



Quarterly Newsletter	Issue: 022	November 2007
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A Note From Your Advisers

Business has been booming over the past two quarters despite the level of market volatility we have experienced recently. The major movements have come about following poor credit ratings in the US Sub-Prime lending sector and this has reverberated across the world's share markets giving them all a bit of a "shake and shudder"!

From an optimistic point of view, this is a positive movement within share markets and is perfectly normal. In fact when markets continue to climb to new record highs it is actually necessary and healthy to see these downward movements in the markets. They serve to remind investors that shares do carry a risk over the short-term. However it's also nice to see them recover and go up again.

Most of us can remember the '87 share market 'crash' and when you get the anniversary of an event such as that combining with the recent uncertainty on world markets, it can naturally harbour feelings of doubt on whether investing in shares is the right option. However you have to remember that it's a very different world 20 years on and investors are generally more sophisticated and knowledgeable.

As your advisers you will always hear us talk about; diversification, time in the market and keeping focus on your objectives. In terms of investing, these simple pieces of advice help keep your portfolio pointing in the right direction for the longer term.

Investing when markets are down may seem an odd thing to do, however when the market recovers, the value of your investment is accelerated forwards.

In a perfect, world markets would peak just as you need to draw on the funds invested, however it isn't a perfect world and we have never met anyone who has been able to predict markets exactly. In fact if we were trying to pick the market then we would just be

"taking a punt", and that's not a healthy financial strategy, is it?

Weary Travellers...

Some travel abroad, others stay home. The Owens preferred an all Aussie trip and sent us this picture of 'The Big Chair' near Broken Hill.



The Felton's went a little further and have sent us this photo of the busy river and markets in Copenhagen, Denmark. This photo also won an award as the best photo of the group they were touring with. Well Done!



Not to be outdone, while on holiday in New Zealand with his family, Shane managed to snap this beauty of Mount Cook. Not bad for someone negotiating cliffs and suspension bridges with two-year old Max strapped on his back, while holding Jacinta's hand and admiring Harry's skilled balancing over rocky terrain. Shane thoroughly recommends a New Zealand holiday – brilliant and beautiful scenery and plenty to keep anyone busy.

We're expecting some new photo's from others who are currently away enjoying themselves for our next issue.



Office Developments

We have recently undertaken a significant upgrade of our computer systems which should bring further efficiencies in the way we operate as it has allowed us to streamline some of our processes.

We have also been updating our filing and compliance procedures to keep pace with the rafts of new financial services legislation. As a result some clients will receive updated authorities and forms for their signature. This is simply one further step to ensure that all our correspondence is both accurate and compliant.

Christmas Party!!

Our annual Christmas Party has now been scheduled and is moving to a new venue at The Beaches Hotel Merewether. All our clients will have received an invitation recently and we hope to see you all there. For those that can't make it due to the distance or other plans you may have, we will be wishing you a very happy and healthy Festive Season and hope to catch up in the New Year – yep, 2008 already!

Fiducian Funds

Even through the recent volatility Fiducian Funds have continued to deliver solid returns across the board.

The Fiducian Growth Fund has once again been awarded top honours out of all Growth funds for the 5 years to end August 2007. The focus on more than just short term results continues to work in Fiducian's favour, rewarding

all of our clients with consistent and reliable performance.

In acknowledging this achievement, Conrad Burge, Fiducian's Investment Manager, was quoted recently as follows: "Our investment process including rigorous economic and market analysis for the purpose of determining asset allocation strategies, continues to prove itself."

Investment Markets

A marked feature of the current world economy is that it has become a two-speed affair, with its main drivers being the major developing economies, principally China and India, with Russia and Brazil also growing strongly.

On the other hand, the advanced economies have been putting in a more modest performance recently, with the Euro zone slipping to growth of just 0.3% for the June quarter, while the Japanese economy was even slower over the same period.

The US has done better (expanding by close to 1% for the June quarter), although questions still remain about how sustainable US growth is likely to be over coming months, given ongoing weakness in the housing sector and the potential for household spending to slow further.

The Australian economy performed strongly this year, with unemployment still around historic lows and growth up 1.6% in the March quarter alone, with a further 0.9% in the June quarter.

Opportunities – Imputation Refunds

Now the big Superannuation changes have come into play from July there will be even less for retirees to claim from the Tax Office. However there is one area which might previously have slipped below the radar. The claiming of imputation credits on franked shares.

The imputation refund has been around for quite some time, but most people have just reported all of their income in a full tax return and got their refund that way. Now that Superannuation

withdrawals and Account Based Pensions don't need to be reported, a lot of retirees don't even have to bother with a tax return. However those who hold direct shares and managed funds with franking credits can still claim their refund by filling out a simple two page request to the ATO.

As we always say, you don't get many dollars back from the tax man so make sure you claim them!

August Sharemarket & Economic Update

Early in August we were privileged to have Anton Tagliaferro (Director and Head Fund Manager of Investors Mutual Pty Ltd) up in Newcastle to offer us his perspective on the current Australian Sharemarket.

In addition, Conrad Burge (Fiducian's Investment Manager) gave us the benefit of his detailed economic analysis and outlook for the coming months. There is still value to be had by investing in markets, as long as assets are managed in the appropriate manner.

It was a great night and everyone did tell us how informative it was.

A Story of Successful Planning

This story begins with a client who came to us seeking help and guidance on her finances a couple of years back. At the time she had just \$20,000 to invest and was a little concerned about her first foray into managed funds.

After a detailed discussion with her adviser she agreed to embark on a Margin Lending and Instalment Gearing plan. Later the pressure of cost-of-living increases led the client to pause her regular instalments for a period to enable her to enjoy life.

Just over 3 years on and that plan has now turned into over \$80,000. With just \$20,000 of that amount borrowed through her Margin Loan the client now has \$60,000 of equity to access if and when she needs it.

The client (who is only 27 years old) is now looking for a home to buy and

thanks to her adviser she now has a lump of equity, a good credit rating and a quality lending product behind her. She can't wait to purchase a home and get back to building up her managed portfolio again.

Not only has the Fiducian investment done well, but by using the appropriate strategy the client has been able to both maximise her investment and widen her overall options.

Of course whilst all of this has been going on, her Fiducian Superannuation account has been growing well in the background, assuring our valued client of a comfortable financial future with the flexibility of choice of lifestyle!

Season's Greetings

As always we wish you the very best over the Festive Season.

Please note that our offices will be closed between 24 December 2007 and 7 January 2008.

Shane Pinkerton & Murdo Macleod

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Receiving Our Newsletter

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Got an idea we should know about? Send it to PO Box 1269 NEWCASTLE 2300 or newcastle@fiducianfs.com.au