



Personal Financial Security & Wealth Management

Session 1



ORDER OF PRESENTATIONS

Session One

- Introductions - Adam Fenech
- Economic Update - Nathan Wingti
- Investing in Shares - Vera Saisagu
- Financial Security, Investments & Portfolio Management - Judah Waffi
- Q&A - Adam Fenech

Disclaimer

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What is wealth?

What is wealth?

- “an abundance of valuable possessions or money”

What is wealth management?

What is wealth management?

- Wealth management combines:
 - financial planning,
 - specialised financial services, including personal banking services,
 - investment management services.

What is the goal of wealth management?

What is the goal of wealth management?

- sustain and grow long-term wealth

What do wealth managers do?

What do wealth managers do?

- Help individuals, couples and organisations at any stage in their life, to create and implement plans to accumulate, grow, protect, enjoy and handover their wealth.

How?

How?

- **Accumulate:** Money Management
- **Grow:** Investments
- **Protect:** Risk Mgmt (Insurance)
- **Enjoy:** Goals / Retirement planning
- **Handover:** Estate planning & Philanthropy

Does one plan fit everyone?

Does one plan fit everyone?

- “No”

Does one plan fit everyone?

- “No”
- Why?

Does one plan fit everyone?

- Everyone is different

Does one plan fit everyone?

- Everyone is different

- Different needs, wants, aspirations
- Different stages of life
- Different tolerance for risk
- The economy impacts us in different ways



ECONOMIC UPDATE

Nathan Wingti

Head of Treasury



PNG Macro Outlook

MARKET OUTLOOK (6 MONTHS)

	Current Measure	Previous View	Current View
PNG Macro Environment			
Real GDP Growth (2018 Forecast) <i>Source: 2018 Budget</i>	2.2%	↓	↓
Inflation (actual 2017) <i>Source: Dec'17 CPI, NSO</i>	4.7%	↑	↑
PGK/USD	0.3075	↓	↓
PGK/AUD	0.3980	↓	↓

- For 2018 we maintain a flat to downward GDP growth profile, despite the Government's expansionary fiscal policy, as revenue and debt raising challenges will persist.
- Key emerging risk to 2018 GDP is the impact of the Earthquake on LNG and related projects. LNG accounts for 16% of GDP.
- Domestic consumption remains weak and limited access to foreign currency continues to hamper businesses ability to generate growth. Whilst the start of the coffee season will provide additional dollars to the market in the short term, this may be mostly offset by lower LNG and related project production inflows due to the Earthquake.
- Hence, we expect the PNG Kina to maintain it's recent downward trend over the year.
- Depreciating currency combined with the anticipated increase in import tariffs and excise rates in the 2018 budget supports our view that inflation will increase to over 6.6% in the next 6 to 12 months.

Moody's Ratings Review

	Previous	Current
Rating	B2	B2
Outlook	Stable	Negative

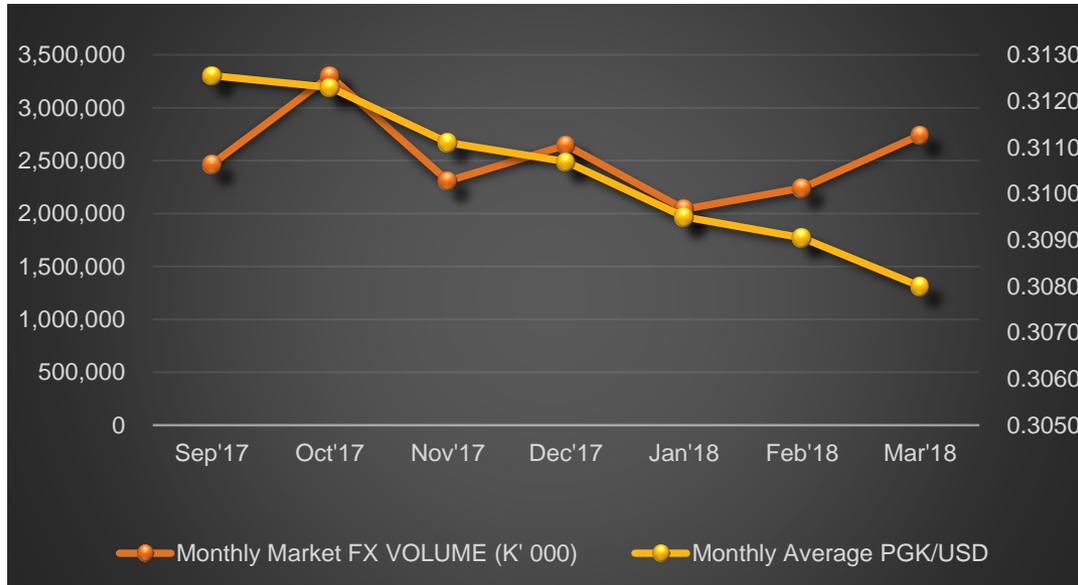
Key Issue:

