



INVESTOR NEWS

JANUARY 2011

SELF MANAGED SUPERANNUATION RECEIVES VOTE OF CONFIDENCE

The July 2010 edition of Investor News provided detailed coverage of the Final Report of the Review into Australia's Superannuation System delivered by the panel chaired by Jeremy Cooper, former Deputy Chairman of ASIC. A federal election has intervened which delivered a hung parliament and a minority government. Fortunately, the overwhelming thrust of the Cooper recommendations have remained in tact as reflected in the announcement by the Assistant Treasurer and Minister for Financial Services and Superannuation, the Hon Bill Shorten MP made on 16th December 2010. Investor News continues to cover this subject as listed debentures delivering reliable fixed interest returns are very popular amongst the trustees of Self Managed Superannuation Funds ("SMSFs"). The Australian Prudential Regulation Authority reports that 434,239 SMSFs existed as at September 2010 holding total assets in excess of \$400 billion.

The retail fund managers quite rightly see these SMSFs as direct competition. They lobbied the Cooper panel strongly to increase the burden and complexity on trustees of SMSFs. They suggested mandatory education requirements for the SMSFs trustees and minimum balances for SMSFs (which would have prevented many funds being started by taxpayers earlier in their working lives). The Treasury has given a vote of confidence to SMSF trustees and have upheld their key advantages of control and flexibility. Angas Securities makes no recommendations for or against SMSFs. It is a matter of individual choice. Running SMSFs requires serious issues of administration and decision making that can be challenging and time consuming. Independent advice should always be sought before any serious investment decision is made.

Angas Securities welcomes the response of Treasury. It validates freedom to choose to accept responsibility for one's own financial affairs and retirement rather than out-sourcing to a retail fund manager. For details of the Assistant Treasurer's announcement visit www.strongersuper.treasury.gov.au which outlines a range of measures to improve the operation and efficiency of SMSFs. One such measure will be to facilitate taxpayers to be able to rollover balances from fund managers into their own SMSF more readily.

PROSPECTUS No 12 IS NOW OPEN

Angas Securities is pleased to advise that Prospectus No 12 for the issue of listed debenture stock is now available. Investors can call Angas Securities on 1800 010 800 to request a free copy of Prospectus No 12 which sets out the current details of the securities offering as well as a summary of audited financial performance of Angas Securities for the period ended 30th June 2010.

Earn **9.0%** p.a. fixed for 3 years

ANGAS SECURITIES LIMITED
ACN 091 942 728
AFS LIC NO 232 479

BORROWING THROUGH YOUR SMSF

Investing in a fixed interest product such as listed debentures issued by Angas Securities is a popular strategy amongst SMSF trustees. Since September 2007, SMSF trustees have been able to borrow funds to acquire assets including real property. Australians have always been fond of property ownership. SMSFs are now a legitimate means to acquire property through gearing, that is, by paying some of the purchase price in cash and borrowing the rest from a bank. Any SMSF investment must conform with the over-riding public policy of building wealth to fund the taxpayer's retirement. An SMSF fund may buy a geared property and be able to pay off the mortgage from rental income or other contributions over time. The SMSF will be left with a freehold property which will generate income from the rent and may benefit from capital appreciation if the original purchase was well chosen by the trustee (subject to market conditions).

Not all property acquisitions are suitable for borrowing through SMSF. Investors should always seek their own advice but a summary of the most important rules are set out in the box on this page. There has been a slow take up in this investment product since it was introduced. It is fair to observe that banks and SMSFs trustees have struggled with the technical nature of the product. Angas Securities can help through its specialized broking division known as Angas Financial Services. Our consultants can provide guidance through the maze of regulations and can source bank funding for compliant transactions. Borrowing through SMSFs is not simple but it is not impossible either. There are more upfront costs than regular borrowing but there are tax benefits. SMSFs pay 15 per cent tax on rental income and zero when the SMSF is paying a pension to members over 60 years of age. Properties in SMSFs attract no capital gains tax when retirees over the age of 60 sell the asset.

Investors should obtain their own advice as to the suitability of borrowing to acquire a property in their SMSF. Angas Financial Services does not advise on these investments – nor does it promote them. Angas Financial Services does have a role to play which is in facilitating the borrowing process for a compliant transaction. Call the Investor Service Line on 1800 010 800 and ask to speak to an Angas Financial Services consultant. There is no obligation.

