MUIRFIELD FINANCIAL SERVICES
NEWSLETTER
20th Anniversary Summer Edition

In this issue …

Reflections …. 20 years in Financial Planning

I'm not sure about you, but I have difficulty in getting started when writing a report or letter. The stars need to be aligned and the mood right! However after 20 years in financial planning I thought a few reflections may be of interest.

When I started in 1989, superannuation, outside the government sector, was very limited. Financial planners virtually non-existent. I was convinced, however, that superannuation was crucial for a secure financial future. If I was to change career I had to believe, and I did, in the tax benefits of super and the need for the 'baby boomers' to save for their retirement. Governments also committed to the growth of super via the compulsory superannuation guarantee; initially 3% of salary and now 9%. My background was Commerce teaching - listening and educating came naturally. A career change was born.

In my first years I conducted seminars for public servants on the changes to their superannuation schemes. They were complex schemes and very little information was available to fund members. From those seminars, people who felt their superannuation would be insufficient approached me for 'top up' super, or if they were close to retirement, sought my advice on what to do with their superannuation payout.

In the mid 1990's the State and to a lesser extent the Federal governments privatized and downsized many of their departments. What a pity so few financial planners understood the State Super Scheme – I was very busy!! They say 'knowledge is power' and government employees from around the State were referred to MFS, for information. The early to mid 90's were a busy and exciting time at MFS and investment markets were going well for clients.

The Asian currency crisis was a small hiccup in 1997, but the pace of growth accelerated through to the 'Tech boom' of 2000. Fortunes were being made - then overnight it went bust. Smoke and mirrors on the technology front!

From 2003 to Nov 2007, investment returns were double digit. The good times were rolling. A pity they went downhill from there! For the next 18 months the share market 'retreated' and regrettably so did your account balances. It was in this period that we were fortunate to make some good investment choices for you. Despite the share market falling more than 50%, we chose 4 share funds, that whilst falling, did not incur anywhere near these losses. We had reduced portfolio exposure to the property sector and by using 12 month term deposits locked in some good rates of interest. Whilst you did not avoid the global financial crisis, your investments certainly fared better than most. No margin lending or margin calls and no 'agri business' products, like Timbercorp, meant we could at least sleep at night.

So here we are today, 9 months into a share market recovery and haven't spirits lifted! There is, quite reasonably, still some trepidation as to the future but the sharemarket is up 50% from the March 2009 low point, and the September quarter showed the best percentage rise since 1987. Funny how it can fall 50% but a rise of 50% only gets you half way back! What next for Australia's sharemarket? Where is the crystal ball?

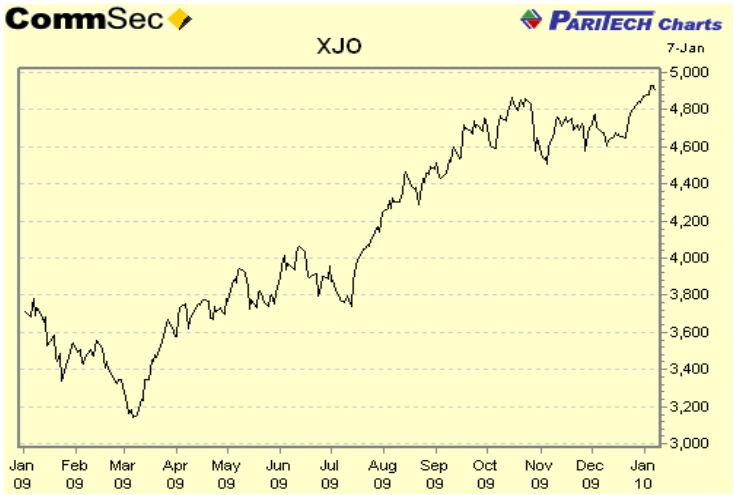
Whatever the share markets of the world do, we will continue to strive to provide you with the best service, technical advice, tax planning and investment choices in your quest to live the lifestyle you desire.

Put simply, I love my job and enjoy the relationships formed with you over these past 20 years. So too do our staff. We choose our staff on the basis of their character and ability to work in our team – the rest we can teach.

Thank you for your support of MFS and may there be many more happy returns for us all in the next 20 years.

Australian Sharemarket 2009:

The July to September 30 quarter has seen the largest quarterly rise in the sharemarket ASX since 1987!



Are you connected?