- Concerns over Government funding capacity and over-reliance on short term domestic debt leading to heightened refinance risks.

Key Credit Considerations:

- Earthquake impact on the economy:
 - Fiscal : Govt disbursement of K450m (0.6% of GDP) of disaster relief and reconstruction. Subsidisation by donors and corporate sector will assist to some extent.
 - Balance of Payments : LNG which accounts for 16% of GDP currently in production shutdown and damaged facilities will take time to repair. Flow on effects to Porgera and Kutubu production will also impact.
- 2018 GDP Growth Forecast : as a result , Moody's have reduced 2018 GDP growth forecast from 3% to 0.5%.

FX Volumes and Outlook



- Official PGK rate has declined gradually to 0.3075 now.
- Market volumes have picked up after the seasonal January lows, however, total volumes for Q1 are K436m (6%) lower than Q1 2017.
- Whilst we expect Earthquake related production slow downs will impact dollar inflows going forward, the coffee season will now help offset the impact rather than add to overall supply of dollars.

The background features a series of thick, wavy, concentric lines in shades of red and orange, creating a dynamic, swirling pattern. The lines are layered, with some appearing more prominent than others, giving a sense of depth and movement.

THANK YOU



Introduction to Shares & Stock Markets

Vera Saisagu

Stockbroker



Agenda

- What is the stock market
- Port Moresby Stock Exchange
- Stockbroker's role and services
- What is a share
- Types of shares
- Benefits & risks of investing in shares
- Buying and selling shares
- Getting ready to invest in shares
- Questions to ask your advisor/broker

What is the Stock Market

It is a place where buyers and sellers come together to work out a price for something by bidding for it.

The Port Moresby Stock Exchange (Abbrev. POMSoX) is the principle stock exchange of Papua New Guinea. It is responsible for running and maintaining the independent operations of the stock market in the country.

POM Stock Exchange Roles & Functions

- Meet two basic and complementary needs:
 1. *Business need for funds*
 2. *Desire to invest savings efficiently*
- Mechanism for investors
- Acts to promote fair trading
- Self regulatory organization

Stockbroker's Role & Services

- What is a stockbroker?
- what does stockbrokers do?
 - Advice
 - Tailored Investment Plans
 - Planning, Implementation, and Monitoring
 - Research
 - Corporate advice & services

Types of Stockbrokers

- Advisory broker (full service)
- Non-advisory broker (discount)
 - Phone non-advisory
 - Internet non-advisory

What is a share?

- A share is a unit of ownership in a company, which can be offered for sale to investors
- When you buy shares in a company, you own part of that company
- Company benefits by raising funds (CAPITAL)

Types of shares

- Ordinary shares
- Preference shares
- Contributing shares
- Bonus issue
- Rights issue

Benefits & Risks of Investing in Shares

What is the expected return?

