



From Pete's Desk



"I still have an increasingly higher level of conviction that "winds of change" are pending ..."

Looking over last year's Christmas newsletter I see that we were about to go into upgrading of the building. It went off without a hitch and not too much disruption and it is comforting to know that it is up to earthquake standard, though I still wonder if something like Christchurch struck again would the new building regulations do anything to protect us!?

Lynne and I have been on our own in the office coming up 5 months now. I was hoping to be able to advise you of some change in structure/personnel but at this stage it is still a work in progress. Rest assured that we are able to continue the same level of service, the only disruption at this point is that we close the office over the lunch-hour.

It has again been another eventful and time pressured year. From a personal level life (and time) seems to be ever speeding up—or is this just a sign of age! From a market perspective another good year for returns and despite me being in a defensive attitude and mode, performance continues strongly. We have now enjoyed a decade of positive returns, all be it with a bit more volatility, quarter by quarter, than in previous times. I still have an increasingly higher level of

conviction that "winds of change" are pending so no change in that defensive / sceptic view for 2018.

Lynne and I are looking forward to the break; we have our daughter and her family staying with us over the holidays so that will be a lovely catch up. Being young they have committed themselves to be out of their current home on the 19th Dec, move into their new home on the 21st Dec. and be down here by the 22nd Dec. I'm breathless just thinking about it!

Just to give you a "heads-up" I will be out of the office for a week in February attending a PIA Conference and a family wedding. Lynne will be in the office until the Friday but phones will be to my mobile while office is closed.

Once again I would like to take this opportunity to thank you all for allowing me to work with you to achieve your financial goals and I look forward to seeing you all in the New Year to hear how your festive season has been spent amongst family and friends.

Inside this issue:

Peter's Desk	1
Cryptocurrencies	2
Institutional Model	3
Season Greetings	4
Reminders	4
Holiday Hours	4



Cryptocurrencies a Pocket Bubble?

Article by Devon Funds Management

Over the past 30 years we have seen extreme asset pricing bubbles occur on a number of occasions. In the late 1980's it was NZ equities and Japanese property. In the 1990's it was Asian property and anything to do with technology shares, while in the 2000's it was US property and financial assets. When we look at broad equity markets today, there are some commentators who believe that 10 years of historically low interest rates and central banks flooding the system with money has resulted in investor exuberance which has led to irrational pricing across the board. While we do not subscribe to this view, we do believe that increased caution by investors is sensible. The current bull market in global stock is now into its ninth year (the second longest in history) and what concerns us is that we are seeing some clear signs of "bubble-type behaviour".

To demonstrate the point, one of the most interesting illustrations that we can see today of extreme investor behaviour is in the world of cryptocurrencies. Recently it appears that almost every day the financial press has been highlighting the fact that the price of Bitcoin has hit a new high. This year alone it has rallied by more than 500% and is today trading at above US\$6,300 / btc (Bitcoin was valued at US\$1 in April 2011). So if you bought \$10,000 of bitcoins in April 2011, that holding would now be worth \$63 million. Currently there are over 1,000 types of cryptocurrencies, with a combined value of over US\$82bn. Although the most common of these new currencies are Bitcoin and Ethereum, there are new "tokens" being released every week and the companies associated with them are flourishing as they raise new funds in the "Initial Coin Offering (ICO's)" market. Although investors are committing hundreds of millions of dollars to these ICO's, these businesses are typically backed by nothing, own nothing and shareholder rights are almost non-existent.

A great example of the apparent madness in this space was the performance of Bioptix Inc., a manufacturer of diagnostic machinery for the biotech industry.

After simply announcing that the company decided to change its name to Riot Blockchain and begin acquiring cryptocurrencies, the company's stock price jumped by over 50% in the days preceding the change!

We are huge advocates of technological disruption at Devon and believe that in the future alternative currencies will play a valid role in commerce but the current broad-based hype in this area is a red flag.

The main questions I have are; will they become a legitimate currency and secondly; how can they possibly have risen 6,000% per unit? As far as bubbles go; Bitcoin is now second only to the Tulip Bubble (1619 to 1622) and we all know where that ended. There is talk that cryptocurrency will go mainstream but we are hearing that some central banks are planning to ban cryptocurrencies next year, although Japan is considering allowing Bitcoin as legal tender. From what I have read and investigated it is relatively easy to buy but I am not certain that it can just as easily be converted back to real currency. Block-chain technology, behind cryptocurrency, appears to be a genuine thing but the trading activity appears to be making some spectacular value out of absolutely nothing. Furthermore it seems all the dark side of the world lives here, so is it a moral hazard as well? In my view currently it is pure speculation and another example of the "maddening of the crowds".

