



## Quarterly Newsletter

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### The Crash Course

Given market events since our last AXIS Directions, it may be preferable to talk about anything but superannuation.

As an employer sponsored benefit, the past year has brought out everyone's passion and financial expectations with every media source having not just an "expert", but anyone with an opinion trying to provide advice. If anything, efforts by the media to report "the facts" have simply made everyone's world a bit less informed than they were before. So in writing this Spring edition of AXIS Directions, it's useful to provide some reliable information without all the emotion that surrounds the global financial crisis.

### Beware of knee-jerk reactions!

This is always a good adage to underpin your future. The sensible rule for super is to take a long term rather than a short term view. If the normal economic cycle of corporate profit making and re-investment works, then all well managed companies will grow in value over any market cycle. Trying to time market movements can actually achieve a lower average return over the market cycle than sticking with your personal long term strategy. So what are the current challenges facing the investment market, other than market returns?

### Choosing your adviser input

Most dealer groups have an approved product list or a preferred list of product suppliers. Such preferences are usually skewed towards the institution that owns the dealer group. How the financial services industry manages such conflicts of interest is the subject of much debate among regulators, professional bodies and even financial advisers themselves. The number of large institutions that own recognisable brands

and distribution outlets for their products is quite significant:

- Genesys Wealth Advisers is related to Challenger;
- Professional Investment Services has Aviva Australia as a major shareholder;
- Aviva Australia owns stakes in other financial planning companies such as Financial Technology Securities and Infocus Wealth Management;
- The Commonwealth Bank owns Commonwealth Financial Planning and Financial Wisdom;
- National Australia Bank owns MLC, Godfrey Pembroke, Apogee Financial Planning, Garvan Financial Planning and GWM Adviser Services;
- The ANZ Bank has a joint venture with ING Australia;
- ING owns RetireInvest, Millennium3 Financial Services, Tandem Financial Advice and Financial Lifestyle Solutions;
- Westpac Banking Corporation owns BT and Magnitude Financial Planning;
- St George Bank, now being bought out by Westpac, owns Securitor and Asgard;
- AMP owns AMP Financial Planning and Hillross Financial Services; and
- AXA Australia owns Charter Financial Planning, ipac and Monitor Money.

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## What's Inside

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## Comparable investment performance

Since the market downturn, investors have become even more focused on investment returns. To provide comparative assistance, the Federal Government considered creating an online "league table", ranking investment returns from different products.

The argument behind the league table was that investment returns should be prepared using a standard format (ie after fees and taxes) and ranked from highest to lowest. The objective was to better inform the public about different super opportunities. However, the problem in attempting transparency is that most product providers don't necessarily always want it, even the ones who say they do! So what are the points of difference in comparing investment returns?

- Where it suits, comparisons are often drawn between standard fees as stated in a Product Disclosure Statement and those available from "cheaper" products. Fees are often the result of tenders and not consistent with standard tables. Therefore, which fee scale is most relevant for a meaningful comparison?
- Investment performance tends to focus on default portfolios as opposed to those portfolios most used by fund members. So if you are, in fact, receiving a value add by using a more sophisticated product, standard tables would not necessarily assist you.
- Alternatively, the investment portfolios being compared have very different asset allocations and consequently very different market results. Different product providers have different opinions on what is a balanced portfolio and which styles of investment present more risks.
- Different products also offer different service models, with your choice dependent upon the service options you want and the degree of control desired. The more functionality you want, the higher the fee may be.

Adding fuel to the fire, are the current discussions regarding valuation methodology – the very basis of reported investment returns.

Valuation methodology with either unlisted or direct assets may not reflect what the asset is actually worth if it is sold today, as the book value of the asset has no market base to reflect daily fluctuations in value. In comparison, unit prices are calculated by taking the total market value of all of a fund's assets on a particular day, adjusting for any liabilities and then dividing the net fund value by the total number of units held by all investors on that day.

Although your unit balance in a fund will stay constant (unless there is a transaction on your account), the unit price will change according to changes in the market value of the

investment portfolio or the total number of units issued for the fund. The asset value of each fund is based upon the market value most recently available. So in the case of an Australian share fund, the asset value would be the share price traded on the stock exchange on a particular day.

In examining how well you are doing on returns, be careful not to have a knee jerk reaction. We've seen this many times over. Panic leads to quick selling. This often locks in losses, as investors change products. If your existing fund has a reasonable explanation for any short term underperformance and you're uncertain about any of the points noted above, such a "solution" may compound your losses.

This is a terrific conversation to have with your adviser. Feel free to ask more by emailing us at [mail@axisfg.com.au](mailto:mail@axisfg.com.au).

## Chris Caton – BT Economist

Chris Caton of BT has again agreed to be the key note speaker at our annual State of the Market Luncheon. This is scheduled for Tuesday 25th November 2008. Given the volatility in the Australian and global markets, don't miss this opportunity to hear from a much-quoted market observer and commentator. Apart from his expert knowledge and entertaining presentation style, Chris is well known for simplifying the most complicated issues.

If you'd like to reserve an early spot at this function, please feel free to email Bev Shelbourne at [bevs@axisfg.com.au](mailto:bevs@axisfg.com.au). Venue details will be announced shortly.

