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STUART + CARLYON

Financial advisers for your lifetime goals

Well that decade went by quickly!

At the time, 10 years ago, the decision to set up Stuart+Carlyon seemed like a step into the unknown. Moving from PwC, where we shared a combined 21 years of experience, to establish a boutique financial advisory firm was in part an act of faith, and in part a reaction to the business model that continues to dominate the financial service industry.

This is the product-focused commission-based model that rewards the placement of client funds into various this or that fund. Our view, which we still adhere to, is that a better way to serve the needs of clients is to develop financial plans that are more bespoke, more holistic.

Our strength lies not just in creating tailor-made investment portfolios that sit comfortably with clients' circumstances, but in delivering financial plans that help clients achieve their life goals. Perhaps this explains why many of our catch-ups and portfolio review meetings end up being conversations about travel, or new endeavours.

That difference has clearly resonated, and it was with great pleasure that in February we could celebrate 10 years in business: the occasion, a well-attended celebration at Italia Square.

For us the sternest test came four years after we opened our doors: the months that followed the global financial crisis in late 2008. During that period our financial advice proved sound, and our avoidance of finance companies and CDOs (Collateralised Debt Obligations), certainly shielded our clients from the failures that littered the New Zealand investment landscape.

What has gratified us has been the wonderful vote of confidence from our clients. Because of our personalised and professional service, we get referrals from existing clients, accountants and solicitors and our business has grown through word of mouth without the need to advertise.

We very much value the trust you put in us. We are truly fortunate to work with a broad range of wonderful clients with a zest for life.

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Messages from clients

"I won't be able to make your 10 year celebration but I just wanted to say congratulations, I'm very glad you're in business and I'm your client!"

"Congratulations to Susanna & Deborah on their achievements of which they can be justly proud. My personal thanks to Susanna who has guided us with true professionalism."

"The ten years has gone by so fast. I always enjoy the experience of being in touch with all of you, each one of you are a credit to the business. It is a pleasure to work with honest and ethical individuals that you can place your trust in."

"Your success is amply demonstrated to us in what you have done for us Deborah and the integrity and care you bring to your role."

Here is the team who we rely and depend on, and makes our business sing - *from left to right: Donna, Tom, Vinay and Shahul (Kara not in attendance)*

Bad news, good news

Interest rates are extraordinarily low across the world. For example 10 year government bonds are yielding only 2.35% in Australia, 2% in the US, 1.5% in the UK, 0.18% in Germany and negative 0.09% in Switzerland which means, get this, you pay the bank instead of receiving interest.

In this context NZ government bond rates of 3.2% look good, but are meagre compared to the 6.5% per year we earned before the GFC.

This is bad news if you rely totally on interest income. Basically, if you want to boost overall returns the market is nudging you away from the perceived safe haven of fixed interest towards the choppier waters of shares and property.

Here's the good news: the outlook for both of these sectors is positive.

Journalist Greg Bright attended a Portfolio Construction Forum Market Summit last month and he summed up the 'consensus views on the day' as follows:

- That the US was still the big positive bet in asset allocation, despite some concerns about valuations
- That the Eurozone would remain in the doldrums for some time, whether or not it held together
- That China would continue to slow while remaining a strong long-term proposition
- That India was an exciting near-medium-term bet
- The rest of the emerging markets may be challenged by the rising dollar but are in a much stronger position to avoid 1997-style contagion this time around.
- Views on Japan were mixed-to-positive-to-very positive.

In other words there are sound prospects in the US, China, India and even Japan, while Europe looks more risky.

Locally we see the listed property sector continuing to generate steady income of 5% per annum after tax with property values supported by demand for premium commercial space.

And though New Zealand share market prices continue to increase, they are buoyed by positive economic conditions and forecast company earnings.

Australian shares have been sluggish but reacted well to the recent cut to official interest rates as well as a good profit reporting season and relatively strong earnings forecasts.

Pre-tax dividend income from shares is highest in NZ at around 6%, with Asia around 5%, Australia 4.5%, UK 3.5% and the US 2%. Alongside fixed interest investments, dividends provide a real boost to cash flow and they tend to increase each year as companies' profits increase. Add in potential capital gains and the outlook for net returns for portfolios remains on track, even though interest rates are so very low. Of course, more shares in portfolios may mean more short term ups and downs overall.

Tighter rules – expect a letter

New compliance legislation continues to sprout forth for the financial industry, some of it sensible, some of it merely prescriptive, and some of it mere revisions to existing rules.

There are now, however, tighter rules that prescribe how advisers must act if they have full discretion to invest clients' monies. This does not affect us as we always seek clients' approval to proceed with any investment decision.

The new regime however will enable us to streamline the way we get your sign off and we will be communicating directly to explain more.