

CAPITAL COMMUNICATOR

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THE QUARTERLY NEWSLETTER OF CENTRE CAPITAL



Welcome to the fourteenth edition of the *Capital Communicator*, the quarterly newsletter of Centre Capital.

We've developed this communication tool to keep our valued clients informed of the most up to date financial advice and investment opportunities, provide you with tips and strategies for managing your budgets and consolidating your wealth, and update you on changes in the law that may be relevant to your finances.

Capital Communicator is available for download on our website. Let us know if you can not access a computer and we can arrange for newsletter to be mailed out to you. Please feel free to forward Capital Communicator to any family, friends or colleagues who may find its content of interest.

We'd like to know what you think...

We would welcome your feedback on what you think of this edition of Capital Communicator and would also like to hear from you about the types of information and articles you want to read about. Please email advice@centrecapital.com.au with any feedback and suggestions and we'll do our best to include these in future editions.

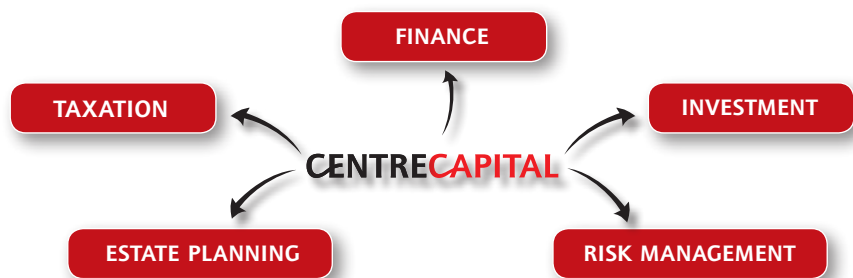
Are you Doing What You Need To?

Whilst the GFC is still a recent phenomenon and we are still making the necessary adjustments as a result of this once in a hundred year event it is very easy for us all to put the blinkers on. However, if we don't look around we will not be seeing the opportunities that are available as a result.

Human nature makes us terrible investors therefore we need to develop strategies that counter these characteristics.

Be proactive book in now to see us for strategies to ensure you are doing all that you can.

The advice provided in this newsletter is General Advice only and we have not considered your personal circumstances. Before making any decision on the basis of this advice you should consider if the advice is appropriate for you based on your particular personal circumstances.



Centre Capital offers a range of services. We tailor our advice in each of these areas to meet the individual needs and objectives of every client. In future editions of Capital Communicator we'll provide a detailed analysis of how each of these services might help you. In the meantime, here's a brief overview of what they all mean:

Tax optimisation

Are you aware of the latest strategies to reduce the tax you pay? By constantly being aware of your ongoing situation we can become more proactive in managing your tax burden.

Investment advice

Are you aware of the range of investment opportunities that could increase your wealth while managing your risk? We can introduce you to a range of these options and recommend those of greatest benefit to your individual situation.

Retirement Planning

Will your current retirement plan allow you to retire with the lifestyle you enjoy now? Would you like to explore ways to maximise your retirement income and protect your wealth?

Finance

Would you like to learn about the latest approaches to structuring loans, including how to minimise expenses and maximise benefits? In addition we have access to a wide range of home loans, investment loans, special purpose lending and business finance. We will find the loan that best meets your requirements but more importantly advise you on a strategy that will focus on increasing your overall wealth.

Risk Management

What protection do you currently have in place to cover your family or business from unforeseen loss? In the event of death, injury or illness you need to adequately provide for mortgage costs and other living expenses. We can assist you to protect your most valuable asset... you.

Estate Planning

Wealth can easily be lost across generations if the right decisions are not made to properly transfer and protect wealth. Business succession is often overlooked. How will your business survive if you are not there? What tax consequences will you be faced with if you sell your business?

Economic Update



by **ROB COYTE**

The economic data overseas has been showing mixed signals and currently markets are jumping around. This is because traders and speculators are trading every piece of information released and there is currently a tug of war between those that feel the economic situation may worsen, the “double dip recession”, and those that want to buy shares as they are on cheap valuations presently.

Australia recently reported very strong growth in GDP which was supported by consumer spending not just investment in the mining sector. The robustness of the Australian economy may mean that the RBA will need to keep a close eye on interest rates and may look to increase further at some point.

The US, the birth place of the Global Financial Crisis through poor lending practices associated with the Sub Prime home loan market, is also showing signs of stabilisation. However, the economic growth to date has relied on government stimulus and the consumer in the US remains weak in view of high unemployment at about 9.6%. Employment numbers are stabilising, and jobs are being created with 67,000 private jobs created in August following 107,000 in July. Fortunately the US housing market has shown signs of improving as

well. Housing prices and the ability to get a job will help keep the consumer spending.