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Most of these organisations also provide license services to a variety of financial planning companies, usually reflective of their distribution strategy and their market share.

So, how do you discern whether your advice is informative and unbiased? Simply insist on being given the information that helps you arrive at your own conclusion, as opposed to following an adviser who is simply saying invest with me!

As for AXIS Financial Group, we have no institutional ownership involved with our Partnership. There are three Partners owning 100% of our business – Richard Matsinger, Michael Jagiello and Harry Burke. Although Michael has retired, he has retained his ownership in AXIS. We are delighted to provide any product comparison that any client wishes to see and will happily explain our opinion on which are best and which are not so good and why. We then leave you to make up your mind on what you think is in your best interest. If we can help you on this front, please email any questions you have to [mail@axisfg.com.au](mailto:mail@axisfg.com.au)



## The AXIS Rock Band

Princess Margaret Hospital (PMH) recently organised a fund raising event for the children's hospital at Challenge Stadium. This required a number of companies to form an amateur rock band and perform in front of an audience of 1,000. This event was staged on Saturday, 23rd August 2008 with eight companies choosing to participate. AXIS Financial Group entered a band under the name Axi\$tence and won the award for the Best Band Moves.

I am sure PMH gained further financial benefit from this inaugural event. From a company point of view, the benefits of entering a band, conducting rehearsals and then performing to your workmates appears to have been an enormous success. Work can be fun as well as challenging. When added to the excitement of doing something different from your normal interaction with your work colleagues, the experience exceeded everyone's expectation.



## Super Education

Our range of educational material is designed to boost your employees' and your super knowledge. You can access the following and many more publications via our website at [www.axisfg.com.au](http://www.axisfg.com.au) or email us for a copy at [mail@axisfg.com.au](mailto:mail@axisfg.com.au)

- Making the most of a super opportunity (for younger people just starting out)
- Maximising your super wealth (for married couples or families)
- Understanding your retirement options (for those nearing retirement)
- AXIS Informer No. 132 – Transition to Retirement
- AXIS Informer No. 133 – Investment Markets – Taking the Good with the Bad
- AXIS Informer No. 134 – The Facts about Divorce and Super
- AXIS Informer No. 135 – UK Citizens – Cashing in on Cashing Out

## AXIS Service Initiatives

### New educational materials

You would have all received our new publication stands, including a supply of education material by now. Many of you have also requested supplies of our posters for your work areas and cafeterias. We hope you're finding them informative and beneficial.

We've been delighted with the amount of positive feedback we've received about these publications. Many of you have commented how easy the publications are to read due to the simple language used to explain the complexities of super.

As with all service initiatives, once they're introduced, it's important to continue to enhance their development. Of importance is how we interact with you and ensure that you're continuing to do what's best for you and your employees.

For example, one of our clients, Fortescue Metals Group (FMG) asked us to tailor our wealth creation poster to their corporate branding. This poster was then used to promote the benefits of being an employee in terms of their future financial security. One of the ways FMG is doing this is through their recently launched Employee Equity Plan.



## New look website

Our new look website is now nearing completion. While we've focused on making the site more user friendly, we've also set about increasing interactivity and functionality.

One of the areas you'll notice enormous advantages will be with our online forms. Once finalised, you'll be able to complete all forms online and email them directly to us for processing. This functionality will allow more of our clients to access our services as and when they need to. Naturally, we're still keen to meet with you on a personal basis at every opportunity. We're just mindful that not all of our clients have the time to schedule in regular visits by us.

We'll keep you posted as to when the online forms functionality has been completed.



Online forms interactivity will enhance service levels.

## AXIS publications

A number of new AXIS Informers and our latest AXIS SuperFocus have been completed and sent out to members or key contacts as appropriate. As a consequence of recent market movements and supplier positioning, super has become an even hotter topic than usual. There are profound debates taking place and everyone has an opinion on what everyone else should do with their money and also their risk management.

The basis of AXIS consulting, servicing and advising is that the best person to make any decision is actually you. The role of the AXIS Adviser is to provide you with the necessary information to help you make the right decision. While you might not agree with our advice, you can have peace of mind knowing that it is provided without bias and is fully justified by supporting documentation and argument.

We know from experience that a mistake in product choice today needs to be explained to the client further down the track. Therefore, when we make recommendations to corporate and individual clients, our inherent philosophy and strategy is to inform you of the choices available and the basis on which you should decide.

## List of Locations

Whilst the majority of our clients are in Perth and WA, AXIS is providing services on a regular basis to the following locations:

### Western Australia

Albany; Australind; Broome;  
Bunbury; Burrup;  
Busselton; Geraldton;  
Henderson; Kalgoorlie;  
Karratha; Mandurah; Margaret  
River; Merredin;  
Moora; Northam; Port Hedland;  
Rockingham; Varanus Island;  
Wagin

### South Australia

Adelaide

### Queensland

Brisbane, Cairns,  
Mackay, Townsville

### New South Wales

Sydney  
Griffith  
**ACT**  
Canberra

### NT

Darwin

### Victoria

Melbourne  
Mildura

### Tasmania

Queenstown

### Overseas

Tanzania  
Hong Kong  
West Africa  
Nigeria  
Yemen  
Papua New Guinea  
Dubai  
Canada

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216 St George's Terrace  
Perth WA 6000

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