- Capital Growth
- Dividend
- Liquidity
- Diversification
- Shareholder Benefit

How Risky are Shares

- Buying into shares is a risky business.
- Share prices fluctuate
- In the event of bankruptcy ordinary share holders rank last & get paid last depending if there funds available to be paid.
- Higher RISK = Potential Higher Return

Buying Shares

2 Ways you can buy shares:

- Buying shares in a float
- Buying existing shares on the Stock Exchange

How to buy shares:

- Fill In application form
- Write Authority for your advisor to act upon
- Deposit amount and photocopy before adding to application

Selling Shares

How to Sell shares:

- Fill In application form
- Write Authority for your advisor to act upon
- Paying and settling

Interpreting Market Data (POMSox market report)

POMSoX TRADE REPORT			
14.05.2018			
CODE	BID	OFFER	LAST
BSP	9.82	-	9.83
CCP	-	1.49	1.50
CGA	-	-	0.12
COY	-	-	0.05
CPL	-	0.65	0.66
HIG	-	-	0.20
KAM	-	0.89	0.94
KPL	-	0.40	0.30
KSL	2.46	-	2.46
NCM	52.00	-	53.00
NGP	-	0.66	0.65
NIU	-	-	0.02
OSH	19.00	25.50	19.00
SST	-	-	5.00
Total			
CODE	BID	OFFER	LAST
BSPH			
A	25,000.00	-	25,100.00

Getting ready to invest in shares

- Questions to ask
 - What do you want to achieve from your investments?
 - Do you want return in form of INCOME or CAPITAL GROWTH?
 - What are you prepared to RISK in your investment for your RETURN?
 - Do you need additional SECURITY?

Questions to ask your broker

- What type of service do you provide?
- How do you charge for your services?
- How will you inform me of new sharemarket opportunities?
- Will I receive a newsletter or any other regular information?
- Do you conduct client seminars?
- Are you and your firm associated with any companies whose products are recommended by you?
- What research facilities does your firm make use of?

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THANK YOU



Financial Security, Investments & Portfolio Management

Judah Waffi

Manager Wealth

Content

- Financial Security
- Investing for Financial Security
- Asset Classes
- Investment Returns
- Risk
- Financial Planning
- Portfolio Management

Financial Security

the peace of mind you feel when you aren't worried about your income being enough to cover your expenses



FINANCIAL FREEDOM

having a constant income stream to cover emergencies and your future financial goals even after you retire

Investing for Financial Security

Investment Asset: tangible or intangible items obtained for producing additional income or held for speculation in anticipation of a future increase in value.

Financial assets are usually more liquid than other tangible assets, such as commodities or real estate, and may be traded on financial markets.

Investing: act of committing money or capital to an endeavor with the expectation of obtaining an additional income or profit

Investing grows your financial assets

Investment Asset Classes

1. Cash
2. Shares
3. Fixed Interest
4. Property



Asset Class - Cash

- Held as a “Buffer”
- Used to balance investments
- Usually up to 15% of your portfolio
- Also used as the starting point or the place to Park your investments
- Often called the “Money Market” (Short Term Debt ie : IBDs & Treasury Bills)