To make it easy for you to access your account balance at any time, we can arrange for you to have online account access (password and pin number). You can then simply log in to your account at any time to view your portfolio via our website. It is an easy process and we are happy to assist if you need help in getting it set up.

We now have more than 60% of our clients with internet and email access. This makes communicating with you much quicker and easier. If you have a new email address, please let us know.

General advice disclaimer for publication: Section 945 of the Corporations act requires advisers to obtain information from clients before making recommendations. This publication can only make general recommendations and cannot take into account each person's individual circumstances, Reliance is NOT to be placed upon recommendations in this publication without references to your adviser.

Newsletter Survey

In December we emailed a questionnaire to clients regarding our newsletter. We had an excellent reply rate. Typically surveys get less than a 5% response rate so when we achieved a near 20% response at this busy time it was most pleasing – thank you.

Even more pleasing was the feedback.

- 99% like getting the newsletter with 72% reading it and 27% glancing at it.
- 95% thought the content was interesting and informative.
- 15% thought the newsletter was a bit crowded.

After a difficult 2 years we were thrilled to see that more than 80% of respondees rated our service at 8, 9 or 10 on a scale of 1-10 as you can see below:

Shares in 2009 – The Magnificent Seven

A recent Age article (copy on our website and via http://www.theage.com.au/business/fund-not-super-invoke-the-magnificent-seven-20091211-koog.html) outlined the performance of the sharemarket in the year to December 12. The journalist states …"the ASX 200 has grown by 24.6%." He continues … "Many with self managed super funds may question why their shares had not produced the same performance". … "The truth is that if you outperformed the market this year, you are a certified hero and in the minority…"

The article goes on ..."The market may have been up 24.6 per cent but to have matched the market this year you had to hold a small group of stocks that have completely dominated the calculation of the Australian indices. The Magnificent Seven (seven biggest contributors to the ASX 200 Index calculations) have accounted for 75 per cent of the ASX 200's rise this year. If you didn't fluke the Magnificent Seven stocks (the four banks, BHP, Rio and Wesfarmers) the ASX 200 Index is up only 6.15 per cent this year, not 24.6 per cent."

In response to this, our Research committee analyzed the performance of the 4 Australian share funds we include in client portfolios and then identified what the major holdings are in those portfolios that we manage for you.

It is very pleasing to report on the performance of our preferred 4 funds in the 12 months to November 30:

- Aviva Investors High Growth Share Trust 41.62%
- Perennial Value Shares 45.31%
- Perpetual Industrial Share fund 35.67%
- AFI 37.37%

This is well above the performance of the sharemarket due to excellent stock selection in the above funds. As you would expect, the percentage of the fund held in the Magnificent Seven was significant.

Clearly the fund managers got it right; it's what they are paid to do. On average the Magnificent Seven comprised 46% of your share holdings in our 4 preferred funds from a selection of over 200 shares.

BHP	11.8%	CBA	7.2%	NAB	6.8%	WBC	6.8%
ANZ	4.8%	RIO	4.6%	WES	4.0%	**TOTAL**	**46%**

We are very pleased with the funds we have chosen for your portfolios and in turn the performance they have generated.

It helps to explain why our client portfolios (which include a diversified mix of shares, property and cash) have recovered quicker than most.

Muirfield Funds and VicSuper

Performance figures for the previous financial year (and to cover the more recent months) the 12 months to 30 November 2009 of our Balanced and Growth funds compared to that of the VicSuper Balanced and Growth (their default) funds are as follows:

July 1 2008 – June 30 2009

	VicSuper	Muirfield FS	Muirfield FS Outperformance
Balanced	- 10.66%	- 7.4%	**3.26%**
Growth	- 16.99%	- 13.6%	**3.39%**

Dec 1 2008 – Nov 30, 2009

	VicSuper	Muirfield FS	Muirfield FS Outperformance
Balanced	+ 5.05%	+ 9.31%	**4.26%**
Growth	+ 9.75%	+16.12%	**6.37%**

What is important to note is that the returns of both funds are after fees have been deducted. MFS returns include the fee we charge for our broad financial planning advice and the cost of your portfolio administration. VicSuper returns do not include advice costs. We believe the value of advice is crucial to your financial well being and allows you to get on with enjoying your life and retirement.

On this occasion we will take the comparison to Vicsuper and will accept the comment of the author of the Age article when he said "……if you outperformed the market this year, you are a certified hero and in the minority…"

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