

the things we treasure

Recently *The Washington Post* ran an article about a global happiness survey of 136,000 people, conducted by Gallup, with the headline 'Money can buy one form of happiness'. At first pass, this might suggest that it's possible to simply buy our way to happiness. So why don't people with more money seem to laugh more or have more fun than anyone else who has a decent lifestyle and income?

Well, it turns out that people with more money often have greater life satisfaction because this tends to be based on a comparison with 'the Joneses'. However, they don't necessarily have greater emotional wellbeing, which better reflects how we feel day-to-day. Our wellbeing apparently comes less from our income and material possessions, and more from doing things that we enjoy day-to-day.

It's an interesting thought in the lead-up to the festive season. Of course, it's rewarding and fun to give and receive gifts, but also make plenty of time to do those things you really enjoy. Think back to years past – is it the gifts or memories that you treasure most?

Have a wonderful festive season and we look forward to seeing you in the New Year.

2010 - a year of significant developments

2010 was a year of significant developments for SWS, including the transition of Tony and Carolyn Freckleton toward retirement, the completion of the acquisition of SWS by ipac, and the welcoming of Kelly Lindsell and clients of the Lindwall Group to the SWS team.

These developments brought their share of challenges and yet we optimistically welcome 2011 as a team that comprises the strengths of both the old and the new.



Our CATScan client survey in September revealed some improvements in the way we operate, including how we communicate with you. In 2011 we will provide options between electronic and hard copy correspondence, and a newly-established Client Board of Advice will have ongoing input to new initiatives.

We look to continue our growth mainly through existing client referral and we are very appreciative of the new clients you have introduced to us this year.

staff updates

new team members



A few new team members joined SWS in recent months. Thelma Pearce and Dianne Pedemont have joined our support team in September. Kelly Lindsell (pictured)

commenced as a Senior Financial Adviser in October. Kelly is married to Darren and has two wonderful children, Connor and Mackenzie. Following the SWS acquisition of the Lindwall Group, she is now enjoying greater time with her family and also working closely with her clients.

latest addition

On the family front Brendan Burrows and wife Safra welcomed the birth of their first child, born 28th October, Leo James Douglas Burrows. Congratulations Brendan and Safra.



stick to the basics for 2011

2010 marks the third anniversary of the Global Financial Crisis (GFC), and despite the ongoing fallout, the last three years have confirmed a number of investment fundamentals: asset markets recover, economies regain form and a diverse portfolio remains the best defence in uncertain times.

As the year draws to a close it's worth taking a look at how asset markets performed throughout 2010, and where they could be heading in 2011.

2010 – the year of the dividend

The last 12 months has seen the Australian sharemarket swing between highs and lows in a year marked by volatility. It's quite a change from the rapid recovery we saw in 2009 and much of today's volatility is being driven by investor sentiment. The fact is, many of our leading companies are leaner and fitter than they were pre-GFC thanks to significant cost cutting measures and debt reduction. Long-term investors are now well placed to reap the rewards of a stronger corporate sector and our growing economy.

Amid market volatility, dividends have come to the fore as a valuable source of tax-friendly income. The S&P/ASX 300 Accumulation Index¹, which includes capital growth plus dividends, rose by 4.7 per cent over the 12 months to 31 October 2010. By contrast, the S&P/ASX 300 Price Index, which excludes dividends, rose by just 0.5 per cent over the same period.

However, it's really a sector by sector story. Our materials sector for instance, a key beneficiary of the commodities boom, enjoyed gains of 20 per cent over the same time period, while the telecommunications sector fell by 11.5 per cent, highlighting the wide divergence of returns within the current market. In this environment, fund managers with well honed research skills were well placed to identify companies with the potential to do better than others.

different ways to access emerging market growth

Emerging markets are well known for their high growth but also their high

potential for a volatile ride. Over the last year to 31 October 2010, this part of the international investment market has done well, returning 13.9 per cent² in hedged terms, with some emerging countries in much better economic health than some of their developed neighbours.

One way to access this growth is to invest directly into emerging market companies, although if you want to get a piece of the action, there are other avenues to consider as well. For example many Australian companies have benefited from their close trading links with these emerging markets, especially within Asia, as the demand for our resources continues.

