

CAPITAL COMMUNICATOR

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THE QUARTERLY NEWSLETTER OF CENTRE CAPITAL



Welcome to the ninth 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.

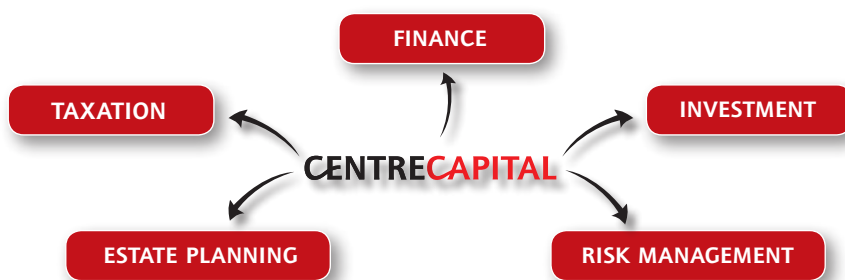
Capital Communicator is available for download on our website. Let us know if you can not access a computer and we can arrange for newsletter to be mailed out to you. Please feel free to forward Capital Communicator to any family, friends or colleagues who may find its content of interest.

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.

"Far from seeing the bottom in corporate profits, markets have been slashing forecasts. The prospective price/earnings ratio for the global market has gone up this year because profit expectations have fallen even faster than share prices ... [But] at some point, of course, prices get so low that all the bad news is reflected. Lombard Street Research now argues that the US market has only been cheaper for 26 months in the last 140 years. Those months occurred in 1920-21, 1932, 1942 and 1982. Two of those periods reflect the effect of world wars. Of the others, one was the Great Depression and the other the aftermath of the inflationary 1970s ... that reflects the extent of investors' fears at the moment. Either we are indeed facing another depression, in which the falls in economic output are cumulatively 10-20%, rather than 3-4%. Or central banks will only be able to get us out of a recession by inducing the kind of inflation that devastated portfolios in the 1970s. If you can take a 10-year view, this seems like a good time to bet against that pessimism." (Buttonwood, The Economist, March 4)

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



Obviously the economic news has not been any better of late and we have been exposed through normal media of this so I am not going to spend too

much time talking about that. What we do want to focus on at this point in time is what do we need to be doing from here?

Presently, all the banks and companies (especially overseas) are in the final stages (hopefully) of reporting these large losses and the economic news (such as Gross Domestic Product numbers which reflect economic activity) of late has not been great because it is reporting the period late last year when credit (lending) markets froze thus bringing the world to a standstill. Once the flow of bad news slows which given the

efforts of governments and central banks around the world it will at some point, the market will be able to focus on the future. This is why the stock market generally recovers about 6-9 months before the actual economy and company profits do.

As discussed previously valuations in some sectors are compelling as they have beyond worse case scenario priced into their prices. This is a function of the fear at the moment which presents opportunities for patient and rational investors. We have the sectors that we like long term based on the fundamentals and we see great opportunities to get exposure to very cheap quality businesses in these sectors. Also to assist investors get exposure without being subject to the volatility we have a strategy where your capital can be protected. Generally, I don't like protection products as there is a leakage of fees (that reduces overall return) but if it gives investors

confidence to buy when everyone else is in fear mode then that cost will be more than compensated for.

Whilst we need to contend with where we are at presently and in some cases we might need to adjust our strategy to deal with issues that are currently happening it is important to be positive and think of how we can make good from this situation. I heard an interview with Richard Branson of Virgin and he is expanding his business and looking at opportunities that were not available in the past. Most people and businesses get negative in such periods of economic times because that's what everyone else is doing. We need to follow his lead as this is one of the reasons why he is a successful business person and as investors in companies and assets...we to are business people. Share Market Upside, Without the Downside

Centre Capital Comments Regarding Change in Orchard Unit Price

You will have seen from the above Orchard notice that the unit prices for the Orchard property funds have changed primarily as a result of decreased property valuations. We have attached an article on the website to help explain this revaluation process so you can understand what it means. This article details the type of things that influence these "market valuations" as well as a range of reasons why we believe valuations in property will be supported over the next 2-3 years.

The unit price declines are as follows;

- Orchard Diversified Property Fund 42%.
- Orchard Commercial Office Fund 17%.
- Orchard Childcare Property Fund 19%.

As long term investors however we need to put the following into perspective.

