APRIL 2012

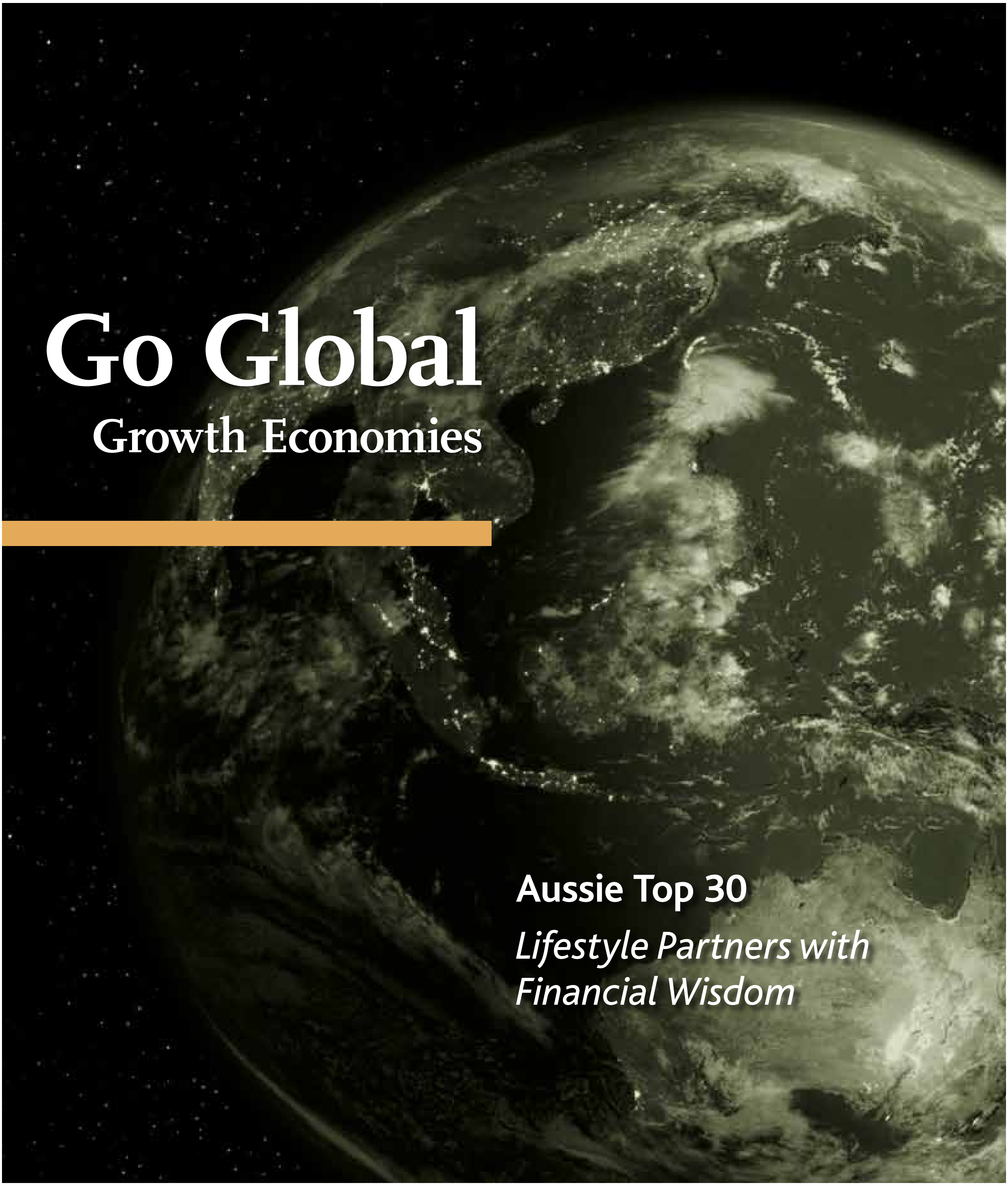
Lifestyle Matters

lifestyle.au.com

Lifestyle Financial Services Pty Ltd
Authorised Representative 243030 of
Financial Wisdom Limited
ABN 70 006 646 108
Australian Financial Services Licence No 231138

Lifestyle

Suite 9 Level 10, 809 Pacific Highway
PO Box 5245 Chatswood West NSW 1515
t 02 9410 6000 f 02 9410 6010 invest@lifestyle.au.com



Go Global

Growth Economies

Aussie Top 30

Lifestyle Partners with Financial Wisdom

Australian companies have shown resilience to maintain profitability.