Australia's resource companies aren't the only ones reaping the rewards of Asia's prosperity. Many US companies like Apple and Google are also benefiting from exposure to some of the world's fastest growing economies. Profits generated outside the US by US companies have almost doubled since the late 1990s to be around 35-40 per cent of total company profits.

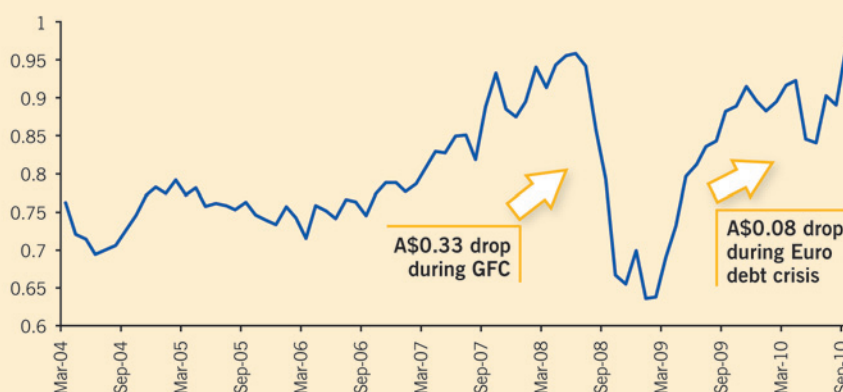
It creates a compelling argument to invest globally, particularly when you consider the many well known companies based overseas. Coca-Cola Amatil, Vodafone and Pfizer are just some examples. Adding to the appeal, the rise of the Australian dollar means investors now have an outstanding opportunity to buy overseas assets at almost one-for-one pricing.

the Aussie dollar - flirting with parity

The strong Aussie dollar has been the headline grabber - and justifiably so. The dollar has been very volatile over the last few years, with the more recent moves upwards towards parity with the US dollar.

Currency issues are always a double sided coin and the strong dollar will create as many losers as winners. Now may be a good time to take a trip overseas but businesses exposed to import competition or dependent on export markets are under pressure. Tourist operators, the education market and the farm sector may be hit hard.

value of the Australian dollar vs the US dollar



source: Bloomberg 30 September 2010



On the flipside, the dollar's rise is proving a good market for importers with the cost of clothing, electronic goods and business equipment likely to tumble.

The strength of the dollar isn't just a function of our healthy economy. Australia's official cash rate, currently 4.75 per cent, is the highest among the developed economies. It's bad news for borrowers but good for savers as even online savings accounts are paying interest of around 6 per cent. In the US, you'd be lucky to earn 0.6 per cent on your spare cash, so it's no wonder investors are turning their attention Down Under.

It's good to keep in mind that currencies are notoriously unpredictable and a range of factors could see the dollar lose ground, anything from a change in demand for our resources to concerns emerging about global growth. Currency can move very quickly and, within a diversified portfolio, can reduce volatility and help a portfolio be more resilient in falling markets as we saw when the European debt crisis struck last May. For example, a significant fall in equity markets often corresponds with a fall in the Aussie dollar. Since a drop in the dollar increases the value of foreign currency holdings, this can help to partially offset a fall in international equities.

property cools

Our comparatively high rates may cool an already quieter property market. Over the year ended August 2010, values in our capitals rose by 8 per cent taking the median dwelling price across all state capitals to \$457,000³. But declining affordability has taken its toll on price growth, and the double whammy of the November official rate coupled with independent rate rises may slow the market further.

Greece drives home the dangers of debt

Earlier in the year, events on the other side of the globe reminded Australians about the dangers of uncontrolled debt, when the cash-strapped Greek government was forced to go cap in hand to its fellow European Union members for help.

The Greek crisis heightened the ongoing changes that have been taking place in bond markets since the GFC. Government debt in a number of developed economies continues to fund large deficits. However in tandem with quality corporate bonds, fixed interest continues to offer the appeal of liquidity, capital preservation and diversification.

