



INVESTOR NEWS

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COMMONWEALTH GOVERNMENT PROMOTES DEBENTURE SAVINGS

In 2008, the newly elected Commonwealth Government established a panel to examine Australia's tax system and make recommendations to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century. Dr Ken Henry, Secretary to the Treasury, chaired the panel which delivered its report to the Treasurer late last year. The Commonwealth Government released the final report and its initial response on 2 May 2010. The Henry Review favoured a more uniform approach to tax treatment on investments. It observed that tax advantages from borrowing to invest in rental properties and shares could lead to adverse consequences such as investors taking on too much debt and distorting the rental property market. The recommendation of the panel was for the gradual introduction of a tax discount on investment income across the board.

The response announced this month by the Commonwealth Government can be found at www.futuretax.gov.au under the heading "Helping Australians Save". It recognises that encouraging Australians to save will boost national savings, help alleviate long term fiscal pressures and provide for an ageing population. To help tax payers to get more from their savings, the Commonwealth Government proposes to introduce a tax discount for interest income. Subject to the legislation being passed, from 1 July 2011, investors will receive a 50 per cent discount on up to \$1,000 of interest earned on debentures, bonds and deposits. The tax discount will encourage investments in debentures and other income products such as annuities. It is expected to be of benefit to older Australians who are more likely to put extra non-superannuation savings into interest earning investments.

Subject to passage of the legislation, it would seem that the tax discount will not apply to companies or self managed superannuation funds. Angas Securities welcomes any benefit for investors to enhance the return generated on their fixed interest investments. The proposed ceiling on the tax discount is a departure from the panel's recommendation and the deferred commencement date is another disappointment. Let's hope that this reform is the first step on a process which delivers benefits for individuals who wish to take control of their investments in order to provide for their own future as well as increasing the level of national savings and reducing the dependence on funding from overseas.

Subject to the legislation being passed, from 1 July 2011, investors will receive a 50 per cent discount on up to \$1,000 of interest earned on debentures, bonds and deposits.



In the Adelaide office:
Chris Venus (left), Craig Williams (right) and David Johnston (standing).

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STANDARD & POOR'S AFFIRMS RATING ON ANGAS SECURITIES

On 23rd May 2010 Standard & Poor's released the report of its annual review into Angas Securities. The rating was affirmed. Unfortunately, details of the rating cannot be disclosed in Investor News nor posted on the Angas Securities website due to regulatory restrictions imposed by ASIC on the distribution of such reports to retail investors. These restrictions apply across the board – not just to Angas Securities. However, the Ratings Report can be supplied on request to persons who are not retail investors.

This includes licensed investment advisers, certain foreign corporations, exempt public authorities and persons or trustees controlling investments funds of at least \$10 million. Another category is an investor who can provide to Angas Securities a certificate given by a qualified accountant certifying that the investor has net assets of at least \$2.5 million or a gross income for each of the preceding two years of at least \$250,000 a year. If you would like to be provided with a copy of the Standard & Poor's Ratings Report and you are not a retail investor then please contact Angas Securities on 1800 010 800.

TRUST COMPANY LIMITED CELEBRATES 125 YEARS

Trust Company Limited plays an important role in the affairs of Angas Securities. As Trustee representing the interests of debenture investors, Trust Company Limited holds on trust the benefit of a Trust Deed which regulates the affairs of Angas Securities in dealing with debenture funds. To support those obligations, Angas Securities has granted a charge in favour of Trust Company Limited securing repayment of the debentures and all other moneys payable from time to time.

Established in 1885, Trust Company Limited is a publicly listed trustee company serving private and corporate clients.

It started out 125 years ago as The Union Trustees, Executors and Administrators Company Limited. Its main purpose at that time was "to act as trustworthy agent to hold and manage business and financial assets for families of varying individuals travelling back to England for long periods" and "to take on the role of executor and administrator of a deceased estate". Since then the company has grown and amalgamated with The Union Trustee Company of Australia Limited (1889), Fidelity Trustee Limited (1962) and Permanent Trustee Company Limited (2002) before being renamed as Trust Company Limited in 2006. It currently supervises over \$126 billion of assets on behalf of its clients.

In its centenary year of 1985, it created its own perpetual charitable trust known as the Trust Foundation to provide charitable support for the Australian community. Trust Company Limited administers over 350 other charitable trusts and distributes more than \$20 million a year on their behalf. Trust Company Limited has developed a suite of services for corporations which include Responsible Entity, Superannuation Trustee, Debenture and Security Trustee services. It is the leading provider of property and infrastructure custody in Australia with \$72 billion under supervision. For more information about Trust Company Limited go to www.trust.com.au.

WRONG PREDICTION BY PROPHET OF DOOM

At the height of the financial turmoil of late 2008, Steve Keen received a lot of media coverage with his trenchant predictions of falling property prices. Steve Keen is Associate Professor in economics at the University of Western Sydney. He famously lost a bet with Macquarie Bank strategist Rory Robertson that property prices would fall by 40%.

Professor Keen's worst case scenario was that the Australian economy would suffer a repeat of the Great Depression lasting for 10 years – or in the best case – a recession worse than that of the early 1990's.

To put his money where his mouth was, Professor Keen sold his inner city apartment at Surry Hills in Sydney for \$540,000.00 in October 2008. At the time, he forecast that this sale represented a near peak for the inner city. There have not been many sales in the apartment complex from which that unit was sold but the last comparable sale fetched 8% more than the Keen unit price. The Sydney press recently reported that from 20 listings, Surry Hills agents have secured a 90% auction success rate over the past 3 months with a clearance rate of 81% over the past year.

There have been a total of 500 unit sales at \$455,000.00 medium price. This is a far cry from the prediction of a 40% fall in property prices. **Once again, well located investments in bricks and mortar have proven durable during periods of financial disruption.**

Steve Keen will now have to pay a higher price than he received if he wants to buy back the apartment that he sold in October 2008. And what was the price of losing the bet with Rory Robertson? Professor Keen had to walk from Canberra to the summit of Mount Kosciuszko.

NEW GUIDELINES FOR PROVIDING EXPLANATIONS OF DATA TO APRA

Under the Australian regulatory regime, a financial institution such as Angas Securities which is not a bank is directly regulated by Australian Securities and Investment Commission (ASIC) but has obligations to report data to Australian Prudential and Regulatory Authority (APRA).

In April 2010, APRA published new guidelines to assist reporting entities provide acceptable and complete explanations of data. These guidelines apply to data identified by the rules applicable to Angas Securities or by validation checks of the data after they are submitted to APRA. By following the guidelines, reporting entities such as Angas Securities can be confident that their explanations will be acceptable to APRA.

Over time, APRA expects that this will reduce follow-up of entities and result in a reduction of the reporting burden of entities. The guidelines can be found at www.apra.gov.au.

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