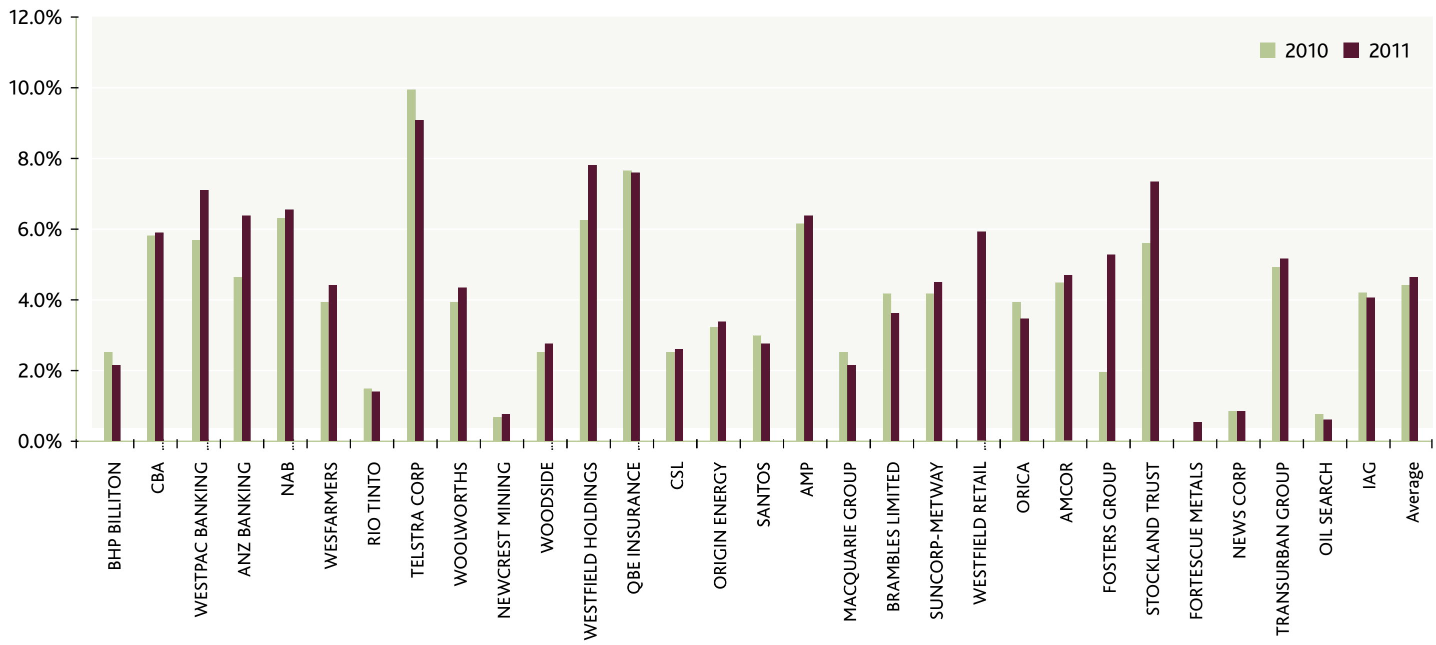
Aussie Top 30 in good shape

When the tide (eventually) turns...

...Investors will see that Australian companies are actually in really good shape. For the 6 months to December 2011, Australian investors could be forgiven for thinking it is time to capitulate and wind back the share allocations in their portfolios. For those 6 months the Australian market was off around 10%, however, since 1 January it has staged somewhat of a recovery.

So what is going to drive returns "long term"? We believe it is the ability for companies to make a profit and grow that profit over time. Australian companies have shown remarkable resilience to maintain profitability. While the All Ords is still some 35% off its pre GFC highs, the chart below shows the dividend yields of Australia's top 30 companies:

ASX Top 30 – Dividend Yields



As can be seen from the above, all of Australia's 30 largest companies paid dividends for the year to June 2011 and the average dividend yield increased from 4.5% to 4.7%. Add franking (tax) credits to this and the sharemarket seems an attractive place to invest...if you can handle the inevitable volatility.