- SMSFS MUST BORROW FUNDS THROUGH A LIMITED RECOURSE LOAN INSTEAD OF A TYPICAL MORTGAGE.
- THE LOAN MUST COMPLY WITH THE SUPERANNUATION INDUSTRY SUPERVISION (SIS) ACT.
- TRUSTEES CAN BORROW ONLY TO PURCHASE A SINGLE ASSET OR A NUMBER OF IDENTICAL ASSETS THAT HAVE THE SAME MARKET VALUE, FOR EXAMPLE 1000 SHARES IN A COMPANY AT THE SAME TIME.
- BORROWED FUNDS CANNOT BE USED TO UPGRADE A PROPERTY, ONLY TO MAINTAIN IT.
- TRUSTEES CANNOT CONSTRUCT A BUILDING OR ROOM USING A LIMITED RECOURSE LOAN.
- REPAYMENTS ARE MADE THROUGH THE SUPER FUND.
- SMSFS CANNOT MAKE A DEPOSIT ON A PROPERTY WITH FUNDS OUTSIDE THE SUPER.
- THE PURCHASER MUST COMPLY WITH THE SMSFS INVESTMENT STRATEGY.
- TRUSTEES CAN BORROW FROM ANYONE, INCLUDING BANKS, AS LONG AS ITS AT ARMS LENGTH.
- EXISTING PROPERTIES WITHIN A SMSF CANNOT BE USED AS SECURITY TO BORROW AGAIN FOR ANOTHER PROPERTY.
- TRUSTEES CAN RE-FINANCE AN EXISTING LIMITED RECOURSE LOAN.

ANGAS PRIME INCOME FUND

In order to fully exploit the business opportunities available to Angas Securities as a successful commercial property lender, Angas Securities will investigate the placement of external funding sources in addition to the issue of listed debentures. There has been a diminution in competition in recent years amongst commercial property leaders. This has been due to several factors associated with credit funding, capital markets and the global economy. Angas Securities has witnessed solid growth in demand for commercial property finance within the qualitative credit parameters that Angas Securities requires. That demand has exceeded the traditional capacity of Angas Securities to fund loans and Angas Securities has had to turn away good business. Furthermore Angas Securities considers it desirable to establish an alternative funding source for reasons of risk management by diversification.

On 19 October 2010, ASIC licensed Angas Securities to operate a managed investment scheme known as Prime Monthly Income Trust. That scheme has operated in one form or another continuously since 1984. Angas Securities is now the Manager of Prime Monthly Income Trust. As such, Angas Securities will be able to generate management fee income from investing the assets of the trust in commercial property loans broadly in line with existing commercial lending business. There is no Balance Sheet risk to Angas Securities from acting as Manager. Fee income is generated on the returns but the risk of any loss of capital from loan advances is borne by the unit holders in the trust. Its name has now been changed to Angas Prime Income Fund.

The rights of investors as holders of first ranking security over the assets and undertakings of Angas Securities will be preserved. Angas Securities will ensure the legal structure of any alternative funding source will be subject to the first ranking charge held by the Trustee for the benefit of investors. The requirements of the Trust Deed will continue to apply and be met by Angas Securities. The increased capacity of Angas Securities to fund commercial property loans from this alternative funding source in addition to listed debentures is intended to enhance the competitiveness and profitability of Angas Securities.

Given the sustained demand for commercial property lending within its parameters, Angas Securities will continue to investigate all potential future funding opportunities suited to the Angas Securities business and will develop and refine the preferred capital and financing strategy. Angas Securities has built a solid platform resulting in a trading history that is reputable, proven and established.



DEBENTURE RATE

8.0%

p.a. fixed for 1 year

THE FIXED INTEREST SPECIALIST
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FIXED INTEREST DEBENTURE STOCK

You could be earning

9.0%_{p.a.}

fixed for 3 years

INVESTOR SERVICE LINE 1800 010 800

Interest paid Monthly or Reinvested

Listed on the National Stock Exchange of Australia

Investments only by the application form contained in our Prospectus.

This is not a bank deposit.

IMPORTANT NOTICE

This newsletter does not contain investment advice. You should carefully consider the content of our Prospectus and seek advice from your own qualified financial adviser. This newsletter contains general information only and does not take into account your individual objectives, financial situation or needs.



VISIT ANGAS SECURITIES ON THE WEB

Financial Statements for Full Year FY10 are posted at

www.angassecurities.com