



FIDUCIAN FOCUS

Autumn
2009

MARKET OVERVIEW

WHAT ARE THE CENTRAL BANKS DOING?

Central bankers were slow to react last year to an emerging worldwide financial and economic crisis and were slow to move away from a focus on battling what they perceived to be latent inflationary forces.

More recently, however, the penny has dropped for most central banks and dramatic interest rate cuts have been initiated. The aim of these cuts has been to remove incentives for investors to keep their funds locked up in cash deposits and instead to encourage borrowing by investors of all types, including those wishing to invest in residential real estate. The graph below illustrates the dramatic scope of recent cuts to official short-term interest rates implemented by the world's major central banks.

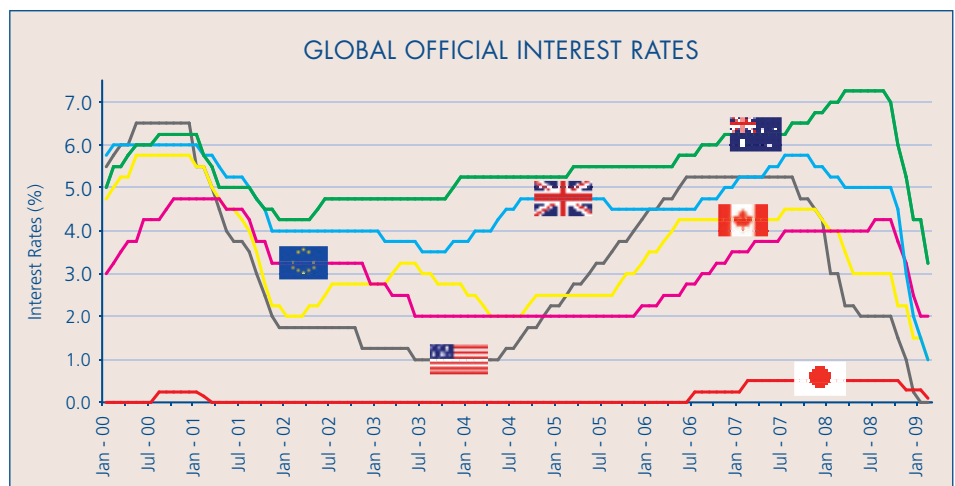


gone further and has begun to implement the purchase of 'distressed' financial assets, which it terms 'credit easing'. This is designed to give further support to the banking system, which ultimately should help to stimulate economic activity. The UK too appears set to go down this path of effectively boosting liquidity in the financial system through so-called 'quantitative easing'. Added to the spending programs being introduced by governments worldwide, this provides hope that the global economy could soon begin to emerge from the recession that has recently taken hold.

One feature of this graph is the difference between Australian interest rates and those of the major advanced economies. Australian rates remain much higher, although if global recession is prolonged and commodity prices remain depressed, then domestic rates may have to fall much further. In the case of the all-important US economy, interest rates have already been taken effectively to zero percent, which is usually regarded as the limit for conventional monetary policy. The US central bank, however, has now

*“Skillful pilots
gain their reputation
from storms
and tempest.”*

Epicurus



PENSION PAYMENT RELIEF FOR RETIREES

In a joint statement from the Treasurer and Minister for Superannuation on 18 February 2009, as a temporary relief measure, minimum pension payments will be reduced by 50% for the rest of this financial year.

Whilst the specific details are yet to be finalised, if you have been receiving monthly payments since 1 July 2008 you will shortly have the option of deferring your pension payments for the remainder of this financial year.

For more information or to discuss the benefits of deferring the rest of this year's pension payments please contact your Fiducian Financial Adviser.



THE VALUE OF FINANCIAL ADVICE

The relationship between Clients and their Adviser is one that continues to grow in importance. By building a long term relationship of trust, advice, support and re-assurance with a Financial Adviser, many Clients feel increasing peace of mind, knowing they have a personalised financial plan which takes their individual circumstances into account.

The value of having a professional, knowledgeable Adviser doesn't stop there. Many Fiducian Clients have benefited immeasurably from strategies that have:

- restructured superannuation;
- planned for retirement;
- maximised Centrelink benefits;
- minimised tax payable;
- restructured outstanding debts;
- increased cash flow; and
- provided estate planning and insurance coverage that protects their family's future.

Fiducian Financial Services Advisers pride themselves on an ability to solve Client problems via a thoughtful, personal strategy. In these difficult times, an Adviser can recommend adjustments to an investment program, which may ease a Client's current concern but not impact severely on the long term investment strategy.

