



Financial Freedom

QUARTER 4 2012

NEWSLETTER

OUR SERVICES

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- Retirement planning
- Personal insurances
- Investments
- Employer group insurance schemes
- Health insurance
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The Only Sure Way to Pick a Winner

Get a group of investors together around the barbie or dinner table and you may well hear some pretty impressive stories. The modest investment in a technology start up company that, five years later, turned into a small fortune. The first home bought all those years ago for a few thousand dollars that now sits on the most expensive street in the city.

As a result, it's not unusual to wonder if these people have a special knack when it comes to investing. How do they come to hear the hot tips? Who do they socialise with that opens those magic doors? In short, what is it about them that enables them to pick an investment winner?

Interesting investment opportunities present themselves to us on an almost daily basis, directly or indirectly. Just a couple of weeks ago a small start-up company called Air Fuel Synthesis, based in Stockton-on-Tees, UK, grabbed international headlines with a revolutionary technology it says enables it to produce petrol simply using air and water. Impressively, this company claims to have actually made petrol with this technology, albeit only a small amount to date. Wouldn't it be amazing to own a piece of that company if it successfully commercialised on a major scale, no doubt being bought out by an energy giant at some point for a lip-smacking premium per share?

There has also been talk recently about the trend for large, established companies, run by executives well aware of the need for fresh energy and ideas, to hire a breed of people called 'intrepreneurs'. The difference between them and entrepreneurs is simply that they deploy their creative abilities and burning business zeal within an existing corporation. They benefit from the financial and other support that bedevils early start ups. The corporation benefits from an injection of the creativity and out of the box thinking that drives competitive advantage. While Air Fuel Synthesis appears to have a sound future, it is competing against major companies that are spending billions on similar and competing ideas. The question remains, which company will "win"

and which company will have a large bill for a failed experimental research project?

Where does this leave investors seeking a place to build their core wealth over the long term? We have long advocated a "three basket" approach to wealth management. The first basket contains assets that you should never place at risk - such as the family home. The second basket carries your long term wealth creating assets which need to be exposed to some level of risk in order to generate a return. The third basket contains discretionary assets you can afford to lose - and which you are therefore free to speculate in whatever company, property or collectible you feel may deliver a great return.

Our focus is on the second basket - investment rather than speculation. And the simple truth here is that no one can predict the future. Not a single broker, fund manager or investment guru can see what's coming. Start-up companies are fraught with difficulties. Today's investment cockerel can easily be tomorrow's feather duster because of difficulties with patents, performance or personalities.

The only sure way to pick an investment winner is to invest across the whole of the market. As far as possible have a small piece of every asset class across every market in the world. Whole of market investing not only helps insulate investors in downturns, it also benefits them on the way up. And it's the only sure way to pick a winner.

Article by Plan B Wealth Management



G3 Financial Freedom Editorial from the desk of Cathy Fletcher (G3 Office Manager)

Your Safety Comes First

With the media headlines having focused on Ross Asset Management and the possibility that Mr Ross was operating a Ponzi scheme we thought you might be a little interested in how things are done at G3 Financial Freedom Ltd.

When advising a client where to invest funds both the client and the financial adviser needs to consider many risk factors. Reading an Investment Statement should be one key thing investors and their advisers do. They need to consider carefully just how the investments will be safeguarded. We always give prospective investors an investment statement pertaining to our recommendation.

We take your trust and our responsibility very seriously. In addition to applying resources responsibly to investment research, our processes are engineered to provide transparency and independent verification of both investment results and positions.

What assurances do you have that your money has been deposited and invested as per your instruction?

The bank account your investment money goes into is independently held, by a Trustee company not G3 Financial Freedom Ltd, it's Directors or staff. G3 Financial Freedom Ltd undergoes an independent audit of client process and procedure. All our advisers are Authorised Financial Advisers (AFA's) and all are members of the Institute of Financial Advisers (IFA). We work to the highest fiduciary practices with one of our advisers being

an Accredited Investment Fiduciary (AIF) What does that word fiduciary mean? According to the Encarta Dictionary - English UK "relating to the relationship between a trustee and the person or body for whom the trustee acts".