Cooper makes his call

Mid-year saw the release of the Cooper Review into our super system. The Report's key recommendation was the creation of MySuper – a default option for workers who don't nominate a fund of their own choosing.

There's no doubt the government's continual fine-tuning of super can be frustrating but it remains well worth taking an active interest in.

diversification remains the key

Among the lessons 2010 has provided, perhaps the most important would be the value of maintaining a diverse portfolio. No single market has emerged as a frontrunner in 2010. Cash rates are attractive, local shares are delivering strong tax-friendly dividends, emerging markets are the global powerhouse, and although residential real estate is generating high rent yields, it could be a while before we see significant price growth.

In this environment, diversification is vital to capture return while also managing risk. Uncertainties remain, not just in terms of the global economy but also on

the political front, and the workings of a near-hung federal parliament are yet to be ironed out. Already we've seen the Resource Super Profits Tax watered down, with question marks remaining over the proposal to increase employer paid super contributions to 12 per cent by 2020.

These are issues we have little or no control over. But we do control decisions about our wealth. Just how you diversify your portfolio is a matter to work through with your financial adviser, though having access to a wide range of asset classes is a proven way to manage your money.

a long-term blue print

As in previous years, 2010 has delivered plenty of surprises. These are the things that make life interesting, though we can easily feel swept along by events rather than in control of our own destiny.

A long-term plan remains the key to maintaining a sense of direction. The end of the year, while a time for celebration, also provides a good opportunity for reflection. It's a chance to look back on what we've achieved and think about where we're heading.

Life doesn't stand still and your long term plan may need to be updated to reflect events that have happened in your personal life or investment markets throughout 2010. The fine-tuning we make now will help us cope with whatever 2011 has in store.

We look forward to working with you to chart a course for 2011 and help you achieve your personal goals in a world that continues to both surprise and delight.

1. Bloomberg 31 October 2010
2. MSCI 31 October 2010
3. RP Data Rismark Home Value Index 30 September 2010

puppy raising – a great volunteer activity

Ever wanted a pet but not sure you can commit to a full fourteen years? Puppy raising is a great way to enjoy the companionship of a dog while also helping someone with a disability lead a more independent life.

“Raising a puppy lets you give back to the community with the added bonus of the pitter patter of puppy paws,” says Cherie Bekker, K9 Manager at Assistance Dogs Australia.

Puppy raising involves having a puppy in your home for around sixteen months to help condition and socialise them before they undergo intensive training. Once placed, these dogs will help their owners



Cobba in training

with everyday tasks such as opening doors, pressing the button to cross the road and picking up dropped items. But most of all they will offer them a form of confidence and independence.

“Puppy raisers and sitters teach these pups to undertake tasks that are difficult or even impossible for people with physical disabilities to achieve. They teach them to pick up all sorts of objects

such as mobile phones, keys, and make sure they are able to alert bark when required,” says Cherie.

“You can also take the pups to the shops, cafes, on public transport and even to the cinema as these experiences help them become an Assistance Dog,” she adds.

“But the best part of being a puppy raiser or sitter is helping to change someone’s life by training an Assistance Dog,” says Cherie. “To see the impact these dogs make on their recipients is priceless.”

awaiting a good home

To be a puppy raiser with Assistance Dogs Australia, you need to be not working fulltime, have no children under school age, have a suitable secure yard, and be willing to have an inside dog. In return, they will pay for all major expenses like food, vet bills, heartworm, and flea control. And if you go on holidays, another committed volunteer will look after your pup.

If you don’t want to commit to sixteen months but would still like to help out, you could become a puppy sitter (looking after someone’s pup while they are on holidays), a puppy socialiser (having

puppies for the first 4-8 weeks), or a puppy bed and breakfast (taking care of adult dogs in need of downtime).

Assistance Dogs Australia is currently looking for raisers and sitters. Visit their website www.assistedogs.org.au or call 1800 688 364.

Alternatively if you’re interested in raising dogs for blind or visually impaired people, contact Guide Dogs Australia in your state.

www.guidedogsaustralia.com



don't keep us a secret

Your friends and family deserve to make the most of their money too.

Feel free to pass on our number to anyone we may be able to help. They can call us for a chat on **02 9633 5255**.



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