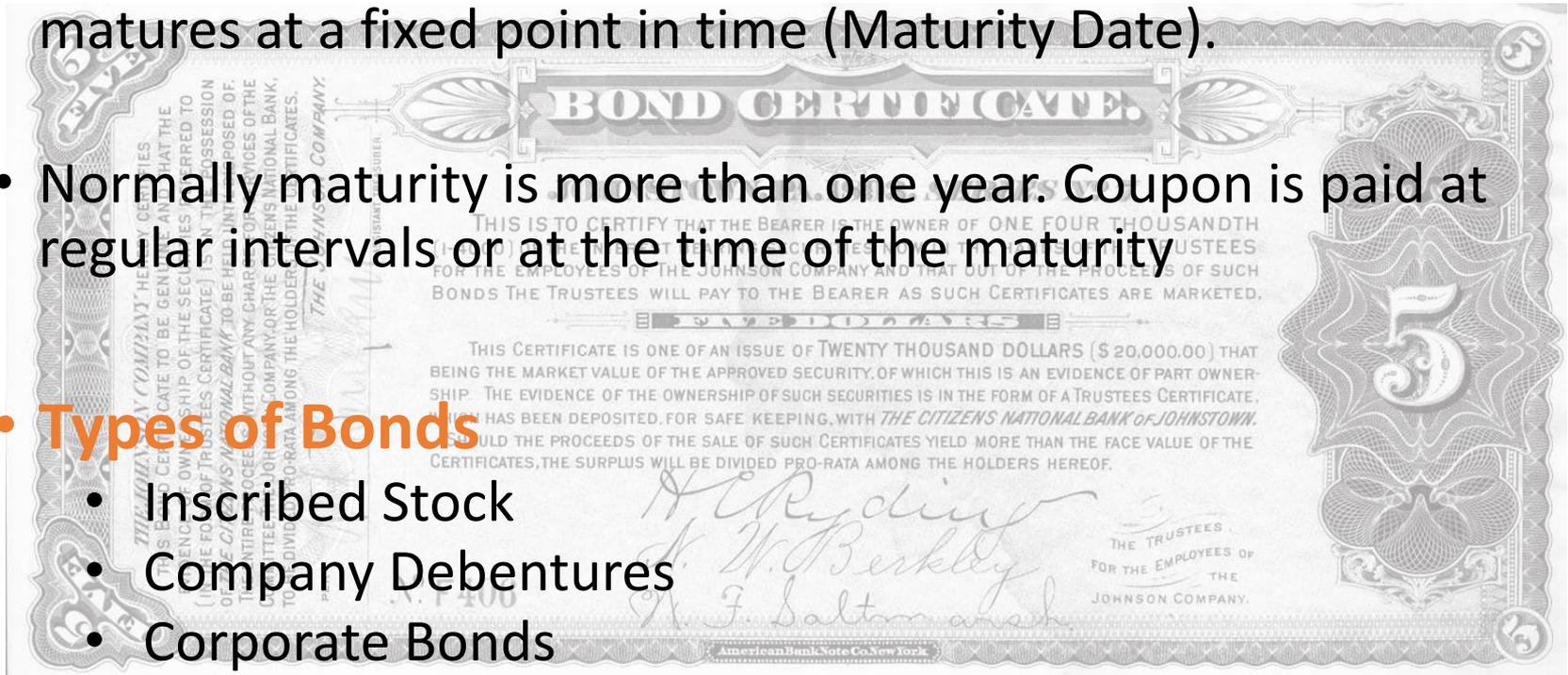
Asset Class – Fixed Interest

- An asset that pays a fixed rate of interest (Coupon) and matures at a fixed point in time (Maturity Date).

- Normally maturity is more than one year. Coupon is paid at regular intervals or at the time of the maturity

- **Types of Bonds**

- Inscribed Stock
- Company Debentures
- Corporate Bonds
- Floating Rate Notes



Asset Class - Shares

- Definition – Basic Unit ownership of a Company
- Provide income in form of “Dividends”
- Provide Capital Growth
- Easily converted into Cash when traded on Stock Market
- Diversity can be obtained by investing in market sectors, and markets worldwide

Asset Class – Property

Types of Property Investment:

- **Direct Property Investment**

- Personal Home Ownership
- Investment House or Units
- Smaller Commercial, Industrial or Retail Property

- **Indirect Property Investment**

- Listed Property Trust eg.
- Unlisted Property Trusts, eg. Pacific Property Trust
- Diversified Superfunds with Property components, eg. NASFUND