Both here in Australia and the US we have just finished the “Reporting Season” where companies report how their underlying businesses are going. According to Australian Bureau of Statistics, Australian company profits rose 18.9 percent in the second quarter from the previous three months. This is the biggest jump in company profits in nine years. If companies are making bigger profits they can invest more and pay higher dividends wouldn’t that make the businesses more valuable hence share price rise?

Mining	↑ 62.7%
Banks & Insurers	↑ 28.9%
MSCI index	↑ 28%
S&P 500	↑ 22%

Profits at mining companies surged 62.7 percent in the second quarter with the “Big Australian” BHP reported a doubling in profit to US\$6.59 billion for the six months ended June 30. Banks and insurers climbed 28.9 percent with Australia’s four largest banks, Commonwealth Bank of Australia, Westpac Banking Corp., Australia & New Zealand Banking Group Ltd. and National Australia Bank Ltd., this month reported

increased earnings after stemming losses from bad loans after the financial crisis.

According to Bloomberg, analysts say profits for companies in the MSCI World Index of 24 developed nations will gain 28 percent in the next year. The MSCI index trades at 11.5 times forecast earnings. Except for the six months starting October 2008, the index has never traded below 12.5 times reported earnings. This is an indication that shares are cheap as you can buy the underlying businesses for a smaller multiple of profitability. Bloomberg also states profits for companies in the S&P 500 are forecast to reach US\$83.34 a share in 2010 and climb 22 percent in the next 12 months to a record US\$92.15 a share. What will be the effect of this on the value of the underlying businesses and other things being equal their share price?

Share markets had a strong rally from the base which was seen after the collapse of Lehman Brothers last year. In the last few months we have seen a pull back as the markets stop for a breather however this gives patient investors an opportunity as markets are still 30%–45% below the highs achieved in 2007.

Orchard Funds Update

Centre Capital has joined the Investment Advisory Committee which reports directly to the Orchard Board. This ensures that we are getting access to the decision making process for our clients within the funds.

It was recently announced that Taemas Bridge, a consortium which is financially supported by the Reuben Brothers who are worth \$8.8 Billion, has now been given exclusivity for 30 days. During this time they will negotiate key terms with lenders and stakeholders to look to providing a resolution for the effected funds, in particular the Diversified Property Fund.

This will include a capital raise for the Orchard Diversified Property Fund as it seeks to buy time to enable it to restore value for unit holders as commercial property markets improve.

Centre Capital have actively engaged Orchard, Taemas Bridge and a range of advisers and dealer groups pushing for these changes to get such a deal on the table which has been the culmination of some 18 months of effort.

We understand that this has taken longer than we all wanted but hopefully the wait will be worth it if we can get the result we are after.



Funds Management

We will keep you updated with any progress through our website and our dedicated “Orchard Section” in the client’s area located http://centrecapital.com.au/clients_area.htm

Superannuation and Life Insurance Specialist



by JAIME BLOOMFIELD

After a number of years of assisting clients in an administration capacity and upon completion of a number of educational courses Jaime is now qualified to give advice in relation to superannuation and life insurance. She is also liaising with our finance broker to ensure the smooth implementation of loans for our clients.

Jaime will be the Centre Capital specialist to assist clients specifically with their home loans, insurance requirements and superannuation. Jaime and the team have developed a number of strategies to help clients in this area. The focus is on getting the outcomes the client needs whilst making it as easy as possible and keeping it cost effective.

Jaime will be able to help those clients between 20-35 years of age looking to get themselves started along the right path to financial success.

Here are some of Jaime's tips in relation to your mortgage:

Refinance

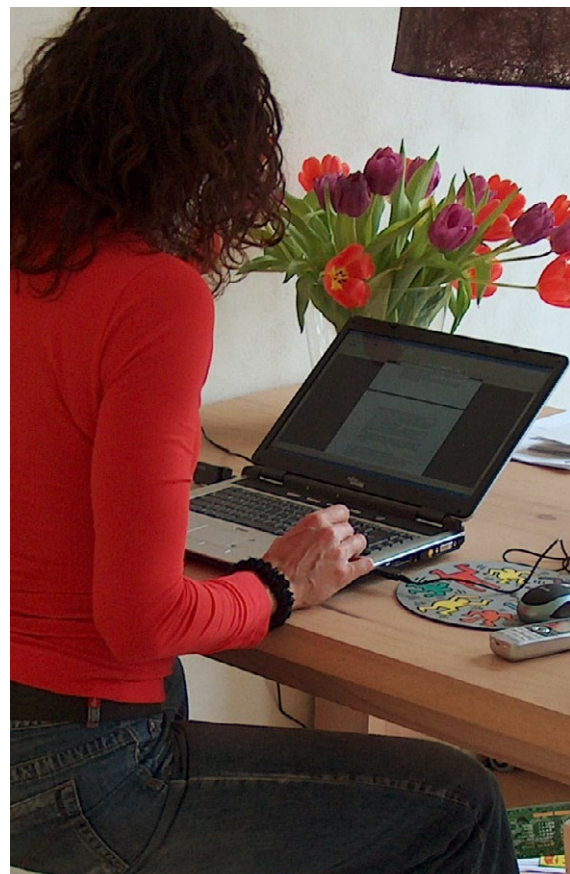
Shop around for a cheaper interest rate. Jaime can assist in this regard as she has access to all the major lenders in the market saving you time and hassle. Look at the possibility of fixing a portion of your loan for budget stability.