For the 6 months to December 2011, there was a modest rise in dividends declared of 3.4% (according to Morningstar Research House). Morningstar have also forecast earnings per share growth of 6.5% for the full financial year which should provide support for current share valuations. Additionally, balance sheets look good after the capital raisings of 2009 with the debt to equity ratio of 27% comparing favourably with the long term average of 50%.

Go Global – Opportunities for Investors in Growth Economies

Global markets have basically gone nowhere in 10 years, the Australian Dollar is at all time highs (meaning your offshore unhedged investments are effectively worse off) which leaves some people wondering whether it is all too hard and maybe the answer is a "reliable" 5% to 6% income from term deposits. We feel the growth potential from global stocks is much more attractive, over the long term, than the income potential of term deposits. This is why we will generally recommend that clients maintain an investment in growth assets, which include global companies.

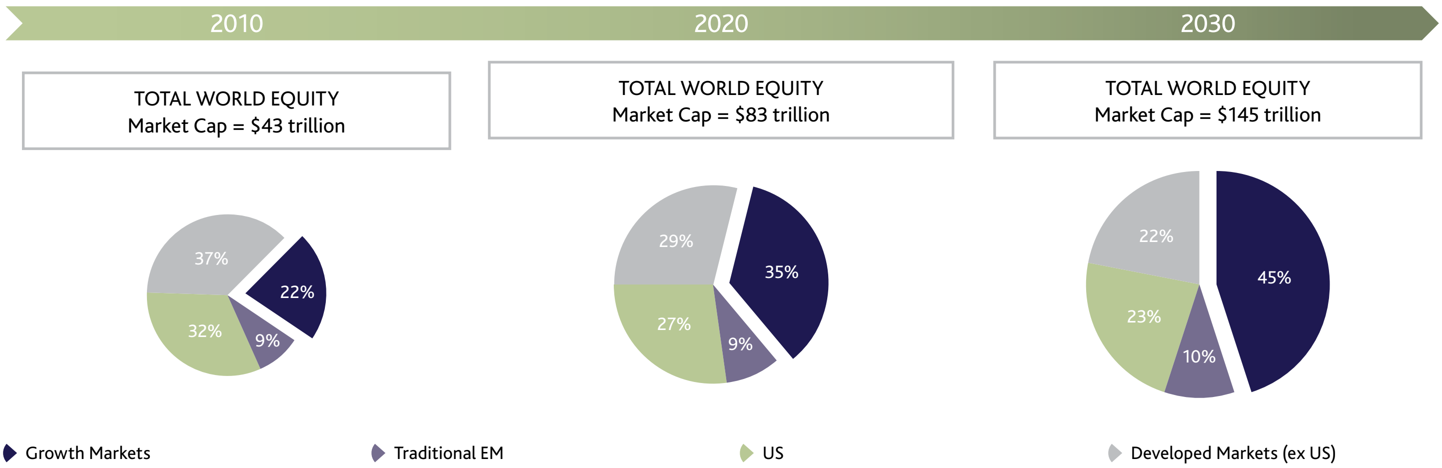
While economic growth does not automatically equate to sharemarket growth in those respective countries, it does flag business opportunities for those with the business acumen to take advantage of it.

The chart below shows that in 2010 the Growth Markets (Brazil, Russia, India, China, Mexico, Indonesia, South Korea, and Turkey) comprised 22% of global equity market capitalisation compared with 69% for the combined US and non-US developed markets. Winding the calendar forward a mere two decades and the Goldman Sachs Global Team anticipates that the Growth Markets and the Developed Markets will each represent 45% of global equity market capitalisation, during a period when total equity market capitalisation has increased in excess of threefold from $43 trillion to $145 trillion. In dollar terms, the Growth Markets will grow in size almost seven times, while the Developed Markets will only double.

While growth in size does not necessarily mean higher performance over that period, it does highlight the significant importance of those economies on the global investment landscape and encourages all of us to consider how to reflect them in our investment portfolios.