"The concept of fiduciary duty has a long history: going back more or less eight centuries under English common law. Fiduciary duty is essentially a legal relationship of confidence or trust between two or more parties, most commonly a fiduciary or trustee and a principal or beneficiary, who justifiably reposes confidence, good faith, and reliance on his trustee. The fiduciary is expected to act at all times for the sole benefit and interests of the principal, with loyalty to those interests. A fiduciary must not put personal interests before that duty, and, importantly, must not be placed in a situation with a fiduciary duty to any other entity"

-John C. Bogle, founder of Vanguard Group
"No Man Can Serve Two Masters"

Our investment clients receive quarterly updates of their portfolios as a minimum and can request a balance or report anytime. We do not promise returns beyond the markets. You may have read that Ross Asset Management had told their investors they could receive a 30% return, which should have set off warning bells. When stock markets around the world are doing the roller coaster ride of ups and downs investors should expect that returns will reflect those ups and downs. Risk is intrinsically linked with return. If you have concerns ask questions after all it is your money.



It is better to look ahead and prepare than look back and regret

Jack Joyner-Kersee



Another year has come to a close. So many events mark 2012 which will probably stay with most of us. A few that come to mind are the Queen's Golden Jubilee, the Olympic Games, Prince Charles and Camilla's visit to NZ, Barack Obama 's re-election in the USA,, the Hobbit premiere in Wellington, the All Blacks being almost unbeaten this year. Tongariro erupting twice without calamity and plenty more both fun and exciting. It is great to be able to say "yes I was there, I saw it".

Have a wonderful, safe and happy Christmas. We can all look forward to what 2013 brings.

**Christmas and New Year
Office Hours**

Closed 5 pm Friday 21st December

Re-open 9am Monday 7th January

**If you require anything urgently please
phone Cathy 021 1772 990**

A - Z of Economics in 2012

Africa:

Increasingly being seen as the next India. By 2040 Africa's workforce should exceed China's and India's. It will apparently produce more oil than North America in the new year and should produce roughly 20% of global oil by 2020, up from less than 10% today.

Brazil:

Not all countries have to be austere. Brazil recently introduced tax-deductible boob jobs. Maybe it's good for tourism - apparently evidence of these tax deductions are abundant on Brazil's beaches.

China:

Now the world's largest exporter, they consume more cars than the Americans; they have the world's largest foreign exchange reserves at USD 2.4 trillion and they are nearly the world's largest economy. They have the world's largest army and they are significantly increasing naval and air forces. What next?

Dollar (US):

Influenced by a cocktail of negative factors, US Government finances are shot and the world has had it with the dollar. Almost two-thirds of China's reserves sit in dollars and they want out.

Euro:

Will it collapse or won't it? Basically, it's up to Germany, who are enjoying the euro as it is weaker than the Deutsche Mark would have been, thereby bolstering their exports. It's different for the Mediterranean countries who are struggling, they would love a weaker currency as it would save their economies, but if they went back to their old currencies and devalued, their debt - which is denominated in euros - would double overnight

France:

It is the second largest economy in the eurozone. What is so worrying about France? French banks are exposed to the troubled eurozone economies. France has abandoned austerity and is protecting its social model. President Hollande has generally favoured tax increases over spending cuts even with some of the highest tax rates in Europe. France has also avoided taking major steps to improve competitiveness with average wages in France among the highest in Europe. Higher labour costs make it difficult for companies to compete and create value, which is crucial to job creation with the unemployment rate now at 13 year highs of about 10%. Vive la France

Greece:

In Greece it appears paying tax was almost voluntary. Only fifteen people admit to earning over EUR 1 million, while according to tax returns the wealthiest suburb in Athens has 324 swimming pools, even though an aerial photo revealed 16,974! They retire too early and their pensions are too generous. They have been saved for the moment with another loan, but it will take public debt from 120% to 150% of GDP. over the long term.

Giving Greece another loan is tantamount to giving an alcoholic another drink - they may feel better over the short term but it's going to take a lot more to fix the problems

Home Loans:

Home lending in the US is at a quarter of 2003 levels, effectively back at 1993 levels. Roughly a quarter of all mortgages in the US are under water, ie you owe more on the house than it's worth - in Florida, that number is approximately 45%

Ireland:

Going to need all the help they can get. Ireland joined the Eurozone with German interest rate levels at roughly 2%. People borrowed every cent they could, fueling a massive property bubble. On top of that, Ireland pegged corporate tax at 12.5%, resulting in a massive influx of corporates. Unfortunately, all good things eventually come to an end - commercial property fell 69% and house prices halved. The youth are leaving as are all the Polish immigrants, further exacerbating the housing surplus.

Joint supply:

Not the drug kind! Some products or production processes have more than one use e.g cows - can provide both milk and meat. If farmers increase the number of cows they own in response to the increased demand for milk, they are also likely to increase, a little later, the supply of meat causing beef prices to fall.

Korea - North versus South:

Appears to be more about sabre rattling from north Korea in order to gain leverage for future negotiations with the West. Don't expect a significant escalation in hostilities, although with the Jong Il family one can never be sure.

