when planning for your next holiday.

take advantage of web deals

The internet can offer some amazing bargains that can save you huge amounts of money. Websites like flight centre, webjet and expedia allow you to directly compare airfares and hotel prices. Discounted accommodation websites such as www.wotif.com.au, lastminute.com or www.hotelclub.com can also offer some last minute bargains. Airlines also have seasonal sales during the year so subscribing to their members database would mean you'll be notified of any upcoming sales.

staying in touch economically

Emailing and webcamming are great ways to stay in touch with family and friends while you're away. There are internet cafés (and laundries and libraries) all over the world. A good idea is to upload photos onto photo sharing sites such as [Flickr \(www.flickr.com\)](http://www.flickr.com) or even start your own travel blog so you have a travel diary waiting for you when you get home.

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making sense of global markets

Share market behaviour over recent years could be characterised as a tug-of-war between the economic challenges in advanced economies and the robust profitability of businesses around the world. Here we provide an overview of the key issues investors are watching closely. We also highlight the factors that provide confidence in the medium-term outlook.



United States

- ~ US economic growth, while positive, is weaker than anticipated. Unemployment remains stubbornly high.
- ~ Pressure on policymakers to implement a credible debt reduction plan while not choking growth in the short-term. Recent credit downgrade by Standard and Poor's highlights the important need to address this issue.
- ~ Company earnings remain very strong, and continue to exceed analyst expectations. Many large US companies are generating a growing percentage of their profits from fast growing Asian countries.
- ~ Low interest rates support borrowing by consumers and business. The key to this gaining traction is confidence. The US central bank, the US Federal Reserve, is very committed to supporting the economy and financial markets.

Europe

- ~ European sovereign debt issues have shifted from smaller countries - like Greece, Portugal and Ireland - to larger, more economically significant countries like Italy.
- ~ Economic growth is mixed with some countries, like Germany, performing well while others are finding growth difficult.
- ~ Europe needs to develop a cohesive plan for the Union.
- ~ Corporate earnings are in good shape for multi-national companies who are domiciled in Europe but gain a growing percentage of their earnings from higher growth economies.
- ~ European banks are better capitalised compared to the time of the Global Financial Crisis (GFC), and there is greater transparency around the risks on their balance sheets.

China and emerging nations



- ~ Chinese policymakers need to carefully manage growth to maintain the strong momentum in the Chinese economy.
- ~ Inflation pressures have risen requiring policy responses to ensure it does not get out of hand.



- ~ The Chinese economy continues to grow at more than 9 per cent per annum, driving global economic growth and demand for commodities, goods and services from countries like Australia.
- ~ Lower oil and food prices have taken some of the pressure off inflation.

outlook for investors

Confidence in the medium term outlook for investors comes from the fact that share prices today do not reflect the quality of global companies and their strong earnings.

Take Google as an example. In July, Google delivered a record breaking profit of US\$9 billion, or a year-on-year profit increase of 36 per cent. Yet, even with this significant profit increase in July, the share price was 23 per cent cheaper in August than it was at the beginning of 2011. This is just one example of a company with strong fundamentals whose share price has recently fallen. Other examples include Wal-Mart and the Commonwealth Bank of Australia. The lower prices of many companies explains why both the Australian and global sharemarkets are considered to be good value by historical standards.

A key reason many companies are performing well is because they can now make profits in places where they could not 10 or 20 years ago. This includes places like China and Brazil. Nestle recently made an all cash purchase for a Chinese company increasing Nestle's market share in China by 7 per cent. Analysts estimate this could boost Nestle's total profit by 3 per cent.

Yet, the strong corporate fundamentals we see in the market today are not only a matter of capturing new growth in emerging economies. More effective business practices and lower costs have helped companies. For example, corporate profits have increased by 6.3 per cent since the GFC.

The performance of companies is helped by their ability to capture positive economic growth around the world. While there are challenges, overall global economic growth remains firm, with variations from region to region and country to country.

Even though global companies are accessing growth to deliver profits that are near an all-time high, share prices of companies, such as Google, are currently lower because many investors have been focusing on the short-term uncertainties of the economic environment. This makes them reluctant to invest. As investors become more confident, share prices are well placed to rise.

Australia



- ~ Consumer confidence has weakened and job losses in some sectors has added to the nervousness.
- ~ A high AUD(\$) has impacted on the earnings of businesses that export products overseas. Lack of consumer spending has also dampened the prospects of some domestic companies.



- ~ Close proximity to Asia is benefiting the economy. Resource companies that sell the raw materials needed by these fast growing nations are performing well.
- ~ The Reserve Bank of Australia has the scope to kick start the economy by cutting interest rates if required.
- ~ Australian banks are in a strong position.

consider the good news, not just the bad

by Paul Clitheroe

After a busy year with plenty of volatility, I recently took a couple of weeks off to refresh and step back from the current day to day economic drama.



In a world where it is hard to escape my iphone and email, somewhere with no reception sounded great. One thought was an island, but an email arrived from a few of my university mates suggesting a climb up Mt Kilimanjaro in Tanzania.

Now this looked like just the right idea. No reception for phone or data, loads of exercise and no real need to think, except about getting up to the 19,300 foot peak. We struggled up to the top of Kilimanjaro in six days with half the level of oxygen, stayed on top of the mountain for a day and night and then dropped back down the mountain in less than 24 hours. In fact it sounds exactly like the Australian share market. Some years ago it plummeted like a stone to around 3100, struggles back to 5000 a couple of months ago, and then as I write this it has again fallen back to the low 4000's.

Maybe everything in life is somehow linked to gravity. It is tough going up and

easy coming down. By the time this goes to print, for all I know the market may be up 20 per cent or down another 20 per cent, but what surprises me is that there is no real new information, just a lack of confidence.

So what do we do? Well, our current plan is to pull our heads in, cut spending and increase saving. I know retailers are not happy, but I vote 'yes' for this strategy. Australians are clearly saving at record levels, paying down high interest debt and building up a safety margin. Financially robust Australians make for a much stronger economy in the long term.

In terms of shares and residential property, while property is generally weak right now, the long term outlook with solid population growth is positive. I doubt much money will be made in property for some time, by any standard our homes are expensive, but we have an undersupply of housing and not a lot of

appropriate land to expand to. Shares will as always be volatile. But this does not fuss me too much. Shares for me are about dividends and in the longer term, inflation type appreciation. As I look at my portfolio, my shares such as BHP, Coles, Woolies, the banks and so on are worth less on paper, but at these prices they are paying me dividends, usually franked of around 7 per cent. Company profits look solid, so while at times dividends may rise and fall I do not see them going away.

Personally, I think we are desperately searching for bad news and ignoring the good news. Our economy is all about confidence and a complete lack of it can be a huge problem. Can I suggest we consider both sides of the news, good and bad? In this context the world is not such a bad place.

Paul Clitheroe is a founding director of financial planning firm ipac, Chairman of the Australian Government Financial Literacy Board and chief commentator for Money Magazine.

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Using 'global roaming' on mobile phones can be expensive but prices vary significantly. It's smarter to use mobiles for text messages (which are cheaper) to make arrangements to phone family and friends from a landline at a convenient time. Alternatively, use International Calling cards so you can control how much you spend.

banking from far away

ATMs are plentiful overseas but don't give you your account balance. Be wary of the transaction costs overseas banks charge for accessing your account - they can be very expensive. Try using internet banking to check your account and move money about.

There are some travel credit cards with no annual fees, no currency conversion fees and no international transaction fees which are a great way to save when you are travelling.

You never know - if you save money as you go, you could afford to extend your holiday for another few days, or even weeks!



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