Picking the businesses that will thrive under this new economic pecking order is easier said than done. For a start, just because a business is prominent in a particular region doesn't mean they are listed on the stock exchange within that particular region. Let's take a look at how 2 prominent Australian Global Fund Managers have fared recently.

Composition of World Equity Market Cap[1]



1 Source: "Global Economics Paper No: 204", Goldman Sachs Global ECS Research. 8-Sep-10. This information discusses general market activity, industry sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. The information was current as at 8 September 2010 and Goldman Sachs has no obligation to update it or provide any warranty that it is correct.

Platinum

The Platinum International Fund is run by Kerr Neilson. Since 1995 it has gained 11% pa, well in excess of the 3.3% increase in the MSCI (the global index). However, piling back into cyclical stocks in late 2010 proved to be a mistake in timing leading to significant underperformance in 2011. On making money in a world of stagnant sharemarket growth, Neilson says: "Even if the world isn't growing, there are segments that are growing…" He is an ardent believer in the desire for humans to improve their circumstances and generate wealth: "This type of crisis gives rise to true animal spirit. People will fight for survival. They will fight and survive."

Magellan

Since its inception in 2007, the Magellan Global Fund has consistently outperformed its peers. In the year to December 2011 the fund returned 10% which was 15% ahead of its benchmark. As we documented in our October 2010 Newsletter, Magellan is seeking to gain exposure to growth and emerging markets, not by investing in their sharemarkets, but by investing in businesses with established brands, often domiciled in developed markets but leveraged to the emerging markets growth story. Companies in their Top 10 Holdings include Google, eBay, Yum! Brands, Visa, Nestle and Danone.

…the recommendation is in the best interests of our clients.

Lifestyle partners with Financial Wisdom

In December 2011, Lifestyle Financial Services changed licensees (dealer groups), moving from *Sentry* to *Financial Wisdom*. While Lifestyle still remains 100% independently owned, *Financial Wisdom* now provides us with compliance, research and practice development support.

In general terms, the reason for the move was to ensure the ongoing operation of our business improves through partnering with an organisation that has a strong brand with a large institutional backing (they are ultimately owned by CBA), and has a similar approach of providing financial services to clients. The way our services are provided to you should not change.

Central to us changing dealer groups was the signing of our "Charter of Independence" with *Financial Wisdom*. This ensures that we will not be unnecessarily restricted in the type of products we can recommend to our clients. The key themes are highlighted in the following excerpts from the Charter:

We are in the business of providing **strategic financial advice** to our clients. Quite simply, our product is "advice".

If we recommend a particular product, it is because we believe the recommendation is in the best interests of our clients.

Independent research determines the financial products we recommend. Our research is not influenced by unreasonable limitations placed upon us by our licensee.

Our research is documented in our methodologies which are updated at regular intervals.

In general terms, we will consider recommending a financial product based on the following criteria:

- It is provided by a major financial institution and we are confident that they have the financial strength to prosper in the future.
- It is of a high quality, providing appropriate features and benefits.
- Fees and costs are reasonable.
- Service levels are high.
- Results of own in-house research, research provided by our dealer group (licensee) and research provided by other external research organisations (to which we subscribe).

In addition to the above, *Financial Wisdom* have the resources to help us evolve and improve as an organisation that provides high quality strategic advice to our clients. Our first few months with *Financial Wisdom* have confirmed that we have made the right decision. Changing Dealer Groups is no small task, but they have committed the resources to help get this done as painlessly as possible.

If you wish to discuss our relationship with *Financial Wisdom*, please do not hesitate to call us.

Gareth Hall
CFP Financial Planner
Authorised Representative

Irene Kay
CFP Financial Planner
Authorised Representative

David Kissane
CFP Financial Planner
Authorised Representative

Shane Foster
CFP Financial Planner
Authorised Representative

Anne Kennedy
Finance

Kathy Kurten
Receptionist

Tim Egger
CFP Financial Planner
Authorised Representative

Denise Chambers
CFP Financial Planner
Authorised Representative
IT Manager

Stuart Nix
Financial Planner
Authorised Representative

Chris Watson
Financial Planner
Authorised Representative