- We still own the same buildings and they are generating more rental income than last year (as rents are indexed). Weighted Average Lease profile of 3.15 years for the Commercial Office Fund (across 13 properties) and 7.5 years for the Diversified Property Fund (across 453 properties).
- 98% occupancy with no arrears for both funds.
- Revaluations are "non cash" movements ie it's only real if you are buying or selling.
- The listed property sector has fallen some 77% off its highs.
- The current interest rate on bank deposits is not very attractive at 3-4% so assets such as commercial property yielding 7-10% will become more attractive to investors looking for income.

Orchard have advised us they are in the process of selling some property assets, the proceeds of which will assist to reduce gearing levels within the funds. They are also working on other capital initiatives which should be finalised in the next few weeks. We have been in contact with Orchard and expressed our disappointment that these issues are not being addressed quickly enough as we need to get these issues resolved so distributions can be returned to normal.



Funds Management

INVESTING IN BULLION

*Why is Gold and Silver so keenly sought?
Gold and Silver have both been a monetary metal since recorded civilisation began.*

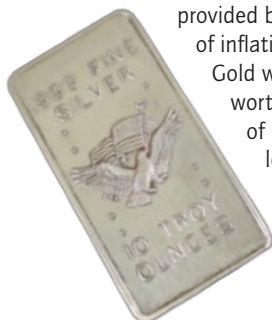


by **BRENDAN SCORER**

History is studded with examples of Governments debasing the coin of the realm. Initially by tampering with the weight and assay of Gold coin and in more modern times, particularly the last forty years or so, by the printing of paper money without regard to any Gold backing.

History similarly records the protection provided by Gold and Silver in periods of inflation and hyper-inflation; how Gold was the only saviour of real worth in the French Revolution of 1789 how the same painful lessons were repeated during the American Civil War of 1861 and the great German inflation of post World War 1.

In modern times the capital and liquidity of the world has expanded enormously, not by the mining of increased quantities of Gold, but by the issue of Government paper money, which in turn has been the basis of huge expansion of credit.



With government spending everywhere at an excessive level, paper currency may lose its real value. Gold and Silver provide a comfortable feeling in times of economic upheaval, and eventually may well become a breathtaking legacy for yourself, children or grandchildren.

THE PRICE OF GOLD AND SILVER:

The price of Gold and Silver is quoted daily in \$US per troy ounce. It is a base price at which one rarely is able to buy or sell without charges being added or subtracted.

Freight, smelting, insurance and brokerage charges all add to the cost of buying Gold and Silver bars.

BUYING GOLD AND SILVER:

Gold and Silver jewellery has a large content of craftsman costs and government taxes added into its price structure. I would not recommend buying jewellery as a means of owning Gold or Silver.

Commercially produced medallions also carry a high premium on their Gold and Silver value.



When buying a direct exposure to Gold or Silver, it may be advisable to buy Bar of coin form, so you are paying for the metal not any workmanship or taxes.

WHAT PROPORTION OF YOUR CAPITAL SHOULD BE INVESTED IN BULLION?

This will depend on your personal circumstances and your overall objectives. Like all investment decisions we need to consider this in the correct context so please contact our office if you would like to see how you may be able to benefit from holding gold or silver.



Share Market Upside, Without the Downside

Centre Capital has access to an innovative solution for clients that need exposure to growth assets (to access a growing income stream) but are concerned by the ongoing volatility.

As long term investors we have traditionally accepted this volatility as part of the cycle of investing. For a small annual fee you can now have a number of options in terms of protecting the value of your account balance. Whilst we don't necessarily see this as a must for long term investors, it is definitely of benefit for those clients that would 'sleep at night' given the extra level of comfort.

The view we take is that if by paying a small fee we are still achieving big picture what we need to do, then that will leave us in a better position than if we don't do anything at all. In the words of Wayne Bennett; "If you do what you have always done, you will have what you always had".

There are a number of different available strategies, one example of this is we can enter a longer term strategy for ten, fifteen or twenty years where the protection resets automatically on each anniversary.

Who Can Benefit from this Strategy? Retirees

Comfort to invest in growth assets to ensure their income will rise over the years.

Wealth Accumulators

As with any gearing strategy you can borrow funds and invest in these 'capital protected' solutions thus enabling you to have exposure to the gains without the concern of capital loss.

A full article is located on our website www.centrecapital.com.au or please contact our office on 1300 132 214.