Asset Class – Property

Advantages & Disadvantages

- **Direct Property Investments**

- **Advantages**

- Investor Control

- **Disadvantages**

- Difficulty in spreading the risk
- Lower Liquidity
- Not readily Marketable

- **Indirect Property Investments**

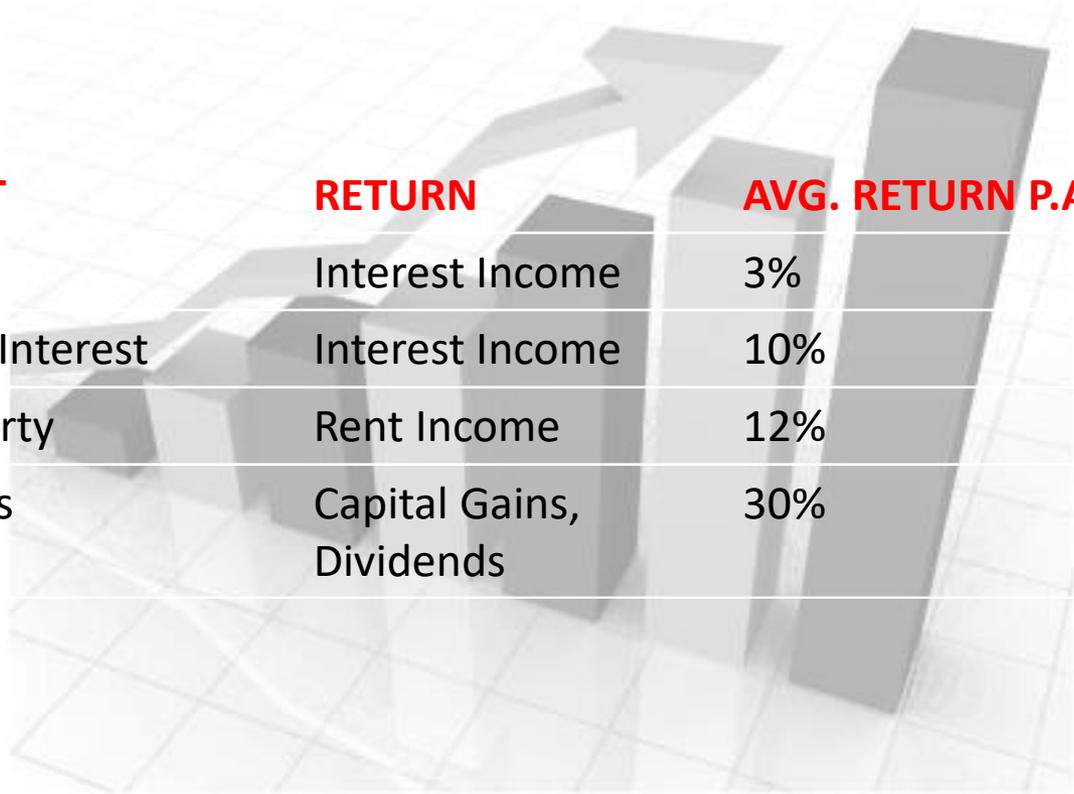
- **Advantages**

- Access to own Property

- **Disadvantages**

- Fluctuations on the Shares market for Listed Property Trusts
- Susceptible to Valuer's judgements for Unlisted Property Trusts

Investment Returns



ASSET	RETURN	AVG. RETURN P.A
Cash	Interest Income	3%
Fixed Interest	Interest Income	10%
Property	Rent Income	12%
Shares	Capital Gains, Dividends	30%

Returns – Simple vs Compound

- **Simple Interest** - The interest paid on the initial investment alone
 - the one-off return on your investment over each time period
- **Compound Interest** - A method of interest calculation where, in each period, interest is calculated on both the principal and interest previously earned
 - the total return you earn when you reinvest your return on capital plus the principle investment asset repeatedly over the course of several time periods

Power of Compounding

- Described by Albert Einstein as

“The most powerful force in the Universe”



- Given any rate of return, Compounding multiplies the growth of this investment sum exponentially (over time)
- Compounding is a good strategy to ensure higher returns on your investment in a given period of time

Risk

- In investment, risk is “ the variability of income returns, capital returns and the combined result in capital movement”
- Most are concerned with “Downside Risk” – the risk of return being lower than expected
- Upside Risk – uncertain possibility of a positive return
- 3 Main risks associated with investing
 - Value of Capital is lost (loss of capital)
 - Level of Income from investment declines or is lost
 - Return on investment may not keep pace with inflation