Live Longer:

There are currently 1600 centenarians in Britain alone, four times as many as thirty years ago. The reasons include medical advances, improved nutrition and better housing. There will be approximately 6 women to every man over the age of a hundred - great if you are a man. The bottom line is: plan your financial affairs accordingly: this game could go into extra time.

Merkel:

The Germans have led a hard-working and prudent existence while the Mediterranean countries have been enjoying a siesta. As a result, Angela Merkel is annoyed and wants Greece to start selling islands! The future of the Eurozone effectively lies in her hands.

New Zealand:

A small dot on the world economic stage. The Lord of the rings trilogy and now the Hobbit trilogy is/will be made in New Zealand. The tourists will again flock here and spend their money seeing and doing so much of what we take for granted. We need more of made in New Zealand and more thought on buying New Zealand made.

Continued over



A ₁	B ₃	C ₃	D ₂		
E ₁	F ₄	G ₂	H ₄	I ₁	J ₈
K ₅	L ₁	M ₃	N ₁	O ₁	P ₃
Q ₁₀	R ₁	S ₁	T ₁	U ₁	V ₄
W ₄	X ₈	Y ₄	Z ₁₀		



*I am not young
enough to know
everything*

Oscar Wilde

A - Z of Economics in 2012 *continued*

**I'm going
to change
the world
and this is
my plan...**



*Turbulence is life
force. It's
opportunity. Let's
love turbulence and
use it for change.*

Ramsay Clark

Obama:

Re-elected after a tough race. Needs to get down to business and sort out the good ol' US of A. Maybe the Republicans will be more co-operative this time round. The fiscal cliff is looming.

Potugal, Italy, Ireland., Greece and Spain:

All had it too good for too long. They are going to have to cut wages, raise taxes, expect less from government, work harder and retire later. It's not going to be pleasant. We have already seen the start of the widespread riots across Europe in protest at the austerity measures going in place.

Quantitive Easing:

A politically correct term for money printing. Weakens the currency concerned, and strengthens everyone else. Expect more quantitative easing. In other words, it's not over yet.

Recovery:

Will it happen anytime soon? Don't expect it too! The IMF's (International Monetary Fund) chief economist says expect it to take a decade with the world economy not expected to be in good shape till 2018, it is going to be long, slow and hard.

Saving:

Anytime is the right time to start and the sooner the better. Yes, even now!

Takeover:

A type of corporate action in which an acquirer makes an offer to the target company's shareholders to buy the target company's shares in order to gain control of the business. Takeover bids can either be friendly or hostile. According to Margaret Bearsley, CEO of NZ regulator, the Takeovers Panel, there is currently renewed activity in the NZ market. Watch that space!

US Economy:

Starting to benefit from dollar weakness, thereby making their exports more competitive. Americans are also entrepreneurial by nature, so don't write them off. They will be back, but probably not as the world's only superpower.

Volatility:

Expect more and get used to it. The world is not fixed and while certain parts of the world will prosper, others will continue to threaten collapse.

What Should You Be Doing:

Interest rates will stay lower for longer. Watch out for bubbles and make sure you're diversified. Steady nerves will be helpful. It's going to be tricky going forward.

Xchange Rates:

There will never be a consensus on this so that everyone is happy. If the NZ dollar is high the exporters fret, if it's low the consumers pay more for petrol and other imported goods. NZ is at the mercy of how safe our NZ dollar is perceived by overseas investors. We'll just have to get used to it.

Yuan:

Artificially managed, kept low to keep the Chinese export dream alive. Impossible to compete against and they ignore American requests to allow the yuan to strengthen according to what the markets dictate.

Zeeland:

Where New Zealand was named after. Zeeland is part of Denmark and includes Copenhagen, the capital of Denmark. Zeeland is quite flat with the highest point being 120 metres above sea level. - not a lot like New Zealand after all. No mountains means it's great for bicycling and walking .. Zeeland is working towards changing over to a bio based economy. An economy in which fossil fuels are gradually replaced by green materials. Something New Zealand could aspire to, perhaps.

This article is opinion and comment only and does not in any way constitute or amount to financial advice.

G3 Financial Freedom Ltd



**G3 FINANCIAL
FREEDOM**
Goals + Guidance = Growth

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G3 Financial Freedom Ltd - We Make Every Day Count

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We are a group of Certified Financial Planners, Chartered Life Underwriters, Accredited Investment Fiduciaries and we are all Authorised Financial Advisers. Talk to us about your financial future now. It is never too late to begin.

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