

November 2009

A DEBENTURE INVESTMENT IS NOT A BANK DEPOSIT

One consequence of the recent financial turbulence has been the spotlight thrown on the banking system both in Australia and internationally. As is well known, Australian financial institutions, including Angas Securities, have coped with the economic challenges far better than some of the big name players in the United States and Europe. First, the regulatory system in this country has emerged with a generally enhanced reputation. Secondly, Australian corporates were much less engaged with complex financial arrangements such as derivatives with the exception being casualties such as Allco and Babcock & Brown. What regulation and good governance could not control was the freezing of credit markets and the loss of availability of international capital which dried up wholesale funding. This hurt the banks but who (apart from the taxpayer) paid for this lost liquidity? Banks continue to report healthy profits so it must have been customers who paid the price.

A quick review is in order about how the adverse international liquidity conditions have impacted on Australia. Bank funding comes from the bank's own capital, funds raised from the capital markets and from customer deposits. Funding from capital markets was impacted so the banks raised fresh share capital and pushed up deposit rates early in 2008 in order to attract business. Unfortunately, these rates did not hold. As there was a fall off in competition in the non-bank sector, the banks felt quite free to follow the Reserve Bank as Official Interest Rates were cut in the second half of last year. As fixed rate investments matured in 2009, the new rates on offer for bank deposits were quite a shock to investors (though admittedly the rates have begun to rise in the last few months). Given the preponderance of bank lending for housing loans and consumer credit (including high interest unsecured credit cards) customers have thought long and hard about whether bank deposits were the most suitable and effective investment for them. An alternative to bank deposits was at hand, namely debentures.

Angas Securities has seen debenture funds increase substantially in 2009. Total debentures exceed a record \$140 million. Debentures have increased by 20% over the last year. Investors in Angas Securities have not experienced wild fluctuation in rates. Whilst the Reserve Bank cut Official Interest Rates by 4.25% last year, the Angas Securities retail rate was reduced by only 1.5%. Angas Securities has been able to write good quality lending business secured by first mortgages over real estate with these loans priced at rates which have enabled stable returns to be delivered to debenture investors. Competitive factors have played a big role. Non-banks funded from the capital markets have had their activities curtailed and banks have not had the resources or the appetite to fully service the commercial property sector. Angas Securities, with a growing debenture fund, has been well placed to fill this niche. Angas Securities has been able to provide investors with a reliable consistent service and reliable consistent performance.

So what does the landscape look like for investors today? Some banks are trumpeting that they are bringing back local managers. At Angas Securities they never went away. What has happened to bank call centres? Little is heard about them. Have they been closed? More likely, they have been sent off-shore. Angas Securities believes in personal service and does not utilize call centres. The banks have been reducing account fees. Angas Securities cannot make reductions because there are no fees for investments lodged to maturity. No entry fees. No exit fees. And what about fixed rate returns? Investors should make their own enquiries. Angas Securities remains proud of being able to hold a consistent rate of return during a challenging period. Circumstances have favoured Angas Securities which issues debentures at 7.5% fixed for 1 year or 8.5% fixed for 3 years. For information about fixed interest debentures or to order a copy of Prospectus No 10 call your local Investor Relations staff on 1800 010 800.



Jeff Hill (standing) and Simon Dobie (seated)



THE FIXED INTEREST SPECIALIST

Angas Securities Limited
Australian Financial Services Licence No. 232479
Australian Company Number. 091 942 728

FIXED INTEREST PAID MONTHLY

1 year term	7.50% p.a.
3 year term	8.50% p.a.

Published rates may vary during term of Prospectus but interest rate applicable to individual investments are fixed when investment is made.

CONTACT US FOR DETAILS OF OUR INTEREST RE-INVESTMENT PRODUCT

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Earn **8.5%** p.a. fixed for 3 years.

FREQUENTLY ASKED QUESTIONS (No. 2 in the series)

Why is my investment now a 13 month term?

Investors would have noted that after requesting their debenture be rolled over for 1 year at maturity the term of the new investment is now equivalent to 13 months. For example, investments that matured 30 September 2009 now mature 31 October 2010 (or 2012 if 3 year term was selected). The reason for this relates to the listing of the debentures on the National Stock Exchange (NSX) which commenced in March 2008. It is a requirement of the NSX that all listed investments of this type mature at the end of the month in which they are lodged. Therefore if an investment matures on the 30th September and is rolled over, the new investment commences 1st October. Although the actual funds are the same, it is considered a new investment because the conditions under which it is lodged are different (eg interest rate, Prospectus etc). Applying the NSX requirement that 'investments must mature at the end of the month in which they are lodged', results in the debenture which commences 1st October now falling due 31st October the following year.

Listing of the debentures allows the investor to trade or sell their investment on the NSX via a broker and gain access to their funds prior to maturity should the need arise. Of course, the amount the investor receives for their debenture will be determined by the market (ie what the purchaser is prepared to pay). Listing debentures also requires Angas Securities comply with NSX rules concerning continuous disclosure of information. Angas does this by providing investors with updates via newsletters such as this and our website at www.angassecurities.com. **Aside from the altered maturity date, investors will not experience any change to the manner in which their debenture operates. Investors continue to accrue interest for every day the investment is held by Angas Securities.**



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