Understanding Risk

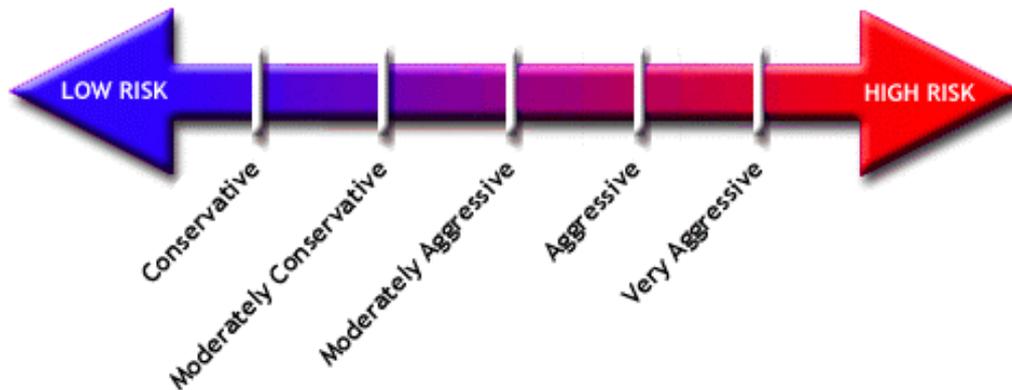
- Three examples of Investment Risk
 - **General Market Risk** – Overall risk of broad range of investments
 - **Market Sector Risk** – Particular Sector of the Market (e.g. Property Market)
 - **Specific Risk** – Performance of a particular asset you have invested in. (e.g. Facebook Shares)
- Risk Premium – Additional Return on an investment to compensate for uncertainty
- Risk Reward Trade Off



The Higher the possible Reward, the Higher the risk of not receiving it.

Remember to consider the length of time you will be investing, as long term Investments do have short term fluctuations!

Risk Profile



Know Your Risk Profile

- Two investors are never exactly the same.
- An investor's Risk Profile plays a huge part in investment decision-making

What is your Investment Profile?

- Conservative
- Moderate
- Balanced
- Growth
- High Growth

Financial Plan

- **Determine your Needs & Objectives**

What do you need to save for? Retirement, A Car, Deposit for a House, School Fees?

Create a budget to work out your SAVINGS CAPACITY (How much can you afford to contribute regularly to Savings)

- **Matching to avoid conflicts**

- Example. You need High Income and Liquidity, but desire maximum growth
- Example. You desire long-term growth, but may need access to the funds shortly
- Example. You need too much income from too little assets

- **Current Portfolio.**

- Does it match your Risk Profile?

Financial Position

- **Assets and Income**

- What is your regular income?
- What assets do you have that can generate income? Utilise them.
- What do you have that is costing you more to maintain? Sell it.

- **Liabilities and Outgoings**

- What are your usual expenses?
- Do you have any debts? How much are they?
- Have a debt repayment plan

- **Tax Profile**

- How much tax are you paying and will it affect your goals? See a qualified tax consultant for advice

Asset Allocation

- In Determining a portfolio you create an appropriate asset allocation that suits your risk profile
- Factors to consider:
 - Risk v Return
 - Diversification
 - Strategic v Tactical Asset Allocation

Asset Allocation by Risk Profile

- Here is an example:

(Example Only)	Conservative	Moderate	Balanced	Growth	High Growth
Shares	10%	22%	33%	41%	50%
Int Shares	10%	18%	29%	40%	50%
Property	10%	10%	10%	4%	0%
Fixed Interest	20%	15%	10%	5%	0%
Int Fixed Interest	25%	25%	15%	10%	10%
Cash	25%	10%	3%	0%	0%