To strengthen the relationship with your Adviser or to receive strategic advice, tailored to your personal situation, make an appointment to see your Fiducian Financial Adviser.



FIND A WORD

Find all 20 words in the Find a Word.

- Advice
- Benefits
- Budget
- Centrelink
- Estate
- Gearing
- Goals
- Government
- Hostels
- Insurance
- Investment
- Legislation
- Pension
- Plan
- Research
- Returns
- Reviews
- Strategies
- Superannuation
- Tax

See page 4 for answers.

Z	D	O	H	E	S	T	A	T	E	O	W	I	O	R
N	H	G	S	C	C	W	T	I	C	X	N	N	L	E
K	O	W	G	I	U	P	J	N	B	V	S	S	E	T
Y	S	I	A	V	D	R	T	L	E	T	S	U	G	U
Z	T	V	T	D	I	U	X	S	I	N	W	R	I	R
F	E	F	J	A	Q	K	T	F	D	H	E	A	S	N
T	L	K	Q	P	U	M	E	A	C	V	I	N	L	S
E	S	Y	B	P	E	N	S	I	O	N	V	C	A	H
G	L	E	L	N	E	L	N	R	D	A	E	E	T	C
D	B	A	T	B	A	E	I	A	Y	X	R	S	I	R
U	N	R	J	O	M	H	N	V	R	C	A	U	O	A
B	L	S	G	O	V	E	R	N	M	E	N	T	N	E
S	T	R	A	T	E	G	I	E	S	Z	P	F	P	S
E	G	N	I	R	A	E	G	T	X	G	M	U	Q	E
M	B	C	E	N	T	R	E	L	I	N	K	A	S	R

WHERE TO FOR CORPORATE EARNINGS?

Peter Wetherall, Managing Director, Wallara Asset Management Pty Ltd

Corporate Australia is now facing the most challenging business environment since 1991. Profitability will be under pressure but the key question for investors is how much of this is already reflected in share prices.

In late September the global economy appears to have reached a tipping point when problems in the financial sector spread to the broader economy. Since then there have been pronounced falls in economic indicators across a broad range of countries and the International Monetary Fund has warned that the global economy is facing its worst recession since World War II.

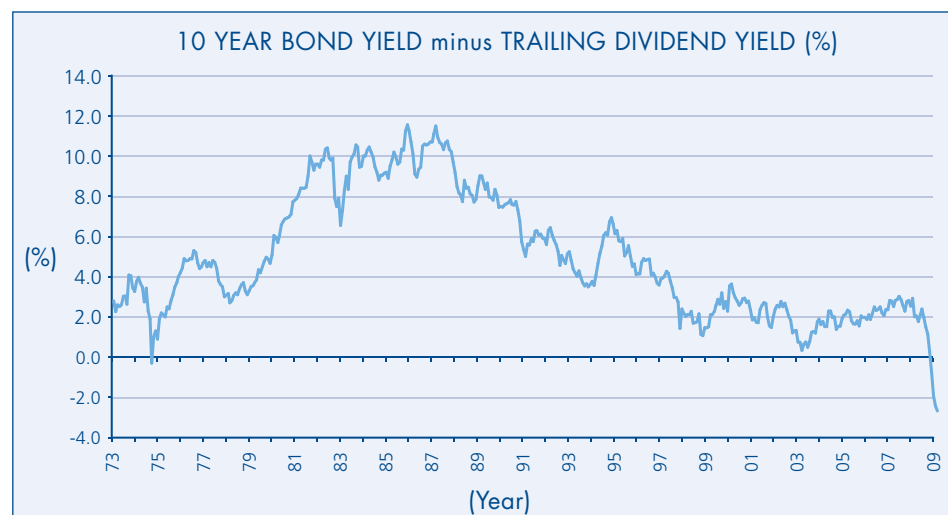
The Australian economy is not insulated from these overseas developments; however there are a number of reasons why we should prove to be more resilient than others. Most importantly, our banking system is still functioning normally. Secondly, the Reserve Bank is cutting interest rates from a high level, and with most Australian mortgages on variable rates, the benefit of lower interest rates is felt immediately. Thirdly, the government is acting proactively to offset specific negative impacts of the global financial crisis, and finally, our international competitiveness has been improved by a sharp fall in the Australian Dollar.