Don't be afraid to use lenders other than the big four banks

Other banks and building societies may be able to offer you a more competitive rate especially if you have banked with them for a long time. However, you always need to ensure that the loan has the features to enable you to do some of the things you want to do. This is especially important of you want to pay off your loan quickly or indeed have an investment component.

Pay fortnightly

Paying fortnightly effectively gives you 1 month's extra payment per annum. It also helps to ensure that you're not left short at the end of the month.



Get an offset account

Having an offset account linked to your mortgage is a good way to reduce the interest you pay each month. You can have your salary paid into this account and or use it as a savings account.

Make extra repayments

Reducing your non deductible debt will save you money. Most of us receive small pay rises from time to time due to inflation or tax cuts. Consider paying the extra off your mortgage since it's not included in your budget, it's not money you'll be missing.

Maximise Your After Tax Income

Reducing the tax you pay will mean there is more money left for you to do things such as service debt and accumulate wealth. We need to look at the big picture of what we want to achieve and incorporate that into your strategy.

Unique Opportunity to Gain Exposure to Rising Share Markets Without Capital Commitment

The Global Financial Crisis has seen a lot of changes and no doubt has provided a lot of lessons for investors and managers of businesses. However, every cloud does have a silver lining and the GFC has also provided a number of positives.

Firstly when markets sell off they are effectively cheaper. Please note that the ASX 200 is currently still well below its high of 2007. In fact the market will need to rally some 40% to get back to those levels.

Managers of business have effectively “cleaned up” their business models and they are now much less risky proposition than they were previously. Furthermore, the global economic picture is definitely much brighter than has been the case over the last couple of years making companies prospects more palatable for investors.

From an investors perspective the question is how do we get exposure to the opportunities presented to us by the Global Financial Crisis?

Importantly product providers have become more innovative as well leading to more flexibility in investment offerings. Features now include;

- Capital Protection with upside potential.
- No need for initial capital outlay which is perfect for those with good incomes capable of paying a set amount per month and want to get exposed to the share market.
- Guaranteed income return ensuring cash flow certainty for the investor over term of investment.

Contact our office as there are a number of opportunities going to be open over the next few months which you may want to consider for your circumstances. As an added benefit these strategies may also provide you with tax benefits for this financial year.



Open up the Investment Potential of your Self Managed Super Fund (SMSF)

Superannuation has become more than a compulsory savings pool, it may provide you with a powerful wealth creation opportunity and is likely to be one of your most valuable assets.

For clients that have family superannuation assets in excess of \$150,000 the Rolls Royce of superannuation vehicles is the Self Managed Super Fund or DIY Fund.

Centre Capital can assist with the range of different strategies available to SMSF investors.

One such strategy that self managed superannuation investors can use is that of gearing (borrowing to invest). This may be a great strategy for those with a long

term investment horizon and want to take advantage of the current share market weakness...but how?

One simple way to gain a cost effective leveraged exposure to increase the investment potential of your Self Managed Superannuation Fund (SMSF) is through instalment receipts on selected ASX-listed securities. Quite simply this is where the fund puts in half the money to buy shares and we borrow the other half from a bank and the dividends reduce the loan amount over time. By using leverage your money is working hard towards achieving your financial goals.

Key benefits of Strategy

- Leveraged exposure to over 100 ASX-listed Underlying Securities*
- Simple, low cost and transparent structure
- Flexible leverage of up to 50% on the portfolio of Underlying Securities
- Income and growth potential
- Variable and fixed interest rates available
- Straight forward transacting
- Minimum initial investment amount of \$20,000

Limited recourse and no personal guarantees.

Centre Capital can show you how.

Centre Capital Referral Program

Client Rewards is to say thank you to our existing clients for referring your family, friends and work colleagues to Centre Capital.

Go to our website, www.centrecapital.com.au/referral_program.htm complete your name and the name of the person

you referred and you will be in the draw to win an ultimate experience from **Red Balloon** valued at \$300.

You may enter multiple times – each entry must be unique. Winners will be announced via Capital Communicator.



Congrats to this quarter winner Jenny C, we hope you enjoyed your experience. **Draw will be held quarterly.**