VS



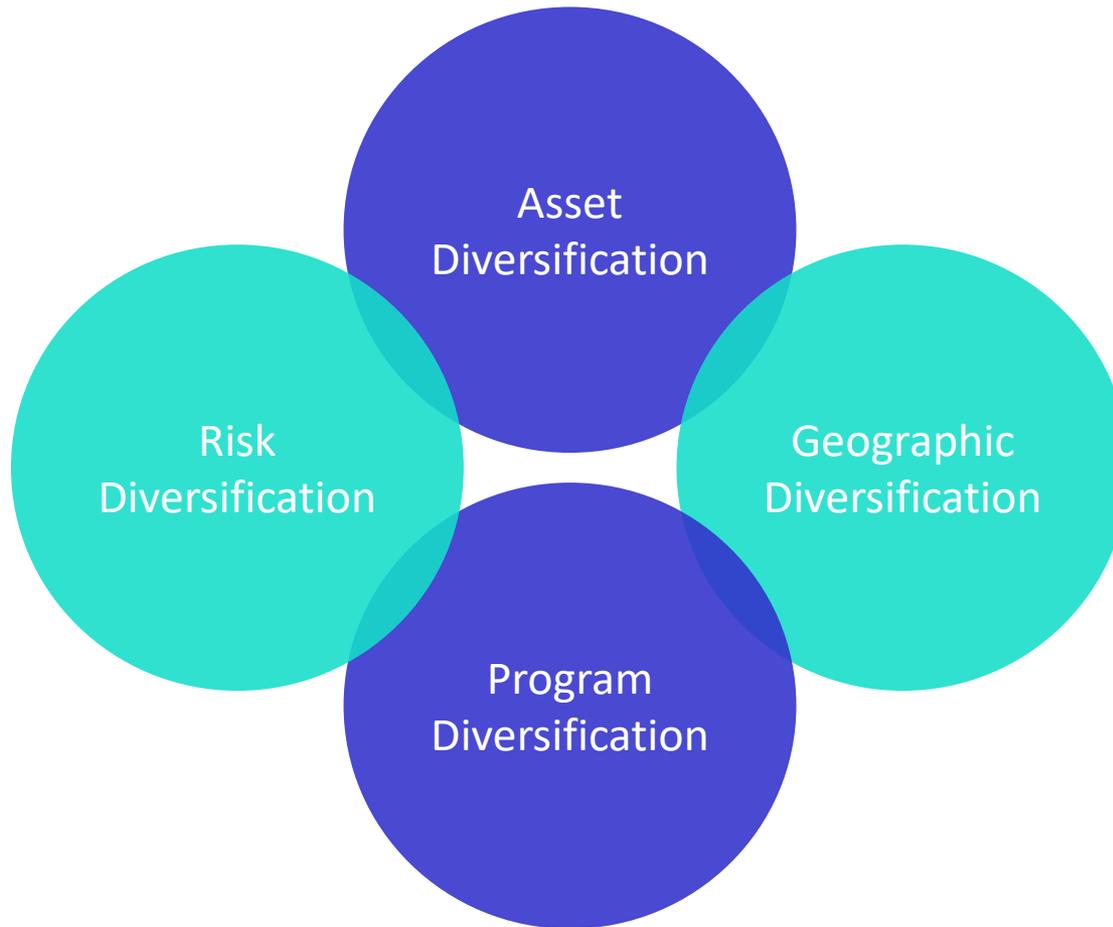
Diversification

- Most important means of managing investment risk
- Spreading risk over a range of assets or “Don’t put all your eggs in one basket!”
- Diversification is dependant on your Risk Profile
- **Underlying Justification: It is unlikely that all asset classes will perform badly all at once**

Diversification

- Methods
 - Across Asset Classes
 - Investing in Shares, Property, Cash, Fixed Interest, Managed Investments.
 - Within Asset Classes
 - Investing in a range of product offered in the investment class e.g. Term Deposits with different Financial Institutions.
 - Across Investment Managers
 - Managers have different styles, performances and recommendations on products and strategies.