Peter



As I have mentioned in earlier correspondence; Personal Investment Centre Ltd is a member of Professional Investment Associates (PIA) which is a group of independent financial planners and investment advisers sharing resources; predominantly relating to fundamental asset allocation development, investment selection and regulatory compliance.

There are now 11 member companies, spread throughout New Zealand, and each firm shares several common attributes which set us somewhat apart from other financial planning and investment advisory firms. All members of PIA are: registered with the Financial Markets Authority as Authorised Financial Advisers (AFA), members of the Institute of Financial Advisers and most hold the designation of "Certified Financial Planner CFP^{cm}". The CFP mark is a world standard for financial planning professionals and it means you can be confident that your Adviser has the experience, education, and knowledge to ensure you receive professional and competent advice. All members manage client investment portfolios through the Aegis Administration System, part of the ASB Bank group. Due to our status as Foundation Members of Aegis in 1997/98 and our combined funds under management PIA has been able to negotiate a special fee for their clients. This will, however, also involve us moving to a new model – the "Institutional Model" which means that we will require you to sign a new/replacement contract with Personal Investment Centre.

Previously you have had two contracts, one with ICSL/Aegis (the Custodian and Administrator) and one with Personal Investment Centre but this has been simplified so that Personal Investment Centre will have the contract with ICSL/Aegis and you will have a contract only with Personal Investment Centre.

Assuming that you will all want to take advantage of the lower fees and streamlined functionality; we have negotiated with Aegis that once an office is signed over to the institutional model all of our clients will get the new rates at that point and we will then have a time-frame to get new contracts signed.

Once the institutional model is in place for your portfolio you will be able to email or text your confirmation of recommendations made, rather than having to sign a Transaction Authority Form (taf) and either scan and email or post back to us, so a much quicker turn-around time is anticipated than at present. We have certainly noticed a slow-up in the postal service– having been told by postal staff not to bother checking our post box on a Tuesday as no mail is sorted on Monday. I'm sure you are noticing it at home too with only every second day delivery now. Seems NZ Post are moving towards parcel post only.

I will be contacting you in the New Year to come in and chat with me about the new model and presenting and explaining the new contract, if in the meantime you have any questions please do not hesitate to contact me.



Christmas isn't a Season.
It's a feeling.
--Edna Ferber



**MERRY CHRISTMAS
AND A
HAPPY AND PROSPEROUS
NEW YEAR
FROM THE PERSONAL
INVESTMENT CENTRE TEAM**

A handwritten signature in black ink, appearing to be 'G. A.' with a flourish.

A handwritten signature in black ink, appearing to be 'Lyne' with a flourish.



 **PERSONAL
INVESTMENT CENTRE**

97 Rangitikei St, Palmerston North 4410 P O Box 448, Palmerston North 4440
Ph.: 06 354 7900 Fax: 06 354 9950 Email: admin@investcentre.co.nz

*The information contained in this newsletter is of a general nature and is not intended as a substitute for professional advice. It should be used as a guide only.
A Disclosure Statement is available on request at no charge.*

Personal Changes

Our usual end of year reminders....

It is important that you advise us if you:

- ⇒ **Change your bank account**
- ⇒ **Change your address**
- ⇒ **Change your Will or set up EPA's**
- ⇒ **Change your Trustee**
- ⇒ **Change your email address**
- ⇒ **Have any other changes in your life that may relate to ownership structure or strategy**

Bank account and address/email changes are obviously important to ensure that withdrawals and correspondence get to the right place but it is also important if you change your Will or Estate structure. This could mean that your investments may need to be set up differently i.e. if you set up a Tenants in Common structure or a Trust structure. Our recommendation would be "if in doubt—give us a call" to ensure your portfolio meets current requirements.

HOLIDAY HOURS

The office will close at lunchtime on:

Friday, 22nd December 2017

And re-open on

Monday, 15th January 2018

We will remain available to some extent through this period - at work as needed - so if there is anything urgent please phone: 0272 464 061