Our biggest threat is the sharp fall that has occurred in commodity prices and in demand for key exports such as coal and iron ore. Australia has benefited enormously from rampant demand for raw materials from China and others, but the resources boom is now over for the time being. Weakening demand, lower commodity prices, intensified competition, and tighter credit conditions will all conspire to place downward pressure on corporate Australia's earnings

outlook in 2009. How bad can it get? Given the last major downturn in Australia was the 1991 recession, there is not much recent experience to draw upon. But since the early 1970s the weakest earnings growth recorded was -24% in the 1981 recession, and -30% in the 1991 recession. Hence it is reasonable to expect the current outcome to fall within that range.



While the outlook for company earnings is poor, the share market appears to have adjusted for this very quickly, according to a number of longer-term valuation indicators. The trailing dividend yield is now a hefty 6.7%, and as the chart below shows, the dividend yield is now well above the 10-year government bond yield for the first time. Dividends would need to be cut by 40% simply to bring the dividend yield into line with the current bond yield. The market currently appears to be good value on a medium to long term perspective, but in the short term investors will need more visibility on exactly how deep the downturn will be before the market can stage a sustainable recovery.



“Making good decisions is a crucial skill at every level.”

Peter Drucker

FIDUCIAN IN THE COMMUNITY

ST HELENS BOWLS CLUB

Fiducian is pleased to support the St Helens Bowls Club on the East Coast of Tasmania. The town St Helens overlooks the beautiful Georges Bay and attracts tourists and fisherman from all over the country and the local bowling club is the focal point for bowls on the East Coast of Tasmania.

Fiducian's sponsorship supports the Club's Annual Carnival which draws participants from all over Tasmania. Bowling clubs from Northern Tasmania, North West Tasmania and Southern Tasmania travel to compete throughout the popular three day event. Our sponsorship also supported this years 'Bayside Classic' held in January each year at the Club. This one day event draws clubs from the East Coast of Tasmania.

Club Secretary Lorraine Webb recently said 'It is well known that without the generosity, support and commitment of organisations like yours, that clubs such as ours would find it difficult to stay afloat'. Fiducian is proud to sponsor the St Helens Bowls Club and we look forward to a long and enjoyable association.



Financial Adviser Matthew Clingeffer with Club President Colin Lomas and Club Secretary Lorraine Webb.

ST IVES BOWLING AND RECREATION CLUB

Fiducian is also pleased to sponsor a second Bowling Club, the St Ives Bowling and Recreation Club, located in the Northern Suburbs of Sydney. The Club offers it's 500 members fantastic club and bar facilities, function rooms, Friday night BBQs, local and overseas tours, theatre parties, speciality nights at the club, and bowling for all ages.

Our sponsorship allows the club to conduct tournaments with prize money attracting more bowlers and members to the club. Having opened in 1958, last year the club

celebrated their 50th year and with our support look forward to many more years of bowls.



Financial Adviser Michael Dale with the Ladies Five Bowling Winners.

"Victory belongs to the most persevering."

Napoleon



Answers to FIND-A-WORD



FIDUCIAN
Financial Services
INTEGRITY • TRUST • EXPERTISE

Fiducian Financial Services Pty Ltd

ABN 46 094 765 134

AFS Licence No. 231103

Level 4, 1 York Street, Sydney NSW 2000

Correspondence

GPO Box 4175

Sydney NSW 2001

Telephone: 02 8298 4600

Client Services: 1800 653 263

Fax: 02 8298 4611

Email: info@fiducian.com.au

Your local Fiducian Financial Services Representative is:

DISCLAIMER:

Information in this newsletter is general in nature. It is NOT a recommendation or offer to anyone to invest and has not been prepared on the basis of the financial or investment profile of any particular person. It is important that you do not make any investment decision on the basis of this information without first assessing its suitability for your own objectives, financial situation or particular needs. Your Fiducian Financial Services financial adviser will assist you to do this.

Information of a financial, investment or legal nature is based on research and our understanding of the subject matter and of the law at the date of publication. We have used all care in its preparation but to the maximum extent of the law, disclaim any liability for errors and omissions. Fiducian Financial Services Pty Ltd ABN 46 094 765 134 AFS Licence No: 231103, its representatives and other members of the Fiducian Group accept no liability for any loss suffered by anyone who has acted on any information or advice in this document.

PRIVACY:

Personal information held by Fiducian Group and their affiliates may have been used to enable you to receive this publication. If you do not wish your personal information to be used for this purpose in the future please advise us via mail, telephone or email to the address noted on the back page of this newsletter.