Diversification



Portfolio Management

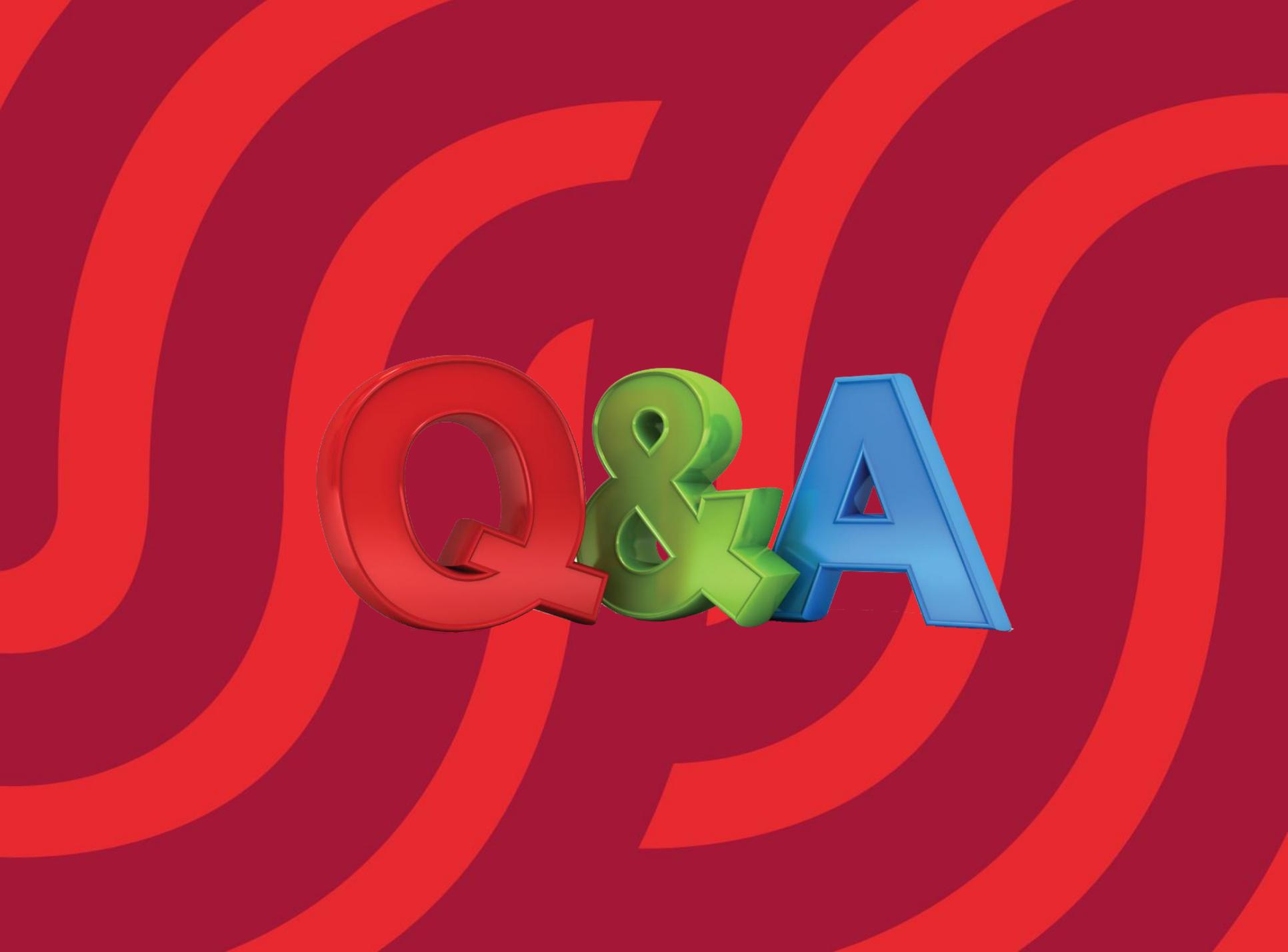
- **Portfolio Theory:** Harry Markowitz an American economist, and a recipient of the 1989 John von Neumann Theory Prize and the 1990 Nobel Memorial Prize in Economic Sciences
- The expected return on an Investment Portfolio for a given level of risk can be maximized by diversifying the investment portfolio. **Diversification** reduces the overall risk of the portfolio
- Portfolio theory is one of the most important and influential economic theories applied in today's world

Portfolio Management

Seeks to prudently manage investments by applying portfolio theory among other investment strategies

- **Management Styles**
 - Active v Passive, Value, Growth etc.
- **Stock Selection**
 - Top Down (Macro – Micro) or Bottom Up Approach (Micro – Macro)
- **Correlation**
 - The relationship between two variables
 - Shows how asset react due to changes in market conditions
 - + means they react similarly, - means they react in opposing manner
 - Measured -1 to 1
 - Best diversifiers have assets that are negatively correlated

Q&A

The image features the text "Q&A" in a bold, 3D, sans-serif font. The letter "Q" is red, the ampersand "&" is green, and the letter "A" is blue. The text is centered against a background of vibrant red, wavy, concentric lines that create a hypnotic, tunnel-like effect. The lighting on the 3D letters gives them a sense of depth and volume.